

20 May 2025

Eyeopener

EC cut forecasts for Poland, zloty trimming losses

No important data releases today

European Commission cut GDP forecasts for Poland

Zloty trimmed losses after initial negative reaction to results of 1st round of election

Polish bond yields up, core market saw only a temporary increase

Today, there are no major events or releases on the economic calendar. In the morning, the People's Bank of China cut interest rates by 10 bp, as expected. This was the first cut in 7 months.

US President Donald Trump said that his talks with the leaders of Russia and Ukraine had gone very well and that the countries would begin ceasefire talks immediately.

In its spring round of economic forecasts, the European Commission lowered the GDP growth expected in Poland from 3.6% to 3.3% in 2025 and from 3.1% to 3.0% in 2026. The revision was related, among other things, to a decrease in the expected growth rates of Polish exports and, in 2025, private consumption. However, according to the EC, the latter should remain the main source of economic growth. According to our forecasts, GDP growth should reach 3.4% in 2025 and 3.2% in 2026, i.e. respectively 0.1 and 0.2 pp more than forecast by the EC. The EC also increased the projected level of general government deficit to 6.4% of GDP in 2025 and to 6.1% of GDP in 2026. The revision took into account the higher-than-expected deficit in 2024, equal to 6.6% of GDP, and made no change to the expected rate of deficit reduction, equal to 0.2 pp of GDP in 2025 and 0.3 pp of GDP in 2026. In parallel, the expected level of GG debt was lowered by 0.9 pp of GDP to 58.0% of GDP in 2025 and raised by 2.9 pp of GDP to 65.3% of GDP in 2026.

Inflation calculated as harmonised index of consumer prices (HICP) fell in Poland in April to 3.7% y/y from 4.3% y/y in March, Eurostat data showed. The core measure, that is HICP excluding energy, food, alcohol and tobacco prices, fell from 3.3% y/y to 2.9% y/y. On a monthly basis, the price level increased by 0.3% and the core price level by 0.4%. In the euro area, Eurostat confirmed that HICP inflation stabilised at 2.2% y/y in April.

According to official information from the Polish National Electoral Commission (PKW), after counting votes from all the polling districts in **the first round of the presidential election**, Rafał Trzaskowski won 31.36% of the vote and Karol Nawrocki 29.54% and these two will face each other in the second round on 1 June.

In an interview with CNBC, **Raphael Bostic, president of the Atlanta Fed**, expressed concern about the US inflation outlook due to worrying changes in expectations. Bostic said he would like to see the level of uncertainty (related to trade policy, among other things) diminish before supporting a request for an interest rate cut. In his view, it could take three to six months for uncertainty to decrease and he is therefore leaning towards one interest rate cut this year.

EURPLN spent Monday's session correcting a rise of around 0.4% that it had observed over the weekend. In the afternoon, the exchange rate returned to Friday's closing level and by the end of the session it had fallen some 0.2% more. The Hungarian forint also strengthened against the euro on a similar scale. The Czech koruna's exchange rate against the euro ended the day with only minimal change. The CEE currencies were supported by a depreciation of the dollar against the euro by around 0.8% against Friday's close. In the next two weeks, the domestic market may be sensitive to new polls on the candidates' political support ahead of the second round of the presidential election, but in the short term, attention may shift to domestic macroeconomic data (a sizable portion of which are due on Wednesday) and information from abroad, including progress in the Russia-Ukraine talks.

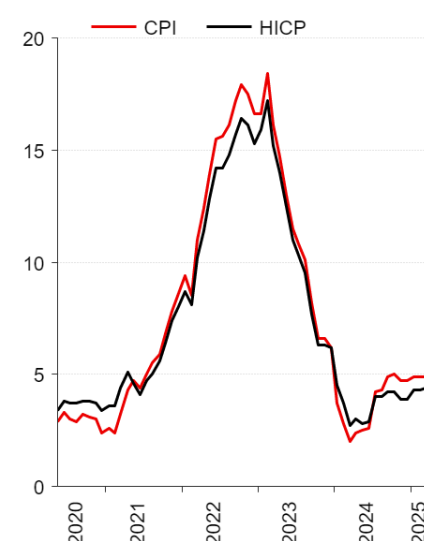
On Monday, domestic IRS rates rose by 3-8 bp and FRA rates by 1-5 bp, in both cases more strongly at the long end of the curve. There was also a decline in domestic bond prices, which translated into a 7-12 bp rise in their yields with a steepening of their curve by around 4 bp. At the end of the day, changes in yields in the core markets were negligible, although the day started with an upward shift in the curves in response to the downgrade of the US rating by Moody's. The Ministry of Finance reported that, following the 14 May bond sale auction, the degree of financing of this year's gross borrowing needs stands at around 65%.

