25 July 2025

Weekly Economic Update

Inflation to jump back inside the target band

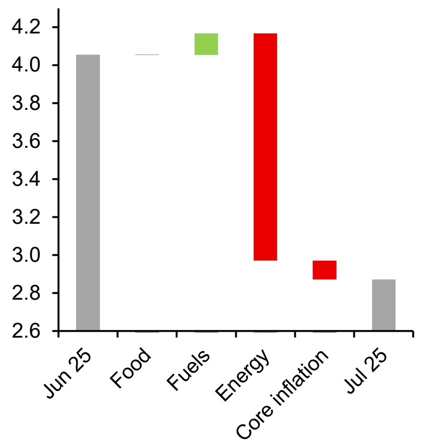
Economy next week

- Last week delivered a significant amount of data from the Polish economy, drawing a mixed picture. On the one hand, we got to see weaker-than-expected June results for industrial production, retail sales, and the housing market. On the other hand, positive signs were visible in construction production, employment in the corporate sector, wage growth, and corporate lending. In the Eurozone, the most important events were the ECB's decision to leave interest rates unchanged, solid PMI data, particularly in services, and a slightly worse-than-expected economic situation according to the Ifo index in Germany. Besides the economic data, the highlight of the week was the long-awaited Polish government reshuffle, which brought several personnel and organizational changes, such as the transfer of the Ministry of Economy to the leadership of Finance Minister Andrzej Domański.
- The most important publication for the Polish economy next week will be Thursday's **flash estimate of July inflation** from the Central Statistical Office (GUS). Due to base effects and lower gas tariffs, the CPI should fall below 3.0% – our forecast is 2.9% y/y, while the Bloomberg survey median is 2.8%. We believe inflation will fall even further in August and remain below 3% until the end of this year, which should support the Monetary Policy Council's dovish stance. On the other hand, recent statements by NBP Deputy President Marta Kightley have been more cautious, expecting a CPI "around" 3% and emphasizing pro-inflationary risks, including high wage growth and expansionary government policy. At the end of the week, the **Polish manufacturing PMI** will be released, which we believe could rise slightly, reflecting improved sentiment in this sector in the Eurozone.
- **Abroad**, on Tuesday we will see the results of the July consumer confidence survey in the US, and an **accumulation of important data will take place on Wednesday**. On that day, the first GDP data for 2Q will be released in the US, the Eurozone, Germany, the Czech Republic and Hungary. In addition, the European Economic Sentiment Indicators (ESI) will be published, and in the evening, we should learn the FOMC's decision on interest rates in the US. According to our and market expectations, rates will not be changed at this meeting, although expectations remain for a cut in the autumn. On Thursday, there will be another batch of data from the labour and construction/housing markets in the US, unemployment in the Eurozone and HICP inflation in Germany. On Friday, we will see the final PMI data for the Eurozone, as well as its preliminary estimate of inflation for July, while manufacturing ISM and monthly labour market report will be out in the US.
- On the sidelines of macroeconomic data, the time for **negotiations on trade terms between the EU and the US** is coming to an end, ahead of the critical date of 1 August (Friday), when additional 30% tariffs on EU imports to the US are set to come into force.

Markets next week

- Following weaker-than-expected data from the domestic economy, the zloty lost slightly against the euro, but for the rest of the week it recorded only minor fluctuations around 4.25, at times approaching 4.26. It turned out that the currency did not react significantly to further reports on the trade war or economic data, and ultimately the government reshuffle also proved neutral for the PLN. We assume that the limited activity of investors on the FX market so far may increase slightly after more concrete agreements on EU-US trade deal. **We expect the EURPLN to remain stable near 4.25 in the coming days**, with the risk of a weakening of the zloty at the end of the week if the US-EU trade negotiations end in failure.
- Last week, **domestic bond yields reversed the previous week's trend and declined slightly**, by a total of 2-14 bp, more strongly in the case of shorter maturities. Similarly, although to a lesser extent, IRS rates fell by 2-4 bp over the week. The volatility of the Polish debt market next week will be mainly influenced by trade negotiations, economic data from abroad and the Polish CPI reading, which may affect market expectations regarding further interest rate cuts by the Monetary Policy Council.

