



State budget borrowing requirements' financing plan and its background

2nd quarter 2024

April 2024

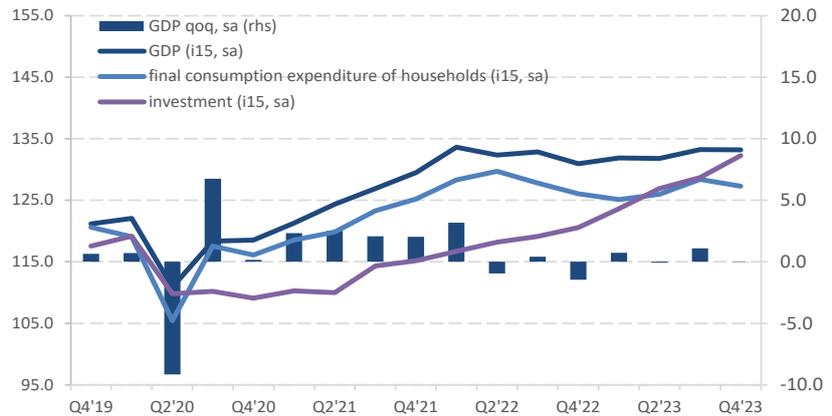
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I. MACROECONOMIC SITUATION

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

In the last quarter of 2023, GDP remained unchanged (qoq, sa), after growing by 1.1% a quarter earlier. Household consumption, which should be supported among others by good situation on the labour market, high wage growth and lower inflation decreased (qoq, sa) after recovery in the two previous quarters. Investments proved again to be resistant to unfavourable macroeconomic conditions (uncertainty, higher nominal interest rates) and have remained in the upward trend since the third quarter of 2021. Foreign trade turnover rebounded strongly.



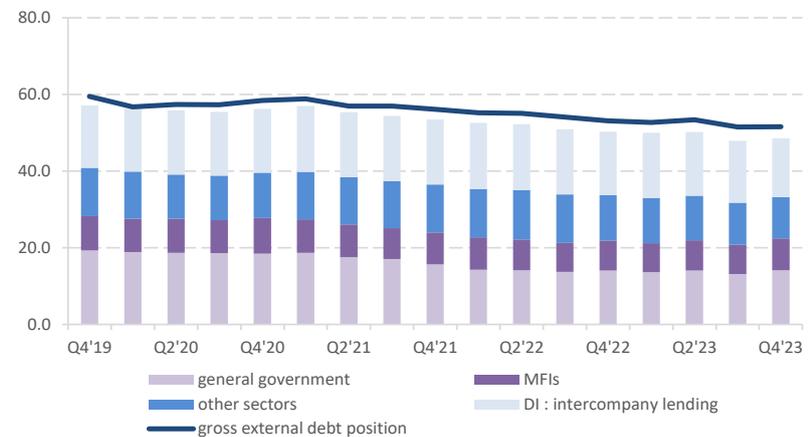
Contributions to Polish GDP growth
average prices of the previous year (py), yoy
source: GUS, MoF own calculation

In the fourth quarter of 2023 the GDP level - similarly to the third quarter - was higher than a year ago (by 1.0%, py), contrary to the situation in the first half of the year. Household consumption and investment were respectively 0.1% lower and 8.7% higher than in the fourth quarter of 2022. Contribution of inventories to GDP growth was strongly negative (-5.4 pp) and contribution of net exports was positive (3.3 pp).



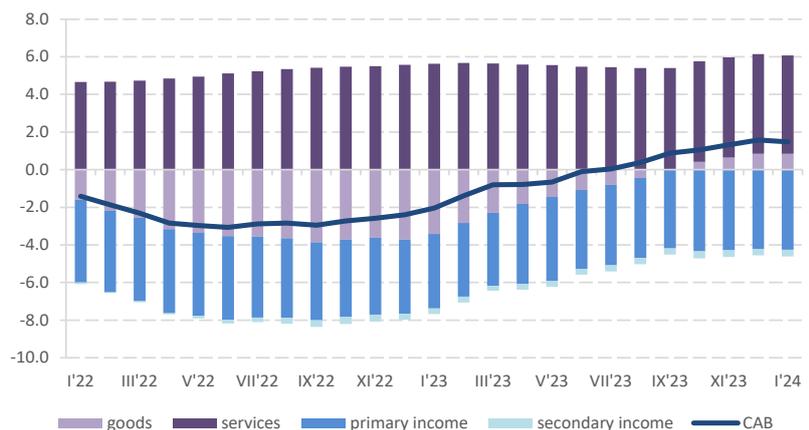
Polish gross external debt position
percent of GDP
source: NBP, GUS, MoF own calculation

At the end of the fourth quarter of 2023 gross external debt reached EUR 386.4bn (51.6% of GDP) and was EUR 14.3bn higher than in the previous quarter. The share of general government sector debt in total debt increased to 27.3%. At the end of January 2024 official reserve assets reached EUR 175.2bn and remained broadly adequate, covering over 5 months of imports.



Current account balance
percent of GDP, in 12-month terms
source: NBP, GUS, MoF own calculation

In January 2024, taking into account new quarterly data, Poland's C/A surplus decreased to 1.5% of GDP (in 12-month terms). In line with the seasonal pattern, the monthly goods balance improved compared to December, but the difference in trade dynamics in favour of exports was clearly lower than in previous months. Primary income deficit remained the main source of the negative contribution to the external balance. Capital account surplus amounted to 0.2% of GDP increasing positive net lending/net borrowing (1.6% of GDP).

