

## State budget borrowing requirements' financing plan and its background

2nd quarter 2020

April 2020

### THE MOST IMPORTANT INFORMATION

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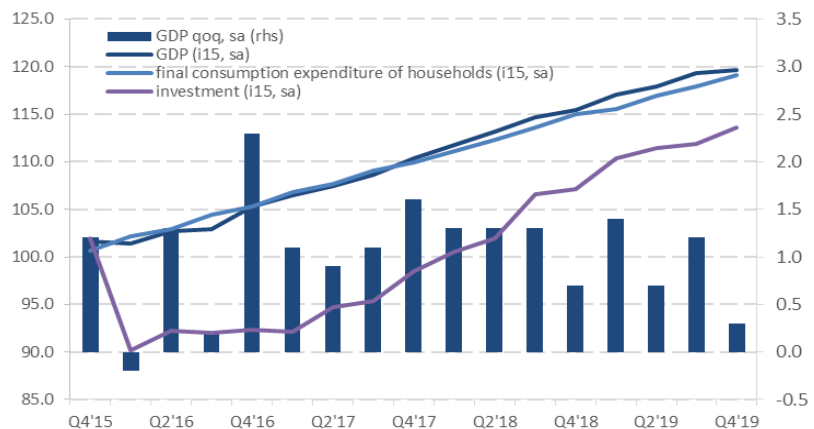


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices  
source: GUS, Eurostat

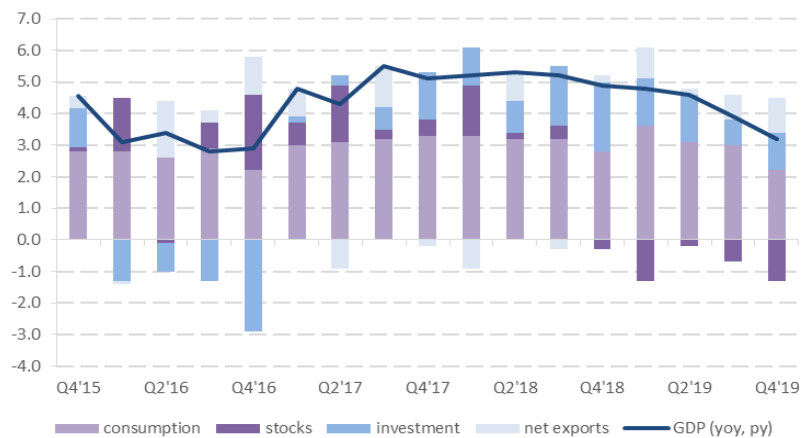
In the fourth quarter of 2019 GDP increased by 0.3% (qoq, sa) versus 1.2% a quarter earlier. Rate of growth (qoq, sa) of households consumption was close to the third quarter of 2019 and in the case of investment acceleration was observed. On the other hand, foreign trade dynamics decreased.



### Contributions to Polish GDP growth

pp, py - average prices of previous year  
source: GUS, MoF own calculation

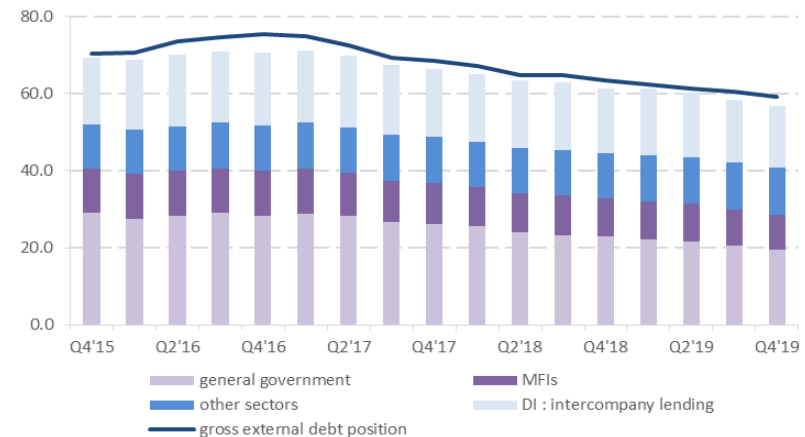
In the fourth quarter of 2019 GDP was 3.2% higher than a year ago as compared to 3.9% in the previous quarter. Households consumption was 3.3% higher than in the same period of 2018. Investment growth rate was close to the level observed in the third quarter of 2019 and amounted to 4.9%. Inventories contribution to GDP growth was negative (1.3 pp), which was, to a large extent, offset by positive net exports (1.1 pp). Observed in 2019 weaker, than a year ago, rate of growth of private consumption in the context of significant improvement in dynamics of real disposable incomes was most probably caused by increase in households saving rate.



### Polish gross external debt position

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

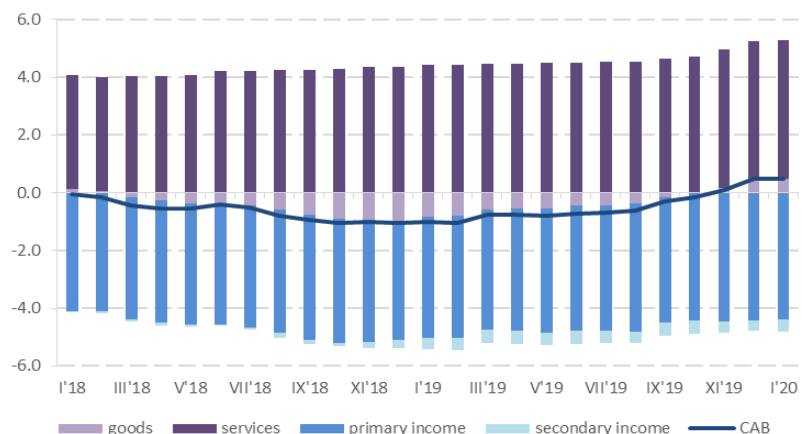
At the end of the fourth quarter of 2019 gross external debt reached EUR 312.0bn (59.2% of GDP) and was EUR 0.8bn lower than in the previous quarter. The share of general government debt in total debt decreased to 32.9%. At the end of January 2020 official reserve assets reached EUR 113.8bn and remained broadly adequate, covering about 5 months of imports.



### Current account balance

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

In January 2020 current account balance was positive and amounted to 0.5% of GDP (in 12-month terms), taking into account revised quarterly data. 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.



