

MACROscope Lite

Even bigger uncertainty

■ Donald Trump's announcement in early April of a new package of tariffs, dubbed "reciprocal", effectively meaning an increase in US trade protectionism to the highest level in more than a century, generated additional uncertainty about the economic outlook. The destabilisation in financial markets that followed in response to these developments reflected increased concerns about a global economy slowdown and the risk of a US recession, but also the difficulty in assessing further possible scenarios. The latest US decision to suspend reciprocal tariffs for 90 days for all but China has brought a market recovery, but has not removed uncertainty. On the contrary, it is a confirmation that conditions for business and trade can change dramatically at any time. The US administration is suggesting room for negotiation, but it is unclear whether it will even be possible to restore tariffs lower than the 10% referred to as the base tariff. The escalation of the trade war with China also carries risks in itself, including serious disruption of global supply chains and geopolitical tensions.

■ As we wrote in the [March MACROscope](#), the rise in trade protectionism is a negative supply shock that generates downside risks to economic growth. The negative effects are likely to be most painful for the US, in Europe they should be at least partly mitigated by the already announced fiscal expansion, and the Polish economy will be affected mainly indirectly, due to the small weight of the US in exports and the negative trade balance with this country. For the time being, **we keep our GDP forecast at 3.4% this year**, while aware of the downward shift in the balance of risks.

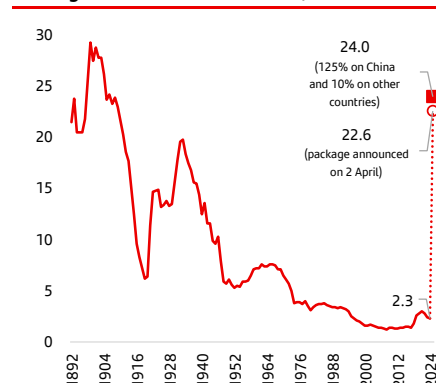
■ The impact on the inflation scenario is also subject to uncertainty and will depend not only on the scale of the retaliatory tariffs imposed by the EU, but also on the behaviour of currency and commodity markets. According to our estimates, the impact of higher EU tariffs on US goods on Polish CPI would be negligible and would likely be more than offset by the effect of cheaper raw materials (discounting the risk of a global slowdown) and cheaper imports from other countries that would not reach the US market. **Risks to the path of inflation therefore appear tilted downwards.**

■ Against this backdrop, the unexpected dovish pivot of the Monetary Policy Council at its April meeting looks well timed. We have long been expecting a return to interest rate cuts this year, and pointed to July as the most likely date for the first decision, as was indicated by signals from the MPC. Given recent statements from central bank officials, rising risks to economic activity, and an improving inflation outlook, **we expect a 50 bp rate cut in May and another 25 bp in July, and we see room for a further 100 bp of cuts in 2026.** This room could widen if the risk of a strong slowdown in global manufacturing increases and there is a clear turn towards a softer monetary policy from the ECB as well. Should further domestic data releases prove to be clearly above forecasts and/or should the sell-off of the zloty gain momentum, the balance could be tipped in favour of starting the May rate cuts with a more cautious 25 bp move.

■ In the first week of April, the zloty was among the fastest weakening emerging market currencies, driven by general risk aversion and a surge in expectations for NBP rate cuts. The EURPLN exchange rate climbed to 4.30, i.e. to levels seen before Donald Trump's inauguration, rising by around 3% over the three days. **In our view, expectations of faster and deeper interest rate cuts, uncertainty over trade policy and turmoil in global financial markets will hold the zloty back from a marked appreciation in the coming weeks.** The current set-up, in which the zloty loses mainly to the euro and much less to the dollar (due to the rise in the EURUSD), is favourable for the domestic economy, giving relief to exporters (who settle mainly in euro) and delivering a limited inflationary impulse (raw material imports are settled mainly in dollar).

