

Weekly Economic Update

Tariffs, inflation, interest rates

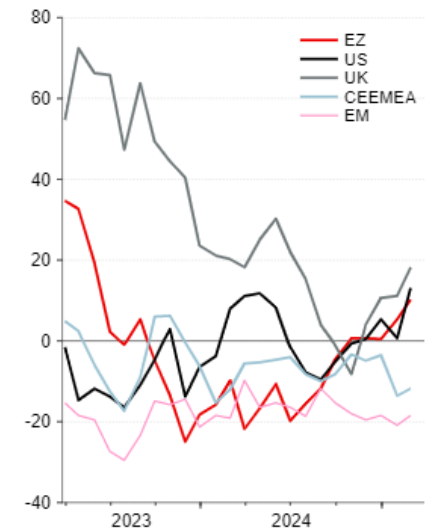
Economy next week

- There are four items on the domestic economic calendar for the coming week: the publication of flash March inflation on Monday, the manufacturing PMI for March and the preliminary estimate of the general government deficit for 2024 on Tuesday, the decision of the Monetary Policy Council on Wednesday.
- **Our CPI forecast points to stabilisation at the January-February level, i.e. 4.9% y/y**, with consumer prices rising by 0.2% m/m. Such a result consists, among others, of a rather low change in food prices for this month (0% m/m according to our estimates) and a drop in fuel prices by around 2% m/m, with increased price momentum in core categories (around 0.6% m/m). The median forecast in the Bloomberg survey is 5.1% y/y, with a forecast range from 4.8% to 5.6% y/y. The uncertainty in the estimates is increased by the fact that, following the change in the weights in the inflation basket, we do not yet have more detailed data from the stats office, which would allow greater precision in the calculation of the annual CPI growth.
- **As for the PMI index, we expect a rise to 50.8 pts**, signalling a further improvement in sentiment among industrial companies, following a similar move in indices from Western Europe.
- **We think that the General Government deficit in 2024 was just over 6% of GDP.** It is likely to be only slightly lower this year.
- **The Monetary Policy Council will probably keep interest rates unchanged.** Nevertheless, we are extremely curious to see if there will be any reference in the MPC statement and during the NBP president's press conference (on Thursday) to a series of weaker-than-forecast economic data published in recent weeks, which in our view point to an improvement in the inflation outlook in 2025 as compared to the NBP's March projection. We do not rule out the possibility that a motion for an interest rate cut can be filed in at the nearest meeting, although given the comments of various MPC members in recent weeks we assess that it would have very little chance of gaining wide support.
- **Tariffs are likely to be the main topic of the week.** 25% tariffs on all cars imported into the US are due to come into force in early April, and Donald Trump is expected to spell out plans for action on US trade policy. In the following days, we will probably find out how other countries are going to respond to these measures, and investors' attention will probably be focused on analysing the possible economic implications.

Markets next week

- Since the beginning of March, the EURPLN exchange rate has fluctuated between 4.16 and 4.20 with no clear direction. The prospect of an announcement of further US action on tariff policy on 2 April means that we see a greater risk of the dollar strengthening and the zloty weakening than of movement in the opposite direction. **Should unfriendly rhetoric between the US and major trading partners (including the EU) escalate, a break through the 4.20 level is not excluded.**
- The market pricing of rate cuts by the MPC has corrected somewhat after hawkish signals from the NBP president and some Council members. We are betting that the tone of the MPC communiqué and the NBP president's conference will not be significantly softened, so **domestic curves should stabilise in the coming week in our view.**

