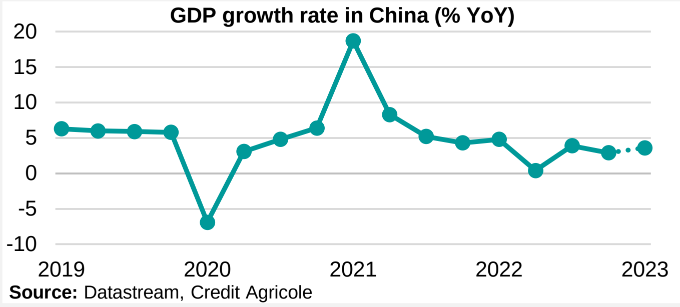
This week

- **The key event this week will be the release of data from China scheduled for Tuesday.** We expect to see GDP growth of 3.6% YoY in Q1 compared to 2.9% growth in Q4 (2.1% QoQ in Q1 vs. 0.0% in Q4). We expect MoM figures to also show further economic recovery. We expect industrial production growth to have picked up to 5.3% YoY in March from 2.4% in February, retail sales growth to have picked up to 8.2% from 3.5%, while urban investment growth slowed slightly, to 5.1% from 5.5%. Thus, we expect the data to confirm a gradual economic recovery in China since China's government moved away from its 'zero COVID' policy in December 2022. Our forecast for GDP growth in China is slightly below market expectations, thus, if our forecast proves accurate, the release of China's GDP figures may be slightly negative for the PLN.



Source: Datastream, Credit Agricole

- **Friday will see the release of business survey results for key Eurozone economies.** The market expects a rise in the Eurozone's composite PMI to 53.9 pts in April from 53.7 pts in March. Thus, March would be the fourth month in a row with the Eurozone's composite PMI above the 50-point mark that separates growth from contraction. Investors also expect a rise in Germany's manufacturing PMI, to 45.5 pts in April from 44.7 pts in March. We believe that the release of Eurozone business survey results will be neutral for financial markets.

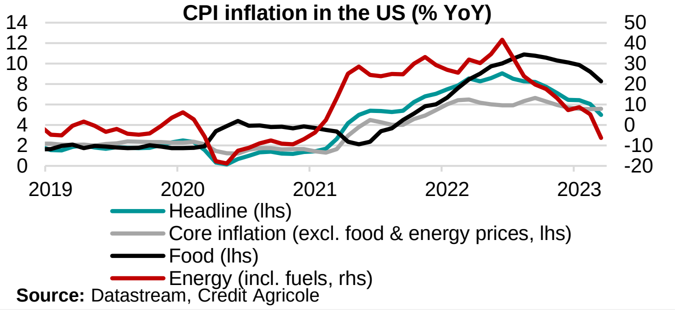
Source: Markit, Credit Agricole
*the lower the index value, the higher intensity of problem

- **Some significant data on the US economy will be released this week.** We expect data on new building permits (1442k in March vs. 1550k in February), housing starts (1420k vs. 1450k) and existing home sales (4.50M vs. 4.58M) to show a slight slowdown in the US housing market. Thus, we believe that the recovery in this sector seen in February was temporary (see MACROmap of 27/03/2023). We do not expect the data to have any significant impact on financial markets.
- **Data on employment and average wages in Poland's business sector for March will be released on Friday.** We expect growth in employment to have slowed to 0.7% YoY from 0.8% in February. At the same time, average wage growth dropped to 12.9% YoY in March from 13.6% in February; the drop is accounted for by last year high base effects and the lack of effects of bonus payments in state controlled industries. 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.

