

9 June 2025

Eyeopener

MPC members cautious about further rate cuts

Today in Poland the meeting of the ruling coalition leaders
MPC members more sceptical about a possible rate cut in July
Złoty weaker, bond yield curve higher

Today, leaders of the parties forming the current ruling coalition will hold a meeting, at which they may discuss the terms of their further cooperation as well as programme proposals to be included in Prime Minister Donald Tusk's expose. The Prime Minister will submit a motion in the Sejm this week for a vote of confidence. The vote is expected to take place on Wednesday at around 2 p.m. Overnight, May inflation data were released in China: annual CPI growth remained slightly negative for the fourth month and PPI growth fell to -3.3% y/y, the lowest since July 2023. In May, Chinese exports slowed more than expected, from 8.1% y/y to 4.8% y/y, with exports to the US down 34.4% y/y.

MPC Member Henryk Wnorowski said in an interview for Bloomberg that although he did not rule out the possibility of an interest rate cut in July, he had become less inclined to loosen monetary since the MPC's May meeting. Wnorowski added that an interest rate cut might be more likely in September than in July, with the benchmark rate likely to be below 4% by the end of 2026. **Przemysław Litwiniuk**, in an interview on TOK FM, reiterated his view that rates could cumulatively fall by 100-125bp this year, but favoured postponing the forthcoming decision until September. Ludwik Kotecki, on the other hand, while still believing that further 50 bp of cuts are justified this year, said he was not sure whether there would be a majority in the MPC in favour of a rate cut in July or September. **Joanna Tyrowicz** assessed on LinkedIn that a change in the level of the reserve requirement interest rate should be preceded by the publication of a report explaining its implications, as well as an analysis of its impact on future policy of commercial banks. According to Tyrowicz, any change in the interest rate on the mandatory reserve should be announced at the stage of developing the "Monetary Policy Assumptions for 2026".

According to the **minutes of the MPC's May meeting**, Council members assessed that CPI inflation in 2025 could be significantly lower than indicated in the NBP's March inflation projection (4.9%, according to us it will be below 4%), but due to uncertainty (related to demand pressures, the labour market situation, energy price levels and fiscal policy), it was necessary to continue with a monetary policy aimed at permanently lowering inflation to the NBP's target.

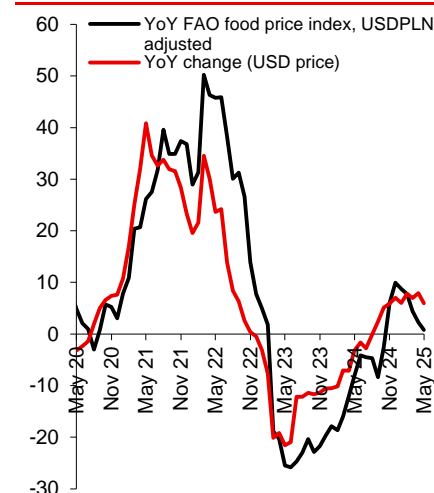
World food price growth, as measured by the FAO index, decelerated to 6% y/y in May after three months of 7-8% y/y growth, including 7.9% y/y in April. The slowdown in the growth of the overall food price index was due to declines in the growth of the cereals, dairy and oils price indices, and occurred while the growth of the meat and sugar price indices increased. The FAO growth rate expressed in Polish zloty (i.e. adjusted for exchange rate changes) registered its fifth consecutive decline, from 10.0% y/y in December and 2.3% y/y in April to 0.8% y/y in May. The slowdown in the growth of global food prices may limit the pressure on food prices in Poland.

1Q25 GDP growth in the euro area in was revised up from 1.2% y/y to 1.5% y/y. The acceleration from 1.2% y/y in 4Q24 was due in part to a rebound in investment growth from -1.8% y/y to 1.9% y/y.

On Friday, the Polish zloty continued its depreciation against the euro, which continued throughout last week. The zloty's loss to the euro on Friday was around 0.2%, and 1.0% on the weekly scale. The Hungarian forint and the Czech koruna fared better than the Polish zloty. The EURHUF exchange rate was only minimally affected both on Friday and over the week as a whole, while the EURCZK exchange rate fell by 0.1% on Friday and by around 0.5% on a weekly basis. In the case of the EURUSD exchange rate, Friday saw a decline of around 0.2% and last week saw an increase of around 0.4%.

