

State budget borrowing requirements' financing plan and its background

1st quarter 2025

January 2025

THE MOST IMPORTANT INFORMATION

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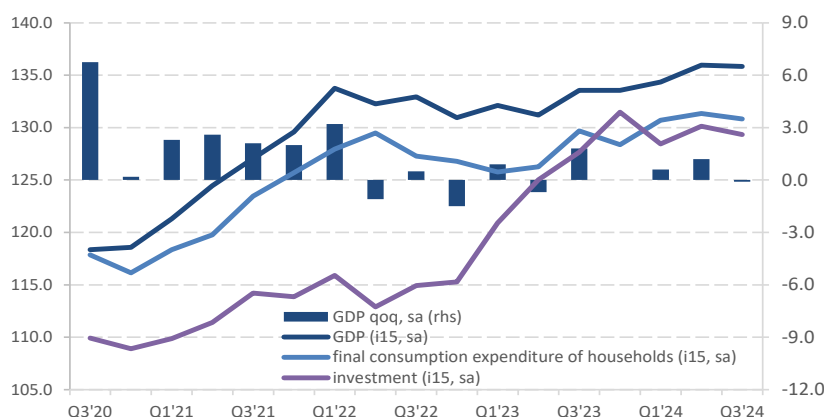
I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices, seasonally adjusted data (sa)

source: GUS, Eurostat

In the third quarter of 2024 GDP decreased by 0.1% (qoq, sa), after an increase of 1.2% a quarter earlier. Household consumption decreased by 0.4% and investment by 0.6% (qoq, sa). Exports remained in a slight downward trend, while imports increased again.

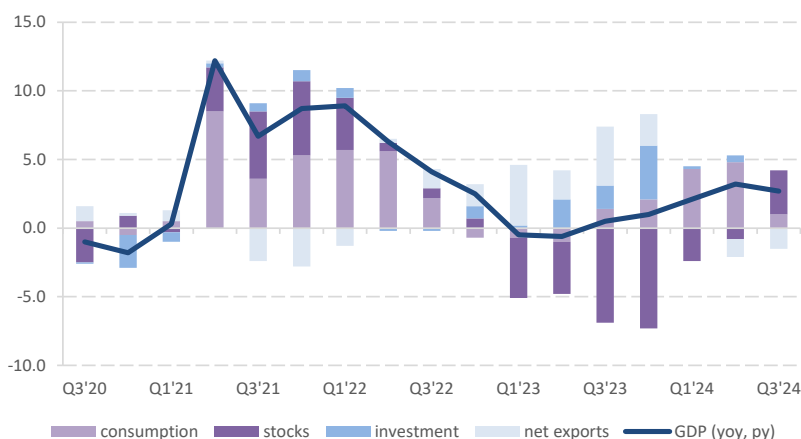


Contributions to Polish GDP growth

average prices of the previous year (py), yoy

source: GUS, MoF own calculation

The annual change in GDP recorded in the third quarter of 2024 (2.7%, py) was lower than that observed in previous quarter. The dynamics of household consumption deteriorated markedly, compared to that of the first half of the year. The growth of investments was also weaker (in addition in the context of weak investment activity of companies it was probably mainly supported by GG sector's investments). Both categories were slightly higher than a year ago. The increase in public consumption was higher, but it was also more than twice as low as in the first half of this year (with a high increase in the deflator of this item). As a result of a decrease in exports (weak export markets) and an increase in imports the contribution of net exports was negative. The main driver of GDP growth was the increase in inventories (as much as 3.2 pp.).

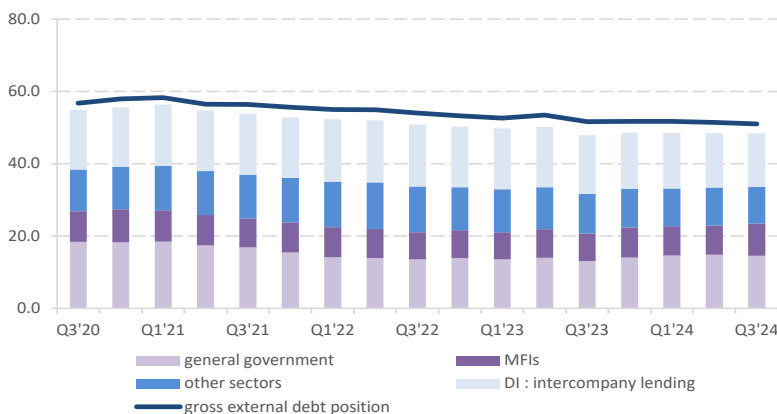


Polish gross external debt position

percent of GDP

source: NBP, GUS, MoF own calculation

At the end of the third quarter of 2024 gross external debt reached EUR 417.1bn (51.0% of GDP) and was EUR 8.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 28.5%. At the end of October 2024 official reserve assets reached EUR 198.3bn and remained broadly adequate, covering nearly 6 months of imports.

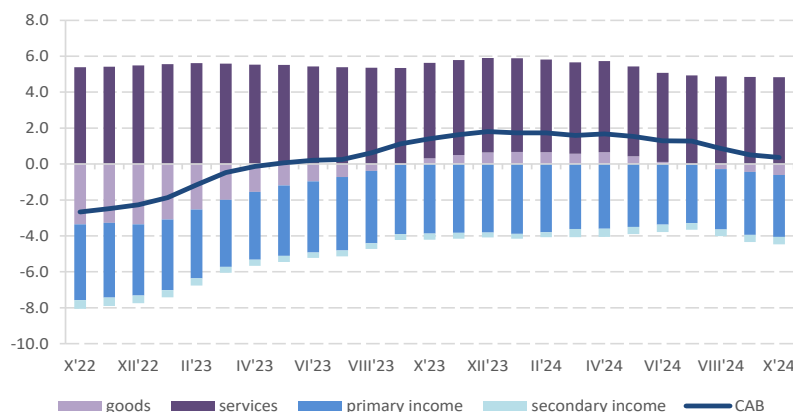


Current account balance

percent of GDP, in 12-month terms

source: NBP, GUS, MoF own calculation

In October 2024, taking into account new quarterly data, Poland's C/A surplus decreased to 0.4% of GDP (in 12-month terms). Yearly imports dynamics for the sixth month in a row was clearly higher than exports dynamics. Exports continued to be limited by low demand in the economies of Polish's main trading partners. Imports, on the other hand, benefited from an increase in domestic demand. Primary income deficit in relation to GDP remained the main source of the negative contribution to the external balance. Capital account surplus amounted to 0.6% of GDP increasing positive net lending/net borrowing (1.0% of GDP).

