

1. **At the end of the second quarter of 2018 consolidated public debt** (according to domestic definition) stood at **PLN 985,150.3 million*** and compared with:

- the previous quarter fell by PLN 4,045.6 million (-0.4%),
- the end of 2017 rose by PLN 23,308.8 million (+2.4%).

2. **Increase of public debt in the second quarter of 2018** resulted from:

- decrease in central government sector debt of PLN 3,865.6 million (-0.4%), including consolidated State Treasury (ST) debt decrease of PLN 3,967.3 million (-0.4%),
- decrease in local government sector debt of PLN 178.3 million (-0.3%), including local government units debt decrease of PLN 421.1 million (-0.7%),
- decrease in social security sector debt of PLN 1.7 million (-2.6%).

3. **At the end of the second quarter of 2018 unconsolidated public debt** stood at **PLN 1,030,405.0 million** and compared with:

- the previous quarter fell by PLN 2,202.0 million (-0.2%),
- the end of 2017 rose by PLN 18,862.3 million (+1.9%).

4. **At the end of the second quarter of 2018 general government debt** (EDP debt, part of the government finance Maastricht criterion) was at **PLN 1,032,002.4 million*** and rose by:

- PLN 609.7 million (+0.1%) in the second quarter of 2018,
- PLN 26,314.2 million (+2.6%) compared with the end of 2017.

5. **Changes in EDP debt in the second quarter of 2018** were similar to those in public debt measured according to domestic definition. Additionally EDP debt was influenced by:

- increase in debt of National Road Fund (NRF) by PLN 5,042.5 million,
- decrease in T-securities held by Bank Guarantee Fund (incl. funds for protection of the guaranteed assets) by PLN 711.6 million and increase in TS held by funds managed by BGK (incl. NRF) by PLN 347.1 million which in total increased EDP debt due to decrease of consolidation between units of the general government sector,
- decrease in debt swapped using CIRS transactions due to FX changes by PLN 464.4 million.

The differences between public debt according to domestic definition and general government debt are presented in chart 3 (page 2) and in table 3 (page 7).

* Data regarding the second quarter of 2018 are preliminary. Data regarding previous periods were updated if necessary. In particular, the EDP debt between Q1 2014 and Q1 2018 was revised due to inclusion of local government transport companies in the general government sector.

Table 1. Public debt according to the place of issue criterion - after consolidation (PLN m, at face value, eop)

Item	Q4 2017	structure Q4 2017	Q1 2018	structure Q1 2018	Q2 2018	structure Q2 2018	change Q2 2018 - Q1 2018		change Q2 2018 - Q4 2017	
							PLN m	%	PLN m	%
Public debt	961,841.5	100.0%	989,195.8	100.0%	985,150.3	100.0%	-4,045.6	-0.4%	23,308.8	2.4%
Domestic debt	662,517.4	68.9%	679,791.0	68.7%	676,230.7	68.6%	-3,560.3	-0.5%	13,713.3	2.1%
1. Debt securities	605,562.8	63.0%	622,688.0	62.9%	619,085.7	62.8%	-3,602.3	-0.6%	13,522.9	2.2%
2. Loans	50,638.0	5.3%	49,452.8	5.0%	49,291.7	5.0%	-161.2	-0.3%	-1,346.3	-2.7%
3. Other domestic liabilities	6,316.6	0.7%	7,650.1	0.8%	7,853.3	0.8%	203.2	2.7%	1,536.7	24.3%
Foreign debt	299,324.1	31.1%	309,404.9	31.3%	308,919.6	31.4%	-485.3	-0.2%	9,595.5	3.2%
1. Debt securities	213,330.4	22.2%	218,415.0	22.1%	216,784.4	22.0%	-1,630.6	-0.7%	3,454.0	1.6%
2. Loans	85,973.0	8.9%	90,967.5	9.2%	92,104.7	9.3%	1,137.2	1.3%	6,131.8	7.1%
3. Other foreign liabilities	20.7	0.0%	22.4	0.0%	30.5	0.0%	8.1	36.1%	9.7	47.0%

Table 2. Public debt according to the residency criterion - after consolidation (PLN m, at face value, eop)

Item	Q4 2017	structure Q4 2017	Q1 2018	structure Q1 2018	Q2 2018	structure Q2 2018	change Q2 2018 - Q1 2018		change Q2 2018 - Q4 2017	
							PLN m	%	PLN m	%
Public debt	961,841.5	100.0%	989,195.8	100.0%	985,150.3	100.0%	-4,045.6	-0.4%	23,308.8	2.4%
Domestic debt	474,094.9	49.3%	493,530.4	49.9%	501,192.6	50.9%	7,662.2	1.6%	27,097.7	5.7%
1. Debt securities	417,806.5	43.4%	437,092.8	44.2%	444,712.0	45.1%	7,619.2	1.7%	26,905.5	6.4%
2. Loans	50,638.0	5.3%	49,452.8	5.0%	49,291.7	5.0%	-161.2	-0.3%	-1,346.3	-2.7%
3. Other domestic liabilities	5,650.3	0.6%	6,984.7	0.7%	7,188.9	0.7%	204.1	2.9%	1,538.5	27.2%
Foreign debt	487,746.6	50.7%	495,665.4	50.1%	483,957.7	49.1%	-11,707.7	-2.4%	-3,788.9	-0.8%
1. Debt securities	401,086.6	41.7%	404,010.2	40.8%	391,158.0	39.7%	-12,852.1	-3.2%	-9,928.6	-2.5%
2. Loans	85,973.0	8.9%	90,967.5	9.2%	92,104.7	9.3%	1,137.2	1.3%	6,131.8	7.1%
3. Other foreign liabilities	687.0	0.1%	687.8	0.1%	694.9	0.1%	7.2	1.0%	7.9	1.1%

