

12 September 2025

Weekly Economic Update

Domestic data overshadowed by Fed?

Economy next week

• Next week may be quite interesting: we will get a large set of domestic data, describing the state of the economy in August (CPI on Monday, core inflation on Tuesday, consumer confidence on Wednesday, wages, employment, PPI, industrial and construction output on Thursday, plus possibly information on budget execution), which will end with a review of Poland's rating by Moody's on Friday evening.

• As far as domestic data is concerned, detailed information on August inflation is unlikely to be of primary importance, most likely confirming the decline in CPI to 2.8% shown in the flash reading, and probably indicating a slight decrease in core inflation to 3.2% y/y. From the perspective of monetary policy prospects, labour market data will be more interesting. We expect a slight acceleration in wage growth from 7.6% to 7.9% y/y, which, together with our expected return of CPI above 3% y/y in September, may be an argument for the MPC to postpone another rate cut until November. In our view, production data will show weaker growth than in July, but this will be due to fewer working days and will not rule out the scenario of a further gradual recovery in economic activity.

• **We expect Moody's to follow Fitch's lead and change the rating outlook to negative.** Moody's rating for Poland (A2) is a notch higher than that of its two main competitors (A-), so the risk of a downgrade also seems greater, although solid macroeconomic fundamentals should protect Poland from this. In Moody's latest review of Poland's fiscal condition, it was stated that a downward pressure on the rating outlook would emerge in a scenario of deterioration of regional security situation, including signals of withdrawal of US support. Pressure on A2 rating would emerge in case of a materially faster deterioration of the government's debt burden and a deterioration in debt sustainability indicators beyond Moody's baseline scenario. It is worth noting that at that time, the agency was counting on 4% economic growth this year, strong government commitment to reducing the deficit below 3% within five years, and stabilisation of debt at around 60% of GDP. Today, it is difficult to consider any of these assumptions to be valid.

• The list of data releases abroad is shorter, including inflation in the eurozone, production and retail sales in the US. However, there will be **decisions by important central banks, in particular the FOMC**, plus the Bank of Canada, the Bank of England and the Bank of Japan. The Fed is not only likely to cut interest rates (the market is betting on 25bp, but after recent weak data from the US, some investors expect even more), but will also publish new economic forecasts. The impact of this decision and communication on expectations for further action may be key to market sentiment in the second half of the week. A 25bp cut is also expected in Canada, while rates in the UK and Japan are likely to remain unchanged.

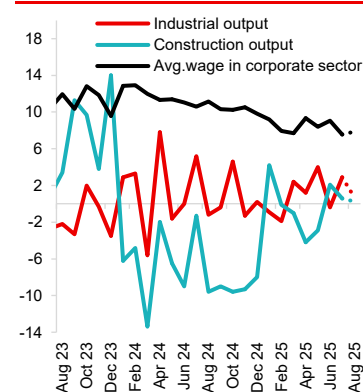
• Russia and Belarus start military exercises Zapad-2025 today, which will last until Tuesday, 16 September. Should any further incidents occur near the border of Poland or other countries on NATO's eastern flank, this could have a negative impact on the risk premium in the region.

Markets next week

• The zloty virtually ignored Fitch's decision a week ago to change its rating outlook to negative and reacted only slightly and temporarily to the violation of Polish airspace by Russian drones, as a result of which EURPLN ended the week below 4.26. In the coming days, we expect consolidation around this level, assuming that domestic data will not significantly change the expected macro scenario and that the Fed's decision to cut interest rates will not dampen investor optimism on global markets. The possible effects of Moody's decision will only affect investor behaviour in the following week.

• Bond yields also rose only slightly and temporarily, and we expect them to remain in a horizontal trend pending Moody's decision. The short end of the curve may be sensitive to wage data - faster growth in August may shift expectations for another cut even further towards November.

Production growth in industry and construction, wages in corporate sector, % y/y

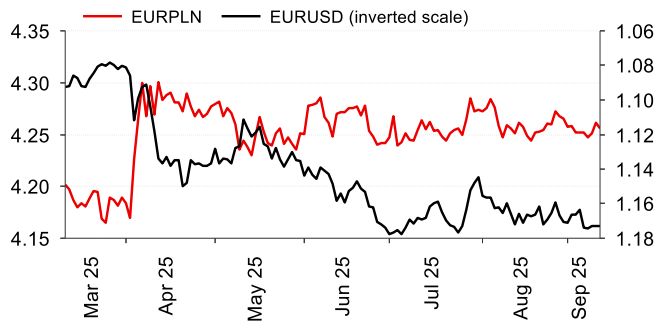


Source: GUS, Santander

Economic Analysis Department:

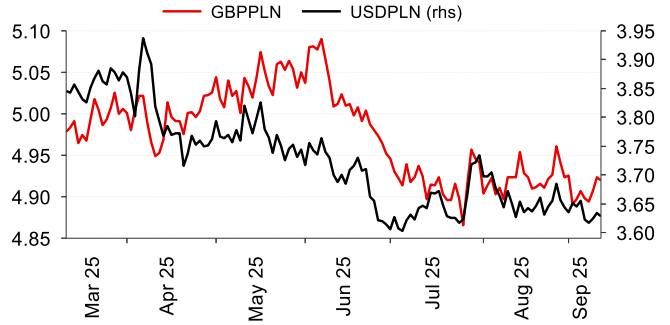
al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Adrian Domitrz +48 571 664 004
Marcin Łuziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



