

26 March 2025

# Eyeopener

## A step towards ceasefire

Today Czech central bank decision on interest rates  
 Black Sea and energy infrastructure ceasefire between Ukraine and Russia  
 Polish unemployment rate stayed at 5.4% in February, industrial orders down  
 Zloty stronger on news about the outcome of the Riyadh talks

**Today**, the Czech central bank will make its policy decision. According to the market, the bank will choose to keep its interest rates unchanged, leaving the main rate at 3.75%. Apart from that, data on durable goods orders in February will be released in the US.

**The registered unemployment rate remained at 5.4% in February**, unchanged from January, in line with the market consensus and 0.1 pp below our expectations and the estimate of the Ministry of Family, Labour and Social Policy. We expect the unemployment rate to decline steadily in the following months and return to 5.0% in the middle of the year.

**The overall synthetic business climate indicator**, calculated by the Polish stats office, registered a slight improvement in March, by 0.4 pts to 97.7 pts. The increase in the indicator was due to an improvement in its diagnostic component by 0.8 pts to 99.9 pts, with no change in the prognostic component. Among the sectoral indices, only the manufacturing index registered an improvement, rising by 1.5 pts to 99.4 pts, reaching the highest level since April last year. The other sectoral indices registered declines, the largest by the retail trade index, down 2.2 pts to 96.5 pts, the lowest since May 2021. Conclusions from the March prints of the synthetic business climate indicators do not fully coincide with the results of the stats office's standard business climate indices, which (after seasonal adjustment) showed an improvement not only in manufacturing, but also in the other sectors.

**New orders in Polish industry fell by 2.2% y/y in February**, following an increase of 0.4% y/y in January. The fall in total orders came despite a simultaneous 1.3% y/y increase in export orders, following a 3.5% y/y fall in January. Like February's industrial production data, the new orders data suggest that the situation in Polish manufacturing remains difficult. Nevertheless, we expect the forthcoming loosening of fiscal policy in Germany and the increase in defence spending in the European Union to provide a boost that should support domestic manufacturing in the future. The improving manufacturing PMIs in Germany and the euro area also support this conclusion.

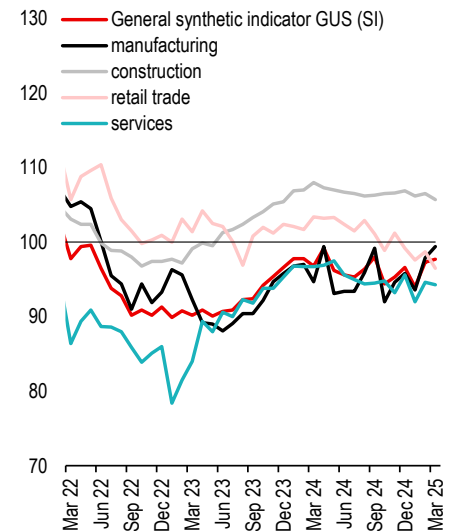
**The government adopted a resolution to redirect up to PLN30bn from the RRP to the Security and Defence Fund**. The fund will finance, among other things, defence-related dual-use investments, modernisation of the defence industry, and development of innovative defence technologies. The fund is expected to provide concessional loans or equity injections, with the possibility of partial redemption. The fund is expected to start operating in 3Q25. The Council of Ministers also approved a bill which increases the funeral benefit from PLN4k to PLN7k, starting from 2026, and introduces an indexation mechanism if inflation in a given year exceeds 5%. According to government estimates, the cost of the change may equal PLN16.2-16.5bn over 10 years.

**World Trade Monitor's global trade volume index rose by 1.1% m/m in January**, after +0.8% in December. Year-on-year growth accelerated from 3.3% to 5.0%, the highest since September 2022.

