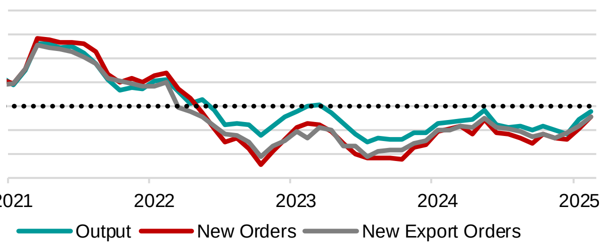
This week

- **Preliminary business survey results (PMI) for key Eurozone economies will be published today.** The market expects the aggregated PMI for the Eurozone to go up from 50.2 pts in February to 50.5 pts in March. Consequently, PMI would remain above the 50-point mark separating growth from contraction for the third month in a row. Market consensus expects a slight improvement both in the services sector and in manufacturing. Furthermore, the market anticipates a slight rise in Germany's manufacturing PMI (47.3 pts in March vs. 46.5 pts in February). Tuesday will see the release of the Ifo index describing the business sentiments among German companies operating in the manufacturing industry, construction, trade, and services sectors, which will give us more information about the economic climate in Germany. The market expects the index to go up from 85.2 pts in February to 86.5 pts in March. Thus, the data will signal a slight improvement despite the continuing stagnation in global trade, strong competition from China's manufacturing, and the growing risk of a tariff war. In our opinion, the publication of business survey results for the Eurozone, including Germany, will be neutral for the financial markets.

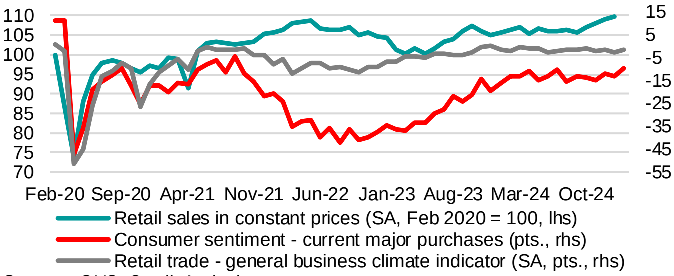
PMI for manufacturing in the Eurozone (pts)



Source: S&P, Credit Agricole

- **Some important data on the US economy will be released this week.** We forecast that the headline PCE inflation stayed at 2.5% YoY (no change between January and February), with PCE core inflation edging up from 2.6% to 2.7%. Consequently, the data will show that inflationary pressures increased slightly. Wednesday will see the release of preliminary data on durable goods orders. We anticipate that they will go up by 0.3% MoM for February, compared to a 3.2% growth in January. We believe that the final estimate will show that annualised GDP growth slowed from 3.1% in Q3 to 2.3% in Q4 (no revision versus the second estimate). Tuesday will see the release of new home sales figures, which we think will go up from 657k in January to 683k in February, indicating that the activity in the US property market is still subdued. Consumer confidence indicators will also be released this week. We expect the Conference Board index (93.3 pts in March vs. 98.3 pts in February) and the final University of Michigan index (57.9 pts vs. 64.7 pts) to indicate that the households' sentiment remains low and continues to deteriorate. The release of US data will be neutral for the PLN and the debt market in our view.

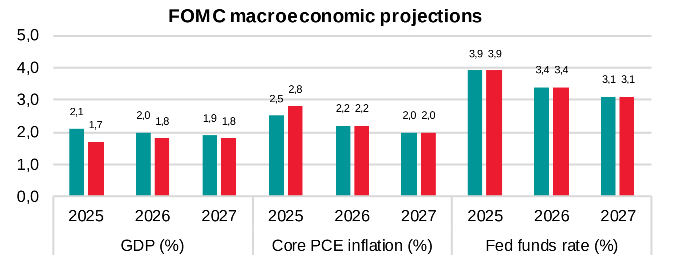
- **Polish retail sales data will be published by Statistics Poland today.** We expect the growth in sales at constant prices to have slowed from 4.8% YoY in January to 2.8% in February. The growth was hampered by last year's high base effect, unfavourable calendar effects, partially offset by improving consumer confidence. Our forecast for real retail sales growth is below market consensus (3.3%), so if it materialises, it will have a negative effect on the PLN and the yields on Polish bonds.



