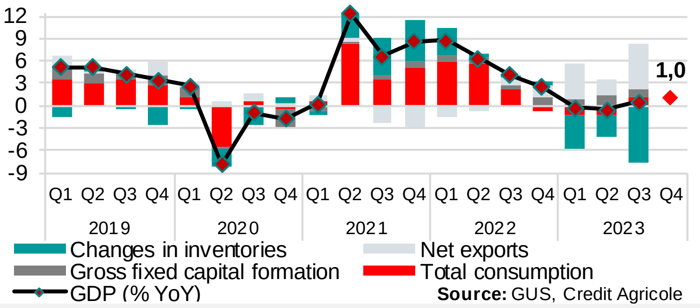
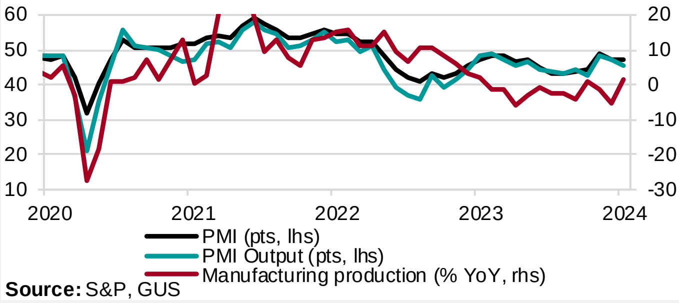
This week

- **On Thursday, GUS will release full GDP data for Q4 2023.** We expect Q4 GDP growth to be in line with the flash estimate: 1.0% YoY vs. 0.5% in Q3. Based on data for the whole of 2023, we estimate that the acceleration in GDP growth between Q3 and Q4 is accounted for by higher contributions from change in inventories and investment, partially offset by lower contributions from net exports and consumption (see MACROpulse of 31/01/2024). We believe that the release of inflation figures will be neutral for the PLN and yields on Polish bonds.



Source: GUS, Credit Agricole

- **Poland's manufacturing PMI data for February will be released on Friday.** We expect the PMI to have risen to 47.5 pts from 47.1 pts in January. Our forecast is supported by GUS data showing an improvement in business climate. At the same time, we see a downside risk to our forecast due to a deterioration in February manufacturing PMI readings for the Eurozone and Germany. Our forecast is close to consensus (47.0 pts), and thus its materialization would be neutral for the PLN and yields on Polish bonds.



Source: S&P, GUS

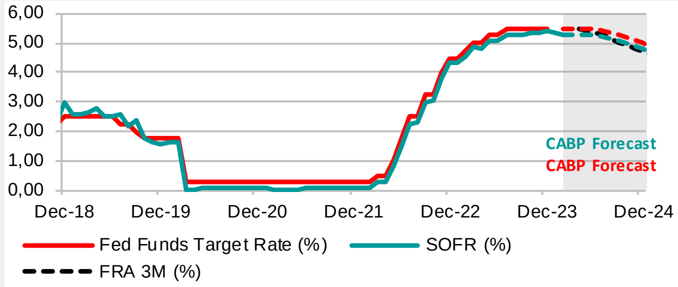
- **The Eurozone's flash HICP inflation estimate will be released on Friday.** We expect growth in prices to have slowed to 2.5% YoY in February from 2.8% in January, showing a further weakening of inflationary pressures in the Eurozone. Germany's flash HICP inflation estimate, to be released on Thursday, will provide more information about inflation in the Eurozone. Consensus expects Germany's HICP inflation to have fallen to 2.6% YoY in February from 3.1% in January. We believe that the release of Germany's inflation figures will be neutral for the PLN and yields on Polish bonds.
- **Some significant data on the US economy will be released this week.** We expect core PCE inflation to have fallen to 2.7% in January from 2.9%, showing a further weakening of inflationary pressures. Wednesday will see the release of the second estimate of Q4 GDP. Consensus expects no revision to the first estimate of annualized GDP growth of 3.3%. The ISM manufacturing index will be released on Friday. The market expects the index to have risen to 49.5 pts in February from 49.1 pts in January, in line with February's PMI rise. In recent months, the ISM index has been on an upward trend, supported by rises in the new orders and output components. According to consensus, preliminary durable goods orders dropped by 4.0% MoM in January while they stayed flat in December. Investors believe that the final University of Michigan index (79.6 pts in February vs. 79.0 pts in January) will show a slight improvement in US household sentiment, while the Conference Board index (114.8 pts in January and February) will signal consume confidence remaining flat. We believe the release of US data will be neutral for financial markets.

