16 May 2025

Eyeopener

Solid GDP growth in 1Q25

Today, Poland's core inflation in April, US consumer confidence in May
GDP growth in 1Q25 reached 3.2% y/y and 0.7% q/q; inflation in April fell to 4.3% y/y
MPC's Kochalski sees room for additional 50-75 bps rate cuts this year
Zloty slightly weaker, market rates lower despite slightly higher than expected data

Today, the NBP will publish core inflation data for April. After reviewing the detailed data on the structure of CPI inflation in April, we estimate that core inflation was in the range of 3.5%-3.6% y/y. In the US, there will be the May print of the Michigan index of consumer sentiment.

In 1Q25, Poland's GDP growth slowed to 3.2% y/y, in line with the median of market forecasts, and seasonally adjusted data showed a higher-than-expected rise by 3.8% y/y and as much as 0.7% q/q. This indicates that the slowdown in economic activity at the beginning of the year was not as significant as suggested by the monthly production and sales data published earlier, probably thanks to still high activity in services. The final CPI inflation data showed a decline to 4.3% y/y, slightly smaller than reported in the preliminary data (4.2% y/y). Overall, today's set of information does not significantly alter the economic scenario for the coming quarters (we expect a gradual acceleration of GDP growth and deceleration of inflation later in the year), but it supports a cautious approach to further monetary easing (just like the 1Q wage data released last week which still showed double-digit growth, 10% y/y). Read more in our Economic Comment.

The seasonally adjusted employment in the national economy fell by 0.8% y/y, or 134.6k full-time equivalents (FTEs), in 1Q25, according to Eurostat data. This indicates a continuation of the trend from 2024, over which the average decline in employment also amounted to around 0.8% y/y, and a slight deterioration relative to 4Q24, when employment growth stood at -0.6% y/y. In a quarter-on-quarter comparison, employment fell by around 0.6% (107.4k FTEs) after two quarters of relative stability. The quarter-on-quarter decline in employment was mainly caused by a sharp fall in public sector employment, by 85.7k FTEs. Declines of around 30k FTEs each were also registered in the arts, entertainment and recreation sector, as well as in the trade, transport, accommodation and food services sectors. The largest increases in employment were recorded in the professional services sector, up 46.9k FTEs, and the financial and insurance services sector, up 23.3k FTEs. The data suggest that the labour market has not yet experienced a visible increase in labour demand, which should, however, take place alongside further economic recovery and, above all, increase in investment.

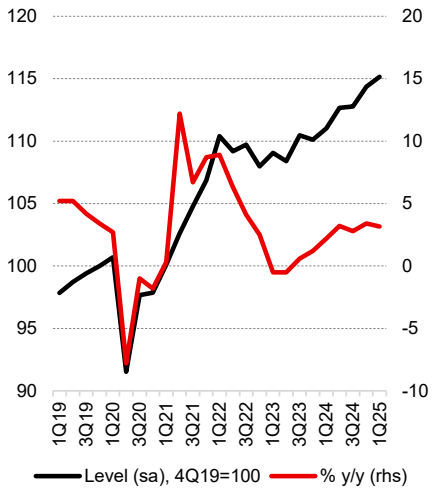
Cezary Kochalski of the MPC said in an interview for PAP that he saw room for a further 50-75 bp of interest rate cuts by the end of the year, including 25-50 bp in July. Kochalski said that he did not think that the Council would return to discussing rate cuts at its June policy meeting, but that a new inflation projection might prompt it to do so in July. Kochalski added that he was leaning towards an accommodative approach in monetary policy due to the considerable uncertainty, and that he was unable to decide whether there would be room for a cycle of cuts in 4Q25.

The state budget deficit reached PLN91.4bn at the end of April, which corresponded to a widening of PLN15.1bn in April alone. Revenue in the January-April period was 17.6% lower than a year earlier, but according to the Ministry of Finance, taking into account adjustments for the reform of the financing of local government units leads to the conclusion that revenue was 8.7% higher y/y. On the other hand, the general subsidy for local government units was lower by nearly 60% y/y. VAT receipts up to April were 11.9% higher y/y. The subsidy for the Social Insurance Fund (FUS) fell by 56% y/y in April and in January-April was 12.6% lower y/y. The 12-month budget balance remained at -7.1% of GDP in April.

