

30 May 2025

# Weekly Economic Update

## Election, GDP, MPC decision

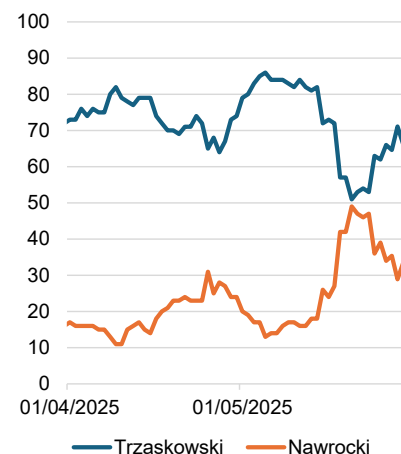
### Economy next week

- The number 1 topic at the start of the new week will be **the outcome of the presidential election in Poland**. Polls continue to indicate that the chances of the two candidates are almost even. It may turn out that the winner will be determined by a small difference in votes, so the exit poll results available on Sunday evening may not dispel all uncertainty and the market will wait for official data from the National Electoral Commission.
- The domestic economic calendar includes the **publication of the industrial PMI for May and the full Q1 2025 GDP data** (both on Monday morning), as well as the **MPC's decision on interest rates** (Wednesday), followed by the NBP president's speech (Thursday).
- We expect a gentle decline in the PMI to 50.1 pts. (0.1 below the April level), but the report should, in our view, indicate the continuation of a slightly positive trend in domestic manufacturing, supported by a recovery in foreign demand.
- The GDP data will reveal the composition of GDP growth, which, according to a preliminary release two weeks ago, slowed slightly in Q1 to 3.2% y/y (from 3.4% y/y in Q4 2024). According to our estimates, consumption growth slowed to just under 3% y/y at the start of this year, gross investment declined by 2% y/y and net exports had a negative contribution to GDP growth of almost -2ppt, which was more than offset by a positive contribution from inventories.
- **The Monetary Policy Council is likely to keep interest rates unchanged**, in line with what it had clearly signalled after cutting rates by 50bp in May. As usual, attention will focus on President Glapinski's conference in search of forward guidance for the coming months and references to the surprising data of recent weeks: higher-than-expected wages and retail sales, and on the other hand, lower-than-forecast inflation and an unexpected cut in gas prices, which mean, in our view, that CPI inflation in July could fall below 3% y/y and is likely to touch the 2.5% inflation target in the following month.
- The day after the MPC, **the ECB will decide on interest rates**. Another 25bp rate cut in the euro area (deposit rate to 2.0%) is widely expected.
- The list of economic data releases abroad includes final manufacturing and services PMIs, Q1 GDP data, eurozone inflation and the monthly US non-farm employment report.
- **The next round of Russia-Ukraine talks** is scheduled for Monday, 2 June in Turkey.

### Markets next week

- EURPLN has remained relatively stable since Monday, moving in a narrow range of 4.23-4.25. Volatility may increase after the weekend, but it is difficult to determine the direction at the moment. According to our conversations with investors and traders, the last few days have seen interest from large foreign hedge funds in positioning for a strengthening of the zloty.
- The news of recent days (lower gas prices, CPI in May below forecasts) lowered inflation forecasts for the second half of the year, increasing market expectations of MPC rate cuts after the summer holidays, which shifted FRA, IRS and bond curves downwards. If Q1 GDP data do not deviate significantly from our expectations and the NBP governor's conference does not bring another unexpected turn in the narrative, this downward movement could continue after the weekend, especially as it is also supported by a slight fall in yields on core markets.

