Poland's current account balance is deteriorating quickly

Compared to 2020, Poland's current account balance is set to deteriorate by an equivalent of about 4.5% of GDP in 2021

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Imports inflated by higher energy bills, exports constrained by global shortages of microprocessors

Poland's current account deficit amounted to €1.3b – just between our forecast of -€1.4b and the consensus of -€1.2b. This was due to a €100m deficit in merchandise trade and a surplus in services (of €1.8bn), as well as deficits in primary (€2.7bn) and secondary income (€300m). Although the difference between the year-on-year growth rate of imports and exports remained the same (9ppt as imports increased by 21.5% YoY and exports by 12.2%), it narrowed by 4ppt compared to August.

Import bills were inflated by the continued recovery in domestic demand and high energy prices. At the same time, exports have been hampered by disruptions in global supply chains, which particularly affect Germany – Poland's main trading partner.

According to the National Bank of Poland's statement, the strongest increase on the import side in

September was in oil and oil refinement products and natural gas. Also, more expensive raw materials translated into a higher value of imported processed goods, especially metals and chemical products. On the export side, the automotive sector suffered from shortages of semiconductors. Exports of passenger cars and trucks went down as did export sales of car batteries and catalysts.

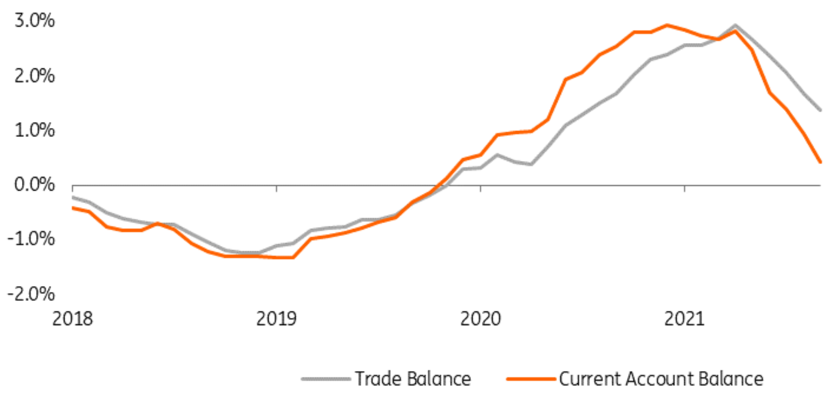
A modest 12-month cumulative current account surplus should turn to deficit in coming months

According to our estimates, the current account balance, calculated as a 12-month cumulative, shrank to 0.4% of GDP from 0.9% in August, while the trade surplus shrank to 1.4% of GDP from 1.7%. If the economic recovery and high energy prices continue into the fourth quarter, we can expect a continued deterioration in both balances. We forecast that the merchandise trade balance will be close to zero in 2021 as a whole, while the current account deficit will close with a deficit of around 1.5% of GDP. In 2020, the two balances posted surpluses of 2.4% and 2.9%, respectively.

The envisaged deterioration of Poland’s external balance indicators should be an important factor in the future decisions of the Monetary Policy Council.

Poland's current account and trade balance, % of GDP

ING staff estimates based on NBP and CSO data.



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