

MACROscope Lite

Mood swings

■ It is now three months since the re-election of Donald Trump as US president, and uncertainty about the effects of changes in US policy on the global economy and global security has not decreased significantly, but rather has entered a new level. It has become apparent that even decisions already announced and taken (as in the case of the imposition of 25% tariffs on Canada and Mexico) tell us little about what will actually happen, as they can be put on hold or reversed in an instant. On one hand, it makes economic forecasting still difficult; on the other hand, it leaves open the possibility that, for example, fears of a sharp turn towards trade protectionism that could harm the global economy will ultimately materialise only to a limited extent. **However, we still see US trade policy as a risk factor for the recovery in European manufacturing, which is tentatively becoming visible in the data**, making it difficult for us to bet on a strong improvement in Polish exports. This could be a key factor preventing stronger reacceleration of the Polish economy.

■ According to preliminary data, GDP grew in 2024 by 2.9%, which is consistent with a rebound in 4Q to 3.5% y/y. The data indicate that domestic demand, including private consumption, was the source of the improvement in GDP growth. Thus, for now, it looks like economic developments are still in line with our expected scenario. **We anticipate that consumption growth will remain near 3% y/y this year and that investment will accelerate in each subsequent quarter, resulting in a slight improvement in GDP growth this year to around 3.5%.**

■ Despite the solid pace of growth in the domestic economy, we see signs of a cooling in the labour market, which is manifested both in the employment data (in particular, ongoing job cuts in industry) and wages (whose growth in December went into single digits for the first time in a year). The recovery in investment expected by us should boost demand for workers somewhat, although the situation will be different in different sectors - industry, especially its export-oriented branches, may continue to cut jobs in view of the weak economic situation abroad, while services and construction will hire. **Wage growth should gradually decelerate in the coming months, coming down to around 7% y/y.**

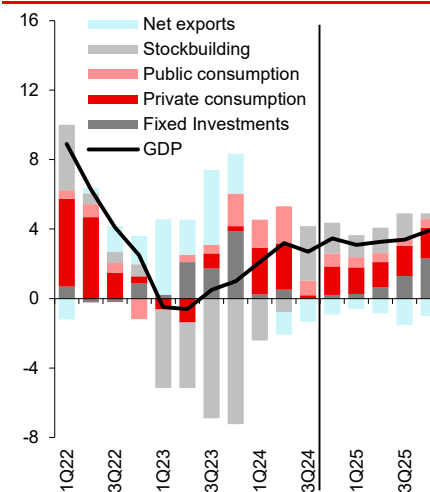
■ Reduced wage pressure will support disinflation, although before the trend becomes permanent, the CPI growth may still rise in 1Q due to base effects, further increases in food prices, hikes of indirect tax rates, among other things. **We expect inflation to start going down from April. The fall will be gradual at first, but it will accelerate from July. As a result, in late 2025 the CPI growth may fluctuate close to the upper boundary of the tolerance band around the inflation target.** Our forecast of 2025 CPI has shifted down by 0.4-0.5pp since the release of the December MACROscope, inter alia due to the lower starting point (surprisingly low CPI in December). We see risks to our current CPI forecast as symmetric: on one hand there is a possibility of a larger and persistent PLN appreciation, lower process of oil and gas, on the other hand there is uncertainty regarding energy tariffs for households in 2H25 and effects of a potential escalation of tariff wars.

■ The Monetary Policy Council keeps its communication pretty much consistent since December. It is signalling that the possibility of monetary policy easing has become more remote. The reasons are the uncertainty about energy prices in the late part of the year, persistently high wage growth and expansive fiscal policy, among others. We still assume that the first interest rate cut is possible in July, under the condition that by that time the reversal of the upward inflation trend becomes apparent, wage growth weakens and it becomes next to certain that there will be no electricity price hike once it is no longer frozen after September. **We think that by the end of the year, the NBP reference rate will be reduced by 100-125 bp, followed by more cuts in 2026, to 3.5-4%.**

■ EURPLN has just broken through 4.20, falling to the lowest level since 2018, its real effective exchange rate climbed to the highest since 2008. The zloty is supported by the hawkish tone of the MPC and solid economic growth, but we see **the main reason for the zloty strengthening as external factors, including media information about a possible peace plan for Ukraine.** Our FX scenario assumes no breakthrough in this matter and, as a result, a return of EURPLN to 4.30-4.35 in the second half of the year, but if a credible plan for a Ukraine-Russia agreement appeared on the table, the zloty would probably be persistently stronger, with consequences for inflation and balance of payments forecasts.

