

Poland's external balance delivered a positive surprise in October

An unexpectedly large surplus in the current account in October was driven by an improvement in the trade balance and a cyclical decrease in the primary income deficit. In our view, this is not a new trend though



Poland's current account was negative in November on rising competition from China

The current account balance recorded an unexpectedly high surplus of €1,924 million in October (well above our forecast of €440 million and the consensus of €163 million). On a 12-month basis, the balance improved to -0.8% of GDP from -0.9% of GDP after September. The goods deficit on a similar basis fell to 1.4% of GDP from 1.5% the previous month.

The positive current account balance in October was the result of an unexpected goods surplus of €553 million (following a deficit of -€1,022 million in September), a deficit on the primary income account (-€1,835 million, i.e. half the size of the -€3,539 million the previous month, with the October decline being cyclical and mainly due to improved income), a small deficit of €38 million in secondary income, and a traditionally high surplus in the trade in services (€3,244 million).

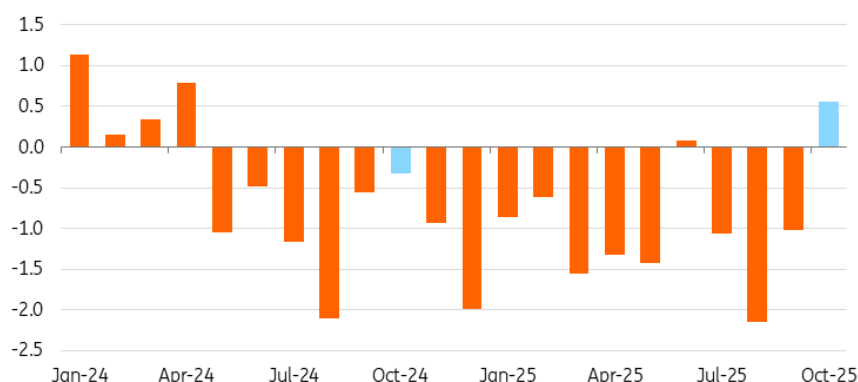
As expected, the dynamics of exports and imports of goods declined compared to September, with the same number of working days as a year ago, whereas September had one extra working day. Exports expressed in euros grew by 5.4% year-on-year (down slightly from 5.8% in September), while imports surprised with an increase of only 2.4% YoY (down significantly from 7.3% the previous month). The temporary reduction in imports may have been influenced by additional border checks with Belarus following a two-week border closure in September. Rail transport through a large hub Małaszewicze was operational but with delays, which may have affected the imports from China.

National Bank of Poland analysts, in their commentary on the data and referring to changes in the zloty, noted that trade in goods in October reached its highest value since March 2023. Declines were seen in the export and import of intermediate goods. On the export side, the largest contributor to overall export growth was the sale of other consumer goods, particularly clothing, footwear, and video game consoles (mainly 're-export' categories). There was also a strong increase in bus sales and agricultural product exports. However, exports of cars, car parts, and supply goods fell. On the import side, there was an increase in the delivery of investment goods, mainly computers, as well as the import of passenger cars (CSO data indicate almost a 14% YoY increase in imports from China year-to-date through October). The growth rate of imports of consumer goods and agricultural products declined; the weakening of import dynamics was also influenced by falling fuel prices.

In recent months, balance of payments data have fairly accurately reflected the underlying macroeconomic trends. Amidst the dynamic growth of the Polish economy, domestic demand remains the main driver of growth, while the contribution of net exports is small (this year we forecast a slightly negative contribution of -0.4 percentage points). Next year, we expect a slight increase in goods turnover after a turbulent 2025, including a 3.4% rise in exports and a 3.9% rise in imports. We anticipate that the current account deficit will remain at a low level of around 0.9% of GDP in 2026. Growth in Polish exports will be supported by a revival in external demand from the eurozone, particularly from Germany in connection with the launch of a fiscal stimulus package. Import growth will be sustained by robust domestic private consumption and a recovery in investment, driven by the accumulation of EU fund disbursements (Cohesion and Recovery and Resilience Facility) and lower interest rates.

The Polish economy remains solidly balanced externally, and balance of payments data have little impact on the short-term valuation of the zloty, which for most of this year has traded within a relatively narrow range around 4.25 to the euro. For the FX market, the key factors are decisions by global central banks and the policy and rhetoric of the National Bank of Poland.

Monthly merchandise trade balance (in € billion)



Source: NBP data

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