

# **The zloty index by Cinkciarz.pl**

## **Report: July 2015**

## Introduction

**June was the month of wide wear off on the zloty. This was indicated by an improvement of competitiveness of Polish export on almost every market. The only exception was in the region of Central and Eastern Europe, where after last month's improvement unfavorable tendencies seem to intensify again. However, the Polish currency remains relatively strong in the long perspective.**

June was another month of improvement in price competitiveness of Polish export. The only exception was the region of Central and Eastern Europe. In the case of these countries we are dealing with a new cumulation of unfavorable tendencies. They are probably caused by the overvalue of the Russian rouble and the Ukrainian hryvnia. On the other hand, after excluding the countries in crisis (the CEE\_NO\_CR index), wear off on the zloty is visible.

The estimation of price competitiveness from the perspective of the past twelve months shows that we are dealing with a nominal increase in the zloty's rate on the majority of markets. The exceptions are the basket of the emerging markets, and the CEE\_NO\_CR basket (decrease by 0.3%). In the case of the CEE index we are observing a return to strong hikes – in June the nominal index was above 14.2% in relation to last year. One month earlier it was 12.6%. In the case of real indexes we can observe a wide wear off of the zloty with two exceptions – the CEE index and the SCAN index (Scandinavian countries).

June's improvement in price competitiveness of Polish export is an advantageous phenomena for our economy. Its source is however problematic. It comes from a cumulation of anxieties regarding the future of Greece. After the introduction of capital control in this country, it needs to make a decision regarding its membership in the eurozone. Uncertainty coming from the Greek crisis is responsible for the aversion towards risk which is having an impact on the zloty. Although we are yesing advantage of the currency rate's wear off, we are unable to precisely estimate the economic consequences of the Greek crisis. In the forthcoming months, further wear off on the zloty can be expected due to the initiation of the monetary policy tightening in the USA. Just like in the case of the Greek crisis it is difficult to estimate this factor's significance for the economy.



The phenomena of increasing share of significant trade partners in general export is constantly observable. The contribution of Germany in export increased from 26.3% last month, to 26.8% currently. This phenomena is unambiguously disadvantageous in the macro-prudential policy context (this matter was described in more depth in the recent report).

The Cinkciarz.pl SCAN index (the basket of Scandinavian countries) shows a consequent deterioration of price competitiveness of Polish export in this region. At the same time we can observe a decrease in export to these countries. A strong decrease in sales to Norway is especially responsible for this situation, although intensification of unfavorable tendencies is also visible in the case of other countries. This topic will be widely commented on in July's report.

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## Conclusion: Cinkciarz.pl Indexes and the changes of indexes

### The nominal index

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-04-01	144.1	102.3	107.2	106.0	103.1	102.3	135.9	97.8
2015-05-01	141.4	101.2	106.0	104.7	101.7	100.4	134.4	98.5
2015-06-01	143.7	99.5	105.1	103.8	101.0	99.4	136.8	97.6

Chart: Value of the nominal index. Data: Cinkciarz.pl

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-04-01	13.6	3.4	2.8	3.1	2.8	6.1	7.5	-6.8
2015-05-01	12.6	2.5	2.0	2.2	1.9	4.4	7.8	-5.5
2015-06-01	14.2	-0.3	0.6	0.7	0.8	1.9	9.7	-7.0

Chart: Change of the nominal index year on year (in percent). Data: Cinkciarz.pl

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-04-01	-3.5	2.4	1.2	1.0	0.5	2.6	-2.4	2.3
2015-05-01	-2.4	-1.0	-1.1	-1.3	-1.3	-1.9	-1.1	0.8
2015-06-01	1.6	-1.7	-0.8	-0.9	-0.7	-1.0	1.7	-1.0

Chart: Change of the nominal index month on month (in percent). Data: Cinkciarz.pl

## The real index

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-04-01	95.5	96.7	99.8	99.7	98.0	108.6	87.1	81.8
2015-05-01	93.3	95.3	98.5	98.3	96.7	106.4	85.7	82.2
2015-06-01	94.8	93.7	97.7	97.5	96.0	105.4	87.2	81.4

Chart: Value of the real index. Data: Cinkciarz.pl

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-04-01	2.0	2.3	-0.9	-0.9	-0.7	4.4	-3.9	-8.5
2015-05-01	1.6	1.3	-1.6	-1.7	-1.4	2.8	-3.4	-7.4
2015-06-01	3.5	-1.4	-2.7	-2.8	-2.3	0.3	-1.2	-8.8

Chart: Change of the real index year on year (in percent). Data: Cinkciarz.pl

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-04-01	-3.5	2.4	1.1	0.9	0.8	2.8	-3.6	2.3
2015-05-01	-2.4	-1.4	-1.3	-1.4	-1.4	-2.0	-1.6	0.4
2015-06-01	1.6	-1.7	-0.8	-0.9	-0.7	-1.0	1.8	-0.9

Chart: Change of the real index month on month (in percent). Data: Cinkciarz.pl

**Conclusion: export and contribution in export divided on the baskets**

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-02-01	-0.2	0.8	0.6	0.7	0.7	-0.2	-0.8	0.3
2015-03-01	0.0	1.0	0.8	0.9	0.8	0.4	0.0	1.3
2015-04-01	-1.7	2.0	2.1	2.5	2.3	-1.5	-2.8	1.8

Chart: Change of export month on month (in percent). Data: GUS; Analysis: Cinkciarz.pl

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-02-01	-2.5	8.0	4.3	4.8	5.6	-2.5	-4.7	8.5
2015-03-01	-2.7	8.0	4.3	4.8	5.5	-1.5	-4.6	9.0
2015-04-01	-4.1	9.7	6.1	7.0	7.4	-2.9	-6.6	10.6

Chart: Change of export year on year (in percent). Data: GUS; Analysis: Cinkciarz.pl

Period / Index	CEE	CEE_NO_CR	MAY_33	MAY_16	MAY_7	SCAN	EME	EME_NO_CR
2015-02-01	23.1	16.3	90.8	75.7	54.3	6.7	15.9	10
2015-03-01	22.9	16.3	90.7	75.6	54.3	6.7	15.7	10
2015-04-01	22.1	16.3	90.9	76.1	54.5	6.5	15.0	10

Chart: Contribution of the basket in general export (in percent). Data: GUS; Analysis: Cinkciarz.pl

## Content of the currency baskets

Kraj	Currency	MAY_33	MAY_16	MAY_7	CEE	CEE (bez RU, UA, BY)	SCAN	EME	EME (bez RU, UA)
Austria	EURPLN	yes							
Belgium	EURPLN	yes	yes						
Belarus	PLNBYR	yes			yes				
China	CNYPLN	yes	yes	yes				yes	yes
Czech Republic	CZKPLN	yes	yes	yes	yes	yes			
Denmark	DKKPLN	yes					yes		
Estonia	EURPLN	yes			yes	yes		yes	yes
Finland	EURPLN	yes					yes		
France	EURPLN	yes	yes	yes					
Spain	EURPLN	yes	yes						
Holland	EURPLN	yes	yes						
India	INRPLN	yes						yes	yes
Ireland	EURPLN	yes							
Japan	JPYPLN	yes							
Canada	CADPLN	yes							
South Korea	KRWPLN	yes	yes						
Lithuania	EURPLN	yes			yes	yes		yes	yes
Latvia	EURPLN	yes			yes	yes		yes	yes
Germany	EURPLN	yes	yes	yes					
Norway	NOKPLN	yes					yes		
Russia	RUBPLN	yes	yes	yes	yes			yes	
Romania	RONPLN	yes			yes	yes		yes	yes
Slovakia	EURPLN	yes	yes		yes	yes			
USA	USDPLN	yes	yes						
Switzerland	CHFPLN	yes							
Sweden	SEKPLN	yes	yes				yes		
Taiwan	TWDPLN	yes							
Turkey	TRYPLN	yes						yes	yes
Ukraine	PLNUAH	yes	yes		yes			yes	
Georgia	HUFPLN	yes	yes		yes	yes		yes	yes
United Kingdom	GBPPLN	yes	yes	yes					
Vietnam	VNDPLN	yes							
Italy	EURPLN	yes	yes	yes					

Chart: Content of baskets of the countries. Source: Cinkciarz.pl

## Detailed description of the indexes

### Most important trading partners (wide index): The Cinkciarz.pl Index MAY\_33

In June, the nominal Cinkciarz.pl MAJ\_33 index was by 0.6% higher than one year ago. The situation therefore continues to improve in relation to the previous months, when the annual increase tempo was more than 2%.

