



State budget borrowing requirements' financing plan and its background

4th quarter 2023

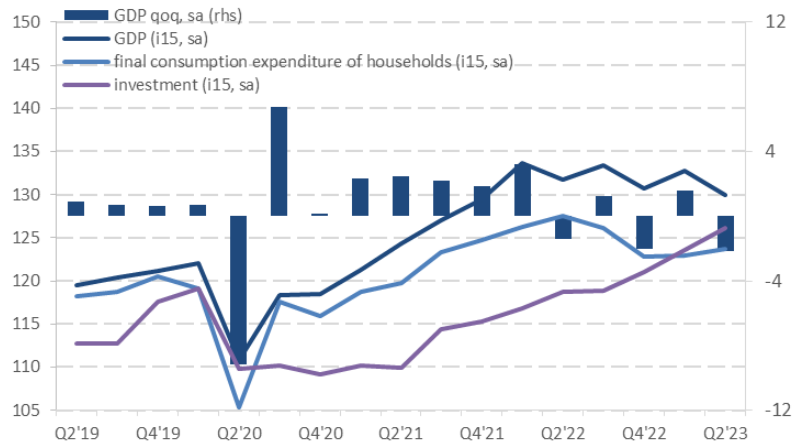
October 2023

THE MOST IMPORTANT INFORMATION

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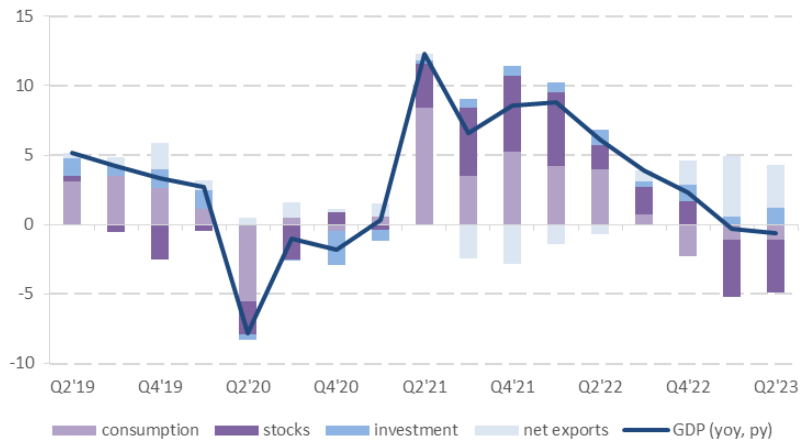
Gross domestic product of Poland
constant prices, seasonally adjusted data (sa)
source: GUS, Eurostat

In the second quarter of 2023 GDP decreased by 2.2% (qoq, sa) after a 1.6% increase in the previous quarter. Household consumption increased slightly for the second time in a row (qoq, sa), but its level was still lower than a year ago. Consumer demand was negatively affected by high inflation and higher nominal NBP rates. Investments on the other hand proved to be resistant to unfavourable macroeconomic conditions (uncertainty, higher nominal interest rates) and again surprised on the upside in the second quarter of 2023.



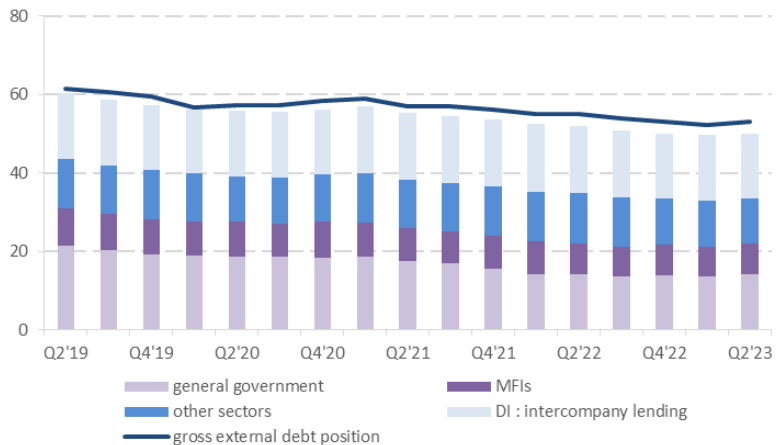
Contributions to Polish GDP growth
average prices of the previous year (py), yoy
source: GUS, MoF own calculation

In the second quarter of 2023 GDP was 0.6% (py) lower than a year earlier. Household consumption was 2.7% lower than in the second quarter of 2022 while investment 7.9% higher. Contribution of inventories was strongly negative (-3.8 pp). Weaker dynamics of domestic demand resulted in lower imports growth and in consequence net exports positive contribution to GDP growth amounted to 3.1 pp.



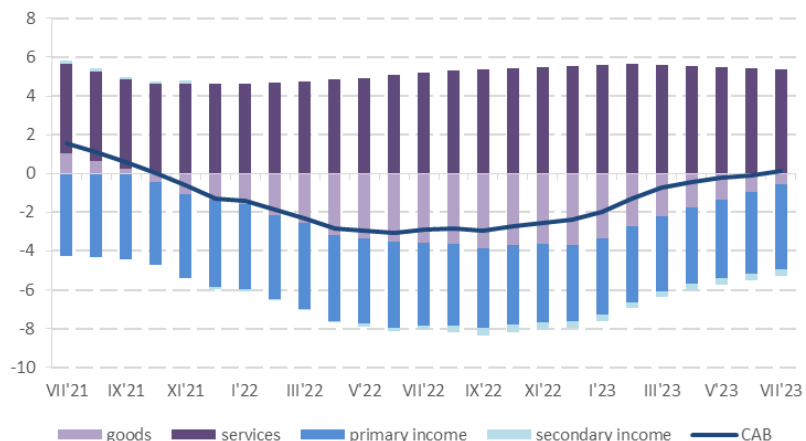
Polish gross external debt position
percent of GDP
source: NBP, GUS, MoF own calculation

At the end of the second quarter of 2023 gross external debt reached EUR 371.0bn (53.1% of GDP) and was EUR 16.8bn 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 July 2023 official reserve assets reached EUR 164.8bn 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 July 2023, taking into account new quarterly data, Poland's C/A balance was positive and amounted to 0.1% of GDP (in 12-month terms). Goods balance recorded seventh monthly surplus in a row, mainly due to weak imports dynamics. In July five out of six main imports categories, recorded a decline compared to the previous year, especially fuels and intermediate goods. The trade in goods balance was also favourably influenced by improvement in terms of trade accompanied by a decline in transaction prices.

