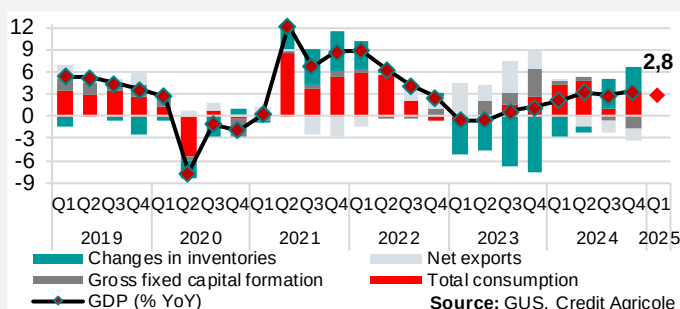


This week

✓ **Last weekend, the US and China reported 'substantial progress' after two days of talks in Switzerland, which both parties have hailed as a constructive step towards de-escalating the trade conflict.** Although no details have been disclosed yet, the two countries agreed to establish a consultation mechanism for ongoing dialogue between them, and promised to release a joint statement today. We expect the easing of tensions between the US and China to improve market sentiment this week and translate into a slight appreciation of the PLN and a rise in bond yields.

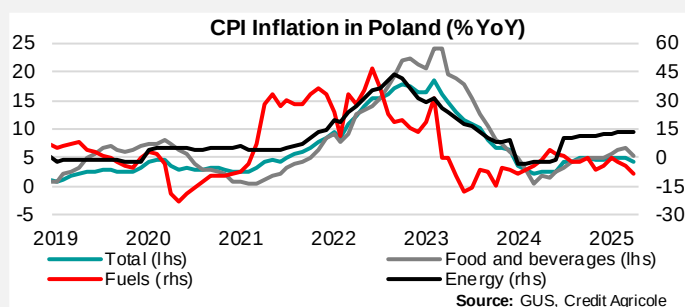
✓ **Thursday will see the release of Poland's flash GDP estimate for Q1 2025.** We expect GDP growth to have slowed to 2.8% YoY from 3.4% in Q4 last year, with the slowdown between Q4 and Q1 driven mainly by lower contributions from change in inventories and consumption. Our forecast is below market consensus (3.1%), thus, its materialization would be slightly negative for the PLN and yields on Polish bonds.



✓ **Some important data from the US will be released this week.** We expect headline CPI inflation to have fallen to 2.3% YoY in April from 2.4% in March, and core inflation to have remained flat at 2.8%. Although headline inflation is gradually getting close to the target, we do not expect the Fed to change its stance following the release of inflation figures due to the risk of prices rising again in consequence of April tariff hikes. We expect nominal retail sales to have grown by 0.1% MoM in April compared with 1.5% in March. We believe that increased vehicle sales will continue to show elevated demand associated with expectations of imported goods price rises in the coming months. We expect industrial production to have grown by 0.1% MoM in April compared with a drop of 0.3% in March, in line with business survey results (April was the second month in a row with the ISM index below the 50-point mark) showing limited potential for growth in this sector. According to our forecast, data on new building permits (1,460k in April vs. 1,467k in March) and housing starts (1,385k vs. 1,324k) will show a continuing slowdown in the US housing market. We expect the preliminary University of Michigan index (54.0 pts in May vs. 52.2 pts in April) to show a slight improvement in consumer sentiment following a partial softening of the Trump administration's stance on tariffs. We believe that this week's US data releases will be neutral for financial markets.

✓ **Wednesday will see the release of Poland's balance of payments figures for March.** We expect the current account balance to have fallen to EUR -436M from EUR -220M in February. We forecast that growth in exports picked up from -1.4% YoY in February to 1.1% in March, and growth in imports picked up from 2.3% YoY in February to 7.7% in March. We believe that both export growth and import growth are partially accounted for by favourable calendar effects. In our opinion, the balance of payments figures will be neutral for the PLN and yields on Polish bonds.

