



State budget borrowing requirements' financing plan and its background

August 2023

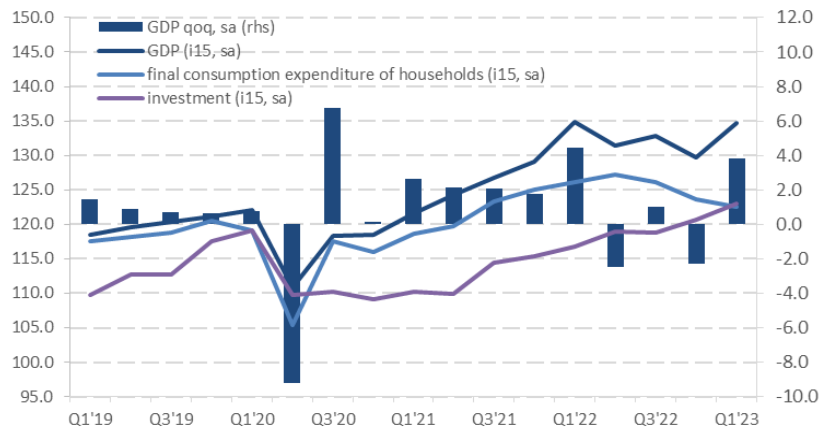
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Gross domestic product of Poland

constant prices, seasonally adjusted data (sa)
source: GUS, Eurostat

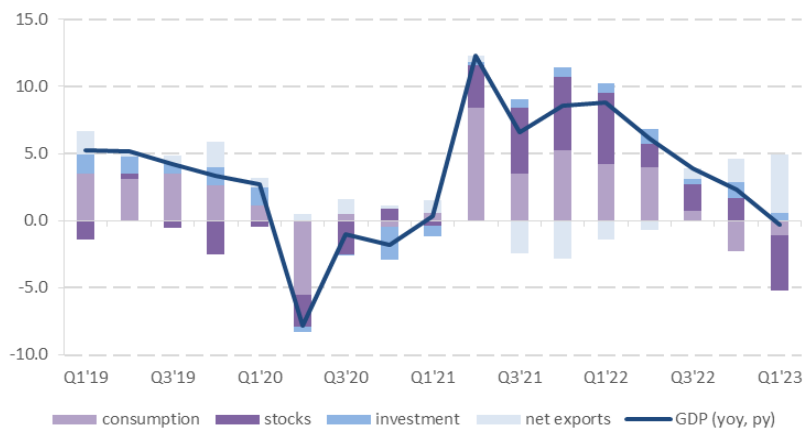
In the first quarter of 2023 GDP increase by 3.8% (qoq, sa) after a 2.3% decline in the previous quarter. Thereby Polish economy avoided so-called technical recession. Household consumption was negatively affected by high inflation and higher nominal NBP rates. In effect it contracted for the third time in a row (qoq, sa). On the other hand, investments proved to be resistant to unfavourable macroeconomic conditions (uncertainty, higher nominal interest rates) increasing by 1.9% in first quarter of 2023.



Contributions to Polish GDP growth

average prices of the previous year (py), yoy
source: GUS, MoF own calculation

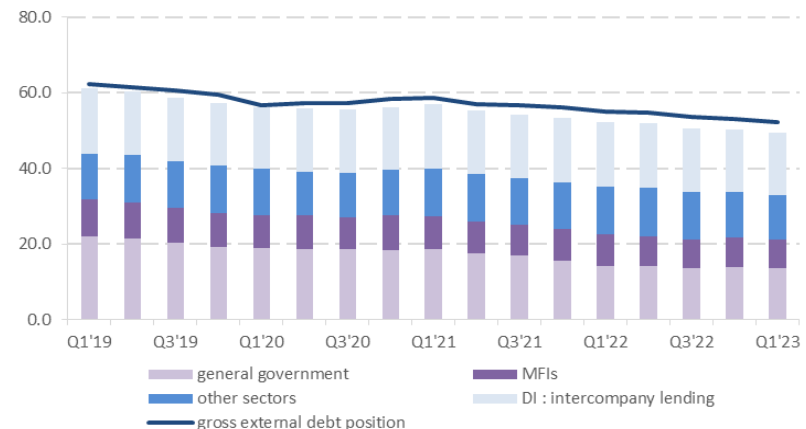
In the first quarter of 2023 GDP was 0.3% (py) lower than a year earlier. Household consumption was 2.0% lower than in the first quarter of 2022 while investment 5.5% higher. Contribution of inventories was strongly negative (-4.1 pp). Weaker dynamics of domestic demand weighted on imports growth and in consequence net exports positive contribution to GDP growth increased by 4.3 pp.



Polish gross external debt position

percent of GDP
source: NBP, GUS, MoF own calculation

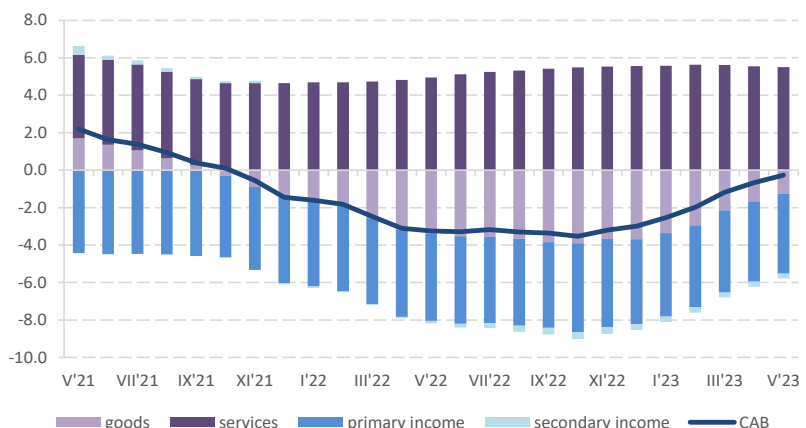
At the end of the first quarter of 2023 gross external debt reached EUR 352.3bn (52.1% of GDP) and was EUR 4.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 26.1%. At the end of May 2023 official reserve assets reached EUR 165.2bn and remained broadly adequate, covering about 5 months of imports.



