

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

December 2020

### THE MOST IMPORTANT INFORMATION

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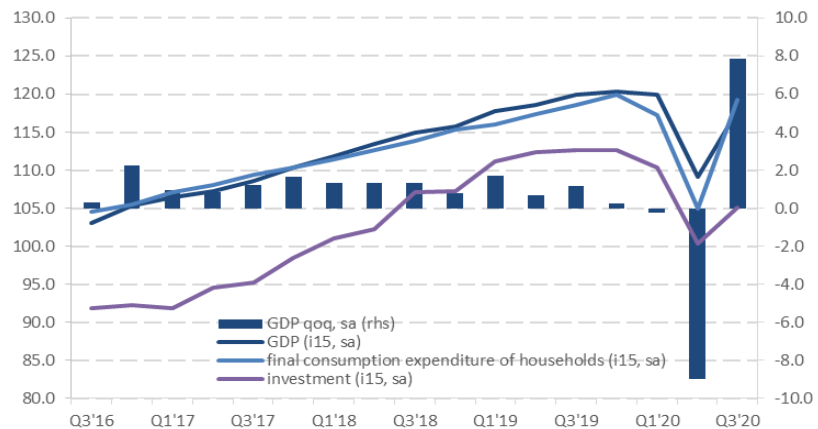


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices  
source: GUS, Eurostat

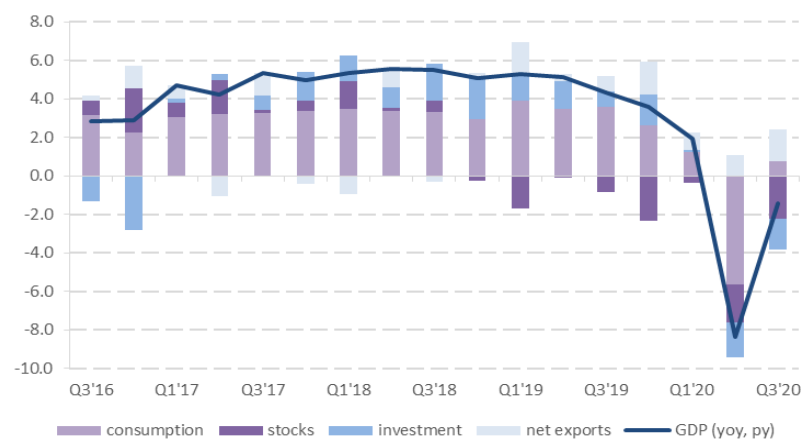
In the third quarter of 2020 GDP rebounded by 7.9% (qoq, sa) after a decrease by 9.0% a quarter earlier. In effect Polish economy bounced back from the recession, but has not returned to the pre-pandemic state yet. Consumption in the household sector increased by 13.7% (qoq, sa). Foreign trade also witnessed a major recovery with exports and imports rising by 21.1% and 22.3% (qoq, sa), respectively. On the other hand, investment remained relatively weak and went up only by 4.7% (qoq, sa).



### Contributions to Polish GDP growth

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

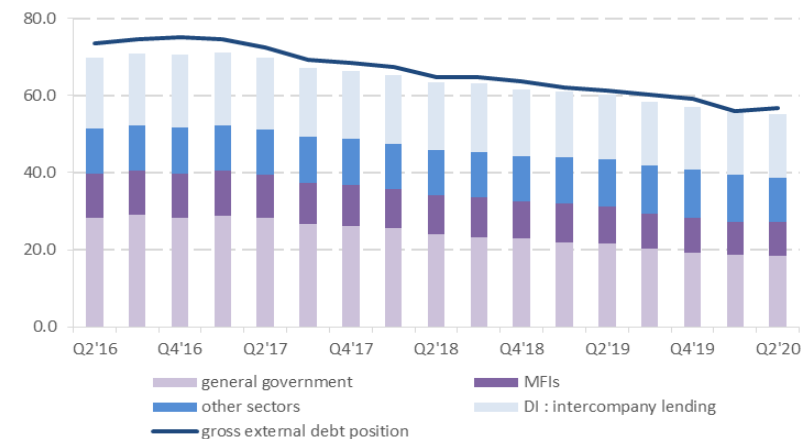
In the third quarter of 2020 GDP was 1.5% (py) lower than in the previous year. Household and public consumption increased by 0.4% and 3.4% (yoy, py), respectively. Exports were also higher than in the previous year. Imports, on the other hand, were slightly lower, which led to positive contribution of foreign trade (1.6 pp). This was fully offset by negative contribution of stocks (2.3 pp). Investment was still lower than in the same period of 2019.



### Polish gross external debt position

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

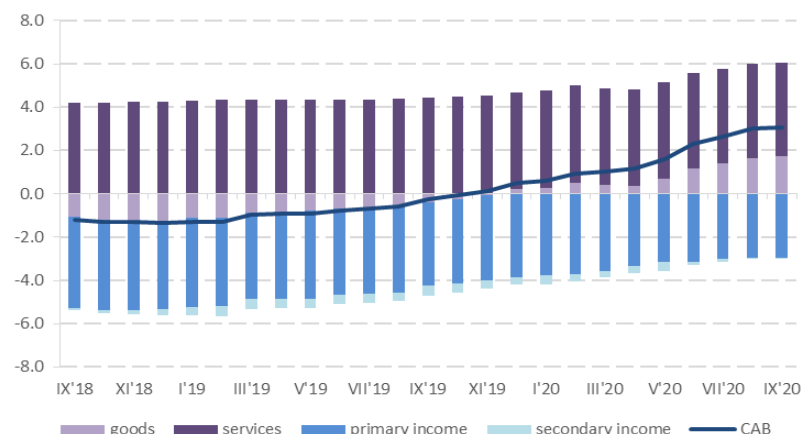
At the end of the second quarter of 2020 gross external debt reached EUR 299.0bn (56.8% of GDP) and was EUR 3.1bn lower than in the previous quarter. The share of general government sector debt in total debt decreased to 32.4%. At the end of September 2020 official reserve assets reached EUR 119.1bn and remained broadly adequate, covering nearly 6 months of imports.