✓ **Poland's final inflation figures will be released on Thursday.** We expect inflation to stand at 4.2% YoY in April, in line with the GUS flash estimate, compared with 4.9% in March. According to preliminary data, the drop in inflation was driven primarily by slower price rises in the 'food and non-alcoholic beverages' category, to a large extent accounted for by high base effects resulting from the restoration of

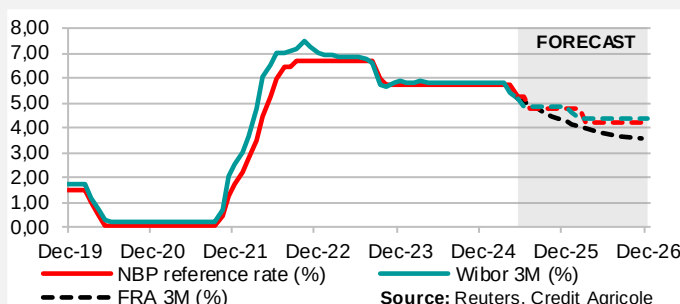


5% VAT on basic food products in April 2024. Inflation was also driven down by a slower growth in the prices of fuels and a drop in core inflation. We expect the final inflation figures to be neutral for the PLN and yields on Polish bonds.

Last week

At its meeting last week, the Fed kept the federal funds target range unchanged at [4.25%; 4.50%], in line with our forecast and market expectations. The press release reiterates a comment to the effect that 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 its monetary policy. At the press conference following the meeting, J. Powell also reiterated that the Fed did not need to be in a hurry to cut rates, that the policy was sufficiently well positioned for the Fed to wait and see. He also repeated his comment made in April that the Fed would not be able to achieve strong labour market conditions without price stability. J. Powell also said that if the tariffs were ultimately put in place, there may be a delay in achieving monetary policy goals. The Fed Chairman also said that it was appropriate for the Fed to wait and see how things evolved due to elevated uncertainty about the economic outlook. We maintain our scenario that expects the Fed to cut interest rates by a total of 50bp in 2025 (by 25bp in June and by another 25bp September, and to end the monetary policy easing cycle with the federal funds target range at [3.75%; 4.00%]. However, given the tone of the press conference following the meeting last week, we see a risk that the Fed may go ahead with the rate cuts later.

The Monetary Policy Council made a decision last week to cut interest rates by 50bp (the NBP reference rate is now 5.25%). The MPC's decision was consistent with our forecast and with market consensus. In the press release published after the meeting, the Council noted once again that 'the outlook for global activity and inflation is subject to uncertainty, related, among others, to changes in trade policies', referring to the potentially negative impact of the Trump administration's tariff policy on global economic growth. In the press release, the MPC repeated its assessment regarding the future level of interest rates, which will depend on 'incoming information regarding prospects for inflation and economic activity' (see MACROPulse of 07/05/2025). The rationale behind the rate cut in May given by the MPC includes lower current and forecasted inflation, decreasing wage growth and weaker data on economic activity. The NBP Governor's press conference was also held last week. A. Glapiński said he believed that another rate cut already in June was doubtful. Thus, it is more likely that the MPC will go ahead with another rate cut at its meeting in July, when next inflation projections have been released. The NBP Governor also said that many MPC members believed it would not be appropriate for the MPC to go ahead with another rate cut before the autumn. It is worth noting that the NBP Governor signalled a possibility that changes to the mandatory reserve parameters and the width of the interest rate corridor will be discussed at the MPC meeting in June. He also noted that the 50bp cut in May was 'an adjustment' and it did not mark the beginning of a cycle, although nothing was certain. He also outlined key risk factors relevant to future rate cuts, with the most important one being the development of energy prices in the coming months. On Friday, MPC Member P. Litwiniuk said that if the issue of currently-frozen energy prices for households is resolved and if there are no external events that would disrupt the inflation prospects, "this year's autumn could be a good

