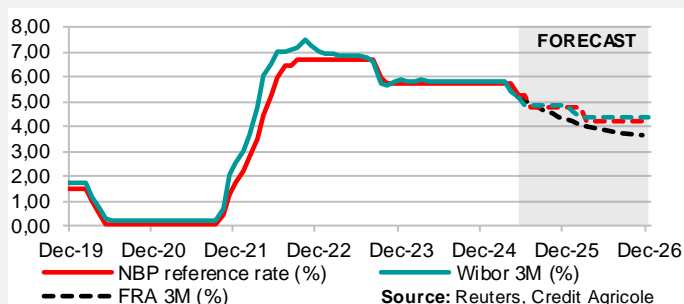


## This week

✓ **In accordance with the official results published by the Polish Electoral Commission (PKW), K. Nawrocki has won the presidential election runoff with 50.89% of votes, with R. Trzaskowski receiving 49.11% of votes.** In our view, the results of the runoff, and the resulting high probability of significant tensions between the government and the president, are indicative of the growing risk of an institutional stalemate, delays in reforms required by the European Commission and a greater pressure to ease the fiscal policy. Consequently, they are negative for the PLN and the prices of Polish bonds (see MACROmap of 26/05/2025).

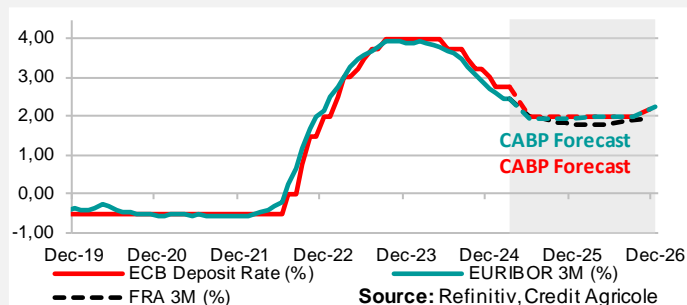
✓ **Today's release of final GDP for Poland in Q1 2025 will be the most important event this week.** We expect the GDP growth to print in line with the flash estimate published by Statistics Poland (3.2% YoY vs. 3.4% in Q4 2024). In our view, the slowdown of economic growth between Q4 and Q1 was mainly driven by lower contributions from change in inventories and consumption, with an opposite impact coming from stronger net exports and a slightly higher contribution of investments. At the same time, we anticipate a gradual recovery of economic growth in the coming quarters, driven primarily by a stronger contribution of investments related to projects co-financed with EU funds. In our opinion, the publication of data will be neutral for the PLN and the yields on Polish bonds.

✓ **Another significant 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 5.25%. Our expectation of the *status quo* in the monetary policy is underpinned by



comments made by the NBP Governor at his press conference following the MPC meeting in May, who said that the 50-bp cut was merely an “adjustment” and did not mean that the monetary policy easing cycle had begun. The NBP Governor also doubted whether the Council would risk another decision to cut the rates as early as in June. We do not expect the press release after the meeting to change much compared to the one published in May. A decision to keep the interest rates unchanged would be consistent with market consensus, and thus it should be neutral for the PLN and yields on Polish bonds. The NBP Governor's usual press conference will be held on Thursday, so it will shed more light on Poland's monetary policy prospects. Information regarding prospects for further monetary policy easing will be of particular interest. We believe that the conference may add to volatility in PLN exchange rates and yields on Polish bonds.

✓ **Another important event this week will be the ECB meeting planned for Thursday.** We expect the ECB to cut interest rates by 25bp. This means that the refinancing rate will land at 2.15%, and the deposit rate at 2.00%. In our opinion, during the press conference held after the meeting, the ECB President Ch. Lagarde will



not offer any specific monetary policy easing scenario for the months to come, but she will indicate that interest rates are highly likely to be kept unchanged in July. Given the above, she will most probably remark that the incoming macroeconomic data will have to be analysed first. The ECB's new macroeconomic projection will also be released this week. In our opinion, the