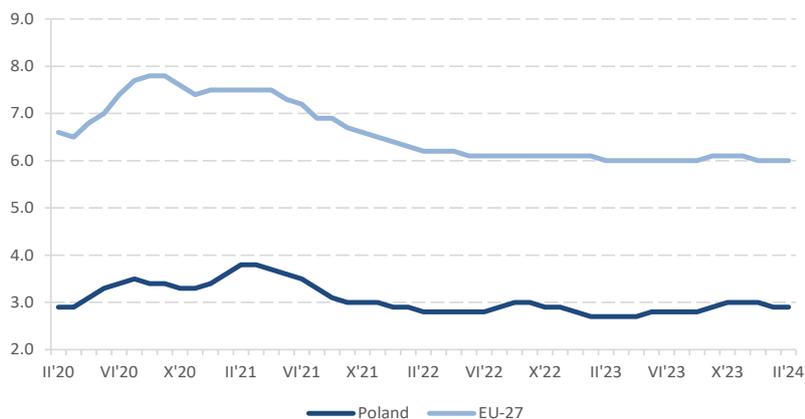


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

The harmonized unemployment rate (sa) amounted to 2.9% in February 2024 and it was at the same level as in the previous month and by 0.2 pp. higher than a year earlier. It was by 0.2 pp. higher than the historically lowest level recorded in January - April 2023. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (6.0% and 6.5%, respectively). In February 2024, among the EU countries, only in Czechia 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

In February 2024 industrial production decreased by 0.1% (mom, sa) and was 3.3% higher than a year ago (nsa). The data were above market expectations. Construction production increased by 2% following a deep drop in the previous month (mom, sa). As a result its level was by 4.9% (nsa) lower than a year ago. The data were weaker than market expectations.



Inflation

percent, yoy
source: GUS, NBP

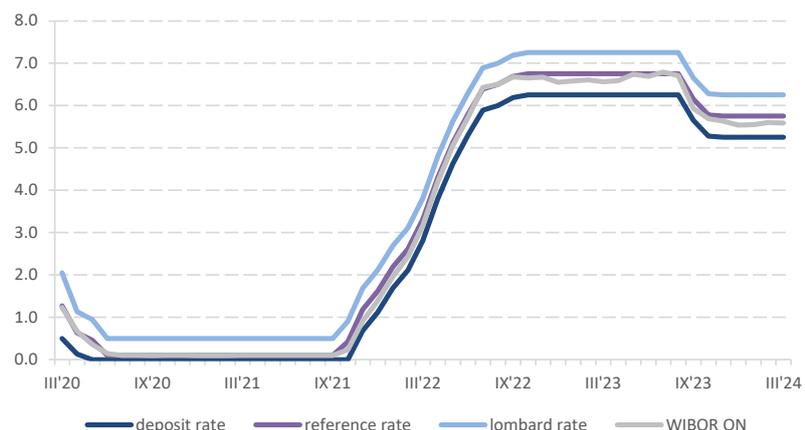
In February 2024 CPI inflation rate declined to 2.8% (yoy) and was within the range of deviations from the inflation target. Annual rate of food and non-alcoholic beverages prices noted a marked drop (to 2.7%) and energy prices were lower than a year before by 4.2%. Core inflation diminished to 5.4%. According to the preliminary data in March CPI rate decreased again to 1.9% and was below the inflation target. In February producer prices were lower than a year before by 10.1%. Very low annual pace is related to statistical base effect as well as the drop of commodity prices on international markets and strengthening of the zloty.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In March 2024, the Monetary Policy Council left NBP interest rates unchanged for the fifth month in a row. Reference rate was kept at 5.75%, lombard rate at 6.25%, while the deposit rate remained at 5.25%. The Council stated that the decision was driven by uncertainty as to inflation, related in particular to the impact of fiscal and regulatory policies on price developments, as well as the pace of economic recovery and labour market conditions.



