



State budget borrowing requirements' financing plan and its background

2nd quarter 2023

April 2023

THE MOST IMPORTANT INFORMATION

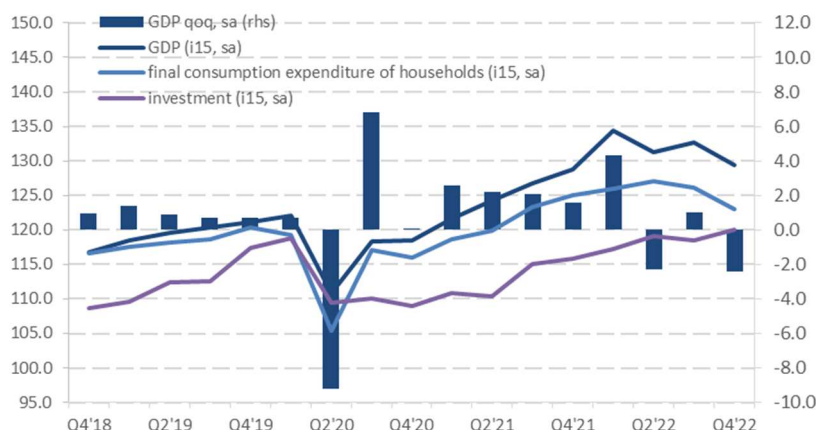
I. Current macroeconomic situation	2-3
II. Statistical data	4
III. Background of borrowing requirements' financing	5-10
• MoF's comment	10
IV. Quarterly supply plan of Treasury securities (TS)	11
V. Monthly supply plan of TS	12

I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

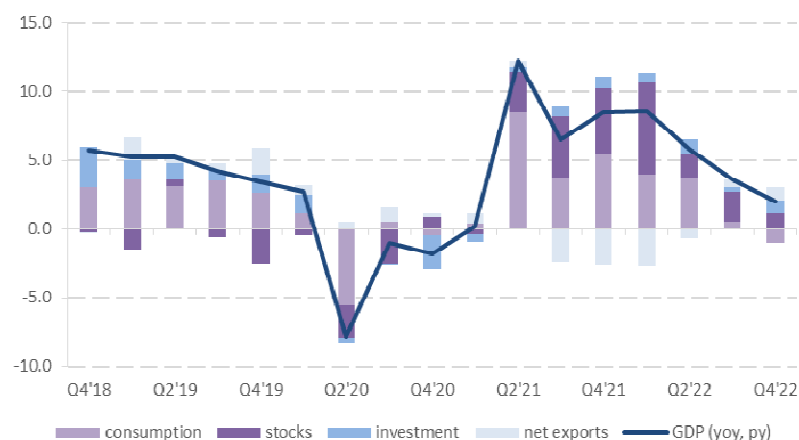
In the final quarter of 2022 GDP declined by 2.4% (qoq, sa) after a 1% growth in the previous quarter. Household consumption was negatively affected by high inflation, weak consumer sentiment (from historical perspective) and higher nominal NBP rates. As a consequence it contracted for the second time 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 1.3% in fourth quarter of 2022.



Contributions to Polish GDP growth

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

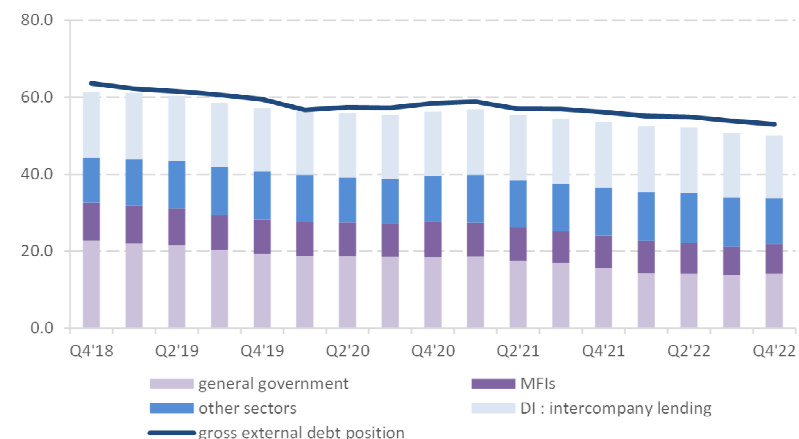
In the fourth quarter of 2022 GDP was 2.0% (py) higher than a year earlier. Contribution of inventories was still positive but it was clearly lower than at the turn of 2021 and 2022. Household consumption was 1.5% lower than in the fourth quarter of 2021 while investment 4.9% higher. Weaker dynamics of domestic demand weighted on imports growth and in consequence net exports positive contribution to GDP growth increased slightly (to 0.9 pp).



Polish gross external debt position

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

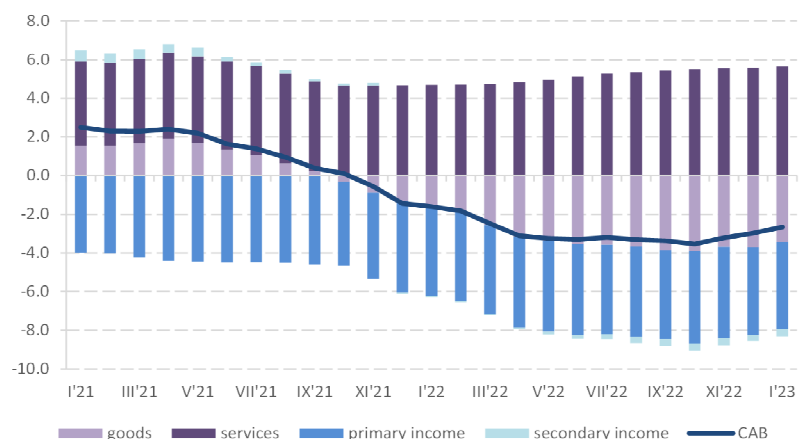
At the end of the fourth quarter of 2022 gross external debt reached EUR 346.6bn (53.0% of GDP) and was EUR 6.7bn higher than in the previous quarter. The share of general government sector debt in total debt increased slightly to 26.5%. At the end of January 2023 official reserve assets reached EUR 154.4bn 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 January 2023, taking into account new quarterly data, Poland's C/A deficit decreased to 2.7% of GDP (in 12-month terms). Goods balance showed a relatively high monthly surplus, mainly due to deceleration in imports dynamics. Exports to a large extent was still supported by the increase in foreign sales of automotive sector, both vehicles and automotive components. Service surplus, which includes among others expenditures of refugees from Ukraine, who plan to stay in Poland no longer than one year stabilised at 5.6% of GDP.

