

State budget borrowing requirements' financing plan and its background

November 2019

THE MOST IMPORTANT INFORMATION

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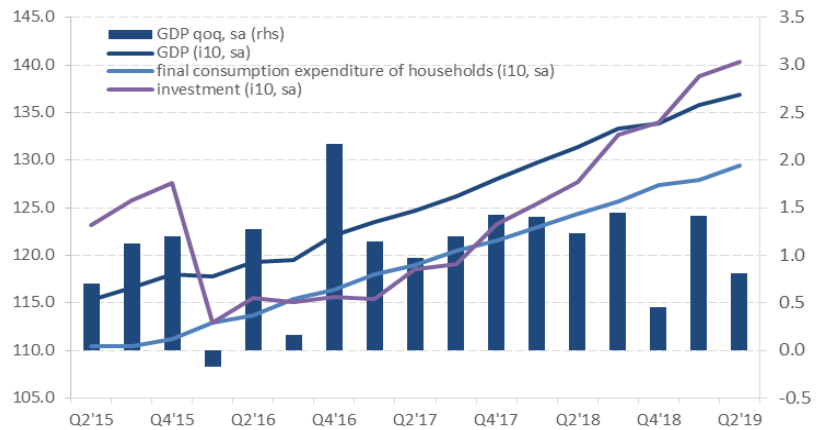
I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices

source: GUS, Eurostat

In the second quarter of 2019 GDP increased by 0.8% (qoq, sa) versus 1.4% a quarter earlier. Rate of growth of households consumption accelerated (qoq, sa), while the pace of growth of investment decelerated.

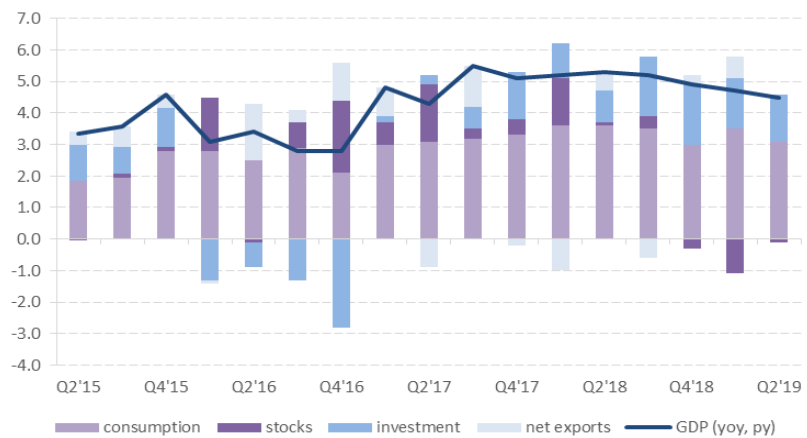


Contributions to Polish GDP growth

pp, py - average prices of previous year

source: GUS, MoF own calculation

In the second quarter of 2019 GDP was 4.5% higher than a year ago versus 4.7% in the previous quarter. Households consumption, which was 4.4% higher than in the same period of 2018, was still the main source of GDP growth (yoy, py). Investment registered a relatively strong growth rate (9.0% versus 12.6% a quarter earlier). Inventories contribution to GDP growth was slightly negative (0.1 pp) and net exports was neutral. Continued strong private consumption demand was a consequence of a positive labour market situation, robust consumer sentiment and additional income transfers ("Pension+"). Investment was supported among others by high investment outlays dynamics in the non-financial enterprises sector.

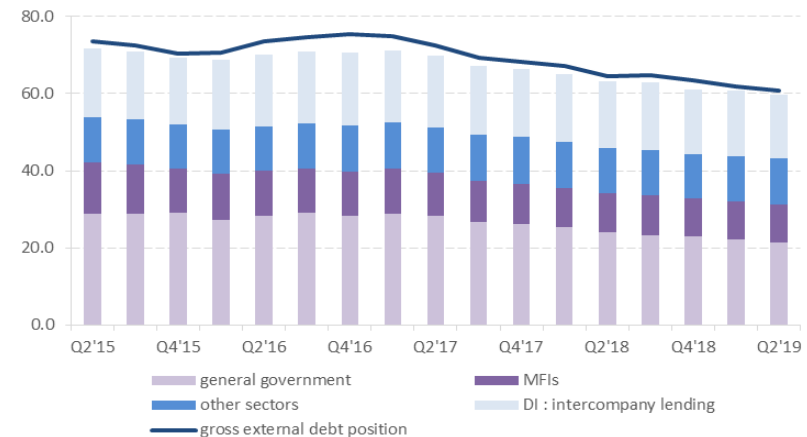


Polish gross external debt position

percent of GDP

source: NBP, GUS, MoF own calculation

At the end of the second quarter of 2019 gross external debt reached EUR 309.4bn (60.8% of GDP) and was EUR 0.8bn lower than in the previous quarter. The share of general government debt in total debt slightly decreased to 35.2%. At the end of August 2019 official reserve assets reached about EUR 105.6bn and remained broadly adequate, covering nearly 5 months of imports.

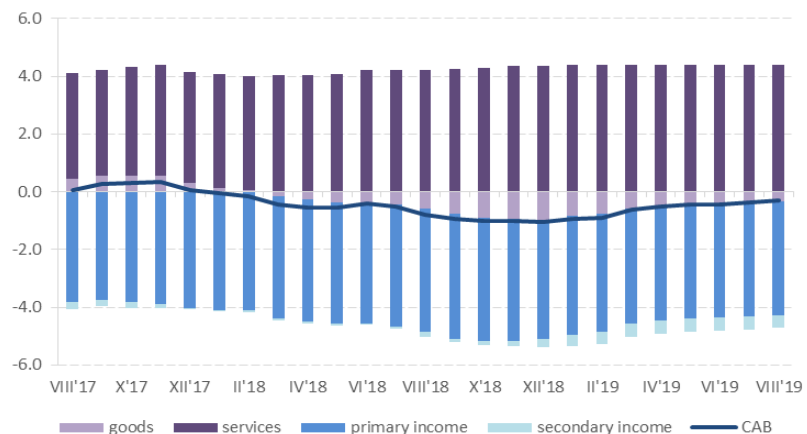


Current account balance

percent of GDP, in 12-month terms

source: NBP, GUS, MoF own calculation

In August 2019, according to the preliminary data, current account deficit amounted to 0.3% of GDP (in 12-month terms). Data were close to market expectations. The C/A deficit was with a wide margin covered by long-term capital, i.e. direct investment of non-residents and EU structural funds classified on the capital account.

