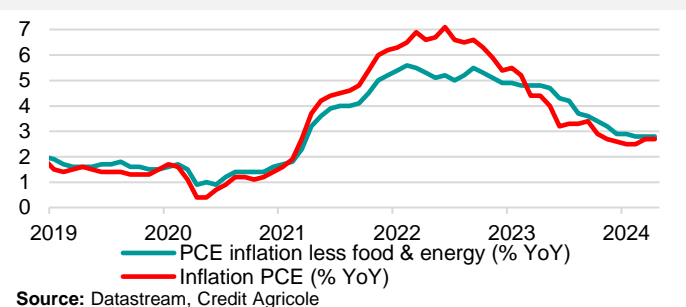
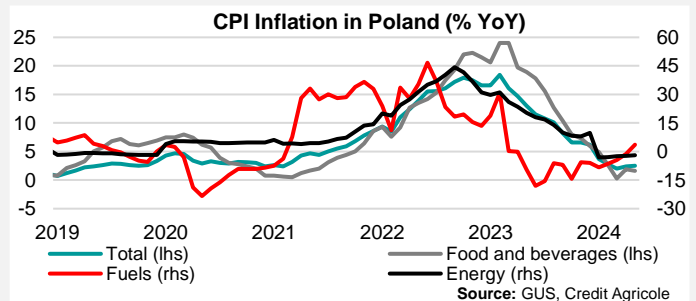


This week

- The key event this week will be the release of Poland's inflation data scheduled for Friday.** We believe that inflation remained unchanged between May and April at 2.5% YoY. In our opinion, inflation remained steady in May due to higher food prices, offset by slower growth in fuel prices, and stable core inflation (3.8% YoY). Our forecast is below the consensus (2.7%), and thus, if it materialises, this will be slightly negative for the PLN and yields on Polish bonds.
- Another important event is today's release of domestic retail sales data.** We anticipate that the growth rate of retail sales in constant prices increased to 6.5% YoY in May, up from 4.1% in April. The shift in the Easter holiday compared to last year contributed to the acceleration of sales growth between April and May. We believe that the release of retail sales data will have a slightly positive impact on the PLN and yields on Polish bonds.
- This week, important data from the US will be published.** We expect headline PCE inflation to have decreased to 2.6% YoY in May from 2.7% in April, with core inflation falling to 2.6% YoY from 2.8%. Additionally, Thursday will see the release of the final estimate of US GDP for Q1. We assume it will align with the second estimate, which showed an annualised economic growth rate of 1.3% in Q1 compared to 3.4% in Q4. Furthermore, on Thursday preliminary data on durable goods orders in the US will be released, which we expect to have decreased by 0.5% MoM in May compared to a 0.6% increase in April, due to lower orders in the "transportation" category. We also expect data on new home sales (630k in May compared to 634k in April) to indicate a slight decline in activity in the US real estate market. This week will also see the publication of consumer sentiment surveys. We expect both the final University of Michigan index (65.6 pts in June vs. 69.1 pts in May) and the Conference Board index (100.0 pts vs. 102.0 pts in May) to indicate a deterioration in household sentiment. We believe the US economic data releases will have a limited impact on the financial markets.
- Today saw 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 to have risen to 89.7 pts in June from 89.3 pts in May. However, we see a downside risk to this forecast due to the worsening sentiment signalled by the decline in PMIs for Germany in June (see below). We believe the publication of the Ifo index will be neutral for financial markets.

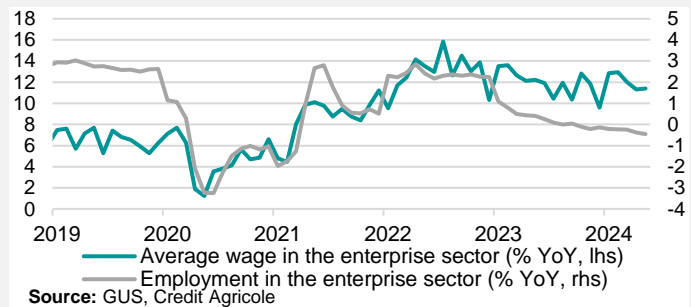


Last week

- Industrial production in Poland shrank by 1.7% YoY in May compared to a 7.8% growth in April (downward revision from 7.9%), running markedly below the market expectations (+1.5%) and our forecast (+1.9%).** Industrial production growth between April and May was largely driven down by the statistical effect of an unfavourable difference in the number of working days (see

