



State budget borrowing requirements' financing plan and its background

November 2015

THE MOST IMPORTANT INFORMATION

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Gross domestic product of Poland

constant prices, yoy

According to the standard procedure, Polish CSO has recently published revised annual data on GDP and its components for the years 2010-2014. Appropriate quarterly data for that period and for two first quarters of 2015 will be published at the end of November (according to currently available data GDP level was 3.6% and 3.3% higher than a year ago respectively in the first and second quarter of 2015).

The revision in the nominal level of GDP ranged from -0.6% to +0.8%. Moreover correction in real GDP growth amounted from -0.4 pp. to +0.2 pp. However, the average annual rate of real GDP growth in the revision period has changed slightly (decline by 0.1 pp compared to the data published before the revision).

Contributions to Poland's GDP growth

percentage points

source: GUS, MF own calculation

Poland's real GDP growth was strong in 2014 and amounted to 3.3%, i.e. twice and a half as much as in 2013. The key factor behind the acceleration in the economic growth was domestic demand, including the higher growth rate of private consumption (2.6% vs 0.2%) and boost in investment (9.8% vs -1.1%).

Poland's gross external debt position

percent of GDP

source: NBP, GUS, MF own calculation

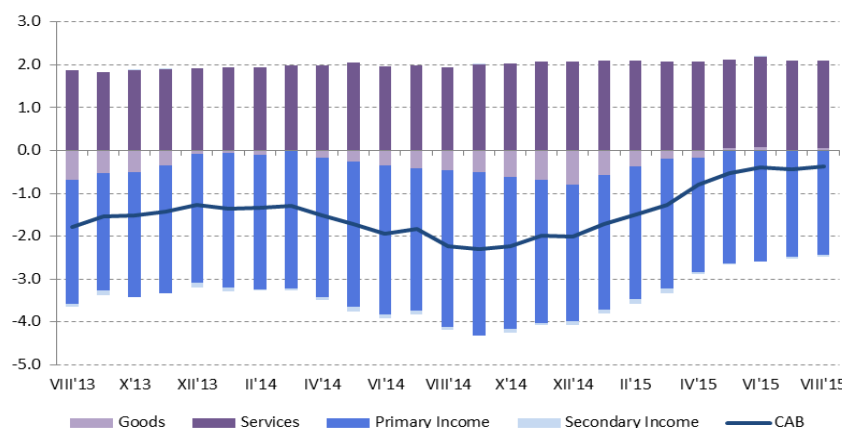
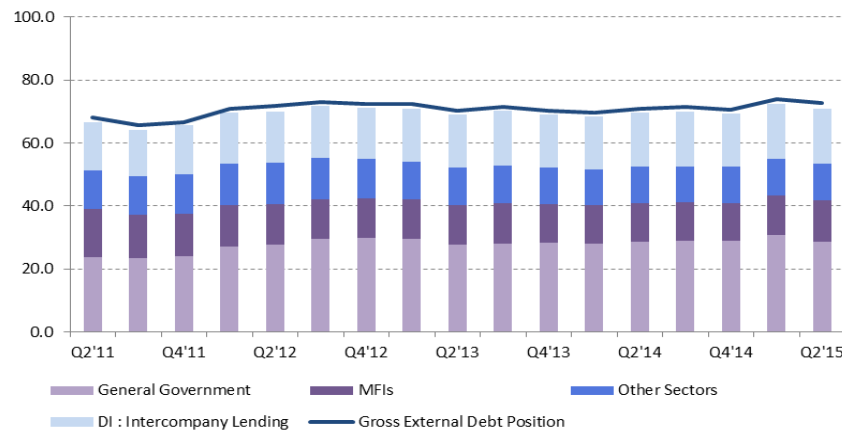
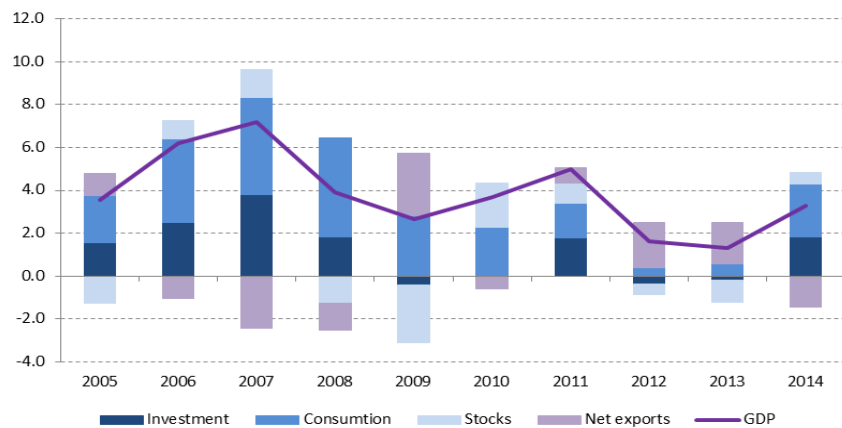
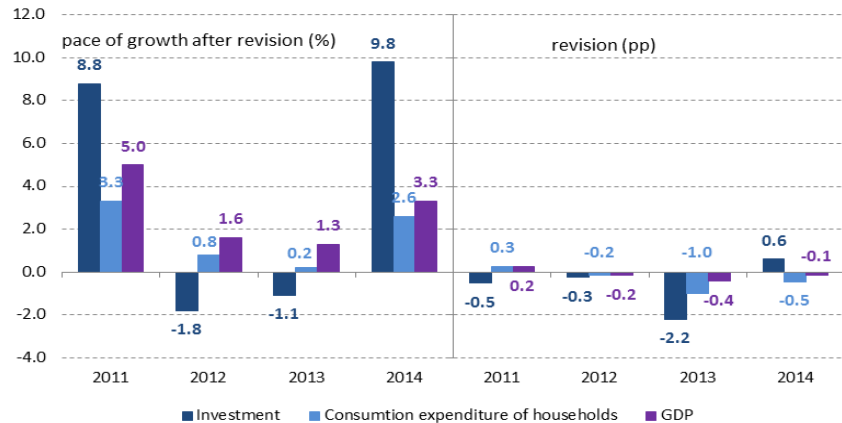
Gross external debt reached EUR 306.6bn (72.7% of GDP) at the end of the second quarter of 2015 and was EUR 1.3bn lower than in the previous quarter. The share of general government sector debt in total debt decreased to 39.5%. Official reserve assets reached EUR 88.1bn at the end of August 2015 and remained broadly adequate, covering over 5 months of imports.

Current account balance

percent of GDP, in 12-month terms

source: NBP, GUS, MF own calculation

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

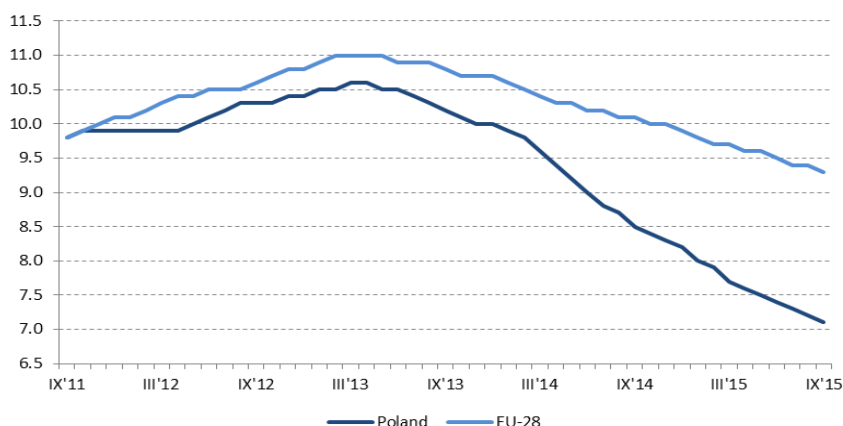




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In September 2015 it amounted to 7.1% (versus 9.3% in EU on average) and it was 0.1 pp lower than in previous month and 1.4 pp lower than a year before.

