

16 January 2025

Eyeopener

Inflation did not pick up in December

Today Polish MPC decision and data on core CPI in December
 December reading of Polish CPI inflation revised down from 4.8% y/y to 4.7% y/y
 US CPI inflation in line with expectations, core inflation a notch below expectations
 German economy decreased by 0.2% in 2024
 Zloty stable, bond yields down

Today, the Monetary Policy Council decides on the level of NBP interest rates. The market does not expect the Council to make any changes, but the press release after the decision might provide new clues on the outlook for monetary policy. We will also see December core inflation print, which in our view declined from 4.3% to 3.9-4.0% y/y. In addition, in the US there will be data on last week's initial jobless claims and December retail sales. The final December inflation data from Germany, released this morning, was in line with the preliminary estimate of acceleration in price growth from 2.4% y/y to 2.8% y/y in HICP terms and from 2.2% y/y to 2.6% y/y in CPI terms.

In the final reading for December, GUS showed CPI inflation at 4.7% y/y and 0.0% m/m.

This was lower than its flash estimate of 4.8% y/y and 0.2% m/m, which itself had been a downside surprise at the time of its release. No inflation rise vs. November was due to unusually low food price growth and core CPI behaviour in December – apparently, it dropped more than shown by our estimates based on flash CPI data. In our view, the core inflation decline was to some extent linked to December special offers – price cuts that may be reversed in the following months. Goods price inflation increased in December from 3.8% y/y to 4.0% y/y, while services price inflation eased from 7.2% y/y to 6.6% y/y. The CPI data provide a dovish argument for the MPC, although we are not sure that they will persuade the NBP Governor to soften his tone at his Friday's press conference. Read more in our [Economic Comment](#).

Poland's population is expected to fall to 36.57 million in 2029 from 37.47 million in 2024, according to the demographic forecast of the Ministry of Finance quoted in the revenue and expenditure forecast of the Social Security Fund (FUS). As stated, by 2029, the number of people of pre-working age is expected to decrease by 0.64 million (i.e. by 9.4%) and the number of people of working age by 0.61 million (-2.8%). At the same time, the number of people above the working age is expected to increase by 0.35 million (+4.0%, their share of the population would thus increase from 23.7% to 25.1%).

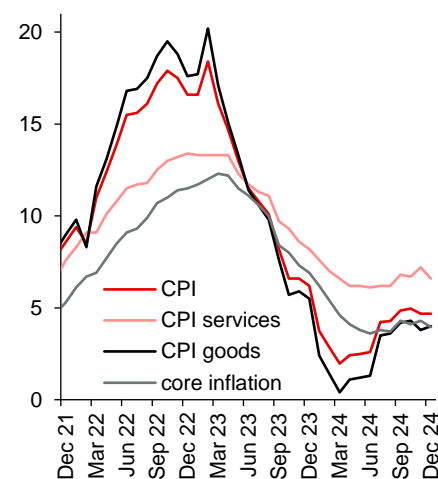
At the end of November 2024, 987.9k refugees from Ukraine had temporary protection status in Poland, Eurostat reported. This represents an increase of 4.0k m/m and 32.8k y/y. Although the number of Ukrainian refugees under protection in Poland was declining from March 2023, when it stood at around 999.7k, to a local minimum of around 951.6k in January 2024, their number has been increasing again since mid-2024, and in November reached its highest level since May 2023.

German GDP fell by 0.2% in 2024, marking the second consecutive decline after the economy contracted by 0.3% in 2023. The market expects a slight recovery of the German economy in 2025, but in our view, the current year could also be full of challenges for the Germans and – as a consequence – for Polish exports and the manufacturing sector.

The EURPLN exchange rate started Wednesday's session around 4.26 and by the end of the session managed to break below this level and is still there this morning. December US CPI inflation was in line with expectations, but core inflation was a tad lower than the market expected (3.2% y/y instead of 3.3% and 0.2% m/m instead of 0.3%). Their publication triggered a marked but short-lived depreciation of the dollar and a slight shift in expectations towards looser Fed policy this year. HUF and CZK registered a slight strengthening against the euro, with the latter remaining noticeably weaker against the euro than last week.

Wednesday saw strong declines in global yields and money market rates. Polish bond yields declined by around 10bp across the curve, most likely in response to the behaviour of the core markets, most notably the 11-16bp decline in US Treasuries. Domestic IRS rates also fell, by 13-17bp, more at the long end of the curve, and FRA rates, by 4-20bp, also more at the long end of the curve.

CPI inflation, main indicators, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2599	CZKPLN	0.1685
USDPLN	4.1383	HUFPLN*	1.0254
EURUSD	1.0291	RONPLN	0.8566
CHFPLN	4.5367	NOKPLN	0.3650
GBPPLN	5.0529	DKKPLN	0.5708
USDCNY	7.3316	SEKPLN	0.3708

*for 100HUF

Last session in the FX market 15.01.2025

	min	max	open	close	fixing
EURPLN	4.2547	4.2661	4.2638	4.2555	4.2611
USDPLN	4.1117	4.1479	4.1431	4.1395	4.133
EURUSD	1.0258	1.0354	1.0293	1.0281	

Interest rate market

15.01.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.24	-14
DS1029 (5L)	5.77	-10
DS1034 (10L)	6.02	-11

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.56	-7	4.49	-4	2.40	-5
2L	5.17	-12	4.40	-9	2.37	-8
3L	5.01	-17	4.39	-12	2.38	-9
4L	4.99	-17	4.40	-16	2.39	-11
5L	5.02	-17	4.42	-14	2.41	-11
8L	5.13	-18	4.42	-13	2.47	-11
10L	5.22	-17	4.46	-13	2.52	-10

