

14 May 2025

Eyeopener

US inflation (temporarily?) close to target

Today, NBP will release balance of payments data for March
 MPC's Janczyk sees room to reduce interest rates by additional 50bp this year
 US inflation still quite low in April, next prints may be affected by higher tariffs
 Temporary weakening of the zloty, stable in the interest rate market

Today, we will see March balance of payments data which, in our view, should show a current account surplus of around EUR600m, above market expectations of less than EUR100m. We believe that the balance of merchandise trade remained negative, at around -EUR600m, with import growth accelerating from 2.3% y/y to 7.3% y/y and export growth rebounding from -1.4% y/y to 4.0% y/y. Current account surplus in March 2024 was twice as large as our forecast for March 2025, so its 12-month rolling balance is now likely to have deteriorated. German HICP inflation data, released this morning, confirmed the preliminary estimate of a decline from 2.3% y/y to 2.2% y/y.

MPC member Wiesław Janczyk the said in an interview with Bloomberg that interest rates could be reduced by further 50 bp in 2025, although he did not specify at what point or in how many steps this could happen. Janczyk assessed that the main source of risk was the government's plans to withdraw the energy price cap, and that commodity prices and geopolitical tensions could also affect the path of inflation. Janczyk added that tariffs imposed by the US on imports from the European Union could slightly slow Polish GDP growth, but in an optimistic scenario it should exceed 3% this year.

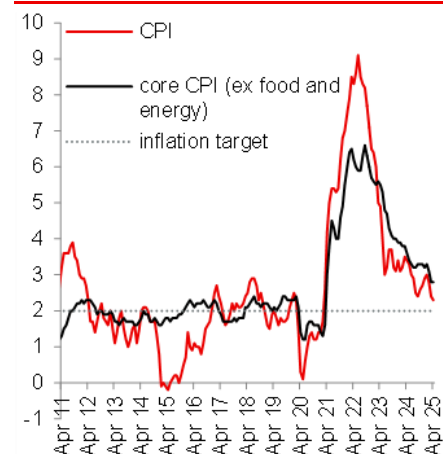
US CPI inflation fell to 2.3% y/y in April, marginally below the market consensus for stabilisation at 2.4% y/y. Due to the decline, inflation reached its lowest rate since the first months of 2023. The slowdown in inflation took place alongside a 0.2% m/m rise in the price level, slightly below market expectations for an increase of 0.3% m/m. The core price level rose by 0.2% m/m, 0.1 pp less than the market had expected, because of which core inflation remained at 2.8% y/y. As the positive surprise was small, the latest CPI inflation data may have limited impact on the Fed's assessment of the situation, especially amid continued uncertainty about the effects of the changes in trade policy, which may materialise in the inflation data over the following months. The April data did not show tariff-related price increases (airfares fell markedly again, and hotel services became cheaper, which also seems to be related to the actions of the new US administration), but the next release should already include the effect of more expensive imported goods, in particular due to the 25% tariff on cars and car parts.

The ZEW index of economic expectations in Germany rebounded to 25.2 pts in May after the sharp drop from 51.6 pts to -14 pts, which it registered in April due to the imposition of the 'reciprocal' tariffs by the US. An improvement in sentiment was recorded in almost all sectors surveyed, with most significant improvements taking place in banking and export-oriented sectors. However, the index measuring the current economic situation remained weakened and slipped an additional 0.8 pts, from -81.2 pts to -82.0 pts.

The EURPLN exchange rate ended Tuesday's session near Monday's close, at 4.24, although it temporarily rose above 4.25 during the day. The EURHUF and EURCZK rates were also only slightly changed. The final data on inflation in Czechia confirmed its decline below the 2% y/y target and below the central bank's forecast of a decrease exactly to the target, but the CNB's communication to the inflation data was concluded with a recommendation to maintain cautious monetary policy. The conclusion was related to the rise in service price inflation in April (to 4.5% y/y), on which the central bank's board is focused. The CNB assumes that inflation will not remain below target and will return to the 2-3% y/y range in the coming months. In parallel, there was a measured but relatively small weakening of the dollar against the euro, by around 0.5%.

