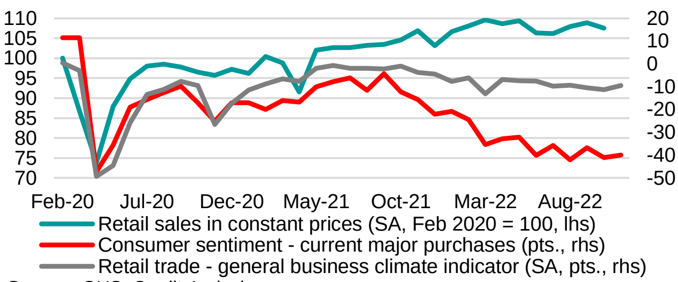
This week

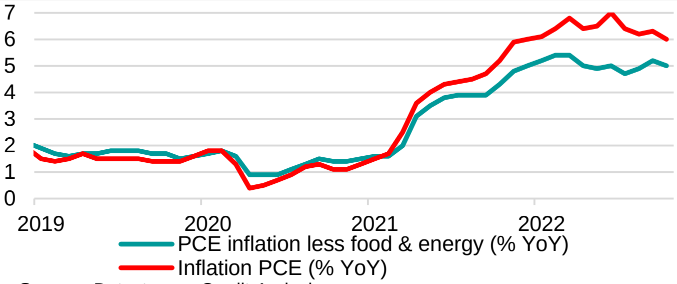
- **The key event this week will be the release of Poland's industrial production figures for November scheduled for Tuesday.** We forecast a decline in industrial production to 1.6% YoY from 6.8% in October. The factors behind the slowdown in industrial production include last year high base effects and a downturn in manufacturing signalled by GUS survey results. Our industrial production growth forecast is slightly below market consensus (2.0%), thus, its materialization would be slightly negative for the PLN and yields on Polish bonds.

- **Another important event will be the release of Poland's retail sales figures on Wednesday.** We expect to see a slowdown in retail sales growth, in current prices, to 15.1% YoY in November from 18.3% in October. The slowdown is accounted for by relatively weak consumer sentiment and last year high base effects. It is worth noting that if our scenario materializes, we would see a drop in retail sales, in constant prices, of 2.0% YoY in November vs an increase of 0.7% YoY in October. It would be the first YoY retail sales drop in real terms since February 2021. Our nominal retail sales growth forecast is below market consensus (16.9%), thus, its materialization would be slightly negative for the PLN and yields on Polish bonds.



Source: GUS, Credit Agricole

- **Some significant data on the US economy will be released this week.** The final GDP estimate for Q3 is planned to be released on Thursday. We expect to see no revision to the second estimate of annualized GDP growth of 2.9%. We expect headline PCE inflation to have dropped to 5.5% in November from 6.0% in October, and core inflation to have dropped to 4.6% YoY from 5.0%. We expect preliminary durable goods orders to have declined by 2.0% MoM in November compared to a rise of 1.1% in October due to a drop in orders in the transport industry. We expect data on housing starts (1389k in November vs. 1425k in October), new building permits (1474k vs. 1512k), new home sales (600k vs. 632k), and existing home sales (4.25m vs. 4.43m) to show a further slowdown in the US housing market. We believe that both the final University of Michigan index (59.1 pts in December vs. 56.8 pts in November) and the Conference Board's consumer confidence index (101.0 pts vs. 100.2 pts) will show some improvement in household sentiment driven, among other things, by lower inflation. We believe the release of US data will be neutral for financial markets.



Source: Datastream, Credit Agricole

- **Tuesday will also see the release of data on employment and average wages in Poland's business sector for November.** We forecast that growth in employment slowed to 2.3% YoY in November from 2.4% in October, which is consistent with our expectation of a slowdown in the labour market. We expect to see a drop in average wage growth to 12.4% YoY in November from 13.0% YoY in October due to last year high base effects. November figures will again confirm a good situation in the labour market. We believe that high inflation, low unemployment, and continuing problems with finding qualified workforce will be adding to wage pressures in the coming months. We believe that the release of data on employment and wages in the business sector will be neutral for the PLN and the debt market.

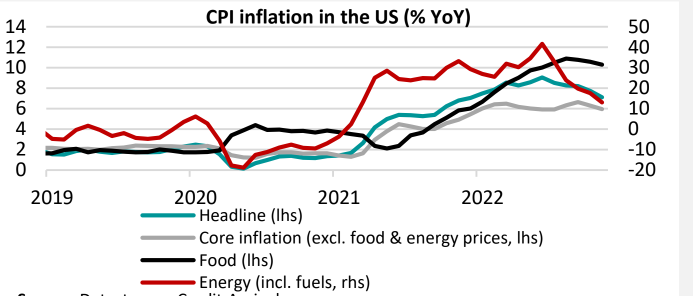
Today, the Ifo index will be published, reflecting the sentiment of German businesses in the manufacturing, construction, trade, and services sectors. The market expects to see a rise in the index to 87.4 pts in December from 86.3 pts in November. The December improvement in business sentiment will be in line with PMI rises in December. We believe that the release of the Ifo index will be neutral for financial markets.

