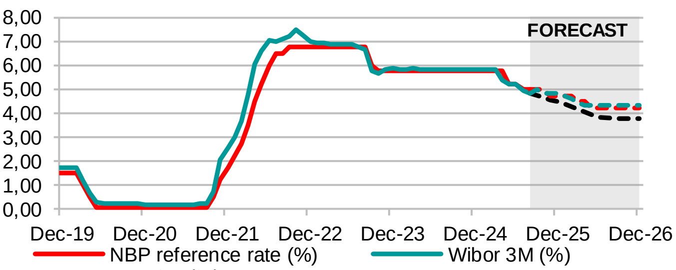
Polish manufacturing sector keeps spirits up despite weak readings

This week

- **The most important event this week will be the Monetary Policy Council's meeting scheduled for Wednesday.** We expect the MPC to keep the interest rates unchanged, which means that the NBP reference rate will stay at 5.00%. We do not expect the press release after the meeting to change much compared to the one published in July. Uncertainty surrounding the energy prices in Q4 after K. Nawrocki vetoed the law extending the electricity price freeze is an argument for maintaining the status quo in monetary policy. Moreover, both the general government deficit arising from the draft state budget for 2026 (6.5% of GDP) and the deficit that is likely to be recorded in 2025 (6.9% of GDP) markedly exceed the expectations. The actual deficit level and the impact of fiscal policy on the economy are subject to elevated uncertainty due to the President objecting to sugar tax and higher excise tax for alcohol as well as uncertainties surrounding the amendments to the CIT tax for the banking sector. Furthermore, last week, the MPC Member I. Duda said that interest rates should not be reduced in September, but later, which is consistent with our scenario, in which the rates will be cut only in November. The consensus, however, is that the interest rates will go down by 25bp this week, so our status quo forecast would be slightly positive for the PLN and the yields on Polish bonds if it materialised. However, we do not rule out the alternative scenario of monetary policy easing taking place this week. Should this be the case, further rate cuts would most probably be postponed. This particular scenario is consistent with the statement made by the MPC Member H. Wnorowski last week. The NBP Governor's usual press conference will be held on Thursday, so it will shed more light on Poland's monetary policy prospects. We believe that the conference may add to volatility in PLN exchange rates and yields on Polish bonds.



Source: Reuters, Credit Agricole

- **Some important data on the US economy will be released this week.** US non-farm payrolls data to be released on Friday will be the most important data release. The consensus is that the number of employed rose by 78k in August, compared to a 73k increase in July, with the unemployment rate edging up to 4.3%, from 4.2% in July. The data release will be important for the forthcoming FOMC decision on interest rates, which is to be taken on 17 September. If the labour market cools down, this will underpin our scenario of a 25bp rate cut. Before the Friday publication, some additional data on the labour market will be provided in the ADP report on non-farm private sector employment (the market expects a 65k growth in August vs. 104k in July). The ISM manufacturing index will be released on Tuesday. The market expects the index to have gone up to 49.0 pts in August from 48.0 pts in July, which means the index would remain below the 50-point mark separating growth from contraction for the sixth month running. Job cuts and slower growth in new orders negatively affected the index over the last couple of months. Furthermore, the companies taking part in the survey pointed to a negative impact of uncertainty surrounding the tariff policy on their operations. In our opinion, this week's data from the US will be neutral for financial markets.
- **Tuesday will see the release of the Eurozone's flash HICP inflation estimate.** We anticipate that YoY price growth edged up from 2.0% in July to 2.1% in August, driven up by a stronger growth in energy prices and the stabilisation of core inflation (2.3% YoY) and food price growth. We do not expect the release of inflation data to have any significant impact on financial markets.
- **Data on orders in the German industry will be released on Friday.** The market consensus is that the number of orders went up by 0.5% MoM in July, compared to a 1.0% drop in June. Consequently, the data will indicate a slight rise in activity in the German industry in July, which

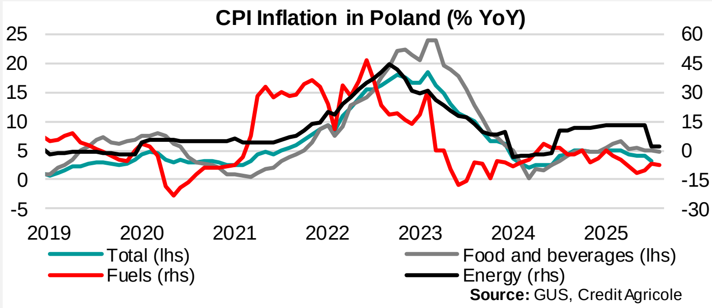
will be consistent with PMI survey results released earlier. We believe that the data from Germany will be neutral for financial markets.

