

State budget borrowing requirements' financing plan and its background

December 2022

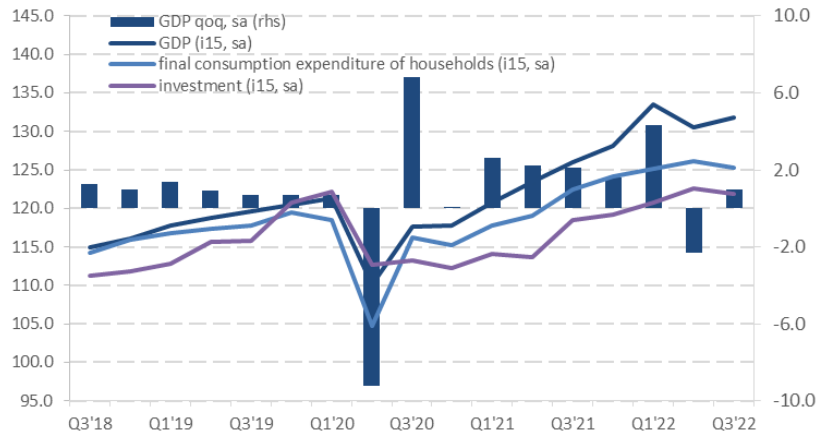
THE MOST IMPORTANT INFORMATION

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Gross domestic product of Poland

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

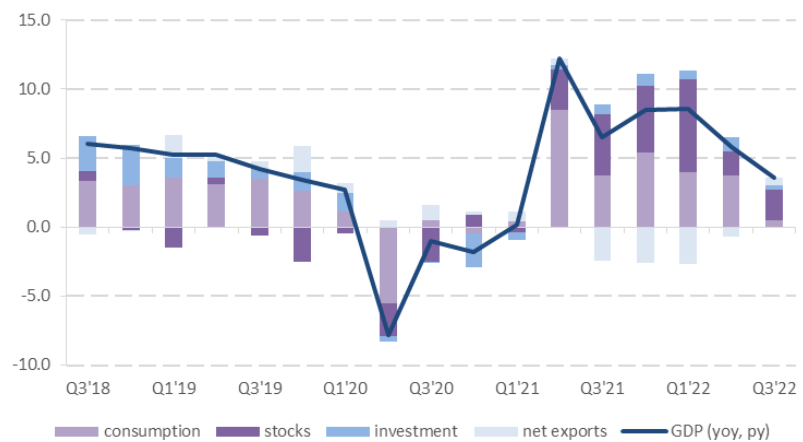
In the third quarter of 2022 GDP increased by 1.0% (qoq, sa) after contraction in the previous quarter allowing Polish economy to avoid technical recession. Both private consumption and investment demand declined (qoq, sa) after several quarters of uninterrupted growth. Short-term outlook is subject to high uncertainty concerning effects of Russian aggression against Ukraine, disruptions in global supply chains, prices of commodities, especially energy and agriculture, economic situation in Germany - our main trading partner.



Contributions to Polish GDP growth

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

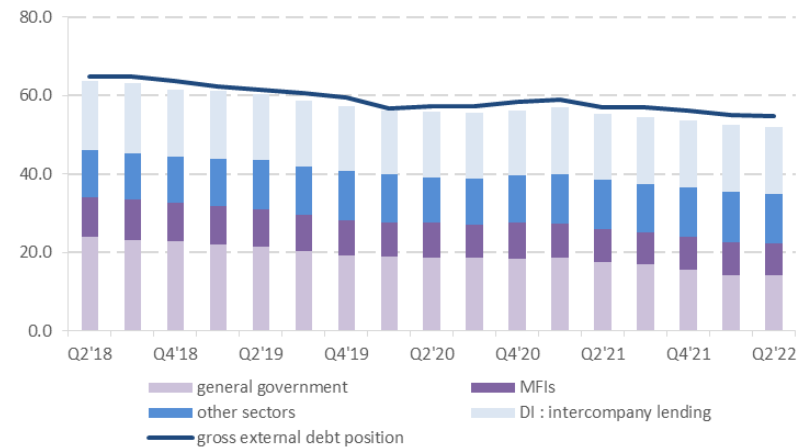
In the third quarter of 2022 GDP was 3.6% (py) higher than a year earlier. Positive contribution of inventories increased slightly to 2.2 pp but was clearly lower than at the turn of 2021 and 2022. Annual rate of growth of household consumption and investment amounted to only 0.9% and 2.0% respectively. Weaker dynamics of domestic demand weighted on imports growth and in consequence net exports for the first time in over a year had a positive contribution to GDP growth (0.6 pp).



Polish gross external debt position

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

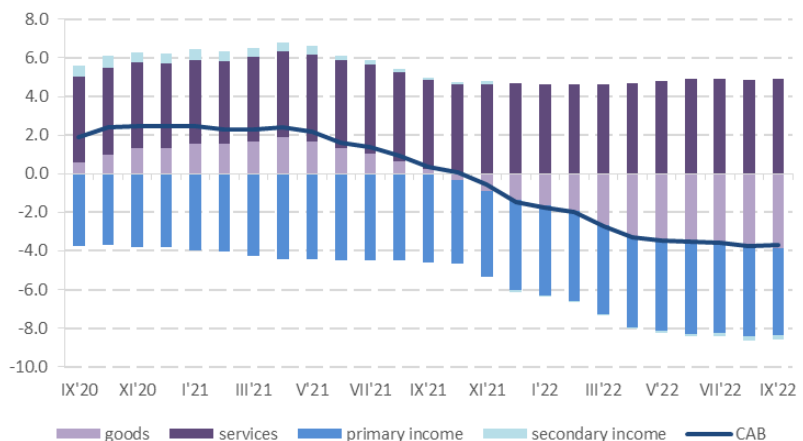
At the end of the second quarter of 2022 gross external debt reached EUR 334.6bn (54.7% of GDP) and was EUR 7.9bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 25.8%. At the end of September 2022 official reserve assets reached EUR 154.2bn 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 September 2022, according to preliminary data, current account deficit decreased to 3.7% of GDP (in 12-month terms), mainly due to improvement in primary income balance. Growth of exports was supported by among others increase of external sale in automotive industry and growing fuel supplies to Ukraine. On the other hand, increase in the volume and price of imported energy commodities (including coal) supported total imports. C/A deficit was fully covered by long term capital i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on capital account.

