

State budget borrowing requirements' financing plan and its background

4th quarter 2021
October 2021

THE MOST IMPORTANT INFORMATION

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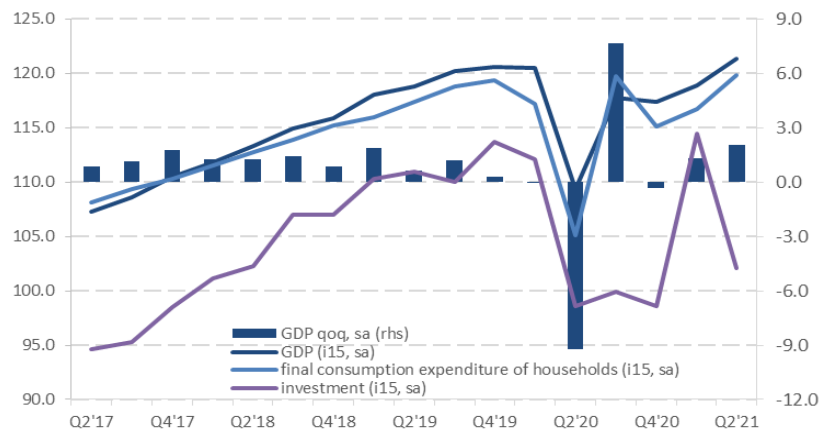


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices, seasonally adjusted data (sa)
source: GUS, Eurostat

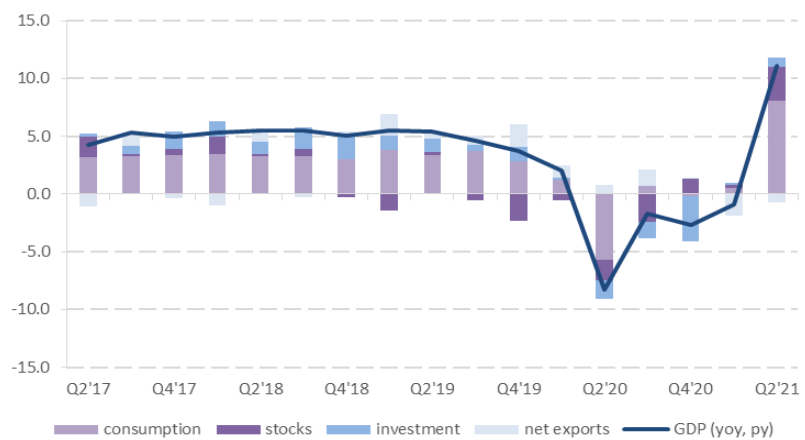
The beginning of 2021 brought a clear improvement in economic activity in Poland. Despite the third wave of the pandemic and strengthening of virus containment measures, GDP increased by 1.3% (qoq, sa) in the first quarter of 2021. In the second quarter this positive tendency was continued - the growth rate accelerated to 2.1%. As a result, real GDP (sa) exceeded the pre-pandemic level (level from Q4 2019). Growth of households consumption accelerated to 2.7% (qoq, sa). On the other hand, investment decreased by 10.8% (qoq, sa) after strong rebound in the previous quarter.



Contributions to Polish GDP growth

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

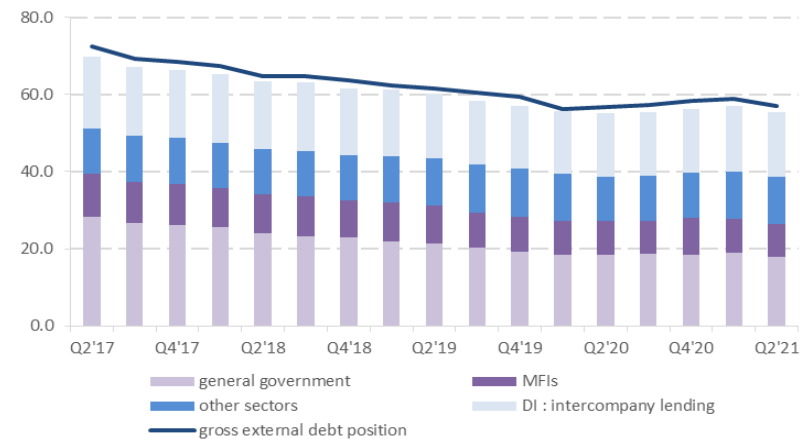
In the second quarter of 2021 GDP was 11.1% (py) higher than in the previous year, boosted by low statistical base. Households and public consumption increased by 13.3% and 3.8% (yoy, py), respectively. Investment was also higher than in the same period of 2020. Due to stronger imports than exports dynamics, contribution of foreign trade to GDP growth was negative again.



Polish gross external debt position

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

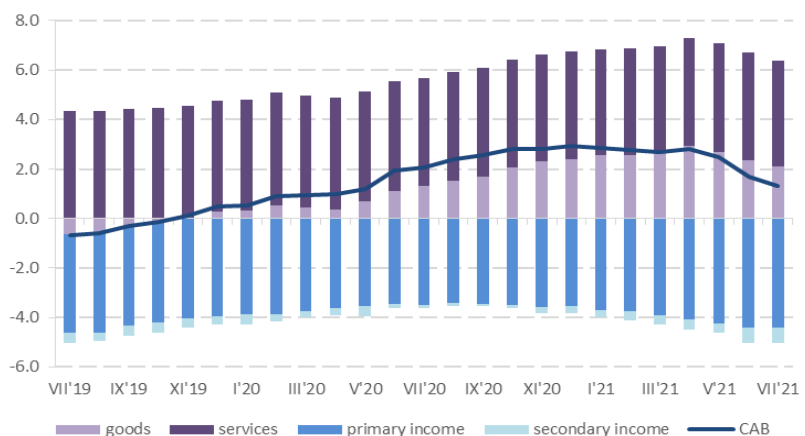
At the end of the second quarter of 2021 gross external debt reached EUR 308.4bn (57.0% of GDP) and was by EUR 0.8bn higher than in the previous quarter. The share of general government debt in total debt decreased slightly to 31.1%. At the end of July 2021 official reserve assets reached EUR 136.9bn and remained broadly adequate, covering nearly 6 months of imports.