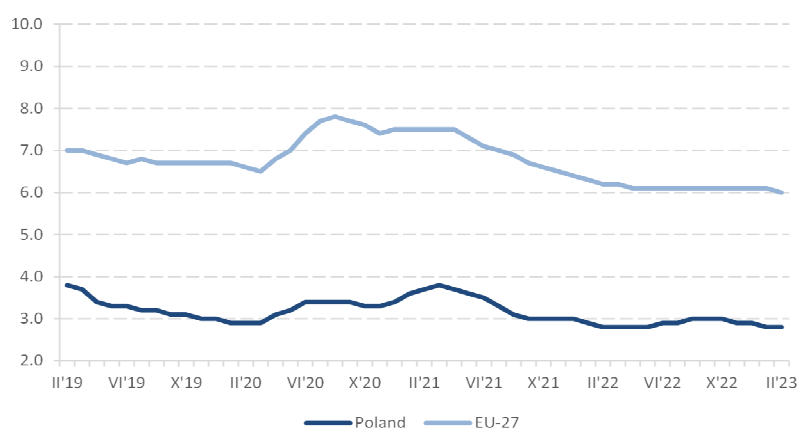


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

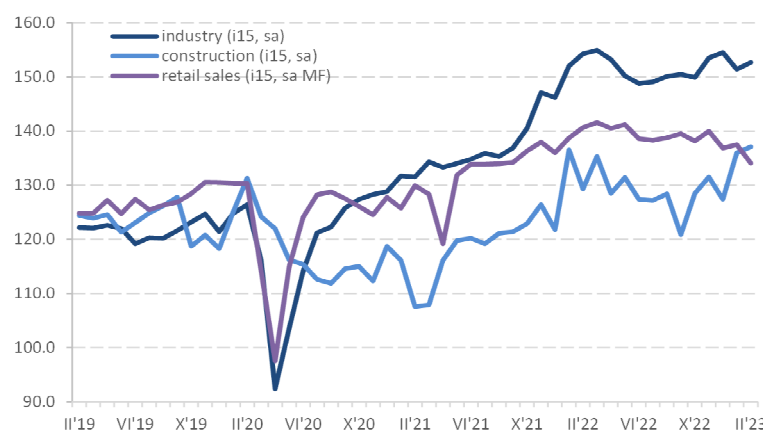
The harmonized unemployment rate (sa) amounted to 2.8% in February 2023 and it was at the same level as in previous month and as a year earlier. In January 2023 it returned to the historically lowest level recorded in February-May 2022. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (6.0% and 6.6%, respectively). Among the EU countries, only in the Czech Republic it was lower than in Poland.



Monthly indicators of the real sector

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

In February 2023 industrial production increased by 0.9% (mom, sa) and was 1.2% lower than a year ago (nsa). Data were below market expectations. Construction production increased by 0.8% (mom, sa) following a significant growth in the previous month. As a result its level was by 6.6% (nsa) higher than a year ago. The data were above expectations. Retail sales decreased significantly (mom, sa MoF). The sales level was by 5% (nsa) lower than in the previous year. Data were much below market expectations.



