

13 May 2025

MACROscope Lite

Rates adjusted

■ The reciprocal tariffs imposed by the US on most countries remain suspended until early July, and it has just been agreed between the US and China that higher tariff rates are to be suspended until August. This creates a window of time in which business should still go quite well, even though companies will likely still worry about their prospects. It may even be possible to count on an increase in orders and a build-up of inventories ahead of the possible entry into force of significantly higher tariffs. The market is assuming that D.Trump's pragmatism will ultimately dictate a softer course in US trade policy, which may mean that the deterioration in the outlook for the global economy will not be as great as pessimists had assumed. D.Trump's verbal pressure for rate cuts by the Fed was to little avail, with the FOMC willing to wait until data and subsequent tariff decisions offer more clarity. In contrast, the ECB delivered another 25 bp cut in mid-April.

■ In Poland, sentiment indicators continue to look better than real data. The April revision of quarterly GDP data did not materially change the path of economic growth, but it significantly altered its structure - investment in 2024 now looks bad instead of resilient, and at their expense the paths of public consumption and inventories improved. We continue to believe that there will be strong investment effort this year due to the need for rapid utilisation of RRF funds and rapid strengthening of defence capabilities, but following the revision, our investment rebound path shown so far has required a slight downward correction. On the private consumption side, unlike the market, we did not view March retail sales as confirmation of demand weakness (as it was heavily distorted by the calendar effect of a later Easter). On top of this, we see a recovery in consumer credit, whose sales set a new record in March, and the NBP's credit survey of banks showed that it is widely expected to improve further in 2Q25 (presumably in light of the MPC's dovish pivot). **We stick to our forecast of 3.4% GDP growth for this year.**

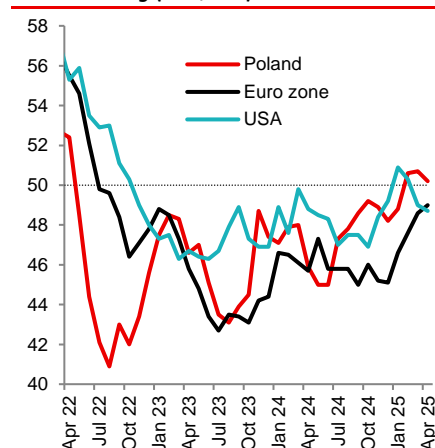
■ Inflation is going down, but it was still able to surprise the market downwards in April (but not us!). Low oil prices and the weak dollar support a low CPI trajectory, and the postponement of the approval of new energy tariffs raises the likelihood that household energy prices will not rise in the autumn. On top of this, the vision of a flood of cheap products from China, blocked by US tariffs (unless the EU itself imposes trade barriers on them), hangs over the European market. **Inflation in May and June may be the same or slightly higher than in April (4.2% y/y), before falling into the 3.0-3.5% y/y range in July and staying there until the end of the year, according to our forecasts.**

■ The MPC's May decision to cut rates by 50bp was described as an adjustment of the rate level rather than a start of regular monetary easing. The intention to keep rates unchanged in June was clearly communicated and, in our view, incoming macro data should also be favourable for a pause. **The Council is still divided as to whether the resumption of rate cuts should take place in July or September**, i.e. whether a favourable projection is enough for this or whether it is first necessary to see inflation's decline below 3.5% y/y in actual data. **In our view, rates will go down twice more this year.** Overall, we expect the main rate to go down to 4.75% this year and to 3.75% in the course of 2026.

