

MACROscope Lite

Foggy clouds over the green island

■ The return of Donald Trump to the Oval Office with the Republicans simultaneously taking over the Senate and retaining control of the House of Representatives signals major changes to the world economy and geopolitics. What these changes will exactly entail is hard to foresee, as one of the trademarks of the president-elect is his unpredictability. However, given his earlier statements, the initial reaction of the financial markets to his victory seems to have been rational, as the dollar strengthened against the euro, emerging market currencies – especially the Mexican peso and the CEE currencies – depreciated, the yields on US Treasuries rose, and the yields on German bunds fell. The size of these initial responses was, however, limited which suggests that market participants remain unsure as to what the actual policies of the new administration will be.

■ From the Polish perspective, the key risks seem to be a weakening of the euro area's growth outlook due to the possible protectionist policies of the US aimed against the EU and China, reduction of US support to Ukraine, and/or smaller involvement of the US in NATO. It is still too early to judge how any of these risks may affect economic indicators, as we are still dealing in conjectures and not actual decisions. Nevertheless, we see some downside risk for mid-term GDP growth, as a weaker euro area would indirectly negatively affect Polish exports. On the other side, we also consider it possible that greater isolation of China could strengthen friend-shoring, which could benefit Poland.

■ However, we still believe that the Polish economy should be partially immune to the downturn in the Eurozone in the next two years, due to, inter alia, the upcoming investment boom, financed to a large extent from EU funds. We maintain our GDP forecast at 3% in 2024 and 3.5% in 2025, although we have lowered our GDP growth estimate for the 3Q24 from 3.3% to 2.8% y/y due to weaker-than-forecast high-frequency data from recent months. For now, we treat the surprisingly deep decline in September retail sales (of a scale comparable to the slump in 2021, when the second wave of the Covid-19 pandemic caused the temporary closure of supermarkets) as a one-off disruption for which we see no rational explanation. Our analysis of card payments shows that the impact of the September flood in southern Poland on consumer spending was barely noticeable on a nationwide scale. We also do not see any serious collapse in household incomes, consumer loans or sentiment in retail trade sector.

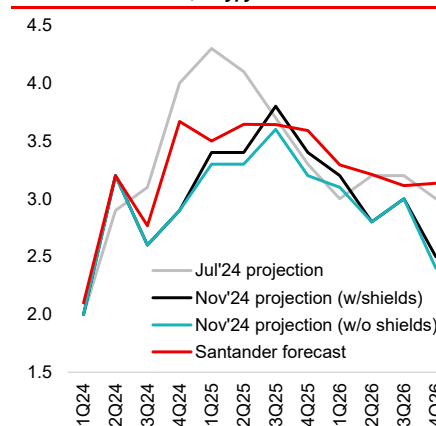
■ A decrease in optimism regarding the prospects for economic growth is visible in the latest NBP projection. The scale of the GDP forecast downgrade is moderate for now, but if further data confirm negative signals, leading to growing fears of economic downturn, it could accelerate the MPC's decision to start easing the monetary policy. So far, NBP (and our) forecasts still predict GDP growth in the next year close to potential growth. We assume that in such conditions the central bank will wait with rate cuts until it sees clear confirmation in the observed data that the upward trend in inflation has reversed. As a result, we still believe that the first rate cut is likely around mid-2025.

■ Donald Trump's victory probably means an upside risk for inflation in the USA (larger scale of fiscal expansion, tariffs on imported goods, lower immigration), but the assessment of the direction of the risk for inflation in Poland is not obvious – the disinflationary effect of a potentially weaker economic situation in Europe could be offset by the effects of trade wars and a weaker currency. Our inflation scenario (based on the assumption of zero increase in energy prices from January) still assumes a local CPI peak in March 2025 slightly above 5.5% y/y and then a decline below 4% by the end of the year, with core inflation remaining above 4% until 4Q25.

■ The currency market very quickly recovered from the nervous first reaction to the result of the US election, but we assume that in the new reality the dollar will not weaken against the euro as quickly as we had previously assumed, so we move the exchange rate forecasts up a bit: we assume that the EURPLN will move in the range of 4.30-4.40 in the coming quarters rather than, as we previously assumed, 4.20-4.30. A greater scale of volatility could also be the case.

