

17 July 2025

Eyeopener

Core inflation without surprises

Today HICP inflation in the euro zone, US retail sales and initial jobless claims
Core inflation in June a 3.4%, in line with expectations
US industrial output above expectations
Zloty stronger, bond yields slightly higher

There are no significant data releases from the Polish economy **today**. However, we will get to see the euro zone's HICP for June, as well as initial jobless claims and retail sales data in the US.

According to yesterday's NBP data, core inflation (excluding food and energy prices) rose to 3.4% y/y in June from 3.3% y/y in May, in line with our expectations and market consensus. Two of the three alternative measures of core inflation decreased: inflation excluding the most volatile prices (from 4.6% to 4.5% y/y) and the 15% trimmed mean (from 3.8% y/y to 3.7% y/y). Inflation excluding administered prices remained at the previous month's level, at 2.5% y/y. On a monthly basis, the main measure of core prices increased by 0.3% (after a 0.1 percentage point decline in May). We expect core inflation to decline slightly in the remainder of the year, reaching around 3.1-3.3% y/y by the end of the year. Therefore, the temporary increase recorded in June should not significantly impact the MPC's further decisions.

MPC member Cezary Kochalski said he saw room for further interest rate cuts of 25-50 bp this year, but firmly distanced himself from declaring a cut cycle. He remained unconvinced about a decision in September; in his opinion, an October move was more likely. He cited fiscal policy and wage dynamics as risk areas for a decision. If there is no cut in September, Kochalski expects a 50 bp adjustment in October. He also noted that, in his opinion, the NBP's November projection should already include effects of the new ETS-2 emissions trading system, which is scheduled for 2027. In his opinion, decisions regarding interest rates in 2026 could be considered at the end of this year.

Grupa Pracuj (labour market watchdog) has published a report on the Polish recruitment market in the first half of this year. The authors point to no major changes in recruitment intensity, emphasizing companies' continued caution in making staffing decisions and moderate optimism about improvements in the coming quarters. Similarly, June's data from the **Job Offers Barometer** – an indicator monitoring the number of job offers online – deteriorated slightly, but has not been following a significant trend in recent months.

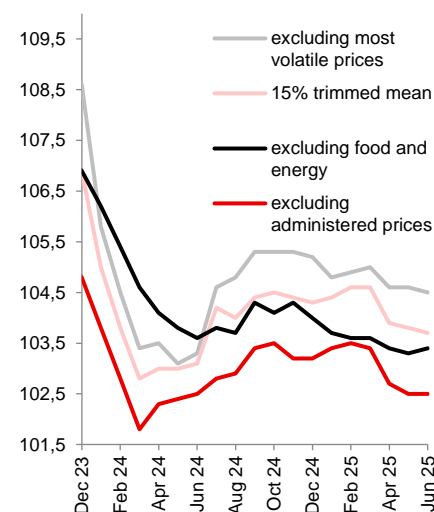
US industrial production in June exceeded expectations, rising 0.3% m/m, compared to the expected 0.1%, after a previous decline of 0.2% m/m. PPI inflation, on the other hand, was lower than forecast and, despite the expected 0.2% increase, remained unchanged in June. On yearly basis, producer price growth was 2.3%, compared to the expected 2.5% y/y.

The European Commission has presented its first budget proposal for 2028-2034, amounting to €2trn (the previous framework covered €1.1trn, and €1.8trn with the Resilience and Recovery Funds). Out of this, €451bn is to be allocated to the Competitiveness Fund, which will support investments in modern technologies.

After a rise in the second half of Tuesday **the EURPLN exchange rate** declined slightly on Wednesday, dropping below 4.26. The EURCZK followed a similar pattern. The EURHUF also gradually declined throughout the day, by a total of approximately 0.2%. Incoming US data sent signals in the opposite directions, increasing market volatility. Furthermore, in the evening, Bloomberg reported that the US President would likely soon fire Fed Chairman Jerome Powell, a claim Donald Trump soon denied. Consequently, the EURUSD exchange rate saw significant intraday fluctuations.

