28 February 2025

Eyeopener

Tariff worries are back

Today PCE inflation, consumer income and spending in the US, February German inflation
D.Trump wants tariffs on Canada and Mexico from 4 March and higher tariffs on China
Polish 4Q24 GDP growth confirmed at 3.2% y/y, strong consumption and investment
ESI for Poland showed broadly improved sentiment in February
Significant appreciation of the dollar weighed on the zloty

Today, in the US, January personal income and expenditure data will be published, as well as the January PCE inflation reading. In addition, we will get to see a new estimate of 4Q24 GDP growth in Czechia and February HICP inflation in Germany. Germany already showed January retail sales data in the morning, quite good if one takes into account the upward revision of the previous result - the annual growth rate was 3.5% y/y while the market expected 1.7% y/y. The Ukraine-US mineral deposit agreement is due to be signed today.

The stats office confirmed its estimate of GDP growth in 4Q24 at 3.2% y/y and 1.3% q/q on a seasonally adjusted basis, also in line with preliminary calculations. Private consumption and investment growth accelerated to 3.5% and 1.3% y/y respectively, even slightly more than we had expected. Domestic demand grew by 4.8%, while net exports lowered GDP growth by 1.3pp. We see yesterday's data as a strong confirmation of our scenario that the Polish economy is on a trajectory of over 3% economic growth, with solid domestic demand providing a good protection against external weakness. We expect GDP growth in 2025 at around 3.5%, with consumption growth remaining moderate (close to 3%) and investment accelerating significantly (towards 10% y/y by the end of the year). Read more in our Economic Comment.

Poland's Economic Sentiment Indicator (ESI) increased from 97.5 pts in January to 100.9 pts in February. The improvement was caused by increases in all of the indicator's component, including all of the sectoral indices and the consumer confidence indicator. Among the sector indices, the services sector index registered the largest improvement, rising by 2.3 pts to -2.9 pts. The consumer confidence indicator rose by 1.9 pts to -0.8 pts due to better assessments of current and future financial situation, greater optimism with regard to the future economic situation, and lower inflation expectations, among other factors. In the euro area, the overall ESI rose by 1.0 pts due to improvement of sentiment in industry and services, as well as greater consumer confidence.

Polish Prime Minister Donald Tusk showed an estimate that the potential imposition of US tariffs on the EU would have a negative impact on Poland not exceeding 0.1% of GDP.

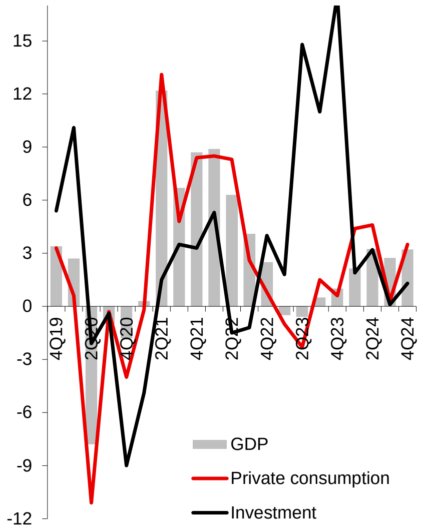
In January, Poland received EUR2,013.5m of EU funds, the Ministry of Finance reported. Almost the entire amount, excluding only EUR24k, came from the common agricultural policy. Poland's contribution to the common budget amounted to EUR687.1m.

The second estimate of US 4Q24 GDP confirmed its 2.3% q/q annualised growth. The main components of US GDP underwent only minimal revisions and further indicate that the US economy remained in good shape at the end of the last year, supported primarily by solid consumption

On Thursday, the Polish zloty depreciated against the euro, and this morning the EURPLN is already above 4.16. The weakening of Polish currency took place in parallel with the rapid appreciation of the dollar against the euro, which brought the EURUSD exchange rate below 1.04. The dollar's appreciation was most likely related to President Trump's announcement that tariffs on imports from Canada and Mexico would come into effect on 4 March, and that an additional tariff of 10 percentage points would be imposed on China. The flight to safety triggered by this declaration also extended to global equity markets and favoured bonds. Other CEE currencies also weakened against the euro, including the Czech koruna and the Hungarian forint by around 0.2-0.3%.

