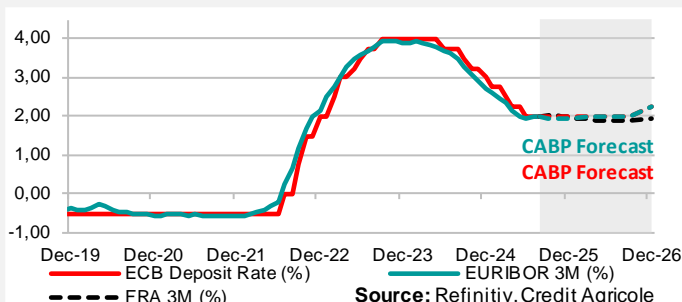


This week

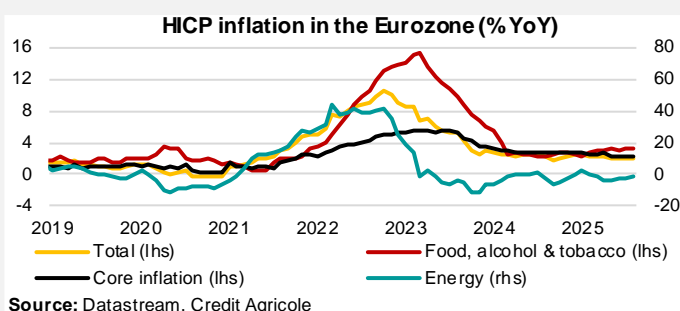
- 
The most important event this week will be the ECB meeting planned for Thursday. We anticipate that the central bank will keep the monetary policy parameters unchanged. Our baseline scenario does not involve any further policy easing in the quarters to come. In our view, the tone of the press conference will be balanced, and the conference itself will not provide any information that would significantly alter the interest rate trajectory that we have forecast. At the same time, the ECB will update macroeconomic projections. We expect only some minor alterations; it is possible that the headline inflation forecast will be adjusted slightly upwards, with the stable core inflation trajectory. In our opinion, the ECB Head Ch. Lagarde will emphasise the stability of the projection, and repeat that both headline and core inflation will return somewhere around the inflation target next year. The central bank's communication may hint that the wage pressures are gradually easing, but the wage growth rate remains elevated. In our opinion, the ECB meeting will have a limited impact on the PLN and the yields on Polish bonds.
- 
Some important data from the US will be released this week. CPI inflation data for August will be released on Thursday. We expect the headline inflation to print at 2.9% YoY, up from 2.7 in July, with core inflation remaining stable at 3.1% YoY. We believe that the impact of tariffs on inflation is still limited, with the rise in August resulting primarily from a stronger growth in the prices of energy and food. The preliminary University of Michigan index will be released on Friday. We forecast that it will go slightly up, from 58.2 pts to 58.5 pts in September. In our view, the data from the US will be neutral for financial markets.
- 
Data on Poland's balance of payments in July will also be published on Friday. We expect the current account balance deficit to have increased to EUR -1,075m from EUR 651m in June, driven primarily by a markedly lower balance on trade in goods (EUR -723m vs. EUR 59m in June). We expect the exports growth to have accelerated from 1.9% YoY in June to 3.6% YoY, with imports going up from -0.2% YoY to 1.9%. In our opinion, the data on the balance of payments will be neutral for the PLN and the yield on Polish bonds.
- 
Data from the German economy was published this morning. Monthly growth in industrial production accelerated to 1.3% in July, up from -0.1% in June. Stronger production performance in the manufacturing sector was the main driver of industrial production growth. Nonetheless, production in energy-intensive branches is still following a downward trend. Trade balance went down from EUR 15.4bn in June to EUR 14.7bn in July. Exports growth slowed from 1.1% MoM in June to -0.6% in July, with imports also going down, from 4.1% to -0.1%, which indicates that activity in the German foreign trade has weakened. Friday also saw the release of data on new orders in the industry, which went down by 2.9% MoM in July vs. -0.2% in May. July saw the decline in both domestic (by 2.5% MoM) and foreign (by 3.1%) orders. Notably, the demand in the automotive industry is improving. The July data is consistent with a slight improvement in German manufacturing signalled by PMIs. We believe that the data from Germany will be neutral for financial markets.
- 
Data on Chinese foreign trade was released today. Trade balance came in at USD 102.3bn in August, up from USD 98.2bn in July. Imports and exports, however, slowed down between July and August, from 4.1% to 1.3% and from 7.2% to 4.4%, respectively. Consequently, the data is indicative of a slowdown in activity in the Chinese foreign trade in August, which remains under the influence of tensions in the global trade. In our opinion, the data from China will be neutral for financial markets.



