

State budget borrowing requirements' financing plan and its background

March 2022

THE MOST IMPORTANT INFORMATION

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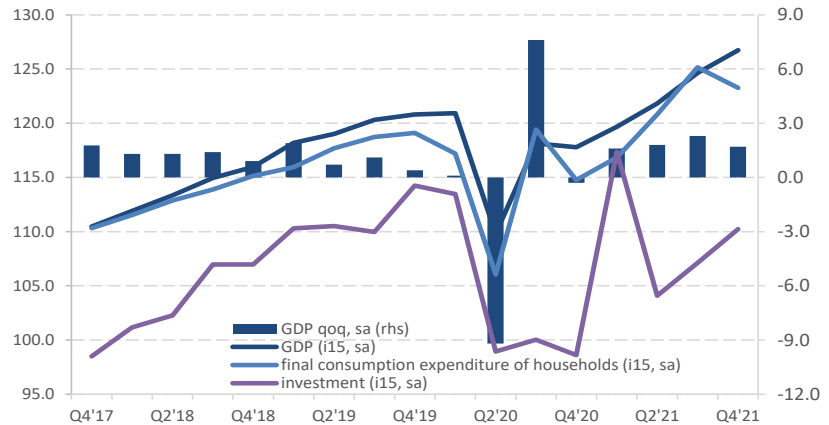


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

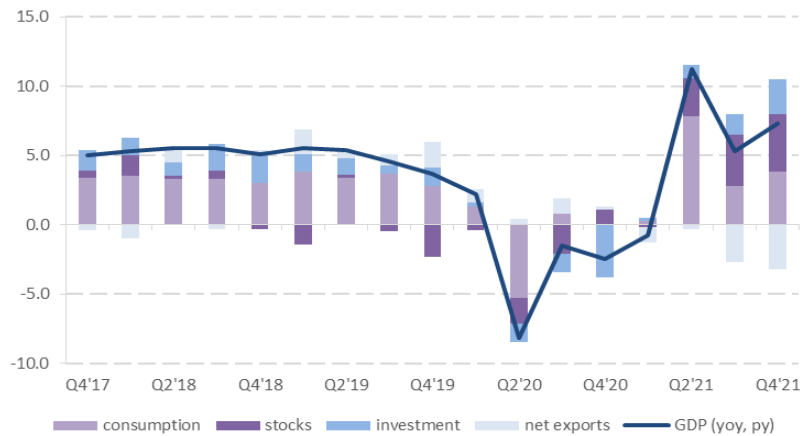
In the last quarter of 2021 there was a slowdown in economic growth (from 2.3% to 1.7% qoq, sa). However, its scale was moderate and GDP growth remained at the relatively high level, especially if we take into account the fourth wave of the pandemic. Households consumption decreased by 1.5% (qoq, sa) while investment, similarly to the previous quarter, went up by 2.9% (qoq, sa). Short term economic prospects are subject to high uncertainty. Data for January 2022 concerning real sector, indicated a continuation of a good economic performance in the first quarter, despite the fifth wave of the pandemic. However, the outbreak of the war in Ukraine will have negative impact on growth prospects of domestic economy. The potential scale of the slowdown will depend on further conflict developments.



Contributions to Polish GDP growth

Average prices of the previous year (py), yoy
source: GUS, MoF own calculation

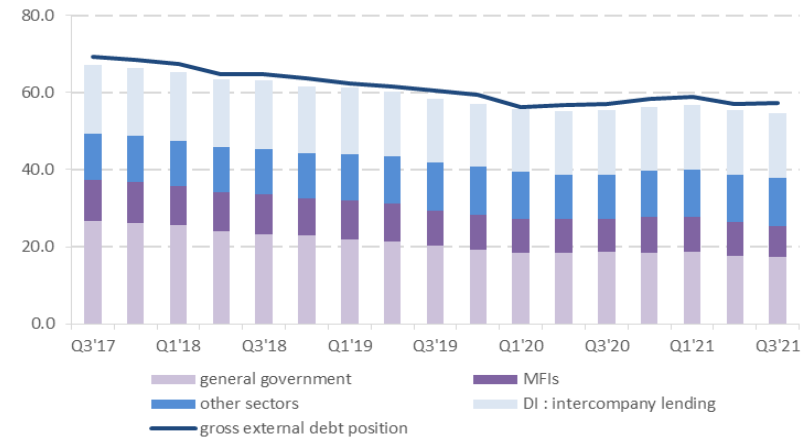
In the fourth quarter of 2021 GDP was 7.3% (py) higher than in the previous year. The annual dynamics was higher than in the third quarter due to low reference base (stronger negative impact on the economy of the second wave of the pandemic in the fourth quarter of 2020 than of the fourth wave a year 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

