

State budget borrowing requirements' financing plan and its background

November 2021

THE MOST IMPORTANT INFORMATION

I. Current macroeconomic situation	2-3
II. Statistical data	4
III. Background of borrowing requirements' financing	5-10
• MoF's comment	10
IV. Monthly supply plan of Treasury securities (TS).....	11

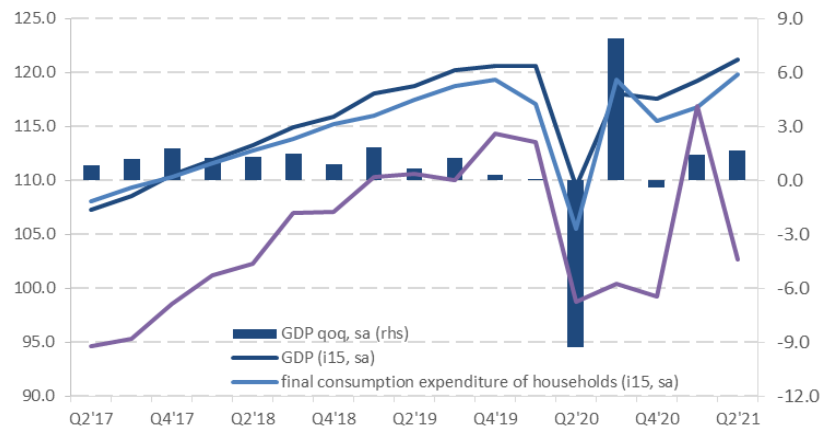


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

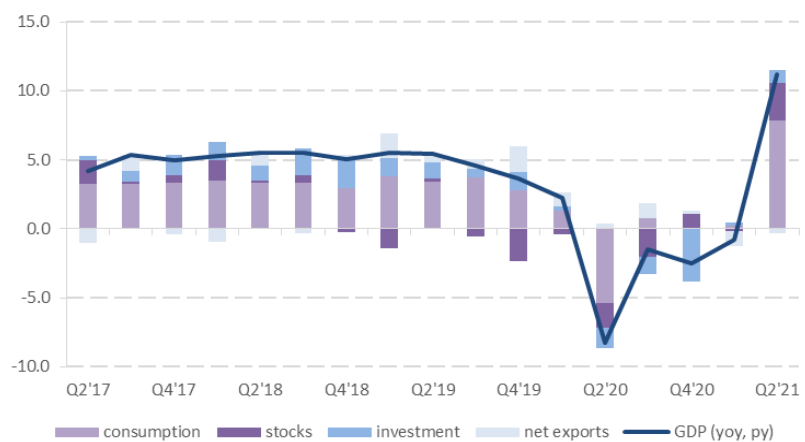
The beginning of 2021 brought a clear improvement in economic activity in Poland. According to revised data, despite the third wave of the pandemic and strengthening of virus containment measures, GDP increased by 1.4% (qoq, sa) in the first quarter of 2021. In the second quarter this positive tendency was continued - the growth rate accelerated to 1.6%. As a result, real GDP (sa) exceeded the pre-pandemic level (level from Q4 2019). Growth of households consumption accelerated to 2.5% (qoq, sa). On the other hand, investment decreased by 12.2% (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

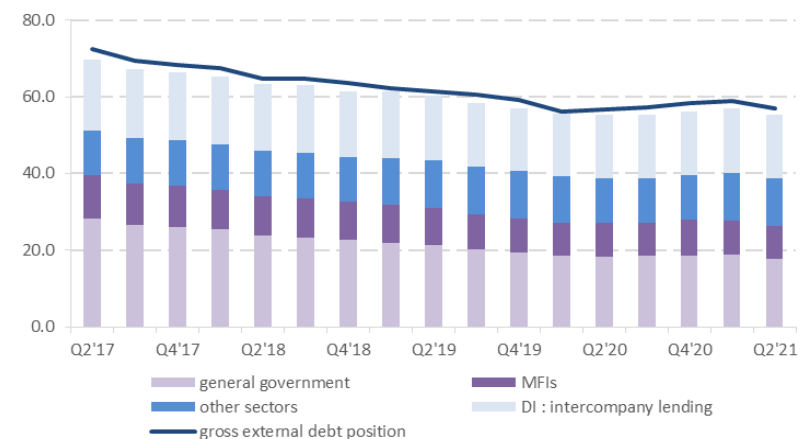
In the second quarter of 2021 GDP was 11.2% (py) higher than in the previous year, boosted by low statistical base. Households and public consumption increased by 13.1% and 3.0% (yoy, py), respectively. Investment was also higher than in the same period of 2020. Due to stronger imports than exports dynamics, contribution of foreign trade to GDP growth was negative again.



Polish gross external debt position

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

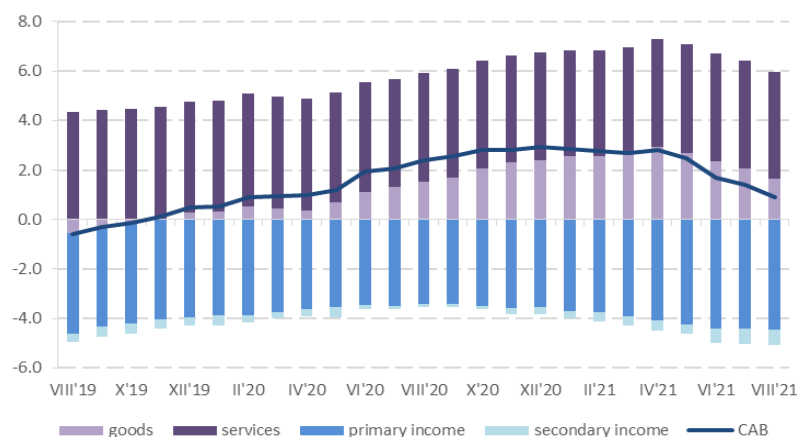
At the end of the second quarter of 2021 gross external debt reached EUR 308.4bn (56.9% of GDP) and was by EUR 0.8bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 31.1%. At the end of August 2021 official reserve assets reached EUR 143.4bn 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 August 2021, according to the preliminary data, current account surplus narrowed further to 0.9% of GDP (in 12-month terms). Due to stronger imports than exports dynamics, positive balance on goods decreased to 1.7% of GDP. Imports was boosted among others by higher domestic demand and rising energy prices. On the other hand, exports was dampened by supply shortages in manufacturing (especially in automotive sector). Due to high foreign investors' income on their capital involvement in Polish entities, primary income deficit increased to 4.5% of GDP.

