

1 August 2025

Eyeopener

CPI back in tolerance band, but higher than forecast

Today July's PMI, we are expecting a slight rebound
 Polish CPI went back to the tolerance band around target, but surprised to the upside
 Inflation remained low in Germany, US data without surprises
 Strong rise in mortgage loan origination
 Weaker zloty and higher bond yields

Today, we will see the final PMI data for the euro area and the first data for Poland. June's reading for Poland was weak, but we expect a slight rebound. In addition, there will be preliminary HICP data from the euro area, as well as labour market and industry data from the United States.

According to GUS flash estimate, CPI inflation slowed down from 4.1% y/y in June to 3.1% y/y in July, i.e. marginally higher than our forecast (3.0% y/y) and market consensus (2.9% y/y). The CPI fell primarily due to base effects, as in July 2024 electricity prices sharply increased. On monthly basis, food prices fell by 0.6%, fuel prices rose by 3.5% and energy carrier prices increased by 1.1%. Change in the inflation rate this month was influenced by accumulation of several changes in administered prices. On the one hand, prices went up because of reinstatement of the capacity fee to electricity bills and the expiration of the maximum price mechanism for heat supply. In the opposite direction contributed the reduction in gas tariffs. According to our calculations, core inflation increased by 3.4% y/y, the same as in June. We expect both inflation measures (overall and core) to remain similar at around 3% until the end of the year, which should support the Monetary Policy Council's decisions to cut interest rates. For now, we maintain our forecast of two rate cuts this year, by 25 bp each in September and November.

Sales of housing loans amounted to PLN8.2bn in June, the highest since February 2024, i.e. since the last loans were granted under the Safe 2% Loan programme. The increase in housing loan sales has been observed since the beginning of the year, when sales stood at c. PLN6bn per month, which suggests that there is a revival of demand in the housing market. In the coming months, this trend may be supported by further interest rate cuts by the MPC. Sales of consumer loans amounted to PLN11.1bn, thus remaining close to their relatively high levels from recent months. Sales of loans to enterprises were also relatively high, at PLN13.7bn, which is the second-best result this year.

According to preliminary estimates by GUS, basic cereal harvests will reach 25.4 mn tonnes in 2025, which is 0.1% more y/y, vegetable harvests will reach 4.0 mn tonnes (+5% y/y), tree fruit harvests will reach 4.0 mn tonnes (+6% y/y), shrub fruit harvests will reach 484k tonnes (+5.8% y/y), and rapeseed and turnip rape harvests will reach 4.6 mn tonnes (11% y/y). The increase in harvests compared to the previous year, particularly in the case of fruit, is good news for food price inflation forecasts.

Finance Minister Andrzej Domański said that **his ministry did not anticipate any amendments to the 2025 budget**. We estimate that this year's tax revenues will be significantly lower than expected (by as much as PLN20-30bn), but it is possible that the need for budget amendments can be avoided.

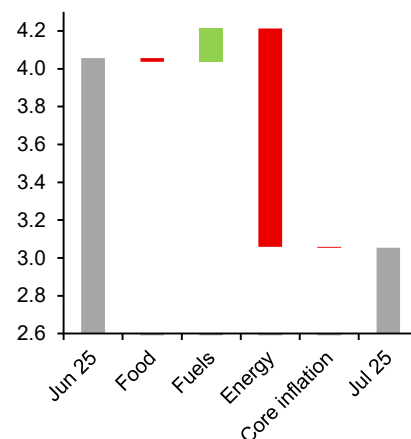
According to Eurostat methodology, the unemployment rate in Poland rose from 3.3% to 3.5% in June, in the Czech Republic from 2.9% to 3.0%, in Hungary from 4.3% to 4.4%, while the euro zone average remained unchanged at 6.2%. The increase in the rate in Poland is likely related to the higher registered unemployment rate on which Eurostat estimates are based. Next month, these data will be revised based on the LFS results for the second quarter.

CPI inflation in Germany stabilised at 2.0% y/y, in line with expectations, with a 0.3% m/m increase (against forecasts of 0.2% m/m). The HICP index fell below 2% to 1.8% y/y in July, compared to 2.0% y/y in June. **Thursday's data from the US were close to market expectations**. Personal spending and personal income, after declines in May, rose by 0.3% m/m in June. The number of jobless claims was slightly lower than expected.

