

## Portugal: International trade in Q1 2017

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### Exports keep a positive behaviour in Q1 2017

In March, the trade deficit improved in comparison to the same month of the previous year. Taking into account the data for the first quarter of 2017, both exports and imports rose in year-on-year basis, with the trade deficit deteriorating in this period; on the other hand, excluding fuels, the deficit diminished. However, it is important to note that this deterioration could be understood as a positive indication; in fact, the increase in imports of industrial and capital goods, and transport equipment could be seen as a signal of improved economic environment, given the large imported component of domestic investment and the positive perspectives for the global demand. We highlight the positive behaviour of exports, even excluding favourable base effects (related to the stoppage of refinery of Sines in the Q1 2016) - excluding fuels, exports increased 14.1% y/y.

**In March of this year, exports of goods increased 23.9% yoy, while imports rose 14.6% yoy in the same month.** In Extra-EU trade, exports rose 36.2% yoy, while imports increased 12.6%; in the case of Intra-EU trade, exports surged almost 20% yoy, while imports expanded 15.1% yoy. **Excluding fuels, total exports increased 21.1%, while imports rose at the same pace as recorded if considering this segment.** Considering this information, **the trade deficit stood at EUR 821 million, which compares favourably with March 2016 (EUR -1,062 million)**; however, it is important to note the calendar effects - Easter was celebrated in March in 2016; additionally, the National Statistical Office pointed out that there was one more working day in March 2017 than in the same month of 2016. **Excluding fuels and lubricants, in March 2017, the trade balance improved EUR 154 million in comparison to March 2016, to EUR -602 million.** Taking into

account the main trading partners, exports rose in broad terms, in particular to Spain (+16.3% yoy), Germany (+22.3% yoy), France (19.0% yoy) and the USA (+64.7% yoy). The highlight in the case of imports goes to Spain, Germany and Russia, with increases of 13.9% yoy, 22.0% yoy and 252.9% yoy, respectively.

**Looking at the first quarter of 2017, exports of Portuguese goods increased 17.1% in comparison to the same period of 2016,** while imports rose 15.3% in the same period of analysis. In total, **the trade deficit deteriorated to EUR 2.6 billion in January-March 2017, from EUR 2.4 billion in Q1 2016.** Excluding fuels, there was an improvement in the trade balance to EUR -1.7 billion, from EUR -1.8 billion.

The performance in exports benefited from the significant increase in Extra-EU trade. In fact, exports to countries outside the European Union increased more than 33% yoy in the first three months of 2017. Exports to Angola rose 48.3%, reflecting an

Main Portuguese export destinations ytd						Jan-Mar
10 <sup>6</sup> euros	2016	weight	2017	weight	yoy	contribute
Intra EU	9,269	77.6%	10,422	74.5%	12.4%	9.6%
Spain	3,158	26.4%	3,624	25.9%	14.7%	3.9%
Germany	1,426	11.9%	1,581	11.3%	10.9%	1.3%
France	1,599	13.4%	1,757	12.6%	9.9%	1.3%
United Kingdom	873	7.3%	934	6.7%	6.9%	0.5%
Netherlands	487	4.1%	546	3.9%	12.2%	0.5%
Italy	417	3.5%	511	3.6%	22.6%	0.8%
Belgium+Luxembourg	352	2.9%	378	2.7%	7.6%	0.2%
Others Intra EU	958	8.0%	1,092	7.8%	13.9%	1.1%
Extra EU	2,681	22.4%	3,570	25.5%	33.2%	7.4%
EUA	507	4.2%	769	5.5%	51.6%	2.2%
Angola	303	2.5%	449	3.2%	48.3%	1.2%
China	138	1.2%	207	1.5%	50.1%	0.6%
Morocco	164	1.4%	193	1.4%	17.6%	0.2%
Brazil	120	1.0%	174	1.2%	45.9%	0.5%
Switzerland	125	1.0%	148	1.1%	18.3%	0.2%
Turkey	81	0.7%	89	0.6%	10.1%	0.1%
Canada	78	0.7%	73	0.5%	-6.6%	0.0%
Mexico	45	0.4%	73	0.5%	60.7%	0.2%
Gibraltar	26	0.2%	70	0.5%	166.0%	0.4%
Algeria	102	0.9%	68	0.5%	-33.7%	-0.3%
Others Extra EU	992	8.3%	1,257	9.0%	26.8%	2.2%
<b>Total</b>	<b>11,951</b>		<b>13,992</b>		<b>17.1%</b>	
<b>Total excluding Angola</b>	<b>11,648</b>		<b>13,543</b>		<b>16.3%</b>	

Source: INE, calc. BPI

improvement from the previous year, given the economic and financial crisis which affected the country during 2016. Portuguese exports to the USA also improved substantially, increasing its weight as an important trading partner (5.5%, from 4.2% in the same period of 2016). Finally, exports to China increased significantly, potentially reflecting the recovery in commodity prices in the international markets. In Intra-EU trade, Spain remained our main trading partner (26% of total exports), with a 14.7% yoy increase in Q1 2017. Exports to the other two main trading partners, Germany and France, increased 10.9% yoy and 9.9%; in the case of the United Kingdom, our exports continued to record a healthy performance, setting aside some possible adverse effects from the result of the referendum, in last June. For the EU as a whole, Portuguese exports rose 12.4% yoy in the first three months of this year. **The increase in exports recorded in the first quarter of the year could be seen as a result of the improvement in global demand, especially in European countries (like Spain); this evolution could also be justified by the recovery of fuel exports (+73.5% yoy), given the positive base effects related to the stoppage of refinery in Sines in the first three months of 2016.**