II. STATISTICAL DATA

	Unit	2022 Q03	Q04	2023 Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	4.1	2.5	-0.3	-0.6	0.5	1.0
	QoQ SA	0.4	-1.5	0.7	-0.1	1.1	0.0
Final consumption expenditure of the households sector	YoY	2.9	1.0	-2.0	-2.8	0.8	-0.1
	QoQ SA	-1.5	-1.3	-0.8	0.7	1.9	-0.9
Final consumption expenditure of the general government sector	YoY	3.0	-6.2	-0.3	2.2	3.3	5.7
	QoQ SA	-0.1	-8.1	9.2	0.4	0.6	-0.8
Gross fixed capital formation	YoY	2.5	5.6	6.8	10.5	7.2	8.7
	QoQ SA	0.8	1.2	2.6	2.6	1.4	2.8
Exports of goods and services	YoY	9.8	4.5	3.8	-3.2	-11.0	2.7
	QoQ SA	1.7	-1.0	-0.3	-3.5	-6.1	13.8
Imports of goods and services	YoY	8.2	1.6	-3.2	-6.8	-20.3	-2.8
	QoQ SA	1.2	-2.6	-3.3	-2.1	-13.7	18.2
Gross value added	YoY	4.4	3.1	0.9	0.8	0.8	1.4
	QoQ SA	0.9	-2.2	1.4	0.3	1.4	0.4
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	1.6	0.5	-1.3	-1.6	0.5	0.0
Final consumption expenditure of the general government sector	pp	0.6	-1.2	-0.1	0.4	0.6	1.1
Gross fixed capital formation	pp	0.4	1.2	0.9	1.5	1.2	2.0
Changes in inventories	pp	0.4	0.4	-4.4	-3.0	-7.7	-5.4
Balance of trade turnover	pp	1.1	1.6	4.6	2.1	5.9	3.3
Gross value added	pp	3.8	2.7	0.8	0.6	0.8	1.3
GDP structure							
Final consumption expenditure of the households sector	% of GDP	57.9	50.4	59.8	57.3	59.2	50.1
Final consumption expenditure of the general government sector	% of GDP	18.0	19.1	17.3	18.5	18.7	20.1
Gross fixed capital formation	% of GDP	16.1	22.1	12.7	16.2	16.8	23.2
Changes in inventories	% of GDP	5.8	5.9	2.3	0.3	-1.5	0.7
Exports of goods and services	% of GDP	63.0	59.6	63.7	59.2	55.4	52.6
Imports of goods and services	% of GDP	61.9	58.1	56.7	52.5	49.7	47.7
	Unit	2023 M09	M10	M11	M12	2024 M01	M02
Balance of payments							
Goods: exports (EUR)	YoY	-4.0	2.1	-2.0	-6.2	-4.3	-
Goods: imports (EUR)	YoY	-13.8	-7.1	-7.2	-10.6	-5.0	-
Current account balance ¹⁾	% of GDP	0.9	1.1	1.3	1.6	1.5	-
Balance on goods ¹⁾	% of GDP	0.0	0.4	0.6	0.8	0.8	-
Official Reserve Assets	EUR m	169 696.4	165 896.6	170 905.4	175 402.9	175 161.1	173 234.9
Inflation							
Consumer Price Index (CPI)	YoY	8.2	6.6	6.6	6.2	3.7	2.8
Core inflation (CPI excluding food and energy prices)	YoY	8.4	8.0	7.3	6.9	6.2	5.4
Producer Price Index (PPI)	YoY	-2.7	-4.2	-5.1	-6.9	-10.6	-10.1
Production							
Sold production of industry ²⁾	YoY	-3.3	2.0	-0.3	-3.5	2.9	3.3
	MoM SA	0.2	0.9	-0.3	0.5	0.6	-0.1
Construction and assembly production ²⁾	YoY	11.5	9.8	3.9	14.0	-6.2	-4.9
	MoM SA	3.2	-1.4	-2.2	14.5	-16.2	2.0
Manufacturing PMI	SA	43.9	44.5	48.7	47.4	47.1	47.9
Households and labour market							
Retail sales ²⁾	YoY	-0.3	2.8	-0.3	-2.3	3.2	6.1
Average paid employment in enterprise sector	YoY	0.0	-0.1	-0.2	-0.1	-0.2	-0.2
	MoM	-0.1	0.0	0.0	0.0	0.3	-0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	2.0	5.8	4.9	3.2	8.8	9.9
	MoM	0.6	1.9	1.0	4.6	-3.7	2.4
Harmonised unemployment rate (Eurostat)	%, SA	2.9	3.0	3.0	3.0	2.9	2.9
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							
	Unit	2023 M08	M09	M10	M11	M12	2024 M01
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 278 076.6	1 306 127.3	1 297 015.2	1 309 350.8	1 346 199.4	1 364 987.3
Domestic debt	face value, PLN m	993 645.7	1 009 415.7	1 013 333.0	1 026 288.1	1 042 416.7	1 061 222.7
	%	77.7	77.3	78.1	78.4	77.4	77.7
Foreign debt	face value, PLN m	284 430.9	296 711.6	283 682.1	283 062.7	303 782.7	303 764.6
	%	22.3	22.7	21.9	21.6	22.6	22.3
	Unit	2022 Q03	Q04	2023 Q01	Q02	Q03	Q04
Public debt (domestic definition)							
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 181 504.9	1 209 497.9	1 209 817.2	1 241 612.6	1 275 306.2	1 328 087.6
Domestic debt	face value, PLN m	875 322.0	896 575.4	898 137.2	925 382.1	954 964.4	998 763.1
	%	66.5	65.3	67.5	68.2	67.8	68.9
Foreign debt	face value, PLN m	306 182.9	312 922.5	311 679.9	316 230.5	320 341.8	329 324.5
	%	25.9	25.9	25.8	25.5	25.1	24.8
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 480 057.1	1 512 772.7	1 532 406.7	1 581 806.5	1 624 395.8	1 691 147.8

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2024

as of March 31, 2024, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 56% (acc. to the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 73.7bn,
- switch auctions in 2024: PLN 14.5bn,
- T-bond sale on foreign markets: PLN 47.2bn,
- loans incurred from IFIs: PLN 0.2bn,
- switch auctions in 2023: PLN 29.4bn,
- and higher financial resources at the end of 2023: PLN 87.3bn (the final level will be known following the closure of the budget year).

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

plan as of March 31, 2024, PLN bn

Value of funds transferred from the State budget to the market in April shall amount to PLN 25.9bn, of which

- TS redemptions: PLN 20.3bn,
- interest payments: PLN 5.6bn.

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

As of March 31, 2024, to the end of the 2024 year the funds to be transferred to the market shall amount to PLN 113.7bn.

