27 March 2026

# Weekly Economic Update

## March CPI inflation with a 3-handle

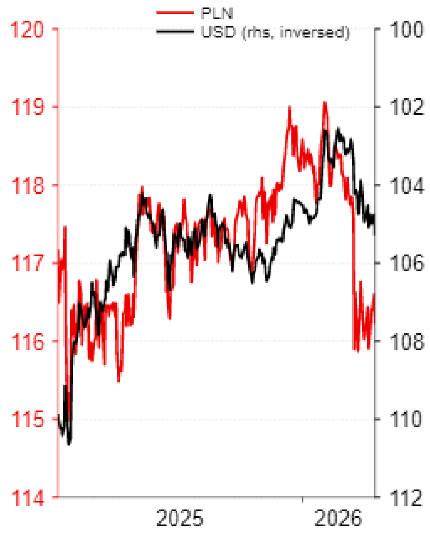
### Economy next week

- In the final week before Easter, we will continue paying closer attention to oil and gas prices than to the prices of eggs and butter. Donald Trump has extended the suspension of attacks on Iran by another 10 days, but this has failed to calm either commodity or financial markets, which remain concerned about the security of energy supplies in the coming months. Polish drivers will be closely watching the fate of a government bill allowing for a temporary reduction in fuel taxes, which should be sent to the President for signature in the coming days.
- In the calendar of domestic economic releases for the coming week, there are only two key items: **the flash CPI inflation reading for March** and **the manufacturing PMI**.
- Our estimates suggest **that CPI inflation rose in March to 3.1% y/y** from 2.1% in February, driven primarily by a sharp increase in domestic fuel prices of around 18% m/m, reflecting the situation in the Middle East. Energy prices are likely to have edged down slightly, mainly due to the natural gas tariff cut approved earlier by the Energy Regulatory Office (URE). Food prices also recorded a modest decline in March (-0.2% m/m), according to our monitoring of prices in online shops. In such setup, core inflation excluding food and energy would have remained broadly stable at around 2.6% y/y in March.
- The government's decision to temporarily reduce indirect taxes on fuels may offset a large part of the fuel price increase observed in March, assuming that global oil and gas prices do not rise further. This could bring CPI inflation back towards 2% y/y in April. However, if Brent crude price were to remain at current level (around $110 per barrel) or higher for longer, CPI inflation would start climbing again in the following months, likely exceeding 4% by the end of the year, assuming no additional government measures.
- **As for the PMI, we expect a slight decline in March to 46.7 pts**, reflecting higher business uncertainty related to the war in Iran and rising fuel prices.
- Abroad, releases will include manufacturing and services PMIs, European Economic Sentiment Indicator (ESI) readings, inflation data for euro area countries, and, at the end of the week, the monthly US labour market report.
- The end of the week should see reduced market activity, as Good Friday is a public holiday in many countries.

### Markets next week

- Since the beginning of March, EURPLN has been trading in the 4.25–4.30 range, and a break out of this band would likely require either a further escalation of the conflict (for example a ground invasion) or a credible signal of de-escalation confirmed by the Iranian side. For now, we assume that the situation will remain broadly unchanged in the coming week.
- The bond and interest rate market has been fluctuating in recent days in response to incoming news. The government's proposal to cut indirect fuel taxes suggests that the risk of NBP rate hikes might have diminished (provided oil and gas prices do not rise further), but fiscal risk is likely increasing. It may not rise significantly if the oil shock proves temporary and the government introduces the announced windfall tax on fuel companies. That said, work on this tax is still ongoing, making it difficult to assess its effectiveness. What we have learned is that a high starting-point fiscal deficit does not prevent the government from responding quickly with protection offered for households. Therefore, any escalation of the commodity shock would likely be associated with further measures of this kind and higher fiscal costs. As a result, asset swap spreads have already widened and, if commodity prices do not start to retreat, they may widen further. Global bond markets are also under growing pressure from inflation expectations and fiscal concerns, so a clear rebound would require a credible signal that the conflict is approaching an end.

