

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

May 2020

### THE MOST IMPORTANT INFORMATION

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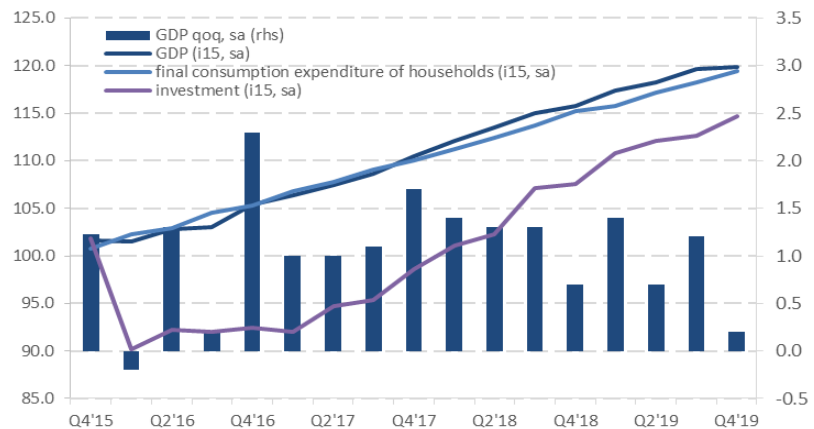


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices  
source: GUS, Eurostat

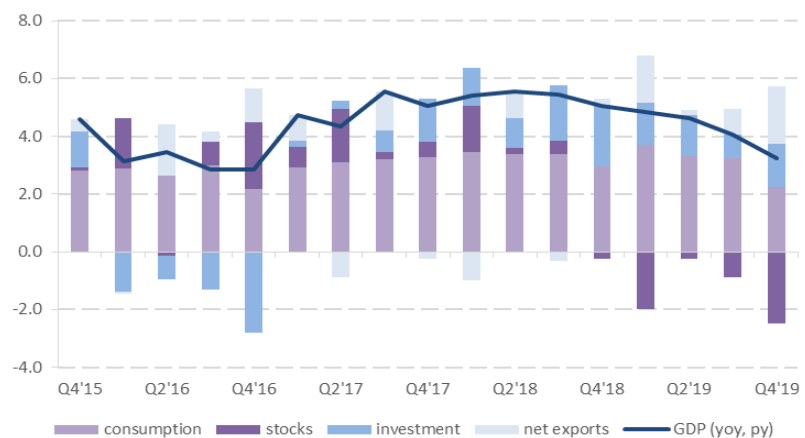
In the fourth quarter of 2019 GDP increased by 0.2% (qoq, sa) versus 1.2% a quarter earlier. Rate of growth (qoq, sa) of households consumption was close to the third quarter of 2019 and in the case of investment acceleration was observed. On the other hand, foreign trade dynamics decreased.



### Contributions to Polish GDP growth

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

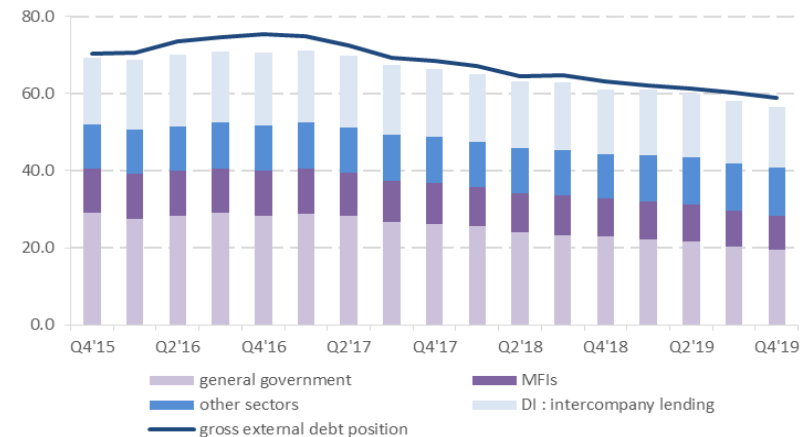
In the fourth quarter of 2019 GDP was 3.2% higher than a year ago as compared to 4.0% in the previous quarter. Households consumption was 3.3% higher than in the same period of 2018. Investment growth amounted to 6.1%. Inventories contribution to GDP growth was negative (2.5 pp), which was, to a large extent, offset by positive net exports (2.0 pp). Observed in 2019 weaker, than a year ago, rate of growth of private consumption in the context of significant improvement in dynamics of real disposable incomes was most probably caused by increase in households saving rate.



### Polish gross external debt position

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

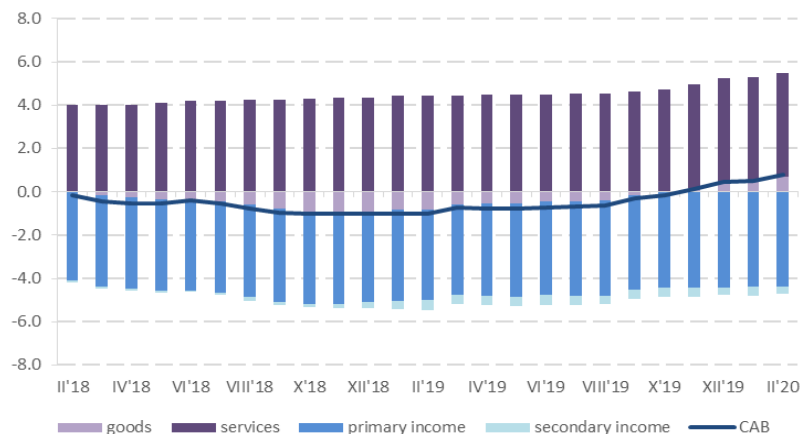
At the end of the fourth quarter of 2019 gross external debt reached EUR 312.0bn (59.0% of GDP) and was EUR 0.8bn lower than in the previous quarter. The share of general government debt in total debt decreased to 32.9%. At the end of February 2020 official reserve assets reached EUR 116.1bn and remained broadly adequate, covering about 5 months of imports.