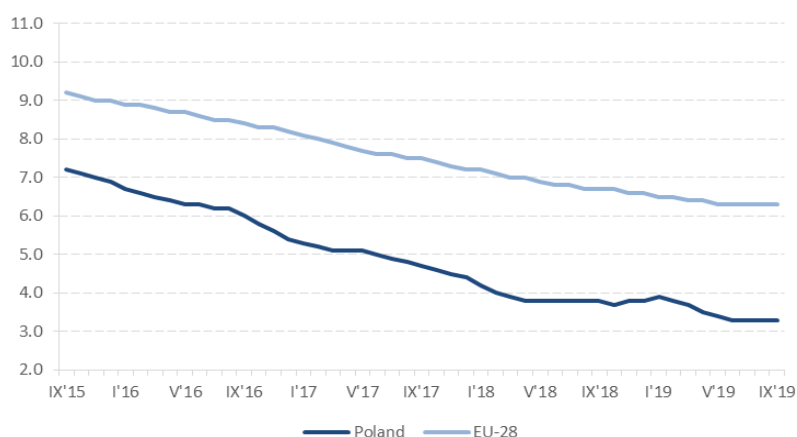




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

In September 2019 harmonised unemployment rate remained at the historically low level observed in three earlier months, i.e. 3.3% (compared to 6.3% on average in the EU).

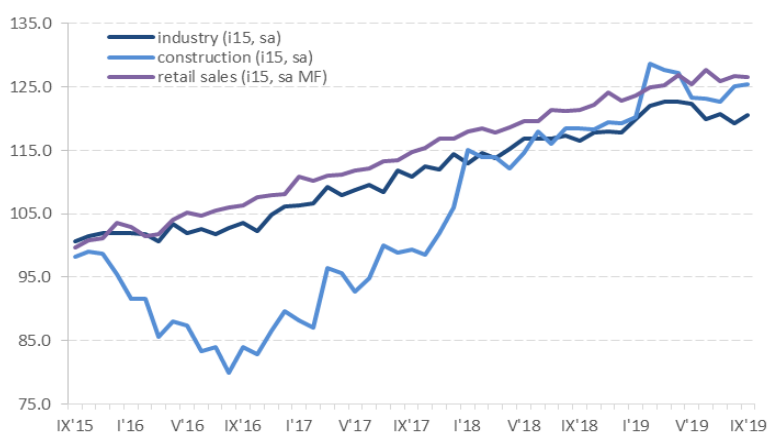


Monthly indicators of the real sector

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

In September 2019 industrial production went up by 1.2% (mom, sa) and was 5.6% higher than a year ago (nsa). Data were slightly above market expectations.

Construction and assembly production increased by 0.3% following relatively high growth in the previous month (mom, sa). As a result, it was 7.6% (nsa) higher than a year before. Data were close to MoF's expectations. Real retail sales stayed at the previous month level (mom, sa MoF) following relatively weak growth in August. As a result, retail sales were 4.4% (nsa) higher than in the same month of 2018. Data were significantly below market expectations.

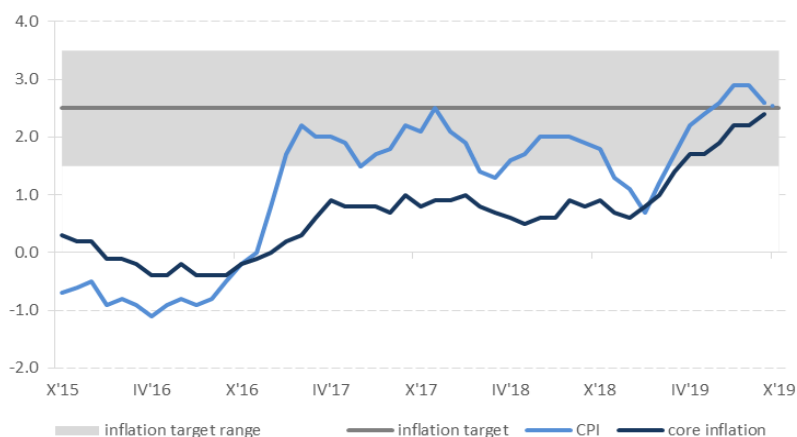


Inflation

percent, yoy
source: GUS, NBP

In the period of February - July 2019 inflation significantly increased and in the summer amounted to 2.9%. In September it decreased to 2.6% and in October to 2.5% (according to the preliminary data). Inflation in September was lower and in October consistent with expectations. From June to September 2019 inflation rate exceeded the inflation target. Core inflation (CPI excluding food and energy prices) in September reached 2.4% (yoy), the highest level since May 2012.

The annual rate of PPI in last four months remained at a relatively low level and in September it amounted to 0.9%.

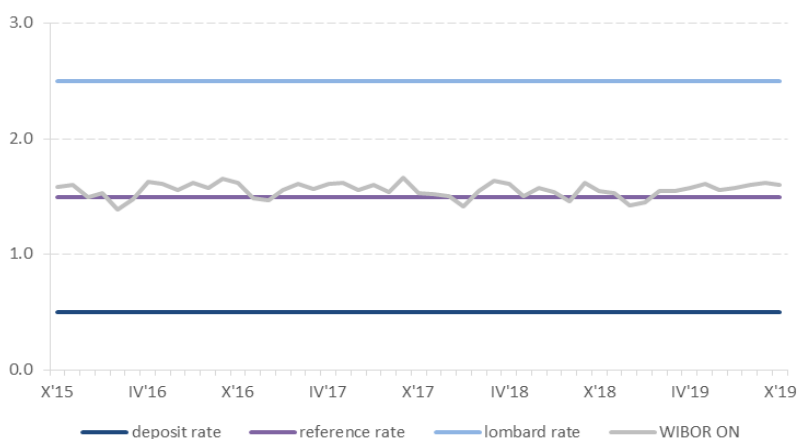


NBP interest rates

percent, end of period
source: NBP, Eurostat

In October 2019, the Monetary Policy Council kept NBP interest rates unchanged with the reference rate at 1.50%. The decision was in line with market expectations. In the Council's assessment, the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.

