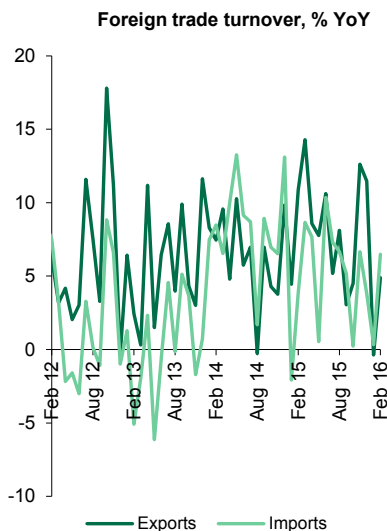


INSTANT COMMENT

13 April 2016

Import accelerated more than export

Current account balance in February was worse than expected, showing €383m deficit (vs. expected surplus over €400m). While export was close to our forecast, posting a growth near 5% y/y, strong acceleration of imports (to 6.5% y/y) was a big surprise. Negative income balance was also larger than we estimated. We expect export growth to accelerate further, supported by economic recovery in the euro zone. Import outlook should also speed up, boosted by faster consumption growth in the nearest quarters. However, its growth may be limited by relatively weak zloty and generally lower import intensity of domestic demand. In general, net exports' contribution to GDP growth should be positive, at least in the first half of this year.



In February, the current account posted a €383mn deficit, while our forecast and market consensus suggested over €400mn surplus. Exports were in line with our estimation and accelerated to almost 5% y/y. However, imports rebounded even stronger (6.5% y/y), beating our expectations. According to the NBP, rebound in imports was mostly due to higher purchases of automotive and electronic products, suggesting that it was a result of stronger consumer demand for durable goods. Trade balance reached €341mn in February, half of what we expected. Other elements of the balance of payments were also slightly weaker than we forecasted – services (€794mn), primary (-€1154mn) and secondary incomes (-€364mn). 12-month cumulative current account fell below zero again and reached -€410mn, i.e. -0.1% of GDP (versus +€66mn in January).

We expect the pace of exports growth to accelerate in upcoming months, supported by revival of economic growth in Euro zone, the expansion of Polish companies on new markets and the competitive zloty exchange rate. The increase in imports will be boosted by faster consumption growth (due to further improvement on the labor market and social transfers from the 500+ programme), but on the other hand, it appears that import intensity of domestic demand declined in recent years. All in all, the trade balance may, in our opinion, remain positive for the better part of the year.

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