

25 March 2025

Eyeopener

Another poor print for February

Today Polish unemployment rate, German Ifo index, US consumer confidence, MNB decision
Retail sales dropped by 0.5% y/y, adding to the series of disappointing February data
PLN stronger, FRA rates lower, domestic bond yields little changed

Today, we will see the February GUS Statistical Bulletin, including an estimate of the registered unemployment rate in February, which, in our view, rose from 5.4% to 5.5%, in line with the estimate of the Ministry of Family, Labour and Social Policy. Abroad, there will be the March Ifo index, measuring business conditions in Germany, and the Conference Board index, measuring consumer sentiment in the US. From the US, we will also get February data on home sales. Beyond that, Hungary's central bank will decide on interest rates today and, according to the market's assessment, will keep them unchanged, leaving the main rate at 6.50%.

Retail sales joined the set of disappointing February data, showing a decline of 0.5% y/y. The slowdown was seen in almost all categories. In part, this may have been a correction of the exceptionally strong January result. Given the still positive growth in real household income and the diminishing potential for further increases in the savings rate, we view the February reading as another random deviation from a moderately positive trend, which should be consistent with around 3% y/y growth in private consumption this year. Nevertheless, the data has intensified market expectations about the scale of possible rate cuts this year. **Corporate earnings improved slightly in 4Q24 relative to 3Q24**, and the scale of their y/y deterioration slowed markedly, suggesting that while Polish companies are still operating in a challenging environment, their situation may be stabilising. Investment in the sector of companies employing 50 or more people fell by 8.4% y/y in 4Q24, following a 10.8% y/y decline in 3Q in real terms. Read more in our [Economic Comment](#).

In February, Polish M3 money supply rose 9.1% y/y, in line with market forecast, close to our 9.0% estimate, and less than in January (9.4% y/y). For the third month running cash in circulation remained above 10% y/y and total deposits above 9% y/y. Exchange rate-adjusted credit growth was down to 4.2% y/y, from 4.3% y/y in January. The slowdown was seen in household loans (3.6% y/y, down from 4.0% y/y) on further normalisation in mortgage sales after end of the government 'Safe Credit 2%' program - PLN mortgage loans rose 6.9% y/y compared to 7.6% in January. PLN-denominated consumer credit kept the 6.3% y/y pace. FX-adjusted corporate loans kept growing at 5.6% y/y, the highest in two years. The economic expansion should be supportive to further credit growth in Poland.

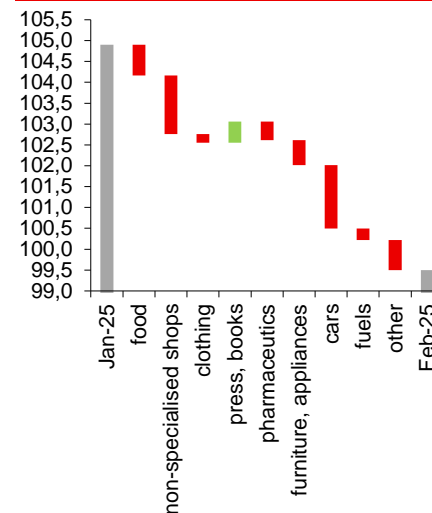
MPC's Henryk Wnorowski assessed in a statement for Reuters that following the publication of the February inflation rate, which turned out to be better than assumed in the NBP's March projection, an interest rate cut could take place at the beginning rather than the end of 3Q25. **Iwona Duda** said in an interview with Bloomberg that only the July projection could provide key arguments for the prospects of interest rate cuts, both in terms of timing and scale. **Gabriela Mastowska**, in an interview with PAP, said rate cuts could be delivered not earlier than the end of this year, certainly not in the first half of the year. She did not rule out, however, that she would support a cut in July if persuaded to do so by the next NBP projection. Among the local factors limiting the possibility of rate cuts, she cited loose fiscal policy, rising inflation expectations, and the ETS2 tax in 2027.