Last week

- ***Minutes* of the March FOMC meeting were published last week.** Of particular importance about the *Minutes* is the part where several FOMC members considered whether it would be appropriate to hold the target range steady at the meeting as doing so would allow more time to assess the financial and economic effects of recent banking-sector developments. However, they finally judged it appropriate to increase the target range, having observed that the actions taken by the Fed in coordination with other government agencies helped calm conditions in the banking sector while persistently high inflation and the strength of the recent economic data were arguments for further monetary policy tightening. Another part of the *Minutes* that is worth noting is a comment that several FOMC members would have considered a 50 basis point increase in the target range to have been appropriate in the absence of the recent developments in the US banking sector. In our opinion, the *Minutes* show that FOMC members continue to be strongly determined to fight inflation. In consequence, the *Minutes*, combined with last week's US inflation figures, support our scenario, which expects the Fed to hike rates by another 25bp in May, as a result of which the federal funds target range will be [5.00%, 5.25%].

- **Some important data from the US was released last week.** US CPI inflation fell to 5.0% YoY in March from 6.0% in February, running above market expectations (5.2%). The fall in inflation was driven by slower rises in energy and food prices, while core inflation rose to 5.6% from 5.5% in February, running in line with market expectations. It is worth noting that core inflation rose above headline inflation for the first time since January 2021, which shows that inflationary pressures in the US economy continue to be strong. We believe this will be seen by the Fed as an argument for hiking interest rates by 25bp in May. Last week also saw the release of industrial production MoM growth figures; industrial production growth picked up to 0.4% MoM in March from 0.2% in February, running above market expectations (0.2%). The acceleration in industrial production growth was driven by faster growth in manufacturing and in utilities, partially offset by slower growth in mining. At the same time, capacity utilization rose to 79.8% in March from 79.6% in February. Retail sales figures were also released last week; nominal retail sales growth slowed to -1.0% MoM in March from -0.2% in February, running well below market expectations (-0.4%). Excluding vehicles, MoM sales growth dropped to -0.8% in March from 0.0% in February. The slowdown in retail sales is to a large extent accounted for by a strong drop in nominal sales of fuels driven by a fall in fuel prices (4.6% MoM fall in March). Last week, a preliminary reading of the University of Michigan index was also released; the index rose to 63.5 pts in April from 62.0 pts in March, running above market expectations (62.2 pts). The rise in the index is accounted for by increase in its components both for the assessment of the current situation and for expectations. The median expected inflation over one-year horizon, released together with the preliminary reading of the University of Michigan index, rose, too (to 4.6% YoY in April from 3.6% in March, hitting the highest level since November 2022), which shows that inflation expectations of US households keep on rising. Last week's data on the US economy supports our forecast that the annualized US GDP growth slowed to 2.1% in Q1 2023 from 2.7% in Q4 2022.



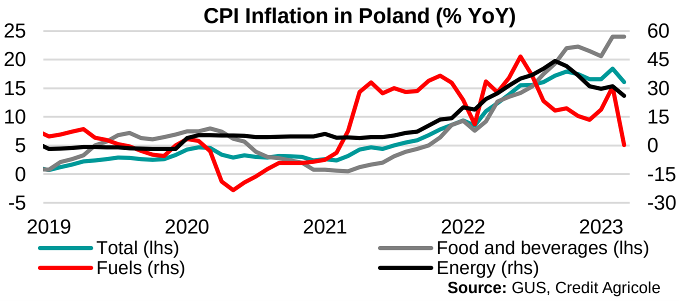
Source: Datastream, Credit Agricole

- **Poland's current account balance rose to EUR 2,586m in February from EUR 2,133m January, running well above market expectations (EUR 283m) and our forecast (EUR -408m).** February was thus the second consecutive month in which Poland recorded a current account surplus. The increase in the current account balance is accounted for by higher trade and primary income balances (up by EUR 684m and EUR 284m, respectively, from January), partially offset by lower services and secondary

