



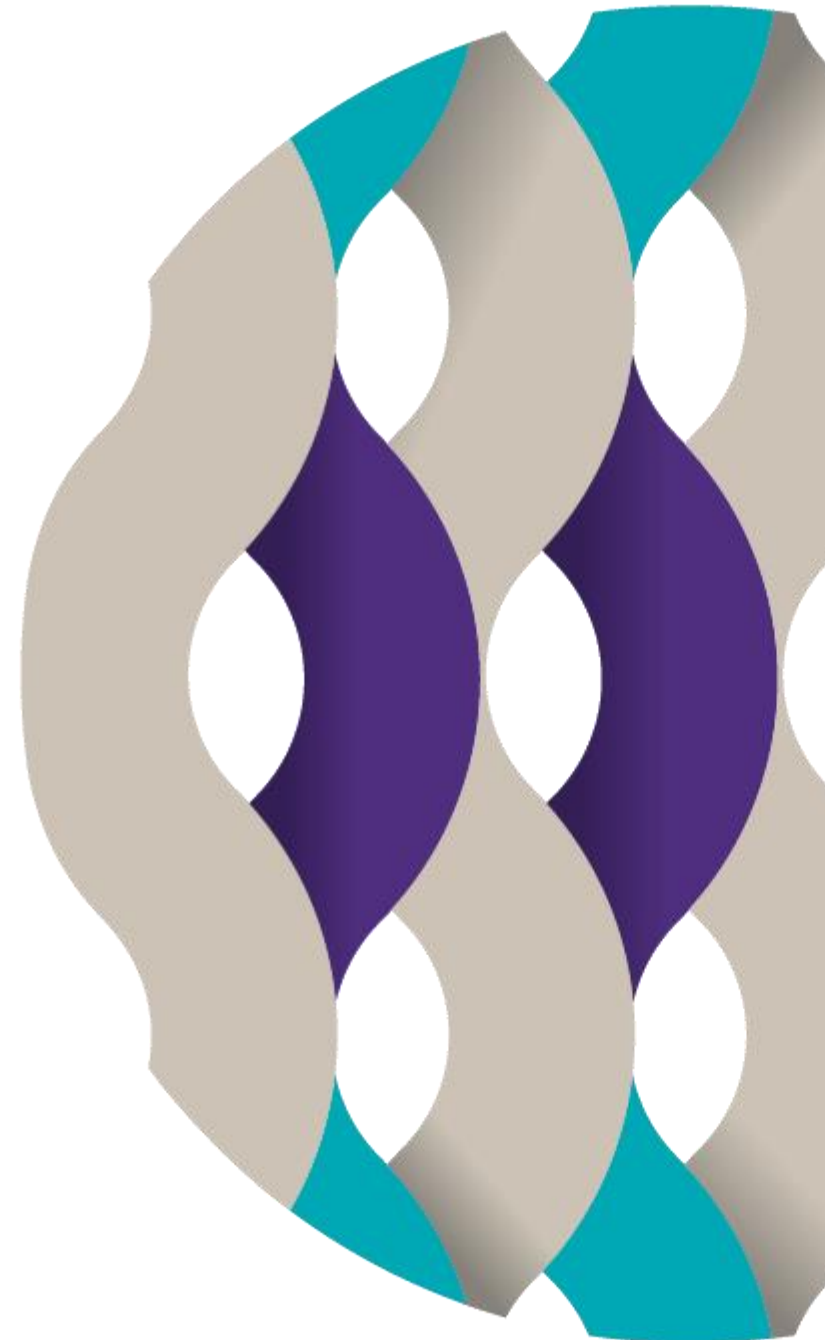
Grant Thornton

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Polish business community regains faith in the power of the euro

Results of a survey testing willingness among mid-sized and large enterprises to adopt the single currency in Poland

22 August 2018



Euro no longer a daunting prospect

Polish business community is getting over the weaknesses of the single currency. Already three out of four mid-sized and large enterprises would like to see Poland switch from the zloty to the euro.

The single currency has won back the confidence of Polish businesses. Today, as much as 74% of mid-sized and large enterprises operating in Poland would like the country to join the Eurozone.

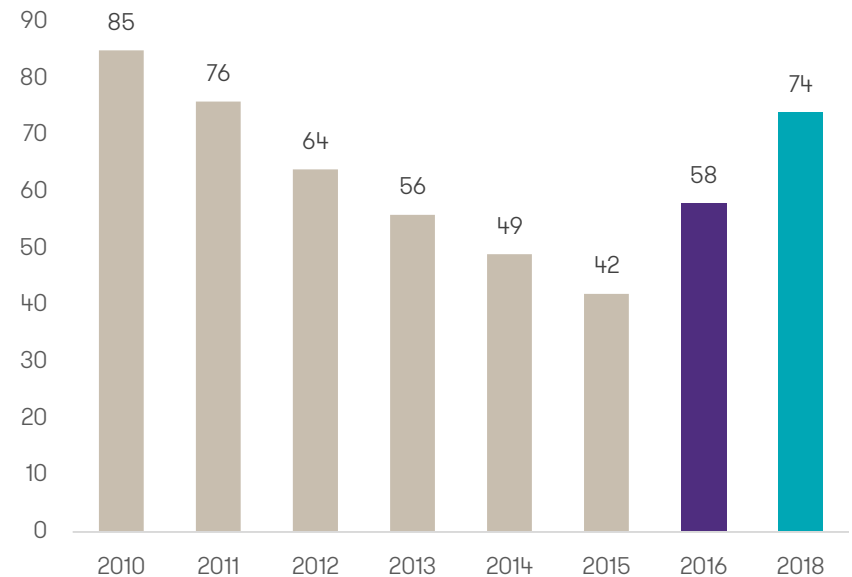
This is the highest percentage since 2011, i.e. since the height of the “Greek crisis” (Greece’s debt bailout programme of July 2011), up 16 percentage points compared to 2016 (the survey was not conducted in 2017). The growing disillusionment of Polish businesses with the European currency, which had persisted for five years (2010-2015), has lifted and the percentage of euro-supporters has returned to pre-crisis levels.