Chart 1. Public debt

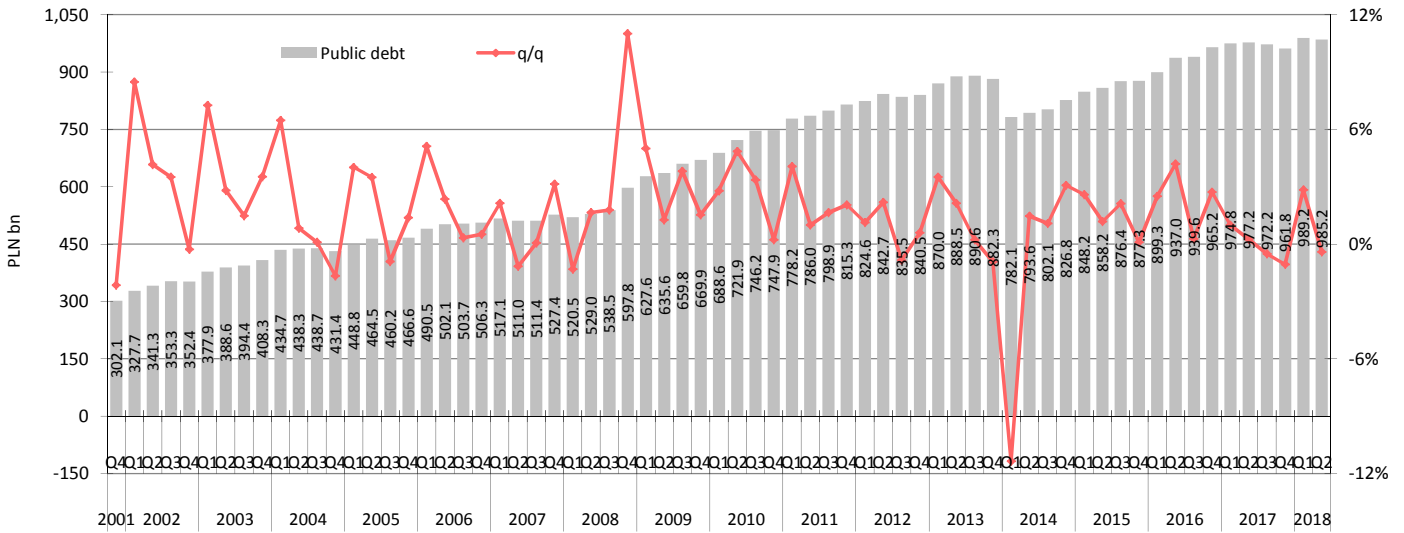


Chart 2. EDP debt

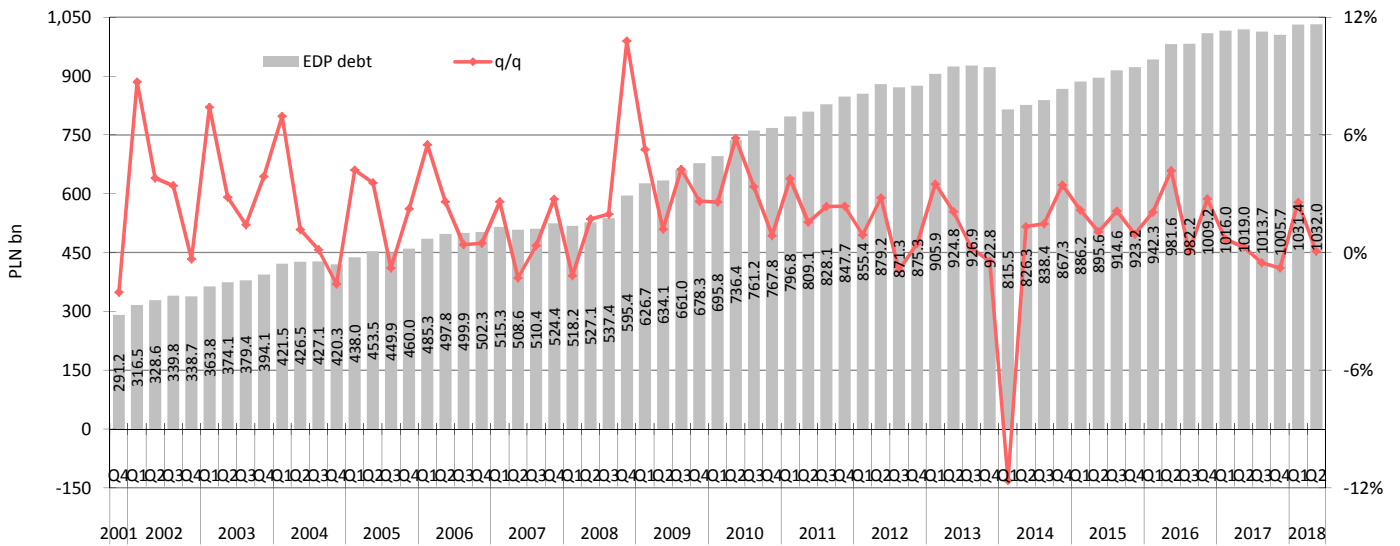


Chart 3. Differences between public debt and general government debt

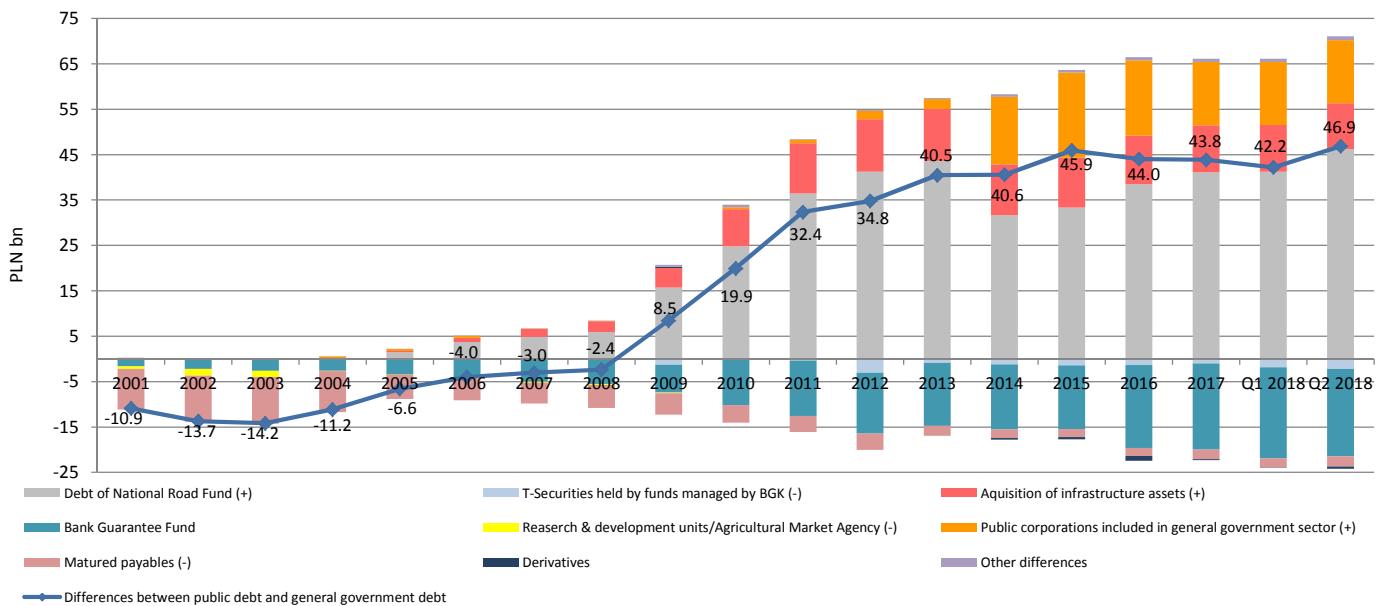


Chart 4. Public debt according to the place of issue criterion

At the end of the second quarter of 2018 domestic debt stood at PLN 676.2 bn, down by PLN 3.6 bn (-0.5%) compared with the previous quarter.

Foreign debt stood at PLN 308.9 bn, down by PLN 0.5 bn (-0.2%) compared with the end of the first quarter mainly due to changes in ST foreign debt resulting from:

- decrease in debt denominated in EUR (EUR 2.4 bn, including redemption of a bond: EUR 2.0 bn and repayment of loans granted by international monetary institutions: EUR 0.4 bn),
- depreciation of zloty (PLN +13.4 bn) – by 3.6% against EUR, 9.7% against USD, 5.3% against CHF, 5.2% against JPY and by 4.0% against CNY .

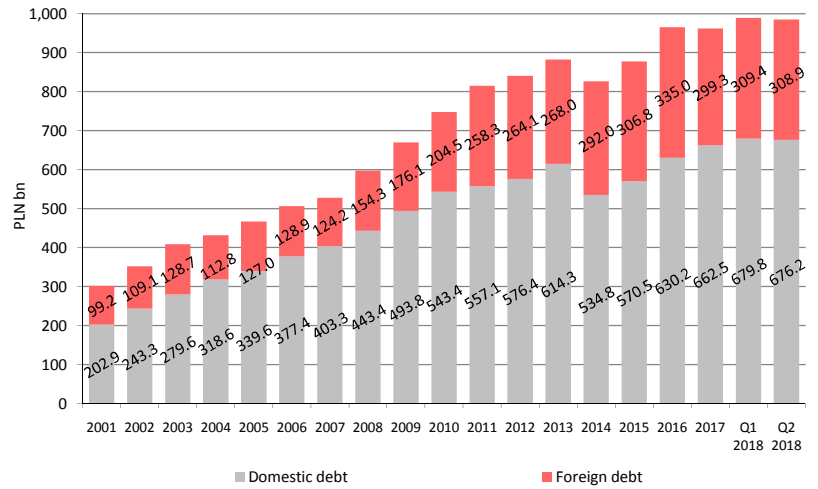


Chart 5. Structure of public debt according to the place of issue criterion

At the end of the second quarter of 2018 the share of foreign debt in total debt amounted to 31.4%, up by 0.1 percentage points compared with the end of the previous quarter and by 0.3 percentage points compared with the end of 2017. The increase in share of foreign debt in the first half of 2018 and in the second quarter alone was resultant of depreciation of zloty against foreign currencies and negative issuance balance of foreign debt.

