

17 December 2024

## Eyeopener

### German manufacturing PMI lower again

Today, German business climate indices, MNB decision  
 Core inflation increased to 4.3% y/y in November  
 Manufacturing PMIs lower, but services higher in December  
 Zloty slightly stronger, bond yields higher

**Today**, German Ifo and ZEW business sentiment indices for December will be published, as well as November data on US retail sales and industrial output. Apart from that, the National Bank of Hungary (MNB) will decide on the level of interest rates and will most likely keep them unchanged, leaving the main rate at 6.50%.

**Core inflation ex food and energy increased in November to 4.3% y/y**, after 0.2% m/m rise in prices. Two other core inflation measures declined (CPI ex administered prices from 3.5% to 3.2% y/y and 15% trimmed mean from 4.5% to 4.4% y/y) while one remained stable (CPI ex most volatile prices, at 5.3% y/y). We expect the main core inflation measure to stay above 4% y/y at least until mid-2025, supported by a rise of administered prices at the start of the new year (including higher prices of waste and water management) but also a general stickiness of services prices related to still rapid wage increases. It will be one of arguments used by the NBP governor Adam Glapiński to justify no hurry in monetary easing in 2025.

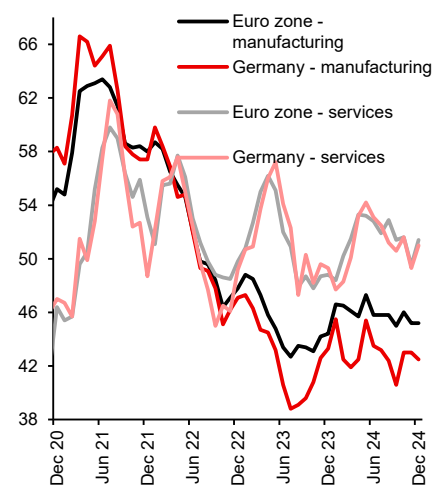
**Flash December PMIs indicated that business conditions in the manufacturing sectors of the euro area's largest economies deteriorated further.** The manufacturing PMI of Germany fell from 43.0 to 42.5 pts, and the manufacturing PMI of France from 43.1 to 41.9 pts. Their weakening was related to a further decline in new orders, output, and employment. Although the weakness of France and Germany had a negative impact on the results of industrial output of the entire euro area, better economic situation in the manufacturing sectors of other member states allowed the euro area's manufacturing PMI to remain unchanged at 45.2 pts. In the services sectors, a slight improvement was recorded, which led to increases in services PMIs: for Germany - from 49.3 to 51.0 pts, for France - from 46.9 to 48.2 pts, and for the euro area - from 49.5 to 51.4 pts. The PMI results of Poland's western trading partners remain weak and do not give much hope for a quick improvement in their economic situation. **The PMIs for the USA followed the example of Europe, decreasing in manufacturing from 49.8 to 48.3 pts, and rising in services from 56.1 to 58.5 pts.**

**The budget deficit increased to PLN141.8bn in November** from PLN129.8bn in October. The monthly increase in the deficit stood out negatively compared to the average from recent years (c. PLN2.5bn), although tax revenues looked quite solid - VAT increased by 10% y/y, CIT by 21.4% y/y, and PIT by 7.0% y/y, and excise tax revenues decreased by 1.0% y/y. Overall, revenues increased by 7.8% y/y and expenses by 16.5% y/y. The amended budget act assumes that the year will close with a deficit of PLN240bn, which means that in December the budget deficit would have to increase by about PLN100bn. In our opinion, the actual implementation may be close to the limit from the act.

**On Monday, the Polish zloty appreciated slightly against the euro.** The strengthening came after the publication of a weak December reading of the US industrial PMI, which translated into a weakening of the dollar against the euro. As a result, EURPLN ended the session nearly 0.2% below the opening price. The exchange rates of the Hungarian forint and the Czech koruna against the euro have changed only slightly, and the market is waiting for the results of the central bank meetings. Mihály Varga, Hungary's finance minister, who has been anointed by Viktor Orban as president of the MNB, said he would be determined to bring inflation down and that the central bank would remain independent. In the Czech Republic, on the other hand, higher than forecast PPI inflation data was published, but the forint and koruna markets did not react to these pieces of information.

**Local bond yields and money market rates increased yesterday.** Polish bond yields increased by 0-3 bps, more so at the long end of the curve, IRS rates by 2-5 bps, and FRA rates by 0-8 bps. We assume that this was the effect of correction of market expectations regarding the pace of NBP rate cuts, following Friday's hawkish statements by the NBP president and strong current account data and a rise in core inflation, but also the aftermath of earlier rises in eurozone debt yields. There was a slight strengthening in the core debt markets on Monday, with German bond yields down 2-3 bps and US bond yields down around 2 bps. The Ministry of Finance informed it is planning three debt auctions per month next year until November and two in December.