Current account balance

percent of GDP, in 12-month terms
source: NBP, GUS, MoF own calculation

In May 2023, according to preliminary data, Poland's C/A deficit decreased further to 0.3% of GDP (in 12-month terms). Goods balance recorded fifth monthly surplus in a row, mainly due to weak imports dynamics. In May five out of six main imports categories, recorded a decline compared to the previous year, especially intermediate goods, fuels and consumer goods. The trade in goods balance was also favourably influenced by improvement in terms of trade accompanied by a decline in transaction prices. Service surplus, which includes among others expenditures of foreigners, who plan to stay in Poland no longer than one year amounted to 5.5% of GDP.

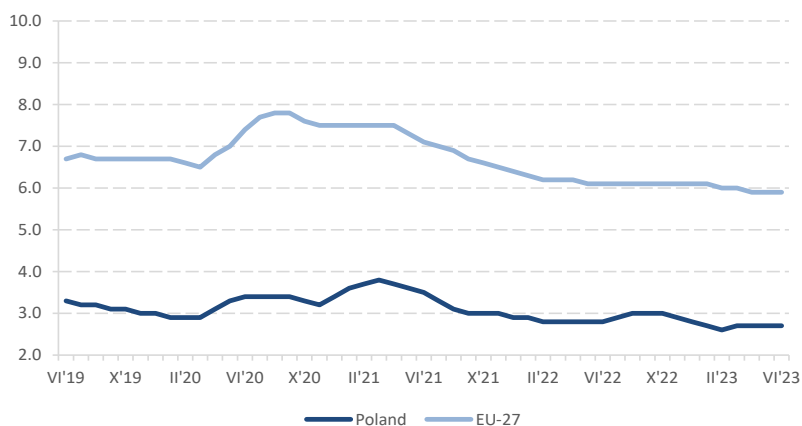


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

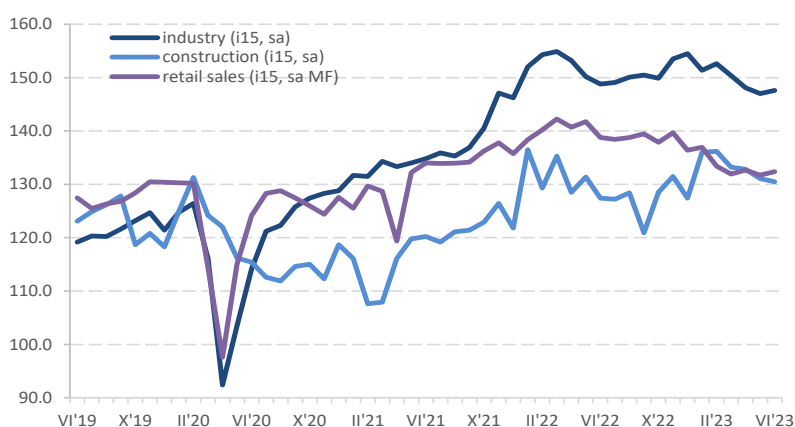
The harmonized unemployment rate (sa) amounted to 2.7% in June 2023 and it was at the same level as in three previous months and by 0.1 pp. lower than a year earlier. It was by 0.1 pp. higher than the historically lowest level recorded in February 2023. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (5.9% and 6.4%, respectively). In June 2023, among the EU countries, only in Malta the unemployment rate was lower than in Poland and in the Czech Republic it was at the same level as in Poland.



Monthly indicators of the real sector

sold production in constant prices, non-seasonally adjusted (nsa)
source: Eurostat, GUS, MoF own calculation

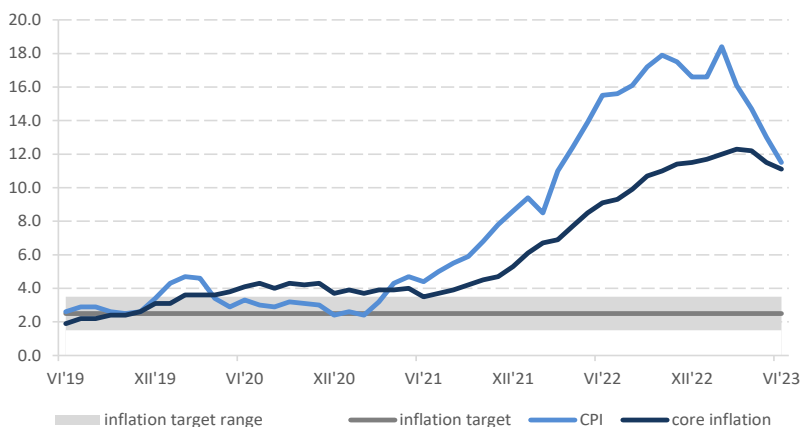
In June 2023 industrial production increased by 0.4% (mom, sa) and was 1.4% lower than a year ago (nsa). Data were close to market expectations. Construction production decreased by 0.5% (mom, sa). It was the fourth decline in a row. The production level was by 1.5% (nsa) higher than a year ago. The data were a bit below market expectations. Retail sales increased after a decline in the previous month (mom, sa MoF). The sales level was by 4.7% (nsa) lower than a year ago. The data were in line with market expectations.



Inflation

percent, yoy
source: GUS, NBP

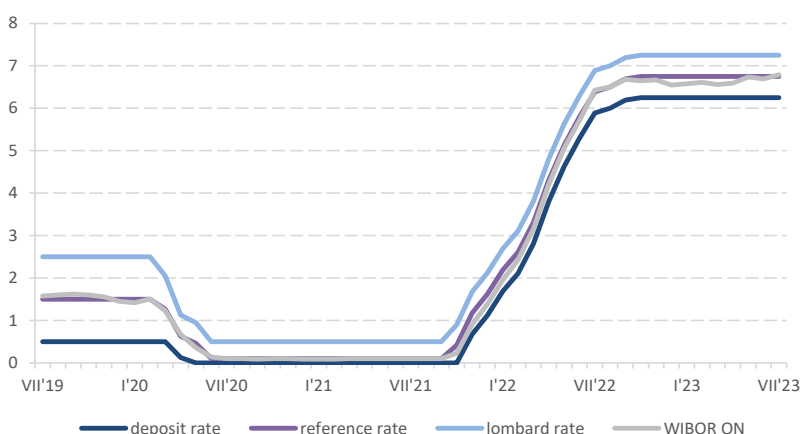
In June 2023, just like in three previous months, inflation rate decreased and achieved 11.5% (yoy). Fall in inflation rate was mainly caused by the statistical effect of significant price increase after outbreak of war in Ukraine. Annual rate of energy prices decreased considerably to 4.0%. Food prices were higher by 17.8% (yoy) and core inflation diminished to 11.1%. In July according to preliminary data inflation decreased to 10.8% (i.e. slightly below market expectations). In June producer prices were higher than a year before only by 0.5% and in the last four months this pace lowered by 17.7 pp Decline of PPI index is mainly connected with drop of commodity prices on international markets and strengthening of the zloty.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In July 2023, the Monetary Policy Council kept interest rates on hold for the tenth month in a row and decided to end the rate-hike cycle. Reference rate was left unchanged at 6.75%, lombard rate was kept steady at 7.25%, while the deposit rate remained at 6.25%. In October 2021 - September 2022 the reference rate rose by 6.65 percentage points in total. Council's decision to put interest rates on hold was based on expectations that weakening of the external economic conditions and a decrease in commodity prices will, together with weakening in domestic GDP growth and earlier monetary policy tightening by NBP, lead to a decline in inflation in Poland towards inflation target.



