

Weekly Economic Update

The MPC's decision and important data from the USA

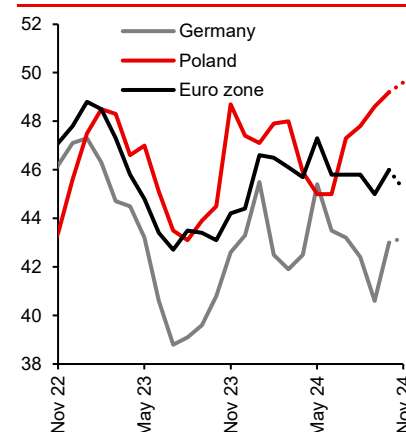
Economy next week

- Next week, the most important economic events in Poland will be **the decision-making meeting of the Monetary Policy Council**, which ends on Wednesday, and the conference of NBP Governor Adam Glapiński on Thursday. Nobody expects that the meeting could bring a reduction in interest rates, given that the statements of the Council members clearly suggest that it will not take place at least until March next year. Nevertheless, both the post-meeting press release and the conference of the governor may attract the attention of the market if they contain new hints on the date of the first rate cut, e.g. in connection with the surprisingly weak structure of GDP growth in 3Q24.
- Apart from that, the only release on the state of the Polish economy will be **the November print of the manufacturing PMI** (Monday). We expect the indicator to increase from 49.2 to 49.6 pts - moderately, but also 0.2 pts above the consensus.
- November PMI prints, both for manufacturing (on Monday) and services (on Wednesday), will also be released for the economies of the euro zone. Their preliminary estimates showed that both sectors experienced a strong deterioration of economic conditions. However, it is worth to note that the weakening of the German PMI avoided the weakening, which allows to expect that the Polish PMI print will also be moderately positive.
- **Abroad, the most important release will be the report on the state of the US labour market in November**, which will be published on Friday. The report for October showed surprisingly weak growth in non-farm payrolls. However, even though labour demand in the US is normalizing, much of the weakness likely stemmed from temporary factors such as hurricanes. For this reason, the market expects a stronger increase in employment in November, by about 200k full-time equivalents. The deviation of its actual value from expectations may both shed more light on the structural situation of the US labour market, as well as significantly move the market. In addition, in the US there will also be data on durable goods orders, the ADP report, and the Michigan index.

Markets next week

- Although Donald Trump has not yet returned to the Oval Office, the past week has shown that his decisions and announcements may already have a significant impact on the behaviour of the financial markets. The dollar's weakening against the euro at the beginning of the week coincided with the emergence of new appointments to the president-elect's administration, as well as information about the amount of tariffs that the US may impose on China, Mexico and Canada. The weaker dollar supported the CEE currencies and led to the appreciation of the Polish zloty and the Czech koruna against the euro, and then the stabilization of their exchange rates by about 0.8% and 0.3%, respectively, below Monday's opening. We believe that we should continue to expect increased volatility in financial markets. In the coming week, volatility on domestic markets may be further intensified by the MPC decision and Governor Glapiński's conference, and on foreign markets – by the publication of the November report on the US labour market. **We assume that – apart from potential new statements from D. Trump – after the recent strengthening of the zloty, there may be room for profit-taking, so we expect a somewhat weaker zloty.**
- Changes in domestic bond prices and money market rates have been limited in the last week. Better-than-expected data on industrial production and retail sales provided support for forecasts of further economic rebound, and at the same time reduced expectations regarding the scale of potential monetary stimulation, which could have been the reason for a slight increase in FRA rates and IRS rates. The publication of the GDP growth breakdown in 3Q24, indicating a drastic slowdown in consumption and investment growth, translated into an increase in the prices of domestic bonds and a decrease in market rates. The market reaction to the weak GDP data came with a daily lag due to the Thanksgiving holiday in the US. After the recent weak data, analysts are quite cautious, so in our opinion, the data may surprise to the upside, which may **push yields in core markets slightly higher. Polish yields should follow**, supported by the data on the domestic PMI and the statements of President Glapiński, which, in our opinion, will that interest rate path will be higher than currently priced-in by the market.

