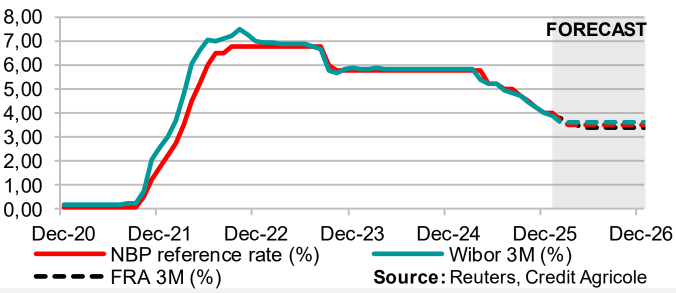
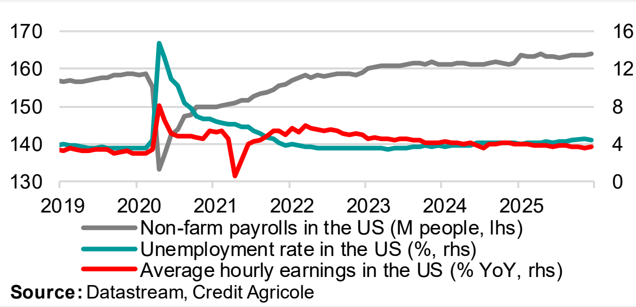
Optimistic sentiment in Polish manufacturing

This week



Source: Reuters, Credit Agricole

- **The most important event this week will be the Monetary Policy Council's meeting scheduled for Wednesday.** Given our inflation forecast, which we have revised markedly downwards (see below), we anticipate that the MPC will continue the interest rate cut cycle already at the February meeting, lowering the NBP reference rate by 25bp to 3.75%. MPC members' comments made over the last couple of weeks were indicative of their readiness to keep easing the monetary policy. Even though the January CPI inflation data will not have been available by the time the decision is taken, we assume the Council already has current inflation estimates, which are most likely to be substantially lower than projected by the NBP in November. No changes made in this week's meeting would mean that the MPC would be confronted a few days later with inflation data most likely showing inflation below 2.0%. Given the current scale of deviation from the inflation level pencilled in in the November projection, we have adjusted our estimate for the target reference rate downwards, from 3.75% to 3.50%, which we think will be reached after the subsequent 25bp rate cut in March. We do not rule out an alternative scenario, though, in which the MPC may decide to postpone further monetary easing until March and April in the absence of new, official inflation data. The NBP Governor's usual press conference will be held on Thursday, which may shed more light on Poland's monetary policy prospects and increase the volatility of the PLN and the yields on Polish bonds. We are also highly likely to see a similar market reaction after the MPC decision is announced, with a distinct split in market expectations as to whether the rates will be cut or left unchanged.
- **Another important event this week will be the ECB meeting planned for Thursday.** We anticipate that the central bank will keep the monetary policy parameters unchanged. In our baseline scenario, we do not expect further easing in the coming quarters, and in our view, the next decision the ECB will take will be to raise the interest rates by 25bp in Q1 2027. Preliminary HICP inflation data for the Eurozone due this week (core inflation pencilled in at 2.2% YoY in January vs. 2.3% in December) will back the status quo in monetary policy.



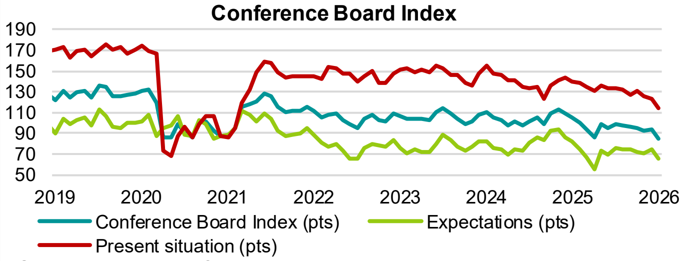
Source: Datastream, Credit Agricole

- **Data for the last couple of months suggested stabilisation in the US labour market.** We expect this trend to continue in January (employment to go up by 90k compared with a 50k growth in December, which would translate into the strongest growth since September last year). We expect the unemployment rate to stabilise at 4.4%. At the same time, we anticipate that the hourly wage growth rate will edge down, from 3.8% in December to 3.7% in January. Nonetheless, the rate will stay markedly above the levels seen before the pandemic and in the upper range of 3-4% reported for most of 2025. Our employment growth forecast for the US is above the market consensus (60k), so if it materialises, it will have a slight negative effect on the PLN and the yields on Polish bonds.
- **Poland's manufacturing PMI went up from 48.5 pts in December to 48.8 pts in January, printing slightly below our forecast (48.9 pts) and market expectations (49.1 pts).** PMI has risen six times over the last seven months, indicating that the situation in Polish manufacturing is constantly improving. PMI for January was the same as that for Q4 2025. Consequently, we

