

25 April 2025

# Weekly Economic Update

## Inflation and policy rates to drop a lot

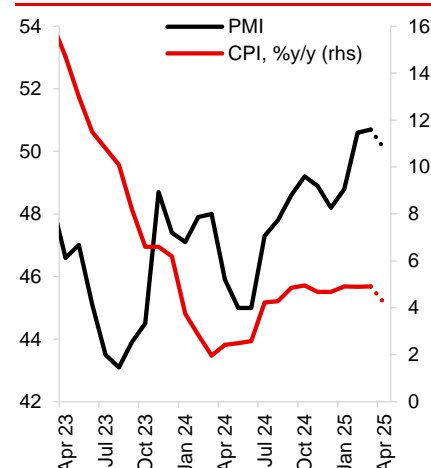
### Economy next week

- Real data on the state of the Polish economy in March are behind us and most of them turned out to be not as good as we had hoped. Yet, after taking that into account, our estimate of GDP growth in 1Q25 remained at 3.1% y/y. In the following quarters, we expect an acceleration of the economy and a 3.4% growth for the whole year. Domestic data scheduled for publication over the next two weeks will already concern April: **a preliminary estimate of CPI inflation (30 April), manufacturing PMI (2 May), and a set of Economic Sentiment Indicators (29 April). On 6-7 May there will be an MPC meeting** which will most likely bring a resumption of interest rate cuts.
- Inflation in April likely fell markedly from 4.9% y/y. The base effect from the reinstatement of VAT on food a year ago should lead to a decrease of the headline print by 0.4-0.5pp (assuming a moderate m/m rise in food prices). Cheaper oil should also bring inflation down, as the changes in fuel prices should subtract 0.2pp from total inflation. In our view, core inflation was also marginally lower y/y in April. Summing it all up, we estimate that CPI inflation stood at 4.2% y/y in April.
- We expect the PMI to remain marginally above 50 pts in April, although below March's reading of 50.7 pts. The survey of the Polish stats office showed a deterioration in sentiment this month based on companies' assessment that the flow of orders had weakened. In contrast, the data on March orders were very strong. The preliminary manufacturing PMI for Germany retreated gently m/m, but remained well above the levels from the end of last year. The German PMI report signalled that there had been an improvement in the inflow of orders, in part due to the 'race against tariffs' (accelerated ordering to build inventories before tariffs come into force). In such circumstances it should be noted that the improvement in sentiment from recent months may disappear as surprisingly as it appeared, both in Poland and Germany.
- We expect the May MPC meeting to bring a 50 bp rate cut as well as forward guidance that the cut may not necessarily be an opening move in a longer series. The statements after the April decision suggest that a rate cut in May is almost certain and that its size would be determined by the recent data. These (including further wage deceleration), in our opinion, favour a larger move.
- On Tuesday, 29 April, the government will discuss the draft 'Multiannual Macroeconomic Assumptions for 2025-2029' and the first report on the implementation of the 'Medium-term Budget and Structural Plan for 2025-2028', i.e. the EC's tool for fiscal discipline in the EU, launched last year, under which Poland presented a plan for reducing the General Government deficit below 3% of GDP in 2028.
- Abroad, there will be, among other things, preliminary GDP estimates for 1Q25 in the US, the euro area, Germany, Czechia, and Hungary. On top of this, in the US, there will be the April labour market report, US consumer income and spending data, the March PCE inflation reading, and the ISM industrial index. In Europe, there will be preliminary April inflation data (in Germany and the euro area). Chinese PMI indices, the first after the escalation of the tariff wars, and final manufacturing PMI prints from Europe may also attract market attention. Rate decisions will be made by the central banks of Japan and Hungary (both expected to leave rates unchanged). The week of 5 May will bring data on sentiment in services (PMI, ISM), performance of German industry, as well as interest rate decisions in the US (here too, no change is expected) and Czechia.

### Markets next week

- The announcement that the US may soon abandon efforts for negotiating a ceasefire in Ukraine is a risk factor that may lead to a weakening of the zloty in the coming weeks. Moreover, the coming MPC decision will, in our view, support and further stimulate aggressive pricing of monetary easing this year, regardless of the guidance from the Council and NBP Governor Adam Glapiński. As a result, **it seems to us that in the coming weeks the zloty may return near 4.30 per euro, with the risk of going higher.**
- Confirmation of a clear decline in inflation in the flash estimate for April should support the domestic debt market. **It may still be too early for a (in our view justified) revision of aggressive expectations for rate cuts in Poland this year,** even if the MPC describes the rate cut as an adjustment rather than the start of a cycle.

