



State budget borrowing requirements' financing plan and its background

1st quarter 2023

January 2023

THE MOST IMPORTANT INFORMATION

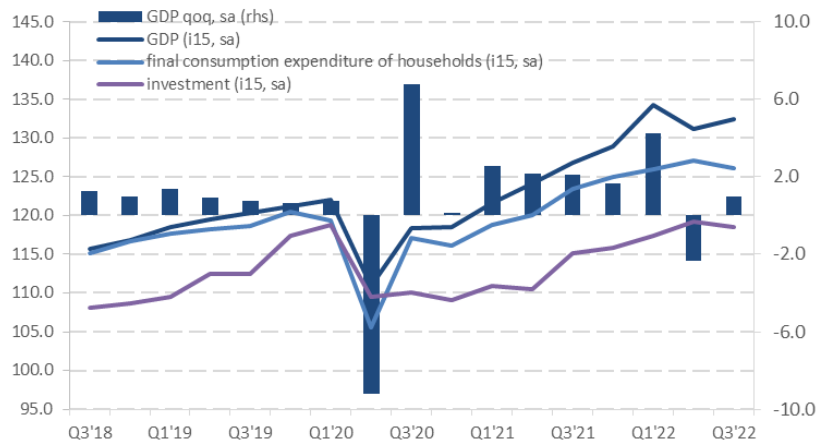
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I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

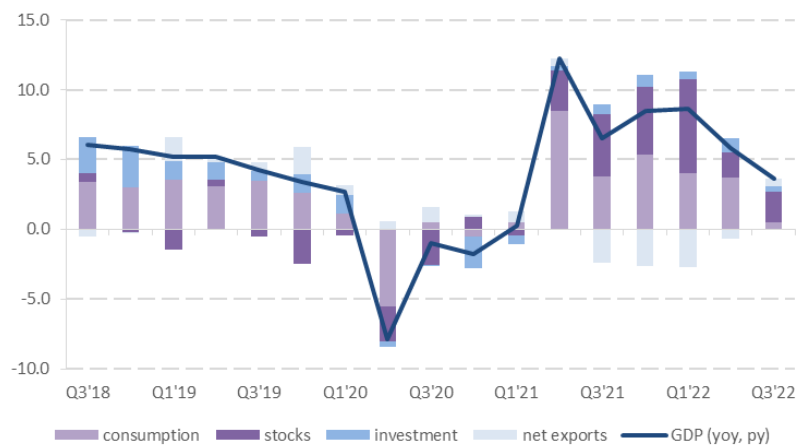
In the third quarter of 2022 GDP increased by 1.0% (qoq, sa) after contraction in the previous quarter allowing Polish economy to avoid technical recession. Both private consumption and investment demand declined (qoq, sa) after several quarters of uninterrupted growth. Short-term outlook is subject to high uncertainty concerning effects of Russian aggression against Ukraine, disruptions in global supply chains, prices of commodities, especially energy and agriculture, economic situation in Germany - our main trading partner.



Contributions to Polish GDP growth

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

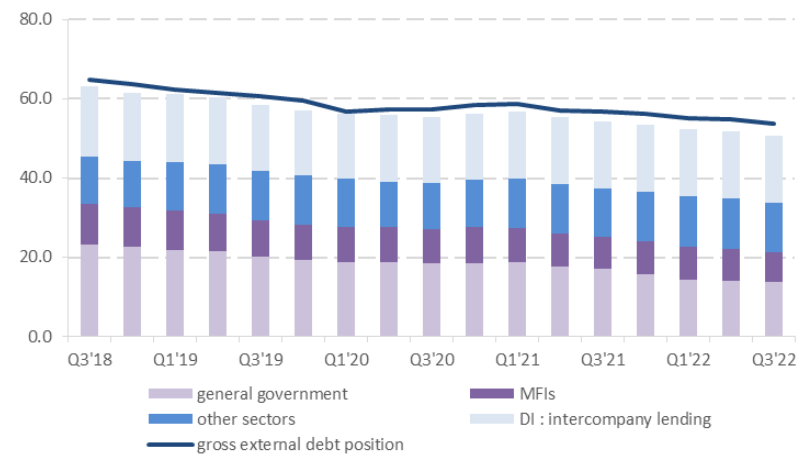
In the third quarter of 2022 GDP was 3.6% (py) higher than a year earlier. Positive contribution of inventories increased slightly to 2.2 percentage points but was clearly lower than at the turn of 2021 and 2022. Annual rate of growth of household consumption and investment amounted to only 0.9% and 2.0% respectively. Weaker dynamics of domestic demand weighted on imports growth and in consequence net exports for the first time in over a year had a positive contribution to GDP growth (0.6 pp).



Polish gross external debt position

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

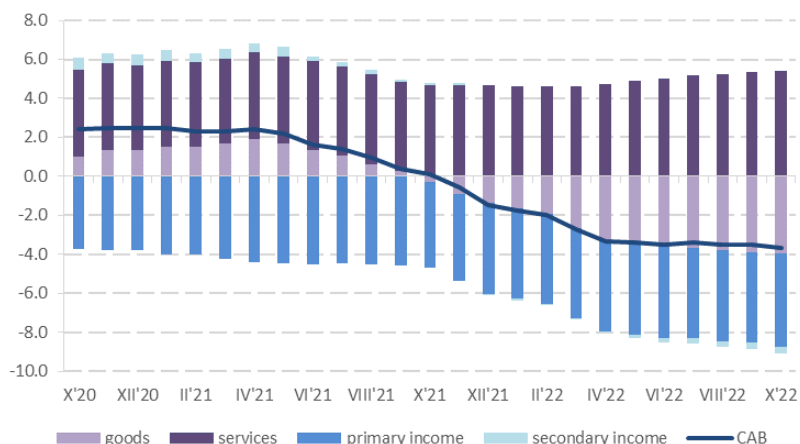
At the end of the third quarter of 2022 gross external debt reached EUR 338.9bn (53.7% of GDP) and was EUR 3.9bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 25.4%. At the end of October 2022 official reserve assets reached EUR 152.5bn 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 October 2022, taking into account new quarterly data, current account deficit increased to 3.7% of GDP (in 12-month terms). However over the past few months a gradual narrowing of the gap between exports and imports dynamics has been observed. Growth of exports was supported among others by increase of external sale in automotive industry. Increase in the volume and price of imported energy commodities (including coal) supported total imports, but its dynamic decelerated to some extent due to a slowdown in imports of supply goods, including iron, steel and plastic. C/A deficit was fully covered by long term capital i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on capital account.

