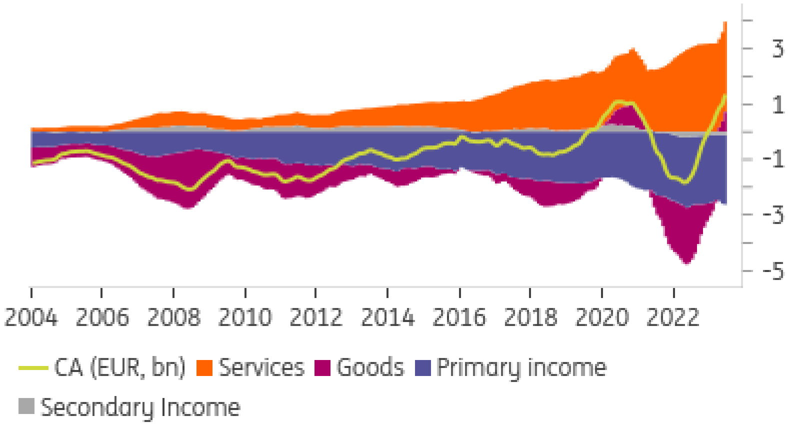
Poland sees further improvement in trade balance, but on poor imports

Poland's current account balance remains supportive for the zloty. The trend will deteriorate in the second half of this year on rebounding internal demand

In June, the current account surplus came at €2.431mn, well above expectations (€1.520m). However, this is unfortunately the result of very weak imports (-5.8% year-on-year), reflecting meagre domestic demand, as well as a YoY decline in commodity prices. The recent rebound in natural gas prices was not reflected in the foreign trade performance in June. Exports grew by only 1.7% YoY, which in our view shows how weak the condition of European industry is.

Net exports have been supported by services exports. The trade surplus in services is over €4bn.

Current account structure (€bn)



Source: National Bank of Poland

However, domestic demand in Poland will rebound. After a gap of about a year, real wages are rising again. The export outlook is also looking weaker, as shown by the dismal cyclical data from the euro area. This is likely to significantly deplete Poland's trade surplus in FY23-24.

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