

21 March 2025

Weekly Economic Update

Chilly start of spring

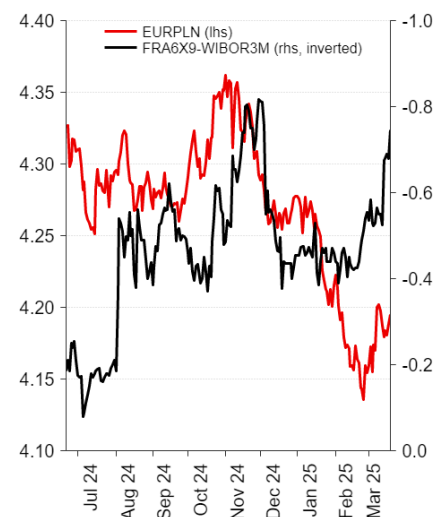
Economy next week

- Spring has arrived, consumer and business sentiment is improving, but there was a chill in the latest 'hard' data from the economy - industrial and construction output and wage growth in February were noticeably weaker than forecast, which (combined with earlier news of lower-than-expected inflation) has rekindled market expectations of rate cuts.
- After the weekend, there will be a few more economic indicators from February, including **retail sales and money supply on Monday, registered unemployment on Tuesday**. We expect sales growth to moderate slightly after a surprisingly strong rise in January, to a still decent level of around 3% y/y.
- Abroad, there will be a lot of European economic indicators: preliminary PMI indices for manufacturing and services, German Ifo and GfK, ESI indices. In the US, among others, the revision of 4Q GDP data, but also the Conference Board and University of Michigan consumer confidence surveys (which have recently started to show a deterioration in sentiment in reaction to the uncertainty surrounding the policies of the D.Trump administration) and the Fed's favourite inflation measure, the core PCE.
- Interest rate decisions will be taken by two central banks in the region: MNB and CNB.
- On Monday, **another round of talks between the US and (separately) delegations from Russia and Ukraine on the suspension of the conflict** is due to begin in Saudi Arabia.

Markets next week

- The zloty weakened in the past week, no longer only against the euro, but also against the dollar and the Swiss franc. There were at least two reasons for this. Firstly, V.Putin's response to the proposal for an immediate, unconditional ceasefire was at least evasive and unenthusiastic, which could have been taken as a signal that the end of the armed conflict in Ukraine may be further away than suggested the US administration's officials. Secondly, next lower-than-forecast domestic data has revived market expectations of NBP rate cuts. In the week ahead, we do not see economic factors that could change the trend, so **if the talks in Jeddah do not bring a breakthrough, EURPLN may stabilise near 4.20**.
- In the swap and bond markets, **the room for further downward move in curves is already running out in our view**, at least in the short run. The market-implied NBP rate at the end of this year has moved down to 4.5%, while we have just raised our forecast to 5.0% on the back of the medium-term inflationary risks that have appeared on the horizon due to the approaching fiscal stimulus in Europe.

EURPLN vs expectations for future interest rates

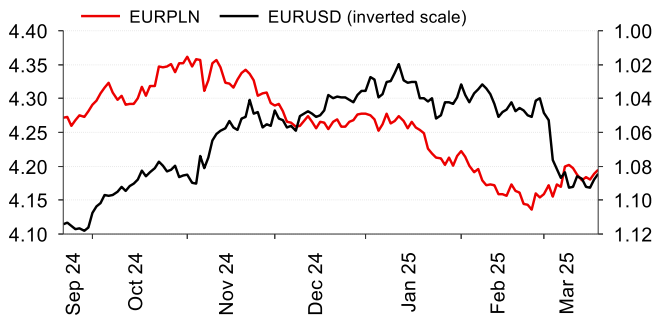


Source: LSEG Datastream, Santander

Economic Analysis Department:

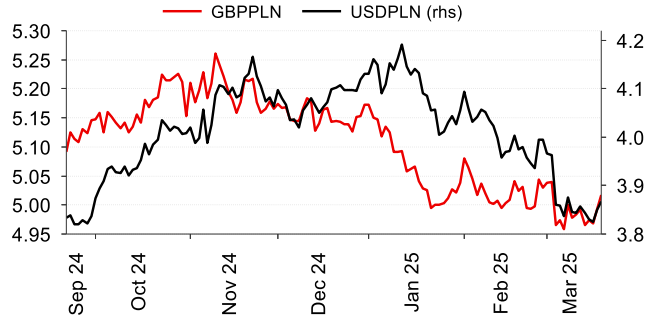
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EURPLN and EURUSD



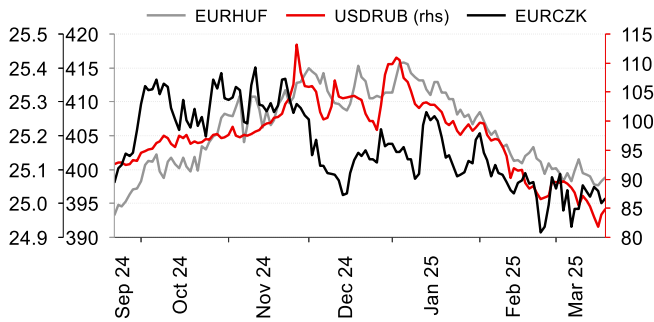
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



