



State budget borrowing requirements' financing plan and its background

February 2022

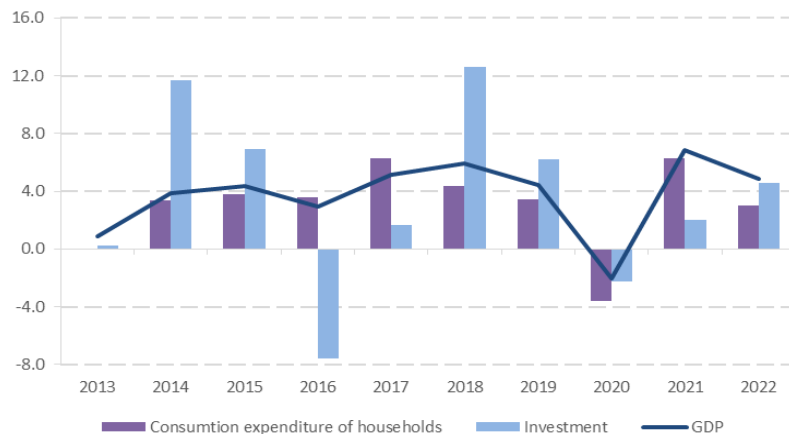
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Gross domestic product of Poland

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

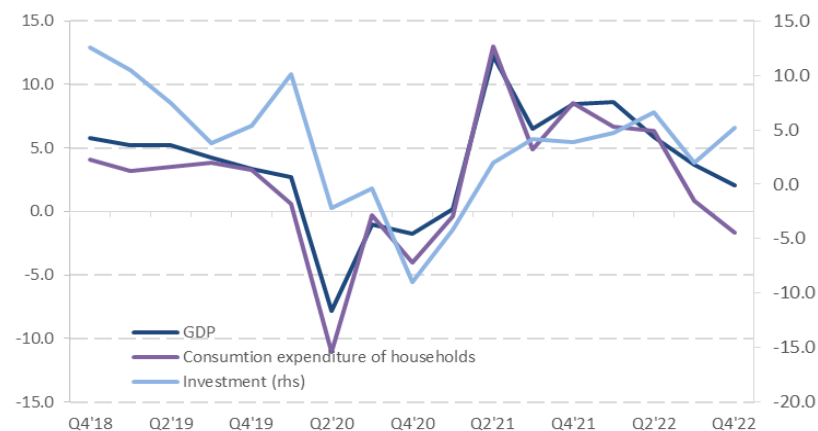
In 2022, the Polish economy was hit by a strong supply and demand shock (caused by the outbreak of the war in Ukraine and its consequences). According to the preliminary estimate, GDP was 4.9% higher than in 2021 (in the previous year it increased by 6.8%). Household consumption increased by 3.0%. It benefited from good situation on the labour market, tax cuts and consumption expenditure of refugees but simultaneously was affected by pessimistic consumer sentiment (connected with general uncertainty and the war in Ukraine), high inflation and higher nominal NBP rates. Investment improved moderately by expanding by 4.6%.



Contributions to Polish GDP growth

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

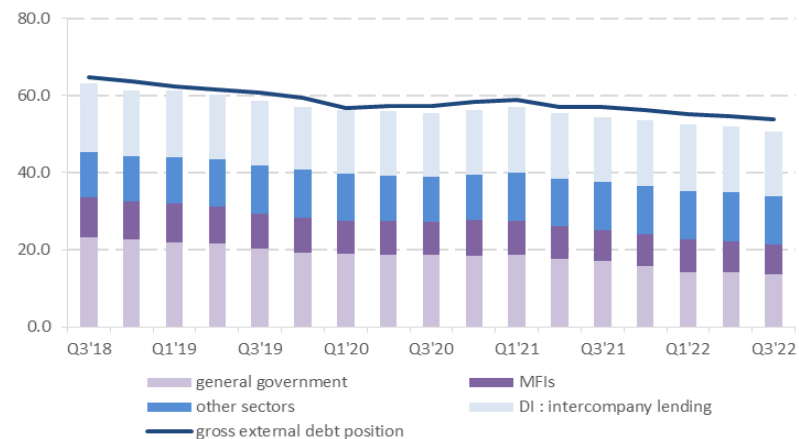
According to estimates based on the data published for the whole year and assuming that the GDP dynamics in the first three quarters of 2022 remained unchanged, in the fourth quarter of 2022 GDP was about 2.1% higher than a year before. It indicates that yearly dynamics was lower than in the third quarter. We estimate that households consumption decreased by about 1.7% (yoy) and investment increased by about 5.2% (yoy) in the fourth quarter of 2022.



Polish gross external debt position

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

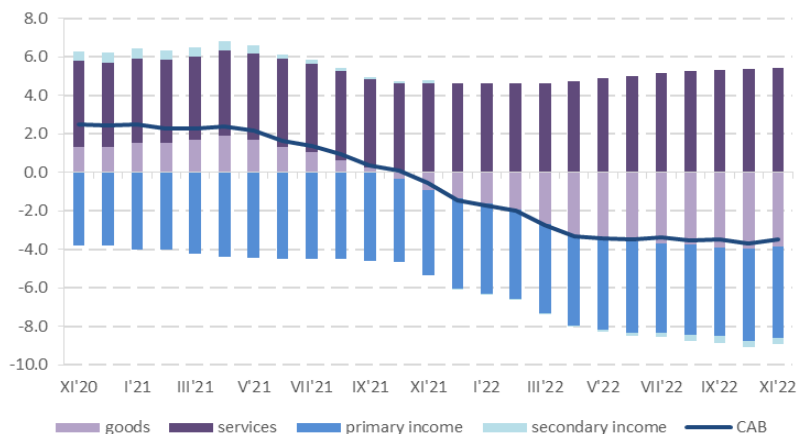
At the end of the third quarter of 2022 gross external debt reached EUR 338.9bn (53.7% of GDP) and was EUR 3.9bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 25.4%. At the end of November 2022 official reserve assets reached EUR 156.8bn 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 November 2022, according to preliminary data data, current account deficit decreased to 3.5% of GDP (in 12-month terms). For the first time since April 2021 yearly exports dynamics outpaced imports dynamics. This was among others due to fading adverse terms of trade shock and increase in external sales of automotive sector. High nominal dynamics of trade was primarily the result of strong increases in transaction prices. 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.