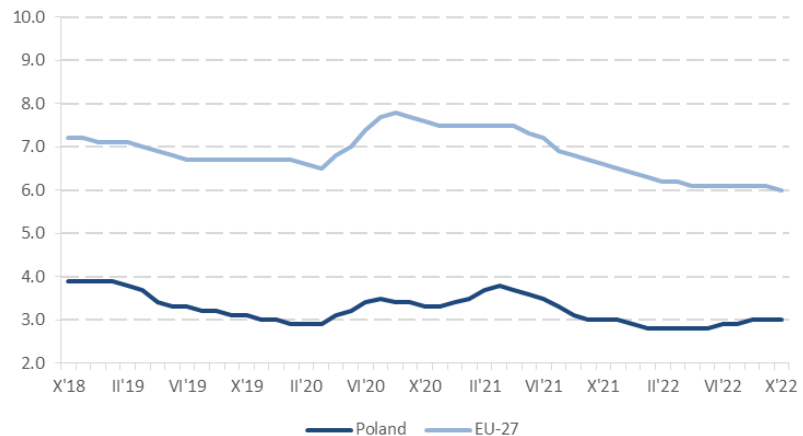


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

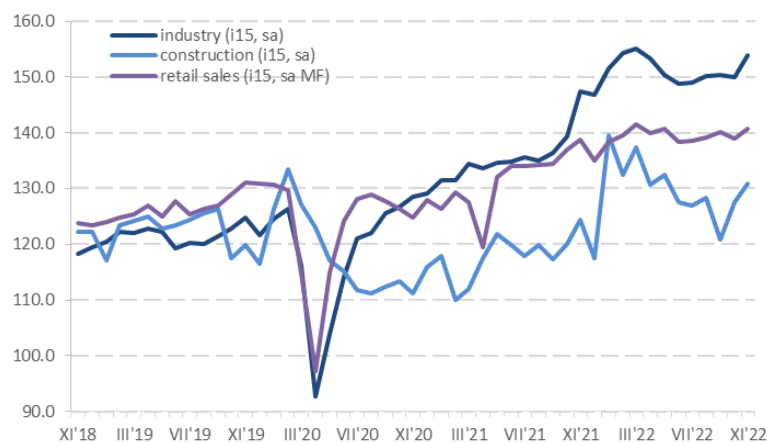
The harmonized unemployment rate (sa) amounted to 3.0% in October 2022 and it was at the same level as in two previous months and as a year earlier. It was only slightly (by 0.2 pp) higher than the historically lowest level recorded in January-May 2022. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the eurozone (6.0% and 6.5%, 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

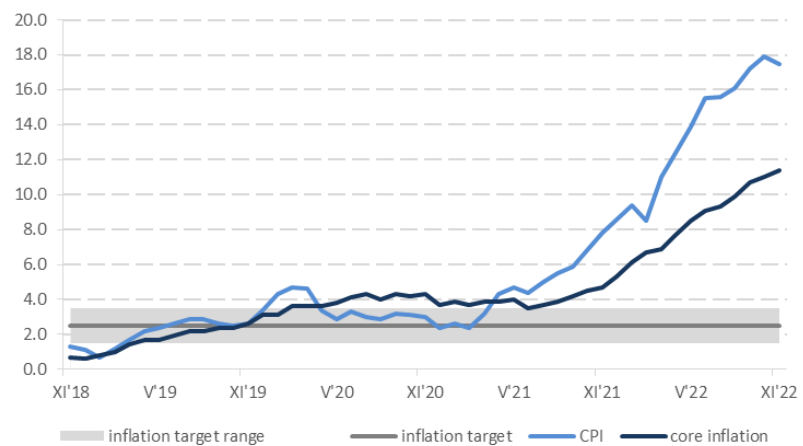
In November 2022 industrial production increased by 2.7% (mom, sa) and was 4.6% higher than a year ago (nsa). Data were above market expectations. Construction production increased by 2.5% (mom, sa). As a result, its level was 4% (nsa) higher than a year ago. Data were much above expectations. Retail sales increased after falling in the previous month (mom, sa MF). The sales level was 1.6% (nsa) higher than in the previous year. Data were above market expectations.



Inflation

percent, yoy
source: GUS, NBP

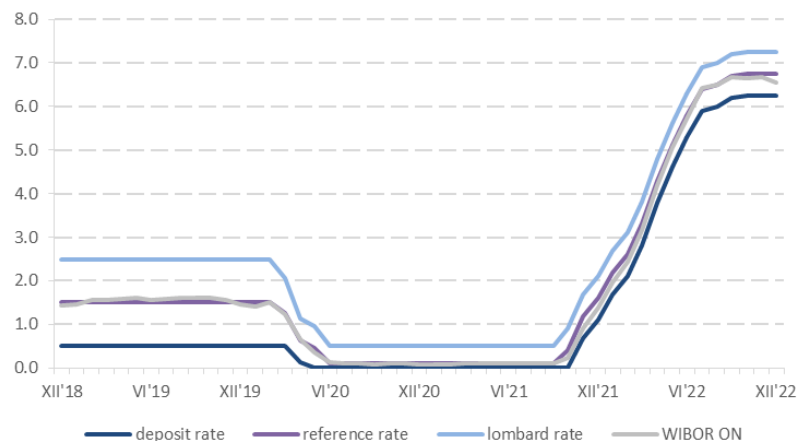
In November 2022, for the first time in 8 months, inflation rate decreased and achieved 17.5% (yoy). Data was lower than market expectations. Annual rate of energy prices fell to 29.2% while annual rate of food prices rose to 22.3% and core inflation (CPI excluding food and energy prices) increased to 11.4%. Producer prices were higher than a year before by 20.8% and this pace was lower by 4.8 pp 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 January 2023, the Monetary Policy Council kept interest rates on hold for the third 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 along with monetary policy tightening by NBP and major central banks will support a decline in inflation towards the NBP inflation target.



