

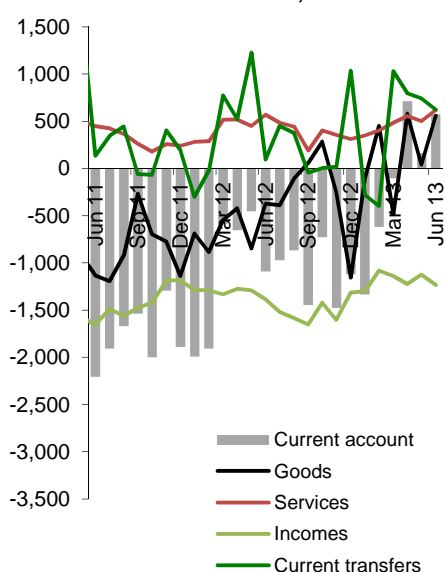
Instant comment

Rising exports, current account in surplus

12 August 2013

Polish current account recorded third surplus in a row in June, reaching €574m, clearly above market expectations. Export was in line with our forecast and reached €12.7bn after a rise by 7.1%YoY. On the other hand, import (€12.2bn) was much below forecast after it contracted by 0.7%YoY. Data confirms our scenario of gradual export-led economic rebound, however weak performance of imports suggests the domestic demand remained subdued in 2Q. Still, considerable surplus in balance of goods and services in 2Q (at €2.9bn – record high) had probably strong positive impact on the pace of GDP growth (flash estimate will be released by the CSO on Wednesday). Our forecast is at 0.8%YoY.

Current account, EURm



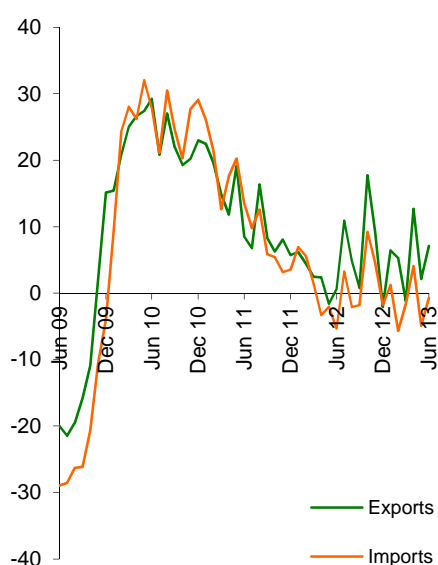
Data on balance of payments for June proved better than expected. Current account recorded a third surplus in a row, this time worth €574m, i.e. markedly more than our (€110m) and market (€225m) expectations. May's surplus was revised downwards (to €165m from €574m). We were expecting such a revision, as numbers released one month ago showed surprisingly high inflows on income balance. This position was revised by most.

Elements of this surplus in current account are: surplus in services (+€621m), income deficit (-€1234m) and current transfers surplus (+€626mIn€). These figures were in line with our predictions. However, the last element of the current account proved to be quite surprising: trade of goods showed a surplus of €561m (we were expecting €280m). Exports were in line with our expectations and amounted to €12.7bn after rising by 7.1%YoY. Imports (€12.2m) were clearly below our forecasts and fell by 0.7%YoY.

In the entire second quarter exports increased by 7.3%YoY, while imports fell by 0.6%YoY. The current account in Q2 2013 reached the surplus of €1.5bn and it was the first quarter without current account deficit since comparable data are available (2000). What is more, the balance of goods and services recorded the highest surplus since the start of economic transition (€2.9bn). These data confirm our forecast of export-driven gradual recovery in economic activity. Lower than expected imports suggest that domestic demand has remained relatively weak in Q2. In our opinion, similar tendencies will continue in coming quarters. Consequently, the 2013 will be the first year since 1995 when current account will be positive.

Data showed that strong withdrawal of foreign investors' cash from the Polish fixed income market was recorded in June (-€2.1bn) and this confirms earlier information from the Ministry of Finance. Annual cumulative deficit on the current account (that declined after June to ca. 1.9% of GDP) was covered in 141% by inflow of long-term capital and EU funds. This is highest ratio since comparable data is available (2000). However, inflow of foreign direct investment (FDI) remains weak – in June net FDI covered only 8% of 12-month C/A deficit.

Foreign trade turnover, % YoY



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