Last week

- **Industrial production in Poland rose by 1.6% YoY in January compared with a drop of 3,5% YoY in December (upward revision from -3.9%), running below market consensus (3.1%) and above our forecast (1.0%).** Seasonally adjusted industrial production declined in January, for the first time since July 2023, by 0.2% MoM. Due to favourable calendar effects, the acceleration in production growth was broad-based across three main segments: export-driven sectors, construction related sectors, and other sectors. What should be noted is that export-driven sectors grew YoY for the first time since August 2023 (see MACROpulse of 20/02/2024). However, we believe that this is mainly accounted for by the favourable calendar effects mentioned above, while production prospects in this category remain poor due to subdued manufacturing activity in the Eurozone, including in Germany (see below) and, consequently, lower demand for input goods manufactured in Poland. Growth in construction and assembly production slowed to -6.1% YoY in January compared with 14.0% in December, which is well below market consensus (8.1%) and our forecast (3.0%). This strong drop in construction and assembly production was recorded despite the statistical effect of a favourable difference in the number of working days. Seasonally-adjusted construction and assembly production declined by 16.5% MoM in January. The slowdown in production growth between December and January (by 12.8 pp) is primarily accounted for by slower growth in the 'civil engineering' category, driven by the fade-out of effects of public sector entities' efforts to use up and account for UE funds available under the previous EU perspective 2014-2020 by the end of 2023 (see MACROpulse of 21/02/2024). The slowdown in construction activity in January this year was also driven by unfavourable weather conditions (low temperatures and heavy snowfalls). We expect seasonally-adjusted production to grow MoM and its YoY growth to pick up in February due to the disappearance of high base effects and the fade-out of unfavourable weather conditions effects. The industrial, construction and assembly production figures released last week do not change our YoY GDP growth forecast for Q1 (1.5% YoY vs. 1.0% in Q4 last year).
- **Nominal retail sales growth in Poland picked up to 4.6% YoY in January from 0.5% in December, above market consensus (3.5%) and our forecast (3.6%).** Retail sales growth in constant prices picked up to 3.0% YoY in January from -2.3% in December, well above market consensus (1.4%) and our forecast (1.0%). In our opinion, the acceleration in real YoY total sales growth was in a large part driven by a strong, higher-than-expected, real wage growth in the business sector (see below). Seasonally adjusted retail sales in constant prices grew by 0.4% MoM in January, for the first time since October last year. The measures of so-called core sales we calculate, especially sales excluding motor vehicles and parts and furniture, brown and white goods, fuels and food, show a marked YoY growth in sales in January compared with December last year (see MACROpulse of 22/02/2024). The data signals a recovery in consumer demand, supported by fast falling inflation, continuing strong business wage growth, transformation of the 500+ programme into 800+, and expected pay rises in the public sector accompanied by a consumption smoothing. Faster sales growth in the categories mentioned above indicates there are strong foundations for a recovery in consumer demand and supports our forecast that expects a marked growth in consumption in Q1 this year (2.0% YoY vs. -0.1% in Q4). We expect the recovery in consumer demand to be the key driver of economic growth in Q1 and throughout 2024.
- **Nominal wage growth in Poland's business sector picked up to 12.8% YoY in January from 9.6% in December, running markedly above market consensus (11.0%) and our forecast (10.5%).** The several percent increase in nominal wages was broad-based and was recorded in most of the categories reported by the GUS. In real terms, after adjusting for price changes, wages in businesses rose by 8.6% YoY in January comparing to 3.2% in December, their highest growth

rate since August 2007. Employment growth in the enterprise sector decreased to -0.2% YoY in January vs. -0.1% in December, running in line with the market consensus and above our forecast (-0.4%). Compared to December, employment increased by 20.4k in January. A strong growth in employment resulted from the annual revision of data on the number of employees in micro businesses (see MACROpulse of 20/02/2024). However, it is worth noting that, compared to the same month in previous years, MoM employment growth in January 2024 was the lowest since January 2014 excluding January 2021 (which saw a strong negative impact of the pandemic on business employment). In our view, this is due to the strong deceleration of economic growth in 2023. The strong real wage growth recorded in January is consistent with our scenario of a recovery in consumption in the coming quarters.

