

State budget borrowing requirements' financing plan and its background

September 2022

THE MOST IMPORTANT INFORMATION

I. Current macroeconomic situation	2-3
II. Statistical data	4
III. Background of borrowing requirements' financing	5-10
• MoF's comment	10
IV. Monthly supply plan of Treasury securities (TS).....	11

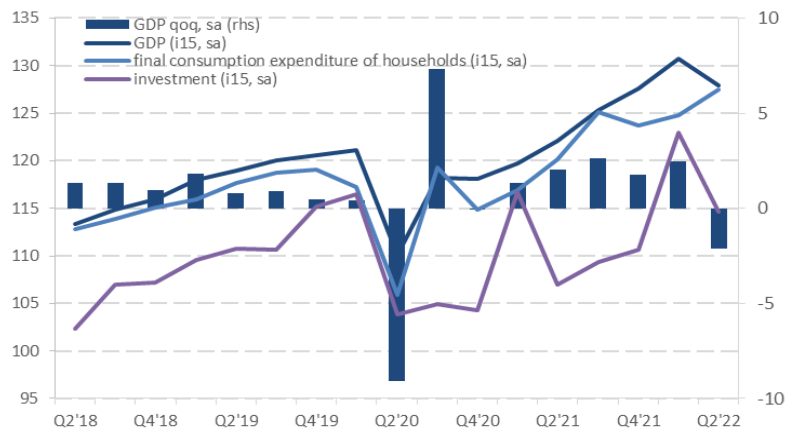


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

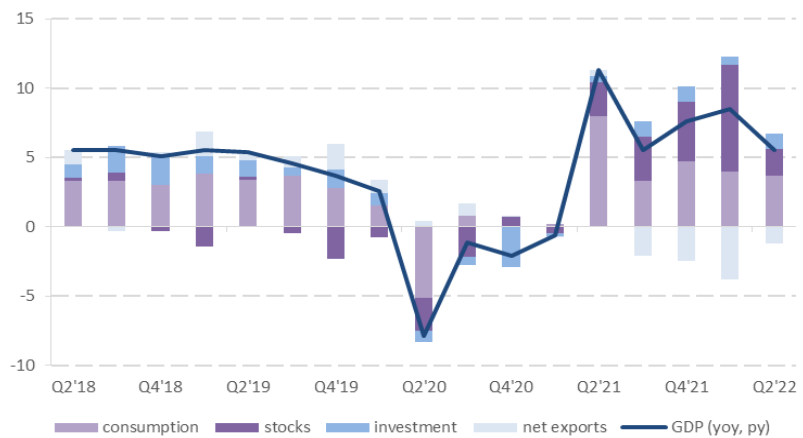
In the second quarter of 2022 Poland's GDP contracted by 2.1% (qoq, sa) following buoyant growth in previous quarters. Short-term outlook is subject to high uncertainty concerning effects of Russian aggression against Ukraine, disruptions in global supply chains, prices of commodities, especially energy and agriculture, economic situation in Germany - our main trading partner.



Contributions to Polish GDP growth

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

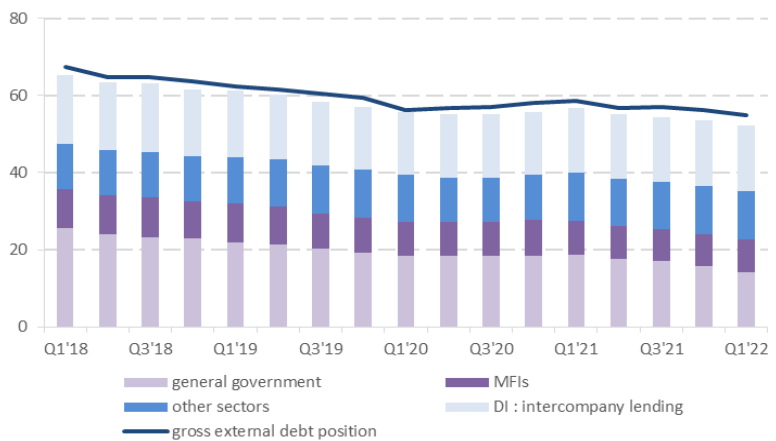
In the second quarter of 2022 GDP was 5.5% (py) higher than a year earlier. Key factor behind the slowdown in yearly dynamics was lower positive contribution of inventories (1.9 percentage points vs. 7.7 pp in the previous quarter). Investment went up by 7.1%, while households consumption increased by 6.4% (yoy). Due to still higher annual dynamics of imports than exports, net exports had a negative contribution to GDP growth, however significantly lower than in the preceding quarter (-1.2 pp vs -3.8 pp).



Polish gross external debt position

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

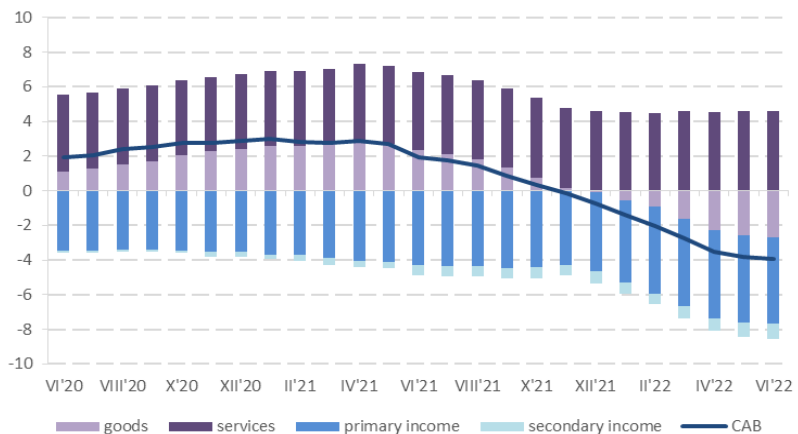
At the end of the first quarter of 2022 gross external debt reached EUR 325.5bn (54.9% of GDP) and was EUR 3.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 26.0%. At the end of June 2022 official reserve assets reached EUR 147.7bn and remained broadly adequate, covering about 5 months of imports.



