3 June 2025

Eyeopener

Polish GDP supported by investment

Today LFS unemployment rate in April, flash inflation in the euro zone
GDP advanced by 3.2% y/y in 1Q25, partially thanks to strong rise in investment
Sentiments in Polish manufacturing clearly worse in May according to the PMI survey
PM Tusk is to ask for the vote of confidence
Zloty temporarily weaker on Monday, steeper yield curve

Today, we will see April data on LFS unemployment in EU countries, including Poland. These will be the first data after the preliminary results of the survey for 1Q25 showed an unexpected increase in the rate of LFS unemployment in Poland from 2.8% to 3.4%. In the euro area, there will also be flash HICP inflation data for May, which the market expects to show a decline from 2.2% y/y to 2.0% y/y. Apart from that, the US will release April data on durable goods orders and industrial orders. Last night, China's manufacturing PMI showed a decline to 48.3 pts from 50.4 pts, and in the morning, the second estimate of Hungary's GDP growth confirmed the first reading of -0.2% q/q.

1Q25 GDP growth has been confirmed by the stats office at 3.2% y/y and 0.7% q/q on a seasonally adjusted basis. The big positive surprise was investment, which rose 6.3% y/y (our forecast was -2.0% y/y). Private consumption was up 2.5% y/y (we expected 2.7% y/y). The foreign trade balance subtracted 1.1 percentage points from GDP growth, while inventories added 1.5 percentage points. We believe the GDP will gradually accelerate in the upcoming quarters, increasingly supported by the recovering investment cycle, with entire 2025 at 3.4%. Read more in our Economic Comment.

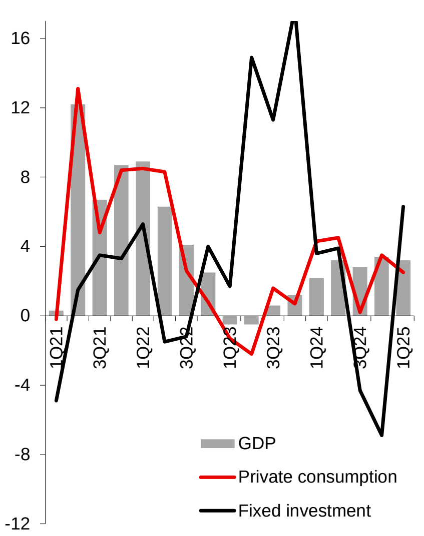
Prime Minister Donald Tusk is going to **ask the Sejm for a vote of confidence**. If no vote of confidence is obtained, the government is obliged to resign and a new government is formed. If a new government is not formed in three steps, the parliament is dissolved.

In May, Polish manufacturing PMI dropped from 50.2 pts to 47.1 pts, the lowest since June 2024. A m/m decline of this magnitude was last seen in June 2022. According to the report, accelerated deterioration of new orders triggered negative adjustment in current output, purchasing activity and employment. The business sectors that signalled the largest decline in new orders were automotive, energy and construction. The 12-month production outlook index also fell and was the lowest so far this year. Anecdotal evidence summarized in the report blames lack of investment for the deterioration of sentiment in manufacturing. There is also no sign of stock building despite the uncertainty about global tariffs – on the contrary, the report mentions a decline in the stock of input held by producers. The May PMI report cools down expectations for a sustainable rebound in Polish industry. That said, it is worth to note that PMI is the most volatile of the Polish business sentiment indicators and the indices prepared by GUS and European Commission did not show such a rapid deterioration. Apart from this, **the euro zone manufacturing PMI** improved by 0.4 pts in May (to 49.4 pts, in line with the preliminary reading) and the German index fell by 0.1 pts (to 48.3, against an initially shown increase of 0.4 pts). The Czech PMI fell by 0.9 pts (to 48.0) and the Hungarian index stood at 50.1 pts, compared to 50.2 pts previously.

EURPLN on Monday at the end of the day was almost in the same place as at Friday close, near 4.25. However, the exchange rate was not stable during the day. At its peak, at the beginning of the session, the weakening of the zloty against the euro reached around 0.6%, in what seemed the first reaction to the presidential election result. As for changes in other CEE currencies, the Hungarian forint strengthened against the euro by c. 0.25% and the Czech koruna gained 0.2%. There was a significant depreciation of the dollar against the euro, which led to a rise in EURUSD of around 0.7%, above 1.14.