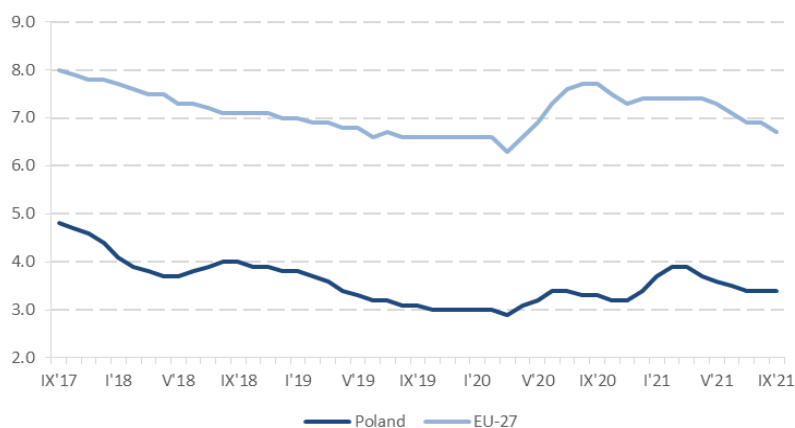




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

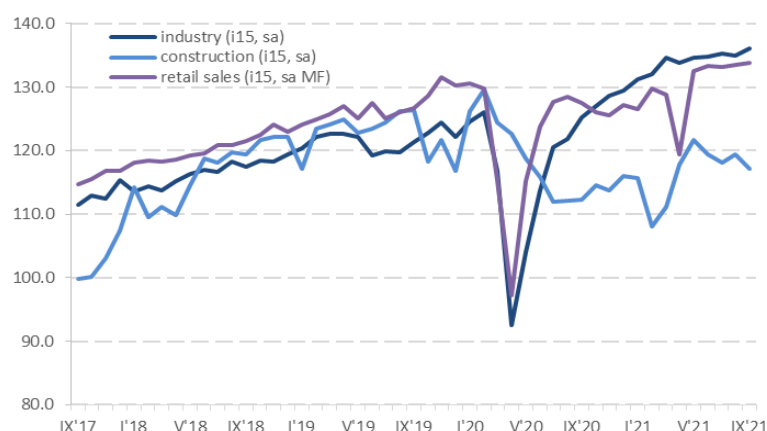
The harmonized unemployment rate (sa) amounted to 3.4% in September. It remained unchanged compared to two previous months, after decreases in the April-July period. As a result, it was 0.1 pp higher than a year earlier. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the eurozone (6.7% and 7.4%, respectively).



Monthly indicators of the real sector

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

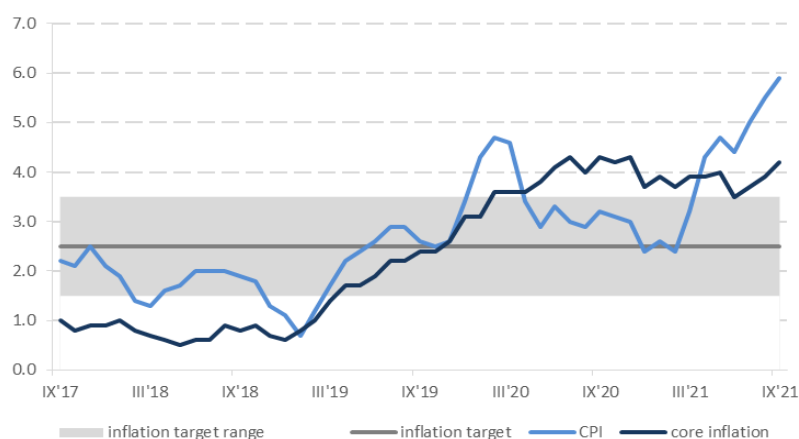
In September 2021 industrial production increased by 0.9% (mom, sa) and was 8.8% higher than a year ago (non-seasonally adjusted, nsa). Data were slightly above market expectations. Construction production declined by 2.0% following an increase in the previous month (mom, sa). As a result, its level was 4.3% (nsa) higher than a year ago. Data were worse than expectations. Retail sales increased slightly. The rate of growth was similar to the previous month (mom, sa MF). The retail sales level was 5.1% higher than a year before. Data were close to expectations.



Inflation

percent, yoy
source: GUS, NBP

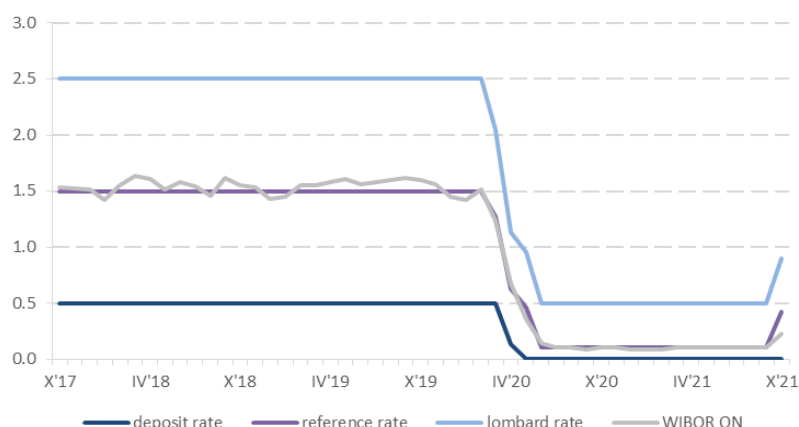
Since March 2021 inflation rate has accelerated and amounted to 5.9% (yoy) in September (the highest level for 20 years). Due to rise of crude oil prices on international markets energy prices increased considerably (by 14.4%). Food prices also accelerated (to 4.4% yoy). Core inflation (CPI excluding food and energy prices) was still high but stable and in September it reached 4.2% (yoy). In October, according to the preliminary data, inflation rose to 6.8% and was higher than market expectations. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In September they were higher than a year before by 10.2%.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In October 2021 the Monetary Policy Council unexpectedly raised NBP's interest rates. Reference rate was increased by 0.40 pp to 0.5%, lombard rose to 1.0% (by 0.5 pp), while deposit rate was kept at 0.0%. Moreover, the MPC increased the required reserve ratio from 0.5% to 2.0%. Interest rate hike was to fend off risk of inflation persisting above target in the medium term, amid likely further economic recovery and favourable labour market conditions.





