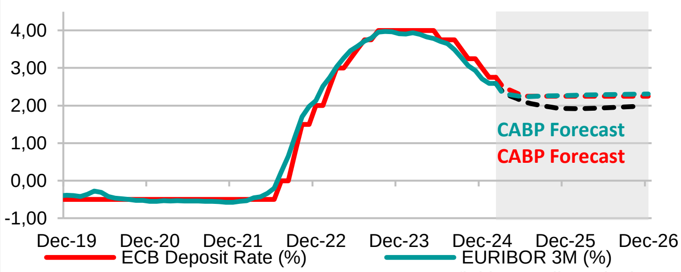
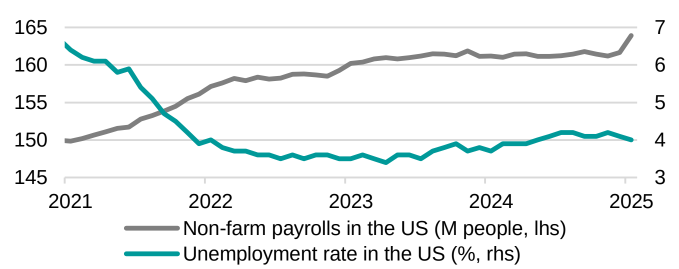
This week



Source: Refinitiv, Credit Agricole

- **The most important event this week will be the ECB meeting planned for Thursday.** We expect the ECB to cut interest rates by 25bp. Consequently, the key interest rate will go down to 2.65%, and the deposit rate to 2.50%. In our opinion, during the press conference held after the meeting, the ECB President Ch. Lagarde will not offer any specific monetary policy easing scenario for the months to come. She will most probably remark that the incoming macroeconomic data would have to be analysed first. The ECB members' new macroeconomic projection will also be published on Thursday. In our opinion, the inflation path for 2025-2026 will be revised slightly upwards. We do not change our forecast in which the ECB is to cut the interest rates in April, thus bringing them to the target levels of 2.40% for the key interest rate and 2.25% for the deposit rate. However, in our opinion, there is a risk that the rates may be cut later than that. Our 25bp-rate-cut forecast for this week is consistent with market consensus, but still we expect to see increased volatility during the press conference after the meeting.



Source: Datastream, Credit Agricole

- **Some important data on US economy will be released this week.** We expect non-farm payrolls to have increased by 160k in February vs. 143k in January, with the rate of unemployment stabilising at 4.0%. Before the Friday publication, some additional data on labour market will be provided in the ADP report on non-farm private sector employment (the market expects a 140k growth in February vs. 183k in January). The ISM manufacturing index will be released today. We expect the index to remain relatively stable (50.7 pts in February vs. 50.9 pts in January), which will be consistent with regional business survey results. In our opinion, this week's data from the US will be neutral for financial markets.
- **Important data from Europe will be published this week.** The flash HICP inflation estimate for the Eurozone will be published today. With core inflation falling and energy price growth slowing, we expect the annual inflation to have dropped from 2.5% YoY in January to 2.3% in February. Data on new orders in the German industry will be published on Friday. The market expects their momentum to have slowed from 6.9% MoM in December to -3.0% in January. In our opinion, the publication of data will be neutral for the PLN and the yields on Polish bonds.
- **Chinese manufacturing NBS PMI released last weekend went up from 49.1 pts in January to 50.2 pts in February, printing ahead of market expectations (49.9 pts).** In turn, Caixin PMI for Chinese manufacturing was released this morning, and it went up from 50.1 pts in January to 50.8 pts in February, also printing ahead of market expectations (50.3 pts). This means the PMI for Chinese manufacturing has remained above the 50-point mark separating growth from contraction for 5 consecutive months. What pushed the index up was stronger contributions of 4 out of its 5 components (current output, new orders, employment, and delivery times), while a lower contribution of inventories had the opposite effect. Notably, the data point to the continuation of a relatively strong growth in new orders, supported by the increase in the export orders seen in February. It suggests that the global demand for Chinese goods has increased despite the tensions growing in the global trade in the wake of D. Trump's trade policy. In this