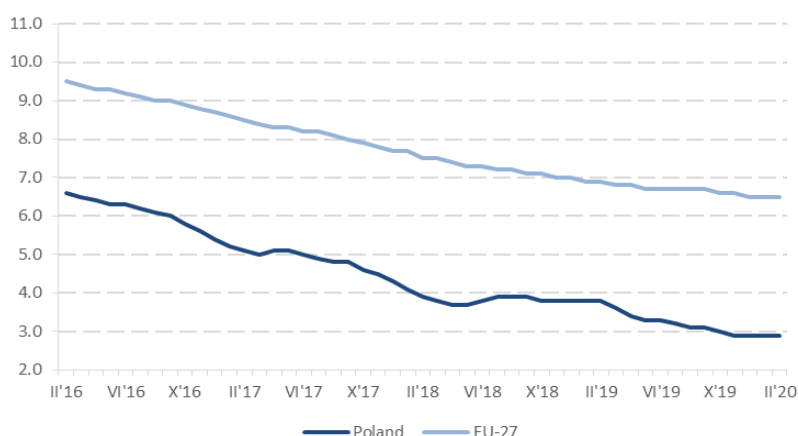
## I. MACROECONOMIC SITUATION



### Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

In February 2020 harmonised unemployment rate remained at the record low level observed in the previous three months and amounted to 2.9% (compared to 6.5% on average in the EU-27).



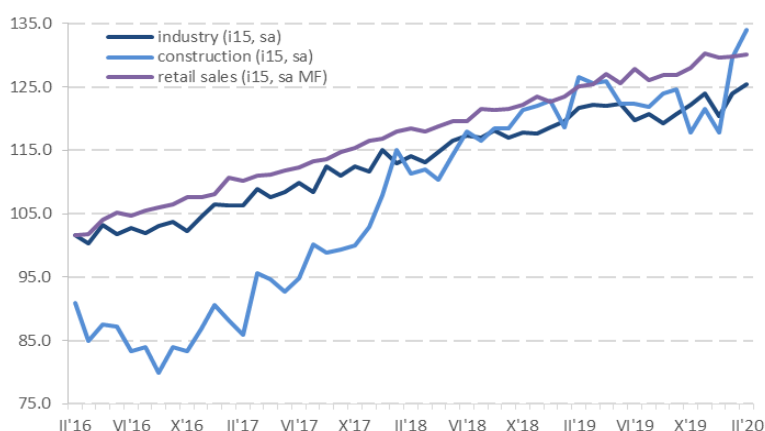
### Monthly indicators of the real sector

sold production in constant prices  
source: Eurostat, GUS, MoF own calculation

In February 2020 industrial production went up by 1.3% (mom, sa) and was 4.9% higher than a year ago (nsa). Data were above market expectations.

Construction and assembly production grew by 3.3% following a significant jump in the previous month (mom, sa). As a result, it was 5.5% (nsa) higher than a year before. Data were better than expectations.

For the second time in a row real retail sales did not change significantly in comparison with the previous month (mom, sa MoF). As a result, retail sales were 7.3% (nsa) higher than in the same month of 2019. Data were a bit above MoF's expectations.

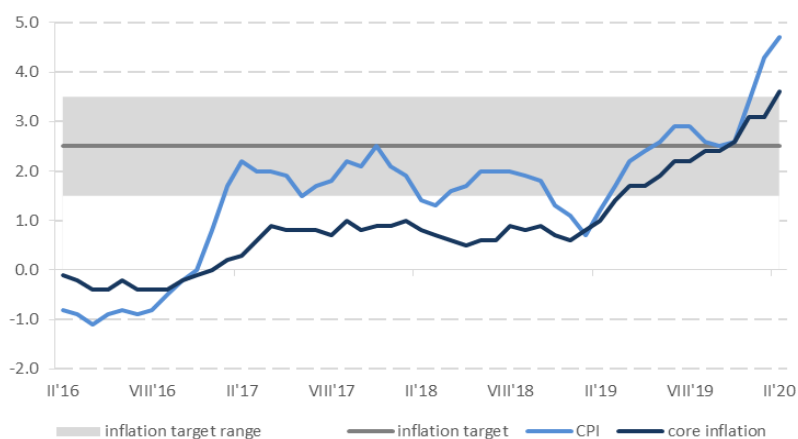


### Inflation

percent, yoy  
source: GUS, NBP

At the beginning of 2020 inflation rate increased and in February it reached 4.7%, significantly exceeding the upper limit of deviation from the inflation target. Rising inflation was influenced by the electricity price hike and still high food prices growth. Data were higher than expectations.

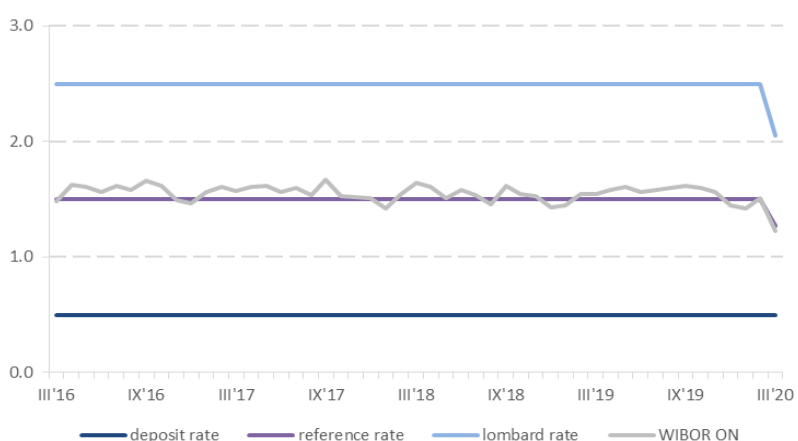
Core inflation (CPI excluding food and energy prices) in February reached 3.6% (yoy), which was the highest level for almost 18 years. The annual rate of producer prices (PPI) in the last months remained at low level - in February 0.1% (yoy).



### NBP interest rates

percent, end of period  
source: NBP, Eurostat

On March 17, 2020, in an emergency move, the Monetary Policy Council cut NBP interest rates. The reference rate was reduced by 0.5 pp to 1.0%, the lombard rate decreased by 1.0 pp to 1.5%, while the deposit rate remained unchanged at 0.5%. Moreover, the required reserve ratio was reduced to 0.5%. The NBP also offered a package of unconventional measures, including: repo transactions, purchase of government bonds on the secondary market and discount credit aimed at refinancing new loans granted to enterprises by banks. Measures employed by the NBP are to mitigate the negative economic impact of coronavirus outbreak, and further ahead contribute to recovery in domestic economic activity.





