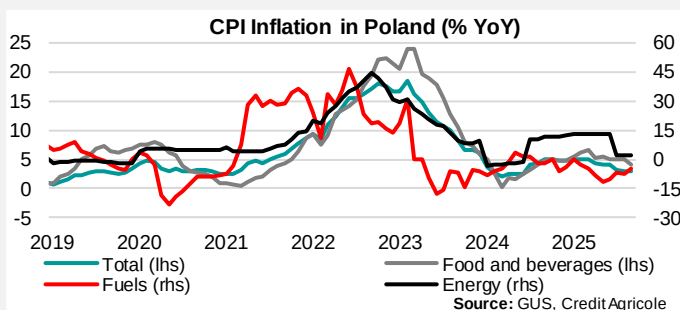


This week

Final September inflation data for Poland will be released on Wednesday.

We anticipate that the final inflation reading for September will be consistent with the flash estimate by Statistics Poland (2.9%), which would mean there would be no change in inflation rate compared with August.

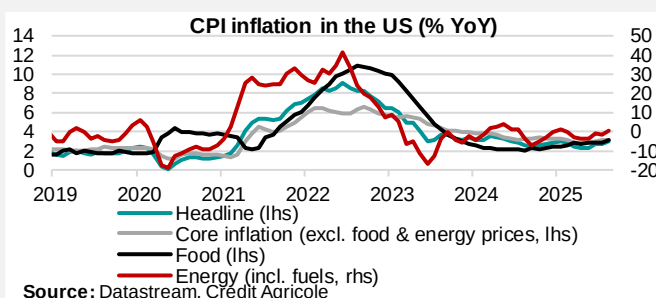
Inflation stabilised, with slower price growth in the “food and non-alcoholic beverages” category (4.2% YoY in September vs. 4.9% in August) offsetting stronger growth in the “fuels” (-4.9% vs. -7.7%) and “energy” (2.4% vs. 2.3%) categories. A slower growth in the prices of fruit and vegetables was the most likely reason behind the slowing growth in the “food and non-alcoholic beverages” category. We forecast that core inflation did not change between August and September, and once again stood at 3.2%. In our opinion, the final data will be neutral for the PLN and the yields on Polish bonds.



Data on Poland's balance of payments for August will be published this Tuesday.

We expect the current account balance deficit to have shrunk to EUR -34m from EUR -1,335m in July, driven primarily by a markedly higher balance on trade in goods (EUR -495m vs. EUR -1,265m in July) and primary income (EUR -2,490m vs. EUR -3,247m).

At the same time, export growth edged down to 2.6% YoY in August from 2.7% in July, while import growth reversed from +3.0% in July to -3.5% YoY in August. In our opinion, the data on the balance of payments will be neutral for the PLN and the yield on Polish bonds.



Some important data from the US will be released this week.

CPI inflation data for September will be released on Wednesday. We expect the headline inflation to come in at 3.1% YoY, up from 2.9% in August, with core inflation remaining stable at 3.1% YoY. In our opinion, the impact of tariffs on inflation is still limited. We expect the retail sales growth reading to show that retail sales slowed from 0.6% MoM in August to 0.4% in September. However, the sales growth, though moderate, would be seen for the fourth month running, which confirms that consumption continues to grow, albeit its growth is limited. At the same time, we forecast that the industrial production growth edged up to 0.2% MoM in September, from 0.1% in August, driven by stronger activity in the manufacturing sector. In the housing construction sector, we expect the number of housing starts and new construction permits to have increased between August and September (from 1,307k to 1,340k and from 1,330k to 1,345k, respectively), driven by recently falling mortgage interest rates. Due to the *government shutdown*, with operations of some federal institutions having been temporarily stopped due to the lack of agreement on budget matters, some of the data mentioned above might not be published. If the government shutdown came to an end, though, some macroeconomic data from two weeks ago could also be published this week. In our view, the data from the US will be neutral for financial markets.

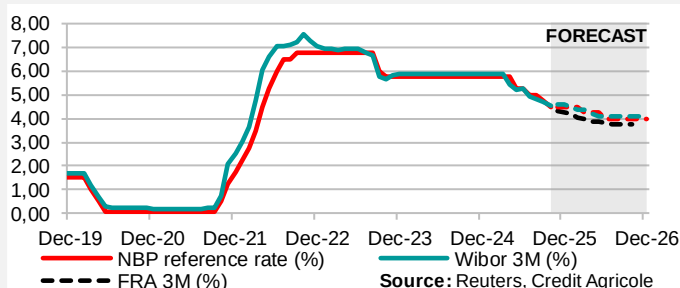
Data on Chinese foreign trade was released today.