The zloty weakened against the euro by around 0.3% on Thursday, which corresponded to an increase in the EURPLN exchange rate from 4.23 above 4.24. The weakening of the zloty occurred despite the release of the relatively good GDP data and the slight upward revision of the April CPI inflation rate. The Czech koruna also weakened against the euro, albeit on a smaller scale, by around 0.1%, while the Hungarian forint registered a minor strengthening. The EURUSD exchange rate registered a slight increase of around 0.3%. The Russia-Ukraine talks in Istanbul are likely to start today and will take place at a lower diplomatic level than previously announced, as the countries' leaders will not attend. US Secretary of State Marco Rubio expressed doubts that they could produce a breakthrough until there was a direct Trump-Putin meeting.

The domestic yield curve flattened by around 7 bp on Thursday with its short end rising by less than 3 bp and its long end falling by nearly 5 bp. There were small declines in yields in the core markets, including by 5-6 bp in Germany and by 5-7 bp in the US. Domestic money market rates did not react to the relatively hawkish tone of yesterday's data. IRS rates fell by 5-8 bp and FRA rates by 3-8 bp, both more strongly at the long end of the curve.

GDP in Poland



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2495	CZKPLN	0.1702
USDPLN	3.7909	HUFPLN*	1.0429
EURUSD	1.1209	RONPLN	0.8328
CHFPLN	4.5421	NOKPLN	0.3647
GBPPLN	5.0493	DKKPLN	0.5695
USDCNY	7.1992	SEKPLN	0.3904

*for 100HUF

Last session in the FX market **15/05/2025**

	min	max	open	close	fixing
EURPLN	4.2288	4.2526	4.2309	4.2506	4.2378
USDPLN	3.7683	3.8035	3.7804	3.7980	3.7804
EURUSD	1.1172	1.1228	1.1192	1.1188	

Interest rate market **15/05/2025**

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.59	-3
PS0130 (5L)	5.02	-2
DS1034 (10L)	5.44	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.70	-3	4.32	-6	2.06	-2
2L	4.27	-5	4.02	-8	2.04	-5
3L	4.16	-5	3.95	-11	2.12	-6
4L	4.16	-5	3.95	-11	2.20	-7
5L	4.20	-6	3.98	-11	2.27	-8
8L	4.38	-6	4.11	-8	2.46	-8
10L	4.52	-8	4.19	-10	2.55	-9

WIBOR rates

Term	%	Change (bps)
O/N	5.33	13
T/N	5.32	-1
SW	5.34	0
1M	5.40	0
3M	5.25	1
6M	5.02	0
1Y	4.84	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.10	-2
3x6	4.81	-4
6x9	4.39	-3
9x12	4.05	-5
3x9	4.65	-4
6x12	4.28	-3

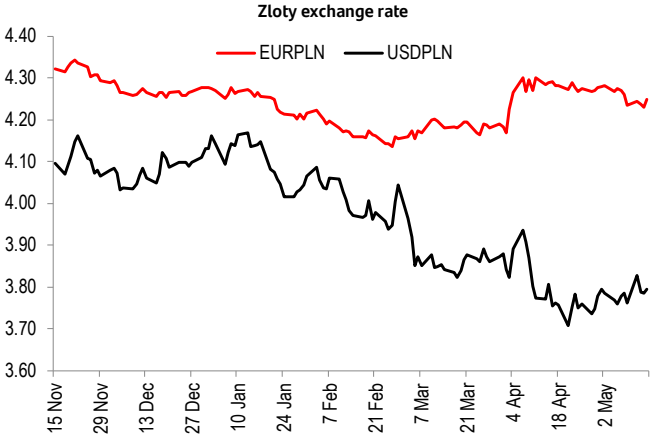
CDS rates and 10Y yield spread vs. German Bund

