

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

March 2020

### THE MOST IMPORTANT INFORMATION

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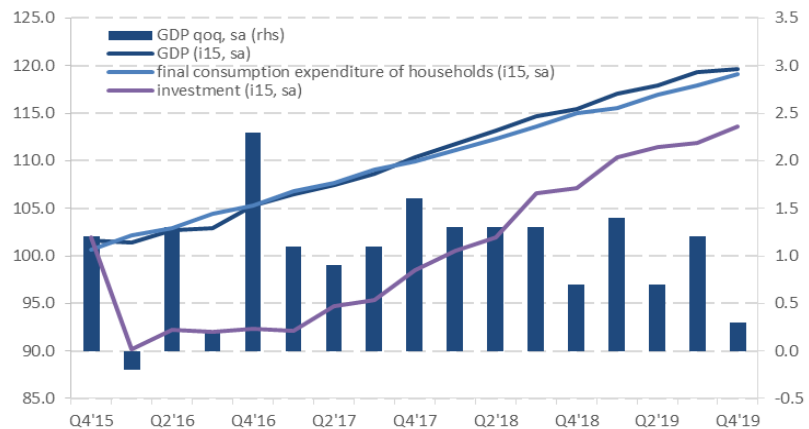


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices  
source: GUS, Eurostat

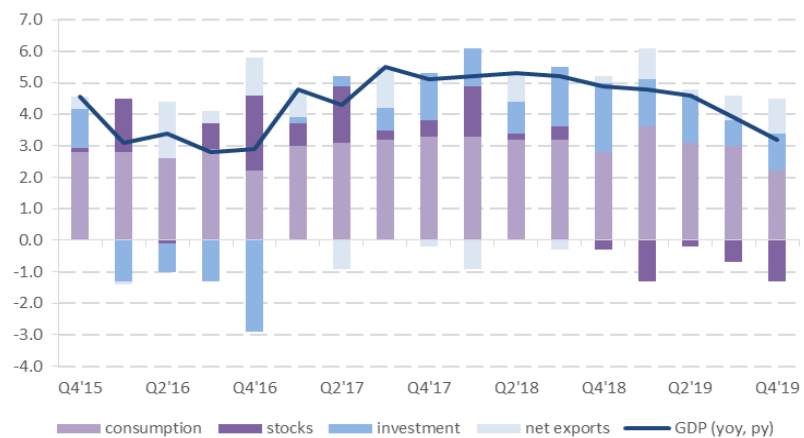
In the fourth quarter of 2019 GDP increased by 0.3% (qoq, sa) versus 1.2% a quarter earlier (1.2%). Rate of growth (qoq, sa) of households consumption was close to the third quarter of 2019 and in the case of investment acceleration was observed. On the other hand, foreign trade dynamics decreased.



### Contributions to Polish GDP growth

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

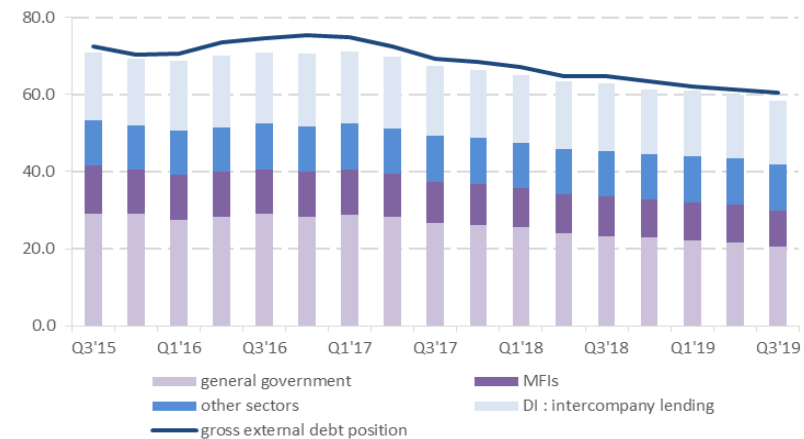
In the fourth quarter of 2019 GDP was 3.2% higher than a year ago as compared to 3.9% in the previous quarter. Households consumption was 3.3% higher than in the same period of 2018. Investment growth rate was close to the level observed in the third quarter of 2019 and amounted to 4.9%. Inventories contribution to GDP growth was negative (1.3 pp), which was, to a large extent, offset by positive net exports (1.1 pp). 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

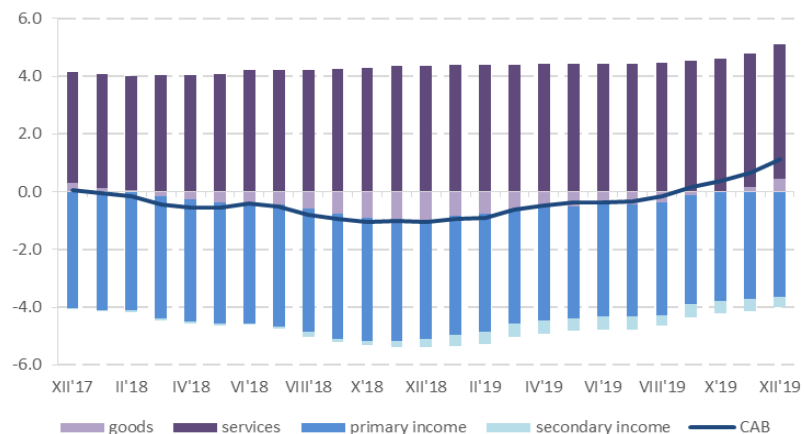
At the end of the third quarter of 2019 gross external debt reached EUR 312.2bn (60.4% of GDP) and was EUR 0.5bn higher than in the previous quarter. The share of general government debt in total debt decreased to 33.9%. At the end of December 2019 official reserve assets reached EUR 114.5bn and remained 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 December 2019, according to preliminary data, current account balance was positive and amounted to 1.1% of GDP (in 12-month terms). Data were above market expectations. Inflow of long-term capital continued as well, i.e. direct investment of non-residents and EU structural funds classified on the capital account.