PMI indices, pts



Source: S&amp;P Global, Santander

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**FX market**

Today's opening			
EURPLN	4.2571	CZKPLN	0.1698
USDPLN	4.0540	HUFPLN*	1.0461
EURUSD	1.0501	RONPLN	0.8562
CHFPLN	4.5258	NOKPLN	0.3629
GBPPLN	5.1447	DKKPLN	0.5707
USDCNY	7.2840	SEKPLN	0.3714

\*for 100HUF

Last session in the FX market					16/12/2024
	min	max	open	close	fixing
EURPLN	4.2533	4.2651	4.2594	4.2545	4.2622
USDPLN	4.0450	4.0692	4.0503	4.0478	4.0571
EURUSD	1.0472	1.0524	1.0518	1.0510	

**Interest rate market**

16/12/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.17	10
DS1029 (5L)	5.45	1
DS1034 (10L)	5.88	8

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.62	0	4.45	-1	2.32	0
2L	5.17	2	4.33	1	2.18	-2
3L	4.97	3	4.27	1	2.15	-2
4L	4.90	4	4.25	1	2.15	-3
5L	4.91	4	4.20	1	2.16	-3
8L	5.01	4	4.15	-3	2.20	-3
10L	5.08	4	4.18	0	2.24	-3

**WIBOR rates**

Term	%	Change (bps)
O/N	5.65	4
T/N	5.76	-2
SW	5.83	1
1M	5.84	2
3M	5.85	-1
6M	5.78	0
1Y	5.60	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	5.85	0
3x6	5.74	0
6x9	5.39	1
9x12	5.09	3
3x9	5.69	2
6x12	5.33	0

