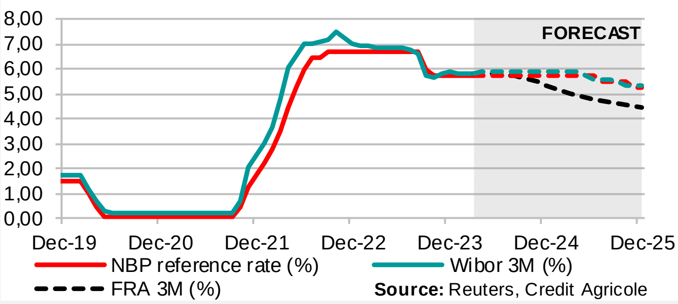
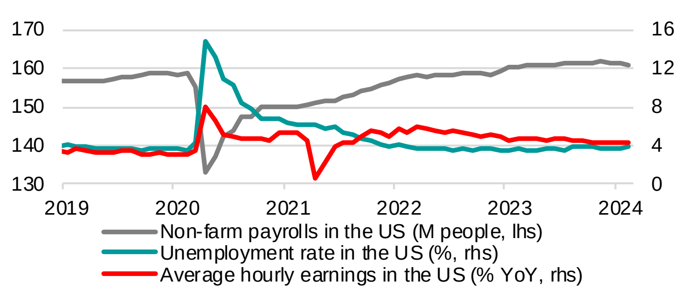
This week

- **The most important event this week will be the MPC meeting planned for Thursday.** We expect the MPC to keep the interest rates unchanged (NBP reference rate: 5.75%). What supports the status quo in monetary policy are statements made by the NBP Governor at the press conference following the March meeting. He said that the MPC keeps the interest rates unchanged despite the fall in inflation because inflation is expected to rise in H2 2024 given that the shielding measures will be discontinued. We expect that the message of the press release after the meeting will not change significantly from the March one. A decision to keep the interest rates unchanged will be consistent with market consensus, and thus it should be neutral for the PLN and yields on Polish bonds. A press conference with the NBP Governor will be held on Friday; it may contribute towards the increased volatility of the PLN and the yields on Polish bonds.



Source: Reuters, Credit Agricole

- **Some significant data on the US economy will be released this week.** Data on the labour market is scheduled to be released on Friday. We expect non-farm payrolls to have increased by 225k in March vs. 275k in February, with unemployment going down to 3.8% vs. 3.9 in February. Before the Friday data release, some additional data on the labour market will be provided in the ADP report on employment in the private sector (the market expects a 140k increase in March vs. 140k in February). The ISM manufacturing index published yesterday rose to 50.3 pts in March vs. 47.8 pts in February, which was above market expectations (48.4 pts). Higher contributions from 4 out of 5 components (for new orders, output, employment and inventories) had an upward effect on the index, while a higher value for the delivery times component had the opposite effect. What is particularly worth noting about the data is a strong increase in the output component, which reached the highest level since May 2022. At the same time, the data indicated a further decline in employment, suggesting that activity in US manufacturing remains low. Moreover, the index for intermediate goods prices increased in March to its highest level since September 2022, which may limit the pace at which inflationary pressures in the US economy will ease in the coming months. The publication of the ISM index led to a strengthening of the USD against the EUR. At the same time we believe that other data releases from the US economy scheduled for this week will be neutral for the PLN and the yields on Polish bonds.