## II. STATISTICAL DATA

	Unit	2018 Q03	Q04	2019 Q01	Q02	Q03	Q04
<b>GDP</b>							
Gross domestic product	YoY	5.2	4.9	4.8	4.6	3.9	3.2
	QoQ SA	1.3	0.7	1.4	0.7	1.2	0.3
Final consumption expenditure of the households sector	YoY	4.2	4.0	3.9	4.4	3.9	3.3
	QoQ SA	1.1	1.3	0.4	1.2	0.9	1.0
Final consumption expenditure of the general government sector	YoY	4.2	3.9	6.3	3.1	4.7	3.1
	QoQ SA	0.9	1.2	1.4	0.4	1.2	0.5
Gross fixed capital formation	YoY	11.0	8.9	12.2	9.1	4.7	4.9
	QoQ SA	4.6	0.5	3.0	1.0	0.4	1.5
Exports of goods and services	YoY	6.7	7.9	7.3	3.2	5.0	1.4
	QoQ SA	-0.5	3.6	0.7	-0.6	1.3	-0.1
Imports of goods and services	YoY	7.7	7.9	6.0	3.1	3.9	-0.7
	QoQ SA	1.1	2.0	0.5	0.0	0.3	-1.0
Gross value added	YoY	5.2	4.8	4.6	4.5	3.9	3.2
	QoQ SA	1.3	1.1	1.0	0.8	0.9	0.6
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	2.5	2.0	2.5	2.5	2.2	1.6
Final consumption expenditure of the general government sector	pp	0.7	0.8	1.1	0.6	0.8	0.6
Gross fixed capital formation	pp	1.9	2.2	1.5	1.5	0.8	1.2
Changes in inventories	pp	0.4	-0.3	-1.3	-0.2	-0.7	-1.3
Balance of trade turnover	pp	-0.3	0.2	1.0	0.2	0.8	1.1
Gross value added	pp	4.5	4.2	4.2	4.0	3.3	2.7
Taxes less subsidies	pp	0.7	0.7	0.6	0.6	0.6	0.5
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	58.9	50.1	62.1	58.1	58.5	49.5
Final consumption expenditure of the general government sector	% of GDP	17.3	19.1	17.3	17.2	17.4	19.0
Gross fixed capital formation	% of GDP	17.8	25.1	13.3	16.8	17.7	25.2
Changes in inventories	% of GDP	2.1	2.3	2.0	2.1	1.2	0.9
Exports of goods and services	% of GDP	56.0	52.5	58.9	57.1	56.0	51.2
Imports of goods and services	% of GDP	52.8	49.6	54.3	52.1	51.5	46.4
<b>Balance of payments</b>							
	Unit	2019 M09	M10	M11	M12	2020 M01	M02
Goods: exports (EUR)	YoY	13.0	4.0	0.8	9.0	3.1	-
Goods: imports (EUR)	YoY	6.2	0.3	-3.5	-0.7	2.7	-
Current account balance <sup>1)</sup>	% of GDP	-0.3	-0.1	0.1	0.5	0.5	-
Balance on goods <sup>1)</sup>	% of GDP	-0.1	0.0	0.2	0.5	0.5	-
Official Reserve Assets	EUR m	110 546.9	109 192.0	108 887.5	114 510.6	113 757.2	116 060.2
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	2.6	2.5	2.6	3.4	4.3	4.7
Core inflation (CPI excluding food and energy prices)	YoY	2.4	2.4	2.6	3.1	3.1	3.6
Producer Price Index (PPI)	YoY	0.8	-0.3	-0.1	1.0	0.9	0.1
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	5.6	3.7	1.4	3.8	1.1	4.9
	MoM SA	1.3	1.2	1.4	-2.9	2.9	1.3
Construction and assembly production <sup>2)</sup>	YoY	7.6	-4.1	-4.7	-3.3	6.4	5.5
	MoM SA	0.4	-5.4	3.1	-3.0	10.0	3.3
Manufacturing PMI	SA	47.8	45.6	46.7	48.0	47.4	48.2
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	4.3	4.6	5.2	5.7	3.5	7.3
Average paid employment in enterprise sector	YoY	2.6	2.5	2.6	2.6	1.1	1.1
	MoM	-0.1	0.0	0.2	0.0	0.7	0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	3.9	3.3	2.6	2.7	2.7	2.9
	MoM	-0.8	2.3	0.2	6.3	-6.6	0.2
Harmonised unemployment rate (Eurostat)	% SA	3.1	3.0	2.9	2.9	2.9	2.9
<small>1) Data in 12-month terms 2) 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</small>							
<b>State Treasury debt</b>							
	Unit	2019 M08	M09	M10	M11	M12	2020 M01
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	977 610.4	978 561.0	960 882.4	962 013.4	973 337.0	987 604.7
Domestic debt	face value, PLN m	706 222.8	707 713.5	701 313.8	702 674.3	716 452.3	727 019.7
	%	72.2	72.3	73.0	73.0	73.6	73.6
Foreign debt	face value, PLN m	271 387.6	270 847.4	259 568.6	259 339.1	256 884.7	260 585.0
	%	27.8	27.7	27.0	27.0	26.4	26.4
<b>Public debt (domestic definition)</b>							
	Unit	2018 Q03	Q04	2019 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	977 304.9	984 313.5	1 005 633.5	998 220.7	1 001 190.9	990 932.3
Domestic debt	face value, PLN m	678 615.4	688 248.0	706 607.9	708 264.6	713 568.9	716 167.7
	%	69.4	69.9	70.3	71.0	71.3	72.3
Foreign debt	face value, PLN m	298 689.6	296 065.5	299 025.7	289 956.1	287 622.0	274 764.6
	%	30.6	30.1	29.7	29.0	28.7	27.7
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 029 900.1	1 035 703.9	1 056 556.1	1 051 755.9	1 055 625.3	1 045 122.0
Source: MoF							

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

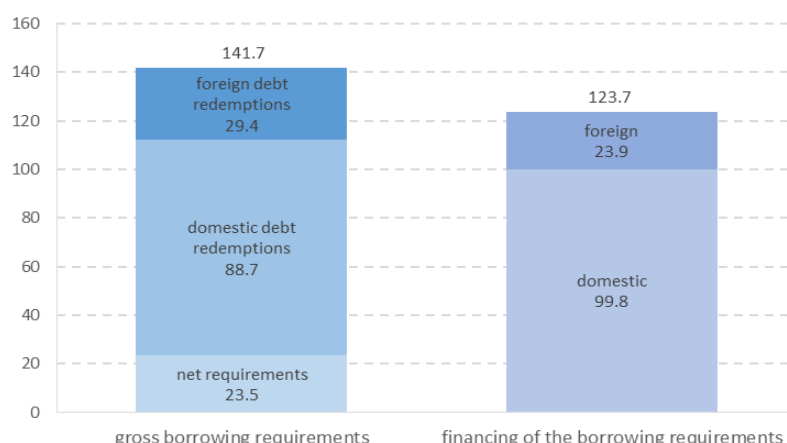


#### Gross borrowing requirements in 2020

as of March 31, 2020, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 87% (acc. to the Budget Act) was a result of:

- T-bond and T-bill sale on domestic market: PLN 36.0bn,
- switch auctions in 2020: PLN 5.9bn,
- T-bond sale on foreign markets: PLN 7.2bn,
- switch auctions in 2019: PLN 47.4bn,
- higher financial resources at the end of 2019: PLN 27.1bn.

