Bank Zachodni WBK
Grupa Santander

INSTANT COMMENT

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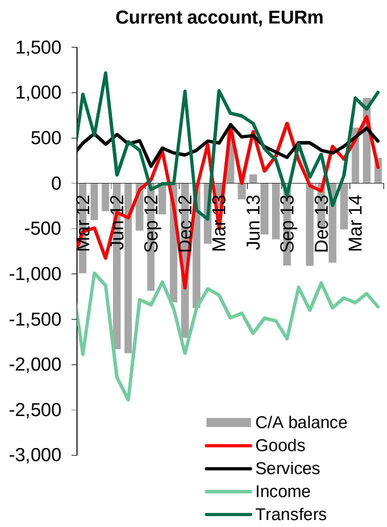
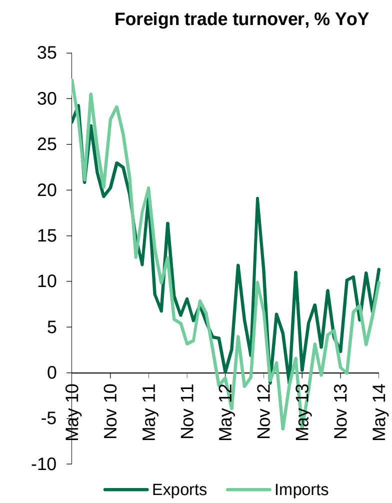
Export keeps accelerating

Current account surplus in May reached €280m and was slightly lower than expected. However, in general the data look quite optimistic in our view, showing a continuation of positive trends in foreign trade despite the Ukrainian crisis – export growth accelerated to 11.3%YoY, import growth to 9.9%YoY. If only the euro zone economy does not depart significantly from the path of economic recovery, Poland should have no problems with maintaining GDP growth above 3.5% in the coming quarters. Money supply data show slight deceleration of loan growth for households and companies in June. We believe that further improvement of economic situation will support moderately fast growth in lending to both sectors.





Exports remains strong, trade balance still in surplus

May was a third consecutive month when current account balance was positive. The surplus reached €280mn due to surplus in foreign trade (€175mn), services (€464mn) and current transfers (€1002mn) and deficit in revenues (-€1361mn). 12M rolling current account deficit dropped in May to 0.7% of GDP.

This data confirms expected by us continuation of positive trends in the foreign trade, particularly the accelerating exports (to 11.3%YoY in May, strongest increase since October 2012) driven by the recovery in Western and Central Europe. Recovery of imports is also visible (9.9%YoY in May, also strongest performance since October 2012) and fuelled mainly by rebound of the domestic demand. Export growth is gaining pace despite decreasing trade with Russia and Ukraine. That is because the deterioration in the east is more than compensated by rising sales in the recovering euro zone countries. Continuation of this tendency will depend on whether the European economy maintains on the recovery path in the coming quarters (this is still the base-case scenario for us) or whether recent poor economic data from euro zone herald some slowdown ahead.

May saw a sizeable inflow of foreign portfolio capital into the Polish market (€1740mn, out of which €1055mn were allocated to bonds). This was the first such big inflow of portfolio capital since January 2013. In the case of foreign direct investments (FDI), may was the next month of net outflow and rolling 12-month net balance is negative (-€748mn). At the same time, falling current account deficit is covered by the inflow of EU funds – the sum of net FDI and EU funds for the last 12 months constituted nearly 340% of the current account deficit for that period.

Slightly slower growth of loans in June

According to preliminary NBP data in June the M3 money supply amounted to PLN995.5bn. It means growth by 0.4%MoM and by 5.2%YoY. In monthly terms the highest contribution to M3 growth came from increase in corporate deposits, which increased by PLN3.86bn (or by c2%) to PLN199.6bn. In annual terms growth of corporate deposits accelerated to 5.5% from 4.5% in previous month. At the same time household deposit reached the level of PLN561bn, which means growth by 0.3%MoM and by 5.8%YoY (vs growth of 6.1%YoY in previous month).

Loans of both households and corporate sector grew slower than in previous months. In June credit for households increased by PLN3.9bn to PLN578.7bn. In annual terms growth slowed slightly to 4.6% from 4.7% in previous month. At the same time loans for non-financial corporations increased by PLN3.4bn (or by 1.2%MoM), which translate into annual growth by 5.9%YoY vs 6.5%YoY in May.

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We expect that continuation of economic activity revival will support credit growth not only for households (effect of improvement situation on labour market), but also for corporate (further rebound in investment).

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