



State budget borrowing requirements' financing plan and its background

3rd quarter 2023

July 2023

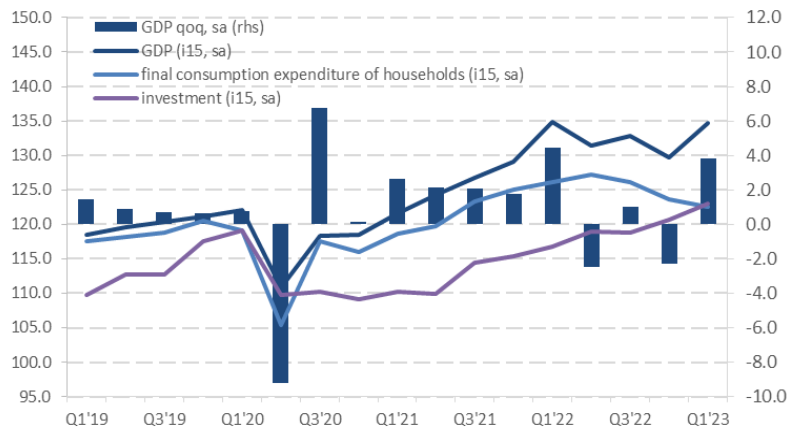
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Gross domestic product of Poland

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

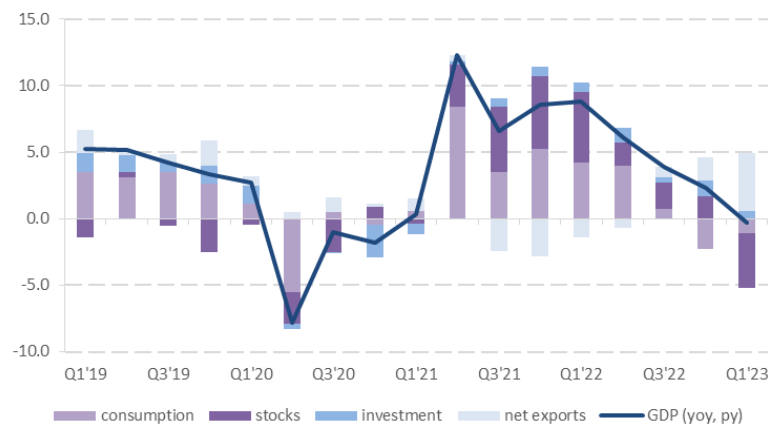
In the first quarter of 2023 GDP increase by 3.8% (qoq, sa) after a 2.3% decline in the previous quarter. Thereby Polish economy avoided so-called technical recession. Household consumption was negatively affected by high inflation and higher nominal NBP rates. In effect it contracted for the third time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

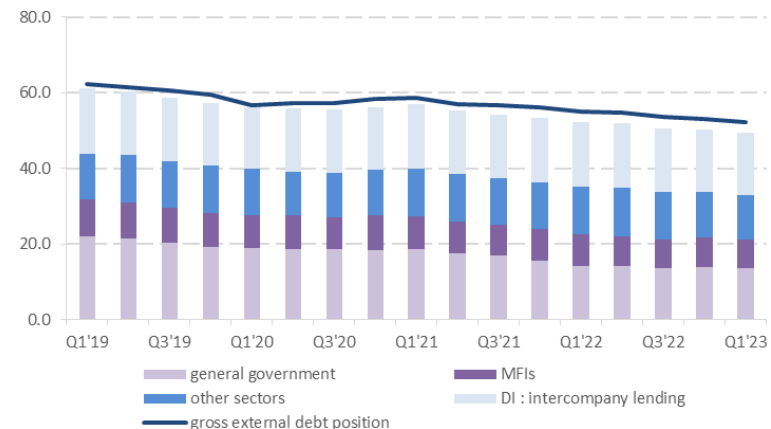
In the first quarter of 2023 GDP was 0.3% (py) lower than a year earlier. Household consumption was 2.0% lower than in the first quarter of 2022 while investment 5.5% higher. Contribution of inventories was strongly negative (-4.1 pp). Weaker dynamics of domestic demand weighted on imports growth and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

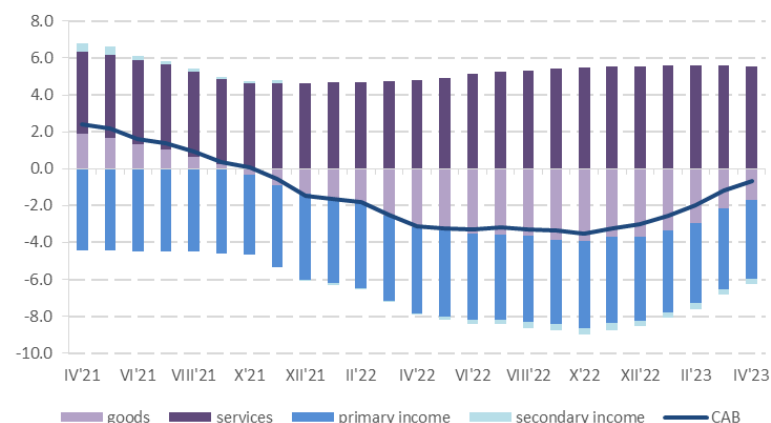
At the end of the first quarter of 2023 gross external debt reached EUR 352.3bn (52.1% of GDP) and was EUR 4.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 26.1%. At the end of April 2023 official reserve assets reached EUR 162.0bn 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 April 2023, taking into account new quarterly data, Poland's C/A deficit decreased further to 0.7% of GDP (in 12-month terms). Goods balance recorded fourth monthly surplus in a row, mainly due to weak imports dynamics. In April due to negative calendar effect exports dynamics slowed down, but was still supported by the increase in foreign sales of automotive sector. The trade in goods balance was also favourably influenced by improvement in terms of trade. Service surplus, which includes expenditures of foreigners, who plan to stay in Poland no longer than one year, stabilised at 5.6% of GDP.

