29 August 2025

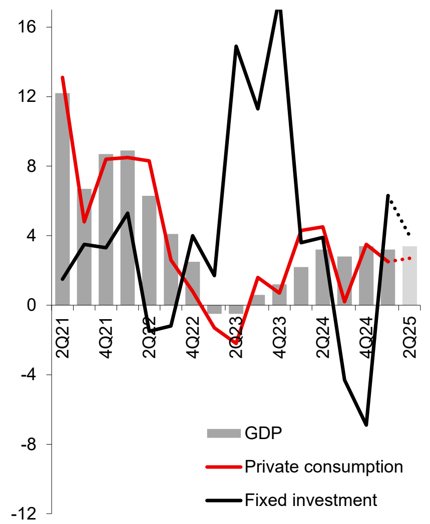
Weekly Economic Update

After holidays, is the MPC still willing to cut rates?

Economy next week

- **The details of next year's budget**, published this afternoon, will remain the number one topic in the near future, even after the weekend, given the size of the planned deficit and debt. As for the regular economic publications, Monday will be the most interesting for Poland. The **August PMI index for Polish manufacturing** will be published, as well as the second reading of Polish **2Q GDP**, this time with more detailed data on the structure of its growth. We expect that the initially reported GDP growth of 3.4% will be confirmed and that it was driven by some acceleration in domestic demand compared to 1Q (from 4.6% to 4.9% y/y), particularly in public consumption, with a slight slowdown in investment (from 6.3% to 4.0% y/y).
- In addition, The **MPC gathers on Tuesday and Wednesday for its first decision-making meeting after the summer break**. The decision is no longer as obvious to us as it seemed before the news on next year's budget came out. On the one hand, falling inflation (to 2.8% y/y in August) should prompt the council to continue cutting the cost of money; on the other hand, the high deficit and loose fiscal policy of the government, combined with the gridlock between the government and the president (blocking tax increases), may be an impulse to delay the decision on further rate cuts. At this point, we maintain our view that a decision to cut rates by 25 basis points will be made, but with a significant risk of no change.
- At the end of the week, **Fitch plans to review Poland's rating** and will be the first to comment on the fiscal scenario outlined in next year's draft budget. We expect that the agency will just express serious concern, but a change in outlook cannot be ruled out either. Also on Friday, Eurostat will publish June data on **services output** in Poland.
- In addition, there will be plenty of releases from abroad. First and foremost, these will include PMIs for European economies, unemployment and another GDP estimate for the euro area, inflation in Czechia, and industrial data for Germany and Hungary. In addition, in the US, there will be data on durable and industrial goods orders, labour market reports, and the ISM index, among other releases.

GDP and main components, % y/y



Source: GUS, Santander

Markets next week

- The Polish currency calmly withstood the initial reports on next year's budget. However, following the pattern of last year, **it seems more likely that the złoty will be subject to depreciation pressure rather than appreciation in the coming days**. The Monetary Policy Council could come to the aid of the domestic currency if it expresses clear doubts about continuing the rate cuts or even decides to keep rates unchanged for now (which we do not anticipate). The market's belief that the Fed will cut rates in September should maintain the generally positive market sentiment.
- Anxiety grew in the debt market in anticipation of the budget draft, which translated into a shift in the entire yield curve for domestic bonds by approximately 10 bp in a week. The announced disturbing debt trajectory and high deficits are working against Polish bonds. However, the documents indicate that the significant increase in net borrowing needs next year is not associated with an increase in net issuance of Treasury securities. However, it also needs to be taken into account that 2026 will be a year of high maturities. In our view, **next week nay be a rather unfavourable time for the Polish debt market**.

