Ministry of Finance | Republic of Poland

Public Debt Department

# State budget borrowing requirements' financing plan and its background

2nd quarter 2017

April 2017

## THE MOST IMPORTANT INFORMATION




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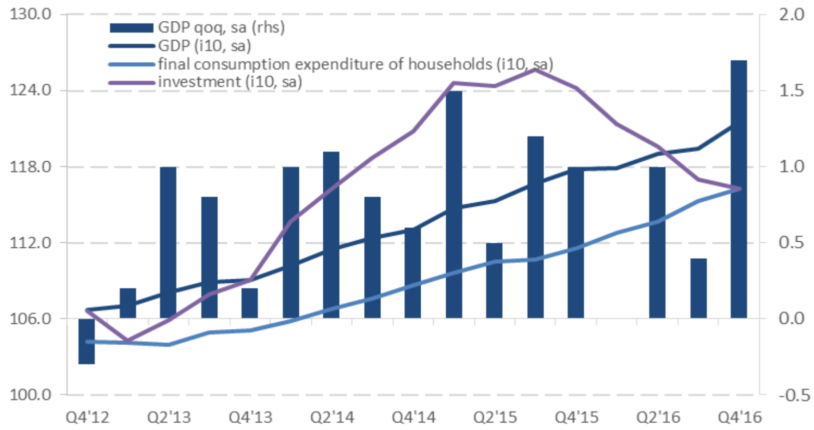
# I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

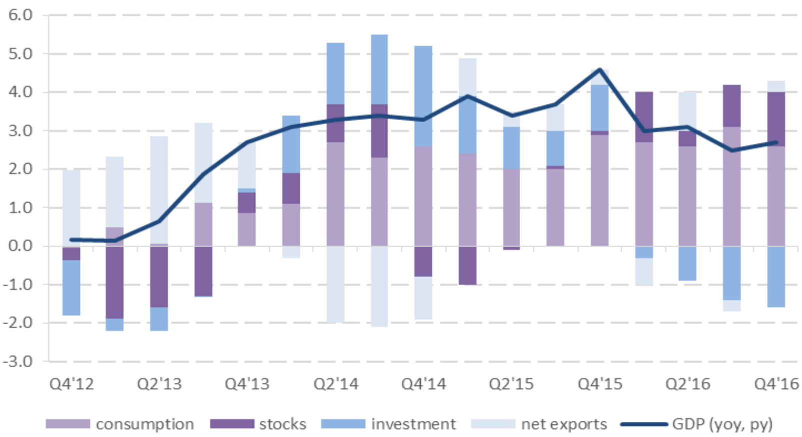
*constant prices, yoy*
*source: GUS*




In the fourth quarter of 2016 growth of economic activity in Poland accelerated. GDP went up by 1.7% (qoq, sa) following an increase of 0.4% in the third quarter of 2016. Exports and imports rebounded after a relatively weaker previous quarter. On the other hand the pace of growth of households consumption was lower and investments decreased for the fifth time in a row, however at a lower pace. Increase in private consumption was a consequence of a positive labour market situation, robust consumer sentiment and realisation of family support programme “Family 500+”. Weak dynamics of investments activity was a consequence of low absorption of EU funds due to the process of switching from the 2007-2013 to the 2014-2020 financial framework.

### Contributions to Polish GDP growth

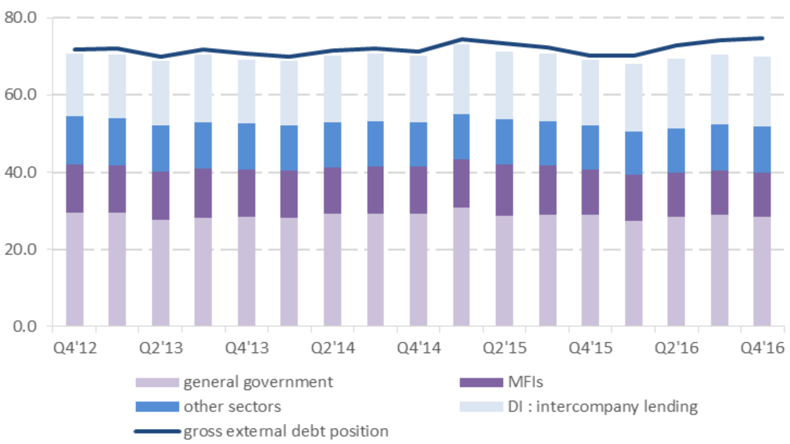
*percentage points*
*source: GUS; py - average prices of previous year*




In the fourth quarter of 2016 GDP was 2.7% higher than a year ago as compared to 2.5% in the previous quarter. Data was in line with GUS preliminary estimation. Domestic demand was the main source of GDP growth due to households consumption (contribution of 2.1 pp), increase in inventories (1.4 pp) and public consumption (0.5 pp). Negative contribution to GDP growth came again from investments (-1.6 pp), which were 5.8% lower than a year before. Contrary to the previous quarter net exports had positive contribution (0.3 pp as compared to -0.3 pp in the third quarter of 2016) due to higher exports than imports (in yoy terms).

### Polish gross external debt position

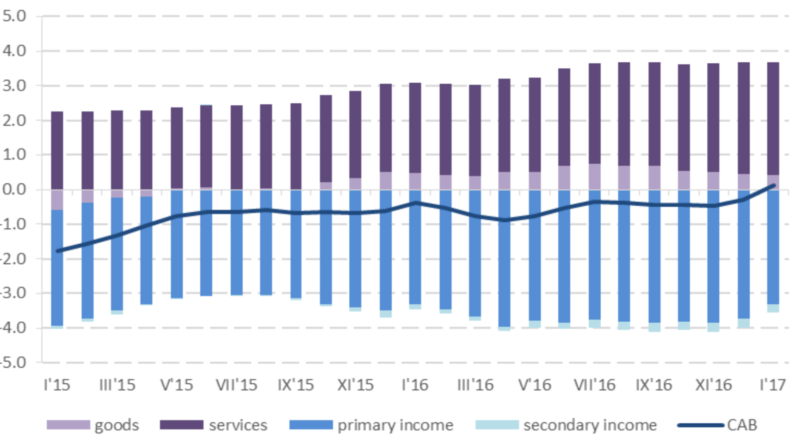
*percent of GDP*
*source: NBP, GUS, MoF own calculation*




Gross external debt reached EUR 317.4bn (74.8% of GDP) at the end of the fourth quarter of 2016 and was EUR 1.4bn higher than in the previous quarter. The share of the general government sector debt in total debt decreased to 38.0%. Official reserve assets reached EUR 104.7bn at the end of February 2017 and remained broadly adequate, covering around 6 months of imports.

### Current account balance

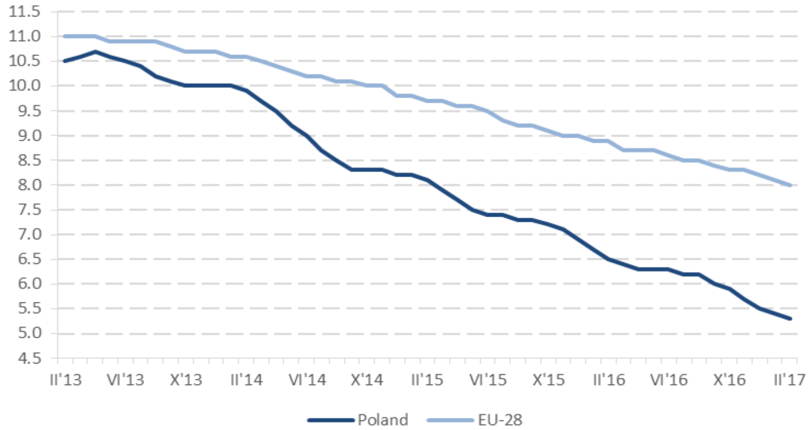
*percent of GDP, in 12-month terms*
*source: NBP, GUS, MoF own calculation*




In January 2017, according to the preliminary data, C/A balance was positive and amounted to 0.1% of GDP (in 12-month terms of GDP). Data was better than market expectations. The inflow of long term capital also continued, i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on capital account.