WIBOR rates

Term	%	Change (bps)
O/N	5.92	16
T/N	5.80	1
SW	5.82	2
1M	5.80	-2
3M	5.84	0
6M	5.79	0
1Y	5.62	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.82	0
3x6	5.65	-1
6x9	5.33	-6
9x12	5.03	-11
3x9	5.59	-2
6x12	5.28	-6

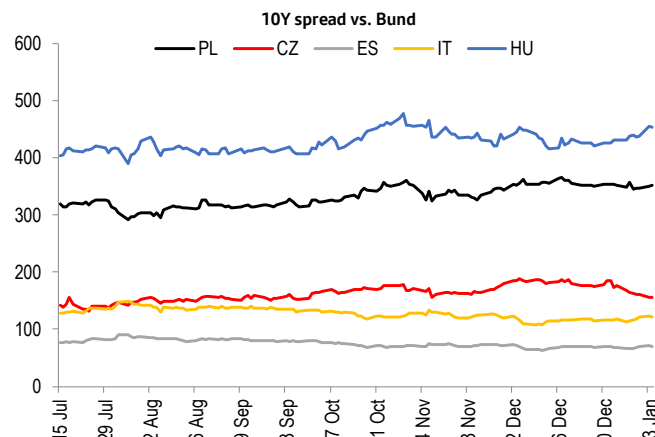
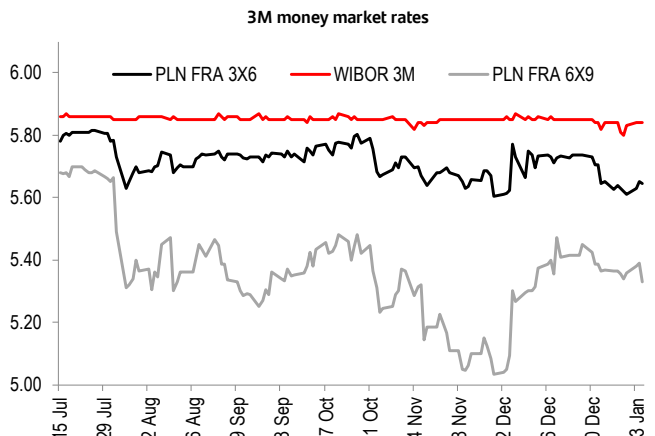
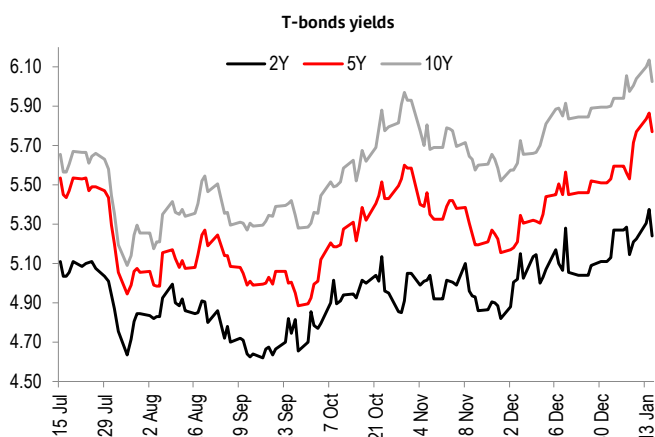
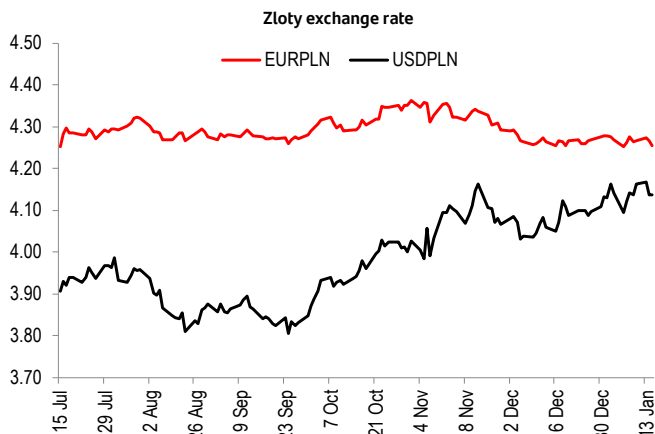
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	351	1
France	21	-1	85	-1
Hungary	125	-1	453	-2
Spain	35	0	70	-1
Italy	25	0	122	-2
Portugal	18	0	48	-1
Ireland	11	0	30	1
Germany	8	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 (10 January)								
14:30	US	Change in Nonfarm Payrolls	Dec	k	165	-	256	212
14:30	US	Unemployment Rate	Dec	%	4.2	-	4.1	4.2
16:00	US	Michigan index	Jan	pts	74.0	-	73.2	74.0
MONDAY (13 January)								
09:00	CZ	CPI	Dec	% y/y	3.3	-	3.0	2.8
14:00	PL	Current Account Balance	Nov	€mn	99	32	-521	1 220
14:00	PL	Trade Balance	Nov	€mn	-1095	-1 611	-1 646	-571
14:00	PL	Exports	Nov	€mn	29 096	29 093	28 371	30 483
14:00	PL	Imports	Nov	€mn	30 352	30 704	30 017	31 054
TUESDAY (14 January)								
08:30	HU	CPI	Dec	% y/y	4.3	-	4.6	3.7
WEDNESDAY (15 January)								
10:00	PL	CPI	Dec	% y/y	4.8	4.8	4.7	4.7
11:00	EZ	Industrial Production SA	Nov	% m/m	0.2	-	0.2	0.2
14:30	US	CPI	Dec	% m/m	0.4	-	0.4	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	0.7
14:00	PL	CPI Core	Dec	% y/y	-	4.0	-	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. Bloomberg. Parkiet

* in the case of a revision the data is updated

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