

This week

- **The most important event this week will be the publication of the flash estimate of GDP in Poland in Q1 scheduled for Friday.** We forecast that GDP dynamics dropped to 0.1% YoY from 3.2% in Q4 2019. Conducive to the sharp deceleration of economic growth was slight decrease in consumption and marked slowdown of investment growth. Our forecast is visibly below the consensus (1.7%); therefore, its materialization will be slightly negative for PLN and yields on Polish bonds.
- **Significant hard data on US economy, reflecting the negative impact of the COVID-19 epidemic on economic activity, will be released this week.** We expect that nominal retail sales dropped by 10.0% MoM in April vs. a 8.4% decrease in March. We forecast that industrial production dynamics decreased to -11.0% MoM in April vs. -5.4% in March. We expect that headline inflation dropped to 0.5% YoY in April vs. 1.5% in March, due to lower core inflation and lower dynamics of energy prices. Business survey results will also be released in the US. On Friday we will see the preliminary University of Michigan Index. We forecast that its value dropped to 69.0 pts in May vs. 71.8 pts in April. We believe that the aggregate impact of data on the US economy on the financial markets will be limited.
- **Important data from China will be released on Friday.** We expect that the monthly data will probably point to further recovery of economic activity in April, due to the resumption of operations by subsequent companies. We forecast that industrial production increased by 2.7% YoY in April vs. a 1.1% decrease in March, retail sales dynamics increased to -8.0% YoY vs. -15.8%, and urban investments declined by 10.7% YoY vs. a 16.1% decrease in March. In our view, the publication of data from China will not be market moving.
- **Data on the Polish balance of payments in March will be released on Thursday.** We expect the current account balance to have dropped to EUR 648M vs. EUR 659M in February, mainly due to lower balance on goods. We forecast that export dynamics decreased from 5.7% YoY in February to -6.8% in March, while import dynamics decreased from 0.5% YoY to -6.7%. The sharp decrease in exports and imports will be consistent with the collapse in industrial production and retail sales recorded in March. In our view, the data on the balance of payments will be neutral for PLN and yields on Polish bonds.
- **Final data on the April inflation in Poland will be released on Friday.** We expect that the inflation rate will be in line with the flash estimate (3.4% YoY vs. 4.6% in March). We believe that conducive to the index decrease were lower dynamics of all its sub-indices (prices of food, fuels, other energy prices, and goods and services included in the calculation of core inflation). The inflation reading will be neutral for PLN and the prices of Polish bonds.

Last week

- **Some important data from the US economy were released last week.** The number of new requests for unemployment benefit dropped to 3169k vs. 3846k two weeks ago. Last week we also saw data on non-farm payrolls which decreased by 20.5M in April vs. a 870k decrease in March (revised from -701k). Thus, it has been the sharpest monthly decrease of employment in the US in the history of the series. The sharpest decrease in employment was recorded in leisure and hospitality (-7.7M), education and health service (-2.5M), professional and business services (-2.1M), and retail trade (-2.1M). At the same time, the unemployment rate increased to 14.7% in April vs. 4.4% in March, running below the market expectations (16.0%). The participation rate dropped to 60.2% in April vs. 62.7% in March. Especially noteworthy is the increase in the average wage dynamics to 7.9% YoY in April from 3.3% in March. This means that, due to the COVID-19 epidemic, jobs were lost by people who were paid relatively low wages which has boosted the average level of earnings. Despite the acceleration in the wage growth rate, the