■ The increase in debt yields at the beginning of the year has stopped for the time being and we assume a slight downward trend in the following months, intensifying in the middle of the year with the start of NBP rate cuts (then the curve should also steepen).

Economic growth and its breakdown, % y/y



Source: GUS, Santander

Recently released Economic Comments:

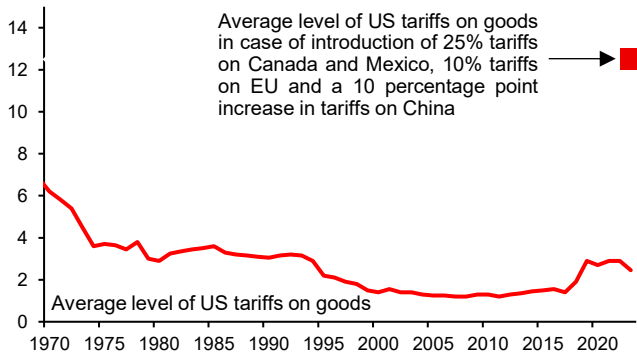
- [No preconditions for rate cuts](#)
- [Economy back on upward track](#)
- [Small rise in sales, improved construction](#)
- [December full of negative surprises](#)
- [NBP president strikes an even more hawkish tone](#)
- [December CPI surprised to the downside, again](#)
- [Retail sales significantly above consensus](#)
- [Stronger labour market, output still erratic](#)

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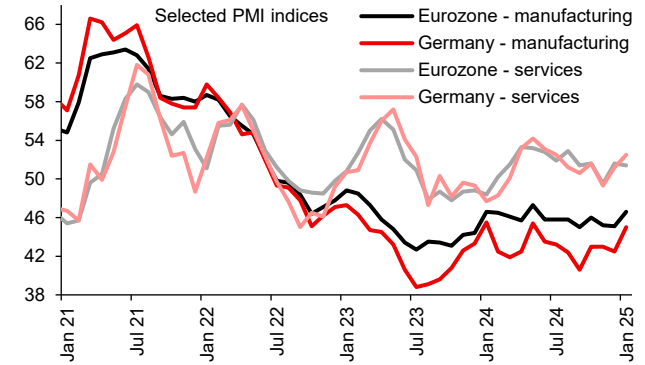
Economy in charts