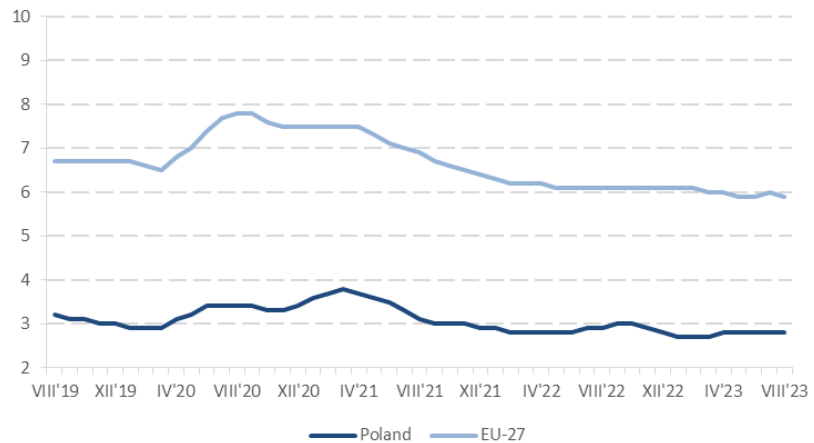


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

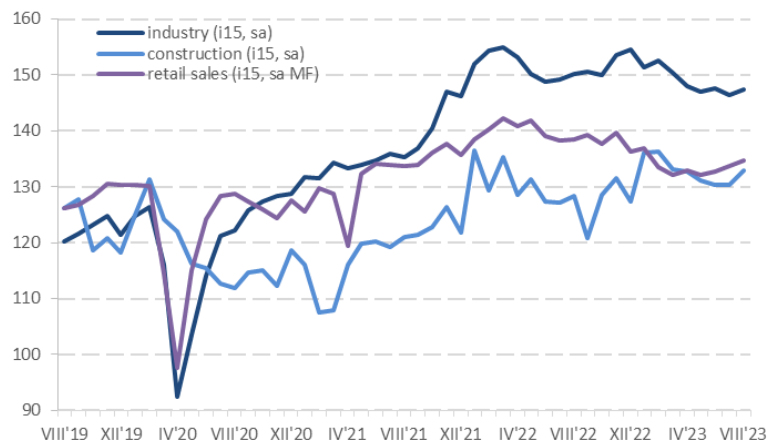
The harmonized unemployment rate (sa) amounted to 2.8% in August 2023 and it was at the same level as in four previous months and by 0.1 pp. lower than a year earlier. It was by 0.1 pp. higher than the historically lowest level recorded in January-March 2023. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (5.9% and 6.4%, respectively). In August 2023, among the EU countries, only in Malta and 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

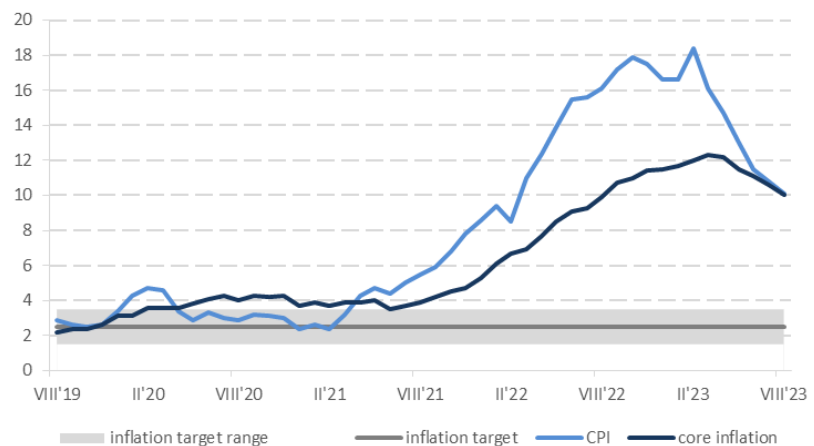
In August 2023 industrial production increased by 0.6% (mom, sa) and was 2.0% lower than a year ago (nsa). Data were slightly below market expectations. Construction production increased by 2% (mom, sa). Its production level was by 3.5% (nsa) higher than a year ago. The data was above market expectations. Retail sales increased the third time in a row (mom, sa MoF). The sales level were by 2.7% (nsa) lower than a year ago. The data was above market expectations.



Inflation

percent, yoy
source: GUS, NBP

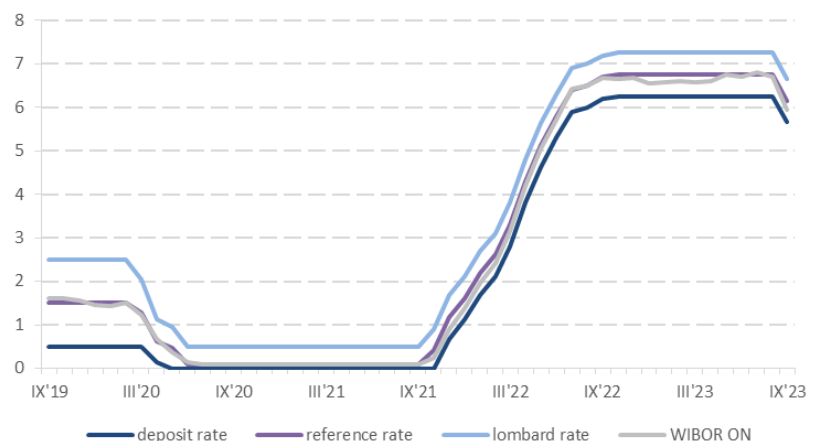
In August 2023, just like in previous months, inflation rate decreased significantly and achieved 10.1% (yoy). Fall in inflation rate was mainly caused by the statistical effect of significant price increase a year before. Annual rate of food prices were higher by 12.7% (yoy), energy by 6.8% and core inflation diminished to 10.0%. In September according to preliminary data inflation achieved one-digit level and decreased to 8.2% (i.e. below market expectations). In August producer prices were lower than a year before by 2.8% and in the last six months this pace lowered by 21 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 September 2023, the Monetary Policy Council cut NBP's interest rates by 0.75 pp. Reference rate was reduced to 6.00%, lombard rate to 6.50%, while the deposit rate was set at 5.50%. The cut came after July's decision to end rate-hike cycle and followed eleven months of keeping interest rates on hold. The scale of the monetary policy easing surpassed market expectations. Council's decision to cut interest rates was based on its assessment that recently incoming data pointed to a weaker demand pressure than previously expected, which would contribute to a faster return of inflation to the NBP inflation target.



