

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

2nd quarter 2022

April 2022

### THE MOST IMPORTANT INFORMATION

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## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices  
source: GUS, Eurostat

In the last quarter of 2021 there was a slowdown in economic growth (from 2.3% to 1.7% qoq, sa). GDP growth remained at the high level, especially if we take into account the fourth wave of the pandemic. Households consumption decreased by 1.5% (qoq, sa) while investment, went up by 2.9% (qoq, sa). Data for the period of January-February 2022 concerning real sector indicate a continuation of a good economic performance in the first quarter, despite the fifth wave of the pandemic. Economic prospects for the subsequent quarters have deteriorated due to effects of Russian aggression against Ukraine. The potential scale of the slowdown is subject to uncertainty and depends mainly on further conflict developments.

### Contributions to Polish GDP growth

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

In the fourth quarter of 2021 GDP was 7.3% (py) higher than in the previous year. The annual dynamics was higher than in the third quarter among others due to low reference base (stronger negative impact on the economy of the second wave of the pandemic in the fourth quarter of 2020 than of the fourth wave a year later). Households consumption increased by 7.9% (yoy, py) while public consumption declined by 0.5% (yoy, py). Investment recorded a double digit growth (11.7%, yoy, py). 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 inventories.

### Polish gross external debt position

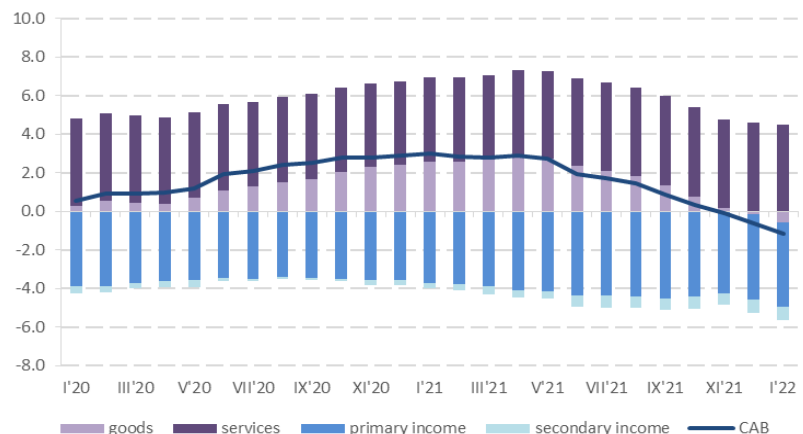
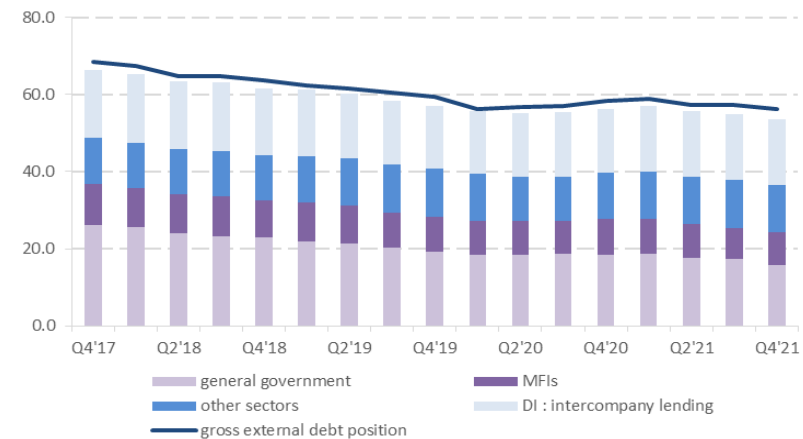
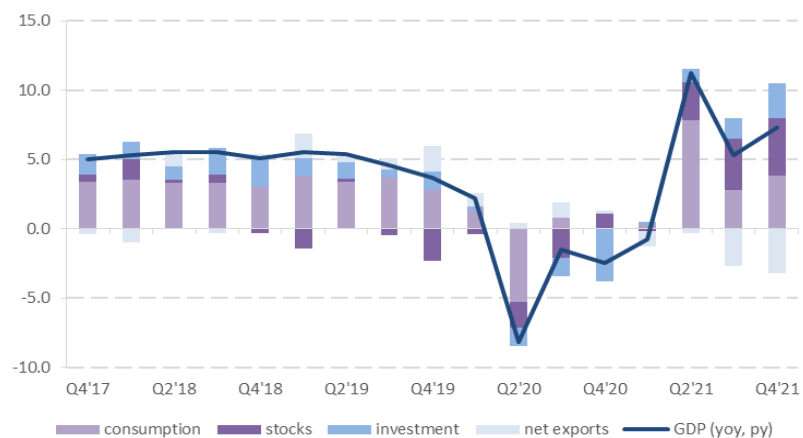
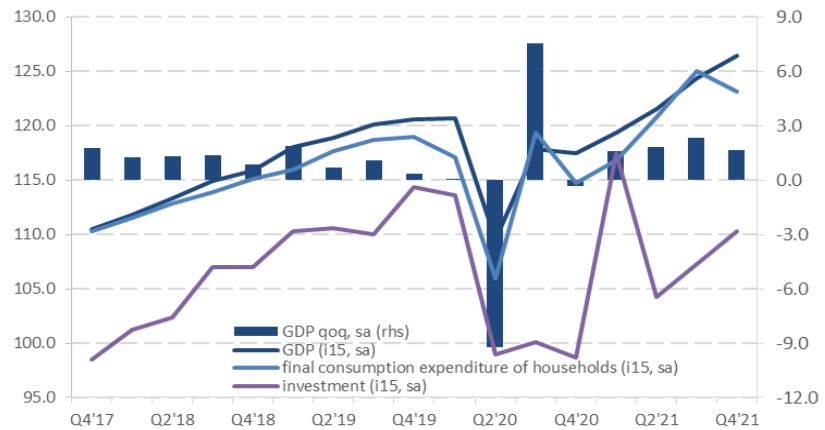
percent of GDP  
source: NBP, GUS, MoF own calculation

At the end of the fourth quarter of 2021 gross external debt reached EUR 320,4bn (56.2% of GDP) and was EUR 3.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 28.1%. At the end of January 2022 official reserve assets reached EUR 143.3bn and remained broadly adequate, covering over five months of imports.