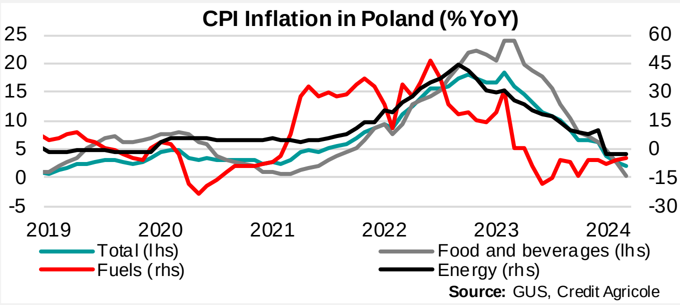
Source: Datastream, Credit Agricole

- **The flash HICP inflation estimate for the Eurozone will be released on Wednesday.** We expect YoY growth in prices to have fallen to 2.5% YoY in March vs. 2.6% in February, driven by slower rises in food prices and lower core inflation. Germany's flash HICP inflation figure, to be released on Thursday, will provide more information about inflation in the Eurozone. We expect it to have fallen to 2.4% YoY in March from 2.5% in February. Our Eurozone inflation forecast is close to the consensus (2.6%), and thus its materialization will be neutral for financial markets.
- **Business survey results for China's manufacturing have been released in recent days.** Published yesterday, Caixin PMI increased from 50.9 pts in February to 51.1 pts in March,

running slightly above the market expectations (51.0 pts). This means that the index remained above the 50-point mark that separates growth from contraction for the fifth month running. It was also its strongest growth since February 2023. The increase in the index resulted from higher contributions of 4 out of its 5 components (new orders, output, employment and stocks of purhcases), while a lower contribution of the delivery times component had the opposite impact. It is worth noting that the reduction in delivery times' duration is not a negative signal even though it had a downward impact on the index value. This is because it resulted from the improvement in adverse weather conditions in some of the regions of China. The surveyed companies reported a further improvement in both domestic and foreign demand, which was driven up by the falling prices of finished products among other things. March saw the new export orders sub-index go slightly up, from 51.0 pts in February to 51.3 pts in March, which was its highest level since December 2023. A slight growth in foreign demand is indicative of the situation improving slowly in the global trade. In March, the index for production expected in a 12-month horizon reached the highest level since April 2023, indicating that the activity in the Chinese manufacturing is likely to keep on growing. The only weakness of the yesterday's data is the continuing decline in employment in the Chinese manufacturing sector, which indicates that the enterprises are cautious about the demand growth prospects. Nonetheless, the decline in employment was slower than in February. The NBS PMI also increased from 49.1 pts in February to 50.8 pts in March, running above the market expectations (50.1 pts). It went above the 50-point mark for the first time in six months. The data from China are a positive sign indicating that economic growth will accelerate at the turn of Q1 and Q2. However, there is a risk that the index values may have surged so high partially due to difficulties in making a correct seasonal adjustment of the raw data, which in turn was connected with the difficulties in taking into account the bias related to the Chinese New Year. In our opinion, the data from China are slightly positive for the PLN.

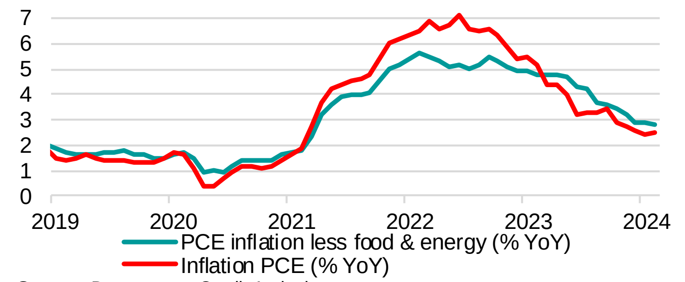
- **Poland's manufacturing PMI data for March has been released today.** PMI for Polish manufacturing increased to 48.0 pts in March from 47.9 pts in February, running below market expectations (48.1 pts) and above our forecast (47.9 pts). The average PMI for Poland's manufacturing rose to 47.6 pts in Q1 2024 from 46.9 pts in Q4 2023. It is consistent with our forecast, in which Poland's GDP was to grow from 1.0% YoY in Q4 2023 to 1.5% in Q1 2024 (see below).