■ The interest rate market is pricing in the start of NBP rate cuts in 1Q25 and a decrease in the reference rate to c. 4%. If, as we believe, the data in the coming months is solid enough to postpone expectations of the first cut closer to the middle of the year, the short end of the curve may correct slightly. However, we expect swap rates and bond yields to gradually go down, following the core markets (in the case of bonds, a bit slower than we assumed so far, due to the probably slightly higher risk premium).

Polish GDP growth: NBP projections and Santander forecast, % y/y



Source: NBP, GUS, Santander

Recently released Economic Comments:

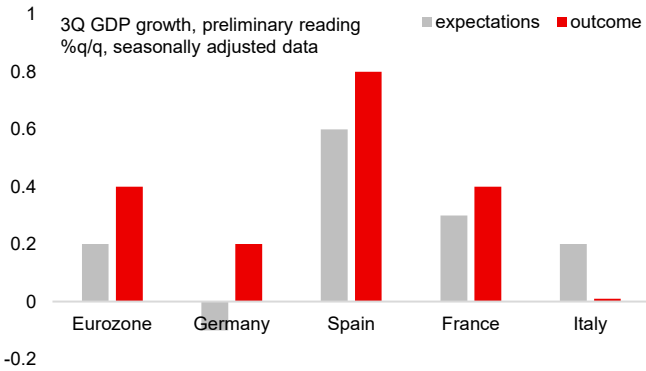
- [Housing market: short and long-term prospects](#)
- [Panta rhei - about the expected increase in liquidity](#)
- [Plunge in retail sales](#)
- [Data show weakness in September](#)
- [Inflation gradually up](#)
- [The flood has \(slightly\) undermined consumption](#)
- [2Q25 is the optimal timing for a rate cut?](#)

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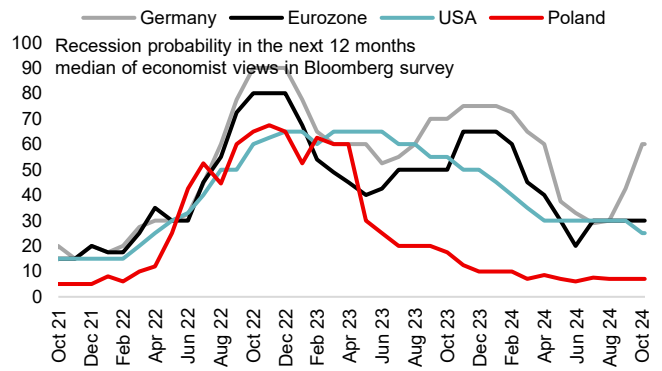
Economy in charts

Europe managed to surprise positively with economic growth in 3Q...



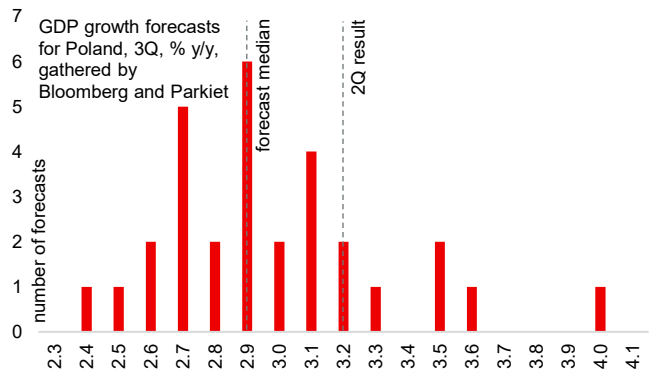
Source: Bloomberg, Santander

...but the risk of a recession in Germany has not disappeared.



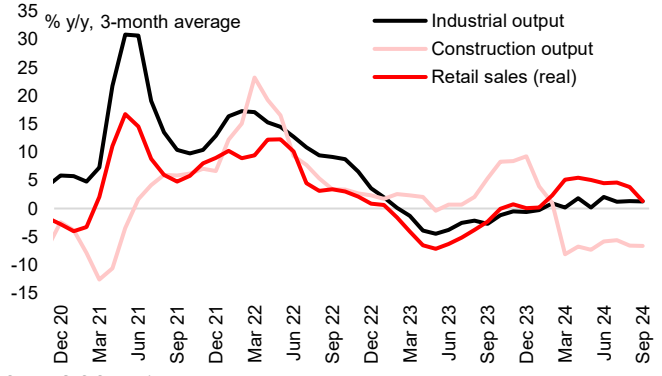
Source: Bloomberg, Santander

In Poland, there are doubts if the economy accelerated further in 3Q...



