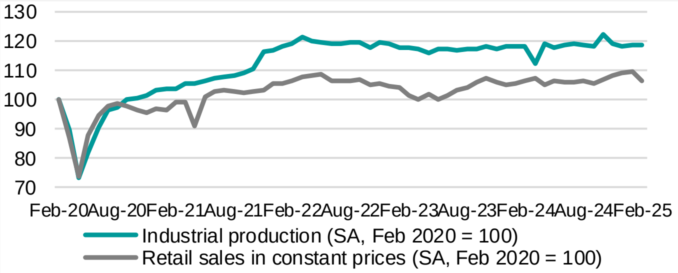
This week

- **Today's publication of March industrial production data in Poland will be the most important event this week.** We forecast that production growth picked up to 4.9% YoY from -2.0% in February. The growth was driven by last year's low base effect, favourable calendar effects, and the recovery in the manufacturing sector, as reflected in the increase in the PMI (see MACROpulse of 01/04/2025). Our industrial production growth forecast is above market consensus (3.6%), so if it materialises, it will have a slight positive effect on the PLN and the yields on Polish bonds.

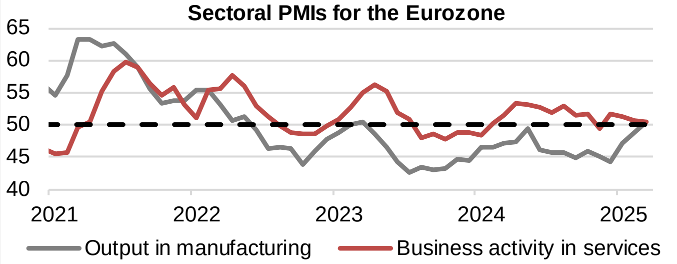


Source: GUS, Credit Agricole

- **Another important event this week will be the release of Poland's retail sales figures scheduled for tomorrow.** We expect the decline in retail sales at constant prices to have slightly slowed, from -0.5% YoY in February to -0.3% in March. The slight easing in the decline of retail sales was driven by improved consumer sentiment, partially offset by the calendar effect of Easter falling later than in the previous year. Our forecast for real retail sales growth is below market consensus (0.3%), so if it materialises, it will have a slight negative effect on the PLN and the yields on Polish bonds.

- **Preliminary PMI business survey results for key Eurozone economies will be published on Wednesday.** The market expects the composite PMI for the Eurozone to go down from 50.9 pts in March to 50.3 pts in April. Consequently, PMI would remain above the 50-point mark separating growth from contraction for the fourth month running. Market consensus expects a deterioration in both the services sector and manufacturing. Furthermore, the market anticipates a marked drop in German manufacturing PMI (47.6 pts in April vs. 48.3 pts in March). The Ifo index, reflecting the sentiment of German businesses in manufacturing, construction, trade, and services, will be released on Thursday and will provide additional insight into Germany's economic conditions. The market expects the index to fall from 86.7 pts in March to 85.2 pts in April. Dropping index values in the Eurozone will mirror the depressed sentiment among the enterprises caused by the tightening of the global trade policy seen over the last couple of weeks. In our opinion, the publication of business survey results for the Eurozone, including Germany, will be neutral for the financial markets.

Sectoral PMIs for the Eurozone



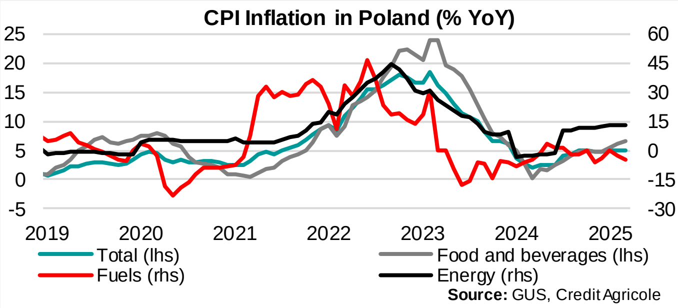
Source: S&P, Credit Agricole

- **Some important data on the US economy will be released this week.** We forecast that orders for durable goods increased by 4.5% MoM in March in line with the preliminary data (vs. 1.0% in February) as a result of bigger orders made by Boeing. We expect the data on new home sales (690k in March vs. 670k in February) and existing home sales (4.15m vs. 4.26m) to indicate that the activity in the US property market is still subdued. Consumer confidence indicators will also be released this week. We expect the final University of Michigan index to indicate that household sentiment declined (50.8 pts vs. 57.0 pts). The release of US data will be neutral for the PLN and the debt market in our view.