Polish bond prices started the week with declines, which translated into a 3-8 bp rise in their yields with the yield curve steepening by nearly 6 bp. Yield increases, albeit on a slightly smaller scale, were also seen in the core markets, including around 3 bp across the curve in Germany and 3-4 bp in the US. Domestic IRS rates increased by 2-3 bp and FRA rates by 0-4 bp, in both cases the rise was a little stronger further down the curve. The key issue for market rates in Poland this week is how the MPC on Wednesday and the NBP president on Thursday address the latest local data and events (including a strong rebound in wage growth and retail sales, but also a further decline in inflation and the regulator's decision to cut gas prices for households in July).

GDP and its components, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.2624	CZKPLN	0.1712
USDPLN	3.7320	HUFPLN*	1.0454
EURUSD	1.1422	RONPLN	0.8433
CHFPLN	4.5603	NOKPLN	0.3686
GBPPLN	5.0487	DKKPLN	0.5713
USDCNY	7.1966	SEKPLN	0.3905

*for 100HUF

Last session in the FX market 02/06/2025

	min	max	open	close	fixing
EURPLN	4.2449	4.2753	4.2713	4.2475	4.2578
USDPLN	3.7109	3.7589	3.7572	3.7164	3.7282
EURUSD	1.1362	1.1449	1.1365	1.1430	

Interest rate market 02/06/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.49	0
PS0130 (5L)	4.97	4
DS1034 (10L)	5.44	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.57	-1	4.32	2	1.98	0
2L	4.13	-1	4.00	6	1.94	0
3L	4.02	0	3.90	5	2.03	1
4L	4.03	1	3.89	5	2.12	1
5L	4.06	-1	3.91	4	2.19	1
8L	4.26	0	4.07	4	2.41	2
10L	4.41	-1	4.17	4	2.52	2

WIBOR rates

Term	%	Change (bps)
O/N	5.30	20
T/N	5.32	1
SW	5.31	0
1M	5.34	0
3M	5.19	-3
6M	5.01	-2
1Y	4.83	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.00	4
3x6	4.66	-1
6x9	4.23	0
9x12	3.89	0
3x9	4.51	0
6x12	4.12	1

CDS rates and 10Y yield spread vs. German Bund

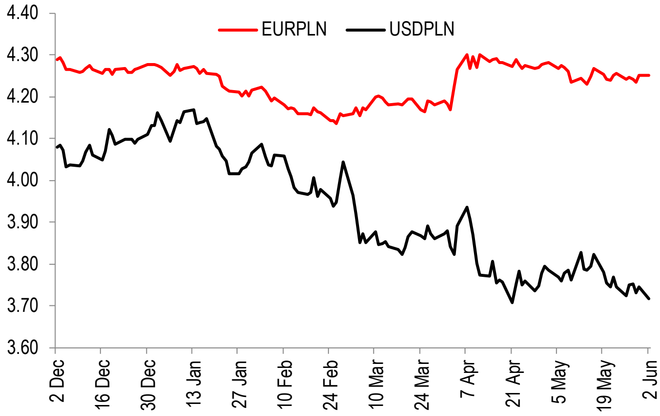
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	71	0	288	-7
France	18	-1	66	-1
Hungary	130	0	453	-3
Spain	33	-1	59	-1
Italy	23	0	99	0
Portugal	16	-1	48	-2
Ireland	15	0	29	1
Germany	7	-1	-	-