### Current account balance

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

In September 2020, according to the preliminary data, current account surplus increased to 3.1% of GDP (in 12-month terms). Following the rebound of economic activity after the lockdown in Poland's key trade partners exports dynamics improved. In consequence its level was again slightly higher than in the corresponding month of the previous year. Imports dynamics were still lower than exports, influenced by low oil prices. Financial results of companies remained weaker than a year ago due to decreasing foreign direct investors' income on their capital involvement in Polish entities in consequence reducing primary income deficit.

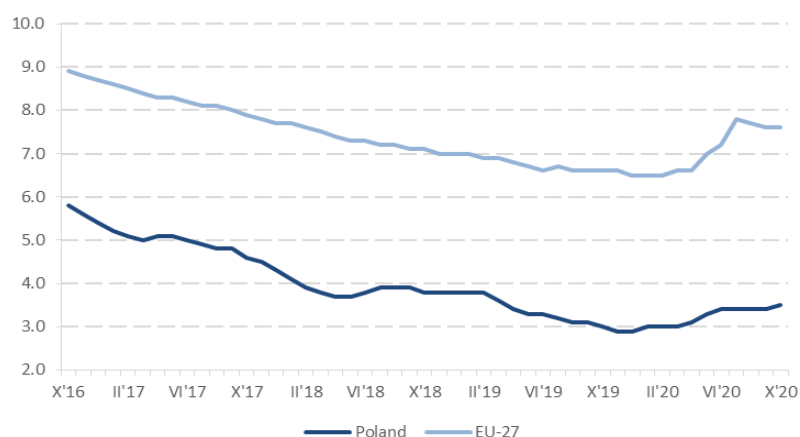




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

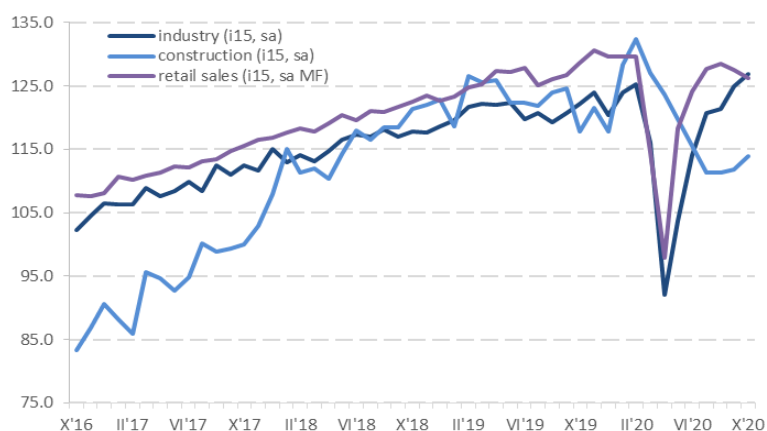
After stabilization in four earlier months, in October 2020 harmonised unemployment rate slightly increased to 3.5% and was 0.5 pp higher than a year ago. The level was the highest in over one and a half years. It was lower than in the EU-27 on average (7.6%) and eurozone (8.4%).



## Monthly indicators of the real sector

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

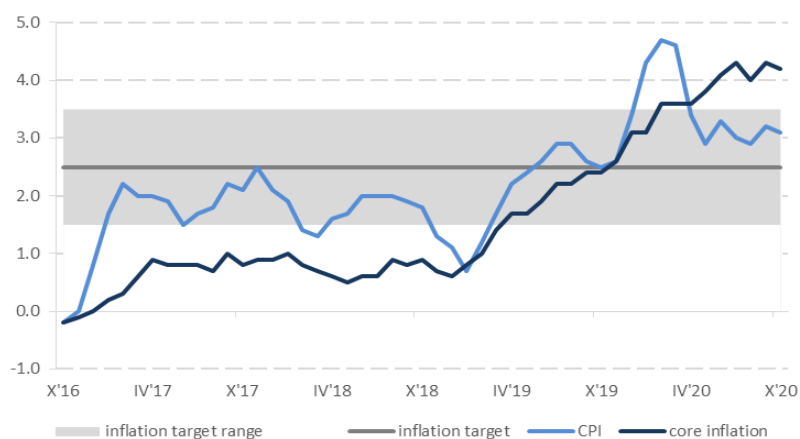
In October 2020 industrial production increased by 1.6% (mom, sa) and was 1.0% higher than a year ago (nsa). Data were slightly above market expectations. Construction production increased by 1.8% (m/m, sa). It was the second consecutive increase in this respect (data for the previous month were revised upwards). As a result, production level was 5.9% lower than in the previous year (nsa). Data were close to market expectations. Retail sales decreased for the second time in a row (m/m, sa MF). The rate of decline was deeper than a month ago. As a result, its level was 2.3% lower than in the previous year (nsa). Data were below market expectations.



## Inflation

percent, yoy  
source: GUS, NBP

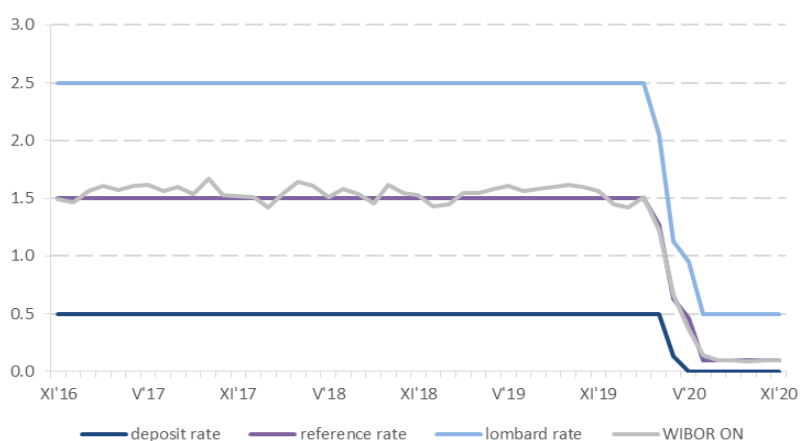
In last months CPI inflation stabilized at the level close to 3% (in the third quarter it was 3.0% and in October 3.1%) and stayed within the upper range of acceptable deviation from the inflation target. There was considerably lower pace of growth of food prices but core inflation (CPI excluding food and energy prices) is still high and in October it amounted to 4.2% (yoy). According to the preliminary data, in November inflation rate achieved 3.0% and was close to the market expectations. Producer prices in last eight months stayed below the previous year level, but in October the scale of a drop was considerably lower (0.4% yoy).



