



Ministry of Finance
Republic of Poland

The Public Finance Sector Debt Management Strategy in the years 2025-2028

September 2024

The Public Finance Sector Debt Management Strategy in the years 2025-2028

Macroeconomic assumptions

Item	2023	2024	2025	2026	2027	2028
Real GDP growth (%)	0.2	3.1	3.9	3.5	3.1	2.8
GDP (current prices. PLN bn)	3,410.1	3,641.0	3,973.1	4,239.0	4,482.7	4,723.8
CPI annual average (%)	11.4	3.7	5.0	3.1	2.6	2.5
EUR/PLN (end of year)	4.3480	4.2769	4.2769	4.2769	4.2769	4.2769
USD/PLN (end of year)	3.9350	3.8453	3.8453	3.8453	3.8453	3.8453

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Objective of the Strategy

Financing of the State budget borrowing requirements in a way that ensures the minimisation of the long term debt servicing costs subject to constraints on the level of:

- refinancing risk
- exchange rate risk
- interest rate risk
- State budget liquidity risk
- other risks, in particular credit risk and operational risk
- distribution of debt servicing costs over time

Two aspects of the Strategy's objective:

- choice of instruments
- ensuring efficiency of the Treasury Securities (TS) market

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Flexible approach to financing structure

Domestic financing

- main source of financing the State budget borrowing requirements

Foreign financing

- taking into account foreign currency borrowing requirements and the inflow of EU funds and financial instruments offered by the EU
- ensuring diversification of sources through access to the investor base in major financial markets
- maintaining Poland's position in the euro and the US dollar markets
- stabilising domestic market by adjusting the structure of financing to market situation
- utilizing attractive financing in international financial institutions
- include the possibility of selling of foreign currencies (in the NBP or in the financial market) as an instrument for managing foreign currency funds and liquidity of the state budget, while taking into account monetary, economic and budgetary policy

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Risk constraints of the Strategy's objective:

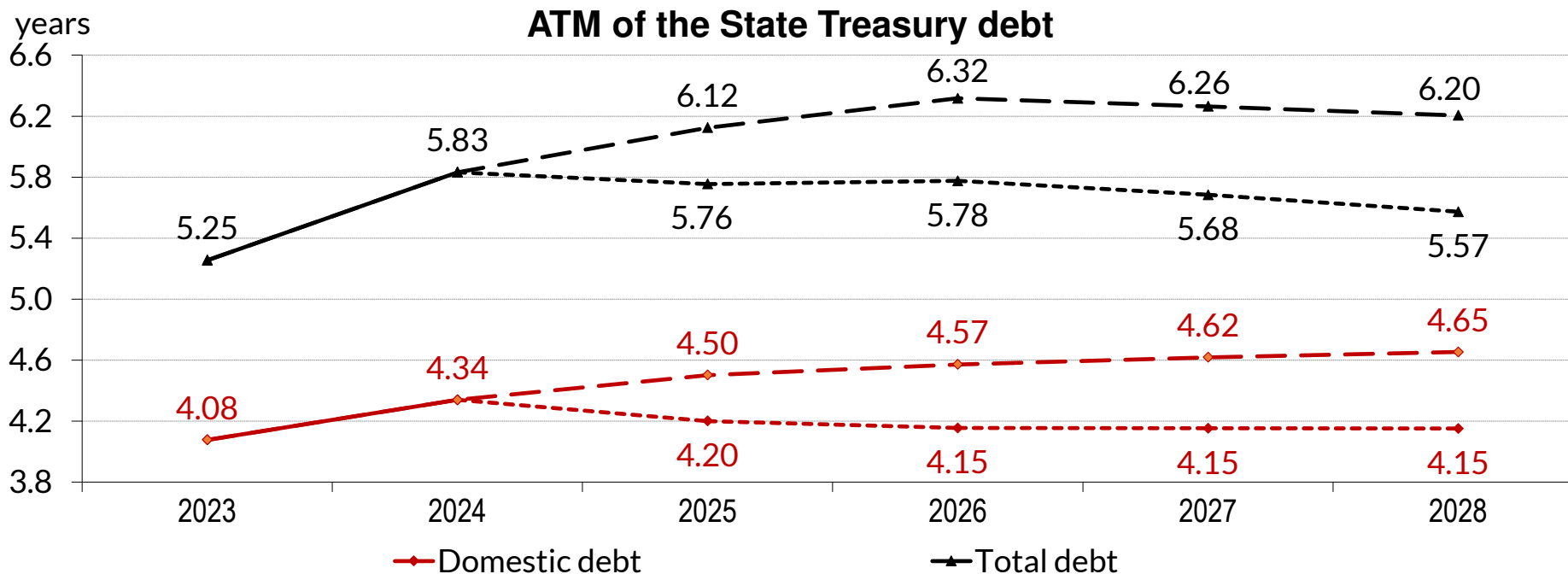
➤ refinancing risk (1/2)

