

State budget borrowing requirements' financing plan and its background

June 2023

THE MOST IMPORTANT INFORMATION

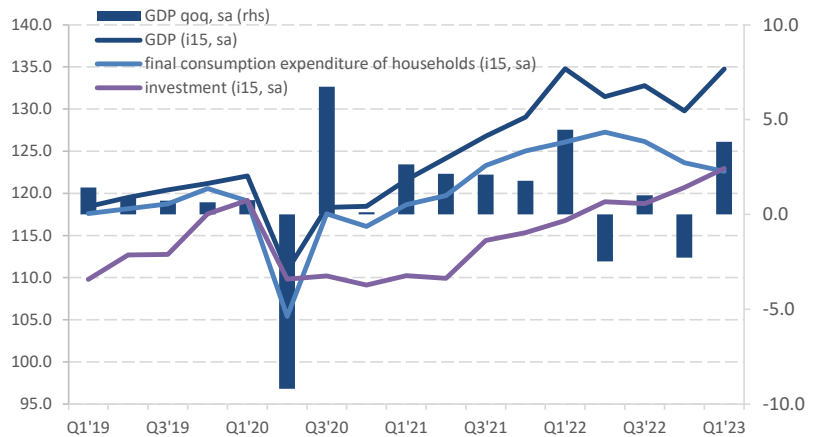
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I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

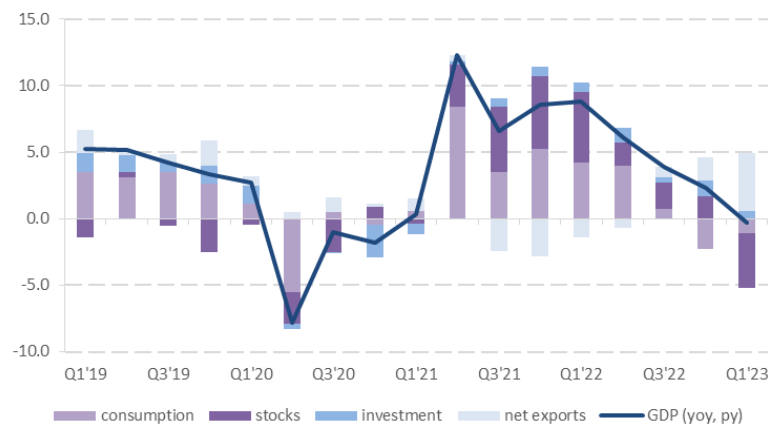
In the first quarter of 2023 GDP increased by 3.8% (qoq, sa) after a 2.3% decline in the previous quarter. Thereby Polish economy avoided so-called technical recession. Household consumption was negatively affected by high inflation and higher nominal NBP rates. In effect it contracted for the third time in a row (qoq, sa). Investments on the other hand 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

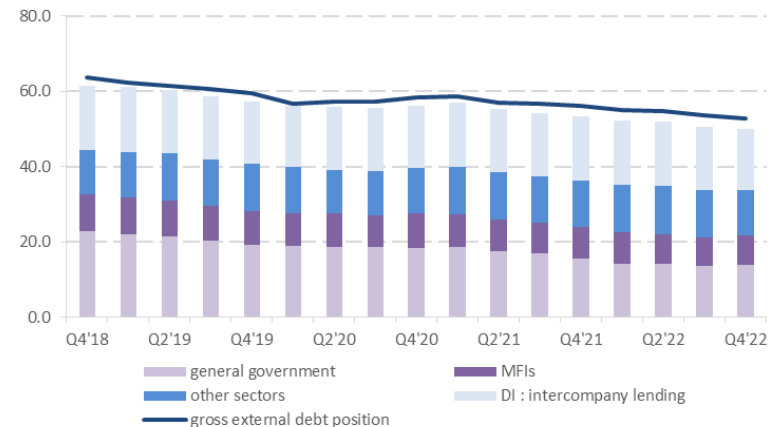
In the first quarter of 2023 GDP was 0.3% (py) lower than a year earlier. Household consumption was 2.0% lower than in the first quarter of 2022 while investment 5.5% higher. Contribution of inventories was strongly negative (-4.1 pp). Weaker dynamics of domestic demand weighted on imports growth and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



Polish gross external debt position

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

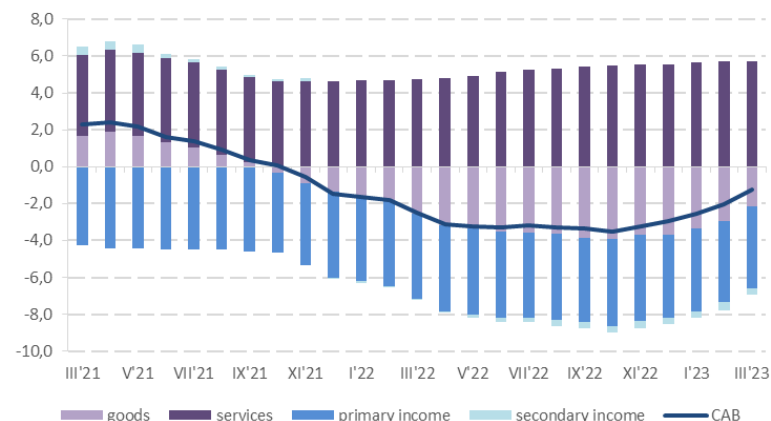
At the end of the fourth quarter of 2022 gross external debt reached EUR 346.6bn (52,8% of GDP) and was EUR 6.7bn higher than in the previous quarter. The share of general government sector debt in total debt increased slightly to 26.5%. At the end of March 2023 official reserve assets reached EUR 156.4bn and remained broadly adequate, covering nearly 5 months of imports.