## NBP interest rates

percent, end of period  
source: NBP, Refinitiv

In early-December 2020 the MPC kept NBP interest rates on hold. The reference rate remained at 0.1%, the lombard rate at 0.5% and the deposit rate at 0.0%. In the period of March-May 2020 the reference rate was lowered by 140 bps in total. The Council believes that cuts in key interest rates along with purchases of bonds by NBP in the secondary market mitigate the negative economic impact of the pandemic, support economic activity and stabilise inflation at the level consistent with the NBP medium-term inflation target.





## II. STATISTICAL DATA

	Unit	2019 Q02	Q03	Q04	2020 Q01	Q02	Q03
<b>GDP</b>							
Gross domestic product	YoY	5.1	4.4	3.6	1.9	-8.4	-1.5
	QoQ SA	0.7	1.2	0.2	-0.3	-9.0	7.9
Final consumption expenditure of the households sector	YoY	4.4	4.1	3.6	1.2	-10.8	0.4
	QoQ SA	1.2	1.1	1.0	-2.2	-10.5	13.7
Final consumption expenditure of the general government sector	YoY	5.5	6.8	4.5	2.6	3.4	3.4
	QoQ SA	0.9	1.2	0.7	0.6	0.9	0.9
Gross fixed capital formation	YoY	8.7	4.3	6.2	0.9	-10.7	-9.0
	QoQ SA	1.2	0.2	0.0	-2.1	-9.0	4.7
Exports of goods and services	YoY	3.7	5.5	3.0	2.0	-14.5	2.0
	QoQ SA	-0.8	1.9	0.1	0.8	-16.7	21.1
Imports of goods and services	YoY	3.4	4.3	-0.3	0.4	-18.0	-1.0
	QoQ SA	0.2	0.5	-0.5	0.0	-18.4	22.3
Gross value added	YoY	5.1	4.2	3.5	1.9	-8.1	-1.7
	QoQ SA	1.0	0.9	0.7	-0.9	-9.2	7.9
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	2.6	2.4	1.8	0.8	-6.2	0.2
Final consumption expenditure of the general government sector	pp	0.9	1.2	0.9	0.4	0.5	0.6
Gross fixed capital formation	pp	1.4	0.8	1.6	0.1	-1.8	-1.7
Changes in inventories	pp	-0.1	-0.8	-2.4	-0.3	-2.0	-2.3
Balance of trade turnover	pp	0.3	0.8	1.7	0.9	1.1	1.7
Gross value added	pp	4.4	3.7	3.1	1.7	-7.1	-1.6
Taxes less subsidies	pp	0.7	0.7	0.5	0.2	-1.3	0.1
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	57.8	58.3	50.0	61.6	55.6	59.1
Final consumption expenditure of the general government sector	% of GDP	17.5	17.6	19.3	17.7	19.4	18.4
Gross fixed capital formation	% of GDP	16.7	17.5	25.3	12.9	15.9	16.0
Changes in inventories	% of GDP	2.4	1.2	-0.1	1.2	0.3	-1.0
Exports of goods and services	% of GDP	56.7	55.7	51.7	57.3	52.0	56.1
Imports of goods and services	% of GDP	52.0	51.2	46.8	51.6	44.2	49.5
<b>Balance of payments</b>							
	Unit	2020 M05	M06	M07	M08	M09	M10
Goods: exports (EUR)	YoY	-19.6	2.6	1.7	2.5	4.6	-
Goods: imports (EUR)	YoY	-28.2	-10.3	-4.4	-4.9	1.5	-
Current account balance <sup>1)</sup>	% of GDP	1.6	2.3	2.6	3.0	3.1	-
Balance on goods <sup>1)</sup>	% of GDP	0.7	1.2	1.4	1.6	1.8	-
Official Reserve Assets	EUR m	119 444.2	115 057.5	116 100.8	116 822.1	119 127.0	122 588.6
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	2.9	3.3	3.0	2.9	3.2	3.1
Core inflation (CPI excluding food and energy prices)	YoY	3.8	4.1	4.3	4.0	4.3	4.2
Producer Price Index (PPI)	YoY	-1.7	-0.8	-0.6	-1.3	-1.4	-0.4
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	-16.9	0.5	1.1	1.5	5.7	1.0
	MoM SA	12.7	9.9	5.8	0.6	2.9	1.6
Construction and assembly production <sup>2)</sup>	YoY	-5.1	-2.3	-11.0	-12.0	-9.8	-5.9
	MoM SA	-3.2	-3.4	-3.6	-0.1	0.5	1.8
Manufacturing PMI	SA	40.6	47.2	52.8	50.6	50.8	50.8
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	-7.7	-1.3	3.0	0.5	2.5	-2.3
Average paid employment in enterprise sector	YoY	-3.2	-3.3	-2.3	-1.5	-1.2	-1.0
	MoM	-1.4	0.2	1.1	0.7	0.3	0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	-1.6	0.2	0.8	1.2	2.4	1.6
	MoM	-2.9	2.6	2.0	-0.7	0.4	1.5
Harmonised unemployment rate (Eurostat)	% , SA	3.3	3.4	3.4	3.4	3.4	3.5
<sup>1)</sup> Data in 12-month terms <sup>2)</sup> 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							
<b>State Treasury debt</b>							
	Unit	2020 M04	M05	M06	M07	M08	M09
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 077 184.0	1 087 385.8	1 088 191.6	1 094 346.6	1 091 384.9	1 100 124.9
Domestic debt	face value, PLN m	816 936.1	834 358.6	835 023.5	838 440.1	836 212.5	836 792.2
	%	75.8	76.7	76.7	76.6	76.6	76.1
Foreign debt	face value, PLN m	260 247.9	253 027.2	253 168.1	255 906.5	255 172.4	263 332.7
	%	24.2	23.3	23.3	23.4	23.4	23.9
<b>Public debt (domestic definition)</b>							
	Unit	2019 Q01	Q02	Q03	Q04	2020 Q01	Q02
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 005 633.5	998 220.7	1 001 190.9	990 923.4	1 045 470.5	1 097 304.1
Domestic debt	face value, PLN m	706 607.9	708 264.6	713 568.9	716 158.6	744 613.3	825 504.5
	%	70.3	71.0	71.3	72.3	71.2	75.2
Foreign debt	face value, PLN m	299 025.7	289 956.1	287 622.0	274 764.7	300 857.2	271 799.6
	%	29.7	29.0	28.7	27.7	28.8	24.8
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 056 556.1	1 051 755.9	1 055 625.3	1 045 325.1	1 103 399.6	1 262 023.4