### Current account balance

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

According to the preliminary data in February 2020 current account balance was positive and amounted to 0.8% of GDP (in 12-month terms). The inflow of long-term capital also continued, i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on capital account.

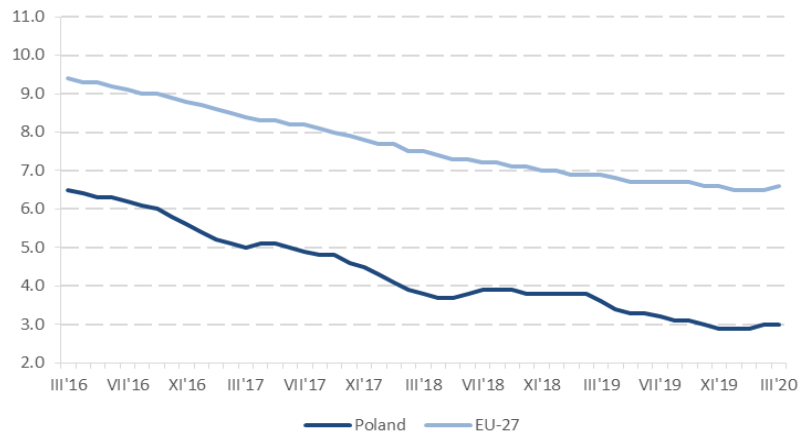




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

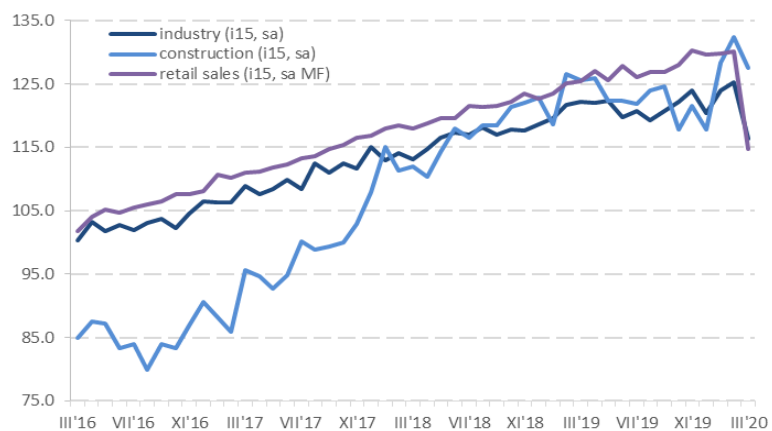
In March 2020 harmonised unemployment rate remained at the low level observed in the previous month (3.0%) and it was only a little bit higher than historically low level observed in the period of November 2019 - January 2020 (2.9%). It was lower than in the EU-27 on average (6.6% in March 2020).



## Monthly indicators of the real sector

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

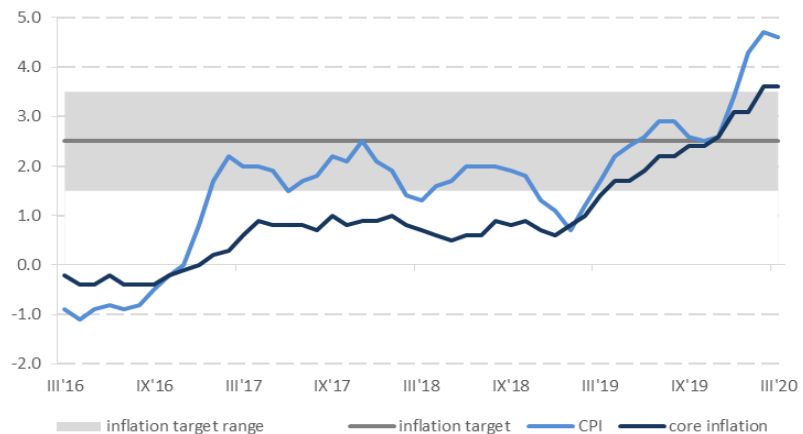
March 2020 was the first month with visible direct economic effects of COVID-19 epidemic expansion and imposed social distancing. Industrial production went down by 7.2% (mom, sa) and it was 2.3% lower than a year ago (nsa). Data were slightly below market expectations. Construction production dropped by 3.6% following increases in two previous months (mom, sa). As a result, it was 3.7% (nsa) higher than a year before. Data beat MoF's expectations. Real retail sales decreased dramatically compared to the previous month (11.8%, sa MoF). Retail sales were 9% (nsa) lower than in the same month of 2019. Data were below expectations.



## Inflation

percent, yoy  
source: GUS, NBP

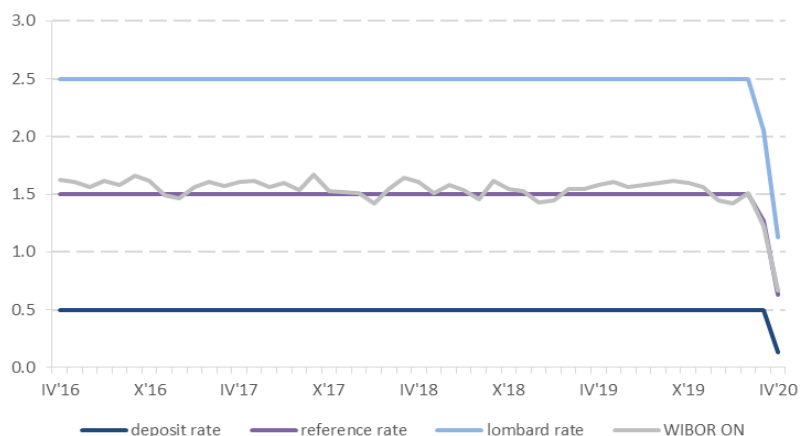
In the first quarter of 2020 inflation rate increased to 4.5%, exceeding the upper limit of deviation from the inflation target. Rising inflation was influenced by the electricity price hike and still high food prices growth. Data were higher than expectations. In April, according to the preliminary data, inflation decreased to 3.4%, among others due to strong drop in fuel prices. Core inflation (CPI excluding food and energy prices) in February and March reached 3.6% (yoy), the highest level from almost 18 years. The annual rate of producer prices (PPI) in last months remained at low level and in March there was a deflation of 0.5% (yoy).



