

25 August 2025

Eyeopener

Fed chairman pointed to possible further rate cuts

Today retail sales and M3 money supply for July, German Ifo index for August
Better business sentiment in August in most sectors
Positive market mood following J. Powell's speech suggesting further rate cuts

Today, we will see July data on retail sales and M3 money supply. We expect retail sales growth to accelerate from 2.2% y/y in June to 3.5% y/y, in line with market consensus. In our view, M3 money supply growth may have increased to 10.8% y/y, above the market's call for stabilisation at June's 10.5% y/y. GUS will also release summarized 1H25 financial results of companies employing 50+ persons. In addition to domestic data, we will see the August print of the German Ifo index, as well as July data on new home sales in the US.

In August, out of eight seasonally adjusted sectoral business sentiment indicators provided by GUS, five showed m/m improvement, two were practically unchanged and one indicated deterioration. The largest rise was recorded in hotels and restaurants sector, followed by financial and insurance services, retail trade and industry. For the last of them, it was the third month of mild improvement in a row, but with each monthly gain being larger than the previous one. Better sentiment in retail trade and industry was based on the forward-looking components. Transport and logistics sector was the only one to signal deterioration of business conditions in August. However, a drop in the sector's current assessment index reversed a large increase in July. As far as the levels of sectoral indices are concerned, hotels and restaurants stay well ahead of others in the expansion area. Industry is still lagging other sectors, but the August rise of this index dragged it out slightly above the tight range it which it had stayed for the last year, and to the highest level since November 2021. The business sentiment data are in line with our view on further acceleration of the economy in 3Q.

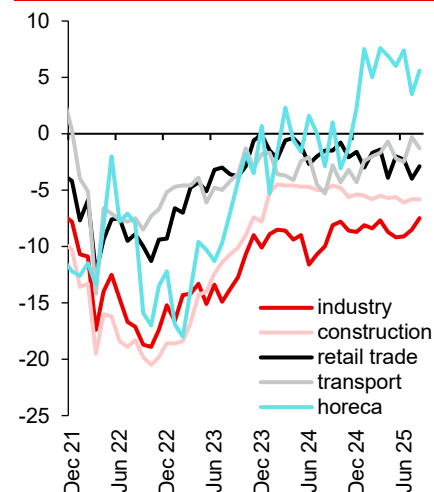
The head of the President's Office, Zbigniew Bogucki, said on Radio ZET that **Karol Nawrocki would not sign the bills increasing the excise duty on alcohol and the so-called sugar tax**, which have been recently announced by the Ministry of Finance. In his statement, he did not refer to the plan to increase the CIT rate for banks.

Local governments recorded a surplus of PLN39.5bn after 2Q25, compared to a surplus of PLN21.2bn after 2Q24. The improved local government results are largely due to changes in their financing – local government revenues from personal income tax (PIT) increased to PLN106.7bn this year after the second quarter, from PLN36.2bn a year earlier, while those from general subsidies decreased to PLN28.3bn from PLN68.5bn. The flip side of this reform is reflected in the higher budget deficit. The sum of local government and state budget results after June, adjusted for the redemption of PFR0325 bonds, was -PLN61.7bn, compared to -PLN48.7bn last year. This result supports our expectations that this year's public finance deficit will be similar to last year's (6.6% of GDP). Local government investment spending increased nominally by 4.6% y/y in 2Q, following an 11.2% y/y increase in 1Q. Investments financed with EU funds increased by 102.8% y/y, confirming that spending of these funds is gaining momentum. However, the nominal value (PLN3.0bn in 2Q) is still lower than the 2018-2023 average (PLN3.8bn).

Friday's session on the foreign exchange market was the third in a row with a slight increase in the EURPLN. As a result, the exchange rate ended the week slightly above its opening level (around 4.26), having fallen close to 4.24 along the way. The EURHUF and EURCZK exchange rates recorded declines of around 0.3% on Friday. In the case of the EURHUF, the decline meant the exchange rate returned to its start-of-the-week level, while in the case of the EURCZK, the scale of the weekly increase was reduced to 0.3%. The EURUSD exchange rate rose nearly 1% on Friday, from 1.161 to around 1.172, the level seen a week earlier. The dollar's depreciation occurred during Fed Chairman J. Powell's speech at the Jackson Hole symposium, during which he stated that the shifting balance of risks, including those related to the labour market, could justify an adjustment in monetary policy.

Domestic money market rates and yields recorded slight declines on Friday, equal to c. 2bp across the entire IRS and FRA curves, and 2-3bp in the case of bond yields. As a result, over the course of the past week, IRS and FRA rates rose by 1-4bp, slightly more at the ends of their curves, while bond yields increased by 2-4bp with their curve steepening by around 1bp. On Friday, yield declines also occurred in the core markets, amounting to around 2bp in Germany and 5-10bp in the US.