■ The less dovish signals from the MPC have triggered a strengthening of the zloty and pulled EURPLN out of the 4.26-4.30 range in which it had been moving since early April, when it rapidly moved upwards due to a revision of views on Polish and global rate cuts and heightened concerns about global growth in the face of tariff wars. Hopes for a de-escalation of the tariff wars and for the start of Ukraine-Russia peace talks as well as the reduction in the expected scale of rate cuts by the MPC mean, in our view, that **the path to 4.20 appears to be open for the EURPLN.**

■ Market eagerness to price in aggressive monetary easing this year after the MPC's dovish pivot at its April meeting seemed to us exaggerated. So far, the reaction to only "adjustment" of rates has reached 25-35bp on the FRA curve. Whether the reaction is extended may, in our view, be determined by the impression made by the next set of monthly data (with focus remaining on CPI, wages, and sales), but also by the rate and composition of GDP growth in 1Q25. **Our expected path of NBP rates suggest that there is still space for further adjustment of market rates.**

Business sentiment indicators in manufacturing (PMI, ISM)



Source: Bloomberg, Santander

Recently released Economic Comments:

- Rate adjustment, not a cycle (yet)
- Interest rates adjusted down by 50bp
- Sales still below zero, but do not seem bad
- March data support an interest rate cut
- CPI and core inflation unchanged in March

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Economy in charts

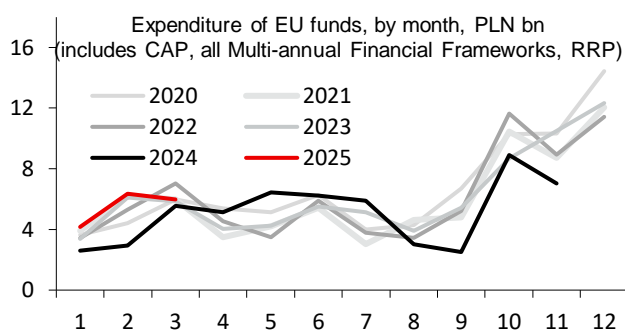
We are not cutting the growth forecast for this year, as some institutions have done recently - we have already conservatively assessed the economy's potential. Yet there are reasons for concern

Poland GDP growth forecast	2025	2026
IMF	3.2 (3.5)	3.1 (3.3)
S&P	3.1 (3.1)	2.9 (2.9)
MF	3.7 (3.9)	3.5 (3.5)
Bloomberg median	3.35 (3.45)	3.3 (3.4)
Santander	3.4 (3.4)	3.2 (3.2)

Previous forecasts in brackets: IMF – from January, S&P – November, Bloomberg – end of March, Finance Ministry (MF) – from the 2025 budget bill

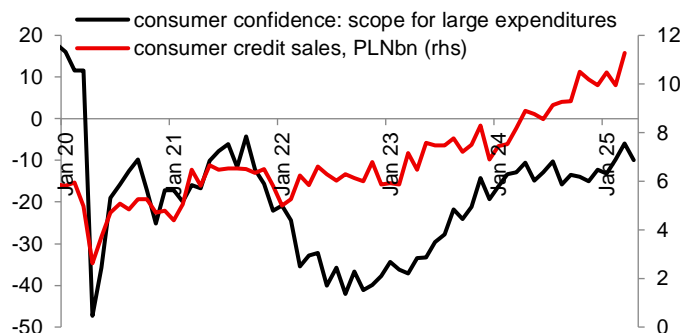
Source: Bloomberg, Santander

The pace of expenditure from the EU funds budget is improving, but only in a gradual and uneven way



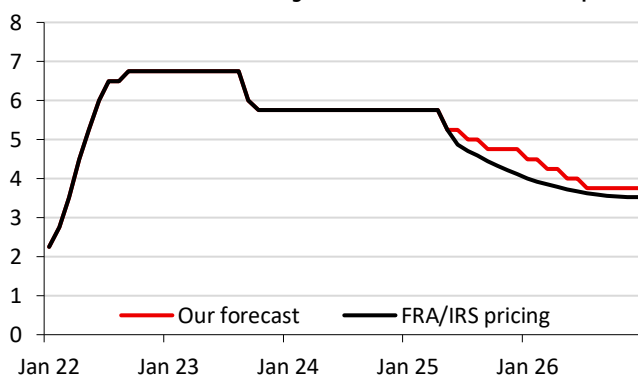
Source: MF, Santander

Consumption should however keep growing: consumers' approach to large expenditures and demand for consumer credit have improved