Domestic FRA rates rose further on Friday, by around 10bp across the board except at the short end of the curve, where the increase was 5bp. IRS rates also increased, by 6-8 bp, a little more strongly at the short end of the curve. Over the week, IRS rates rose 14-18 bp, more at the short end of the curve, and FRA rates rose 11-27 bp, more at the long end of the curve. Domestic bond yields rose 5-10bp on Friday with a 2bp steepening of their curve, and for the week they rose 10-20bp with an 11bp steepening of the curve. In the case of the core markets, Friday saw US bond yields rise by 7-9 bp and negligible declines in German bond yields.

Global food price index growth, % y/y



Source: FAO, Santander

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FX market

Today's opening

EURPLN	4.2858	CZKPLN	0.1727
USDPLN	3.7517	HUFPLN*	1.0625
EURUSD	1.1422	RONPLN	0.8496
CHFPLN	4.5738	NOKPLN	0.3721
GBPPLN	5.0884	DKKPLN	0.5744
USDCNY	7.1857	SEKPLN	0.3903

*for 100HUF

Last session in the FX market

08.06.2025

	min	max	open	close	fixing
EURPLN	4.2779	4.2886	4.2791	4.2861	4.2881
USDPLN	3.7392	3.7710	3.7401	3.7614	3.7565
EURUSD	1.1369	1.1442	1.1439	1.1396	

Interest rate market

08.06.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.64	7
PS0130 (5L)	5.16	7
DS1034 (10L)	5.62	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.72	7	4.37	7	2.00	0
2L	4.31	7	4.08	12	2.01	0
3L	4.20	7	4.01	12	2.10	1
4L	4.18	7	4.01	12	2.19	1
5L	4.22	6	4.04	12	2.28	1
8L	4.41	6	4.17	11	2.48	1
10L	4.55	5	4.25	10	2.59	1

WIBOR rates

Term	%	Change (bps)
O/N	5.29	7
T/N	5.32	-5
SW	5.33	0
1M	5.34	1
3M	5.21	1
6M	5.01	1
1Y	4.84	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.07	3
3x6	4.79	5
6x9	4.41	11
9x12	4.15	10
3x9	4.63	5
6x12	4.30	10

CDS rates and 10Y yield spread vs. German Bund

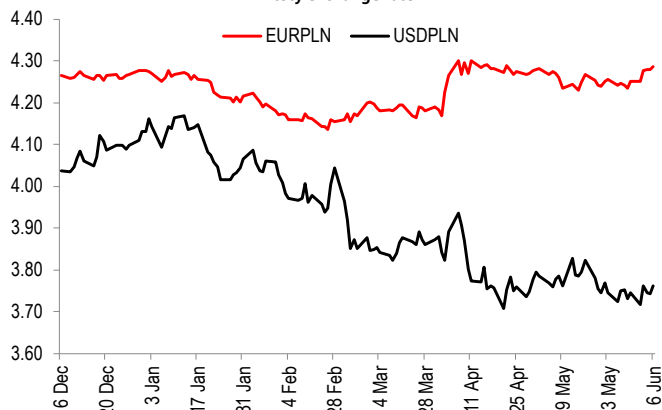
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	298	-2
France	17	0	68	0
Hungary	127	-2	451	-6
Spain	32	0	59	-1
Italy	22	0	97	-1
Portugal	16	0	48	0
Ireland	13	0	30	-1
Germany	6	0	-	-

