Two External Deficits. Two Different Risks.

Poland, South Africa and the difference between external imbalances, sovereign funding and the price of corporate risk

A current-account deficit does not identify the borrower, the currency of the liability, or the cost of capital. Poland and South Africa provide a useful contrast: their external-account compositions, domestic capital markets and corporate funding conditions differ. A headline deficit is not a reliable shorthand for sovereign or corporate financing risk.

The question is not simply how large an external deficit has become. It is what drives it, how it is financed, who bears the risk and how that risk is priced.

Three findings

First: Poland's August goods deficit (€3.047bn) was almost fully offset by its services surplus (€3.003bn). Primary income was −€3.780bn, exceeding the €3.567bn monthly deficit, partly offset by a +€0.257bn secondary-income surplus. This is a one-month observation, not a full-year diagnosis. [1]

Second: South Africa's current account moved from +2.3% of GDP in Q1 2026 to −2.6% in Q2, a deterioration of 4.9 percentage points. These quarterly annualised observations are not directly comparable with Poland's monthly balance. [2]

Third: On 20 October, five-year PLN WIBOR 6M was 5.02% and ZAR JIBAR 3M was 7.94%, a nominal gap of 292bp. These are neither corporate credit spreads nor differences in fully hedged funding costs. [8]

Why these two countries?

Poland is deeply integrated into European industrial and supply chains; South Africa combines a commodity-export base with infrastructure constraints and a different domestic savings and funding structure. They are deliberately contrasting cases, not statistical peers.

The bilateral economic cooperation commission began its activities in Warsaw in September 2026, identifying renewable energy and industrial cooperation among prospective areas. This is evidence of a bilateral agenda, not proof of a material pipeline of Polish-financed South African renewable projects. [7]

External accounts, sovereign funding and corporate credit must be analysed separately; a headline deficit is not a proxy for the price of hedging.

1 | Poland: look beyond the merchandise trade balance

Poland's August 2026 current-account deficit was €3.567bn, comprising a goods deficit of €3.047bn, a services surplus of €3.003bn, a primary-income deficit of €3.780bn and a secondary-income surplus of €0.257bn. Goods and services together contributed only −€44m; primary and secondary income together contributed −€3.523bn. [1]

August 2026 current-account composition

Component	Balance, €bn
Goods	−3.047
Services	+3.003
Goods + services	−0.044
Primary income	−3.780
Secondary income	+0.257
Primary + secondary income	−3.523
Current account	−3.567

In August, the shortfall sits in the income lines rather than in goods and services. The data here cannot show whether the same holds over the trailing 12 months.

The primary-income deficit includes cross-border investment income and other primary-income payments. It should not be equated entirely with dividends or foreign direct-investment earnings. The annual composition and seasonal pattern matter before drawing structural conclusions.

2 | South Africa: a goods buffer with terms-of-trade vulnerability

South Africa's current account shifted from +2.3% of GDP in Q1 2026 to −2.6% in Q2, on the quarterly annualised reporting basis. The SARB reports a notable deterioration in the terms of trade, as rand import prices increased more than export prices, alongside higher import volumes. Petroleum imports increased sharply. The goods balance nevertheless retained a surplus, offset by negative services, income and transfer balances. [2–3]

The contrast in these observations is therefore not "two energy-driven deficits". Poland's August shortfall sits in the income lines; South Africa's Q2 reversal combines adverse trade-price and volume developments with persistent net payments elsewhere in the current account.

Frequency and composition matter

The Polish number is a single calendar-month balance in euros. The South African number is a quarterly flow expressed at an annualised rate relative to GDP. Neither should be substituted for the other, and a direct percentage-point ranking of external vulnerability would be misleading.

The South African terms-of-trade shock demonstrates why a country can retain a merchandise surplus and still experience a deterioration in its overall external account. It does not, by itself, identify the sovereign borrower or the corporate exposure that ought to be hedged.

3 | External financing and fiscal financing must be separated

A current-account deficit is financed through a combination of financial-account transactions and statistical or reserve adjustments. Foreign direct investment, portfolio flows and other investment differ in maturity, reversibility and currency risk. The identity of the ultimate borrower matters: a private importer's foreign-exchange requirement is not automatically a Treasury refinancing problem.

The same discipline applies to fiscal deficits. A government can run a substantial fiscal deficit while the current account is close to balance; equally, private-sector external borrowing can widen the current account while government debt is predominantly held domestically.