The main topic now is US trade policy



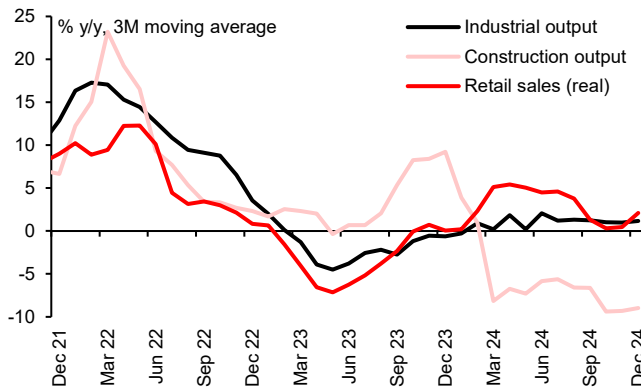
Source: Bloomberg, Santander

Leading indicators in Europe have started to improve



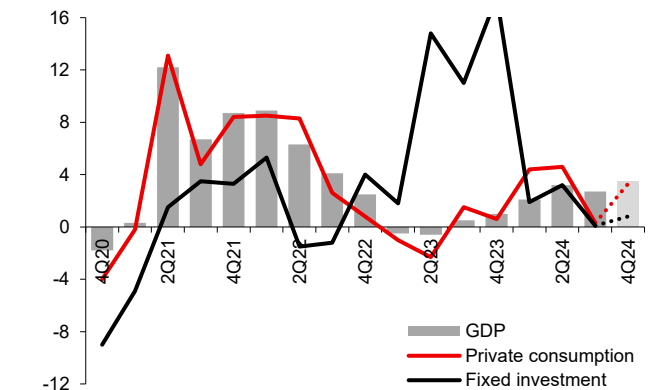
Source: S&P Global, Santander

Polish monthly indicators for 4Q were far from spectacular



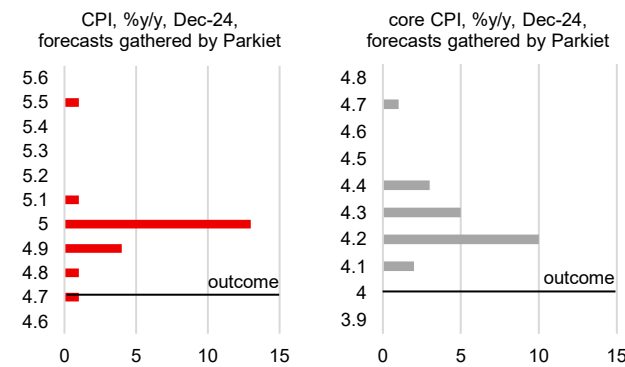
Source: GUS, Santander

Despite this, annual GDP data implies a solid economic growth in 4Q



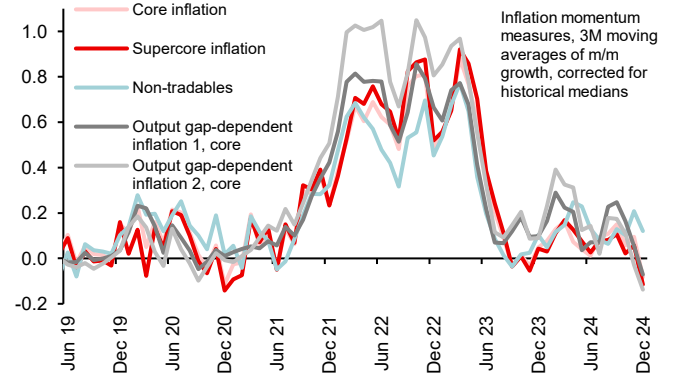
Source: GUS, Santander

What came below expectations in late 2024 was CPI growth



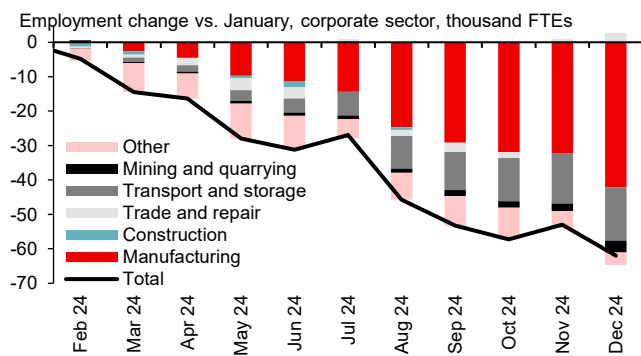
Source: Parkiet, GUS, Santander

...measures of inflationary pressure were also unusually low



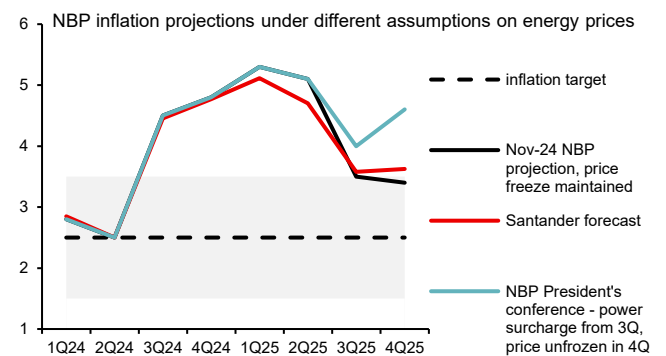
Source: GUS, Eurostat, Santander

Another softer-than-expected data were wages (y/y growth dropped below 10%) and employment in the enterprise sector



