

State budget borrowing requirements' financing plan and its background

1st quarter 2022
January 2022

THE MOST IMPORTANT INFORMATION

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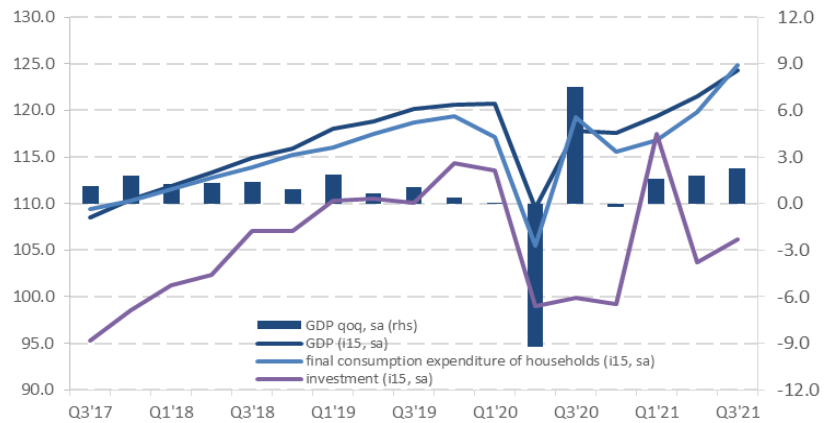


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

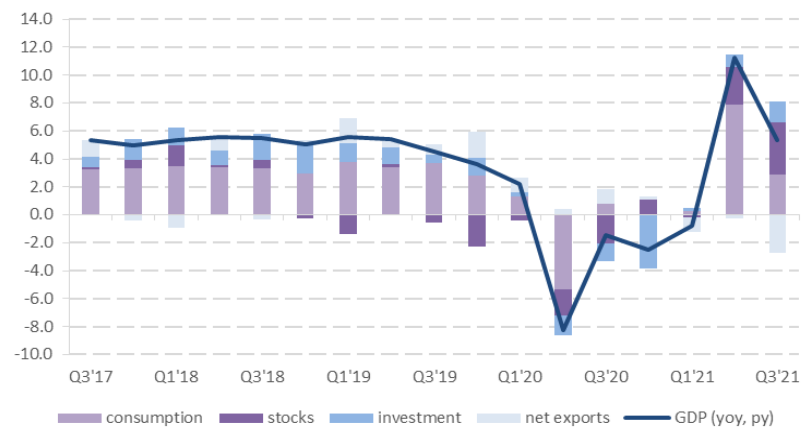
Polish economy recovered strongly in the first half of 2021. GDP, despite the third wave of the pandemic and strengthening of virus containment measures, increased by 1.6% and 1.8% in the first and second quarter, respectively (qoq, sa). As a result, real GDP (sa) in the second quarter exceeded the pre-pandemic level (from Q4 2019). In the third quarter the GDP growth rate accelerated further to 2.3% (qoq, sa) driven among others by gradual easing of COVID-19 restrictions and increased confidence of businesses and consumers. Growth of households consumption accelerated to 4.3% (qoq, sa). Investment rebounded by 2.4% (qoq, sa) after strong decline in the previous quarter.



Contributions to Polish GDP growth

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

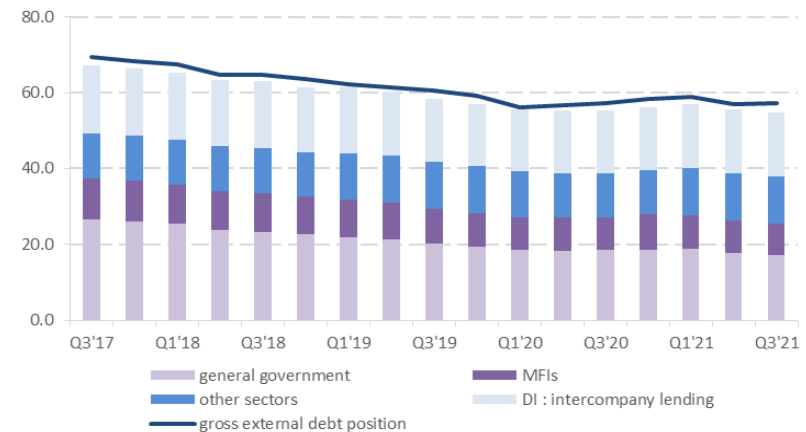
In the third quarter of 2021 GDP was 5.3% (py) higher than in the previous year. Households and public consumption increased by 4.7% and 0.8% (yoy, py), respectively. Investment was also higher than in the same period of 2020 (by 9.3%). Due to stronger imports than exports dynamics, contribution of foreign trade to GDP growth was negative again. This was however fully offset by high positive contribution of stocks.



Polish gross external debt position

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

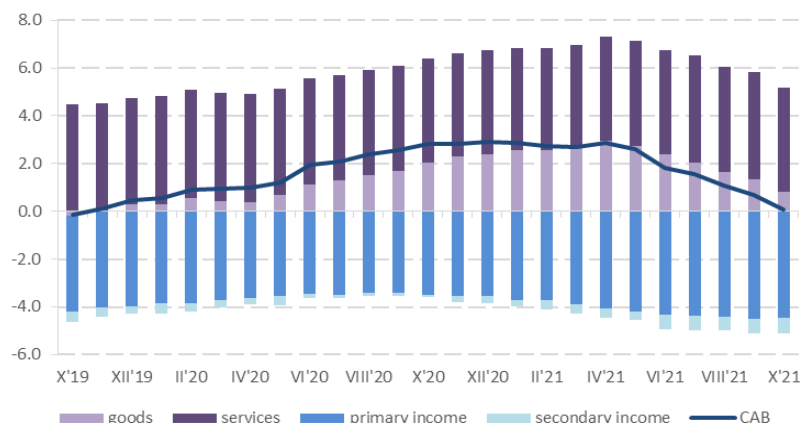
At the end of the third quarter of 2021 gross external debt reached EUR 315.7bn (57.2% of GDP) and was EUR 6.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 30.2%. At the end of October 2021 official reserve assets reached EUR 144.1bn 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 October 2021, taking into account new quarterly data, current account surplus narrowed further to 0.1% of GDP (in 12-month terms). Due to stronger imports than exports dynamics, positive balance on goods decreased to 0.8% of GDP. Import was boosted among others by rising domestic demand (including inventories) and higher energy prices. On the other hand, export 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 amounted to 4.5% of GDP.



