

## Poland's external account close to balance in December

Poland's current account balance posted a tiny deficit in December, on surprisingly weak imports, following seven months of surpluses. The shrinking trade turnover reflects weak domestic and foreign demand



Poland's current account position is expected to deteriorate in 2025

Poland's external current account balance posted a narrow deficit of €24m in December 2023, broadly in line with consensus assuming a surplus of €53m. Exports expressed in € declined by 6.0% year-on-year in December (our forecast: -6.2% YoY, consensus: -1.0%), deepening the 1.9% drop in November. Imports fell by 11.3% YoY (significantly below our forecast of -7.1% YoY, which was in line with consensus, following a 7.8% drop the month before). For 2023 as a whole, we estimate that the current account surplus amounted to 1.6% of GDP (up from 1.4% after November), and compared with a deficit of 2.4% of GDP in 2022.

December saw a monthly deficit in merchandise trade for the first time in 2023 (€0.6bn vs. a surplus of €0.2bn in November). A solid positive balance in services (€3.2bn in December after €2.9bn the month before) offset the deficit in primary income (€2.7bn). The secondary income balance closed with a small surplus (€38m), though after eight months of deficits. The trade balance improved to 1.2% of GDP from 0.9% of GDP in the previous month (12-month rolling) and after a deficit of 3.7% of GDP a year earlier.

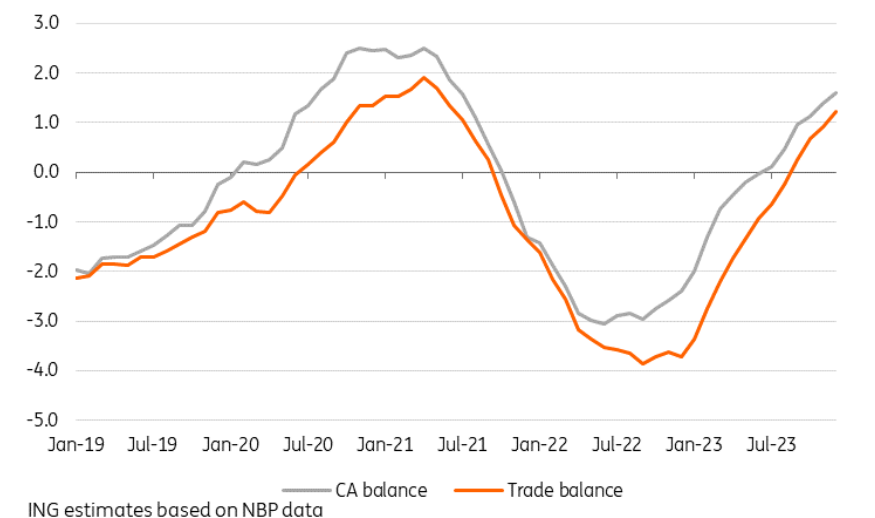
Foreign trade data show a marked decline in turnover. As a net importer of energy and raw materials, Poland is benefiting from the extinction of last year's energy shock, primarily in the natural gas and coal markets. The decline in exports reflects weak demand in the euro area, particularly in Germany, which was straddling between recession and stagnation in the fourth quarter of 2023. In contrast, low imports growth is linked to weakness in domestic demand, particularly consumption and downward inventory adjustments.

Soft indicators from the euro area (PMIs, today's ZEW from Germany) suggest a slight, gradual improvement in exports prospects in the coming months. On the other hand, domestic data do not signal a rebound in imports.

According to a National Bank of Poland communiqué, in December, declines in exports (expressed in PLN) were recorded in all six reported categories – the largest in supply, investment and consumer goods, and in the latter category particularly white goods. In transport equipment, sales of vans, road tractors and passenger cars increased, but exports of automotive parts fell. On the import side, fuel imports fell most sharply – linked to significant year-on-year price declines – but there were also large drops in intermediate goods, capital goods, and increase in imports of transport equipment was lower than in previous months.

Today's data is neutral for the zloty, confirming Poland's generally solid external position. In recent weeks, the zloty has been supported by the increasingly less dovish monetary policy rhetoric (the statement suggesting flat rates until the end of this year) and the unlocking of the inflow of EU funds in 2024, including from the EU Recovery and Resilience Facility.

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



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