
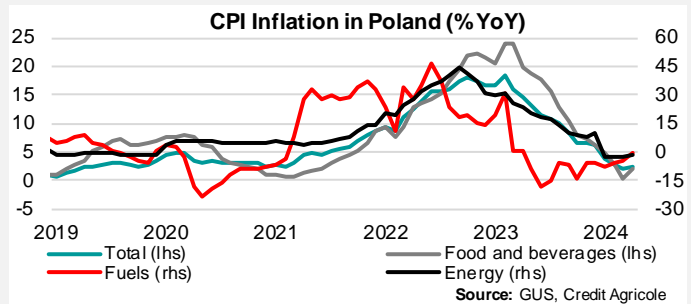




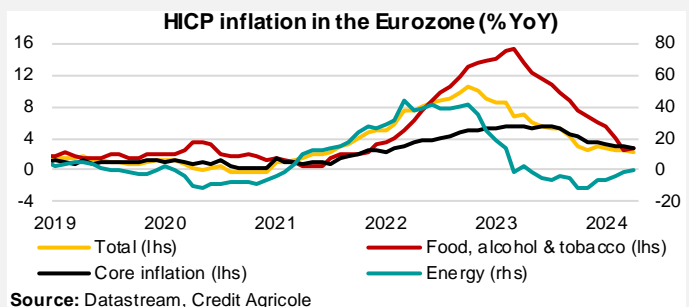
This week


 **The publication of inflation data for Poland, which is scheduled for Friday, will be the most important event this week.** In our opinion, we should expect inflation to rise from 2.4% YoY in April to 2.8% YoY in May. We believe that the rise will be connected mainly with further transmission of the restored VAT on foods to retail prices. This is because some retail chains decided to keep their prices in April on such a level as if the VAT was not applied at all. At the same time, we expect core inflation to keep on following the downward trend. Our forecast is below the market consensus (2.9%), thus, its materialisation would be slightly negative for the PLN and yields on Polish bonds.



 **Some significant data on US economy will be released this week.** PCE inflation data will be published on Friday. We do not think the core inflation will change between April and May, so it will stand at 2.8% YoY, though we believe there might be a slight downside risk to this forecast. The second estimate of US Q1 GDP will be released on Thursday. We assume that the annualised economic growth will not be revised versus the first estimate, and so it will stay at 1.6%. The Conference Board index will be released on Tuesday. The market consensus has it that it will show a deterioration in households' sentiment (96.0 pts in May vs. 97.0 pts in April). We believe this week's US data will be neutral for financial markets.

 **The flash HICP inflation estimate for the Eurozone will be published on Friday.** We expect the annual growth in prices to have picked up to 2.5% YoY in May from 2.4% in April, driven by faster rises in energy prices. In our opinion, core inflation will not change between April and May, which means it will stand at 2.7% YoY. Preliminary HICP inflation estimate for Germany, which will be published this Wednesday, will provide some additional information about inflation in the Eurozone. We expect it to rise from 2.4% YoY in April to 2.8% in May (low base effect on transportation prices). Our inflation forecast is consistent with market consensus, so its materialisation should not have any significant impact on the PLN and yields on Polish bonds.




 **Today, the Ifo index will be published, reflecting the sentiment of German businesses in the manufacturing, construction, trade, and services sectors.** The market expects the index to rise from 89.4 pts in April to 90.2 pts in May. The improvement in business sentiment will be consistent with improved PMI results for Germany seen in May (see below). We believe that the publication of Ifo will be neutral for financial markets.

