

# Poland's current account in surplus in June but exports disappoint

Poland's external current account posted another monthly surplus in June, though the ratio to GDP narrowed to 1.4% from 1.8% a month before. Merchandise exports suffered from stagnation in Germany and signal that net exports will detract from GDP in the second quarter



## The breakdown

The current account balance recorded a surplus of €588mn in June, above the consensus of €363mn but below our forecast of €793mn, following a surplus of €168mn in May (revised). The positive current account balance consisted of:

- a small deficit in trade in goods of €191mn
- a moderate deficit in primary income (aided by softer financial results of foreign companies this year)
- an elevated deficit of €684mn in secondary income
- and a solid surplus in services trade of €3515mn. The positive balance in services was some €500mn higher than the five-month average this year and offset deficits in other current account categories.

We estimate that the cumulative 12-month current account surplus narrowed to 1.4% of GDP, down from 1.8% of GDP in May, as we recorded a strong goods trade surplus in June last year.

The value of imports, expressed in euro, fell by just 0.2% year-on-year, as pressure from energy prices subsided and domestic investment demand remained weak in 2Q24. At the same time, euro-denominated merchandise exports fell by 6.0% YoY on the back of weak demand in the main export markets, particularly Germany. Recent data from Poland's main trading partner, such as today's ZEW confidence index, which saw the expectations component collapse to 17.9pts in August from 43.7pts in July, does not augur well for Polish export prospects in the second half of the year. Export expansion is further hampered by the strengthening zloty (by 3.2% YoY against the euro in June and by almost 7% YoY on average in the first half of the year).

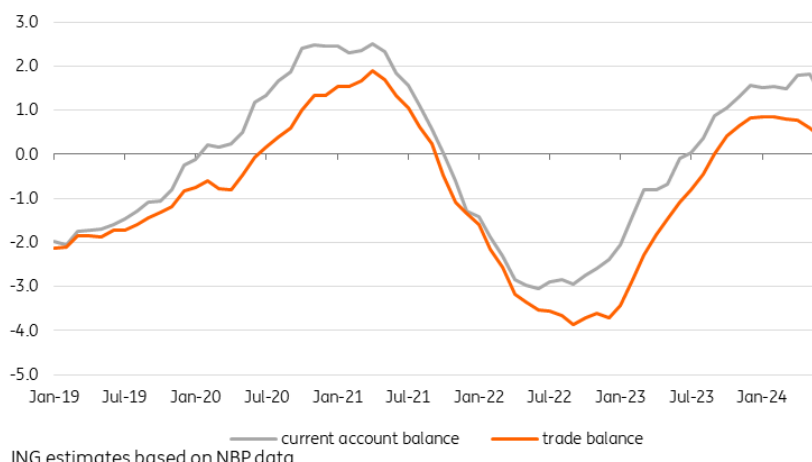
Merchandise trade closed with a €191mn deficit in June, but that was smaller than the €447mn gap in May. We estimate that the 12-month goods surplus deteriorated to 0.4% of GDP in June from 0.6% of GDP a month earlier.

The National Bank of Poland's press release, which refers to lower dynamics expressed in zloty, points to declines in exports in all six main commodity categories, particularly in the automotive sector due to the downturn in the German car industry. According to the NBP, the decline in imports was shallower than in the first five months of the year, while imports of consumer goods and imports of passenger cars recorded increases. The data on the structure of imports is in line with the expected structure of economic growth in 2Q 2024, which was driven by private consumption with stagnant investment. We expect a negative contribution from net exports in 2Q24. Preliminary 2Q24 GDP growth data will be released tomorrow.

## What it means for the zloty

Today's data is neutral for the zloty. Poland continues to show a solid external balance. The zloty exchange rate is supported by the hawkish rhetoric of the central bank and expectations of a significant inflow of EU funds from the Recovery and Resilience Facility and the traditional budget for 2021-27.

## Current account and trade balances, as % of GDP



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