

Instant comment

Import slump accelerating

13 August 2012

Current account deficit in June reached €1.24bn, and was slightly smaller than expected, as exports' stagnation (0.5%YoY) was accompanied by deeper than forecast slump in imports (-5.7%YoY). The data confirmed weakness in domestic demand, which does not bode well for the Polish economy in the coming quarters. Nevertheless, lower than we assumed deficit in balance of goods and services may imply an upward risk to our forecast of GDP growth in Q2 (2.5%). Cumulative 12-month C/A deficit reached 4.5% of GDP after June.

Foreign trade turnover, % YoY



In June the current account deficit amounted to €1.24bn, and was higher than a month ago (€0.75bn), but smaller than it was expected (our forecast and market consensus slightly above €1.4bn). The increase of current account deficit in comparison with May took place in spite of clear improvement of balance of goods, where deficit decreased by more than a half during a month and amounted to €412mn. Higher current account deficit was caused by the fact that at the same time significant fall of surplus on current transfers balance was recorded (merely €67m against €1.2bn in May), what was in line with our expectations and resulted from the schedule of inflow of EU funds. Other elements of balance of payments were in line with our expectations.

The trade deficit, which was lower than forecast, resulted from deeper than we assumed decrease of imports' value – it fell in June by -5.7%YoY, which is the lowest dynamics since November 2009. Exports was close to our expectations, its growth remained near zero (0.5%YoY). Disappointing imports outcome, which probably resulted from the weakness of domestic demand, is – after exports' stagnation – another sign that shows that the crisis in euro-zone is having stronger and stronger impact on domestic economy. Although resulting from this data lower than earlier assumed negative balance of goods and services in Q2 generates some upward risk to our forecast of GDP growth this period (our forecast: 2.5% YoY), for following quarters it means rather negative outlook.

NBP data confirmed significant inflow of portfolio investments on Polish market in June (€3.2bn), mainly on debt securities market (€2.6bn). The inflow of direct investments was moderate (€0.7bn), however, it is worth paying attention that the degree of coverage of 12-month rolling current account deficit by long-term capital inflow (foreign direct investments plus EU funds) increased quite clearly to ca. 92%, the highest level since December.

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