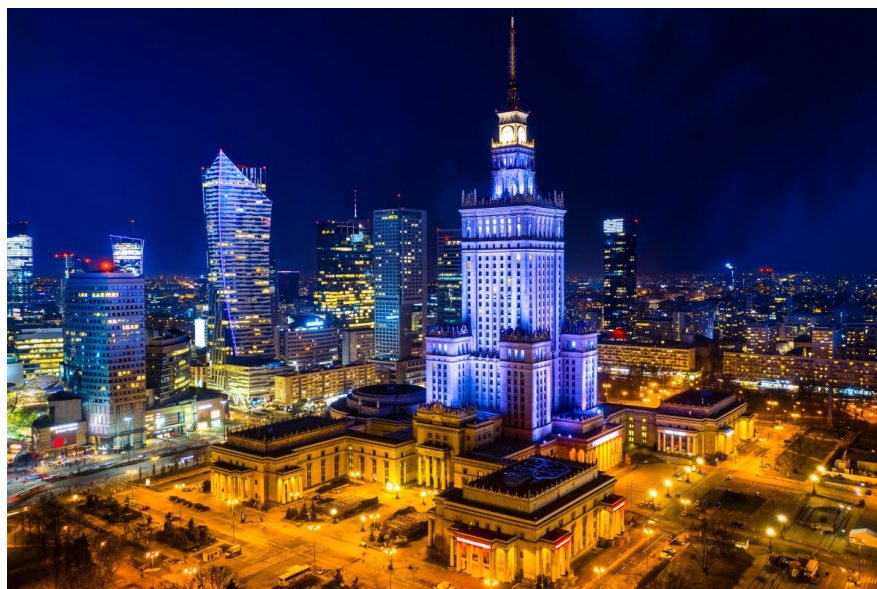


Poland: Year two of record bond issuance

Poland indicates a second straight year of historically record gross borrowing needs and government bond issuance. At the same time, the Ministry of Finance continues to diversify funding sources to attract demand. The resulting funding split will depend heavily on market interest. We see fiscal risk as balanced for this year, however, elections remain on the calendar ahead

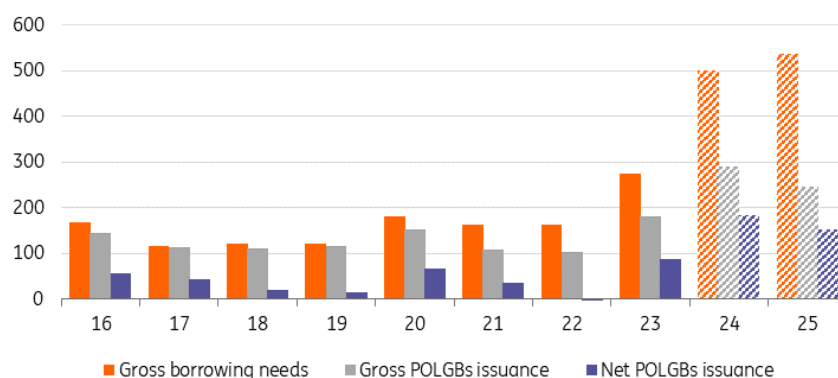


Warsaw with Palace of Culture at night, Poland

Fiscal policy: Lower deficit but all eyes on the presidential election

Public finances by our estimates ended last year with a deficit of 6.1% of GDP, the highest since the Covid-impacted 2020. For this year, we expect the deficit to narrow only slightly to 5.5% of GDP. While last year fiscal risks were to the upside, we see them as more balanced this year. However, we have to keep in mind the May presidential election which can change the picture either way due to the election campaign and the resulting impact on the political environment.