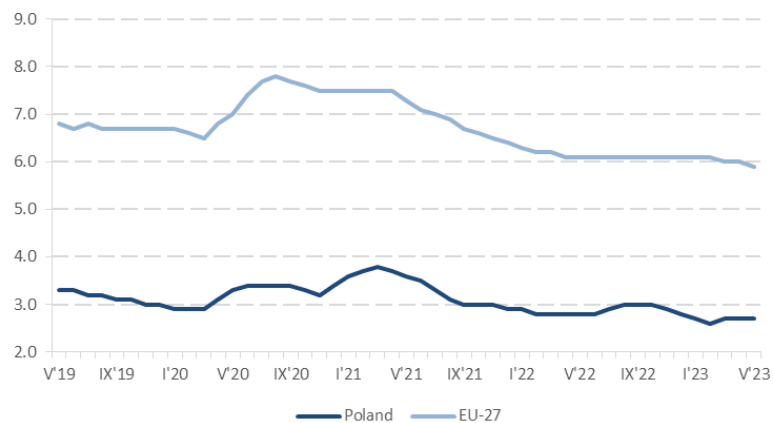


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

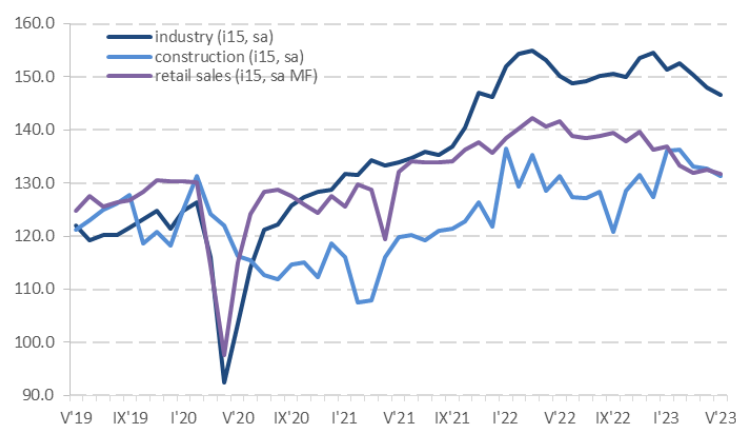
The harmonized unemployment rate (sa) amounted to 2.7% in May 2023 and it was at the same level as in two previous months and by 0.1 pp. lower than a year earlier. It was by 0.1 pp. higher than the historically lowest level recorded in February 2023. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (5.9% and 6.5%, respectively). In May 2023, among the EU countries, only in the Czech Republic the unemployment rate 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

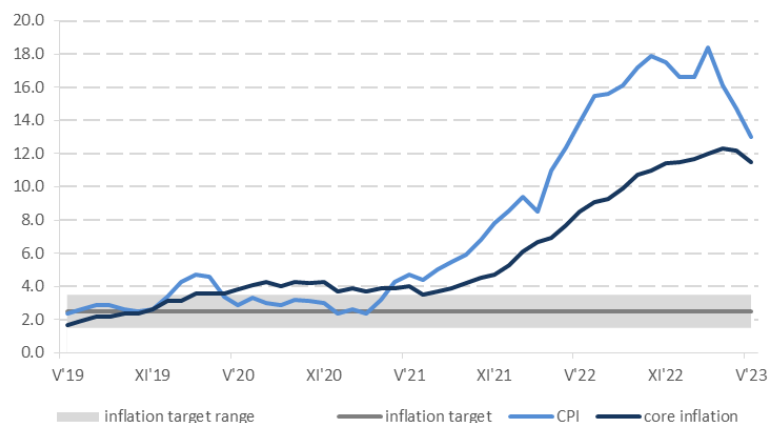
In May 2023 industrial production decreased by 1.0% (mom, sa) and was 3.2% lower than a year ago (nsa). Data were close to market expectations. Construction production decreased by 1.1% (mom, sa). As a result, its level was by 0.7% (nsa) lower than a year ago. The data were below market expectations. Retail sales declined after a temporary increase a month ago (mom, sa MoF). The sales level was by 6.8% (nsa) lower than in the previous year. The data were below market expectations.



