

9 July 2025

Eyeopener

Fiscal deficit close to 7% of GDP

Today, FOMC minutes from the last meeting
 Fiscal deficit increased to 6.9% of GDP after 1Q25
 In January, number of foreigners working in Poland rose 4.5% y/y
 EURUSD still close to 1.17, local rates moving up

Today, we will see minutes of the June FOMC meeting. Last night, Chinese inflation data for June were released. The annual CPI growth rate increased by 0.1%, while it was expected to remain slightly below zero for the fourth consecutive month. On the other hand, PPI data showed a decline of 3.6% y/y, deeper than expected. The magnitude of the decline in producer prices exceeded 3% on an annual basis for the second consecutive month. Such declines have previously been taking place for half of 2023.

According to the quarterly non-financial accounts data published by the Polish stats office, the general government (GG) deficit in 1Q25 amounted to PLN19.3bn and was almost six times higher than in 1Q24. **The cumulative public finance deficit for the last four quarters rose to 6.9% of GDP**, up from 6.6% at the end of 2024.

The number of foreigners employed in Poland fell by 19.1k in January to 1,045.0 thousands, according to data from the Central Statistical Office (GUS). The decline primarily affected foreigners employed under civil law contracts, whose number fell by 15.5k, and was likely seasonal. The number of foreigners working in Poland grew by 4.5% y/y, slightly lower than in previous months, when it was 4.8-5.0% y/y, but still in line with the current trend.

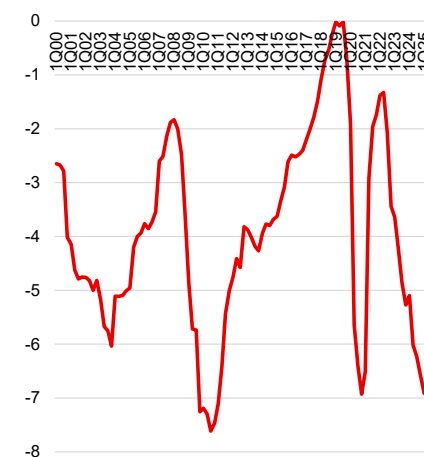
The EU Council has launched the escape clause regarding defense spending. The clause will cover 15 countries, including Poland, and will allow for the exemption of defense spending of 1.5% of GDP from the EU fiscal rules between 2025 and 2028.

EU countries voted yesterday in favour of Bulgaria joining the eurozone at the beginning of 2026, marking the final formal step in the procedure. This leaves only Poland, the Czech Republic, Hungary, and Romania, as well as Sweden and Denmark, among the EU countries remaining outside the single currency bloc.

On Tuesday, the Polish zloty appreciated slightly against the euro, by around 0.1%. The EURPLN exchange rate ended the day slightly above 4.24. The Hungarian forint appreciated against the euro on a slightly larger scale, i.e. by less than 0.2%, but unlike the zloty, it fully withdrew from this movement after the European session. The weakest of the region's currencies was the Czech koruna, which depreciated against the euro by around 0.1%. The EURUSD exchange rate registered only negligible changes, but after a temporary rise during the day, it again ended the European session in the vicinity of 1.17, its lowest since 27 June, as if preparing for a clear break of this level, possibly on the basis of further announcements regarding US tariffs. US President Donald Trump yesterday threatened to impose 50% tariffs on copper imports, pushing the metal's prices to record levels. He also said he would send letters announcing higher tariffs to seven more countries today, and hinted at the possibility of imposing 200% tariffs on pharmaceuticals.

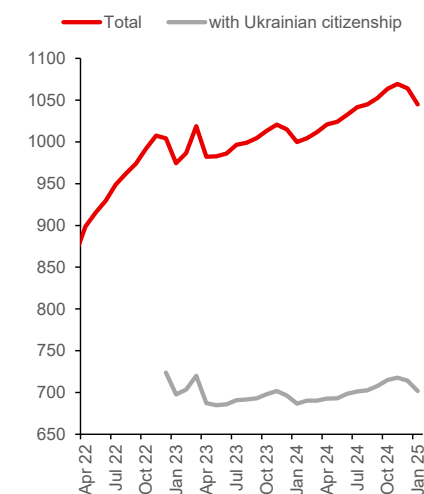
Domestic money market rates continued to rise on Tuesday. FRA rates increased by 0-12 bp, stronger at the long end of the curve, i.e. at a horizon of around 2 years, and IRS rates rose by 6-9 bp with their curve steepening by around 3 bp. Based on the levels of domestic FRA rates, we can say that the priced-in NBP terminal rate is breaking away from 3.50% and moving towards 3.75%. In our view, interest rate cuts will be stopped at even slightly higher level, at 4.00%, if our macroeconomic scenario of the Polish economy continuing to gain momentum is confirmed. Domestic bond yields rose by 4-6 bp, with their curve steepening by around 2 bp. Yields also rose in the core markets, including by 3-4 bp in Germany and by 1-4 bp in the US.

