

Positive surprise in Poland's foreign trade in May

The moderate current account balance deficit in May resulted from a strong rebound in exports. Polish foreign trade has undergone huge structural shifts in recent months due to the war in Ukraine



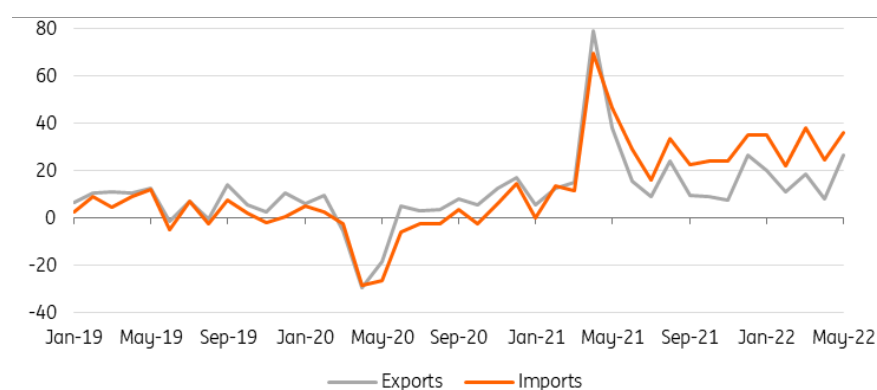
The current account deficit amounted to €1.9bn in May, clearly below consensus (-€3.5bn) and our forecast, after -€3.5bn in April (revised from -€3.9bn). On a 12-month basis, we estimate that the balance deteriorated from around -3.5% of GDP to -3.8% of GDP. The goods trade deficit was €1.2bn in May after -€2.6bn in April. On a cumulative 12-month basis, this represents an increase in the deficit from around 2.2% of GDP to 2.5% of GDP. A surplus in services of €2.5m did not offset the combined deficits: in primary income -€2.6m and secondary income -€0.6m.

The foreign trade performance in May 2022 was subject to significant structural changes due to the Russian aggression against Ukraine and the suspension of Russian gas supplies to Poland. The high annual growth rate of imports of goods, expressed in euro (35.8% year-on-year) still outstripped the growth rate of exports (26.7% YoY), but the gap fell markedly from almost 17 percentage points in April to less than 10pp in May. This was due to a surprisingly strong rebound in Polish exports, including to Ukraine. Perhaps Polish companies are also taking advantage of opportunities to increase foreign sales due to tensions in global supply chains and the search for cooperators closer to home (near-shoring – this is one of the themes of [our report](#) Poland in Global Supply Chains in Times of Pandemic and War).

The National Bank of Poland communiqué states that in merchandise trade turnover, the largest increases were in goods with the strongest price increases – fuels, provision goods and food. The NBP also points to significant changes in foreign trade resulting from the war in Ukraine. In May, Russia ceased to be the largest supplier of fuels to Poland, overtaken by Germany, and supplies of liquefied gas from the US increased significantly. The value of oil imports temporarily fell in May due to the downward price fluctuation. Polish exports to Ukraine (the eighth largest Polish export partner in May) increased strongly.

Today's data are positive for the zloty, as the current account deficit turned out to be well below expectations. A strong expansion of exports can be seen, which may bode well for the economic situation. The zloty exchange rate has recently been influenced by global factors (strengthening of the dollar) and expectations of further NBP interest rate increases. In the coming months, we expect the current account deficit to widen further gradually to around 5% of GDP by the end of the year.

Growth rates of Poland's merchandise exports and imports, YoY, in %



Source: ING based on NBP data.

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