

3 November 2025

Eyeopener

CPI inflation still below 3% y/y

Today, manufacturing PMIs for Poland, the Eurozone, and the USA
October CPI inflation below expectations and the September print
Loan sales rebounded after weaker August
Weakening of the zloty, declines in yields and money market rates

Today we will learn the October readings of the manufacturing PMIs for Poland, European countries, and the USA. We expect the Polish index to continue its gradual improvement and show a level slightly above 48 pts, still below the neutral threshold of 50 pts. The most important event of the week for the local market will be the Monetary Policy Council meeting starting tomorrow.

In October, CPI inflation unexpectedly fell to 2.8% y/y from 2.9% y/y in September. Market consensus was dominated by forecasts at 2.9% and 3.0% y/y, with a median of 3.0% y/y. We had expected an increase to 3.1% y/y. We were surprised by the fuel price increase of 1.0% m/m instead of 1.9% m/m, as we had predicted based on data collected from the Internet. Additionally, food prices remained unchanged m/m, which is an unusually low result for October. Core inflation, according to our estimates, must also have been lower than previously assumed. After the publication of the preliminary CPI figure, we revised our core inflation forecast from 3.3% to 3.0% y/y (it may have fallen further to 2.9% y/y, although this seems less likely). On a m/m basis, we estimate core inflation at around 0.2%, which would be the lowest October reading since 2015, and if the data rounds to 0.1% m/m, it would be the lowest result for this month since 2006. The energy price increase of 0.6% m/m was close to our assumptions and most likely indicates a rise in heating costs in October of around 2.5% m/m. At the October press conference, NBP President Adam Glapiński presented a CPI forecast for October at 3.0% y/y, which means the MPC is now also facing an unexpected further decline in inflation towards the 2.5% target. Whether this translates into a fourth consecutive rate cut of 25 bp will, in our view, depend on the message from the November NBP projection. Recent rate cuts will likely raise the CPI path shown in the projection, leading to a more balanced MPC view on further rate changes. However, a much lower starting point may offset this adjustment, leaving the door open for further monetary easing. After reviewing the inflation data, we revised our expectations regarding the Council's next decisions and now forecast interest rate cuts in November and January, rather than in January and March.

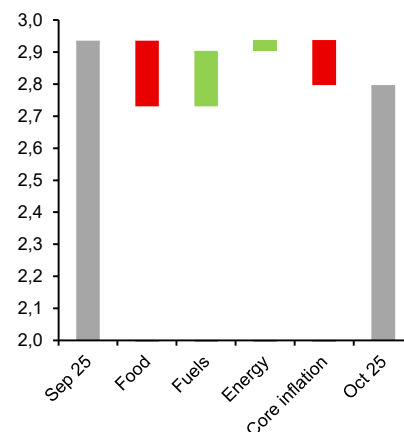
As we expected, NBP's September data on loan sales showed clear increases after a seasonally weaker August. Housing loan sales rose to PLN9.6bn from PLN8.5bn in August, giving a 12-month sales figure of nearly PLN90bn, i.e. at last year's peak level achieved under the "Safe Loan 2%" programme. The value of new consumer loans changed less significantly, from PLN11.0bn in August to PLN11.3bn in September. A large jump was recorded in corporate loan sales: from PLN13.3bn the previous month to PLN16.1bn in September. These data confirm the continuation of the existing trend and are a good sign of growing demand in the economy.

Eurozone inflation, according to preliminary data, stood at 2.1% y/y in October, in line with market expectations and 0.1 pp below the previous month's reading. Meanwhile, retail sales in Germany rose by 0.2% m/m in September, after a 0.2% m/m decline in August, also in line with expectations.

The Polish zloty weakened on Friday, with the EURPLN rate approaching 4.26. The zloty started Friday at 4.245 per euro but quickly began to weaken, initially due to the low inflation reading and later due to dollar strengthening. By the end of the session, EURPLN rose to just below 4.26, marking a 0.3% depreciation over the day. The EURCZK rate continued to hover around 24.3, while the forint continued to strengthen, with the EURHUF rate falling by 0.1%, below 388. The dollar strengthened against the euro by 0.2%, resulting in a drop in the EURUSD rate to 1.154. Today we expect a correction in the zloty's exchange rate and relative stability until the MPC decision, subject to fluctuations caused by global sentiment shifts.

