

31 January 2025

Weekly Economic Update

Focus on tariffs

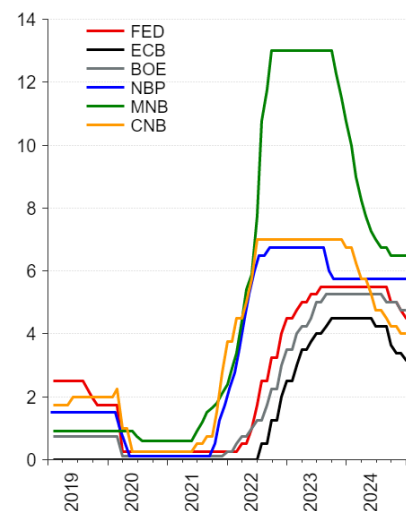
Economy next week

- The first FOMC and ECB meetings this year did not bring any surprises - the US Fed kept rates unchanged, signalling no rush to ease policy further and making future decisions contingent on incoming information; the ECB, on the other hand, cut rates by 25bp, indicating that monetary policy in the euro area remains restrictive and discussions of halting rate cuts would be premature.
- This week the **Monetary Policy Council meeting** takes place (decision on Wednesday, NBP president's conference on Thursday) and here, too, we do not expect any surprise - interest rates will most likely remain unchanged and the communiqué will not be less 'hawkish' than in the previous two months, signalling no room for policy easing in the near term. The data that has emerged since the December MPC meeting has been mixed - December's monthly statistics (including industrial output, retail sales, wages and employment) were weaker than expected, but the 2024 GDP data surprised on the upside, confirming an acceleration in economic growth at the end of the year to over 3% y/y. We expect that, on balance, this will not change the message from the central bank and we will not see any signal to suggest that the prospect of rate cuts is getting closer.
- On Thursday, we will learn about the decisions of the Czech National Bank and the Bank of England. Both are expected to cut main interest rate by 25bp.
- On the domestic economic data front, only the January **manufacturing PMI index** (on Monday) is in the agenda, which we expect to remain at the December level of 48.2, indicating that weakness in foreign demand is still a major barrier for domestic manufacturers.
- Abroad, in addition to the final manufacturing and services PMIs, attention will be drawn to Eurozone inflation data, German industrial orders and production, and, at the end of the week, the key US labour market report. But more important for investors than data may be the **US administration's trade policy decisions**. Donald Trump has reiterated in recent days that he will announce a decision on 25% tariffs on goods from Canada and Mexico on 1 February, and has previously hinted that he may simultaneously impose 10% tariffs on goods from China. How high the actual tariffs turn out to be, exactly which goods will be affected and how other countries react to this could determine the change in sentiment at the start of the new week.

Markets next week

- As we had assumed last week, the EURPLN exchange rate made several attempts to break through the 4.20 level in the past days, but each time this proved ineffective, and the week even ended with a rebound to 4.22. One of the factors contributing to Friday's correction was the strengthening of the dollar against the euro, perhaps in anticipation of the US decision to impose tariffs on other countries to be announced this weekend. **The behaviour of FX markets in the coming days may strongly depend on how investors interpret the Trump administration's action on tariffs** - if it turns out to be moderate in scope and scale, the dollar would probably weaken again and EM currencies, including the zloty, would gain. We do not have a strong position on this, but a slightly more likely scenario, however, seems to be a strengthening of the dollar and a further correction of the zloty as a result.
- Contrary to our intuition, yield curves have moved markedly lower in the last week - the swap curve by around 10bp, the bond curve similarly at the long end, although hardly at all at the short end. **The announcement of new tariffs by the US and possible declarations of retaliatory measures by the affected countries may hold back global yield decline**, reviving discussion of possible inflationary effects. Locally, the short end of the curve will be kept high by a hawkish message from the MPC.