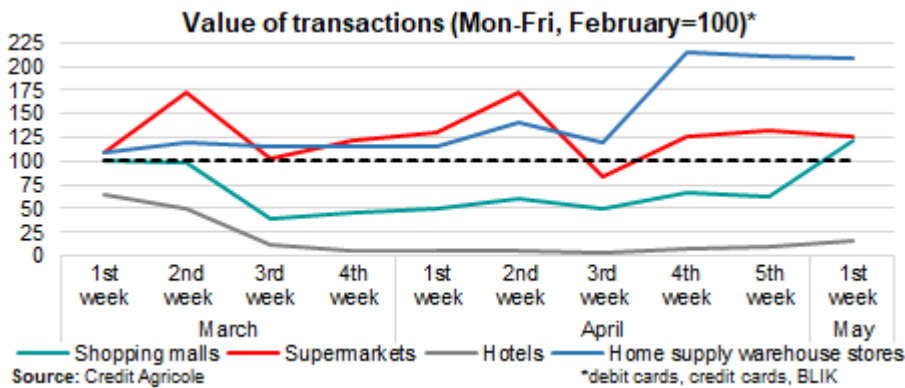
wage fund has visibly decreased due to a sharp decrease in employment, which signals that consumption will significantly decrease in Q2. The results of business surveys in the US were also released last week. The non-manufacturing ISM decreased to 41.8 pts in April vs. 52.8 pts in March. The index decrease resulted from lower contributions of 3 out of its 4 sub-indices (for business activity, new orders, and employment) while higher contribution of the sub-index for suppliers' delivery times had opposite impact. We expect that the annualized change in the US GDP will amount to -30% in Q2, mainly due to a significant decrease in consumption and investments.

- **Last week we saw some important data from the German economy.** Industrial production dynamics dropped to -9.2% MoM in March vs. 0.3% in February, running significantly below the market expectations (-7.4%). A decrease in production was recorded in energy and manufacturing, while its increase in construction had an opposite impact. A decline was also recorded by orders in German manufacturing which fell by 15.6% in March vs. a 1.2% decrease in February, running below the market expectations (-10.0%). The decrease in total orders resulted from a decrease in both domestic and foreign orders (both from the Eurozone and from countries outside the single currency area). Data on the German foreign trade were also below expectations. Export dynamics dropped to -11.8% MoM in March vs. 1.2% in February and import dynamics decreased to -5.1% MoM vs. -1.5%, with market expectations standing at -5.0% MoM and -4.0% MoM, respectively. The data from the German economy support our forecast, in which the GDP in Germany decreased by 2.5% QoQ in Q1 vs. no change in Q4 2019. The data on GDP in Q1 2020 will be released on Friday.
- **Chinese balance on trade increased to USD 45.3bn in April vs. USD 19.9bn in March, running significantly above the market expectations (USD 9.7bn).** At the same time export dynamics rose to 3.5% YoY in April vs. -6.6% in March and import dynamics dropped to -14.2% YoY vs. -1.0%, running above and below the market consensus (-12.1% and -12.4%, respectively). The higher-than-expected dynamics of the Chinese exports result from the acceleration in the category "textiles", which may be attributed to increased exports of facemasks and other personal protection equipment. In turn, the decrease in nominal import dynamics resulted largely from a sharp decrease in the prices of commodities. The data are in line with our scenario assuming the acceleration of economic growth in China starting from Q2 2020. Consequently, we forecast that in the whole 2020 the dynamics of the Chinese GDP will amount to 2.0% vs. 6.1% in 2019.
- **Poland manufacturing PMI was released last week.** The index dropped to 31.9 pts in April vs. 42.4 pts in March, running below the market expectations (34.6 pts) and our forecast (34.3 pts). Thus, the index has reached the lowest value in the history of the series (i.e. from mid-1998). The decrease in PMI resulted mainly from lower sub-indices for output (20.9 pts in April vs. 36.6 pts in March) and total new orders (17.1 pts vs. 34.2 pts). At the same time, the decrease in export orders has deepened. The decrease in the above sub-indices is consistent with the restrictions imposed by the government in Poland and other countries and by stoppages in many companies. Data support our forecast of a 18.0% YoY decrease in industrial production in April. Amid limited capacity utilization, the companies continued to reduce employment at an even faster rate than in March. Unlike in February and March, longer delivery times in April supported PMI to a limited extent (only 0.1 pts). The most pessimistic element of the business survey results is further significant decrease in the indicator of future production (in the horizon of 12 months), which shows that companies do not expect their situation to improve in subsequent months. The entrepreneurs attributed their pessimism to concerns about long-term economic consequences of the social restrictions in Poland and abroad. The April's business survey results support our forecast of GDP dynamics in Q2 (-11.7% YoY vs. +0.1% in Q1).