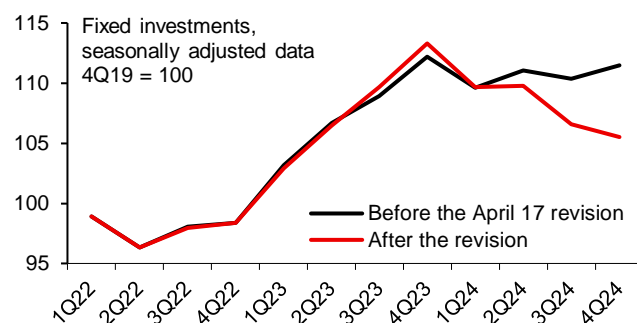
Source: GUS, NBP, Santander

...but in our view will not bring them as low as the market expects



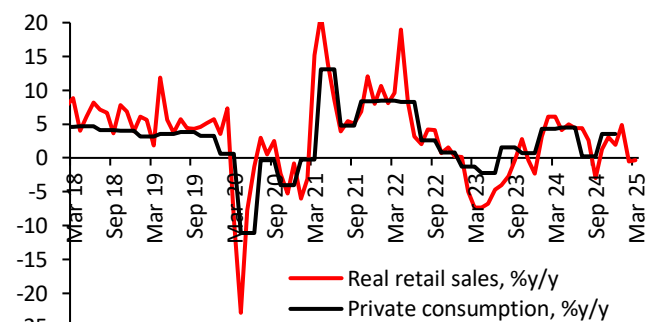
Source: LSEG Datastream, Santander

The shape of the revised investment path does, however, give food for thought on the subject of what this growth would be made up of



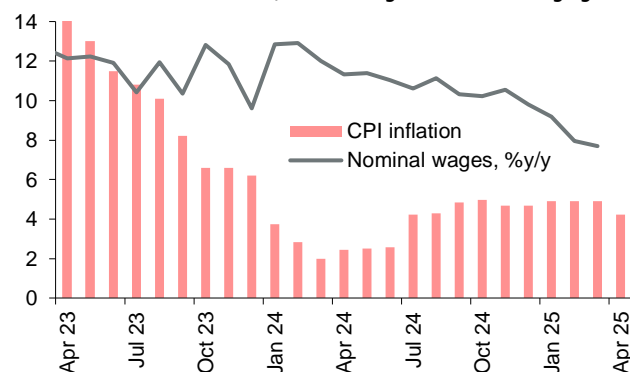
Source: GUS, Santander

Retail sales returned to y/y falls in the course of 1Q and sentiment in the retail trade sector worsened



Source: GUS, Santander

MPC has started to cut rates, amid falling inflation and wage growth



Source: GUS, Santander

Worries about fiscal deficit may be an important obstacle

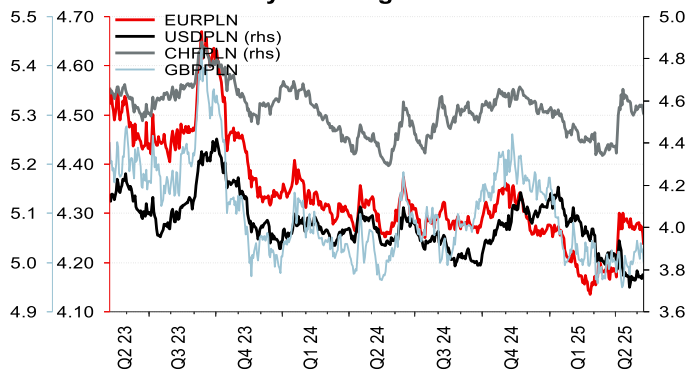
	2024	2025	2026	2027	2028
General Government balance, % GDP (MTP)	-5.7	-5.5	-4.5	-3.7	-2.9
2024 outcome and current MF forecast	-6.6	-6.3	-	-	-
Net expenditure path, %y/y, (MTP)	12.5	6.3	4.4	4.0	3.5
2024 outcome and current MF forecast	12.7	5.8	-	-	-

MTP – National medium-term fiscal-structural plan (Oct 2024)

