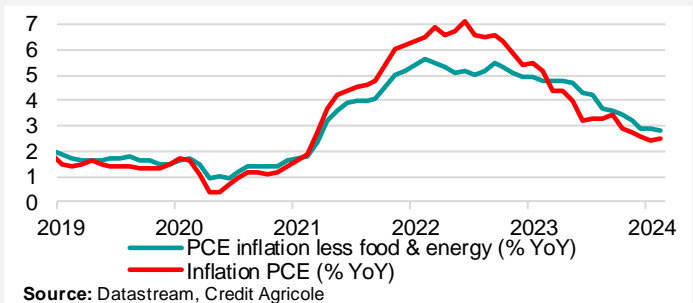
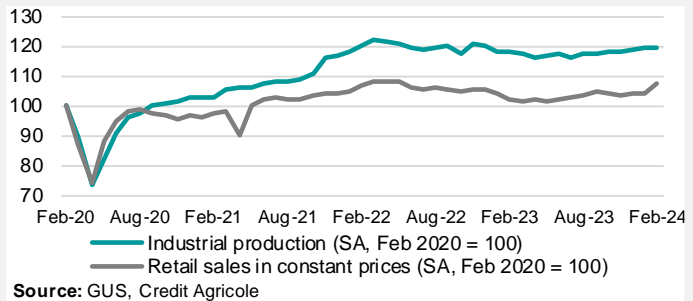


This week

- The most significant event this week will be today's release of March industrial production figures from Poland.** We forecast that production growth fell to -3.0% YoY, down from +3.3% in February, primarily due to unfavorable calendar effects. Our projection is below the market consensus of -2.4%. If it materialises, this could slightly negatively impact the PLN and yields on Polish bonds.
- Tuesday will see the publication of retail sales data in Poland.** We anticipate that the growth rate of retail sales in constant prices rose to 6.8% YoY in March from 6.1% in February, driven by improved consumer sentiment and the timing shift of Easter compared to the previous year. In our opinion, the release of retail sales data will be neutral for financial markets.
- On Tuesday, business survey results from major European economies will be released.** The market expects the composite PMI in the Eurozone to have increased to 50.7 pts in April, up from 50.3 pts in March. This marks the second month running where the index stood above the 50-point threshold, which separates expansion from contraction in the Eurozone. Investors also expect the PMI for German manufacturing to have slipped even further (to 42.8 pts in April vs. 41.8 pts in March). Despite the growth, its value will still indicate ongoing recessionary trends. Wednesday will see the publication of the Ifo index reflecting the sentiment of German businesses in the manufacturing, construction, trade, and services sectors. The market expects the index value to have increased to 88.7 pts in April, up from 87.8 pts in March. We believe that the publication of the Eurozone PMIs will be neutral for the financial markets.
- Significant data from the US economy are due to be released this week.** On Friday, preliminary PCE inflation data will be published. We expect it to have risen to 2.6% YoY from 2.5% in February, due to higher energy prices and a decline in core inflation (2.7% YoY from 2.8%). It is worth noting the clear discrepancy between PCE inflation and CPI inflation that has persisted in recent months (3.5% YoY in March). PCE inflation is the Fed's preferred measure of the rate of price changes, so the relatively higher level of CPI inflation will not present an obstacle to a decision to cut interest rates. Nevertheless, a further decline in core PCE inflation will be necessary before the Fed begins its monetary easing cycle. Thursday will see the release of the flash US GDP reading for Q4. We estimate the annualised economic growth rate at 2.3% for Q1, down from 3.4% in Q4 2023, with the slowdown attributable to decreases in investment, consumption, and public consumption. We project that orders for durable goods increased in March by 2.0% MoM, up from a 1.3% increase in February, supported by higher orders in the transportation sector. We expect that the data on new home sales (655k in March vs. 662k in February), similarly to other March real estate market data (see below), will show a decline in activity in the US real estate market. We believe that the final University of Michigan index (77.9 pts compared to 79.4 pts in March) will indicate a deterioration in household sentiment due to