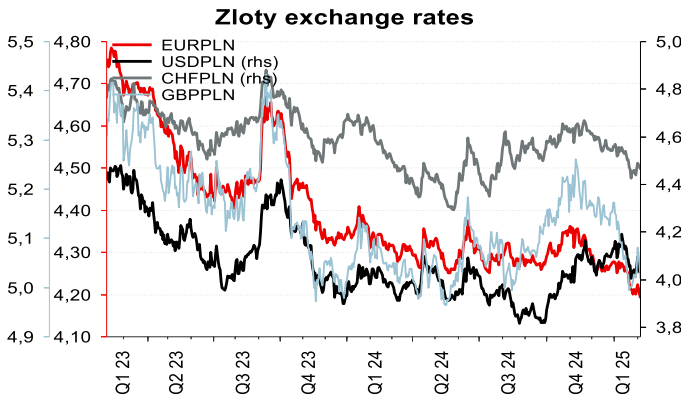
Source: GUS, Santander

However, MPC majority seems to focus on potential inflation rise after electricity prices for households get unfrozen in October

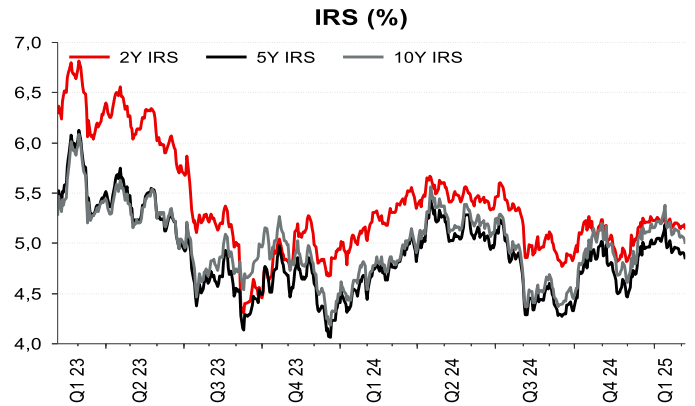


Source: GUS, NBP, Santander

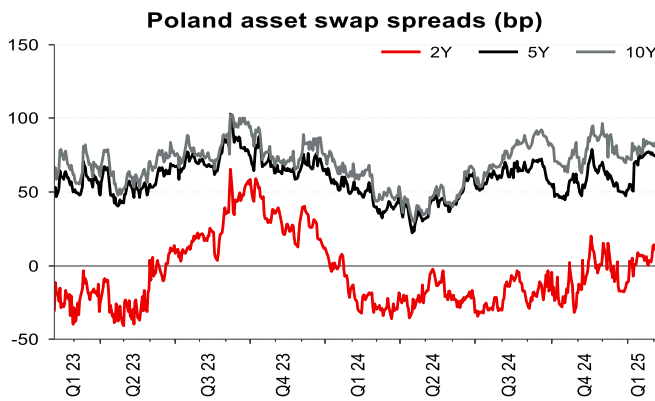
Markets in charts



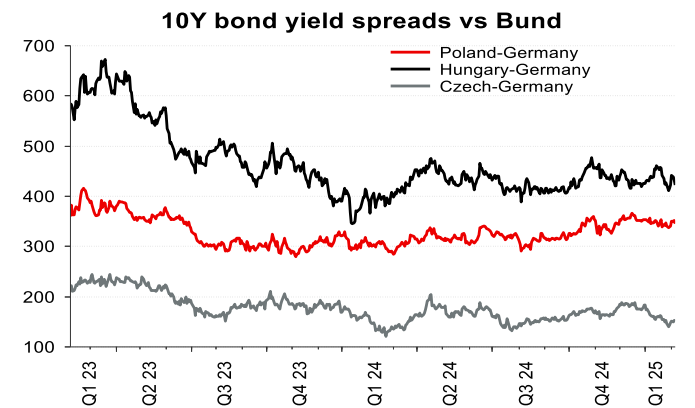
Source: LSEG Datastream, Santander



