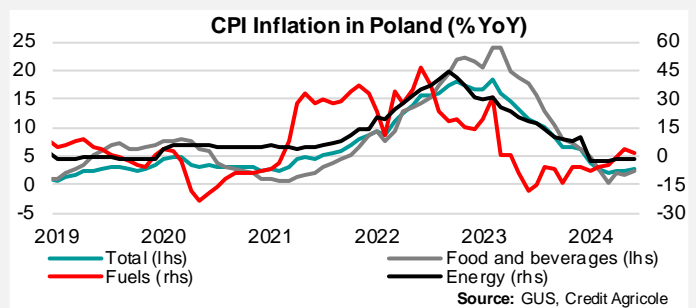
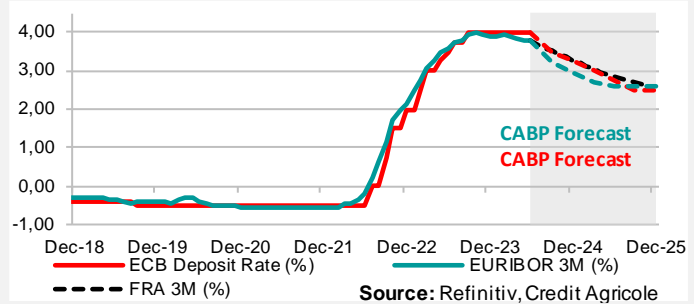


This week

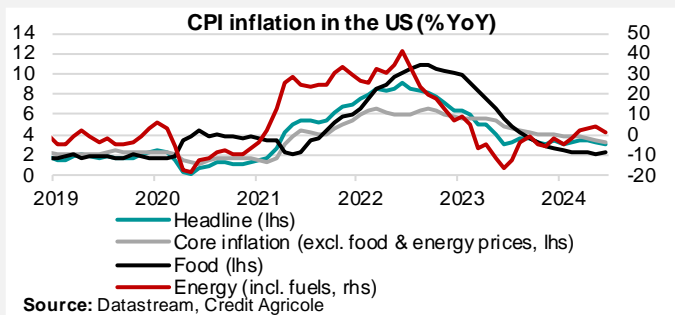
- The key event this week will be an ECB meeting planned for Thursday.** We expect the ECB to keep interest rates unchanged, with the main interest rate remaining at 4.25%, and the deposit rate at 3.75%. We expect the ECB chief Ch. Lagarde to confirm at the press conference after the meeting that the coming months will see further monetary policy easing. The press conference may add to market volatility.
- Poland's final inflation figures will be released today.** We see a risk that inflation will be slightly below GUS's flash estimate (2.6% YoY) at 2.5% in June (remaining flat between May and June). According to preliminary data, the rise in inflation was driven primarily by higher price growth in the 'food and non-alcoholic beverages' and 'energy', partially offset by lower price rises in 'fuels'. We expect core inflation to have remained flat between May and June at 3.8%. In our opinion, the final inflation data will be neutral for the PLN and yields on Polish bonds.
- Today will also see the release of Poland's balance of payments figures for May.** We expect the current account deficit to have widened to EUR 769M from EUR 241M in April. We forecast that export growth dropped from 5.5% YoY in April to -7.3% in May while import growth fell from 5.7% YoY to -1.4%, to a large extent as a result of unfavourable calendar effects. In our opinion, the balance of payments figures will be neutral for the PLN and yields on Polish bonds.
- Also of importance this week will be the release of Poland's industrial production figures for June, scheduled for Thursday.** We expect industrial production growth to have dropped to -2.5% in June from -1.7% in May, with the drop driven by the continuing downturn in Poland's manufacturing (see MACROPulse of 01/07/2024). Our forecast is below consensus (-1.5%), and thus its materialization would be slightly negative for the PLN and yields on Polish bonds.
- Data on employment and average wages in Poland's business sector for June will be released on Thursday.** We expect the ongoing restructuring in manufacturing to result in a further MoM drop in employment. Therefore, we forecast that growth in employment remained flat from May to June at -0.5% YoY. At the same time, we expect average wage growth to have dropped to 11.2% YoY in June from 11.4% in May. We believe that the release of data on employment and wages in the business sector will be neutral for the PLN and the debt market.
- Some important data from the US will be released this week.** We expect nominal retail sales to have dropped by 0.2% MoM in June compared with 0.1% in May, which would be in line with our scenario, which expects a gradual slowdown in consumption in the US. We forecast that industrial production growth dropped to 0.3% MoM in June from 0.9% in May, with the drop driven mainly by slower output growth in manufacturing. We expect data on housing starts (1,270k in June vs. 1,277k in May) and building permits (1,375k vs. 1,399k) to show overall a slight decline in the US housing market. We believe this week's US data will be neutral for financial markets.



