

07 February 2025

Weekly Economic Update

Waiting for the plan

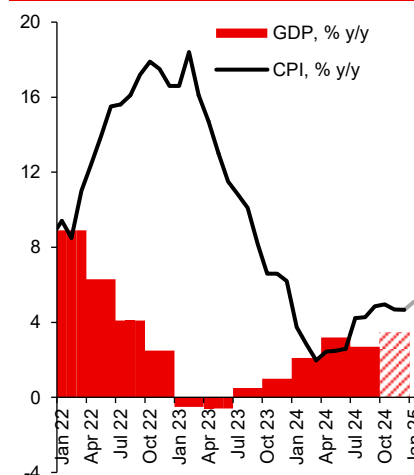
Economy next week

- The next week will start with the presentation of the **'ambitious programme of economic development for Poland as a growth leader'**, heralded by PM Donald Tusk. We do not know what to expect, so we are simply looking forward to this event.
- In the following days, we will get to know several important domestic publications: **on Tuesday, data on wages in the national economy in 4Q24; on Thursday, the flash estimate of GDP growth in 4Q24 and the balance of payments for December; on Friday, inflation data for January.** Most of these indicators will be important from the point of view of monetary policy outlook - NBP president Adam Glapiński pointed at a recent conference, among other things, to stubbornly high wage growth and a revival in the domestic economy as factors limiting the room for monetary easing.
- We expect wages to decelerate in Q4, to around 12% y/y (from 13.4% y/y in Q3), consistent with the trend seen in the corporate sector.
- GDP growth in Q4, consistent with the full-year result of 2.9%, is in the range of 3.3-3.7% y/y according to our estimates (assuming no revision of the first three quarters). We are betting on the middle of this range, i.e. 3.5% y/y, which would correspond to growth of at least 1.5% q/q s.a. The flash data will not reveal the breakdown of GDP growth; we will only know this in the next publication on 27 February.
- We estimate the current account balance in December at EUR -1.8 billion, with rising imports and stagnant export turnover, bringing the rolling 12-month sum to almost zero, after six quarters in the surplus. In the following months we should see a gradual increase in the deficit, with stagnant export turnover and rising imports.
- Our CPI forecast for January suggests an increase to 5.1% y/y from 4.7% in December (following a 0.8% m/m rise in prices), driven mainly by sizable increases in food and fuel prices. Prices in the core categories are likely to behave slightly better than a year ago, allowing core inflation to fall slightly to 3.9% y/y. It is worth remembering that the January CPI reading is preliminary and will be revised in a month's time after taking into account the change in weights in the CPI basket. A year ago, the change in weights lowered the inflation rate by 0.1-0.2pp at the start of the year.
- Before we know the domestic inflation reading, CPI data will be released in Hungary (Tuesday) and the Czech Republic (Wednesday), which is quite unusual pattern. Possible deviations from the consensus in these countries may affect expectations for the domestic publication.
- The calendar for data releases abroad is exceptionally sparse. Investors' attention will be drawn to **Fed Chairman J.Powell's semi-annual testimony in both houses of the US Congress** and the numerous speeches by FOMC members during the week.
- Financial markets will be on the lookout for signs of **a plan to end Russia's war with Ukraine.** A few days ago, Bloomberg reported that Donald Trump's special envoy Keith Kellogg may present such a plan at the Munich Security Conference, which begins on Friday 14 February. Mr. Kellogg denied these reports on Thursday.