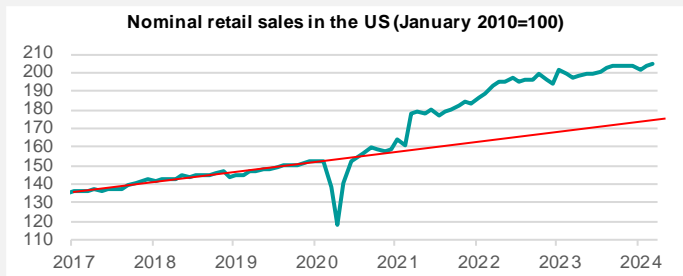


rising fuel prices in the US. In our opinion, this week's US data releases will be neutral for the financial markets.

- Data on employment and average wages in Poland's business sector for March will be released on Wednesday.** We forecast that employment growth reached 0.0% YoY, up from -0.2% in February, due to the low base effect from last year. We also expect average wage growth to remain high at 11.9% YoY in March (compared to 12.9% in February), reflecting ongoing high wage pressures. In our opinion, the publication of data on employment and business sector wages will be neutral for the PLN exchange rate and the debt market.

Last week

- Last week, important US data was published.** The monthly growth of industrial production remained unchanged from February to March at 0.4% (with an upward revision from 0.1%), aligning with market expectations. Stabilisation of monthly production growth was due to higher utility output and lower



Source: Datastream, Credit Agricole

growth in mining and manufacturing. In March, capacity utilization rose to 78.4% from 78.2% in February, maintaining a moderately high level in historical terms. Last week also saw the release of retail sales data, showing a decrease in nominal monthly growth to 0.7% MoM in March compared with 0.9% in February (upward revision from 0.6%), a reading well above market expectations of 0.3%. Excluding autos, retail sales expanded by 1.1% in March, compared to an increase of 0.6% in February (upward revision from 0.4%). Sales growth was observed across most reported categories, with the strongest increases in online sales (+2.7% MoM – partly due to spring sales), gas station sales (+2.1% – mainly due to higher prices), and in the "other stores" category (+2.1%). We believe consumer demand will remain robust in the coming quarters, only slowing down towards the year-end, which may prompt the Federal Reserve to postpone interest rate cuts. As a result, substantially better-than-expected retail sales data led to a strengthening of the USD against the EUR and an increase in the yields on US bonds. Last week also saw the release of data on new construction permits (1,458k in March vs. 1,523k in February – below the market consensus of 1,515k), housing starts (1,321k vs. 1,549k, with expectations of 1,485k), and existing home sales (4.19M vs. 4.38M, with the consensus at 4.18M), indicating a decrease in activity in the US real estate market. This decline is largely related to the rise in mortgage interest rates in the US due to reduced investor expectations for Fed interest rate cuts. Improved manufacturing sentiment was signalled by the regional NY Empire State (-14.3 pts in April against -20.9 pts in March) and Philadelphia Fed (15.5 pts vs. 3.2 pts) indices. We see an upward risk for our scenario, in which the Federal Reserve will lower interest rates by 25bps in July, followed by a 25bps cut in Q4 this year.

- Last week saw the publication of vital data from China.** Chinese GDP expanded by 5.3% YoY in Q1, compared to an increase of 5.2% in Q4 2023 (1.6% QoQ in Q1 vs. 1.2% in Q4), markedly exceeding both market expectations (4.6%) and our forecast (4.8%). The primary driver of this surprising acceleration in Q1



