

31 July 2025

Eyeopener

How strongly did inflation fall in July?

Today CPI inflation in July, with probable decline towards to 3% y/y
 US interest rates unchanged
 ESI: worse business climate in Poland in July
 GDP data better than expected in USA, Germany and euro zone
 Small changes on the FX market, minor rise of Polish and core yields

Today, the Polish stats office will release its flash estimate of CPI inflation for July. We will almost certainly see a significant decline from June's 4.1% y/y, in our view to 3.0% y/y, and in the market's view to 2.9% y/y. However, the exact scale of the decline in the inflation rate is difficult to estimate due to numerous changes in administered prices – the restoration of the capacity fee on electricity bills, the reduction in gas tariffs, and the expiry of the anti-inflation shield for heating prices. The last of these factors in particular may be a source of surprise. There are hundreds of companies in Poland that produce and supply heat at their own tariffs, and according to our estimates, the range of price changes in July between individual companies is enormous: in some, prices have fallen, while in others they may have even doubled. Therefore, it is difficult to accurately estimate the average for the whole country. We have assumed a 5% m/m increase in heat prices and a 2% m/m increase in energy carriers overall, but the uncertainty of this estimate is high, with an upward risk.

The Economic Sentiment Indicator for Poland fell by 2.1 pts to 99.4 pts in July, reaching its lowest level since the beginning of the year. The decline in the indicator was caused by a deterioration in most of its component indices, including, in particular, the consumer confidence index, which fell by 5.3 pts to -2.5 pts. The sectoral indices for industry, services, and retail trade also declined, albeit to a lesser extent. The only sector to record a slight improvement was construction. The euro area's ESI improved slightly, from 94.2 pts to 95.8 pts.

Yesterday, the FOMC kept Fed interest rates unchanged at 4.25-4.50%, as expected. The market had expected that rates would go down at the September meeting, but the tone of the post-meeting press conference somewhat dampened those expectations. According to Chairman Powell, the US labour market is quite strong, inflation remains elevated, the impact of tariffs is uncertain, and the FOMC has not yet decided what will happen in September.

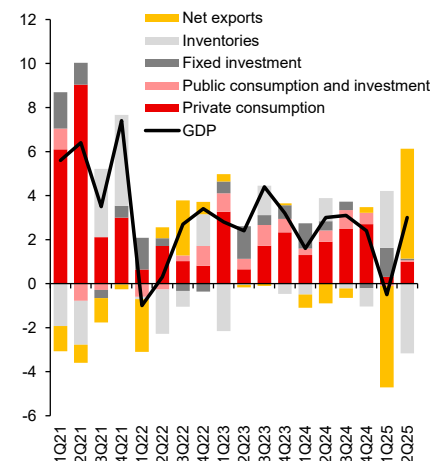
The first estimate of US GDP growth in 2Q25 was relatively strong, at 3.0% q/q on an annualized basis, above -0.5% in 1Q25 and market expectations of a 2.4% increase. However, the increase was primarily driven by a sharp decline in imports (by 30.3%), which added 5.2pp to GDP growth. A simultaneous slowdown in inventory buildup, observed in 1Q25 and in response to increased uncertainty regarding trade policy, had the opposite effect. Furthermore, private consumption growth rebounded from 0.5% to 1.4% q/q, adding 0.9 pp to GDP growth, while investment growth declined from 7.6% to 0.4% q/q. At the same time, PCE inflation fell from 3.7% to 2.1% q/q, and its core component fell from 3.5% to 2.5% q/q. US GDP data are extremely volatile due to sharp changes in trade policy.

Germany's GDP decreased in 2Q25 by 0.1% q/q s.a., while on an annual basis it increased by 0.4% s.a. (compared to the revised increase of 0.3% y/y s.a. in 1Q25 and above the market forecast of 0.2% y/y s.a.). **In the euro area**, GDP growth stood at 1.4% y/y s.a. compared to 1.5% in the previous quarter and expectations of 1.2%. **Hungary's GDP** increased by only 0.1% y/y, although this was still above market expectations and the previous reading (both 0.0%). GDP growth in **Czechia** was slightly worse than expected, but still good, at 2.4% y/y s.a. (the same as in 1Q25, with expectations at 2.5%).

