

Minor deterioration of Poland's external balance on falling trade turnover

Poland's external trade data reflected the underlying macro developments while awaiting for the disruptions in global trade due to Trump's tariffs. Exports declined due to weak external demand, especially from Germany, and a strong zloty. Imports growth slowed sharply, in line with disappointing domestic retail sales



Poland's current account balance deteriorated sharply in March on the frontloading of imports ahead of President Trump's tariffs

In February 2025, a current account deficit of €220 million was recorded, above the consensus and our forecast of a €680 million deficit. This was the result of deficits in: goods trade (€0.9 billion), primary income account (€2.4 billion), and secondary income account (€0.4 billion), along with the traditional surplus in services trade (€3.5 billion). On a twelve-month basis, the current account balance deteriorated to a minimal deficit of -0.1% of GDP in February from a minimal surplus of 0.1% of GDP after January 2025. The trade balance deteriorated accordingly to -1.1% of GDP from -1.0% of GDP.

February did not bring significant changes in the trends in goods trade from previous months, but the dynamics of exports and imports clearly declined. The value of goods exports in euros fell by 1.4% YoY (after a slight increase of 0.2% in January), and import growth slowed significantly to 2.3% YoY in February from 8.9% a month earlier. The decline in exports and the sharp slowdown in

imports are consistent with disappointing February data on industrial production and retail sales.

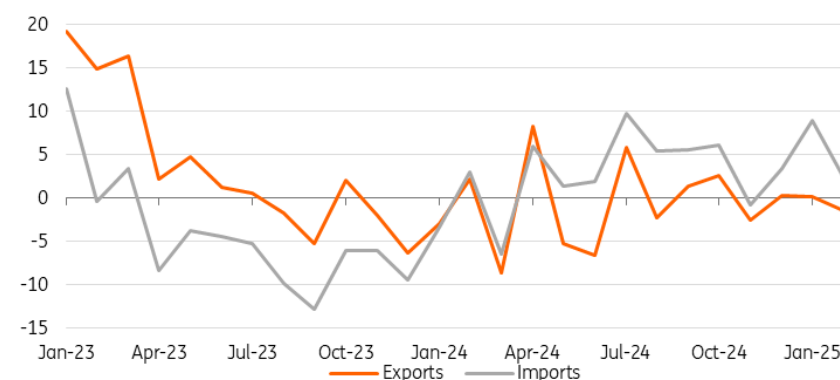
According to National Bank of Poland information, automotive industry export sales fell sharply, both in the category of vehicles and car parts, and declines were noted in the export of intermediate goods, durable goods, and investment goods. An increase in the export of agricultural products was an exception, mainly due to higher global prices. The sharp slowdown in import growth was also driven by transport equipment and intermediate goods, particularly iron and steel products. But imports of consumer goods and agricultural products increased.

Throughout 2025, we expect a gradual deepening of the current account deficit to 1.3% of GDP by the end of the year, due to the further growth in the trade deficit. We see several barriers to export growth and room for higher imports along with accelerating domestic demand and purchases of military equipment abroad. As for the largest market for Polish exports, the short-term growth prospects for the German economy are weak. This year it will feel the impact of Trump's tariffs (so far the US-EU trade war is suspended for 90 days, although 10% universal tariffs and increased sectoral tariffs on steel, aluminium, and cars are in effect). Next year, German GDP growth should be boosted by the fiscal package of the future Merz government. The prospects for Polish exports may be hampered by a strong zloty, although recent turmoil related to Trump's tariffs resulted in a correction of the zloty's overvaluation.

Since the beginning of April, global trade has been affected by a trade war, particularly between the US and China, with a three-month suspension approach to other regions, including the EU. Although Poland is less exposed to Trump's tariffs than other countries in the region, the scale of Polish goods exports' exposure to the US is about twice as high when re-exports of Polish goods to the US through other countries are taken into account, as well as the significant role of services (especially IT and technical) in Polish exports to the US.

The zloty exchange rate in recent weeks has been shaped by global factors, turmoil in many markets, and changing prospects in negotiations on a ceasefire in the Russian war in Ukraine. Today's balance of payments data has a limited impact on the PLN exchange rate, with domestic expectations regarding the NBP interest rate path after the dovish turn in the Monetary Policy Council rhetoric following the April Council meeting having greater significance for the FX market.

Growth of Poland's merchandise exports and imports, in % (values in €), YoY



Source: National Bank of Poland data

Author

Leszek Kasek

Senior Economist, Poland

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 www.ing.com.