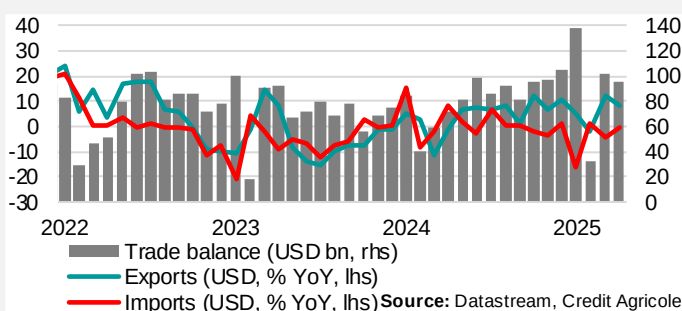


time for a solid step towards interest rate cuts". On the same day, L. Kotecki, another MPC Member, said that further interest rate cuts in 2025 should be made in two stages, each time by 25bp, and it could be done in July, September or later. In our view, statements made by A. Glapiński and other MPC members underpin our scenario of interest rate cuts totalling 50bp in the subsequent months of 2025. Nonetheless, we feel there is a risk that further monetary policy easing may be done in smaller steps, not as a single, 50-bp adjustment in July as our forecast has indicated so far.

✓ **Some data on German economy was released last week.** Industrial production went up by 3.0% MoM in March, following a 1.3% decline in February, significantly exceeding market expectations of a 0.8% growth. Industrial production growth resulted primarily from a stronger performance in the industrial manufacturing sector. Data on Germany's foreign trade was also released last week, showing that its foreign trade balance rose to EUR 21.1bn in March, from EUR 17.9bn in February (upward revision from EUR 17.7bn), printing above the market expectations (EUR 18.9bn). At the same time, exports growth slowed from 1.8% MoM in February to 1.1% in March, with imports going down from 0.5% to -1.4%, the former printing above and the latter below the market expectations (1.0% and 0.3%, respectively). In the months to come, the balance in the German foreign trade will be driven down by tariffs announced since April by the Trump administration, particularly the 25% tariff rates on cars and car parts, and the general 10% tariff. An indirect impact of high tariffs imposed on China is also a substantial risk factor as regards the situation in the German industry. It can materialise through an increased competition with China on the EU market and poorer demand on the Chinese market amidst the economic activity slowdown caused by the tariffs. Last week also saw the release of Germany's manufacturing orders figures, which show that growth in orders picked up to 3.6% MoM in March vs. 0.0% in February, driven by acceleration in both domestic and foreign orders. A higher level of foreign orders is accounted for by higher volumes of orders from both Eurozone and non-Eurozone countries. It is worth noting that in recent months, March included, growth in orders was distorted by large orders, primarily in the 'other transport equipment' category. In the coming quarters, we expect to see Germany's GDP growth pick up following the German government's fiscal policy easing, though the impact of the new US tariffs on the German economy is still a risk factor (see MACROmap of 31/03/2025).

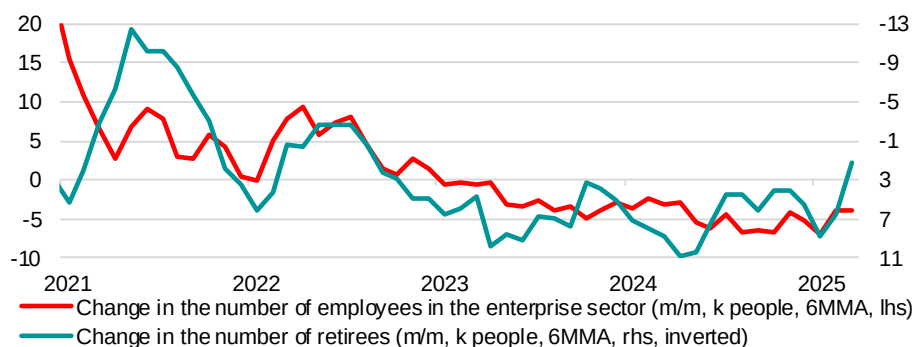
✓ **China's foreign trade figures were released last week.** China's trade balance decreased from USD 102.6bn in March to USD 96.2bn in April, printing ahead of market expectations (USD 85.5bn). Exports dynamics slowed to 8.1% YoY in April vs. 12.4% in March, while imports growth rate accelerated from -4.3%