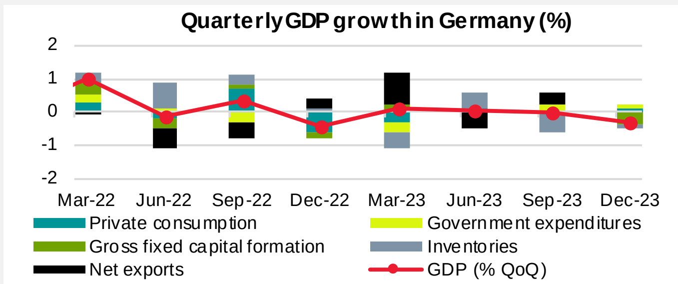
- **Minutes of the January FOMC meeting were published last week.** The Minutes did not provide any significant new information from the point of view of US monetary policy prospects. According to the transcript of the discussion, most FOMC members highlight the risk factors associated with starting the interest rate cut cycle too soon. At the same time, FOMC members generally agree that they need more certainty that inflation is converging towards the inflation target before deciding to cut interest rates. It is worth noting that some of the views of FOMC members presented in the Minutes may have already become outdated due to the publication of higher-than-expected inflation data for January (see MACROmap of 19/02/2024). We maintain our scenario that the Federal Reserve will cut interest rates by 25bp in Q3 and by 25bp in Q4 2024. However, we see a risk of an earlier start to the monetary easing cycle in the US.



Source: Refinitiv, Credit Agricole

- **Last week saw the publication of the Ifo index showing sentiment in German manufacturing, construction, trade and services.** It increased to 85.5 pts in February, compared with 85.2 pts in January, in line with market expectations. The increase in the index was due to an increase in its component for expectations, while the assessment of current situation component remained unchanged. Improvements were recorded in 2 of the 4 sectors analysed (construction and services) while the situation deteriorated in manufacturing and trade. Taking into account the PMI indices published last week (see below), we see downside risks to our scenario that quarterly GDP growth in Germany will increase to -0.1% in Q1 from -0.3% in Q4.

- **According to the final estimate, quarterly GDP growth in Germany slowed to -0.3% in Q4 vs. 0.0% in Q3 (-0.4% YoY in Q4 vs. -0.7% in Q3), running in line with the flash estimate.** The GDP growth slowdown was driven by lower contributions from investments, net exports and government spending, while higher contribution from inventories and private consumption had the opposite effect. Thus, the main source of the fall in GDP in Q4 was lower investment. We forecast that German GDP will be unchanged in 2024 compared to 2023, while it will grow by 1.0% in 2025.

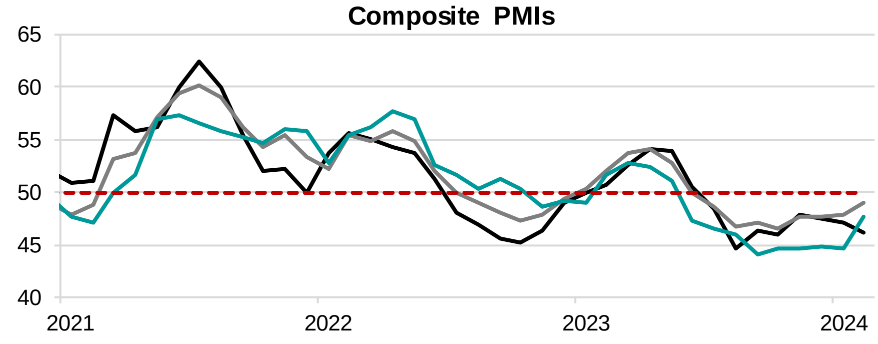


Source: Datastream, Credit Agricole

- **According to flash data, the Eurozone's composite PMI (for manufacturing and services) rose to 48.9 pts in February from 47.9 pts in January, which is above market expectations (48.5 pts).** The average composite PMI for the Eurozone increased to 48.4 pts in January-February 2024 from 47.2 pts in Q4 2023. The data carries a downside risk to our forecast, in which the quarterly GDP growth rate in the Eurozone is to go up from 0.0% in Q4 to 0.2% in Q1 (see below).

