

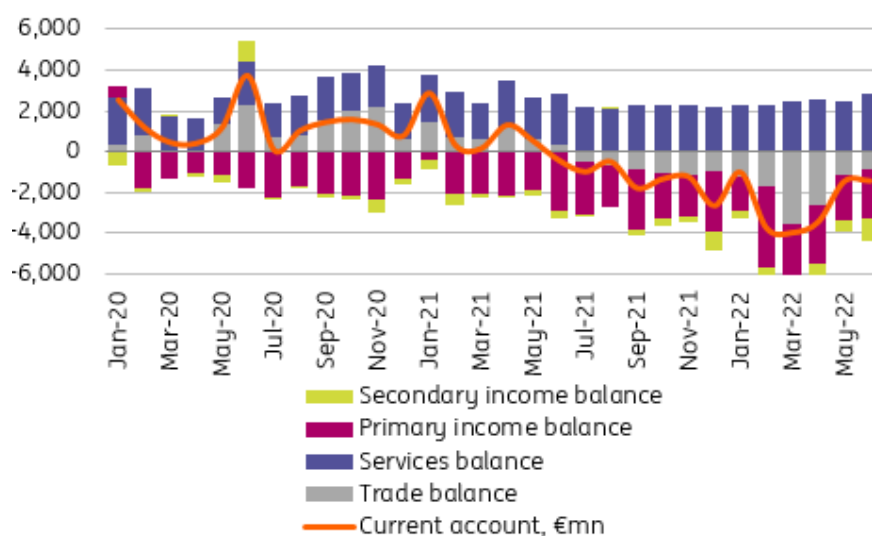
## Poland's foreign trade deficit narrowing gradually

In June, the Polish current account deficit turned out smaller than expected once again on the back of an improving trade balance as import growth is easing. On a 12-month basis, the current account deficit was 3.9% of GDP and should start stabilising around 5% of GDP at the end of 2022. The external imbalance is currently not on FX investors' radar



The current account balance recorded a deficit of just €1,468mn (INGF: €2,740mn; consensus: €2,368mn) in June, made up of a deficit in goods trade (€849mn), negative primary income (€2,460mn) and secondary income balances (€1,039mn) and a surplus in services trade (€2,880mn). On a 12-month basis, the current account deficit was 3.9% of GDP.

## Current account balance and its composition (€mn)



Source: NBP.

Visibly smaller trade deficits in the last two months than before were the main reason for the smaller scale of current account imbalances in May and June. In June, euro-denominated exports of goods increased by 25.8% year-on-year, while imports grew by 31.5% YoY (our forecasts of 26.7% YoY and 34.9% YoY respectively). The National Bank of Poland's press release paints an interesting picture of the impact of the war in Ukraine on Poland's foreign trade. Despite military activities Polish exports to Ukraine are growing (mainly fuel and used cars), which has moved the country to seventh place among major export partners. At the same time the embargo on Russian coal and the restriction of imports of gas and other energy resources from Russia have translated into a year-on-year decline in imports from this direction.

Slowing domestic demand and lower prices for some raw materials should curb the increase in the value of imports. At the same time, the unfavourable outlook for European industry may translate into lower demand for Polish exports, although recent industrial production data in the euro area have surprised on the upside. A trend of a gradual reduction in the imbalance in goods trade has emerged in recent months and should continue in the face of the economic slowdown.

The coming months are likely to see a further widening of the cumulative 12-month current account deficit, but unless the energy crisis intensifies, the level of external imbalance should stabilise around 5% of GDP. This is not a factor that is currently having a significant negative impact on the PLN exchange rate, which is currently mainly shaped by global sentiment and on the monetary policy outlook of the NBP and the Fed and European Central Bank.

## Author

**Adam Antoniuk**

Senior Economist, Poland

[adam.antoniuk@ing.pl](mailto: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](http://www.ing.com).