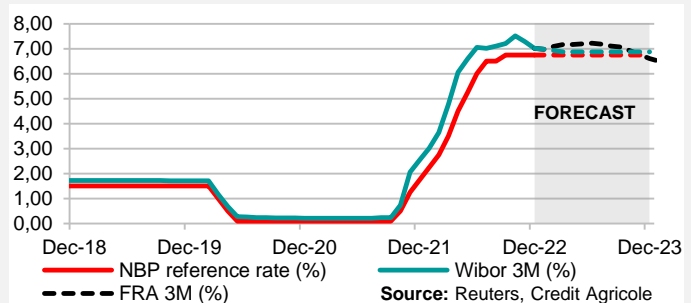


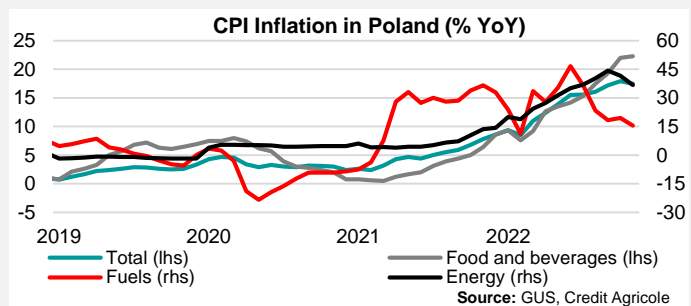
## This week

**The key event this week will be the MPC meeting planned for Wednesday.** We expect the MPC to keep the interest rates unchanged (with the NBP reference rate standing at 6.75%). The December decision of the MPC to keep the rates unchanged, for the third time in a row, was in line with the



reluctance of the NBP Governor and some members of the MPC, expressed in public comments, to keep on tightening the monetary policy despite persisting, high inflation, which is unlikely to go back to the inflation target in the monetary policy transmission horizon. A decision to stabilize interest rates expected at this week's meeting will be in line with the NBP Governor's comments made at his press conference in December. In December, A. Glapiński implied that the MPC was trying to squash inflation as fast as possible while at the same time trying to prevent business activity from excessive shrinking. The drop in CPI inflation seen in November and a further drop expected to be seen in December (see below) offer an important argument for the MPC for keeping the *status quo* in monetary policy. This week's decision to keep interest rates unchanged will be in line with market consensus, and thus it should be neutral for the PLN and yields on Polish bonds. This week will probably also see the NBP President's usual press conference, which will shed more light on Poland's monetary policy prospects.

**Another important event this week will be the release of Poland's flash inflation figures.** In our opinion, inflation fell to 17.3% YoY in December from 17.5% in October. A rise in core inflation and fast growth in food prices were more than offset by slower growth in fuels and energy prices. Our



forecast is in line with consensus (17.3%), and thus its materialization would be neutral for the PLN and yields on Polish bonds.

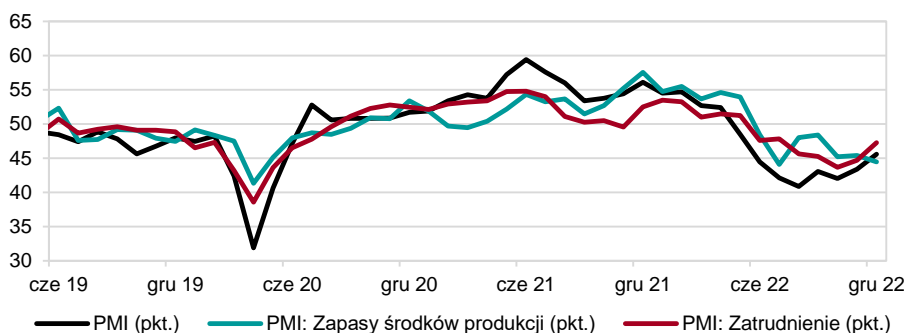
**Some significant data on the US economy will be released this week.** Data on the labour market is scheduled to be released on Friday. Consensus expects non-farm payrolls to have increased by 200k in December vs. 263k in November, with the rate of unemployment stabilized at 3.7%. Before the Friday data release, some additional data on the labour market will be provided in the ADP report on non-farm private sector employment (the market expects a 150k growth in December vs. 127k in November). The ISM manufacturing index will be released on Wednesday; according to consensus the index dropped to 48.5 pts in December from 49.0 pts in November, in line with a drop in the manufacturing PMI. We believe this week's US data will be neutral for financial markets.

**Minutes from the December FOMC meeting are to be published on Wednesday.** Information on differences in the expectations of individual Fed members regarding the pace of monetary policy tightening in the coming months, in particular the need to reduce the scale of further interest rate rises, will be an important element of the Minutes. During the conference call after the December FOMC meeting, J. Powell stated that the Fed still has a long way to go to regain control of inflation. At the same time, he hinted that further interest rate rises are advisable in order to bring inflation back to the inflation target of 2% in the medium term. We believe that the publication of the Minutes will lead to increased volatility in financial markets.