Source: Refinitiv, Credit Agricole

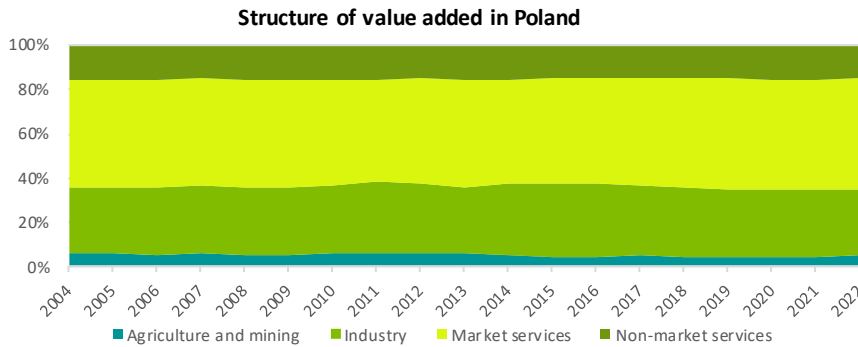
was substantial revisions of quarterly GDP growth rates in the previous quarters (data for Q1 and Q2 were revised downwards, with Q3 and Q4 data revised upwards). The slowdown in annual GDP growth between Q4 2023 and Q1 2024 was caused by lower contributions from consumption and investment, with higher contributions from net exports having the opposite effect. Last week also saw the publication of monthly figures from the Chinese economy. Industrial production growth decelerated to 4.5% YoY in March, down from 7.0% in January-February, remaining below market expectations (6.0%). The retail sales growth rate dropped to 3.1% YoY compared to 5.5% (with the consensus at 4.6%). Only urban investments outperformed the market consensus (4.5% vs. 4.2%, with expectations at 4.2%). Although the decreasing economic activity in March was influenced by high base effects and adverse calendar effects, this does not change our assessment that domestic demand in China remains weak. At the same time, it is worth noting that the acceleration of urban investments resulted from higher investments in manufacturing, while slower growth in infrastructure investments and a decrease in real estate investments had an opposing impact. We forecast that Chinese GDP will increase by 4.4% in 2024 compared to growth of 5.2% in 2023. In this context, we believe that the economic growth target for 2024 set by the Chinese government at about 5% is very ambitious and will require a significant upscaling of stimulus measures, particularly on the fiscal policy side.

➤ **According to final data, CPI inflation in Poland declined to 2.0% YoY in March vs. 2.8% in February, exceeding the Central Statistical Office's flash estimate of 1.9%.** Thus, inflation reached its lowest level since March 2019 and has remained within the allowable deviation range from the NBP's inflation target (2.5% +/- 1 pp) for two months. Lower price growth in the 'food and non-alcoholic beverages' category, as well as lower core inflation (4.6% in March vs. 5.4% in February), both contributed to lowering inflation. However, higher price growth in the 'fuels' and 'energy' categories had the opposite effect. Particularly noteworthy is the persistent strong monthly growth of core prices (0.5% MoM in February and March), which is significantly above the usual seasonal pattern levels (about 0.2%), despite the recent noticeable appreciation of the PLN. In our opinion, this indicates that elevated inflationary pressure persists in the Polish economy. We anticipate that the monthly growth rate of core prices will decrease in the coming months, although it will still remain above its seasonal pattern (see MACROPulse of 15/04/2024). Last week's data support our scenario in which inflation reached its local minimum in March. We expect a gradual increase in inflation in the coming months, largely due to the phasing out of protective measures related to food and energy prices. Consequently, we forecast that average annual inflation will be 3.3% in 2024, compared to 11.6% in 2023, and will rise to 3.6% in 2025.

➤ **20 years of Poland in the EU – how has the structure of added value in Poland changed?**

May will mark 20 years of Poland's membership of the EU. Two weeks ago, in MACROmap, we analysed how Poland's convergence to the wealthier EU economies was progressing during this time and what the prospects for convergence look like in the next decade (see MACROmap of 08/04/2024). Then last week we presented an analysis of how Poland's role in global and EU exports of goods had changed over the last 20 years (see MACROmap of 15/04/2024). In the topic of the week below, we outline how the structure of value added generated by the Polish economy has changed since Poland's accession to the EU.