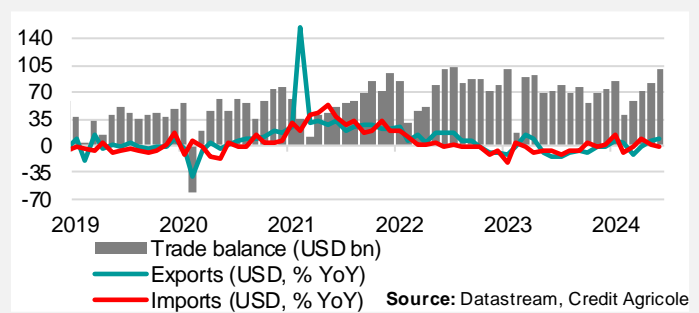
▮ **Today has seen the release of important data from China.** GDP growth in China dropped to 4.7% YoY in Q2 2024 from 5.3% in Q1 (0.7% QoQ from 1.6%), running below market expectations (5.1% YoY and 1.1% QoQ). Slowdown in China's business activity is also signalled by data on retail sales (2.0% in June vs. 3.7% in May), industrial production (5.3% vs. 5.6%) and urban investment (3.9% vs. 4.0%), with market expectations at 3.4%, 5.0%, and 4.0%, respectively. Particularly worth noting is the sharp drop in retail sales growth, which we believe is a sign of continued weakening in China's domestic demand. At the same time, the continuing relatively strong growth in industrial production reflects gradual recovery in global trade and reported higher demand for goods manufactured in China. The slight decline in urban investment shows that slowdown in China's housing market continues. The data represents a downside risk to our forecast for China's GDP growth (4.7% in 2024 vs. 5.2% in 2023). We also believe that the data from China released this morning is slightly negative for the PLN.

Last week

▮ **Important data from the US was released last week.** CPI inflation fell to 3.3% YoY in June from 3.3% in May, running below the market consensus of 3.1%. The fall in inflation was driven by slower rises in energy and food prices and by lower core inflation, which dropped to 3.3% in June from 3.4% in May, running below the consensus of 3.4%. The below-consensus inflation figures translated into rising rate cut expectations in the US and a temporary weakening of the USD against the EUR. Last week also saw the release of the preliminary reading of the Michigan University Index, which fell to 66.0 pts in July from 68.2 pts in June, running below market expectations (68.5 pts). The fall in the index is accounted for by drops in its components both for the assessment of the current situation and for expectations. The median expected inflation over one-year horizon, released together with the University of Michigan index, fell to 2.9% in July from 3.0% in June, which shows a drop in US households' inflation expectations. Last week also saw the Fed Chairman J. Powell's testimony to Congress. As we had expected, J. Powell reiterated that before making a decision to cut rates, the Fed must be sure that the fall in inflation was sustainable. He also noted that elevated inflation was not the only risk the Fed faced, referring to deteriorating US labour market conditions. J. Powell's comments support our scenario, which expects the Fed to go ahead with two rate cuts of 25bp each by the end of this year (in September and December).