Inflation

percent, yoy
source: GUS, NBP

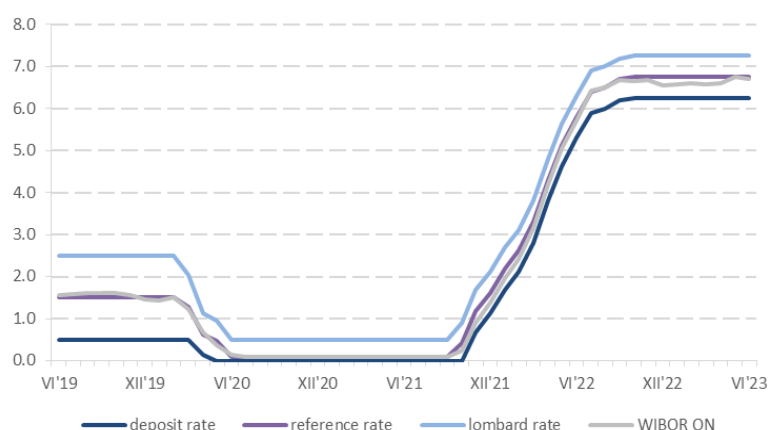
In May 2023, just like in two previous months, inflation rate decreased significantly and achieved 13.0% (yoy). This fall was mainly caused by the statistical effect of significant price increase a year before, after outbreak of war in Ukraine. Annual rate of energy prices decreased to 9.2%. Food prices were higher by 18.9% (yoy) and core inflation diminished to 11.5%. In June, according to preliminary data, inflation decreased to 11.5% (i.e. slightly below market expectations). In May producer prices were higher by 3.1% (yoy) and in the last three months this pace lowered by 15.1 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 June 2023, the Monetary Policy Council kept interest rates on hold for the ninth 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 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	2022 M12	2023 M01	M02	M03	M04	M05
Goods: exports (EUR)	YoY	10.6	15.7	14.7	18.1	2.4	-
Goods: imports (EUR)	YoY	11.3	7.4	3.9	-1.4	-8.8	-
Current account balance ¹⁾	% of GDP	-3.0	-2.5	-2.0	-1.2	-0.7	-
Balance on goods ¹⁾	% of GDP	-3.7	-3.4	-2.9	-2.1	-1.7	-
Official Reserve Assets	EUR m	156 454.9	154 405.0	158 233.1	156 438.4	162 022.5	165 214.8
Inflation							
Consumer Price Index (CPI)	YoY	16.6	16.6	18.4	16.1	14.7	13.0
Core inflation (CPI excluding food and energy prices)	YoY	11.5	11.7	12.0	12.3	12.2	11.5
Producer Price Index (PPI)	YoY	20.5	20.1	18.2	10.3	6.2	3.1
Production							
Sold production of industry ²⁾	YoY	1.0	1.8	-1.0	-3.0	-6.0	-3.2
	MoM SA	0.7	-2.0	0.8	-1.4	-1.5	-1.0
Construction and assembly production ²⁾	YoY	-0.9	2.0	6.6	-1.6	1.1	-0.7
	MoM SA	-3.1	6.8	0.1	-2.2	-0.3	-1.1
Manufacturing PMI	SA	45.6	47.5	48.5	48.3	46.6	47.0
Households and labour market							
Retail sales ²⁾	YoY	0.2	0.1	-5.0	-7.3	-7.3	-6.8
Average paid employment in enterprise sector	YoY	2.2	1.1	0.8	0.5	0.4	0.4
	MoM	0.0	0.4	-0.1	-0.1	0.1	-0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	-5.4	-2.6	-4.1	-3.0	-2.2	-0.7
	MoM	6.8	-8.4	1.4	5.1	-1.7	-3.4
Harmonised unemployment rate (Eurostat)	%, SA	2.8	2.7	2.6	2.7	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							
State Treasury debt							
	Unit	2022 M11	M12	2023 M01	M02	M03	M04
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 210 844.9	1 238 466.4	1 205 866.2	1 234 328.7	1 240 853.6	1 256 186.7
Domestic debt	face value, PLN m	928 915.0	949 781.8	923 966.1	934 822.4	953 234.2	953 607.0
	%	76.7	76.7	76.6	75.7	76.8	75.9
Foreign debt	face value, PLN m	281 929.9	288 684.6	281 900.1	299 506.4	287 619.4	302 579.7
	%	23.3	23.3	23.4	24.3	23.2	24.1
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	1 148 579.0	1 137 020.3	1 175 336.9	1 181 505.0	1 209 605.4	1 209 798.0
Domestic debt	face value, PLN m	859 054.7	860 547.2	887 989.3	875 321.9	896 683.1	898 118.4
	%	74.8	75.7	75.6	74.1	74.1	74.2
Foreign debt	face value, PLN m	289 524.2	276 473.1	287 347.6	306 183.1	312 922.3	311 679.6
	%	25.2	24.3	24.4	25.9	25.9	25.8
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 410 499.5	1 415 681.9	1 453 467.9	1 479 605.3	1 512 234.4	1 531 780.5

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2023

as of June 30, 2023, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 93% (acc. to the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 79.3bn,
- 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,
- and higher financial resources at the end of 2022: PLN 106.2bn.

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

as of June 30, 2023, PLN bn

Value of funds transferred from the State budget to the market in July shall amount to PLN 7.2bn (interest payments).

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

As of June 30 to the end of the 2023 the funds to be transferred to the market shall amount to PLN 46.8bn.