Source: GUS, Credit Agricole

Last week

- **At its last week's meeting, the Fed maintained its target range for Federal Reserve funds rate of [4.25%; 4.50%], which was in line with market expectations and our forecast.** In accordance with the press release, the FOMC will carefully assess incoming data, the evolving outlook, and the balance of risks in considering the extent and timing of additional adjustments to the monetary policy (the same passage was featured in the previous press release). During the press conference held after the meeting, J. Powell also repeated that the Fed does not need to rush when it comes to interest rate cuts, and that the situation is comfortable enough for it to adopt the *wait-and-see* strategy, particularly in the context of considerable regulatory uncertainty surrounding D. Trump's administration's activity. He also commented on a strong, recent hike in inflation expectations stemming from the data published along with the University of Michigan Index, saying that the hike was an outlier, and other longer-term inflation expectation measures remained stable. J. Powell also surprised the market by describing the inflationary impact of increased tariffs as "transitory", particularly in the light of results of research on this topic published by Fed's analysts (Cuba-Borda et al. 2025). Last week also saw the release of FOMC members' March projection. The median of expectations concerning the Federal Reserve funds rate has not changed since December, and still implies total rate cuts of 50bp, 50bp and 25bp in 2025, 2026 and 2027, respectively. The median for the interest rates target did not change vs. the December projection (3.00%). At the same time, the median of inflation forecasts for 2025 went up from December, while the median for GDP growth fell across the entire projection horizon. The results of the March projection reflect FOMC members' fears of D. Trump's administration policy leading to inflation rise and poorer economic growth prospects. We still believe that the Federal Reserve will cut interest rates by a total of 50bp in 2025 (in June and September, each time by 25bp), thus ending the monetary policy easing cycle.



Source: FOMC, Credit Agricole

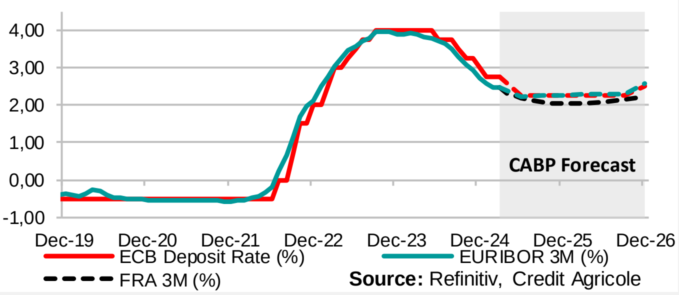
- **Some significant data on the US economy was released this week.** Monthly US industrial production rose by 0.7% in February, following a 0.3% growth in January (downward revision from 0.5%), exceeding market expectations of 0.2%. The rate was driven up by a stronger growth rate for production in mining and manufacturing, while a slower growth rate for production in utilities had the opposite effect. Capacity utilisation increased to 78.2% in February compared to 77.7% in January, but it remains below pre-Covid levels (ca. 78.6%). Data on retail sales was also released last week. It showed that its monthly nominal growth rate increased from -1.2% MoM in January to 0.2% in February, but still was below the market expectations (0.6%). Excluding cars, retail sales expanded by 0.3% in February, up from -0.6% in January. The data shows that the consumer demand in the US is still strong, but it has no impact on our conclusions saying that it might decline substantially amidst consumers' fears of inflation rising strongly and US economy going into recession in the wake of D. Trump administration's policy. Data on new building permits (1,456k in February vs. 1,473k in January), housing starts (1,501k vs. 1,350k) and existing-home sales (4.26m vs. 4.09m) generally showed that activity in the US property market increased in February. Nonetheless, we maintain the view that the activity growth prospects for the US property market are unfavourable. Activity in the property market was hampered primarily by house owners' reluctance to sell them and refinance the existing mortgage loans, which had been taken out at much lower interest rates than those that are applied now. Last week also saw the release of regional indexes: NY Fed (-20.0 pts in March vs. 5.7 pts in February) and Philadelphia

Fed (12.5 pts vs. 18.1 pts), which showed that sentiments in the US manufacturing sector got depressed. Taking into account the incoming, increasingly weaker, consumer sentiment survey results (see MACROmap of 17/03/2025), we can see a downside risk to our forecast of annualised GDP growth in the US going down from 2.3% in Q4 to 1.9% in Q1, and from 2.8% all over 2024 to 1.9% all over 2025.