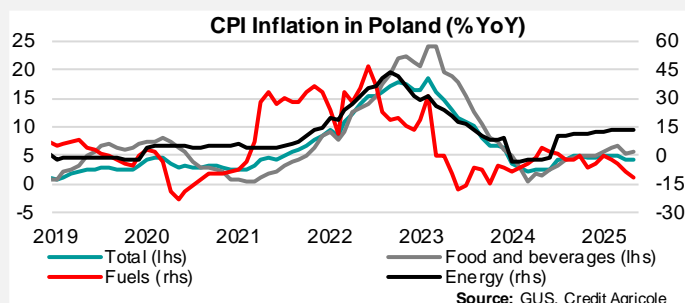
core inflation trajectory presented therein will be adjusted slightly upwards (for 2025), but also downwards (for 2026 and 2027). GDP growth trajectory will also be revised downwards for 2025 and 2026, although we believe that an upward adjustment is possible for 2027. Our baseline scenario assumes that the June rate cut will be the last one made as part of the current ECB monetary policy easing cycle. We think we may observe increased volatility in financial markets during the ECB press conference.

- ✓ **Some important data on the US economy will be released this week.** The consensus is that non-farm payrolls increased by 130k in May vs. 177k in April, with the rate of unemployment stabilising at 4.2%. Before the publication of the non-farm payroll data, some additional data on the labour market will be provided in the ADP report on non-farm private sector employment (the market expects a 110k growth in May vs. 62k in April). Thursday will also see the release of US foreign trade data for April, which are expected to reflect the first effects of tariffs adopted by D. Trump's administration in April. The consensus is that the US foreign trade balance increased from USD -140.5bn in March to USD -117.0bn in April. This week will also see the release of the ISM manufacturing index. The market anticipates that the index went up to 49.3 pts in May, from 48.7 pts in April, in line with the results of regional business surveys. In our opinion, the aggregate impact of data from the US will be neutral for the PLN and the yields on Polish bonds.
- ✓ **Tuesday will see the release of the Eurozone's flash HICP inflation estimate.** We expect the annual inflation to have gone down from 2.2% YoY in April to 1.9% in May. In our view, inflation was driven down primarily by lower core inflation (2.3% in May vs. 2.7% in April), which resulted mainly from a slower growth in the prices of services. We do not expect food and energy prices to have changed much between April and May in the Eurozone. Our forecast is slightly below the market consensus (2.0%), so if it materialises, it will have a slight positive effect on the PLN and the prices of Polish bonds.
- ✓ **Some data on the German economy will also be released this week.** Data on new orders in the industry will be published on Thursday. The market expects the growth in new orders to have slowed from 3.6% MoM in March to -1.0% in April. Industrial production data will be released on Friday. The market expects their growth to have slowed from 3.0% MoM in March to -0.9% in April. Data on German foreign trade will also be published on Friday. The consensus is that its balance fell from EUR 21.1bn in March to EUR 20.2bn in April. The April data will be consistent with the slight improvement in German manufacturing signalled by PMIs. We believe that data from Germany will be neutral for financial markets.
- ✓ **Chinese manufacturing NBS PMI released last Saturday went up from 49.0 pts in April to 49.5 pts in May, printing in line with market expectations.** Activity in the Chinese manufacturing sector in May was boosted by the partial de-escalation of tensions between the US and China after 12 May, with current output and new orders (including for exports) components rising afterwards. China's Caixin manufacturing PMI will be released tomorrow. The market expects the index to have edged up to 50.6 pts in May from 50.4 pts in April, which means the index would remain above the 50-point mark separating growth from contraction for the 8th month running. Sentiment in the Chinese manufacturing sector was boosted by measures adopted by the Chinese government to stimulate domestic demand amidst growing global trade tensions. We believe that the data from China will be neutral for financial markets.
- ✓ **Polish manufacturing PMI released today went down from 50.2 pts in April to 47.1 pts in May, printing markedly below the market expectations (50.4 pts) and our forecast (50.8 pts).** The data is therefore negative for the PLN and the yields on Polish bonds (see below).

## Last week

✓ **Last Wednesday, the US Court of International Trade blocked some of the tariffs imposed on the US' trade partners by D. Trump's administration on the so-called "Liberation Day" in April (see MACROmap of 07/04/2025).** The ruling also applies to the so-called "fentanyl tariffs" imposed by D. Trump on Mexico (25%), Canada (25%) and China (20%) in February. In its ruling, the US Court of International Trade invalidated the tariffs, saying that imposing them, stating that their imposition exceeded the President's authority as defined in the relevant legal acts. D. Trump's administration appealed against the ruling to the Court of Appeals, which has temporarily kept the tariffs in force until the appeal is decided. Maintaining the ruling issued by the US Court of International Trade would make the de-escalation of tensions in the global trade more likely. Nonetheless, signals given by D. Trump's administration suggest that it does not intend to change its current tariff policy.