Last week

In accordance with the final data, CPI inflation in Poland fell to 17.5% YoY in November from 17.9% in October, standing slightly above GUS's flash estimate (17.4%). The drop in inflation was driven by lower price rises in the 'energy' (36.8% YoY in November vs. 41.6% in October) and 'fuels' (15.5% vs. 19.5%) categories, partially offset by stronger price rises in the 'food and non-alcoholic beverages' category (22.3% vs. 22.0%), as well as a rise in core inflation, to 11.4% YoY in November from 11.0% in December. In our opinion, the further acceleration in core inflation and the fact that it is accounted for by a wide range of categories suggest that inflationary pressures in the Polish economy remain strong (see MACROpulse of 15/12/2022). We believe we have not seen the end of rising inflation, yet. The phasing out of the Anti-Inflation Shield accompanied by putting in place a new mechanism to curb energy price rises at the beginning of 2023 will drive inflation up further. We expect headline inflation to reach its local maximum of nearly 20% YoY in February 2023, and then will begin to fall to around 6% at the end of 2023. We expect annual average CPI inflation of 12.1% in 2023. We acknowledge a significant risk to our forecast due to difficulties with estimating the combined effects of the phasing-out of the Anti-Inflation Shield and the introduction of the new energy price surge curbing mechanism at the beginning of 2023 (see MACROmaps of 5/12/2022 and 12/12/2022).

The Polish current account balance increased to EUR -549m in October, up from EUR -1,561m in September, running well below market expectations (EUR -950m) and our forecast (EUR -2,060m). This marks the twelfth consecutive month with a deficit on the Polish current account. The growth of the current account balance was attributable to higher balances on services and primary income (respectively, up by EUR 344m and EUR 953m relative to September) with lower balances on goods and secondary income (respectively, down by EUR 223m and EUR 62m relative to September) having the opposite effect. At the same time, October saw a decline in the growth rate of both exports (23.7% YoY in October vs. 25.5% in September) and imports (24.6% vs. 28.9%). According to the NBP's press release, the main factor explaining the continued strong growth in the value of exports is increased exports in the automotive sector, attributable to the improved availability of key components used in manufacturing. On the other hand, the slowdown in the imports of iron, steel and plastics contributed to a gradual deceleration of the strong growth in the value of imports. This trend followed from weakening demand and slower price growth. The data poses an upside risk to our forecast, projecting that the cumulative current account balance for the last four quarters in relation to GDP will decline to -4.0% in Q4 2022 compared to -3.7% in Q3 2022.

Last week, vital US data was released. CPI inflation in the US declined in November to 7.1% YoY from 7.7% in October, running below market expectations (7.3%). Inflation fell on the back of a lower growth rate of energy and food prices, as well as a decrease in core inflation, which fell to 6.0% YoY in November from 6.3% in October and also came in below



Source: Datastream, Credit Agricole

consensus (6.1%). Consequently, the data tempered some investors' expectations of further substantial interest rate hikes by the Fed, thus leading to a weakening of the USD against the EUR and a drop in yields on US bonds. Last week also saw the release of data on industrial production, which slipped to -0.2% MoM in October, down from -0.1% in September, which was below market expectations (0.1%). Industrial production slowed down due to reduced growth in manufacturing. At the same time, capacity utilization fell to 79.7% in November from 79.9% in October. Last week also saw the release of data on retail sales showing a decline in its nominal monthly growth rate to -0.6% in November from 1.3% in October, a reading below market expectations (-0.2%). Excluding cars, monthly sales contracted to -0.2% in November vs. 1.2% in October. At the same time, the most substantial decline in sales is observed in such categories as 'department stores', 'construction materials', 'furniture', and 'cars and other vehicles', suggesting that high inflation is translated into US consumers' reduced purchasing power, leading to a decline in demand for durable goods. Last week also saw the publication of consumer sentiment survey results. The regional NY Empire State (-11.2 pts in December vs. 4.5 pts in November) and the Philadelphia Fed (-13.8 pts vs. -19.4 pts) indices offered mixed signals from US manufacturing. We see a slight upside risk to our scenario, according to which throughout 2022 US GDP will expand by 1.8% vs. a 5.7% growth in 2021, to increase by 0.5% in 2023.