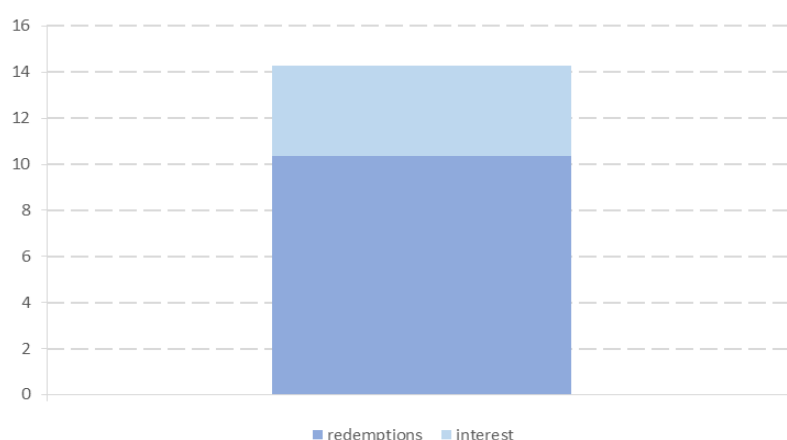


#### Outflows of funds related to domestic marketable T-securities transfers in April

plan as of March 31, 2020, PLN bn

Value of funds transferred from the State budget to the market in April shall amount to PLN 14.3bn, of which:

- TS redemptions: PLN 10.4bn,
- interest payments: PLN 3.9bn.

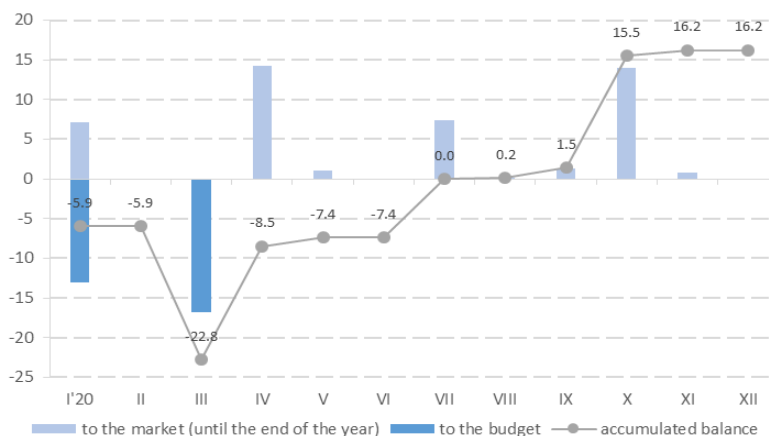


#### Flows of funds between the domestic market and the budget\*

as at the end of month, PLN bn

From April to the end of 2020 funds to be transferred to the domestic market shall amount to PLN 39.0bn (as of March 31, 2020).

\* figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget in the period of April to the end of 2020 is not presented.

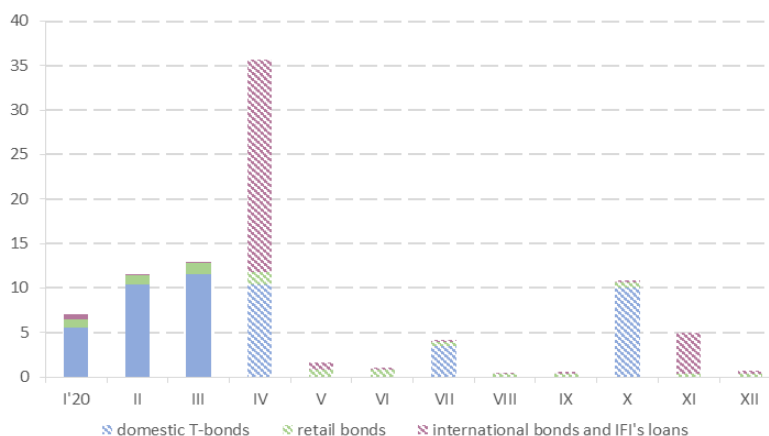


#### State Treasury debt redemptions in 2020

as at the end of month, nominal amount, PLN bn

The nominal amount of debt to be redeemed in 2020 (as of March 31, 2020) is equal to PLN 60.0bn, including:

- T-bonds: PLN 24.0bn,
- retail bonds: PLN 5.6bn,
- bonds and loans incurred on foreign markets: PLN 30.5bn.



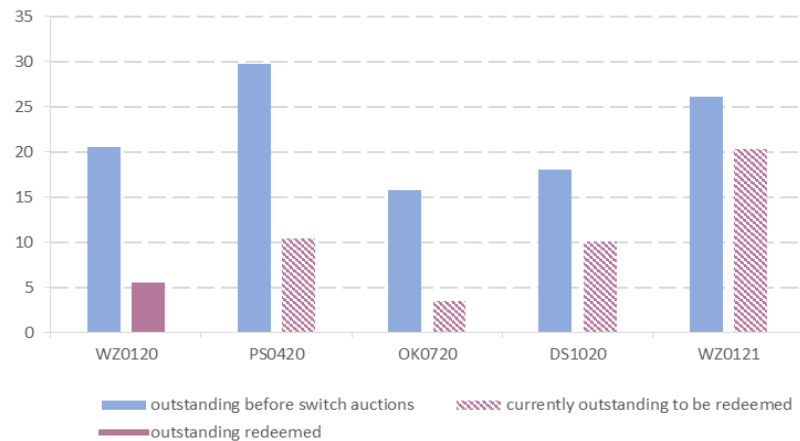


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2020 and 2021 as of March 31, 2020, nominal amount, PLN bn