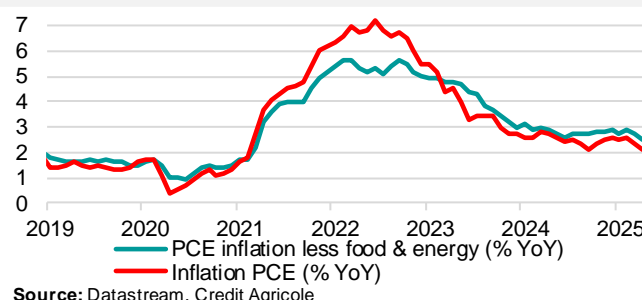
✓ **According to the flash estimate, CPI inflation in Poland dropped from 4.3% in April to 4.1% in May, printing below the market consensus (4.3%) and our forecast (4.2%).** GUS released partial data on the inflation breakdown, including information about price growth in the "food and non-alcoholic beverages", "energy", and "fuels" categories. Inflation was driven down primarily by a slower growth in the prices of fuels, resulting from the decline in oil prices seen globally over the last couple of months. An opposite impact came from a slight acceleration of price growth in the "food and non-alcoholic beverages" category, while energy prices did not change between April and May. In accordance with our estimates, core inflation did not change between April and May, either, coming in at 3.4% YoY. In our opinion, core prices edged down by 0.1% MoM, which is slightly below their seasonal pattern (0.0% MoM), which in turn might indicate that the inflationary pressure is easing. Given the lower starting point and a PGNiG-planned 14.8% gas price cut effective from 1 July onwards, we believe there is a downside risk to our forecast of inflation going down to 4.2% YoY in Q2 and 3.1% in Q3 vs. 4.9% in Q1. We will present our revised inflation scenario in the next MACROmap.



✓ **The nominal retail sales growth rate increased to 7.9% YoY in April, up from 0.6% in March, significantly exceeding both the market consensus (3.9%) and our forecast (2.4%).** Retail sales at constant prices climbed to 7.6% YoY in April, up from -0.3% in March, also clearly above the market consensus (3.4%) and our forecast (2.0%). Seasonally-adjusted retail sales at constant prices went up by 3.5% MoM in April. As a result, April retail sales reached the highest level in history. Particularly noteworthy is the continued strong growth in sales in durable goods categories: "motor vehicles, motorcycles and parts" (14.9% YoY in April vs. 18.4% in March) and "furniture, electronic goods, household appliances" (13.2% vs. 12.9%). The rapid growth of sales in the "motor vehicles, motorcycles and parts" category aligns with consumer sentiment surveys. They show that in Q2 2025 households' propensity to buy a car was the highest since Q1 2024. In our view, the robust growth in demand for durable goods signals that the recovery in consumer demand is sustainable (see MACROPulse of 26/05/2025). The April retail sales figures signal an upside risk to our Q2 consumption growth forecast (2.1% YoY vs. 2.5% in Q1). The data also indicate that the slowdown in consumer demand growth in the coming quarters may be less pronounced than we expected and that economic growth in 2025 may be higher than we currently forecast (3.1% vs 2.9% in 2024).

✓ **The Minutes from the May FOMC meeting were published last week.** According to the Minutes, FOMC members agreed that further decisions on rate cuts should be postponed until new macroeconomic projections are available. At the same time, most FOMC members believe that the Federal Reserve should adopt a cautious approach to monetary policy to account for the potential upside risks to the expected inflation trajectory stemming from the tariffs announced by the D. Trump administration, which strongly increased uncertainty for the US economy. The Minutes are consistent with J. Powell's comments after the May meeting as he reiterated that the Fed does not need to rush when it comes to interest rate cuts, and that the situation is comfortable enough for it to adopt the wait-and-see strategy, particularly in the context of considerable regulatory uncertainty surrounding the D. Trump administration's actions. One notable issue discussed at the meeting was the potential impact of the new trade policy on the US status as a safe haven for investors, a factor that has thus far supported the USD rate and valuations of US-listed financial assets. The FOMC members believed that this could have lasting implications for the US economy, although the Minutes provided no further details on this topic. In our baseline scenario, we expect the Federal Reserve to cut interest rates by a total of 50bp (25bp in June and 25bp in September), which would bring the federal funds rate down to 4.00% at the end of 2025.