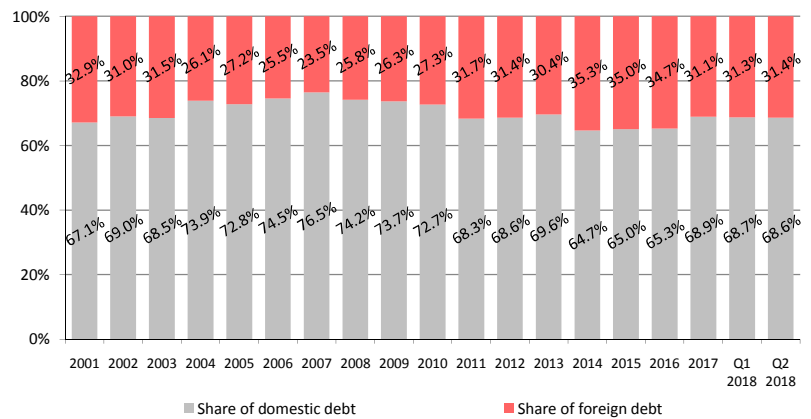


Chart 6. Public debt by holder

In the second quarter of 2018 public debt towards:

- domestic banking sector rose by PLN 5.4 bn (+1.7%),
- domestic non-banking sector rose by PLN 2.3 bn (+1.3%),
- foreign investors (non-residents) fell by PLN 11.7 bn (-2.4%).

Compared with the end of 2017 public debt towards:

- domestic banking sector rose by PLN 17.6 bn (+5.7%),
- domestic non-banking sector rose by PLN 9.5 bn (+5.8%),
- foreign investors (non-residents) fell by PLN 3.8 bn (-0.8%).

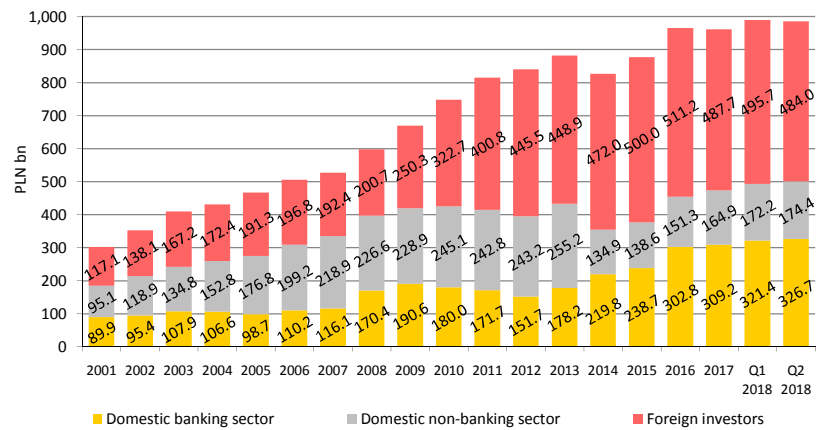


Chart 7. Structure of public debt by holder

The share of public debt towards foreign investors has been steadily decreasing. **It fell further by 1.6 percentage points in the first half of 2018 and by 1.0 percentage points in the second quarter and amounted to 49.1%. It is the first time since the first quarter of 2012 that the foreign investors hold less than 50 percent of public debt.**

The share of public debt towards domestic banking sector rose by 0.7 percentage points in the second quarter of 2018 and by 1.1 percentage points as compared with the end of 2017. The share of public debt towards domestic non-banking sector rose by 0.3 and 0.6 percentage points, respectively.