II. STATISTICAL DATA

	Unit	2021 Q04	2022 Q01	Q02	Q03	Q04	2023 Q01
GDP							
Gross domestic product	YoY	8.6	8.8	6.1	3.9	2.3	-0.3
	QoQ SA	1.8	4.5	-2.5	1.0	-2.3	3.8
Final consumption expenditure of the households sector	YoY	8.4	6.8	6.7	1.1	-1.1	-2.0
	QoQ SA	1.4	0.8	0.9	-0.9	-2.0	-0.8
Final consumption expenditure of the general government sector	YoY	5.6	1.0	1.3	0.4	-8.7	-0.5
	QoQ SA	0.5	0.4	0.1	0.1	-11.4	13.9
Gross fixed capital formation	YoY	3.1	5.4	7.1	2.5	5.4	5.5
	QoQ SA	0.8	1.3	1.9	-0.2	1.6	1.9
Exports of goods and services	YoY	6.0	5.6	6.4	9.0	3.9	3.2
	QoQ SA	3.6	0.8	1.5	2.4	-0.3	-0.4
Imports of goods and services	YoY	12.8	8.7	8.2	7.7	0.7	-4.6
	QoQ SA	3.6	0.9	1.3	1.1	-2.2	-4.0
Gross value added	YoY	8.6	8.6	5.9	3.6	2.7	0.7
	QoQ SA	1.7	3.4	-0.9	1.0	-3.0	4.2
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	4.0	4.0	3.8	0.6	-0.5	-1.0
Final consumption expenditure of the general government sector	pp	1.2	0.2	0.2	0.1	-1.8	-0.1
Gross fixed capital formation	pp	0.7	0.7	1.1	0.4	1.2	0.6
Changes in inventories	pp	5.5	5.3	1.7	2.0	1.7	-4.1
Balance of trade turnover	pp	-2.8	-1.4	-0.7	0.8	1.7	4.3
Gross value added	pp	7.5	7.5	5.1	3.1	2.3	0.5
GDP structure							
Final consumption expenditure of the households sector	% of GDP	50.0	59.6	58.7	56.9	49.8	59.1
Final consumption expenditure of the general government sector	% of GDP	20.6	17.0	18.1	17.6	18.7	16.9
Gross fixed capital formation	% of GDP	21.5	12.5	15.5	16.0	21.6	12.7
Changes in inventories	% of GDP	6.4	9.0	4.6	7.5	7.6	3.8
Exports of goods and services	% of GDP	56.2	61.9	65.7	62.5	59.2	62.7
Imports of goods and services	% of GDP	55.5	60.9	63.5	61.3	57.7	56.0
Balance of payments							
	Unit	2023 M01	M02	M03	M04	M05	M06
Goods: exports (EUR)	YoY	15.7	14.7	18.1	2.6	3.3	-
Goods: imports (EUR)	YoY	7.4	3.9	-1.4	-8.9	-6.2	-
Current account balance ¹⁾	% of GDP	-2.5	-2.0	-1.2	-0.7	-0.3	-
Balance on goods ¹⁾	% of GDP	-3.4	-2.9	-2.1	-1.7	-1.3	-
Official Reserve Assets	EUR m	154 405.0	158 233.1	156 438.4	162 022.5	165 176.1	166 770.9
Inflation							
Consumer Price Index (CPI)	YoY	16.6	18.4	16.1	14.7	13.0	11.5
Core inflation (CPI excluding food and energy prices)	YoY	11.7	12.0	12.3	12.2	11.5	11.1
Producer Price Index (PPI)	YoY	20.1	18.2	10.3	6.2	2.8	0.5
Production							
Sold production of industry ²⁾	YoY	1.8	-1.0	-3.0	-6.0	-2.8	-1.4
	MoM SA	-2.0	0.8	-1.4	-1.5	-0.7	0.4
Construction and assembly production ²⁾	YoY	2.0	6.6	-1.6	1.1	-0.6	1.5
	MoM SA	6.8	0.1	-2.2	-0.3	-1.3	-0.5
Manufacturing PMI	SA	47.5	48.5	48.3	46.6	47.0	45.1
Households and labour market							
Retail sales ²⁾	YoY	0.1	-5.0	-7.3	-7.3	-6.8	-4.7
Average paid employment in enterprise sector	YoY	1.1	0.8	0.5	0.4	0.4	0.2
	MoM	0.4	-0.1	-0.1	0.1	-0.1	-0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	-2.6	-4.1	-3.0	-2.2	-0.7	0.4
	MoM	-8.4	1.4	5.1	-1.7	-3.4	2.1
Harmonised unemployment rate (Eurostat)	%, SA	2.7	2.6	2.7	2.7	2.7	2.7
<small>1) Data in 12-month terms 2) Constant prices. Data for units in which the number of employed persons exceeds 9 persons Source: GUS, NBP, Eurostat, IHS Markit, MoF calculation based on NBP, GUS data</small>							
State Treasury debt							
	Unit	2022 M12	M01	2023 M02	M03	M04	M05
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 238 470.5	1 205 870.3	1 234 332.8	1 240 853.6	1 256 204.8	1 266 579.5
Domestic debt	face value, PLN m	949 785.9	923 970.2	934 826.4	953 234.2	953 625.1	966 523.6
	%	76.7	76.6	75.7	76.8	75.9	76.3
Foreign debt	face value, PLN m	288 684.6	281 900.1	299 506.4	287 619.4	302 579.7	300 055.8
	%	23.3	23.4	24.3	23.2	24.1	23.7
Public debt (domestic definition)							
	Unit	2021 Q04	2022 Q01	Q02	Q03	Q04	2023 Q01
Public debt (acc. to the place of issue criterion)	face value, PLN m	939 584.5	965 199.0	974 765.7	977 224.4	972 206.6	961 836.3
Domestic debt	face value, PLN m	624 358.2	630 171.6	657 497.0	666 497.6	659 480.8	662 552.4
	%	66.5	65.3	67.5	68.2	67.8	68.9
Foreign debt	face value, PLN m	315 226.3	335 027.4	317 268.6	310 726.7	312 725.8	299 283.9
	%	33.5	34.7	32.5	31.8	32.2	31.1
General Government debt (EU definition)							
General Government debt	face value, PLN m	978 908.5	1 006 584.9	1 013 385.5	1 016 347.9	1 011 018.5	1 003 398.6