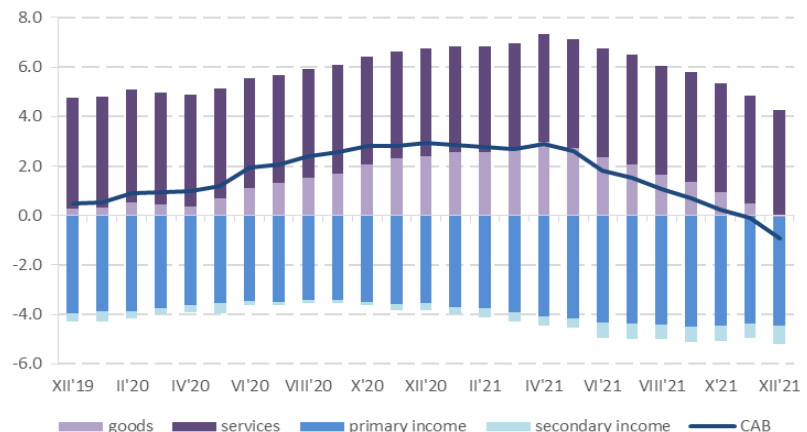
At the end of the third quarter of 2021 gross external debt reached EUR 315.7bn (57.2% of GDP) and was EUR 6.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 30.2%. At the end of December 2021 official reserve assets reached EUR 146.6bn 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 December 2021, according to the preliminary data, current account balance was negative and amounted to -0.9% of GDP (in 12-month terms). Monthly deficit was the highest since comparable data are available (2004). Due to stronger imports than exports dynamics balance on goods decreased to -0.1% of GDP. Imports was boosted among others by rising domestic demand (including inventories) and higher energy prices. Exports dynamics improved but was still dampened by supply shortages. Primary income deficit remained high. In addition in December secondary income balance was lowered by extra payments to EU budget (e.g. plastics tax).

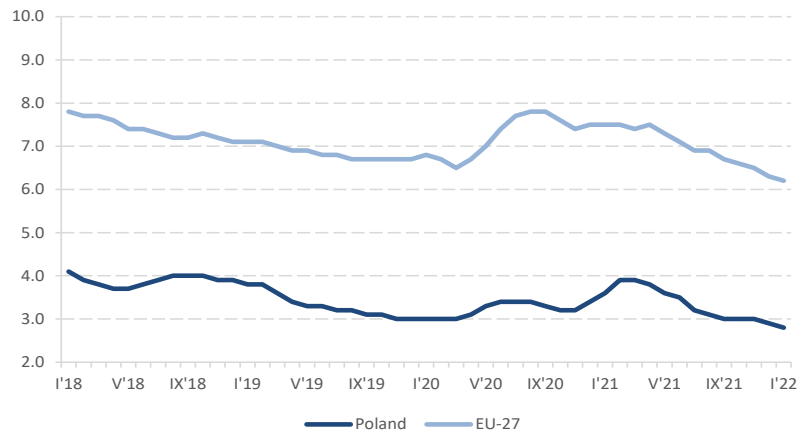




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

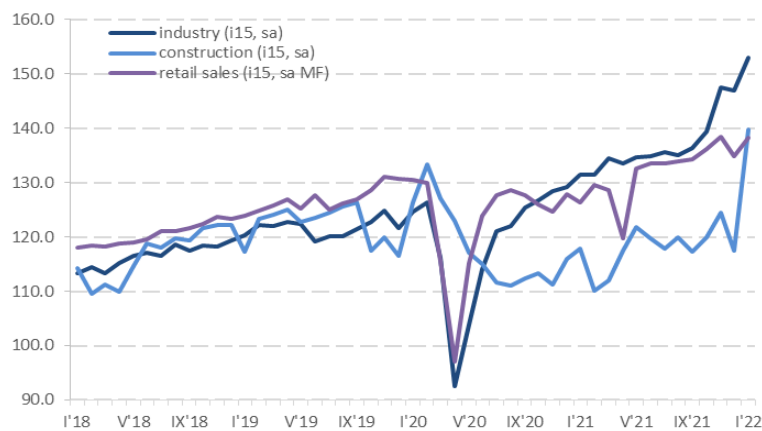
The harmonized unemployment rate (sa) amounted to 2.8% in January 2022 and it was by 0.1 pp lower than in the previous month and by 0.8 pp lower than a year earlier. It has reached its historically low level. The unemployment rate is currently clearly lower than the average in the EU-27 and the euro 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

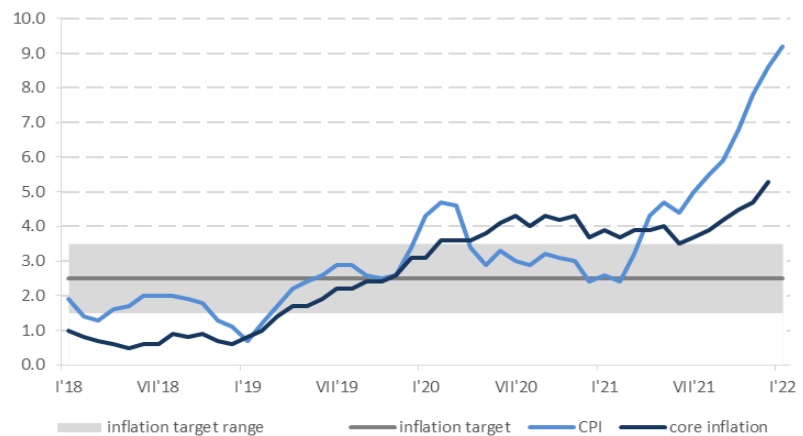
In January 2022 industrial production increased by 4.2% (mom, sa) after slight decrease in the previous month and was 19.2% higher than a year ago (non seasonally adjusted-nsa). Data were markedly above market expectations. Construction production jumped by 19% (mom, sa) following drops in the previous month. As a result, its level was 20.8% (nsa) higher than a year ago. Data were significantly better than MoF expectations. Retail sales increased making up almost all of the previous month's decline (mom, sa MoF). The retail sales level was 10.6% higher than a year before. Data were close to market expectations.