Also, the real index shows that we are dealing with a period of improvement in competitiveness in Polish export. In June the index which includes the differences in inflation was by 2.7% lower than one year ago.



Diagram: Index MAY\_33

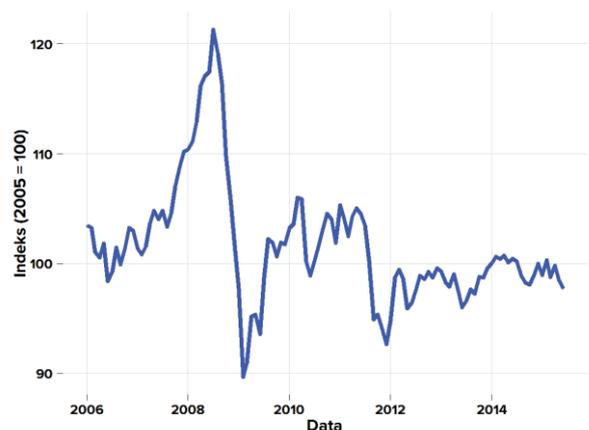


Diagram: Index MAY\_33 realny

The situation's improvement in the recent months can suggest that after the MAJ\_33 index reached the highest level since 2010 it is awaiting the period of a decrease in zloty value. However, the zloty remains relatively strong.

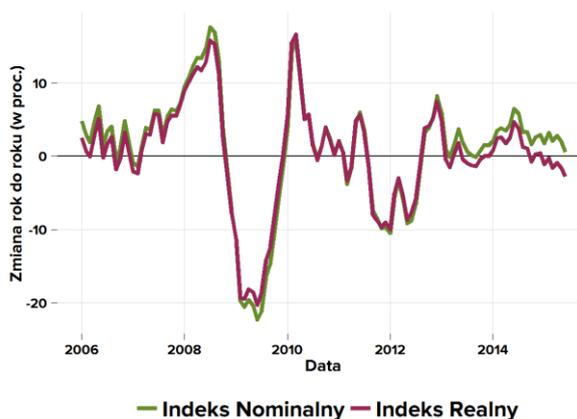


Diagram: Change of indexes (year on year)

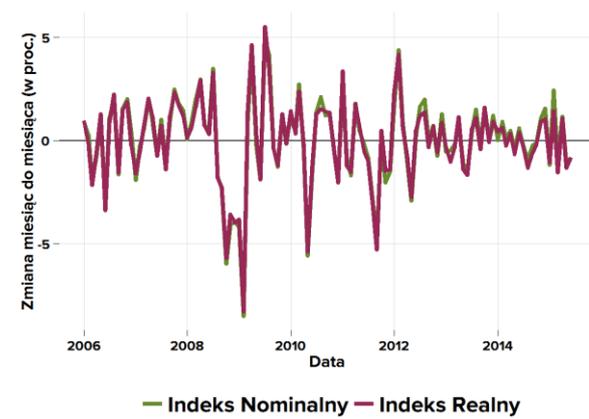
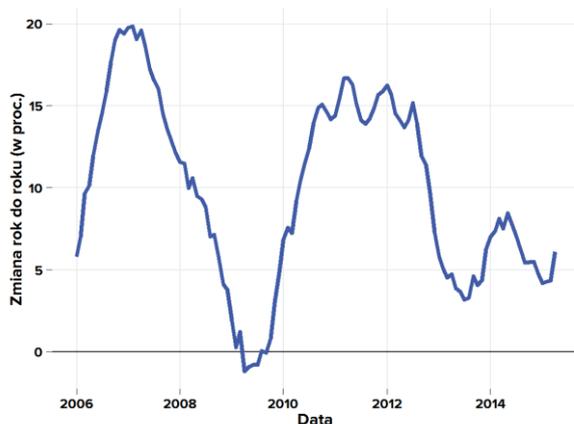
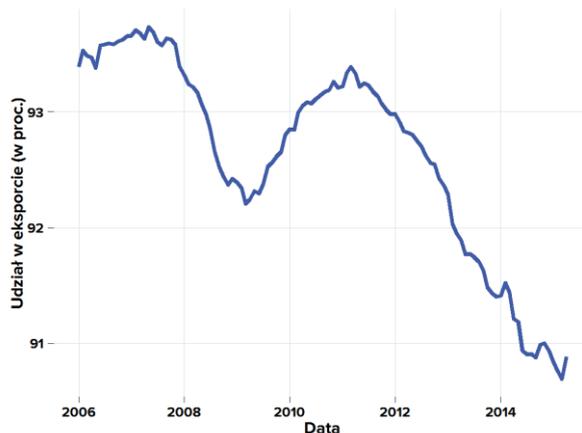


Diagram: Change of indexes (month on month)

The real index shows the relatively stable rate of the zloty, with a tendency to wear off. However, the real MAJ\_33 index remains close to the highest levels since 2014.



*Diagram: Export to the MAJ\_33 countries year on year (in percent); Data: GUS; Analysis: Cinkciarz.pl*



*Diagram: Contribution of the MAJ\_33 countries in the export (in percent); Data: GUS; Analysis: Cinkciarz.pl*

In the 12-month-period, which finished in April 2015, the export on the markets of the 33 most important trading partners increased by 6.1% in relation to last year. Therefore, the acceleration in relation to the previous months was very strong. The most important trading partners' contribution in general export was 90.9% - last time it was 90.7%.

### **Most important trading partners (tight index): The Cinkciarz.pl MAJ\_16 index**

In June the nominal Cinkciarz.pl MAJ\_16 index was by 0.7% higher than one year ago. The situation has significantly improved in relation to the previous months when it was 2.2%.

Also the real index shows that we are dealing with a period of improvement in competitiveness of Polish export. In June the index which includes the difference in inflation was by 2.8% lower than one year ago.

