

22 August 2025

# Weekly Economic Update

## Awaiting the 2026 draft budget

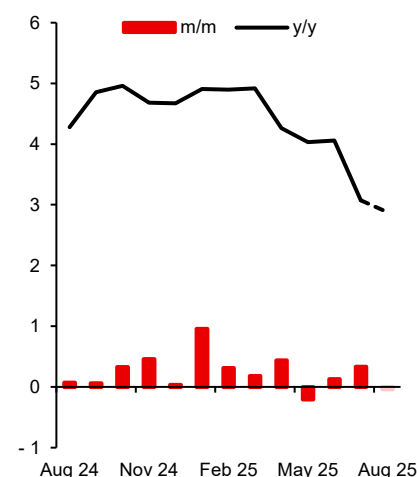
### Economy next week

- After the weekend, more domestic data will be released, completing the picture of the economic situation at the beginning of the third quarter. On Monday, we will get to see July retail sales and money supply, as well as a publication on companies' financial results for the first half of the year. On Tuesday, GUS will publish the registered unemployment rate and the monthly Statistical Bulletin with a set of more detailed information about the economy. On Thursday, the minutes of the July Monetary Policy Council meeting will be released, at which the Council lowered interest rates by 25 basis points, and on Friday, we will learn preliminary data on August CPI inflation.
- **Retail sales growth likely accelerated in July** (our forecast: 3.5% y/y, the same as consensus), recovering after the weaker-than-expected June result and confirming a solid trend supported by growth in real household income. **Money supply should remain on a solid upward trend** (our forecast: 10.8% y/y, market: 10.5% y/y), thanks to the continued credit recovery. **According to preliminary estimates by the Ministry of Labour, the unemployment rate rose to 5.4%**, among other things due to changes in labour offices' procedures for verification of the unemployment status, and GUS data should confirm this reading (with some risk that it shows 5.3% instead). We expect the **inflation rate to fall to 2.9% y/y in August** (the median of Bloomberg forecasts is at the same level), giving the MPC an argument for another interest rate cut at its September meeting.
- From a market perspective, however, the most eagerly awaited information will be **the draft budget for 2026**, which the Ministry of Finance usually submits for public consultation in the last days of August. We expect the document to assume at least moderate fiscal consolidation next year (in the order of 0.5% of GDP), based, among other things, on planned tax increases (at least some of which we believe are unrealistic due to the likely veto of the president), forecasts of solid GDP growth (almost 7% in nominal terms) and ambitious assumptions regarding tax collection and tax revenue growth.
- **A Cabinet Council meeting**, convened by President Karol Nawrocki, is scheduled for Wednesday. Discussions will include the state of public finances, progress in development investments, and planned measures to protect Polish agriculture.
- A wide range of publications are scheduled abroad, including the European Ifo, GfK, and ESI economic sentiment indices, preliminary inflation in selected EU countries, the next GDP reading in the US, consumer sentiment from the Conference Board and Michigan, personal spending and income, and the PCE deflator.
- The Hungarian central bank will decide on interest rates on Tuesday. The key interest rate is expected to remain unchanged at 6.5%.

### Markets next week

- The Polish zloty is ending the week with a depreciation related to declines on the Warsaw Stock Exchange, which have been triggered after the Ministry of Finance announced its plan to increase the taxes on banks. In effect, the zloty has more than corrected all the gains it made over the previous days, when it was receiving some moderate support from the news about the Trump-Putin and Trump-Zelenskyy talks. In the short term, the behaviour of EURPLN may depend, among other things, on the reaction of global markets to Jerome Powell's speech this afternoon – **we do not rule out a further slight correction of EURPLN towards 4.27 if the Fed chairman cools expectations of interest rate cuts in the US somewhat**. Since April, EURPLN has been moving within a fairly narrow range of 4.24-4.28, and unless there is a real breakthrough in talks to end the war in Ukraine, this situation will likely continue over the next few months.
- For the debt market, information about next year's budget draft will be key in the coming days. We assume that, as was the case last year, **the initial reaction of bonds to the budget draft and high borrowing needs may be negative**, mainly for the long end of the curve. This is particularly true if today's speech by J. Powell is not perceived as dovish.