## NBP interest rates

percent, end of period  
source: NBP, Eurostat

In April 2020, the MPC further eased monetary policy. The NBP's interest rates were reduced by 0.5 pp: the reference rate to 0.5%, the lombard rate to 1.0%, while the deposit rate was set at 0.0%. Moreover, purchases of government bonds on the secondary market were extended to all government securities and government-guaranteed debt securities. Measures undertaken by the NBP are aimed at easing financing conditions in the economy and mitigating negative economic impact of the coronavirus pandemic.





## II. STATISTICAL DATA

	Unit	2018 Q03	Q04	2019 Q01	Q02	Q03	Q04
<b>GDP</b>							
Gross domestic product	YoY	5.4	5.1	4.8	4.6	4.0	3.2
	QoQ SA	1.3	0.7	1.4	0.7	1.2	0.2
Final consumption expenditure of the households sector	YoY	4.1	4.0	3.9	4.4	3.9	3.3
	QoQ SA	1.1	1.3	0.5	1.2	0.9	1.0
Final consumption expenditure of the general government sector	YoY	4.2	4.0	7.4	4.3	5.4	3.2
	QoQ SA	1.2	1.4	1.5	0.7	1.1	0.6
Gross fixed capital formation	YoY	11.4	9.0	11.6	8.8	4.6	6.1
	QoQ SA	4.7	0.4	3.0	1.2	0.5	1.8
Exports of goods and services	YoY	6.7	7.8	8.5	3.6	4.9	2.0
	QoQ SA	0.0	3.0	1.3	-0.8	1.4	0.1
Imports of goods and services	YoY	7.8	7.9	5.9	3.6	3.5	-2.0
	QoQ SA	1.5	2.1	0.1	0.2	0.1	-0.9
Gross value added	YoY	5.4	5.0	4.7	4.6	4.0	3.2
	QoQ SA	1.3	1.2	0.9	0.9	0.9	0.6
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	2.5	2.0	2.4	2.5	2.3	1.6
Final consumption expenditure of the general government sector	pp	0.7	0.8	1.3	0.8	0.9	0.6
Gross fixed capital formation	pp	1.9	2.2	1.5	1.4	0.8	1.5
Changes in inventories	pp	0.5	-0.3	-2.0	-0.3	-0.9	-2.5
Balance of trade turnover	pp	-0.3	0.2	1.6	0.2	0.9	2.0
Gross value added	pp	4.7	4.4	4.2	4.0	3.4	2.8
Taxes less subsidies	pp	0.7	0.7	0.6	0.6	0.6	0.5
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	58.8	50.1	61.8	57.8	58.0	49.5
Final consumption expenditure of the general government sector	% of GDP	17.2	19.1	17.4	17.4	17.4	19.1
Gross fixed capital formation	% of GDP	17.8	24.9	13.3	16.8	17.6	25.3
Changes in inventories	% of GDP	2.1	2.3	1.3	2.0	1.1	-0.2
Exports of goods and services	% of GDP	55.8	52.4	59.4	57.2	55.8	51.5
Imports of goods and services	% of GDP	52.6	49.6	54.1	52.1	50.8	45.9
<b>Balance of payments</b>							
	Unit	2019 M10	M11	M12	2020 M01	M02	M03
Goods: exports (EUR)	YoY	4.0	0.8	9.0	3.6	5.7	-
Goods: imports (EUR)	YoY	0.3	-3.5	-0.7	2.4	0.5	-
Current account balance <sup>1)</sup>	% of GDP	-0.1	0.1	0.5	0.5	0.8	-
Balance on goods <sup>1)</sup>	% of GDP	0.0	0.2	0.5	0.5	0.7	-
Official Reserve Assets	EUR m	109 192.0	108 887.5	114 510.6	113 757.2	116 060.2	110 119.5
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	2.5	2.6	3.4	4.3	4.7	4.6
Core inflation (CPI excluding food and energy prices)	YoY	2.4	2.6	3.1	3.1	3.6	3.6
Producer Price Index (PPI)	YoY	-0.3	-0.1	1.0	0.9	0.2	-0.5
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	3.7	1.4	3.8	1.1	4.8	-2.3
	MoM SA	1.2	1.4	-2.9	2.9	1.1	-7.2
Construction and assembly production <sup>2)</sup>	YoY	-4.1	-4.7	-3.3	6.4	5.5	3.7
	MoM SA	-5.4	3.1	-3.0	9.0	3.1	-3.6
Manufacturing PMI	SA	45.6	46.7	48.0	47.4	48.2	42.4
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	4.6	5.2	5.7	3.5	7.3	-9.0
Average paid employment in enterprise sector	YoY	2.5	2.6	2.6	1.1	1.1	0.3
	MoM	0.0	0.2	0.0	0.7	0.1	-0.5
Average monthly gross wages and salaries in enterprise sector (real)	YoY	3.3	2.6	2.7	2.7	2.9	1.6
	MoM	2.3	0.2	6.3	-6.6	0.2	2.8
Harmonised unemployment rate (Eurostat)	% SA	3.0	2.9	2.9	2.9	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	2019 M09	M10	M11	M12	2020 M01	M02
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	978 561.0	960 882.4	962 013.4	973 337.0	987 604.7	997 397.3
Domestic debt	face value, PLN m	707 713.5	701 313.8	702 674.3	716 452.3	727 019.7	728 278.4
	%	72.3	73.0	73.0	73.6	73.6	73.0
Foreign debt	face value, PLN m	270 847.4	259 568.6	259 339.1	256 884.7	260 585.0	269 118.9
	%	27.7	27.0	27.0	26.4	26.4	27.0
<b>Public debt (domestic definition)</b>							
	Unit	2018 Q03	Q04	2019 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	977 304.9	984 313.5	1 005 633.5	998 220.7	1 001 190.9	990 932.3
Domestic debt	face value, PLN m	678 615.4	688 248.0	706 607.9	708 264.6	713 568.9	716 167.7
	%	69.4	69.9	70.3	71.0	71.3	72.3
Foreign debt	face value, PLN m	298 689.6	296 065.5	299 025.7	289 956.1	287 622.0	274 764.6
	%	30.6	30.1	29.7	29.0	28.7	27.7
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 029 900.1	1 035 703.9	1 056 556.1	1 051 755.9	1 055 625.3	1 045 122.0

