

State budget borrowing requirements' financing plan and its background

September 2021

THE MOST IMPORTANT INFORMATION

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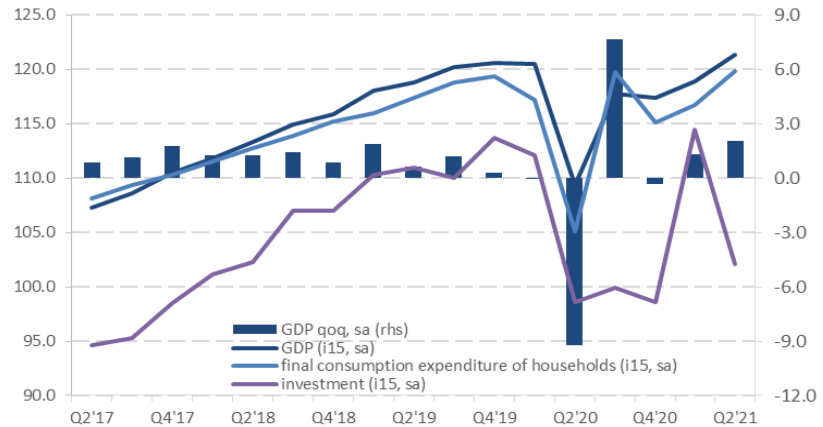


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

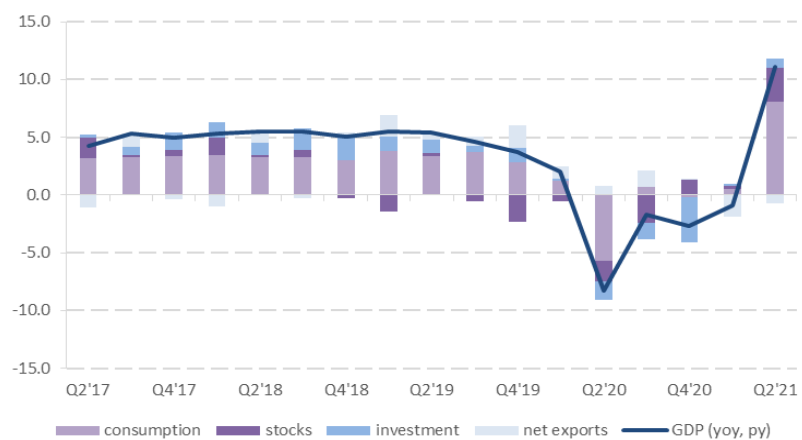
The beginning of 2021 brought a clear improvement in economic activity in Poland. Despite the third wave of the pandemic and strengthening of virus containment measures, GDP increased by 1.3% (qoq, sa) in the first quarter of 2021. In the second quarter this positive tendency was continued - the growth rate even accelerated to 2.1%. As a result, real GDP (sa) exceeded the pre-pandemic level (level from Q4 2019). Growth of households consumption accelerated to 2.7% (qoq, sa). On the other hand, investment decreased by 10.8% (qoq, sa) after strong rebound in the previous quarter.



Contributions to Polish GDP growth

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

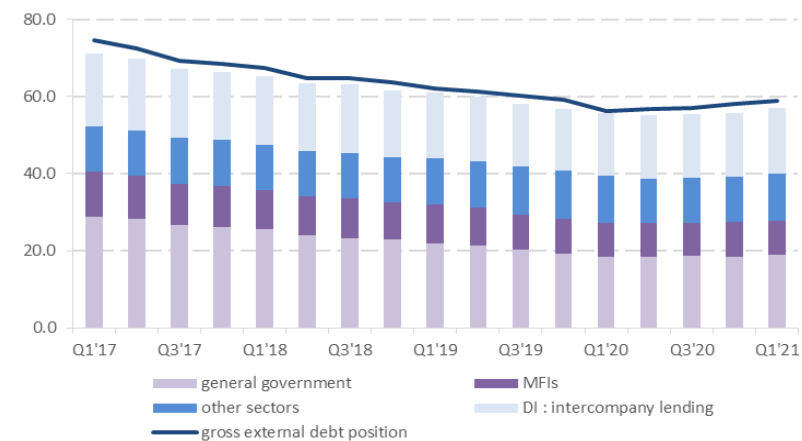
In the second quarter of 2021 GDP was 11.1% (py) higher than in the previous year, boosted by low statistical base. Households and public consumption increased by 13.3% and 3.8% (yoy, py), respectively. Investment was also higher than in the same period of 2020. Due to stronger imports than exports dynamics contribution of foreign trade to GDP growth was negative again.



Polish gross external debt position

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

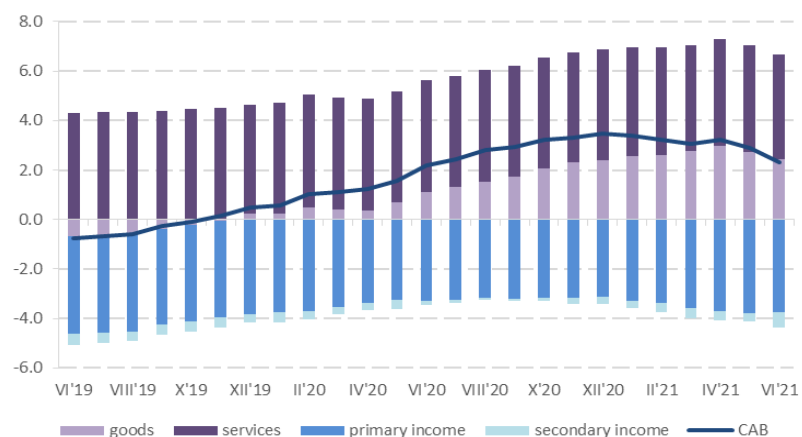
At the end of the first quarter of 2021 gross external debt reached EUR 307.7bn (58.9% of GDP) and was EUR 4.0bn higher than in the previous quarter. The share of general government sector debt in total debt increased slightly to 32.0%. At the end of June 2021 official reserve assets reached EUR 134.1bn and remained broadly adequate, covering about 6 months of imports.