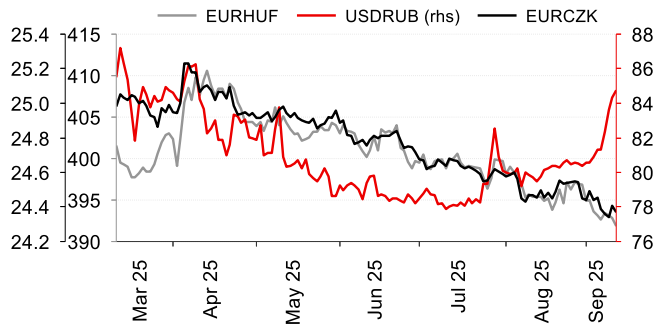
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



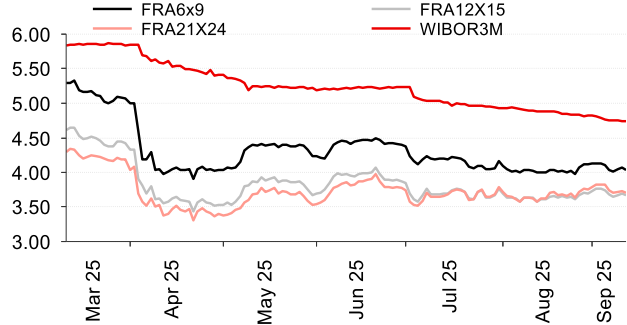
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



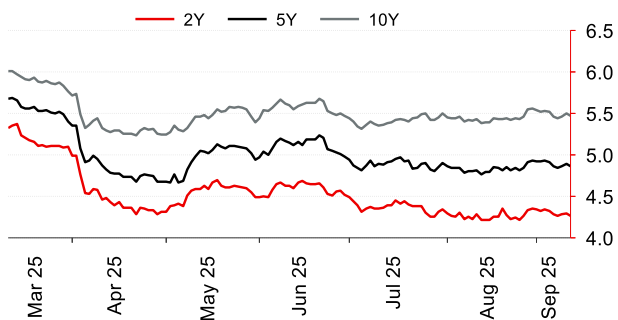
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



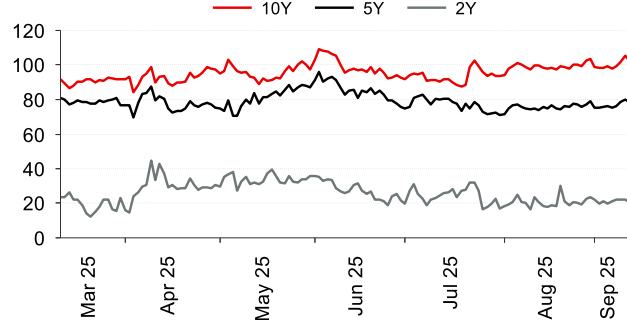
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



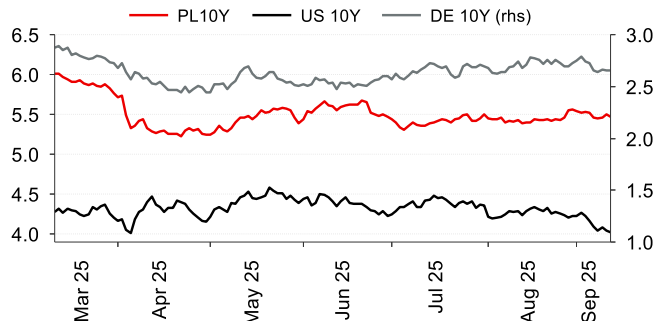
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



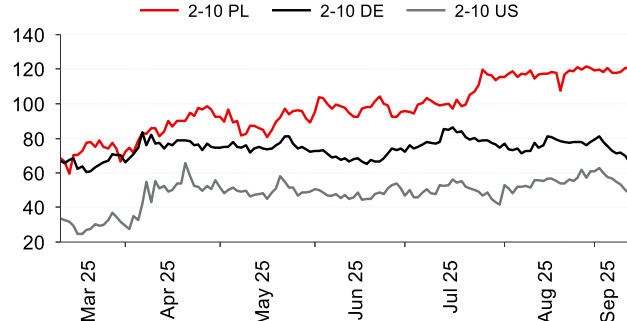
Source: LSEG Datastream, Santander Bank Polska

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 (15 September)							
10:00	PL	CPI	Aug	% y/y	2.8	2.8	3.1
TUESDAY (16 September)							
11:00	EZ	Industrial Production SA	Jul	% m/m	0.3	-	-1.3
11:00	DE	ZEW Survey Current Situation	Sep	pts	-74.0	-	-68.6
14:00	PL	CPI Core	Aug	% y/y	3.1	3.2	3.3
14:30	US	Retail Sales Advance	Aug	% m/m	0.2	-	0.5
15:15	US	Industrial Production	Aug	% m/m	0.0	-	-0.12
WEDNESDAY (17 September)							
11:00	EZ	HICP	Aug	% y/y	2.1	-	2.0
14:30	US	Housing Starts	Aug	% m/m	-4.1	-	5.2
20:00	US	FOMC decision	Sep		4.25	-	4.50
THURSDAY (18 September)							
10:00	PL	Average Gross Wages	Aug	% y/y	7.8	7.9	7.6
10:00	PL	Employment in corporate sector	Aug	% y/y	-0.8	-0.8	-0.9
10:00	PL	Sold Industrial Output	Aug	% y/y	0.2	0.7	2.9
10:00	PL	Construction Output	Aug	% y/y	0.4	0.3	0.6
10:00	PL	PPI	Aug	% y/y	-0.9	-0.9	-1.2
14:30	US	Initial Jobless Claims	week	k	235	-	263
FRIDAY (19 September)							
	PL	Rating review by Moody's					

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, <http://www.santander.pl>.