In the first step of the analysis, we looked at the Polish economy from a traditional perspective in which economic activity can be divided into four sectors: agriculture and mining, industry, market services (paid services) and non-market services (public services). It appears that the structure of added value has not changed significantly since Poland's accession to the EU in 2004. In 2022, agriculture and mining

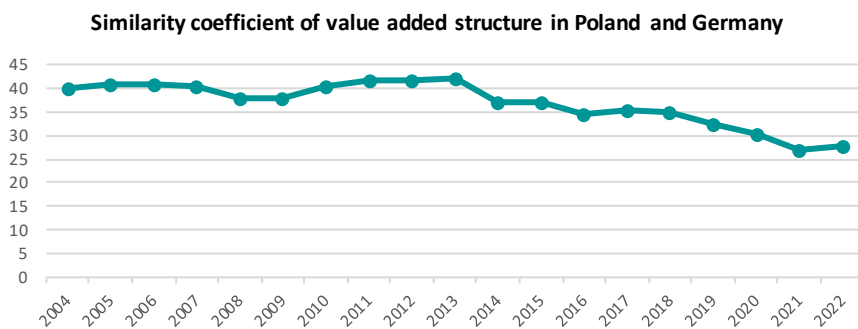


Source: Eurostat, Credit Agricole

accounted for 5% of value added, industry for 30%, market services for 51% and non-market services for 15%, compared to 6%, 30%, 48% and 16% respectively in 2004. The profound changes that have taken place in the Polish economy over the past 20 years suggest, however, that this division is too general and consequently is an oversimplification in analysing

how the structure of value added creation in Poland has changed.

For this reason, in a second step, we analysed the structure of value added in Poland at a higher level of detail, focusing on the 20 sections of PKD (letters A to T). At the same time, we contrasted the analysed data with the data for Germany. The aim of such a comparison was to try to answer the question of whether the structure of the Polish economy was becoming similar to that of the German economy. On the one hand, one could argue that there is no single optimal structure of an economy, as each economy has different comparative advantages. For this reason, the structure of the German economy is not necessarily a model for the Polish economy. On the other hand, one should remember that Germany is Europe's largest economy, one of the world's leaders in high-tech exports and Poland's main trading partner. Hence, greater convergence of the structure of value-added creation in Poland and Germany and, consequently, higher degree of links between the Polish economy and the German economy increases the opportunities for Poland to benefit from economic growth in Germany.



Source: Eurostat, Credit Agricole

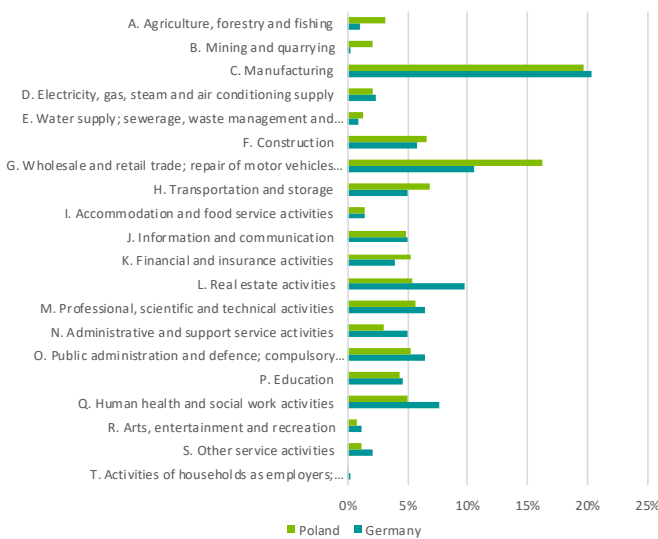
The results show that a gradual reduction in the differences in the structure of value added creation in Poland and Germany has been observed in recent years. What supports this assessment is the similarity index for the structure of value added in Poland and Germany we calculated, which reflects the sum of the absolute values from the differences between the shares of

individual sections of the PKD in value added creation in Poland and Germany between 2004 and 2022.