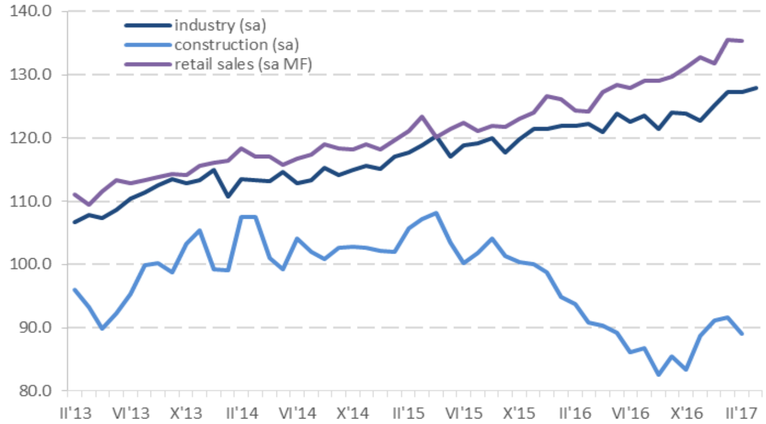
### Harmonised unemployment rate
*percent, seasonally adjusted data*
*source: Eurostat*

Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In February 2017 it amounted to 5.3% (versus 8.0% in EU on average) and was 0.1 pp lower than a month before and 1.2 pp lower than a year earlier. In February 2017 harmonised unemployment rate (sa) in Poland reached the historically lowest level.



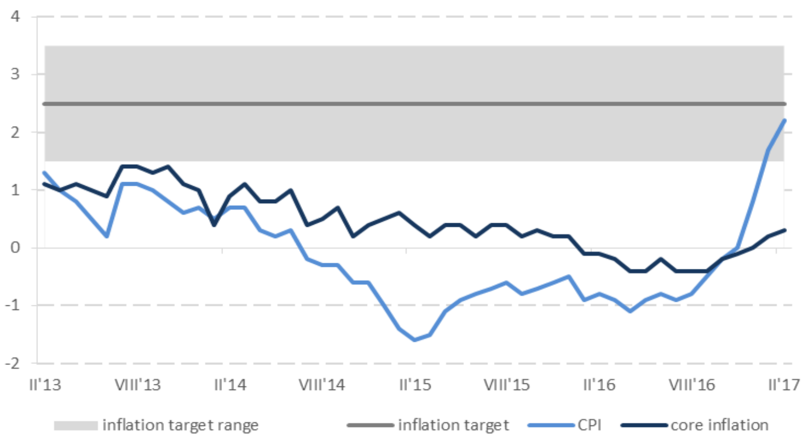

### Monthly indicators of the real sector
*sold production in constant prices, i10, seasonally adjusted data*
*source: GUS*

In February 2017 industrial output went up by 0.6% (mom, sa). As a result, production was 1.2% higher than a year ago (nsa). Data was below market expectations.
In February 2017 construction production declined by 2.8% following increases in three previous months (mom, sa). As a result its level was 5.4% (nsa) lower than a year before. Data was below expectations.
In February 2017 real retail sales decreased slightly (0.2% mom, sa MoF) following significant growth in the previous month. As a result its level was 5.2% (nsa) higher than in the same month of 2016. Data was below market expectations.



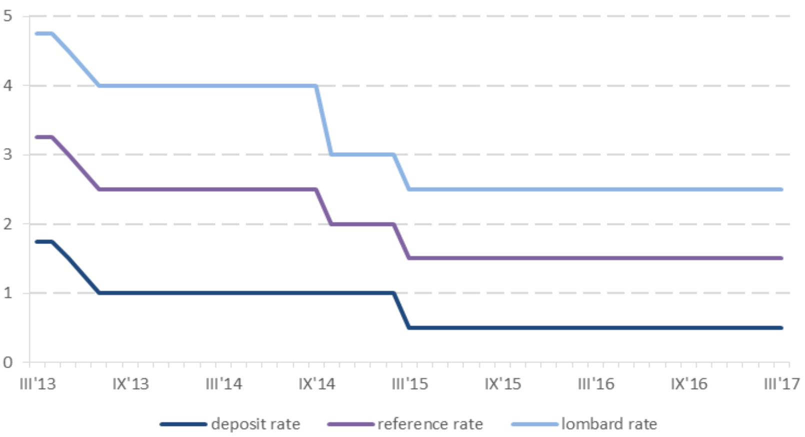

### Inflation
*percent, yoy*
*source: GUS, NBP*

Since July 2014 till October 2016 there was CPI deflation, mainly caused by the drop of commodity prices (energy and food). In the last few months inflation visibly accelerated, in line with energy prices increase, and in February 2017 it amounted to 2.2%. Data was slightly higher than market expectations. During almost the entire year of 2016, core inflation (CPI excluding food and energy prices) remained below zero and in February it rose to 0.3% yoy. After almost 4 years of deflation in producer prices, since September 2016 these prices have risen rapidly and in February 2017 were higher than a year before by 4.4%.




### NBP interest rates
*percent, end of period*
*source: NBP*

In March 2017 the Monetary Policy Council kept NBP's interest rates unchanged with the reference rate at 1.50%. The decision was in line with market expectations. In the Council's assessment the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.
The latest Reuters' poll median forecast (March, 2nd) sees no NBP rate move till the end of 2017.



# II. STATISTICAL DATA

| | Unit | 2015 Q03 | Q04 | 2016 Q01 | Q02 | Q03 | Q04 |
|---|---|---|---|---|---|---|---|
| **GDP[1]** | | | | | | | |
| Gross domestic product | YoY | 3.7 | 4.6 | 3.0 | 3.1 | 2.5 | 2.7 |
| | QoQ SA | 1.2 | 1.0 | 0.0 | 1.0 | 0.4 | 1.7 |
| Final consumption expenditure of the households sector | YoY | 3.3 | 3.1 | 3.2 | 3.3 | 3.9 | 4.2 |
| | QoQ SA | 0.2 | 0.8 | 1.0 | 0.8 | 1.4 | 0.8 |
| Final consumption expenditure of the general government sector | YoY | -0.2 | 7.1 | 4.2 | 3.9 | 4.9 | 2.7 |
| | QoQ SA | 0.4 | 2.4 | 0.5 | 0.7 | 1.1 | 0.6 |
| Gross fixed capital formation | YoY | 4.7 | 4.5 | -2.2 | -5.0 | -7.7 | -5.8 |
| | QoQ SA | 1.0 | -1.2 | -2.3 | -1.5 | -2.2 | -0.6 |
| Exports of goods and services | YoY | 6.5 | 9.1 | 6.7 | 11.4 | 6.8 | 8.6 |
| | QoQ SA | 3.7 | 2.0 | 1.2 | 3.7 | 0.3 | 2.8 |
| Imports of goods and services | YoY | 5.3 | 8.4 | 8.7 | 10.0 | 7.8 | 8.5 |
| | QoQ SA | 2.3 | 3.3 | 2.3 | 2.7 | -0.1 | 1.9 |
| Gross value added | YoY | 3.6 | 4.5 | 2.8 | 2.9 | 2.4 | 2.7 |
| | QoQ SA | 1.0 | 0.9 | 0.5 | 0.5 | 0.6 | 1.6 |
| **Contribution to GDP growth** | | | | | | | |
| Final consumption expenditure of the households sector | pp. | 2.0 | 1.6 | 2.0 | 1.9 | 2.3 | 2.1 |
| Final consumption expenditure of the general government sector | pp. | 0.0 | 1.3 | 0.7 | 0.7 | 0.8 | 0.5 |
| Gross fixed capital formation | pp. | 0.9 | 1.2 | -0.3 | -0.9 | -1.4 | -1.6 |
| Changes in inventories | pp. | 0.1 | 0.1 | 1.3 | 0.4 | 1.1 | 1.4 |
| Balance of trade turnover | pp. | 0.7 | 0.4 | -0.7 | 1.0 | -0.3 | 0.3 |
| Gross value added | pp. | 3.2 | 4.0 | 2.5 | 2.6 | 2.1 | 2.4 |
| Taxes less subsidies | pp. | 0.5 | 0.6 | 0.5 | 0.5 | 0.4 | 0.3 |
| **GDP structure** | | | | | | | |
| Final consumption expenditure of the households sector | % of GDP | 60.0 | 48.9 | 63.9 | 58.8 | 59.9 | 49.8 |
| Final consumption expenditure of the general government sector | % of GDP | 17.3 | 19.5 | 17.3 | 17.6 | 17.4 | 19.5 |
| Gross fixed capital formation | % of GDP | 19.3 | 27.4 | 13.3 | 16.6 | 17.3 | 25.4 |
| Changes in inventories | % of GDP | 0.8 | 0.5 | 0.8 | 1.0 | 1.9 | 1.9 |
| Exports of goods and services | % of GDP | 50.1 | 46.4 | 53.6 | 54.2 | 51.9 | 48.6 |
| Imports of goods and services | % of GDP | 48.3 | 43.2 | 49.6 | 49.0 | 49.3 | 45.7 |

