

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

March 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 .....	11



## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices  
source: GUS, Eurostat

Despite the second wave of the COVID-19 epidemic, contraction in economic activity in the fourth quarter of 2020 was moderate compared to spring 2020. This was, to a large extent, possible due to the relatively favourable performance of industry. However, the restrictions hit some service sectors exceptionally hard. GDP declined by 0.7% (qoq, sa) after an increase of 7.9% a quarter earlier. Consumption in the household sector decreased by 2.7% (qoq, sa) reflecting the closure of some commercial and service facilities. Investment remained relatively weak and went down by 2.6% (qoq, sa). On the other hand, foreign trade continued its recovery with exports and imports rising by 5.5% and 3.5% (qoq, sa), respectively.

### Contributions to Polish GDP growth

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

In the fourth quarter of 2020 GDP was 2.8% (py) lower than in the previous year. Household consumption declined by 3.2% (yoy, py), while public consumption similarly to the previous quarter increased by 3.4%. Exports and imports were also higher than in the previous year with positive contribution of foreign trade to yearly GDP growth (0.4 pp). Contribution of stocks was also positive (0.6 pp). Investment was still lower than in the same period of 2019.

### Polish gross external debt position

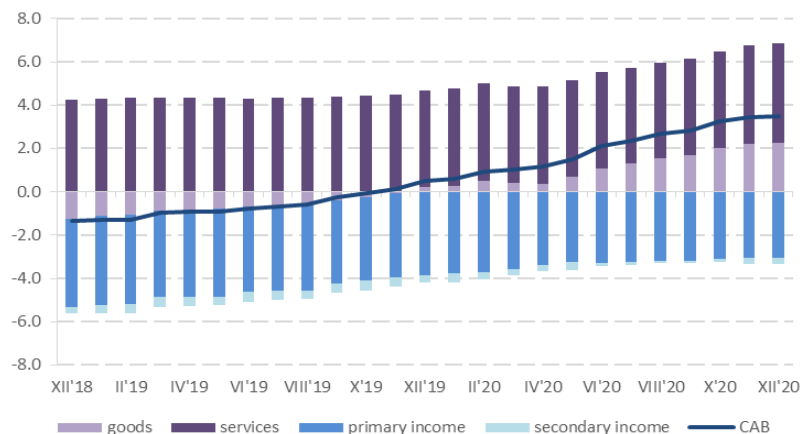
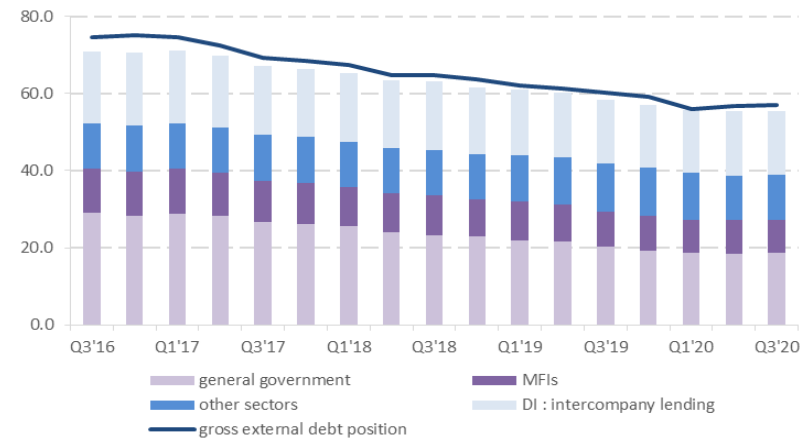
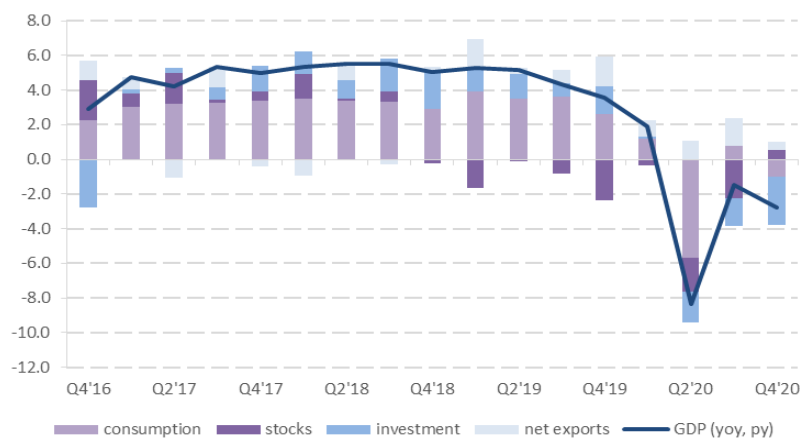
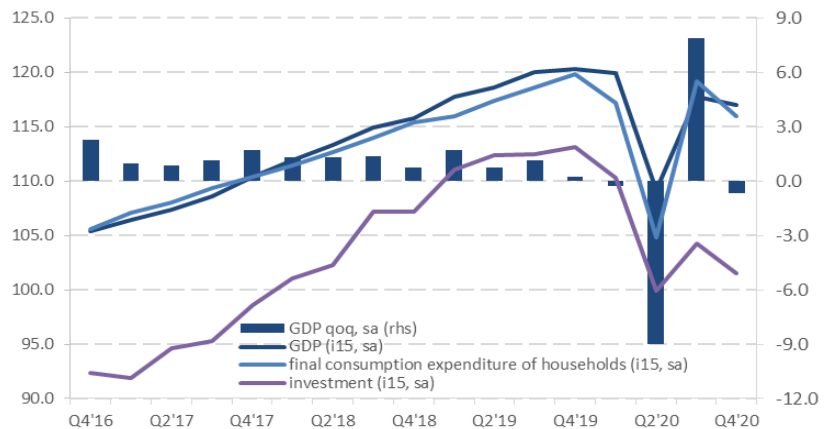
percent of GDP  
source: NBP, GUS, MoF own calculation

At the end of the third quarter of 2020 gross external debt reached EUR 300.7bn (57.1% of GDP) and was EUR 1.4bn higher than in the previous quarter. The share of general government sector debt in total debt increased to 32.6%. At the end of December 2020 official reserve assets reached EUR 125.6bn 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 December 2020, according to the preliminary data, current account surplus increased to 3.5% of GDP (in 12-month terms). Despite tightening of restrictions by Poland's key trade partners in response to a surge in new infections in autumn, exports have remained relatively strong and in December its yearly dynamics supported by one-off factors improved to the level last seen in January 2018. Imports dynamics were still lower than exports dynamics, influenced by low oil prices. In addition primary income deficit declined, reflecting temporarily lower foreign direct investors' income on their capital involvement in Polish entities.