Both Polish bond yields and market interest rates fell slightly on Friday. Until the CPI data release, market rates and bond yields were gradually rising, but the CPI data reversed this trend: yields fell by 5–6 bp, IRS rates by 3–4 bp, and FRA rates by 3–6 bp. If the MPC indeed cuts rates on Wednesday, we may then expect further declines in market rates. We anticipate a rather subdued message, consistent with adjusting rates to the situation emerging from incoming data and analyses. As a result, the expected rate cut may not trigger a major wave of market rate declines.

CPI inflation, decomposition of y/y growth



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,2561	CZKPLN	0,1740
USDPLN	3,6884	HUFPLN*	1,0974
EURUSD	1,1540	RONPLN	0,8373
CHFPLN	4,5732	NOKPLN	0,3629
GBPPLN	4,8398	DKKPLN	0,5680
USDCNY	7,1144	SEKPLN	0,3873

*for 100HUF

Last session in the FX market

31.10.2025

	min	max	open	close	fixing
EURPLN	4,2426	4,2593	4,2433	4,2580	4,2543
USDPLN	3,6655	3,6958	3,6682	3,6916	3,6751
EURUSD	1,1521	1,1576	1,1567	1,1529	

Interest rate market

31.10.2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0727 (2L)	4,21	3
PS0730 (5L)	4,71	-6
DS1035 (10L)	5,37	-6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4,04	-5	3,87	-1	2,13	0
2L	3,91	-4	3,64	-2	2,13	-1
3L	3,91	-4	3,60	-2	2,20	-1
4L	3,95	-4	3,59	-3	2,27	-1
5L	4,00	-4	3,64	-2	2,33	-1
8L	4,22	-3	3,79	-3	2,53	-1
10L	4,37	-3	3,91	-1	2,64	0

WIBOR rates

Term	%	Change (bps)
O/N	4,24	-22
T/N	4,55	0
SW	4,55	-1
1M	4,52	-1
3M	4,46	-2
6M	4,30	-2
1Y	4,22	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	4,26	-5
3x6	4,05	-5
6x9	3,75	-6
9x12	3,66	-5
3x9	3,95	-5
6x12	3,72	-6

CDS rates and 10Y yield spread vs. German Bund

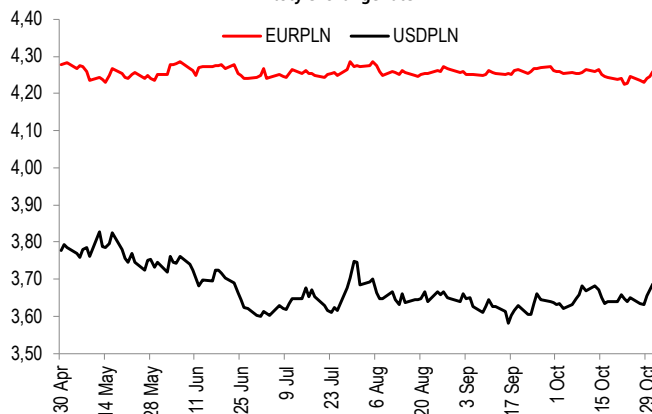
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	62	0	274	-6
France	17	-1	78	1
Hungary	110	0	424	0
Spain	24	0	51	-1
Italy	15	0	75	-1
Portugal	12	0	36	-1
Ireland	10	0	23	-2
Germany	6	0	-	-

* 10Y treasury bonds over 10Y Bunds

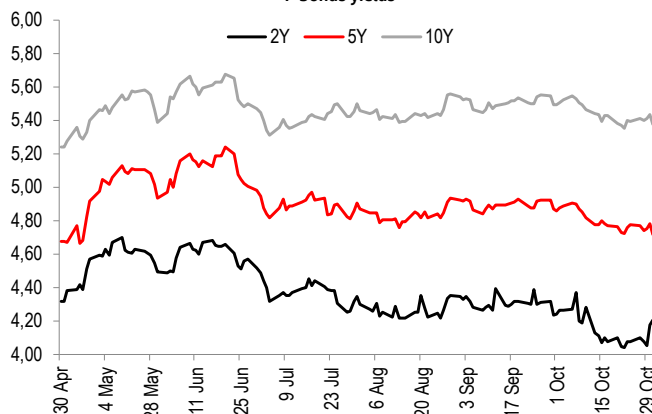
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