II. STATISTICAL DATA

	Unit	2022 Q01	Q02	Q03	Q04	2023 Q01	Q02
GDP							
Gross domestic product	YoY	8.8	6.1	3.9	2.3	-0.3	-0.6
	QoQ SA	3.2	-1.4	1.2	-2.0	1.6	-2.2
Final consumption expenditure of the households sector	YoY	6.8	6.7	1.1	-1.1	-2.0	-2.7
	QoQ SA	1.3	1.0	-1.1	-2.7	0.2	0.6
Final consumption expenditure of the general government sector	YoY	1.0	1.3	0.4	-8.7	-0.5	2.6
	QoQ SA	0.4	0.2	0.0	-11.4	13.8	1.0
Gross fixed capital formation	YoY	5.4	7.1	2.5	5.4	5.5	7.9
	QoQ SA	1.3	1.5	0.1	1.9	2.1	2.0
Exports of goods and services	YoY	5.6	6.4	9.0	3.9	3.2	-2.7
	QoQ SA	0.6	2.8	1.4	-0.5	-0.7	-2.9
Imports of goods and services	YoY	8.7	8.2	7.7	0.7	-4.6	-8.1
	QoQ SA	0.7	1.9	0.9	-2.5	-4.3	-2.1
Gross value added	YoY	8.6	5.9	3.6	2.7	0.7	0.5
	QoQ SA	3.4	-1.0	1.0	-3.0	4.2	-2.6
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	4.0	3.8	0.6	-0.5	-1.0	-1.5
Final consumption expenditure of the general government sector	pp	0.2	0.2	0.1	-1.8	-0.1	0.4
Gross fixed capital formation	pp	0.7	1.1	0.4	1.2	0.6	1.2
Changes in inventories	pp	5.3	1.7	2.0	1.7	-4.1	-3.8
Balance of trade turnover	pp	-1.4	-0.7	0.8	1.7	4.3	3.1
Gross value added	pp	7.5	5.1	3.1	2.3	0.5	0.4
GDP structure							
Final consumption expenditure of the households sector	% of GDP	59.6	58.7	56.9	49.8	59.1	57.4
Final consumption expenditure of the general government sector	% of GDP	17.0	18.1	17.6	18.7	16.9	18.4
Gross fixed capital formation	% of GDP	12.5	15.5	16.0	21.6	12.7	16.2
Changes in inventories	% of GDP	9.0	4.6	7.5	7.6	3.8	0.4
Exports of goods and services	% of GDP	61.9	65.7	62.5	59.2	62.7	59.9
Imports of goods and services	% of GDP	60.9	63.5	61.3	57.7	56.0	53.1
Balance of payments							
	Unit	2023 M03	M04	M05	M06	M07	M08
Goods: exports (EUR)	YoY	16.1	1.5	3.8	3.5	0.6	-
Goods: imports (EUR)	YoY	3.3	-9.8	-5.3	-6.0	-9.7	-
Current account balance ¹⁾	% of GDP	-0.7	-0.5	-0.2	-0.1	0.1	-
Balance on goods ¹⁾	% of GDP	-2.2	-1.7	-1.3	-1.0	-0.6	-
Official Reserve Assets	EUR m	156 438.4	162 022.5	165 176.1	166 802.8	164 831.2	167 524.8
Inflation							
Consumer Price Index (CPI)	YoY	16.1	14.7	13.0	11.5	10.8	10.1
Core inflation (CPI excluding food and energy prices)	YoY	12.3	12.2	11.5	11.1	10.6	10.0
Producer Price Index (PPI)	YoY	10.3	6.2	2.8	0.3	-2.1	-2.8
Production							
Sold production of industry ²⁾	YoY	-3.0	-6.0	-2.8	-1.1	-2.3	-2.0
	MoM SA	-1.4	-1.5	-0.7	0.4	-0.7	0.6
Construction and assembly production ²⁾	YoY	-1.6	1.1	-0.6	1.6	1.1	3.5
	MoM SA	-2.2	-0.3	-1.3	-0.6	0.0	2.0
Manufacturing PMI	SA	48.3	46.6	47.0	45.1	43.5	43.1
Households and labour market							
Retail sales ²⁾	YoY	-7.3	-7.3	-6.8	-4.7	-4.0	-2.7
Average paid employment in enterprise sector	YoY	0.5	0.4	0.4	0.2	0.1	0.0
	MoM	-0.1	0.1	-0.1	-0.1	0.0	-0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	-3.0	-2.2	-0.7	0.4	-0.3	1.7
	MoM	5.1	-1.7	-3.4	2.1	2.2	-1.6
Harmonised unemployment rate (Eurostat)	%, SA	2.7	2.8	2.8	2.8	2.8	2.8
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	2023 M02	M03	M04	M05	M06	M07
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 234 332.8	1 240 853.6	1 256 204.8	1 266 579.5	1 277 476.1	1 271 360.0
Domestic debt	face value, PLN m	934 826.4	953 234.2	953 625.1	966 523.6	984 906.5	991 051.8
	%	75.7	76.8	75.9	76.3	77.1	78.0
Foreign debt	face value, PLN m	299 506.4	287 619.4	302 579.7	300 055.8	292 569.7	280 308.3
	%	24.3	23.2	24.1	23.7	22.9	22.0
Public debt (domestic definition)							
	Unit	2022 Q01	Q02	Q03	Q04	2023 Q01	Q02
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 137 020.3	1 175 336.9	1 181 504.9	1 209 495.8	1 209 849.6	1 241 597.5
Domestic debt	face value, PLN m	860 547.2	887 989.3	875 322.0	896 573.3	898 170.0	925 367.4
	%	75.7	75.6	74.1	74.1	74.2	74.5
Foreign debt	face value, PLN m	276 473.1	287 347.6	306 182.9	312 922.5	311 679.6	316 230.1
	%	24.3	24.4	25.9	25.9	25.8	25.5
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 415 681.9	1 453 467.9	1 479 605.1	1 512 153.6	1 531 831.6	1 581 164.3