Inflation

percent, yoy
source: GUS, NBP

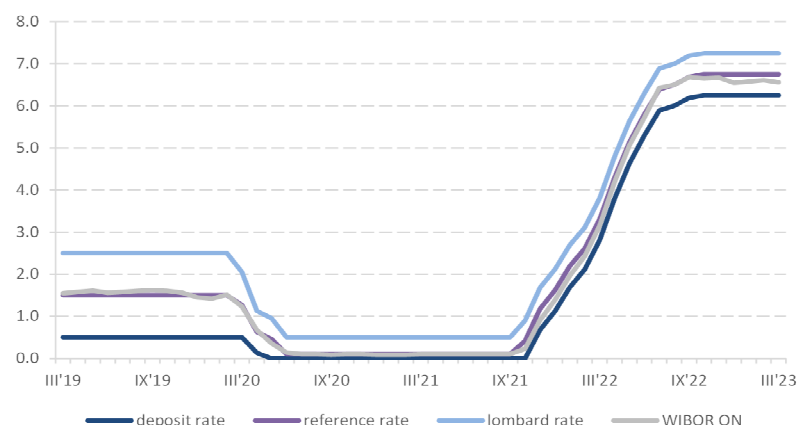
After stabilization of inflation rate in January (16.6% after correction), in February 2023 inflation increased to 18.4% (yoy). The rise was caused by, among others, withdrawing of some measures implemented a year before in anti-inflation shield. Annual rate of energy prices rose to 31%, food prices to 24% and core inflation to 12%. In March according to preliminary data inflation decreased to 16.2% (i.e. above market expectations). Producer prices in February were higher than a year ago by 18.4% and this pace was lower by 7.2 percentage points than in June 2022. Gradual 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 March 2023, the Monetary Policy Council kept interest rates on hold for the sixth 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 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 Q03	Q04	2022 Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	6,5	8,5	8,6	5,8	3,6	2,0
	QoQ SA	2,1	1,6	4,3	-2,3	1,0	-2,4
Final consumption expenditure of the households sector	YoY	4,9	8,5	8,7	6,4	0,9	-1,5
	QoQ SA	2,8	1,4	0,8	0,8	-0,7	-2,5
Final consumption expenditure of the general government sector	YoY	4,4	5,6	0,3	0,6	0,1	-1,6
	QoQ SA	0,6	1,1	-1,2	0,2	0,2	-0,1
Gross fixed capital formation	YoY	4,1	3,8	4,7	6,6	2,0	4,9
	QoQ SA	4,2	0,6	1,3	1,6	-0,6	1,3
Exports of goods and services	YoY	8,0	6,3	4,2	5,2	6,9	2,0
	QoQ SA	0,3	4,0	-0,9	1,8	1,8	-0,9
Imports of goods and services	YoY	13,9	12,8	9,4	6,9	6,0	0,2
	QoQ SA	2,4	3,8	0,0	0,6	1,3	-1,6
Gross value added	YoY	6,6	8,5	8,4	5,6	3,3	2,4
	QoQ SA	1,9	1,8	3,0	-1,0	1,1	-2,4
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	2,9	4,2	4,0	3,6	0,5	-0,7
Final consumption expenditure of the general government sector	pp	0,8	1,2	0,0	0,1	0,0	-0,3
Gross fixed capital formation	pp	0,7	0,9	0,6	1,0	0,3	1,0
Changes in inventories	pp	4,5	4,8	6,7	1,8	2,2	1,1
Balance of trade turnover	pp	-2,4	-2,6	-2,7	-0,7	0,6	0,9
Gross value added	pp	5,6	7,5	7,3	4,8	2,8	2,0
GDP structure							
Final consumption expenditure of the households sector	% of GDP	57,0	50,2	59,7	58,5	56,9	49,3
Final consumption expenditure of the general government sector	% of GDP	17,8	20,7	16,9	17,9	17,6	20,1
Gross fixed capital formation	% of GDP	16,8	21,8	12,6	15,6	16,1	21,7
Changes in inventories	% of GDP	5,6	5,8	10,0	4,6	7,5	6,8
Exports of goods and services	% of GDP	56,4	56,4	61,6	65,3	61,8	58,8
Imports of goods and services	% of GDP	54,5	55,7	61,6	62,9	60,9	57,6
	Unit	2022 M09	M10	M11	M12	2023 M01	M02
Balance of payments							
Goods: exports (EUR)	YoY	26,5	23,2	24,2	10,6	11,6	-
Goods: imports (EUR)	YoY	31,4	24,1	18,3	11,3	5,0	-
Current account balance ¹⁾	% of GDP	-3,4	-3,5	-3,2	-3,0	-2,7	-
Balance on goods ¹⁾	% of GDP	-3,9	-3,9	-3,7	-3,7	-3,4	-
Official Reserve Assets	EUR m	154 194,6	152 480,2	156 781,5	156 454,9	154 405,0	158 244,8
Inflation							
Consumer Price Index (CPI)	YoY	17,2	17,9	17,5	16,6	16,6	18,4
Core inflation (CPI excluding food and energy prices)	YoY	10,7	11,0	11,4	11,5	11,7	12,0
Producer Price Index (PPI)	YoY	24,6	23,1	21,1	20,5	20,1	18,4
Production							
Sold production of industry ²⁾	YoY	9,8	6,6	4,5	1,0	1,8	-1,2
	MoM SA	0,3	-0,4	2,4	0,7	-2,0	0,9
Construction and assembly production ²⁾	YoY	0,2	3,9	4,0	-0,9	2,0	6,6
	MoM SA	-5,9	6,3	2,4	-3,1	6,8	0,8
Manufacturing PMI	SA	43,0	42,0	43,4	45,6	47,5	48,5
Households and labour market							
Retail sales ²⁾	YoY	4,1	0,7	1,6	0,2	0,1	-5,0
Average paid employment in enterprise sector	YoY	2,3	2,4	2,3	2,2	1,1	0,8
	MoM	-0,1	0,1	0,1	0,0	0,4	-0,1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	-2,3	-4,1	-3,3	-5,4	-2,6	-4,1
	MoM	0,0	-1,8	1,8	6,8	-8,4	1,4
Harmonised unemployment rate (Eurostat)	%, SA	3,0	3,0	2,9	2,9	2,8	2,8
<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>							
	Unit	2022 M08	M09	M10	M11	M12	2023 M01
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	1 204 118,0	1 205 904,5	1 209 461,1	1 210 844,9	1 238 466,0	1 205 865,8
Domestic debt	nominal, PLN mio	929 963,4	923 400,0	936 750,8	928 915,0	949 781,4	923 965,7
	%	77,2	76,6	77,5	76,7	76,7	76,6
Foreign debt	nominal, PLN mio	274 154,6	282 504,6	272 710,3	281 929,9	288 684,6	281 900,1
	%	22,8	23,4	22,5	23,3	23,3	23,4
	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 March 31, 2023, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 75% (acc. to the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 32.7bn,
- switch auctions in 2023: PLN 7.1bn,
- T-bond sale on foreign markets: PLN 37.9bn,
- loans incurred from IFIs: PLN 0.6bn,
- switch auctions in 2022: PLN 9.8bn,
- and higher financial resources at the end of 2022: PLN 106.3bn.

Flows of funds into the market related to domestic T-securities transfers in April as of March 31, 2023, PLN bn

Value of funds transferred from the State budget to the market in April shall amount to PLN 23.9bn, of which:

- TS redemptions PLN 20.5bn
- interests payments PLN 3.4bn

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

As of 31 March 2023, to the end of the year 2023 the funds to be transferred to the market shall amount to PLN 78.5bn.