Source: MoF

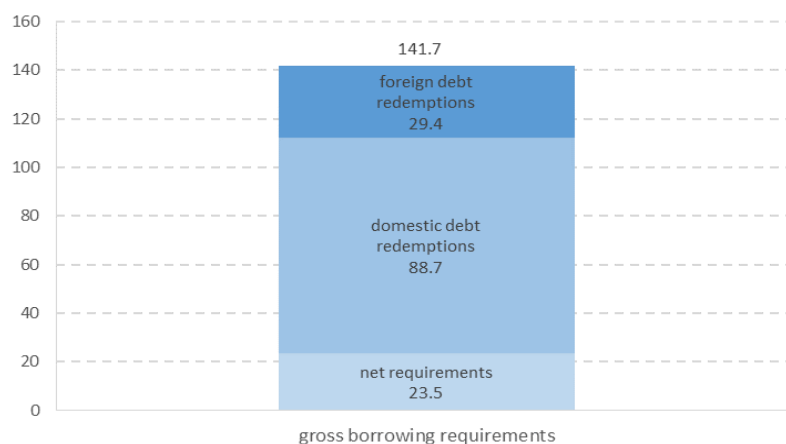
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Gross borrowing requirements in 2020

as of April 30, 2020, PLN bn

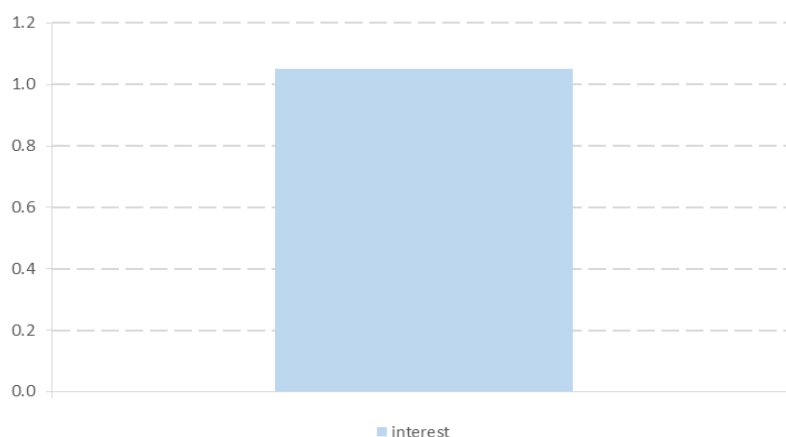
State budget borrowing requirements for 2020 (acc. to the Budget Act) have been fully funded.



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

plan as of April 30, 2020, PLN bn

Value of funds transferred from the State budget to the market in May shall amount to PLN 1.1bn (interest payments).

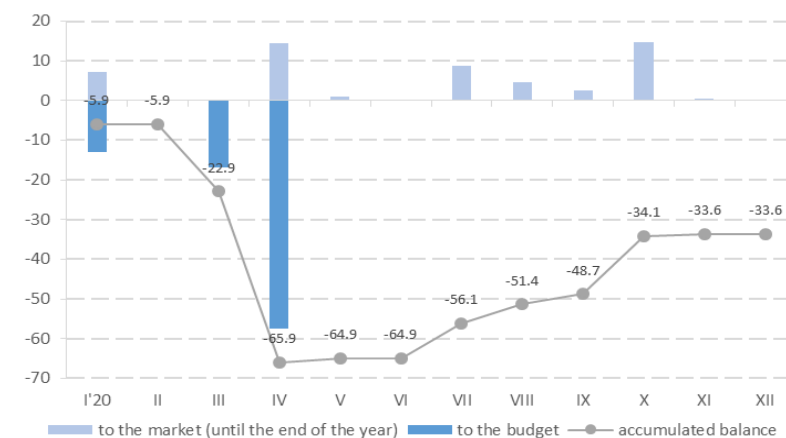


#### Flows of funds between the domestic market and the budget\*

as at the end of month, PLN bn

From May to the end of 2020 funds to be transferred to the domestic market shall amount to PLN 32.3bn (as of April 30, 2020).

\* 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 May to the end of 2020 is not presented.

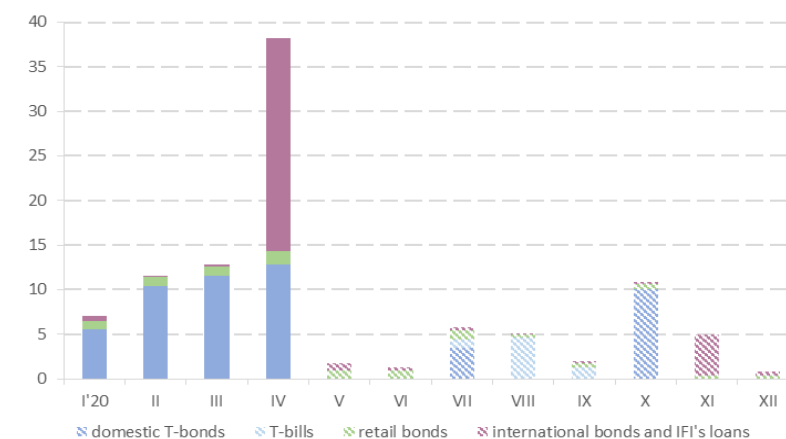


#### State Treasury debt redemptions in 2020

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

The nominal amount of debt to be redeemed in 2020 (as of April 30, 2020) is equal to PLN 32.1bn, including:

- T-bonds: PLN 13.6bn,
- retail bonds: PLN 5.1bn,,
- T-bills: PLN 6.8bn,
- bonds and loans incurred on foreign markets: PLN 6.6bn.