YoY to -0.2%. Thus, both exports and imports came in markedly above expectations (-5.9% and 1.9%, respectively). Even though exports to the US plummeted (-21% YoY), exports in general grew moderately (8% YoY for the EU and Japan) or very strongly (21% YoY for ASEAN countries, 17% YoY for Latin America, and 25% YoY for Africa). Big differences in tariff rates imposed on China and other countries can indicate that trade partially goes through countries that act as intermediaries. In the coming months, exports will be driven down by both the US tariff policy and the expected slowdown of economic growth. In the coming months, we expect the Chinese exports to slow in relation to a poorer consumer demand in China and a slowdown in the industry. We also still anticipate the Chinese GDP to fall from 5.0% in 2024 to 4.6% in 2025. In our view, the ~5% target for economic growth in 2025 will be difficult to reach unless fiscal stimulation is markedly stronger.



Standard & Poor's half-yearly review of Poland's rating ended without the publication of a new analytical report, which means that the agency has kept Poland's long-term rating of A- with a stable outlook. In our opinion, S&P's confirmation of Poland's rating and its outlook is neutral for the PLN and yields on Polish bonds.

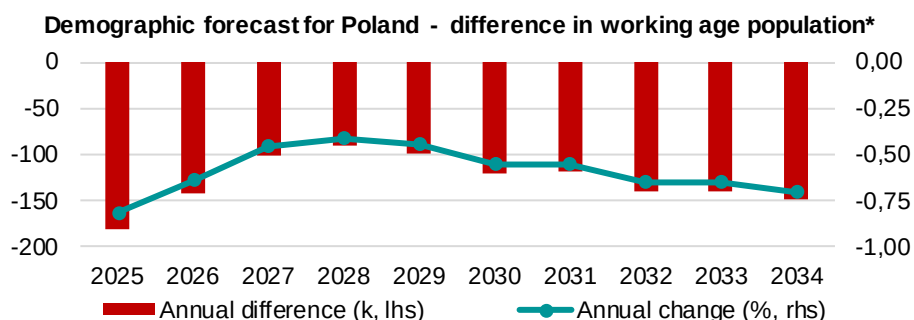
Employment decline in enterprises to continue for a longer period of time



Source: GUS, Credit Agricole

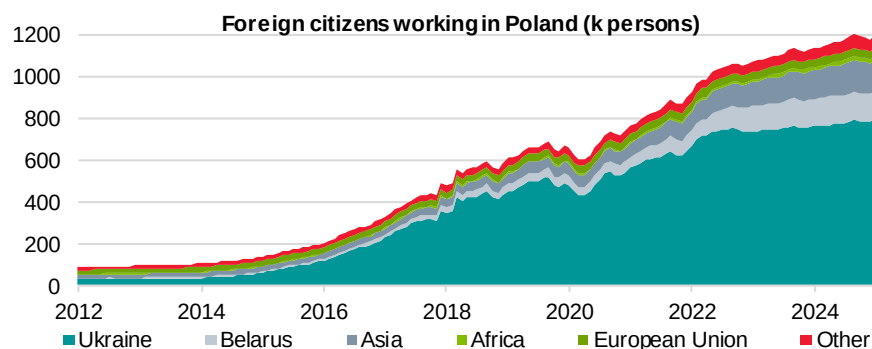
demand, low utilisation of production capacities in manufacturing and the related low investment demand on the part of the enterprises), which are the main reason behind the employment reduction in manufacturing, trade and services (see MACROPulse of 22/04/2025). Below, we analyse the key employment trends expected to shape the Polish labour market in the coming years.

