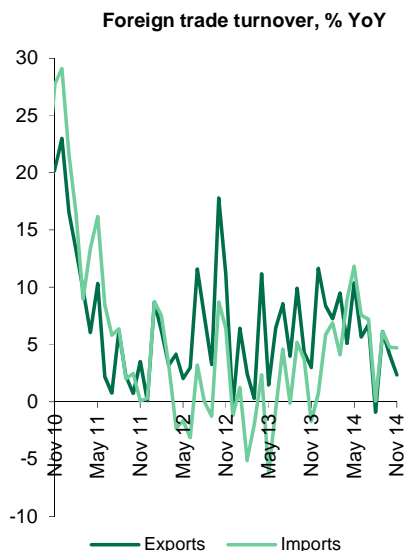


# INSTANT COMMENT

13 January 2015

## Domestic demand fuelling import growth

In November 2014 exports amounted to €13.6bn and increased by 2.3%YoY, while imports reached €13.7bn and grew by 4.7%YoY. Both figures were higher than expected, but imports surprised more. In our view it suggests that domestic demand has remained solid in 4Q 2014. While weak economic growth in the euro zone could weight on exports in short term, coming quarters should bring exports acceleration due to gradual improvement of economic activity in Europe. However, import growth will outpace exports, in our view, thanks to good performance of domestic demand. It will result in gradual deterioration of current account balance and negative contribution of net exports to GDP growth. Current account deficit in November amounted to €268m, below market consensus. According to our estimates, 12-month current account deficit amounted to 1.3% of GDP. The data did not have significant impact on the financial market.



According to NBP data, foreign trade volumes beat market and our expectations, but were weaker than suggested by the yesterday's release by the stat office. Recall, that the latter pointed to much higher trade volumes, particularly in the case of imports, and this generated risk for higher C/A deficit. One should remember, however, that there was some uncertainty regarding estimates of the November exports and imports relying on the stat office data as the latter released only cumulative figures for eleven months of the year and thus our estimates of November's levels were based on the assumption of no revisions for the previous months (which apparently proved wrong).

According to the NBP, exports reached €13.6bn in November (vs. consensus at €13.5bn) after a 2.3%YoY increase and imports amounted to €13.7bn in November (vs. expectations at €13.4bn) after a 4.7%YoY increase. Imports surprised to the upside and this probably reflects still strong domestic demand in 4Q14 that in our view compensated to some extent weaker external demand, which allowed the GDP growth to maintain slightly above the 3% mark at the end of 2014. Poor economic growth in Europe may continue to weigh on exports in the nearest months. However, it is worth to notice that detailed foreign trade data by country indicate some rebound in Polish export growth to selected EU countries (Germany, Italy, Netherlands) in October-November. We expect Polish export growth to accelerate in the coming quarters amid improvement in the economic activity in Europe. However, pace of imports growth is likely to be even faster due to still strong domestic demand. It will result in gradual deterioration of current account balance and negative contribution of net exports to GDP growth.

Current account deficit in November amounted to €268m, slightly higher than we expected (€146m), but lower than market consensus (€476m). It was made of trade deficit worth €96m, primary income deficit worth €1149m, secondary income surplus worth €370m and services balance surplus worth €607m. According to our estimates, 12-month current account deficit amounted to 1.3% of GDP.

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### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854, 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 Luziński +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