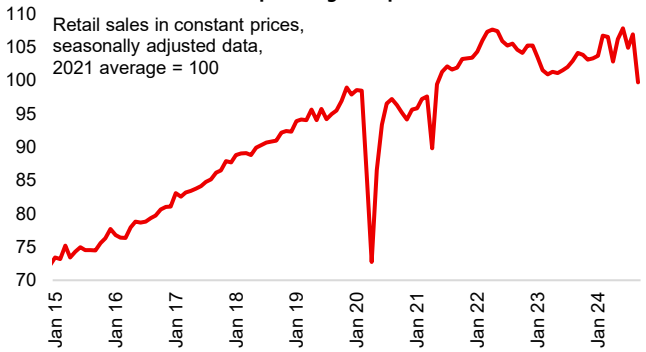
Source: Bloomberg, Parkiet, GUS, Santander

...because the monthly data were so-so



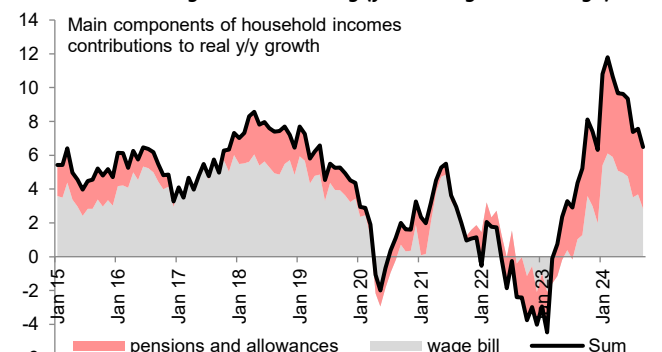
Source: GUS, Santander

...and included a puzzling collapse of retail sales



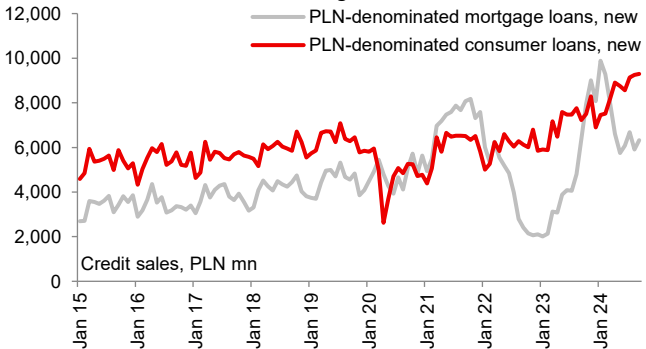
Source: GUS, Santander

...with income growth still strong (yet no longer record high)



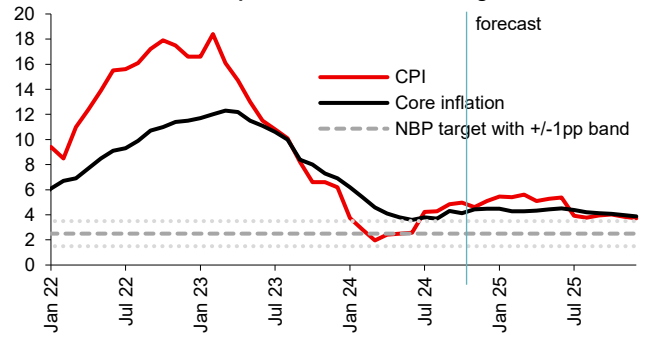
Source: GUS, Santander

...and consumers reaching more often for credit



Source: NBP, Santander

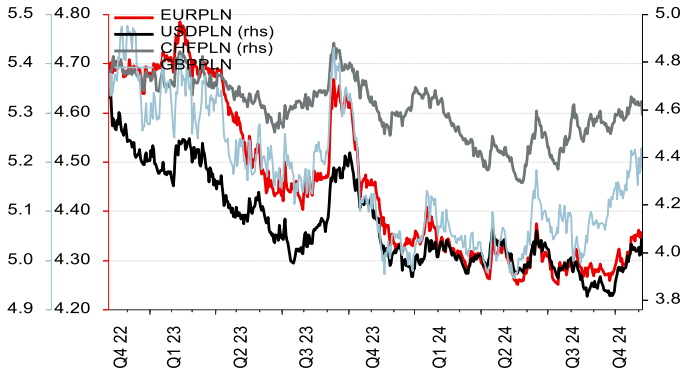
Inflation is close to the peak, the return to the target will take time