According to data published by Statistics Poland (GUS), employment in the enterprise sector has been continuously falling year-on-year since October 2023. The observed trend results from the impact of adverse supply (decreasing labour force resources, with baby boomers reaching the retirement age; see the diagram) and demand factors (weak external



Source: Eurostat, Credit Agricole
*18-59 for women, 18-64 for men

Demographic trends are a major factor affecting employment levels. According to Eurostat projections, Poland's working-age labour force is expected to shrink by 325k between 2025 and 2026 alone. In the coming years, the demographic situation in Poland will only continue to deteriorate. Over the next decade, the working-age population is expected to decline by nearly 1.4m.



Source: ZUS, Credit Agricole

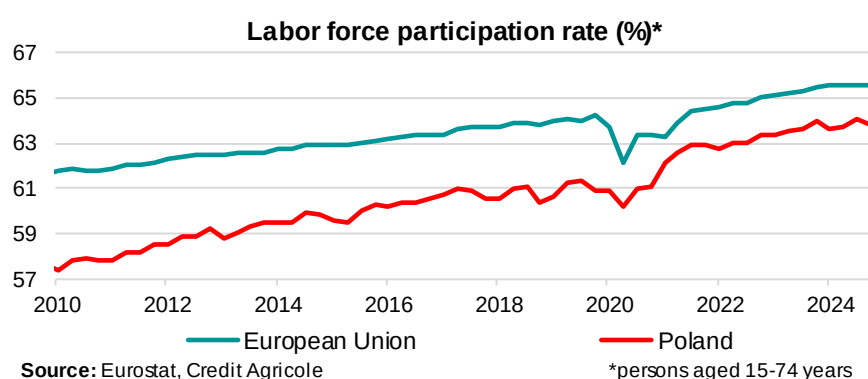
in 2014, mainly due to escalating geopolitical tensions in Ukraine. However, from 2018 onwards, immigration from other countries has also gradually increased, driven by a growing demand for labour force amid Poland's economic recovery. In the same year, businesses also reported increasing issues with

In recent years, the impact of negative demographic environment on labour market trends was offset by an influx of migrant workers. Over the last ten years, the number of foreigners legally employed in Poland has increased nearly twelvefold, from around 100k at the beginning of 2014 to more than 1.2m today. The increased influx of economic migrants in Poland began

the availability of qualified workers, which further explained the growing interest in hiring workforce from abroad. Following a temporary decline in the number of foreign workers in Poland during the early phase of the pandemic, the following years saw continued growth in the inflow of economic migrants into the country. However, recent months have shown a slowdown in the influx of foreign labour (see chart).

Moreover, the government's migration strategy published last year makes a renewed acceleration in immigration unlikely. The document titled "Regain Control. Ensure Security. Poland's Comprehensive and Responsible Migration Strategy for 2025-2030" indicates that Poland will no longer treat immigration policy as a key tool for mitigating the effects of shrinking labour workforce resources. Instead, the strategy emphasises increasing labour market participation among Polish citizens, modernising the economy and automating production and service processes. While the document allows for admitting foreigners to the Polish labour market, this practice should be supplementary and subject to a number of conditions, such as originating from OECD countries or countries with effective readmission agreements with Poland, having highly specialised skills or employment in professions facing long-term labour shortages. The strategy also announces the introduction of a point-based model for labour market access and tighter controls over employment agencies to eliminate abuse and actions designed to circumvent the system. Considering that the potential for the inflow of migrants from culturally similar countries (such as Ukraine and Belarus) has been nearly exhausted and the Polish government's tighter migration policy, we believe that the room for the further inflow of foreign workers is now limited.