* 10Y treasury bonds over 10Y Bunds

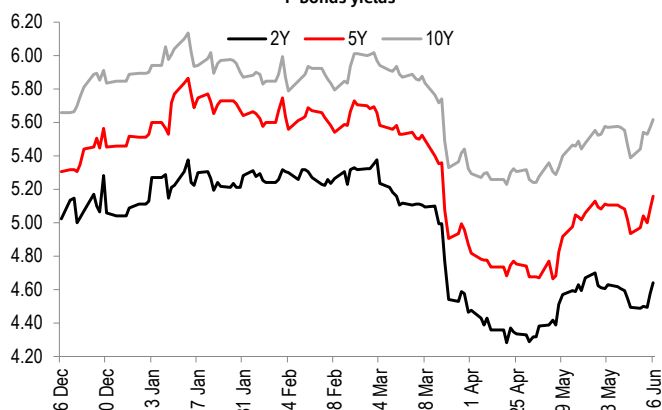
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

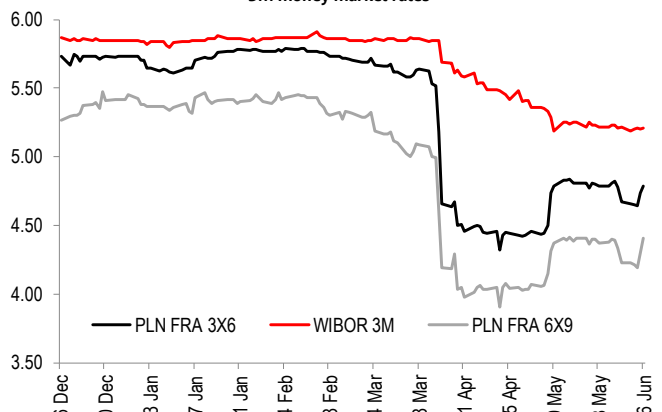
Zloty exchange rate



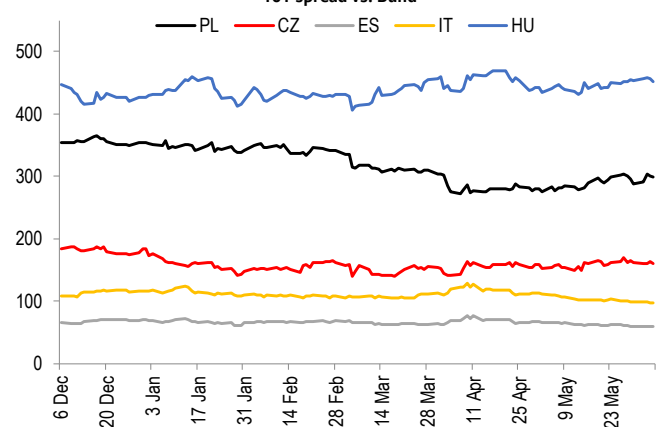
T-bonds yields



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 (6 June)								
08:00	DE	Exports SA	Apr	% m/m	-0.8	-	-1.7	1.1
08:00	DE	Industrial Production SA	Apr	% m/m	-1.0	-	-1.4	2.3
08:30	HU	Industrial Production SA	Apr	% y/y	-4.3	-	-2.3	-5.4
09:00	CZ	Industrial Production	Apr	% y/y	-1.4	-	2.0	4.5
11:00	EZ	GDP SA	1Q	% y/y	1.2	-	1.5	1.2
11:00	EZ	Retail Sales	Apr	% m/m	0.2	-	0.1	0.4
14:30	US	Change in Nonfarm Payrolls	May	k	126	-	139	146
14:30	US	Unemployment Rate	May	%	4.2	-	4.2	4.2
MONDAY (9 June)								
03:30	CN	CPI	May	% y/y	-0.2	-	-0.1	-0.1
03:30	CN	PPI	May	% y/y	-3.1	-	-3.3	-2.7
05:00	CN	Exports	May	% y/y	6.0	-	4.8	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	Core Inflation	May	% y/y	2.9	-	-	2.8
THURSDAY (12 June)								
14:30	US	Initial Jobless Claims	weekly	k	-	-	-	247
FRIDAY (13 June)								
08:00	DE	HICP	May	% m/m	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	-	-1 419
14:00	PL	Trade Balance	Apr	€mn	-1 273	-894	-	-1 895
14:00	PL	Exports	Apr	€mn	28 318	29 080	-	29 211
14:00	PL	Imports	Apr	€mn	29 569	29 974	-	31 106
16:00	US	Michigan index	Jun	pts	52.0	-	-	52.5

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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