The latest Reuters' poll median forecast (October 30) sees no NBP rate move at least until the end of 2021.





II. STATISTICAL DATA

	Unit	2018 Q01	Q02	Q03	Q04	2019 Q01	Q02
GDP							
Gross domestic product	YoY	5.2	5.3	5.2	4.9	4.7	4.5
	QoQ SA	1.4	1.3	1.4	0.4	1.4	0.8
Final consumption expenditure of the households sector	YoY	4.6	4.8	4.4	4.2	3.9	4.4
	QoQ SA	1.2	1.1	1.1	1.3	0.4	1.2
Final consumption expenditure of the general government sector	YoY	4.5	4.5	5.2	4.7	6.4	3.4
	QoQ SA	0.9	1.6	1.4	0.9	1.2	0.4
Gross fixed capital formation	YoY	9.6	6.0	11.3	8.2	12.6	9.0
	QoQ SA	1.8	1.8	4.0	1.0	3.5	1.1
Exports of goods and services	YoY	3.8	8.1	5.3	7.9	5.9	3.9
	QoQ SA	0.3	2.9	-0.9	4.4	-0.4	1.0
Imports of goods and services	YoY	6.1	7.6	7.0	7.8	5.0	4.3
	QoQ SA	0.9	2.1	1.3	1.5	0.8	1.0
Gross value added	YoY	5.2	5.1	5.1	4.9	4.6	4.4
	QoQ SA	1.4	1.3	1.3	0.9	1.2	1.0
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	2.9	2.8	2.6	2.1	2.4	2.5
Final consumption expenditure of the general government sector	pp	0.7	0.8	0.9	0.9	1.1	0.6
Gross fixed capital formation	pp	1.1	1.0	1.9	1.9	1.6	1.5
Changes in inventories	pp	1.5	0.1	0.4	-0.3	-1.1	-0.1
Balance of trade turnover	pp	-1.0	0.6	-0.6	0.3	0.7	0.0
Gross value added	pp	4.6	4.5	4.5	4.2	4.1	3.9
Taxes less subsidies	pp	0.6	0.8	0.7	0.7	0.6	0.6
GDP structure							
Final consumption expenditure of the households sector	% of GDP	63.2	58.8	59.0	50.4	62.1	58.3
Final consumption expenditure of the general government sector	% of GDP	17.0	17.5	17.1	19.0	17.3	17.2
Gross fixed capital formation	% of GDP	12.3	16.2	17.9	24.9	13.3	16.8
Changes in inventories	% of GDP	3.3	2.3	2.1	2.3	2.2	2.2
Exports of goods and services	% of GDP	56.6	57.1	55.4	52.6	57.9	57.1
Imports of goods and services	% of GDP	53.3	52.7	52.2	49.8	53.5	52.4
Balance of payments							
	Unit	2019 M04	M05	M06	M07	M08	M09
Goods: exports (EUR)	YoY	9.4	11.6	-3.1	7.7	0.2	-
Goods: imports (EUR)	YoY	7.7	10.1	-4.7	8.4	-2.5	-
Current account balance ¹⁾	% of GDP	-0.5	-0.4	-0.4	-0.4	-0.3	-
Balance on goods ¹⁾	% of GDP	-0.5	-0.5	-0.4	-0.4	-0.3	-
Official Reserve Assets	EUR m	104 418.1	106 407.9	103 438.9	104 561.3	105 632.7	110 546.9
Inflation							
Consumer Price Index (CPI)	YoY	2.2	2.4	2.6	2.9	2.9	2.6
Core inflation (CPI excluding food and energy prices)	YoY	1.7	1.7	1.9	2.2	2.2	2.4
Producer Price Index (PPI)	YoY	2.6	1.4	0.5	0.5	0.9	0.9
Production							
Sold production of industry ²⁾	YoY	9.2	7.7	-2.6	5.8	-1.5	5.6
	MoM SA	0.0	-0.2	-2.0	0.7	-1.2	1.2
Construction and assembly production ²⁾	YoY	17.4	9.5	-0.7	6.6	2.6	7.6
	MoM SA	-0.5	-3.0	-0.2	-0.3	1.9	0.3
Manufacturing PMI	SA	49.0	48.8	48.4	47.4	48.8	47.8
Households and labour market							
Retail sales ²⁾	YoY	11.9	5.6	3.7	5.7	4.4	4.3
Average paid employment in enterprise sector	YoY	2.9	2.7	2.8	2.7	2.6	2.6
	MoM	0.0	-0.2	0.2	0.1	-0.1	-0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	4.8	5.2	2.6	4.4	3.8	3.9
	MoM	-0.7	-2.7	0.6	1.5	-1.1	-0.8
Harmonised unemployment rate (Eurostat)	%, SA	3.5	3.4	3.3	3.3	3.3	3.3
<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	2019 M03	M04	M05	M06	M07	M08
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	978 996.9	978 716.7	976 141.7	975 114.1	973 307.7	977 610.4
Domestic debt	face value, PLN m	696 242.6	696 996.8	698 328.9	701 332.2	704 330.7	706 222.8
	%	71.1	71.2	71.5	71.9	72.4	72.2
Foreign debt	face value, PLN m	282 754.3	281 719.9	277 812.8	273 781.8	268 977.1	271 387.6
	%	28.9	28.8	28.5	28.1	27.6	27.8
Public debt (domestic definition)							
	Unit	2018 Q01	Q02	Q03	Q04	2019 Q01	Q02
Public debt (acc. to the place of issue criterion)	face value, PLN m	989 235.9	984 470.7	977 304.9	984 313.5	1 005 297.9	997 882.2
Domestic debt	face value, PLN m	679 831.0	675 566.2	678 615.4	688 248.0	706 272.3	707 926.1
	%	68.7	68.6	69.4	69.9	70.3	70.9
Foreign debt	face value, PLN m	309 404.9	308 904.5	298 689.6	296 065.5	299 025.7	289 956.1
	%	31.3	31.4	30.6	30.1	29.7	29.1
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 037 347.6	1 038 301.2	1 034 499.0	1 040 289.3	1 060 631.1	1 055 667.4
Source: MoF							

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2019

as of October 31, 2019, PLN bn

Financing of the State budget borrowing requirements reached the level of ca. 88% acc. to the Budget Act¹. Acc. to the budget execution estimate² the borrowing needs were fully funded. This was a result of:

- T-bond sale on domestic market: PLN 49.7bn,
- switch auctions in 2019: PLN 29.1bn,
- T-bond sale on foreign markets: PLN 8.5bn (EUR 2.0bn),
- loans incurred from IFIs: PLN 0.8bn,
- switch auctions in 2018: PLN 28.3bn,
- T-bonds buyback on foreign markets in 2018: PLN 0.8bn (USD 0.2bn),
- higher financial resources at the end of 2018: PLN 27.0bn.

