

3 July 2025

Eyeopener

Unexpected interest rate cut

Today press conference of the NBP Governor, services PMIs, US labour market report
Polish MPC unexpectedly cut interest rates by 25bp
The MPC decision weakened the zloty and strengthened domestic bonds

Today, at 15:00 CEST, the NBP Governor holds a press conference following yesterday's MPC decision. We will also get a sizable set of data from the US, the most notable of which will be the report on the situation in the labour market in June, containing information on the change in non-farm payrolls and the unemployment rate (publication unusually on Thursday due to tomorrow's US holiday). Data from the US will also include last week's initial jobless claims, durable goods orders and industrial orders in May, and the June reading of the ISM services index. In addition, final June services PMIs will be released for Germany and the euro area. Overnight, the services PMI for June was published in China and showed a slight decline – it remained above 50 pts, but at the same time it was the lowest reading since last September.

The MPC cut rates by 25bp surprising the market (yet some market participants were betting for a cut) and bringing the reference rate down to 5.00%. The MPC cited the expected decline of CPI below upper limit of tolerance band around the NBP target as the reason to cut rates, but other fragments of the statement did not change much. In line with expectations, NBP staff projections were revised down as regards CPI: 2025 to 4.0% from 4.9% in March, 2026 to 3.1% from 3.4%. We will adjust our expectations on rates after today's conference of the NBP Governor, as yesterday's decision and statement do not give much visibility whether the MPC wants to start a cycle or just decided to increase its adjustment. Read more in our [Economic Comment](#).

The seasonally adjusted rate of LFS unemployment in Poland remained at 3.3% in May, unchanged from April. This is still one of the lowest results among EU countries. The LFS unemployment rate in the euro area rose to 6.3% in May, contrary to market expectations for stabilisation at April's 6.2%, which is still a historically low rate.

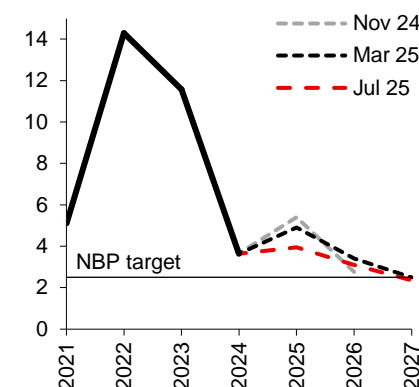
According to the Credit Information Bureau (BIK), the value of mortgage applications amounted to PLN17.9bn in June, the second highest since December 2023, after May's PLN18.1bn. The average application value increased by 2.0% m/m, the same as in May, and was 7.7% higher on an annual basis. Recent months have shown an upturn in mortgage demand, supported by the MPC's interest rate cuts earlier this year.

US private sector employment fell by 33k in June, contrary to expectations of an increase by 98k, to the latest ADP report. As reported, the declines occurred primarily in the service sector, where 66k jobs were shed. Employment in industry increased by 32k thousands, including 15k in manufacturing. Over the past five years, the ADP report showed a decrease in employment m/m only once, apart from the latest reading, in March 2023.

The EURPLN exchange rate rose above 4.26 on Wednesday, or by about 0.3% compared to Tuesday's close. The zloty weakened after the unexpected interest rate cut by the Monetary Policy Council. The Hungarian forint also weakened against the euro at a similar scale, and the Czech koruna registered a slight strengthening, by about 0.1%. At the same time, the EURUSD exchange rate fell by about 0.3% during the day, but this morning it is back at 1.18, where it started the day on Wednesday.

In response to the unexpected interest rate cut, domestic IRS rates fell by 6-11 bp on Wednesday, and FRA rates by 12-17 bp. In both cases, the declines were stronger at the short end of the curve. Polish bond yields fell by 3-10 bp, and their curve steepened by almost 8 bp. There were yield increases in core markets, including by 1-9 bp in Germany and by 0-5 bp in the US, in both cases stronger at the long end of the curve.

CPI growth according to NBP projections
(projection mid-points)



Source: NBP Santander

Economic Analysis Department:

aL. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Adrian Domitrz +48 571 664 004
Marcin Łuziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.2665	CZKPLN	0.1728
USDPLN	3.6170	HUFPLN*	1.0534
EURUSD	1.1796	RONPLN	0.8434
CHFPLN	4.5683	NOKPLN	0.3589
GBPPLN	4.9345	DKKPLN	0.5717
USDCNY	7.1636	SEKPLN	0.3798

*for 100HUF

Last session in the FX market 02.07.2025

	min	max	open	close	fixing
EURPLN	4.2410	4.2687	4.2476	4.2658	4.25
USDPLN	3.5990	3.6313	3.6003	3.6190	3.609
EURUSD	1.1746	1.1798	1.1795	1.1789	

Interest rate market

02.07.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.56	7
PS0730 (5L)	5.03	8
DS1034 (10L)	5.48	4