are still of the opinion that Polish GDP edged down from 4.0% YoY in Q4 2025 to 3.9% in Q1 2026.

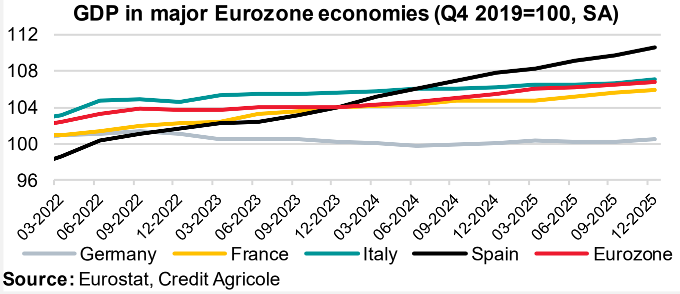
Last week

- **In Poland, market attention focused on the flash domestic GDP data, which showed that GDP grew by 3.6% in 2025, up from 3.0% in 2024.** We estimate that in Q4, real GDP growth reached around 4.0% YoY, compared with 3.8% in Q3 (see MACROpulse of 30/01/2026). In our view, the acceleration in GDP growth between Q3 and Q4 resulted from stronger consumption growth and a larger contribution from inventory accumulation. It is worth noting that the ongoing recovery in consumption was also signalled by the December retail sales data published last week, with real retail sales up 5.2% YoY versus 3.1% in November (see MACROpulse of 26/01/2026). The main surprise in the GDP release, however, was the slowdown in investment growth (around 4.3% YoY in Q4 vs. 7.1% in Q3), which is a major disappointment given the increased absorption of EU funds under the Multiannual Financial Framework and the National Recovery Plan (see MACROmap of 19/01/2026). In our view, the slowdown in investment growth recorded in Q4 will be an argument for the MPC in favour of a 25bp interest rate cut at its February meeting (see above).
- **In the US, the key event last week was the FOMC meeting.** As we expected, it brought no change in interest rates. We believe the main takeaway from the post-meeting press release and Fed Chair J. Powell's post-meeting remarks is that FOMC members are increasingly less concerned about a deterioration in labour market conditions and are in a comfortable position to monitor incoming data. Last week, D. Trump nominated Kevin Warsh as the new Fed Chair (J. Powell's term ends in May). Warsh has long been viewed by the market as a "hawk", but more recently he has shifted towards a more dovish stance, which may have contributed to his nomination. We do not, however, believe this choice will materially affect the decisions taken by the FOMC (decisions are made by 12 voting members in total, including the Chair). Notably, the US data also shows that the Conference Board index dropped from 94.2 pts to 84.5 pts, its lowest level since May 2014. The sharp decline reflected a deterioration in both the current assessment and expectations sub-indices. Of note in the data are increasingly weaker assessments of labour market conditions, as well as persistently high price pressures in respondents' view. It is worth noting that this perception of the macroeconomic environment among households contrasts with the Fed communication cited above. The consumer sentiment survey results therefore represent a slight downside risk to our baseline scenario, which assumes that the Fed will keep interest rates unchanged in 2026.