■ Volatility in the bond market has risen sharply and yields have started to bounce back after a deep decline. The direction for the coming weeks is not obvious. On the one hand, high risk aversion and expectations of rate cuts may favour lower rates, but on the other hand, the expectations about the scale of monetary easing are already very aggressive (and excessive in our view) and investors' attention may increasingly turn towards the fiscal implications of the global slowdown. As a result, **we do not assume a deepening of the recent lows on bond yields until mid-year.**

Average effective US tariff rate, %



Source: Bloomberg, Santander

Recently released Economic Comments:

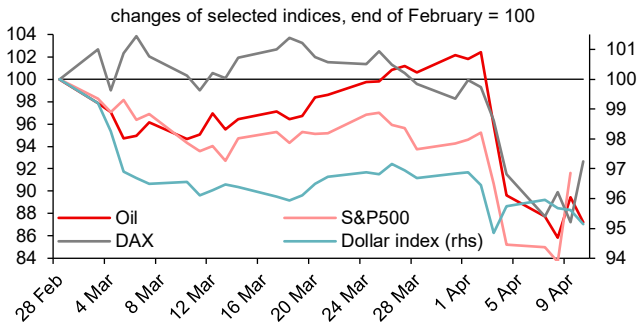
- [Tariffs on US goods would not harm Polish CPI](#)
- [The room to cut rates has appeared](#)
- [Inflation on the edge of the plateau](#)
- [Another disappointment in retail sales](#)
- [February freeze in activity](#)
- [CPI went below 5%, helped by basket revision](#)
- [Interest rate cuts discussion has started, even though the NBP governor's tone remains hawkish](#)
- [New forecasts do not bring rate cuts forward](#)

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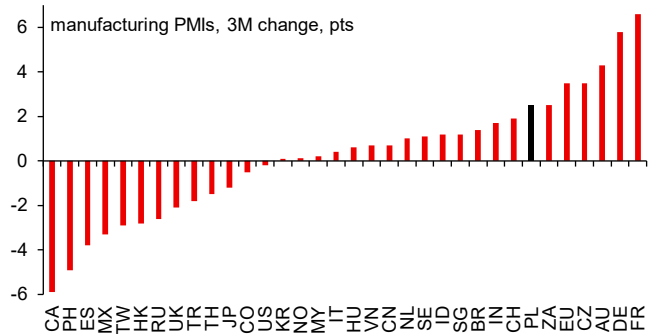
Economy in charts

The US trade policy changes raised worries about economic growth in the USA and globally, and triggered severe risk aversion



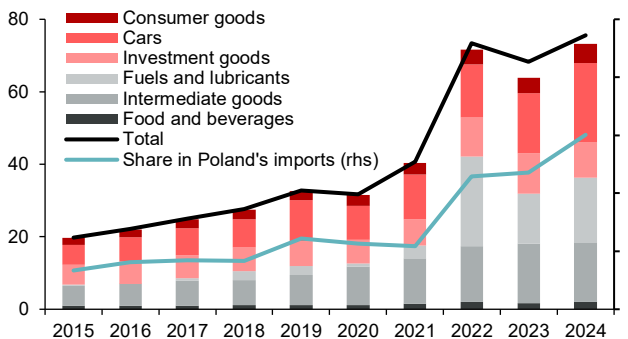
Source: Bloomberg, Santander

Despite the uncertainty due to D. Trump's actions, 1Q saw improving sentiment in European industry



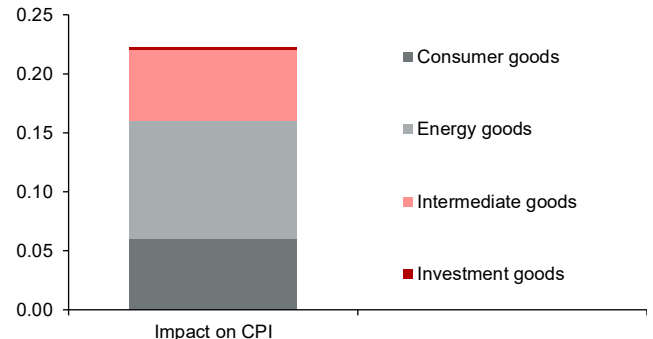
Source: S&P Global, Santander

5% of Poland's import of goods comes from the USA, mostly cars, but also energy commodities, to limited extent also consumer goods



