

10 January 2025

Weekly Economic Update

Will the NBP president maintain his hawkish tone?

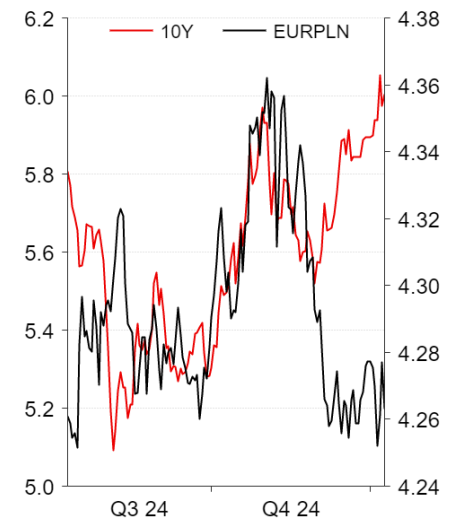
Economy next week

- The coming week is not going to be especially rich in new data releases - on the domestic calendar we have November's **balance of payments** on Monday, December **CPI inflation** on Wednesday, **core inflation** on Thursday. Moreover **the first MPC meeting of the year** is on schedule, with the decision on Thursday and president Glapiński's speech on Friday at 15:00. Abroad we will get to see inflation figures from the Czech Republic, Hungary, euro zone, USA and the first estimate of 2024 GDP in Germany.
- We do not expect domestic data to bring new significant impulses for the market. After the big surprise of the current account surplus in October, for November we and the consensus are betting on a balance only marginally above zero. The final CPI data will probably confirm the preliminary result of 4.8% y/y, with core inflation retreating slightly to 4.2% y/y.
- From the markets' point of view, it will be more interesting to hear **the NBP president's tone at his conference on Friday**. In December, he surprised by taking a sharp turn towards more hawkish rhetoric and suggesting a postponement of interest rate cuts prospects, possibly even until 2026. And this took place despite the fact that previously published economic data suggested a shift in the balance of risks in the opposite direction, favouring an earlier easing of policy. Last time when NBP governor mentioned 2026 as possible start of easing (in July), this narrative did not hold until the next MPC meeting. This time, however, it will be more difficult for Glapiński to claim, as he did in September, that he was misunderstood, given that he has reiterated his hawkish position several times in the media, e.g. in the [article](#) in *Dziennik Gazeta Prawna* daily or in a [speech for bankers](#), so we are betting that the hawkish tone will not change significantly. Nevertheless, our conviction about this is somewhat undermined by a [recent X post](#) of MPC member Ireneusz Dąbrowski about inflation processes being 'extinguished'. A month earlier, his statement that March was too early to talk about rate cuts preceded a hawkish twist in Glapiński's narrative.
- Apart from that, **next Friday is the 7-day deadline for the President to sign the budget bill**. The President cannot veto the budget, but he can send the bill to the Constitutional Tribunal. Some media suggest that he is likely to choose the latter path, under pretext that the parliament has cut budgets of some state institutions, including the Constitutional Tribunal. If this were the case, the government would implement the revenue and expenditure plan on the basis of the bill.

Markets next week

- After the New Year EURPLN has fluctuated in 4.245-4.285 range, moving to the rhythm of global sentiment and changes in the EURUSD exchange rate. This may remain the case in the days to come, with sources of volatility likely to include further statements from the US President-elect as his swearing-in date approaches (20 January).
- Global bond yields rose at the turn of the year, pushed up by concerns about the fiscal outlook in various countries including the UK and France, but also anticipation of the possible implications of President Trump's policies for the FOMC policy. We assume that the start of the year will not bring a fundamental change in this trend, especially after the much better-than-forecast US employment data for December published today. The event on the domestic debt market will be the first Treasury bill auction in many years, where we expect to see strong demand from domestic banks.

10Y government bond yield (%), lhs and EURPLN exchange rate (rhs)

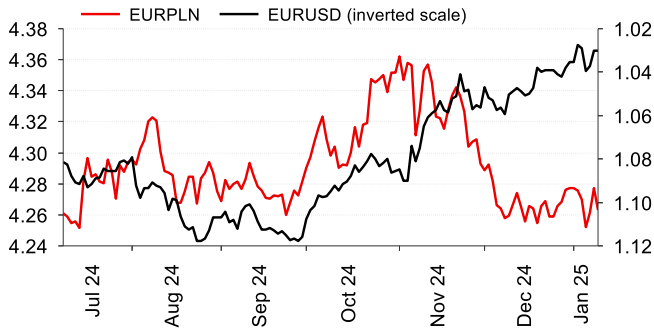


Source: LSEG Datastream, Santander

Economic Analysis Department:

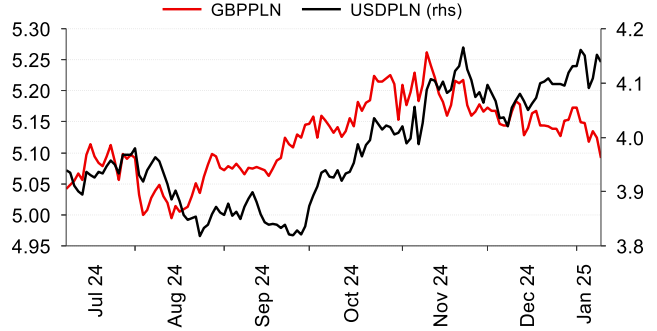
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EURPLN and EURUSD



