

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

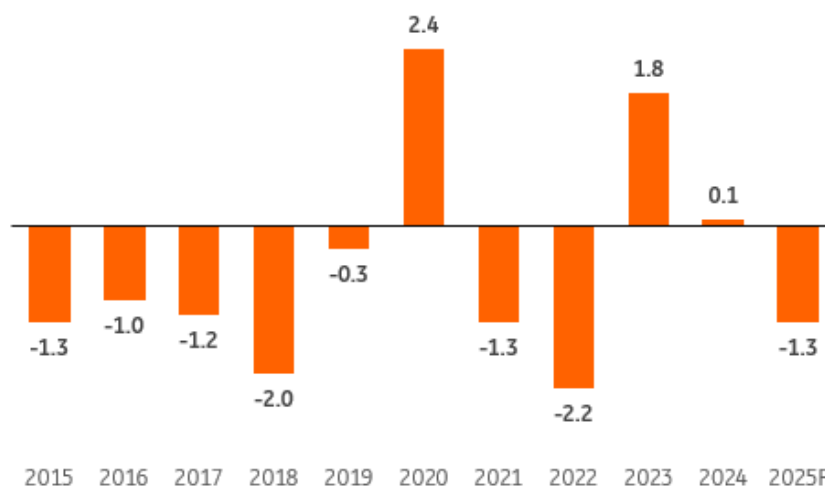


Poland's current account position is expected to deteriorate in 2025

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.

Author

Adam Antoniak

Senior Economist

adam.antoniak@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.