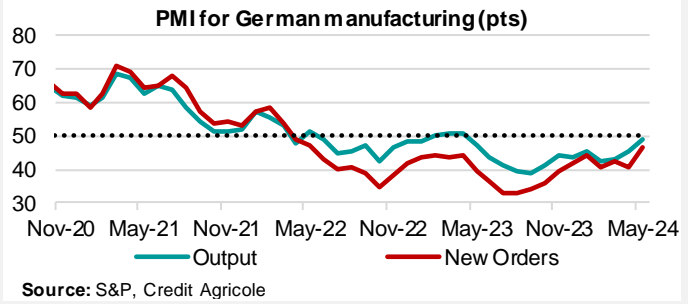
 **Business survey results for Chinese manufacturing will be published this week.** NBS PMI will be released on Friday. The market expects it to go up from 50.4 pts in April to 50.5 pts in May. Consequently, business survey results from China will show that the scale of the recovery is only limited. In our opinion, the data from China will be neutral for financial markets.

Last week

- **Industrial production in Poland went up to 7.9% YoY in April compared to a 5.6% decline in March (upward revision from -6.0%), running markedly above the market expectations (5.5%) and our forecast (5.9%).** Industrial production growth was largely driven up by the statistical effect of a favourable difference in the number of working days between March and April. Seasonally-adjusted industrial production went up by 7.0% MoM in April (the third strongest growth in the recorded history). Therefore, we are still of the opinion that the surprisingly strong decline in seasonally-adjusted industrial production seen in March was most likely connected with the difficulties related to the adjustment of data for calendar effects, which arose due to huge differences in the number of working days and to the date of Easter falling earlier than in the previous year (see MACROPulse of 22/04/2024). Given the impact of favourable calendar effects, annual industrial production growth was broad-based, and was seen in the three main segments of the industry, i.e. export-oriented branches, construction-related sectors and other categories. What is particularly noteworthy is that production in export-oriented branches did not grow much comparing to other segments of the industry. In our opinion, short-term production prospects for export-oriented branches are still unfavourable due to a lower activity in the manufacturing sector in the Eurozone, including Germany, which has led to a lower demand for intermediate goods manufactured in Poland (see MACROPulse of 22/05/2024). Construction and assembly production increased to -2.0% YoY in April comparing to -13.2% in March, running above the market consensus (-5.0%) and our forecast (-3.0%). Industrial production growth was largely driven up by the aforementioned statistical effect of a favourable difference in the number of working days between March and April. Seasonally-adjusted construction and assembly production increased in April by 2.3% MoM. Seasonally-adjusted month-on-month construction and assembly production growth seen in April is an optimistic signal bearing in mind that the demand in the construction sector is currently being harnessed by a reduced absorption of EU funds (see MACROmap of 18/03/2024). In our opinion, the data indicates that the activity in the construction sector is back on the upward trend having reached its local minimum last March, although we need to wait for May's data to be released to be able to confirm this conclusion (see MACROPulse of 23/05/2024). Data on industrial production and construction and assembly production carry an upside risk to our forecast, in which GDP in Poland is to print at 2.7% YoY in Poland in Q2.
- **Poland's nominal retail sales growth slowed down to 4.3% YoY in April vs. 6.0% in March, running below the market consensus (5.9%) and above our forecast (3.5%).** The growth in retail sales in constant prices slowed down from 6.1% YoY in March to 4.1% in April, running below the market consensus (5.1%) and above our forecast (3.0%). Sales growth was driven down by Easter falling earlier than in the previous year, which was conducive to increased expenses in March. Seasonally-adjusted retail sales in constant prices decreased by 3.5% MoM in April. In our opinion, such a strong drop in seasonally-adjusted retail sales resulted to a great extent from the difficulties related to the adjustment of data for strong effects of Easter purchases made in March. Consequently, we expect the seasonally-adjusted retail sales to grow in May, which means that the upward trend for sales growth seen over the last couple of quarters would continue. Our conclusion is supported by the data structure, with growing sales of durable goods indicating that the basis for consumption demand recovery is becoming more and more solid (see MACROPulse of 23/05/2024). The data is thus indicative of a slight upside risk to our consumption growth forecast in Q2 (4.3% YoY vs. 3.5% in Q1). We continue to believe that consumer demand recovery will be the main economic growth driver in both Q2 and the entire 2024, just as it was in Q1.

