

17 June 2025

# Eyeopener

## Core inflation lowest in five years

Today, German ZEW, US retail sales and industrial production  
Core inflation fell in May to 3.3% y/y, its lowest since January 2020  
Central budget deficit exceeded PLN100bn in May, VAT revenues look solid  
Zloty and other CEE currencies temporarily stronger, oil slightly cheaper

**Today**, we will see the June print of the ZEW indicator of economic sentiment in Germany. According to the market consensus, the index should rise to 30.5 pts from 25.2 pts in May, and thus continue its rebound from the April low of -14 pts, which was caused by the announcement of the so-called "reciprocal tariffs" by the US. In addition, we will see data from the US on retail sales and industrial production in May.

**Core inflation (ex food and energy prices) fell to 3.3% y/y in May from 3.4% y/y in April**, in line with our expectations and the market consensus. Two out of the three alternative measures of core inflation also declined – inflation excluding administered prices from 2.7% y/y to 2.5% y/y and the 15% trimmed mean from 3.9% y/y to 3.8% y/y. Inflation excluding the most volatile prices remained unchanged at 4.6% y/y. Month-on-month, the main core price index fell 0.1% m/m. The decline came after four months of increases by 0.4-0.6% m/m which had raised some questions about the state of inflationary pressures in the economy. We expect that over the rest of the year core inflation may decline a bit further and at the end of the year may be near 3.0-3.1% y/y.

**The budget deficit increased by PLN16.9bn to PLN108.3bn at the end of May**, due to a PLN46.7bn increase in revenue and a PLN63.5bn increase in expenditure. Budget revenue in May was lower by 0.5% y/y, due in part to a 14.0% y/y decline in CIT revenue and a 66.6% y/y decline in PIT revenue. However, the decline in revenue from income taxes was offset by a 16.4% y/y increase in revenue from indirect taxes, including a 20% y/y increase in VAT revenue, according to our estimates. The relatively strong increase in VAT revenue is a good signal on the state of domestic demand.

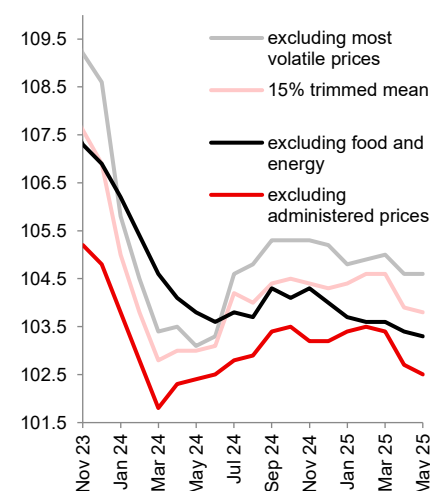
**MPC member Gabriela Mastowska** said in an interview for Bloomberg that she preferred to wait with an interest rate cut until September, when the factors supporting such a decision become clearly identified. Mastowska added that the limiting factor for the room to cut interest rates is loose fiscal policy, and that the war in the Middle East could bring very large changes in trade and business costs. We believe that this approach is now dominant in the MPC and the next cut is more likely in September or even October rather than July.

**Deputy Minister of Funds and Regional Policy Jan Szyszko** assessed in a statement for PAP Biznes that due to the extension of the time for settlement of projects under the RRF until the end of 2026, Poland should be able to use the entire grant part of the plan. With regard to the loan part, the deputy minister said that everything that Poland would want to use would be used, as the time for implementing projects in this part of the plan would be even longer. According to the Ministry of Funds and Regional Policy, 44.5% of all the funds from the Polish RRF allocation have been contracted so far, including almost 60% of grants (PLN66.5bn) and 33.5% of loans (PLN50.7bn).

**The EURPLN exchange rate started the week with an unsuccessful attempt to reverse the rise that took place last Thursday and Friday**. In the end, Monday's close was more or less where the exchange rate was at the end of the European session on Friday, near 4.27. EURHUF and EURCZK behaved similarly yesterday - after a significant decline during the day, there was a quick rebound in the evening. The region's currencies were supported by a weakening of the dollar against the euro during the day by around 0.6%, which took the EURUSD a little above 1.16. However, this was followed by a pullback of half a cent, which brought weakness to our region's currencies.