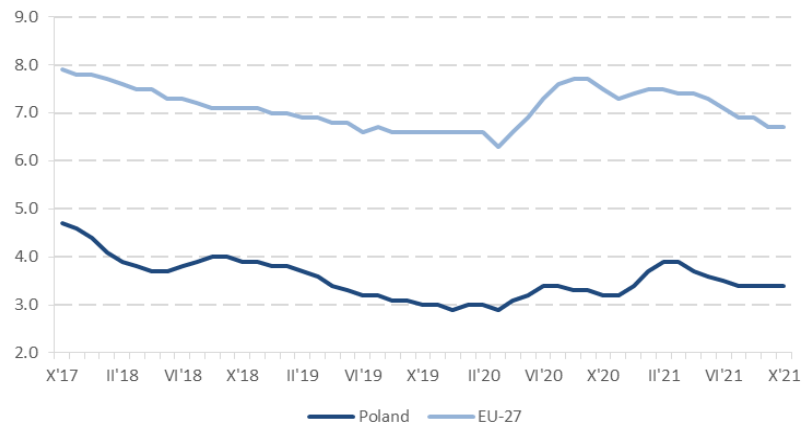
I. MACROECONOMIC SITUATION



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

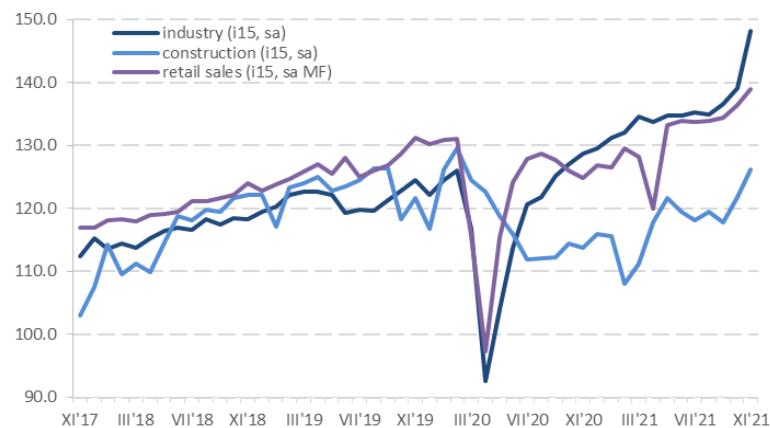
The harmonized unemployment rate (sa) amounted to 3.4% in October 2021. It remained unchanged compared to three previous months, after decreases in the April-July period. As a result, it was 0.2 pp higher than a year earlier. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the eurozone (6.7% and 7.3%, respectively).



Monthly indicators of the real sector

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

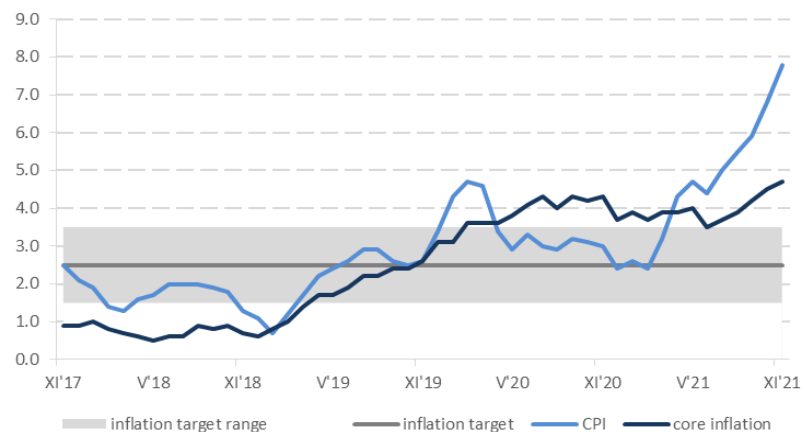
In November 2021 industrial production increased by 6.5% (mom, sa) and was 15.2% higher than a year ago (non-seasonally adjusted, nsa). Data were significantly above market expectations. Construction and assembly production increased by 3.6%, following a similar increase in the previous month (mom, sa), data for October 2021 were revised upwards). As a result, its level was 12.7% (nsa) higher than a year ago. Data were better than expectations. The growth rate of retail sales accelerated again (mom, sa) - in total it increased by 3.8% in this period (mom, sa). The retail sales level was 12.1% higher than a year before. Data were above expectations.



Inflation

percent, yoy
source: GUS, NBP

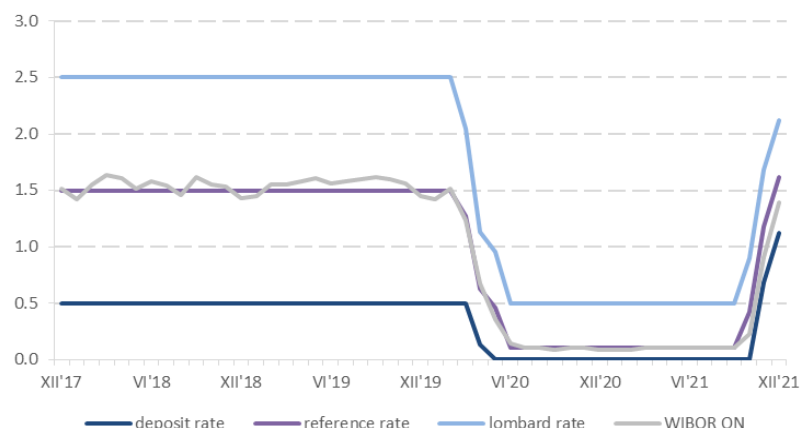
Inflation rate amounted to 7.8% (yoy) in November 2021 (the highest level for 20 years). Due to rise of crude oil and gas prices on international markets energy prices increased considerably (by 21.2%). Food prices also accelerated (to 6.4% yoy). Core inflation (CPI excluding food and energy prices) was still high and in November it reached 4.7% (yoy). Because of high commodity prices and supply disruptions, producer prices also rose considerably. In November they were higher than a year before by 13.2%.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In December 2021 the Monetary Policy Council raised NBP's interest rates for the third month in a row. Reference rate rose by 0.50 pp to 1.75%, lombard rate was increased to 2.25%, while the deposit rate was set at 1.25%. In October-December 2021 reference rate rose by 1.65 pp in total. The MPC decided to hike interest rates in order to reduce risk of inflation remaining elevated in the monetary policy transmission horizon.