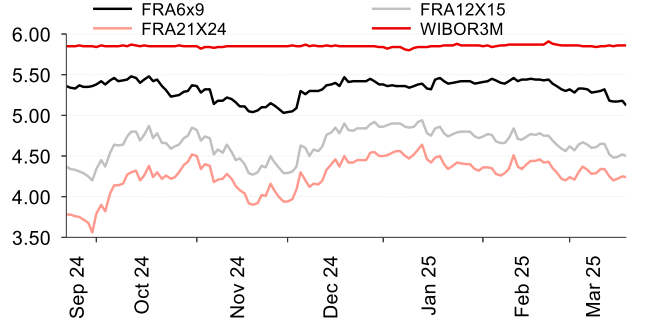
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



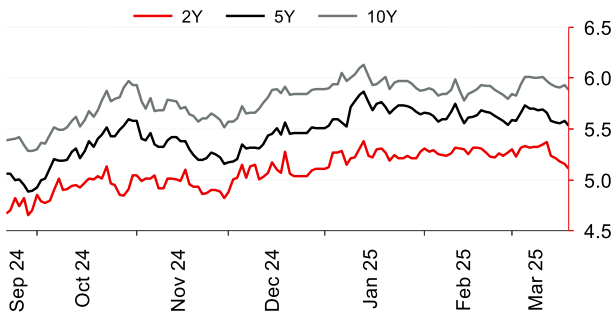
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



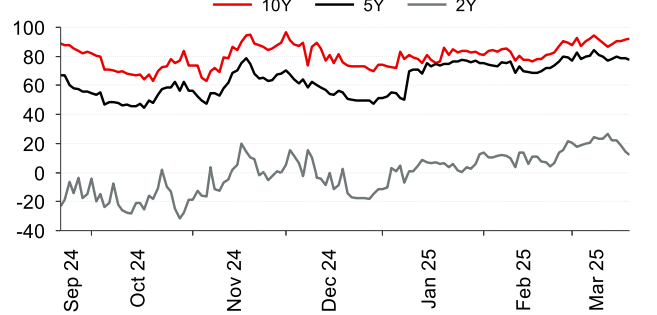
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



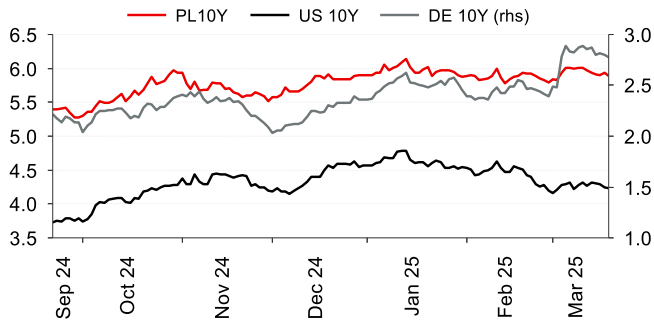
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



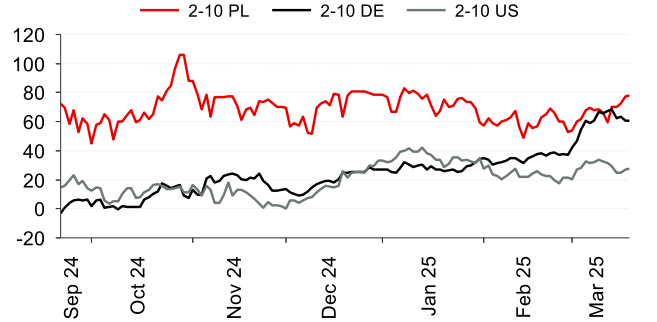
Source: LSEG Datastream, Santander Bank Polska

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		
MONDAY (24 March)							
09:30	DE	Germany Manufacturing PMI	Mar	pts	47.0	-	46.5
09:30	DE	Markit Germany Services PMI	Mar	pts	52.0	-	51.1
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	48.2	-	47.6
10:00	EZ	Eurozone Services PMI	Mar	pts	51.1	-	50.6
10:00	PL	Retail Sales Real	Feb	% y/y	3.4	3.3	4.8
14:00	PL	Money Supply M3	Feb	% y/y	9.1	9.0	9.4
TUESDAY (25 March)							
10:00	DE	IFO Business Climate	Mar	pts	86.8	-	85.2
10:00	PL	Unemployment Rate	Feb	%	5.4	5.5	5.4
14:00	HU	Central Bank Rate Decision	Mar	%	6.50	-	6.50
15:00	US	Consumer Conference Board	Mar	pts	94.0	-	98.3
15:00	US	New Home Sales	Feb	% m/m	3.4	-	-10.5
WEDNESDAY (26 March)							
13:30	US	Durable Goods Orders	Feb	% m/m	-1.0	-	3.2
14:30	CZ	Central Bank Rate Decision	Mar	%	3.75	-	3.75
THURSDAY (27 March)							
13:30	US	GDP Annualized	4Q	% Q/Q	2.4	-	3.1
13:30	US	Initial Jobless Claims	weekly	k	225	-	223
15:00	US	Pending Home Sales	Feb	% m/m	1.3	-	-4.6
FRIDAY (28 March)							
11:00	EZ	ESI	Mar	pct.	96.9	-	96.3
13:30	US	Personal Spending	Feb	% m/m	0.5	-	-0.2
13:30	US	Personal Income	Feb	% m/m	0.4	-	0.9
13:30	US	PCE Deflator SA	Feb	% m/m	0.3	-	0.3
15:00	US	Michigan index	Mar	pts	57.9	-	64.7

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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