18 July 2025

Weekly Economic Update

Wave of domestic data, government reshuffle

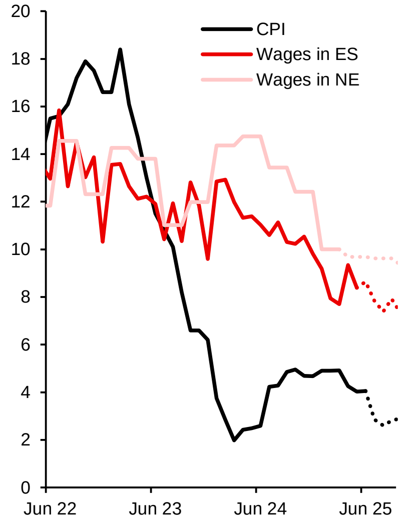
Economy next week

- The coming week will be heavy in publications from the Polish economy. **Monday will feature industrial and construction outputs, PPI inflation, and labour market data. Tuesday will see retail sales, M3 money supply, and economic sentiment indicators, while Wednesday will see consumer sentiment and the Statistical Bulletin**. Wage growth has recently been frequently cited by Monetary Policy Council (MPC) members as an important input for assessing monetary policy outlook. In our opinion, the June reading should be similar to May's (above 8% y/y), but this should not prevent the MPC from cutting interest rates again in September. Working-day effect could be quite unfavourable for industrial output, but we expect the annual growth rate to remain above zero, which should erase the negative impression caused by the sharp decline in the PMI index at the beginning of the month. Overall, we expect the data to confirm that the Polish economy is growing at a moderate pace, consistent with GDP growth of around 3.5%.
- The Sejm (lower house of parliament) begins its session on Tuesday, where a decision on a **government reshuffle** is expected to be announced. Following the presidential election, the market has become increasingly concerned about political instability in Poland, and news on this topic may either alleviate or, conversely, aggravate these concerns.
- Globally, we will get to see **decisions from the central banks of China, Hungary, and the euro zone**. We believe the ECB will keep interest rates unchanged until the end of the year, although cuts could occur in a scenario of escalating trade wars. The deadline for suspending US tariffs on European products expires on August 1st, so information related to this topic may emerge in the near future. As for the figures, the most important seem to be the flash PMI readings for the European and US economies. The indices for Germany and the euro zone are already close to the neutral level of 50 points, and a return above this level (for the first time since mid-2022) would be a positive sign, yet the market is not betting for that for the time being. Furthermore, the Ifo index will be released in Germany, and from the USA we will get to see the housing market data and durable goods orders.

Markets next week

- Reaction of złoty to the news of an incoming 30% tariff on European products was temporary, and we believe this may continue in the near future. Should negative news from trade front emerge, investors will consider it a negotiating strategy. Relatively good economic data should also prevent a potential weakening of the Polish currency. **We therefore assume that EURPLN will remain stable around 4.25-4.26**.
- During the week, domestic yields rose by 7-10 bp, more visibly at the long end. This was broadly consistent with movements in the IRS market and may have been due to statements by MPC members, who were rather cautious about the scale of interest rate cuts later in the year. In our opinion, the positive economic data, particularly on wages, should reinforce investors' belief that the scale of interest rate cuts will be limited this year, so **a further slight increase in yields is possible**. However, we would not rule out a narrowing of asset swap spreads if the government reshuffle calms concerns about its stability.

CPI vs wage growth in enterprise sector (ES) and national economy (NE), % y/y

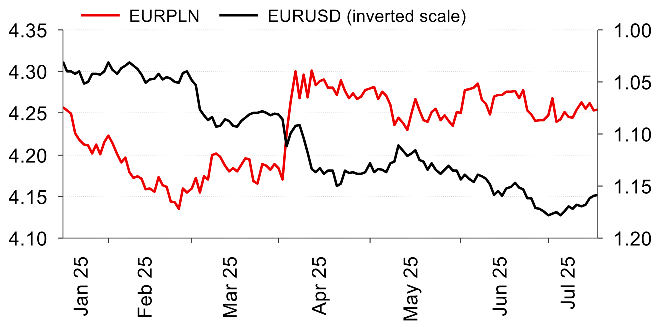


Source: GUS, Santander

Economic Analysis Department:

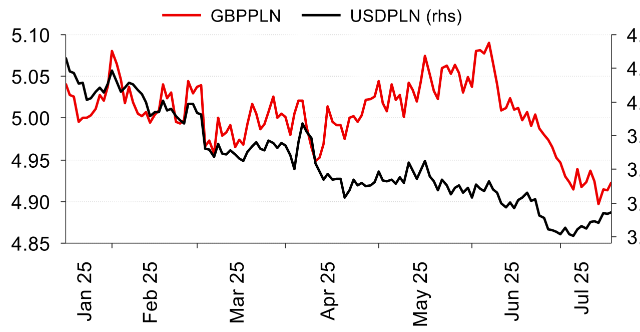
al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Adrian Domitrz +48 571 664 004
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



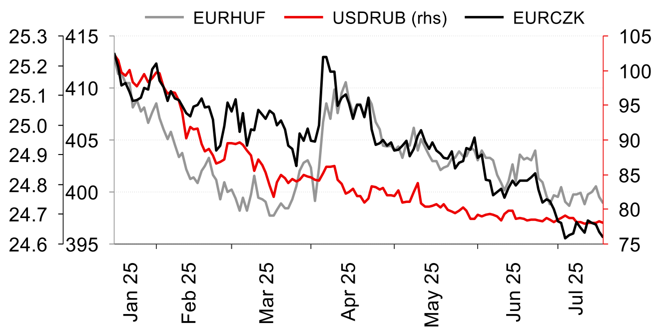
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