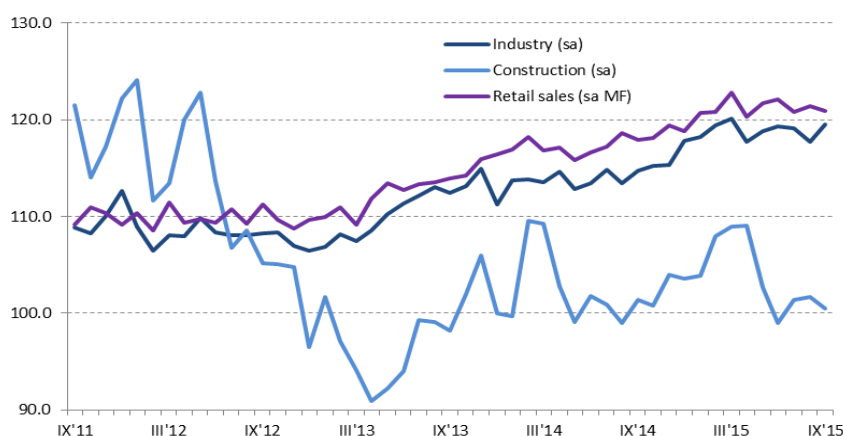


Monthly indicators of the real sector

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

In September 2015, after a decline in two previous months, industrial output increased by 1.5% (mom, sa). As a result, production was 4.1% higher than a year ago (nsa). In September 2015 construction production went down by 1.2% (mom, sa) following a slight increase in the previous month. As a result, its level was 2.5% (nsa) lower than a year before.

In September 2015 real retail sales declined by 0.4% (mom, sa MoF) following an increase in similar scale in the previous month. As a result, its level was 2.9% (nsa) higher than in the same month of 2014.



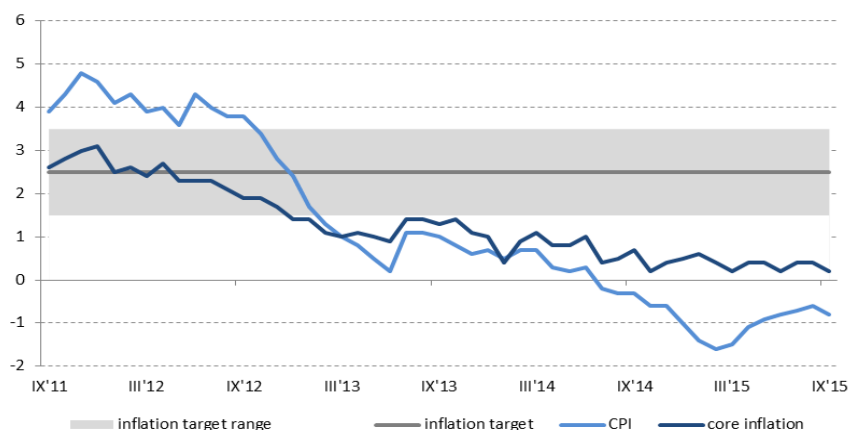
Inflation

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). After a few months of deflation limitation, in September 2015 consumer price drop increased to 0.8% (yoy).

Core inflation (CPI excluding food and energy prices) is still positive and in September 2015 amounted to 0.2% (yoy).

Deflation in producer prices has been lasting almost 3 years (2.9% yoy in September 2015).

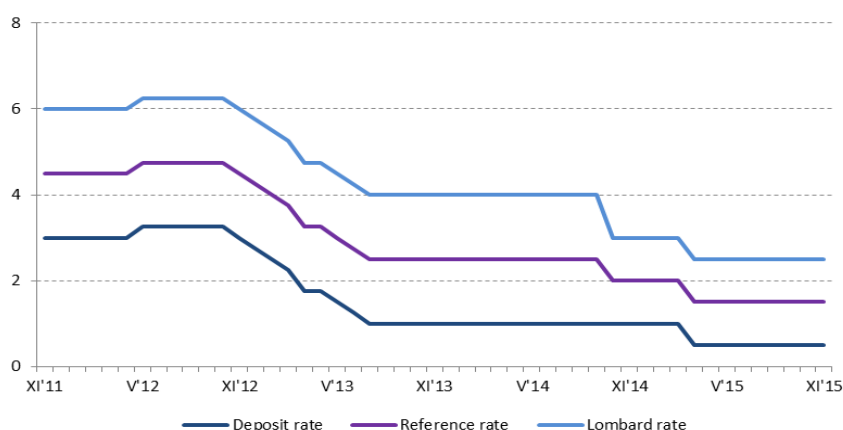


NBP interest rates

percent, end of period
source: NBP

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

The bank analysts' expectations of future NBP's interest rates path have changed recently. According to the latest Reuters poll (October, 29th) the key interest rates are forecast to decline by 50 bps in the second quarter of 2016 (the reference rate to 1.0%).