Current-account and sovereign investor-base indicators

Indicator	Poland	South Africa
Current-account observation	Aug 2026: −€3.567bn	Q2 2026: −2.6% GDP, quarterly annualised
Sovereign bond investor base / foreign ownership	Aug 2026: 53% banks and NBP; 35% domestic non-banks; 12% non-resident	2025: foreign ownership ≈25% of domestic government bonds

The Polish 53/35/12 breakdown covers domestically issued Treasury securities; the South African approximately 25% observation covers domestic government bonds and an earlier period. The universes and dates differ, so neither a precise vulnerability ranking nor a conclusion about gross refinancing risk is warranted. [4–5]

Why the ownership distinction matters

A domestic investor base may reduce exposure to sudden foreign selling, but it does not guarantee cheap government financing. Banks and pensions demand compensation for inflation, duration, liquidity and regulatory balance-sheet usage. Foreign holdings of local-currency debt do not automatically create foreign-currency sovereign liabilities.

4 | Bond yields, policy rates and currencies

The SARB reports a ten-year government bond yield of 8.91% on 11 September 2026, and an increase in its policy repo rate to 7.25% effective 25 September. These are distinct observation dates, neither simultaneous with the 20 October swap curves in Section 5. [6]

Government yields and exchange rates are different signals

An exchange rate can be resilient even as a domestic government yield rises. Government yields reflect expected policy rates, inflation and term premia, liquidity and sovereign credit considerations. FX responds additionally to trade, portfolio positioning, hedge demand and relative returns. Co-movement is neither mechanical nor stable.

Polish market transmission is not tested here

Establishing whether Poland's August release repriced PLN or Polish government bonds would require dated PLN spot rates, matched Polish yields and NBP policy expectations around the release. A single yield observation cannot establish transmission.

A further distinction: fiscal and monetary channels

A fiscal financing shock can lift term premia or increase supply concessions independently of the current account. Monetary-policy expectations can move swap curves independently of sovereign spread changes. The two effects can reinforce or offset each other; they should be decomposed rather than attributed to a single macro headline.

5 | Swap curves: domestic conventions and limitations

The comparison uses established local benchmark conventions: PLN WIBOR 6M and ZAR JIBAR 3M. The quoted rates are indicative observations, not executable funding or hedging prices.

Indicative local-currency swap rates | 20 October 2026, 16:00 London

Tenor	PLN WIBOR 6M	ZAR JIBAR 3M	ZAR less PLN
2Y	4.78%	7.76%	298bp
5Y	5.02%	7.94%	292bp
10Y	5.32%	8.37%	305bp
15Y	5.62%	8.62%	300bp
20Y	5.90%	8.60%	270bp

At five years, the observed nominal differential is 292bp. It is not a corporate credit spread, a tenor-normalised differential or the difference in fully FX-hedged funding costs. Source: BlueGamma indicative WIBOR and JIBAR curves and published methodology. [8–9]

Why three-month JIBAR versus six-month WIBOR?

South African floating-rate financing has historically centred on three-month JIBAR, with semiannual interest payments incorporating two successive quarterly JIBAR resets. The Polish floating-rate instruments examined here reference six-month WIBOR, with a single six-month fixing for each corresponding interest period.

The distinction is the underlying benchmark tenor and reset convention, not necessarily the cash-payment frequency. No 3M/6M basis adjustment has been applied; a simple compounding conversion would not capture that economic basis.

Transition and hedging interpretation

South Africa is transitioning from JIBAR to ZARONIA for new transactions. ZARONIA swap-market liquidity and price transparency remain developing, particularly across longer maturities. ZARONIA-linked corporate issue margins are separately disclosed in Section 6 and must not be mechanically added to JIBAR swap rates.

A common-currency comparison would additionally require FX forwards or cross-currency swaps, basis, collateral terms and the actual contractual cash-flow schedule.

Long-end curve note: the 20Y JIBAR observation (8.60%) is 2bp below the 15Y observation (8.62%).

6 | Corporate credit: issuer evidence, not a country ranking

A contractual margin over a floating benchmark is issuer- and instrument-specific. These are dated primary-market issue terms, not sovereign risk premia or live secondary-market credit spreads.

