

Poland: Record high current account and trade surpluses in June

Poland reached a record-high external current account and trade surpluses in June: €2.8bn and €2.7bn, respectively. We estimate that on a 12-month cumulative basis, the current account surplus amounted to 2.3% of GDP while the trade balance (in goods) to around 1.4% of GDP



Source: Shutterstock

Exports recover much faster than imports

While a significant surplus in the current account and trade balances were in line with market expectations, including ours, their magnitudes turned out surprisingly high. After three consecutive months of negative growth in year-on-year terms, export dynamics (expressed in €) increased 3% (-19.3% YoY in May), while imports of goods recovered from -27.4% in May to -10.7% in June. On the negative side, the surplus in trade services remained sluggish and the primary income balance returned to its traditional significant deficit.

While trade in goods has the worst behind, trade in services remains idle

National Bank of Poland data indicates that the Polish economy relies on strong external macro fundamentals and exporters are doing well in difficult times and the current relatively strong zloty exchange rate does not seem to hurt exporters. The central bank's note accompanying the data says that exports of tobacco products, textiles, furniture, TV sets and car batteries and hybrid car engines were growing the fastest.

Because the country is a net oil importer, Poland benefits from low oil prices and enjoys lower payments for energy imports. Imports of new cars and car parts were also significantly lower than a year ago as car factories were re-starting their productions due to the lockdown relatively slowly.

On the negative side, foreign trade in services, which remained a solid Polish specialization in the EU, remain sluggish – their exports were 33% and imports 29% lower than a year ago. Also, the country returned to a significant deficit in primary income from work and capital investments, which widened €1.2bn in June from €0.4bn in May.

Net exports will cushion the GDP loss in 2020 due to the pandemic

Fortunately, Poland with its diversified exports and specialization in sectors which are more resilient during the pandemic than in other CEE countries, which are more specialized in the automotive sector. Net exports will contribute positively to GDP growth and soften the GDP loss in the second quarter (its flash estimate will be released tomorrow), and 2020 as a whole. Going forward, we expect the current account-to-GDP ratio to broadly stabilize around 2.5% of GDP as the expected recovery in consumption and investment demand will translate into higher imports.

Current account and trade balances in Poland, as % of GDP



Source: ING estimates

Author

Leszek Kasek

Senior Economist

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>.