At its last week's meeting, the Fed raised the Federal Funds Target Range by 50pb to [4.25%; 4.50%], in line with our forecast and market expectations. The Fed's decision means a slowdown in the pace of interest rate hikes (at each of the previous four meetings, the Fed hiked interest rates by 75bp). The Fed also published its latest macroeconomic projections. As expected, the GDP growth path was revised significantly downwards relative to the September projection (particularly in 2023), while the unemployment rate path was raised upwards throughout the entire projection horizon. The paths of total PCE inflation and core PCE inflation were also revised upwards throughout the entire projection horizon, as well as the median for the level of US interest rates expected by the FOMC members. They now expect the Federal Funds Target Range to be [5.00%; 5.25%] at the end of 2023 (up by 50bp as compared to the September projection), [4.00%; 4.25%] at the end of 2024 (up by 25bp), [3.00%; 3.25%] at the end of 2025 (up by 25bp). Thus, until the end of this year, FOMC members are still pricing in hikes totalling 75bp, following which the Fed will conclude its interest rate hike cycle. At the same time, the December projection is consistent with the September projection, both showing that the Fed will start reducing interest rates in 2024. Although the expected starting level from which interest rates will be cut has been raised, the pace of monetary policy easing in both 2024 and 2025, forecasted by FOMC members, remained unchanged. During the post-meeting press conference, the Chair of the Federal Reserve, J. Powell, said that the Fed still has a lot to do to regain control of inflation. At the same time, he made it clear that further interest rate increases are advisable in order to bring inflation back to the 2% inflation target in the mid-term. The December FOMC projection, as well as J. Powell's comments, support our scenario, according to which the Fed will raise interest rates by another 50bp in February and 25bp in March, thus bringing the Federal Funds Target Range to [5.00%, 5.25%]. The market is currently pricing in a rate hike of ca. 30bp in February, so a materialisation of our scenario will favour the strengthening of the USD against the EUR in the coming months. Still, due to the hawkish tone of last week's ECB meeting (see below), we see an upside risk to our forecast of the EURUSD going down to 1.00 at the end of March 2023 from 1.03 at the end of December 2022 (see MACROmap of 12/12/2022).

According to flash data, the composite PMI (for manufacturing and the services sector) in the Eurozone expanded to 48.8 pts in December vs. 47.8 pts in November, exceeding market expectations (48.0 pts). The composite PMI rose on the back of an increase in its components for both current output in manufacturing as well as business activity in services. A drop in the composite PMI was recorded in France, while the index rose in Germany and the remaining Eurozone economies surveyed. In the data structure, particularly noteworthy is the decline in current output and new orders, which is slightly slower than in previous months, consistent with our soft landing scenario for the Eurozone economy. Weaker demand, coupled with waning supply barriers and shortening delivery times (delivery times in manufacturing in the Eurozone fell in December for the first time since the outbreak of the pandemic), supports lowering the growth rate of input prices and the prices of the final goods offered by the surveyed businesses. However, it should be emphasized that despite decreasing supply constraints and weakening demand, inflationary pressures remain strong, and the output price index remains well above the 50-point mark, separating an increase from a decrease in prices. From the point of view of Polish exports, the situation in German manufacturing deserves special attention as it saw an increase of the PMI to 47.4 pts in December, down from 46.2 pts in November, running well above market expectations (46.5 pts). This trend was attributable to higher contributions from 2 out of 5 its components (for current output and new orders), with lower contributions from employment, inventories and supplier delivery times having the opposite effect. It is worth noting that the shortening of delivery times was accompanied by a slower increase in both input and output prices. The average reading of the composite PMI for the Eurozone in Q4 fell to 48.0 pts, down from 49.0 pts in Q3. We stand by our forecast, according to which quarterly GDP growth in the Eurozone will decline -0.2% in Q4 vs. 0.3% in Q3.

PMI for German manufacturing (pts)

Source: Markit, Credit Agricole
*the lower the index value, the higher intensity of problem

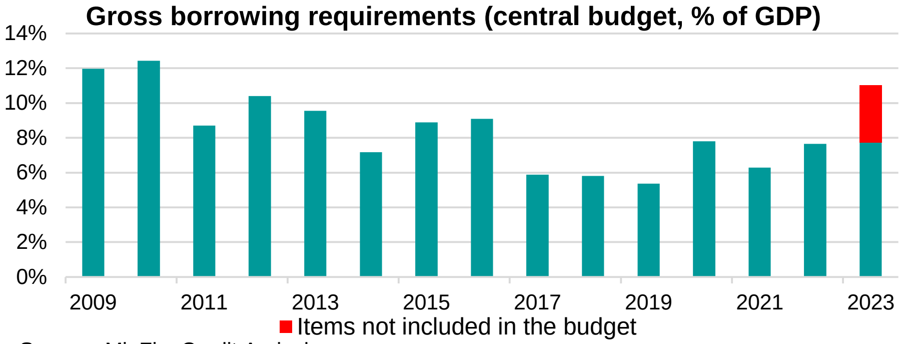
The European Central Bank hiked interest rates by 50bp at its meeting last week. Consequently, the ECB's main policy rate now stands at 2.50%, with the deposit rate amounting to 2.00%. The hike was consistent with our forecast and market expectations (see MACROmap of 12/12/2022). The ECB also published the results of its latest economic projection. The inflation path was revised upwards significantly (6.3% in 2023 and 3.4% in 2024 vs. 5.3% and 2.3% in the September projection, respectively) with a slight reduction in the economic growth path (0.5% in 2023 and 1.9% in 2024 vs. 0.9% vs. 1.9% in the September projection, respectively). In its press release after the meeting, the ECB stated that further substantial interest rate increases were necessary. The ECB also announced that in March 2023 it would start to gradually reduce its balance sheet (by EUR 15bn per month). In other words, the ECB will decrease reinvestments of payments from maturing securities purchased as part of its APP programme. More details on the entire mechanism will be announced in February 2023. During the press conference following the meeting, ECB President Ch. Lagarde stated that the ECB did not change its monetary policy stance and was determined to bring inflation down to the inflation target in the medium term. Moreover, she stressed that the ECB has much more to do in this regard than the Fed. The hawkish tone of Ch. Lagarde's statements led to a strengthening of the EUR against the USD. In line with our revised forecast, the ECB will implement two more hikes of 50bp each (in February and March), ending the hike cycle with the deposit rate at 3.00%. In addition, we expect that in Q3 2023 the ECB will speed up the pace of its balance sheet reduction to EUR 20bn per month. The hawkish tone of last week's ECB meeting poses an upside risk to our EURUSD rate scenario of 1.03 at the end of December 2022, 1.00 at the end of March 2023, 1.03 at the end of June, 1.06 at the end of September and 1.09 at the end of December (see MACROmap of 12/12/2022).

