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Economic Comment

Quite strong foreign trade turnover in August

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In August, Polish current account balance was -€0.55bn, compared to -€0.44bn market consensus and our -€0.30bn forecast. Both export (7.4% y/y) and import (11.2% y/y) beat expectations. This is an important positive outcome in the environment of global trade fears. We nonetheless think export growth could soften in the remaining months of 2018.

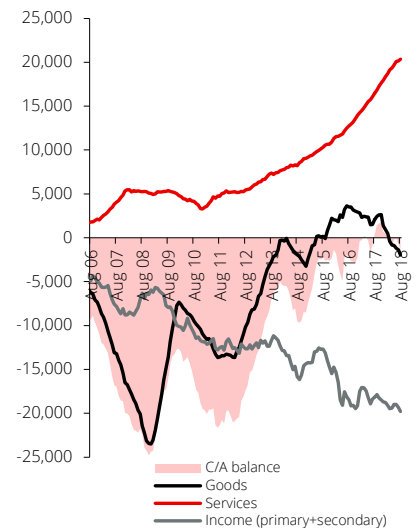
In August, Polish current account balance was -€0.55bn, compared to -€0.44bn market consensus and our -€0.30bn forecast. Previous data point saw a slight upward revision of the C/A balance. August trade balance of goods at -€0.33bn was in line with expectations, but was achieved at higher-than-expected turnover. Both exports (7.4% y/y) and imports (11.2% y/y) beat expectations. This is an important outcome in the environment of global trade fears and signals of declining new export orders (evidence of this in Poland is mixed). Bear in mind German August output and exports data were weak which was a risk factor ahead of the NBP release for Polish international trade.

We think exports growth could soften in the remaining months of 2018. It will in our view continue to underperform imports growth, which is still backed by strong domestic demand. This would lead to a further increase of the 12M moving sum of the trade gap (see the margin chart).

We expect net exports to be the factor redirecting GDP growth to a declining path in 2H18. Our forecasts suggest 3Q trade balance will be €1.4bn worse than the 2Q result while in 2017 the difference between 3Q trade balance and 2Q was -€0.25bn. Contribution from net exports to GDP growth could turn from moderate positive in 2Q (0.5pp) to moderate negative in 3Q (-0.6pp).

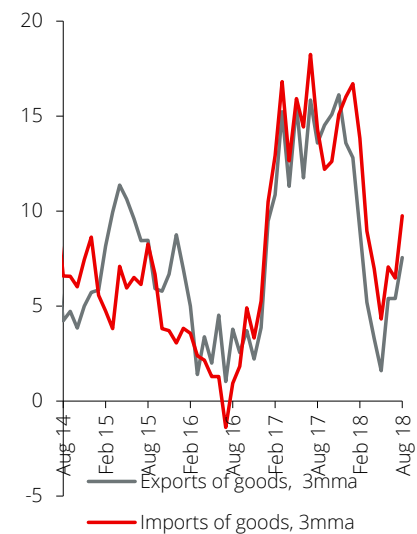
12M cumulated C/A balance moved from -0.1% of GDP to -0.3% in August, the lowest reading since June 2017, with further expansion of the deficit to 0.4-0.5% likely in the months to come.

Balance of payments: main balances (12m moving sum)



Source: NBP, Santander Bank Polska

Foreign trade turnover, % y/y



Source: NBP, Santander Bank Polska

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