Changes in domestic money market rates as well as bond yields were limited. Polish FRA rates declined gently, by 0-2 bp, and IRS rates underwent only negligible changes, not exceeding ± 1 bp. The yield curve steepened by around 1 bp with its short end falling by less than 2 bp and its long end sliding by less than 1 bp. Changes in the core markets were also negligible.

CPI inflation in the US, %y/y



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.2355	CZKPLN	0.1697
USDPLN	3.7888	HUFPLN*	1.0483
EURUSD	1.1182	RONPLN	0.8303
CHFPLN	4.5109	NOKPLN	0.3659
GBPPLN	5.0361	DKKPLN	0.5679
USDCNY	7.2149	SEKPLN	0.3894

*for 100HUF

Last session in the FX market

13/05/2025

	min	max	open	close	fixing
EURPLN	4.2321	4.2552	4.2386	4.2349	4.2525
USDPLN	3.7861	3.8314	3.8133	3.7885	3.8266
EURUSD	1.1096	1.1177	1.1116	1.1175	

Interest rate market

13/05/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.59	0
PS0130 (5L)	5.05	7
DS1034 (10L)	5.46	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.73	1	4.35	1	2.07	1
2L	4.27	-1	4.06	-1	2.07	1
3L	4.17	-1	3.99	-2	2.16	1
4L	4.17	0	4.00	-2	2.25	2
5L	4.21	1	4.01	-1	2.33	1
8L	4.40	0	4.14	-1	2.52	2
10L	4.53	0	4.21	-1	2.62	3

WIBOR rates

Term	%	Change (bps)
O/N	5.26	-11
T/N	5.34	-4
SW	5.35	0
1M	5.41	0
3M	5.25	0
6M	5.02	1
1Y	4.83	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.12	-1
3x6	4.83	0
6x9	4.39	-2
9x12	4.06	-2
3x9	4.69	1
6x12	4.28	-1

CDS rates and 10Y yield spread vs. German Bund

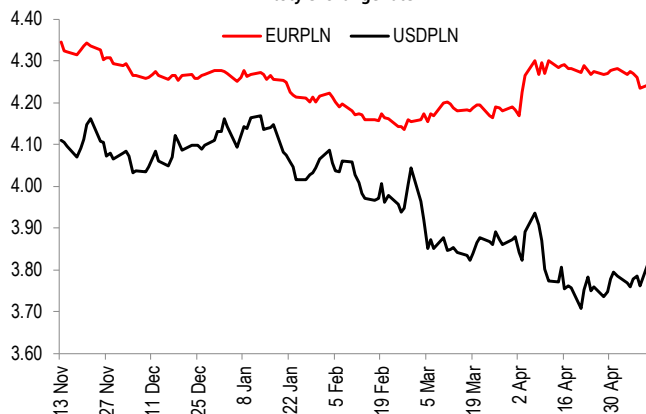
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	0	279	-4
France	19	0	67	-1
Hungary	131	0	432	-4
Spain	35	0	62	-1
Italy	24	0	103	-1
Portugal	18	0	51	0
Ireland	15	0	31	-2
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

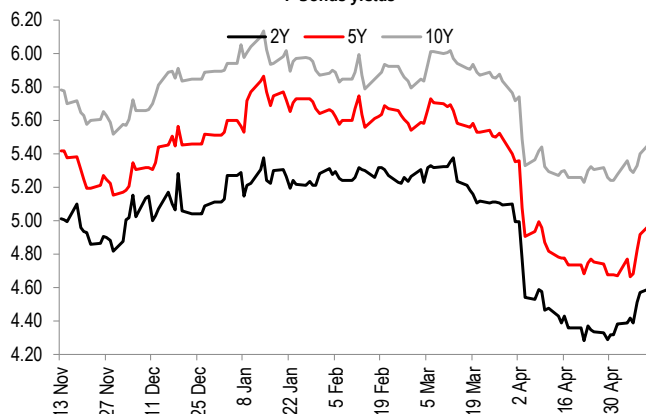
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

