

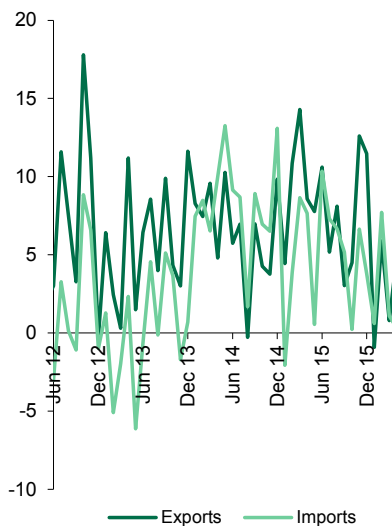
INSTANT COMMENT

13 September 2016

Exports below forecasts

The current account deficit reached €802mn in July, more than we and the market expected. We estimate, that the 12-month rolling C/A deficit reached 0.3% of GDP. The main source of a surprise for us was lower exports and higher imports. In annual terms, exports contracted 4.8% and this was the worst result since 2009. Deceleration in exports was an easy call given the poor performance of industrial output in July and disappointing German exports. Still, the scale of slowdown was even bigger than we had supposed and this makes us doubt if Polish exports could do well in the months to come. Core CPI was at -0.4% y/y in August, unchanged vs July.

Foreign trade turnover, % YoY



Exports disappoint

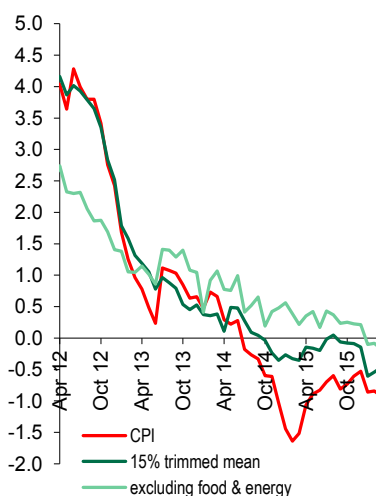
The current account deficit reached €802mn in July, more than we and the market expected (-€367mn and -€438mn, respectively). We estimate that the 12-month rolling C/A deficit reached 0.3% of GDP. The main source of a surprise for us was mainly lower exports (€13.52mn vs our forecast at €13.67mn) and higher imports (€13.83mn vs our forecast at €13.79mn, -7.3% y/y). In annual terms, exports contracted 4.8% and this was the worst result since 2009. Deceleration in exports was an easy call given the poor performance of industrial output in July and disappointing German exports. Still, the scale of slowdown was even bigger than we had supposed and this makes us doubt whether Polish exports could do well in the months to come. It is also worth to notice an interesting base effect – high base for imports (in July 2015 imports reached nearly €15mn) so the contraction on annual terms should not surprise and low for exports (sales of mobile phones plummeted a year ago due to government's action aimed at curbing tax evasion). In our view, poor performance of the global trade (particularly the German one) will affect negatively Polish exports. At the same time, stronger private consumption will support imports.

The services balance surplus totalled EUR911mn, the primary revenue balance deficit EUR1239mn, while the secondary revenue balance deficit EUR161mn. The primary revenue balance was EUR200m higher than forecasted, mainly due to higher outflows.

Core inflation in line with forecasts

In line with the consensus and our estimate after the release of Monday CPI data, the core inflation excluding food and energy prices remained in August at -0.4% y/y seen in July. The remaining core inflation measures, i.e. ex administered prices, ex most volatile prices and 15% trimmed mean increased by 0.1pp. In case of all the measures, apart from inflation ex most volatile prices, which is increasing gradually, the trend does not change and the annual dynamics remain at the levels observed earlier this year. Nevertheless, we forecast that the core inflation will grow together with the headline CPI in the following months and the inflation net of food and energy prices will be at +0.2% in December.

CPI and core inflation, %YoY



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