¹ Gross borrowing requirements acc. to the 2019 Budget Act: PLN 163.7bn.

² Gross borrowing requirements in 2019 acc. to the 2020 draft Budget Act: PLN 134.6bn.

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

plan as of October 31, 2019, PLN bn

Value of funds transferred from the State budget to the market in November shall amount to PLN 1.0bn (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 2019 the funds to be transferred to the market shall amount to PLN 1.0bn (as of October 31, 2019).

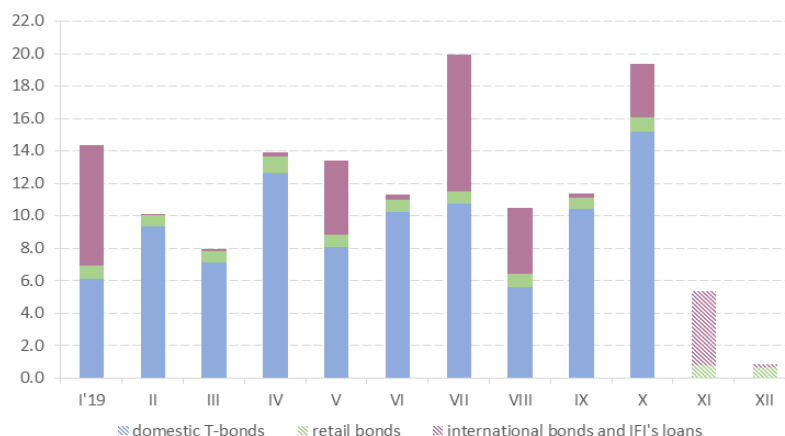
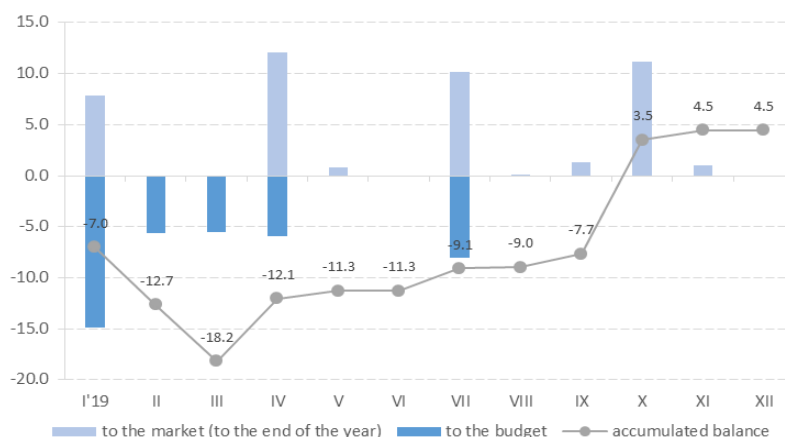
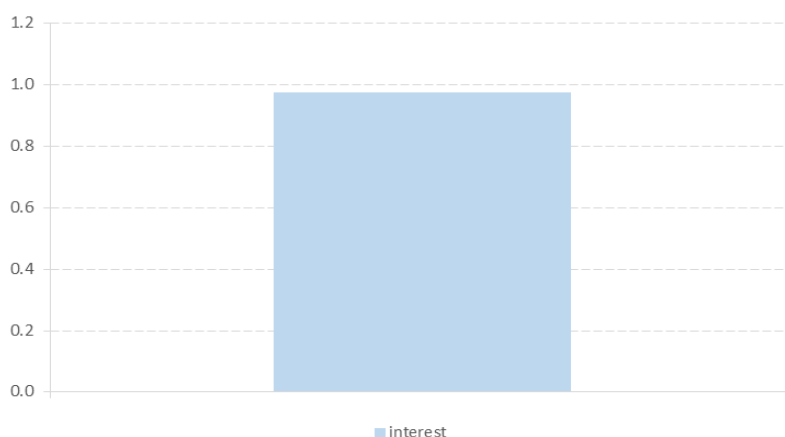
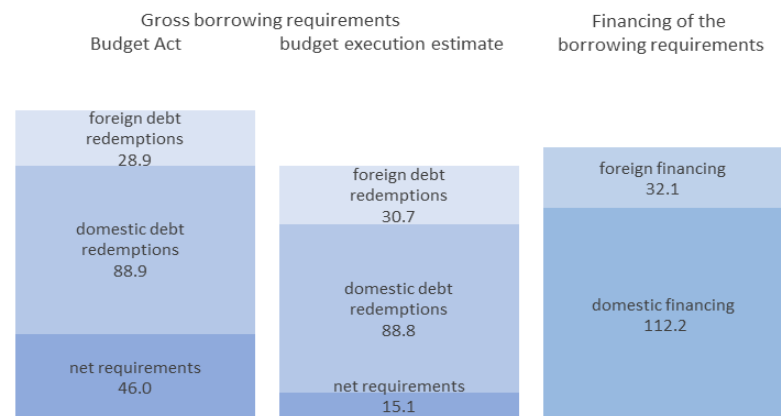
* figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to budget in the period of November to the end of 2019.

State Treasury debt redemptions in 2019

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

The nominal amount of debt to be redeemed in 2019 (as of October 31, 2019) is equal to PLN 6.2bn, including:

- retail bonds: PLN 1.5bn,
- bonds and loans incurred on foreign markets: PLN 4.7bn.



