

Warsaw, 30 September 2020

Balance of Payments in Poland in Q2 2020

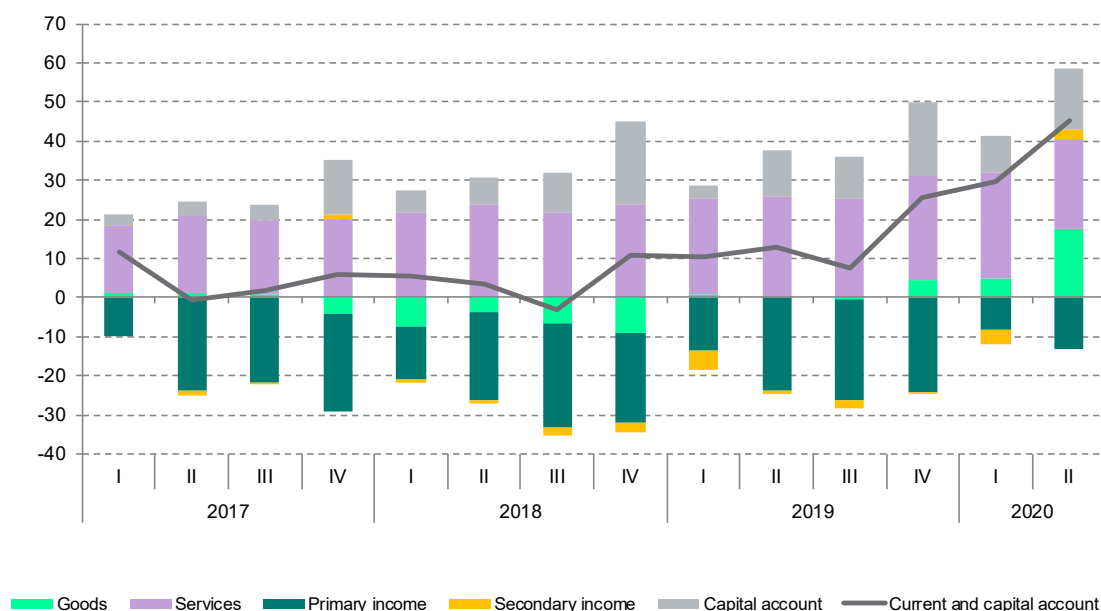
The quarterly bop has been drawn up based on monthly and quarterly information reported by Polish residents involved in transactions with non-residents, public statistics surveys as well as administrative data sources.

This version of bop is preliminary and may be subject to further revisions, especially taking into account the restrictions on the availability of certain information related to the COVID-19 pandemic.

The current and capital account

The combined current and capital account was positive and amounted to PLN 45.3 billion. The current and capital account balance in that quarter accounted for 8.6% of the GDP, up by 6.3 percentage points when compared with Q2 2019.

Graph 1 Current and capital account, PLN billion



The surplus on the current account amounted to PLN 29.6 billion, up by PLN 28.8 billion when compared with the corresponding quarter of 2019. This balance was influenced by positive balance of services (PLN 23.0 billion), trade in goods (PLN 17.6 billion) and secondary income (PLN 5.7 billion) as well as negative balance on primary income (PLN 13.3 billion). Increase in trade in goods surplus and decrease in the primary income deficit significantly influenced the improvement of the current account. The ratio of the current account balance to GDP was positive and stood at the highest level in the history 5.6%, and up by 5.5 percentage points when compared with Q2 2019.

Trade in goods

The second quarter of 2020 was another period in which the economic consequences of the COVID-19 pandemic were observed. Applied preventive measures limiting the economic activity during the first two months of the quarter influenced the volume of both imports and exports. Exports was estimated at PLN 218.6 billion, while imports at PLN 201.0 billion. The decline of PLN 28.6 billion, i.e. 11.6%, in exports of goods when compared with the corresponding quarter of 2019 was mainly driven by a decrease in sales abroad of automotive parts, passenger cars, trucks and furniture. The decrease of PLN 46.1 billion, i.e. 18.7% in imports was largely due to lower value of purchases of crude oil and other fuels, passenger cars, trucks and automotive parts. Prices of imported crude oil denominated in PLN were 40% lower when compared with the corresponding period of 2019. The surplus on trade in goods stood at PLN 17.6 billion, up by PLN 17.5 when compared with the corresponding quarter of 2019. It was the highest balance on trade in goods ever recorded in the balance of payments.