“The Euroland debt crisis of 2010-2011 significantly damaged the reputation of the euro around the world, and in Poland too. However, after several years of calm, the single currency is returning to favour and is again perceived as stable.”

Grzegorz Taraszkiewicz-Sirocki
Associate Partner
Financial Risk Management

Chart 1: Percentage of mid-sized and large businesses in Poland which would like Poland to adopt the euro (per cent)



Source: Survey conducted as part of the International Business Report research project by Millward Brown for Grant Thornton International among 200 enterprises operating in Poland. Data for 2017 not available.

The zloty unwanted, despite unprecedented stability

Why is the perception of the euro in the Polish business community improving so much? Currency fluctuations can hardly be the reason

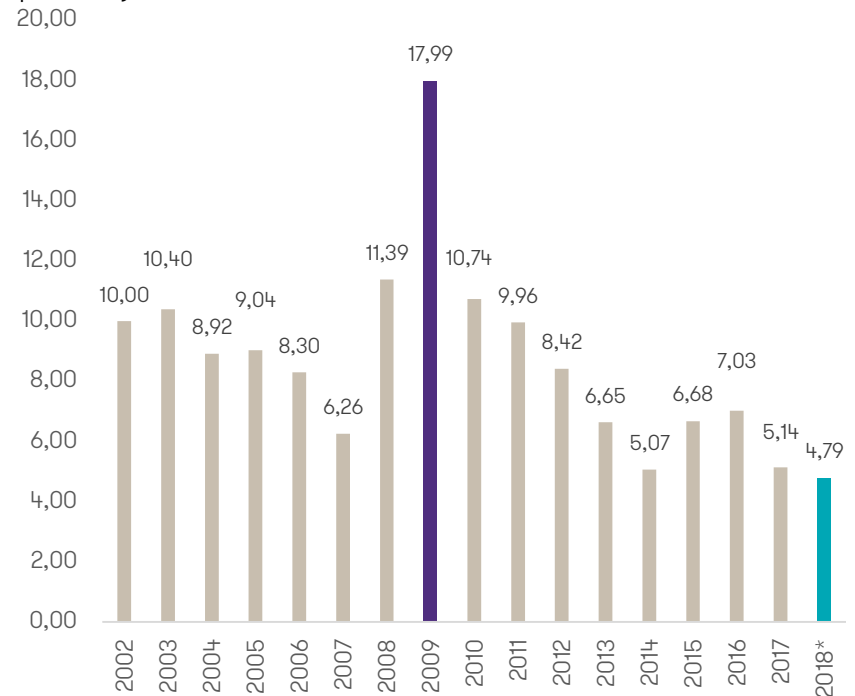
– they have reached record lows

One might expect that the willingness in the business community to abandon the zloty and embrace the euro should be correlated with the magnitude of problems caused by fluctuations in the zloty's exchange rate at any particular time. The more volatile and unpredictable the exchange rate, the more attractive it would seem to be able to eliminate this uncertainty by joining the Eurozone.

However, it turns out not to be the case. The zloty has evidently stabilised in recent times. Average volatility (based on daily quotations in financial markets, the so-called volatility ratio) in 2018 – from the beginning of January to 20 July – amounted to 4.79%, which is the lowest figure since at least 2002, when we started the survey.

It therefore appears that the zloty is not at fault here – entrepreneurs are not so much disillusioned with the local currency, as simply more inclined to notice the advantages of the euro.

Chart 2: Average monthly market volatility of EUR/PLN exchange rate (based on daily quotations on all business days of the given period; per cent)



Source: calculations by Grant Thornton

* Data for the period from 1 January – 20 July



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Stabilisation in the Eurozone continues. Year after year goes by, and the Euroland economies are not presenting any particularly worrying symptoms. The debt crisis affecting Greece, Spain and Italy is now history, fading into the ever-more distant past.

So, there is a growing belief among Polish businesses that the risk related to adopting the euro is dwindling. On the other hand, the potential benefits of the single currency – e.g. lower interest rates, elimination of transaction costs or zero volatility – remain unchanged. The balance of the pros and cons of the single currency, at least from a business point of view, has again started shifting towards the pros.

It seems that the Eurozone no longer resembles a house on fire, the way it did just a few years ago. Not only is the fire out, but the house has now got a new façade and looks quite attractive. But is the internal structure really safe? It is still hard to say for sure.

Grzegorz Taraszkiewicz-Sirocki

Associate Partner

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We look forward to hearing from you

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