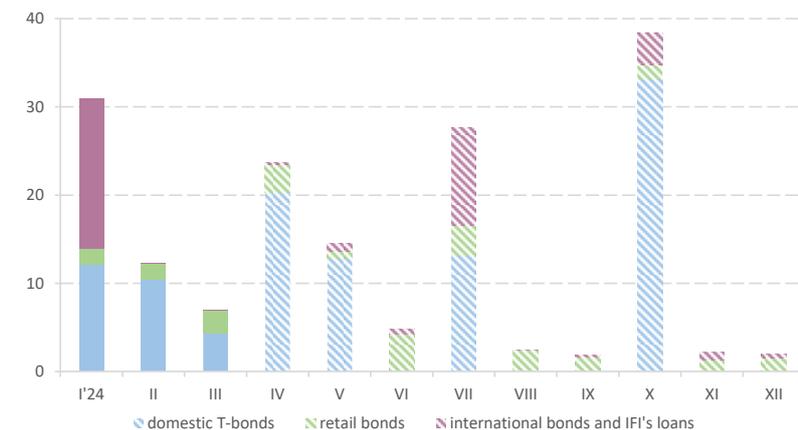
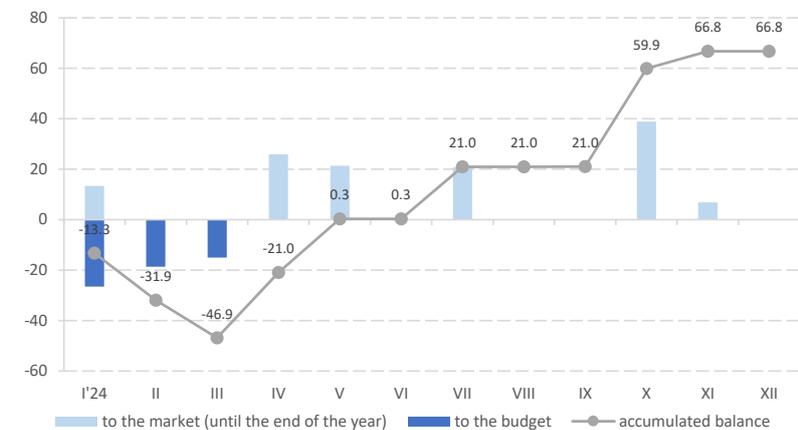
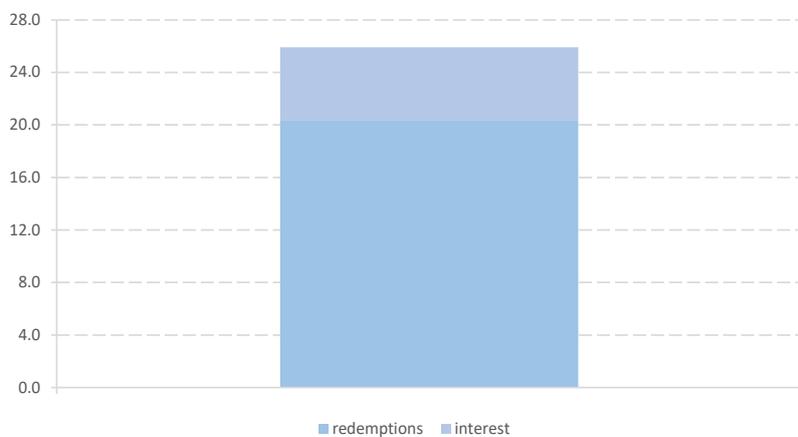
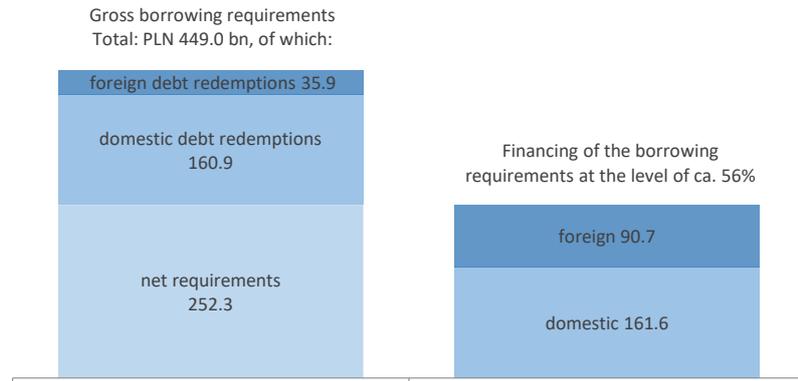
*figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.

State Treasury debt redemptions in 2024

as at the end of month, nominal amount, PLN bn

The nominal amount of debt to be redeemed in 2024 (as of March 31, 2024), is equal to PLN 117.8bn, including:

- T-bonds: PLN 79.5bn,
- T-retail bonds: PLN 20.2bn,
- bonds and loans incurred on foreign markets: PLN 18.0bn.



