

Poland's current account deficit narrowed in September despite strong import rebound

September's external current account deficit reveals a solid rebound in imports, driven by strong domestic demand (evident in today's flash GDP numbers) and purchases of armaments. The data also reflects the increased use of the Recovery and Resilience Fund by final beneficiaries



Poland's current account was negative in November on rising competition from China

Poland's current account deficit amounted to €725 million in September, from €3.042 billion in August, exceeding the consensus of €1.422 billion, though close to our forecast of €488 million. On a 12-month basis, the current account deficit shrank to 0.9% of GDP in September from 1.0% of GDP after August.

As in previous months, the negative current account balance in September was a result of a sizeable deficit in trade in goods (€1.022 billion, although half the size seen in August), a deficit in

the primary income balance (€3.539 billion), and a still considerable surplus in services trade (€3.306 billion). The surplus in secondary income of €530 million, following a deficit of €210 million and a similar average monthly deficit in this category in previous months of the year, was a surprise. Commentary from the National Bank of Poland points to a strong increase in revenues (mainly from the RRF) in secondary income (an increase of 128% year-on-year in Polish zloty). This indicates a rise in the use of RRF funds by final beneficiaries.

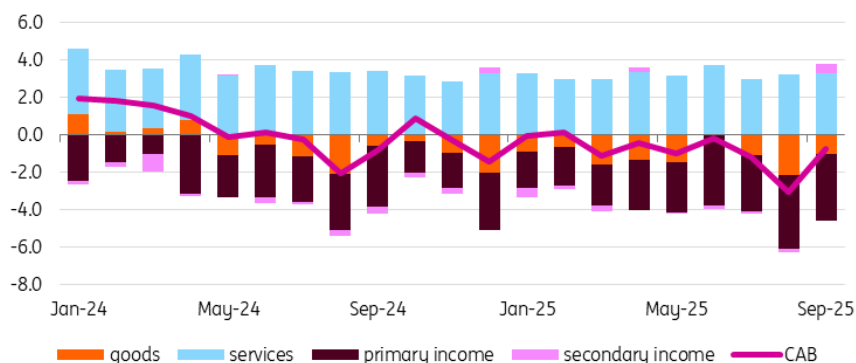
In line with our expectations, the annual goods trade turnover was slightly higher than in the previous months, influenced by one extra working day compared to September 2024. Both exports and imports exceeded €30 billion in value. Exports expressed in euros grew by 5.8% YoY (-1.4% YoY in August), while imports surged by as much as 7.3% YoY (-1.1% YoY the previous month). On a 12-month basis, the trade in goods deficit widened slightly to 1.5% of GDP in September from 1.4% of GDP in August this year.

The NBP analysts' commentary (concerning changes in turnover expressed in PLN) points to the highest monthly trade turnover since the start of the year. On the export side, there were strong increases in the sale of agricultural products, other consumer goods, and passenger cars (with re-exports playing a significant role in the last two categories). Lower dynamics were recorded in the sale of household appliances. On the import side, there was a sharp rise in purchases of other consumer goods, armaments, and investment goods. Purchases of crude oil also increased significantly, following lower import values in previous months.

In international trade, we are currently experiencing a phase of some respite after the US-EU trade agreement, which came into force in August. After the Trump-Xi summit at the end of October, there was a significant thaw in US-China trade relations. The US reduced fentanyl tariffs by 10 percentage points, and China withdrew its export controls on rare earth metals for one year. However, due to tensions in trade with the US, China has redirected its exports. Year-to-date until September (YTD), Chinese exports to the US fell by 18% YoY, while Chinese exports to the EU grew by 8% YoY, to ASEAN countries by 14% YoY, and to Africa by 26% YoY. The influx of cheap goods from China is generating competitive pressure on European firms and exerting disinflationary pressure. NBP analysts highlighted this in the November inflation report.

The Polish economy remains externally balanced, and trade data has little impact on short-term PLN rates, which for over half a year have been trading within a relatively narrow range around 4.25 per euro. For the FX market, decisions by global central banks, as well as the policy and communications of the NBP, along with expectations of further interest rate cuts in Poland, are of key importance.

Poland's external current account balance (CAB) and its components, monthly data in €bn



Source: NBP data

Author

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

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