



Ministry
of Finance

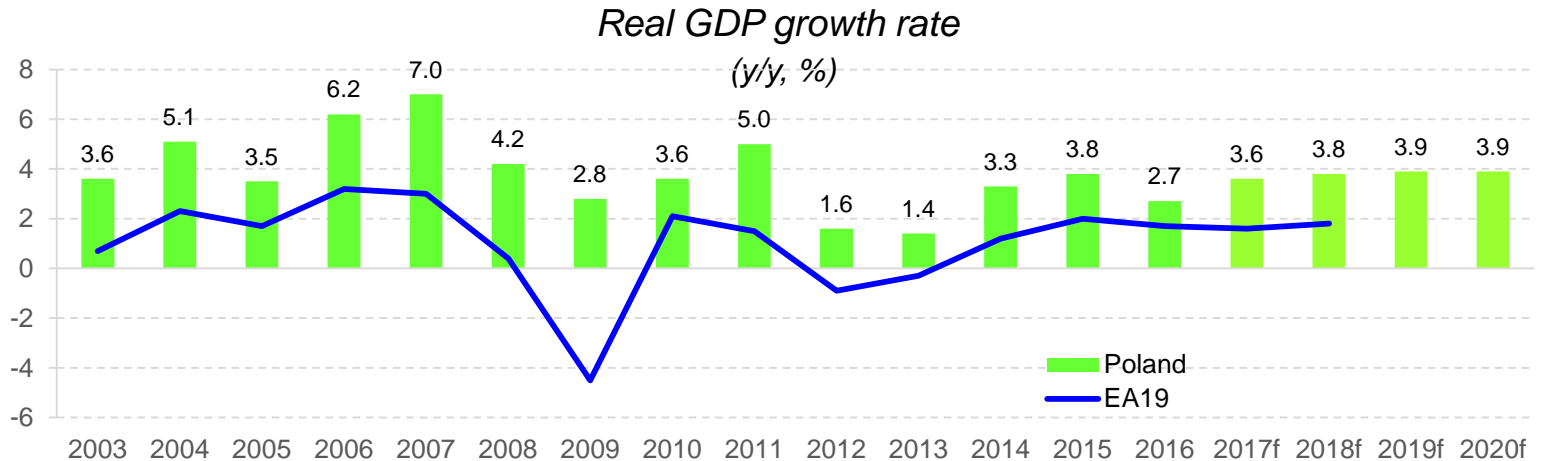
Republic
of Poland

Poland in focus

April 2017

Robust economic performance

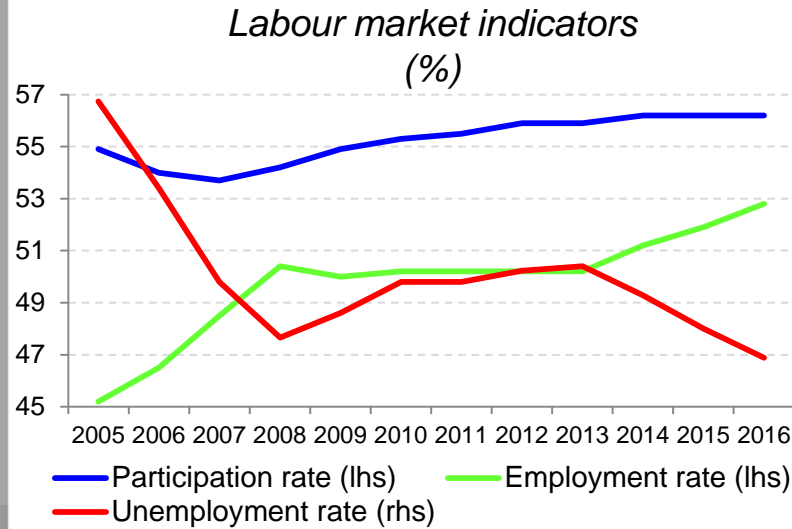
- GDP growth one of the highest in the EU
- Poland's resilience built on a number of economic strengths, including:
 - large internal market and increasingly productive economy
 - favourable labour market performance and competitive exports
 - robust banking sector
 - prudent fiscal and monetary policy and flexible exchange rate regime
- Recovery of economic growth backed by improving domestic demand
- Positive prospects for the next years



Source: Central Statistical Office (GUS), Eurostat, Ministry of Finance (CP2017 – Convergence Programme. 2017 Update), European Commission (Winter Forecast 2017)