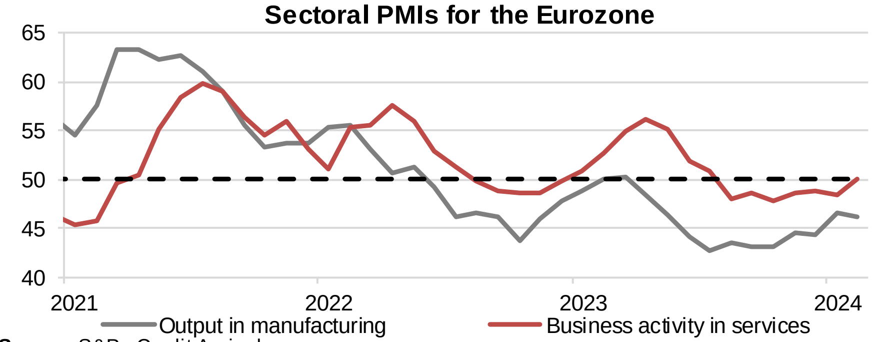
We have revised our scenario of interest rates in Poland. At the conference after the MPC's February meeting, A. Glapinski stated that, unless something unexpected happened, in his opinion there would not be a majority among MPC members to vote for an interest rate cut this year. He also outlined his personal view that interest rates would remain unchanged until the end of 2024. In addition, last week the chairman of the Sejm's Public Finance Committee, J. Cichon, announced that the Civic Coalition planned to submit to the Sejm a preliminary motion to bring NBP Governor Adam Glapiński before the State Tribunal (TS) by the end of March. If this is the case, we believe that the inclination of the NBP Governor to ease monetary policy, which would benefit the government given the positive impact on economic activity, will be further reduced. Additional arguments in favour of keeping interest rates unchanged will be the uncertainty, already mentioned by A. Glapiński, regarding the course of inflation in H2 2024 due to the prospect of the shielding measures in the area of food and energy prices coming to an end. The recovery in economic growth we expect amid rapid wage growth will provide an additional pro-inflationary factor. Given the factors outlined above, we believe that interest rates will remain unchanged in 2024. We do not expect the first interest rate cuts (by 50bp in total) until H2 2025. The higher interest rate path, combined with the unblocking of NRP funds announced by the European Commission President last week (see quarterly table), supports our scenario of gradual appreciation of the PLN.

Growing pessimism among German businesses



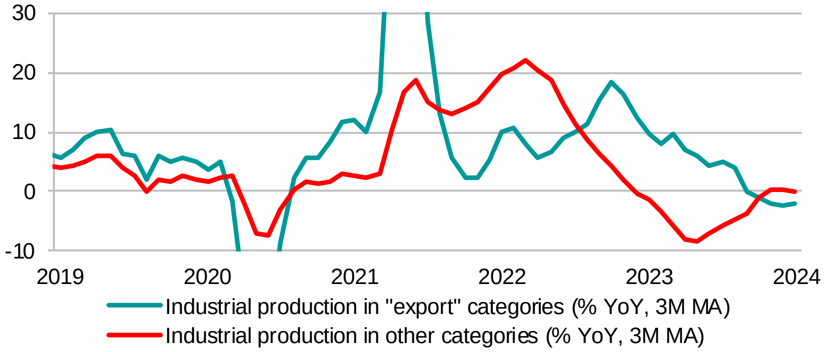
Source: S&P, Credit Agricole

According to flash data, the Eurozone's composite PMI (for manufacturing and services) rose to 48.9 pts in February from 47.9 pts in January, which is above market expectations (48.5 pts). Geography wise, a deterioration in business sentiment was seen in Germany and France, while other Eurozone economies surveyed saw a slight improvement in the situation. The average composite PMI for the Eurozone increased to 48.4 pts in January-February 2024 from 47.2 pts in Q4 2023. The data carries a downside risk to our forecast, in which the quarterly GDP growth rate in the Eurozone is to go up from 0.0% in Q4 to 0.2% in Q1.