II. STATISTICAL DATA

	Unit	2009	2010	2011	2012	2013	2014
GDP							
Gross domestic product	YoY	2.6	3.7	5.0	1.6	1.3	3.3
	QoQ SA	-	-	-	-	-	-
Final consumption expenditure of the households sector	YoY	3.3	2.5	3.3	0.8	0.2	2.6
	QoQ SA	-	-	-	-	-	-
Final consumption expenditure of the general government sector	YoY	3.6	3.3	-1.8	-0.4	2.2	4.9
	QoQ SA	-	-	-	-	-	-
Gross fixed capital formation	YoY	-1.9	-0.4	8.8	-1.8	-1.1	9.8
	QoQ SA	-	-	-	-	-	-
Exports of goods and services	YoY	-6.3	12.9	7.9	4.6	6.1	6.4
	QoQ SA	-	-	-	-	-	-
Imports of goods and services	YoY	-12.4	14.0	5.8	-0.3	1.7	10.0
	QoQ SA	-	-	-	-	-	-
Gross value added	YoY	2.9	3.8	5.0	1.6	1.3	3.3
	QoQ SA	-	-	-	-	-	-
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp.	2.0	1.5	2.0	0.5	0.1	1.6
Final consumption expenditure of the general government sector	pp.	0.7	0.6	-0.3	-0.1	0.4	0.9
Gross fixed capital formation	pp.	-0.4	-0.1	1.8	-0.4	-0.2	1.8
Changes in inventories	pp.	-2.7	2.0	0.9	-0.5	-1.0	0.5
Balance of trade turnover	pp.	2.9	-0.5	0.7	2.1	1.9	-1.5
Gross value added	pp.	2.5	3.4	4.4	1.4	1.2	2.9
Taxes less subsidies	pp.	0.1	0.3	0.6	0.2	0.1	0.4
GDP structure							
Final consumption expenditure of the households sector	% of GDP	60.8	60.6	60.6	60.7	60.0	59.3
Final consumption expenditure of the general government sector	% of GDP	18.9	19.1	18.1	17.9	18.2	18.4
Gross fixed capital formation	% of GDP	21.1	20.3	20.7	19.8	18.8	19.6
Changes in inventories	% of GDP	-0.9	1.0	1.8	1.2	0.2	0.6
Exports of goods and services	% of GDP	37.6	40.0	42.5	44.4	46.3	47.4
Imports of goods and services	% of GDP	38.3	42.1	44.5	44.9	44.4	46.2
Balance of payments							
	Unit	2015					
		M04	M05	M06	M07	M08	M09
Goods: exports (EUR)	YoY	8.5	7.8	10.4	3.5	8.6	-
Goods: exports (EUR)	YoY	7.8	0.3	9.2	5.8	6.7	-
Current account balance ¹⁾	% of GDP	-0.8	-0.5	-0.4	-0.4	-0.4	-
Balance on goods ¹⁾	% of GDP	-0.2	0.1	0.1	0.0	0.1	-
Official Reserve Assets	EUR mln	91 819.1	93 875.4	93 395.0	90 207.7	88 100.7	90 381.2
Inflation							
Consumer Price Index (CPI)	YoY	-1.1	-0.9	-0.8	-0.7	-0.6	-0.8
Core inflation (CPI excluding food and energy prices)	YoY	0.4	0.4	0.2	0.4	0.4	0.2
Producer Price Index (PPI)	YoY	-2.7	-2.1	-1.4	-1.8	-2.7	-2.9
Production							
Sold production of industry ²⁾	YoY	2.4	2.8	7.4	3.8	5.3	4.1
	MoM SA	-1.9	0.9	0.4	-0.2	-1.2	1.5
Construction and assembly production ²⁾	YoY	8.5	1.3	-2.5	-0.1	4.8	-2.5
	MoM SA	0.1	-5.9	-3.6	2.4	0.3	-1.2
Manufacturing PMI	SA	54.0	52.4	54.3	54.5	51.1	50.9
Households and labour market							
Retail sales ²⁾	YoY	1.5	4.7	6.6	3.5	2.0	2.9
Average paid employment in enterprise sector	YoY	1.1	1.1	0.9	0.9	1.0	1.0
	MoM	0.0	0.0	0.0	0.1	0.1	0.1
Average monthly gross wages and salaries in enterprise sector (re)	YoY	4.8	4.1	3.3	4.0	4.0	4.9
	MoM	-2.5	-2.9	0.9	1.5	-1.3	1.2
Harmonised unemployment rate (Eurostat)	%, SA	7.6	7.5	7.4	7.3	7.2	7.1
<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, HSBC, Market</small>							
State Treasury debt							
	Unit	2015					
		M03	M04	M05	M06	M07	M08
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	806 423.2	802 033.1	810 231.0	817 800.7	811 439.3	819 163.1
Domestic debt	nominal, PLN mio	532 455.5	530 447.3	534 836.5	539 257.6	539 755.9	544 992.3
	%	66.0	66.1	66.0	65.9	66.5	66.5
Foreign debt	nominal, PLN mio	273 967.7	271 585.8	275 394.5	278 543.1	271 683.4	274 170.9
	%	34.0	33.9	34.0	34.1	33.5	33.5
Public debt (domestic definition)							
	Unit	2014				2015	
		Q01	Q02	Q03	Q04	Q01	Q02 ¹⁾
Public debt (acc. to the place of issue criterion)	nominal, PLN mio	782 104.7	793 556.4	802 133.0	826 771.7	848 183.4	858 151.6
Domestic debt	nominal, PLN mio	505 904.8	518 785.8	522 068.5	534 789.6	559 197.5	564 600.0
	%	64.7	65.4	65.1	64.7	65.9	65.8
Foreign debt	nominal, PLN mio	276 199.9	274 770.5	280 064.5	291 982.1	288 985.9	293 551.6
	%	35.3	34.6	34.9	35.3	34.1	34.2
General Government debt (EU definition)							
General Government debt	nominal, PLN mio	816 810.8	827 739.2	839 488.8	866 993.5	886 384.4	895 741.6
<small>1) preliminary data Source: MoF</small>							



Gross borrowing requirements in 2015

State budget borrowing requirements for 2015 has been fully funded. We have started the refinancing of next year's borrowing needs.

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

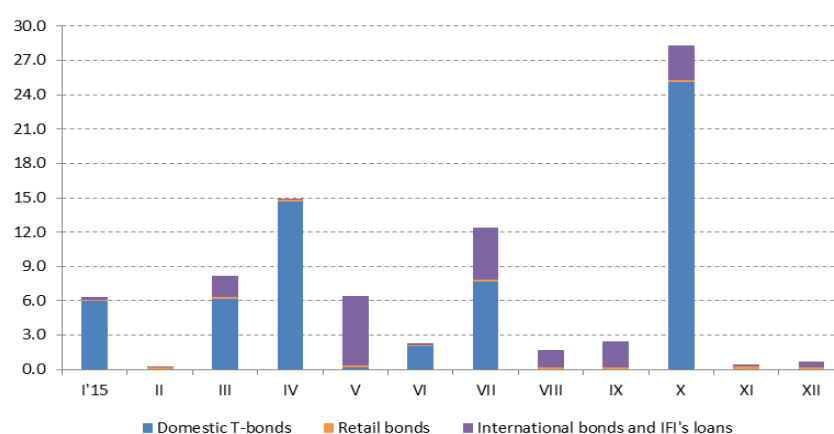
In November there will be no funds transferred from the State budget to the market related to wholesale T-securities (neither TS redemptions nor interest payments).

State Treasury debt redemptions in 2015

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

The nominal amount of debt to be redeemed in 2015 is equal to PLN 1.1bn, including:

- T-retail bonds: PLN 0.5bn,
- bonds and loans incurred on foreign markets: PLN 0.6bn.

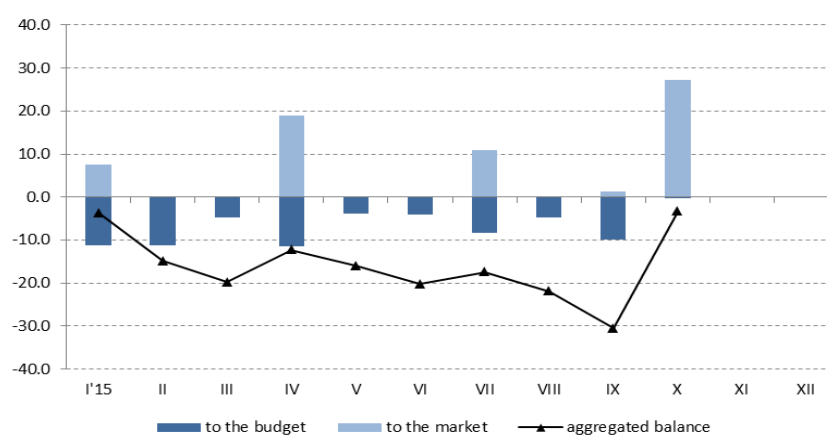


Flows of funds between the market and the budget*

as of October 31, 2015, PLN bn

There will be no funds, linked to wholesale TS redemptions and interest payments, transferred to the market by the end of this year.