A significant event in the **Polish debt market** was the Ministry of Finance's auction. Demand for the MF's bonds exceeded the supply, with PLN10bn sold, which was at the upper end of the announced bid range. The Ministry also launched an additional auction, in which four series of bonds were sold for PLN0.772bn. According to the Ministry, this year's borrowing needs are covered in about 82% after this auction. **Polish bond yields** continued to rise slightly across the curve, by approximately 2 bp. Two-year IRS rates rose by approximately 2 bp, and 5- and 10-year rates by 3-4 bp. FRA rates were relatively stable, with increases of 1-2 bp.

Core inflation measures, same month of previous year=100



Source: GUS, 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 Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.2545	CZKPLN	0.1724
USDPLN	3.6724	HUFPLN*	1.0643
EURUSD	1.1584	RONPLN	0.8390
CHFPLN	4.5661	NOKPLN	0.3564
GBPPLN	4.9142	DKKPLN	0.5700
USDCNY	7.1812	SEKPLN	0.3760

*for 100HUF

Last session in the FX market

16/07/2025

	min	max	open	close	fixing
EURPLN	4.2516	4.2638	4.2598	4.2533	4.2585
USDPLN	3.6317	3.6846	3.6671	3.6575	3.6631
EURUSD	1.1561	1.1721	1.1619		1.1628

Interest rate market

16/07/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.45	5
PS0730 (5L)	4.95	3
DS1034 (10L)	5.42	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.48	-1	4.27	-3	2.00	-2
2L	4.17	3	3.92	-5	1.99	-4
3L	4.10	4	3.84	-5	2.09	-3
4L	4.11	4	3.84	-5	2.19	-4
5L	4.17	5	3.88	-4	2.29	-4
8L	4.37	5	4.06	-3	2.53	-4
10L	4.53	5	4.17	-3	2.65	-3

WIBOR rates

Term	%	Change (bps)
O/N	5.06	-5
T/N	5.10	0
SW	5.09	0
1M	5.12	1
3M	4.96	-5
6M	4.84	0
1Y	4.65	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.92	-1
3x6	4.59	0
6x9	4.22	3
9x12	3.88	2
3x9	4.46	1
6x12	4.10	3

CDS rates and 10Y yield spread vs. German Bund

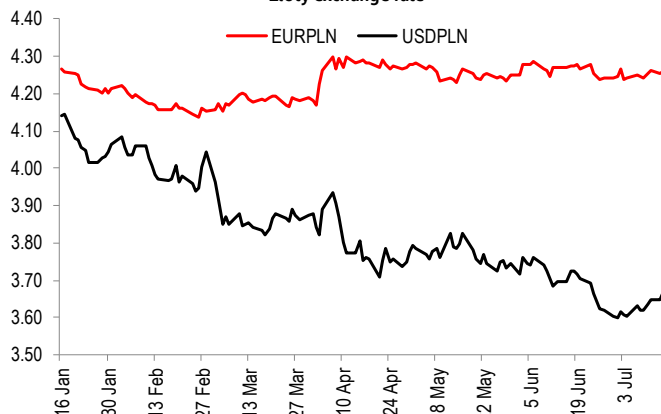
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	66	0	273	5
France	17	0	70	0
Hungary	124	0	434	5
Spain	29	0	61	1
Italy	18	0	89	0
Portugal	16	0	45	1
Ireland	12	0	26	0
Germany	6	0	-	-