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

as of March 31, 2024, nominal amount, PLN bn

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

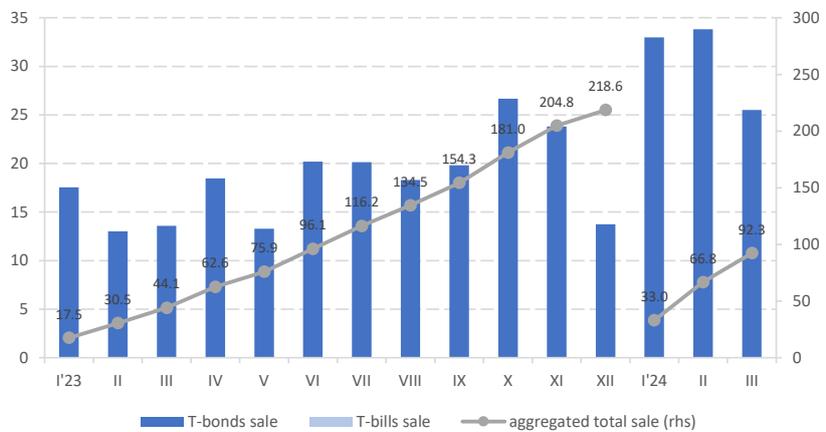
- WZ0124: PLN 11.3bn (48% of the issuance),
- PS0424: PLN 11.7bn (37% of the issuance),
- WZ0524: PLN 12.7bn (50% of the issuance),
- OK0724: PLN 5.2bn (29% of the issuance),
- PS1024: PLN 3.7bn (10% of the issuance).



Sale of domestic TS in 2023 and 2024

settlement date, nominal amount, PLN bn

In the period of I-III 2024 aggregated total sale of T-bonds amounted to PLN 92.3bn versus PLN 44.1bn in the same period of 2023. T-bills were not sold.



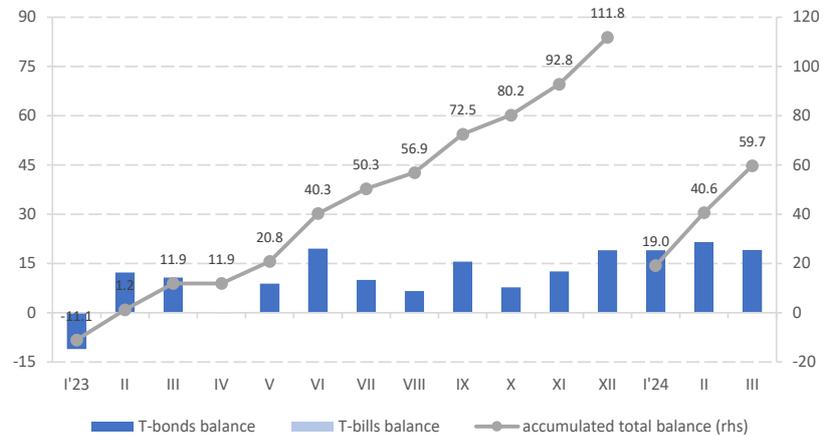
Balance of domestic TS in 2023 and 2024

settlement date, nominal amount, PLN bn

In the period of I-III 2024 indebtedness in:

- T-bonds increased by PLN 59.7bn versus increase of PLN 11.9bn in the same period of 2023,
- 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 2023 and 2024

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

Net financing on foreign markets in the period of I-III 2024 was positive and amounted to EUR 7.1bn, which resulted from:

- positive balance of T-bonds issuance of EUR 7.1bn,
- negative balance of loans incurred from IFIs at the level of EUR 0.03bn.

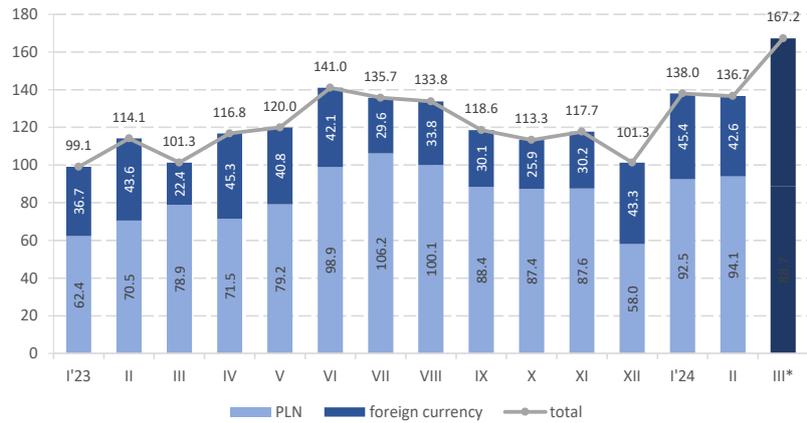


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of March 2024 there was the equivalent of PLN 167.2bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