Source: GUS, NBP, Santander

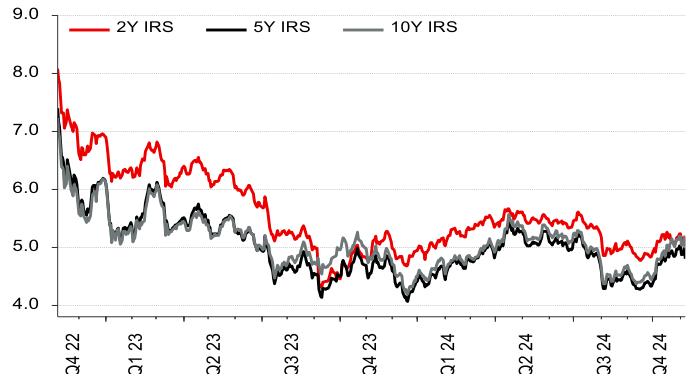
Markets in charts

Zloty exchange rates



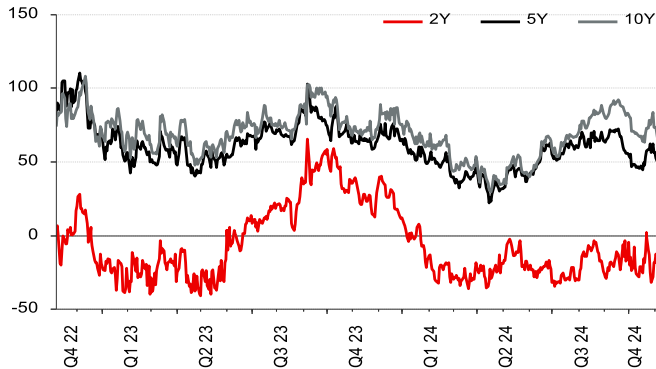
Source: LSEG Datastream, Santander

IRS (%)



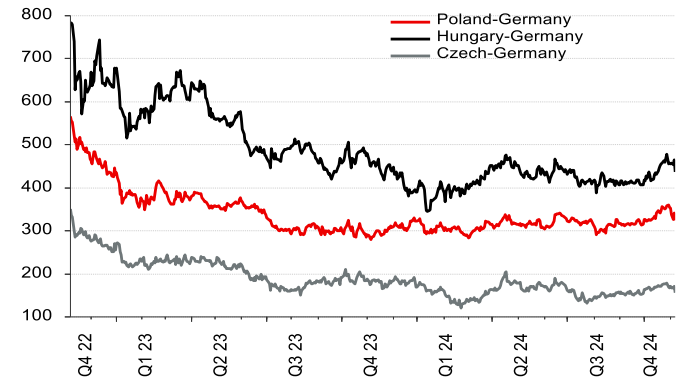
Source: LSEG Datastream, Santander

Poland asset swap spreads (bp)