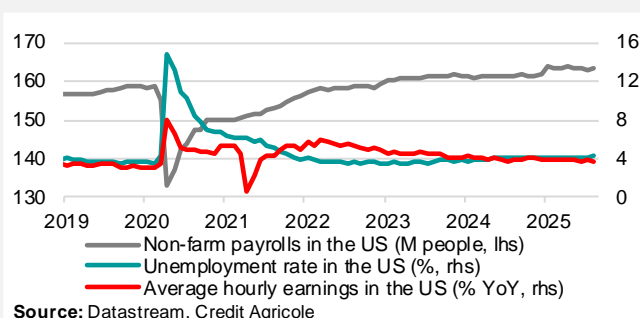
Last week

- ✓ **In accordance with Statistics Poland's (GUS) final estimate, GDP growth in Poland increased from 3.2% YoY in Q1 to 3.4% YoY in Q2, consistent with the flash reading.** Seasonally-adjusted quarterly GDP growth accelerated from 0.7% QoQ in Q1 to 0.8% in Q2. The main drivers of GDP growth acceleration were stronger contributions from private consumption and net exports, with lower contributions from investment and stock of purchases having the opposite effect. The contribution of government spending did not change between Q1 and Q2. Thus, as in Q1, private consumption remained the main driver of GDP growth in Q2. The biggest surprise in the data was the decline in investment by 1.0% YoY in Q2, following a 6.3% increase in Q1. We believe that the overall decline in investment in Q2 was driven mainly by lower public spending on gross fixed capital formation. Despite today's weaker figures, we maintain our scenario that the coming quarters will bring a recovery in overall investment growth, driven primarily by investment projects co-financed with EU funds (see MACROPulse of 01/09/2025). Based on detailed Q2 GDP data, we have revised the composition of GDP growth in the coming quarters assuming a greater contribution from consumption and a smaller contribution from investment. However, our GDP growth rate forecast remains unchanged (3.6% YoY in 2025, 3.3% in 2026 vs. 2.9% in 2024).
- ✓ **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. One 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 well above the 50-point threshold. Surveyed businesses justified their optimism citing, among other factors, the recovery in European markets, National Recovery Programme funds, restocking, new products and investment in sales teams. The average PMI value for Polish manufacturing in July-August declined to 46.2 pts from 47.4 pts in Q2. This does not change our forecast that Poland's GDP growth will accelerate to 3.7% YoY in Q3, from 3.4% in Q2.
- ✓ **The Monetary Policy Council decided to cut interest rates by 25bp, with the NBP reference rate now standing at 4.75%.** The MPC's decision was consistent with market expectations, but went against our forecast, which had pointed to a rate stabilisation. The Council noted that "taking into account inflation developments, in the Council's assessment, it became justified to adjust the level of the NBP interest rates". The Council also reiterated its assessment that the future level of interest rates will depend on "incoming information regarding prospects for inflation and economic activity". During the post-meeting press conference, NBP Governor Adam Glapiński emphasised that the Council was adopting a cautious stance regarding further monetary easing, citing inflationary risks, such as a loose fiscal policy and rapid growth in public debt, persistently high wage growth, observed recovery in consumption and uncertainty surrounding energy prices. He also remarked that further cuts will be possible if forecasts signal a continued drop in inflation, with the parliament's decision regarding the freezing of energy prices being a significant factor for the monetary policy outlook. This prompted us to revise our interest rate trajectory forecast. We now assume a rate cut in November, and then in March and May 2026 (25bp each), which means lowering the target NBP rate to 4.00% from 4.25% in our previous forecast.

