

15 May 2025

Eyeopener

Today inflation, GDP growth and talks on Ukraine

Today 1Q GDP growth, final data on April's CPI inflation
Current account recorded big deficit in March, vs expected small surplus
MPC's Dąbrowski: next interest rate cuts this year are not certain
EURPLN slightly lower despite local data, market rates higher

Today, we will see the first estimate of Polish GDP growth in 1Q25, full CPI inflation data for April, GUS data on foreign trade in goods in March, and production of services in February. In line with the market consensus, we expect GDP growth of 3.1% y/y, which, according to our estimates, would correspond to a stabilisation of its seasonally adjusted level (i.e. close to zero q/q growth). Today's GDP data will not yet include information on its structure - these will be released on 2 June. GDP data will also be released in the euro area, where, according to the preliminary reading, economic growth remained at 1.2% y/y in 1Q. In addition, we will see data from the euro area on industrial production in March, as well as information from the US on industrial production and retail sales in April, and the number of initial jobless claims last week. The Russia-Ukraine peace talks in Istanbul with US representatives are scheduled for today. The latest information suggests that, contrary to earlier declarations, neither Vladimir Putin nor Donald Trump will attend in person.

The current account balance amounted to -EUR1,419m in March, contrary to our and market expectations of a slight surplus. The lower-than-expected current account balance resulted mainly from an unexpected deepening of the merchandise trade deficit from EUR966m in February to EUR1,895m in March, driven by a strong increase in imports, up 9.1% y/y, nearly 2 pp above our estimate, and a weaker-than-expected 1.4% y/y increase in exports. According to the report published alongside the data, the strong import growth was mainly due to an increase in purchases of durable consumer goods, while the weak export growth was driven by, among other things, further declines in sales of automotive parts and durable consumer goods. In contrast to previous months, imports of intermediate goods increased y/y. As the current account balance in March this year was some EUR2.7bn lower than in March last year, the 12-month moving sum of current account balances registered a significant decline, from -0.1% of GDP in February to -0.4% of GDP in March. We expect the 12-month moving sum to decline further in the following months and to stand at c. -1% of GDP at the end of the year.

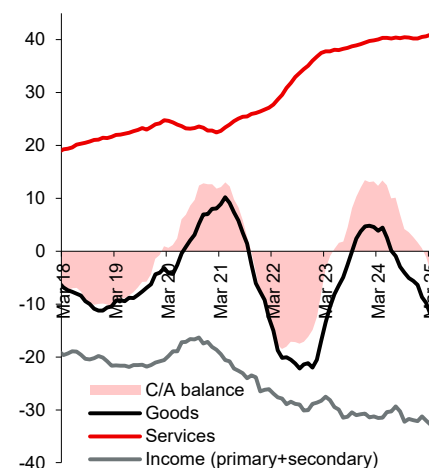
MPC member Ireneusz Dąbrowski said in an interview with Money.pl that, in his opinion, further interest rate cuts this year are not certain, and the discussion about them may start in July at the earliest. According to him, the next MPC's decisions will be depend of further deceleration of wage growth, among other factors.

The first quarter of this year saw further slowdown of price growth in the residential real estate market, according to data from the National Bank of Poland. In the case of average transaction prices in Poland's seven largest cities, the annual growth rate fell from 12.8% to 4.4% in the primary market and from 16.1% to 8.1% in the secondary market. In quarter-on-quarter comparison, the average transaction prices in the seven largest cities fell by around 0.6% in the primary market and around 0.9% in the secondary market. In both markets, this represents the first quarter-on-quarter decline in prices since 1Q23. These developments may revitalise the mortgage market.

On Wednesday, the zloty appreciated slightly against the euro compared to Tuesday's close, by c. 0.1%, which brought the EURPLN exchange rate slightly below 4.23. The EURHUF exchange rate also declined on a similar scale, while the EURCZK exchange rate registered only negligible changes. A favourable circumstance was the simultaneous slight depreciation of the dollar against the euro, by around 0.3%. Surprisingly, the zloty did not react visibly to the clearly worse-than-expected balance of payments data. In our opinion, the zloty is so far immune to the impact of local data thanks to the latest information on US trade agreements, the correction of market expectations as to the scale of interest rate cuts by the MPC this year, and hopes for a positive outcome of today's Russia-Ukraine talks.

Domestic money market rates rose slightly on Wednesday, with IRS rates up around 5 bp across the curve and FRA rates up 1-9 bp, more strongly at the long end of the curve. Bond yields on the domestic market and on the core markets were only negligibly affected. The Ministry of Finance sold PLN9bn worth of bonds at the auction yesterday (i.e. the upper limit of the previously quoted supply range of PLN6-9bn) and PLN0.8bn at an additional auction. Demand and sales were concentrated on the fixed-coupon 5Y bond (63% of the sales). Today's domestic 1Q25 GDP data may increase volatility in the interest rate market if they materially deviate from expectations.