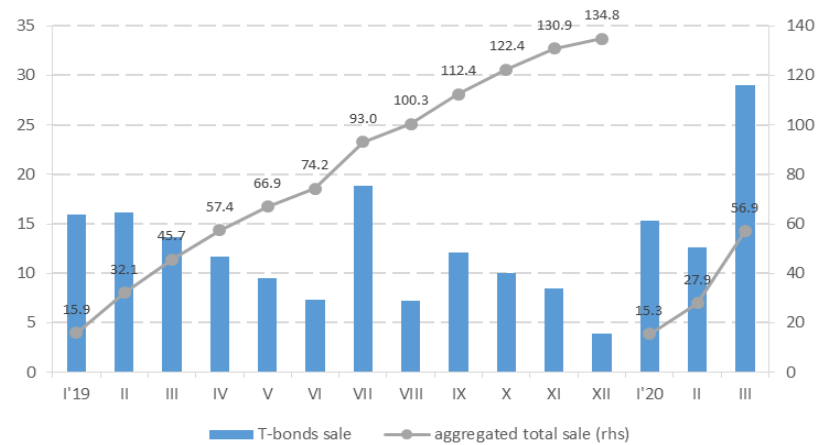
Buy-back of T-bonds maturing in 2020 and 2021:

- WZ0120: PLN 15.1bn (73% of the issuance),
- PS0420: PLN 19.3bn (65% of the issuance),
- OK0720: PLN 12.2bn (78% of the issuance),
- DS1020: PLN 7.9bn (44% of the issuance),
- WZ0121: PLN 5.7bn (22% of the issuance).



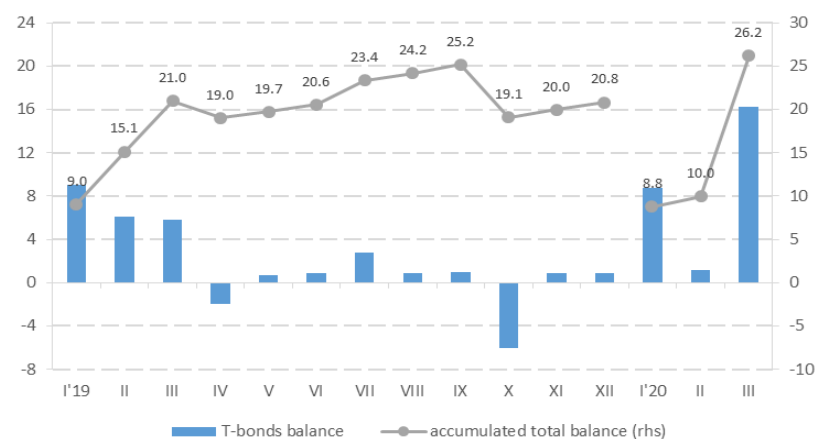
#### Sale of domestic T-bonds in 2019 and 2020 settlement date, nominal amount, PLN bn

In the period of I-III 2020 aggregated total sale of T-bonds amounted to PLN 56.9bn versus PLN 45.7bn in the same period of 2019.



#### Balance of domestic T-bonds in 2019 and 2020 settlement date, nominal amount, PLN bn

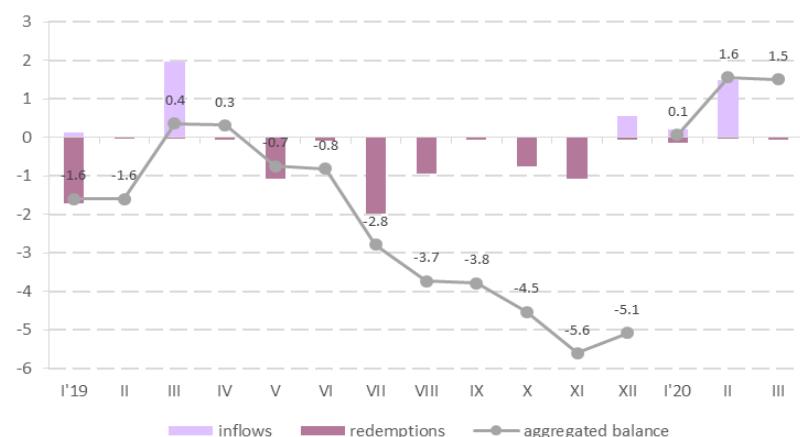
In the period of I-III 2020 indebtedness in T-bonds increased to PLN 26.2bn versus an increase of PLN 21.0bn in the same period of 2019.



#### External financing in 2019 and 2020 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 2020 was positive and amounted to EUR 1.5bn (positive balance of EUR 0.4bn in the same period of 2019) which resulted from:

- positive balance of T-bonds of EUR 1.7bn (positive balance of EUR 0.3bn in the same period of 2019),
- negative balance of loans incurred from IFIs of EUR 0.2bn (positive balance of EUR 0.1bn in the same period of 2019).



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

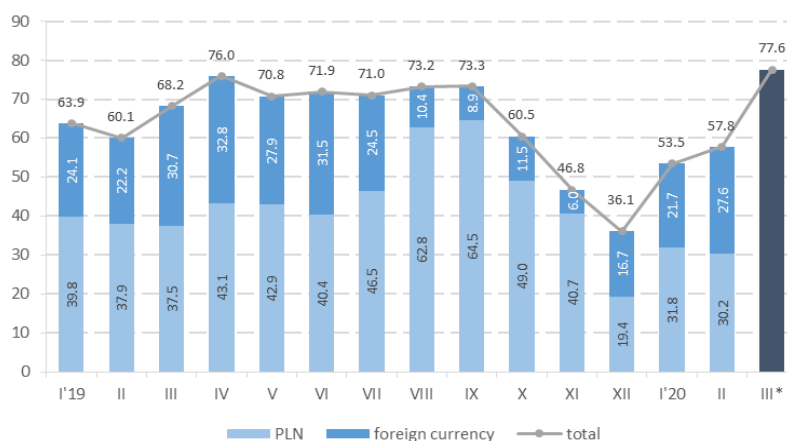


#### Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of March 2020 there was equivalent of PLN 77.6bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