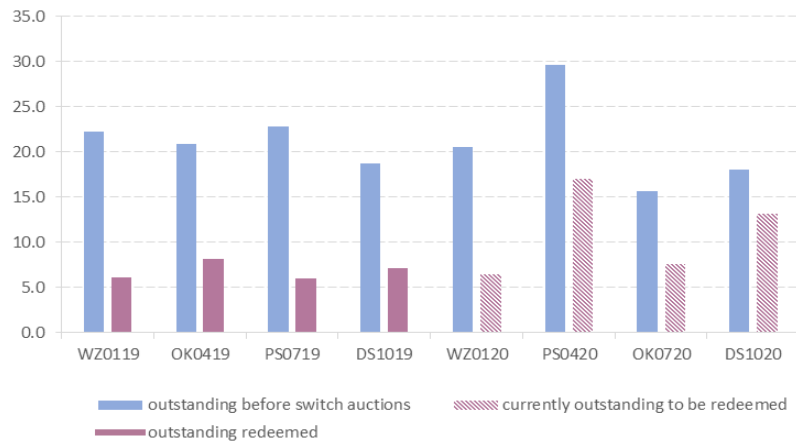


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2019 and 2020 as of October 31, 2019, nominal amount, PLN bn

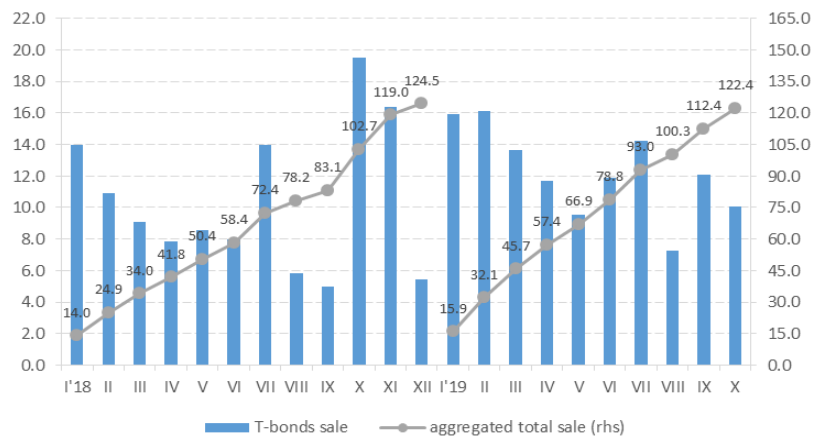
Buy-back of T-bonds maturing in 2019 and 2020:

- WZ0119: PLN 16.1bn (72% of the issuance),
- OK0419: PLN 12.7bn (61% of the issuance),
- PS0719: PLN 16.8bn (74% of the issuance),
- DS1019: PLN 11.5bn (62% of the issuance),
- WZ0120: PLN 14.1bn (68% of the issuance),
- PS0420: PLN 12.6bn (42% of the issuance),
- OK0720: PLN 8.1bn (52% of the issuance),
- DS1020: PLN 4.8bn (27% of the issuance).



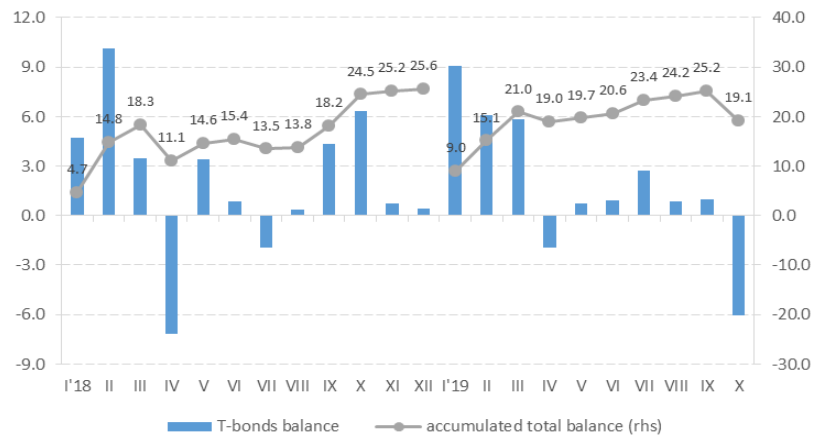
Sale of domestic T-bonds in 2018 and 2019 auction date, nominal amount, PLN bn

In the period of I-X 2019 aggregated total sale of T-bonds amounted to PLN 122.4bn versus PLN 102.7bn in the same period of 2018.



Balance of domestic T-bonds in 2018 and 2019 auction date, nominal amount, PLN bn

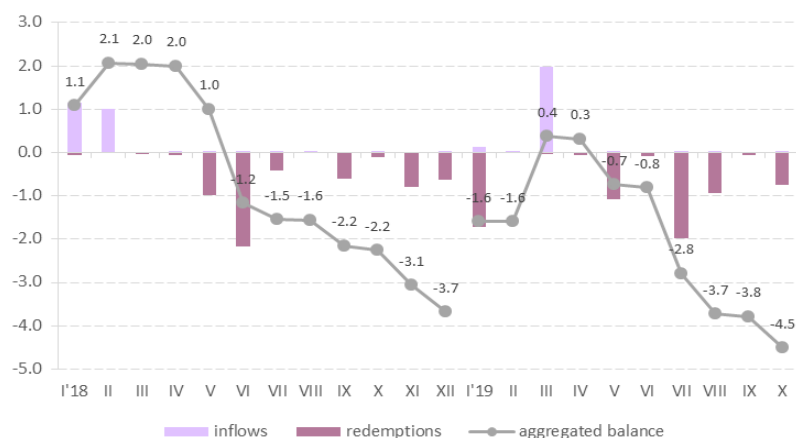
In the period of I-X 2019 indebtedness in T-bonds increased by PLN 19.1bn versus an increase of PLN 24.5bn in the same period of 2018.



External financing in 2018 and 2019 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 2019 was negative and amounted to EUR 4.5bn (negative balance of EUR 2.2bn in the same period of 2018) which resulted from:

- negative balance of T-bonds of EUR 3.6bn (negative balance of EUR 1.9bn in the same period of 2018),
- negative balance of loans incurred from IFIs of EUR 0.9bn (negative balance of EUR 0.4bn in the same period of 2018).