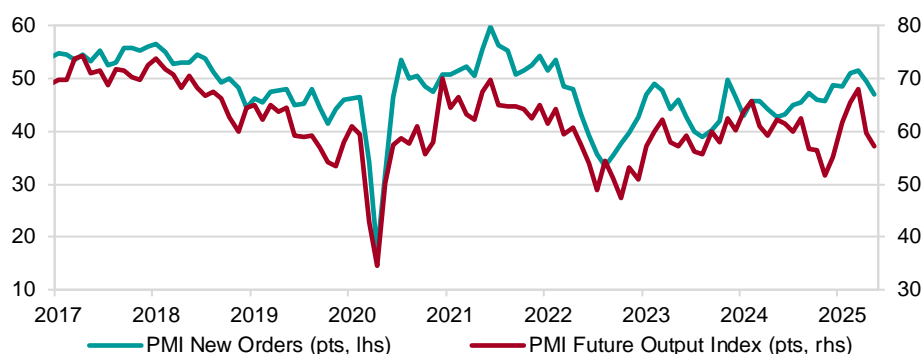
✓ **Last week, important data from the US economy was released.** Last week saw the release of PCE inflation figures, which declined to 2.1% YoY in April, from 2.3% in March, falling short of market expectations (2.2%). At the same time, core inflation decreased from 2.7% in March to 2.5% in April (upward revision from 2.6%). Nonetheless, seasonally-adjusted core price growth remained stable in April at 0.1% MoM, matching the revised March figure (upward revision from 0.0%). According to the second estimate, annualised GDP growth improved from -0.3% in the first estimate to -0.2%. Thus, the second estimate confirmed that the main driver of negative GDP growth in Q1 2025 was the sharp rise in imports (and consequently a strong negative contribution from net exports), driven by expectations of tighter US trade policy. The number of durable goods orders decreased by 6.3% MoM in April, compared to a 7.6% growth in March (downward revision from 9.2%), exceeding market expectations anticipating a 7.8% drop. Excluding transport equipment, monthly growth in durable goods orders increased to 0.2% in April from -0.2% in March. Meanwhile, annual growth in orders for non-defence capital goods fell from 0.3% in March to -1.3% in April, with the three-month moving average also declining. Given the rising tensions in global trade, we believe that the US investment outlook will continue to deteriorate in the coming months. Weak consumer sentiment was reflected in the final reading of the University of Michigan index, which remained unchanged between April and May, standing at 52.2 pts compared with 50.8 pts in the flash estimate, thus remaining at its lowest level since June 2022. In contrast, the Conference Board index offered a more optimistic reading, rising from 85.7 pts in April to 98.0 pts in May, driven mainly by improved expectations. The sentiment survey results indicate that US consumers are increasingly inclined to believe that the D. Trump administration's policy may lead to a recession and rising inflationary pressures. Considering the sharp rise in uncertainty and global trade tensions related to the D. Trump administration's policy, we see a downside risk to our forecast, which assumes that annualised US GDP growth will increase to 1.5% YoY in Q2 and decline to 1.7% for the whole of 2025, compared to 2.8% in 2024.



## May brings sharp frost to Poland's manufacturing sector

Poland's manufacturing PMI fell to 47.1 pts in May, down from 50.2 pts in April, coming in well below market expectations (50.4 pts) and our forecast (50.8 pts). As a result, the index dropped below the 50-point threshold that separates expansion from contraction in activity for the first time since January 2025. The decline in the index was driven by lower contributions from 4 out of its 5 sub-indices (output, new orders, employment, and stocks of purchases), with a higher contribution from the suppliers' delivery times sub-index having the opposite effect. Such a sharp downturn in Polish manufacturing is particularly surprising in light of the recent Eurozone sentiment survey results (see MACROmap of 26/05/2025).