Chances of two candidates in the presidential elections in Poland according to Polymarket, %

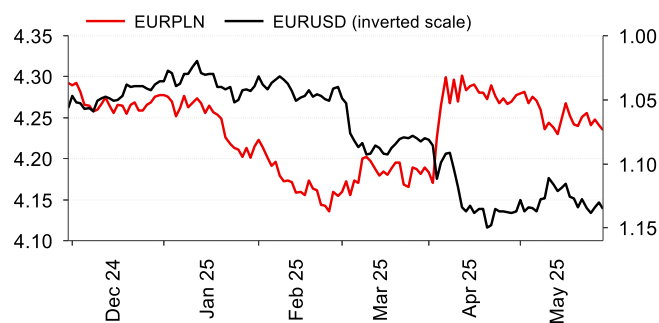


Source: Bloomberg, Santander

### Economic Analysis Department:

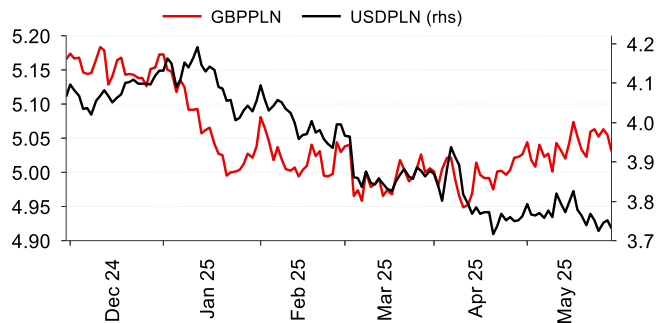
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### EURPLN and EURUSD



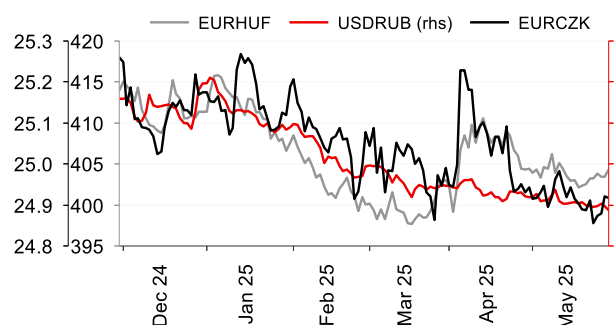
Source: LSEG Datastream, Santander

### GBPPLN and USDPLN



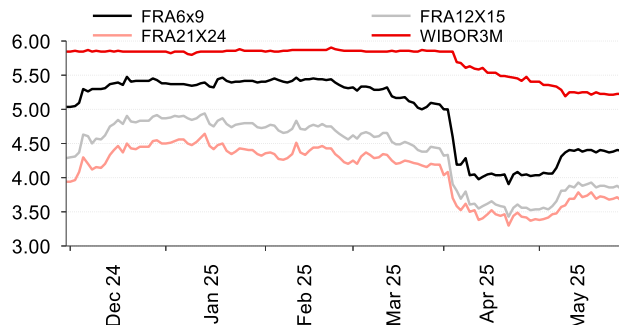
Source: LSEG Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



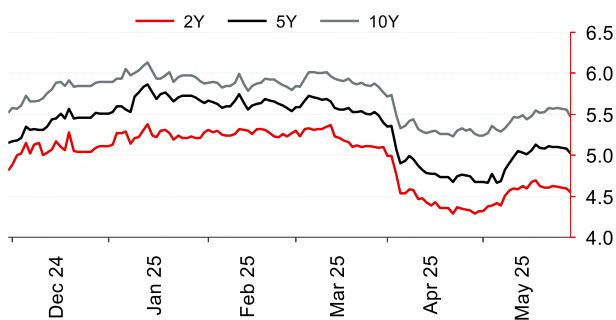
Source: LSEG Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



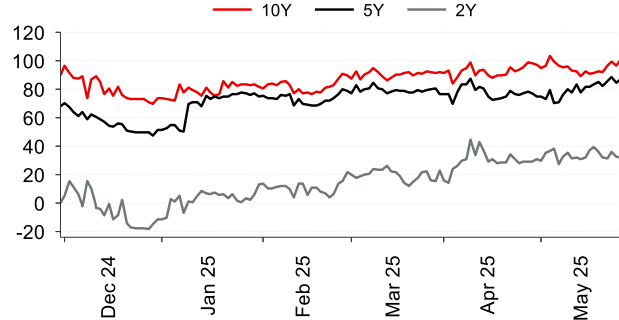
Source: LSEG Datastream, Santander Bank Polska

