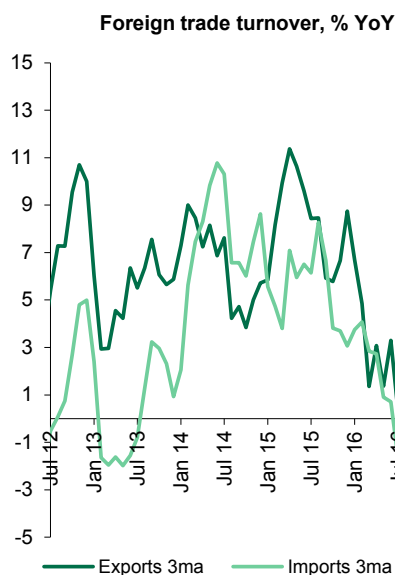


INSTANT COMMENT

14 October 2016

Exports disappointed again

Balance of payments data for August were quite disappointing, in our view, showing lower than we expected exports and a slightly higher imports. Current account deficit widened in August to -1.05bn, and was much higher than expected (median forecast -€366m according to Bloomberg). Both export and import growth accelerated in annual terms (to 8.0% and 10.4% y/y, correspondingly), but it was mainly due to the calendar effect and a rebound from exceptionally weak July. However, a pickup in exports was smaller than in imports, and less significant than suggested by data about Polish and German industrial output, in our view. It confirms our opinion that contribution of net exports to GDP in the second half of the year will be much lower than it was in H1. The data confirm that GDP growth in Poland in 3Q16 was probably below 3% y/y.



The current account deficit in August reached the level of €1.05bn, its highest since July 2015 and was significantly higher than forecasts (Bloomberg's consensus: -€366mn, our forecast: -€672mn). Annual growth of both exports and imports accelerated (to 8.0% and 10.4%, respectively), but in our view this mainly stemmed from calendar effect (higher number of working days) and from rebound after exceptionally weak July. What is more, import growth outperformed exports and the rebound in exports was not as significant as suggested by good data from Poland's manufacturing and economic data from Germany. As a result, foreign trade balance was in the negative territory for the second time this year. On the other hand, balance of services has continued improving – the 12-month cumulative surplus in services trade reached after August the record high of €11.9bn.

In coming months we expect to see a gradual acceleration of export growth, but it will be probably slower than a rebound in imports (boosted by much faster consumption growth). As a result, the foreign trade balance in the second half of the year will be worse than in was one year earlier, and so the contribution of net exports to GDP growth in H2 will be much weaker than in H1. We maintain view that GDP growth in 3Q16 was slightly below 3% y/y.

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