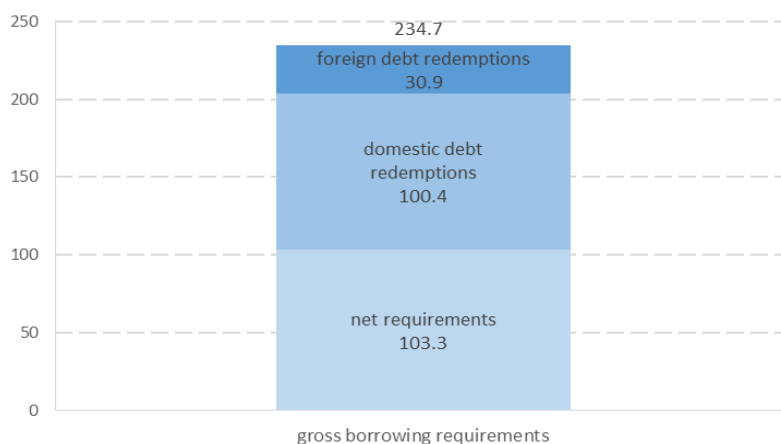
Source: MoF

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Gross borrowing requirements in 2020 as of November 30, 2020, PLN bn

The State budget borrowing requirements for 2020 (acc. to the amended Budget Act) have been fully funded. We have started prefinancing of the next year's borrowing requirements.



#### Outflows of funds related to domestic marketable T-securities transfers in December plan as of November 30, 2020

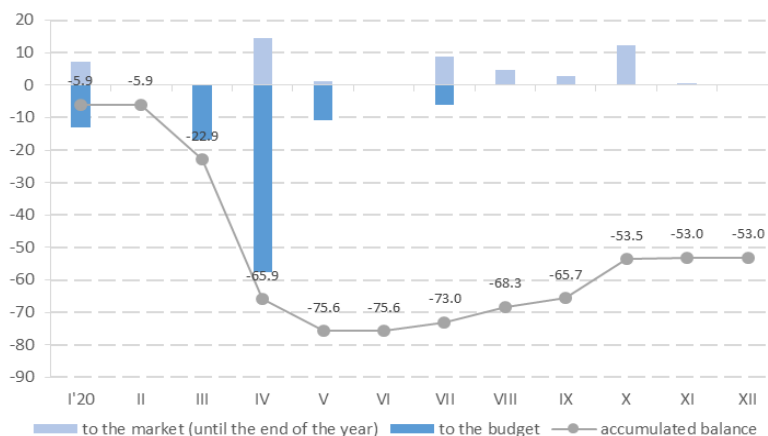
plan as of November 30, 2020

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

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

as at the end of month, PLN bn

There will be no funds linked to wholesale TS redemptions nor interest payments transferred to the market until the end of the year.



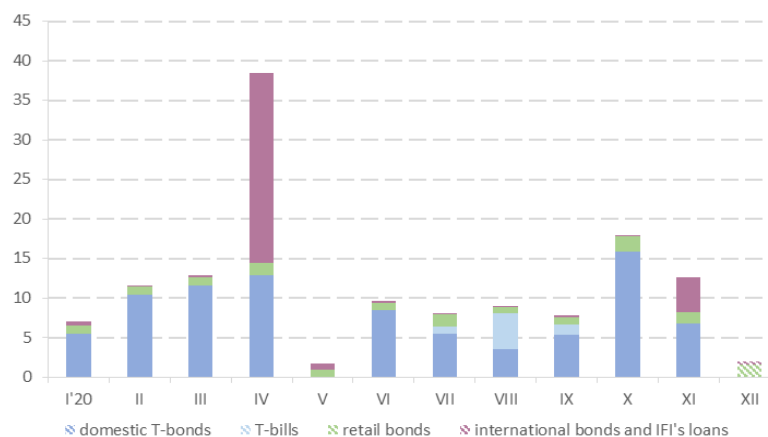
\* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget to the end of 2020 is not presented.

#### 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 November 30, 2020) is equal to PLN 2.0bn, including:

- retail bonds: PLN 1.6bn,
- bonds and loans incurred on foreign markets: PLN 0.4bn.





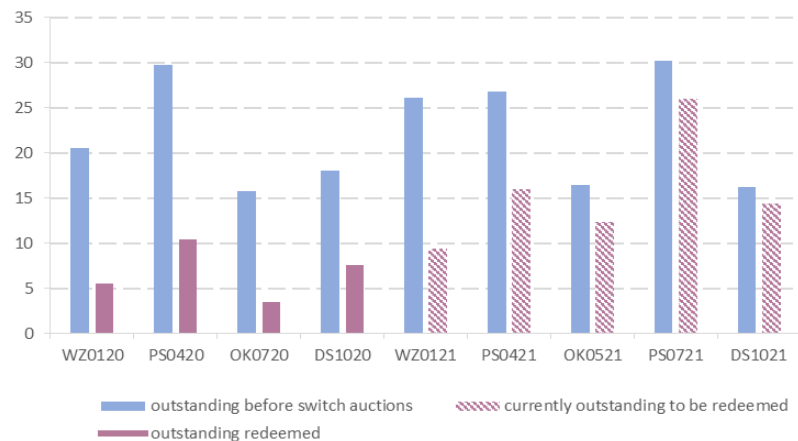
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2020 and 2021

as of November 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 10.4bn (58% of the issuance),
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 10.8bn (40% of the issuance),
- OK0521: PLN 4.1bn (25% of the issuance),
- PS0721: PLN 4.2bn (14% of the issuance),
- DS1021: PLN 1.8bn (11% of the issuance).