- maintaining the dominant role of medium- and long-term instruments in financing the State budget borrowing requirements in the domestic market – taking into account market situation
- striving to achieve the average time to maturity (ATM) of the domestic debt close to 4.5 years, with possible temporary deviations resulting from market or budgetary conditions
- maintaining the ATM of State Treasury debt at a level of at least 5 years, with possible temporary deviations resulting from market and budgetary conditions
- aiming for even distribution of debt redemptions

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Risk constraints of the Strategy's objective:

- refinancing risk (2/2)



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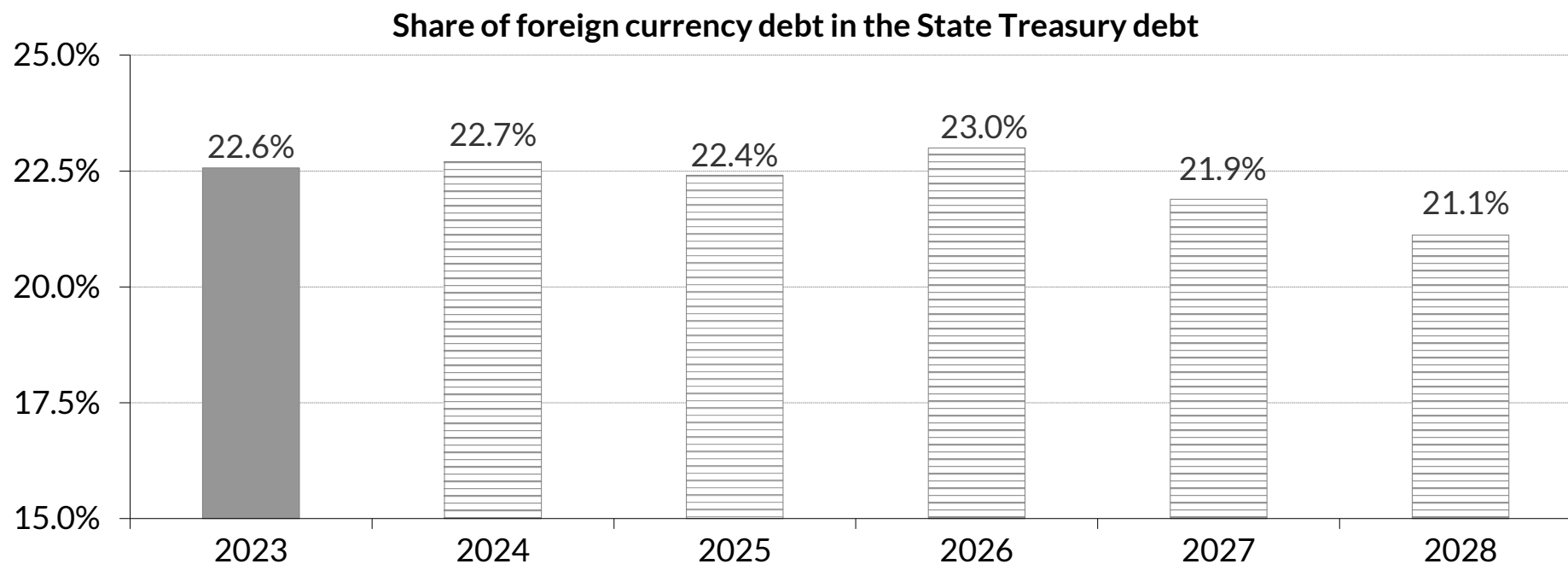
➤ exchange rate risk (1/2)

