

## POLAND IS PROMOTED TO DEVELOPED MARKET STATUS BY FTSE RUSSELL

As of 24 September 2018, Poland is classified as a Developed market by FTSE Russell. This promotion to the highest possible status in FTSE Russell's classifications is a significant achievement and a recognition of continuous enhancements of the capital markets infrastructure and steady economic growth in Poland. Poland is now among the eight largest economies in the European Union (EU) and 25 largest economies in the world.

### ABOUT FTSE RUSSELL AND FTSE GLOBAL EQUITY INDEX SERIES (GEIS)

FTSE Russell, a subsidiary of the London Stock Exchange Group, is a provider of stock market indices and associated data services, one of the largest in the world.

FTSE Global Equity Index Series (GEIS) is a benchmark measuring the performance of global equity markets. According to FTSE Russell, FTSE GEIS looks at around 7,400 large-, mid- and small-cap stocks across 47 countries, with a total net market capitalization of USD 52 trillion, covering approximately 98 percent of the world's investable market.

FTSE Russell classifies markets using four categories: Developed, Advanced Emerging, Secondary Emerging and Frontier. Developed market status means that apart from market quality and size criteria being met, the country is considered as having high gross national income with developed market infrastructures.

When determining a country's status, FTSE Russell measures, amongst other things, the market quality (regulatory framework, transactional landscape, derivatives market, etc.), adequateness of the market size, consistency and predictability, stability and market access (ease of investment and disinvestment).

### INTERNATIONAL CONTEXT

Poland's promotion is the first transition of a country from Advanced Emerging to Developed market status in FTSE Russell's classifications for nearly a decade. As a result, Poland as the only CEE country now has the status of a

#### Key issues

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- International context
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- Status of some Polish blue chips
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highly ranked economy and joins the club so far formed by Australia, Austria, Belgium / Luxembourg, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, South Korea, Spain, Sweden, Switzerland, UK and USA.

## **FOR WHOM IS POLAND'S PROMOTION RELEVANT?**

Although Poland's promotion to Developed market status is of primary importance to debt and capital markets, its relevance may extend far beyond to foreign direct investments, real estate investments, venture capital, private equity, international trade and, more generally, any international business.

Focusing on the debt and capital markets perspective, FTSE highlighted the positive achievements of the market infrastructure in Poland. FTSE Russell appreciated the steady growth of the Warsaw Stock Exchange, acknowledging the WSE's third position in Europe in 2017 in terms of number of IPOs.

The recent announcements by FTSE Russell may attract the attention of investors and may impact their business decisions as well as their overall perception of Poland. This is because some of the classification criteria applied by FTSE Russell relate to the general economy and quality of investment infrastructure. Therefore, the reclassification of Poland to Developed market status from Advanced Emerging is a clear signal to the world and a litmus test for investors.

## **STATUS OF SOME POLISH BLUE CHIPS**

Further to the promotion of Poland to Developed market status, certain companies listed on the Warsaw Stock Exchange are now classified as FTSE Global Developed index eligible:

- Powszechna Kasa Oszczędności Bank Polski S.A. amongst the large-caps
- 13 entities amongst mid-caps: Polski Koncern Naftowy Orlen S.A., Powszechny Zakład Ubezpieczeń S.A., Santander Bank Polska S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A., Bank Polska Kasa Opieki S.A., KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., mBank S.A., LPP S.A., CD Projekt S.A., Cyfrowy Polsat S.A., Grupa Lotos S.A. and Dino Polska S.A.
- 23 entities amongst small-caps: Bank Millennium S.A., AmRest Holdings, Bank Handlowy w Warszawie S.A., Jastrzębska Spółka Węglowa S.A., Alior Bank S.A., CCC S.A., Play Communications S.A., Orange Polska S.A., Grupa Azoty S.A., Enea S.A., Tauron Polska Energia S.A., Kernel Holding SA, Kruk S.A., Asseco Poland S.A., Budimex S.A., Eurocash S.A., Ciech S.A., Energa S.A., PKP Cargo S.A., Lubelski Węgiel Bogdanka S.A., Giełda Papierów Wartościowych w Warszawie S.A., Boryszew S.A. and Neuca S.A.

## **FURTHER IMPLICATIONS**

Many commentators have expressed positive views on Poland's promotion. It is noted that the promotion may contribute to an increase in interest in

Poland's debt and capital markets, trading in stocks of Polish blue chips, and the overall perception of the country and its economy.

Some experts believe that in the short run, certain markets may face outflows of capital invested in instruments classified as Advanced Emerging and time might be needed before these outflows are balanced by inflows of investors seeking opportunities in Poland as a Developed market. Further, the issuers of debt and equity instruments in Poland will need to become accustomed to playing in a more challenging field, attracting the interest of investors with a different profile, and also competing for this interest with some of the world's high-class corporations.

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Sources:

FTSE Russell, Internet, press, news agencies.

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