

6 October 2025

Eyeopener

Change of power in the Czech Republic

Today Czech inflation and Eurozone retail sales

The ANO party won the elections in the Czech Republic but lacks enough votes to govern alone

Global food prices slightly down, grain production forecast revised upward

The Polish złoty ended the week stronger, domestic bond yields lower

Today, we will see data on September inflation in Czechia, as well as retail sales in the euro area. In the US, as long as the government shutdown continues, data produced by federal agencies will not be released. As a result, the September labour market report scheduled for Friday has still not been published. In terms of publication schedule, this week in the US is much lighter than the previous one.

Parliamentary elections were held in Czechia – the ANO party led by Andrej Babiš received the most votes, 34.5%, which translates into 40% of seats in the Chamber of Deputies. With this result, ANO cannot govern alone but is considering forming a government with far-right parties. The election outcome signals a shift in power in Czechia towards a more eurosceptic stance. After the victory, Babiš declared that he would not seek to withdraw the country from the EU or NATO.

The FAO food price index stood at 128.8 pts in September, decreasing by 0.9 pts compared to the revised August level of 129.7 pts. This result was mainly driven by declines in the price indices for cereals, dairy, sugar, and vegetable oils, while the meat price index increased. The aggregated FAO price index was 4.2 pts (3.4%) higher than in September 2024. However, the growth rate of the FAO index expressed in Polish złoty (i.e. adjusted for changes in the USDPLN exchange rate) fell from +0.2% y/y to -2.6% y/y, supporting expectations of food price stabilisation in the domestic market. Also, FAO raised its forecast for cereal production in 2025 by 0.3%, to 3.8% y/y.

According to GUS, in the first half of 2025 the number of tourists using accommodation facilities increased by 11.6% y/y. For domestic tourists, this number rose by 11.6% y/y, and for foreign tourists – who accounted for around 20% of the total – by 14.4% y/y. The increase in turnover in the tourism sector observed since the beginning of the year is likely a result of, among other things, rising real household incomes and a shift in household spending patterns towards services.

Finance Minister Andrzej Domański told Wirtualna Polska that there is no apparent need to revise the 2025 budget, and that September's tax revenues were satisfactory.

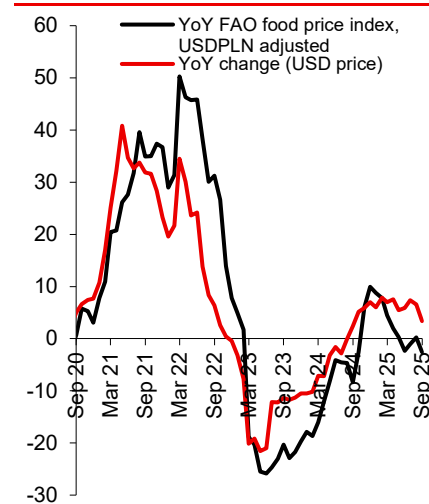
According to preliminary estimates from Eurostat, producer prices (PPI) fell by 0.3% m/m in the euro area and by 0.4% m/m in the entire EU in August. On a yearly basis, prices declined by 0.6% and 0.4%, respectively. Energy prices fell the most, while prices of intermediate and durable consumer goods declined slightly. Prices of non-durable and capital goods increased.

The ISM services index in the US fell from 52.0 pts in August to 50.0 pts in September. The index returned to levels seen several months earlier, suggesting that August was unusually strong rather than September indicating a slowdown in activity. A positive signal was the rebound in the backlog of orders index, as well as the continued increase in the new orders index. Employment in the services sector remains in contraction territory, with the index at 47.2 pts, slightly higher than in August (46.5 pts). Final readings of the services PMI indices were lower than the preliminary ones by 0.1 pts in the euro area, 1.0 pts in Germany, and 0.4 pts in France.

