

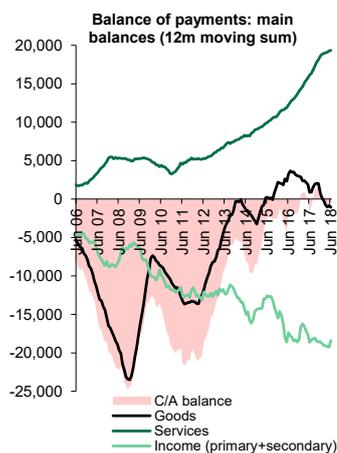
ECONOMIC COMMENT

13 August 2018

Higher than expected import in June

Current account balance in June reached -€240m, which was not far from market consensus (-€276m) or our forecast (-€174m). The 12-month rolling deficit reached virtually zero after 1H18 and while we expect it to widen in the coming months, the deterioration should not be significant, so the Poland's dependence on foreign financing should remain limited. Although current account deficit was close to expectations, trade balance in June surprised negatively, which seems to support our estimate that GDP growth in 2Q18 was close to 5% y/y but much not higher (the GDP data to be released on Tuesday morning).

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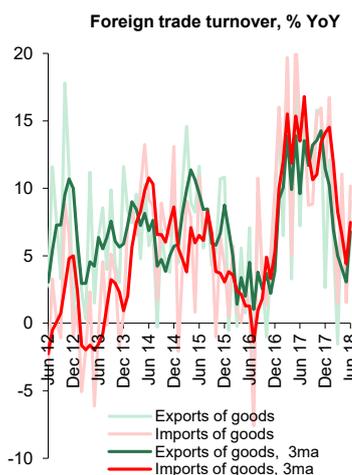


Current account balance in June reached -€240m, which was not far from market consensus (-€276m) or our forecast (-€174m). The 12-month rolling deficit reached virtually zero after June, following several months of slight deficit (-0.2% of GDP in May).

Although the main reading came close to expectations, its components were a bit more surprising. Especially, the trade balance showed deficit of €413m while it was widely expected to be nearly balanced. Both exports and imports surprised to the upside with the bigger surprise in the case of the latter (import growth reached 10.2% y/y and export 9.0% y/y). Primary income balance surprised to the other side (-€1.6bn vs. -€1.8bn in May). Service balance (€1.7bn) and secondary income balance (€68m) were roughly in the line with our forecasts.

According to the NBP comment, imports were boosted by higher sales of oil and its derivatives as well as of car sales and passenger airplanes. The latter item seems to be a one-off, but we are expecting the trade balance to deteriorate in the months to come, given possible negative impact of trade wars on exports and positive effects of strong domestic demand on imports. Still, we are expecting that the current account deficit will remain relatively low, markedly below 1% of GDP. Thus, external financing needs will not rise significantly (moreover, capital transfers from the EU should go up), limiting Poland's vulnerability to swings in global investor moods.

Financial account data showed that June was the third straight month of an outflow of foreign investors from the Polish debt market (by €1.3bn, after €0.9bn in May and €0.8bn in April).



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