- **Industrial production in Poland shrank by 2.0% YoY in February vs. a 0.9% drop in January (upward revision from -1.0%), printing below market consensus (-1.2%) and slightly above our forecast (-2.2%).** Industrial production growth was largely driven down by the statistical effect of an unfavourable difference in the number of working days between January and February. Unfavourable calendar effects translated into annual industrial production growth slowdown in all main segments of the industry, i.e. export-oriented branches, construction-related sectors, and other categories. Notably, the data points to the continuing production decline in export-oriented sectors, including in particular the categories linked to the automotive industry. In our opinion, near-term growth prospects for export-oriented branches remain unfavourable, primarily due to a subdued activity in the manufacturing sector in the Eurozone, including Germany, which translates into a reduced demand for intermediate goods manufactured in Poland, as suggested by the PMI readings. Construction and assembly production growth slowed from 4.3% YoY in January to 0.0% in February, printing below the market consensus (2.3%) and our forecast (1.0%). Construction and assembly production slowdown between January and February was mainly caused by the statistical effect of the unfavourable difference in the number of working days mentioned above. Notably, production growth accelerated in the "civil engineering works" category (1.7% vs. 1.6%), which suggests that EU funds coming in to Poland under the National Recovery Plan and Multi-Annual Financial Framework for 2021-2027 are beginning to boost the activity in the construction sector (see MACROpulse of 20/03/2025). On the one hand, GDP growth data for Q4, which came in stronger than we expected, combined with recently released monthly data (particularly on retail sales) are indicative of a slight upside risk to our GDP growth forecast for the quarters to come. On the other hand, D. Trump administration's tariff policy still poses a downside risk to GDP growth prospects (and to external demand prospects in particular), albeit Poland's exposure to that risk is relatively low. Consequently, we believe that risk factors that might affect our GDP growth forecast for 2025 (3.5% vs. 2.9% in 2024) are balanced.
- **The employment growth rate in the sector of businesses having more than 9 employees remained stable between January and February, standing at 0.9% YoY, and aligning with market consensus and our forecast.** In monthly terms, the number of employed in February fell by 3.5k. To some extent, the decline observed over the last couple of months may be accounted for by the contraction of the labour force related to the baby boom generation attaining retirement age (see MACROpulse of 20/03/2025). Wage growth, in turn, slowed from 9.2% YoY in January to 7.9% in February, printing below the market consensus (8.7%) and our forecast (8.6%). In real terms, wage growth in companies slowed from 4.1% YoY in January to 2.9% in February. It is worth noting that in February nominal wage growth slowed down to single-digits in a vast majority of the reported categories, potentially suggesting that wage pressures in the Polish business sector are easing. It is consistent with our scenario of a strong inflation drop, including core inflation, in H2 2025 (see below).
- **The Polish current account balance increased to EUR -168m in January vs. EUR -803m in December, printing markedly below market expectations (EUR 404m) and our forecast (EUR 851m).** The increase in the current account balance resulted from higher balance on trade and primary income (by EUR 730m and EUR 770m, respectively vs. December data), while lower balance on services and secondary income (EUR 25m and EUR 840m lower than in December, respectively) had the opposite effect. At the same time, the exports declined, from -0.3% YoY in December to -0.7% in January, while imports surged, from 3.9% to 9.9%. Trade balance between December and January was driven up by a favourable difference in the number of working days.

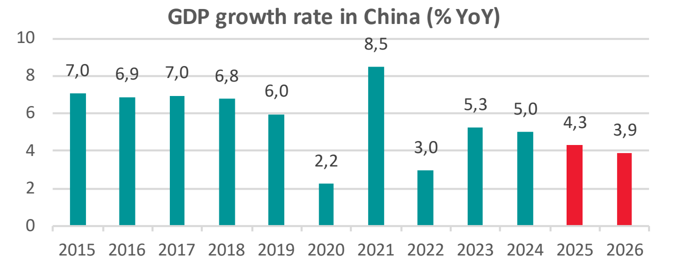
Particularly noteworthy about the data is the widening gap between imports and exports in terms of the growth momentum. On the one hand, the imports growth is being driven up by the gradual recovery of internal demand in Poland, but on the other hand, Polish exports are still being curbed by poor external demand. It is worth noting here that the press release cited lower sales in the category comprising transportation means (incl. the exports of delivery trucks, motor vehicles, trailers and vehicle parts) as a source of marked drop in exports, just like in the preceding months. We believe that the goods trade deficit may increase in the quarters to come, driven by the continuing recovery of internal demand that we expect to see in Poland, boosted by an increasing growth in investments financed by EU funds (see MACROmap of 13/01/2025) amidst a slow growth in external demand. We expect the accumulated balance on the current account for the last 4 quarters to the GDP to have increased from 0.1% in Q4 to 0.3% in Q1.

- **A meeting of the Swiss National Bank (SNB) was held last week.** The SNB decided to cut the main interest rate by 25bp to 0.25% in line with market consensus. The decision was justified by the assertion that inflationary pressures remain low, while the downside risk to the inflation path had increased. The SNB made it clear once again that it was ready to intervene on the currency market, if necessary, pointing to the gradual appreciation of the CHF. The results of the SNB's recent macroeconomic projection were also published last week. Inflation path was revised upwards from the December projection, to 0.4% and 0.8% in 2025 and 2026, respectively (vs. 0.3% and 0.7%), and, for the first time, a forecast for 2027 was released (0.8%). GDP growth forecast for 2025 did not change comparing to December (1.0%-1.5%). Last week, we revised our EURCHF forecast upwards, guided by the plans made across the EU to ease the fiscal policies due to increased spending on arms. At present, we anticipate the EURCHF to stand at 0.99 and 0.98 at the end of 2025 and 2026, respectively. Consequently, we expect the CHFPLN to print at 4.24 at the end of both 2025 and 2026.
- **We have revised our interest rate scenario for the Eurozone.** Recently, geopolitical tensions have risen significantly, particularly regarding US tariff policy and with Germany announcing plans to substantially increase defence spending by loosening its fiscal policy. As a result, we believe that the ECB will hold off on its next 25bp rate cut until June when it will be able to observe the results of its new economic projection taking into account the impact of the above elements on inflation and GDP growth outlook in the Eurozone. We stand by our assessment that the June rate cut will represent the final move in this easing cycle. Consequently, we believe that the target rate for the main interest rate is 2.40% and 2.25% for the deposit rate. We believe that such a level of interest rates is slightly lower than what we estimate to be the neutral rate for the Eurozone (2.50% vs. 2.00% as estimated by the ECB). In our view, this will help limit the risk of inflation falling too sharply while also slightly supporting economic activity. We also believe that the fiscal loosening in the Eurozone over the medium term will contribute to an increase in core inflation. As a result, in our opinion, the ECB will want to counter this trend and will move forward with the first 25bp hike in December 2026.