### Polish bond yields



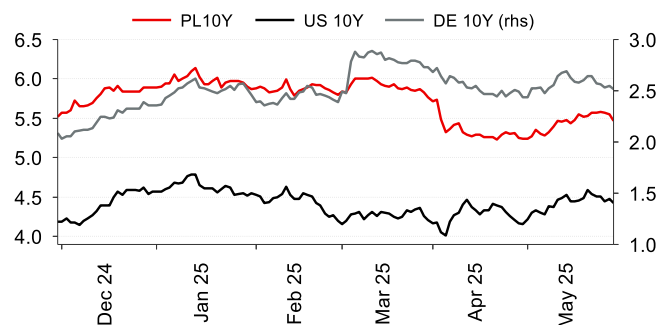
Source: LSEG Datastream, Santander Bank Polska

### Asset swap spreads



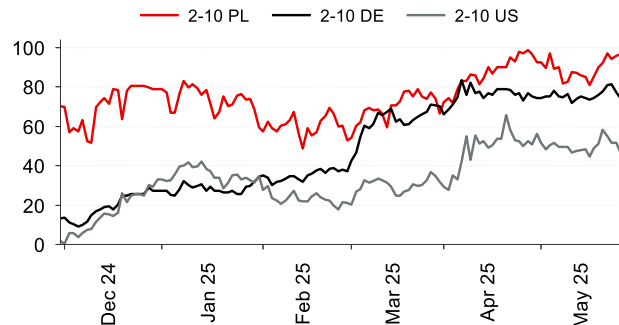
Source: LSEG Datastream, Santander Bank Polska

### 10Y bond yields



Source: LSEG Datastream, Santander

### Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (2 June)							
09:00	PL	Poland Manufacturing PMI	May	pts	50.3	50.1	50.2
09:55	DE	Germany Manufacturing PMI	May	pts	48.8	-	48.4
10:00	EZ	Eurozone Manufacturing PMI	May	pts	49.4	-	49.0
10:00	PL	GDP	1Q	% y/y	3.2	3.2	3.4
16:00	US	ISM manufacturing	May	pts	49.2	-	48.7
TUESDAY (3 June)							
08:30	HU	GDP	1Q	% y/y	0.0	-	0.4
11:00	EZ	Flash HICP	May	% y/y	2.0	-	2.2
11:00	EZ	Unemployment Rate	Apr	%	6.2	-	6.2
16:00	US	Durable Goods Orders	Apr	% m/m	-	-	-6.3
16:00	US	Factory Orders	Apr	% m/m	-3.1	-	3.4
WEDNESDAY (4 June)							
	PL	MPC decision		%	5.25	5.25	5.25
09:00	CZ	CPI	May	% y/y	2.1	-	1.8
09:55	DE	Markit Germany Services PMI	May	pts	47.2	-	49.0
10:00	EZ	Eurozone Services PMI	May	pts	48.9	-	50.1
14:15	US	ADP report	May	k	110	-	62
16:00	US	ISM services	May	pts	52.0	-	51.6
THURSDAY (5 June)							
03:45	CN	Caixin China PMI Services	May	pts	51.0	-	50.7
08:00	DE	Factory Orders	Apr	% m/m	-0.9	-	3.6
14:15	EZ	ECB Main Refinancing Rate	Jun.25	%	2.00	-	2.25
14:30	US	Initial Jobless Claims	May.25	k	-	-	240
FRIDAY (6 June)							
08:00	DE	Exports SA	Apr	% m/m	-0.8	-	1.2
08:00	DE	Industrial Production SA	Apr	% m/m	-1.0	-	3.0
08:30	HU	Industrial Production SA	Apr	% y/y	-4.3	-	-5.4
09:00	CZ	Industrial Production	Apr	% y/y	-1.4	-	4.5
11:00	EZ	GDP SA	1Q	% y/y	1.2	-	1.2
11:00	EZ	Retail Sales	Apr	% m/m	0.2	-	-0.1
14:30	US	Change in Nonfarm Payrolls	May	k	130	-	177
14:30	US	Unemployment Rate	May	%	4.2	-	4.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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