

## Poland: Record-high borrowing needs

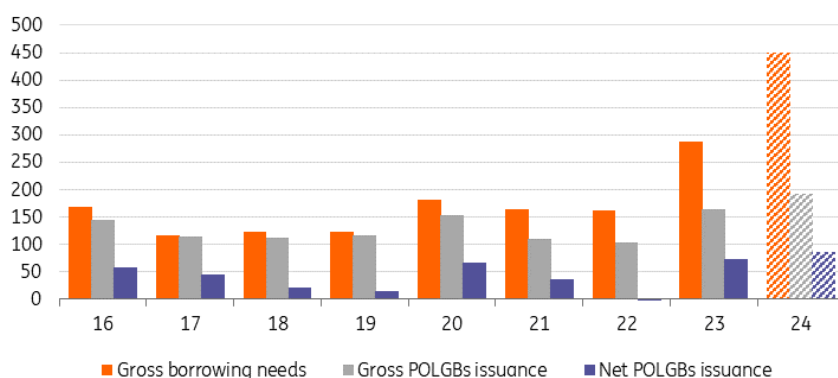
The budget deficit remains high this year, which, coupled with record redemptions, is leading to record borrowing needs. To relieve pressure on Polish government bonds (POLGBs), the Ministry of Finance is diversifying funding into all available tools, boosting FX and T-bill issuance and by tapping the cash buffer



### Fiscal policy: Politics first, consolidation later

Public finances ended last year in a deficit of around 5.3% of GDP. The funding plan for this year is based on a public deficit of 5.1% of GDP or PLN184bn in nominal terms. We expect the general government deficit to be in the range of 5.5-6.0% of GDP due to overly optimistic VAT collection assumptions for this year, which is posing upside risk to the Ministry of Finance's funding plan.

## Gross financing needs and POLGBs issuance (PLNbn)



Ministry of Finance, ING estimates

## Local issuance: Broad diversification of sources to relieve pressure on POLGBs

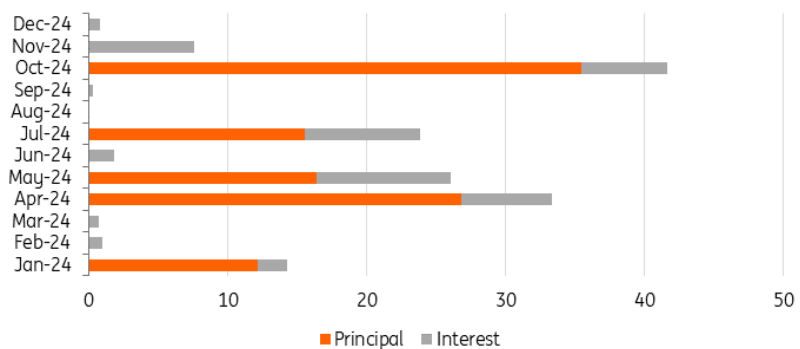
Last year's gross borrowing needs hit an all-time record and we expect a further increase this year due to a higher cash budget deficit but also historically record redemptions, especially on the local side. Gross borrowing needs will thus rise from PLN289bn to PLN449bn (+56% year-on-year). Given the level of gross needs, the Ministry of Finance plans to diversify funding sources more than usual. POLGBs are expected to finance only 43% of total needs but gross supply will still increase from PLN164bn to PLN192bn (+17%) with net supply increasing by 18%. The rest of the needs will be covered roughly equally by retail bond issuance, FX issuance and T-bills, which the Ministry of Finance will issue for the first time since 2020, and by tapping the cash buffer. Due to heavy issuance, the Ministry of Finance has decided to conduct auctions three times a month instead of the current two. The issuance of POLGBs is likely to be flexible to reflect market demand given the planned volume. However, the maturity calendar is even heavier in the coming years than this year, which at the short end only gives room for bonds maturing in 2027 and 2029 and beyond. We can also expect that if demand for POLGBs is sufficient, MinFin will skip the issuance of T-bills and increase the issuance of POLGBs or potentially FX issuance.

## Financing needs for 2024 (PLNbn)

	MinFin
State budget	184.0
Others	68.2
Domestic redemptions	160.9
Foreign redemptions	35.9
<b>Total financing needs</b>	<b>449.0</b>
POLGBs issuance	192.1
Retail bonds	41.6
T-Bills issuance	47.3
FX issuance	62.6
EU money	40.0
Supranational loans	3.8
Others	61.6
<b>Gross borrowing requirement</b>	<b>449.0</b>
<b>Net POLGBs issuance</b>	<b>85.7</b>

Source: Ministry of Finance, ING estimates

## POLGBs maturity calendar (PLNbn)

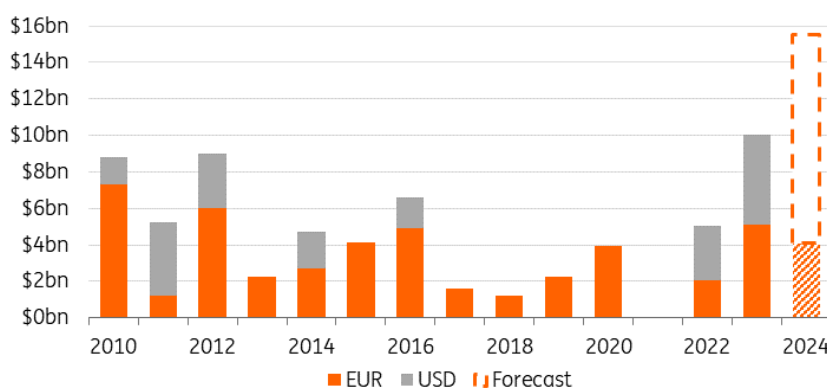


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## FX issuance: A bumper year for Poland

Poland’s Eurobond issuance is set to pick up again this year in both gross and net terms, in line with overall financing needs. The government has budgeted for just over EUR14bn (USD15.5bn) for 2024, up from just over USD10bn in 2023. As with the local currency outlook, some of the increase in issuance needs is due to fairly large redemptions on the FX side, with almost USD8bn maturing across the year. In turn, this is well above typical plans for Poland seen over much of the past decade, which saw modest gross issuance and negative net issuance for most of these years with much of the focus on local currency funding. While this year’s supply stands out relative to Poland’s recent history, it is also notable among peers as the nation is set to be one of the largest EM sovereign issuers this year. However, it is unlikely to be a complete outlier, with this January already seeing a \$12bn deal for Saudi Arabia, and almost \$10bn in issuance from Mexico over two deals. In terms of currency, the euro should continue to dominate, although as with the past two years, healthy USD issuance is likely, along with potential for JPY to diversify sources as much as possible.

## Poland (POLAND) international sovereign bond issuance (USD equivalent)



2024 shows YTD issuance as of 23 Jan, and ING forecast for additional issuance.

Source: BondRadar, ING

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