Ukraine current deficit narrows to USD 26 mln in January

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Analyst: “The January external trade results are really impressive, exceeding even the most optimistic expectations.”

KYIV, Mar 3, 2017 (UBO) - Ukraine's current account narrowed to a USD 26 mln deficit in January from USD 315 mln a year ago, Concorde Capital informed clients today based on a National Bank of Ukraine report of March 2. A 41% yoy upsurge in export proceeds offset imports recovering by 28% yoy. Goods exports soared 53% yoy on the back of minerals (+72% yoy), metals (+70% yoy) and food (+55% yoy). Commodity imports grew 31.6% yoy owing to a surging energy bill (+65% yoy) and booming machinery imports (+61% yoy). Non-energy imports grew 21.9% yoy through the month. Remarkably, exports grew to all markets, including a 1.8x yoy jump to Russia. However, three-fourths of the export surge occurred in Africa (+87% yoy), Asia (62% yoy) and Europe (+30% yoy).   Ukraine's financial and capital accounts worsened to a USD 176 mln deficit in January from a USD 435 mln surplus a year ago (USD 651 mln surplus in the prior month). That was the result of growing trade credits abroad (USD 190 mln outflow vs. USD 230 mln inflow), lower individual cash returning to the banking system (USD 149 mln vs. USD 295 mln a year ago) and growing bank credits abroad (USD 344 mln vs. USD 3 mln a year ago). Remarkably, FDI was negligible (USD 17 mln) and lower than a year ago (USD 46 mln) and in the prior month (USD 49 mln).   The general balance (C/A plus capital and financial accounts) was at a USD 202 mln deficit. As a result, January gross international reserves decreased 0.6% m/m to USD 15.4 bln (3.4 months of future imports). Concorde analyst Alexander Paraschiy added: “The January external trade results are really impressive, exceeding even the most optimistic expectations. Just how long this trend can be sustained is unclear as roughly half of the growth was due to food exports and the other half due to soaring metal prices.   “High food exports in early 2017 stemmed from a delayed grain harvest last year and we expect the tendency to ease soon as we view it as one-off effect. Meanwhile, metal production and exports will probably be adversely affected by a trade blockade of eastern Donbas. We also anticipate metal prices rolling back through the year in what also will undermine export proceeds.   “Against this backdrop, nearly 10% average export revenue growth looks quite feasible in 2017. In this context it’s a good question how imports will react on better foreign currency earnings. We expect stronger exports will translate into even faster imports growth, with some delay.   “The January numbers could prompt us to revise our initial C/A deficit forecast (USD 5.1 bln, or 5.5% of GDP), but we need to observe further to determine how strong this new trend might be in light of the intensified trade blockade in the east. Since we did not observe substantial pressure on the hryvnia in February, we can conclude export proceeds remained high, despite the trade blockade in Donbas.”

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