

Eyeopener

URE approved distribution tariffs for energy

Today, FOMC decision - expected 25bp interest rate cut
 URE approved tariffs for energy distribution in 2025
 Mixed data from Germany and USA
 Zloty slightly weaker, bond yields higher

Today, key event will be the FOMC's policy decision. The market expects the Fed to cut interest rates by 25 bps, which would bring the main interest rate to 4.50%. In addition, in the US there will also be data on November housing starts, and in the euro area – full data on November inflation.

Energy market regulator (URE) has published new distribution tariffs for electricity and gas for 2025. While tariffs for electricity remained unchanged, gas tariffs go up by 24.7%, which will add about 5.5% to average natural gas bill and 0.15pp to CPI inflation. Let us remind that energy bill consists of sales tariffs, distribution tariffs and additional charges. Sales tariffs are valid until end of June 2025 in case of natural gas and until end of December 2025 in case of electricity. Maximum price for electricity is valid until end of September 2025 and the government is hoping that the distributors will submit lower tariffs at the end of 2025. As wholesale energy prices declined markedly in 2024, we assume new sales tariffs will not increase energy bills in 2H25. On top of that, in January 2025 renewable energy charge will be added to electricity bill (+0.4% to average bill) and in July 2025 the capacity fee will be reintroduced, adding 8% to electricity bill (+0.35pp to CPI).

The government's decision to extend the energy price cap, as well as the loose fiscal policy, do not encourage a reduction in interest rates, said Artur Soboń, member of the NBP Management Board. NBP First Deputy Governor Marta Kightley said in an interview with PAP that **it is currently uncertain when interest rates will be adjusted**, and the MPC's decisions will depend on incoming data. She also pointed out that consumer inflation expectations have increased significantly after the July increase in electricity prices. MPC member Ireneusz Dąbrowski reiterated his opinion in TV Republika's interview that **the cycle of rate cuts will begin in 3Q25**.

On Tuesday, Poland received funds from the 2nd and 3rd instalments of the RRP, informed the Minister of Funds and Regional Policy Katarzyna Pełczyńska-Naęecz. The funds amount to c.PLN40bn or EUR9.4bn, including EUR4.1bn in grants and EUR5.3bn in loans. According to the previous announcements of the Ministry of Funds and Regional Policy, requests for payment of the 4th and 5th instalments of the RRP should be submitted by the end of the year.

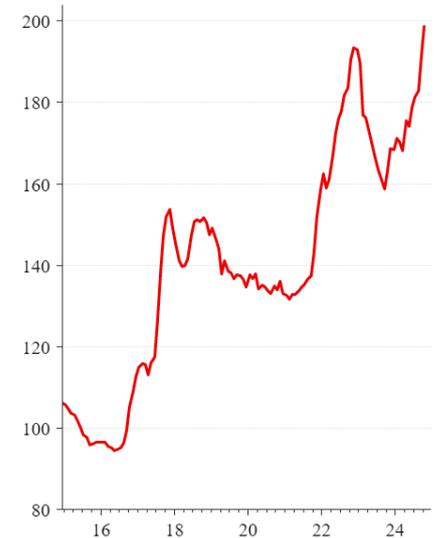
The Government Agency for Strategic Reserves will sell butter to stop its prices from rising. We expect that the agency's action may indeed reduce prices of butter for some time, but it is should be noted that the current price increases are related to global trends (low milk supply), which the agency is unable to control. In addition, the sales volume of one thousand tons is not very large compared to the national annual consumption of more than 200 thousand tons.

The Ifo Business Climate Index for Germany fell from 85.6 to 84.7 pts in December, reaching its lowest level since May 2020. The decline resulted from the weakening of expectations component from 87.0 to 84.4 pts. However, the component measuring the current situation improved slightly, from 84.3 to 85.1 pts. In contrast to the Ifo index, the December prints of **the ZEW indices showed an improvement in economic sentiment**, with their rising index from 7.4 to 15.7 pts, i.e. the highest level since September, as well as a deterioration in the current economic situation, reflected in the fifth consecutive decline in its index, from -91.4 to -93.1 pts. Although the December prints of the Ifo and ZEW indicators diverge when it comes to the economic outlook, both surveys still have in common low levels of their current situation components, indicating that the German economy remains weakened. On the other hand, **in the USA, there were better-than-expected data on retail sales, but also weaker data on industrial output**.