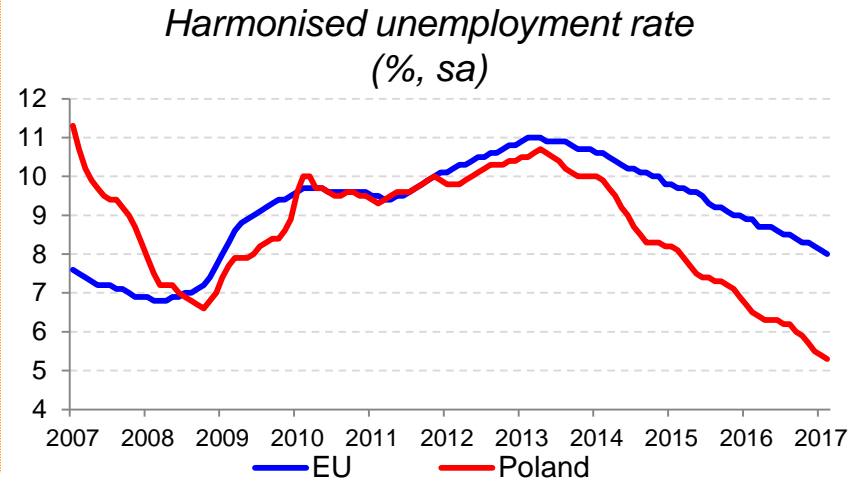
Labour market performance

- Employment rate has increased significantly since 2013
- Participation rate (15 years and over) stabilized in 2015-2016 after having grown over seven consecutive years
- Unemployment rate has fallen since mid-2013 much faster than in the EU



Note: Labour Force Survey, 15 years and over; data from 2010 are not fully comparable with data for previous years;

Source: Eurostat, GUS

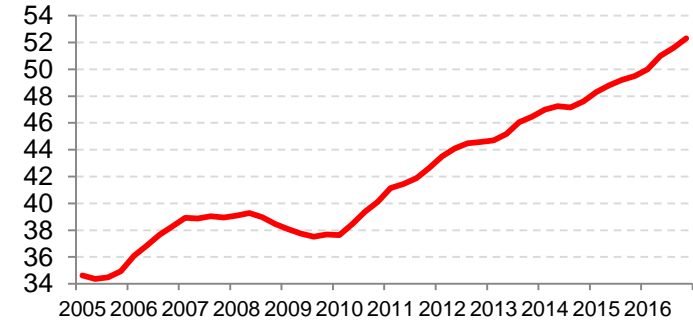


Note: monthly data

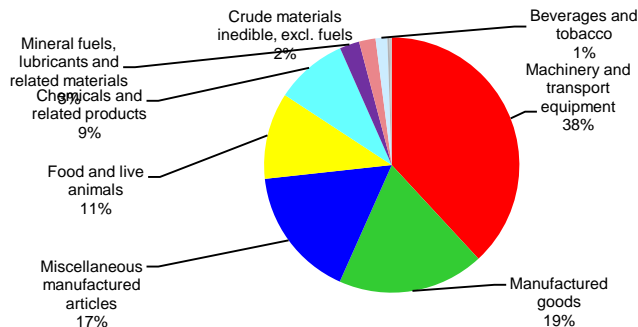
Export growth and diversification

- Germany remains the main trading partner of Poland with 27.3% share in total exports (data for 2016)
- Poland's exports performance is linked to German exports, due to high integration in the international production chains
- Growing trade links with non-European partners additionally support export growth
- Negative impact of the Russia-Ukraine crisis mitigated by redirection of exports towards more dynamic markets
- Only about 4.7% of Polish exports goes to Russia and Ukraine (data for 2016) compared to ca. 8% in 2013

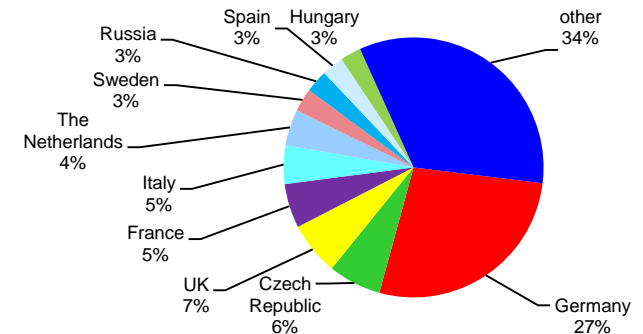
Exports
(%GDP, 4q ma)