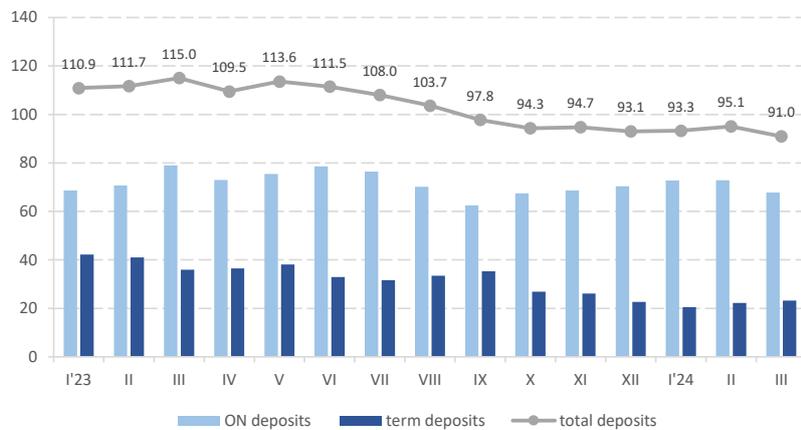


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

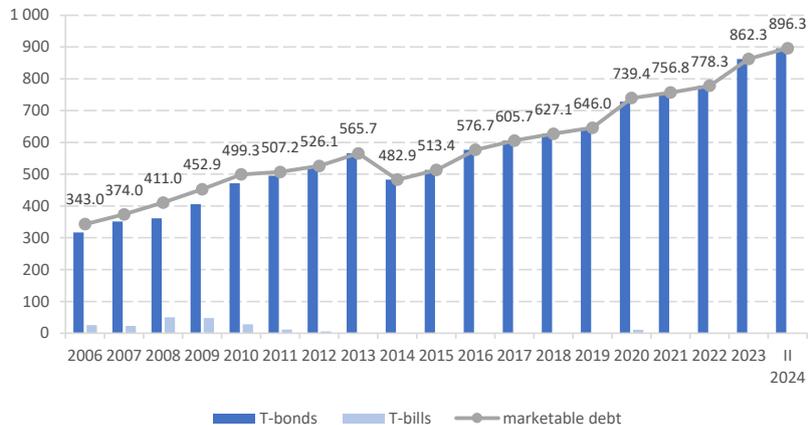
At the end of March 2024 funds accumulated within the consolidation of public finances liquidity management amounted to PLN 91.0bn, of which PLN 23.2bn was as term deposits and PLN 67.8bn on ON deposits.



Structure of domestic marketable debt

PLN bn

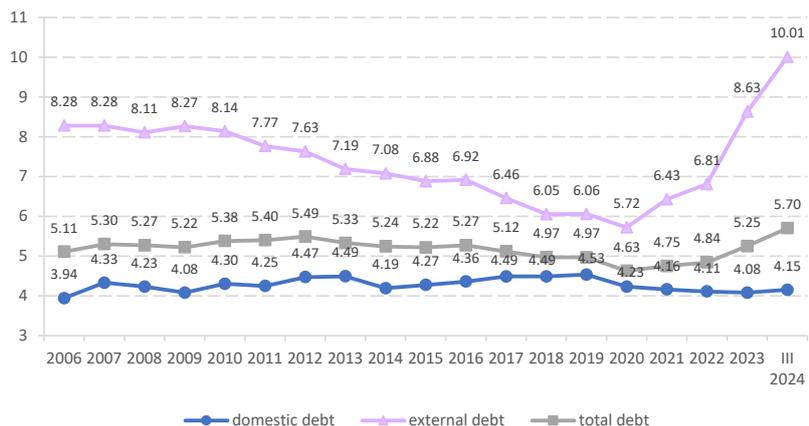
At the end of February 2024 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 896.3bn comparing to PLN 862.3bn at the end of 2023.



Average maturity

years

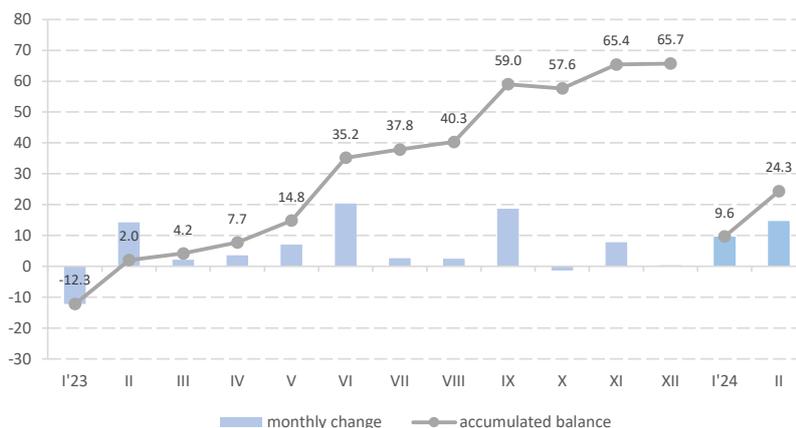
At the end of March 2024 the average maturity of domestic debt amounted to 4.15 years (while at the end of 2023 it was 4.08 years). The average of total debt amounted to 5.70 years (5.25 years at the end of 2023).



Change of debt in the domestic TS held by banks

PLN bn

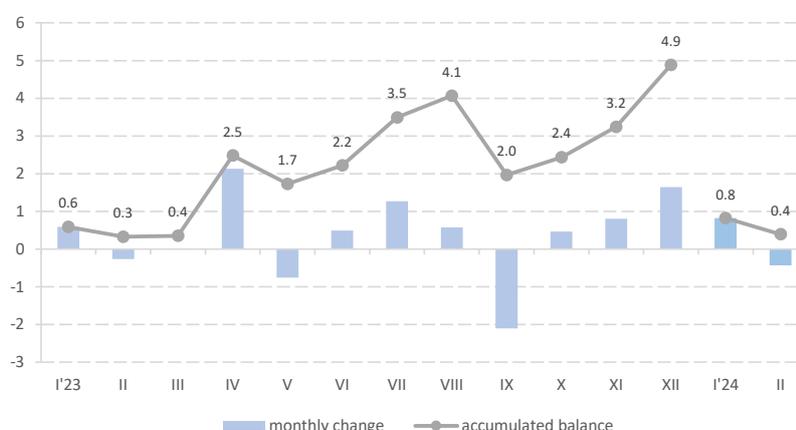
In the period of I-II 2024 there was an increase of debt by PLN 24.3bn comparing to PLN 2.0bn increase during the same period of 2023. Banks' holdings reached the level of PLN 518.1bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