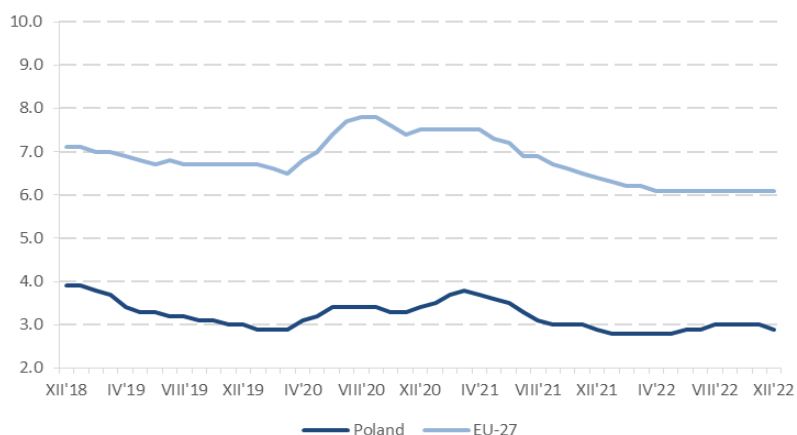


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

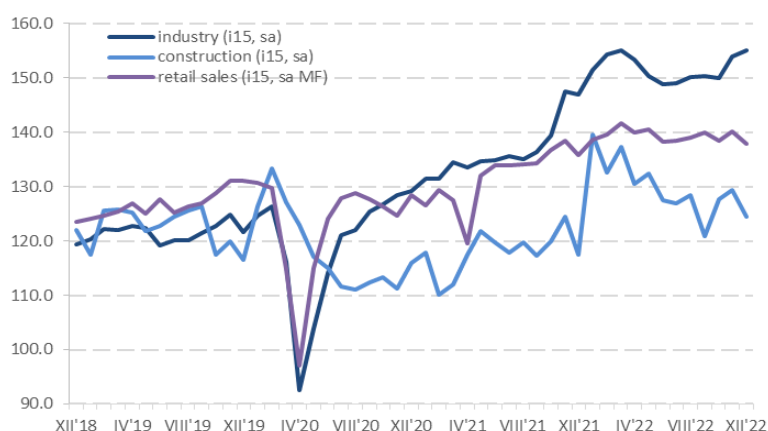
The harmonized unemployment rate (sa) amounted to 2.9% in December 2022 and it was by 0.1 pp lower than in four previous months and at the same level as a year earlier. It was only slightly (by 0.1 pp) higher than the historically lowest level recorded in January-May 2022. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (6.1% and 6.6%, respectively). Among the EU countries, only in the Czech Republic it was lower than in Poland and in Germany it was at the same level as in Poland.



Monthly indicators of the real sector

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

In December 2022 industrial production increased by 0.7% (mom, sa) and was 1.0% higher than a year ago (nsa). Data were slightly below market expectations. Construction production decreased by 3.7% (mom, sa) following increases in two previous months. As a result its level was by 0.8% (nsa) lower than a year ago. Data were significantly below expectations. Retail sales significantly decreased after growth in previous month (mom, sa MoF). The sales level was only by 0.2% (nsa) higher than in previous year. Data were well below market expectations.



