

25 February 2026

Eyeopener

Budget deficit in 2025 below plan

Today, January HICP inflation data

LFS data: employment up 0.6% y/y in 4Q last year

NBP Governor: under the new projection, inflation will remain close to target for two years

According to preliminary estimates, the 2025 budget deficit was PLN13bn below plan

Zloty stronger, slight strengthening of longer-dated bonds

Today Eurostat will publish details of January HICP inflation for individual EU countries and for the euro area. The flash estimate showed a decline to 1.7% y/y from 2.0% in December, marking only the third reading below the 2% y/y target since mid-2021 (the last, brief dip below that level occurred in May last year). The second estimate of German GDP for 4Q25, released this morning, showed growth of 0.4% y/y and 0.3% q/q (seasonally and calendar-adjusted), unchanged from the preliminary reading. Private consumption increased by 0.5% q/q, while investment rose by 1.0% q/q.

Purchase prices of agricultural products were 8.4% lower y/y in January, compared with a 10.9% y/y decline in December. These data continue to point to downward pressure on food prices entering CPI. This season, the seasonal rebound in potato prices shifted from December to January, pushing their purchase-price growth from around -50% y/y to around -25% y/y. The y/y decline in pig prices deepened further, to 17.2% from 16.6%, while poultry prices were up only 2.3% y/y (from 3.9% y/y in December, 11.5% y/y in November and 19.8% y/y in October).

The value of new industrial orders increased by 0.6% y/y in January, including a 0.3% y/y rise in export orders. This took place in a deflationary environment (prices of sold industrial output fell by 2.6% y/y in January, the fastest pace since December 2024). The result was likely hurt by frosts, as was January industrial production. The coming months should bring a rebound in orders, supported by improving sentiment in German industry and the highest level in two years of the ESI indicator describing the order books of Polish manufacturers.

The unemployment rate according to the Labour Force Survey stood at 3.2% in 4Q25, up by 0.1 pp from 3Q and by 0.4 pp compared with a year earlier. The labour force participation rate remained at 59.0%, the highest in the history of the survey. On a yearly basis, the number of economically inactive people fell by 154k, while the number of unemployed rose by 72k and employment increased by 99k (of which 66k can be attributed to the services sector and 20k to agriculture; employment in industry declined by 2k). Annual employment growth accelerated to 0.6% from 0.5% in 3Q25.

The 2025 budget result, at -PLN275.6bn, came in better than planned by PLN13.1bn. Revenues reached 94.0% of the planned amount, while expenditure execution stood at 94.4%. In December alone, the budget balance was -PLN30.7bn — the same as in 2022 and much better than in 2023 (-PLN42.9bn) and 2024 (-PLN69.1bn). Tax revenues in December were up by 68.2% y/y, with indirect taxes higher by 33.6% y/y. PIT receipts amounted to PLN22.8bn, compared with just under PLN6bn in November, which can partly be attributed to the fact that many taxpayers crossed the second tax threshold towards the end of the year, but possibly also to a decline in the amounts of tax revenues transferred to local governments. The 12-month rolling budget balance improved in December to -7.1% of GDP from -8.1% in November.

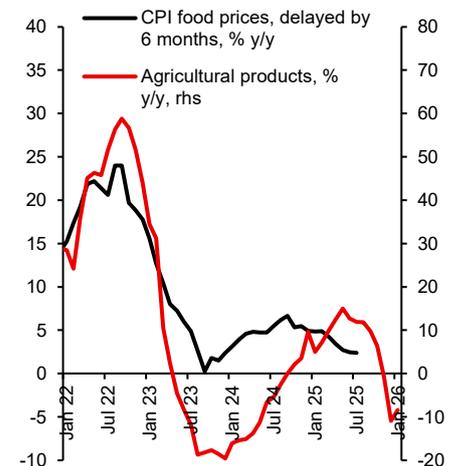
NBP Governor Adam Glapiński revealed at the Banking Forum conference that the new projection, on which the MPC will base its March interest rate decision, contains an inflation path close to the NBP target both this year and next, alongside continued solid economic growth. In our view, such a CPI path would justify either keeping rates unchanged or making a small adjustment, depending on the balance of inflation risks.

The Hungarian central bank cut interest rates by 25bp, lowering the main rate to 6.25%, in line with expectations. This was the first cut since September 2024. MNB Governor Mihaly Varga stressed that this was a one-off adjustment rather than the start of an easing cycle. The tone of the post-decision statement remained cautious. It was noted that the bank could afford a rate cut thanks to financial market stability and a favourable inflation trend. CPI inflation entered the band around the target (3% ± 1 pp) in November and almost fell below it in January (2.1% y/y), marking the first reading below target in five years.