Current account balance

percent of GDP, in 12-month terms
source: NBP, GUS, MoF own calculation

In June 2021, according to preliminary data, current account surplus narrowed to 2.3% of GDP (in 12-month terms). Foreign sales remained in upward trend, however due to stronger imports than exports dynamics positive balance on goods decreased to 2.4% of GDP. Due to recovery of foreign investors' income on their capital involvement in Polish entities, primary income deficit returned to its pre-pandemic level.

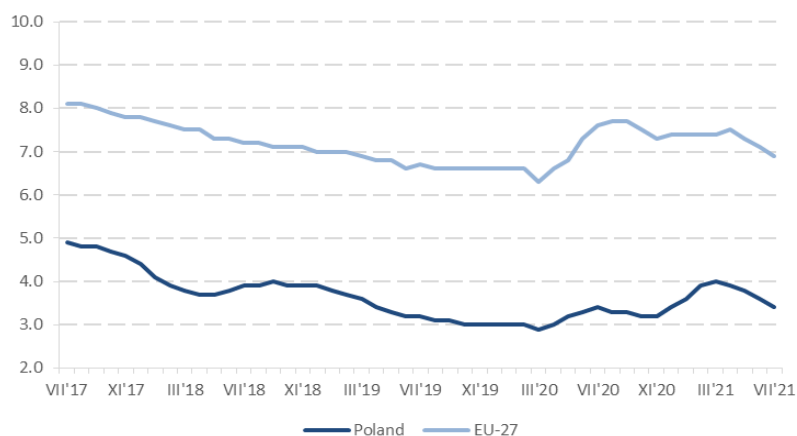




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

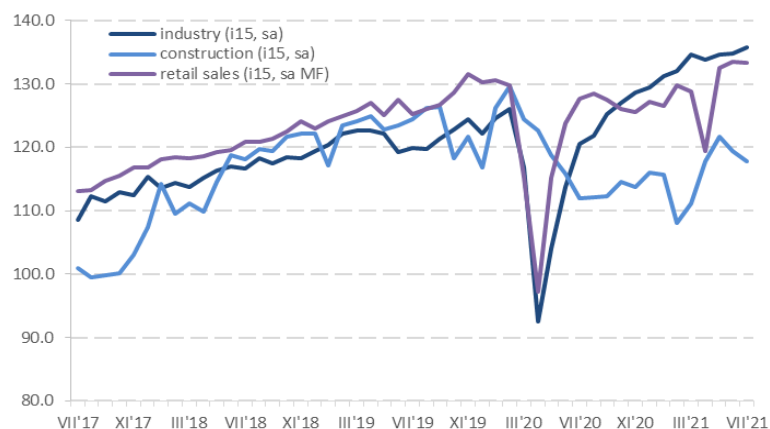
Harmonised unemployment rate (sa) slightly decreased for a fourth month in a row to 3.4% in July 2021, the same level as a year earlier. It was much lower than in the EU-27 and the eurozone, on average (in July 2021 6.9% and 7.6%, respectively).



Monthly indicators of the real sector

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

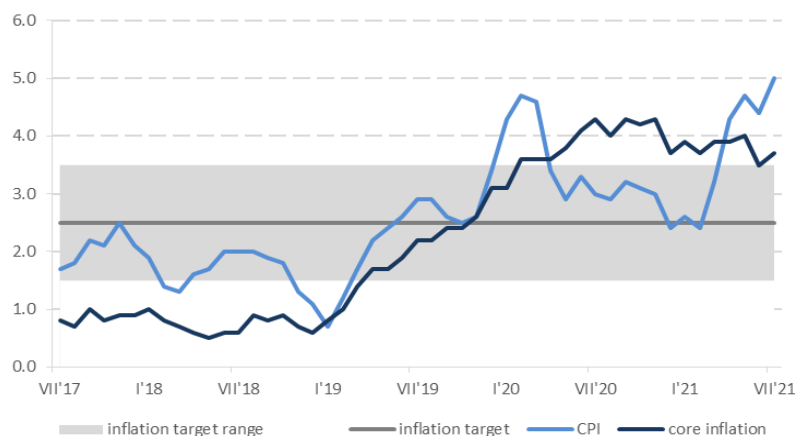
In July 2021 industrial production increased by 0.7% (mom, sa) and was 9.8% higher than a year ago (nsa). Data were slightly below market expectations. Construction production declined by 1.3% for the second time in a row (mom, sa). As a result its level was 3.3% (nsa) higher than a year ago. Data were weaker than expectations. Retail sales decreased slightly (mom, sa MF) following the growths in the previous two months. The retail sales level was 3.9% higher than a year before. Data were close to market expectations.



Inflation

percent, yoy
source: GUS, NBP

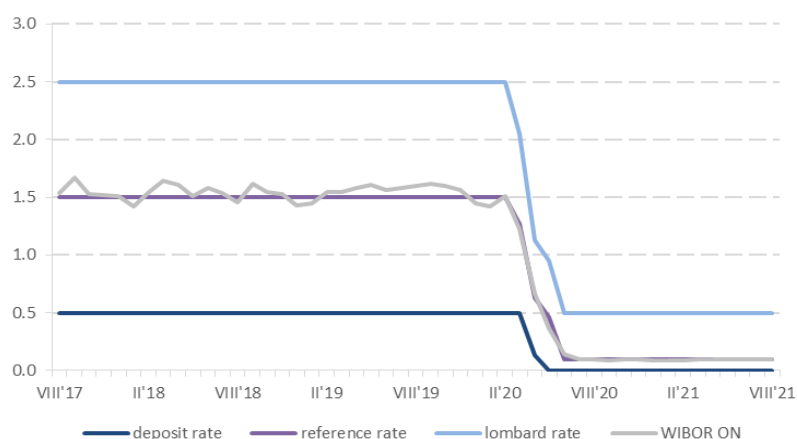
Since March 2021 inflation rate has accelerated achieving 5.0% yoy in July (the highest level for 10 years). Due to rise of crude oil prices on international markets, energy prices increased considerably. Core inflation (CPI excluding food and energy prices) was still high and in July it achieved 3.7% (yoy). Higher inflation rate was also affected by the low base from the previous year connected with the pandemic outbreak. In August, according to preliminary data, inflation rose to 5.4% and was higher than market expectations. Because of high commodity prices and supply lack, producer prices also rose considerably. In July they were higher than a year before by 8.2%.