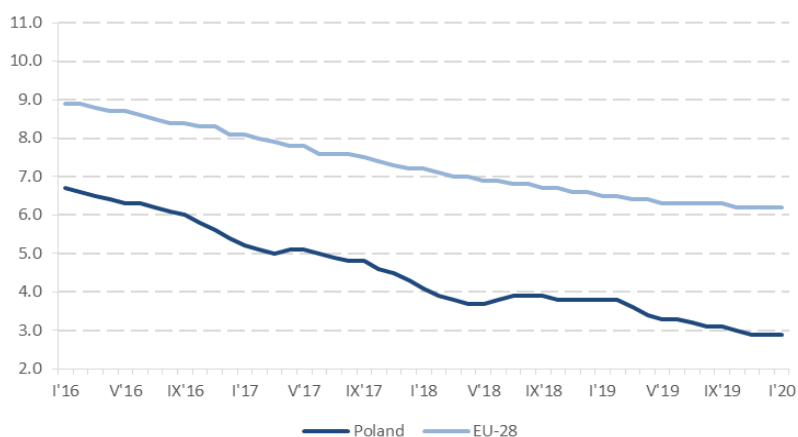




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

In January 2020 harmonised unemployment rate remained at the record low level observed in the previous two months and amounted to 2.9% (compared to 6.2% on average in the EU).



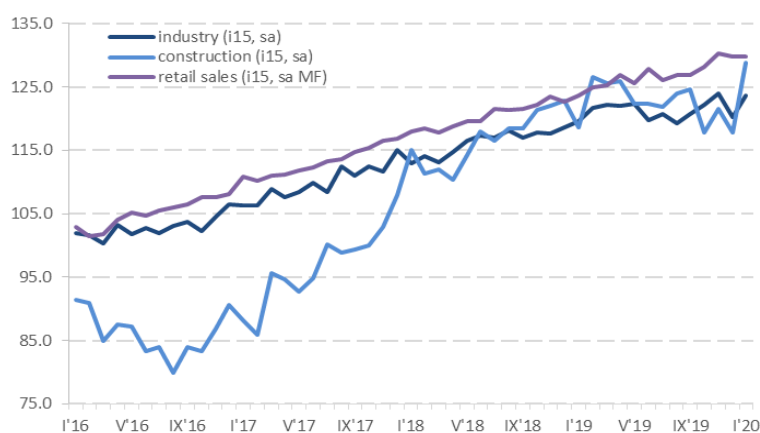
## Monthly indicators of the real sector

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

In January 2020 industrial production went up by 2.7% (mom, sa) and was 1.1% higher than a year ago (nsa). Data were above market expectations.

Construction and assembly production grew by 9.4% following a drop in the previous month (mom, sa). As a result, it was 6.5% (nsa) higher than a year before. Data were better than MoF's expectations.

Real retail sales did not change in comparison with the previous month (mom, sa MoF). As a result, retail sales were 3.4% (nsa) higher than in the same month of 2019. Data were below market expectations.



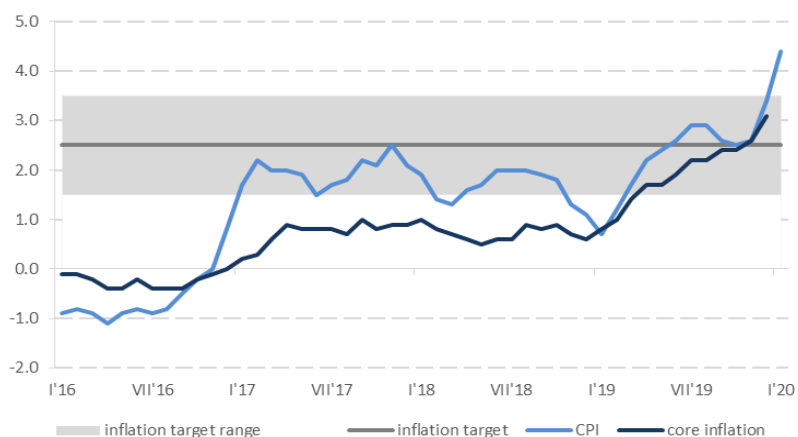
## Inflation

percent, yoy  
source: GUS, NBP

In January 2020, according to preliminary data, inflation rate increased to 4.4% and exceeded the upper limit of deviation from the inflation target. Rising inflation resulted mainly from electricity price hike and still high food prices growth. Data were higher than market expectations.

Core inflation (CPI excluding food and energy prices) in December 2019 reached 3.1% (yoy), the highest level for 8 years (no data for January 2020).

The annual rate of producer prices (PPI) in last months remained at relatively low level of 0.8% (yoy) in January 2020.

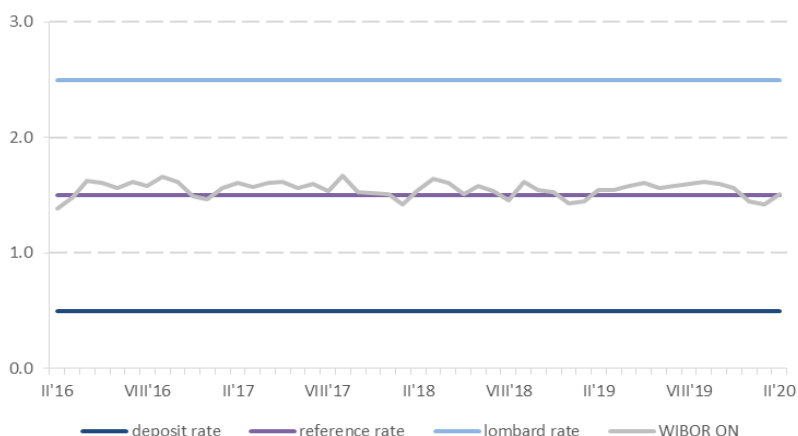


## NBP interest rates

percent, end of period  
source: NBP, Eurostat

In February 2020, the Monetary Policy Council kept NBP 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 was conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance, enabling to meet the inflation target in the medium-term at the same time.