- ▄ **The flash HICP inflation estimate for the Eurozone will be published on Friday.** The market expects the annual price growth rate to have slowed to 9.7% YoY in December, vs. 10.1% in November. Germany's flash HICP inflation estimate, to be released on Tuesday, will provide additional information about inflation in the Eurozone. The market expects it to have eased to 10.7% YoY in December vs. 11.3% in November. We believe that the December publication will be another signal of disinflation in the Eurozone. We expect inflation in the common currency area to continue on a downward trend in 2023. We believe that the publication of data on inflation will be neutral for the PLN and the prices of Polish bonds.
- ▄ **Business survey results for China's manufacturing will be released on Tuesday.** The market expects the Caixin PMI to have slipped to 48.8 pts in December from 49.4 pts in November. The CFLP PMI, which was published over the weekend, supports such a forecast. It fell to 47.0 pts in December from 48.0 pts in November, its steepest drop since the outbreak of the pandemic. A negative factor for activity in Chinese manufacturing is the strong increase in infections associated with China's reeling from its zero-COVID policy. In addition, the slowdown in global trade as well as weakening domestic demand have a negative impact on Chinese manufacturing. We believe that data from China will be neutral for financial markets.
- ▄ **Poland's manufacturing PMI data for December has been released today.** Poland's manufacturing PMI rose to 45.6 pts in December from 43.4 pts in November, running well above market consensus (44.0 pts) and our forecast (44.3 pts, see below).

## ▄ Restructuring in the Polish manufacturing sector is progressing

PMI for Polish manufacturing increased from 43.4 pts in November to 45.6 pts in December, running



Źródło: Markit

clearly above market consensus (44.0 pts) and our forecast (44.3 pts). This means that the index has remained below the 50-point level separating growth from contraction for eight consecutive months. The increase in the index resulted from higher contributions of 4 out of its 5 components: new orders, current output, employment and delivery times. The lower contribution of the component for inventories had the opposite effect.

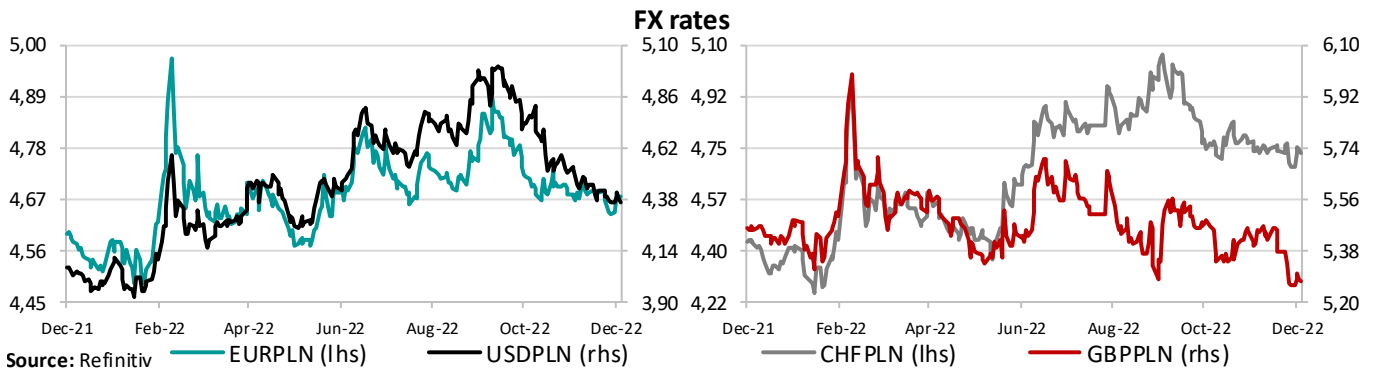
The structure of the index did not change significantly in December compared to November. The strong decline in new orders, including new export orders, continues, with a gradual slowdown. Lower orders are reflected in a decline in current production. According to the press release, businesses indicated the unstable economic situation and high inflation among the reasons for weaker demand.

Given weaker demand, businesses have been catching up on production for the past seven months, thanks to which they have been able to curb the decline in current production. Still, amidst continuing strong cost pressures many businesses were forced to carry out restructuring, which is reflected in drops in employment and inventories, seen for the seventh time in a row. High uncertainty about the outlook for the economic situation can also be seen in the future output index over a 12-month horizon. Although it is slightly above the 50-point level separating growth from contraction, it remains very low against the historical backdrop.