II. STATISTICAL DATA

	Unit	2020				2021	
		Q01	Q02	Q03	Q04	Q01	Q02
GDP							
Gross domestic product	YoY	2.2	-8.2	-1.5	-2.5	-0.8	11.2
	QoQ SA	0.0	-9.3	7.9	-0.4	1.4	1.6
Final consumption expenditure of the households sector	YoY	1.2	-10.6	0.3	-3.1	0.1	13.1
	QoQ SA	-1.9	-9.9	13.1	-3.2	1.1	2.5
Final consumption expenditure of the general government sector	YoY	3.2	4.3	3.3	8.1	1.6	3.0
	QoQ SA	1.9	0.8	0.8	1.6	-0.3	1.1
Gross fixed capital formation	YoY	2.5	-8.8	-7.2	-15.4	1.7	5.6
	QoQ SA	-0.7	-13.0	1.7	-1.2	17.8	-12.2
Exports of goods and services	YoY	3.2	-13.5	2.4	8.1	7.3	29.2
	QoQ SA	2.0	-16.5	20.5	5.2	0.8	0.9
Imports of goods and services	YoY	1.6	-15.6	0.5	8.5	10.3	34.5
	QoQ SA	1.0	-16.5	23.2	3.9	2.5	2.1
Gross value added	YoY	2.3	-7.9	-1.7	-2.8	-1.2	10.3
	QoQ SA	0.1	-9.3	7.6	0.3	1.4	0.9
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	0.7	-6.0	0.2	-1.6	0.0	7.3
Final consumption expenditure of the general government sector	pp	0.6	0.7	0.6	1.6	0.3	0.6
Gross fixed capital formation	pp	0.3	-1.4	-1.3	-3.8	0.2	0.9
Changes in inventories	pp	-0.4	-1.8	-2.0	1.1	-0.2	2.8
Balance of trade turnover	pp	1.0	0.4	1.1	0.2	-1.1	-0.3
Gross value added	pp	2.0	-6.9	-1.5	-2.5	-1.1	9.1
GDP structure							
Final consumption expenditure of the households sector	% of GDP	61.3	55.6	58.8	48.9	60.1	56.6
Final consumption expenditure of the general government sector	% of GDP	17.7	19.5	18.3	21.1	17.7	18.1
Gross fixed capital formation	% of GDP	12.7	15.8	15.9	21.1	12.7	14.8
Changes in inventories	% of GDP	1.6	0.8	-0.6	0.8	2.0	3.4
Exports of goods and services	% of GDP	57.8	52.6	56.6	57.3	62.2	62.6
Imports of goods and services	% of GDP	52.0	45.3	50.0	50.0	55.5	56.4
Balance of payments							
	Unit	2021					
		M04	M05	M06	M07	M08	M09
Goods: exports (EUR)	YoY	68.6	40.5	22.7	13.1	19.4	-
Goods: imports (EUR)	YoY	58.3	52.4	34.7	21.5	32.9	-
Current account balance ¹⁾	% of GDP	2.8	2.5	1.7	1.4	0.9	-
Balance on goods ¹⁾	% of GDP	2.9	2.7	2.4	2.1	1.7	-
Official Reserve Assets	EUR m	128 703.1	133 383.4	134 110.3	136 926.6	143 354.8	143 940.3
Inflation							
Consumer Price Index (CPI)	YoY	4.3	4.7	4.4	5.0	5.5	5.9
Core inflation (CPI excluding food and energy prices)	YoY	3.9	4.0	3.5	3.7	3.9	4.2
Producer Price Index (PPI)	YoY	5.5	6.6	7.2	8.4	9.6	10.2
Production							
Sold production of industry ²⁾	YoY	44.2	29.7	18.1	9.5	13.0	8.8
	MoM SA	-0.6	0.7	0.1	0.4	-0.3	0.9
Construction and assembly production ²⁾	YoY	-4.2	4.7	4.5	3.2	10.2	4.3
	MoM SA	6.0	3.4	-1.9	-1.0	1.1	-2.0
Manufacturing PMI	SA	53.7	57.2	59.4	57.6	56.0	53.4
Households and labour market							
Retail sales ²⁾	YoY	21.1	13.9	8.6	3.9	5.4	5.1
Average paid employment in enterprise sector	YoY	0.9	2.7	2.8	1.8	0.9	0.6
	MoM	-0.2	0.3	0.3	0.0	-0.2	-0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	5.3	5.2	5.1	3.6	3.8	2.7
	MoM	-2.9	-3.2	2.8	0.5	-0.4	-0.7
Harmonised unemployment rate (Eurostat)	% SA	3.7	3.6	3.5	3.4	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					
		M03	M04	M05	M06	M07	M08
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 131 763.0	1 122 147.1	1 125 467.6	1 133 647.5	1 135 089.0	1 135 646.3
Domestic debt	face value, PLN m	847 671.6	851 752.5	854 274.5	858 992.1	857 474.9	859 953.3
	%	74.9	75.9	75.9	75.8	75.5	75.7
Foreign debt	face value, PLN m	284 091.3	270 394.6	271 193.1	274 655.4	277 614.2	275 693.0
	%	25.1	24.1	24.1	24.2	24.5	24.3
Public debt (domestic definition)							
	Unit	2020				2021	
		Q01	Q02	Q03	Q04	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