Source: Datastream, Credit Agricole

- **Quarterly GDP growth in the Eurozone was unchanged in Q4 compared to Q3 and stood at 0.3%, above market expectations matching our forecast (0.2%).** The stabilisation of quarterly GDP growth in the single-currency area reflected, among other things, a pick-up in growth in Germany (0.3% vs 0.0%),



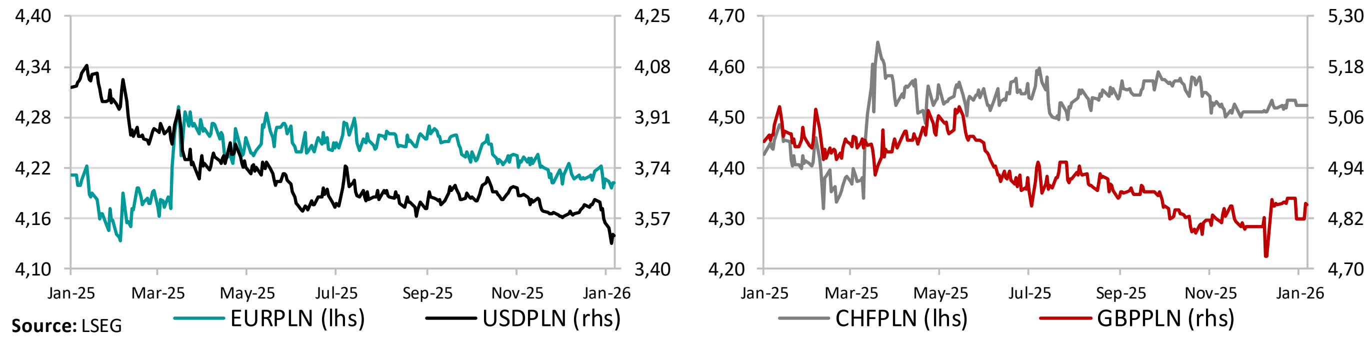
Source: Eurostat, Credit Agricole

Spain (0.8% vs 0.6%) and Italy (0.3% vs 0.1%), alongside a slowdown in France (0.2% vs 0.5%). In our view, last week's publication on the Ifo index (87.6 pts in January – unchanged from December) and HICP inflation data (2.1% YoY in January vs 2.0% in December) did not provide any new material information from the perspective of Germany's growth and inflation outlook.

- **We have revised our 2026 inflation forecast.** Based on the incoming data, we now expect inflation to have come in at 1.9% YoY in January, well below our earlier expectations. This lower starting point reduces the entire inflation path over the 2026 horizon. Two main factors are currently exerting downward pressure on price growth, and they will be visible both in the January data and over the coming quarters. First, we are seeing an increasingly disinflationary environment for food prices, supported by favourable weather conditions for agriculture and price declines across a number of key categories, including poultry, eggs, pork, milk and dairy products. Second, external factors are playing an important role – most notably the weakening of the USD, partly linked to President Trump's recent political rhetoric, which is contributing, among other things, to lower fuel prices. As a result, we forecast average inflation of 2.2% YoY in 2026 (2.7% before the revision) and 3.0% in 2027 (unchanged), versus 3.6% in 2025.

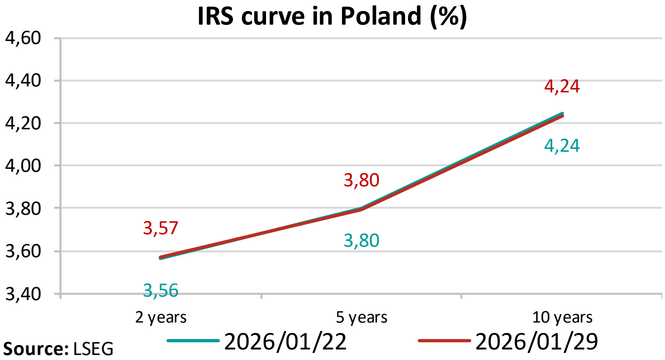
MPC meeting and US labour market data key for markets

FX rates



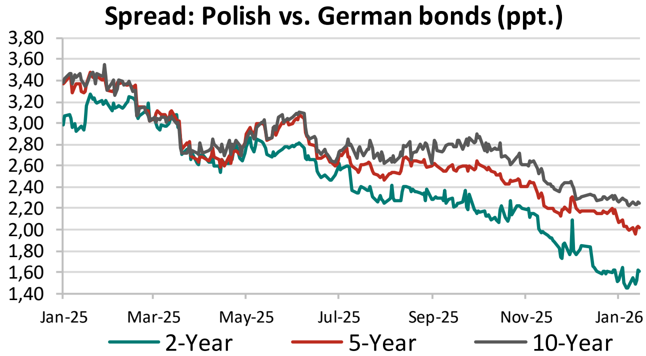
Source: LSEG

IRS curve in Poland (%)