Sectoral business sentiment indexes, seasonally adjusted



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 Łuziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.2603	CZKPLN	0.1733
USDPLN	3.6387	HUFPLN*	1.0655
EURUSD	1.1709	RONPLN	0.8434
CHFPLN	4.5330	NOKPLN	0.3611
GBPPLN	4.9126	DKKPLN	0.5703
USDCNY	7.1524	SEKPLN	0.3825

*for 100HUF

Last session in the FX market 22.08.2025

	min	max	open	close	fixing
EURPLN	4.2490	4.2678	4.2531	4.2568	4.267
USDPLN	3.6235	3.6805	3.6724	3.6345	3.6786
EURUSD	1.1581	1.1732	1.1583	1.1711	

Interest rate market

22.08.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS0527 (2L)	4.32	5
PS0730 (5L)	4.82	-3
DS1034 (10L)	5.42	-2

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	4.29	4.06	2.06
2L	4.04	3.71	2.08
3L	3.98	3.63	2.17
4L	4.01	3.63	2.26
5L	4.06	3.70	2.33
8L	4.28	3.90	2.55
10L	4.44	4.02	2.67

WIBOR rates

Term	%	Change (bps)
O/N	5.11	0
T/N	5.08	-1
SW	5.09	-1
1M	4.97	1
3M	4.85	0
6M	4.70	0
1Y	4.55	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.64	-1
3x6	4.35	-2
6x9	4.00	-2
9x12	3.69	-3
3x9	4.22	-3
6x12	3.90	-2

CDS rates and 10Y yield spread vs. German Bund

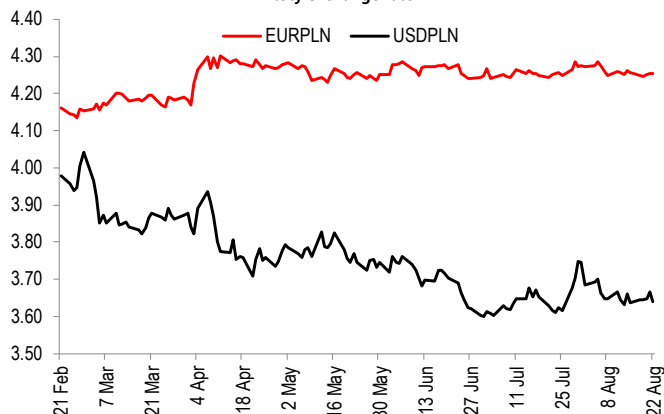
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	60	269
France	17	71
Hungary	108	0
Spain	26	59
Italy	17	86
Portugal	15	42
Ireland	11	25
Germany	5	-

* 10Y treasury bonds over 10Y Bunds

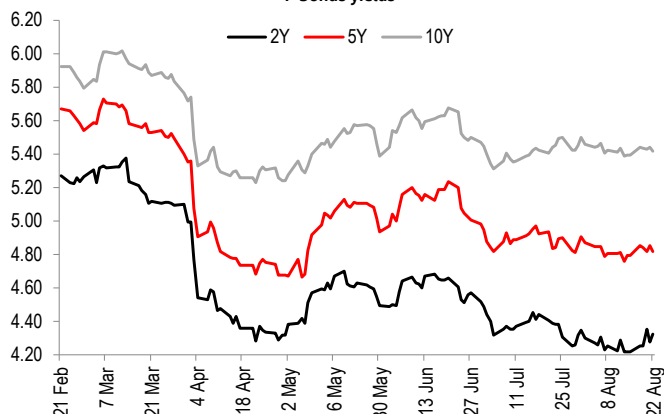
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

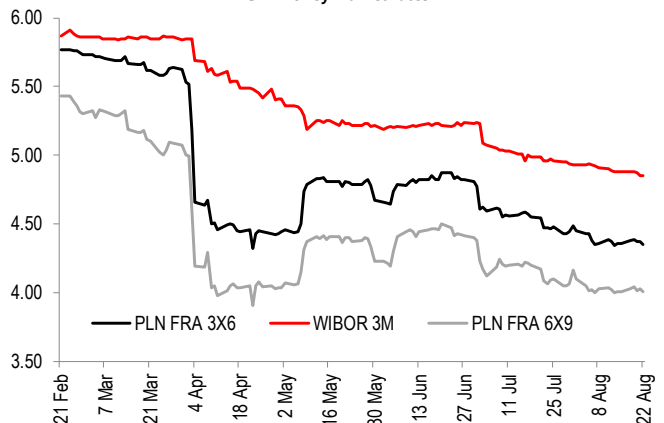
Zloty exchange rate



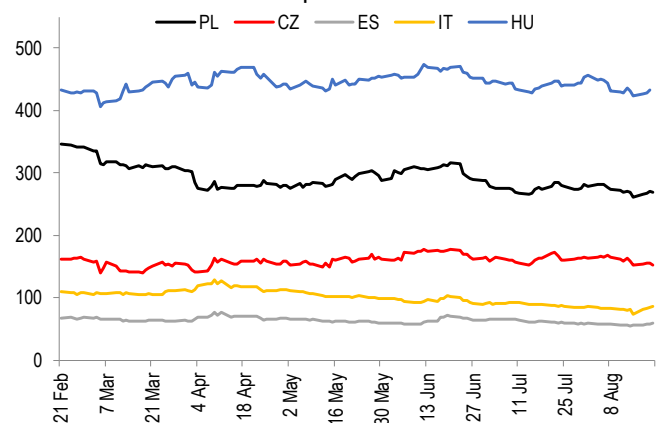
T-bonds yields



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 (22 August)								
08:00	DE	GDP WDA	2Q	% y/y	0.4	-	0.2	0.4
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	225.3		-	235.0
16:00	US	Pending Home Sales	Jul	% m/m	0.15		-	-0.83
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

* 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>.