The latest Reuters' poll median forecast (February 26) sees no NBP rate move at least until the end of the first quarter of 2022.





## II. STATISTICAL DATA

	Unit	2018 Q03	Q04	2019 Q01	Q02	Q03	Q04
<b>GDP</b>							
Gross domestic product	YoY	5.2	4.9	4.8	4.6	3.9	3.2
	QoQ SA	1.3	0.7	1.4	0.7	1.2	0.3
Final consumption expenditure of the households sector	YoY	4.2	4.0	3.9	4.4	3.9	3.3
	QoQ SA	1.1	1.3	0.4	1.2	0.9	1.0
Final consumption expenditure of the general government sector	YoY	4.2	3.9	6.3	3.1	4.7	3.1
	QoQ SA	0.9	1.2	1.4	0.4	1.2	0.5
Gross fixed capital formation	YoY	11.0	8.9	12.2	9.1	4.7	4.9
	QoQ SA	4.6	0.5	3.0	1.0	0.4	1.5
Exports of goods and services	YoY	6.7	7.9	7.3	3.2	5.0	1.4
	QoQ SA	-0.5	3.6	0.7	-0.6	1.3	-0.1
Imports of goods and services	YoY	7.7	7.9	6.0	3.1	3.9	-0.7
	QoQ SA	1.1	2.0	0.5	0.0	0.3	-1.0
Gross value added	YoY	5.2	4.8	4.6	4.5	3.9	3.2
	QoQ SA	1.3	1.1	1.0	0.8	0.9	0.6
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	2.5	2.0	2.5	2.5	2.2	1.6
Final consumption expenditure of the general government sector	pp	0.7	0.8	1.1	0.6	0.8	0.6
Gross fixed capital formation	pp	1.9	2.2	1.5	1.5	0.8	1.2
Changes in inventories	pp	0.4	-0.3	-1.3	-0.2	-0.7	-1.3
Balance of trade turnover	pp	-0.3	0.2	1.0	0.2	0.8	1.1
Gross value added	pp	4.5	4.2	4.2	4.0	3.3	2.7
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	58.9	50.1	62.1	58.1	58.5	49.5
Final consumption expenditure of the general government sector	% of GDP	17.3	19.1	17.3	17.2	17.4	19.0
Gross fixed capital formation	% of GDP	17.8	25.1	13.3	16.8	17.7	25.2
Changes in inventories	% of GDP	2.1	2.3	2.0	2.1	1.2	0.9
Exports of goods and services	% of GDP	56.0	52.5	58.9	57.1	56.0	51.2
Imports of goods and services	% of GDP	52.8	49.6	54.3	52.1	51.5	46.4
<b>Balance of payments</b>							
	Unit	2019 M08	M09	M10	M11	M12	2020 M01
Goods: exports (EUR)	YoY	-1.8	13.5	3.8	-0.2	10.6	-
Goods: imports (EUR)	YoY	-3.4	6.4	-0.2	-4.1	0.8	-
Current account balance <sup>1)</sup>	% of GDP	-0.2	0.2	0.4	0.6	1.1	-
Balance on goods <sup>1)</sup>	% of GDP	-0.4	-0.1	0.0	0.2	0.5	-
Official Reserve Assets	EUR m	105 632.7	110 546.9	109 192.0	108 887.5	114 510.6	113 757.2
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	2.9	2.6	2.5	2.6	3.4	4.4
Core inflation (CPI excluding food and energy prices)	YoY	2.2	2.4	2.4	2.6	3.1	-
Producer Price Index (PPI)	YoY	0.9	0.8	-0.3	-0.1	1.0	0.8
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	-1.5	5.6	3.7	1.4	3.8	1.1
	MoM SA	-1.3	1.3	1.2	1.4	-2.9	2.7
Construction and assembly production <sup>2)</sup>	YoY	2.6	7.6	-4.1	-4.7	-3.3	6.5
	MoM SA	1.8	0.4	-5.4	3.1	-3.0	9.4
Manufacturing PMI	SA	48.8	47.8	45.6	46.7	48.0	47.4
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	4.4	4.3	4.6	5.2	5.7	3.4
Average paid employment in enterprise sector	YoY	2.6	2.6	2.5	2.6	2.6	1.1
	MoM	-0.1	-0.1	0.0	0.2	0.0	0.7
Average monthly gross wages and salaries in enterprise sector (real)	YoY	3.8	3.9	3.3	2.6	2.7	2.6
	MoM	-1.1	-0.8	2.3	0.2	6.3	-6.6
Harmonised unemployment rate (Eurostat)	% SA	3.1	3.1	3.0	2.9	2.9	2.9
<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 M07	M08	M09	M10	M11	M12
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	973 307.7	977 610.4	978 561.0	960 882.4	962 013.4	973 336.9
Domestic debt	face value, PLN m	704 330.7	706 222.8	707 713.5	701 313.8	702 674.3	716 452.3
	%	72.4	72.2	72.3	73.0	73.0	73.6
Foreign debt	face value, PLN m	268 977.1	271 387.6	270 847.4	259 568.6	259 339.1	256 884.7
	%	27.6	27.8	27.7	27.0	27.0	26.4
<b>Public debt (domestic definition)</b>							
	Unit	2018 Q02	Q03	Q04	2019 Q01	Q02	Q03
Public debt (acc. to the place of issue criterion)	face value, PLN m	984 470.7	977 304.9	984 313.5	1 005 633.5	998 219.5	1 001 181.0
Domestic debt	face value, PLN m	675 566.2	678 615.4	688 248.0	706 607.9	708 263.5	713 558.3
	%	68.6	69.4	69.9	70.3	71.0	71.3
Foreign debt	face value, PLN m	308 904.5	298 689.6	296 065.5	299 025.7	289 956.1	287 622.7
	%	31.4	30.6	30.1	29.7	29.0	28.7
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 033 386.2	1 029 424.1	1 035 254.9	1 056 172.7	1 051 207.1	1 054 768.8