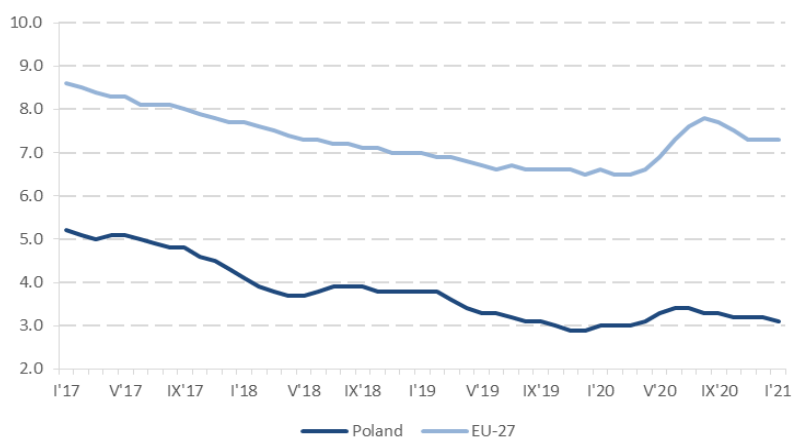




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

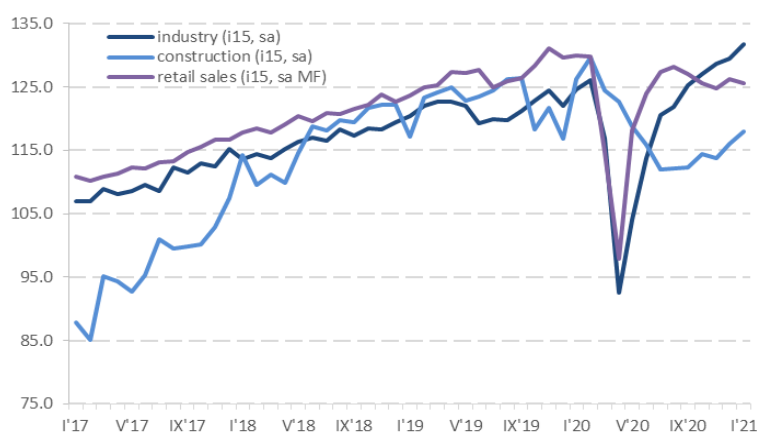
In January 2021 harmonised unemployment rate (sa) was lower by 0.1 pp than in three previous months and amounted to 3.1% which was by 0.1 pp higher than a year earlier. In January 2021 it was lower than in the EU-27 on average (7.3%) and in the eurozone (8.1%).



## Monthly indicators of the real sector

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

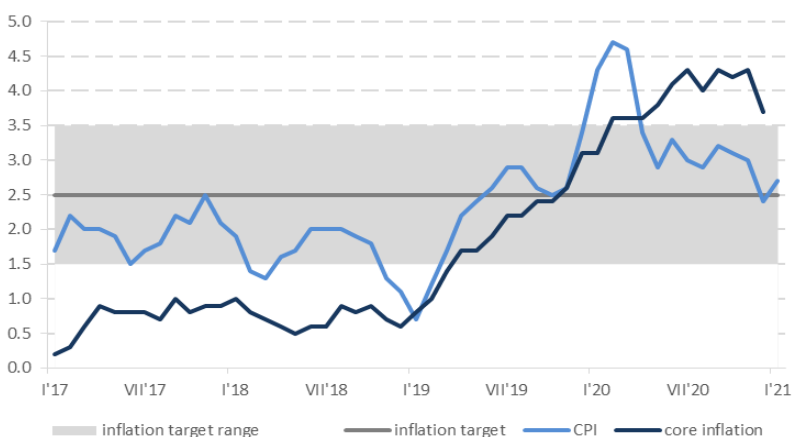
In January 2021 industrial production increased by 1.7% (mom, sa) and was 0.9% (nsa) higher than a year ago proving its high resilience to the current wave of the COVID-19 pandemic. Data were close to market expectations. Construction and assembly production increased by 1.7% (mom, sa), after similar growth a month ago. However, its level was 10% (nsa) lower than in the previous year. It was due to the unfavourable calendar effect (two working days less than a year ago) and the high base from January 2020. The data were below market expectations. Retail sales decreased, following growth in the previous month (mom, sa MF). As a result, sales were 6% (nsa) lower than a year ago. The data were close to market expectations.



## Inflation

percent, yoy  
source: GUS, NBP

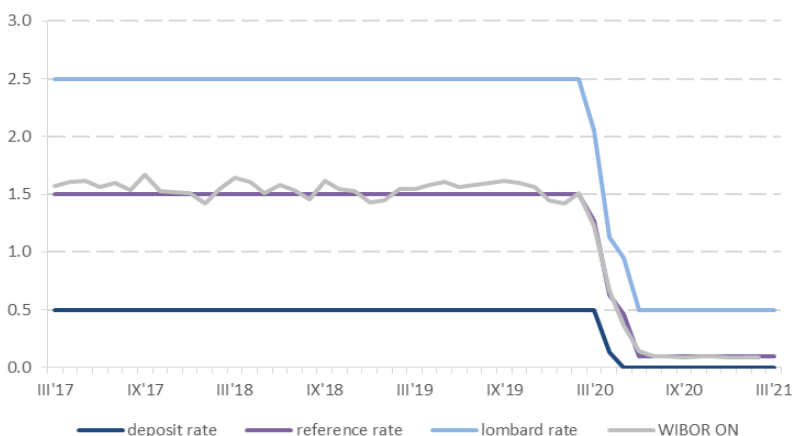
After falling below the inflation target in December, in January inflation rate rose to 2.7% (yoy). It was mainly due to considerably higher energy prices (increase in electricity tariffs and fuel prices). Core inflation (CPI excluding food and energy prices) is still high and in December it amounted to 3.7% (yoy). Data for January were higher than market expectations. After long period of deflation in December producer prices were 0.1% higher than a year ago and in January PPI rate increased to 0.7%. It was caused by higher commodity prices on international markets and weaker Polish currency.