Inflation

percent, yoy
source: GUS, NBP

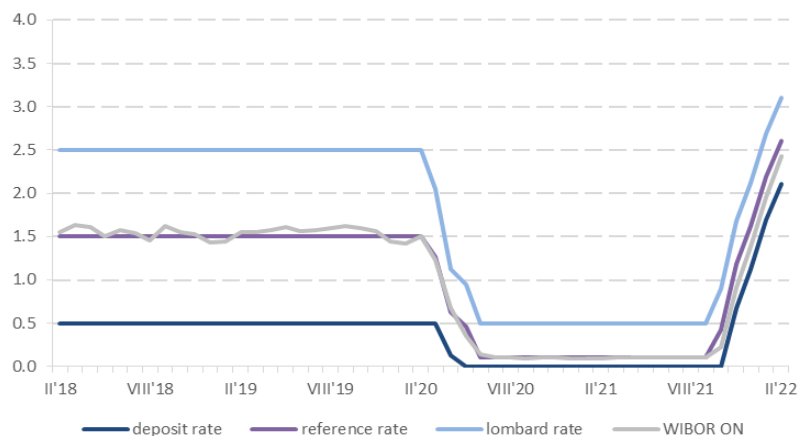
In January 2022 inflation rate amounted to 9.2% yoy (the highest level in 21 years). Due to rise of electricity and gas prices, energy prices increased considerably (ca 20%). Food prices also accelerated (to 9.4% yoy). Core inflation (CPI excluding food and energy prices) was still high: in December it achieved 5.3% (yoy) and in January probably exceeded 6%. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In January they were higher than a year before by 14.8%.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In February 2022, the Monetary Policy Council raised the NBP's interest rates for the fifth month in a row. Reference rate rose by 0.50 percentage point to 2.75%, lombard rate was increased to 3.25%, while the deposit rate was set at 2.25%. In October 2021 -February 2022 the reference rate rose by 2.65 pp in total. The Council decided to hike interest rates 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
GDP							
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
Contribution to GDP growth							
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
GDP structure							
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
Balance of payments							
	Unit	2021 M08	M09	M10	M11	M12	2022 M01
Goods: exports (EUR)	YoY	18.1	12.7	9.7	16.3	19.4	-
Goods: imports (EUR)	YoY	30.7	21.8	20.9	29.5	35.9	-
Current account balance ¹⁾	% of GDP	1.1	0.7	0.3	-0.1	-0.9	-
Balance on goods ¹⁾	% of GDP	1.7	1.4	0.9	0.5	-0.1	-
Official Reserve Assets	EUR m	143 354.8	143 932.0	144 068.1	146 719.0	146 576.0	144 152.1
Inflation							
Consumer Price Index (CPI)	YoY	5.5	5.9	6.8	7.8	8.6	9.2
Core inflation (CPI excluding food and energy prices)	YoY	3.9	4.2	4.5	4.7	5.3	-
Producer Price Index (PPI)	YoY	9.6	10.3	12.0	13.6	14.4	14.8
Production							
Sold production of industry ²⁾	YoY	13.0	8.7	7.6	14.8	16.3	19.2
	MoM SA	-0.5	1.0	2.2	5.8	-0.4	4.2
Construction and assembly production ²⁾	YoY	10.2	4.2	4.1	12.8	3.1	20.8
	MoM SA	1.7	-2.1	2.3	3.6	-5.6	19.0
Manufacturing PMI	SA	56.0	53.4	53.8	54.4	56.1	54.5
Households and labour market							
Retail sales ²⁾	YoY	5.4	5.1	6.9	12.1	8.0	10.6
Average paid employment in enterprise sector	YoY	0.9	0.6	0.5	0.7	0.5	2.3
	MoM	-0.2	-0.1	0.1	0.2	0.0	1.5
Average monthly gross wages and salaries in enterprise sector (real)	YoY	3.8	2.7	1.5	1.9	2.4	0.3
	MoM	-0.4	-0.7	0.2	0.8	9.3	-10.4
Harmonised unemployment rate (Eurostat)	%, SA	3.1	3.0	3.0	3.0	2.9	2.8
<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 M07	M08	M09	M10	M11	M12
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 135 089.0	1 135 646.3	1 144 751.6	1 126 980.2	1 138 121.4	1 138 031.3
Domestic debt	face value, PLN m	857 474.9	859 953.3	864 975.7	856 613.3	863 872.8	872 678.9
	%	75.5	75.7	75.6	76.0	75.9	76.7
Foreign debt	face value, PLN m	277 614.2	275 693.0	279 775.9	270 366.9	274 248.6	265 352.4
	%	24.5	24.3	24.4	24.0	24.1	23.3
Public debt (domestic definition)							
	Unit	2020 Q02	Q03	Q04	2021 Q01	Q02	Q03
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 097 298.7	1 106 292.0	1 111 806.3	1 152 235.1	1 152 233.9	1 160 701.5
Domestic debt	face value, PLN m	710 318.3	713 341.0	716 558.7	738 345.7	756 518.4	755 460.4
	%	64.7	64.5	64.4	64.1	65.7	65.1
Foreign debt	face value, PLN m	386 980.4	392 951.0	395 247.6	413 889.3	395 715.5	405 241.1
	%	35.3	35.5	35.6	35.9	34.3	34.9
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 255 871.7	1 306 682.0	1 336 557.6	1 389 925.2	1 402 087.6	1 418 769.6