Source: MoF

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

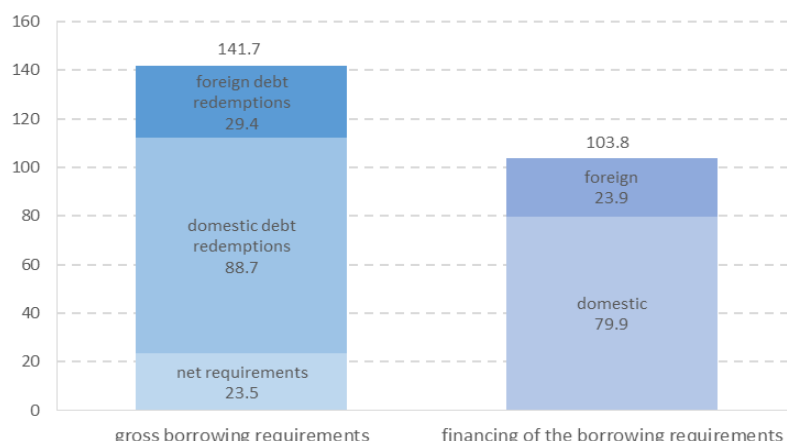


#### Gross borrowing requirements in 2020

as of February 29, 2020, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 73% (acc. to the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 16.2bn,
- switch auctions in 2020: PLN 5.9bn,
- T-bond sale on foreign markets: PLN 7.2bn,
- switch auctions in 2019: PLN 47.4bn,
- higher financial resources at the end of 2019: PLN 27.1bn.



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

plan as of February 29, 2020

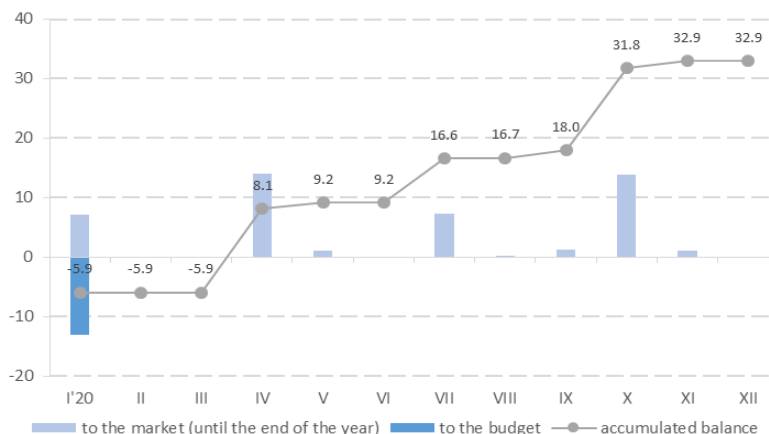
In March there will be no funds transferred from the State budget to the market related to T-securities (neither TS redemptions nor interest payments).

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

as at the end of month, PLN bn

From March to the end of 2020 funds to be transferred to the domestic market shall amount to PLN 38.9bn (as of February 29, 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 budget in the period of March to the end of 2020.

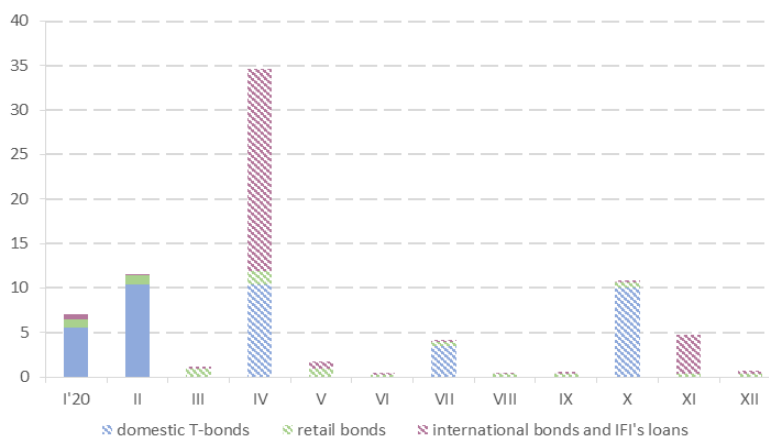


#### State Treasury debt redemptions in 2020

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

The nominal amount of debt to be redeemed in 2020 (as of February 29, 2020) is equal to PLN 59.4bn, including:

- T-bonds: PLN 24.0bn,
- retail bonds: PLN 6.2bn,
- bonds and loans incurred on foreign markets: PLN 29.3bn.



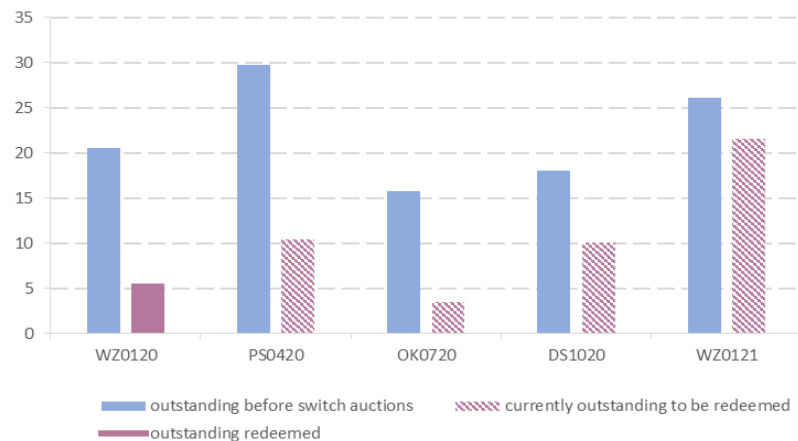


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2020 and 2021 as of February 29, 2020, nominal amount, PLN bn