II. STATISTICAL DATA

	Unit	2020 Q02	Q03	Q04	2021 Q01	Q02	Q03
GDP							
Gross domestic product	YoY	-8.2	-1.5	-2.5	-0.8	11.2	5.3
	QoQ SA	-9.2	7.5	-0.2	1.6	1.8	2.3
Final consumption expenditure of the households sector	YoY	-10.6	0.3	-3.1	0.1	13.1	4.7
	QoQ SA	-9.9	13.1	-3.2	1.1	2.5	4.3
Final consumption expenditure of the general government sector	YoY	4.3	3.3	8.1	1.6	3.0	0.8
	QoQ SA	0.8	1.0	1.3	-0.4	1.0	0.4
Gross fixed capital formation	YoY	-8.8	-7.2	-15.4	1.7	5.6	9.3
	QoQ SA	-12.8	0.9	-0.7	18.4	-11.7	2.4
Exports of goods and services	YoY	-13.5	2.4	8.1	7.3	29.2	8.6
	QoQ SA	-16.5	20.6	5.2	0.8	0.9	1.6
Imports of goods and services	YoY	-15.6	0.5	8.5	10.3	34.5	15.2
	QoQ SA	-16.4	22.5	4.4	2.9	2.6	3.7
Gross value added	YoY	-7.9	-1.7	-2.8	-1.2	10.3	5.1
	QoQ SA	-9.3	7.4	0.4	1.5	1.0	1.4
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	-6.0	0.2	-1.6	0.0	7.3	2.7
Final consumption expenditure of the general government sector	pp	0.7	0.6	1.6	0.3	0.6	0.1
Gross fixed capital formation	pp	-1.4	-1.3	-3.8	0.2	0.9	1.5
Changes in inventories	pp	-1.8	-2.0	1.1	-0.2	2.8	3.7
Balance of trade turnover	pp	0.4	1.1	0.2	-1.1	-0.3	-2.8
Gross value added	pp	-6.9	-1.5	-2.5	-1.1	9.1	4.4
GDP structure							
Final consumption expenditure of the households sector	% of GDP	55.6	58.8	48.9	60.1	56.6	58.5
Final consumption expenditure of the general government sector	% of GDP	19.5	18.3	21.1	17.7	18.1	17.7
Gross fixed capital formation	% of GDP	15.8	15.9	21.1	12.7	14.8	16.3
Changes in inventories	% of GDP	0.8	-0.6	0.8	2.0	3.4	4.1
Exports of goods and services	% of GDP	52.6	56.6	57.3	62.2	62.6	60.4
Imports of goods and services	% of GDP	45.3	50.0	50.0	55.5	56.4	57.8
Balance of payments							
	Unit	2021 M06	M07	M08	M09	M10	M11
Goods: exports (EUR)	YoY	23.4	12.0	18.1	12.7	6.6	-
Goods: imports (EUR)	YoY	36.6	20.8	30.7	21.8	20.4	-
Current account balance ¹⁾	% of GDP	1.8	1.5	1.1	0.7	0.1	-
Balance on goods ¹⁾	% of GDP	2.4	2.1	1.7	1.4	0.8	-
Official Reserve Assets	EUR m	134 110.3	136 926.6	143 354.8	143 932.0	144 072.9	146 719.0
Inflation							
Consumer Price Index (CPI)	YoY	4.4	5.0	5.5	5.9	6.8	7.8
Core inflation (CPI excluding food and energy prices)	YoY	3.5	3.7	3.9	4.2	4.5	4.7
Producer Price Index (PPI)	YoY	7.2	8.4	9.6	10.3	12.0	13.2
Production							
Sold production of industry ²⁾	YoY	18.1	9.5	13.0	8.7	7.6	15.2
	MoM SA	0.1	0.4	-0.3	1.3	1.8	6.5
Construction and assembly production ²⁾	YoY	4.5	3.2	10.2	4.2	4.1	12.7
	MoM SA	-1.9	-1.0	1.1	-1.4	3.4	3.6
Manufacturing PMI	SA	59.4	57.6	56.0	53.4	53.8	54.4
Households and labour market							
Retail sales ²⁾	YoY	8.6	3.9	5.4	5.1	6.9	12.1
Average paid employment in enterprise sector	YoY	2.8	1.8	0.9	0.6	0.5	0.7
	MoM	0.3	0.0	-0.2	-0.1	0.1	0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	5.1	3.6	3.8	2.7	1.5	1.9
	MoM	2.8	0.5	-0.4	-0.7	0.2	0.8
Harmonised unemployment rate (Eurostat)	%, SA	3.5	3.4	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 M05	M06	M07	M08	M09	M10
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 125 467.6	1 133 647.5	1 135 089.0	1 135 646.3	1 144 751.6	1 126 980.2
Domestic debt	face value, PLN m	854 274.5	858 992.1	857 474.9	859 953.3	864 975.7	856 613.3
	%	75.9	75.8	75.5	75.7	75.6	76.0
Foreign debt	face value, PLN m	271 193.1	274 655.4	277 614.2	275 693.0	279 775.9	270 366.9
	%	24.1	24.2	24.5	24.3	24.4	24.0
Public debt (domestic definition)							
	Unit	2020 Q02	Q03	Q04	2021 Q01	Q02	Q03
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 097 298.7	1 106 292.0	1 111 806.3	1 152 235.1	1 152 233.9	1 160 701.5
Domestic debt	face value, PLN m	825 499.1	824 082.3	823 542.1	845 796.2	855 374.3	858 614.9
	%	75.2	74.5	74.1	73.4	74.2	74.0
Foreign debt	face value, PLN m	271 799.6	282 209.7	288 264.2	306 438.9	296 859.6	302 086.6
	%	24.8	25.5	25.9	26.6	25.8	26.0
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 255 871.7	1 306 682.0	1 336 557.6	1 389 925.2	1 402 087.6	1 418 769.6