Improved investor sentiment towards technology companies led, among other things, to **an appreciation of emerging market currencies**, including the zloty (EURPLN moving down towards 4.216). The forint gained even more, as the MNB did not signal appetite for further rate cuts. EURUSD remained below 1.18 on Tuesday, but after Donald Trump's State of the Union address, in which he announced, among other things, that he would introduce new tariffs, the dollar lost around 0.2% against the euro. As a result, EURUSD started today's European session slightly above 1.18.

In the domestic bond market, longer-dated bonds saw a marginal strengthening, with yields on five- and ten-year bonds falling by around 1 bp. Domestic FRA rates edged up by 1–2 bp. Despite the improvement in equity markets, ten-year US Treasuries did not reverse Monday's rally, while two- and five-year bonds weakened slightly. The yield on two-year German bonds rose by around 1 bp, while the rest of the curve saw no significant changes.

Procurement prices of agricultural products and food price inflation in CPI (% y/y)



Source: GUS, Santander Bank Polska

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FX market

Today's opening			
EURPLN	4,2167	CZKPLN	0,1720
USDPLN	3,5727	HUFPLN*	1,1025
EURUSD	1,1801	RONPLN	0,8285
CHFPLN	4,6281	NOKPLN	0,3746
GBPPLN	4,8367	DKKPLN	0,5627
USDCNY	6,8654	SEKPLN	0,3957

*for 100HUF

Last session in the FX market						24.02.2026
	min	max	open	close	fixing	
EURPLN	4,2145	4,2235	4,2206	4,2147	4,2193	
USDPLN	3,5748	3,5864	3,5832	3,5757	3,5793	
EURUSD	1,1765	1,1792	1,1778	1,1788		

Interest rate market

24.02.2026

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
OK0128 (2L)	3,42	-14
PS0131 (5L)	4,31	-1
DS1035 (10L)	4,98	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3,57	1	3,74	3	2,17	1
2L	3,54	0	3,55	3	2,19	1
3L	3,59	0	3,51	3	2,25	1
4L	3,66	0	3,53	2	2,33	0
5L	3,74	0	3,58	2	2,41	0
8L	3,99	0	3,78	1	2,61	0
10L	4,16	-1	3,90	0	2,72	0

WIBOR rates

Term	%	Change (bps)
O/N	3,82	-15
SW	4,06	0
1M	3,94	1
3M	3,82	1
6M	3,71	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3,73	0
3x6	3,53	0
6x9	3,39	1
9x12	3,36	1
3x9	3,49	0
6x12	3,40	1

