Poland’s external balance worsens as imports surge

Poland’s external current account balance deteriorated sharply in March on the back of rising imports and subdued exports. The sharp rise in intermediate and investment imports suggests frontloading ahead of President Trump's tariffs or purchases of military equipment. Poland’s external position remains solid and balanced though

Warsaw's market square

In March 2025, the current account balance showed a significant deficit of €1,419 million, well below the consensus of a €123 million surplus. The March balance was the result of deficits in: goods trade (€1.9 billion), primary income (€2.5 billion), and secondary income (€0.5 billion), along with the traditional surplus in services trade (€3.5 billion). On a 12-month basis, the current account deficit deepened to 0.4% of GDP from 0.1% of GDP a month earlier. Meanwhile, the trade balance deteriorated to -1.4% of GDP from -1.1% of GDP.

In March, the goods trade balance significantly worsened as the year-on-year growth rate of euro-denominated imports rebounded sharply to 9.1% in March from 2.5% in February. At the same time, exports grew by 1.4% YoY after a -1.4% decline in the previous month. This was consistent with rather disappointing data on industrial production and retail sales in March, although the high import growth suggests frontloading ahead of the Trump tariffs or military equipment purchases.

According to the National Bank of Poland, export sales in the automotive sector and durable consumer goods (expressed in zloty terms) continued to decline. Growth was recorded only in the export of agricultural products, due to higher global prices. The sharp rebound in imports was driven by purchases of consumer goods, including double-digit growth in durable goods imports. After many months of declines, imports of intermediate goods also increased in March, which may suggest frontloading ahead of trade disruptions due to Trump's tariffs.

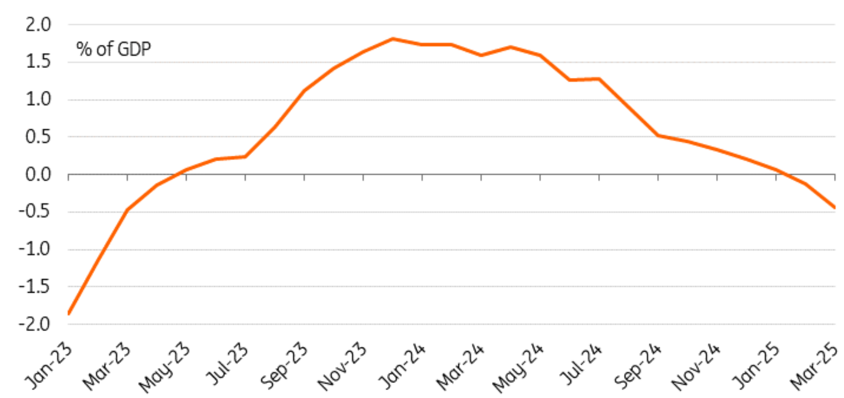
The March data covers the period just before the outbreak of the global trade war in April, particularly between the US and China. Today we know that the 145% tariffs on Chinese goods by the USA and 125% tariffs on American goods by China were reduced by 115 percentage points in May and suspended for three months. Although Poland is less exposed to Trump's tariffs than other countries in the CEE region, the scale of indirect exposure of value added in Poland reaching the US is twice as high as direct exports. Additionally, Poland has significant exposure through the services sector, including IT and professional business services.

During 2025, we forecast a gradual deepening of the current account deficit to 1.3% of GDP by the end of the year, partly due to a further increase in the goods deficit. We see several barriers to export growth and space for import growth along with accelerating domestic demand and military purchases abroad. The short-term growth prospects of the German economy (the largest market for Polish exports) remain weak, although we recently revised our forecast for Germany's real GDP growth in 2025 upwards to 0% from -0.2%. The negative impact will come from US tariffs (although the US-EU trade war has been suspended for three months, with 10% universal tariffs and sectoral tariffs on steel, aluminium, and cars still in place). The fiscal package of the new Chancellor Merz will boost GDP only next year. However, the expectations may have a slightly positive effect even this year, as suggested by the optimistic reading of the ZEW early indicator in May. The still relatively strong zloty may hamper the prospects for Polish exports.

The zloty exchange rate in recent weeks has been shaped by global factors (trade wars and their corrections, ceasefire negotiations in Ukraine), the NBP's decision to cut interest rates and changes in the Council's rhetoric. Today's balance of payments data has a slightly negative impact on PLN, although Poland's external position is almost balanced, and expectations regarding the NBP's interest rate path and geopolitical factors are key for FX market participants.

Poland's current account balance

12-month rolling, % of GDP



Source: NBP and CSO data, ING estimates

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