- **Caixin PMI for Chinese manufacturing was released this morning, and it went up from 49.5 pts in July to 50.5 pts in August, printing ahead of market expectations (49.7 pts).** The increase was driven by was stronger contributions of 4 out of its 5 components (current output, new orders, employment, and inventories), while a lower contribution of delivery times had the opposite effect. Notably, current output rose again, as did the the number of new orders. At the same time, new export orders kept falling, albeit more slowly than in July. This suggests that the recovery in Chinese manufacturing is being driven primarily by domestic demand. Sunday saw the release of NBS PMI, which edged up from 49.3 pts in July to 49.4 pts in August, coming in below the market consensus (49.5 pts). We believe that the data from China will be neutral for financial markets.
- **Polish manufacturing PMI was released this morning, and it went up from 45.9 pts in July to 46.6 pts in August, coming in below the market consensus (46.8 pts) and our forecast (47.6 pts).** In our view, today's release of Polish manufacturing PMI will be neutral for the PLN and the yields of Polish bonds (see below).
- **Poland's final GDP data will be released today.** In our view, the rate of economic growth was consistent with the flash estimate of 3.4% YoY in Q2, up from 3.2% in Q1. We believe that the main driver of the acceleration of GDP growth in Q2 was stronger growth in consumption. In our view, a recovery in investment linked to EU co-financed projects and a higher contribution from net exports also aided Q2 growth, though to a lesser extent than private consumption. In our opinion, today's release will be neutral for the PLN and the yields on Polish bonds.
- **The publication of an update of Poland's long-term debt rating by Fitch is scheduled for Friday.** In March 2025, Fitch affirmed Poland's long-term credit rating of A- with a stable outlook. According to the agency, the rating, on the one hand, reflected a diversified economy, a good balance of payments situation, stable income contribution towards the state budget and the strong fundamentals of the Polish economy supported by EU membership, but on the other hand, the World Bank's rule of law, public deficit and GDP per capita indicators are at a relatively low level compared to other A-rated countries. In its last report, Fitch noted that a failure to consolidate public finances – reducing confidence in the government's ability to stabilise public debt near peer levels over the medium term – could trigger a negative rating action. In this context, the information concerning the draft state budget for 2026 released last week is of key importance. The government forecasts that the GG sector debt to GDP ratio will go up to 60.4% in 2025 and 66.8% in 2026. GG sector's deficit in 2025 and 2026 is pencilled in at 6.9% and 6.5% of GDP, respectively. All those values are higher than expected, which will probably be reflected in a more pessimistic tone of the Fitch's new press release this week. Nonetheless, we expect Fitch to affirm both Poland's rating and the outlook this week, which will be neutral for both the PLN and the yields on bonds.

Last week

- **Nominal retail sales growth rate in Poland came in at 4.8% YoY in July, up from 2.1% in June, exceeding both market consensus and our forecast (3.6%).** Growth in retail sales at constant prices went up, too, from 2.2% YoY in June to 4.8% in July, coming in ahead of market expectations, which were also consistent with our forecast (3.5%). Seasonally-adjusted retail sales at constant prices did not change between June and July. Consequently, they remain below their global peak recorded in April. Growth in retail sales at constant prices between June and July accelerated primarily due to a stronger sales growth in durable goods' categories: "motor vehicles, motorcycles, parts" (10.7% YoY in July vs. 7.7% in June) and "furniture, electronic goods and household appliances" (15.3% vs. 10.2%). It is consistent with our scenario, in which the outlook for demand for durable goods remains favourable (see MACROpulse of 25/08/2025). Retail sales data supports our scenario that the ongoing consumption recovery in Poland is sustainable, and will remain the most stable driver of Polish GDP growth in the quarters to come. Nonetheless, we can see a slight upside risk to our consumption growth forecast for Q3 (3.1% YoY vs. 3.8% in Q2).

