

2 July 2025

Eyeopener

Sharp decline of PMI

Today MPC decision on interest rates and main figures from the new NBP projection
Polish June manufacturing PMI saw the second large decline in a row
Zloty stable, Polish bond yields slightly lower

Today, we will learn the MPC's decision on the level of interest rates in Poland, as well as the main figures from the new NBP projection. According to the majority of analysts surveyed by Bloomberg, including us, the Council will not yet deliver another rate cut and will leave the reference rate at 5.25%. For this reason, attention will focus on the content of the post-decision press release, especially on references to the new NBP projection. Apart from that, we will see data on the LFS unemployment rate in May in EU countries, including Poland, as well as the ADP report on the change in private sector employment in the US in June.

Polish PMI tumbled to 44.8pts in June from 47.1pts in May, deepening the decline suffered one month ago (from 50.2pts in April). This was triggered by deterioration in indices for new orders, output and stocks of purchases, while indices covering suppliers' delivery times and employment improved slightly. Respondents named weak international demand, especially from European markets, as the main source of weaker outlook, making them assess their new export orders at the weakest level since September 2023 and output at weakest level since November 2022. This reading clearly comes as a surprise, given market's expectations for a slight rebound, and pretty strong other numbers on outlook and actual activity (industrial output, GUS and ESI indicators). We continue to believe that Poland's economic performance will be improving throughout 2025, and expect the industry to provide only a small positive contribution to overall growth. Note that PMI tends to be erratic and the surprisingly weak reading should be treated with caution.

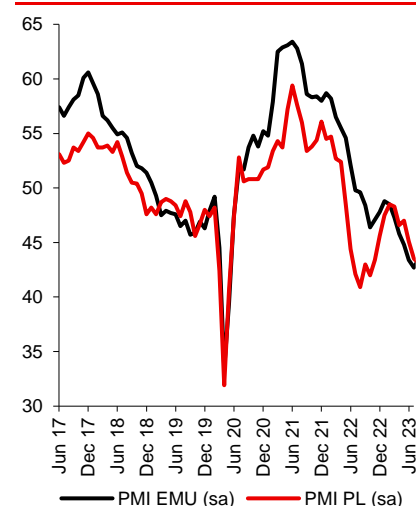
The final readings of the PMI indices for the main European economies were close to the preliminary figures, while the indices for the USA, both ISM and PMI, surprised upwards. A significant improvement in sentiment among producers was noted e.g. in the Czech Republic and Germany, which raises even more doubts about the significant worsening of the PMI for Poland.

HICP inflation in the euro area rose to 2.0% y/y in June from 1.9% y/y in May, in line with market expectations. The slight increase was caused mainly by an increase in energy inflation from -3.7% y/y to -2.7% y/y and occurred alongside a slight decline in food, alcohol and tobacco inflation as well as a stabilisation of core inflation at 2.3% y/y.

For the better part of Tuesday's session, the EURPLN exchange rate was correcting its decline suffered during the night and, as a result, ended the day close to the Monday evening level, i.e. above 4.24. The EURHUF exchange rate also ended the session near to Monday's close, while the EURCZK exchange rate fell by around 0.1%. There was also relatively little change in the EURUSD, however, the exchange rate, having broken through 1.18 in the course of the day, failed to stay above it. The dollar may have got support from J. Powells remark that rates in the US would be lower were it not for the US trade policy and that next FOMC decisions are going to be data-driven. Next week will mark the deadline for the deferral of the so-called reciprocal taxes imposed by the US on almost all countries and D. Trump suggested yesterday that he will not postpone their entry into force again. In our view, this could be a trigger for markets to move into risk aversion mode, which would probably involve, among other things, a weakening of currencies in the CEE region.

Domestic money market rates fell slightly on Tuesday, including IRS rates by around 2bp across the curve and FRA rates by 2-4bp. Domestic bond yields fell by 1-6bp and their curve flattened by around 6bp. Some market analysts and investors are betting that the MPC will cut interest rates today. If this does not happen, we can see an upward adjustment of rates, especially at the short end. Yields declined also in Germany, by 2-3bp, while the US saw yields rise by 2-5 bp with their curve flattening by around 2 bp. The US Senate yesterday passed a bill containing D.Trump's election promises of tax and spending cuts, the net impact of which on the country's fiscal situation is assessed as strongly negative.