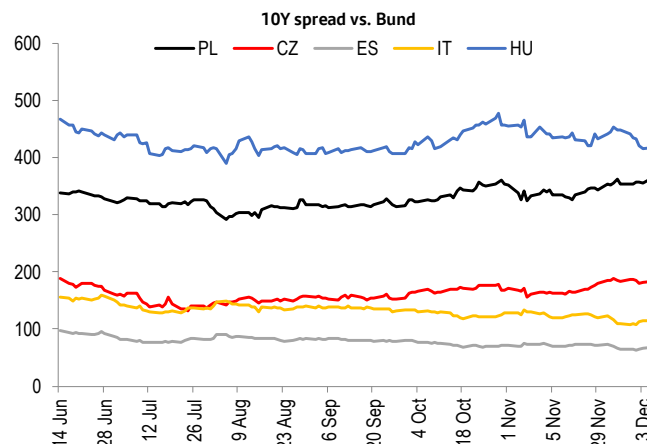
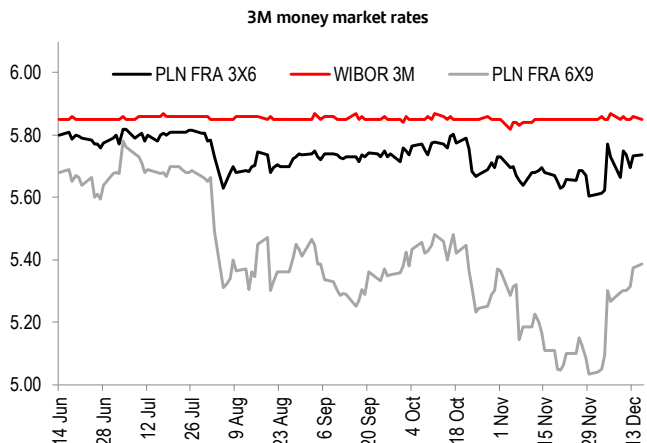
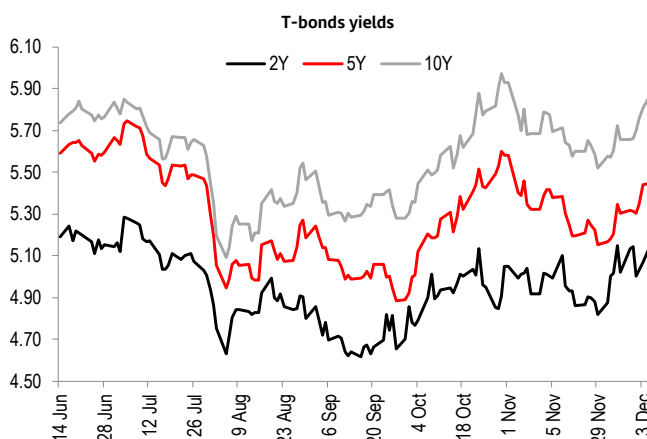
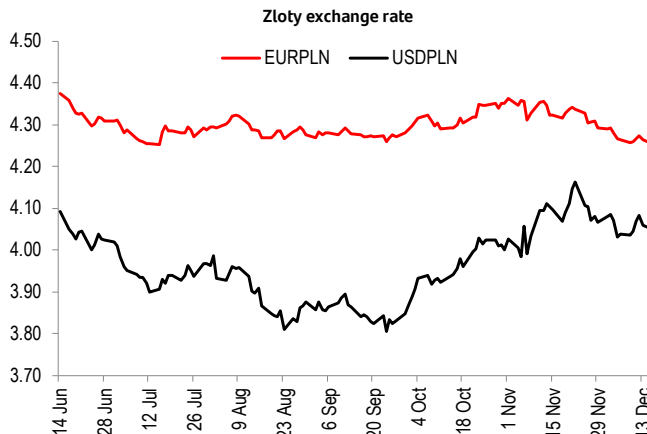
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	65	0	364	8
France	18	1	80	1
Hungary	130	0	417	0
Spain	34	1	68	1
Italy	25	1	115	1
Portugal	18	0	49	3
Ireland	11	0	29	-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		
<b>FRIDAY (13 December)</b>							
08:00	DE	Exports SA	Oct	% m/m	-2.6	-2.8	-1.7
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Nov</b>	<b>% y/y</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>
11:00	EZ	Industrial Production SA	Oct	% m/m	0.0	0.0	-2.0
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Oct</b>	<b>€mn</b>	<b>-100</b>	<b>-947</b>	<b>1064</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Oct</b>	<b>€mn</b>	<b>-883</b>	<b>-874</b>	<b>-740</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Oct</b>	<b>€mn</b>	<b>30581</b>	<b>31097</b>	<b>30311</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Oct</b>	<b>€mn</b>	<b>31501</b>	<b>31971</b>	<b>31051</b>
<b>MONDAY (16 December)</b>							
	<b>PL</b>	<b>Central Budget Cumul.</b>	<b>Nov</b>	<b>mn PLN</b>	<b>-</b>	<b>-149.5</b>	<b>-141.8</b>
09:30	DE	Germany Manufacturing PMI	Dec	pts	43.1	42.5	43.0
09:30	DE	Markit Germany Services PMI	Dec	pts	49.5	51.0	49.3
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	45.3	45.2	45.2
10:00	EZ	Eurozone Services PMI	Dec	pts	49.5	51.4	49.5
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>Nov</b>	<b>% y/y</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>
<b>TUESDAY (17 December)</b>							
10:00	DE	IFO Business Climate	Dec	pts	85.6	-	85.7
11:00	DE	ZEW Survey Current Situation	Dec	pts	-92.6	-	-91.4
14:00	HU	Central Bank Rate Decision	Dec	%	6.50	-	6.50
14:30	US	Retail Sales Advance	Nov	% m/m	0.5	-	0.4
15:15	US	Industrial Production	Nov	% m/m	0.2	-	-0.3
<b>WEDNESDAY (18 December)</b>							
11:00	EZ	HICP	Nov	% y/y	2.3	-	2.3
14:30	US	Housing Starts	Nov	% m/m	2.5	-	-3.1
20:00	US	FOMC decision	Dec	%	4.50	-	4.75
<b>THURSDAY (19 December)</b>							
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Nov</b>	<b>% y/y</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-</b>
<b>10:00</b>	<b>PL</b>	<b>Sold Industrial Output</b>	<b>Nov</b>	<b>% y/y</b>	<b>-2.0</b>	<b>-1.3</b>	<b>-</b>
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Nov</b>	<b>% y/y</b>	<b>-11.6</b>	<b>-10.2</b>	<b>-</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Nov</b>	<b>% y/y</b>	<b>-3.8</b>	<b>-3.7</b>	<b>-</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>Nov</b>	<b>% y/y</b>	<b>10.0</b>	<b>9.3</b>	<b>-</b>
14:30	US	GDP Annualized	3Q	% Q/Q	2.8	-	2.8
14:30	US	Initial Jobless Claims	Weekly	k	220	-	242
14:30	CZ	Central Bank Rate Decision	Dec	%	4.0	-	4.0
16:00	US	Existing Home Sales	Nov	% m/m	3.3	-	3.4
<b>FRIDAY (20 December)</b>							
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Nov</b>	<b>% y/y</b>	<b>1.0</b>	<b>0.5</b>	<b>-</b>
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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