* 10Y treasury bonds over 10Y Bunds

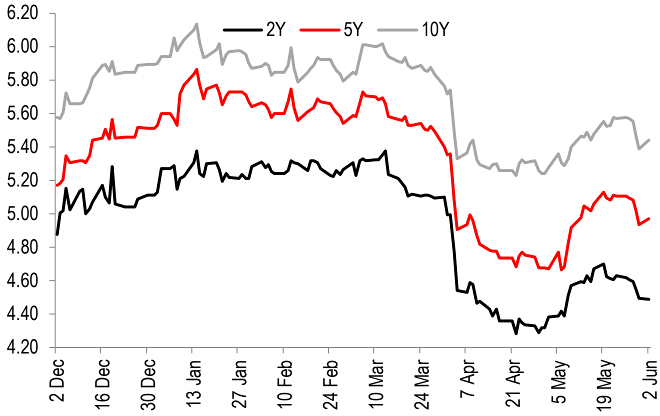
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

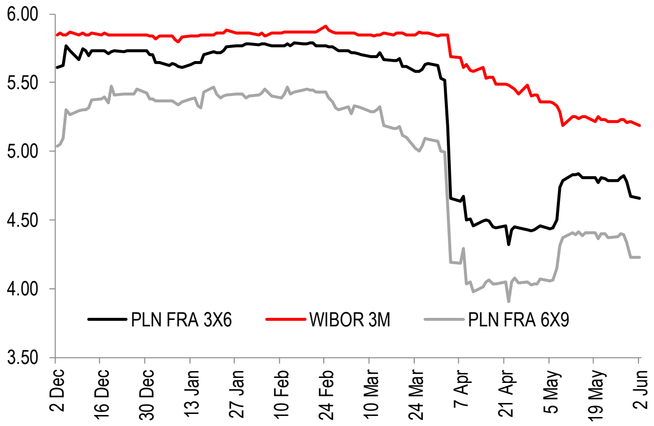
Zloty exchange rate



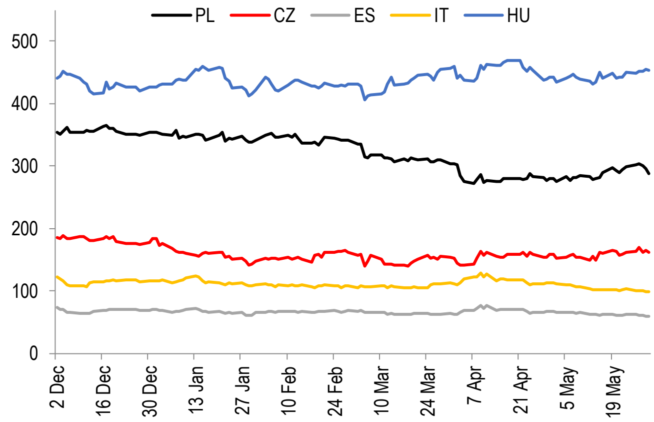
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (30 May)					
08:00	DE	Retail Sales	Apr	% m/m	0.2	-	-1.1	0.4
09:00	CZ	GDP SA	1Q	% y/y	2.0	-	2.2	1.8
10:00	**PL**	**CPI**	**May**	**% y/y**	**4.3**	**4.2**	**4.1**	**4.3**
14:00	DE	HICP	May	% m/m	0.1	-	0.2	0.5
14:30	US	Personal Spending	Apr	% m/m	0.2	-	0.2	0.7
14:30	US	Personal Income	Apr	% m/m	0.3	-	0.8	0.7
14:30	US	PCE Deflator SA	Apr	% m/m	0.1	-	0.1	0.0
16:00	US	Michigan index	May	pts	50.8	-	52.2	52.2
			MONDAY (2 June)					
09:00	**PL**	**Poland Manufacturing PMI**	**May**	**pts**	**50.3**	**50.1**	**47.1**	**50.2**
09:55	DE	Germany Manufacturing PMI	May	pts	48.8	-	48.3	48.4
10:00	EZ	Eurozone Manufacturing PMI	May	pts	49.4	-	49.4	49.0
10:00	**PL**	**GDP**	**1Q**	**% y/y**	**3.2**	**3.2**	**3.2**	**3.4**
16:00	US	ISM manufacturing	May	pts	49.5	-	48.5	48.7
			TUESDAY (3 June)					
08:30	HU	GDP	1Q	% y/y	0.0	-	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**	**Jun**	**%**	**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	%	2.00	-	-	2.25
14:30	US	Initial Jobless Claims	weekly	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
** in the case of a revision the data is updated*

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.