

06 June 2025

Weekly Economic Update

Government says: check

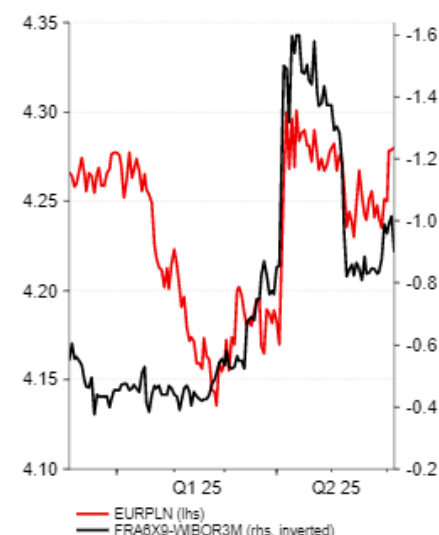
Economy next week

- Next week the calendar of economic events is quite modest. In Poland, there are only two data releases: on Friday, the 13th, there will be **May CPI inflation and the April balance of payments**. Abroad, mainly inflation data (including in Czechia, Hungary, the US and eurozone countries), plus industrial production in the eurozone, the University of Michigan's US consumer sentiment index.
- Flash CPI data showed a **decline in inflation in May to 4.1% y/y**, below expectations. We assume that the final reading will confirm this result, while indicating that the lower price momentum in the core categories was largely responsible for the surprise. The data should not have a material impact on market sentiment.
- As regards the balance of payments, another month of current account deficit is expected (our forecast and market consensus close to -EUR850m), with still low export growth (around 1% y/y) and elevated imports (around 7% y/y).
- Investors' attention will remain focused around political issues, including the **confidence vote for the government scheduled for Wednesday 11 June** in the parliament. Earlier, on Monday, a meeting of coalition leaders is to be held, at which the terms of further cooperation and programme proposals to be included in PM Tusk's expose may be agreed. Sejm Speaker Szymon Hołownia today proposed to include a windfall tax on bank profits in the coalition agreement.
- A simple majority of votes is needed to pass a confidence vote, in the presence of at least half of the statutory number of MPs. We assess the chances of the Sejm rejecting the vote of confidence as low.
- As usual, **new interviews with MPC members** can be expected after the Council meeting, which will be particularly closely scrutinised due to the palpable turn towards hawkishness at the NBP governor's conference. So far, we have seen comments from MPC's Wnorowski, who agreed with greater caution in rate cuts, Kotecki, who started to doubt in the support of the MPC's majority for further cuts, and Litwiniuk, who reiterated the view that rates could fall by 100-125bp in total this year, yet agreeing that the next move could be delayed until September.

Markets next week

- The FX market reacted to the presidential election result with a moderate weakening of the zloty, pricing in slightly more political uncertainty. EURPLN moved towards 4.29 by the end of the week from 4.23 before the election weekend (i.e. by around 1.3%). At the same time, other currencies of the region were stable (HUF) or even strengthened (CZK). Unless the outcome of the confidence vote in the parliament comes as a surprise, **we assume a stabilisation of EURPLN in the range of 4.25-4.30**. A no-confidence vote for the government would mean an increase in political uncertainty and further weakening of the zloty.
- Bond yields and money market curves have moved up in recent days firstly because the outcome of the presidential election in a fairly widespread opinion (with which we agree) suggests a greater risk of more expansionary fiscal policy, and secondly in reaction to another hawkish pivot by the central bank – NBP president's comments clearly suggested pushing back the date of the next rate cut at least until September. **The short end of the curves should stabilise in the coming days** in the absence of any new data that could materially change expectations regarding the MPC's actions (unless new MPC members' comments bring something completely new). **The behaviour of the long end may be influenced by, among other things, the content of PM Tusk's expose** (whether there will be new costly promises) and the outcome of the vote in the parliament. In the (unlikely) scenario of a rejection of the confidence motion, one would have to assume a stronger curve steepening in anticipation of pro-cyclical economic policy and greater political instability.

EURPLN vs interest rate expectations

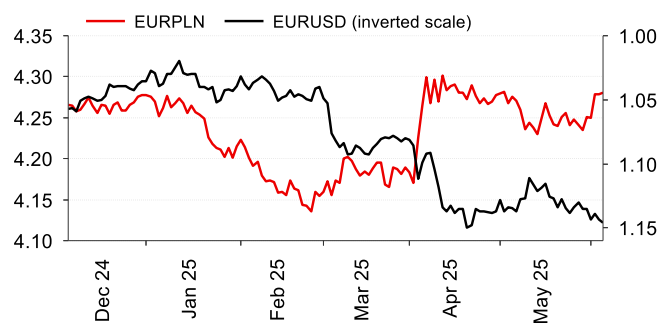


Source: LSEG Datastream, Santander

Economic Analysis Department:

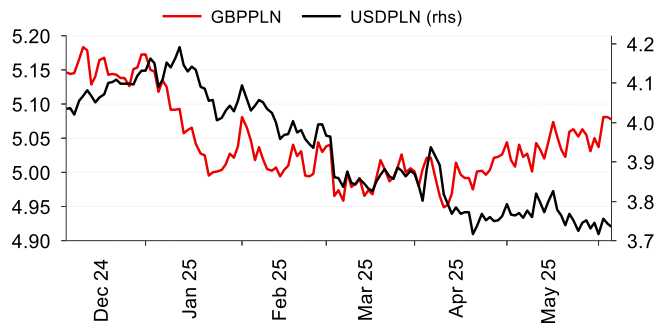
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EURPLN and EURUSD