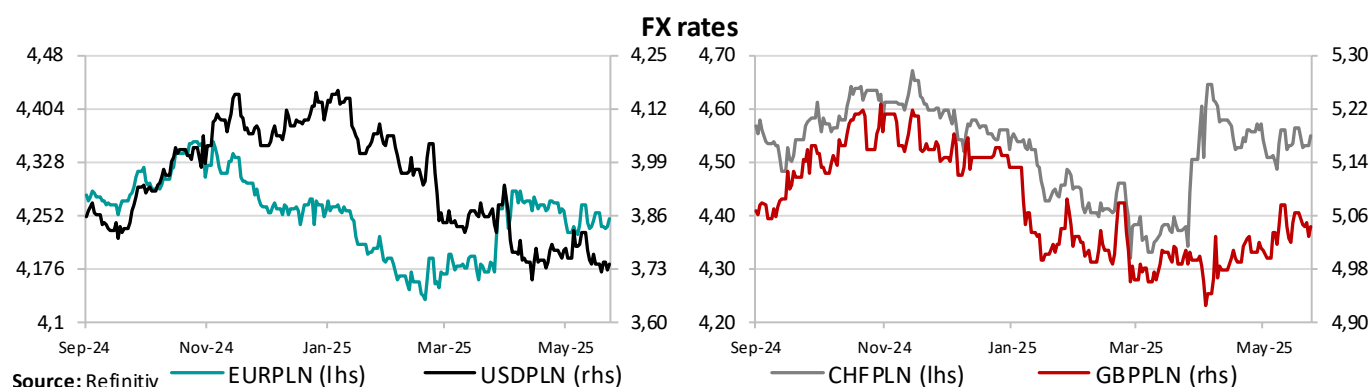
Notably, the data shows that the decline in new orders, including new export orders, is accelerating. Surveyed businesses cited "weaker market conditions, especially in the automotive, energy and construction sectors, as well as a lack of investments" as the cause of the drop in new orders. Lower orders were reflected in a reduction in output and markedly lower purchases of intermediate goods. As orders declined, companies started reducing their production backlog. Meanwhile, May saw the first drop in output prices since January, providing further evidence that demand is weakening.



Another worrying signal is the decline in the index measuring production expected in a 12-month horizon. Although it remains above the 50-point mark, meaning that businesses still expect output to grow within the next year, it has been trending downward for two consecutive months.

The average PMI reading for April-May stood at 48.7 pts compared to 50 pts in Q1, posing a downside risk to our scenario, which assumes that Poland's GDP growth will rise to 2.9% YoY in Q2.

## Election result negative for PLN



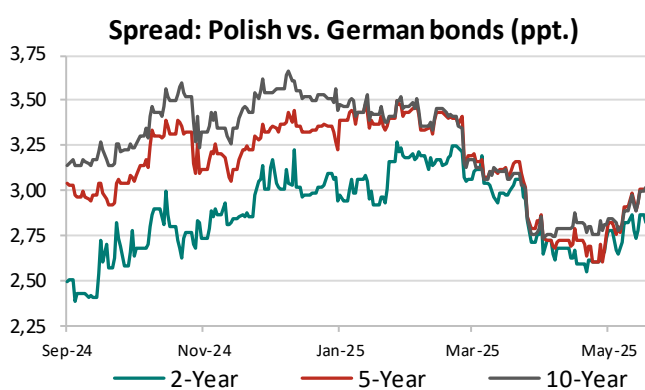
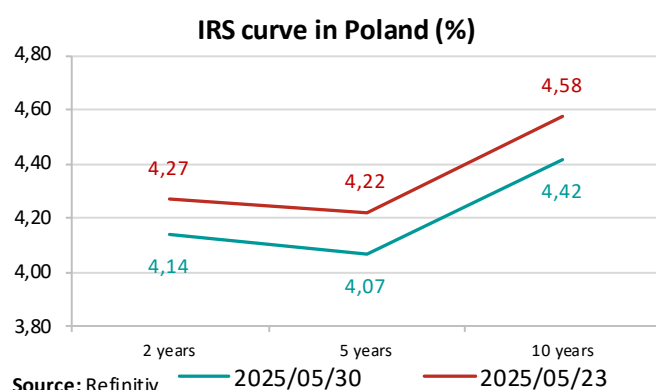
Last week, the EURPLN rate fell to 4.2485 (a 0.2% strengthening of the PLN). The EURPLN rate showed relatively low volatility last week, hovering around 4.24, supported by reduced investor activity ahead of the presidential election's second round. The release of domestic retail sales and inflation data did not have a significant impact on the market.



Last week saw elevated EURUSD volatility in response to legal disputes surrounding tariffs introduced by D. Trump. The ruling of the Court of International Trade invalidating the tariffs initially strengthened the USD against the EUR, though this was later offset by the Appellate Court's decision to uphold the tariffs pending consideration of the appeal.