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2023 as of July 31, 2023, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 89% (acc. to the amended Budget Act) was a result of:

- T-bond sale on domestic market: PLN 93.2bn,
- switch auctions in 2023: PLN 9.0bn,
- T-bond sale on foreign markets: PLN 37.9bn,
- loans incurred from IFIs: PLN 0.8bn,
- switch auctions in 2022: PLN 9.8bn,
- and higher financial resources at the end of 2022: PLN 106.2bn.

Outflows of funds related to domestic marketable T-securities transfers in August plan as of July 31, 2023

Value of funds transferred from the State budget to the market in August shall amount to PLN 6.7bn, of which:

- TS redemptions: PLN 6.5bn,
- interest payments: PLN 0.2bn.

Flows of funds between the domestic market and the budget* as at the end of month, PLN bn

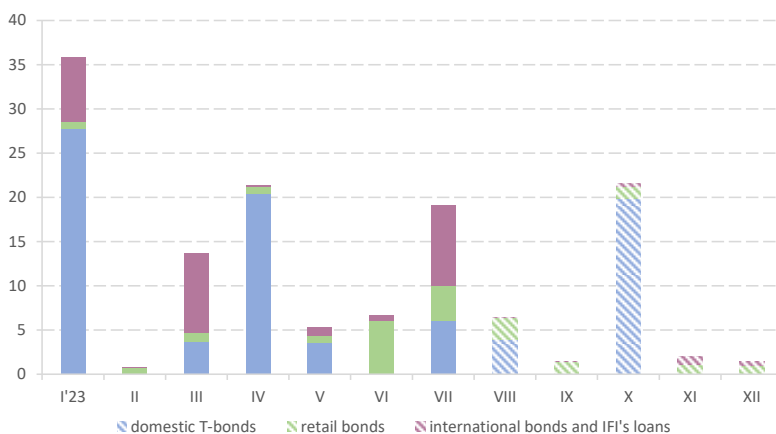
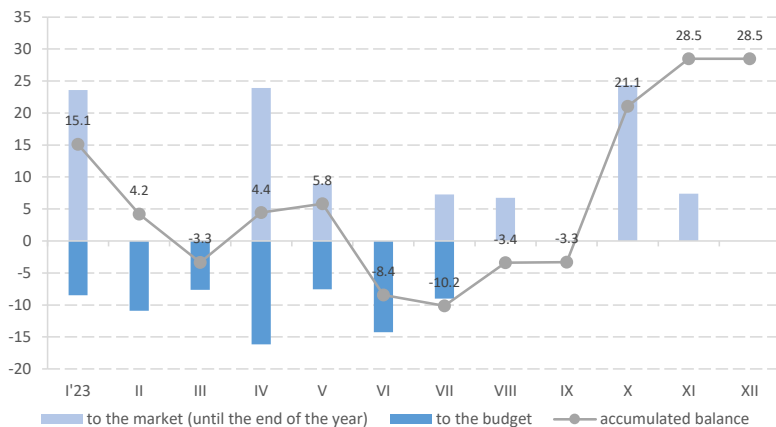
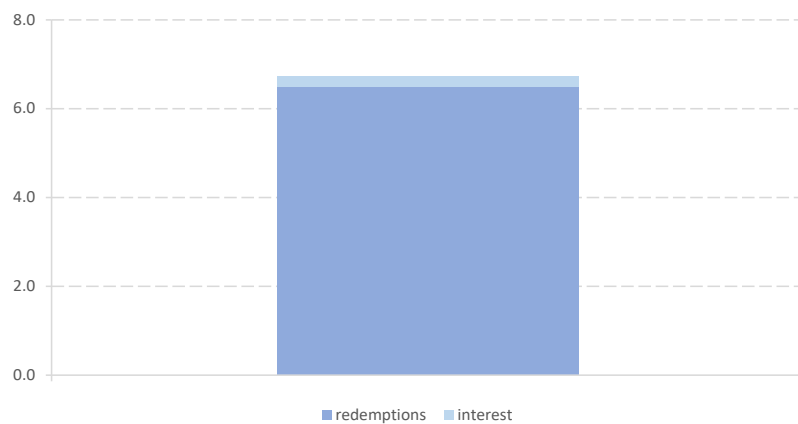
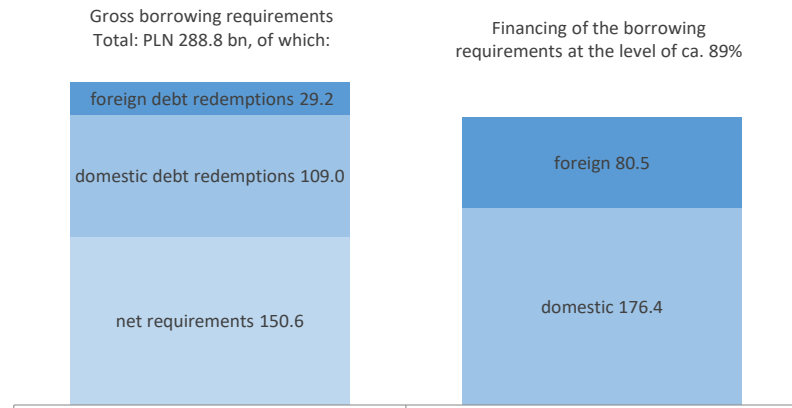
As of July 31 to the end of the 2023 the funds to be transferred to the market shall amount to PLN 38.6bn.

*figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.

State Treasury debt redemptions in 2023 as at the end of month, nominal amount, PLN bn

The nominal amount of debt to be redeemed in 2023 (as of July 31, 2023), is equal to PLN 33.0bn, including:

- T-bonds: PLN 23.8bn,
- T-retail bonds: PLN 7.4bn,
- bonds and loans incurred on foreign markets: PLN 1.8bn.

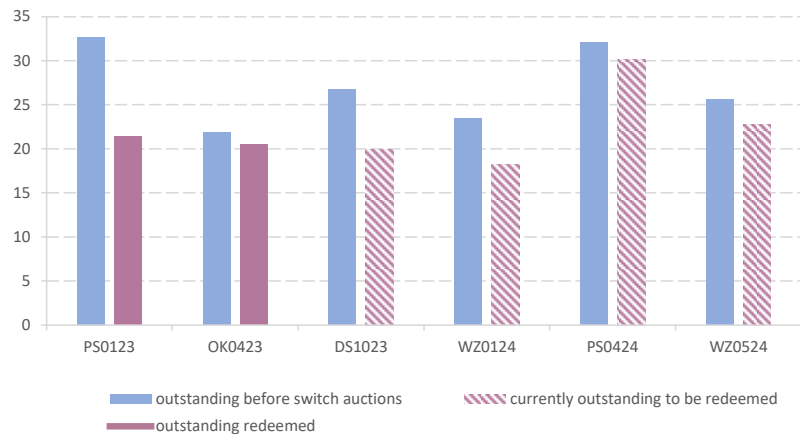


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2023 and 2024

as of July 31, 2023, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2023 and 2024 (by switch):

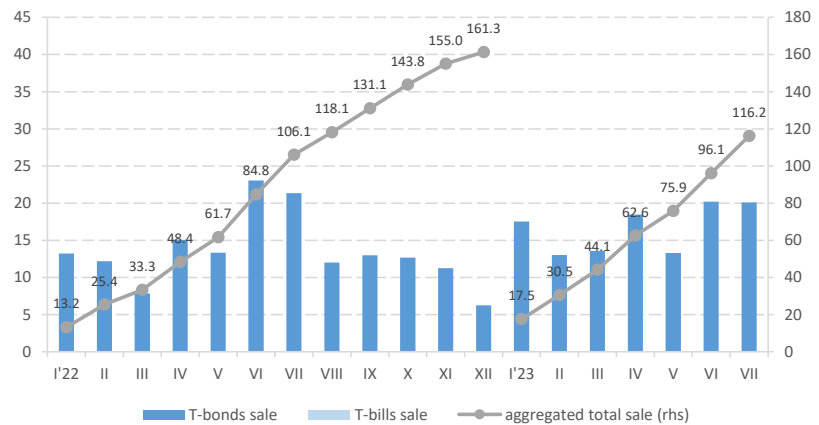
- PS0123: PLN 11.3bn (35% of the issuance),
- OK0423: PLN 1.4bn (6% of the issuance),
- DS1023: PLN 6.9bn (26% of the issuance),
- WZ0124: PLN 5.2bn (22% of the issuance),
- PS0424: PLN 1.9bn (6% of the issuance),
- WZ0524: PLN 2.8bn (11% of the issuance).



Sale of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-VII 2023 aggregated total sale of T-bonds amounted to PLN 116.2bn versus PLN 106.1bn in the same period of 2022. T-bills were not sold.

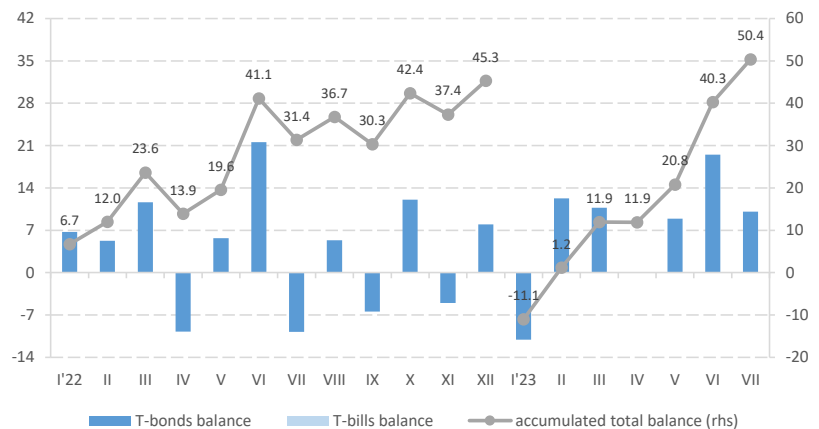


Balance of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-VII 2023 indebtedness in T-bonds increased by PLN 50.4bn versus increase of PLN 31.4bn in the same period of 2022. There was no indebtedness in T-bills.

The figures also include the amounts of T-bonds issued and transferred by the Minister of Finance on the basis of other acts than the Public Finance Act.

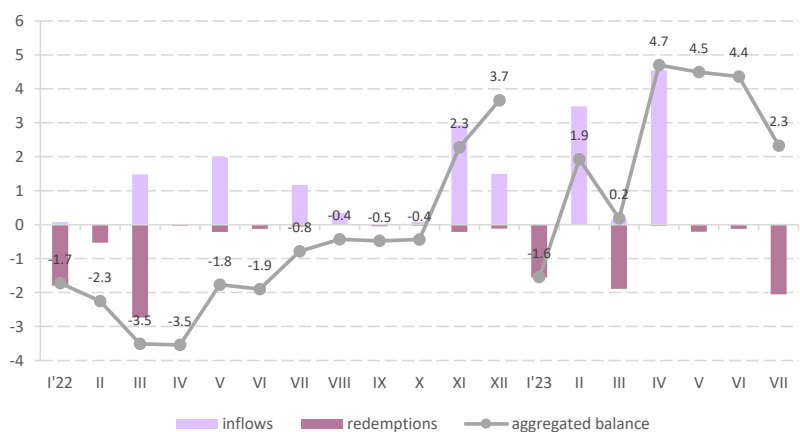


External financing in 2022 and 2023

bonds issued on foreign markets and loans received from IFIs, settlement date, EUR bn

Net financing on foreign markets in the period of I-VII 2023 was positive and amounted to EUR 2.3bn, which resulted from:

- positive balance of T-bonds issuance of EUR 2.7bn,
- negative balance of loans incurred from IFIs at the level of EUR 0.4bn.

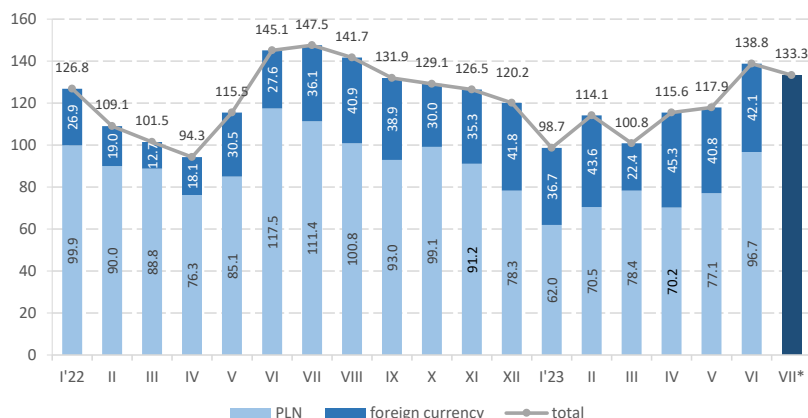


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of July 2023 there was the equivalent of PLN 133.3bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

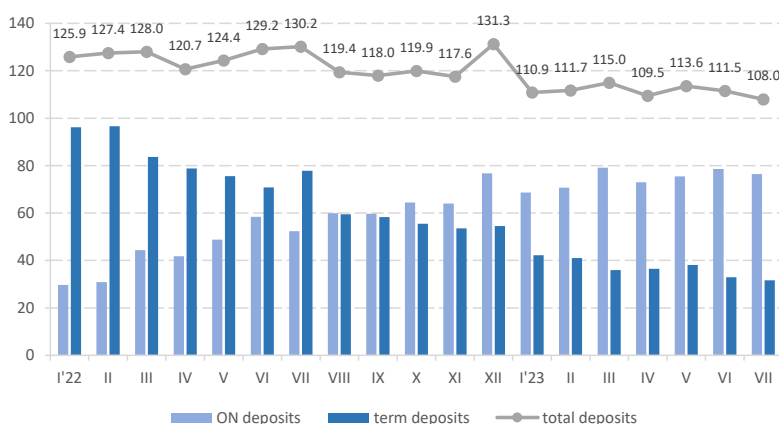


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

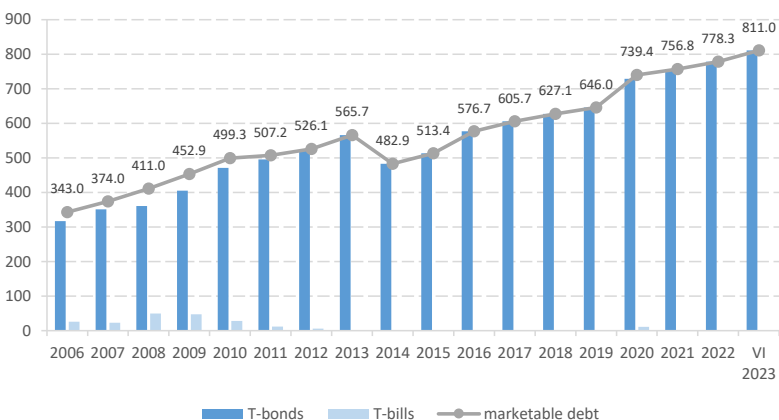
At the end of July 2023 funds accumulated within the consolidation of public finances liquidity management amounted to PLN 108.0bn, of which PLN 31.6bn was as term deposits and PLN 76.4bn on ON deposits.



Structure of domestic marketable debt

PLN bn

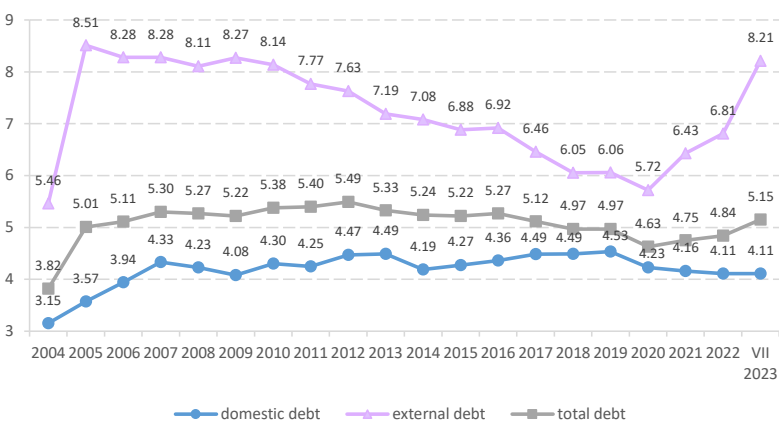
At the end of June 2023 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 811.0bn comparing to PLN 778.3bn at the end of 2022.



Average maturity

years

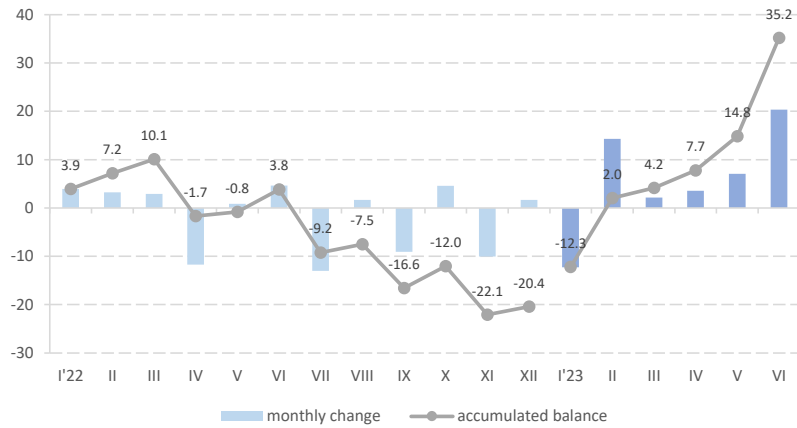
At the end of July 2023 the average maturity of domestic debt amounted to 4.11 years (at the end of 2022 it was also 4.11 years). The average of total debt amounted to 5.15 years (4.84 years at the end of 2022).



Change of debt in the domestic TS held by banks

PLN bn

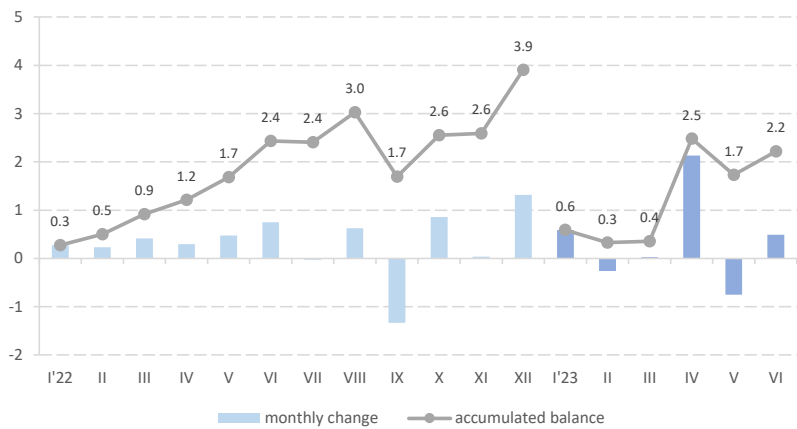
In I-VI 2023 there was an increase of debt by PLN 35.2bn comparing to PLN 3.8bn increase during the same period of 2022. Banks' holdings reached the level of PLN 463.2bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

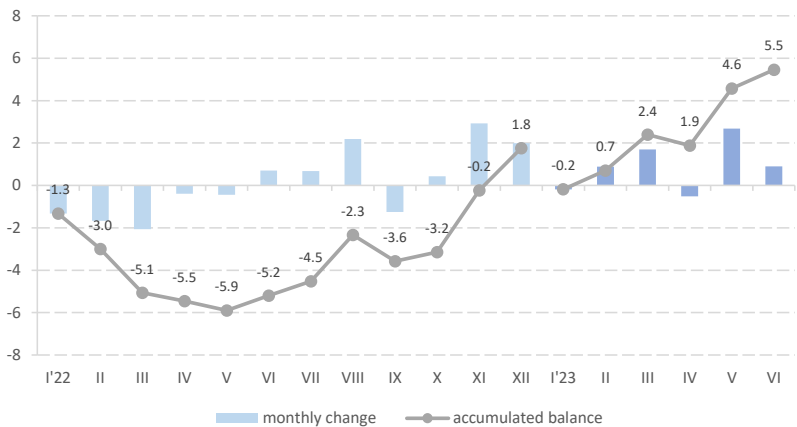
In I-VI 2023 there was an increase of debt by PLN 2.2bn comparing to PLN 2.4bn increase during the same period of 2022. Insurance companies' holdings reached the level of PLN 61.8bn.



Change of debt in the domestic TS held by investment funds

PLN bn

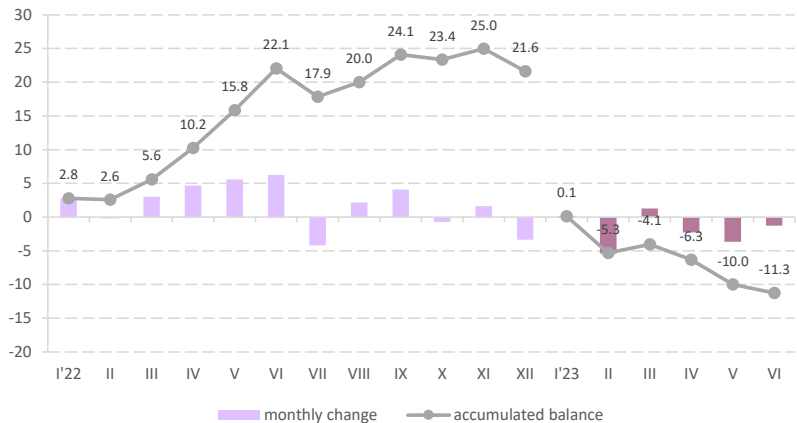
In I-VI 2023 there was an increase of debt by PLN 5.5bn comparing to PLN 5.2bn decrease during the same period of 2022. Investment funds' holdings reached the level of PLN 52.5bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In I-VI 2023 there was a decrease of debt by PLN 11.3bn comparing to PLN 22.1bn increase during the same period of 2022. Foreign investors' holdings reached the level of PLN 134.9bn.

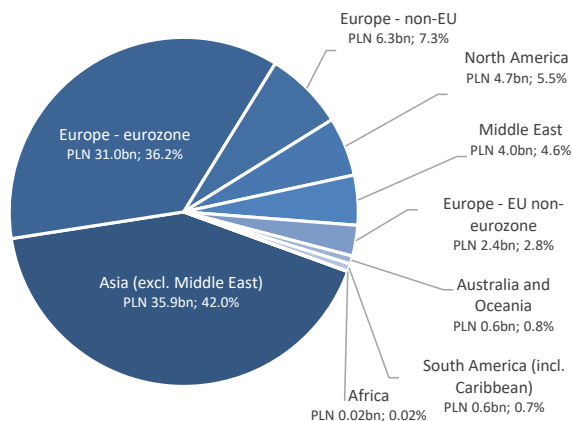


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of the domestic TS held by non-residents

as of June 30, 2023, the chart presents data excluding omnibus accounts

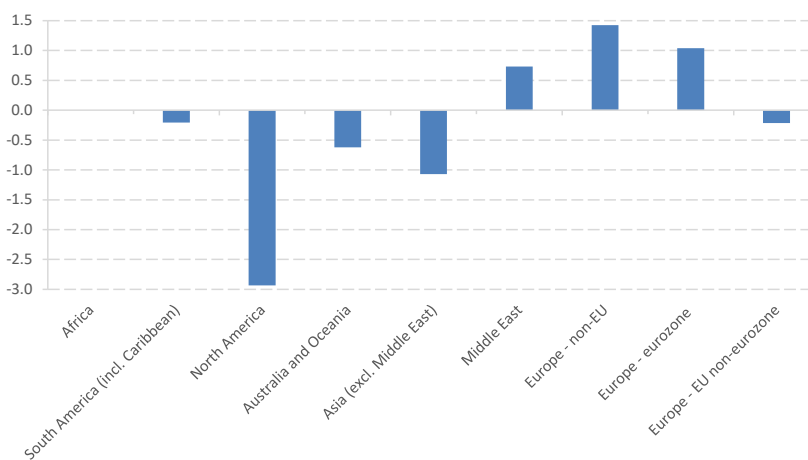
The non-residents' share in the domestic Treasury securities market decreased by PLN 1.3bn in June 2023. The foreign investors' portfolio amounted to PLN 134.9bn, which constituted 14.9% share in total debt in TS (15.4% in the previous month).