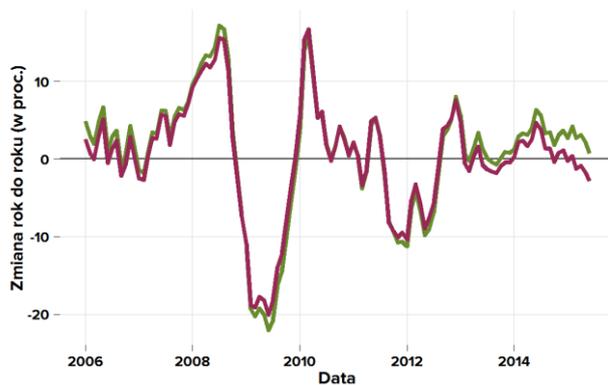


Diagram: the MAJ\_16 index



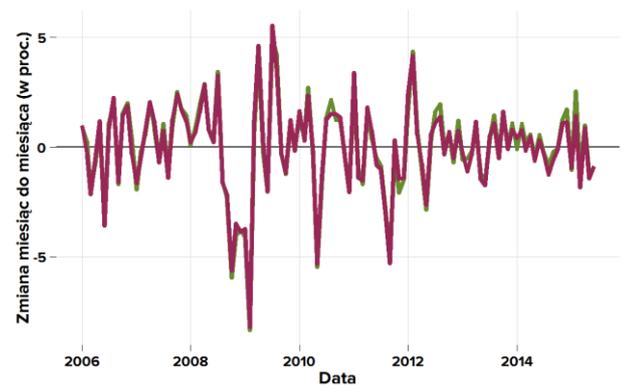
Diagram: the real MAJ\_16 index

Just like in the case of the MAJ\_33 index, the MAJ\_16 index keeps close to the highest level for a few years. In the first part of the year, the index reached the highest level since 2011.



— Indeks Nominalny — Indeks Realny

Diagram: Change of the indexes (year on year)



— Indeks Nominalny — Indeks Realny

Diagram: Change of indexes (month on month)

The real index does not show as high levels. However, it allows us to notice the appreciation of the zloty, which has lasted since the beginning of 2012. Recently, however, it is visible that the increase trend is weakening.

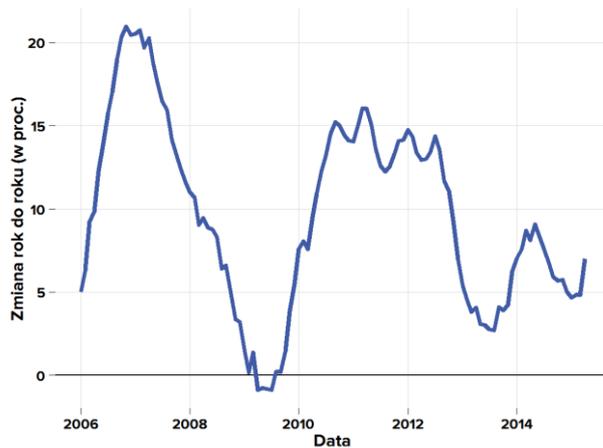


Diagram: Export to the MAJ\_16 countries year on year (in percent); Data: GUS; Analysis: Cinkciarz.pl

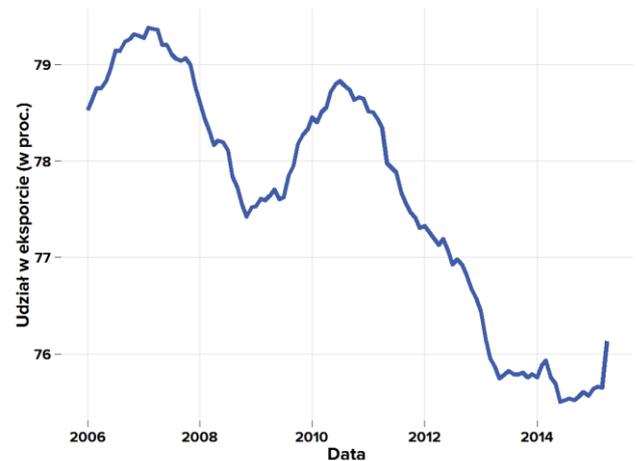


Diagram: Participation of the MAJ\_16 countries in export (in percent); Data: GUS; Analysis: Cinkciarz.pl

In the 12-month-period, which finished in April 2015, the export on the markets of Poland's 16 most important trading partners increased by 7% in relation to the previous year. Therefore, the increase tempo is clearly higher than in the previous months. The contribution of the most important trading partners included in the tight index were 76.1% in general export. An increase has also been recorded here.

### Crucial trading partners: the Cinkciarz.pl MAJ\_7 index

In June, the nominal Cinkciarz.pl MAJ\_7 index was by 0.8% higher than one year ago. Therefore, the situation has clearly improved in relation to the previous month in which the dynamics were 1.9%.

Moreover, the real index shows that we are dealing with a period of improvement in competitiveness of Polish export. In June, the index which includes the difference in inflation was by 2.3% lower than one year ago.



Diagram: MAY\_7 Index

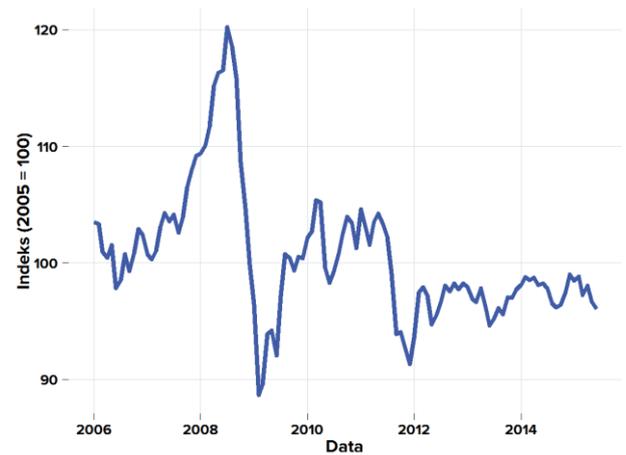


Diagram: MAY\_7 Real Index

Just like in the case of MAJ\_33 and MAJ\_16 indexes, the MAJ\_7 index keeps close to the highest level for a few years. In the first part of the year the index achieved its highest level since 2011.

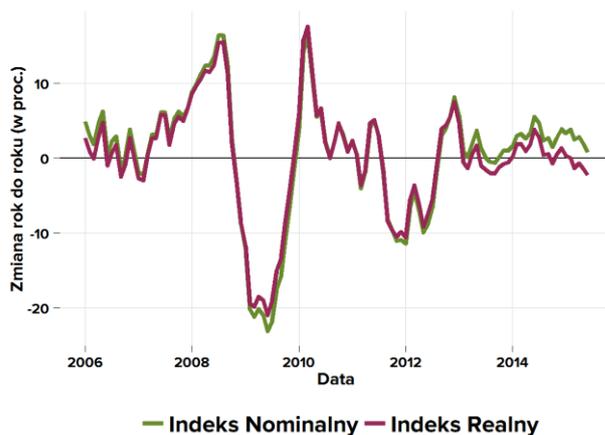


Diagram: Change of indexes (month on month)

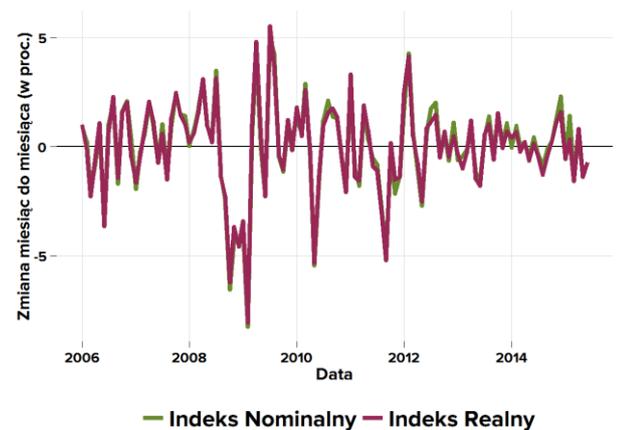


Diagram: Change of indexes (month on month)

The real index does not show such high levels. However, it shows quite well the appreciation of the zloty, which has lasted since the beginning of 2012. The scale of this phenomena is however smaller than in the case of the wider indexes.