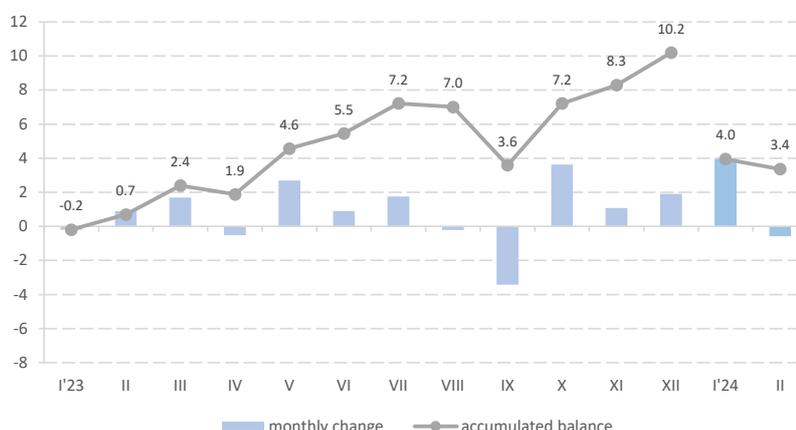
In the period of I-II 2024 there was an increase of debt by PLN 0.4bn comparing to PLN 0.3bn increase during the same period of 2023. Insurance companies' holdings reached the level of PLN 64.9bn.



Change of debt in the domestic TS held by investment funds

PLN bn

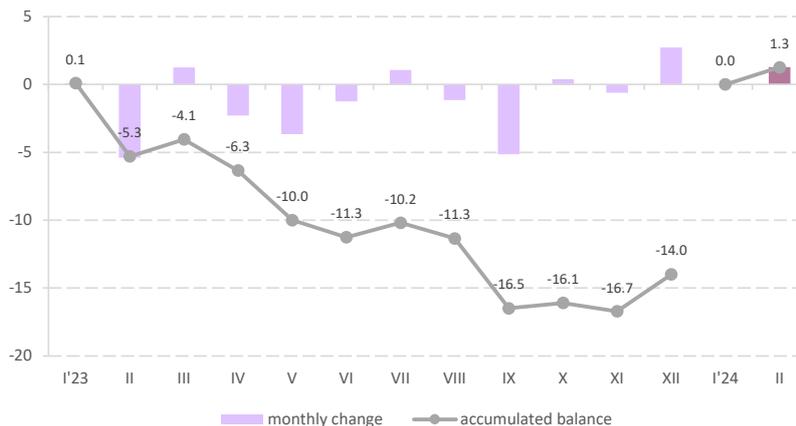
In the period of I-II 2024 there was an increase of debt by PLN 3.4bn comparing to PLN 0.7bn increase during the same period of 2023. Investment funds' holdings reached the level of PLN 60.7bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-II 2024 there was an increase of debt by PLN 1.3bn comparing to PLN 5.3bn decrease during the same period of 2023. Foreign investors' holdings reached the level of PLN 133.4bn.

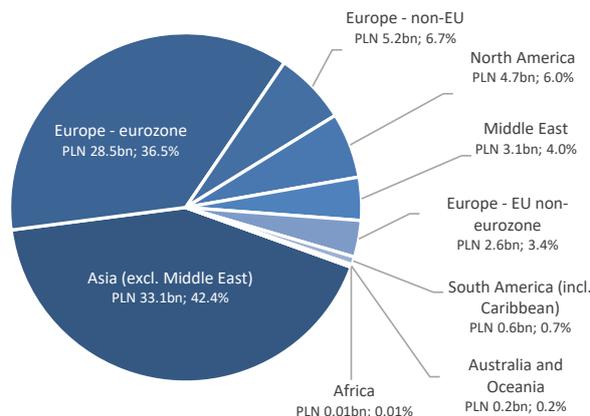


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Geographical distribution of the domestic TS held by non-residents

as of February 29, 2024, the chart presents data excluding omnibus accounts

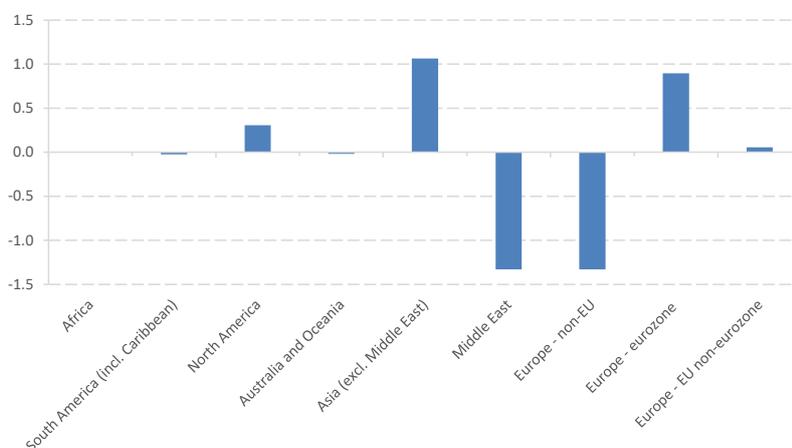
The non-residents' share in the domestic Treasury securities market decreased by PLN 0.1bn in February 2024. The foreign investors' portfolio amounted to PLN 133.4bn, which constituted 13.1% share in total debt in TS (13.3% in the previous month).