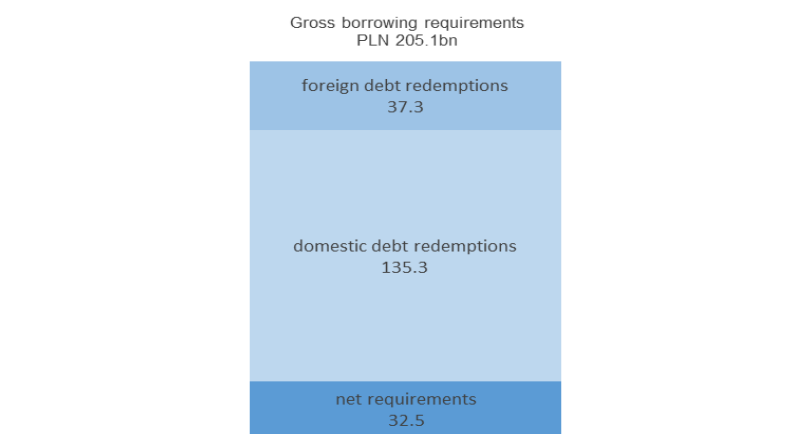
Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



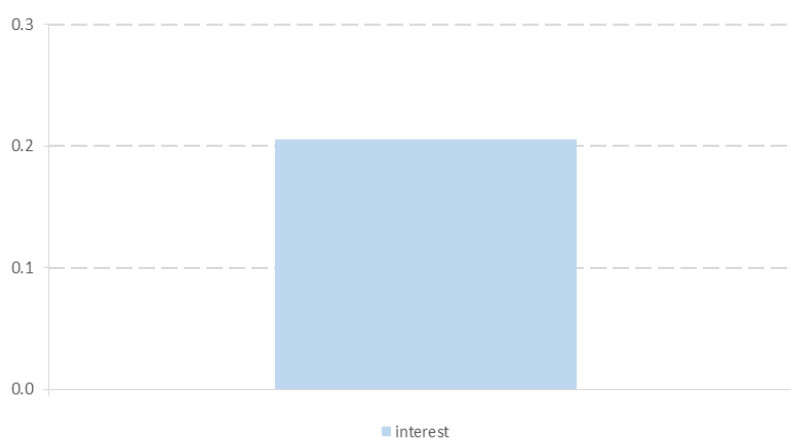
Gross borrowing requirements in 2021 as of October 31, 2021, PLN bn

The State budget borrowing requirements for 2021 (acc. to the amended budget act) have been fully funded.



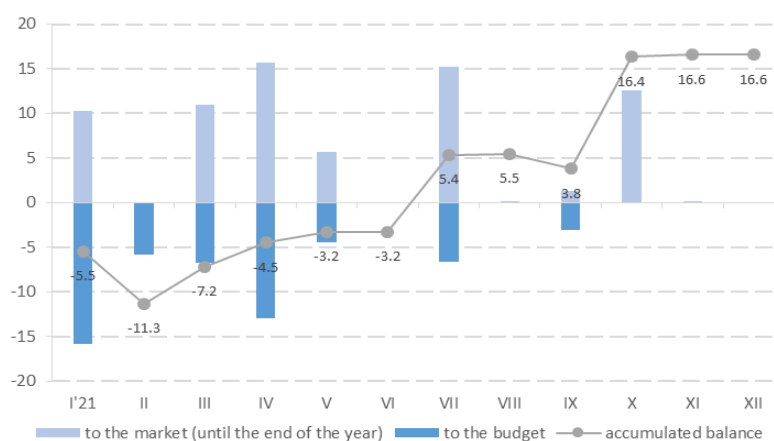
Outflows of funds related to domestic marketable T-securities transfers in November plan as of October 31, 2021

Value of funds transferred from the State budget to the market in November shall amount to PLN 0.2bn (interest payments).



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

From November to the end of 2021 the funds to be transferred to the domestic market shall amount to PLN 0.2bn (as of October 31, 2021).

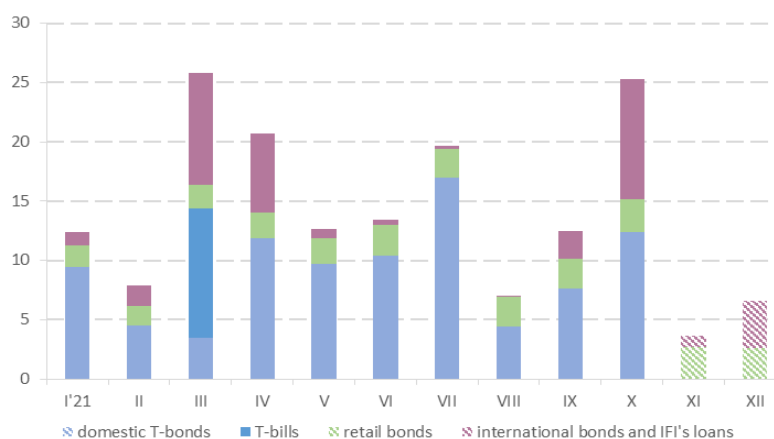


* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget in the period of November to the end of 2021 is not presented.

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 October 31, 2021) is equal to PLN 10.2bn, including:

- T-bonds: PLN 5.3bn,
- bonds and loans incurred on foreign markets: PLN 5.0bn.





