



Ministry
of Finance

Republic
of Poland

Public Debt Department

State budget borrowing requirements' financing plan and its background

August 2015

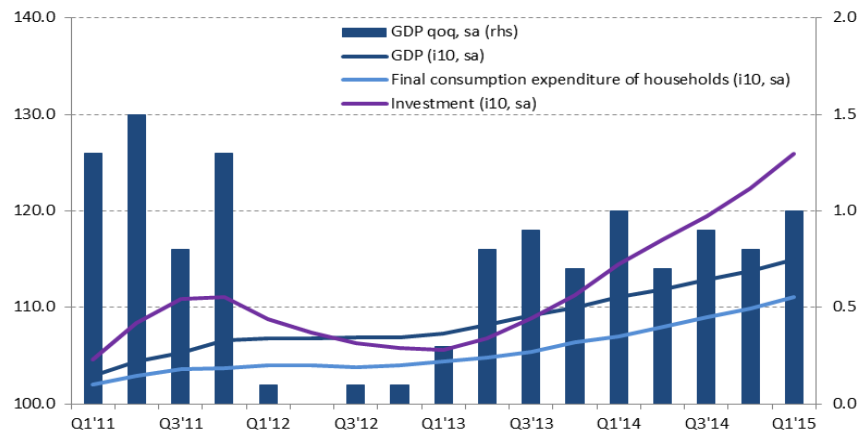
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Gross domestic product of Poland

constant prices, seasonally adjusted data
source: Eurostat

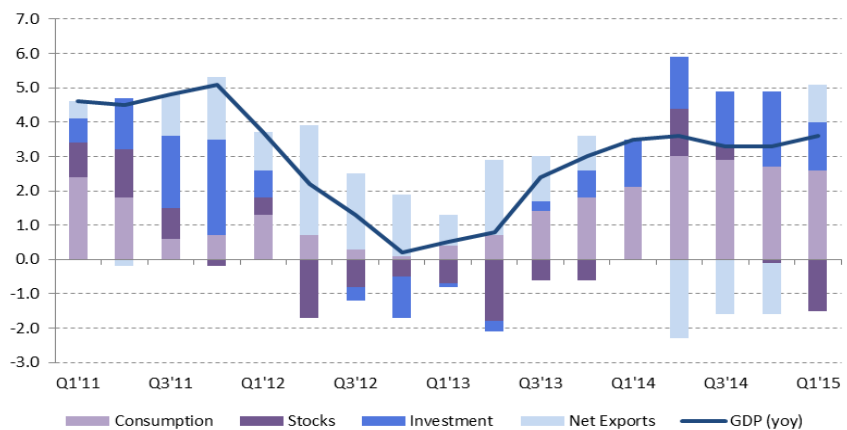
A steady recovery started in the middle of 2013. In the first quarter of 2015 Polish economy continued its upward trend: GDP increased by 1.0% (qoq, sa), following an increase by 0.8% in the fourth quarter of 2014.



Contributions to Poland's GDP growth

percentage points
source: GUS, MF own calculation

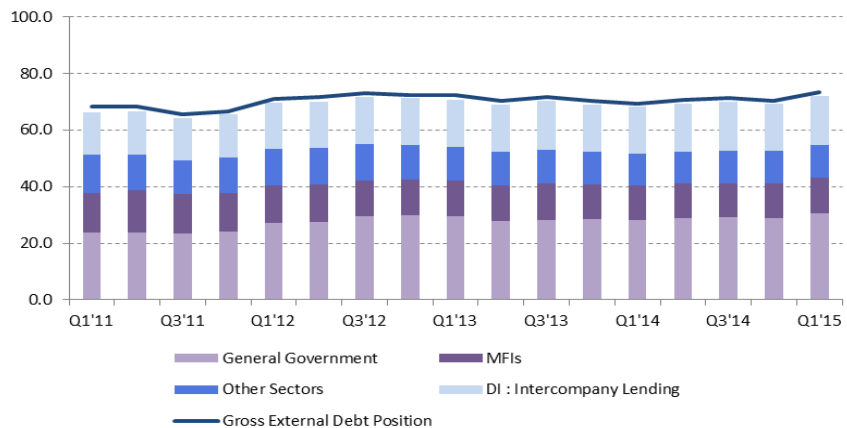
In the first quarter of 2015 GDP was 3.6% higher than a year ago. Domestic demand remained the main source of GDP growth mainly due to investments and private consumption. In the first quarter of 2015 domestic demand growth was lower than in the previous quarters due to negative contribution to GDP growth of inventories. The net exports contribution – for the first time in three quarters – was also positive.



Poland's gross external debt position

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

Gross external debt reached EUR 306.3bn (73.6% of GDP) at the end of the first quarter of 2015 and was EUR 14.9bn higher than in the previous quarter. The share of general government sector debt in total debt increased slightly to 41.7%. Official reserve assets reached EUR 93.9bn at the end of May 2015 and remained broadly adequate, covering about 6 months of imports.

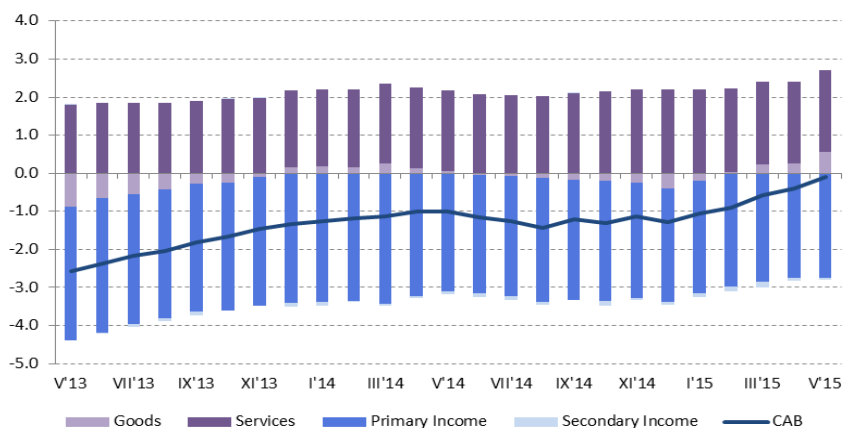


Current account balance

percent of GDP, in 12-month terms
source: NBP, GUS, MF own calculation

In May 2015, according to the preliminary data, C/A deficit amounted to 0.1% of GDP (in 12-month terms of GDP) as compared to 0.4% of GDP a month earlier. C/A deficit was with a wide margin covered by long term capital (mainly EU structural funds inflow).

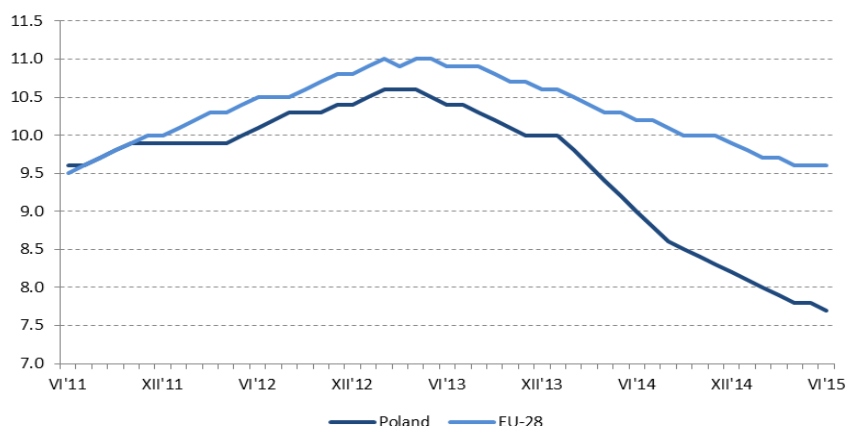
Within the first five months of 2015 the current account balance was positive.