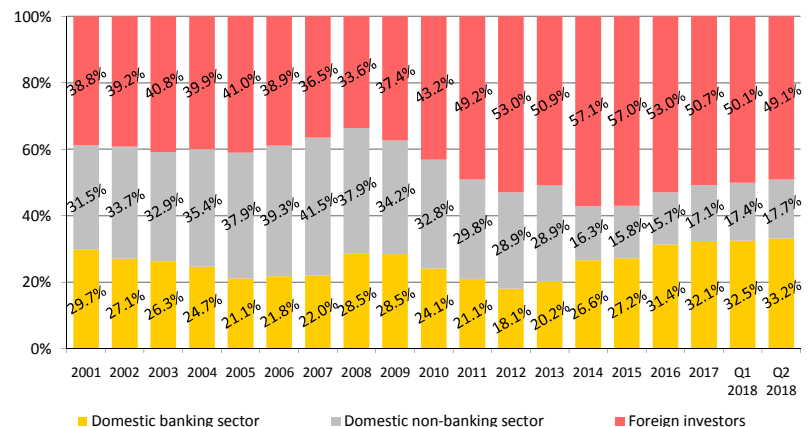


Chart 8. Consolidated public debt by subsector

At the end of the second quarter of 2018 public debt consisted of:

- central government debt - PLN 917.1 bn,
- local government debt - PLN 68.0 bn,
- social security funds debt - PLN 0.1 bn.

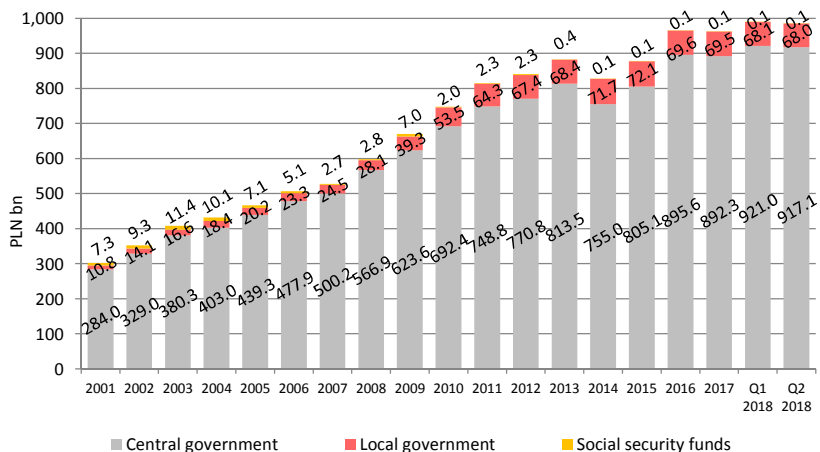


Chart 9. Structure of consolidated public debt by subsector

At the end of the second quarter of 2018 share of subsectors in total public debt amounted to:

- central government subsector - 93.1% (up by 0.3 percentage points in the first half of 2018),
- local government subsector - 6.9% (down by 0.3 percentage points in the first half of 2018), of which 6.5% represented debt of local government units and their unions,
- social security funds - 0.01% (no change).

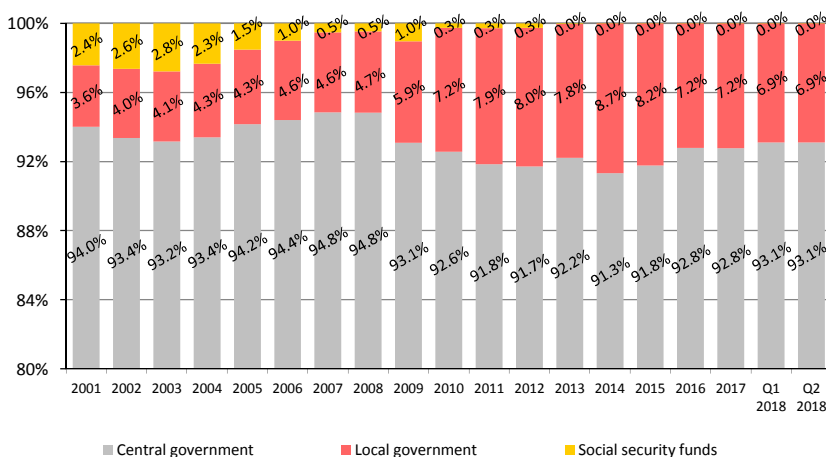


Chart 10. Changes in consolidated public debt by subsector

The decrease of public debt in the second quarter of 2018 was mainly a result of central government debt decrease, in particular of State Treasury debt. In the second quarter of 2018 public debt fell by PLN 4.0 bn (-0.4%) while central government debt fell by PLN 3.9 bn (-0.4%) and consolidated State Treasury debt decreased by PLN 4.0 bn (-0.4%). Local government debt fell in the second quarter of 2018 by PLN 0.2 bn (-0.3%) and was resultant of a decrease in local government units debt by PLN 0.4 bn (-0.7%) and an increase of local health units debt by 0.2 bn (+6.5%). Since the beginning of 2018 the debt of local government units fell by PLN 1.8bnb (-2.7%). Social security funds debt fell slightly in the second quarter of 2018 by PLN 1.7 m (-2.6%).