A detailed analysis of trends in the various sections of the PKD leads to similar conclusions. A narrowing of the disparity in the shares of the various categories was recorded in 14 of the 20 sections analysed. Not surprisingly, the disproportion in the share of agriculture and mining in value added in Poland vis-à-vis Germany has narrowed. The share of these sectors in value added in Poland is declining with economic development. At the same time, the share of manufacturing has increased, while still being lower than in Germany. The growing importance of this sector reflects the increasing integration of Polish manufacturing within international supply chains, where Germany is the main customer for intermediate goods manufactured in Poland. The importance of construction in the structure of value-added creation in Poland has also declined, while still remaining higher than in Germany. In our view, this is a result of the narrowing infrastructure gap between Poland and Germany, which favours the overrepresentation of this sector in Poland's value-added structure. The gap in the shares of the 'wholesale and retail trade, vehicle repair' section is also narrowing, although it remains very high. This is most likely largely due to Poland's economic growth model, the main source of which is consumption, which favours the

overrepresentation of this category (see MACROmap of 08/04/2024). Also noteworthy are the persistently high differences in the 'real estate activities' section, although these are also gradually decreasing. The high share of this sector in Germany is due to the country's different real estate market model, in which households are more likely to rent than to buy, which increases the demand for real estate services to a greater extent. Poland is also catching up fairly quickly in other market services such as 'financial and insurance activities', 'professional, scientific and technical activities', 'accommodation and food service activities' or 'arts, entertainment and recreation activities'. This is a typical phenomenon of a catching-up economy, where an increase in the share of market services is observed at the expense of a decrease in the share of non-market services. This is because many market services are luxury goods, meaning that demand for them grows faster than income.

Structure of value added in Poland and Germany in 2022



Source: Eurostat, Credit Agricole

Evolution of differences in the structure of value added creation in Poland and Germany between 2004 and 2022*

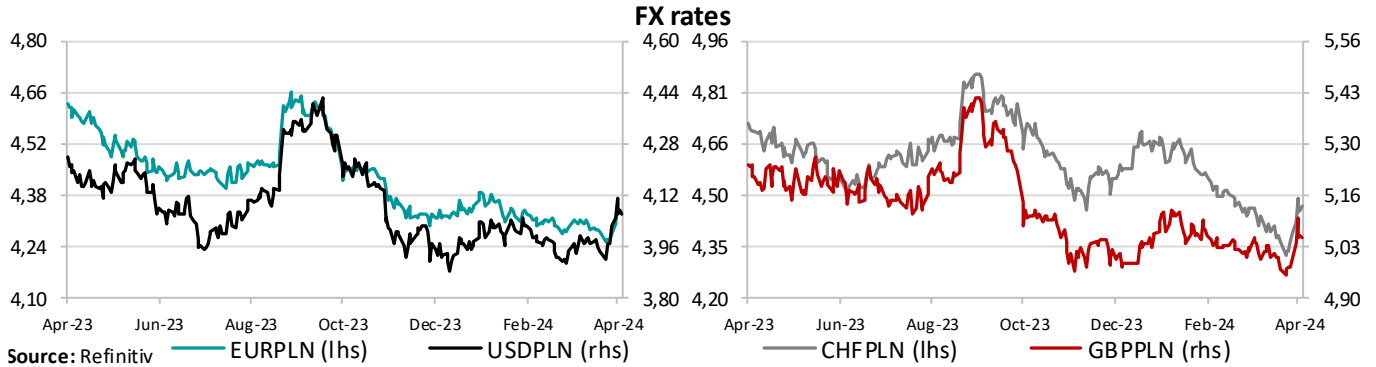


Source: Eurostat, Credit Agricole
*positive values denote a narrowing of the differences between the shares of each section in value added.

Although for most sections the differences between Poland and Germany are decreasing, those sections where the differences are increasing require separate comment. This includes the 'transportation and storage' category. In Poland, the sector's share of value added is growing significantly faster than in Germany. We believe that this is due to Poland's comparative advantages in this sector related to low labour costs and its central location in Europe, which have fostered the dynamic development of the transport sector in recent years. At the same time, there has been a decline in the share of the 'public administration and defence' section in Poland in recent years, so that this sector's share of value added has diverged from that observed in Germany. This was most likely due to the fact that average productivity growth and consequently also value added in the economy as a whole was higher than in public administration.

In summary, a gradual convergence of value-added structures in Poland towards Germany has been observed in recent years. We expect the next few years to bring a further convergence of these structures, which will be facilitated, among other things, by the acceleration of the decline in the share of mining in value added in Poland, supported by the energy transition co-financed by EU funds. The increasing similarity of value-added structures in Poland and Germany will promote a stronger synchronisation of economic fluctuations in both economies.

