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.

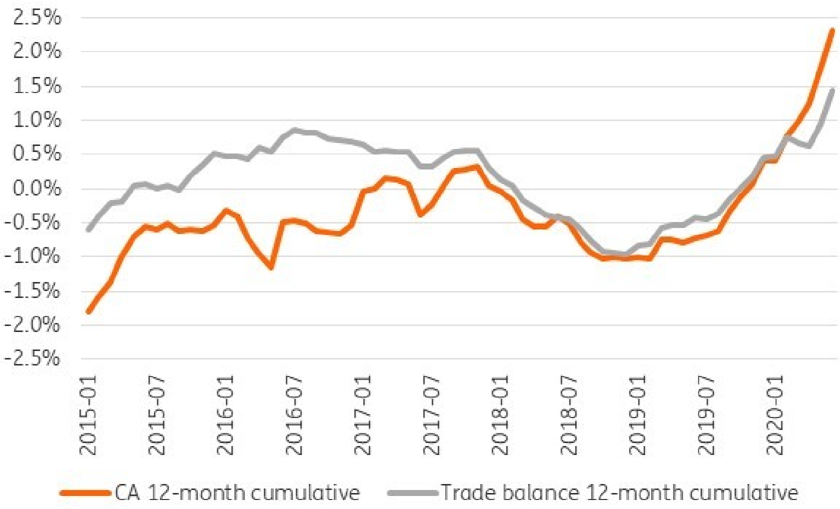
Because the county is a net oil importer, Poland benefits from low oil prices and enjoys lower payments for energy imports. Imports of new cars and car parts were also significantly lower than a year ago as car factories were re-starting their productions due to the lockdown relatively slowly.

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

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