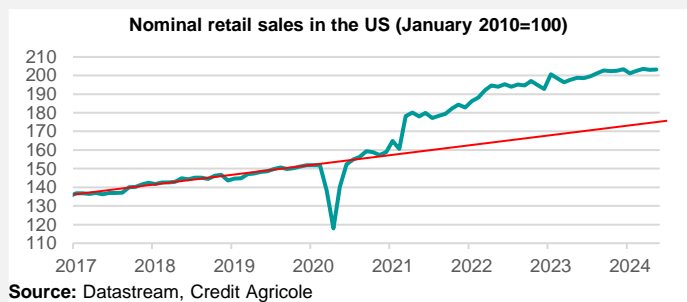
MACROPulse of 20/06/2024). Seasonally-adjusted industrial production shrank by 2.1% MoM in May. It is worth noting that seasonally-adjusted industrial production in May 2024 was 0.3% lower than in December 2023, which indicates that it has undergone stagnation in H1 2024. Given the impact of unfavourable calendar effects, the decline in annual industrial production growth rate was broad-based, and was seen in the three main segments of the industry, i.e. export-oriented branches (-6.6% in May vs. 5.0% in April), construction-related sectors (-5.4% vs. 8.4%) and other categories (1.8% vs. 9.3%). 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, which is negative for the demand for intermediate goods manufactured in Poland. Data on industrial production in May has no impact on our forecast in which economic growth will follow an upward trend in the coming quarters, boosted primarily by consumption. We are not changing our average annual GDP growth forecast for 2024 (2.8%), either.

Employment growth rate in the Polish enterprise sector went down from -0.4% in April to -0.5% in May, which was below market expectations and our forecast (-0.4%). The number of employed individuals shrank by 11.7k between April and May. In our opinion, employment figures were driven



down by the decline in the manufacturing sector, just as it had been the case in the previous months, which was connected with the continuing restructuring processes in that sector. Nominal wage growth in the enterprise sector increased from 11.3% YoY in April to 11.4% YoY in May, printing slightly below the market consensus that was consistent with our forecast (11.6%). In real terms, after the adjustments made to take into consideration the changes in prices, wages in companies rose by 8.7% YoY in May comparing to an 8.7% growth in April. Wage growth stabilisation combined with a stronger decline in employment in the enterprise sector resulted in a slight 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 8.2% YoY in May vs. 8.3% YoY in April and 9.2% in Q1. This, however, has no impact on our scenario of consumption recovery in the coming quarters (see MACROPulse of 20/06/2024).

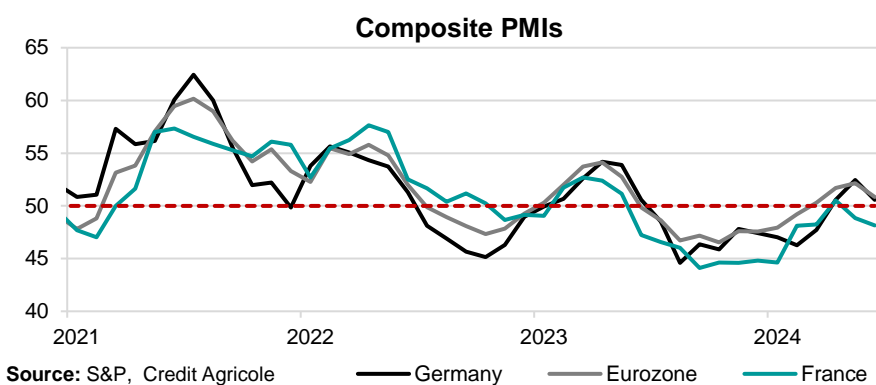
Last week, some vital data regarding the US economy was published. The monthly growth rate of industrial production in the US expanded to 0.9% in May from 0.0% in April, falling short of market expectations (0.3%). This increase was driven by higher production growth in manufacturing and mining, with lower growth in utility output having the opposite effect. In May, capacity utilization rose to 78.7%, up from 78.2% in April, remaining moderately high by historical standards. Last week also saw the release of retail sales data, showing an increase in nominal monthly growth to 0.1% MoM in May compared with a 0.2% contraction in April (downward revision from 0.0%), a reading slightly below market expectations of 0.2%. Excluding autos, retail sales fell by 0.1% in May, i.e. by the same rate as in April (downward revision from 0.2%). Despite the marked slowdown in retail sales growth in May, it remains consistent with its medium-term trend, indicating sustained strong consumer demand in the USA, which we expect to slow only towards the end of this year. Data concerning new building permits (1,386k in May compared to 1,440k in April, below the market consensus of 1,550k) and housing starts (1,277k in May compared to