Markets next week

- Last week saw a quick mood swing in the FX market – just after D.Trump's weekend decision to impose 25% tariffs on Mexico and Canada and 10% on China, the dollar strengthened and EM currencies, including the zloty, weakened. This did not last long, however, as the tariffs on Canada and Mexico were suspended for a month, before they came into effect. This, plus Bloomberg's news of a possible peace plan for Ukraine, pushed EURPLN below 4.20, to the lowest levels since 2018. What happens next, in our view, will be determined by the US administration's actions: (1) on the trade policy front (in particular, whether and to what extent EU goods will be subject to tariffs), (2) on the topic of ending the Russia-Ukraine war. **Our FX scenario assumes no breakthrough on this issue and, as a result, a return of EURPLN to 4.30-4.35 in 2H25, but if a credible plan for a Ukraine-Russia agreement were on the table, the zloty would probably get persistently stronger, with consequences for inflation and balance of payments forecasts, among others.**
- Improved market moods following the suspension of the tariff decisions on Canada and Mexico and movement in the core markets allowed the local yield curves to move down a few basis points, despite the MPC's still hawkish rhetoric. We assume that domestic data will not give reasons to discount faster rate cuts in the near future, suggesting a stabilisation of the swap curve. However, potential good news on Trump's peace plan for Ukraine could help to narrow ASW spreads.

GDP and CPI, % y/y

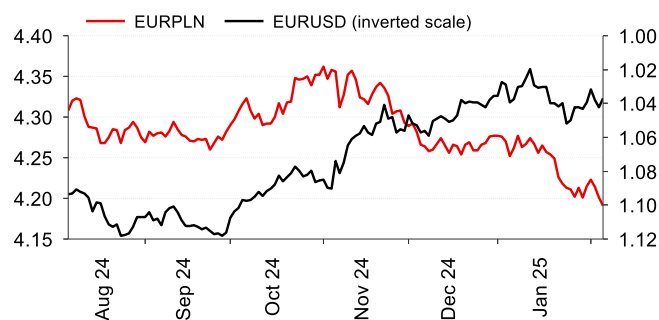


Source: GUS, Santander

Economic Analysis Department:

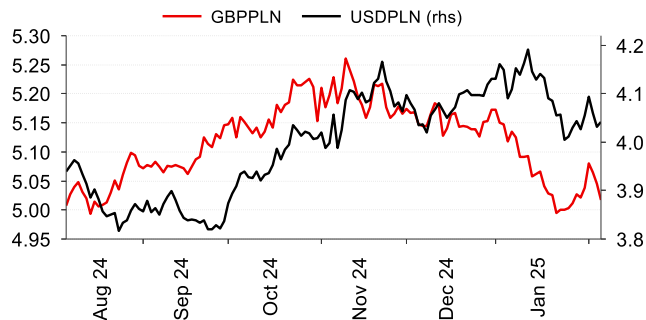
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EURPLN and EURUSD



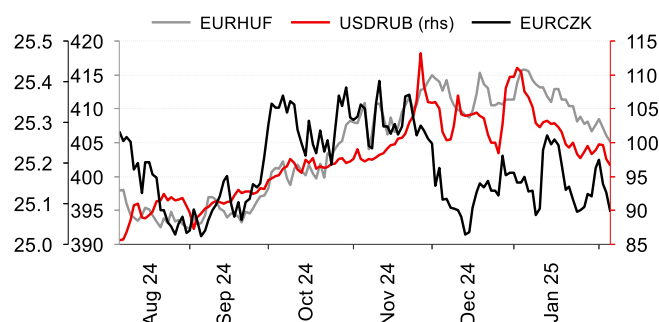
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



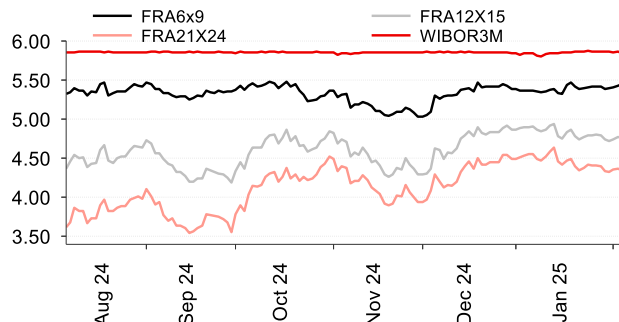
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