Source: NBP, Credit Agricole

income balances (down by EUR 263m and EUR 252m, respectively, from January). At the same time, February saw drops both in export growth (10.0% YoY in February vs. 13.1% in January) and in import growth (-5.4% vs. 5.1%). Particularly noteworthy in the data is the further increase in the trade balance, which reached its highest value ever. In our assessment, this was made up of a marked weakening of imports (the effect of weakening domestic demand in Poland reflected in lower imports of both consumer and intermediate goods) and a recovery in exports (noticeable, inter alia, in higher foreign sales in the automotive sector, mainly car parts, lithium-ion batteries and cars). According to the NBP press release, the value of imports was also limited by lower imports of agricultural products from Ukraine, nevertheless, in our opinion, the importance of this factor was limited. The data poses an upside risk to our forecast that the cumulative current account balance for the last 4 quarters as a share of GDP will decline in Q1 to -3.3% vs. -3.1% in Q4. Moreover, it poses an upside risk to our Q1 GDP forecast (-0.8% YoY vs. 2.0% in Q4), given the possible higher contribution of net exports to growth.

- **CPI inflation in Poland went up to 16.1% YoY in March vs. 18.4% in February, running slightly below flash estimate (16.2%).** The March data confirms that inflation reached its local maximum in February and – in line with our scenario – price growth rate will decline from March onwards (see MACROpulse of 14/04/2023). The main source of the reduction in inflation was the strong fall in price growth in the 'fuel' category (0.2% YoY in March, compared with 30.8% in February), which was mainly due to the high base effect from a year ago related to the increase in fuel prices due to the outbreak of war in Ukraine. The slower growth of the prices of energy (26.0% vs. 31.1%) also had a downward effect on inflation, while the opposite effect was exerted by higher core inflation, which, according to our estimates, increased to 12.3% YoY in March vs. 12.0% in February. Price growth in the 'food and non-alcoholic beverages' category was unchanged in March vs. February, at 24.0%. In our assessment, core inflation data points to persistently high inflationary pressures in the Polish economy, the elevated wage growth rate in the corporate sector remaining its important source. Last week's data poses an upside risk to our forecast that inflation will fall to 13.1% YoY in Q2, compared to 17.1% in Q1, and fall to 11.8% in 2023 as a whole, vs. 14.3% in 2022.

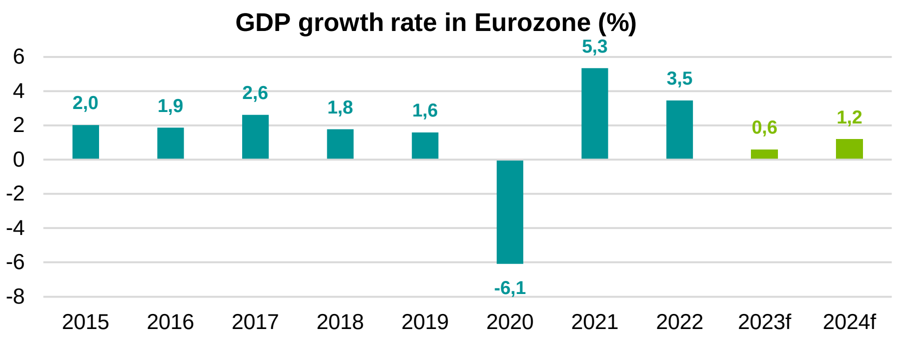


- **China's trade balance rose to USD 88.2bn in March from USD 116.9bn in January-February, which is clearly above market expectations (USD 39.2bn).** Exports growth rate accelerated to 14.8% YoY vs. -6.8% and imports growth rate to -1.4% vs. -10.2%, running markedly above market expectations (-7.0% and -5.0% respectively). We believe that the strong recovery in exports recorded in March was largely due to the fulfilment of outstanding orders from January-February, when activity in Chinese industry was constrained by disruptions related to the COVID-19 pandemic and the Chinese New Year celebrations. As a consequence, we believe that the outlook for Chinese exports remains unfavourable due to the observed weakening of external demand, in particular from the US and the EU, which account for about a third of Chinese exports. In contrast, the softer decline in imports, where growth rate is likely to turn positive in the coming months, reflects the gradual recovery of domestic demand as China moves away from its 'zero COVID' policy. However, we believe that the aforementioned recovery of domestic demand in China will be realised mainly through the services sector, hence we do not expect it to provide a strong boost to imports of goods. For this reason, we forecast that despite a recovery in domestic demand amid weakening foreign demand, China's foreign trade surplus will remain high. Such a scenario is consistent with our forecast that GDP growth in China will increase to 5.0% YoY in

2023 vs. 3.0% in 2022, which will be consistent with the Chinese government's target for GDP growth of 'around 5%' (see MACROmap of 06/03/2023).