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

Harmonised unemployment rate (sa) has continued its downward trend observed since mid-2013. In June 2015 it amounted to 7.7% (versus 9.6% in EU on average) which was 0.1 pp less than compared to the level of the previous month and 1.3 pp lower than a year before.

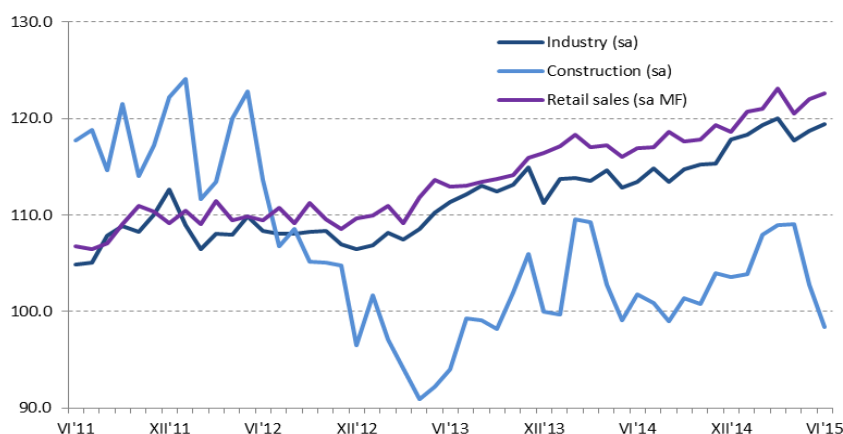


Monthly indicators of the real sector

sold production in constant prices, i10, seasonally adjusted data
source: Eurostat, GUS, MF own calculation

In June 2015 industrial output increased by 0.5% (mom, sa). In consequence production was 7.6% higher than a year ago (nsa). In June 2015 construction production went down by 4.2% (mom, sa) following a significant decline in the previous month. As a result, its level was 2.5% (nsa) lower than a year before.

In June 2015 real retail sales increased by 0.4% (mom, sa MoF). As a result, its level was 6.6% (nsa) higher than in the same month of 2014.

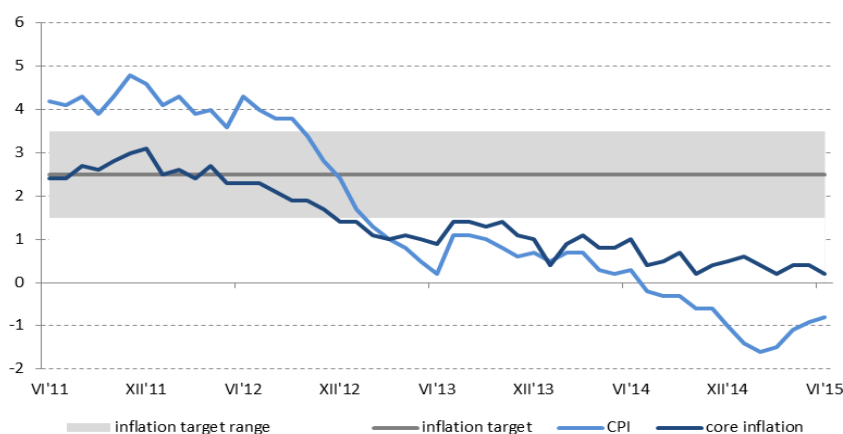


Inflation

percent, yoy
source: GUS, NBP

Since July 2014 consumer prices have been lower than a year before mainly because of drop of commodity prices (energy and food). In June 2015 deflation reached 0.8% (yoy). Core inflation (CPI excluding food and energy prices) is still positive but in June 2015 dropped to 0.2% (yoy).

Deflation in producer prices has been lasting over 2.5 years (1.6% yoy in June 2015).

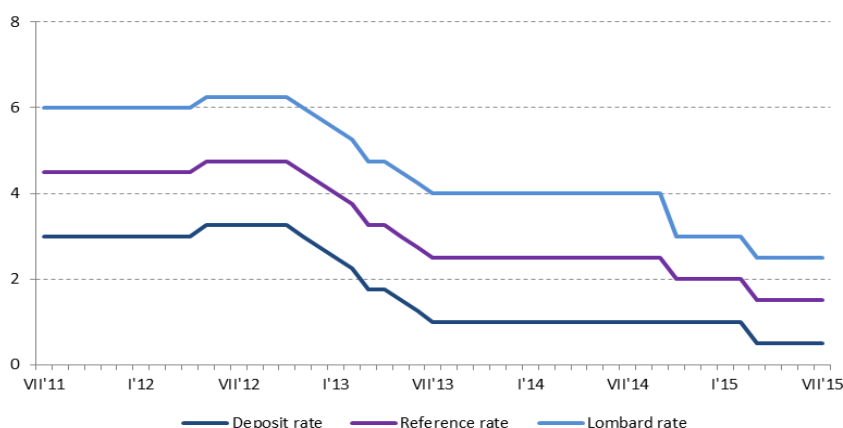


NBP interest rates

percent, end of period
source: NBP

In July 2015 the Monetary Policy Council kept NBP's interest rates unchanged, with the reference rate at 1.50%.

According to the latest Reuters poll (July, 2) the NBP interest rates are forecast to rise in the third quarter of 2016.