PMI in manufacturing, pts

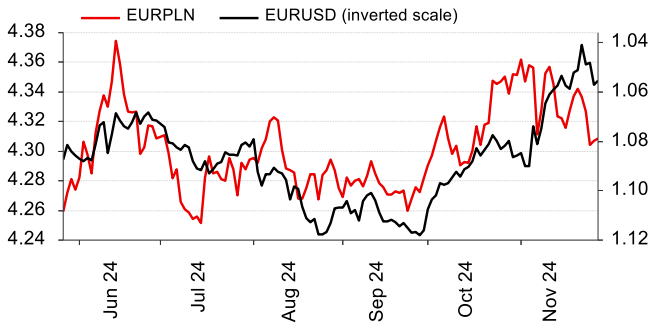


Source: S&P Global, Santander

Economic Analysis Department:

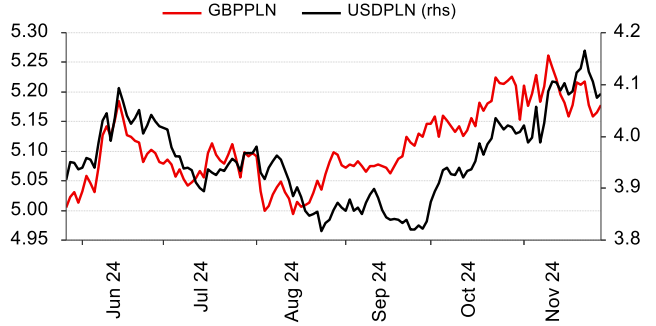
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EURPLN and EURUSD



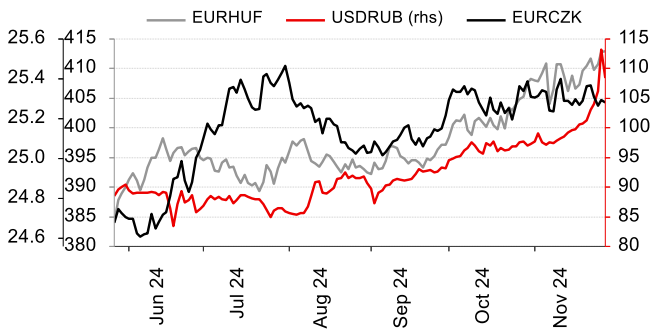
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



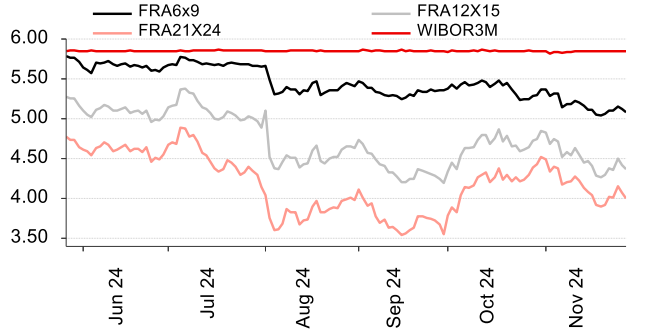
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



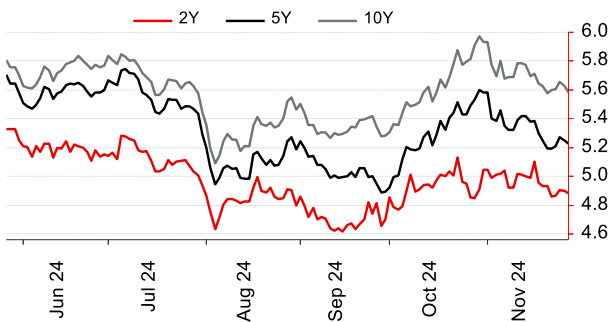
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