II. STATISTICAL DATA

	Unit	2021 Q02	Q03	Q04	2022 Q01	Q02	Q03
GDP							
Gross domestic product	YoY	12,2	6,5	8,5	8,6	5,8	3,6
	QoQ SA	2,2	2,1	1,6	4,3	-2,3	1,0
Final consumption expenditure of the households sector	YoY	13,0	4,9	8,5	6,7	6,4	0,9
	QoQ SA	1,1	2,8	1,4	0,8	0,8	-0,7
Final consumption expenditure of the general government sector	YoY	5,8	4,4	5,6	0,3	0,6	0,1
	QoQ SA	1,2	0,8	0,4	-0,3	0,6	0,5
Gross fixed capital formation	YoY	2,0	4,1	3,8	4,7	6,6	2,0
	QoQ SA	-0,3	4,2	0,6	1,3	1,6	-0,6
Exports of goods and services	YoY	32,0	8,0	6,3	4,2	5,2	6,9
	QoQ SA	1,3	0,4	3,4	-0,5	1,9	1,9
Imports of goods and services	YoY	35,2	13,9	12,8	9,4	6,9	6,0
	QoQ SA	3,2	2,7	3,0	0,4	0,9	1,6
Gross value added	YoY	11,5	6,6	8,5	8,4	5,6	3,3
	QoQ SA	1,9	1,9	1,8	3,0	-1,0	1,1
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	7,3	2,9	4,2	4,0	3,6	0,5
Final consumption expenditure of the general government sector	pp	1,2	0,8	1,2	0,0	0,1	0,0
Gross fixed capital formation	pp	0,3	0,7	0,9	0,6	1,0	0,3
Changes in inventories	pp	2,9	4,5	4,8	6,7	1,8	2,2
Balance of trade turnover	pp	0,5	-2,4	-2,6	-2,7	-0,7	0,6
Gross value added	pp	10,1	5,6	7,5	7,3	4,8	2,8
GDP structure							
Final consumption expenditure of the households sector	% of GDP	56,2	57,0	50,2	59,7	58,5	56,9
Final consumption expenditure of the general government sector	% of GDP	18,4	17,8	20,7	16,9	17,9	17,6
Gross fixed capital formation	% of GDP	15,5	16,8	21,8	12,6	15,6	16,1
Changes in inventories	% of GDP	3,0	5,6	5,8	10,0	4,6	7,5
Exports of goods and services	% of GDP	60,3	56,4	56,4	61,6	65,3	61,8
Imports of goods and services	% of GDP	54,5	54,5	55,7	61,6	62,9	60,9
Balance of payments							
	Unit	2022 M06	M07	M08	M09	M10	M11
Goods: exports (EUR)	YoY	21,5	20,3	27,6	26,5	23,7	-
Goods: imports (EUR)	YoY	27,1	21,8	29,4	30,1	24,6	-
Current account balance ¹⁾	% of GDP	-3,5	-3,4	-3,5	-3,5	-3,7	-
Balance on goods ¹⁾	% of GDP	-3,6	-3,7	-3,8	-3,9	-4,0	-
Official Reserve Assets	EUR m	147 712,0	154 137,5	155 103,0	154 194,6	152 480,2	156 688,7
Inflation							
Consumer Price Index (CPI)	YoY	15,5	15,6	16,1	17,2	17,9	17,5
Core inflation (CPI excluding food and energy prices)	YoY	9,1	9,3	9,9	10,7	11,0	11,4
Producer Price Index (PPI)	YoY	25,6	25,5	25,5	24,6	23,1	20,8
Production							
Sold production of industry ²⁾	YoY	10,4	7,1	10,9	9,8	6,6	4,6
	MoM SA	-0,9	0,1	0,7	0,1	-0,2	2,7
Construction and assembly production ²⁾	YoY	6,0	4,1	5,9	0,2	3,9	4,0
	MoM SA	-3,6	-0,4	1,1	-5,9	5,5	2,5
Manufacturing PMI	SA	44,4	42,1	40,9	43,0	42,0	43,4
Households and labour market							
Retail sales ²⁾	YoY	3,2	2,0	4,2	4,1	0,7	1,6
Average paid employment in enterprise sector	YoY	2,2	2,3	2,4	2,3	2,4	2,3
	MoM	0,1	0,2	-0,1	-0,1	0,1	0,1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	-2,2	0,2	-3,0	-2,3	-4,1	-3,3
	MoM	0,9	2,9	-3,7	0,0	-1,8	1,8
Harmonised unemployment rate (Eurostat)	%, SA	2,9	2,9	3,0	3,0	3,0	
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 M05	M06	M07	M08	M09	M10
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 168 355,0	1 198 783,7	1 192 004,5	1 204 118,0	1 205 904,5	1 209 461,1
Domestic debt	face value, PLN m	910 660,4	935 266,5	919 089,1	929 963,4	923 400,0	936 750,8
	%	77,9	78,0	77,1	77,2	76,6	77,5
Foreign debt	face value, PLN m	257 694,6	263 517,2	272 915,4	274 154,6	282 504,6	272 710,3
	%	22,1	22,0	22,9	22,8	23,4	22,5
Public debt (domestic definition)							
	Unit	2021 Q02	Q03	Q04	2022 Q01	Q02	Q03
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 152 289,1	1 160 738,2	1 148 579,0	1 137 020,3	1 175 338,1	1 181 198,9
Domestic debt	face value, PLN m	855 430,0	858 651,6	859 054,7	860 547,2	887 990,5	875 283,3
	%	74,2	74,0	74,8	75,7	75,6	74,1
Foreign debt	face value, PLN m	296 859,0	302 086,6	289 524,2	276 473,1	287 347,6	305 915,5
	%	25,8	26,0	25,2	24,3	24,4	25,9
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 402 163,1	1 418 823,4	1 410 499,5	1 415 681,9	1 453 473,1	1 479 293,1

Source: MoF

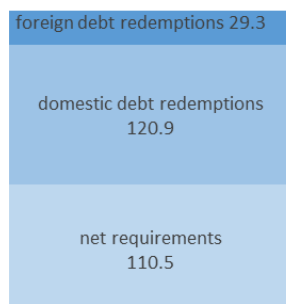
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2023

as of December 31, 2022, PLN bn

Prefinancing of the 2023 State budget borrowing requirements reached the level of ca. 44% (the final level will be known following the closure of the budget year 2022).