Central banks' interest rates, %

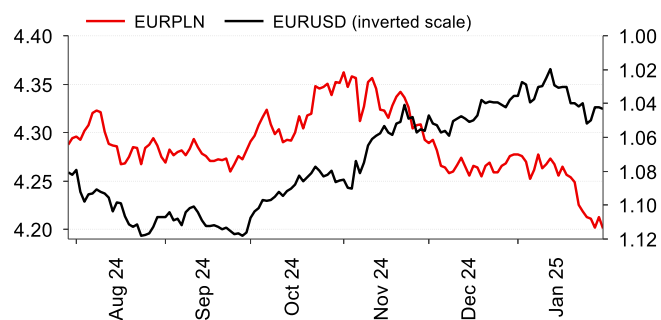


Source: LSEG Datastream, Santander

Economic Analysis Department:

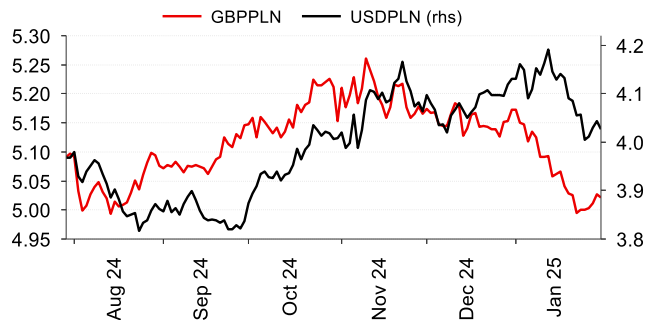
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EURPLN and EURUSD



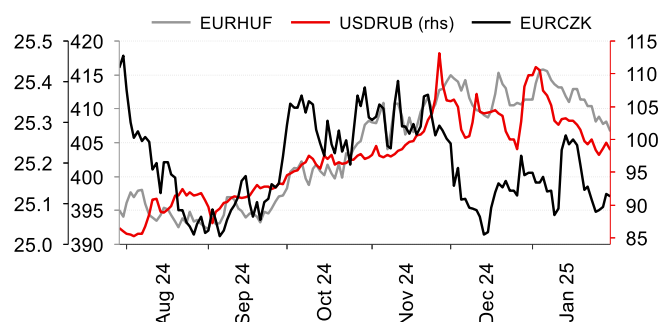
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



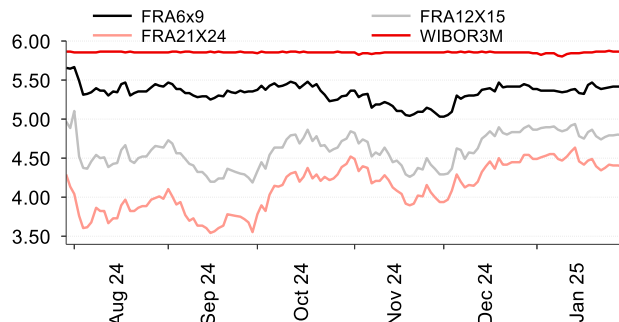
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



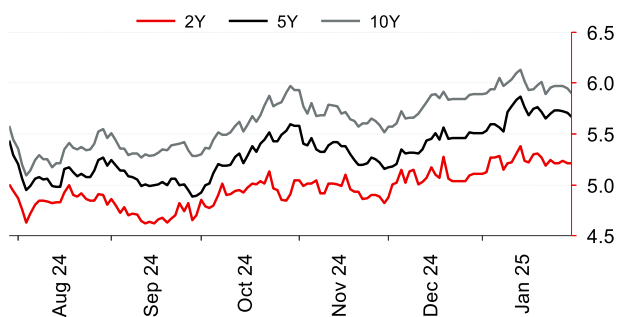
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