Current account balance

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

In July 2021, taking into account new quarterly data, current account surplus narrowed to 1.3% of GDP (in 12-month terms). Due to stronger imports than exports dynamics, positive balance on goods decreased to 2.1% of GDP. In addition, revised data showed higher foreign direct investors' income in 2020 and in the first half of 2021. In consequence, primary income deficit increased to 4.4% of GDP.

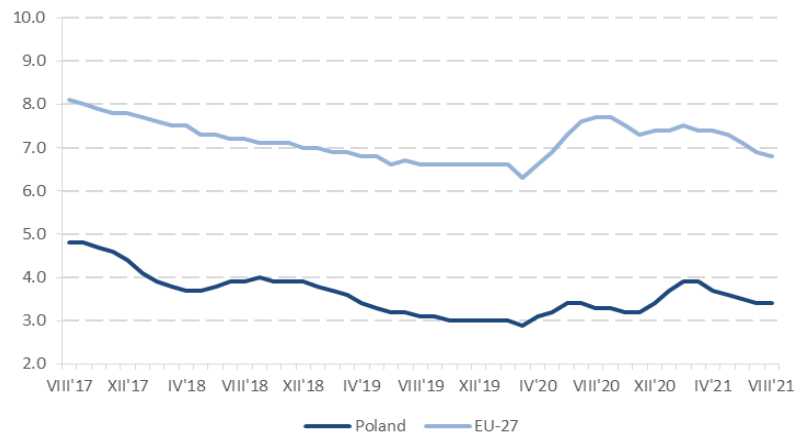




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

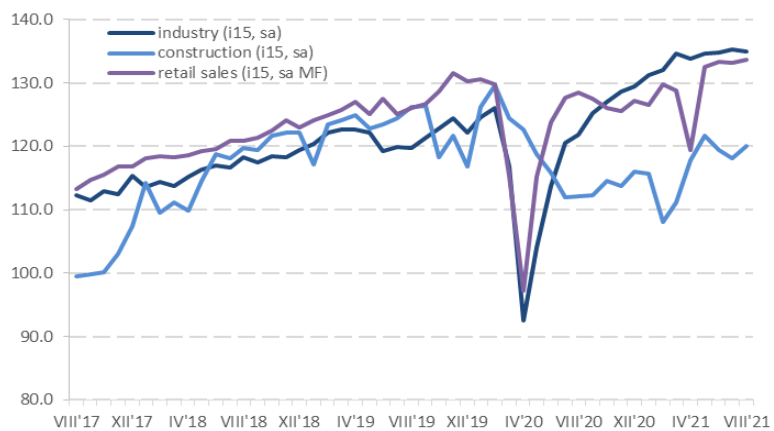
The harmonized unemployment rate (sa) in Poland amounted to 3.4% in August. It remained unchanged compared to the previous month, after decreases in the April-July period. As a result, it was 0.1 pp higher than a year earlier. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the eurozone (6.8% and 7.5%, respectively).



Monthly indicators of the real sector

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

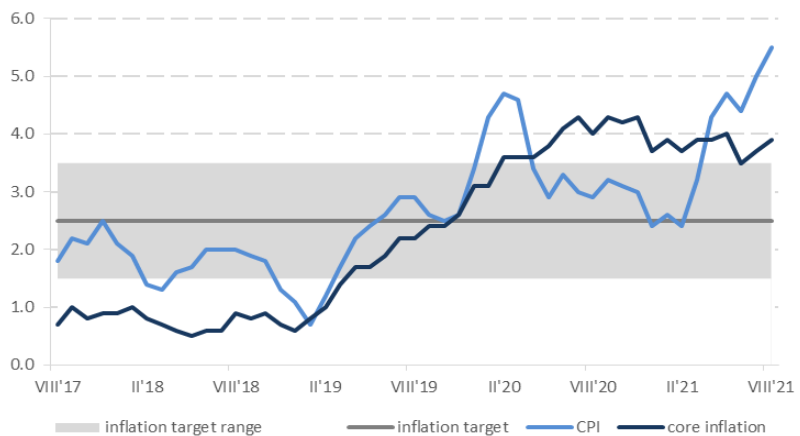
In August 2021 industrial production decreased by 0.3% (mom, sa) and was 13.2% higher than a year ago (non-seasonally adjusted, nsa). Data were slightly below market expectations. Construction and assembly production grew by 1.6% following decreases in two previous months (mom, sa). As a result, its level was 10.2% (nsa) higher than a year ago. Data were better than expectations. Retail sales increased following a slight decline in the previous month (mom, sa MF). The retail sales level was 5.4% higher than a year before. Data were close to expectations.



Inflation

percent, yoy
source: GUS, NBP

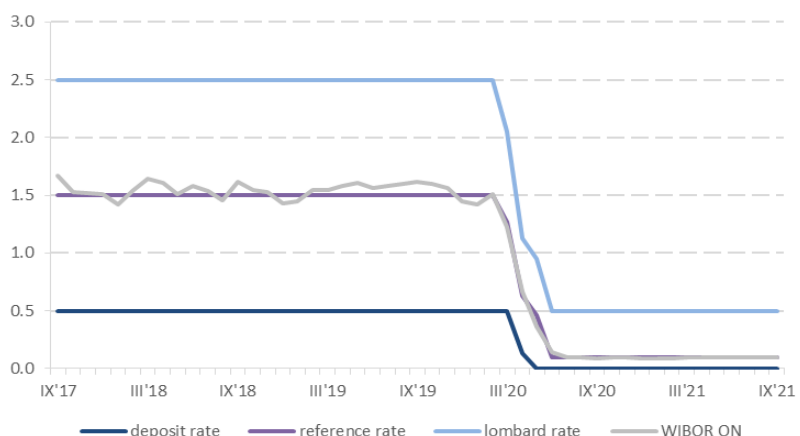
Since March 2021 inflation rate has accelerated and amounted to 5.5% (yoy) in August (the highest level for 20 years). Due to rise of crude oil prices on international markets energy prices increased considerably. Food prices also accelerated (to 3.9% yoy). Core inflation (CPI excluding food and energy prices) was still high but stable and in August it reached 3.9% (yoy). In September, according to the preliminary data, inflation rose to 5.8% and was higher than market expectations. Because of high commodity prices and lack of supply, producer prices also rose considerably. In August they were higher than a year before by 9.5%.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

The NBP's interest rates have remained on hold since end-May 2020. The reference rate is 0.1%, the lombard rate amounts to 0.5% and the deposit rate is 0.0%. Since March 2020 the NBP purchased government securities and government-guaranteed debt securities on the secondary market. Till the end of September 2021 central bank purchased PLN 143.1bn (face value) in debt securities. According to the Monetary Policy Council, the NBP's monetary policy supports the consolidation of economic recovery following the pandemic-induced recession and stabilises inflation at the level consistent with the NBP's inflation target in the medium term.





