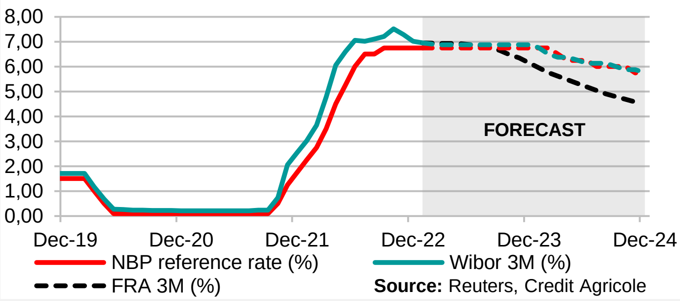
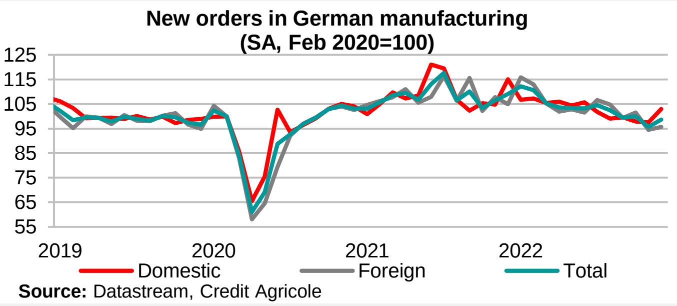
This week

- **The key event this week will be the MPC meeting scheduled for Wednesday.** We expect the MPC to keep interest rates unchanged (with the NBP reference rate standing at 6.75%). The MPC's January decision to keep rates unchanged, for the fourth time one in a row, was in line with public comments made by the NBP Governor and some members of the MPC expressing their reluctance to continue to tighten monetary policy. Our expectation that the MPC will keep the status quo in monetary policy is also supported by comments made by A. Glapiński at his press conference in January to the effect that the NBP believes inflation will drop to a single digit at the end of 2023. 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 Governor's usual press conference, which will shed more light on Poland's monetary policy prospects.



Source: Reuters, Credit Agricole

- **Some important data from the US will be released this week.** We expect the University of Michigan index to fall to 64.0 pts in February from 64.9 pts in January, signalling some deterioration in US household sentiment driven, among other things, by the Fed tightening its monetary policy (see below). We believe that US consumer sentiment data will be neutral for financial markets.
- **Some important data on the German economy has been released today.** Growth in manufacturing orders picked up to 3.2% MoM in December from -4.4% in November, running well above market expectations (+2.1%). Growth in orders was seen both for domestic and foreign orders. Growth in export orders was driven by a strong rise in orders from Eurozone countries, while orders from outside the single currency area dropped. Given Germany's manufacturing PMI data for January, we can expect that although the coming months are likely to see another drop in German manufacturing orders, the scale of the drop will be getting smaller (see MACROmap of 30/01/2023). We believe that today's data from Germany is neutral for financial markets.



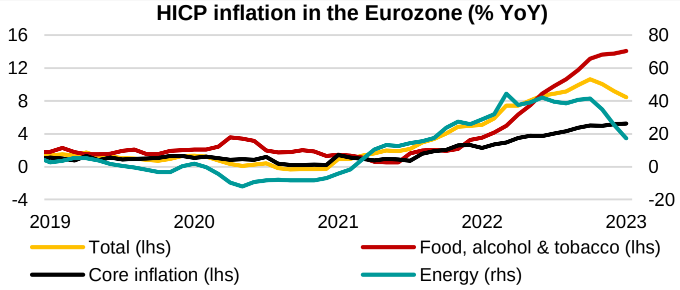
Source: Datastream, Credit Agricole

Last week

- **Poland's GDP grew by 4.9% in 2022 compared to 6.8% in 2021, which is above market expectations (4.8%) and our forecast (4.5%).** GDP data shows a slowdown in economic growth, driven by lower contributions from private and public consumption. At the same time, economic growth in 2022 was boosted by net exports and investment contributions, which were higher than in 2021. Based on data for the whole of 2022, we have estimated that real GDP growth stood at 2.3-2.4% YoY in Q4 2022 compared to 3.6% in Q3, which is above our expectations (1.1%). The slowdown in YoY economic growth between Q3 and Q4 is accounted for primarily by a lower contribution from private consumption. A lower contribution from change in inventories was another factor behind the YoY GDP slowdown between Q3 and, however, despite the drop, change in inventories remained the main source of Poland's GDP growth. What is particularly worth noting about the Q4 GDP growth data is a marked rise in investment, which we believe is accounted for by higher public investment (see MACROpulse of 30/01/2023). The slowdown seen in Q4 2022 was also offset to some extent by a slightly higher contribution from net exports. The GDP figures support our 'soft landing' scenario for Poland's economy (see below).

