

# Instant comment

## Current account still in surplus

12 July 2013

In May we saw again a surplus on the current account (€574m) but this time this was not due to further improvement of trade balance, but surprising (one-off?) change on the income account. Pace of export growth decelerated to 3%YoY in May but we expect resuming the growth at higher pace in coming months amid revival of foreign demand. This will lead to surplus on trade account and clear positive contribution of net exports to GDP growth this year.

Pace of growth of deposits and loans accelerated in June but it is too early to announce already a reversal of earlier trends.

### Surplus in current account – again!

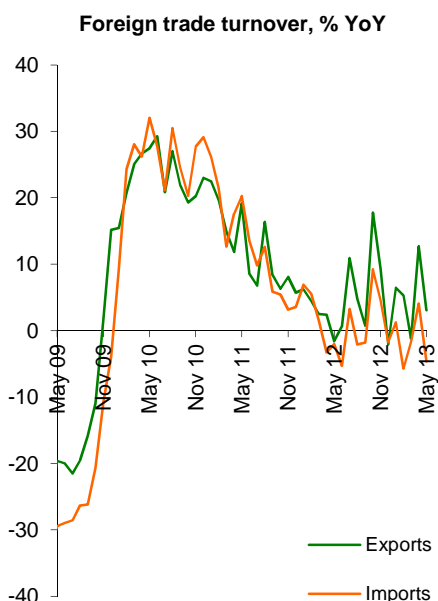
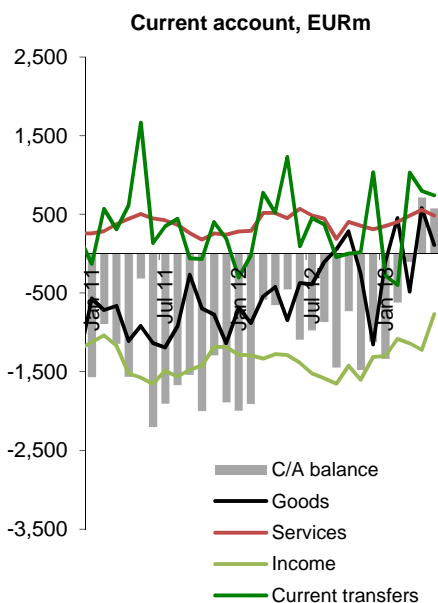
May showed a surplus in current account (at €574m) for the second time in a row. At the same time, April's surplus was revised upwards to €714m (from €468m). This result was much better than expected – our forecast assumed a slight deficit of current account in May: -€169m, while market expected -€143m. What is interesting, almost all components of the current account – except for one – were close to our forecast. Surprise was provided by income account, which showed a significant narrowing of deficit: to -€766m in May, while April's number and average for the first four months of the year amounted to ca. -€1.2bn. This was due to almost twofold increase of income inflow to Poland. We do not know exactly what caused this effect, but we suppose that this was a one-off factor (dividend payment?), which is unlikely to reappear in next months.

We were expecting a decline of volumes of exports and imports in May versus April, among other factors due to calendar effects (working days) and correlation with industrial output. However, this effect proved even stronger than we anticipated. Export in euro slowed down to 3%YoY (as compared to 12.7%YoY in April). Still, we are expecting that growth rate of exports will be gradually accelerating in the upcoming months, together with incoming export orders for Polish producers (last PMI report seems to underpin these assumptions), while growth rate of imports will remain subdued due to weakness of the domestic demand. This will result in positive trade balance in the upcoming quarters – we are expecting a trade surplus worth €3bn in 2013 as a whole, which will be the first such positive result since early 90s.

As regards other components of the balance of payments, no surprises were posted. It is worth noting that cumulated 12M current account deficit narrowed strongly (according to our estimates to -2.3% of GDP, the lowest level in 17 years!). What is more, the coverage of this cumulative current account gap with long-term capital inflow (net foreign direct investments and EU funds) climbed to 140%, which is the highest reading since comparable data is available, i.e. since 2001.

### Trends in credits and deposits continued

The pace of growth of M3 money supply accelerated in June to 7.1%YoY from 6.5%YoY in May, stronger than we and the market expected. Pace of growth of deposits increased slightly, but to large extent this was due to the FX effect – after adjustment for this effect the pace of growth reached 6.4%YoY according to our estimates, just like in the previous month. Data broken into sectors showed that growth of households' deposits remained close to previous month, while



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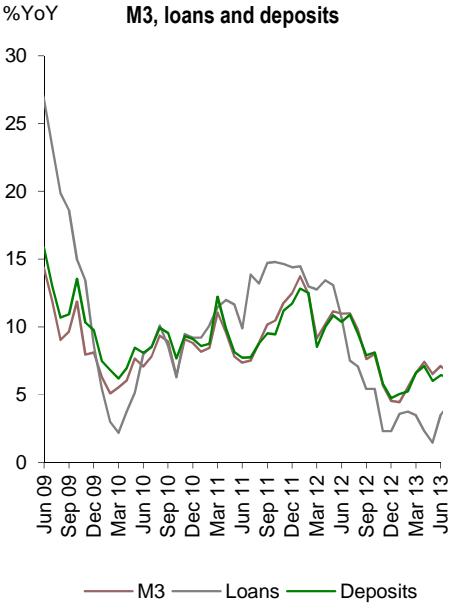
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growth in companies' deposits accelerated. It is worth to notice that deposits of households increased compared to May after two months of their decline. This suggests that in line with what we suspected, the inflow from deposits to mutual funds halted due to higher volatility on the financial market in June. The pace of growth of credits to households (after FX adjustment) stayed at 2.3%YoY seen in May and is still lowest since comparable data is available (late 90ties). Credits for companies rebounded slightly to 1.9%YoY from very low level in May (0.4%YoY). However, it is hard to say whether this is one-off effect or the beginning of some firm tendency.

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