II. STATISTICAL DATA

	Unit	2020 Q01	Q02	Q03	Q04	2021 Q01	Q02
GDP							
Gross domestic product	YoY	2.0	-8.3	-1.7	-2.7	-0.9	11.1
	QoQ SA	-0.1	-9.2	7.7	-0.3	1.3	2.1
Final consumption expenditure of the households sector	YoY	1.2	-10.8	0.4	-3.2	0.2	13.3
	QoQ SA	-1.8	-10.3	13.9	-3.9	1.4	2.7
Final consumption expenditure of the general government sector	YoY	2.5	3.4	3.0	7.7	2.5	3.8
	QoQ SA	1.6	0.7	1.0	1.6	0.0	1.2
Gross fixed capital formation	YoY	1.7	-9.8	-8.2	-15.4	1.3	5.0
	QoQ SA	-1.4	-12.0	1.4	-1.3	16.0	-10.8
Exports of goods and services	YoY	2.7	-13.7	2.3	7.6	5.7	29.3
	QoQ SA	1.9	-16.7	20.8	5.0	-0.1	2.4
Imports of goods and services	YoY	0.8	-16.6	-0.3	8.2	10.0	35.8
	QoQ SA	0.8	-17.1	23.7	4.1	2.5	2.5
Gross value added	YoY	2.0	-8.0	-2.0	-3.0	-1.3	10.2
	QoQ SA	0.1	-9.4	7.4	0.4	1.4	1.2
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	0.7	-6.2	0.2	-1.7	0.1	7.4
Final consumption expenditure of the general government sector	pp	0.5	0.5	0.5	1.5	0.4	0.7
Gross fixed capital formation	pp	0.2	-1.6	-1.4	-3.9	0.2	0.8
Changes in inventories	pp	-0.5	-1.8	-2.4	1.3	0.3	2.9
Balance of trade turnover	pp	1.1	0.8	1.4	0.1	-1.9	-0.7
Gross value added	pp	1.8	-7.0	-1.8	-2.7	-1.2	9.0
GDP structure							
Final consumption expenditure of the households sector	% of GDP	61.4	55.4	59.0	49.1	60.3	56.6
Final consumption expenditure of the general government sector	% of GDP	17.7	19.4	18.4	21.2	17.9	18.2
Gross fixed capital formation	% of GDP	12.8	15.8	16.0	21.3	12.7	14.7
Changes in inventories	% of GDP	1.2	0.8	-0.9	0.8	2.1	3.5
Exports of goods and services	% of GDP	57.6	52.3	56.4	56.6	61.0	62.4
Imports of goods and services	% of GDP	51.6	44.7	49.8	49.6	54.9	56.3
Balance of payments							
	Unit	2021 M03	M04	M05	M06	M07	M08
Goods: exports (EUR)	YoY	27.7	68.6	40.5	22.7	12.5	-
Goods: imports (EUR)	YoY	23.6	58.3	52.4	34.7	20.6	-
Current account balance ¹⁾	% of GDP	2.7	2.8	2.5	1.7	1.3	-
Balance on goods ¹⁾	% of GDP	2.7	2.9	2.7	2.4	2.1	-
Official Reserve Assets	EUR m	134 814.3	128 703.1	133 383.4	134 110.3	136 926.6	143 354.8
Inflation							
Consumer Price Index (CPI)	YoY	3.2	4.3	4.7	4.4	5.0	5.5
Core inflation (CPI excluding food and energy prices)	YoY	3.9	3.9	4.0	3.5	3.7	3.9
Producer Price Index (PPI)	YoY	4.2	5.5	6.6	7.2	8.4	9.5
Production							
Sold production of industry ²⁾	YoY	18.6	44.2	29.7	18.1	9.5	13.2
	MoM SA	2.0	-0.6	0.7	0.1	0.4	-0.3
Construction and assembly production ²⁾	YoY	-10.8	-4.2	4.7	4.5	3.2	10.2
	MoM SA	2.8	6.0	3.4	-1.9	-1.0	1.6
Manufacturing PMI	SA	54.3	53.7	57.2	59.4	57.6	56.0
Households and labour market							
Retail sales ²⁾	YoY	15.2	21.1	13.9	8.6	3.9	5.4
Average paid employment in enterprise sector	YoY	-1.3	0.9	2.7	2.8	1.8	0.9
	MoM	-0.1	-0.2	0.3	0.3	0.0	-0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	4.7	5.3	5.2	5.1	3.6	3.8
	MoM	5.4	-2.9	-3.2	2.8	0.5	-0.4
Harmonised unemployment rate (Eurostat)	%, SA	3.9	3.7	3.6	3.5	3.4	3.4
<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>							
State Treasury debt							
	Unit	2021 M02	M03	M04	M05	M06	M07
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 122 205.5	1 131 763.0	1 122 147.1	1 125 467.6	1 133 647.5	1 135 089.0
Domestic debt	face value, PLN m	845 111.7	847 671.6	851 752.5	854 274.5	858 992.1	857 474.9
	%	75.3	74.9	75.9	75.9	75.8	75.5
Foreign debt	face value, PLN m	277 093.8	284 091.3	270 394.6	271 193.1	274 655.4	277 614.2
	%	24.7	25.1	24.1	24.1	24.2	24.5
Public debt (domestic definition)							
	Unit	2020 Q01	Q02	Q03	Q04	2021 Q01	Q02
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 045 474.8	1 097 298.7	1 106 292.0	1 111 806.3	1 152 219.3	1 152 190.6
Domestic debt	face value, PLN m	744 617.7	825 499.1	824 082.3	823 542.1	845 780.4	855 331.0
	%	71.2	75.2	74.5	74.1	73.4	74.2
Foreign debt	face value, PLN m	300 857.2	271 799.6	282 209.7	288 264.2	306 438.9	296 859.6
	%	28.8	24.8	25.5	25.9	26.6	25.8
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 103 701.0	1 255 650.7	1 306 461.0	1 336 135.6	1 389 487.4	1 401 619.6