Source: MoF

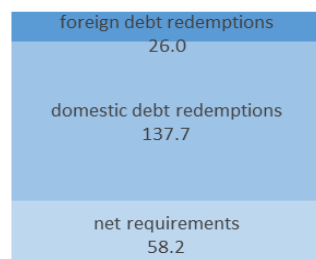
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2022 as of December 31, 2021, PLN bn

Financing of the 2022 State budget borrowing requirements reached the level of ca. 46% (the final level will be known following the closure of the budget year 2021).

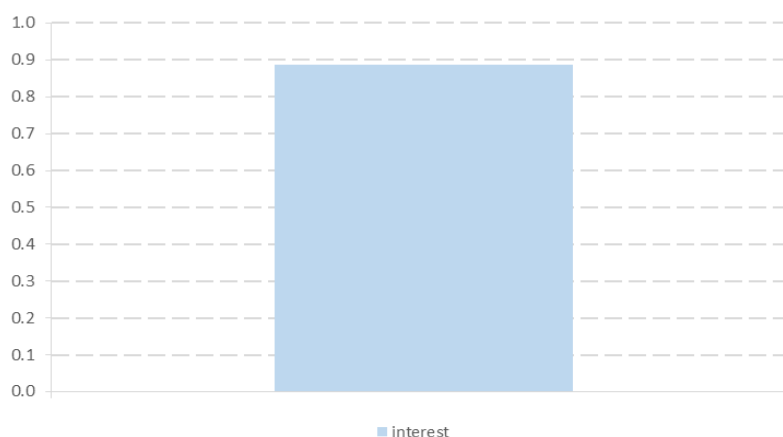
Gross borrowing requirements
Total: PLN 222.0 bn, of which:



Financing of the borrowing requirements at the level of ca. 46%

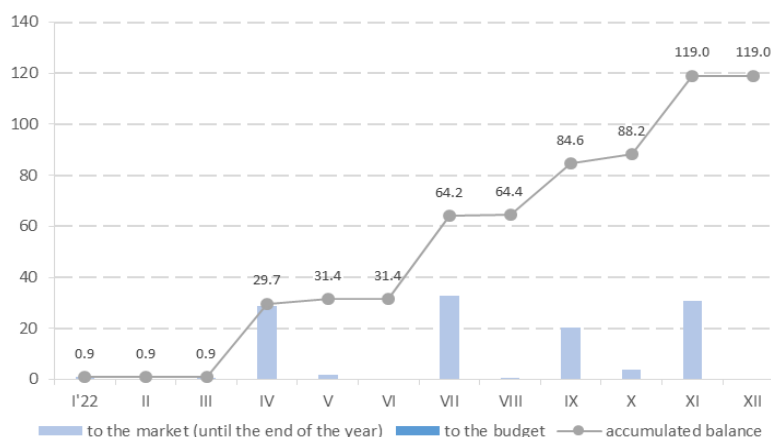
Outflows of funds related to domestic marketable T-securities transfers in January plan as of December 31, 2021

Value of funds transferred from the State budget to the market in January shall amount to PLN 0.9bn (interest payments).



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

From January to the end of the 2022 the funds to be transferred to the domestic market shall amount to PLN 119.0bn.

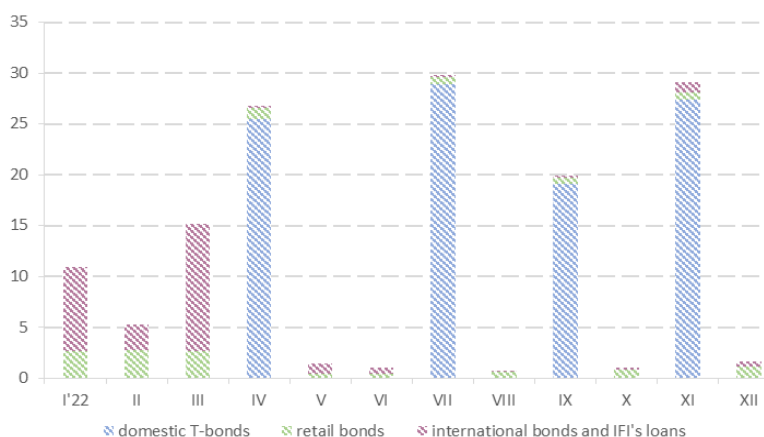


* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget in the period of January to the end of 2022 is not presented.

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 December 31, 2021) is equal to PLN 142.5bn, including:

- T-bonds: PLN 100.9bn,
- T-retail bonds: PLN 14.5bn,
- bonds and loans incurred on foreign markets: PLN 27.1bn.