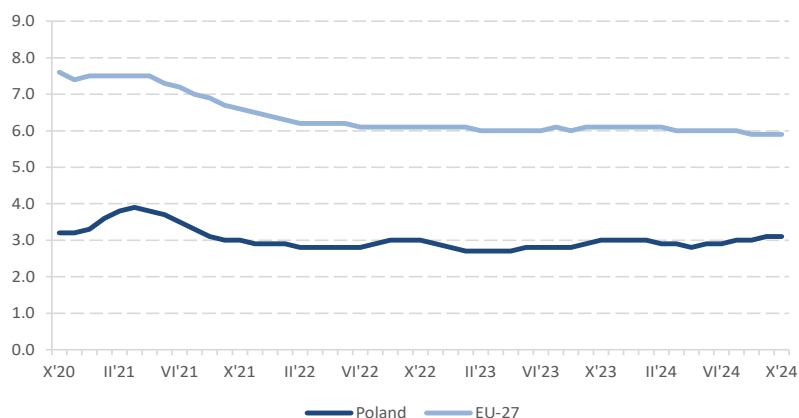


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

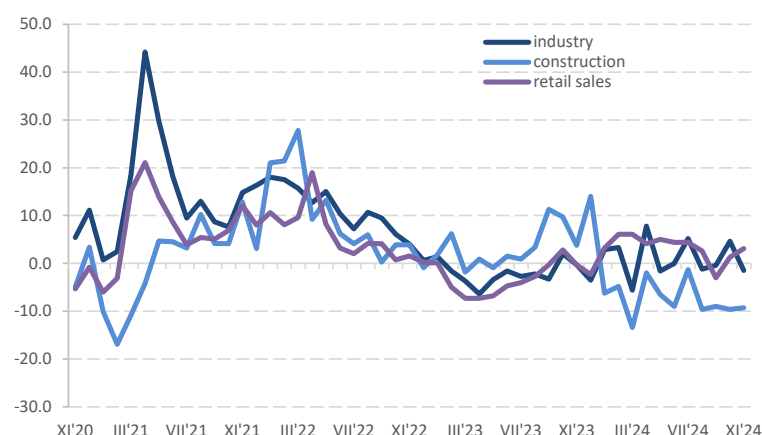
percent, seasonally adjusted data
source: Eurostat

The harmonized unemployment rate (sa) amounted to 3.1% in October 2024 and it was at the same level as in the previous month and by 0.1 pp. higher than a year earlier. It was by 0.4 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 (5.9% and 6.3%, respectively). In October 2024, among the EU countries, it was lower than in Poland only in Czechia and Malta.

**Monthly indicators of the real sector**

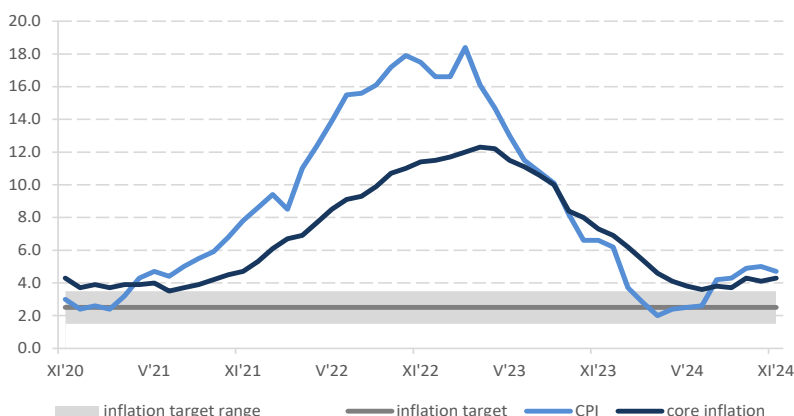
sold production in constant prices,
non-seasonally adjusted (nsa)
source: Eurostat, GUS, MoF own calculation

In November 2024 industrial production was 1.5% lower than a year ago (nsa). The data were below market expectations. Construction production was by 9.3% (nsa) lower than a year ago. The data were above market expectations. Retail sales was by 3.1% (nsa) higher than a year ago. The data were much better than market expectations.

**Inflation**

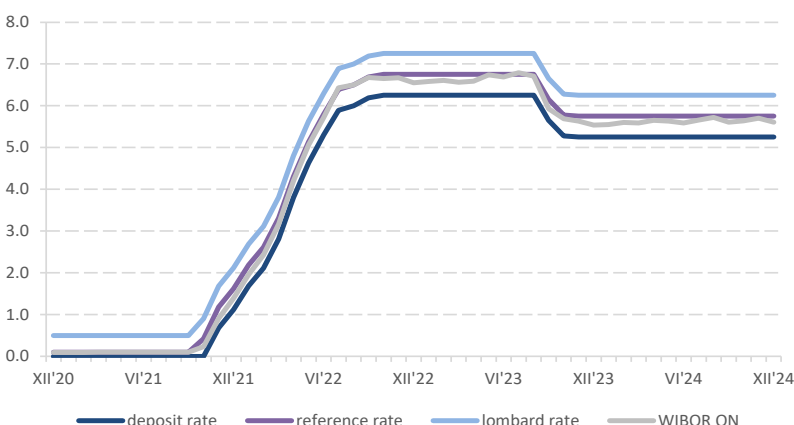
percent, yoy
source: GUS, NBP

In November 2024 inflation rate decreased to 4.7% (yoy). The annual price growth rate of energy was significantly lower (5.6%) and growth rate of food and non-alcoholic beverages prices decreased to 4.8%. Core inflation rose to 4.3%. According to the preliminary data in December CPI rate increased to 4.8% and in whole 2024 year was 3.7%. In November producer prices were lower than a year before by 3.7%. The very low annual dynamics is related to the former drop of commodity prices on international markets and the strengthening of the zloty.