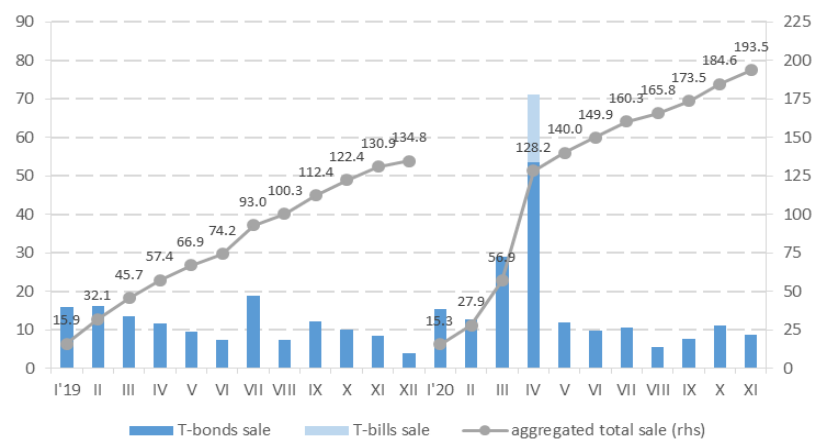


#### Sale of domestic T-bills and T-bonds in 2019 and 2020

settlement date, nominal amount, PLN bn

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

- T-bonds amounted to PLN 175.7bn versus PLN 130.9bn in the same period of 2019,
- T-bills amounted to PLN 17.7bn (T-bills were not offered since February 2017).

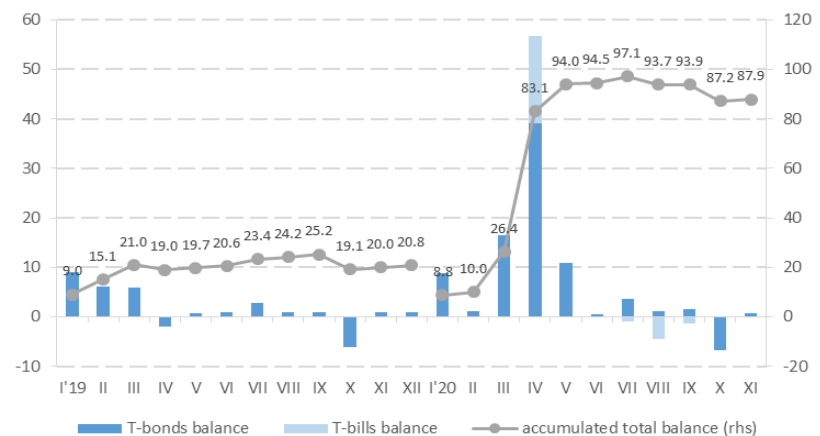


#### Balance of domestic T-bills and T-bonds in 2019 and 2020

settlement date, nominal amount, PLN bn

In the period of I-XI 2020 indebtedness in:

- T-bonds increased to PLN 76.9bn versus an increase of PLN 20.0bn in the same period of 2019,
- T-bills increased to PLN 10.9bn (T-bills were not offered since February 2017).

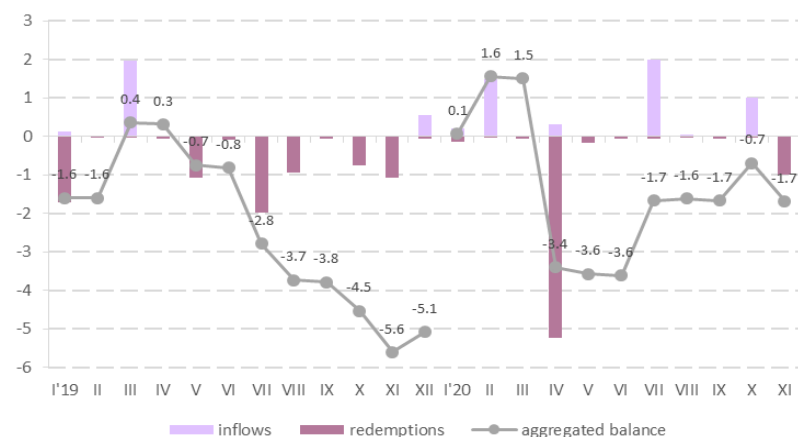


#### External financing in 2019 and 2020

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

Net financing on foreign markets in the period of I-XI 2020 was negative and amounted to EUR 1.7bn (negative balance of EUR 5.6bn in the same period of 2019) which resulted from:

- negative balance of T-bonds of EUR 1.6bn (negative balance of EUR 3.9bn in the same period of 2019),
- negative balance of loans incurred from IFIs of EUR 1.1bn (negative balance of EUR 1.7bn in the same period of 2019),
- positive balance of loans from the European Union under the SURE instrument of EUR 1.0bn.