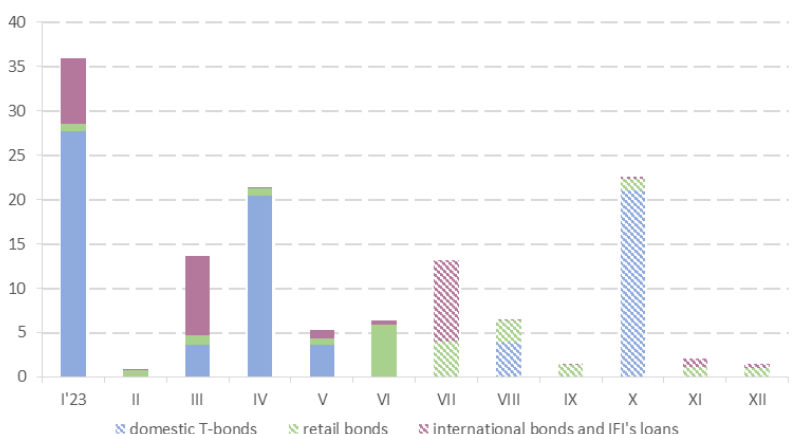
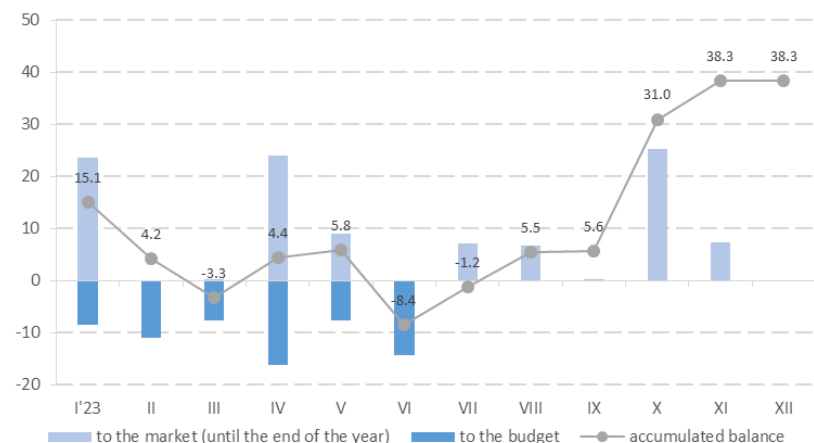
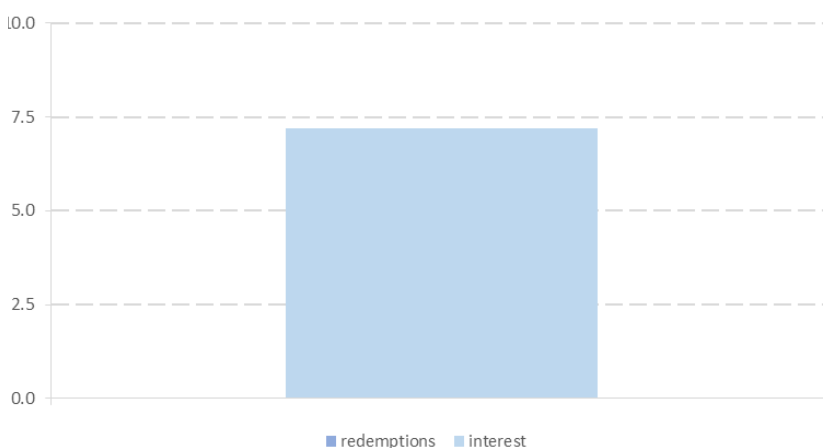
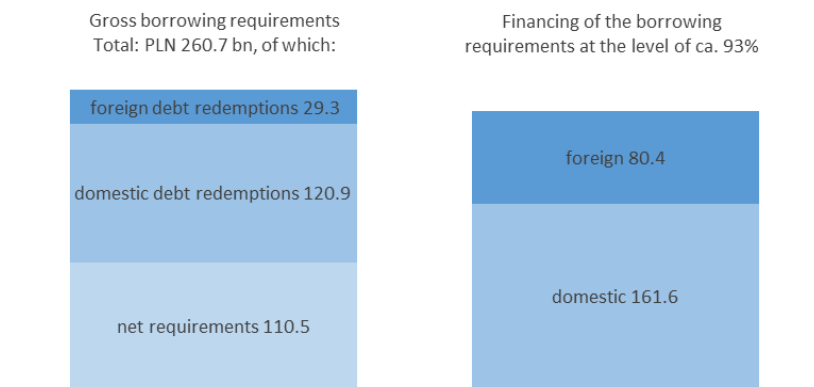
**figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.*

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 June 30, 2023), is equal to PLN 47.2bn, including:

- T-bonds: PLN 24.9bn,
- T-retail bonds: PLN 11.3bn,
- bonds and loans incurred on foreign markets: PLN 11.0bn.

