

17 February 2025

Eyeopener

Inflation rebounded more than expected

Today, market holiday in the US, meeting of European leaders on security in Paris
 CPI inflation rose in January to 5.3% y/y, more than expected
 4Q GDP for euro zone revised up, US retail sales weaker than expected
 Zloty and local bonds stronger at the end of the week

Today, the economic calendar in Poland and abroad is virtually empty. Market activity may be further reduced by the market holiday (Presidents' Day) in the USA. An emergency security summit of European leaders is to take place in Paris today. During the week, in Saudi Arabia, US envoys are to start talks with Russia on ending the war in Ukraine (without participation of European representatives). According to Bloomberg, the US administration has indicated that it wants to achieve a ceasefire in Ukraine by Easter.

January CPI inflation surprised to the upside, reaching 5.3% y/y against our expectation of 5.1% y/y and the market consensus of 5.0% y/y. We estimate January core inflation at 4.0-4.1% y/y vs. 4.0% y/y in December. We expect CPI to peak in March, slightly above the January level, and then gradually decline to 4.0% y/y by the end of the year. Note that January's CPI has been calculated using basket weights for 2024 and will be revised in March. However, we assume that this revision will not result change the data significantly. January CPI data supports NBP's Adam Glapiński in his claim that it is too early to cut rates. Please see more in our [Economic Comment](#).

The rate of decline in employment in Poland slowed in 4Q24 to -0.6% y/y from -0.8% y/y in 3Q and -1.0% y/y in 2Q, Eurostat data show. The seasonally adjusted level of employment rose for the first time since 1Q23, by 26.1k q/q. The largest increases in employment were registered in the public sector, by 43.7k, and in information and communication, by 20.0k. The largest decrease occurred in the professional and administrative activities, by 31.9k. Employment levels in manufacturing and industry recorded slight increases, by 2.3k and 2.5k respectively.

The head of the European Commission, Ursula von der Leyen, announced **a plan to activate the escape clause for defence investments, allowing to exclude defence spending from the calculation of the fiscal balance**. This would ensure that increasing arms spending would not require cuts in other areas. Last year, Poland's invocation of necessary, exceptionally large defence spending did not prevent the launch of the excessive deficit procedure against the country.

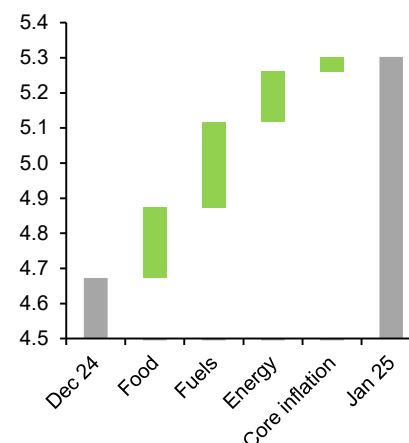
Euro area's GDP growth in 4Q24 was revised down from 0.0% q/q to 0.1% q/q, but this did not translate into a change in its annual growth rate of 0.9% y/y. Data on the main aggregates of euro area's GDP have not yet been published. We assume that the euro area's economy will accelerate in 1Q25 and 2Q25, growing at 0.3% q/q. Over the full year, we expect the GDP to increase by 1.0%.

US retail sales fell by 0.9% m/m in January, visibly stronger than by the 0.2% m/m expected by the market. Nonetheless, it is worth noting that the weakening in sales followed solid increases in December and November, each of 0.7% m/m, and that the decline may have been partly related to the wildfires in California and snowstorms in the southern states.

The zloty ended the week with a slight strengthening against the euro, which took the EURPLN just below 4.16. Most of the EURPLN decline occurred after the release of the higher-than-expected CPI inflation print. Later in the session, the strengthening of the zloty was further supported by a weakening of the dollar against the euro. Over the whole week, the EURPLN exchange rate fell by around 0.7%, from around 4.187. The Hungarian forint and the Czech koruna also appreciated against the euro on a weekly basis, by around 0.9% and 0.2% respectively.