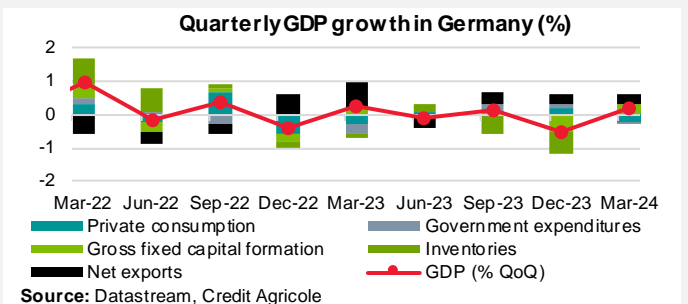
-  **Nominal wage growth in Poland's business sector fell to 11.3% YoY in April from 12.0% in March, running below the market consensus (12.1%) and our forecast (11.6%).** Nominal wage growth acceleration was broad-based, and was seen in most categories reported by the GUS. In real terms, after the adjustments made to take into consideration the changes in prices, wages in companies rose by 8.7% comparing to a 9.8% growth in March as a result in a slower growth in nominal wages and the inflation rise that was seen in April (see MACROPulse of 15/05/2024). However, employment figures for the enterprise sector went down from -0.2% in March to -0.4% in April, printing below market expectations and our forecast (-0.3%). The number of employed individuals shrank by 1.8k between March and April. The decline in total employment was mainly driven down by "industrial manufacturing sector" and "trade and repair of motor vehicles" (see MACROPulse of 22/05/2024). The decline in employment in the manufacturing sector is indicative of the continuing restructuring processes in that sector. A slower growth in employment combined with a slower growth in real wages in the enterprise sector resulted in a decrease in the real wage fund growth rate in the enterprise sector, the rate being the product of employment and average wage adjusted for changes in prices, to 8.7% YoY in April vs. 9.5% in March and 9.2% in Q1. Despite the ongoing restructuring processes running primarily in the manufacturing sector, we continue to believe that the scenario involving a rapid decline in employment in the enterprise sector in 2024 is highly unlikely. We believe that the decline in employment that was mentioned above will be compensated for by a stronger demand for workforce in those sectors that will strongly benefit from consumption recovery in the quarters to come, including e.g. services sector or consumer goods production sector.
-  **Some significant data on the US economy was released last week.** Orders for durable goods in April went up by 0.7% MoM comparing to a 0.8% growth in March (downgrade from 2.6%), printing ahead of market expectations (-0.6%). Excluding transportation, monthly growth in durable goods orders increased to 0.4% in April vs. 0.0% in March (downgrade from 0.2%). At the same time, the growth in orders for non-military capital goods slowed down in April to 0.5% YoY vs. 1.1% in March. Nonetheless, its three-month moving average went slightly up, which indicates that the outlook for investments in the US is slightly better. Last week also saw the release of data on new home sales (634k in April vs. 665k in March) and existing-home sales (4.14m vs. 4.22m). Taking into consideration the data on new construction permits and housing starts published two weeks ago (see MACROmap of 20/05/2024), it can be seen that the activity in the US property market in April was slightly reduced in general. The final University of Michigan index went down from 77.2 pts in April to 69.1 pts in May (67.4 pts in the preliminary estimate). The decline in the index was due to a drop of its components for both the assessment of the current situation and expectations. Consumer sentiment in May has become much poorer in consequence of households' growing concerns with regard to inflation, unemployment and interest rates in the coming months. We expect the annualised US GDP growth rate to go down from 1.6% YoY in Q1 to 1.1% YoY in Q2. At the same time, in our scenario, US GDP will grow by 1.8% in 2024 comparing to a 2.5% growth in 2023.
-  **Minutes of the May FOMC meeting were published last week.** Particularly noteworthy in the transcript of the discussion is the information that some FOMC members expressed a willingness to further tighten monetary policy if further inflationary developments were to justify such action. Despite the hawkish tone, the publication of Minutes had limited direct impact on the EURUSD exchange rate. Investors are currently pricing in two incomplete interest rate cuts in the US by the end of 2024. In light of the Minutes of the May FOMC meeting, we see upside risk to our scenario that the Federal Reserve will cut interest rates by 25bp in July and by 25bp in Q4 2024.