Last week



- **In accordance with the flash estimate, CPI inflation in Poland dropped to 1.9% YoY in March from 2.8% in February, running markedly below the market consensus (2.2%) and our forecast (2.1%).** GUS released partial data on the inflation breakdown, including information about price growth in the 'food and non-alcoholic beverages', 'energy' and 'fuels' categories. The main factor influencing the decline in inflation was lower food and non-alcoholic beverage price growth rate (0.2% YoY in March vs. 2.7% in February). At the same time, it formed clearly below our expectations (1.0%). The error in our forecast was most likely due to an underestimation of the impact of the price war between the major retail chains on food prices. In our baseline scenario, based on the experience from other countries, we assumed that part of the price growth resulting from the VAT increase would be realised even before the increase was implemented, i.e. in March, which did not ultimately happen, given the recent strong price competition between retail chains. Inflation was also driven down by lower core inflation, which fell to 4.6% YoY in March vs. 5.4% in February, in line with our estimates. On a monthly basis, we estimate that core prices increased by 0.5% MoM, and thus their growth was above the seasonal pattern (+0.3% MoM). In our view, this indicates that inflationary pressures in the Polish economy remain moderately strong. On the other hand, inflation was adversely affected by higher price growth for fuel (-4.5% YoY in March vs. -6.4% in February) and energy (-2.6% YoY vs. -3.0%). Given today's lower-than-expected inflation data and recent statements by major retailers (including Biedronka and Lidl) to maintain prices of many food products at March levels, i.e. before the reintroduction of the 5% VAT rate on food, we see significant downside risks to our food price forecast. We will present our revised inflation scenario in the next MACROmap.

- **Some significant data on the US economy was released last week.** According to the final estimate, the annualised US GDP growth rate was revised upwards to 3.4%, compared to 3.2% in the second estimate. The revision is accounted for by higher contributions from private consumption, investment and government spending, and lower contributions from inventories and net exports. The third estimate confirmed that the main source of US GDP growth in Q4, as in Q3, was private consumption. Last week also saw the release of PCE inflation data which increased to 2.5% in February vs. 2.4 in January, running above market expectations. At the same time, core PCE inflation fell to 2.8% YoY in February, compared to 2.9% in December, which was in line with consensus. Seasonally adjusted monthly core price growth fell to 0.3% in February, vs. 0.4% in January, while remaining relatively high. Last week also saw the publication of preliminary data on durable goods orders, which increased by 1.4% MoM in February, compared to a decline of 6.9% in January (downward revision from -6.2%) and was slightly above market expectations (1.2%). Excluding transportation, monthly growth in durable goods orders increased to 0.5% in February vs. -0,3% in January. At the same time, the growth in orders for non-military capital goods accelerated in February to 0.5% YoY vs. -0.4% in January. However, its three-month moving average is trending downwards, indicating a worsening outlook for investment in the US. Last week also saw a publication of data on new homes sales which dropped to 662k in February vs. 664k in January. However, taking into consideration the construction permits data, housing starts and existing-home sales figures published two weeks ago (see MACROmap of 25/03/2024), February generally brought increased activity in the US property market. Last week also saw the release of business sentiment survey results. The Conference Board index indicated a deterioration in consumer sentiment, dropping to 104.7 pts in March from 104.8 pts in February, with expectations at 106.9 pts. The slight drop in the index was due to a decline in its component for expectations, while the opposite effect came from an increase in the component for the assessment of the current situation. In contrast, the final University of Michigan index increased to 79.4 pts in March, compared to 76.9 pts in February and 76.5 pts in the preliminary estimate. The rise in the index is accounted for by rises in its components for both the assessment of the current situation and expectations. We expect the YoY US GDP growth rate to go down from 3.4% in Q4 to 1.3% in Q1. At the same time, according to our scenario, GDP in the US in 2024 will grow by 1.6%, compared to 2.5% growth in 2023.

