Bank Zachodni WBK

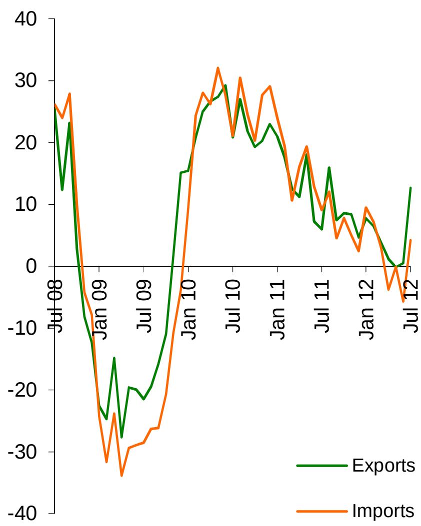
Instant comment

A (temporary) rebound in foreign trade

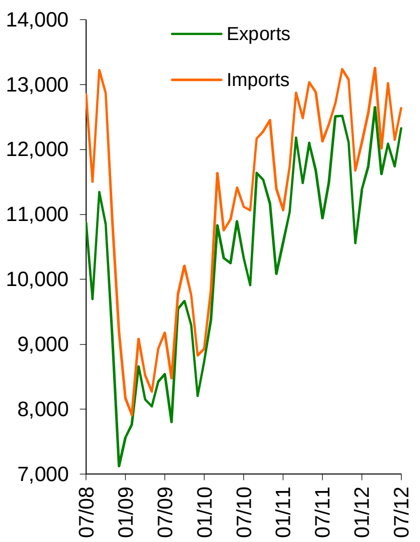
11 September 2012

Current account deficit reached €1.03bn in July and was somewhat smaller than our forecast. Still, the biggest surprise came from trade volumes. On the annual basis exports increased at a double-digit pace while pace of growth of imports rebounded to 4.2% after three months of decline. Like in case of data on industrial output and retail sales, we perceive this recover in foreign trade as temporary. It is also worth to remember about low base effect that was also mentioned in the NBP's comment. Cumulated current account deficit for last 12 months reached 4.3% of GDP and in over 100% was covered by long-term capital (direct investment and EU funds). Today's data change neither our view regarding the outlook of Polish economy nor our forecasts for upcoming months.

Foreign trade turnover, % YoY



Foreign trade turnover, € m



Current account deficit amounted to EUR1.03bn and was slightly lower than expected (market consensus and our forecast at ca. EUR1.2bn). A major surprise was delivered by the trade volume – exports reached EUR12.3bn, 12.7% more than one year before and imports showed EUR12.6bn (4.2%YoY). Both figures were considerably higher than market and our expectations. Trade deficit amounted to EUR314m and was the lowest in almost a year. Services balance surplus was slightly higher than we expected (EUR0.41bn), but this was offset by higher income deficit (-EUR1.55bn). Transfers balance, in line with expectations, showed a rise in surplus to EUR435m, mainly due to a stronger inflow of EU funds.

A marked rise of annual pace of growth of exports and imports (they were at 0.5% and -5.7% in June, respectively) was due to an exceptionally low statistical base from 2011. Foreign trade was additionally supported in July by relatively high growth rate of industrial output and higher number of working days. However, if we look at values of exports and imports, not on annual pace of growth (lower graph), we can see that no important rebound occurred in July and we are still moving in a horizontal trend present for a couple of months already. That is why we treat the July's acceleration of foreign trade as a one-off and expect a return to tendencies observed earlier. This is supported by negative outlook for industrial output and domestic demand.

On the financing side, July was characterised by much lower inflow of foreign direct investment (FDI) than in the previous month – it amounted to €95m versus €685m in June. Inflow of portfolio investment was also lower – only €275m after €3.2bn in June. One should notice that at the end of June the cumulated 12-month current account deficit (ca. €15.7bn) was financed in 108% by the inflow of long-term capital (net foreign direct investment plus EU funds), which is the highest ratio since May 2010.

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