According to flash data, the Eurozone’s composite PMI (for manufacturing and services) rose to 52.3 pts in May from 51.7 pts in April, which is slightly above market expectations (52.0 pts). The increase in the aggregate PMI index was due to an increase in its component for current



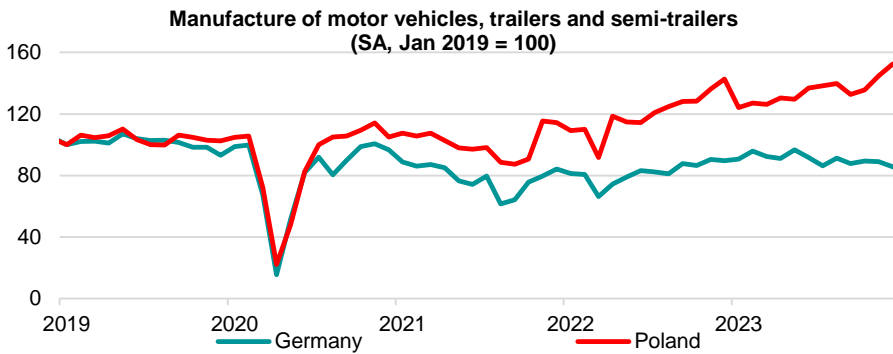
manufacturing output, while the component for business activity in services was unchanged. Geography wise, some deterioration in business sentiment was seen in France, while improvement was seen in Germany and the other Eurozone economies surveyed. The business climate in German manufacturing, crucial to the situation of the Polish exports, improved in May. The preliminary PMI index for manufacturing rose to 45.4 pts in May, from 42.5 pts in April. Higher contributions from 3 out of 5 components (for current output, new orders and delivery times) had an upward effect on the index, while a lower contribution from employment and inventories had the opposite effect. What is particularly worth noting about the data is a strong increase in the new orders, that (while remaining below the 50-point threshold) reached the highest level since May 2022. It is worth noting that the increase in the component for new orders was also accompanied by a strong increase in the index for new export orders. This is consistent with the report's assessment that the factor limiting the decline in new orders in German manufacturing is the increasingly strong foreign demand. The increase in the component for new orders was reflected in a strong increase in the index for expected production over a 12-month horizon to its highest level since February 2022. This suggests that the surveyed businesses expect demand to recover in the coming quarters. Last week's Eurozone business survey results support our forecast that quarterly GDP growth will be unchanged in Q2 compared to Q1, at 0.3%.

According to the final estimate, quarterly GDP growth in the Germany accelerated to 0.2% in Q1 vs. -0,3% in Q4 (-0,9% YoY in Q1 vs. -0,4% in Q4), running in line with the flash estimate. The GDP acceleration was driven by higher contributions from investments and inventories, while lower



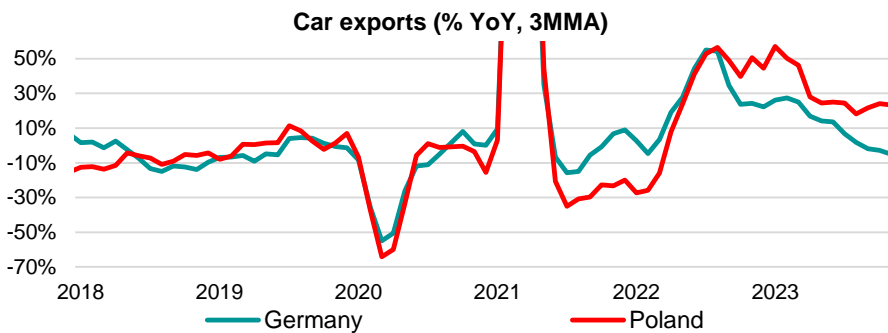
contribution from private consumption and government spending had the opposite effect. The net exports contribution did not change in Q1 compared to Q4. Thus, the main sources of GDP growth in Q1 were investment and net exports. For 2024 as a whole, we forecast the German GDP to increase by 0.1% vs. a decline by 0.1% in 2023.