Current account balance

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

In June 2022, according to preliminary data, current account deficit increased to 3.9% of GDP (in 12-month terms). Due to stronger imports than exports dynamics balance on goods decreased further to -2.7% of GDP, however monthly deficit was lower than in previous months. High nominal dynamics of trade was primarily the result of strong increases in transactions prices. C/A deficit was fully covered by long term capital i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on capital account.



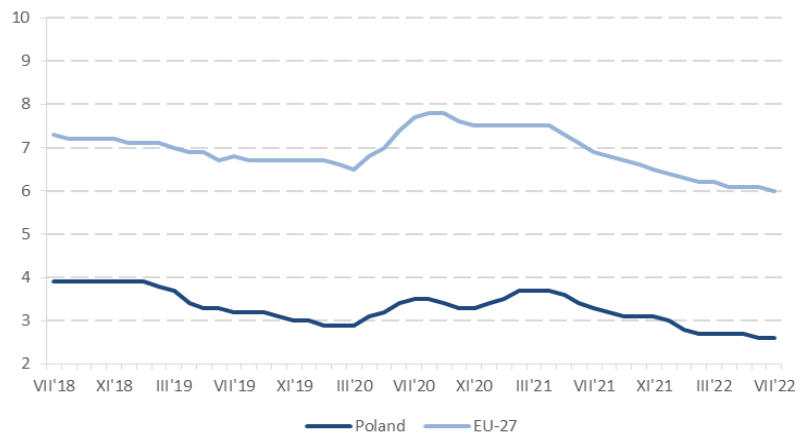
I. MACROECONOMIC SITUATION



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

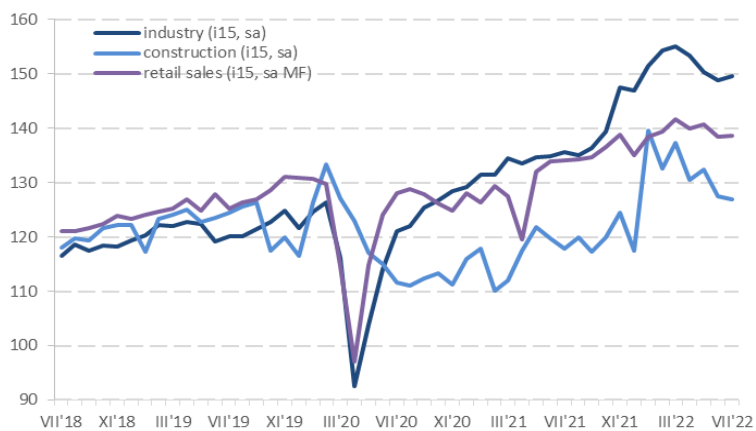
The harmonized unemployment rate (sa) amounted to 2.6% in July 2022 and it was at the same level as in previous month and by 0.7 pp. lower than a year earlier. Thus it remained at historically low level. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (6.0% and 6.6%, 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, non-seasonally adjusted (nsa)
source: Eurostat, GUS, MoF own calculation

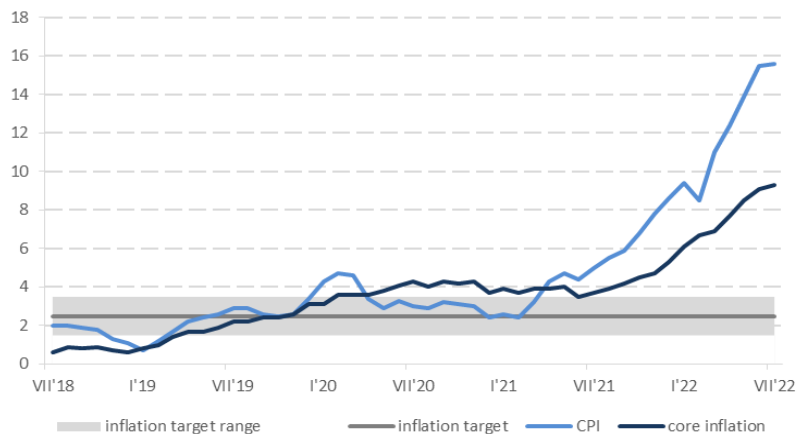
In July 2022 industrial production increased by 0.5% (mom, sa) and was 7.6% higher than a year ago (nsa). Data were close to market expectations. Construction production decreased by 0.5% (mom, sa) following 3.6% drop in the previous month. As a result its level was 4.2% (nsa) higher than a year ago. Data were below market expectations. Retail sales increased slightly after an unexpected drop in the previous month (mom, sa MF). The sales level was 2% (nsa) higher than in the previous year. Data were close to market expectations.



