

Weekly Economic Update

Will the ECB restore faith in MPC's rate cuts?

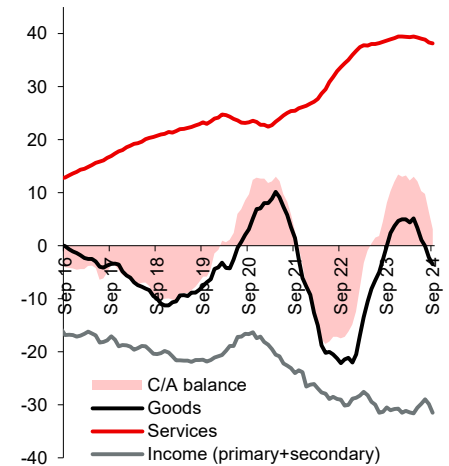
Economy next week

- The economic data calendar for the next week is quite light. Important indicators will appear in Poland only on Friday: **full data on CPI inflation for November and on the October balance of payments**.
- The latter have a greater potential to influence the market: the consensus according to Bloomberg predicts a clear improvement in the current account balance to EUR +113m (vs. EUR -1434m in September), while our forecast assumes a clearly larger deficit, c. EUR -950m, resulting from an acceleration in imports.
- Inflation data will probably confirm the flash reading, which showed a decline in CPI to 4.6% y/y, mainly due to the high base effect, while at the same time pointing to a likely slight rebound in core inflation to 4.2-4.3% y/y.
- After another hawkish pivot of the NBP governor Adam Glapiński (the discussion on rate cuts reportedly delayed until October, rate cuts only in 2026 – [details in the comment](#)), followed by contradicting opinions of MPC members (H.Wnorowski and L.Kotecki this morning), in the coming days **the market will be on the lookout for any new signals from the MPC**, which will allow to assess the distribution of views on the monetary policy outlook. Usually, in the week after the MPC meeting, there are more such statements.
- There are also few data publications abroad, including inflation data from the eurozone countries, Czechia, Hungary, the USA, and industrial production in the eurozone, among others.
- **The event of the week will be the ECB meeting on Thursday.** The bank is likely to cut interest rates once again in response to the deteriorating economic outlook for the eurozone. The consensus forecast points to a 25bps cut, while some members of the ECB Council, including Chief Economist Philip Lane, suggested that a discussion about a 50bps cut is possible.
- Before the ECB, central banks in Australia (expected no change), Canada (expected cut by 50bps) and Switzerland (-25bps) will also make decisions on interest rates.

Markets next week

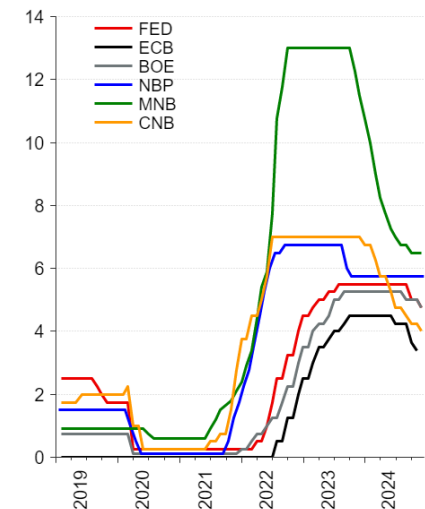
- After a clear strengthening of the zloty in recent days, which was helped by a hawkish message from the NBP Governor at the end of the week, **we expect a rebound and a return of the EURPLN to the area of 4.30**, which may be caused by the strengthening of the dollar against the euro after today's solid data from the US labour market and the expected dovish communication from the ECB on Thursday, as well as possible further statements from MPC members indicating a diversity of opinions on the interest rate outlook.
- On the rates market, the pricing of the timing of the next MPC rate cut may fluctuate to the rhythm of the statements of subsequent MPC members. **An upward shift of the FRA curve could be quite persistent**, because it should be quite easy for President Glapiński to block the possibility of a rate cut in the first half of the year (apart from his and J.Tyrowicz's votes, "only" three other members of the Council are needed for this), **unless the ECB decides to cut rates by 50bps** and/or presents very mild rhetoric – then investors will probably start questioning again, whether the hawkish tone of the Polish MPC will stand the test of time. A postponement of the start of rate reductions may lead to a flattening of the swap curve, with asset swap spreads widening, pricing in higher fiscal risks resulting from a more difficult environment for economic recovery.

