

State budget borrowing requirements' financing plan and its background

May 2019

THE MOST IMPORTANT INFORMATION

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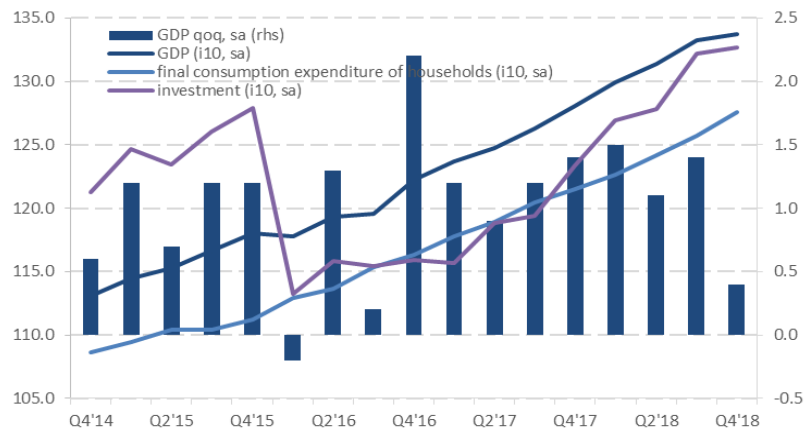


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices, seasonally adjusted data
source: GUS, Eurostat

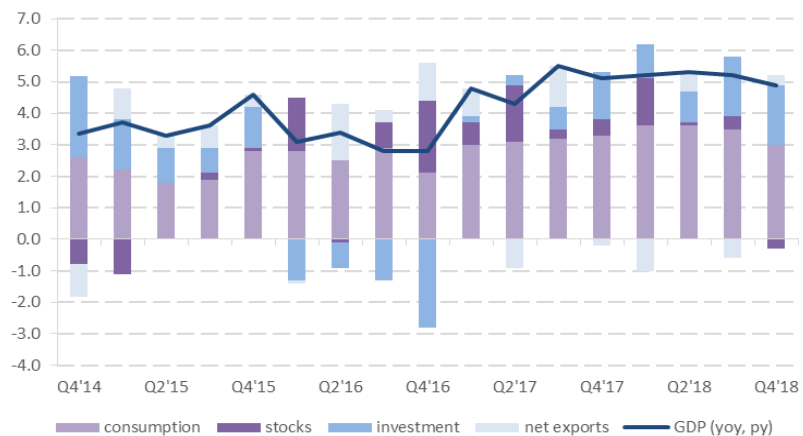
According to the revised data in the fourth quarter of 2018 GDP increased by 0.4% (qoq, sa) versus 1.4% a quarter earlier. Rate of growth of households consumption (qoq, sa) was slightly higher than the average of the second and third quarter of 2018 and in the case of investment it decelerated. Trade dynamics, especially in the case of exports, were higher than in the previous quarter.



Contributions to Polish GDP growth

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

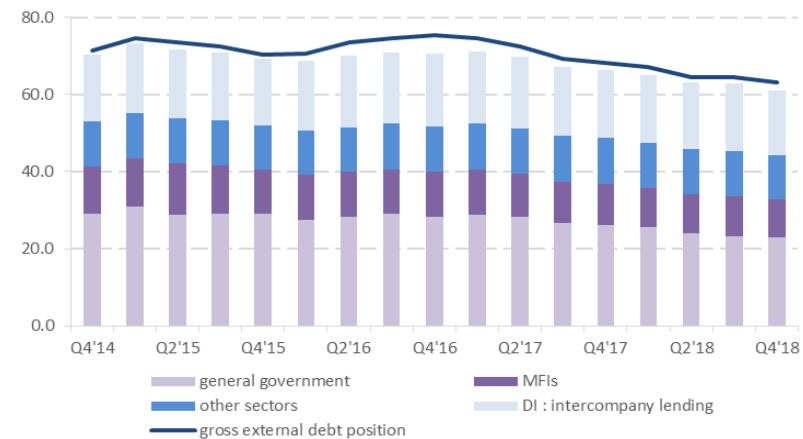
In the fourth quarter of 2018 GDP was 4.9% higher than a year ago as compared to 5.2% in the previous quarter. The main source of GDP growth (yoy, average prices of the previous year) was households consumption, which was 4.2% higher than a year before. Lower rate of growth was noticed in case of investment (8.2%, vs 11.3% in the third quarter). High dynamics of private consumption was a consequence of a positive labour market situation. Inventories contribution to GDP growth was negative (0.3 pp) and net exports contributed positively (0.3 pp).



Polish gross external debt position

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

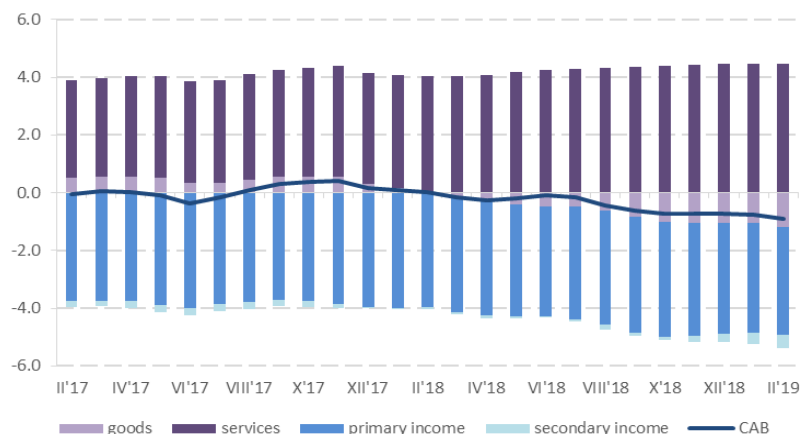
At the end of the fourth quarter of 2018 gross external debt reached EUR 313.7bn (63.2% of GDP) and was EUR 3.0bn lower than in the previous quarter. The share of general government sector debt in total debt slightly increased to 36.2%. At the end of February 2019 official reserve assets reached about EUR 98.7bn and remained broadly adequate, covering nearly 5 months of imports.