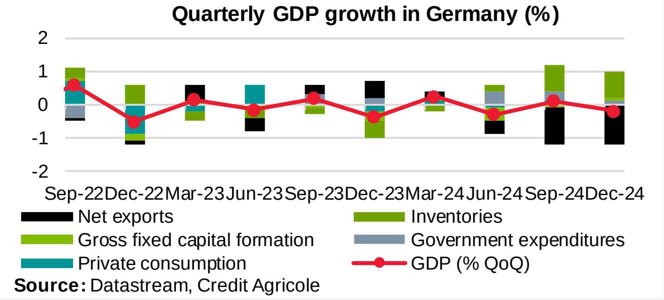
context, the release of data on China's foreign trade planned for Friday will bring some new information. Developments in global trade may be affected by new events: after D. Trump had threatened to increase tariffs on Chinese goods by another 10% from 4 March onwards, the US Treasury Secretary S. Bessent informed that Mexico had suggested imposing similar tariffs on goods imported from China and urged Canada to do the same. Chinese media, including Global Times, suggest that China might adopt retaliatory tariffs in response, including on US food and agricultural products. We continue to believe that China may decide to increase tariffs on selected agricultural products, raw materials, cars, planes and low-class semiconductors, and also expand the control of exports of key materials. The meeting of the National People's Congress, which starts on Wednesday might also turn out to be an important event for the markets, as the details of the government's further plans for stimulation of the Chinese economy might be presented there.

- **Poland's February manufacturing PMI data has been released today.**Poland's manufacturing PMI went up from 48.8 pts in January to 50.6 pts in February, printing ahead of market expectations (49.1 pts) and our forecast (49.0 pts).The PMI survey results carry an upside risk to our scenario in which GDP growth in Poland is to slow from 3.2% YoY in Q4 2024 to 3.1% in Q1 2025 (see below).

Last week

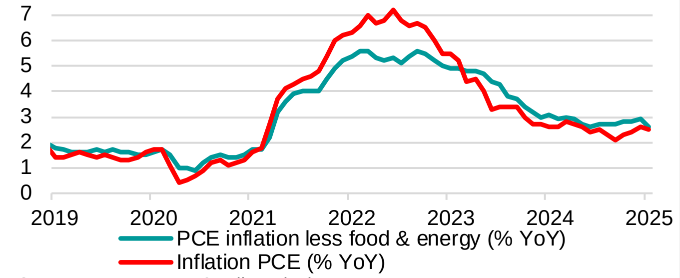
- **In accordance with the final estimate, GDP growth in Poland accelerated from 2.7% YoY in Q3 2024 to 3.2% YoY in Q4 2024, which was in line with the preliminary reading released two weeks earlier.** Seasonally-adjusted quarterly GDP growth accelerated from 0.1% in Q3 to 1.3% in Q4. GDP growth between Q3 and Q4 was driven up by stronger contributions of individual consumption, investments, and net exports, while an opposite impact came from lower contributions of inventories growth and public consumption. Consequently, private consumption and inventories were *ex aequo* the main drivers of GDP growth in Q4, while in Q3 the strongest upward impact came solely from the inventories. Notably, the data pointed to a strong acceleration of investment momentum, from 0.1% YoY in Q3 to 1.3% in Q4, stronger than both our and market expectations (both 0.7%). In our view, markedly-better-than-expected public investment results were the reason behind such a surprisingly strong growth in investments in Q4 2024 (see MACROpulse of 27/02/2025). The economic recovery in Poland can be expected to continue in the quarters to come (see below). After subdued activity in 2024, investments are most likely to rise markedly in both public and private sector in 2025. The investments will be boosted by the absorption of EU funds as part of the financial perspective for 2021-2027 and implementation of infrastructure projects as part of the National Recovery Plan. Furthermore, we forecast that internal demand will start to grow again along with the moderate recovery in the Eurozone, including Germany.
- **Nominal retail sales growth in Poland surged from 2.7% YoY in December to 6.1% in January, printing markedly above market consensus (2.5%), which was the same as our forecast.** Growth in retail sales at constant prices accelerated from 1.9% YoY in December to 4.8% in January, also markedly ahead of market expectations and our forecast (both 1.5%). Seasonally-adjusted retail sales at constant prices went up by 0.6% between December and January. This means that retail sales in January remained well below their all-time high reported last June. As regards the January data breakdown, particularly noteworthy is a strong growth in the sales of furniture, electronic goods and household appliances. Consequently, the annual sales growth in that category reached its highest level since April 2022, which was the time when the inflow of refugees from Ukraine markedly boosted the sale of durable goods (see MACROpulse of 24/02/2025). Retail sales data for January is indicative of an upside risk to our forecast of consumption growth in Q1 (2.5% YoY) and all over 2025 (2.2%).