- **Poland's manufacturing PMI rose to 47.5 pts in January from 45.6 pts in December, running well above market expectations (46.2 pts) and our forecast (46.1 pts).** The rise in the index is accounted for by higher contributions from 3 out of its 5 components (current output, new orders and delivery times), partially offset by lower contributions from employment and input inventories. Businesses surveyed in January pointed out problems with weak demand, which continues to be affected by economic slowdown (see MACROpulse of 01/02/2023). Due to persistent drops both in output and in new orders, businesses continued their restructuring processes. This was reflected in further shrinking of both finished goods and input inventories, and a fall in employment, which became stronger in January. January also saw growth in both finished goods and input prices picking up again. It is worth noting that these indices were on a downward trend in previous months. What is more, the prices rose despite a marked fall in demand. Businesses surveyed said the price rises were driven by surging energy and input prices. Despite the continuing slowdown in Poland's manufacturing activity, January saw a strong rise in the index for output expected over a 12-moth horizon, which hit its highest level since May 2022 and had been above the 50-point mark for three months, which supports our 'soft landing' scenario for Poland's economy, expecting Poland's GDP growth to slow down markedly, but remain positive in 2023 (see below).
- **The European Central Bank met last week and decided to increase its interest rates by 50bp.** The ECB's decision was in line with our expectations and those of the market (see MACROmap of 30/01/2023). As a result, the ECB's main interest rate is now 3.00% and the deposit rate 2.50%. According to the press release, the Governing Council is set to make another 50bp interest rate hike in March, after which the ECB will examine the further development of its monetary policy. The press release was perceived by the market as an announcement of a reduction in the pace of interest rate hikes, which led to a weakening of the EUR against the USD. At last week's meeting, the ECB also announced details of the reduction of its balance sheet. According to the December announcement, from the beginning of March until the end of June 2023, the APP portfolio will be reduced by an average of EUR15bn per month, with the subsequent pace of reduction to be determined over time. The remaining maturing securities (worth around EUR17bn per month) will be reinvested in proportion to the share of each instrument in maturing assets. In the case of purchased corporate bonds, reinvestment will be directed more towards issuers with a more favourable climate impact. We expect the ECB to raise interest rates by another 50bp in March and May and by 25bp in June. At that point, the main interest rate will reach a target of 4.25% and the deposit rate 3.75%.
- **In accordance with the flash estimate, quarterly GDP growth in the Eurozone slowed in Q4 to 0.1% vs. 0.3% in Q3 (1.9% YoY in Q4 vs. 2.3% in Q3), and was thus above market expectations (-0.1%) and our forecast (-0.3%).** Declines in quarterly GDP growth were recorded in all major Eurozone economies: in Germany (-0.2% QoQ in Q4 vs. 0.5% in Q3), France (0.1% vs. 0.2%) and Italy (-0.1% vs. 0.5%). This data is preliminary only and does not include information on the compositions of economic growth. Clearly higher than our expectations, the data indicates a significant decrease in the probability of a recession in the Eurozone, which supports our 'soft landing' scenario for Poland's economy.

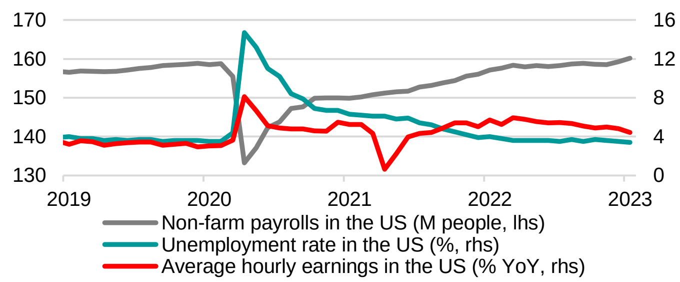
In accordance with the flash estimate, inflation in the Eurozone dropped to 8.5% YoY in January vs. 9.2% in December, running clearly below the market consensus (9.1%). The drop in inflation resulted mostly from slower price growth in the 'energy' category. The data supports our assessment that inflation in the Eurozone has already peaked (see MACROmap of 02/01/2023). Nevertheless, the prospect of inflation remaining at elevated levels for an extended period of time supports our scenario that the ECB will continue its interest rate hike cycle in the coming months and will not complete it until June this year (see above).



