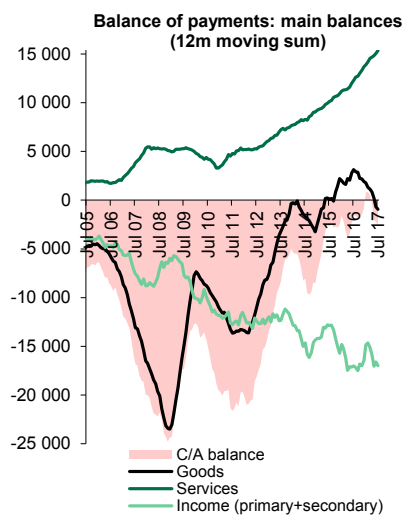


INSTANT COMMENT

13 September 2017

Trade balance remained negative in July

In July, C/A balance amounted to -€878mn, roughly the same like in the previous month and close to the market consensus at -€835mn. We forecasted -c€500mn. Nominal exports and imports figures were clearly lower than in June which was due to the lower number of working days but annual pace of growth remained solid thanks to low base effect – exports accelerated to 10.7% y/y from 8.7% and imports grew 12.5% vs 15% see in the previous month. When compared to market expectations, these readings look disappointing as Bloomberg consensus was at c13% y/y and above 15%, respectively. In our view the growth of exports will remain at a relatively high level in the remaining part of 2017, although the average growth might slip below 10% y/y and should be inferior to the growth of import. 12-month rolling current account deficit moved from 0.5% GDP to 0.6%.



Solid growth of export and import, but market consensus was set higher

In July, C/A balance amounted to -€878mn, roughly the same like in the previous month and close to the market consensus at -€835mn. We forecasted -c€500mn. Although we were closer than the consensus to the actual reading for exports and imports, primary income account showed bigger deficit than we thought (dividend payments to foreign entities mounted to more than €900mn). Nominal exports and imports figures were clearly lower than in June which was due to the lower number of working days but annual pace of growth remained solid thanks to low base effect – exports accelerated to 10.7% y/y from 8.7% and imports grew 12.5% vs 15% see in the previous month. When compared to market expectations, these readings look disappointing as Bloomberg consensus was at c13% y/y and above 15%, respectively. We still cannot see any sharp deceleration in exports in the central bank's data and which was reported in 2Q GDP figure.

The strength of Polish domestic demand leads to a gradual worsening of trade balance. July's trade balance amounted to -€547mn, ie c€300mn lower than one year ago but in the 2007-2008 activity peak it dropped below -€2bn. This is the third month in row that the trade balance of goods shows negative value. Simultaneously service balance in July amounted to €1592mn ie. €300mn higher than one year ago. In the coming months we expect the trade balance to stay slightly negative owing to the expanding domestic demand.

In our view the growth of exports will remain at a relatively high level in the remaining part of 2017, although the average growth might slip below 10% y/y and should be inferior to the growth of import. The economic condition of the Euro zone, the main recipient of Polish goods remains strong and the recent deterioration in monthly export data in Germany has not translated to weaker shipments from Polish in July. That said Polish export did grow less than the market expected. 12-month rolling current account deficit moved from 0.5% GDP to 0.6%.

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