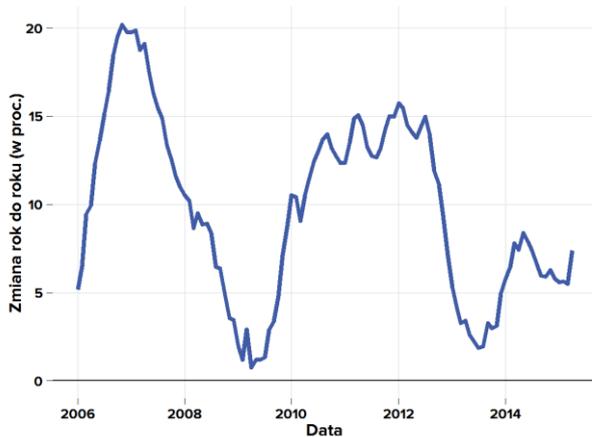


Diagram: Export to the MAJ\_7 countries (year on year (in percent)); Data: GUS; Analysis: Cinkciarz.pl

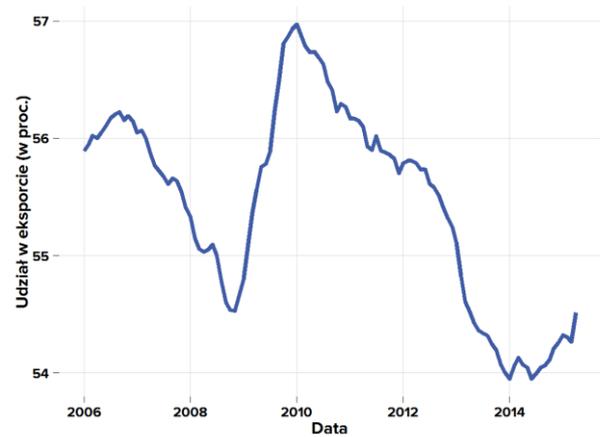


Diagram: Participation of the MAJ\_7 countries in export (in percent); Data: GUS; Analysis: Cinkciarz.pl

In the 12-month-long period, which finished in April 2015, the export on the markets of Poland's 7 most important trading partners increased by 7.4% in relation to the previous year. The tempo of increase was bigger than the previous month, when it was 5.5%. The contribution of the crucial trading partners included in the index was 54.5% in general export. It is an increase in relation to the previous month.

### Countries of central and eastern Europe: the Cinkciarz.pl CEE index

In June, the nominal Cinkciarz.pl CEE index was 14.2% higher than one year ago. Therefore, after a certain improvement the previous month when the dynamics were 12.6%, the situation has yet again deteriorated.

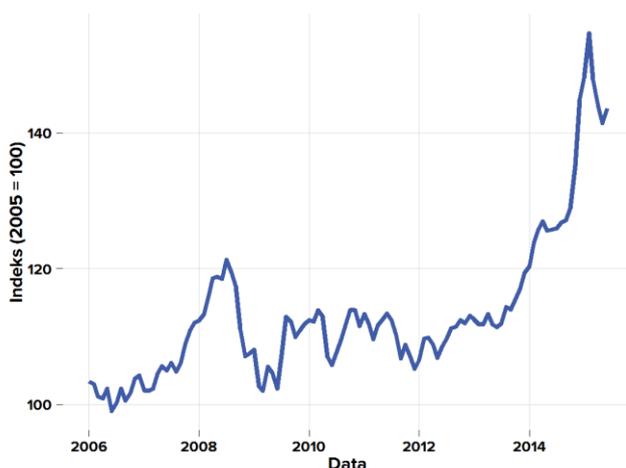


Diagram: The CEE Index

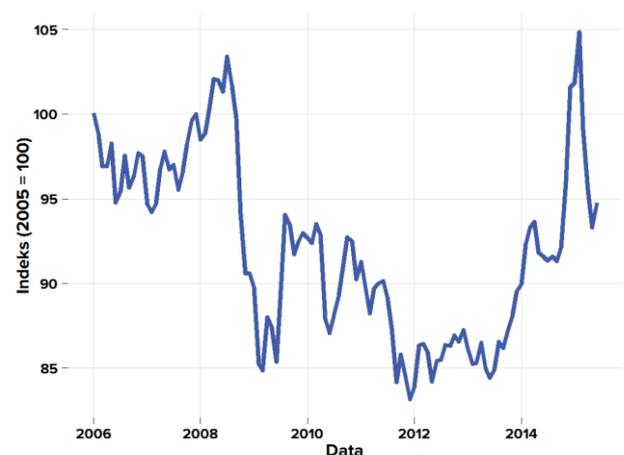


Diagram: The real CEE Index

Despite the fact that the situation was relatively stable in the previous months, the zloty's strength in relation to the currencies of the CEE countries will remain a significant obstacle for the exporters in the forthcoming months.

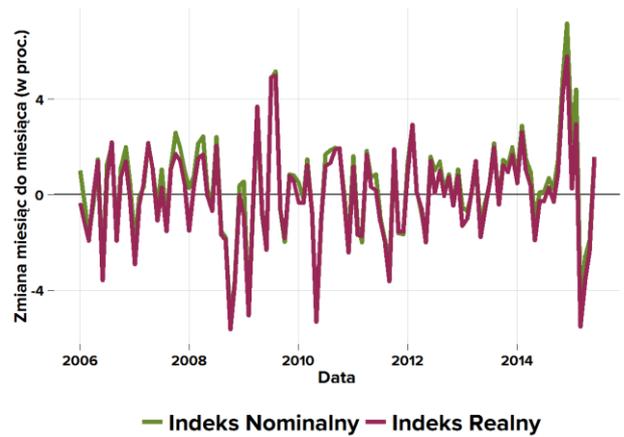
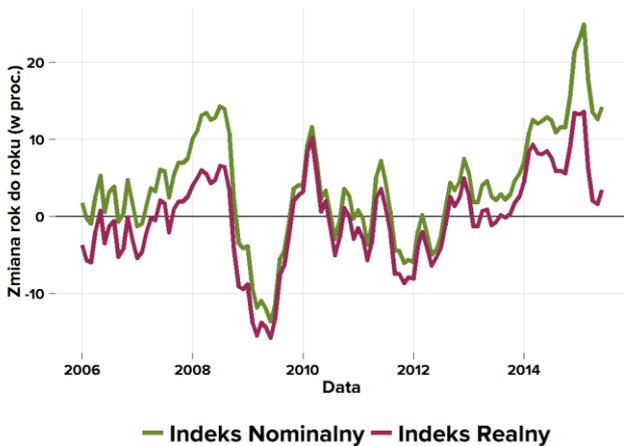


Diagram: Change of indexes (year on year)

Diagram: Change of indexes (month on month)

In June the CEE index recorded an increase in relation to the previous month. Therefore, the three-month-long decrease tendency has been broken.