- **Data on employment and average wages in Poland's business sector for March will be released today.** We forecast that the employment growth edged up to -0.8% YoY in March, vs. -0.9% in February, but we still expect to see a slight decline in employment figures on a month-on-month basis. The average wage growth, in turn, did not change between February and March, and stood at 7.9% YoY. We think that the release of data on employment and the average wage in the business sector will be neutral for the PLN and the debt market.

- **With few global macroeconomic publications scheduled for this week, the spotlight will turn on trade negotiations again.** Even though tensions have temporarily eased following the 90-day suspension of “reciprocal tariffs” by the Trump administration, the increase in tariffs on goods imported from China to 145% indicates that the situation remains tense, and further negotiations will be of key importance. Considerable uncertainty around global trade policies is expected to add to volatility in financial markets.

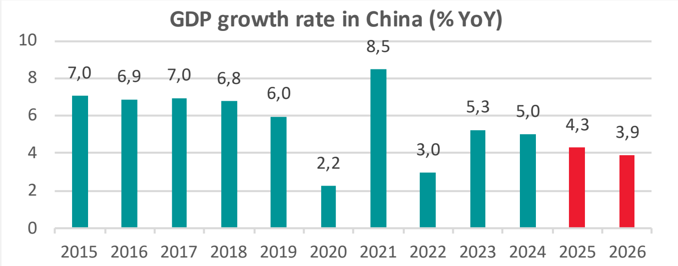
Last week



- **In accordance with the final data published by Statistics Poland, CPI inflation in Poland remained stable between February and March at 4.9% YoY, in line with Statistics Poland’s flash estimate.** Inflation in March was driven by stronger growth in food and non-alcoholic beverage prices (6.7% YoY vs. 6.2% in February), partly due to higher egg prices resulting from reduced supply following losses in egg-laying hen populations caused by avian flu. Inflation was also driven up by price growth edging higher in the “energy” category (13.3% vs. 13.1%), which was attributable, among other factors, to higher liquid and solid fuel prices. An opposite impact came from a drop in fuel prices (-4.7% vs. -2.6%), driven by a recent decline in global oil prices in PLN terms. Meanwhile, core inflation did not change between March and February, standing at 3.6%. Monthly core inflation in March stood at 0.4%, i.e. above its seasonal pattern (ca. +0.2% MoM in a typical March). In our opinion, this shows that inflationary pressures in the Polish economy are still elevated. Core inflation remains elevated due to continued strong growth in service prices (6.4% YoY in March vs. 6.6% in February), which substantially exceeds that of goods (4.4% vs. 4.3%). Wage pressures remain the primary driver of inflation in service prices. We still expect headline inflation to fall to 4.4% YoY in Q2 this year from 4.9% in Q1, so it will remain markedly above the upper band for deviations from the inflation target (2.5% +/- 1 pp). We expect another major fall in inflation, to 3.2%, in Q3. Consequently, we forecast that annual average inflation for 2025 will come in at 3.9% compared with 3.6% for 2024, and then it will fall to 2.8% in 2026. Such an inflation path is consistent with our scenario, in which the MPC will cut the interest rates twice, in May and July, each time by 50bp, and the reference rate at the end of 2025 will stand at 4.75%.
- **Last week, important data from the US economy was released.** Monthly US industrial production declined to -0.3% MoM in March from 0.8% in February (upward revision from 0.7%), aligning with market expectations. This drop was due to a lower production growth rate across all main categories: manufacturing, mining and utilities. Capacity utilisation dropped from 78.2% in February to 77.8% in March. Last week also saw the release of data on retail sales, with the monthly growth rate increasing to 1.4% MoM in March from 0.2% in February, printing slightly above market expectations of 1.3%. Excluding autos, monthly retail sales declined to 0.5% in March, compared to 0.7% growth in February. The data shows that consumer demand in the US is still strong, but it has no impact on our conclusions that it might decline substantially amid consumers’ fears of inflation rising strongly and the US economy going into recession as a result of the D. Trump administration’s policy. Data on new building permits (1,482k in March vs. 1,459k in February) and housing starts (1,324 vs. 1,494k) generally showed that activity in the US