| | Unit | 2016 M09 | M10 | M11 | M12 | 2017 M01 | M02 |
|---|---|---|---|---|---|---|---|
| **Balance of payments** | | | | | | | |
| Goods: exports (EUR) | YoY | 3.1 | -0.5 | 5.8 | 5.2 | 13.8 | - |
| Goods: imports (EUR) | YoY | 3.5 | 3.6 | 6.3 | 7.1 | 16.0 | - |
| Current account balance[2] | % of GDP | -0.4 | -0.4 | -0.5 | -0.3 | 0.1 | - |
| Balance on goods[2] | % of GDP | 0.7 | 0.5 | 0.5 | 0.5 | 0.4 | - |
| Official Reserve Assets | EUR mln | 100 078.0 | 103 157.6 | 104 192.5 | 108 063.9 | 106 181.5 | 104 658.4 |
| **Inflation** | | | | | | | |
| Consumer Price Index (CPI) | YoY | -0.5 | -0.2 | 0.0 | 0.8 | 1.7 | 2.2 |
| Core inflation (CPI excluding food and energy prices) | YoY | -0.4 | -0.2 | -0.1 | 0.0 | 0.2 | 0.3 |
| Producer Price Index (PPI) | YoY | 0.2 | 0.6 | 1.8 | 3.2 | 4.0 | 4.4 |
| **Production** | | | | | | | |
| Sold production of industry[3] | YoY | 3.2 | -1.3 | 3.1 | 2.1 | 9.1 | 1.2 |
| | MoM SA | -0.2 | -0.9 | 2.0 | 1.5 | 0.0 | 0.6 |
| Construction and assembly production[3] | YoY | -15.3 | -20.1 | -12.8 | -8.0 | 2.1 | -5.4 |
| | MoM SA | 3.5 | -2.5 | 6.4 | 2.7 | 0.7 | -2.8 |
| Manufacturing PMI | SA | 52.2 | 50.2 | 51.9 | 54.3 | 54.8 | 54.2 |
| **Households and labour market** | | | | | | | |
| Retail sales[3] | YoY | 6.3 | 4.6 | 7.4 | 6.1 | 9.5 | 5.2 |
| Average paid employment in enterprise sector | YoY | 3.2 | 3.1 | 3.1 | 3.1 | 4.5 | 4.6 |
| | MoM | 0.2 | 0.1 | 0.2 | 0.1 | 2.8 | 0.3 |
| Average monthly gross wages and salaries in enterprise sector (real) | YoY | 4.4 | 3.8 | 4.0 | 1.9 | 2.5 | 1.8 |
| | MoM | 0.1 | 0.5 | 1.5 | 6.3 | -8.1 | 0.3 |
| Harmonised unemployment rate (Eurostat) | %, SA | 6.0 | 5.9 | 5.7 | 5.5 | 5.4 | 5.3 |

1) Please note that quarterly national accounts data are currently inconsistent with revised annual data
2) Data in 12-month terms
3) Constant prices. Data for units in which the number of employed persons exceeds 9 persons
Source: GUS, NBP, Eurostat, IHS Markit, MoF calculation based on NBP, GUS data

| | Unit | 2016 M08 | M09 | M10 | M11 | M12 | 2017 M01 |
|---|---|---|---|---|---|---|---|
| **State Treasury debt** | | | | | | | |
| State Treasury debt (acc. to the place of issue criterion) | face value, PLN mio | 899 200.8 | 902 709.5 | 910 750.4 | 923 339.9 | 928 661.2 | 930 056.2 |
| Domestic debt | face value, PLN mio | 596 203.1 | 602 632.0 | 603 339.4 | 606 188.1 | 609 197.9 | 617 907.8 |
| | % | 66.3 | 66.8 | 66.2 | 65.7 | 65.6 | 66.4 |
| Foreign debt | face value, PLN mio | 302 997.7 | 300 077.4 | 307 411.0 | 317 151.8 | 319 463.2 | 312 148.3 |
| | % | 33.7 | 33.2 | 33.8 | 34.3 | 34.4 | 33.6 |

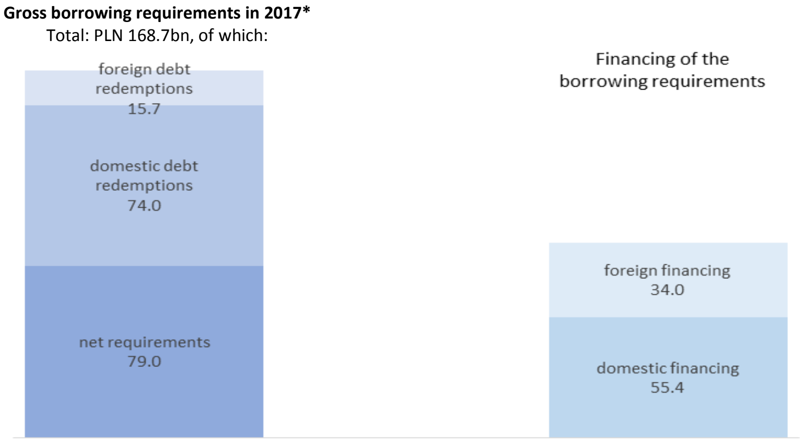
| | Unit | 2015 Q03 | Q04 | 2016 Q01 | Q02 | Q03 | Q04[1] |
|---|---|---|---|---|---|---|---|
| **Public debt** (domestic definition) | | | | | | | |
| Public debt (acc. to the place of issue criterion) | face value, PLN mio | 876 405.4 | 877 282.4 | 899 249.9 | 936 951.0 | 939 560.4 | 965 201.5 |
| Domestic debt | face value, PLN mio | 579 092.1 | 570 482.7 | 600 023.7 | 614 898.4 | 624 334.1 | 630 174.2 |
| | % | 66.1 | 65.0 | 66.7 | 65.6 | 66.4 | 65.3 |
| Foreign debt | face value, PLN mio | 297 313.3 | 306 799.8 | 299 226.2 | 322 052.6 | 315 226.3 | 335 027.4 |
| | % | 33.9 | 35.0 | 33.3 | 34.4 | 33.6 | 34.7 |
| **General Government debt** (EU definition) | | | | | | | |
| General Government debt | face value, PLN mio | 911 315.6 | 919 576.0 | 938 481.3 | 977 838.2 | 978 416.8 | 1 006 281.6 |

*1) Initial data*
Source: MoF

## Gross borrowing requirements in 2017

Financing of the State budget borrowing requirements at the level of ca. 53% was a result of:
- T-bond sale on domestic market: PLN 33.9bn,
- switch auctions in 2017: PLN 4.9bn,
- T-bond sale on foreign markets: PLN 6.4bn (EUR 1.5bn),
- loans incurred from IFIs: PLN 0.1bn,
- switch auctions in 2016: PLN 13.4bn,
- and higher than planned financial resources at the end of 2016: PLN 30.8bn (initial data, the final level will be known following the closure of the budget year).