Poland's current account balance and main components, 12M moving sum, EUR bn



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.2331	CZKPLN	0.1696
USDPLN	3.7816	HUFPLN*	1.0492
EURUSD	1.1192	RONPLN	0.8293
CHFPLN	4.5032	NOKPLN	0.3635
GBPPLN	5.0162	DKKPLN	0.5673
USDCNY	7.2100	SEKPLN	0.3882

*for 100HUF

Last session in the FX market

14/05/2025

	min	max	open	close	fixing
EURPLN	4.2255	4.2497	4.2357	4.2313	4.2455
USDPLN	3.7672	3.7944	3.7862	3.7765	3.7775
EURUSD	1.1178	1.1265	1.1188	1.1205	

Interest rate market

14/05/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.63	4
PS0130 (5L)	5.04	-1
DS1034 (10L)	5.48	2

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4.73	4.38	2.08
2L	4.32	4.09	2.08
3L	4.22	4.05	2.18
4L	4.22	4.06	2.26
5L	4.26	4.08	2.35
8L	4.44	4.19	2.54
10L	4.60	4.28	2.64

WIBOR rates

Term	%	Change (bps)
O/N	5.20	-6
T/N	5.33	-1
SW	5.34	-1
1M	5.40	-1
3M	5.24	-1
6M	5.02	0
1Y	4.84	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.12	0
3x6	4.84	1
6x9	4.42	3
9x12	4.10	4
3x9	4.68	-1
6x12	4.31	3

CDS rates and 10Y yield spread vs. German Bund

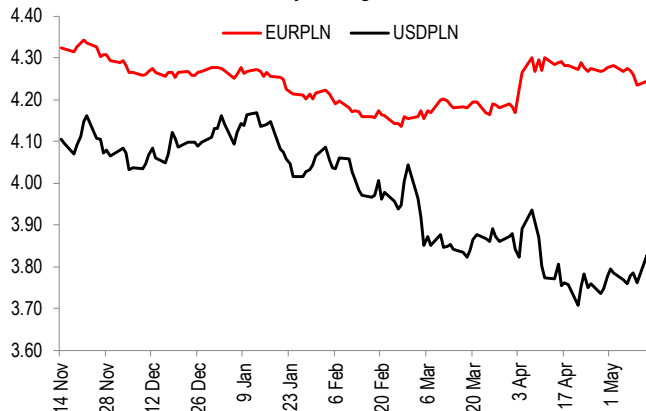
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	71	279
France	19	68
Hungary	131	435
Spain	35	62
Italy	24	102
Portugal	18	50
Ireland	15	30
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

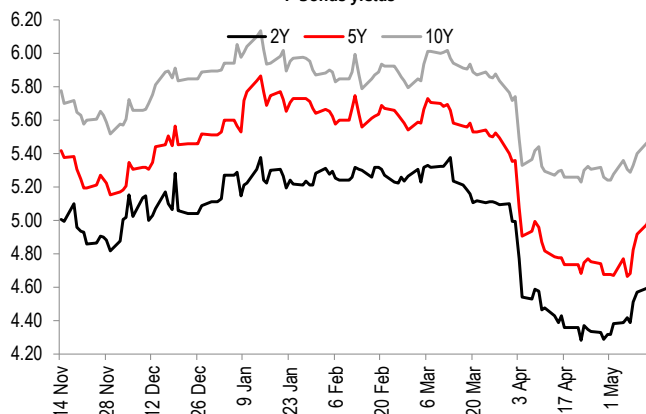
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

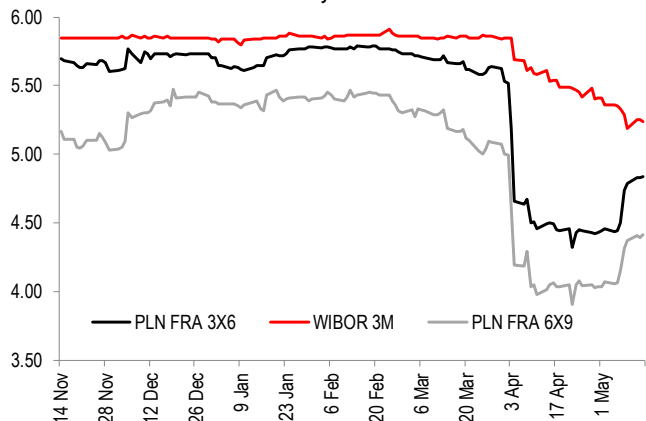
Zloty exchange rate



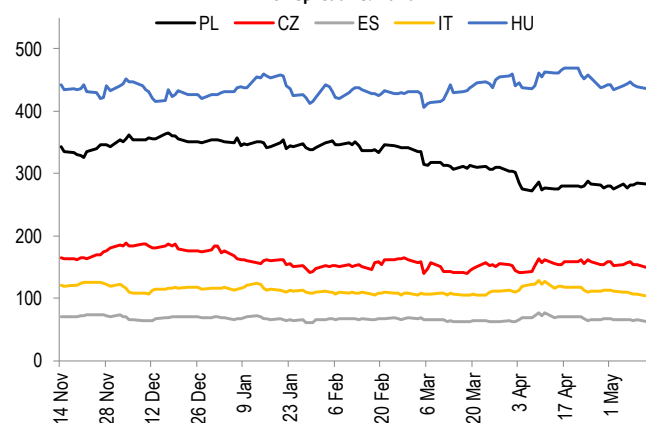
T-bonds yields



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	-1 419	-77
14:00	PL	Trade Balance	Mar	€mn	-622	-622	-1 895	-966
14:00	PL	Exports	Mar	€mn	29 615	29 956	29 211	27 250
14:00	PL	Imports	Mar	€mn	30 259	30 578	31 106	28 216
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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