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



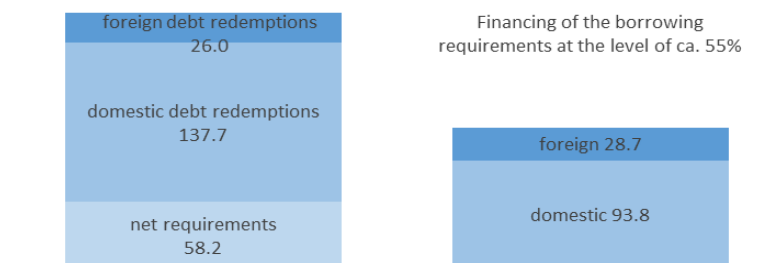
Gross borrowing requirements in 2022

as of February 28, 2022, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 55% (acc. to the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 14.0bn,
- switch auctions in 2022: PLN 6.3bn,
- loans incurred from IFIs: PLN 0.3bn,
- 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).

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



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

plan as of February 28, 2022

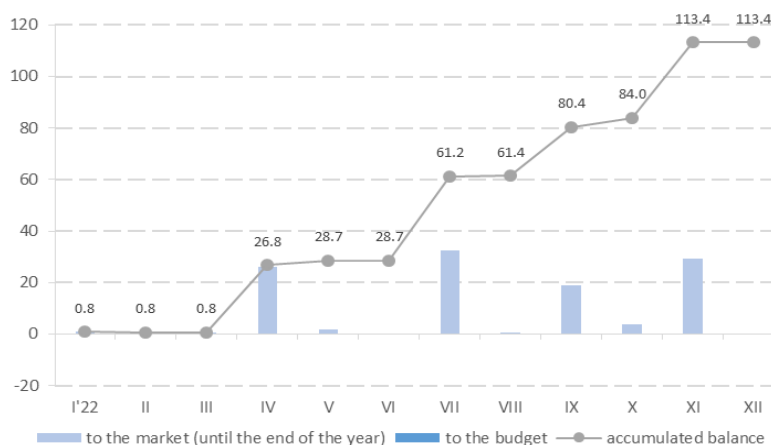
There will be no funds transferred from the State budget to the market in March (neither TS redemptions nor interest payments).

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

From March to the end of 2022 the funds to be transferred to the domestic market shall amount to PLN 112.6bn (as of February 28, 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 to the period of March to the end of 2022 is not presented.

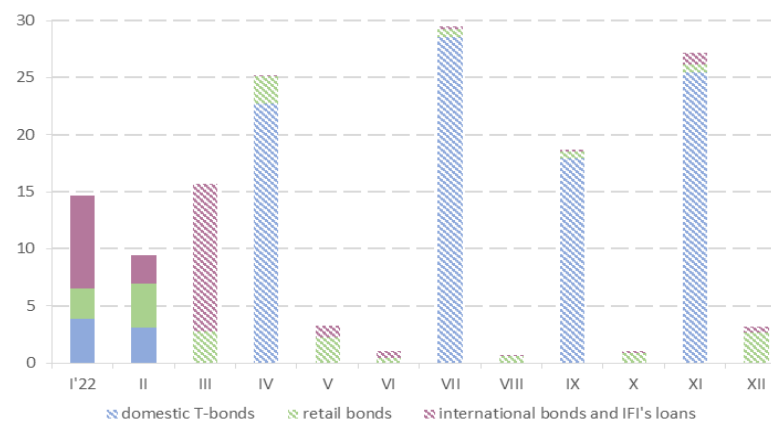


State Treasury debt redemptions in 2022

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

The nominal amount of debt to be redeemed in 2022 (as of February 28, 2022) is equal to PLN 125.4bn, including:

- T-bonds: PLN 94.6bn,
- retail bonds: PLN 13.9bn,
- bonds and loans incurred on foreign markets: PLN 16.9bn.





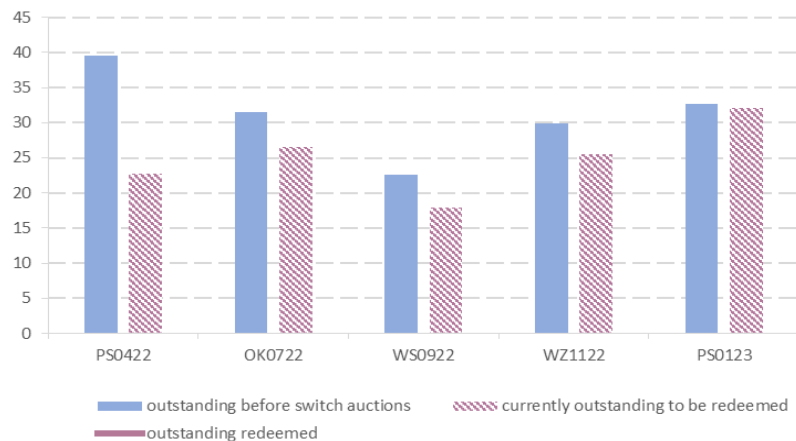
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Reducing refinancing risk connected with redemptions of domestic TS maturing in 2022 and 2023