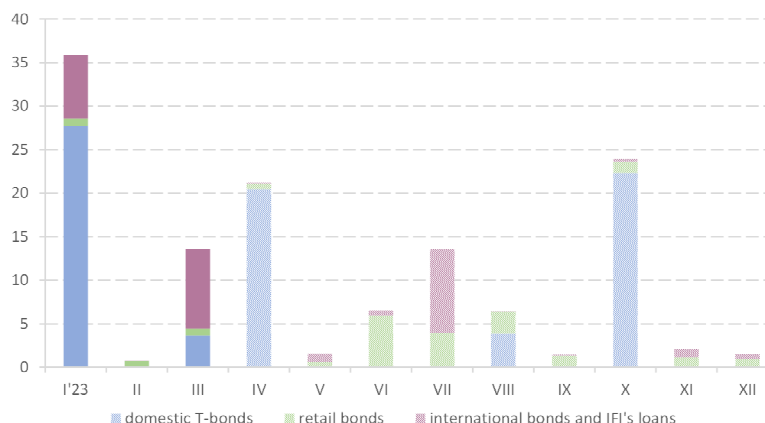
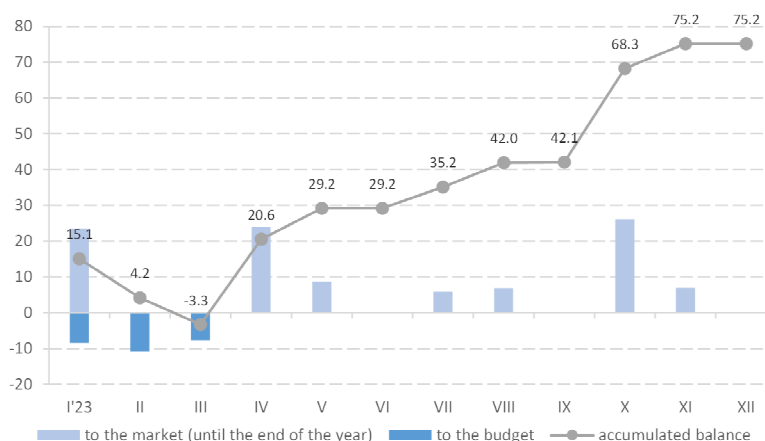
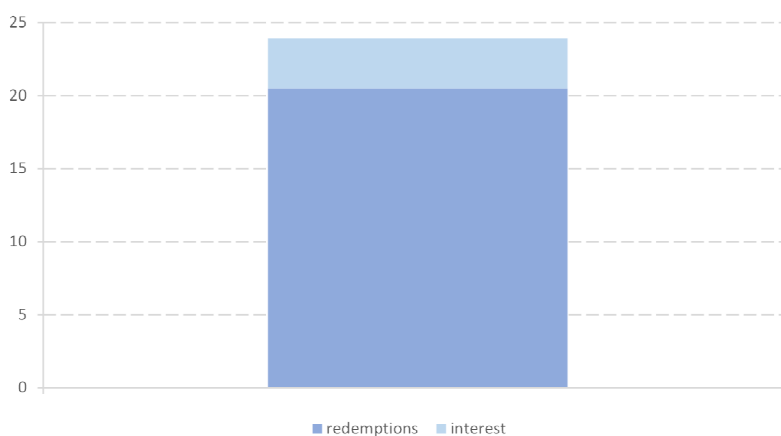
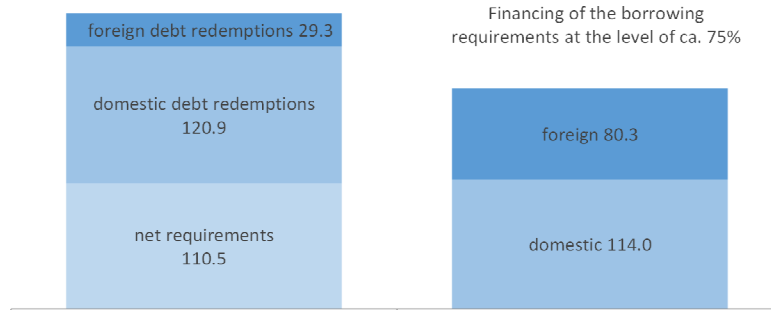
*figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.

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 March 31, 2023), is equal to PLN 78.4bn, including:

- T-bonds: PLN 46.7bn,
- T-retail bonds: PLN 18.4bn,
- bonds and loans incurred on foreign markets: PLN 13.3bn.

Gross borrowing requirements
Total: PLN 260.7 bn, of which:

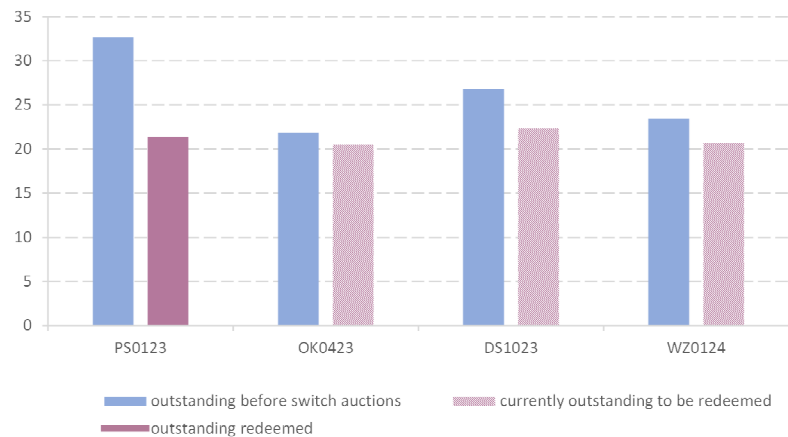


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2023 and 2024

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

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

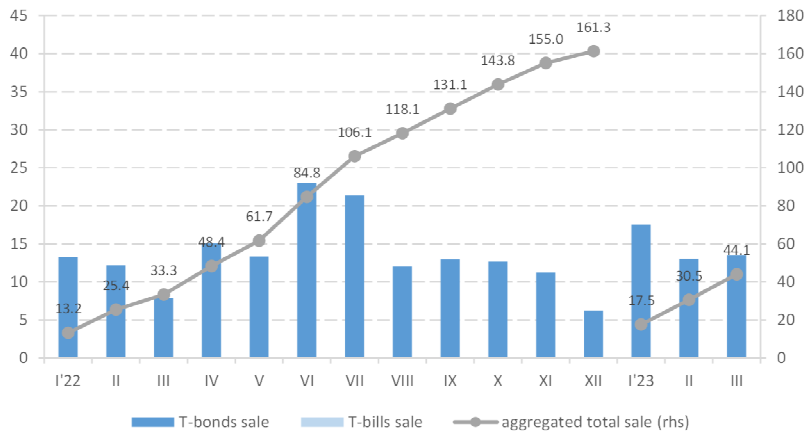
- PS0123: PLN 11.3bn (35% of the issuance),
- OK0423: PLN 1.4bn (6% of the issuance),
- DS1023: PLN 4.5bn (17% of the issuance),
- WZ0124: PLN 2.8bn (12% of the issuance).



Sale of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-III 2023 aggregated total sale of T-bonds amounted to PLN 44.1bn versus PLN 33.3bn in the same period of 2022. T-bills were not sold.



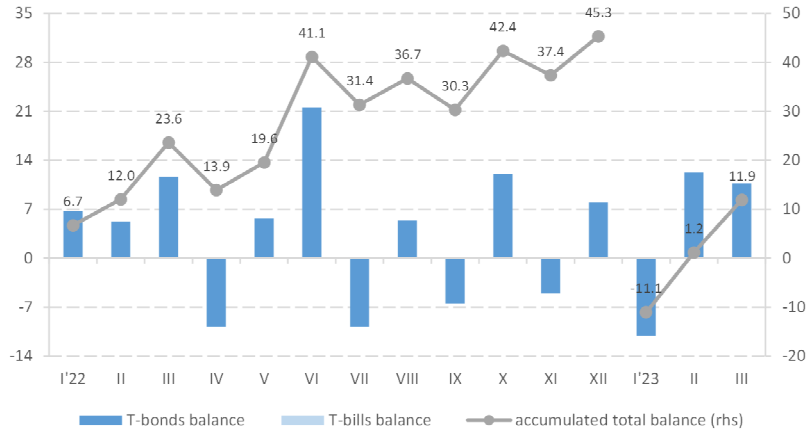
Balance of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-III 2023 indebtedness in:

- T-bonds increased by PLN 11.9bn versus increase of PLN 23.6bn in the same period of 2022,
- 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.

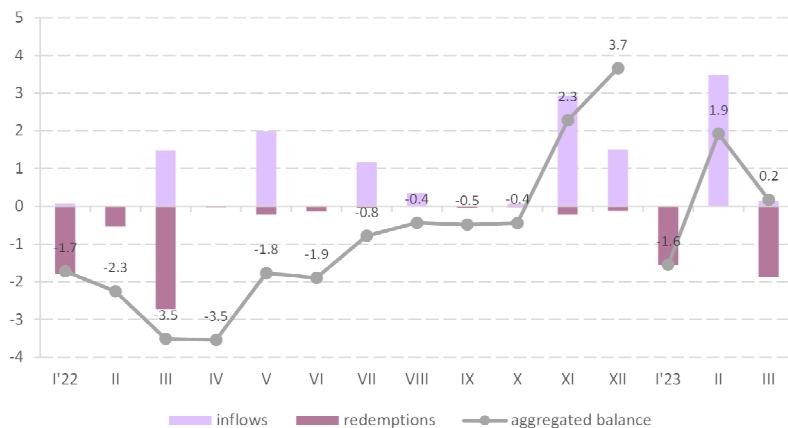


External financing in 2022 and 2023

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

Net financing on foreign markets in the period of I-II 2023 was positive and amounted to EUR 0.2bn, which resulted from:

- positive balance of T-bonds issuance of EUR 0.1bn,
- positive balance of loans incurred from IFIs at the level of EUR 0.03bn.

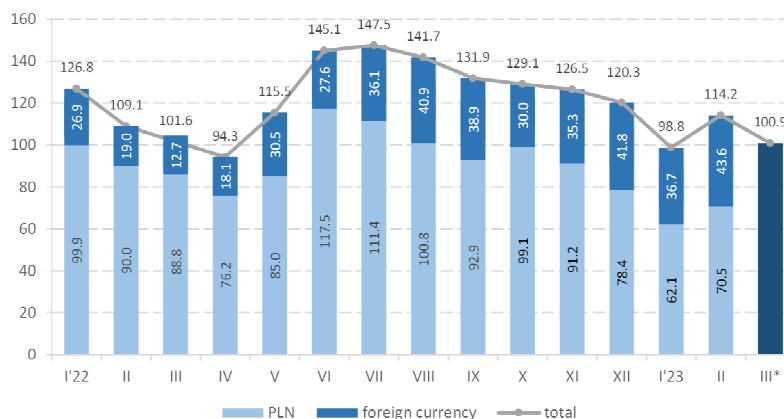


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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 March 2023 there was the equivalent of PLN 100.9bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