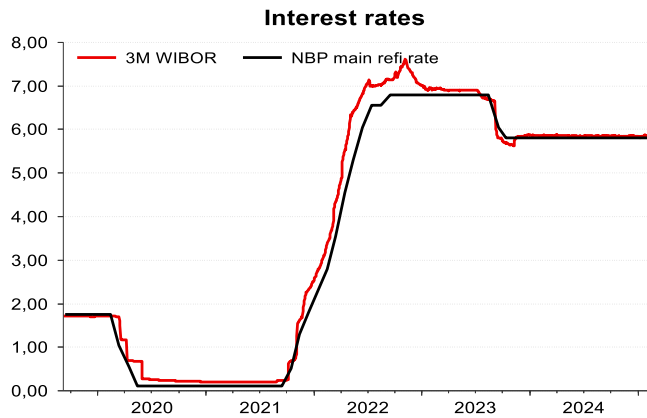
Source: LSEG Datastream, Santander



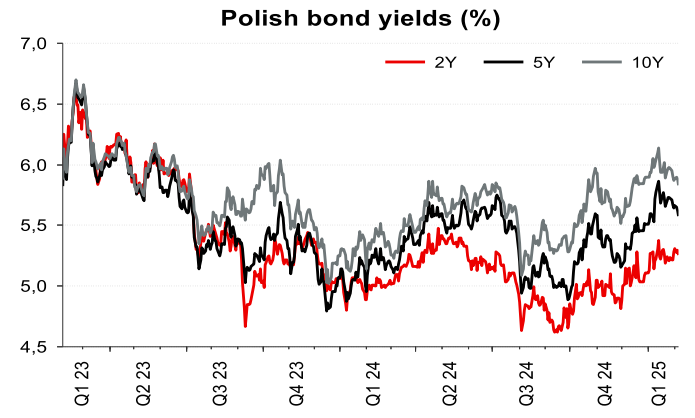
Source: LSEG Datastream, Santander



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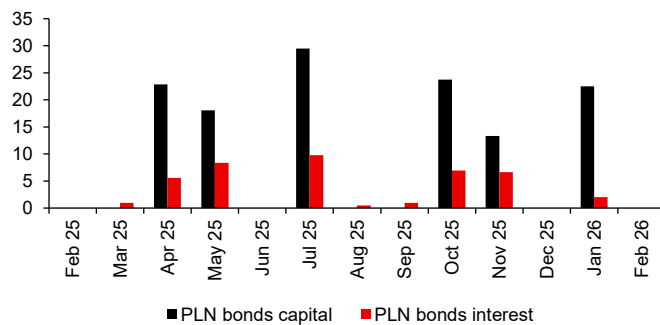
Source: LSEG Datastream, Santander



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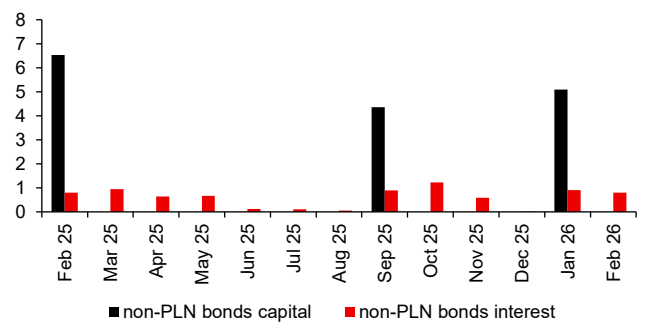
Principal and interest payments