**NBP interest rates**

percent, end of period
source: NBP, Refinitiv

In December 2024, the Monetary Policy Council left NBP interest rates unchanged for the thirteenth meeting in a row. Reference rate was kept at 5.75%, lombard rate at 6.25%, while the deposit rate remained at 5.25%. The NBP Governor surprised with a hawkish rhetoric during his press conference, stating that the discussion on interest rate cut might start in October 2025 (so far he had pointed to March 2025) and a decision on interest rate reduction itself moves into 2026.



II. STATISTICAL DATA

	Unit	2023 Q02	Q03	Q04	2024 Q01	Q02	Q03
GDP							
Gross domestic product	YoY	-0.6	0.5	1.0	2.1	3.2	2.7
	QoQ SA	-0.7	1.8	0.0	0.6	1.2	-0.1
Final consumption expenditure of the households sector	YoY	-2.3	1.5	0.6	4.4	4.6	0.3
	QoQ SA	0.4	2.7	-1.0	1.8	0.5	-0.4
Final consumption expenditure of the general government sector	YoY	2.4	2.8	9.8	9.4	11.5	4.5
	QoQ SA	1.1	2.1	1.5	2.4	1.5	0.6
Gross fixed capital formation	YoY	14.8	11.0	17.6	1.9	3.2	0.1
	QoQ SA	3.4	2.1	3.0	-2.3	1.3	-0.6
Exports of goods and services	YoY	-0.2	5.0	3.9	2.1	2.9	-0.7
	QoQ SA	-1.4	5.7	-1.3	-0.3	-0.2	-0.3
Imports of goods and services	YoY	-3.4	-1.9	0.0	2.3	5.7	1.9
	QoQ SA	-1.3	2.2	0.4	0.9	1.6	0.3
Gross value added	YoY	1.0	1.0	1.8	1.8	2.2	2.3
	QoQ SA	-0.3	2.0	0.0	0.0	1.2	-0.3
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	-1.4	0.9	0.3	2.7	2.6	0.2
Final consumption expenditure of the general government sector	pp	0.4	0.5	1.8	1.6	2.2	0.8
Gross fixed capital formation	pp	2.1	1.7	3.9	0.2	0.5	0.0
Changes in inventories	pp	-3.8	-6.9	-7.3	-2.4	-0.8	3.2
Balance of trade turnover	pp	2.1	4.3	2.3	0.0	-1.3	-1.5
Gross value added	pp	0.9	0.9	1.6	1.7	2.0	2.0
GDP structure							
Final consumption expenditure of the households sector	% of GDP	57.8	59.3	50.0	61.9	58.5	58.3
Final consumption expenditure of the general government sector	% of GDP	18.7	18.6	21.1	19.3	21.0	19.7
Gross fixed capital formation	% of GDP	15.6	16.7	24.9	12.5	15.8	16.2
Changes in inventories	% of GDP	-0.3	-1.0	-1.1	-0.7	-1.0	2.1
Exports of goods and services	% of GDP	60.9	55.7	52.3	55.9	54.3	51.0
Imports of goods and services	% of GDP	53.8	50.4	48.1	50.0	49.6	48.2
	Unit	2024 M06	M07	M08	M09	M10	M11
Balance of payments							
Goods: exports (EUR)	YoY	-6.7	5.3	-2.7	1.0	1.5	-
Goods: imports (EUR)	YoY	1.4	9.8	5.5	5.7	6.6	-
Current account balance ¹⁾	% of GDP	1.3	1.3	0.9	0.5	0.4	-
Balance on goods ¹⁾	% of GDP	0.1	0.0	-0.3	-0.4	-0.6	-
Official Reserve Assets	EUR m	195.914.8	190.534.9	192.594.5	195.301.0	198.275.4	206.702.0
Inflation							
Consumer Price Index (CPI)	YoY	2.6	4.2	4.3	4.9	5.0	4.7
Core inflation (CPI excluding food and energy prices)	YoY	3.6	3.8	3.7	4.3	4.1	4.3
Producer Price Index (PPI)	YoY	-5.8	-5.1	-5.5	-6.2	-5.1	-3.7
Production							
Sold production of industry ²⁾	YoY	0.0	5.2	-1.2	-0.4	4.6	-1.5
	MoM SA	1.0	-0.2	-0.7	-0.3	4.4	-2.8
Construction and assembly production ²⁾	YoY	-9.0	-1.3	-9.6	-9.0	-9.6	-9.3
	MoM SA	-2.2	0.5	-0.3	0.3	-2.1	2.7
Manufacturing PMI	SA	45.0	47.3	47.8	48.6	49.2	48.9
Households and labour market							
Retail sales ²⁾	YoY	4.4	4.4	2.6	-3.0	1.3	3.1
Average paid employment in enterprise sector	YoY	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
	MoM	0.0	0.1	-0.3	-0.1	-0.1	0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	8.2	6.1	6.6	5.2	5.0	5.6
	MoM	1.7	0.2	-1.2	-0.7	1.9	1.4
Harmonised unemployment rate (Eurostat)	%, SA	2.9	3.0	3.0	3.1	3.1	-
1) Data in 12-month terms							
2) Constant prices. Data for units in which the number of employed persons exceeds 9 persons							
Source: Statistics Poland, NBP, Eurostat, S&P Global, MoF calculation based on NBP, Statistics Poland data							
	Unit	2024 M05	M06	M07	M08	M09	M10
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1.449.227.6	1.475.039.2	1.476.771.7	1.492.694.7	1.516.496.3	1.537.035.1
Domestic debt	face value, PLN m	1.106.261.2	1.127.621.1	1.143.561.4	1.162.349.1	1.187.297.6	1.189.057.6
	%	76.3	76.4	77.4	77.9	78.3	77.4
Foreign debt	face value, PLN m	342.966.4	347.418.2	333.210.3	330.345.5	329.198.7	347.977.5
	%	23.7	23.6	22.6	22.1	21.7	22.6
	Unit	2023 Q02	Q03	Q04	2024 Q01	Q02	Q03
Public debt (domestic definition)							
Public debt (acc. to the place of issue criterion)	face value, PLN m	1.241.612.6	1.275.372.8	1.328.065.6	1.417.038.6	1.456.295.0	1.498.024.1
Domestic debt	face value, PLN m	925.382.1	955.030.5	998.740.9	1.059.087.3	1.083.845.8	1.143.624.1
	%	74.5	74.9	75.2	74.7	74.4	76.3
Foreign debt	face value, PLN m	316.230.5	320.342.3	329.324.7	357.951.3	372.449.1	354.399.9
	%	25.5	25.1	24.8	25.3	25.6	23.7
General Government debt (EU definition)							
General Government debt	face value, PLN m	1.581.811.5	1.624.461.5	1.691.216.2	1.772.055.9	1.824.469.6	1.897.059.8