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2021 as of September 30, 2021, PLN bn

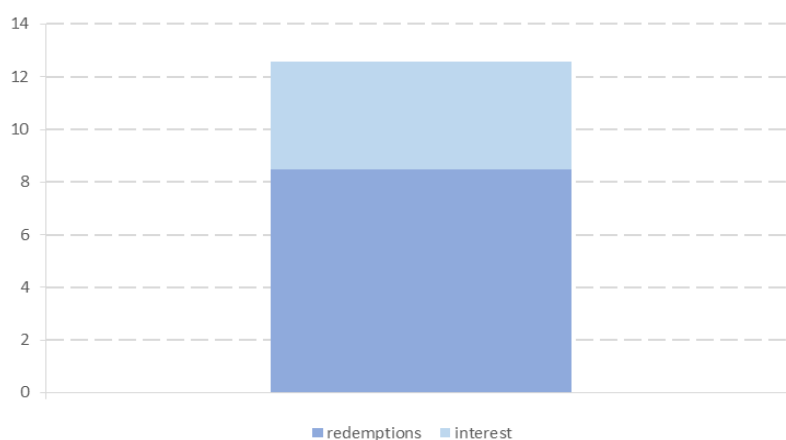
The State budget borrowing requirements for 2021 (acc. to the amended Budget Act) have been fully funded. We have started prefinancing of the next year's borrowing requirements.



Outflows of funds related to domestic marketable T-securities transfers in October plan as of September 30, 2021

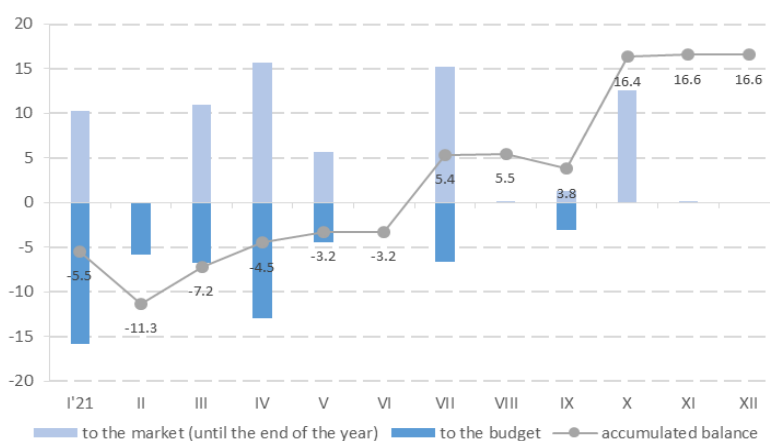
Value of funds transferred from the State budget to the market in October shall amount to PLN 12.6bn, of which:

- TS redemptions: PLN 8.5bn,
- interest payments: PLN 4.1bn.



Flows of funds between the domestic market and the budget* as at the end of month, PLN bn

From October to the end of 2021 the funds to be transferred to the domestic market shall amount to PLN 12.8bn (as of September 30, 2021).

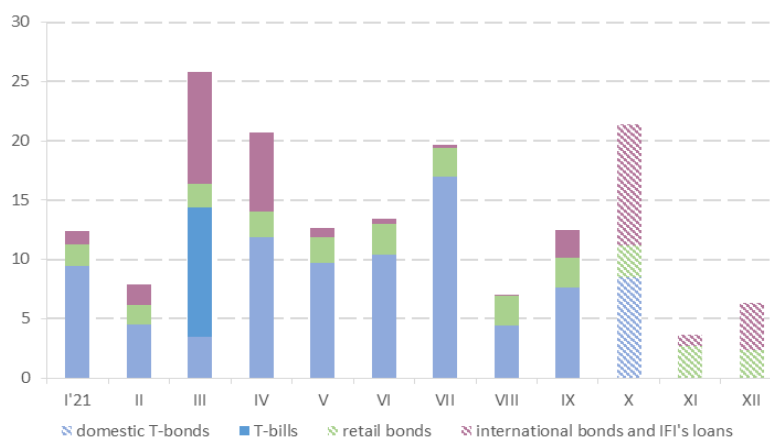


* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget in the period of October to the end of 2021 is not presented.

State Treasury debt redemptions in 2021 as at the end of month, nominal amount, PLN bn

The nominal amount of debt to be redeemed in 2021 (as of September 30, 2021) is equal to PLN 31.4bn, including:

- T-bonds: PLN 8.5bn,
- retail bonds: PLN 7.7bn,
- bonds and loans incurred on foreign markets: PLN 15.3bn.





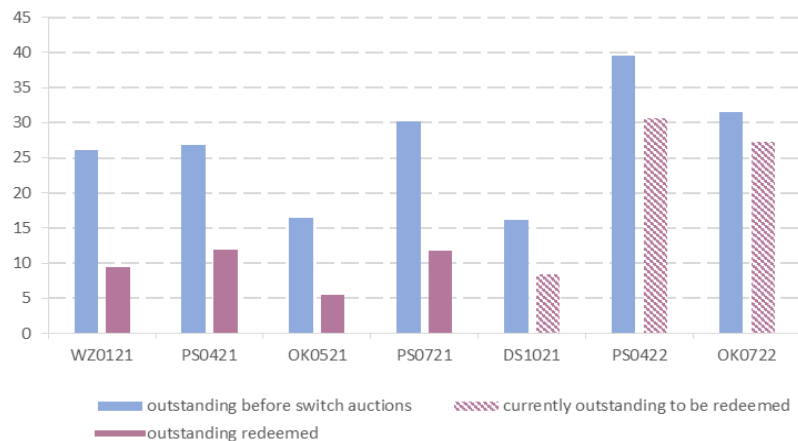
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Reducing refinancing risk connected with redemptions of domestic TS maturing in 2021 and 2022

as of September 30, 2021, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2021 and 2022:

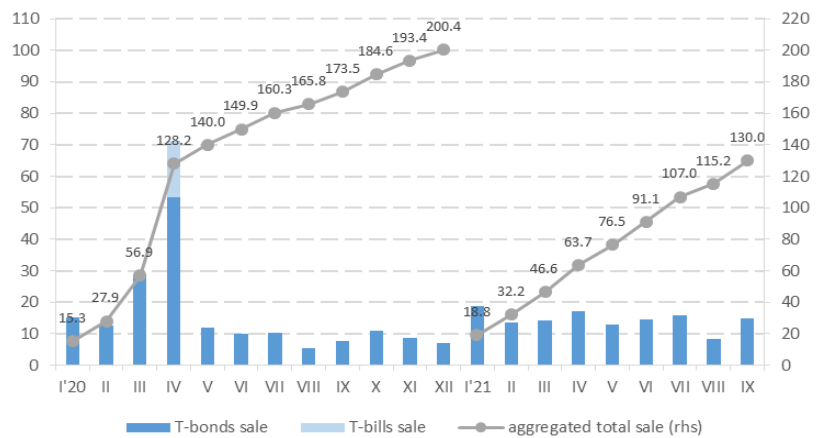
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 14.9bn (56% of the issuance),
- OK0521: PLN 11.0bn (67% of the issuance),
- PS0721: PLN 18.5bn (61% of the issuance),
- DS1021: PLN 7.7bn (48% of the issuance),
- PS0422: PLN 9.0bn (23% of the issuance),
- OK0722: PLN 4.2bn (13% of the issuance).



Sale of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-IX 2021 aggregated total sale of T-bonds amounted to PLN 130.0bn versus PLN 155.8bn in the same period of 2020. T-bills were not sold versus PLN 17.7bn sold in 2020.



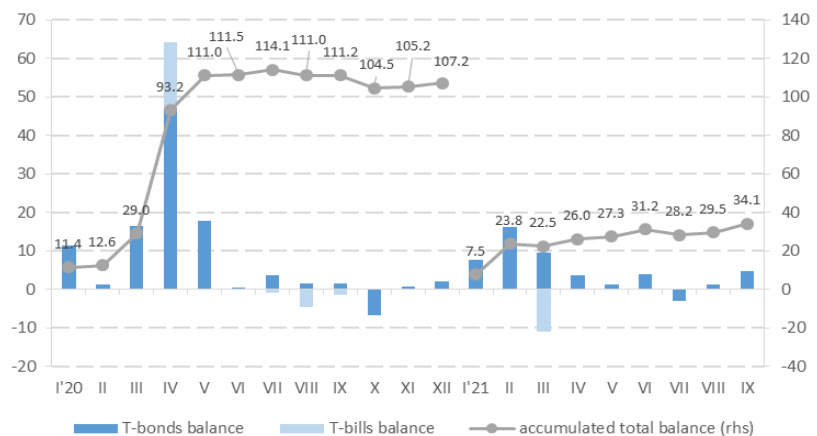
Balance of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-IX 2021 indebtedness in:

- T-bonds increased by PLN 45.0bn versus an increase of PLN 100.2bn in the same period of 2020,
- T-bills decreased by PLN 10.9bn versus an increase of PLN 10.9bn in the same period of 2020.

The figures also include the amount of T-bonds issued and transferred by the Minister of Finance, Funds and Regional Policy on the basis of other acts than the Public Finance Act.

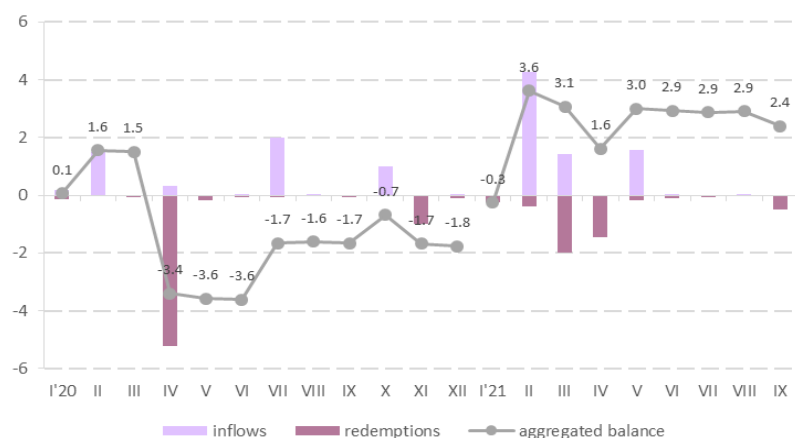


External financing in 2020 and 2021

bonds issued on foreign markets and loans received from IFIs, settlement date, EUR bn

Net financing on foreign markets in the period of I-IX 2021 was positive and amounted to EUR 2.4bn which resulted from:

- negative balance of T-bonds of EUR 4.4bn,
- negative balance of loans incurred from IFIs of EUR 0.4bn,
- loans from the European Union under SURE instrument of EUR 7.2bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

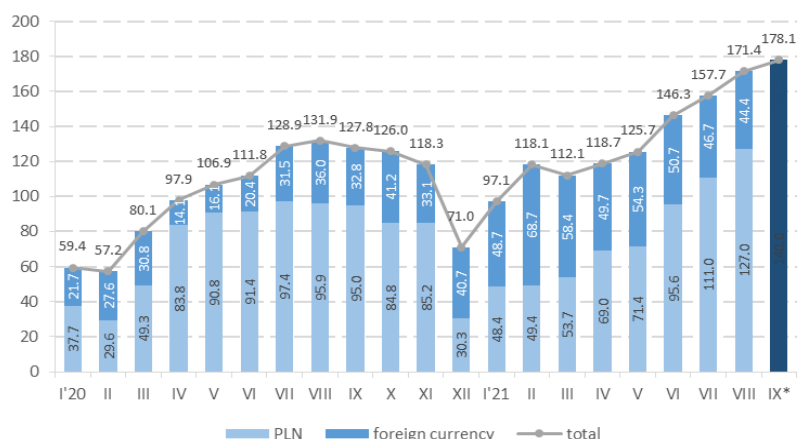


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of September 2021 there was equivalent of PLN 178.1bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