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



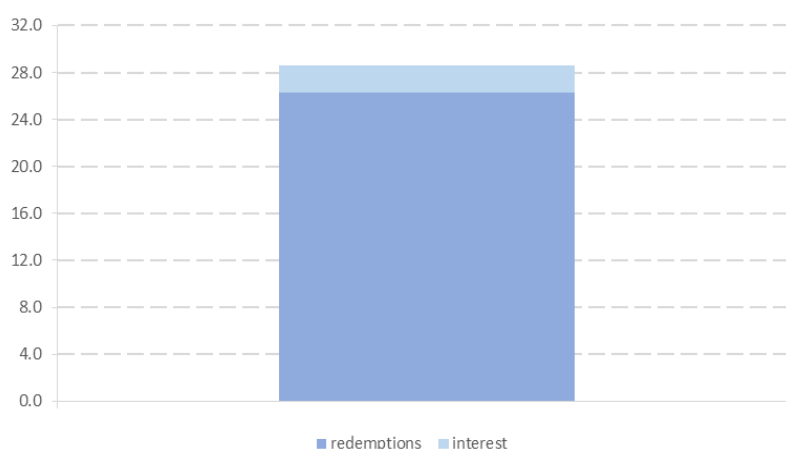
Financing of the borrowing requirements at the level of ca. 44%

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

as of December 31, 2022, PLN bn

Value of the funds transferred from the State budget to the market in January shall amount to PLN 28.6bn, of which:

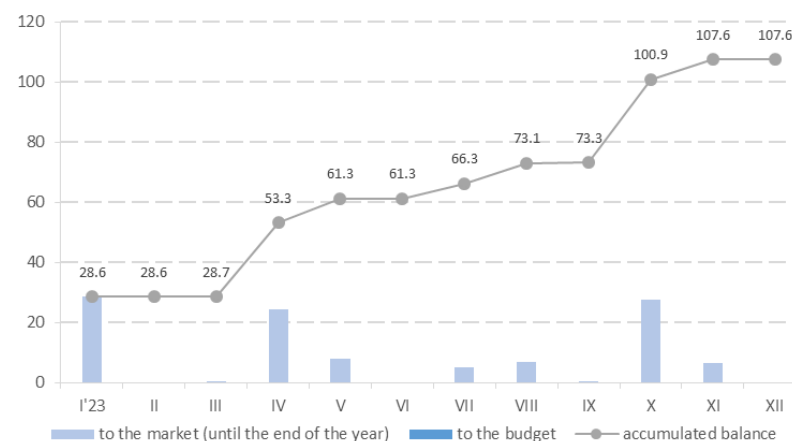
- TS redemptions: PLN 26.3bn,
- interest payments: PLN 2.3bn.



Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

As of December 31 2022, to the end of the 2023 the funds to be transferred to the market shall amount to PLN 107.6bn



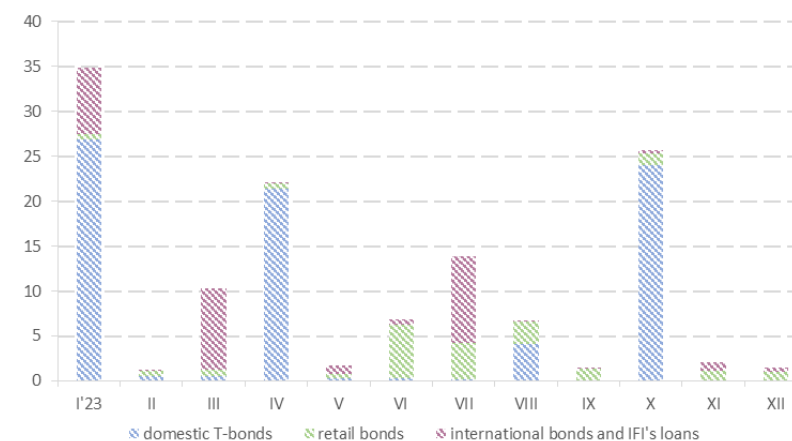
* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.

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 December 31, 2022), is equal to PLN 128.3bn, including:

- T-bonds: PLN 78.1bn,
- T-retail bonds: PLN 20.5bn,
- bonds and loans incurred on foreign markets: PLN 29.6bn.