Sharp increase in sales in shopping malls

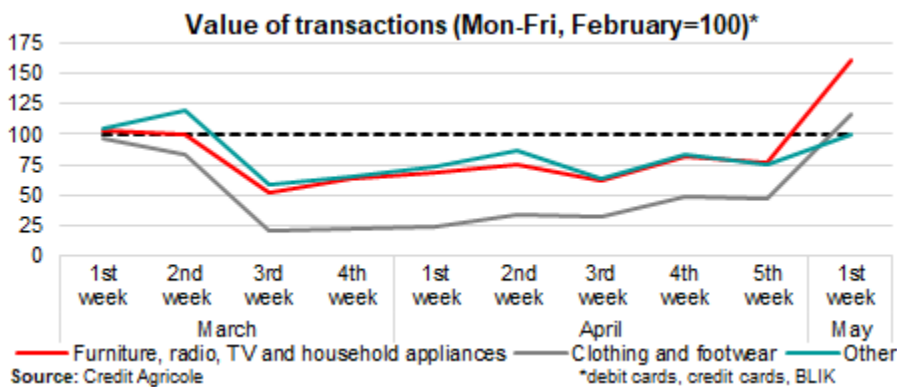
The shopping malls and hotels reopened last week. Below we analyze how households' expenditures have changed due to the lifting of COVID-19-related restrictions. We are using for this purpose the information on payments made by the individual customers of our bank (see **MACROmap of 27/4/2020**). The analysis below is based on weekly data showing the total value of BLIK and payment card transactions from Monday to Friday.

Each transaction is described with an MCC (Merchant Category Code). This is the indication assigned to the enterprise operating in a given branch at the time of installing a terminal for the payments by cards of global operators (Mastercard, Visa and American Express). Based on MCCs we have selected transactions made in shops usually located in shopping malls (i.a. selling clothing and footwear, audio, video and household equipment). In addition, we have analyzed how expenditures in DIY stores, supermarkets and hotels were changing in recent weeks.



The lifting of restrictions has contributed to an increase in the expenditures of the bank clients in the category "hotels" by ca. 50% compared to the previous week. However, we must bear in mind that it is a so-called low base effect. The value of transactions last week continued to stay at a very low level. It represented only 15% of the average weekly spending in

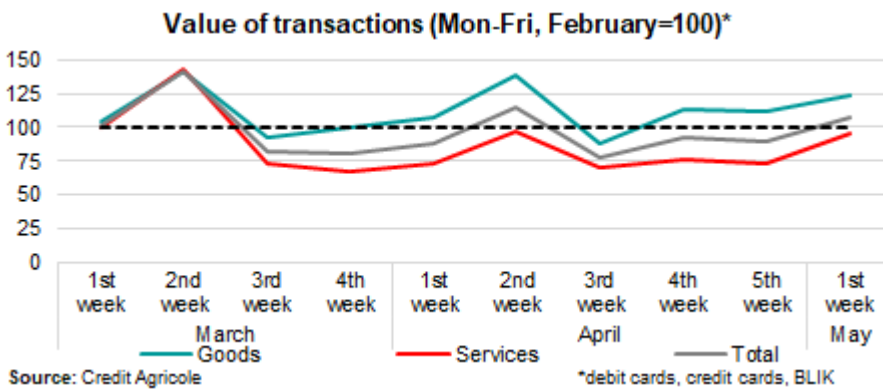
February (i.e. from before the outbreak of the epidemic). The value of transactions in DIY stores and supermarkets remained last week at a similar level as two, three weeks ago and were visibly higher from February. In the case of the DIY stores, the observed sharp increase in sales is seasonal. The reopening of shopping malls has contributed to an increase in the turnovers in this category by ca. 90% compared to the same period the week before. The turnovers were also ca. 20% higher from the average for February.



For the purpose of the analysis, we have assumed that the spending in the "shopping malls" category represents transactions in shops selling "radio, video and household equipment", "clothing and footwear" and in other shops that are usually located in shopping malls, such as bookstores, drugstores, jewelers, sport shops, etc. It should be pointed out that our estimate of spending in the "shopping malls" category is thus only an

approximation of the actual expenditures realized in shopping centres because it includes transactions made online and in shops that are not physically located in shopping malls (standalone stores with audio and video equipment or drugstores). Nonetheless, based on these data we can draw conclusions concerning the direction of relative changes in the shopping centres' turnovers. We can see that the sales in the category "audio, video, household equipment, and furniture" has doubled last week compared to