International trade in services

Exports of services provided by Polish entities to non-residents amounted to PLN 55.6 billion, while imports of services purchased from non-residents to PLN 32.6 billion. Compared with Q2 2019, exports of services were PLN 10.6 billion, i.e. 16.1% lower, while imports declined by PLN 8.1 billion i.e. 20.0%.

In the period under review, the balance on services was positive and amounted to PLN 23.0 billion. This figure was determined by positive balances on: other services of PLN 13.0 billion (up by PLN 2.0 billion when compared with Q2 2019), transportation services of PLN 7.7 billion (down by PLN 1.7 billion when compared with the corresponding period of the previous year), and travel amounting to PLN 2.3 billion (down by PLN 2.8 billion). When compared with the corresponding period of the previous year the balance on services decreased by PLN 2.5 billion. This decrease was influenced by the decline in travel and transportation resulting from travel and trade restrictions introduced by EU and non-EU countries due to the outbreak of the COVID-19 pandemic.

Primary income

The balance on primary income was negative and stood at PLN 13.3 billion. This was determined by negative balances on investment income (PLN 14.6 billion) and

compensation of employees (PLN 3.2 billion) and positive balance on other primary income (PLN 4.5 billion). The size of negative balance of investment income, which was considerably lower when compared with previous years, resulted primarily from incomes obtained by foreign direct investors. This balance was influenced by a decrease in companies' income due to preventative restrictions counteracting the spread of COVID-19. Moreover, the value of declared dividends was 40% lower than in Q2 2019. Foreign direct investor's income due to their capital involvement in Polish companies stood at PLN 14.4 billion. Direct investment income consisted of: dividends in the amount of PLN 12.1 billion and interest on debt instruments amounting to PLN 2.3 billion.

The negative balance on primary income was also affected by non-residents' income on portfolio investments in Poland (i.e. interest on debt securities issued by Polish entities). This amounted to PLN 2.7 billion, and was 44.4% lower than in Q2 2019. This decrease affected mostly equity securities and was the result of suspension of dividend payments by Polish companies (due to COVID-19 pandemic). Decline in the average value of Polish security bonds' coupon had an impact on the interest on these bonds.

Non-residents' income on other investments, mainly on other loans extended to Polish other sectors, stood at PLN 1.5 billion, down by 18.9% when compared with Q2 2019.

Secondary income

In Q2 2020 credits on secondary income amounted to PLN 11.6 billion, a twofold increase when compared with the corresponding period of 2019. Debits stood at PLN 9.2 billion, up by 28.7% in comparison with Q2 2019. Major components of this item were: balance of secondary income of government sector (EU transactions) as well as balance of other sectors. The secondary income balance on other sectors was positive and amounted to PLN 6.9 billion. Credits on secondary income amounted to PLN 10.0 billion, of which PLN 2.8 billion were workers' remittances. Debits amounted to PLN 3.2 billion, of which PLN 0.7 billion were workers' remittances.

EU transfers

The inflow of EU funds, included in balance of payments, amounted to PLN 22.9 billion. On the current account, this inflow amounted to PLN 6.0 billion, of which PLN 5.4 billion was registered as primary income (mostly under the Common Agricultural Policy), and PLN 0.6 billion as secondary income (mostly resulting from the European Social Fund). In the capital account, the inflow stood at PLN 16.9 billion (PLN 13.4 billion under the European Regional Development Fund and PLN 3.5 billion under the Cohesion Fund). In the same period, Poland's membership premiums paid to the EU budget amounted to PLN 6.3 billion. As a result of these transactions the balance of EU transfers in Q2 2020 was positive and amounted to PLN 16.6 billion.

Financial account (net assets)