Inflation

percent, yoy
source: GUS, NBP

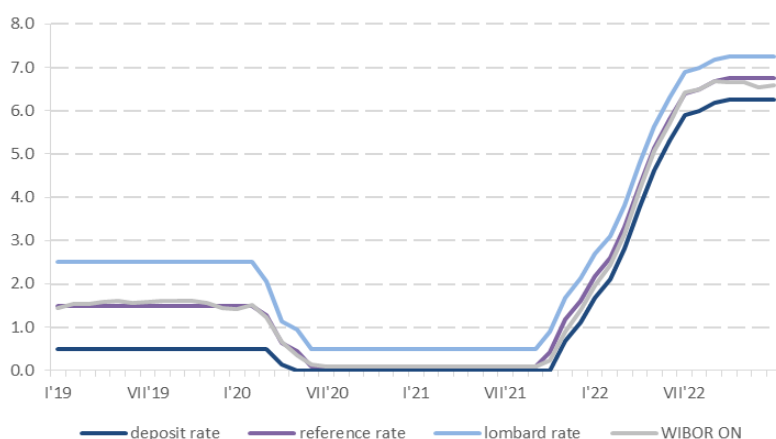
In December 2022 inflation rate decreased for the second month in a row and achieved 16.6% (yoy). Data was lower than market expectations. Annual rate of energy prices fell to 24.8% and rate of food prices decreased to 21.5%, while core inflation (CPI excluding food and energy prices) increased to 11.5%. On average inflation in 2022 was 14.4%. Producer prices were higher than a year before by 20.4% and this pace was lower by 5.2 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 fourth 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 pp 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	2017	2018	2019	2020	2021	2022
GDP							
Gross domestic product	YoY	5.1	5.9	4.4	-2.0	6.8	4.9
	QoQ SA						
Final consumption expenditure of the households sector	YoY	6.3	4.4	3.5	-3.6	6.3	3.0
	QoQ SA						
Final consumption expenditure of the general government sector	YoY	2.7	3.5	6.5	4.9	5.0	-
	QoQ SA						
Gross fixed capital formation	YoY	1.6	12.6	6.2	-2.3	2.1	4.6
	QoQ SA						
Exports of goods and services	YoY	9.0	6.8	5.3	-1.1	12.5	-
	QoQ SA						
Imports of goods and services	YoY	9.9	7.5	3.2	-2.4	16.1	-
	QoQ SA						
Gross value added	YoY	5.0	5.9	4.3	-2.0	6.6	4.6
	QoQ SA						
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	3.6	2.6	2.0	-2.1	3.5	1.7
Final consumption expenditure of the general government sector	pp	0.5	0.6	1.1	0.9	0.9	-
Gross fixed capital formation	pp	0.3	2.2	1.2	-0.4	0.4	0.8
Changes in inventories	pp	0.8	0.5	-1.1	-1.1	3.0	-
Balance of trade turnover	pp	-0.1	-0.2	1.2	0.6	-1.0	-
Gross value added	pp	4.4	5.2	3.8	-1.8	5.8	4.0
GDP structure							
Final consumption expenditure of the households sector	% of GDP	58.7	58.0	56.9	55.6	55.4	-
Final consumption expenditure of the general government sector	% of GDP	17.7	17.7	18.0	19.1	18.8	-
Gross fixed capital formation	% of GDP	17.6	18.7	18.9	18.3	17.0	-
Changes in inventories	% of GDP	2.5	2.7	1.6	0.4	4.4	-
Exports of goods and services	% of GDP	52.1	52.7	53.2	53.0	57.9	-
Imports of goods and services	% of GDP	49.2	50.7	49.5	47.3	54.5	-
Balance of payments							
	Unit	2022					
		M07	M08	M09	M10	M11	M12
Goods: exports (EUR)	YoY	20.3	27.6	26.5	24.4	20.3	-
Goods: imports (EUR)	YoY	21.8	29.4	30.1	25.3	17.7	-
Current account balance ¹⁾	% of GDP	-3.4	-3.5	-3.5	-3.7	-3.5	-
Balance on goods ¹⁾	% of GDP	-3.7	-3.8	-3.9	-4.0	-3.9	-
Official Reserve Assets	EUR m	154 137.5	155 103.0	154 194.6	152 480.2	156 781.5	156 454.9
Inflation							
Consumer Price Index (CPI)	YoY	15.6	16.1	17.2	17.9	17.5	16.6
Core inflation (CPI excluding food and energy prices)	YoY	9.3	9.9	10.7	11.0	11.4	11.5
Producer Price Index (PPI)	YoY	25.5	25.5	24.6	23.1	21.1	20.4
Production							
Sold production of industry ²⁾	YoY	7.1	10.9	9.8	6.6	4.5	1.0
	MoM SA	0.1	0.7	0.1	-0.2	2.7	0.7
Construction and assembly production ²⁾	YoY	4.1	5.9	0.2	3.9	4.0	-0.8
	MoM SA	-0.4	1.1	-5.9	5.5	1.4	-3.7
Manufacturing PMI	SA	42.1	40.9	43.0	42.0	43.4	45.6
Households and labour market							
Retail sales ²⁾	YoY	2.0	4.2	4.1	0.7	1.6	0.2
Average paid employment in enterprise sector	YoY	2.3	2.4	2.3	2.4	2.3	2.2
	MoM	0.2	-0.1	-0.1	0.1	0.1	0.0
Average monthly gross wages and salaries in enterprise sector (real)	YoY	0.2	-3.0	-2.3	-4.1	-3.3	-5.4
	MoM	2.9	-3.7	0.0	-1.8	1.8	6.8
Harmonised unemployment rate (Eurostat)	%, SA	2.9	3.0	3.0	3.0	3.0	2.9
<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>							
State Treasury debt							
	Unit	2022					
		M06	M07	M08	M09	M10	M11
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 198 783.7	1 192 004.5	1 204 118.0	1 205 904.5	1 209 461.1	1 210 844.9
Domestic debt	face value, PLN m	935 266.5	919 089.1	929 963.4	923 400.0	936 750.8	928 915.0
	%	78.0	77.1	77.2	76.6	77.5	76.7
Foreign debt	face value, PLN m	263 517.2	272 915.4	274 154.6	282 504.6	272 710.3	281 929.9
	%	22.0	22.9	22.8	23.4	22.5	23.3
Public debt (domestic definition)							
	Unit	2021			2022		
		Q02	Q03	Q04	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

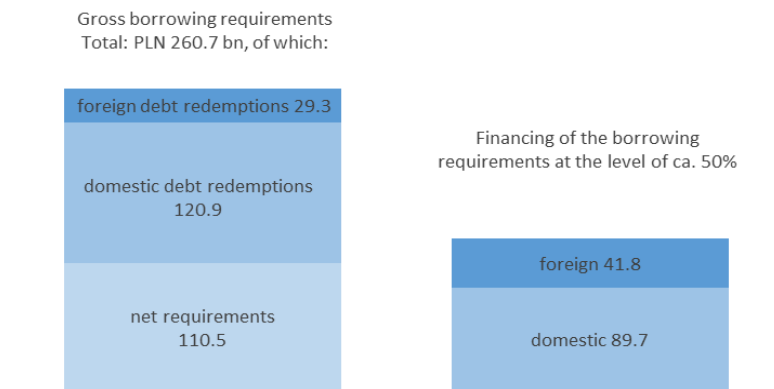
Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2023 as of January 31, 2023, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 50% (acc. To the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 10.5bn,
- switch auctions in 2023: PLN 6.2bn,
- switch auctions in 2022: PLN 9.8bn,
- and higher financial resources at the end of 2022: PLN 105.0bn