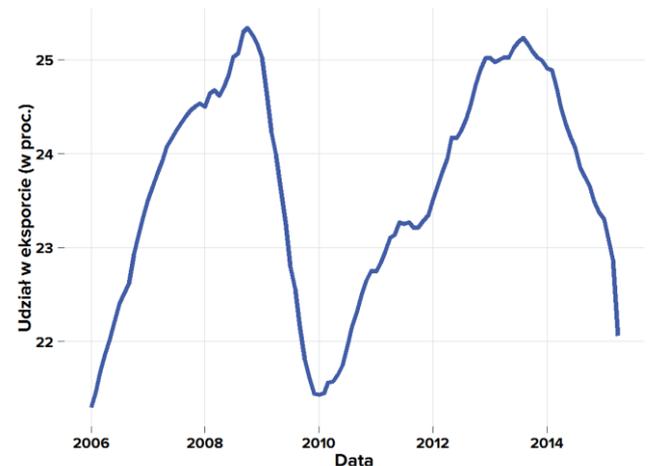
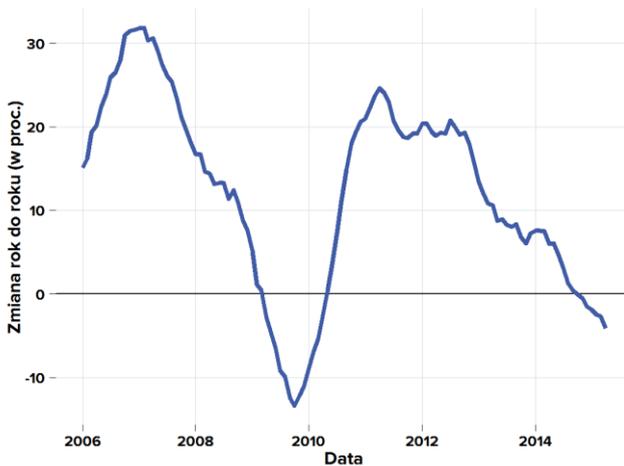


Diagram: Export to the CEE countries year on year (in percent); Data: GUS; Analysis: Cinkciarz.pl

Diagram: Participation of the CEE countries in export (in percent); Data: GUS; Analysis: Cinkciarz.pl

The export to the markets of central and eastern Europe has recorded negative dynamics for six months. In the 12-month-long period, which finished in April, a decrease was 4.1% in relation to the same period the previous year. The decrease scale is increasing with every month. The contribution of the countries of central and eastern Europe decreased from 22.9% in March to the 22.1%.

## Countries of central and eastern Europe (excluding the countries in crisis): the Cinkciarz.pl CEE\_NO\_CR index

In June the nominal Cinkciarz.pl CEE\_NO\_CR index was by 0.3% lower than one year ago. This index does not include the countries in crisis, which are Russia, Ukraine and Belarus. Thus, the situation has improved in relation to the previous month (in May the dynamics were 2.5%).



Diagram: the CEE\_NO\_CR Index

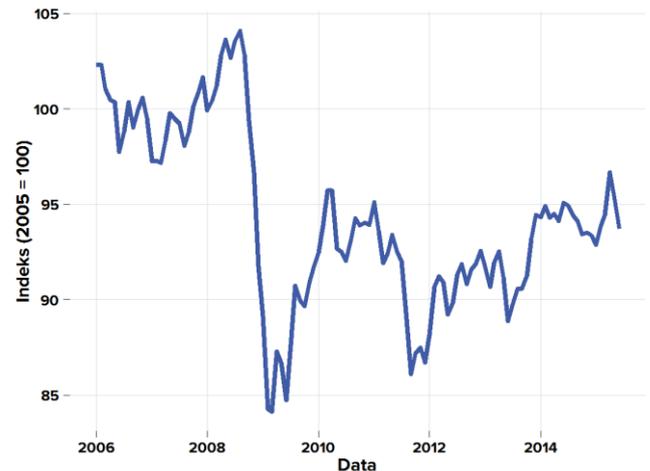


Diagram: the real CEE\_NO\_CR Index

A look at the CEE\_NO\_CR index from a distance shows that the zloty remains very strong to the region's currencies, irrespective of a slight improvement recently. The zloty is currently close to the highest level in relation to the region's currencies since 2009. It shows that the currency crisis experienced by Russia, Ukraine and Belarus is not the only source of a decrease in competitiveness of Polish export in the region.

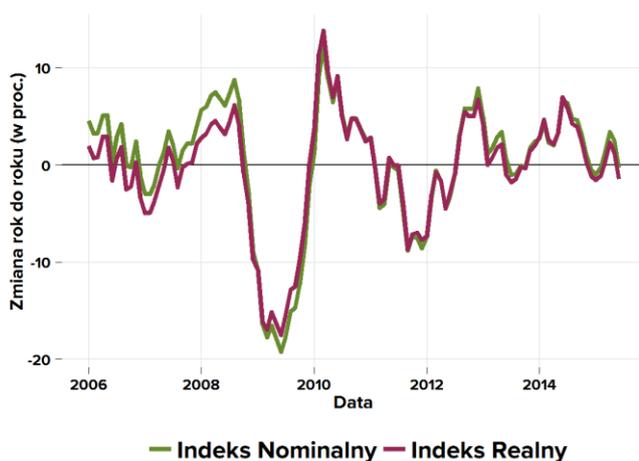


Diagram: Change of indexes (month on month)

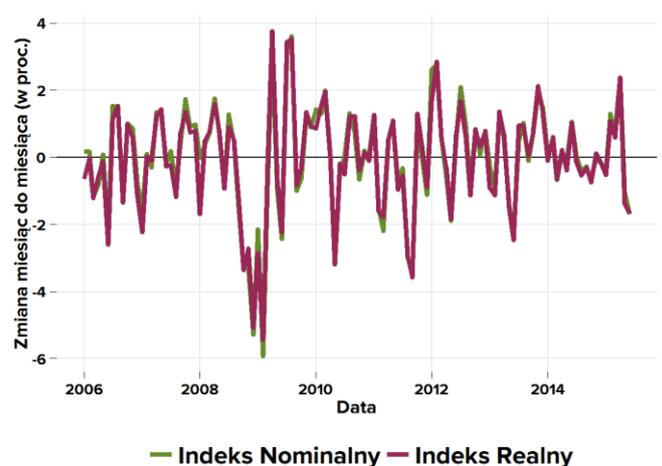


Diagram: Change of indexes (year on year)

Despite the fact that negative dynamics were recorded in June, similar tendencies are shown by the real CEE\_NO\_CR index. Even the inclusion of difference in inflation shows that in the recent years it has significantly enforced to the region's currencies.

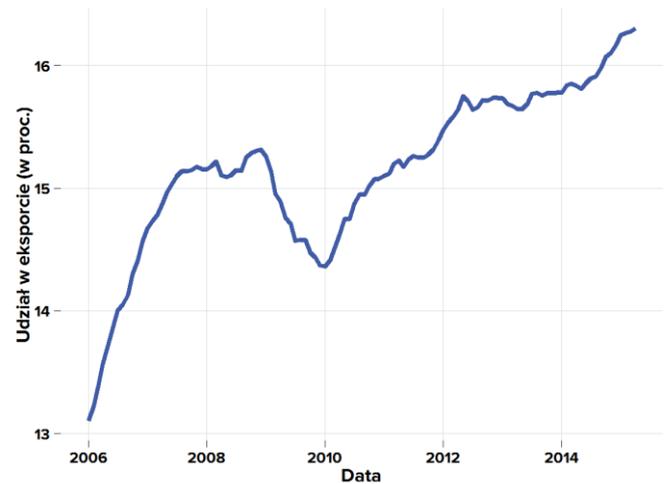
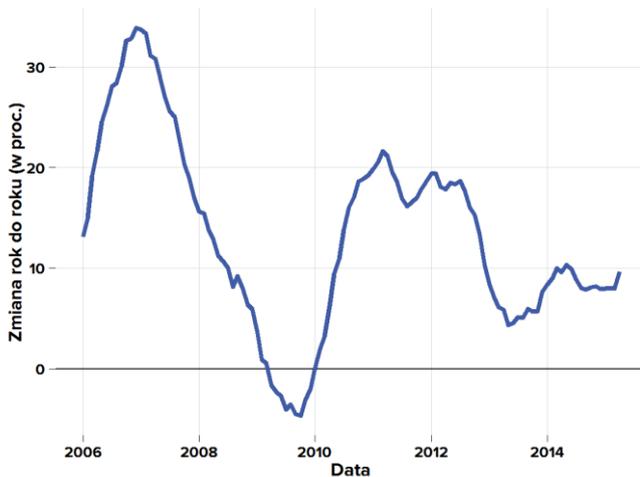