The zloty and other CEE currencies saw only minor changes on Wednesday. EURPLN and EURHUF fell by around 0.1%, ending the European session at 4.27 and 399, respectively. The EURCZK rose marginally, ending the session at 24.6. The EURUSD exchange rate saw more significant changes, falling by over 0.6%, below 1.15.

Domestic IRS and FRA rates rose by 2-3 bp across their curves on Wednesday, while domestic bond yields increased by 3-5 bp, with the curve flattening by 2 bp. Yields also rose in core markets, including 0-2 bp in Germany and 4-5 bp in the US.

Breakdown of US GDP growth, % q/q, annualised



Source: BEA, Santander

Economic Analysis Department:

a.l. 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 Łuziński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.2686	CZKPLN	0.1734
USDPLN	3.7283	HUFPLN*	1.0606
EURUSD	1.1448	RONPLN	0.8412
CHFPLN	4.5910	NOKPLN	0.3625
GBPPLN	4.9488	DKKPLN	0.5719
USDCNY	7.1912	SEKPLN	0.3825

*for 100HUF

Last session in the FX market

30/07/2025

	min	max	open	close	fixing
EURPLN	4.2660	4.2796	4.2774	4.2720	4.2732
USDPLN	3.6926	3.7332	3.7027	3.7249	3.6981
EURUSD	1.1455	1.1568	1.1550	1.1468	

Interest rate market

30/07/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.29	4
PS0730 (5L)	4.87	7
DS1034 (10L)	5.45	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.38	2	4.32	8	2.07	2
2L	4.09	3	3.98	8	2.10	4
3L	4.03	3	3.86	6	2.20	3
4L	4.07	4	3.84	6	2.28	0
5L	4.13	4	3.87	6	2.36	1
8L	4.35	4	4.01	4	2.56	1
10L	4.51	4	4.11	5	2.68	2

WIBOR rates

Term	%	Change (bps)
O/N	4.80	-1
T/N	5.01	-4
SW	5.06	-2
1M	5.09	-1
3M	4.94	-1
6M	4.78	0
1Y	4.60	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.82	0
3x6	4.45	2
6x9	4.06	1
9x12	3.77	3
3x9	4.31	1
6x12	3.96	1

CDS rates and 10Y yield spread vs. German Bund

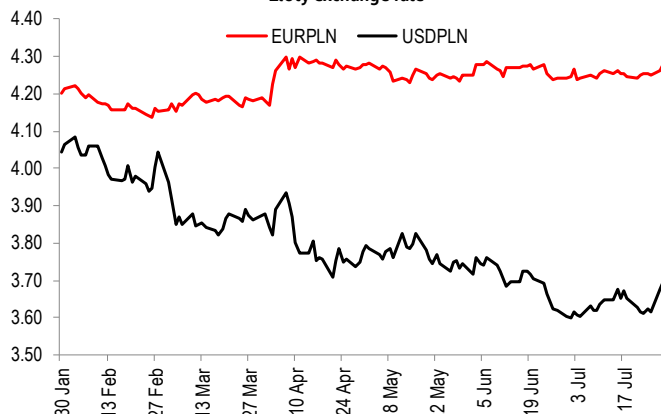
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	63	-2	275	1
France	16	0	66	0
Hungary	117	-3	443	-1
Spain	27	0	59	1
Italy	17	0	85	1
Portugal	15	0	44	1
Ireland	11	0	23	-2
Germany	5	0	-	-