Current account balance

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

In March 2023, according to preliminary data, Poland's C/A deficit decreased to 1.2% of GDP (in 12-month terms). Goods balance recorded third monthly surplus in a row, mainly due to weak imports dynamics. Exports to a large extent was still supported by the increase in foreign sales of automotive sector, both vehicles and automotive components. The trade in goods balance was also favourably influenced by improvement in terms of trade. Service surplus, which includes among others expenditures of foreigners, who plan to stay in Poland no longer than one year stabilised at 5.7% of GDP.

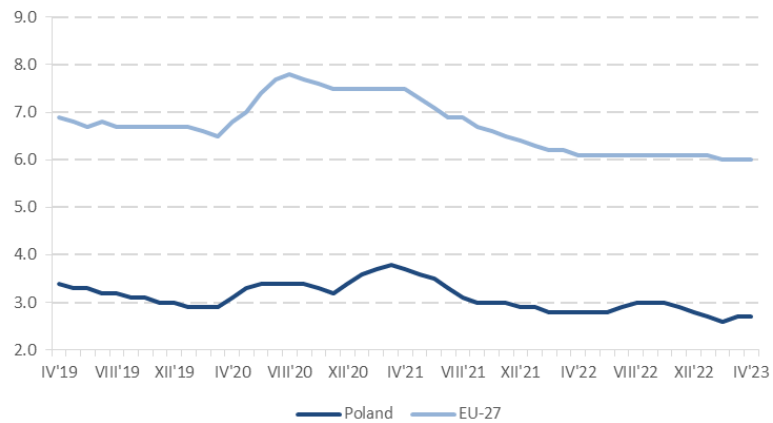


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

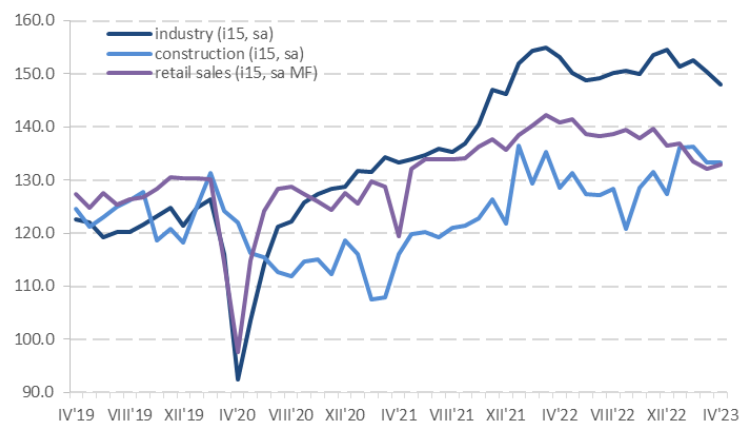
The harmonized unemployment rate (sa) amounted to 2.7% in April 2023 and it was at the same level as in previous month and by 0.1% lower than a year earlier. It was by 0.1% higher than the historically lowest level recorded in February 2023. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (6.0% and 6.5%, respectively). In April 2023, among the EU countries, the lowest unemployment rate was in Poland and in the Czech Republic.



Monthly indicators of the real sector

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

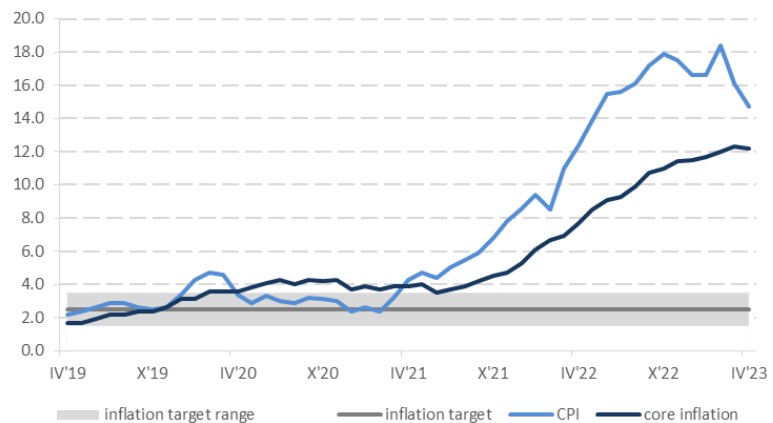
In April 2023 industrial production decreased by 1.6% (mom, sa) and was 6.4% lower than a year ago (nsa). Data were below market expectations. Construction production increased by 0,1% (mom, sa) following a relatively deep fall a month earlier. As a result its level was by 1.2% (nsa) higher than a year ago. The data were below market expectations. Retail sales grew after falling in the previous two months (mom, sa MoF). The sales level was as much as by 7.3% (nsa) lower than in the previous year. The data were a bit above market expectations.