Exports of goods - structure (% , I-XII 2016)



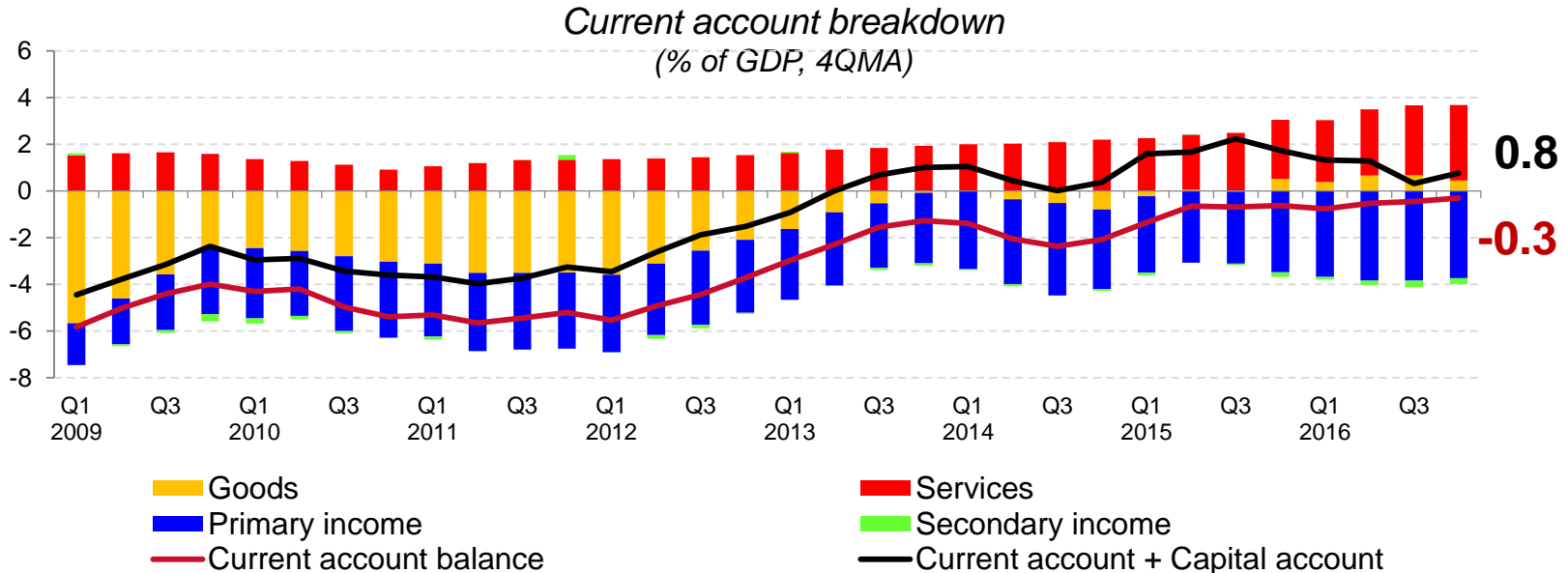
Exports destinations (% , I-XII 2016)



Source: GUS , Ministry of Finance

Sustainable external position

- In the long-run CA deficit has been comfortably covered by capital account surplus (mainly EU structural funds) and FDIs
- Current account deficit decreased to 0.3% of GDP in 2016
- The balance of current and capital account in relation to GDP is expected to remain positive over next years



