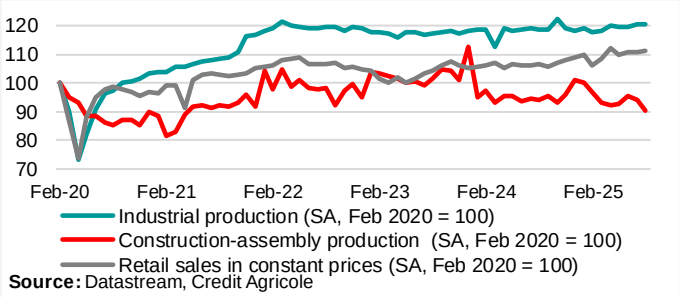
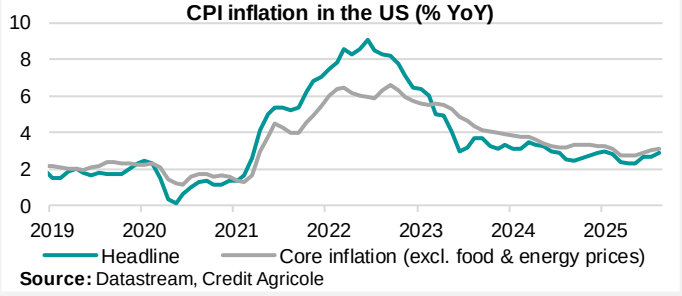
This week

- **Today's publication of data on industrial production will be the most important event this week.** We forecast that industrial production growth accelerated from 0.7% YoY in August to 6.0% in September due to favourable calendar effects. Our forecast is above the market consensus (5.0%), so if it materialises, it can have a slightly positive impact on the PLN and the yields on Polish bonds.



Source: Datastream, Credit Agricole

- **Wednesday will see the release of Poland's retail sales figures.** We anticipate that retail sales growth at constant prices accelerated from 3.1% YoY in August to 4.9% in September, mainly due to favourable calendar effects. In our view, retail sales growth in September was also driven up by last year's low base effect connected with flood (a 0.8% drop in seasonally-adjusted retail sales MoM in September 2025). Our forecast for real retail sales growth is below market consensus (6.8%), so if it materialises, it might have a slight negative effect on the PLN and the yields on Polish bonds.
- **The publication of preliminary results of the PMI survey of key European economies planned for Friday will be another important event this week.** The market expects the composite PMI for the Eurozone to go down from 51.2 pts in September to 51.0 pts in October. Consequently, despite the decline, PMI will remain above the 50-point mark separating growth from contraction for the ninth month running. The consensus is that the manufacturing sector will see a downturn, while sentiment will stabilise in the services sector. Furthermore, the market anticipates a slight drop in German manufacturing PMI (49.0 pts in October vs. 49.5 pts in September). In our opinion, the publication of business survey results for the Eurozone, including Germany, will be neutral for financial markets.
- **Data on employment and average wages in Poland's business sector for September will also be released today.** We do not expect the employment growth rate to have changed between August and September, and we believe that it stood at -0.8% YoY. We also anticipate that the average wage growth accelerated from 7.1% YoY in August to 7.3% in September. In our opinion, despite its importance for the assessment of consumption growth prospects, the publication of data from the labour market will be neutral for the PLN and the yields on Polish bonds.
- **Data on construction and assembly production in Poland will be released on Tuesday**. We anticipate that the statistical effect of a favourable difference in the number of business days mentioned above will drive the production growth up from -6.9% YoY in August to -2.9% in September, with market expecting -2.3%. In our view, the data will be neutral for the PLN and the yields on Polish bonds.
- **Some important data from the US are also scheduled to be released this week.** We forecast that CPI inflation edged up to 3.1% in September, from 2.9% in August, with CPI core inflation stabilising at 3.1% YoY. We expect the data on new home sales (705k in September vs. 800k in August) and existing home sales (4.10m vs. 4.00m) to indicate that the activity in the US property market is still subdued. Consumer confidence indicators will also be released this week. We expect the final