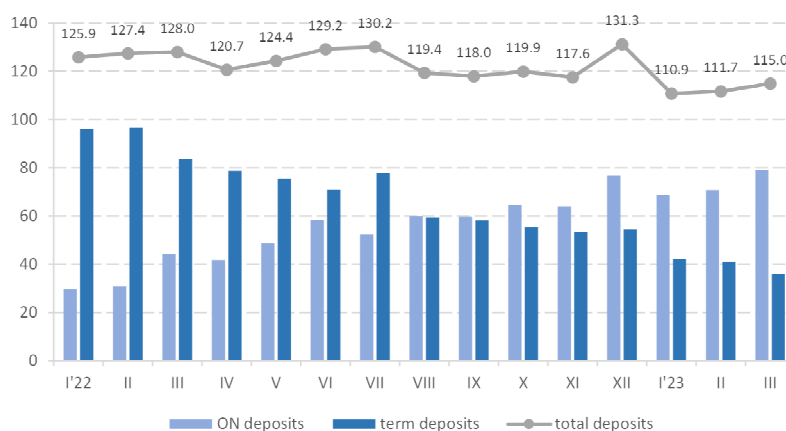


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

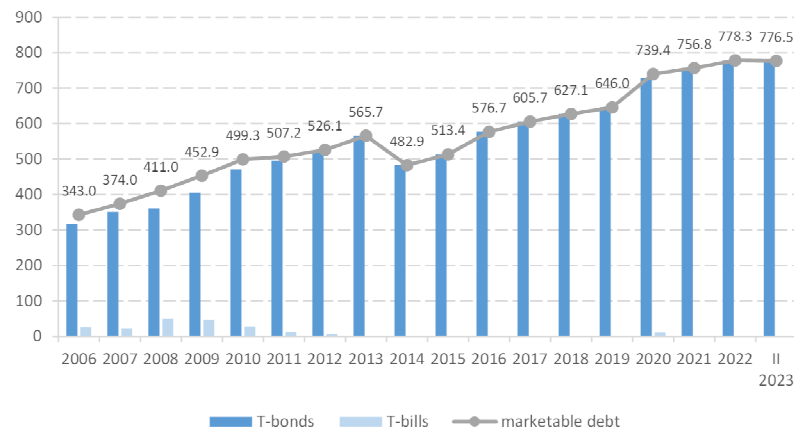
At the end of March 2023 funds accumulated within the consolidation of public finances liquidity management amounted to PLN 115.0bn, of which PLN 36.0bn was as term deposits and PLN 79.1bn on ON deposits.



Structure of domestic marketable debt

PLN bn

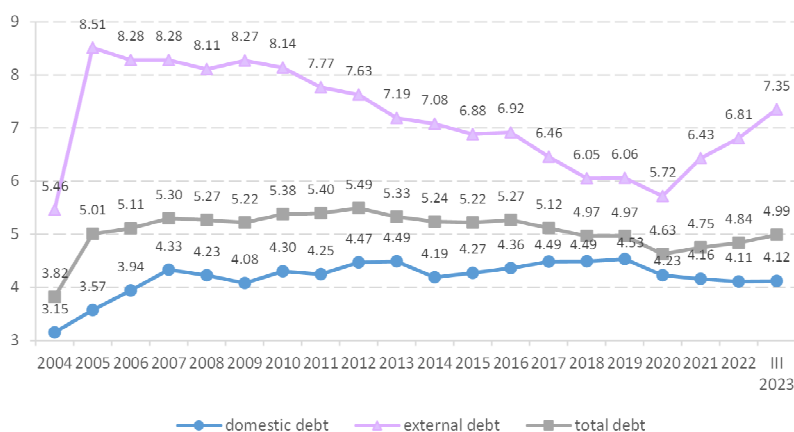
At the end of February 2023 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 776.5bn comparing to PLN 778.3bn at the end of 2022.



Average maturity

years

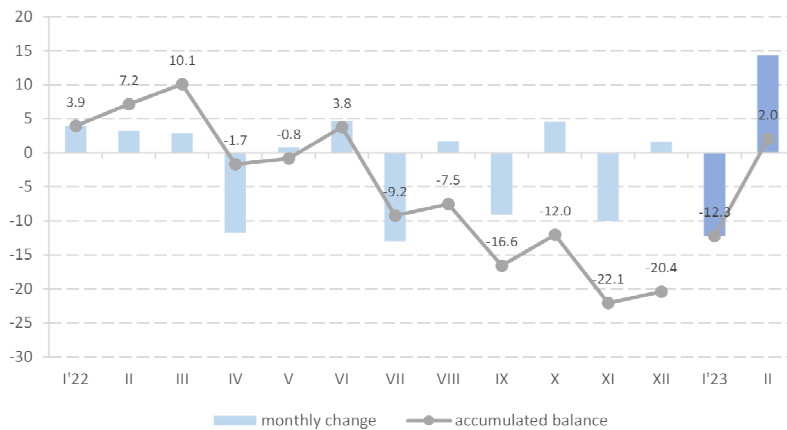
At the end of March 2023 the average maturity of domestic debt amounted to 4.12 years (while at the end of 2022 it was 4.11 years). The average of total debt amounted to 4.99 years (4.84 years at the end of 2022).



Change of debt in the domestic TS held by banks

PLN bn

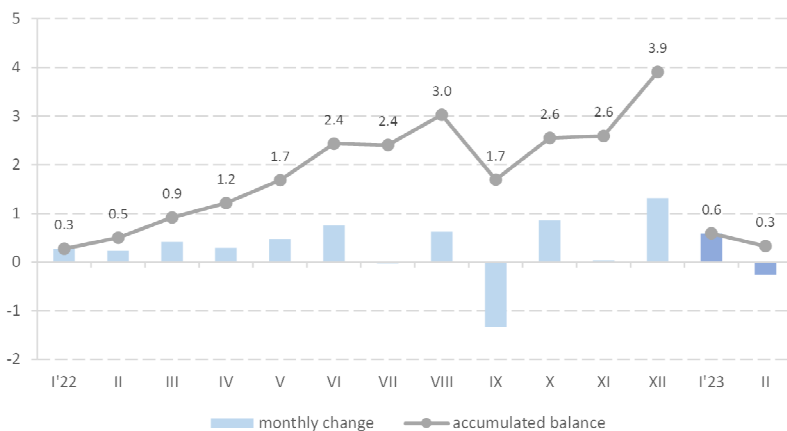
In the period of I-II 2023 there was an increase of debt by PLN 2.0bn comparing to PLN 7.2bn increase during the same period of 2022. Banks' holdings reached the level of PLN 430.1bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