Citi Inflation Surprise Index

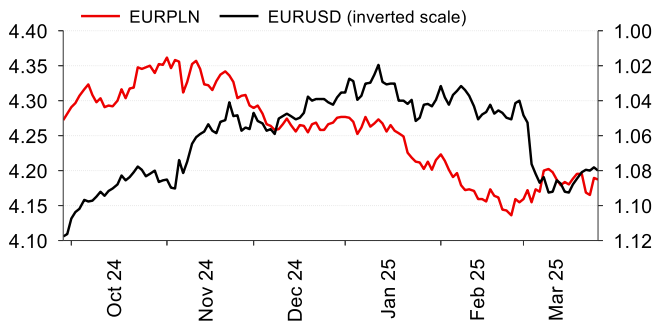


Source: LSEG Datastream, Santander

Economic Analysis Department:

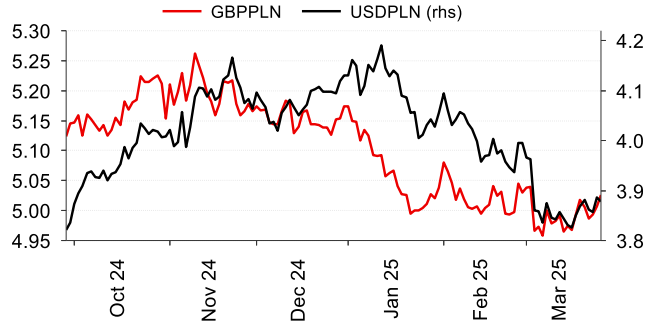
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EURPLN and EURUSD



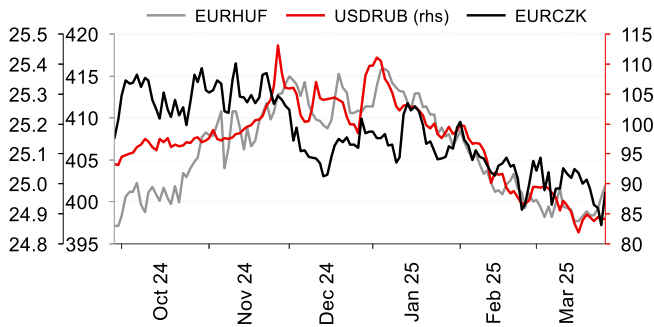
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



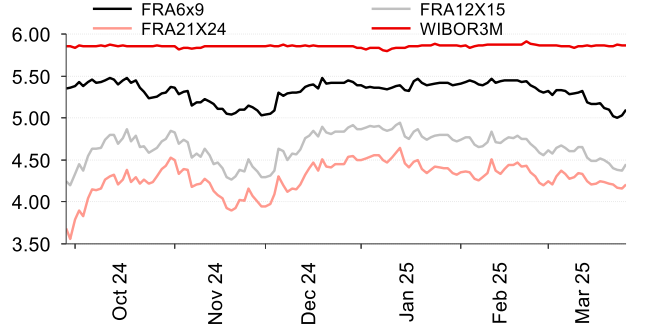
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



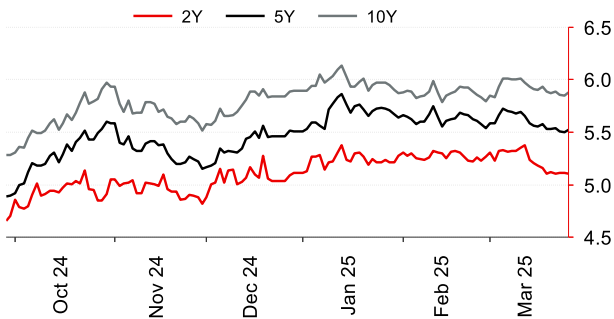
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



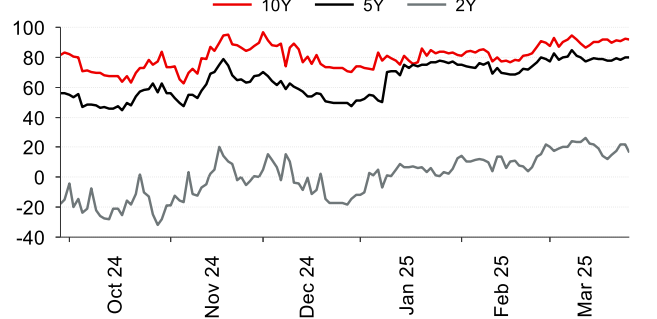
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