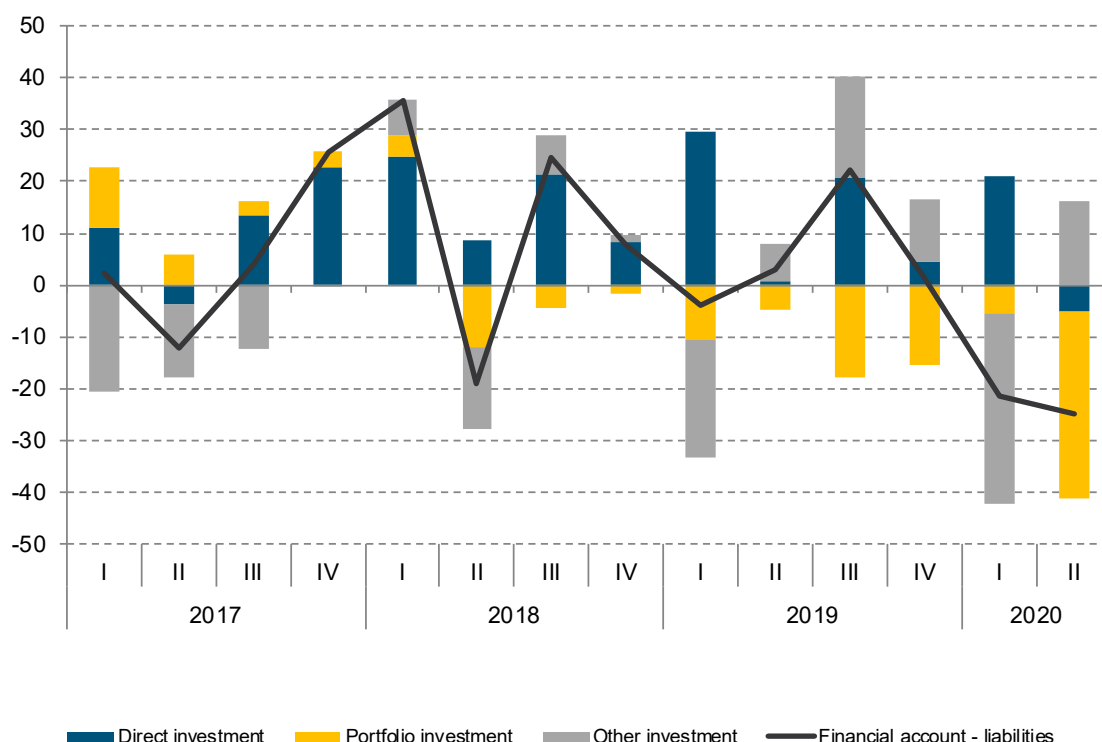
Balance of the financial account was positive and amounted to PLN 35.7 billion which means an increase in external assets net. This balance was influenced by an increase in Polish investment abroad by PLN 10.9 billion (outflow of capital) as well as decrease in liabilities vis-à-vis non-resident investment in Poland (outflow of capital) by PLN 24.8 billion.

Foreign investment (liabilities)

The negative balance of foreign investment in Poland was mainly influenced by capital outflow from portfolio investment and direct investment.

The balance of non-resident direct investment decreased by PLN 5.3 billion. This amount was significantly influenced by outflow of capital against debt instruments in the amount of PLN 5.6 billion. Polish non-financial entities decreased their liabilities vis-à-vis foreign investors in trade credits received. Slight increase in shares and equity in the amount of PLN 0.3 billion have also had an influence on this item.

Graph 2 Foreign investment in Poland, PLN billion (liabilities)



In Q2 2020 there was an outflow of foreign capital from the Polish securities' market in the amount of PLN 35.9 billion. The balance on portfolio investment was negative due to the outflow of investments from the debt instruments market (PLN 33.0 billion) as well as outflow of investment from the Polish equity market (PLN 2.8 billion). Non-residents also decreased their portfolio of Treasury bonds by PLN 32.9 billion. In the case of treasury

bonds issued on foreign markets, the outflow of net capital amounted to PLN 18.7 billion, mostly due to State Treasury's scheduled repurchase of bonds issued on external markets (nominal value EUR 5.2 billion). Non-residents have also decreased their portfolio of bonds nominated in PLN by PLN 14.2 billion.

Non-residents' investment in instruments classified under other investment increased by PLN 16.3 billion. The main influence on the increase in other investment was NBP transactions, as a result of which NBP's liabilities went up by PLN 27.8 billion (mainly due to repo transactions). The government sector's liabilities increased by PLN 3.1 billion, in a significant part this concerned the loan received from the European Investment Bank. In the discussed period, other sectors decreased their liabilities, by PLN 10.7 billion, on account of repayment of trade credits and loans received from non-residents. At the same time the banking sector slightly decreased its liabilities (down by PLN 3.9 billion), mostly due to decrease in currency and deposits (down by PLN 2.6 billion) as well as repayment of loans received from non-residents by PLN 1.3 billion.

Resident investment abroad (assets)

The balance of residents' investment abroad was positive mostly as a result of balance on items recorded under official reserve assets and portfolio investment as well as negative transactions registered under other investment.

In Q2 2020, the level of official reserve assets was significantly impacted by transactions conducted by NBP amounting to PLN 25.2 billion. These were primarily own transactions, and transactions carried out at the request of NBP clients – in particular, the European Commission and the Ministry of Finance.

Direct investment balance was negative and amounted to PLN 7.9 billion. This was driven mainly by decrease in assets due to debt instruments (PLN 7.4 billion) as well as negative reinvested earnings (PLN 0.4 billion). Polish non-financial entities decreased their assets in direct investment enterprises (due to trade credits extended and other assets).