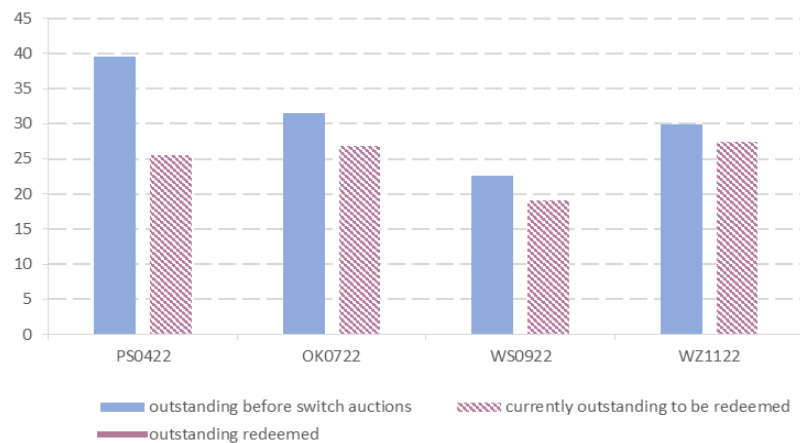
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

Buy-back of T-bonds maturing in 2022:

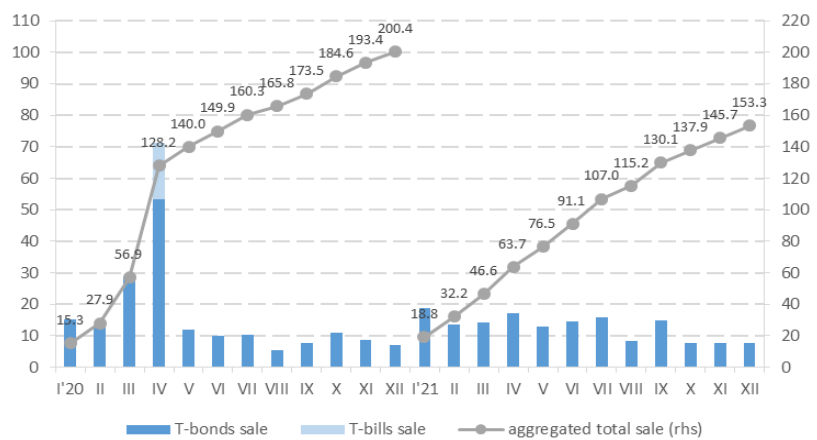
- PS0422: PLN 14.1bn (36% of the issuance),
- OK0722: PLN 4.5bn (14% of the issuance),
- WS0922: PLN 3.5bn (15% of the issuance),
- WZ1122: PLN 2.5bn (8% of the issuance).



Sale of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-XII 2021 aggregated total sale of T-bonds amounted to PLN 153.3bn versus PLN 182.6bn in the same period of 2020. T-bills were not sold versus PLN 17.7bn sold in 2020.



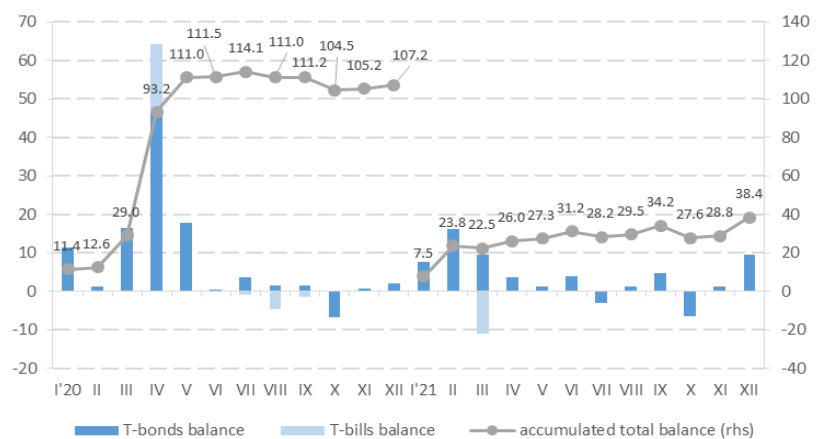
Balance of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-XII 2021 indebtedness in:

- T-bonds increased by PLN 49.3bn versus an increase of PLN 96.3bn 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.

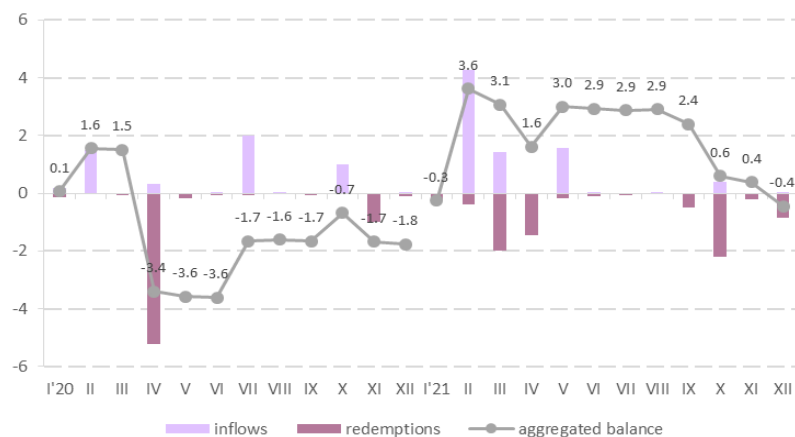


External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-XII 2021 was negative and amounted to EUR 0.4bn which resulted from:

- negative balance of T-bonds of EUR 6.5bn,
- negative balance of loans incurred from IFIs of EUR 1.2bn,
- loans from the European Union under SURE instrument of EUR 7.2bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

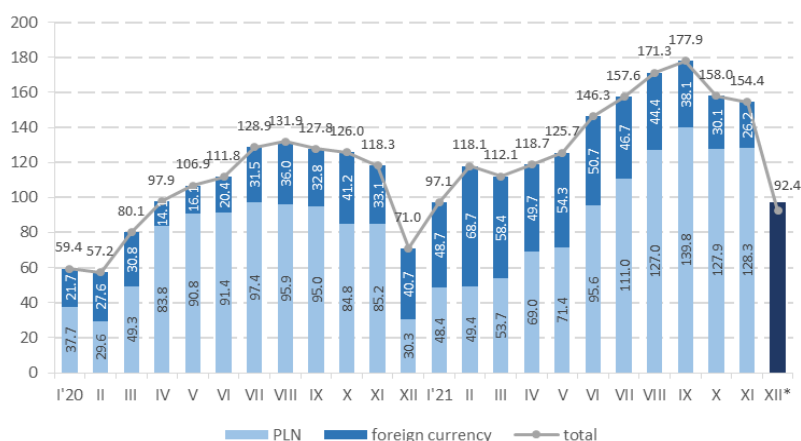


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of December 2021 there was equivalent of PLN 92.4bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

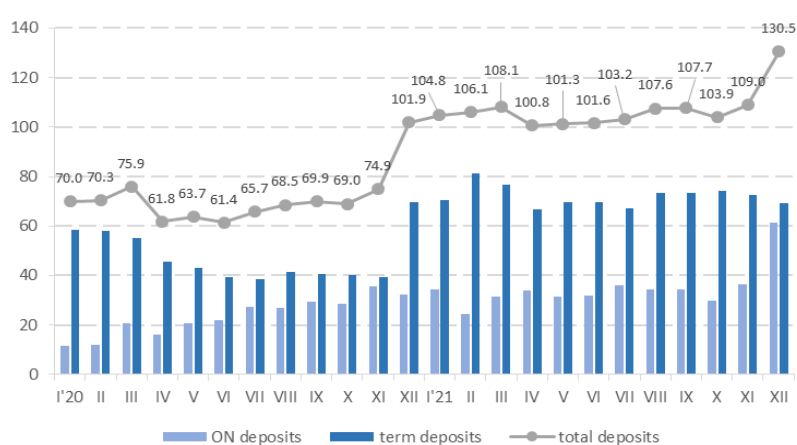
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

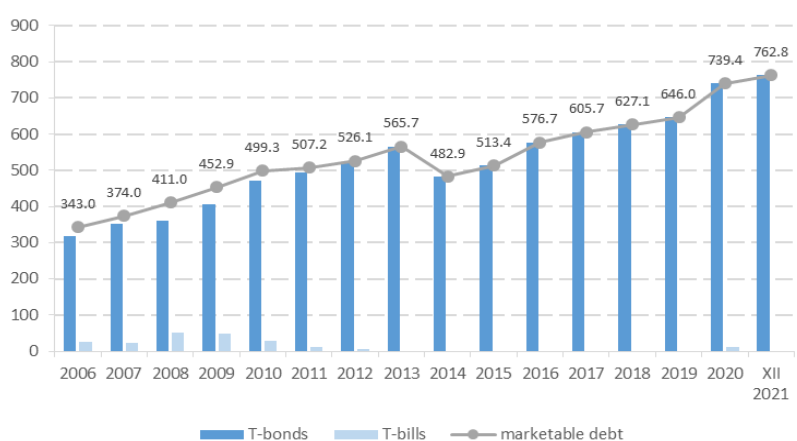
As a result of consolidation of the public finance sector liquidity management there were PLN 125.2bn funds accumulated at the end of December 2021, of which: PLN 69.1bn was on term deposits and PLN 56.1bn on ON deposits.



Structure of domestic marketable debt

PLN bn

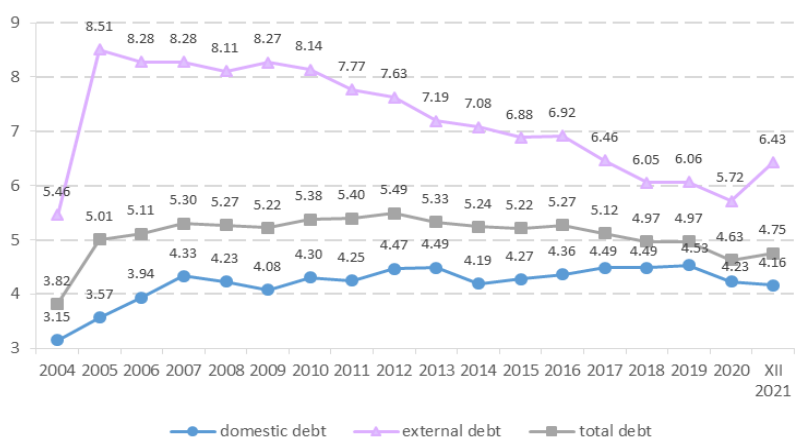
The marketable domestic debt amounted to PLN 762.8bn at the end of December 2021, comparing to PLN 739.4bn at the end of 2020.



Average maturity

years

The average maturity of the domestic debt amounted to 4.16 years at the end of December 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.75 years (4.63 years at the end of 2020).



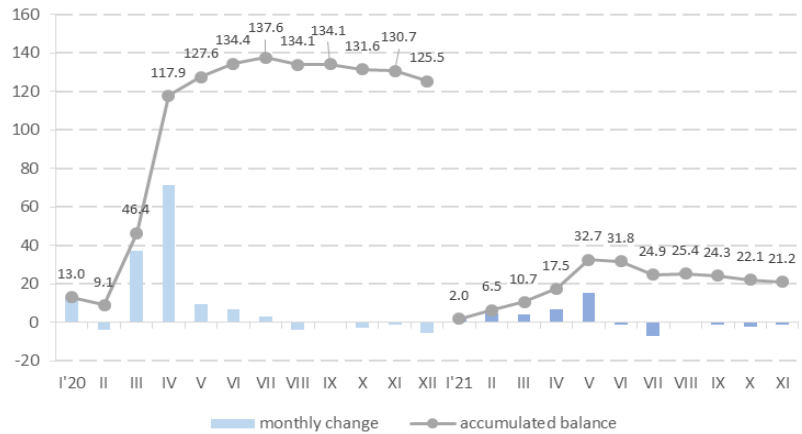


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

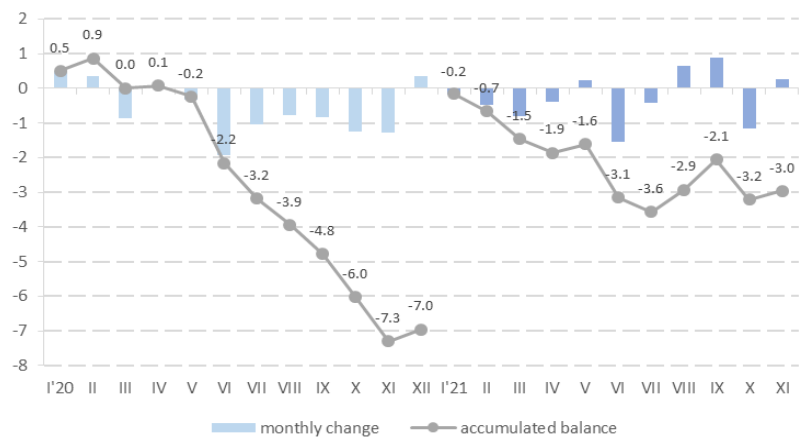
In the period of I-XI 2021 there was an increase of debt by PLN 21.2bn comparing to PLN 130.7bn increase during the same period of 2020. Banks' holdings reached the level of PLN 451.6bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