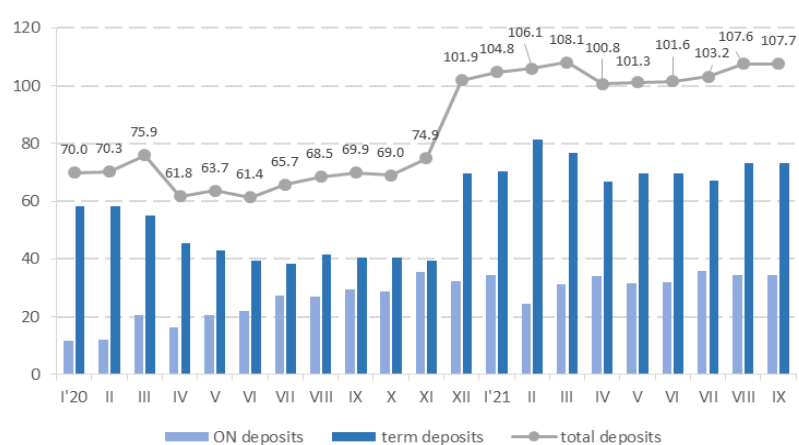
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

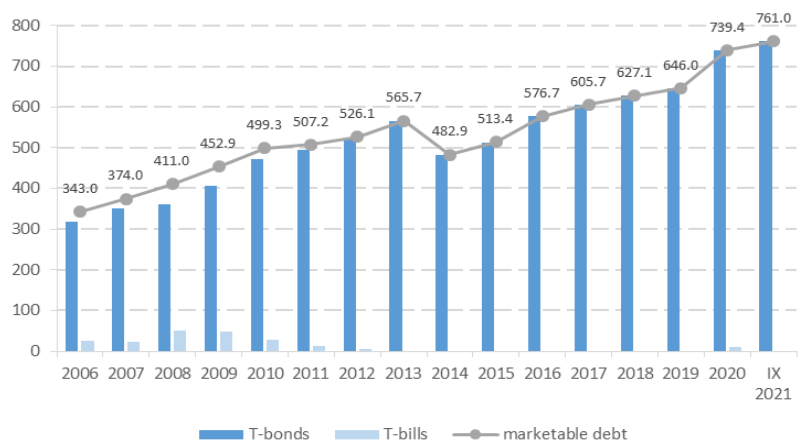
As a result of consolidation of the public finance sector liquidity management there were PLN 107.7bn funds accumulated at the end of September 2021, of which: PLN 73.2bn on term deposits and PLN 34.5bn on ON deposits.



Structure of domestic marketable debt

PLN bn

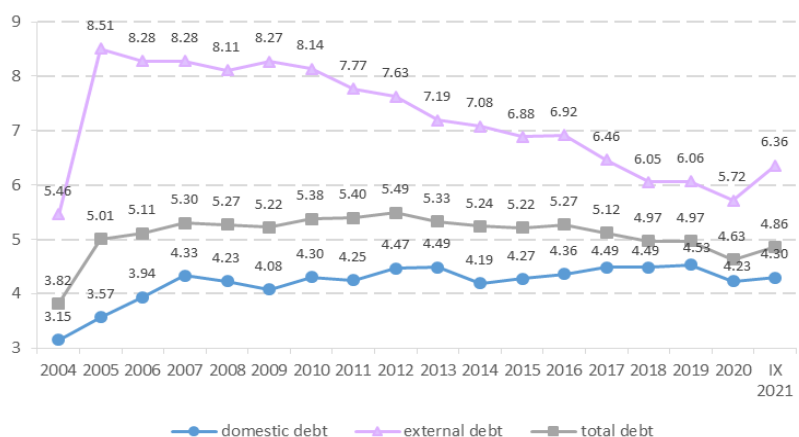
The marketable domestic debt amounted to PLN 761.0bn at the end of September 2021 comparing to PLN 739.4bn at the end of 2020.



Average maturity

years

The average maturity of the domestic debt amounted to 4.30 years at the end of September 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.86 years (4.63 years at the end of 2020).



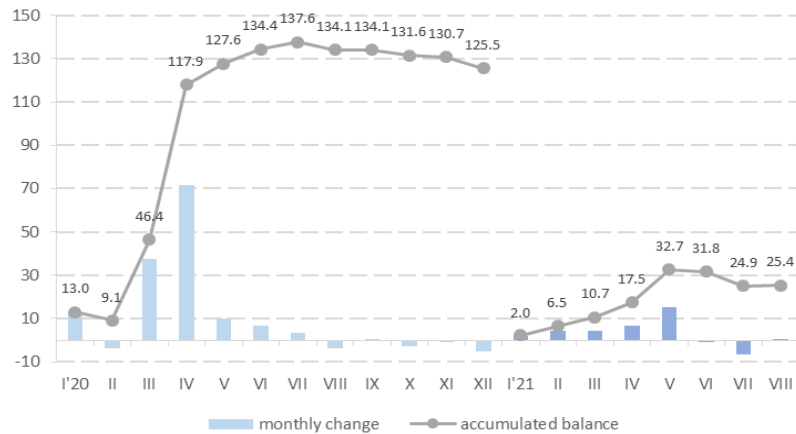


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

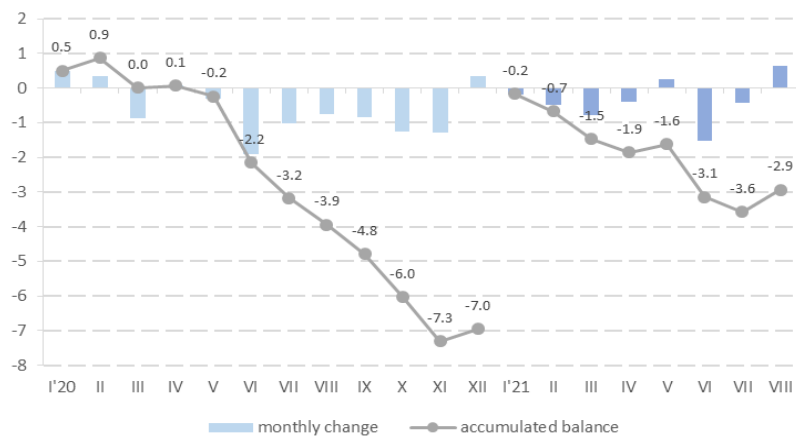
In the period of I-VIII 2021 there was an increase of debt by PLN 25.4bn comparing to PLN 134.1bn increase during the same period of 2020. Banks' holdings reached the level of PLN 455.8bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