Inflation

percent, yoy
source: GUS, NBP

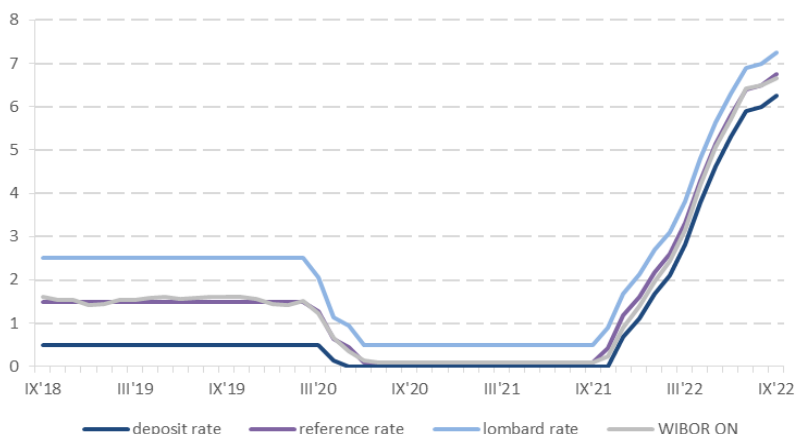
In July 2022 inflation rate increased slightly to 15.6% yoy. CPI increases in last months were primarily caused by high increases of energy and food commodities prices on international markets. Annual rate of energy prices achieved 36.8% and food prices 15.3%. However core inflation (CPI excluding food and energy prices) increased less to 9.3%. According to preliminary data in August inflation rate rose to 16.1%. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In July they were higher than a year before by 24.9%.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In September 2022, the Monetary Policy Council raised NBP's interest rates by 0.25 percentage point. After eleventh hike in a row reference rate rose to 6.75%, lombard rate reached 7.25%, while the deposit rate increased to 6.25%. In October 2021 – September 2022 the reference rate rose by 6.65 percentage points in total. The 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	2021 Q01	Q02	Q03	Q04	2022 Q01	Q02
GDP							
Gross domestic product	YoY	-0.6	11.3	5.5	7.6	8.5	5.5
	QoQ SA	1.4	2.0	2.6	1.8	2.5	-2.1
Final consumption expenditure of the households sector	YoY	-0.2	13.0	4.7	8.0	6.6	6.4
	QoQ SA	1.8	2.8	4.1	-1.1	0.9	2.1
Final consumption expenditure of the general government sector	YoY	2.4	4.2	2.8	4.0	0.6	0.8
	QoQ SA	0.4	1.1	0.4	0.7	0.2	0.7
Gross fixed capital formation	YoY	-1.3	3.0	6.6	5.2	4.3	7.1
	QoQ SA	11.8	-8.3	2.2	1.3	11.1	-6.8
Exports of goods and services	YoY	7.4	29.8	7.3	6.1	2.0	5.2
	QoQ SA	1.8	0.7	0.5	3.6	-2.1	3.0
Imports of goods and services	YoY	8.6	33.8	12.5	12.2	8.8	7.8
	QoQ SA	3.1	2.1	2.4	3.6	0.1	2.0
Gross value added	YoY	-0.9	10.4	5.4	7.5	8.3	5.3
	QoQ SA	1.7	1.5	1.9	1.9	1.8	-0.7
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	-0.2	7.2	2.8	3.9	3.9	3.6
Final consumption expenditure of the general government sector	pp	0.4	0.8	0.5	0.8	0.1	0.1
Gross fixed capital formation	pp	-0.2	0.5	1.1	1.1	0.6	1.1
Changes in inventories	pp	-0.5	2.4	3.2	4.3	7.7	1.9
Balance of trade turnover	pp	-0.1	0.4	-2.1	-2.5	-3.8	-1.2
Gross value added	pp	-0.9	9.2	4.7	6.6	7.3	4.6
GDP structure							
Final consumption expenditure of the households sector	% of GDP	59.9	56.5	57.8	49.7	60.0	59.2
Final consumption expenditure of the general government sector	% of GDP	17.8	18.3	17.8	20.3	16.9	17.9
Gross fixed capital formation	% of GDP	12.9	14.9	16.4	20.9	12.4	15.1
Changes in inventories	% of GDP	1.5	2.8	3.9	6.2	9.6	5.0
Exports of goods and services	% of GDP	62.4	62.7	59.9	58.6	63.4	66.8
Imports of goods and services	% of GDP	55.4	56.1	56.7	56.5	63.2	64.9
Balance of payments							
	Unit	2022 M02	M03	M04	M05	M06	M07
Goods: exports (EUR)	YoY	11.2	18.7	7.9	27.2	25.8	-
Goods: imports (EUR)	YoY	22.1	38.2	24.5	36.4	31.5	-
Current account balance ¹⁾	% of GDP	-2.1	-2.8	-3.5	-3.8	-3.9	-
Balance on goods ¹⁾	% of GDP	-0.9	-1.6	-2.3	-2.5	-2.7	-
Official Reserve Assets	EUR m	143 730.1	142 027.4	143 952.0	145 703.5	147 712.0	154 137.5
Inflation							
Consumer Price Index (CPI)	YoY	8.5	11.0	12.4	13.9	15.5	15.6
Core inflation (CPI excluding food and energy prices)	YoY	6.7	6.9	7.7	8.5	9.1	9.3
Producer Price Index (PPI)	YoY	16.1	21.9	24.1	24.7	25.6	24.9
Production							
Sold production of industry ²⁾	YoY	17.3	15.4	12.4	14.9	10.4	7.6
	MoM SA	1.9	0.5	-1.2	-2.0	-0.9	0.5
Construction and assembly production ²⁾	YoY	21.2	27.6	9.0	13.0	6.0	4.2
	MoM SA	-5.0	3.6	-4.9	1.4	-3.6	-0.5
Manufacturing PMI	SA	54.7	52.7	52.4	48.5	44.4	42.1
Households and labour market							
Retail sales ²⁾	YoY	8.1	9.6	19.0	8.2	3.2	2.0
Average paid employment in enterprise sector	YoY	2.2	2.4	2.8	2.4	2.2	2.3
	MoM	0.2	0.2	0.2	-0.1	0.1	0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	2.9	1.3	1.6	-0.3	-2.2	0.2
	MoM	2.9	3.7	-2.5	-5.0	0.9	2.9
Harmonised unemployment rate (Eurostat)	%, SA	2.7	2.7	2.7	2.7	2.6	2.6
<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	2022 M01	M02	M03	M04	M05	M06
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 137 132.5	1 144 855.6	1 148 171.3	1 153 767.6	1 168 355.0	1 198 783.9
Domestic debt	face value, PLN m	879 247.5	884 271.4	895 722.3	899 905.8	910 660.4	935 266.7
	%	77.3	77.2	78.0	78.0	77.9	78.0
Foreign debt	face value, PLN m	257 884.9	260 584.2	252 448.9	253 861.8	257 694.6	263 517.2
	%	22.7	22.8	22.0	22.0	22.1	22.0
Public debt (domestic definition)							
	Unit	2020 Q04	2021 Q01	Q02	Q03	Q04	2022 Q01
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 111 806.3	1 152 282.2	1 152 289.1	1 160 738.2	1 148 577.0	1 137 102.2
Domestic debt	face value, PLN m	823 542.1	845 843.4	855 430.0	858 651.6	859 052.7	860 629.1
	%	74.1	73.4	74.2	74.0	74.8	75.7
Foreign debt	face value, PLN m	288 264.2	306 438.9	296 859.0	302 086.6	289 524.2	276 473.1
	%	25.9	26.6	25.8	26.0	25.2	24.3
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 336 557.6	1 389 977.4	1 402 163.1	1 418 823.4	1 410 497.6	1 415 777.6

