

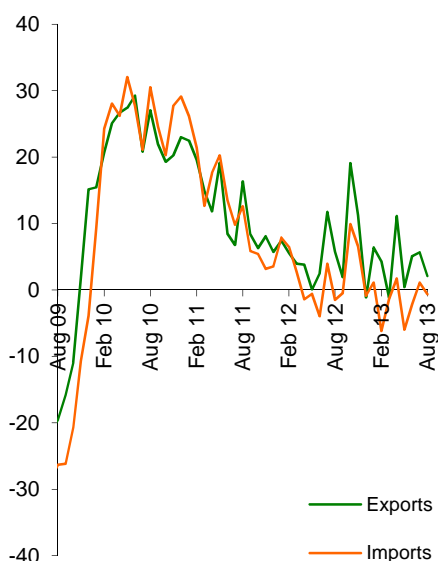
Instant comment

Higher current account deficit

11 October 2013

The current account deficit reached €719m in August. The release was well above market expectations and put a negative pressure on the zloty. Still, the trade surplus was maintained (€264m in August) and pace of growth of exports and imports (though lower than in the previous month) was roughly in line with forecasts. We anticipate exports to remain crucial engine fuelling the economic recovery in coming months. Current account deficit may narrow to close to 1% of GDP at the end of the year.

Foreign trade turnover, % YoY

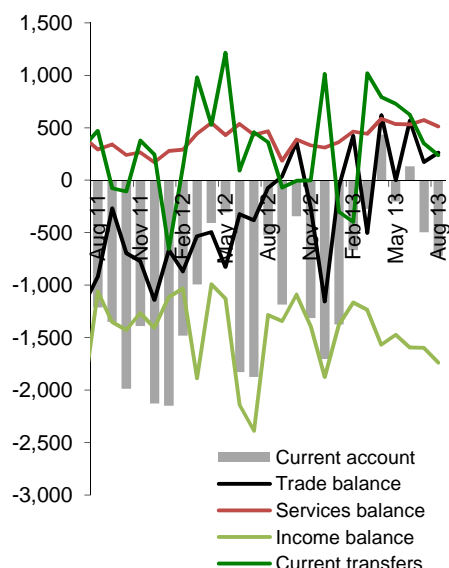


Current account deficit posted a deficit of €719m in August, which was the highest negative reading since January and was deeper than expected (our forecast -€278m, market consensus at -€229m). However, surprise was provided mainly by income balance, which posted a deficit of €1.74bn (vs average €1.43bn in Jan-Jul). Let us remind that recently released quarterly data on balance of payments for Q2 were also strongly revised in this very category (higher income deficit).

In line with expectations, current transfers balance posted a rather low surplus due to lower inflow of EU funds. At the same time, volumes of exports and imports proved more or less in line with market expectations (are were even slightly above our forecasts). Annual growth rate of foreign trade was somewhat lower than in July, but this could have been predicted, given statistical effect of lower number of working days (similar effect was visible in industrial output data). In general, these data are not disturbing as regards outlook for Polish exports – we are expecting that its average growth rate will amount to ca. 6%YoY in Q3 and then will even accelerate in Q4 thanks to a revival in global economy.

Regarding the financing of the deficit, rather low inflow of foreign direct investments was maintained (during the first 8 months of the year net inflow of direct investments reached €1.9bn vs. over €3bn in the same period last year). Still, the current account deficit is comfortably covered by inflow of long-term capital (the sum of net FDIs and EU funds) – the ratio is at ca. 165%.

Current account, EURm



This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication. Additional information is available on request. Please contact Bank Zachodni WBK S.A. Rates Area, Economic Analysis Department, ul. Marszałkowska 142, 00-061 Warsaw, Poland, phone +48 22 586 83 63, email ekonomia@bzwbk.pl, http://www.bzwbk.pl

Maciej Reluga Chief Economist +48 22 534 1888

Piotr Bielski +48 22 534 1887

Marcin Luziński +48 22 534 1885

Email: ekonomia@bzwbk.pl

Agnieszka Decewicz +48 22 534 1886

Marcin Sulewski +48 22 534 1884