Current account balance

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

In February 2019, according to the preliminary data, current account deficit amounted to 0.9% of GDP (in 12-month terms). Data were below market expectations. C/A deficit was with a wide margin covered by long-term capital, i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on the capital account.

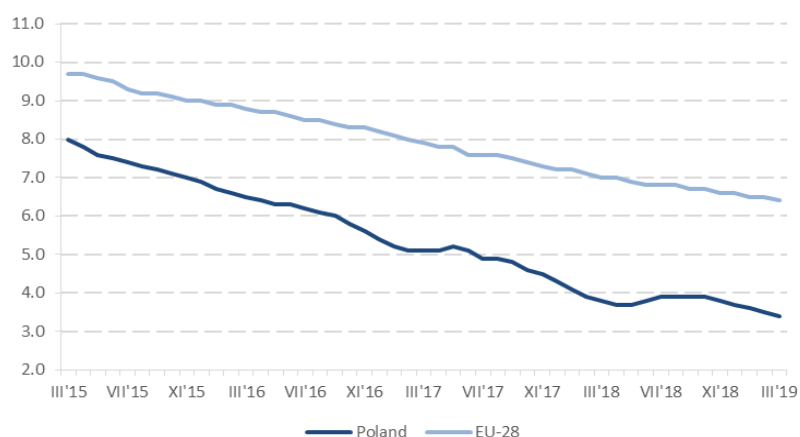




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

In March 2019 harmonised unemployment rate (sa) decreased by 0.1 pp to a record low level of 3.4% (compared to 6.4% on average in the EU). In March 2019 it was 0.4 pp lower than a year before.

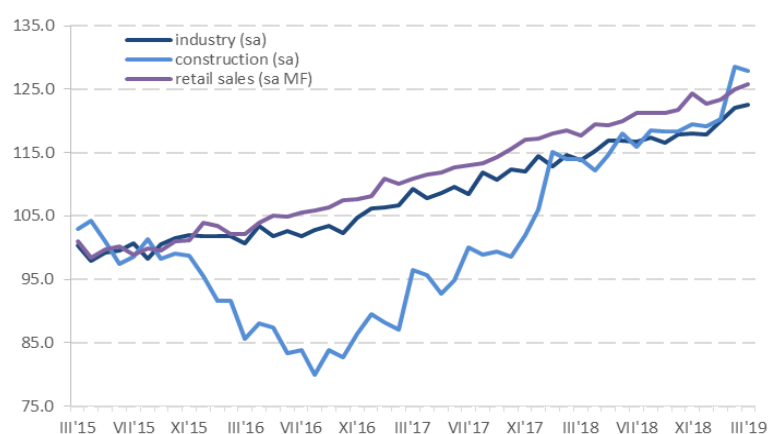


Monthly indicators of the real sector

sold production in constant prices, i15, seasonally adjusted data; source: Eurostat, GUS, MoF own calculation

In March 2019 industrial output went up by 0.5% (mom, sa). As a result, production was 5.6% higher than a year ago (nsa). Data were above market expectations.

Construction production decreased by 0.5% following its jump in the previous month (mom, sa). Production was 10.8% (nsa) higher than a year before. Data met MoF's expectations. Real retail sales rate of growth increased by 0.6% (mom, sa MoF). As a result, retail sales were 1.8% (nsa) higher than in the same month of 2018. The annual dynamics (nsa) was negatively affected by the later Easter date. Data was below market expectations.



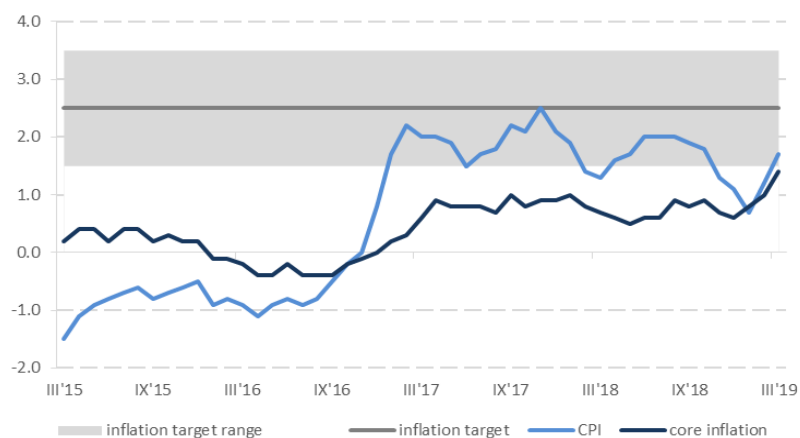
Inflation

percent, yoy
source: GUS, NBP

In March 2019 consumer prices rose by 0.3% (mom). As a result, annual rate of inflation increased to 1.7%, i.e. above the lower band of inflation target. Data were slightly higher than market expectations.

Core inflation (CPI excluding food and energy prices) reached 1.4% (yoy), the highest level since November 2013.

In March producer prices increased by 0.2% (mom) and their level was 2.5% higher than a year ago.

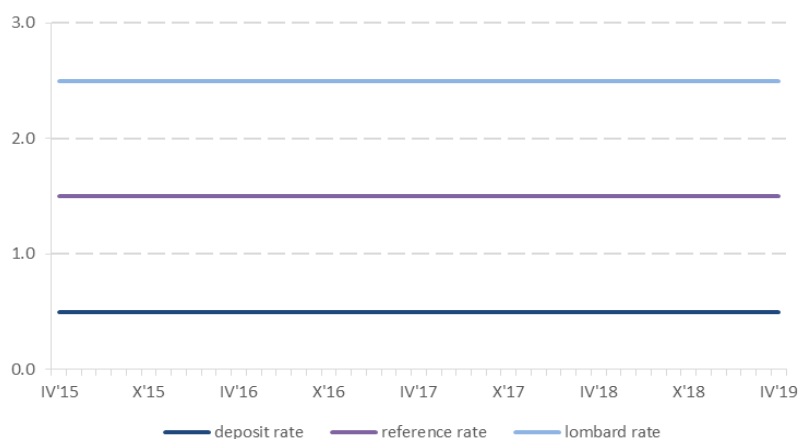


NBP interest rates

percent, end of period
source: NBP

In April 2019, the Monetary Policy Council kept NBP's interest rates unchanged with the reference rate at 1.50%. The decision was in line with market expectations. In the Council's assessment, the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.