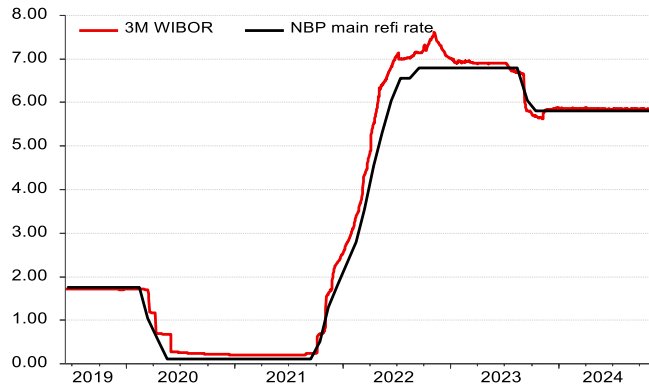
Source: LSEG Datastream, Santander

10Y bond yield spreads vs Bund



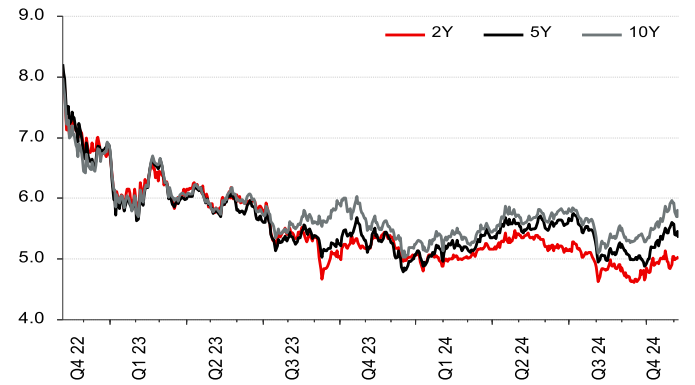
Source: LSEG Datastream, Santander

Interest rates



Source: LSEG Datastream, Santander

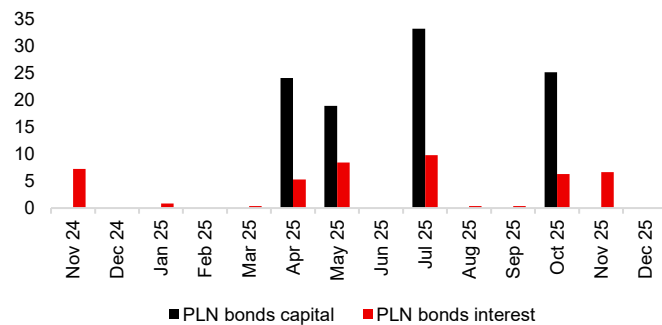
Polish bond yields (%)