Polish CPI inflation and manufacturing PMI, with Santander forecast for April 2025

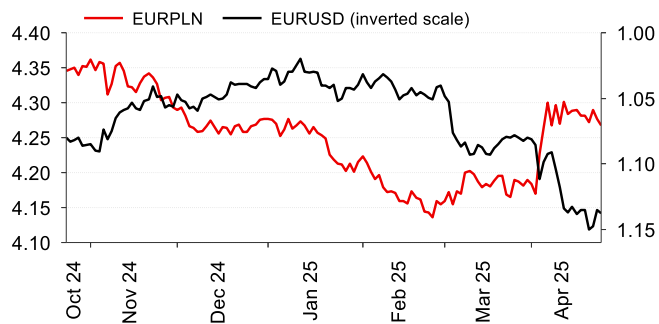


Source: GUS, S&P Global, Santander

### Economic Analysis Department:

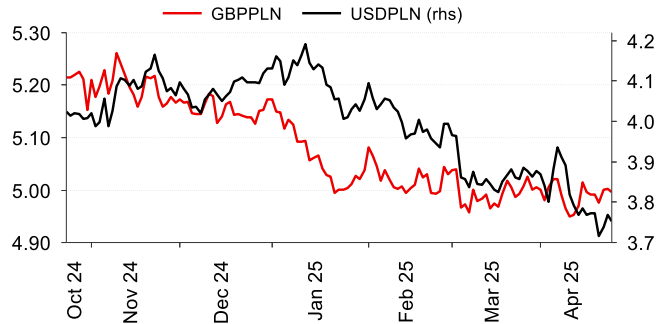
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### EURPLN and EURUSD



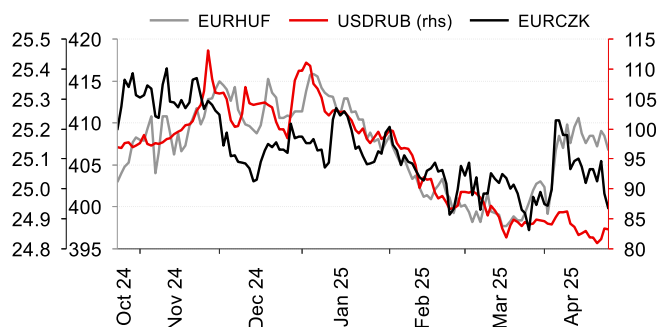
Source: LSEG Datastream, Santander

### GBPPLN and USDPLN



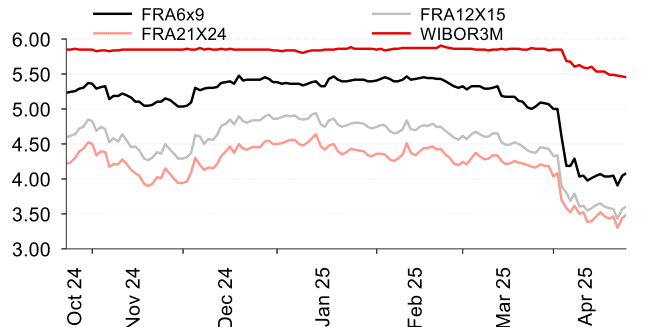
Source: LSEG Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



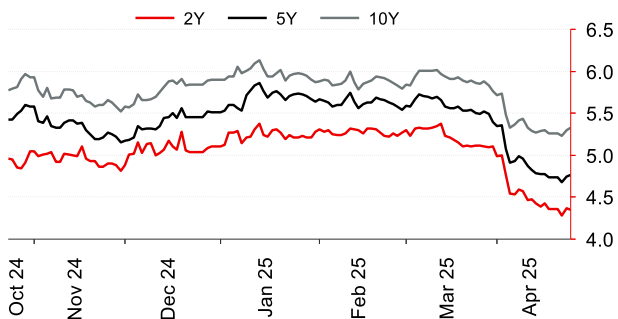
Source: LSEG Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



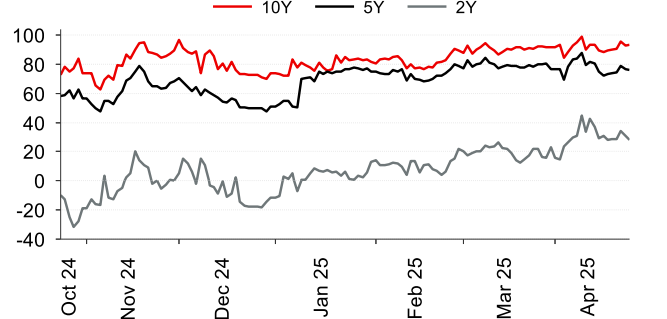
Source: LSEG Datastream, Santander Bank Polska

### Polish bond yields



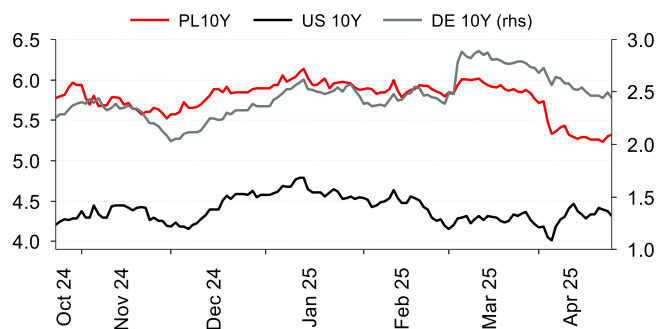
Source: LSEG Datastream, Santander Bank Polska