## NBP interest rates

percent, end of period  
source: NBP, Refinitiv

In March 2021 the MPC kept NBP interest rates on hold. The reference rate remained at 0.1%, the lombard rate at 0.5% and the deposit rate at 0.0%. In the period of March-May 2020 the reference rate was lowered by 140 bps in total. Since March 2020 the NBP has purchased government securities and government-guaranteed debt securities on the secondary market. The Council believes that the NBP's monetary policy mitigates the negative economic impact of the pandemic, supports economic activity and stabilises inflation at the level consistent with the NBP's medium-term inflation target.





## II. STATISTICAL DATA

	Unit	2019 Q03	Q04	2020 Q01	Q02	Q03	Q04
<b>GDP</b>							
Gross domestic product	YoY	4.4	3.6	1.9	-8.4	-1.5	-2.8
	QoQ SA	1.2	0.2	-0.3	-9.0	7.9	-0.7
Final consumption expenditure of the households sector	YoY	4.1	3.6	1.2	-10.8	0.4	-3.2
	QoQ SA	1.1	1.0	-2.2	-10.5	13.7	-2.7
Final consumption expenditure of the general government sector	YoY	6.8	4.5	2.6	3.4	3.4	3.4
	QoQ SA	1.2	0.7	0.7	0.9	0.9	0.8
Gross fixed capital formation	YoY	4.3	6.2	0.9	-10.7	-9.0	-10.9
	QoQ SA	0.1	0.6	-2.5	-9.4	4.3	-2.6
Exports of goods and services	YoY	5.5	3.0	2.0	-14.5	2.0	8.0
	QoQ SA	2.2	-0.6	1.3	-16.8	21.5	5.5
Imports of goods and services	YoY	4.3	-0.3	0.4	-18.0	-1.0	7.9
	QoQ SA	0.9	-1.7	1.0	-18.4	24.7	3.5
Gross value added	YoY	4.2	3.5	1.9	-8.1	-1.7	-3.1
	QoQ SA	0.9	0.7	-0.9	-9.2	7.9	0.5
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	2.4	1.8	0.8	-6.2	0.2	-1.6
Final consumption expenditure of the general government sector	pp	1.2	0.9	0.5	0.6	0.6	0.7
Gross fixed capital formation	pp	0.8	1.6	0.1	-1.8	-1.6	-2.7
Changes in inventories	pp	-0.8	-2.3	-0.3	-2.0	-2.3	0.6
Balance of trade turnover	pp	0.8	1.7	0.9	1.1	1.6	0.4
Gross value added	pp	3.7	3.1	1.7	-7.0	-1.5	-2.7
Taxes less subsidies	pp	0.7	0.5	0.2	-1.3	0.1	0.0
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	58.3	50.0	61.6	55.6	59.1	49.1
Final consumption expenditure of the general government sector	% of GDP	17.6	19.3	17.7	19.4	18.4	20.3
Gross fixed capital formation	% of GDP	17.5	25.3	12.9	15.9	16.0	22.7
Changes in inventories	% of GDP	1.2	-0.1	1.2	0.3	-1.0	0.3
Exports of goods and services	% of GDP	55.7	51.7	57.3	52.0	56.1	56.7
Imports of goods and services	% of GDP	51.2	46.8	51.6	44.2	49.5	49.8
<b>Balance of payments</b>							
	Unit	2020 M08	M09	M10	M11	M12	2021 M01
Goods: exports (EUR)	YoY	1.9	6.1	3.8	10.1	14.8	-
Goods: imports (EUR)	YoY	-4.7	1.8	-3.5	5.3	13.6	-
Current account balance <sup>1)</sup>	% of GDP	2.7	2.8	3.3	3.4	3.5	-
Balance on goods <sup>1)</sup>	% of GDP	1.5	1.7	2.0	2.2	2.3	-
Official Reserve Assets	EUR m	116 822.1	119 127.0	122 588.6	120 499.1	125 621.6	129 831.5
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	2.9	3.2	3.1	3.0	2.4	2.7
Core inflation (CPI excluding food and energy prices)	YoY	4.0	4.3	4.2	4.3	3.7	-
Producer Price Index (PPI)	YoY	-1.3	-1.4	-0.4	-0.2	0.1	0.7
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	1.5	5.7	1.0	5.4	11.1	0.9
	MoM SA	1.1	2.7	1.4	1.3	0.6	1.7
Construction and assembly production <sup>2)</sup>	YoY	-12.0	-9.8	-5.8	-4.9	3.4	-10.0
	MoM SA	0.1	0.2	1.9	-0.6	1.9	1.7
Manufacturing PMI	SA	50.6	50.8	50.8	50.8	51.7	51.9
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	0.5	2.5	-2.3	-5.3	-0.8	-6.0
Average paid employment in enterprise sector	YoY	-1.5	-1.2	-1.0	-1.2	-1.0	-2.0
	MoM	0.7	0.3	0.1	0.0	0.2	-0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	1.2	2.4	1.6	1.8	4.1	2.1
	MoM	-0.7	0.4	1.5	0.4	8.8	-8.4
Harmonised unemployment rate (Eurostat)	%, SA	3.3	3.3	3.2	3.2	3.2	3.1
<sup>1)</sup> Data in 12-month terms <sup>2)</sup> 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							
<b>State Treasury debt</b>							
	Unit	2020 M07	M08	M09	M10	M11	M12
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 094 346.6	1 091 384.9	1 100 124.9	1 103 567.3	1 090 187.9	1 097 460.2
Domestic debt	face value, PLN m	838 440.1	836 212.5	836 792.2	830 032.9	830 741.8	831 435.2
	%	76.6	76.6	76.1	75.2	76.2	75.8
Foreign debt	face value, PLN m	255 906.5	255 172.4	263 332.7	273 534.5	259 446.1	266 025.1
	%	23.4	23.4	23.9	24.8	23.8	24.2
<b>Public debt (domestic definition)</b>							
	Unit	2019 Q02	Q03	Q04	2020 Q01	Q02	Q03
Public debt (acc. to the place of issue criterion)	face value, PLN m	998 220.7	1 001 190.9	990 948.4	1 045 474.8	1 097 297.7	1 106 285.8
Domestic debt	face value, PLN m	708 264.6	713 568.9	716 183.7	744 617.7	825 498.1	824 076.1
	%	71.0	71.3	72.3	71.2	75.2	74.5
Foreign debt	face value, PLN m	289 956.1	287 622.0	274 764.7	300 857.2	271 799.6	282 209.7
	%	29.0	28.7	27.7	28.8	24.8	25.5
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 051 770.3	1 055 639.7	1 045 391.3	1 103 420.0	1 255 968.7	1 307 258.3