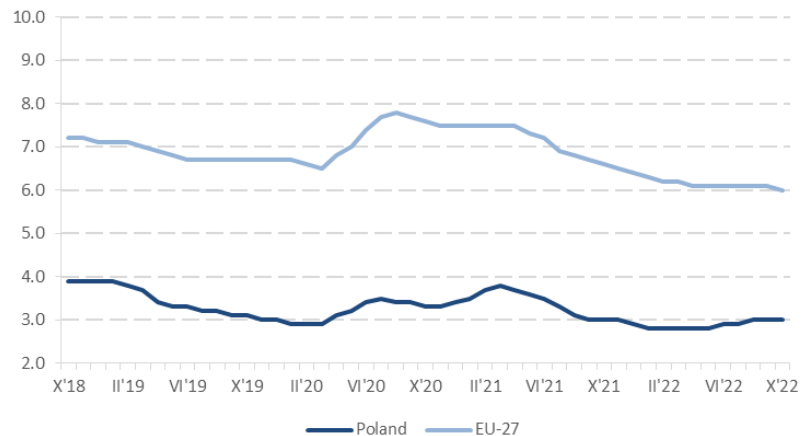


I. MACROECONOMIC SITUATION

Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

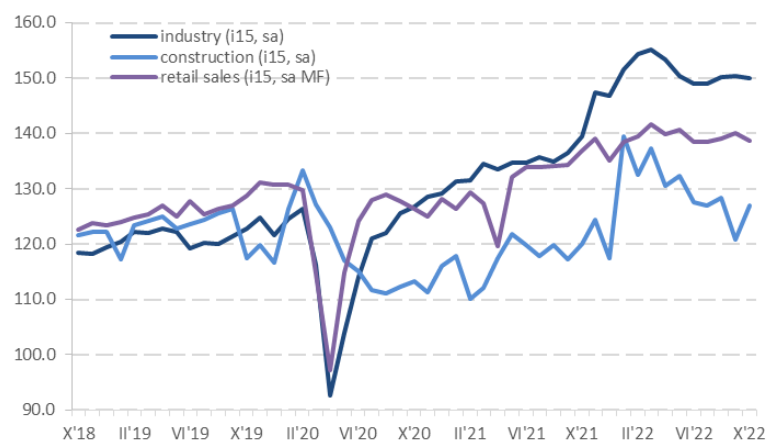
The harmonized unemployment rate (sa) amounted to 3.0% in October 2022 and it was at the same level as in two previous months and as a year earlier. It was only slightly (by 0.2 pp) higher than the historically lowest level recorded in January-May 2022. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the eurozone (6.0% and 6.5%, respectively). Among the EU countries, only in the Czech Republic it was lower than in Poland.



Monthly indicators of the real sector

sold production in constant prices, non-seasonally adjusted (nsa)
source: Eurostat, GUS, MoF own calculation

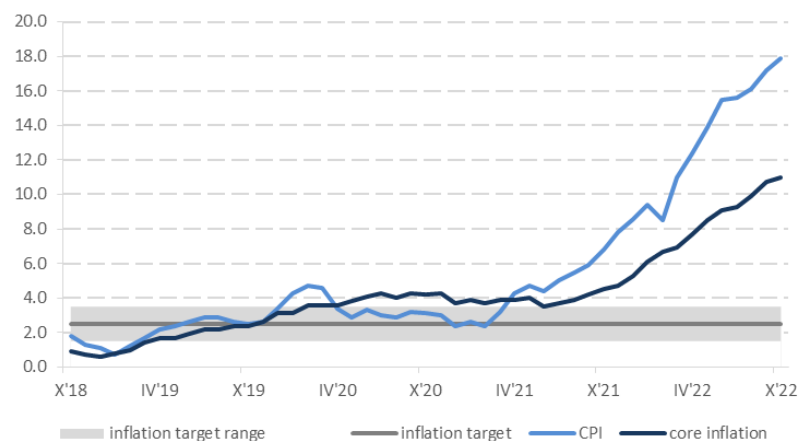
In October 2022 industrial production decreased by 0.3% (mom, sa) and was 6.8% higher than a year ago (nsa). Data were below market expectations. Construction production increased by 5% following a deep drop (by 5.9%) in the previous month. As a result its level was 3.9% (nsa) higher than a year ago. The data were above expectations. Retail sales fell after rising in the three previous months (mom, sa MF). The sales level was only 0.7% (nsa) higher than in the previous year. The data were much lower than market expectations.