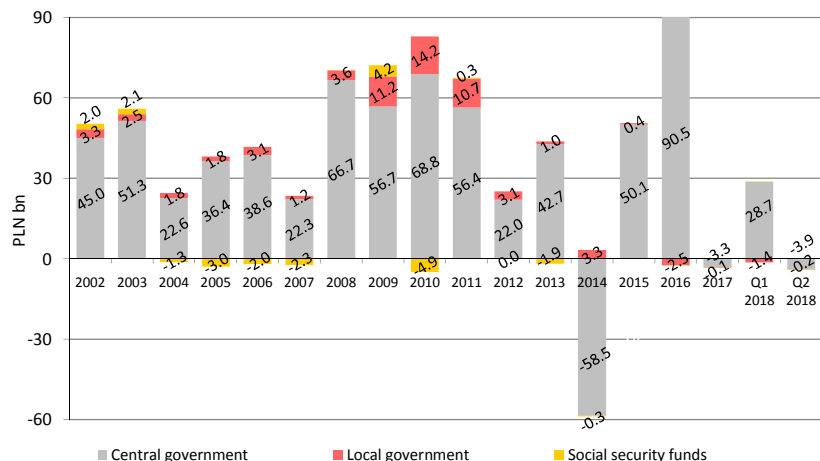


Chart 11. Structure of public debt by instrument

At the end of the second quarter of 2018 marketable instruments comprised 84.9% of public debt, including instruments issued on the domestic market - 62.9%. The share of marketable instruments in public debt fell in the second quarter of 2018 by 0.2 percentage points and by 0.4 percentage points as compared with the end of 2017.

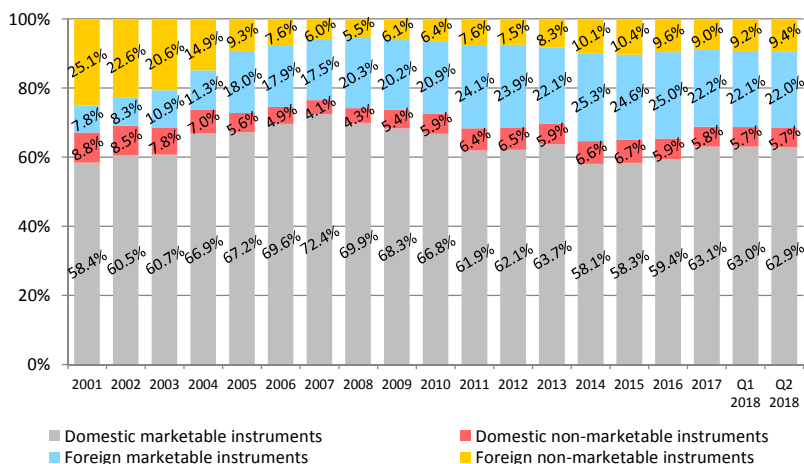


Chart 12. Unconsolidated debt of public finance sector units other than ST

At the end of the second quarter of 2018, the unconsolidated debt of units other than ST amounted to 7.2% of public debt, down from 8.2% at the end of 2017. Among those entities the debt of local government units and their unions constituted the largest part.

After the cancellation in the first quarter of 2018 of the remaining loans (PLN 7.2 billion) granted by the State Treasury to funds managed by ZUS with maturity date falling in the first quarter of 2018, the share of their debt fell below 0.01%.

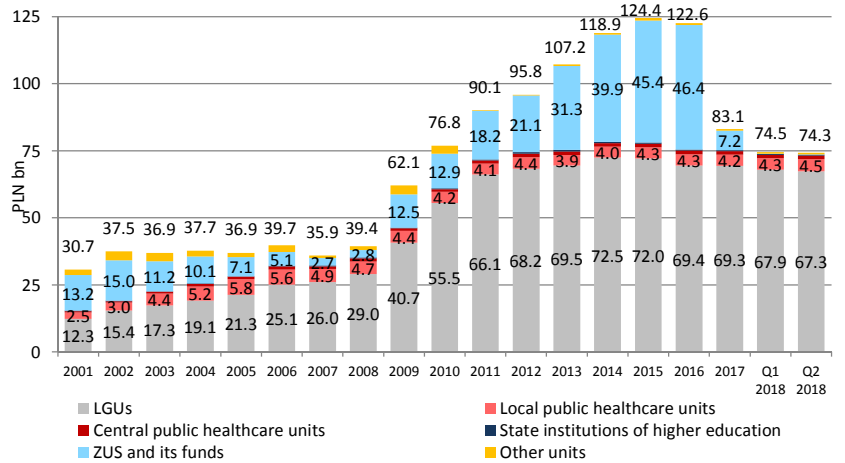


Chart 13. Consolidated debt of public finance sector units other than ST

At the end of the second quarter of 2018 the difference between consolidated and unconsolidated debt of public finance sector units other than ST amounted to PLN 4.6 bn. The reason is that 6.2% of their debt are liabilities towards other public finance sector units.

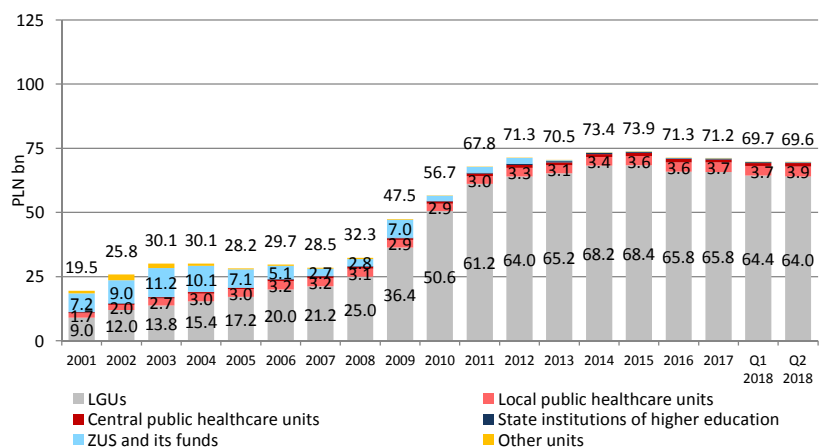


Chart 14. Structure of unconsolidated debt of LGUs and their associations according to place of issue criterion

The structure of local government liabilities and their unions was dominated by domestic debt. The share of foreign debt amounted to 22.7% at the end of the second quarter of 2018, up by 0.2 percentage points in the second quarter and up by 0.5 percentage points compared with the end of 2017.