China's trade balance fell in September to USD 90.5bn vs. USD 102.3bn in August, and came in below the market expectations (USD 99.0bn). Imports and exports, however, accelerated between August and September, from 1.3% to 7.4% and from 4.4% to 8.3%, respectively. D. Trump's decision on introducing additional 100%

tariffs on goods imported from China announced last Friday is a significant risk factor for activity in the Chinese foreign trade. D. Trump has also announced putting controls on exports of critical software to China in response to the restrictions on exports of rare earths imposed by China last Thursday. In our opinion, increasing the US tariffs on goods imported from China will result in further redirecting of Chinese exports to other markets, including the EU, which poses a downside risk to inflation (see MACROmap of 19/05/2025). In reaction to D. Trump's decision, the USD weakened against the EUR, while the yield on US bonds went down. Consequently, in the investors' view, the decision may have a stronger negative impact on US growth prospects than on inflation. In our view, another escalation of the trade war would add to uncertainty on financial markets, and would be conducive to the PLN depreciation. At the same time, we expect the yield on Polish bonds to decline following their decline in core markets, driven by the investors' concerns of US economic growth prospects, which have been discussed above.

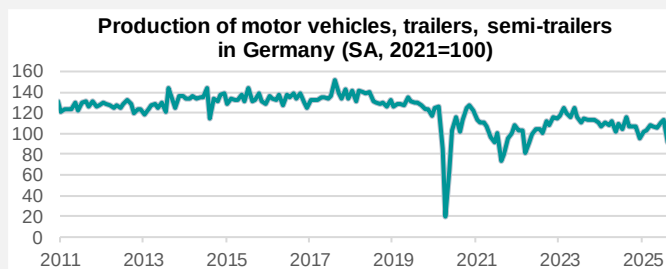
Last week

➤ **Last week, the Monetary Policy Council decided to cut interest rates by 25bp, with the NBP reference rate now standing at 4.50%.** The MPC's decision went against market expectations and our forecast, both of which pointed to rates remaining unchanged. The Council explained its decision with better inflation prospects (see MACROPulse of 08/10/2025). The MPC also repeated its assessment regarding the future level of interest rates, which will depend on incoming information regarding prospects for inflation and economic activity. Consequently, as in September, the tone of the October communication is eclectic and the MPC's policy stance remains unclear. In our opinion, however, last week's decision does not signal materially more room for further interest rate cuts in the coming quarters. Consequently, we stand behind our scenario of the reference rate standing at 4.50% at the end of this year. Supporting our scenario is the significant increase in district heating prices we expect in October, which would push the annual inflation rate higher. Furthermore, our view is consistent with recent remarks by some MPC members indicating that only one rate cut should be expected by the end of the year. However, the dovish tone of last week's press conference, where NBP Governor A. Głapiński said that the October rate cut does not rule out another one in November carries a downside risk to our scenario. He noted that the MPC members can see some room for further, minor interest rate cuts of 25bp. He suggested that the decision would be made, if at all, in November rather than in December. Even though A. Głapiński emphasised that inflation would be running close to its target in the coming months, he also pointed to a significant upside risk factor for inflation, connected with the introduction of the ETS2 system, which could raise inflation by as much as 2 pp in 2027. The prospect of rising inflation in 2027 underpins our scenario in which the MPC will finish the rate cut cycle in Q2 2026, with the reference rate standing at 4.00%.



➤ **Some important data on the German economy was released last week.** Industrial production fell by 4.3% MoM in August, after rising by 1.3% in July, coming in well below market expectations (-1.0%). The decline reflected weaker output in manufacturing, with higher output in the construction and energy sectors having the opposite effect. The main driver of the decline in manufacturing output was the „motor vehicles, trailers and semi-trailers“ category (-18.5% MoM). According to the underlying press release, this decrease was largely associate with

summer shutdowns at factories and retooling of production lines. Last week also saw the release of data on orders in German manufacturing, with the monthly growth rate rising to -0.8% MoM in August, from -2.7% in July. This was due to stronger growth of domestic orders, while foreign orders weakened. It is worth