Taking these tendencies into account, we anticipate a continued decline in enterprise sector employment in the coming months (at an average annual rate of ca. 1% in 2025). We expect the downward trend for employment in the enterprise sector to start reversing in Q4 2025 at the earliest, mirroring the increase in external demand and public investments (a boom in the construction sector). Nonetheless, supply-side constraints will pose a significant barrier to increasing employment. Given the tightening of migration policy, we expect that, for large investment projects, contractors will try to mitigate labour shortages by hiring temporary foreign workers for the duration of their investment projects. This approach has already proven effective in several major investment projects in Poland.

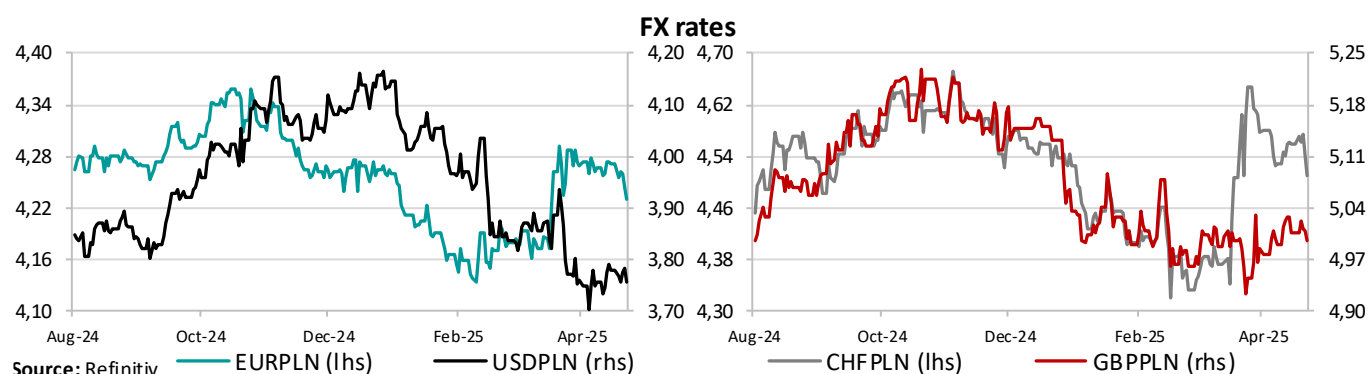


Further growth in employment would require an improvement in the labour force participation rate. Currently, this rate, representing the ratio of economically active persons (both employed and unemployed) to the total population, is the seventh lowest among EU member states. It has been gradually increasing over the past 15 years narrowing the gap to

the EU average (see chart). However, since late 2023, it has stabilised at around 64% for the 15-74 group, i.e. some 2 pp below the EU average. In our view, there is still room for improvement in labour force participation in Poland, but that would require determined steps from the Polish government such as improving the availability and quality of childcare services, which would make it possible for women to combine work and family, and promoting flexible forms of employment, including part-time work, which may encourage the elderly to stay on the labour market. Activating economically inactive people, including women managing childcare and people with disabilities through training programmes, professional advisory services and support in finding suitable job positions would also be beneficial from the point of view of labour force participation. We estimate that increasing Poland's labour market participation rate to the current EU average would add approximately 500k people to the labour pool (3% of the current workforce according to BAEL). However, we believe the likelihood of such an increase

occurring within the next few quarters is limited. As a result, we assume that due to major supply-side barriers, employment in the enterprise sector will once again decline in 2026 (by around 0.5%), despite growing labour demand amid moderate economic recovery. We believe this will force businesses to invest in productivity-boosting measures.