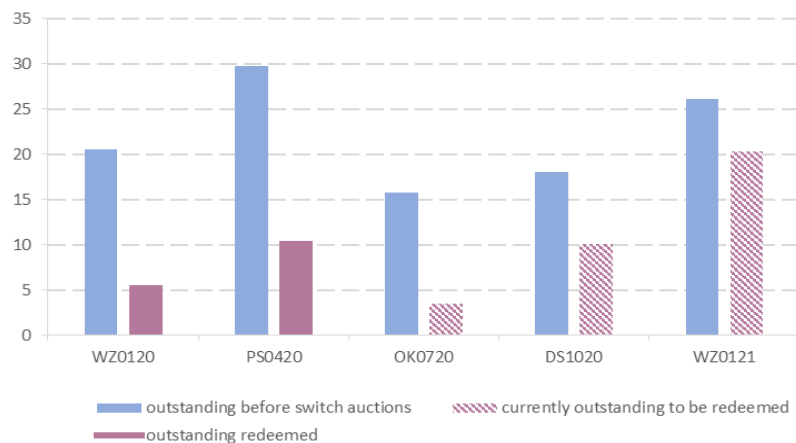


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2020 and 2021 as of April 30, 2020, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2020 and 2021:

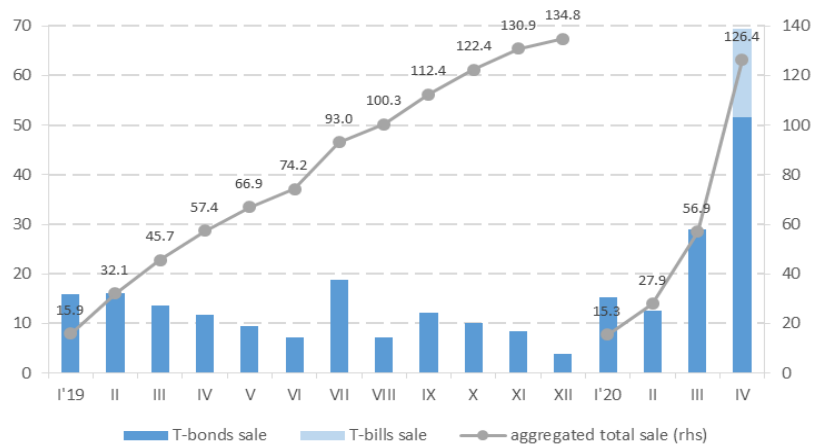
- WZ0120: PLN 15.1bn (73% of the issuance),
- PS0420: PLN 19.3bn (65% of the issuance),
- OK0720: PLN 12.2bn (78% of the issuance),
- DS1020: PLN 7.9bn (44% of the issuance),
- WZ0121: PLN 5.7bn (22% of the issuance).



#### Sale of domestic T-bills and T-bonds in 2019 and 2020 settlement date, nominal amount, PLN bn

In the period of I-IV 2020 aggregated total sale of:

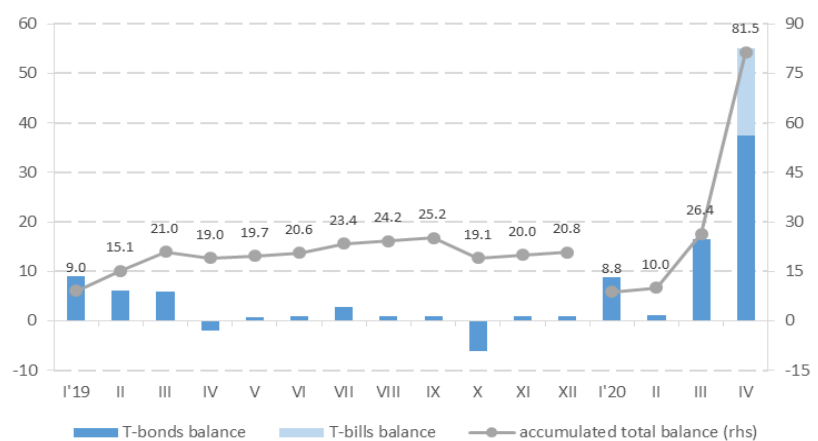
- T-bonds amounted to PLN 108.6bn versus PLN 57.4bn in the same period of 2019,
- T-bills amounted to PLN 17.7bn (T-bills were not offered since February 2017).



#### Balance of domestic T-bills and T-bonds in 2019 and 2020 settlement date, nominal amount, PLN bn

In the period of I-IV 2020 indebtedness in:

- T-bonds increased to PLN 63.7bn versus an increase of PLN 19.0bn in the same period of 2019,
- T-bills increased to PLN 17.7bn (T-bills were not offered since February 2017).



#### External financing in 2019 and 2020 bonds issued on foreign markets and loans received from IFIs, settlement date, EUR bn

Net financing on foreign markets in the period of I-IV 2020 was negative and amounted to EUR 3.4bn (positive balance of EUR 0.3bn in the same period of 2019) which resulted from:

- negative balance of T-bonds of EUR 3.5bn (positive balance of EUR 0.3bn in the same period of 2019),
- positive balance of loans incurred from IFIs of EUR 0.1bn (positive balance of EUR 0.0005bn in the same period of 2019).