European Commission's forecasts for Poland

	2025	2026
GDP growth, %	3.3	3.0
Inflation, %	3.6	2.8
Unemployment, %	2.8	2.8
GG balance, % of GDP	-6.4	-6.1
Public debt, % of GDP	58.0	65.3
C/A balance, % of GDP	1.0	0.7

Source: EC, Santander

Inflation in Poland, % y/y



Source: LSEG Datastream, Santander

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FX market

Today's opening

EURPLN	4,2437	CZKPLN	0,1703
USDPLN	3,7710	HUFPLN*	1,0492
EURUSD	1,1254	RONPLN	0,8420
CHFPLN	4,5260	NOKPLN	0,3667
GBPPLN	5,0423	DKKPLN	0,5689
USDCNY	7,2187	SEKPLN	0,3900

*for 100HUF

Last session in the FX market

19.05.2025

	min	max	open	close	fixing
EURPLN	4,2448	4,2897	4,2853	4,2463	4,2785
USDPLN	3,7709	3,8356	3,8294	3,7799	3,8004
EURUSD	1,1175	1,1288	1,1182		1,1234

Interest rate market

19.05.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4,70	3
PS0130 (5L)	5,13	7
DS1034 (10L)	5,55	7

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4,72	4,34	2,03
2L	4,31	4,03	2,00
3L	4,23	3,95	2,08
4L	4,25	3,95	2,17
5L	4,30	3,96	2,24
8L	4,49	4,09	2,43
10L	4,64	4,18	2,52

WIBOR rates

Term	%	Change (bps)
O/N	5,27	0
T/N	5,33	0
SW	5,33	-1
1M	5,38	-2
3M	5,22	-3
6M	5,01	0
1Y	4,84	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5,12	-2
3x6	4,81	0
6x9	4,41	0
9x12	4,09	1
3x9	4,65	0
6x12	4,30	0

CDS rates and 10Y yield spread vs. German Bund

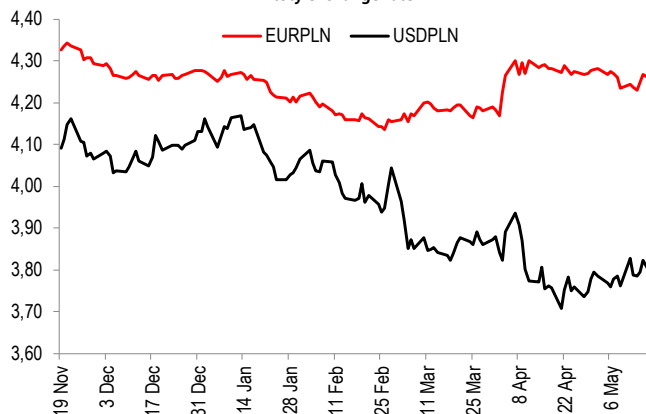
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	71	297
France	19	67
Hungary	129	448
Spain	35	63
Italy	24	102
Portugal	18	51
Ireland	15	31
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

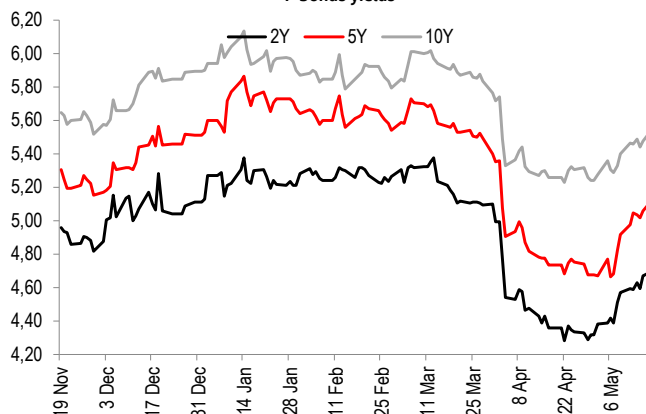
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