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

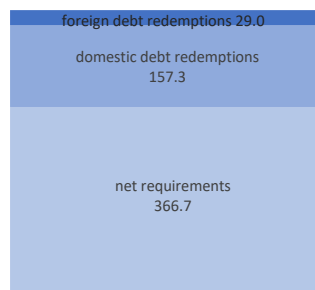
Gross borrowing requirements in 2025

as of December 31, 2024, PLN bn

The prefinancing of the State budget borrowing requirements of 2025 reached the level of ca. 30% by the end of 2024. The final values will be known after the close of the budget year.

Gross borrowing requirements

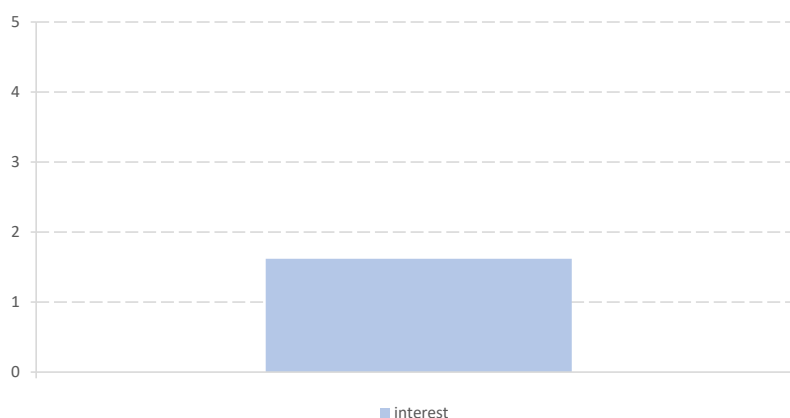
Total: PLN 553.0 bn, of which:



Outflows of funds related to domestic marketable T-securities transfers in January 2025

plan as of December 31, 2024, PLN bn

Value of funds transferred from the State budget to the market in January shall amount to PLN 1.6bn (interest payments).

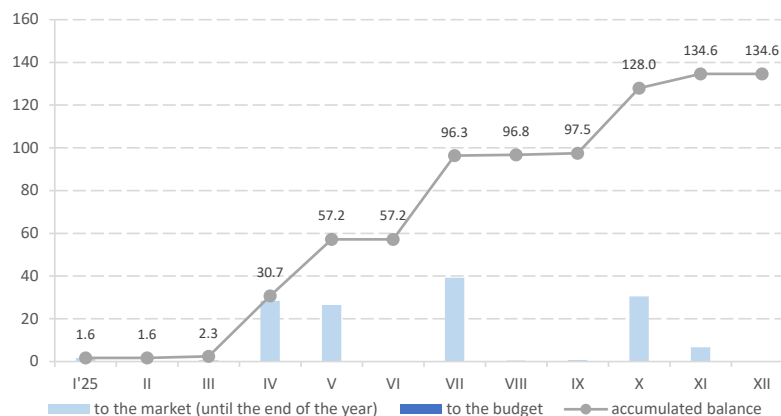


Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

As of December 31, 2024, to the end of the 2025 year the funds to be transferred to the market shall amount to PLN 134.6bn.

*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

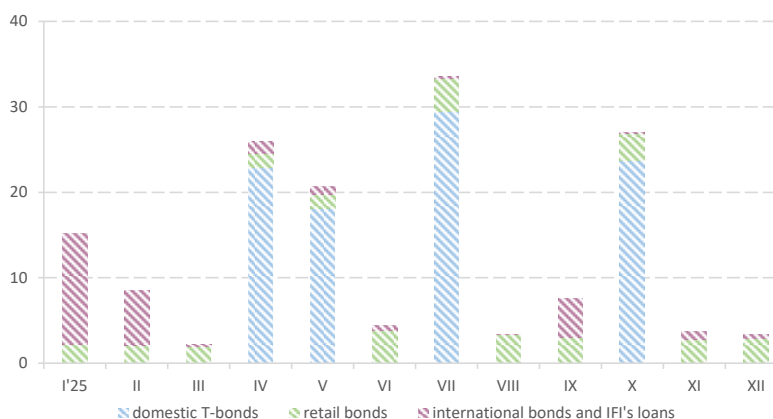


State Treasury debt redemptions in 2025

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

The nominal amount of debt to be redeemed in 2025 (as of December 31, 2024), is equal to PLN 155.5bn, including

- -T-bonds: PLN 94.2bn
- T-retail bonds: PLN 32.3bn,
- bonds and loans incurred on foreign markets: PLN 29.1bn.

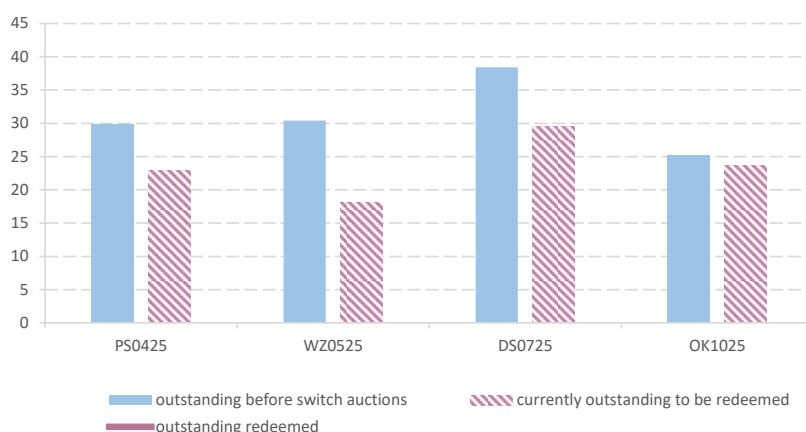


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2025

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

Buy-back of T-bonds maturing in 2025 (by switch):