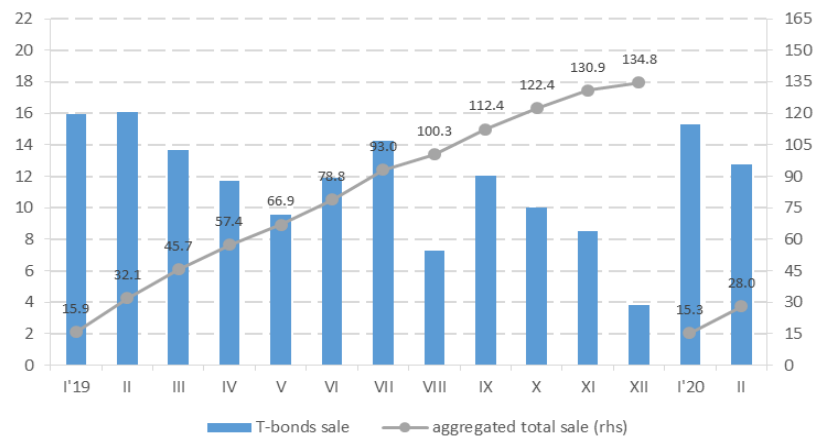
Buy-back of T-bonds maturing in 2020 and 2021:

- 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 4.5bn (17% of the issuance).



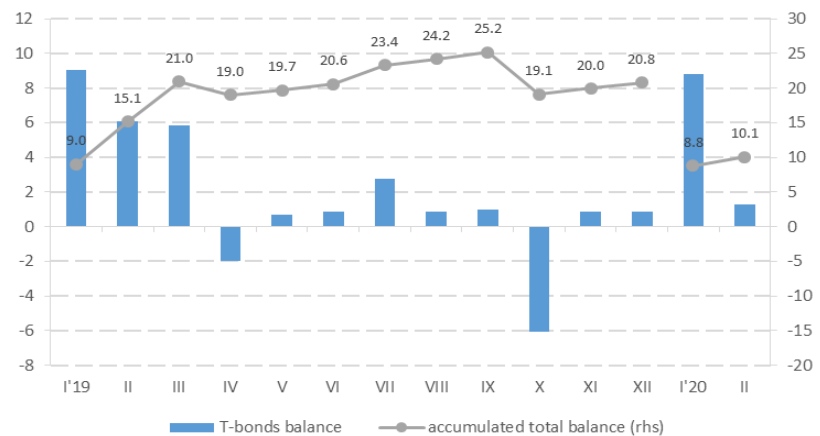
#### Sale of domestic T-bonds in 2019 and 2020 auction date, nominal amount, PLN bn

In the period of I-II 2020 aggregated total sale of T-bonds amounted to PLN 28.0bn versus PLN 32.1bn in the same period of 2019.



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

In the period of I-II 2020 indebtedness in T-bonds increased to PLN 10.1bn versus an increase of PLN 15.1bn in the same period of 2019.

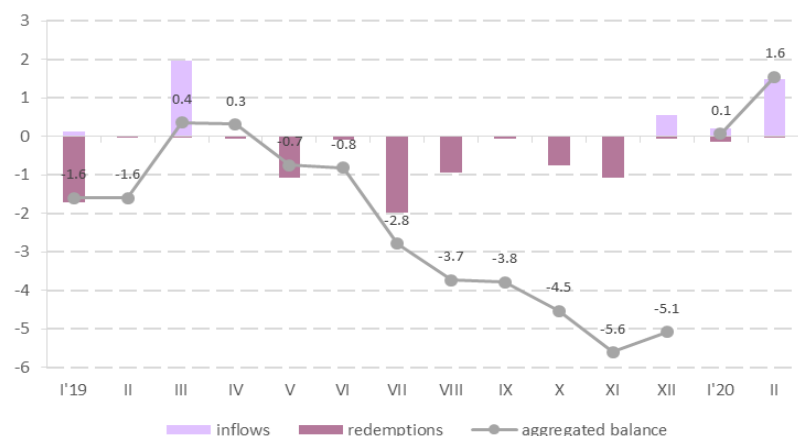


#### External financing in 2019 and 2020

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

Net financing on foreign markets in the period of I-II 2020 was positive and amounted to EUR 1.6bn (negative balance of EUR 1.6bn in the same period of 2019) which resulted from:

- positive balance of T-bonds of EUR 1.7bn (negative balance of EUR 1.7bn in the same period of 2019),
- negative balance of loans incurred from IFIs of EUR 0.1bn (positive balance of EUR 0.1bn in the same period of 2019).



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

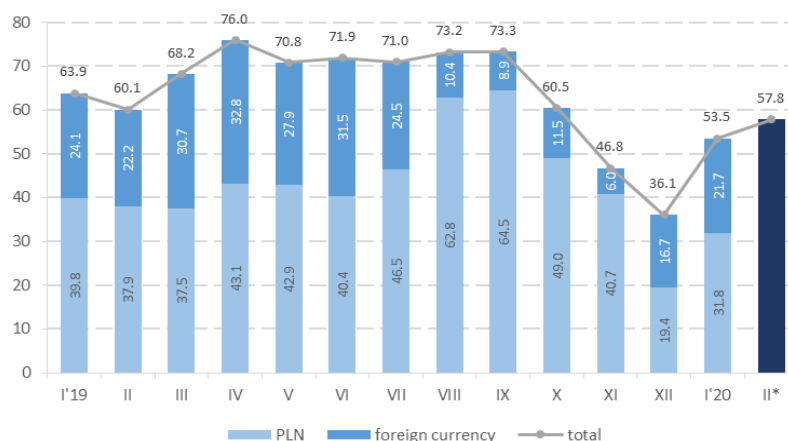


#### Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of February 2020 there was equivalent of PLN 57.8bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