On Tuesday, the zloty weakened slightly. The EURPLN exchange rate has been in an upward trend since the beginning of the session and, despite temporary corrections, it ended it about 0.2% above the opening, close to the daily high. The zloty weakened despite the strengthening of the euro against the dollar. The other CEE currencies also depreciated by about 0.2% against the euro. The Bank of Hungary did not change interest rates, as expected. The bank revised its inflation forecasts for 2025 upwards, to 3.3-4.1% from 2.7-3.6%, with a slight downgrade in GDP growth forecasts. In 2026, inflation is expected to return to the target of 3% y/y. MNB Vice President Barnabás Virág said after the meeting that Hungary still needs a tight monetary policy in the face of rising inflation risks.

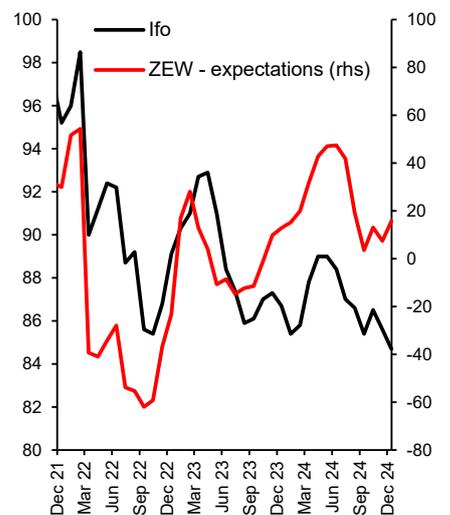
The domestic market was dominated by increases in yields and money market rates. Yields of domestic bonds increased by 5-7bp, by most in the middle of the curve, with a simultaneous decline in yields on core markets, including by 1-2bp in the case of Germany and by about 1bp in the USA. Domestic IRS rates increased by 4-5bp, a little more at the long end of the curve, and FRA rates with maturities longer than three quarters away increased by 4-6 bps. Today, a swap auction will be held, in which the Ministry of Finance plans to buy back bonds maturing in 2025.

HICP: butter prices in Poland, 2015=100



Źródło: LSEG Datastream, Santander

ZEW and Ifo German leading indices, pts



Source: LSEG, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Marcin Luźniński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.2678	CZKPLN	0.1699
USDPLN	4.0603	HUFPLN*	1.0461
EURUSD	1.0511	RONPLN	0.8582
CHFPLN	4.5525	NOKPLN	0.3626
GBPPLN	5.1569	DKKPLN	0.5721
USDCNY	7.2834	SEKPLN	0.3708

*for 100HUF

Last session in the FX market					17/12/2024
	min	max	open	close	fixing
EURPLN	4.2546	4.2687	4.2558	4.2665	4.2599
USDPLN	4.0494	4.0699	4.0518	4.0616	4.0623
EURUSD	1.0477	1.0511	1.0504	1.0505	

Interest rate market

17/12/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.10	-7
DS1029 (5L)	5.50	5
DS1034 (10L)	5.89	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.65	2	4.46	1	2.32	0
2L	5.21	4	4.33	0	2.20	1
3L	5.02	5	4.27	0	2.16	1
4L	4.96	6	4.26	1	2.16	0
5L	4.97	6	4.20	1	2.16	0
8L	5.06	6	4.16	1	2.19	-1
10L	5.14	6	4.19	1	2.22	-1

WIBOR rates

Term	%	Change (bps)
O/N	5.65	0
T/N	5.76	0
SW	5.82	-1
1M	5.85	1
3M	5.86	1
6M	5.78	0
1Y	5.60	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	0
3x6	5.73	0
6x9	5.40	1
9x12	5.13	4
3x9	5.68	-1
6x12	5.35	3