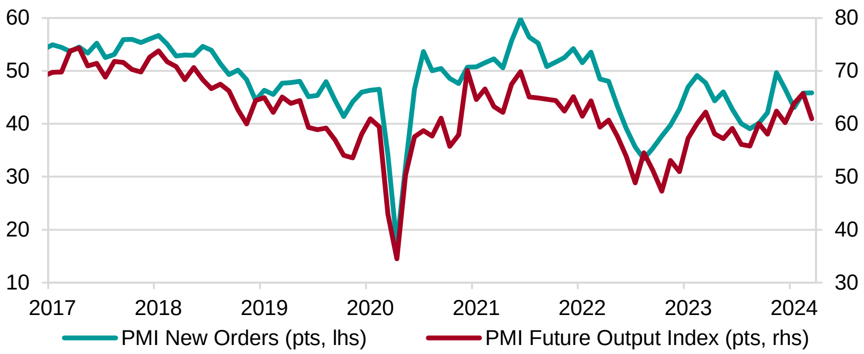


Source: Datastream, Credit Agricole

- **We have revised our EURCHF forecast.** The Swiss National Bank's (SNB) surprising decision to cut the key interest rate by 25bp to 1.50%, while the market was expecting it to stabilise, led to a sharp weakening of the CHF against the EUR (see MACROmap of 25/03/2024). In the next quarters of 2024, we forecast a slight decline in the EURCHF due to the expected narrowing of the interest rate disparity between the ECB and the SNB (the Eurozone is pricing in more monetary easing than Switzerland). We expect EURPLN to fall further to 0.94 at the end of 2024 and to reach 0.98 at the end of 2025. Assuming the EURPLN exchange rate will develop according to our expectations, we forecast that the CHFPLN will be 4.51 at the end of 2024 and 4.29 at the end of 2025.

- **We have revised our monetary policy scenario for the ECB** The medium-term macroeconomic outlook for the Eurozone has not changed significantly recently. Therefore, we still believe that the deposit rate will be 3.25% at the end of 2024 and 2.50% at the end of 2025. Given the dovish tone of statements by some ECB representatives linked to the faster-than-expected decline in inflation, we forecast that the first interest rate cut (by 25bp) will materialise earlier – as early as June 2024 versus the previously expected September. Further cuts by 25bp will occur in September and December in our view. The revision of the Eurozone monetary policy scenario does not change our forecast for stable interest rates in Poland until mid-2025.

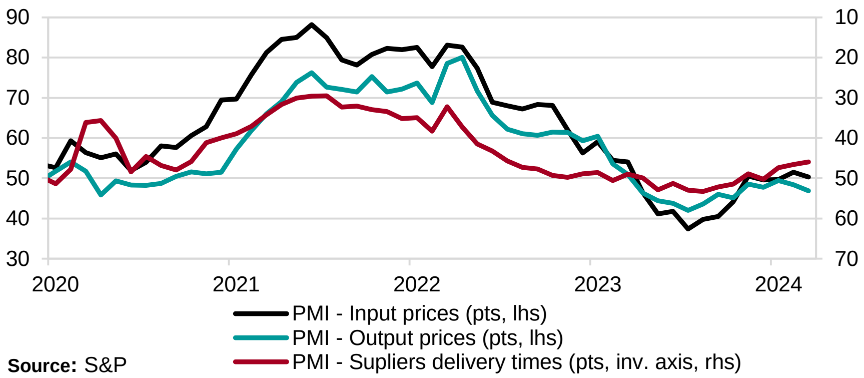
Margins decline in the Polish manufacturing sector



Source: S&P, Credit Agricole

PMI for Polish manufacturing increased to 48.0 pts in March from 47.9 pts in February, running below market expectations (48.1 pts) and above our forecast (47.9 pts). This means that the index has remained below the 50-point mark separating growth from contraction for 23 consecutive months. The increase in the index resulted from higher contributions of 3 out of its 5 components (employment, new orders and delivery times), while lower contributions of output and inventories had the opposite effect.

What is particularly noteworthy about the data breakdown is the acceleration of output decline, which was driven down by the continuing drop in the number of new orders, including the new export orders, with the index value remaining below the 50-point mark despite a slight rise seen in March. As regards the export orders, the surveyed enterprises noted that the decline they had reported was caused primarily by smaller orders from such countries as Germany or the Netherlands, while the outlook for sales outside the European Union was improving.



