

4 July 2025

# Eyeopener

## MPC may cut rates further if data allow

Today Czech inflation, US holiday

NBP Governor: further rate cuts are possible, MPC's Ludwik Kotecki sees two more this year

Strong US labour market data, Eurozone services PMI higher than the preliminary print

EURPLN declined to the levels from before the rate cut, more monetary policy easing priced in

**Today**, we will see June data on CPI inflation in Czechia. In addition, data on industrial orders in May were released in the morning in Germany and turned out to be slightly disappointing (the previous reading was increased by 1 percentage point, but the May decline reached 1.4% m/m instead of 0.2%). The NBP will publish minutes from the June, i.e. penultimate, MPC meeting, at which interest rates were left unchanged. Today is a national holiday in the USA.

**The NBP Governor said at yesterday's conference** that the MPC decided to cut interest rates due to better-than-expected inflation and wage data, despite the fact that earlier many Council members were leaning towards a pause in July. At the same time, he said that this was not the beginning of a policy easing cycle, although the MPC could cut rates further if the data favoured this, i.e. inflation was falling further. We think that Adam Glapinski sounded more dovish than before and expressed willingness to adjust rates further in line with inflation readings. The latest NBP projection already indicates that inflation is moving permanently towards the inflation target. In our view, CPI inflation could fall below 3% in July, which could again prompt the MPC to adjust interest rates at its next meeting in September. We assume that by the end of the year the MPC will cut rates by 50 points, 25 points each in September and November. Read more in our [Economic Comment](#).

**MPC's Ludwik Kotecki** told Bloomberg that Wednesday's interest rate cut could be the start of a cycle, if data allowed it, and the next cut could come in September or October. He noted that the Council had shown flexibility in the face of new information from the economy - in particular, he pointed to lower wage growth in May and June's second large PMI drop in a row. In his view, there is room for two more rate cuts by 25 bp this year.

**The rate of housing price growth in Poland slowed in 1Q25 to 6.6% y/y from 10.4% y/y in 4Q24**, according to data from the Central Statistical Office. In a quarter-on-quarter comparison, housing prices increased by 0.7%, which was the lowest increase since 1Q23. In both the annual and quarterly comparisons, higher price increases were recorded in the primary market, by 7.0% y/y and 0.9% q/q, respectively. In the secondary market, housing price increases were 6.2% y/y and 0.5% q/q.

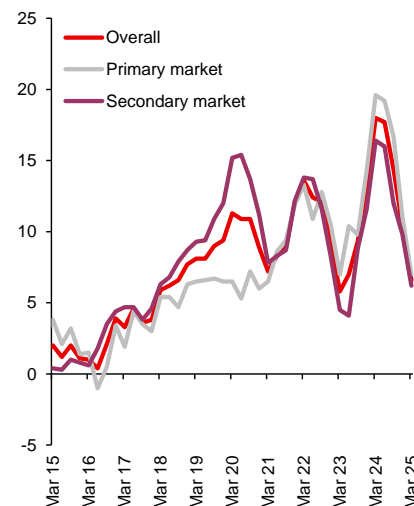
**The level of non-farm employment in the US increased by 147k full-time equivalents (FTEs) in June**, above market expectations of an increase by 106k FTEs. At the same time, the US unemployment rate fell from 4.2% to 4.1%, contrary to market expectations for an increase to 4.3%. The data are better than expected and indicate that the US labour market remains in decent condition. The ISM services index rebounded by almost a point to 50.8 pts on improved production and orders. The euro area services PMI improved m/m by 0.5 pts, above the 0.3 pts shown in the preliminary reading, despite continuing economic uncertainty.

**President Ursula von der Leyen said at a press conference yesterday that the EC aims to reach a framework agreement on trade with the US by 9 July**, when the 90-day suspension period of the so-called "reciprocal tariffs" announced by the US President expires. Donald Trump is to send countries letters with new tariff rates ranging from 10% to 70% between today and 9 July, which are to apply from 1 August.

**The EURPLN exchange rate fell sharply on Thursday**, from above 4.26 to 4.24, and in effect fully corrected Wednesday's rise triggered by the unexpected interest rate cut. Thursday's strengthening of the zloty occurred despite a relatively dovish conference by the NBP president. The EURUSD also fell significantly, by around 0.3%, in response to better-than-expected US labour market data. The Hungarian forint and the Czech koruna also appreciated against the euro, albeit on a somewhat smaller scale.

**In response to President Glapiński's speech, domestic FRA rates fell by 6-9bp and IRS rates declined by 6-7bp**. Domestic bond yields registered declines of 2-4bp with no significant changes in the slope of their curve. Yields also fell in Germany, by 2-4bp, with a flattening of the curve by around 2bp. In the USA, yields rose by 6-9bp, more strongly at the short end of the curve.

