

## Poland posts a sizable current account surplus in January

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Poland posted a sizable €1.2bn surplus in the current account of the balance of payments in January, following a tiny €0.02 deficit in December 2023. The result was slightly worse than consensus (€1.4bn surplus, we forecasted €2.0bn). We estimate that in cumulative 12-month terms, the current account balance deteriorated slightly to +1.4% of GDP in January from +1.6% of GDP a month earlier. A year ago, however, it was a 2.0% GDP deficit.

The merchandise trade balance closed January with a surplus of €1.3bn, following a deficit of €0.6bn in December. We estimate that the 12-month goods surplus remained at 1.1% of GDP. Euro-denominated exports fell 4.3% year-on-year in January, after -6.0% in December (close to consensus of -4.6%), and imports fell 3.5% YoY, after -11.3% in the previous month (below

consensus of -2.4%).

A solid positive balance in services (€3.1bn in January after €3.2bn a month earlier) was not enough to offset deficits: in primary income (€2.8bn) and a €0.4bn deficit in secondary income.

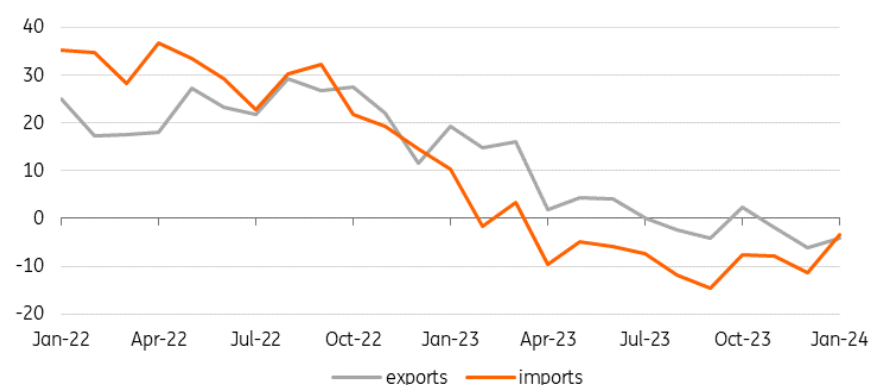
In trade commodity turnover, Poland – as a net importer of energy commodities – has benefited from the normalisation of prices on world markets. We estimate that Poland's total spending on oil, coal and natural gas imports in January this year was one-third lower than a year ago. In addition, the low import dynamics confirms the slow recovery of domestic demand in early 2024.

In contrast, the low export growth signals the persistence of weak external demand in the eurozone, particularly in Germany. Exporters may also feel a strong real appreciation of the zloty, resulting from both the appreciation of the nominal exchange rate of the zloty (by 7.1% YoY against the euro) and the still faster growth of domestic prices than in Poland's main trading partners, especially taking into account the increase in unit labour costs. Soft data from the eurozone (PMI indicators, ZEW from Germany) suggest only a slight, gradual improvement in export prospects in the coming months.

The NBP communiqué points to the role of the weak EU economy in explaining the decline in exports. All six reported categories of goods declined. The largest declines were in intermediate goods, capital goods and consumer durables. The decline in exports of transportation equipment deepened, especially in the group of electric batteries; the upward trend continued in exports of light trucks, cars and engines, and other transportation equipment. According to the National Bank of Poland, the decline in imports was driven by low external demand for intermediate goods, raw materials and lower fuel supplies. Large declines in imports were recorded in intermediate goods and capital goods; purchases of imported cars increased, but imports of other vehicles fell.

Today's data are neutral for the zloty, in our view, confirming the solid external position of the Polish economy. In recent weeks, the zloty exchange rate has been supported by relatively 'hawkish' rhetoric in monetary policy and the unblocking of the inflow of EU funds in 2024, including from the National Recovery and Resilience Plan.

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



Source: National Bank of Poland data

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