Breakdown of our CPI forecast for July by main components, % y/y

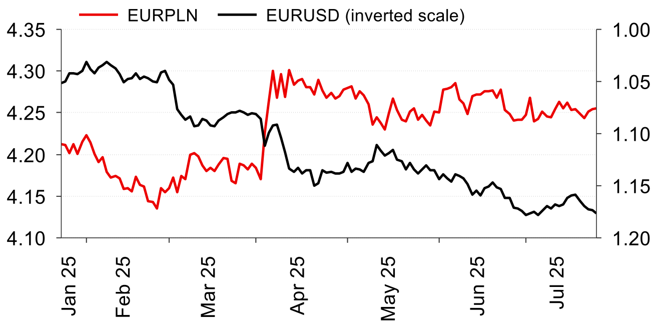


Source: GUS, Santander

Economic Analysis Department:

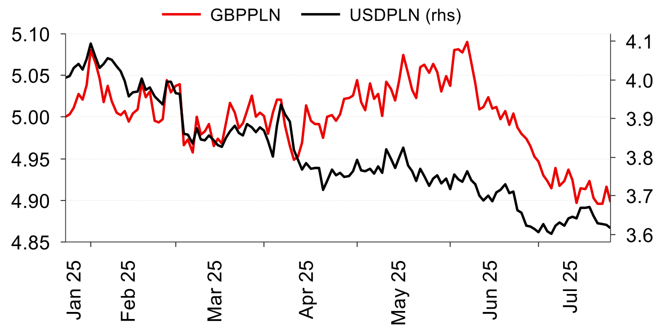
al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Adrian Domitrz +48 571 664 004
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



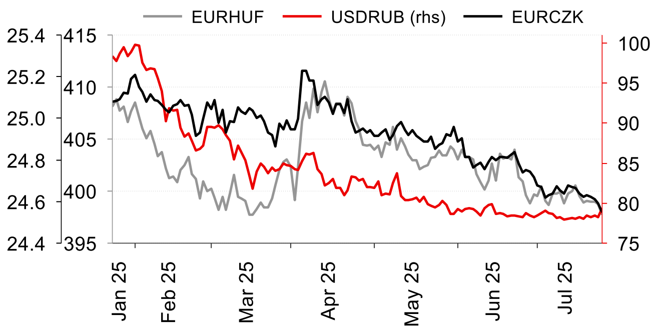
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



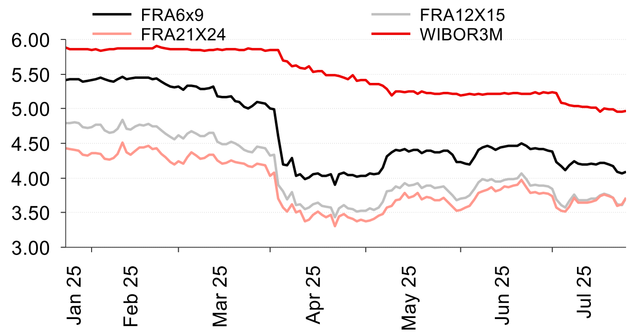
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



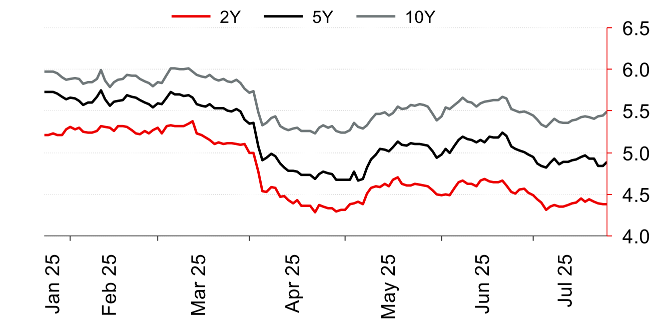
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