Source: LSEG

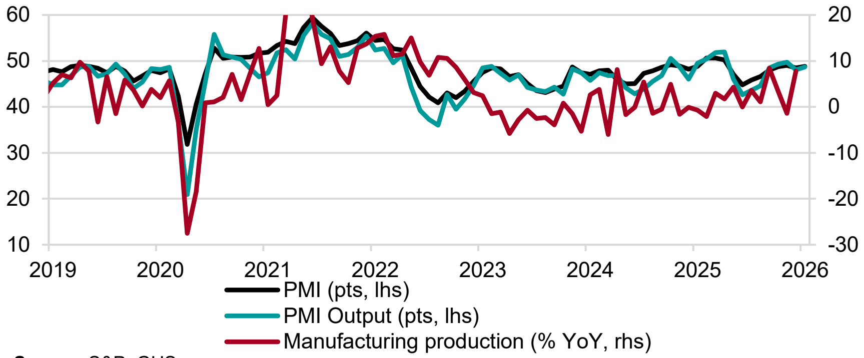
Spread: Polish vs. German bonds (ppt.)



Last week, the key factor driving volatility in financial markets was the FOMC meeting, although it delivered no surprises for investors. As a result, both the EURPLN exchange rate and IRS rates were relatively stable over the week.

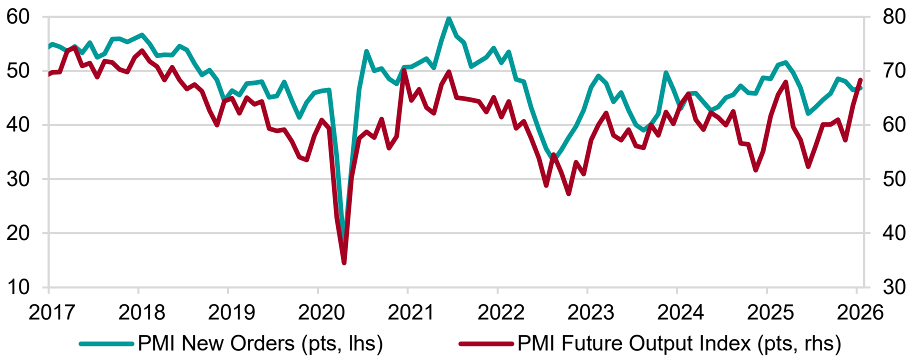
This week the spotlight will be on the MPC meeting scheduled for Wednesday. It may spur increased volatility in the PLN exchange rate and in IRS rates. The NBP Governor A. Glapiński's usual press conference scheduled for Thursday may have a similar effect. On Friday, the release of US labour market data will be key for markets and may contribute to a weaker PLN and lower IRS rates.

Optimistic sentiment in Polish manufacturing



Source: S&P, GUS

The PMI for Poland's manufacturing sector rose to 48.8 pts in January, from 48.5 pts in December, coming in slightly below our forecast (48.9 pts) and the market consensus (49.1 pts). The January increase was driven by higher contributions from 3 of the 5 sub-indices (output, new orders and stock of purchases), while higher contributions from suppliers' delivery times and employment had the opposite effect. This means the index has remained below the 50-point mark separating growth from contraction for 9 consecutive months.



Source: S&P, Credit Agricole

The data highlight, in particular, a slowdown in the decline in output, accompanied by a smaller fall in new orders than in December. Export orders also decreased, though only to a limited extent. Firms continued to point to weak economic conditions in Germany. It is worth noting that the easing in the decline in export orders occurred despite intensifying competition from China, which is reorienting its exports geographically amid difficulties selling goods to the US (see MACROmap of 05/01/2026). Another positive signal for Polish manufacturing was an increase in work backlogs in December. Similarly, the Future Output Index (12-month outlook) rose in January to its highest level since June 2021 and remains well above the 50-point threshold.