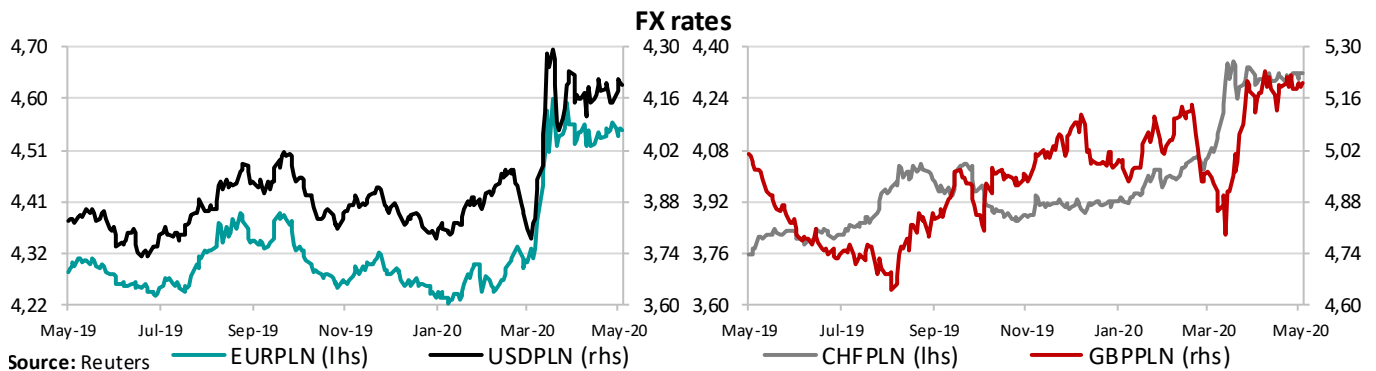
the level from two weeks ago and stood at a level higher by 60% from before the outbreak of the epidemic. The scale of the rebound in most clothes and footwear stores was even bigger. The value of transactions rose by 144% between weeks and was higher by 17% than before the closing of shopping malls. The sales in the category “other expenditure shops in malls” increased by 30% last week and were close to the values observed in February.



Analyzing the total value of transactions of all individual customers in consecutive weeks, we can see that households’ expenditures last week were higher by ca. 8% compared to the average weekly value from February. Especially noteworthy is a marked increase in spending on services – up by 32% compared with the value from two weeks ago and now

running close to the levels observed in February. However this is an apparent improvement resulting from a seasonal increase in demand for some services, i.a. construction and repair works, exchange of tires, repair and installation of air-conditioning, gardening services. Thus the volume of transactions last week continued to be lower by ca. 20% compared to the similar period a year ago. Nonetheless, the transaction data for April and beginning of May pointing to a rebound in the sales of goods pose a slight upside risk to our forecast of private consumption dynamics in Q2 (-20% YoY) and in the whole 2020 (-6.8% YoY).

Slight appreciation of PLN in the wake of global sentiment



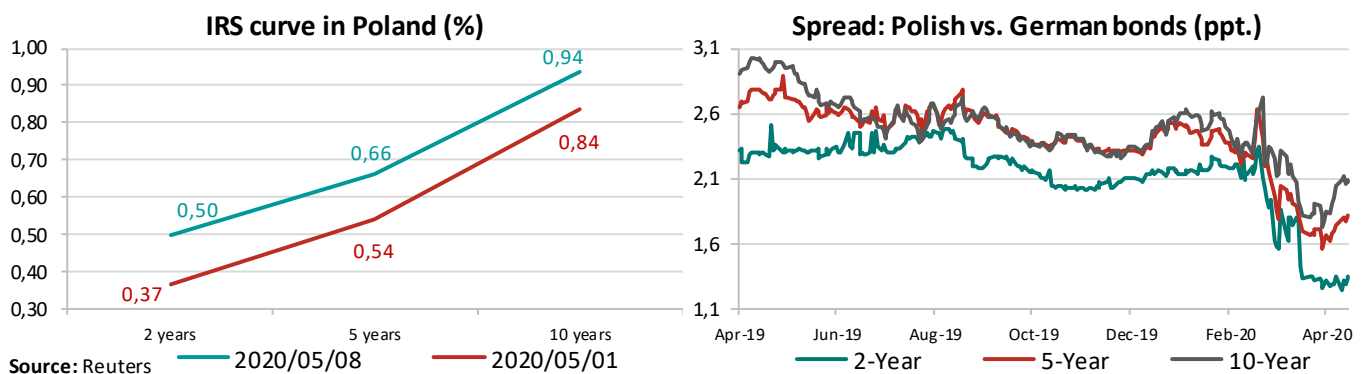
Last week, the EURPLN exchange rate dropped to 4.5454 (strengthening of PLN by 0.3%). On Monday and Tuesday PLN was making up for the losses after its marked depreciation two weeks ago. The appreciation of PLN was supported by a decrease in the global risk aversion, reflected by lower VIX index. Despite further improvement of global sentiment, EURPLN increased on Wednesday. Until the end of the week EURPLN stood close to 4.55. Data from the US labour market had no significant impact on PLN.

