

## 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 continues to remain solid

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.

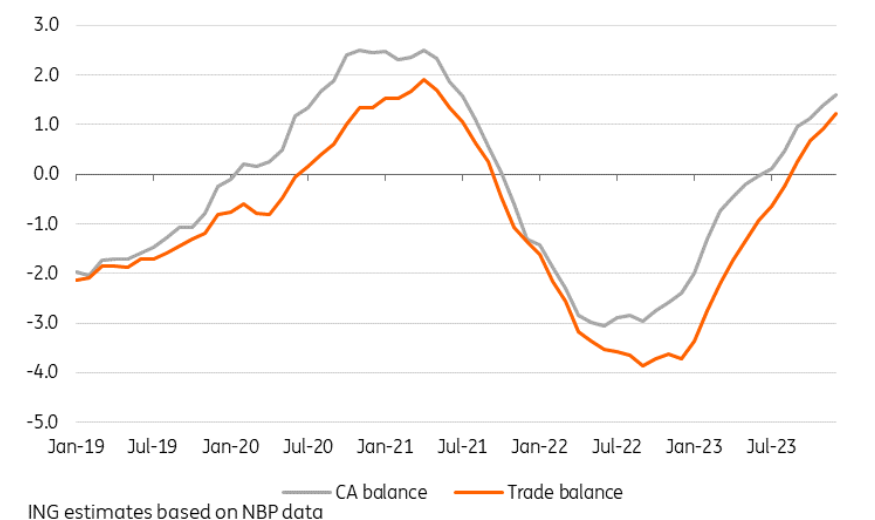
Foreign trade data show a marked decline in turnover. As a net importer of energy and raw materials, Poland is benefiting from the extinction of last year's energy shock, primarily in the natural gas and coal markets. The decline in exports reflects weak demand in the euro area, particularly in Germany, 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



### Author

**Leszek Kasek**

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.