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### **Will holidays in Greece be exceptionally expensive? [CINKCIARZ.PL'S ANALYST OPINION]**

**The visit of the Greek prime minister in Moscow was supposed to be a warning for the European Union. However, the politician came back empty handed. Now, he will have to agree to Brussels' terms. Do we have to worry about a financial turmoil when planning holidays in Greece? Here is a commentary from Piotr Lonczak, Cinkciarz.pl analyst.**

Greece still hasn't reached an understanding with its international debtors regarding the next payment from the help program. The money will be made available to Greece only if the government in Athens presents a reliable plan of reforms, which is adequate to the extractions of the experts from Troika (representatives of the International Monetary Fund, European Central Bank and the European Commission).

The Greek fight for as much as 7 billion euro, without which the country will be unable to operate. The consequences of the insolvency of Athens are hard to predict. The most severe scenario assumes as radical as an event as the collapse of the eurozone. And although such development of the situation is highly improbable, in the current circumstances it should not be ruled out.

#### **Tsipras' empty wallet**

The prime minister of Greece, Alex Tsipras, spoke to the President of Russia, Vladimir Putin, on Wednesday. The chief of the government from Athens wanted to prove his European partners that he has solutions alternative to agreeing to Brussels' terms by meeting the Russian president at such an important moment.

However, his plan turned out to be a totally unsuccessful. The meeting in Moscow did not bring any results. The government under Syriza's rule believed it would receive a promise of immediate financial help from Moscow in the case of the Brussels' negotiation failure. It also counted on soothing or a total abolition of the trade sanctions between both countries. The meeting ended in a joint statement of both parties full of generalities but lacking a practical meaning.

The only solid statement was setting forth a plan to build a gas main which would transport the raw material from Russia through Turkey to Greece and then further West. The Reuters news agency reported without revealing its sources, that there is a chance that Greece would receive part

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of the payment for the gas main in advance, but it would have to return this part of the payment after the investment is launched. However, at this point long-term plans are not what Alexis Tsipras is after. The reason for this is obvious: he will soon run out of money.

At the same time, the authorities at Kremlin are aware of the fact that regardless of Greece being a member of the European Union and it having a veto power which makes it possible for the country to block the sanctions, Greece's position is too weak to change the EU policy regarding Moscow. A similar naivety was characteristic of the politicians from Cyprus in 2013. They also tried to use the Russian alternatives as a leverage in discussions with the EU, only to agree to the conditions of Brussels.

### **Six days for a reform package**

On Thursday, April 9, the Greek newspaper 'Kathimerini' reported quoting its unofficial sources that Greece received six business days to present the euro group with a final version of a reform package. This would allow the euro group to make final decisions which are to be sealed during a meeting on April 24.

On the same day, Athens made a payment to the International Monetary Fund to the amount of 450 million euro, worsening its financial situation and putting itself in an even worse negotiating position. Now, in order to make payments on time, the country needs an agreement with Troika. The next payments to be made are set for the beginning of May.

### **Europe sleeps tight, this is but a local crisis**

The significance of the Greek problems is relatively small for the eurozone - not like the situation in the beginning of 2010 or in 2012. The European Central Bank has tools which allow it to deal with the banking crises quickly and smoothly.

Only a few remember today, that in 2014 in Portugal (a country which, much like Greece, has been dealing with some fiscal difficulties) the largest domestic bank was closed. The procedure of liquidating the Banco Espírito Santo was almost unnoticed by the wide auditorium. If the Greek banking system encounters similar problems, the ECB actions might be just as effective.

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The significance of the Greek crisis is currently more local. It means that the negative reactions of the investors - that is, the asset and bonds purchase - concentrate on the Greek financial market. Regardless of the potential bankruptcy of Greece, the most important European stock exchange indices are higher than ever. This is a merit of the ECB actions (treasury bonds purchase, zero percent interest rates and cheap loans), which effectively limit the risk aversion.

### **Don't worry about what's ahead**

Poland's trade ties with Greece are relatively weak. The share of this country in export for years 2004 -2014 was on average as little as 0.4 percent and the import is even lower: 0.2 percent.

Just to compare: the share of Ukraine in Polish export and import is respectively 2.9 percent and 1.1 percent. The economic relations between Poland and Greece are too weak to leave a significant mark on the economic shape of our country even if things go South, that is: if Greece declared insolvency.

Things are a bit different regarding the reactions of the financial markets. Poland is classified as an emerging country (as are Turkey and Georgia), which means the zloty is sensitive to the investors' sentiment. Usually, the Polish currency weakens when the main global indices are falling.

If Greece collapsed, the zloty would fall. Today, the euro is at a four-year-low, which would quickly change had Greece fallen. Moreover, from the Polish economy's perspective, the weaker zloty means better export results, which would be beneficial for Polish companies. The profit and loss balance would be relatively equal.

Thus, for an average Pole the Greek risk poses the threat of slightly more expensive holidays. However, it is so unlikely that one should not be concerned about it.

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Cinkciarz.pl provides online FX services, using state-of-the-art FX technology for everybody, including individuals, entrepreneurs, travellers 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 ForecastersQ3 2013 and the first place for the CZK/EUR and ZAR/USD forecasts for the first three quarters of 2014.

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