EURUSD was showing a downward trend from Monday till Thursday. The weakening of EUR resulted partly from market concerns about the future of the assets purchase program implemented by the ECB due to its partial unconstitutionality stated by the German Constitutional Court. Thursday and Friday saw a

correction after Governor Ch. Lagarde emphasized that the ECB would use all possible tools to combat the crisis.

We expect that this week, like in the previous weeks, PLN will remain impacted by global market sentiment related to the spread of the COVID-19 epidemic. Crucial for PLN this week will be the publication of domestic data on GDP. We believe that it will be conducive to a slight weakening of PLN. We believe that numerous data from the US (retail sales, industrial production, CPI inflation, and preliminary University of Michigan Index) and China (industrial production, retail sales, urban investments) will have a limited impact on PLN. Domestic data on inflation and balance of payments are also likely to be neutral for EURPLN.

Further increase in IRS rates



Last week, 2-year IRS rates increased to 0.4975 (up by 13bps), 5-year rates to 0.6625 (up by 12bps), and 10-year rates to 0.93 (up by 10bps). The last week's increase in IRS rates resulted mainly from higher yields on German bonds due to investors' concerns about the future of the asset purchase program implemented by the ECB (see above). Last week the Ministry of Finance sold bonds with the total value of PLN 5.0bn, PFR issued PLN 18.5bn of debt, and BGK sold PLN 8,0bn of bonds. These auctions had no significant impact on the yield curve due to the asset purchase implemented by the NBP which was conducive to lower yields.

This week, like in the previous weeks, the main factor affecting IRS rates will be media reports about the spread of the COVID-19 pandemic. Important for the debt market will also be the reading of GDP in Poland scheduled for Friday which may contribute towards lower IRS rates. Numerous data from the US (retail sales, industrial production, CPI inflation, and preliminary University of Michigan Index) and domestic data on inflation and balance of payments are also likely to be neutral for the curve.