In accordance with the final estimate, Germany's quarterly GDP growth contracted from 0.1% in Q3 to -0.2% in Q4 (no change vs. previous estimate). On a year-on-year basis, GDP fell by 0.4% in Q4 vs. a 0.1% growth in Q3. Quarterly GDP growth in Germany was driven down by a lower contribution of government spending, private consumption and net exports, with an opposite impact coming from a stronger contribution of investments. The contribution of inventories did not change between Q3 and Q4. Consequently, the growth in inventories has been the main driver of economic growth in Germany for the last two quarters. Last week, we also saw the release of the Ifo index, reflecting the sentiment of German businesses in the manufacturing, construction, trade, and services sectors. The index did not change between January and February, and stood at 85.2 pts, printing below the market expectations (85.8 pts). A decline in the current situation component combined with the increase in the expectations component resulted in index stabilisation. The sectoral breakdown showed improved sentiment in manufacturing, trade and construction and a downturn in services. Considering the flash PMI results for Germany published two weeks ago (see MACROmap of 24/02/2025), we stand by our forecast that German GDP will rise by 0.1% QoQ in Q1 2025, and by 0.2% all over 2025 comparing to a 0.2% decline in 2024.



Source: Datastream, Credit Agricole

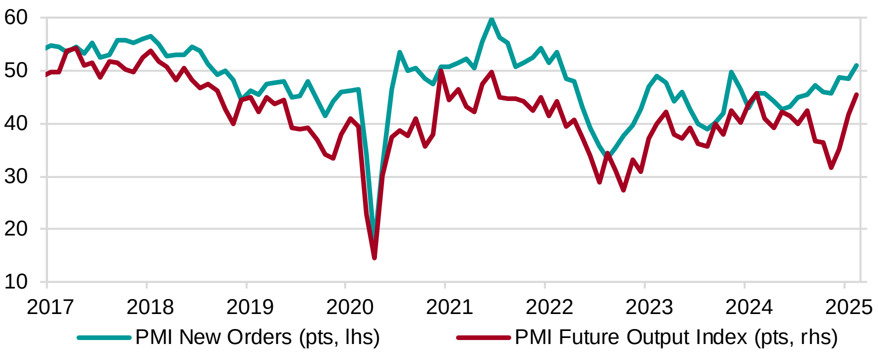
Some important data from the US was released last week. According to the second estimate, annualised GDP growth remained unchanged from the first estimate, standing at 2.3%. Thus, the second estimate confirmed that, just like in Q3, private consumption continued to be the main driver of US economic growth in Q4. Last week also saw the release of PCE inflation data showing a decrease to 2.5% YoY in January from 2.6% in December, in line with market expectations. At the same time, core inflation fell from 2.9% in December to 2.6 in January (upward revision from 2.8%). Despite the drop in annualised core inflation, seasonally-adjusted core prices increased to 0.3% MoM in January from 0.2% in December, signaling that elevated inflationary pressures persist in the US economy. Last week also saw the release of figures on durable goods orders, which increased by 3.1% in January compared to a 1.8% drop in December (upward revision from -2.2%), thus substantially exceeding market expectations of 2.0%. Excluding transportation, durable goods orders were flat in January, after rising 0.1% in December. At the same time, growth in orders for non-defense capital goods rose from 0.7% in December to 2.2% in January. Its three-month moving average has been trending upwards in recent months, indicating a slight improvement in US investment outlook. Last week also saw the release of data on new home sales, showing a decrease from 734k in December to 657k in January, (upward revision from 698k). These figures point to a slowdown in the US real estate market, which remains under pressure from high interest rates limiting the attainability of mortgages. Last week, business survey results were also published. The Conference Board pointed to a deterioration in US household sentiment as it decreased to 98.3 pts in February from 105.3 pts in January, printing below market expectations of 102.5 pts. The index dropped on the back of decreases in both the 'current situation' and 'expectations' sub-indices. Rising inflation expectations associated with the D. Trump administration's announcements regarding trade and migration policies are a major factor eroding consumer sentiment. We forecast that annualised US GDP will slow down to 1.9% in Q1,