EURPLN and EURUSD

GBPPLN and USDPLN

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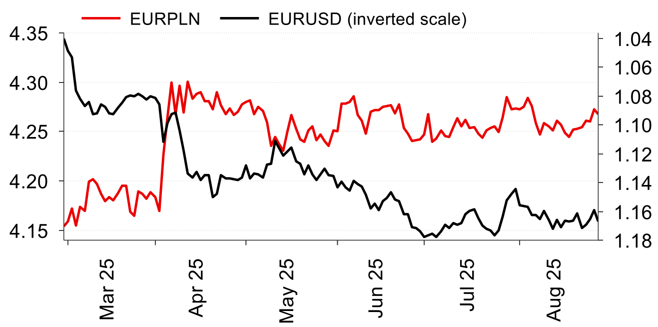
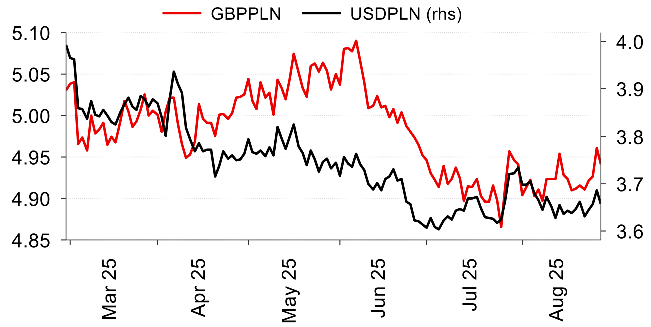
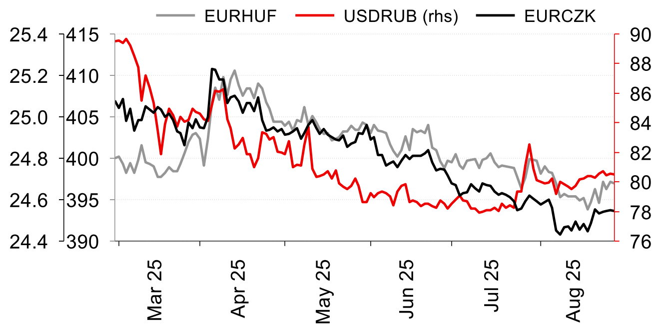


Source: LSEG Datastream, Santander



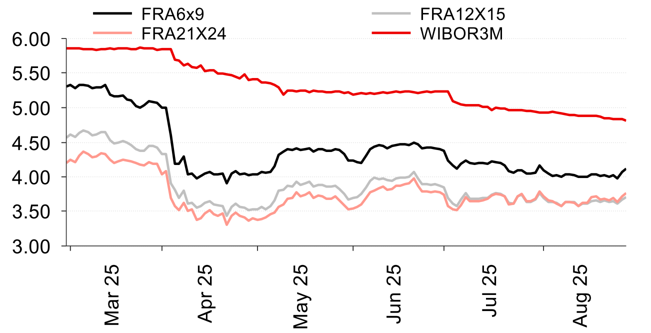
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



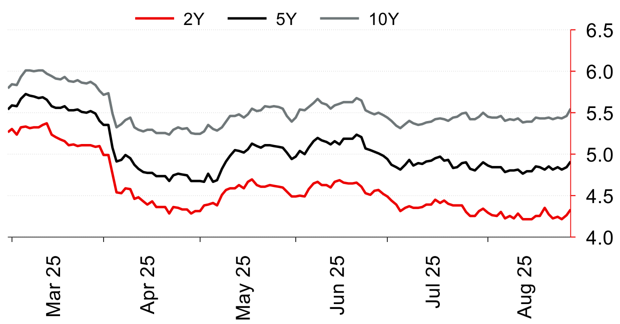
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



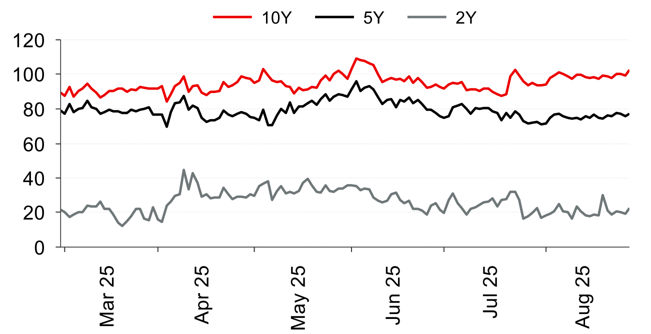
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