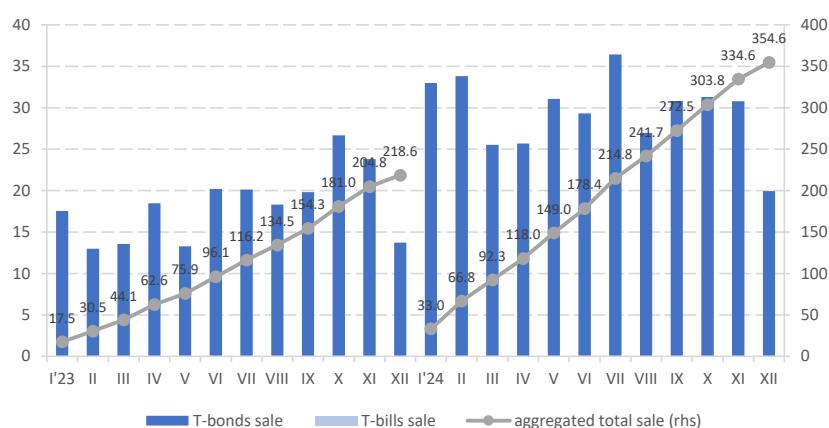
- PS0425: PLN 7.0bn (24% of the issuance),
- WZ0525: PLN 12.3bn (41% of the issuance),
- DS0725: PLN 8.9bn (23% of the issuance),
- OK1025: PLN 1.4bn (6% of the issuance).



Sale of domestic TS in 2023 and 2024

settlement date, nominal amount, PLN bn

In the period of I-XII 2024 aggregated total sale of T-bonds amounted to PLN 354.6bn versus PLN 218.6bn in the same period of 2023. T-bills were not sold.



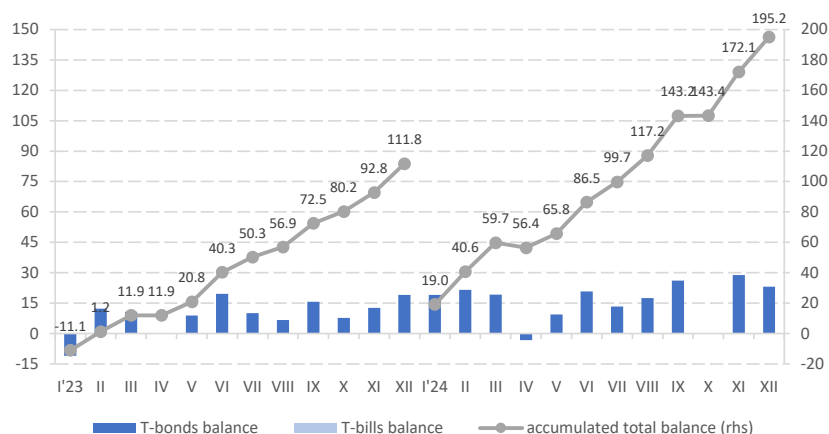
Balance of domestic TS in 2023 and 2024

settlement date, nominal amount, PLN bn

In the period of I-XII 2024 indebtedness in:

- T-bonds increased by PLN 195.2bn versus increase of PLN 111.8bn 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.

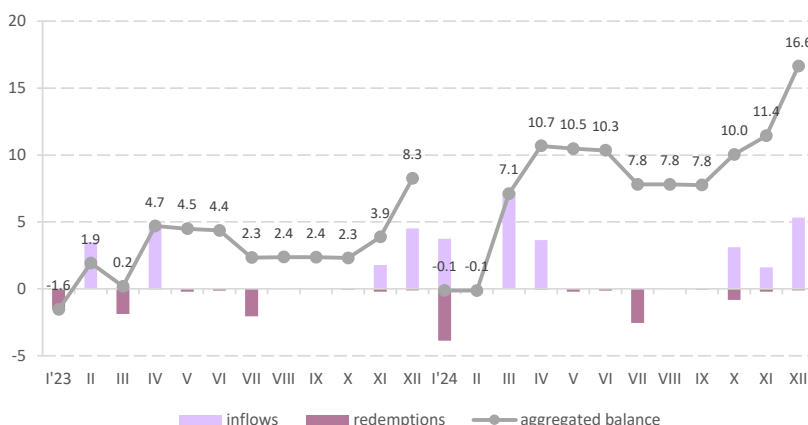


External financing in 2023 and 2024

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

Net financing on foreign markets in the period of I-XII 2024 was positive and amounted to EUR 16.6bn, which resulted from:

- positive balance of T-bonds issuance of EUR 7.7bn,
- positive balance of loans incurred from IFIs at the level of EUR 0.01bn,
- positive balance of loans incurred from European Union (RRF) at the level of EUR 9.0bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

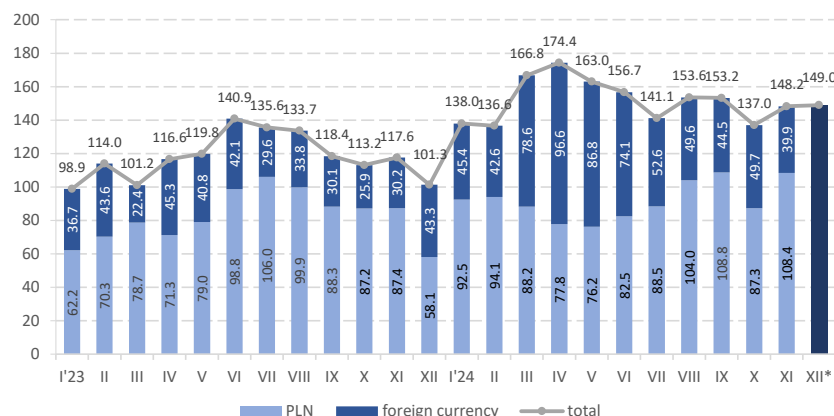
MOF

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 2024 there was the equivalent of PLN 149.0bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