✓ In accordance with the flash estimate, Eurozone inflation rose to 2.1% YoY in August, up from 2.0% in July, consistent with our forecast and slightly above the market consensus (2.0%). The increase in inflation was primarily driven by higher energy price growth. Core inflation has not changed, standing at 2.3% YoY since May. Notably, the data shows that the growth rate of the prices of services has declined, with the drop offset by a higher growth in the prices of goods. We expect that in the coming months core inflation will continue to decline, though slowly, approaching 2% only in Q1 2026.



✓ Last week, some important data from the US economy was released. Non-farm payrolls rose by 22k in August vs. 79k in July (upward revision from 73k), printing well below market expectations of 75k. The largest gains in employment were recorded in education and health services (+46.0k), and leisure and hospitality (+28.0k). On the other hand, the largest declines were seen in professional and business services (-17.0k), manufacturing (-12.0k) and the government sector (-16.0k). Meanwhile, the unemployment rate edged up from 4.2% in July to 4.3% in August, in line with the market consensus. Hourly wage growth declined slightly from 3.9% YoY in July to 3.7% in August. Last week also saw the release of manufacturing sentiment surveys. The ISM index increased from 48.0 pts in July to 48.7 pts in August, falling short of market expectations (48.9 pts). The increase in August reflects stronger contributions from 4 out of its 5 sub-indices (employment, new orders, suppliers' delivery times and stocks of purchases), with a lower contribution from output having the opposite effect. It is worth noting the new orders sub-index rose above the 50-point mark in August for the first time since January, signalling rebounding demand in US manufacturing. The weak labour market figures support our forecast of a 25bp rate cut at the September FOMC meeting.



✓ The Fitch rating agency has affirmed Poland's long-term credit rating at A-, but downgraded the outlook from "stable" to "negative". According to the agency, the current rating, on the one hand, reflects a large and diversified economy, a good balance of payments position, stable government revenue and the strong fundamentals of the Polish economy, supported by EU membership. On the other hand, Fitch notes rising deficits and debt in the general government sector, as well as the World Bank's rule-of-law and GDP per capita indicators that are lower than in other countries with a similar rating. The outlook revision is a response to a deterioration in the public finance position. The general government fiscal deficit widened to 6.6% of GDP in 2024, and in the coming years Fitch expects it to remain above 6%, well above earlier government plans and the agency's previous forecasts. Moreover, budget expenditures are becoming less flexible, with spending on national defence, social benefits, public-sector wages and debt-service costs rising, which limits the scope for fiscal consolidation. Political factors are also unfavourable for fiscal consolidation – the President's veto of some laws and reluctance to raise taxes hinder corrective action in the pre-election period. Fitch notes that the outlook could be raised again if Poland implements credible fiscal consolidation measures that stabilise debt, whereas a further deterioration of the fiscal path or higher financing costs could lead to a downgrade. In our opinion, Fitch's revision to a negative outlook is an important warning signal, especially in the

context of Moody's next rating review scheduled for 19 September. We expect Fitch's decision to weigh on the PLN and on bond prices this week.

Outlook for activity in the furniture industry is improving

In recent years, activity in Poland's furniture industry has remained subdued, largely due to the negative impact of shocks related to the COVID-19 pandemic and the outbreak of the war in Ukraine. The analysis below provides a comprehensive assessment of the sector's outlook over the next few quarters.

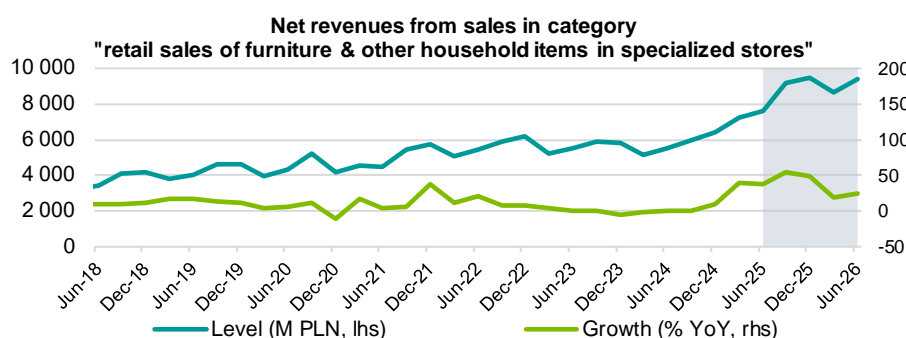
Poland's furniture industry is highly dependent on exports. According to PONT Info, in 2024, export sales accounted for 64% of the sector's total revenue. What is more, in large companies (those with more than 250 employees) the share was even higher at 71%. Although foreign market conditions are the dominant driver of the industry's performance, domestic sales remain an important part of the business for many, especially smaller, companies. For this reason, we divided our analysis into two parts. First, we examine foreign demand for Polish furniture. Second, we focus on domestic demand.