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2022

as of August 31, 2022, PLN bn

The State budget borrowing requirements for 2022 (acc. to the Budget Act) have been fully funded.

Value of funds transferred from the State budget to the market in September shall amount to PLN 15.4bn, of which:

- TS redemptions: PLN 14.5bn,
- interest payments: PLN 0.9bn.

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

As of August 31 2022, to the end of the year the funds to be transferred to the market shall amount to PLN 43.8bn.

* 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 September to the end of 2022 is not presented.

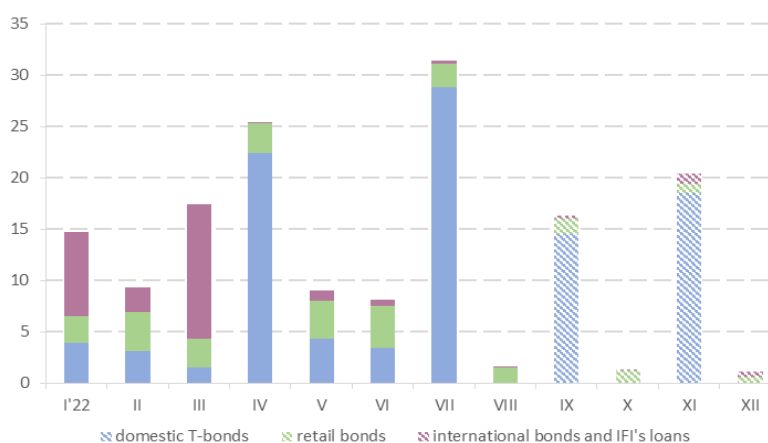
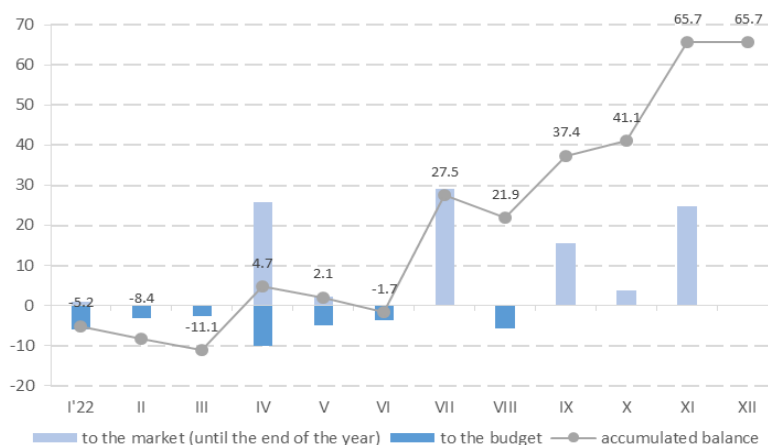
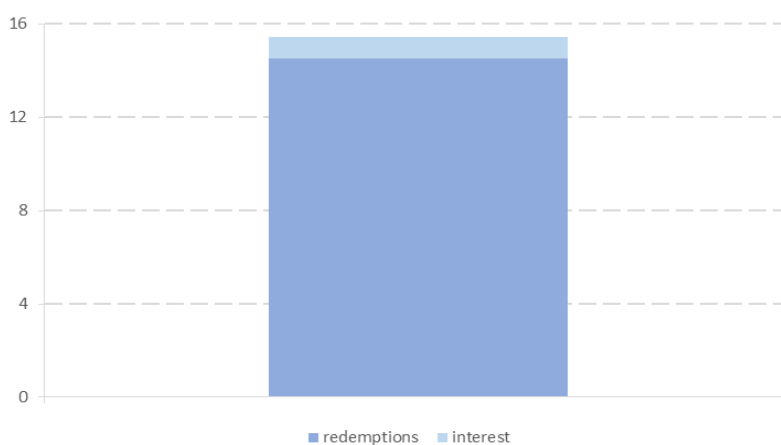
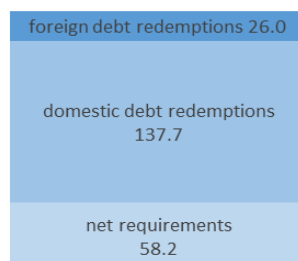
State Treasury debt redemptions in 2022

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

The nominal amount of debt to be redeemed in 2022 (as of August 31, 2022), is equal to PLN 39.1bn, including:

- T-bonds: PLN 33.0bn,
- T-retail bonds: PLN 4.1bn,
- bonds and loans incurred on foreign markets: PLN 2.0bn.

