Poland's current account has gone from surplus to neutral to deficit

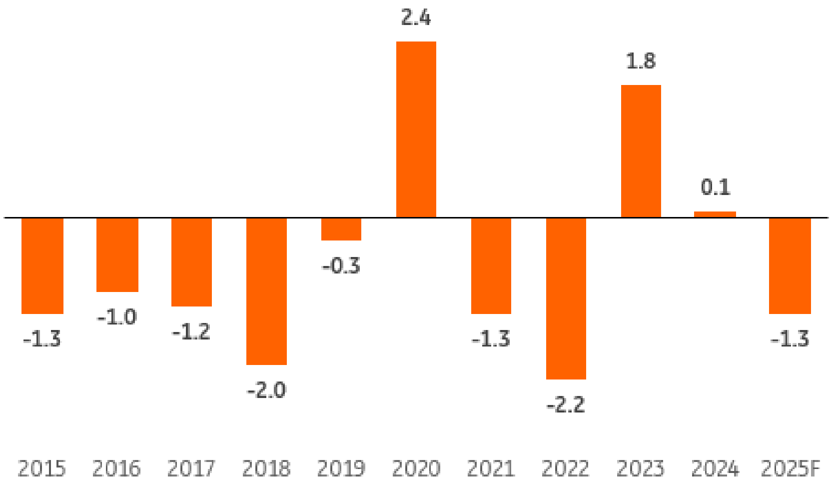
Poland's current account was almost balanced last year (0.1% of GDP), which constitutes a deterioration from a surplus of 1.8% of GDP recorded in 2023. In 2025 we expect the deficit to be around 1.3% of GDP, amid robust domestic demand and lacklustre growth on the main exports markets. Imports will be boosted by fixed investment and defence spending

Poland's current account position is expected to deteriorate in 2025

In December, the current account of the balance of payments posted a deficit of €803mn (ING: -€1,548mn; consensus: -€1,330mn), meaning that in 2024 the external position of the Polish economy was broadly balanced, after it posted a solid surplus in 2023 (1.8% GDP). The change stemmed from a gradually deteriorating foreign trade balance (from 0.6% GDP surplus in 2023 to 0.8% of GDP deficit in 2024) as imports (+2.3%) outperformed exports (-1.1%). Foreign demand for Polish goods was weak amid the soft European economy and continued recession in Germany, Poland's main trading partner that accounts for 27% of total exports.

In 2024 the current account was broadly balanced

Current account balance in % of GDP



Source: GUS, ING.

In 2025 we expect a current account deficit of 1.3% of GDP amid continued deterioration in merchandise trade that is unlikely to be compensated by a higher surplus in services trade. There are three major headwinds for exports. First, the economic outlook for Germany remains gloomy and political turmoil is a hinderance in reviving activity and addressing structural issues. Second, the zloty is at its all-time high as regards to the real effective exchange rate, which hampers price competitiveness. Third, global trade seems on the verge of a global trade war outbreak as the new US administration is on a protectionist course.

US tariffs on European products are of lesser concern for Poland than for other countries in the CEE region. The reason is that the Polish economy is bigger, less open and substantially more diversified. Exports of goods accounts for 45% of GDP in Poland vs. 57% of GDP in the Czech Republic, 64% of GDP in Hungary, and 82% in Slovakia. The direct exposure to trade with the US is also limited as the US accounts for about 3.3% of total Polish exports. It should be added that this share is misleading as Poland is exposed directly to US tariffs via its exports to other EU countries (especially to Germany).

Is the expected deterioration a source of concern as regards to the 2025 economic outlook for Poland and/or PLN performance? Not really. This year economic growth is expected to be driven by domestic demand and rebounding fixed investment. Still the external position remains solid despite the high fiscal deficit as private sector savings remain high.

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