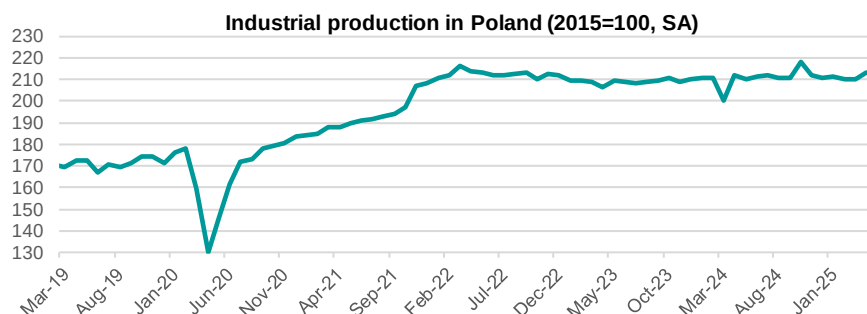


Source: Datastream, Credit Agricole

noting that although the monthly pace of decline in orders slowed down in August relative to July, August still marked the fourth consecutive month of drops. Data on Germany's foreign trade were also published last week, with the trade balance increasing to EUR 17.2bn in August from EUR 14.7bn in July, coming in well above market expectations (EUR 15.2bn). Meanwhile, there was a slight improvement in the exports growth rate (-0.5% MoM in August vs -0.6% in July) and a deterioration in the imports growth rate (-1.3% vs -0.1%), with both readings below market forecasts (0.3% and -0.5%, respectively). A worrying signal in the data is the sharp deterioration in imports growth, which may point to weakening domestic demand. The data from the German economy published last week pose a downside risk to our forecast, according to which Germany's quarterly GDP growth improved to -0.1% in Q3 from -0.3% in Q2 and is set to rise to 0.1% in Q4. Consequently, we see a slight downside risk to our scenario that GDP growth in Germany will reach 0.1% in 2025, following a 0.5% contraction in 2024.

Last week the preliminary University of Michigan Consumer Sentiment Index fell from 55.1 pts in September to 55.0 pts in October, coming in at above market expectations (54.2 pts). The slight decline in the index reflected a fall in the "expectations" sub-index, which outweighed a small increase in the "current situation" component. The median expected change in prices over the median 1-year inflation expectation released alongside the index eased to 4.6% in October from 4.7% in September (the January-September average was 5.0%, versus 2.9% for full-year 2024). We maintain our forecast that annualised US GDP growth declined to 1.1% in Q3 from 3.3% in Q2, and will decrease to 1.7% for the full year 2025, compared to 2.8% in 2024.

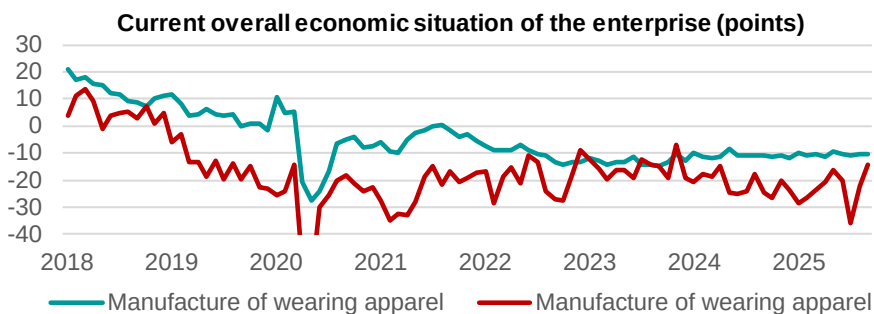
Which sectors are holding back the recovery in Polish manufacturing?



Source: GUS, CreditAgricole

According to Statistics Poland (GUS), seasonally adjusted industrial output fell by 0.1% MoM in August, confirming the stagnation in industrial activity observed for several quarters. Besides offering insight into the evolution of production itself, GUS business sentiment surveys also serve as a vital complementary source of information facilitating the assessment of trends in the manufacturing sector. Notably,

developments in several sectors differ from those seen across manufacturing as a whole.