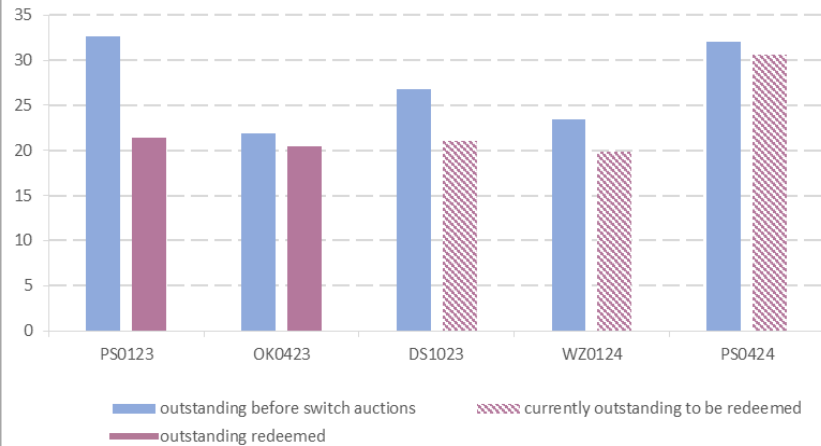


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2023 and 2024

as of June 30, 2023, nominal amount, PLN bn

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

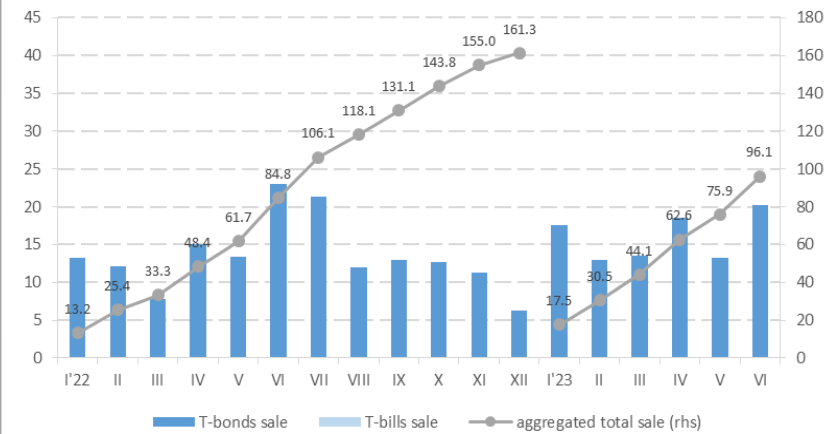
- PS0123: PLN 11.3bn (35% of the issuance),
- OK0423: PLN 1.4bn (6% of the issuance),
- DS1023: PLN 5.8bn (22% of the issuance),
- WZ0124: PLN 3.6bn (16% of the issuance),
- PS0424: PLN 1.4bn (4% of the issuance).



Sale of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-VI 2023 aggregated total sale of T-bonds amounted to PLN 96.1bn versus PLN 84.8bn in the same period of 2022. T-bills were not sold.

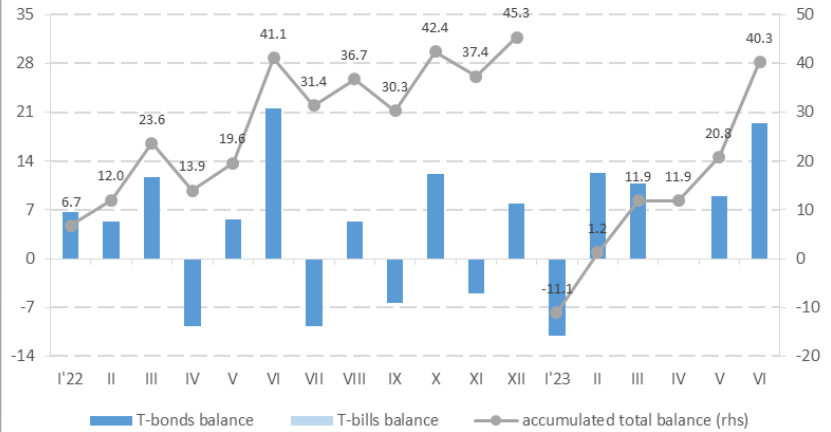


Balance of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-VI 2023 indebtedness in T-bonds increased by PLN 40.3bn versus increase of PLN 41.1bn 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.

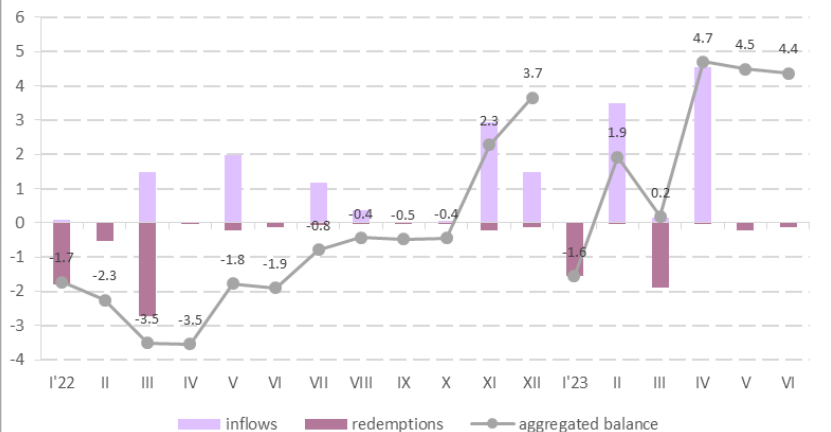


External financing in 2022 and 2023

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

Net financing on foreign markets in the period of I-VI 2023 was positive and amounted to EUR 4.4bn, 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 0.3bn.

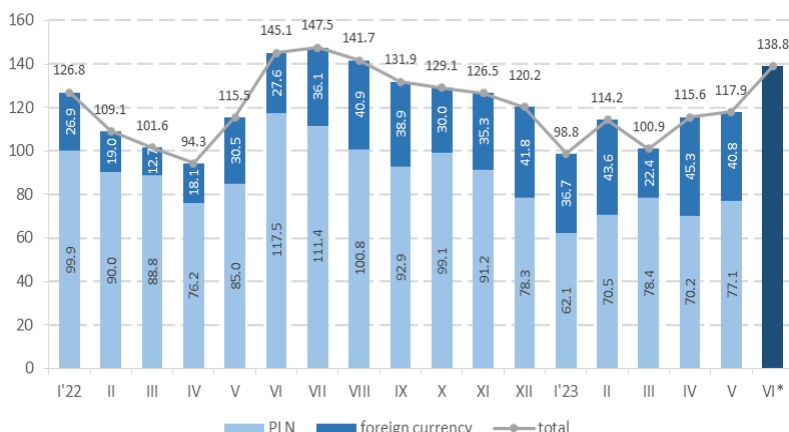


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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 June 2023 there was the equivalent of PLN 138.8bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