**Export of goods, Jan-Mar 17**

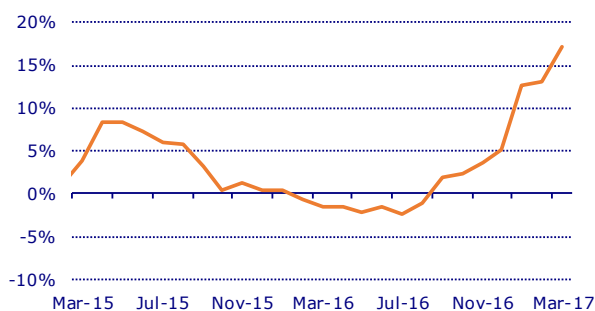
10 <sup>6</sup> euros	2016	weight	2017	weight	yoy	contribute
Industrial supplies	4,050	33.9%	4,588	32.8%	13.3%	4.5%
Consumer goods	2,583	21.6%	2,858	20.4%	10.7%	2.3%
Transport equipment	1,956	16.4%	2,244	16.0%	14.7%	2.4%
Capital goods	1,599	13.4%	1,862	13.3%	16.4%	2.2%
Fuels and lubricants	592	5.0%	1,027	7.3%	73.5%	3.6%
Food and beverages	1,161	9.7%	1,403	10.0%	20.9%	2.0%
Other	10	0.1%	11	0.1%	3.1%	0.0%
<b>Total</b>	<b>11,951</b>		<b>13,992</b>		<b>17.1%</b>	
Excluding fuels	11,358	95%	12,965	93%	14.1%	13.4%
Change y/y			1,606			
Due to Angola			146			
Due to Fuel			435			
Excluding Angola and Fuel			13.2%			

Source: INE, BPI calc.

Taking into account the information by type of goods, exports of industrial supplies recorded a 13.3% yoy increase in Q1 2017, being the main contributor for the increase in exports in this period; in the second place, fuels and lubricants recorded a 73.5% yoy increase, given the recovery in oil prices, contributing with 3.6% to the increase of exports. Excluding fuels, the performance of exports was less favourable, **increasing 14.1% yoy in Q1 2017.**

**Exports of goods, in value**

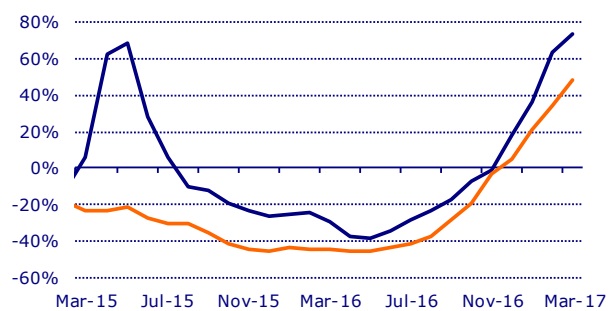
(3-months moving average, yoy%)



Source: INE, BdP

**Exports of goods, in value**

(3-months moving average, yoy%)



— Fuel Exp. — Exp. to Angola

Source: INE, BdP

Imports from countries outside the EU rose substantially, 25.3% yoy in Q1 2017, with Asia as the main trading partner (41% of total imports from outside the Union). Imports from China increased 2% yoy in Q1 2017; Angola recorded a substantial decrease in this period of analysis, -71.2% yoy. On the other hand, imports from Russia surged substantially, from EUR 54.8 million in Q1 2016 to EUR 508 million in Q1 2017, explained by crude oils and fuel. Intra-EU imports increased 12.5% yoy in the first three months of 2017, with the main contributions to this rise coming

**Import of goods ytd**

10 <sup>6</sup> euros	2016	weight	2017	weight	yoy	contribute
Industrial supplies	4,378	30.4%	4,897	29.5%	11.8%	3.6%
Consumer goods	2,367	16.4%	2,465	14.9%	4.1%	0.7%
Transport equipment	2,376	16.5%	2,654	16.0%	11.7%	1.9%
Capital goods	2,148	14.9%	2,558	15.4%	19.1%	2.8%
Fuels and lubricants	1,244	8.6%	1,932	11.7%	55.4%	4.8%
Food and beverages	1,873	13.0%	2,074	12.5%	10.7%	1.4%
Other	3	0.0%	5	0.0%	57.4%	0.0%
<b>Total</b>	<b>14,390</b>		<b>16,585</b>		<b>15.3%</b>	
Excluding fuels	13,146	91%	14,653	88%	11.5%	10.5%

Source: INE, BPI calc.

from Spain and Germany (3.7% and 2.5%, respectively).

Fuel imports increased significantly in Q1 2017, 55.4% yoy, reflecting the increase of oil prices in the international markets, when compared to the same period of preceding year, when prices of this commodity had reached historical lows. These imports came essentially from Extra-EU countries (78%). Additionally, imports of capital goods increased 19.1% yoy, followed by industrial supplies (11.8% yoy) and transport equipment (11.7%). **This evolution could be seen as a positive signal, given how much Portuguese investment depends on imported items; considering this fact, the increase of imports and the deterioration of the trade deficit could be seen as a signal that the Portuguese economy is gaining momentum.** Excluding fuels, imports increased 11.5% yoy in the first quarter of the year.

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