Eurozone economic recovery has begun

The Polish economy is strongly integrated with the Eurozone's economy and the German economy in particular. Hence, the economic outlook in the Eurozone, including Germany, is crucial for our growth scenario in Poland. The purpose of the following analysis is to present the Crédit Agricole Group's forecasts for the Eurozone and Germany for 2023-2024 and their implications for Poland's growth prospects.

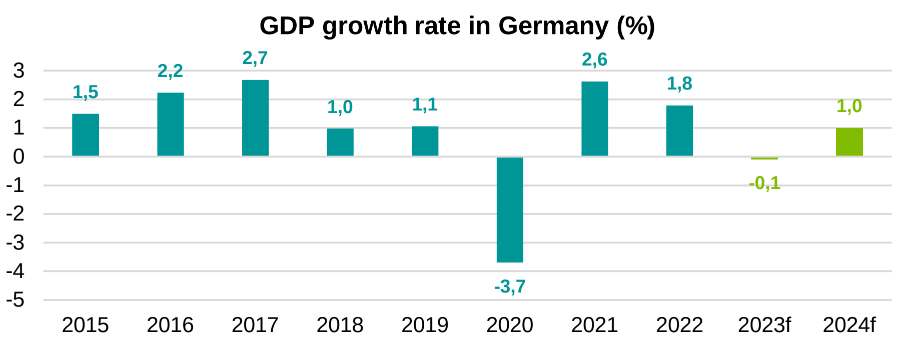


Source: Eurostat, Crédit Agricole

There has been a marked slowdown in economic growth in the Eurozone in recent quarters. This is due to weakening investment resulting from rising interest rates and heightened uncertainty related to the war in Ukraine, as well as decelerating consumption due to high inflation reducing household purchasing power. We believe that quarterly GDP growth in the Eurozone reached its local minimum in Q1 2023 (-0.1% in Q1 2023 vs. 0.0% in Q4 2022) and subsequent quarters will bring a gradual increase.

In the following quarters, the economic recovery in the Eurozone will be supported primarily by higher consumption together with the fall in inflation we expect, acting to increase household purchasing power. In our scenario, we assume that real disposable income growth in the Eurozone will turn positive in Q2 2023. At the same time, it is worth noting that a factor stabilising consumption is the decline in the savings rate, which has fallen to pre-pandemic levels.

On the other hand, GDP growth in the following quarters will be adversely affected by a further reduction in investment resulting from the continued – as we assume – monetary tightening by the ECB. We expect the ECB to raise interest rates by another 50bp in 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%. At the same time, it is worth emphasising that the scale of the decline in investment will be limited by the fall in input prices, as well as the implementation of projects financed with EU funds. As a result, we forecast that GDP growth in the Eurozone will slow to 0.6% in 2023, compared to 3.5% in 2022, and increase to 1.2% in 2024.