Source: Eurostat, Credit Agricole

an econometric model in which the value of Poland's exports in this category is explained by the following variables:

- **German GDP growth.** This variable maps activity in the German economy to demand for Polish furniture exports.
- **Seasonal factors.** Polish furniture exports display a strong seasonal pattern, typically peaking in Q4 and bottoming in Q2. The purpose of this variable is to capture those fluctuations in the model.
- **A binary variable representing COVID-19-related disruptions to furniture exports.** Its purpose is to exclude the effect of pandemic-related outliers from the model estimates.



Source: PONT Info, Credit Agricole

Germany is the main destination for Polish furniture exports, accounting for as much as 35.1% of their value in 2024, well ahead of other markets such as France (7.6%), the Netherlands (7.1%) and the Czech Republic (4.4%). This indicates that the condition of the German economy is the key factor driving Polish furniture exports.

Accordingly, we estimated an

Based on the estimated model, we prepared a forecast for the growth rate of Polish furniture exports through the end of 2025. It assumes a gradual recovery in German economic growth (0.1% YoY in 2025 and 1.2% in 2026, after -0.2% in 2024), supported by the launch of a fiscal package in Germany (see MACROmap of 31/03/2025). As a result, we

forecast that the growth rate of Polish furniture-export values will follow a gradual upward trend in the

coming quarters. Accordingly, for the full year 2025, we expect growth of 4.1% (vs 0.1% in 2024), rising to 6.2% in 2026.

In the second part of our analysis, we approximated domestic demand for furniture using quarterly net revenue from sales of products, goods and materials in the category “retail sale of furniture, lighting equipment and other household articles in specialised stores”. The data source is PONT Info and covers firms employing at least 50 people. Demand in this category can be broken down into two components. The first component captures demand from households moving into a new flat (house) or undertaking a full renovation and needing to furnish it. The second captures demand from households that are adding to their furnishings or replacing durable household goods with newer ones. This approach allows us to cover a broad spectrum of demand.

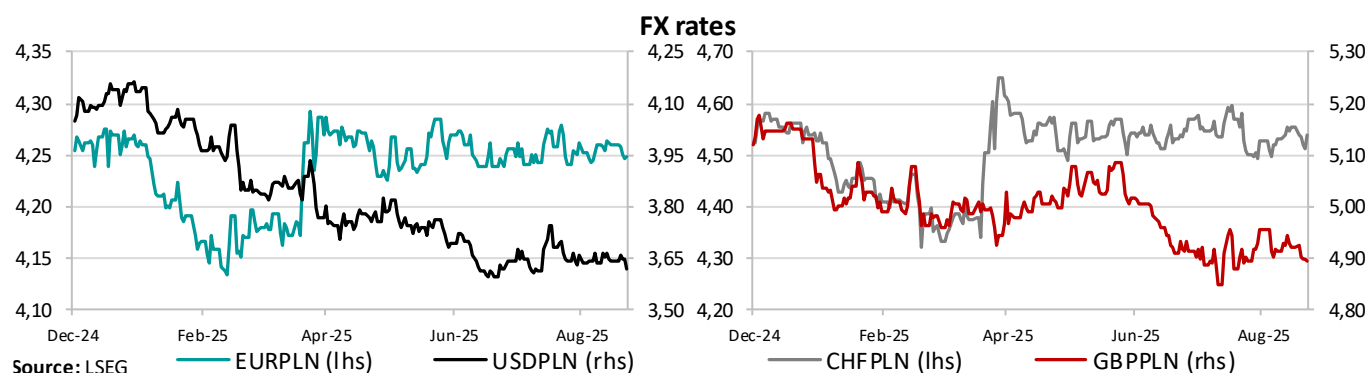
To assess the outlook for households’ demand for durable goods, we built an econometric model where we explained the net revenues from the sale of products, goods and materials in the “retail sale of furniture, lighting equipment and other household articles in specialised stores” category using the following variables:

- **Flats and houses under construction (lagged 4 quarters).** This variable approximates furniture demand from households moving into a new flat (house) or carrying out a general renovation. The more apartments and houses under construction, the higher future demand for furniture.
- **Consumer credit (lagged 2 quarters).** This variable approximates demand for durable goods financed with consumer loans. Consequently, the faster the growth in the volume of consumer credit granted, the higher retail furniture sales.
- **EURPLN exchange rate (lagged 1 quarter).** Poland’s furniture industry has a high export share in its revenue breakdown. A higher EURPLN exchange rate increases the competitiveness of Polish exports, which in turn pushes up domestic prices, leading to a growth in nominal sales.

According to our forecast, the coming quarters should bring a significant increase in net revenue from domestic sales in the “retail sale of furniture, lighting equipment and other household articles in specialised stores” category. This will stem from an expected acceleration in residential construction activity and stronger lending in the consumer-credit segment. These will be supported by the MPC’s continued easing of monetary policy, as well as improving consumer sentiment. In 2025, an additional supportive factor for sales in this category will be our forecast of a slight, temporary depreciation of the PLN against the EUR (we project EURPLN to rise to 4.28 at the end of 2025 and then fall to 4.24 at the end of 2026).

In summary, we expect a marked increase in activity in the furniture industry over the next few quarters, supported by both stronger foreign demand and a recovery in domestic demand. The main risk to the outlook for Poland’s furniture industry (both abroad and at home) is competition from China, the world’s largest furniture exporter (see MACROmap of 19/05/2025). It should be noted, however, that China’s share of the EU furniture market has been stable for years, and for now we see no signs of rising competitive pressure from that direction.

Poland's rating outlook downgrade negative for the PLN

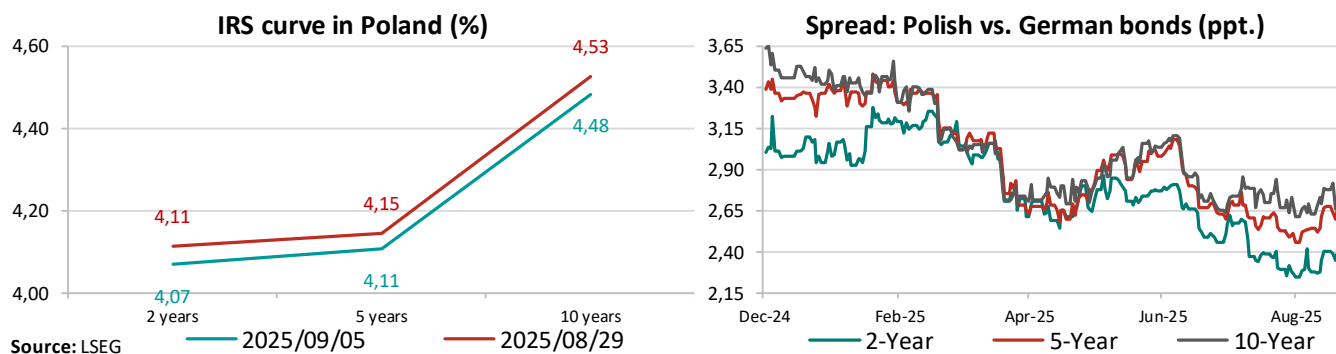


Last week, the EURPLN rate fell to 4.2489 (a 0.3% appreciation of the PLN). The first part of the week saw a slight appreciation of the PLN and other currencies of the region, supported by a weaker-than-expected reading of the US ISM manufacturing index. The MPC's decision to keep interest rates unchanged had no material impact on the Polish currency. On Thursday, the mild appreciation of the PLN continued, helped by the NBP Governor's press conference that was less dovish than expected. On Friday, the trend persisted on the back of weaker data from the US labour market. The EURUSD rate traded sideways for most of the week. However, late in the week, the USD depreciated markedly against the EUR following the release of US non-farm payrolls.