- **We updated our inflation forecast to account for Statistics Poland's (GUS) revision of inflation basket weights.** For the purpose of our forecast, we assume that the freeze on energy prices will be extended until the end of this year and that the so-called capacity fee will be resumed from July. We project that in March, inflation will remain at 4.9% YoY and will gradually decline in the following months, averaging around 3.2% in H2 2025. As a result, we project that average annual inflation will reach 3.9% in 2025 vs. 3.6% in 2024. Along with a slowdown in wage growth, we expect inflation to decline further in 2026. We believe that from February 2026, core inflation will hover around 2.5% YoY, with headline inflation reaching this level from July 2026. We expect headline inflation to average 2.8% in 2026. This inflation forecast is consistent with our scenario assuming a resumption of monetary easing in H2 2025.

- **We have revised our GDP growth forecast for China upward to 4.6% in 2025 (4.2% before the revision) and 4.3% in 2026 (3.9%).** This revision was prompted by a recent string of better-than-expected economic data from the Chinese economy and the launch of new stimulus measures by the Chinese government. In Q4 2024, GDP growth significantly exceeded our expectations, coming in at 5.4 YoY, compared to our forecast of 5.0% (see MACROmap of 20/01/2025) and the incoming monthly data for Q1 2025 indicate only a moderate slowdown in activity. We are seeing a gradual rebound in retail sales growth, which had hit a local low in Q3 2024. Industrial production and urban fixed asset investment are being supported by the technological transformation of China's economy. In addition, the real estate market in the country's largest cities is starting to show early signs of recovery. The Chinese government has reaffirmed its GDP growth target of "around 5%" and announced it would increase the scale of fiscal stimulus measures – the increased fiscal deficit is set to rise by 1.8 pp to 8.4% of GDP, with further spending to be activated depending on the external situation. Notably, there has been a shift in economic policy priorities, with stimulation of domestic demand, particularly consumption, taking precedence over investment and industrial production. We also believe that the development of the AI sector could provide an additional boost to China's growth. January's launch of the DeepSeek R1 model showed that China can remain a leader in this field despite restricted access to advanced chips, potentially attracting new capital investment and enhancing productivity. The main risk factor to our GDP growth scenario for China is the possibility of the D. Trump administration imposing new tariffs on China.



Source: Refinitiv, Credit Agricole

- **Last week, Moody's affirmed Poland's long-term credit rating at A2 with a stable outlook, citing strong economic growth, improved relations with the EU and increasing defence capabilities as factors offsetting negative fiscal and demographic trends.** Moody's expects gradual fiscal consolidation starting in 2026 to stabilise public debt at slightly above 60% of GDP by the end of the decade. The agency noted that while Poland remains exposed to geopolitical risks, its NATO membership and substantially strengthened capabilities help mitigate these threats. Additionally, the improvement in relations with the EU following the change of government in December 2023 has freed up substantial investment funds that will support economic growth between 2025-2028. However, Moody's highlighted that political tensions between the president and the government are holding back progress on reforms to restore judicial independence. According to the agency, a rating upgrade could occur if institutional reforms are successfully implemented, fiscal consolidation accelerates and there is further progress in increasing sophistication and complexity of the Polish economy. On the other hand, a deterioration in the region's geopolitical situation, further decline in fiscal metrics or deepening rule of law issues could erode Poland's rating. The confirmation of Poland's rating is neutral for the PLN and the yields on Polish bonds.