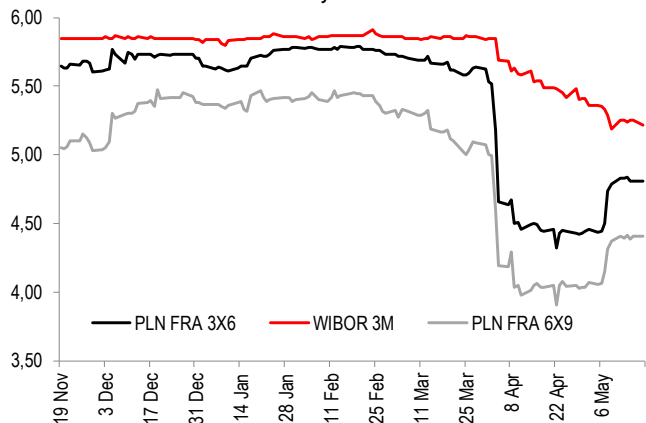
Zloty exchange rate



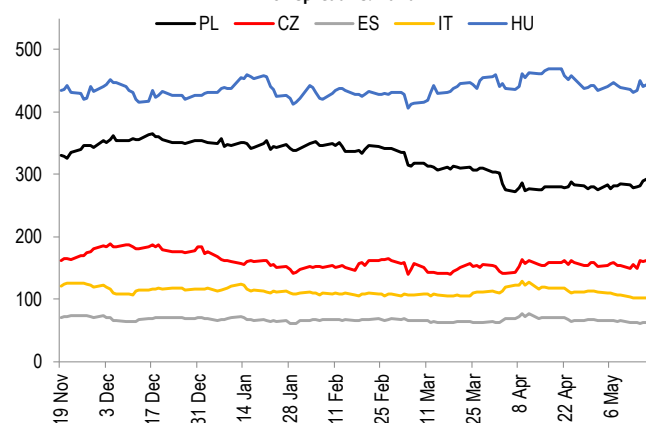
T-bonds yields



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 (16 May)								
14:00	PL	CPI Core	Apr	% y/y	3.5	3.5	3.4	3.6
14:30	US	Housing Starts	Apr	% m/m	3.0	-	1.6	-10.1
16:00	US	Michigan index	May	pts	53.5	-	50.8	52.2
MONDAY (19 May)								
11:00	EZ	HICP	Apr	% y/y	2.2	-	2.2	2.2
TUESDAY (20 May)								
No data releases								
WEDNESDAY (21 May)								
10:00	PL	Employment in corporate sector	Apr	% y/y	-0.9	-0.9	-	-0.9
10:00	PL	Average Gross Wages	Apr	% y/y	8.1	8.4	-	7.7
10:00	PL	Sold Industrial Output	Apr	% y/y	-0.1	0.2	-	2.5
10:00	PL	PPI	Apr	% y/y	-1.5	-1.3	-	-1.1
THURSDAY (22 May)								
09:30	DE	Germany Manufacturing PMI	May	pts	48.8	-	-	48.4
09:30	DE	Markit Germany Services PMI	May	pts	49.7	-	-	49.0
10:00	DE	IFO Business Climate	May	pts	87.45	-	-	86.9
10:00	EZ	Eurozone Manufacturing PMI	May	pts	49.3	-	-	49.0
10:00	EZ	Eurozone Services PMI	May	pts	50.5	-	-	50.1
10:00	PL	Construction Output	Apr	% y/y	-0.6	-0.2	-	-1.1
14:30	US	Initial Jobless Claims	weekly	k	228	-	-	229
16:00	US	Existing Home Sales	Apr	% m/m	3.2	-	-	-5.9
FRIDAY (23 May)								
08:00	DE	GDP WDA	1Q	% y/y	-0.2	-	-	-0.2
14:00	PL	Money Supply M3	Apr	% y/y	9.9	10.1	-	10.3
16:00	US	New Home Sales	Apr	% m/m	-3.3	-	-	7.4

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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