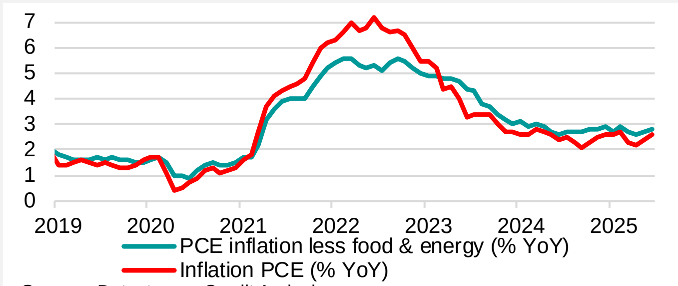
- **According to the flash estimate, CPI inflation in Poland dropped from 3.1% YoY in July to 2.8% in August, printing below the market consensus that was consistent with our forecast (2.9%).** Statistics Poland (GUS) released partial data on the inflation breakdown, including information about price growth in the "food and non-alcoholic beverages", "energy", and "fuels" categories. Inflation drop was broad-based, and was reported in all categories: fuels (-7.7% YoY in August vs. -6.8% in July), "food and non-alcoholic beverages" (4.8% vs. 4.9%) and "energy" (2.3% vs. 2.4%). Inflation was also driven down by lower core inflation which, in accordance with our estimates, went down to 3.0% YoY in August vs. 3.3% in July. The August inflation data has no impact on our scenario, in which the average annual CPI inflation will edge up to 3.7% YoY in 2025, from 3.6% in 2024, and then go down to 2.9% in 2026. At the same time, inflation will run within the range of admissible deviations from the NBP inflation target (2.5% ±1 pp.) across the entire horizon of our forecast (i.e. until the end of 2026).



Source: GUS, Credit Agricole

- **Also released last week was the Ifo Index, which tracks sentiment in German manufacturing, construction, trade and services. The index rose from 88.6 pts in July to 89.0 pts in August, coming in slightly above market expectations of 88.6 pts.** The rise in the index was driven by a higher "expectations" sub-index, partially offset by a lower "current situation" sub-index. The sectoral breakdown showed a slight deterioration in sentiment in all analysed sectors: manufacturing, services, trade and construction. Given the low starting point after Q2 data, we see an upside risk to our forecast, in which Germany's quarterly GDP growth rate will rise to 0.1% in Q3 compared to -0.3% in Q2. We forecast that Germany's GDP will grow by 0.1% in 2025, compared to a 0.2% drop in 2024.

- **Last week, important data from the US economy was released.** According to the second estimate, annualised US GDP growth in Q2 was revised upwards to 3.3% from 3.0% in the first estimate and -0.5% in Q1. The upward revision was primarily attributable to a higher contribution from investments. Thus, the second GDP estimate confirmed that the main driver of US GDP growth in Q2 was net exports. In contrast, however, net exports were the main factor holding back GDP growth in Q1. This suggests that some export activity was brought forward from Q2 to Q1 to avoid higher tariffs. Given this data noise, the growth rate across Q1 and Q2 should be averaged. This approach highlights a clear slowdown in economic activity momentum in H1 2025 compared to H2 2024, a trend also reflected in lower growth rates for private consumption and investment. Last week also saw the release of PCE inflation data showing that it remained unchanged between June and July, standing at 2.6%, in line with market expectations. Meanwhile, core inflation edged up to 2.9% in July from 2.8% in June, with the seasonally adjusted monthly increase in core prices rising from 0.2% in June to 0.3% in July. In our opinion, this indicates that