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

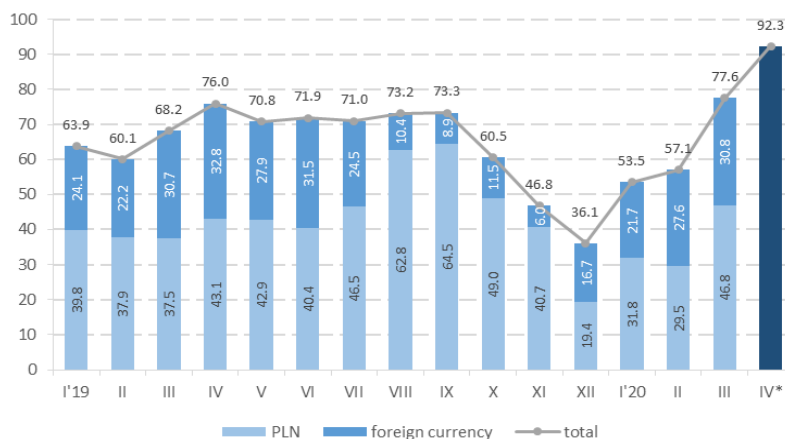


#### Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of April 2020 there was equivalent of PLN 92.3bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

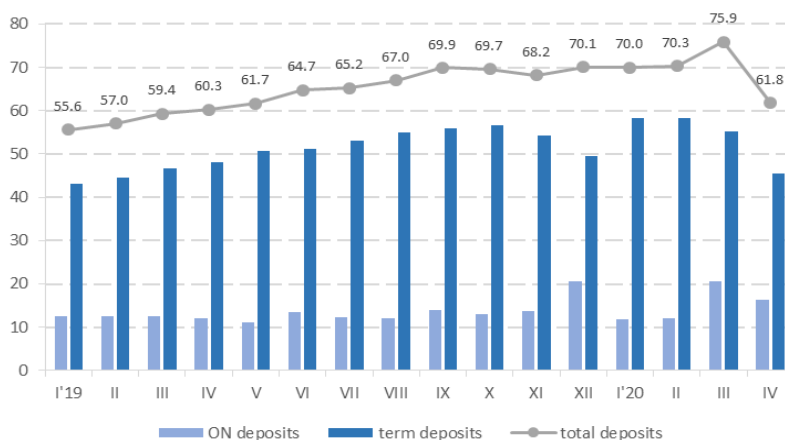
\* estimated data



#### Consolidation of public finance sector liquidity management

PLN bn

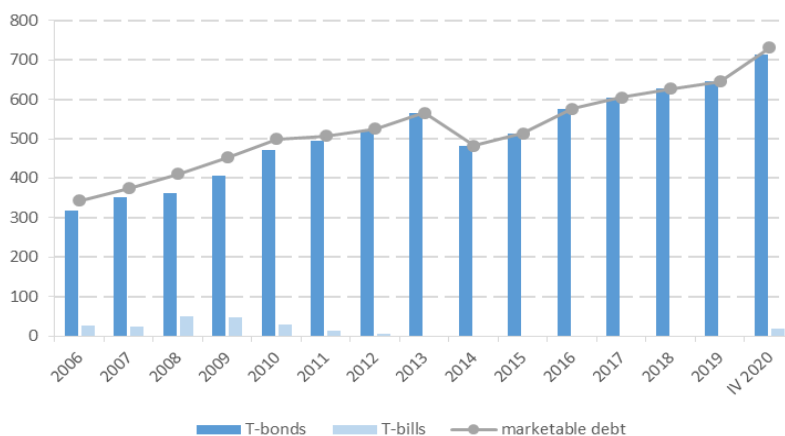
As a result of consolidation of the public finance sector liquidity management there were PLN 61.8bn funds accumulated at the end of April 2020, of which: PLN 45.5bn was on term deposits and PLN 16.3bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

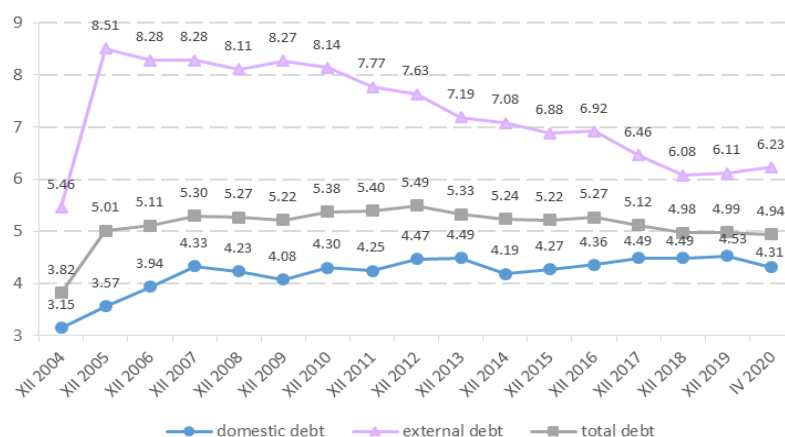
The marketable domestic debt amounted to PLN 731.5bn at the end of April 2020 comparing to PLN 646.0bn at the end of 2019.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.31 years at the end of April 2020 (4.53 years at the end of 2019). The average of the total debt amounted to 4.94 years (4.99 years at the end of 2019).

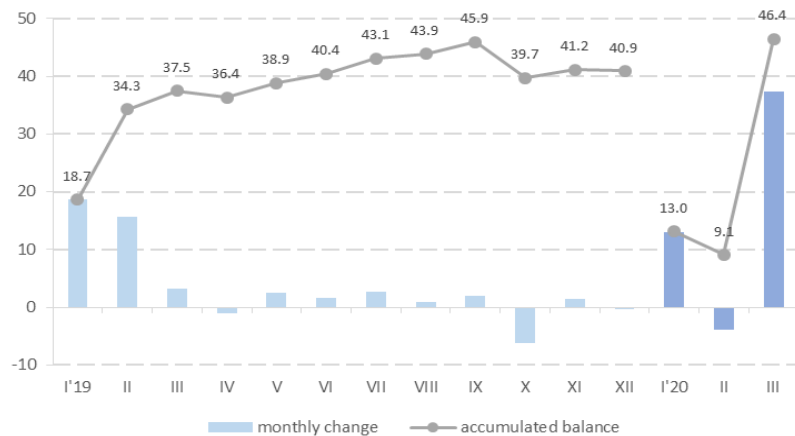




### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

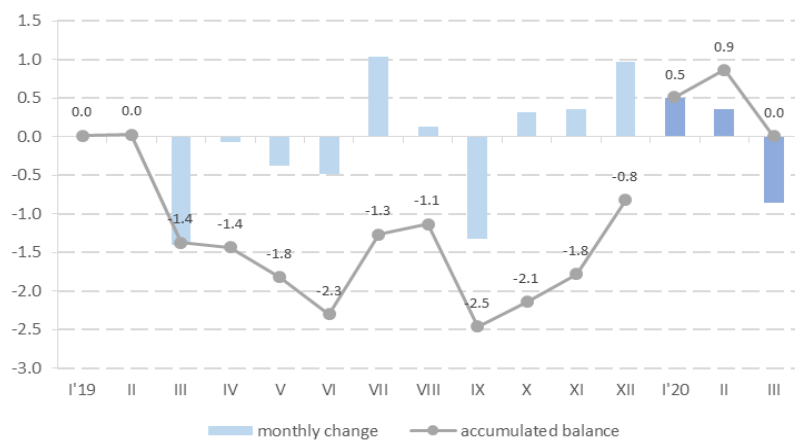
#### Change of debt in the domestic Treasury securities held by banks PLN bn