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
3 February PL: PMI manufacturing (Jan) DE: PMI manufacturing – fin. (Jan) EZ: PMI manufacturing – fin. (Jan) EZ: HICP inflation (Jan) US: ISM manufacturing (Jan)	4 US: Durable goods orders (Dec) US: Industrial orders (Dec)	5 PL: MPC rate decision DE: PMI services – fin. (Jan) EZ: PMI services – fin. (Jan) US: ADP employment report (Jan) US: ISM services (Jan)	6 CZ: CNB rate decision CZ: CPI inflation (Jan) EZ: Retail sales (Dec)	7 PL: MPC minutes (Jan) DE: Export (Dec) DE: Industrial output (Dec) US: Michigan index (Feb) US: Non-farm payrolls (Jan)
10 No releases	11 No releases	12 CZ: CPI inflation – fin. (Jan) US: CPI inflation (Jan)	13 PL: GDP 4Q PL: Balance of payments (Dec) DE: CPI inflation (Jan) EZ: Industrial output (Dec) US: PPI (Jan)	14 PL: CPI inflation (Jan) EZ: GDP 4Q US: Retail sales (Jan) US: Industrial output (Jan)
17 CZ: PPI (Jan)	18 DE: ZEW (Feb)	19 PL: Consumer confidence (Feb) US: Building permits (Jan) US: Housing starts (Jan) US: FOMC minutes (Jan)	20 PL: Wages (Oct) PL: Employment (Oct) PL: Industrial output (Oct) PL: Construction output (Jan) PL: PPI (Jan)	21 DE: PMI manufacturing (Feb) DE: PMI services (Feb) EZ: PMI manufacturing (Feb) EZ: PMI services (Feb) US: Michigan index – fin. (Feb)
24 PL: Retail sales (Jan) PL: M3 supply (Jan) EZ: HICP inflation – fin. (Jan)	25 PL: Unemployment (Jan) DE: GDP 4Q HU: MNB rate decision US: Conf. Board (Feb)	26 US: New home sales (Jan) US: Building permits – fin. (Jan)	27 PL: GDP 4Q – fin. EZ: ESI (Feb) US: GDP 4Q US: Durable goods orders (Jan) US: Pending home sales (Jan)	28 CZ: GDP 4Q DE: HICP inflation (Feb) US: Personal income (Jan) US: Personal spending (Jan) US: PCE inflation (Jan)

Source: GUS, NBP, Ministry of Finance, Bloomberg

Calendar of MPC meetings and data releases for 2025

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
ECB decision	30		6	17		5	24		11	30		18
Fed decision	29		19		7	18	30		17	29		10
MPC decision	16	5	12	2	7	4	2		3	8	5	3
MPC minutes	20	7	14	4	9	6	4	28		10	7	5
Flash GDP*		13			15			13			13	
GDP*		27				2			1			1
CPI	15	14	14	15	15	13	15	14	15	15	14	15
Core inflation	16											
PPI	22	20	20	22	21	23	21	21	18	20	24	18
Industrial output	22	20	20	22	21	23	21	21	18	20	24	18
Retail sales	23	24	24	23	26	24	22	25	22	22	25	22
Gross wages, employment	22	20	20	22	21	23	21	21	18	20	24	18
Foreign trade	14	14	14	14	15	13	15	14	15	14	14	15
Balance of payments*			31									
Balance of payments	13	13	17	11	14							
Money supply	24	24	24	23	23							