property market was subdued in March. We continue to believe that the activity growth prospects for the US property market are unfavourable. Released last week, regional indices, i.e. the NY Empire State (-8.1 pts in April vs. -20.0 pts in March) and the Philadelphia Fed (-26.4 pts vs. 12.5 pts), provided mixed signals from the US property market. Given the sharp increase in global trade tensions and growing uncertainty stemming from the D. Trump administration's policies, we see a downside risk to our forecast of annualised US GDP growth going down from 2.3% in Q4 to 0.8% in Q1, and from 2.8% for the whole of 2024 to 1.7% for the whole of 2025.

- **Some important data from China was released last week.** China's annual GDP growth rate remained unchanged in Q1 2025 compared to Q4 2024, standing at 5.4% YoY, exceeding both the market consensus (5.1%) and our forecast (5.2%). However, quarterly GDP growth slowed from 1.6% in Q4 to 1.2% QoQ in Q1. Data on urban investments also came in better than expected (4.2% YoY for March vs. 4.1% for January-February, with the market expecting 4.1%), and so did industrial production (7.7% vs. 5.9%, with the market expecting 5.8%) and retail sales figures (5.9% vs. 4.0%, with the market expecting 4.1%). One factor supporting Chinese economic activity in recent months was a surge in shipments to the US in anticipation of new tariffs imposed by the D. Trump administration. Given the sharp escalation in tensions between the US and China and the significant increase in reciprocal tariffs, we anticipate a substantial drop in trade flows between the two countries in Q2. The better-than-expected readings from the Chinese economy are also largely driven by the measures adopted by the Chinese government to stimulate internal demand amid a poorer outlook for Chinese exports in the wake of the growing tensions in global trade. The measures included lower taxes and support schemes facilitating the purchase of motor vehicles and home appliances. In the coming quarters, we expect the Chinese government to implement further measures to boost internal demand. Nevertheless, we see downside risks to our forecast, which assumes GDP growth in China will slow to 5.0% YoY in Q2 and decline to 4.2% for the whole of 2025, compared to 5.0% in 2024.



Source: Refinitiv, Credit Agricole

- **An ECB meeting was held last week.** The ECB has cut interest rates by 25bp, in line with market expectations. In our baseline scenario, we had assumed that interest rates would remain unchanged, although we acknowledged that a cut was highly likely (see MACROmap of 14/04/2025). Consequently, the ECB's key interest rate now stands at 2.40% and the deposit rate at 2.25% (see below).

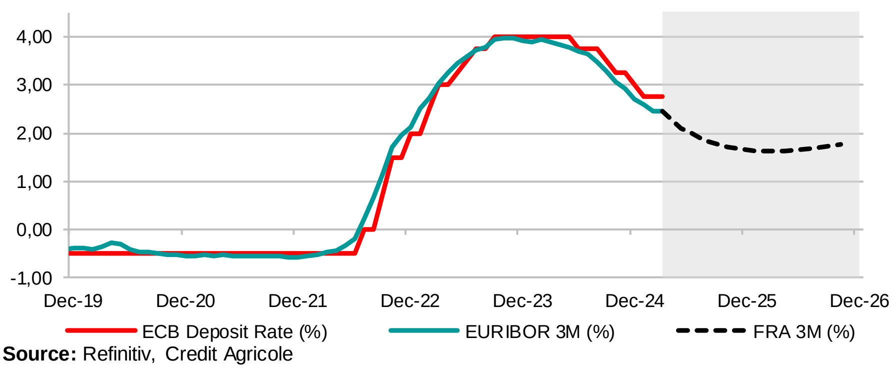
Is this the end of interest rate cuts in the Eurozone?

Last week, a meeting of the ECB was held. The ECB cut interest rates by 25bp, in line with market expectations. Consequently, the ECB's key interest rate now stands at 2.40% and the deposit rate at 2.25%.