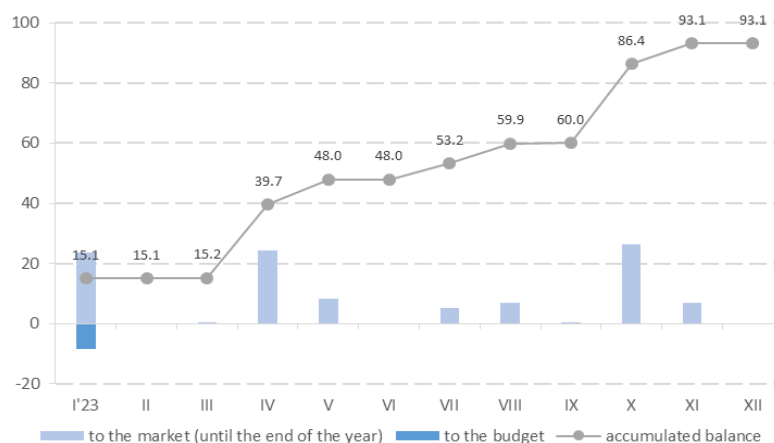
Flows of funds into the market related to domestic T-securities transfers in February as of January 31, 2023, PLN bn

In February there will be no funds transferred from the State budget to the market related to T-securities (neither TS redemptions nor interest payments).

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

As of January 31, 2023, to the end of the 2023 the funds to be transferred to the market shall amount to PLN 78.0bn.

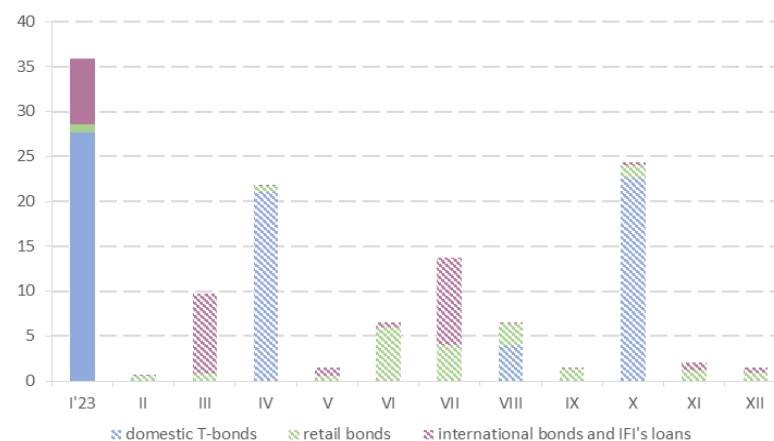
* figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



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 January 31, 2023), is equal to PLN 89.8bn, including:

- T-bonds: PLN 47.6bn,
- T-retail bonds: PLN 20.0bn,
- bonds and loans incurred on foreign markets: PLN 22.3bn.

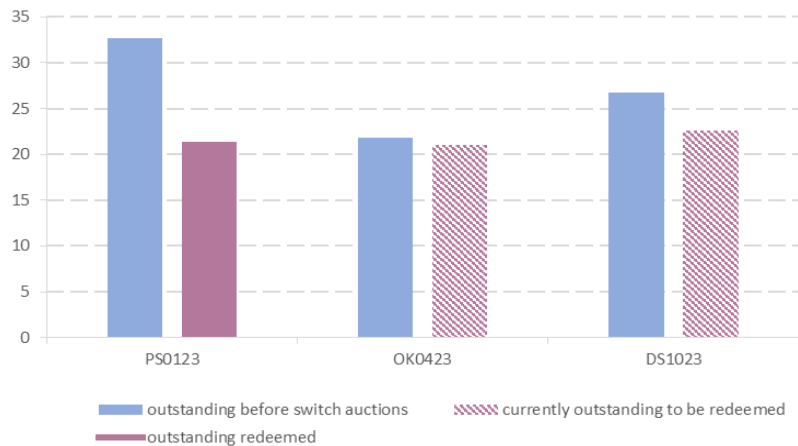


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2023

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

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

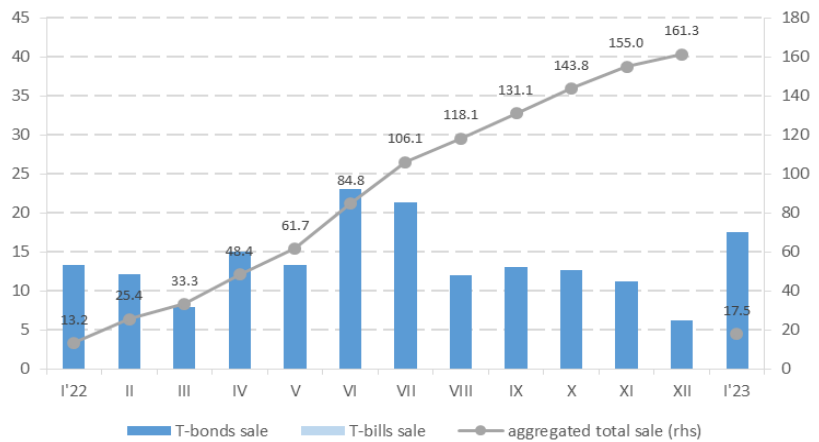
- PS0123: PLN 11.3bn (35% of the issuance),
- OK0423: PLN 0.8bn (4% of the issuance),
- DS1023: PLN 4.1bn (15% of the issuance).