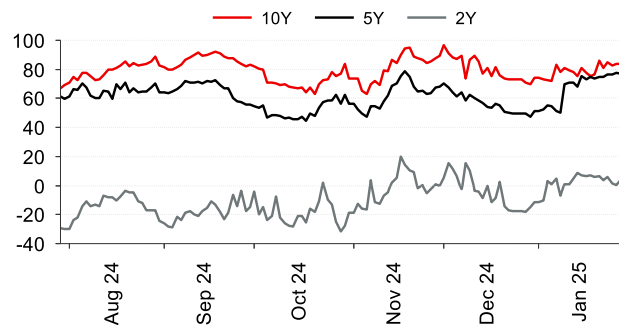
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



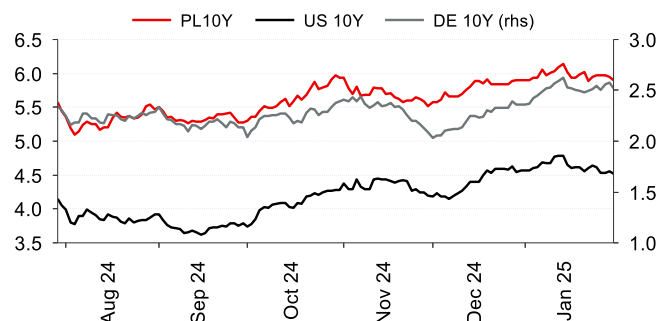
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



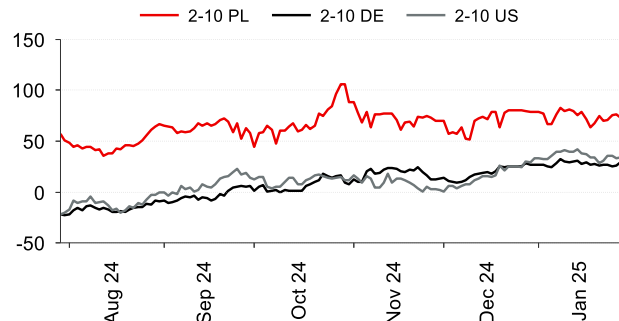
Source: LSEG Datastream, Santander Bank Polska

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 (3 February)						
09:00	PL	Poland Manufacturing PMI	Jan	pts	48.5	48.2
09:55	DE	Germany Manufacturing PMI	Jan	pts	44.1	-
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	46.1	-
11:00	EZ	Flash HICP	Jan	% y/y	2.4	-
16:00	US	ISM manufacturing	Jan	pts	49.3	-
TUESDAY (4 February)						
16:00	US	Durable Goods Orders	Dec	% m/m	0.6	-
16:00	US	Factory Orders	Dec	% m/m	0.5	-
WEDNESDAY (5 February)						
	PL	MPC decision		%	5.75	5.75
02:45	CN	Caixin China PMI Services	Jan	pts	52.4	-
09:55	DE	Markit Germany Services PMI	Jan	pts	52.5	-
10:00	EZ	Eurozone Services PMI	Jan	pts	51.4	-
14:15	US	ADP report	Jan	k	15	-
16:00	US	ISM services	Jan	pts	54.5	-
THURSDAY (6 February)						
08:00	DE	Factory Orders	Dec	% m/m	1.8	-
08:30	HU	Industrial Production SA	Dec	% y/y	-3.4	-
09:00	CZ	Industrial Production	Dec	% y/y	-3.2	-
09:00	CZ	CPI	Jan	% y/y	2.6	-
11:00	EZ	Retail Sales	Dec	% m/m	-0.2	-
14:30	US	Initial Jobless Claims	week	k	225	
14:30	CZ	Central Bank Rate Decision	Feb		3.75	-
FRIDAY (7 February)						
08:00	DE	Exports SA	Dec	% m/m	-0.5	-
08:00	DE	Industrial Production SA	Dec	% m/m	-0.6	-
14:30	US	Change in Nonfarm Payrolls	Jan	k	150	-
14:30	US	Unemployment Rate	Jan	%	4.1	-
16:00	US	Michiqan index	Feb	pts	-	-

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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