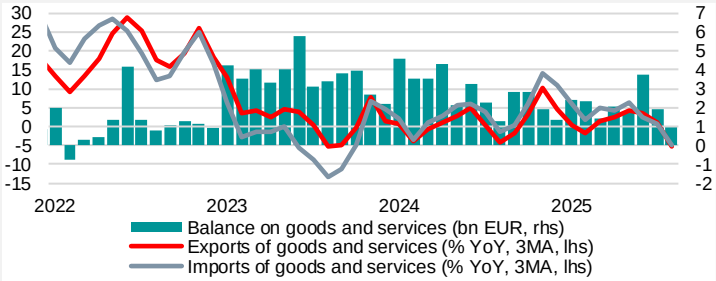
Source: Datastream, Credit Agricole

University of Michigan index to confirm that the US consumers' sentiment has stabilised over the last couple of months (55.0 pts in October vs. 55.1 pts in September and 55.0 pts in the flash estimate). Due to the *government shutdown*, with operations of some federal institutions having been temporarily stopped due to the lack of agreement on budget matters, some of the data mentioned above might not be published. If the government shutdown came to an end, though, some macroeconomic data from the past couple of weeks could also be published this week. In our view, the data from the US will be neutral for financial markets.

- **Data from China was published this morning.** Real GDP growth in China in Q3 2025 slightly slowed to 4.8% YoY, from 5.2% in Q2, in line with market expectations and our forecast. In quarterly terms, GDP growth edged up from 1.0% in Q2 (downward revision from 1.1%) to 1.1% in Q3. Monthly data from the Chinese economy have also been published today. Data on retail sales (3.0% YoY in September vs. 3.4% in August) and urban investments (-0.5% vs. 0.5%) indicated weaker domestic demand. However, growth accelerated in industrial production (6.5% vs. 5.2%), which was markedly ahead of market expectations (5.0%). Stronger industrial production growth suggests that Chinese manufacturing is still resilient to the trade war between the US and China. This is possible thanks to the ongoing geographic reorientation of Chinese exports, including to Europe (see MACROmap of 19/05/2025). We maintain our forecast in which GDP growth in China will slow to 4.0% in Q4, and to 4.8% in 2025 vs. 5.0% in 2024.

Last week

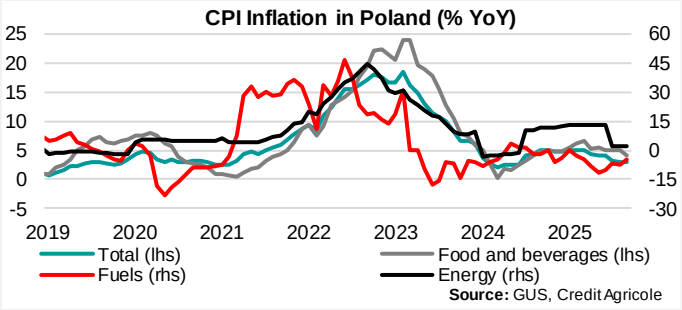
- **The Polish current account balance fell from EUR -1,168m in July to EUR -3,087m in August, which was markedly below the market expectations (EUR -1,097m) and our forecast (EUR -34m).**The reduction in the current account balance was due to lower trade balances of 3 out of 4 current account components: goods (by EUR 1,088m), primary income (by EUR 872m) and secondary income (by EUR 108m), with an opposite impact coming from a higher balance of services (by EUR 149m). At the same time, both exports and imports of goods declined, from 3.0% YoY in July to -1.4% in August (exports) and from 2.6% to -1.2% (imports). The press release noted that the decline in the sales of vehicle parts, including in particular electric car batteries had the biggest impact on the drop in exports. It is worth noting that it is consistent with the industrial production decline in German automotive industry seen in August as a result of plant closures for summer holidays and production changeovers. The press release has once again pointed to the so-called re-exports of clothing and capital goods, which supports our conclusion that China, facing difficulties in selling to the US market, is redirecting its exports to Europe and other destinations (see MACROmap of 19/05/2025). Last week's data pose a downside risk to our forecast according to which the relation of the accumulated balance on the current account for the last 4 quarters to the GDP will increase in Q3 to -0.2% vs. -0.9% in Q2.