### CPI inflation, %m/m and %y/y, incl. forecast

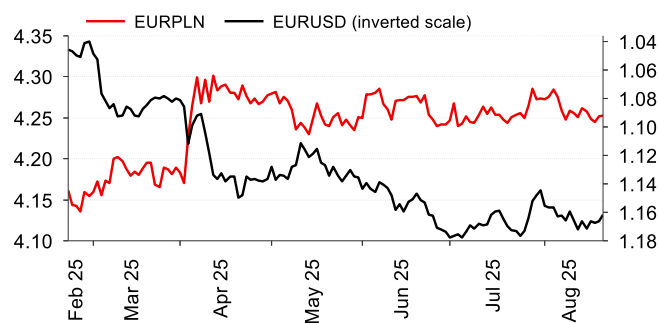


Source: GUS, Santander

### Economic Analysis Department:

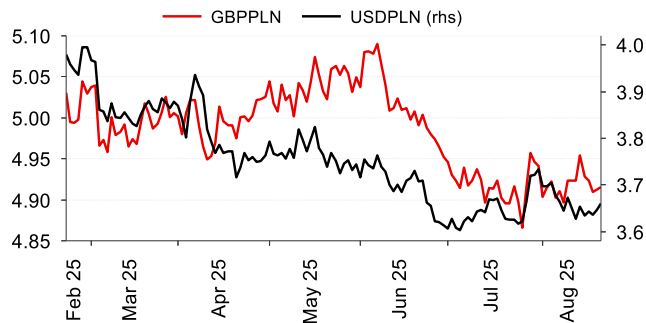
al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 691 393 119  
**Bartosz Białas** +48 517 881 807  
**Adrian Domitrz** +48 571 664 004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

### EURPLN and EURUSD



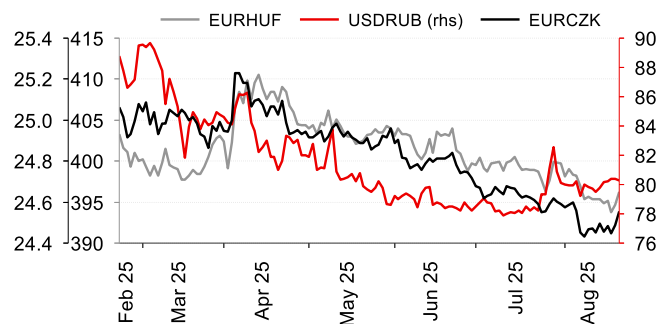
Source: LSEG Datastream, Santander

### GBPPLN and USDPLN



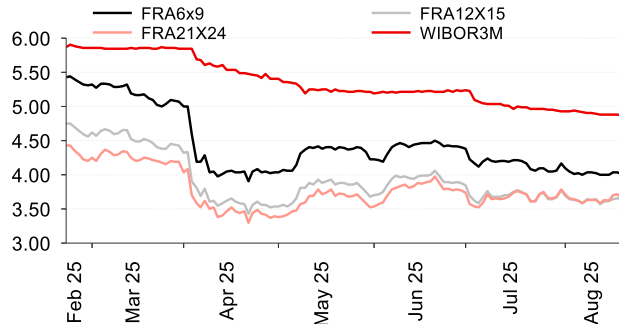
Source: LSEG Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



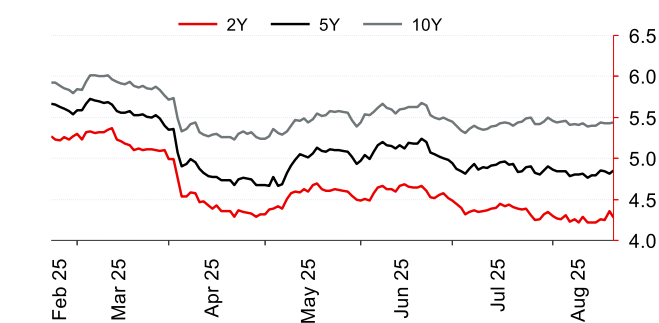
Source: LSEG Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