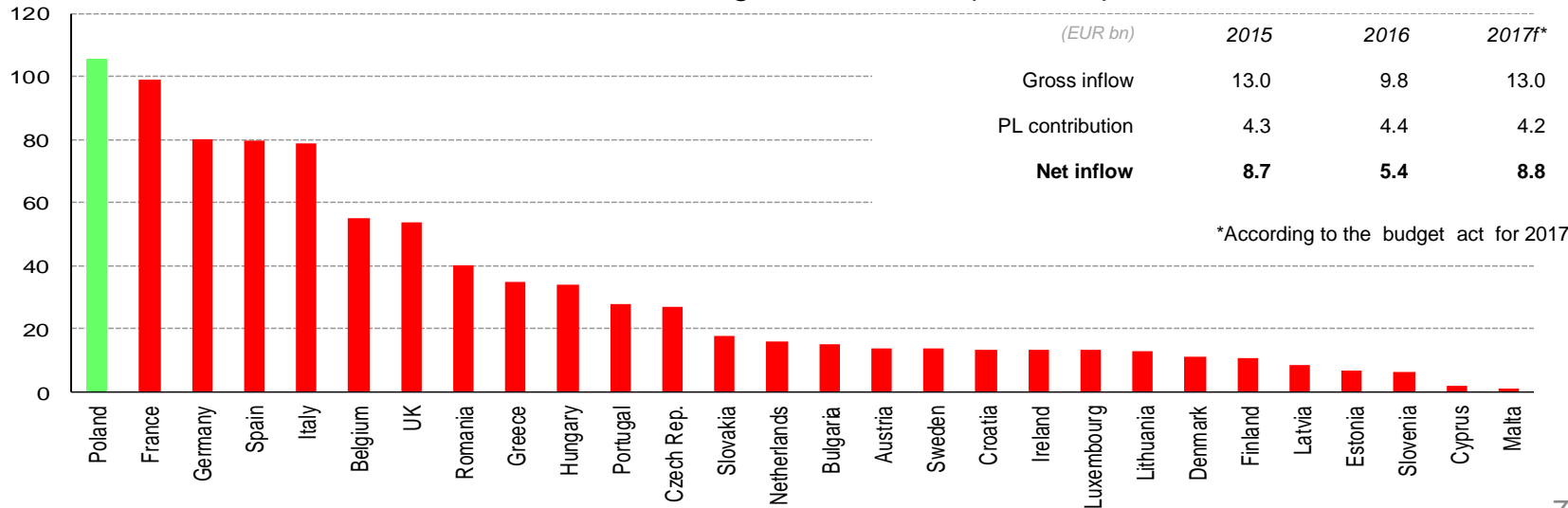
Forecasts for 2017-2018

	2016	2017 (CP2017)	2018 (CP2017)
GDP growth (real, y/y)	+2.7%	+3.6%	+3.8%
Private consumption (real, y/y)	+3.8%	+4.0%	+3.5%
Investments (real, y/y)	-7.9%	+7.2%	+7.6%
Exports (real, y/y)	+9.0%	+7.1%	+6.4%
Imports (real, y/y)	+8.9%	+7.7%	+6.9%
<i>Net exports (contribution)</i>	+0.3 p.p.	-0.1 p.p.	-0.0 p.p.
<i>Domestic demand (contribution)</i>	+2.4 p.p.	+3.7 p.p.	+3.8 p.p.
Employment (LFS, y/y)	+0.7%	+0.5%	+0.4%
Unemployment rate (LFS)	6.2%	5.7%	5.0%
CPI (annual average)	-0.6%	+1.8%	+2.3%
USD/PLN (annual average)	3.94	4.01	3.99
EUR/PLN (annual average)	4.36	4.27	4.25
Nominal interest rates (reference rate, eop)	1.50%	1.50%	2.50%
C/A balance (% of GDP)	-0.3%	-0.9%	-1.0%

