

INSTANT COMMENT

14 July 2014

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.

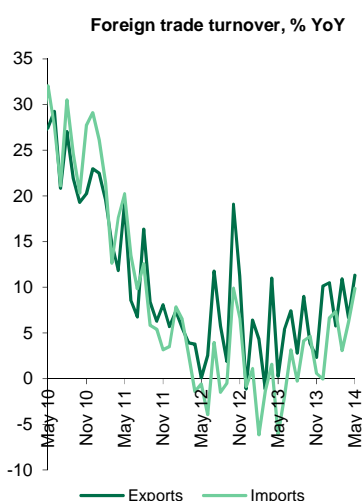
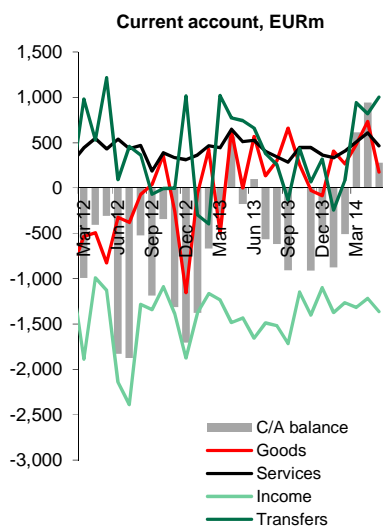
This data confirms expected by us continuation of positive trends in the foreign trade, particularly the accelerating exports (to 11.3%YoY in May, strongest increase since October 2012) driven by the recovery in Western and Central Europe. Recovery of imports is also visible (9.9%YoY in May, also strongest 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.



ECONOMIC ANALYSIS DEPARTMENT:

ul. Marszałkowska 142. 00-061 Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl

Web site: <http://www.bzwbk.pl>

Maciej Reluga (Chief Economist) +48 22 534 18 88

Piotr Bielski +48 22 534 18 87

Agnieszka Decewicz +48 22 534 18 86

Marcin Luzziński +48 22 534 18 85

Marcin Sulewski +48 22 534 18 84

TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

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).

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Bank Zachodni WBK S.A. Rates Area, Economic Analysis Department, ul. Marszałkowska 142, 00-061 Warsaw, Poland, phone +48 22 534 18 88, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>.