Less dovish MPC supports the PLN

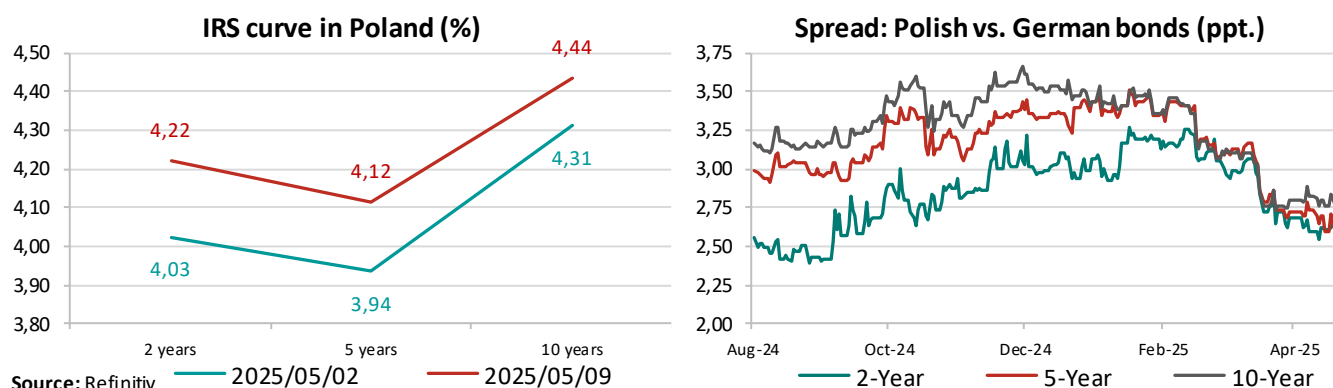


Last week, the EURPLN rate dropped to 4.2293 (strengthening of the PLN by 1.0%). From Monday to Wednesday, the EURPLN was relatively stable at around 4.27. On Thursday, though, the PLN markedly appreciated during A. Głapiński's press conference, backed by the NBP Governor's statements, less dovish than market had expected. On Friday, the currency was still strengthening.

The EURUSD was not prone to any substantial fluctuations during the first part of the week, either. Then, in the second part of the week, the USD slightly appreciated against the EUR after Great Britain and the US had reached a trade agreement, and also partly in response to the less-dovish-than-expected tone of the press conference held after the FOMC meeting.

Key for investors this week will be the developments concerning global trade tensions. The results of trade negotiations held by the US and China over the weekend are positive for the PLN, as they indicate a growing likelihood that both countries will reach an agreement on reducing the tariffs. We also expect that the release of a flash GDP estimate for Poland will be slightly negative for the PLN.

IRS rates rise after the MPC meeting



Last week, 2-year IRS rates increased to 4.22 (up by 19bp), 5-year rates to 4.12 (up by 18bp) and 10-year rates to 4.44 (up by 13bp). IRS rates kept following an upward trend throughout the last week, particularly on Thursday and Friday. The trend was linked to a decline in interest rate cut expectations among the market players after the NBP Governor's press conference.

Key for investors this week will be the developments concerning global trade tensions. The results of trade negotiations held by the US and China over the weekend will drive the IRS rates up, as they indicate a growing likelihood that both countries will reach an agreement on reducing the tariffs. We also expect that the release of the flash GDP estimate for Poland will be slightly negative for the yield curve.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland														
Indicator	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	May-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	5,25
EURPLN*	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	4,23
USDPLN*	4,06	3,94	4,02	3,96	3,87	3,85	4,00	4,06	4,13	4,06	4,04	3,87	3,77	3,76
CHFPLN*	4,41	4,36	4,47	4,50	4,56	4,54	4,64	4,60	4,54	4,46	4,46	4,38	4,56	4,52
CPI inflation (% YoY)	2,4	2,5	2,6	4,2	4,3	4,9	5,0	4,7	4,7	4,9	4,9	4,9	4,2	
Core inflation (% YoY)	4,1	3,8	3,6	3,8	3,7	4,3	4,1	4,3	4,0	3,7	3,6	3,6	3,4	
Industrial production (% YoY)	7,8	-1,6	0,0	5,3	-1,3	-0,5	4,7	-1,3	0,3	-0,9	-1,8	2,6	-1,8	
PPI inflation (% YoY)	-8,5	-7,0	-5,8	-5,1	-5,5	-6,2	-5,1	-3,8	-2,7	-1,0	-1,3	-1,1	-1,4	
Retail sales (% YoY)	4,3	5,4	4,7	5,0	3,2	-2,2	2,3	3,4	2,7	6,1	0,6	0,6	2,4	
Corporate sector wages (% YoY)	11,3	11,4	11,0	10,6	11,1	10,3	10,2	10,5	9,8	9,2	7,9	7,7	8,1	
Employment (% YoY)	-0,4	-0,5	-0,4	-0,4	-0,5	-0,5	-0,5	-0,5	-0,6	-0,9	-0,9	-0,9	-0,9	
Unemployment rate* (%)	5,1	5,0	4,9	5,0	5,0	5,0	4,9	5,0	5,1	5,4	5,4	5,3	5,2	
Current account (M EUR)	922	-468	-142	-491	-2276	-1160	1510	313	-1119	558	-220	-436		
Exports (% YoY EUR)	8,3	-5,3	-6,6	5,8	-2,3	1,5	2,6	-2,6	0,4	0,2	-1,4	1,1		
Imports (% YoY EUR)	6,0	1,4	1,9	9,7	5,5	5,6	6,2	-0,8	3,4	8,9	2,3	7,7		