Source: NBP, Credit Agricole

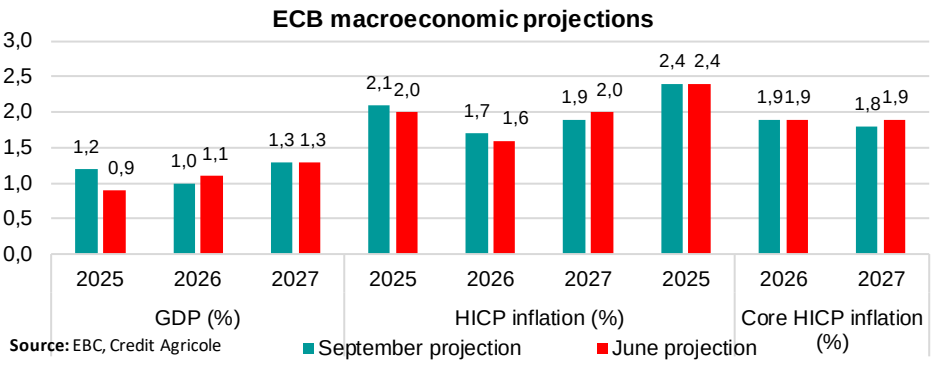
- **According to the final data, Poland's CPI inflation stood at 2.9% YoY in September (unchanged from August), in line with Statistics Poland's (GUS) flash estimate.** Inflation stabilised, reflecting a lower rise in "food and non-alcoholic beverages" prices (4.2% YoY in September vs 4.9% in August), which offset a smaller decline in prices in the „fuels" category (-4.9% vs -7.7%). Price growth in the „energy" category was unchanged from August, at 2.3% YoY in September. Core inflation was also unchanged at 3.2% YoY in September, the same as in August. What is

particularly notable in the September inflation data breakdown is that the growth in the prices of services slowed from 6.0% YoY in August to 5.8% in September (slowest since November 2019). Consequently, even though it is still much stronger than the prices of goods (1.9% YoY in September), its decline, coupled with the decline in core inflation, suggests that the inflationary pressures are gradually easing (see MACROpulse of 15/10/2025). In the coming months, annual inflation will be driven down by the substantial decline in oil prices (below our forecast) that is now being observed. In our view, the disinflationary impact of lower oil prices on inflation will be offset by the pro-inflationary effect of continuing growth in the prices of district heating that we expect to see. In the context of inflation and the monetary policy outlook, particularly noteworthy were last week's remarks by MPC members G. Masłowska and H. Wnorowski. G. Masłowska stressed that the Council must remain cautious in its next decisions, agreeing that the room for further rate cuts is limited, while implying that additional cuts are still possible. H. Wnorowski said that, in his view, leaving interest rates unchanged in November is more likely than cutting them, though he did not rule out a reduction next month if the November projection points to inflation close to the target in H2 2026. Taking the above into account, we maintain our NBP interest-rate forecast that rates will remain unchanged through the end of the year. However, we see a rising probability of a cut at the upcoming November meeting, linked to the aforementioned fall in oil prices, which will be factored into the upcoming NBP projection..



Will the ECB raise interest rates in 2026?

At its September meeting, the ECB left interest rates unchanged, in line with market expectations and our forecast. Consequently, the ECB's key interest rate now stands at 2.15% and the deposit facility rate at 2.00%. The accompanying press release reiterated that future decisions concerning interest rates will be based on the assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation and the strength of monetary policy transmission. The ECB again stressed that it is not pre-committing to a particular rate path. The ECB again stressed that it is not pre-committing to a particular rate path. At the post-meeting press conference, ECB President Ch. Lagarde emphasised that monetary policy decisions are made on a meeting-by-meeting basis. Below we set out our medium-term rate scenario.