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2023

as of September 30, 2023, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 98% (acc. to the amended Budget Act) was a result of:

- T-bond sale on domestic market: PLN 118.4bn,
- switch auctions in 2023: PLN 10.9bn,
- T-bond sale on foreign markets: PLN 37.9bn,
- loans incurred from IFIs: PLN 1.0bn,
- switch auctions in 2022: PLN 9.8bn,
- and higher financial resources at the end of 2022: PLN 106.2bn.

Outflows of funds related to domestic marketable T-securities transfers in October

plan as of September 30, 2023

Value of funds transferred from the State budget to the market in October shall amount to PLN 22.5bn, of which:

- TS redemptions: PLN 17.7bn,
- interest payments: PLN 4.8bn.

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

As of September 30, 2023, to the end of the 2023 the funds to be transferred to the market shall amount to PLN 30.0bn.

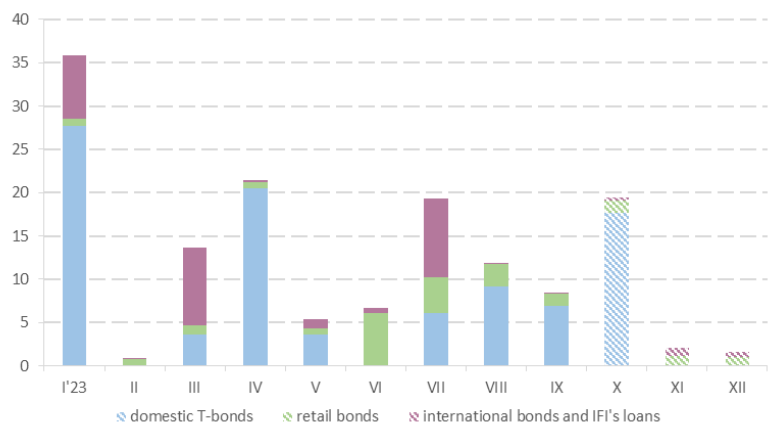
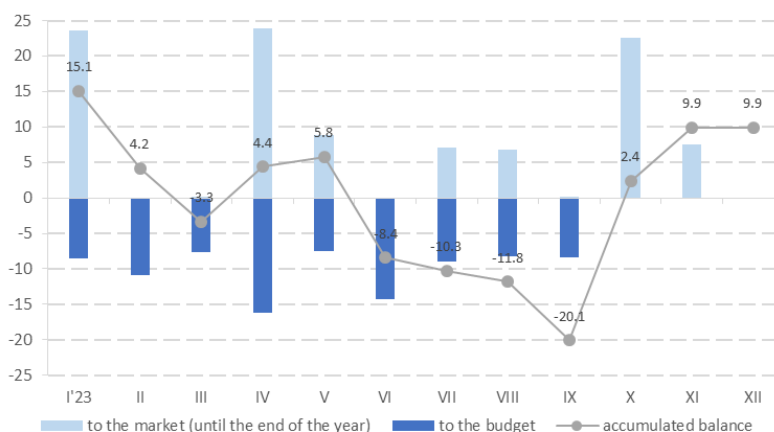
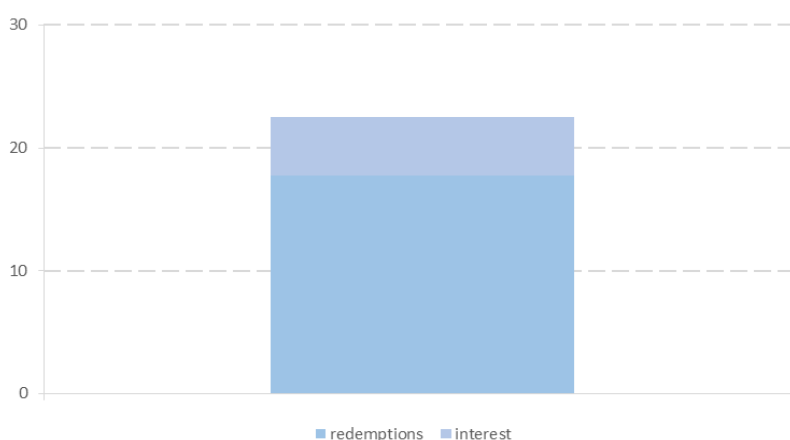
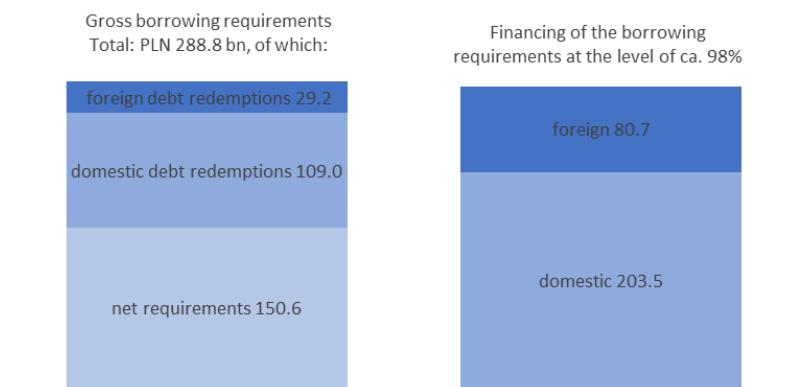
*figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.

