

Can Poland earn on the Chinese crisis? [THE CINKCIARZ.PL ZLOTY INDEX]

Due to the Chinese crisis, the zloty strengthened in relation to the Asian currencies. Thanks to this, Poland can save money on importing goods from the Far East. This is a chance to decrease a huge trade deficit, which is currently more than 100 billion PLN.

The last few months brought real mood swings for the investors in China. At the beginning of June, Shanghai celebrated records (the SCI index was on the highest level since 2008). A while later it survived a serious breakdown. Up to now, the index of Shanghai has depreciated by approximately 40% in comparison to the highest level achieved in June. Furthermore, it is still very unstable.

At the beginning of August a publication of very weak data regarding foreign trade appeared. In July, the Chinese export of goods decreased by 8.3 percent year on year. The surprise was huge, because only a 1% depreciation was expected. On the other hand, imports from China decreased by 8.1%, which was accordant to expectations. The weak result of sales abroad reflected negatively in the trade balance. The surplus decreased to 43 billion dollars, less than expected 53 billion dollars.

In the second week of August, the People's Bank of China decided to devalue the yuan. The weakening of the Chinese currency had a few stages. As a result, the rate of yuan against the dollar, decreased to the lowest level since 2011. The central bank justified its decision with a will to reflect an impact of the market situation on the rate of the Chinese currency more accurately. However, it is difficult not to connect this movement to the increasing economic problems of China. This decision could also be influenced by a desire to improve the price competitiveness of export, which means lowering the prices of Chinese goods for foreign customers.

A huge deficit

China is one of Poland's most important trading partners, right next to Germany. In June, a share of goods bought from the Chinese producers was 11.3% of the whole of Polish import (data for a twelve-month-long period which finished in June 2015). On the other hand, export of Polish goods to China has a small significance. Only 1.1% of goods exported by Poland goes to the Chinese market. It is not much more than to Belarus, and definitely less than to Ukraine.

Unlike Germany, Poland has a huge deficit in trading with China. It has grown really fast, especially since the middle of 2014. Recently it reached 71.8 billion PLN. In July, it was by 21.8% higher than one year before. It was mainly a result of the zloty's wear off to the renminbi. At that time,

Poland sold to China goods worth 7.5 billion PLN. Import from China exceeded export by 10.6 times.

Poland has a very big trading deficit with every Asian country included by Cinkciarz.pl in the index of the most important trading partners*. In the period of June 2014 and June 2015, it was 103.9 billion PLN. The relation of import to export was 8.5. Thus, the situation is only slightly better than in the case of China itself.

Poland wins on the crisis

Poland (next to Russia and India) is considered as one of the emerging markets. However, the recent events related to the Chinese problems and a breakdown of the prices of raw materials, do not concern us to the same degree as other countries from this group. Unlike the majority of Asian countries, Poland has minor export connections with China. Additionally, the record low prices of raw materials is good news for Poland, because it exports mostly these goods.

One of the consequences of this situation is a relatively stable rate of the zloty, in comparison to other currencies of the emerging markets. Moreover, the Polish currency enforced to the Asian currency pairs. Since the time of devaluation of the renminbi, the zloty gained approximately 6% to the Chinese currency. The Cinkciarz.pl Index of Asian Countries, showed an increase in the zloty's value by almost 5% to the basket of the currencies from this region.

The contribution of the Asian countries to Polish export is almost 2%. Over half of this value is generated by China. The significance of import from these countries is definitely bigger, because it reaches 16.8% (contribution of China is approximately 70%).

The enforcement of the zloty to the Asian currencies means a chance for significant savings for Poland coming from a decrease in the costs of import. August's increase in value of the Polish currency itself, gives hope for a decrease in deficit in trade with the Asian countries by 2-3 billion PLN per year. This amount responds to 20-30% of last year's trading deficit. If the zloty manages to gain even more, the scale of profits may be bigger.

* Summary of the most important trade partners available here: <https://cinkciarz.pl/eng/news/daily-analysis/the-zloty-index-by-cinkciarz-pl-june-2015-part-1>

THE CINKCIARZ.PL ZLOTY INDEX

The Cinkciarz.pl Zloty Index is a monthly report put together by its currency analysts. They sum up the shape of the Polish currency in comparison to the European and global markets.

The currency indexes are calculated on the basis of changes of the zloty exchange rate compared to Poland's most important trade partners. 33 countries, whose shares in the foreign trade are significant to Poland from the point of view of the local economy, are presented in the report.

Indexes are prepared for groups of countries. Particular summaries are based upon complex criteria:

- shares of the countries in export or import (e.g. key trade partners);
- location (e.g. countries of the East and Central Europe);
- classification of the International Monetary Fund (e.g. emerging markets).

The real indexes are calculated using inflation data. The Eurostat publications are used (in the case of the EU countries) or the local statistical offices.

INFORMATION ABOUT THE BRAND

Cinkciarz.pl provides online FX services, using state-of-the-art FX technology for everybody, including individuals, entrepreneurs, travelers and those repaying loans in foreign currencies.

Cinkciarz.pl presents the most favorable rates of all the 24 currencies in its offer. Categories of services offered are: online currency exchange (in three transaction models) and currency cards. The transactions can be concluded via internet transfers from any bank account 24/7. Cinkciarz.pl is the first FX company in Poland to join the SWIFT organization which includes only the largest banks and financial institutions.

The company is also amongst Bloomberg data and analysis suppliers. Cinkciarz.pl EUR/PLN forecasts have been awarded first place in the world for four consecutive quarters in Bloomberg's rank Best EMEA Currency Forecasters Q3 2013 and the first place for the CZK/EUR and ZAR/USD forecasts for the first three quarters of 2014. The forecasts of Cinkciarz.pl's analysts for the currency pair CZK/EUR have also been awarded the first place in the world for 2015 Q1.

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