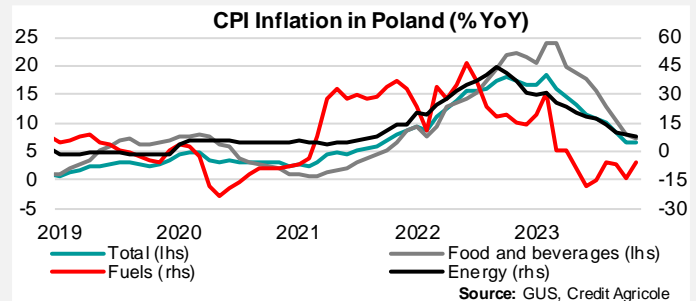


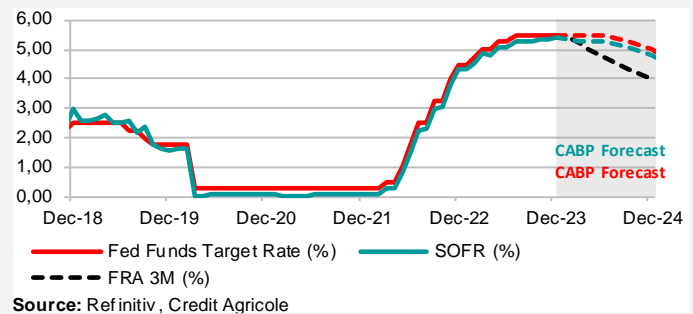
This week

➤ **The key event this week will be the release of Poland's flash inflation data scheduled for Friday.** We forecast that inflation fell to 6.4% YoY in December, down from 6.6% in November. This reduction is due to slower growth in food and fuel prices, a decrease in core inflation, and a counteracting rise in energy price growth (due to a low base effect associated with the fall in fuel prices in December 2022).



Our forecast aligns with the consensus, and therefore, should it materialize, its impact on the PLN exchange rate and the yields on Polish bonds will be neutral.

➤ **Another major event this week will be the publication of the Minutes from the December FOMC meeting scheduled for Wednesday.** It is noteworthy that in the December macroeconomic projection, the median of individual forecasts from FOMC members suggested an increase in the anticipated total scale of interest rate cuts in 2024 to 75bs, up from 50bp in the September projection. This revision was interpreted by markets as a dovish signal from the Federal Reserve, leading to increased expectations for monetary easing in the US. A critical focus of the Minutes will be individual Fed members' opinions on the timing and extent of initiating a monetary easing cycle. Futures are currently pricing in rate cuts totalling 150bp by the end of 2024. In our baseline scenario, we expect the Fed to begin the monetary policy easing cycle in Q3 2024, with a total rate cut of 50bp for the year. While we consider the market's assessment of the extent of monetary easing to be overly optimistic, recent inflation data hints at a possibly earlier start to the rate cut cycle, potentially as soon as Q2 2024. We believe that the publication of the Minutes will add to volatility in financial markets.



➤ **This week, important data from the US will be published.** The most crucial release will be Friday's US non-farm payroll data. The market expects an addition of 158k jobs in December, down from November's 199k, with a slight increase in the unemployment rate to 3.8% from 3.7%. Ahead of Friday, the ADP report on private sector employment, expected to show a 140k job increase in December, will provide more labor market insights. The December ISM index for US manufacturing is also due on Wednesday. The market expects it to have increased to 47.1 pts, up from 46.7 pts in November. We see a slight downside risk to this forecast given the decline in the December US manufacturing PMI index. In our opinion, this week's US data releases will be neutral for the financial markets.

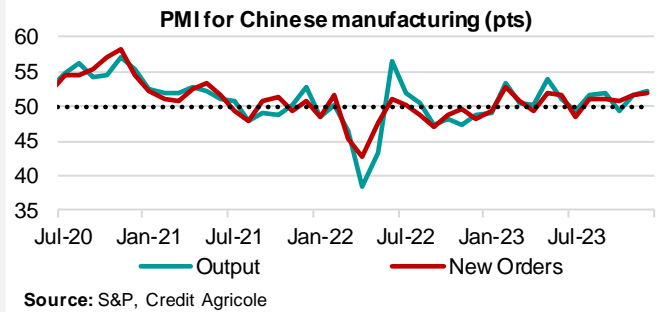
➤ **On Friday, preliminary inflation data for the Eurozone will be published.** We forecast that HICP inflation in the Eurozone rose to 3.0% YoY in December, up from 2.4% in November. In our opinion, the primary driver of this increase is the diminishing effects of last year's high base on energy prices. Concurrently, we expect a decrease in core inflation to 3.4% YoY in December, down from 3.6% in November. Additional insights into Eurozone inflation will come from Thursday's release of German inflation data. We anticipate it to have increased to 4.0% YoY in December, up from 2.3% in November. We believe that the publication of inflation data will be neutral for the financial markets.