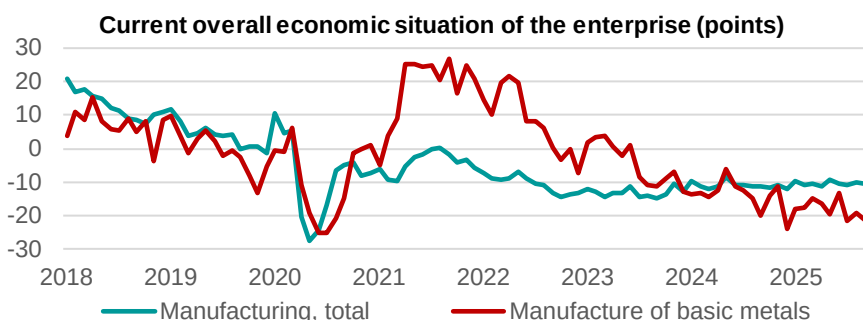


Source: GUS, Credit Agricole

down business profitability. For example, wages in this sector have risen by around 50% over the past four years, far more than retail clothing prices (just under 10%), making production in Poland progressively less competitive. Secondly, import pressure from Asia has intensified. Low-priced clothing from China and Bangladesh, sold mainly through online channels, is crowding out local manufacturers. These issues are compounded by a decline in foreign orders, particularly from Germany, which remains the main market for Polish apparel. Thirdly, the sector faces a costly technological and environmental transition. EU regulations require investment in recycling, the circular economy and low-emission technologies, a serious challenge for enterprises that are often fragmented and poorly capitalised.

On top of these already unfavourable conditions, a new external headwind has recently emerged, i.e. shifts in global trade flows caused by the US-China tariff war. After high tariffs were imposed on textile imports into the US, Chinese producers redirected sales en masse to the European market. According to Euratex, imports of clothing and textiles from China to the EU rose by about 20% YoY in H1 2025, with the largest increases in the cheapest, heavily advertised (mainly online) clothing products, sold at prices below the production costs of European manufacturers. It is also worth noting that, under the de minimis rule currently in effect, consignments valued at up to EUR 150 are exempt from customs duties. As a result, parcels shipped by companies such as Shein and Temu continue to enter the EU duty-free, intensifying price pressure on local manufacturers. Given the above, the outlook for Poland's apparel manufacturing remains exceptionally challenging, and a marked improvement in this sector is unlikely in the near term.

Based on the GUS survey results, the "manufacture of wearing apparel" category is a clear underperformer compared to other manufacturing sectors. Since the start of 2024, the indicator for the "current general economic situation of the enterprise" has been on a downward trend in this sector, reflecting several overlapping factors. Firstly, rising labour, raw material and energy costs are bringing



Source: GUS, Credit Agricole

Another sector experiencing negative developments is "manufacture of basic metals". The indicator for the current general economic situation of the enterprise in this sector has declined steadily since 2021. The main drivers of the slowdown include weak foreign demand, particularly from Germany, lower orders from related sectors such as automotive, construction and machinery

production, high energy costs, and pressure from a global oversupply of inexpensive steel and other metals from Asia. Nevertheless, despite the difficult current situation, the sector's medium-term outlook appears more optimistic. Firstly, the economic upturn we forecast in Germany should translate into higher foreign demand for Polish metal products. Secondly, we expect a pick-up in domestic investment, including large EU co-financed infrastructure projects, which will create additional demand for steel and other metals. Thirdly, last week the European Commission proposed raising tariffs on steel imports from the current 25% to 50%. The new rates would apply once annual imports of raw steel exceed 18.3 million tonnes. The measure is set to take effect in H2 2026. In addition, the ongoing energy transition and

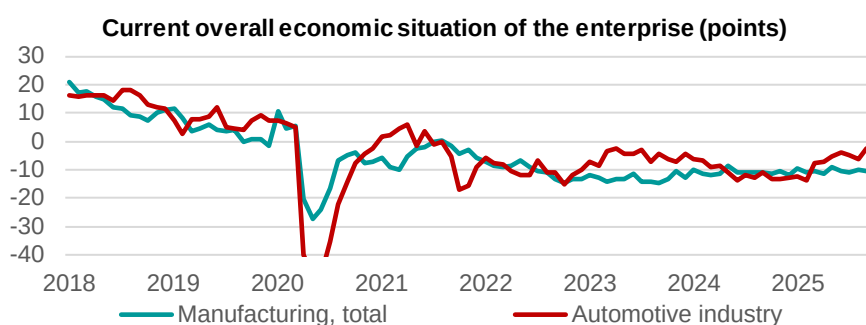
investment in modern low-emission technologies (e.g. electric furnaces, hydrogen technologies) could improve the sector's competitiveness over the medium term. Accordingly, we expect activity in "manufacture of basic metals" to rise over the next few quarters.