Polish bond yields fell by 1-4 bps and the yield curve flattened by around 3 bps. Yields also fell in Germany, by 1-3 bp, more strongly at the short end of the curve, and in the USA yields rose by around 2 bp across the curve. At the same time, Polish IRS rates fell by 7-9 bp and FRA rates by 2-10 bp, in both cases more strongly at the long end of the curve.

GDP and its components, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.1626	CZKPLN	0.1663
USDPLN	4.0057	HUFPLN*	1.0260
EURUSD	1.0387	RONPLN	0.8365
CHFPLN	4.4490	NOKPLN	0.3551
GBPPLN	5.0410	DKKPLN	0.5580
USDCNY	7.2877	SEKPLN	0.3719

*for 100HUF

Last session in the FX market 27.02.2025

	min	max	open	close	fixing
EURPLN	4.1265	4.1626	4.1391	4.1579	4.1371
USDPLN	3.9371	4.0006	3.9557	3.9920	3.9459
EURUSD	1.0401	1.0489	1.0463	1.0413	

Interest rate market 27.02.2025

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.23	-3
DS1029 (5L)	5.58	-3
DS1034 (10L)	5.83	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.57	-2	4.40	-2	2.16	-2
2L	5.08	-4	4.17	0	2.16	-1
3L	4.86	-6	4.10	1	2.16	-1
4L	4.78	-6	4.07	1	2.21	1
5L	4.78	-6	4.07	1	2.24	2
8L	4.86	-5	4.07	0	2.31	2
10L	4.93	-6	4.12	1	2.35	0

WIBOR rates

Term	%	Change (bps)
O/N	5.61	-7
T/N	5.78	-2
SW	5.83	0
1M	5.86	1
3M	5.86	-1
6M	5.81	-1
1Y	5.62	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	0
3x6	5.75	-1
6x9	5.32	-4
9x12	4.88	-5
3x9	5.69	-1
6x12	5.27	-4

CDS rates and 10Y yield spread vs. German Bund

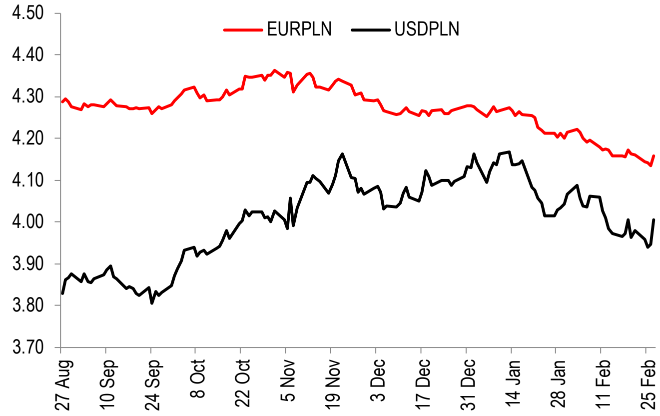
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	66	0	342	0
France	16	0	73	1
Hungary	118	0	429	0
Spain	30	0	68	2
Italy	22	0	107	2
Portugal	15	0	53	2
Ireland	9	0	28	0
Germany	7	0	-	-

* 10Y treasury bonds over 10Y Bunds

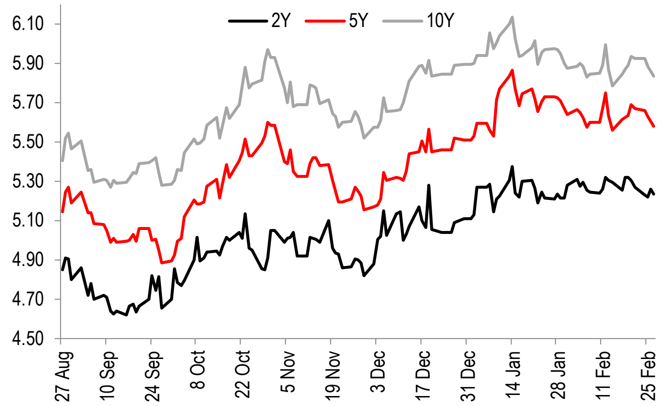
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