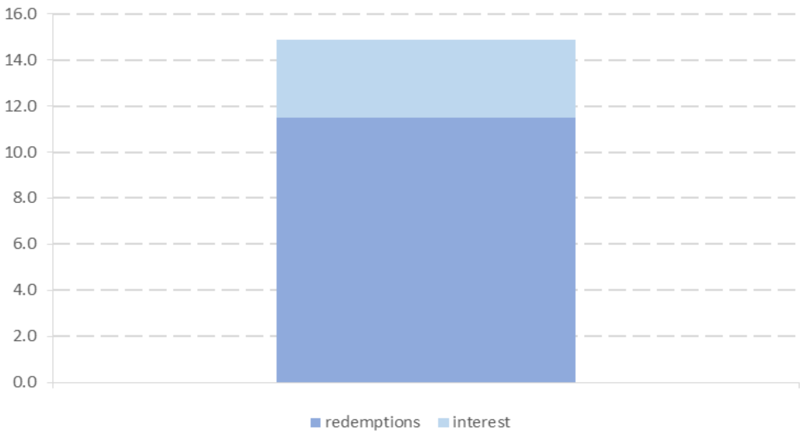
** net requirements acc. to the Budget Act; debt redemptions as of December 31, 2016.*




## Flows of funds into the market related to domestic T-securities transfers in April

*as of March 31, 2017, PLN bn*

Value of funds transferred from the State budget to the market in April shall amount to PLN 14.9bn, of which:
- TS redemptions: PLN 11.5bn,
- interest payments: PLN 3.4bn.

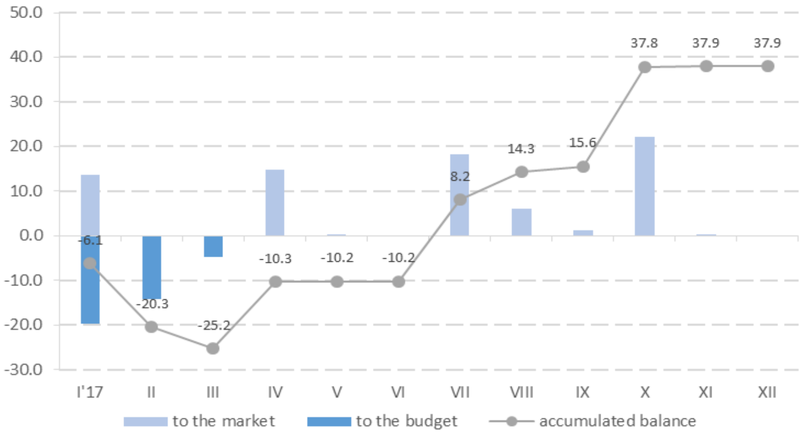



## Flows of funds between the market and the budget*

*as of March 31, 2017, PLN bn*

As of March 31st, 2017 to the end of the year the funds to be transferred to the market shall amount to PLN 63.1bn.

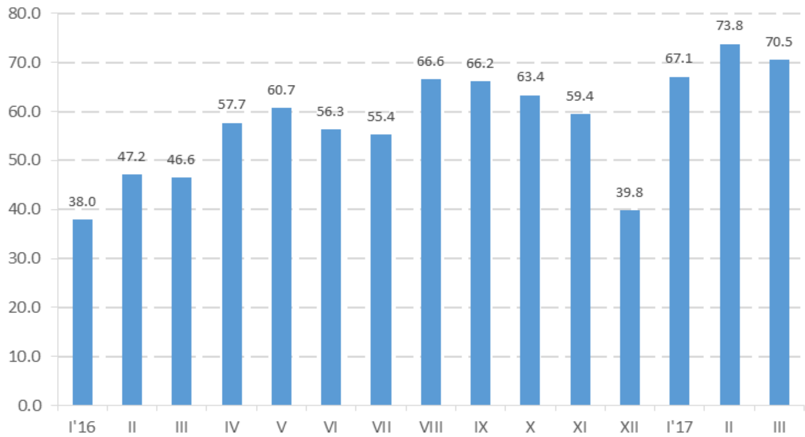
** figures include sale, redemptions and interest payments on wholesale bonds and T-bills; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.*




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

*funds financing the borrowing needs, PLN bn*

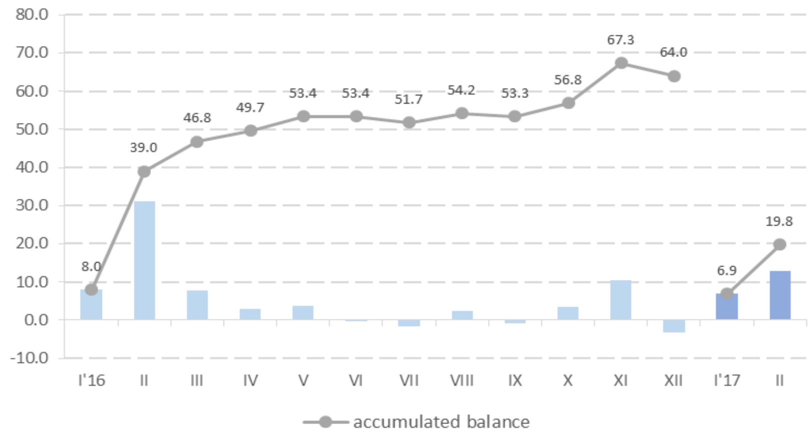
The funds ensure liquidity in borrowing needs financing.



# III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

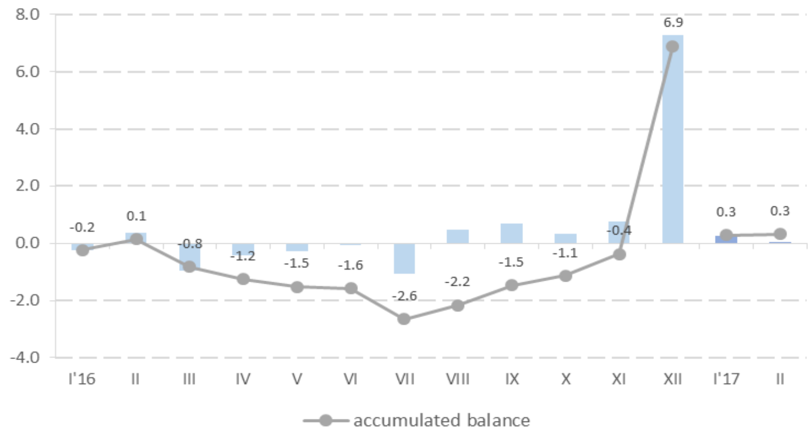
**Change of debt in domestic Treasury securities held by banks**
*without buy-sell-back transactions with MoF, PLN bn*

In the period of I-II 2017 debt held by domestic banks increased by PLN 19.8bn comparing to PLN 39.0bn increase during the same period of 2016.



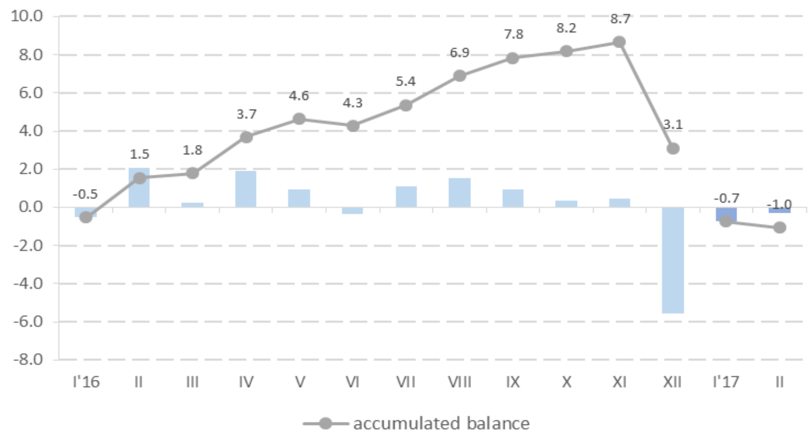

**Change of debt in domestic Treasury securities held by insurance companies**
*PLN bn*

In the period of I-II 2017 there was an increase of PLN 0.3bn in debt held by insurance companies. During the same period of 2016 there was an increase of PLN 0.1bn.



