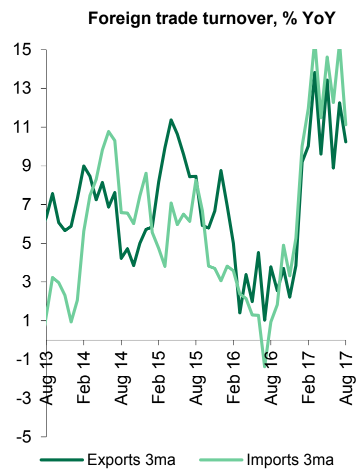
INSTANT COMMENT

16 October 2017

Export beats import

Current account deficit reached €100mn in August, way less than we and the market expected (€602mn and €660mn, respecitvely). Imports are the main culprit behind this surprise, as they slowed down to 7.6% y/y from 12.8% y/y compared to consensus above 11% and average growth in Jan-Jul at 14%. Other elements of the balance of payments were in line with expectations, as exports rose by healthy 12.3% y/y, similarly to July. Interestingly, growth rate of exports was faster than imports for the first time since September 2016. In our view, this weakness of imports is only temporary, as strong private consumption as well as upcoming revival in investment are likely to push them up. These numbers supported our forecasts that GDP growth in Q3 will be above 4% y/y.



The current account deficit in August proved to be much lower than expected and reached €100m vs. market consensus at €660mn and our forecast of €602mn. The reason for the surprise was a disappointment in imports, which slowed from 12.8% y/y to 7.6% y/y amid consensus at 11% y/y and average growth in January-July at 14% y/y. Export growth was solid at 12.3% y/y, similar as in July and slightly better than expected by the market (yet, marginally below our forecast, which assumed its acceleration to c14% y/y). Please recall that German data for August surprised positively, showing a solid rise in production, new orders and exports, which in our view justified expectations for strong export growth also in Poland.

It is worth noting that export rose faster than import on the y/y basis, for the first time since September 2016. The weak result of import is likely only a temporary phenomenon, if we take into account the strong private consumption and the expected increase of investment activity. The August trade balance rose to €298mn, after two months of deficit. Trade balance in the months of August was negative in all previous years for which NBP comparable data exist. This abnormal behaviour makes us believe it was a one-off effect, possibly a result of a shift of economic activity between the summer months.

Other current account items were in line with expectations. Primary income balance went up to -€1.67bn from -€1.93bn, while secondary income balance remained close to zero (€46mn versus €0mn in July).

Thanks to revision of the previous data, the July trade balance improved by c€300mn and services balance by c€100mn.

The data supported our forecast that GDP growth was stronger than 4% y/y in Q3. It is possbile that net exports contributed positively to GDP in that period.

Economic growth in the Euro zone remains strong and this lets us believe in further positive results of Polish exports this year.

12-month rolling current account deficit fell to 0.2% of GDP in August. Revision of previous data brought the July's 12-month rolling deficit down to 0.4% of GDP from 0.6% of GDP.

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