II. STATISTICAL DATA

	Unit	2013 Q04	2014 Q01	Q02	Q03	Q04	2015 Q01
GDP							
Gross domestic product	YoY	3.0	3.5	3.6	3.3	3.3	3.6
	QoQ SA	0.7	1.0	0.7	0.9	0.8	1.0
Final consumption expenditure of the households sector	YoY	2.6	3.0	3.0	3.2	3.0	3.1
	QoQ SA	1.0	0.6	0.9	1.0	0.8	1.1
Final consumption expenditure of the general government sector	YoY	2.2	0.5	6.4	5.3	6.4	3.3
	QoQ SA	0.6	1.2	2.2	0.7	1.1	0.3
Gross fixed capital formation	YoY	3.0	11.4	8.7	9.2	8.6	11.4
	QoQ SA	2.1	2.9	2.3	2.0	2.4	2.9
Exports of goods and services	YoY	6.6	7.6	6.0	3.6	5.6	8.0
	QoQ SA	0.5	1.6	1.1	1.3	2.2	2.1
Imports of goods and services	YoY	4.2	8.0	11.7	7.4	9.5	6.0
	QoQ SA	1.3	3.7	1.4	1.2	2.4	1.5
Gross value added	YoY	3.1	3.1	3.3	3.3	3.1	3.3
	QoQ SA	1.0	1.0	0.3	0.7	0.5	0.7
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp.	1.4	2.0	1.8	2.0	1.5	2.0
Final consumption expenditure of the general government sector	pp.	0.4	0.1	1.2	0.9	1.2	0.6
Gross fixed capital formation	pp.	0.8	1.4	1.5	1.6	2.2	1.4
Changes in inventories	pp.	-0.6	0.0	1.4	0.4	-0.1	-1.5
Balance of trade turnover	pp.	1.0	0.0	-2.3	-1.6	-1.5	1.1
Gross value added	pp.	2.8	2.8	2.9	2.9	2.7	2.9
Taxes less subsidies	pp.	0.2	0.7	0.7	0.4	0.6	0.7
GDP structure							
Final consumption expenditure of the households sector	% of GDP	52.4	65.6	60.9	60.2	51.4	64.2
Final consumption expenditure of the general government sector	% of GDP	18.3	17.9	18.4	17.7	18.9	17.6
Gross fixed capital formation	% of GDP	26.5	12.9	17.4	18.7	27.5	13.8
Changes in inventories	% of GDP	0.5	0.9	0.5	0.8	0.4	-0.7
Exports of goods and services	% of GDP	42.9	48.5	47.8	47.6	44.2	51.0
Imports of goods and services	% of GDP	41.3	46.8	46.0	45.9	43.2	46.8
Balance of payments							
	Unit	2015 M01	M02	M03	M04	M05	M06
Goods: exports (EUR)	YoY	4.4	10.2	13.9	9.2	9.7	-
Goods: exports (EUR)	YoY	-2.1	2.6	7.8	7.8	0.0	-
Current account balance ¹⁾	% of GDP	-1.0	-0.9	-0.6	-0.4	-0.1	-
Balance on goods ¹⁾	% of GDP	-0.2	0.0	0.2	0.3	0.6	-
Official Reserve Assets	EUR mln	87 934.7	86 899.3	90 558.5	91 819.1	93 875.4	93 395.0
Inflation							
Consumer Price Index (CPI)	YoY	-1.4	-1.6	-1.5	-1.1	-0.9	-0.8
Core inflation (CPI excluding food and energy prices)	YoY	0.6	0.4	0.2	0.4	0.4	0.2
Producer Price Index (PPI)	YoY	-2.8	-2.8	-2.5	-2.7	-2.1	-1.6
Production							
Sold production of industry ²⁾	YoY	1.6	5.0	8.8	2.4	2.8	7.6
	MoM SA	0.4	0.8	0.6	-1.9	0.9	0.5
Construction and assembly production ²⁾	YoY	1.3	-0.3	2.9	8.5	1.3	-2.5
	MoM SA	0.3	3.9	0.9	0.1	-5.9	-4.2
Manufacturing PMI	SA	55.2	55.1	54.8	54.0	52.4	54.3
Households and labour market							
Retail sales ²⁾	YoY	3.3	2.4	6.6	1.5	4.7	6.6
Average paid employment in enterprise sector	YoY	1.2	1.2	1.1	1.1	1.1	0.9
	MoM	0.4	0.0	0.1	0.0	0.0	0.0
Average monthly gross wages and salaries in enterprise sector (re)	YoY	5.0	4.9	6.5	4.8	4.1	3.3
	MoM	9.8	1.1	5.6	-2.5	-2.9	0.9
Harmonised unemployment rate (Eurostat)	% SA	8.1	8.0	7.9	7.8	7.8	7.7
<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, MoF calculation based on NBP, GUS data, HSEC, Market</small>							
State Treasury debt							
	Unit	2014 M12	2015 M01	M02	M03	M04	M05
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	779 938.4	790 807.8	802 803.2	806 423.2	802 033.1	810 231.0
Domestic debt	nominal, PLN mio	503 079.0	510 347.7	526 273.2	532 455.5	530 447.3	534 836.5
	%	64.5	64.5	65.6	66.0	66.1	66.0
Foreign debt	nominal, PLN mio	276 859.4	280 460.1	276 530.0	273 967.7	271 585.8	275 394.5
	%	35.5	35.5	34.4	34.0	33.9	34.0
Public debt (domestic definition)							
	Unit	2013 Q04	2014 Q01	Q02	Q03	Q04	2015 Q01 ¹⁾
Public debt (acc. to the place of issue criterion)	nominal, PLN mio	882 293.0	782 104.7	793 556.4	802 133.0	826 762.7	848 046.7
Domestic debt	nominal, PLN mio	614 321.8	505 904.8	518 785.8	522 068.5	534 780.7	559 060.8
	%	69.6	64.7	65.4	65.1	64.7	65.9
Foreign debt	nominal, PLN mio	267 971.2	276 199.9	274 770.5	280 064.5	291 982.0	288 985.9
	%	30.4	35.3	34.6	34.9	35.3	34.1
General Government debt (EU definition)							
General Government debt	nominal, PLN mio	926 115.3	816 404.8	827 333.2	839 082.8	866 570.3	885 727.1
<small>1) preliminary data Source: MoF</small>							

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2015

Financing of the State budget borrowing requirements at the level of 78% was a result of:

- T-bond sale on domestic market: PLN 54.8bn,
- switch auctions: 8.4bn,
- T-bond sale on foreign markets: PLN 6.3bn (EUR 1.0bn, CHF 0.6bn),
- loans incurred from IFIs: PLN 0.3bn,
- switch auctions in 2014: PLN 24.2bn,
- T-bonds buyback on foreign markets: USD 0.4bn,
- and higher than planned financial resources at the end of 2014: PLN 26.0bn.

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

as of July 31, 2015, PLN bn

In August 2015 flow of funds from the State budget shall amount to PLN 0.2bn (interest payments).

Flows of funds between the market and the budget*

as of July 31, 2015, PLN bn

As of July 31, 2015, to the end of the year the funds to be transferred to the market shall amount to PLN 31.7bn.

* figures include sale, redemptions and interest payments on wholesale bonds; 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.

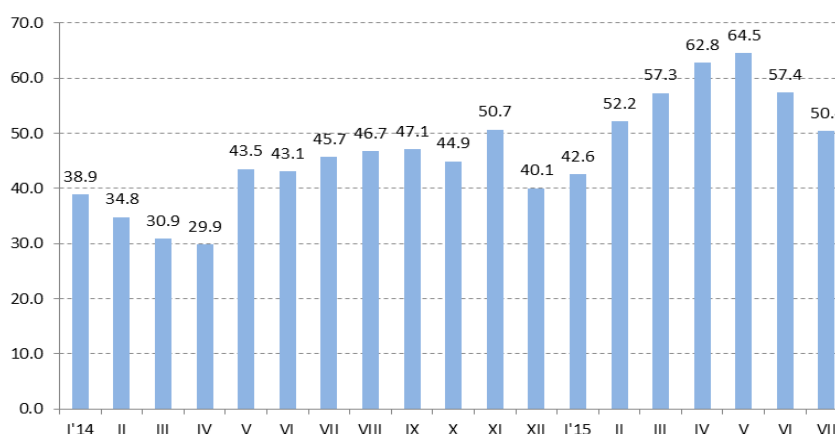
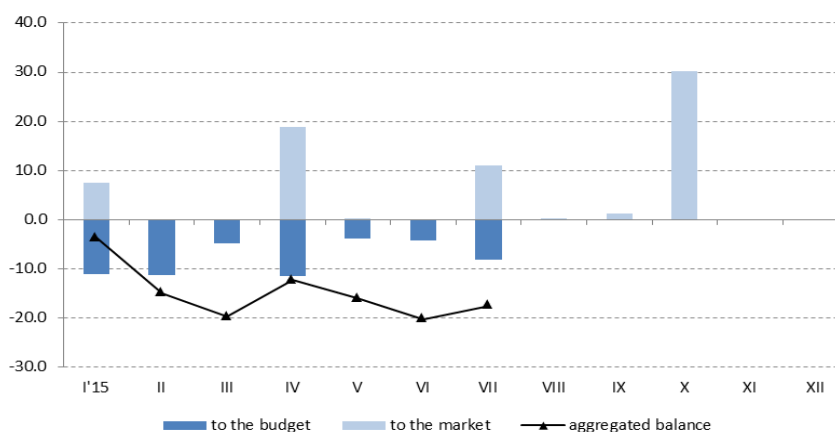
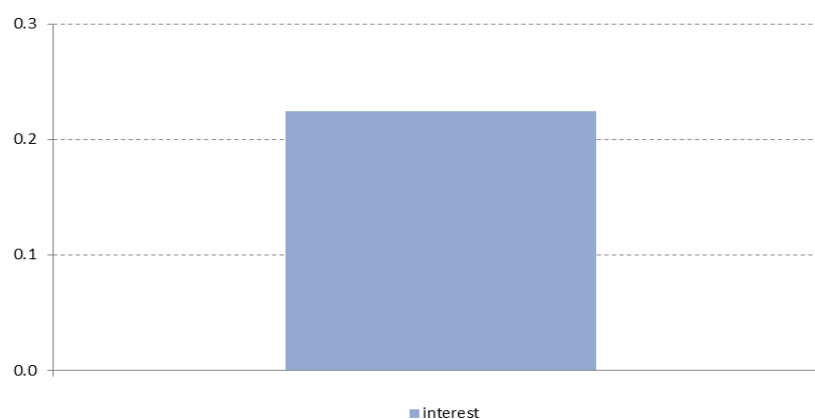
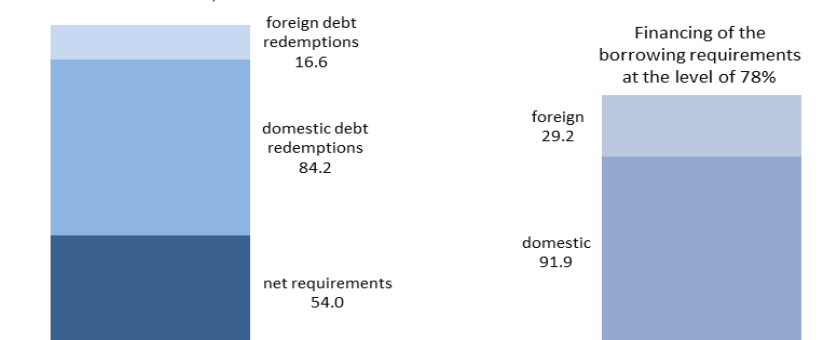
Funds in PLN and in foreign currency held by the MoF at the end of month