NBP interest rates

percent, monthly average
source: NBP, Refinitiv

The NBP's interest rates have remained on hold since end-May 2020. The reference rate is 0.1%, the lombard rate amounts to 0.5% and the deposit rate is 0.0%. Since March 2020 the NBP has purchased government securities and government-guaranteed debt securities on the secondary market. Till the end of August 2021 central bank purchased PLN 141.3bn (face value) in debt securities. According to the Monetary Policy Council the NBP's monetary policy supports the consolidation of economic recovery following the pandemic-induced recession and stabilises inflation at the level consistent with the NBP's inflation target in the medium term.





II. STATISTICAL DATA

	Unit	2020 Q01	Q02	Q03	Q04	2021 Q01	Q02
GDP							
Gross domestic product	YoY	2.0	-8.3	-1.7	-2.7	-0.9	11.1
	QoQ SA	-0.1	-9.2	7.7	-0.3	1.3	2.1
Final consumption expenditure of the households sector	YoY	1.2	-10.8	0.4	-3.2	0.2	13.3
	QoQ SA	-1.8	-10.3	13.9	-3.9	1.4	2.7
Final consumption expenditure of the general government sector	YoY	2.5	3.4	3.0	7.7	2.5	3.8
	QoQ SA	1.6	0.7	1.0	1.6	0.0	1.2
Gross fixed capital formation	YoY	1.7	-9.8	-8.2	-15.4	1.3	5.0
	QoQ SA	-1.4	-12.0	1.4	-1.3	16.0	-10.8
Exports of goods and services	YoY	2.7	-13.7	2.3	7.6	5.7	29.3
	QoQ SA	1.9	-16.7	20.8	5.0	-0.1	2.4
Imports of goods and services	YoY	0.8	-16.6	-0.3	8.2	10.0	35.8
	QoQ SA	0.8	-17.1	23.7	4.1	2.5	2.5
Gross value added	YoY	2.0	-8.0	-2.0	-3.0	-1.3	10.2
	QoQ SA	0.1	-9.4	7.4	0.4	1.4	1.2
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	0.7	-6.2	0.2	-1.7	0.1	7.4
Final consumption expenditure of the general government sector	pp	0.5	0.5	0.5	1.5	0.4	0.7
Gross fixed capital formation	pp	0.2	-1.6	-1.4	-3.9	0.2	0.8
Changes in inventories	pp	-0.5	-1.8	-2.4	1.3	0.3	2.9
Balance of trade turnover	pp	1.1	0.8	1.4	0.1	-1.9	-0.7
Gross value added	pp	1.8	-7.0	-1.8	-2.7	-1.2	9.0
GDP structure							
Final consumption expenditure of the households sector	% of GDP	61.4	55.4	59.0	49.1	60.3	56.6
Final consumption expenditure of the general government sector	% of GDP	17.7	19.4	18.4	21.2	17.9	18.2
Gross fixed capital formation	% of GDP	12.8	15.8	16.0	21.3	12.7	14.7
Changes in inventories	% of GDP	1.2	0.8	-0.9	0.8	2.1	3.5
Exports of goods and services	% of GDP	57.6	52.3	56.4	56.6	61.0	62.4
Imports of goods and services	% of GDP	51.6	44.7	49.8	49.6	54.9	56.3
Balance of payments							
	Unit	2021 M02	M03	M04	M05	M06	M07
Goods: exports (EUR)	YoY	6.3	28.9	69.2	41.7	23.9	-
Goods: imports (EUR)	YoY	5.8	24.3	59.7	53.7	36.3	-
Current account balance ¹⁾	% of GDP	3.2	3.1	3.2	2.9	2.3	-
Balance on goods ¹⁾	% of GDP	2.6	2.8	3.0	2.7	2.4	-
Official Reserve Assets	EUR m	134 764.3	134 814.3	128 703.1	133 383.4	134 110.3	136 926.6
Inflation							
Consumer Price Index (CPI)	YoY	2.4	3.2	4.3	4.7	4.4	5.0
Core inflation (CPI excluding food and energy prices)	YoY	3.7	3.9	3.9	4.0	3.5	3.7
Producer Price Index (PPI)	YoY	2.2	4.2	5.5	6.6	7.2	8.2
Production							
Sold production of industry ²⁾	YoY	2.5	18.6	44.2	29.7	18.1	9.8
	MoM SA	0.5	2.0	-0.6	0.7	0.1	0.7
Construction and assembly production ²⁾	YoY	-16.9	-10.8	-4.2	4.7	4.5	3.3
	MoM SA	-6.6	2.8	6.0	3.4	-1.9	-1.3
Manufacturing PMI	SA	53.4	54.3	53.7	57.2	59.4	57.6
Households and labour market							
Retail sales ²⁾	YoY	-3.1	15.2	21.1	13.9	8.6	3.9
Average paid employment in enterprise sector	YoY	-1.7	-1.3	0.9	2.7	2.8	1.8
	MoM	0.3	-0.1	-0.2	0.3	0.3	0.0
Average monthly gross wages and salaries in enterprise sector (real)	YoY	2.0	4.7	5.3	5.2	5.1	3.6
	MoM	0.1	5.4	-2.9	-3.2	2.8	0.5
Harmonised unemployment rate (Eurostat)	%, SA	3.9	4.0	3.9	3.8	3.6	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 M01	M02	M03	M04	M05	M06
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 089 613.3	1 122 205.5	1 131 763.0	1 122 147.1	1 125 467.6	1 133 647.5
Domestic debt	face value, PLN m	828 645.7	845 111.7	847 671.6	851 752.5	854 274.5	858 992.1
	%	76.0	75.3	74.9	75.9	75.9	75.8
Foreign debt	face value, PLN m	260 967.6	277 093.8	284 091.3	270 394.6	271 193.1	274 655.4
	%	24.0	24.7	25.1	24.1	24.1	24.2
Public debt (domestic definition)							
	Unit	2019 Q04	2020 Q01	Q02	Q03	Q04	2021 Q01
Public debt (acc. to the place of issue criterion)	face value, PLN m	990 948.4	1 045 474.8	1 097 298.7	1 106 292.0	1 111 806.1	1 152 655.2
Domestic debt	face value, PLN m	716 183.7	744 617.7	825 499.1	824 082.3	823 541.9	846 216.1
	%	72.3	71.2	75.2	74.5	74.1	73.4
Foreign debt	face value, PLN m	274 764.7	300 857.2	271 799.6	282 209.7	288 264.2	306 439.2
	%	27.7	28.8	24.8	25.5	25.9	26.6
General government debt (EU definition)							
General government debt	face value, PLN m	1 045 646.3	1 103 695.0	1 255 644.7	1 306 455.0	1 336 091.0	1 389 836.8

