20 August 2025

Eyeopener

ECB has inflation on target

Today, final HICP inflation data in the euro zone, FOMC minutes from July meeting
Heating subsidies proposed by the government should be neutral for inflation
Small changes in the FX and interest rate markets

Today, full data on July HICP inflation will be released in the euro area. According to the flash estimate published in early August, its rate remained stable at 2.0% y/y, in line with the ECB's inflation target. In the evening, we will also see minutes of the July FOMC meeting. Apart from that, the annual symposium of central bankers in Jackson Hole begins today. As usual, it will be an opportunity for speeches on monetary policy, including a speech by Fed Chairman J. Powell on Friday.

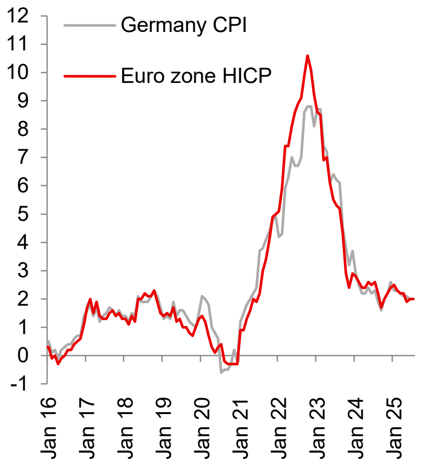
The government has prepared a draft regulation introducing heating vouchers for households, according to the government's website. According to the draft, the vouchers are to be paid out in the second half of 2025 and in 2026, and are to be granted to households that pay more than PLN170/GJ for heating and whose per capita income is equal to or less than PLN2,454.52. Households whose income exceeds the specified income threshold will receive vouchers reduced by the amount of the exceedance, with the minimum worth of vouchers set at PLN20. The government plans to adopt the regulations in the third quarter of this year. This form of reducing heating costs for poorest households should be neutral for the CPI (the support does not directly affect the price of the service purchased). Earlier in August, Energy Minister Miłosz Motyka estimated the cost to the budget of introducing the heating voucher at PLN0.3-0.5bn this year and approximately PLN1bn next year.

Russian President Vladimir Putin agreed to a meeting with Ukrainian leader Volodymyr Zelensky during a Monday phone call with US President Donald Trump, White House spokeswoman Karoline Leavitt confirmed on Tuesday. She said the meeting location is still being negotiated. Some media outlets reported that Putin agreed to the meeting in Budapest; the location proposed by European leaders was Geneva.

In the absence of significant publications in Poland and abroad, the EURPLN exchange rate fluctuated only slightly on Tuesday and ended the domestic session close to its opening level, i.e. at 4.24 (stronger than before the weekend due to the positive tone of Monday's talks in Washington). EURCZK behaved similarly, ending the session at around 24.44. The EURHUF exchange rate saw slightly larger changes, falling by more than 0.2% at the beginning of the session. At the same time, there was a slight weakening of the dollar against the euro, by about 0.1%. This morning, there was a slight correction of the zloty, with EURPLN returning to around 4.25.

Changes in domestic bond yields and money market rates were negligible and did not exceed ±1 bp. Similarly, changes in German bond yields were minor. Slightly more pronounced changes were recorded in the US, where the bond yield curve shifted down by about 2-3 bp. The minutes from the FOMC meeting published this evening are likely to remind market participants that the Fed does not intend to hurry with interest rate cuts. In this context, investors are also awaiting J. Powell's speech in Jackson Hole on Friday. However, in recent weeks in the US, following weak labour market data and no upward surprises in CPI inflation, the market has concluded that a 25 bp rate cut in the US in September is much more likely than no cut.