Inflation

percent, yoy
source: GUS, NBP

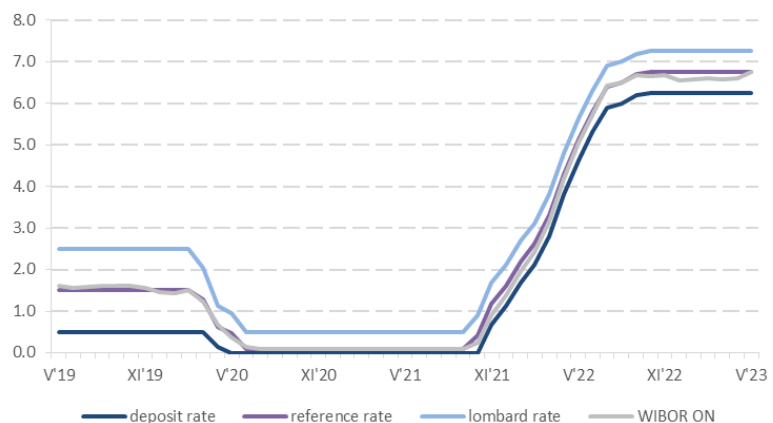
In April 2023, just like in March, inflation rate decreased significantly and achieved 14.7% (yoy). Fall in inflation rate was mainly caused by the statistical effect of significant price increase a year before, after outbreak of war in Ukraine. Annual rate of energy prices decreased considerably to 14.8% and food prices to 19.7%. Core inflation diminished slightly to 12.2%. In May according to preliminary data inflation decreased to 13.0% (i.e. below market expectations). In April producer prices were higher than a year before by 6.8% and in the last two months this pace lowered by 11.4 pp. Decline of PPI index is mainly connected with drop of commodity prices on international markets.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In May 2023, the Monetary Policy Council kept interest rates on hold for the eight month in a row. 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 pp. 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
	Unit	2022 M11	M12	2023 M01	M02	M03	M04
Balance of payments							
Goods: exports (EUR)	YoY	24.2	10.6	13.1	13.5	15.5	-
Goods: imports (EUR)	YoY	18.3	11.3	5.1	2.3	-3.0	-
Current account balance ¹⁾	% of GDP	-3.2	-3.0	-2.5	-2.1	-1.2	-
Balance on goods ¹⁾	% of GDP	-3.7	-3.7	-3.4	-2.9	-2.2	-
Official Reserve Assets	EUR m	156 781.5	156 454.9	154 405.0	158 233.1	156 438.4	162 000.6
Inflation							
Consumer Price Index (CPI)	YoY	17.5	16.6	16.6	18.4	16.1	14.7
Core inflation (CPI excluding food and energy prices)	YoY	11.4	11.5	11.7	12.0	12.3	12.2
Producer Price Index (PPI)	YoY	21.1	20.5	20.1	18.2	10.3	6.8
Production							
Sold production of industry ²⁾	YoY	4.5	1.0	1.8	-1.0	-3.0	-6.4
	MoM SA	2.4	0.7	-2.0	0.8	-1.4	-1.6
Construction and assembly production ²⁾	YoY	4.0	-0.9	2.0	6.6	-1.5	1.2
	MoM SA	2.4	-3.1	6.8	0.1	-2.0	0.1
Manufacturing PMI	SA	43.4	45.6	47.5	48.5	48.3	46.6
Households and labour market							
Retail sales ²⁾	YoY	1.6	0.2	0.1	-5.0	-7.3	-7.3
Average paid employment in enterprise sector	YoY	2.3	2.2	1.1	0.8	0.5	0.4
	MoM	0.1	0.0	0.4	-0.1	-0.1	0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	-3.3	-5.4	-2.6	-4.1	-3.0	-2.2
	MoM	1.8	6.8	-8.4	1.4	5.1	-1.7
Harmonised unemployment rate (Eurostat)	%, SA	2.9	2.8	2.7	2.6	2.7	2.7
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							
	Unit	2022 M10	M11	M12	2023 M01	M02	M03
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	1 209 461.1	1 210 844.9	1 238 469.5	1 205 869.2	1 234 331.7	1 235 853.6
Domestic debt	nominal, PLN mio	936 750.8	928 915.0	949 784.9	923 969.2	934 825.4	948 234.2
	%	77.5	76.7	76.7	76.6	75.7	76.7
Foreign debt	nominal, PLN mio	272 710.3	281 929.9	288 684.6	281 900.1	299 506.4	287 619.4
	%	22.5	23.3	23.3	23.4	24.3	23.3
	Unit	2021 Q03	Q04	2022 Q01	Q02	Q03	Q04
Public debt (domestic definition)							
Public debt (acc. to the place of issue criterion)	nominal, PLN mio	1 160 738.2	1 148 579.0	1 137 020.3	1 175 336.9	1 181 505.0	1 209 594.1
Domestic debt	nominal, PLN mio	858 651.6	859 054.7	860 547.2	887 989.3	875 321.9	896 671.8
	%	74.0	74.8	75.7	75.6	74.1	74.1
Foreign debt	nominal, PLN mio	302 086.6	289 524.2	276 473.1	287 347.6	306 183.1	312 922.3
	%	26.0	25.2	24.3	24.4	25.9	25.9
General Government debt (EU definition)							
General Government debt	nominal, PLN mio	1 418 823.4	1 410 499.5	1 415 681.9	1 453 467.9	1 479 605.3	1 512 226.8

Source: MoF

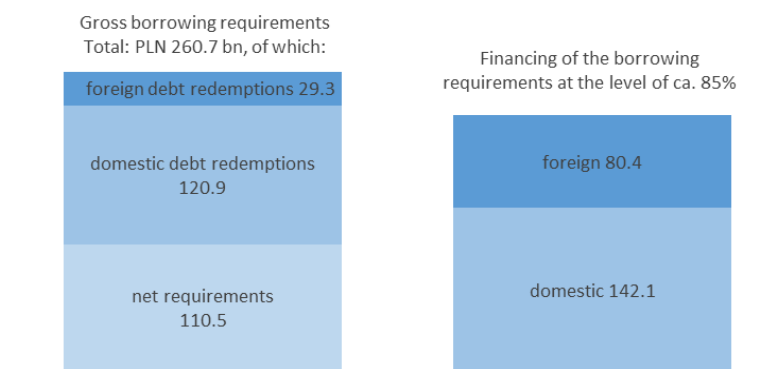
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2023

as of May 31, 2023, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 85% (acc. to the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 59.8bn,
- switch auctions in 2023: PLN 8.1bn,
- T-bond sale on foreign markets: PLN 37.9bn,
- loans incurred from IFIs: PLN 0.7bn,
- switch auctions in 2022: PLN 9.8bn,
- higher financial resources at the end of 2022: PLN 106.2bn.



Flows of funds into the market related to domestic T-securities transfers in June

as of May 31, 2023, PLN bn

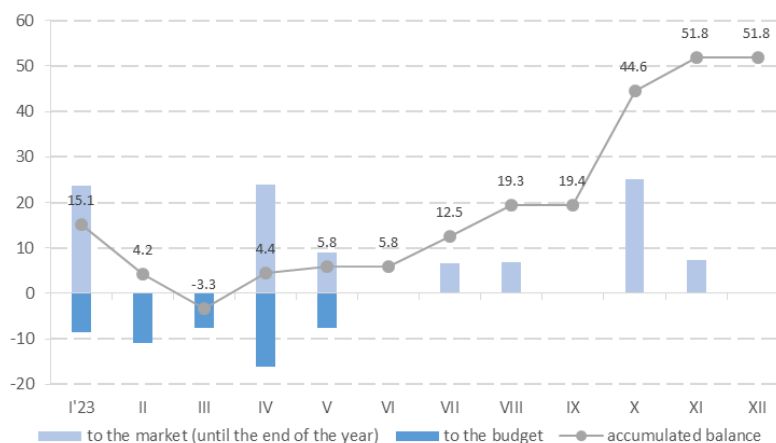
There will be no funds transferred from the State budget to the market in June (neither TS redemptions nor interest payments).

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

As of May, 2023, to the end of the year 2023 the funds to be transferred to the market shall amount to PLN 46.0bn.

*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.

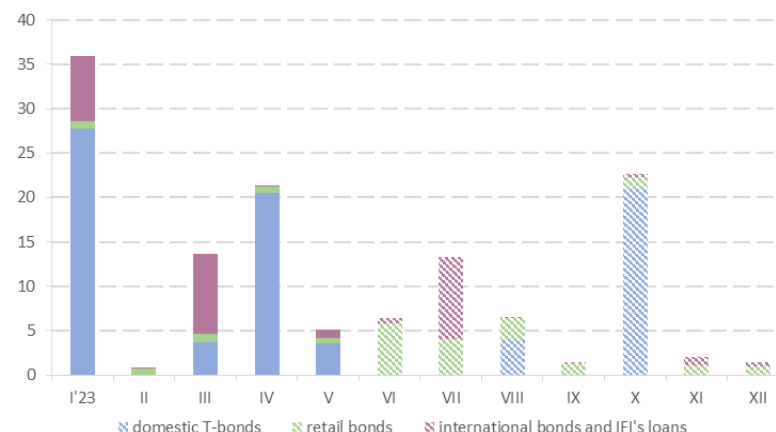


State Treasury debt redemptions in 2023

as at the end of month, nominal amount, PLN bn

The nominal amount of debt to be redeemed in 2023 (as of May 31, 2023), is equal to PLN 53.8bn, including:

- T-bonds: PLN 24.9bn,
- T-retail bonds: PLN 17.2bn,
- bonds and loans incurred on foreign markets: PLN 11.8bn.

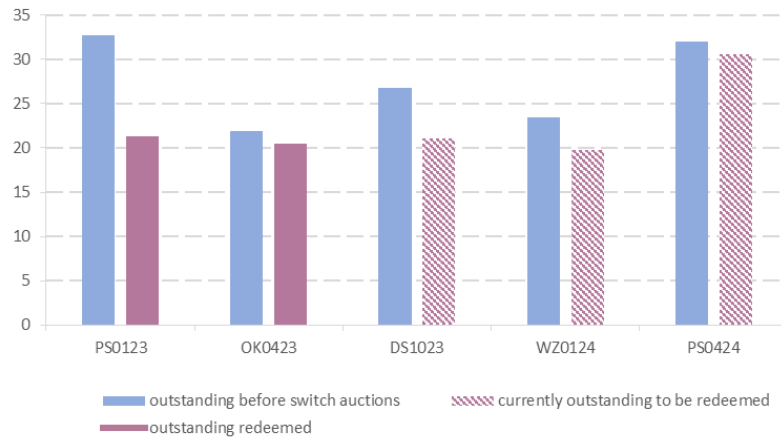


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2023 and 2024

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

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

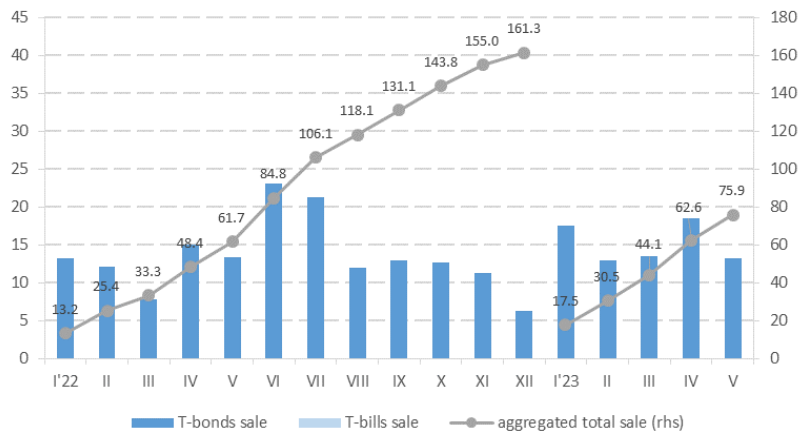
- PS0123: PLN 11.3bn (35% of the issuance),
- OK0423: PLN 1.4bn (6% of the issuance),
- DS1023: PLN 5.8bn (22% of the issuance),
- WZ0124: PLN 3.6bn (15% of the issuance),
- PS0424: PLN 1.4bn (4% of the issuance).



Sale of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-V 2023 aggregated total sale of T-bonds amounted to PLN 75.9bn versus PLN 61.7bn in the same period of 2022.

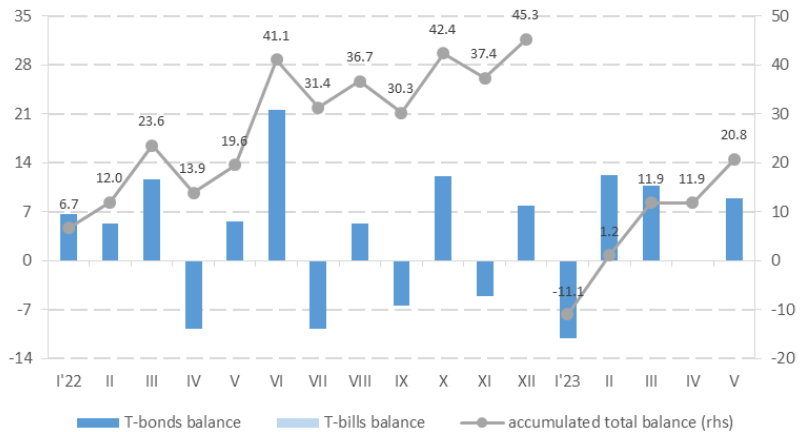


Balance of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-V 2023 indebtedness in T-bonds increased by PLN 20.8bn versus increase of PLN 19.6bn in the same period of 2022.

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.

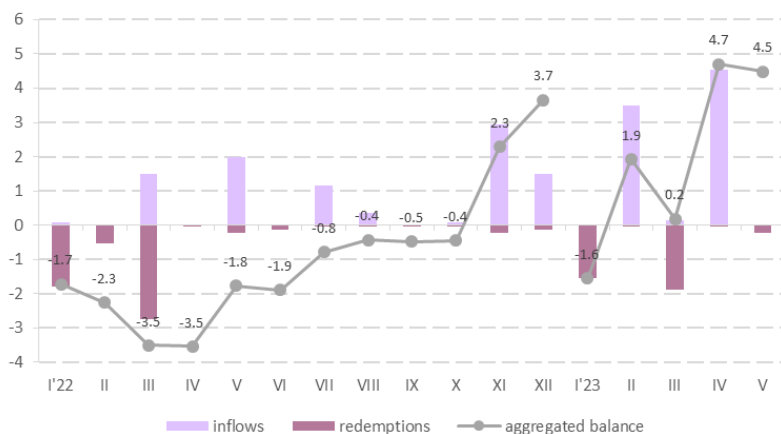


External financing in 2022 and 2023

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

Net financing on foreign markets in the period of I-V 2023 was positive and amounted to EUR 4.5bn, which resulted from:

- positive balance of T-bonds issuance of EUR 4.7bn,
- negative balance of loans incurred from IFIs at the level of EUR 0.2bn.

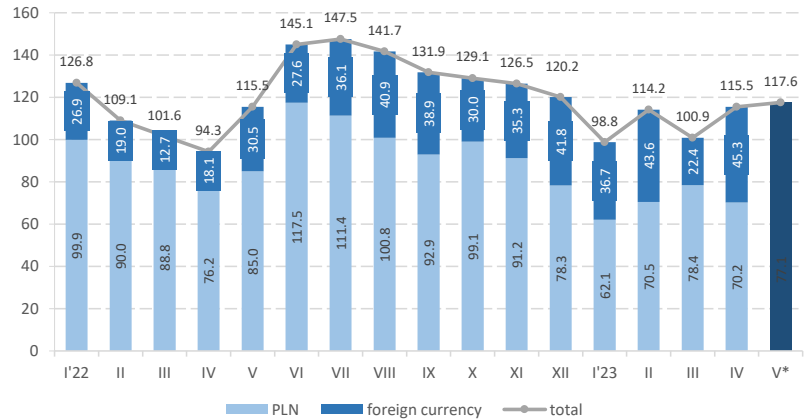


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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 May 2023 there was the equivalent of PLN 117.6bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

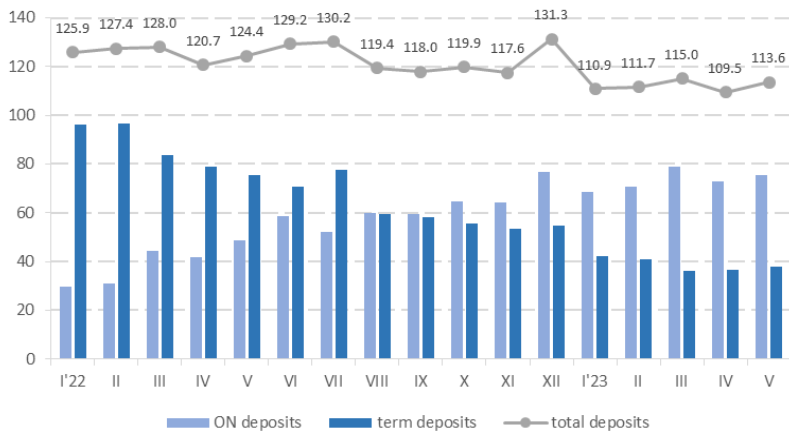


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

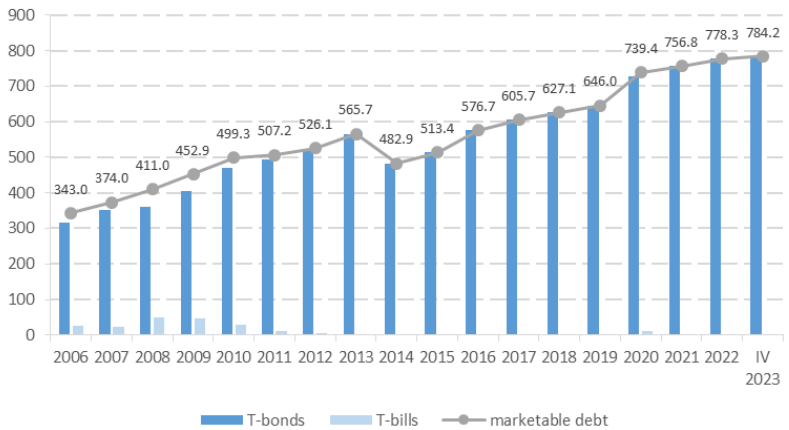
At the end of May 2023 funds accumulated within the consolidation of public finances liquidity management amounted to PLN 113.6bn, of which PLN 38.1bn was as term deposits and PLN 75.5bn on ON deposits.



Structure of domestic marketable debt

PLN bn

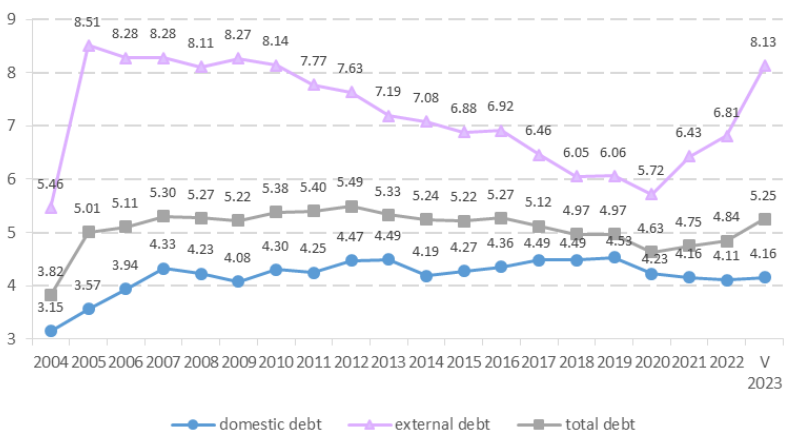
At the end of April 2023 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 784.2bn comparing to PLN 778.3bn at the end of 2022.



Average maturity

years

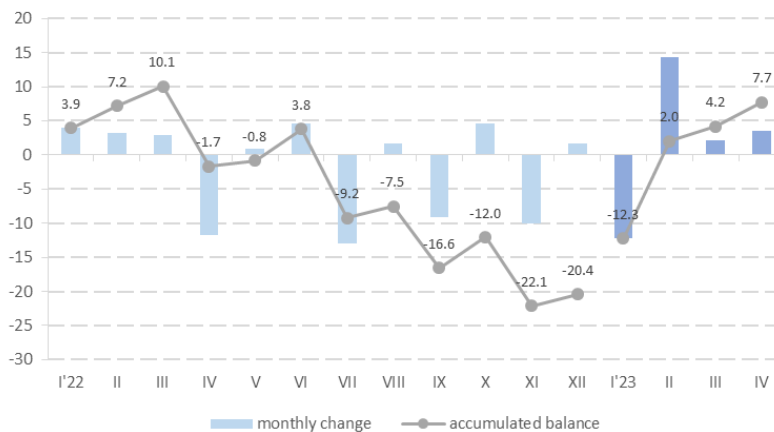
The average maturity of domestic debt amounted to 4.16 years at the end of May 2023 (4.11 years at the end of 2022). The average of total debt amounted to 5.25 years (4.84 years at the end of 2022).



Change of debt in the domestic TS held by banks

PLN bn

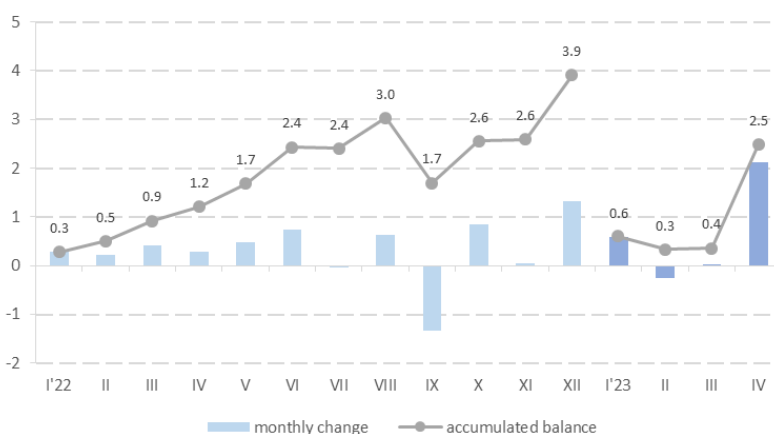
In period I-IV 2023 there was an increase of debt by PLN 7.7bn comparing to PLN 1.7bn decrease during the same period of 2022. Banks' holdings reached the level of PLN 435.8bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