Inflation

percent, yoy
source: GUS, NBP

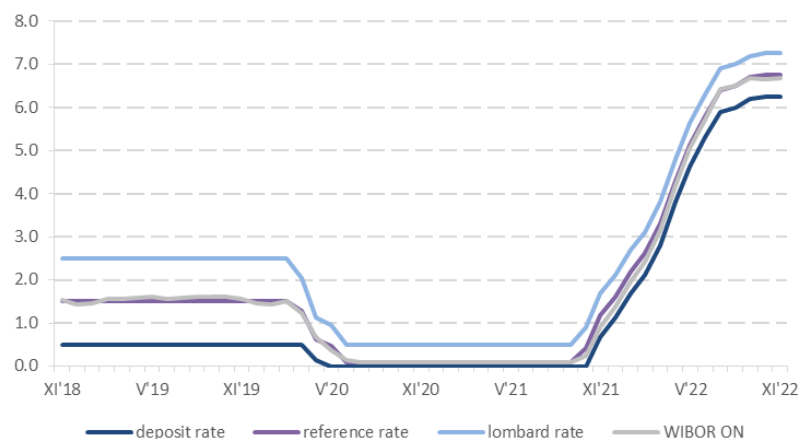
In October 2022 inflation rate increased to 17.9% yoy. Annual rate of food prices again increased considerably (to 22.0%). Energy prices were higher by 33.7% (yoy) and core inflation (CPI excluding food and energy prices) increased to 11.0%. According to preliminary data, in November inflation rate decreased to 17.4%. Data were much lower than market expectations. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In October they were higher than a year before by 22.9%.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In November 2022, the Monetary Policy Council (MPC) left interest rates unchanged for a second straight month. Reference rate was left unchanged at 6.75%, lombard rate was kept steady at 7.25%, while the deposit rate remained at 6.25%. In October 2021 - September 2022 the reference rate rose by 6.65 pp in total. Council's decision to put interest rates on hold was based on expectations that weakening of the external economic conditions along with monetary policy tightening by NBP and major central banks will support a decline in inflation towards the NBP inflation target.



II. STATISTICAL DATA

	Unit	2021 Q02	Q03	Q04	2022 Q01	Q02	Q03
GDP							
Gross domestic product	YoY	12.2	6.5	8.5	8.6	5.8	3.6
	QoQ SA	2.2	2.1	1.6	4.3	-2.3	1.0
Final consumption expenditure of the households sector	YoY	13.0	4.9	8.5	6.7	6.4	0.9
	QoQ SA	1.1	2.8	1.4	0.8	0.8	-0.7
Final consumption expenditure of the general government sector	YoY	5.8	4.4	5.6	0.3	0.6	0.1
	QoQ SA	1.2	0.8	0.4	-0.3	0.6	0.5
Gross fixed capital formation	YoY	2.0	4.1	3.8	4.7	6.6	2.0
	QoQ SA	-0.3	4.2	0.6	1.3	1.6	-0.6
Exports of goods and services	YoY	32.0	8.0	6.3	4.2	5.2	6.9
	QoQ SA	1.3	0.4	3.4	-0.5	1.9	1.9
Imports of goods and services	YoY	35.2	13.9	12.8	9.4	6.9	6.0
	QoQ SA	3.2	2.7	3.0	0.4	0.9	1.6
Gross value added	YoY	11.5	6.6	8.5	8.4	5.6	3.3
	QoQ SA	1.9	1.9	1.8	3.0	-1.0	1.1
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	7.3	2.9	4.2	4.0	3.6	0.5
Final consumption expenditure of the general government sector	pp	1.2	0.8	1.2	0.0	0.1	0.0
Gross fixed capital formation	pp	0.3	0.7	0.9	0.6	1.0	0.3
Changes in inventories	pp	2.9	4.5	4.8	6.7	1.8	2.2
Balance of trade turnover	pp	0.5	-2.4	-2.6	-2.7	-0.7	0.6
Gross value added	pp	10.1	5.6	7.5	7.3	4.8	2.8
GDP structure							
Final consumption expenditure of the households sector	% of GDP	56.2	57.0	50.2	59.7	58.5	56.9
Final consumption expenditure of the general government sector	% of GDP	18.4	17.8	20.7	16.9	17.9	17.6
Gross fixed capital formation	% of GDP	15.5	16.8	21.8	12.6	15.6	16.1
Changes in inventories	% of GDP	3.0	5.6	5.8	10.0	4.6	7.5
Exports of goods and services	% of GDP	60.3	56.4	56.4	61.6	65.3	61.8
Imports of goods and services	% of GDP	54.5	54.5	55.7	61.6	62.9	60.9
Balance of payments							
	Unit	2022 M05	M06	M07	M08	M09	M10
Goods: exports (EUR)	YoY	26.9	21.3	19.0	26.7	25.5	-
Goods: imports (EUR)	YoY	32.5	26.6	20.6	28.7	28.9	-
Current account balance ¹⁾	% of GDP	-3.4	-3.5	-3.6	-3.8	-3.7	-
Balance on goods ¹⁾	% of GDP	-3.4	-3.6	-3.6	-3.7	-3.9	-
Official Reserve Assets	EUR m	145 703.5	147 712.0	154 137.5	155 103.0	154 194.6	152 490.9
Inflation							
Consumer Price Index (CPI)	YoY	13.9	15.5	15.6	16.1	17.2	17.9
Core inflation (CPI excluding food and energy prices)	YoY	8.5	9.1	9.3	9.9	10.7	11.0
Producer Price Index (PPI)	YoY	24.7	25.6	25.5	25.5	24.6	22.9
Production							
Sold production of industry ²⁾	YoY	14.9	10.4	7.1	10.9	9.8	6.8
	MoM SA	-2.0	-0.9	0.1	0.7	0.1	-0.3
Construction and assembly production ²⁾	YoY	13.0	6.0	4.1	5.9	0.2	3.9
	MoM SA	1.4	-3.6	-0.4	1.1	-5.9	5.0
Manufacturing PMI	SA	48.5	44.4	42.1	40.9	43.0	42.0
Households and labour market							
Retail sales ²⁾	YoY	8.2	3.2	2.0	4.2	4.1	0.7
Average paid employment in enterprise sector	YoY	2.4	2.2	2.3	2.4	2.3	2.4
	MoM	-0.1	0.1	0.2	-0.1	-0.1	0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	-0.3	-2.2	0.2	-3.0	-2.3	-4.1
	MoM	-5.0	0.9	2.9	-3.7	0.0	-1.8
Harmonised unemployment rate (Eurostat)	%, SA	2.8	2.9	2.9	3.0	3.0	3.0
<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	2022 M04	M05	M06	M07	M08	M09
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 153 767.6	1 168 355.0	1 198 783.9	1 192 004.6	1 204 118.1	1 205 904.5
Domestic debt	face value, PLN m	899 905.8	910 660.4	935 266.7	919 089.2	929 963.6	923 400.0
	%	78.0	77.9	78.0	77.1	77.2	76.6
Foreign debt	face value, PLN m	253 861.8	257 694.6	263 517.2	272 915.4	274 154.6	282 504.6
	%	22.0	22.1	22.0	22.9	22.8	23.4
Public debt (domestic definition)							
	Unit	2021 Q01	Q02	Q03	Q04	2022 Q01	Q02
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 152 282.2	1 152 289.1	1 160 738.2	1 148 579.0	1 137 106.8	1 175 320.7
Domestic debt	face value, PLN m	845 843.4	855 430.0	858 651.6	859 054.7	860 633.7	887 973.1
	%	73.4	74.2	74.0	74.8	75.7	75.6
Foreign debt	face value, PLN m	306 438.9	296 859.0	302 086.6	289 524.2	276 473.1	287 347.6
	%	26.6	25.8	26.0	25.2	24.3	24.4
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 389 977.4	1 402 163.1	1 418 823.4	1 410 499.6	1 415 769.6	1 453 456.9