Forecasts for CE-3 countries

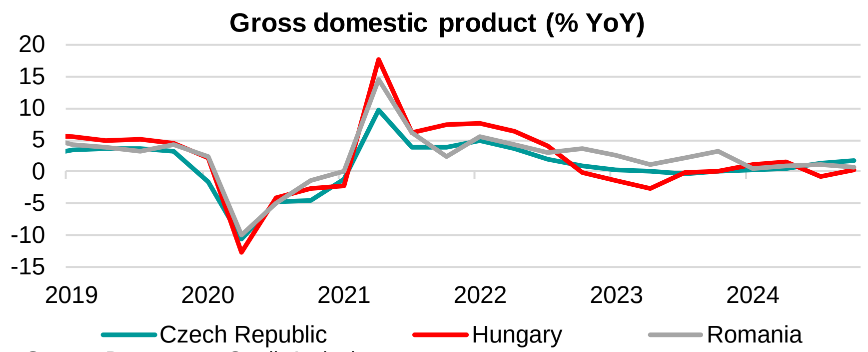
	Real GDP (% YoY)			CPI (% YoY)		
	2024	2025	2026	2024	2025	2026
Czech Rep.	1,0	2,2	2,4	2,5	2,4	2,0
Hungary	0,6	2,4	3,1	3,7	4,3	2,8
Romania	0,8	2,6	2,9	5,6	4,5	3,1

Source: Datastream, Credit Agricole

Below we outline our summary macroeconomic scenario for 2025-2026 for the countries of the CE region – the Czech Republic, Hungary and Romania (hereafter: CE-3 countries).

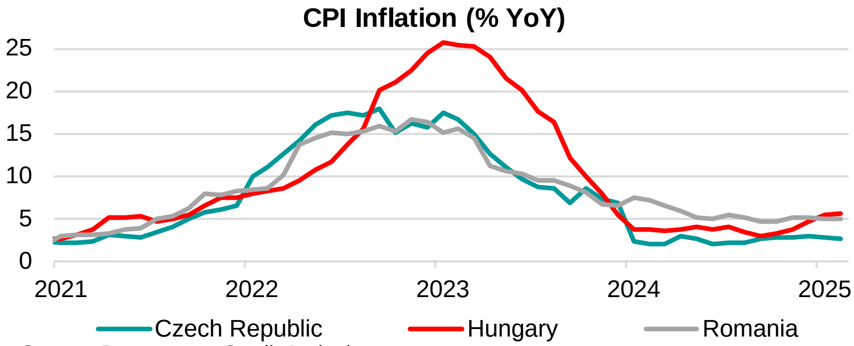
The Czech economy showed signs of recovery in Q4 2024, with GDP growth accelerating both quarter-on-quarter (from 0.6% in Q3 to 0.7%) and year-on-year (from 1.4% to 1.8%). We expect GDP to grow by 2.2% in 2025, supported by a rebound in investment, household consumption driven by rising real wages and gradually improving consumer sentiment. The expected further monetary policy easing will provide additional support to domestic demand. However, net exports will likely continue to hold back economic growth as strong consumption will simultaneously contribute to increased imports. In 2026, we expect a continued acceleration of GDP growth to 2.4% YoY. While fiscal policy will have a neutral impact on the macroeconomic outlook in 2025-2026, higher absorption of EU funds will provide a strong boost for GDP growth.

Inflation in the Czech Republic declined sharply in 2024, remaining close to the central bank's target (2%) for most of the year. However, toward the end of last year, there was a temporary uptick in inflation, mainly due to rising food prices. Nevertheless, core inflation remained stable, suggesting that demand pressures remained limited. In 2025, we expect annual average inflation to reach 2.4% YoY, with food prices remaining a key driver of inflation. Although the growth rate of regulated prices should decline, persistent cost pressures in the services sectors may keep inflation elevated in the short term. We expect inflation to approach 2.0% at the turn of 2025 and 2026 and remain close to that level until the end of 2026, driven by easing cost pressures. Wage growth, which remained historically high, is likely to slow down in 2025-2026.



Source: Datastream, Credit Agricole

In Q4 2024, the Hungarian economy emerged from a technical recession, with GDP growing by 0.5% QoQ, having contracted by 0.6% in Q3 (0.4% YoY vs. -0.8% in Q3). However, it should be noted that despite this recovery, seasonally-adjusted GDP in Q4 was only 0.9% higher than at the end of 2021. We have changed our 2025 GDP forecast for Hungary down to 2.4% YoY from 2.9% as previously projected, with several factors contributing to this revision. EU funds allocated to Hungary remain frozen, which, combined with cuts in government investment as part of fiscal deficit reduction efforts and weak corporate lending, will stifle investment growth. Additionally, uncertainty around exports and structural issues in the industry, particularly in the automotive and battery-manufacturing sectors, could constrain the Hungarian economy's recovery. In turn, private consumption growth may be held back by weaker-than-expected labour market conditions, particularly a slowdown in real wage growth attributable to higher-than-expected inflation. In 2026, economic growth should gradually accelerate to 3.1%. The launch of new manufacturing plants by BYD and BMW should boost exports and industrial production. We estimate that in 2025-2026, these two factories should add approximately 0.5 pp to Hungary's GDP growth per year.