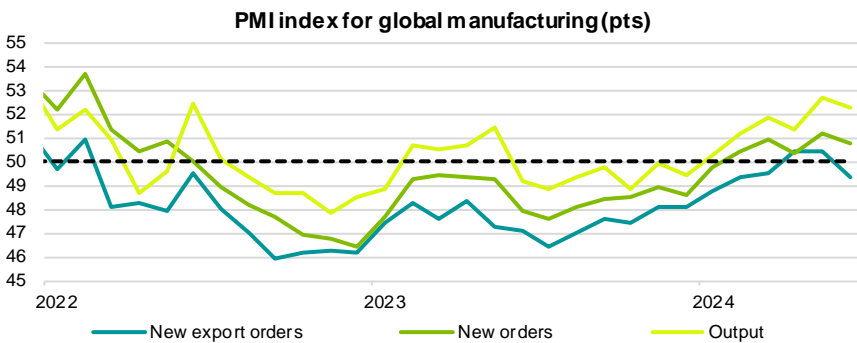


▮ **China's trade balance increased from USD 82.6bn in May to USD 99.1bn in June, with market expecting USD 85.0bn.** Exports growth accelerated from 7.6% YoY to 8.6%, while imports went down from 1.8% to -2.3%, with expectations standing at 8.0% and 2.8%, respectively. In our opinion, such marked acceleration of exports growth results from a gradual recovery in activity in the global trade (see below). We believe that Chinese exports were also driven up by accelerated purchases made by the EU and the US in anticipation of new tariffs on Chinese goods exported to those



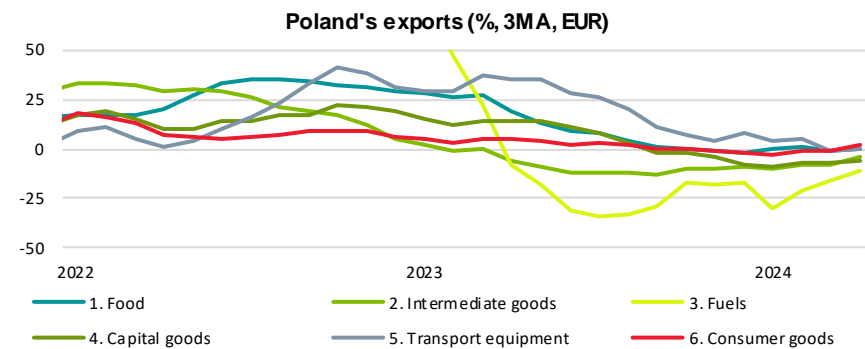
markets. A decline in imports, in turn, indicates that the internal demand in China is still poor. We believe that the Chinese exports will be driven up by the gradual recovery in the global trade in the months to come.

Waiting for global trade recovery



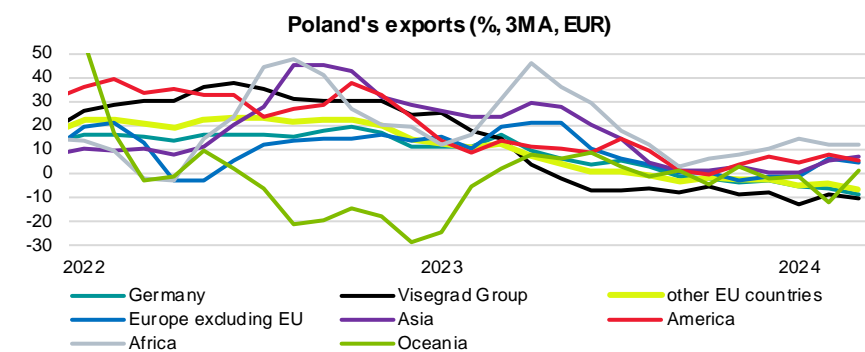
Source: S&P, Credit Agricole

export orders. Below we are trying to answer whether or not those first symptoms of recovery in the global trade are already showing in Polish exports.



Source: GUS, Credit Agricole

keeps on declining in key categories for Polish exports and manufacturing such as “intermediate goods” or “capital goods”.



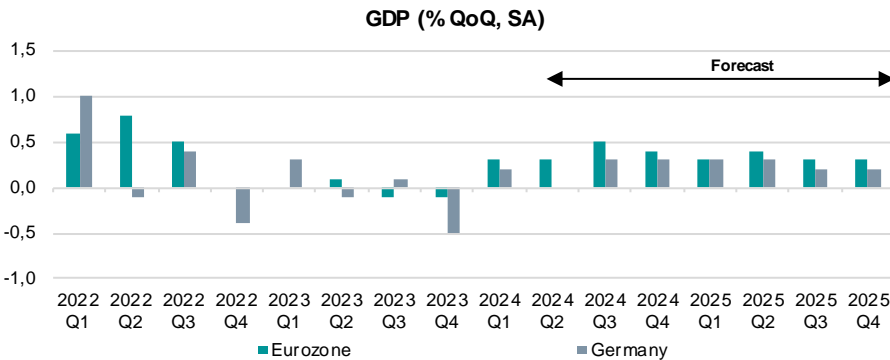
Source: Eurostat, Credit Agricole

indicates that Polish exporters are trying to diversify their sales by entering more distant markets amidst a limited demand in the EU. However, it is worth noting that those sales volumes represent approx. 25% of the Polish exports, which is not enough to reverse the negative trends.