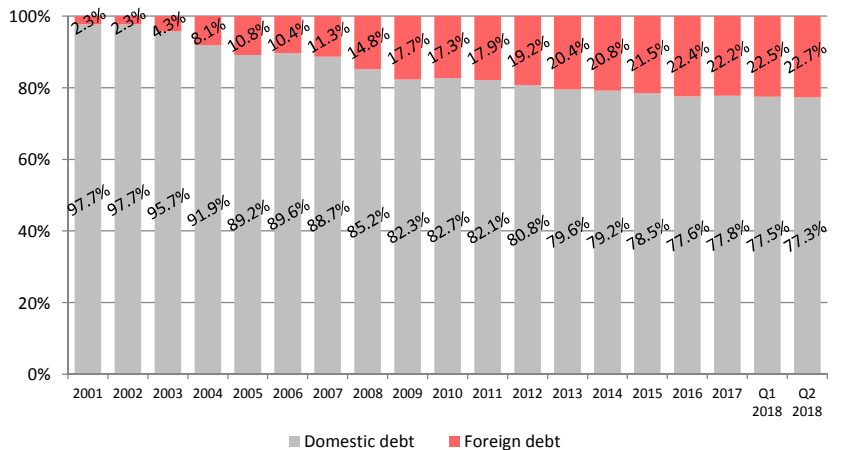


Chart 15. Structure of unconsolidated debt of LGUs and their associations by instrument

Loans prevailed in the structure of liabilities of LGUs and their unions with share of 94.3%. The role of loans in LGUs debt has been gradually growing (with a slight decrease in 2016) and in the half of 2018 rose by 0.1 percentage points.

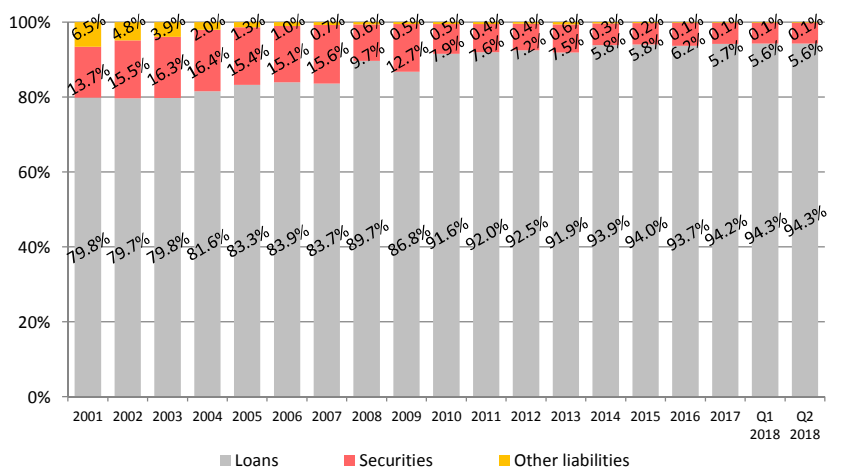
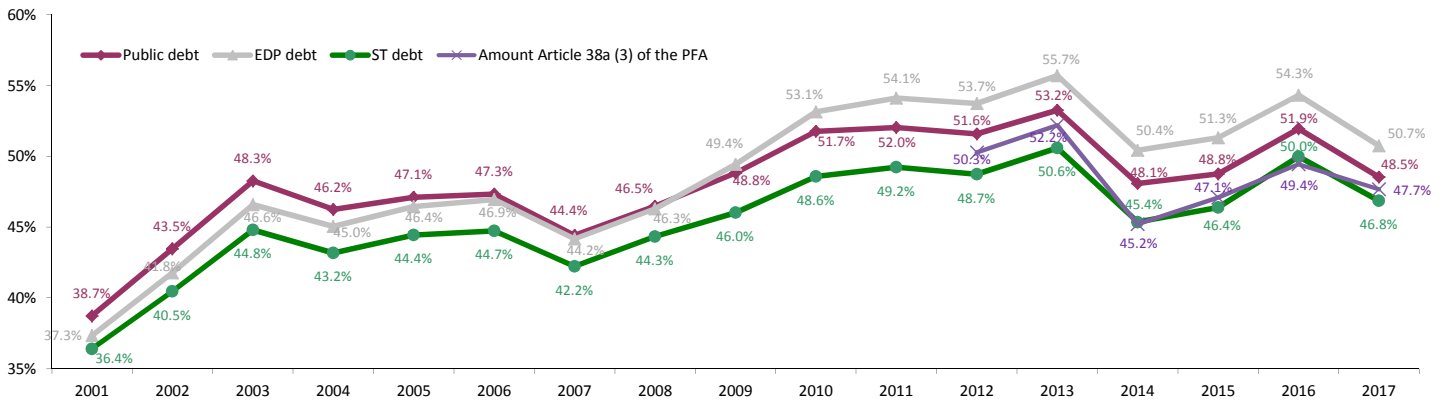
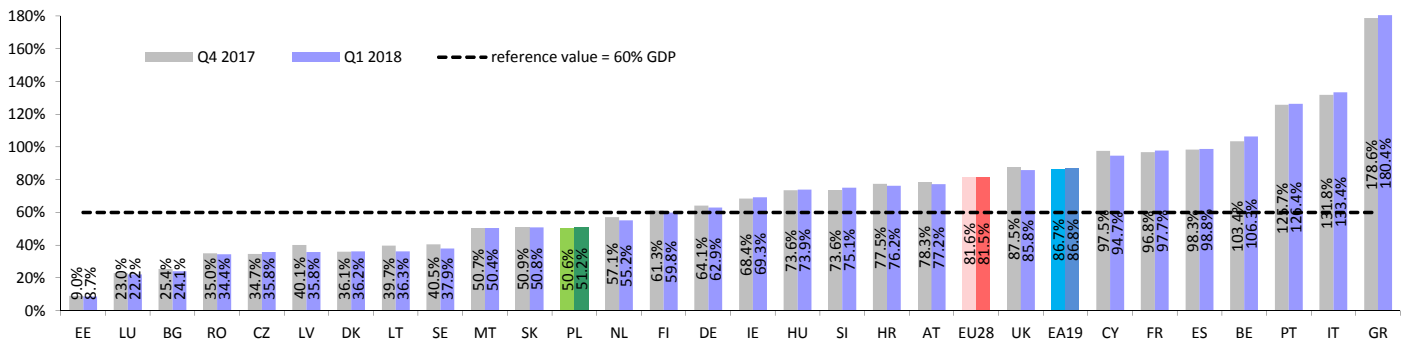


Chart 16. Public debt, EDP debt and State Treasury debt to GDP ratios (eop)