foreign currency funds include funds from debt issuance and received from the European Commission, PLN bn

The funds ensure liquidity in borrowing needs financing.

Gross borrowing requirements in 2015 (acc. to 2015 Budget Act)

Total: PLN 154.8bn, of which:



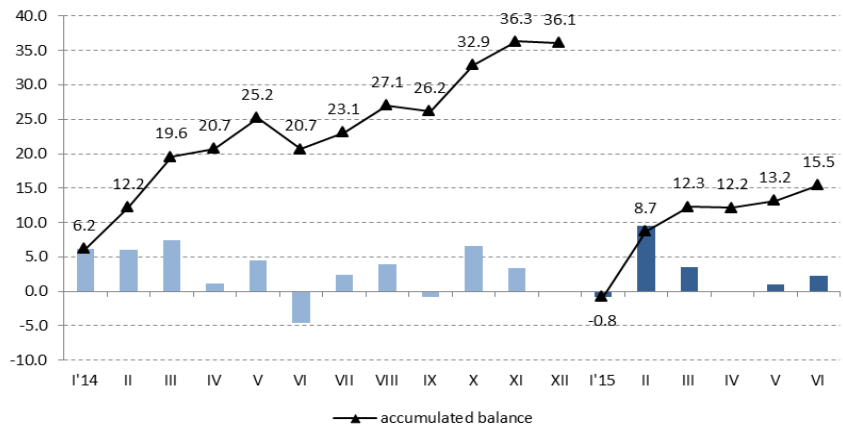


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

without buy-sell-back transactions with MoF, PLN bn

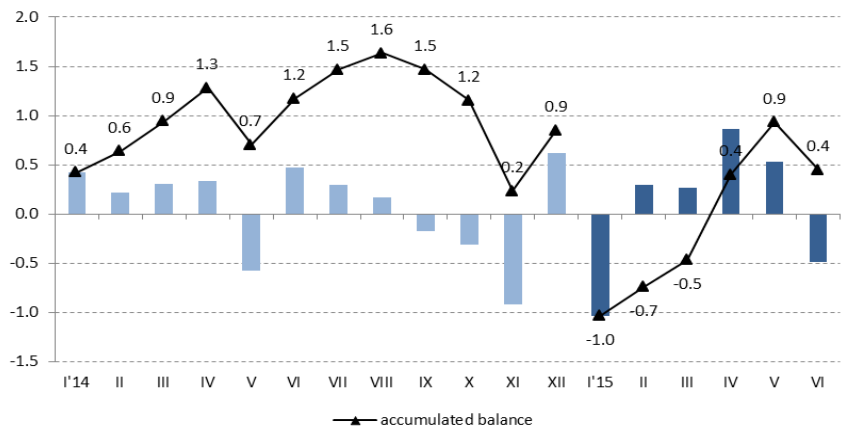
In the period of I-VI 2015 debt held by domestic banks increased by PLN 15.5bn comparing to PLN 20.7bn increase during the same period of 2014.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

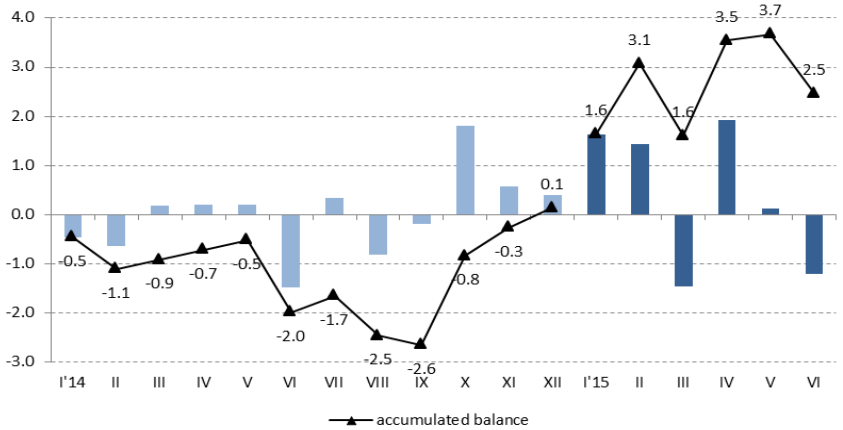
In the period of I-VI 2015 there was an increase of PLN 0.4bn in debt held by insurance companies. During the same period of 2014 there was an increase of PLN 1.2bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

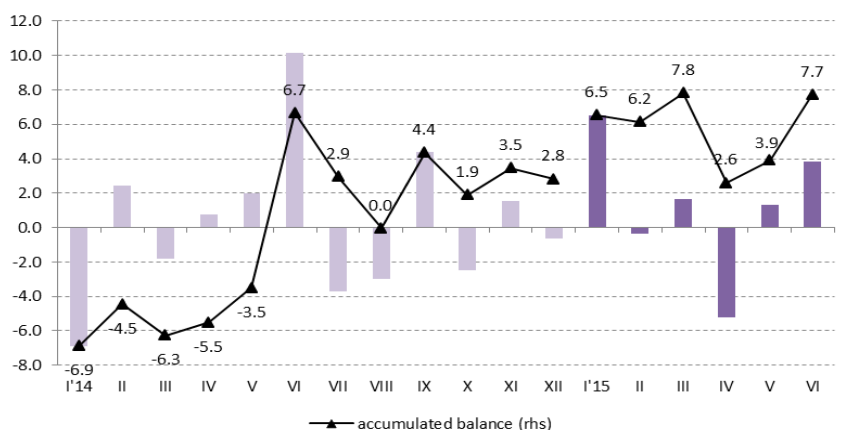
In the period of I-VI 2015 there was an increase of PLN 2.5bn in debt held by investment funds. During the same period of 2014 there was a decrease of PLN 2.0bn.



Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In the period of I-VI 2015 inflow of foreign capital to the domestic TS market amounted to PLN 7.7bn comparing to inflow of PLN 6.7bn in the same period of 2014. Foreign investors' holdings reached the level of PLN of 203.7bn.

