

14 February 2025

## Weekly Economic Update

### Market awaits the peace plan

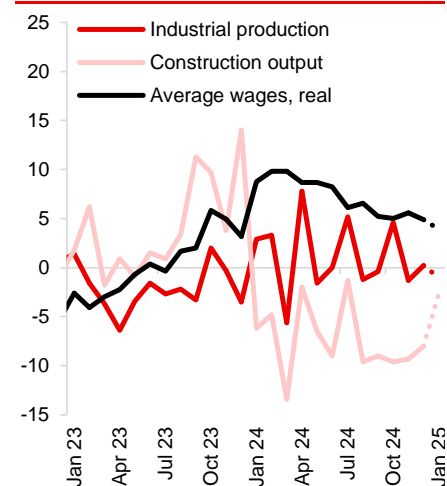
#### Economy next week

- The last few days have passed in an atmosphere of anticipation for the Munich Security Conference (starts today, lasts until Sunday), where **plans to end the war between Russia and Ukraine** are expected to be announced. President Donald Trump signalled that US representatives would talk with Russian envoys about the issue during the conference, with further talks to take place in the following weeks, including in Saudi Arabia. Russia, however, denied sending its delegation to Munich; a meeting between Vice President JD Vance and Ukrainian President Zelenski was, however, confirmed. The market mood just after the weekend may largely depend on the conclusions of these talks and the proposals made.
- In addition to the Ukraine-related topics, **possible new US decisions on tariffs** will continue to be important market-wise. In recent days, President Trump has decided to impose tariffs on steel and aluminium and outlined a plan to impose 'reciprocal' tariffs on all countries that levy tariffs on goods imported from the US (interestingly, this is to apply not only to tariffs, but also to other trade barriers and VAT). Further measures are also mentioned as being prepared, including on the automotive industry.
- As for domestic data releases, this Wednesday we will see the February **consumer confidence** survey results, on Thursday January data on **wages and employment, industrial and construction production, PPI inflation**. We expect the slight decline in employment to hold (uncertainty about this reading is increased by the statistical office's annual change in the sample of companies), a slowdown in wages (on a slightly smaller scale than the consensus), somewhat negative growth in industry and construction output (due to, among other things, the effect of working days), and a clearly smaller annual decline in PPI.
- Abroad, the week will start with a day off in the US, with a small number of headline publications in the following days, including new business climate indices: the German ZEW, preliminary PMIs, US leading indicators, among others.
- Interest rate decisions will be made by central banks in Australia, New Zealand and China.

#### Markets next week

- The Ukraine topic seems to be crucial for the currency market at the moment. In recent days, more and more information about the imminent talks on the cessation of hostilities has favoured the strengthening of currencies in the CEE region, most notably the rouble, but also the zloty, the forint and the Czech koruna. The EURUSD also rose, despite the US President's decision on tariffs, which will also hit Europe. The EURPLN broke through the 4.17 level and the next stage of its fall could possibly take it to 4.15. We have written before that **reaching an agreement on the end of the war, if assessed as lasting and credible, could significantly strengthen the zloty and it seems that the market is now largely pricing in such a scenario**. However, the sustainability of this move will depend on whether optimistic expectations are confirmed and how the terms of the proposed agreement are assessed. In the event of disappointment with the US peace deal proposal, we may see a fairly rapid correction in CEE currencies.
- The interest rate market continued its roller-coaster ride: after a sudden rise in Polish bond yields in the middle of the week in reaction to higher US inflation, there was a quick unwinding of the move and, overall, the bond curve was little changed since last Friday, while the swap curve went up slightly (also helped by the higher-than-forecast domestic CPI reading). As we expected, ASW spreads narrowed as a result. **The direction for the next week for swap rates seems to us to be flat, and for bonds will - like the exchange rate - be heavily influenced by the conclusions of the Munich conference**. The difference, however, is that the currency is probably pricing in more optimism on the issue than the debt market, so the potential for a yield correction in the event of disappointment with the peace proposals seems smaller.

#### Real wage growth and production in industry and construction, % y/y

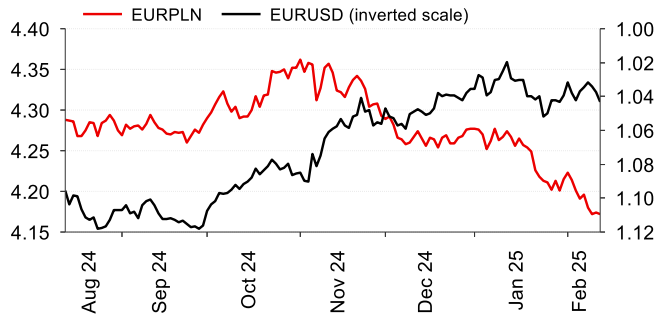


Source: GUS, Santander

#### Economic Analysis Department:

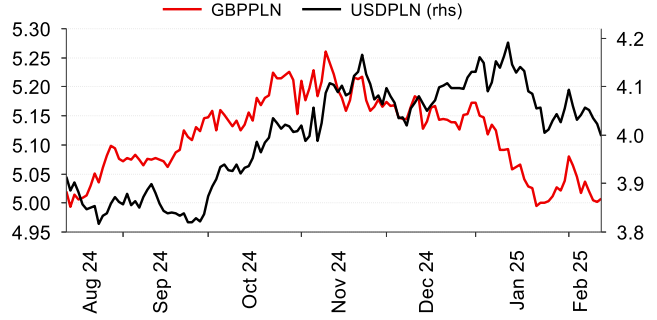
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**EURPLN and EURUSD**