➤ **On Friday, preliminary inflation data for the Eurozone will be published.** We forecast that HICP inflation in the Eurozone rose to 3.0% YoY in December, up from 2.4% in November. In our opinion, the primary driver of this increase is the diminishing effects of last year's high base on energy prices. Concurrently, we expect a decrease in core inflation to 3.4% YoY in December, down from 3.6% in November. Additional insights into Eurozone inflation will come from Thursday's release of German inflation data. We anticipate it to have increased to 4.0% YoY in December, up from 2.3% in November. We believe that the publication of inflation data will be neutral for the financial markets.

➤ **The PMI index for Polish manufacturing decreased to 47.4 pts in December, down from 48.7 pts in November. This reading was below both market expectations of 48.4 pts and our forecast of 48.0 pts. Thus, the index has remained below the 50-point threshold which separates growth from contraction for twenty consecutive months (see below).**

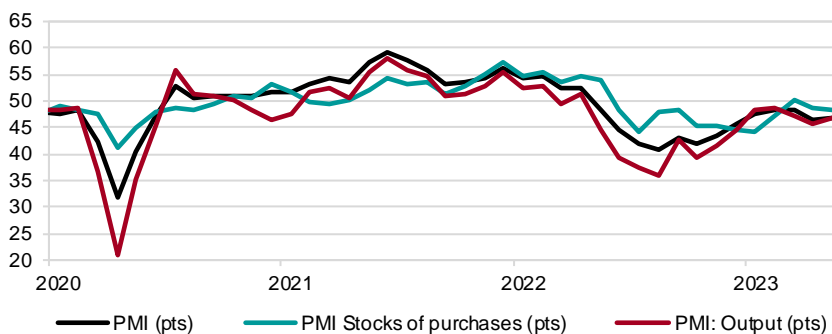
Last week

➤ **In Chinese manufacturing, the NBS PMI index experienced a decline in December, dropping to 49.0 pts from 49.4 pts in November, and falling short of market expectations of 49.5 pts. This points to a deteriorating trend in the Chinese manufacturing sector. In contrast, the Caixin PMI index, released today, showed a different picture as it rose to 50.8 pts in**



December, marginally up from November’s 50.7 pts and surpassing market forecasts of 50.4 pts. This increase was driven by higher contributions from 3 out of its 5 components (for output, new orders and suppliers’ delivery times), tempered by lower contributions from employment and stocks of purchases. Noteworthy is the continued increase in new total orders over recent months, with this trend starting to translate to higher output. Despite this general uptick in new orders, it is important to highlight that new export orders continue to show a downward trend, suggesting that the recovery in Chinese manufacturing is predominantly driven by robust domestic demand while external demand remains weak. In December, the component for production over a 12-month horizon showed a slight decrease but still remained well above the 50-point mark, separating expansion from contraction. This indicates that the future outlook among respondents about the Chinese manufacturing sector is largely optimistic. We forecast an increase in China’s GDP growth rate to 5.1% in 2023, up from 3.0% in 2022, with a slight deceleration to 4.4% in 2024.

Disappointing year-end in Polish manufacturing



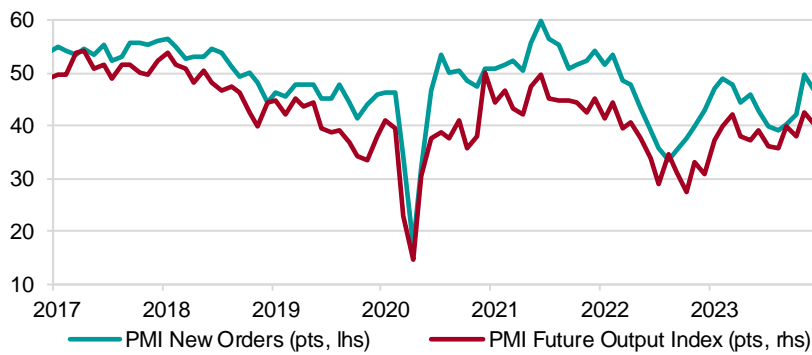
The PMI for the Polish manufacturing sector decreased to 47.4 pts in December, down from 48.7 pts in November. This figure is substantially below the market expectations of 48.4 pts and our forecast of 48.0 pts. This marks the twentieth consecutive month that the index has remained below the 50-point threshold, which separates

expansion from contraction of activity. The index slipped on the back of lower contributions from 4 out of 5 of its components (output, new orders, stocks of purchases and suppliers’ delivery times), with a higher contribution from employment having the opposite effect.