Source: Datastream, Credit Agricole

and that the full-year GDP growth rate in 2025 will decrease to 1.9% vs. 2.8% in 2024. At the same time, recent data pointing to persistent inflationary pressures in the US prompted us to revise our US interest rate scenario. While we still maintain that the Fed will move forward with two 25bp cuts this year, we now believe the first reduction will occur in June and the second in September (we previously believed they would occur in March and June). This scenario is consistent with the Fed's latest rhetoric, whereby the Federal Reserve decided to adopt a wait-and-see approach to monetary policy (see MACROmap of 24/02/2025).

Spring comes early for Polish manufacturing



Source: S&P, Credit Agricole

Poland's manufacturing PMI went up from 48.8 pts in January to 50.6 pts in February, printing ahead of market expectations (49.1 pts) and our forecast (49.0 pts). As a result, the index rose above the 50-point mark separating growth from contraction for the first time since April 2022. The PMI grew on the back of higher contributions from 4 out of its 5 sub-indices (output, new orders, employment and stocks of purchases), with a lower contribution from suppliers' delivery times having the opposite effect.

Particularly noteworthy in the data is the sharp rise in total new orders, which came above the 50-point threshold for the first time since February 2022. In contrast, new export orders continued their relatively steep decline in February, suggesting that the increase in orders is driven by rebounding domestic demand.

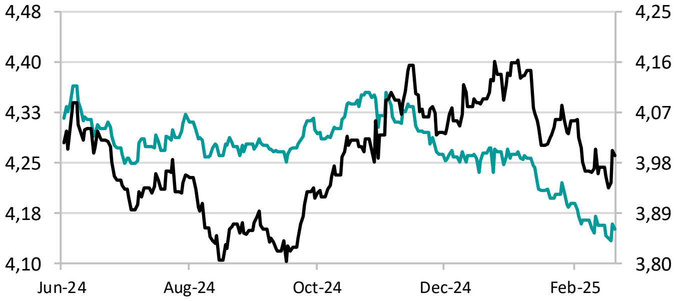
Rising new orders boosted output, though it is worth noting that the acceleration in production is largely due to the clearing of backlogs from previous months. At the same time, stocks of finished goods saw a slight increase in February, while the pace of decline of stocks of intermediate goods slowed down noticeably. This suggests that businesses are viewing the demand recovery as sustainable and are adjusting their stock levels accordingly. Supporting this assessment, output prices rose for the first time since May 2024, while the decline in input prices slowed considerably.

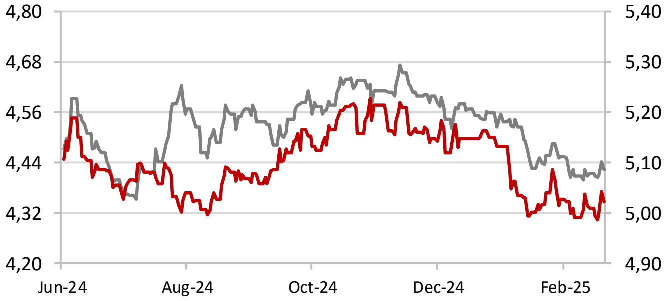
Improved sentiment among surveyed companies regarding the situation in manufacturing was also reflected in the sharp rise in the 12-month outlook for manufacturing output, which in February reached its highest level since February 2024. According to the PMI press release, companies cited new products, rising demand, better conditions in Germany and recovering markets as the main reasons for their assessment. Greater optimism among businesses also supported employment growth in manufacturing, which increased in February following a temporary drop in January.