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

Economic data and forecasts for Poland

Monthly economic indicators

		Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25
PMI	pts	47.1	47.9	48.0	45.9	45.0	45.0	47.3	47.8	48.6	49.2	48.9	48.2	48.8	48.5
Industrial production	% y/y	2.9	3.3	-5.6	7.8	-1.6	0.0	5.2	-1.2	-0.4	4.6	-1.3	0.2	-1.0	-0.2
Construction production	% y/y	-6.2	-4.8	-13.4	-2.0	-6.5	-9.0	-1.3	-9.6	-9.0	-9.6	-9.3	-8.0	-2.7	-3.6
Retail sales (current prices)	% y/y	3.2	6.1	6.1	4.1	5.0	4.4	4.4	2.6	-3.0	1.3	3.1	1.9	1.3	0.1
Unemployment rate	%	5.4	5.4	5.3	5.1	5.0	4.9	5.0	5.0	5.0	4.9	5.0	5.1	5.4	5.4
Gross wages in corporate sector	% y/y	12.8	12.9	12.0	11.3	11.4	11.0	10.6	11.1	10.3	10.2	10.5	9.8	9.4	8.0
Employment in corporate sector	% y/y	-0.2	-0.2	-0.2	-0.4	-0.5	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6
Exports (€)	% y/y	-3.1	2.0	-8.7	8.1	-5.4	-6.7	5.3	-2.7	1.0	2.1	-4.7	-0.3	5.4	3.3
Imports (€)	% y/y	-4.1	2.1	-7.2	5.6	0.9	1.4	9.8	5.5	5.7	6.6	-0.4	3.9	10.5	7.9
Trade balance	EUR mn	1 274	298	485	822	-1 019	-454	-1 304	-2 246	-693	-571	-1 646	-2 261	3	-944
Current account balance	EUR mn	1 575	1 752	1 239	658	-605	441	-649	-2 494	-1 133	1 220	-521	-1 774	440	125
Current account balance	% GDP	1.7	1.7	1.6	1.7	1.5	1.3	1.3	0.8	0.5	0.4	0.2	0.0	-0.2	-0.4
CPI	% y/y	3.7	2.8	2.0	2.4	2.5	2.6	4.2	4.3	4.9	5.0	4.7	4.7	5.1	5.1
CPI excluding food and energy	% y/y	6.2	5.4	4.6	4.1	3.8	3.6	3.8	3.7	4.3	4.1	4.3	4.0	3.9	3.6
PPI	% y/y	-10.6	-10.0	-9.9	-8.5	-7.0	-5.8	-5.1	-5.5	-6.2	-5.1	-3.8	-2.6	-0.4	-0.9
Broad money (M3)	% y/y	7.7	7.4	6.6	7.4	8.0	8.4	8.3	7.8	6.5	7.8	8.7	9.3	9.0	8.2
Deposits	% y/y	8.7	8.1	7.4	7.8	8.6	8.6	8.4	7.6	5.9	7.3	8.0	8.7	10.2	9.0
Loans	% y/y	0.1	-0.2	0.3	1.1	1.7	2.7	2.6	3.8	2.9	4.5	5.7	5.0	5.4	5.5
EUR/PLN	PLN	4.36	4.33	4.31	4.30	4.28	4.32	4.28	4.29	4.28	4.32	4.33	4.27	4.25	4.21
USD/PLN	PLN	4.00	4.01	3.96	4.01	3.96	4.02	3.95	3.90	3.85	3.96	4.08	4.08	4.10	4.04
CHF/PLN	PLN	4.66	4.57	4.46	4.41	4.36	4.49	4.42	4.54	4.55	4.60	4.63	4.57	4.51	4.44
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	%	5.87	5.86	5.86	5.86	5.86	5.85	5.86	5.85	5.85	5.85	5.85	5.85	5.85	5.85
Yield on 2-year T-bonds	%	5.00	5.00	5.14	5.29	5.36	5.19	5.12	4.84	4.71	4.93	4.96	5.07	5.24	5.27
Yield on 5-year T-bonds	%	5.07	5.20	5.29	5.53	5.55	5.58	5.56	5.09	5.04	5.31	5.33	5.40	5.69	5.61
Yield on 10-year T-bonds	%	5.28	5.37	5.42	5.67	5.69	5.73	5.69	5.31	5.34	5.64	5.69	5.78	5.97	5.81