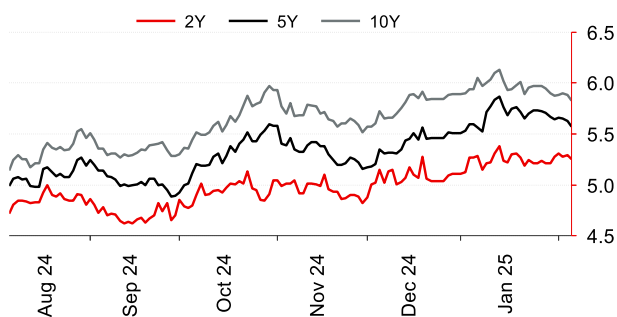
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



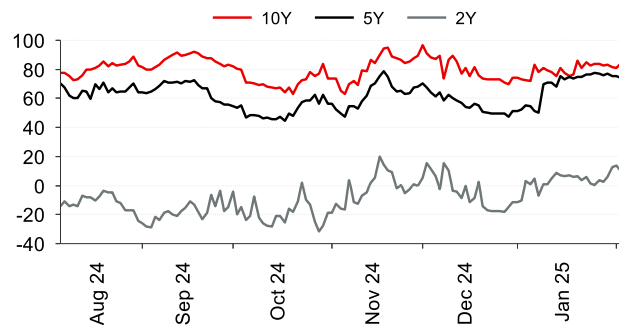
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



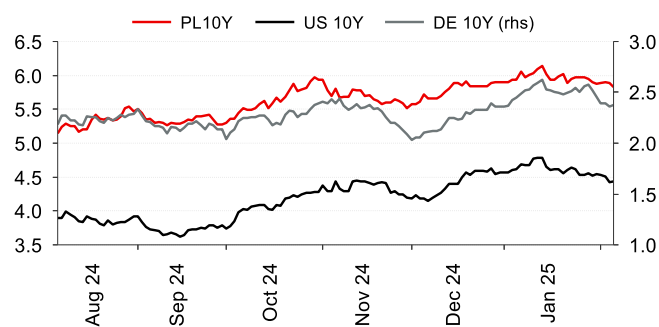
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



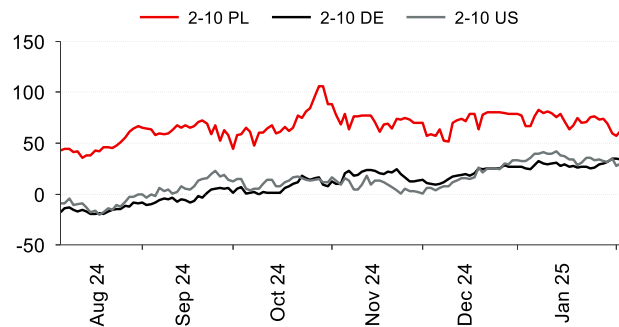
Source: LSEG Datastream, Santander Bank Polska

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 (10 February)							
No data releases							
TUESDAY (11 February)							
08:30	HU	CPI	Jan	% y/y	4.8	-	4.6
WEDNESDAY (12 February)							
09:00	CZ	CPI	Jan	% y/y	2.8	-	3.0
14:30	US	CPI	Jan	% m/m	0.3	-	0.4
THURSDAY (13 February)							
08:00	DE	HICP	Jan	% m/m	-0.2	-	0.7
10:00	PL	GDP	4Q	% y/y	3.3	3.5	2.7
11:00	EZ	Industrial Production SA	Dec	% m/m	-0.6	-	0.2
14:00	PL	Current Account Balance	Dec	€mn	-1 548	-1 774	-521
14:00	PL	Trade Balance	Dec	€mn	-2 120	-2 261	-1 646
14:00	PL	Exports	Dec	€mn	24995	24 687	28 371
14:00	PL	Imports	Dec	€mn	27 264	26 948	30 017
14:30	US	Initial Jobless Claims	weekly	k	213	-	219
FRIDAY (14 February)							
10:00	PL	CPI	Jan	% y/y	5.0	5.1	4.7
11:00	EZ	GDP SA	4Q	% y/y	0.9	-	0.9
14:30	US	Retail Sales Advance	Jan	% m/m	0.0	-	0.4
15:15	US	Industrial Production	Jan	% m/m	0.3	-	0.9

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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