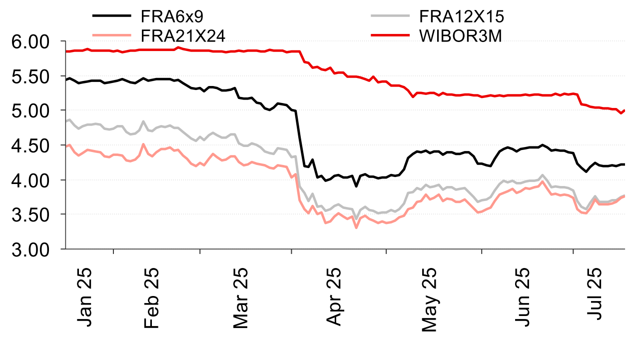
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



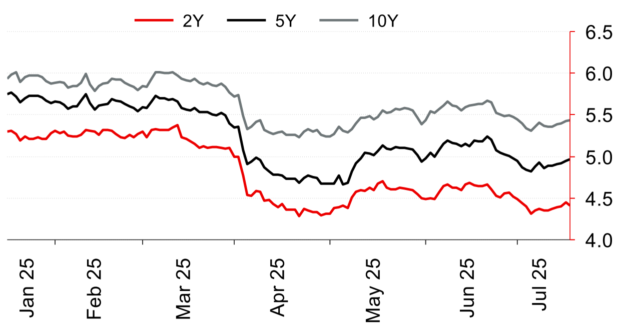
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



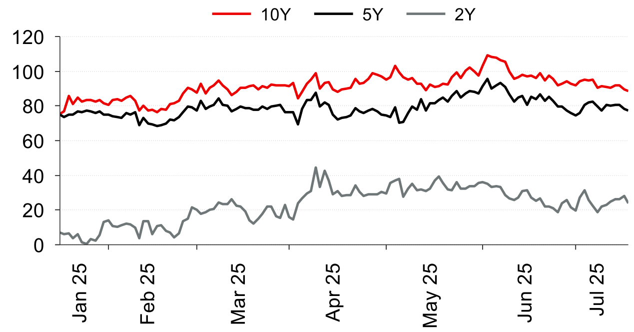
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



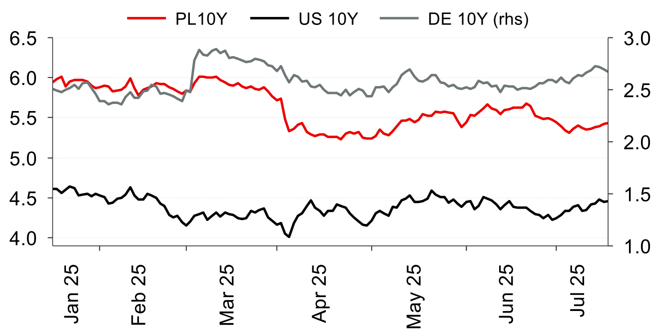
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



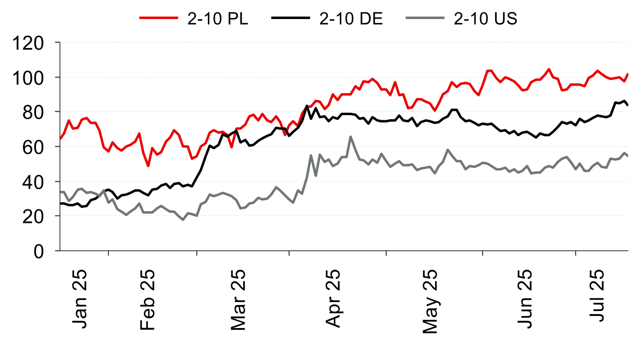
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	LAST VALUE
			MONDAY (21 July)				
10:00	**PL**	**Employment in corporate sector**	**Jun**	**% y/y**	**-0.8**	**-0.9**	**-0.8**
10:00	**PL**	**Sold Industrial Output**	**Jun**	**% y/y**	**1.4**	**0.9**	**3.9**
10:00	**PL**	**Construction Output**	**Jun**	**% y/y**	**-1.2**	**-2.1**	**-2.9**
10:00	**PL**	**PPI**	**Jun**	**% y/y**	**-1.7**	**-1.8**	**-1.5**
10:00	**PL**	**Average Gross Wages**	**Jun**	**% y/y**	**8.6**	**8.6**	**8.4**
			TUESDAY (22 July)				
10:00	**PL**	**Retail Sales Real**	**Jun**	**% y/y**	**3.9**	**4.6**	**4.4**
14:00	HU	Central Bank Rate Decision	Jul.25	%	6.5	6.5	6.5
14:00	**PL**	**Money Supply M3**	**Jun**	**% y/y**	**10.2**	**10.1**	**10.3**
			WEDNESDAY (23 July)				
10:00	**PL**	**Unemployment Rate**	**Jun**	**%**	**5.0**	**5.1**	**5.0**
16:00	US	Existing Home Sales	Jun	% m/m	-0.7	-	0.75
			THURSDAY (24 July)				
09:30	DE	Germany Manufacturing PMI	Jul	pts	49.5	-	49.0
09:30	DE	Markit Germany Services PMI	Jul	pts	50.2	-	49.7
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	49.8	-	49.5
10:00	EZ	Eurozone Services PMI	Jul	pts	50.8	-	50.5
14:15	EZ	ECB Main Refinancing Rate	Jul.25	%	2.15	-	2.15
14:30	US	Initial Jobless Claims	Jul.25	k	233	-	221
16:00	US	New Home Sales	Jun	% m/m	4.3	-	-13.7
			FRIDAY (25 July)				
10:00	DE	IFO Business Climate	Jul	pts	89.2	-	88.4
14:30	US	Durable Goods Orders	Jun	% m/m	-10.0	-	16.4

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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.