Source: MF, Santander

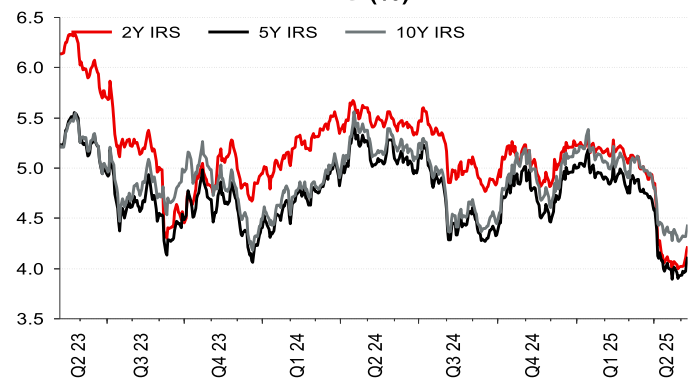
Markets in charts

Zloty exchange rates



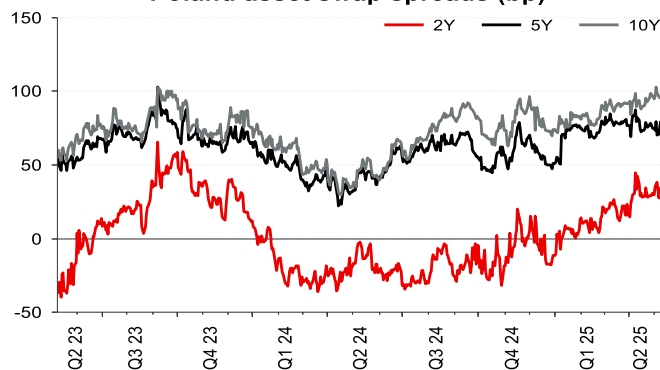
Source: LSEG Datastream, Santander

IRS (%)



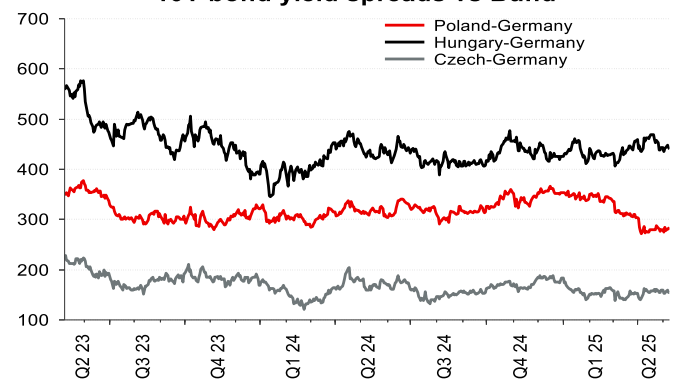
Source: LSEG Datastream, Santander

Poland asset swap spreads (bp)