Poland is benefitting from increased EU funding in the years 2014-2020

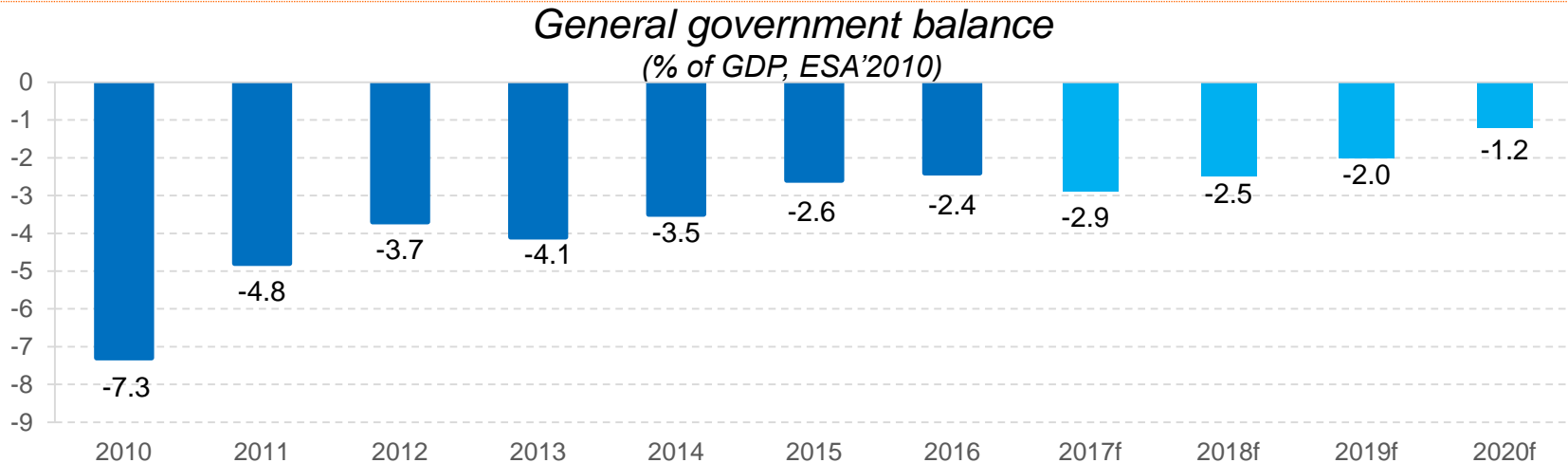
- Poland is set to be the biggest beneficiary of the European multi-annual financial framework for the years 2014-2020 (11% of EUR 960bn of total commitments)
- Despite the cuts in overall EU budget of 3.4% (compared to 2007-2013 budget), Poland will collect more funding - total of EUR 105.8bn, up from EUR 101.5bn, even though other EU member states will receive less funding
- EU financing includes EUR 72.9bn (highest amount of all EU countries) in cohesion funds and EUR 28.5bn under the common agricultural policy

2014-2020 EU budget allocations (EUR bn)



General government deficit: background and forecasts

- Excessive Deficit Procedure abrogated by EU (Ecofin) Council in June 2015
- Commitment of the government to maintain sound public finances = to respect domestic fiscal rules and the EU 3% threshold for the general government deficit
- Focus on improved revenue collection (see the following slide)
- Stabilising expenditure rule in place (limiting the growth of expenditures)
- Deficit in 2016 better than expected.
- For 2018-20: maximum deficit forecast under domestic rules (lower outturn is expected)



Major policy measures in 2016-17

➤ Expenditure side:

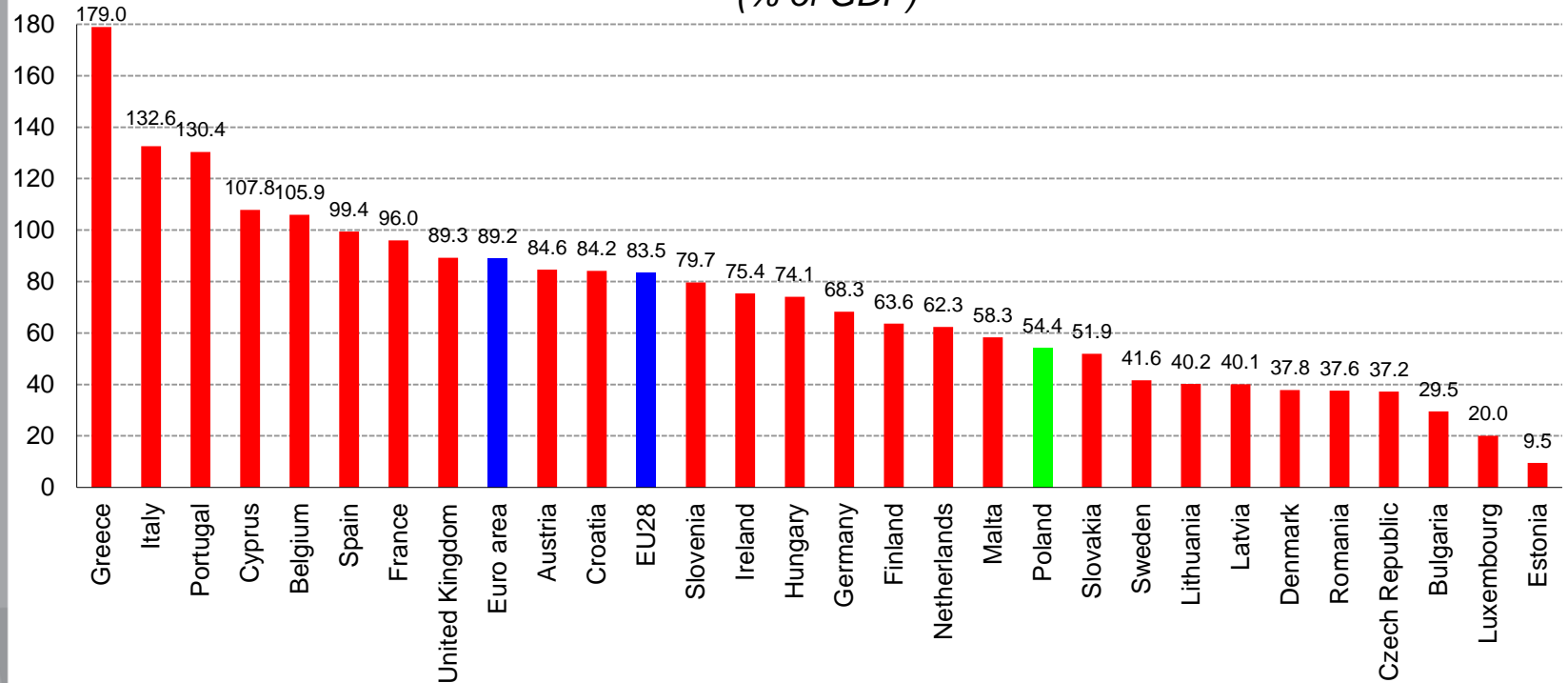
- *Family 500+ Programme* (since April 2016) – benefit of PLN 500 for second and further child in order to support families bringing up children and counteract the demographic decline
 - The benefit is means-tested for the first child with a monthly income cap of PLN 800 or PLN 1200 if the child is disabled
 - Estimated cost: PLN 17bn in 2016 and PLN 23bn in 2017
 - Financing fully secured thanks to increased tax revenues
- Lower retirement age – 60/65 years for women and men, respectively, from October 2017 along with stronger potential incentives to remain longer in the labour market