Despite the higher-than-expected CPI inflation print, domestic yields and money market rates continued their decline on Friday. Polish bond yields fell by 2-11 bps, more strongly at the long end of the curve, and IRS rates fell by 1-5 bps, also more strongly at the long end of the curve. FRA rates with terms of transactions not exceeding nine months increased by 1-2 bps, and those with terms of twelve months or more fell by 1-3 bps. The changes occurred simultaneously with increases in German yields by 1-2 bp and decreases in US yields by 5-7 bp. Over the whole week, the Polish yield curve flattened by nearly 9 bps, IRS and FRA rates rose by, respectively, 3-5 bps (stronger at the short end of the curve) and 2-9 bps (stronger at the long end of the curve). In January, retail bond sales amounted to PLN6.3bn, compared to PLN5.0bn in December and PLN5.8bn in January 2024. The budget assumes retail bond sales of nearly PLN74bn this year.

Polish CPI inflation, structure of January increase, %y/y



Source: GUS, 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 Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.1585	CZKPLN	0.1671
USDPLN	3.9644	HUFPLN*	1.0254
EURUSD	1.0489	RONPLN	0.8361
CHFPLN	4.4073	NOKPLN	0.3562
GBPPLN	4.9905	DKKPLN	0.5646
USDCNY	7.2504	SEKPLN	0.3701

*for 100HUF

Last session in the FX market					14/02/2025
	min	max	open	close	fixing
EURPLN	4.1575	4.1721	4.1705	4.1582	4.1632
USDPLN	3.9549	3.9919	3.9903	3.9604	3.972
EURUSD	1.0450	1.0514	1.0452	1.0497	

Interest rate market

14/02/2025

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.30	-1
DS1029 (5L)	5.56	-8
DS1034 (10L)	5.78	-9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.64	1	4.50	-4	2.24	3
2L	5.16	-1	4.38	-5	2.27	4
3L	4.94	-2	4.34	-6	2.29	5
4L	4.86	-4	4.34	-7	2.29	3
5L	4.86	-4	4.32	-7	2.32	4
8L	4.94	-5	4.31	-9	2.38	5
10L	5.01	-6	4.36	-7	2.42	5

WIBOR rates

Term	%	Change (bps)
O/N	5.70	1
T/N	5.78	-1
SW	5.83	0
1M	5.75	-6
3M	5.87	0
6M	5.82	-1
1Y	5.62	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	1
3x6	5.79	2
6x9	5.44	1
9x12	5.01	0
3x9	5.74	2
6x12	5.38	1

