

17 January 2025

Eyeopener

The MPC statement sounds more hawkish

Today NBP governor's press conference
 Polish MPC kept rates unchanged, main rate at 5.75%
 Polish Core inflation down to 4.0% y/y in December, in line with our estimates
 Domestic 10Y bond yield down to the levels from the turn of the year

Today, the NBP Governor Adam Glapiński holds a press conference following yesterday's Monetary Policy Council decision. In addition, we will see the final data on inflation in the euro area in December, which according to preliminary estimates rose from 2.2% y/y in November to 2.4% y/y, and information from the US on housing starts and industrial production in December. Today is the deadline for the President to sign the budget bill. The President cannot veto the budget, but he can send it to the Constitutional Tribunal. If this were the case, the government would implement the revenue and expenditure plan on the basis of the bill. Chinese data out overnight was better than expected: in December, industrial production reached the highest growth (6.2% y/y) since last April and GDP grew by 5.4% y/y in 4Q24, above the expected 5.0% y/y (and after 4.6% y/y in 3Q), with the positive surprise coming from revisions to previous quarters. In q/q terms, GDP increased 1.6%, the most since 1Q23.

The MPC kept interest rates on hold, as expected (reference rate at 5.75%), but the official statement included some changes, which we interpret as a clear move towards more hawkish rhetoric, in line with the narrative presented in December at NBP president's conference. The statement added the fragment that core inflation will likely remain elevated and that the expiry of energy price freeze may extend the period of inflation staying above the target. Also, the paragraph was removed saying that the cost pressure and demand pressure remain low, and that "earlier appreciation of the zloty exchange rate acts in the same direction" i.e. lowers inflationary pressure. The statement also emphasized the uncertainty regarding the impact of elevated inflation on inflation expectations and wage pressure, in the context of expected economic recovery and low unemployment. Overall, we interpret the statement as a signal that the narrative to be presented by Adam Glapiński today will be similarly hawkish as in December.

Core inflation (ex food and energy prices) declined to 4.0% y/y in December from 4.3% y/y in November, with core prices falling 0.1 m/m. Two of the other three alternative measures of core price dynamics declined by 0.1 pp (inflation ex most volatile prices to 5.2% y/y and the 15% trimmed mean to 4.3%) and one remained unchanged (inflation ex administered prices at 3.2% y/y). We think that the main measure of core CPI has already past its local peak. We expect it to near 3.6-3.7% y/y till mid-2025 and decline a bit below 3.5% y/y in 2H25.

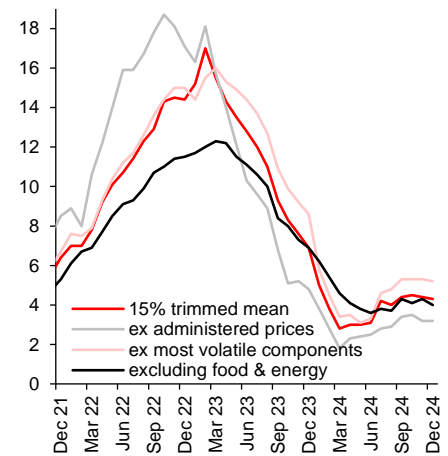
At the December MPC meeting, again the motion was submitted to raise interest rates by 200bp, the NBP said. The motion was supported only by Joanna Tyrowicz.

Retail bond sales amounted to PLN5.0bn in December and reached a record high of PLN82.6bn in the entire 2024. In comparison, the result of 2023 retail bond sales was PLN48.7bn. In our view, the high demand for retail bonds was partly related to an increase in the households' propensity to save. We assume that this should stabilise in the following quarters, so we are not betting on such a marked increase in retail bond sales this year. At the same time, however, we assume that the Ministry of Finance should have no problems meeting this year's sales plan (gross PLN74bn).

On Thursday, the Polish zloty reversed Wednesday's move - it weakened against the euro by around 0.2%, but the EURPLN exchange rate ended the session below 4.27. During the first half of the session, the zloty's weakening was supported by the dollar's appreciation. On the other hand, neither its complete reversal in the second half of the session nor the relatively hawkish announcement after the MPC meeting led to a significant appreciation of the Polish currency. The Hungarian forint and the Czech koruna also weakened slightly against the euro.

On the domestic debt market, there was **a continuation of Wednesday's yield falls**, by 4-7 bp, more strongly at the long end of the curve. This time, the performance of Polish papers was not correlated with changes in the core markets - yields on US Treasuries fell by only around 1-2 bp. The domestic market also saw a further decline in IRS rates, by 3-9 bp, and FRA rates, by 0-8 bp, in both cases more strongly at the long end of the curve. With such a lack of quick reaction to yesterday's tightening tone in the MPC's statement, confirmation of this hawkish tone at today's NBP Governor's conference might erase the yield declines of the last two days which we owe to the lower December inflation reading.