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 September 30, 2023), is equal to PLN 23.1bn, including:

- T-bonds: PLN 17.7bn,
- T-retail bonds: PLN 3.5bn,
- bonds and loans incurred on foreign markets: PLN 1.8bn.

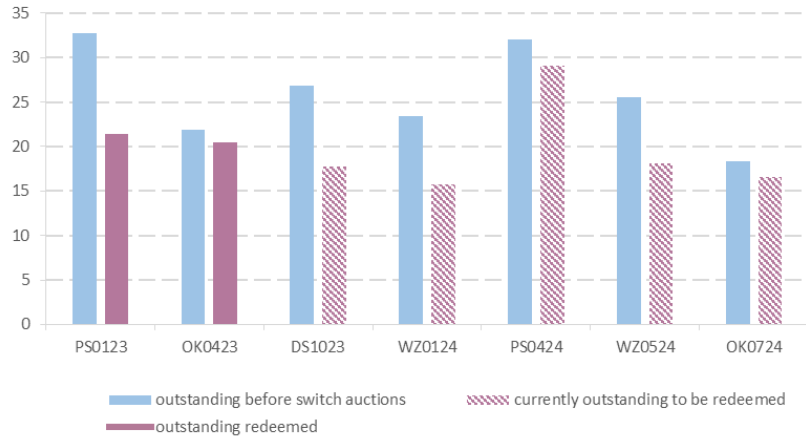


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2023 and 2024

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

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

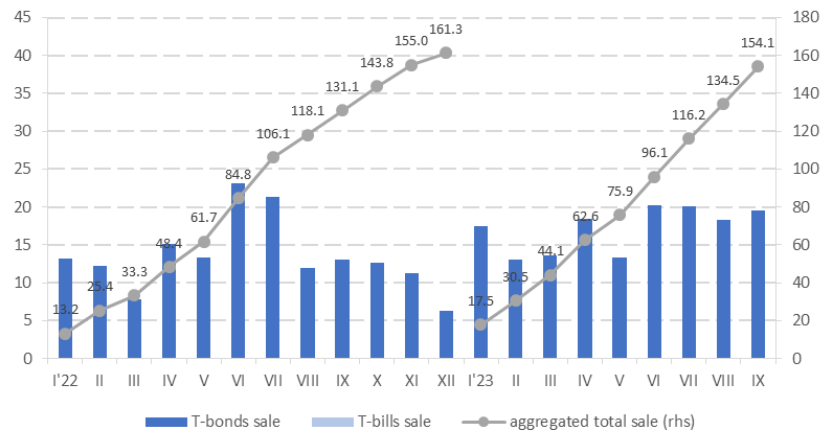
- PS0123: PLN 11.3bn (35% of the issuance),
- OK0423: PLN 1.4bn (6% of the issuance),
- DS1023: PLN 9.1bn (34% of the issuance),
- WZ0124: PLN 7.7bn (33% of the issuance),
- PS0424: PLN 3.0bn (9% of the issuance),
- WZ0524: PLN 7.5bn (29% of the issuance),
- OK0724: PLN 1.9bn (10% of the issuance).



Sale of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-IX 2023 aggregated total sale of T-bonds amounted to PLN 154.1bn versus PLN 131.1bn in the same period of 2022. T-bills were not sold.



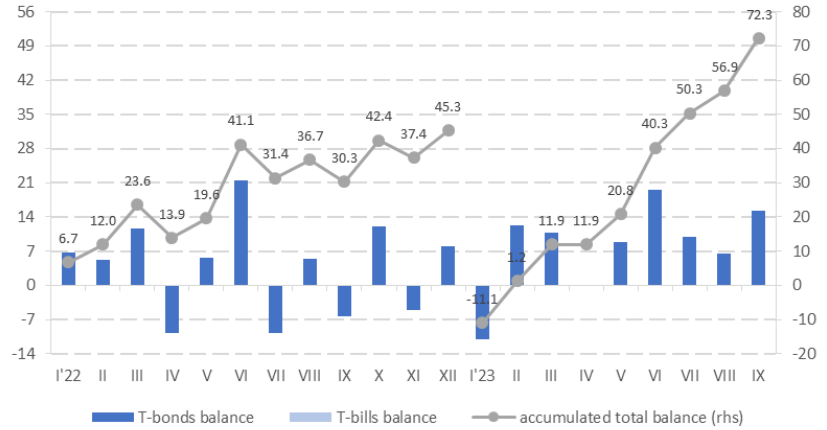
Balance of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In the period of I-IX 2023 indebtedness in:

- T-bonds increased by PLN 72.3bn versus increase of PLN 30.3bn 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.

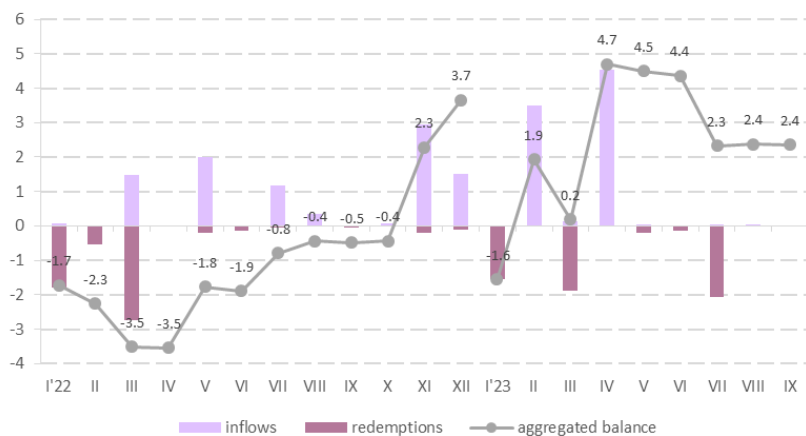


External financing in 2022 and 2023

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

Net financing on foreign markets in the period of I-IX 2023 was positive and amounted to EUR 2.4bn, which resulted from:

- positive balance of T-bonds issuance of EUR 2.7bn,
- negative balance of loans incurred from IFIs at the level of EUR 0.3bn.