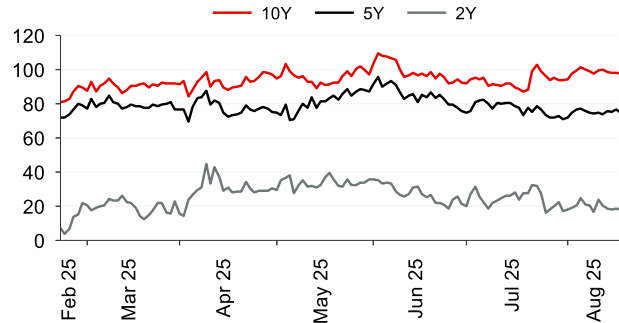
Source: LSEG Datastream, Santander Bank Polska

### Polish bond yields



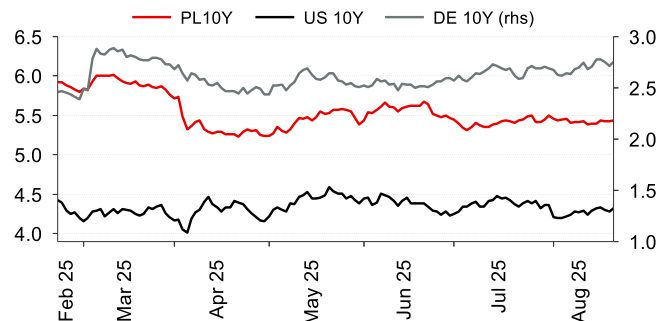
Source: LSEG Datastream, Santander Bank Polska

### Asset swap spreads



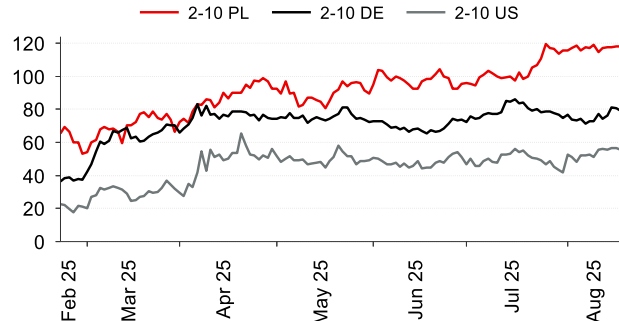
Source: LSEG Datastream, Santander Bank Polska

### 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		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (25 August)							
10:00	DE	IFO Business Climate	Aug	pts	88.6	-	88.6
10:00	PL	Retail Sales Real	Jul	% y/y	3.5	3.5	2.2
14:00	PL	Money Supply M3	Jul	% y/y	10.5	10.8	10.5
16:00	US	New Home Sales	Jul	% m/m	0.2	-	0.6
TUESDAY (26 August)							
10:00	PL	Unemployment Rate	Jul	%	5.4	5.4	5.2
14:00	HU	Central Bank Rate Decision	Aug.25	%	6.50	-	6.50
14:30	US	Durable Goods Orders	Jul	% m/m	-4.0	-	-9.4
16:00	US	Consumer Conference Board	Aug	pts	96.4	-	97.2
WEDNESDAY (27 August)							
No key data releases or events							
THURSDAY (28 August)							
11:00	EZ	ESI	Aug	pct.	96.0	-	95.8
14:30	US	GDP Annualized	2Q	% Q/Q	3.1	-	3.0
14:30	US	Initial Jobless Claims	Aug.25	k	225	-	235
16:00	US	Pending Home Sales	Jul	% m/m	0.2	-	-0.8
FRIDAY (29 August)							
08:00	DE	Retail Sales	Jul	% m/m	-0.3	-	1.0
09:00	CZ	GDP SA	2Q	% y/y	2.4	-	2.4
10:00	PL	CPI	Aug	% y/y	2.9	2.9	3.1
14:00	DE	HICP	Aug	% m/m	0.0	-	0.4
14:30	US	Personal Spending	Jul	% m/m	0.5	-	0.3
14:30	US	Personal Income	Jul	% m/m	0.5	-	0.3
14:30	US	PCE Deflator SA	Jul	% m/m	0.2	-	0.3
16:00	US	Michigan index	Aug	pts	58.6	-	58.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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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](mailto:ekonomia@santander.pl), <http://www.santander.pl>.