Poland's current account balance improved in September as trade turnover declined

Poland's current account surplus surged to 0.6% of GDP over the last 12 months in September amid an improving foreign trade balance, but trade turnover continued to decline. We estimate that in the third quarter net exports once again contributed positively to annual GDP. The broadly balanced external position supports zloty stability

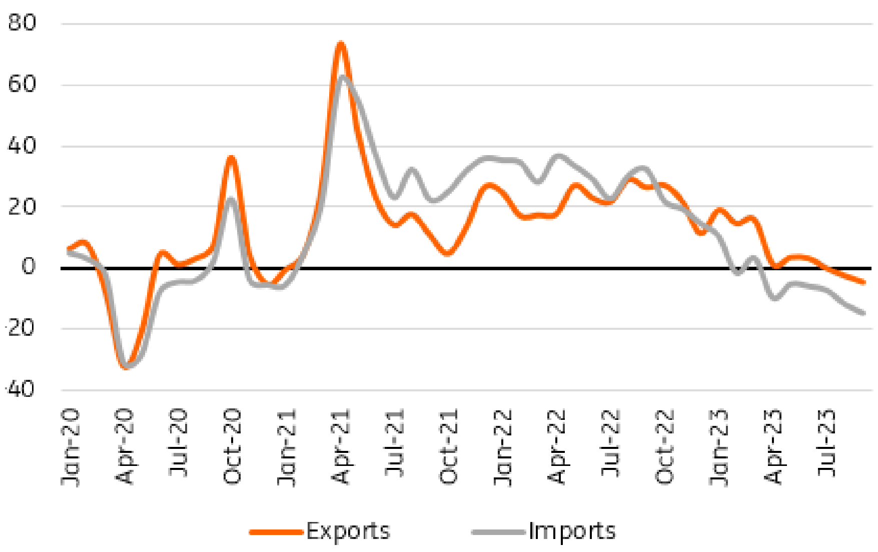
After two months of small deficits, September brought a current account surplus (€0.4mn in September after -€0.3mn in August). Surpluses in the trade in goods (€0.8mn in September after €0.3mn in August) and services (€3.0bn after €3.4bn the month before) more than offset deficits in primary income (€3.3bn) and secondary income (€0.2bn). In terms of the last 12 months, we estimate that the current account balance surplus improved to 0.6% of GDP from 0.3% of GDP after August, while the goods balance improved to 0.2% of GDP from -0.3% of GDP in the previous month, respectively.

The better-than-expected outturn in the current account of the balance of payments (ING: €8mn;

consensus: -€125mn) was supported by an increase in the goods account surplus, which came amid falling trade turnover. The value of euro-denominated merchandise exports fell by 4.3% year-on-year and imports by 14.8% YoY, against a consensus of -3.7% and -13.9% respectively and following declines of 2.3% and 11.9% a month earlier. The decline in the value of trade was mainly due to a decline in both export and import prices vs September 2022 as the most acute phase of the energy shock abated. We estimate that export volumes increased slightly, while import volumes fell.

Trade balance improved as imports fell more than exports

Foreign trade in goods, %YoY



Source: NBP.

The low trade volumes in September were due to the stagnant eurozone economy and shallow recession in Germany in the third quarter (on the export side) and weak domestic consumer and investment demand along with the fall in energy commodity prices (on the import side). Recent data from Germany signal a slight improvement in PMI and industrial orders, which bodes positively for exports prospects. Rapid disinflation domestically will in turn support real wage growth and a rebound in consumer demand, which should translate into a rebound in imports.

According to preliminary data, in the third quarter the surplus of exports of goods and services over imports amounted to PLN51.4bn, compared to PLN12.7bn in the third quarter of 2022. We estimate that last quarter was the fifth in a row in which foreign trade made a positive contribution to the annual change in GDP, although the improvement in the balance in real terms was less significant than in its nominal value, due to a deep decline in import prices.

The September balance of payments data are neutral for the zloty. It confirms Poland's generally solid, balanced external position. In recent weeks, the PLN exchange rate developments have been supported by monetary policy decisions (National Bank of Poland rates unchanged in November, while markets expected a 25bp cut) and speculation about the new government's fiscal policy as well as an improvement in Warsaw's relations with Brussels that may lead to unlocking EU funds inflows in 2024. For 2023 as a whole, we expect a current account surplus of around 1% of GDP after a deficit of 2.4% of GDP in 2022.

Authors

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Disclaimer