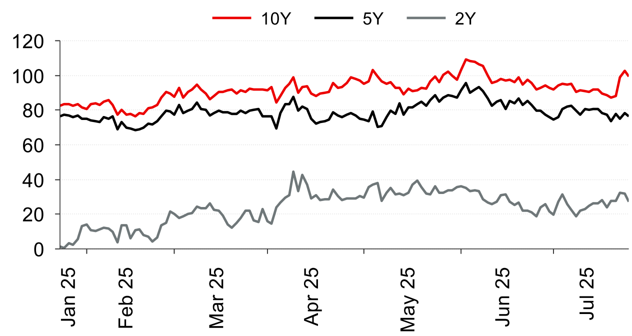
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



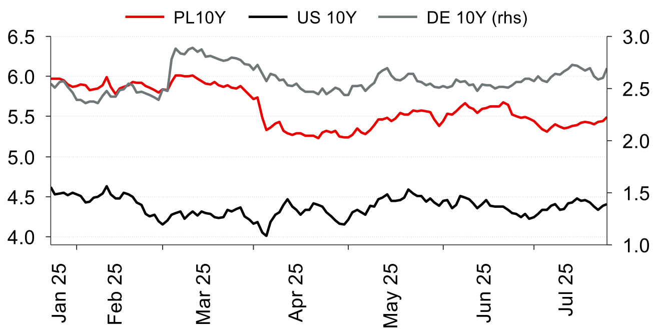
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



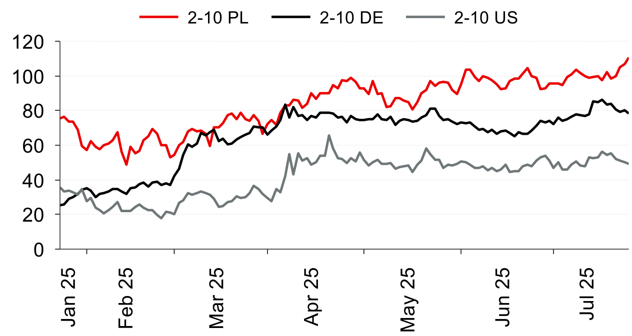
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Santander

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	LAST VALUE
		MONDAY (28 July)					
		No data releases					
		TUESDAY (29 July)					
16:00	US	Consumer Conference Board	Jul	pts	96.0	-	93.0
		WEDNESDAY (30 July)					
08:30	HU	GDP	2Q	% y/y	0.0	-	0.0
09:00	CZ	GDP SA	2Q	% y/y	2.5	-	2.4
10:00	DE	GDP WDA	2Q	% y/y	0.2	-	0.0
11:00	EZ	GDP SA	2Q	% y/y	1.2	-	1.5
11:00	EZ	ESI	Jul	pct.	94.5	-	94.0
14:15	US	ADP report	Jul	k	80	-	-33
14:30	US	GDP Annualized	2Q	% Q/Q	2.4	-	-0.5
16:00	US	Pending Home Sales	Jun	% m/m	0.0	-	1.82
20:00	US	FOMC decision	Jul.25		4.50	-	4.50
		THURSDAY (31 July)					
10:00	**PL**	**CPI**	**Jul**	**% y/y**	**2.8**	**2.9**	**4.1**
11:00	EZ	Unemployment Rate	Jun	%	6.3	-	6.3
14:00	DE	HICP	Jul	% m/m	0.4	-	0.1
14:30	US	Initial Jobless Claims	Jul.25	k	220	-	217
14:30	US	Personal Spending	Jun	% m/m	0.4	-	-0.1
14:30	US	Personal Income	Jun	% m/m	0.2	-	-0.4
14:30	US	PCE Deflator SA	Jun	% m/m	0.3	-	0.1
		FRIDAY (1 August)					
09:00	**PL**	**Poland Manufacturing PMI**	**Jul**	**pts**	**45.6**	**45.6**	**44.8**
09:55	DE	Germany Manufacturing PMI	Jul	pts	49.2	-	49.0
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	49.8	-	49.5
11:00	EZ	Flash HICP	Jul	% y/y	1.9	-	2.0
14:30	US	Change in Nonfarm Payrolls	Jul	k	110	-	147
14:30	US	Unemployment Rate	Jul	%	4.2	-	4.1
16:00	US	Michigan index	Jul	pts	61.8	-	61.8
16:00	US	ISM manufacturing	Jul	pts	49.5	-	49.0

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg