

Zloty is the leader of the emerging markets

The emerging markets are currently experiencing difficult moments. A symptom of more serious problems is the breakdown of currency rates. The relatively good results of the zloty is evidence of the resistance of the Polish economy. This brings our country closer to advancing to the group of developed countries.

More than five years ago the BRICS group (consisting of Brazil, Russia, India, China, and later the Republic of South Africa) started its official meetings. It was a result of a belief that a bright future awaited the emerging markets. At that time, thanks to the increasing prices of raw materials, the emerging markets were achieving definitely better results than the developed economies. It was even said that the BRICS countries would soon have taken over the position of the United States and the European Union countries.

This prognosis appeared to be totally missed, and at present the majority of the BRICS countries are experiencing deep crisis. A foundation for the development of the emerging markets was the export of raw materials. Today we know that relying on such a model of increase was a mistake. The high prices of oil, food and metals were in a major degree fuelled by the anti-crisis policy, conducted by the Federal Reserve and other significant central banks. Due to this fact, an increase in the prices of goods was in a great degree dependant on whether the American central bank continues to print money. Also, the Chinese demand for metal and oil was just as significant.

Not only the Fed

A negative impact of the Fed on the emerging markets was for the first time felt in mid 2013. At that time, Ben Bernanke, the then chairman of the Federal Reserve, suggested the possibility of resigning from the anti-crisis policy. Another strike was a statement from Janet Yellen at the beginning of 2014. Right after taking over the position of the central bank's chairwoman, she spoke of the possibility of increasing interest rates six months after finishing the purchase of assets. Shortly after these comments the emerging markets began to experience difficult moments.

The current situation is very similar. At the end of September, Janet Yellen made things clear. In her opinion the Fed intends to raise interest rates by the end of the year. The announcement occurred at the time of intensified pressure on the emerging markets. The data showed that in the third quarter of 2015 the outflow of capital from the emerging markets was at the highest since the end of the 80s.

The Fed is only partly responsible for the breakdown. Anxieties coming from the tightening of the monetary policy in the USA had only a temporary impact on the emerging markets. The inner weaknesses of these economies are actually more significant.

Flaws of the emerging markets are focussed on the export of low-processed products and raw materials, low work efficiency, and low education of the employees. Corruption and political instability are also not without meaning. The countries producing oil did not make proper estimations of the potential of the American shale revolution, and its impact on the price of oil. The progressing limits in use of the mining fuels due to higher efficiency and use of renewable sources of energy are also significant for the problem.

There are also specific problems, experienced by particular countries. Russia is involved in the Ukrainian crisis, which resulted in expensive sanctions. Turkey struggles with conflicts in its eastern territory. Brazil is experiencing corruption scandals. However, the most crucial is the breakdown in prices of raw materials, which is intensified by the Chinese slowdown. China may need less goods than it was at the time of record high prices.

Poland has a chance to advance

One of the symptoms of a decrease in trust to the emerging markets countries is a breakdown in currency rates. This scenario was recently observed in the cases of Russia and Brazil. The same problems, to a slightly lesser degree, are experienced by Turkey and the Republic of South Africa.

On the other hand, the zloty looks definitely better than the rest of the emerging markets currencies. Since the beginning of 2013, which was the moment of initiating the discussion about the possible resignation of the Fed from the anti-crisis policy, the index consisting of the most important emerging markets currencies weakened by more than 32% to the dollar. At this time, the zloty was overvalued to the American currency by more than 16%.

A definitely better attitude of the zloty is a result of the fact that Poland is much more diverse than the countries producing oil or agricultural commodities. Poland exports processed goods (motorization and electrical engineering industry). This is why a decrease in prices on the global markets is a positive impulse for the Polish economy.

The latest evidence for an increase in trust to Poland, is a raise in rating perspective by the Moody's agency at the end of September. During the past few years the country made huge progress, while the majority of the emerging markets wasted their chance. Thus, Poland has a chance to solidify its position, as a leader of the emerging markets, aspiring to advance to the group of developed countries.

INFORMATION ABOUT THE BRAND

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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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