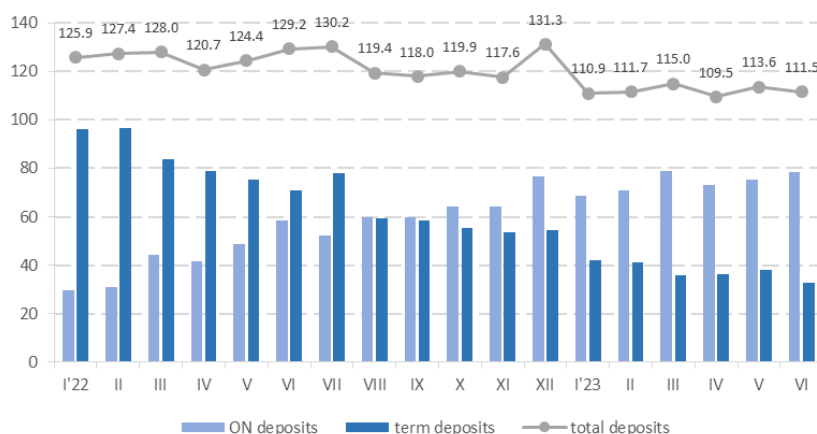


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

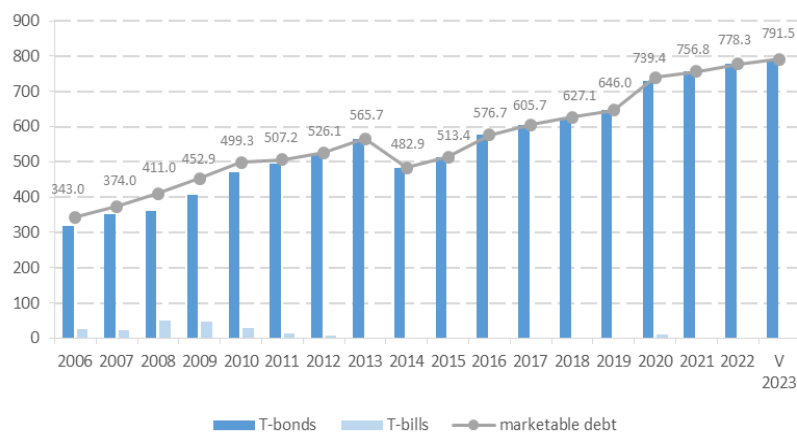
At the end of June 2023 funds accumulated within the consolidation of public finances liquidity management amounted to PLN 111.5bn, of which PLN 32.9bn was as term deposits and PLN 78.5bn on ON deposits.



Structure of domestic marketable debt

PLN bn

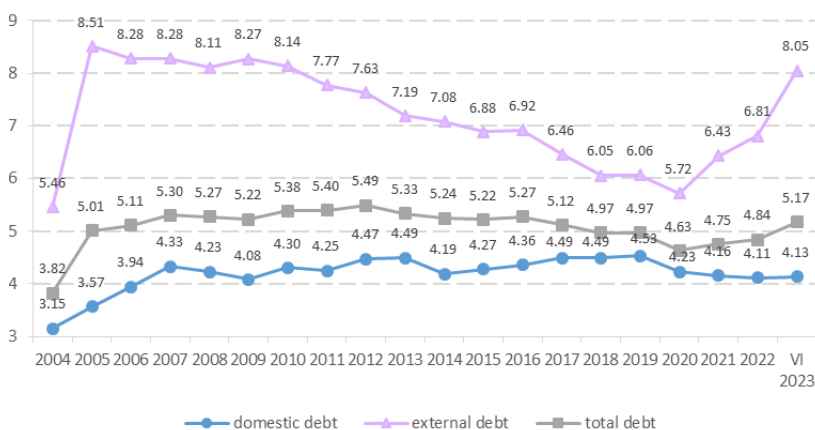
At the end of May 2023 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 791.5bn comparing to PLN 778.3bn at the end of 2022.



Average maturity

years

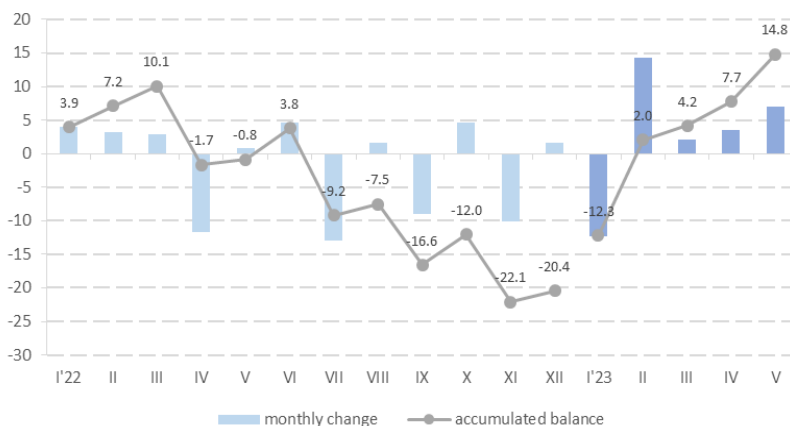
At the end of June 2023 the average maturity of domestic debt amounted to 4.13 years (while at the end of 2022 it was 4.11 years). The average of total debt amounted to 5.17 years (4.84 years at the end of 2022).



Change of debt in the domestic TS held by banks

PLN bn

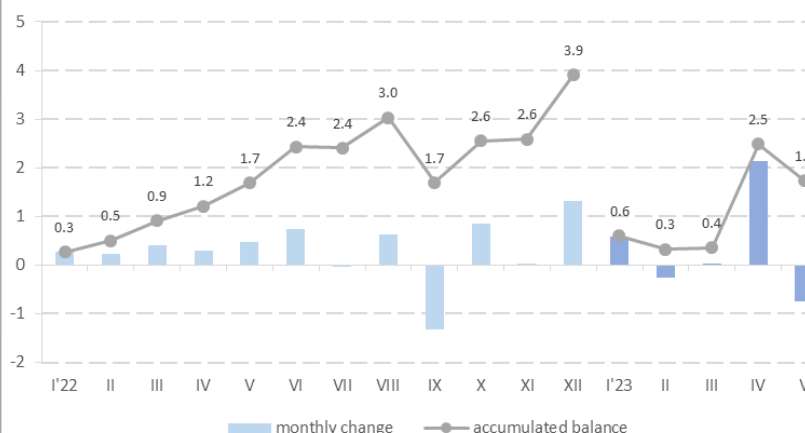
In the period of I-V 2023 there was an increase of debt by PLN 14.8bn comparing to PLN 0.8bn decrease during the same period of 2022. Banks' holdings reached the level of PLN 442.9bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