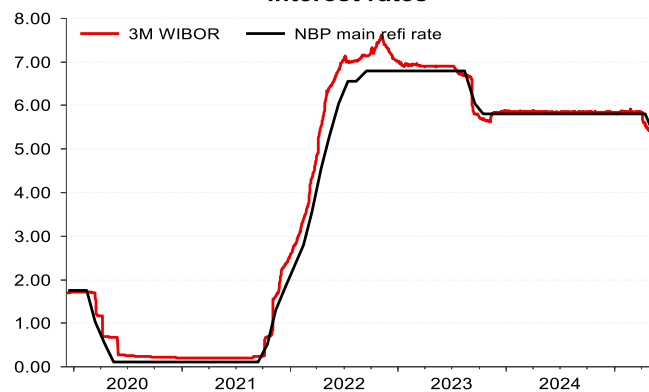
Source: LSEG Datastream, Santander

10Y bond yield spreads vs Bund



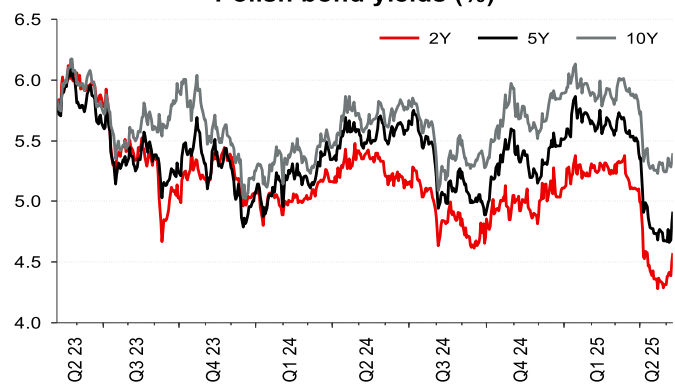
Source: LSEG Datastream, Santander

Interest rates



Source: LSEG Datastream, Santander

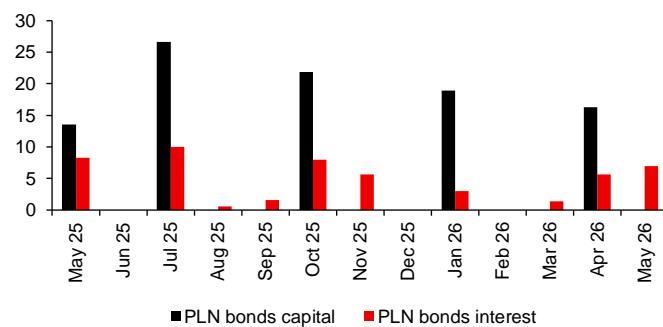
Polish bond yields (%)



Source: LSEG Datastream, Santander

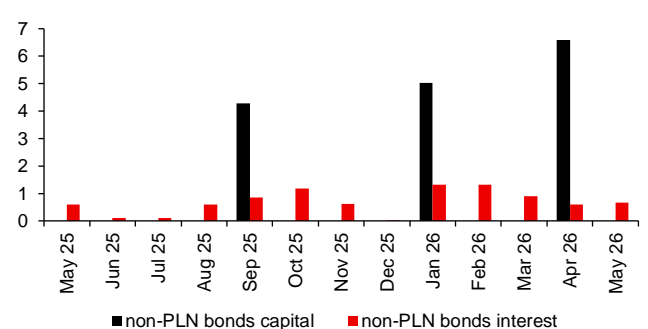
Principal and interest payments

PLN-denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

FX denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

Economic Calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
28 April No releases	29 EZ: ESI (Apr) HU: MNB rate decision US: Conference Board (Apr)	30 PL: CPI inflation (Apr) CZ: GDP 1Q DE: GDP 1Q EZ: GDP 1Q DE: HICP inflation (Apr) US: GDP 1Q US: Personal income (Mar) US: Personal spending (Mar) US: PCE inflation (Mar) US: Pending home sales (Mar)	1 May US: ISM manufacturing (Apr)	2 PL: PMI manufacturing (Apr) DE: PMI manufacturing – fin. (Apr) EZ: PMI manufacturing – fin. (Apr) EZ: HICP inflation (Apr) US: Non-farm payrolls (Apr) US: Factory orders (Mar) US: Durable goods orders (Mar)
5 US: ISM services (Apr)	6 CZ: CPI inflation (Apr) DE: PMI services – fin. (Apr) EZ: PMI services – fin. (Apr)	7 PL: MPC rate decision DE: Factory orders (Mar) EZ: Retail sales (Mar) CZ: CNB rate decision US: FOMC rate decision	8 DE: Industrial output (Mar) DE: Export (Mar)	9 PL: MPC minutes HU: CPI inflation (Apr)
