Poland’s external current account position remained solid in April

Poland's external position remains solid and supportive for the zloty. The current account surplus rose to 1.5% of GDP on a 12-month rolling basis in April from 1.2% in March, although on a monthly basis a minor €0.2bn deficit was recorded in April from a €0.3bn surplus in March due to a higher primary income deficit (large seasonal dividend payments)

Poland ran a €0.2bn current account deficit in April, following a surplus of €0.3bn in March this year and a deficit of €2.3bn in April a year ago. This result was worse than consensus (surplus of €0.3bn), but close to our forecast of a €0.5bn deficit. In cumulative terms over the last 12 months, we estimate that the current account balance improved to 1.5% of GDP in April from 1.2% of GDP a month earlier. A year ago, however, Poland recorded a 0.8% of GDP deficit through April.

Merchandise trade in April closed with a small surplus of €0.2bn, after a €0.5bn surplus in March. We estimate that the 12-month goods surplus deteriorated gently in April to 0.7% of GDP from 0.8% of GDP a month earlier. Largely due to two more working days than a year ago, exports expressed in euro rose 5.5% year-on-year in April after a steep 9.5% decline in March when there were two fewer working days. Imports rebounded by 5.7% YoY in April, after a fall of 8.3% YoY in March. The growth rates of exports and imports calculated in zloty remained slightly negative due to the significant appreciation of the zloty against the euro.

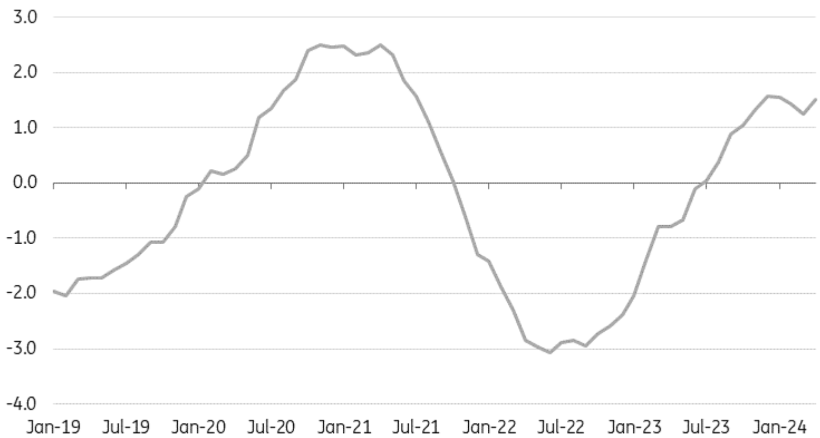
April's current account balance was due to a seasonally higher deficit in primary income (€2.8bn compared to €2.4bn in March). Traditionally, Poland has recorded a sizable surplus in services trade (€3.1bn). By contrast, the deficit in secondary income (€0.8bn) was at a slightly higher level (€0.8m) than in recent months, with the exception of March, when it was inflated by a one-off adjustment of the Polish contribution to the EU.

Turning to merchandise trade, the acceleration in export growth was consistent with a higher rate of growth in industrial production to 4.7% YoY in April, according to Eurostat from -3.1% a month earlier, boosted by a higher number of working days and only a slight improvement in German industrial growth (-3.7% YoY after -5.0% in March). The rebound in import growth was influenced by a progressive rebound in consumption demand.

The National Bank of Poland's press release, which refers to lower dynamics expressed in zlotys, indicates declines in exports of capital and intermediary goods, and means of transport. The deterioration in exports of the automotive sector was influenced by the weakening of exports of electric batteries and passenger cars, while exports of consumer goods, especially TV sets, increased. At the same time, the NBP points to a gradual slowdown in energy imports and a slight increase in imports of agricultural and consumer products. The clear upward trend in imports of transport equipment, especially passenger cars, continued.

Today's data are neutral for the zloty, in our view, as Poland continues to show a solid external position. The zloty's quotations are supported by the 'hawkish' rhetoric of the central bank and expectations of significant inflows of unblocked EU funds from the National Recovery Plan and the cohesion funds from the new 2021-27 budget.

Poland's current account balance, % of GDP



ING estimates based on NBP data

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