Good prospects for the Polish automotive industry



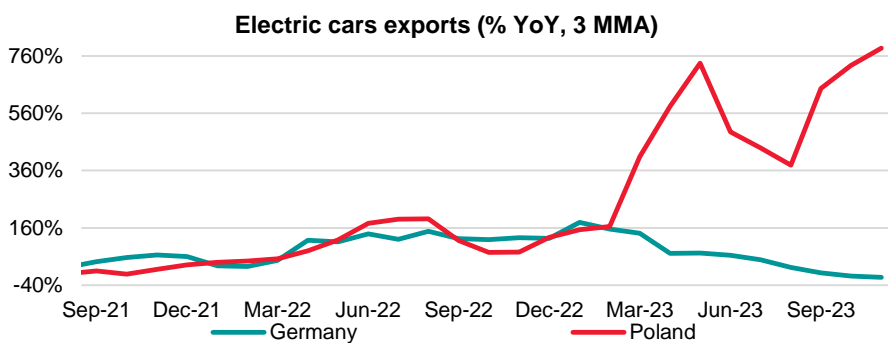
Source: Eurostat, Credit Agricole

In the latest MACROmap, we presented calculations based on input-output tables indicating that the decline in production in the German automotive industry had a limited impact on the activity in the Polish manufacturing sector, and its negative outcome is predominantly seen in the ‘motor vehicles, trailers and semi-trailers’ category. It is worth noting in this context the divergent trends observed in recent quarters between the automotive industries in the two countries. Despite the decline in production in Germany, Poland's production in the ‘motor vehicles, trailers and semi-trailers’ category (which also includes parts manufacturing) has continued a clear upward trend in recent years.



Source: Eurostat, Credit Agricole

Similar discrepancies are evident for car exports (excluding parts). In H2 2023, the growth rate of Poland's car exports stabilized at a positive double-digit level, while exports from Germany continued on a downward trend. During this period, Poland gained mainly from exports outside the European Union. Exports in this direction increased in H2 2023 by 35.2% YoY, while sales within the EU increased by only 10.9% YoY, and to Germany by 15.0%. Parts exports account for about two-thirds of the Polish automotive industry's total exports, but in this case the trends observed in foreign sales in Germany and Poland are similar. The divergence is mainly visible in the trends of auto exports.

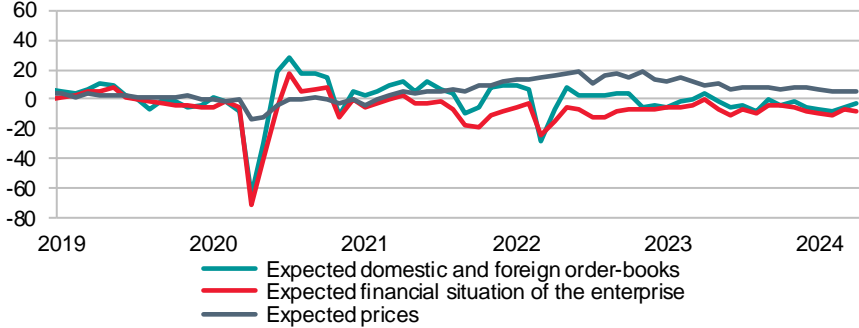


Source: Eurostat, Credit Agricole

An important factor supporting the activity of the Polish automotive industry was the electric car segment. Exports of these cars increased sixfold between 2022 and 2023, increasing their share of total car exports from 2.5% to 11.6% (see chart). Such strong growth is mainly due to the gradual transformation of Stellantis' business profile towards increased production of low-emission cars, which was made possible by investments in passenger car plants in Tychy and Gliwice. According to unofficial media reports, electric car production will increase further in 2024 due to the highly likely start of the production process by the Chinese company Leapmotor at the Stellantis plant in Tychy. The outlook for production within the electric car segment also looks favourable over the horizon