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2021

as of August 31, 2021, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 80% was a result of:

- T-bond sale on domestic market: PLN 66.4bn,
- switch auctions in 2021: PLN 24.2bn,
- switch auctions in 2020: PLN 41.1bn,
- loans from the European Union under the SURE instrument in the amount of PLN 32.9bn,
- loans incurred from international financial institutions (IFIs): PLN 0.4bn,
- higher financial resources at the end of 2020: PLN 62.0bn.

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

plan as of August 31, 2021, PLN bn

Value of funds transferred from the State budget to the market in September shall amount to PLN 1.3bn (interest payments).

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

From September to the end of 2021 the funds to be transferred to the domestic market shall amount to PLN 17.4bn (as of August 31, 2021).

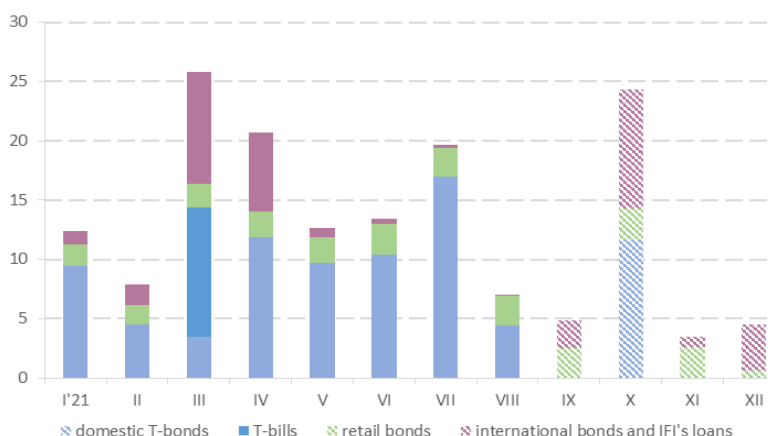
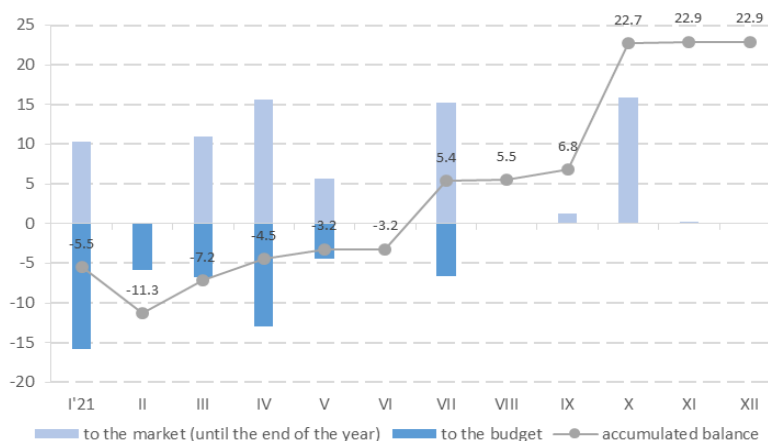
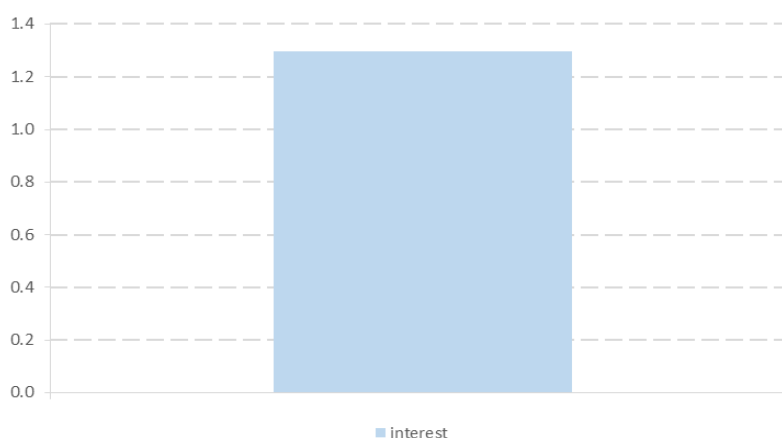
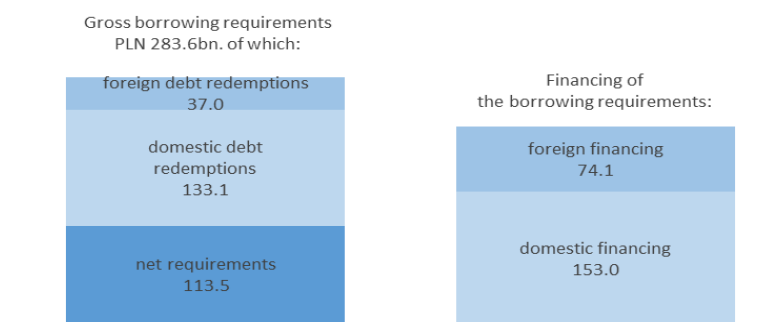
* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget in the period of September to the end of 2021 is not presented.

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 August 31, 2021) is equal to PLN 37.2bn, including:

- T-bonds: PLN 11.6bn,
- retail bonds: PLN 8.3bn,
- bonds and loans incurred on foreign markets: PLN 17.3bn.