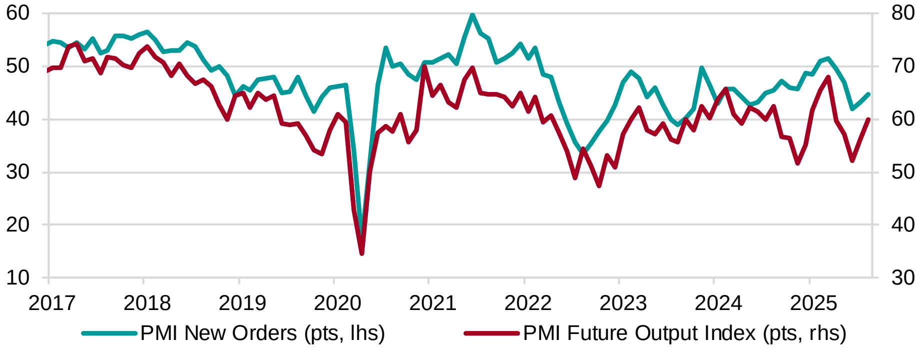
Source: Datastream, Credit Agricole

inflationary pressures in the US are being supported by higher tariffs. The monthly growth rate of durable goods orders improved to -2.8% MoM in July from -9.4% in June, coming in above market expectations (-3.9%). The decline seen in recent months is due to high base effects related to a large aircraft order placed with Boeing (see MACROmap of 30/06/2025). Excluding transportation, the monthly growth in durable goods orders increased from 0.3% in June to 1.1% in July. Meanwhile, growth in orders for non-defence capital goods rose from 2.8% in June to 4.1% YoY in July, with the 3-month moving average increasing from 2.5% to 3.6%. Given the persistent tensions in global trade, we believe that the US investment outlook will deteriorate in the coming months. Last week also saw the release of new home sales data (652k in July vs. 656k in June), which showed reduced activity in the US housing market. In recent months activity has been further constrained by heightened uncertainty and US households' concerns about the outlook for inflation and economic growth. Last week, consumer sentiment surveys were also released. The final University of Michigan index signalled a deterioration in sentiment as it fell to 58.2 pts in August vs. 61.7 pts in July and 58.6 pts in the flash estimate. The Conference Board index also declined, decreasing from 98.7 pts in July to 97.4 pts in August, exceeding market expectations of 96.3 pts. The index dropped due to decreases in both the "current situation" and "expectations" sub-indices. Thus, consumer sentiment indices remain clearly below their levels prior to Liberation Day, when the US President announced a sharp increase in tariffs on goods exported to the US. The US data releases published last week support our scenario in which US GDP growth will slow to 1.5% in 2025 from 2.8% in 2024, before picking up to 2.0% in 2026.

Polish manufacturing sector keeps spirits up despite weak readings

The Polish manufacturing PMI rose from 45.9 pts in July to 46.6 pts in August, coming in below both market expectations (46.8 pts) and our forecast (47.6 pts). The increase in August reflects stronger contributions from 4 out of its 5 sub-indices (output, new orders, stocks of purchases and suppliers' delivery times), with a lower contribution from employment having the opposite effect. Despite the growth recorded in August, the PMI has remained below the 50-point mark separating growth from contraction for 4 consecutive months.

In August, sharp declines persisted in output and total new orders, including new export orders, although the falls were less pronounced than in July. This is somewhat surprising given improving conditions in the Eurozone, including Germany. With demand subdued, the surveyed firms cut down on both purchases and inventories of intermediate goods, though at a slower pace than a month earlier. By contrast, the drop in employment accelerated, potentially suggesting ongoing restructuring processes amid reduced activity in manufacturing. Notably, despite the downturn in manufacturing, the input and output price components show no clear trend and in recent months have hovered around 50 pts.