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

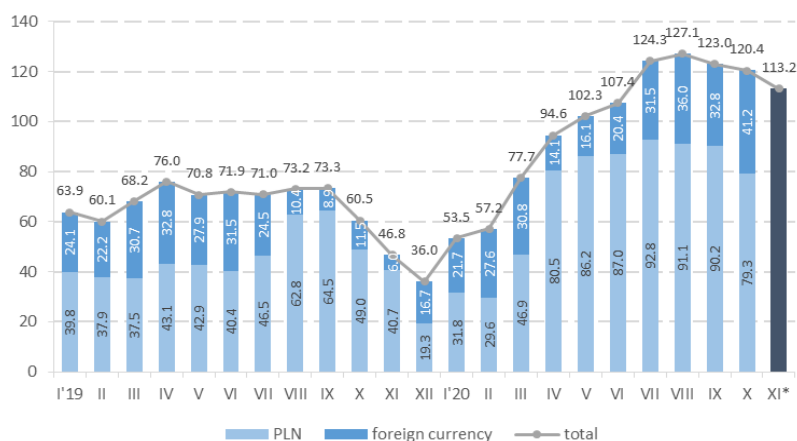


#### Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of November 2020 there was equivalent of PLN 113.2bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

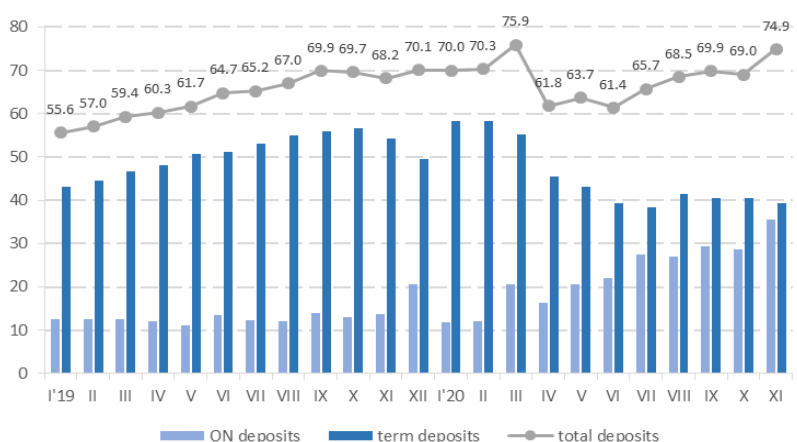
\* Estimated data.



#### Consolidation of public finance sector liquidity management

PLN bn

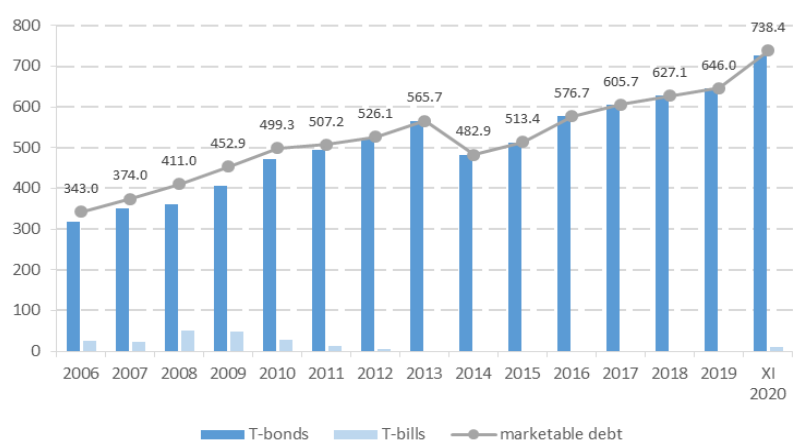
As a result of consolidation of the public finance sector liquidity management there were PLN 74.9bn funds accumulated at the end of November 2020, of which: PLN 39.3bn was on term deposits and PLN 35.6bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

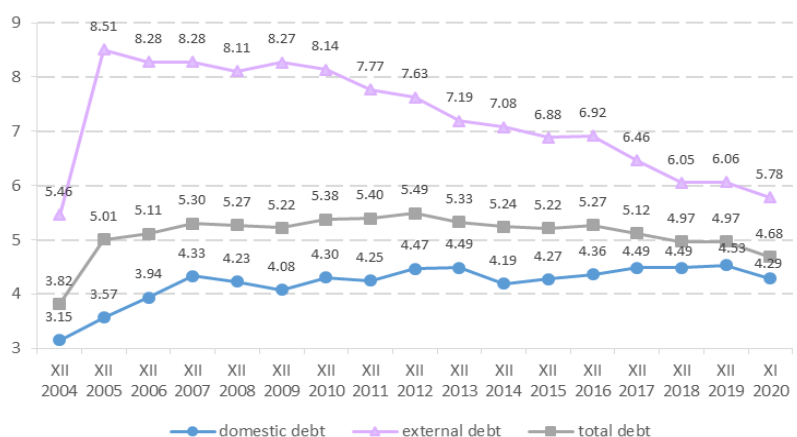
The marketable domestic debt amounted to PLN 738.4bn at the end of November 2020, comparing to PLN 646.0bn at the end of 2019.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.29 years at the end of November 2020 (4.53 years at the end of 2019). The average of the total debt amounted to 4.68 years (4.97 years at the end of 2019).

