

14 March 2025

Weekly Economic Update

Local data should not cool hopes for rate cuts

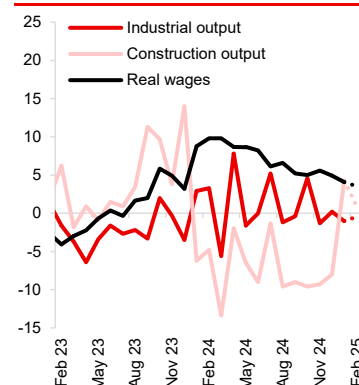
Economy next week

- After the weekend, we will see more local data releases: **on Monday, core inflation for January-February; on Wednesday, March consumer confidence; on Thursday, wages and employment, industrial and construction production and PPI for February; and on Friday, the corporate business survey.**
- After today's big surprise from the CPI inflation (which came in at 4.9% y/y in January and February, instead of the expected 5.3% y/y - the difference was mainly due to annual changes in the weighting system in the CPI basket, see more in [Economic Comment](#)), **we estimate core inflation at 3.8-3.9% y/y in January and 3.6-3.7% y/y in February.** Together with decelerating wage growth (we expect 8.6% y/y in February) and declining employment, as well as the continued strength of the zloty and low crude oil prices, these are, in our view, further arguments that the conditions for the MPC to start cutting interest rates are getting closer. Industrial and construction output data are likely to look not too strong in February due to, among other things, the negative difference in the number of working days and the weather.
- Abroad, there will be few data releases, including the German ZEW index, in the USA retail sales and industrial production, in the euro area inflation.
- On the other hand, a number of central bank meetings is on the agenda. In addition to the US Fed, rate decisions will be announced in Japan, China, the UK, Sweden and Switzerland, among others. The market almost unanimously expects the **FOMC to keep US interest rates unchanged**, giving itself time to assess how volatility in economic and trade policy will affect economic scenarios. After the meeting, new Fed economic forecasts and a dot plot showing the projected future interest rates as assessed by individual FOMC members will be published.
- **The German parliament is expected to approve a new financial package** (allowing for unprecedented increases in infrastructure and defence spending) in the coming days. Today, CDU leader Friedrich Merz announced that he had reached a preliminary agreement with the Green party on this.
- Tonight, **Fitch may announce the outcome of its review of Poland's credit rating**, with a similar decision planned by Moody's next Friday. In both cases, no changes are expected.

Markets next week

- EURPLN fluctuated near 4.19-4.20 for most of this week, with almost no reaction to news of a possible 30-day ceasefire in Ukraine. It was not until the end of the week that the zloty strengthened and, in our view, this can hardly be attributed to hawkish-sounding statements by the NBP president, as the news that the MPC had started discussing easing conditions in March and then the surprisingly low inflation reading for January-February rather revived than cooled expectations of future rate cuts (FRA 6x9 and 9x12 are at their lowest since early December). We assume that the PLN's good streak may continue after the weekend, and **if in addition we see some news of an actual agreement on a temporary ceasefire, EURPLN could break through the 4.15 level again.** A threat to this scenario would be the failure of talks with Russia and/or an escalation of the US-EU trade war.
- The domestic bond and IRS market received strong support from inflation data at the end of the week, resulting in curve declines despite rising yields in core markets. We would expect a steepening of curves in the week ahead - **the short end of the curve may decline further, discounting the increasing chances of the start of NBP rate cuts in July, which should be helped by domestic wage data, among other things, while the long end will be under pressure from rising yields in Europe**, in anticipation of the German fiscal bazooka (we expect the Bundestag to approve the package of measures).

Production in industry and construction, real wage growth in companies, % y/y

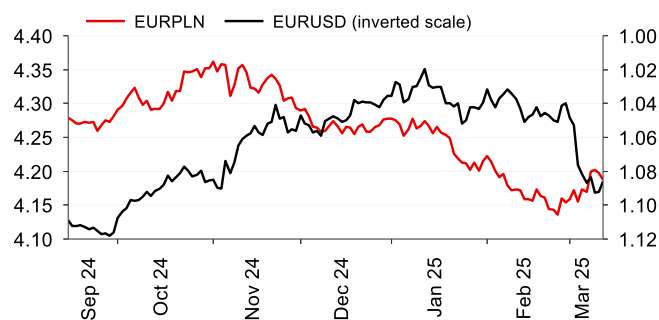


Source: GUS, Santander

Economic Analysis Department:

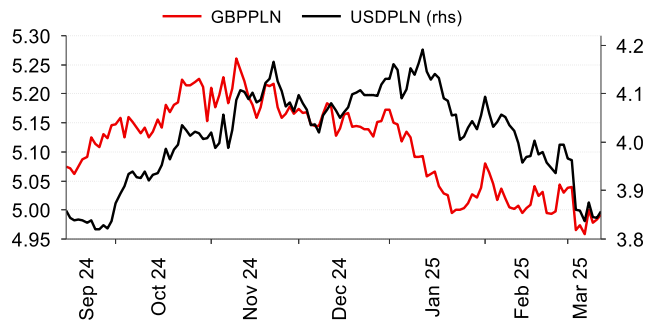
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EURPLN and EURUSD



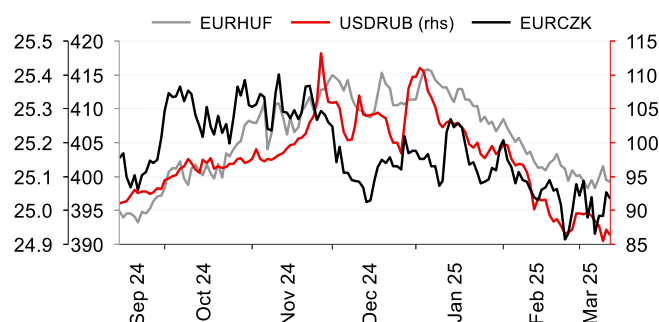
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



