

24 April 2025

Eyeopener

Retail sales not as bad as they seem

Today March unemployment, April's consumer confidence, German Ifo, US data
Retail sales slightly below zero in March, mostly due to seasonal factors
Acceleration of money supply in March, some deceleration of loans
Zloty and CEE currencies stable, domestic yield curves slightly higher

Today, the Polish stats office releases its March Statistical Bulletin as well as the results of the April Consumer Confidence Survey. The bulletin will include information on the March unemployment rate, which has likely fallen to 5.3% from 5.4% in February. In addition, we will see the April print of the Ifo index of economic sentiment in Germany, as well as data from the US on initial jobless claims last week, as well as durable goods orders and home sales in March.

In March, retail sales fell by 0.3% y/y against market expectations of +0.6% y/y and our forecast of -0.9% y/y. Seasonally adjusted real retail sales increased by 1.9% m/m and 1.0% y/y. In our view, the data look pretty good and we think that the consensus was actually too optimistic, given the Easter effect (last year it was in March, this year in April) and fewer shopping Sundays than a year ago. The negative headline reading was caused by the fall in food sales, while other categories looked solid, especially sales of durable goods. We think that the newest data will not discourage the MPC from cutting interest rates at its next meeting in May. Read more in our [Economic Comment](#).

M3 money supply growth accelerated in March to 10.3% y/y (our forecast: 10.1% y/y, consensus: 9.6% y/y) from 9.1% y/y in February. This was mainly due to faster deposit growth (10.5% y/y vs. 9.1% y/y in February). Although deposits grew solidly in March, by 0.6% m/m, the jump in the annual growth rate was mainly due to the different method of redeeming PFR bonds compared to a year ago - in March 2024, the PFR0324 bond was redeemed by PFR using funds from the institution's account (which reduced total deposits), and this year PFR received a subsidy from the budget to redeem the PFR0325 bond (which had no impact on the balance of total deposits). Loan growth was 4.1% y/y after 4.2% y/y in February (adjusted for exchange rate effects). Loans to individuals grew by 3.5% y/y after 3.6% y/y, of which consumer loans accelerated to 6.9% y/y from 6.7% y/y and PLN mortgages slowed to 6.5% /y from 6.8% y/y. Corporate lending slowed to 3.0% y/y from 5.6% y/y, mainly due to the effect of the high base in March 2024. We think that this year, the growth rate of the lending market will remain near the March level. Greater demand for credit may be supported by rate cuts, but on the other hand, economic uncertainty is increasing.

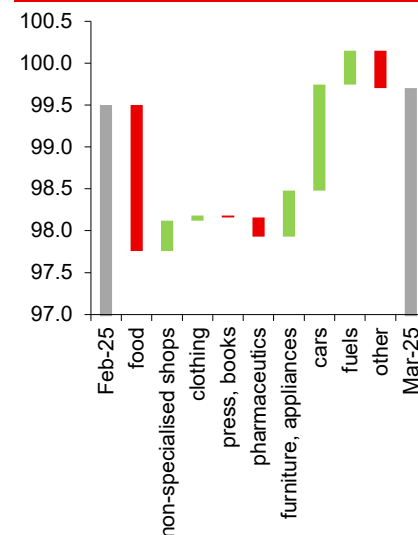
MPC's Ludwik Kotecki said in an interview with PAP Biznes that recent data from the Polish economy support the scenario of an interest rate cut at the MPC meeting in May. As he added, he 'absolutely believes' that there will be a majority in favour of easing monetary policy in May. Kotecki also said that a good moment for another cut would be July, which would be in line with our expectations, and that the total room for rate cuts in 2025 is 100 bp. **Elżbieta Mastowska** stated in an interview with Bloomberg that the MPC could cut rates by 25 bp in May if the April CPI inflation reading turns out to be soft. Mastowska added that an improvement in the lending outlook supports a discussion on cuts. **Henryk Wnorowski** said that he sees a chance for a 50 bp rate cut in May.