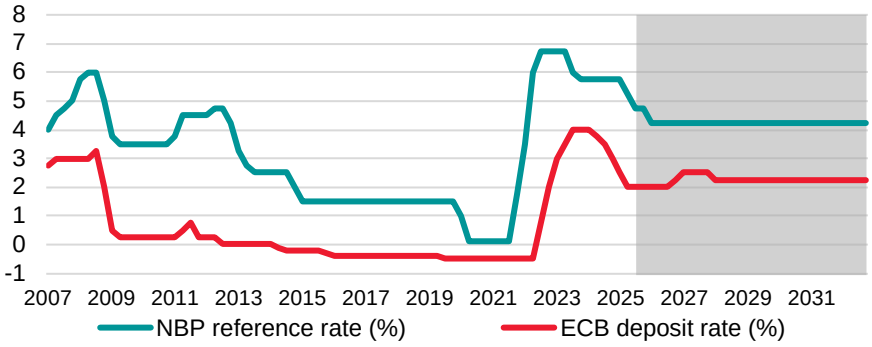


Following the meeting, the ECB also published its September projection. The GDP path was revised slightly up for 2025 and slightly down for 2026, with the forecast for 2027 remaining unchanged. HICP inflation forecasts for 2025-2026 were slightly raised, while the core inflation projection for that period was not changed. Both

inflation measures were revised down marginally for 2027. Overall, the post-meeting press release, the results of the September projection, as well as comments made by ECB President Ch. Lagarde support our baseline scenario that the ECB has ended its easing cycle in June. President Lagarde's tone was clearly cautious, highlighting a meeting-by-meeting approach to interest rate changes. The ECB President also noted that "the disinflation process in the Eurozone is over", which, in our view, limits the scope for further easing in the near term.

We expect the Eurozone outlook to improve over the next few years, chiefly as Germany's fiscal package is rolled out (see MACROmap of 31/03/2025). At the same time, in line with the ECB, we think the impact of US tariffs on the Eurozone economy will remain limited. Although GDP growth could exceed potential in 2026, the output gap will remain negative, implying that the economy will still not be fully utilising its resources (labour and capital). We also forecast that headline inflation will fall to 2% in H2 2026 and remain slightly below that level through the end of 2027. In this context, we do not expect the ECB to cut rates again, even though futures currently price in a small cut (about 10bp) in Q1 2026. In our view, 2%, as ECB members themselves have described it, is the "right place" for the deposit facility rate in the medium term.

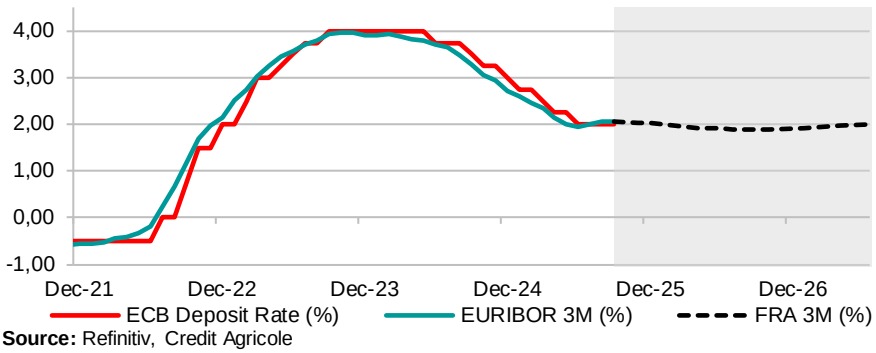
In our assessment, the ECB's next move will not be a cut, but a hike. We believe that as the Eurozone recovery gathers pace (and the output gap turns positive) and Germany's fiscal package adds to wage pressures, the central bank will need to guard against overheating risks in 2027. We therefore expect the ECB to begin a modest rate hike cycle around the turn of 2026 and 2027, with an initial 25bp increase in the deposit facility rate in Q4 2026 to 2.25%.



Source: Datastream, Credit Agricole

In our opinion, the deposit facility rate will be raised by a further 25bp in March 2027 to 2.50% and then stay at that level for the rest of the year. As the inflationary impulse from the recovery fades, we expect a 25bp cut at the start of 2028, bringing the deposit facility rate to the target level of 2.25%.

Our scenario is also supported by estimates of the so-called natural rate of interest, i.e. the real rate at which policy is neutral to the economy (economic growth near potential, inflation stable around the central bank's target). Based on our estimates, the real natural rate is modestly positive and does not exceed 0.5%. With the ECB's 2% inflation target, this implies an equilibrium nominal rate just above 2%, consistent with our long-term forecast of a 2.25% deposit facility rate.