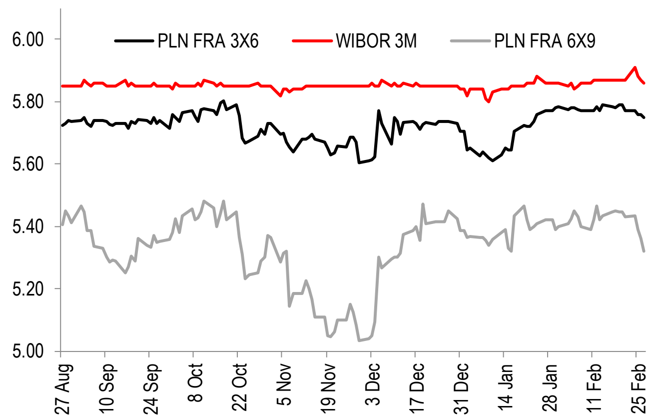
Zloty exchange rate



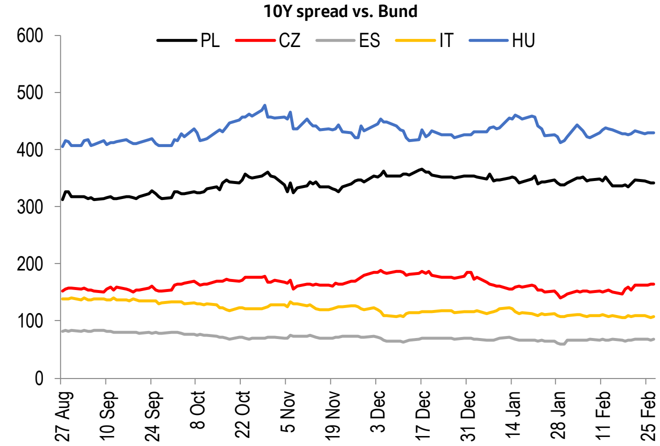
T-bonds yields



3M money market rates



10Y spread vs. Bund



Santander

Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (21 February)					
09:30	DE	Germany Manufacturing PMI	Feb	pts	45.5	-	46.1	45.0
09:30	DE	Markit Germany Services PMI	Feb	pts	52.5	-	52.2	52.5
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	47.0	-	47.3	46.6
10:00	EZ	Eurozone Services PMI	Feb	pts	51.5	-	50.7	51.3
16:00	US	Michigan index	Feb	pts	67.8	-	-	67.8
16:00	US	Existing Home Sales	Jan	% m/m	-2.6	-	-	2.2
			MONDAY (24 February)					
10:00	DE	IFO Business Climate	Feb	pts	85.8	-	85.2	85.2
10:00	**PL**	**Retail Sales Real**	**Jan**	**% y/y**	**1.5**	**1.3**	**4.8**	**1.9**
11:00	EZ	HICP	Jan	% y/y	2.5	-	2.5	2.4
14:00	**PL**	**Money Supply M3**	**Jan**	**% y/y**	**9.1**	**9.0**	**9.4**	**9.3**
			TUESDAY (25 February)					
08:00	DE	GDP WDA	4Q	% y/y	-0.2	-	-0.2	-0.2
10:00	**PL**	**Unemployment Rate**	**Jan**	**%**	**5.4**	**5.4**	**5.4**	**5.1**
14:00	HU	Central Bank Rate Decision	Feb	%	6.5	-	6.5	6.5
16:00	US	Consumer Conference Board	Feb	pts	102.5	-	98.3	105.3
			WEDNESDAY (26 February)					
16:00	US	New Home Sales	Jan	% m/m	-2.6	-	-10.5	8.1
			THURSDAY (27 February)					
10:00	**PL**	**GDP**	**4Q**	**% y/y**	**3.2**	**3.2**	**3.2**	**2.7**
11:00	EZ	ESI	Feb	pct.	95.9	-	96.3	95.3
14:30	US	Durable Goods Orders	Jan	% m/m	2.0	-	3.1	-1.8
14:30	US	GDP Annualized	4Q	% Q/Q	2.3	-	2.3	3.1
14:30	US	Initial Jobless Claims	weekly	k	221	-	242	220
16:00	US	Pending Home Sales	Jan	% m/m	-1.1	-	-4.6	-5.5
			FRIDAY (28 February)					
08:00	DE	Retail Sales	Jan	% m/m	0.5	-	0.2	-0.9
09:00	CZ	GDP SA	4Q	% y/y	1.6	-	-	1.6
14:00	DE	HICP	Feb	% m/m	0.5	-	-	-0.2
14:30	US	Personal Spending	Jan	% m/m	0.2	-	-	0.7
14:30	US	Personal Income	Jan	% m/m	0.3	-	-	0.4
14:30	US	PCE Deflator SA	Jan	% m/m	0.3	-	-	0.3

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg
** in the case of a revision the data is updated*

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.