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





III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

Buy-back of T-bonds maturing in years 2022 and 2023 (by switch):

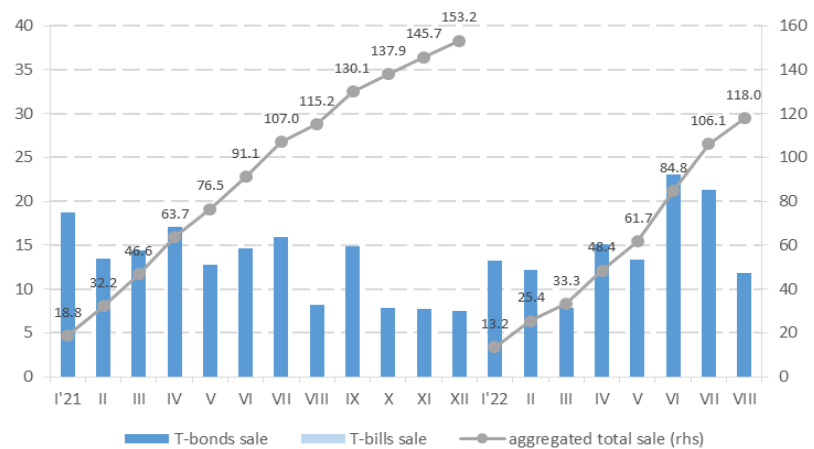
- PS0422: PLN 17.1bn (43% of the issuance),
- OK0722: PLN 8.2bn (26% of the issuance),
- WS0922: PLN 8.0bn (35% of the issuance),
- WZ1122: PLN 11.4bn (38% of the issuance),
- PS0123: PLN 2.6bn (8% of the issuance),
- OK0423: PLN 0.4bn (2% of the issuance).



Sale of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-VIII 2022 aggregated total sale of T-bonds amounted to PLN 118,0bn versus PLN 115,2bn in the same period of 2021.



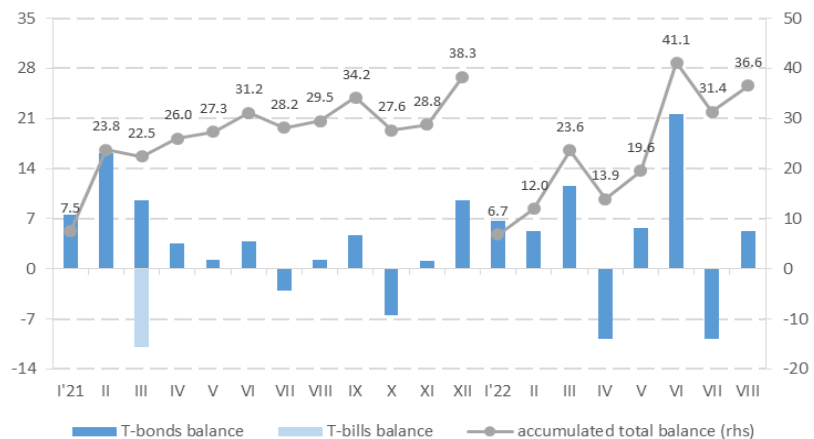
Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-VIII 2022 indebtedness in:

- T-bonds increased to PLN 36.6bn versus increase of PLN 40.4bn 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 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.

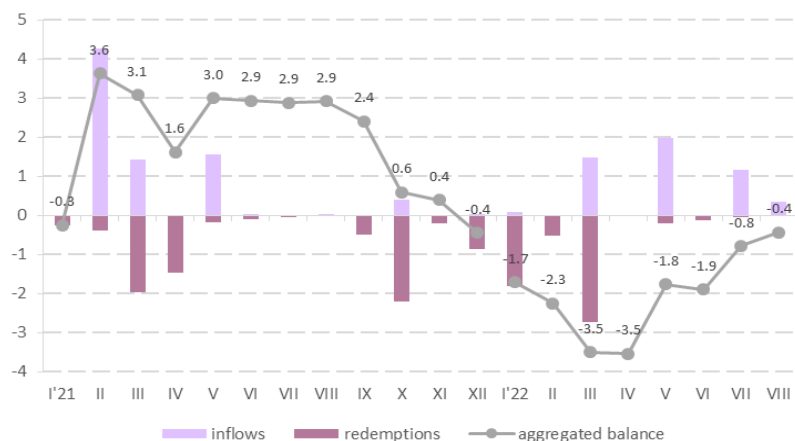


External financing in 2021 and 2022

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

Net financing on foreign markets in the period of I-VIII 2022 was negative and amounted to EUR 0.4bn, which resulted from

- negative balance of T-bonds issuance of EUR 2.7bn,
- positive balance of loans incurred from IFIs at the level of EUR 0.8bn,
- positive balance of instrument SURE of EUR 1.5bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

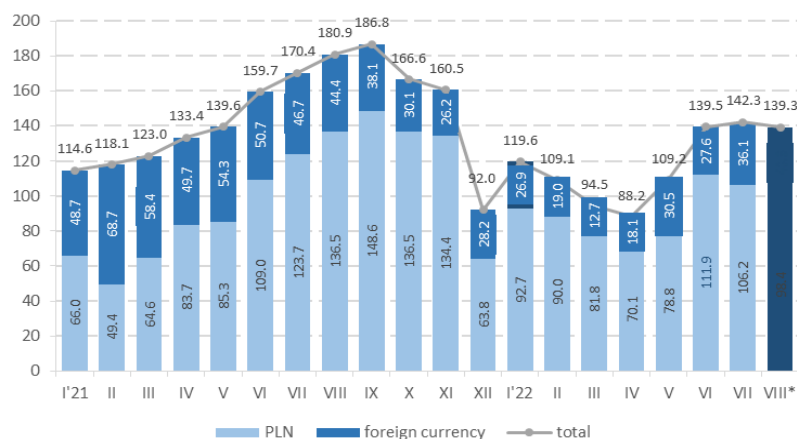


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of August 2022 there was the equivalent of PLN 139.3bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

