

Poland's current account balance improves due to seasonally higher EU transfers

Poland's external current account balance improved in October on the back of seasonally higher transfers from the EU budget. The merchandise trade gap remains large but seems to have stabilised



Poland's current account deficit was €0.5bn in October, clearly below the consensus of €0.8bn and quite close to our forecast of €0.3bn, following a deficit of €1.6bn in September. On a 12-month basis, we estimate that the balance deteriorated slightly to about -3.9% of GDP from -3.7% of GDP in September (we recorded a sizable surplus in October 2021). The goods trade deficit was €2.3bn in October, from €2.1bn in September. In cumulative terms, the trade balance deteriorated to about -4.0% of GDP from -3.8% of GDP a month earlier. A high surplus in the services balance of €3.1m fully offset a gap in primary income of €1.3bn and a slightly negative secondary income balance of €0.1bn. The seasonally low deficit in primary income was due to the high inflow of EU funds (more than €1.6bn, according to the National Bank of Poland).

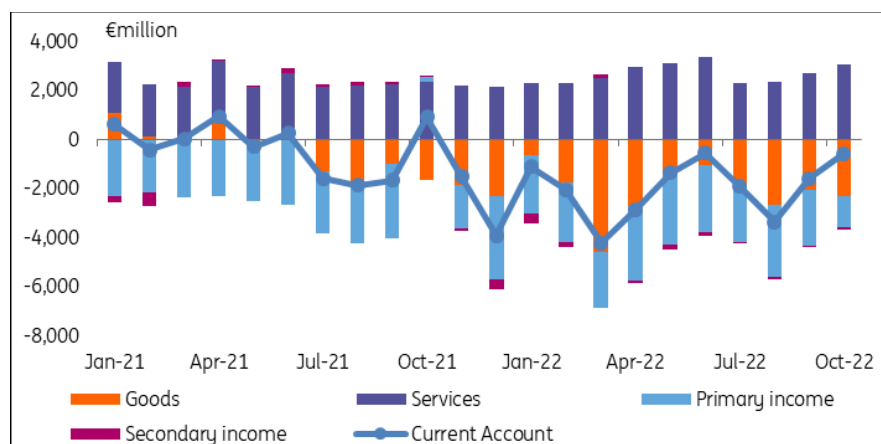
Foreign trade turnover, calculated in euros, is growing at a rate close to 25% year-on-year, but this is mainly due to increases in export and import transaction prices. The annual growth rate of

merchandise imports (24.6% YoY) only slightly exceeded that of exports (23.7%), and this was the smallest difference recorded since April 2021. Polish companies are taking advantage of opportunities to increase foreign sales due to the weakening zloty and the easing of tensions in global supply chains, in particular in the automotive industry.

The NBP communiqué states that in October, export growth was driven by sales in the automotive industry benefiting from improved availability of key components, which boosted the European automotive sector. This was reflected in both exports of vehicles (cars, vans and road tractors) as well as spare parts (including batteries and engines). Food also recorded a sizeable expansion. On the import side, a slowdown in import growth was particularly visible in iron and steel and plastics, which indicates weak domestic demand. Large increases were recorded in imports of fuel, due to both continued high prices and rising volumes (the value of coal imports was a record high, while imports of oil was the highest since 2019).

Today's data is neutral for the zloty exchange rate, with the current account deficit turning out to be slightly lower than the consensus. However, the zloty exchange rate has recently been influenced by global factors as well as this week's decisions on interest rate hikes by the US Federal Reserve, European Central Bank and other central banks, and expectations on unlocking EU funds from the Recovery Fund. We expect a gradual widening of the current account deficit in the remainder of the year, and forecast a 4.2% GDP deficit for 2022 as a whole. Our latest [Directional Economics](#) presents long-term projections for Poland.

Current account balance and its components



Source: 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.