Forecasts of the monthly macroeconomic indicators

| Main monthly macroeconomic indicators in Poland | | | | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------|--------------|-------------|
| Indicator | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 |
| NBP reference rate (%) | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 | 1,00 | 0,50 | 0,05 |
| EURPLN* | 4,28 | 4,28 | 4,24 | 4,29 | 4,38 | 4,37 | 4,26 | 4,31 | 4,26 | 4,30 | 4,33 | 4,55 | 4,54 | 4,50 |
| USDPLN* | 3,82 | 3,83 | 3,73 | 3,87 | 3,98 | 4,01 | 3,82 | 3,91 | 3,79 | 3,87 | 3,92 | 4,13 | 4,15 | 4,14 |
| CHFPLN* | 3,75 | 3,83 | 3,82 | 3,90 | 4,02 | 4,02 | 3,87 | 3,91 | 3,92 | 4,02 | 4,06 | 4,29 | 4,30 | 4,25 |
| CPI inflation (% YoY) | 2,2 | 2,4 | 2,6 | 2,9 | 2,9 | 2,6 | 2,5 | 2,6 | 3,4 | 4,3 | 4,7 | 4,6 | 3,4 | |
| Core inflation (% YoY) | 1,7 | 1,7 | 1,9 | 2,2 | 2,2 | 2,4 | 2,4 | 2,6 | 3,1 | 3,1 | 3,6 | 3,6 | 3,3 | |
| Industrial production (% YoY) | 9,2 | 7,6 | -2,6 | 5,8 | -1,5 | 5,5 | 3,7 | 1,5 | 3,8 | 1,1 | 4,8 | -2,3 | -18,0 | |
| PPI inflation (% YoY) | 2,6 | 1,4 | 0,5 | 0,5 | 0,9 | 0,8 | -0,3 | -0,1 | 1,0 | 0,9 | 0,2 | -0,5 | -1,5 | |
| Retail sales (% YoY) | 13,6 | 7,3 | 5,3 | 7,4 | 6,0 | 5,3 | 5,4 | 5,9 | 7,5 | 5,7 | 9,6 | -7,1 | -29,0 | |
| Corporate sector wages (% YoY) | 7,1 | 7,7 | 5,3 | 7,4 | 6,8 | 6,6 | 5,9 | 5,3 | 6,2 | 7,1 | 7,7 | 6,3 | 5,0 | |
| Employment (% YoY) | 2,9 | 2,7 | 2,8 | 2,7 | 2,6 | 2,6 | 2,5 | 2,6 | 2,6 | 1,1 | 1,1 | 0,3 | -1,1 | |
| Unemployment rate* (%) | 5,6 | 5,4 | 5,3 | 5,2 | 5,2 | 5,1 | 5,0 | 5,1 | 5,2 | 5,5 | 5,5 | 5,4 | 5,8 | |
| Current account (M EUR) | -158 | -227 | 10 | -824 | -820 | 846 | 442 | 1412 | 366 | 2348 | 659 | 648 | | |
| Exports (% YoY EUR) | 9,5 | 11,5 | -2,4 | 6,4 | -1,2 | 13,0 | 4,0 | 0,8 | 9,0 | 3,6 | 5,7 | -6,8 | | |
| Imports (% YoY EUR) | 8,5 | 11,5 | -5,3 | 6,7 | -3,0 | 6,2 | 0,3 | -3,5 | -0,7 | 2,4 | 0,5 | -6,7 | | |

*end of period

Forecasts of the quarterly macroeconomic indicators

| Main macroeconomic indicators in Poland | | | | | | | | | | | | |
|---|--------------------------|-------|-------|------|------|------|------|------|------|------|------|-----|
| Indicator | 2020 | | | | 2021 | | | | 2019 | 2020 | 2021 | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| Gross Domestic Product (% YoY) | 0,1 | -11,7 | -2,1 | -1,8 | 0,7 | 5,6 | 3,6 | 2,9 | 4,1 | -3,8 | 3,0 | |
| Private consumption (% YoY) | -0,3 | -20,0 | -5,1 | -2,0 | 2,1 | 8,1 | 4,3 | 3,7 | 3,9 | -6,8 | 4,1 | |
| Gross fixed capital formation (% YoY) | 2,5 | -9,4 | -6,8 | -2,8 | 1,3 | 4,5 | 4,0 | 2,9 | 6,9 | -4,3 | 3,1 | |
| Export - constant prices (% YoY) | 2,4 | -6,3 | -2,3 | -1,1 | 2,0 | 4,5 | 4,0 | 4,1 | 4,2 | -1,8 | 3,6 | |
| Import - constant prices (% YoY) | 1,0 | -7,0 | -5,4 | 1,0 | 4,5 | 5,0 | 3,4 | 3,5 | 3,0 | -2,6 | 4,0 | |
| GDP growth contributions | Private consumption (pp) | -0,2 | -11,6 | -3,0 | -1,0 | 1,3 | 4,3 | 2,4 | 1,8 | 2,2 | -3,9 | 2,2 |
| | Investments (pp) | 0,3 | -1,6 | -1,2 | -0,7 | 0,2 | 0,8 | 0,7 | 0,7 | 1,3 | -0,8 | 0,6 |
| | Net exports (pp) | 0,9 | 0,0 | 1,5 | -1,0 | -1,3 | 0,0 | 0,5 | 0,5 | 0,8 | 0,3 | 0,0 |
| Current account (% of GDP)*** | 0,9 | 0,7 | 1,1 | 0,2 | -0,1 | -0,1 | 0,0 | 0,1 | 0,5 | 0,2 | 0,1 | |
| Unemployment rate (%)** | 5,4 | 9,4 | 8,7 | 8,2 | 7,2 | 6,2 | 5,8 | 6,1 | 5,2 | 8,2 | 6,1 | |
| Non-agricultural employment (% YoY) | 0,3 | -3,7 | -3,7 | -2,3 | -1,0 | 3,2 | 2,9 | 2,2 | 0,3 | -2,3 | 1,8 | |
| Wages in national economy (% YoY) | 7,5 | 5,9 | 4,8 | 3,6 | 3,0 | 3,6 | 4,3 | 5,5 | 7,2 | 5,5 | 4,1 | |
| CPI Inflation (% YoY)* | 4,5 | 2,6 | 2,1 | 3,2 | 2,1 | 3,7 | 3,3 | 1,8 | 2,3 | 3,1 | 2,7 | |
| Wibor 3M (%)** | 1,17 | 0,25 | 0,25 | 0,25 | 0,25 | 0,62 | 0,70 | 0,78 | 1,71 | 0,25 | 0,78 | |
| NBP reference rate (%)** | 1,00 | 0,05 | 0,05 | 0,05 | 0,05 | 0,05 | 0,50 | 0,50 | 1,50 | 0,05 | 0,50 | |
| EURPLN** | 4,55 | 4,44 | 4,40 | 4,37 | 4,36 | 4,35 | 4,34 | 4,33 | 4,26 | 4,37 | 4,33 | |
| USDPLN** | 4,13 | 4,07 | 4,00 | 3,94 | 3,93 | 3,95 | 3,95 | 3,94 | 3,79 | 3,94 | 3,94 | |