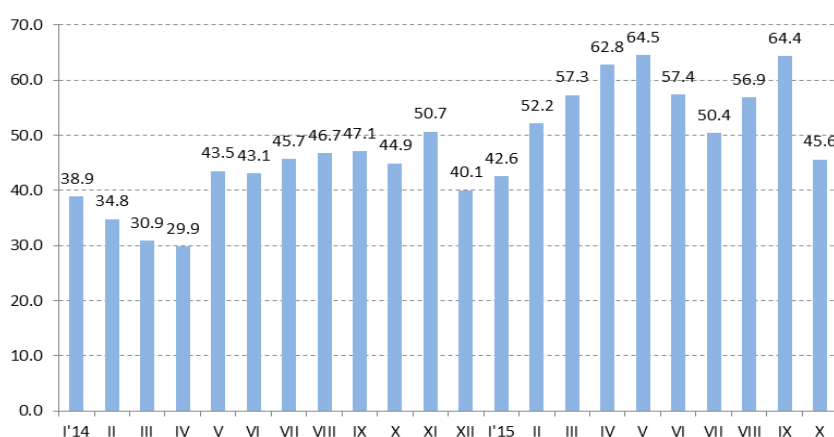
* figures include sale, redemptions and interest payments on wholesale bonds; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



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

funds financing the borrowing needs, PLN bn

The funds ensure liquidity in borrowing needs financing.



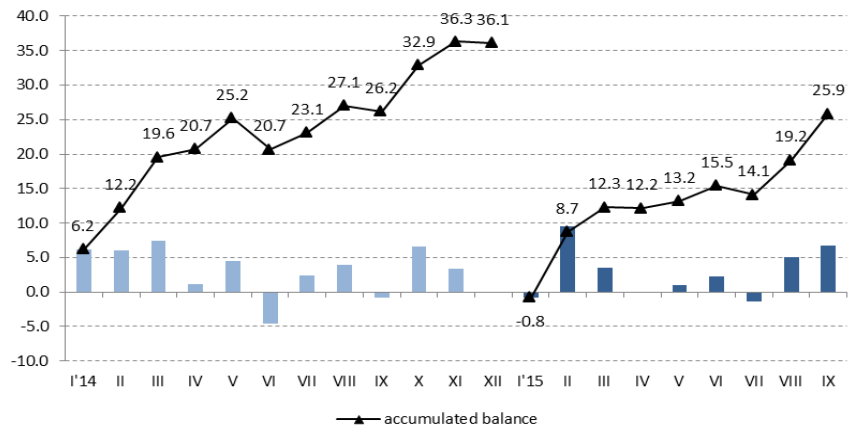


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

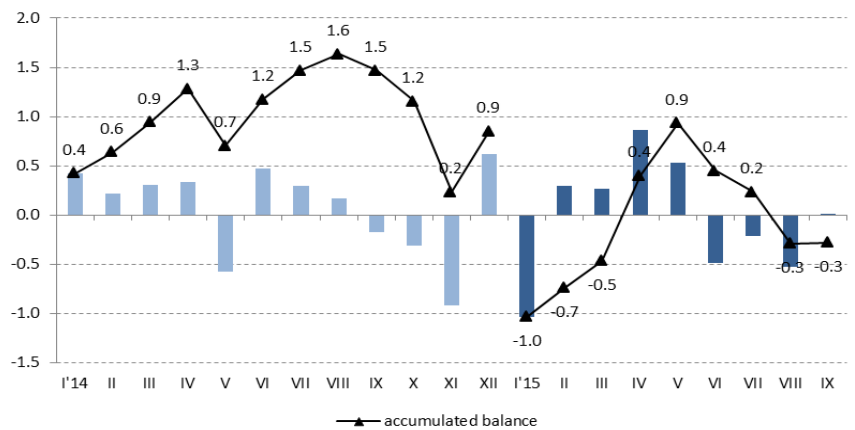
In the period of I-IX 2015 debt held by domestic banks increased by PLN 25.9bn comparing to PLN 26.2bn increase during the same period of 2014.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

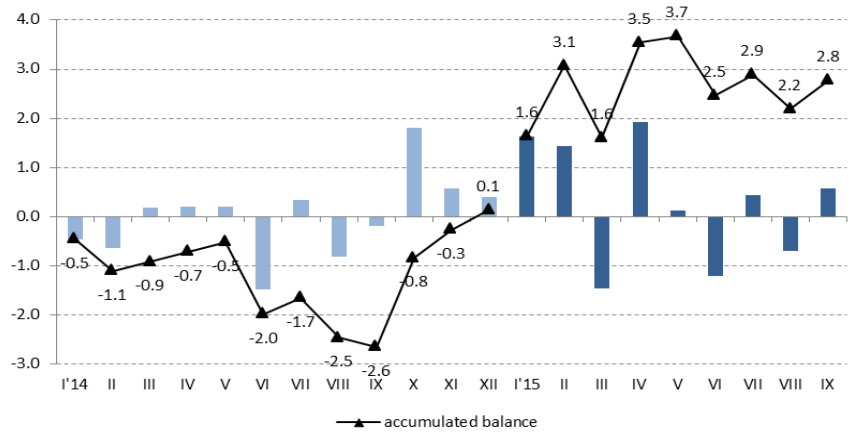
In the period of I-IX 2015 there was a decrease of PLN 0.3bn in debt held by insurance companies. During the same period of 2014 there was an increase of PLN 1.5bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

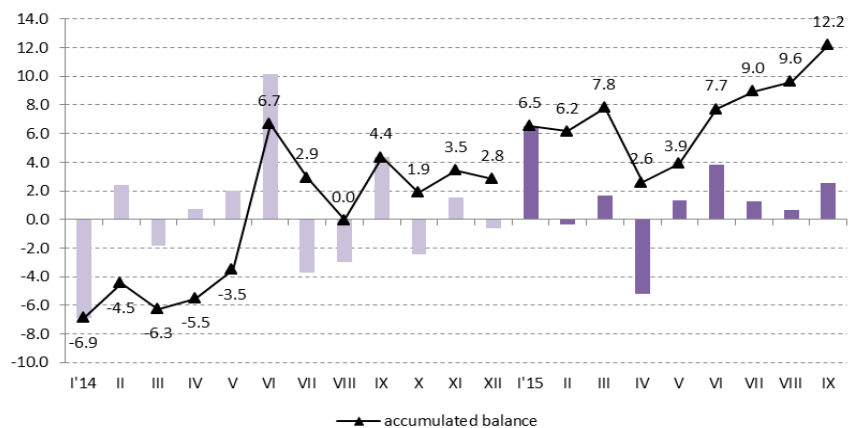
In the period of I-IX 2015 there was an increase of PLN 2.8bn in debt held by investment funds. During the same period of 2014 there was a decrease of PLN 2.6bn.



Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In the period of I-IX 2015 inflow of foreign capital to the domestic TS market amounted to PLN 12.2bn comparing to inflow of PLN 4.4bn in the same period of 2014. Foreign investors' holdings reached the level of PLN 208.2bn.



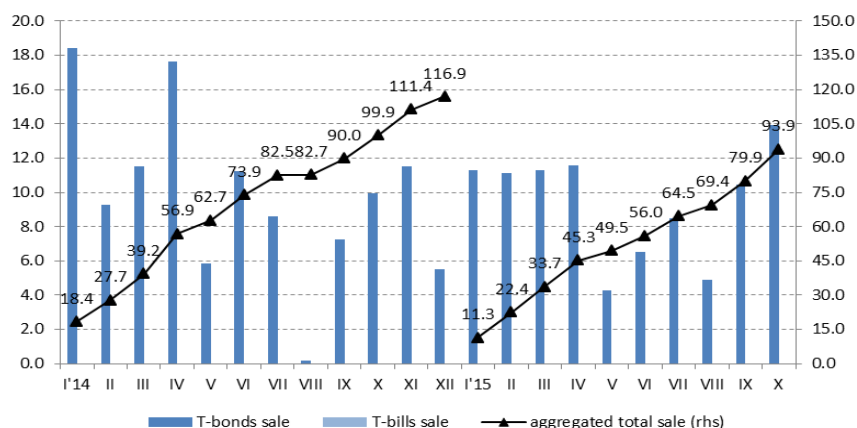
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Sale of T-bonds and T-bills in the period of I-X 2015 and in 2014

settlement date, nominal amount, PLN bn

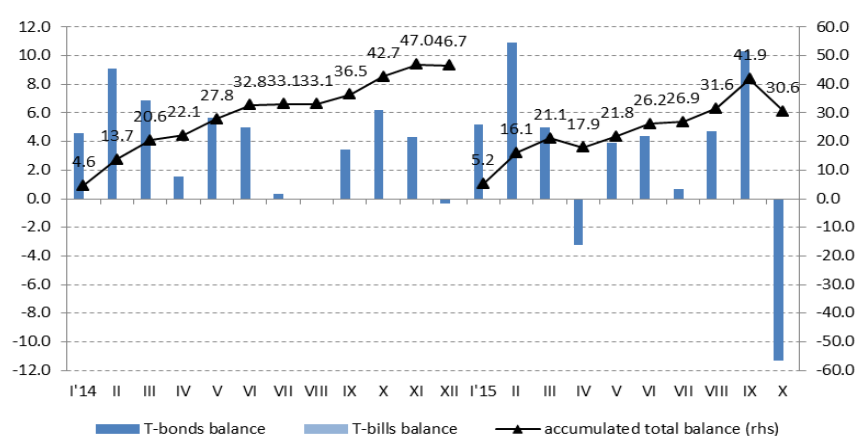
Since April 2013 T-bills have not been offered. In the period of I-X 2015 aggregated total sale of T-bonds amounted to PLN 93.9bn versus PLN 99.9bn as compared to the corresponding period of the previous year.



Balance of T-bonds and T-bills in the period of I-X 2015 and in 2014

settlement date, nominal amount, PLN bn

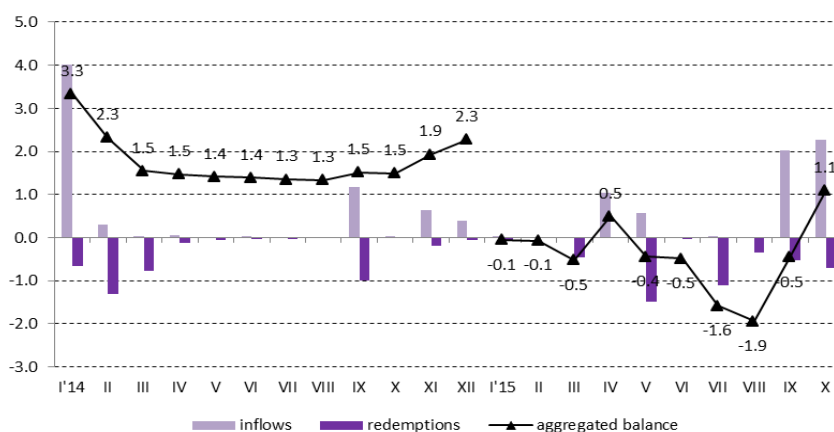
In the period of I-X 2015 indebtedness in T-bonds increased by PLN 30.6bn.



External financing in the period of I-X 2015 and in 2014

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

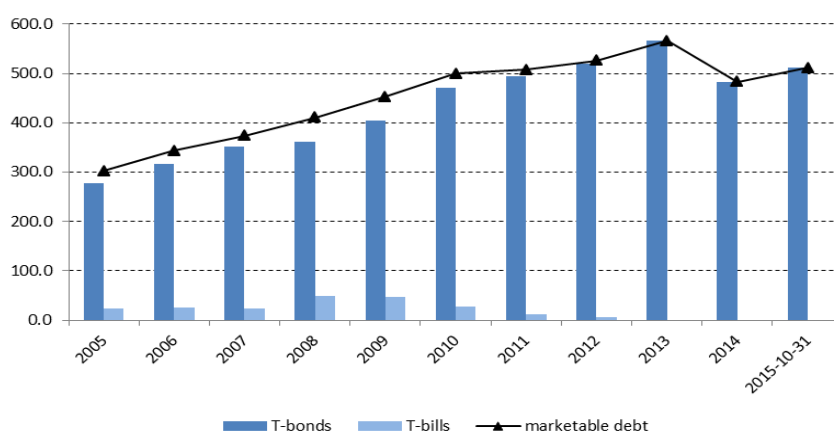
Net financing on foreign markets in the period of I-X 2015 was negative and amounted to EUR 1.1bn. T-bonds issuance was EUR 4.3bn. Loans incurred from IFIs were at the level of EUR 1.6bn. Apart from those, EUR 6.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2014.



Structure of marketable debt

PLN bn

At the end of October 2015 the marketable domestic debt amounted to PLN 511.9bn comparing to PLN 482.9bn at the end of 2014.



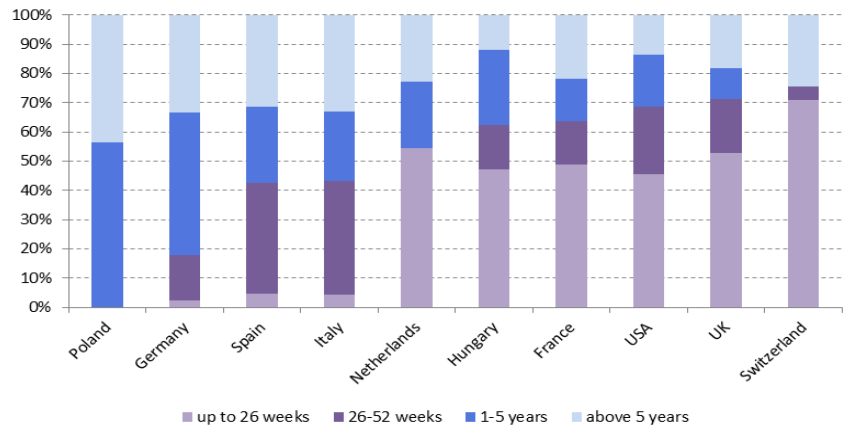


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Maturity breakdown of T-securities in Poland and other countries

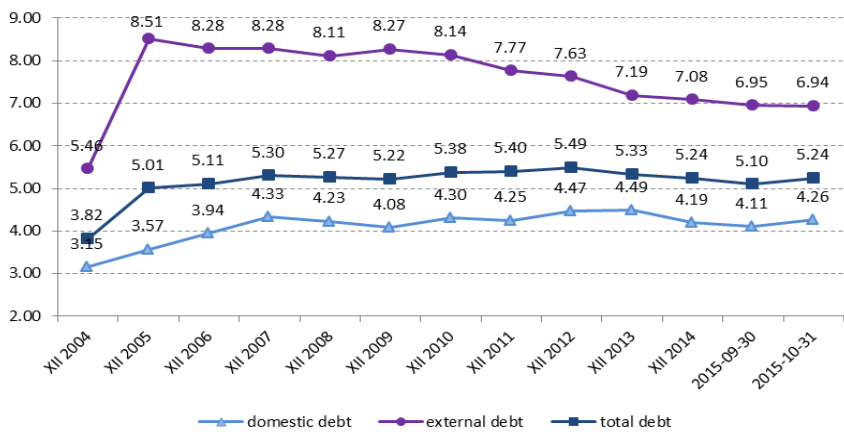
auctions and syndicates, local currency, ytd in the period of January 1 - October 31, 2015

The sale of TS in Poland is dominated by securities maturing in 1 to 5 years. In 2015 there have been no TS with a maturity date shorter than a year.



Average maturity

At the end of October 2015 the average maturity of domestic debt amounted to 4.26 (while at the end of 2014 it was 4.19). The average of total debt accounted to 5.24 (5.24 at the end of 2014).

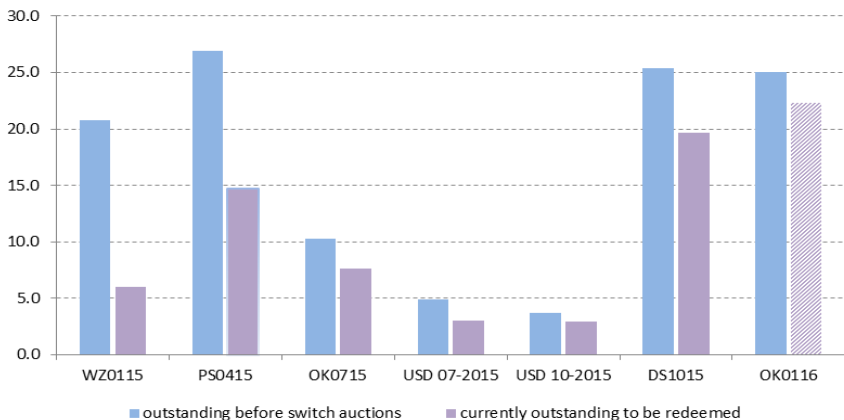


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2015 and 2016

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

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

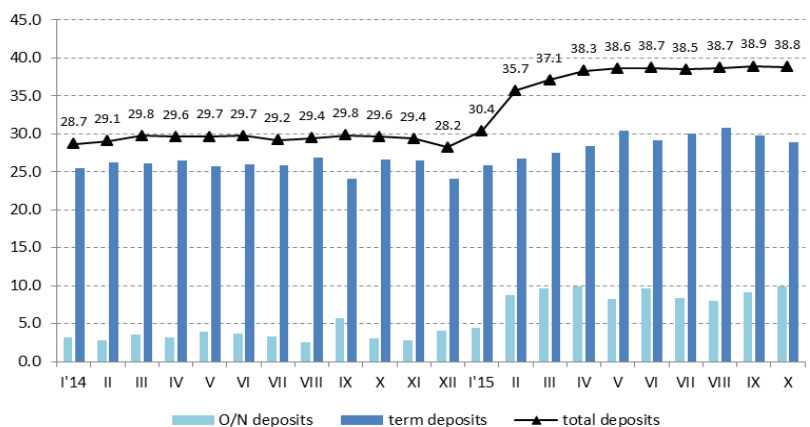
- WZ0115: PLN 14.7bn (71%),
- PS0415: PLN 12.2bn (45%),
- OK0715: PLN 2.6bn (26%),
- USD 07-2015: PLN 1.9bn (USD 0.6bn; 36%),
- USD 10-2015: PLN 0.8bn (USD 0.2bn; 21%),
- DS1015: PLN 5.7bn (22%),
- OK0116: PLN 2.7bn (11%).



Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 38.8bn funds accumulated at the end of October, of which PLN 28.9bn was as term deposits and PLN 9.9bn 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).



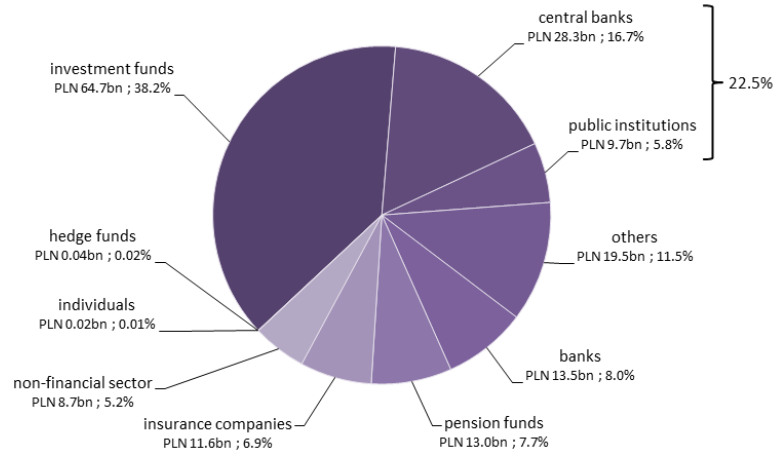
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Institutional distribution of domestic Treasury securities held by non-residents

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

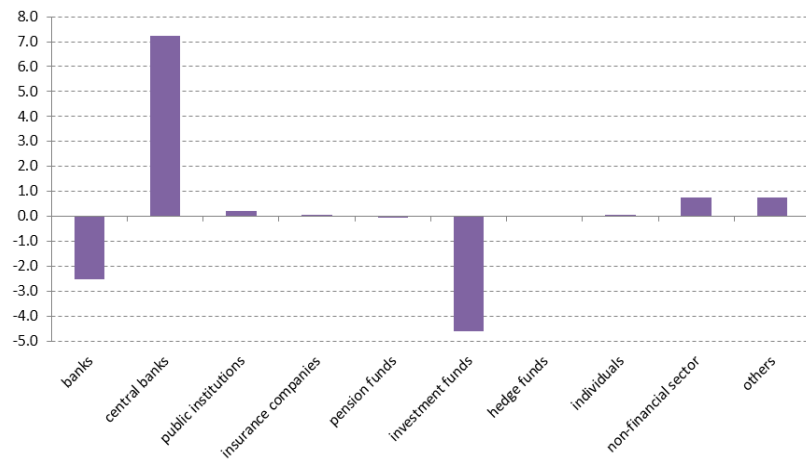
The share of non-residents in the domestic Treasury securities market increased (PLN 2.6bn) and amounted to PLN 208.1bn which constituted 39.7% share in total debt in marketable T-bonds (40.0% in the previous month). The majority was dominated by stable, long-term non-banking investors. As of the end of September, central banks and public institutions' share in holdings amounted to 22.5%.



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

change in September 2015, mom, PLN bn

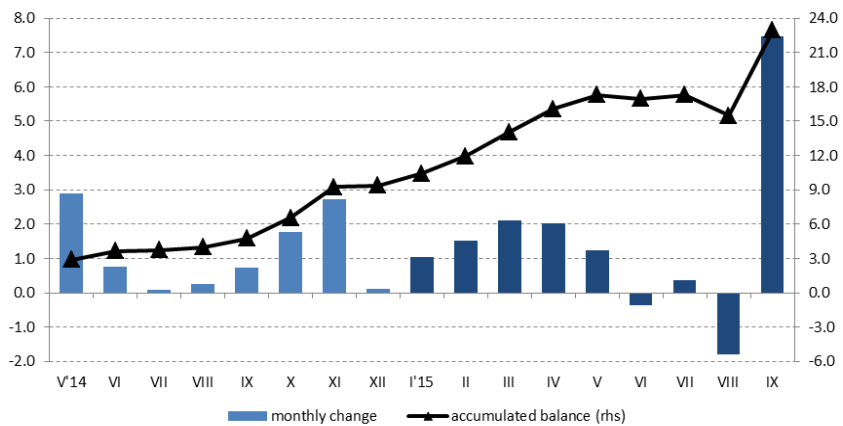
In September 2015 the highest increase in TS portfolio was noted by central banks (PLN 7.2bn). The highest decreases, on the other hand, were recorded by investment funds (PLN 4.6bn) and banks (PLN 2.5bn). Such a substantial increase in central banks' involvement in PLN-denominated TS with simultaneous capital outflow of the investment funds, was mainly a result of change in classifying one investment fund that manages funds of a central bank from Asia into a central bank.



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

as of September 30, 2015, PLN bn

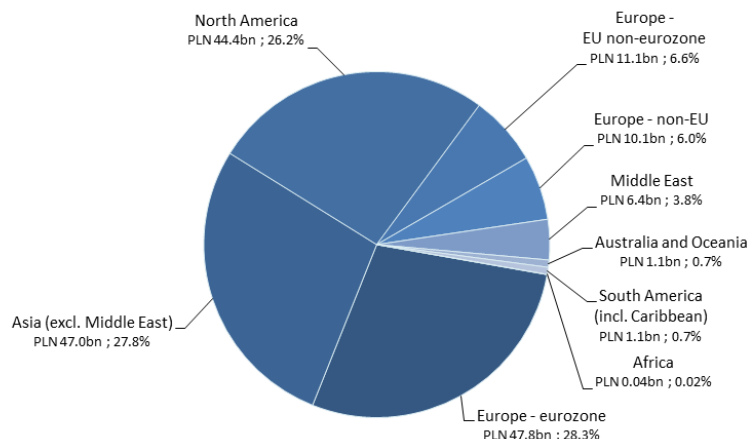
In September 2015 there was a change in classifying an investment fund purchasing Polish TS into a central bank. This resulted in an increase of central banks and public institutions' involvement in the Polish debt market by PLN 7.5bn. In the period of April 2014 to the end of September 2015, when the detailed information is available, portfolios of those entities increased by PLN 23.0bn.



Geographical distribution of domestic Treasury securities held by non-residents

as of September 30, 2015, excluding omnibus accounts

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



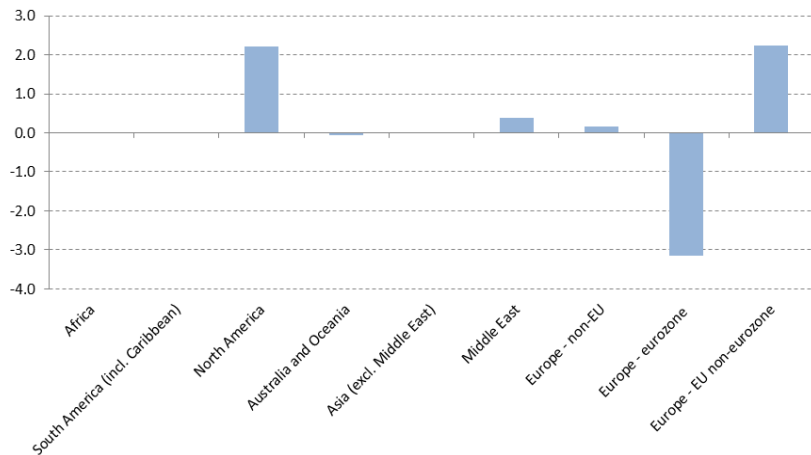


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in September 2015, mom, PLN bn

In September 2015 the most significant increases in holdings were recorded by EU entities from outside the euro area and investors from North America (PLN 2.2bn each). The highest decrease occurred in portfolios of entities from the eurozone (PLN 3.2bn).



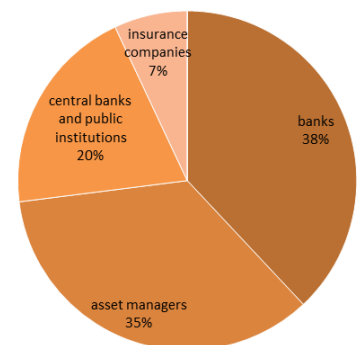
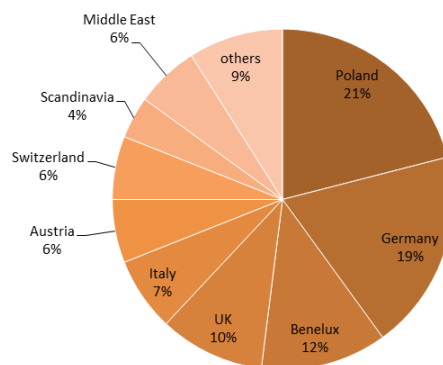
Structure of non-residents' holdings in Treasury securities by countries

as of September 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	43 125.8	30.62%
Luxembourg	25 768.7	18.30%
Japan	19 364.0	13.75%
United Kingdom	8 952.6	6.36%
Norway	8 277.8	5.88%
Germany	6 585.0	4.68%
Ireland	5 546.3	3.94%
Netherlands	3 495.2	2.48%
Austria	2 675.5	1.90%
France	2 284.9	1.62%
United Arab Emirates	1 928.9	1.37%
Switzerland	1 640.6	1.16%
Others	11 179.0	7.94%
Total	140 824.2	100%

EUR denominated bond issue

Amount:	EUR 1.75bn
Maturity date:	October 14th, 2021
Coupon:	0.875%
Spread:	45 pb over mid-swap
Yield:	0.940%
Launch date:	October 7th, 2015
Bookrunners:	Banco Santander, Barclays, Societe Generale and UniCredit



Faster growth of the economy, not deficit, interview with Beata Szydło, candidate of PiS for Prime Minister

“Faster growth of the economy, not deficit”, Rzeczpospolita

13.10.2015, fragment of an interview with Beata Szydło, candidate of PiS for Prime Minister

Michał Szuldrzyński: In one statement, Jarosław Kaczyński suggested that implementation of the election promises may entail a necessity to increase the deficit by 0.5% of GDP. Does it mean that PiS (Law and Justice) considers exceeding the excessive deficit procedure? [threshold]

Beata Szydło: We will not exceed the excessive deficit procedure, our programme is targeted at achieving faster economic growth. Poland must develop faster. This will be achieved by investments. Poles must earn more to be able to invest.

MoF comments

Dorota Podedworna-Tarnowska, Undersecretary of State, Ministry of Finance

15-10-2015, interview for the Polish Press Agency (fragments)

We do not set any specific target for the level of prefinancing the 2016 borrowing needs to achieve as this level will depend on the market situation in the 4th quarter which can be volatile. We apply two main instruments of prefinancing: liquid funds maintained at a safe level and buy-back for bonds maturing in 2016, mainly through switching auctions.

(...) By the end of the year we will receive about EUR 1bn from loans incurred from international financial institutions.

Within the aim of increasing flexibility in adapting the issuance policy to the borrowing needs and changing market circumstances, we assumed to issue Treasury bills at the level of PLN 7.9bn for purposes of financing the whole-year borrowing needs.

We considered that it is good to broaden our Treasury securities offer with instruments for which potentially there is substantial demand. This shall support fulfilling the main goal of the debt management which is minimisation of debt servicing costs. Moreover, similarly to the previous years, we assumed the possibility of selling so called short-term bills – sold and redeemed within the same year and issued for the purpose of liquidity management (at the level of PLN 24.7bn).

The amounts adopted in the financial plan shall be treated as the base scenario and not obligation for a specific issuance structure. In the course of the year we are acting according to the strategy in the changing market circumstances and those circumstances will influence the scale of issuing different types of Treasury securities. That means a possible T-bills issuance may be held depending on the requirements and may refer to different maturities.