### Asset swap spreads



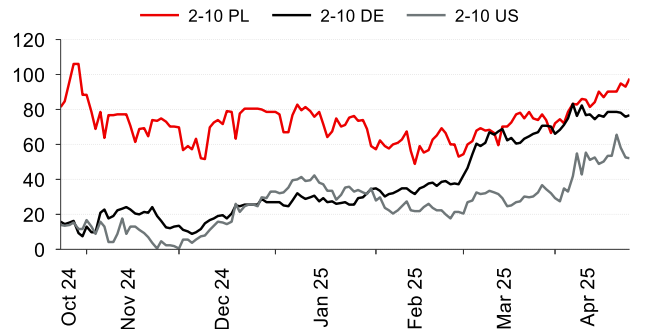
Source: LSEG Datastream, Santander Bank Polska

### 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 MARKET	SANTANDER	LAST VALUE
MONDAY (28 April)							
No key data releases or events							
TUESDAY (29 April)							
11:00	EZ	ESI	Apr	pct.	94.5	-	95.2
14:00	HU	Central Bank Rate Decision	Apr	%	6.50	-	6.50
16:00	US	Consumer Conference Board	Apr	pts	87.0	-	92.9
WEDNESDAY (30 April)							
08:00	DE	Retail Sales	Apr	% m/m	-0.5	-	0.3
08:30	HU	GDP	1Q	% y/y	0.4	-	0.4
09:00	CZ	GDP SA	1Q	% y/y	2.0	-	1.8
10:00	PL	CPI	Apr	% y/y	4.3	4.2	4.9
10:00	DE	GDP WDA	1Q	% y/y	-0.2	-	-0.2
11:00	EZ	GDP SA	1Q	% y/y	1.1	-	1.2
14:00	DE	HICP	Apr	% m/m	0.4	-	0.4
14:15	US	ADP report	Apr	k	125	-	155
14:30	US	GDP Annualized	1Q	% Q/Q	0.3	-	2.4
16:00	US	Personal Spending	Mar	% m/m	0.6	-	0.4
16:00	US	Personal Income	Mar	% m/m	0.4	-	0.8
16:00	US	Pending Home Sales	Mar	% m/m	-0.3	-	2.0
16:00	US	PCE Deflator SA	Mar	% m/m	0.0	-	0.3
THURSDAY (1 May)							
	PL	Holiday					
14:30	US	Initial Jobless Claims		k	220	-	222
16:00	US	ISM manufacturing	Apr	pts	48.0	-	49.0
FRIDAY (2 May)							
09:00	PL	Poland Manufacturing PMI	Apr	pts	50.4	50.1	50.7
09:55	DE	Germany Manufacturing PMI	Apr	pts	48.0	-	48.3
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	48.7	-	48.6
11:00	EZ	Flash HICP	Apr	% y/y	2.1	-	2.2
11:00	EZ	Unemployment Rate	Mar	%	6.1	-	6.1
14:30	US	Change in Nonfarm Payrolls		k	125	-	228
14:30	US	Unemployment Rate	Apr	%	4.2	-	4.2
16:00	US	Durable Goods Orders	Apr	% m/m	2.0	-	9.2
16:00	US	Factory Orders	Mar	% m/m	4.4	-	0.6
MONDAY (5 May)							
16:00	US	ISM services	Apr	pts	49.6	-	50.8
TUESDAY (6 May)							
03:45	CN	Caixin China PMI Services	Apr	pts	-	-	51.9
09:00	CZ	CPI	Apr	% y/y	-	-	2.7
09:55	DE	Markit Germany Services PMI	Apr	pts	50.2	-	48.8
10:00	EZ	Eurozone Services PMI	Apr	pts	50.5	-	49.7
WEDNESDAY (7 May)							
	PL	MPC decision	May	%	-	5.25	5.75
08:00	DE	Factory Orders	Mar	% m/m	-	-	0.0
09:00	CZ	Industrial Production	Mar	% y/y	-	-	-1.4
11:00	EZ	Retail Sales	Mar	% m/m	-	-	0.3
14:30	CZ	Central Bank Rate Decision	May	%	-	-	3.75
20:00	US	FOMC decision	May	%	4.50	-	4.50
THURSDAY (8 May)							
08:00	DE	Exports SA	Mar	% m/m	-	-	1.9
08:00	DE	Industrial Production SA	Mar	% m/m	-	-	-1.3
08:30	HU	Industrial Production	Mar	% y/y	-	-	-8.0
08:30	HU	CPI	Apr	% y/y	-	-	4.7
FRIDAY (9 May)							
No key data releases or events							

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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