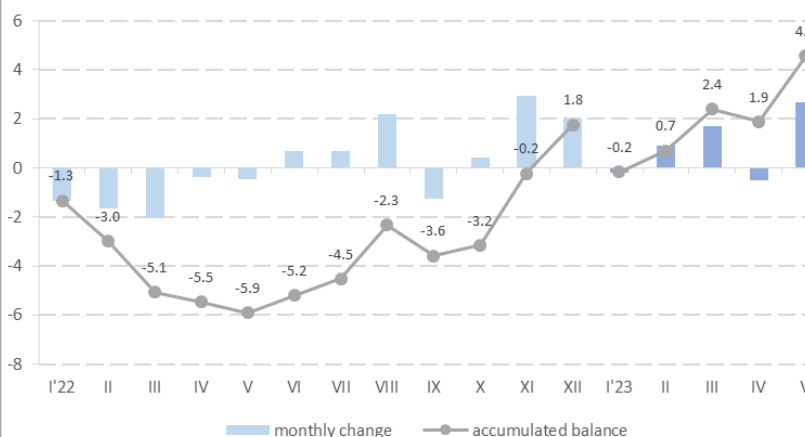
In the period of I-V 2023 there was an increase of debt by PLN 1.7bn comparing to PLN 1.7bn increase during the same period of 2022. Insurance companies' holdings reached the level of PLN 61.3bn.



Change of debt in the domestic TS held by investment funds

PLN bn

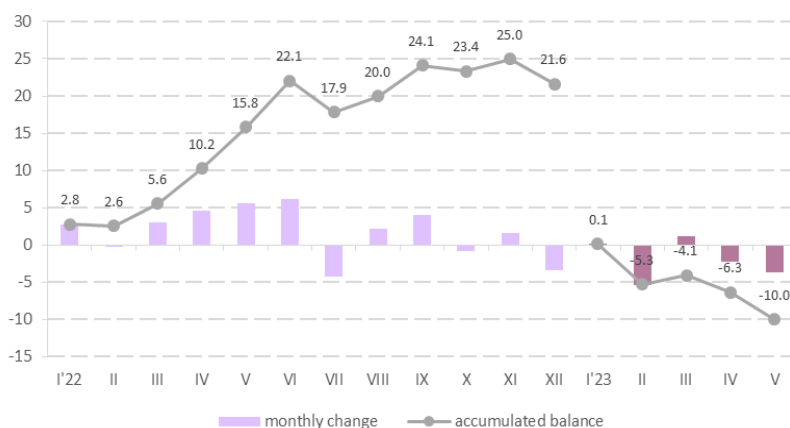
In the period of I-V 2023 there was an increase of debt by PLN 4.6bn comparing to PLN 5.9bn decrease during the same period of 2022. Investment funds' holdings reached the level of PLN 51.7bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-V 2023 there was a decrease of debt by PLN 10.0bn comparing to PLN 15.8bn increase during the same period of 2022. Foreign investors' holdings reached the level of PLN 136.2bn.

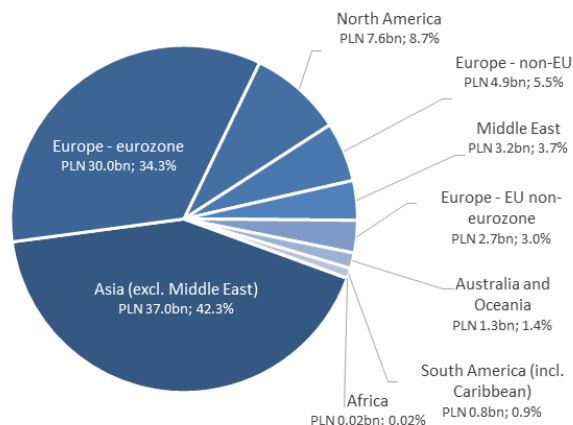


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of the domestic TS held by non-residents

as of May 31, 2023, the chart presents data excluding omnibus accounts

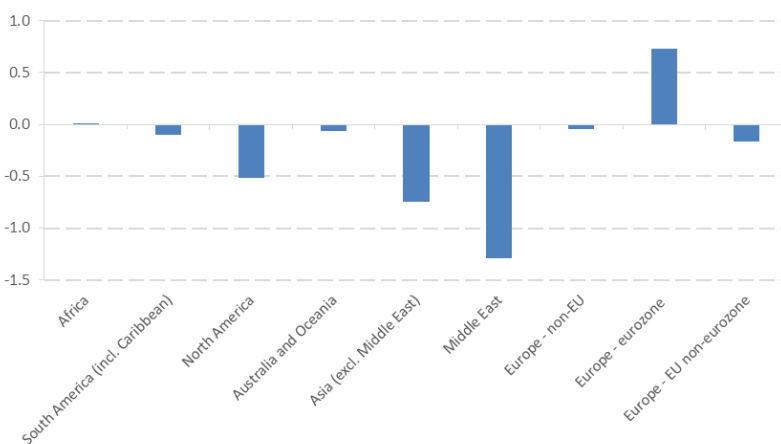
The non-residents' share in the domestic Treasury securities market decreased by PLN 3.7bn in May 2023. The foreign investors' portfolio amounted to PLN 136.2bn, which constituted 15.4% share in total debt in TS (15.9% in the previous month).