Source: MoF

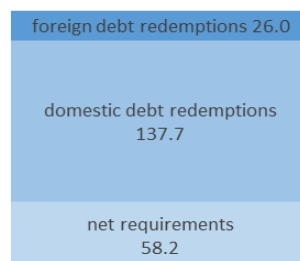
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Gross borrowing requirements in 2022

as of November 30, 2022, PLN bn

The State budget borrowing requirements for 2022 (acc. to the Budget Act) have been fully funded.

Gross borrowing requirements
Total: PLN 222.0 bn, of which:



Flows of funds into the market related to domestic T-securities transfers in December

as of November 30, 2022, PLN bn

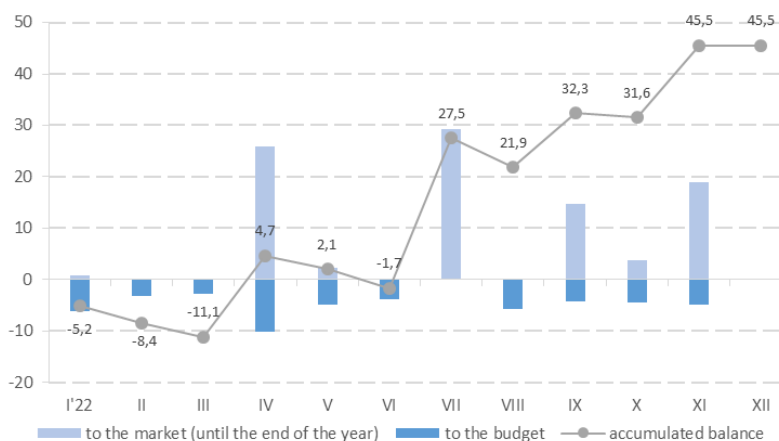
In December there will be no funds transferred from the State budget to the market related to T-securities (neither TS redemptions nor interest payments).

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

There will be no funds linked to wholesale TS redemptions and interest payments transferred to the market until the end of this year.

* 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 budget to the end of 2022 is not presented.

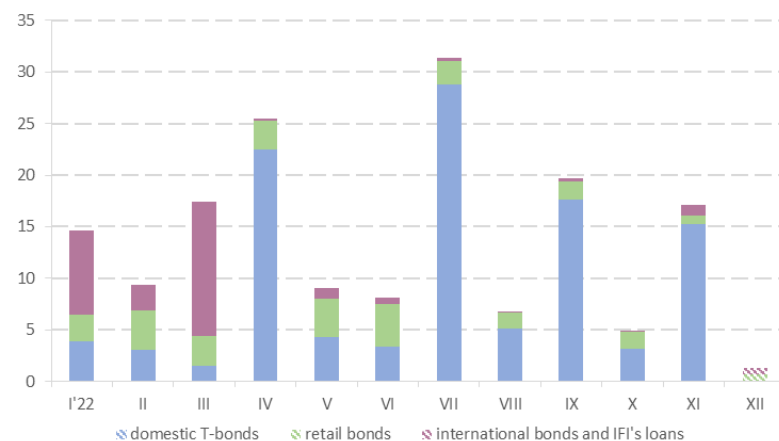


State Treasury debt redemptions in 2022

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

The nominal amount of debt to be redeemed in 2022 (as of November 30, 2022), is equal to PLN 1.3bn, including:

- T-retail bonds: PLN 0.7bn,
- bonds and loans incurred on foreign markets: PLN 0.6bn.

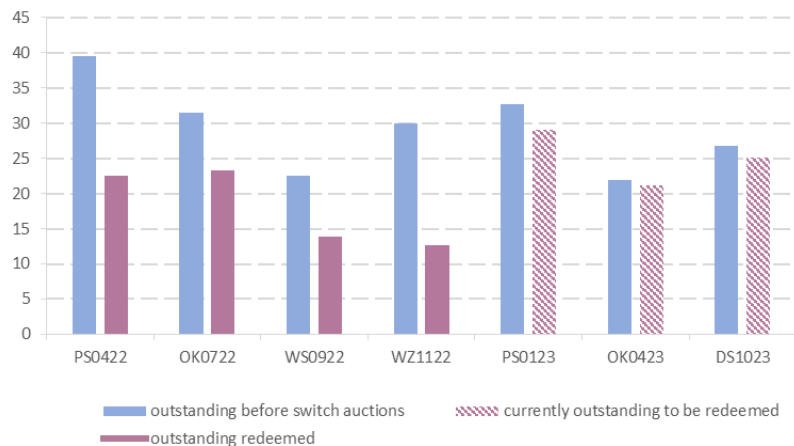


Reducing refinancing risk connected with redemptions of domestic TS maturing in 2022 and 2023

as of November 30, 2022, nominal amount, PLN bn

Buy-back of T-bonds maturing in years 2022 and 2023 (by switch):