The latest Reuters' poll median forecast (April, 29) sees NBP rates on hold in 2019.





II. STATISTICAL DATA

	Unit	2017 Q03	Q04	2018 Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	5.5	5.1	5.2	5.3	5.2	4.9
	QoQ SA	1.2	1.4	1.5	1.1	1.4	0.4
Final consumption expenditure of the households sector	YoY	4.4	5.0	4.6	4.8	4.4	4.2
	QoQ SA	1.3	0.9	0.9	1.3	1.2	1.5
Final consumption expenditure of the general government sector	YoY	2.9	4.2	4.5	4.5	5.2	4.7
	QoQ SA	0.8	1.3	1.3	1.0	1.2	0.8
Gross fixed capital formation	YoY	4.2	6.2	9.6	6.0	11.3	8.2
	QoQ SA	0.5	3.3	2.9	0.7	3.4	0.4
Exports of goods and services	YoY	10.4	10.4	3.8	8.1	5.3	7.9
	QoQ SA	1.7	3.6	0.1	2.9	-0.7	4.5
Imports of goods and services	YoY	8.2	11.8	6.1	7.6	7.0	7.8
	QoQ SA	2.3	2.8	0.7	2.3	1.6	1.8
Gross value added	YoY	5.5	4.9	5.2	5.1	5.1	4.9
	QoQ SA	1.4	1.1	1.4	1.2	1.3	0.9
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	2.7	2.5	2.9	2.8	2.6	2.1
Final consumption expenditure of the general government sector	pp	0.5	0.8	0.8	0.8	0.9	0.9
Gross fixed capital formation	pp	0.7	1.5	1.1	1.0	1.9	1.9
Changes in inventories	pp	0.3	0.5	1.5	0.1	0.4	-0.3
Balance of trade turnover	pp	1.3	-0.2	-1.0	0.6	-0.6	0.3
Gross value added	pp	4.8	4.3	4.6	4.5	4.5	4.2
Taxes less subsidies	pp	0.7	0.8	0.6	0.8	0.7	0.7
GDP structure							
Final consumption expenditure of the households sector	% of GDP	59.2	50.3	63.2	58.8	59.0	50.4
Final consumption expenditure of the general government sector	% of GDP	17.0	18.9	17.0	17.5	17.1	19.0
Gross fixed capital formation	% of GDP	16.9	24.1	12.3	16.2	17.9	24.9
Changes in inventories	% of GDP	1.7	2.8	3.3	2.3	2.1	2.3
Exports of goods and services	% of GDP	54.6	50.4	56.6	57.1	55.4	52.6
Imports of goods and services	% of GDP	50.2	47.2	53.3	52.7	52.2	49.8
Balance of payments							
	Unit	2018 M10	M11	M12	2019 M01	M02	M03
Goods: exports (EUR)	YoY	13.2	7.6	2.3	5.0	10.0	-
Goods: imports (EUR)	YoY	18.0	9.1	2.3	4.9	13.4	-
Current account balance ¹⁾	% of GDP	-0.7	-0.7	-0.7	-0.8	-0.9	-
Balance on goods ¹⁾	% of GDP	-1.0	-1.0	-1.0	-1.0	-1.2	-
Official Reserve Assets	EUR m	98 271.7	100 109.7	102 267.8	98 986.7	98 745.8	100 738.4
Inflation							
Consumer Price Index (CPI)	YoY	1.8	1.3	1.1	0.7	1.2	1.7
Core inflation (CPI excluding food and energy prices)	YoY	0.9	0.7	0.6	0.8	1.0	1.4
Producer Price Index (PPI)	YoY	3.2	2.8	2.1	2.2	2.9	2.5
Production							
Sold production of industry ²⁾	YoY	7.4	4.6	2.9	6.0	6.9	5.6
	MoM SA	1.1	0.1	-0.2	1.9	1.8	0.5
Construction and assembly production ²⁾	YoY	22.5	17.0	12.3	3.2	15.1	10.8
	MoM SA	-0.1	1.0	-0.2	1.0	6.9	-0.5
Manufacturing PMI	SA	50.4	49.5	47.6	48.2	47.6	48.7
Households and labour market							
Retail sales ²⁾	YoY	7.8	6.9	3.9	6.1	5.6	1.8
Average paid employment in enterprise sector	YoY	3.2	3.0	2.8	2.9	2.9	3.0
	MoM	0.0	0.1	0.0	2.2	0.2	0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	5.7	6.3	4.9	6.7	6.3	3.9
	MoM	2.7	0.9	6.2	-6.3	0.0	4.0
Harmonised unemployment rate (Eurostat)	%, SA	3.9	3.8	3.7	3.6	3.5	3.4
<small>1) Data in 12-month terms 2) Constant prices. Data for units in which the number of employed persons exceeds 9 persons Source: GUS, NBP, Eurostat, IHS Markit, MoF calculation based on NBP, GUS data</small>							
State Treasury debt							
	Unit	2018 M09	M10	M11	M12	2019 M01	M02
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	948 985.8	959 861.8	954 136.9	954 267.9	954 657.2	963 572.9
Domestic debt	face value, PLN m	665 737.7	671 567.1	672 191.9	674 420.7	683 090.6	689 672.3
	%	70.2	70.0	70.5	70.7	71.6	71.6
Foreign debt	face value, PLN m	283 248.1	288 294.6	281 944.9	279 847.2	271 566.6	273 900.6
	%	29.8	30.0	29.5	29.3	28.4	28.4
Public debt (domestic definition)							
	Unit	2017 Q03	Q04	2018 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	972 220.4	961 841.5	989 195.9	984 470.4	977 280.0	984 284.7
Domestic debt	face value, PLN m	659 494.8	662 517.5	679 791.0	675 565.8	678 590.4	688 219.2
	%	67.8	68.9	68.7	68.6	69.4	69.9
Foreign debt	face value, PLN m	312 725.6	299 324.1	309 404.9	308 904.5	298 689.5	296 065.5
	%	32.2	31.1	31.3	31.4	30.6	30.1
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 013 703.6	1 005 721.6	1 031 489.9	1 032 158.7	1 028 176.2	1 033 641.5

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2019

as of April 30, 2019, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 70% was a result of:

- T-bond sale on domestic market: PLN 34.3bn,
- switch auctions in 2019: PLN 15.3bn,
- T-bond sale on foreign markets: PLN 8.5bn (EUR 2.0bn),
- loans incurred from IFIs: PLN 0.6bn,
- switch auctions in 2018: PLN 28.3bn,
- T-bonds buyback on foreign markets in 2018: USD 0.2bn,
- higher financial resources at the end of 2018: PLN 27.0bn (initial data).

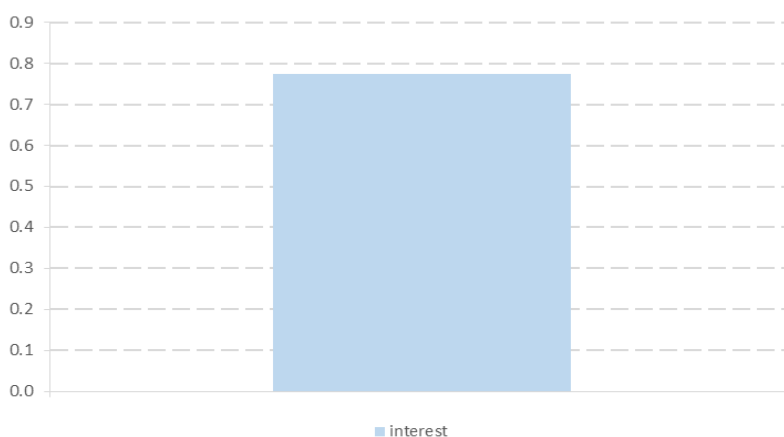
Gross borrowing requirements
Total: PLN 163.7bn, of which:



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

as of April 30, 2019, PLN bn

Value of funds transferred from the State budget to the market in May shall amount to PLN 0.8bn (interest payments).

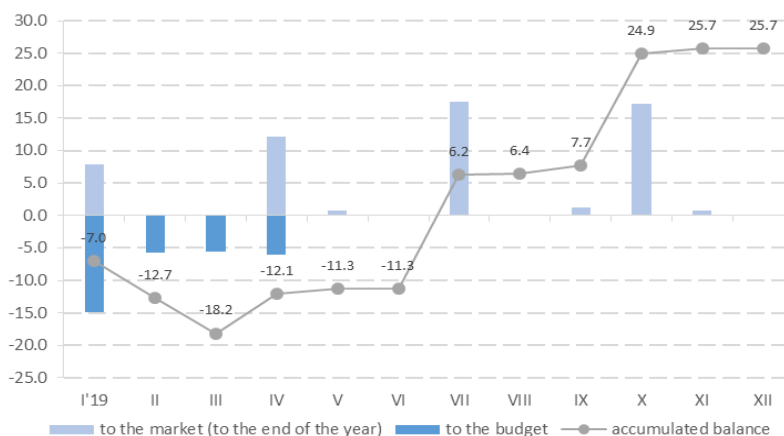


Flows of funds between the market and the budget*

as of April 30, 2019, PLN bn

To the end of 2019 the funds to be transferred to the market shall amount to PLN 37.8bn.

* 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 budget in the following months is not presented.

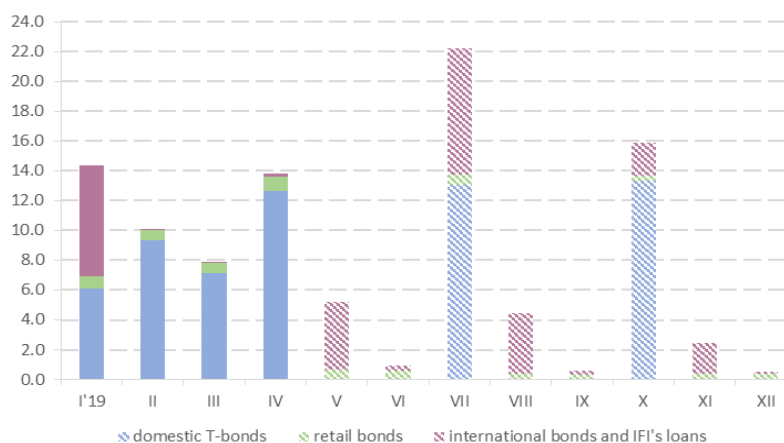


State Treasury debt redemptions in 2019

as of April 30, 2019, nominal amount, PLN bn

The nominal amount of debt to be redeemed in 2019 is equal to PLN 52.3bn, including:

- T-bonds: PLN 26.4bn,
- retail bonds: PLN 3.8bn,
- bonds and loans incurred on foreign markets: PLN 22.1bn.



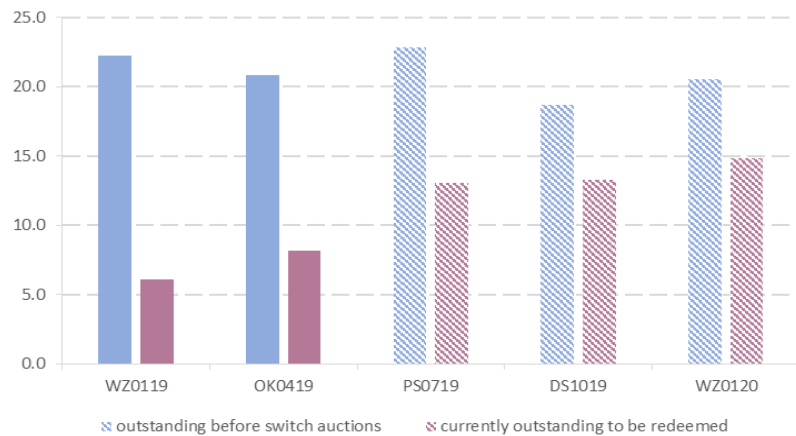


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2019 and 2020 as of April 30, 2019, nominal amount, PLN bn