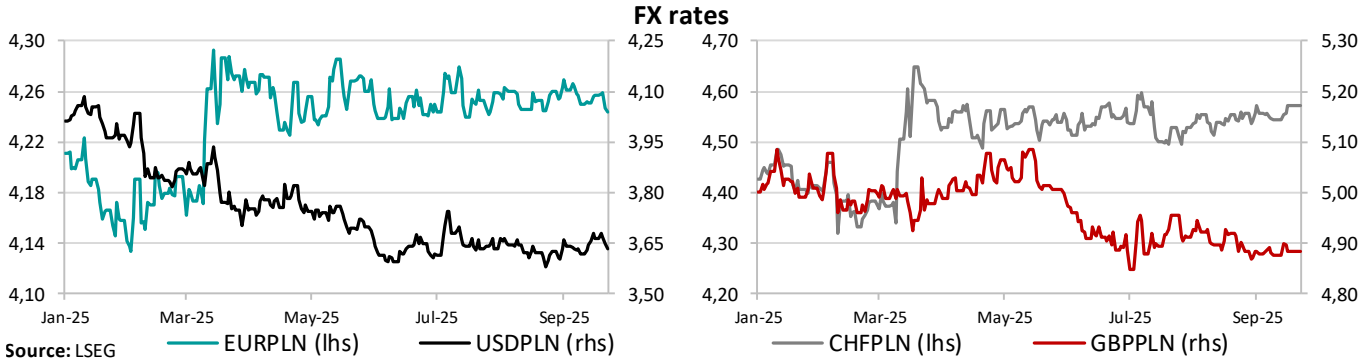
Source: Refinitiv, Credit Agricole

It is worth noting that our scenario differs from the market consensus. The median analyst expectation points to no rate changes until the end of 2026, while futures price in a partial hike only by mid-2027. Despite our expected policy tightening in the Eurozone, we still expect the ECB's deposit facility rate in 2026 to be well below the target range for the US federal

funds rate [3.75%-4.00%]. If it materialises, this scenario would be conducive to an appreciation of the USD against the EUR. This is reflected in our forecast for the EURUSD, which we project to fall from 1.17 at the end of 2025 to 1.10 at the end of 2026. If NBP rates remain stable in 2026, the ECB's monetary policy tightening will limit the scope for appreciation of the PLN in the medium term. Accordingly, we project only a slight decline in the EURPLN pair – from 4.28 at the end of 2025 to 4.24 at the end of 2026..

The main upside risks to our interest rate path are the recent decline in global oil prices and a renewed escalation of the US-China trade war, which could redirect Chinese exports towards Europe, exerting downward pressure on goods prices and inflation.

