

## THE IMPACT OF EXCHANGE RATE ON THE POLAND'S TRADE FLOWS

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### **Abstract:**

The aim of the paper is to investigate the effect of exchange rate on trade flows between Poland and its major trading partners. The research verifies the theoretical concepts which explain how the exchange rate influences the trade turnover.

The research is based on the two models of the rate of exchange – monetary and elasticity. The assessment also considers the effect of the internal and external business cycle on the export and import. The empirical analysis is based on the correlation analysis, the regression analysis and causality test.

The empirical analysis confirms that the real exchange rate is the substantial factor which influences bilateral trade turnover of Poland with its main trade partners. The increase of the real exchange rate is the cause for the Polish export growth. It means that the quantity effect is stronger than the price effect. In the case of import the increase of the real exchange rate causes the decrease of the value of the Polish import. The changes of the real exchange rate of the main trade partners usually cause less than proportional changes of the Polish export and import. The research also confirms that the business cycle in the country and abroad influences bilateral trade turnover substantially.

*Keywords: economy, international finance, exchange rate, foreign trade, trade competitiveness*