Source: MoF

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Gross borrowing requirements in 2021

as of February 28, 2021, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 54% was a result of:

- T-bond sale on domestic market: PLN 25.0bn,
- switch auctions in 2021: PLN 4.5bn,
- switch auctions in 2020: PLN 41.1bn,
- loans from the European Union under the SURE instrument in the amount of PLN 19.4bn,
- higher financial resources at the end of 2020: PLN 61.8bn (the final level will be known following the closure of the budget year).

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

plan as of February 28, 2021

Value of funds transferred from the State budget to the market in March shall amount to PLN 10.9bn (TS redemptions, no interest payments).

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

as at the end of month, PLN bn

From March to the end of 2021 the funds to be transferred to the domestic market shall amount to PLN 84.3bn (as of February 28, 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 March to the end of 2021 is not presented.

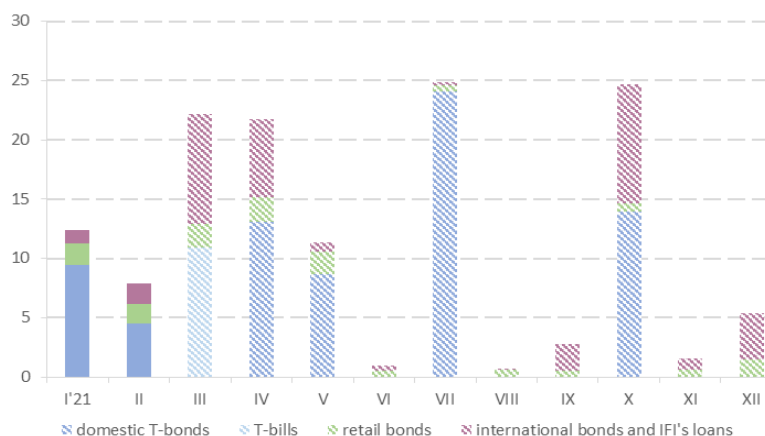
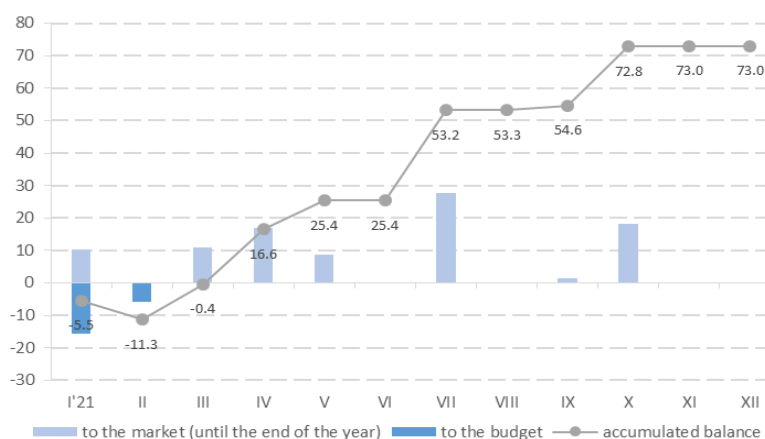
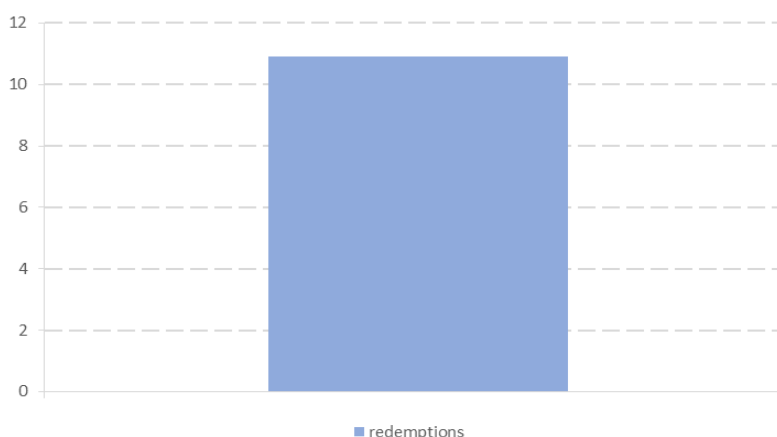
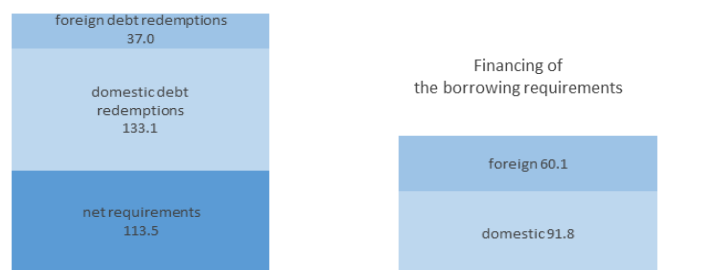
#### State Treasury debt redemptions in 2021

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

The nominal amount of debt to be redeemed in 2021 (as of February 28, 2021) is equal to PLN 116.0bn, including:

- T-bonds: PLN 59.8bn,
- retail bonds: PLN 10.1bn,
- T-bills: PLN 10.9bn,
- bonds and loans incurred on foreign markets: PLN 34.4bn.