Source: Datastream, Credit Agricole

At its last week's meeting, the Fed increased the target range for Federal Reserve funds by 25bp [4.50%; 4.75%], which was in line with our forecast and market expectations. The Fed's decision marks a further reduction in the pace of interest rate rises (at its previous meeting, the Fed raised interest rates by 50bp, while the previous four hikes were 75bp each). According to the press release, FOMC members continue to believe that the risk of insufficient US interest rate hikes remains higher than the risk of too much monetary tightening, and consequently further rate hikes appear appropriate. During the post-meeting press conference, Federal Reserve chief J. Powell said that the Fed expects a couple more interest rate rises. This supports our scenario of two more Fed interest rate hikes of 25bp each (in March and May) ending the hike cycle with a Federal Reserve funds rate target range of [5.00%, 5.25%].

Some significant data on the US economy was released last week. Non-farm payrolls rose by 517k in January vs. 260k in November (upward revision from 223k), running markedly above market expectations (185k). The strongest increases in employment were seen in leisure and hospitality (+128.0k), education and health services (+105.0k), and professional and business services (+82.0k). In contrast, the sharpest fall in employment was in information (-5.0k). Unemployment fell to 3.4% in January from 3.5% in December, running below market expectations (3.6%). At the same time, the labour force participation rate increased in January to 62.4% vs. 62.3% in December. In contrast, hourly wage growth slowed in January to 4.4% YoY vs. 4.8% in December, indicating weakening wage pressures in the US economy. The deterioration in manufacturing was indicated by the ISM index, which fell to 47.4 pts in January from 48.4 pts in December, running slightly below market expectations (48.0 pts). The drop in the index is accounted for by lower contributions of 4 out of its 5 components (new orders, output, inventories, and employment), partially offset by a higher delivery times contribution. Particularly noteworthy in the data is the further decline in the input prices (this component, despite an increase in January, is still clearly below the 50-point threshold), indicating extinguishing cost pressures in US manufacturing. In contrast, the ISM index for services recorded growth from 49.2 pts in December to 55.2 pts in January, running clearly above market expectations (50.4 pts). Its increase was due to a marked rise in all of its 4 components: for business activity in services, new orders, employment and delivery times. In contrast, the Conference Board index indicated a deterioration in US consumer sentiment as it decreased in January to 107.1 pts from 109.0 pts in December, running below market expectations (109.0 pts). The drop in the index was due to a decline in its component for expectations, while the opposite

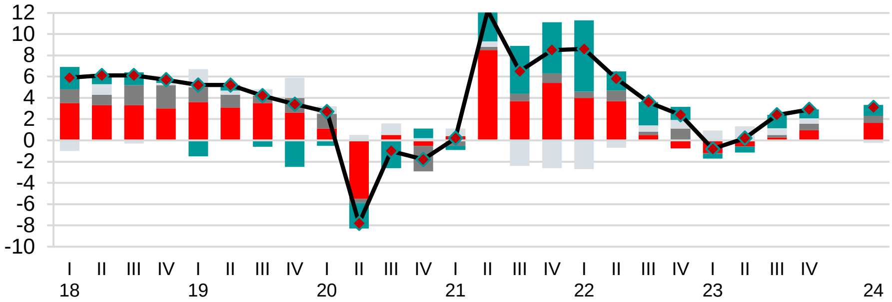


Source: Datastream, Credit Agricole

effect came from an increase in the component for the assessment of the current situation. Last week's data from the US economy poses an upside risk to our forecast that the annualised US economic growth rate will slow to 0.4% in Q1 2023 vs. 2.9% in Q4 2022.

