

## Poland: Coal purchases behind trade balance deterioration in August

The current account deficit widened to €3,867mn in August, compared with a deficit of €1,735mn in July, and significantly worse than the consensus (€1,493mn). The marked widening of the current account balance deficit resulted primarily from a significant deterioration in the goods trade balance, driven by higher coal imports



Poland – with its still coal-dominated power system – is the hardest hit in the CEE region by the high cost of European Union Allowances (EUAs)

This is the second largest monthly trade deficit this year. According to the National Bank of Poland commentary, this was mainly the result of higher demand for energy commodities, primarily coal. The geographic structure of fuel imports changed significantly – Russia ceased to be Poland's main trading partner in this area. Imports of auto parts, among other things, also increased. Imports in total increased by 28% year-on-year, following a 21% rise a month earlier.

On the export side, a significant increase in automotive sales was observed, both in parts (especially batteries and engines), as well as new cars and vans. In tandem with increased imports of car parts, this suggests a general recovery in the automotive industry, likely linked to less severe supply chain disruptions. Exports to Ukraine, including fuel, among others, rose strongly for another month. In August total exports rose by 25% YoY, following a 19% increase the month before. The strong foreign trade turnover is largely the result of global price pressures.

The primary income balance recorded a deficit of €3,073mn, up from €2,311mn a month ago.

Income from direct investment in Polish entities accounted for the vast majority (nearly 85%). However, this time it was not offset by the balance of services, which closed August with a surplus of €2,161mn, the lowest this year. The month before, it amounted to €2,332mn. Both higher imports of services than the month before and lower exports were responsible for its decline.

The current account balance's weak performance in August confirms that its 12-month deficit will widen in the coming months. It widened to 3.9% of GDP in August from 3.6% of GDP after July. It should reach around 5% of GDP by the end of the year. This is one of the key reasons for the observed weakness of the zloty. In particular, Poland has not gained access to the Recovery Fund, the exchange of which in the market for the zloty would counterbalance the deteriorating trade balance.

## Author

### Piotr Poplawski

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@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](http://www.ing.com).