The PMI results present an upside risk to our scenario according to which GDP growth in Poland will slow down to 3.1% YoY in Q1 from 3.2% in Q4 2024. We believe that today's data is positive for the PLN and yields on Polish bonds, though in our opinion they will remain overshadowed by ongoing geopolitical tensions and peace talks regarding Ukraine.

PLN at risk as Friday talks end in fiasco

FX rates





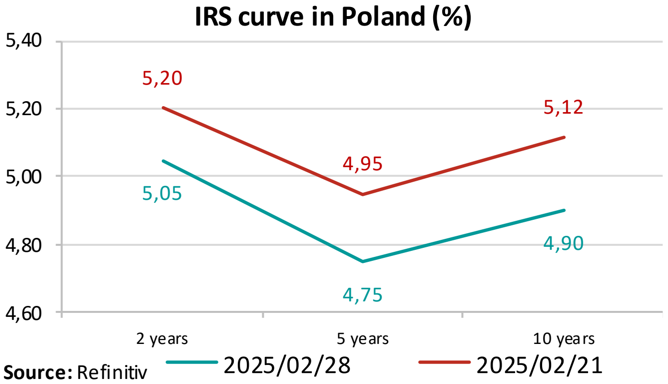
Source: Refinitiv

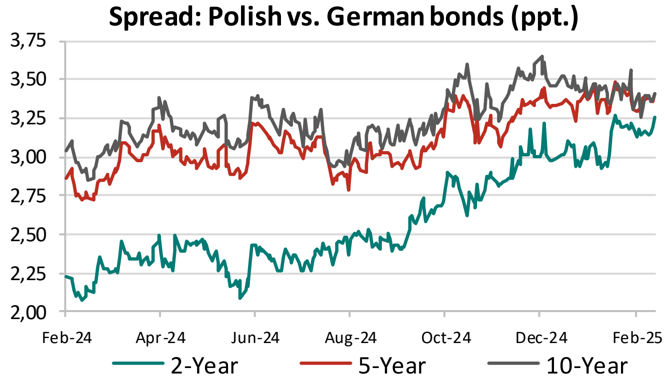
Last week, the EURPLN rate fell to 4.1525 (strengthening of the PLN by 0.1%). Early last week, the EURPLN followed a downward trend, continuing the pattern observed in recent weeks. Speculation among some investors that the D. Trump administration could soon negotiate a ceasefire deal in Ukraine supported the appreciation of the PLN and other regional currencies. Consequently, on Thursday, the EURPLN fell below the 4.13 mark. However, soon there was a correction, and the PLN depreciated, which, we believe, was largely due to some investors realising their profits.

Last week also saw the USD strengthening against the EUR, driven by D. Trump's announcement that, starting 4 March, a 25% tariff would be imposed on goods from Mexico and Canada, alongside an additional 10% tariff on imports from China.

This week, key for the evolution of the PLN rate will be updates on the progress of peace negotiations. The fiasco of Friday's talks between D. Trump and V. Zelensky presents an upside risk for the EURPLN and a downside risk for the EURUSD. We believe that the ECB meeting planned for this week may increase volatility of the PLN, though it will remain overshadowed by the peace talks. Other data releases from the Polish and global economies scheduled for this week will only have a limited impact on the PLN, in our opinion. This week, further economic decisions by the D. Trump administration will also contribute to additional volatility of the Polish currency.

Talks on ending the war in Ukraine in the spotlight





Source: Refinitiv

Last week, 2-year IRS rates fell to 5.05 (down by 15bp), 5-year rates dropped to 4.75 (down by 20bp) and 10-year rates decreased to 4.90 (down by 22bp). Last week saw a decline in IRS rates, following the core markets, where falling yields were supported by a global stock sell-off sparked by D. Trump's announcement of a tougher trade policy (see above), which fueled investor demand for debt securities, which offer a lower risk level.