- maintaining the share of the foreign currency denominated debt in the State Treasury debt below 25%, with possible temporary deviations resulting from market or budgetary conditions
- possible use of derivatives to shape desired structure of the debt
- maintaining an effective share of the euro (inc. derivatives) in the foreign currency debt at a minimum of 70%

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Risk constraints of the Strategy's objective:

- exchange rate risk (2/2)



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Risk constraints of the Strategy's objective:

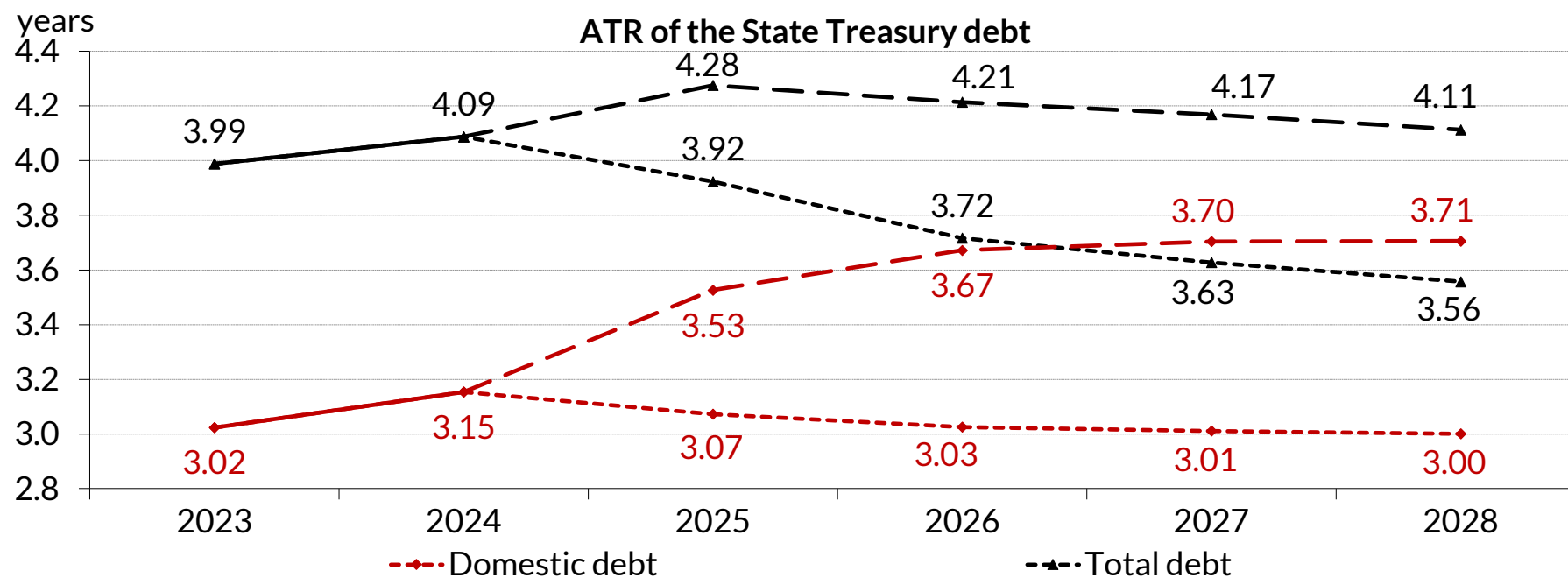
➤ interest rate risk (1/3)

- maintaining average time to re-fixing (ATR) of the domestic debt in the range of 2.6-3.6 years
- maintaining the dominant share of fixed rate instruments in the domestic debt while using floating rate bonds, including those based on the new benchmark rate and inflation-linked bonds
- separating management of interest rate risk and refinancing risk by possible use of derivatives
- maintaining the dominant share of fixed rate instruments in State Treasury debt denominated in foreign currencies

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Risk constraints of the Strategy's objective:

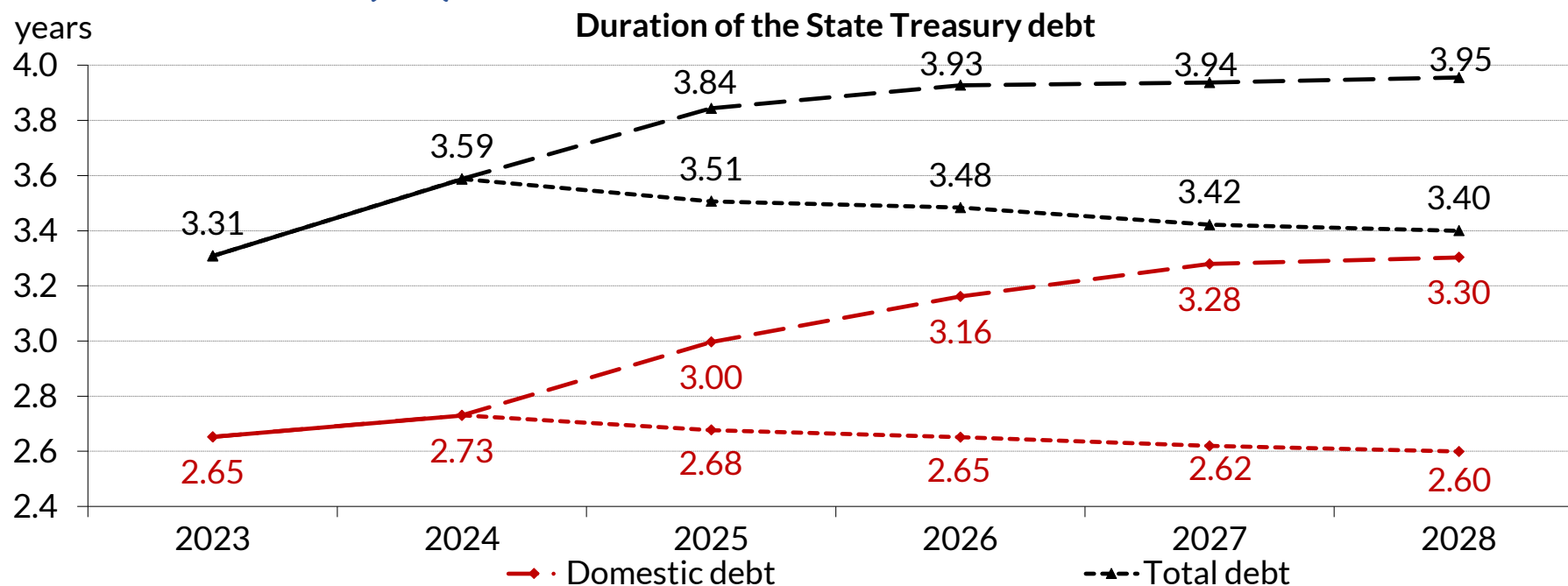
➤ interest rate risk (2/3)



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Risk constraints of the Strategy's objective:

➤ interest rate risk (3/3)



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Risk constraints of the Strategy's objective:

➤ state budget liquidity risk

- Maintaining a safe level of the State budget liquidity and effective management of liquid assets through deposits in PLN and foreign currencies and FX transactions (including sales and derivatives). The level of funds will depend on current and anticipated budgetary and market situation, including budget seasonality and smoothing the supply of TS over the year. The adequate level of liquid assets assures the State budget's resilience to volatility on the markets and improves market valuations of the TS.

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Risk constraints of the Strategy's objective:

- **other types of risk (in particular credit and operational risk)**
 - concluding derivative transactions with entities with high creditworthiness
 - mitigation of credit risk (through collateral agreements) and its diversification while concluding derivative transactions. In the Strategy timeframe, it is possible to conclude additional collateral agreements that are in line with the current market best practices and enable concluding transactions on more favourable terms without bearing credit risk
 - diversification of credit risk generated by uncollateralized transactions
 - assuring technical infrastructure allowing for running debt management processes from outside of the MoF's headquarters

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Risk constraints of the Strategy's objective:

➤ distribution of debt servicing costs over time

- aiming for even distribution of debt servicing costs, including the use of derivative instruments for this purpose
- setting bond coupons at levels slightly below their forecasted yield in the issuance period

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Strategy tasks (1/4)

1. Ensuring liquidity of the Treasury Securities market:

- issuing large series of benchmark bonds in the domestic market (in the case of medium- and long-term fixed rate bonds their value should be at least PLN 40 bn), while aiming for smooth distribution of debt redemptions
- large liquid issuances in the euro and the US dollar markets
- adapting issuance policy (sales, switching and buy-back auctions) to market circumstances

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Strategy tasks (2/4)

2. Ensuring efficiency of the TS market:

- issuance schedule adjusted to market and budgetary circumstances
- increase of the role of the Primary Dealers system in development of the TS market and debt management operations
- maintaining relations with domestic and foreign investors by:
 - regular meetings with banks participating in the PD system
 - meetings with domestic non-banking sector
 - meetings with foreign investors and banks
 - ongoing communication with investors
- broadening the investor base, including regular communication with foreign investors aimed at promoting TS issued on domestic and foreign market
- active participation in conferences and seminars with investors

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Strategy tasks (3/4)

3. Ensuring transparency of the TS market:

- transparent issuance policy, including TS issuance calendars in the horizon of current year, quarter and month
- promoting the electronic market by:
 - adequate regulations in the PD system that ensure competitiveness and transparency, in particular with regard to PD TS quotations duties. sustaining adequate spread levels and share in the TS fixing
 - adjusting rules of the PD system to current needs arising from regulations

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Strategy tasks (4/4)

4. Effective management of State budget liquidity:

- depositing PLN and FX funds in the NBP or in the market via BGK (the state development bank)
- placing collateralized deposits in the form of conditional transactions (buy-sell-back, repo) directly on the financial market, not generating credit risk
- sales of FX funds in NBP or in the FX market
- using FX swap transactions to structure the currency composition of liquid funds
- short term loans on interbank market

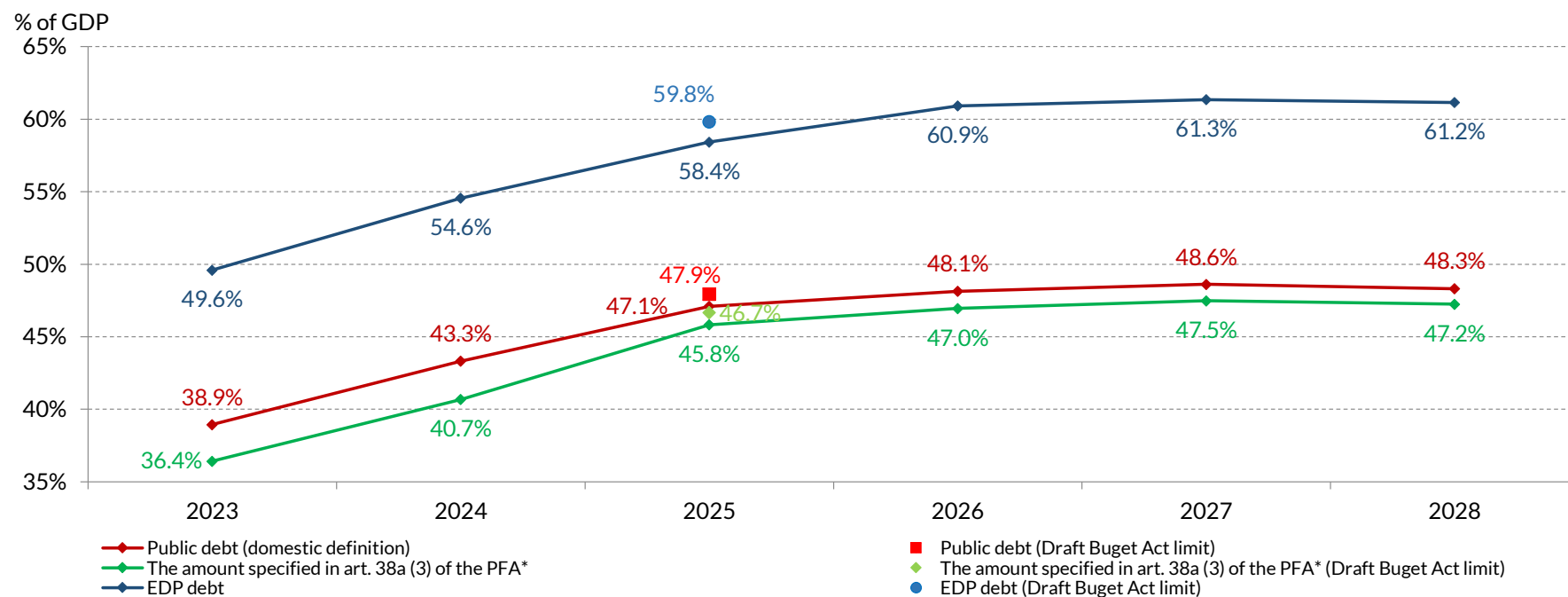
Additionally, the liquidity management of the public finance sector takes place, with liquid funds on the Minister of Finance account deposited by:

- general government units
- courts and prosecutors offices

in order to reduce the net borrowing requirements of the State budget.

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Public debt forecast



* The amount of public debt recalculated using the yearly arithmetic average of foreign currency exchange rates announced by the National Bank of Poland for the year concerned and reduced by the amount of liquid funds for financing the borrowing requirements of the State budget in the following fiscal year

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Public debt forecast

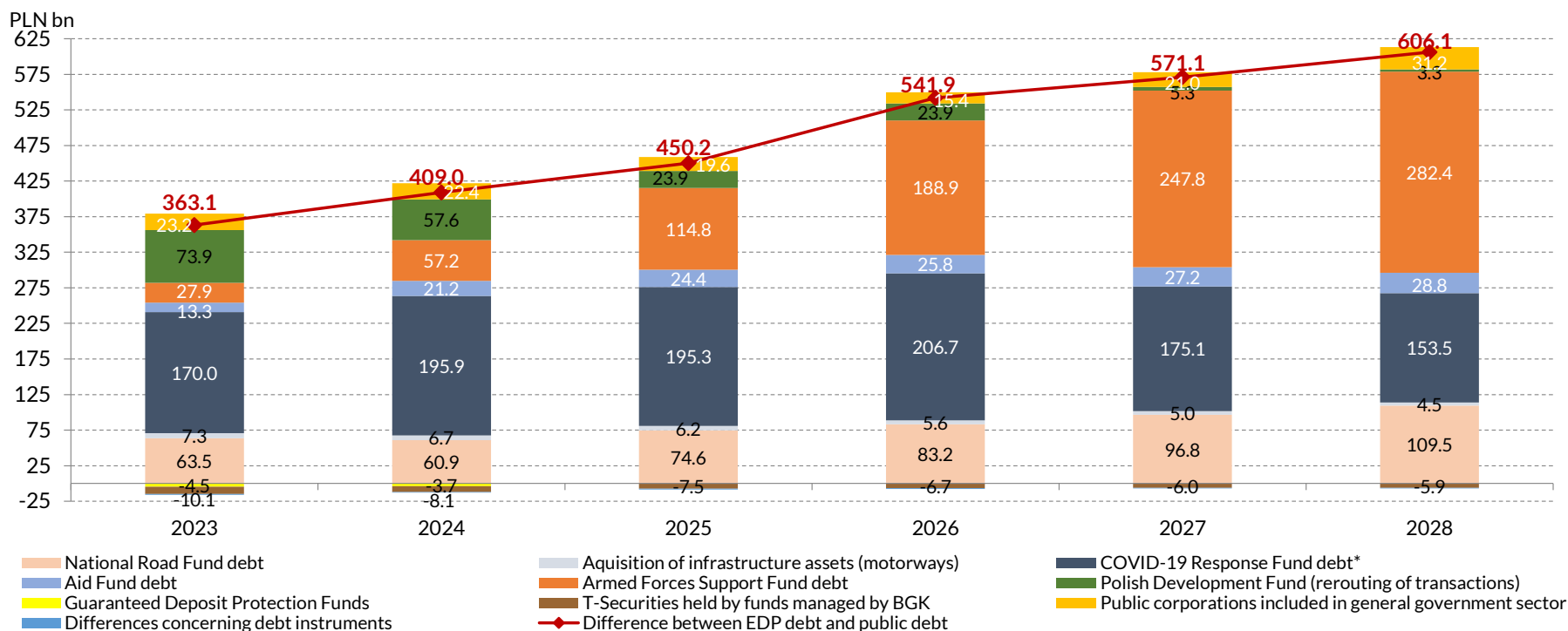
In the timeframe of the Strategy and under adopted assumptions the debt-to-GDP ratio:

- (domestic definition) will increase to 48.6% in 2027 and fall to 48.3% in 2028 (remaining below the limit of 55% of GDP set in the public finance act)
- (EU definition) will reach 61.3% in 2027 and 61.2% in 2028 (the 60% reference threshold is expected to be exceeded in 2026).

The forecast for 2025-2028 has been prepared on the assumption of an annual fiscal adjustment to enable adherence to the established net expenditure path in accordance with the requirements of the EU regulation on medium-term budgetary and structural plans and the assumptions of the medium-term budgetary and structural plan.

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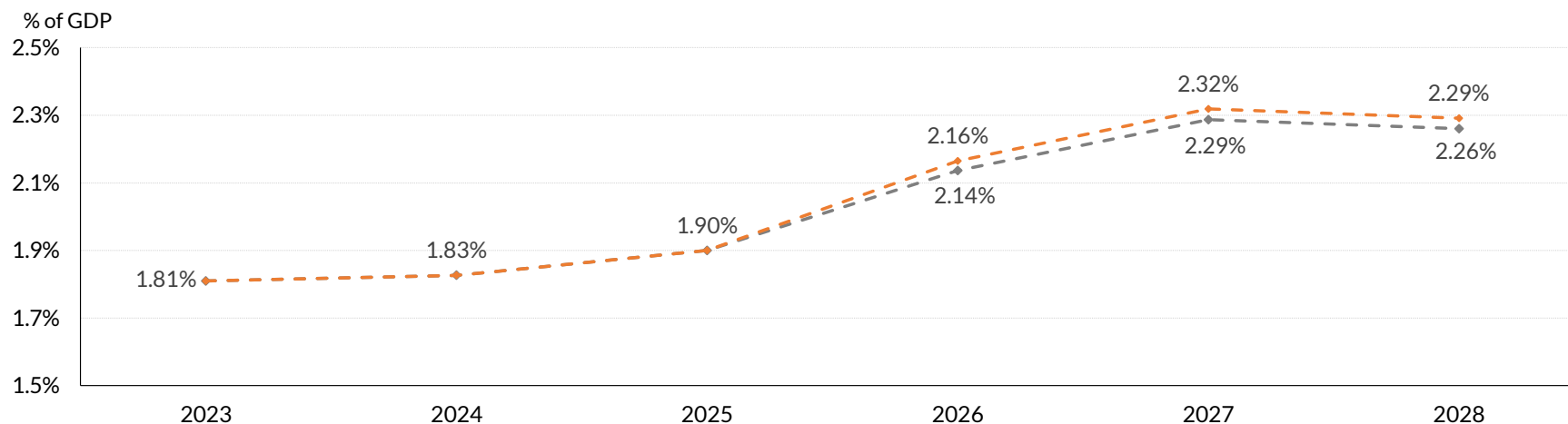
Public debt forecast: difference between EDP debt and public debt



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State Treasury debt servicing costs

The State Treasury debt servicing costs-to-GDP will increase to ca. 2.3% of GDP in 2027-2028.



	2023	2024	2025	2026	2027	2028
Debt servicing costs (PLN bn)	61.7	66.5	75.5	90.6-91.8	102.5-103.9	106.8-108.2

Forecasts of the debt servicing costs for the years 2026-2028 account for the exchange rate risk provisions

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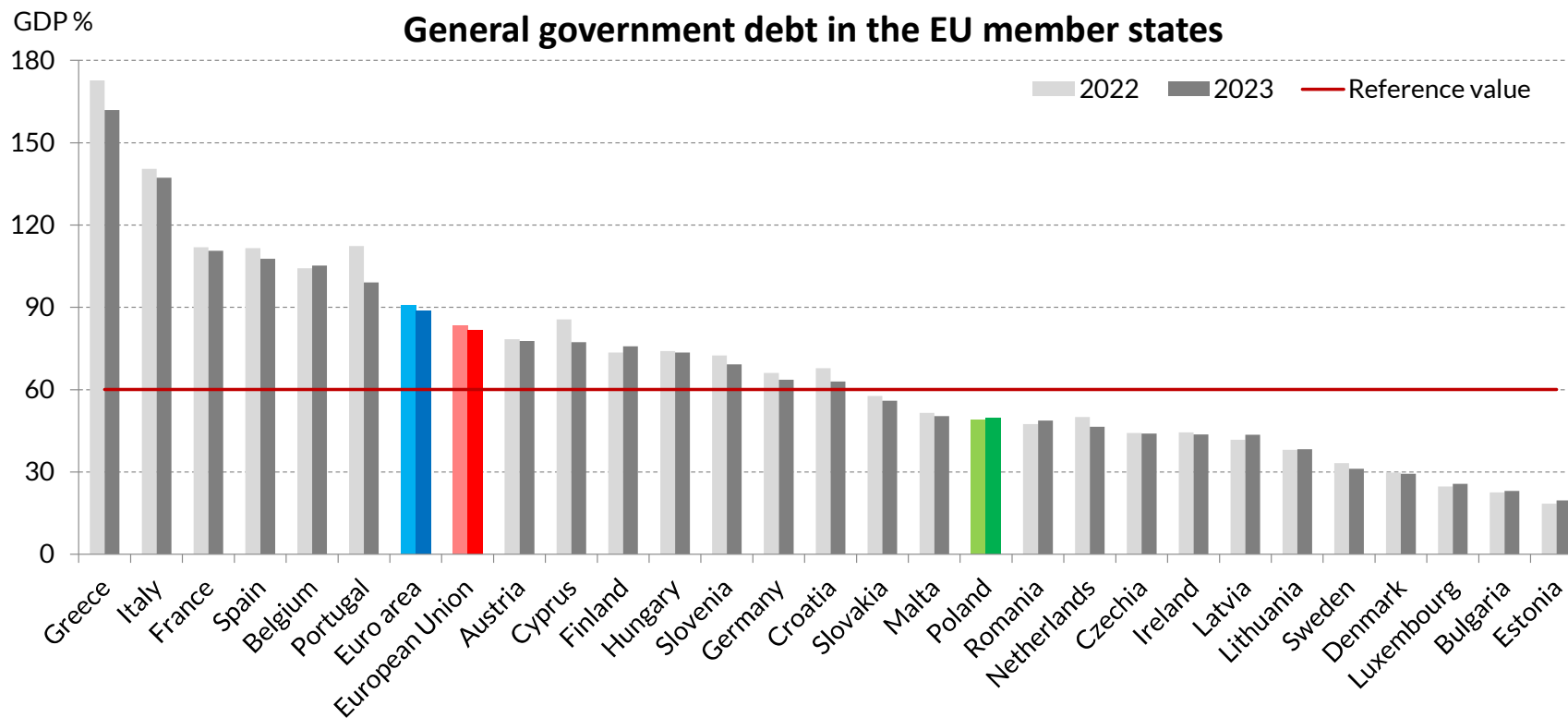
Sensitivity of the public debt to GDP ratio to changes in assumptions

	2025	2026	2027	2028
GDP and borrowing requirements				
GDP growth path lower by 1 p.p.	0.44%	0.90%	1.39%	1.85%
Borrowing requirements higher by PLN 10bn yearly	0.26%	0.50%	0.73%	0.94%
FX rates				
10% depreciation of PLN towards all currencies	1.08%	1.14%	1.10%	1.06%

Sensitivity of the ST debt servicing costs to changes in assumptions

	2025	2026	2027	2028
1 p.p. increase in interest rates				
Domestic debt (PLN bn)	5.88	11.53	14.16	18.71
Foreign debt (PLN bn)	0.24	1.54	2.55	2.78
Total State Treasury debt (PLN bn)	6.12	13.06	16.71	21.48
FX rates				
10% depreciation of PLN towards all currencies (PLN bn)	1.10	1.37	1.67	1.71

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Thank you for your attention