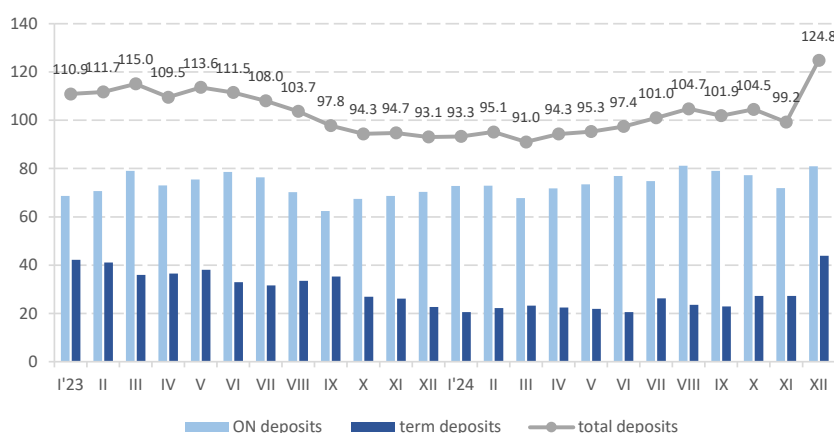
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

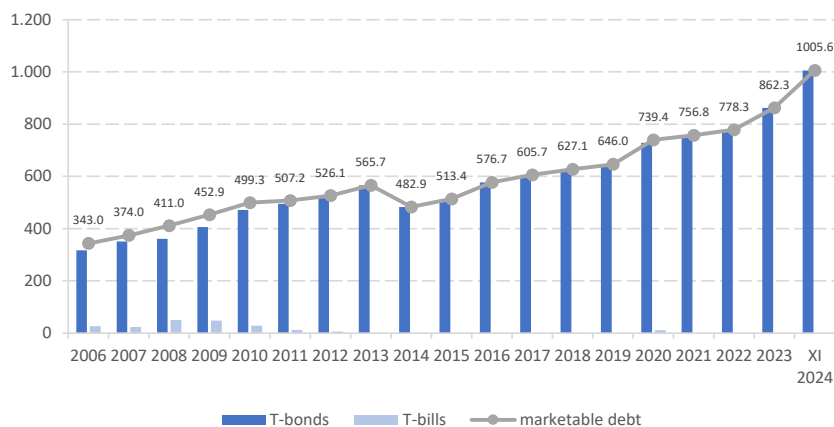
At the end of December 2024 funds accumulated within the consolidation of public finances liquidity management amounted to PLN 124.8bn, of which PLN 43.9bn was as term deposits and PLN 80.9bn on ON deposits.



Structure of domestic marketable debt

PLN bn

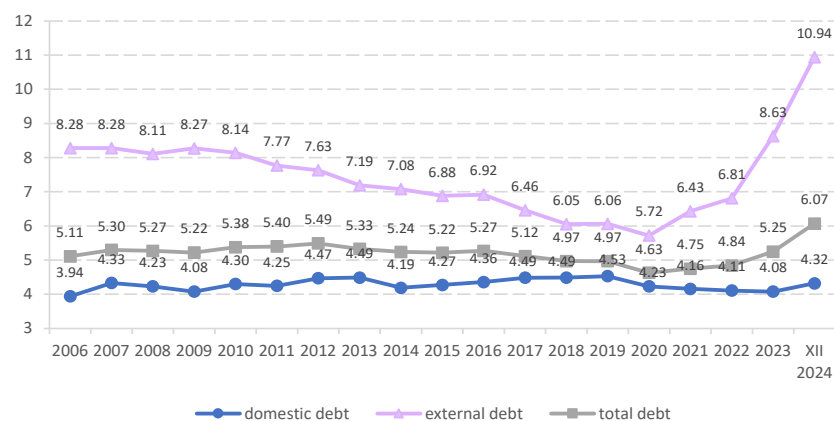
At the end of November 2024 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 1005.6bn comparing to PLN 862.3bn at the end of 2023.



Average maturity

years

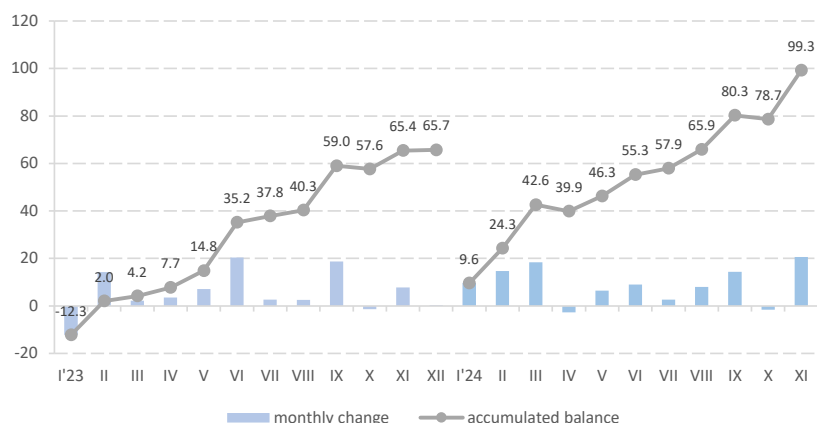
At the end of December 2024 the average maturity of domestic debt amounted to 4.32 years (while at the end of 2023 it was 4.08 years). The average of total debt amounted to 6.07 years (5.25 years at the end of 2023).



Change of debt in the domestic TS held by banks

PLN bn

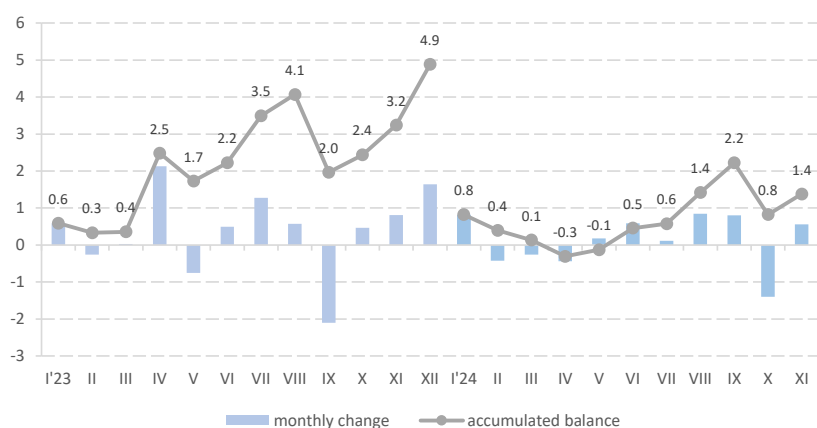
In the period of I-XI 2024 there was an increase of debt by PLN 99.3bn comparing to PLN 65.4bn increase during the same period of 2023. Banks' holdings reached the level of PLN 593.1bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