Source: LSEG Datastream, Santander

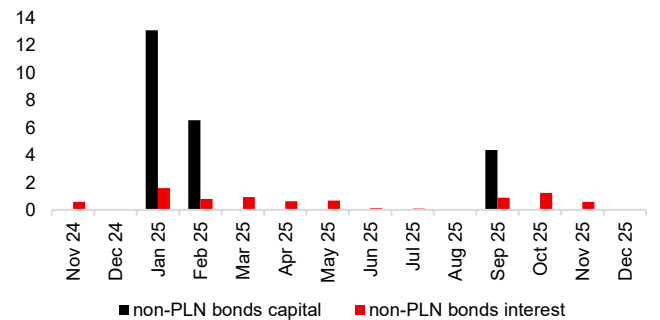
Principal and interest payments

PLN-denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

FX denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

Economic Calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
28 October No releases	29 US: Conf. Board (Oct)	30 HU: GDP 3Q CZ: GDP 3Q EZ: GDP 3Q EZ: ESI (Oct) US: GDP 3Q US: ADP employment report (Oct)	31 PL: CPI inflation (Oct) EZ: HICP inflation (Oct) EZ: Unemployment (Sep) US: Personal income (Sep) US: Personal spending (Sep)	1 November US: Non-farm payrolls (Oct) US: Unemployment (Oct) US: ISM manufacturing (Oct)
4 PL: PMI manufacturing (Oct) DE: PMI manufacturing – fin. (Oct) EZ: PMI manufacturing – fin. (Oct) US: Durable goods orders (Sep) US: Industrial orders (Sep)	5 CN: PMI services (Oct) US: ISM services (Oct)	6 PL: MPC rate decision DE: Factory orders (Sep) HU: Industrial output (Sep) CZ: Industrial output (Sep) DE: PMI services (Oct) EZ: PMI services (Oct)	7 DE: Export (Sep) DE: Industrial output (Sep) EZ: Retail sales (Sep) CZ: CNB rate decision US: FOMC rate decision	8 PL: MPC minutes (Oct) US: Michigan index (Nov)
11 CZ: CPI inflation (Oct)	12 DE: HICP inflation – fin. (Oct) HU: CPI inflation (Oct) DE: ZEW (Nov)	13 PL: Balance of payments (Sep) EZ: Industrial output (Sep) US: CPI inflation (Oct)	14 PL: GDP 3Q EZ: GDP 3Q US: PPI inflation (Oct)	15 PL: CPI inflation – fin. (Oct) US: Retail sales (Oct) US: Industrial output (Oct)
18 PL: Core inflation (Oct) CZ: PPI inflation (Oct)	19 EZ: CPI inflation – fin. (Oct) US: Building permits (Oct) US: Housing starts (Oct)	20 DE: PPI inflation (Oct) EZ: Construction output (Sep)	21 PL: Construction output (Oct) PL: Consumer confidence (Nov) US: Existing home sales (Oct)	22 DE: GDP 3Q DE: PMI manufacturing (Nov) DE: PMI services (Nov) EZ: PMI manufacturing (Nov) EZ: PMI services (Nov) US: Michigan index – fin. (Nov)
25 PL: Industrial output (Oct) PL: PPI inflation (Oct) PL: Employment (Oct) PL: Wages (Oct) DE: Ifo (Nov)	26 PL: Retail sales (Oct) PL: M3 supply (Oct) US: Pending home sales (Oct) US: Conf. Board (Nov) US: FOMC minutes (Nov)	27 PL: Unemployment (Oct) US: GDP 3Q US: Durable goods orders (Oct) US: Pending home sales (Oct) US: Personal income (Oct) US: Personal spending (Oct)	28 PL: GDP 3Q EZ: ESI (Nov) DE: HICP inflation (Nov)	29 PL: CPI inflation (Nov) EZ: CPI inflation (Nov) CZ: GDP 3Q HU: PPI inflation (Oct)

Source: GUS, NBP, Ministry of Finance, Bloomberg

Calendar of MPC meetings and data releases for 2024

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
ECB decision			7	11		6	18		12	17		12
Fed decision	31		20		1	12	31		18		7	18
MPC decision	9	7	6	4	9	5	3	20	4	2	6	4
MPC minutes	11	9	8	8	13	7	5	22		4	8	6
Flash GDP*		14			15			14			14	
GDP*		29				3		29			28	
CPI	15	15	15	15	15	14	15	14	13	15	15	13
Core inflation	16		18	16	16	17	16	16	16	16	18	
PPI	19	20	20	22	22	20	18	21	19	21	25	19
Industrial output	22	20	20	22	22	20	18	21	19	21	25	19
Retail sales	22	22	21	23	23	24	22	22	23	22	26	20
Gross wages, employment	22	20	20	22	22	20	18	21	19	21	25	19
Foreign trade	17	15	14	15	15	14	15	14	13	14	15	13
Balance of payments*			29			28			30			30
Balance of payments	12	13	15	12	14	13	15	13	13	14	13	
Money supply	24	22	22	23	24	24	22	23	23	22	26	23