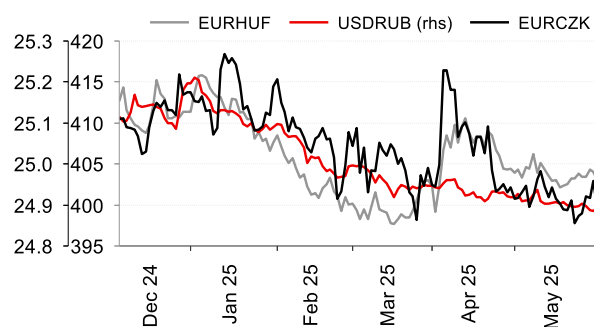
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



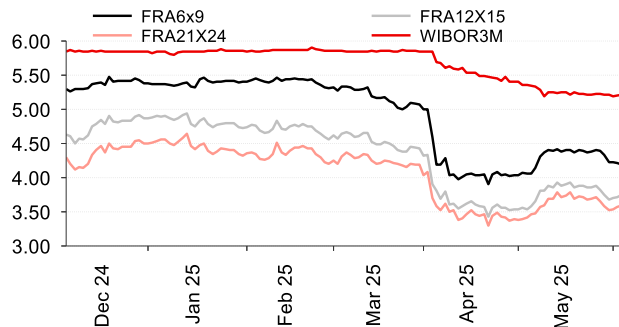
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



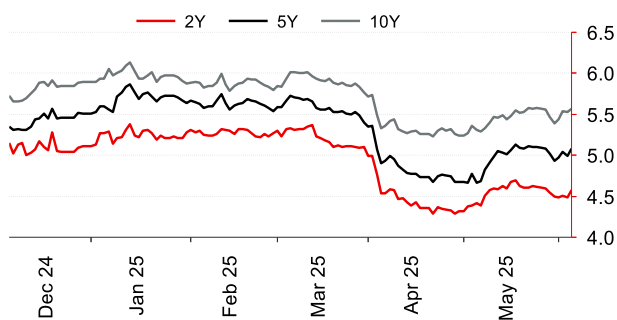
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



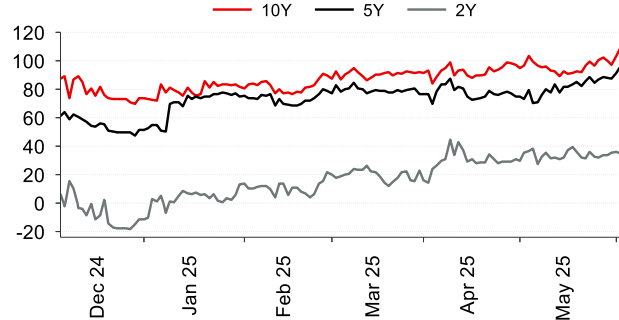
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



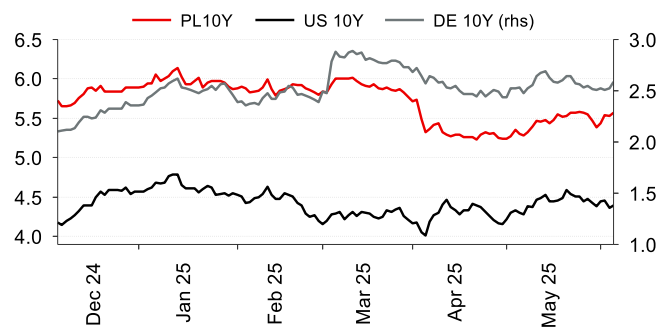
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



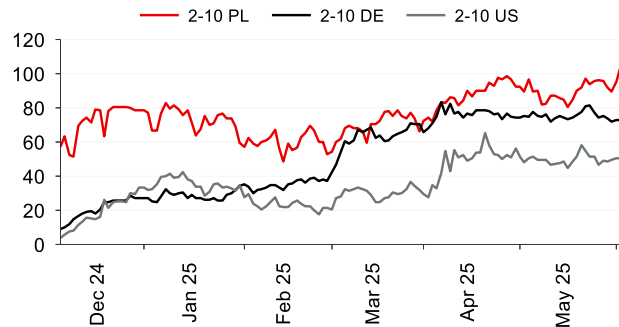
Source: LSEG Datastream, Santander Bank Polska

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 (9 June)							
03:30	CN	CPI	May	% y/y	-0.2	-	-0.1
03:30	CN	PPI	May	% y/y	-3.1	-	-2.7
-	CN	Exports	May	% y/y	6.0	-	8.1
TUESDAY (10 June)							
09:00	CZ	CPI	May	% y/y	2.4	-	1.8
WEDNESDAY (11 June)							
08:30	HU	CPI	May	% y/y	4.3	-	4.2
14:30	US	CPI	May	% y/y	2.5	-	2.3
14:30	US	CPI core	May	% y/y	2.9	-	2.8
THURSDAY (12 June)							
14:30	US	Initial Jobless Claims	Jun.25	k	-	-	247
FRIDAY (13 June)							
08:00	DE	HICP	May	% y/y	2.1	-	2.2
10:00	PL	CPI	May	% y/y	4.1	4.1	4.3
11:00	EZ	Industrial Production SA	Apr	% m/m	-1.6	-	2.6
14:00	PL	Current Account Balance	Apr	€mn	-835	-835	-1419
14:00	PL	Trade Balance	Apr	€mn	-1273	-894	-1895
14:00	PL	Exports	Apr	€mn	28318	29080	29211
14:00	PL	Imports	Apr	€mn	29569	29974	31106
16:00	US	Michigan index	Jun	pts	52.0	-	52.5

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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