* 10Y treasury bonds over 10Y Bunds

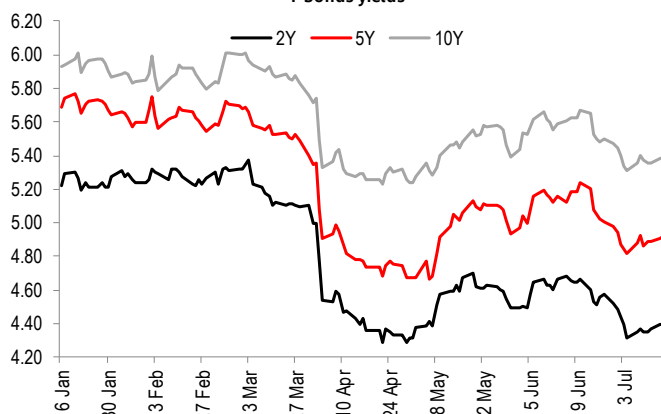
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

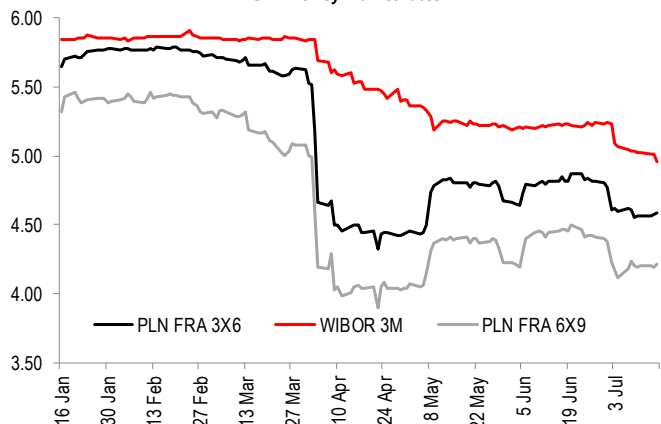
Zloty exchange rate



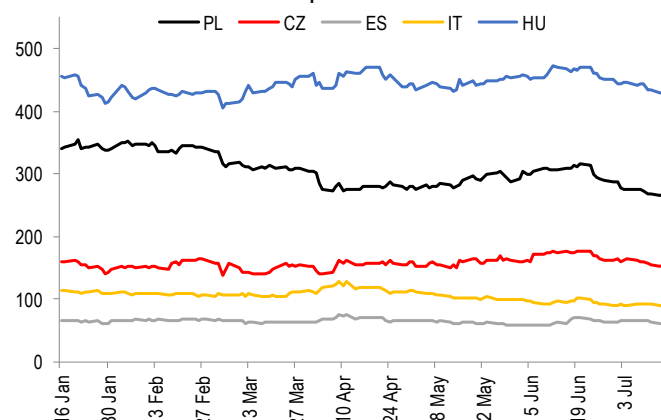
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (11 July)								
No important data releases								
MONDAY (14 July)								
14:00	PL	Current Account Balance	May	€mn	-785	-1289	-1740	-374
14:00	PL	Trade Balance	May	€mn	-1265	-1407	-1443	-941
14:00	PL	Exports	May	€mn	27710	27924	28188	28072
14:00	PL	Imports	May	€mn	28967	29331	29631	29013
TUESDAY (15 July)								
10:00	PL	CPI	Jun	% y/y	4.1	4.1	4.1	4.0
11:00	EZ	Industrial Production SA	May	% m/m	1.0		1.7	-2.2
11:00	DE	ZEW Survey Current Situation	Jul	pts	-66.0		-59.5	-72.0
14:30	US	CPI	Jun	% m/m	0.3		0.3	0.1
WEDNESDAY (16 July)								
14:00	PL	CPI Core	Jun	% y/y	3.4	3.4	3.4	3.3
15:15	US	Industrial Production	Jun	% m/m	0.1		0.3	-0.2
THURSDAY (17 July)								
11:00	EZ	HICP	Jun	% y/y	2.0		-	2.0
14:30	US	Initial Jobless Claims		k	234.0		-	233
14:30	US	Retail Sales Advance	Jun	% m/m	0.1		-	-0.9
FRIDAY (18 July)								
14:30	US	Housing Starts	Jun	% m/m	3.5		-	-9.8
16:00	US	Michigan index	Jul	pts	61.5		-	60.7

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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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>.