In Q2 2020, Polish portfolio investment abroad increased by PLN 10.2 billion. Residents, mainly investment and pension funds, increased their investment in equity securities by PLN 4.8 billion. At the same time, residents invested PLN 5.4 billion in foreign debt securities. Banks purchased foreign treasury bonds for PLN 2.3 billion and investment funds made the purchase for PLN 2.4 billion.

The balance of other Polish investment abroad was negative and stood at PLN 12.6 billion. This position was significantly affected by transactions of other sectors. Assets went down by PLN 10.7 billion as a result of withdrawal of currency and deposits from banks abroad and drop in receivables against trade credits extended as well as other assets. The negative balance was also affected by transactions of the banking sector (down by PLN 2.7 billion) mostly due to currency and deposits placed with banks abroad (down by PLN 2.6 billion).

Balance on derivative instruments was negative and stood at PLN 4.0 billion. Negative balance translates into the inflow of funds as a result of realised profits of residents. The

highest share in these profits was realised by Polish energy sector entities, which had open positions in derivatives with CO₂-emissions permit as an underlying instrument.

Additional information on the balance of payments

Balance of payments data for August 2020 will be released on 14 October 2020.

Balance of payments data for Q3 2020 will be released on 30 December 2020.

Time series of the quarterly balance of payments beginning with Q1 2004 are available at the NBP website.

http://www.nbp.pl/statystyka/Bilans_platniczy/BOP_q.xlsx

Time series of the monthly balance of payments beginning with January 2004 are available at the NBP website.

http://www.nbp.pl/statystyka/Bilans_platniczy/BOP_m.xlsx

Analytical tables of the quarterly balance of payments beginning with Q1 2004 are available at the NBP website.

http://www.nbp.pl/statystyka/Bilans_platniczy/BOP_q_PLN.xlsx

Time series of the monthly stock of official reserve assets beginning with January 1998 are available at the NBP website.

http://www.nbp.pl/statystyka/DWN/Rez_m.xlsx

Appendix 1

Balance of Payments^{7/}

mn PLN

	2019	2020		II Q 20 - I Q 20		II Q 20 - II Q 19	
	II Q	I Q	II Q	Change	Dynamics	Change	Dynamics
Current Account	832	19 994	29 634	9 640		28 802	
Balance on goods	77	4 674	17 593	12 919		17 516	
Goods: exports	247 230	254 286	218 616	-35 670	86,0%	-28 614	88,4%
Goods: imports	247 153	249 612	201 023	-48 589	80,5%	-46 130	81,3%
Balance on Services	25 500	27 092	22 989	-4 103		-2 511	
Services: Credit	66 266	64 560	55 613	-8 947	86,1%	-10 653	83,9%
Services: Debit	40 766	37 468	32 624	-4 844	87,1%	-8 142	80,0%
Balance on Primary Income	-23 846	-8 448	-13 328	-4 880		10 518	
Primary income: credit	15 137	17 769	12 163	-5 606	68,5%	-2 974	80,4%
Primary income: debit	38 983	26 217	25 491	-726	97,2%	-13 492	65,4%
Balance on Secondary Income	-899	-3 324	2 380	5 704		3 279	
Secondary income: credit	6 228	6 612	11 557	4 945	174,8%	5 329	185,6%
Secondary income: debit	7 127	9 936	9 177	-759	92,4%	2 050	128,8%
Capital Account	12 099	9 771	15 690	5 919		3 591	
Capital account: credit	12 398	14 881	17 305	2 424	116,3%	4 907	139,6%
Capital account: debit	299	5 110	1 615	-3 495	31,6%	1 316	540,1%
Financial account	9 971	29 912	35 697	5 785		25 726	
Direct investment - assets	3 253	887	-7 936	-8 823		-11 189	
Equity and investment fund shares	4 435	-1 574	-518	1 056		-4 953	
Debt instruments	-1 182	2 461	-7 418	-9 879		-6 236	
Direct investment - liabilities	606	20 947	-5 255	-26 202		-5 861	
Equity and investment fund shares	5 392	9 450	338	-9 112		-5 054	
Debt instruments	-4 786	11 497	-5 593	-17 090		-807	
Portfolio investment - assets	-504	-3 297	10 256	13 553		10 760	
Equity securities	-143	-3 161	4 804	7 965		4 947	
Debt securities	-361	-136	5 452	5 588		5 813	
Portfolio investment - liabilities	-4 800	-5 418	-35 873	-30 455		-31 073	
Equity securities	980	-2 510	-2 836	-326		-3 816	
Debt securities	-5 780	-2 908	-33 037	-30 129		-27 257	
Other investment - assets	-3 676	29 136	-12 631	-41 767		-8 955	
Monetary authorities	0	14	0	-14		0	
General government	164	1 323	772	-551		608	
MFIs (excluding monetary authorities)	-3 437	17 761	-2 708	-20 469		729	
Other sectors	-403	10 038	-10 695	-20 733		-10 292	
Other investment - liabilities	7 178	-36 895	16 312	53 207		9 134	
Monetary authorities	3 692	-42 242	27 832	70 074		24 140	
General government	-1 194	-637	3 146	3 783		4 340	
MFIs (excluding monetary authorities)	-5 408	3 290	-3 969	-7 259		1 439	
Other sectors	10 088	2 694	-10 697	-13 391		-20 785	
Financial derivatives	-794	2 635	-4 012	-6 647		-3 218	
Official reserves assets	14 676	-20 815	25 204	46 019		10 528	
Net Errors and Omissions	-2 960	147	-9 627	-9 774		-6 667	