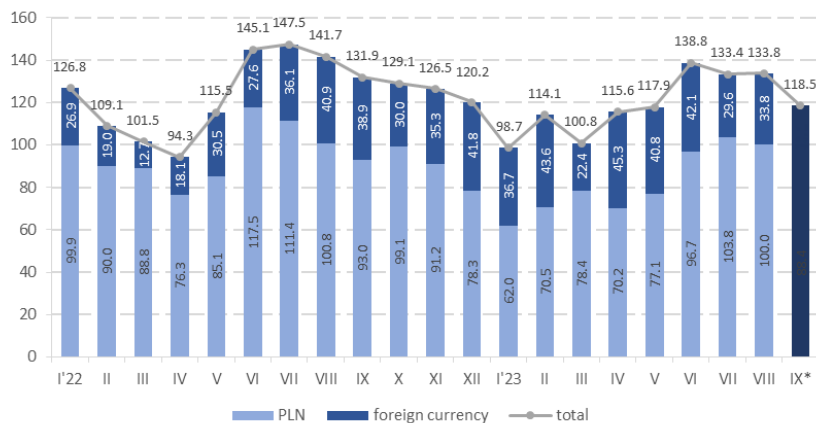


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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 September 2023 there was the equivalent of PLN 118.5bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

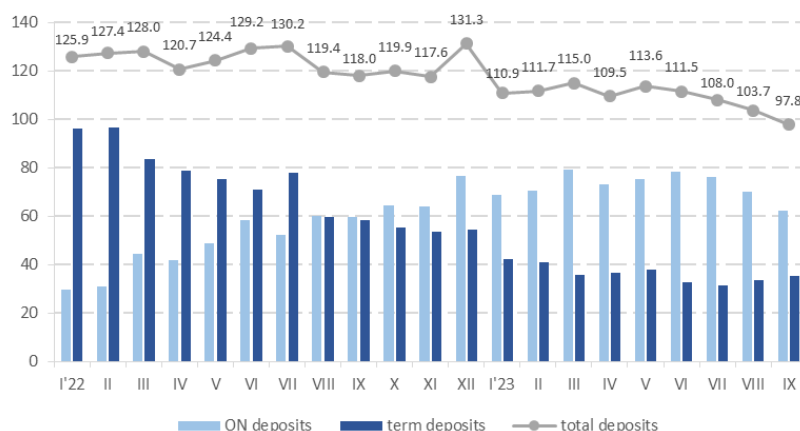


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

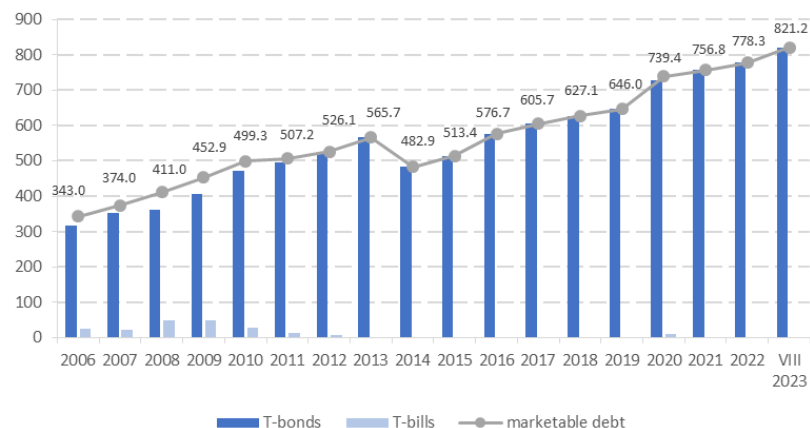
At the end of September 2023 funds accumulated within the consolidation of public finances liquidity management amounted to PLN 97.8bn, of which PLN 35.3bn was as term deposits and PLN 62.5bn on ON deposits.



Structure of domestic marketable debt

PLN bn

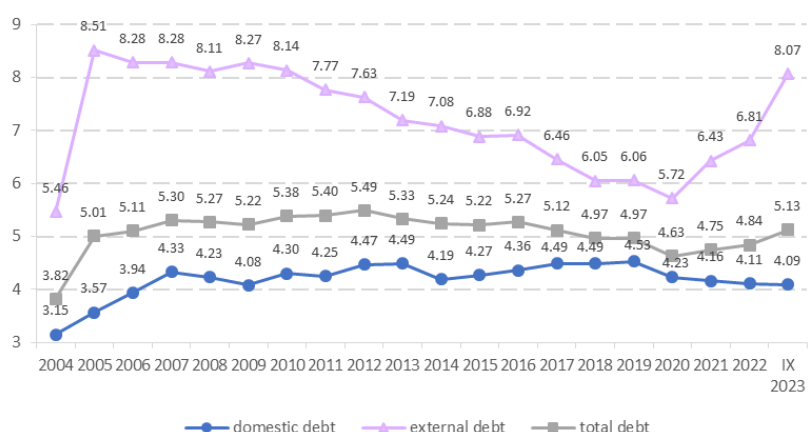
At the end of August 2023 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 821.2bn comparing to PLN 778.3bn at the end of 2022.