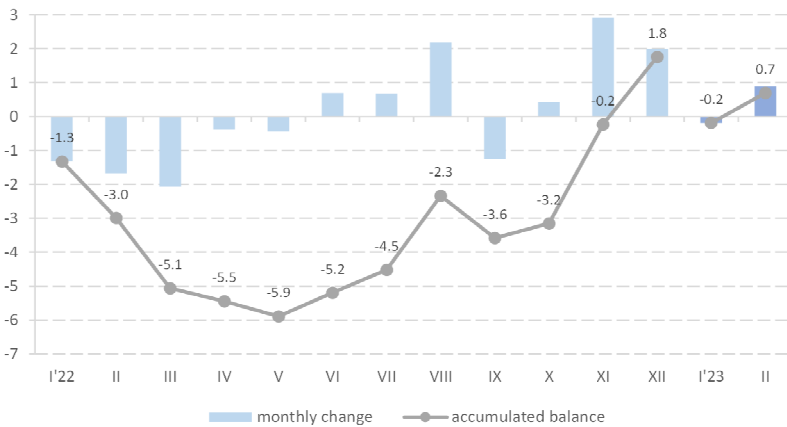
In the period of I-II 2023 there was an increase of debt by PLN 0.3bn comparing to PLN 0.5bn an increase during the same period of 2022. Insurance companies' holdings reached the level of PLN 59.9bn.



Change of debt in the domestic TS held by investment funds

PLN bn

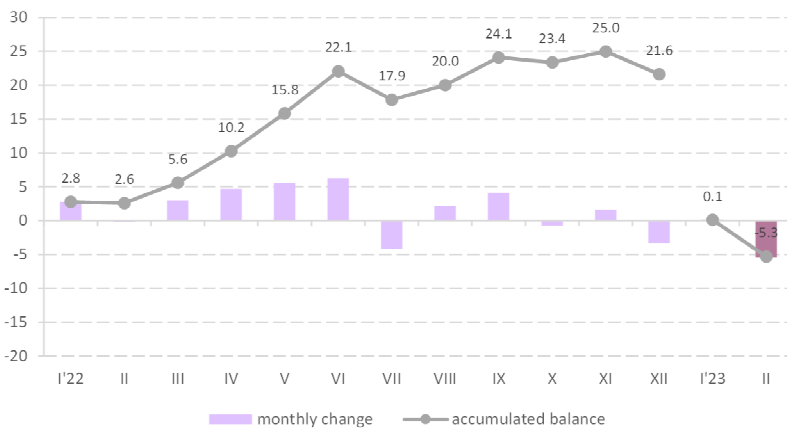
In the period of I-II 2023 there was an increase of debt by PLN 0.7bn comparing to PLN 3.0bn decrease during the same period of 2022. Investment funds' holdings reached the level of PLN 47.8bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-II 2023 there was a decrease of debt by PLN 5.3bn comparing to PLN 2.6bn increase during the same period of 2022. Foreign investors' holdings reached the level of PLN 140.9bn.

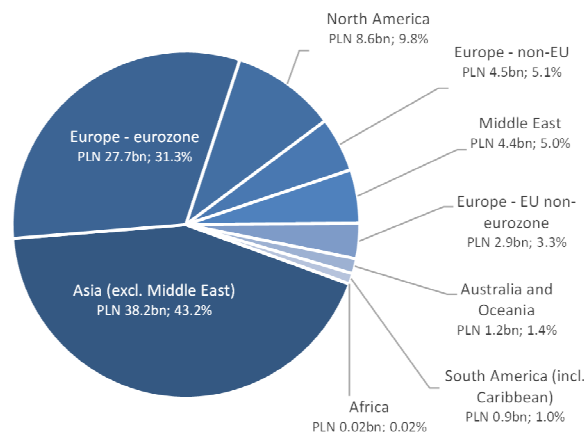


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of the domestic TS held by non-residents

as of February 28, 2023, the chart presents data excluding omnibus accounts

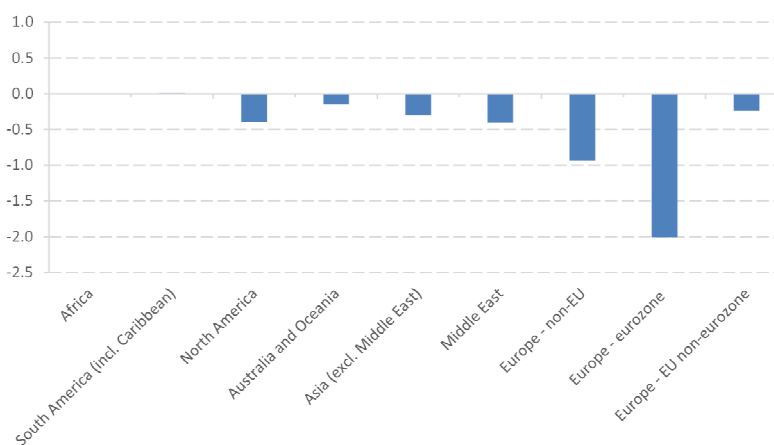
The non-residents' share in the domestic Treasury securities market decreased by PLN 5.4bn in February 2023. The foreign investors' portfolio amounted to PLN 140.9bn, which constituted 16.3% share in total debt in TS (17.1% in the previous month).



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

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

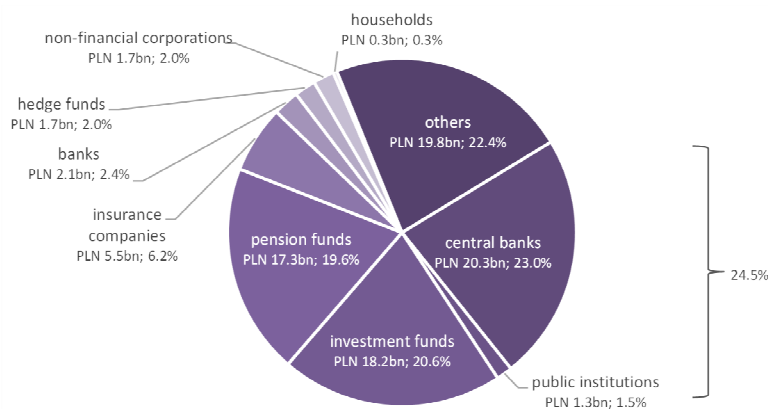
In February 2023 the highest decrease was noted by eurozone investors (PLN 2.0bn).