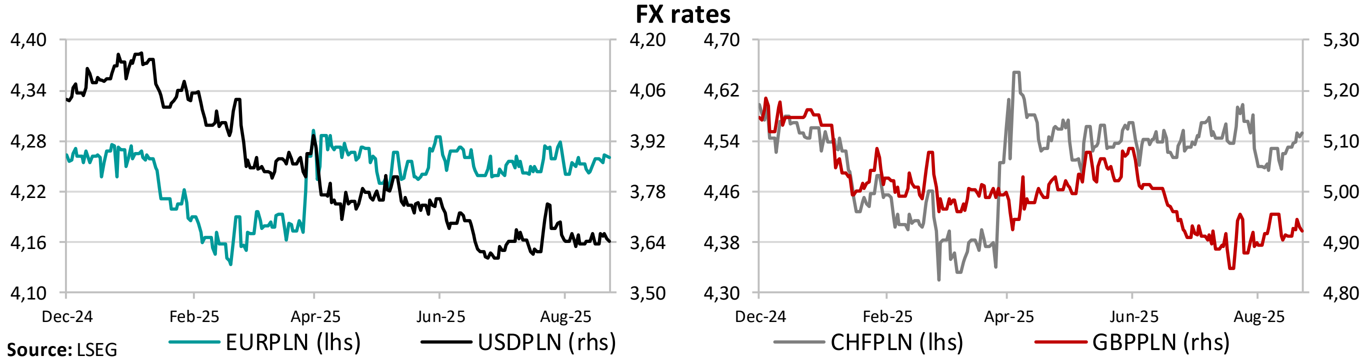
Source: S&P, Credit Agricole

The only optimistic signal coming from the data is the expectations of surveyed businesses concerning future activity. The index value for production expected in a 12-month horizon increased in August to its highest level since March 2025 and remains above the 50-point threshold. Surveyed businesses justified their optimism citing, among other factors, recovery in

European markets, National Recovery Plan funds, restocking, new products and investment in sales teams.

In July-August, the PMI value for Polish manufacturing fell to 46.2 pts compared to 47.4 pts in Q2. We thus see a slight downside risk to our forecast which assumes Poland's GDP growth will increase to 3.7% YoY in Q3 vs. 3.4% in Q2 and, for the entire year 2025, will rise to 3.6% from 2.9% in 2024.

No rate cut by the MPC could strengthen the PLN

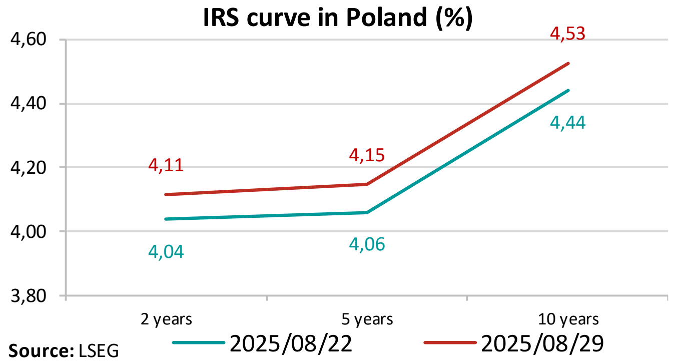


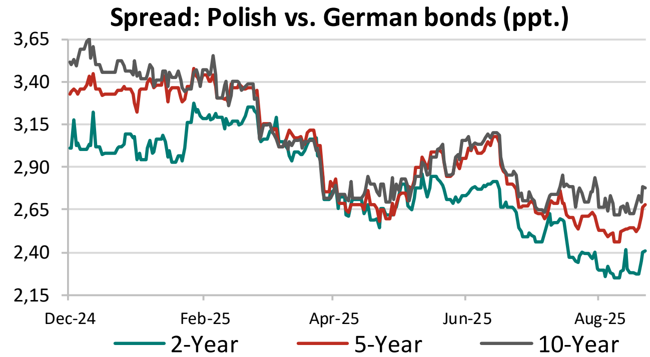
Source: LSEG

Last week, the EURPLN remained unchanged from its level two weeks earlier, standing at 4.2602. Throughout last week, the EURPLN exchange rate was in a sideways trend. The EURUSD pair also showed reduced volatility.

This week, today's release of the PMI for Poland's manufacturing sector may support the strengthening of the PLN. The PLN may also appreciate if our forecast, that the MPC will keep interest rates unchanged, materialises. However, we may expect increased volatility in the PLN during NBP Governor A. Glapinski's customary press conference. Fitch's update of Poland's rating on Friday will be announced after the European markets close, thus its potential impact on the PLN exchange rate will not materialise until next week.

MPC rate decision in the spotlight





Source: LSEG

Last week, 2-year IRS rates rose to 4.11 (up by 7bp), 5-year rates to 4.15 (up by 9bp) and 10-year rates to 4.53 (up by 9bp). Last week saw an increase in IRS rates, supported by the publication of the draft budget, which assumes a substantial widening of the deficit. The publication of preliminary inflation data led to a slight drop in IRS rates, but did not reverse the upward trend. At the same time, a mild decline in government bond yields was observed on the core markets. As a result, the spread between Polish and German bonds widened.