PLN weakens in response to escalating Iran-Israel tensions

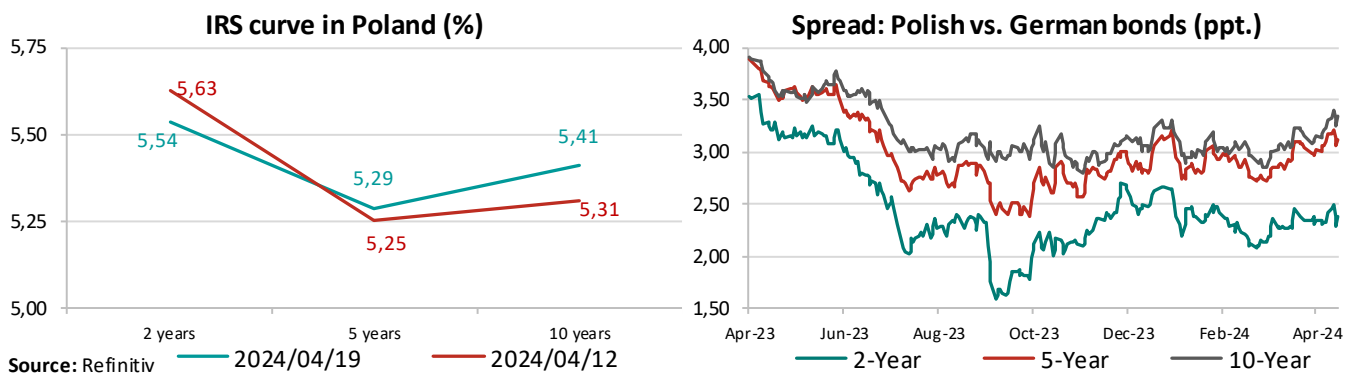


Last week, the EURPLN rate increased to 4.3309 (the PLN weakened by 1.3%). In line with our expectations, throughout last week the PLN exchange rate remained under the influence of elevated global risk aversion related to the escalation of Iran-Israel tensions. The first part of the week saw a marked increase in the EURPLN exchange rate in anticipation of Israel's reaction to the rocket attack on Israel carried out by Iran the weekend two weeks ago (see MACROmap of 15/04/2024). Israel's initial lack of response led to a partial correction and strengthening of the PLN on Wednesday. On Friday, however, there was another temporary rise in the EURPLN exchange rate after Israel launched a retaliatory attack on military installations in Iran.

Heightened risk aversion favoured further strengthening of the USD against the EUR last week. Another positive factor for the USD was the publication of significantly higher-than-expected US retail sales data, which weakened market expectations of interest rate cuts by the Fed.

This week, today's publication of domestic industrial production data will be key for the PLN. Should our forecast, which is below market consensus, materialise, this data may lead to the weakening of the PLN. We expect that other data releases from the Polish and global economies scheduled for this week will be neutral for the PLN. At the same time, we believe that IRS rates this week will remain influenced by heightened risk aversion related to the Iran-Israel conflict.

Middle East situation crucial for bond yields



Last week the 2-year IRS rates decreased to 5.54 (down by 9bp), 5-year rates increased to 5.29 (up by 4bp), and 10-year rates increased to 5.41 (up by 10bp). The beginning of the week saw an increase in IRS rates across the curve following the core markets, driven by the aforementioned increase in risk aversion.

The following days saw an adjustment and reduction in IRS rates. The publication of clearly better-than-expected US retail sales data had a limited impact on the curve.

We believe that today's publication of domestic industrial production data may contribute to a slight decline 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. At the same time, we believe that IRS rates this week will remain influenced by heightened risk aversion related to the Iran-Israel conflict.