After the release of the CPI data, the EURPLN exchange rate rose from 4.265 to around 4.276, but as the hours passed, the zloty strengthened and the exchange rate fell to around 4.272. The Czech and Hungarian currencies were stable, while the dollar continued to strengthen, with the EURUSD exchange rate falling by c. 0.3% to 1.145.

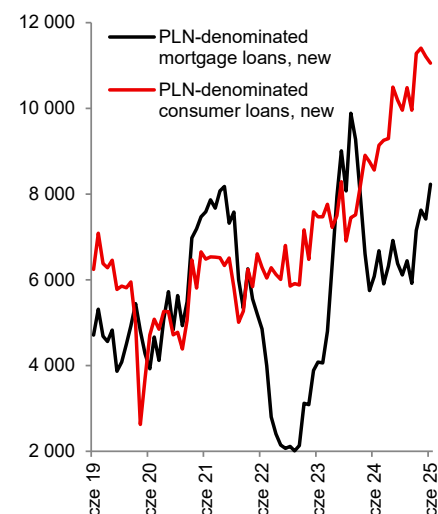
The Polish debt market reacted to the higher-than-expected inflation with an increase in yields, initially by c. 10 bp, which was later partially reversed to c. 5 points across the curve. IRS rates rose by 6-9 bp, FRA by 11-12 bp. We assume that rates are likely to decline slightly in the coming days, offsetting the surprise effect of inflation, which nevertheless declined significantly and entered the NBP's inflation target range. Deputy Finance Minister Jurand Drop said that at the end of July, **the gross financing needs** were covered in c. 85%.

Breakdown of change in annual inflation rate, % y/y



Source: GUS, Santander

New mortgage and consumer loans (k PLN)



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.2746	CZKPLN	0.1737
USDPLN	3.7388	HUFPLN*	1.0587
EURUSD	1.1433	RONPLN	0.8427
CHFPLN	4.5965	NOKPLN	0.3618
GBPPLN	4.9354	DKKPLN	0.5728
USDCNY	7.2078	SEKPLN	0.3820

*for 100HUF

Last session in the FX market

31/07/2025

	min	max	open	close	fixing
EURPLN	4.2630	4.2776	4.2702	4.2747	4.2661
USDPLN	3.7216	3.7490	3.7343	3.7400	3.7257
EURUSD	1.1404	1.1460	1.1434	1.1430	

Interest rate market

31/07/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.43	11
PS0730 (5L)	4.93	8
DS1034 (10L)	5.50	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.44	6	4.35	3	2.07	0
2L	4.18	9	4.00	2	2.10	0
3L	4.11	8	3.88	2	2.20	0
4L	4.14	7	3.86	2	2.29	1
5L	4.20	7	3.87	0	2.36	0
8L	4.41	6	4.02	1	2.56	0
10L	4.57	5	4.11	0	2.68	-1

WIBOR rates

Term	%	Change (bps)
O/N	4.80	0
T/N	5.00	-1
SW	5.07	1
1M	5.09	0
3M	4.93	-1
6M	4.78	0
1Y	4.60	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.83	1
3x6	4.49	4
6x9	4.17	11
9x12	3.87	11
3x9	4.36	5
6x12	4.06	11

CDS rates and 10Y yield spread vs. German Bund

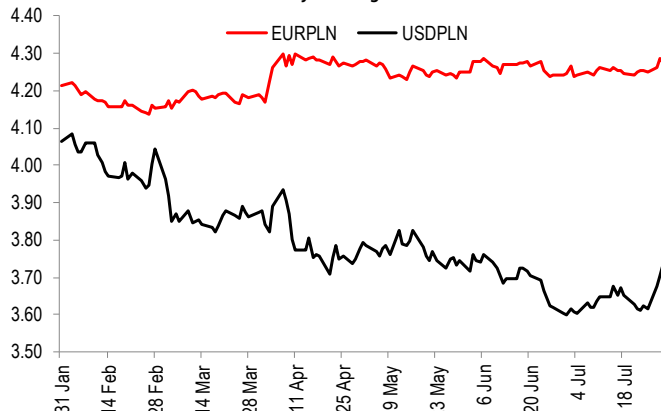
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	63	0	281	6
France	16	0	66	0
Hungary	117	0	453	9
Spain	27	0	58	0
Italy	17	0	84	0
Portugal	15	0	43	-1
Ireland	12	0	23	1
Germany	5	0	-	-