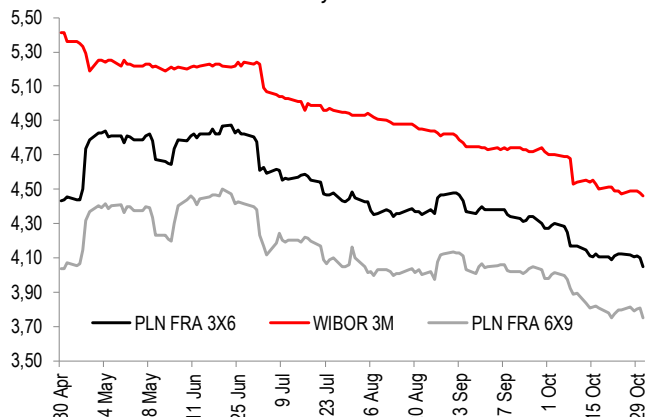
Zloty exchange rate



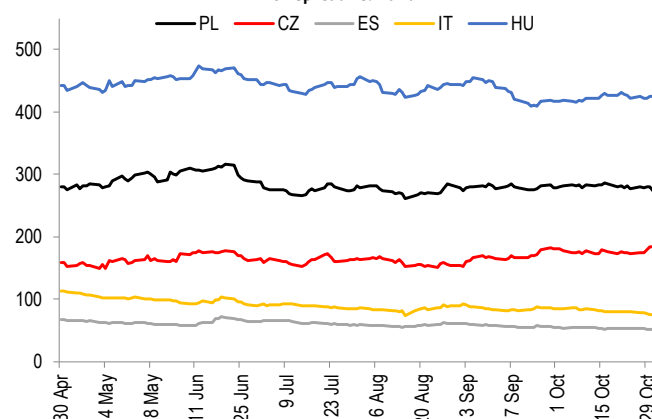
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (31 October)								
08:00	DE	Retail Sales	Sep	% m/m	0.2	0.2	-0.2	
10:00	PL	CPI	Oct	% y/y	3.0	3.1	2.8	2.9
11:00	EZ	Flash HICP	Oct	% y/y	2.1		2.1	2.2
13:30	US	Personal Spending	Sep	% m/m	0.4		-	0.6
13:30	US	Personal Income	Sep	% m/m	0.4		-	0.4
13:30	US	PCE Deflator SA	Sep	% m/m	0.3		-	0.3
MONDAY (3 November)								
09:00	PL	Poland Manufacturing PMI	Oct	pts	48.6	48.3	-	48.0
09:55	DE	Germany Manufacturing PMI	Oct	pts	49.6		-	49.5
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	50.0		-	49.8
16:00	US	ISM manufacturing	Oct	pts	49.2		-	49.1
TUESDAY (4 November)								
16:00	US	Durable Goods Orders	Sep	% m/m	0.2		-	2.9
16:00	US	Factory Orders	Sep	% m/m	-		-	-1.3
WEDNESDAY (5 November)								
	PL	MPC decision	Nov	%	4.25	4.25	-	4.50
02:45	CN	Caixin China PMI Services	Oct	pts	52.7		-	52.9
08:00	DE	Factory Orders	Sep	% m/m	1.0		-	-0.8
09:00	CZ	CPI	Oct	% y/y	2.3		-	2.3
09:55	DE	Markit Germany Services PMI	Oct	pts	54.5		-	51.5
10:00	EZ	Eurozone Services PMI	Oct	pts	52.6		-	51.3
14:15	US	ADP report	Oct	k	25.0		-	-32.0
16:00	US	ISM services	Oct	pts	51.0		-	50.0
THURSDAY (6 November)								
08:00	DE	Industrial Production SA	Sep	% m/m	3.0		-	-4.3
08:30	HU	Industrial Production SA	Sep	% y/y	-2.7		-	-4.6
09:00	CZ	Industrial Production	Sep	% y/y	0.5		-	-4.2
11:00	EZ	Retail Sales	Sep	% m/m	0.3		-	0.1
14:30	US	Initial Jobless Claims	Weekly	k	228		-	219
14:30	CZ	Central Bank Rate Decision	Nov	%	3.5		-	3.5
FRIDAY (7 November)								
08:00	DE	Exports SA	Sep	% m/m	0.5		-	-0.7
14:30	US	Change in Nonfarm Payrolls	Oct	k	-		-	22.0
14:30	US	Unemployment Rate	Oct	%	-		-	4.3
16:00	US	Michigan index	Nov	pts	54.0		-	53.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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