

INSTANT COMMENT

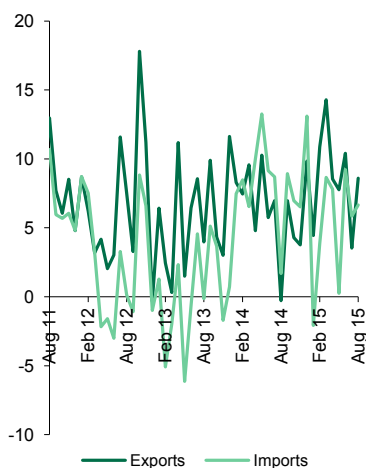
14 October 2015

Optimistic exports and companies' loans

Poland's August current account balance amounted to -€864mn and was clearly better than the market expected. Export and import growth also surprised to the upside as they rebounded after a temporary drop in July. As the same time, the NBP revised the July's numbers up and so it appears that the slowdown was not as serious as thought before. We still expect that healthy economic growth in the euro zone will translate into strong growth of Polish exports in the coming quarters, which in turn will help to keep pace of the GDP growth well above 3% YoY.

Optimistic outlook is supported also by the M3 money supply data that showed a noticeable acceleration in companies' loans and deposits in September. It seems that firms are still enjoying high earning growth and are not slowing investment activity.

Foreign trade turnover, % YoY



Exports still robust

In line with our expectations, August saw a significant improvement in the current account balance. The C/A gap narrowed to -€864mn from -€1212mn and trade deficit fell to -€97mn from -€747mn, while export and import growth rates rebounded to 8.6%YoY and 6.7%YoY, respectively. Data clearly beat market expectations assuming current account balance at around -€1bn and the trade balance near -€500mn.

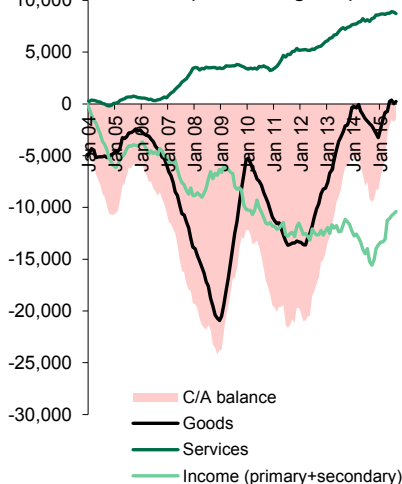
At the same time, the NBP revised July's numbers quite noticeably, mainly raising exports volume by €425mn. As a result, July's C/A deficit proved c€450mn smaller than initially announced. Let us remind that last month the balance of payments data disappointed as they showed significant contraction in exports leading to larger trade deficit. This was partly explained by the plunge in mobile phones exports after the so-called VAT reverse charge had been implemented in July (the measure aimed at fighting tax frauds), but the scale of a decline was in our view too big to be fully explained by this effect. This effect has been probably still weighing on the August exports, but even then the volumes managed to accelerate to nearly 9% YoY. Trade data released two days ago by the stat office suggest that exports improvement was driven by the stronger sales to the EU's biggest economies. There is a big question mark if this trend will hold amid concerns about the possible effects of slowdown in China and impact of the Volkswagen's crisis on the economic growth in Europe. We still expect that economic activity in Europe will stay sound in the next quarters which should support demand for the Polish goods and services.

After August, the 12-month rolling C/A deficit narrowed to -0.3% of GDP. After the recent revisions in balance of payments data, reaching a current account surplus this year became less likely. Nevertheless, we think that the C/A should be nearly balanced this and next year. Good results of international trade should help to keep the pace of GDP growth comfortably above 3% YoY.

Solid growth of corporate loans

In September money supply M3 increased by 8.4%YoY to cPLN1,107.7bn, much stronger than our and market expectations (at 7.7% and 7.6%, respectively). Pace of growth deposits and loans accelerated. On the deposits side, it is worth noting significant growth of corporate deposits, which accelerated to 11.6%YoY (from 9.2%YoY in previous month), with quite stable growth of household deposits slightly above 9%YoY. In the meantime, the upward trend in loans to corporate sector have continued – in September their pace of growth accelerated to 8.3%yoY (the highest level since December 2014), while in nominal terms they increased over PLN6bn for the second month in a row. It seems that firstly financial results of companies are still good and secondly the firms do not decrease investment activity (in previous months investment loans were the main drivers of corporate loan

Balance of payments: main balances (12m moving sum)



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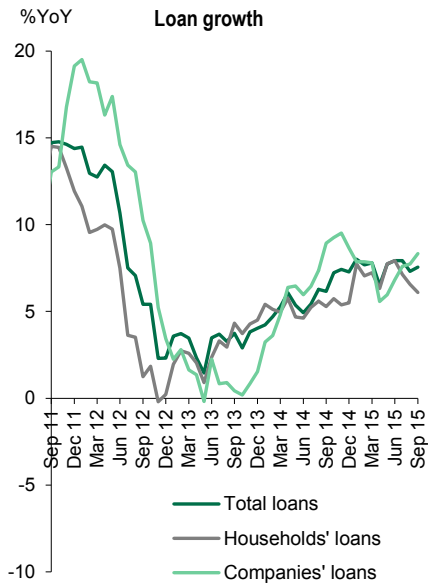
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growth). In whole 3Q 2015 growth of corporate loans amounted to almost 8%YoY, up from c6%YoY growth in 2Q 2015. In our opinion it is a positive sign, suggesting that activity of Poland's company unabated despite the uncertainty of global economic outlook.

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