Gross borrowing requirements  
Total: PLN 283,6bn, of which:





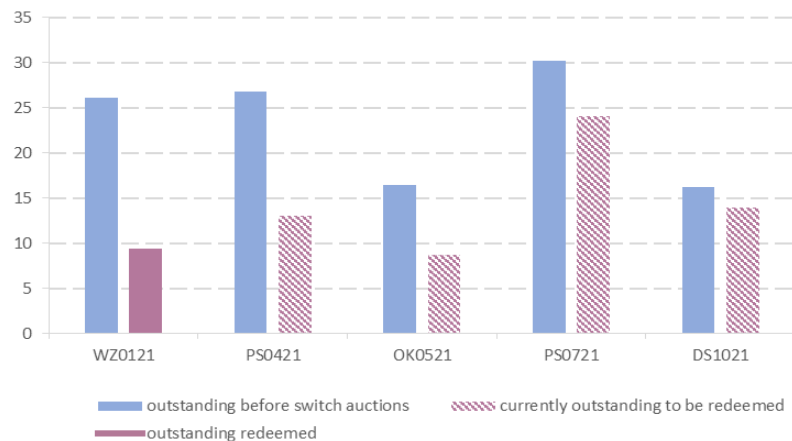
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2021

as of February 28, 2021, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2021:

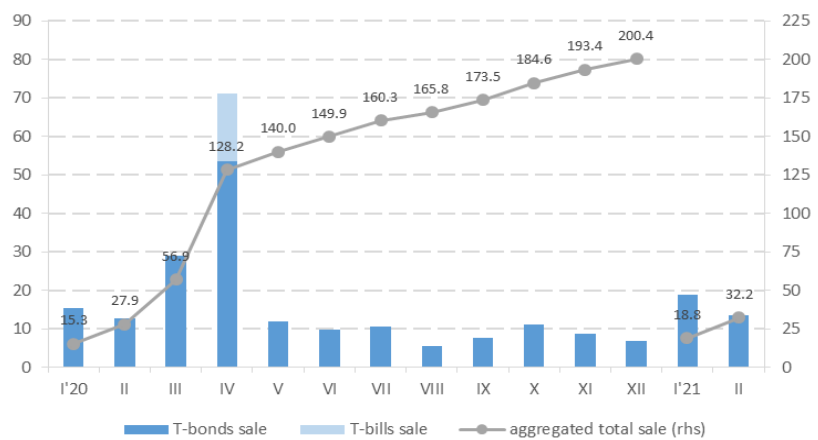
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 13.7bn (51% of the issuance),
- OK0521: PLN 7.8bn (47% of the issuance),
- PS0721: PLN 6.2bn (20% of the issuance),
- DS1021: PLN 2.2bn (14% of the issuance).



#### Sale of domestic T-bonds in 2020 and 2021

settlement date, nominal amount, PLN bn

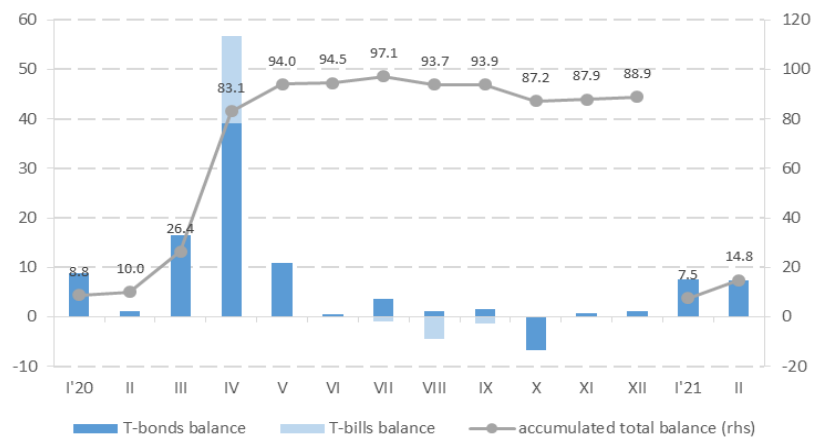
In the period I-II 2021 aggregated total sale of T-bonds amounted to PLN 32.2bn versus PLN 27.9bn in the same period of 2020.



#### Balance of domestic T-bonds in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-II 2021 indebtedness in T-bonds increased to PLN 14.8bn versus an increase of PLN 10.0bn in the same period of 2020.

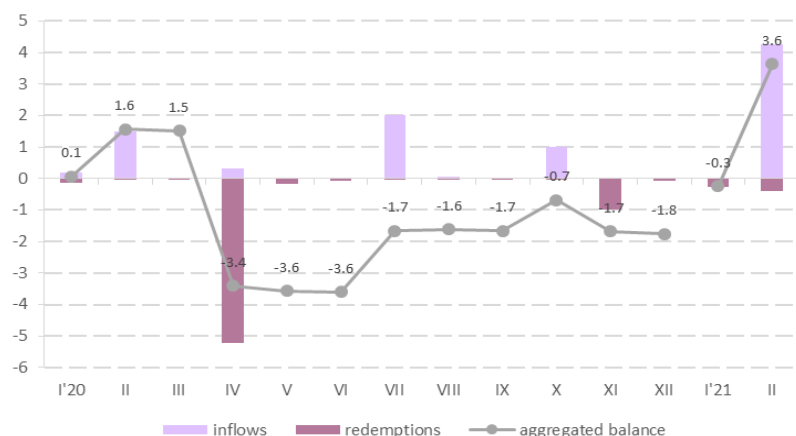


#### External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-II 2021 was positive and amounted to EUR 3.6bn, which resulted from:

- negative balance of T-bonds issuance of EUR 0.6bn,
- negative balance of loans from IFIs at the level of EUR 0.05bn,
- loans from the European Union under the SURE instrument in the amount of EUR 4.3bn.