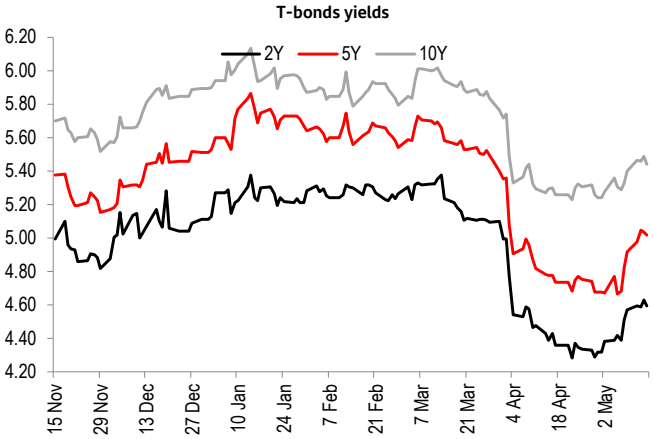
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	0	282	2
France	19	0	67	-1
Hungary	131	0	450	16
Spain	35	0	61	0
Italy	24	0	101	-1
Portugal	18	0	50	-1
Ireland	15	0	29	-1
Germany	8	0	-	-

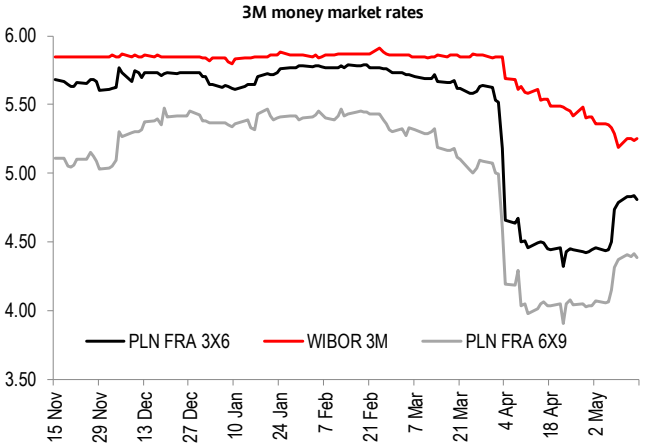
* 10Y treasury bonds over 10Y Bunds

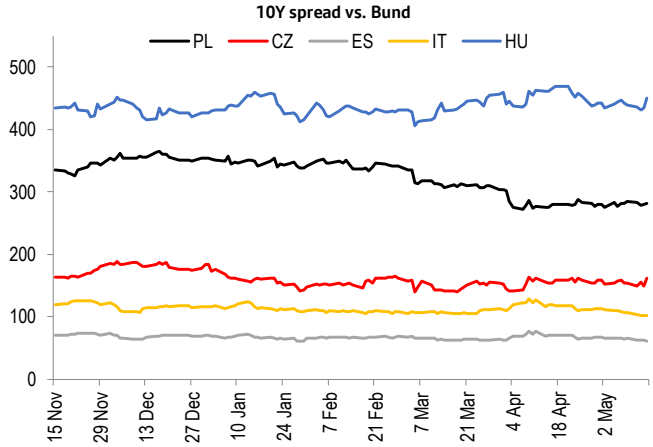
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream









Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST 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**	**4.3**	**4.9**
10:00	**PL**	**GDP**	**1Q**	**% y/y**	**3.1**	**3.1**	**3.2**	**3.4**
11:00	EZ	GDP SA	1Q	% y/y	1.2	-	1.2	1.2
11:00	EZ	Industrial Production SA	Mar	% m/m	1.6	-	2.6	1.1
14:30	US	Initial Jobless Claims	weekly	k	228	-	229	229
14:30	US	Retail Sales Advance	Apr	% m/m	0.0	-	0.1	1.7
15:15	US	Industrial Production	Apr	% m/m	0.1	-	0.0	-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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