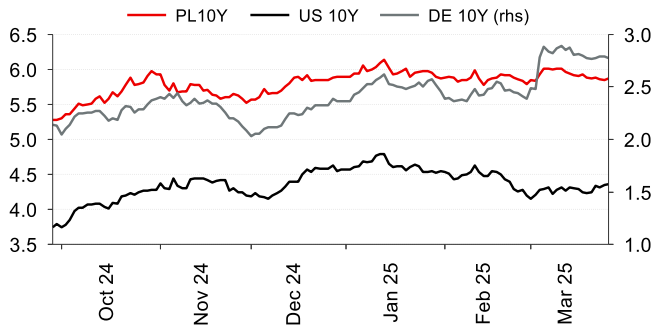
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



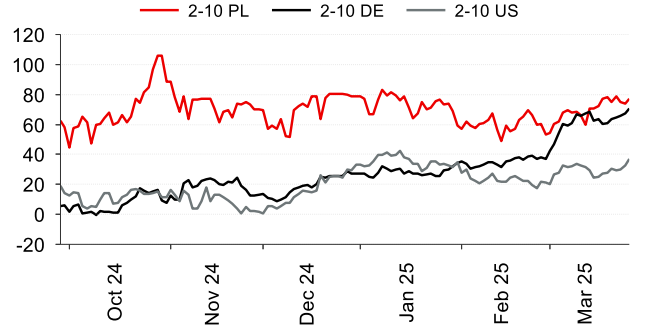
Source: LSEG Datastream, Santander Bank Polska

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 (31 March)						
08:00	DE	Retail Sales	Feb	% m/m	0.0	0.3
10:00	PL	CPI	Mar	% y/y	5.0	4.9
14:00	DE	HICP	Mar	% m/m	0.5	0.5
TUESDAY (1 April)						
09:00	CZ	GDP SA	4Q	% y/y	1.8	1.8
09:00	PL	Poland Manufacturing PMI	Mar	pts	51.1	50.6
09:55	DE	Germany Manufacturing PMI	Mar	pts	48.3	46.5
10:00	PL	GG balance	2024	% GDP	-5.8	-5.1
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	48.7	47.6
11:00	EZ	Flash HICP	Mar	% y/y	2.3	2.4
11:00	EZ	Unemployment Rate	Feb	%	6.2	6.2
16:00	US	ISM manufacturing	Mar	pts	49.8	50.3
WEDNESDAY (2 April)						
	PL	MPC Decision	Apr	%	5.75	5.75
14:15	US	ADP report	Mar	k	119	77
16:00	US	Durable Goods Orders	Feb	% m/m	-1,0	0.9
16:00	US	Factory Orders	Feb	% m/m	0.4	1.7
THURSDAY (3 April)						
03:45	CN	Caixin China PMI Services	Mar	pts	51.5	51.4
09:55	DE	Markit Germany Services PMI	Mar	pts	50.2	51.1
10:00	EZ	Eurozone Services PMI	Mar	pts	50.4	50.6
14:30	US	Initial Jobless Claims	weekly	k	225	224
15:00	PL	NBP Governor's Conference				
16:00	US	ISM services	Mar	pts	53.1	53.5
FRIDAY (4 April)						
08:00	DE	Factory Orders	Feb	% m/m	3.5	-7.0
08:30	HU	Industrial Production SA	Feb	% y/y	-5.8	-3.9
09:00	CZ	CPI	Mar	% y/y	2.5	2.7
14:30	US	Change in Nonfarm Payrolls	Mar	k	135	151
14:30	US	Unemployment Rate	Mar	%	4.1	4.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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