Germany's manufacturing PMI slipped 0.3 pts in April to 48.0 pts, 0.4 pts above market expectations. Manufacturing output rose for the second month in a row, but slightly weaker than in March. New orders also rose for the second month in a row, including export orders for the first time in more than three years. However, the increase in orders was only slight and was partly due to an accelerated build-up of inventories, most likely due to increased uncertainty. A noticeably weaker result was registered by the services PMI, which fell from 50.9 pts to 48.8 pts, below market expectations of a fall to 50.2 pts and thus indicating a downturn in the German services sector for the first time since last November. As reported, the weakness in the services sector was linked to uncertainty over trade policy. The services PMI of the euro area also fell below the neutral 50-point threshold, from 51.0 pts to 49.7 pts. The euro area's manufacturing PMI registered a minimal increase, from 48.6 pts to 48.7 pts, thanks in part to a slight acceleration in output growth.

The EURPLN exchange rate rose slightly on Wednesday against Tuesday's close, by around 0.1%, and ended the session at 4.28. The EURHUF exchange rate registered only negligible changes, and the EURCZK exchange rate fell by around 0.2%. The EURUSD exchange rate rose during Tuesday night from 1.13 to near 1.14. Towards the end of Wednesday's session, the EURUSD partially reversed the rise, probably in reaction to the better-than-expected April US manufacturing PMI reading (at 50.7 pts, above the 50.2 pts in March and the consensus of 49.0 pts).

Domestic bond yields rose on Wednesday by 8-12 bp with a flattening of their curve by 3 bp. German bond yields also rose, by 6-10 bp with a 4 bp flattening of the curve. US bond yields fell by 0-10 bp, more strongly at the long end of the curve. In addition, domestic IRS rates increased by 8-11 bp, stronger at the short end of the curve, and FRA rates rose by 12-15 bp, stronger at the long end of the curve.

Retail sales, breakdown of change in annual growth rate



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2845	CZKPLN	0.1712
USDPLN	3.7753	HUFPLN*	1.0385
EURUSD	1.1350	RONPLN	0.8614
CHFPLN	4.5608	NOKPLN	0.3595
GBPPLN	5.0126	DKKPLN	0.5738
USDCNY	7.2957	SEKPLN	0.3899

*for 100HUF

Last session in the FX market 23/04/2025

	min	max	open	close	fixing
EURPLN	4.2732	4.2956	4.2841	4.2768	4.2893
USDPLN	3.7503	3.7840	3.7616	3.7681	3.7583
EURUSD	1.1327	1.1439	1.1390	1.1345	

Interest rate market 23/04/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.37	8
PS0130 (5L)	4.75	7
DS1034 (10L)	5.30	7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.51	10	4.19	5	1.97	0
2L	4.06	12	3.90	7	1.92	4
3L	3.95	11	3.83	5	2.00	4
4L	3.94	9	3.86	4	2.10	5
5L	3.98	9	3.94	7	2.18	5
8L	4.21	9	4.07	5	2.39	4
10L	4.37	9	4.15	3	2.48	2

WIBOR rates

Term	%	Change (bps)
O/N	5.70	0
T/N	5.82	-2
SW	5.83	0
1M	5.73	1
3M	5.47	-1
6M	5.15	-2
1Y	4.94	-2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.09	5
3x6	4.43	11
6x9	4.05	15
9x12	3.78	16
3x9	4.22	9
6x12	3.90	14

CDS rates and 10Y yield spread vs. German Bund

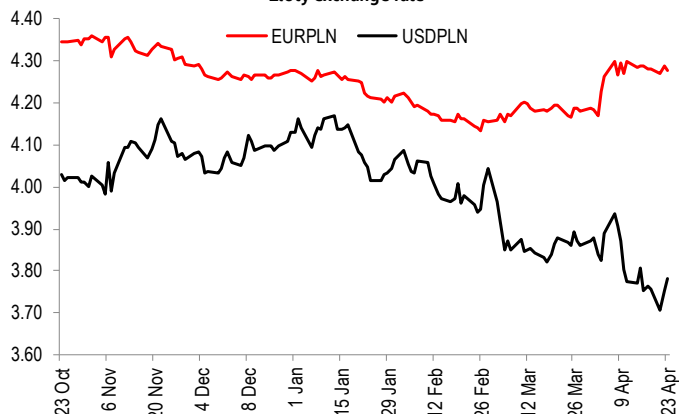
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	73	-1	280	1
France	22	0	74	-3
Hungary	134	-4	452	-7
Spain	38	0	67	-3
Italy	27	0	113	-4
Portugal	19	0	56	-3
Ireland	14	0	36	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