➤ Revenue side:

- Increased tax compliance
- Financial institutions tax (since February 2016) - covers banks, credit unions, insurance companies and non-bank loan companies
 - 0.44% p.a. on assets above limit (tax-free allowance of PLN 4bn, 2bn or 200m depending on the type of institution), excl. collateral of loans drawn from NBP, own funds, Treasury securities

Government debt smaller than in most of EU

General Government debt-to-GDP ratio in 2016
(% of GDP)

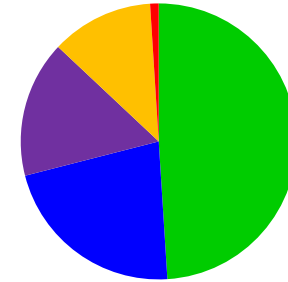


Green bond – case study

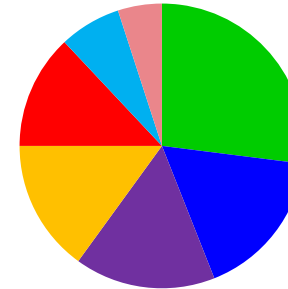
- On December 12, 2016 Poland issued inaugural Green Bond as the first-ever sovereign issuer
- The issuance followed 3-day European roadshow
- High participation of green investors – 61%

Terms of the issue

Pricing date	12 December 2016
Settlement date	20 December 2016
Maturity	20 December 2021
Size	EUR 750m
Tenor	5 years
Coupon	0.5%
Re-offer yield	0.634%
Documentation	Euro EMTN programme



- Fund Managers (49%)
- Banks (22%)
- Pension Funds / Insurance companies (16%)
- Central Banks / Public Institutions (12%)



- Germany / Austria (27%)
- UK / Ireland (16%)
- France (13%)
- Benelux (17%)
- Nordics (15%)
- Poland (7%)
- Others (5%)

Green bond – case study (cont'd)

- Poland developed Green Bond Framework to demonstrate how the proceeds from Green Bonds will be spent on financing or the re-financing of Eligible Projects
- The Green Bond Framework has been prepared according to Green Bond Principles and includes:
 - Use of Proceeds
 - Project Evaluation and Selection
 - Management of Proceeds
 - Reporting
- Bond proceeds kept on a dedicated account
- Positive environmental impact and credibility of The Green Bond Framework confirmed by Sustainalytics

**Renewable
energy**

**Sustainable
agricultural
environment**

Afforestation

National Parks

**Clean
Transportation**

**Reclamation
of Heaps**