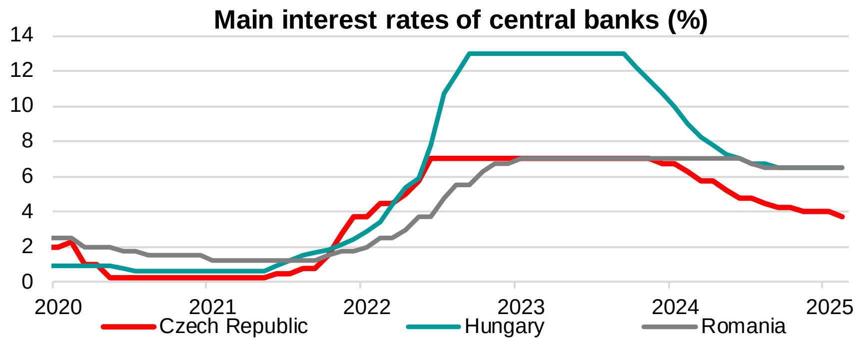


Source: Datastream, Credit Agricole

Inflation in Hungary remains elevated, with CPI at 5.6% YoY. The rise in inflation was mainly driven by stronger growth in food and services prices. Meanwhile, core inflation rose to 6.2% YoY in February, the highest reading since December 2023, reflecting faster growth in services prices. Additionally, rising manufacturing costs and wages may continue to fuel inflationary pressures, particularly in the services sector. In response to high prices, the Hungarian government has reintroduced price interventions, this time capping retail food prices at 110% of the wholesale prices, covering 30 basic items such as meat, dairy and cooking oil. According to V. Orban, these regulations will be in effect from mid-March to the end of May, with the possibility of extension. We estimate that this measure could temporarily reduce inflation by around 0.5 pp. We expect headline inflation to average 4.3% and 2.8% in 2025 and 2026, respectively.

Romania saw sluggish GDP growth throughout 2024, averaging 0.8% YoY. We expect a gradual economic recovery in the coming quarters, although the pace of growth will likely remain moderate, mainly due to fiscal tightening measures, including a freeze on public sector wages and pensions and high tax burdens. These measures will primarily limit the growth rate of private consumption, which remains the key driver of Romania's economy. In 2025-2026, GDP growth will be supported by the absorption of EU funds. Based on these trends, we forecast GDP growth of 2.6% in 2025 and 2.9% in 2026.

Since November 2024, inflation in Romania has hovered slightly above 5.0% YoY. In the coming quarters, we expect inflation to gradually decline to around 4% at the end of 2024 and 3% at the end of 2026, stabilising at the upper end of the central bank's inflation target. However, this process will depend on labour market conditions and the government's regulatory policies, particularly regarding energy market interventions and tax policies. In summary, we expect average annual inflation to fall from 5.6% YoY in 2024 to 4.5% in 2025 and 3.1% in 2026.



Source: Datastream, Credit Agricole

We did not change our monetary policy scenarios for the CE-3 countries. The hawkish rhetoric of the representatives of the National Bank of Hungary (MNB) suggests a high likelihood that interest rates will remain unchanged in the coming months (see table below). The MNB remains focused on maintaining positive real interest rates, and the recent higher-than-expected inflation readings further strengthen the need for a disciplined monetary approach. In Romania, we expect the first interest rate cut only in Q3 2025, due to persistent inflationary pressures, strong wage growth and uncertainty surrounding the presidential elections. The uncertainty is exacerbated by the annulment of the first round of elections held in November 2024 and the blocking of the right-wing candidate C. Georgescu's candidacy, despite his win in that round and lead in polls in late February 2025. The rerun presidential election is scheduled for May. It is likely that the **second round** will be a contest between C. Goergescu-backed G. Simon, representing right-wing parties, and either C. Antonescu, tied to the current minority government, or N. Dan, the liberal mayor of Bucharest. If G. Simon wins, this could lead to heightened tensions between Romania and the EU and a more expansionary fiscal policy. Conversely, a win for either of the other two candidates would likely see Romania's economic policy staying on its current path. In the Czech Republic, we expect interest rates to continue falling with stabilisation from Q4 2025, consistent with inflation remaining close to the target.

We stand by our exchange rate forecasts published last month (see table below). We believe that as global risk aversion decreases and the global economic outlook improves, regional currencies will appreciate slightly over the medium term. For a detailed description of our exchange rate forecast, see the MACROmap of 24/02/2025.