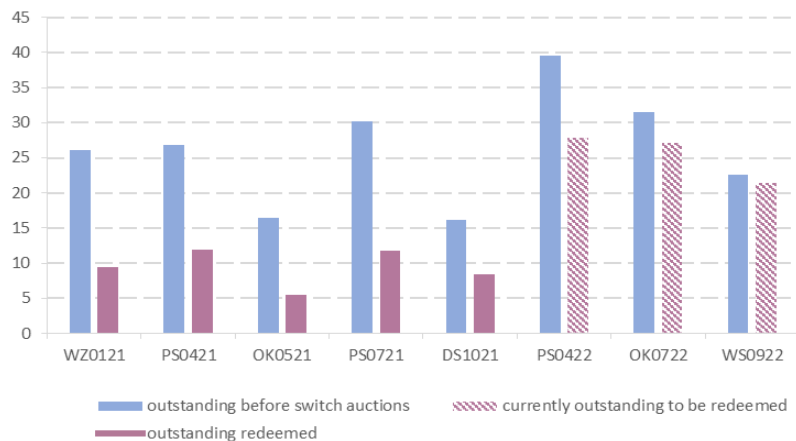
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

as of October 31, 2021, nominal amount, PLN bn

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

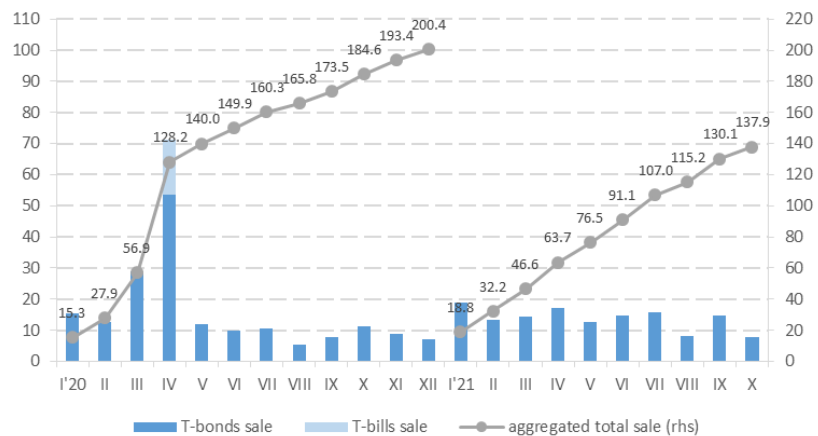
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 14.9bn (56% of the issuance),
- OK0521: PLN 11.0bn (67% of the issuance),
- PS0721: PLN 18.5bn (61% of the issuance),
- DS1021: PLN 7.7bn (48% of the issuance),
- PS0422: PLN 11.7bn (29% of the issuance),
- OK0722: PLN 4.3bn (14% of the issuance),
- WS0922: PLN 1.1bn (5% of the issuance).



Sale of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-X 2021 aggregated total sale of T-bonds amounted to PLN 137.9bn versus PLN 166.9bn in the same period of 2020. T-bills were not sold versus PLN 17.7bn sold in 2020.



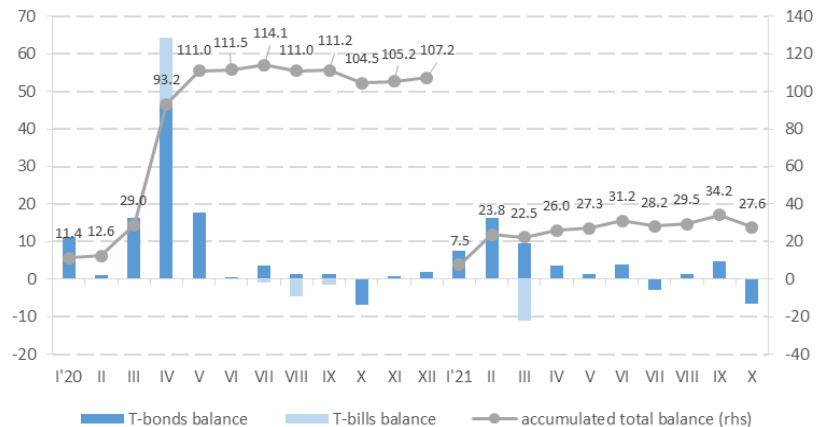
Balance of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-X 2021 indebtedness in:

- T-bonds increased by PLN 38.5bn versus an increase of PLN 93.5bn 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 on the basis of other acts than the Public Finance Act.

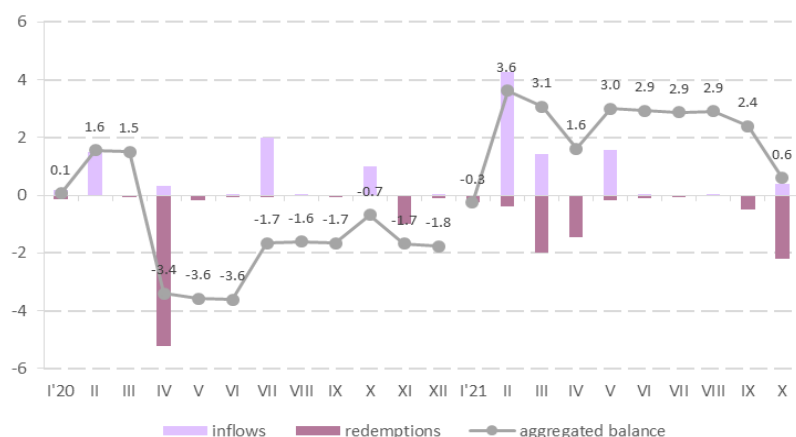


External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-X 2021 was positive and amounted to EUR 0.6bn which resulted from:

- negative balance of T-bonds of EUR 5.8bn,
- negative balance of loans incurred from IFIs of EUR 0.9bn,
- loans from the European Union under SURE instrument of EUR 7.2bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