Source: S&P, Credit Agricole

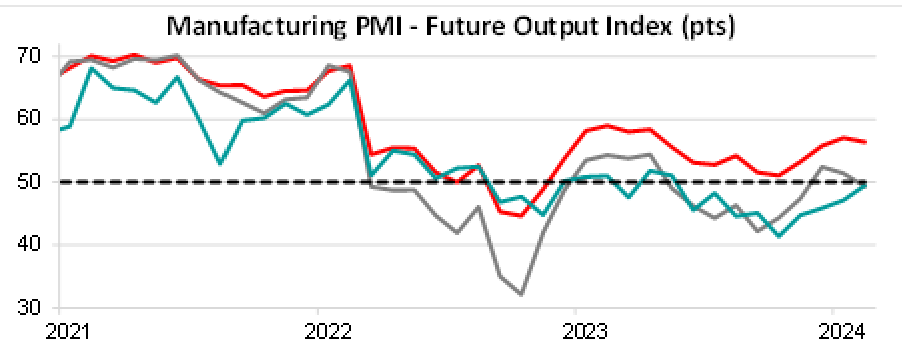
Noteworthy in the data is the resurgence of divergent trends in activity in manufacturing and services. In H2 2023 we saw a narrowing of the gap between the value of the component for business activity in services and the component for current production in manufacturing. In January, on the other hand, the component for manufacturing declined, while the sub-index for services increased and stood at 50.0. Thus, for the first time since July 2023, there was no decline in activity in the services sector, while recessionary trends are still observed in the Eurozone manufacturing. An important factor suggesting the sustainability of the recovery in services is the accelerating employment growth in this sector.



Source: GUS, Credit Agricole

Trends in Eurozone manufacturing, and Germany in particular, are crucial to the situation of Polish exports. Since Q4 2022, the production growth in Poland's export industries has remained on a downward trend, and has been below zero since September 2023. It was only in January 2024 that a year-on-year increase in production in the export industries was reported. The automotive sector ('motor vehicles, trailers and semi-trailers' and 'other transport equipment') contributed most to the increase in production in January. At the same time, the largest declines among export industries were recorded in the categories 'electrical equipment' and 'computers, electronic and optical products'. However, we believe that the increase in export-directed output growth rate in January was mainly due to favourable calendar effects (see MACROpulse of 20/02/2024), and the outlook for production in this category remains unfavourable due to reduced manufacturing activity in the Eurozone, including Germany, and the lower demand for intermediate goods produced in Poland for this reason.

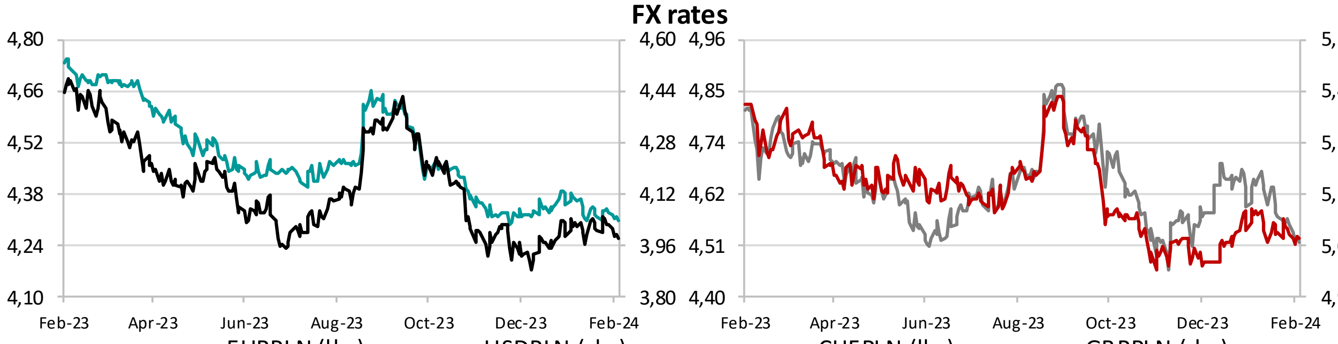
The business climate in German manufacturing deteriorated again in February. The preliminary PMI index for manufacturing fell to 42.3 pts in February, down from 45.5 pts in January, reaching its lowest level since October 2023. A poor demand showing through a decline in the total new orders (incl. export orders) remains the main factor limiting the activity in the Eurozone. The reduction of production backlogs remains a stabilising factor in the context of economic activity. The backlogs have been reduced continuously since July 2022, and in February 2024, the reduction slightly accelerated following a temporary slowdown in the previous months. It is noteworthy that the businesses surveyed signalled that the disruption of shipping in the Red Sea had a limited impact on the continuity of supply chains and their day-to-day activities.



