

21 March 2025

Eyeopener

Production and wages in February below forecasts

No major data releases today

Weaker than expected data about production and wages in February

Kochalski: possible rate cut in July; Dąbrowski: wage data bode well for future

Złoty slightly weaker, bonds stronger

Today, there are no major economic releases or events on the economic calendar. However, a slower day on the market will provide a good opportunity to read [our new MACROscope report](#), in which we provide an in-depth assessment of the current economic situation, as well as updated forecasts for its further development. Enjoy your reading!

February data on industrial and construction production and corporate sector wages came in below expectations. Industry showed a 2% y/y decline, construction slowed to zero y/y and the downward trend in wage growth brought it to 7.9% y/y. Employment growth remained at -0.9% y/y. PPI inflation, as expected, slipped deeper below zero. With the domestic economy in good shape, the prospect of increased defence spending in the EU and the implementation of RRP projects, the performance of domestic industry and construction should start to improve over the course of the year and wage pressures may intensify, slowing the deceleration in wage growth. Yet, for the moment, the data support our expectation that the MPC may restart interest rate cuts in July. Read more in our [Economic Comment](#).

MPC member Cezary Kochalski said that a rate cut is possible in July if the new inflation projection is lower than the March one. We believe this is likely, as firstly, the CPI trajectory in 1H25 will be below the path from the March projection due to a lower starting point, and secondly, by July, the trajectory of energy prices in 2H25 should already be known and the NBP's assumption of their strong growth following the withdrawal of the energy price cap is unlikely to be confirmed. **MPC member Ireneusz Dąbrowski** wrote on X that yesterday's wage data confirm the inflationary pressure is easing, which bodes very well for the future.

During the MPC's policy meeting in February, **one motion was made, for a 200 bp interest rate hike**, the NBP reported. The proposal was supported only by Joanna Tyrowicz.

Yesterday, **several central banks held their policy meetings**. The Bank of England kept rates unchanged at 4.50%, the Swedes also kept rates unchanged and left them at 2.25%, and the Swiss cut their main rate by 25 bp, to 0.25%.

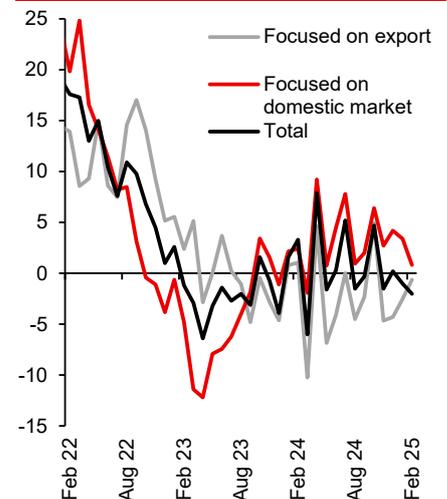
Deputy Minister of Climate and Environment Miłosz Motyka said in a discussion with Fakt.pl that the decision to extend the maximum price for energy will be taken after the recalculation of tariffs, which will take place in the middle of the year. The deputy minister added that, although prices on the wholesale market have fallen, it currently seems that the support should be extended. The deputy minister's statement is another one suggesting that household energy bills are unlikely to increase in 4Q25, which would be in line with our assumed inflation scenario.

Treasury debt rose by PLN52.3bn m/m to PLN1709.6bn at the end of February, the Ministry of Finance estimated. The increase in debt was due to an increase in domestic debt by PLN41.5bn m/m and foreign debt by PLN10.9bn.

On Thursday, the Polish zloty, like other CEE currencies, depreciated slightly against the euro. As a result, the EURPLN exchange rate rose by c. 0.2% and approached 4.20. The zloty's depreciation ran in parallel with a steady appreciation of the dollar against the euro, by c. 0.4%, which brought the EURUSD exchange rate down from c. 1.091 to 1.083. Among regional currency pairs, the EURHUF rose by c. 0.2% and the EURCZK by c. 0.1%.