Domestic production and retail sales data in the spotlight

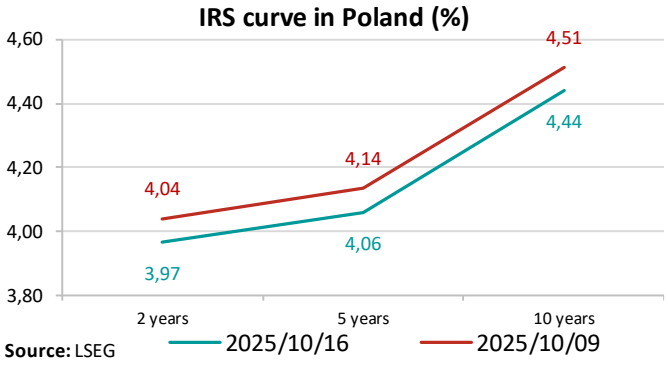


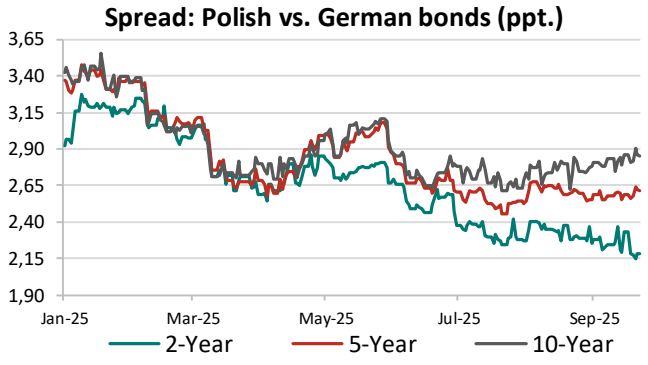
Source: LSEG

Last week, the EURPLN rate fell to 4.2442 (strengthening of the PLN by 0.3%). From Tuesday to Thursday, the PLN strengthened against the EUR, following the rise in the EURUSD exchange rate. The EUR's appreciation against the USD was a continuation of the trend that began two weeks earlier in response to a renewed escalation of the US-China trade war, which heightened some investors' concerns about US growth prospects. However, Friday saw a correction, and the PLN depreciated temporarily. After the close of the market on Friday, PLN volatility increased, which was most likely transaction-driven.

This week, today's release of domestic industrial production data might support the appreciation of the PLN, while Wednesday's publication of domestic retail sales data might have the opposite effect. We believe that the remaining data releases from the Polish and global economies scheduled for this week will be neutral for the PLN exchange rate.

IRS rates and bond yields decline, following core markets





Source: LSEG

Last week, 2-year IRS rates fell to 3.97 (down by 5bp), 5-year rates dropped to 4.06 (down by 5bp) and 10-year rates decreased to 4.44 (down by 4bp). IRS rates declined across the curve, following the drop in yields on core markets. The fall in core market yields was spurred by worries about US growth prospects linked to the renewed escalation of the US-China trade war.

This week, today's release of domestic industrial production data may contribute to a rise in IRS rates, while Wednesday's publication of domestic retail sales data might have an opposite effect. We believe that the remaining data releases from the Polish and global economies scheduled for this week will be neutral for the curve.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	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	Oct-25
NBP reference rate (%)	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	4,75
EURPLN*	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	**4,26**
USDPLN*	3,85	4,00	4,06	4,13	4,06	4,04	3,87	3,77	3,74	3,60	3,74	3,64	3,63	**3,63**
CHFPLN*	4,54	4,64	4,60	4,54	4,46	4,46	4,38	4,56	4,54	4,53	4,60	4,55	4,56	**4,56**
CPI inflation (% YoY)	4,9	5,0	4,7	4,7	4,9	4,9	4,9	4,3	4,0	4,1	3,1	2,9	2,9	
Core inflation (% YoY)	4,3	4,1	4,3	4,0	3,7	3,6	3,6	3,4	3,3	3,4	3,3	3,2	3,2	
Industrial production (% YoY)	-0,5	4,7	-1,3	0,3	-0,9	-1,8	2,5	1,3	4,0	-0,4	3,0	0,7	**6,0**	
Constr. and assembly prod. (% YoY)	-9,0	-9,6	-9,4	-8,0	4,2	-0,1	-1,1	-4,2	-2,8	2,1	0,7	-6,9	**-2,9**	
PPI inflation (% YoY)	-6,2	-5,1	-3,8	-2,7	-1,0	-1,3	-1,0	-1,6	-1,5	-1,5	-1,3	-1,2	**-1,1**	
Retail sales (% YoY)	-2,2	2,3	3,4	2,7	6,1	0,6	0,6	7,9	4,3	2,1	4,8	3,0	**4,9**	
Corporate sector wages (% YoY)	10,3	10,2	10,5	9,8	9,2	7,9	7,7	9,3	8,4	9,0	7,6	7,1	**7,3**	
Employment (% YoY)	-0,5	-0,5	-0,5	-0,6	-0,9	-0,9	-0,9	-0,8	-0,8	-0,8	-0,9	-0,8	**-0,8**	
Unemployment rate* (%)	5,0	4,9	5,0	5,1	5,4	5,4	5,3	5,2	5,0	5,2	5,4	5,5	**5,6**	
Current account (M EUR)	-810	918	-281	-1427	-35	115	-1136	-424	-1004	-194	-1168	-3087		
Exports (% YoY EUR)	1,9	2,9	-2,3	0,7	2,7	1,2	3,9	-1,2	4,9	2,7	3,0	-1,4		
Imports (% YoY EUR)	6,1	6,5	-0,4	3,9	10,4	4,0	10,5	6,3	6,1	0,6	2,6	-1,2		