1,360k, with expectations of 1,372k) offered unfavourable signals on the US housing market. The decline in housing starts in May was partly related to rising mortgage rates in the US. Mixed sentiments in manufacturing were indicated by the Philadelphia Fed index (1.3 pts in June compared to 4.5 pts in May) and the NY Empire State index (-6.0 pts compared to -15.6 pts). We forecast that the annualized GDP growth rate in the USA will increase to 1.8% in Q2 from 1.3% in Q1. Concurrently, according to our scenario, US GDP will grow by 2.0% in 2024 compared to 2.5% in 2023.

- ▾ **According to flash data, the composite PMI (for manufacturing and services) in the Eurozone contracted to 50.8 pts in June from 52.2 pts in May, running well below market expectations of 52.5 pts.** Geographically, a downturn was observed in Germany, France, and other Eurozone economies covered by the PMI survey. The average value of the composite PMI in the Eurozone increased to 51.6 pts in the April-June period from 49.2 pts in Q1. These figures pose a slight downside risk to our forecast that the quarterly GDP growth rate in the Eurozone remained unchanged between Q1 and Q2 of this year at 0.3% (see below).
- ▾ **Last week, a meeting of the Swiss National Bank (SNB) was held.** The SNB decided to cut the policy rate by 25bp to 1.25%, in line with market consensus. The rate cut was justified by a decrease in inflationary pressures since the last central bank meeting. The SNB reiterated its intention to closely monitor inflation in the coming months, noting the recent decrease in inflationary pressures. The SNB also reaffirmed its readiness to make foreign currency interventions if they become necessary. In addition, the SNB unveiled its most recent macroeconomic forecasts. The inflation path for 2024 remained unchanged from the March projection, but the forecasts for 2025-2026 were revised downward by 0.1 pp to 1.1% YoY and 1.0%, respectively. Last week's SNB decision is consistent with our EURCHF forecast (0.94 at the end of 2024 and 0.98 at the end of 2025) and CHFPLN forecast (4.51 at the end of 2024 and 4.29 at the end of 2025).

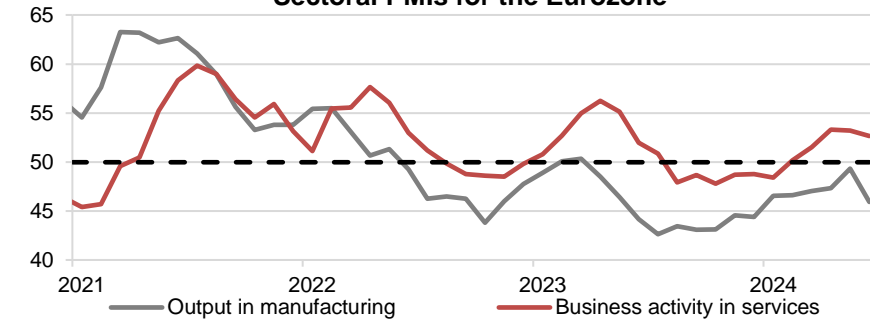
Surprising deterioration in business sentiment in the Eurozone



Preliminary data shows that the composite PMI (manufacturing and services) for the Eurozone fell from 52.2 pts in May to 50.8 pts in June, running markedly below the market consensus (52.5 pts). Geography-wise, some deterioration in business sentiment was seen in Germany, France, and other Eurozone economies surveyed. The average composite PMI for the Eurozone between April and June went up to

51.6 pts vs. 49.2 pts in Q1. The data poses a slight downside risk to our forecast in which the quarterly GDP of the Eurozone will not change between Q1 and Q2 2024, and will stand at 0.3%. The authors of the PMI report estimate that the Q2 index value indicates that GDP will grow by 0.2% QoQ. In accordance with the report, some French companies noted that the increased uncertainty related to the political situation in France caused them to slow their activities down. This factor could be one of the explanations why index values went down so strongly in other countries (e.g. due to a drop in the number of orders), but it was not mentioned in the PMI reports explicitly.