^{7/} Preliminary data

Appendix 2

Balance of Payments^{7/}

mn EUR

	2019	2020		II Q 20 - I Q 20		II Q 20 - II Q 19	
	II Q	I Q	II Q	Change	Dynamics	Change	Dynamics
Current Account	192	4 623	6 576	1 953		6 384	
Balance on goods	18	1 081	3 904	2 823		3 886	
Goods: exports	57 717	58 827	48 510	-10 317	82,5%	-9 207	84,0%
Goods: imports	57 699	57 746	44 606	-13 140	77,2%	-13 093	77,3%
Balance on Services	5 951	6 267	5 102	-1 165		-849	
Services: Credit	15 468	14 935	12 341	-2 594	82,6%	-3 127	79,8%
Services: Debit	9 517	8 668	7 239	-1 429	83,5%	-2 278	76,1%
Balance on Primary Income	-5 567	-1 955	-2 958	-1 003		2 609	
Primary income: credit	3 534	4 111	2 699	-1 412	65,7%	-835	76,4%
Primary income: debit	9 101	6 066	5 657	-409	93,3%	-3 444	62,2%
Balance on Secondary Income	-210	-770	528	1 298		738	
Secondary income: credit	1 454	1 529	2 565	1 036	167,8%	1 111	176,4%
Secondary income: debit	1 664	2 299	2 037	-262	88,6%	373	122,4%
Capital Account	2 824	2 261	3 482	1 221		658	
Capital account: credit	2 894	3 443	3 840	397	111,5%	946	132,7%
Capital account: debit	70	1 182	358	-824	30,3%	288	511,4%
Financial account	2 326	6 919	7 920	1 001		5 594	
Direct investment - assets	760	205	-1 762	-1 967		-2 522	
Equity and investment fund shares	1 036	-365	-115	250		-1 151	
Debt instruments	-276	570	-1 647	-2 217		-1 371	
Direct investment - liabilities	142	4 846	-1 166	-6 012		-1 308	
Equity and investment fund shares	1 259	2 187	75	-2 112		-1 184	
Debt instruments	-1 117	2 659	-1 241	-3 900		-124	
Portfolio investment - assets	-118	-763	2 275	3 038		2 393	
Equity securities	-33	-731	1 066	1 797		1 099	
Debt securities	-85	-32	1 209	1 241		1 294	
Portfolio investment - liabilities	-1 119	-1 254	-7 960	-6 706		-6 841	
Equity securities	229	-581	-630	-49		-859	
Debt securities	-1 348	-673	-7 330	-6 657		-5 982	
Other investment - assets	-857	6 741	-2 803	-9 544		-1 946	
Monetary authorities	0	3	0	-3		0	
General government	39	307	171	-136		132	
MFIs (excluding monetary authorities)	-802	4 109	-601	-4 710		201	
Other sectors	-94	2 322	-2 373	-4 695		-2 279	
Other investment - liabilities	1 675	-8 533	3 619	12 152		1 944	
Monetary authorities	862	-9 772	6 175	15 947		5 313	
General government	-279	-147	699	846		978	
MFIs (excluding monetary authorities)	-1 263	762	-881	-1 643		382	
Other sectors	2 355	624	-2 374	-2 998		-4 729	
Financial derivatives	-186	609	-890	-1 499		-704	
Official reserves assets	3 425	-4 814	5 593	10 407		2 168	
Net Errors and Omissions	-690	35	-2 138	-2 173		-1 448	

^{7/} Preliminary data