Average maturity

years

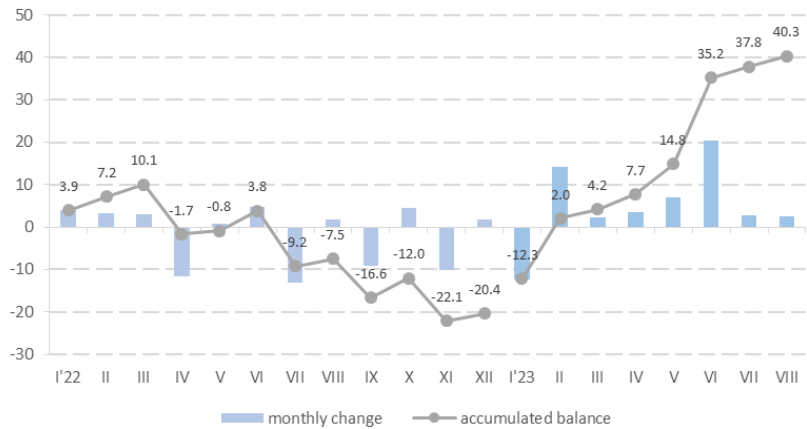
At the end of September 2023 the average maturity of domestic debt amounted to 4,09 years (while at the end of 2022 it was 4,11 years). The average of total debt amounted to 5,13 years (4,84 years at the end of 2022).



Change of debt in the domestic TS held by banks

PLN bn

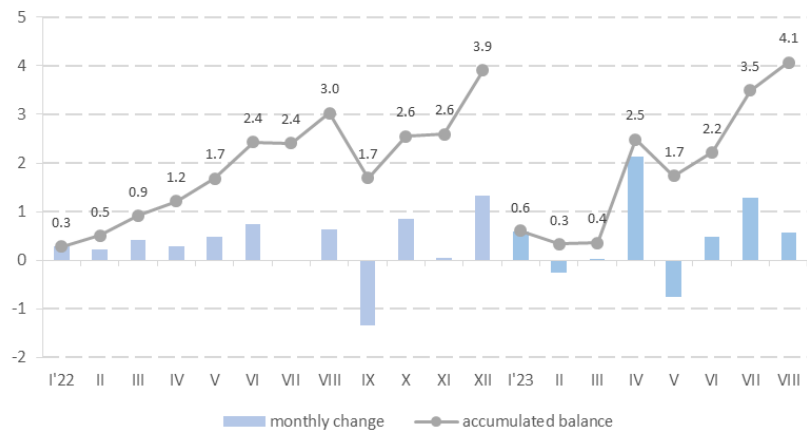
In I-VIII 2023 there was an increase of debt by PLN 40.3bn comparing to PLN 7.5bn decrease during the same period of 2022. Banks' holdings reached the level of PLN 468.4bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

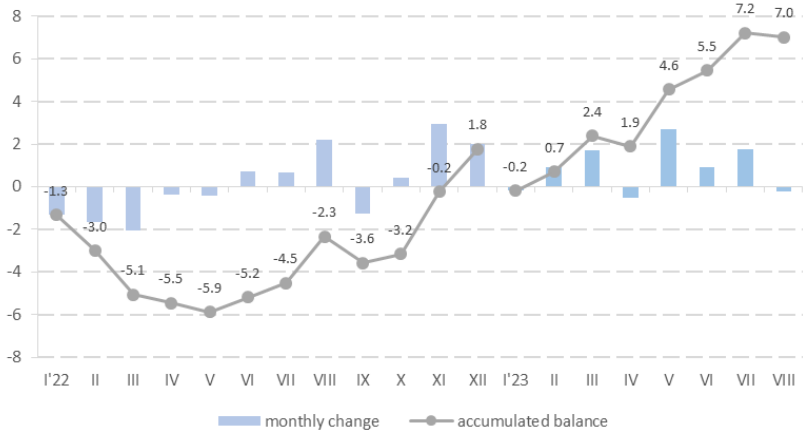
In I-VIII 2023 there was an increase of debt by PLN 4.1bn comparing to PLN 3.0bn increase during the same period of 2022. Insurance companies' holdings reached the level of PLN 63.7bn.



Change of debt in the domestic TS held by investment funds

PLN bn

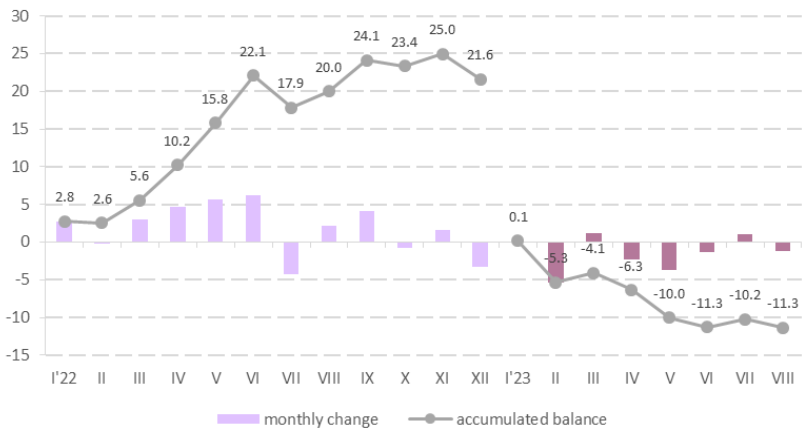
In I-VIII 2023 there was an increase of debt by PLN 7.0bn comparing to PLN 2.3bn decrease during the same period of 2022. Investment funds' holdings reached the level of PLN 54.1bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In I-VIII 2023 there was a decrease of debt by PLN 11.3bn comparing to PLN 20.0bn increase during the same period of 2022. Foreign investors' holdings reached the level of PLN 134.8bn.