Sectoral PMIs for the Eurozone

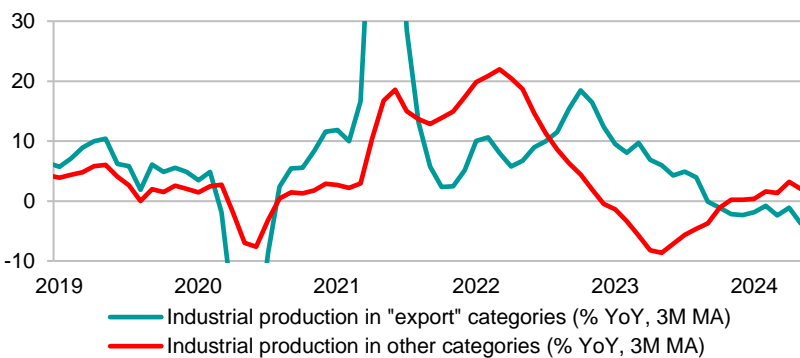


Source: S&P, Credit Agricole

What is particularly noteworthy about the data is that the activity trends in the manufacturing and service sectors are diverging increasingly again. From mid-2023 onwards, we could see that the gap between the component for business activity in services and the one for current output in the manufacturing sector was narrowing – both indicators were

following a slightly upward trend. However, in June, both components went down once again, but industrial manufacturing dropped much more strongly (3.4 pts) than services (0.6 pts). This means that the difference between those sub-indices is the biggest since July 2023 (see chart). Activity in the services sector has been accelerating since February 2024, while the industrial manufacturing sector in the Eurozone still suffers from recession trends.

After two months of growth, the situation in the German manufacturing sector has deteriorated once again in June. Preliminary PMI for manufacturing dropped to 43.4 pts in June from 45.4 pts in May, printing markedly below market expectations (46.5 pts). A poor demand showing through a stronger decline in the number of total new orders (incl. export orders) is still the main factor curbing the activity in Germany. The reduction of production backlogs remains a stabilising factor in the context of economic activity. The backlogs have been reduced continuously since June 2022, and in June 2024, the reduction slightly accelerated following a temporary slowdown in the previous months. It is also worth noting that the inventories of purchased items and finished products have been shrinking more quickly over the last couple of months, which can suggest that companies do not firmly believe that the activity in the manufacturing sector will accelerate.

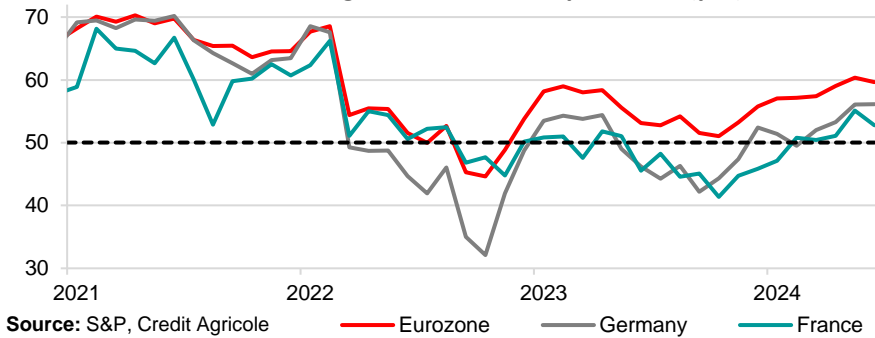


Source: GUS, Credit Agricole

Trends in the Eurozone's manufacturing sector (and Germany's in particular) are of key importance from the point of view of Polish exports. Due to the slowdown seen from Q4 2022 onwards in the countries that are Poland's main trade partners, production growth in export-oriented sectors in Poland has been following a downward trend. Over the last couple of months, production growth in those sectors, smoothed out with a 3-month moving average has become more

stable, but nonetheless, it has been invariably negative since September 2023 (see chart). Moreover, since November 2023, production growth in those categories of the industry, where sales are mostly export-oriented has been markedly lower than in those where sales are intended primarily for the domestic market. In our opinion, 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. This conclusion is supported by business survey results published last week by the GUS. The indicators describing the production expected in a 3-month horizon and the expected number of orders in the Polish industrial manufacturing sector in June have reached the lowest level since Q3 2023.

