

Eyeopener

Strong current account data

Today, core inflation data in Poland, flash PMIs in Europe
November's CPI inflation revised up from 4.6% to 4.7% y/y
Current account balance better than expected, with €1.1bn surplus
Zloty stronger, yields higher

Today, we will see the November core inflation print, which in our opinion will show an increase to 4.3% y/y from 4.1% y/y in September. In Europe, there will be preliminary estimates of manufacturing and services PMIs for November. The data from China published overnight showed a slight acceleration of industrial output (to 5.4% y/y, in line with expectations), and a disappointing result of retail sales (slowdown to 3% y/y, clearly below forecasts), which may further press the authorities to intensify the demand stimulation.

NBP Governor Adam Glapiński reiterated his hawkish message from the last press conference in his [statement for DGP daily](#) and in his [speech at the annual meeting of the banking community](#). In his opinion, there are currently no conditions for rate cuts due to high inflation, double-digit wage growth, loose fiscal policy, low unemployment and expected economic recovery, and NBP must remain focused on reducing inflation to the target.

Final CPI data showed prices rising 0.5% m/m and 4.7% y/y in November, i.e. +0.1pp higher than in the flash print. The details revealed surprisingly strong increase in prices of communication (+1.8% m/m), clothing and footwear (0.5% m/m) and smaller than we anticipated prices in recreation and culture (-0.3% m/m), alcohol and tobacco (-0.1% m/m) and "others". We still believe that a drop of CPI y/y inflation rate in November (from October's 5.0%) was temporary and caused by a low base effect, and in the coming months inflation will continue climbing, getting back above 5% in December and peaking in March 2025 above 5.5% y/y. Core inflation should stay well above 4% y/y until late summer 2025, according to our forecasts. Today's data reinforce our view that the MPC will keep interest rates on hold in 1H25 and we still keep July 2025 as the most likely moment of the next interest rate cut. Read more on inflation in our [Economic Comment](#).

Current account balance printed €1bn surplus in October, markedly more than expected (market: €0.1bn deficit, us: €0.9bn deficit). While trade balance was roughly in line with our expectations (-€0.7bn, export +1.5% y/y, import +6.6% y/y), service and income balances were markedly better than we had assumed. Service balance improved to €3.5bn from €3.0bn in September, while income balance to -€0.9bn from -€3.8bn in September. This was mostly caused by inflow of EU funds, which amounted to €1.5bn and was stronger than suggested by data released earlier by the Finance Ministry. That having said, while the improvement was to a certain extent caused by EU funds, stronger service balance is a positive sign for 4Q24 GDP growth. 12m current account balance fell to +0.3% of GDP from +0.4% of GDP in September. We are expecting this ratio to go down further in the upcoming months.

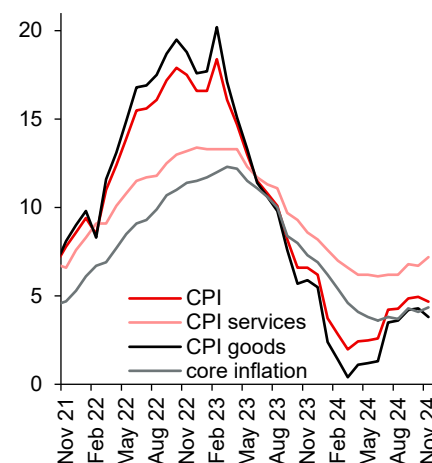
The government is working on **changes in the pension indexation mechanism**, and is inclined to increase the weight of real wage growth in it. Currently, the minimum indexation rate is equal to the sum of inflation in pensioners' households and 20% of the real increase in wages. In practice, this would mean a permanently higher indexation rate in the future and faster growth of pensions. In our view, this is a good line of thinking that could reduce the gap between the growth rates of employee income and pensions and limit future discretionary increases in pension benefits.

According to the Eurostat, **the rate of unused labour force in Poland equals 4.8%**, which is the second lowest result in the EU, after Malta. Given that unemployment in Poland is one of the lowest in the EU, this is by no means a surprising result.

Friday's session was favourable for the CEE currencies, which strengthened by 0.2-0.4% against the euro. The currencies were supported by the strengthening of the euro against the dollar and expectations regarding the results of this week's central bank meetings – no changes in rates in Czechia and Hungary, and a rate cut in the USA. The zloty was additionally supported by strong current account data, upwardly revised inflation data, and a hawkish statement from Adam Glapiński. The EURPLN started the day at 4.275, and at the end of the session it reached 4.26.