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	4,31
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	3,97	4,05
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	4,40	4,45
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	2,0	
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)	1607	-2248	-257	4087	55	587	1184	2151	1352	199	1742	465		
Exports (% YoY EUR)	16,1	2,0	4,6	4,3	0,2	-2,1	-4,0	2,1	-2,0	-6,2	-4,5	0,4		
Imports (% YoY EUR)	3,0	-8,8	-4,2	-5,0	-6,4	-10,9	-13,8	-7,1	-7,2	-10,6	-5,3	0,9		

*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	4,3	3,1	2,9	3,4	1,9	2,8	2,2	-1,0	3,3	2,7	
Gross fixed capital formation (% YoY)	2,3	2,1	1,6	0,7	8,4	9,2	10,2	10,3	13,1	1,5	9,8	
Export - constant prices (% YoY)	2,8	0,6	4,9	7,8	7,9	5,7	4,3	7,1	3,4	4,0	6,6	
Import - constant prices (% YoY)	-0,4	2,3	8,8	9,2	8,9	7,3	5,4	7,3	-2,0	4,9	7,6	
GDP growth contributions	Private consumption (pp)	1,8	2,5	1,8	1,5	2,1	1,1	1,7	1,1	-0,5	1,9	1,5
	Investments (pp)	0,3	0,3	0,3	0,2	1,1	1,5	1,7	2,3	2,1	0,3	1,7
	Net exports (pp)	2,0	-0,9	-1,7	-0,3	0,2	-0,5	-0,4	0,2	3,3	-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	7,9	7,6	7,0	12,8	12,1	8,3	
CPI Inflation (% YoY)*	2,8	2,7	3,9	3,9	4,5	3,8	3,0	3,3	11,6	3,3	3,6	
Wibor 3M (%)**	5,88	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**	3,97	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	CONSENSUS**
Monday 04/22/2024						
10:00	Poland	PPI (% YoY)	Mar	-10,1	-9,7	-9,5
10:00	Poland	Corporate sector wages (% YoY)	Mar	12,9	11,9	11,9
10:00	Poland	Employment (% YoY)	Mar	-0,2	0,0	-0,2
10:00	Poland	Industrial production (% YoY)	Mar	3,3	-3,0	-2,4
16:00	Eurozone	Consumer Confidence Index (pts)	Apr	-14,9		-14,4
Tuesday 04/23/2024						
9:30	Germany	Flash Manufacturing PMI (pts)	Apr	41,9		42,9
10:00	Poland	Retail sales - current prices (% YoY)	Mar	6,7	7,3	7,6
10:00	Poland	Retail sales - constant prices (% YoY)	Mar	6,1	6,8	6,7
10:00	Eurozone	Flash Services PMI (pts)	Apr	51,5		51,8
10:00	Eurozone	Flash Manufacturing PMI (pts)	Apr	46,1		46,6
10:00	Eurozone	Flash Composite PMI (pts)	Apr	50,3		50,8
14:00	Poland	M3 money supply (% YoY)	Mar	7,4	7,7	7,8
15:45	USA	Flash Manufacturing PMI (pts)	Apr	51,9		
16:00	USA	New home sales (k)	Mar	662	655	670
16:00	USA	Richmond Fed Index	Apr	-11,0		
Wednesday 04/24/2024						
10:00	Germany	Ifo business climate (pts)	Apr	87,8		88,8
10:00	Poland	Registered unemployment rate (%)	Mar	5,4	5,3	5,3
14:30	USA	Durable goods orders (% MoM)	Mar	1,3	2,0	2,0
Thursday 04/25/2024						
14:30	USA	Preliminary estimate of GDP (% YoY)	Q1	3,4	2,3	2,1
14:30	USA	Initial jobless claims (k)	w/e	269		
Friday 04/26/2024						
10:00	Eurozone	M3 money supply (% MoM)	Mar	0,4		0,6
14:30	USA	PCE Inflation (% YoY)	Mar	2,5	2,6	2,6
14:30	USA	PCE core inflation (% YoY)	Mar	2,8	2,7	2,7
14:30	USA	Real private consumption (% MoM)	Mar	0,4		
16:00	USA	Final U. of Michigan Sentiment Index (pts)	Apr	77,9	77,9	77,9

*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