GG balance, 4Q moving sum, % of GDP



Source: GUS, Santander

Number of foreigners performing work in Poland, thousand persons



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,2440	CZKPLN	0,1720
USDPLN	3,6235	HUFPLN*	1,0522
EURUSD	1,1715	RONPLN	0,8369
CHFPLN	4,5458	NOKPLN	0,3584
GBPPLN	4,9214	DKKPLN	0,5688
USDCNY	7,1798	SEKPLN	0,3798

*for 100HUF

Last session in the FX market

08.07.2025

	min	max	open	close	fixing
EURPLN	4,2403	4,2497	4,2493	4,2413	4,2455
USDPLN	3,6037	3,6343	3,6190	3,6236	3,6135
EURUSD	1,1682	1,1765	1,1740	1,1705	

Interest rate market

08.07.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4,37	2
PS0730 (5L)	4,93	5
DS1034 (10L)	5,40	4

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4,53	4,27	1,98
2L	4,18	3,92	2,00
3L	4,08	3,82	2,10
4L	4,09	3,82	2,21
5L	4,13	3,86	2,29
8L	4,34	4,02	2,52
10L	4,50	4,12	2,64

WIBOR rates

Term	%	Change (bps)
O/N	5,10	2
T/N	5,09	1
SW	5,08	0
1M	5,21	-1
3M	5,04	-1
6M	4,88	-1
1Y	4,68	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4,94	0
3x6	4,61	0
6x9	4,24	6
9x12	3,91	7
3x9	4,48	0
6x12	4,14	5

CDS rates and 10Y yield spread vs. German Bund

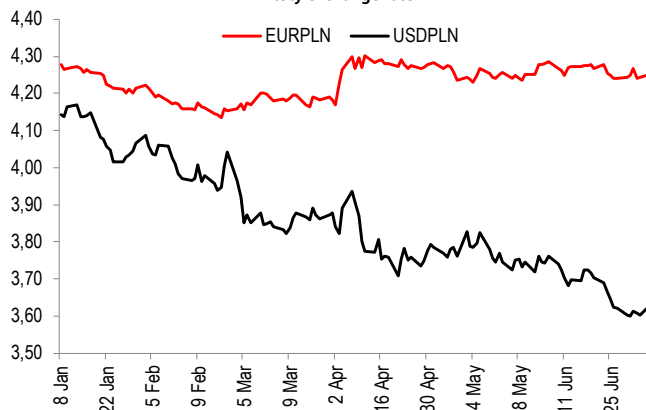
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	68	276
France	17	72
Hungary	124	444
Spain	29	65
Italy	18	92
Portugal	16	49
Ireland	12	31
Germany	5	-

* 10Y treasury bonds over 10Y Bunds

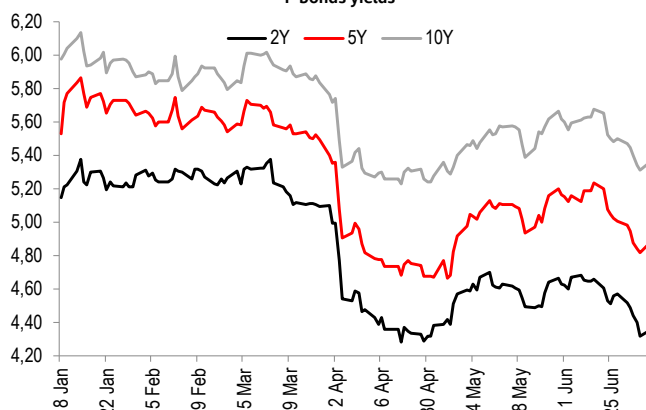
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

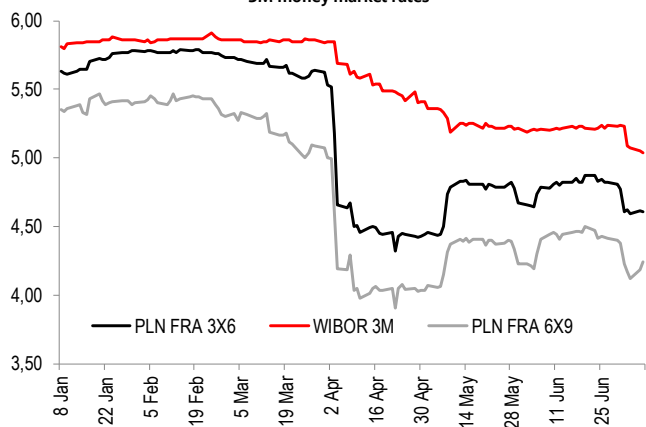
Zloty exchange rate



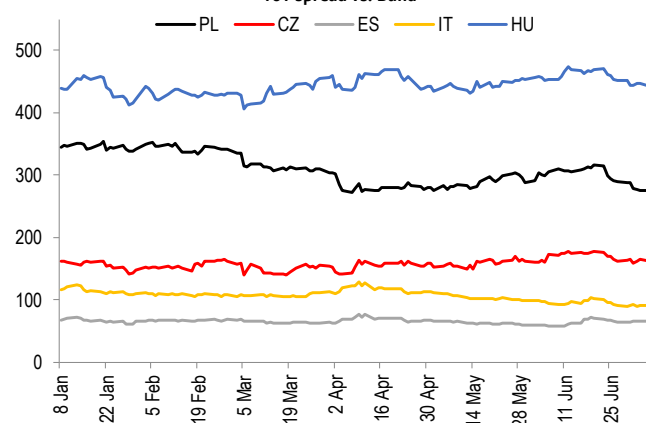
T-bonds yields



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 (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	-	-2.6	-2.3
09:00	CZ	CPI	Jun	% y/y	2.9	-	2.9	2.4
MONDAY (7 July)								
08:00	DE	Industrial Production SA	May	% m/m	-0.2	-	1,2	-1.4
09:00	CZ	Industrial Production	May	% y/y	0.6	-	-0.9	-1.1
11:00	EZ	Retail Sales	May	% m/m	-0.6	-	-0.7	0.3
TUESDAY (8 July)								
08:00	DE	Exports SA	May	% m/m	-0.5	-	-1.4	-1.7
08:30	HU	CPI	Jun	% y/y	4.6	-	4.6	4.4
WEDNESDAY (9 July)								
20:00	US	FOMC Meeting Minutes	Jun					
THURSDAY (10 July)								
08:00	DE	HICP	Jun	% m/m	0.1	-	-	0.1
14:30	US	Initial Jobless Claims	weekly	k	241	-	-	233
FRIDAY (11 July)								
No data releases								

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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