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4.56	4.14	1.99
2L	4.17	3.81	2.00
3L	4.06	3.73	2.10
4L	4.07	3.73	2.20
5L	4.12	3.76	2.29
8L	4.31	3.92	2.51
10L	4.46	4.02	2.62

WIBOR rates

Term	%	Change (bps)
O/N	5.21	6
T/N	5.29	-1
SW	5.31	0
1M	5.38	5
3M	5.23	-1
6M	5.03	0
1Y	4.84	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.91	-16
3x6	4.61	-17
6x9	4.23	-15
9x12	3.92	-14
3x9	4.46	-17
6x12	4.11	-16

CDS rates and 10Y yield spread vs. German Bund

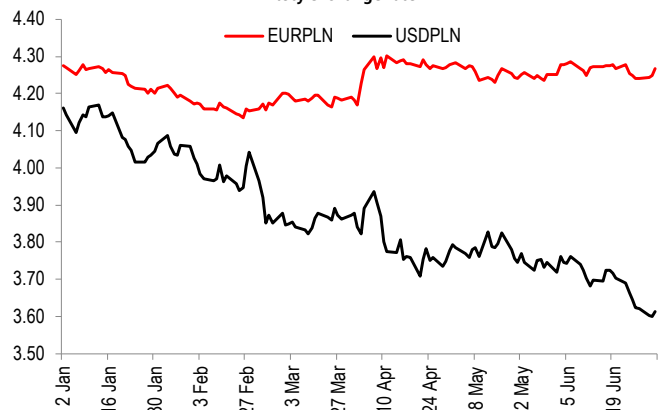
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	70	292
France	17	69
Hungary	126	454
Spain	30	65
Italy	20	93
Portugal	16	48
Ireland	12	32
Germany	5	-

* 10Y treasury bonds over 10Y Bunds

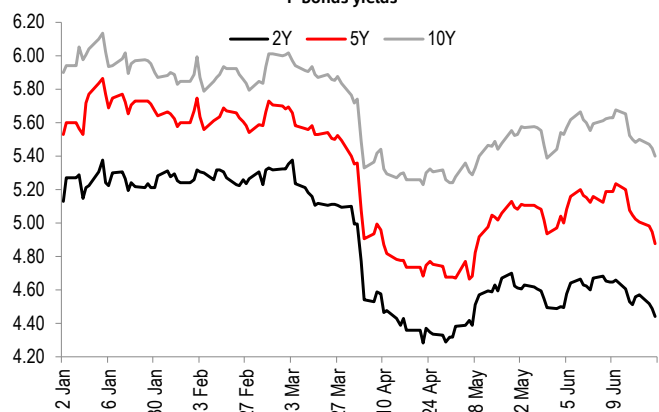
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

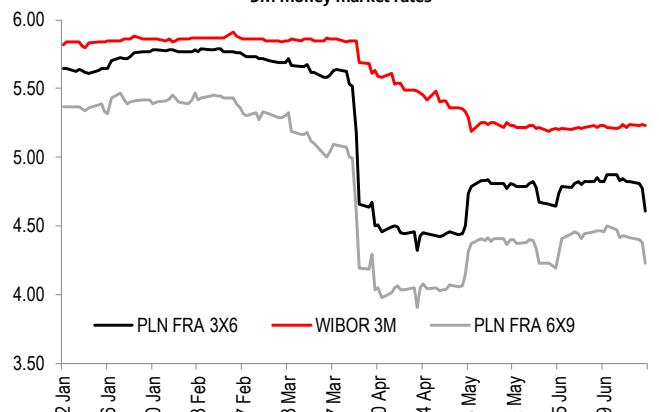
Zloty exchange rate



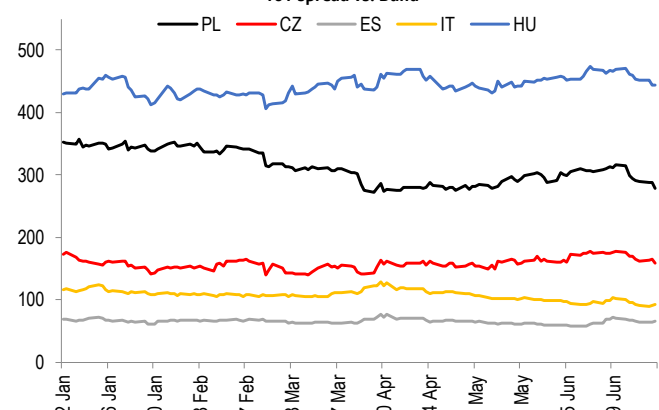
T-bonds yields



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	Jul	%	5.25	5.25	5.00	5.25
11:00	EZ	Unemployment Rate	May	%	6.2	-	6.3	6.2
14:15	US	ADP report	Jun	k	98	-	-33	29
THURSDAY (3 July)								
03:45	CN	Caixin China PMI Services	Jun	pts	51.0	-	50,6	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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.