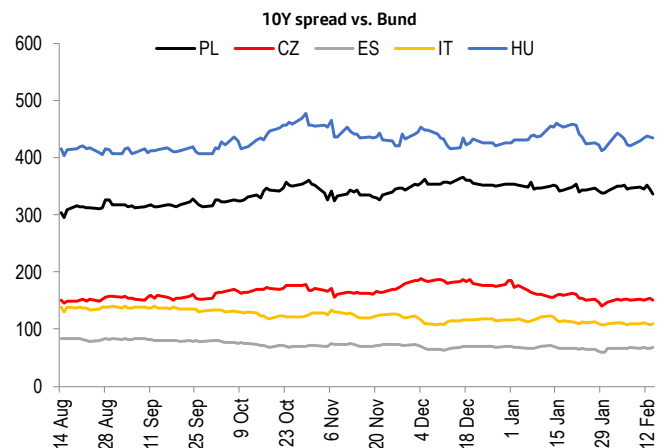
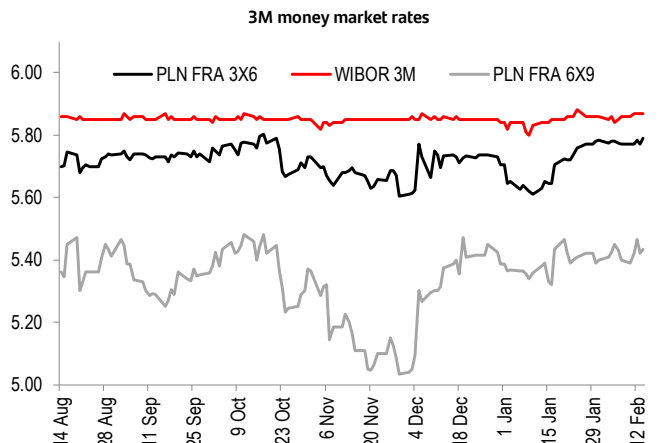
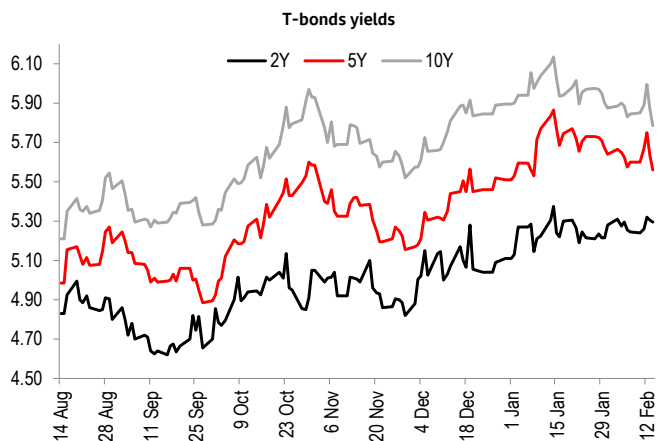
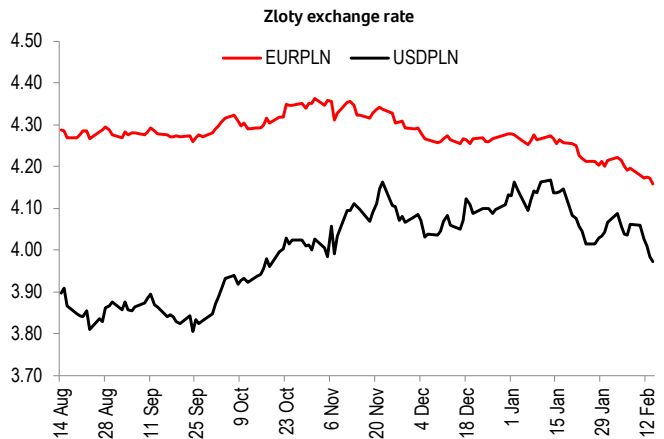
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	66	-2	336	-9
France	17	0	70	0
Hungary	119	-1	435	-2
Spain	32	0	67	2
Italy	23	0	109	1
Portugal	17	0	53	1
Ireland	10	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 (14 February)								
10:00	PL	CPI	Jan	% y/y	5.0	5.1	5.3	4.7
11:00	EZ	GDP SA	4Q	% y/y	0.9	-	0.9	0.9
14:30	US	Retail Sales Advance	Jan	% m/m	-0.2	-	-0.9	0.7
15:15	US	Industrial Production	Jan	% m/m	0.3	-	0.5	1.0
MONDAY (17 February)								
No key data releases or economic events								
TUESDAY (18 February)								
11:00	DE	ZEW Survey Current Situation	Feb	pts	-89.4	-	-	-90.4
WEDNESDAY (19 February)								
14:30	US	Housing Starts	Jan	% m/m	-7.0	-	-	15.8
20:00	US	FOMC Meeting Minutes	Jan.25					
THURSDAY (20 February)								
10:00	PL	Employment in corporate sector	Jan	% y/y	-0.6	-0.6	-	-0.6
10:00	PL	Sold Industrial Output	Jan	% y/y	-1.0	-1.0	-	0.2
10:00	PL	Construction Output	Jan	% y/y	0.3	-2.7	-	-8.0
10:00	PL	PPI	Jan	% y/y	-0.4	-0.4	-	-2.6
10:00	PL	Average Gross Wages	Jan	% y/y	9.45	9.4	-	9.8
14:30	US	Initial Jobless Claims	Feb.25	k	216	-	-	213
FRIDAY (21 February)								
09:30	DE	Germany Manufacturing PMI	Feb	pts	45.5	-	-	45.0
09:30	DE	Markit Germany Services PMI	Feb	pts	52.5	-	-	52.5
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	47.0	-	-	46.6
10:00	EZ	Eurozone Services PMI	Feb	pts	51.5	-	-	51.3
16:00	US	Michigan index	Feb	pts	-	-	-	67.8
16:00	US	Existing Home Sales	Jan	% m/m	-2.1	-	-	2.2

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>.