

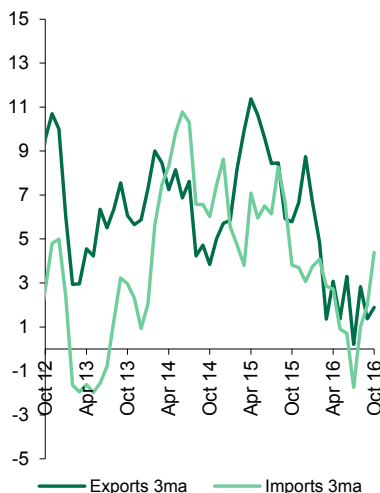
INSTANT COMMENT

14 December 2016

Exports in red

Current account deficit fell in October to €393m, and was better than expected. Export growth slowed to -3.1% y/y, in line with our forecast, which reflected a general weakness in Polish foreign trade and industrial production, but was additionally negatively influenced by calendar effect (lower number of working days). Import also decelerated, to +0.2% y/y, and was lower than expected. In general, we think that export weakness may continue in the nearest few months (export growth in 4Q16 may be negative in EUR terms, for the first time since 2009), but a gradual revival is possible in 2017 due to economic recovery abroad and some pickup in international trade. M3 money supply accelerated to 9.7% y/y due to a surge in deposits.

Foreign trade turnover, % YoY



Exports in red

In October the C/A deficit fell to €393mn and was much better than expected (our forecast at €910mn, market consensus at €765mn). Exports was very poor and amounted to €15.19bn (-3.1% y/y), in line with our forecasts and below market consensus. Imports was below our estimates and market expectations and amounted to €15.16bn (+0.2% y/y).

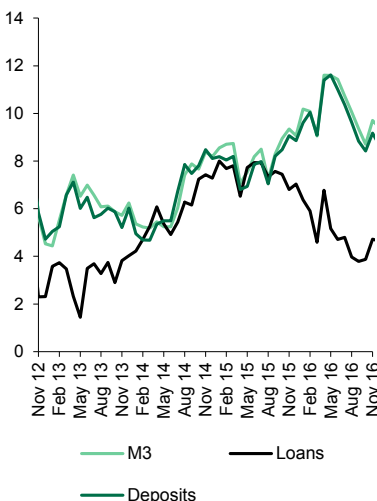
Polish low exports is coherent with poor industrial output and German exports that month. Negative impact was generated also from lower number of working days and we think that two final months of the year could also show negative exports y/y change. In our view, imports could be low amid poor exports (Polish exports is import-intensive), although strong consumption will work the other way around. 2017 could show some improvement in Poland's foreign trade amid economic revival abroad and rebound in global trade volumes.

The remaining components of C/A were roughly in line with our forecasts – surplus in services reached €1bn, primary revenues balance was at -€1.4bn and secondary revenues balance was near zero. According to our estimates, the 12-month rolling C/A deficit reached 0.7 % of GDP and we expect it to stay there until the year-end.

Money supply M3 accelerates

Money supply M3 increased in November by 9.7% y/y versus 8.7% y/y in October, and market consensus at 8.6% y/y. M3 acceleration resulted, among others, from significant increase in both households and corporate deposits (by 1.6% m/m and 2.8% m/m, respectively), supported also by zloty's weakening. Notwithstanding, the strong growth in this category was also observed after FX-adjustment. Cash in circulation also increased visibly (by 2.1% m/m). As regards loans, we noted continuation of trends observed in previous months (moderate growth).

% y/y M3, deposits and loans



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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 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