Over the past seven months, the PMI has increased six times, pointing to a gradual improvement in business conditions in Polish manufacturing. In January, the PMI stood at the same level as in Q4 last year. We therefore maintain our forecast that Poland's GDP growth rate slowed to 3.9% YoY in Q1, from 4.0% in Q4 2025.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
NBP reference rate (%)	5,75	5,75	5,75	5,75	5,25	5,25	5,00	5,00	4,75	4,50	4,25	4,00	4,00	**3,75**
EURPLN*	4,21	4,19	4,19	4,27	4,24	4,24	4,27	4,26	4,26	4,25	4,23	4,21	4,20	**4,20**
USDPLN*	4,06	4,04	3,87	3,77	3,74	3,60	3,74	3,64	3,63	3,68	3,65	3,58	3,51	**3,51**
CHFPLN*	4,46	4,46	4,38	4,56	4,54	4,53	4,60	4,55	4,56	4,57	4,53	4,51	4,52	**4,59**
CPI inflation (% YoY)	4,9	4,9	4,9	4,3	4,0	4,1	3,1	2,9	2,9	2,8	2,5	2,4	**1,9**	
Core inflation (% YoY)	3,7	3,6	3,6	3,4	3,3	3,4	3,3	3,2	3,2	3,0	2,7	2,7	**2,5**	
Industrial production (% YoY)	-0,9	-1,8	2,5	1,3	4,0	-0,4	3,0	0,7	7,6	3,2	-1,1	7,3	**3,0**	
Constr. and assembly prod. (% YoY)	4,2	-0,1	-1,1	-4,2	-2,8	2,1	0,7	-7,0	0,3	4,2	0,1	4,4	**-7,0**	
PPI inflation (% YoY)	-1,0	-1,3	-1,0	-1,6	-1,5	-1,5	-1,3	-1,3	-1,4	-2,2	-2,3	-2,5	**-2,4**	
Retail sales (% YoY)	6,1	0,6	0,6	7,9	4,3	2,1	4,8	3,0	6,6	5,5	2,8	5,0	**1,5**	
Corporate sector wages (% YoY)	9,2	7,9	7,7	9,3	8,4	9,0	7,6	7,1	7,5	6,6	7,1	8,6	**7,7**	
Employment (% YoY)	-0,9	-0,9	-0,9	-0,8	-0,8	-0,8	-0,9	-0,8	-0,8	-0,8	-0,8	-0,7	**-0,7**	
Unemployment rate* (%)	5,4	5,4	5,3	5,2	5,0	5,2	5,4	5,5	5,6	5,6	5,6	5,7	**6,0**	
Current account (M EUR)	-35	115	-1136	88	-711	-262	-1571	-2239	-408	2053	-460	**-658**		
Exports (% YoY EUR)	2,7	1,2	3,9	-0,6	5,5	3,3	3,5	-0,9	6,2	5,5	2,7	**13,7**		
Imports (% YoY EUR)	10,4	4,0	10,5	7,6	7,3	1,9	2,7	-1,0	7,4	2,9	3,1	**9,2**		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland

Indicator	2025				2026				2025	2026	2027
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross Domestic Product (% YoY)	3,2	3,3	3,8	**4,0**	**3,9**	**3,7**	**3,5**	**3,3**	3,6	**3,6**	**3,0**
Private consumption (% YoY)	2,6	4,5	3,5	**4,2**	**3,2**	**3,1**	**3,0**	**2,9**	3,7	**3,1**	**3,0**
Gross fixed capital formation (% YoY)	6,4	-0,7	7,1	**4,3**	**8,4**	**10,9**	**7,9**	**7,7**	4,2	**8,5**	**6,6**
Export - constant prices (% YoY)	2,1	1,9	6,1	**6,5**	**5,2**	**5,8**	**5,8**	**5,3**	**4,2**	**5,5**	**5,0**
Import - constant prices (% YoY)	4,3	3,4	5,9	**5,5**	**5,2**	**6,1**	**6,5**	**6,1**	**4,8**	**6,0**	**5,5**
GDP growth contributions Private consumption (pp)	1,6	2,6	2,0	**2,1**	**2,0**	**1,8**	**1,7**	**1,4**	2,1	**1,7**	**1,7**
Investments (pp)	0,8	-0,1	1,1	**1,0**	**1,1**	**1,7**	**1,3**	**1,8**	0,7	**1,5**	**1,2**
Net exports (pp)	-0,9	-0,7	0,2	**0,2**	**0,2**	**0,0**	**-0,2**	**-0,2**	**-0,3**	**-0,1**	**-0,1**
Current account (% of GDP)***	-0,4	-0,7	-0,8	**-0,7**	**-0,8**	**-0,8**	**-0,9**	**-0,9**	**-0,7**	**-0,9**	**-1,0**
Unemployment rate (%)**	5,3	5,2	5,6	5,7	**5,9**	**5,5**	**5,5**	**5,6**	5,7	**5,6**	**5,5**
Non-agricultural employment (% YoY)	0,0	0,2	0,7	**0,2**	**-0,5**	**-0,5**	**-0,5**	**-0,5**	**0,3**	**-0,5**	**-0,5**
Wages in national economy (% YoY)	10,0	8,8	7,5	**6,5**	**5,8**	**5,9**	**6,1**	**6,2**	**8,2**	**6,0**	**6,0**
CPI Inflation (% YoY)*	4,9	4,1	3,0	2,6	**1,8**	**2,2**	**2,2**	**2,7**	3,6	**2,2**	**3,0**
Wibor 3M (%)**	5,84	5,23	4,72	3,99	**3,60**	**3,60**	**3,61**	**3,61**	3,99	**3,61**	**3,61**
NBP reference rate (%)**	5,75	5,25	4,75	4,00	**3,50**	**3,50**	**3,50**	**3,50**	4,00	**3,50**	**3,50**
EURPLN**	4,19	4,24	4,26	4,21	**4,21**	**4,20**	**4,19**	**4,18**	4,21	**4,18**	**4,15**
USDPLN**	3,87	3,60	3,63	3,58	**3,63**	**3,68**	**3,74**	**3,80**	3,58	**3,80**	**3,55**

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

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
		Monday 02/02/2026				
2:45	China	RatingDog Manufacturing PMI (pts)	Jan	50,1		50,3
9:00	**Poland**	**Manufacturing PMI (pts)**	**Jan**	**48,5**	**48,9**	**49,1**
9:55	Germany	Final Manufacturing PMI (pts)	Jan	48,7	48,7	48,7
10:00	Eurozone	Final Manufacturing PMI (pts)	Jan	49,4	49,4	49,4
15:45	USA	Flash Manufacturing PMI (pts)	Jan	51,9		
16:00	USA	ISM Manufacturing PMI (pts)	Jan	47,9	48,5	48,5
		Wednesday 02/04/2026				
10:00	Eurozone	Services PMI (pts)	Jan	51,9	51,9	51,9
10:00	Eurozone	Final Composite PMI (pts)	Jan	51,5	51,5	51,5
11:00	Eurozone	Preliminary HICP (% YoY)	Jan	1,9	1,6	1,7
11:00	Eurozone	PPI (% YoY)	Dec	-1,7		
14:15	USA	ADP employment report (k)	Jan	41		39
16:00	USA	ISM Non-Manufacturing Index (pts)	Jan	54,4	53,2	53,8
	Poland	**NBP rate decision (%)**	**Feb**	**4,00**	**3,75**	**3,75**
		Thursday 02/05/2026				
8:00	Germany	New industrial orders (% MoM)	Dec	5,6		-2,5
11:00	Eurozone	Retail sales (% MoM)	Dec	0,2		-0,1
13:00	UK	BOE rate decision (%)	Feb	3,75		3,75
14:15	Eurozone	EBC rate decision (%)	Feb	2,15	2,15	2,15
		Friday 02/06/2026				
8:00	Germany	Industrial production (% MoM)	Dec	0,8		-0,3
8:00	Germany	Trade balance (bn EUR)	Dec	13,1		
14:30	USA	Unemployment rate (%)	Jan	4,4	4,4	4,4
14:30	USA	Non-farm payrolls (k MoM)	Jan	50	90	60
16:00	USA	Initial U. of Michigan Sentiment Index (pts)	Feb	56,4	56,0	56,0

*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

Jakub BOROWSKI
Chief Economist
tel.: 600 457 021

jakub.borowski@credit-agricole.pl

Krystian JAWORSKI
Senior Economist
tel.: 512 191 822

krystian.jaworski@credit-agricole.pl

Jakub OLIPRA
Senior Economist
tel.: 518 003 696

jakub.olipra@credit-agricole.pl