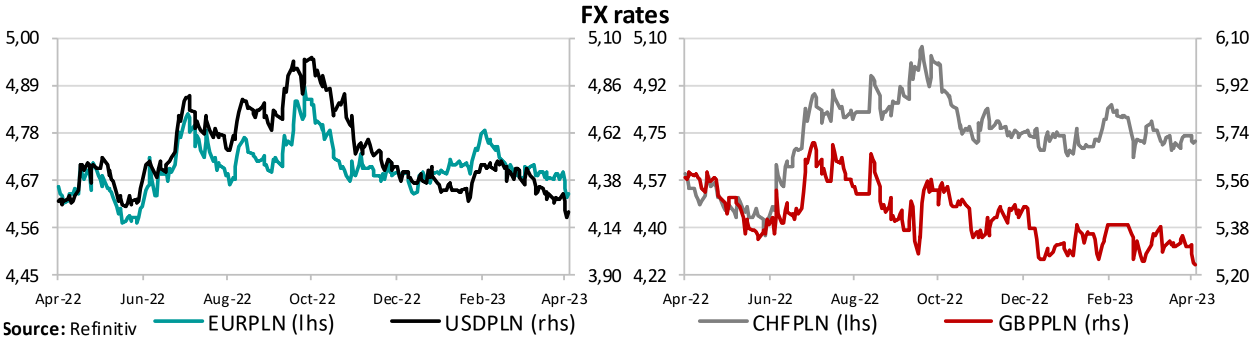
Source: Eurostat, Crédit Agricole

Our projected growth path for Germany is similar to the scenario for the Eurozone as a whole, although we believe that the reduction in activity in the German economy has been much deeper. We forecast that Germany's quarterly GDP growth was -0.3% in Q1, vs. -0.4% in Q4 2022, meaning that the country has experienced a technical recession, defined as a decline in GDP for two consecutive quarters. In line with the Eurozone as a whole, we believe that from Q2 onwards, a gradual recovery of economic growth in Germany will be observed, driven primarily by an increase in consumption. It will be further supported by aid programmes launched by the German government (including one-off cheques for pensioners and students, subsidising public transport, reducing VAT on fuel and freezing energy, gas and heat prices for households). As a result, we forecast that GDP growth in Germany will slow to -0,1% in 2023, vs. 1.9% in 2022, and increase to 1.0% in 2024.

At the same time, taking into account the recently arriving PMIs for the Eurozone, including Germany, indicating a clear recovery in activity in the common currency area, we see upward risks to our forecast for GDP growth in Q1 (see MACROmap of 27/03/2023). The main source of the strong recovery observed in the Eurozone in recent months has been higher activity in services, where the recovery covers many sectors and is visible, among others, in the financial sector, real estate, tourism, IT and healthcare. In the case of manufacturing, recent months have seen stagnation, nevertheless the improving situation in the automotive sector is noteworthy, supported by the ongoing rebuilding of the supply chain in this sector.

The growth prospects for the Eurozone and Germany outlined above support for our 'soft landing' scenario for the Polish economy. According to this scenario, Poland's GDP growth will slow markedly in 2023 (to 1.2% YoY vs. 4.9% in 2022), but it will remain positive and the slowdown in GDP growth will not be accompanied by a significant increase in unemployment.

Data releases from China may weaken the PLN



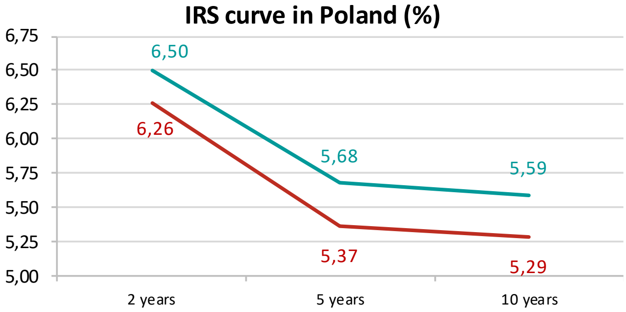
Source: Refinitiv

Last week, the EURPLN rate dropped to 4.6401 (the PLN strengthened by 0.7%). Last week, the EURPLN exchange rate followed a clear downward trend following the rising EURUSD. There was a slight correction on Friday. The publication of clearly better-than-expected Polish balance of payments figures, although positive for the PLN exchange rate, had no direct impact on it.