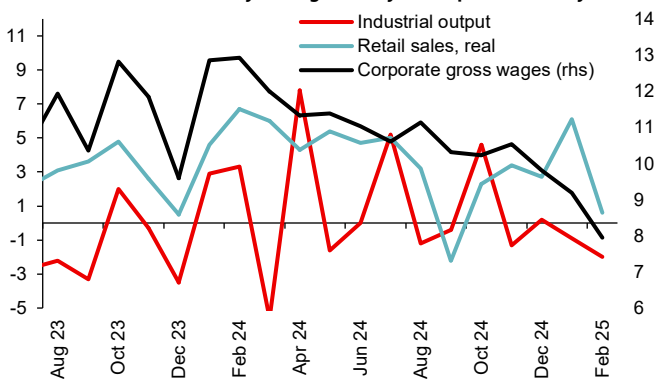
Source: GUS, Santander

We estimate that every 10% added to EU tariffs on US goods would push Polish inflation up by c. 0.2pp



Source: Santander

After the economically strong January came poor February ...



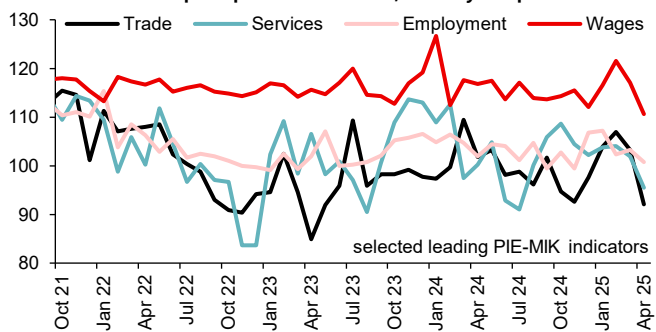
Source: GUS, Santander

...and shocked the MPC. Reality deviated pretty far away from NBP projection in 1Q

% y/y	4Q24	1Q25	
	Outcome	Projection	Outcome
CPI inflation	4.8	5.4	4.9
Core inflation	4.1	4.0	3.6
CPI food	4.8	6.4	6.1
CPI energy	6.6	8.2	7.9

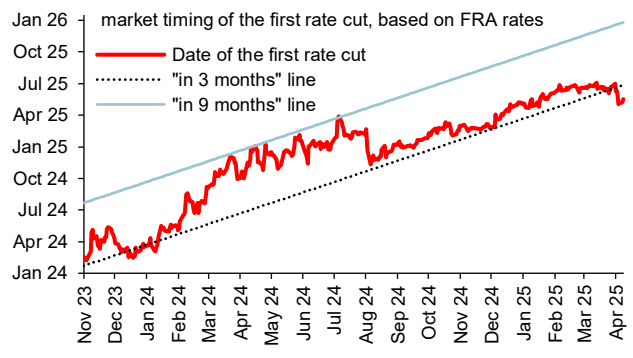
Source: GUS, NBP, Santander

NBP governor, who until recently had been talking about no reasons for a rate cut, hinted in April that another weak set of monthly data could prompt the MPC to cut, even by 50bp



Source: PIE, Santander

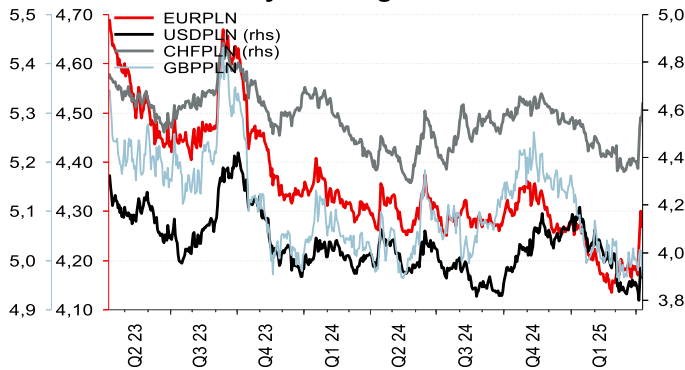
The MPC pivot and fears of global destabilisation led to a radical change in market pricing of the scale and pace of rate cuts in Poland



Source: LSEG Datastream, Santander

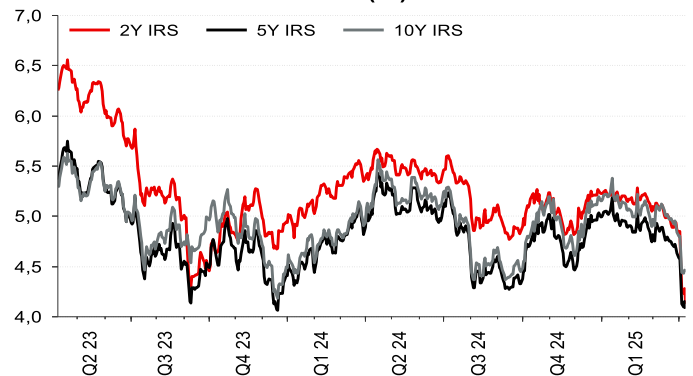
Markets in charts

Zloty exchange rates



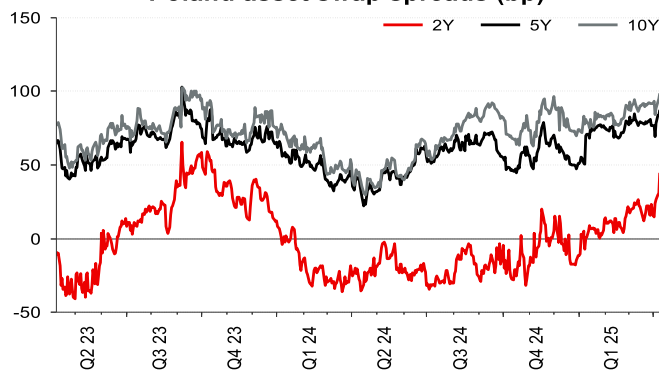
Source: LSEG Datastream, Santander

IRS (%)



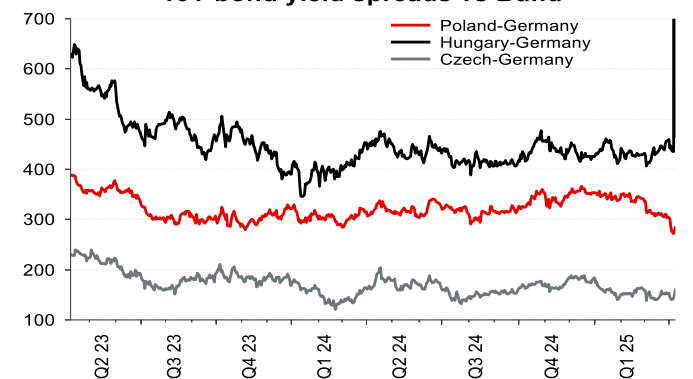
Source: LSEG Datastream, Santander

Poland asset swap spreads (bp)



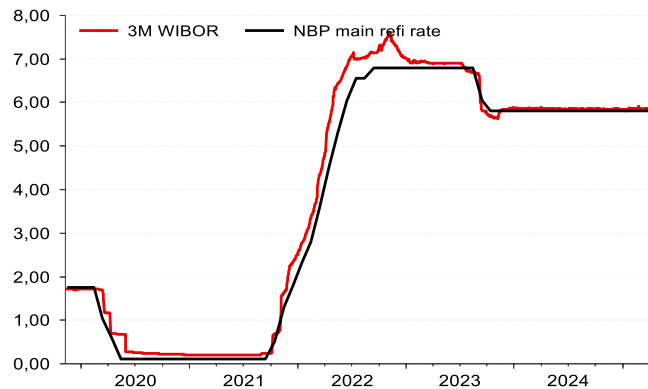
Source: LSEG Datastream, Santander

10Y bond yield spreads vs Bund



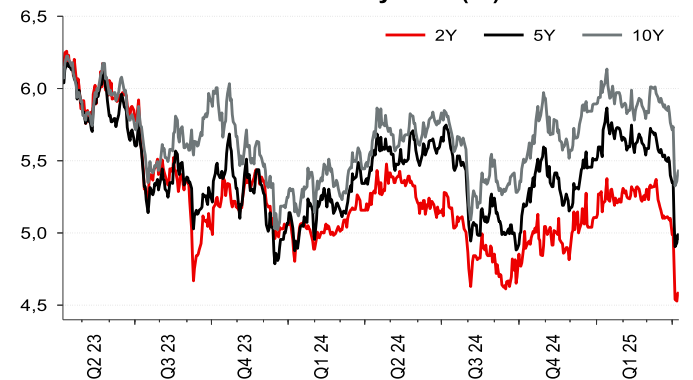
Source: LSEG Datastream, Santander

Interest rates



Source: LSEG Datastream, Santander

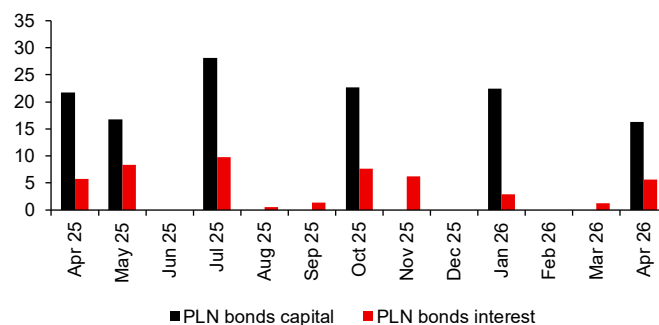
Polish bond yields (%)



Source: LSEG Datastream, Santander

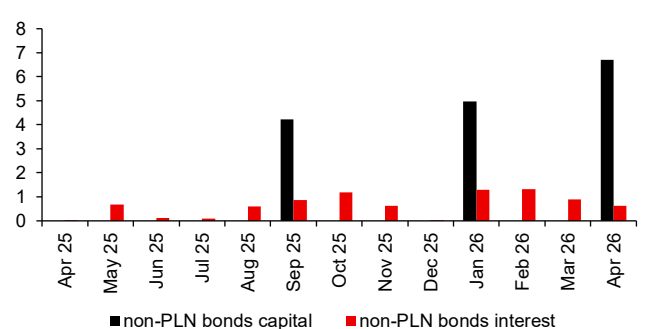
Principal and interest payments

PLN-denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

FX denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

Economic Calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
31 March PL: CPI inflation (Mar) DE: Retail sales (Feb) DE: HICP inflation (Mar)	1 April PL: PMI manufacturing (Mar) DE: PMI manufacturing – fin. (Mar) EZ: PMI manufacturing – fin. (Mar) EZ: HICP inflation (Mar) CZ: GDP 4Q US: ISM manufacturing (Mar)	2 PL: MPC rate decision DE: PMI services – fin. (Mar) EZ: PMI services – fin. (Mar) US: ADP report (Mar) US: Industrial orders (Feb) US: Durable goods orders (Feb)	3 DE: PMI services – fin. (Mar) EZ: PMI services – fin. (Mar) US: ISM services (Mar)	4 DE: Factory orders (Feb) CZ: CPI inflation (Mar) US: Non-farm payrolls (Mar)
7 DE: Industrial output (Feb) DE: Export (Feb) EZ: Retail sales (Feb)	8 HU: CPI inflation (Mar)	9 HU: MNB minutes US: FOMC minutes	10 CZ: CPI inflation – fin. (Mar) US: CPI inflation (Mar)	11 PL: Balance of payments (Feb) DE: HICP inflation – fin. (Mar) US: PPI (Mar) US: Michigan index (Apr)