Fitch's Friday decision to affirm Poland's rating at A- and downgrade the outlook to negative may contribute to a weakening of the PLN. Thursday's ECB press conference will be important for the PLN exchange rate outlook. However, if our forecast of no policy change, which is consistent with the consensus, materialises, the meeting should be neutral for the PLN. We do not expect this week's macroeconomic data releases to have a significant impact on the PLN.



Fitch's rating outlook downgrade negative for bond prices



Last week, 2-year IRS rates fell to 4.07 (down by 4bp), 5-year rates dropped to 4.11 (down by 4bp) and 10-year rates decreased to 4.48 (down by 5bp). The early part of the week saw a further slight increase in IRS rates, continuing the trend seen two weeks earlier following the publication of a draft budget assuming a substantial rise in the deficit. After Wednesday's MPC meeting, IRS rates edged down, reflecting increased market expectations for rate cuts. On Friday, after much weaker-than-expected US labour market data, we observed a decline across the IRS curve.

Fitch's Friday decision to affirm Poland's rating at A- and downgrade the outlook to negative may contribute to higher bond yields. We believe both domestic and foreign events scheduled for this week should have only a limited impact on the yield curve.

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	4,75
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				2026				2024	2025	2026
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross Domestic Product (% YoY)	3,2	3,4	3,8	3,8	3,7	3,5	3,2	3,0	2,9	3,6	3,3
Private consumption (% YoY)	2,5	4,4	4,0	3,5	2,7	2,8	3,1	3,3	3,1	3,6	3,0
Gross fixed capital formation (% YoY)	6,3	-1,0	5,5	7,5	8,6	10,9	7,2	6,5	-2,2	4,9	8,0
Export - constant prices (% YoY)	1,1	1,5	2,2	2,8	4,5	5,8	5,8	5,3	2,0	1,9	5,4
Import - constant prices (% YoY)	3,5	2,6	2,9	2,8	5,0	6,1	6,5	6,1	4,2	2,9	6,0
GDP growth contributions	Private consumption (pp)	1,6	2,6	2,3	1,7	1,7	1,8	1,6	1,7	2,0	1,7
	Investments (pp)	0,8	-0,2	0,9	1,7	1,1	1,6	1,1	1,5	-0,4	1,3
	Net exports (pp)	-1,1	-0,4	-0,3	0,1	-0,1	0,1	-0,2	-0,2	-1,1	-0,1
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	4,73	4,60	4,35	4,10	4,10	4,11	5,84	4,60	4,11
NBP reference rate (%)**	5,75	5,25	4,75	4,50	4,25	4,00	4,00	4,00	5,75	4,50	4,00
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 09/08/2025						
8:00	Germany	Industrial production (% MoM)	Jul	-1,9		1,0
8:00	Germany	Trade balance (bn EUR)	Jul	14,9		15,4
10:30	Eurozone	Sentix Index (pts)	Sep	-3,7		
	China	Trade balance (bn USD)	Aug	98,2		99,2
Wednesday 09/10/2025						
3:30	China	PPI (% YoY)	Aug	-3,6		-2,9
3:30	China	CPI (% YoY)	Aug	0,0		-0,2
16:00	USA	Wholesale inventories (% MoM)	Jul	0,2		
16:00	USA	Wholesale sales (% MoM)	Jul	0,3		
Thursday 09/11/2025						
14:15	Eurozone	EBC rate decision (%)	Sep	2,15	2,15	2,15
14:30	USA	Initial jobless claims (k)	w/e	229		
14:30	USA	CPI (% MoM)	Aug	0,2	0,3	0,3
14:30	USA	Core CPI (% MoM)	Aug	0,3	0,3	0,3
Friday 09/12/2025						
14:00	Poland	Current account (M EUR)	Jul	651	-1075	-352
16:00	USA	Initial U. of Michigan Sentiment Index (pts)	Sep	58,2	58,5	59,3

*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