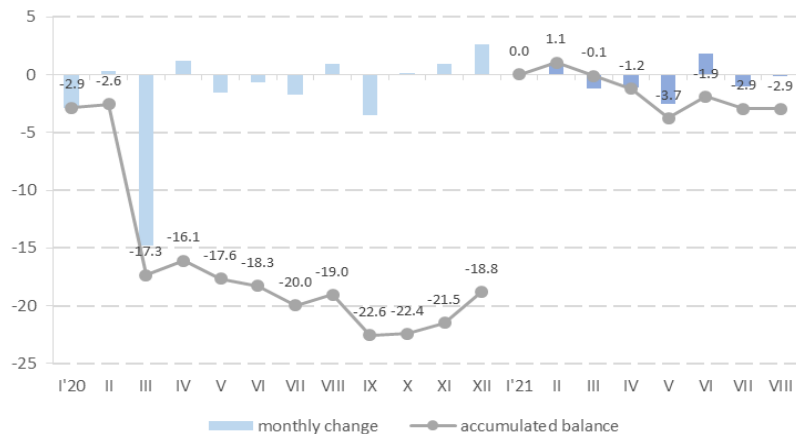
In the period of I-VIII 2021 there was a decrease of debt by PLN 2.9bn comparing to PLN 3.9bn decrease during the same period of 2020. Insurance companies' holdings reached the level of PLN 54.4bn.



Change of debt in the domestic TS held by investment funds

PLN bn

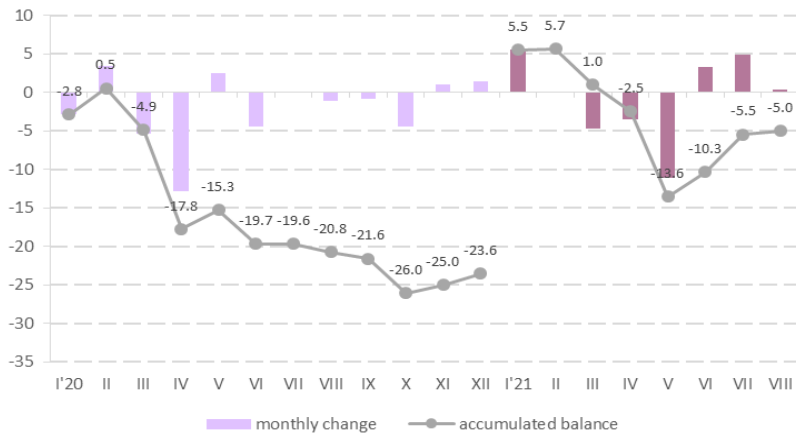
In the period of I-VIII 2021 there was a decrease of debt by PLN 2.9bn comparing to PLN 19.0bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 45.6bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-VIII 2021 there was a decrease of debt by PLN 5.0bn comparing to PLN 20.8bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 128.7bn.



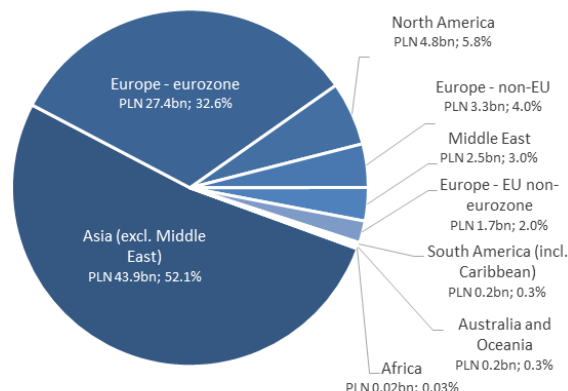
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

as of August 31, 2021, the chart presents data excluding omnibus accounts

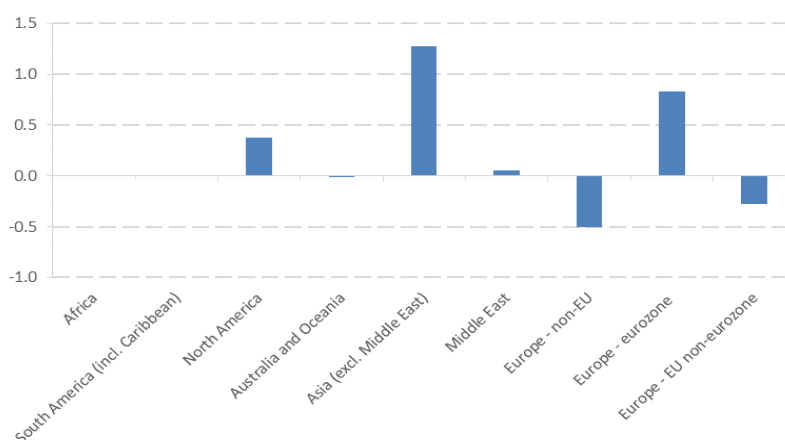
The non-residents' share in the domestic Treasury securities market increased by PLN 0.4bn in August 2021. The foreign investors' portfolio amounted to PLN 128.7bn, which constituted 15.9% share in total debt in Treasury securities (15.9% in the previous month).



Change of debt in the domestic TS held by non-residents by regions

change in August 2021, mom, PLN bn, the chart presents data excluding omnibus accounts

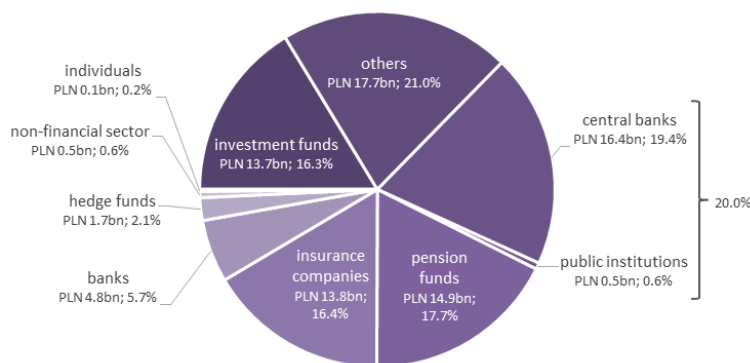
In August 2021 the highest increase was recorded by Asian investors (PLN 1.3bn), while the highest decrease was noted by European non-EU investors (PLN 0.5bn).



