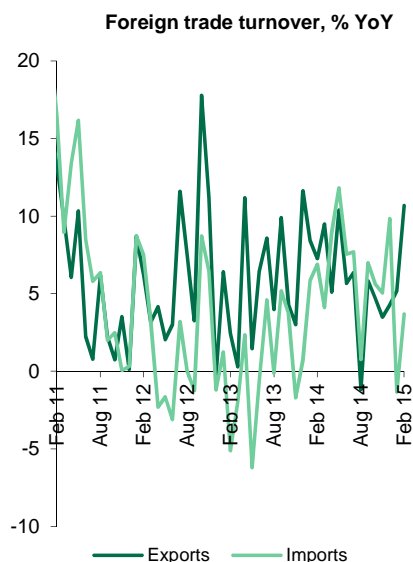
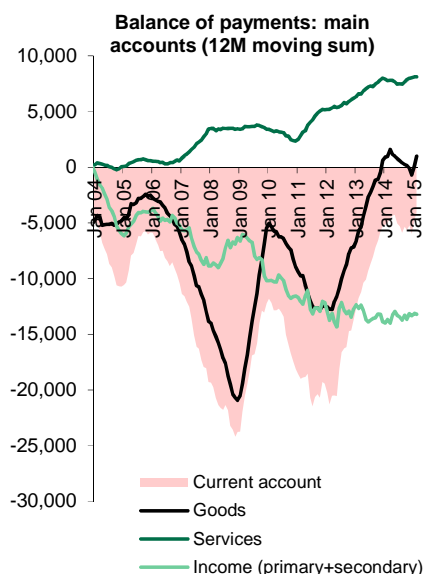


INSTANT COMMENT

13 April 2015

Recovery in Europe fuelling Polish exports

Polish February current account showed a €116mn surplus thanks to, among others, strong exports and moderate imports. The former rose 10.7% YoY, at the fastest pace since December 2013, driven probably mainly by economic recovery in the euro zone. At the same time, import growth was limited by low commodity prices. We expect decent foreign trade numbers will contribute to a significant acceleration of the Polish GDP growth this year, even to c4% YoY in 4Q15.



In February, the current account surplus reached €116mn. This was the effect of €783mn surplus in foreign trade, €563mn surplus in services, €747mn deficit in primary income and €483mn deficit in secondary income. The 12-month moving sum of current account balance reached -€4.1bn which we estimate to be -1% of GDP (the highest level since mid-90s).

Favourable balance of payment result is to large extend the effect of strong exports growth – in February it accelerated to 10.7%YoY, the highest pace of growth since December 2013. It seems that improvement in business cycle in the euro zone contributed to higher external demand for the Polish products. The growth of imports accelerated moderately (to 3.7%YoY), but it was still lagging behind exports, despite decent growth of domestic demand. It is probably due to, among other things, lower costs of commodity imports (including crude oil) thanks to their low prices of the international markets.

We expect the positive tendencies in Polish foreign trade to hold. Let us remind, however, that the positive impact of improving goods and services balance will not translate 1:1 into higher real GDP growth, as lower commodity prices will be accounted for by lower deflator of imports. Still, in our view a further acceleration of exports due to higher economic growth in the euro zone and in Germany in particular will contribute to acceleration of economic growth in Poland in the following quarters (even to 4%YoY in 4Q2015).

February was the second month in a row of a considerable inflow of portfolio capital on the Polish debt market. Inflow of direct investment is also accelerating. 12-month sum of net foreign direct investment was equal to 120% of current account deficit. Coverage of 12M current account deficit by total inflow of direct investment and EU capital transfers climbed to all-time high at 417%(!).

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