### Current account balance

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

In January 2022, according to new quarterly data current account deficit was negative and amounted to - 1.1% of GDP (in 12-month terms). Monthly balance improved significantly, but this was partly due to the seasonal inflow of EU funds from the Common Agricultural Policy. The increase in value of trade turnover was strongly influenced by rising transaction prices, especially in the case of imports (high prices of energy commodities). Due to stronger imports than exports dynamics balance on goods decreased further to -0.6% of GDP. Primary income deficit remained high.



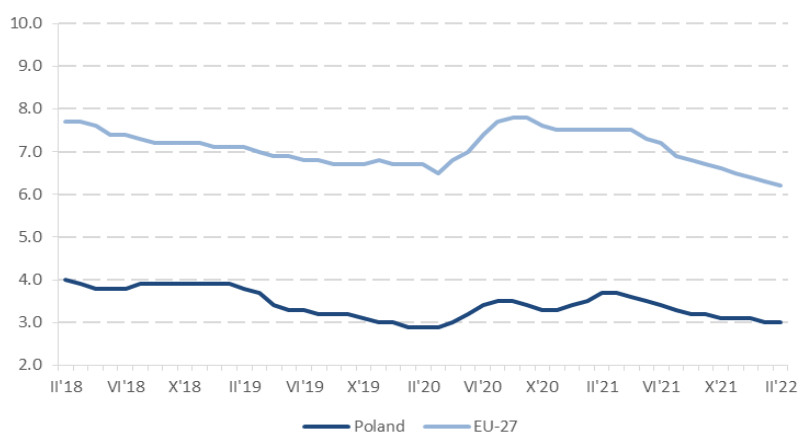
# I. MACROECONOMIC SITUATION



## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

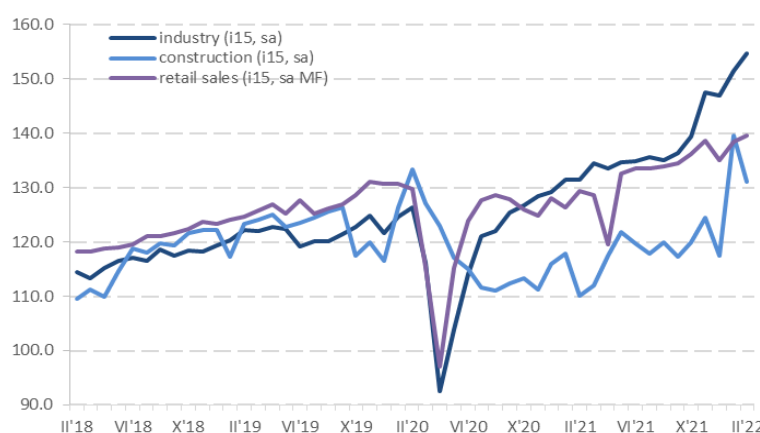
The harmonised unemployment rate (sa) amounted to 3.0% in February 2022 and it was at the same level as in previous month and by 0.7 pp lower than a year earlier. It was only slightly higher than the historical minimum observed in first quarter of 2020 (2.9%). The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and in the euro area (6.2% and 6.8%, respectively). Among the EU countries, only in the Czech Republic it was lower than in Poland.



## Monthly indicators of the real sector

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

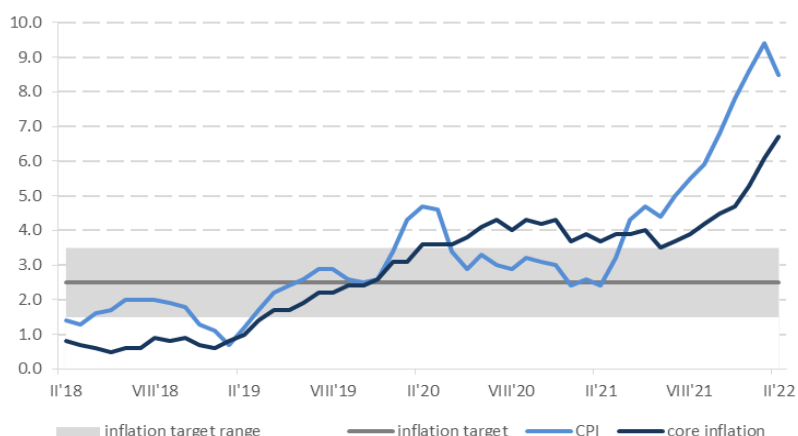
In February 2022 industrial production increased by 2.1% (mom, sa) and was 17.6% higher than a year ago (nsa). Data were above market expectations. Construction production decreased by 6% (mom, sa) following a substantial jump in the previous month. As a result, its level was 21.2% (nsa) higher than a year ago. Data were better than MoF expectations. Retail sales increased after a relatively high growth in the previous month (mom, sa MoF). The retail sales level was 8.1% higher than a year before. Data were close to market expectations.



## Inflation

percent, yoy  
source: GUS, NBP

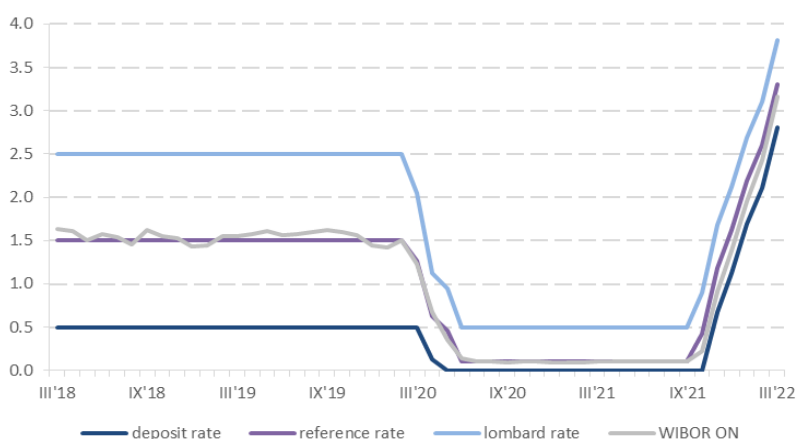
After reaching 9.4% in January 2022 (the highest level since the end of 2000), in February inflation rate decreased to 8.5% (yoy). It was connected with implementation of Anti-inflation shield (among others fall of VAT rates on food and energy products). Annual rate of energy prices decreased to 16.3% and food prices to 7.6%. However core inflation (CPI excluding food and energy prices) increased to 6.7% in February. According to preliminary data in March inflation rose again to 10.9%. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In February they were higher than a year before by 15.9%.