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

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

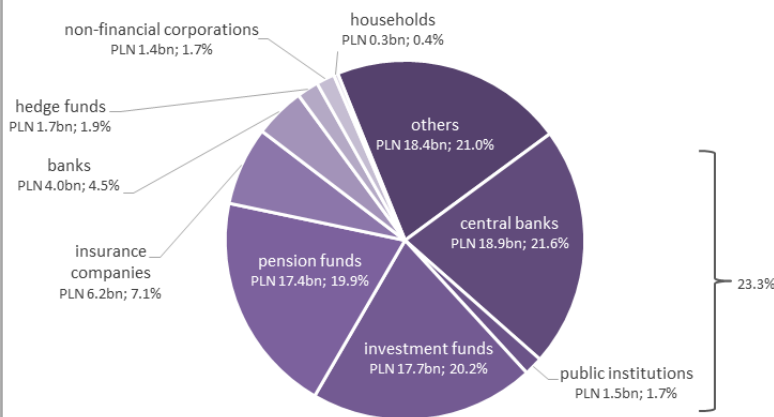
In May 2023 the highest increase was recorded by investors from Europe — eurozone (PLN 0.7bn), while the highest decrease was noted by investors from Middle East (PLN 1.3bn).



Institutional distribution of the domestic TS held by non-residents

as of May 31, 2023, the chart presents data excluding omnibus accounts

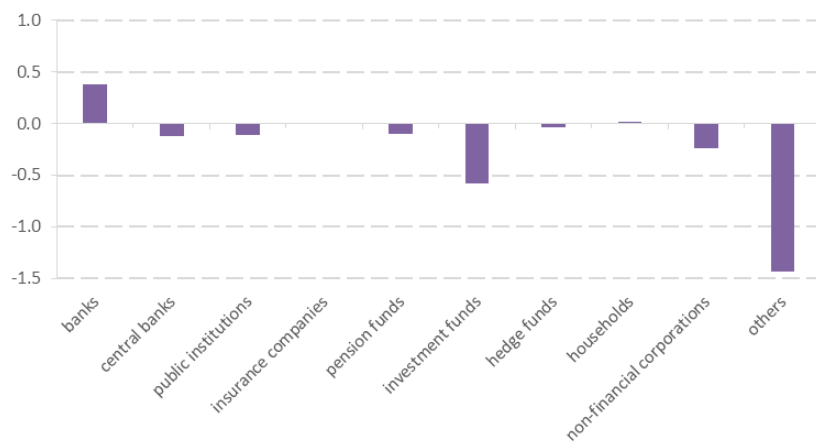
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 23.3% at the end May 2023.



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

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

In May 2023 the highest increase was recorded by banks (PLN 0.4bn), while the highest decrease was noted by investors classified as "others" (PLN 1.4bn).



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

change in May 2023, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.2bn in May 2023. In the period from the end of January 2018 to the end of May 2023 portfolios of those entities decreased by PLN 21.3bn.



Structure of non-residents' holdings in TS by countries

as of May 31, 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	18 207.5	26.6%
Luxembourg	9 615.1	14.0%
Netherlands	7 818.8	11.4%
United States	6 555.5	9.6%
Ireland	5 396.2	7.9%
Germany	4 408.8	6.4%
United Kingdom	2 649.6	3.9%
France	1 852.5	2.7%
Switzerland	1 624.1	2.4%
Denmark	1 185.0	1.7%
Australia	1 109.9	1.6%
Singapore	1 051.7	1.5%
Canada	1 013.2	1.5%
Taiwan (Province of China)	759.3	1.1%
Czech Republic	758.6	1.1%
Others	4 547.6	6.6%
Total	68 533.5	100.0%

General assumptions

- in the third quarter of 2023 T-bond auctions are planned according to the announced yearly issuance calendar,
- offer of T-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 the budget conditions,
- the announced plan may be modified subject to the market situation.

Offer of T-bonds on domestic market

- **sale auctions:**
between three and four auctions, total supply PLN 18.0-30.0bn, the structure of T-bonds to be offered will be subject to the market situation.
- **switch auctions:**
between two and three auctions (subject to the budget and market situation), T-bonds maturing in 2023 and 2024 would be offered to repurchase.

Offer of T-bills

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

Foreign financing

- possible issuances of bonds on the international market,
- Possible loans from International Financial Institutions.

V. SUPPLY PLAN OF TREASURY SECURITIES IN JULY 2023

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
21 July 2023	25 July 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)
11 July 2023/ 13 July 2023	OK1025 / PS0728 / WZ1128 / DS1033 possible other T-bond of WS type	DS1023	21,014
		WZ0124	19,818
		PS0424	30,629
		WZ0524	25,600

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS1023 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0724 1-year	100.00 PLN (99.80 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.75% in the first coupon period
DOR0725 2-year	100.00 PLN (99.70 PLN for rolling-over)	Floating (NBP reference rate + 0.10%); 6.85% in the first coupon period
TOS0726 3-year	100.00 PLN (99.60 PLN for rolling-over)	Fixed: 6.85%
COI0727 4-year	100.00 PLN (99.50 PLN for rolling-over)	Floating (inflation rate + 1.00%); 7.00% in the first coupon period
EDO0733 10-year	100.00 PLN (99.40 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.25% in the first coupon period
ROS0729 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 7.20% in the first coupon period
ROD0735 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.50% in the first coupon period