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

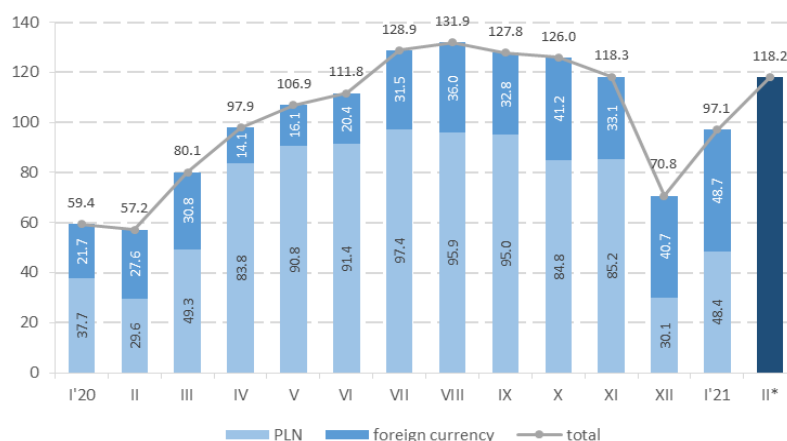


#### Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of February 2021 there was equivalent of PLN 118.2bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

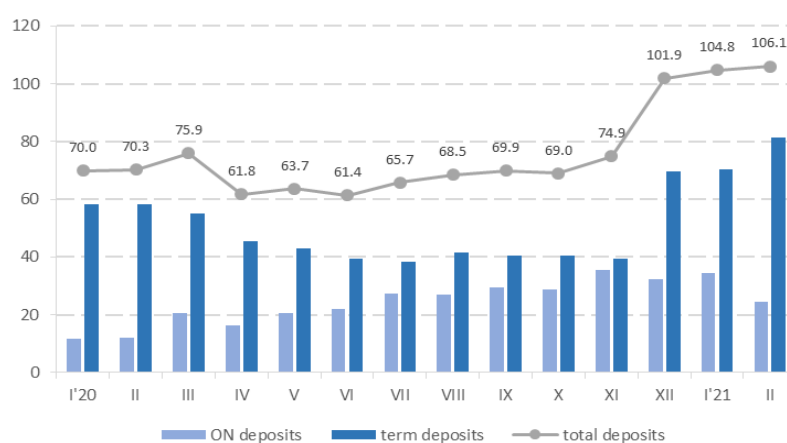
\* Estimated data.



#### Consolidation of public finance sector liquidity management

PLN bn

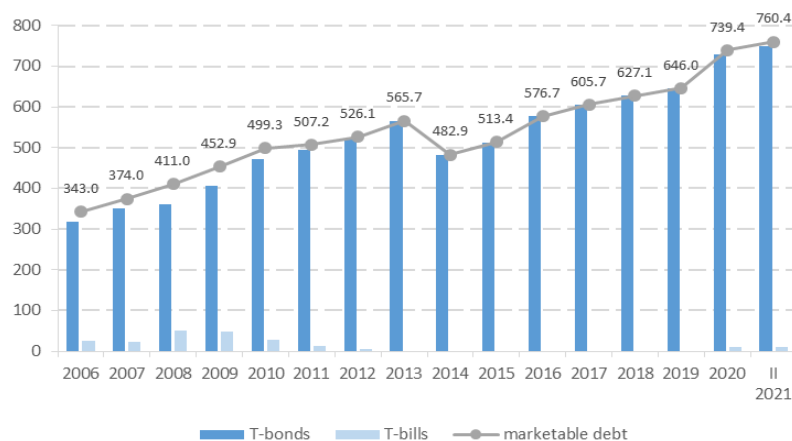
As a result of consolidation of the public finance sector liquidity management there were PLN 106.1bn funds accumulated at the end of February 2021, of which: PLN 81.4bn was on term deposits and PLN 24.6bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

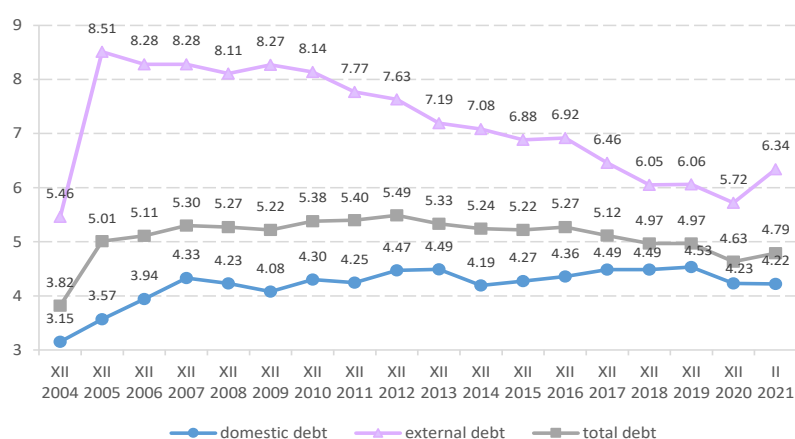
The marketable domestic debt amounted to PLN 760.4bn at the end of February 2021, comparing to PLN 739.4bn at the end of 2020.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.22 years at the end of February 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.79 years (4.63 years at the end of 2020).