In our baseline scenario, we had assumed that interest rates would remain unchanged in April, although we acknowledged that cuts were highly likely (see MACROmap of 14/04/2025). We believed that, given the developments over the past month, and particularly rising global trade tensions fuelled by the D. Trump administration's tariff policy, and the new fiscal package adopted in Germany, the Governing Council would approach the results of the ECB's March projection with greater caution. In our view, both events pose an upside risk to the inflation path forecast for the Eurozone. Furthermore, it is quite possible that an agreement on tariffs between the US and the EU will be reached before the June meeting, which would change the economic outlook for the Eurozone again. That is why we expected the ECB, faced with such elevated uncertainty, to postpone the rate cut until the release of the June projection, which will take into account these factors.

Justifying its decision to cut interest rates, the ECB cited "*the updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission*". The press release accompanying the monetary policy decision noted that the disinflation process is well on track, with the trends for most core inflation metrics indicating that inflation will sustainably settle near the ECB's 2% target. It also highlighted that the outlook for economic growth has deteriorated due to escalating global trade tensions. The press release further stated that amid the "*current conditions of exceptional uncertainty*" (previously "*rising uncertainty*"), the Governing Council "*will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance*". The ECB reiterated that future decisions concerning interest rates will be based on the assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation and the strength of monetary policy transmission. The press release made no mention of the fiscal package adopted in Germany in March, which we believe will be inflationary (see MACROmap of 31/03/2025). This could indicate that the Governing Council prefers to hold off the assessment of the package's effect on inflation prospects in the Eurozone until more details regarding the timing of spending become available.

During the press conference after the meeting, ECB President Ch. Lagarde noted that elevated global trade tensions have increased downside risks to the economic growth outlook in the Eurozone and inflation. She also highlighted that deteriorating sentiment in financial markets could lead to tighter financing conditions on the market. Furthermore, she stated that comparing the ECB interest rate with the neutral rate for the Eurozone (a rate that neither stimulates nor restricts economic activity) is currently unjustified, given the high level of uncertainty.

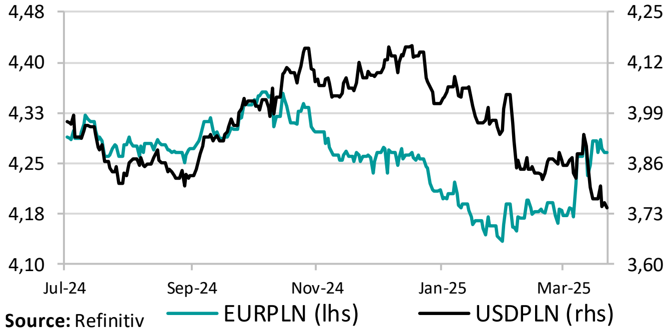


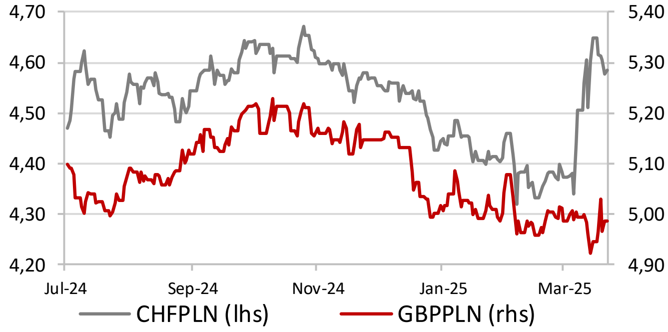
Source: Refinitiv, Credit Agricole

We see a high likelihood of further monetary policy easing by the ECB, although the outlook for interest rates in the Eurozone remains highly uncertain. Markets are currently pricing in just under three full rate cuts by the end of this year.