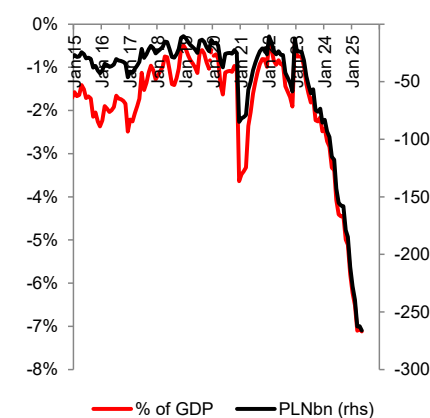
**Domestic money market rates registered slight increases on Monday**, with IRS rates up around 2-3 bp across the curve and FRA rates up 2-4 bp, slightly stronger at the long end of the curve. Domestic bond yields also rose on a similar scale, by 2-3 bp, with their curve flattening by nearly 2 bp. Gentle increases in yields, of 0-2 bp, took place in the USA. In Germany, yields fell by 1-2 bp across the curve. Despite the continuation of reciprocal attacks by Israel and Iran, the price of oil fell by roughly two dollars yesterday, perhaps in response to news that Iran was signalling a willingness to negotiate. Gold also cheapened. However, upward pressure on natural gas prices continued.

Core inflation measures, same month of previous year=100



Source: NBP, Santander

State budget deficit, 12M moving sum



Source: MoF, Santander

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## FX market

### Today's opening

EURPLN	4.2729	CZKPLN	0.1721
USDPLN	3.6981	HUFPLN*	1.0541
EURUSD	1.1555	RONPLN	0.8514
CHFPLN	4.5450	NOKPLN	0.3729
GBPPLN	5.0150	DKKPLN	0.5728
USDCNY	7.1814	SEKPLN	0.3893

\*for 100HUF

### Last session in the FX market

16/06/2025

	min	max	open	close	fixing
EURPLN	4.2593	4.2723	4.2674	4.2704	4.2612
USDPLN	3.6733	3.7009	3.6998	3.6885	3.6804
EURUSD	1.1534	1.1614	1.1534	1.1579	

## Interest rate market

16/06/2025

### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.68	1
PS0130 (5L)	5.12	-3
DS1034 (10L)	5.61	2

### IRS on the interbank market\*\*

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4.75	4.33	2.02
2L	4.37	4.01	2.00
3L	4.27	3.93	2.08
4L	4.27	3.93	2.16
5L	4.31	3.95	2.26
8L	4.50	4.10	2.46
10L	4.64	4.18	2.57

## WIBOR rates

Term	%	Change (bps)
O/N	5.24	-1
T/N	5.32	-1
SW	5.33	0
1M	5.34	0
3M	5.23	1
6M	5.04	-1
1Y	4.85	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	5.08	0
3x6	4.82	0
6x9	4.46	1
9x12	4.18	3
3x9	4.68	0
6x12	4.35	1

## CDS rates and 10Y yield spread vs. German Bund

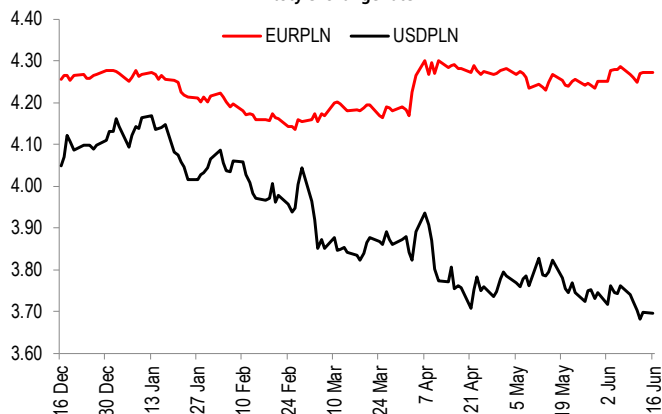
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	70	308
France	17	71
Hungary	126	467
Spain	31	62
Italy	21	94
Portugal	16	51
Ireland	12	32
Germany	6	-