of several years due to investments by Mercedes, Volvo, Volkswagen and China's Sanhua Automotive. These will be greenfield investments located in Jawor, Krakow, Tychy and Nysa.

Business surveys indicators for category "motor vehicles, trailers and semi-trailers"



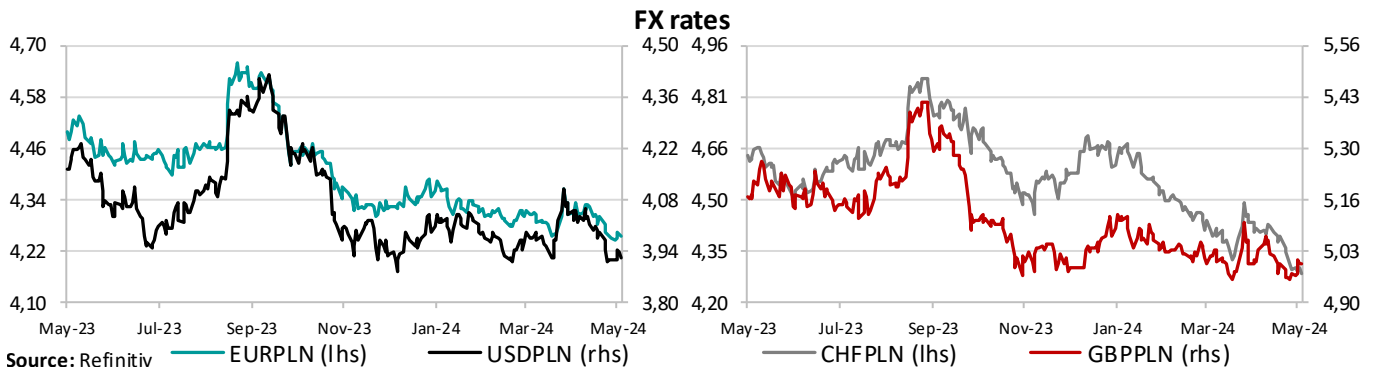
Source: GUS, Credit Agricole

The cited data signals that Poland is benefiting from the progressive technological changes taking place in the automotive industry. This will be an important factor supporting industrial production in the medium term. The results of the GUS business surveys signal optimism in this regard in the short term as well. The index for the expected domestic and foreign

order book in the 'motor vehicles, trailers and semi-trailers' category was at its highest level since November 2023 in April. In H2 2024, activity in the Polish automotive industry will be supported by the recovery in German production mentioned in the previous MACROmap, which we expect to be linked to the launch of new car models (by Mercedes, Audi, VW, Porsche, BMW, among others). The global PMI index also provides positive signals. Aggregate results for automotive industries worldwide pointed in April to the fastest growth in automobile and parts production in 11 months and the fastest growth in new orders in nearly two years.

Based on the trends outlined above, we believe that both the short- and medium-term prospects for the Polish automotive industry look optimistic. Given that sales in this industry are predominantly directed abroad (78.8% in H1 2023), the recovery in the automotive industry will be a factor supporting export growth. We maintain our forecast of 4.0% YoY export growth in 2024 vs. 3.4% in 2023.

