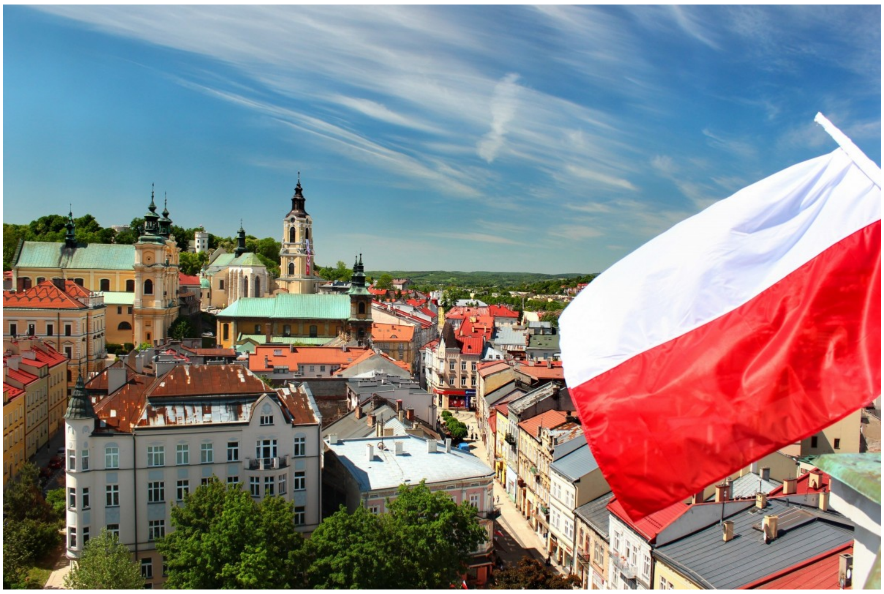
Poland’s current account surplus narrows in February, but trade turnover rebounds slightly

Although Poland’s current account surplus declined slightly in February, there is some good news in trade dynamics. Merchandise exports and imports, expressed in euro, recorded positive growth rates on the back of some respite from German manufacturing and a gradual revival of domestic demand



Poland recorded a €0.5bn surplus in the external current account in February, though it was markedly lower than the surge to €1.7bn in January 2024 and the €1.3bn in February a year ago. The result was below consensus (€1.4bn surplus, and our forecast of €0.8bn). In cumulative terms over the last 12 months, we estimate that the current account balance deteriorated slightly to +1.4% of GDP in February from +1.5% of GDP a month earlier. A year ago we had a 1.4% GDP deficit after February on a 12-month rolling basis.

The trade balance closed February with a surplus of €0.3bn, down from €1.3bn in January. We estimate that the 12-month goods surplus remained at 0.8% of GDP. Exports expressed in euro rose 0.4% year-on-year in February, after -4.5% in January, and imports increased 0.9% YoY, after -5.3% a month before. Trade dynamics expressed in zloty, however, remained markedly negative due to a significant 8.8% YoY appreciation of the zloty against the euro.

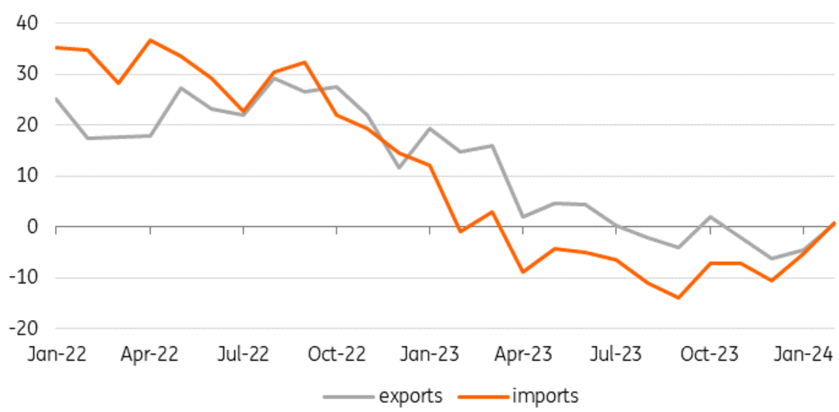
The solid positive balance of services (€3.3bn in February after €3.6bn a month earlier) exceeded the deficits on primary income (€2.6bn) and secondary income (€0.5bn) balances.

In merchandise trade, Poland as a net importer of energy commodities continued to benefit from the normalisation of their prices on world markets during last year and early this year. We estimate that Poland's total spending on imports of energy in February this year was about 30% lower than a year ago. The improvement in YoY export growth is due to a gradual recovery in German industry, as seen in both hard manufacturing data and soft economic indicators (PMI or ZEW). This is good news for exporters, although its expansion will be hampered by the sizable appreciation of the zloty against the euro. At the same time, the improvement in imports dynamics is indicative of resurgent domestic demand in early 2024.

The National Bank of Poland press release, which discussed changes expressed in zlotys, indicates significant declines in most categories, but increases in exports of light trucks, passenger cars (new and used), engines and other means of transport, especially rail vehicles. On the import side, large declines were recorded especially in supply goods, although the scale was the lowest in a year. Imports of transportation equipment, especially autos and auto parts, and consumer goods increased, driven by an increase in demand for durable goods.

In our view, today's data are neutral for the zloty, confirming the solid external position of the Polish economy. The risk for the coming months, however, is the rebound in fuel prices on global markets in March and rising spending on military equipment. The zloty is supported by relatively hawkish rhetoric in monetary policy and expectations of significant inflows of unblocked EU funds from the National Recovery Plan and the traditional 2021-27 multi-year budget. So far, the NBP has registered relatively low disbursements of EU funds to beneficiaries on the current account (€0.3bn in February).

Growth rate of merchandise exports and imports, in €, in %, YoY



Source: NBP data

Author

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Disclaimer