14 No releases	15 PL: CPI inflation – fin. (Mar) DE: ZEW (Apr) EZ: Industrial output (Feb)	16 PL: Core inflation (Mar) EZ: HICP inflation – fin. (Mar) US: Retail sales (Mar) US: Industrial output (Mar)	17 EZ: ECB rate decision US: Housing starts (Mar) US: Building permits (Mar)	18 No releases
21 No releases	22 PL: Wages (Mar) PL: Employment (Mar) PL: Industrial output (Mar) PL: Construction output (Mar) PL: PPI (Mar)	23 PL: Retail sales (Mar) PL: Money supply (Mar) DE: PMI manufacturing (Apr) DE: PMI services (Apr) EZ: PMI manufacturing (Apr) EZ: PMI services (Apr) US: New home sales (Mar) US: Building permits – fin. (Mar)	24 PL: Consumer confidence (Apr) PL: Unemployment rate (Mar) US: Durable goods orders (Mar)	25 US: Michigan index – fin. (Apr)
28 No releases	29 EZ: ESI (Apr) HU: MNB rate decision US: Conference Board (Apr)	30 PL: CPI inflation (Apr) CZ: GDP 1Q DE: GDP 1Q EZ: GDP 1Q DE: HICP inflation (Apr) US: GDP 1Q US: Personal income (Mar) US: Personal spending (Mar) US: PCE inflation (Mar) US: Pending home sales (Mar)	1 May US: ISM manufacturing (Apr)	2 PL: PMI manufacturing (Apr) DE: PMI manufacturing – fin. (Apr) EZ: PMI manufacturing – fin. (Apr) EZ: HICP inflation (Apr) US: Non-farm payrolls (Apr) US: Industrial orders (Mar) US: Durable goods orders (Mar)