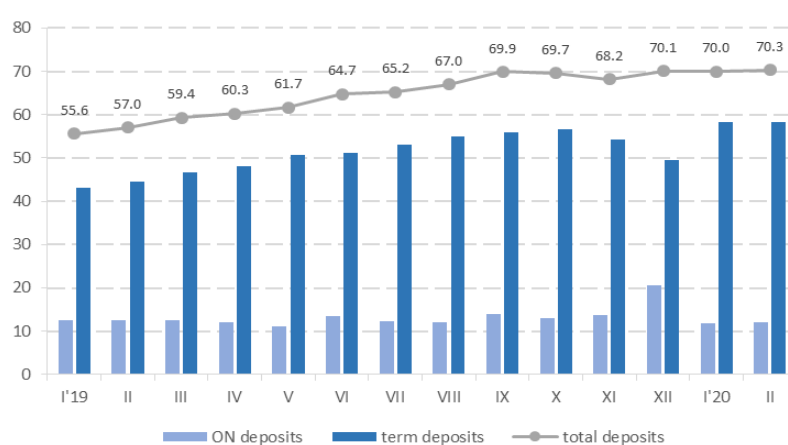
\* estimated data



#### Consolidation of public finance sector liquidity management

PLN bn

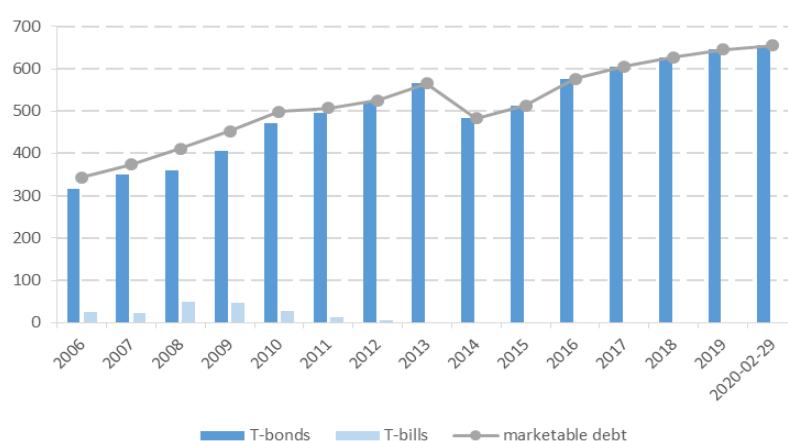
As a result of consolidation of the public finance sector liquidity management there were PLN 70.3bn funds accumulated at the end of February 2020, of which: PLN 58.2bn was on term deposits and PLN 12.1bn on ON deposits.



#### Structure of marketable debt

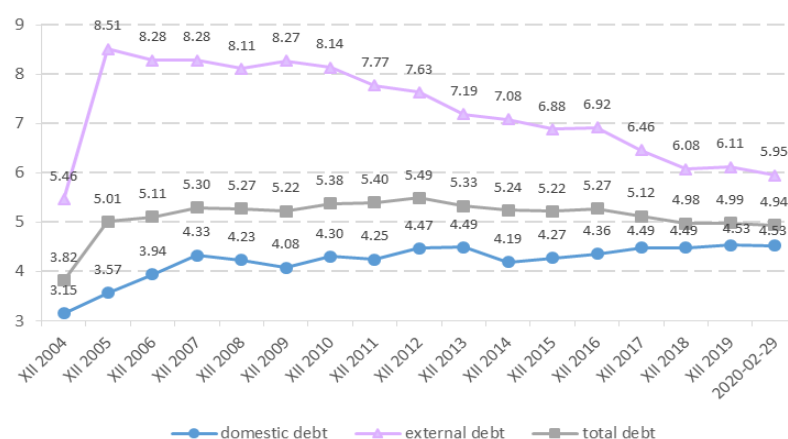
PLN bn

The marketable domestic debt amounted to PLN 655.9bn at the end of February 2020 comparing to PLN 646.0bn at the end of 2019.



#### Average maturity

The average maturity of the domestic debt amounted to 4.53 years at the end of February 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).

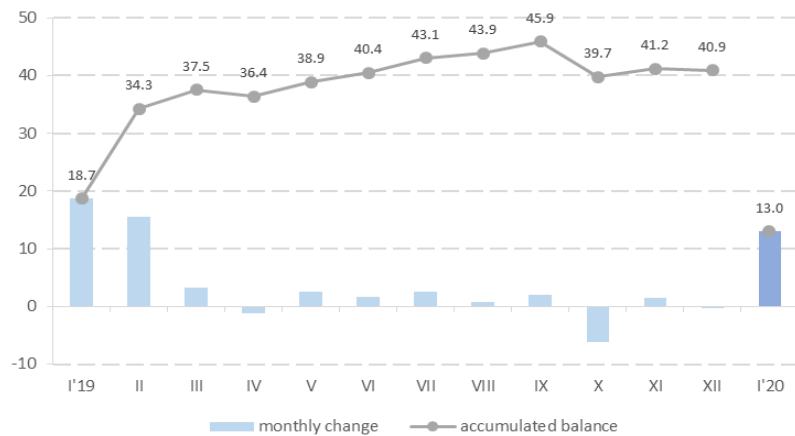




### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

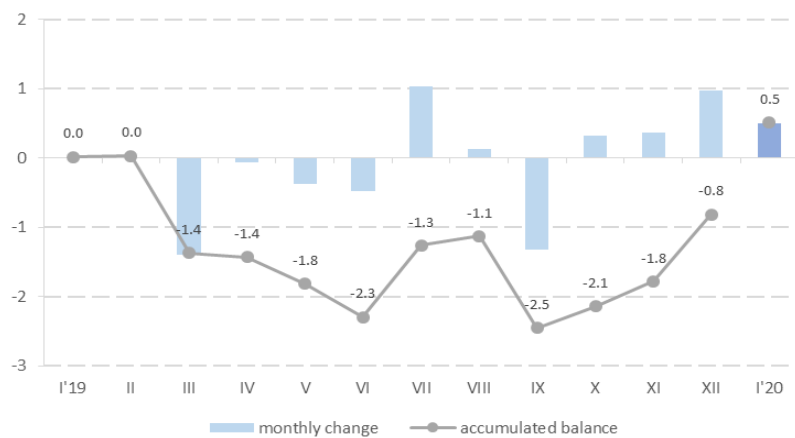
#### Change of debt in the domestic Treasury securities held by banks PLN bn

In January 2020 there was an increase of debt by PLN 13.0bn comparing to PLN 18.7bn increase during the same period of 2019. Banks' holdings reached the level of PLN 318.0bn.