*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**	3,0	**3,6**	**3,3**
Private consumption (% YoY)	2,5	4,4	**4,0**	**3,5**	**2,7**	**2,8**	**3,1**	**3,3**	2,9	**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**	-0,9	**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**	4,5	**2,9**	**6,0**
GDP growth contributions: Private consumption (pp)	1,6	2,6	**2,3**	**1,7**	**1,7**	**1,7**	**1,8**	**1,6**	1,7	**2,0**	**1,7**
GDP growth contributions: Investments (pp)	0,8	-0,2	**0,9**	**1,7**	**1,1**	**1,6**	**1,1**	**1,5**	-0,2	**0,8**	**1,3**
GDP growth contributions: Net exports (pp)	-1,1	-0,4	**-0,3**	**0,1**	**-0,1**	**0,1**	**-0,2**	**-0,2**	-1,2	**-0,4**	**-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	**5,6**	**5,4**	**5,6**	**5,4**	**5,3**	**5,2**	5,1	**5,4**	**5,2**
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	4,72	**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	3,63	**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 10/20/2025						
4:00	China	GDP (% YoY)	Q3	5,2	4,8	4,8
4:00	China	Retail sales (% YoY)	Sep	3,4	2,8	3,0
4:00	China	Urban investments (% YoY)	Sep	0,5	-0,3	0,1
4:00	China	Industrial production (% YoY)	Sep	5,2	4,8	5,0
10:00	Eurozone	Current account (bn EUR)	Aug	27,7		
10:00	**Poland**	**Industrial production (% YoY)**	**Sep**	**0,7**	**6,0**	**5,0**
10:00	**Poland**	**PPI (% YoY)**	**Sep**	**-1,2**	**-1,1**	**-1,0**
10:00	**Poland**	**Corporate sector wages (% YoY)**	**Sep**	**7,1**	**7,3**	**7,5**
10:00	**Poland**	**Employment (% YoY)**	**Sep**	**-0,8**	**-0,8**	**-0,8**
Tuesday 10/21/2025						
10:00	**Poland**	**Construction and assembly production (% YoY)**	**Sep**	**-6,9**	**-2,9**	**-2,3**
Wednesday 10/22/2025						
10:00	**Poland**	**Retail sales - current prices(% YoY)**	**Sep**	**3,0**	**4,9**	**7,2**
10:00	**Poland**	**Retail sales - constant prices (% YoY)**	**Sep**	**3,1**	**4,9**	**6,8**
14:00	**Poland**	**M3 money supply (% YoY)**	**Sep**	**11,1**	**11,2**	**11,2**
Thursday 10/23/2025						
10:00	**Poland**	**Registered unemplyment rate (%)**	**Sep**	**5,5**	**5,6**	**5,6**
16:00	Eurozone	Consumer Confidence Index (pts)	Oct	-14,9		-15,0
16:00	USA	Existing home sales (M MoM)	Sep	4,00	4,10	4,09
Friday 10/24/2025						
9:30	Germany	Flash Manufacturing PMI (pts)	Oct	49,5		49,5
10:00	Eurozone	Flash Services PMI (pts)	Oct	51,3		51,1
10:00	Eurozone	Flash Manufacturing PMI (pts)	Oct	49,8		49,8
10:00	Eurozone	Flash Composite PMI (pts)	Oct	51,2		51,0
14:30	USA	Core CPI (% MoM)	Sep	0,3	0,3	0,3
14:30	USA	CPI (% MoM)	Sep	0,4	0,4	0,4
15:45	USA	Flash Manufacturing PMI (pts)	Oct	52,0		52,0
16:00	USA	New home sales (k)	Sep	800	705	700
16:00	USA	Final U. of Michigan Sentiment Index (pts)	Oct	55,0	55,0	55,0

*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

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