**PLN and USD nominal effective exchange rates (NEER)**




*Source: LSEG Datastream, Santander Bank Polska*

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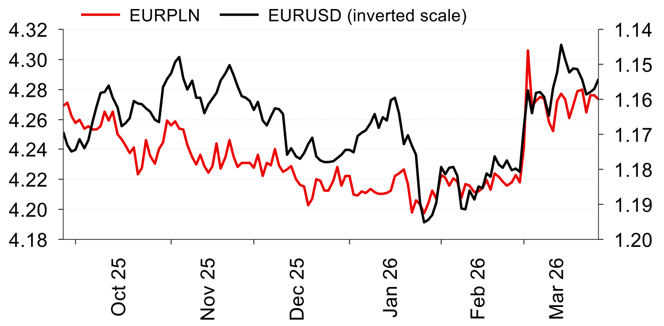
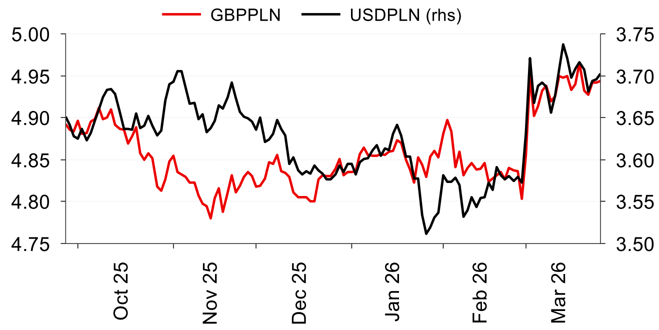
EURPLN and EURUSD