- **Last week saw the publication of vital data from China.** Data on industrial production (2.2% YoY in November vs. 5.0% in October), retail sales (-5.9% vs. -0.5%) and urban investments (5.3% vs. 5.8% in October) signalled a further slowdown of economic activity in China. At the same time, they were below market expectations (3.6%, -3.6% and 5.7%, respectively). The data shows the effects of both the weakening of domestic demand (largely the result of the Chinese government's 'zero COVID' policy and the housing crisis) and the slowdown in global trade activity. We forecast that in the coming months, the Chinese government will intensify its economic policy measures aimed at stimulating economic growth. At the same time, the gradual departure from the zero-COVID policy by the Chinese government will support economic activity. Nevertheless, we predict that China's GDP growth will slow down to 3.0% in 2022 from 8.1% in 2021.
- **Last week, a meeting of the Swiss National Bank (SNB) was held.** The SNB hiked its policy rate by 50bp to 1.00%, in line with market expectations. The statement issued after the meeting indicated that the hike was aimed at counteracting the build-up of inflationary pressures. At the same time, the SNB reiterated its declaration that it did not rule out further interest rate hikes should these be necessary to ensure mid-term price stability. The SNB also reiterated its readiness to make foreign currency interventions if they become necessary and published its latest macroeconomic projections. The SNB maintained its GDP growth forecast for 2022 at around 2.0%. At the same time, it presented the first GDP forecast for 2023, according to which economic growth will slow down to 0.5% on the back of weaker foreign demand and high energy prices holding back economic activity. The SNB also slightly revised the inflation path, according to which it will amount to 2.9% in 2022 (3.0% in the September projection), 2.4% in 2023 (2.4%) and 1.8% in 2024 (1.7%). The SNB's last week's decision is consistent with our forecast for EURCHF (0.97 at the end of 2022 and 0.98 at the end of 2023) and CHFPLN (4.77 at the end of 2022 and 4.65 at the end of 2023) exchange rates.

Public sector borrowing needs still (too) high

In the MACROmap of 12/09/2022, we discussed the financing of the state budget for 2023, including the so-called borrowing needs. Since then, new documents pertinent to the topic have been published (including the budget bill submitted to the Sejm, the lower house of the Polish parliament, and the public finance sector debt management strategy), and the government has announced new fiscal policy measures. These developments prompted us to update our prior analysis.

The gross borrowing needs of the state budget are the amount that is needed to finance the state budget deficit and the budget of European funds, the state budget's outgoings (including repayment of loans) and the redemption of bonds issued in previous years that mature in a given year. According to the budget bill submitted to the Sejm, in 2023 the gross borrowing needs of the state budget will amount to PLN 260.7bn and will be PLN 9bn lower relative to the figure presented in the previous draft budget. It is worth noting, however, that the draft budget does not take into account certain expenditures, the probability of materialization of which in 2023 is, in our opinion, significant. Thus, the actual borrowing needs of the state budget are likely to be significantly higher than the amount assumed in the bill.



