

20 December 2024

Eyeopener

Merry Christmas!

Today Polish retail sales for November, US consumer spending and sentiment, PCE inflation Wages, employment and construction output stronger than expected, decline in industry Zloty even stronger, market rates rebounded higher

This is the last Eyeopener this year, we will resume publication on 7 January 2025. Merry Christmas and Best Wishes for 2025!

Today, we will see domestic data on November retail sales. According to the market, they may have increased in real terms by 0.8% y/y, according to us - by 0.5% y/y. In the US, there will be November data on consumer spending and income, as well as on PCE inflation. The market expects that inflation approached 2.5% y/y from 2.3% y/y in October, with the Fed's target set at 2%, and that core inflation rose to 2.9% y/y from 2.8% y/y. The final results of the University of Michigan's December survey of US consumers will also be published. Overnight, the Chinese central bank decided to keep the benchmark interest rates for 1Y and 5Y loans unchanged at 3.10% and 3.60%, respectively (the former was reduced by a total of 35bps this year, and the latter by 60bps). Yesterday, interest rates were kept unchanged by the central banks in Czechia, UK (although with a larger number of votes for rate cuts than the market assumed) and Norway. The last of them has spent the whole year without lowering rates, but intends to do so in March. On the other hand, the Swedish central bank cut rates yesterday for the fourth time in a row – over the whole year, the cuts amounted to 150bps. Today, the EU sanctions stopping LPG supplies from Russia come into force. According to the Ministry of Industry, it will not cause fuel shortages on the Polish market.

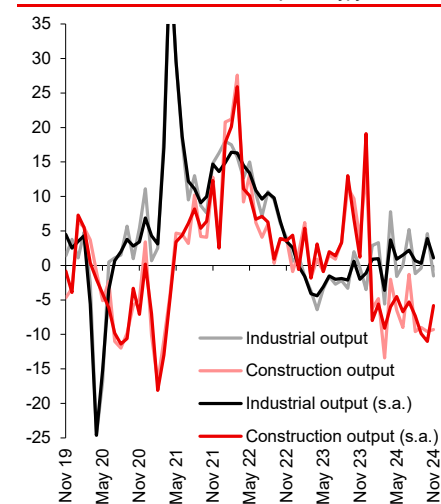
November's data from the economy brought a positive surprise from the labour market with a slightly smaller decline in employment (-0.5% y/y) and higher wage growth (10.5% y/y) than expected. Construction production performed quite well, although it still shows declines close to 10% y/y (-9.3% y/y, up from -9.6% y/y vs. market expectations at -11.0% and our -10.2% forecast). Industrial production has once again confirmed that after a strong result in one month, weakness in the next is to be expected rather than a continuation of the rebound. In its new reading, the only thing that is pleasing is that not all of October's spectacular rebound m/m was offset by November's weakening (in seasonally adjusted terms, -2.8% m/m after +4.6% m/m previously). Data from the housing market suggest an increase in the number of dwellings completed next year, current market activity remains at a solid level. PPI inflation rose to -3.7% y/y, as we expected. Read more in our [Economic Comment](#).

During yesterday's press conference, the Minister of Finance Andrzej Domański assessed that the zloty exchange rate is still at a level that is not favourable for Polish exporters. In our opinion, such a statement suggests that the Ministry of Finance is not currently pursuing, through the BGK, an active policy to counteract the growth of EURPLN, despite the opportunities in this area created by the inflow of euros from EU funds. We believe that the strengthening of the zloty is not currently in the government's interest, especially considering its high expectations for next year's economic growth at 3.9% (our forecast is 3.4%), because it would reduce the chances of economic recovery and higher nominal GDP which supports budget revenues.

Meanwhile, **EURPLN continued its downward trend to 4.25 yesterday**, despite the EURUSD remaining at a low level, around 1.04, after Wednesday's "hawkish cut" of interest rates by the Fed. The Czech koruna was stable in the face of the CNB's widely expected pause after eight rate cuts in a row, due to concerns about wages and price inflation. The second day of depreciation increased the Hungarian forint's loss against the euro to 1.3%, although the central bank sold nearly 20% of its treasury bond portfolio to the government yesterday.

On the domestic debt market, there was a delayed reaction to the Fed's hawkish message – yields increased by about 7bps and the IRS rates by up to 12bps. FRA rates covering MPC decisions after March 2025 also went up.

Industrial and construction output, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.2541	CZKPLN	0.1690
USDPLN	4.1000	HUFPLN*	1.0461
EURUSD	1.0376	RONPLN	0.8552
CHFPLN	4.5660	NOKPLN	0.3583
GBPPLN	5.1253	DKKPLN	0.5702
USDCNY	7.2970	SEKPLN	0.3717

*for 100HUF

Last session in the FX market					19/12/2024
	min	max	open	close	fixing
EURPLN	4.2471	4.2667	4.2660	4.2556	4.2633
USDPLN	4.0802	4.1109	4.1092	4.1092	4.0944
EURUSD	1.0355	1.0422	1.0380	1.0356	

Interest rate market

19/12/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.28	21
DS1029 (5L)	5.56	12
DS1034 (10L)	5.91	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.66	6	4.49	4	2.33	1
2L	5.26	11	4.42	-3	2.22	4
3L	5.07	13	4.39	-1	2.20	4
4L	5.01	13	4.40	1	2.21	5
5L	5.01	13	4.37	2	2.22	5
8L	5.09	11	4.33	5	2.28	6
10L	5.16	12	4.36	6	2.32	8