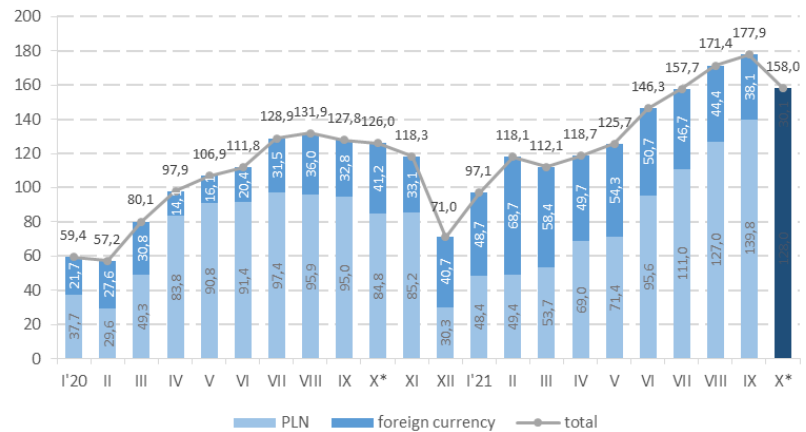


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of October 2021 there was equivalent of PLN 158.0bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

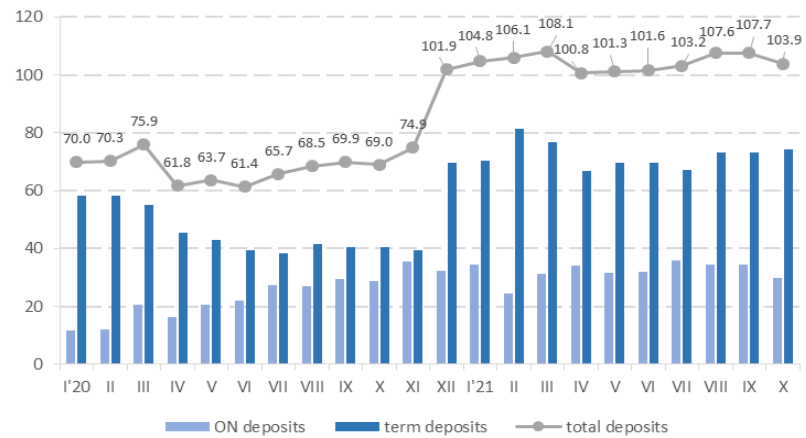
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

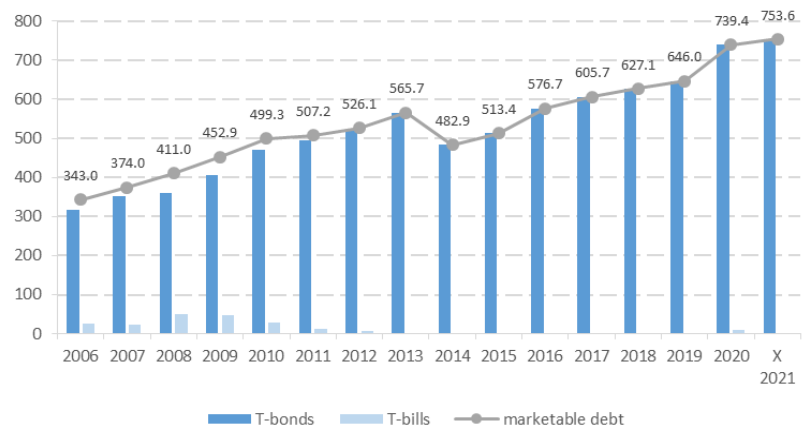
As a result of consolidation of the public finance sector liquidity management there were PLN 103.9bn funds accumulated at the end of October 2021, of which: PLN 74.2bn on term deposits and PLN 29.7bn on ON deposits.



Structure of domestic marketable debt

PLN bn

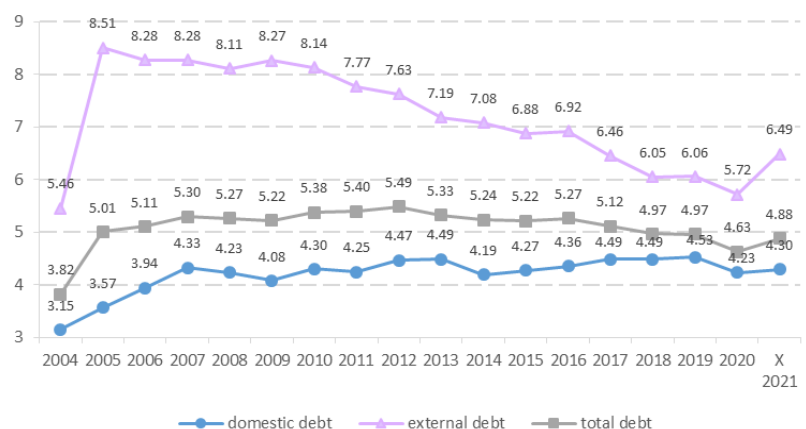
The marketable domestic debt amounted to PLN 753.6bn at the end of October 2021 comparing to PLN 739.4bn at the end of 2020.



Average maturity

years

The average maturity of the domestic debt amounted to 4.30 years at the end of October 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.88 years (4.63 years at the end of 2020).