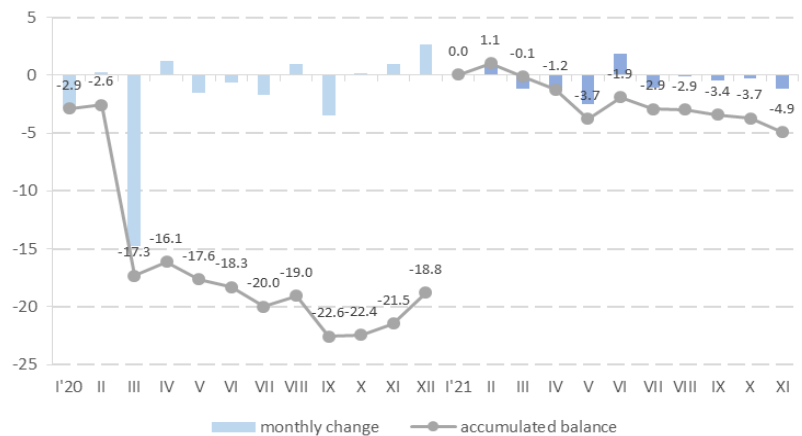
In the period of I-XI 2021 there was a decrease of debt by PLN 3.0bn comparing to PLN 7.3bn decrease during the same period of 2020. Insurance companies' holdings reached the level of PLN 54.4bn.



Change of debt in the domestic TS held by investment funds

PLN bn

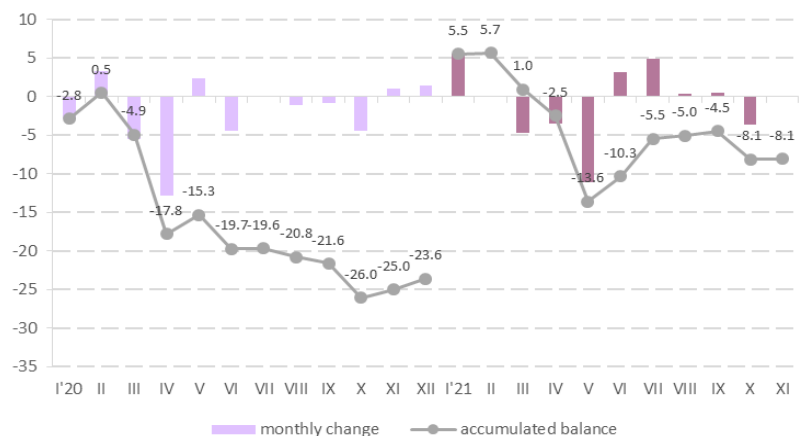
In the period of I-XI 2021 there was a decrease of debt by PLN 4.9bn comparing to PLN 21.5bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 43.7bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-XI 2021 there was a decrease of debt by PLN 8.1bn comparing to PLN 25.0bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 125.7bn.



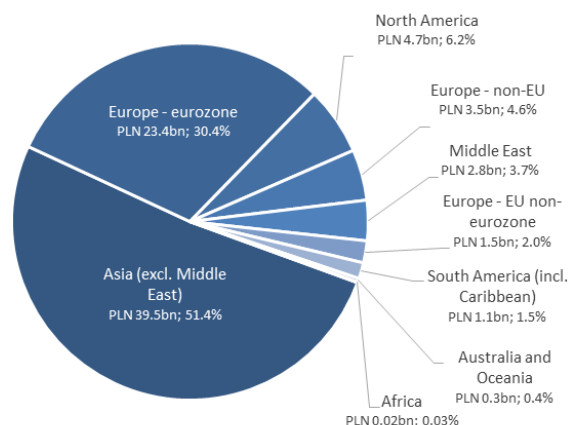
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

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

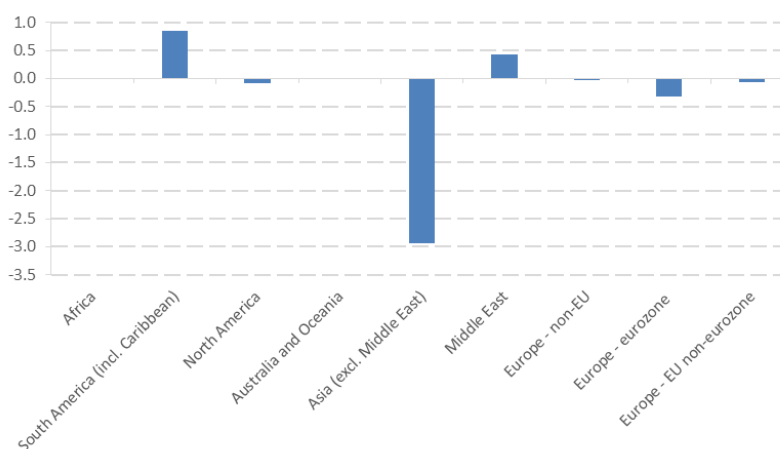
The non-residents' share in the domestic Treasury securities market increased by PLN 0.04bn in November 2021. The foreign investors' portfolio amounted to PLN 125.7bn, which constituted 15.5% share in total debt in Treasury securities (no change compared to previous month).