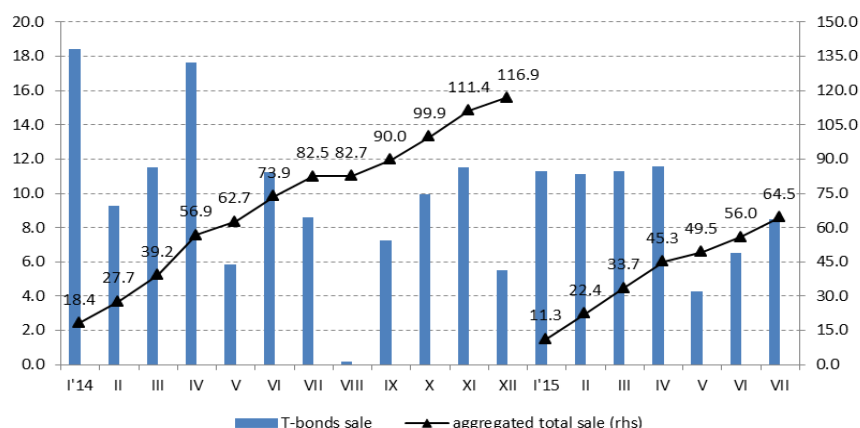


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



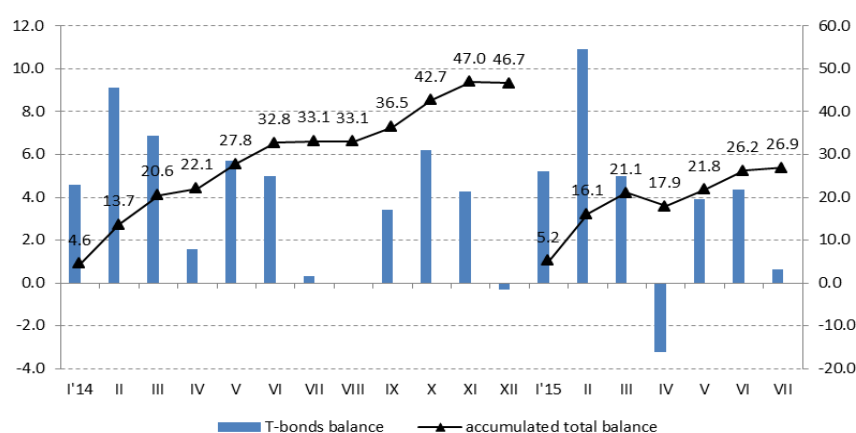
Sale of T-bonds and T-bills in the period of I-VII 2015 and in 2014 settlement date, nominal amount, PLN bn

Since April 2013 T-bills have not been offered.



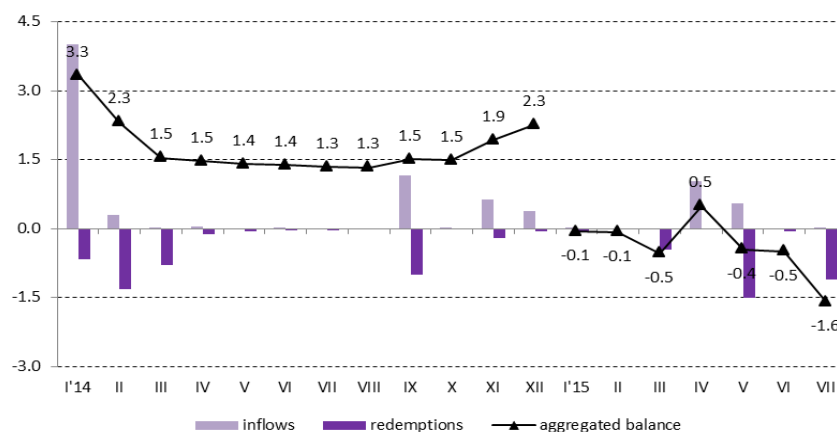
Balance of T-bonds and T-bills in the period of I-VII 2015 and in 2014 settlement date, nominal amount, PLN bn

In the period of I-VII 2015 indebtedness in T-bonds increased by PLN 26.9bn.



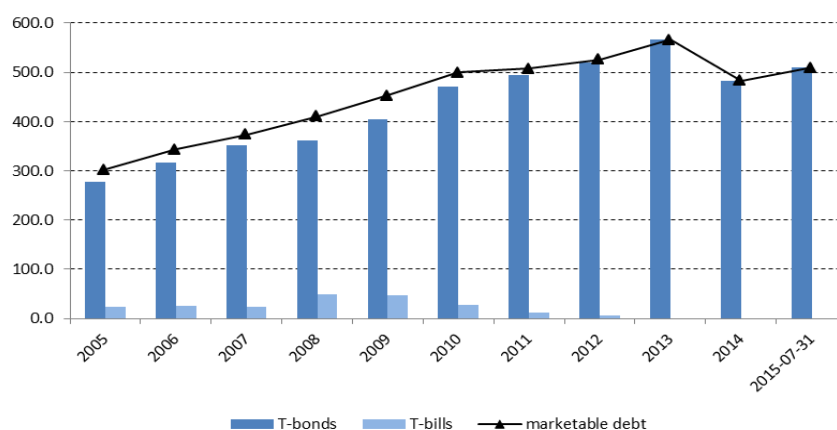
External financing in the period of I-VII 2015 and in 2014 bonds issued on foreign markets and loans received from IFIs, EUR bn

Net financing on foreign markets in the period of I-VII 2015 was negative and amounted to EUR 1.6bn. T-bonds issuance was EUR 1.5bn. Loans incurred from IFIs were at the level of EUR 0.1bn. Apart from those, EUR 6.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2014.



Structure of marketable debt PLN bn

At the end of July 2015 the marketable domestic debt amounted to PLN 509.5bn comparing to PLN 482.9bn at the end of 2014.



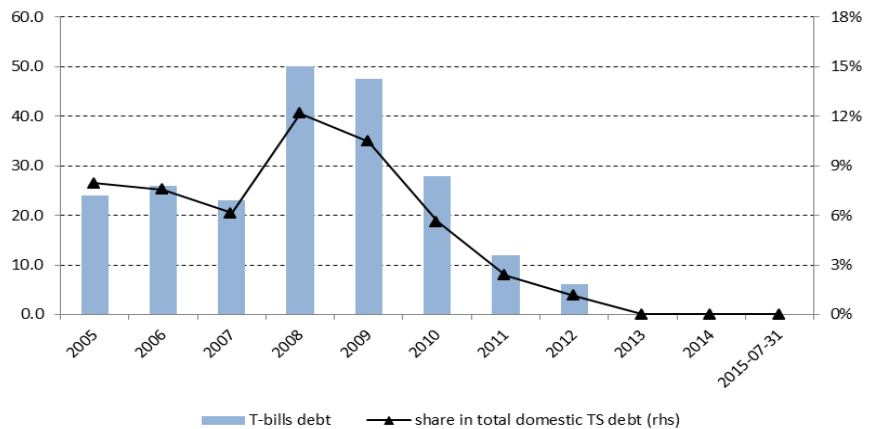


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

T-bills outstanding

PLN bn

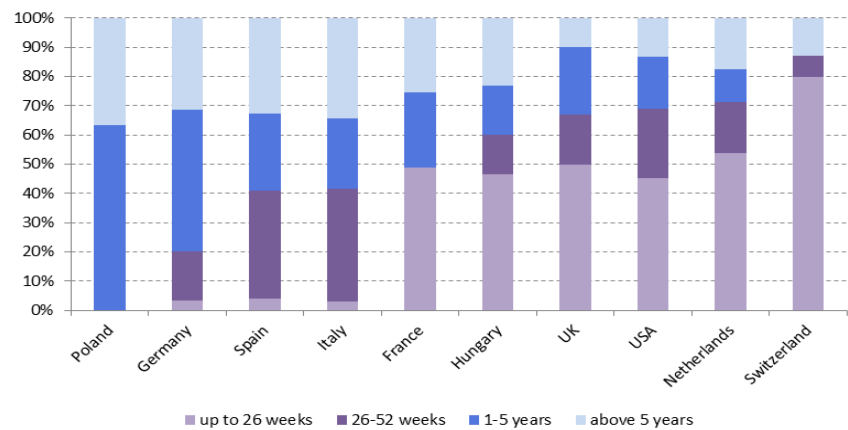
Since August 2013 there has been no T-bills outstanding.