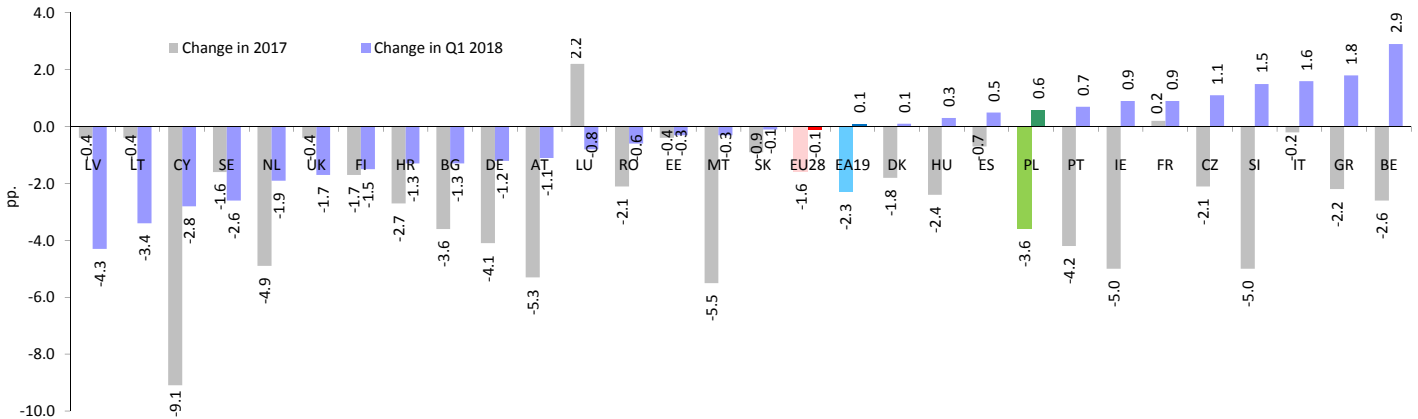
Source: Ministry of Finance

Chart 17. EDP debt to GDP ratio by European Union Member State



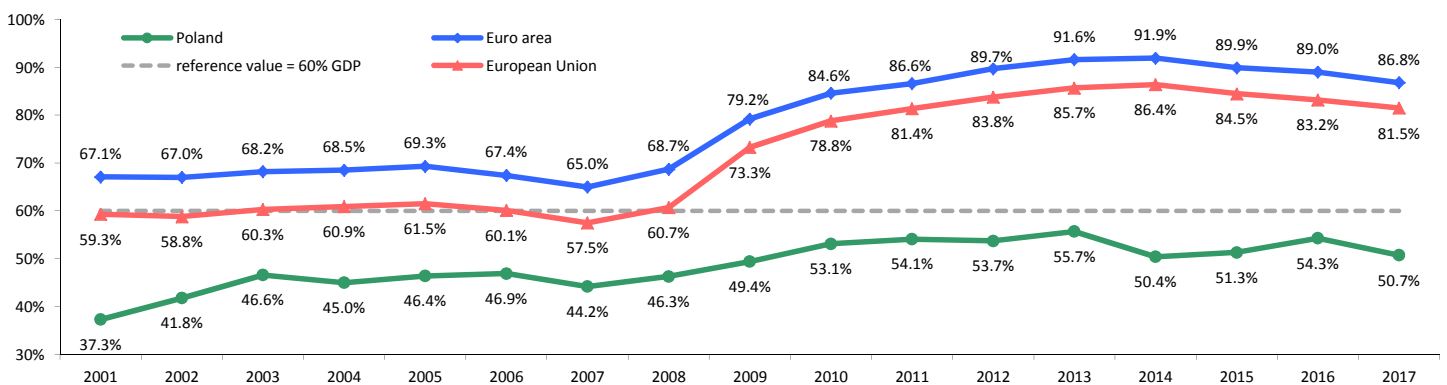
Source: Eurostat - <http://ec.europa.eu/eurostat/data/database>, Ministry of Finance

Chart 18. Changes in EDP debt to GDP ratio by European Union Member State



Source: Eurostat - <http://ec.europa.eu/eurostat/data/database>, Ministry of Finance

Chart 19. Debt to GDP ratio in Poland, European Union and euro area (eop)



Source: Eurostat - <http://ec.europa.eu/eurostat/data/database>, Ministry of Finance

Table 3. Differences between public debt (according to domestic methodology) and general government debt (PLN m)

ITEM	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Public debt	882,293.0	826,774.7	877,282.4	965,199.0	974,765.7	977,224.4	972,220.4	961,841.5	989,195.8	985,150.3
<i>1) Adjustments concerning the scope of the sector</i>	42,468.0	42,208.4	47,629.9	46,134.4	43,193.7	43,331.7	43,026.4	45,460.7	43,595.3	48,729.0
Debt of National Road Fund	43,644.7	31,626.3	33,312.4	38,467.0	37,416.8	37,674.4	37,929.8	41,087.8	41,209.3	46,251.8
T-Securities held by funds managed by Bank Gospodarstwa Krajowego	-895.2	-1,210.9	-1,410.9	-1,384.1	-2,041.1	-2,549.7	-1,196.1	-1,023.1	-1,837.1	-2,184.2
Aquisition of infrastructure assets (motorways)	11,423.8	11,261.6	11,023.2	10,699.0	10,699.0	10,535.6	10,535.6	10,341.9	10,341.9	10,077.9
Bank Guarantee Fund	-13,862.9	-14,296.0	-14,039.8	-18,255.0	-18,366.7	-17,546.3	-18,927.0	-18,930.5	-20,008.0	-19,298.6
Public corporations included in general government sector	2,157.5	14,827.5	18,745.0	16,607.5	15,485.7	15,217.8	14,684.1	13,984.6	13,889.1	13,882.1
<i>2) Differences concerning debt instruments</i>	-2,005.8	-1,638.1	-1,706.9	-2,117.5	-1,942.9	-1,577.1	-1,583.8	-1,614.0	-1,398.4	-1,876.9
matured payables	-2,202.1	-1,947.0	-1,795.0	-1,733.0	-1,715.9	-1,957.0	-1,957.7	-2,106.0	-2,076.0	-2,236.5
debt assumption - activation of a guarantee	1.6	0.2	0.0	0.1	0.0	0.5	0.5	2.3	2.3	148.0
restructured/refinanced trade credits and sell-lease-back operations	194.8	610.0	571.3	696.1	653.3	662.7	622.6	729.1	691.8	692.6
derivatives	0.0	-301.2	-483.2	-1,080.7	-880.3	-283.4	-249.1	-239.5	-16.6	-481.0
General government debt	922,755.2	867,345.1	923,205.4	1,009,215.9	1,016,016.5	1,018,978.9	1,013,663.0	1,005,688.2	1,031,392.7	1,032,002.4