Particularly noteworthy in the data structure is the accelerated decline in total new orders, including new export orders. This reduction in orders was reflected in an increased downturn in output. Similar to previous months, in December businesses tried to mitigate weaker demand by processing production backlogs, whose rate of decrease intensified last month.

Amid weakening demand, December saw an accelerated reduction in the inventories of intermediate goods and their purchases. Concurrently, there was a shortening in delivery times in December. The previous month also witnessed a further increase in inventories of final goods, which we interpret as indicative of businesses' difficulties in selling goods produced earlier.

This decline in demand and challenges in selling goods are reflected in falling input and output prices. This is consistent with our scenario of a continued decrease in inflationary pressures in the Polish economy in the coming months.



Source: S&P, Credit Agricole

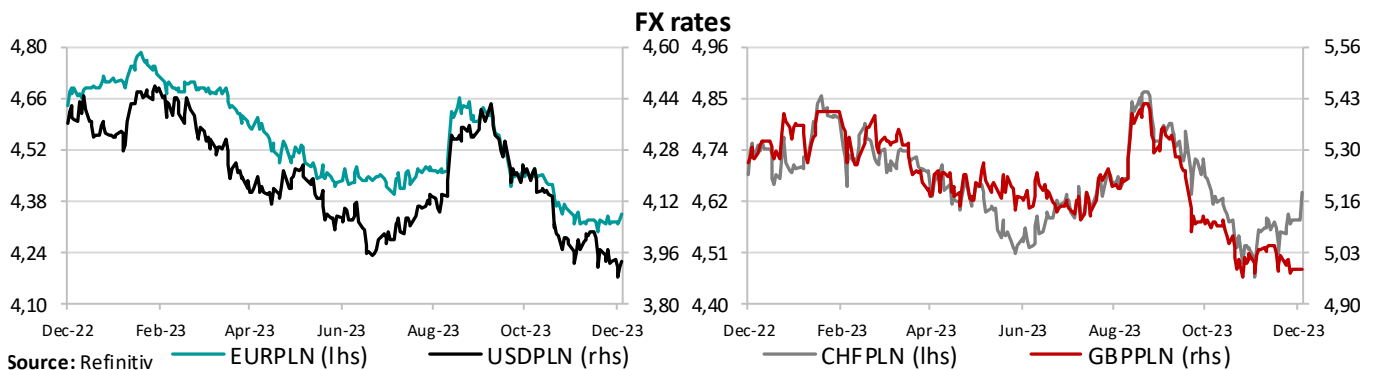
The PMI index for production expected over a 12-month horizon decreased in December compared to November, though it remains at a relatively high level compared to recent quarters. Persistent positive expectations for future production are reflected in a progressively slower decline in employment in manufacturing,

with the employment component reaching its highest level since June 2023 in December.

The average PMI value for Q4 2023 increased to 46.9 pts from 43.5 pts, supporting our forecast of an uptick in Poland's GDP growth rate in Q4 2023 to 1.9% YoY, compared to 0.5% in Q3.

In our opinion, today's data is slightly negative for the PLN exchange rate and yields on Polish bonds.