* 10Y treasury bonds over 10Y Bunds

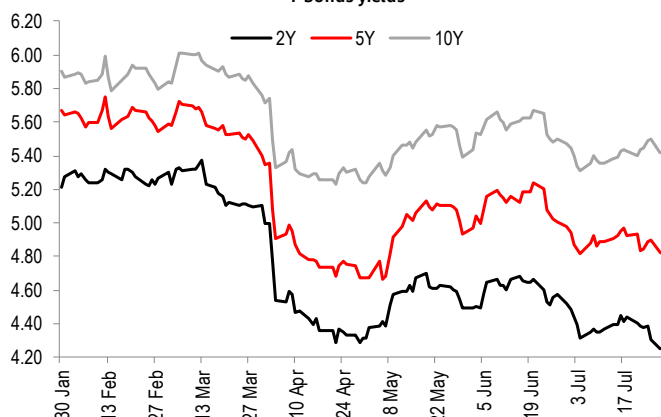
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

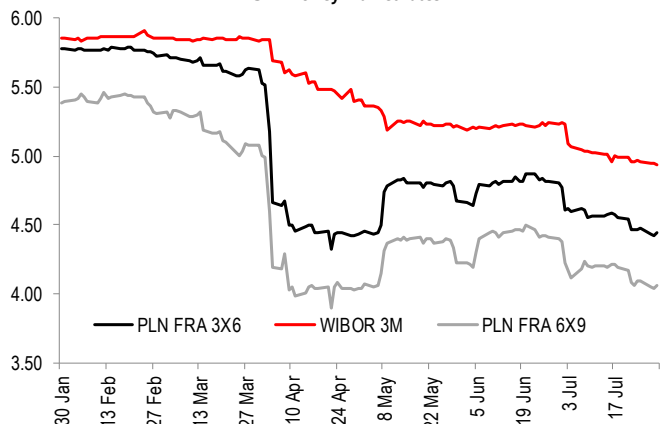
Zloty exchange rate



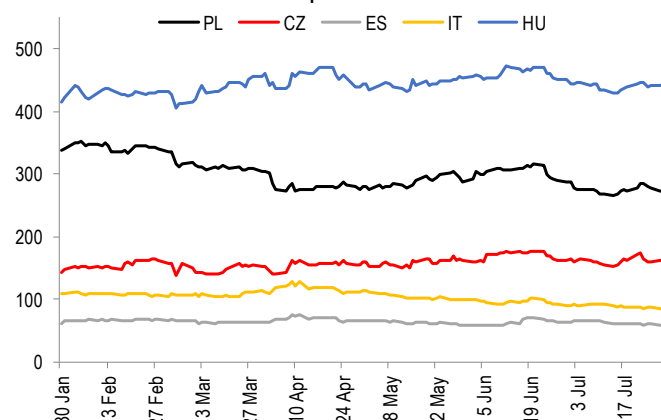
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (25 July)								
10:00	DE	IFO Business Climate	Jul	pts	89.0	88.6	88.4	
14:30	US	Durable Goods Orders	Jun	% m/m	-10.8	-9.3	16.5	
MONDAY (28 July)								
No data releases								
TUESDAY (29 July)								
16:00	US	Consumer Conference Board	Jul	pts	96.0	97.2	95.2	
WEDNESDAY (30 July)								
08:30	HU	GDP	2Q	% y/y	0.0	0.1	0.0	
09:00	CZ	GDP SA	2Q	% y/y	2.5	2.4	2.4	
10:00	DE	GDP WDA	2Q	% y/y	0.2	0.4	0.3	
11:00	EZ	GDP SA	2Q	% y/y	1.2	1.4	1.5	
11:00	EZ	ESI	Jul	pct.	94.5	95.8	94.2	
14:15	US	ADP report	Jul	k	77	104	-23	
14:30	US	GDP Annualized	2Q	% Q/Q	2.4	3.0	-0.5	
16:00	US	Pending Home Sales	Jun	% m/m	0.0	-0.8	1.8	
20:00	US	FOMC decision	Jul.25		4.50	4.50	4.50	
THURSDAY (31 July)								
10:00	PL	CPI	Jul	% y/y	2.9	3.0	-	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

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.