Source: GUS, NBP, Ministry of Finance, Bloomberg

Calendar of MPC meetings and data releases for 2025

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
ECB decision	30		6	17		5	24		11	30		18
Fed decision	29		19		7	18	30		17	29		10
MPC decision	16	5	12	2	7	4	2		3	8	5	3
MPC minutes	20	7	14	4	9	6	4	28		10	7	5
Flash GDP*		13			15			13			13	
GDP*		27				2			1			1
CPI	15	14	14	15	15	13	15	14	15	15	14	15
Core inflation	16		17	16	16	16						
PPI	22	20	20	22	21	23	21	21	18	20	24	18
Industrial output	22	20	20	22	21	23	21	21	18	20	24	18
Retail sales	23	24	24	23	26	24	22	25	22	22	25	22
Gross wages, employment	22	20	20	22	21	23	21	21	18	20	24	18
Foreign trade	14	14	14	14	15	13	15	14	15	14	14	15
Balance of payments*			31			30						
Balance of payments	13	13	17	11	14	13	14					
Money supply	24	24	24	23	23	24	22					

Source: GUS, NBP, Ministry of Finance, * quarterly data

Economic data and forecasts for Poland

Monthly economic indicators

		Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25
PMI	pts	48.0	45.9	45.0	45.0	47.3	47.8	48.6	49.2	48.9	48.2	48.8	50.6	50.7	50.9
Industrial production	% y/y	-5.6	7.8	-1.6	0.0	5.2	-1.2	-0.4	4.6	-1.3	0.2	-0.9	-2.0	2.9	2.1
Construction production	% y/y	-13.4	-2.0	-6.5	-9.0	-1.3	-9.6	-9.0	-9.6	-9.3	-8.0	4.2	0.0	5.7	-1.2
Retail sales (current prices)	% y/y	6.1	4.1	5.0	4.4	4.4	2.6	-3.0	1.3	3.1	1.9	4.9	-0.5	-0.9	-0.8
Unemployment rate	%	5.3	5.1	5.0	4.9	5.0	5.0	5.0	4.9	5.0	5.1	5.4	5.4	5.3	5.2
Gross wages in corporate sector	% y/y	12.0	11.3	11.4	11.0	10.6	11.1	10.3	10.2	10.5	9.8	9.2	7.9	8.4	8.4
Employment in corporate sector	% y/y	-0.2	-0.4	-0.5	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.6	-0.9	-0.9	-0.9	-1.0
Exports (€)	% y/y	-8.6	8.3	-5.3	-6.6	5.8	-2.3	1.5	2.6	-2.6	0.4	-0.9	-3.3	5.1	3.4
Imports (€)	% y/y	-6.5	6.0	1.4	1.9	9.7	5.5	5.6	6.2	-0.8	3.4	8.9	4.5	8.6	6.6
Trade balance	EUR mn	293	745	-1,098	-533	-1,167	-2,108	-554	-302	-900	-1,962	-1,506	-2,062	-704	-135
Current account balance	EUR mn	1,293	922	-468	-142	-491	-2,276	-1,160	1,510	313	-1,119	-168	-636	260	-190
Current account balance	% GDP	1.6	1.7	1.6	1.3	1.3	0.9	0.5	0.4	0.3	0.2	0.0	-0.3	-0.4	-0.5
CPI	% y/y	2.0	2.4	2.5	2.6	4.2	4.3	4.9	5.0	4.7	4.7	4.9	4.9	4.9	4.2
CPI excluding food and energy	% y/y	4.6	4.1	3.8	3.6	3.8	3.7	4.3	4.1	4.3	4.0	3.7	3.6	3.5	3.5
PPI	% y/y	-9.9	-8.5	-7.0	-5.8	-5.1	-5.5	-6.2	-5.1	-3.8	-2.7	-1.0	-1.3	-0.9	-0.7
Broad money (M3)	% y/y	6.6	7.4	8.0	8.4	8.3	7.8	6.5	7.8	8.7	9.3	9.4	9.1	10.1	9.3
Deposits	% y/y	7.4	7.8	8.6	8.6	8.4	7.6	5.9	7.3	8.0	8.7	9.1	8.8	9.4	9.1
Loans	% y/y	0.3	1.1	1.7	2.7	2.6	3.8	2.9	4.5	5.7	5.0	4.7	5.2	4.2	4.9
EUR/PLN	PLN	4.31	4.30	4.28	4.32	4.28	4.29	4.28	4.32	4.33	4.27	4.25	4.17	4.18	4.28
USD/PLN	PLN	3.96	4.01	3.96	4.02	3.95	3.90	3.85	3.96	4.08	4.08	4.10	4.01	3.87	3.95
CHF/PLN	PLN	4.46	4.41	4.36	4.49	4.42	4.54	4.55	4.60	4.63	4.57	4.51	4.43	4.38	4.47
Reference rate *	%	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
3M WIBOR	%	5.86	5.86	5.86	5.85	5.86	5.85	5.85	5.85	5.85	5.85	5.85	5.87	5.85	5.74
Yield on 2-year T-bonds	%	5.14	5.29	5.36	5.19	5.12	4.84	4.71	4.93	4.96	5.07	5.24	5.27	5.21	4.71
Yield on 5-year T-bonds	%	5.29	5.53	5.55	5.58	5.56	5.09	5.04	5.31	5.33	5.40	5.69	5.63	5.59	5.08
Yield on 10-year T-bonds	%	5.42	5.67	5.69	5.73	5.69	5.31	5.34	5.64	5.69	5.78	5.97	5.87	5.91	5.50

Note: * at the end of the period.

Source: GUS, NBP, Finance Ministry, Santander Bank Polska estimates.

