

24 March 2025

## Eyeopener

### Companies look with more optimism into the future

Today Polish retail sales and money supply data for February  
Improvement in business sentiment indicators in March  
Moody's kept Poland's rating in place with stable outlook  
Minor changes in foreign exchange and interest rate market

**Today**, we will see February data on retail sales and M3 money supply. We expect sales growth to slow slightly after the surprising 4.8% y/y increase in January, but to remain at a decent level, in our view at 3.3% y/y. We also expect a slowdown in M3 growth, from 9.4% y/y to 9.0% y/y, a bit more than indicated by the consensus. In addition to the data from Poland, today we will also see the preliminary March PMIs for German and the euro area. According to the market, these should show a slight improvement in both economies. The already published indices for Australia showed a clear improvement in sentiment (manufacturing index up by more than 2 pts to 52.6 pts, the highest level in over two years), while Japan's surprised to the downside (slight deterioration in manufacturing, large drop in services below 50 pts).

**In March, most of sectoral business sentiment indicators improved (seasonally adjusted).** Hotels and restaurants stood out in terms of m/m improvement and the sentiment in this sector is now the most positive since late 2019. The rise in the industrial index was not particularly large but strong enough to push it outside the tight range in which it had stayed for the past six months, it is now the highest since late 2021. Optimism increased mostly when it comes to future business conditions, while current situation was considered slightly worse than in February. This is in line with our view on the economic prospects. The RRP and the EU ReArm program should boost demand and activity in several parts of the economy.

**Moody's has reviewed Poland's rating, but has not taken any action, so Poland's credit rating remains at A2 with a stable outlook.** According to the agency, downward pressure on the stable rating outlook would be exerted by a significant deterioration in the security situation in the region, including more concrete signals of withdrawal of US support. Downward pressure on the 'A2' rating, on the other hand, would arise in a scenario of a materially faster increase in the government's debt burden and deterioration in debt capacity indicators, beyond Moody's current baseline scenario. The agency assumes that the Polish economy will grow by 4.0% this year (we expect 3.4%).

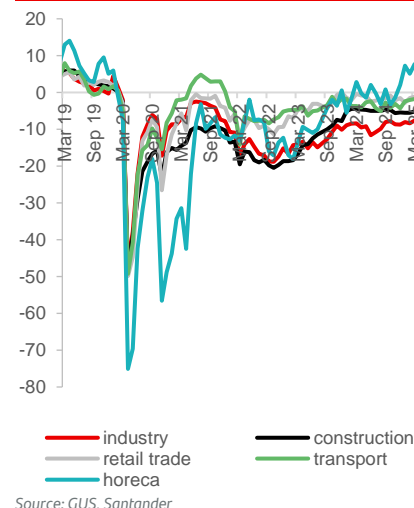
**Investments under the 'East Shield' project are estimated at PLN12bn and will be implemented over three years,** Prime Minister Donald Tusk announced on Friday. The Prime Minister added that thanks to the project's recognition as one of the European defence priorities, Poland will receive as much money from the EU for its implementation as it needs. 'East Shield' aims to build defence infrastructure, and its implementation could be one of the factors supporting investment growth in the coming years.

**The Bundesrat has approved amendments to Germany's constitution removing limits on defence spending and allowing greater investment in infrastructure.** This will enable the implementation of the fiscal spending packages announced by the CDU/CSU and SPD. This in turn could translate into a significant improvement in German GDP growth and Polish exports.

**Despite temporary fluctuations, EURPLN ended Friday's session close to Thursday's close at 4.19.** On a weekly basis, the zloty depreciated against the euro by around 0.5%, which could be attributed to weaker-than-expected domestic data, which have raised market expectations of rate cuts by the MPC, on the one hand, and the lack of visible progress in the ceasefire talks in Ukraine (Russian and US delegations are to meet today), on the other. The EURHUF and EURCZK exchange rates registered only minor changes both on Friday and throughout the past week. In the case of the EURUSD exchange rate, last week saw a decline of around 0.5%. Bloomberg reported over the weekend, based on information from US administration insiders, that the next round of US tariffs scheduled for 2 April may be smaller in scope than initially reported. US communication regarding tariffs and the decision-making process itself remain a source of considerable uncertainty.

**On Friday, domestic 2Y bond yields fell by 4bp, while yields on longer papers registered negligible changes.** At the same time, German bond yields slid by 1-3bp and US bond yields by 0-4 bp, in both cases more strongly at the short end of the curve. On a weekly chart, Polish yields fell by 6-14bp with a steepening of the curve by around 8bp. The IRS curve moved only slightly, while FRA curve shifted 2-3bp lower. Over the week, Polish IRS rates fell by 4-7 bp, more strongly at the long end of the curve, and FRA rates by 1-8 bp, more strongly at the short end of the end of the curve.

#### Sectoral indicators of general business climate, s.a.



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**FX market**

Today's opening			
EURPLN	4.1881	CZKPLN	0.1677
USDPLN	3.8637	HUFPLN*	1.0528
EURUSD	1.0840	RONPLN	0.8419
CHFPLN	4.3769	NOKPLN	0.3680
GBPPLN	5.0031	DKKPLN	0.5613
USDCNY	7.2526	SEKPLN	0.3828

\*for 100HUF

Last session in the FX market					21.03.2025
	min	max	open	close	fixing
EURPLN	4.1844	4.2020	4.1960	4.1882	4.1979
USDPLN	3.8575	3.8875	3.8741	3.8725	3.8774
EURUSD	1.0796	1.0861	1.0827	1.0818	

**Interest rate market**

21.03.2025

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
OK0127 (2L)	5.12	1
PS0130 (5L)	5.53	0
DS1034 (10L)	5.87	-2