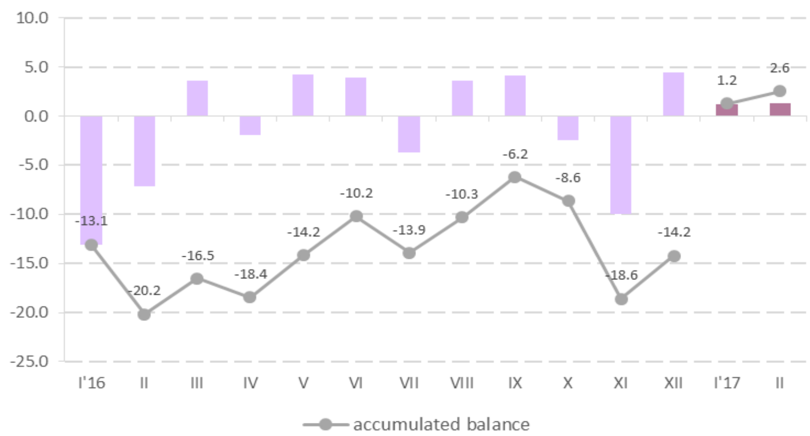

**Change of debt in domestic Treasury securities held by investment funds**
*PLN bn*

In the period of I-II 2017 there was a decrease of PLN 1.0bn in debt held by investment funds. During the same period of 2016 there was an increase of PLN 1.5bn.




**Change of debt in domestic Treasury securities held by foreign investors**
*PLN bn*

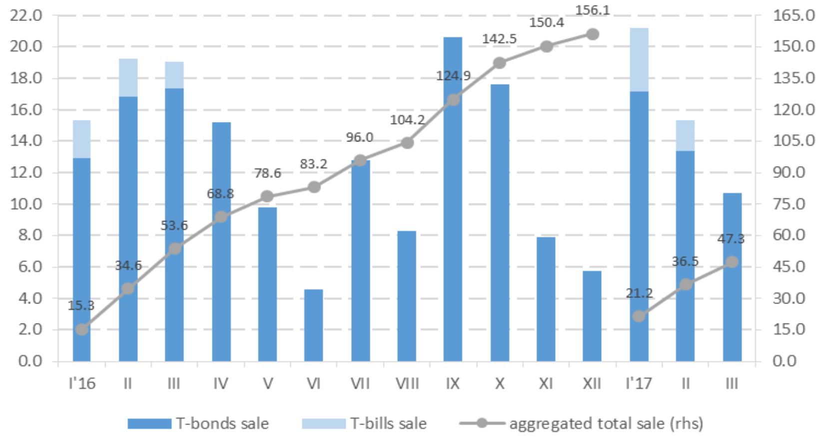
In the period of I-II 2017 inflow of foreign capital to the domestic TS market amounted to PLN 2.6bn comparing to outflow of PLN 20.2bn in the same period of 2016. Foreign investors' holdings reached the level of PLN 195.1bn.



**Sale of T-bonds and T-bills in the period of I-III 2017 and 2016**
*auction date, nominal amount, PLN bn*

In the period of I-III 2017 aggregated total sale of:

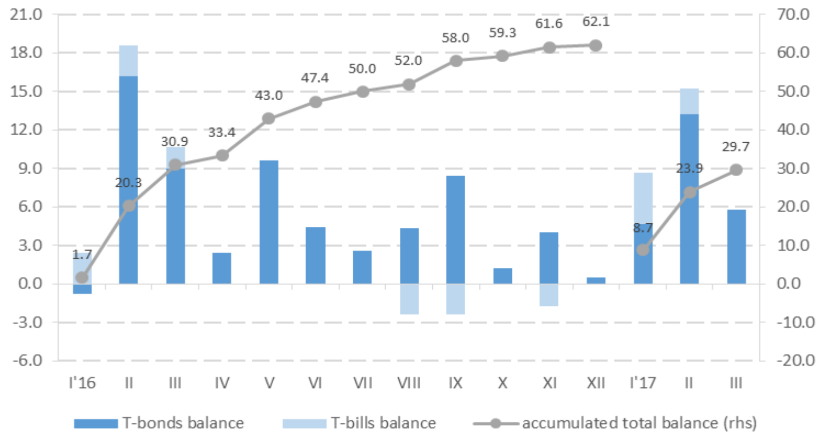
- T-bonds amounted to PLN 41.3bn versus PLN 47.1bn in the same period of 2016,
- T-bills amounted to PLN 6.0bn versus PLN 6.5bn in the same period of 2016.




**Balance of T-bonds and T-bills in the period of I-III 2017 and 2016**
*auction date, nominal amount, PLN bn*

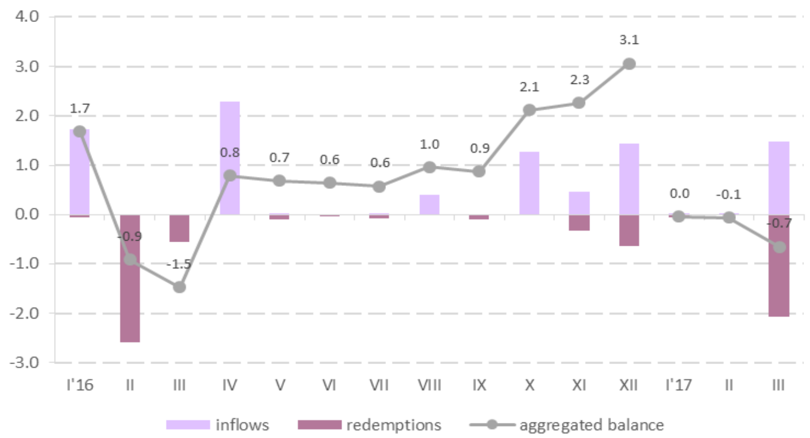
In the period of I-III 2017 indebtedness in:

- T-bonds increased by PLN 23.7bn,
- T-bills increased by PLN 6.0bn.



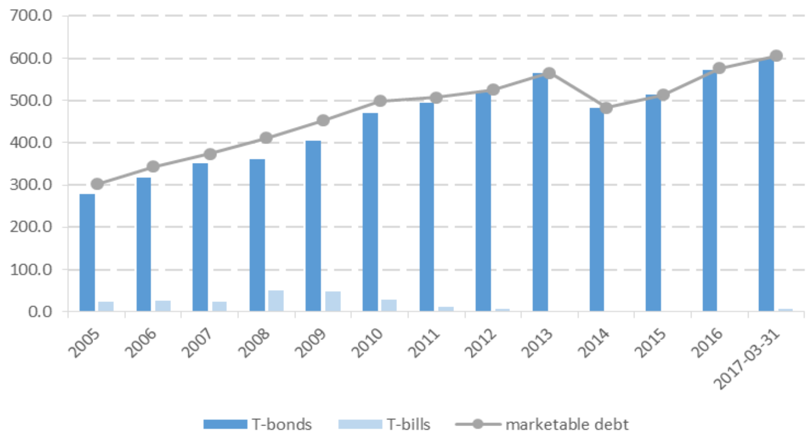

**External financing in the period of I-III 2017 and 2016**
*bonds issued on foreign markets and loans received from IFIs, settlement date, EUR bn*

Net financing on foreign markets in the period of I-III 2017 was negative and amounted to EUR 0.7bn, which resulted from negative balance of T-bonds issuance of EUR 0.5bn and negative balance of loans incurred from IFIs at the level of EUR 0.1bn.