Maturity breakdown of T-securities in Poland and other countries

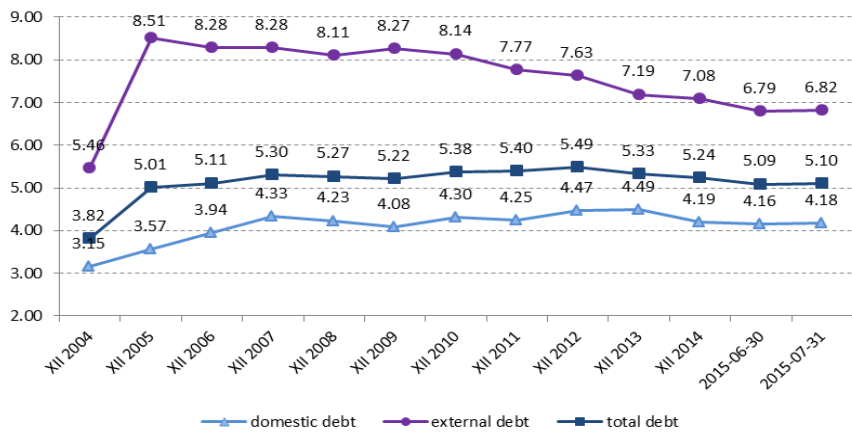
auctions and syndicates, local currency, ytd in the period of January 1 - July 31, 2015

In Poland only Treasury securities with maturity over 1 year have been offered in 2015.



Average maturity

At the end of July 2015 the average maturity of domestic debt decreased to 4.18 in comparison with the end-2014 figure (4.19).

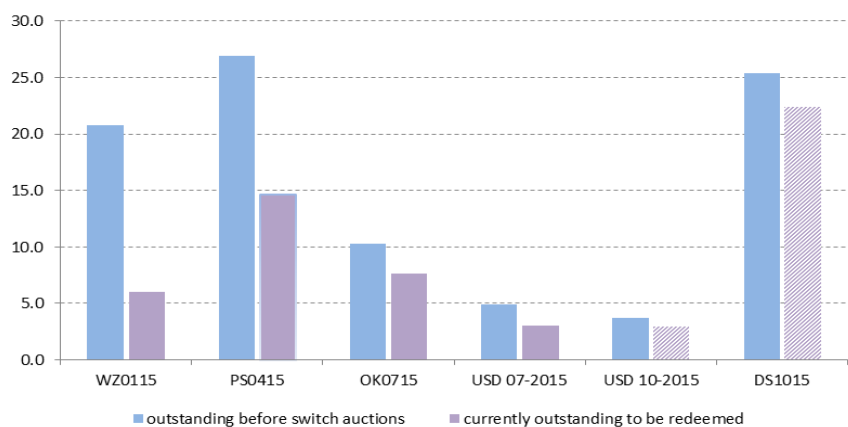


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2015

nominal amount, as of July 31, 2015, PLN bn

Buy-back of T-bonds maturing in 2015 (by switch or cash settlement):

- WZ0115: PLN 14.7bn (71%),
- PS0415: PLN 12.2bn (45%),
- OK0715: PLN 2.6bn (26%),
- USD 07-2015: PLN 1.9bn (USD 0.6bn) (36%),
- USD 10-2015: PLN 0.8bn (USD 0.2bn) (21%),
- DS1015: PLN 2.9bn (12%).



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

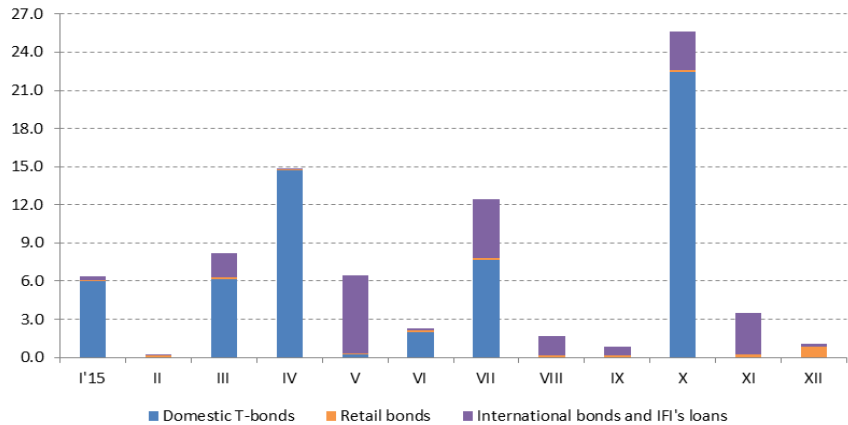


State Treasury debt redemptions in 2015

nominal amount, as of July 31, 2015;
PLN bn

The nominal amount of debt to be redeemed in 2015 is equal to PLN 32.8bn, including:

- T-bonds: PLN 22.4bn,
- T-retail bonds: PLN 1.6bn,
- bonds and loans incurred on foreign markets: PLN 8.7bn.

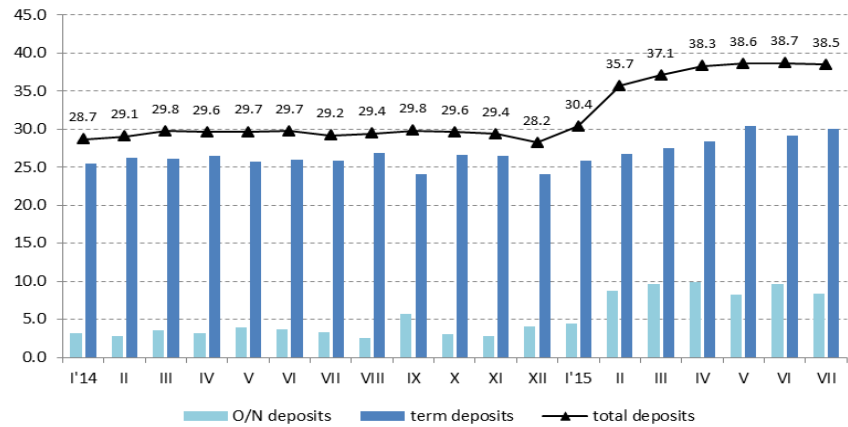


Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 38.5bn funds accumulated at the end of July, of which PLN 30.1bn was as term deposits and PLN 8.4bn on O/N deposits.

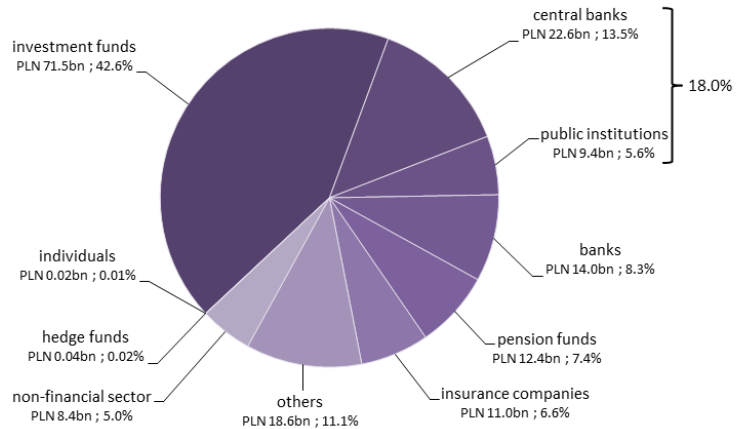
In the period of January-February 2015 the second stage of the consolidation took place (the number of public finance units was increased and court deposits were included).