as of February 28, 2022, nominal amount, PLN bn

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

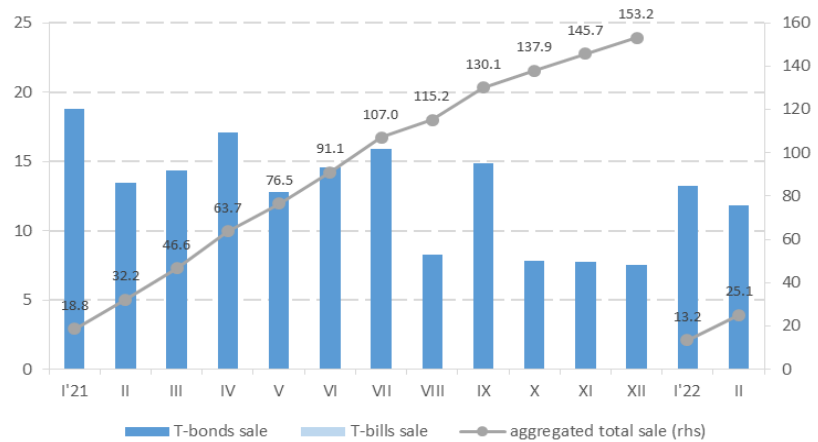
- PS0422: PLN 16.9bn (43% of the issuance),
- OK0722: PLN 4.9bn (16% of the issuance),
- WS0922: PLN 4.6bn (21% of the issuance),
- WZ1122: PLN 4.5bn (15% of the issuance),
- PS0123: PLN 0.6bn (2% of the issuance).



Sale of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-II 2022 aggregated total sale of T-bonds amounted to PLN 25.1bn versus PLN 32.2bn in the same period of 2021.

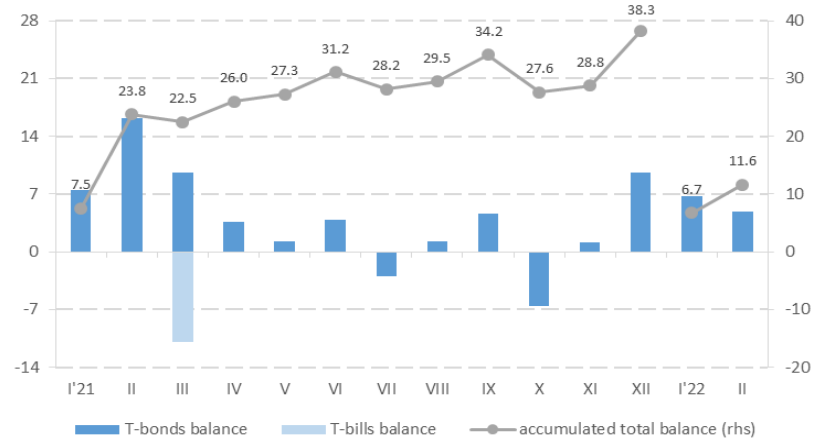


Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-II 2022 indebtedness in T-bonds increased to PLN 11.6bn versus increase of PLN 23.8bn 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-II 2022 was negative and amounted to EUR 2.2bn, which resulted from:

- negative balance of T-bonds of EUR 2.0bn,
- negative balance of loans incurred from IFIs of EUR 0.2bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

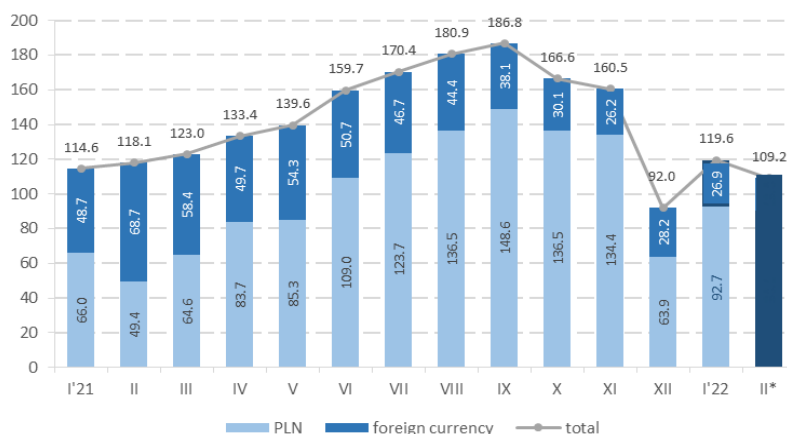


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of February 2022 there was equivalent of PLN 109.2bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

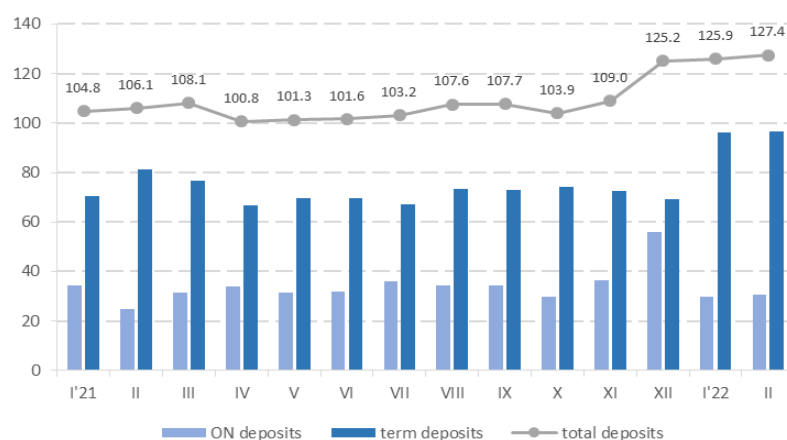
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