Sale of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In January 2023 aggregated total sale of T-bonds amounted to PLN 17.5bn versus PLN 13.2bn in the same period of 2022.



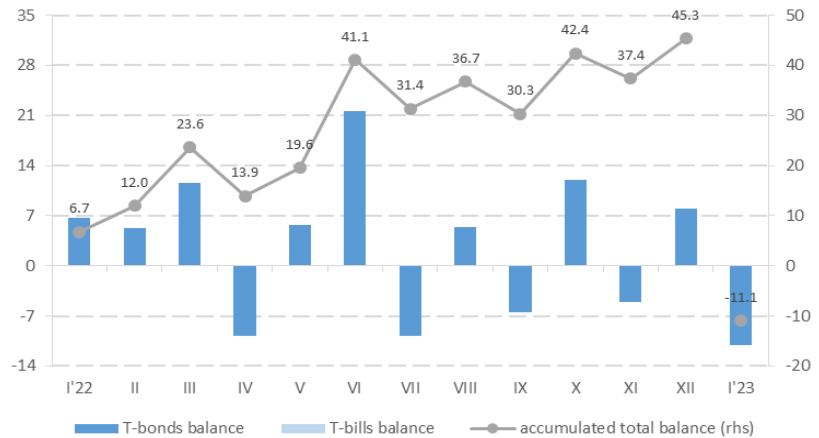
Balance of domestic TS in 2022 and 2023

settlement date, nominal amount, PLN bn

In January 2023 indebtedness in:

- T-bonds decreased to PLN 11.1bn versus increase of PLN 6.7bn 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, Funds and Regional Policy on the basis of other acts than the Public Finance Act.

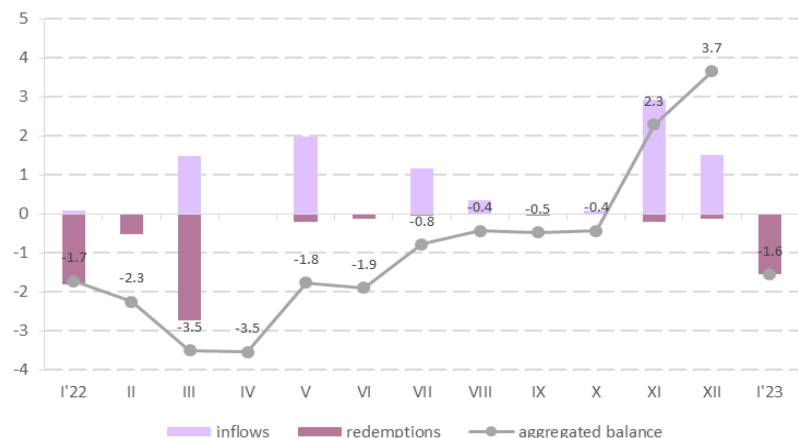


External financing in 2022 and 2023

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

Net financing on foreign markets in the period of January 2023 was negative and amounted to EUR 1.6bn, which resulted from:

- negative balance of T-bonds issuance of EUR 1.5bn,
- negative balance of loans incurred from IFIs at the level of EUR 0.1bn.

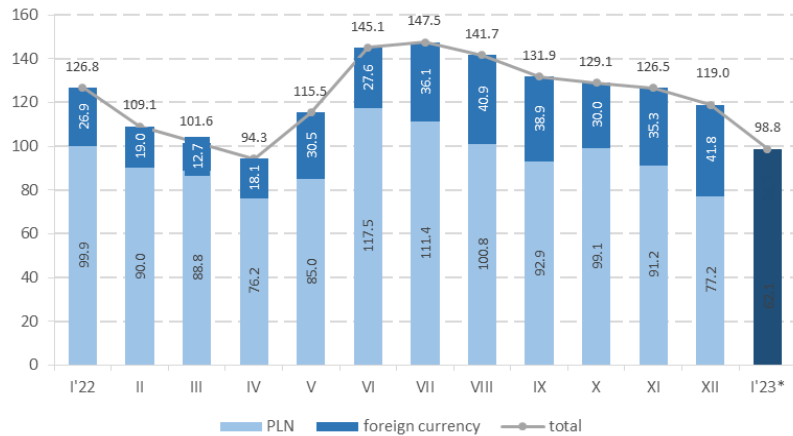


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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 January 2023 there was the equivalent of PLN 98.8bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