Source: GUS, Credit Agricole

large companies (those with more than 250 employees) the share was even higher at 71%. Although foreign market conditions were the dominant driver of the industry's negative situation, domestic sales remain an important part of the business for many, especially smaller, companies. Until recently, high interest rates and still-elevated inflation dampened households' propensity to purchase durable goods, including furniture. The slowdown in residential construction also had a negative effect as the number of dwellings completed in 2024 fell by 8% YoY, directly reducing demand for home furnishings. These unfavourable trends were reflected in a downward trend in the indicator for the "current general economic situation of the enterprise" in the furniture industry observed since Q2 2024.

In the MACROmap of 01/09/2025 we presented a scenario in which activity in the furniture industry is expected to increase substantially over the next few quarters, supported by both stronger foreign demand and a recovery in domestic demand. This will stem from an expected acceleration in residential construction activity and stronger lending in the consumer credit segment. These will be supported by the continued monetary policy easing by the MPC, as well as improving consumer sentiment. The main risk to the outlook for Poland's furniture industry on both foreign and domestic markets is competition from China, the world's largest furniture exporter (see MACROmap of 19/05/2025). It should be noted, however, that China's share of the EU furniture market has been stable for years, and for now we see no signs of rising competitive pressure from that direction.



Source: GUS, Credit Agricole

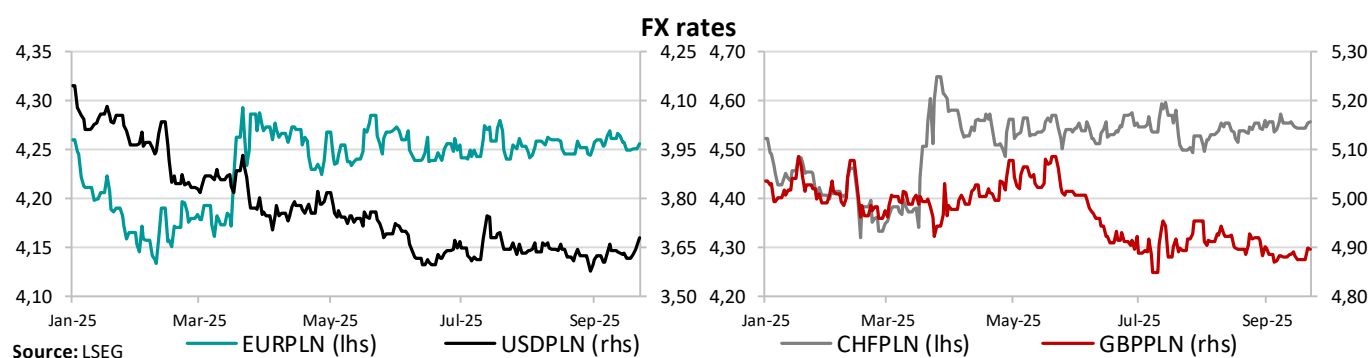
Industry surveys also point to improving sentiment – according to the Association of Automotive Parts Distributors and Producers (SDCM), more than 60% of automotive-parts companies reported higher sales in H1 2025. The improvement in the automotive sector has been supported by a revival in export demand, particularly from EU countries. Investment in the powertrain transition is also important: the growing share of electric and plug-in hybrid cars in the market is prompting the development of new production lines in Poland and supporting orders for orders for e-mobility-related components. That said, despite the

In recent years, activity in Poland's furniture industry has remained subdued, largely due to the negative impact of shocks related to the COVID-19 pandemic and the outbreak of the war in Ukraine. Poland's furniture industry is highly dependent on exports. According to PONT Info, in 2024, export sales accounted for 64% of the sector's total revenue. What is more, in

An example of a sector that has stood out positively in business survey terms across manufacturing is the "manufacture of motor vehicles, trailers and semi-trailers". Since the start of this year, the indicator for the "current general economic situation of the enterprise" has been on an upward trend and in August reached its highest level since April 2024.

recent improvement, the outlook for the sector is not unambiguously positive. Elevated energy, raw material and labour costs continue to weigh on producers' margins, and tightening EU regulatory requirements are forcing costly investment in zero-emission technologies. Rising competition from Chinese manufacturers – expanding their presence in Europe, especially in electric vehicles and batteries – also poses a risk. Accordingly, we expect the potential for further improvement in Poland's automotive sector to be limited.