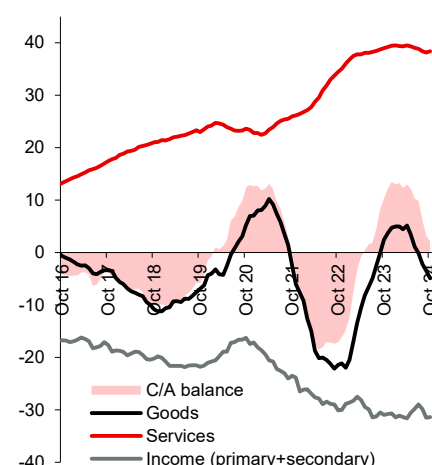
Market rates increased. The yield curve moved up by 4-9 bps, and the IRS curve by 8-14 bps, both stronger at the long end. Higher rates were supported by an increase in yields on core markets, as well as stronger data from Poland and the words of the NBP Governor. The beginning of the week may bring further increases in interest rates and yields, e.g. in reaction to the weakening of debt in the euro area after the downgrade of France's rating by Moody's on Friday.

CPI inflation, % y/y



Source: GUS, NBP, Santander

Current account, €bn, 12m sums



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.2602	CZKPLN	0.1701
USDPLN	4.0516	HUFPLN*	1.0327
EURUSD	1.0514	RONPLN	0.8569
CHFPLN	4.5476	NOKPLN	0.3633
GBPPLN	5.1194	DKKPLN	0.5711
USDCNY	7.2803	SEKPLN	0.3688

*for 100HUF

Last session in the FX market						13/12/2024
	min	max	open	close	fixing	
EURPLN	4.2600	4.2788	4.2762	4.2617	4.2722	
USDPLN	4.0502	4.0925	4.0858	4.0608	4.0738	
EURUSD	1.0452	1.0524	1.0464	1.0497		

Interest rate market

13/12/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.07	4
DS1029 (5L)	5.44	9
DS1034 (10L)	5.81	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.62	4	4.46	3	2.32	2
2L	5.15	8	4.32	5	2.20	5
3L	4.94	10	4.26	6	2.17	6
4L	4.87	11	4.24	6	2.18	6
5L	4.87	11	4.19	6	2.19	5
8L	4.96	14	4.17	9	2.23	5
10L	5.04	14	4.18	6	2.26	5

WIBOR rates

Term	%	Change (bps)
O/N	5.61	-10
T/N	5.78	0
SW	5.82	-1
1M	5.82	-2
3M	5.86	1
6M	5.78	0
1Y	5.60	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	2
3x6	5.73	4
6x9	5.37	6
9x12	5.06	9
3x9	5.67	4
6x12	5.33	6