PMI indices in Poland and euro zone, pts



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2517	CZKPLN	0.1720
USDPLN	3.6077	HUFPLN*	1.0634
EURUSD	1.1784	RONPLN	0.8390
CHFPLN	4.5537	NOKPLN	0.3573
GBPPLN	4.9552	DKKPLN	0.5698
USDCNY	7.1670	SEKPLN	0.3801

*for 100HUF

Last session in the FX market

01.07.2025

	min	max	open	close	fixing
EURPLN	4.2369	4.2530	4.2409	4.2512	4.2415
USDPLN	3.5833	3.6135	3.5991	3.6102	3.593
EURUSD	1.1766	1.1829	1.1786		

Interest rate market

01.07.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.56	4
PS0730 (5L)	5.03	5
DS1034 (10L)	5.48	1

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4.70	4.17	2.00
2L	4.29	3.81	1.99
3L	4.17	3.72	2.08
4L	4.16	3.72	2.17
5L	4.20	3.74	2.25
8L	4.38	3.88	2.46
10L	4.53	3.98	2.57

WIBOR rates

Term	%	Change (bps)
O/N	5.15	-2
T/N	5.30	-1
SW	5.31	-1
1M	5.33	-2
3M	5.24	1
6M	5.03	-1
1Y	4.84	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.07	-2
3x6	4.78	-3
6x9	4.38	-2
9x12	4.06	-2
3x9	4.63	-3
6x12	4.27	-1

CDS rates and 10Y yield spread vs. German Bund

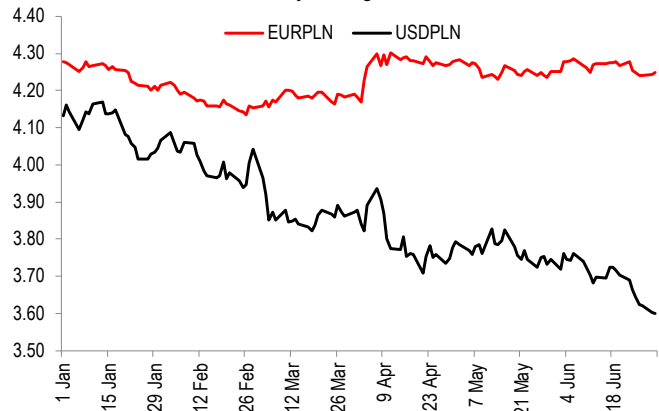
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	70	292
France	17	69
Hungary	126	454
Spain	30	65
Italy	20	93
Portugal	16	48
Ireland	12	32
Germany	5	-

* 10Y treasury bonds over 10Y Bunds

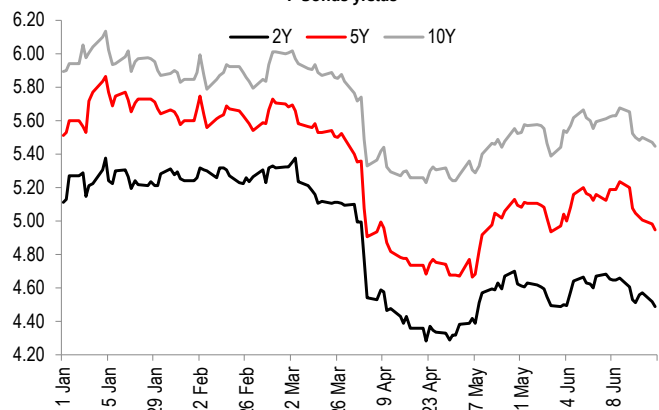
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