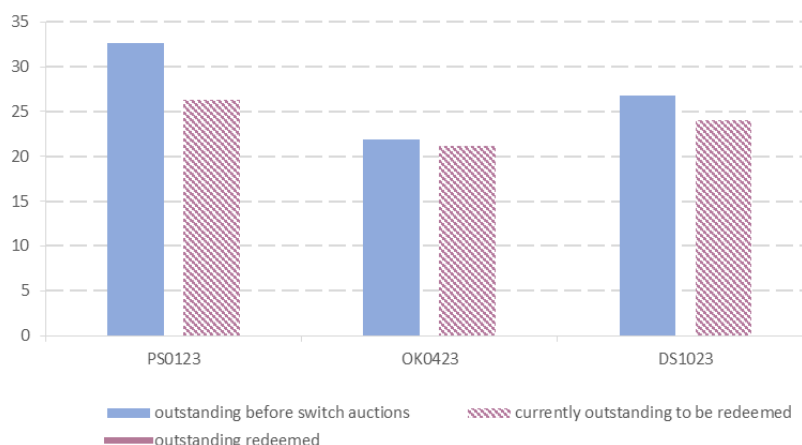


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2023

as of December 31, 2022, nominal amount, PLN bn

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

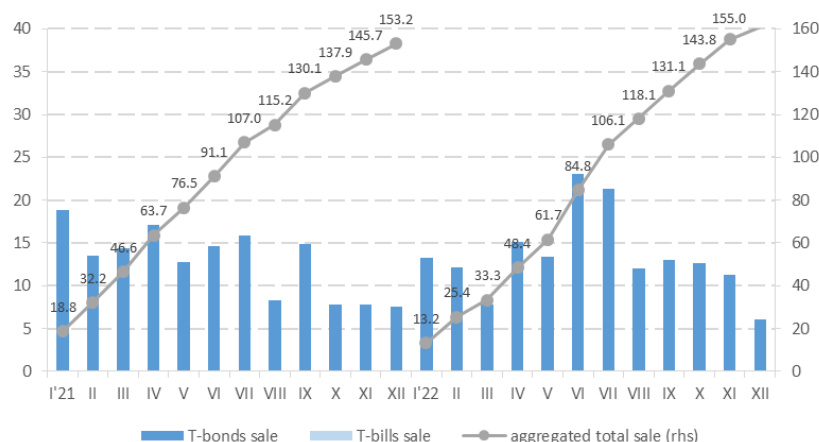
- PS0123: PLN 6.4bn (20% of the issuance),
- OK0423: PLN 0.7bn (3% of the issuance),
- DS1023: PLN 2.8bn (10% of the issuance).



Sale of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-XII 2022 aggregated total sale of T-bonds amounted to PLN 161.3bn versus PLN 153.2bn in the same period of 2021.



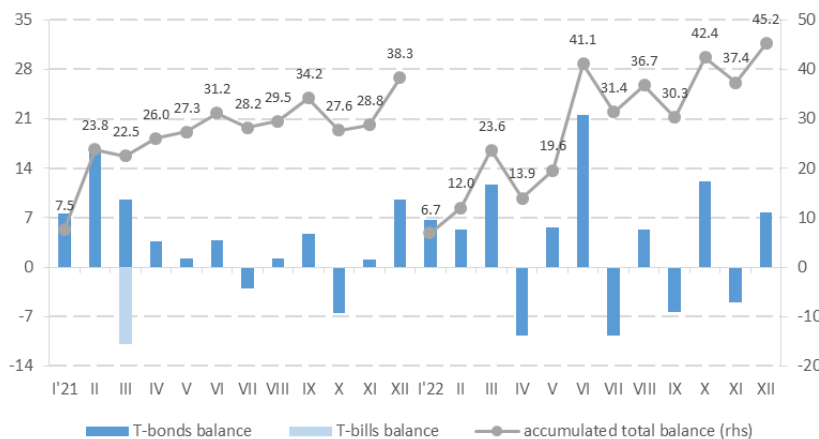
Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-XII 2022 indebtedness in:

- T-bonds increased by PLN 45.3bn versus increase of PLN 49.2bn in the same period of 2021,
- T-bills remained the same versus decrease of PLN 10.9bn in the same period of 2021.

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

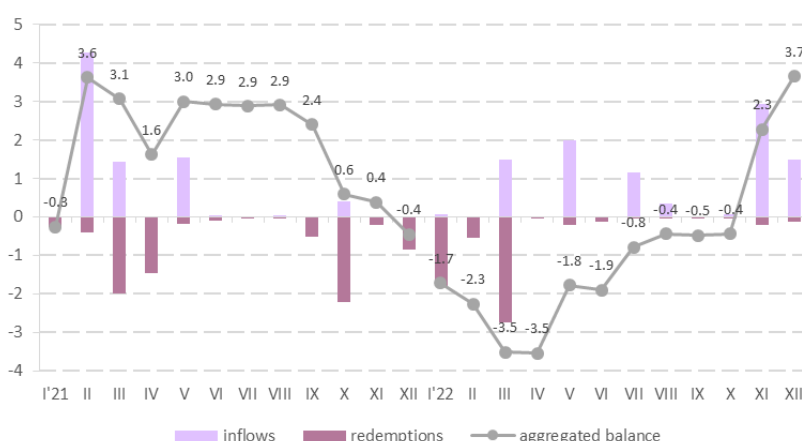


External financing in 2021 and 2022

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

Net financing on foreign markets in the period of I-XII 2022 was positive and amounted to EUR 3.7bn, which resulted from:

- positive balance of T-bonds issuance of EUR 0.2bn,
- positive balance of loans incurred from IFIs at the level of EUR 0.5bn,
- positive balance of instrument SURE of EUR 3.0bn.

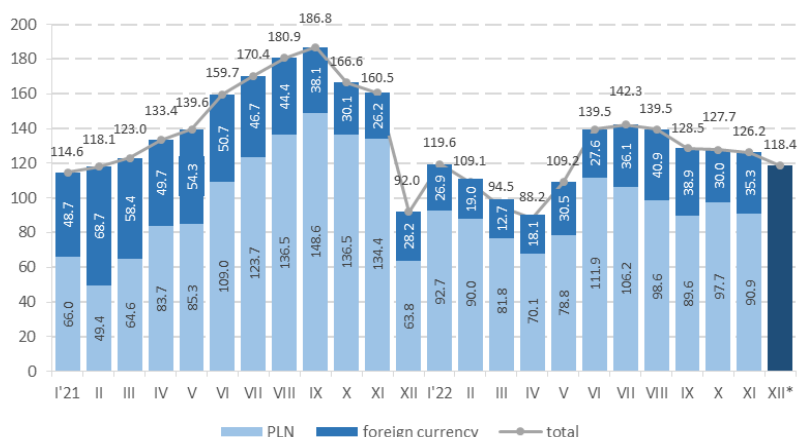


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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 December 2022 there was the equivalent of PLN 118.4bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