Core inflation measures, % y/y



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.2616	CZKPLN	0.1684
USDPLN	4.1445	HUFPLN*	1.0233
EURUSD	1.0283	RONPLN	0.8569
CHFPLN	4.5406	NOKPLN	0.3639
GBPPLN	5.0476	DKKPLN	0.5712
USDCNY	7.3280	SEKPLN	0.3709

*for 100HUF

Last session in the FX market					16.01.2025
	min	max	open	close	fixing
EURPLN	4.2541	4.2702	4.2610	4.2635	4.262
USDPLN	4.1294	4.1584	4.1437	4.1385	4.1433
EURUSD	1.0260	1.0311	1.0280		

Interest rate market

16.01.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.22	-2
DS1029 (5L)	5.69	-8
DS1034 (10L)	5.93	-9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.57	2	4.46	-3	2.39	-2
2L	5.16	-1	4.37	-3	2.41	4
3L	4.97	-4	4.36	-3	2.20	-18
4L	4.94	-5	4.39	-1	2.30	-9
5L	4.96	-6	4.38	-4	2.39	-1
8L	5.07	-5	4.38	-4	2.46	-2
10L	5.16	-6	4.43	-3	2.50	-2

WIBOR rates

Term	%	Change (bps)
O/N	5.81	-11
T/N	5.80	0
SW	5.83	1
1M	5.81	1
3M	5.85	1
6M	5.79	0
1Y	5.62	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.80	-2
3x6	5.65	0
6x9	5.32	-1
9x12	5.02	-2
3x9	5.61	2
6x12	5.27	-2

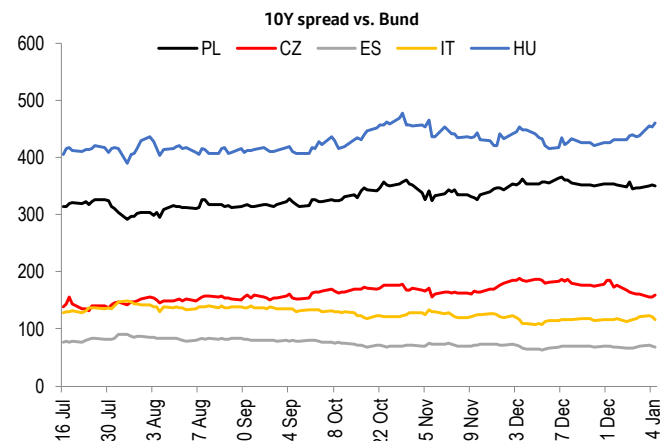
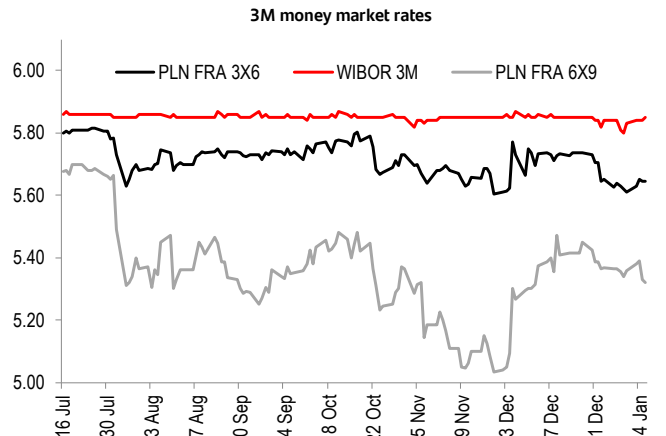
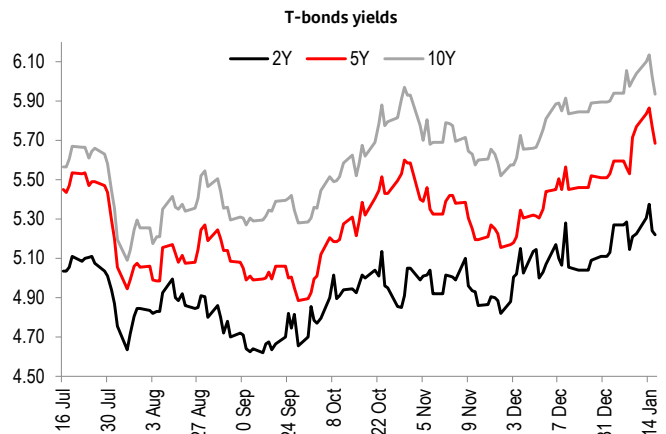
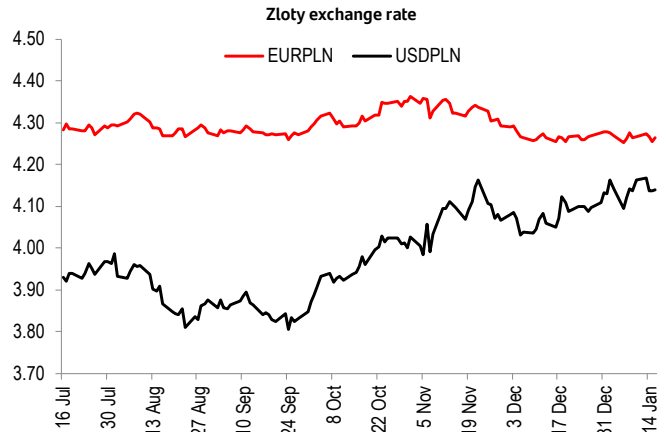
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	69	-1	350	-2
France	21	0	82	-3
Hungary	124	-1	460	7
Spain	35	0	67	-3
Italy	25	0	116	-6
Portugal	18	0	47	-1
Ireland	11	0	31	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	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	4.0	4.3
14:30	US	Initial Jobless Claims	weekly	k	215	-	217	203
14:30	US	Retail Sales Advance	Dec	% m/m	0.6	-	0.4	0.8
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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