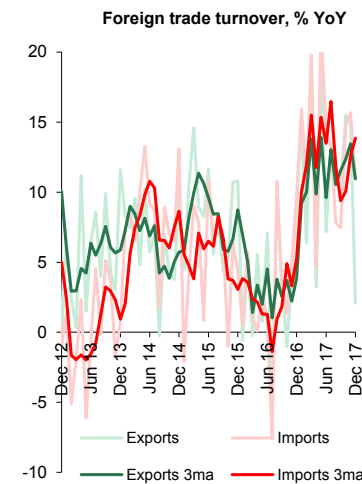


INSTANT COMMENT

13 February 2018

Surprisingly weak exports

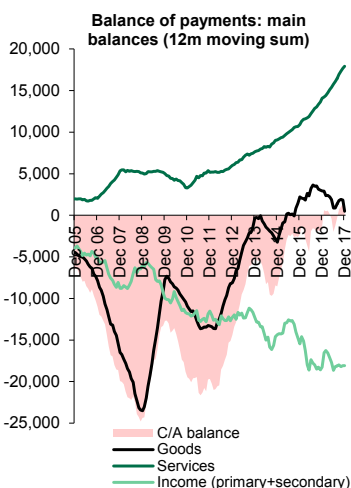
Poland's current account showed deficit of €1.2bn in December, way higher than expected (€0.4bn). The negative surprise was due to lower-than-anticipated exports (rise by 2.1% y/y – the lowest in more than a year), while imports surprised to the upside (10.9% y/y). In our view, outlook for Polish exports still remains positive, given strong growth in Europe, so we are interpreting this weak statistic as one-off only. Still, rebounding investment and strong consumption should be underpinning imports, so we are expecting the current account balance to deteriorate somewhat in 2018. We estimate the entire-year current account at 0.1% of GDP (the first annual surplus since comparable data are available). In our view the December trade balance data imply a downward risk for 4Q17 GDP growth - it may be slightly below 5% instead of slightly above 5% y/y. However, it is not clear to us if it will be reflected already in the flash GDP release due tomorrow, or only in the second publication on Feb 28.



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According to the NBP, exports were undermined by weak international sales of cars and electronics, while imports went higher due to purchases of aircrafts (bought by Polish national airways LOT). Trade balance at -€1.3bn showed the highest deficit since 2012. We did expect a weaker print in exports, given rather weak industrial output growth in December (2.7% y/y), but the actual scale of slowdown is surprising. In PLN terms, exports fell by 3.2% y/y and this was the first negative reading since 2014. In our view, export outlook still remains positive for Poland, given strong growth in Europe, so we are interpreting this weak statistic as one-off only. Still, rebounding investment and strong consumption should be underpinning imports, so we are expecting the current account balance to deteriorate somewhat in 2018.

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