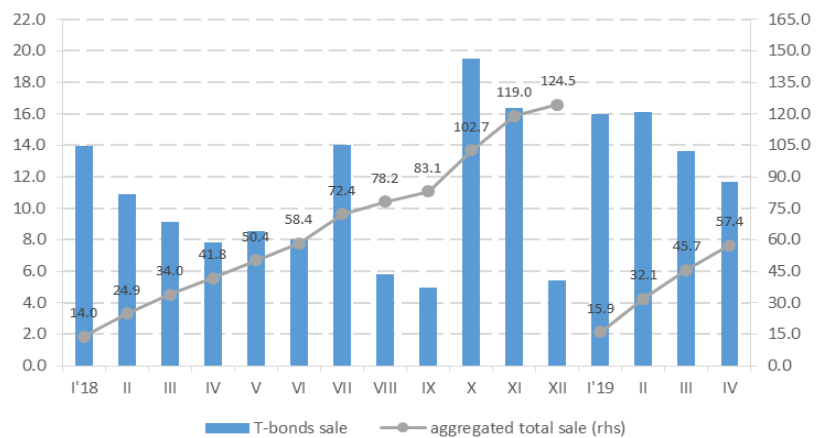
Buy-back of T-bonds maturing in 2019 and 2020:

- WZ0119: PLN 16.1bn (72%),
- OK0419: PLN 12.7bn (61%),
- PS0719: PLN 9.8bn (43%),
- DS1019: PLN 5.4bn (29%),
- WZ0120: PLN 5.7bn (28%).



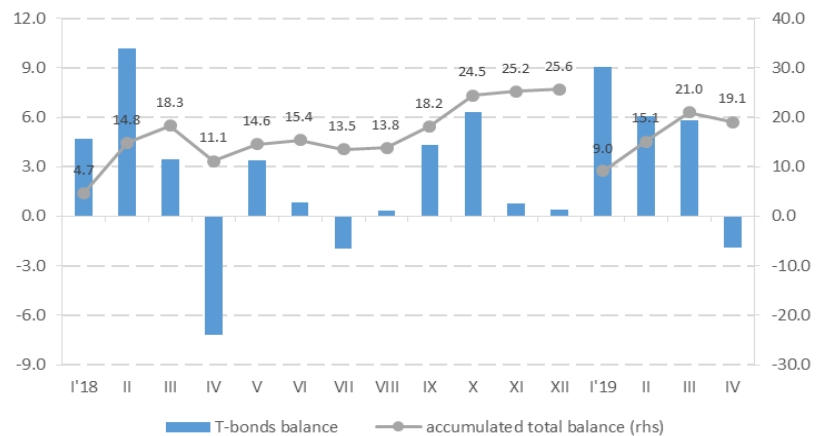
Sale of domestic T-bonds in 2018 and 2019 auction date, nominal amount, PLN bn

In the period of I-IV 2019 aggregated total sale of T-bonds amounted to PLN 57.4bn versus PLN 41.8bn in the same period of 2018.



Balance of domestic T-bonds in 2018 and 2019 auction date, nominal amount, PLN bn

In the period of I-IV 2019 indebtedness in T-bonds increased by PLN 19.1bn versus an increase of PLN 11.1bn in the same period of 2018.

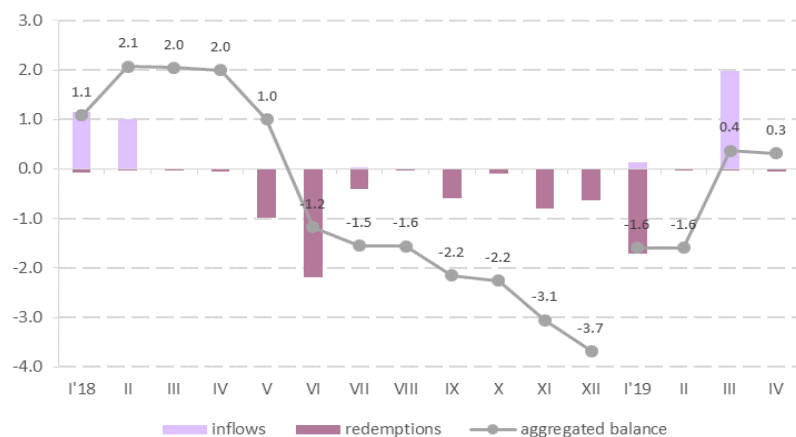


External financing in 2018 and 2019

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 2019 was positive and amounted to EUR 0.3bn (positive balance of EUR 2.0bn in the same period of 2018) which resulted from:

- positive balance of T-bonds of EUR 0.3bn (positive balance of EUR 1.0bn in the same period of 2018),
- zero balance of loans incurred from IFIs (positive balance of EUR 1.0bn in the same period of 2018).



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

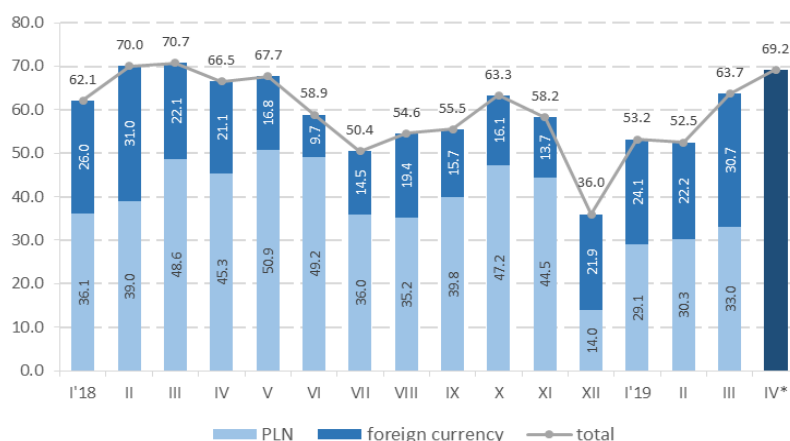


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

The funds ensure liquidity in the borrowing needs financing.

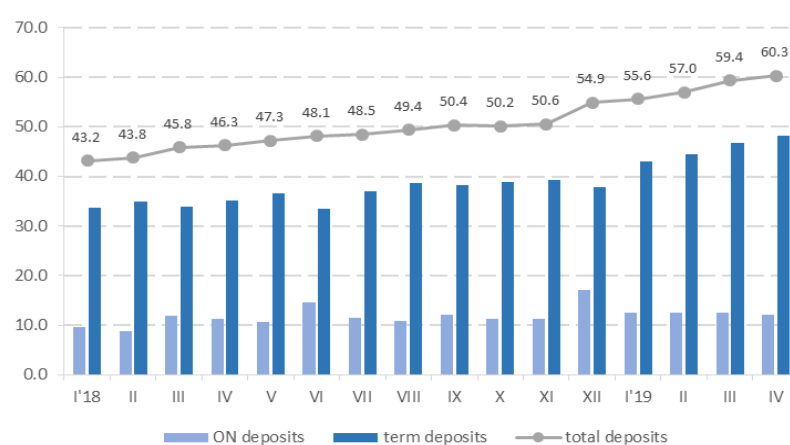
* estimated data



Consolidation of public finance sector liquidity management

PLN bn

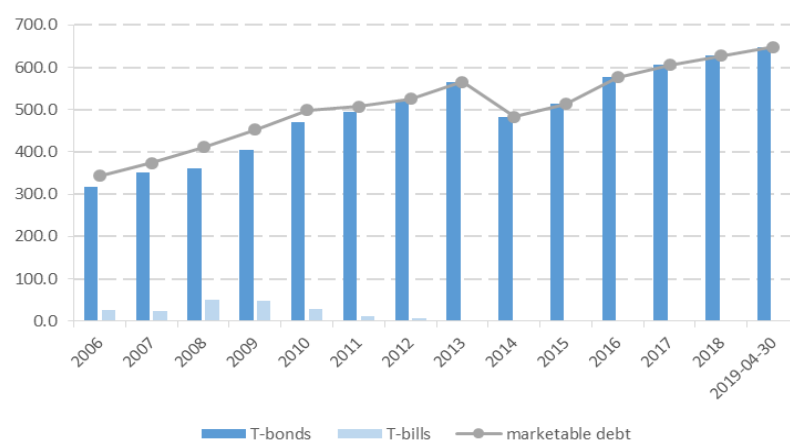
As a result of consolidation of the public finance sector liquidity management there were PLN 60.3bn funds accumulated at the end of April 2019, of which: PLN 48.2bn was on term deposits and PLN 12.1bn on ON deposits.



Structure of marketable debt

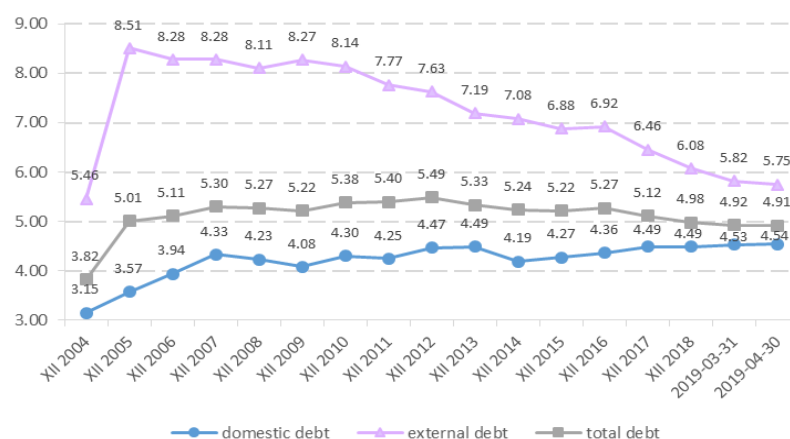
PLN bn

The marketable domestic debt amounted to PLN 647.9bn at the end of April 2019 (4.49 at the end of 2018). The average of total debt amounted to 4.91 (4.98 at the end of 2018).



Average maturity

The average maturity of domestic debt amounted to 4.54 at the end of April 2019 (4.49 at the end of 2018). The average of total debt amounted to 4.91 (4.98 at the end of 2018).



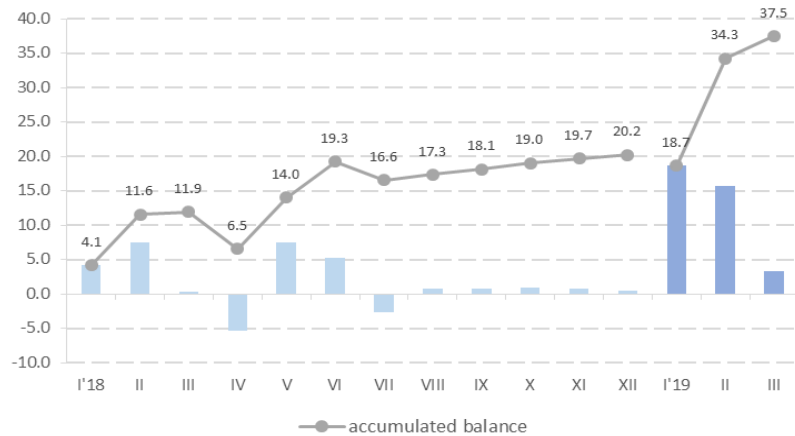


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic Treasury securities held by banks

PLN bn

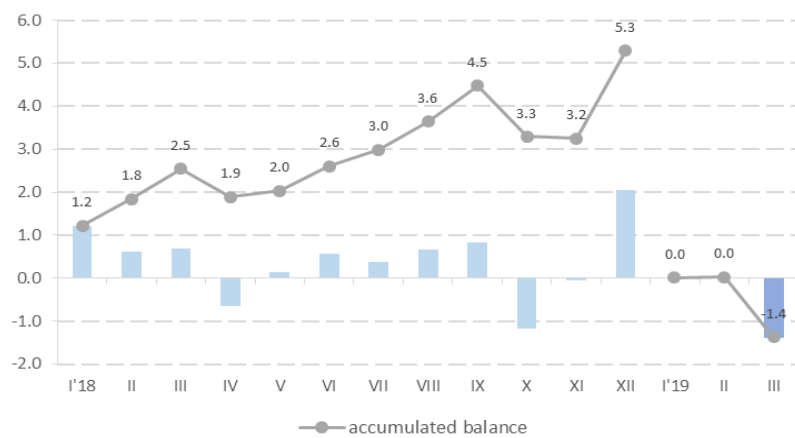
In the period of I-III 2019 there was an increase of debt by PLN 37.5bn comparing to PLN 11.9bn increase during the same period of 2018. Banks' holdings reached the level of PLN 301.6bn.