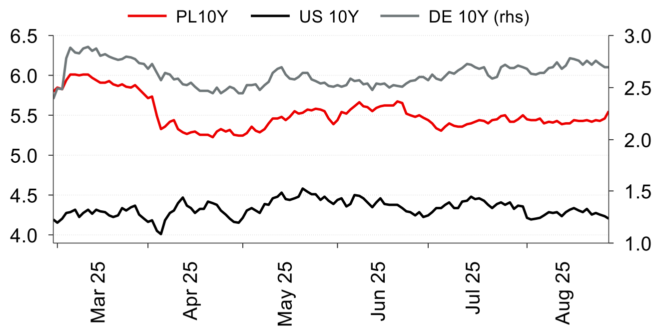
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



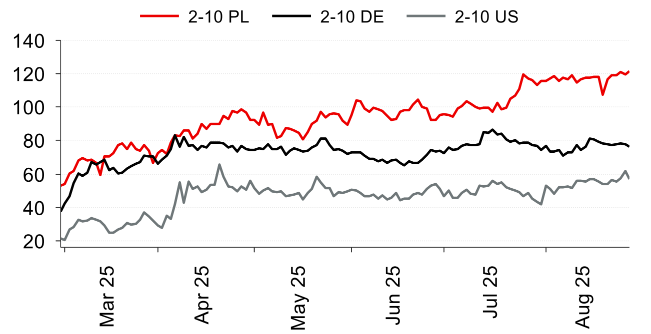
Source: LSEG Datastream, Santander Bank Polska

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 MARKET	FORECAST SANTANDER	LAST VALUE
		MONDAY (1 September)					
09:00	**PL**	**Poland Manufacturing PMI**	**Aug**	**pts**	**46.8**	**46.5**	**45.9**
09:55	DE	Germany Manufacturing PMI	Aug	pts	49.9	-	49.1
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	50.5	-	49.8
10:00	**PL**	**GDP**	**2Q**	**% y/y**	**3.4**	**3.4**	**3.2**
11:00	EZ	Unemployment Rate	Jul	%	6.2	-	6.2
		TUESDAY (2 September)					
08:30	HU	GDP	2Q	% y/y	0.1	-	0.0
11:00	EZ	Flash HICP	Aug	% y/y	2.1	-	2.0
16:00	US	ISM manufacturing	Aug	pts	48.8	-	48.0
		WEDNESDAY (3 September)					
	PL	**MPC decision**	**Sep**	**%**	**4.75**	**4.75**	**5.00**
03:45	CN	Caixin China PMI Services	Aug	pts	52.5	-	52.6
09:55	DE	Markit Germany Services PMI	Aug	pts	50.1	-	50.6
10:00	EZ	Eurozone Services PMI	Aug	pts	50.7	-	51.0
16:00	US	Durable Goods Orders	Jul	% m/m	-3.8	-	-2.8
16:00	US	Factory Orders	Jul	% m/m	-1.4	-	-4.8
		THURSDAY (4 September)					
09:00	CZ	CPI	Aug	% y/y	2.5	-	2.7
11:00	EZ	Retail Sales	Jul	% m/m	-0.2	-	0.3
14:15	US	ADP report	Aug	k	60	-	104
14:30	US	Initial Jobless Claims	weekly	k	230	-	229
16:00	US	ISM services	Aug	pts	50.5	-	50.1
		FRIDAY (5 September)					
08:00	DE	Factory Orders	Jul	% m/m	0.5	-	-1.0
08:30	HU	Industrial Production SA	Jul	% y/y	-3.1	-	-4.9
11:00	EZ	GDP SA	2Q	% y/y	1.4	-	1.4
11:00	**PL**	**Services Production**	**Jun**	**% y/y**	**-**	**-**	**6.0**
14:30	US	Change in Nonfarm Payrolls	Aug	k	78	-	73
14:30	US	Unemployment Rate	Aug	%	4.3	-	4.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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