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POLAND

Poland's current account deficit narrows in May amid softer imports

Poland's external imbalance came in below our forecast and market expectations as import growth fell short of forecasts. The external imbalance remains narrow despite the higher cost of energy imports as volumes have declined. The services surplus has stabilised after years of improvement

Poland's current account deficit came in below our forecasts and below market expectations in May

In May, the current account deficit amounted to €1.1bn (ING: €1.3bn; consensus: €1.6bn), compared with €1.5bn in April and €1.2bn in May last year. On a 12-month rolling basis, the deficit narrowed to 0.8% of GDP from 0.9% of GDP in April.

The primary source of the current account deficit was the primary income balance, which recorded a deficit of €3.2bn. This largely reflects income earned by foreign direct investors on their equity investments in Polish companies. Meanwhile, Poland continued to post a solid surplus in trade services (€3.4bn). After many years of steady growth, the services surplus has broadly stabilised since 2022. This may raise some concerns, as services have a significant positive contribution to GDP growth. Poland has substantial potential to further expand exports of high value-added services, particularly in areas such as business process outsourcing (BPO) and the IT sector. However, the balance of payments data suggests that the surplus generated by the services sector is no longer increasing.

The trade balance recorded a deficit of €1.2bn. In euro terms, exports of goods and services increased by 5.5% year-on-year in May, while imports rose by 3.7% year-on-year, compared with 6.7% and 7.8%, respectively, in the previous month. The lower annual growth rate of trade flows relative to April was partly due to a smaller number of working days.

In recent months, the trade deficit has been under upward pressure from the energy crisis and rising oil and natural gas prices linked to the military conflict in the Middle East. In May, however, import growth proved weaker than we had expected. According to analysts at the National Bank of Poland, the sharp increase in energy prices led to a reduction in import volumes. At the same time, the upward trend in car imports came to a halt, although this did not apply to vehicles imported from China. Imports of computer components and parts also continued to increase.

Export growth was driven primarily by higher foreign sales of silver, refined copper and computer equipment. By contrast, exports were weighed down by the deepening decline in the automotive sector, affecting both finished vehicles and automotive parts.

Despite higher prices of imported commodities (oil and natural gas), Poland's external imbalance remains low and stable and is not a source of pressure on the zloty. The recent weakening of the domestic currency has been driven mainly by the rapid decline in CPI inflation and a shift towards a more dovish stance by the Monetary Policy Council. Markets are pricing in a potential cut in interest rates by the Polish central bank before the end of 2026, while interest rate increases continue to be priced in across major developed markets (almost two hikes this year in the euro area and in the US).

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