## NBP interest rates

percent, end of period  
source: NBP, Refinitiv

In March 2022, the Monetary Policy Council raised NBP's interest rates for the sixth month in a row. Reference rate rose by 0.75 percentage point to 3.50%, lombard rate was increased to 4.00%, while the deposit rate was set at 3.00%. In October 2021 - March 2022 period the reference rate rose by 3.40 percentage points in total. The Monetary Policy Council decided to hike interest rates again in order to reduce risk of inflation running above the NBP inflation target in the monetary policy transmission horizon.





## II. STATISTICAL DATA

	Unit	2020 Q03	Q04	2021 Q01	Q02	Q03	Q04
<b>GDP</b>							
Gross domestic product	YoY	-1.5	-2.5	-0.8	11.2	5.3	7.3
	QoQ SA	7.6	-0.3	1.6	1.8	2.3	1.7
Final consumption expenditure of the households sector	YoY	0.3	-3.1	0.1	13.1	4.7	7.9
	QoQ SA	12.6	-3.9	1.8	3.4	3.6	-1.5
Final consumption expenditure of the general government sector	YoY	3.3	8.1	1.6	3.0	0.8	-0.5
	QoQ SA	0.9	1.7	-0.9	0.7	0.3	0.3
Gross fixed capital formation	YoY	-7.2	-15.4	1.7	5.6	9.3	11.7
	QoQ SA	1.1	-1.4	19.0	-11.3	2.9	2.9
Exports of goods and services	YoY	2.4	8.1	7.3	29.2	8.6	6.0
	QoQ SA	20.6	4.9	1.0	1.0	1.6	2.9
Imports of goods and services	YoY	0.5	8.5	10.3	34.5	15.2	13.2
	QoQ SA	22.5	4.2	3.1	2.7	3.9	3.0
Gross value added	YoY	-1.7	-2.8	-1.2	10.3	5.1	7.1
	QoQ SA	7.5	0.0	1.7	1.2	1.6	2.0
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	0.2	-1.6	0.0	7.2	2.7	3.9
Final consumption expenditure of the general government sector	pp	0.6	1.6	0.3	0.6	0.1	-0.1
Gross fixed capital formation	pp	-1.3	-3.8	0.2	0.9	1.5	2.5
Changes in inventories	pp	-2.1	1.1	-0.2	2.8	3.7	4.2
Balance of trade turnover	pp	1.1	0.2	-1.1	-0.3	-2.7	-3.2
Gross value added	pp	-1.5	-2.5	-1.1	9.0	4.4	6.2
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	58.8	48.9	60.1	56.6	58.5	49.7
Final consumption expenditure of the general government sector	% of GDP	18.3	21.1	17.7	18.1	17.7	19.7
Gross fixed capital formation	% of GDP	15.9	21.1	12.7	14.8	16.3	21.5
Changes in inventories	% of GDP	-0.6	0.8	2.0	3.4	4.1	6.5
Exports of goods and services	% of GDP	56.6	57.3	62.2	62.6	60.4	58.9
Imports of goods and services	% of GDP	50.0	50.0	55.5	56.4	57.8	56.9
<b>Balance of payments</b>							
	Unit	2021 M09	M10	M11	M12	2022 M01	M02
Goods: exports (EUR)	YoY	9.4	8.9	7.4	26.6	17.6	-
Goods: imports (EUR)	YoY	22.4	24.2	24.3	35.5	32.4	-
Current account balance <sup>1)</sup>	% of GDP	0.9	0.4	-0.1	-0.6	-1.1	-
Balance on goods <sup>1)</sup>	% of GDP	1.4	0.8	0.2	-0.1	-0.6	-
Official Reserve Assets	EUR m	143 932.0	144 068.1	146 719.0	146 576.0	144 309.5	143 730.0
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	5.9	6.8	7.8	8.6	9.4	8.5
Core inflation (CPI excluding food and energy prices)	YoY	4.2	4.5	4.7	5.3	6.1	6.7
Producer Price Index (PPI)	YoY	10.3	12.0	13.6	14.4	16.1	15.9
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	8.7	7.6	14.8	16.3	18.0	17.6
	MoM SA	1.0	2.2	5.8	-0.4	3.1	2.1
Construction and assembly production <sup>2)</sup>	YoY	4.2	4.1	12.8	3.1	20.8	21.2
	MoM SA	-2.1	2.3	3.6	-5.6	18.9	94.0
Manufacturing PMI	SA	53.4	53.8	54.4	56.1	54.5	54.7
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	5.1	6.9	12.1	8.0	10.6	8.1
Average paid employment in enterprise sector	YoY	0.6	0.5	0.7	0.5	2.3	2.2
	MoM	-0.1	0.1	0.2	0.0	1.5	0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	2.7	1.5	1.9	2.4	0.1	2.9
	MoM	-0.7	0.2	0.8	9.3	-10.4	2.9
Harmonised unemployment rate (Eurostat)	%, SA	3.2	3.1	3.1	3.1	3.0	3.0
<small>1) Data in 12-month terms  2) Constant prices. Data for units in which the number of employed persons exceeds 9 persons  Source: GUS, NBP, Eurostat, IHS Markit, MoF calculation based on NBP, GUS data</small>							
<b>State Treasury debt</b>							
	Unit	2021 M08	M09	M10	M11	M12	2022 M01
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 135 646.3	1 144 751.6	1 126 980.2	1 138 121.4	1 138 031.3	1 137 129.6
Domestic debt	face value, PLN m	859 953.3	864 975.7	856 613.3	863 872.8	872 678.9	879 244.7
	%	75.7	75.6	76.0	75.9	76.7	77.3
Foreign debt	face value, PLN m	275 693.0	279 775.9	270 366.9	274 248.6	265 352.4	257 884.9
	%	24.3	24.4	24.0	24.1	23.3	22.7
<b>Public debt (domestic definition)</b>							
	Unit	2020 Q03	Q04	2021 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 106 292.0	1 111 806.3	1 152 282.2	1 152 289.1	1 160 738.2	1 148 575.8
Domestic debt	face value, PLN m	824 082.3	823 542.1	845 843.4	855 430.0	858 651.6	859 051.6
	%	74.5	74.1	73.4	74.2	74.0	74.8
Foreign debt	face value, PLN m	282 209.7	288 264.2	306 438.9	296 859.0	302 086.6	289 524.2
	%	25.5	25.9	26.6	25.8	26.0	25.2
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 306 682.0	1 336 557.6	1 389 977.4	1 402 163.1	1 418 823.4	1 410 493.6

Source: MoF

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Gross borrowing requirements in 2022

as of March 31, 2022, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 61% was a result of:

- T-bond sale on domestic market: PLN 18.6bn,
- switch auctions in 2022: PLN 7.7bn,
- loans incurred from IFIs: PLN 0.3bn
- loans from the European Union under the SURE instrument in the amount of PLN 7.1bn,
- switch auctions in 2021: PLN 24.1bn,
- higher financial resources at the end of 2021: PLN 77.6bn (the final level will be known following the closure of the budget year).