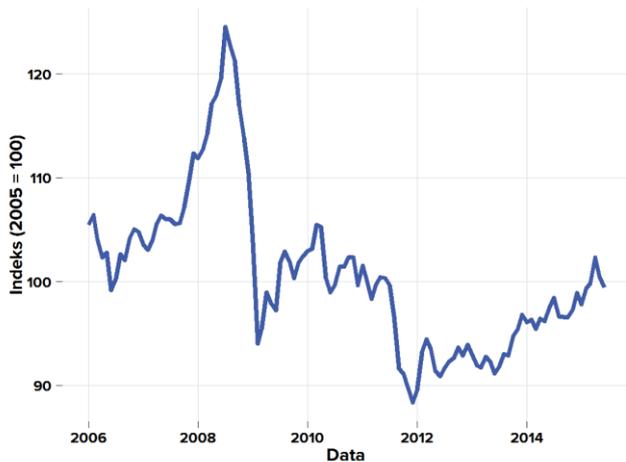
Diagram: Export to the CEE\_NO\_CR countries year on year (in percent); Data: GUS; Analysis: Cinkciarz.pl

Diagram: Participation of the CEE\_NO\_CR countries in export (in percent); Data: GUS; Analysis: Cinkciarz.pl

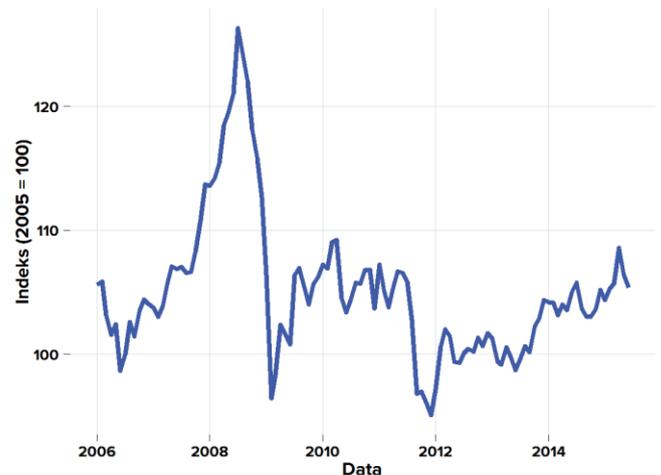
In the twelve-month-long period which finished in April, the export on the markets of central and eastern Europe, excluding Russia, Ukraine and Belarus, increased by 9.7% in relation to last year. This result is by 8% better than the one from the previous month. The contribution of these countries in general export was 16.3% - no changes in relation to the previous months. Even though the tempo of export to the countries of central and Eastern Europe is relatively high, the dynamics however, remain very modest in relation to the previous years.

### Scandinavian countries: the Cinkciarz.pl SCAN index

In June the nominal Cinkciarz.pl SCAN index was by 1.9% higher than one year ago. The situation had slightly improved in relation to May when the dynamics were 4.4%.

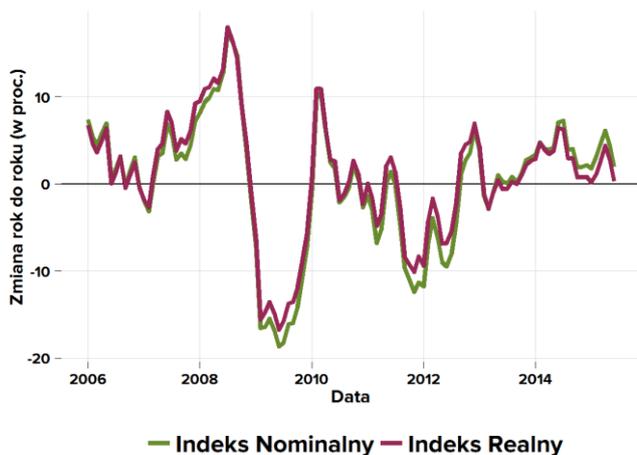


Wykres: Indeks SCAN

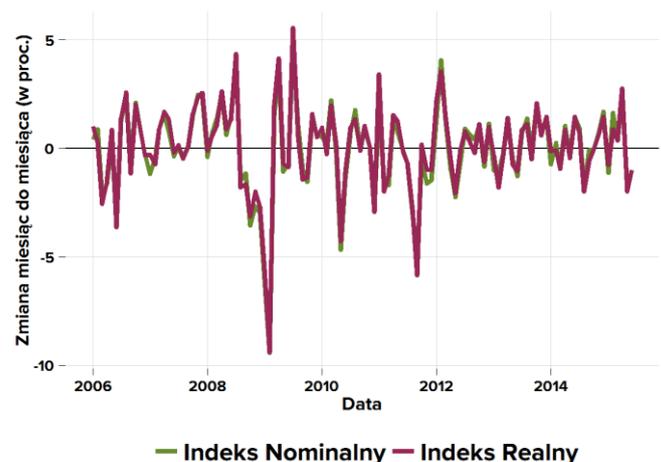


Wykres: Indeks SCAN Realny

Indeks SCAN pokazuje, że złoty jest obecnie bardzo silny w stosunku do walut krajów skandynawskich. Złoty jest obecnie na blisko najwyższego poziomu do walut regionu od 2010 r. Pogorszenie konkurencyjności miało miejsce zwłaszcza w ostatnich miesiącach mimo pewnego wyhamowania tej niekorzystnej tendencji.

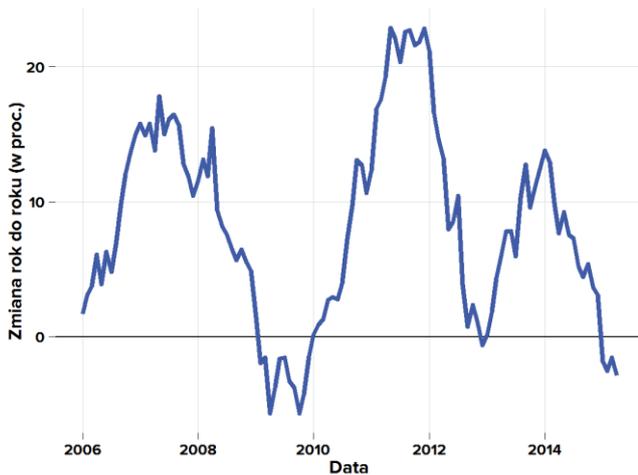


Wykres: Zmiana indeksów (rok do roku)



Wykres: Zmiana indeksów (miesiąc do miesiąca)

Identyczne tendencje są pokazywane przez indeks realny SCAN. Konkurencyjność polskiego eksportu na tych rynkach uległa pogorszeniu zwłaszcza w ostatnich kwartałach.