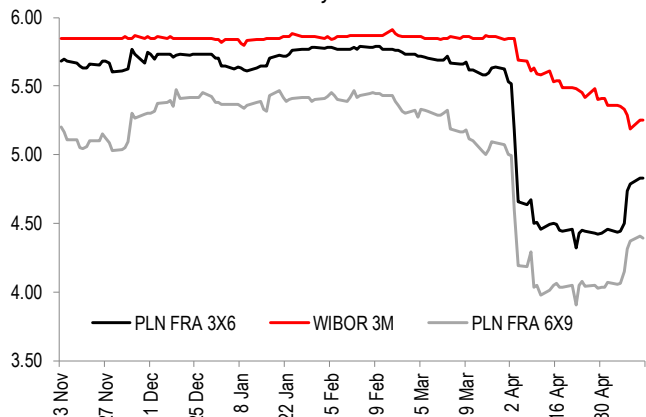
Zloty exchange rate



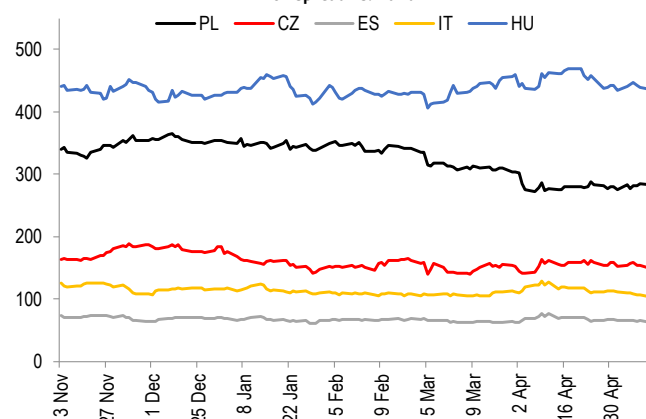
T-bonds yields



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*	
FRIDAY (9 May)								
08:30	HU	CPI	Apr	% y/y	4,0	-	4.2	4.7
MONDAY (12 May)								
No data releases								
TUESDAY (13 May)								
09:00	CZ	CPI	Apr	% y/y	1.8	-	1.8	2.7
11:00	DE	ZEW Survey Current Situation	May	pts	-77.0	-	-82.0	-81.2
14:30	US	CPI	Apr	% m/m	0.3	-	0.2	-0.1
WEDNESDAY (14 May)								
08:00	DE	HICP	Apr	% m/m	0.5	-	0.5	0.4
14:00	PL	Current Account Balance	Mar	€mn	64	613	-	-220
14:00	PL	Trade Balance	Mar	€mn	-622	-622	-	-919
14:00	PL	Exports	Mar	€mn	29 615	29 956	-	27 240
14:00	PL	Imports	Mar	€mn	30 259	30 578	-	28 159
THURSDAY (15 May)								
10:00	PL	CPI	Apr	% y/y	4.2	4.2	-	4.9
10:00	PL	GDP	1Q	% y/y	3.1	3.1	-	3.4
11:00	EZ	GDP SA	1Q	% y/y	1.2	-	-	1.2
11:00	EZ	Industrial Production SA	Mar	% m/m	1.6	-	-	1.1
14:30	US	Initial Jobless Claims	weekly	k	230	-	-	228
14:30	US	Retail Sales Advance	Apr	% m/m	0.0	-	-	1.5
15:15	US	Industrial Production	Apr	% m/m	0.3	-	-	-0.3
FRIDAY (16 May)								
14:00	PL	CPI Core	Apr	% y/y	3.5	3.5	-	3.6
14:30	US	Housing Starts	Apr	% m/m	3.3	-	-	-11.4
16:00	US	Michigan index	May	pts	53.0	-	-	52.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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