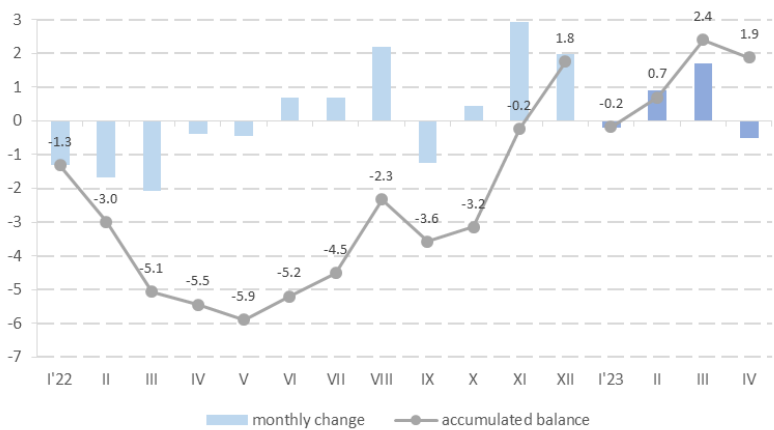
In period I-IV 2023 there was an increase of debt by PLN 2.5bn comparing to an PLN 1.2bn increase during the same period of 2022. Insurance companies' holdings reached the level of PLN 62.1bn.



Change of debt in the domestic TS held by investment funds

PLN bn

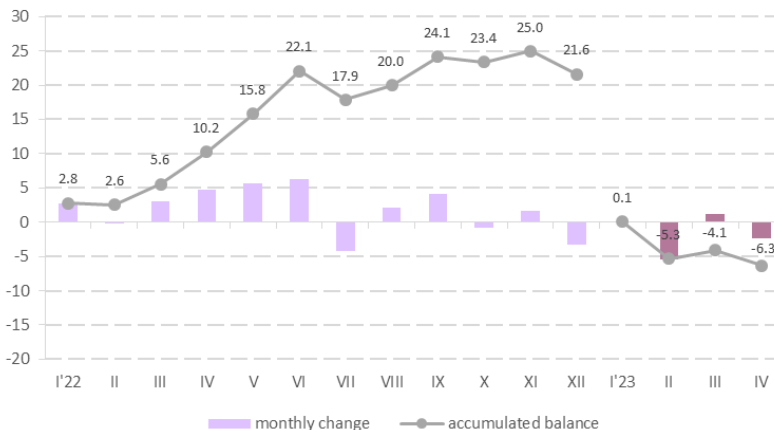
In period I-IV 2023 there was an increase of debt by PLN 1.9bn comparing to a PLN 5.5bn decrease during the same period of 2022. Investment funds' holdings reached the level of PLN 49.0bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In period I-IV 2023 there was a decrease of debt by PLN 6.3bn comparing to PLN 10.2bn increase during the same period of 2022. Foreign investors' holdings reached the level of PLN 139.8bn.

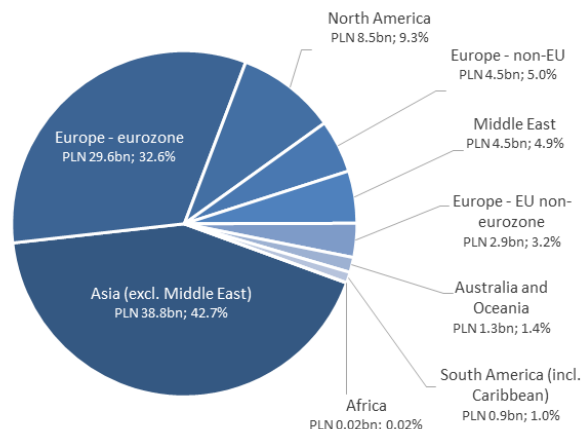


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of the domestic TS held by non-residents

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

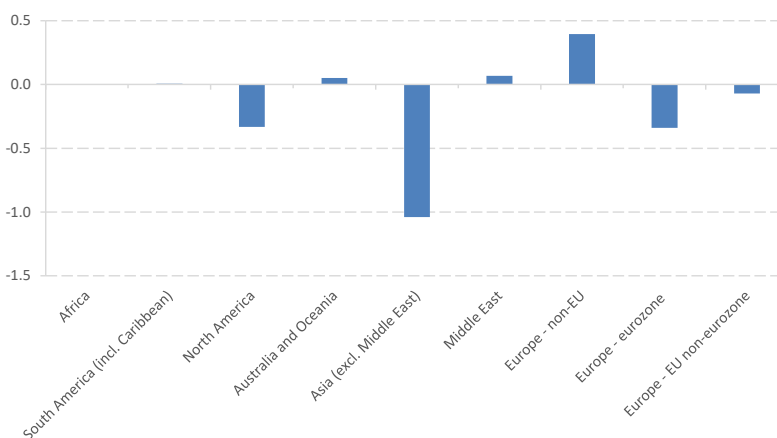
The non-residents' share in the domestic Treasury securities market decreased by PLN 2.3bn in April 2023. The foreign investors' portfolio amounted to PLN 139.9bn, which constituted 15.9% share in total debt in TS (16.2% in the previous month).