Domestic inflation data may weaken the PLN



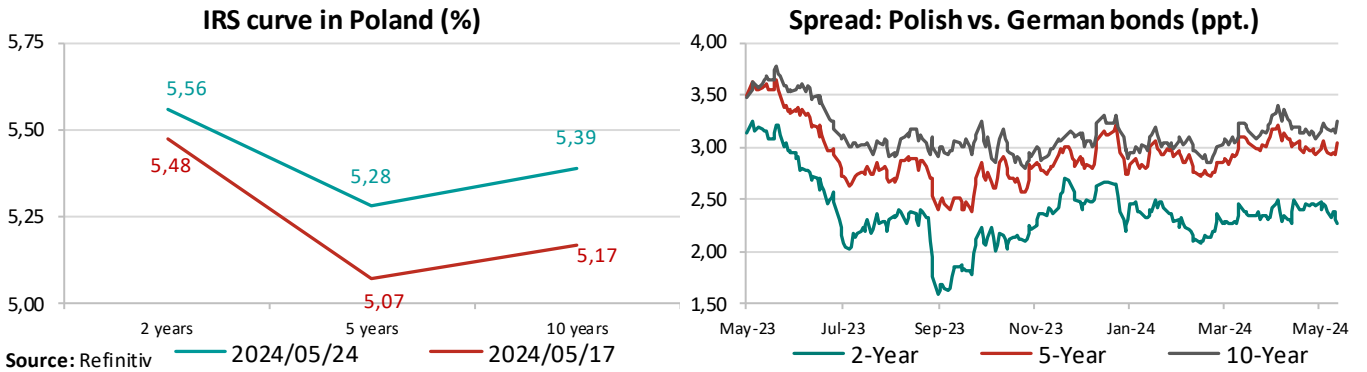
Source: Refinitiv

Last week, the EURPLN rate increased to 4.2556 (the PLN weakened by 0.1%). In the first part of the week, the PLN exchange rate was in a clear downward trend, which was a continuation of the tendencies observed in previous weeks (see MACROmap of 20/05/2024). Wednesday saw a reversal of the trend and an increase in the EURPLN rate. This was supported by the strengthening of the USD against the EUR related, among other things, to the hawkish tone of the minutes of the May FOMC meeting, which dampened investors' expectations for interest rate cuts in the US. The publication of numerous domestic data did not have a significant impact on the PLN.

This week, the publication of Poland's flash inflation data scheduled for Friday will be crucial for the PLN. Our forecast is slightly below market expectations, hence its materialisation may favour a slight

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.

IRS rates go up following core markets



Last week, 2-year IRS rates increased to 5.56 (up by 8bp), 5-year rates to 5.28 (up by 21bp) and 10-year ones to 5.39 (up by 22bp). Last week saw an increase in IRS rates, particularly visible at the long end of the curve, which reflected the situation in the core markets. Bond yields in the core markets were supported by the hawkish tone of the minutes of the May FOMC meeting released on Wednesday, which dampened expectations among some investors for interest rate cuts in the US.