Publication of FOMC Minutes in market's spotlight



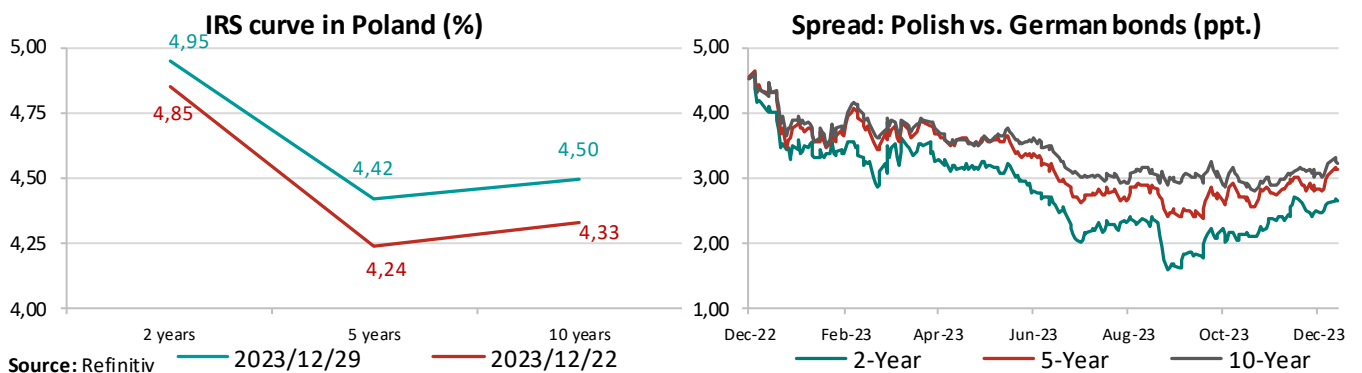
Source: Refinitiv

Last week, the EURPLN exchange rate rose to 4.3433 (weakening of the PLN by 0.4%). The EURPLN rate exhibited relatively low volatility compared to recent weeks, due in part to a light schedule of macroeconomic events. Friday's incident with a missile near Hrubieszów led to a temporary weakening of the PLN. Early in the week, the EURUSD rate maintained a strong upward trend, bolstered by increasing

expectations of interest rate cuts in the US. However, the end of the week saw a correction, likely driven by some investors realizing profits.

Today's publication of the PMI index for Polish manufacturing is, in our opinion, slightly negative for the Polish currency. This week, a critical factor for the PLN exchange rate will be Wednesday's release of the Minutes from the December FOMC meeting. We believe that it could lead to heightened volatility in the FX market. Other economic data releases scheduled for this week, both from Poland and internationally, are expected to have a neutral impact on the PLN exchange rate.

FOMC Minutes may add to volatility of IRS rates



Last week, 2-year IRS rates increased to 4.95 (up by 10bp), 5-year to 4.42 (up by 18bp), and 10-year to 4.50 (up by 17bp). The rise in IRS rates across the entire length of the curve was influenced by the hawkish remarks of MPC members H. Wnorowski and I. Dąbrowski. Some investors interpreted their statements as indicating a higher likelihood that interest rates in Poland would remain at their current level for a longer period. In contrast, a continued decrease in IRS rates was noted in the core markets, driven by growing expectations for rate cuts by major central banks.