* quarterly average

** end of period

***cumulative for the last 4 quarters

Calendar

| TIME | COUNTRY | INDICATOR | PERIOD | PREV. VALUE | FORECAST* | |
|-----------------------------|---------------|--|------------|-------------|------------|-------------|
| | | | | | CA | CONSENSUS** |
| Tuesday 05/12/2020 | | | | | | |
| 3:30 | China | PPI (% YoY) | Apr | -1,5 | -3,0 | -2,6 |
| 3:30 | China | CPI (% YoY) | Apr | 4,3 | 3,7 | 3,7 |
| 14:30 | USA | CPI (% MoM) | Apr | -0,4 | -0,7 | -0,7 |
| 14:30 | USA | Core CPI (% MoM) | Apr | -0,1 | -0,1 | -0,2 |
| Wednesday 05/13/2020 | | | | | | |
| 11:00 | Eurozone | Industrial production (% MoM) | Mar | -0,1 | | -12,0 |
| Thursday 05/14/2020 | | | | | | |
| 14:00 | Poland | Current account (M EUR) | Mar | 659 | 648 | 506 |
| 14:30 | USA | Initial jobless claims (k) | w/e | 3839 | | 2500 |
| Friday 05/15/2020 | | | | | | |
| 4:00 | China | Retail sales (% YoY) | Apr | -15,8 | -8,0 | -7,5 |
| 4:00 | China | Industrial production (% YoY) | Apr | -1,1 | 2,7 | 1,5 |
| 4:00 | China | Urban investments (% YoY) | Apr | -16,1 | -10,7 | -10,0 |
| 8:00 | Germany | Preliminary GDP (% QoQ) | Q1 | 0,0 | -2,5 | -2,1 |
| 10:00 | Poland | Flash GDP (% YoY) | Q1 | 3,2 | 0,1 | 1,7 |
| 10:00 | Poland | CPI (% YoY) | May | 3,4 | 3,4 | 3,4 |
| 11:00 | Eurozone | Preliminary GDP (% QoQ) | Q1 | -3,8 | -3,8 | -3,8 |
| 11:00 | Eurozone | GDP flash estimate (% YoY) | Q1 | -3,3 | -3,3 | -3,3 |
| 14:30 | USA | NY Fed Manufacturing Index (pts) | May | -78,2 | | -65,0 |
| 14:30 | USA | Retail sales (% MoM) | Apr | -8,7 | -10,0 | -11,6 |
| 15:15 | USA | Industrial production (% MoM) | Apr | -5,4 | -11,0 | -11,5 |
| 15:15 | USA | Capacity utilization (%) | Apr | 72,7 | | 64,0 |
| 16:00 | USA | Initial U. of Michigan Sentiment Index (pts) | May | 71,8 | 69,0 | 68,5 |
| 16:00 | USA | Business inventories (% MoM) | Mar | -0,4 | | -0,3 |

*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

** Reuters