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

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

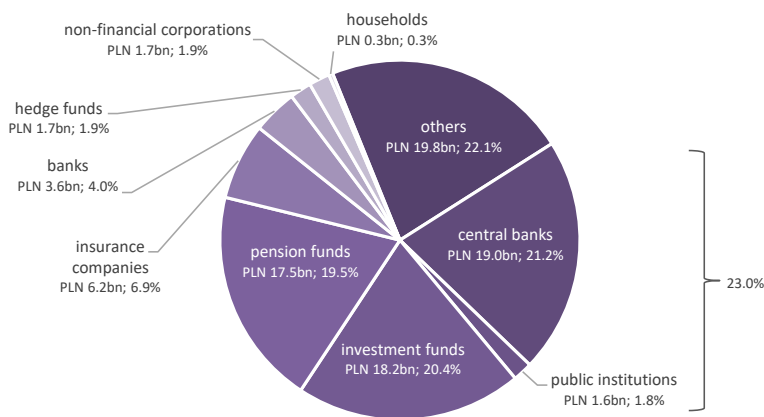
In April 2023 the highest increase was recorded by investors from Europe—non EU countries (PLN 0.4bn), while the highest decrease was noted by Asia (excl. Middle East) investors (PLN 1.0bn).



Institutional distribution of the domestic TS held by non-residents

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

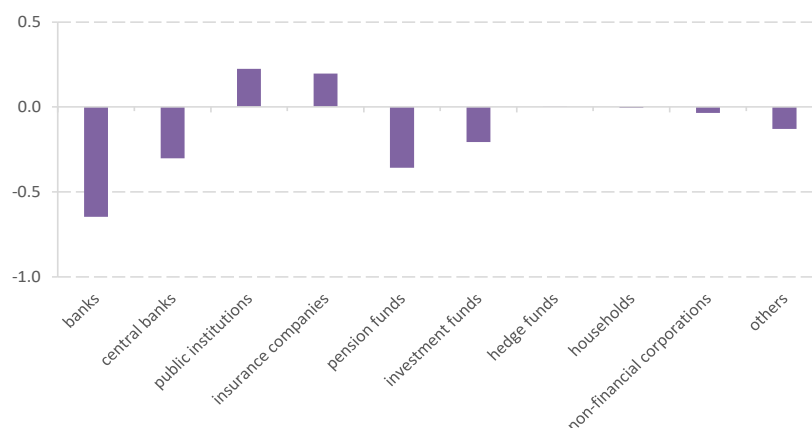
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 23.0% at the end April 2023.



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

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

In April 2023 the highest increase was recorded by public institutions (PLN 0.2bn), while the highest decrease was noted by banks (PLN 0.7bn).



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

change in April 2023, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.1bn in April 2023. In the period from the end of January 2018 to the end of April 2023 portfolios of those entities decreased by PLN 21.1bn.



Structure of non-residents' holdings in TS by countries

as of April 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	18 921.3	26.8%
Luxembourg	9 503.3	13.5%
Netherlands (the)	7 724.6	10.9%
United States	7 058.3	10.0%
Ireland	5 514.7	7.8%
Germany	4 367.3	6.2%
United Kingdom	2 689.6	3.8%
Switzerland	1 631.1	2.3%
Denmark	1 197.2	1.7%
Australia	1 154.0	1.6%
Singapore	1 137.4	1.6%
France	1 105.8	1.6%
Kuwait	1 033.5	1.5%
Canada	1 028.5	1.5%
Czech Republic (the)	772.9	1.1%
Taiwan	772.1	1.1%
Korea (the Republic of)	754.8	1.1%
Others	4 272.8	6.0%
Total	70 639.0	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-05-2023

At the end of May the reserve of liquid funds in PLN and foreign currency on the budgetary accounts amounted to ca. PLN 117bn compared to PLN 116.0bn in April. The level of financing of this year's borrowing requirements is ca. 85%.

Two Treasury bond sale auctions are planned for June. No TS switch auctions nor T-bill auctions are planned.

In April indebtedness in domestic Treasury securities increased by PLN 2.3bn. The involvement of domestic banks increased by PLN 4.6bn, involvement of domestic non-banking sector decreased by PLN 2.2bn, while involvement of foreign investors decreased by PLN 2.3bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2023

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
16 June 2023	20 June 2023	OK1025 / PS0728 / WZ1128 / DS1033 possible other T-bond of WS type	3,000-7,000
28 June 2023	30 June 2023	OK1025 / PS0728 / WZ1128 / DS1033 possible other T-bond of WS type	4,000-7,000

**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

Switching auctions of Treasury bonds are not planned.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0923 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0624 1-year	100.00 PLN (99.80 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.75% in the first coupon period
DOR0625 2-year	100.00 PLN (99.70 PLN for rolling-over)	Floating (NBP reference rate + 0.10%); 6.85% in the first coupon period
TOS0626 3-year	100.00 PLN (99.60 PLN for rolling-over)	Fixed: 6.85%
COI0627 4-year	100.00 PLN (99.50 PLN for rolling-over)	Floating (inflation rate + 1.00%); 7.00% in the first coupon period
EDO0633 10-year	100.00 PLN (99.40 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.25% in the first coupon period
ROS0629 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 7.20% in the first coupon period
ROD0635 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.50% in the first coupon period