CEE currencies had a relatively successful week, with the Polish złoty gaining approximately 0.25% against the euro, the Hungarian forint 0.5%, and the Czech koruna 0.13%. In the first half of the week, we do not expect significant exchange rate fluctuations, except for the Czech koruna, where market reaction to the parliamentary election results may trigger increased investor activity — so far, EURCZK has even dipped slightly below Friday afternoon's relatively low level. If, as expected, the Polish MPC keeps interest rates unchanged on Wednesday, and the tone of the statement and Governor Głapiński's press conference signals caution in future actions, the złoty may strengthen, supported by a correction in market expectations regarding the pace and scale of further rate cuts. We do not rule out a test of the 4.25 level in EURPLN in the second half of the week.

Before the weekend, there were no major changes in the Polish debt market, although yields fell by 13 basis points on the short end over the week — mainly due to strengthened expectations of an October rate cut following data releases (including September inflation). A correction in bond pricing and market rates may occur after Wednesday's MPC decision and Thursday's press conference by Governor Głapiński. Before the weekend, the Ministry of Finance sold 51-week treasury bills worth PLN 4,002.40 million, with demand reaching PLN 4,752.40 million, at a yield of 4.25%. An additional auction saw bills sold for PLN 463 million.

FAO world food price index, % y/y



Source: FAO, Santander

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FX market

Today's opening

EURPLN	4.2519	CZKPLN	0.1749
USDPLN	3.6305	HUFPLN*	1.0840
EURUSD	1.1711	RONPLN	0.8358
CHFPLN	4.5440	NOKPLN	0.3624
GBPPLN	4.8760	DKKPLN	0.5683
USDCNY	7.1190	SEKPLN	0.3857

*for 100HUF

Last session in the FX market

03.10.2025

	min	max	open	close	fixing
EURPLN	4.2504	4.2590	4.2576	4.2524	4.2559
USDPLN	3.6160	3.6351	3.6334	3.6201	3.6253
EURUSD	1.1714	1.1758	1.1716		

Interest rate market

03.10.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0727 (2L)	4.26	0
PS0730 (5L)	4.89	1
DS1035 (10L)	5.52	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.27	1	3.87	3	2.12	1
2L	4.11	1	3.62	3	2.15	2
3L	4.08	1	3.58	4	2.23	1
4L	4.12	1	3.59	4	2.31	1
5L	4.18	1	3.63	4	2.38	2
8L	4.39	1	3.79	4	2.57	2
10L	4.55	2	3.90	3	2.68	1

WIBOR rates

Term	%	Change (bps)
O/N	4.73	5
T/N	4.81	0
SW	4.81	-1
1M	4.82	-1
3M	4.70	0
6M	4.55	-1
1Y	4.44	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4.49	1
3x6	4.30	1
6x9	4.02	1
9x12	3.84	2
3x9	4.21	1
6x12	3.95	2

CDS rates and 10Y yield spread vs. German Bund

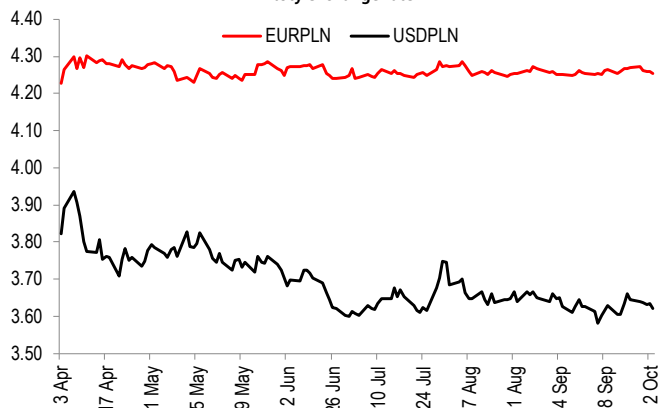
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	64	0	282	2
France	18	0	81	-1
Hungary	110	0	418	1
Spain	26	0	53	-1
Italy	17	0	84	-1
Portugal	13	0	40	-1
Ireland	10	0	25	-1
Germany	6	0	-	-