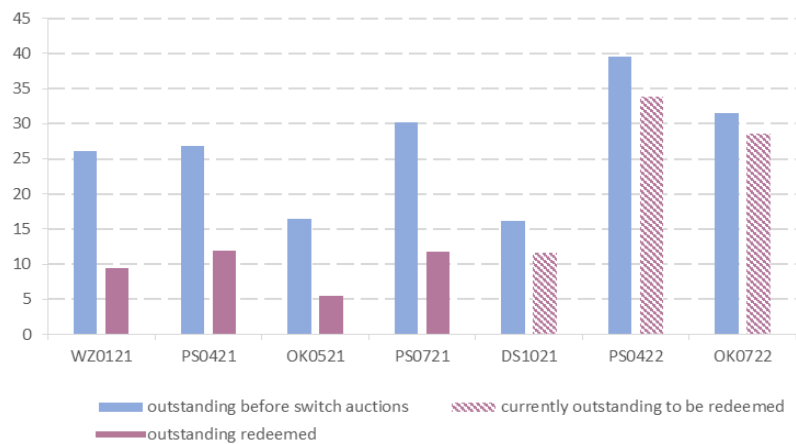
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

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

- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 14.9bn (56% of the issuance),
- OK0521: PLN 11.0bn (67% of the issuance),
- PS0721: PLN 18.5bn (61% of the issuance),
- DS1021: PLN 4.6bn (28% of the issuance),
- PS0422: PLN 5.8bn (15% of the issuance),
- OK0722: PLN 2.9bn (9% of the issuance).

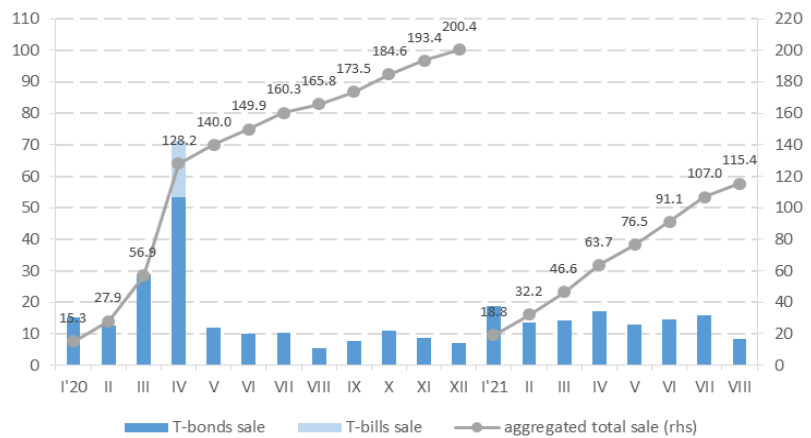


Sale of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-VIII 2021:

- aggregated total sale of T-bonds amounted to PLN 115.4bn, versus PLN 148.0bn in the same period of 2020;
- T-bills were not sold versus PLN 17.7bn sold in 2020.



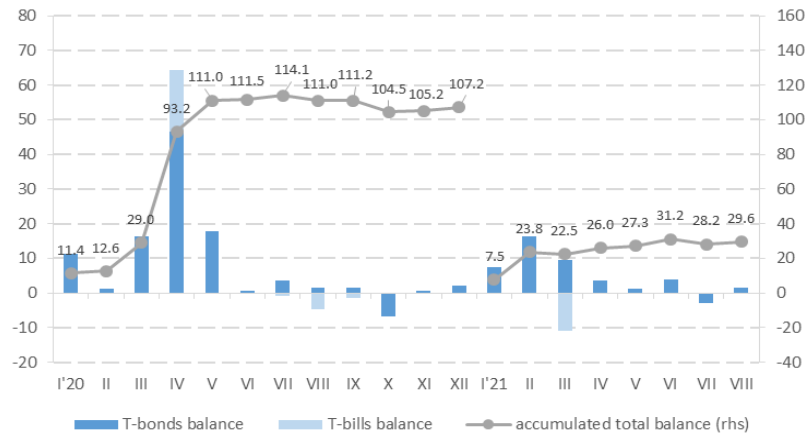
Balance of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-VIII 2021 indebtedness in:

- T-bonds increased by PLN 40.5bn versus an increase of PLN 98.8bn in the same period of 2020,
- T-bills decreased by PLN 10.9bn versus increase of PLN 12.2bn in the same period of 2020.

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.

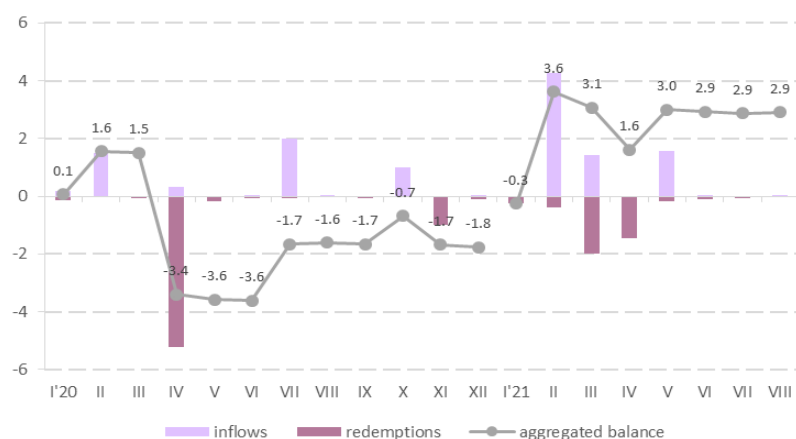


External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-VIII 2021 was positive and amounted to EUR 2.9bn, which resulted from:

- negative balance of T-bonds issuance of EUR 4.0bn,
- negative balance of loans from IFIs at the level of EUR 0.4bn,
- loans from the European Union under the SURE instrument in the amount of EUR 7.2bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