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

change in February 2024, mom, PLN bn, the chart presents data excluding omnibus accounts

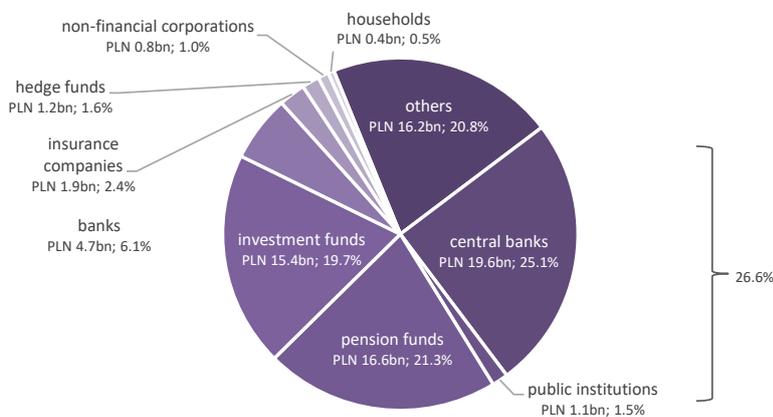
In February 2024 the highest increase was noted by investors from Asia (excl. Middle East) (PLN 1.1bn). The highest decrease was noted by investors from Middle East and from Europe — non EU countries (both by PLN 1.3bn).



Institutional distribution of the domestic TS held by non-residents

as of February 29, 2024, the chart presents data excluding omnibus accounts

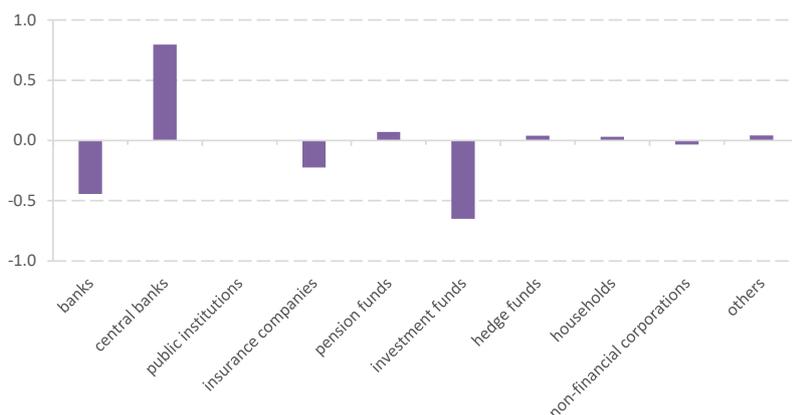
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 26.6% at the end of February 2024.



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

change in February 2024, mom, PLN bn, the chart presents data excluding omnibus accounts

In February 2024 the highest increase was recorded by central banks (PLN 0.8bn), while the highest decrease was noted by investment funds (PLN 0.7bn).



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

change in February 2024, PLN bn

Central banks and public institutions' involvement increased by PLN 0.8bn in February 2024. In the period from the end of January 2018 to the end of February 2024 portfolios of those entities decreased by PLN 20.8bn.



Structure of non-residents' holdings in TS by countries

as of February 29, 2024, 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	13 898.5	23.8%
Luxembourg	9 741.6	16.7%
Netherlands	8 917.8	15.3%
United States	4 236.1	7.2%
Germany	4 148.6	7.1%
Ireland	3 059.7	5.2%
United Kingdom	2 913.9	5.0%
Switzerland	1 785.1	3.1%
France	1 629.2	2.8%
Singapore	1 158.9	2.0%
Denmark	881.4	1.5%
Czech Republic	794.6	1.4%
Bulgaria	676.4	1.2%
Cayman Islands	558.7	1.0%
Others	4 056.5	6.9%
Total	58 456.9	100.0%

Comment

Jurand Drop, Undersecretary of State, MoF

02-04-2024

At the end of March, the level of financing of this year's gross borrowing requirements of the state budget is approximately 56%. Two sales auctions and one switch auction, with the supply taking into account the redemption schedule are planned in April. No Treasury bill auctions are planned. In total, we plan six sales auctions and three switch auctions in the second quarter of 2024.

In February 2024, the indebtedness in Treasury securities on the domestic market increased by PLN 21.6 bn. The involvement of domestic banks increased by PLN 14.7 bn, domestic non-bank investors by PLN 5.6 bn and foreign investors by PLN 1.3bn.

General assumptions

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

Offer of T-bonds on the domestic market

- **sale auctions:**
six auctions, total supply PLN 40.0-55.0 bn, the structure of the sold T-bonds will be subject to the market situation.
- **switch auctions:**
three auctions - securities offered to repurchase will be T-bonds maturing in 2024 and in 2025.

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 0.4bn,
- possible loans from Recovery and Resilience Facility.

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
10 April 2024	12 April 2024	OK0426 / PS0729 / WZ1129 / DS1034 possible other T-bond	5,000-9,000
23 April 2024	25 April 2024	OK0426 / PS0729 / WZ1129 / DS1034 possible other T-bond	6,000-10,000

**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)
17 April 2024/ 19 April 2024	OK0426/ PS0729 / WZ1129 / DS1034 possible other T-bond	PS0424	20,336
		WZ0524	12,887
		OK0724	13,137
		PS1024	33,125

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0724 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0425 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.05% in the first coupon period
DOR0426 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.50%); 6.30% in the first coupon period
TOS0427 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.40%
COI0428 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 6.55% in the first coupon period
EDO0434 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%); 6.80% in the first coupon period
ROS0430 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.75%); 6.75% in the first coupon period
ROD0436 family bonds 12-year	100.00 PLN	Floating (inflation rate + 2.00%); 7.05% in the first coupon period