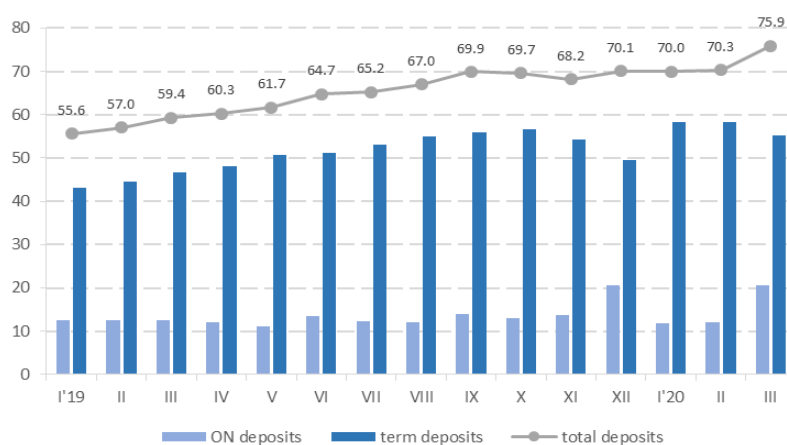
\* estimated data



#### Consolidation of public finance sector liquidity management

PLN bn

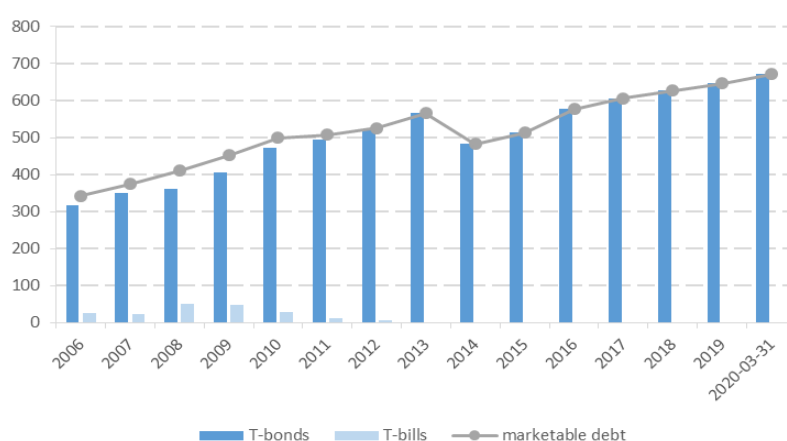
As a result of consolidation of the public finance sector liquidity management there were PLN 75.9bn funds accumulated at the end of March 2020, of which: PLN 55.2bn was on term deposits and PLN 20.7bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

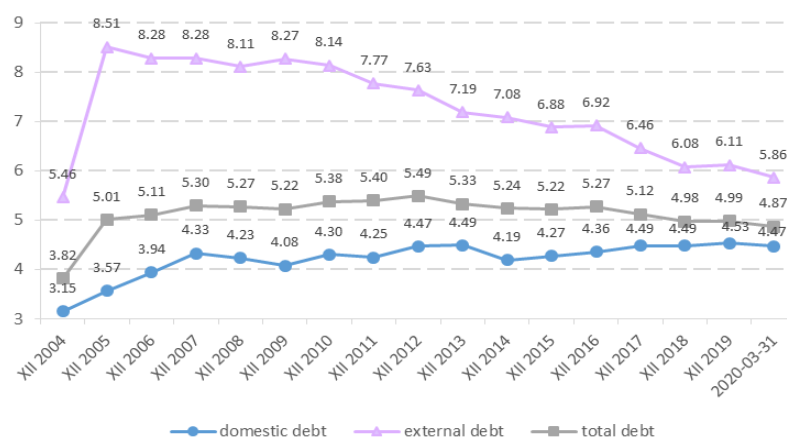
The marketable domestic debt amounted to PLN 671.1bn at the end of March 2020 comparing to PLN 646.0bn at the end of 2019.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.47 years at the end of March 2020 (4.53 years at the end of 2019). The average of the total debt amounted to 4.87 years (4.99 years at the end of 2019).



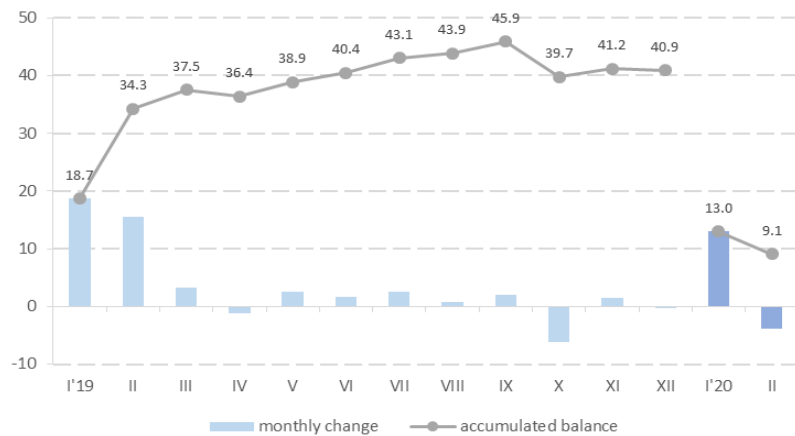




### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

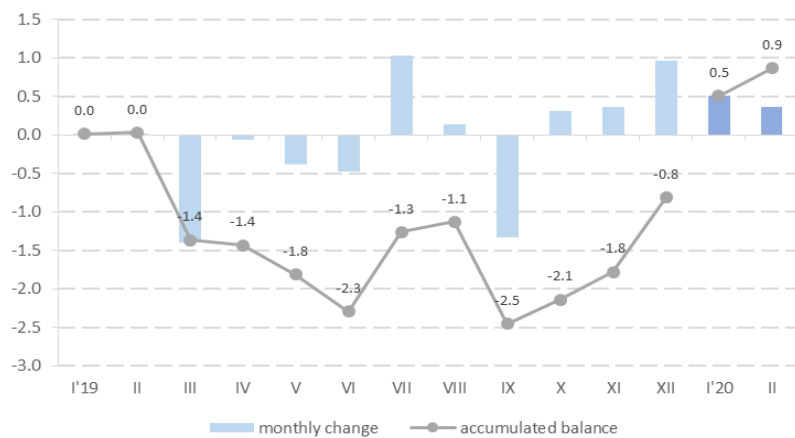
#### Change of debt in the domestic Treasury securities held by banks PLN bn

In the period of I-II 2020 there was an increase of debt by PLN 9.1bn comparing to PLN 34.3bn increase during the same period of 2019. Banks' holdings reached the level of PLN 314.1bn.