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

plan as of March 31, 2022

Value of funds transferred from the State budget to the market in April shall amount to PLN 25.8bn, of which:

- TS redemptions: PLN 22.5bn,
- interest payments: PLN 3.4bn.

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

as at the end of month, PLN bn

From April to the end of 2022 the funds to be transferred to the domestic market shall amount to PLN 112.4bn (as of March 31, 2022).

\* 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 April to the end of 2022 is not presented.

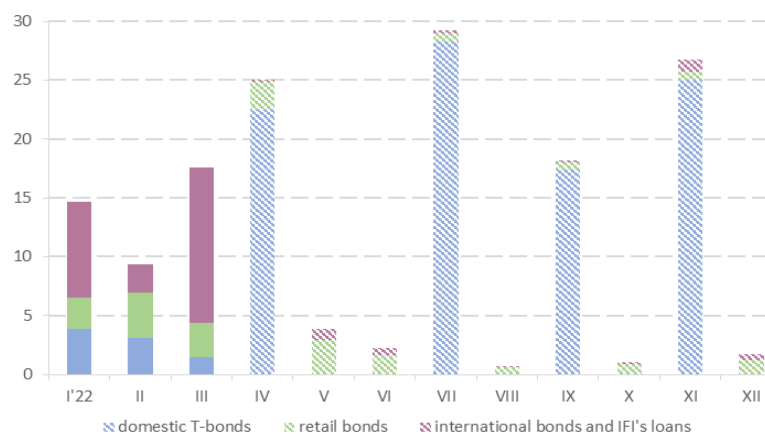
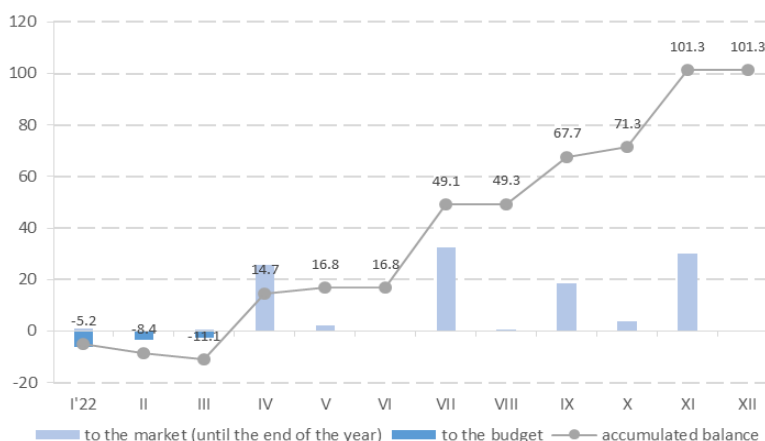
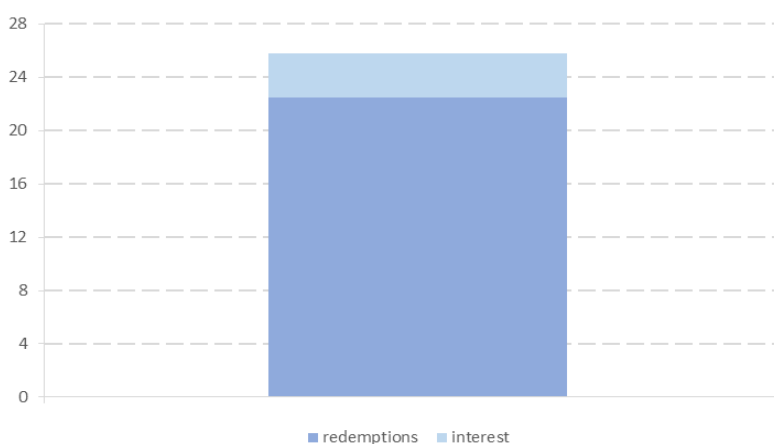
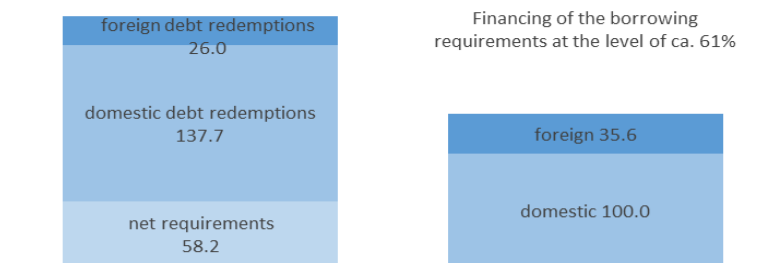
#### State Treasury debt redemptions in 2022

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

The nominal amount of debt to be redeemed in 2022 (as of March 31, 2022) is equal to PLN 108.6bn, including:

- T-bonds: PLN 93.2bn,
- retail bonds: PLN 11.6bn,
- bonds and loans incurred on foreign markets: PLN 3.9bn.