Source: GUS, NBP, Ministry of Finance, * quarterly data

Economic data and forecasts for Poland

Monthly economic indicators

		Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24
PMI	pts	44.5	48.7	47.4	47.1	47.9	48.0	45.9	45.0	45.0	47.3	47.8	48.6	49.2	49.6
Industrial production	% y/y	2.0	-0.3	-3.5	2.9	3.3	-5.6	7.8	-1.6	0.0	5.2	-1.2	-0.3	1.7	-1.8
Construction production	% y/y	9.8	3.9	14.0	-6.2	-4.9	-13.3	-2.0	-6.6	-8.9	-1.3	-9.6	-9.0	-6.4	-2.5
Retail sales (current prices)	% y/y	2.8	-0.3	-2.3	3.2	6.1	6.1	4.1	5.0	4.4	4.4	2.6	-3.0	1.1	2.5
Unemployment rate	%	5.0	5.0	5.1	5.4	5.4	5.3	5.1	5.0	4.9	5.0	5.0	5.0	5.0	5.0
Gross wages in corporate sector	% y/y	12.8	11.8	9.6	12.8	12.9	12.0	11.3	11.4	11.0	10.6	11.1	10.3	10.4	9.9
Employment in corporate sector	% y/y	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.4	-0.5	-0.4	-0.4	-0.5	-0.5	-0.6	-0.5
Exports (€)	% y/y	2.1	-2.0	-6.3	-3.1	2.0	-8.7	7.5	-6.0	-7.3	4.7	-3.3	0.2	5.3	1.6
Imports (€)	% y/y	-6.0	-6.1	-9.3	-4.1	2.1	-7.2	4.7	0.1	0.6	9.1	4.9	7.0	8.9	6.0
Trade balance	EUR mn	709	-369	-1,159	1,274	298	485	880	-962	-397	-1,302	-2,244	-1,300	-280	-1,694
Current account balance	EUR mn	2,121	1,182	-102	1,575	1,752	1,239	623	-451	485	-1,116	-2,827	-1,721	774	-533
Current account balance	% GDP	1.4	1.6	1.8	1.7	1.7	1.6	1.7	1.5	1.3	1.2	0.8	0.3	0.2	0.0
CPI	% y/y	6.6	6.6	6.2	3.7	2.8	2.0	2.4	2.5	2.6	4.2	4.3	4.9	5.0	4.6
CPI excluding food and energy	% y/y	8.0	7.3	6.9	6.2	5.4	4.6	4.1	3.8	3.6	3.8	3.7	4.3	4.1	4.4
PPI	% y/y	-4.2	-5.1	-6.9	-10.6	-10.0	-9.9	-8.5	-7.0	-5.8	-5.1	-5.5	-6.3	-5.6	-4.0
Broad money (M3)	% y/y	8.2	7.6	8.5	7.7	7.4	6.6	7.4	8.0	8.4	8.3	7.8	6.5	7.6	8.3
Deposits	% y/y	9.8	8.9	9.8	8.7	8.1	7.4	7.8	8.6	8.6	8.4	7.6	5.9	6.7	7.2
Loans	% y/y	-2.1	-1.6	0.0	0.1	-0.2	0.3	1.1	1.7	2.7	2.6	3.8	2.9	4.7	5.5
EUR/PLN	PLN	4.51	4.40	4.33	4.36	4.33	4.31	4.30	4.28	4.32	4.28	4.29	4.28	4.32	4.36
USD/PLN	PLN	4.27	4.07	3.97	4.00	4.01	3.96	4.01	3.96	4.02	3.95	3.90	3.85	3.96	4.04
CHF/PLN	PLN	4.72	4.57	4.59	4.66	4.57	4.46	4.41	4.36	4.49	4.42	4.54	4.55	4.60	4.59
Reference rate *	%	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
3M WIBOR	%	5.68	5.76	5.86	5.87	5.86	5.86	5.86	5.86	5.85	5.86	5.85	5.85	5.85	5.85
Yield on 2-year T-bonds	%	5.23	5.32	5.10	5.00	5.00	5.14	5.29	5.36	5.19	5.12	4.84	4.71	4.93	5.03
Yield on 5-year T-bonds	%	5.44	5.33	5.00	5.07	5.20	5.29	5.53	5.55	5.58	5.56	5.09	5.04	5.31	5.57
Yield on 10-year T-bonds	%	5.86	5.57	5.24	5.28	5.37	5.42	5.67	5.69	5.73	5.69	5.31	5.34	5.64	5.87

Note: * at the end of the period.

Source: GUS, NBP, Finance Ministry, Santander Bank Polska estimates.