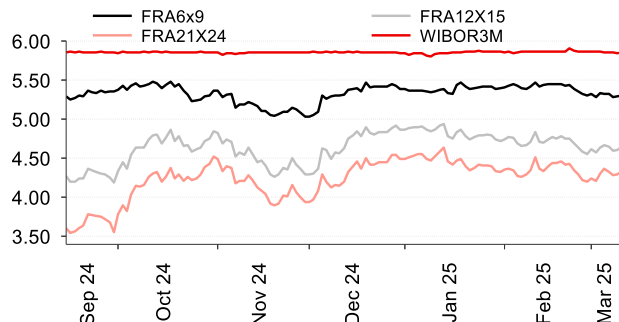
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



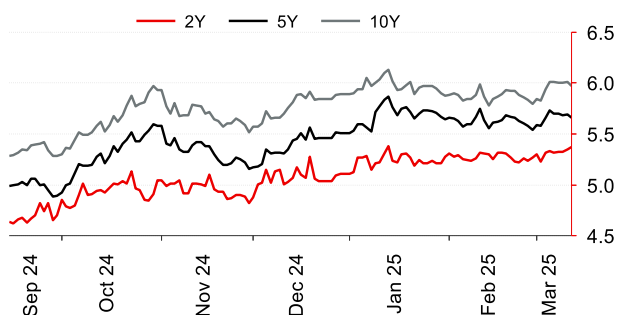
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



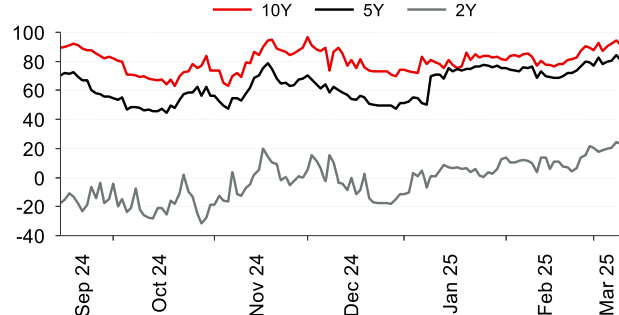
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



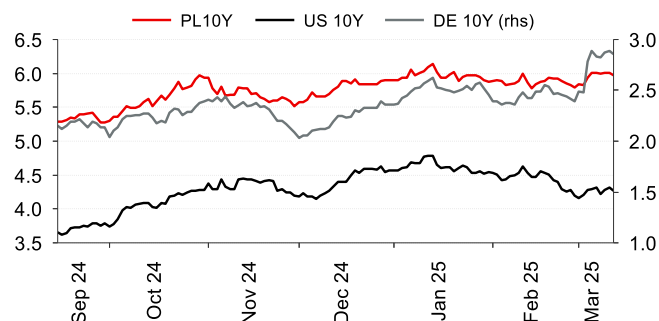
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



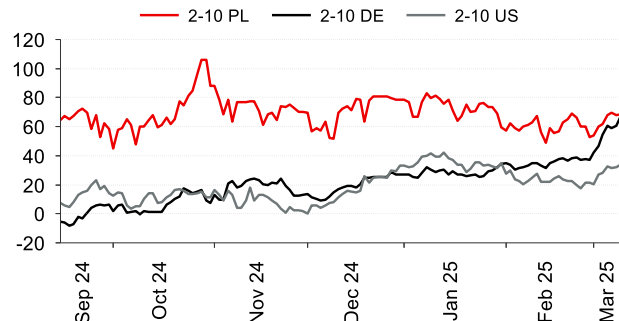
Source: LSEG Datastream, Santander Bank Polska

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 (17 March)							
13:30	US	Retail Sales Advance	Feb	% m/m	0.7	-	-0.9
14:00	PL	CPI Core	Jan	% y/y	-	3.9	4.0
14:00	PL	CPI Core	Feb	% y/y	4.0	3.6	-
14:00	PL	Current Account Balance	Jan	€mn	449	912	-803
14:00	PL	Trade Balance	Jan	€mn	-453	-74	-2 236
14:00	PL	Exports	Jan	€mn	27 022	26 902	24 703
14:00	PL	Imports	Jan	€mn	27 333	26 976	26 939
TUESDAY (18 March)							
11:00	DE	ZEW Survey Current Situation	Mar	pts	-80.5	-	-88.5
13:30	US	Housing Starts	Feb	% m/m	0.7	-	-9.8
14:15	US	Industrial Production	Feb	% m/m	0.2	-	0.51
WEDNESDAY (19 March)							
11:00	EZ	HICP	Feb	% y/y	2.4	-	2.4
19:00	US	FOMC decision	Mar	%	4.50	-	4.50
THURSDAY (20 March)							
10:00	PL	Employment in corporate sector	Feb	% y/y	-0.9	-0.9	-0.9
10:00	PL	Average Gross Wages	Feb	% y/y	8.7	8.6	9.2
10:00	PL	Sold Industrial Output	Feb	% y/y	-0.9	-0.5	-1.0
10:00	PL	Construction Output	Feb	% y/y	2.5	1.0	4.3
10:00	PL	PPI	Feb	% y/y	-1.2	-1.2	-0.9
13:30	US	Initial Jobless Claims	weekly	k	225	-	220
15:00	US	Existing Home Sales	Feb	% m/m	-3.7	-	-4.9
FRIDAY (21 March)							
No data releases							

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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