Today's PMI release for Poland's manufacturing sector may support an increase in IRS rates. IRS rates may also rise if our forecast that the MPC will keep interest rates unchanged materialises. The NBP Governor's customary press conference may further support increased IRS rate volatility. Fitch's update of Poland's rating on Friday will be announced after the European markets close, thus its potential impact on IRS rates will not materialise until next week.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
NBP reference rate (%)	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,25	5,25	5,00	5,00	**5,00**
EURPLN*	4,28	4,28	4,35	4,30	4,27	4,21	4,19	4,19	4,27	4,24	4,24	4,27	4,26	**4,26**
USDPLN*	3,87	3,85	4,00	4,06	4,13	4,06	4,04	3,87	3,77	3,74	3,60	3,74	3,64	**3,65**
CHFPLN*	4,56	4,54	4,64	4,60	4,54	4,46	4,46	4,38	4,56	4,54	4,53	4,60	4,55	**4,48**
CPI inflation (% YoY)	4,3	4,9	5,0	4,7	4,7	4,9	4,9	4,9	4,3	4,0	4,1	3,1	**2,8**	
Core inflation (% YoY)	3,7	4,3	4,1	4,3	4,0	3,7	3,6	3,6	3,4	3,3	3,4	3,3	**3,0**	
Industrial production (% YoY)	-1,3	-0,5	4,7	-1,3	0,3	-0,9	-1,8	2,5	1,3	4,0	-0,4	2,8	**0,8**	
Constr. and assembly prod. (% YoY)	-9,5	-9,0	-9,6	-9,4	-8,0	4,2	-0,1	-1,1	-4,2	-2,8	2,1	0,6	**0,1**	
PPI inflation (% YoY)	-5,5	-6,2	-5,1	-3,8	-2,7	-1,0	-1,3	-1,0	-1,6	-1,5	-1,5	-1,2	**-0,7**	
Retail sales (% YoY)	3,2	-2,2	2,3	3,4	2,7	6,1	0,6	0,6	7,9	4,3	2,1	4,8	**3,2**	
Corporate sector wages (% YoY)	11,1	10,3	10,2	10,5	9,8	9,2	7,9	7,7	9,3	8,4	9,0	7,6	**8,1**	
Employment (% YoY)	-0,5	-0,5	-0,5	-0,5	-0,6	-0,9	-0,9	-0,9	-0,8	-0,8	-0,8	-0,9	**-0,7**	
Unemployment rate* (%)	5,0	5,0	4,9	5,0	5,1	5,4	5,4	5,3	5,2	5,0	5,2	5,4	**5,5**	
Current account (M EUR)	-2276	-1160	654	-492	-1450	-66	93	-1209	-596	-1838	651	**-1075**		
Exports (% YoY EUR)	-2,3	1,5	2,6	-2,6	0,4	1,9	0,4	3,1	-1,9	4,2	1,9	**3,6**		
Imports (% YoY EUR)	5,5	5,6	6,2	-0,8	3,4	9,8	3,4	10,0	5,5	5,2	-0,2	**1,9**		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland

Indicator		2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2024	2025	2026
Gross Domestic Product (% YoY)		3,2	**3,4**	**3,7**	**3,8**	**3,7**	**3,5**	**3,2**	**3,0**	2,9	**3,6**	**3,3**
Private consumption (% YoY)		2,5	**3,8**	**3,1**	**3,0**	**2,7**	**2,8**	**3,1**	**3,3**	3,1	**3,1**	**3,0**
Gross fixed capital formation (% YoY)		6,3	**7,0**	**8,8**	**7,3**	**8,5**	**8,1**	**7,3**	**6,5**	-2,2	**7,4**	**7,4**
Export - constant prices (% YoY)		1,1	**2,9**	**3,4**	**4,5**	**5,3**	**5,8**	**5,8**	**5,3**	2,0	**3,0**	**5,5**
Import - constant prices (% YoY)		3,5	**4,5**	**4,3**	**3,9**	**4,3**	**5,2**	**4,7**	**4,2**	4,2	**4,1**	**4,6**
GDP growth contributions	Private consumption (pp)	1,6	**2,2**	**1,8**	**1,5**	**1,7**	**1,6**	**1,8**	**1,6**	1,7	**1,8**	**1,7**
	Investments (pp)	0,8	**1,1**	**1,4**	**1,6**	**1,1**	**1,3**	**1,2**	**1,5**	-0,4	**1,2**	**1,3**
	Net exports (pp)	-1,1	**-0,7**	**-0,3**	**0,4**	**0,7**	**0,5**	**0,7**	**0,7**	-1,1	**-0,4**	**0,6**
Current account (% of GDP)***		-0,7	**-0,9**	**-0,2**	**-0,2**	**-0,2**	**-0,1**	**-0,1**	**0,0**	0,2	**-0,2**	**0,0**
Unemployment rate (%)**		5,3	5,2	**5,1**	**5,1**	**5,3**	**5,2**	**5,0**	**5,0**	5,1	**5,1**	**5,0**
Non-agricultural employment (% YoY)		0,0	0,2	**-0,5**	**-0,5**	**-0,5**	**-0,5**	**-0,5**	**-0,5**	0,7	**-0,2**	**-0,5**
Wages in national economy (% YoY)		10,0	8,8	**7,5**	**6,5**	**5,8**	**5,9**	**6,1**	**6,2**	13,7	**8,2**	**6,0**
CPI Inflation (% YoY)*		4,9	4,1	**3,0**	**2,9**	**2,7**	**3,0**	**3,0**	**3,0**	3,6	**3,7**	**2,9**
Wibor 3M (%)**		5,84	5,23	**4,98**	**4,85**	**4,48**	**4,35**	**4,35**	**4,36**	5,84	**4,85**	**4,36**
NBP reference rate (%)**		5,75	5,25	**5,00**	**4,75**	**4,50**	**4,25**	**4,25**	**4,25**	5,75	**4,75**	**4,25**
EURPLN**		4,19	4,24	**4,26**	**4,28**	**4,27**	**4,26**	**4,25**	**4,24**	4,27	**4,28**	**4,24**
USDPLN**		3,87	3,60	**3,65**	**3,66**	**3,68**	**3,74**	**3,79**	**3,85**	4,13	**3,66**	**3,85**

* quarterly average
** end of period
***cumulative for the last 4 quarters

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
		Monday 09/01/2025				
10:00	**Poland**	**Final GDP (% YoY)**	**Q2**	**3,2**	**3,4**	**3,4**
10:00	Eurozone	Final Manufacturing PMI (pts)	Aug	50,5	50,5	50,5
11:00	Eurozone	Unemployment rate (%)	Jul	6,2		6,2
14:00	**Poland**	**Core inflation (% YoY)**	**Aug**	**3,3**	**3,2**	**3,0**
		Tuesday 09/02/2025				
11:00	Eurozone	Preliminary HICP (% YoY)	Aug	2,0	2,1	2,0
15:45	USA	Flash Manufacturing PMI (pts)	Aug	53,3		
16:00	USA	ISM Manufacturing PMI (pts)	Aug	48,0		49,0
		Wednesday 09/03/2025				
11:00	Eurozone	PPI (% YoY)	Jul	0,6		0,1
16:00	USA	Factory orders (% MoM)	Jul	-4,8		-1,4
	Poland	**NBP rate decision (%)**	**Sep**	**5,00**	**5,00**	**4,75**
		Thursday 09/04/2025				
11:00	Eurozone	Retail sales (% MoM)	Jul	0,3		0,0
14:15	USA	ADP employment report (k)	Aug	104		68
16:00	USA	ISM Non-Manufacturing Index (pts)	Aug	50,1		51,0
		Friday 09/05/2025				
8:00	Germany	New industrial orders (% MoM)	Jul	-1,0		0,5
11:00	Eurozone	Employment (% YoY)	Q2	0,7		
11:00	Eurozone	Revised GDP (% QoQ)	Q2	0,1	0,1	0,1
11:00	Eurozone	Final GDP (% YoY)	Q2	1,4	1,4	1,4
14:30	USA	Unemployment rate (%)	Aug	4,2		4,3
14:30	USA	Non-farm payrolls (k MoM)	Aug	73		75

*The forecasts of macroeconomic indicators for Poland were prepared by Credit Agricole Bank Polska S.A. The forecasts of foreign indicators were prepared by Crédit Agricole Corporate and Investment Bank

** According to Thomson Reuters, Bloomberg or Parkiet daily

MACRO MAP

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