Today's publication of the PMI index for Polish manufacturing is, in our opinion, slightly negative for IRS rates. The key event this week will be the publication of the Minutes from the December FOMC meeting on Wednesday, which could trigger increased volatility in IRS rates. We believe that the remaining data releases from the Polish and global economy will be neutral for IRS rates.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
NBP reference rate (%)	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,00	5,75	5,75	5,75
EURPLN*	4,67	4,69	4,71	4,70	4,68	4,59	4,53	4,43	4,40	4,47	4,63	4,45	4,35	4,34
USDPLN*	4,48	4,38	4,33	4,45	4,31	4,16	4,23	4,06	4,00	4,12	4,37	4,21	4,00	3,93
CHFPLN*	4,74	4,72	4,70	4,72	4,71	4,66	4,64	4,52	4,59	4,66	4,78	4,62	4,56	4,64
CPI inflation (% YoY)	17,5	16,6	16,6	18,4	16,1	14,7	13,0	11,5	10,8	10,1	8,2	6,6	6,6	
Core inflation (% YoY)	11,4	11,5	11,7	12,0	12,3	12,2	11,5	11,1	10,6	10,0	8,4	8,0	7,3	
Industrial production (% YoY)	4,4	0,9	1,8	-1,0	-3,1	-6,0	-2,8	-1,1	-2,3	-1,9	-3,3	1,9	-0,7	
PPI inflation (% YoY)	21,1	20,5	20,1	18,2	10,3	6,2	2,8	0,3	-2,1	-2,9	-2,7	-4,2	-4,7	
Retail sales (% YoY)	18,4	15,5	15,1	10,8	4,8	3,4	1,8	2,1	2,1	3,1	3,6	4,8	2,6	
Corporate sector wages (% YoY)	13,9	10,3	13,5	13,6	12,6	12,1	12,2	11,9	10,4	11,9	10,3	12,8	11,8	
Employment (% YoY)	2,3	2,2	1,1	0,8	0,5	0,4	0,4	0,2	0,1	0,0	0,0	-0,1	-0,2	
Unemployment rate* (%)	5,1	5,2	5,5	5,6	5,4	5,3	5,1	5,1	5,0	5,0	5,0	5,0	5,0	
Current account (M EUR)	-748	-1722	2246	1467	1372	-330	491	1049	-62	-299	394	2036		
Exports (% YoY EUR)	22,0	11,6	19,2	14,8	16,1	1,5	3,8	3,5	0,2	-2,3	-4,3	1,6		
Imports (% YoY EUR)	19,4	14,6	10,4	-1,6	3,3	-9,8	-5,3	-6,0	-7,3	-11,9	-14,8	-8,4		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland												
Indicator	2023				2024				2022	2023	2024	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Gross Domestic Product (% YoY)	-0,3	-0,6	0,5	1,9	2,3	2,6	2,9	3,3	5,3	0,5	2,8	
Private consumption (% YoY)	-2,0	-2,8	0,8	2,3	2,5	3,0	3,3	3,5	5,2	-0,4	3,1	
Gross fixed capital formation (% YoY)	6,8	10,5	7,2	7,3	5,3	1,9	2,6	2,0	4,9	7,9	2,7	
Export - constant prices (% YoY)	3,8	-3,2	-11,0	2,3	3,9	5,0	4,3	4,5	6,7	-2,1	4,4	
Import - constant prices (% YoY)	-3,2	-6,8	-20,3	3,7	4,6	5,6	6,0	5,5	6,8	-6,6	5,4	
GDP growth contributions	Private consumption (pp)	-1,3	-1,6	0,5	1,2	1,5	1,7	1,9	1,8	2,9	-0,2	1,7
	Investments (pp)	0,9	1,5	1,2	1,6	0,7	0,3	0,5	0,5	0,8	1,3	0,5
	Net exports (pp)	4,6	2,1	5,9	-0,8	-0,1	0,0	-0,5	-0,6	0,2	2,7	-0,3
Current account (% of GDP)***	-0,7	-0,1	0,6	0,8	1,0	0,5	-0,3	-1,0	-2,4	0,8	-1,0	
Unemployment rate (%)**	5,4	5,1	5,0	5,1	5,2	4,9	4,8	5,0	5,2	5,1	5,0	
Non-agricultural employment (% YoY)	1,5	1,1	1,4	0,7	0,0	-0,5	-0,6	-1,0	0,6	1,2	-0,5	
Wages in national economy (% YoY)	14,3	13,8	11,0	9,9	9,5	8,6	8,8	9,0	12,1	12,2	9,0	
CPI Inflation (% YoY)*	17,0	13,1	9,7	6,5	3,3	2,4	4,3	4,2	14,3	11,6	3,5	
Wibor 3M (%)**	6,89	6,90	5,77	5,87	5,63	5,38	5,38	5,38	7,02	5,87	5,38	
NBP reference rate (%)**	6,75	6,75	6,00	5,75	5,50	5,50	5,25	5,25	6,75	5,75	5,25	
EURPLN**	4,68	4,43	4,63	4,34	4,42	4,40	4,38	4,36	4,69	4,34	4,36	
USDPLN**	4,31	4,06	4,37	3,93	4,09	4,11	4,13	4,15	4,38	3,93	4,15	

* quarterly average

** end of period

***cumulative for the last 4 quarters

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
Tuesday 01/02/2024						
2:45	China	Caixin Manufacturing PMI (pts)	Dec	50,2		50,4
9:00	Poland	Manufacturing PMI (pts)	Dec	48,7	48,0	48,5
9:55	Germany	Final Manufacturing PMI (pts)	Dec	43,1	43,1	43,1
10:00	Eurozone	M3 money supply (% MoM)	Nov	-1,0		-1,0
10:00	Eurozone	Final Manufacturing PMI (pts)	Dec	44,2	44,2	44,2
15:45	USA	Flash Manufacturing PMI (pts)	Dec	48,2		
Wednesday 01/03/2024						
16:00	USA	ISM Manufacturing PMI (pts)	Dec	46,7		47,1
20:00	USA	FOMC Minutes	Dec			
Thursday 01/04/2024						
10:00	Eurozone	Services PMI (pts)	Dec	48,1	48,1	48,1
10:00	Eurozone	Final Composite PMI (pts)	Dec	47,0	47,0	47,0
14:00	Germany	Preliminary HICP (% YoY)	Dec	2,3	4,00	3,9
14:15	USA	ADP employment report (k)	Dec	103		130
14:30	USA	Initial jobless claims (k)	w/e	269		
Friday 01/05/2024						
10:00	Poland	Flash CPI (% YoY)	Dec	6,6	6,4	6,4
11:00	Eurozone	Preliminary HICP (% YoY)	Dec	2,4	3,0	3,0
11:00	Eurozone	PPI (% YoY)	Nov	-9,4		-8,7
14:30	USA	Unemployment rate (%)	Dec	3,7		3,8
14:30	USA	Non-farm payrolls (k MoM)	Dec	199		150
16:00	USA	Factory orders (% MoM)	Nov	-3,6		2,3
16:00	USA	ISM Non-Manufacturing Index (pts)	Dec	52,7		52,7

*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