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

PLN bn

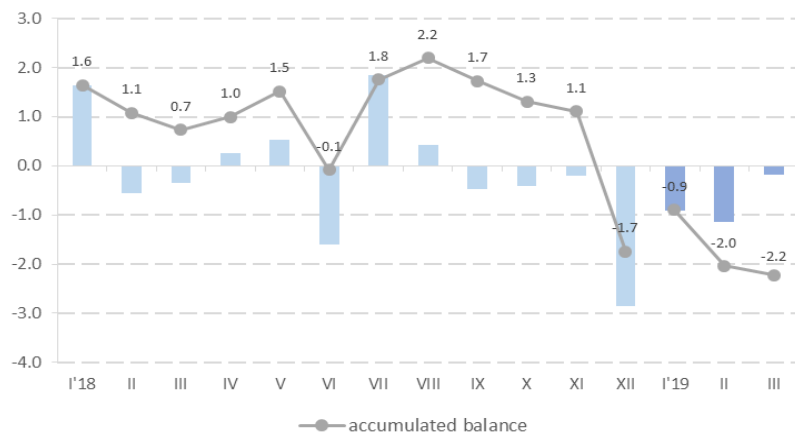
In the period of I-III 2019 there was a decrease of debt by PLN 1.4bn comparing to PLN 2.5bn increase during the same period of 2018. Insurance companies' holdings remained at the level of PLN 63.7bn.



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

PLN bn

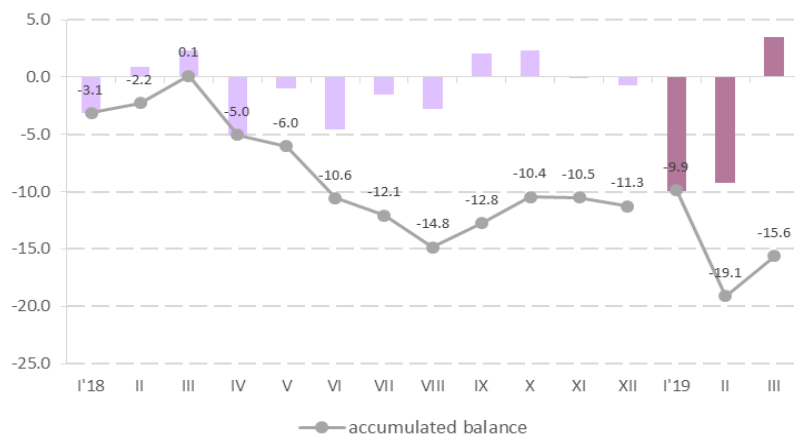
In the period of I-III 2019 there was a decrease of debt by PLN 2.2bn comparing to PLN 0.7bn increase in the same period of 2018. Investment funds' holdings reached the level of PLN 53.1bn.



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

PLN bn

In the period of I-III 2019 there was a decrease of debt by PLN 15.6bn comparing to PLN 0.1bn increase in the same period of 2018. Foreign investors' holdings reached the level of PLN 175.8bn.



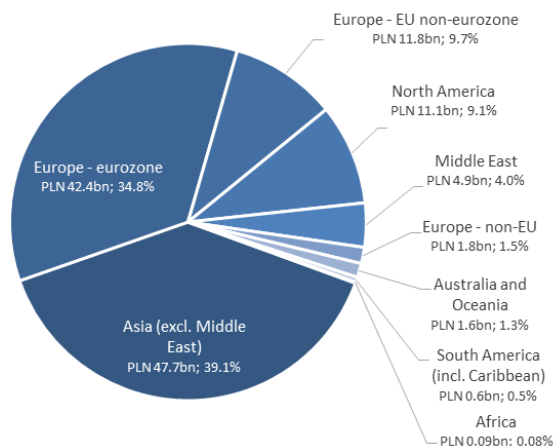
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

as of March 31, 2019, the chart presents data excluding omnibus accounts

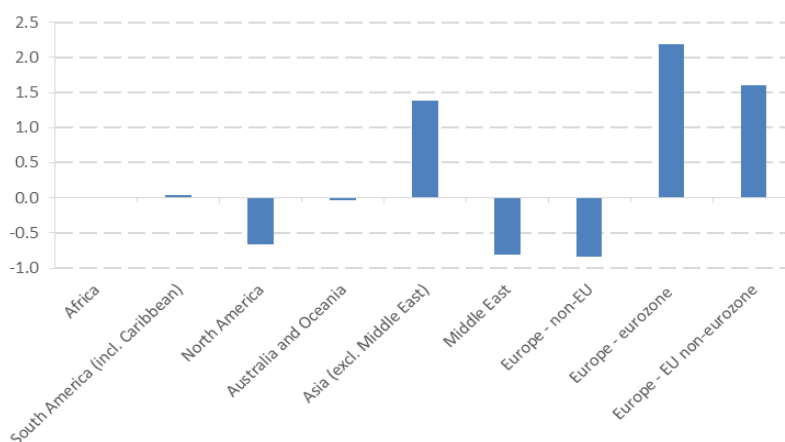
The non-residents' share in the domestic Treasury securities market increased by PLN 3.5bn in March 2019. The foreign investors' portfolio amounted to PLN 175.8bn, which constituted 26.3% share in total debt in Treasury securities (26.0% in the previous month).



