

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.

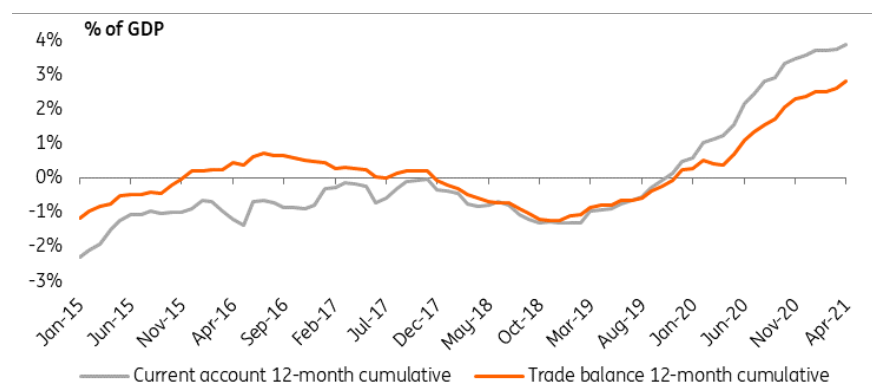
The solid external balance hasn't translated into giving the zloty a lift, which continues to hover around PLN4.50 against the euro. The appreciation pressure stemming from the improving external position is counterbalanced by accommodative monetary policy, which doesn't look as though it's going to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



Author

Leszek Kasek

Senior Economist, Poland

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 www.ing.com.