**On Tuesday, the zloty continued its appreciation against the euro**, with EURPLN down from 4.17 to a tad below 4.16, probably in reaction to news of an agreement ensuring safe navigation in the Black Sea and a complete ban on attacks on the energy infrastructure of Russia and Ukraine. PLN appreciation occurred amid a depreciation of the dollar vs. the euro (EURUSD up to 1.08 intraday). However, the subsequent reversal of the EURUSD move did not affect the zloty. The Czech koruna also appreciated slightly against the euro, by around 0.1%, while the Hungarian forint registered a weakening against the euro of around 0.2%. Hungary's central bank kept rates unchanged, the main rate at 6.50%. New Governor Mihaly Varga announced monetary policy would be tight and assured that there would be no rate cuts in the near term. The bank's new projection showed the inflation path revised upwards by around 1 pp in 2025 and by 0.4 pp in 2026 (compared to its December version), and GDP growth for this year revised 0.7 pp downwards.

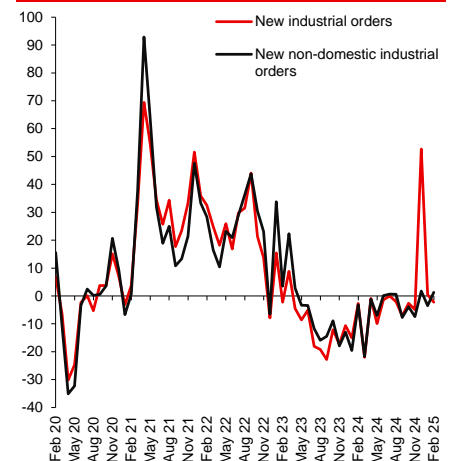
**Polish bond yields registered only minimal changes**, rising by 1bp at the short end and falling by 1bp on the other parts of the curve. Changes in yields on the core markets were also limited. In Germany, bond yields rose by around 2-3bp across the curve, and in the USA they fell by 2-3bp. In addition, domestic IRS rates declined by 1-3bp, a little stronger at the short end of the curve. The FRA rate reflecting the expected 3-month rate at the end of the year is already around 120bp lower than the current interbank rate, which in our view looks like an overshooting of expectations as to how much the MPC may loosen monetary policy in the coming quarters.

### Synthetic business sentiment indicators, pts



Source: GUS, Santander

### Value of new industrial orders, % y/y



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.1643	CZKPLN	0.1670
USDPLN	3.8629	HUFPLN*	1.0324
EURUSD	1.0783	RONPLN	0.8376
CHFPLN	4.3680	NOKPLN	0.3674
GBPPLN	4.9910	DKKPLN	0.5582
USDCNY	7.2638	SEKPLN	0.3841

\*for 100HUF

**Last session in the FX market 25.03.2025**

	min	max	open	close	fixing
EURPLN	4.1574	4.1752	4.1738	4.1630	4.1664
USDPLN	3.8422	3.8716	3.8645	3.8529	3.8578
EURUSD	1.0774	1.0830	1.0802	1.0806	

**Interest rate market**

25.03.2025

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

Benchmark (term)	%	Change (bps)
OK0127 (2L)	5.11	1
PS0130 (5L)	5.51	-3
DS1034 (10L)	5.86	-3

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.37	-2	4.33	-1	2.22	1
2L	4.89	-4	4.11	-1	2.27	2
3L	4.73	-3	4.05	-2	2.34	2
4L	4.69	-3	4.05	-2	2.41	2
5L	4.72	-2	4.05	-2	2.47	3
8L	4.86	-2	4.11	-1	2.63	3
10L	4.95	-2	4.15	-2	2.71	2

**WIBOR rates**

Term	%	Change (bps)
O/N	5.70	2
T/N	5.80	0
SW	5.83	0
1M	5.86	1
3M	5.87	2
6M	5.77	-2
1Y	5.55	-1

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

Term	%	Change (bps)
1x4	5.79	0
3x6	5.58	0
6x9	5.00	-3
9x12	4.63	-3
3x9	5.47	-2
6x12	4.89	-5