\* 10Y treasury bonds over 10Y Bunds

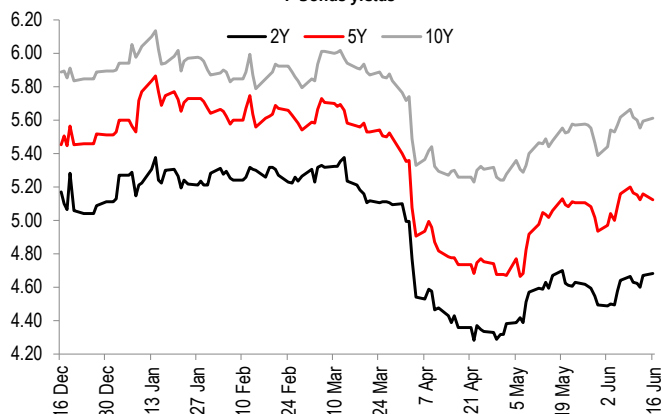
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

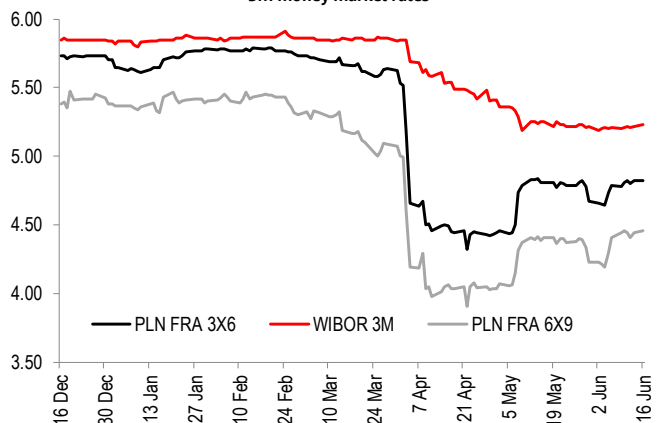
## Zloty exchange rate



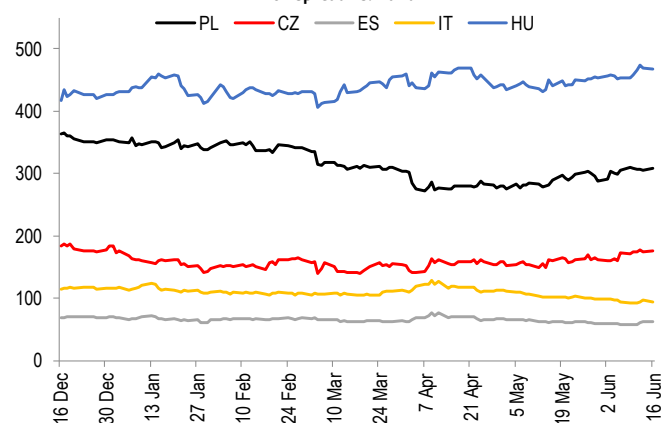
## T-bonds yields



## 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 (13 June)								
08:00	DE	HICP	May	% y/y	2.1	-	2.1	2.2
10:00	PL	CPI	May	% y/y	4.1	4.1	4.0	4.1
11:00	EZ	Industrial Production SA	Apr	% m/m	-1.6	-	-2.4	2.4
14:00	PL	Current Account Balance	Apr	€mn	-835	-835	-374	-1419
14:00	PL	Trade Balance	Apr	€mn	-1 273	-894	-941	-1895
14:00	PL	Exports	Apr	€mn	28 318	29 080	28072	29211
14:00	PL	Imports	Apr	€mn	29 569	29 974	29013	31106
16:00	US	Michigan index	Jun	pts	52.0	-	60.5	52.2
MONDAY (16 June)								
14:00	PL	CPI Core	May	% y/y	3.3	3.3	3.3	3.4
TUESDAY (17 June)								
11:00	DE	ZEW Survey Current Situation	Jun	pts	30.5	-		25.2
14:30	US	Retail Sales Advance	May	% m/m	-0.7	-		0.1
15:15	US	Industrial Production	May	% m/m	0.0	-		0.0
WEDNESDAY (18 June)								
11:00	EZ	HICP	May	% y/y	1.9	-		2.2
14:30	US	Initial Jobless Claims	Jun.25	k	245	-		248
14:30	US	Housing Starts	May	% m/m	-0.1	-		1.6
20:00	US	FOMC decision	Jun.25		4.50	-		4.50
THURSDAY (19 June)								
	PL	Holiday						
FRIDAY (20 June)								
No key events or data releases								

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

\* in the case of a revision the data is updated

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