In the period of I-III 2020 there was an increase of debt by PLN 46.4bn comparing to PLN 37.5bn increase during the same period of 2019. Banks' holdings reached the level of PLN 351.4bn.



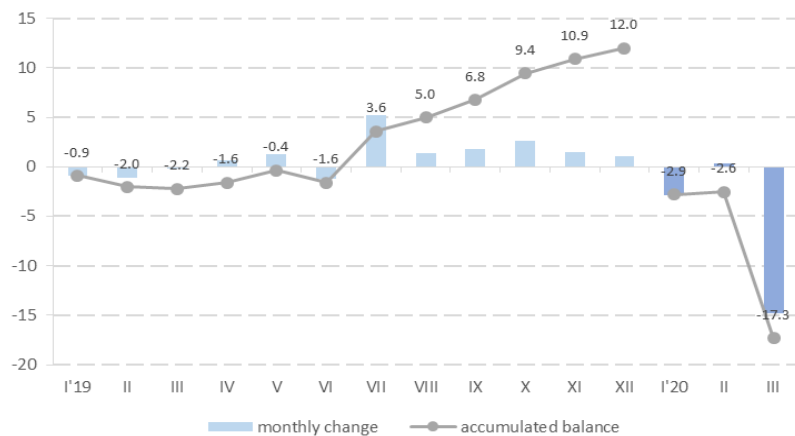
#### Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In the period of I-III 2020 there was an increase of debt by PLN 0.01bn comparing to PLN 1.4bn decrease in debt during the same period of 2019. Insurance companies' holdings reached the level of PLN 64.3bn.



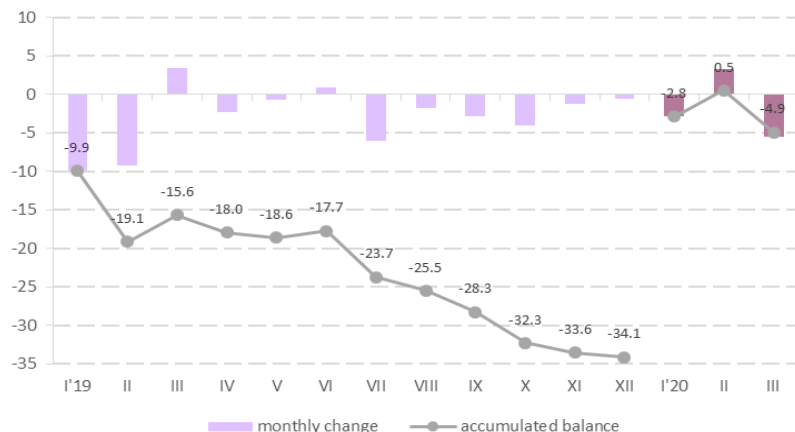
#### Change of debt in the domestic Treasury securities held by investment funds PLN bn

In the period of I-III 2020 there was a decrease of debt by PLN 17.3bn comparing to PLN 2.2bn decrease in the same period of 2019. Investment funds' holdings reached the level of PLN 50.0bn.



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

In the period of I-III 2020 there was a decrease of debt by PLN 4.9bn comparing to PLN 15.6bn decrease in the same period of 2019. Foreign investors' holdings reached the level of PLN 152.4bn.





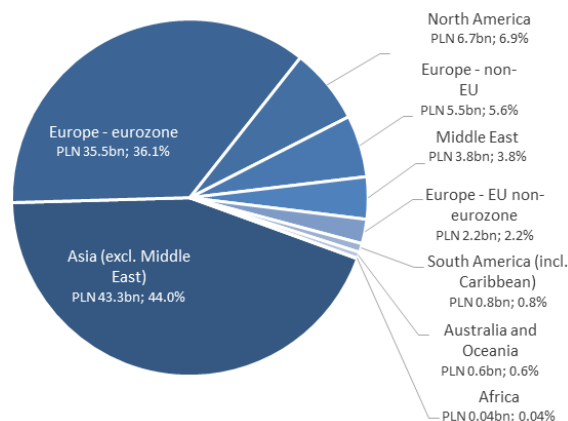
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

as of March 31, 2020, the chart presents data excluding omnibus accounts

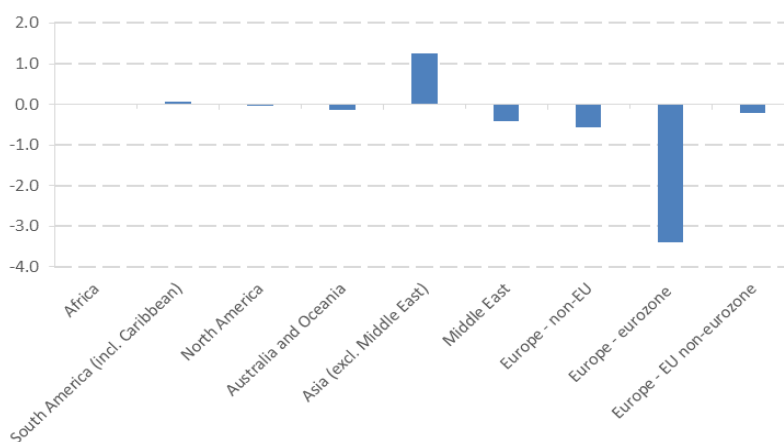
The non-residents' share in the domestic Treasury securities market decreased by PLN 5.4bn in March 2020. The foreign investors' portfolio amounted to PLN 152.4bn, which constituted 21.7% share in total debt in Treasury securities (23.0% in the previous month).