Institutional distribution of the domestic TS held by non-residents

as of August 31, 2021, the chart presents data excluding omnibus accounts

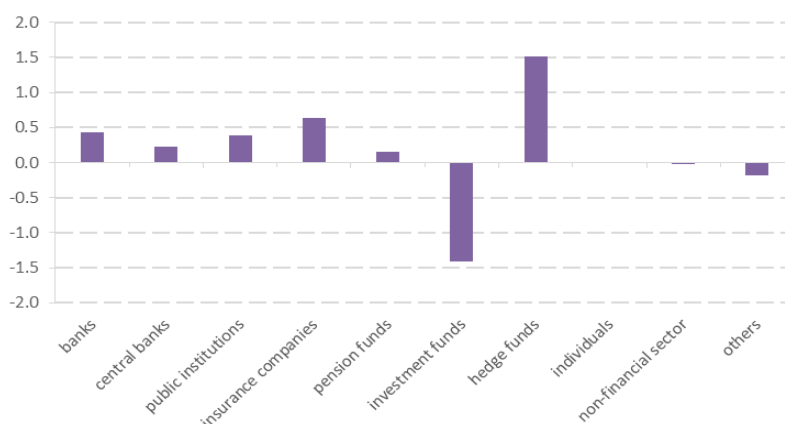
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 20.0% at the end of August 2021.



Change of debt in the domestic TS held by non-residents by institutions

change in August 2021, mom, PLN bn, the chart presents data excluding omnibus accounts

In August 2021 the highest increase was recorded by hedge funds (PLN 1.5bn), while the highest decrease was noted by investment funds (PLN 1.4bn).



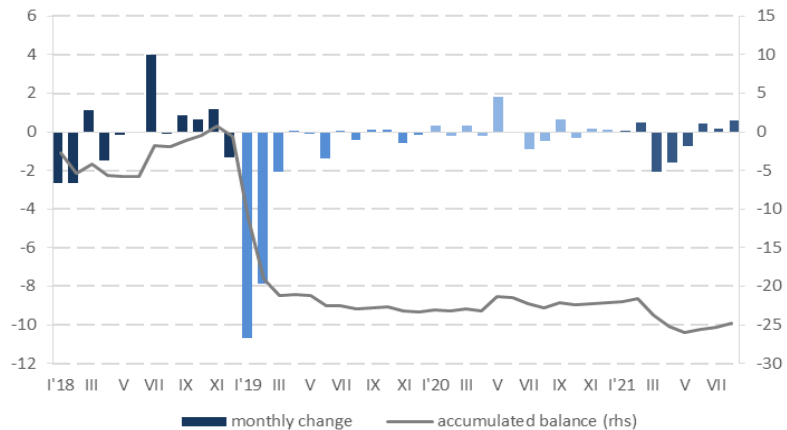


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic TS held by central banks and public institutions

change in August 2021, PLN bn

Central banks and public institutions' involvement increased by PLN 0.6bn in August 2021. In the period from the end of January 2018 to the end of August 2021 portfolios of those entities decreased by PLN 24.8bn.



Structure of non-residents' holdings in TS by countries

as of August 31, 2021, 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	27 164.5	40.1%
Netherlands	7 678.2	11.3%
Luxembourg	6 336.2	9.3%
Germany	5 282.5	7.8%
United States	4 134.4	6.1%
Ireland	3 835.9	5.7%
France	2 900.8	4.3%
United Kingdom	1 905.0	2.8%
Switzerland	1 366.8	2.0%
United Arab Emirates	1 161.8	1.7%
Denmark	906.7	1.3%
Others	5 109.0	7.5%
Total	67 781.8	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

30-09-2021

(...) The level of pre-financing of next year's borrowing requirements presented in the draft budget act is ca. 6%.

Two Treasury bond switching auctions are planned for October and up to 5 Treasury bond switching auctions throughout the quarter. No Treasury bond sale auctions are planned

In August indebtedness in domestic Treasury securities increased by PLN 1.3bn, including PLN 0.4bn towards domestic banks, PLN 0.5bn towards domestic non-banking sector and PLN 0.4bn towards foreign investors.

IV. SUPPLY PLAN OF TREASURY SECURITIES FOR Q4 2021



General assumptions

- in the fourth quarter of 2021 T-bond auctions are planned according to the announced yearly issuance calendar,
- offer of T-bonds on the domestic market will depend on the budget and market situation, as well as consultations with investors,
- possible auctions of T-bills will be held within the confines of the State budget liquidity management,
- foreign financing will be determined by the situation on the international financial market on the domestic market, as well as by the budget conditions,
- the announced plan may be modified subject to the market situation.

Offer of T-bonds on domestic market

- **sale auctions:**
none.
- **switch auctions:**
five auctions, subject to the budget and market situation – T-bonds maturing in 2022 would be offered to repurchase.

Offer of T-bills

Detailed information on the offer of T-bills will be presented in the monthly issuance plans.

Foreign financing

- possible issuances of bonds on the international market,
- possible loans from international financial institutions,
- possible private placement issuance.



V. SUPPLY PLAN OF TREASURY SECURITIES IN OCTOBER 2021

T-bond sale auctions

Sale auctions of Treasury bonds are not planned.

T-bond switching auctions

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
07 OCT 2021 / 11 OCT 2021	OK0724 / PS1026 / WZ1126 / WZ1131 / DS0432	PS0422	30,612
		OK0722	27,243
		WS0922	22,529
21 OCT 2021 / 25 OCT 2021	OK0724 / PS1026 / WZ1126 / WZ1131 / DS0432 / possible T-bond either of WS or IZ type	PS0422	30,612
		OK0722	27,243
		WS0922	22,529

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0122 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS1023 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ1024 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI1025 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO1031 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS1027 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD1033 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period