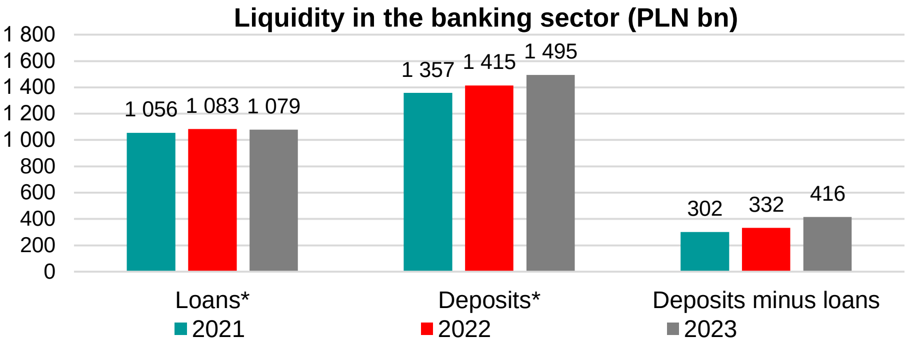
Source: MinFin, Credit Agricole

First, the draft budget does not provide for an extension of the Anti-Inflation Shield to 2023. According to the government's estimates, the cost of extending the Shield until the end of H1 2023 is PLN 8.7bn. We assume that due to the high level of total inflation in 2023, the reduced VAT rate on food will be maintained throughout 2023, resulting in a PLN 17.4bn loss of budget revenues. Secondly, we believe that as a part of the election campaign, the government will decide to grant the 14th and 15th pensions in 2023 (the budget includes the so-called '13th pension' only) and to valorise benefits under the Family 500+ programme to PLN 700 per child from mid-2023. Such measures would entail an increase in budget expenditures by PLN 28bn and PLN 8bn, respectively. Alternatively, we expect the government to increase other expenditures (including social ones) on a scale similar to the cost of the 14th and 15th pensions and a 40% valorisation of the 500+ benefit. Third, the government prepared a number of measures designed to mitigate rising energy prices next year (including a freeze on gas prices, a coal allowance, and allowance to fuels other than coal), with a total estimated amount of PLN 57.5bn. It is difficult to clearly predict whether the measures mentioned above will actually be implemented or whether the government will make simultaneous savings in other areas of the budget. Nevertheless, taking fully into account the above-mentioned additional measures, gross borrowing needs would increase by PLN 111bn vs. the figure presented in the budget bill, and would amount to PLN 371.8bn. The government's lowering of gross borrowing needs by PLN 9bn, the delay of the valorisation of the 500+ benefit from January to July 2023 that we assume, and the replacement of the Anti-Inflation Shield in the scope of energy prices with other solutions contributed to a PLN 17.7bn reduction in the central budget's gross borrowing needs estimated by us compared to the PLN 389.4bn presented in the September analysis.

At the same time, one should remember that the borrowing needs of the general government sector are not limited to the borrowing needs of the state budget (the so-called central budget) discussed above. In addition, it is also necessary to provide financing for local government units and financial obligations incurred via funds at the Bank Gospodarstwa Krajowego (BGK) included in this sector. These include the National Road Fund, the COVID-19 Response Fund, the Aid Fund and the Armed Forces Support Fund, among others. The specific borrowing needs of these entities have not yet been made public. However, they can be estimated based on the change in the difference between the government institutions and local government units' debt and the state public debt. According to the budget bill submitted to the Sejm, the debt of other institutions included in the general government sector will increase by PLN 84.5bn between 2022 and 2023. A similar value (PLN 84.4 billion) is indicated in the Public Finance Sector Debt Management Strategy for 2023-2026, signalling that the increase in this debt is mainly driven by the borrowing needs of the aforementioned funds. This PLN 84-85bn, in other words, is the approximate value of the so-called net borrowing needs, i.e. gross borrowing needs after excluding the redemption of bonds maturing in 2023. Using the Long-Term Financial Forecast of Local Government Units, we assume that the total gross borrowing needs of BGK funds and local government units will be PLN 95bn in 2023. The indicated estimate has not changed compared to our September analysis.

In order to assess the impact of issuing debt securities by the government, local governments and the BGK on bond yields, it is necessary to look at their total supply (new issues plus the rollover of debt maturing in 2023), or in other words, the general government's gross borrowing needs. We estimate that they will amount to PLN 466.3bn in 2023 (13.8% of GDP), comprising new issues of PLN 306.0bn and the redemption of maturing bonds in the amount of PLN 160.2bn. Some of these needs have already been financed (prefinanced) in 2022. Based on information on the government's Treasury and savings bond issues, we estimate that the government has already financed PLN 44bn of its borrowing needs. Taking into account prefinancing, the gross borrowing needs in 2023 will still be substantial at PLN 422bn, contributing to an increase in the yields on Polish bonds. Such a trend will also be supported by the monetary tightening we expect from the major central banks, primarily the Fed and the ECB (see above). In our view, in the event of a significant increase in yields, it is possible that the NBP will resume buying Treasury securities and debt securities guaranteed by the Treasury on the secondary market as part of structural open market operations. This measure will lower bond yields and stabilize the market for debt instruments, which may contribute to increased demand for Treasury bonds from foreign investors. The market conditions outlined above will be conducive to increased volatility of the PLN.

In addition to the analysis of the impact of increased debt supply on bond yields, the issue of demand for debt instruments issued by public sector entities is also of key importance. In assessing the ability to finance government and local government borrowing needs, it is crucial to look at net borrowing needs. We assume that the debt maturing next year will simply be rolled over. We estimate that net borrowing needs of the general government sector will amount to PLN 306bn in 2023 (PLN 110.5bn planned under the central budget and PLN 85bn under BGK and local government funds, and PLN 111bn due to expected by us government actions not included in the budget), or 9.1% of GDP. Even in a conservative estimate, assuming that the 14th and 15th pensions are not granted and the 500+ benefit is not valorised, the net borrowing needs of the general government will be PLN 270bn (8.0% of GDP) in 2023.