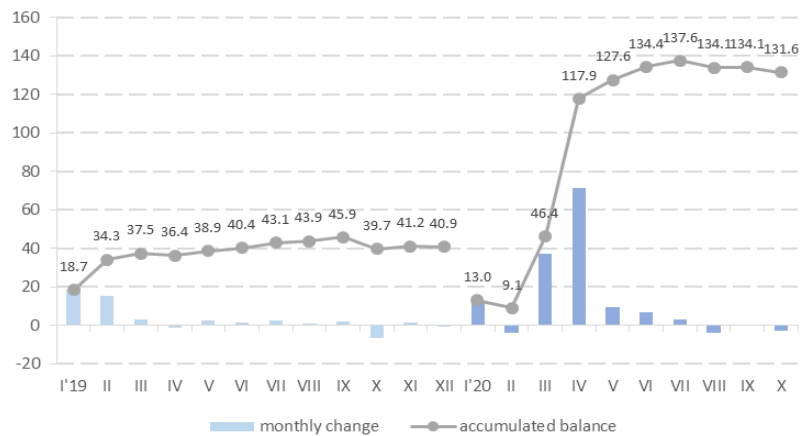




### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

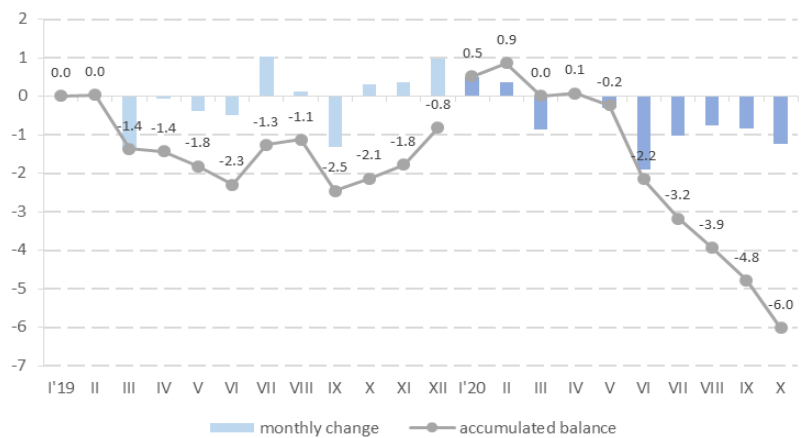
#### Change of debt in the domestic Treasury securities held by banks PLN bn

In the period of I-X 2020 there was an increase of debt by PLN 131.6bn comparing to PLN 39.7bn increase during the same period of 2019. Banks' holdings reached the level of PLN 436.5bn.



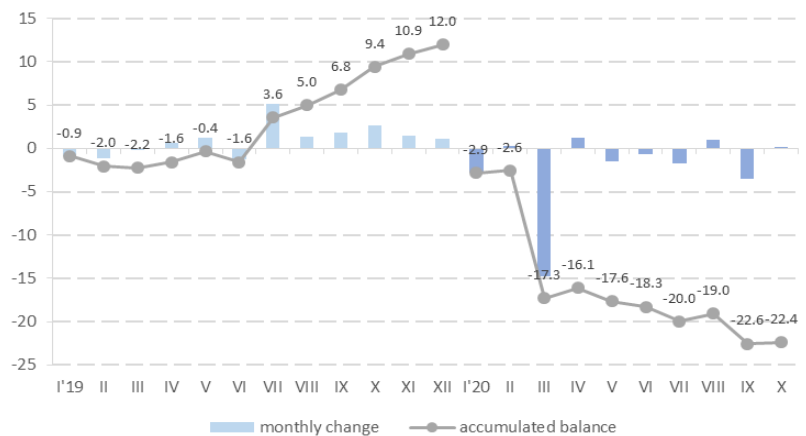
#### Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In the period of I-X 2020 there was a decrease of debt by PLN 6.0bn comparing to PLN 2.1bn decrease in debt during the same period of 2019. Insurance companies' holdings reached the level of PLN 58.3bn.



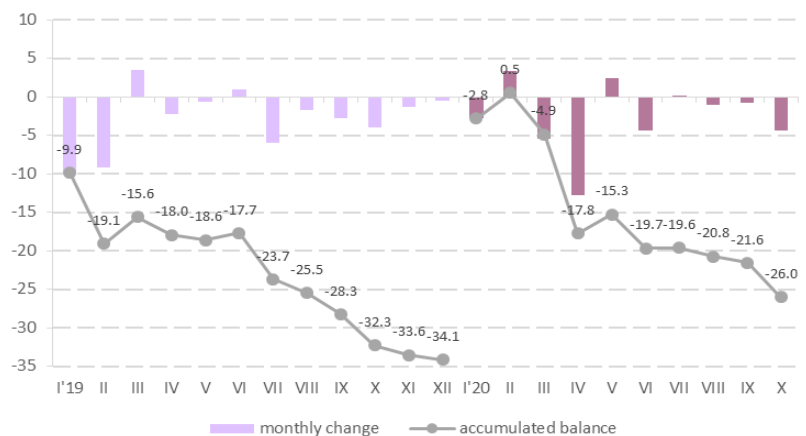
#### Change of debt in the domestic Treasury securities held by investment funds PLN bn

In the period of I-X 2020 there was a decrease of debt by PLN 22.4bn comparing to PLN 9.4bn increase in the same period of 2019. Investment funds' holdings reached the level of PLN 44.9bn.



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

In the period of I-X 2020 there was a decrease of debt by PLN 26.0bn comparing to PLN 32.3bn decrease in the same period of 2019. Foreign investors' holdings reached the level of PLN 131.3bn.





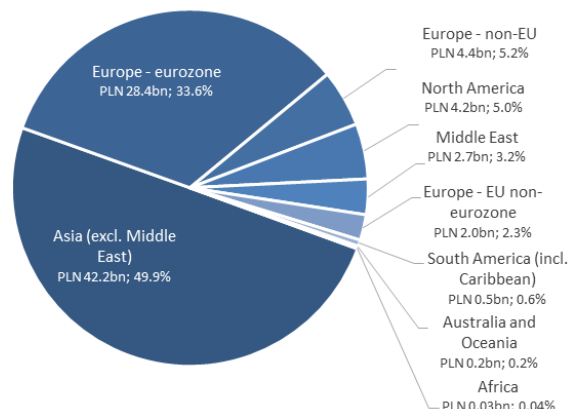
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

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

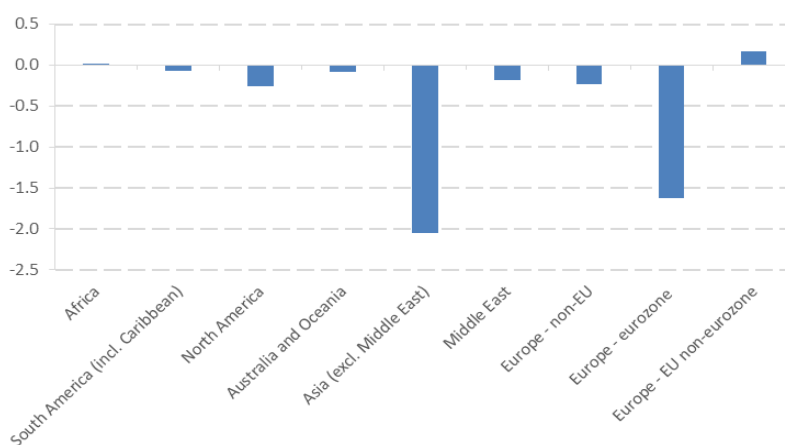
The non-residents' share in the domestic Treasury securities market decreased by PLN 4.5bn in October 2020. The foreign investors' portfolio amounted to PLN 131.3bn, which constituted 16.9% share in total debt in Treasury securities (17.3% in the previous month).



