

19 February 2025

Eyeopener

First interest rate cut possible in 3Q

Today, consumer confidence survey for February
MPC's Kotecki: first rate cut possible in 3Q
MoF financed 45% of this year's borrowing needs
EURPLN declined to 4.15, bond yields slightly higher

Today, the Polish stats office will publish the results of the February consumer confidence survey. In addition, in the US, there will be data on construction of new homes and building permits, as well as minutes from the FOMC's January policy meeting.

MPC member Ludwik Kotecki said during the conference yesterday that **the monetary easing cycle will begin, in his opinion, at the beginning of 3Q25, in September at the latest**, and that the total scale of interest rate cuts this year will amount to 50-100 bps. He added that the macroeconomic policy in Poland is suboptimal, as a tighter fiscal policy and a softer monetary policy would be desirable. It is hard to disagree with this statement, but for the time being it seems unlikely that the situation will improve quickly. On the contrary, the announced exclusion of defence investment spending from the EU deficit and debt limits may make fiscal consolidation in the coming years slower.

Finance Minister Andrzej Domański said yesterday that **Poland wants to finalise work on excluding defence spending from debt and deficit calculations by May this year**. The final proposal will include guidelines detailing whether the exclusion would apply only to investment spending on new equipment or also, for example, on personnel maintenance. EU Commissioner for Economic Affairs Valdis Dombrovskis said that work on activating the so-called escape clause, which allows for a temporary departure from fiscal rules, is also underway at the EC and a proposal should be presented within a few weeks.

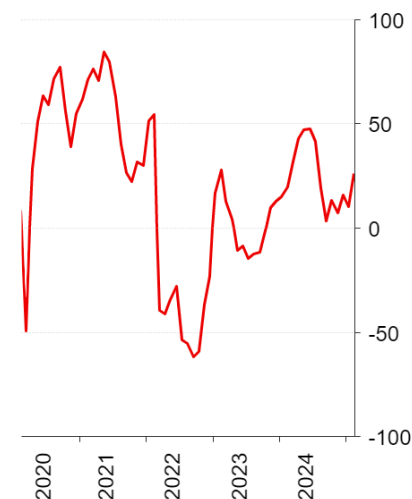
The degree of financing of the budget's gross borrowing needs for 2025 stands at around 45% after the bond auction on 12 February, the Ministry of Finance reported. The result is slightly better than last year, when the degree of financing equalled around 43% at the end of February, especially if one takes into account that gross borrowing needs increased from PLN449bn in 2024 to PLN553bn in 2025. In earlier years, however, the degree of financing was usually markedly higher at this stage: in 2023 after February it was 62%, in 2022 55%, in 2021 54%, though back then, planned borrowing needs stood at half their current level.

The ZEW index measuring economic sentiment in Germany rose by 15.7 pts to 26.0 pts, thus reaching its highest level since the middle of last year. The improvement in sentiment was registered for most of the sectors covered by the survey, including construction, automotive, and telecommunications, among others. According to the survey's authors, the improvement in sentiment may reflect respondents' hopes for the upcoming parliamentary elections. The index measuring the current economic situation also improved, but to a much lesser extent, from -90.4 pts to -88.5 pts.

EURPLN has been hovering in a horizontal trend near 4.16 for most of the day, but resumed its decline in the evening, temporarily breaching 4.15 during the night. The Hungarian forint fared slightly better than the Polish zloty, appreciating against the euro, but by no more than 0.1%. Czech koruna underperformed, depreciating by more than 0.1% against the euro. Changes in the CEE currencies occurred amid a marked appreciation of the dollar against the euro, by around 0.3%. Yesterday's statement by D.Trump that he plans to impose 25% tariffs on imported cars, semiconductors and pharmaceuticals heralds a further escalation of the trade wars and should, in our view, favour a strengthening of the US currency and a weakening of European currencies, but for the time being trade issues are apparently overshadowed by expectations of an end to war in Ukraine.

Polish bond yields rose by 2-3 bp on Tuesday, a little more at the both ends of the curve. Around 2-3 bp increase in yields also took place in the USA, with an increase in the slope of the curve of around 2 bp. Changes in German yields were negligible. In addition, domestic IRS rates rose by 2-5 bp, stronger at the long end of the curve, and FRA rates with maturities at least twelve months away increased by 3-4 bp, also stronger at the long end of the curve.

