

## Poland's current account in deficit for the first time in two years

Within less than a year the current account balance has deteriorated by more than 3% of GDP. However, in the difficult external environment, a current account close to being in balance can be regarded as a decent result



Rising gas prices in Bielsko, Poland

According to National Bank of Poland (NBP) data, Poland's current account deficit amounted to €1.1bn in November – around €0.3bn better than expected by consensus and our forecast (€1.4bn). This was a result of a deficit in commodity trade of €0.6bn and traditionally: a sizeable surplus in services (almost €2.0bn) and equally high deficit in primary income (€2.1bn) and a deficit in secondary incomes (transfers) of €0.3bn. The difference between growth rates of merchandise imports (29% year-on-year) and exports (14% YoY) increased from 11.2 percentage points in October 2021 to 14.8ppt in November.

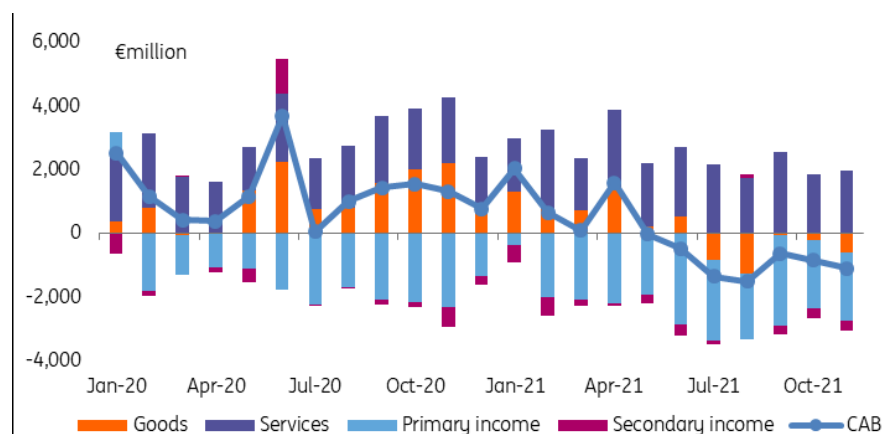
High turnover in merchandise trade in November is consistent with the recent data readings on industrial production in Poland in export-oriented branches and in Germany's industrial production. Import bills have been inflated by a rebound in domestic demand (therefore imports of passenger cars are rising) and high prices of energy commodities in Europe, in particular soaring prices of natural gas. Export opportunities are constrained by the availability of electronic chips and other

components on global markets, which leads, for example, to lower sales of passenger cars and car parts. The big jump in natural gas prices in Western Europe temporarily enables higher exports of electricity based on coal. According to the NBP's press release, among export categories, strong increases were also recorded in: coke, refined copper, computers, and car batteries.

After the revision of quarterly data of balance of payments, the current account balance in 12-month cumulative terms turned into a deficit in November (-0.2% of GDP). Preliminary data indicated it occurred a month before, the first time in two years. Nevertheless, within less than a year the current account balance deteriorated by more than 3% of GDP. In December 2020, it reached a surplus of 2.9% of GDP. The fourth quarter of 2021 should bring another negative contribution of net exports to economic growth in Poland.

Today's data is Zloty neutral, as its exchange rate in recent weeks has been driven by monetary policy decisions and expectations of further interest rate hikes. However, in the difficult external environment, a current account close to being in balance (0 deficit) can be regarded as a decent result, even though its further, gradual deterioration is expected in 2022.

## Poland: current account components in 2020-21



Source: NBP data.

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