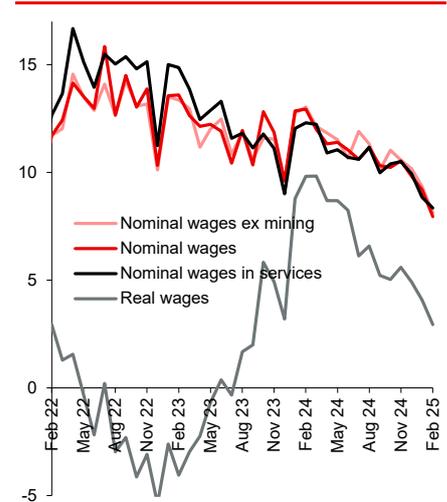
There was a slight strengthening of bonds in Poland and the core markets. Yields on domestic bonds fell by 1-6 bp, most strongly in the case of 5Y bonds, and the yield curve flattened by around 3 bp. In Germany, yields fell by 4-5 bp and in the US by 3-4 bp, in both cases with a flattening of the curve by around 1 bp. Domestic IRS rates fell 4-5 bp, stronger at the long end of the curve, and FRA rates fell 3-6 bp, stronger at the short end of the curve, pricing in a greater chance for rate cuts.

Industrial output, % y/y



Source: GUS, Santander

Wage growth in the enterprise sector, % y/y



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Biatas +48 517 881 807
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.1911	CZKPLN	0.1674
USDPLN	3.8706	HUFPLN*	1.0411
EURUSD	1.0827	RONPLN	0.8424
CHFPLN	4.3787	NOKPLN	0.3664
GBPPLN	5.0053	DKKPLN	0.5618
USDCNY	7.2483	SEKPLN	0.3809

*for 100HUF

Last session in the FX market						20/03/2025
	min	max	open	close	fixing	
EURPLN	4.1823	4.2049	4.1826	4.1905	4.1972	
USDPLN	3.8365	3.8865	3.8389	3.8628	3.8675	
EURUSD	1.0814	1.0898	1.0895	1.0848		

Interest rate market 20/03/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0127 (2L)	5.11	-5
PS0130 (5L)	5.53	-5
DS1034 (10L)	5.89	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.45	-4	4.30	-2	2.24	-2
2L	4.98	-3	4.07	-1	2.29	-2
3L	4.80	-3	3.99	-2	2.35	1
4L	4.75	-4	3.99	-2	2.41	-2
5L	4.75	-4	4.00	-1	2.46	-2
8L	4.87	-5	4.05	-2	2.60	-1
10L	4.97	-5	4.09	-2	2.67	4

WIBOR rates

Term	%	Change (bps)
O/N	5.72	2
T/N	5.80	1
SW	5.83	0
1M	5.84	-1
3M	5.86	0
6M	5.79	0
1Y	5.57	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.81	-2
3x6	5.62	-5
6x9	5.12	-6
9x12	4.74	-4
3x9	5.54	-6
6x12	5.04	-7