Over the last couple of months, we have seen a gradual acceleration of global manufacturing activity. Our conclusion is supported by a growth in the current output and the number of new orders. Since production in the manufacturing sector worldwide currently relies heavily on international supply chains, this also has a positive impact on the number of new

In accordance with the data published by the GUS, the annualised growth in Polish exports has accelerated in the basic groups of goods, and the acceleration is broad-based. However, it is worth noting that the 3-month moving average of annual export dynamics is positive only in the “food”, “transport equipment” and “consumer goods” categories, and

As regards the structure of Polish exports broken down by destination, the exports from Poland to the EU market (and particularly Germany), which is the main recipient of Polish goods, still show no signs of recovery. The growth, however, has been observed in the case of sales to other European markets, Asia, America, Africa and Oceania. It

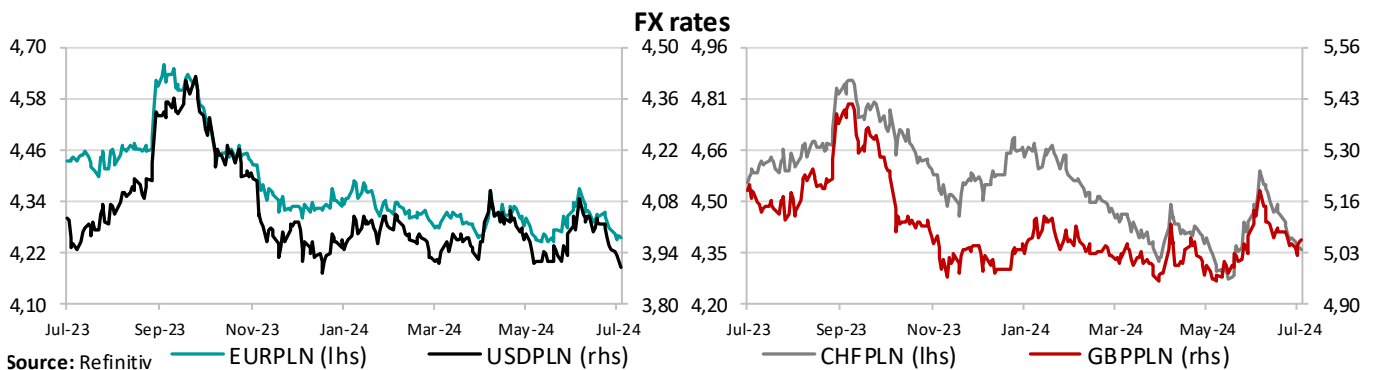


Source: Datastream, Credit Agricole

So when will the first signs of recovery that we are currently seeing in the global trade show in the Polish exports? To answer this question, first of all, we need to analyse the economic growth prospects for the Eurozone, including Germany. We do not believe the outlook for sales of Polish intermediate and capital goods will improve, nor will the Polish exports accelerate, without a

recovery in demand on those markets. We expect the economic growth in the Eurozone to accelerate markedly in Q3 2024 (0.5% QoQ vs. 0.3% in Q2), and to print at approx. 0.3% on average until the end of 2025. Similar trends will be seen in Germany (0.3% in Q3 vs. 0.0% in Q2, and then 0.3% on average in the subsequent quarters). That would be positive for the demand for intermediate and capital goods manufactured in Poland from the Eurozone countries. However, the surprising recent downturn in the Eurozone is indicative of a growing likelihood of a delay in recovery in the Eurozone (see MACROmap of 24/06/2024). Therefore, we believe there is a downside risk to our scenario in which the growth in Polish exports is to accelerate from 1.0% YoY in Q2 to 3.5% in Q3 and 6.5% in Q4. This, in turn, poses a downside risk to our forecast for investments (-0.3% YoY in 2024 vs. 13.1% in 2023) and GDP (2.8% vs. 0.2%).

