

04 April 2025

Weekly Economic Update

Double whammy for PLN

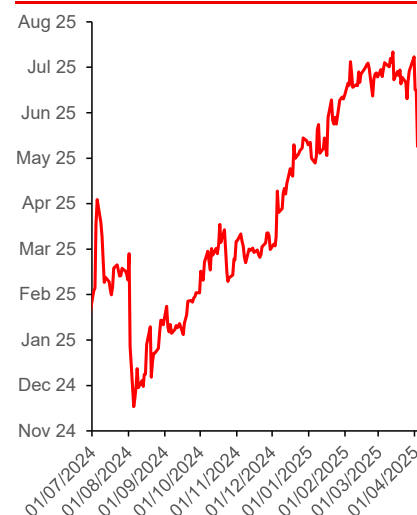
Economy next week

- After an eventful week, including US tariff policy changes and a dovish tilt in domestic monetary policy, the list of events scheduled for next week is very modest. The domestic calendar includes only the **balance of payments results for February** on Friday (we expect a moderate deficit, -0.7 billion EUR, and a deceleration in exports). Abroad, also very few publications, among them inflation in the Czechia, Hungary, a few other European countries and the USA, German production and exports, the April US consumer sentiment survey from the University of Michigan.
- The US tariff decisions announced on 2 April will come into effect in the coming week and there may be some information on the response from affected countries. Decisions on the EU side, however, may take more time, with French President E. Macron today suggesting that we may know the response to metals tariffs in mid-April, and only at the end of the month the response to President Trump's latest decisions.
- Central banks in India and New Zealand will hold policy meetings (both expected to cut rates). There will be also a lot of public speeches from central bank officials, including the Fed, ECB, BoJ. We also look forward to **more interviews with Polish MPC members**, hinting at how much support there may be for an interest rate cut as early as May.

Markets next week

- An unexpected dovish pivot at the NBP president's conference and the pre-announcement of looming rate cuts pushed EURPLN above 4.25 and made the zloty one of the fastest weakening currencies against the euro at the end of the week. Moments earlier, the announcement of larger-than-expected tariff increases by the US also contributed to the weakening of the PLN. The global mood (risk aversion triggered by fears of a global economic slowdown under the influence of increased protectionism) and rekindled expectations of NBP rate cuts are unlikely to support the zloty in the coming days, so **we expect the EURPLN to remain around 4.25 or above**. In October 2023, in reaction to the MPC's surprise 75-point rate cut, the zloty lost around 5% to the euro in a week; now, on the mere suggestion of an imminent cut, EURPLN has moved 2.2% in two days. A further move towards 4.30 is not impossible, but it would require, in our view, a new impulse that would prompt foreign investors to close their open positions (e.g. the rising scale of the sell-off on stock exchanges, further statements from the MPC about possible deep rate cuts, signals about fading chances for the agreement with Russia). EURPLN has just returned levels seen before Donald Trump's inauguration, so positions built since then in the hope of an imminent Russia-Ukraine truce have just gone "underwater".
- USDPLN was almost unchanged from the previous week (around 3.85), helped by the broad-based weakening of the dollar against other currencies. The EURUSD rose from 1.08 to around 1.11, presumably due to investors' fears that the effects of US tariff policy will mainly destabilise their own economy and financial market.
- In the rates market, there was a strong downward shift in the curves, firstly in response to movements in global markets, pricing in a global slowdown, and secondly in anticipation of faster and stronger NBP rate cuts. In our opinion, the scale of policy easing by the MPC currently priced in by the FRA/IRS market (NBP rate around 4% at the end of this year and below 3.5% at the end of 2026) is already exaggerated, and the actual cuts will turn out to be more modest (we assume -75bp this year and -100 in 2026). However, **the market may hold this belief for an extended period of time, and the scale of policy easing being priced-in may increase even further if signals of a possible 50bp cut in May become plausible**.

Date of the first MPC rate cut, priced-in by the FRA curve

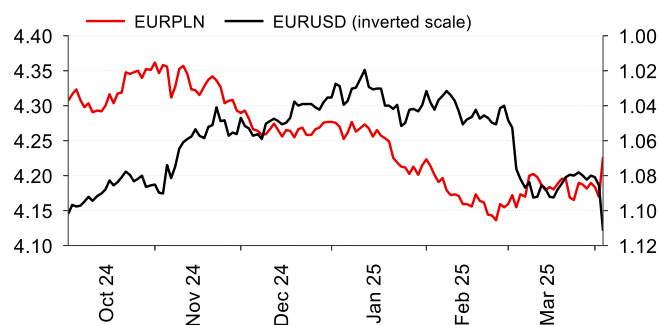


Source: LSEG, Santander

Economic Analysis Department:

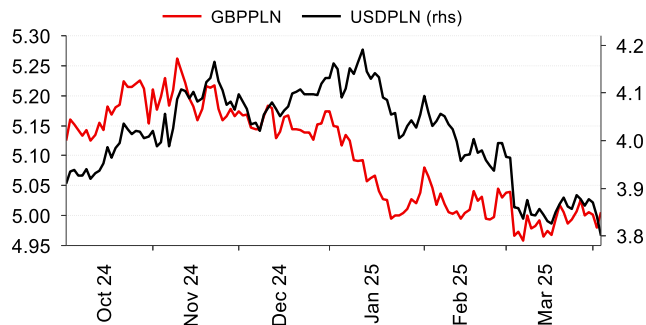
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EURPLN and EURUSD