Gross financing needs and POLGBs issuance (PLNbn)



Source: MinFin, ING estimates

Local issuance: Less government bonds but much more diversification

Last year saw historical record bond issuance and this year will not be much different. We see gross borrowing needs rising by 7.5% from PLN500.3bn to PLN538bn (13.7% of GDP). Polish government bonds (POLGBs) should remain the main source of funding, but given wider diversification supply should fall slightly from last year. We forecast a decline in gross POLGBs issuance from PLN290.0bn to PLN246.4bn (-15%), assuming the Ministry of Finance uses other sources of funding. This includes PLN45.7bn of T-bills, the first issuance since the Covid-impacted 2020. At the same time, the plan includes high FX issuance, smooth flow of EU money and a cash buffer drawdown. Retail bonds are also expected to remain an important source of funding, marking a record strong 2024. Overall, this year's funding will thus be significantly diversified but the resulting split will depend mainly on market demand given saturated local demand and muted foreign investors in the POLGBs market.

The Ministry of Finance will look to extend the average maturity of the POLGBs portfolio (4.3 years to end-2024), which is currently the shortest among CEE peers. However, local demand is focused on the short end and the belly of the curve, which may further amplify T-bill issuance. On the other hand, the redemption calendar is very heavy in the near term peaking in 2029 (PLN216bn), while the later years are very low. This will complicate any reduction in the supply of POLGBs in the coming years, despite the possible consolidation of public finances.

Gross financing needs and POLGBs issuance (PLNbn)

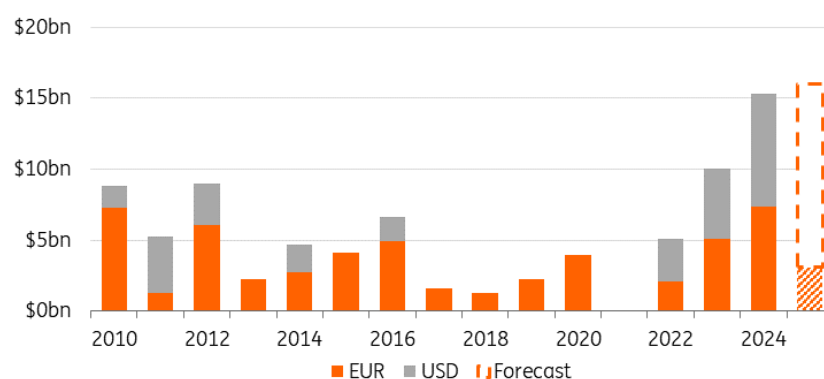
	MinFin	ING
State budget	289.0	274.0
Others	77.9	77.9
Domestic redemptions	162.7	162.7
Foreign redemptions	23.4	23.4
Total financing needs	553.0	538.0
POLGBs issuance	261.4	246.4
Retail bonds	73.9	73.9
T-Bills issuance	45.7	45.7
FX issuance	66.3	66.3
EU money	25.3	25.3
Supranational loans	5.6	5.6
Others	74.8	74.8
Gross borrowing requirement	553.0	538.0
Net POLGBs issuance	163.3	152.2

Source: MinFin, ING estimates

FX issuance: Big numbers expected again

With only modest fiscal consolidation likely in 2025, we expect Eurobond issuance at a similar level to last year, in the range of €15-16bn. In this context, the government has made a solid start to the year with a €3bn deal in the first week of January. There have been comments about potential international bond issuance in the first quarter for state development bank BGK as well, with quasi-sovereign paper likely to keep investors active this year.

Poland EUR and USD international sovereign bond issuance (USD equivalent)



Source: Bond Radar, ING estimates

Maturing sovereign debt is slightly lower this year compared to 2024 (€5.5bn vs €7bn), meaning net supply will likely be higher in 2025, but should continue to see solid demand given robust fundamentals outside of relatively loose fiscal policy. With no USD maturities, we expect supply to be more skewed towards EUR, also compounded by previous comments from the government that the USD market is starting to look less attractive for the issuer. Having said this, we expect the

use of a diverse range of funding options will continue given the large issuance needs, with deals likely in USD, along with a green bond and Samurai (JPY) deal.

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