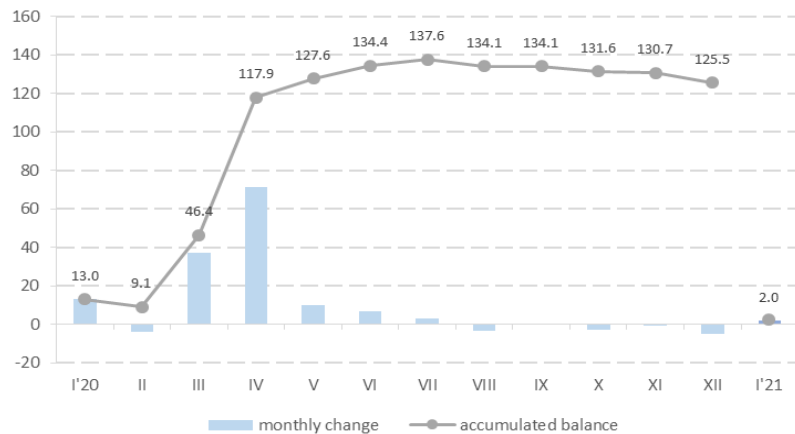




### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

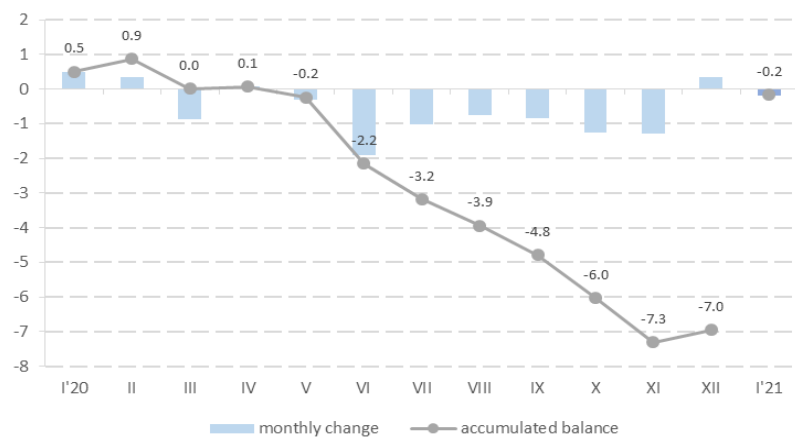
#### Change of debt in the domestic Treasury securities held by banks PLN bn

In January 2021 there was an increase of debt by PLN 2.0bn comparing to PLN 13.0bn increase during the same period of 2020. Banks' holdings reached the level of PLN 432.4bn.



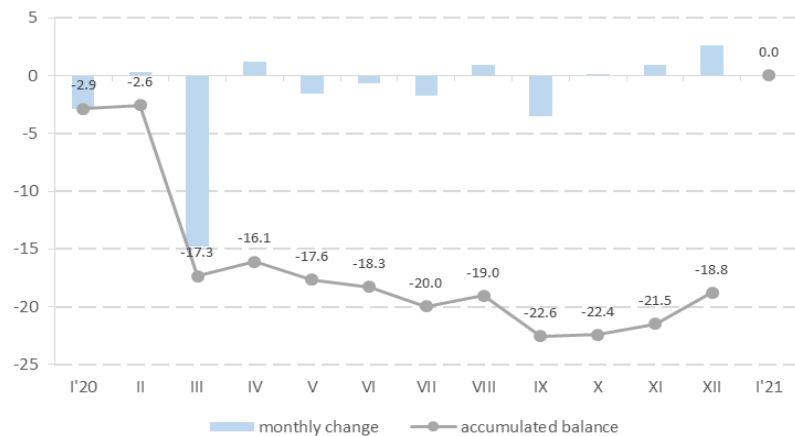
#### Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In January 2021 there was a decrease of debt by PLN 0.2bn comparing to PLN 0.5bn increase during the same period of 2020. Insurance companies' holdings reached the level of PLN 57.1bn.



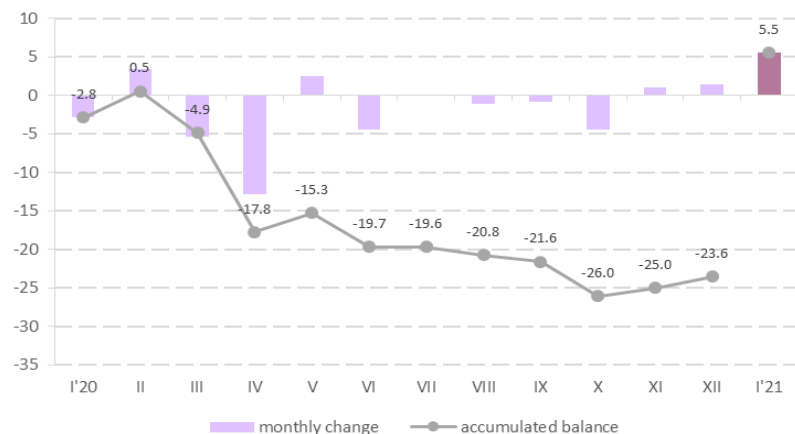
#### Change of debt in the domestic Treasury securities held by investment funds PLN bn

In January 2021 there was a slight increase of debt by PLN 0.01bn comparing to PLN 2.9bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 48.6bn.



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

In January 2021 there was an increase of debt by PLN 5.5bn comparing to PLN 2.8bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 139.3bn.





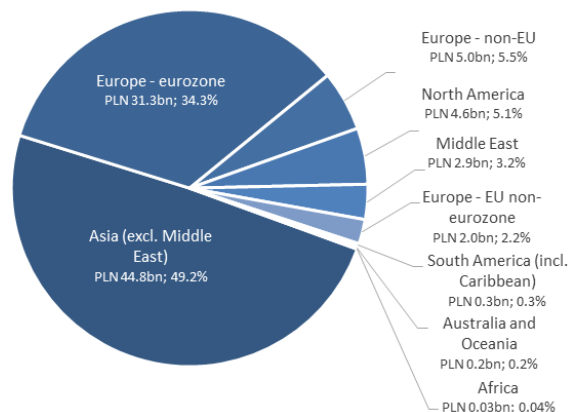
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

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

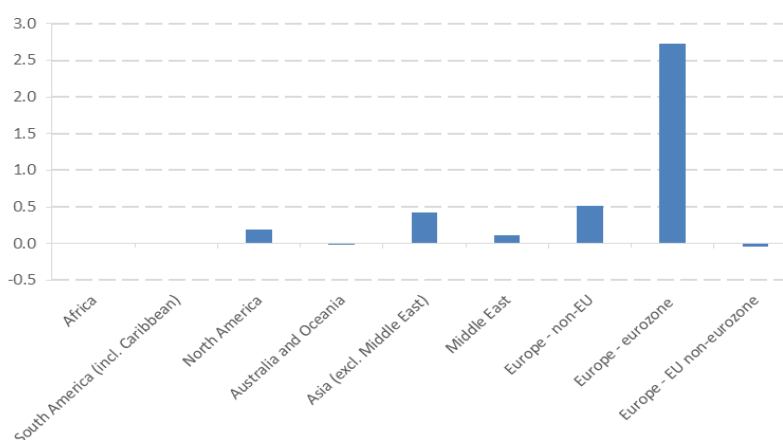
The non-residents' share in the domestic Treasury securities market increased by PLN 5.5bn in January 2021. The foreign investors' portfolio amounted to PLN 139.3bn, which constituted 17.7% share in total debt in Treasury securities (17.1% in the previous month).



