

Double-digit growth rates in Poland's foreign trade

Poland's central bank has just released balance of payments data for December and posted a moderate €0.4bn current account surplus,. That translates to a record-high GDP surplus of 3.6% for 2020 as a whole



Inside an electric car in Warsaw

Double-digit growth in merchandise exports and imports

The December surplus was five times lower than in November and compared to market consensus of €1.1bn and our projection of €0.9bn. However, there is a strong seasonality pattern in foreign trade, with lower volumes in December because of the holiday season. Nonetheless, Poland continues to be an exporting nation. And the rebound in imports is not necessarily a bad thing, as it may suggest a revival of domestic investment from its record low levels.

Poland posted current account surpluses in every single month of 2020, which made together €18.4bn (3.6% of GDP) in the pandemic year compared to a €2.6bn surplus in 2019 (0.5% of GDP). The merchandise trade surplus increased from €1.2bn in 2019 to €11.7bn in 2020. At the same time, Poland recorded a €24bn surplus in services accompanied by a sizeable €15.9bn deficit in primary income and €1.5bn deficit in secondary income, but these patterns were already in place

in the previous years.

Although the merchandise trade surplus in December 2020 was six times lower than in November (€0.3bn vs €1.9bn), the 12-month cumulative balance increased slightly to 2.3% of GDP in December from 2.2% of GDP in November. Merchandise exports' growth, expressed in euro, gained further momentum and reached 14.8% YoY compared to 10.1% growth in November. Imports – for the first time in 2020 – expanded by double digits: 13.6% YoY in December from 5.3% a month before.

New Polish exports specialisation: e-car batteries

Solid performance in the export of goods indicates it appeared immune to pandemic restrictions as it is driven by durable consumer goods which have been in high demand as people spend long hours in their home offices due to lockdowns. Also, Poland's exports benefitted from previous greenfield Foreign Direct Investments in the production of batteries for electric cars, car parts and vehicles. For example, the output of car batteries contributed about 2.5pp to the impressive 11% YoY growth of industrial production in December (boosted by calendar effects).

The rebound in imports may suggest a recovery of domestic demand

The rebound in imports may suggest a recovery of domestic demand in Poland, which is a good sign given that investment rate was bottoming out in recent quarters. Also, as oil prices started to rise again from November, this category no longer helps lower the import bills as much as in the previous months. According to the NBP, the most dynamic import growth was recorded in clothing, wireless communication devices, computers, medical diagnostic tests and car parts.

Year-on-year growth in exports and imports, in %



Current account surplus to moderate in 2021

Net exports contributed positively to the solid GDP growth performance in Poland in 2020. The CSO has just released a flash estimate of -2.8% year-on-year in the fourth quarter and we estimate net

exports contributed positively in 1.5pp to economic growth. Last year's CA surplus of around 3½ % of GDP is not sustainable though in 2021, given that domestic demand is set to revive and oil prices are marching north. We project the current account surplus to moderate to 2% of GDP this year.

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 <http://www.ing.com>.