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

change in March 2020, mom, PLN bn, the chart presents data excluding omnibus accounts

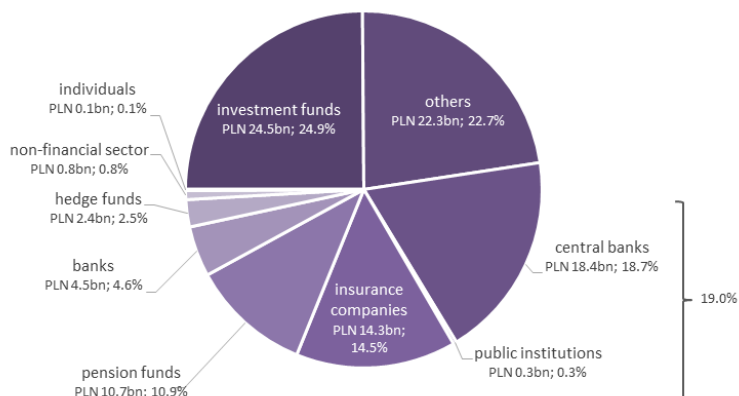
In March 2020 the highest increase was recorded by Asian investors (PLN 1.3bn), while the highest decrease was noted by investors from the eurozone (PLN 3.4bn).



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

as of March 31, 2020, the chart presents data excluding omnibus accounts

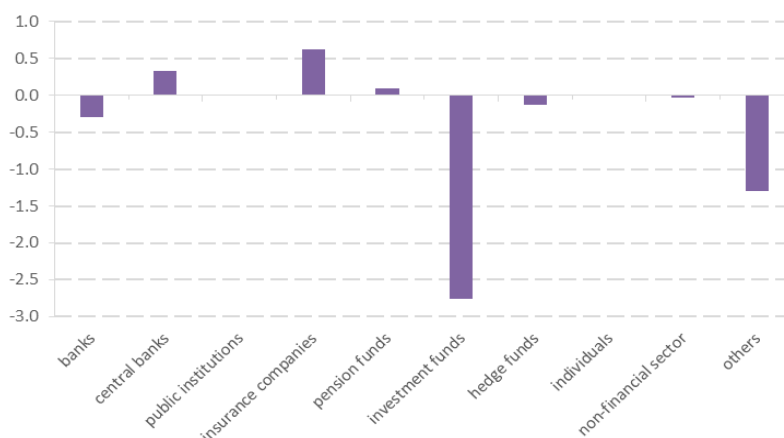
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 19.0% at the end of March 2020.



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

change in March 2020, mom, PLN bn, the chart presents data excluding omnibus accounts

In March 2020 the highest increase in holdings of the domestic Treasury securities was recorded by insurance companies (PLN 0.6bn) and the highest decrease was noted by investment funds (PLN 2.8bn).



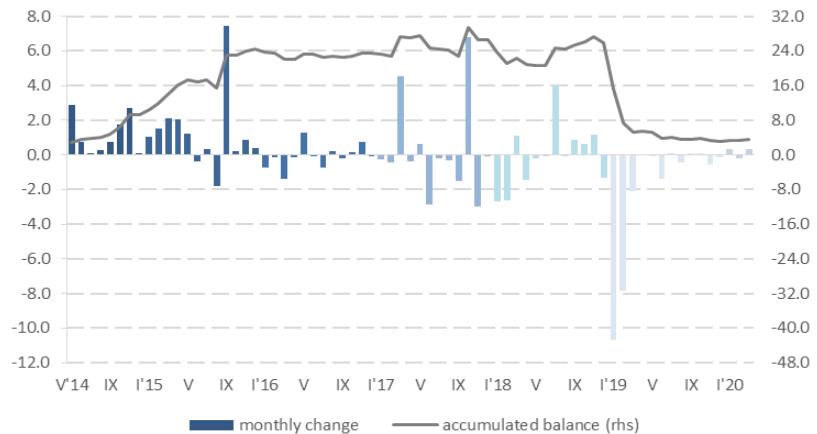


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in March 2020, PLN bn

Central banks and public institutions' involvement increased by PLN 0.3bn in March 2020. In the period from the end of April 2014 to the end of March 2020, for which the detailed information is available, portfolios of those entities increased by PLN 3.6bn.



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

as of March 31, 2020, 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	22 359.4	28.0%
Luxembourg	11 990.2	15.0%
Netherlands	7 843.6	9.8%
Ireland	5 969.5	7.5%
United States	5 699.1	7.1%
Germany	5 353.3	6.7%
United Kingdom	3 888.3	4.9%
France	2 358.4	3.0%
Hong Kong	2 201.7	2.8%
Switzerland	1 514.5	1.9%
United Arab Emirates	1 473.8	1.8%
Italy	1 011.5	1.3%
Denmark	856.2	1.1%
Canada	843.4	1.1%
Others	6 534.1	8.2%
<b>Total</b>	<b>79 896.9</b>	<b>100.0%</b>

## IV. SUPPLY PLAN OF TREASURY SECURITIES IN MAY 2020



### T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
7 MAY 2020	11 MAY 2020	OK0722 / PS0425 / WZ0525/ WZ1129 / DS1030	3,000-5,000*
21 MAY 2020	25 MAY 2020	OK0722 / PS0425 / WZ0525/ WZ1129 / DS1030 / possible T-bond of WS or IZ type	5,000-10,000

*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.*

*\* At the sale auction and within the additional sale the Ministry of Finance sold on May 7, 2020 T-bonds in the total nominal amount of 5.5bn, of which: OK0722 - PLN 1.4bn, PS0425 - PLN 1.1bn, WZ0525 - PLN 1.1bn, WZ1129 - PLN 0.2bn, DS1030 - PLN 1.7bn.*

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0820 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0522 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0523 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0524 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0530 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0526 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0532 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period