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	3 609.5	3 878.7	835.8	863.3	905.0	1 005.4	892.1	928.6	972.1	1 086.0
GDP	% y/y	5.3	0.1	2.9	3.4	2.1	3.2	2.7	3.5	3.1	3.3	3.4	3.9
Domestic demand	% y/y	4.8	-3.1	4.1	4.6	2.3	4.8	4.4	4.6	3.9	4.3	5.1	5.0
Private consumption	% y/y	5.0	-0.3	3.1	2.9	4.4	4.6	0.3	3.3	2.5	2.5	3.0	3.5
Fixed investments	% y/y	1.7	12.6	1.3	6.7	1.9	3.2	0.1	0.8	2.0	4.0	8.0	9.5
Industrial production	% y/y	10.4	-2.1	1.1	3.1	-0.1	2.0	1.1	1.3	0.9	3.6	4.0	4.0
Construction production	% y/y	7.7	4.8	-7.6	2.1	-8.6	-6.0	-6.8	-8.8	-0.5	1.5	3.8	2.5
Retail sales (constant prices)	% y/y	5.5	-3.6	3.2	2.4	5.0	4.5	1.3	2.2	0.4	-0.1	3.5	5.2
Unemployment rate *	%	5.2	5.1	5.1	5.0	5.3	4.9	5.0	5.1	5.4	5.0	4.9	5.0
Gross wages in the national economy	% y/y	12.1	12.8	13.3	7.5	14.4	14.7	13.4	10.7	9.0	8.4	7.6	7.4
Employment in the national economy	% y/y	2.0	0.6	-0.2	0.2	0.2	0.1	-0.4	-0.5	-0.5	-0.5	-0.2	-0.1
Exports (€)	% y/y	23.0	3.5	-1.3	4.6	-3.6	-1.5	1.1	-1.1	4.8	3.8	4.5	5.5
Imports (€)	% y/y	27.7	-4.5	2.3	7.6	-3.3	2.6	6.9	3.2	9.4	6.9	7.1	7.0
Trade balance	EUR mn	-22 019	4 738	-7 310	-17 654	2 061	-649	-4 244	-4 478	-1 600	-3 345	-6 625	-6 085
Current account balance	EUR mn	-14 872	13 485	-284	-8 921	4 567	501	-4 277	-1 075	1 140	-2 231	-4 903	-2 928
Current account balance	% GDP	-2.2	1.8	0.0	-1.0	1.6	1.3	0.5	0.0	-0.4	-0.7	-0.8	-1.0
General government balance	% GDP	-3.4	-5.1	-5.7	-5.8	-	-	-	-	-	-	-	-
CPI	% y/y	14.3	11.6	3.6	4.3	2.9	2.5	4.5	4.8	5.1	4.7	3.6	3.7
CPI *	% y/y	16.6	6.2	4.7	3.8	2.0	2.6	4.9	4.7	5.2	4.8	3.7	3.8
CPI excluding food and energy	% y/y	9.1	10.2	4.3	3.5	5.4	3.8	3.9	4.1	3.7	3.6	3.3	3.3
PPI	% y/y	22.4	2.8	-6.7	0.5	-10.2	-7.1	-5.6	-3.8	-0.5	0.0	1.2	1.3
Broad money (M3) *	% y/y	5.4	8.5	9.3	6.2	6.6	8.4	6.5	9.3	9.2	7.6	7.0	6.2
Deposits *	% y/y	0	9.8	8.7	6.2	7.4	8.6	5.9	8.7	9.9	9.1	9.1	6.2
Loans *	% y/y	1.4	0.0	5.0	5.4	0.3	2.7	2.9	5.0	5.0	4.5	5.6	5.4
EUR/PLN	PLN	4.69	4.54	4.31	4.29	4.33	4.30	4.28	4.31	4.23	4.28	4.33	4.35
USD/PLN	PLN	4.46	4.20	3.98	3.97	3.99	4.00	3.90	4.04	4.04	3.96	3.95	3.94
CHF/PLN	PLN	4.67	4.68	4.52	4.41	4.57	4.42	4.50	4.60	4.46	4.41	4.39	4.37
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	4.91
Yield on 2-year T-bonds	%	6.35	5.67	5.05	4.70	5.05	5.28	4.89	4.99	5.26	5.03	4.47	4.04
Yield on 5-year T-bonds	%	6.36	5.66	5.33	5.18	5.19	5.55	5.23	5.34	5.62	5.31	5.00	4.80
Yield on 10-year T-bonds	%	6.10	5.83	5.55	5.37	5.36	5.70	5.45	5.70	5.82	5.46	5.20	5.00

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

This analysis is based on information available until 07.02.2025 has been prepared by:

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