Poland: Current account deficit tightens; exports supported by foreign demand and weak zloty

The current account deficit was €0.4bn in November, below consensus and our forecast (€1.0bn), after €0.6bn in October. On a 12-month basis, we estimate that the balance improved to about -3.4% of GDP after -3.7% in October

The goods trade deficit was €1.5bn after €2.3bn in October. On a cumulative basis, there was a slight improvement to around -3.8% of GDP from -3.9% a month earlier. Elsewhere, there was a traditionally high positive services balance of €2.9bn, a fairly deep deficit in primary income of €1.8bn and a slightly negative secondary income balance of €0.1bn. Foreign trade turnover continues to grow close to 20% year-on-year (in euros), noticeably slower than in the previous months of 2022 due to more subdued growth in prices. Exports dynamics (20.3% YoY) outpaced imports (17.7% YoY) for the first time since April 2021.

Polish companies benefit from the weak zloty. They are also catching up on deliveries due to easing tensions in global supply chains, particularly in the automotive industry. Better-than-expected eurozone industrial production and German GDP data suggest decent foreign demand for goods and services from Poland.

The National Bank of Poland states that in November the increase in the value of exports was due to an improvement in price relations (the growth in prices of industrial products accelerated while the growth in prices of raw materials and semi-finished products weakened). Automotive industry exports grew strongly due to the recovery in this sector in Europe. The volume of food and fuel exports also increased. Weaker growth in fuel inflow (although coal shipments were at a record high, but oil shipments were lower than before), a deepening decline in imports of supply goods, and falling consumer imports all helped to curb the high overall imports dynamic. This is due to the weakening of domestic demand in Poland.

Today's data is neutral for the zloty, and the current account deficit was below the consensus. Since the beginning of November 2022, €/PLN has remained stable with the trend of a weakening US$ against the euro. For the whole of 2022, we expect a 3.1% of GDP current account deficit, following a 1.5% of GDP deficit in 2021 (after data revisions). By contrast, we forecast a decline in the deficit to around 2.5% of GDP in 2023. Polish exports tend to be resilient to economic slowdowns, while imports are more sensitive to downturns. Terms of trade are likely to stabilise, although spending on energy imports will remain elevated. In addition, import growth will be supported by high spending on military equipment.

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