EURPLN rate remained stable despite unexpected NBP rate cut

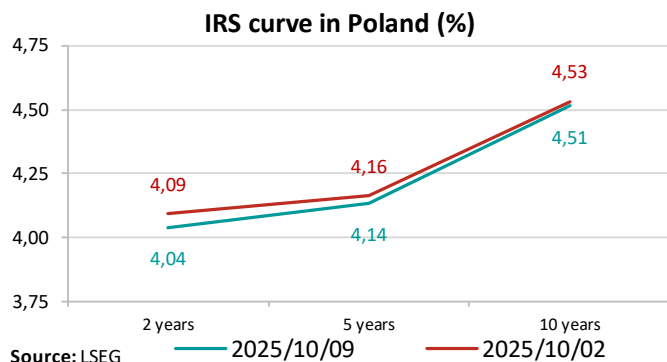


Last week, the EURPLN rate rose to 4.2559 (a 0.1% depreciation of the PLN). Throughout the week, the EURPLN exchange rate remained relatively stable, and its reaction to the NBP's unexpected rate cut and Governor A. Głapiński's press conference was limited. Over the same period, the EURUSD rate continued to trend lower, continuing the move that began two weeks earlier (see MACROmap of 06/10/2025).

A renewed escalation of the US-China trade war is negative for the PLN. We believe that data releases from the Polish and global economies scheduled for this week will be neutral for the PLN exchange rate.



Bond yields decline following US tariff announcement



Last week, 2-year IRS rates fell to 4.04 (down by 7bp), 5-year rates dropped to 4.14 (down by 4bp) and 10-year rates decreased to 4.51 (down by 4bp). The declines were concentrated at the short end of the curve, following declines in yields in the core market. It is worth noting that the drop in Polish IRS rates was modest in light of the unexpected decision by the MPC to cut rates.

We believe that the data releases from the Polish and global economies scheduled for this week will be neutral for the curve. However, we may see a drop in IRS rates and bond yields, in line with core markets, in response to last week's decision by D. Trump to increase tariffs on imports from China (see above).