Residential real estate price, % y/y



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.2425	CZKPLN	0.1720
USDPLN	3.6031	HUFPLN*	1.0635
EURUSD	1.1775	RONPLN	0.8392
CHFPLN	4.5427	NOKPLN	0.3579
GBPPLN	4.9262	DKKPLN	0.5685
USDCNY	7.1641	SEKPLN	0.3765

\*for 100HUF

### Last session in the FX market

03.07.2025

	min	max	open	close	fixing
EURPLN	4.2355	4.2679	4.2621	4.2417	4.2634
USDPLN	3.5987	3.6273	3.6147	3.6083	3.6137
EURUSD	1.1717	1.1809	1.1789		1.1756

## Interest rate market

03.07.2025

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

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.56	12
PS0730 (5L)	5.03	15
DS1034 (10L)	5.48	8

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4.50	4.14	1.98
2L	4.09	3.90	1.99
3L	3.99	3.81	2.08
4L	3.99	3.80	2.17
5L	4.04	3.82	2.26
8L	4.24	3.97	2.47
10L	4.39	4.07	2.58

## WIBOR rates

Term	%	Change (bps)
O/N	5.06	-15
T/N	5.10	-19
SW	5.16	-15
1M	5.20	-18
3M	5.09	-14
6M	4.92	-11
1Y	4.72	-12

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

Term	%	Change (bps)
1x4	4.92	0
3x6	4.63	1
6x9	4.17	-6
9x12	3.83	-9
3x9	4.49	3
6x12	4.06	-5

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

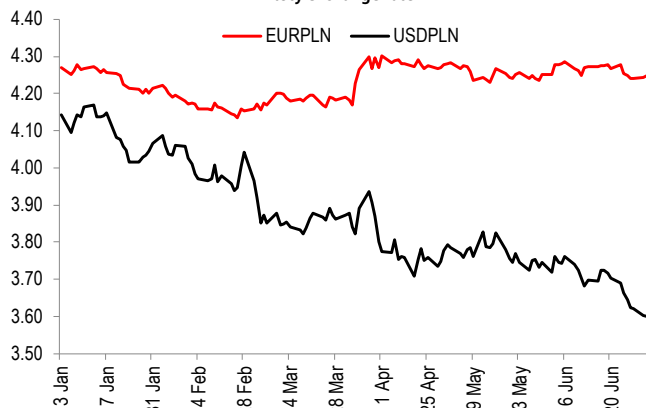
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	68	292
France	17	69
Hungary	124	454
Spain	30	65
Italy	19	93
Portugal	16	48
Ireland	12	32
Germany	5	-

\* 10Y treasury bonds over 10Y Bunds

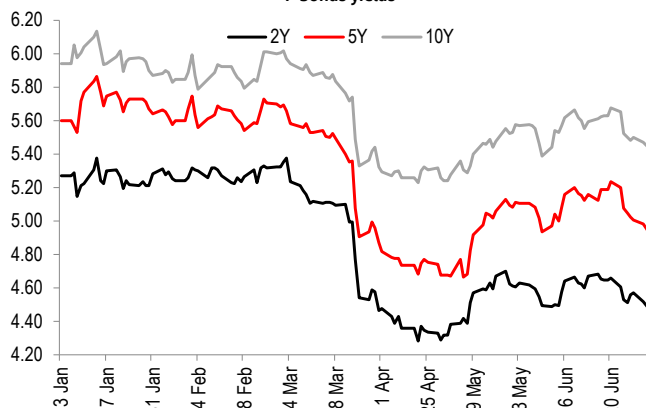
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

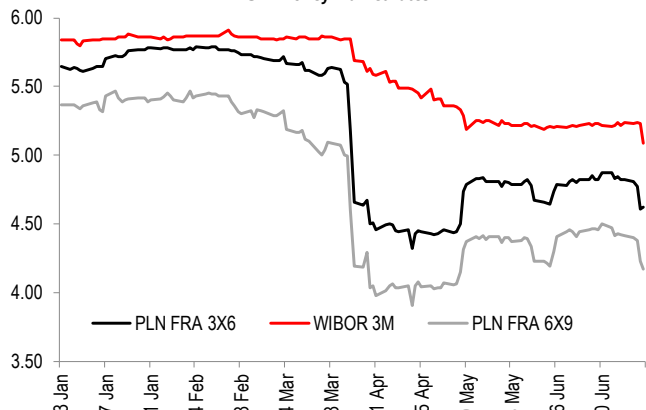
## Zloty exchange rate



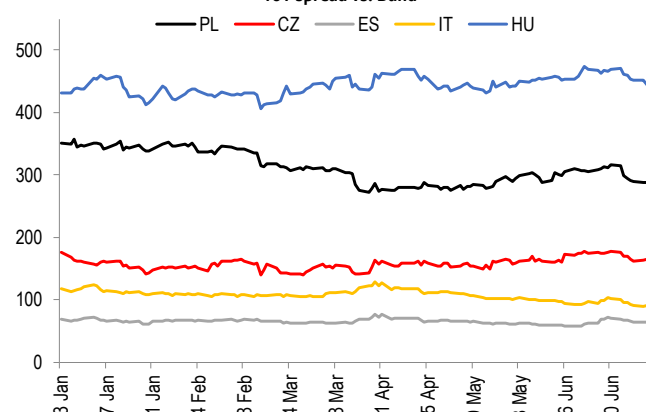
## T-bonds yields



## 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	-	49.7	47.1
10:00	EZ	Eurozone Services PMI	Jun	pts	50.0	-	50.5	49.7
14:30	US	Initial Jobless Claims	weekly	k	241	-	233	237
14:30	US	Change in Nonfarm Payrolls	Jun	k	106	-	147	144
14:30	US	Unemployment Rate	Jun	%	4.3	-	4.1	4.2
16:00	US	Durable Goods Orders	May	% m/m	16.4	-	16.4	-6.3
16:00	US	ISM services	Jun	pts	50.6	-	50.8	49.9
16:00	US	Factory Orders	May	% m/m	8.2	-	8.2	-3.9
FRIDAY (4 July)								
08:00	DE	Factory Orders	May	% m/m	-0.2	-	-1.4	1.6
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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