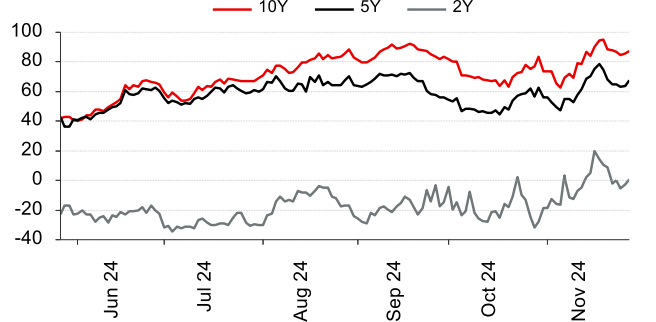
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



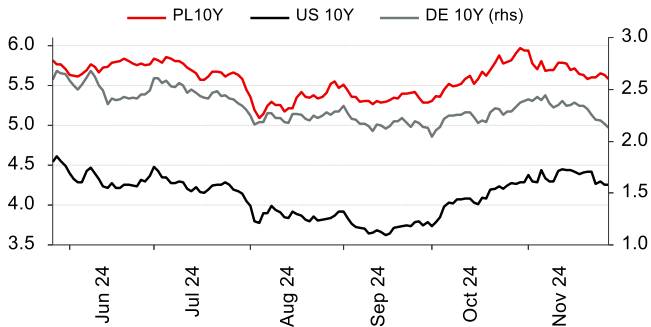
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



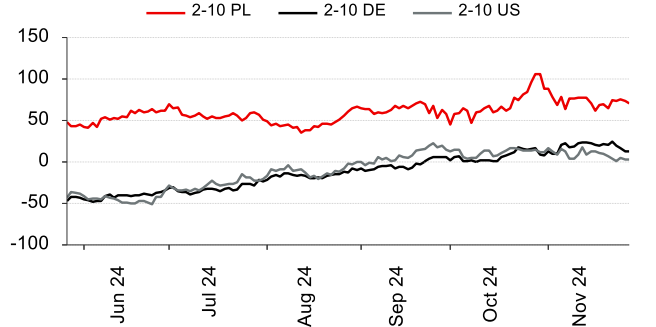
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
MONDAY (2 December)						
09:00	PL	Poland Manufacturing PMI	Nov	pts	49.4	49.2
09:55	DE	Germany Manufacturing PMI	Nov	pts	43.2	43.0
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	45.2	46.0
11:00	EZ	Unemployment Rate	Oct	%	6.3	6.3
16:00	US	ISM manufacturing	Nov	pts	47.6	46.5
TUESDAY (3 December)						
08:30	HU	GDP	3Q	% y/y	-0.8	1.5
WEDNESDAY (4 December)						
	PL	MPC decision	Dec	%	5.75	5.75
02:45	CN	Caixin China PMI Services	Nov	pts	52.4	52.0
09:55	DE	Markit Germany Services PMI	Nov	pts	49.4	51.6
10:00	EZ	Eurozone Services PMI	Nov	pts	49.2	51.6
14:15	US	ADP report	Nov	k	165	233
16:00	US	Durable Goods Orders	Oct	% m/m	-	0.2
16:00	US	ISM services	Nov	pts	55.5	56.0
16:00	US	Factory Orders	Oct	% m/m	0.3	-0.5
THURSDAY (5 December)						
08:00	DE	Factory Orders	Oct	% m/m	-2.1	4.2
11:00	EZ	Retail Sales	Oct	% m/m	-	0.5
14:30	US	Initial Jobless Claims	weekly	k	-	213
15:00	PL	NBP Governor's Conference				
FRIDAY (6 December)						
08:00	DE	Exports SA	Oct	% m/m	-	-1.7
08:00	DE	Industrial Production SA	Oct	% m/m	1.5	-2.5
08:30	HU	Industrial Production SA	Oct	% y/y	-5.6	-5.4
11:00	EZ	GDP SA	3Q	% y/y	0.9	0.6
14:00	PL	MPC Minutes				
14:30	US	Change in Nonfarm Payrolls	Nov	k	200	12
14:30	US	Unemployment Rate	Nov	%	4.2	4.1
16:00	US	Michigan index	Dec	pts	73.0	71.8

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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