WIBOR rates

Term	%	Change (bps)
O/N	5.50	-3
T/N	5.76	0
SW	5.81	-1
1M	5.86	-1
3M	5.85	0
6M	5.79	0
1Y	5.61	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	1
3x6	5.73	2
6x9	5.47	12
9x12	5.18	11
3x9	5.67	3
6x12	5.40	9

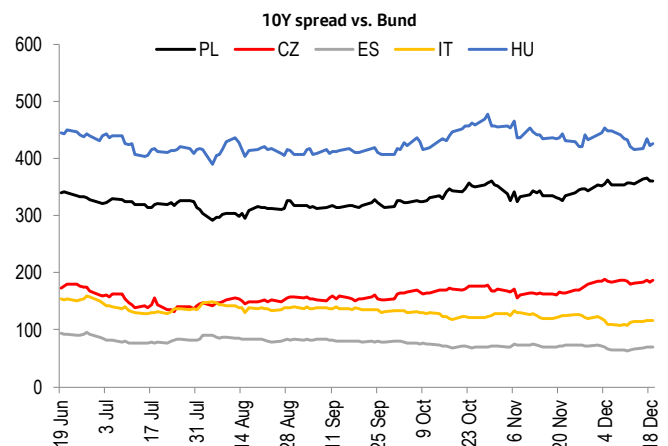
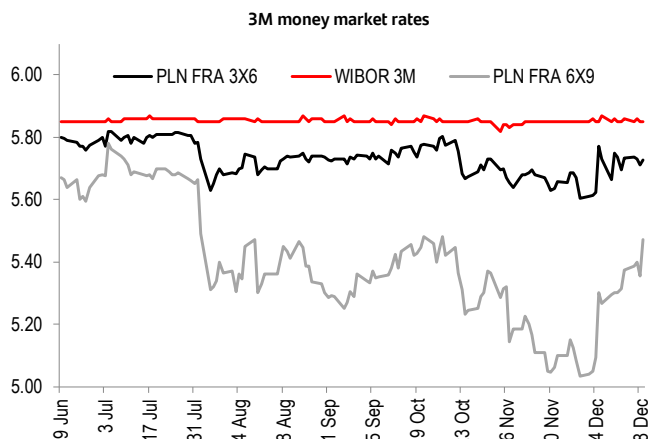
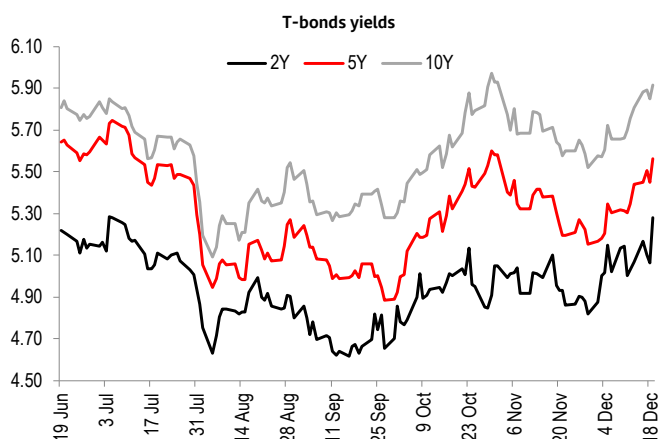
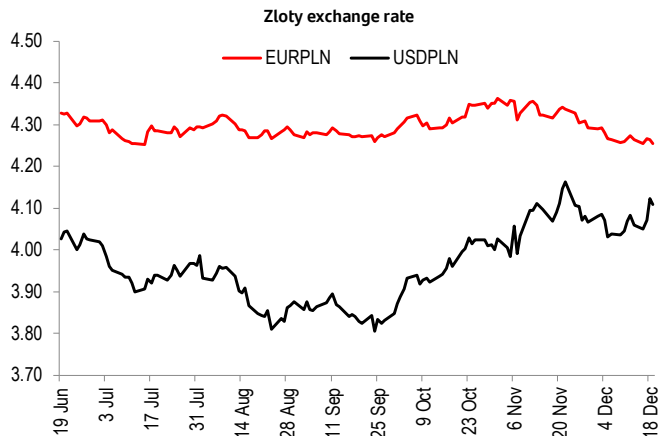
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	73	3	361	0
France	19	1	81	0
Hungary	135	5	426	3
Spain	35	1	70	0
Italy	26	1	117	1
Portugal	19	1	49	0
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: 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	2.2	2.3
14:30	US	Housing Starts	Nov	% m/m	2.6	1.8	-3.1
20:00	US	FOMC decision	Dec	%	4.50	4.50	4.75
THURSDAY (19 December)							
10:00	PL	Employment in corporate sector	Nov	% y/y	-0.6	-0.6	-0.5
10:00	PL	Sold Industrial Output	Nov	% y/y	10.0	9.3	10.5
10:00	PL	Construction Output	Nov	% y/y	-2.0	-1.3	4.7
10:00	PL	PPI	Nov	% y/y	-11.6	-10.2	-9.6
10:00	PL	Average Gross Wages	Nov	% y/y	-3.8	-3.7	-5.2
14:30	US	GDP Annualized	3Q	% Q/Q	2.8	3.1	2.8
14:30	US	Initial Jobless Claims	Weekly	k	230	220	242
14:30	CZ	Central Bank Rate Decision	Dec	%	4.00	4.00	4.00
16:00	US	Existing Home Sales	Nov	% m/m	3.3	4.8	3.4
FRIDAY (20 December)							
10:00	PL	Retail Sales Real	Nov	% y/y	0.8	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	74.2	-	74.0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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