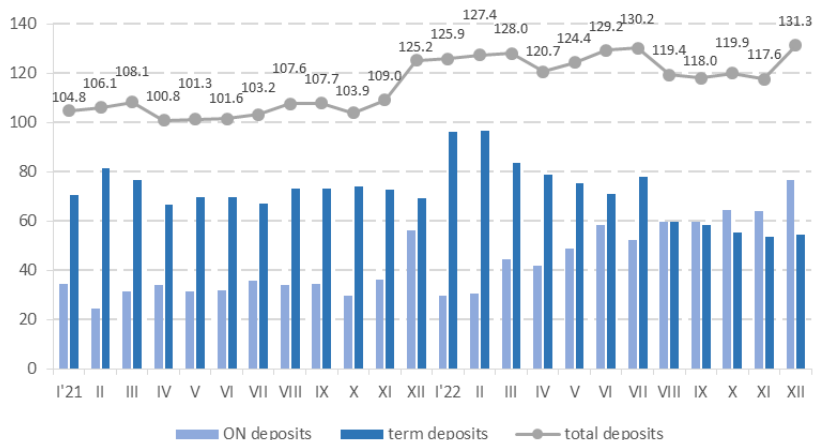


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

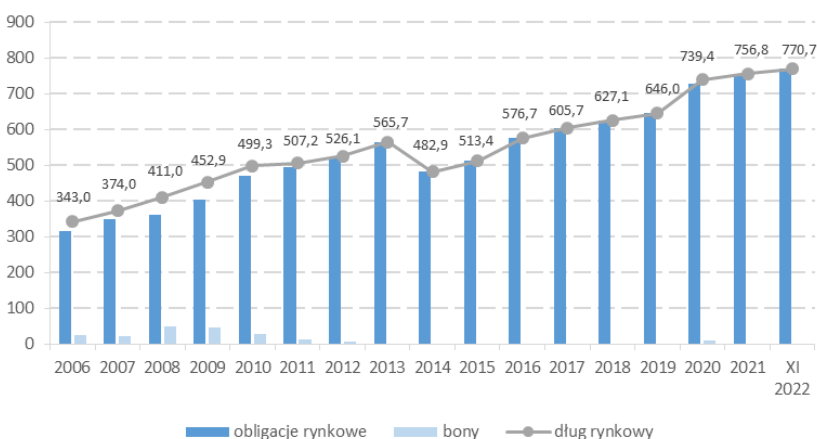
As a result of consolidation of public finances liquidity management there were PLN 131.3bn funds accumulated at the end of December 2022, of which PLN 54.6bn was as term deposits and PLN 76.7bn on ON deposits.



Structure of domestic marketable debt

PLN bn

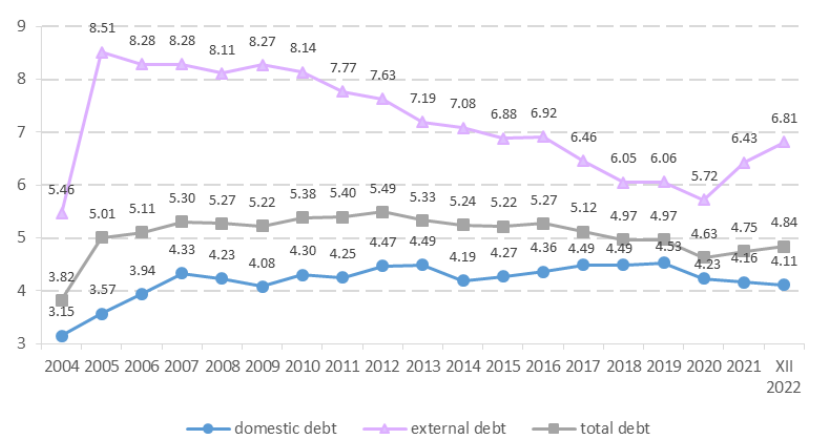
At the end of November 2022 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 770.7bn comparing to PLN 756.8bn at the end of 2021.



Average maturity

years

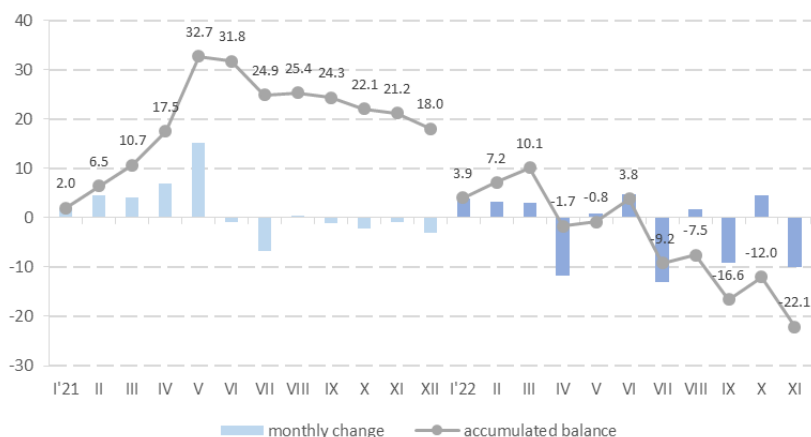
At the end of December 2022 the average maturity of domestic debt amounted to 4.11 years (while at the end of 2021 it was 4.16 years). The average of total debt amounted to 4.84 years (4.75 years at the end of 2021).



Change of debt in the domestic TS held by banks

PLN bn

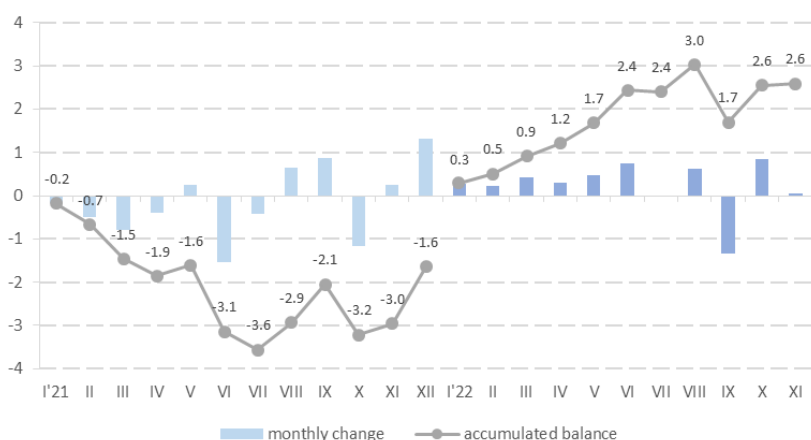
In the period of I-XI 2022 there was a decrease of debt by PLN 22.1bn comparing to PLN 21.2bn increase during the same period of 2021. Banks' holdings reached the level of PLN 426.4bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