Institutional distribution of domestic Treasury securities held by non-residents

as of June 30, 2015, the chart presents data excluding omnibus accounts

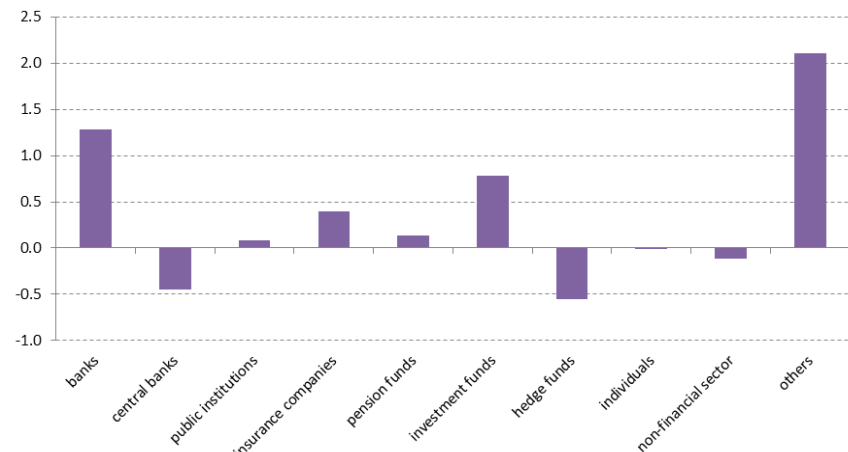
The share of non-residents in the domestic Treasury securities market increased (PLN 3.8bn) and amounted to PLN 203.7bn which constituted 40.0% share in total debt in marketable T-bonds. The majority was dominated by stable, long-term non-banking investors. As of the end of June, central banks and public institutions' share in holdings amounted to 18.0%.



Change of debt in domestic Treasury securities held by non-residents by institutional distribution

as of June 30, 2015, PLN bn

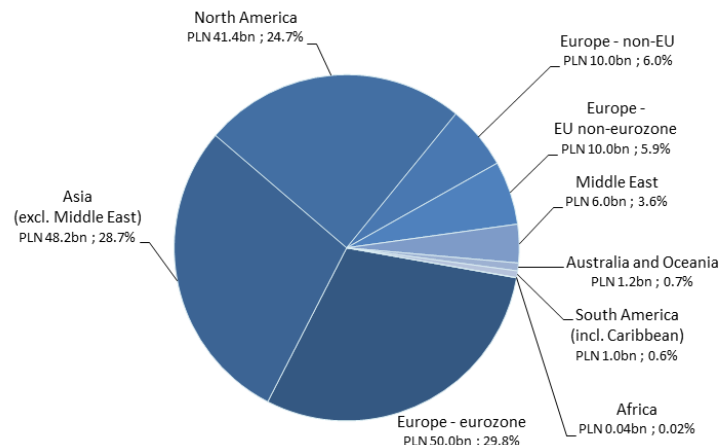
In June 2015 the highest increase in T-securities portfolio was noted by entities in the category "others" (PLN 2.1bn). Decreases, on the other hand, were recorded by hedge funds (PLN -0.6bn) and central banks (PLN -0.5bn).



Geographical distribution of domestic Treasury securities held by non-residents

as of June 30, 2015, excluding omnibus accounts

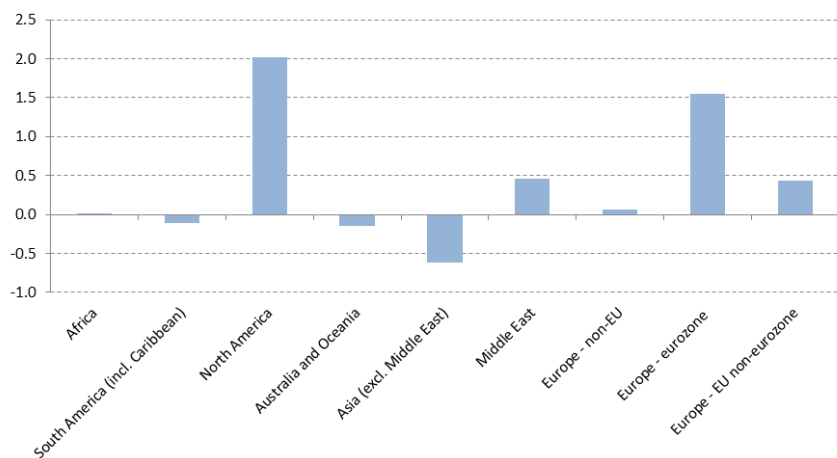
Geographical structure of domestic T-bonds held by non-residents, as well as institutional distribution, is well-diversified.



Change of debt in domestic Treasury securities held by non-residents by geographical distribution

as of June 30, 2015, PLN bn

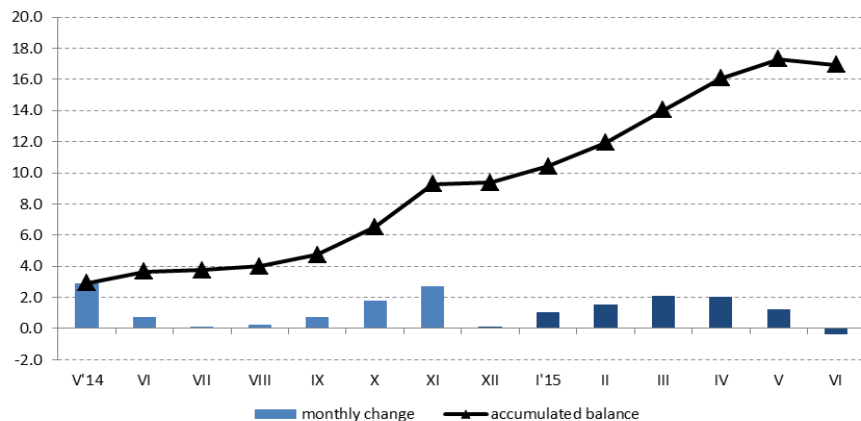
In June 2015 the most significant increase in holdings was recorded by entities from North America (PLN 2.0bn). The highest decrease occurred in Asia (PLN -0.6bn).



Change of debt in domestic Treasury securities held by central banks and public institutions

as of June 30, 2015, PLN bn

Involvement of central banks and public institutions in the Polish debt market in the period of April 2014 to the end of June 2015, when the detailed information is available, increased by PLN 16.9bn. In June for the first time an outflow was noted which amounted to PLN -0.4bn.



Structure of non-residents' holdings in Treasury securities by countries

as of June 30, 2015, excluding omnibus accounts and central banks, countries with more than 1% share, PLN m

Countries	Outstanding in nominal value (PLN mio)	Share in non-residents holdings (%)
United States	40 123.6	27.60%
Luxembourg	26 600.4	18.30%
Japan	18 817.0	12.94%
Norway	8 251.6	5.68%
United Kingdom	7 896.1	5.43%
Thailand	7 220.3	4.97%
Germany	6 409.1	4.41%
Ireland	5 307.7	3.65%
Netherlands	3 546.1	2.44%
France	3 540.8	2.44%
Austria	3 130.5	2.15%
United Arab Emirates	2 034.0	1.40%
Switzerland	1 557.2	1.07%
Others	10 934.7	7.52%
Total	145 369.3	100.00%

MoF comments

Mateusz Szczurek, Finance Minister

23-07-2015, interview for the Polish Press Agency (fragments)

We financed 78-79% of this year borrowing requirements. We are glad because of the solid demand recorded at the auction of medium-term and long-term T-bonds and the yields lower by 30 bp than in the previous auction.