* 10Y treasury bonds over 10Y Bunds

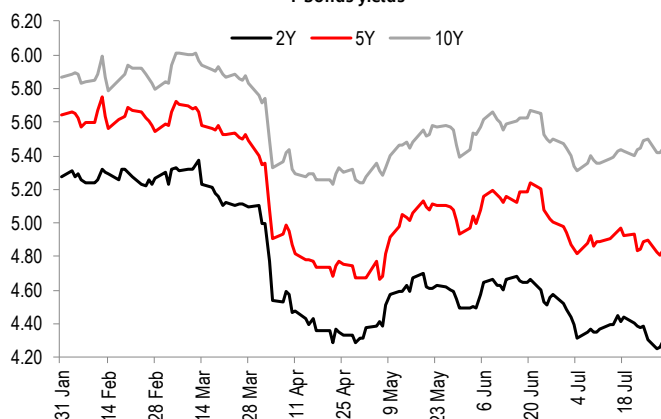
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

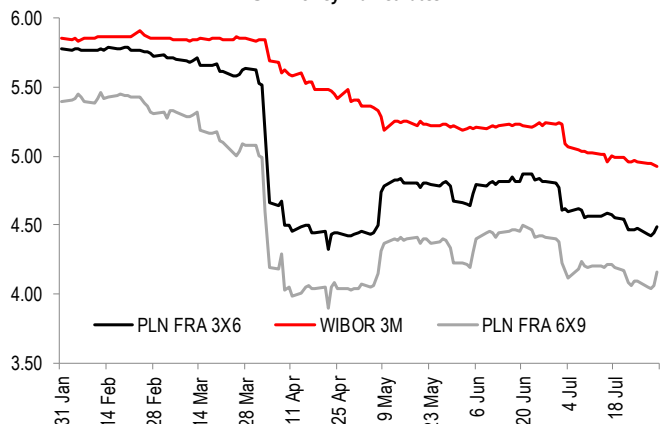
Zloty exchange rate



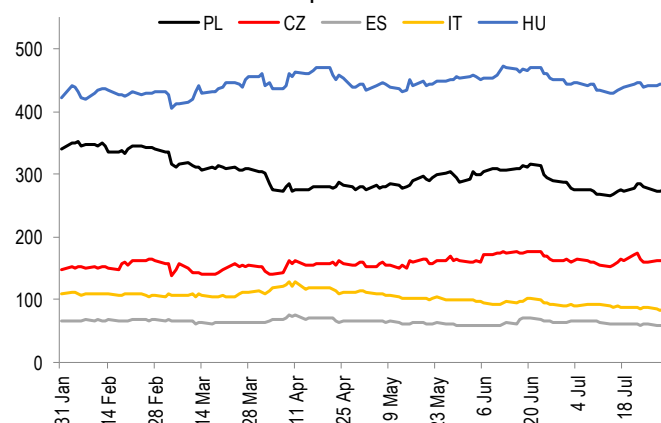
T-bonds yields



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	4.5s0	4.50
THURSDAY (31 July)							
10:00	PL	CPI	Jul	% y/y	2.9	3.0	3.1
11:00	EZ	Unemployment Rate	Jun	%	6.3	6.2	6.3
14:00	DE	HICP	Jul	% m/m	0.4	0.4	0.1
14:30	US	Initial Jobless Claims	Jul.25	k	224	218	217
14:30	US	Personal Spending	Jun	% m/m	0.4	0.3	-0.1
14:30	US	Personal Income	Jun	% m/m	0.2	0.3	-0.4
14:30	US	PCE Deflator SA	Jun	% m/m	0.3	0.3	0.1
FRIDAY (1 August)							
09:00	PL	Poland Manufacturing PMI	Jul	pts	45.6	45.6	-
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

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