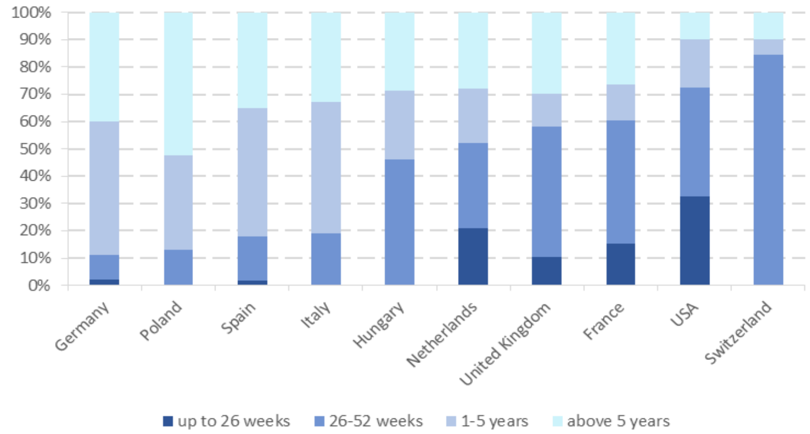

**Structure of marketable debt**
*PLN bn*

At the end of March 2017 the marketable domestic debt amounted to PLN 605.5bn comparing to PLN 576.7bn at the end of 2016.



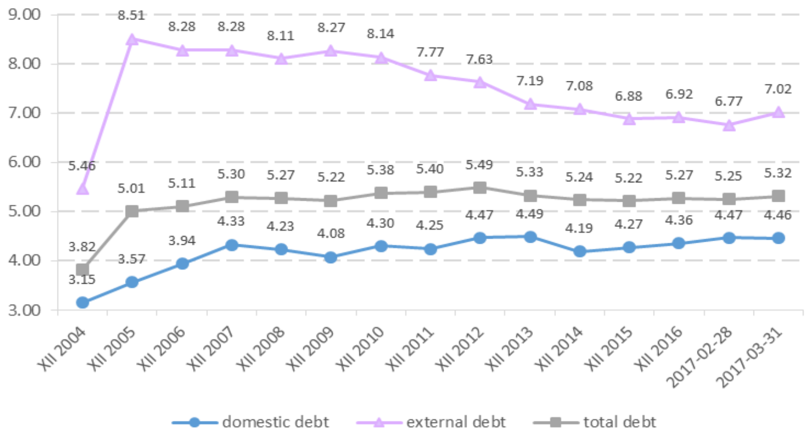
**Maturity breakdown of T-securities in Poland and other countries**
*auctions and syndicates, local currency, ytd in the period of 1 January - 31 March, 2017*

The sale of TS in Poland is dominated by securities maturing above 5 years.




**Average maturity**

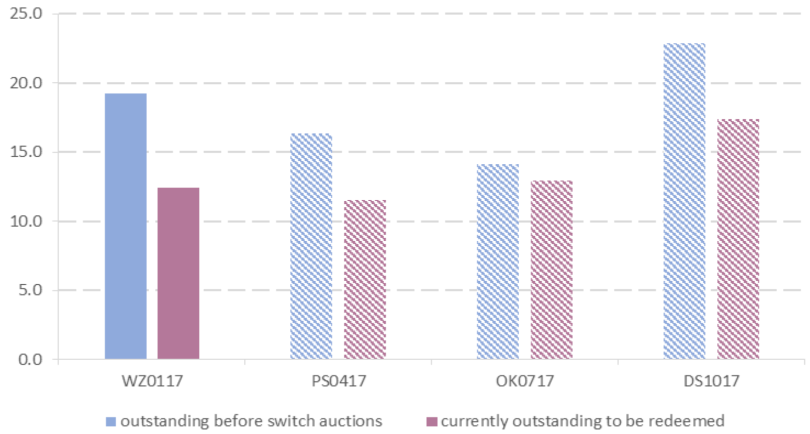
At the end of March 2017 the average maturity of domestic debt amounted to 4.46 (while at the end of 2016 it was 4.36). The average of total debt increased to 5.32 (5.27 at the end of 2016).




**Reducing refinancing risk connected with T-bonds' redemptions maturing in 2017**
*as of March 31, 2017, nominal amount, PLN bn*

Buy-back of T-bonds maturing in 2017 (by switch):

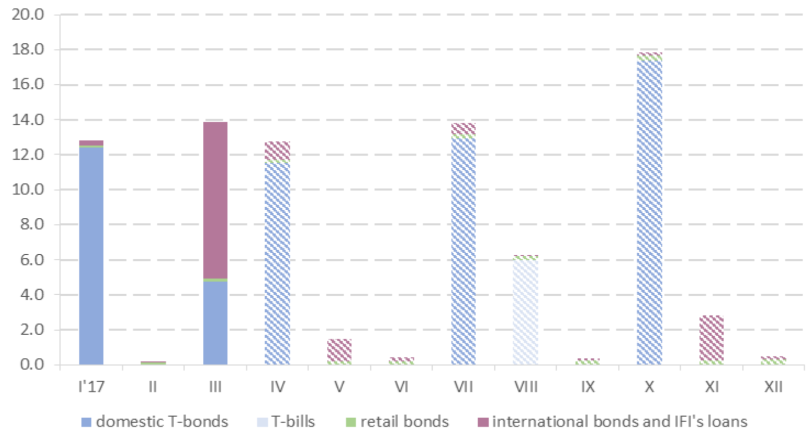
- WZ0117: PLN 6.8bn (35%),
- PS0417: PLN 4.9bn (30%),
- OK0717: PLN 1.2bn (8%),
- DS1017: PLN 5.5bn (24%).




**State Treasury debt redemptions in 2017**
*as of March 31, 2017, nominal amount, PLN bn*

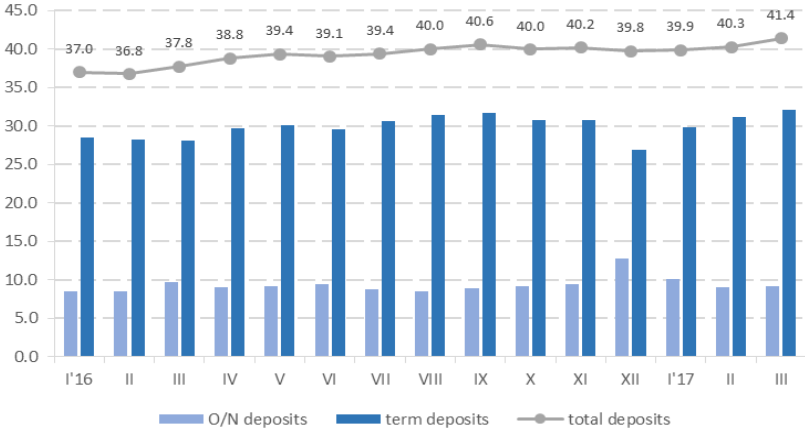
The nominal amount of debt to be redeemed in 2017 is equal to PLN 56.3bn, including:

- T-bonds: PLN 41.9bn,
- T-retail bonds: PLN 2.2bn,
- T-bills: PLN 6.0bn,
- bonds and loans incurred on foreign markets: PLN 6.3bn.



