# Record high current account fails to lift Poland's zloty

Poland's current account surplus approached 4% of GDP (12-month cumulative) through April 2021 (€20.5bn). The monthly current account surplus in April amounted to €1.7bn, while the trade surplus reached €1.3bn. These readings compare to €0.9bn and €0.6bn in March, respectively


Prices are rising in many parts of central and eastern Europe, not least for these shoppers in Poland

Merchandise trade flows kept their momentum in reaching pre-pandemic levels with extraordinary year-on-year growth rates, according to the latest data from the National Bank of Poland. Compared to the levels during the really hard lockdown in April 2020, exports of goods this year were 69% higher, year on year, while imports increased by 60% YoY. In March, the growth rates reached 28% and 25%, respectively. The trade surplus in goods was traditionally accompanied by a sizeable surplus in the exchange of services (€2.1bn compared to €1.9bn in March). On the negative side, the deficit in primary income reached €1.6bn compared to €1.4bn deficit in March. Secondary income was broadly balanced.

*We continue to see robust growth in Polish exports*

We continue to see robust growth in Polish exports, notably in technologically advanced products such as car batteries and TVs as well as in Poland's specialisations, such as furniture, that have been in high demand during the pandemic. According to the NBP statement, the increase in exports was noted mainly in the sale of car batteries, TV sets, catalysts, clothing, and furniture. At the same time, import dynamics were largely driven by the purchase of cast-iron steel and its associated rolled products, clothing, parts for TV sets as well as computers and processors.

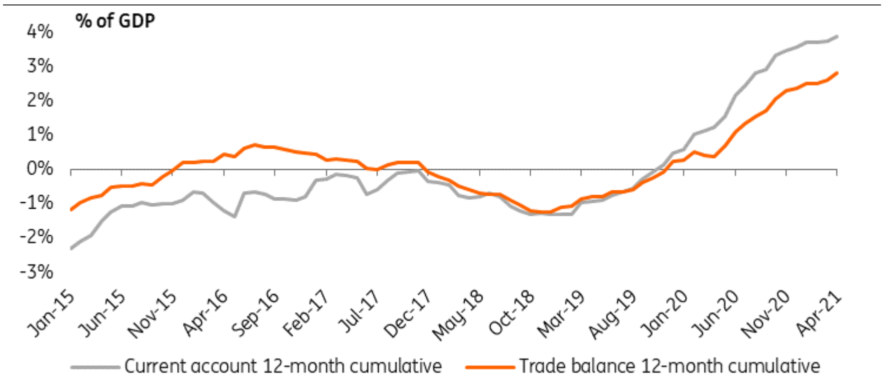
The solid external balance hasn't translated into giving the zloty a lift, which continues to hover around PLN4.50 against the euro. The appreciation pressure stemming from the improving external position is counterbalanced by accommodative monetary policy, which doesn't look as though it's going to be normalised anytime soon. Last week’s statement after the MPC meeting and NBP Governor Glapiński’s comments saw any hopes of an interest rate rise evaporate fast.

The positive balance of payments story is rather neutral when you only looking at changes in the quantities of international transactions of goods and services. According to national accounts, net exports contributed negatively to GDP growth in 1.9pp and it turned to negative territory for the first time from the start of the third quarter of 2018. We project it will return to positive contributions in the coming quarters, but 2021 will close with a slightly negative contribution of net exports.

Later this year, we expect the current account-to-GDP ratio to moderate in line with the recovery in consumption and investment demand which should translate into higher imports. Given the 4% of GDP current account surplus, we're pretty sure we'll get there.

## Poland's current account and trade balances, as % of GDP

ING estimates based on NBP data.

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