Source: S&P

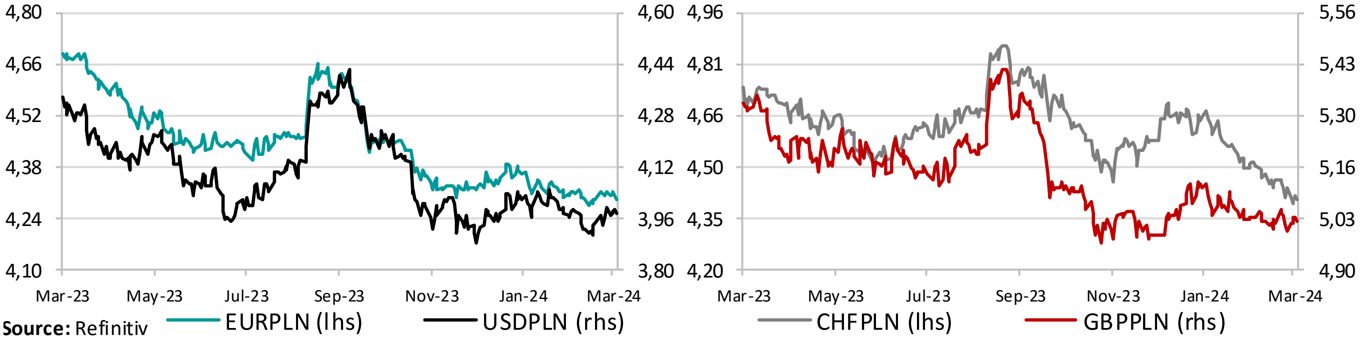
March was the second consecutive month to see growth in input prices, driven up by a further increase in delivery times' duration. Nonetheless, the output prices imposed by the surveyed companies fell more rapidly in March. In accordance with the press release, the surveyed companies attempt to stimulate sales by reducing their margins.

Amidst the subdued output and the decline in the number of new orders, the expectations concerning the future production were trimmed: in March, the PMI for the output expected in a 12-month horizon reached its lowest level since December 2023, though it remained markedly above the mark separating growth from contraction. The subdued sentiments translated into the continuation of restructuring processes, evidenced by the employment figures falling for the 22nd month running and a faster reduction of intermediate goods inventories.

The average PMI for Poland's manufacturing rose to 47.6 pts in Q1 2024 from 46.9 pts in Q4 2023. It is consistent with our forecast, in which Poland's GDP was to grow from 1.0% YoY in Q4 2023 to 1.5% in Q1 2024. We continue to believe that GDP in 2024 will grow by 2.8% vs. a 0.2% growth in 2023.

PMI index for Polish manufacturing neutral for PLN exchange rate

FX rates

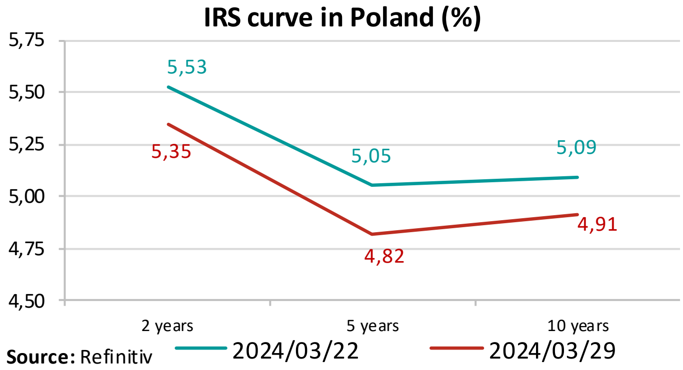


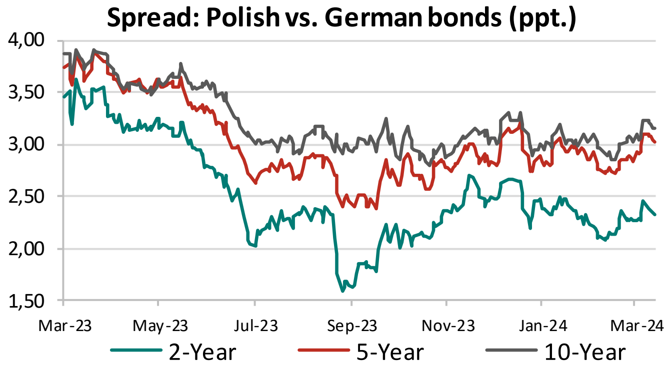
Source: Refinitiv

Last week, the EURPLN rate dropped to 4.2915 (the PLN strengthened by 0.5%). Last week, the EURPLN was characterised by relatively low volatility, which was supported by a relatively scarce calendar of macroeconomic events. The Friday publication of domestic inflation data did not have a significant impact on the market. On the other hand, the EURUSD exchange rate declined further last week. The EUR's weakening against the USD was supported by expectations among some investors that the ECB would start a cycle of interest rate cuts sooner than the Federal Reserve.