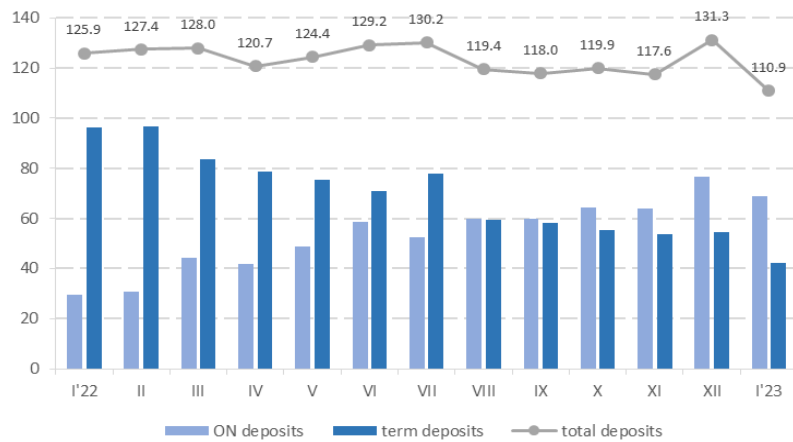


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

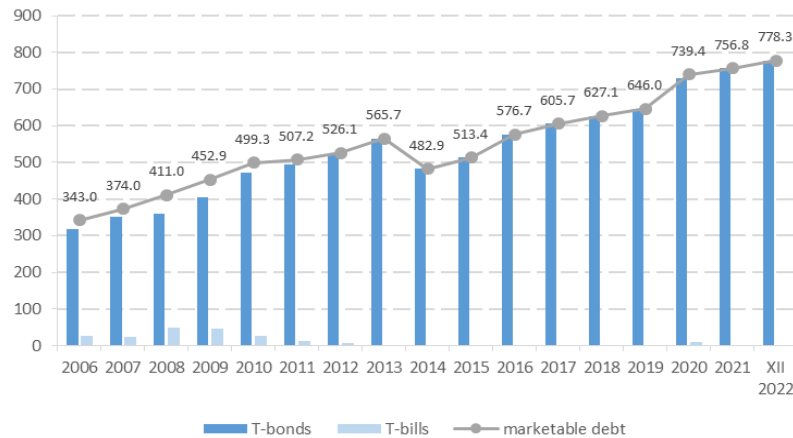
As a result of consolidation of public finances liquidity management there were PLN 110.9bn funds accumulated at the end of January 2023, of which PLN 42.2bn was as term deposits and PLN 68.7bn on ON deposits.



Structure of domestic marketable debt

PLN bn

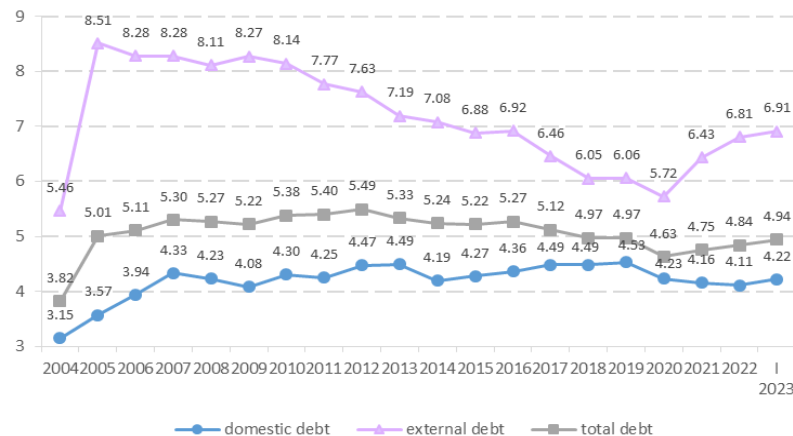
At the end of December 2022 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 778.3bn comparing to PLN 756.8bn at the end of 2021.



Average maturity

years

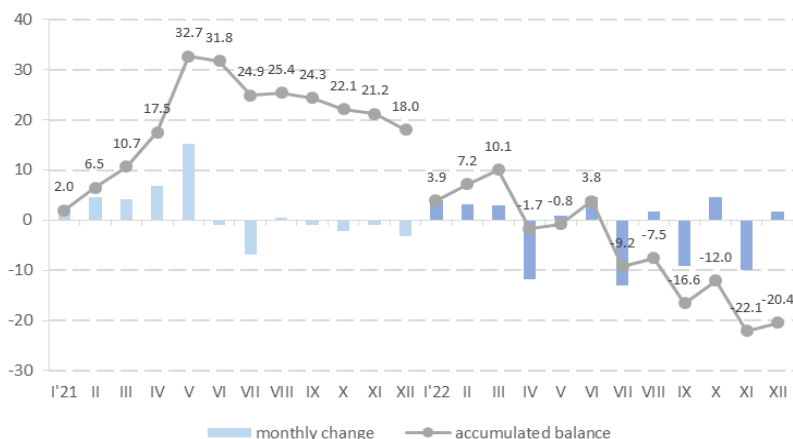
At the end of January 2023 the average maturity of domestic debt amounted to 4.22 years (while at the end of 2022 it was 4.11 years). The average of total debt amounted to 4.94 years (4.84 years at the end of 2022).



Change of debt in the domestic TS held by banks

PLN bn

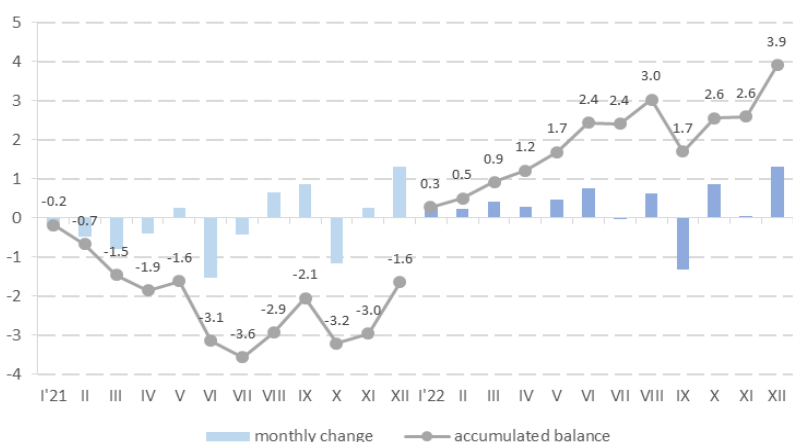
In the period of I-XII 2022 there was a decrease of debt by PLN 20.4bn comparing to PLN 18.0bn increase during the same period of 2021. Banks' holdings reached the level of PLN 428.1bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