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

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

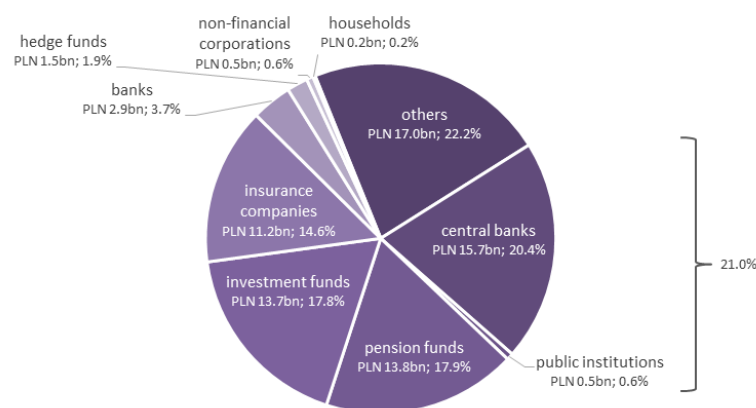
In November 2021 the highest increase was recorded by South American countries (incl. Caribbean) - PLN 0.8bn, while the highest decrease was noted by investors from Asia (excl. Middle East) - PLN 2.9bn.



Institutional distribution of the domestic TS held by non-residents

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

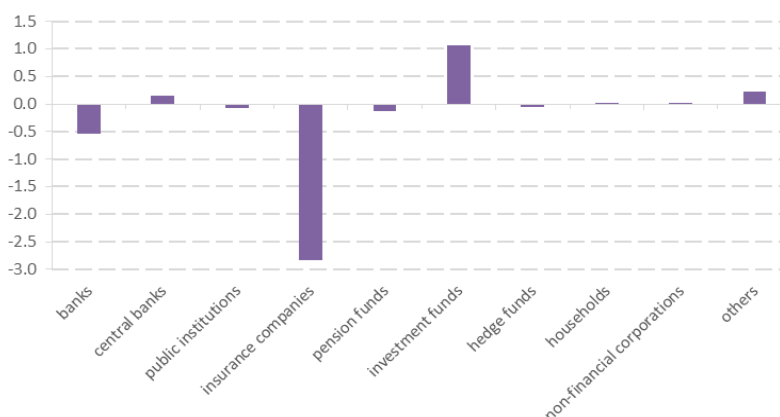
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 21.0% at the end of November 2021.



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

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

In November 2021 the highest increase was recorded by investment funds (PLN 1.1bn), while the highest decrease was noted by insurance companies (PLN 2.8bn).



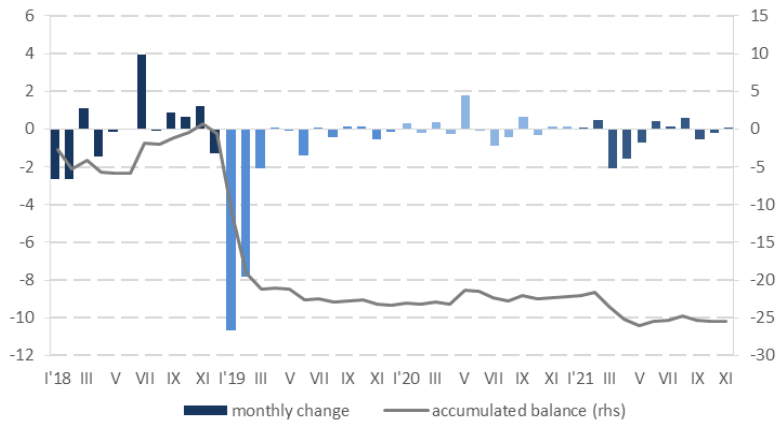


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in November 2021, PLN bn

Central banks and public institutions' involvement increased by PLN 0.1bn in November 2021. In the period from January 2018 to the end of November 2021 portfolios of those entities decreased by PLN 25.4bn.



Structure of non-residents' holdings in TS by countries

as of November 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	23 523.6	38.4%
Netherlands	7 337.0	12.0%
Luxembourg	5 982.7	9.8%
United States	4 019.1	6.6%
Germany	3 446.4	5.6%
Ireland	3 198.5	5.2%
France	2 190.0	3.6%
United Kingdom	2 164.5	3.5%
United Arab Emirates	1 457.7	2.4%
Switzerland	1 316.8	2.2%
Cayman Islands	1 109.1	1.8%
Denmark	705.3	1.2%
Canada	672.4	1.1%
Others	4 069.6	6.7%
Total	61 192.7	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-12-2021

(...)

In January we plan to hold one T-bond switching auction and one T-bond sale auction. No T-bill auctions are planned. In the first quarter we plan to organize 3 or 4 sale auctions and 2 or 3 switching auctions. Significantly lower range of the planned T-bond supply than in the last year reflects good liquidity situation of the budget.

In November indebtedness in domestic Treasury securities increased by PLN 1.2bn. The indebtedness towards domestic banks decreased by PLN 0.9bn, towards domestic non-banking sector increased by PLN 2.0bn, while involvement of foreign investors remained unchanged.

IV. SUPPLY PLAN OF TREASURY SECURITIES FOR Q1 2022



General assumptions

- in the first quarter of 2022 T-bond auctions are planned according to the announced yearly issuance calendar,
- offer of Treasury bonds on the domestic market will depend on the budget and market situation, as well as consultations with investors,
- possible auctions of Treasury 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 and the domestic market, as well as by the budget situation,
- the announced plan may be modified subject to the market situation.

Offer of T-bonds on the domestic market

- **sale auctions:**
between three and four auctions, total supply PLN 16.0-26.0bn, the structure of the sold T-bonds will be subject to the market situation.
- **switch auctions:**
between two and three 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 and loans from international financial institutions,
- possible loans in the value of EUR 3.0bn EU within instrument for temporary support to mitigate unemployment risks in an emergency (SURE).



V. SUPPLY PLAN OF TREASURY SECURITIES IN JANUARY 2022

T-bond sale auction

Auction date	Settlement date	Series	Planned offer (PLN m)
27 JAN 2022	31 JAN 2022	OK0724 / WZ1126 / PS0527 / WZ1131 / DS0432 / possible T-bond either of WS or IZ type	3,000-6,000

*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.*

T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
13 JAN 2022 / 17 JAN 2022	OK0724 / WZ1126 / PS0527 / WZ1131 / DS0432	PS0422	25,485
		OK0722	26,902
		WS0922	19,075
		WZ1122	27,399

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0422 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0124 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0125 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0126 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0132 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0128 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0134 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period