Quarterly and annual economic indicators

		2022	2023	2024	2025	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
GDP	PLN bn	3,100.8	3,401.6	3,618.9	3,905.3	835.8	863.3	900.9	1,020.8	912.6	940.5	967.6	1,086.9
GDP	% y/y	5.3	0.1	3.0	3.5	2.1	3.2	2.8	3.6	4.3	3.5	3.8	2.9
Domestic demand	% y/y	4.8	-3.1	4.9	5.3	2.3	4.8	5.6	6.5	6.4	5.6	5.1	3.6
Private consumption	% y/y	5.0	-0.3	3.9	2.9	4.4	4.6	2.5	4.2	3.5	3.3	2.5	2.5
Fixed investments	% y/y	1.7	12.6	2.5	7.1	1.9	3.2	3.0	2.0	6.0	6.5	7.0	8.0
Industrial production	% y/y	10.4	-2.1	0.8	5.3	-0.1	1.9	1.1	0.4	2.1	4.7	7.1	7.5
Construction production	% y/y	7.7	4.8	-5.8	7.4	-8.7	-6.1	-6.8	-3.2	6.2	8.1	12.1	3.9
Retail sales (constant prices)	% y/y	5.5	-3.6	3.4	1.8	5.0	4.5	1.3	3.1	-0.3	-0.8	2.7	5.2
Unemployment rate *	%	5.2	5.1	5.2	5.1	5.3	4.9	5.0	5.2	5.4	5.1	5.0	5.1
Gross wages in the national economy	% y/y	12.1	12.8	13.5	8.0	14.4	14.7	13.4	11.7	8.5	8.3	7.7	7.3
Employment in the national economy	% y/y	2.0	0.6	-0.2	0.2	0.2	0.1	-0.4	-0.5	0.0	0.0	0.3	0.4
Exports (€)	% y/y	23.0	3.5	-0.3	8.4	-3.6	-2.2	0.4	4.1	7.0	6.8	9.4	10.3
Imports (€)	% y/y	27.7	-4.5	3.5	11.0	-3.3	1.8	7.0	8.6	11.3	9.7	11.6	11.5
Trade balance	EUR mn	-22,019	4,738	-7,894	-17,627	2,061	-476	-4,846	-4,633	-1,330	-2,880	-7,170	-6,248
Current account balance	EUR mn	-14,872	13,485	-1,957	-13,757	4,567	668	-5,577	-1,615	1,382	-2,863	-8,530	-3,746
Current account balance	% GDP	-2.2	1.8	-0.2	-1.5	1.6	1.3	0.4	-0.2	-0.6	-1.0	-1.3	-1.5
General government balance	% GDP	-3.4	-5.1	-5.7	-5.5	-	-	-	-	-	-	-	-
CPI	% y/y	14.3	11.6	3.7	4.6	2.9	2.5	4.5	4.9	5.5	5.3	3.9	3.9
CPI *	% y/y	16.6	6.2	5.1	3.8	2.0	2.6	4.9	5.1	5.6	5.4	4.0	3.8
CPI excluding food and energy	% y/y	9.1	10.2	4.4	4.2	5.4	3.8	3.9	4.3	4.3	4.5	4.1	3.9
PPI	% y/y	22.4	2.8	-6.7	0.8	-10.2	-7.1	-5.6	-3.9	0.5	0.3	1.2	1.3
Broad money (M3) *	% y/y	5.4	8.5	6.9	6.5	6.6	8.4	6.5	6.9	7.2	5.7	5.1	6.5
Deposits *	% y/y	0	9.8	7.1	6.5	7.4	8.6	5.9	7.1	8.1	7.3	7.4	6.5
Loans *	% y/y	1.4	0.0	5.1	5.5	0.3	2.7	2.9	5.1	4.8	4.4	5.5	5.5
EUR/PLN	PLN	4.69	4.54	4.32	4.34	4.33	4.30	4.28	4.35	4.38	4.33	4.33	4.35
USD/PLN	PLN	4.46	4.20	3.98	3.83	3.99	4.00	3.90	4.01	3.95	3.83	3.78	3.78
CHF/PLN	PLN	4.67	4.68	4.51	4.20	4.57	4.42	4.50	4.55	4.33	4.20	4.14	4.12
Reference rate *	%	6.75	5.75	5.75	4.50	5.75	5.75	5.75	5.75	5.75	5.75	5.25	4.50
3M WIBOR	%	6.02	6.52	5.86	5.50	5.86	5.86	5.85	5.85	5.85	5.77	5.48	4.89
Yield on 2-year T-bonds	%	6.35	5.67	5.05	4.29	5.05	5.28	4.89	4.98	4.78	4.40	4.08	3.90
Yield on 5-year T-bonds	%	6.36	5.66	5.36	5.01	5.19	5.55	5.23	5.46	5.40	5.15	4.83	4.65
Yield on 10-year T-bonds	%	6.10	5.83	5.57	5.28	5.36	5.70	5.45	5.77	5.70	5.48	5.13	4.80

Note: * at the end of period. Source: GUS, NBP, Finance Ministry, Santander estimates.

This analysis is based on information available until 08.11.2024 has been prepared by:

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