PLN appreciates following the EURUSD rise

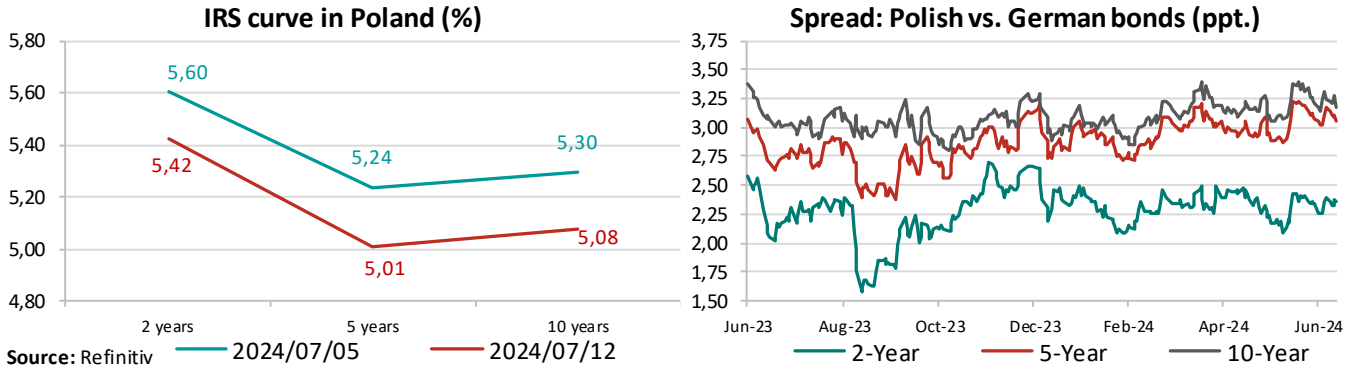


Source: Refinitiv

Last week, the EURPLN rate dropped to 4.2550 (the PLN strengthened by 0.5%). Last week, the EURPLN followed a clear downward trend as the EURUSD was rising. The USD weakened against the EUR due to increasing expectations concerning interest rate cuts in the US, which were driven up by lower-than-consensus inflation data and Fed Chairman J. Powell’s statements.

We believe that the data from China that came in this morning is neutral for the PLN. Turning to the week ahead, the release of domestic industrial production figures, which is scheduled for Thursday will be of key importance for the PLN. A potential materialisation of our lower-than-consensus forecast might be conducive to PLN depreciation. In turn, the ECB meeting planned for Thursday may be accompanied by increased volatility of the PLN. We believe that other publications from the Polish and global economies planned for this week will be neutral for the PLN.

ECB meeting in the spotlight



Last week the 2-year IRS rates decreased to 5.42 (down by 18bp), 5-year rates to 5.01 (down by 23bp), and 10-year rates to 5.08 (down by 22bp). Last week saw a decline in IRS rates across the curve following the core markets. Yields in core markets fell due to the increasing expectations concerning interest rate cuts in the US, which were driven up, among others, by lower-than-consensus inflation data and Fed Chairman J. Powell’s statements.