Manufacturing PMI - Future Output Index (pts)

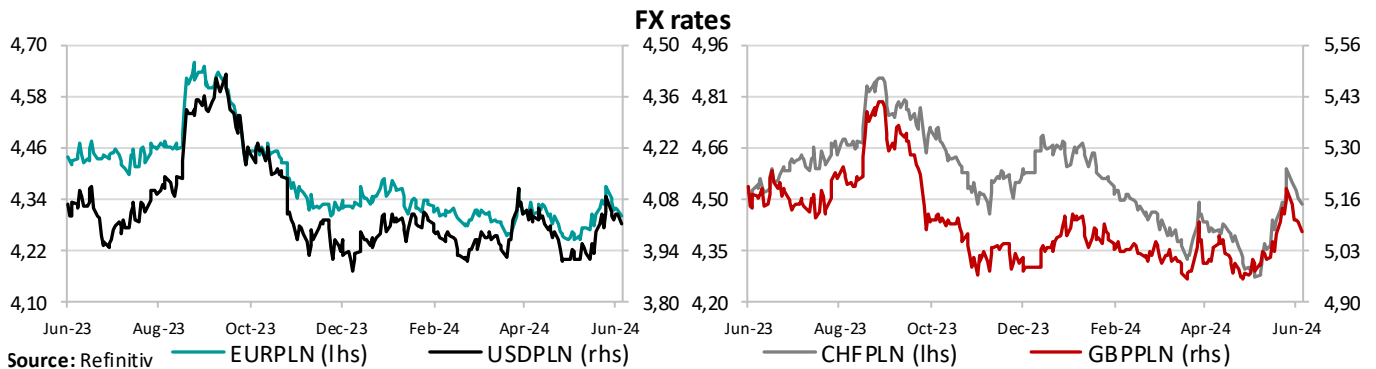


Source: S&P, Credit Agricole — Eurozone — Germany — France

The index value for the production expected in a 12-month horizon in the German manufacturing sector has not changed between May and June, standing at 56.1 pts (the highest value since February 2022). Therefore, we do not think that the current sentiment deterioration seen in June is indicative of a lasting reversal of favourable trends seen over the last couple of

months. Nonetheless, the June's PMI data indicate that the recession trends are highly likely to continue in the German manufacturing sector in the coming months. This poses a downside risk to our scenario of gradual economic recovery in the Eurozone and the related acceleration of Polish exports. At the same time, we are not changing our economic growth forecast of 2.8% YoY for 2024, which is more cautious than the market consensus (2.9%).

Domestic inflation figures may weaken the PLN



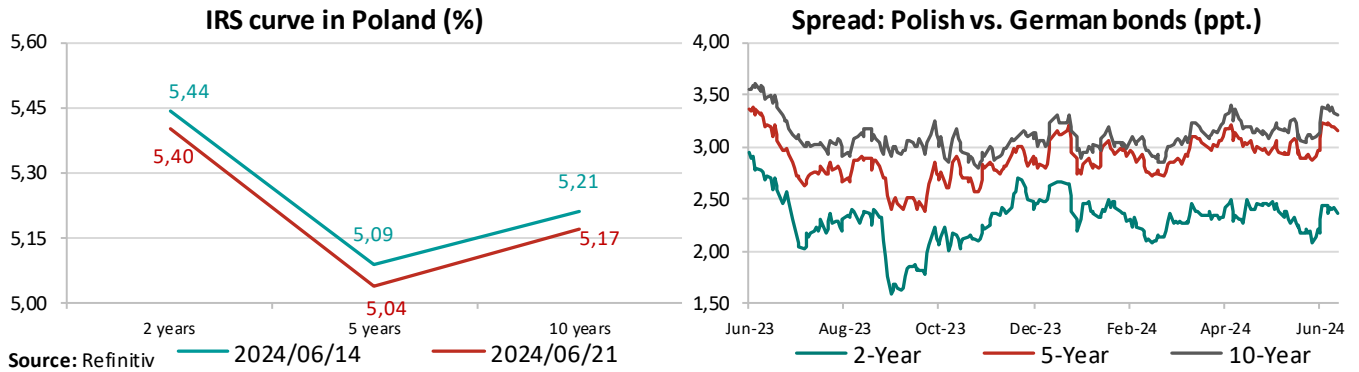
Source: Refinitiv — EURPLN (lhs) — USDPLN (rhs)