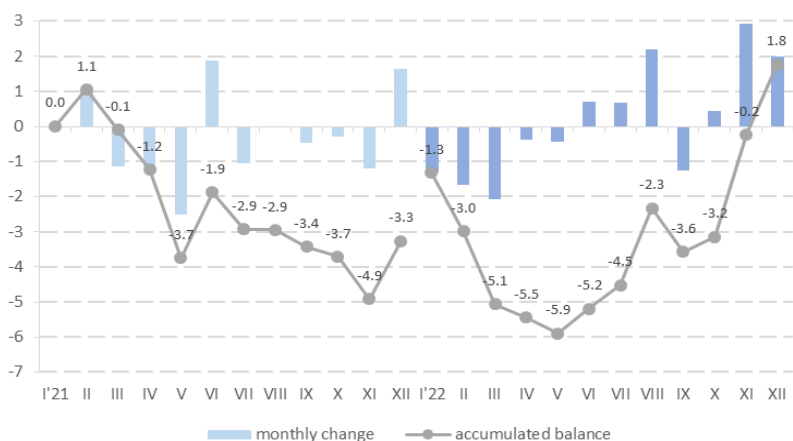
In the period of I-XII 2022 there was an increase of debt by PLN 3.9bn comparing to PLN 1.6bn decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 59.6bn.



Change of debt in the domestic TS held by investment funds

PLN bn

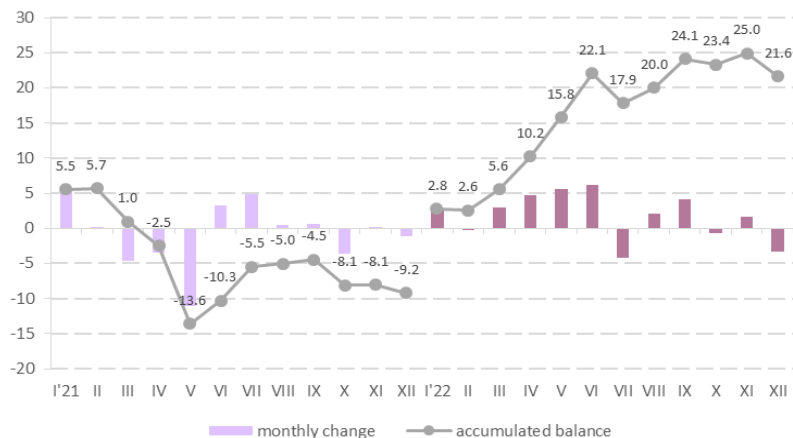
In the period of I-XII 2022 there was an increase of debt by PLN 1.8bn comparing to PLN 3.3bn decrease during the same period of 2021. Investment funds' holdings reached the level of PLN 47.1bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-XII 2022 there was an increase of debt by PLN 21.6bn comparing to PLN 9.2bn decrease during the same period of 2021. Foreign investors' holdings reached the level of PLN 146.2bn.

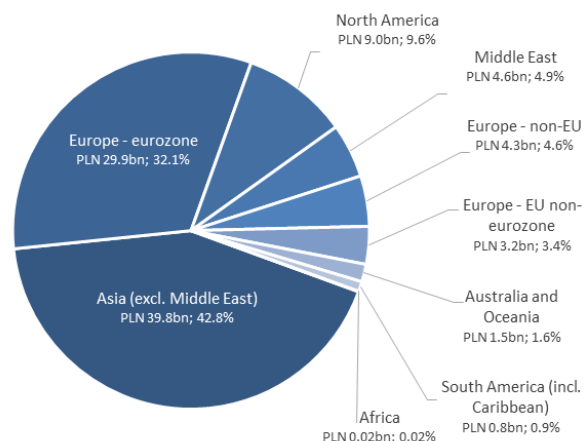


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of the domestic TS held by non-residents

as of December 31, 2022, the chart presents data excluding omnibus accounts

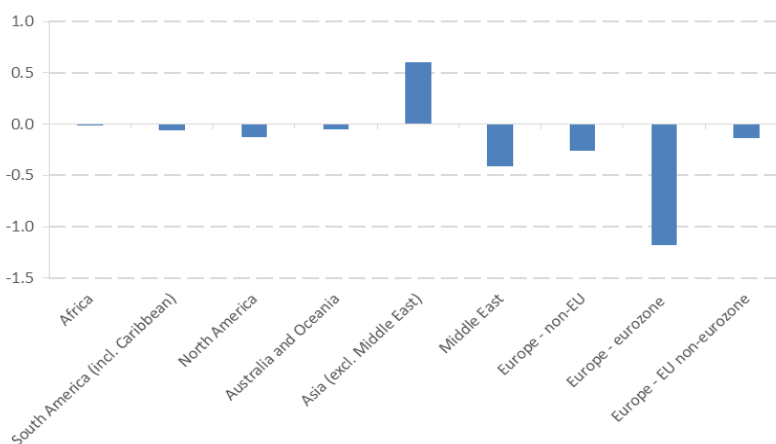
The non-residents' share in the domestic Treasury securities market decreased by PLN 3.3bn in December 2022. The foreign investors' portfolio amounted to PLN 146.2bn, which constituted 16.9% share in total debt in TS (17.4% in the previous month).