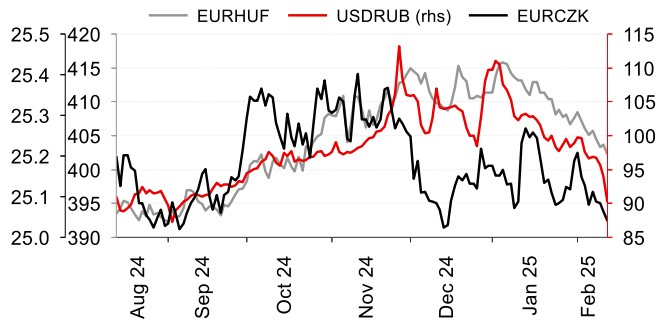
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



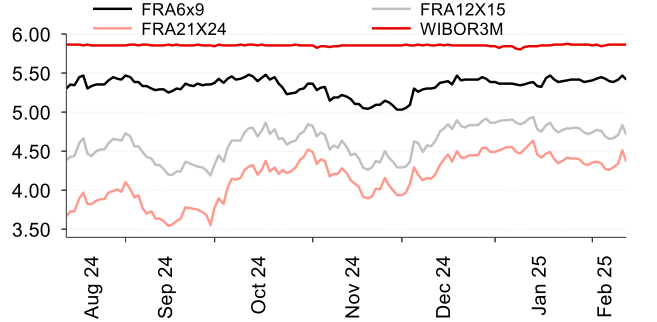
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



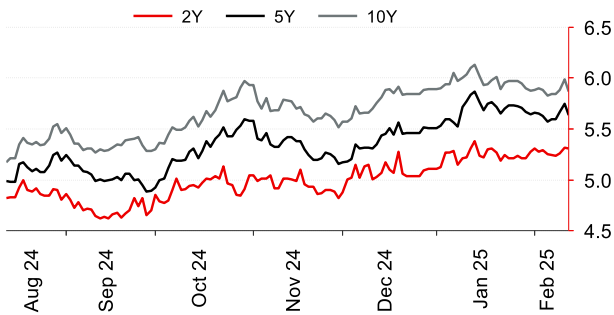
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



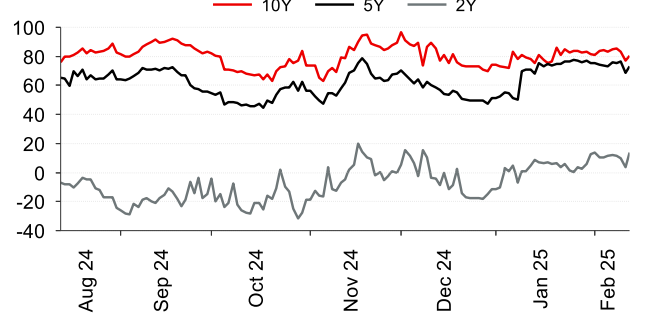
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



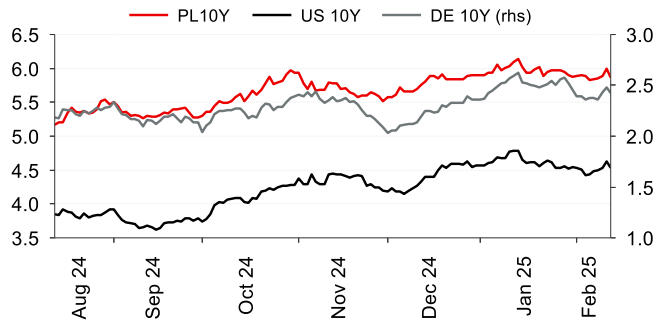
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



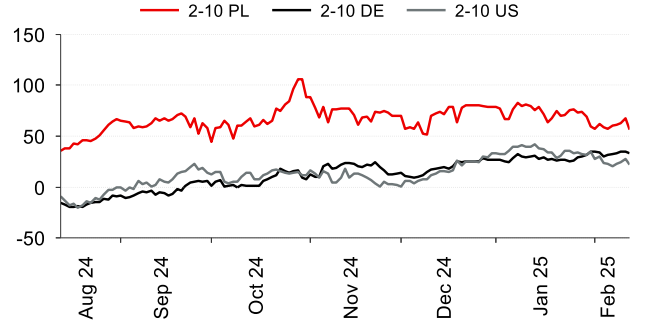
Source: LSEG Datastream, Santander Bank Polska

**10Y bond yields**



Source: LSEG Datastream, Santander

**Steepness of yield curves**



Source: LSEG Datastream, Santander Bank Polska

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
<b>MONDAY (17 February)</b>							
No key data releases or economic events							
<b>TUESDAY (18 February)</b>							
11:00	DE	ZEW Survey Current Situation	Feb	pts	-89.4	-	-90.4
<b>WEDNESDAY (19 February)</b>							
14:30	US	Housing Starts	Jan	% m/m	-7.03	-	15.8
20:00	US	FOMC Meeting Minutes	Jan.25				
<b>THURSDAY (20 February)</b>							
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	-1.2	-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	9.4	9.4	9.8
14:30	US	Initial Jobless Claims	Feb.25	k	215.5	-	213.0
<b>FRIDAY (21 February)</b>							
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	-2.12	-	2.17

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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