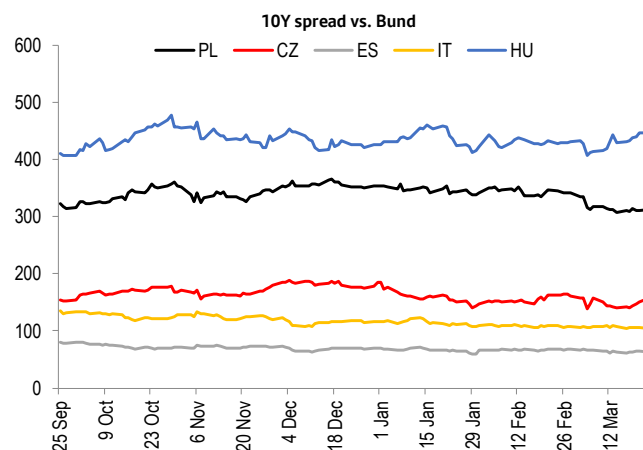
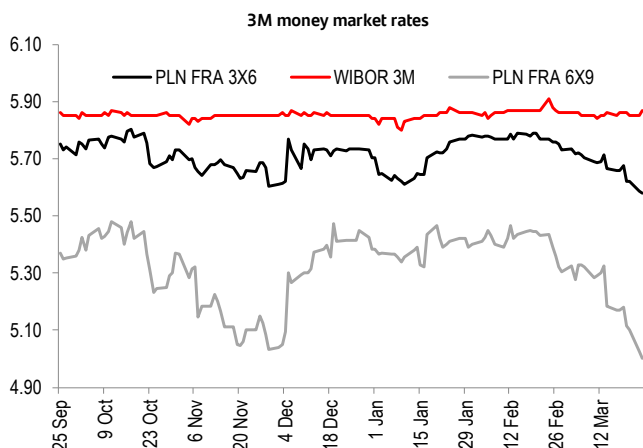
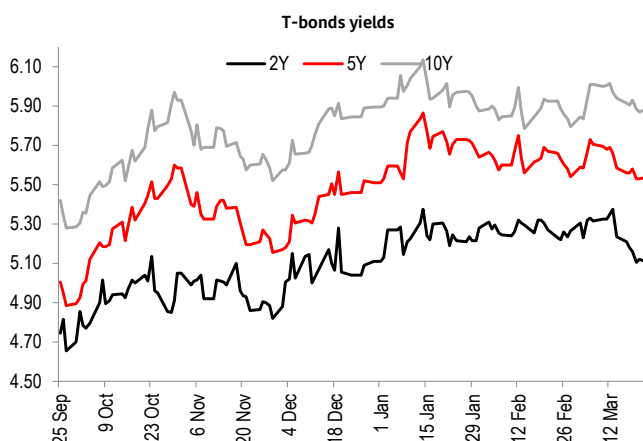
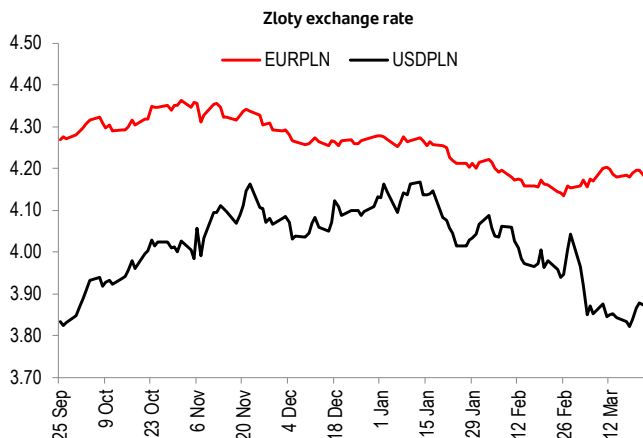
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	307	-5
France	19	0	69	-1
Hungary	125	-1	444	-3
Spain	33	0	62	-1
Italy	25	0	110	5
Portugal	17	0	51	-1
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			
<b>MONDAY (24 March)</b>								
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
<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>-0.5</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>9.1</b>	<b>9.4</b>
<b>TUESDAY (25 March)</b>								
10:00	DE	IFO Business Climate	Mar	pts	86.7	-	86.7	85.3
<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>	<b>5.4</b>
14:00	HU	Central Bank Rate Decision	Mar	%	6.50	-	6.50	6.50
15:00	US	Consumer Conference Board	Mar	pts	94.2	-	92.9	98.3
15:00	US	New Home Sales	Feb	% m/m	4.0	-	1.8	-6.9
<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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