

Poland's current account balance deteriorates slightly in November

Poland's external current account surplus deteriorated in November to 0.2% of GDP on a 12-month rolling basis from 0.4% in October. Trade data reflects weak foreign demand and a recovering domestic economy. In 2024, Poland became the fourth biggest destination market for German exports with a 6% share, surpassing China. However, Germany's 27% share of Polish exports exposes Poland to potential Trump tariffs



According to data from the National Bank of Poland, the external current account showed a deficit of €521 million (consensus: +€8 million, our forecast: -€66 million), reflecting a significant deficit of €1.646 billion in trade in goods, compared to a €571 million deficit in October. We estimate that on a 12-month rolling basis, the current account surplus decreased to 0.2% of GDP in November from 0.4% of GDP in October, and the trade balance deteriorated to -0.7% of GDP from -0.6% of GDP. November was the seventh consecutive month with a deficit in merchandise trade. Exports expressed in euro decreased by 4.7% year-on-year, and imports by 0.4% YoY (in zlotys, respectively -6.2% and -2.0% due to the appreciation of the zloty against the euro). Trade data shows that foreign demand remains weak, while the domestic economy continues to recover.

Regarding the components of the current account other than the trade balance, the traditionally high surplus in services trade (€3.177 billion) continued, although it was lower than in the previous month, the income balance deficit increased (€-1.523 billion), which in the previous month was seasonally reduced by, among other things, direct payment disbursements to farmers, and the secondary income deficit increased (€-529 million).

The lower goods turnover was influenced by fewer working days. However, exports still suffer from weak external demand from the eurozone, particularly from Germany, where 27% of Polish exports go, and the economy oscillates between stagnation and recession. On Wednesday, we will learn the preliminary GDP data for Germany for 2024 as a whole. The consensus points to a slight decline in real GDP of 0.2%, after a drop of 0.3% in 2023. This would be the first episode of two consecutive recessionary years in the German economy since 2002-2003.

In 2024 (January-November period), Poland surpassed China as the fourth largest destination market for German exports, after the US (which receives 10.4% of German exports), France (7.5%), and the Netherlands (7.1%). Approximately 6% of German exports go to Poland. In the context of the likely Trump tariffs on the EU, Poland is indirectly exposed to them through Germany. Domestic import spending at the end of the year was additionally driven by the import of passenger cars, possibly German ones, due to the tightening of EU emission standards from the beginning of this year, as indicated by data on the strong number of car registrations. Finally, at the end of the year, energy prices rose significantly.

According to the National Bank of Poland's commentary, which refers to trade turnover expressed in PLN, a decline in export value was recorded in five out of six main categories of goods, the deepest in transport equipment (passenger cars, truck tractors, buses, automotive parts, and electric batteries). The exception was the export of agricultural products, supported by the increase in prices of some goods, the value of which remained at a similar level year-on-year. As for imports, declines were also recorded in five out of six categories, most strongly in transport equipment, but the high, upward trend in the import of passenger cars continued. The only category that did not record a year-on-year decline was the import of agricultural products.

The moderate deterioration of the current account balance and persistent trade deficit are slightly negative for the zloty. However, the PLN exchange rate is supported by the growing interest rate differential between Poland and the eurozone, as the European Central Bank continued its rate-cutting cycle at the end of 2024. In our opinion, there will be room for a cut by the NBP in 2Q 2025 although according to the hawkish rhetoric from the NBP president in December, this may not happen until 2026. The zloty exchange rate is supported by the inflow of EU funds under the Recovery and Resilience Facility and cohesion policy. In mid-December, the European Commission disbursed a tranche of €9.4 billion to Poland from the RRF, and at the end of December, the government submitted another RRF payment request worth €7.3 billion (payment to be made in March-April).

Exports and imports growth, YoY, expressed in euro, in %



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 <http://www.ing.com>.