*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	2,8	2,9	3,0	3,2	2,9	3,1	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	3,0	5,7	8,0	7,3	-2,2	6,4	7,3
Export - constant prices (% YoY)	3,3	4,5	0,0	0,2	1,5	4,3	4,0	4,5	2,0	3,5	5,5
Import - constant prices (% YoY)	2,9	7,6	3,1	3,5	2,8	4,5	4,3	3,9	4,2	3,8	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	1,7
	Investments (pp)	0,5	0,6	-0,7	-1,7	0,4	0,9	1,2	1,6	-0,4	1,1
	Net exports (pp)	0,4	-1,3	-1,6	-1,6	-0,6	0,1	0,0	0,4	-1,1	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	10,0	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	4,2	3,3	3,3	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 05/13/2025						
11:00	Germany	ZEW Economic Sentiment (pts)	May	-14,0		13,7
14:30	USA	CPI (% MoM)	Apr	-0,1	0,2	0,3
14:30	USA	Core CPI (% MoM)	Apr	0,1	0,2	0,3
Wednesday 05/14/2025						
14:00	Poland	Current account (M EUR)	Mar	-220	-436	123
Thursday 05/15/2025						
10:00	Poland	Flash GDP (% YoY)	Q1	3,4	2,8	3,1
10:00	Poland	CPI (% YoY)	Apr	4,9	4,2	4,2
11:00	Eurozone	GDP flash estimate (% YoY)	Q1	1,2	1,2	1,2
11:00	Eurozone	Preliminary GDP (% QoQ)	Q1	0,4	0,4	0,4
11:00	Eurozone	Industrial production (% MoM)	Mar	1,1		1,6
14:30	USA	Initial jobless claims (k)	w/e	228		
14:30	USA	NY Fed Manufacturing Index (pts)	May	-8,1		-10,0
14:30	USA	Retail sales (% MoM)	Apr	1,4	0,1	0,0
14:30	USA	Philadelphia Fed Index (pts)	May	-26,4		-12,5
15:15	USA	Capacity utilization (%)	Apr	77,8		77,9
15:15	USA	Industrial production (% MoM)	Apr	-0,3	0,1	0,2
16:00	USA	Business inventories (% MoM)	Mar	0,2		0,2
Friday 05/16/2025						
14:00	Poland	Core inflation (% YoY)	Apr	3,6	3,4	3,4
14:30	USA	Building permits (k)	Apr	1467	1460	1450
14:30	USA	Housing starts (k MoM)	Apr	1324	1385	1365
16:00	USA	Initial U. of Michigan Sentiment Index (pts)	May	52,2	54,0	53,1

*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