Quarterly and annual economic indicators

		2022	2023	2024	2025	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
GDP	PLN bn	3,100.9	3,401.6	3,617.4	3,874.7	835.8	863.3	905.0	1,013.4	890.1	925.6	968.1	1,090.9
GDP	% y/y	5.3	0.1	2.9	3.4	2.1	3.2	2.7	3.2	3.1	3.3	3.4	3.9
Domestic demand	% y/y	4.8	-3.1	4.1	4.9	2.3	4.8	4.4	4.8	4.6	4.4	5.2	5.5
Private consumption	% y/y	5.4	-0.3	3.1	2.9	4.4	4.6	0.3	3.5	2.5	2.5	3.0	3.5
Fixed investments	% y/y	1.7	12.6	1.5	6.7	1.9	3.2	0.1	1.3	2.0	4.0	8.0	9.5
Industrial production	% y/y	10.4	-2.1	1.1	2.7	-0.1	2.0	1.1	1.4	0.1	2.7	3.9	4.3
Construction production	% y/y	7.7	4.8	-7.6	3.8	-8.6	-6.0	-6.8	-8.8	3.4	2.7	5.0	3.7
Retail sales (constant prices)	% y/y	5.5	-3.6	3.2	1.9	5.0	4.5	1.3	2.2	0.9	-0.8	2.7	4.5
Unemployment rate *	%	5.2	5.1	5.1	5.0	5.3	4.9	5.0	5.1	5.3	5.0	4.9	5.0
Gross wages in the national economy	% y/y	12.1	12.8	13.7	7.9	14.4	14.7	13.4	12.4	8.6	8.3	7.4	7.3
Employment in the national economy	% y/y	2.0	0.6	0.2	-0.2	0.2	0.1	0.3	0.1	-0.4	-0.4	-0.1	0.1
Exports (€)	% y/y	23.0	3.5	-1.0	3.4	-3.6	-1.5	1.1	0.0	0.5	3.1	3.9	6.1
Imports (€)	% y/y	27.7	-4.5	2.2	7.6	-3.3	2.6	6.9	2.8	8.3	6.7	6.5	9.0
Trade balance	EUR mn	-22,019	4,738	-5,996	-20,410	2,061	-649	-4,244	-3,164	-4,272	-3,650	-6,625	-5,863
Current account balance	EUR mn	-14,872	13,485	1,495	-12,286	4,567	501	-4,277	704	-544	-3,138	-5,093	-3,512
Current account balance	% GDP	-2.2	1.8	0.2	-1.3	1.6	1.3	0.5	0.2	-0.4	-0.8	-0.9	-1.3
General government balance	% GDP	-3.4	-5.3	-6.6	-6.1	-	-	-	-	-	-	-	-
CPI	% y/y	14.3	11.6	3.6	3.9	2.9	2.5	4.5	4.8	4.9	4.2	3.1	3.3
CPI *	% y/y	16.6	6.2	4.7	3.5	2.0	2.6	4.9	4.7	4.9	4.2	3.2	3.5
CPI excluding food and energy	% y/y	9.1	10.2	4.3	3.6	5.4	3.8	3.9	4.1	3.6	3.7	3.5	3.6
PPI	% y/y	22.4	2.8	-6.7	-0.5	-10.2	-7.1	-5.6	-3.9	-1.1	-0.7	-0.1	0.0
Broad money (M3) *	% y/y	5.4	8.5	9.3	6.0	6.6	8.4	6.5	9.3	10.1	8.4	7.8	6.0
Deposits *	% y/y	0	9.8	8.7	5.8	7.4	8.6	5.9	8.7	9.4	8.7	8.5	5.8
Loans *	% y/y	1.4	0.0	5.0	4.8	0.3	2.7	2.9	5.0	4.2	3.9	4.7	4.8
EUR/PLN	PLN	4.69	4.54	4.31	4.25	4.33	4.30	4.28	4.31	4.20	4.29	4.25	4.25
USD/PLN	PLN	4.46	4.20	3.98	3.92	3.99	4.00	3.90	4.04	3.99	3.95	3.88	3.85
CHF/PLN	PLN	4.67	4.68	4.52	4.37	4.57	4.42	4.50	4.60	4.44	4.44	4.31	4.27
Reference rate *	%	6.75	5.75	5.75	5.00	5.75	5.75	5.75	5.75	5.75	5.25	5.00	5.00
3M WIBOR	%	6.02	6.52	5.86	5.44	5.86	5.86	5.85	5.85	5.86	5.52	5.24	5.15
Yield on 2-year T-bonds	%	6.35	5.67	5.05	4.81	5.05	5.28	4.89	4.99	5.24	4.63	4.78	4.59
Yield on 5-year T-bonds	%	6.36	5.66	5.33	5.16	5.19	5.55	5.23	5.34	5.63	5.09	5.13	4.80
Yield on 10-year T-bonds	%	6.10	5.83	5.55	5.55	5.36	5.70	5.45	5.70	5.92	5.53	5.50	5.25

Note: * at the end of period. Source: GUS, NBP, Finance Ministry, Santander estimates.

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