*Diagram: Export to the CEE\_NO\_CR countries year on year (in percent); Data: GUS; Analysis: Cinkciarz.pl*

*Diagram: Participation of the CEE\_NO\_CR countries in export (in percent); Data: GUS; Analysis: Cinkciarz.pl*

In the twelve-month-long period, which finished in April, the export on the markets of central and eastern Europe, excluding Russia, Ukraine and Belarus, increased by 9.7% in relation to last year. This result is by 8% better than the one from the previous month. The contribution of these countries in general export was 16.3% - no changes in relation to the previous months. Even though the tempo of export to the countries of central and eastern Europe is relatively high, the dynamics however, remain very modest in relation to the previous years.

### **Scandinavian countries: the Cinkciarz.pl SCAN index**

In June the nominal Cinkciarz.pl SCAN index was by 1.9% higher than one year ago. The situation had slightly improved in relation to May when the dynamics were 4.4%.

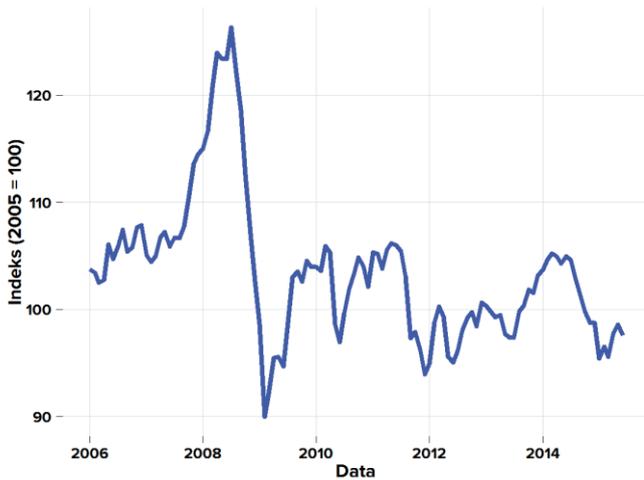


Diagram: SCAN Index

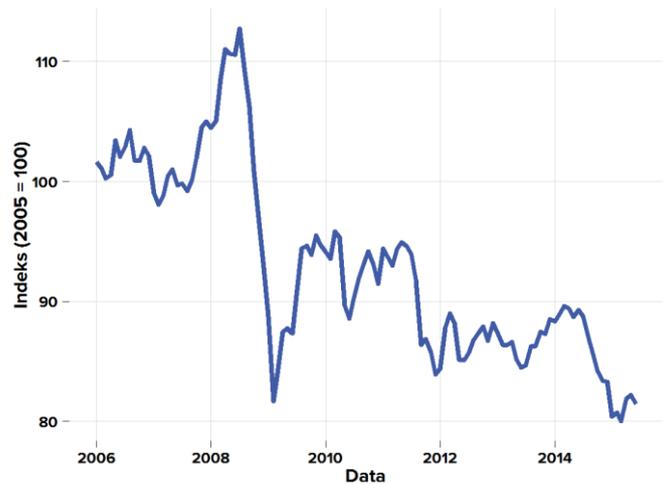
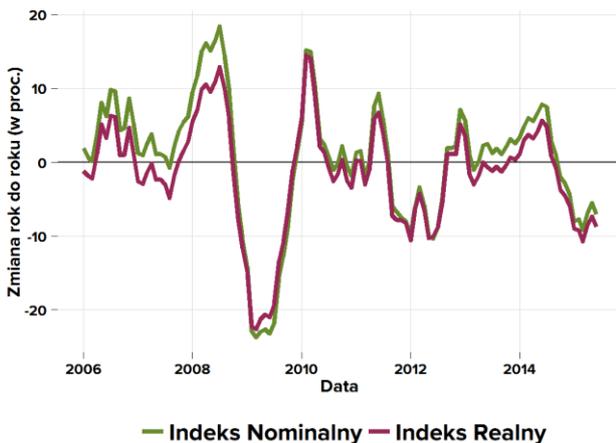


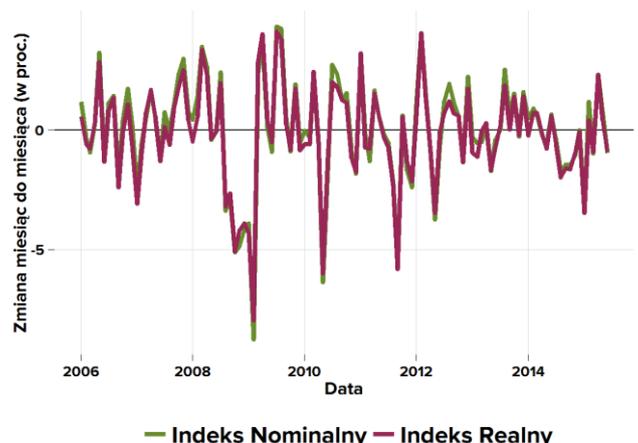
Diagram: the real SCAN Index

The SCAN index shows that the zloty is currently very strong to the Scandinavian currencies. The zloty is now close to the highest level to this region's currencies since 2010. The deterioration in competitiveness took place especially in the last few months, despite a certain withhold of this unfavorable tendency.



— Indeks Nominalny — Indeks Realny

Diagram: Change of indexes (year on year)



— Indeks Nominalny — Indeks Realny

Diagram: Change of indexes (month on month)

The same tendencies are shown by the real SCAN index. The competitiveness of Polish export on these markets has deteriorated especially in the recent quarters.

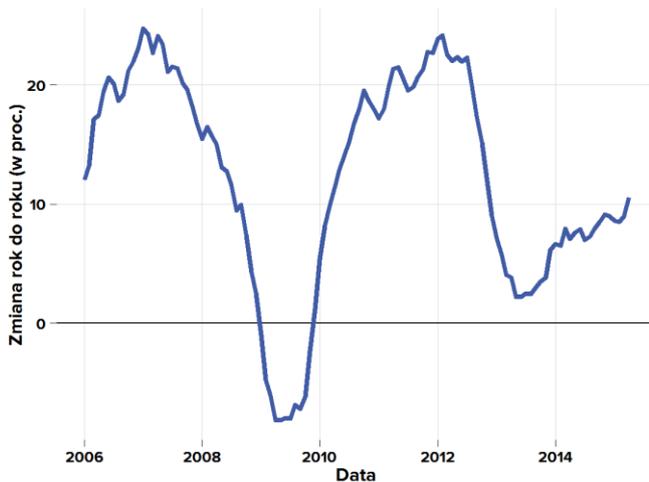


Diagram: Export to the SCAN countries year on year (in percent); Data: GUS; Analysis: Cinkciarz.pl

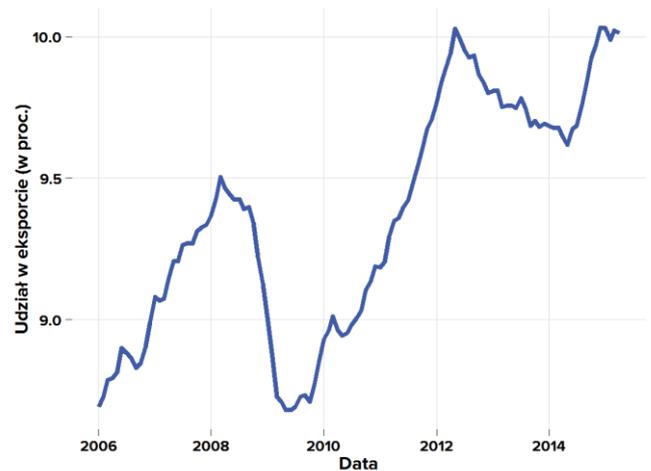


Diagram: Participation of the SCAN countries in export (in percent); Data: GUS; Analysis: Cinkciarz.pl