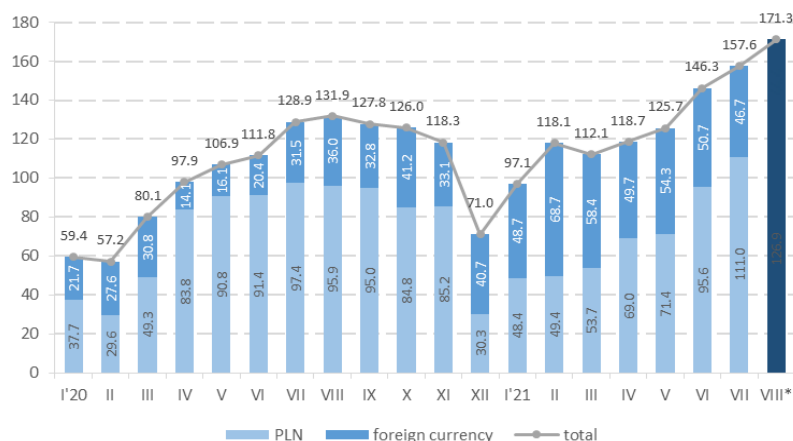


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of August 2021 there was equivalent of PLN 171.3bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

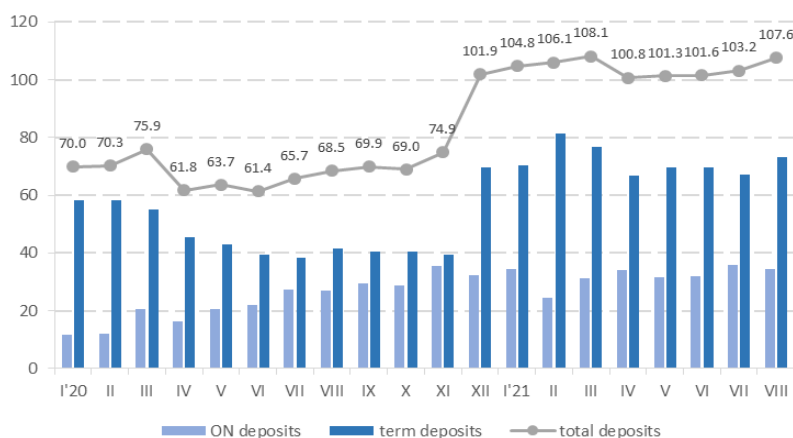
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

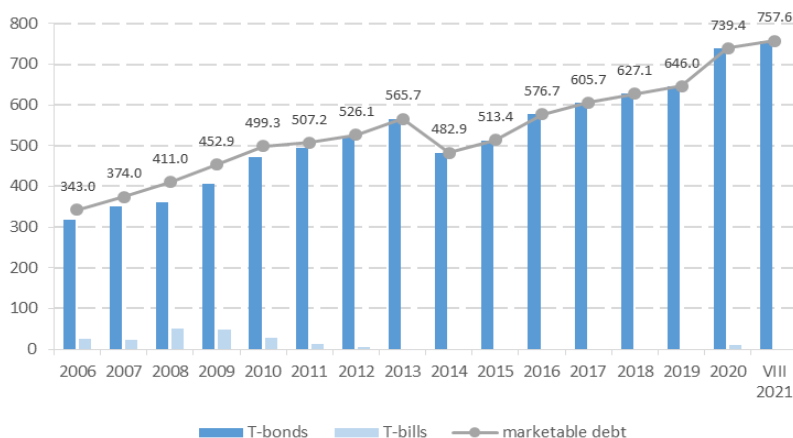
As a result of consolidation of the public finance sector liquidity management there were PLN 107.6bn funds accumulated at the end of August 2021, of which: PLN 73.3bn was on term deposits and PLN 34.3bn on ON deposits.



Structure of domestic marketable debt

PLN bn

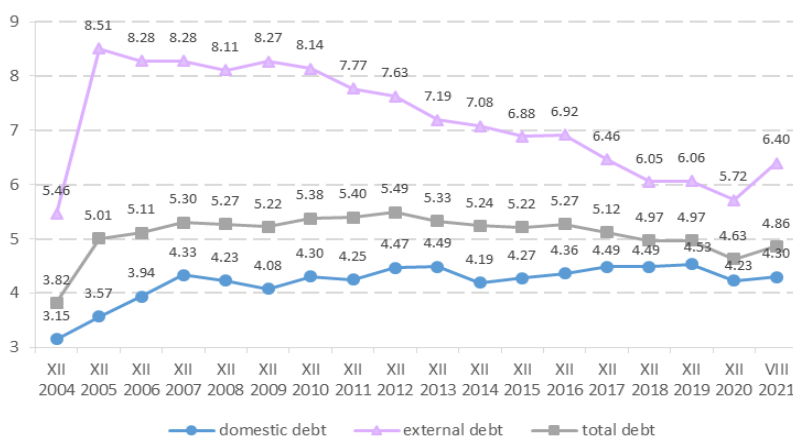
The marketable domestic debt amounted to PLN 757.6bn at the end of August 2021, comparing to PLN 739.4bn at the end of 2020.



Average maturity

years

The average maturity of the domestic debt amounted to 4.30 years at the end of August 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.86 years (4.63 years at the end of 2020).