— CHFPLN (lhs) — GBPPLN (rhs)

Last week, the EURPLN rate dropped to 4.3171 (the PLN strengthened by 1.2%). Over the last week, the EURPLN followed an upward trend, which was connected with the improvement in market sentiment after the massive sale of risky assets that took place two weeks ago (see MACROmap of 17/06/2024). The adjustment was also facilitated by certain investors making gains after the EURPLN had reached the highest level since January 2024 two weeks ago on Friday. The PLN temporarily depreciated on Thursday following the release of weaker-than-expected domestic macroeconomic data (see above).

The release of Poland's preliminary inflation data planned for Friday will be of key importance for the PLN this week. Our forecast is slightly below the market consensus, so if it materialises, the PLN may slightly weaken. The release of Poland's retail sales data will be slightly positive for the PLN, though. We expect other publications from the global economy planned for this week to be neutral for the PLN. The PLN will also remain sensitive to market sentiment changes related to the political situation in France.

IRS rates decline following the core markets



Last week the 2-year IRS rates decreased to 5.4 (down by 4bp), 5-year rates to 5.04 (down by 5bp), and 10-year rates to 5.17 (down by 4bp). Just like two weeks ago, the IRS rates remained relatively stable. In Poland, they dropped slightly due to interest rate cuts on core markets while no material changes with regard to their spread vs. core markets have been observed.

We believe that the Friday’s release of Poland’s preliminary inflation data may cause the IRS rates to go slightly down. The release of Poland’s retail sales data will be slightly positive for the IRS rates, though. We believe that other publications from the global economy will be neutral for the curve. The IRS rates will also remain sensitive to market sentiment changes related to the political situation in France.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	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	Jun-24
NBP reference rate (%)	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	5,75
EURPLN*	4,53	4,43	4,40	4,47	4,63	4,45	4,35	4,33	4,32	4,31	4,29	4,33	4,27	4,34
USDPLN*	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	4,06
CHFPLN*	4,64	4,52	4,59	4,66	4,78	4,62	4,56	4,64	4,64	4,52	4,40	4,41	4,36	5,43
CPI inflation (% YoY)	13,0	11,5	10,8	10,1	8,2	6,6	6,6	6,2	3,7	2,8	2,0	2,4	2,5	
Core inflation (% YoY)	11,5	11,1	10,6	10,0	8,4	8,0	7,3	6,9	6,2	5,4	4,6	4,1	3,8	
Industrial production (% YoY)	-3,3	-1,6	-2,7	-2,2	-3,3	2,0	-0,3	-3,5	3,0	3,2	-5,7	7,8	-1,7	
PPI inflation (% YoY)	2,8	0,3	-2,1	-2,9	-2,7	-4,2	-5,1	-6,9	-10,6	-10,0	-9,9	-8,6	-7,0	
Retail sales (% YoY)	1,8	2,1	2,1	3,1	3,6	4,8	2,6	0,5	4,6	6,7	6,0	4,3	7,2	
Corporate sector wages (% YoY)	12,2	11,9	10,4	11,9	10,3	12,8	11,8	9,6	12,8	12,9	12,0	11,3	11,4	
Employment (% YoY)	0,4	0,2	0,1	0,0	0,0	-0,1	-0,2	-0,1	-0,2	-0,2	-0,2	-0,4	-0,5	
Unemployment rate* (%)	5,1	5,1	5,0	5,0	5,0	5,0	5,0	5,1	5,4	5,4	5,3	5,1	5,0	
Current account (M EUR)	-257	4087	55	587	1184	2151	1352	199	1742	511	325	-241		
Exports (% YoY EUR)	4,6	4,3	0,2	-2,1	-4,0	2,1	-2,0	-6,2	-4,5	0,5	-9,5	5,5		
Imports (% YoY EUR)	-4,2	-5,0	-6,4	-10,9	-13,8	-7,1	-7,2	-10,6	-5,3	0,9	-8,3	5,7		