Global trade outlook key for PLN

FX rates



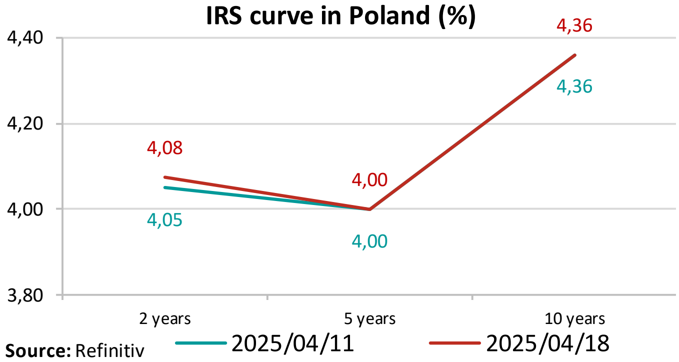


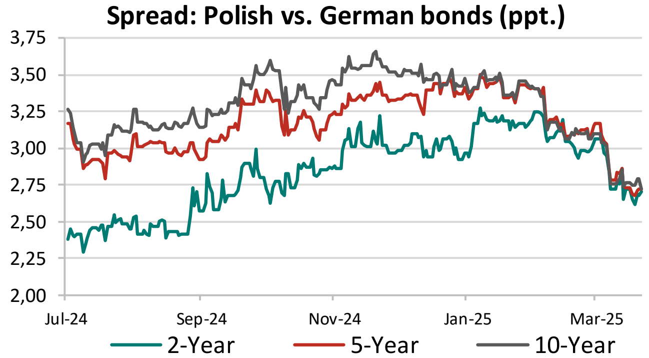
Source: Refinitiv

Last week, the EURPLN rate fell to 4.2752 (strengthening of the PLN by 0.3%). The EURPLN rate remained relatively stable, supported by a light macroeconomic calendar. The ECB's interest rate cut, which was in line with market expectations, had no significant impact on the PLN. For the same reasons, EURUSD volatility also remained low compared to recent weeks.

Key for investors this week will be the developments concerning global trade tensions. Considerable uncertainty in this regard is expected to increase volatility in the currency market. Furthermore, today's release of domestic industrial production figures may contribute to the PLN strengthening, while Wednesday's publication of domestic retail sales data might have an opposite effect.

IRS rates stabilised





Source: Refinitiv

Last week, 2-year IRS rates decreased to 4.05 (down by 3bp), while 5-year and 10-year rates remained stable at 4.00 and 4.36, respectively. Following several weeks of sharp declines (see MACROmap of 07/04/2025), IRS rates stabilised last week. The ECB meeting had no significant impact on the curve.

Considerable uncertainty around global trade policy is expected to add to volatility in the debt market this week. Moreover, today's release of domestic industrial data may contribute to an increase in IRS rates, while tomorrow's release of Polish retail sales figures may have the opposite effect.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	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	Apr-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*	4,29	4,33	4,27	4,30	4,29	4,28	4,28	4,35	4,30	4,27	4,21	4,19	4,19	4,27
USDPLN*	3,97	4,06	3,94	4,02	3,96	3,87	3,85	4,00	4,06	4,13	4,06	4,04	3,87	3,76
CHFPLN*	4,40	4,41	4,36	4,47	4,50	4,56	4,54	4,64	4,60	4,54	4,46	4,46	4,38	4,59
CPI inflation (% YoY)	2,0	2,4	2,5	2,6	4,2	4,3	4,9	5,0	4,7	4,7	4,9	4,9	4,9	
Core inflation (% YoY)	4,6	4,1	3,8	3,6	3,8	3,7	4,3	4,1	4,3	4,0	3,7	3,6	3,6	
Industrial production (% YoY)	-5,7	7,8	-1,6	0,0	5,3	-1,3	-0,5	4,7	-1,3	0,3	-0,9	-1,9	4,9	
PPI inflation (% YoY)	-9,9	-8,5	-7,0	-5,8	-5,1	-5,5	-6,2	-5,1	-3,8	-2,7	-1,0	-1,3	-0,9	
Retail sales (% YoY)	6,0	4,3	5,4	4,7	5,0	3,2	-2,2	2,3	3,4	2,7	6,1	0,6	1,2	
Corporate sector wages (% YoY)	12,0	11,3	11,4	11,0	10,6	11,1	10,3	10,2	10,5	9,8	9,2	7,9	7,9	
Employment (% YoY)	-0,2	-0,4	-0,5	-0,4	-0,4	-0,5	-0,5	-0,5	-0,5	-0,6	-0,9	-0,9	-0,8	
Unemployment rate* (%)	5,3	5,1	5,0	4,9	5,0	5,0	5,0	4,9	5,0	5,1	5,4	5,4	5,3	
Current account (M EUR)	1293	922	-468	-142	-491	-2276	-1160	1510	313	-1119	558	-220		
Exports (% YoY EUR)	-8,6	8,3	-5,3	-6,6	5,8	-2,3	1,5	2,6	-2,6	0,4	0,2	-1,4		
Imports (% YoY EUR)	-6,5	6,0	1,4	1,9	9,7	5,5	5,6	6,2	-0,8	3,4	8,9	2,3		