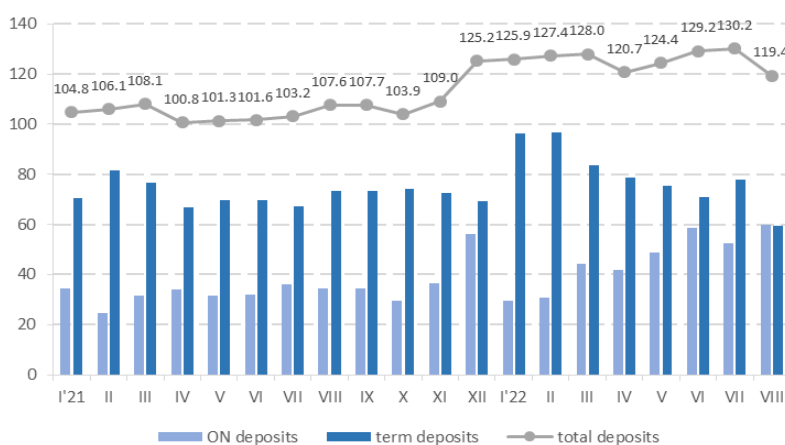
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

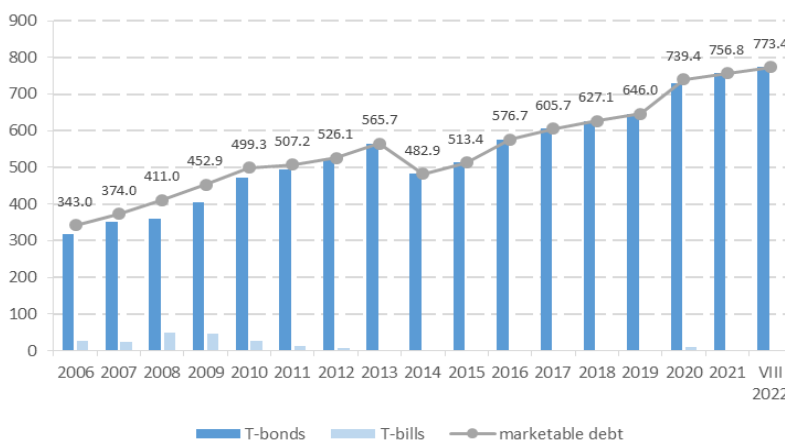
As a result of consolidation of public finances liquidity management there were PLN 119.4bn funds accumulated at the end of August 2022, of which PLN 59.5bn was as term deposits and PLN 59.9bn on ON deposits.



Structure of domestic marketable debt

PLN bn

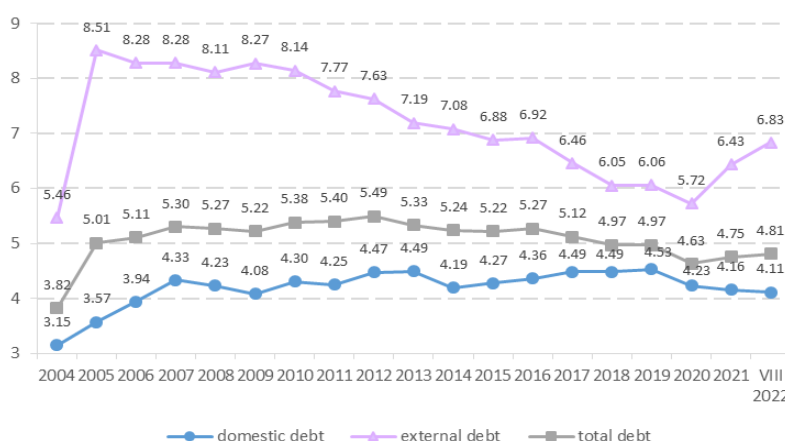
At the end of August 2022 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 773.4bn comparing to PLN 756.8bn at the end of 2021.



Average maturity

years

At the end of August 2022 the average maturity of domestic debt amounted to 4.11 years (while at the end of 2021 it was 4.16 years). The average of total debt amounted to 4.81 years (4.75 years at the end of 2021).



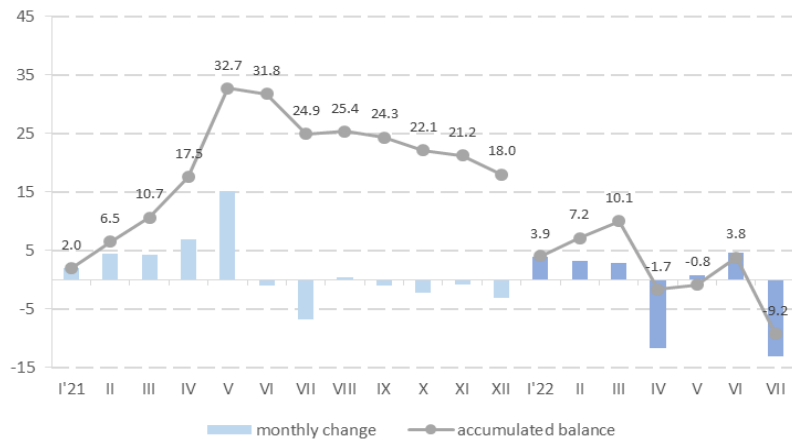


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

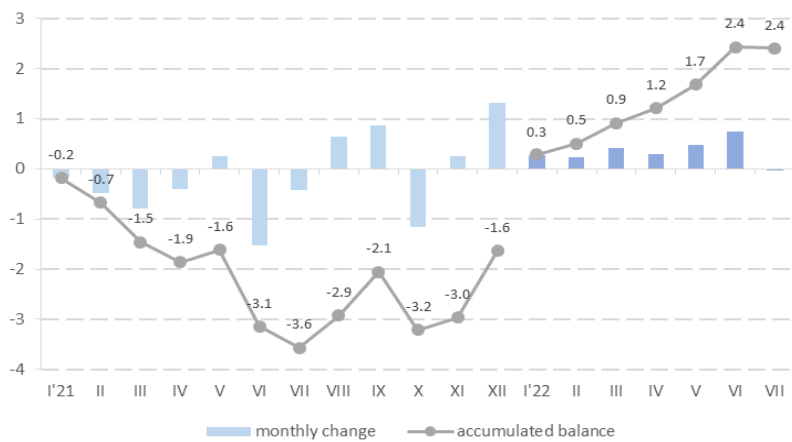
In the period of I-VII 2022 there was a decrease of debt by PLN 9.2bn comparing to PLN 24.9bn increase during the same period of 2021. Banks' holdings reached the level of PLN 439.3bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