12 No releases	13 CZ: CPI inflation – fin. (Apr) DE: ZEW (May) US: CPI inflation (Apr)	14 PL: Balance of payments (Apr) DE: HICP inflation – fin. (Apr)	15 PL: CPI inflation – fin. (Apr) PL: GDP 1Q EZ: GDP 1Q EZ: Industrial output (Mar) EZ: Employment 1Q US: Retail sales (Apr) US: Industrial output (Apr)	16 PL: Core inflation (Apr) US: Housing starts (Apr) US: Building permits (Apr) US: Michigan index (May)
19 EZ: HICP inflation – fin. (Apr)	20 No releases	21 PL: Wages (Apr) PL: Employment (Apr) PL: Industrial output (Apr) PL: PPI (Apr) PL: Consumer confidence (May)	22 PL: Construction output (Apr) DE: PMI manufacturing (May) DE: PMI services (May) EZ: PMI manufacturing (May) EZ: PMI services (May) US: Existing home sales (Apr)	23 PL: Money supply (Apr) DE: GDP 1Q US: New home sales (Apr) US: Building permits – fin. (Apr)
26 PL: Retail sales (Apr) PL: Unemployment (Apr)	27 EZ: ESI (May) HU: MNB rate decision US: Durable goods orders (Apr) US: Conference Board (May)	28 US: FOMC minutes	29 US: GDP 1Q US: Pending home sales (Apr)	30 PL: CPI inflation (May) CZ: GDP 1Q DE: HICP inflation (May) US: Personal income (Apr) US: Personal spending (Apr) US: PCE inflation (Apr) US: Michigan index – fin. (May)