The fiasco of Friday's talks between D. Trump and V. Zelensky may support a rise in IRS rates this week. As a result, talks on ending the war in Ukraine will be in the market's spotlight this week. The ECB meeting planned for Thursday may add to the volatility of IRS rates, although it is likely to be overshadowed by ongoing geopolitical tensions. In our opinion, other data releases from the Polish and global economies scheduled for this week will be neutral for IRS rates. This week, the key factors influencing the yield curve will be the further economic decisions of the D. Trump administration, which could add to the volatility of IRS rates.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
NBP reference rate (%)	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	**5,75**
EURPLN*	4,31	4,29	4,33	4,27	4,30	4,29	4,28	4,28	4,35	4,30	4,27	4,21	4,15	**4,18**
USDPLN*	3,99	3,97	4,06	3,94	4,02	3,96	3,87	3,85	4,00	4,06	4,13	4,06	3,99	**3,98**
CHFPLN*	4,52	4,40	4,41	4,36	4,47	4,50	4,56	4,54	4,64	4,60	4,54	4,46	4,42	**4,49**
CPI inflation (% YoY)	2,8	2,0	2,4	2,5	2,6	4,2	4,3	4,9	5,0	4,7	4,7	5,3	**5,5**	
Core inflation (% YoY)	5,4	4,6	4,1	3,8	3,6	3,8	3,7	4,3	4,1	4,3	4,0	4,1	**4,1**	
Industrial production (% YoY)	3,2	-5,7	7,8	-1,6	0,0	5,3	-1,3	-0,5	4,7	-1,3	0,3	-1,0	**-2,2**	
PPI inflation (% YoY)	-10,0	-9,9	-8,5	-7,0	-5,8	-5,1	-5,5	-6,2	-5,1	-3,8	-2,7	-0,9	**-1,2**	
Retail sales (% YoY)	6,7	6,0	4,3	5,4	4,7	5,0	3,2	-2,2	2,3	3,4	2,7	6,1	**4,3**	
Corporate sector wages (% YoY)	12,9	12,0	11,3	11,4	11,0	10,6	11,1	10,3	10,2	10,5	9,8	9,2	**8,6**	
Employment (% YoY)	-0,2	-0,2	-0,4	-0,5	-0,4	-0,4	-0,5	-0,5	-0,5	-0,5	-0,6	-0,9	**-0,9**	
Unemployment rate* (%)	5,4	5,3	5,1	5,0	4,9	5,0	5,0	5,0	4,9	5,0	5,1	5,4	**5,5**	
Current account (M EUR)	1752	1239	658	-605	441	-649	-2494	-1133	1220	-33	-803	**851**		
Exports (% YoY EUR)	2,0	-8,7	8,1	-5,4	-6,7	5,3	-2,7	1,0	2,1	-3,1	-0,3	**3,5**		
Imports (% YoY EUR)	2,1	-7,2	5,6	0,9	1,4	9,8	5,5	5,7	6,6	-0,4	3,9	**8,9**		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland

Indicator		2024				2025				2024	2025	2026
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross Domestic Product (% YoY)		2,1	3,2	2,7	3,2	**3,1**	**3,3**	**3,4**	**3,6**	2,9	**3,5**	**3,3**
Private consumption (% YoY)		4,4	4,6	0,3	3,5	**2,5**	**2,1**	**2,0**	**1,8**	3,1	**2,2**	**2,9**
Gross fixed capital formation (% YoY)		1,9	3,2	0,1	1,3	**5,6**	**7,7**	**8,9**	**8,8**	1,5	**8,1**	**7,3**
Export - constant prices (% YoY)		2,1	2,9	-0,7	0,5	**4,6**	**5,7**	**4,3**	**7,1**	1,2	**5,3**	**5,5**
Import - constant prices (% YoY)		2,3	5,7	1,9	3,3	**4,9**	**5,3**	**4,3**	**3,9**	3,3	**4,5**	**4,6**
GDP growth contributions	Private consumption (pp)	2,7	2,6	0,2	1,8	**1,5**	**1,2**	**1,2**	**0,9**	1,8	**1,3**	**1,7**
	Investments (pp)	0,2	0,5	0,0	0,3	**0,7**	**1,2**	**1,4**	**2,0**	0,3	**1,4**	**1,2**
	Net exports (pp)	0,0	-1,3	-1,5	-1,3	**0,1**	**0,5**	**0,1**	**1,8**	-1,0	**0,6**	**0,7**
Current account (% of GDP)***		1,6	1,3	0,5	0,1	**0,3**	**0,3**	**0,2**	**0,2**	0,1	**0,2**	**0,1**
Unemployment rate (%)**		5,3	4,9	5,0	5,1	**5,3**	**4,9**	**4,9**	**4,9**	5,1	**4,9**	**4,8**
Non-agricultural employment (% YoY)		-0,2	0,9	1,5	0,4	**-0,2**	**-0,5**	**-0,5**	**-0,5**	0,7	**-0,4**	**-0,5**
Wages in national economy (% YoY)		14,4	14,7	13,4	12,4	**10,1**	**8,3**	**7,1**	**6,5**	13,7	**8,0**	**6,0**
CPI Inflation (% YoY)*		2,8	2,5	4,5	4,8	**4,9**	**4,6**	**3,1**	**3,1**	3,6	**3,9**	**2,8**
Wibor 3M (%)**		5,88	5,85	5,85	5,84	**5,85**	**5,60**	**5,48**	**5,35**	5,84	**5,35**	**4,35**
NBP reference rate (%)**		5,75	5,75	5,75	5,75	**5,75**	**5,75**	**5,50**	**5,25**	5,75	**5,25**	**4,25**
EURPLN**		4,29	4,30	4,28	4,27	**4,18**	**4,20**	**4,20**	**4,20**	4,27	**4,20**	**4,16**
USDPLN**		3,97	4,02	3,85	4,13	**3,98**	**4,04**	**4,00**	**3,93**	4,13	**3,93**	**3,78**