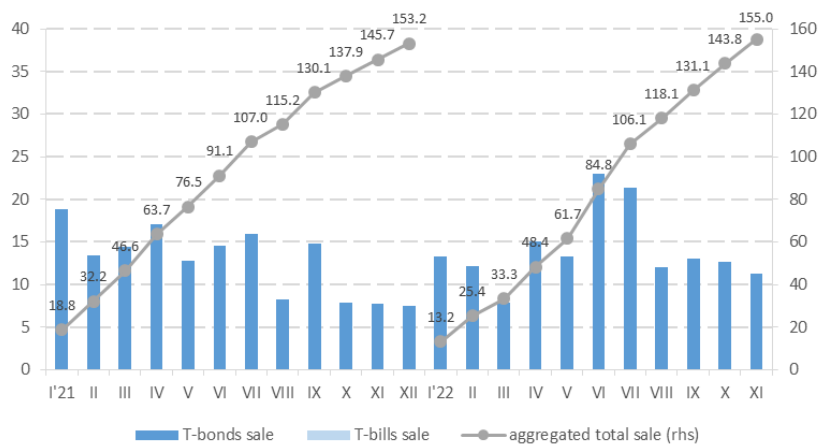
- PS0422: PLN 17.1bn (43% of the issuance),
- OK0722: PLN 8.2bn (26% of the issuance),
- WS0922: PLN 8.7bn (39% of the issuance),
- WZ1122: PLN 17.3bn (58% of the issuance),
- PS0123: PLN 3.6bn (11% of the issuance),
- OK0423: PLN 0.7bn (3% of the issuance),
- DS1023: PLN 1.7bn (6% of the issuance).



Sale of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-XI 2022 aggregated total sale of T-bonds amounted to PLN 155.0bn versus PLN 145.7bn in the same period of 2021.



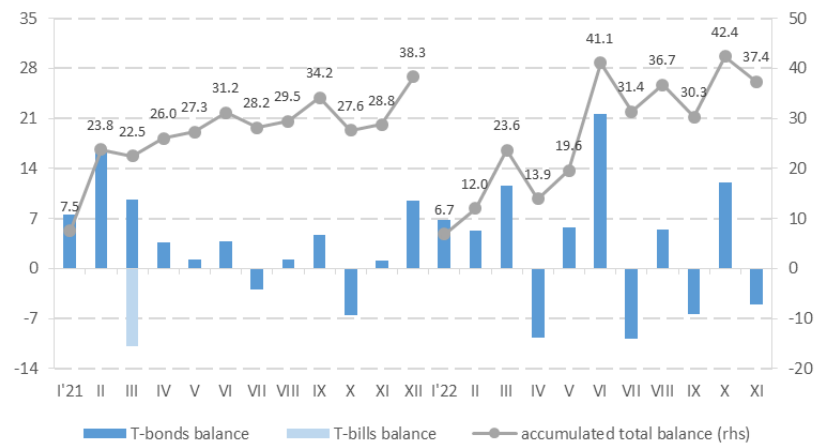
Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-XI 2022 indebtedness in:

- T-bonds increased by PLN 37.4bn versus increase of PLN 39.7bn in the same period of 2021,
- T-bills remained the same versus decrease of PLN 10.9bn in the same period of 2021.

The figures also include the amounts 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.

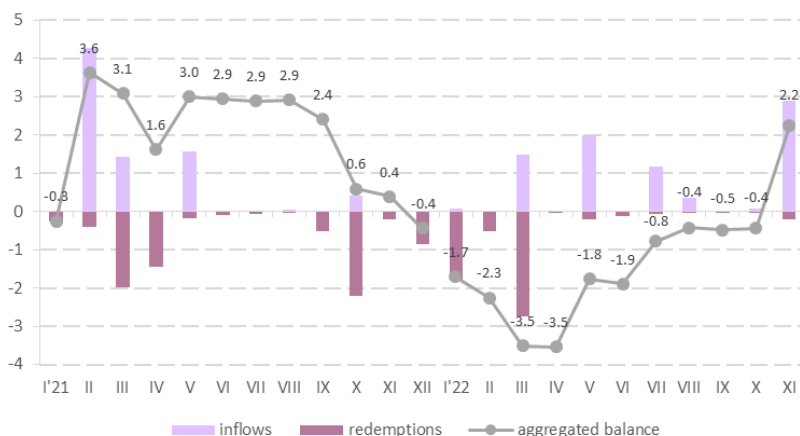


External financing in 2021 and 2022

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

Net financing on foreign markets in the period of I-XI 2022 was positive and amounted to EUR 2.2bn, which resulted from:

- positive balance of T-bonds issuance of EUR 0.2bn,
- positive balance of loans incurred from IFIs at the level of EUR 0.6bn,
- positive balance of instrument SURE of EUR 1.5bn.