Poland | disclosed floating-rate bond terms

Issuer	Maturity	Contractual margin
ORLEN, Series E	Dec 2032	WIBOR 6M +100bp
KGHM, Series D	Dec 2032	WIBOR 6M +100bp
KGHM, Series C	Jun 2031	WIBOR 6M +125bp

Polish observations are historical issuer disclosures, not current executable spreads. [10-11]

South Africa | selected publicly disclosed ZARONIA-linked issues

Issuer / bond	Issue date / stated tenor	Margin
Fortress FIFB37	6 Oct 2026 / 3Y	+90bp
Fortress FIFB38	6 Oct 2026 / 5Y	+103bp
Fortress FIFB39	6 Oct 2026 / 7Y	+127bp
KAP KAP035	8 Oct 2026 / 3Y	+128bp
Motus MHL001	13 Oct 2026 / 1Y	+90bp
Motus MHL002	13 Oct 2026 / 5Y	+119bp

The Fortress same-issuer maturity structure rises 37bp between three and seven years. Motus rises 29bp between its one- and five-year tranches. The tenors are shown rather than unverified contractual maturity dates. [12-14]

Issue margins depend on credit, security, seniority, covenants, liquidity, tenor and issuance date. These examples demonstrate variation within the South African market, not a like-for-like ranking against Poland. The South African notes reference ZARONIA; the Polish examples reference WIBOR 6M.

7 | From a swap quote to financial close

For a floating-rate borrower, a simplified fixed-rate funding estimate adds an appropriately matched swap rate to the contractual lending margin and transaction costs. Actual outcomes depend on amortisation, drawdowns, fees, security, index conventions, refinancing and hedge execution.

Illustrative arithmetic, not executable quotations

Reference	Swap rate	Plus assumed 130bp
PLN WIBOR 6M | 5Y	5.020%	6.320%
ZAR JIBAR 3M | 5Y	7.940%	9.240%

The 130bp margin is an assumption, not an observed transaction margin. The results are not directly comparable cross-currency funding costs. FX hedging, cross-currency basis, cash-flow timing and transaction structure would need to be included.

Credit margins and benchmarks are distinct

The South African public bond issues discussed in Section 6 reference ZARONIA; the illustrative swap above references JIBAR. A ZARONIA-linked margin cannot be mechanically added to a JIBAR swap rate. An appropriately matched ZARONIA hedge or explicit basis treatment is required.

Why the renewable-energy link matters

A South African renewable project with ZAR revenues, imported euro equipment and floating-rate local debt has separate procurement FX, interest-rate and credit-margin exposures. Hedging one does not eliminate the others. Contractual cash flows, not current-account headlines, should determine the hedge.

8 | Scenarios and conclusions

Energy normalises

A lower fuel import bill may help the goods balance, but the income components remain separate questions. Better external accounts need not repair fiscal financing or reverse existing hedges.

Global yields remain elevated

A narrowing current-account deficit can coexist with high sovereign term premia and expensive refinancing. The interest-rate hedge decision follows the forward curve and debt profile, not the direction of trade data alone.

Risk appetite weakens

FX and government bonds may both reprice, but the magnitude depends on local investor absorption, policy credibility, liquidity and liability composition. Stress tests should vary correlations rather than assume a fixed historical response.

What the evidence supports

Poland’s August deficit includes primary-income outflows of €3.780bn, partly offset by a €0.257bn secondary-income surplus, against a €3.567bn headline, whereas South Africa’s Q2 reversal reflected a more direct trade-price and import-volume shock alongside negative non-goods flows. Neither observation alone diagnoses a sovereign funding crisis.

Sovereign ownership statistics reveal different investor structures, but unmatched dates and security universes do not support a precise vulnerability ranking. Swap curves show materially different nominal rate environments, not measures of corporate credit or fully hedged funding cost. Corporate issue margins vary by borrower and instrument; the available samples do not establish a general Polish–South African spread hierarchy.

External balances, fiscal financing, sovereign duration, benchmark rates, corporate credit and currency hedging are separate analytical layers. At financial close, the decisive measure is the executable cost and resilience of the actual contractual cash flows.

The practical implication: hedge the contractual exposure, not the deficit headline.

Sources, methodology and disclaimer

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Interpretive cautions

Reporting periods and benchmark conventions differ. Swap quotes are indicative, not executable. Bond issue margins are not live credit spreads. Nominal currency-rate gaps are not fully FX-hedged borrowing costs.

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