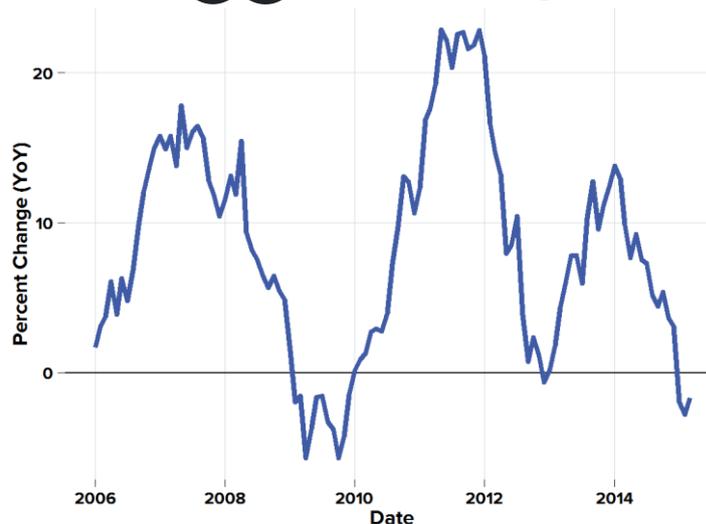
In the twelve-month-long period that finished in April the export to the Scandinavian countries decreased by 2.9% after a 1.5% decrease the previous month. The contribution of these countries in general export decreased to 6.5% in relation to the 6.7% one month before. The exporters on these markets need to deal with the intensification of deterioration of price competitiveness.

### A decrease in the contribution of Polish exporters on Scandinavian markets

The Scandinavian central banks have decreased interest rates, in order to protect their own economies from excessive enforcement of their currencies. The Polish exporters became a victim of such actions. The sale of the national products on these markets has decreased since the beginning of this year.

The main Polish products exported to the Scandinavian countries, are from electrical-engineering and the car industry. Food, raw wood materials and chemical products are also exported.

However, the export of Polish products to Scandinavia has decreased since the beginning of 2015. Sales in April decreased to the level of 2.9% in relation to last year. It was the worst result since 2006. This tendency has intensified every month. Additionally, the contribution of these countries in Polish export has decreased. In December it was 7%, and decreased to 6.5% in April.



*Export to the Scandinavian countries (a year to year change).  
Source: GUS. Analysis: Cinkciarz.pl*

The very weak result in export to these countries is caused by a strong decrease in sales to Norway. It is 27% lower than last year. We are however dealing with an increase when it comes to other Scandinavian countries, but it is definitely slower than previous years. Also, the analysis regards the region as a whole.

### **Why is this happening?**

In mid 2014, the Scandinavian countries experienced problems caused by a collapse in oil prices (a decrease from approximately 100 dollars, to currently approximately 50 dollars). This made it a necessity to limit the investments in the mining and petrochemical sectors.

However, since the beginning of 2015 there has been no sight of a decrease in the export of Polish products from the electrical-engineering industry, which are used in the mining sector (it has generally increased by 12.2%, with the only decrease in sales to Norway). On the other hand, a limitation in the export of price sensitive products is visible.

This means a clearly slower increase in the sale of products made of wood and from the chemical industry. Worse results are also seen in some categories of groceries. This may show that the limitation of export of these products is a result of the high prices determined by the enforcement of the zloty.

### **Method for strong currencies**

At the beginning of 2015 the European Central Bank began to purchase government bonds in order to support the economy and revive inflation in the eurozone. The inflow of the cheap euro on the global markets forced the countries with their own currencies to respond. Thus, since the beginning of the year we have observed a wave of decreases in interest rates, which have very often reached record low levels.

The last few weeks have brought another round of cuttings. On 2 July the Swedish central bank (Riksbank) unexpectedly cut interest rates by 10 base points to minus 0.35%. Additionally, the monetary authorities decided to increase the purchase of government bonds.

The Riksbank's decision was quite a surprise. The condition of the Swedish economy is relatively good. The central bank excused the decrease in interest rates with the uncertainty related with the Greek crisis and its impact on currency rates. Recently a clear enforcement of the Swedish krona has been observed. By that, the Swedes directly admitted that they are fighting for a weaker currency.

A few weeks earlier (18 June), similar actions were undertaken by the Norwegian central bank, Norges Bank. Interest rates were cut down to a record level of 1%. However, in comparison to Sweden the condition of the Norwegian economy is much worse. Norway experienced greater harm due to the decrease in the price of oil. Recently, this raw material has been losing value again. This increases the likelihood of more cuts, which will result in the further wear off of the Norwegian krona.

Denmark is a special case. In this country the krona is strictly related to the euro. After the EBC decision about beginning the bonds' purchase, Denmark used the negative interest rates in order to prevent its' currency rate from tearing it away from the euro. From the Polish perspective it means that the Danish currency behaves in relation to the zloty the same as to the euro.

The last country, Finland, is a member of the eurozone. The rate of the common currency is of crucial significance and it is quite stable.

### **Strong zloty withholds export**

The Cinkciarz.pl SCAN\* index of the zloty for the Scandinavian countries, shows that we are currently dealing with a period of a strong zloty. In June, it was 1.9% higher than the previous year and in the previous month it was 4.4%.

Depreciation of the index by 1% in June in relation to the previous month, is not of great significance at the moment. The increase trend of the SCAN index has lasted since the beginning of 2012. After the decisions of Riksbank and Norges Bank, it is difficult to expect this tendency to be stopped. The situation is worse only in the case of countries of central and eastern Europe.



*The Cinkciarz.pl SCAN index of the zloty. Source: Cinkciarz.pl*

Export to the Scandinavian Countries is as intensive as export to the United Kingdom, which next to Germany is Poland's most important trading partner. Therefore, a decrease in sales to these countries will be reflected in the deterioration of the balance of Polish trading. This will impact a decrease in the growth of the GDP.

Scandinavian central banks' response to the EBC actions is another stage of attempts to wear off the national currencies in order to improve its own competitiveness.

At the beginning of June, Angela Merkel spoke about the possibility of returning to similar solutions. The German chancellor estimated the strong euro as a danger to increase such economies as Spain or Ireland, which are dealing with the budget problems. During the G7 summit a few days earlier, it was said that Barack Obama had mentioned the strong dollar as harmful for the American economy, although later he denied these words.

A decrease in export to the Scandinavian markets, shows how significant it is to care about the price competitiveness of products.

## Clarification

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### **Clarification regarding the data:**

Calculations of the Cinkciarz.pl indexes are based on changes in rates of currencies of Poland's most important trading partners, in relation to the zloty. Significance of particular currencies is estimated with the use of the GUS data regarding the foreign trade. Significance is calculated on the level of countries' baskets consisting of Poland's 33 biggest trading partners. The real indexes include a difference in inflation between Poland and its most important trading partners.

The list of Poland's 33 most important trading partners consists of those countries, which contribution in export and import was higher than 0.5 percent within recent 10 years. Those countries create the widest of Cinkciarz.pl indexes. Export to the countries from the MAJ\_33 basket, crosses 90 percent of the general export.

Data regarding the currency rates is supplied by Bloomberg. Data regarding the foreign trade is provided by the Central Statistical Office (GUS). In case of the countries from the European Union, data about inflation is supplied by the Eurostat. Data about inflation regarding other countries is provided by the national statistical offices.

For more detailed information regarding the methodology and selection of the countries to particular currency baskets, please contact Piotr Lonczak, the Cinkciarz.pl Analyst.