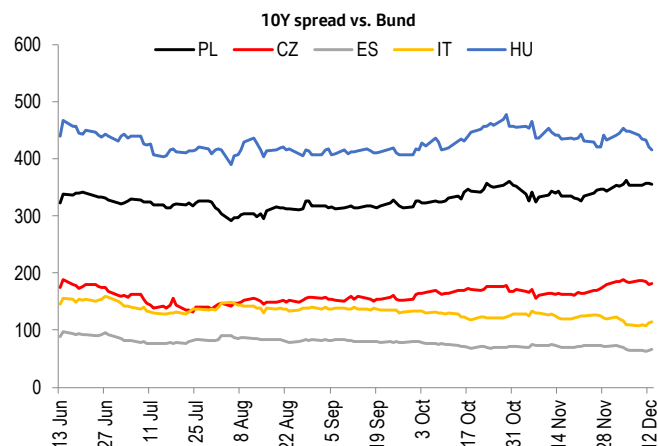
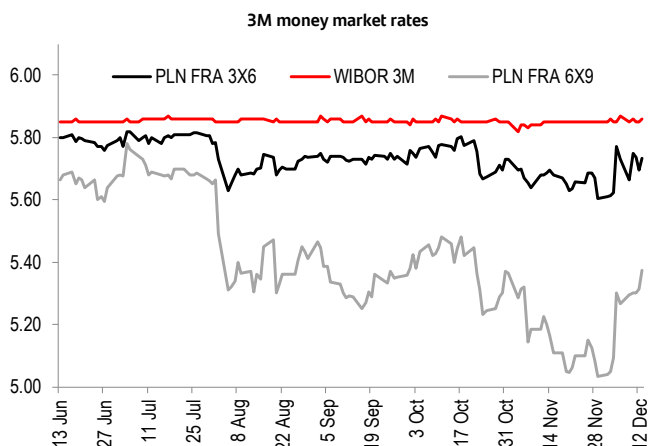
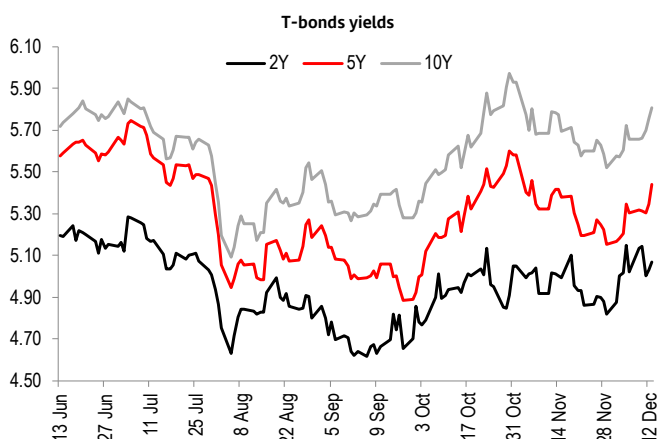
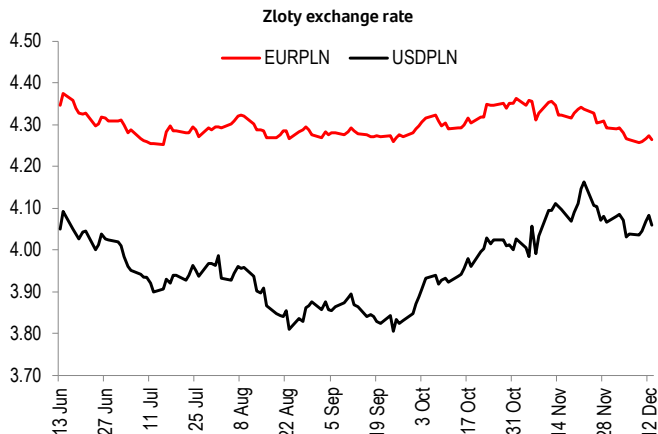
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	65	0	356	0
France	17	0	78	1
Hungary	130	0	416	-5
Spain	33	0	67	2
Italy	24	0	114	1
Portugal	18	0	47	3
Ireland	10	0	30	-1
Germany	7	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (13 December)							
08:00	DE	Exports SA	Oct	% m/m	-2.6	-2.8	-1.7
10:00	PL	CPI	Nov	% y/y	4.6	4.6	4.6
11:00	EZ	Industrial Production SA	Oct	% m/m	0.0	0.0	-2.0
14:00	PL	Current Account Balance	Oct	€mn	-100	-947	1064
14:00	PL	Trade Balance	Oct	€mn	-883	-874	-740
14:00	PL	Exports	Oct	€mn	30581	31097	30311
14:00	PL	Imports	Oct	€mn	31501	31971	31051
MONDAY (16 December)							
	PL	Central Budget Cumul.	Nov	mn PLN	-	-149.5	-
09:30	DE	Germany Manufacturing PMI	Dec	pts	43.1	-	43.0
09:30	DE	Markit Germany Services PMI	Dec	pts	49.5	-	49.3
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	45.25	-	45.2
10:00	EZ	Eurozone Services PMI	Dec	pts	49.5	-	49.5
14:00	PL	CPI Core	Nov	% y/y	4.2	4.3	-
TUESDAY (17 December)							
10:00	DE	IFO Business Climate	Dec	pts	85.55	-	85.7
11:00	DE	ZEW Survey Current Situation	Dec	pts	-92.6	-	-91.4
14:00	HU	Central Bank Rate Decision	Dec/24	%	6.5	-	6.5
14:30	US	Retail Sales Advance	Nov	% m/m	0.5	-	0.4
15:15	US	Industrial Production	Nov	% m/m	0.2	-	-0.26
WEDNESDAY (18 December)							
11:00	EZ	HICP	Nov	% y/y	2.3	-	2.3
14:30	US	Housing Starts	Nov	% m/m	2.52	-	-3.1
20:00	US	FOMC decision	Dec/24		4.5	-	4.75
THURSDAY (19 December)							
10:00	PL	Employment in corporate sector	Nov	% y/y	-0.6	-0.6	-
10:00	PL	Sold Industrial Output	Nov	% y/y	-2.0	-1.3	-
10:00	PL	Construction Output	Nov	% y/y	-11.6	-10.2	-
10:00	PL	PPI	Nov	% y/y	-3.85	-3.7	-
10:00	PL	Average Gross Wages	Nov	% y/y	10.0	9.3	-
14:30	US	GDP Annualized	3Q	% Q/Q	2.8	-	2.8
14:30	US	Initial Jobless Claims	Dec/24	k	220	-	242
14:30	CZ	Central Bank Rate Decision	Dec/24		4.0	-	4.0
16:00	US	Existing Home Sales	Nov	% m/m	3.33	-	3.39
FRIDAY (20 December)							
10:00	PL	Retail Sales Real	Nov	% y/y	1.0	0.5	-
14:30	US	Personal Spending	Nov	% m/m	0.5	-	0.4
14:30	US	Personal Income	Nov	% m/m	0.4	-	0.6
14:30	US	PCE Deflator SA	Nov	% m/m	0.2	-	0.2
16:00	US	Michigan index	Dec	pts	-	-	74.0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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