Particularly noteworthy in the data are the declining indices for both the input and output prices. Although the price growth rate remains high, it has clearly weakened in recent months. This is consistent with our scenario of inflation peaking in Q1 2023 at 18.3% YoY and then following a mild downward trend to reach 6.4% in Q4.

The average PMI for Poland’s manufacturing rose to 43.7 pts in Q4 from 42.0 pts in Q3. The data thus supports our 'soft landing' scenario for the Polish economy, according to which it will avoid recession in the coming quarters, with economic growth of 1.2% for the whole of 2023. At the same time, today's manufacturing PMI data for December supports our scenario that economic growth will slow to 1.1% YoY in Q4 vs. 3.6% in Q3. In our opinion, today’s data is slightly positive for the PLN and the yields on Polish bonds.

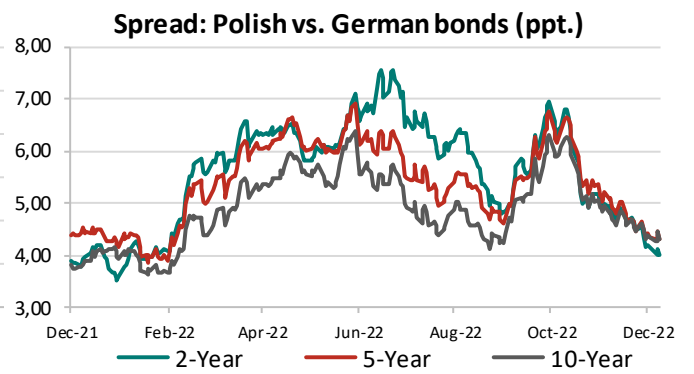
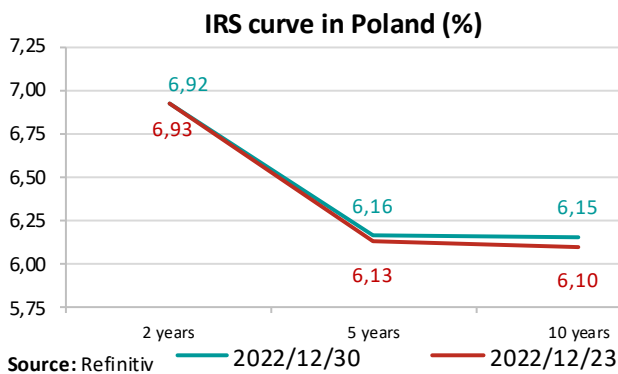
**FOMC Minutes in the spotlight**



**Last week, the EURPLN rate increased to 4.6760 (the PLN weakened by 0.8%).** The PLN weakened at the beginning of last week. The depreciation of the Polish currency was fostered by waning expectations among some investors that Poland would receive the NRP funds quickly. Later in the week, the exchange rate of the PLN was stable, which was due to a poor calendar of macroeconomic events, as well as reduced liquidity in the market due to the Christmas and New Year period. For the same reason, we also saw relatively low volatility in the EURUSD exchange rate.

This week, the publication of the Minutes from the December FOMC meeting, scheduled for Wednesday, will be crucial for the PLN. In our view, it may encourage increased volatility in the PLN exchange rate. We believe that publications from the Polish and global economies planned for this week will not have a significant impact on the PLN. Information suggesting a possible change in the monetary policy stance of the Federal Reserve and the ECB, as well as information relating to the war in Ukraine will remain an important factor determining the PLN exchange rate.

**Publication of FOMC Minutes will induce higher volatility of the IRS rates**



Last week the 2-year IRS rates decreased to 6.92 (down by 1bp), 5-year rates increased to 6.16 (up by 3bp), and 10-year rates increased to 6.15 (up by 5bp). Last week saw a slight increase in IRS rates at the long end of the curve following core markets. Increased bond yields in the core markets were supported by growing investor expectations that major central banks would keep interest rates elevated for an extended period of time. At the same time, there was reduced liquidity in the market due to the Christmas and New Year period.

This week, the publication of the Minutes of the December FOMC meeting, scheduled for Wednesday, will be crucial for IRS rates, and it could foster increased volatility in financial markets. Data releases from the Polish and global economies planned for this week will not have a significant impact on the IRS, in our opinion. Information suggesting a possible change in the monetary policy stance of the Federal Reserve and the ECB, as well as information relating to the war in Ukraine will remain an important factor affecting the yield curve.

## Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	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	Jan-23
NBP reference rate (%)	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	6,75
EURPLN*	4,58	4,58	4,69	4,64	4,67	4,58	4,70	4,73	4,72	4,85	4,71	4,67	4,68	4,70
USDPLN*	4,03	4,08	4,18	4,19	4,43	4,27	4,48	4,63	4,70	4,95	4,77	4,48	4,37	4,39
CHFPLN*	4,42	4,40	4,56	4,54	4,55	4,45	4,69	4,86	4,80	5,01	4,76	4,74	4,73	4,82
CPI inflation (% YoY)	8,6	9,4	8,5	11,0	12,4	13,9	15,5	15,6	16,1	17,2	17,9	17,5	17,3	
Core inflation (% YoY)	5,3	6,1	6,7	6,9	7,7	8,5	9,1	9,3	9,9	10,7	11,0	11,4	11,7	
Industrial production (% YoY)	16,3	18,0	17,3	15,4	12,3	14,9	10,4	7,1	10,9	9,8	6,6	4,5	3,0	
PPI inflation (% YoY)	14,4	16,1	16,1	21,9	24,1	24,7	25,6	25,5	25,5	24,6	23,1	20,8	19,3	
Retail sales (% YoY)	16,9	20,0	16,5	22,0	33,4	23,6	19,9	18,4	21,5	21,9	18,3	18,4	18,0	
Corporate sector wages (% YoY)	11,2	9,5	11,7	12,4	14,1	13,5	13,0	15,8	12,7	14,5	13,0	13,9	12,4	
Employment (% YoY)	0,5	2,3	2,2	2,4	2,8	2,4	2,2	2,3	2,4	2,3	2,4	2,3	2,3	
Unemployment rate* (%)	5,8	5,9	5,9	5,8	5,6	5,4	5,2	5,2	5,2	5,1	5,1	5,1	5,2	
Current account (M EUR)	-3883	-1091	-2032	-4206	-2844	-1340	-541	-1887	-3332	-1561	-549	-1084		
Exports (% YoY EUR)	25,0	27,4	20,3	11,9	18,2	26,9	21,3	19,0	26,7	25,5	23,7	19,5		
Imports (% YoY EUR)	39,6	38,7	29,7	31,4	36,4	32,5	26,6	20,6	28,7	28,9	24,6	21,5		

\*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	5,2	5,6	5,4	5,3	5,5	5,2	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	7,02	6,88	6,88	6,88	6,88	7,02	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	4,69	4,78	4,73	4,70	4,65	4,69	4,65	4,50	
USDPLN**	4,19	4,48	4,95	4,39	4,78	4,59	4,43	4,27	4,39	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**
<b>Monday 01/02/2023</b>						
9:00	Poland	Manufacturing PMI (pts)	Dec	43,4	44,3	44,0
9:55	Germany	Final Manufacturing PMI (pts)	Dec	47,4	47,4	47,4
10:00	Eurozone	Final Manufacturing PMI (pts)	Dec	47,8	47,8	47,8
<b>Tuesday 01/03/2023</b>						
2:45	China	Caixin Manufacturing PMI (pts)	Dec	50,2		48,8
14:00	Germany	Preliminary HICP (% YoY)	Dec	11,3		10,7
15:45	USA	Flash Manufacturing PMI (pts)	Dec	46,2		
<b>Wednesday 01/04/2023</b>						
10:00	Eurozone	Services PMI (pts)	Dec	49,1	49,1	49,1
10:00	Eurozone	Final Composite PMI (pts)	Dec	48,8	48,8	48,8
16:00	USA	ISM Manufacturing PMI (pts)	Dec	49,0		48,5
20:00	USA	FOMC Minutes	Dec			
	Poland	NBP rate decision (%)	Jan	6,75	6,75	6,75
<b>Thursday 01/05/2023</b>						
8:00	Germany	Trade balance (bn EUR)	Nov	6,9		7,5
10:00	Poland	Flash CPI (% YoY)	Dec	17,5	17,3	17,3
11:00	Eurozone	PPI (% YoY)	Nov	30,8		27,6
14:00	Poland	MPC Minutes	Jan			
14:15	USA	ADP employment report (k)	Dec	127		145
<b>Friday 01/06/2023</b>						
8:00	Germany	New industrial orders (% MoM)	Nov	0,8		-0,5
11:00	Eurozone	Business Climate Indicator (pts)	Dec	0,54		
11:00	Eurozone	Preliminary HICP (% YoY)	Dec	10,1		9,7
11:00	Eurozone	Retail sales (% MoM)	Nov	-1,8		0,5
14:30	USA	Unemployment rate (%)	Dec	3,7		3,7
14:30	USA	Non-farm payrolls (k MoM)	Dec	263		200
16:00	USA	ISM Non-Manufacturing Index (pts)	Dec	56,5		55,0
16:00	USA	Factory orders (% MoM)	Nov	1,0		-0,9

\*The forecasts of macroeconomic indicators for Poland were prepared by Credit Agricole Bank Polska S.A. The forecasts of foreign indicators were prepared by Crédit Agricole Corporate and Investment Bank

\*\* Refinitiv