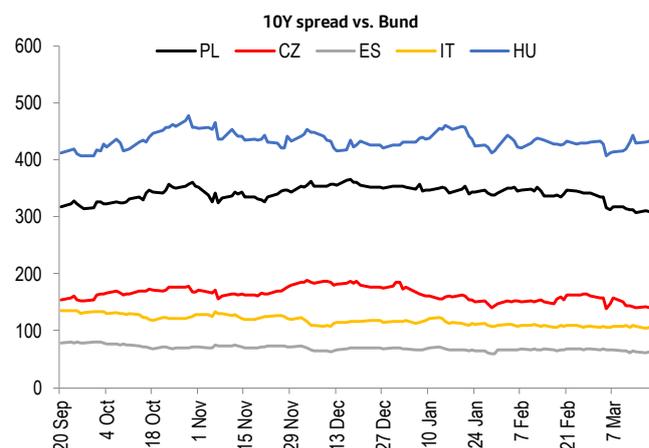
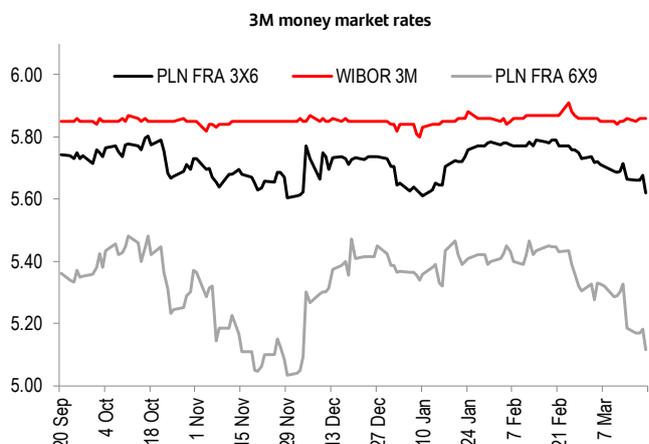
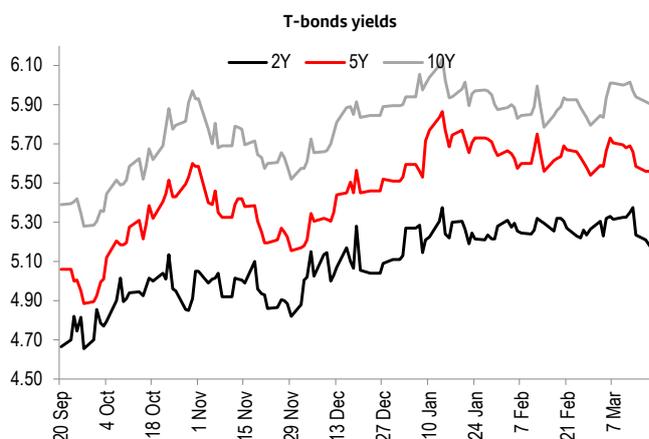
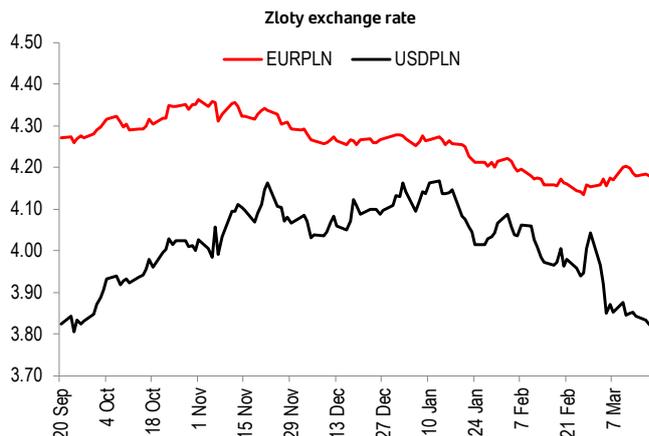
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	5	311	-3
France	18	2	69	2
Hungary	126	7	440	3
Spain	33	3	64	1
Italy	25	3	106	1
Portugal	17	2	52	1
Ireland	10	1	28	-2
Germany	8	1	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: LSEG, Datastream



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (14 March)								
08:00	DE	HICP	Feb	% m/m	0.6	-	0.5	0.6
10:00	PL	CPI	Feb	% y/y	5.3	-	4.9	5.3
15:00	US	Michigan index	Mar	pts	63.0	-	-	64.7
MONDAY (17 March)								
13:30	US	Retail Sales Advance	Feb	% m/m	0.6	-	0.2	-1.2
14:00	PL	CPI Core	Jan	% y/y	-	3.9	3.7	4.0
14:00	PL	CPI Core	Feb	% y/y	-	3.6	3.6	-
14:00	PL	Current Account Balance	Jan	€mn	230	912	-168	-803
14:00	PL	Trade Balance	Jan	€mn	-754	-74	-1 506	-2 236
14:00	PL	Exports	Jan	€mn	27 120	26 902	27 236	24 703
14:00	PL	Imports	Jan	€mn	27 628	26 976	28 742	26 939
TUESDAY (18 March)								
11:00	DE	ZEW Survey Current Situation	Mar	pts	-80.5	-	-87.6	-88.5
13:30	US	Housing Starts	Feb	% m/m	1.4	-	11.2	-11.5
14:15	US	Industrial Production	Feb	% m/m	0.2	-	0.7	0.3
WEDNESDAY (19 March)								
11:00	EZ	HICP	Feb	% y/y	2.4	-	2.3	2.5
19:00	US	FOMC decision	Mar	%	4.50	-	4.50	4.50
THURSDAY (20 March)								
10:00	PL	Employment in corporate sector	Feb	% y/y	-0.9	-0.9	-0.9	-0.9
10:00	PL	Average Gross Wages	Feb	% y/y	8.7	8.6	7.9	9.2
10:00	PL	Sold Industrial Output	Feb	% y/y	-1.8	-0.5	-2.0	-0.9
10:00	PL	Construction Output	Feb	% y/y	2.0	1.0	0.0	4.3
10:00	PL	PPI	Feb	% y/y	-1.2	-1.2	-1.3	-1.0
13:30	US	Initial Jobless Claims	Weekly	k	225	-	223	221
15:00	US	Existing Home Sales	Feb	% m/m	-3.7	-	4.2	-4.7
FRIDAY (21 March)								
No data releases								

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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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.