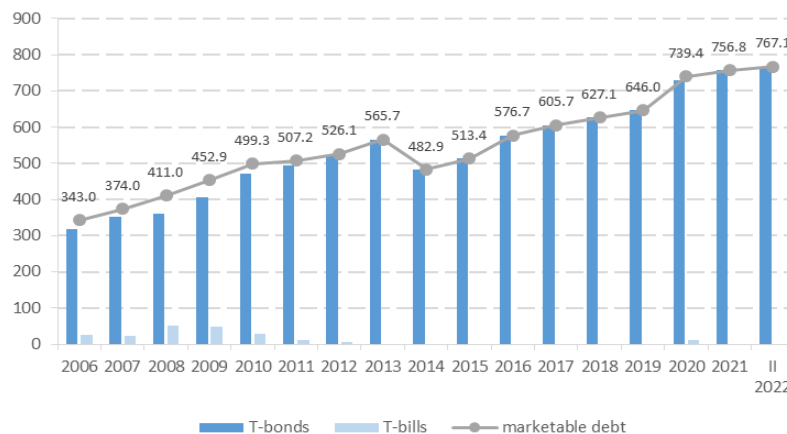
As a result of consolidation of the public finance sector liquidity management there were PLN 127.4bn funds accumulated at the end of February 2022, of which: PLN 96.6bn was on term deposits and PLN 30.8bn on ON deposits.



Structure of domestic marketable debt

PLN bn

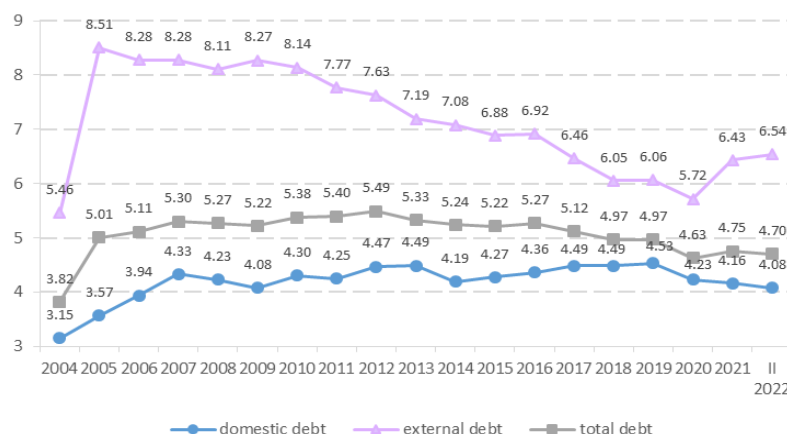
The marketable domestic debt amounted to PLN 767.1bn at the end of February 2022, comparing to PLN 756.8bn at the end of 2021.



Average maturity

years

The average maturity of the domestic debt amounted to 4.08 years at the end of February 2022 (4.16 years at the end of 2021). The average of the total debt amounted to 4.70 years (4.75 years at the end of 2021).



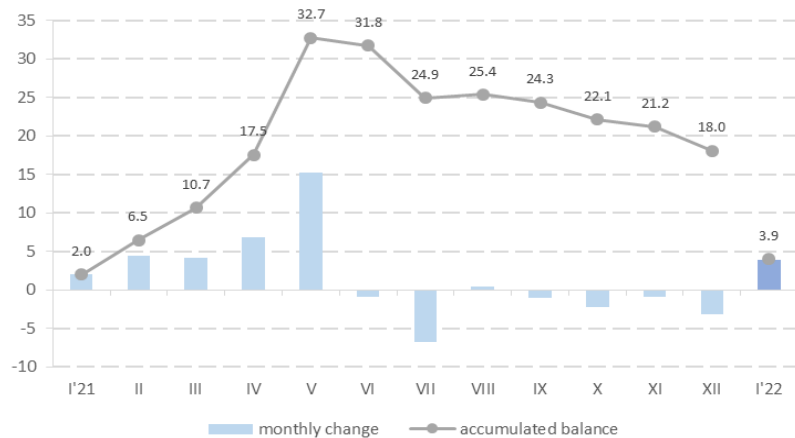


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

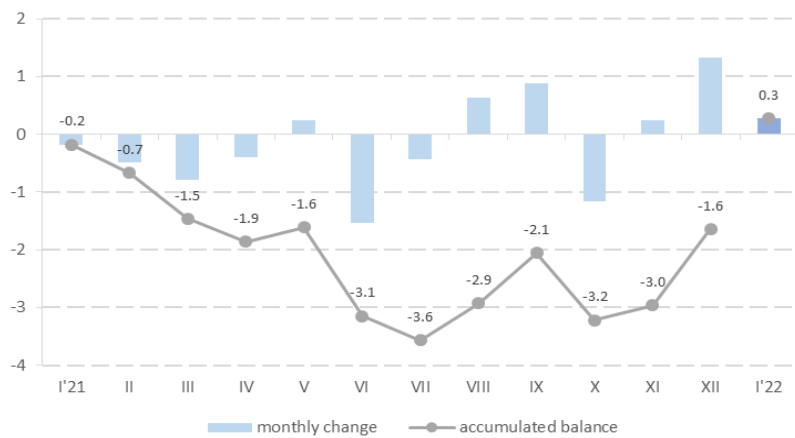
In January 2022 there was an increase of debt by PLN 3.9bn comparing to PLN 2.0bn increase during the same period of 2021. Banks' holdings reached the level of PLN 452.4bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