* 10Y treasury bonds over 10Y Bunds

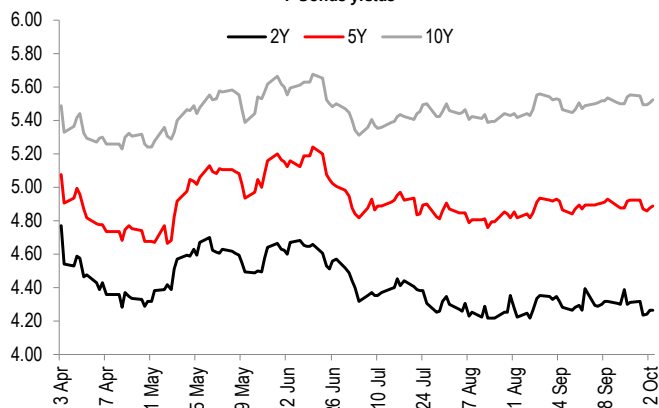
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

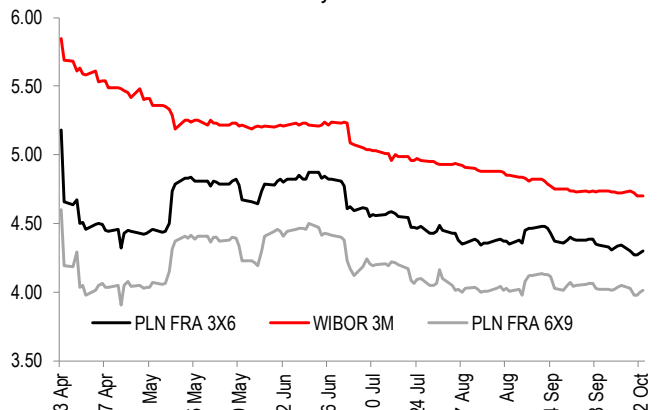
Zloty exchange rate



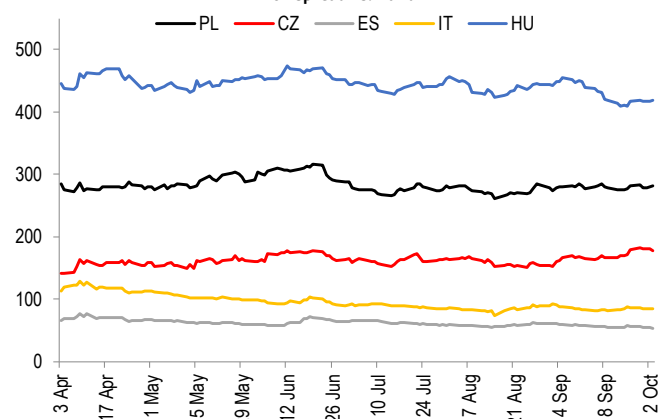
T-bonds yields



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 (3 October)								
14:30	US	Change in Nonfarm Payrolls	Sep	k	53.0		-	22.0
14:30	US	Unemployment Rate	Sep	%	4.3		-	4.3
16:00	US	ISM services	Sep	pts	51.7		50.0	52.0
MONDAY (6 October)								
09:00	CZ	CPI	Sep	% y/y	2.6		-	2.5
11:00	EZ	Retail Sales	Aug	% m/m	0.2		-	-0.5
TUESDAY (7 October)								
08:00	DE	Factory Orders	Aug	% m/m	1.5		-	-2.9
08:30	HU	Industrial Production SA	Aug	% y/y	-2.8		-	-1.0
09:00	CZ	Industrial Production	Aug	% y/y	0.6		-	4.9
WEDNESDAY (8 October)								
	PL	MPC decision		%	4.75	4.75	-	4.75
08:00	DE	Industrial Production SA	Aug	% m/m	-1.0		-	1.3
08:30	HU	CPI	Sep	% y/y	4.4		-	4.3
20:00	US	FOMC Meeting Minutes	Sep.25					
THURSDAY (9 October)								
08:00	DE	Exports SA	Aug	% m/m	0.3		-	-0.5
14:30	US	Initial Jobless Claims	Oct.25	k	225		-	218
FRIDAY (10 October)								
16:00	US	Michigan index	Oct	pts	54.3		-	55.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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