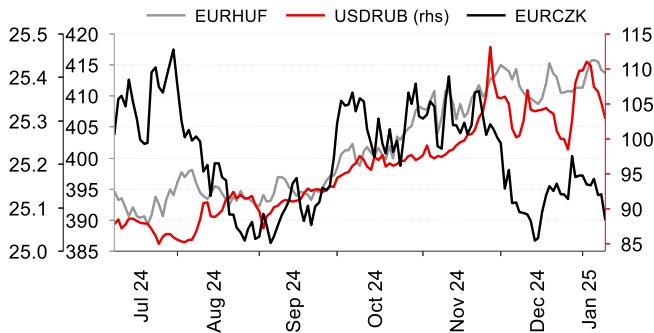
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



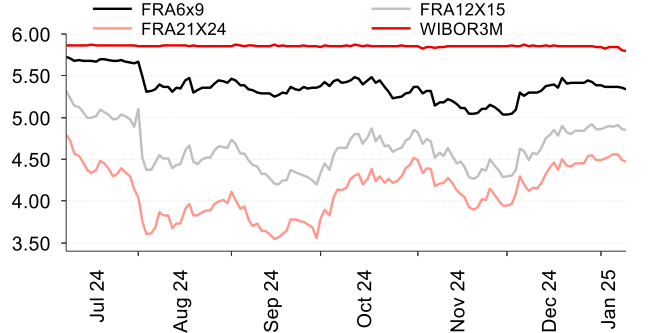
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



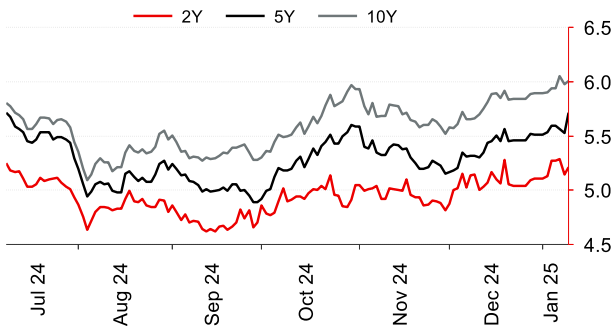
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



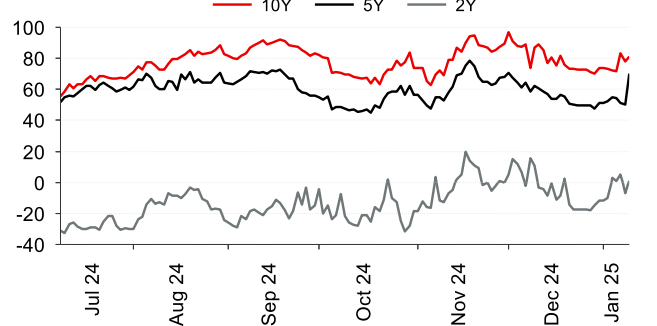
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



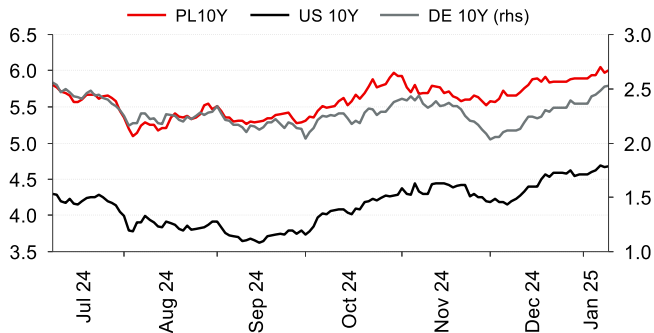
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



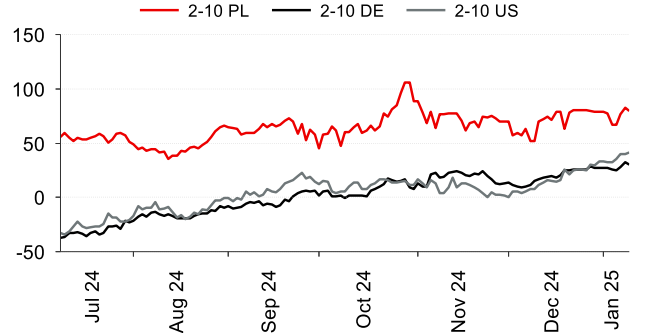
Source: LSEG Datastream, Santander Bank Polska

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 (13 January)							
09:00	CZ	CPI	Dec	% y/y	3,3	-	2,8
14:00	PL	Current Account Balance	Nov	€mn	99	32	1 064
14:00	PL	Trade Balance	Nov	€mn	-1095	-1 611	-740
14:00	PL	Exports	Nov	€mn	29 096	29 093	30 311
14:00	PL	Imports	Nov	€mn	30 352	30 704	31 051
TUESDAY (14 January)							
08:30	HU	CPI	Dec	% y/y	4.4	-	3.7
WEDNESDAY (15 January)							
10:00	PL	CPI	Dec	% y/y	4.8	4.8	4.7
11:00	EZ	Industrial Production SA	Nov	% m/m	0.3	-	0.0
14:30	US	CPI	Dec	% m/m	0.3	-	0.3
THURSDAY (16 January)							
	PL	MPC decision	Jan	%	5.75	5.75	5.75
08:00	DE	HICP	Dec	% m/m	0.7	-	-0.7
14:00	PL	CPI Core	Dec	% y/y	4.2	4.2	4.3
14:30	US	Initial Jobless Claims	weekly	k	215	-	201
14:30	US	Retail Sales Advance	Dec	% m/m	0.5	-	0.7
FRIDAY (17 January)							
11:00	EZ	HICP	Dec	% y/y	2.4	-	2.2
14:30	US	Housing Starts	Dec	% m/m	2.0	-	-1.8
15:15	US	Industrial Production	Dec	% m/m	0.3	-	-0.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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