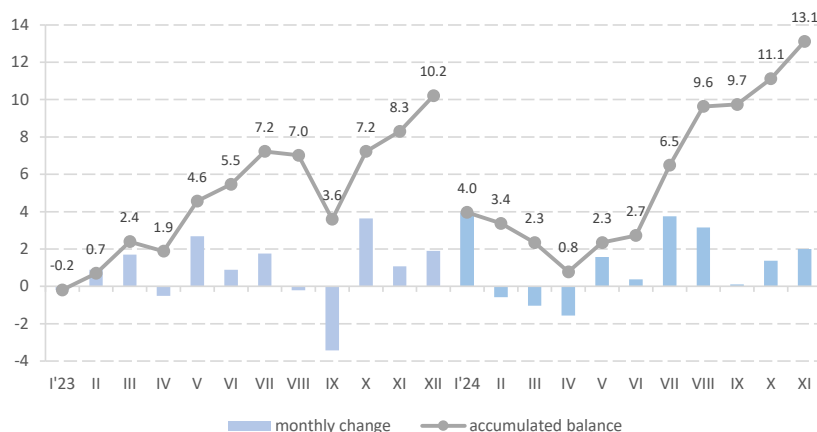
In the period of I-XI 2024 there was an increase of debt by PLN 1.4bn comparing to PLN 3.2bn increase during the same period of 2023. Insurance companies' holdings reached the level of PLN 65.9bn.



Change of debt in the domestic TS held by investment funds

PLN bn

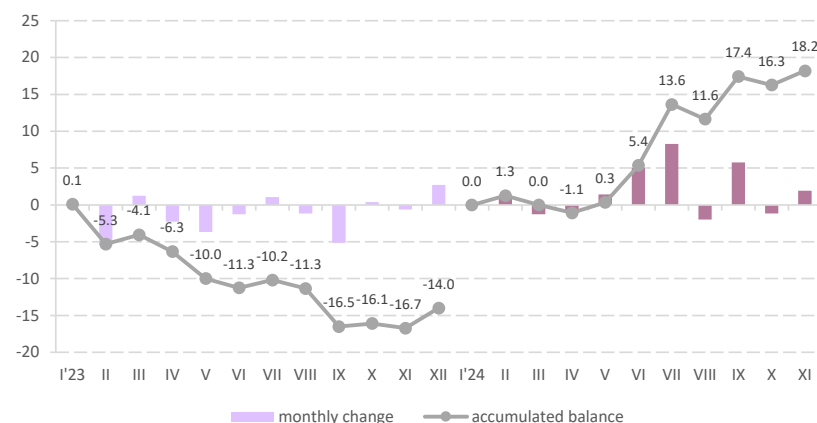
In the period of I-XI 2024 there was an increase of debt by PLN 13.1bn comparing to PLN 8.3bn increase during the same period of 2023. Investment funds' holdings reached the level of PLN 70.4bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

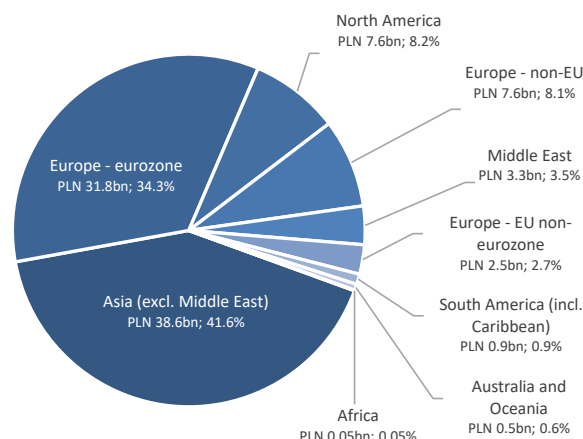
In the period of I-XI 2024 there was an increase of debt by PLN 18.2bn comparing to PLN 16.7bn decrease during the same period of 2023. Foreign investors' holdings reached the level of PLN 150.4bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

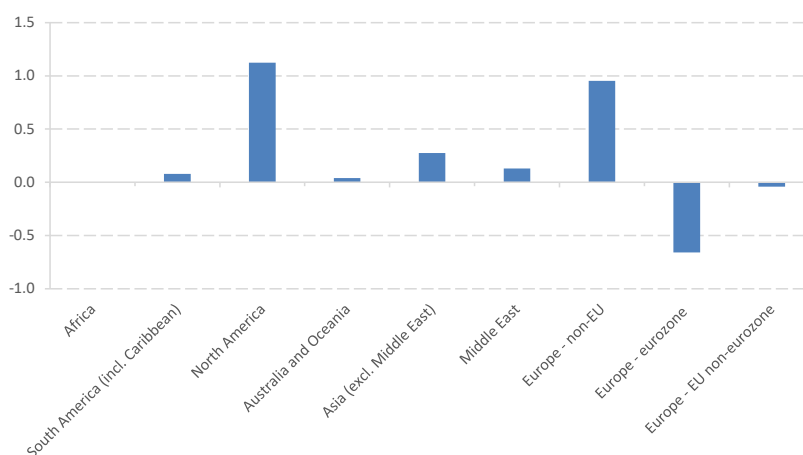
Geographical distribution of the domestic TS held by non-residents as of November 30, 2024, the chart presents data excluding omnibus accounts

The non-residents' share in the domestic Treasury securities market increased by PLN 1.9bn in November 2024. The foreign investors' portfolio amounted to PLN 150.4bn, which constituted 13.1% share in total debt in TS (13.3% in the previous month).



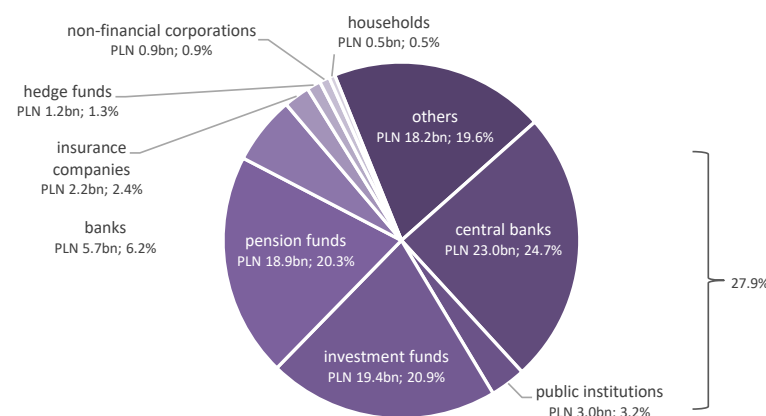
Change of debt in the domestic TS held by non-residents by regions change in November 2024, mom, PLN bn, the chart presents data excluding omnibus accounts

In November 2024 the highest increase was noted by investors from North America (PLN 1.1bn). The highest decrease was noted by investors from Europe - Eurozone (PLN 0.7 bn).