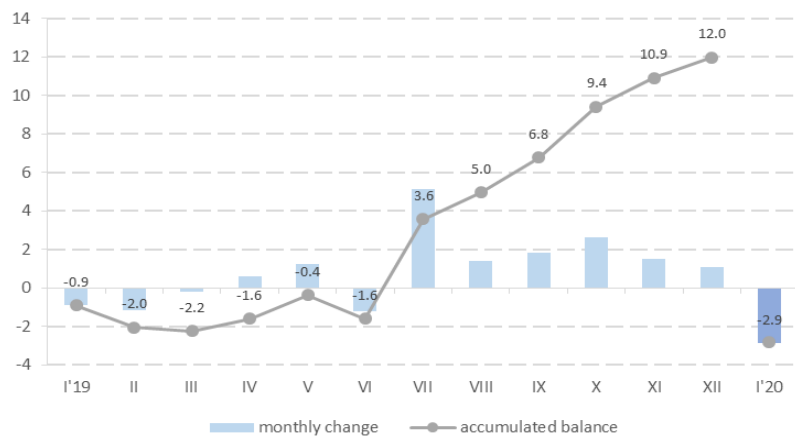
#### Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In January 2020 there was an increase of debt by PLN 0.5bn comparing to no change in debt during the same period of 2019. Insurance companies' holdings reached the level of PLN 64.8bn.



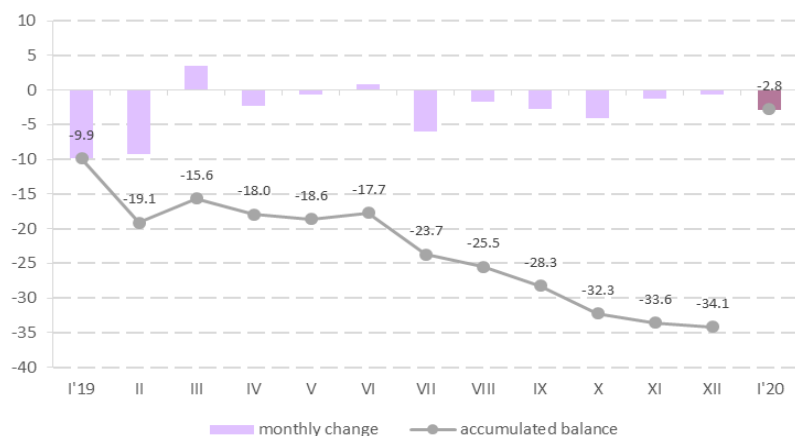
#### Change of debt in the domestic Treasury securities held by investment funds PLN bn

In January 2020 there was a decrease of debt by PLN 2.9bn comparing to PLN 0.9bn decrease in the same period of 2019. Investment funds' holdings reached the level of PLN 64.5bn.



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

In January 2020 there was a decrease of debt by PLN 2.8bn comparing to PLN 9.9bn decrease in the same period of 2019. Foreign investors' holdings reached the level of PLN 154.5bn.





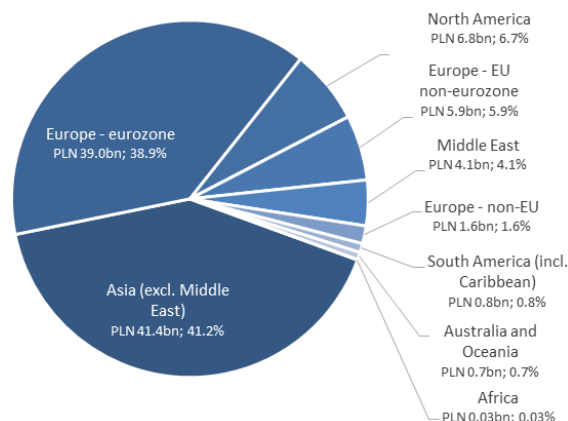
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

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

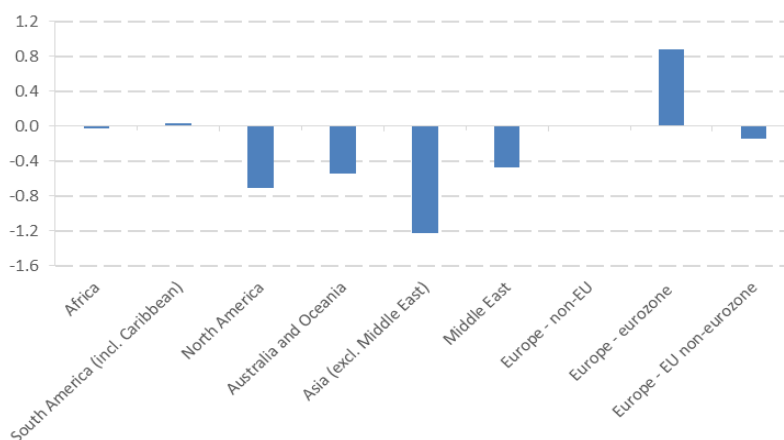
The non-residents' share in the domestic Treasury securities market decreased by PLN 2.8bn in January 2020. The foreign investors' portfolio amounted to PLN 154.5bn, which constituted 22.6% share in total debt in Treasury securities (23.4% in the previous month).