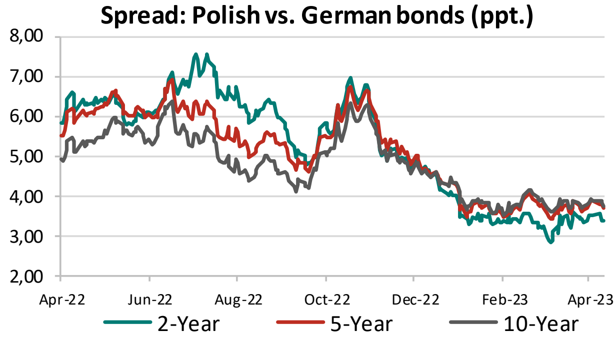
The weakening of the USD against the EUR was supported by a in decline global risk aversion linked to, among other things, a reduction in investor concerns about the stability of the global banking system. The EURUSD was also pushed up by the publication of lower-than-consensus US inflation data, which weakened expectations among some investors for further monetary tightening by the Fed.

This week, the publication of data from China (GDP, industrial production, retail sales, urban investments) scheduled for Tuesday will be crucial for the PLN. In our view, it may push the PLN down slightly. We believe that other publications from the Polish and global economy 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. Information on the stability of the global banking system will also be an important factor influencing the PLN.

IRS rates go up following core markets



Source: Refinitiv



Last week, 2-year IRS rates increased to 6.50 (up by 24bp), 5-year rates to 5.68 (up by 31bp) and 10-year ones to 5.59 (up by 30bp). Last week saw a rise in IRS rates across the curve following the core markets. We believe that the increase in yields in the core markets was caused by a decline in risk aversion linked to a reduction in investor concerns about the stability of the global banking system. As a result, this has intensified market expectations of further interest rate hikes by the major central banks.

The data releases from the Polish and 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. IRS rates can also be influenced by information on the stability of the global banking system.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
NBP reference rate (%)	3,50	4,50	5,25	6,00	6,50	6,50	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,75
EURPLN*	4,64	4,67	4,58	4,70	4,73	4,72	4,85	4,71	4,67	4,69	4,71	4,70	4,68	**4,68**
USDPLN*	4,19	4,43	4,27	4,48	4,63	4,70	4,95	4,77	4,48	4,38	4,33	4,45	4,31	**4,31**
CHFPLN*	4,54	4,55	4,45	4,69	4,86	4,80	5,01	4,76	4,74	4,72	4,70	4,72	4,71	**4,71**
CPI inflation (% YoY)	11,0	12,4	13,9	15,5	15,6	16,1	17,2	17,9	17,5	16,6	16,6	18,4	16,1	
Core inflation (% YoY)	6,9	7,7	8,5	9,1	9,3	9,9	10,7	11,0	11,4	11,5	11,7	12,0	**12,3**	
Industrial production (% YoY)	15,4	12,3	14,9	10,4	7,1	10,9	9,8	6,6	4,4	0,9	1,8	-1,2	**-0,7**	
PPI inflation (% YoY)	21,9	24,1	24,7	25,6	25,5	25,5	24,6	23,1	21,1	20,5	20,1	18,4	**11,1**	
Retail sales (% YoY)	22,0	33,4	23,6	19,9	18,4	21,5	21,9	18,3	18,4	15,5	15,1	10,8	**6,0**	
Corporate sector wages (% YoY)	12,4	14,1	13,5	13,0	15,8	12,7	14,5	13,0	13,9	10,3	13,5	13,6	**12,9**	
Employment (% YoY)	2,4	2,8	2,4	2,2	2,3	2,4	2,3	2,4	2,3	2,2	1,1	0,8	**0,7**	
Unemployment rate* (%)	5,8	5,6	5,4	5,2	5,2	5,2	5,1	5,1	5,1	5,2	5,5	5,5	**5,4**	
Current account (M EUR)	-3828	-2963	-1373	-273	-1070	-2847	-2208	-416	262	-2530	2133	2586		
Exports (% YoY EUR)	13,3	16,7	27,5	22,4	20,9	28,1	26,5	23,2	24,2	10,6	13,1	10,0		
Imports (% YoY EUR)	31,8	35,9	33,8	28,1	21,7	29,6	31,4	24,1	18,3	11,3	5,1	-5,4		