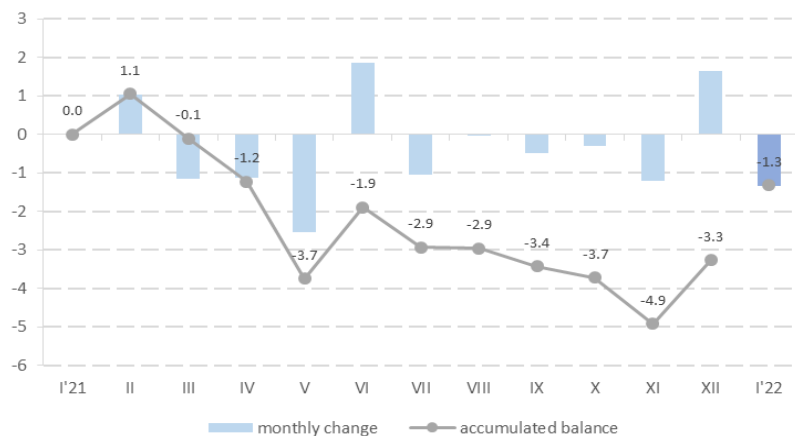
In January 2022 there was an increase of debt by PLN 0.3bn comparing to PLN 0.2bn decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 56.0bn.



Change of debt in the domestic TS held by investment funds

PLN bn

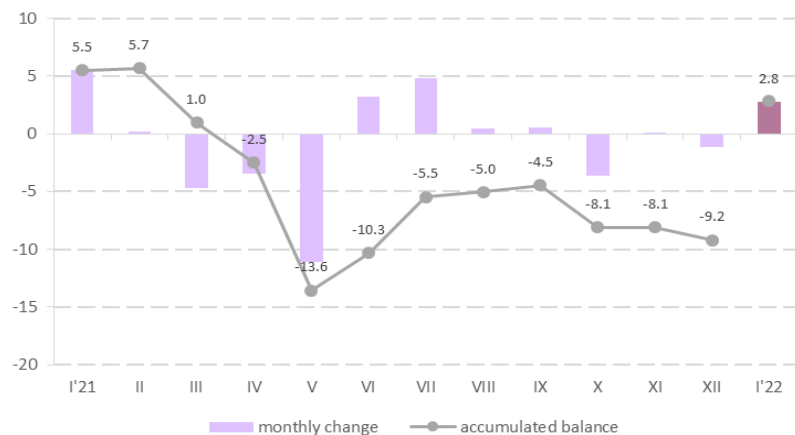
In January 2022 there was a decrease of debt by PLN 1.3bn comparing to no change in the same period of 2021. Investment funds' holdings reached the level of PLN 44.0bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In January 2022 there was an increase of debt by PLN 2.8bn comparing to PLN 5.5bn increase in the same period of 2021. Foreign investors' holdings reached the level of PLN 127.3bn.



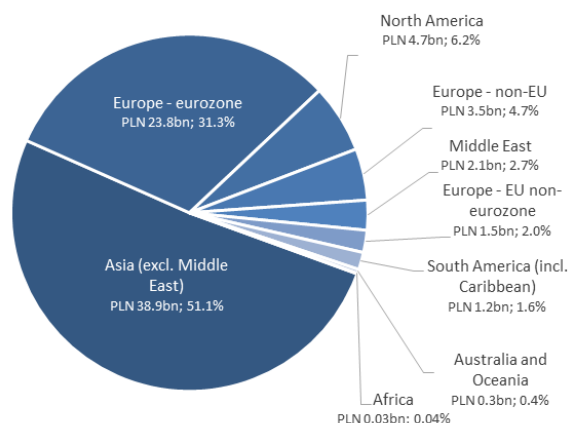
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

as of January 31, 2022, the chart presents data excluding omnibus accounts

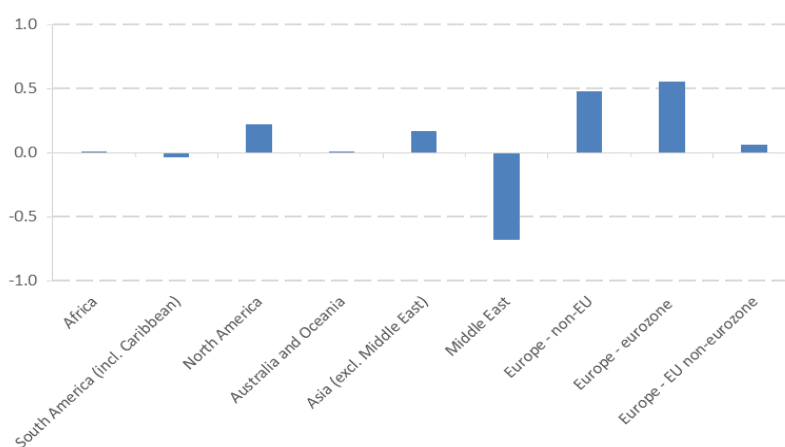
The non-residents' share in the domestic Treasury securities market increased by PLN 2.8bn in January 2022. The foreign investors' portfolio amounted to PLN 127.3bn, which constituted 15.4% share in total debt in Treasury securities (15.2% in the previous month).