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

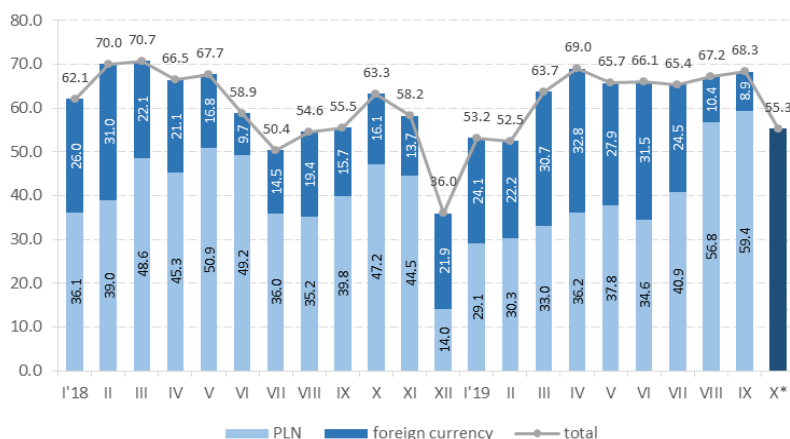


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of October 2019 there was an equivalent of PLN 55.3bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

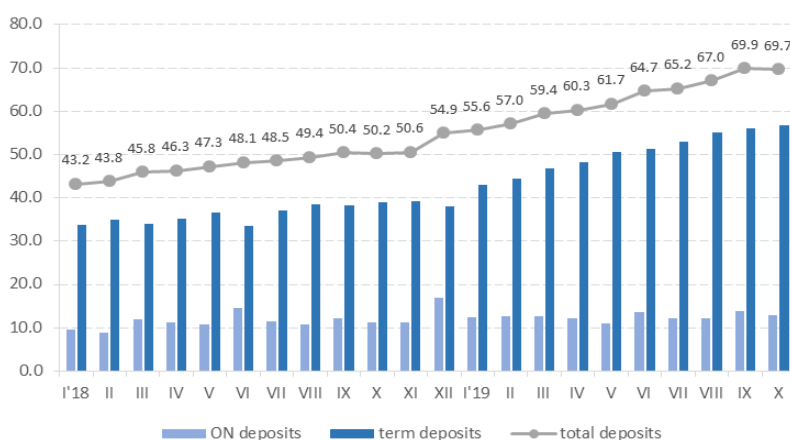
* estimated data



Consolidation of public finance sector liquidity management

PLN bn

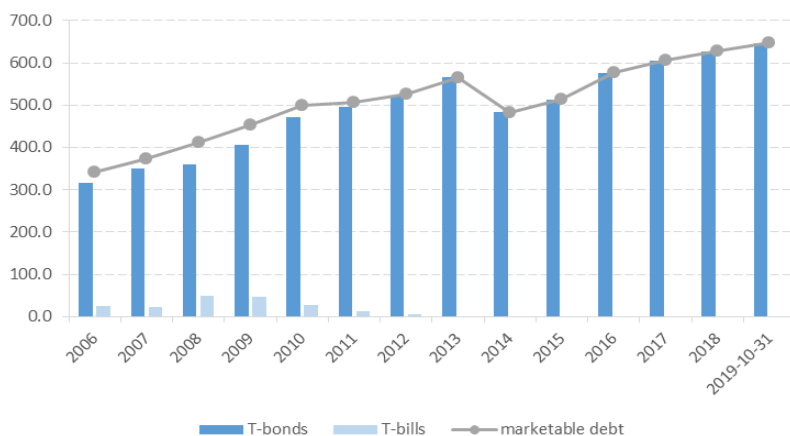
As a result of consolidation of the public finance sector liquidity management there were PLN 69.7bn funds accumulated at the end of October 2019, of which: PLN 56.7bn was on term deposits and PLN 13.0bn on ON deposits.



Structure of marketable debt

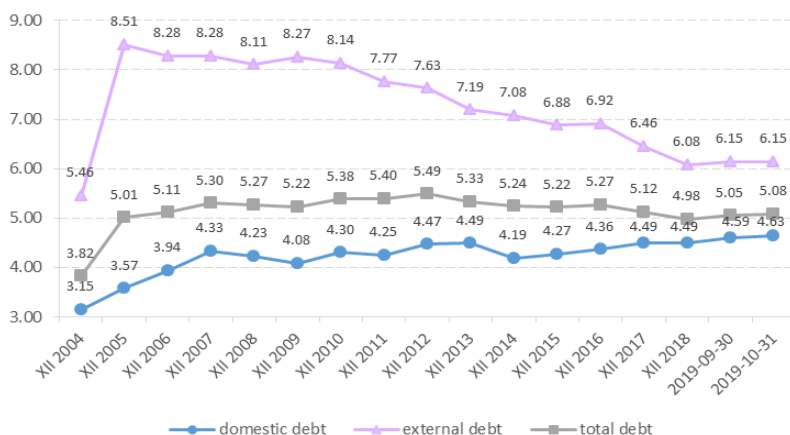
PLN bn

The marketable domestic debt amounted to PLN 647.2bn at the end of October 2019 comparing to PLN 627.1bn at the end of 2018.



Average maturity

The average maturity of domestic debt amounted to 4.63 years at the end of October 2019 (4.49 years at the end of 2018). The average of total debt amounted to 5.08 years (4.98 years at the end of 2018).



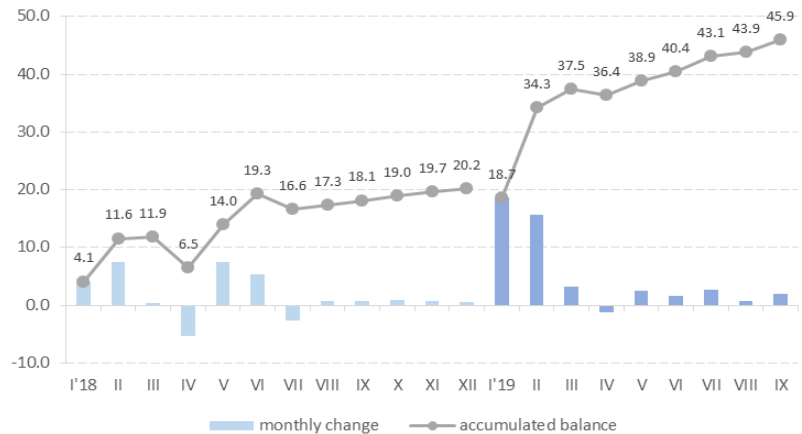


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic Treasury securities held by banks