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

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

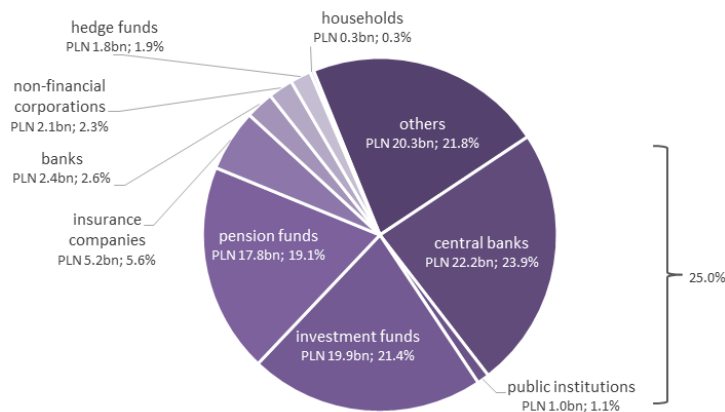
In December 2022 the highest increase was recorded by Asian investors (PLN 0.6bn), while the highest decrease was noted by eurozone investors (PLN 1.2bn).



Institutional distribution of the domestic TS held by non-residents

as of December 31, 2022, the chart presents data excluding omnibus accounts

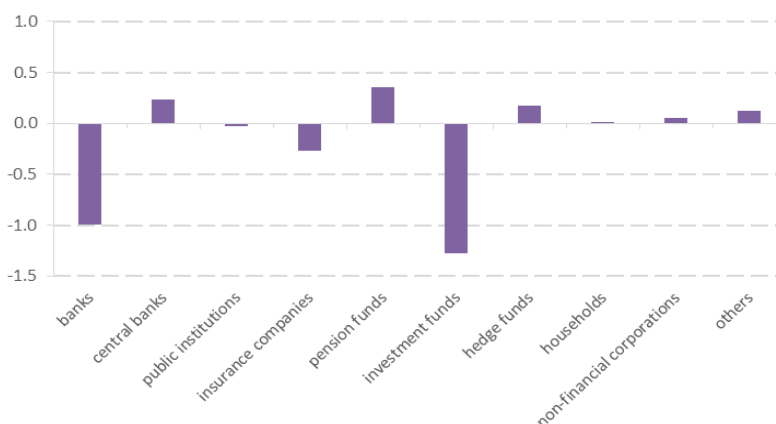
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 25.0% at the end December 2022.



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

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

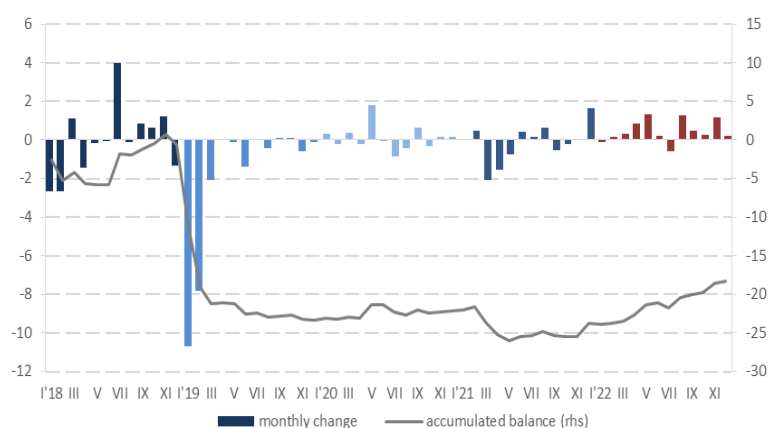
In December 2022 the highest increase was recorded by pension funds (PLN 0.4bn), while the highest decrease was noted by investment funds (PLN 1.3bn).



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

change in December 2022, PLN bn

Central banks and public institutions' involvement increased by PLN 0.2bn in December 2022. In the period from the end of January 2018 to the end of December 2022 portfolios of those entities decreased by PLN 18.4bn.



Structure of non-residents' holdings in TS by countries

as of December 31, 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	17 676.8	25.0%
Luxembourg	10 201.6	14.4%
United States	7 927.9	11.2%
Netherlands	7 191.1	10.2%
Ireland	6 151.9	8.7%
Germany	4 309.6	6.1%
United Kingdom	2 494.7	3.5%
Switzerland	1 562.2	2.2%
Denmark	1 493.5	2.1%
Australia	1 315.7	1.9%
United Arab Emirates	1 119.4	1.6%
Canada	1 008.2	1.4%
France	914.7	1.3%
Singapore	893.4	1.3%
Bulgaria	782.8	1.1%
Korea (the Republic of)	781.2	1.1%
Taiwan (Province of China)	736.2	1.0%
Czech Republic (the)	713.1	1.0%
Others	3 541.7	5.0%
Total	70 815.9	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-01-2023

(...) In February two T-bond sale auctions are planned. No T-bill auctions are planned.

In December 2022 indebtedness in domestic Treasury securities increased by PLN 8.1bn. The involvement of domestic non-banking sector increased by PLN 9.8bn, involvement of domestic banks investors increased by PLN 1.7bn, while the involvement of foreign investors decreased by PLN 3.3bn. In 2022, indebtedness in domestic Treasury securities increased by PLN 46.5bn. The indebtedness towards domestic non-banking sector increased by PLN 45.3bn, including households by PLN 32.8bn, and foreign investors by PLN 21.6bn, while involvement of domestic banks decreased by PLN 20.4bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN FEBRUARY 2023

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
14 FEB 2023	16 FEB 2023	OK1025 / WZ1127 / PS0728/ WZ0533 / DS1033 possible other T-bond of WS type	4,000-8,000
23 FEB 2023	27 FEB 2023	OK1025 / WZ1127 / PS0728/ WZ0533 / 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

Switching auctions of Treasury bonds are not planned.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0523 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0224 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.75% in the first coupon period
DOR0225 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.10%); 6.85% in the first coupon period
TOS0226 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.85%
COI0227 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 7.00% in the first coupon period
EDO0233 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.25% in the first coupon period
ROS0229 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 7.20% in the first coupon period
ROD0235 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.50% in the first coupon period