*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	2,0	-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	4,9	-0,5	0,2	1,4	2,6	4,5	1,2	4,0
Export - constant prices (% YoY)		4,2	5,2	6,9	2,0	2,5	3,0	3,5	4,8	4,5	3,4	3,8
Import - constant prices (% YoY)		9,4	6,9	6,0	0,2	-0,5	0,1	2,5	4,0	5,5	1,5	4,3
GDP growth contributions	Private consumption (pp)	4,0	3,6	0,5	-0,7	-1,2	-0,6	0,3	1,0	1,7	-0,1	1,7
	Investments (pp)	0,6	1,0	0,3	1,0	-0,1	0,0	0,2	0,6	0,8	0,2	0,7
	Net exports (pp)	-2,7	-0,7	0,6	0,9	0,9	1,3	0,6	0,5	-0,4	1,2	-0,2
Current account (% of GDP)***		-2,7	-3,5	-3,5	-3,1	-3,3	-3,2	-3,5	-3,6	-3,1	-3,6	-3,0
Unemployment rate (%)**		5,8	5,2	5,1	5,2	5,4	5,2	5,3	5,5	5,2	5,5	5,4
Non-agricultural employment (% YoY)		2,3	0,6	-0,9	0,3	-0,6	-0,5	-0,5	-0,5	0,6	-0,5	-1,0
Wages in national economy (% YoY)		9,7	11,8	14,6	12,3	14,0	12,8	11,4	9,9	12,1	12,0	7,5
CPI Inflation (% YoY)*		9,6	13,9	16,3	17,3	17,0	13,1	10,1	7,1	14,3	11,8	4,9
Wibor 3M (%)**		4,77	7,05	7,21	7,02	6,89	6,88	6,88	6,88	7,02	6,88	5,88
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	4,68	4,73	4,70	4,65	4,69	4,65	4,50
USDPLN**		4,19	4,48	4,95	4,38	4,31	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	FORECAST* CONSENSUS**
		Monday 04/17/2023				
14:00	**Poland**	**Core inflation (% YoY)**	**Mar**	**12,0**	**12,3**	**12,3**
14:30	USA	NY Fed Manufacturing Index (pts)	Apr	-24,6		-15,0
		Tuesday 04/18/2023				
4:00	China	GDP (% YoY)	Q1	2,9	3,6	4,0
4:00	China	Retail sales (% YoY)	Mar	3,5	8,2	8,0
4:00	China	Urban investments (% YoY)	Mar	5,5	5,1	5,8
4:00	China	Industrial production (% YoY)	Mar	2,4	5,3	4,7
11:00	Germany	ZEW Economic Sentiment (pts)	Apr	13,0		15,0
14:30	USA	Building permits (k)	Mar	1550	1442	1455
14:30	USA	Housing starts (k MoM)	Mar	1450	1420	1400
		Wednesday 04/19/2023				
10:00	Eurozone	Current account (bn EUR)	Feb	17,0		
11:00	Eurozone	HICP (% YoY)	Mar	6,9	6,9	6,9
		Thursday 04/20/2023				
14:30	USA	Philadelphia Fed Index (pts)	Apr	-23,2		
16:00	USA	Existing home sales (M MoM)	Mar	4,58	4,50	4,49
16:00	Eurozone	Consumer Confidence Index (pts)	Apr	-19,2		-18,0
		Friday 04/21/2023				
9:30	Germany	Flash Manufacturing PMI (pts)	Apr	44,7		45,5
10:00	**Poland**	**Corporate sector wages (% YoY)**	**Mar**	**13,6**	**12,9**	**12,4**
10:00	**Poland**	**Employment (% YoY)**	**Mar**	**0,8**	**0,7**	**0,7**
10:00	Eurozone	Flash Services PMI (pts)	Apr	55,0		54,5
10:00	Eurozone	Flash Manufacturing PMI (pts)	Apr	47,3		48,0
10:00	Eurozone	Flash Composite PMI (pts)	Apr	53,7		53,9
15:45	USA	Flash Manufacturing PMI (pts)	Apr	49,2		

*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

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