PLN bn

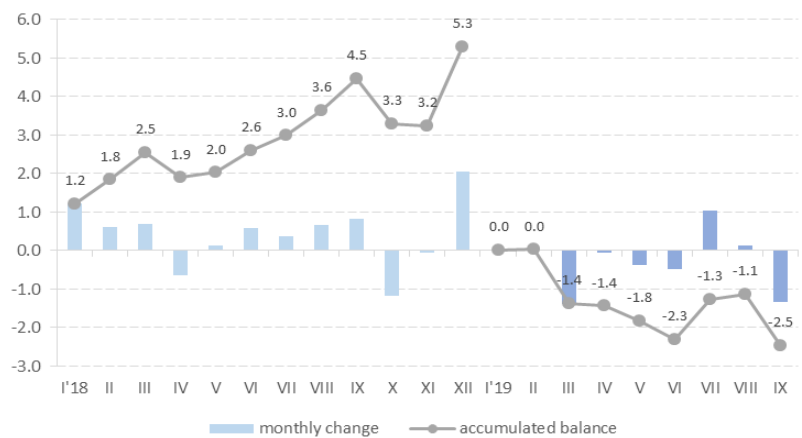
In the period of I-IX 2019 there was an increase of debt by PLN 45.9bn comparing to PLN 18.1bn increase during the same period of 2018. Banks' holdings reached the level of PLN 310.0bn.



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

PLN bn

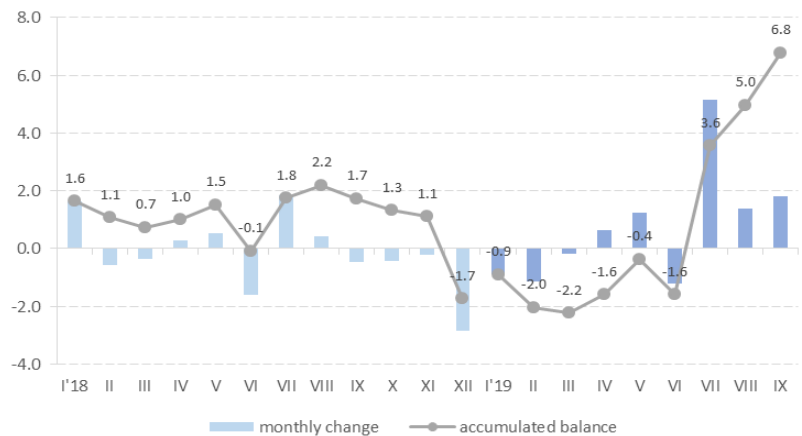
In the period of I-IX 2019 there was a decrease of debt by PLN 2.5bn comparing to PLN 4.5bn increase during the same period of 2018. Insurance companies' holdings reached the level of PLN 62.6bn.



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

PLN bn

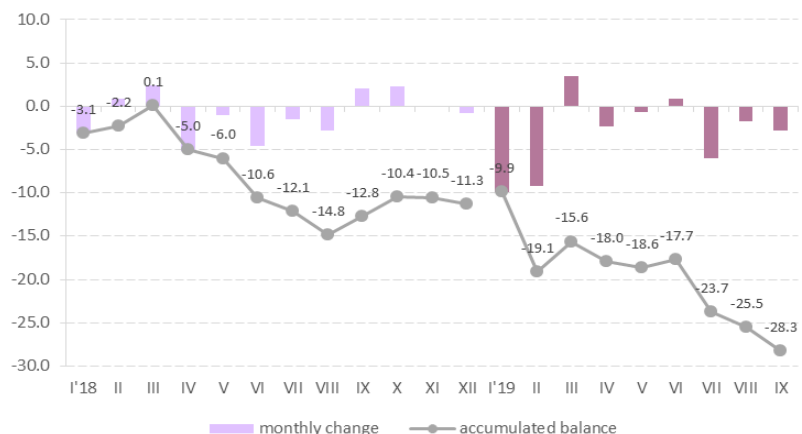
In the period of I-IX 2019 there was an increase of debt by PLN 6.8bn comparing to PLN 1.7bn increase in the same period of 2018. Investment funds' holdings reached the level of PLN 62.1bn.



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

PLN bn

In the period of I-IX 2019 there was a decrease of debt by PLN 28.3bn comparing to PLN 12.8bn decrease in the same period of 2018. Foreign investors' holdings reached the level of PLN 163.2bn.



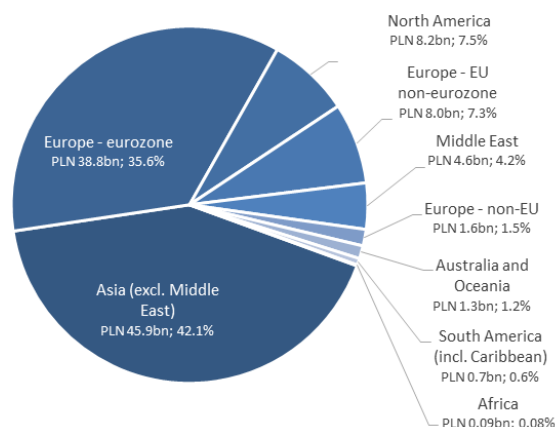
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

as of September 30, 2019, the chart presents data excluding omnibus accounts

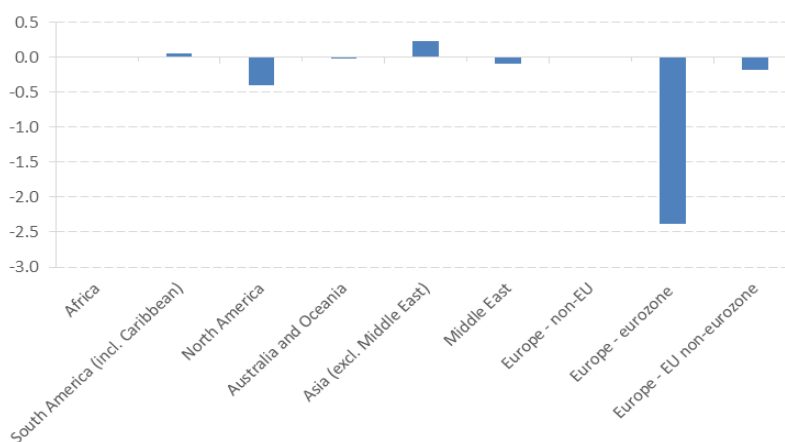
The non-residents' share in the domestic Treasury securities market decreased by PLN 2.8bn in September 2019. The foreign investors' portfolio amounted to PLN 163.2bn, which constituted 24.1% share in total debt in Treasury securities (24.6% in the previous month).