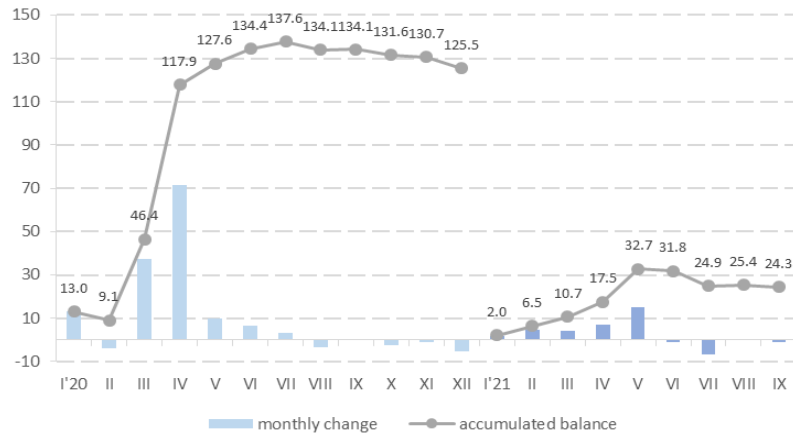


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

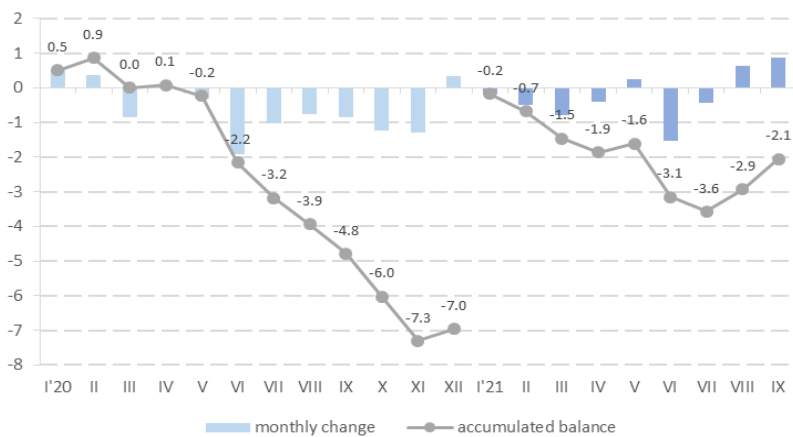
In the period of I-IX 2021 there was an increase of debt by PLN 24.3bn comparing to PLN 134.1bn increase during the same period of 2020. Banks' holdings reached the level of PLN 454.8bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

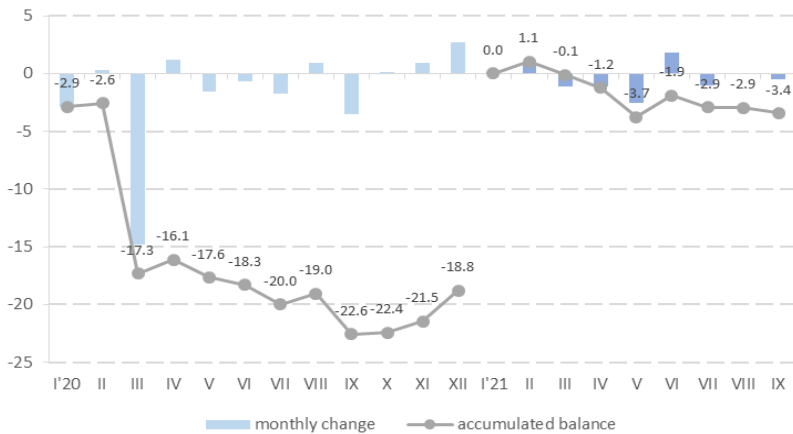
In the period of I-IX 2021 there was a decrease of debt by PLN 2.1bn comparing to PLN 4.8bn decrease during the same period of 2020. Insurance companies' holdings reached the level of PLN 55.3bn.



Change of debt in the domestic TS held by investment funds

PLN bn

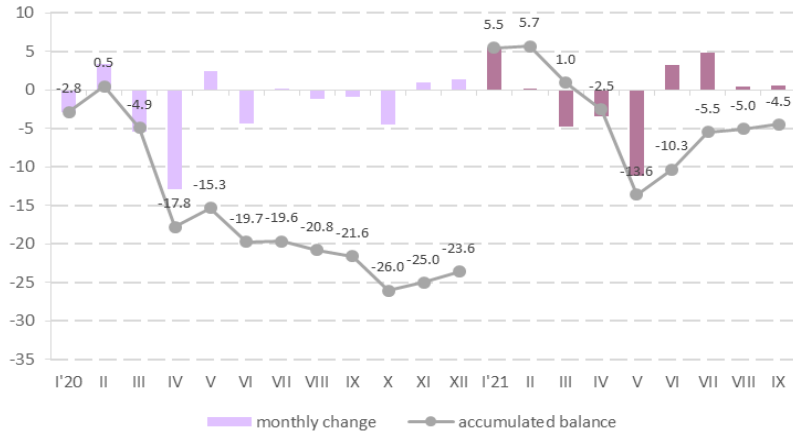
In the period of I-IX 2021 there was a decrease of debt by PLN 3.4bn comparing to PLN 22.6bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 45.2bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-IX 2021 there was a decrease of debt by PLN 4.5bn comparing to PLN 21.6bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 129.3bn.



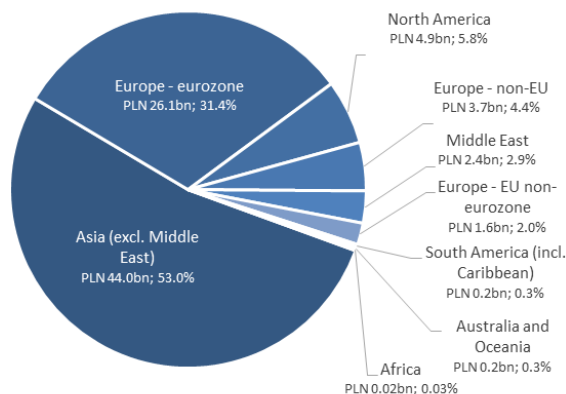
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

as of September 30, 2021, the chart presents data excluding omnibus accounts

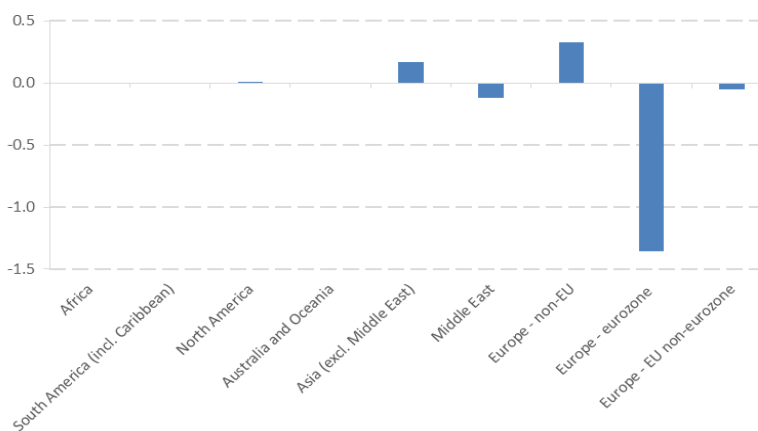
The non-residents' share in the domestic Treasury securities market increased by PLN 0.6bn in September 2021. The foreign investors' portfolio amounted to PLN 129.3bn, which constituted 15.9% share in total debt in Treasury securities (15.9% in the previous month).