	Central banks' base rates (%)								
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Czech Rep.	4,00	**3,75**	**3,50**	**3,25**	**3,00**	**3,00**	**3,00**	**3,00**	**3,00**
Hungary	6,50	**6,50**	**6,50**	**6,25**	**6,00**	**5,50**	**5,25**	**4,75**	**4,50**
Romania	6,50	**6,50**	**6,50**	**6,25**	**6,00**	**5,50**	**5,25**	**4,75**	**4,50**

	FX rates								
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
EURCZK	25,2	**25,1**	**25,2**	**25,0**	**24,8**	**24,6**	**24,5**	**24,4**	**24,3**
EURHUF	411	**403**	**403**	**395**	**385**	**380**	**370**	**368**	**365**
EURRON	4,97	**4,98**	**4,98**	**4,98**	**4,98**	**4,98**	**4,98**	**4,98**	**4,98**

Source: Datastream, Credit Agricole

Despite the optimistic outlook for regional currencies, we still see major risk factors to our forecast, particularly the possibility of peace negotiations between Russia and Ukraine breaking down. If talks collapse, a renewed escalation of geopolitical tensions could increase risk aversion, putting renewed pressure on regional currencies. Additionally, a potential reduction in US military support for Ukraine and a diminished NATO presence in Europe could lead to capital outflows from the region. In such a scenario, the positive impact of interest rate disparity may not be sufficient to offset the negative effects of elevated risk aversion, which would lead to a depreciation of regional currencies.

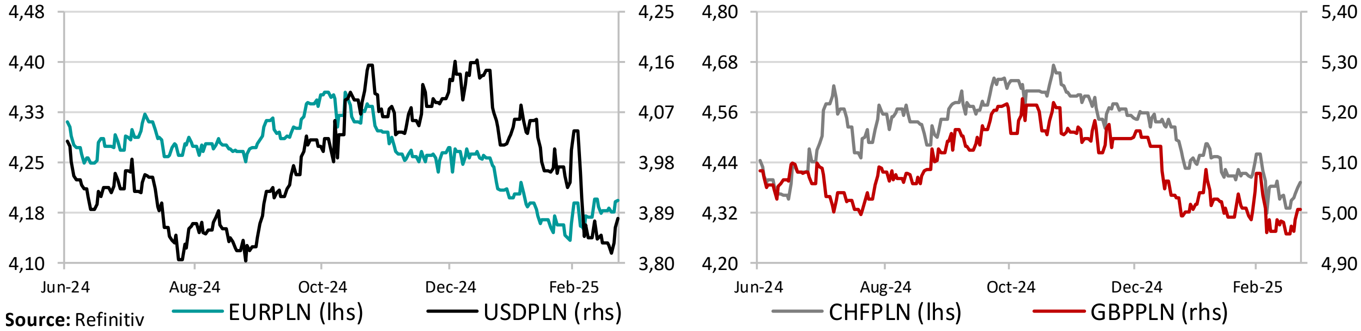
	Share of exports to the US in total goods exports	Share of goods exports to the US in GDP
Czech Republic	2,4%	1,8%
Hungary	2,9%	2,2%
Romania	2,3%	0,7%
Poland	3,1%	1,5%

Source: Eurostat, Credit Agricole, data for 2023

Another major risk factor for economic growth prospects in the region is a potential shift in US trade policy. Direct trade relations of the region's economies with the US are relatively small (see table), meaning that the potential imposition of new tariffs by the US will only have a limited impact on them. In turn, the indirect effects of tariffs (through reduced Eurozone demand) should not disrupt the economic recovery in the region we anticipate due to the acceleration of GDP growth in the single currency area we project, as well as the limited impact of reduced US demand on manufacturing activity in CE-3 countries. This applies to both direct and indirect effects, with the latter arising from input-output tables between EU member states (see MACROmap of 09/12/2024). In summary, potential increased US protectionist measures will only have a slight impact on the economic growth outlook of the region's countries.

Domestic data on retail sales negative for PLN

FX rates



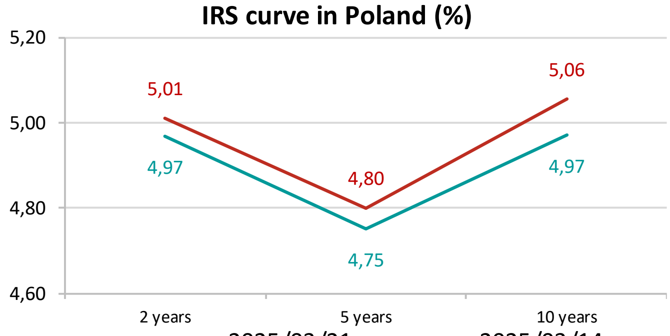
Source: Refinitiv

Last week, the EURPLN rate rose to 4.1956 (0.4% depreciation of the PLN). Throughout last week, the EURPLN exchange rate was in a mild upward trend. Consistent with our expectations, Wednesday brought heightened volatility in the PLN, driven by the FOMC meeting. The relatively hawkish tone of the FOMC meeting (with no change in the projection of median interest rates, despite rising market concerns over a potential US recession) contributed to the USD strengthening against the EUR.