Germany's manufacturing PMI rose to 48.3 pts in March from 46.5 pts in February, above market expectations for a move to 47.0 pts. The increase was mainly due to a strong improvement in output (the index reached its highest level in three years, clearly above the neutral threshold of 50 pts), as well as the first increase in new orders since March 2022. There was also an improvement in expectations and a slowdown in the decline in employment. Since the beginning of the year, the German PMI has risen by a total of 5.8 pts, and currently stands at its highest level in more than two and a half years. On the other hand, Germany's services PMI weakened from 51.1 to 50.2 pts, contrary to market expectations for a rise to 52.0 pts. An improvement in manufacturing and a weakening in services were also recorded in the euro area, by 1.1 pts to 48.7 pts and by -0.2 pts to 50.4 pts respectively.

On Monday, the zloty strengthened considerably, bringing the EURPLN down from over 4.19 to 4.17. The appreciation took place despite the weak retail sales data, which increased expectations for monetary easing, and may have been caused by renewed hopes for a successful conclusion to the talks (to be continued today) on a ceasefire in Ukraine. The PLN strengthening occurred despite the dollar's appreciation against the euro from midday. Worse performers than the zloty were the Hungarian forint, which weakened by around 0.2% against the euro, and the Czech koruna, which registered only a slight appreciation against the euro, by around 0.1%.

On Monday Polish bond yields saw only negligible changes, while German bond yields rose by 0-2bp, more strongly at the long end of the curve, and US bond yields increased by 8-9bp, a little more strongly at the belly. At the same time, domestic IRS rates fell by 1-5bp and FRA rates by 2-8 bp, in both cases more strongly at the short end of the curve, the reason for this being the intensification of market expectations for interest rate cuts by the MPC later this year (the market mulls if their scale could exceed 100bp) following further disappointing data.

Decomposition of retail sales growth, same period last year = 100



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.1728	CZKPLN	0.1673
USDPLN	3.8659	HUFPLN*	1.0462
EURUSD	1.0794	RONPLN	0.8392
CHFPLN	4.3747	NOKPLN	0.3673
GBPPLN	4.9930	DKKPLN	0.5593
USDCNY	7.2600	SEKPLN	0.3826

*for 100HUF

Last session in the FX market					24.03.2025
	min	max	open	close	fixing
EURPLN	4.1664	4.1971	4.1938	4.1686	4.1832
USDPLN	3.8504	3.8749	3.8731	3.8627	3.859
EURUSD	1.0780	1.0858	1.0828	1.0792	

Interest rate market

24.03.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0127 (2L)	5.10	-2
PS0130 (5L)	5.54	1
DS1034 (10L)	5.89	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.40	-4	4.34	6	2.21	2
2L	4.93	-4	4.12	7	2.26	0
3L	4.76	-3	4.07	9	2.32	0
4L	4.72	-3	4.07	9	2.39	0
5L	4.74	-1	4.07	8	2.45	0
8L	4.88	0	4.12	8	2.60	1
10L	4.98	0	4.17	9	2.69	2

WIBOR rates

Term	%	Change (bps)
O/N	5.68	-5
T/N	5.80	0
SW	5.83	-2
1M	5.85	3
3M	5.85	0
6M	5.79	0
1Y	5.56	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.79	-1
3x6	5.59	-4
6x9	5.03	-7
9x12	4.66	-6
3x9	5.49	-5
6x12	4.94	-9

