Poland’s external current account was in surplus in March

Poland continues to show current account surpluses while external trade turnover has dropped significantly. A record-high deficit in secondary income was driven mainly by the EU budget adjustment in March

In March, Poland recorded a €0.3bn current account surplus, following a €0.5bn surplus in February 2024 and a €1.6bn surplus in March a year ago. The result ranked below the consensus of €0.6bn. We estimate that on a cumulative basis over the last 12 months, the current account balance deteriorated slightly to +1.2% of GDP in March from +1.4% of GDP a month before. A year ago, however, Poland had a 0.8% GDP deficit.

The merchandise trade balance posted a €0.5bn surplus, following a €0.3bn surplus in February. We estimate that the 12-month trade balance-to-GDP ratio remained at 0.8% in March. Exports expressed in euros fell 9.5% year-on-year in March after a slight increase of 0.5% in February, and imports fell 8.3% YoY after rising by 0.9% YoY a month earlier. Trade dynamics expressed in zlotys remained markedly negative due to a significant (8.2% YoY) appreciation of the zloty against the euro.

A solid positive balance in services (€3.3bn in March after €3.4bn a month earlier) was matched by aggregate deficits: in primary (€2.4bn) and secondary income (€1.0bn). The deficit in the latter category is a record, the highest in at least 20 years. According to the National Bank of Poland, this was largely technical, due to the EU budget adjustment and a higher contribution of PLN2bn in March.

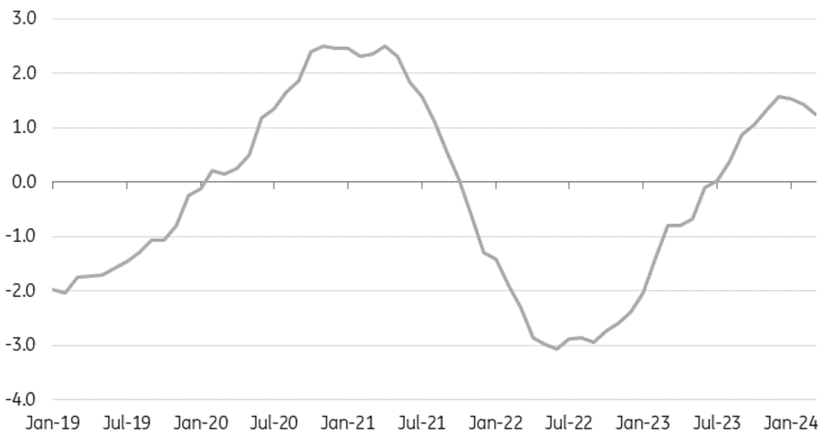
As far as merchandise trade is concerned, Poland benefited from the normalisation of energy commodity prices. We estimate that spending on imports of energy carriers in March this year was around one-quarter lower than a year ago. In our view, expenditures on coal imports had the sharpest fall (by about 85%), and to a lesser extent on natural gas (by 17%) and oil (by 7%) imports.

The low dynamics of Polish exports was consistent with weak industrial production data in March, influenced by weak German manufacturing, as well as fewer working days (two days less than a year ago). Today's data on the improvement of the ZEW index is good news for Polish exporters, although its expansion will be hampered by the sizable appreciation of the zloty against the euro. Import dynamics, on the other hand, may have been more influenced by purchases of military equipment, as March saw significant deliveries of equipment from Korea and the US; without this spending, the drop in imports would have been even deeper.

The NBP release, which refers to dynamics expressed in zlotys, indicates declines in exports in all categories, the deepest in intermediate and capital goods, slightly smaller in agricultural products and transportation equipment. However, the upward trend in exports of light trucks and passenger cars continued, while exports of batteries declined sharply. On the import side, there were also declines in all reported categories, the most severe also in intermediate and capital goods, smaller in imports of transportation equipment and consumer goods, which may indicate some recovery in domestic demand. Growth in passenger cars imports continued.

In our view, today's data are neutral for the zloty, with Poland still showing a solid external balance. The zloty's exchange rate is supported by the central bank's 'hawkish' rhetoric and expectations of significant inflows of EU funds from the Recovery and Resilience Facility and the traditional 2021-27 budget this year.

Poland's external current account (CA) balance, % of GDP



ING estimates based on NBP data

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