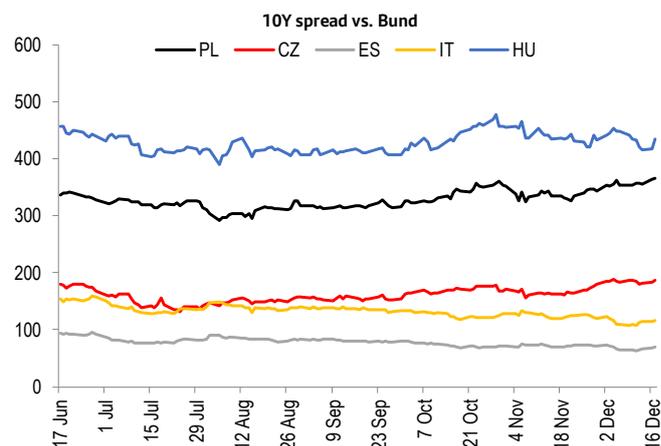
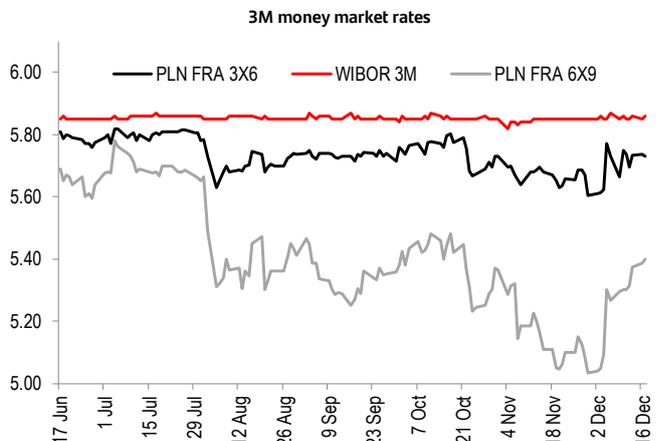
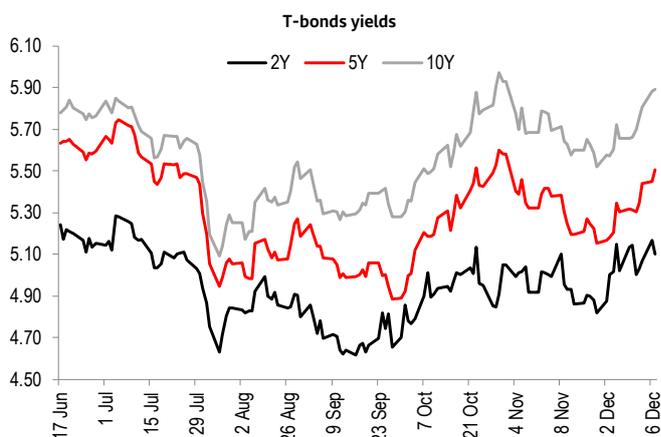
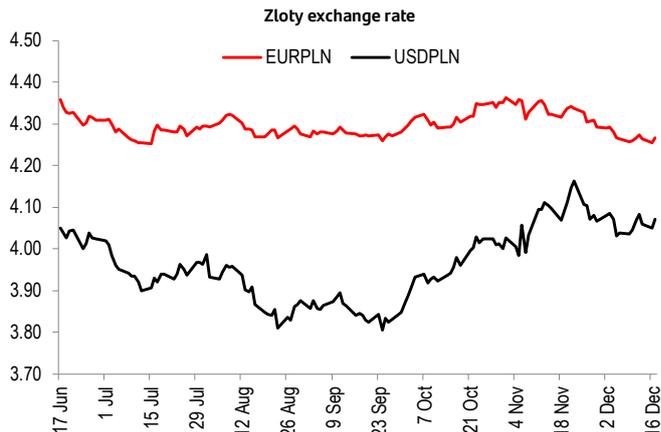
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	5	366	2
France	18	0	81	1
Hungary	130	0	434	17
Spain	34	0	69	1
Italy	25	1	115	0
Portugal	18	0	51	1
Ireland	11	0	29	0
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: LSEG, 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	-141.8
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
14:00	PL	CPI Core	Nov	% y/y	4.2	4.3	4.3
TUESDAY (17 December)							
10:00	DE	IFO Business Climate	Dec	pts	85.6	84.7	85.7
11:00	DE	ZEW Survey Current Situation	Dec	pts	-92.6	-93.1	-91.4
14:00	HU	Central Bank Rate Decision	Dec	%	6.50	6.50	6.50
14:30	US	Retail Sales Advance	Nov	% m/m	0.5	0.7	0.4
15:15	US	Industrial Production	Nov	% m/m	0.2	-0.1	-0.3
WEDNESDAY (18 December)							
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
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	-3.8	-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	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
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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.