

## Poland's record-high current account deficit in December

The record-high monthly current account deficit on a monthly basis in December resulted, to a large extent, from changes in the timeline of the EU's membership payment. But even accounting for this correction, the deficit exceeded expectations



Poland's current account (CA) deficit in December (around €4bn) was record-high on a monthly basis and significantly higher than the market consensus (€2.2bn), after a €0.6bn deficit in November. This outcome resulted from a high deficit in merchandise trade of €2.5bn, an elevated (but lower than usual) surplus in services (€1.5bn), a €1.8bn deficit in primary income and an exceptionally high deficit in secondary income (former transfers) of €1.1bn. The difference between annual growth rates of imports (35.9% YoY) and exports (19.4% YoY) increased from 13.1pp in November to 16.5pp in December.

Average secondary income payments amounted to barely €0.3bn a month in 2021, but in December it amounted to more than €1.1bn and resulted – to a large extent – from an EU membership payment. These payments were usually made in January or February, therefore the change in the timeline added around €0.8bn to the current account deficit in December. However, even after accounting for this correction, the monthly CA above €3bn indicates a swift

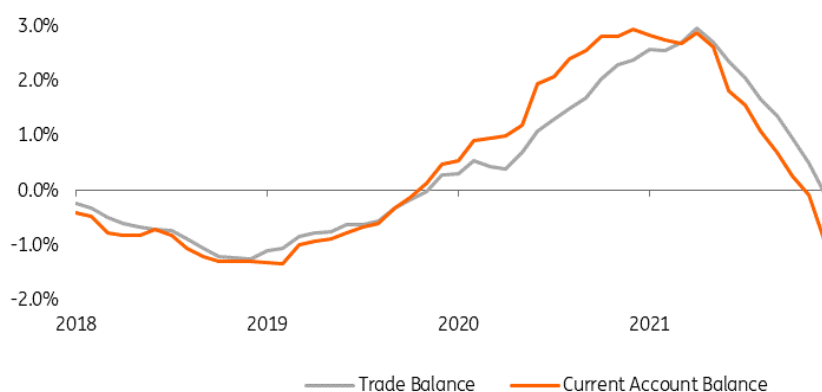
deterioration in Poland's external balance.

According to our estimates, in 12-month cumulative terms, the CA deficit widened to 0.9% of GDP from just 0.1% in November. During 2021 as a whole, the deterioration amounted to almost 4% of GDP. In December 2020, the CA balance posted a surplus of 2.9% of GDP. In the final quarter of 2021, net exports had a significant negative contribution to GDP growth, which exceeded 7% in YoY terms; the data will be released tomorrow (Tuesday).

High merchandise trade turnover in December was consistent with the earlier readings of industrial output. Import bills were heavily inflated by high energy commodity prices, in particular natural gas prices, and a solid rebound in consumption and investment. Export growth (19.4%YoY) was the highest from June 2021 but was still contained by shortages of chips in the automobile industry. High natural gas prices in Western Europe allowed for a temporary export boost of Polish coal-based electricity. According to NBP's press release, strong export growth was also recorded in such categories as coke, computers, tractors and buses.

December's Balance of Payments data is slightly negative for the zloty. In recent weeks, its exchange rate has been largely influenced by expectations on the NBP's interest rate hikes and tensions resulting from risks associated with Russia's potential aggression against Ukraine. Nevertheless, in the difficult external environment, especially for countries being net energy importers, a CA deficit of about 1% of GDP remains a favourable outcome, though it's set to deteriorate further in 2022.

## Current account and trade balances, 12-month cumulative, as % of GDP



Source: ING estimates based on NBP data.

### Author

**Leszek Kasek**

Senior Economist

[leszek.kasek@ing.pl](mailto: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>.