Table 4. Public debt - before consolidation (PLN m, at face value, eop)

ITEM	Q4 2017	structure Q4 2017	Q1 2018	structure Q1 2018	Q2 2018	structure Q2 2018	change Q2 2018 - Q1 2018		change Q2 2018 - Q4 2017	
							m PLN	%	m PLN	%
Public debt	1,011,542.5	100.0%	1,032,607.1	100.0%	1,030,405.0	100.0%	-2,202.0	-0.2%	18,862.6	1.9%
1. Central government sector debt	930,145.6	92.0%	959,739.5	92.9%	957,933.8	93.0%	-1,805.6	-0.2%	27,788.2	3.0%
1.1. State Treasury	928,473.0	91.8%	958,125.9	92.8%	956,144.6	92.8%	-1,981.3	-0.2%	27,671.6	3.0%
1.2. Earmarked State funds	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-	0.0	-
1.3. State institutions of higher education	371.4	0.0%	345.8	0.0%	352.3	0.0%	6.5	1.9%	-19.1	-5.1%
1.4. Independent public healthcare units	1,288.1	0.1%	1,251.6	0.1%	1,338.6	0.1%	87.0	7.0%	50.6	3.9%
1.5. State institutions of culture	5.7	0.0%	5.3	0.0%	4.9	0.0%	-0.5	-9.2%	-0.8	-14.3%
1.6. Polish Academy of Science and units established by it	1.2	0.0%	1.1	0.0%	1.2	0.0%	0.0	2.5%	-0.1	-5.4%
1.7. Other central government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	6.3	0.0%	9.7	0.0%	92.3	0.0%	82.6	852.4%	86.0	1371.0%
2. Local government sector debt	74,157.6	7.3%	72,802.2	7.1%	72,407.6	7.0%	-394.7	-0.5%	-1,750.0	-2.4%
2.1. Local government units	69,281.3	6.8%	67,929.0	6.6%	67,320.6	6.5%	-608.5	-0.9%	-1,960.8	-2.8%
2.2. Independent public health units	4,236.8	0.4%	4,262.8	0.4%	4,512.5	0.4%	249.7	5.9%	275.7	6.5%
2.3. Local institutions of culture	61.8	0.0%	58.7	0.0%	63.0	0.0%	4.3	7.4%	1.2	2.0%
2.4. Other local government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	577.7	0.1%	551.7	0.1%	511.5	0.0%	-40.2	-7.3%	-66.2	-11.5%
3. Social Security Sector debt	7,239.2	0.7%	65.4	0.0%	63.6	0.0%	-1.7	-2.6%	-7,175.6	-99.1%
3.1. Social Insurance Institution	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-73.4%	0.0	-1.0%
3.2. Funds managed by Social Insurance Institution	7,239.2	0.7%	65.3	0.0%	63.6	0.0%	-1.7	-2.6%	-7,175.6	-99.1%
3.3. Agricultural Social Insurance Fund	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-	0.0	-
3.4. National Health Fund	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-	0.0	-

Table 5. Public debt - after consolidation (PLN m, at face value, eop)

ITEM	Q4 2017	structure Q4 2017	Q1 2018	structure Q1 2018	Q2 2018	structure Q2 2018	change Q2 2018 - Q1 2018		change Q2 2018 - Q4 2017	
							m PLN	%	m PLN	%
Public debt	961,841.5	100.0%	989,195.8	100.0%	985,150.3	100.0%	-4,045.6	-0.4%	23,308.8	2.4%
1. Central government sector debt	892,272.2	92.8%	920,996.0	93.1%	917,130.4	93.1%	-3,865.6	-0.4%	24,858.1	2.8%
1.1. State Treasury	890,687.1	92.6%	919,467.9	93.0%	915,500.6	92.9%	-3,967.3	-0.4%	24,813.5	2.8%
1.2. Earmarked State funds	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-	0.0	-
1.3. State institutions of higher education	339.4	0.0%	316.5	0.0%	321.9	0.0%	5.4	1.7%	-17.4	-5.1%
1.4. Independent public health units	1,240.0	0.1%	1,202.4	0.1%	1,291.6	0.1%	89.2	7.4%	51.6	4.2%
1.5. State institutions of culture	1.3	0.0%	1.3	0.0%	1.4	0.0%	0.1	4.4%	0.1	9.2%
1.6. Polish Academy of Science and units established by it	0.8	0.0%	0.7	0.0%	0.8	0.0%	0.0	3.8%	-0.1	-7.8%
1.7. Other central government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	3.7	0.0%	7.0	0.0%	14.1	0.0%	7.1	100.7%	10.3	276.3%
2. Local government sector debt	69,504.2	7.2%	68,134.5	6.9%	67,956.3	6.9%	-178.3	-0.3%	-1,547.9	-2.2%
2.1. Local government units	65,779.6	6.8%	64,399.6	6.5%	63,978.5	6.5%	-421.1	-0.7%	-1,801.1	-2.7%
2.2. Independent public health units	3,661.9	0.4%	3,682.1	0.4%	3,920.7	0.4%	238.6	6.5%	258.7	7.1%
2.3. Local institutions of culture	43.7	0.0%	37.1	0.0%	42.6	0.0%	5.5	14.9%	-1.1	-2.5%
2.4. Other local government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	18.9	0.0%	15.8	0.0%	14.5	0.0%	-1.3	-8.2%	-4.5	-23.6%
3. Social Security Sector debt	65.1	0.0%	65.3	0.0%	63.6	0.0%	-1.7	-2.6%	-1.5	-2.2%
3.1. Social Insurance Institution	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-60.0%	0.0	-1.0%
3.2. Funds managed by Social Insurance Institution	65.1	0.0%	65.3	0.0%	63.6	0.0%	-1.7	-2.6%	-1.5	-2.2%
3.3. Agricultural Social Insurance Fund	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-	0.0	-
3.4. National Health Fund	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	-	0.0	-