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

change in September 2019, mom, PLN bn, the chart presents data excluding omnibus accounts

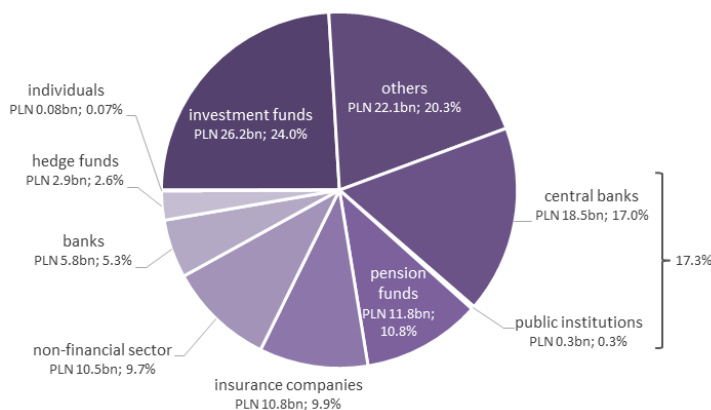
In September 2019 the highest increase was recorded by investors from Asia (PLN 0.2bn), while the highest decrease was noted by eurozone investors (PLN 2.4bn).



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

as of September 30, 2019, the chart presents data excluding omnibus accounts

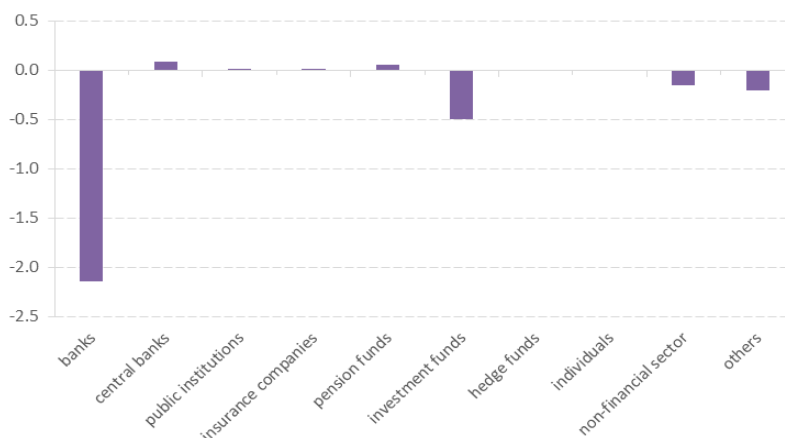
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 17.3% at the end of September 2019.



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

change in September 2019, mom, PLN bn, the chart presents data excluding omnibus accounts

In September 2019 the highest increase was recorded by central banks (PLN 0.1bn) and the highest decrease was noted by banks (PLN 2.1bn).



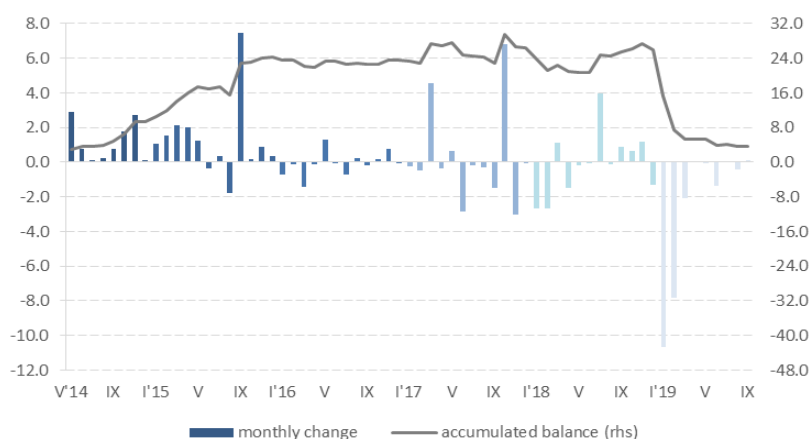


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in September 2019, PLN bn

Central banks and public institutions' involvement increased by PLN 0.1bn in September 2019. In the period from the end of April 2014 to the end of September 2019, for which the detailed information is available, portfolios of those entities increased by PLN 3.7bn.



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

as of September 30, 2019, 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	24 820.9	27.4%
Luxembourg	13 679.7	15.1%
Netherlands	8 373.6	9.3%
United States	7 009.8	7.7%
Ireland	6 639.3	7.3%
Germany	6 075.8	6.7%
United Kingdom	5 269.0	5.8%
Hong Kong	2 319.9	2.6%
United Arab Emirates	1 988.0	2.2%
France	1 906.7	2.1%
Switzerland	1 495.2	1.7%
Australia	1 137.2	1.3%
Italy	1 109.5	1.2%
Denmark	968.9	1.1%
Canada	905.3	1.0%
Others	6 757.1	7.5%
Total	90 455.9	100.0%

Comment

Piotr Nowak, Undersecretary of State, MoF

31-10-2019

The level of prefinancing next year's gross borrowing requirements according to the draft budget act amounts to ca. 28%, which was a result of switch auctions. At the end of October the liquid funds on the budgetary accounts reached ca. PLN 55bn.

Both auctions planned for November will be switch auctions.

In September indebtedness in domestic T-bond market increased by PLN 0.9bn. The involvement of domestic banks increased by PLN 2.0bn and domestic non-banking sector by PLN 1.7bn. Involvement of non-residents decreased by PLN 2.8bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN NOVEMBER 2019



T-bond sale auctions

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)*
7 NOV 2019 / 12 NOV 2019	OK0722 / PS1024 / WZ0525/ DS1029 / WZ1129 / possible T-bond either of WS or IZ type	WZ0120	6,211
		PS0420	16,345
		OK0720	6,786
		DS1020	12,425
21 NOV 2019 / 25 NOV 2019	OK0722 / PS1024 / WZ0525/ DS1029 / WZ1129 / possible T-bond either of WS or IZ type	WZ0120	6,211
		PS0420	16,345
		OK0720	6,786
		DS1020	12,425

* after settlement of auction held on November 7, 2019.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0220 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.50% per year
DOS1121 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 2.10%
TOZ1122 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 2.20% in the first coupon period
COI1123 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 2.40% in the first coupon period
EDO1129 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%); 2.70% in the first coupon period
ROS1125 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.75%); 2.80% in the first coupon period
ROD1131 family bonds 12-year	100.00 PLN	Floating (inflation rate + 2.00%); 3.20% in the first coupon period