Poland's balance of payments data disappoints

Today's data is moderately negative for the zloty, as the markedly weaker-than-consensus results are related to the downward revision of historical data, but overall the current account remains close to balance. Amid shrinking trade turnover, the trade balance is improving as imports fall faster than exports

Source: Shutterstock

After a significant revision to the data for July (balance lower by €0.6bn compared to the preliminary data and switch to a small deficit of €0.1bn from a surplus), the current account deficit in August widened to €0.2bn. This was noticeably weaker than the consensus and our forecast (€0.7bn and €1.0bn, respectively), which were, however, based on the preliminary time series. On a 12-month basis, we estimate that the current account balance improved to 0.3% of GDP in August from 0% of GDP in July. In contrast, the trade balance in August (€0.5 million) was comparable to July's (€0.3 million), and on a 12-month basis, the merchandise trade balance improved to -0.2% of GDP from -0.6% of GDP in the previous month.

In other components of the current account in August, the €3.4 million surplus in services trade did not exceed the high deficit in primary income of €3.8 million and the €0.3 million deficit in

secondary income.

The merchandise trade data confirms weakening export sales due to the stagnation in the eurozone economy (about 60% of our exports go to it) and a likely recession in Germany in recent quarters (where half of Polish exports in the eurozone go to).

For the first time this year, the value of exports (volume and prices combined) expressed in euros fell by 2.2% year-on-year in August, after a slight increase of 0.2% YoY in July, with a slightly smaller appreciation of the zloty against the euro (by 5.6% YoY in August compared to 6.9% YoY). At the same time, the 12.3% YoY drop in the value of imports was significantly deeper than in July (-7.3% YoY). The decline in the value of trade was driven both by a significant YoY drop in prices (deeper in imports due to the summer 2022 energy price explosion) and volume declines in both aggregates. The National Bank of Poland reports that August was the third consecutive month of falling export prices and the fifth month of falling import prices.

Exports are affected by weak economic conditions in Western Europe, while imports are affected by weak domestic demand, as indicated by retail sales and real wage figures, among other data. This year's positive trends in global energy markets (particularly oil and natural gas) began to reverse in August, and this will affect the trade performance in the coming months. The NBP communiqué indicates a weak performance in five out of six major commodity categories. Growth was recorded in transportation equipment, led by higher sales of commercial vehicles and road tractors. In imports, the deepest declines were seen in purchases of fuel, supply goods and capital goods. Growth in imports of new passenger cars continued, but imports of car parts weakened, due to lower growth in car exports.

Today's data is moderately negative for the zloty, as the markedly weaker-than-consensus results are related to the revision of historical data, but overall the current account balance remains close to balance. The zloty is more influenced by monetary policy decisions and expectations for the national policy mix after Sunday's elections. Prior to the data revision, we expected a 1.5% of GDP current account surplus at the end of 2023 after a 2.4% of GDP deficit in 2022 (revised upward from -3.0%). Geopolitical tensions and rising oil prices with the risk of recession in Germany could translate into a lower surplus closer to 1% of GDP.

Growth in merchandise exports and imports, YoY, in %

Source: ING based on NBP data.

Author

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

Disclaimer