- **China's Caixin manufacturing PMI increased to 49.2 pts in January from 49.0 in December, running below market expectations (49.5 pts).** The PMI increase resulted from higher contributions of 3 out of its 5 components (new orders, employment and output), while lower contributions of delivery times and inventories had the opposite effect. Particularly noteworthy in the data was the increase in the component for new orders, including export orders. Nonetheless, they are still below the 50-point threshold separating expansion from contraction in activity, a result of both weaker domestic demand in China and a slowdown in global trade. In contrast, China's manufacturing CFLP PMI increased to 50.1 pts in January from 47.0 pts in December, running above market expectations (49.8 pts). We expect the next few months to bring a significant improvement in the epidemic situation, which will support economic activity. What supports this assessment is the increasing mobility of the Chinese population reflected, among other things, by the increasing traffic volume, which has already returned to pre-pandemic levels in most cases. As a result, we forecast China's GDP growth rate to accelerate to 5.2% in 2023 from 3.0% in 2022, mainly driven by the strong recovery in consumption we expect, supported by the realisation of pent-up demand (see MACROmap of 23/01/2023).

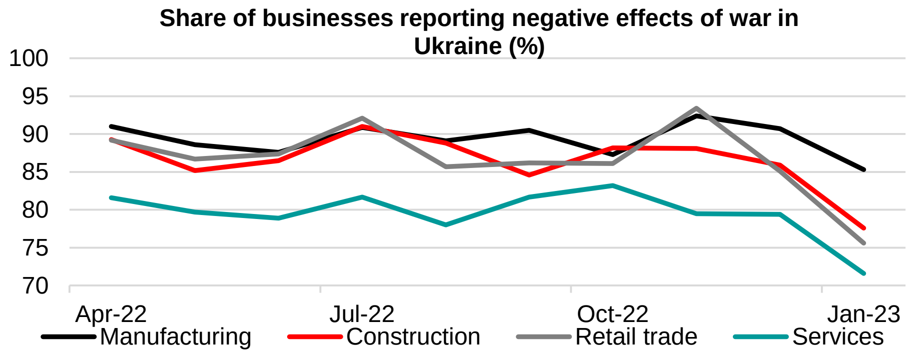
Forecast for 2023-2024



Source: GUS, Credit Agricole

Below we present our macroeconomic scenario taking into account recent data on real economy, as well as the trends signalled by business surveys (see table on page 8). Our forecast concerning average annual economic growth rates for 2023 and 2024 has not changed, and we still expect them to be running at 1.2% YoY and 3.1% YoY, respectively. The figures indicate that the "soft landing" scenario for the Polish economy still applies.

However, our forecast for the economic growth structure has changed. First of all, we have revised our gross fixed capital formation forecast upwards. GDP growth data for 2022 suggests that the total investment growth rate for Q4 2022 was much higher than we had expected (see MACROpulse of 30/01/2022). We believe that it was public investments that drove the gross fixed capital formation quickly up in Q4 2022. Our conclusion is supported by construction-and-assembly production data for October-December 2022 (quicker growth in the "civil engineering works" category). We expect that the public finances sector entities will take efforts to make use of and settle the EU funds that were made available to them within EU's previous multi-annual financial framework (2014-2020) in the months to come. Therefore, we have revised the public investment path up comparing to the previous forecast.



Source: GUS, Credit Agricole

Enterprises' investments will be curbed by the continuing uncertainty regarding future economic conditions, high interest rates, and growing costs of operation. Nonetheless, we think the outlook for enterprises' investments is brighter than in the previous forecasting round. Our conclusion is supported by the results of the enterprises' sentiment survey ("NBP's Quick Monitoring", January 2023), which show that the companies' expectations concerning the outlook for investments until the end of 2023 have improved comparing to the previous report. Furthermore, the results of the business sentiment survey published by the GUS show the enterprises believe that the negative impact of the war in Ukraine on their operations is fading. The share of enterprises experiencing a slight, serious or stability-threatening negative impact of the war in Ukraine on their operations fell significantly in January in all major segments of the economy, reaching the lowest level in the history of the survey (i.e. since April 2022; see the diagram). "Growing costs", "supply chain disruptions" and "falling sales volumes/revenues" remain the most frequently experienced negative consequences named by the enterprises. Nonetheless, the problems mentioned above have become less severe comparing to the situation seen a couple of months ago, which will support the companies' investments. However, we are still of the opinion that the outlook for households' investments (mainly purchases of apartments in the new property market) is not bright due to poorer availability of mortgage loans, poorer demand for apartments bought for cash, high prices of apartments, and high interest rates. To sum up, we expect the gross fixed capital formation to go up by 1.2% in 2023 comparing to 4.6% in 2022.