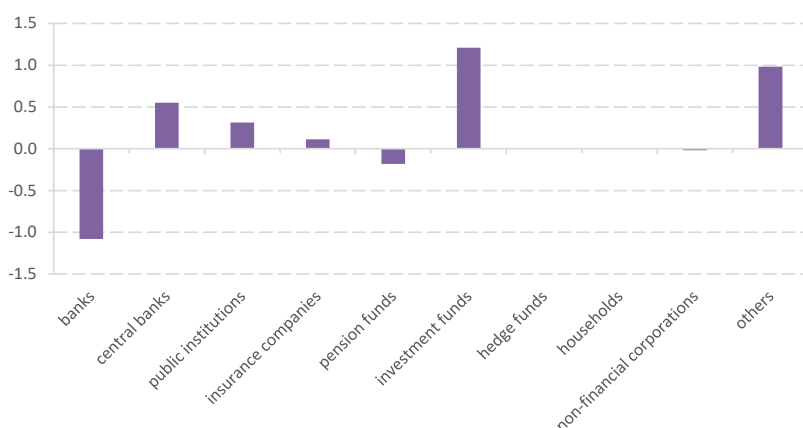
Institutional distribution of the domestic TS held by non-residents as of November 30, 2024, the chart presents data excluding omnibus accounts

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 27.9% at the end of November 2024.



Change of debt in the domestic TS held by non-residents by institutions change in November 2024, mom, PLN bn, the chart presents data excluding omnibus accounts

In November 2024 the highest increase was recorded by investments funds (PLN 1.2bn). The highest decrease was noted by banks (PLN 1.1bn).



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in November 2024. PLN bn

Central banks and public institutions' involvement increased by PLN 0.9bn in November 2024. In the period from the end of January 2018 to the end of November 2024 portfolios of those entities decreased by PLN 15.6bn.



Structure of non-residents' holdings in TS by countries

as of November 30, 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	15 048.8	21.5%
Luxembourg	10 126.0	14.5%
Netherlands (the)	9 131.1	13.1%
United States (the)	6 814.4	9.8%
Germany	4 167.1	6.0%
United Kingdom (the)	3 673.0	5.3%
Ireland	3 545.1	5.1%
Norway	1 923.0	2.8%
Switzerland	1 894.2	2.7%
Austria	1 820.4	2.6%
France	1 815.7	2.6%
Singapore	1 602.4	2.3%
Cayman Islands (the)	793.5	1.1%
Italy	783.7	1.1%
Bulgaria	766.4	1.1%
Canada	752.8	1.1%
Czech Republic (the)	740.9	1.1%
Korea (the Republic of)	694.7	1.0%
Others	3 775.3	5.4%
Total	69 868.4	100.0%

Comment

Jurand Drop, Undersecretary of State, MoF

31-12-2024

We initially estimate that at least 25% of next year's gross borrowing requirements of the state budget were pre-financed in the current year. The balance of funds in budget accounts at the end of the year will exceed PLN 130bn. The final values will be known after the close of the budget year. Three bond sale auctions are planned in January 2025. In addition, we plan to hold two auctions for the sale of treasury bills maturing in November 2025. In the first quarter, we plan 8 sale auctions and one bond switch auction. We will inform about the supply of treasury bills in the rest of the quarter in monthly plans, taking into account borrowing needs, bond sale results on the domestic market and the level of foreign financing. In November, the indebtedness in domestic Treasury securities increased by PLN 28.8bn. The indebtedness of domestic banks increased by PLN 20.6bn, domestic non-bank investors by PLN 6.2 bn and foreign investors by PLN 1.9 bn.

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,
- 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:**
eight auctions, total supply PLN 55.0-75.0bn, the structure of the sold T-bonds will be subject to the market situation.
- **switch auctions:**
one auction - securities offered to repurchase would be T-bonds maturing in 2025.

Offer of T-bills

The number of auctions and the supply of T-bills will be the result of the development of borrowing needs, the results of bond sales on the domestic market and the level of foreign financing. Detailed information related to the T-bills offer will be provided in the monthly Treasury securities supply plans.

Foreign financing

- possible issuance of bonds on the international markets,
- possible loans from International Financial Institutions up to EUR 0.5bn.

V. SUPPLY PLAN OF TREASURY SECURITIES IN JANUARY 2025

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
9 January 2025	13 January 2025	OK0127 / PS0130 / WZ0330 / DS1034 / IZ0831 possible other T-bonds	6,000-11,000
23 January 2025	27 January 2025	OK0127 / PS0130 / WZ0330 / DS1034 possible other T-bonds	5,000-10,000
29 January 2025	31 January 2025	OK0127 / PS0130 / WZ0330 / DS1034 / IZ0836 possible other T-bonds	5,000-10,000

*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 auctions

T-bond switching auctions are not planned.

T-bill auctions

Auction date	Settlement date	T-bill	Maturity date	Planned offer (PLN m)
13 January 2025	15 January 2025	45-week	26 November 2025	3,000-6,000
20 January 2025	22 January 2025	44-week	26 November 2025	3,000-6,000

Offer on the retail market

T-bond	Issue price	Coupon
OTS0425 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0126 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 5.75% in the first coupon period
DOR0127 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.15%); 5.90% in the first coupon period
TOS0128 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 5.95%
COI0128 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%); 6.30% in the first coupon period
EDO0135 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 2.00%); 6.55% in the first coupon period
ROS0131 family bonds 6-year	100.00 PLN	Floating (inflation rate + 2.00%); 6.50% in the first coupon period
ROD0137 family bonds 12-year	100.00 PLN	Floating (inflation rate + 2.50%); 6.80% in the first coupon period