Source: S&P, Credit Agricole

For both Germany and the Eurozone as a whole, the index for expected manufacturing output at a 12-month horizon fell in February. Moreover, in Germany it formed below the 50-point threshold for the first time since November 2023. This means that German businesses are looking to the future with pessimism, thus signalling the high probability of a continuation of recessionary trends in German manufacturing in the coming months. This poses a downside risk to our scenario of a gradual recovery in the Eurozone from Q2 2024 onwards and an associated acceleration of Polish exports.

Flash inflation data in the Eurozone important for the PLN



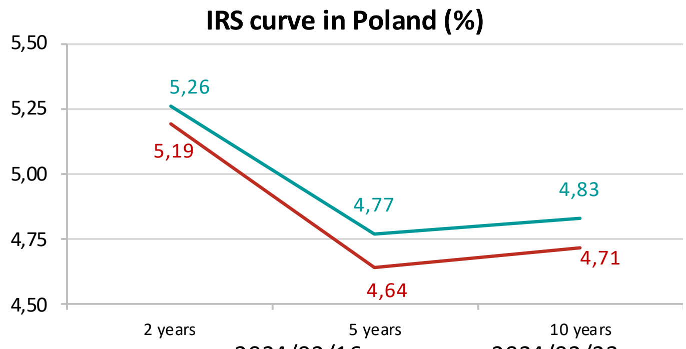
Source: Refinitiv

Last week, the EURPLN rate dropped to 4.3105 (the PLN strengthened by 0.5%). Monday and Tuesday saw a decline in the EURPLN exchange rate following of the strengthening of the EUR against the USD observed at the beginning of last week. Later in the week, the EURPLN exchange rate stabilised and the publication of numerous data from the domestic economy did not have a significant impact on the PLN's exchange rate. On Friday the PLN strengthened in reaction to the decision announced by the European Commission President to unblock NRP funds for Poland.

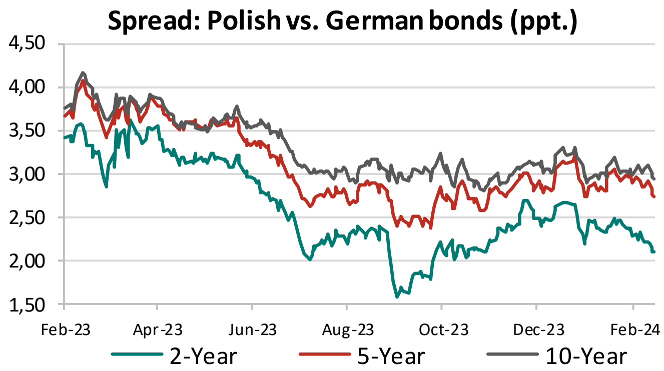
After a rise in the EURUSD at the start of the week, Thursday saw a marked correction and a weakening of the EUR in reaction to the publication of a worse-than-expected preliminary German manufacturing PMI. The publication of the FOMC Minutes did not have a significant impact on the market.

This week, the publication of preliminary EUR inflation data scheduled for Friday will be important for the PLN. However, if our forecast, which is consistent with the market consensus, materialises, we believe that the data will not have a significant impact on the PLN. We believe that other data releases from the Polish and global economies scheduled for this week will be neutral for the PLN.