However, the upward revision of the expected investment path was set off by downward revision of consumption growth path. Our own data on customers' payment card transactions indicate that the real retail sales growth, which is closely correlated to private consumption growth, was still close to zero in January. We expect the annual average real wage fund (the fund being the product of employment and average wage adjusted for price growth) to go down in 2023, which will inhibit consumption growth. This effect will be slightly mitigated by additional social transfers that we expect the government to launch, bearing in mind the parliamentary elections planned for 2023. Private consumption growth will also be curbed by last year's high base effects related to the demand created by Ukrainian refugees. Consequently, we expect consumption expressed in real terms to go down by 0.2% YoY in 2023 vs. a 3.0% growth in 2022.

Slower investment growth and consumption decline expressed in annual terms will curb the growth in domestic demand and imports. At the same time, we have revised our exports forecast for the coming quarters up, given the better-than-expected results of the business survey indicating at the upturn in the manufacturing sector reported by Poland's main trade partners (see MACROmap of 30/01/2023). We expect the situation with supply constraints for the manufacturing sector to keep on improving both in Poland and worldwide, and if it so happens, we will see an upturn in exports. Therefore, we have revised the path for net exports contribution towards the 2023 GDP growth slightly up.

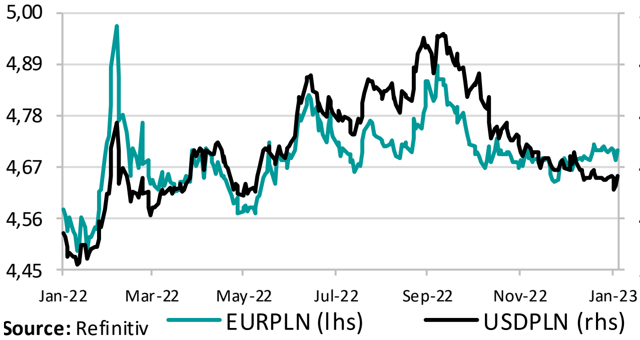
We expect to see an upturn in the Eurozone and in global trade in 2024, and therefore we predict that the GDP growth in Poland will accelerate mildly in that year. 2023 low base effects will be an additional factor supporting the economic growth in 2024. The inflation drop that we expect to take place will drive the consumption up. We still assume that the projects that are intended to be run as part of the National

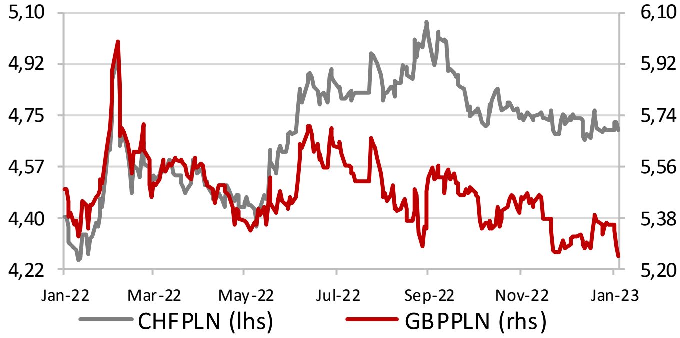
Recovery Plan will be delayed until the turn of 2023 and 2024, which will be an important factor supporting growth in investments and GDP in 2024.

Our macroeconomic scenario carries a significant downside risk, which can materialise if the war in Ukraine is escalated. Inflation processes are another factor that carries uncertainty. If consumer inflation and the costs of companies' operations grow faster than we expect, we will see an even stronger decline in consumption, investments and GDP growth rates in 2023.