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





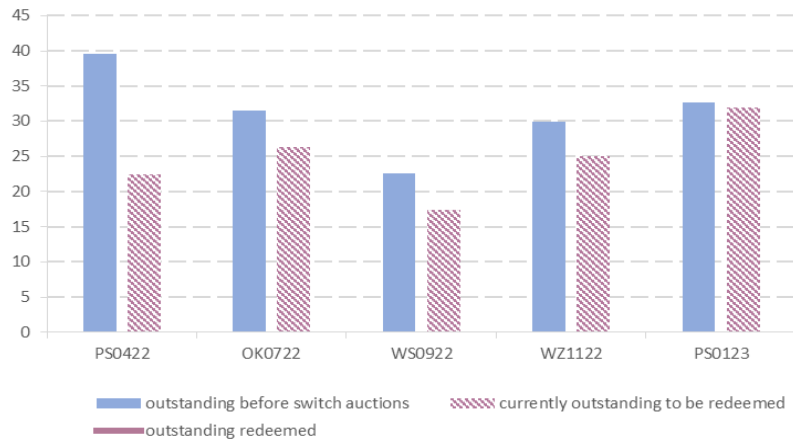
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2022 and 2023.

as of March 31, 2022, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2022 and 2023:

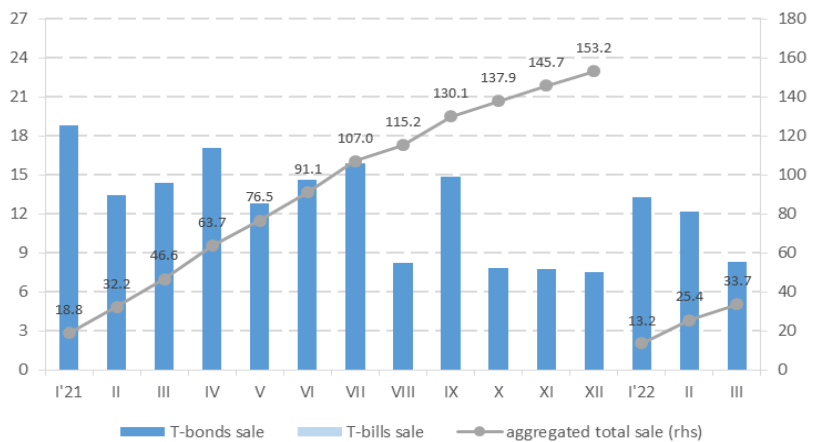
- PS0422: PLN 17.1bn (43% of the issuance),
- OK0722: PLN 5.1bn (16% of the issuance),
- WS0922: PLN 5.2bn (23% of the issuance),
- WZ1122: PLN 4,9bn (16% of the issuance),
- PS0123: PLN 0.7bn (2% of the issuance).



#### Sale of domestic T-bills and T-bonds in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-III 2022 aggregated total sale of T-bonds amounted to PLN 33.7bn versus PLN 46.6bn in the same period of 2021.



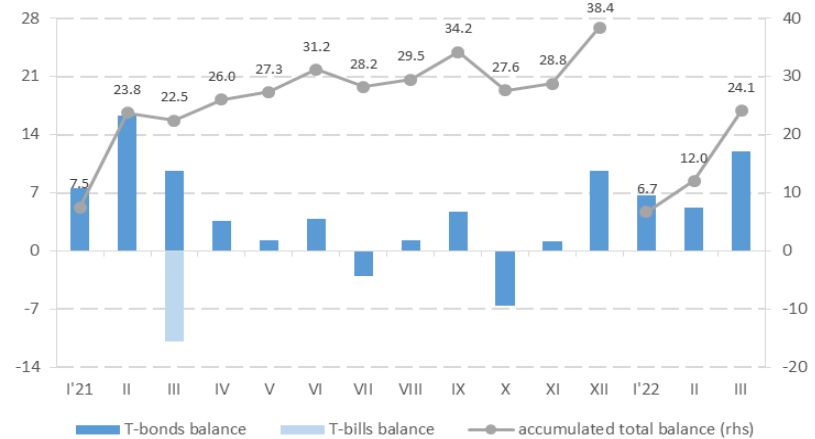
#### Balance of domestic T-bills and T-bonds in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-III 2022 indebtedness in

- T-bonds increased by PLN 24.1bn versus increase of PLN 33.4bn in the same period of 2021,
- T-bills remained the same versus decrease of PLN 10.9bn in the same period of 2021.

The figures also include the amount of T-bonds issued and transferred by the Minister of Finance on the basis of other acts than the Public Finance Act.

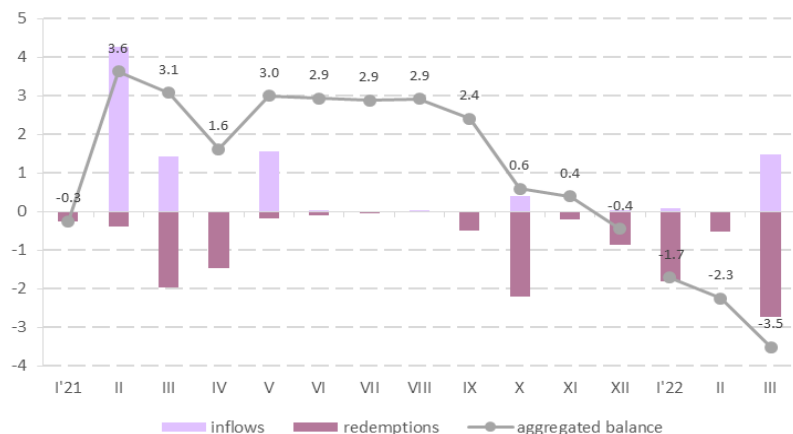


#### External financing in 2021 and 2022

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

Net financing on foreign markets in the period of I-III 2022 was negative and amounted to EUR 3.5bn, which resulted from:

- negative balance of T-bonds of EUR 4.7bn,
- negative balance of loans incurred from IFIs of EUR 0.3bn,
- positive balance of SURE instrument of EUR 1.5bn.