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

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

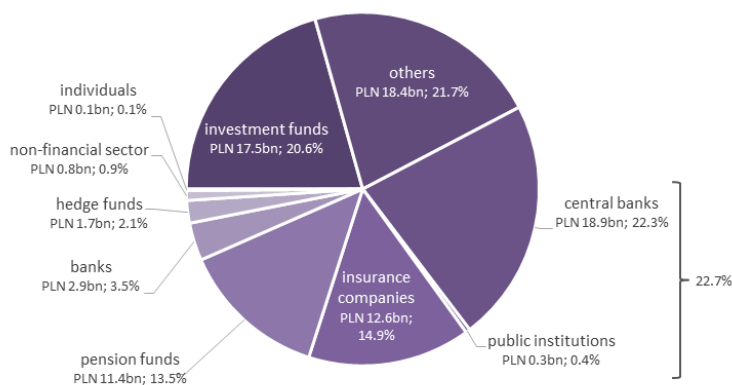
In October 2020 the highest increase was recorded by EU non-eurozone investors (PLN 0.2bn), while the highest decrease was noted by Asian investors (PLN 2.0bn).



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

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

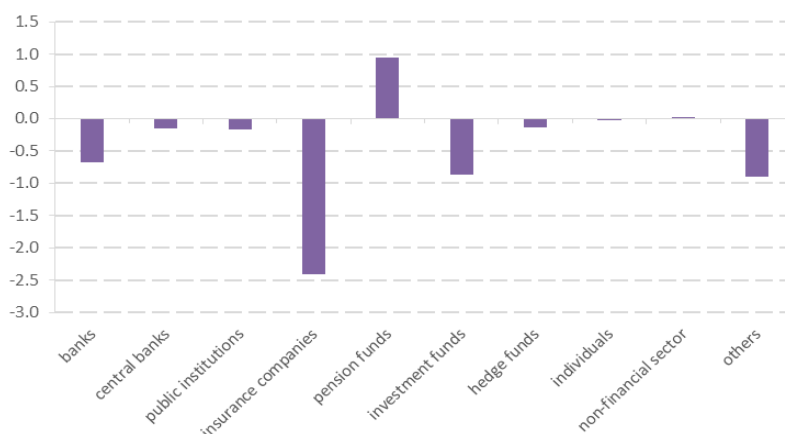
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 22.7% at the end of October 2020.



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

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

In October 2020 the highest increase was recorded by pension funds (PLN 1.0bn), while the highest decrease was noted by insurance companies (PLN 2.4bn).



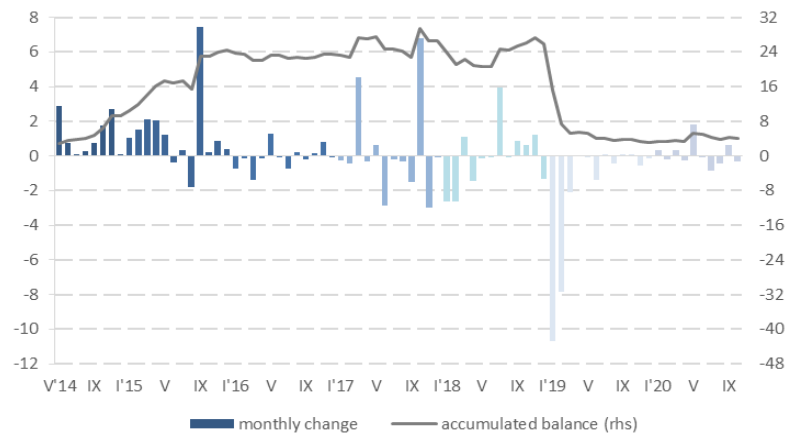


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in October 2020, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.3bn in October 2020. In the period from the end of April 2014 to the end of October 2020, for which the detailed information is available, portfolios of those entities increased by PLN 4.1bn.



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

as of October 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	22 316.4	34.0%
Luxembourg	8 580.8	13.1%
Netherlands	7 164.8	10.9%
Germany	5 101.3	7.8%
Ireland	4 763.3	7.2%
United States	3 513.0	5.3%
United Kingdom	2 788.3	4.2%
Switzerland	1 406.8	2.1%
United Arab Emirates	1 339.1	2.0%
France	1 044.1	1.6%
Italy	865.8	1.3%
Hong Kong	781.8	1.2%
Denmark	664.5	1.0%
Bulgaria	655.8	1.0%
Others	4 739.1	7.2%
<b>Total</b>	<b>65 724.9</b>	<b>100.0%</b>

#### Comment

#### Piotr Nowak, Undersecretary of State, MoF

30-11-2020

(...) The level of pre-financing of next year's borrowing requirements is ca. 13%.

One Treasury bond switching auction is planned for December.

In October indebtedness in domestic Treasury securities decreased by PLN 6.8bn, of which PLN 2.6bn towards domestic banks and PLN 4.5bn towards foreign investors. The involvement of domestic non-banking sector increased by PLN 0.3bn.

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



### T-bond sale auctions

Sale auctions of T-bonds are not planned.

### T-bond switching auctions

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
11 DEC 2020 / 15 DEC 2020	OK0423 / PS0425 / WZ1126 / DS1030 / WZ1131 / possible T-bond either of WS or IZ type	WZ0121	9.430
		PS0421	15.970
		OK0521	12.364
		PS0721	25.959
		DS1021	14.416

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0321 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS1222 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ1223 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI1224 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO1230 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS1226 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD1232 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period