

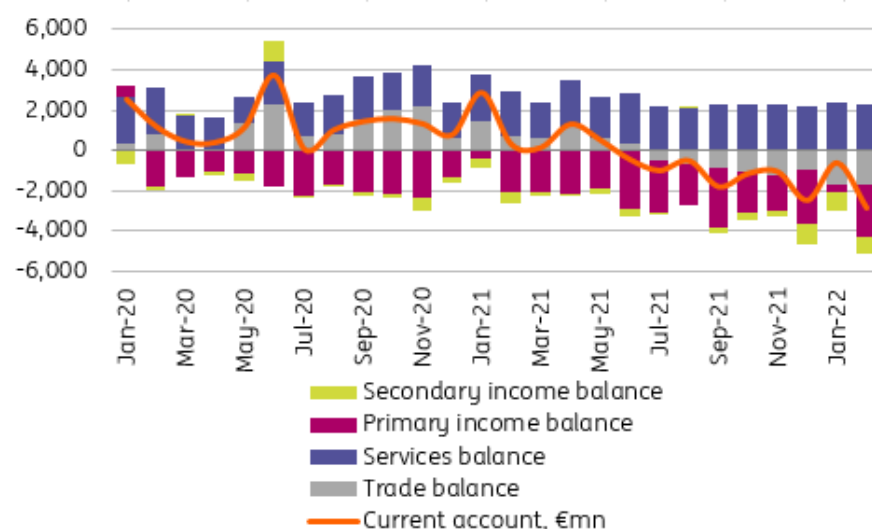
Poland's current deficit widened to nearly €3bn with further deterioration ahead

Soaring commodity prices pushed up the value of imports and led to a deterioration in Poland's trade balance and the current account. The negative balance will increase further in the coming months as the war in Ukraine hits exports markets and boosts the costs of imports. External imbalances should remain moderate and are unlikely to hurt the zloty



In February, Poland's current account balance of payments posted a deficit of €2,871m (ING: - €2,233m; consensus: -€2,095m). In February 2021 it recorded a surplus of €276m. In February this year exports of goods went up by 10.4% year-on-year, while imports increased by 21.6% YoY. We estimate that on a 12-month moving basis the current deficit increased to 1.8% of GDP from 1.2% of GDP in January. Data released today covers mostly the period before the outbreak of the war in Ukraine, which will have a profound negative impact on foreign trade turnover.

Current account deficit reached nearly €3bn in February



Source: GUS

In the note accompanying the data release the National Bank of Poland stressed the importance of price developments in terms of foreign trade. In the case of exports the strongest growth in value was observed in the case of electricity, coke, coal, fertilizers, computers and processors. As regards imports, sharp growth was reported in the value of natural gas and crude oil as well as some other commodities (steel products, aluminum).

Poland's external position is broadly balanced and the current account deterioration in recent quarters was mainly driven by price developments, ie, sharp increases in commodity prices (natural gas, crude oil) that boosted the nominal value of imports. At the same time, the economic rebound buoyed demand for imports in real terms.

The current account gap is expected to widen further in the upcoming months. The collapse of trade with the East (Ukraine, Russia, and Belarus) and softer demand from the euro area because of military conflict in Ukraine will hit Poland's exports. Production downtimes in the automotive industry will also weigh on foreign sales. In turn, imports will continue to remain high in nominal terms on the back of high commodity prices amid stiff demand for imported energy.

The current account balance is currently not particularly important for the zloty (PLN). Exchange rate moves are chiefly shaped by fiscal and monetary developments as well as geopolitics (war in Ukraine, lack of agreement between Polish government and the European Commission on the National Recovery Plan). The level of external imbalances is projected to remain moderate and unlikely to be a source of downward pressure on the PLN exchange rate.

Author

Adam Antoniuk

Senior Economist, Poland

adam.antoniuk@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.