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

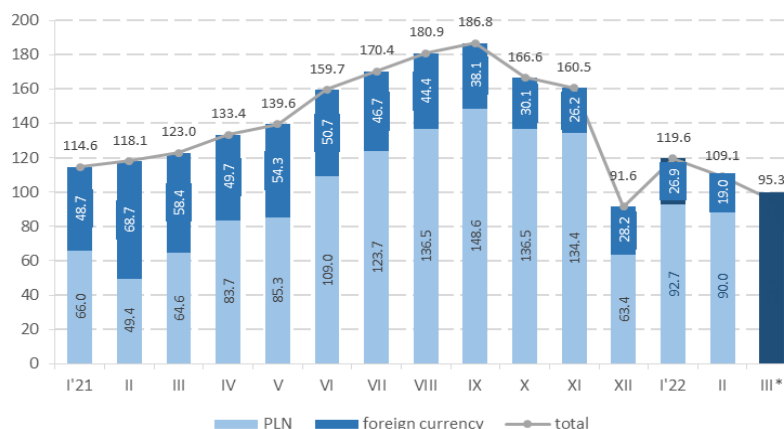


#### Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of March 2022 there was equivalent of PLN 95.3bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

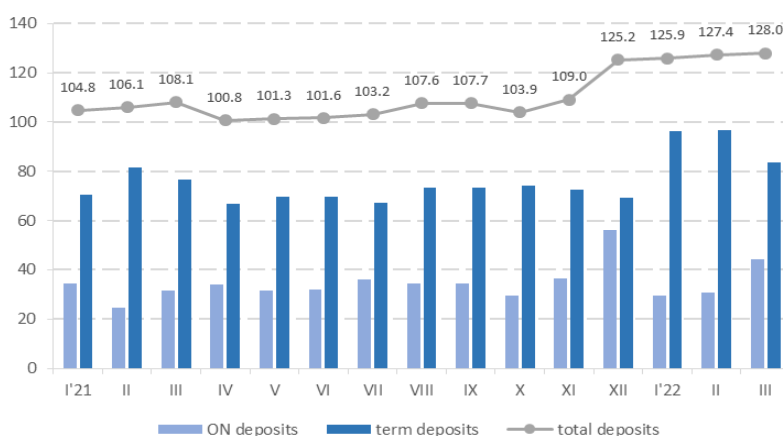
\* Estimated data.



#### Consolidation of public finance sector liquidity management

PLN bn

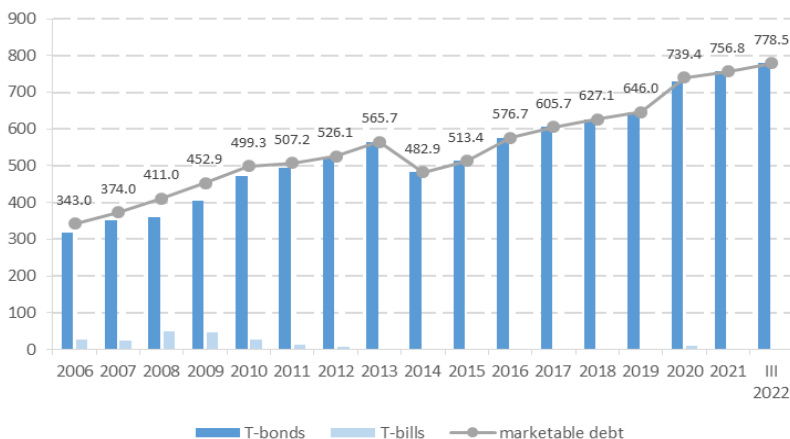
As a result of consolidation of the public finance sector liquidity management there were PLN 128.0bn funds accumulated at the end of March 2022, of which: PLN 83.7bn was on term deposits and PLN 44.4bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

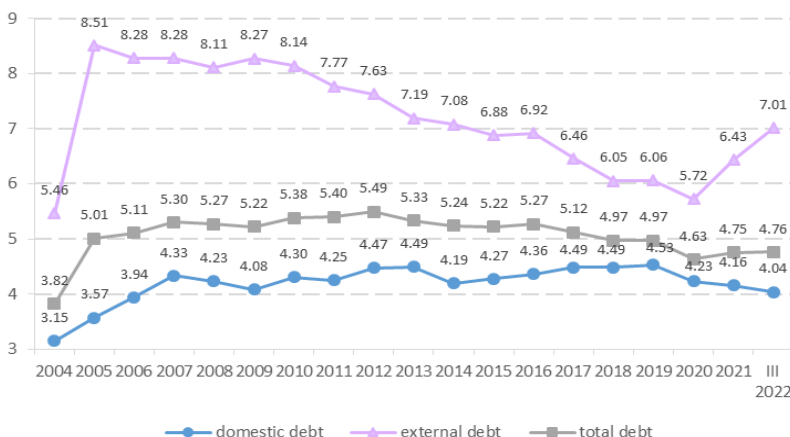
The marketable domestic debt amounted to PLN 778.5bn at the end of March 2022, comparing to PLN 756.8bn at the end of 2021.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.04 years at the end of March 2022 (4.16 years at the end of 2021). The average of the total debt amounted to 4.76 years (4.75 years at the end of 2021).

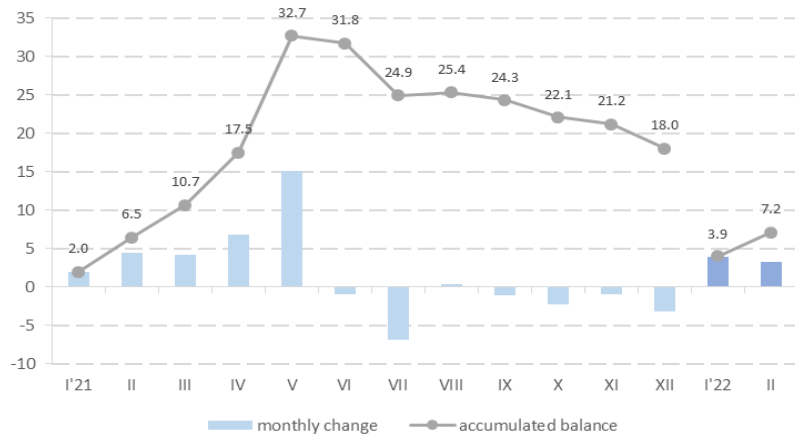




### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

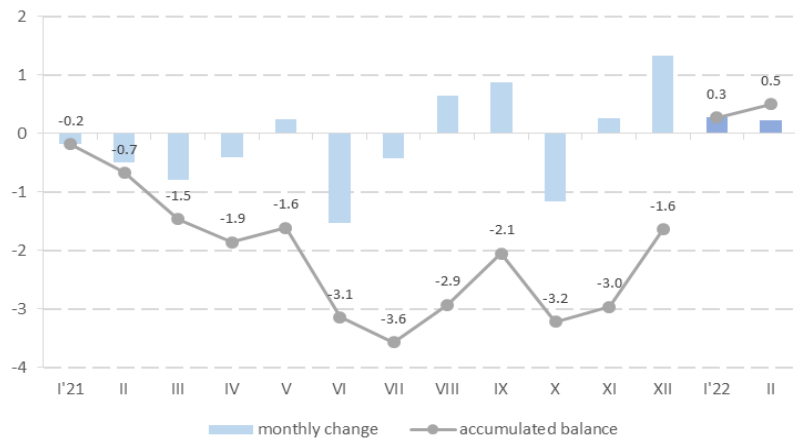
#### Change of debt in the domestic Treasury securities held by banks PLN bn

In the period of I-II 2022 there was an increase of debt by PLN 7.2bn comparing to PLN 6.5bn increase during the same period of 2021. Banks' holdings reached the level of PLN 455.6bn.