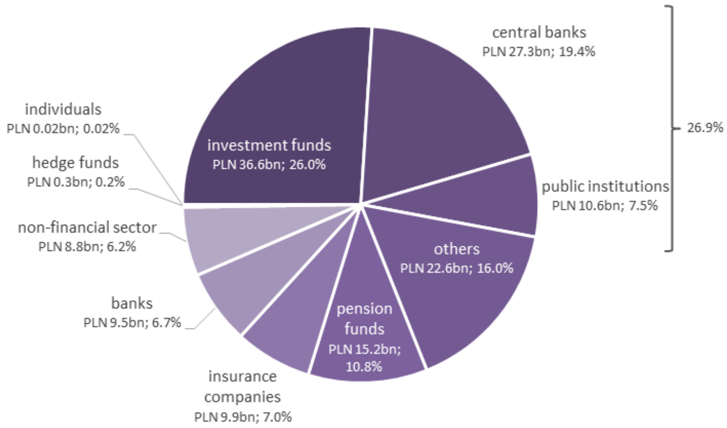
**Consolidation of public finances liquidity management**
*PLN bn*

As a result of consolidation of public finances liquidity management there were PLN 41.4bn funds accumulated at the end of March 2017, of which PLN 32.1bn was as term deposits and PLN 9.2bn on O/N deposits.



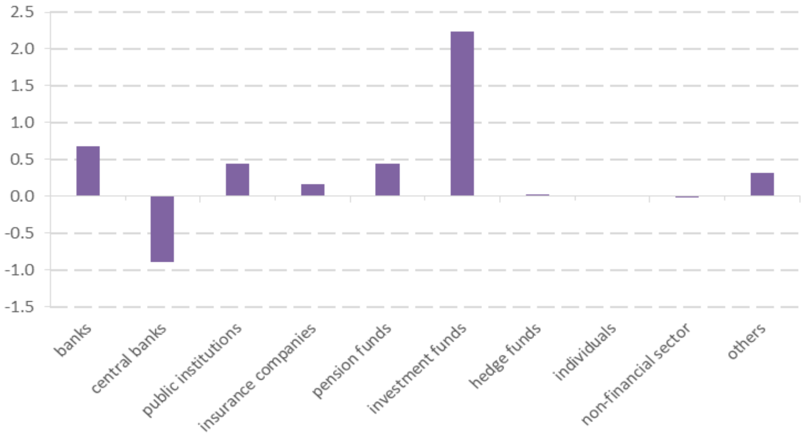

**Institutional distribution of domestic Treasury securities held by non-residents**
*as of February 28, 2017, the chart presents data excluding omnibus accounts*

In February 2017 the non-residents' share in the domestic Treasury securities market increased by PLN 1.3bn. The foreign investors' portfolio amounted to PLN 195.1bn which constituted 31.9% share in total debt in Treasury securities (32.5% in the previous month). As of the end of February 2017 central banks and public institutions' share in foreign holdings amounted to 26.9%.



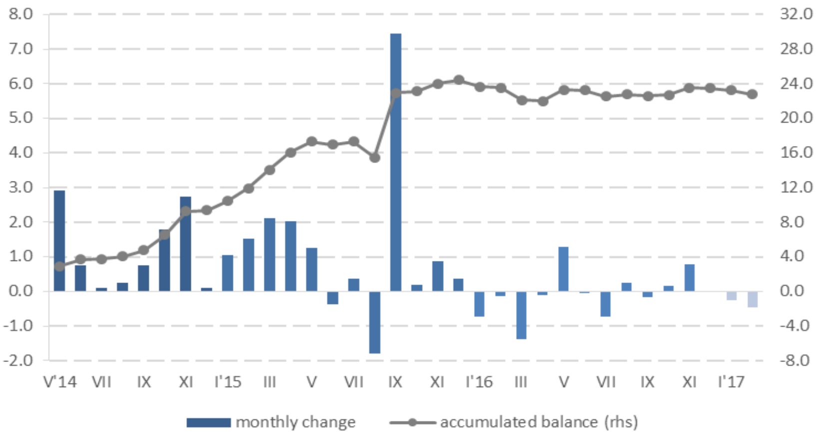

**Change of debt in domestic Treasury securities held by non-residents by institutions**
*change in February 2017, mom, PLN bn*

In February 2017 the highest increase was again noted by investment funds (PLN 2.2bn) and the highest decrease was recorded by central banks (PLN 0.9bn).



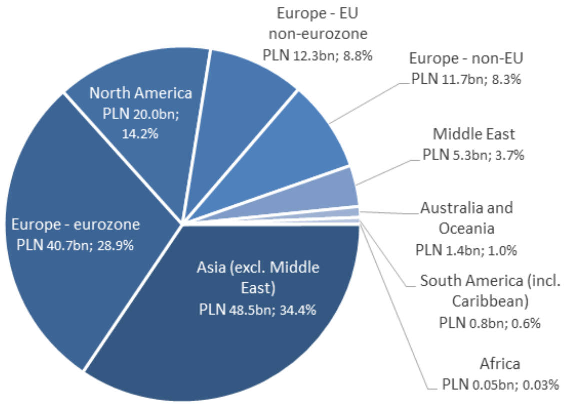

**Change of debt in domestic Treasury securities held by central banks and public institutions**
*change in February 2017, PLN bn*

In February 2017 central banks and public institutions' involvement in the Polish debt market decreased by PLN 0.5bn. Since the end of April 2014 to the end of February 2017, when the detailed information is available, portfolios of those entities increased by PLN 22.8bn.



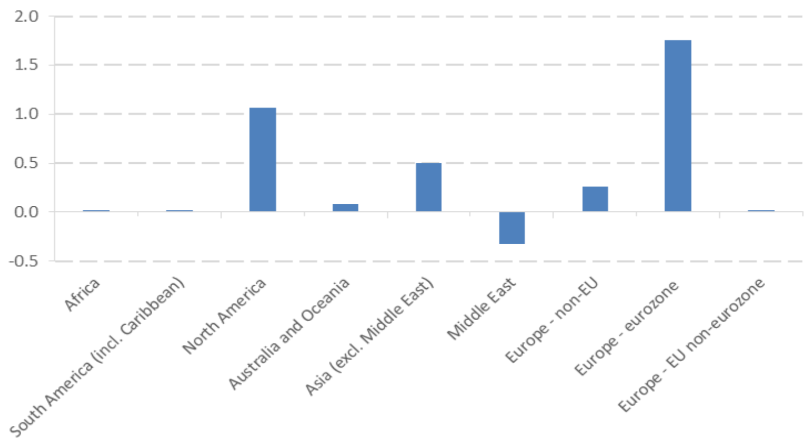
**Geographical distribution of domestic Treasury securities held by non-residents**
*as of February 28, 2017, excluding omnibus accounts*

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




**Change of debt in domestic Treasury securities held by non-residents by regions**
*change in February, 2017, mom, PLN bn*

In February 2017 the highest increase was recorded by investors from the euro-zone (PLN 1.8bn). The highest decrease was noted by Middle East countries (PLN 0.3bn).

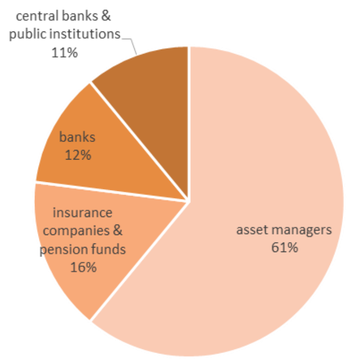


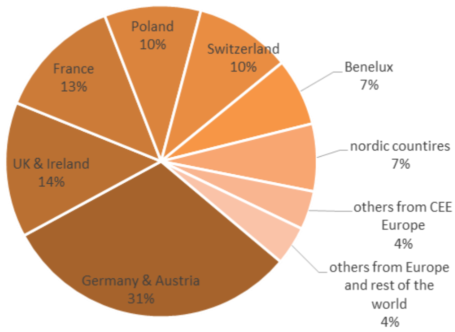

**Structure of non-residents' holdings in Treasury securities by countries**
*as of February 28, 2017, excluding omnibus accounts and central banks, countries with more than 1% share, PLN m*

| Countries | Outstanding in nominal value (PLN mio) | Share in non-residents holdings (%) |
|---|---|---|
| United States | 19 386.5 | 17.1% |
| Japan | 19 293.9 | 17.0% |
| Luxembourg | 16 378.2 | 14.4% |
| Norway | 9 929.6 | 8.8% |
| United Kingdom | 7 827.0 | 6.9% |
| Ireland | 6 936.0 | 6.1% |
| Germany | 6 482.5 | 5.7% |
| Netherlands | 4 603.8 | 4.1% |
| Denmark | 3 062.9 | 2.7% |
| Austria | 3 011.8 | 2.7% |
| United Arab Emirates | 2 159.2 | 1.9% |
| Hong Kong | 1 953.8 | 1.7% |
| France | 1 641.3 | 1.4% |
| Switzerland | 1 598.5 | 1.4% |
| Australia | 1 263.0 | 1.1% |
| Others | 7 896.3 | 7.0% |
| **Total** | **113 424.2** | **100.0%** |