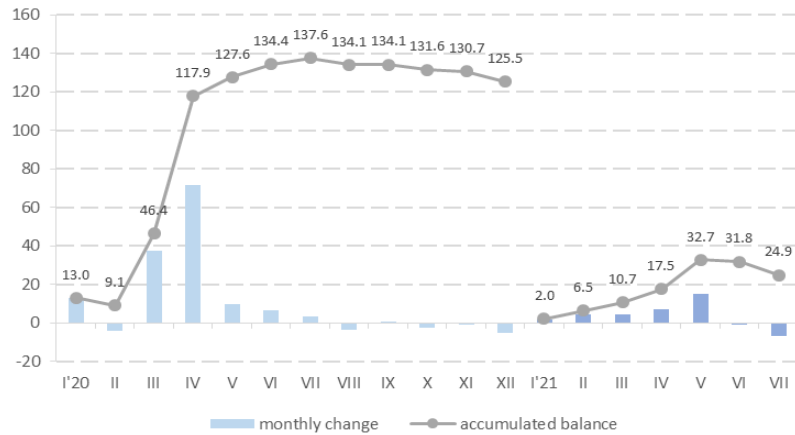


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

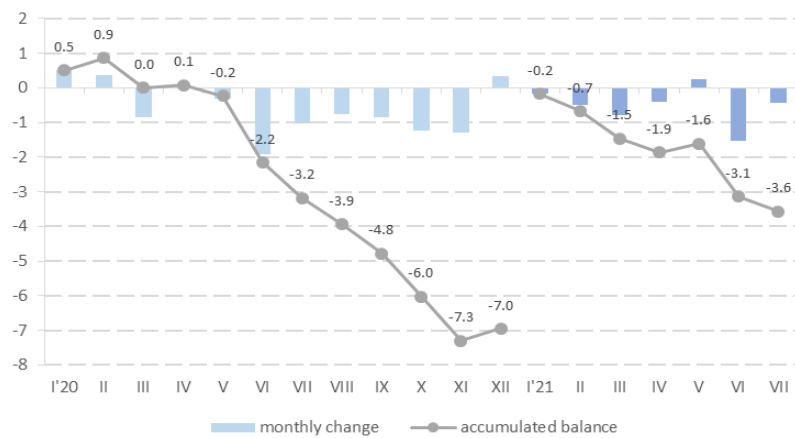
In the period of I-VII 2021 there was an increase of debt by PLN 24.9bn comparing to PLN 137.6bn increase during the same period of 2020. Banks' holdings reached the level of PLN 455.4bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

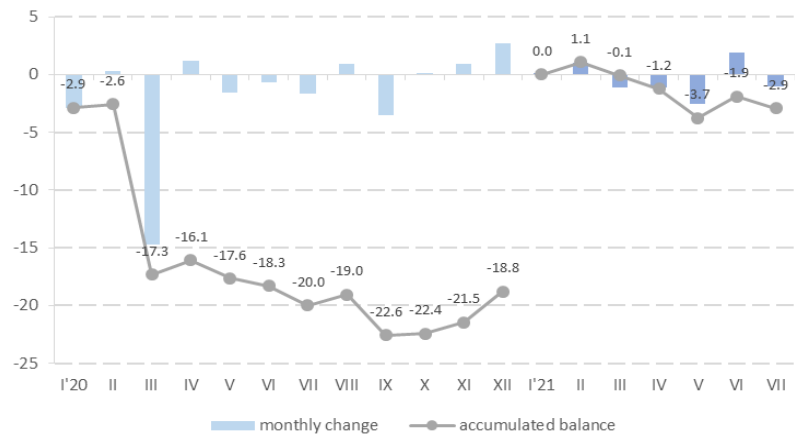
In the period of I-VII 2021 there was a decrease of debt by PLN 3.6bn comparing to PLN 3.2bn decrease in debt during the same period of 2020. Insurance companies' holdings reached the level of PLN 53.8bn.



Change of debt in the domestic TS held by investment funds

PLN bn

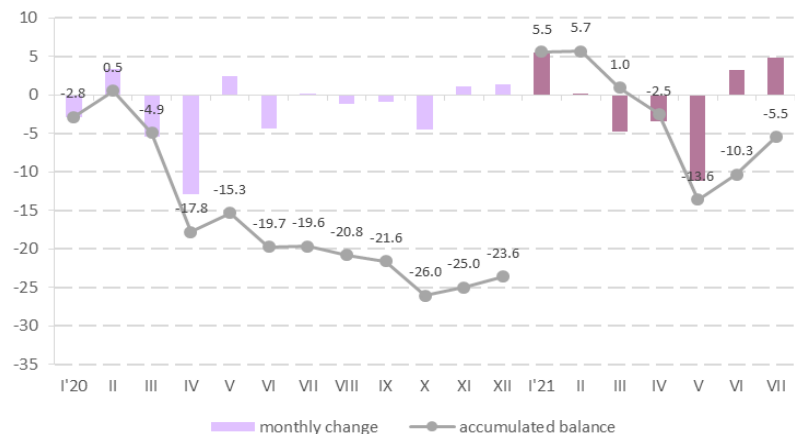
In the period of I-VII 2021 there was a decrease of debt by PLN 2.9bn comparing to PLN 20.0bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 45.7bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-VII 2021 there was a decrease of debt by PLN 5.5bn comparing to PLN 19.6bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 128.3bn.



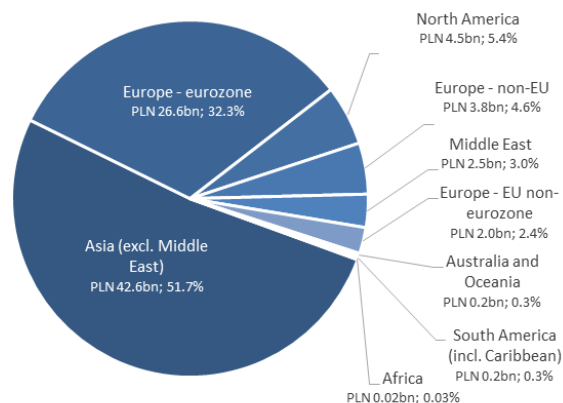
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

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

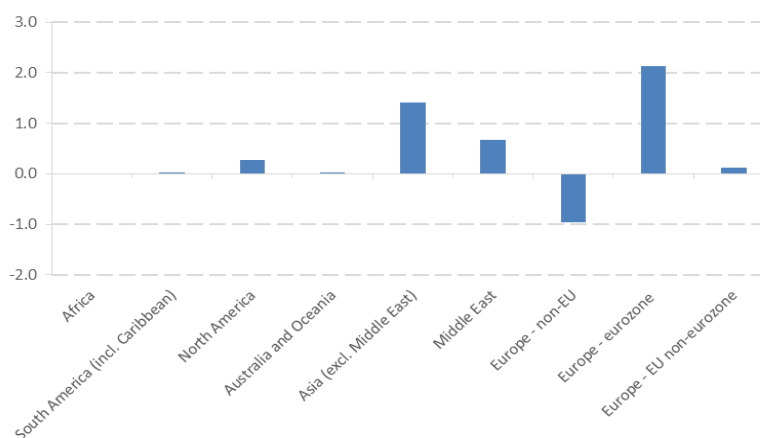
The non-residents' share in the domestic TS market increased by PLN 4.9bn in July 2021. The foreign investors' portfolio amounted to PLN 128.3bn, which constituted 15.9% share in total debt in TS (15.2% in the previous month).