The preliminary results of the second round of Poland's presidential election have a negative impact on the PLN. Increased exchange rate volatility should be expected on Thursday due to the ECB meeting and NBP Governor A. Glapiński's usual press conference. However, Tuesday's publication of preliminary inflation data for the Eurozone may be slightly positive for the PLN exchange rate.

## Drop in IRS rates supported by expectations of easing in trade tensions



**Last week, 2-year IRS rates fell to 4.14 (down by 13bp), 5-year rates dropped to 4.07 (down by 15bp) and 10-year rates decreased to 4.42 (down by 16bp).** IRS rates dropped significantly last week following the core markets, driven by a legal dispute in the US over the legality of tariffs imposed by the D. Trump administration. Although initially investor expectations of easing in global trade tensions rose, the administration's appeal and D. Trump's aggressive rhetoric ultimately reinforced concerns about further escalation.

The outcome of the second round of Poland's presidential election is negative for bond prices. This week, the market's focus will be on Thursday's ECB meeting, which may add to the volatility of IRS rates. A similar effect may come from the usual press conference held by the NBP Governor A. Glapiński. Conversely, Tuesday's publication of preliminary Eurozone inflation data may contribute to a decline in IRS rates.

## Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
NBP reference rate (%)	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,25	5,25
EURPLN*	4,27	4,30	4,29	4,28	4,28	4,35	4,30	4,27	4,21	4,19	4,19	4,27	4,24	4,23
USDPLN*	3,94	4,02	3,96	3,87	3,85	4,00	4,06	4,13	4,06	4,04	3,87	3,77	3,74	3,72
CHFPLN*	4,36	4,47	4,50	4,56	4,54	4,64	4,60	4,54	4,46	4,46	4,38	4,56	4,54	4,53
CPI inflation (% YoY)	2,5	2,6	4,2	4,3	4,9	5,0	4,7	4,7	4,9	4,9	4,9	4,3	4,1	
Core inflation (% YoY)	3,8	3,6	3,8	3,7	4,3	4,1	4,3	4,0	3,7	3,6	3,6	3,4	3,2	
Industrial production (% YoY)	-1,6	0,0	5,3	-1,3	-0,5	4,7	-1,3	0,3	-0,9	-1,8	2,5	1,2	3,0	
PPI inflation (% YoY)	-7,0	-5,8	-5,1	-5,5	-6,2	-5,1	-3,8	-2,7	-1,0	-1,3	-1,0	-1,4	-1,4	
Retail sales (% YoY)	5,4	4,7	5,0	3,2	-2,2	2,3	3,4	2,7	6,1	0,6	0,6	7,9	4,1	
Corporate sector wages (% YoY)	11,4	11,0	10,6	11,1	10,3	10,2	10,5	9,8	9,2	7,9	7,7	9,3	9,0	
Employment (% YoY)	-0,5	-0,4	-0,4	-0,5	-0,5	-0,5	-0,5	-0,6	-0,9	-0,9	-0,9	-0,8	-0,7	
Unemployment rate* (%)	5,0	4,9	5,0	5,0	5,0	4,9	5,0	5,1	5,4	5,4	5,3	5,2	5,1	
Current account (M EUR)	-468	-142	-491	-2276	-1160	1510	313	-1119	558	-77	-1419	-451		
Exports (% YoY EUR)	-5,3	-6,6	5,8	-2,3	1,5	2,6	-2,6	0,4	0,2	-1,4	1,4	-4,3		
Imports (% YoY EUR)	1,4	1,9	9,7	5,5	5,6	6,2	-0,8	3,4	8,9	2,5	9,1	1,1		