Inflation, %y/y



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4,2487	CZKPLN	0,1735
USDPLN	3,6549	HUFPLN*	1,0668
EURUSD	1,1624	RONPLN	0,8404
CHFPLN	4,5185	NOKPLN	0,3550
GBPPLN	4,9328	DKKPLN	0,5691
USDCNY	7,1840	SEKPLN	0,3798

*for 100HUF

Last session in the FX market **19.08.2025**

	min	max	open	close	fixing
EURPLN	4,2385	4,2476	4,2454	4,2440	4,242
USDPLN	3,6274	3,6442	3,6406	3,6405	3,6332
EURUSD	1,1650	1,1692	1,1660	1,1659	

Interest rate market **19.08.2025**

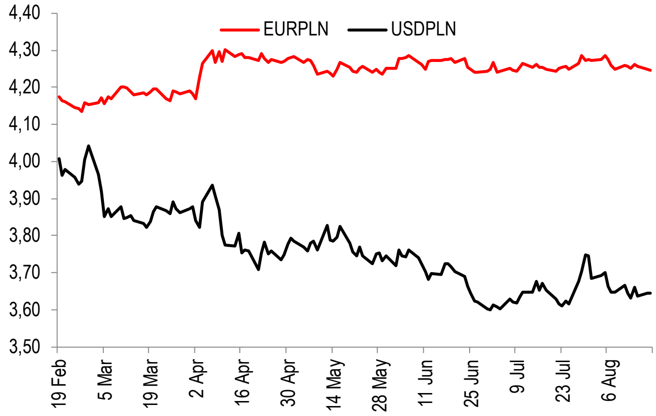
T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4,25	0
PS0730 (5L)	4,84	-1
DS1034 (10L)	5,43	0

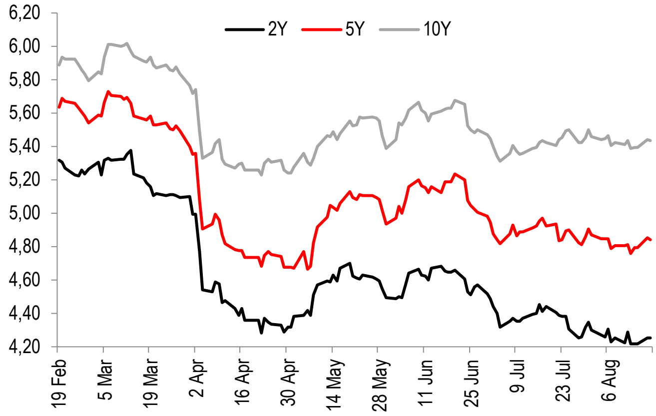
IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4,33	0	4,10	-2	2,07	-1
2L	4,07	0	3,78	-2	2,09	-1
3L	4,01	1	3,70	-2	2,17	-2
4L	4,04	1	3,69	-2	2,27	-1
5L	4,09	1	3,73	-2	2,35	-1
8L	4,30	0	3,93	-3	2,57	-2
10L	4,46	0	4,05	-3	2,69	-1

Zloty exchange rate



T-bonds yields



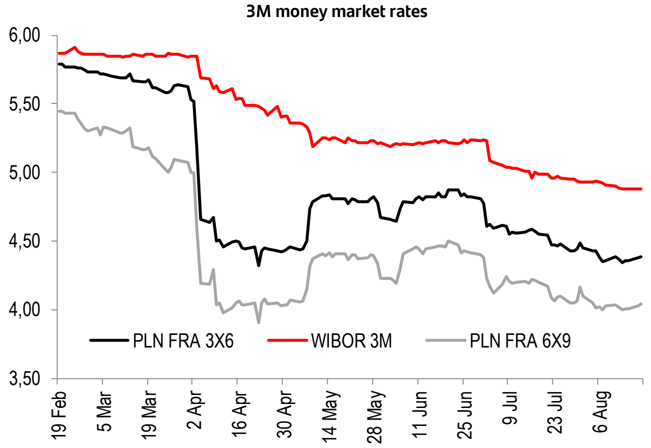
WIBOR rates

Term	%	Change (bps)
O/N	5,07	-8
T/N	5,07	-1
SW	5,09	1
1M	5,00	1
3M	4,88	0
6M	4,72	-1
1Y	4,56	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4,65	2
3x6	4,39	0
6x9	4,04	1
9x12	3,73	1
3x9	4,25	0
6x12	3,93	0