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

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

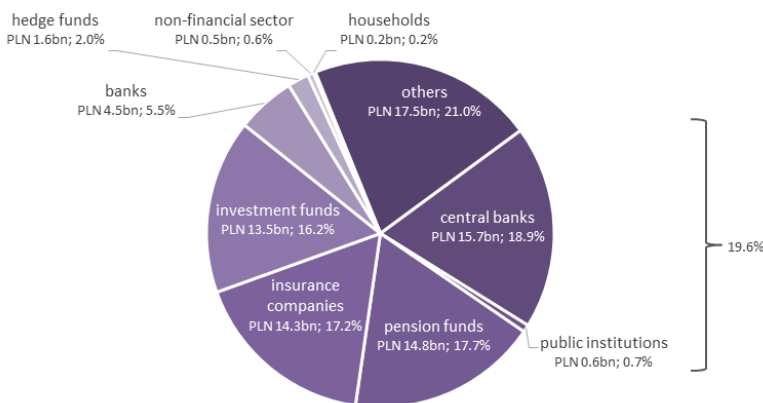
In September 2021 the highest increase was recorded by European non-EU investors (PLN 0.3bn), while the highest decrease was noted by eurozone investors (PLN 1.4bn).



Institutional distribution of the domestic TS held by non-residents

as of September 30, 2021, the chart presents data excluding omnibus accounts

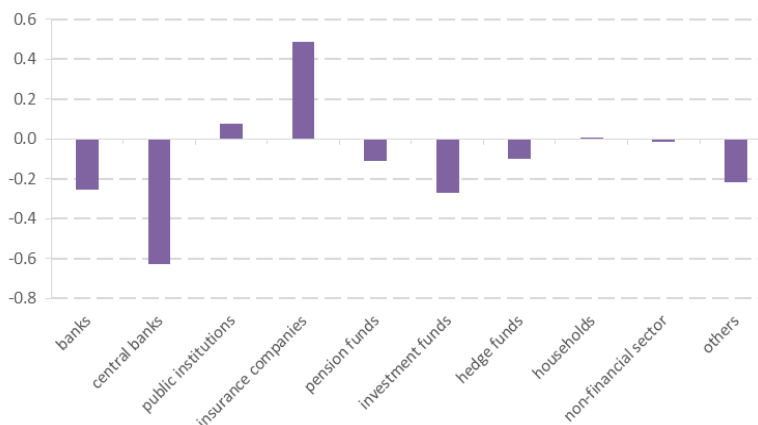
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 19.6% at the end of September 2021.



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

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

In September 2021 the highest increase was recorded by insurance companies (PLN 0.5bn), while the highest decrease was noted by central banks (PLN 0.6bn).



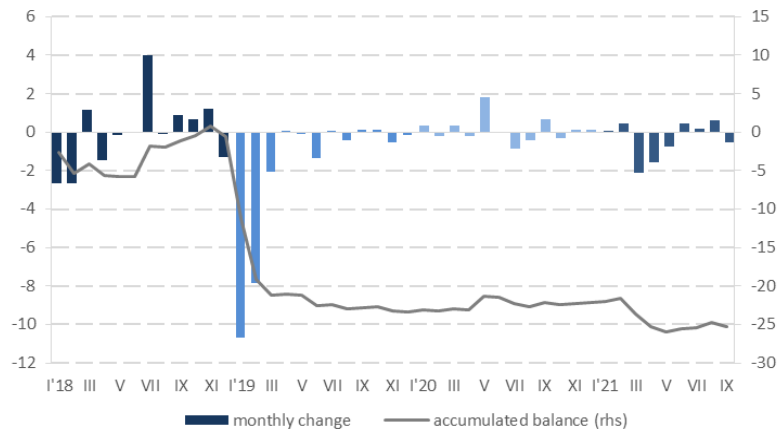


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in September 2021, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.6bn in September 2021. In the period from the end of January 2018 to the end of September 2021 portfolios of those entities decreased by PLN 25.3bn.



Structure of non-residents' holdings in TS by countries

as of September 30, 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	27 742.5	41.2%
Netherlands	7 500.1	11.1%
Luxembourg	6 264.9	9.3%
Germany	4 247.7	6.3%
United States	4 148.7	6.2%
Ireland	3 519.4	5.2%
France	2 919.2	4.3%
United Kingdom	2 210.2	3.3%
Switzerland	1 389.2	2.1%
United Arab Emirates	1 121.6	1.7%
Denmark	856.0	1.3%
Others	5 465.4	8.1%
Total	67 384.8	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-10-2021

(...) The level of pre-financing of next year's borrowing requirements presented in the draft budget act is ca. 8%.

Two Treasury bond switching auctions are planned for November.

In September indebtedness in domestic Treasury securities increased by PLN 4.7bn. Indebtedness towards domestic non-banking sector increased by PLN 5.1bn and PLN 0.6bn towards foreign investors, while the debt held by banks decreased by PLN 1.0bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN NOVEMBER 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)*
04 NOV 2021 / 08 NOV 2021	OK0724 / PS1026 / WZ1126 / WZ1131 / DS0432	PS0422	27.381
		OK0722	26.958
		WS0922	20.146
25 NOV 2021 / 29 NOV 2021	OK0724 / PS1026 / WZ1126 / WZ1131 / DS0432 / possible T-bond either of WS or IZ type	PS0422	27.381
		OK0722	26.958
		WS0922	20.146
		WZ1122	29.923

* After settlement of auction held on November 4, 2021.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0222 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS1123 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ1124 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI1125 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO1131 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS1127 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD1133 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period