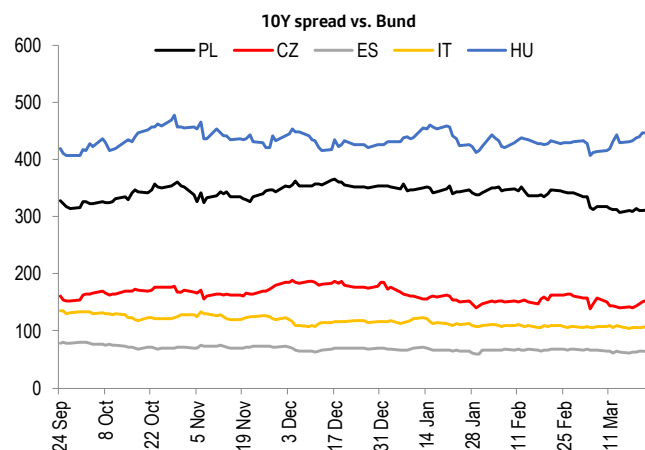
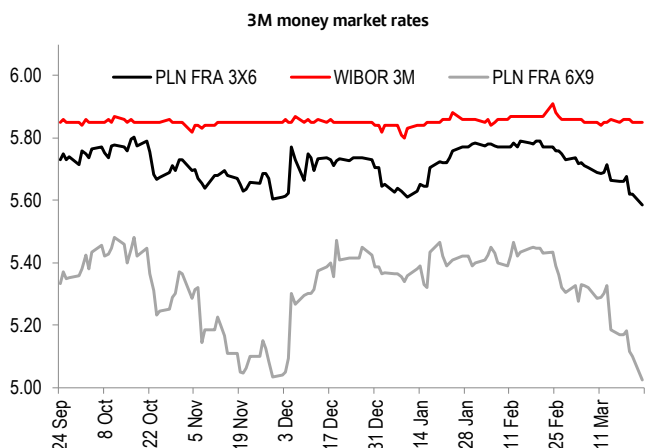
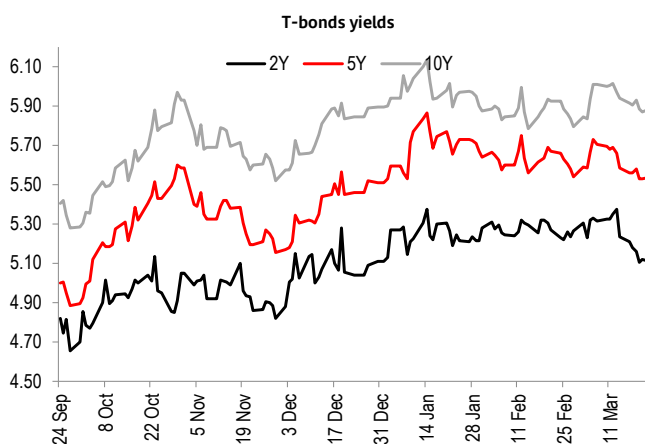
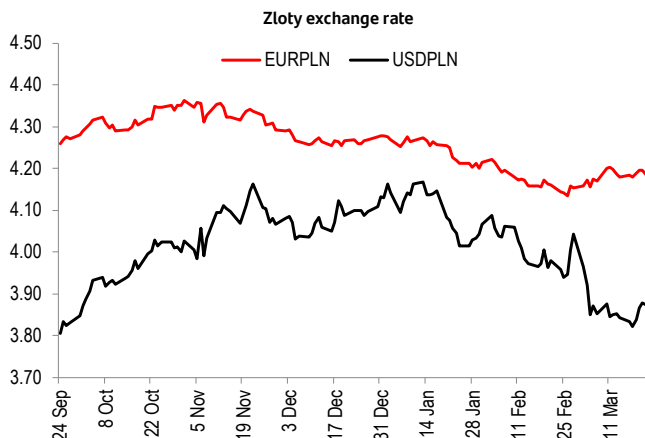
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	312	1
France	18	0	69	-1
Hungary	126	0	447	1
Spain	33	-1	63	-1
Italy	25	-1	111	5
Portugal	16	0	52	-1
Ireland	10	0	30	1
Germany	8	-1	-	-

* 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			
MONDAY (24 March)								
09:30	DE	Germany Manufacturing PMI	Mar	pts	47.0	-	48.3	46.5
09:30	DE	Markit Germany Services PMI	Mar	pts	52.0	-	50.2	51.1
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	48.2	-	48.7	47.6
10:00	EZ	Eurozone Services PMI	Mar	pts	51.1	-	50.4	50.6
10:00	PL	Retail Sales Real	Feb	% y/y	3.4	3.3	-0.5	4.8
14:00	PL	Money Supply M3	Feb	% y/y	9.1	9.0	9.1	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

* in the case of a revision the data is updated

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