We believe that the release of preliminary domestic inflation data scheduled for Friday may lead to a slight decline in IRS rates. We believe that other data releases from the Polish and global economy will be neutral for the curve.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	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	May-24
NBP reference rate (%)	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	5,75
EURPLN*	4,59	4,53	4,43	4,40	4,47	4,63	4,45	4,35	4,33	4,32	4,31	4,29	4,33	4,26
USDPLN*	4,16	4,23	4,06	4,00	4,12	4,37	4,21	4,00	3,93	4,00	3,99	3,97	4,06	3,94
CHFPLN*	4,66	4,64	4,52	4,59	4,66	4,78	4,62	4,56	4,64	4,64	4,52	4,40	4,41	4,30
CPI inflation (% YoY)	14,7	13,0	11,5	10,8	10,1	8,2	6,6	6,6	6,2	3,7	2,8	2,0	2,4	
Core inflation (% YoY)	12,2	11,5	11,1	10,6	10,0	8,4	8,0	7,3	6,9	6,2	5,4	4,6	4,1	
Industrial production (% YoY)	-6,5	-3,3	-1,6	-2,7	-2,2	-3,3	2,0	-0,3	-3,5	3,0	3,2	-5,6	7,9	
PPI inflation (% YoY)	6,2	2,8	0,3	-2,1	-2,9	-2,7	-4,2	-5,1	-6,9	-10,6	-10,0	-9,9	-8,6	
Retail sales (% YoY)	3,4	1,8	2,1	2,1	3,1	3,6	4,8	2,6	0,5	4,6	6,7	6,0	4,3	
Corporate sector wages (% YoY)	12,1	12,2	11,9	10,4	11,9	10,3	12,8	11,8	9,6	12,8	12,9	12,0	11,3	
Employment (% YoY)	0,4	0,4	0,2	0,1	0,0	0,0	-0,1	-0,2	-0,1	-0,2	-0,2	-0,2	-0,4	
Unemployment rate* (%)	5,3	5,1	5,1	5,0	5,0	5,0	5,0	5,0	5,1	5,4	5,4	5,3	5,2	
Current account (M EUR)	-2248	-257	4087	55	587	1184	2151	1352	199	1742	511	325		
Exports (% YoY EUR)	2,0	4,6	4,3	0,2	-2,1	-4,0	2,1	-2,0	-6,2	-4,5	0,5	-9,5		
Imports (% YoY EUR)	-8,8	-4,2	-5,0	-6,4	-10,9	-13,8	-7,1	-7,2	-10,6	-5,3	0,9	-8,3		

*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)	1,2	2,7	3,5	3,5	5,0	4,7	4,2	4,5	0,2	2,8	4,6	
Private consumption (% YoY)	3,5	4,3	3,1	2,9	3,4	1,9	2,8	2,2	-1,0	3,4	2,7	
Gross fixed capital formation (% YoY)	0,5	2,1	1,6	0,7	8,4	9,2	10,2	10,3	13,1	1,2	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)	2,1	2,5	1,8	1,5	2,1	1,1	1,7	1,1	-0,5	1,9	1,5
	Investments (pp)	0,1	0,3	0,3	0,2	1,1	1,5	1,7	2,3	2,1	0,2	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)***	1,2	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)	14,4	15,5	14,8	15,0	12,1	9,9	8,3	7,8	12,8	14,9	9,5	
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 05/27/2024						
10:00	Germany	Ifo business climate (pts)	May	89,4		90,4
10:00	Poland	Registered unemployment rate (%)	Apr	5,3	5,2	5,1
Tuesday 05/28/2024						
15:00	USA	Case-Shiller Index (% MoM)	Mar	0,6		
16:00	USA	Consumer Confidence Index	May	97,0		96,0
Wednesday 05/29/2024						
10:00	Eurozone	M3 money supply (% MoM)	Apr	0,9		1,3
14:00	Germany	Preliminary HICP (% YoY)	May	2,4	2,8	2,7
16:00	USA	Richmond Fed Index	May	-7,0		
Thursday 05/30/2024						
11:00	Eurozone	Business Climate Indicator (pts)	May	-0,53		
11:00	Eurozone	Unemployment rate (%)	Apr	6,5		6,5
14:30	USA	Second estimate of GDP (% YoY)	Q1	1,6	1,6	1,4
Friday 05/31/2024						
3:30	China	NBS Manufacturing PMI (pts)	May	50,4		50,5
10:00	Poland	Flash CPI (% YoY)	May	2,4	2,8	2,9
11:00	Eurozone	Preliminary HICP (% YoY)	May	2,4	2,5	2,5
14:30	USA	PCE Inflation (% YoY)	Apr	2,7		2,7
14:30	USA	PCE core inflation (% YoY)	Apr	2,8	2,8	2,8
14:30	USA	Real private consumption (% MoM)	Apr	0,5		
15:45	USA	Chicago PMI (pts)	May	37,9		40,4

*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