

## Poland's current account surplus with net exports to support GDP growth

Poland's balance of payments data for May generally surprised on the positive side. The current account surplus exceeded consensus. Its balance on a 12-month rolling basis is approaching 0% of GDP as the country benefits from a sizeable improvement in terms of trade, in particular falling prices of energy commodities as compared with 2022



The current account surplus widened to €1.4bn in May compared with €0.5bn in April and was clearly above consensus and our forecast (€0.6bn). On a 12-month basis, we estimate that the current account balance improved to -0.3% of GDP in May from -0.7% of GDP in April. At the same time, the merchandise trade surplus in May (€1.1bn) was noticeably higher than in April (€0.3bn) and improved on a 12-month basis to -1.2% of GDP from -1.6% of GDP in the previous month.

In the current account structure, a traditional surplus in trade in services of €3.4bn outweighed a primary income deficit of €2.9bn, and the secondary income account deficit was €0.3bn.

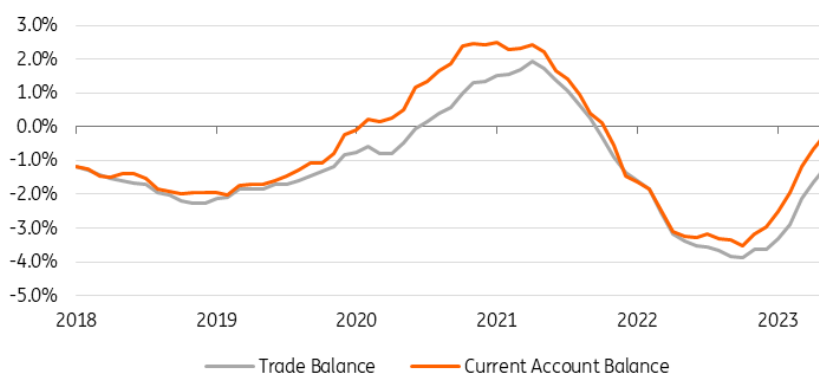
The merchandise trade data suggests that net exports is the key area of support for second

quarter GDP against a backdrop of weak domestic demand. This is taking place despite stagnation in the eurozone and the German economy, which in the second quarter of 2023 may record its third consecutive quarterly decline in real GDP. This last happened during the 2008-09 financial crisis. According to the CSO's goods turnover data, 60% of Polish exports have gone to the eurozone so far this year, almost half of them to Germany.

The exports growth (nominal) expressed in euro rebounded slightly to 3.3% year-on-year, albeit from a bottom in April, when growth was 2.6% YoY. At the same time, the 6.2% YoY fall in the value of imports was shallower than in April (-8.9% YoY). According to the National Bank of Poland (NBP), export prices are growing at a near-zero annual rate, while the YoY decline in import prices is deepening. May was the third consecutive month of decline in the value of imports. This was due to both a favourable decline in import prices (especially energy) and the weakness of domestic demand in the second quarter, as indicated by e.g. retail sales or real wages data. Poland – as a net importer of energy – benefits from normalisation on the European energy market in 2023.

The NBP communiqué underlines an increase in exports of the automotive sector, including strong growth in sales of lithium-ion batteries and commercial vehicles. In imports, the value of five of the six main categories of goods fell, the strongest in intermediate goods, fuels and consumer goods. Only the value of imports of transport equipment increased.

Today's data will support investors' generally positive sentiment towards the zloty and other regional currencies in recent months. Improving exporters' performance against weak imports will imply a positive contribution of net exports to economic growth in the second quarter and throughout 2023. For the year as a whole, we expect a 1.5% of GDP current account surplus after a 3.0% of GDP deficit in 2022. The main risk factors for the current account balance this year remain arms spending, the increase in which is mainly being met by purchases abroad following the start of the Russian war in Ukraine.



Source: ING estimates based on NBP data

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