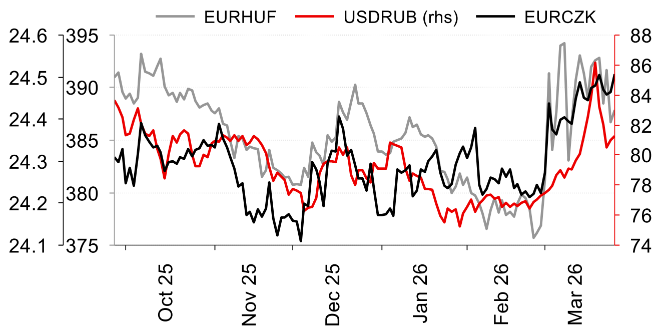

Source: LSEG Datastream, Santander

GBPPLN and USDPLN



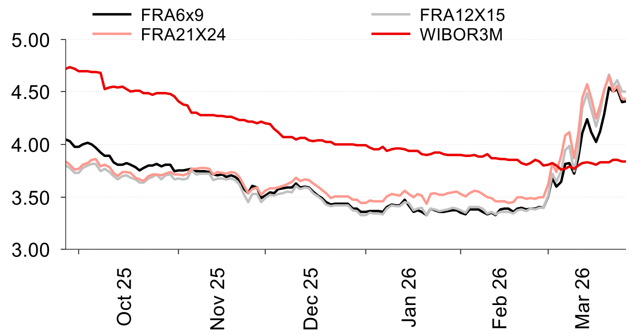

Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



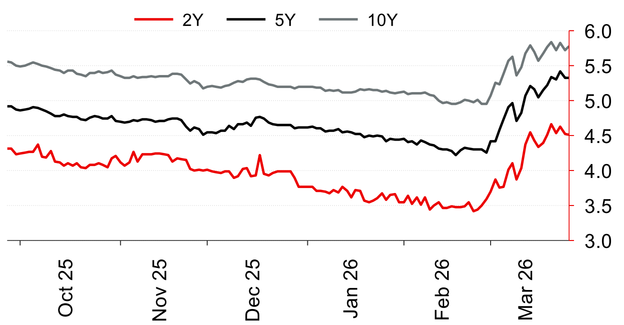

Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



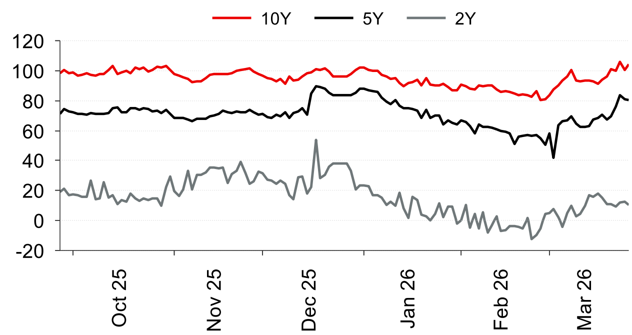

Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



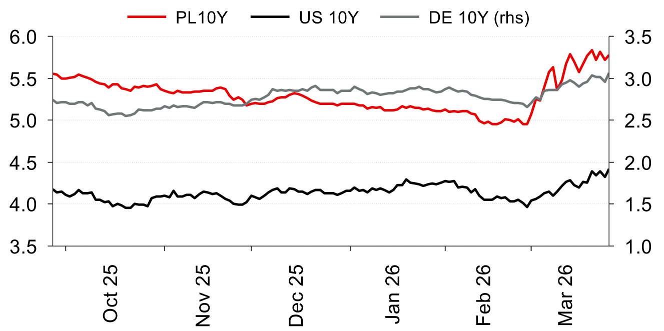

Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



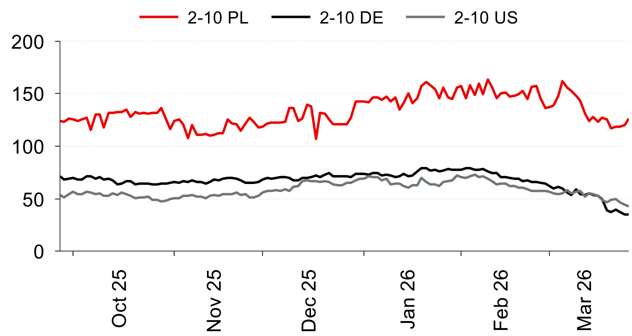

Source: LSEG Datastream, Santander Bank Polska

10Y bond yields




Source: LSEG Datastream, Santander

Steepness of yield curves




Source: LSEG Datastream, Santander Bank Polska

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**Economic Calendar**

| TIME CET | COUNTRY | INDICATOR | PERIOD | | FORECAST MARKET | FORECAST SANTANDER | LAST VALUE |
|---|---|---|---|---|---|---|---|
| | | **MONDAY (30 March)** | | | | | |
| 11:00 | EZ | ESI | Mar | pct. | 96.7 | | 98.3 |
| 14:00 | DE | HICP | Mar | % m/m | 1.0 | | 0.4 |
| | | **TUESDAY (31 March)** | | | | | |
| 08:00 | DE | Retail sales | Feb | % m/m | 0.4 | | -1.0 |
| 09:00 | CZ | GDP SA | 4Q | % y/y | 2.6 | | 2.6 |
| **09:30** | **PL** | **CPI** | **Mar** | **% y/y** | **3.2** | **3.1** | **2.1** |
| 11:00 | EZ | Flash HICP | Mar | % y/y | 2.6 | | 1.9 |
| 16:00 | US | Consumer Conference Board | Mar | pts | 88.0 | | 91.2 |
| | | **WEDNESDAY (1 April)** | | | | | |
| **09:00** | **PL** | **Poland Manufacturing PMI** | **Mar** | **pts** | **47.2** | **46.7** | **47.1** |
| 09:55 | DE | Germany Manufacturing PMI | Mar | pts | 51.7 | | 50.9 |
| 10:00 | EZ | Eurozone Manufacturing PMI | Mar | pts | 51.4 | | 50.8 |
| 11:00 | EZ | Unemployment Rate | Feb | % | 6.1 | | 6.1 |
| 14:15 | US | ADP report | Mar | k | 40.0 | | 63.0 |
| 14:30 | US | Retail Sales Advance | Feb | % m/m | 0.4 | | -0.2 |
| 16:00 | US | ISM manufacturing | Mar | pts | 52.3 | | 52.4 |
| | | **THURSDAY (2 April)** | | | | | |
| 14:30 | US | Initial Jobless Claims | week | k | 210 | | 210 |
| | | **FRIDAY (3 April)** | | | | | |
| 03:45 | CN | Caixin China PMI Services | Mar | pts | 53.6 | | 56.7 |
| 14:30 | US | Change in Nonfarm Payrolls | Mar | k | 50.0 | | -92.0 |
| 14:30 | US | Unemployment Rate | Mar | % | 4.4 | | 4.4 |

*Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg*


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