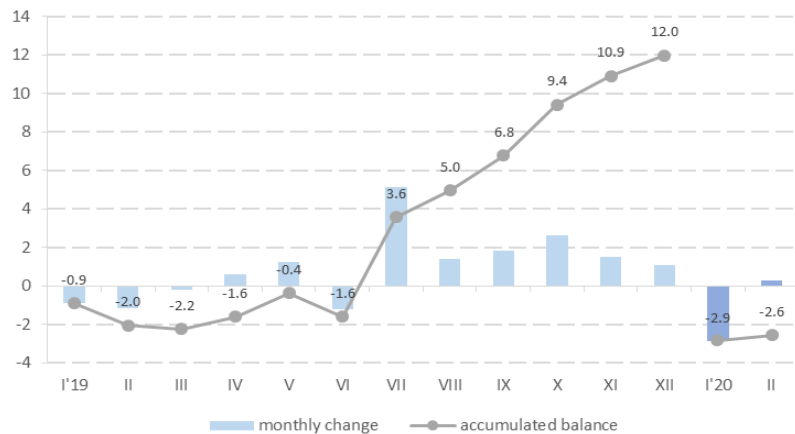
#### Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In the period of I-II 2020 there was an increase of debt by PLN 0.9bn comparing to no change in debt during the same period of 2019. Insurance companies' holdings reached the level of PLN 65.1bn.



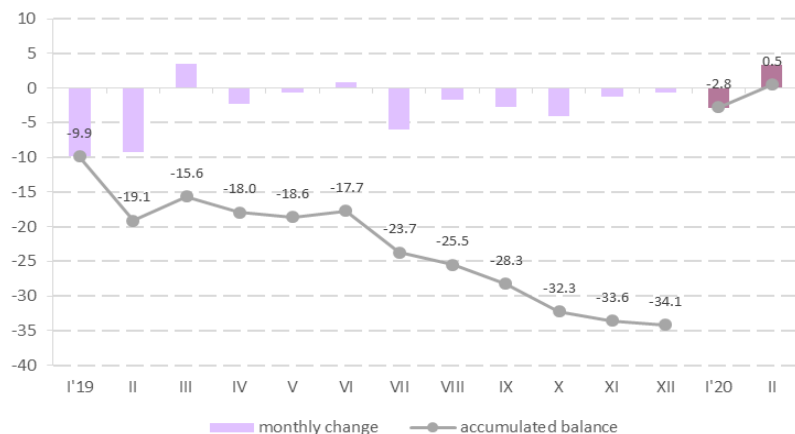
#### Change of debt in the domestic Treasury securities held by investment funds PLN bn

In the period of I-II 2020 there was a decrease of debt by PLN 2.6bn comparing to PLN 2.0bn decrease in the same period of 2019. Investment funds' holdings reached the level of PLN 64.8bn.



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

In the period of I-II 2020 there was an increase of debt by PLN 0.5bn comparing to PLN 19.1bn decrease in the same period of 2019. Foreign investors' holdings reached the level of PLN 157.8bn.





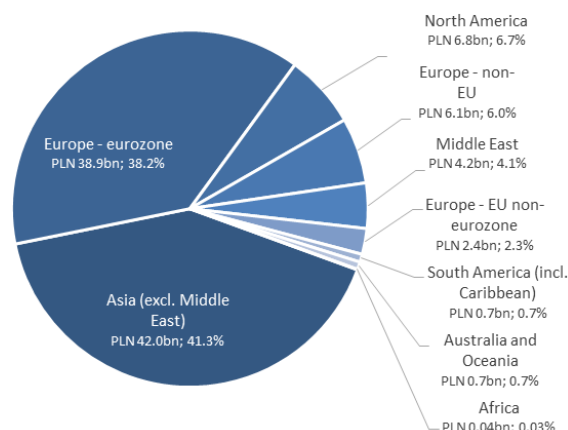
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Geographical distribution of the domestic Treasury securities held by non-residents

as of February 29, 2020, the chart presents data excluding omnibus accounts

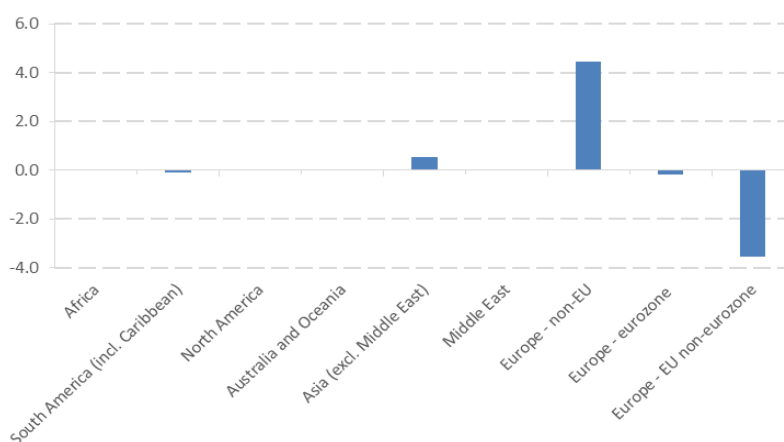
The non-residents' share in the domestic Treasury securities market increased by PLN 3.4bn in February 2020. The foreign investors' portfolio amounted to PLN 157.8bn, which constituted 23.0% share in total debt in Treasury securities (22.6% in the previous month).



#### Change of debt in the domestic Treasury securities held by non-residents by regions

change in February 2020, mom, PLN bn, the chart presents data excluding omnibus accounts

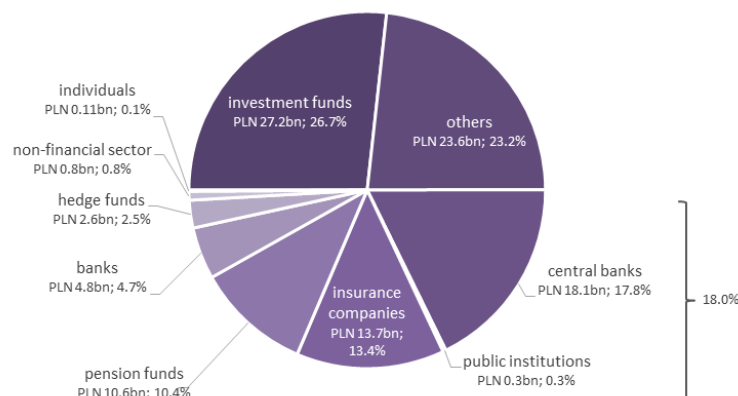
In February 2020 the highest increase was recorded by European investors outside the EU (PLN 4.4bn), while the highest decrease was noted by investors from the EU outside the eurozone (PLN 3.6bn).