*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)	2,2	3,2	2,8	3,4	3,1	3,3	3,4	3,6	2,9	3,5	3,3
Private consumption (% YoY)	4,3	4,5	0,2	3,5	2,5	2,1	2,0	1,8	3,1	2,2	2,9
Gross fixed capital formation (% YoY)	3,6	3,9	-4,3	-6,9	5,6	7,7	8,6	7,6	-2,2	7,9	7,3
Export - constant prices (% YoY)	3,3	4,5	0,0	0,2	4,6	5,7	4,3	7,1	2,0	5,3	5,5
Import - constant prices (% YoY)	2,9	7,6	3,1	3,5	4,9	5,3	4,3	3,9	4,2	4,5	4,6
GDP growth contributions											
Private consumption (pp)	2,6	2,6	0,1	1,7	1,5	1,2	1,2	0,9	1,7	1,3	1,7
Investments (pp)	0,5	0,6	-0,7	-1,7	0,7	1,2	1,4	1,8	-0,4	1,3	1,2
Net exports (pp)	0,4	-1,3	-1,6	-1,6	0,1	0,5	0,1	1,8	-1,1	0,6	0,7
Current account (% of GDP)***	1,6	1,3	0,5	0,2	0,3	0,3	0,2	0,2	0,2	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	5,84	4,85	4,85	4,85	5,84	4,85	4,36
NBP reference rate (%)**	5,75	5,75	5,75	5,75	5,75	5,25	4,75	4,75	5,75	4,75	4,25
EURPLN**	4,29	4,30	4,28	4,27	4,19	4,20	4,20	4,20	4,27	4,20	4,16
USDPLN**	3,97	4,02	3,85	4,13	3,87	3,89	3,82	3,75	4,13	3,75	3,78

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

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
		Tuesday 04/22/2025				
10:00	**Poland**	**Industrial production (% YoY)**	**Mar**	**-2,0**	**4,9**	**3,6**
10:00	**Poland**	**PPI (% YoY)**	**Mar**	**-1,3**	**-0,9**	**-1,1**
10:00	**Poland**	**Corporate sector wages (% YoY)**	**Mar**	**7,9**	**7,9**	**7,8**
10:00	**Poland**	**Employment (% YoY)**	**Mar**	**-0,9**	**-0,8**	**-0,9**
16:00	Eurozone	Consumer Confidence Index (pts)	Apr	-14,5		-15,6
16:00	USA	Richmond Fed Index	Apr	-4,0		
		Wednesday 04/23/2025				
9:30	Germany	Flash Manufacturing PMI (pts)	Apr	48,3		47,6
10:00	Eurozone	Flash Services PMI (pts)	Apr	51,0		50,5
10:00	Eurozone	Flash Manufacturing PMI (pts)	Apr	48,6		47,5
10:00	Eurozone	Flash Composite PMI (pts)	Apr	50,9		50,3
10:00	**Poland**	**Retail sales - current prices(% YoY)**	**Mar**	**0,6**	**1,2**	**1,5**
10:00	**Poland**	**Retail sales - constant prices (% YoY)**	**Mar**	**-0,5**	**-0,3**	**0,3**
14:00	**Poland**	**M3 money supply (% YoY)**	**Mar**	**9,1**	**10,1**	**9,7**
15:45	USA	Flash Manufacturing PMI (pts)	Apr	50,2		
16:00	USA	New home sales (k)	Mar	676	690,0	678
		Thursday 04/24/2025				
10:00	Germany	Ifo business climate (pts)	Apr	86,7		85,2
10:00	**Poland**	**Registered unemplyment rate (%)**	**Mar**	**5,4**	**5,3**	**5,3**
14:30	USA	Durable goods orders (% MoM)	Mar	1,0	4,5	1,8
16:00	USA	Existing home sales (M MoM)	Mar	4,26	4,15	4,12
		Friday 04/25/2025				
16:00	USA	Final U. of Michigan Sentiment Index (pts)	Apr	50,8	50,8	50,7

*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

MACRO MAP

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