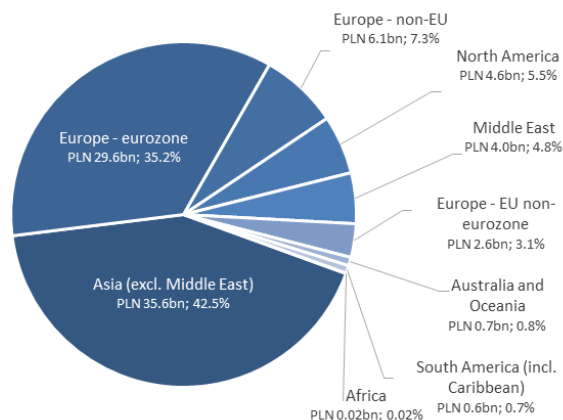


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of the domestic TS held by non-residents

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

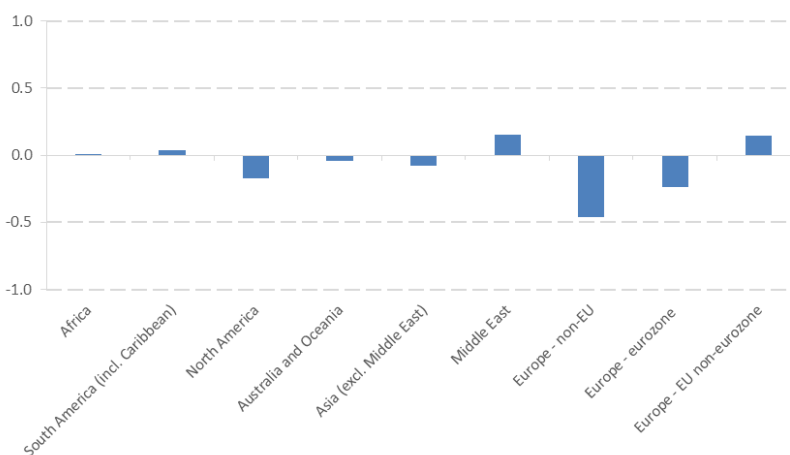
The non-residents' share in the domestic Treasury securities market decreased by PLN 1.2bn in August 2023. The foreign investors' portfolio amounted to PLN 134.8bn, which constituted 14.6% share in total debt in TS (14.8% in the previous month).



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

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

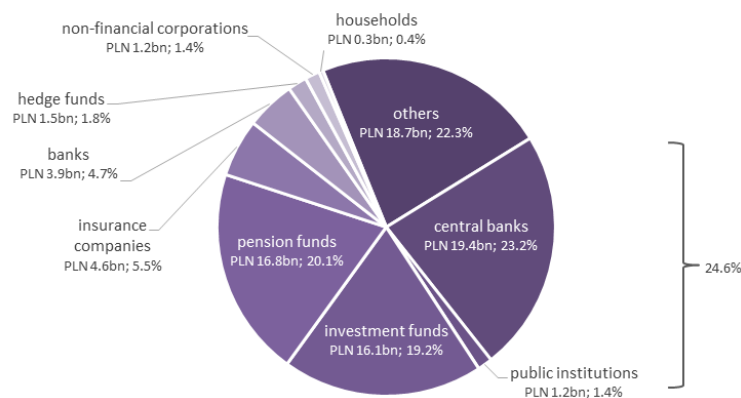
In August 2023 the highest increase was recorded by investors from Middle East (PLN 0.2bn), while the highest decrease was noted by investors from Europe — non EU (PLN 0.5bn).



Institutional distribution of the domestic TS held by non-residents

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

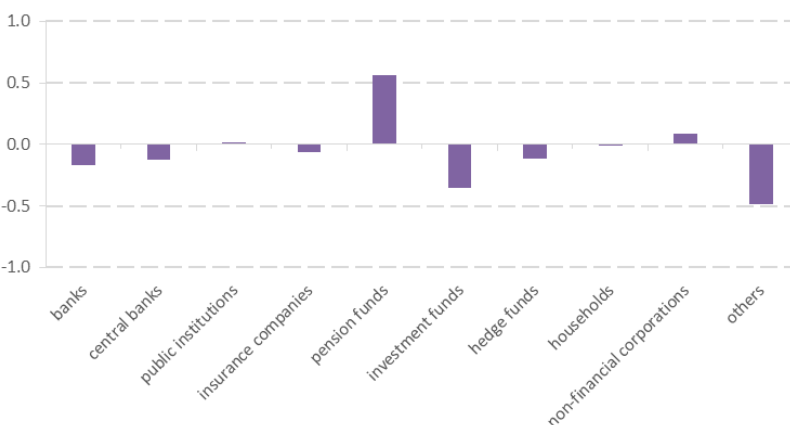
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 24.6% at the end August 2023.



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

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

In August 2023 the highest increase was recorded by pension funds (PLN 0.6bn), while the highest decrease was noted by investors classified as others (PLN 0.5bn).



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

change in August 2023, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.1bn in August 2023. In the period from the end of January 2018 to the end of August 2023 portfolios of those entities decreased by PLN 21.0bn.



Structure of non-residents' holdings in TS by countries

as of August 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	16 160.1	25.1%
Luxembourg	10 008.7	15.5%
Netherlands	9 194.1	14.3%
Ireland	4 301.9	6.7%
United States	4 044.7	6.3%
United Kingdom	3 908.9	6.1%
Germany	3 619.5	5.6%
Singapore	1 892.7	2.9%
Switzerland	1 718.3	2.7%
France	1 618.4	2.5%
Denmark	1 096.0	1.7%
United Arab Emirates	925.5	1.4%
Czech Republic	717.4	1.1%
Others	5 213.6	8.1%
Total	64 419.8	100.0%

General assumptions

- 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 the 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 domestic market

- **sale auctions:**
between three and four auctions, total supply PLN 25.0-35.0bn, 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 2024.

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 loan from International Financial Institutions.

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
10 October 2023	12 October 2023	OK1025 / WZ1128 / WS0429 / DS1033 possible series of NZ type with coupon based on WIRON index	4,000-9,000
23 October 2023	25 October 2023	OK1025 / WZ1128 / WS0429 / DS1033 possible series of NZ type with coupon based on WIRON index	5,000-11,000

**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

T-bond switching auctions are not planned.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0124 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR1024 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.50% in the first coupon period
DOR1025 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.50%); 6.75% in the first coupon period
TOS1026 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.85%
COI1027 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.00% in the first coupon period
EDO1033 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%); 7.25% in the first coupon period
ROS1029 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.20% in the first coupon period
ROD1035 family bonds 12-year	100.00 PLN	Floating (inflation rate + 2.00%); 7.50% in the first coupon period