

Poland's external position deteriorates in January but is generally balanced

Poland's external position has deteriorated in January, but remains solid. This trend is likely to continue in 2025 amid weak external demand (Europe should see increased demand in 2026) while domestic demand accelerates already



Poland's current account deficit deteriorated in January and the trend is likely to continue on weak external demand

In January 2025, Poland recorded a current account deficit of €168 million, below the consensus which anticipated a surplus of around €400 million. This was the result of deficits in goods trade (€1.5 billion), primary income account (€1.6 billion), and secondary income account (€0.7 billion), and a surplus in services trade (€3.6 billion). On a twelve-month basis, the current account balance deteriorated to a minimal deficit of -0.1% of GDP in January from a minimal surplus of 0.1% of GDP in December 2024. The trade balance worsened accordingly to -1.1% of GDP from -0.8% of GDP a month earlier.

January did not bring significant changes in goods trade trends from previous months, but the difference in import and export dynamics widened sharply. Goods exports in € fell by 0.7% year-on-year (down from a decline of 0.3% in December), while imports jumped by 9.9% YoY from 3.9% a month earlier. According to the National Bank of Poland (NBP), the weak export performance continued in transport equipment, including automotive parts and passenger and commercial

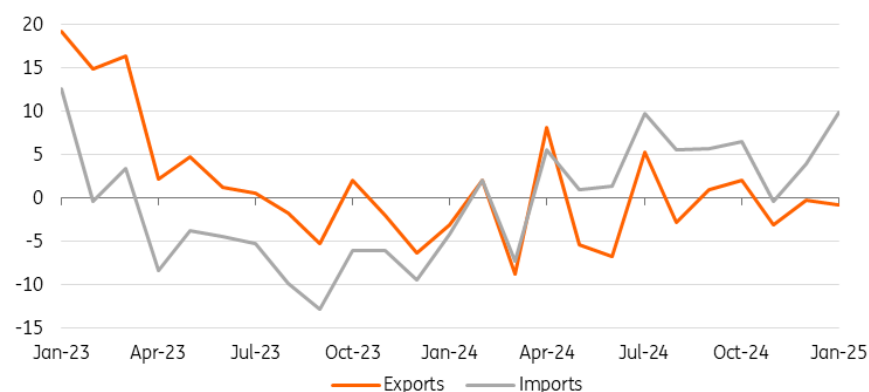
vehicles, while exports of agricultural products increased. At the same time, imports of consumer goods, agricultural products, and fuels (due to higher global commodity prices) increased significantly. A decline was noted in the import of transport equipment, including car parts.

In 2025, we expect a current account deficit of 1.3% of GDP, mainly due to the further increase in the goods deficit and the persistence of income deficits, which will not be offset by the surplus in services trade. We see several barriers to export growth and room for import growth with the acceleration of domestic demand and foreign military purchases.

1. Regarding the largest market for Polish exports, the short-term growth prospects for the German economy are weak, although the expected adoption of a fiscal package and the unblocking of the so-called debt brake in the Constitution may be a stimulus for German GDP growth and Polish exports, but rather from 2026.
2. Additionally, the real effective exchange rate of the zloty is at a record high, which limits the price competitiveness of Polish companies in global markets. In NBP studies, the break-even exchange rate for exports profitability moves along with the spot exchange rate. In fourth quarter 2024, the declared profitability threshold was €/PLN 4.01, and companies did not indicate the exchange rate as a significant barrier to operations. Nevertheless, in recent years, the percentage of exporters with unprofitable exports has increased from about 11% at the beginning of 2023 to over 14% at the end of 2024.
3. Global trade is on the brink of a tariff war due to the protectionist and unpredictable course of the new US administration and reactions from other regions, including the EU, to US tariffs. Although Poland is less exposed to US tariffs than other countries in the region (exports to the US accounted for 1.4% of Polish GDP in 2024, while for the Czech Republic and Hungary it was 2.1% and 2.4%, respectively). Nevertheless, according to NBP analyses, the scale of exposure of Polish goods exports to the US is about twice as high when re-exports of Polish goods to the US through other countries (from the EU and outside the EU) and the significant role of services (especially IT and technical services) in Polish exports to the US are taken into account.

A moderate deterioration of the current account balance is slightly negative for the zloty. However, the PLN exchange rate is supported by the growing interest rate disparity between Poland and the eurozone (the European Central Bank continues its cycle of interest rate cuts in 2025, while the NBP has not changed interest rates and maintains a hawkish rhetoric) and the inflow of EU funds from the Recovery and Resilience Facility and Cohesion Policy.

Growth rate of exports and imports of goods, expressed in €, YoY, %



Source: NBP data

Author

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

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