#### Institutional distribution of the domestic Treasury securities held by non-residents

as of February 29, 2020, the chart presents data excluding omnibus accounts

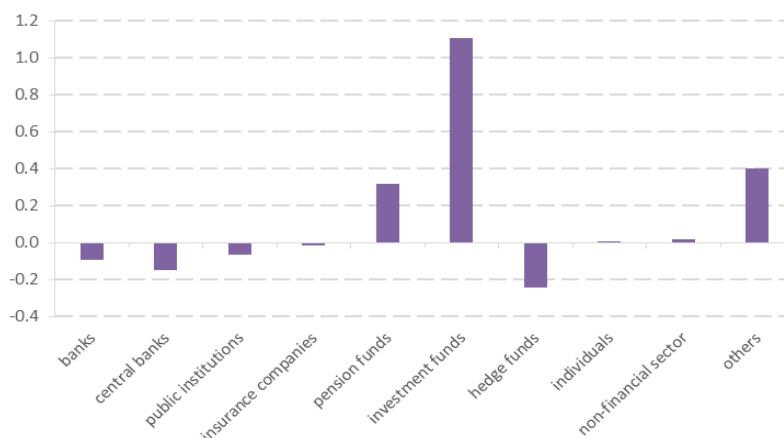
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 18.0% at the end of February 2020.



#### Change of debt in the domestic Treasury securities held by non-residents by institutions

change in February 2020, mom, PLN bn, the chart presents data excluding omnibus accounts

In February 2020 the highest increase in holdings of the domestic Treasury securities was recorded by investment funds (PLN 1.1bn) and the highest decrease was noted by hedge funds (PLN 0.2bn).



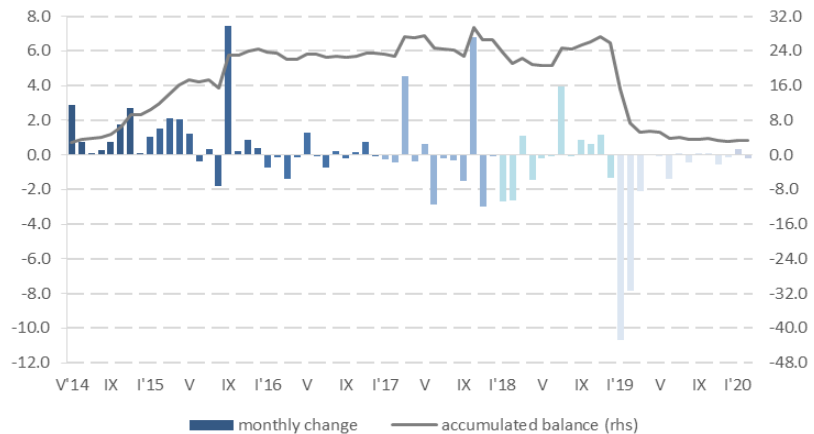


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Change of debt in domestic Treasury securities held by central banks and public institutions

change in February 2020, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.2bn in February 2020. In the period from the end of April 2014 to the end of February 2020, for which the detailed information is available, portfolios of those entities increased by PLN 3.2bn.



#### Structure of non-residents' holdings in Treasury securities by countries

as of February 29, 2020, excluding omnibus accounts and central banks, countries with more than 1% share

Countries	Outstanding in nominal value (PLN m)	Share in non-residents holdings
Japan	21 587.5	25.8%
Luxembourg	14 193.8	17.0%
Netherlands	7 975.9	9.5%
Ireland	6 858.7	8.2%
United States	5 733.1	6.9%
Germany	5 661.7	6.8%
United Kingdom	4 472.2	5.3%
Hong Kong	2 291.1	2.7%
France	2 219.8	2.7%
United Arab Emirates	1 744.0	2.1%
Switzerland	1 479.9	1.8%
Italy	1 053.1	1.3%
Denmark	971.7	1.2%
Canada	849.0	1.0%
Others	6 580.0	7.9%
<b>Total</b>	<b>83 671.2</b>	<b>100.0%</b>

## IV. SUPPLY PLAN OF TREASURY SECURITIES FOR Q2 2020



*Due to uncertainty of the situation on financial market the plan includes only general assumptions concerning the financing of the State budget borrowing requirements in the second quarter of 2020. Detailed information will be presented in monthly Treasury Securities' supply plans.*

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

- T-bond auctions are planned according to the announced yearly issuance calendar with possible modifications depending on the market situation;
- the supply of T-bonds on cash auctions and holding switch auctions will depend on the market and budget situation.

### **Offer of T-bills**

The number of auctions and supply of T-bills will result from the State budget borrowing requirements, results of T-bonds auctions on the domestic market and the level of foreign financing.

### **Foreign financing**

- possible issuance of bonds on the international markets, depending on the situation on these markets and the domestic market;
- loans from International Financial Institutions;
- possible private placement issuance.



## V. SUPPLY PLAN OF TREASURY SECURITIES IN APRIL 2020

### T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
2 APR 2020	6 APR 2020	OK0722 / PS1024 / WZ0525 / DS1029 / WZ1129	4,000-7,000*
23 APR 2020	27 APR 2020	OK0722 / PS1024 / WZ0525 / DS1029 / WZ1129 / 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, taking into account the market situation and consultations with investors.

After the auction bonds will be offered within additional sale at a minimum accepted clean price.

\* At the sale auction and within the additional sale the Ministry of Finance sold on April 2, 2020 T-bonds in the total nominal amount of 5.6bn, of which: OK0722 - PLN 0.3bn, PS1024 - PLN 1.7bn, WZ0525 - PLN 1.7bn, DS1029 - PLN 1.7bn, WZ1129 - PLN 0.1bn.

### T-bill auctions

Auction date	Settlement date	T-bill	Maturity date	Planned offer (PLN m)
6 APR 2020	8 APR 2020	19-week	19 AUG 2020	2,000-4,000
		51-week	31 MAR 2021	
9 APR 2020	15 APR 2020	18-week	19 AUG 2020	2,000-4,000
		50-week	31 MAR 2021	
20 APR 2020	22 APR 2020	17-week	19 AUG 2020	2,000-4,000
		49-week	31 MAR 2021	
27 APR 2020	29 APR 2020	9-week	1 JUL 2020	3,000-9,000
		21-week	23 SEP 2020	
		48-week	31 MAR 2021	

After the auction bills will be offered within additional sale at a minimum accepted price.

\* At the sale auction and within the additional sale the Ministry of Finance sold on April 6, 2020 T-bills in the total nominal amount of 2.9bn, of which: 19-week - PLN 1.0bn, 51-week - PLN 1.9bn.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0720 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.50% per year
DOS0422 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 2.10%
TOZ0423 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 2.20% in the first coupon period
COI0424 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 2.40% in the first coupon period
EDO0430 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%); 2.70% in the first coupon period
ROS0426 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.75%); 2.80% in the first coupon period
ROD0432 family bonds 12-year	100.00 PLN	Floating (inflation rate + 2.00%); 3.20% in the first coupon period