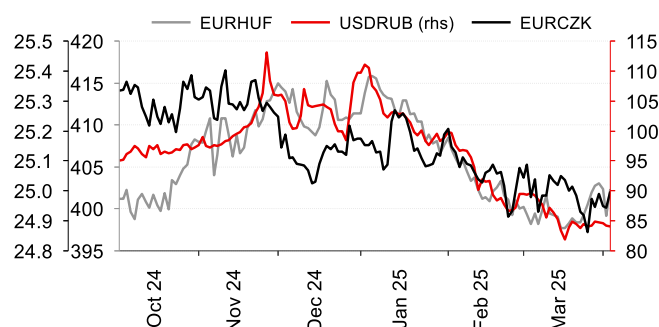
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



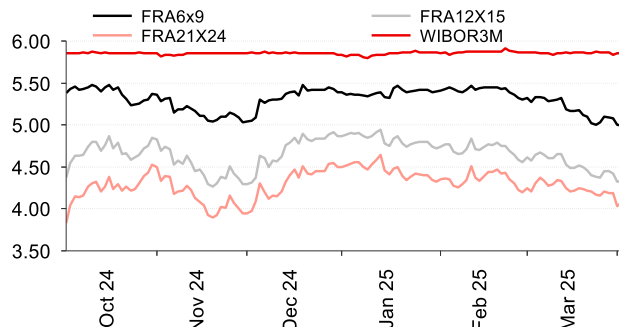
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



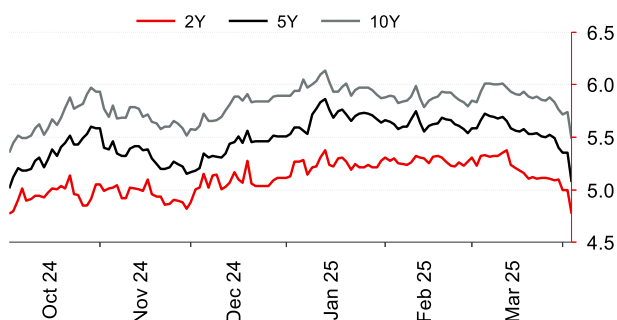
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



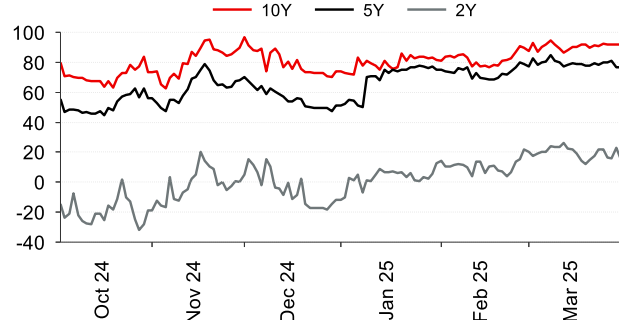
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



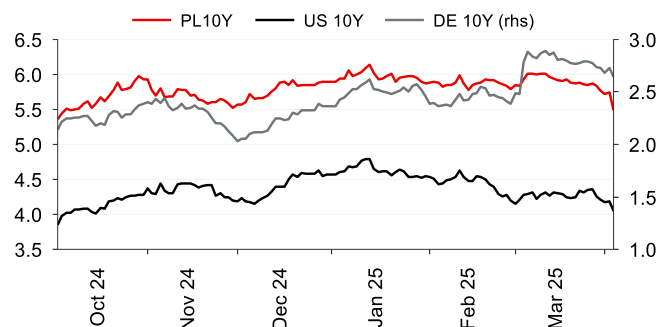
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



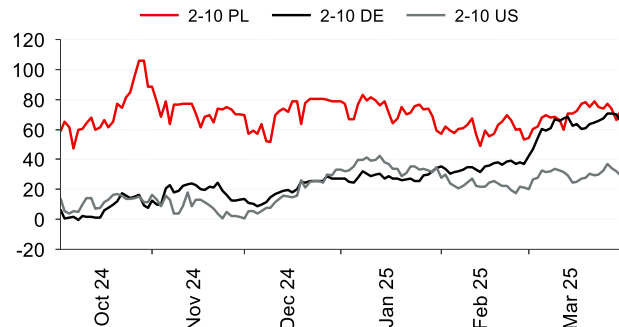
Source: LSEG Datastream, Santander Bank Polska

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 (7 April)							
08:00	DE	Exports SA	Feb	% m/m	1.1	-	-2.5
08:00	DE	Industrial Production SA	Feb	% m/m	-1.0	-	2.0
09:00	CZ	Industrial Production	Feb	% y/y	-2.6	-	-0.6
11:00	EZ	Retail Sales	Feb	% m/m	0.5	-	-0.3
TUESDAY (8 April)							
08:30	HU	CPI	Mar	% y/y	5.0	-	5.6
WEDNESDAY (9 April)							
20:00	US	FOMC Meeting Minutes	Mar				
THURSDAY (10 April)							
14:30	US	CPI	Mar	% m/m	0.1	-	0.2
14:30	US	Initial Jobless Claims	weekly	k	225	-	219
FRIDAY (11 April)							
08:00	DE	HICP	Mar	% m/m	0.4	-	0.4
14:00	PL	Current Account Balance	Feb	€mn	-680	-680	-168
14:00	PL	Trade Balance	Feb	€mn	-1 601	-2 062	-1 506
14:00	PL	Exports	Feb	€mn	27 506	26 707	27 236
14:00	PL	Imports	Feb	€mn	28 970	28 769	28 742
16:00	US	Michiaan index	Apr	pts	55.0	-	57.0

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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