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

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

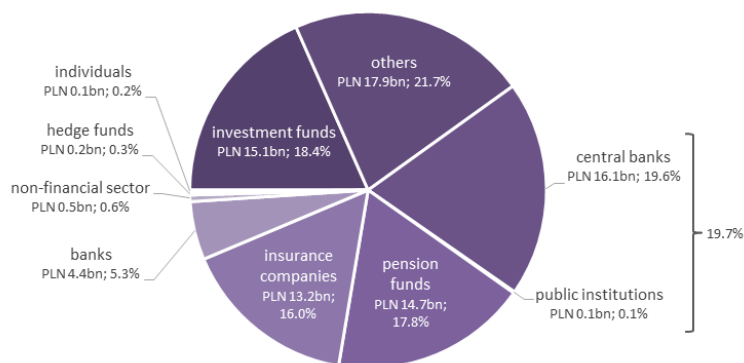
In July 2021 the highest increase was recorded by eurozone investors (PLN 2.1bn), while the highest decrease was noted by non - EU investors (PLN 1.0bn).



Institutional distribution of the domestic TS held by non-residents

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

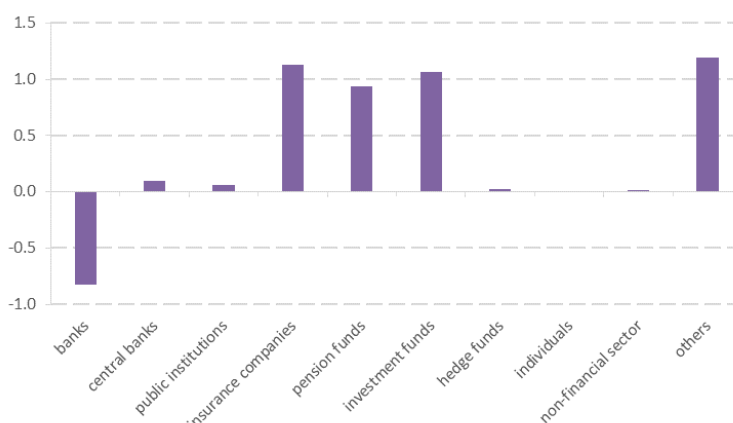
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 19.7% at the end of July 2021.



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

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

In July 2021 the highest increase was recorded by investors categorized as "others" (PLN 1.2bn), while the highest decrease was noted by banks (PLN 0.8bn).



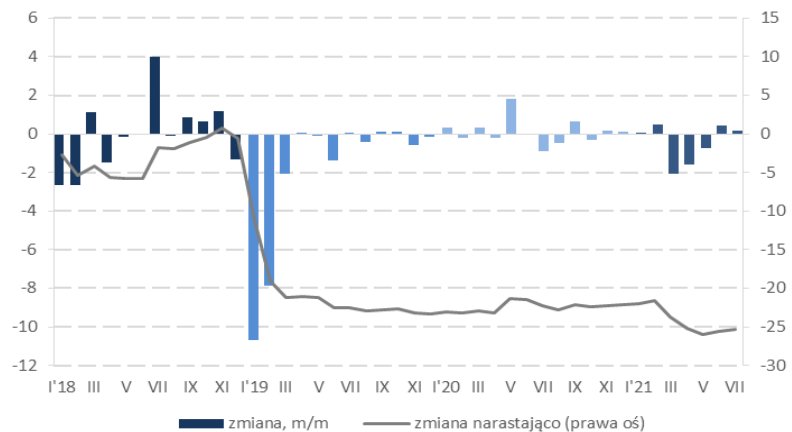


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in July 2021, PLN bn

Central banks and public institutions' involvement increased by PLN 0.2bn in July 2021. In the period from January 2018 to the end of July 2021, for which the detailed information is available, portfolios of those entities decreased by PLN 25.4bn.



Structure of non-residents' holdings in TS by countries

as of July 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	26 271.0	39.7%
Netherlands	7 444.2	11.2%
Luxembourg	6 290.1	9.5%
Germany	5 312.3	8.0%
Ireland	3 854.5	5.8%
United States	3 769.1	5.7%
United Kingdom	2 378.4	3.6%
France	2 239.8	3.4%
Switzerland	1 387.1	2.1%
Denmark	1 168.7	1.8%
United Arab Emirates	1 000.5	1.5%
Others	5 124.2	7.7%
Total	66 240.0	100.0%

Comment

Sebastian Skuza, Secretary of State at the MoF

31-08-2021

(...) The level of financing of this year's borrowing requirements is ca. 80%. However, taking into account the expected execution of this year, assumed in the draft Budget Act for 2022, this year's borrowing requirements have already been fully funded.

Two Treasury bond switching auctions and no T-bill auctions are planned for September.

In July indebtedness in domestic Treasury securities decreased by PLN 3.0bn. The involvement of foreign investors increased by PLN 4.9bn, the indebtedness towards domestic banks decreased by PLN 6.8bn, while involvement of domestic non-banking sector decreased by PLN 1.0bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN SEPTEMBER 2021



T-bond sale auction

Sale auctions of T-bonds are not planned.

T-bond switching auctions

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)*
02 SEP 2021 / 06 SEP 2021	OK0724 / PS1026 / WZ1126 / WZ1131 / DS0432	DS1021	10.235
		PS0422	31.907
		OK0722	27.553
16 SEP 2021 / 20 SEP 2021	OK0724 / PS1026 / WZ1126 / WZ1131 / DS0432 / possible T-bond either of WZ or IZ type	DS1021	10.235
		PS0422	31.907
		OK0722	27.553

* After settlement of auction held on September 2, 2021.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS1221 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0923 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0924 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0925 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0931 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0927 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0933 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period