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.44	-2	4.28	-2	2.18	-5
2L	4.97	-1	4.05	-1	2.26	-3
3L	4.79	-1	3.98	-1	2.32	-3
4L	4.75	0	3.98	-1	2.38	-3
5L	4.75	0	3.99	-1	2.44	-2
8L	4.88	1	4.04	-1	2.59	-1
10L	4.97	1	4.09	0	2.67	0

**WIBOR rates**

Term	%	Change (bps)
O/N	5.73	1
T/N	5.80	0
SW	5.85	2
1M	5.82	-2
3M	5.85	-1
6M	5.79	0
1Y	5.57	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	5.81	0
3x6	5.62	0
6x9	5.10	-2
9x12	4.72	-3
3x9	5.54	0
6x12	5.03	-1

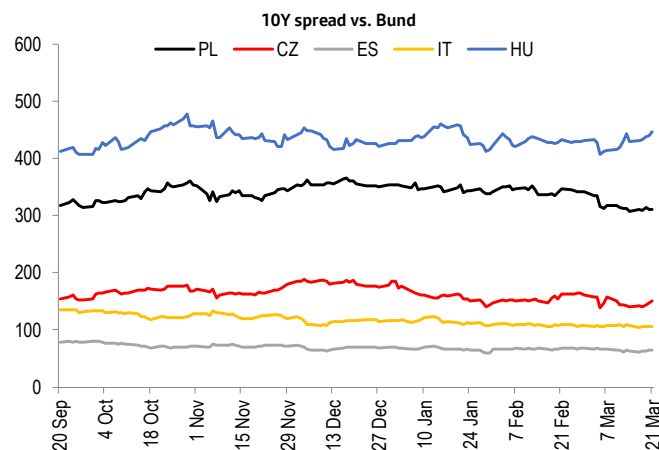
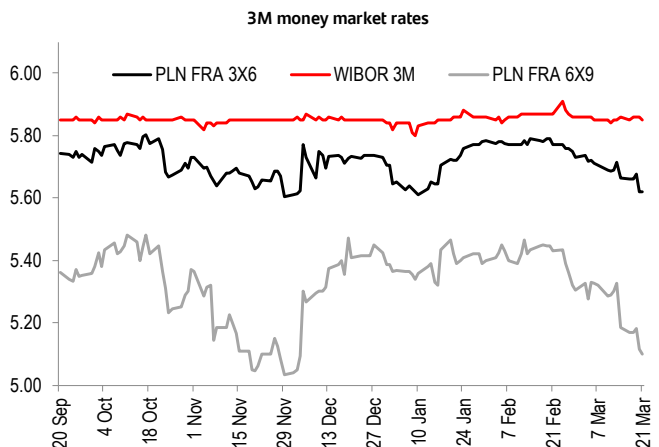
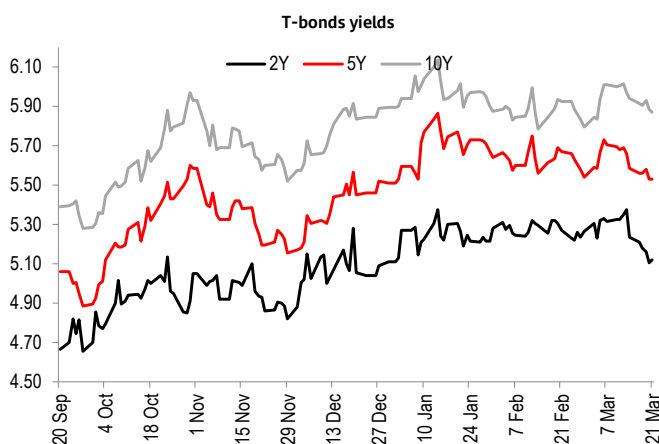
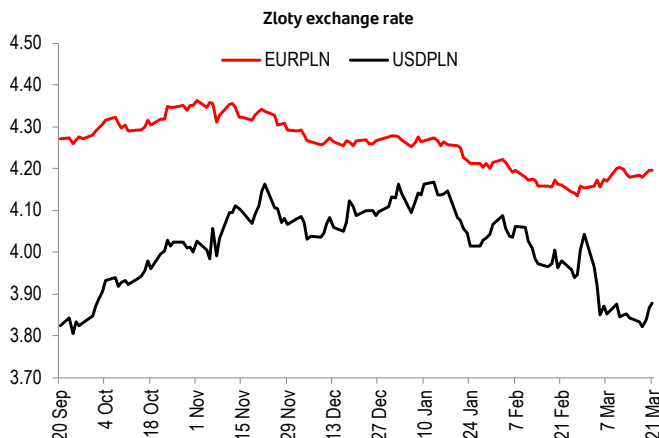
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	310	-1
France	18	0	70	1
Hungary	126	0	446	6
Spain	34	0	64	0
Italy	25	0	105	-1
Portugal	17	0	53	1
Ireland	10	0	29	1
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		
<b>MONDAY (24 March)</b>							
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
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Feb</b>	<b>% y/y</b>	<b>3.4</b>	<b>3.3</b>	<b>4.8</b>
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Feb</b>	<b>% y/y</b>	<b>9.1</b>	<b>9.0</b>	<b>9.4</b>
<b>TUESDAY (25 March)</b>							
10:00	DE	IFO Business Climate	Mar	pts	86.8	-	85.2
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Feb</b>	<b>%</b>	<b>5.4</b>	<b>5.5</b>	<b>5.4</b>
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
<b>WEDNESDAY (26 March)</b>							
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
<b>THURSDAY (27 March)</b>							
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
<b>FRIDAY (28 March)</b>							
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

\* in the case of a revision the data is updated

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