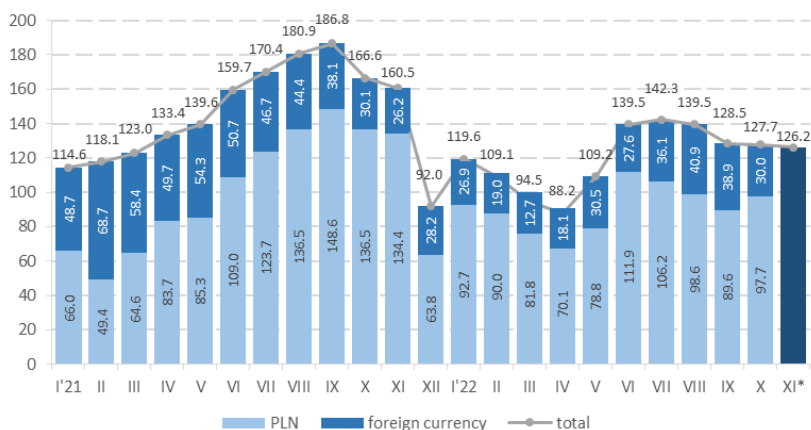


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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 November 2022 there was the equivalent of PLN 126.2bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

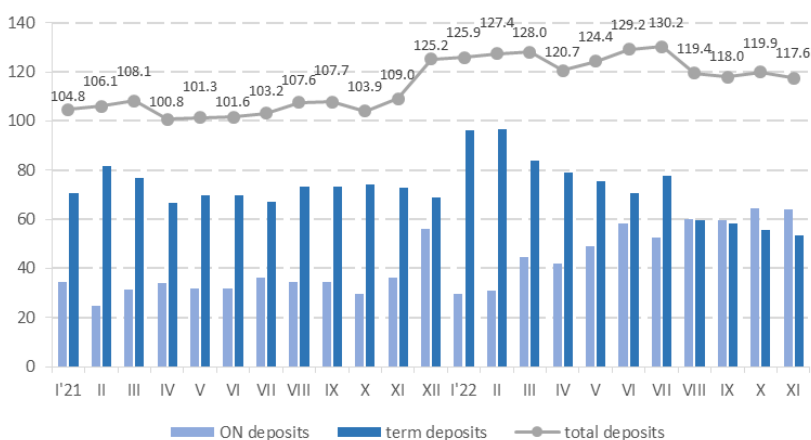


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

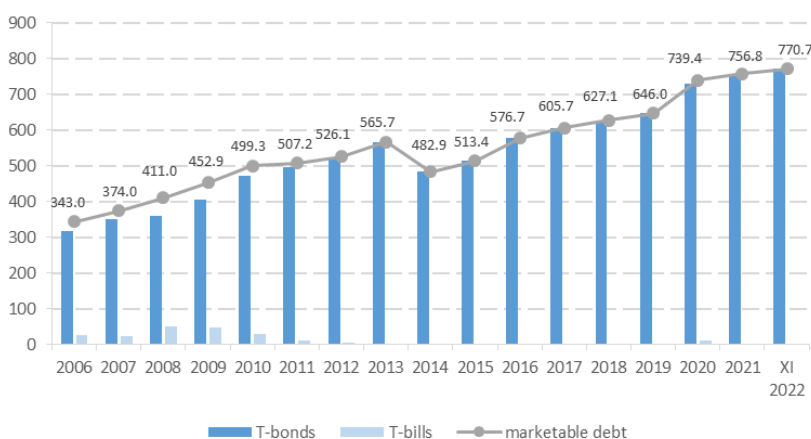
As a result of consolidation of public finances liquidity management there were PLN 117.6bn funds accumulated at the end of November 2022, of which PLN 53.5bn was as term deposits and PLN 64.1bn on ON deposits.



Structure of domestic marketable debt

PLN bn

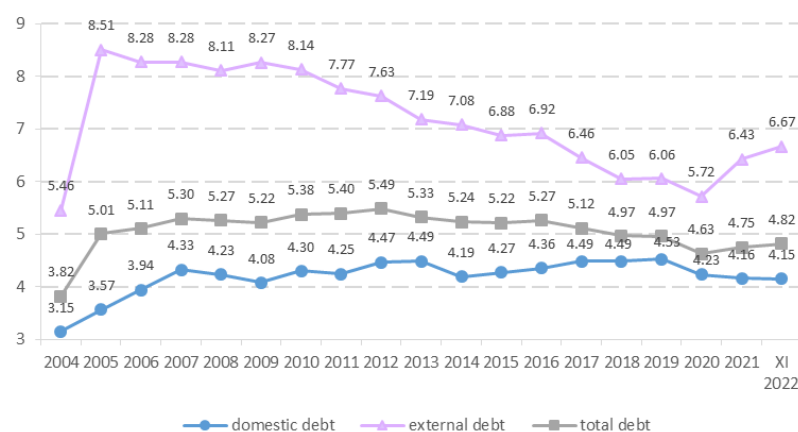
At the end of November 2022 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 770.7bn comparing to PLN 756.8bn at the end of 2021.



Average maturity

years

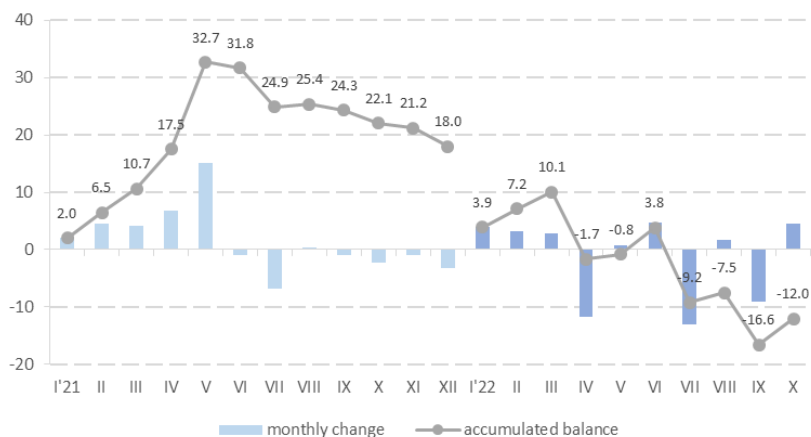
At the end of November 2022 the average maturity of domestic debt amounted to 4.15 years (while at the end of 2021 it was 4.16 years). The average of total debt amounted to 4.82 years (4.75 years at the end of 2021).