Source: NBP, Credit Agricole *non-financial corporations and households

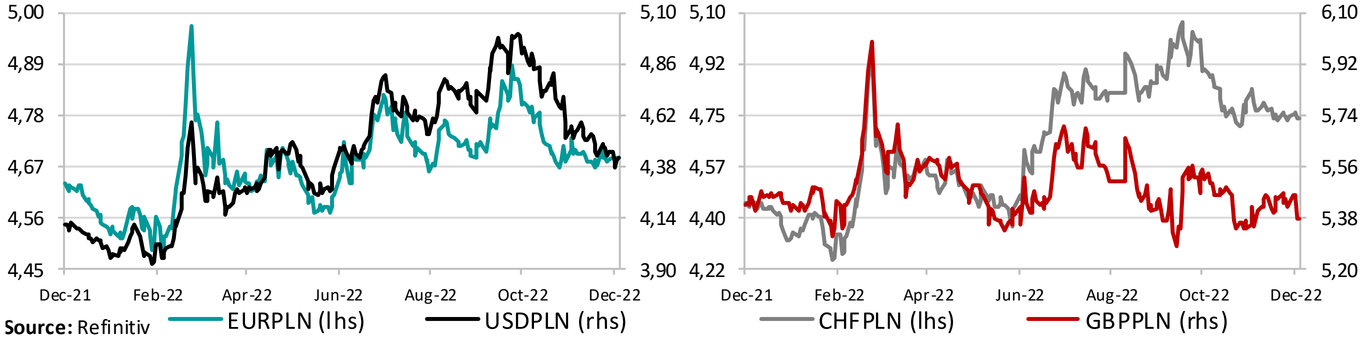
We believe that domestic banks will be an important buyer of government-issued bonds. Amid the slowdown in economic growth (and decline in lending) as well as rapid deposit growth (driven by nominal wage growth and relatively high interest rates) that we expect, liquidity in the banking sector will increase markedly in 2023. Excess liquidity, in simple terms defined as the excess of deposits of households and non-financial firms over loans granted to them, will, in our view, increase by about PLN 85bn in 2023 compared to 2022. Due to the design of the bank tax (no tax on bonds), a substantial portion of these funds will be used to purchase the public debt, in our opinion.

It should be noted that the net borrowing needs estimated by us (both in the full and conservative scenarios, PLN 306bn and PLN 270bn, respectively) are quite high even after deducting the amount prefinanced in 2022 (PLN 44bn) and free funds deposited in budget accounts that could be used to finance them. We estimate that the government's liquidity cushion is about PLN 15bn. After taking into account these two sources of financing, it will still be necessary to issue debt in 2023 in the amount of PLN 247bn in the full scenario and PLN 211 billion in the conservative scenario. These amounts represent multiples of the increase in excess liquidity in the banking sector (PLN 85bn) that we estimate, which could be used to buy bonds. The government's issue of bonds could additionally be financed by funds placed so far by banks in NBP money bills (about PLN 200bn). However, we believe that the potential for such a transfer of funds is limited due to significant interest rate risk (NBP money bills are 7-day deposits, while bonds usually have maturities of several years). As a result, the government could opt to issue treasury bills with short maturities (less than a year) to increase the attractiveness of such securities compared with NBP money bills. Part of the financing may be obtained from foreign investors, although the level is difficult to predict. Thus, in 2023 there may be issues with financing the government's borrowing needs, which will necessitate reductions in some public spending.

The 'MPC opinion on the Budget Bill for 2023', states that the fiscal policy stance next year will be neutral. It is difficult to clearly predict whether the aforementioned government measures (14th and 15th pensions, valorisation of the 500+ programme, reduced VAT rate for food throughout the entire year) will actually be implemented, or whether the government will make simultaneous savings in other areas of the budget. Nevertheless, taking fully into account the above-mentioned additional measures, the general government sector's deficit will reach PLN 261bn (PLN 150bn assumed in the budget bill plus PLN 111bn due to measures not included in the bill) vs. PLN 141.4bn in 2022 (assumed in October's fiscal notification). If such a scenario materializes, the general government deficit estimated by us will increase from 4.6% of GDP in 2022 to 7.7% in 2023, indicating a clearly expansionary fiscal policy in 2023. This supports our forecast of economic growth in 2023 (1.2% YoY).

Domestic production and retail sales data may weaken the PLN

FX rates



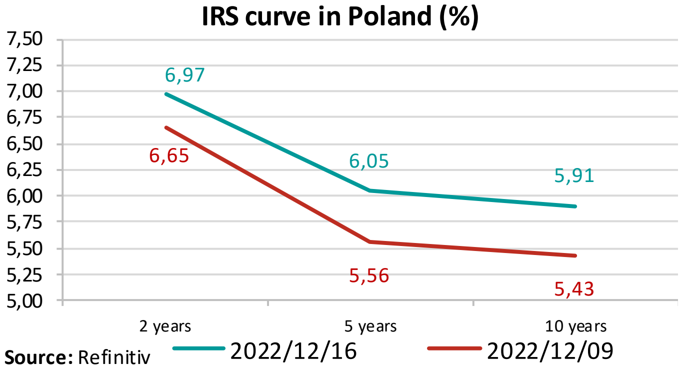
Source: Refinitiv

Last week, the EURPLN exchange rate climbed to 4.6888 (weakening of the PLN by 0.1%). Throughout last week, the EURPLN rate was stable and hovered around the 4.68 mark, with Wednesday and Thursday seeing increased volatility due to Fed and ECB meetings. Nevertheless, their final impact on the PLN exchange rate was limited.