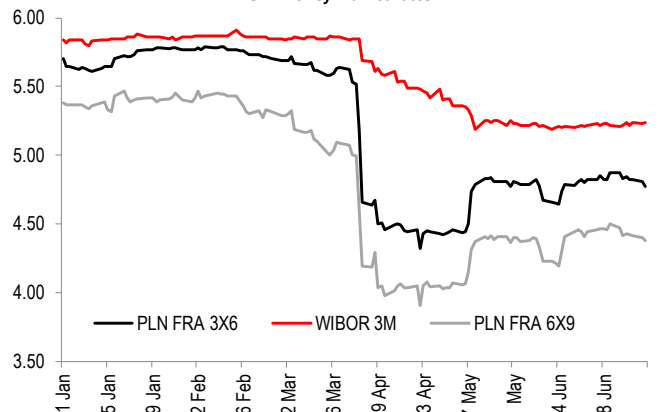
Zloty exchange rate



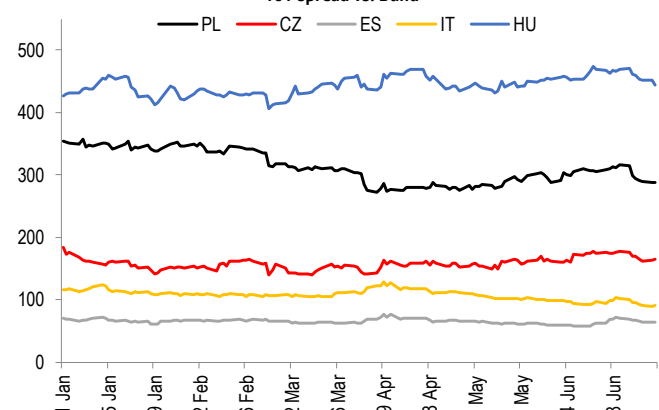
T-bonds yields



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 (27 June)								
09:00	CZ	GDP SA	1Q	% y/y	2.2	-	2.4	2.2
11:00	EZ	ESI	Jun	pct.	94.8	-	94.0	94.8
14:30	US	Personal Spending	May	% m/m	0.1	-	-0.1	0.2
14:30	US	Personal Income	May	% m/m	0.3	-	-0.4	0.8
14:30	US	PCE Deflator SA	May	% m/m	0.1	-	0.1	0.1
16:00	US	Michigan index	Jun	pts	60.5	-	60.7	60.5
MONDAY (30 June)								
08:00	DE	Retail Sales	May	% m/m	0.5	-	-1.6	-0.6
10:00	PL	CPI	Jun	% y/y	4.0	4.0	4.1	4.0
14:00	DE	HICP	Jun	% m/m	0.3	-	0.1	0.2
TUESDAY (1 July)								
09:00	PL	Poland Manufacturing PMI	Jun	pts	48.0	48.0	44.8	47.1
09:55	DE	Germany Manufacturing PMI	Jun	pts	49.0	-	49.0	48.3
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	49.4	-	49.5	49.4
11:00	EZ	Flash HICP	Jun	% y/y	2.0	-	2.0	1.9
16:00	US	ISM manufacturing	Jun	pts	48.8	-	49.0	48.5
WEDNESDAY (2 July)								
	PL	MPC decision		%	5.25	5.25	-	5.25
11:00	EZ	Unemployment Rate	May	%	6.2	-	-	6.2
14:15	US	ADP report	Jun	k	110.0	-	-	37.0
THURSDAY (3 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	51.0	-	-	51.1
09:55	DE	Markit Germany Services PMI	Jun	pts	49.4	-	-	49.4
10:00	EZ	Eurozone Services PMI	Jun	pts	50.0	-	-	50.0
14:30	US	Initial Jobless Claims	Jun.25	k	243.19	-	-	236.0
14:30	US	Change in Nonfarm Payrolls	Jun	k	120.0	-	-	139.0
14:30	US	Unemployment Rate	Jun	%	4.3	-	-	4.2
16:00	US	Durable Goods Orders	May	% m/m	8.5	-	-	16.4
16:00	US	ISM services	Jun	pts	50.75	-	-	49.9
16:00	US	Factory Orders	May	% m/m	7.75	-	-	-3.7
FRIDAY (4 July)								
08:00	DE	Factory Orders	May	% m/m	-0.2	-	-	0.6
08:30	HU	Industrial Production SA	May	% y/y	-1.5	-	-	-2.3
09:00	CZ	CPI	Jun	% y/y	2.9	-	-	2.4

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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