\*end of period

## Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland												
Indicator	2025				2026				2024	2025	2026	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Gross Domestic Product (% YoY)	2,8	2,9	3,1	3,2	3,7	3,5	3,2	3,0	2,9	3,1	3,3	
Private consumption (% YoY)	2,5	2,1	2,0	1,8	2,4	2,8	3,1	3,3	3,1	2,1	2,9	
Gross fixed capital formation (% YoY)	3,0	5,8	8,0	7,3	8,3	8,0	7,2	6,5	-2,2	6,4	7,3	
Export - constant prices (% YoY)	1,5	3,3	3,8	4,5	5,3	5,8	5,8	5,3	2,0	3,3	5,5	
Import - constant prices (% YoY)	2,8	4,5	4,3	3,9	4,3	5,2	4,7	4,2	4,2	3,9	4,6	
GDP growth contributions	Private consumption (pp)	1,5	1,2	1,2	0,9	1,5	1,6	1,8	1,6	1,7	1,2	1,6
	Investments (pp)	0,4	0,9	1,2	1,6	1,1	1,3	1,2	1,5	-0,4	1,1	1,3
	Net exports (pp)	-0,6	-0,4	-0,1	0,4	0,8	0,5	0,7	0,7	-1,1	-0,2	0,7
Current account (% of GDP)***	-0,4	-0,2	0,0	0,2	0,2	0,1	0,1	0,1	0,2	0,2	0,1	
Unemployment rate (%)**	5,3	4,9	4,9	4,9	5,2	4,8	4,8	4,8	5,1	4,9	4,8	
Non-agricultural employment (% YoY)	0,0	-0,5	-0,5	-0,5	-0,5	-0,5	-0,5	-0,5	0,7	-0,4	-0,5	
Wages in national economy (% YoY)	10,0	8,3	7,1	6,5	5,8	5,9	6,1	6,2	13,7	8,0	6,0	
CPI Inflation (% YoY)*	4,9	4,2	3,1	3,2	2,8	3,1	2,8	2,5	3,6	3,9	2,8	
Wibor 3M (%)**	5,84	4,85	4,85	4,85	4,35	4,35	4,35	4,36	5,84	4,85	4,36	
NBP reference rate (%)**	5,75	5,25	4,75	4,75	4,25	4,25	4,25	4,25	5,75	4,75	4,25	
EURPLN**	4,19	4,23	4,20	4,20	4,19	4,18	4,17	4,16	4,27	4,20	4,16	
USDPLN**	3,87	3,73	3,72	3,68	3,71	3,73	3,76	3,78	4,13	3,68	3,78	

\* quarterly average

\*\* end of period

\*\*\*cumulative for the last 4 quarters

## Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
Monday 06/02/2025						
9:00	Poland	Manufacturing PMI (pts)	May	50,2	50,8	50,4
9:55	Germany	Final Manufacturing PMI (pts)	May	48,8	48,8	48,8
10:00	Eurozone	Final Manufacturing PMI (pts)	May	49,4	49,4	49,4
15:45	USA	Flash Manufacturing PMI (pts)	May	52,3		
16:00	USA	ISM Manufacturing PMI (pts)	May	48,7		49,3
Tuesday 06/03/2025						
3:45	China	Caixin Manufacturing PMI (pts)	May	50,4		50,6
11:00	Eurozone	Preliminary HICP (% YoY)	May	2,2	1,9	2,0
11:00	Eurozone	Unemployment rate (%)	Apr	6,2		6,2
16:00	USA	Factory orders (% MoM)	Apr	4,3		-3,1
Wednesday 06/04/2025						
10:00	Eurozone	Services PMI (pts)	May	48,9	48,9	48,9
10:00	Eurozone	Final Composite PMI (pts)	May	49,5	49,5	49,5
14:15	USA	ADP employment report (k)	May	62		110
16:00	USA	ISM Non-Manufacturing Index (pts)	May	51,6		52,0
	Poland	NBP rate decision (%)	Jun	5,25	5,75	5,75
Thursday 06/05/2025						
8:00	Germany	New industrial orders (% MoM)	Apr	3,6		-1,0
11:00	Eurozone	PPI (% YoY)	Apr	1,9		1,2
14:15	Eurozone	EBC rate decision (%)	Jun	2,40		2,15
Friday 06/06/2025						
8:00	Germany	Industrial production (% MoM)	Apr	3,0		-0,9
8:00	Germany	Trade balance (bn EUR)	Apr	21,1		
11:00	Eurozone	Employment (% YoY)	Q1	0,8		
11:00	Eurozone	Revised GDP (% QoQ)	Q1	0,3	0,4	0,4
11:00	Eurozone	Final GDP (% YoY)	Q1	1,2	1,2	1,2
11:00	Eurozone	Retail sales (% MoM)	Apr	-0,1		0,2
14:00	Poland	MPC Minutes	Jun			
14:30	USA	Unemployment rate (%)	May	4,2		4,2
14:30	USA	Non-farm payrolls (k MoM)	May	177		130

\*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

\*\* Refinitiv