This week the spotlights will be turned on the ECB meeting planned for Thursday, as it may be conducive to increased volatility of IRS rates. The release of domestic industrial production figures, which is scheduled for Thursday may drive the IRS rates down. We believe that other publications from the Polish and global economies planned for this week will be neutral for the curve.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	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	Jul-24
NBP reference rate (%)	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	5,75
EURPLN*	4,43	4,40	4,47	4,63	4,45	4,35	4,33	4,32	4,31	4,29	4,33	4,27	4,30	4,30
USDPLN*	4,06	4,00	4,12	4,37	4,21	4,00	3,93	4,00	3,99	3,97	4,06	3,94	4,02	4,03
CHFPLN*	4,52	4,59	4,66	4,78	4,62	4,56	4,64	4,64	4,52	4,40	4,41	4,36	4,47	4,47
CPI inflation (% YoY)	11,5	10,8	10,1	8,2	6,6	6,6	6,2	3,7	2,8	2,0	2,4	2,5	2,5	
Core inflation (% YoY)	11,1	10,6	10,0	8,4	8,0	7,3	6,9	6,2	5,4	4,6	4,1	3,8	3,8	
Industrial production (% YoY)	-1,6	-2,7	-2,2	-3,3	2,0	-0,3	-3,5	3,0	3,2	-5,7	7,8	-1,7	-2,5	
PPI inflation (% YoY)	0,3	-2,1	-2,9	-2,7	-4,2	-5,1	-6,9	-10,6	-10,0	-9,9	-8,5	-7,0	-6,5	
Retail sales (% YoY)	2,1	2,1	3,1	3,6	4,8	2,6	0,5	4,6	6,7	6,0	4,3	5,4	5,7	
Corporate sector wages (% YoY)	11,9	10,4	11,9	10,3	12,8	11,8	9,6	12,8	12,9	12,0	11,3	11,4	11,2	
Employment (% YoY)	0,2	0,1	0,0	0,0	-0,1	-0,2	-0,1	-0,2	-0,2	-0,2	-0,4	-0,5	-0,5	
Unemployment rate* (%)	5,1	5,0	5,0	5,0	5,0	5,0	5,1	5,4	5,4	5,3	5,1	5,0	4,9	
Current account (M EUR)	4087	55	587	1184	2151	1352	199	1742	511	325	-241	-769		
Exports (% YoY EUR)	4,3	0,2	-2,1	-4,0	2,1	-2,0	-6,2	-4,5	0,5	-9,5	5,5	-7,3		
Imports (% YoY EUR)	-5,0	-6,4	-10,9	-13,8	-7,1	-7,2	-10,6	-5,3	0,9	-8,3	5,7	-1,4		

*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	4,2	4,4	4,6	4,8	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	10,1	8,3	7,1	6,5	12,8	14,9	8,0	
CPI Inflation (% YoY)*	2,8	2,5	4,6	5,1	5,5	5,1	3,5	3,4	11,6	3,8	4,4	
Wibor 3M (%)**	5,88	5,85	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	4,30	4,26	4,24	4,23	4,22	4,21	4,20	4,33	4,24	4,20	
USDPLN**	3,97	4,02	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 07/15/2024						
4:00	China	GDP (% YoY)	Q2	5,3	5,0	5,1
4:00	China	Retail sales (% YoY)	Jun	3,7	3,6	3,3
4:00	China	Urban investments (% YoY)	Jun	4,0	3,8	3,9
4:00	China	Industrial production (% YoY)	Jun	5,6	4,6	5,0
10:00	Poland	CPI (% YoY)	Jun	2,5	2,5	2,6
11:00	Eurozone	Industrial production (% MoM)	May	-0,1		-1,0
14:00	Poland	Current account (M EUR)	May	-241	-769	187
14:30	USA	NY Fed Manufacturing Index (pts)	Jul	-6,0		-6,0
Tuesday 07/16/2024						
11:00	Germany	ZEW Economic Sentiment (pts)	Jul	47,5		42,5
14:00	Poland	Core inflation (% YoY)	Jun	3,8	3,8	3,7
14:30	USA	Retail sales (% MoM)	Jun	0,1	-0,2	0,0
16:00	USA	Business inventories (% MoM)	May	0,3		0,3
Wednesday 07/17/2024						
11:00	Eurozone	HICP (% YoY)	Jun	2,5	2,5	
14:30	USA	Building permits (k)	Jun	1399	1375	1385
14:30	USA	Housing starts (k MoM)	Jun	1277	1270	1305
15:15	USA	Capacity utilization (%)	Jun	78,7		78,6
15:15	USA	Industrial production (% MoM)	Jun	0,9	0,3	0,3
Thursday 07/18/2024						
10:00	Poland	PPI (% YoY)	Jun	-7,0	-6,5	-6,3
10:00	Poland	Corporate sector wages (% YoY)	Jun	11,4	11,2	11,5
10:00	Poland	Employment (% YoY)	Jun	-0,5	-0,5	-0,4
10:00	Poland	Industrial production (% YoY)	Jun	-1,7	-2,5	-1,5
14:15	Eurozone	EBC rate decision (%)	Jul	4,25	4,25	4,25
14:30	USA	Philadelphia Fed Index (pts)	Jul	1,3		2,9
Friday 07/19/2024						
10:00	Eurozone	Current account (bn EUR)	May	38,6		

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

** Refinitiv