*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)	2,0	2,5	3,3	3,5	4,7	4,8	4,1	4,4	0,2	2,8	4,6	
Private consumption (% YoY)	4,6	5,1	4,1	3,5	2,9	2,5	2,4	2,2	-1,0	4,3	2,6	
Gross fixed capital formation (% YoY)	-1,8	0,1	0,9	-0,4	8,7	9,4	10,5	11,7	13,1	-0,3	10,4	
Export - constant prices (% YoY)	0,5	1,0	3,5	6,5	7,3	5,7	4,3	7,1	3,4	2,8	6,3	
Import - constant prices (% YoY)	-0,1	2,3	9,1	9,2	8,9	7,3	5,4	7,3	-2,0	5,0	7,6	
GDP growth contributions	Private consumption (pp)	2,7	2,9	2,4	1,7	1,8	1,5	1,4	1,1	-0,5	2,4	1,5
	Investments (pp)	-0,2	0,0	0,1	-0,1	1,1	1,5	1,7	2,7	2,1	0,0	1,8
	Net exports (pp)	0,4	-0,6	-2,6	-1,0	-0,4	-0,4	-0,4	0,2	3,3	-1,0	-0,3
Current account (% of GDP)***	1,2	1,0	0,9	0,8	0,8	0,7	0,6	0,6	1,6	0,8	0,6	
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)	-0,2	-0,2	-0,2	-0,3	-0,4	-0,5	-0,5	-0,5	0,8	-0,2	-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	2,5	4,2	4,7	5,1	4,8	3,5	3,4	11,6	3,6	4,2	
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	4,34	4,26	4,24	4,23	4,22	4,21	4,20	4,33	4,24	4,20	
USDPLN**	3,97	4,03	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 06/24/2024						
10:00	Poland	Retail sales - current prices(% YoY)	May	4,3	7,2	5,7
10:00	Poland	Retail sales - constant prices (% YoY)	May	4,1	6,5	4,9
10:00	Germany	Ifo business climate (pts)	Jun	89,3		89,7
14:00	Poland	M3 money supply (% YoY)	May	7,4	7,5	7,4
Tuesday 06/25/2024						
10:00	Poland	Registered unemployment rate (%)	May	5,1	5,0	5,0
15:00	USA	Case-Shiller Index (% MoM)	Apr	0,3		0,3
16:00	USA	Consumer Confidence Index	Jun	102,0	100,0	100,0
16:00	USA	Richmond Fed Index	Jun	0,0		
Wednesday 06/26/2024						
16:00	USA	New home sales (k)	May	634	630,0	640
Thursday 06/27/2024						
10:00	Eurozone	M3 money supply (% MoM)	May	1,3		1,5
11:00	Eurozone	Business Climate Indicator (pts)	Jun	-0,39		
14:30	USA	Initial jobless claims (k)	w/e	269		
14:30	USA	Final GDP (% YoY)	Q1	1,3	1,3	1,4
14:30	USA	Durable goods orders (% MoM)	May	0,6	-0,5	0,0
Friday 06/28/2024						
10:00	Poland	Flash CPI (% YoY)	Jun	2,5	2,5	2,7
14:30	USA	PCE Inflation (% YoY)	May	2,7	2,6	2,6
14:30	USA	PCE core inflation (% YoY)	May	2,8	2,6	2,6
14:30	USA	Real private consumption (% MoM)	May	-0,1		
15:45	USA	Chicago PMI (pts)	Jun	35,4		40,0
16:00	USA	Final U. of Michigan Sentiment Index (pts)	Jun	65,6	65,6	65,7

*The forecasts of macroeconomic indicators for Poland were prepared by Credit Agricole Bank Polska S.A. The forecasts of foreign indicators were prepared by Crédit Agricole Corporate and Investment Bank

** Refinitiv