The PMI for Polish manufacturing published this morning is neutral for the PLN in our view. This week we may see increased volatility in the Polish currency during the NBP Governor's customary press conference. We believe that other data releases from the Polish and global economies scheduled for this week will be neutral for the PLN.

NBP Governor's press conference in the spotlight





Source: Refinitiv

Last week, 2-year IRS rates dropped to 5.35 (down by 18pb), 5-year rates to 4.82 (down by 23bp) and 10-year ones to 4.91 (down by 18bp). Last week saw a drop in IRS rates following the core markets, helped by higher expectations of interest rate cuts by major central banks. The publication of lower-than-expected domestic inflation data was a local factor pushing IRS rates lower.

The Polish manufacturing PMI published today is neutral for the curve, in our view. The usual press conference by NBP Governor scheduled for Friday will be crucial for IRS rates this week. We believe it could lead to increased volatility in IRS rates. 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	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
NBP reference rate (%)	6,75	6,75	6,75	6,75	6,75	6,75	6,00	5,75	5,75	5,75	5,75	5,75	5,75	**5,75**
EURPLN*	4,68	4,59	4,53	4,43	4,40	4,47	4,63	4,45	4,35	4,33	4,32	4,31	4,29	**4,29**
USDPLN*	4,31	4,16	4,23	4,06	4,00	4,12	4,37	4,21	4,00	3,93	4,00	3,99	3,98	**3,98**
CHFPLN*	4,71	4,66	4,64	4,52	4,59	4,66	4,78	4,62	4,56	4,64	4,64	4,52	4,41	**4,40**
CPI inflation (% YoY)	16,1	14,7	13,0	11,5	10,8	10,1	8,2	6,6	6,6	6,2	3,7	2,8	**1,9**	
Core inflation (% YoY)	12,3	12,2	11,5	11,1	10,6	10,0	8,4	8,0	7,3	6,9	6,2	5,4	**4,6**	
Industrial production (% YoY)	-3,7	-6,5	-3,3	-1,6	-2,7	-2,2	-3,3	2,0	-0,3	-3,5	3,0	3,3	**-3,0**	
PPI inflation (% YoY)	10,3	6,2	2,8	0,3	-2,1	-2,9	-2,7	-4,2	-5,1	-6,9	-10,6	-10,1	**-9,7**	
Retail sales (% YoY)	4,8	3,4	1,8	2,1	2,1	3,1	3,6	4,8	2,6	0,5	4,6	6,7	**7,3**	
Corporate sector wages (% YoY)	12,6	12,1	12,2	11,9	10,4	11,9	10,3	12,8	11,8	9,6	12,8	12,9	**11,9**	
Employment (% YoY)	0,5	0,4	0,4	0,2	0,1	0,0	0,0	-0,1	-0,2	-0,1	-0,2	-0,2	**0,0**	
Unemployment rate* (%)	5,4	5,3	5,1	5,1	5,0	5,0	5,0	5,0	5,0	5,1	5,4	5,4	**5,3**	
Current account (M EUR)	1372	-230	589	1272	157	556	1176	2119	1203	-24	1179	**221**		
Exports (% YoY EUR)	16,1	1,8	4,3	4,0	0,0	-2,3	-4,2	2,3	-1,9	-6,0	-4,3	**2,9**		
Imports (% YoY EUR)	3,3	-9,6	-5,0	-5,8	-7,4	-11,9	-14,7	-7,7	-7,8	-11,3	-3,5	**5,1**		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland

Indicator		2024				2025				2023	2024	2025
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross Domestic Product (% YoY)		1,5	2,7	3,5	3,5	5,0	4,7	4,2	4,5	0,2	2,8	4,6
Private consumption (% YoY)		3,0	4,0	2,8	2,7	2,9	1,6	2,5	1,9	-1,0	3,1	2,2
Gross fixed capital formation (% YoY)		2,3	2,1	1,6	0,7	8,4	9,2	10,2	10,3	8,4	1,5	9,7
Export - constant prices (% YoY)		2,8	0,6	4,9	7,8	7,9	5,7	4,3	7,1	-1,9	4,0	6,3
Import - constant prices (% YoY)		-0,4	2,3	8,8	8,7	8,4	6,8	4,9	6,8	-8,3	4,8	6,7
GDP growth contributions	Private consumption (pp)	1,8	2,3	1,7	1,3	1,8	0,9	1,5	0,9	-0,6	1,8	1,2
	Investments (pp)	0,3	0,3	0,3	0,2	1,1	1,5	1,7	2,3	1,4	0,3	1,7
	Net exports (pp)	2,0	-0,9	-1,7	0,0	0,4	-0,2	-0,2	0,4	3,9	-0,2	0,1
Current account (% of GDP)***		1,8	2,1	1,7	1,6	1,3	1,1	1,0	1,1	1,6	1,6	1,1
Unemployment rate (%)**		5,3	4,9	4,8	4,9	5,2	4,8	4,7	4,8	5,1	4,9	4,8
Non-agricultural employment (% YoY)		0,4	0,0	0,0	-0,1	-0,3	-0,5	-0,5	-0,6	0,8	0,1	-0,5
Wages in national economy (% YoY)		10,5	13,0	12,3	12,5	10,7	6,9	6,6	6,0	12,8	12,1	7,5
CPI Inflation (% YoY)*		2,8	2,9	4,1	4,1	5,0	4,1	3,3	3,6	11,6	3,5	4,0
Wibor 3M (%)**		5,87	5,88	5,88	5,88	5,88	5,63	5,51	5,38	5,88	5,88	5,38
NBP reference rate (%)**		5,75	5,75	5,75	5,75	5,75	5,75	5,50	5,25	5,75	5,75	5,25
EURPLN**		4,29	4,28	4,26	4,24	4,23	4,22	4,21	4,20	4,33	4,24	4,20
USDPLN**		3,98	4,00	4,02	4,04	3,95	3,87	3,83	3,75	3,93	4,04	3,75

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

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST* CA	FORECAST* CONSENSUS**
		Monday 04/01/2024				
3:45	China	Caixin Manufacturing PMI (pts)	Mar	50,2		51,0
15:45	USA	Flash Manufacturing PMI (pts)	Mar	52,5		
16:00	USA	ISM Manufacturing PMI (pts)	Mar	47,8	48,2	48,5
		Tuesday 04/02/2024				
9:00	**Poland**	**Manufacturing PMI (pts)**	**Mar**	**47,9**	**47,9**	**48,1**
9:55	Germany	Final Manufacturing PMI (pts)	Mar	41,6	41,6	41,6
10:00	Eurozone	Final Manufacturing PMI (pts)	Mar	45,7	45,7	45,7
14:00	Germany	Preliminary HICP (% YoY)	Mar	2,7	2,4	2,4
16:00	USA	Factory orders (% MoM)	Feb	-3,6	1,0	1,0
		Wednesday 04/03/2024				
11:00	Eurozone	Unemployment rate (%)	Feb	6,4		6,4
11:00	Eurozone	Preliminary HICP (% YoY)	Mar	2,6	2,5	2,6
14:15	USA	ADP employment report (k)	Mar	140		150
16:00	USA	ISM Non-Manufacturing Index (pts)	Mar	52,6	52,5	52,5
		Thursday 04/04/2024				
10:00	Eurozone	Services PMI (pts)	Mar	51,1	51,1	51,1
10:00	Eurozone	Final Composite PMI (pts)	Mar	49,9	49,9	49,9
11:00	Eurozone	PPI (% YoY)	Feb	-8,6		-8,6
	Poland	**NBP rate decision (%)**	**Apr**	**5,75**	**5,75**	**5,75**
		Friday 04/05/2024				
8:00	Germany	New industrial orders (% MoM)	Feb	-11,3		0,6
11:00	Eurozone	Retail sales (% MoM)	Feb	0,1		-0,3
14:30	USA	Unemployment rate (%)	Mar	3,9	3,8	3,9
14:30	USA	Non-farm payrolls (k MoM)	Mar	275	225	198

*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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