German ZEW index



Source: LSEG Datastream, Santander

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FX market

Today's opening			
EURPLN	4.1515	CZKPLN	0.1654
USDPLN	3.9721	HUFPLN*	1.0265
EURUSD	1.0454	RONPLN	0.8347
CHFPLN	4.3991	NOKPLN	0.3561
GBPPLN	5.0071	DKKPLN	0.5566
USDCNY	7.2832	SEKPLN	0.3706

*for 100HUF

Last session in the FX market					18/02/2025
	min	max	open	close	fixing
EURPLN	4.1520	4.1674	4.1620	4.1536	4.1574
USDPLN	3.9668	3.9887	3.9813	3.9725	3.9729
EURUSD	1.0439	1.0469	1.0455	1.0456	

Interest rate market

18/02/2025

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.32	6
DS1029 (5L)	5.62	1
DS1034 (10L)	5.87	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.65	-2	4.53	3	2.24	0
2L	5.21	1	4.42	4	2.27	0
3L	5.00	2	4.39	5	2.29	0
4L	4.93	2	4.39	7	2.31	0
5L	4.94	2	4.39	7	2.34	1
8L	5.03	4	4.39	6	2.40	1
10L	5.11	4	4.43	7	2.45	2

WIBOR rates

Term	%	Change (bps)
O/N	5.63	-5
T/N	5.78	-1
SW	5.82	-1
1M	5.83	3
3M	5.87	0
6M	5.82	0
1Y	5.62	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	-1
3x6	5.78	0
6x9	5.45	0
9x12	5.04	0
3x9	5.74	0
6x12	5.39	0

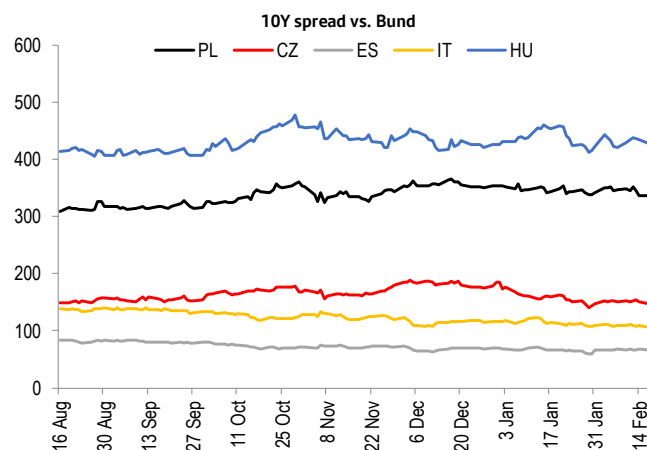
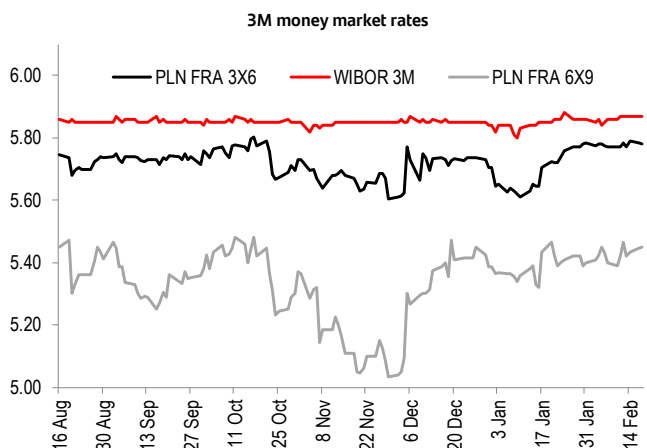
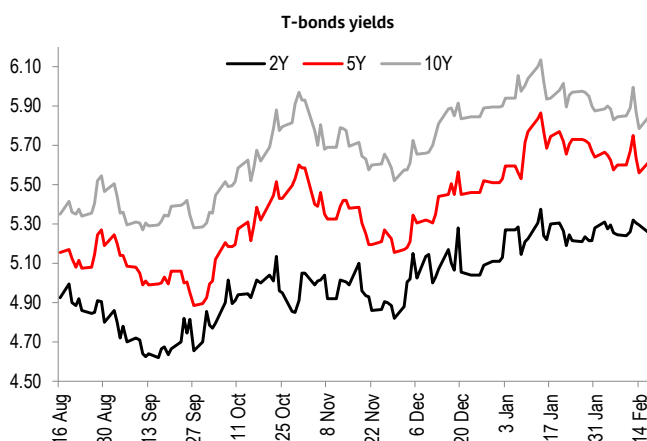
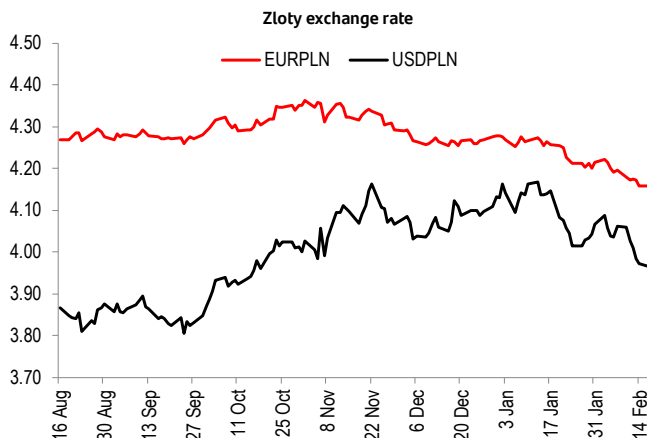
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	66	0	338	2
France	16	-1	67	-1
Hungary	119	0	428	0
Spain	32	0	65	-1
Italy	22	-1	106	-1
Portugal	16	0	51	0
Ireland	10	0	30	0
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	-	-88.5	-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

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