MPC meeting crucial for the PLN

FX rates





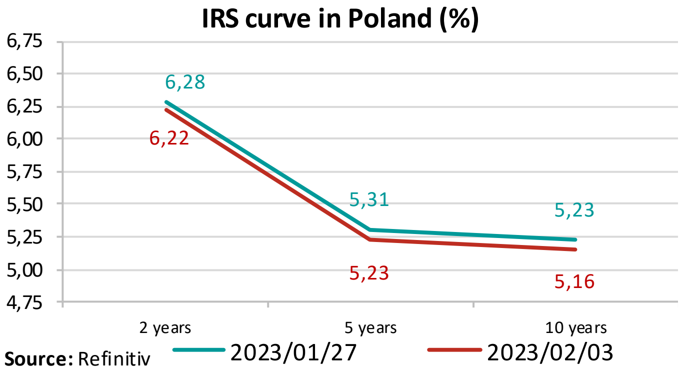
Source: Refinitiv

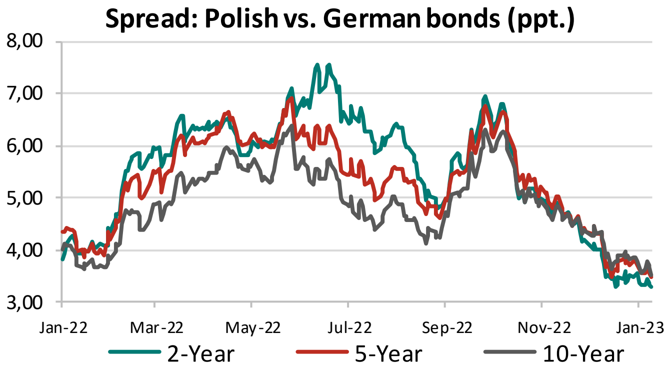
Last week, the EURPLN rate increased to 4.7065 (the PLN weakened by 0.1%). In the first part of the week, the EURPLN exchange rate was characterised by relatively low volatility in anticipation of the of the meetings of the main central banks (Fed and ECB). While the Fed's decision did not have a significant impact on the PLN, the dovish tone of the ECB meeting led to a strengthening of the Polish currency. Friday saw a correction and weakening of the PLN supported by the publication of significantly better-than-expected data from the US labour market.

The EURUSD exchange rate last week was shaped primarily by the Fed and ECB meetings. On Wednesday, the USD weakened against the EUR, supported by the rather dovish tone of Federal Reserve Chief J. Powell's statements during the post-meeting press conference. Then on Thursday the USD recovered supported by the dovish tone of the ECB meeting. Clearly better-than-expected US labour market data published on Friday led to another strengthening of the USD against the EUR.

This week the MPC meeting scheduled for Wednesday will be crucial for the PLN. In our view, however, it will have a limited impact on the exchange rate of the Polish currency. We believe that other data releases from global economies planned for this week will not have a significant impact on the PLN. Information on the course of hostilities in Ukraine will remain an important determinant of the PLN.

MPC meeting in the spotlight





Source: Refinitiv

Last week, 2-year IRS rates dropped to 6.22 (down by 6bp), 5-year rates to 5.23 (down by 8bp) and 10-year ones to 5.16 (down by 7bp). Last week saw a drop in IRS rates following the core markets. The decline in yields in the core markets was supported by the dovish tone of the Fed and ECB meetings, which reduced investor expectations of further strong interest rate rises in the US and the Eurozone. On Friday, there was a correction and a rise in IRS rates across the curve in response to the release of better-than-expected US labour market data.