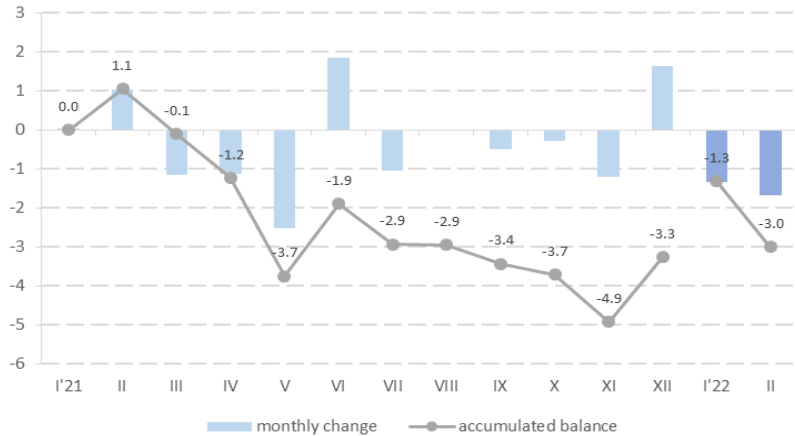
#### Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In the period of I-II 2022 there was an increase of debt by PLN 0.5bn comparing to PLN 0.7bn decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 56.2bn.



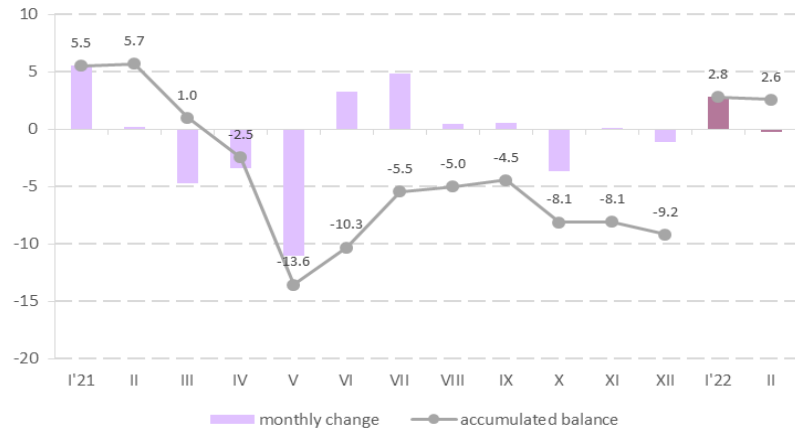
#### Change of debt in the domestic Treasury securities held by investment funds PLN bn

In the period of I-II 2022 there was a decrease of debt by PLN 3.0bn comparing to PLN 1.1bn increase in the same period of 2021. Investment funds' holdings reached the level of PLN 42.3bn.



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

In the period of I-II 2022 there was an increase of debt by PLN 2.6bn comparing to PLN 5.7bn increase in the same period of 2021. Foreign investors' holdings reached the level of PLN 127.1bn.





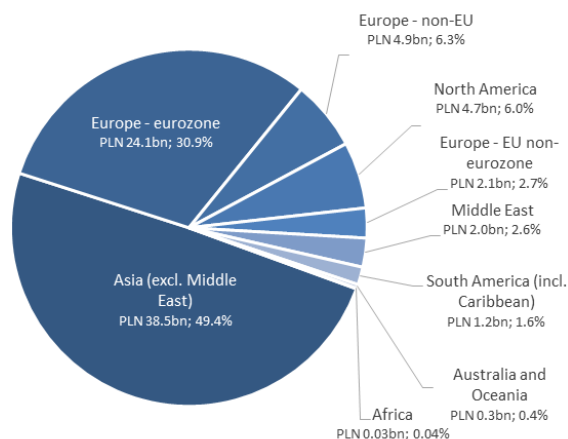
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

as of February 28, 2022, the chart presents data excluding omnibus accounts

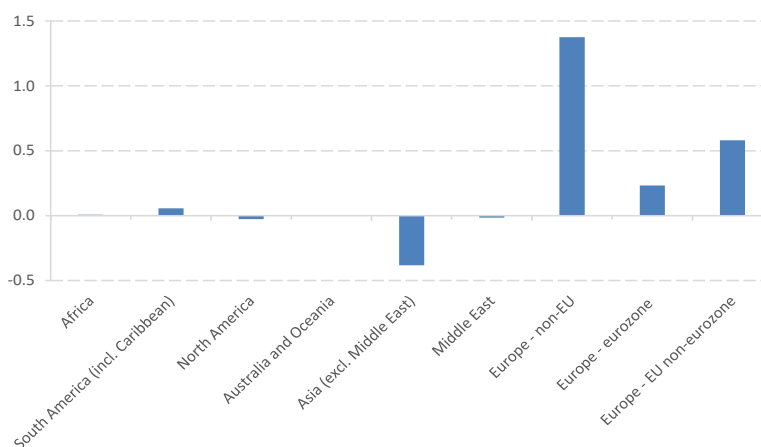
The non-residents' share in the domestic Treasury securities market decreased by PLN 0.2bn in February 2022. The foreign investors' portfolio amounted to PLN 127.1bn, which constituted 15.3% share in total debt in Treasury securities (15.4% in the previous month).