Source: GUS, NBP, Ministry of Finance, Bloomberg

Calendar of MPC meetings and data releases for 2025

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
ECB decision	30		6	17		5	24		11	30		18
Fed decision	29		19		7	18	30		17	29		10
MPC decision	16	5	12	2	7	4	2		3	8	5	3
MPC minutes	20	7	14	4	9	6	4	28		10	7	5
Flash GDP*		13			15			13			13	
GDP*		27				2			1			1
CPI	15	14	14	15	15	13	15	14	15	15	14	15
Core inflation	16		17	16	16	16	16	18				
PPI	22	20	20	22	21	23	21	21	18	20	24	18
Industrial output	22	20	20	22	21	23	21	21	18	20	24	18
Retail sales	23	24	24	23	26	24	22	25	22	22	25	22
Gross wages, employment	22	20	20	22	21	23	21	21	18	20	24	18
Foreign trade	14	14	14	14	15	13	15	14	15	14	14	15
Balance of payments*			31			30						
Balance of payments	13	13	17	11	14	13	14	13				
Money supply	24	24	24	23	23	24	22	25				

Source: GUS, NBP, Ministry of Finance, * quarterly data

Economic data and forecasts for Poland

Monthly economic indicators

		Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25
PMI	pts	45.9	45.0	45.0	47.3	47.8	48.6	49.2	48.9	48.2	48.8	50.6	50.7	50.2	50.1
Industrial production	% y/y	7.8	-1.6	0.0	5.2	-1.2	-0.4	4.6	-1.3	0.2	-0.9	-1.9	2.5	-0.2	1.5
Construction production	% y/y	-2.0	-6.5	-9.0	-1.3	-9.6	-9.0	-9.6	-9.3	-8.0	4.2	-0.1	-1.1	-0.2	2.5
Retail sales (current prices)	% y/y	4.1	5.0	4.4	4.4	2.6	-3.0	1.3	3.1	1.9	4.9	-0.5	-0.3	2.8	2.1
Unemployment rate	%	5.1	5.0	4.9	5.0	5.0	5.0	4.9	5.0	5.1	5.4	5.4	5.3	5.2	5.0
Gross wages in corporate sector	% y/y	11.3	11.4	11.0	10.6	11.1	10.3	10.2	10.5	9.8	9.2	7.9	7.7	8.4	8.1
Employment in corporate sector	% y/y	-0.4	-0.5	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.6	-0.9	-0.9	-0.9	-0.9	-0.9
Exports (€)	% y/y	8.3	-5.3	-6.6	5.8	-2.3	1.5	2.6	-2.6	0.4	0.2	-1.4	4.0	1.2	1.2
Imports (€)	% y/y	6.0	1.4	1.9	9.7	5.5	5.6	6.2	-0.8	3.4	8.9	2.3	7.3	3.9	4.0
Trade balance	EUR mn	745	-1 098	-533	-1 167	-2 108	-554	-302	-900	-1 962	-1 208	-919	-622	-9	-1 890
Current account balance	EUR mn	922	-468	-142	-491	-2 276	-1 160	1 510	313	-1 119	558	-220	613	2	-1 267
Current account balance	% GDP	1.7	1.6	1.3	1.3	0.9	0.5	0.4	0.3	0.2	0.1	-0.1	-0.2	-0.3	-0.4
CPI	% y/y	2.4	2.5	2.6	4.2	4.3	4.9	5.0	4.7	4.7	4.9	4.9	4.9	4.2	4.2
CPI excluding food and energy	% y/y	4.1	3.8	3.6	3.8	3.7	4.3	4.1	4.3	4.0	3.7	3.6	3.6	3.5	3.6
PPI	% y/y	-8.5	-7.0	-5.8	-5.1	-5.5	-6.2	-5.1	-3.8	-2.7	-1.0	-1.3	-1.1	-1.3	-1.0
Broad money (M3)	% y/y	7.4	8.0	8.4	8.3	7.8	6.5	7.8	8.7	9.3	9.4	9.1	10.3	10.1	9.6
Deposits	% y/y	7.8	8.6	8.6	8.4	7.6	5.9	7.3	8.0	8.7	9.1	8.8	10.2	9.8	9.3
Loans	% y/y	1.1	1.7	2.7	2.6	3.8	2.9	4.5	5.7	5.0	4.7	5.2	5.1	5.7	5.8
EUR/PLN	PLN	4.30	4.28	4.32	4.28	4.29	4.28	4.32	4.33	4.27	4.25	4.17	4.18	4.27	4.22
USD/PLN	PLN	4.01	3.96	4.02	3.95	3.90	3.85	3.96	4.08	4.08	4.10	4.01	3.87	3.80	3.81
CHF/PLN	PLN	4.41	4.36	4.49	4.42	4.54	4.55	4.60	4.63	4.57	4.51	4.43	4.38	4.55	4.47
Reference rate *	%	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.25
3M WIBOR	%	5.86	5.86	5.85	5.86	5.85	5.85	5.85	5.85	5.85	5.85	5.87	5.85	5.57	5.33
Yield on 2-year T-bonds	%	5.29	5.36	5.19	5.12	4.84	4.71	4.93	4.96	5.07	5.24	5.27	5.21	4.48	4.34
Yield on 5-year T-bonds	%	5.53	5.55	5.58	5.56	5.09	5.04	5.31	5.33	5.40	5.69	5.63	5.59	4.86	4.79
Yield on 10-year T-bonds	%	5.67	5.69	5.73	5.69	5.31	5.34	5.64	5.69	5.78	5.97	5.87	5.91	5.35	5.35

Note: * at the end of the period.

Source: GUS, NBP, Finance Ministry, Santander Bank Polska estimates.