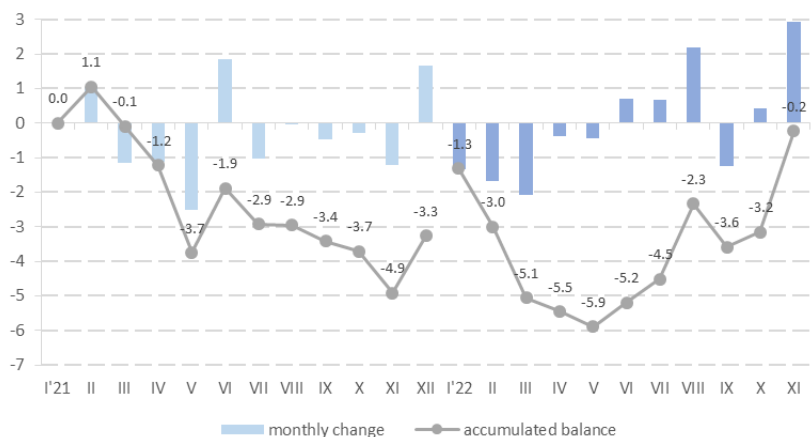
In the period of I-XI 2022 there was an increase of debt by PLN 2.6bn comparing to PLN 3.0bn decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 58.3bn.



Change of debt in the domestic TS held by investment funds

PLN bn

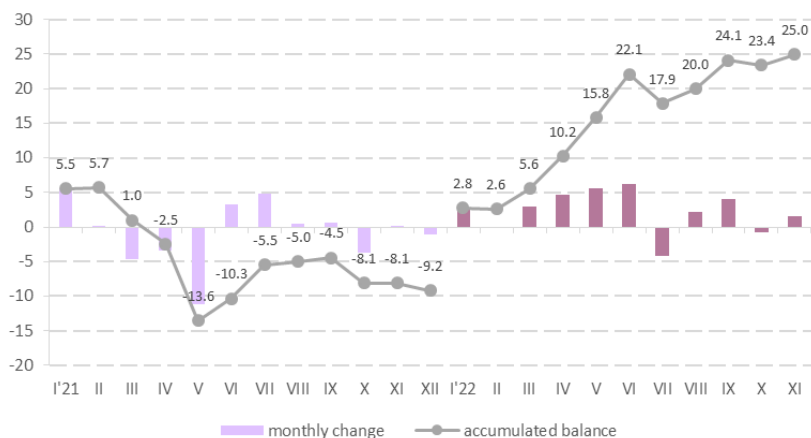
In the period of I-XI 2022 there was a decrease of debt by PLN 0.2bn comparing to PLN 4.9bn decrease during the same period of 2021. Investment funds' holdings reached the level of PLN 45.1bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-XI 2022 there was an increase of debt by PLN 25.0bn comparing to PLN 8.1bn decrease during the same period of 2021. Foreign investors' holdings reached the level of PLN 149.5bn.

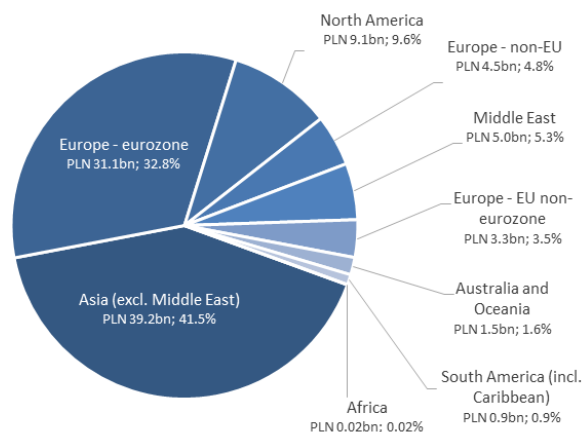


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of the domestic TS held by non-residents

as of November 30, 2022, the chart presents data excluding omnibus accounts

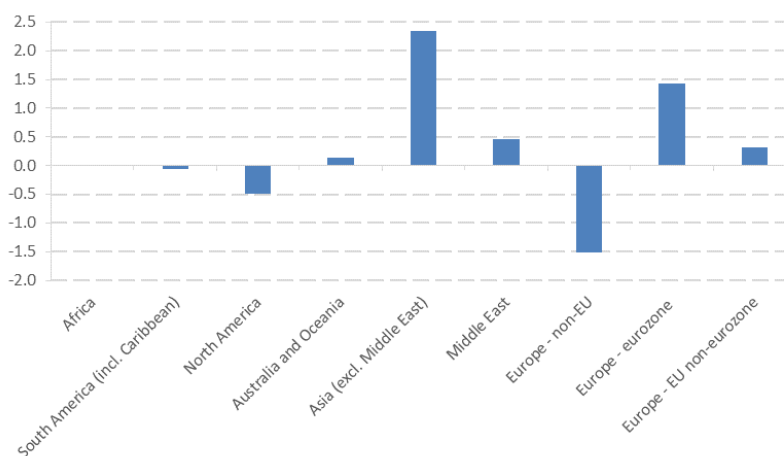
The non-residents' share in the domestic Treasury securities market increased by PLN 1.6bn in November 2022. The foreign investors' portfolio amounted to PLN 149.5bn, which constituted 17.4% share in total debt in TS (17.1% in the previous month).