Change of debt in the domestic TS held by banks

PLN bn

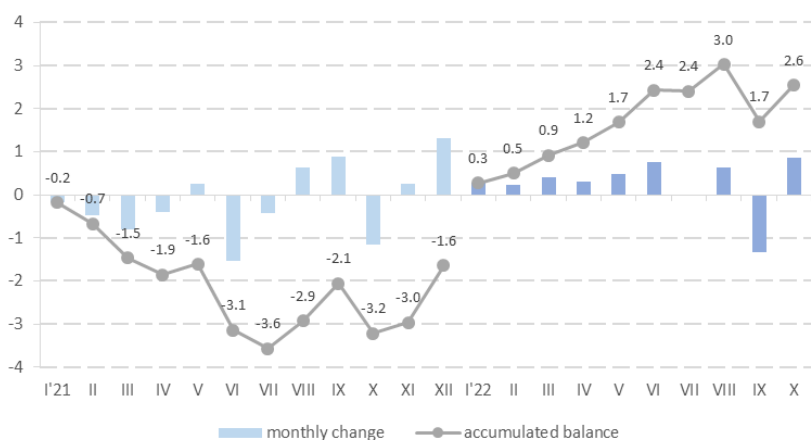
In the period of I-X 2022 there was a decrease of debt by PLN 12.0bn comparing to PLN 22.1bn increase during the same period of 2021. Banks' holdings reached the level of PLN 436.4bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

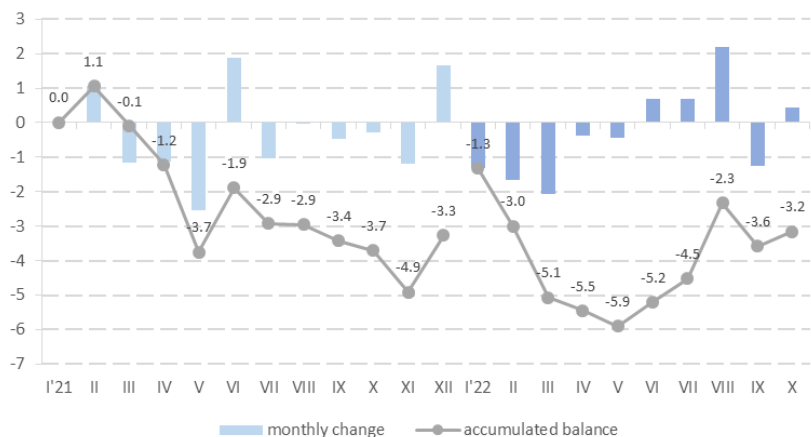
In the period of I-X 2022 there was an increase of debt by PLN 2.6bn comparing to PLN 3.2bn a decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 58.2bn.



Change of debt in the domestic TS held by investment funds

PLN bn

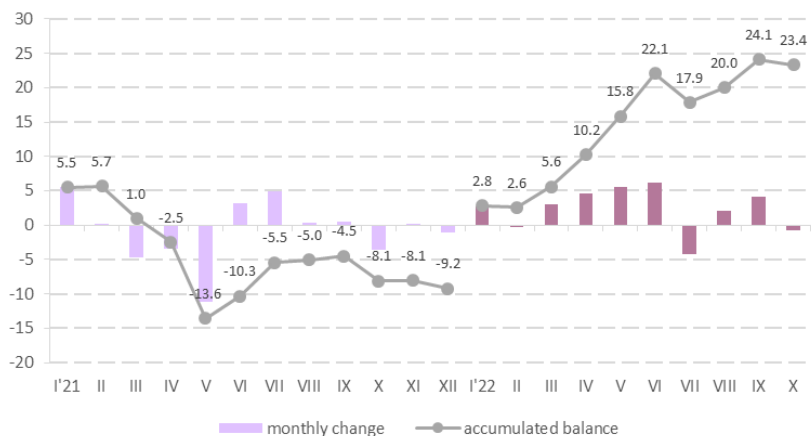
In the period of I-X 2022 there was a decrease of debt by PLN 3.2bn comparing to PLN 3.7bn a decrease during the same period of 2021. Investment funds' holdings reached the level of PLN 42.2bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

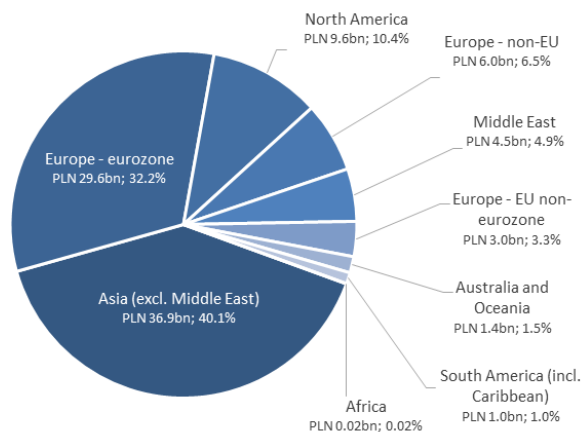
In the period of I-X 2022 there was an increase of debt by PLN 23.4bn comparing to PLN 8.1bn a decrease during the same period of 2021. Foreign investors' holdings reached the level of PLN 147.9bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