(...) With the funds collected from the latest issuances on the euro market we pre-financed the next year's borrowing requirements, including collecting funds for T-bonds denominated in EUR to be redeemed in February 2016. Our currency accounts are successively supplied by the EU funds.

Nevertheless we do not exclude further activity on this market in a longer perspective. This would be in line with the target set in the debt management strategy which states the share of euro-denominated debt in total foreign debt shall not be less than 70%.

At the end of September we possessed currency funds equivalent of EUR 8.6bn, including a reserve of USD funds to cover our liabilities denominated in USD till the end of next year. Those USD funds were acquired through the exchange of euros using more favourable rates than current rates.

(...) American market is still the deepest capital market and American investors exhibit significant demand for Polish bonds. Thus, depending on the market circumstances, issuances on this market are not ruled out from the financing the borrowing requirements in 2016.

Our possible activity on the Swiss franc market will depend on the progress of the financing process of 2016 borrowing needs and the possibility of having favourable conditions comparable to what other markets offer.

On the Japanese market we have been present for a dozen of years and this presence has paid off. At present Japanese investors hold more PLN-denominated bonds than issued in JPY. We maintain contacts with Japanese investors and we do not exclude issuing in JPY. Similarly as in the case of Swiss franc market, possible issuances on the Japanese market will depend on financial conditions of such issues.

Rating agencies' comments after the parliamentary elections

Piotr Marczak, Director of the Public Debt Department, MoF
30-10-2015

In October we completed the process of financing 2015 borrowing needs and begun the prefinancing of 2016. Despite substantial payments due to redemption and debt servicing of PLN denominated bonds (PLN 27.2bn), we possess funds in PLN and hard currencies at a safe level of about PLN 44bn.

According to the quarterly auction calendar, we assume holding one switching action each month: in November and December. This would be the main instrument of prefinancing the next year's borrowing requirements. In November we are also planning to hold a buy-back auction of euro-denominated bonds maturing in February next year. We would like to buy-back at least 20% of the issuance with the face value of EUR 3bn. Such early repayment of bonds maturing at the beginning of next year is more effective use of foreign resources than depositing them on banking accounts.

In September foreign investors increased their portfolios of PLN bonds by PLN 2.6bn. In the previous months we highlighted that the involvement of central banks and public institutions in the Polish debt market was higher than what would result from the statistical data. In September this was formally confirmed by a change in classifying one investment fund that manages funds of a central bank into a central bank. As a result an indebtedness towards investment funds from Thailand decreased by PLN 7.3bn and Asian central banks portfolio increased by PLN 7.0bn. Consequently, involvement of central banks and public institutions on the Polish debt market exceeded PLN 38bn which translated into 22.5% of the foreign investors' identified by type portfolio.

In October the balance of foreign investors flows will be negative due to the redemption of T-bond maturing in November and held by those investors in the amount of PLN 10bn. New investments of this group of investors on the debt market were smaller than the amount of redeemed bonds.

Standard&Poor's Rating Services: Poland's Parliamentary Election Outcome Has No Immediate Rating Impact

26-10-2015

Standard & Poor's Ratings Services said today that the outcome of Sunday's general election has no immediate impact on its sovereign credit ratings on Poland (foreign currency A-/Positive/A-2; local currency A/Positive/A-1).

(...) After months of intense campaigning, Poland's Law and Justice (PiS) party looks likely to have gained an absolute majority in yesterday's parliamentary election. PiS' political and economic platform ahead of the election included extensive spending plans, among other things, a higher tax-free allowance, additional childcare benefits, and higher subsidies to coal mining and other industries. PiS plans to offset these higher outlays through improved tax compliance and additional levies and taxes on certain sectors, such as banks and supermarket chains.

(...) However, despite PiS' strong mandate, we do not expect all its pre-election pledges to be implemented. This is because constitutional rules, such as an expenditure rule and a debt ceiling, provide important policy anchors, in our view.

That said, our positive outlook continues to reflect what we view as Poland's broadening economic recovery and improving fiscal and external metrics. However, as we have previously stated, we could revise the outlook to stable if we saw reversals regarding fiscal consolidation, macroeconomic management, or monetary policy.

Moody's: Election outcome reduces policy predictability, a credit negative

27-10-2015

Although PiS did not secure a constitutional majority, the presidential support it benefits from following the election of its candidate Andrzej Duda in May 2015 could ease the process and implementation of many of its reforms and policies. The result is credit negative as it reduces policy predictability and could undermine Poland's position as a regional safe haven for investors via increased state intervention in the economy.



(...) In light of the election result, in 2016 we expect to see Poland move away from the original deficit target of 2.3% of GDP and now forecast a final deficit of 2.9% of GDP, which incorporates the partial implementation of the previous government's policies. Until the budget is discussed by the new parliament, it is difficult to assess the impact of the whole set of electoral proposals on Poland's fiscal performance in 2016.

That said, we do not believe the general government deficit will breach the 3% of GDP excessive deficit procedure threshold next year.

Although we see this deviation from previous government's targeted fiscal consolidation as credit negative, a few factors are likely to contain the magnitude of the fiscal slippage:

- A stabilizing expenditures rule (SER) was passed in 2014 that sets fixed limits on nominal expenditure growth, and exists alongside the debt rule (for details on the debt and stabilizing expenditures rules, please see our recent Credit Analysis on the Government of Poland);
- The EU will provide guidance and supervisory input on the proposed budget for 2016;
- The Polish authorities will likely want to avoid re-entering the Excessive Deficit Procedure it exited only in May this year.

Fitch: PIS Win May Drive Polish Fiscal Easing, Hit Bank Profits

27-10-2015

The Law and Justice (PIS) party's outright majority in Poland's general election will give it leeway to implement new policies, including some relaxation in fiscal policy and unorthodox economic measures, Fitch Ratings says. Poland's strong fundamentals, including its macroeconomic performance and relatively resilient banking system, mean it probably has the rating headroom to absorb the expected change in economic policy.

(...) The deterioration in the government deficit should however be limited by Poland's institutional framework, including the domestic debt and stable expenditure rules and compliance with European Union debt and deficit criteria. Poland exited the Excessive Deficit Procedure in June 2015 and we expect the deficit to remain below 3% of GDP in the medium term.

(...) Given Poland's rating strength, including a strong macro-economic performance, a government debt close to the median of rating peers and a relatively resilient banking sector, the change in the policy stance should not have an impact on the sovereign ratings. This is reflected in the Stable Outlook. However, a significant relaxation in the fiscal stance, leading to an increase in government debt, coupled with deterioration in the economic growth performance, could lead to rating pressure.



IV. SUPPLY PLAN OF TREASURY SECURITIES IN NOVEMBER 2015

Treasury bond switching auction

Auction/ settlement date	Settlement T-bond	Source T-bond	Outstanding (PLN m)
19 NOV 2015/ 23 NOV 2015	choice will depend on the market conditions	OK0116	22,338
		PS0416	22,308

Buy-back auction of EUR nominated T-bonds

Auction/ settlement date	Buy-back T-bonds		Nominal value of buyback (EUR m)
	Series	Maturity date	
26 NOV 2015/ 30 NOV 2015	EUR20160201	01 FEB 2016	up to 1,000

Offer on retail market

T-bond	Issue price	Coupon
KOS1016	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 0.11%, from 1st to 2nd month, 1.11%, from 3rd to 8th month, 2.11%, from 9th to 10th month, 11.11% in the 11th month
DOS1117	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.10%
TOZ1118	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.20% in the first coupon period
COI1119	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO1125	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period