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

change in February 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

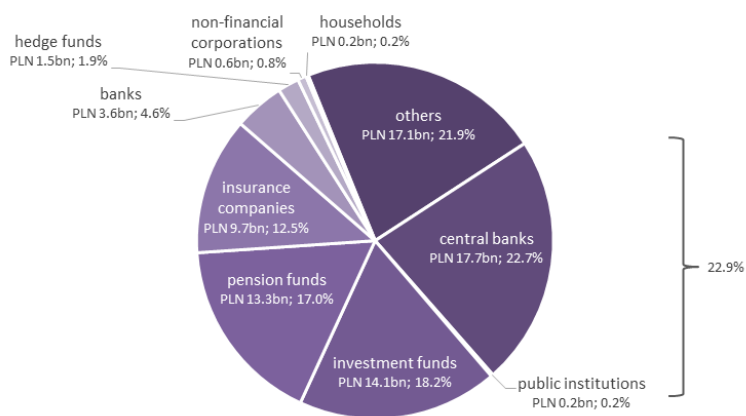
In February 2022 the highest increase was recorded by investors from European non-EU countries (PLN 1.4bn), while the highest decrease was noted by Asian (excl. Middle East) investors (PLN 0.4bn).



#### Institutional distribution of the domestic TS held by non-residents

as of February 28, 2022, the chart presents data excluding omnibus accounts

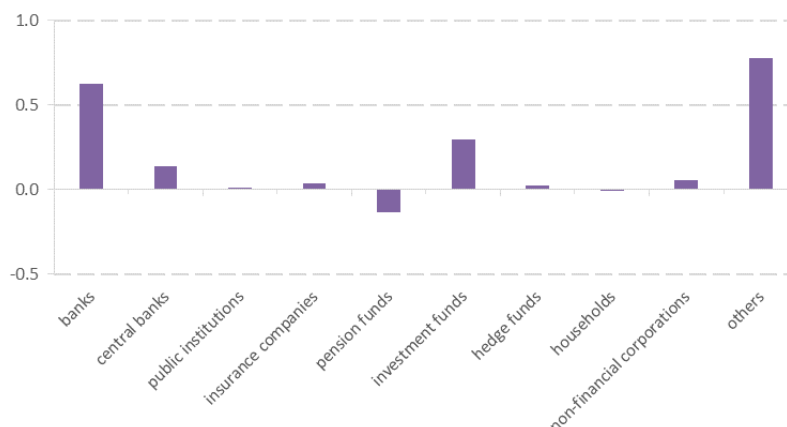
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 22.9% at the end of February 2022.



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

change in February 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

In February 2022 the highest increase was recorded by investors categorized as "others" (PLN 0.8bn), while the highest decrease was noted by pension funds (PLN 0.1bn).



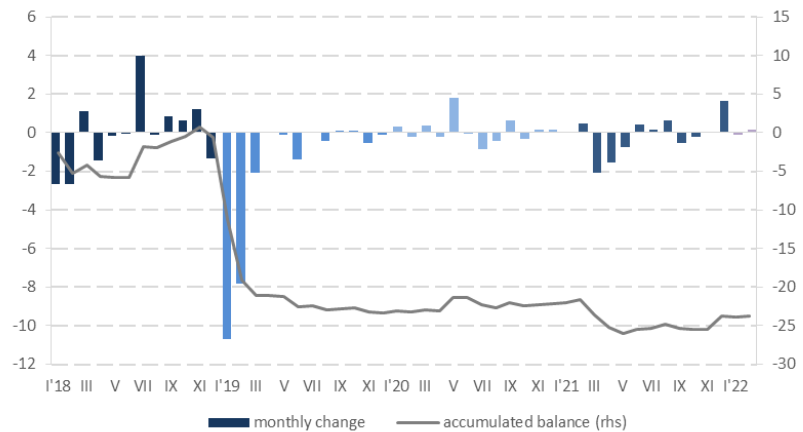


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in February 2022, PLN bn

Central banks and public institutions' involvement increased by PLN 0.2bn in February 2022. In the period from January 2018 to the end of February 2022 portfolios of those entities decreased by PLN 23.8bn.



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

as of February 28, 2022, excluding omnibus accounts and central banks, countries with more than 1% share

Countries	Outstanding in nominal value (PLN m)	Share in non-residents holdings
Japan	20 443.1	33.9%
Netherlands	7 371.5	12.2%
Luxembourg	7 015.6	11.6%
Germany	4 182.8	6.9%
United States	4 012.0	6.7%
Ireland	3 471.6	5.8%
United Kingdom	3 466.2	5.8%
Switzerland	1 395.9	2.3%
Cayman Islands (the)	1 235.0	2.1%
France	1 181.5	2.0%
Denmark	1 070.4	1.8%
United Arab Emirates	1 023.0	1.7%
Canada	638.4	1.1%
Others	3 718.7	6.2%
<b>Total</b>	<b>60 225.7</b>	<b>100.0%</b>

#### Comment

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

31-03-2022

(...) The level of financing of this year's borrowing requirements is ca. 61%.

Two Treasury bond sale auctions are planned for April. No T-bill auctions are planned. The total of four up to five Treasury bond sale auctions and one or two Treasury bond switching auctions are planned in the second quarter of 2022.

In February indebtedness in domestic Treasury securities increased by PLN 5.3bn. The involvement of domestic banks increased by PLN 3.2bn and domestic non-banking sector by PLN 2.3bn, while the indebtedness towards foreign investors decreased by PLN 0.2bn.

## IV. SUPPLY PLAN OF TREASURY SECURITIES FOR Q2 2022



### General assumptions

- in the second quarter of 2022 T-bond auctions are planned according to the announced yearly issuance calendar,
- offer of T-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 conditions,
- the announced plan may be modified subject to the market situation.

### Offer of T-bonds on domestic market

- **sale auctions:**  
between four and five auctions, total supply PLN 20.0-35.0bn, the structure of T-bonds to be offered will be subject to the market situation.
- **switch auctions:**  
between one and two auctions (subject to the budget and market situation), T-bonds maturing in 2022 and 2023 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,
- loans from international financial institutions up to EUR 0.8bn,
- possible loans from the EU under the instrument for temporary support to mitigate unemployment risks in the emergency (SURE).



## V. SUPPLY PLAN OF TREASURY SECURITIES IN APRIL 2022

### T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)*
12 APR 2022	14 APR 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432 / other T-bonds possible	2.000-4.000
21 APR 2022	25 APR 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432 / other T-bonds possible	3.000-8.000

*\*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 auctions

Switching auctions of Treasury bonds are not planned.

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0722 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.50% per year
DOS0424 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 2.00% per year
TOZ0425 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 2.10% in the first coupon period
COI0426 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 2.30% in the first coupon period
EDO0432 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 2.70% in the first coupon period
ROS0428 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.50% in the first coupon period
ROD0434 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 3.00% in the first coupon period