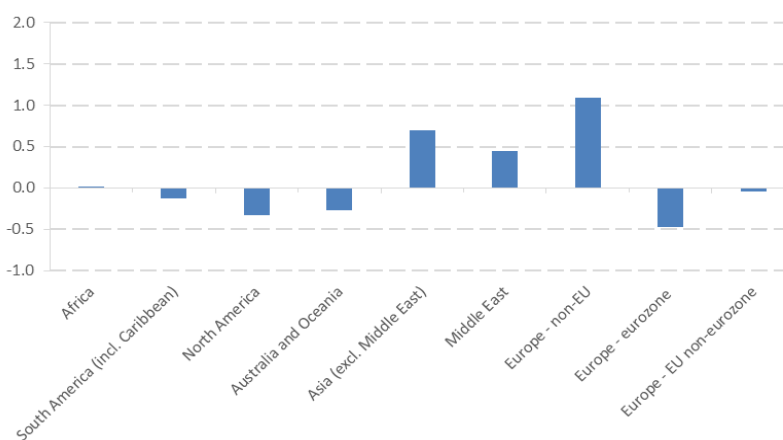
Geographical distribution of the domestic TS held by non-residents as of October 31, 2022, the chart presents data excluding omnibus accounts

The non-residents' share in the domestic Treasury securities market decreased by PLN 0.7bn in October 2022. The foreign investors' portfolio amounted to PLN 147.9bn, which constituted 17.1% share in total debt in TS (17.5% in the previous month).



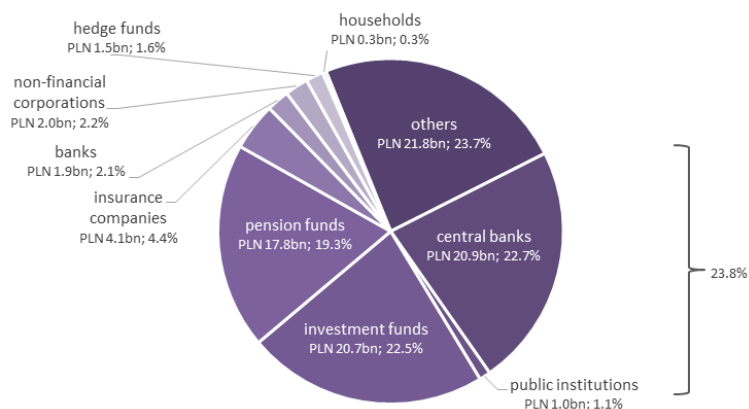
Change of debt in the domestic TS held by non-residents by regions change in October 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

In October 2022 the highest increase was recorded by Europe— non-EU investors (PLN 1.1bn), while the highest decrease was noted by Eurozone investors (PLN 0.5bn).



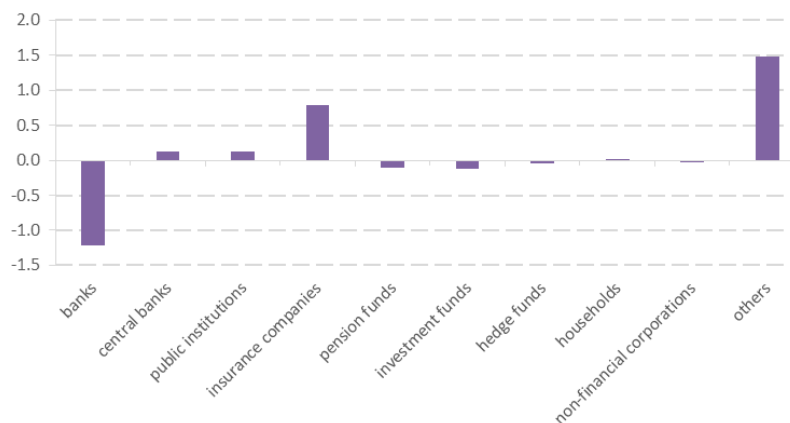
Institutional distribution of the domestic TS held by non-residents as of October 31, 2022, the chart presents data excluding omnibus accounts

Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 23.8% at the end October 2022.



Change of debt in the domestic TS held by non-residents by institutions change in October 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

In October 2022 the highest increase was recorded by investors classified as others (PLN 1.5bn), while the highest decrease was noted by banks (PLN 1.2bn).



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

change in October 2022, PLN bn

Central banks and public institutions' involvement increased by PLN 0.2bn in October 2022. In the period from the end of January 2018 to the end of October 2022 portfolios of those entities decreased by PLN 20.0bn.



Structure of non-residents' holdings in TS by countries

as of October 31, 2022, 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	16 201.7	22.8%
Luxembourg	10 603.6	14.9%
United States	8 557.3	12.0%
Netherlands	7 541.5	10.6%
Ireland	6 049.9	8.5%
United Kingdom	4 319.4	6.1%
Germany	3 722.0	5.2%
Switzerland	1 526.0	2.1%
Denmark	1 476.8	2.1%
United Arab Emirates	1 237.7	1.7%
Australia	1 216.1	1.7%
Canada	983.0	1.4%
Singapore	797.4	1.1%
France	787.8	1.1%
Kuwait	740.2	1.0%
Bulgaria	723.8	1.0%
Others	4 617.0	6.4%
Total	71 101.1	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

30-11-2022

(...)

In December one T-bond switching auction is planned. T-bill auction is not planned.

In October indebtedness in domestic Treasury securities increased by PLN 12.1bn. The involvement of domestic banks increased by PLN 4.6bn and domestic non-banks investors by PLN 8.3bn, while the involvement of foreign investors decreased by PLN 0.7bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN DECEMBER 2022

T-bond sale auction

Sale auctions of Treasury bonds are not planned.

T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
16-Dec-2022 / 20-Dec-2022	OK1025 / WZ1127 / PS0728 / WZ0533 / DS1033	PS0123	29,080
		OK0423	21,131
		DS1023	25,082

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0323 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR1223 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.75% in the first coupon period
DOR1224 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.10%); 6.85% in the first coupon period
TOS1225 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.85%
COI1226 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 7.00% in the first coupon period
EDO1232 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.25% in the first coupon period
ROS1228 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 7.20% in the first coupon period
ROD1234 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.50% in the first coupon period