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

change in November 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

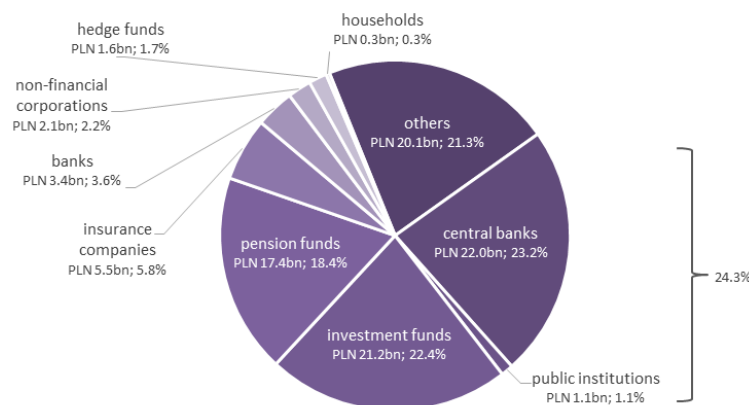
In November 2022 the highest increase was recorded by Asia (excl. Middle East) — PLN 2.3bn, while the highest decrease was noted by investors from Europe — non-EU (PLN 1.5bn).



Institutional distribution of the domestic TS held by non-residents

as of November 30, 2022, the chart presents data excluding omnibus accounts

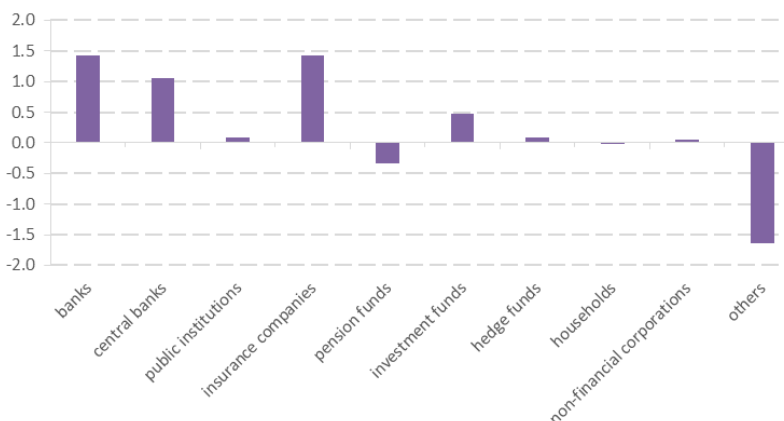
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 24.3% at the end November 2022.



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

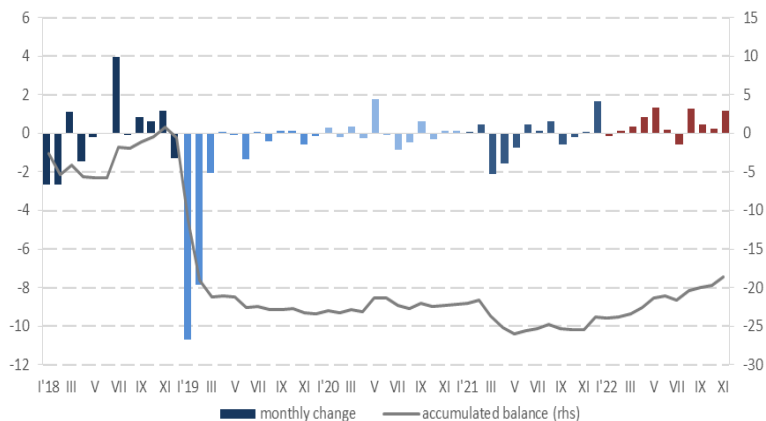
change in November 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

In November 2022 the highest increase was recorded by banks and insurance companies (PLN 1.4bn for both) while the highest decrease was noted by investors classified as others (PLN 1.6bn).



Change of debt in domestic TS held by central banks and public institutions*change in November 2022, PLN bn*

Central banks and public institutions' involvement increased by PLN 1.2bn in November 2022. In the period from the end of January 2018 to the end of November 2022 portfolios of those entities decreased by PLN 18.6bn.

**Structure of non-residents' holdings in TS by countries**

as of November 30, 2022, 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	17 305.0	23.8%
Luxembourg	10 785.4	14.8%
United States	8 017.5	11.0%
Netherlands	7 468.8	10.3%
Ireland	6 468.5	8.9%
Germany	4 178.5	5.8%
United Kingdom	2 786.4	3.8%
Denmark	1 597.3	2.2%
Switzerland	1 525.4	2.1%
United Arab Emirates	1 482.8	2.0%
Australia	1 363.5	1.9%
France	1 319.7	1.8%
Canada	1 041.4	1.4%
Singapore	884.8	1.2%
Korea (the Republic of)	780.2	1.1%
Kuwait	780.0	1.1%
Bulgaria	771.3	1.1%
Taiwan	746.6	1.0%
Czech Republic	741.6	1.0%
Others	2 617.1	3.6%
Total	72 662.0	100.0%

Comment**Sebastian Skuza, Secretary of State, MoF***31-12-2022**(...)*

In January we plan to hold one T-bond switching auction and one T-bond sale auction. No T-bill auctions are planned. In the first quarter we plan to organize 3 or 4 sale auctions and 2 or 3 switching auctions.

In November indebtedness in domestic Treasury securities decreased by PLN 5.0bn. The indebtedness towards domestic non-banking sector increased by PLN 3.5bn and towards foreign investors by PLN 1.6bn, while involvement of domestic banks decreased by PLN 10.0bn.

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 the budget situation,
- the announced plan may be modified subject to the market situation.

Offer of T-bonds on the domestic market

- **sale auctions:**
between three and four 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 two and three 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 up to EUR 0.5 bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN JANUARY 2023

T-bond sale auction

Auction date	Settlement date	Series	Planned supply (PLN mln)
23-Jan-2023	25-Jan-2023	OK1025 / WZ1127 / PS0728 / WZ0533 / DS1033 / possible other T-bonds of WS type	4,000-9,000

T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
11-Jan-2023 / 13-Jan-2023	OK0724 / PS0527 / WZ1127 / DS0432 / WZ0533 / possible other T-bond of WS type	PS0123	26,285
		OK0423	21,122
		DS1023	23,987

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0423 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0124 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.75% in the first coupon period
DOR0125 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.10%); 6.85% in the first coupon period
TOS0126 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.85%
COI0127 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 7.00% in the first coupon period
EDO0133 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.25% in the first coupon period
ROS0129 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 7.20% in the first coupon period
ROD0135 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.50% in the first coupon period