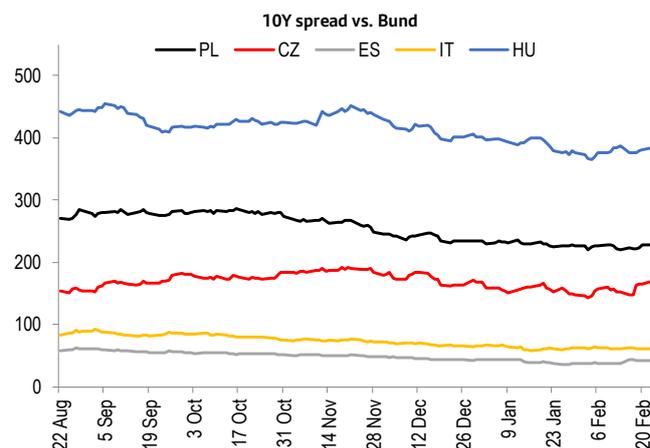
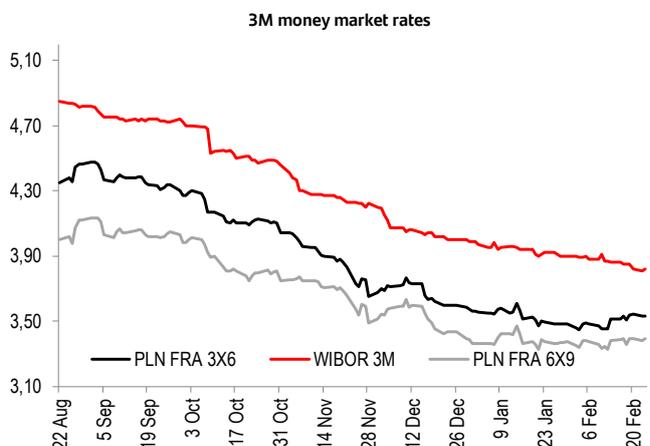
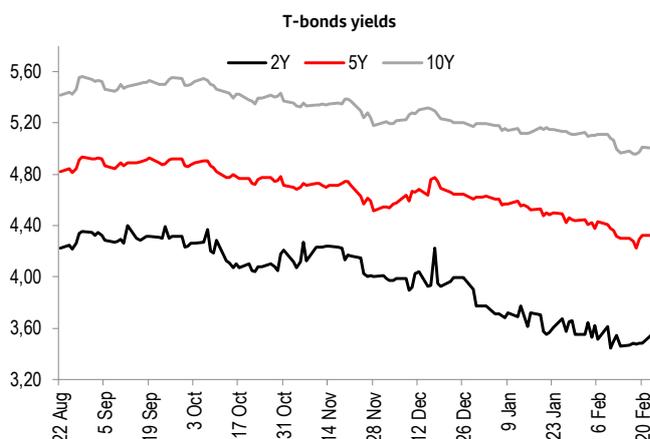
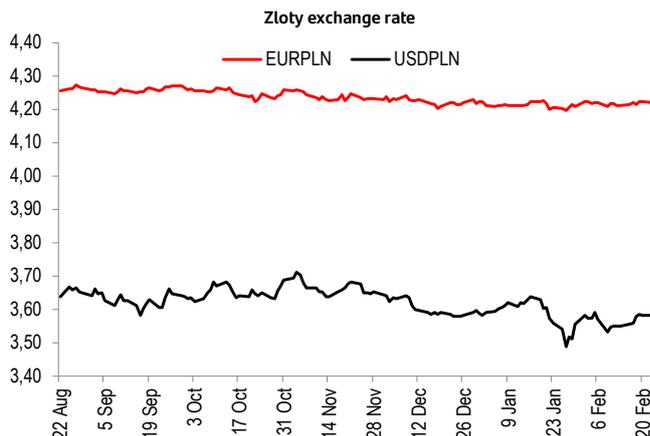
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	55	0	227	-1
France	12	0	56	0
Hungary	92	0	385	1
Spain	14	-2	41	0
Italy	10	0	62	0
Portugal	9	0	35	-1
Ireland	9	0	26	1
Germany	4	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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (20 February)							
09:30	DE	Germany Manufacturing PMI	Feb	pts	49.5	50.7	49.1
09:30	DE	Markit Germany Services PMI	Feb	pts	52.4	53.4	52.4
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	50.0	50.8	49.5
10:00	EZ	Eurozone Services PMI	Feb	pts	51.9	51.8	51.6
14:30	US	GDP Annualized	4Q	% Q/Q	2.8	1.4	4.4
14:30	US	Personal Spending	Dec	% m/m	0.3	0.4	0.5
14:30	US	Personal Income	Dec	% m/m	0.3	0.3	0.3
14:30	US	PCE Deflator SA	Dec	% m/m	0.3	0.4	0.2
16:00	US	Michigan index	Feb	pts	57.3	56.6	56.4
16:00	US	New Home Sales	Dec	% m/m	0.0	-1.7	-0.1
MONDAY (23 February)							
10:00	DE	IFO Business Climate	Feb	pts	88.3	88.6	87.6
10:00	PL	Retail Sales Real	Jan	% y/y	3.1	2.0	4.4
14:00	PL	Money Supply M3	Jan	% y/y	10.4	10.5	10.0
16:00	US	Durable Goods Orders	Dec	% m/m	-2.0	-1.4	5.4
16:00	US	Factory Orders	Dec	% m/m	-0.6	-0.7	2.7
TUESDAY (24 February)							
10:00	PL	Unemployment Rate	Jan	%	6.0	6.0	5.7
14:00	HU	Central Bank Rate Decision	Feb	%	6.25	6.25	6.50
16:00	US	Consumer Conference Board	Feb	pts	88.0	91.2	89.0
WEDNESDAY (25 February)							
08:00	DE	GDP WDA	4Q	% y/y	0.4	0.4	0.3
11:00	EZ	HICP	Jan	% y/y	1.7	-	1.7
THURSDAY (26 February)							
11:00	EZ	ESI	Feb	pct.	99.8	-	99.4
14:30	US	Initial Jobless Claims	weekly	k	225.0	-	206.0
FRIDAY (27 February)							
	DE	Retail Sales	Jan	% m/m	-0.1	-	0.1
14:00	DE	HICP	Feb	% m/m	0.5	-	-0.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

* in the case of a revision the data is updated

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