Change of debt in the domestic TS held by non-residents by regions

change in June 2023, mom, PLN bn, the chart presents data excluding omnibus accounts

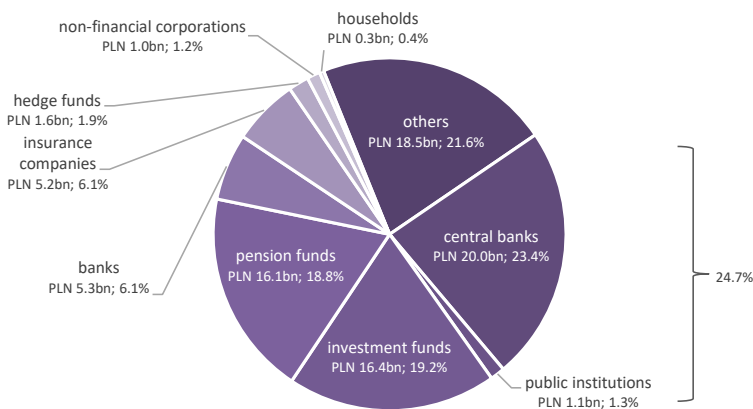
In June 2023 the highest increase was recorded by investors from Europe, non-EU countries (PLN 1.4bn), while the highest decrease was noted by investors from North America (PLN 2.9bn).



Institutional distribution of the domestic TS held by non-residents

as of June 30, 2023, the chart presents data excluding omnibus accounts

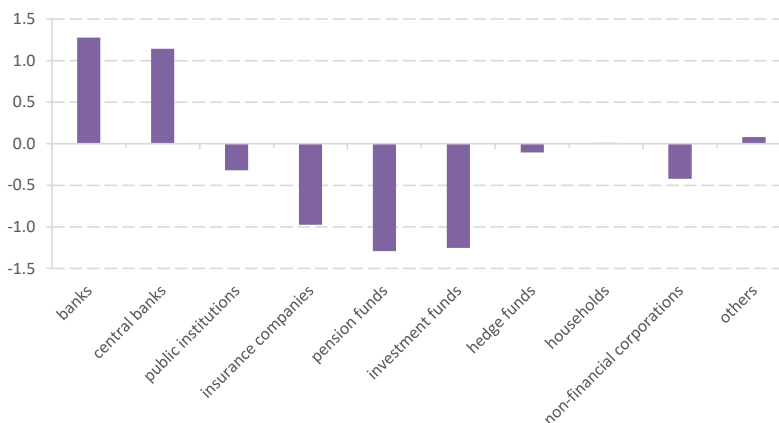
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 24.7% at the end June 2023.



Change of debt in the domestic TS held by non-residents by institutions

change in June 2023, mom, PLN bn, the chart presents data excluding omnibus accounts

In June 2023 the highest increase was recorded by banks (PLN 1.3bn), while the highest decrease was noted by pension funds (PLN 1.3bn).



Change of debt in domestic TS held by non-resident central banks and public institutions

change in June 2023, PLN bn

Central banks and public institutions' involvement increased by PLN 0.8bn in June 2023. In the period from the end of January 2018 to the end of June 2023 portfolios of those entities decreased by PLN 20.5bn.



Structure of non-residents' holdings in TS by countries

as of June 30, 2023, excluding omnibus accounts and central banks, countries with more than 1% share

Countries	Outstanding in nominal value (PLN m)	Share in non-residents holdings
Japan	16 957.3	25.9%
Luxembourg	9 928.2	15.1%
Netherlands	8 434.1	12.9%
Ireland	4 871.6	7.4%
Germany	4 404.8	6.7%
United Kingdom	4 121.1	6.3%
United States	4 113.9	6.3%
France	1 970.3	3.0%
Switzerland	1 655.7	2.5%
Denmark	1 001.2	1.5%
Singapore	932.1	1.4%
United Arab Emirates	875.3	1.3%
Czech Republic	713.9	1.1%
Austria	691.2	1.1%
Others	4 886.7	7.5%
Total	65 557.5	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-07-2023

The level of financing of the State budget borrowing requirements is ca. 89% (acc. to the amended Budget Act). We estimate that the balance of funds on budget accounts is approx. PLN 132bn. In August one switching auction and one T-bond sale auctions are planned. No T-bill auctions are planned. In July 2023 indebtedness in domestic Treasury securities increased by PLN 19.5bn. The involvement of domestic banks increased by PLN 20.4bn, domestic non-banks investors by PLN 0.4bn, while the indebtedness towards foreign investors decreased by PLN 1.3bn.

V. SUPPLY PLAN OF TREASURY SECURITIES IN AUGUST 2023

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
23 August 2023	25 August 2023	OK1025 / PS0728 / WZ1128 / DS1033 possible other T-bond of WS type	4,000-8,000

**The final offer and the supply will be announced 2 days before the auction, taking into account the market situation and consultations with investors.*

After the auction bonds will be offered within additional sale at a minimum accepted clean price.

T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding* (PLN m)
3 August 2023/ 7 August 2023	OK1025 / PS0728 / WZ1128 / DS1033 possible other T-bond of WS type	DS1023	19,082
		WZ0124	16,644
		PS0424	29,659
		WZ0524	21,037
		OK0724	17,702

* after auction settlement

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS1123 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0824 1-year	100.00 PLN (99.80 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.75% in the first coupon period
DOR0825 2-year	100.00 PLN (99.70 PLN for rolling-over)	Floating (NBP reference rate + 0.10%); 6.85% in the first coupon period
TOS0826 3-year	100.00 PLN (99.60 PLN for rolling-over)	Fixed: 6.85%
COI0827 4-year	100.00 PLN (99.50 PLN for rolling-over)	Floating (inflation rate + 1.00%); 7.00% in the first coupon period
EDO0833 10-year	100.00 PLN (99.40 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.25% in the first coupon period
ROS0829 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 7.20% in the first coupon period
ROD0835 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.50% in the first coupon period