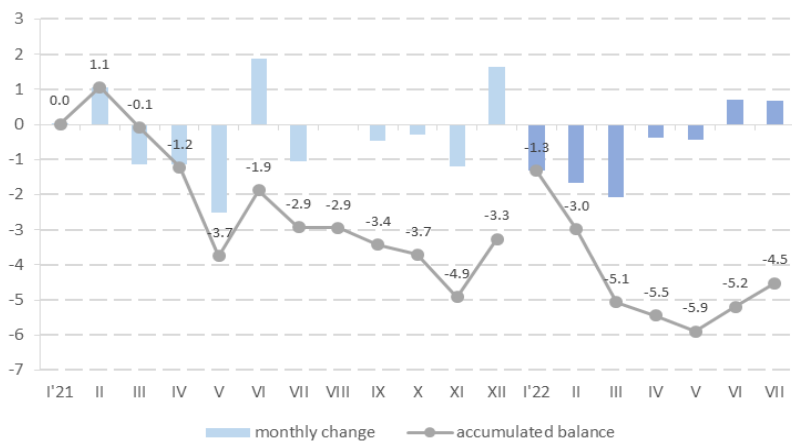
In the period of I-VII 2022 there was an increase of debt by PLN 2.4bn comparing to PLN 3.6bn a decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 58.1bn.



Change of debt in the domestic TS held by investment funds

PLN bn

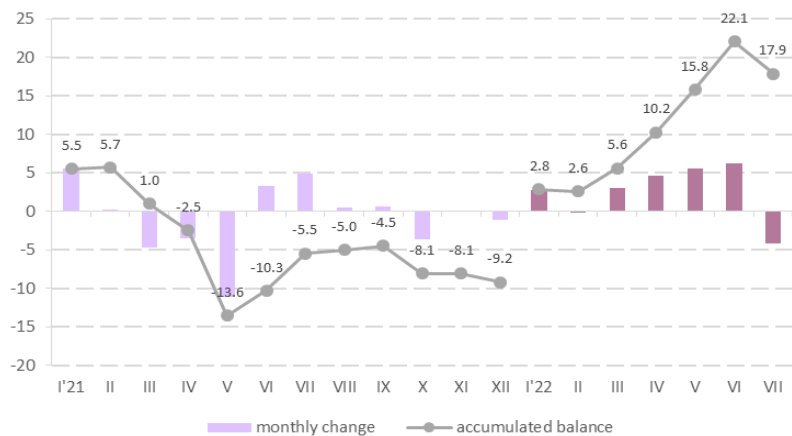
In the period of I-VII 2022 there was a decrease of debt by PLN 4.5bn comparing to PLN 2.9bn a decrease during the same period of 2021. Investment funds' holdings reached the level of PLN 40.8bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-VII 2022 there was an increase of debt by PLN 17.9bn comparing to PLN 5.5bn a decrease during the same period of 2021. Foreign investors' holdings reached the level of PLN 142.4bn.



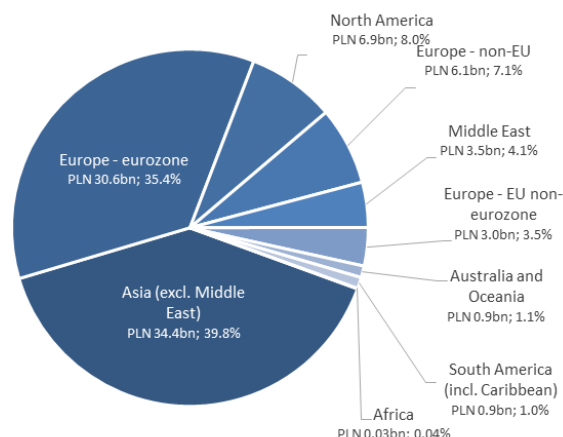
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

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

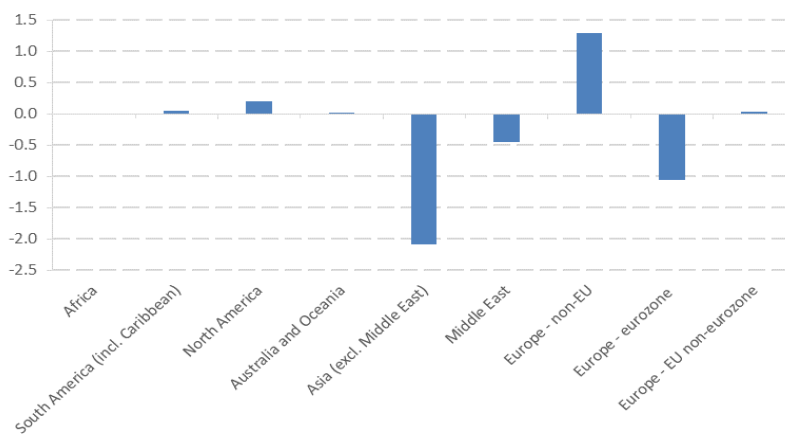
The non-residents' share in the domestic Treasury securities market decreased by PLN 4.2bn in July 2022. The foreign investors' portfolio amounted to PLN 142.4bn, which constituted 17.0% share in total debt in TS (16.9% in the previous month).