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

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

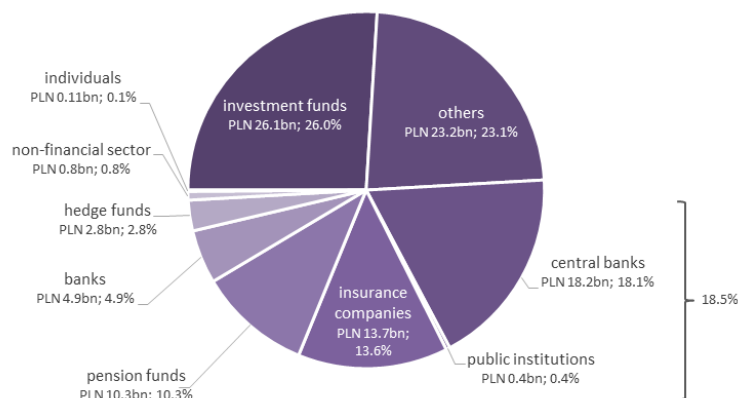
In January 2020 the highest increase was recorded by investors the eurozone (PLN 0.9bn), while the highest decrease was noted by Asian investors (PLN 1.2bn).



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

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

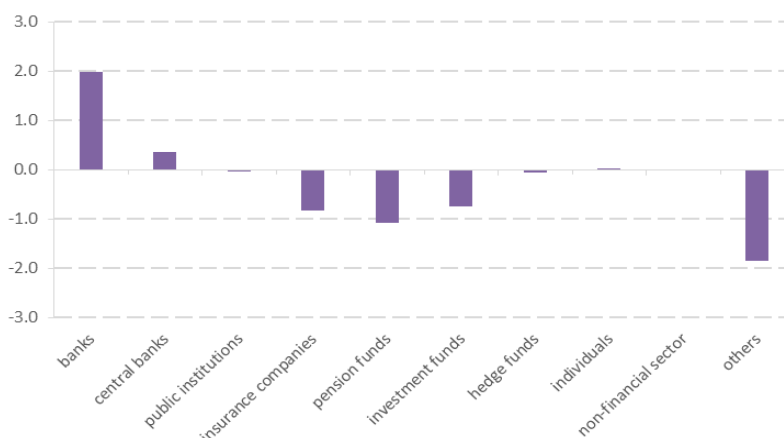
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 18.5% at the end of January 2020.



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

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

In January 2020 the highest increase was recorded by banks (PLN 2.0bn) and the highest decrease was noted by investors from the category "others" (PLN 1.8bn).



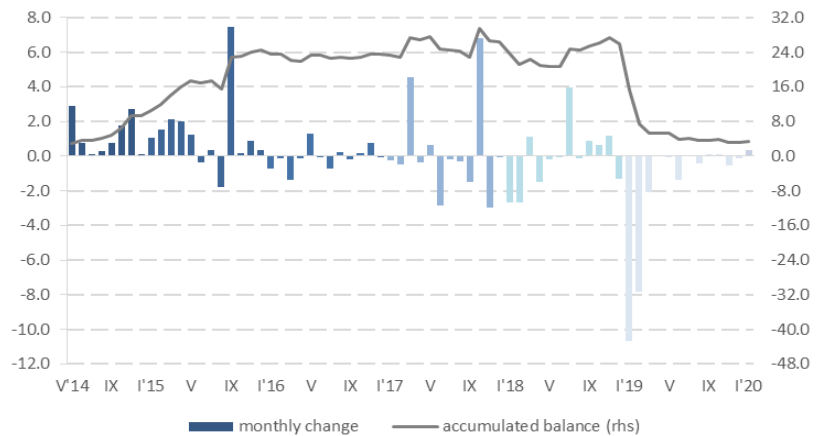


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in January 2020, PLN bn

Central banks and public institutions' involvement increased by PLN 0.3bn in January 2020. In the period from the end of April 2014 to the end of January 2020, for which the detailed information is available, portfolios of those entities increased by PLN 3.5bn.



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

as of January 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	20 852.9	25.4%
Luxembourg	13 528.2	16.5%
Netherlands	7 848.1	9.5%
Ireland	6 434.0	7.8%
Germany	6 017.3	7.3%
United States	5 676.3	6.9%
United Kingdom	3 411.8	4.1%
France	2 964.0	3.6%
Hong Kong	2 213.7	2.7%
United Arab Emirates	1 629.7	2.0%
Switzerland	1 462.7	1.8%
Italy	1 091.5	1.3%
Denmark	994.1	1.2%
Canada	846.0	1.0%
Others	7 266.0	8.8%
<b>Total</b>	<b>82 236.4</b>	<b>100.0%</b>

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



### T-bond sale auction

Auction date	Settlement date	Series	Planned offer (PLN m)
5 MAR 2020	9 MAR 2020	OK0722 / PS1024 / WZ0525 / DS1029 / WZ1129 / WS0447	3,000-5,000*

*After the auction bonds were offered within additional sale at a minimum accepted clean price.*

*\* At the sale auction and within the additional sale the Ministry of Finance sold T-bonds in the total amount of 5.8bn, of which: OK0722 - PLN 0.2bn, PS1024 - PLN 1.0bn, WZ0525 - PLN 1.8bn, DS1029 - PLN 1.4bn, WZ1129 - PLN 1.5bn.*

### T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
19 MAR 2020 / 23 MAR 2020	OK0722 / PS1024 / WZ0525 / DS1029 / WZ1129 / possible T-bond either of WS or IZ type	PS0420	10,369
		DS1020	10,080
		WZ0121	21,583

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0620 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.50% per year
DOS0322 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 2.10%
TOZ0323 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 2.20% in the first coupon period
COI0324 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 2.40% in the first coupon period
EDO0330 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%); 2.70% in the first coupon period
ROS0326 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.75%); 2.80% in the first coupon period
ROD0332 family bonds 12-year	100.00 PLN	Floating (inflation rate + 2.00%); 3.20% in the first coupon period