Quarterly and annual economic indicators

		2022	2023	2024	2025	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
GDP	PLN bn	3 100.8	3 415.3	3 641.2	3 911.3	835.6	867.4	911.2	1 027.0	895.7	929.3	973.3	1 112.9
GDP	% y/y	5.3	0.1	2.9	3.4	2.2	3.2	2.8	3.4	3.1	3.3	3.4	3.9
Domestic demand	% y/y	4.8	-3.1	4.1	5.5	1.9	4.9	4.6	5.3	5.2	4.5	5.4	6.8
Private consumption	% y/y	5.0	-0.3	3.1	2.9	4.3	4.5	0.2	3.5	2.5	2.5	3.0	3.5
Fixed investments	% y/y	1.7	12.7	-2.2	6.4	3.6	3.9	-4.3	-6.9	-2.0	2.0	8.0	12.0
Industrial production	% y/y	10.4	-2.1	1.1	1.0	-0.1	2.0	1.1	1.4	0.0	0.4	1.5	2.0
Construction production	% y/y	7.7	4.8	-7.6	4.2	-8.6	-6.0	-6.8	-8.8	0.9	3.8	6.1	4.8
Retail sales (constant prices)	% y/y	5.5	-3.6	3.2	4.7	5.0	4.5	1.3	2.2	1.1	2.7	6.4	8.2
Unemployment rate *	%	5.2	5.1	5.1	5.0	5.3	4.9	5.0	5.1	5.3	4.9	4.9	5.0
Gross wages in the national economy	% y/y	12.1	12.8	13.7	8.3	14.4	14.7	13.4	12.4	10.0	8.3	7.5	7.3
Employment in the national economy	% y/y	2.0	0.6	0.2	-0.1	0.2	0.1	0.3	0.1	-0.4	-0.3	0.0	0.2
Exports (€)	% y/y	23.0	3.5	-1.0	2.4	-3.6	-1.5	1.1	0.0	1.1	0.9	2.5	5.2
Imports (€)	% y/y	27.7	-4.5	2.2	5.9	-3.3	2.6	6.9	2.8	7.1	3.8	4.7	7.9
Trade balance	EUR mn	-22 019	4 738	-5 996	-17 846	2 061	-649	-4 244	-3 164	-2 749	-3 136	-6 231	-5 730
Current account balance	EUR mn	-14 872	13 485	1 495	-9 358	4 567	501	-4 277	704	951	-2 476	-4 566	-3 268
Current account balance	% GDP	-2.2	1.8	0.2	-1.0	1.6	1.3	0.5	0.2	-0.2	-0.6	-0.6	-1.0
General government balance	% GDP	-3.4	-5.3	-6.6	-6.3	-	-	-	-	-	-	-	-
CPI	% y/y	14.3	11.6	3.6	3.9	2.9	2.5	4.5	4.8	4.9	4.2	3.3	3.4
CPI *	% y/y	16.6	6.2	4.7	3.5	2.0	2.6	4.9	4.7	4.9	4.3	3.3	3.5
CPI excluding food and energy	% y/y	9.1	10.2	4.3	3.4	5.4	3.8	3.9	4.1	3.6	3.5	3.2	3.2
PPI	% y/y	22.4	2.8	-6.7	-0.7	-10.2	-7.1	-5.6	-3.9	-1.1	-1.5	-0.3	-0.1
Broad money (M3) *	% y/y	5.4	8.5	9.3	6.8	6.6	8.4	6.5	9.3	10.3	9.3	8.9	6.8
Deposits *	% y/y	0	9.8	8.7	6.6	7.4	8.6	5.9	8.7	10.2	9.7	9.5	6.6
Loans *	% y/y	1.4	0.0	5.0	5.6	0.3	2.7	2.9	5.0	5.1	4.9	5.7	5.6
EUR/PLN	PLN	4.69	4.54	4.31	4.24	4.33	4.30	4.28	4.31	4.20	4.23	4.27	4.28
USD/PLN	PLN	4.46	4.20	3.98	3.89	3.99	4.00	3.90	4.04	3.99	3.79	3.90	3.87
CHF/PLN	PLN	4.67	4.68	4.52	4.38	4.57	4.42	4.50	4.60	4.44	4.46	4.33	4.30
Reference rate *	%	6.75	5.75	5.75	4.75	5.75	5.75	5.75	5.75	5.75	5.25	4.75	4.75
3M WIBOR	%	6.02	6.52	5.86	5.32	5.86	5.86	5.85	5.85	5.86	5.38	5.12	4.93
Yield on 2-year T-bonds	%	6.35	5.67	5.05	4.61	5.05	5.28	4.89	4.99	5.24	4.40	4.45	4.34
Yield on 5-year T-bonds	%	6.36	5.66	5.33	5.10	5.19	5.55	5.23	5.34	5.63	4.90	5.08	4.80
Yield on 10-year T-bonds	%	6.10	5.83	5.55	5.48	5.36	5.70	5.45	5.70	5.92	5.37	5.38	5.25

Note: * at the end of period. Source: GUS, NBP, Finance Ministry, Santander estimates.

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