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Economic Comment

Scaled down April trade flows

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Poland's current account showed +€1.1bn in April, a bit more than the market expected (€0.8bn). Exports and imports fell dramatically, both in goods and services. We are expecting the trade turnover to be improving gradually from June on, but given worse economic climate worldwide it is unlikely to return to pre-covid momentum anytime soon.

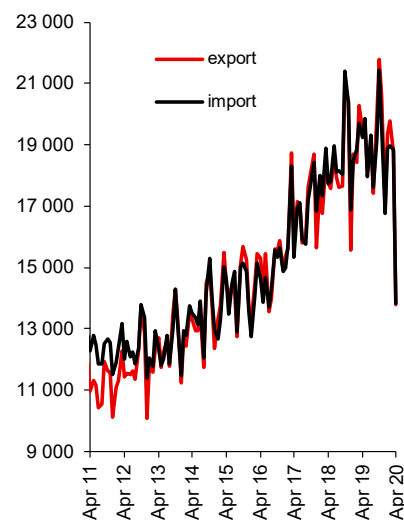
Exports fell by 29.2% y/y and imports by 28.2% y/y with most considerable falls in trade of cars and car parts, furniture and oil (in line with the biggest drops in industrial output). Trade balance remained roughly close to zero.

Services took even a bigger hit, with exports falling by 40.6% and imports by 43.8%. Tourism and transport were mostly affected and this make up a lion share of total Polish service trade (transport: 28% of export and 24% of import, tourism: 19% of export and 22% of import, data for 2019). Services balance shrank to +€1.26bn from +€1.81bn in March.

Primary incomes deficit was relatively small at €85mn, as the NBP assumed a major deterioration of companies' results of hence low reinvested earnings of foreign-owned companies. Still, the balance deteriorated versus March given higher dividend payments. Secondary income balance remained fairly balanced.

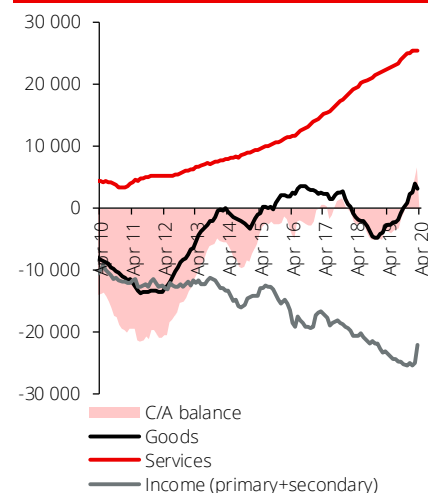
12M current account is improving quickly and we estimate it at +1.5% of GDP versus +0.5% of GDP at the end of 2019. We are expecting it to improve further, with improved primary incomes balance as the main driver. We are expecting the trade turnover to be improving gradually from June on, but given worse economic climate worldwide it is unlikely to return to pre-covid momentum anytime soon.

Foreign trade turnover, €mn



Source: NBP, Santander

Current account components, €mn, 12m sum



Source: NBP, Santander

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