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

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

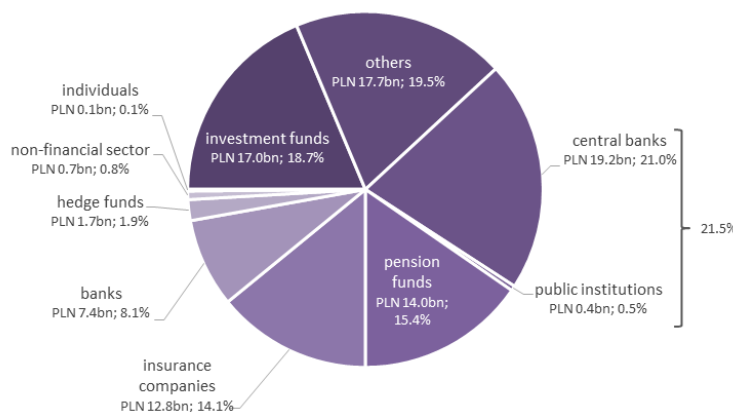
In January 2021 the highest increase was recorded by investors from the eurozone (PLN 2.7bn), while the highest decrease was noted by EU non-eurozone investors (PLN 0.04bn).



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

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

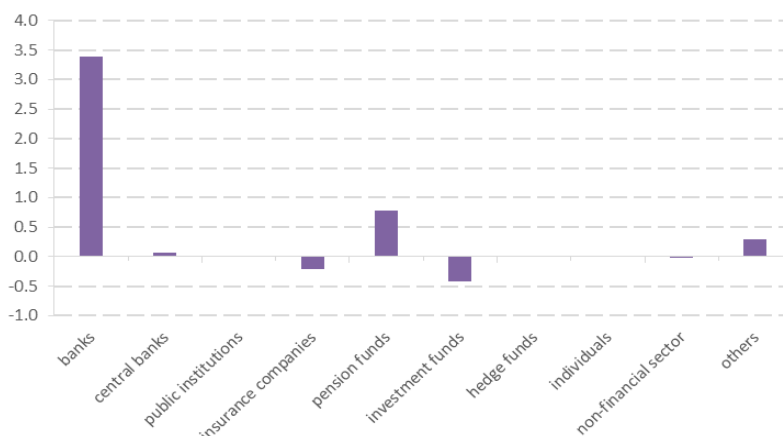
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 21.5% at the end of January 2021.



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

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

In January 2021 the highest increase was recorded by banks (PLN 3.4bn), while the highest decrease was noted by investment funds (PLN 0.4bn).



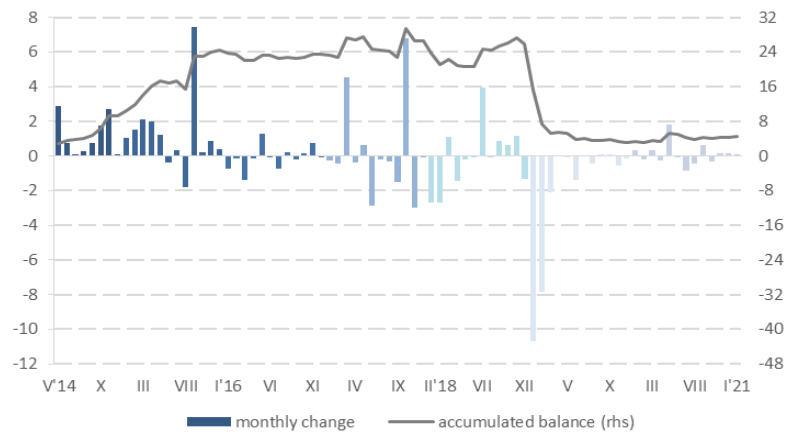


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in January 2021, PLN bn

Central banks and public institutions' involvement increased by PLN 0.1bn in January 2021. In the period from the end of April 2014 to the end of January 2021, for which the detailed information is available, portfolios of those entities increased by PLN 4.5bn.



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

as of January 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	24 719.7	34.4%
Luxembourg	8 160.0	11.3%
Netherlands	6 961.2	9.7%
Germany	4 859.4	6.8%
Ireland	4 717.8	6.6%
United States	3 852.7	5.4%
United Kingdom	3 380.7	4.7%
Austria	3 275.5	4.6%
France	1 969.1	2.7%
Switzerland	1 344.7	1.9%
United Arab Emirates	1 274.1	1.8%
Denmark	859.2	1.2%
Italy	778.2	1.1%
Others	5 773.8	8.0%
<b>Total</b>	<b>71 926.2</b>	<b>100.0%</b>

#### Comment

#### Sebastian Skuza, Secretary of State at the MoF

26-02-2021

(...) As in February, two Treasury bond auctions are planned for March. First the switching auction, then T-bond sale auction. No T-bill auctions are planned.

In January indebtedness in domestic Treasury securities increased by PLN 7.6bn. The involvement of foreign investors increased by PLN 5.5bn and domestic banks by PLN 2.0bn, while the involvement of domestic non-banking sector remained almost unchanged.

## IV. SUPPLY PLAN OF TREASURY SECURITIES IN MARCH 2021



### T-bond sale auction

Auction date	Settlement date	Series	Planned offer (PLN m)
25 MAR 2021	29 MAR 2021	OK0423 / P1026 / WZ1126 / DS1030 / WZ1131 / 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)*
4 MAR 2021 / 8 MAR 2021	OK0423 / PS1026 / WZ1126 / DS1030 / WZ1131	PS0421	11.861
		OK0521	7.654
		PS0721	22.863
		DS1021	13.958

\* After settlement of auction held on March 4, 2021.

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0621 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0323 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0324 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0325 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0331 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0327 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0333 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period