Flash inflation data in the Eurozone in the spotlight



Source: Refinitiv



Last week, 2-year IRS rates dropped to 5.19 (down by 7pb), 5-year rates to 4.64 (down by 13bp) and 10-year ones to 4.71 (down by 12bp). Last week saw a decline in IRS rates following the core markets, continuing the trends seen two weeks ago (see MACROmap of 19/02/2024). The fall in yields in the core markets is supported by growing expectations of interest rate cuts by the major central banks.

This week, the release of flash inflation data in the Eurozone planned for Friday will be crucial for the IRS rates. However, we do not believe it will have a significant impact on the curve. In our opinion, other data releases from the Polish and global economies scheduled for this week will be neutral for the IRS rates.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
NBP reference rate (%)	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,75	6,00	5,75	5,75	5,75	5,75	5,75
EURPLN*	4,71	4,70	4,68	4,59	4,53	4,43	4,40	4,47	4,63	4,45	4,35	4,33	4,32	**4,32**
USDPLN*	4,33	4,45	4,31	4,16	4,23	4,06	4,00	4,12	4,37	4,21	4,00	3,93	4,00	**4,00**
CHFPLN*	4,70	4,72	4,71	4,66	4,64	4,52	4,59	4,66	4,78	4,62	4,56	4,64	4,64	**4,54**
CPI inflation (% YoY)	16,6	18,4	16,1	14,7	13,0	11,5	10,8	10,1	8,2	6,6	6,6	6,2	3,9	
Core inflation (% YoY)	11,7	12,0	12,3	12,2	11,5	11,1	10,6	10,0	8,4	8,0	7,3	6,9	**6,4**	
Industrial production (% YoY)	1,8	-1,0	-3,1	-6,0	-2,8	-1,1	-2,3	-1,9	-3,3	1,9	-0,3	-3,5	1,6	
PPI inflation (% YoY)	20,1	18,2	10,3	6,2	2,8	0,3	-2,1	-2,9	-2,7	-4,2	-5,1	-6,9	-9,0	
Retail sales (% YoY)	15,1	10,8	4,8	3,4	1,8	2,1	2,1	3,1	3,6	4,8	2,6	0,5	4,6	
Corporate sector wages (% YoY)	13,5	13,6	12,6	12,1	12,2	11,9	10,4	11,9	10,3	12,8	11,8	9,6	12,8	
Employment (% YoY)	1,1	0,8	0,5	0,4	0,4	0,2	0,1	0,0	0,0	-0,1	-0,2	-0,1	-0,2	
Unemployment rate* (%)	5,5	5,6	5,4	5,3	5,1	5,1	5,0	5,0	5,0	5,0	5,0	5,1	5,4	
Current account (M EUR)	2246	1467	1372	-230	589	1272	157	556	1176	2119	1203	-24		
Exports (% YoY EUR)	19,2	14,8	16,1	1,8	4,3	4,0	0,0	-2,3	-4,2	2,3	-1,9	-6,0		
Imports (% YoY EUR)	10,4	-1,6	3,3	-9,6	-5,0	-5,8	-7,4	-11,9	-14,7	-7,7	-7,8	-11,3		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland

Indicator		2023				2024				2023	2024	2025
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross Domestic Product (% YoY)		-0,3	-0,6	0,5	1,0	1,5	2,8	3,1	3,5	0,2	2,8	3,5
Private consumption (% YoY)		-2,0	-2,8	0,8	-0,1	2,0	4,0	4,3	4,5	-1,0	3,7	3,5
Gross fixed capital formation (% YoY)		6,8	10,5	7,2	7,6	3,0	2,2	2,4	1,2	8,0	2,0	8,8
Export - constant prices (% YoY)		3,8	-3,2	-11,0	-5,8	1,0	3,8	5,3	6,0	-4,3	4,0	5,5
Import - constant prices (% YoY)		-3,2	-6,8	-20,3	-13,3	4,6	6,5	7,1	8,2	-11,2	6,6	7,0
GDP growth contributions	Private consumption (pp)	-1,3	-1,6	0,5	-0,1	1,2	2,3	2,5	2,2	-0,8	2,1	2,0
	Investments (pp)	0,9	1,5	1,2	1,7	0,4	0,3	0,4	0,3	1,8	0,4	1,5
	Net exports (pp)	4,6	2,1	5,9	4,3	-2,0	-1,2	-0,6	-0,7	5,4	-1,1	-0,5
Current account (% of GDP)***		-0,7	0,0	1,0	1,6	1,0	0,5	-0,3	-1,0	1,6	-1,0	-0,5
Unemployment rate (%)**		5,4	5,1	5,0	5,1	5,2	4,9	4,8	5,0	5,1	5,0	5,0
Non-agricultural employment (% YoY)		1,3	0,6	0,7	0,7	0,0	-0,5	-0,6	-1,0	0,8	-0,5	-0,5
Wages in national economy (% YoY)		14,3	13,8	11,0	12,0	9,5	12,0	11,3	11,5	12,8	11,1	8,0
CPI Inflation (% YoY)*		17,0	13,1	9,7	6,5	3,2	2,3	4,2	4,2	11,6	3,5	4,0
Wibor 3M (%)**		6,89	6,90	5,77	5,88	5,88	5,88	5,88	5,88	5,88	5,88	5,38
NBP reference rate (%)**		6,75	6,75	6,00	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,25
EURPLN**		4,68	4,43	4,63	4,33	4,42	4,40	4,38	4,36	4,33	4,36	4,32
USDPLN**		4,31	4,06	4,37	3,93	4,09	4,11	4,13	4,15	3,93	4,15	3,86

* quarterly average

** end of period

***cumulative for the last 4 quarters

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST* CA	FORECAST* CONSENSUS**
		Monday 02/26/2024				
16:00	USA	New home sales (k)	Jan	664		680
		Tuesday 02/27/2024				
10:00	Eurozone	M3 money supply (% MoM)	Jan	0,1		0,3
14:30	USA	Durable goods orders (% MoM)	Jan	0,0		-4,5
15:00	USA	Case-Shiller Index (% MoM)	Dec	0,1		0,2
16:00	USA	Richmond Fed Index	Feb	-15,0		
16:00	USA	Consumer Confidence Index	Feb	114,8		115,0
		Wednesday 02/28/2024				
11:00	Eurozone	Business Climate Indicator (pts)	Feb	-0,40		
14:30	USA	Second estimate of GDP (% YoY)	Q4	3,3	3,3	3,3
		Thursday 02/29/2024				
10:00	**Poland**	**Flash GDP (% YoY)**	**Q4**	**0,5**	**1,0**	**1,0**
14:00	Germany	Preliminary HICP (% YoY)	Feb	3,1	2,6	2,8
14:30	USA	PCE Inflation (% YoY)	Jan	2,6		2,4
14:30	USA	PCE core inflation (% YoY)	Jan	2,9	2,7	2,8
14:30	USA	Real private consumption (% MoM)	Jan	0,5		
15:45	USA	Chicago PMI (pts)	Feb	46,0		48,0
		Friday 03/01/2024				
2:30	China	NBS Manufacturing PMI (pts)	Feb	49,2		49,1
2:45	China	Caixin Manufacturing PMI (pts)	Feb	50,2		50,7
9:00	**Poland**	**Manufacturing PMI (pts)**	**Feb**	**47,1**	**47,5**	**47,0**
9:55	Germany	Final Manufacturing PMI (pts)	Feb	42,3	42,3	42,3
10:00	Eurozone	Final Manufacturing PMI (pts)	Feb	46,1	46,1	46,1
11:00	Eurozone	Unemployment rate (%)	Jan	6,4		6,4
11:00	Eurozone	Preliminary HICP (% YoY)	Feb	2,8	2,5	2,5
15:45	USA	Flash Manufacturing PMI (pts)	Feb	51,5		
16:00	USA	ISM Manufacturing PMI (pts)	Feb	49,1		49,5
16:00	USA	Final U. of Michigan Sentiment Index (pts)	Feb	79,6		79,6

*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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