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
NBP reference rate (%)	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,75	5,25	5,25	5,00	5,00	4,75	4,50
EURPLN*	4,28	4,35	4,30	4,27	4,21	4,19	4,19	4,27	4,24	4,24	4,27	4,26	4,26	4,26
USDPLN*	3,85	4,00	4,06	4,13	4,06	4,04	3,87	3,77	3,74	3,60	3,74	3,64	3,63	3,63
CHFPLN*	4,54	4,64	4,60	4,54	4,46	4,46	4,38	4,56	4,54	4,53	4,60	4,55	4,56	4,56
CPI inflation (% YoY)	4,9	5,0	4,7	4,7	4,9	4,9	4,9	4,3	4,0	4,1	3,1	2,9	3,1	
Core inflation (% YoY)	4,3	4,1	4,3	4,0	3,7	3,6	3,6	3,4	3,3	3,4	3,3	3,2	3,1	
Industrial production (% YoY)	-0,5	4,7	-1,3	0,3	-0,9	-1,8	2,5	1,3	4,0	-0,4	3,0	0,7	6,0	
Constr. and assembly prod. (% YoY)	-9,0	-9,6	-9,4	-8,0	4,2	-0,1	-1,1	-4,2	-2,8	2,1	0,7	-6,9	-2,9	
PPI inflation (% YoY)	-6,2	-5,1	-3,8	-2,7	-1,0	-1,3	-1,0	-1,6	-1,5	-1,5	-1,3	-1,2	-1,1	
Retail sales (% YoY)	-2,2	2,3	3,4	2,7	6,1	0,6	0,6	7,9	4,3	2,1	4,8	3,0	4,9	
Corporate sector wages (% YoY)	10,3	10,2	10,5	9,8	9,2	7,9	7,7	9,3	8,4	9,0	7,6	7,1	7,3	
Employment (% YoY)	-0,5	-0,5	-0,5	-0,6	-0,9	-0,9	-0,9	-0,8	-0,8	-0,8	-0,9	-0,8	-0,8	
Unemployment rate* (%)	5,0	4,9	5,0	5,1	5,4	5,4	5,3	5,2	5,0	5,2	5,4	5,5	5,6	
Current account (M EUR)	-1160	654	-492	-1450	-66	93	-1209	-596	-1838	651	-1335	-34		
Exports (% YoY EUR)	1,5	2,6	-2,6	0,4	1,9	0,4	3,1	-1,9	4,2	1,9	2,7	2,6		
Imports (% YoY EUR)	5,6	6,2	-0,8	3,4	9,8	3,4	10,0	5,5	5,2	-0,2	3,0	-3,5		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland											
Indicator	2025				2026				2024	2025	2026
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross Domestic Product (% YoY)	3,2	3,4	3,8	3,8	3,7	3,5	3,2	3,0	3,0	3,6	3,3
Private consumption (% YoY)	2,5	4,4	4,0	3,5	2,7	2,8	3,1	3,3	2,9	3,6	3,0
Gross fixed capital formation (% YoY)	6,3	-1,0	5,5	7,5	8,6	10,9	7,2	6,5	-0,9	4,9	8,0
Export - constant prices (% YoY)	1,1	1,5	2,2	2,8	4,5	5,8	5,8	5,3	2,0	1,9	5,4
Import - constant prices (% YoY)	3,5	2,6	2,9	2,8	5,0	6,1	6,5	6,1	4,5	2,9	6,0
GDP growth contributions	Private consumption (pp)	1,6	2,6	2,3	1,7	1,7	1,8	1,6	1,7	2,0	1,7
	Investments (pp)	0,8	-0,2	0,9	1,7	1,1	1,6	1,1	1,5	0,8	1,3
	Net exports (pp)	-1,1	-0,4	-0,3	0,1	-0,1	0,1	-0,2	-0,2	-0,4	-0,1
Current account (% of GDP)***	-0,7	-0,9	-0,2	-0,2	-0,2	-0,1	-0,1	0,0	0,2	-0,2	0,0
Unemployment rate (%)**	5,3	5,2	5,6	5,4	5,6	5,4	5,3	5,2	5,1	5,4	5,2
Non-agricultural employment (% YoY)	0,0	0,2	-0,5	-0,5	-0,5	-0,5	-0,5	-0,5	0,7	-0,2	-0,5
Wages in national economy (% YoY)	10,0	8,8	7,5	6,5	5,8	5,9	6,1	6,2	13,7	8,2	6,0
CPI Inflation (% YoY)*	4,9	4,1	3,0	2,9	2,7	3,0	3,0	3,0	3,6	3,7	2,9
Wibor 3M (%)**	5,84	5,23	4,72	4,60	4,35	4,10	4,10	4,11	5,84	4,60	4,11
NBP reference rate (%)**	5,75	5,25	4,75	4,50	4,25	4,00	4,00	4,00	5,75	4,50	4,00
EURPLN**	4,19	4,24	4,26	4,28	4,27	4,26	4,25	4,24	4,27	4,28	4,24
USDPLN**	3,87	3,60	3,63	3,66	3,68	3,74	3,79	3,85	4,13	3,66	3,85

* quarterly average

** end of period

***cumulative for the last 4 quarters

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
Monday 10/13/2025						
	China	Trade balance (bn USD)	Oct	102,3		99,0
Tuesday 10/14/2025						
11:00	Germany	ZEW Economic Sentiment (pts)	Oct	37,3		40,5
14:00	Poland	Current account (M EUR)	Aug	-1335	-34	-1097
Wednesday 10/15/2025						
3:30	China	PPI (% YoY)	Sep	-2,9		-2,3
3:30	China	CPI (% YoY)	Sep	-0,4		-0,1
10:00	Poland	CPI (% YoY)	Sep	2,9	2,9	2,9
11:00	Eurozone	Industrial production (% MoM)	Aug	0,3		-1,6
14:30	USA	CPI (% MoM)	Sep	0,4	0,4	0,4
14:30	USA	NY Fed Manufacturing Index (pts)	Oct	-8,7		0,0
Thursday 10/16/2025						
14:30	USA	Retail sales (% MoM)	Sep	0,6	0,4	0,4
14:30	USA	Philadelphia Fed Index (pts)	Oct	23,2		8,0
16:00	USA	Business inventories (% MoM)	Aug	0,2		
Friday 10/17/2025						
11:00	Eurozone	HICP (% YoY)	Sep	2,2		2,2
14:30	USA	Building permits (k)	Sep	1330	1345	1343
14:30	USA	Housing starts (k MoM)	Sep	1307	1340	1330
15:15	USA	Capacity utilization (%)	Sep	77,4		77,3
15:15	USA	Industrial production (% MoM)	Sep	0.1	0.2	0.0

*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