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

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
		Monday 03/03/2025				
2:45	China	Caixin Manufacturing PMI (pts)	Feb	50,2		50,3
9:00	**Poland**	**Manufacturing PMI (pts)**	**Feb**	**48,8**	**49,0**	**49,1**
9:55	Germany	Final Manufacturing PMI (pts)	Feb	46,1	46,1	46,1
10:00	Eurozone	Final Manufacturing PMI (pts)	Feb	47,3	47,3	47,3
11:00	Eurozone	Preliminary HICP (% YoY)	Feb	2,5	2,3	2,3
15:45	USA	Flash Manufacturing PMI (pts)	Feb	51,6		
16:00	USA	ISM Manufacturing PMI (pts)	Feb	50,9	50,7	50,6
		Tuesday 03/04/2025				
11:00	Eurozone	Unemployment rate (%)	Jan	6,3		6,3
		Wednesday 03/05/2025				
10:00	Eurozone	Services PMI (pts)	Feb	50,7	50,7	50,7
10:00	Eurozone	Final Composite PMI (pts)	Feb	50,2	50,2	50,2
11:00	Eurozone	PPI (% YoY)	Jan	0,0		
14:15	USA	ADP employment report (k)	Feb	183		140
16:00	USA	Factory orders (% MoM)	Jan	-0,9	2,3	1,6
16:00	USA	ISM Non-Manufacturing Index (pts)	Feb	52,8	52,5	52,9
		Thursday 03/06/2025				
11:00	Eurozone	Retail sales (% MoM)	Jan	-0,2		0,1
14:15	Eurozone	EBC rate decision (%)	Mar	2,90	2,65	2,65
16:00	USA	Wholesale inventories (% MoM)	Jan	0,7		
16:00	USA	Wholesale sales (% MoM)	Jan	1,0		
		Friday 03/07/2025				
8:00	Germany	New industrial orders (% MoM)	Jan	6,9		-3,0
11:00	Eurozone	Employment (% YoY)	Q4	0,6		
11:00	Eurozone	Revised GDP (% QoQ)	Q4	0,1	0,1	0,1
11:00	Eurozone	Final GDP (% YoY)	Q4	0,9	0,9	0,9
14:30	USA	Unemployment rate (%)	Feb	4,0	4,0	4,0
14:30	USA	Non-farm payrolls (k MoM)	Feb	143	160	160
	China	Trade balance (bn USD)	Feb	104,8		

*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

Jakub BOROWSKI
Chief Economist
tel.: 600 457 021
jakub.borowski@credit-agricole.pl

Krystian JAWORSKI
Senior Economist
tel.: 512 191 822
krystian.jaworski@credit-agricole.pl

Jakub OLIPRA
Senior Economist
tel.: 518 003 696
jakub.olipra@credit-agricole.pl