Current account and its main component, 12m moving sum, % of GDP



Source: NBP, Santander

Central banks' main interest rates, %

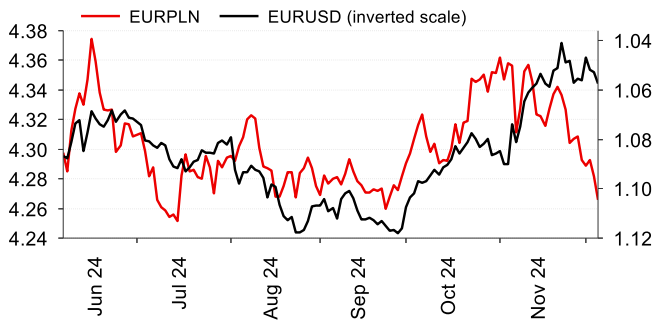


Source: LSEG Datastream, Santander

Economic Analysis Department:

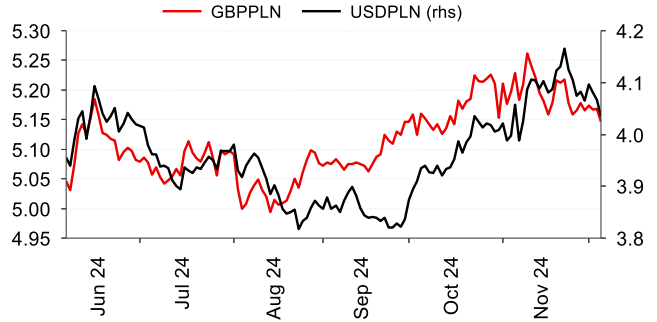
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EURPLN and EURUSD



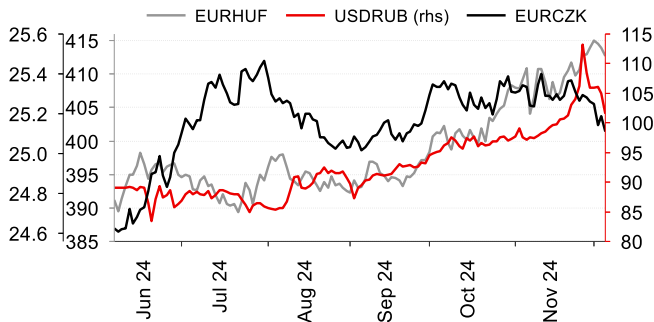
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



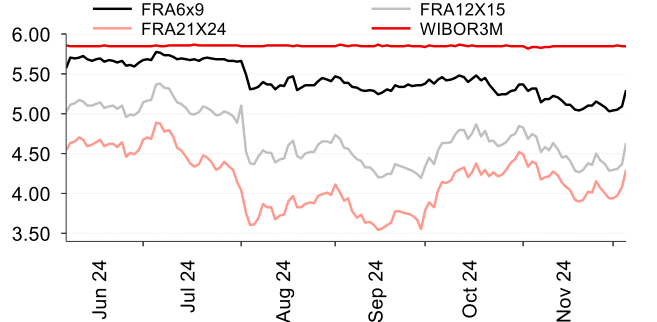
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