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

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

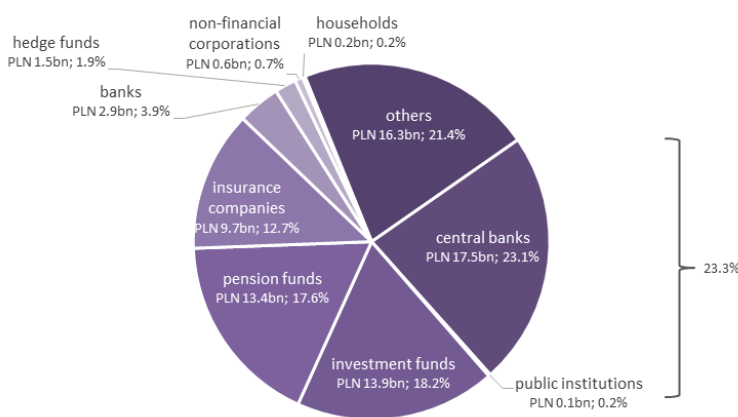
In January 2022 the highest increase was recorded by Eurozone investors (PLN 0.6bn), while the highest decrease was noted by Middle East investors (PLN 0.7bn).



Institutional distribution of the domestic TS held by non-residents

as of January 31, 2022, the chart presents data excluding omnibus accounts

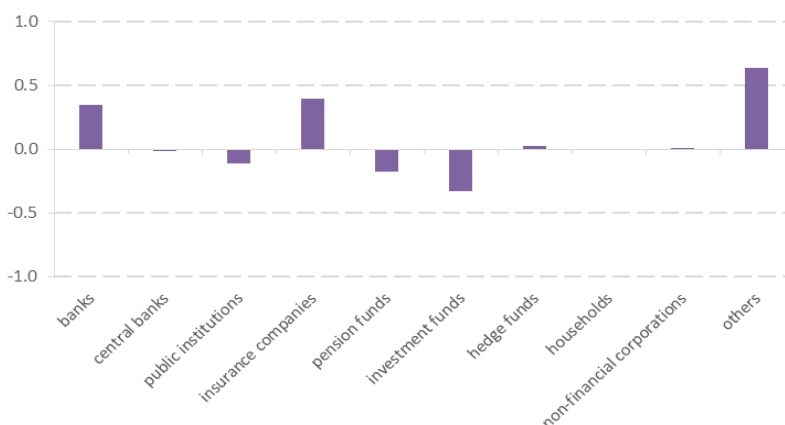
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 23.3% at the end of January 2022.



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

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

In January 2022 the highest increase was recorded by investors categorized as "others" (PLN 0.7bn), while the highest decrease was noted by investment funds (PLN 0.3bn).



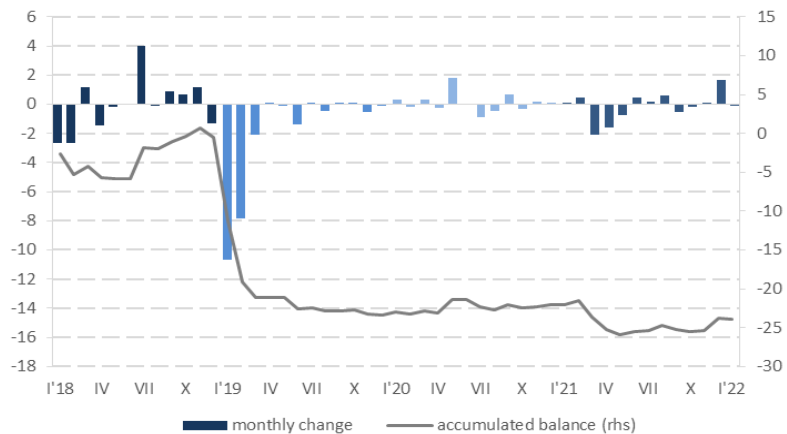


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in January 2022, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.2bn in January 2022. In the period from the end of January 2018 to the end of January 2022 portfolios of those entities decreased by PLN 23.9bn.



Structure of non-residents' holdings in TS by countries

as of January 31, 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	21 100.6	36.0%
Netherlands	7 257.5	12.4%
Luxembourg	6 516.6	11.1%
Germany	4 091.7	7.0%
United States	4 016.0	6.9%
Ireland	3 236.4	5.5%
United Kingdom	2 159.2	3.7%
Switzerland	1 328.7	2.3%
France	1 253.9	2.1%
Cayman Islands (the)	1 180.2	2.0%
United Arab Emirates	868.7	1.5%
Denmark	662.6	1.1%
Canada	658.2	1.1%
Kuwait	613.5	1.0%
Austria	611.5	1.0%
Others	2 987.5	5.1%
Total	58 542.6	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

28-02-2022

(...) The level of financing of this year's borrowing requirements is ca. 55%.

In March, as in January and February, one switching auction and one T-bond sale auction are planned. No T-bill auctions are planned.

In January 2022 indebtedness in domestic Treasury securities increased by PLN 6.9bn. The involvement of domestic banks increased by PLN 3.9bn, foreign investors by PLN 2.8bn and non-banking investors by PLN 0.2bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN MARCH 2022



T-bond sale auction

Auction date	Settlement date	Series	Planned offer (PLN m)
24 MAR 2022	28 MAR 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432 / possible T-bond either of WS or IZ type	3,000-7,000

*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)
11 MAR 2022 / 15 MAR 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432	PS0422	22,682
		OK0722	26,557
		WS0922	17,884
		WZ1122	25,451
		PS0123	32,047

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
POS0323 premium bonds 12-month	100.00 PLN	Fixed: 1.50%; with the option of drawing the monetary bonus
OTS0622 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.00%
DOS0324 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.50%
TOZ0325 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.60% in the first coupon period
COI0326 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.80% in the first coupon period
EDO0332 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 2.20% in the first coupon period
ROS0328 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period
ROD0334 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 2.50% in the first coupon period