This week's focus will be on the MPC meeting scheduled for Wednesday, although we believe it will have a limited impact on the curve. Other data releases from the global economy planned for this week will not have a significant impact on the IRS, in our opinion. Information on the course of hostilities in Ukraine will remain an important factor affecting the yield curve.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	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	Feb-23
NBP reference rate (%)	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	6,75
EURPLN*	4,58	4,69	4,64	4,67	4,58	4,70	4,73	4,72	4,85	4,71	4,67	4,69	4,71	4,71
USDPLN*	4,08	4,18	4,19	4,43	4,27	4,48	4,63	4,70	4,95	4,77	4,48	4,38	4,33	4,28
CHFPLN*	4,40	4,56	4,54	4,55	4,45	4,69	4,86	4,80	5,01	4,76	4,74	4,72	4,70	4,75
CPI inflation (% YoY)	9,4	8,5	11,0	12,4	13,9	15,5	15,6	16,1	17,2	17,9	17,5	16,6	17,8	
Core inflation (% YoY)	6,1	6,7	6,9	7,7	8,5	9,1	9,3	9,9	10,7	11,0	11,4	11,5	11,4	
Industrial production (% YoY)	18,0	17,3	15,4	12,3	14,9	10,4	7,1	10,9	9,8	6,6	4,4	1,0	5,5	
PPI inflation (% YoY)	16,1	16,1	21,9	24,1	24,7	25,6	25,5	25,5	24,6	23,1	21,1	20,4	18,8	
Retail sales (% YoY)	20,0	16,5	22,0	33,4	23,6	19,9	18,4	21,5	21,9	18,3	18,4	15,5	16,2	
Corporate sector wages (% YoY)	9,5	11,7	12,4	14,1	13,5	13,0	15,8	12,7	14,5	13,0	13,9	10,3	12,5	
Employment (% YoY)	2,3	2,2	2,4	2,8	2,4	2,2	2,3	2,4	2,3	2,4	2,3	2,2	1,8	
Unemployment rate* (%)	5,9	5,9	5,8	5,6	5,4	5,2	5,2	5,2	5,1	5,1	5,1	5,2	5,4	
Current account (M EUR)	-1091	-2032	-4206	-2834	-1078	-499	-1206	-2743	-1839	-597	-422	-1799		
Exports (% YoY EUR)	27,4	20,3	11,9	17,6	26,8	21,5	20,3	27,6	26,5	24,4	20,3	13,5		
Imports (% YoY EUR)	38,7	29,7	31,4	36,0	32,7	27,1	21,8	29,4	30,1	25,3	17,7	13,0		

*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	2,4	-0,8	0,2	2,4	2,9	4,9	1,2	3,1
Private consumption (% YoY)	6,7	6,4	0,9	-1,5	-2,0	-1,0	0,5	2,0	3,0	-0,2	3,0
Gross fixed capital formation (% YoY)	4,7	6,6	2,0	5,1	-0,5	0,2	1,4	2,6	4,6	1,2	4,0
Export - constant prices (% YoY)	4,2	5,2	6,9	4,0	3,5	2,0	3,5	4,8	5,1	3,4	3,8
Import - constant prices (% YoY)	9,4	6,9	6,0	2,6	2,0	0,0	2,5	4,0	6,0	2,1	4,3
GDP growth contributions: Private consumption (pp)	4,0	3,6	0,5	-0,8	-1,2	-0,6	0,3	1,0	1,7	-0,1	1,7
GDP growth contributions: Investments (pp)	0,6	1,0	0,3	1,1	-0,1	0,0	0,2	0,6	0,8	0,2	0,7
GDP growth contributions: Net exports (pp)	-2,7	-0,7	0,6	0,8	0,9	1,3	0,6	0,5	-0,4	0,8	-0,2
Current account (% of GDP)***	-2,7	-3,5	-3,5	-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	17,3	17,3	13,0	10,6	7,3	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	4,38	4,55	4,42	4,31	4,23	4,38	4,23	4,29

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

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
		Monday 02/06/2023				
8:00	Germany	New industrial orders (% MoM)	Dec	-5,3		2,0
10:30	Eurozone	Sentix Index (pts)	Feb	-17,5		-12,6
11:00	Eurozone	Retail sales (% MoM)	Dec	0,8		-2,5
		Tuesday 02/07/2023				
8:00	Germany	Industrial production (% MoM)	Dec	0,2		-0,6
		Wednesday 02/08/2023				
16:00	USA	Wholesale inventories (% MoM)	Dec	0,1		
16:00	USA	Wholesale sales (% MoM)	Dec	-0,6		
	Poland	**NBP rate decision (%)**	**Feb**	**6,75**	**6,75**	**6,75**
		Thursday 02/09/2023				
14:30	USA	Initial jobless claims (k)	w/e	269		
		Friday 02/10/2023				
2:30	China	PPI (% YoY)	Jan	-0,7		
2:30	China	CPI (% YoY)	Jan	1,8		
14:00	**Poland**	**MPC Minutes**	**Feb**			
16:00	USA	Initial U. of Michigan Sentiment Index (pts)	Feb	64,9	64,0	64,8

*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

MACRO MAP

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