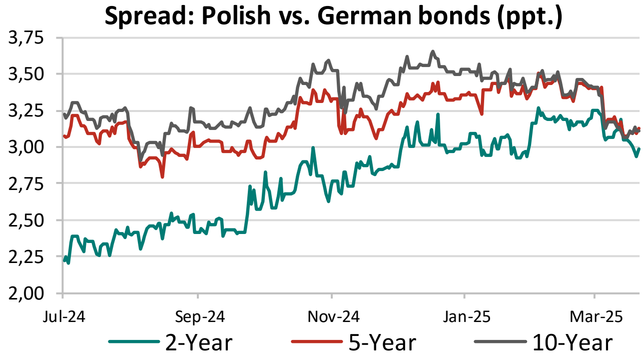
This week, the key event for investors will be today's release of domestic retail sales data, which could contribute to weakening of the PLN further. Other data releases from the Polish and global economies scheduled for this week will only have a limited impact on the PLN, in our opinion. This week, key factors influencing the PLN will include further economic (mainly tariff) policy decisions of the D. Trump administration and negotiations to end the war in Ukraine, both of which are likely to add to the volatility of the Polish currency.

Mild correction in the domestic debt market

IRS curve in Poland (%)



Spread: Polish vs. German bonds (ppt.)



Source: Refinitiv

Last week, 2-year IRS rates fell to 4.97 (down by 4bp), 5-year rates dropped to 4.75 (down by 5bp) and 10-year rates decreased to 4.97 (down by 9bp). Last week IRS rates declined across the yield curve, following the German market. In our view, this represented a correction following a sharp rise in IRS rates triggered by the German government's recent announcement of a significant loosening of fiscal policy to fund increased defence spending.

This week, the key event for investors will be today's release of domestic retail sales data, which may support a drop in IRS rates. 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 curve will include economic (mainly tariff) policy decisions of the D. Trump administration and discussions on ending the war in Ukraine, both of which are likely to 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	4,19	**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	4,04	**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	4,46	**4,35**
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	4,9	4,9	
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	3,7	3,6	
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	-2,0	
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	-1,3	
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	7,9	
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	-168		
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	-0,7		
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	9,9		

*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**	**8,6**	**7,6**	1,5	**7,9**	**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**
GDP growth contributions: Investments (pp)	0,2	0,5	0,0	0,3	**0,7**	**1,2**	**1,4**	**1,8**	0,3	**1,3**	**1,2**
GDP growth contributions: 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**	**4,4**	**3,2**	**3,2**	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**	**4,36**
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	FORECAST* CONSENSUS**
		Monday 03/24/2025				
9:30	Germany	Flash Manufacturing PMI (pts)	Mar	46,5		47,3
10:00	Eurozone	Flash Services PMI (pts)	Mar	50,6		51,0
10:00	Eurozone	Flash Manufacturing PMI (pts)	Mar	47,6		48,4
10:00	Eurozone	Flash Composite PMI (pts)	Mar	50,2		50,5
10:00	**Poland**	**Retail sales - current prices(% YoY)**	**Feb**	**6,1**	**4,3**	**5,0**
10:00	**Poland**	**Retail sales - constant prices (% YoY)**	**Feb**	**4,8**	**2,8**	**3,3**
14:00	**Poland**	**M3 money supply (% YoY)**	**Feb**	**9,4**	**8,9**	**9,1**
14:45	USA	Flash Manufacturing PMI (pts)	Mar	52,7		
		Tuesday 03/25/2025				
10:00	Germany	Ifo business climate (pts)	Mar	85,2		86,5
10:00	**Poland**	**Registered unemplyment rate (%)**	**Feb**	**5,4**	**5,5**	**5,4**
14:00	USA	Case-Shiller Index (% MoM)	Jan	0,5		
15:00	USA	Consumer Confidence Index	Mar	98,3	93,3	94,0
15:00	USA	Richmond Fed Index	Mar	6,0		
15:00	USA	New home sales (k)	Feb	657	683	680
		Wednesday 03/26/2025				
13:30	USA	Durable goods orders (% MoM)	Feb	3,2	0,3	-0,7
		Thursday 03/27/2025				
10:00	Eurozone	M3 money supply (% MoM)	Feb	3,6		3,8
13:30	USA	Final GDP (% YoY)	Q4	2,3	2,3	2,4
		Friday 03/28/2025				
11:00	Eurozone	Business Climate Indicator (pts)	Mar	-0,74		
13:30	USA	PCE Inflation (% YoY)	Feb	2,5	2,5	2,5
13:30	USA	PCE core inflation (% YoY)	Feb	2,6	2,7	2,7
13:30	USA	Real private consumption (% MoM)	Feb	-0,5		
15:00	USA	Final U. of Michigan Sentiment Index (pts)	Mar	57,9	57,9	57,9

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

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