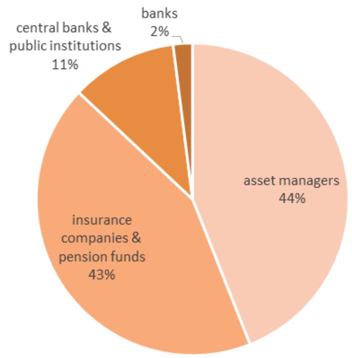
## EUR denominated bond issues

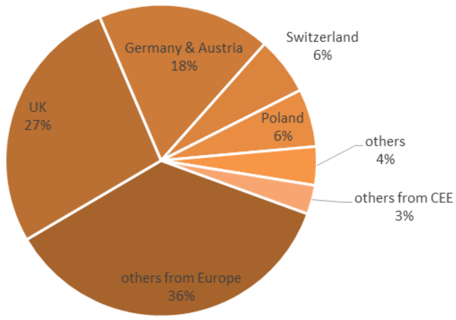
| | |
|---|---|
| **Amount** | EUR 1bn |
| **Maturity date** | October 22nd, 2027 |
| **Coupon** | 1.375% |
| **Spread** | 55 bp over mid-swap |
| **Yield** | 1.471% |
| **Launch (pricing) date** | March 16th, 2017 |
| **Bookrunners** | Barclays, BNP Paribas, Commerzbank, ING, JP Morgan and PKO BP |




| | |
|---|---|
| **Amount** | EUR 0.5bn |
| **Maturity date** | January 18th, 2036 |
| **Coupon** | 2.375% |
| **Spread** | 83 bp over mid-swap |
| **Yield** | 2.198% |
| **Launch (pricing) date** | March 16th, 2017 |
| **Bookrunners** | Barclays, BNP Paribas, Commerzbank, ING, JP Morgan and PKO BP |



**MoF comment**

**Piotr Nowak, Undersecretary of State, MoF**

*31-03-2017*

After March we financed ca. 53% of the State budget borrowing requirements for 2017 and accumulated ca. PLN 70bn of liquid funds. In the second quarter we may reduce the T-bonds supply to be offered at sale auctions – planned range will be of PLN 20-30bn.

Three months after the new policy of determining the structure of the T-bonds offer entered into force, whereby five major benchmark issues are offered at each auction, we think that this approach fully met our expectations. Also market participants have positive perceptions of the new model of determining the TS supply. We are therefore planning to continue using it. In the first quarter the demand-to-supply ratio was significantly higher than in the previous years.

In April we will hold two sale auctions with three tenors of fixed-interest T-bonds (2, 5 and 10 years) and two floaters at each one. The offer may be supplemented by T-bonds of WS or IZ type. The supply at the second auction takes into account redemption and interest payments of PLN 15bn planned for April 25. In April there will be no T-bills auctions held.

February was another month when foreign investors gradually increased their portfolios of PLN denominated Treasury securities – the inflow amounted to PLN 1.3bn and mainly arose from investment funds and was related to T-bonds with maturity above 7 years. In March we are observing increased inflow of foreign capital to the market.

**Moody's comment**

**Moody's: Poland's Growth Prospects Improve with Drop in Unemployment**

*27-03-2017*

(…) The steeper-than-expected decline in February unemployment, robust nominal year-over-year wage growth in the enterprise sector of 4.3% in January and 4.0% in February, versus 3.8% annual average growth last year, and solid productivity gains since 2015, point to increased private consumption, the main engine of Poland's economic growth. Private consumption accounts for around 60% of Poland's GDP, and increased consumption will boost domestic demand and growth.

(…) Poland's nascent turnaround of last year's real GDP growth slowdown to 2.8% from 3.9% in 2015 is also supported by stronger net exports reflecting robust economic growth in Germany (forecast of 1.6% real GDP growth in 2017), its key trading partner. Additionally, we expect investment to gain momentum in 2017, with higher utilisation of European Union funds after gross fixed capital formation contracted by 5.6% in fourth-quarter 2016 from 8.3% in third-quarter 2016. We expect continued improvements in the labour market and stronger external demand. Accordingly, we have increased our 2017 real GDP growth forecast to 3.2% from 2.9%.

# IV. SUPPLY PLAN OF TREASURY SECURITIES FOR Q2 2017

**General assumptions**

- in the second quarter of 2017 T-bond auctions are planned according to the announced yearly issuance calendar taking into account modifications in April and May (shifting auction dates from April 21st to April 25th and from May 15th to May 18th) as a result of timing of rating agencies assessments,
- offer of T-bonds on the domestic market will depend on the market situation and consultations with investors,
- possible auctions of Treasury bills will be held within the confines of the State budget liquidity management,
- at T-bond auctions we will continue to offer current five benchmarks (three fixed rate and two floating rate) with the option of adding T-bonds of either WS or IZ type,
- foreign financing will be determined by the situation on international financial markets and the domestic market,
- the announced plan may be modified subject to the market situation.

**Offer of T-bonds on the domestic market**

- **sale auctions:**

  five auctions, total supply of PLN 20.0-30.0bn, the structure of T-bonds to be offered will be subject to the market situation,
- **switch auction:**

  auction in May (subject to the market situation) – T-bonds maturing in 2017 would be offered to repurchase.

**Foreign financing**

- possible issuance of bonds on the international markets,
- possible loans from international financial institutions up to EUR 0.1bn,
- possible private placement issuance.

# V. SUPPLY PLAN OF TREASURY SECURITIES IN APRIL 2017

## T-bond sale auctions

| Auction date | Settlement date | Series | Planned offer (PLN m) |
|---|---|---|---|
| **6 APR 2017** | 10 APR 2017 | OK0419 / PS0422 / WZ1122/ WZ0126 / DS0727 | 3,000-5,000 |
| **25 APR 2017** | 27 APR 2017 | OK0419 / PS0422 / WZ1122/ WZ0126 / DS0727 / possible T-bond of WS or IZ type | 5,000-10,000 |

*The final offer and the supply will be announced 2 days before the auction and will result from the market situation and consultations with investors.*
*The Minister of Economic Development and Finance is entitled to organize non-competitive auctions where bonds will be sold at a minimum clean price.*

## T-bill auctions

Sale auctions of T-bills are not planned.

## Offer on the retail market

| T-bond | Issue price | Coupon |
|---|---|---|
| **DOS0419** | PLN 100.00<br>(99.90 PLN for rolling-over) | Fixed, 2.10% |
| **TOZ0420** | PLN 100.00<br>(99.90 PLN for rolling-over) | Floating (1.00 * WIBOR 6M)<br>2.20% in the first coupon period |
| **COI0421** | PLN 100.00<br>(99.90 PLN for rolling-over) | Floating (inflation rate + 1.25%)<br>2.40% in the first coupon period |
| **EDO0427** | PLN 100.00<br>(99.90 PLN for rolling-over) | Floating (inflation rate + 1.50%)<br>2.70% in the first coupon period |
| **ROS0423** | PLN 100.00 | Floating (inflation rate + 1.75%)<br>2.80% in the first coupon period |
| **ROD0429** | PLN 100.00 | Floating (inflation rate + 2.00%)<br>3.20% in the first coupon period |