(...) There are about 20% of the borrowing needs to be financed this year (...). It is quite likely that we will finance those needs by the end of September as it was in the past years.

(...) However one must remember that the Greek story is solved but not cured. This may affect European markets, including Polish market as well. Thus, we stay flexible when it comes to issuing.

(...) We have been observing inflow of foreign capital to Polish debt market. It seems that every moment of stabilization works in our favour.

(...) This year debt management strategy indicates the decrease in share of debt denominated in foreign currencies and we will stick to that plan.

Ludwik Kotecki, Chief Economist, MoF

27-07-2015, interview for the Polish Press Agency (fragments)

The last few years have been the period of unfavourable external conditions. Poland, luckily, came away unscathed from the crisis. We have avoided a recession or even strong slowdown.

[Fiscal strategy adopted by the ministry of finance played the crucial role].

It worked in that way: when there was a need, we increased the deficit and we were not afraid to do that. The deficit increased to more than 7% at that time and thus, an excessive deficit procedure was imposed. It was necessary from the economic point of view. When there is such crisis, that we faced, then stimulating the economy is required. But when the situation improved, our strategy was to consolidate systematically the public finances. The outcome came on June 19th 2015, when excessive deficit procedure was lifted from Poland. One of the conditions was recognizing Poland as credible when it comes to further consolidation of public finances.

But lifting the procedure is not the end of our work. Now we have to reach the medium-term objective at the level of -1% of GDP. Our deficit of 2.8% of GDP in 2014 has to be reduced further however not so fast as it was so far but 0.5% every year.

(...) Thus, we conducted sound, in a macroeconomic sense, budgetary policy - in the crisis times, we eased, but when the crisis ended, we tightened the discipline, in order to aggregate reserves for unexpected events in the future. Flexible credit line in IMF was another important element in our strategy. It was important mainly to the markets - for the debt pricing, PLN exchange rate. It protected us and was a top-quality insurance for Poland in case of something wrong happened. We had an access to over USD 30bn with <<one snap of our fingers>>, within 2 days.

(...) There was not one second when I was in any doubt that we were doing something [about the pension fund reform] very good for the Poles. Any calculations, nor assessments of the results of implementing the open pension funds had never been trustworthy if it came to presenting how ruinous for the public finances it was.

OFE system - in short - worked in a way that a substantial part of budget contributions was taken from the Social Insurance Company and was transmitted then to private institutions. The state, however - it was not actually clear how - had to cope with the problem of paying current pensions for 40-50 years until the OFE system started to play a significant role in the payments. That was the reason for taking on debts to cover the pensions.

(...) [Emasculating stock exchange] was the only one negative result of the changes in the pension scheme although we expected that to happen as previously, contribu-



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

MoF comments

tions to OFEs - budget contributions in fact - were a really catalytic thing for the Warsaw stock exchange. In the beginning almost 40% of our contributions went to OFEs and, through them, to the exchange. Weakening the stock exchange was inevitable but worth the price to shift the burden of OFE from the public finances. Let us remember that public finances are not an abstract concept but our taxes and one has to choose carefully how to spend the money.

(...) [Among positive effects of the reform there were:] decrease in the public debt, abrogation of the excessive deficit procedure. Introducing the stabilizing expenditure rule is associated with that so that debt reduction, that we reached thanks to changes in OFE system, shall be sustainable and have a stabilizing effect on the public finances. The biggest challenge for Poland is the ageing of the population which will continue. We need some reserves for the future. The expenditure rule, besides its stabilizing effect to the economic cycle, shall let us create such reserves in a medium-term.

Piotr Marczak, Director of the Public Debt Department, MoF

31-07-2015

In July redemptions and debt servicing of domestic debt cost PLN 10.9bn and PLN 5.8bn in case of foreign debt. In spite of that, the reserve of funds in PLN and hard currencies shall amount to ca. PLN 50bn at the end of July.

According to the auction calendar, we will hold one T-bond auction with the supply up to PLN 4bn. This will let us absorb a part of funds left in the market after the settlement of the auction, the redemption and debt service set on July 27th (PLN 5.2bn).

In June foreign investors increased their T-bonds holdings denominated in PLN by PLN 3.8bn. This increase in non-residents' involvement in the Polish debt market would have been one of the highest in the last 12 months if a negative balance of PLN 2.7bn had not occurred on the last day in June.

In June, for the first time since over a year ago (i.e. since the time we have had more detailed data on the investor structure), central banks and public institutions' holdings did not increase (PLN -0.4bn), which was mainly a result of a decrease in Asian investors' portfolios (PLN -0.7bn) and an increase noted by entities from the Middle East (PLN 0.3bn). In turn, capital from North America (PLN 2.0bn) and eurozone countries (PLN 1.6bn) was back again on the Polish market. Highly diversified both geographical and investor structure of non-residents confirmed yet again that these investors cannot be treated as a homogeneous group making similar investment decisions.

In July we observe an increase in the value of T-bonds held by foreign investors, despite the redemption of domestic bonds maturing on July 2015 (OK0715) of PLN 2.5bn.

FitchRatings' comment

Fitch Affirms Poland at 'A-'; Outlook Stable

31-07-2015

Fitch Ratings has affirmed Poland's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'A-' and 'A', respectively. The Outlooks are Stable.

(...) Poland's 'A-' rating primarily reflects its strong macroeconomic performance, including the sound economic policy, good GDP growth and stable economic and financial environment. The rating is constrained by low GDP per capita and a high level of external debt relative to peers.

(...) Fitch expects GDP growth to remain favourable in 2015-2017, at 3.5% on average.

(...) In the run up to the October parliamentary election, the most important in Poland's parliamentary regime, political parties have put forward various proposals on economic policy to appeal to voters. The agency believes that any loosening in the fiscal stance would be limited by Poland's institutional framework including the domes-

FitchRatings' comment

tic debt rules, stable expenditure rule and compliance with European Union (EU) debt and deficit criteria.

(...) In 2014, the general government deficit declined markedly to 3.2% of GDP from 4.0% in 2013, allowing Poland to exit the Excessive Deficit Procedure after an adjustment for systemic pension reform costs (0.4% of GDP) in line with the Stability and Growth Pact. Fitch expects the deficit will remain below but close to 3% of GDP, at 2.8% in 2015 and 2.5% by 2017.

(...) Consistent with its deficit forecast, Fitch expects general government debt will peak in 2016, at 51% of GDP, and start declining thereafter. In the longer term, debt will gradually decrease to 48% of GDP by 2022. The main risks to debt trajectory would be a failure to reduce the primary budget deficit, a sharp depreciation in the exchange rate (FX debt accounts for 32% of general government debt) and lower GDP growth.

(...) Fitch assumes that fiscal policy will be conducted in line with the Stabilising Expenditure Rule.

Fitch assumes Poland's main economic partners in the eurozone will benefit from a economic recovery with eurozone real GDP growing 1.6% by 2017, up from 0.8% in 2014. In the event of a Greek exit from the eurozone, Fitch assumes this would be unlikely to trigger a systemic crisis like that seen in 2012, or another country's rapid exit. However, it would increase financial market volatility and dent economic confidence.



IV. SUPPLY PLAN OF TREASURY SECURITIES IN AUGUST 2015

Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
6 AUG 2015	10 AUG 2015	DS0725 / WZ0126	2,000-4,000

The Minister of Finance is entitled to organize non-competitive auctions where bonds will be sold at a minimum clean price.

Offer on retail market

T-bond	Issue price	Coupon
DOS0817	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ0818	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.10% in the first coupon period
COI0819	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO0825	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period