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

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

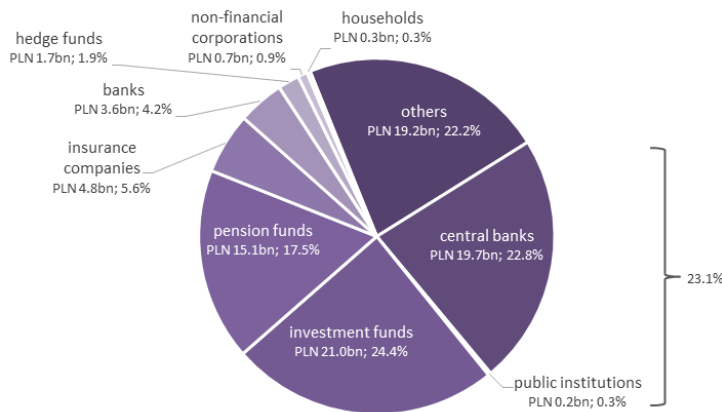
In July 2022 the highest increase was recorded by European—non-EU investors (PLN 1.3bn), while the highest decrease was noted by Asian investors (excl. Middle East) (PLN 2.1bn).



Institutional distribution of the domestic TS held by non-residents

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

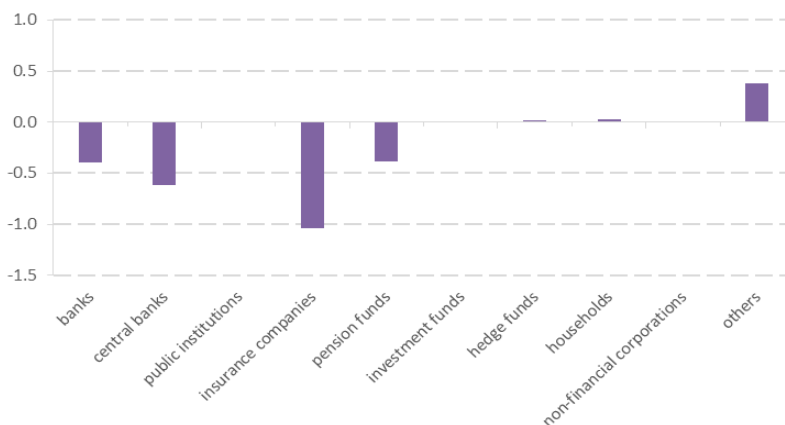
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 23.1% at the end July 2022.



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

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

In July 2022 the highest increase was recorded by investors categorized as "others" (PLN 0.4bn), while the highest decrease was noted by insurance companies (PLN 2.0bn).



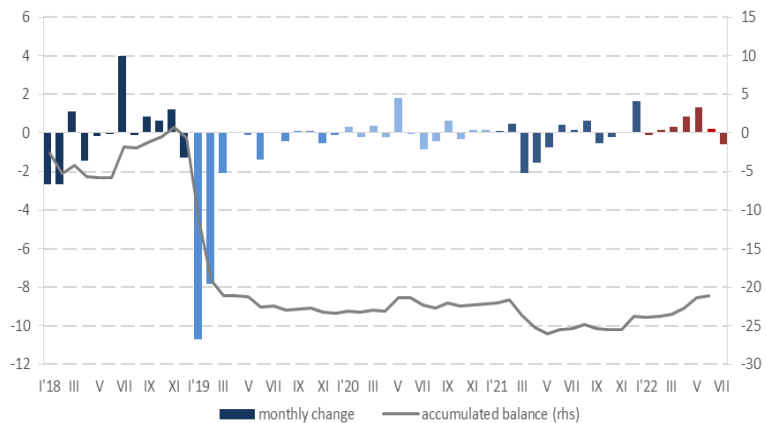


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in July 2022, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.6bn in June 2022. In the period from the end of January 2018 to the end of June 2022 portfolios of those entities decreased by PLN 21.7bn.



Structure of non-residents' holdings in TS by countries

as of July 30, 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	16 085.6	24.1%
Luxembourg	10 707.5	16.1%
Netherlands	7 315.1	11.0%
United States	6 408.1	9.6%
Ireland	6 004.8	9.0%
Germany	4 511.6	6.8%
United Kingdom	4 363.6	6.5%
Denmark	1 580.5	2.4%
Switzerland	1 574.8	2.4%
United Arab Emirates	1 102.4	1.7%
France	890.6	1.3%
Australia	824.3	1.2%
Cayman Islands	814.1	1.2%
Bulgaria	669.3	1.0%
Others	3 813.5	5.7%
Total	66 665.9	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-08-2022

(...) This year's gross borrowing requirements of state budget have been already fully financed.

In September one sale auction and one switching auction are planned. No T-bill auctions are planned.

In July 2022 indebtedness in domestic Treasury securities decreased by PLN 16.4bn. The involvement of domestic banks decreased by PLN 13.0bn, and of foreign investors decreased by PLN 4.2bn, while involvement of domestic non-banking investors increased by PLN 0.8bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN SEPTEMBER 2022



T-bond sale auction

Auction date	Settlement date	Series	Planned supply (PLN mln)
27-sep-2022	29-sep-2022	OK0724 / PS0527 / WZ1127 / DS0432 / WZ0533 / possible other T-bond	4,000-8,000

T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
11-sep-2022 / 16-sep-2022	OK0724 / PS0527 / WZ1127 / DS0432 / WZ0533 possible other T-bond	WS0922	14,537
		WZ1122	18,504
		PS0123	30,072
		OK0423	21,437

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS1122 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0923 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.50% in the first coupon period
DOR0924 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.25%); 6.75% in the first coupon period
TOZ0925 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.50%
COI0926 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 6.50% in the first coupon period
EDO0932 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 6.75% in the first coupon period
ROS0928 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 6.70% in the first coupon period
ROD0934 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.00% in the first coupon period