

Weekly Economic Update

US dollar losing its shine

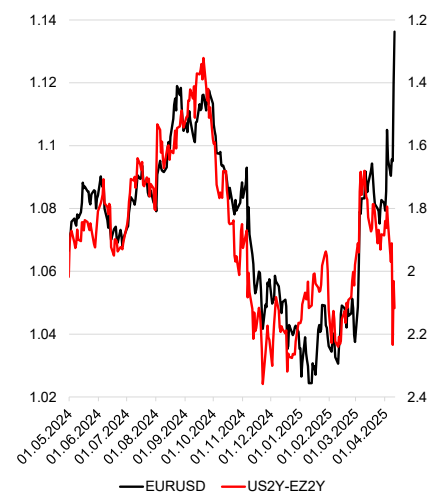
Economy next week

- The final week before Easter will see a moderate number of economic releases, but the atmosphere in the financial markets is likely to remain extremely heated as the US-China trade war is continuously escalating.
- In the domestic calendar, the headline releases are **March CPI inflation data on Tuesday, core inflation on Wednesday, revised quarterly GDP data for 2023-24 on Thursday**. There may also be information on March budget execution later in the week. Abroad, among other figures, inflation data in several European countries, US industrial production and retail sales, Chinese preliminary GDP reading for 1Q25.
- Flash CPI data showed a stabilisation of Polish inflation in March at 4.9% y/y, and we assume that the final data will confirm the result. The rather low (in line with our forecast) flash print was due to, among other things, a marked decline in fuel prices, but according to our estimate **core inflation also fell, to 3.5% y/y**, the lowest level since mid-2021.
- The GDP update may bring a **slight upward revision of the GDP data for 2024**, as indicated, among other things, by the fact that the information on the level of public debt in 2024 released by GUS on 1 April (55.3% of GDP) differed slightly from the result given the day before by the Ministry of Finance (55.6%), probably due to the inclusion of the updated GDP estimate. We are talking about a difference in GDP at current prices of 0.6%, so in constant prices the revision could probably be smaller.
- On Thursday, **the ECB's decision-making meeting takes place**. The bank will most likely cut interest rates by 25bp. For the market, it is not only the decision that will be important, but also the bank's communiqué and the tone of President Lagarde's press conference, among other things in terms of how the monetary policy outlook may be affected by developments in international trade relations. In addition to the ECB, the Bank of Canada and the Bank of Turkey will decide on rates.

Markets next week

- The global financial market teetered on the brink of a major collapse this week, and Donald Trump's decision to suspend reciprocal tariffs on all countries except China caused only a temporary relief. Further escalation in US-China relations threatens to increase risk aversion even further, which could be dangerous for equity markets and EM currencies (the devaluation of the yuan, among other things, is at stake). Despite the high risk aversion, we are seeing a weakening of the US dollar and US Treasuries, which is a very unusual reaction and is clear sign of erosion of the "safe haven" status by the US assets. In this environment, predicting market trends is increasingly difficult and **the only thing we can be sure of is high volatility**. EURPLN ends the week near 4.30, and for now we see a greater risk of an upward breakout from this level than a downward one. At the same time, the zloty is gaining against the dollar - USDPLN fell below 3.80 for the first time in almost 4 years, which is favorable for inflation outlook.
- High volatility and uncertainty also affects the rates and bond markets. On the one hand, elevated risk aversion and expectations of rate cuts may favor debt markets; on the other hand, we US bond yields are trending up, the valuation of the scale of NBP monetary easing is already very aggressive (excessive in our view), and investors' attention may increasingly turn to the fiscal implications of the global slowdown. As a result, **we no longer see much room to deepen the lows on bond yields in the coming weeks, instead we see room to steepen the curves**.

EURUSD and US – euro zone 2Y bond yield spread

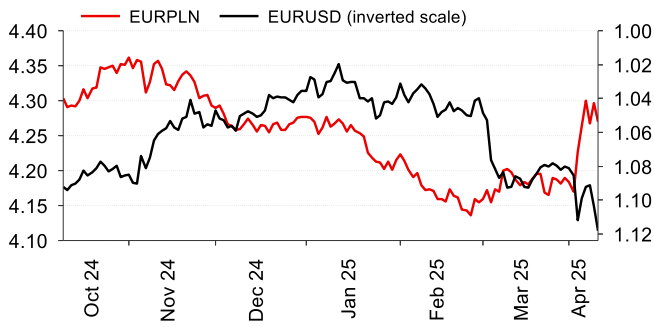


Source: LSEG, Santander

Economic Analysis Department:

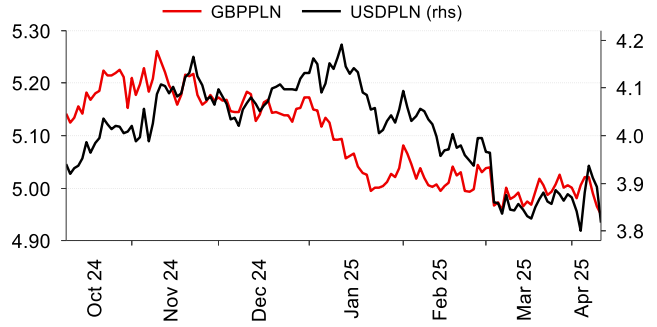
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EURPLN and EURUSD