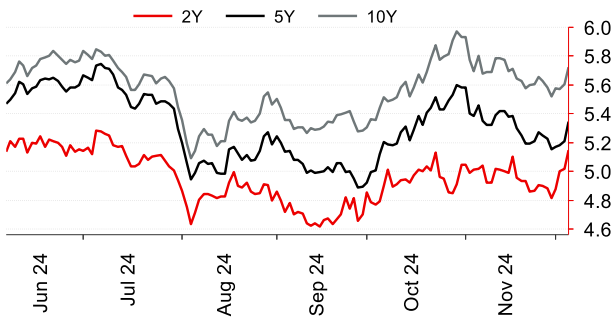
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



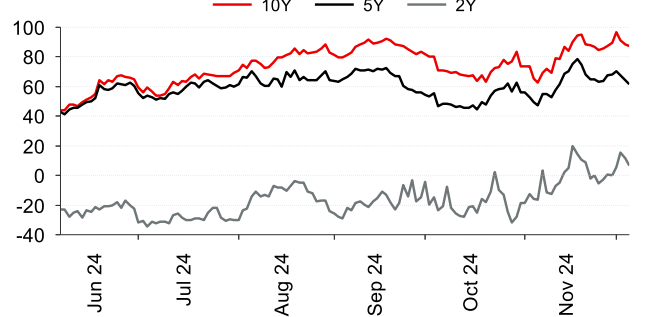
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



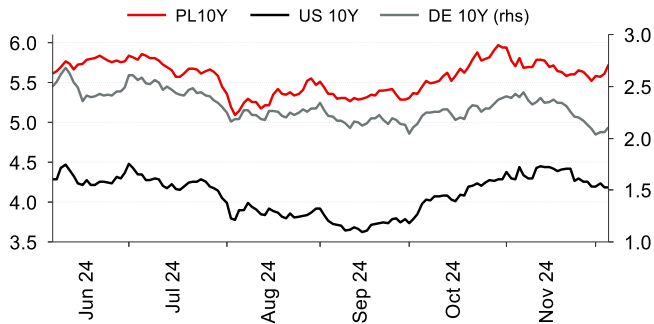
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



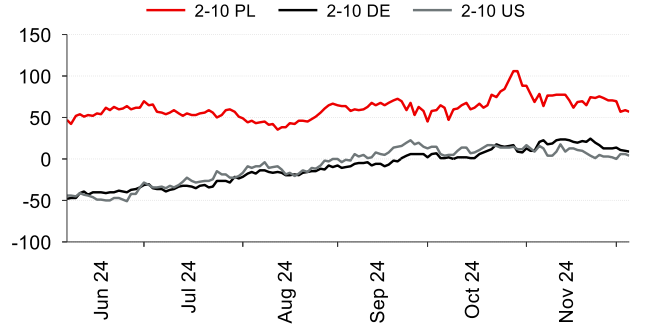
Source: LSEG Datastream, Santander Bank Polska

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 (9 December)							
09:00	CZ	Industrial Production	Oct	% y/y	-0.6	-	3.9
TUESDAY (10 December)							
08:00	DE	HICP	Nov	% m/m	-0.7	-	0.4
08:30	HU	CPI	Nov	% y/y	3.7	-	3.2
09:00	CZ	CPI	Nov	% y/y	3.0	-	2.8
WEDNESDAY (11 December)							
14:30	US	CPI	Nov	% m/m	0.3	-	0.2
THURSDAY (12 December)							
14:15	EZ	ECB Deposit Facility Rate	Dec	%	3.00	-	3.25
14:30	US	Initial Jobless Claims	Weekly	k	-	-	224
FRIDAY (13 December)							
08:00	DE	Exports SA	Oct	% m/m	-2.6	-	-1.7
10:00	PL	CPI	Nov	% y/y	4.6	4.6	5.0
11:00	EZ	Industrial Production SA	Oct	% m/m	-0.1	-	-2.0
14:00	PL	Current Account Balance	Oct	€mn	-78	-947	-1 434
14:00	PL	Trade Balance	Oct	€mn	-875	-874	-690
14:00	PL	Exports	Oct	€mn	30 604	31 097	28 031
14:00	PL	Imports	Oct	€mn	31 516	31 971	28 721

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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