Institutional distribution of the domestic TS held by non-residents

as of February 28, 2023, the chart presents data excluding omnibus accounts

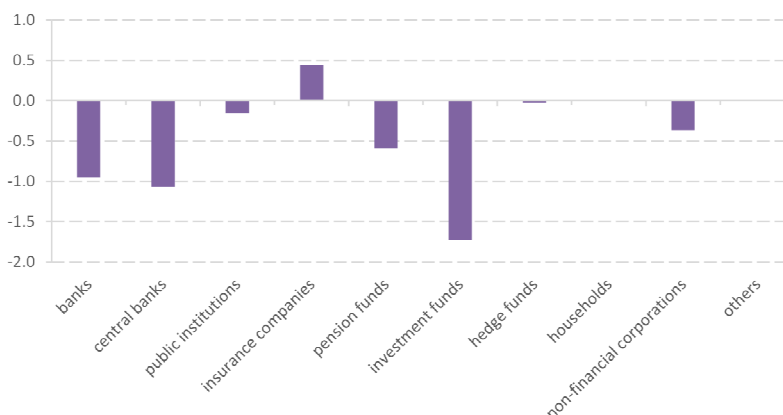
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 24.5% at the end February 2023.



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

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

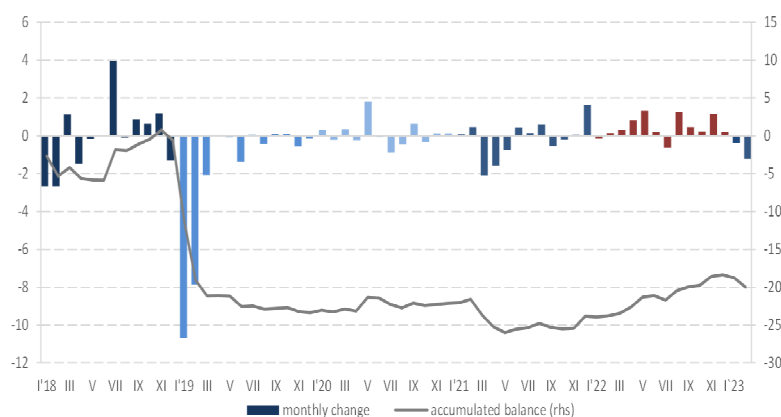
In February 2023 the highest increase was recorded by insurance companies (PLN 0.4bn), while the highest decrease was noted by investment funds (PLN 1.7bn).



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

change in February 2023, PLN bn

Central banks and public institutions' involvement decreased by PLN 1.2bn in February 2023. In the period from the end of January 2018 to the end of February 2023 portfolios of those entities decreased by PLN 20.0bn.



Structure of non-residents' holdings in TS by countries

as of February 28, 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	18 032.5	26.5%
Luxembourg	9 366.6	13.7%
United States	7 605.3	11.2%
Netherlands	6 491.9	9.5%
Ireland	5 788.9	8.5%
Germany	4 105.8	6.0%
United Kingdom	2 317.7	3.4%
Switzerland	1 608.5	2.4%
Singapore	1 412.9	2.1%
Denmark	1 201.2	1.8%
France	1 101.9	1.6%
Australia	1 071.8	1.6%
Canada	981.8	1.4%
Kuwait	908.3	1.3%
Czech Republic (the)	778.1	1.1%
Bulgaria	768.8	1.1%
Taiwan	750.9	1.1%
Others	3 881.2	5.7%
Total	68 174.1	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-03-2023

(...) The level of financing of this year's borrowing requirements is ca. 75%.

Two Treasury bond sale auctions are planned for April. No T-bill auctions are planned. The total of four up to five Treasury bond sale auctions and one or two Treasury bond switching auctions are planned in the second quarter of 2023.

In February indebtedness in domestic Treasury securities increased by PLN 12.2bn. The involvement of domestic banks increased by PLN 14.3bn, involvement of domestic non-banking sector increased by PLN 3.3bn, while involvement of foreign investors decreased by PLN 5.4bn.

General assumptions

- T-bond auctions are planned according to the announced yearly issuance calendar,
- offer of Treasury bonds on the domestic market will depend on the budget and market situation, as well as consultations with investors,
- possible auctions of Treasury bills will be held within the confines of the State budget liquidity management,
- foreign financing will be determined by the situation on the international financial market and the domestic market, as well as by budget conditions,
- the announced plan may be modified subject to the market situation.

Offer of T-bonds on the domestic market

- **sale auctions:**
between four and five auctions, total supply PLN 20.0-35.0 bn, the structure of the sold T-bonds will be subject to the market situation.
- **switch auctions:**
between one and two auctions - subject to the budget and market situation, securities offered to repurchase would be T-bonds maturing in 2023 and in 2024.

Offer of T-bills

Detailed information on the offer of T-bills will be presented in the monthly issuance plans.

Foreign financing

- possible issuance of bonds on the international markets,
- possible loans from International Financial Institutions.

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
13 April 2023	17 April 2023	OK1025 / PS0728 / WZ1128 / DS1033 possible other T-bonds of WS type	4,000-6,000
21 April 2023	25 April 2023	OK1025 / PS0728 / WZ1128 / DS1033 possible other T-bonds 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

Switching auctions of Treasury bills are not planned.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0723 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0424 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.75% in the first coupon period
DOR0425 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.10%); 6.85% in the first coupon period
TOS0426 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.85%
COI0427 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 7.00% in the first coupon period
EDO0433 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.25% in the first coupon period
ROS0429 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 7.20% in the first coupon period
ROD0435 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.50% in the first coupon period