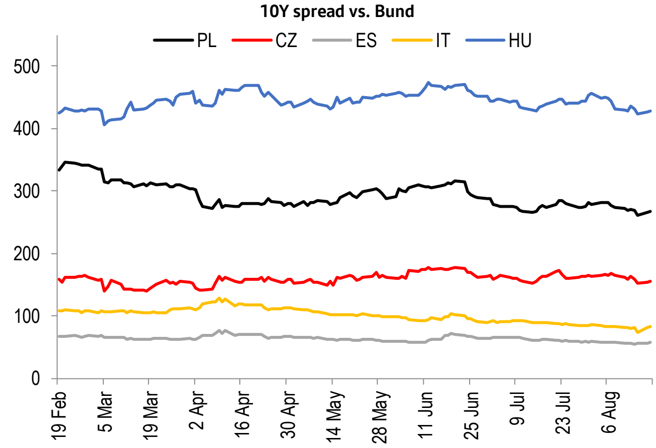
3M money market rates



CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	60	0	268	2
France	16	0	69	0
Hungary	108	0	429	2
Spain	26	0	57	1
Italy	17	0	83	1
Portugal	15	0	40	1
Ireland	12	0	23	0
Germany	5	0	-	-

10Y spread vs. Bund



* 10Y treasury bonds over 10Y Bunds

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

Source: LSEG, Datastream

Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			THURSDAY (14 August)					
10:00	**PL**	**CPI**	**Jul**	**% y/y**	**3.1**	**3.1**	**3.1**	**3.1**
11:00	EZ	GDP SA	2Q	% y/y	1.4	-	1.4	1.4
11:00	EZ	Industrial Production SA	Jun	% m/m	-1.0	-	-1.3	1.7
14:30	US	Initial Jobless Claims	Aug.25	k	225	-	224	227
			FRIDAY (15 August)					
14:30	US	Retail Sales Advance	Jul	% m/m	0.6	-	0.5	0.9
15:15	US	Industrial Production	Jul	% m/m	0.0	-	-0.1	0.4
16:00	US	Michigan index	Aug	pts	62.0	-	58.6	61.7
			MONDAY (18 August)					
14:00	**PL**	**CPI Core**	**Jul**	**% y/y**	**3.3**	**3.4**	**3.3**	**3.4**
			TUESDAY (19 August)					
14:30	US	Housing Starts	Jul	% m/m	4.5	-	5.2	5.9
			WEDNESDAY (20 August)					
11:00	EZ	HICP	Jul	% y/y	2.0	-	-	2.0
20:00	US	FOMC Meeting Minutes	Jul					
			THURSDAY (21 August)					
09:30	DE	Germany Manufacturing PMI	Aug	pts	48.8	-	-	49.1
09:30	DE	Markit Germany Services PMI	Aug	pts	50.5	-	-	50.6
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	49.5	-	-	49.8
10:00	EZ	Eurozone Services PMI	Aug	pts	50.8	-	-	51.0
10:00	**PL**	**Employment in corporate sector**	**Jul**	**% y/y**	**-0.8**	**-0.8**	**-**	**-0.8**
10:00	**PL**	**Average Gross Wages**	**Jul**	**% y/y**	**8.6**	**8.5**	**-**	**9.0**
10:00	**PL**	**Sold Industrial Output**	**Jul**	**% y/y**	**1.6**	**0.9**	**-**	**-0.1**
10:00	**PL**	**Construction Output**	**Jul**	**% y/y**	**1.4**	**0.4**	**-**	**2.2**
10:00	**PL**	**PPI**	**Jul**	**% y/y**	**-1.4**	**-1.4**	**-**	**-1.8**
16:00	US	Existing Home Sales	Jul	% m/m	-0.3	-	-	-2.7
			FRIDAY (22 August)					
08:00	DE	GDP WDA	2Q	% y/y	0,4	-	-	0.3

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg
** in the case of a revision the data is updated*

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.