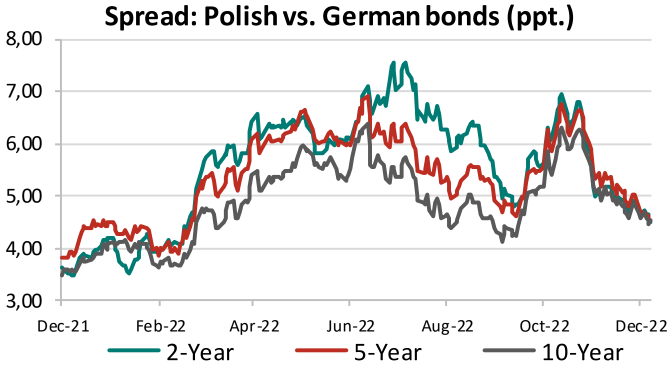
On the other hand, the EURUSD rate exhibited higher volatility. On Tuesday, USD depreciated against the EUR, spurred by the release of lower-than-expected US inflation data. Thursday saw a short-lived increase in the EURUSD rate during the press conference following the ECB meeting.

This week, data on industrial production (Tuesday) and retail sales (Wednesday) will be of key importance for the PLN. In our opinion, they may contribute to a weakening of the Polish currency. We believe that data releases from the global economy scheduled for this week will not significantly affect the PLN rate. At the same time, the market will see relatively low liquidity due to the holiday season, which will contribute to stabilising the PLN exchange rate.

Domestic data on production and retail sales in market's spotlight



Source: Refinitiv



Last week, 2-year IRS rates grew to 6.97 (up by 32bp), 5-year to 6.05 (up by 49bp), and 10-year to 5.91 (up by 48bp). The passing week saw an increase of IRS rates along the entire length of the curve, following the Eurozone. The hawkish tone of last week's ECB meeting contributed to a rise in bond yields in the Eurozone.

This week, the key factors for IRS rates will be publications of domestic data on industrial production (Tuesday) and retail sales (Wednesday), which in our opinion, may contribute to a decline in IRS rates at the short end of the curve. In our opinion, other data releases from the Polish and global economies scheduled for this week will not significantly impact IRS rates. At the same time, the market will see relatively low liquidity due to the holiday season, which will contribute to stabilizing IRS rates.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
NBP reference rate (%)	1,25	1,75	2,25	2,75	3,50	4,50	5,25	6,00	6,50	6,50	6,75	6,75	6,75	6,75
EURPLN*	4,65	4,58	4,58	4,69	4,64	4,67	4,58	4,70	4,73	4,72	4,85	4,71	4,67	**4,70**
USDPLN*	4,10	4,03	4,08	4,18	4,19	4,43	4,27	4,48	4,63	4,70	4,95	4,77	4,48	**4,45**
CHFPLN*	4,47	4,42	4,40	4,56	4,54	4,55	4,45	4,69	4,86	4,80	5,01	4,76	4,74	**4,77**
CPI inflation (% YoY)	7,8	8,6	9,4	8,5	11,0	12,4	13,9	15,5	15,6	16,1	17,2	17,9	17,5	
Core inflation (% YoY)	4,7	5,3	6,1	6,7	6,9	7,7	8,5	9,1	9,3	9,9	10,7	11,0	11,4	
Industrial production (% YoY)	14,9	16,3	18,0	17,3	15,4	12,3	14,9	10,4	7,1	10,9	9,8	6,8	**1,6**	
PPI inflation (% YoY)	13,6	14,4	16,1	16,1	21,9	24,1	24,7	25,6	25,5	25,5	24,6	22,9	**21,6**	
Retail sales (% YoY)	21,2	16,9	20,0	16,5	22,0	33,4	23,6	19,9	18,4	21,5	21,9	18,3	**15,1**	
Corporate sector wages (% YoY)	9,8	11,2	9,5	11,7	12,4	14,1	13,5	13,0	15,8	12,7	14,5	13,0	**12,4**	
Employment (% YoY)	0,7	0,5	2,3	2,2	2,4	2,8	2,4	2,2	2,3	2,4	2,3	2,4	**2,3**	
Unemployment rate* (%)	5,8	5,8	5,9	5,9	5,8	5,6	5,4	5,2	5,2	5,2	5,1	5,1	**5,1**	
Current account (M EUR)	-1483	-3883	-1091	-2032	-4206	-2844	-1340	-541	-1887	-3332	-1561	-549		
Exports (% YoY EUR)	13,7	25,0	27,4	20,3	11,9	18,2	26,9	21,3	19,0	26,7	25,5	23,7		
Imports (% YoY EUR)	31,2	39,6	38,7	29,7	31,4	36,4	32,5	26,6	20,6	28,7	28,9	24,6		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland

Indicator		2022				2023				2022	2023	2024
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross Domestic Product (% YoY)		8,6	5,8	3,6	1,1	-1,0	0,0	2,5	3,2	4,5	1,2	3,1
Private consumption (% YoY)		6,7	6,4	0,9	-2,0	-1,5	-1,5	0,7	2,5	2,9	0,0	3,0
Gross fixed capital formation (% YoY)		4,7	6,6	2,0	-1,8	-2,4	-0,3	1,4	2,8	2,1	0,8	4,0
Export - constant prices (% YoY)		4,2	5,2	6,9	4,5	2,3	1,0	3,3	4,6	5,2	2,8	3,8
Import - constant prices (% YoY)		9,4	6,9	6,0	2,3	0,3	-1,0	3,1	4,0	5,9	1,6	4,3
GDP growth contributions	Private consumption (pp)	4,0	3,6	0,5	-1,0	-0,9	-0,9	0,4	1,2	1,6	0,0	1,7
	Investments (pp)	0,6	1,0	0,3	-0,4	-0,3	-0,1	0,2	0,6	0,3	0,1	0,7
	Net exports (pp)	-2,7	-0,7	0,6	1,3	1,2	1,3	0,2	0,4	-0,2	0,8	-0,2
Current account (% of GDP)***		-2,7	-3,5	-3,7	-4,0	-3,9	-3,8	-3,7	-3,6	-4,0	-3,6	-3,0
Unemployment rate (%)**		5,8	5,2	5,1	5,3	5,7	5,4	5,3	5,5	5,3	5,5	5,4
Non-agricultural employment (% YoY)		2,3	0,6	-0,9	-0,5	-0,5	-0,5	-0,5	-0,5	0,4	-0,5	0,1
Wages in national economy (% YoY)		9,7	11,8	14,6	14,0	14,5	13,2	11,4	9,9	12,5	12,3	7,5
CPI Inflation (% YoY)*		9,6	13,9	16,3	17,5	18,3	13,5	10,1	6,4	14,3	12,1	4,8
Wibor 3M (%)**		4,77	7,05	7,21	7,08	6,88	6,88	6,88	6,88	7,08	6,88	5,76
NBP reference rate (%)**		3,50	6,00	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,75	5,75
EURPLN**		4,64	4,70	4,85	4,70	4,78	4,73	4,70	4,65	4,70	4,65	4,50
USDPLN**		4,19	4,48	4,95	4,45	4,78	4,59	4,43	4,27	4,45	4,27	4,29

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

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
		Monday 12/19/2022				
10:00	Germany	Ifo business climate (pts)	Dec	86,3		87,4
11:00	Eurozone	Wages (% YoY)	Q3	4,1		
		Tuesday 12/20/2022				
10:00	**Poland**	**Corporate sector wages (% YoY)**	**Nov**	**13,0**	**12,4**	**13,3**
10:00	**Poland**	**PPI (% YoY)**	**Nov**	**22,9**	**21,6**	**21,1**
10:00	**Poland**	**Industrial production (% YoY)**	**Nov**	**6,8**	**1,6**	**2,0**
10:00	Eurozone	Current account (bn EUR)	Oct	-8,1		
10:00	**Poland**	**Employment (% YoY)**	**Nov**	**2,4**	**2,3**	**2,3**
14:30	USA	Housing starts (k MoM)	Nov	1425	1389	1400
14:30	USA	Building permits (k)	Nov	1512	1474	1483
16:00	Eurozone	Consumer Confidence Index (pts)	Dec	-23,9		-22,0
		Wednesday 12/21/2022				
10:00	**Poland**	**Retail sales (% YoY)**	**Nov**	**18,3**	**15,1**	**16,9**
16:00	USA	Existing home sales (M MoM)	Nov	4,43	4,25	4,20
16:00	USA	Consumer Confidence Index	Dec	100,2	101,0	101,0
		Thursday 12/22/2022				
14:00	**Poland**	**M3 money supply (% YoY)**	**Nov**	**7,0**	**6,6**	**5,9**
14:30	USA	Final GDP (% YoY)	Q3	2,9	2,9	2,9
		Friday 12/23/2022				
10:00	**Poland**	**Registered unemplyment rate (%)**	**Nov**	**5,1**	**5,1**	**5,1**
14:30	USA	Real private consumption (% MoM)	Nov	0,5		
14:30	USA	PCE Inflation (% YoY)	Nov	6,0	5,5	
14:30	USA	PCE core inflation (% YoY)	Nov	5,0	4,6	4,6
14:30	USA	Durable goods orders (% MoM)	Nov	1,1	-2,0	-0,8
16:00	USA	New home sales (k)	Nov	632	600,0	595
16:00	USA	Final U. of Michigan Sentiment Index (pts)	Dec	59,1	59,1	59,1

*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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