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

change in March 2019, mom, PLN bn, the chart presents data excluding omnibus accounts

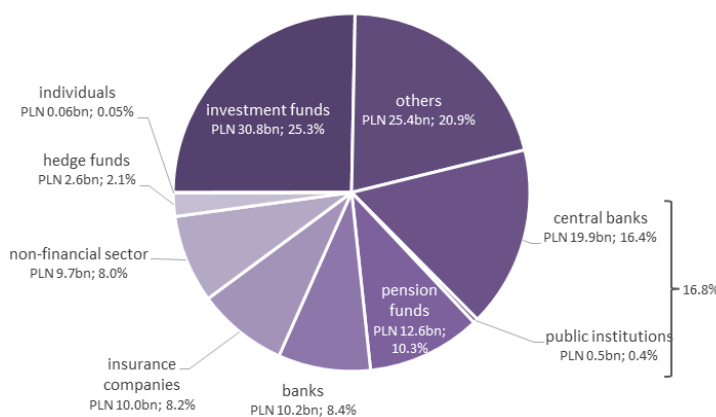
In March 2019 the highest increase was recorded by investors from the eurozone (PLN 2.2bn), while the highest decreases were noted by European non-UE investors and investors from the Middle East (PLN 0.8bn each).



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

as of March 31, 2019, the chart presents data excluding omnibus accounts

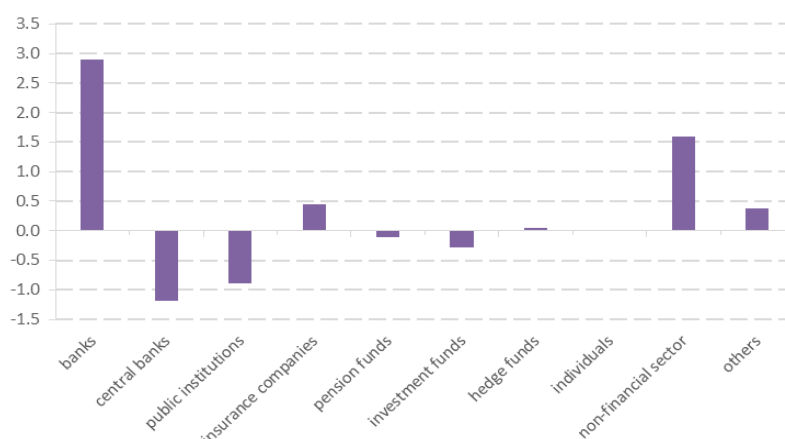
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 16.8% at the end of March 2019.



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

change in March 2019, mom, PLN bn, the chart presents data excluding omnibus accounts

In March 2019 the highest increase was recorded by banks (PLN 2.9bn) and the highest decrease was noted by central banks (PLN 1.2bn).



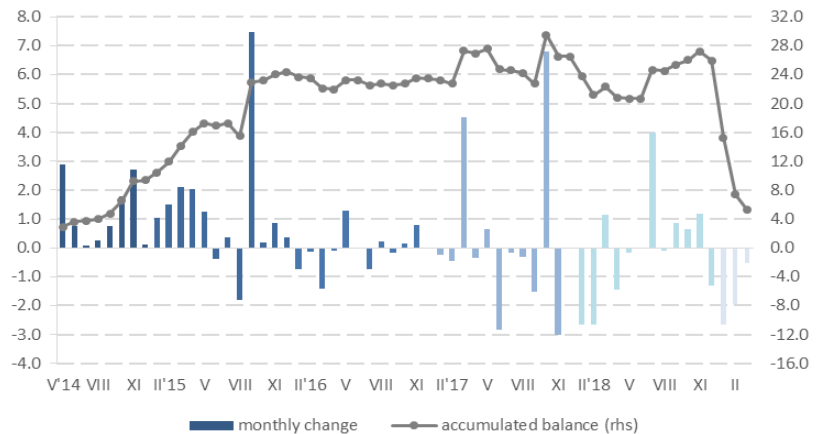


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in March 2019, PLN bn

Central banks and public institutions' involvement decreased by PLN 2.1bn in March 2019. In the period from the end of April 2014 to the end of March 2019, for which the detailed information is available, portfolios of those entities increased by PLN 5.3bn.



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

as of March 31, 2019, 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	23 603.4	23.2%
Luxembourg	15 028.7	14.7%
United States	10 134.0	9.9%
United Kingdom	8 811.1	8.6%
Ireland	7 627.4	7.5%
Netherlands	7 158.8	7.0%
Germany	6 019.5	5.9%
Hong Kong	3 047.4	3.0%
United Arab Emirates	3 000.8	2.9%
France	2 879.1	2.8%
Austria	2 305.2	2.3%
Switzerland	1 391.5	1.4%
Australia	1 389.5	1.4%
Denmark	1 242.3	1.2%
Others	8 254.5	8.1%
Total	101 893.3	100.0%

Comment

Piotr Nowak, Undersecretary of State, MoF

30-04-2019

At the end of April the level of financing the State budget gross borrowing requirements amounted to 70%. Liquid funds reached ca. PLN 69bn. Due to high level of financing the borrowing needs and favourable budget liquidity situation both auctions that are to be held in May will be switching auctions.

In March indebtedness in domestic T-bond market increased by PLN 5.9bn. It was a result of higher involvement of domestic banks (by PLN 3.2bn) and non-residents (by PLN 3.5bn), as well as decrease in involvement of domestic non-banking sector investors (by PLN 0.8bn).

IV. SUPPLY PLAN OF TREASURY SECURITIES IN MAY 2019



T-bond sale auctions

Sale auctions of Treasury bonds are not planned.

T-bond switching auctions

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding* (PLN m)
9 MAY 2019 / 13 MAY 2019	OK0521 / PS1024 / WZ0524/ WZ0528 / DS1029	PS0719	11,597
		DS1019	12,664
		WZ0120	14,395
		PS0420	28,296
23 MAY 2019 / 27 MAY 2019	OK0521 / PS1024 / WZ0525/ WZ0528 / DS1029	PS0719	11,597
		DS1019	12,664
		WZ0120	14,395
		PS0420	28,296

* after auction (May, 9, 2019) settlement

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0819 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.50% per year
DOS0521 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 2.10%
TOZ0522 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 2.20% in the first coupon period
COI0523 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 2.40% in the first coupon period
EDO0529 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%); 2.70% in the first coupon period
ROS0525 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.75%); 2.80% in the first coupon period
ROD0531 family bonds 12-year	100.00 PLN	Floating (inflation rate + 2.00%); 3.20% in the first coupon period