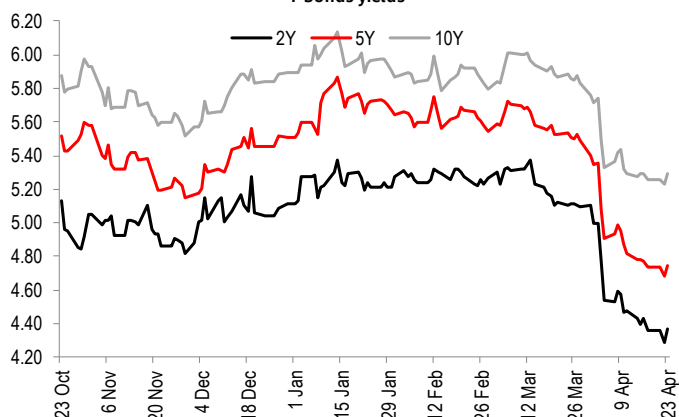
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

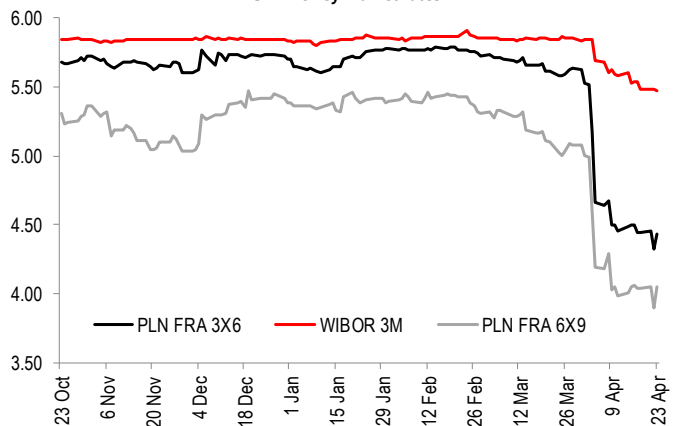
Zloty exchange rate



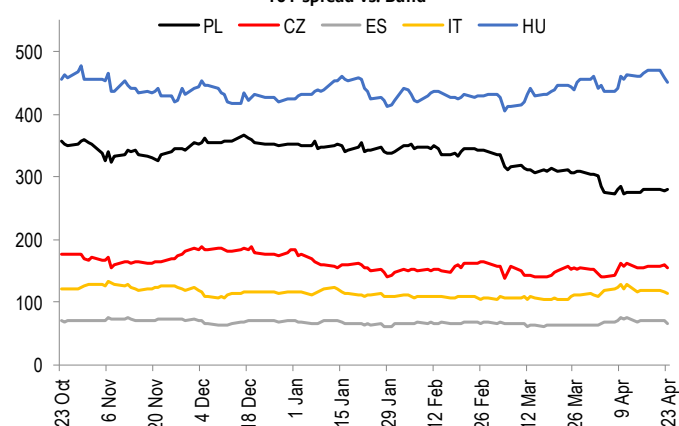
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
MONDAY (21 April)							
Holiday							
TUESDAY (22 April)							
10:00	PL	Employment	Mar	% y/y	-0.9	-0.9	-0.9
10:00	PL	Average Gross Wages	Mar	% y/y	7.9	8.4	7.7
10:00	PL	Sold Industrial Output	Mar	% y/y	3.6	2.9	2.5
10:00	PL	Construction Output	Mar	% y/y	5.6	5.7	-1.1
10:00	PL	PPI	Mar	% y/y	-1.1	-0.9	-1.1
WEDNESDAY (23 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	47.6	-	48.0
09:30	DE	Markit Germany Services PMI	Apr	pts	50.4	-	48.8
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	47.4	-	48.7
10:00	EZ	Eurozone Services PMI	Apr	pts	50.5	-	49.7
10:00	PL	Retail Sales Real	Mar	% y/y	0.6	-0.9	-0.3
14:00	PL	Money Supply M3	Mar	% y/y	9.6	10.1	10.3
16:00	US	New Home Sales	Mar	% m/m	1.1	-	7.4
THURSDAY (24 April)							
10:00	DE	IFO Business Climate	Apr	pts	85.2	-	-
10:00	PL	Unemployment Rate	Mar	%	5.3	5.3	-
14:30	US	Durable Goods Orders	Mar	% m/m	1.5	-	-
14:30	US	Initial Jobless Claims	weekly	k	225	-	-
16:00	US	Existing Home Sales	Mar	% m/m	-2.8	-	-
FRIDAY (25 April)							
16:00	US	Michigan index	Apr	pts	50.8	-	-

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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