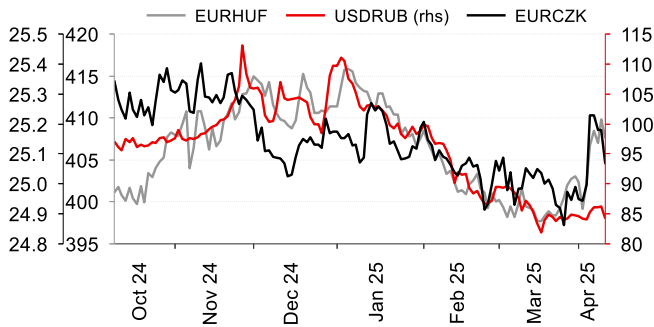
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



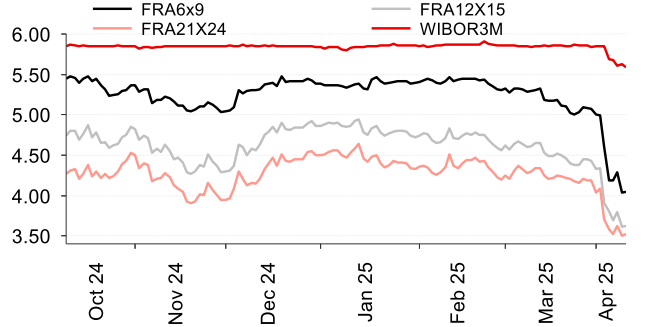
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



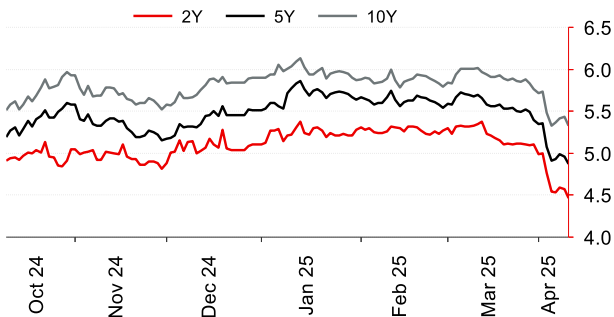
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



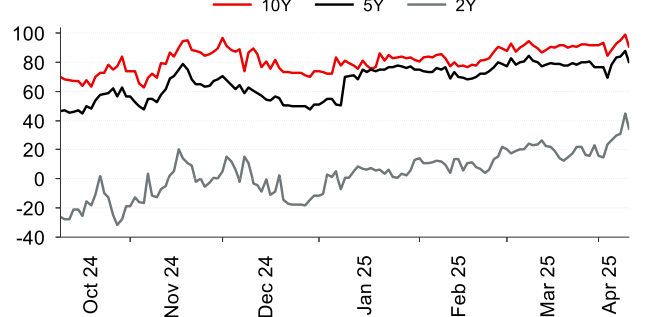
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



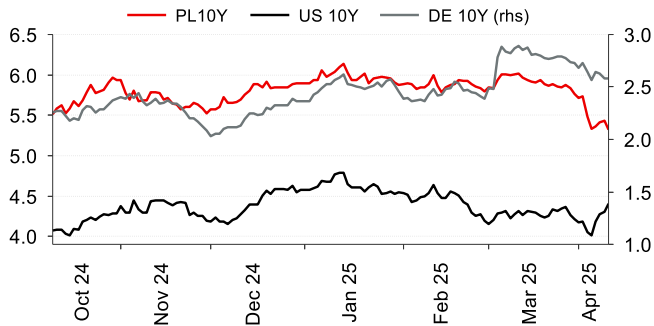
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



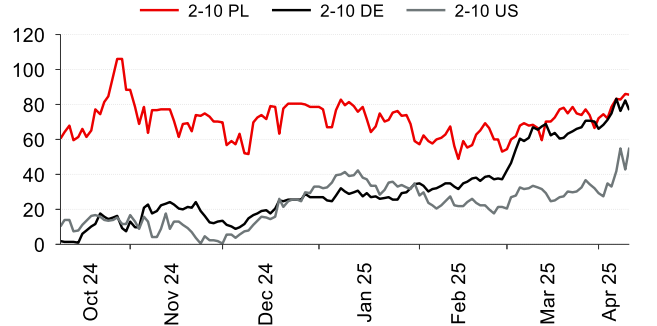
Source: LSEG Datastream, Santander Bank Polska

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 (14 April) | | | | | | |
| No data releases | | | | | | |
| TUESDAY (15 April) | | | | | | |
| 10:00 | PL | CPI | Mar | % y/y | 4.9 | 4.9 |
| 11:00 | EZ | Industrial Production SA | Feb | % m/m | 0.2 | - |
| 11:00 | DE | ZEW Survey Current Situation | Apr | pts | -86.8 | - |
| WEDNESDAY (16 April) | | | | | | |
| 11:00 | EZ | HICP | Mar | % y/y | 2.2 | - |
| 14:00 | PL | CPI Core | Mar | % y/y | 3.5 | 3.5 |
| 14:30 | US | Retail Sales Advance | Mar | % m/m | 1.4 | - |
| 15:15 | US | Industrial Production | Mar | % m/m | -0.3 | - |
| THURSDAY (17 April) | | | | | | |
| 10:00 | PL | Revised data on GDP growth in 2023-2024 | | | | |
| 14:15 | EZ | ECB Main Refinancing Rate | Apr | % | 2.40 | - |
| 14:30 | US | Initial Jobless Claims | weekly | k | 223 | - |
| 14:30 | US | Housing Starts | Mar | % m/m | -6.1 | - |
| FRIDAY (18 April) | | | | | | |
| No data releases | | | | | | |

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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