

State budget borrowing requirements' financing plan and its background

2nd quarter 2021

April 2021

THE MOST IMPORTANT INFORMATION

I. Current macroeconomic situation	2-3
II. Statistical data	4
III. Background of borrowing requirements' financing	5-10
• MoF's comment	10
IV. Quarterly supply plan of Treasury securities	11
V. Monthly supply plan of Treasury securities	12



I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices
source: GUS, Eurostat

Despite the second wave of the COVID-19 pandemic, contraction in economic activity in the fourth quarter of 2020 was moderate compared to spring 2020. This was, to a large extent, possible due to the relatively favourable performance of industry. However, the restrictions hit some service sectors exceptionally hard. GDP declined by 0.7% (qoq, sa) after an increase of 7.9% a quarter earlier. Consumption in the household sector decreased by 2.7% (qoq, sa) reflecting the closure of some commercial and service facilities. Investment remained relatively weak and went down by 2.6% (qoq, sa). On the other hand, foreign trade continued its recovery with exports and imports rising by 5.5% and 3.5% (qoq, sa), respectively.

Contributions to Polish GDP growth

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

In the fourth quarter of 2020 GDP was 2.8% (py) lower than in the previous year. Household consumption declined by 3.2% (yoy, py), while public consumption similarly to the previous quarter increased by 3.4%. Exports and imports were also higher than in the previous year with positive contribution of foreign trade to yearly GDP growth (0.4 pp). Contribution of stocks was also positive (0.6 pp). Investment was still lower than in the same period of 2019.

Polish gross external debt position

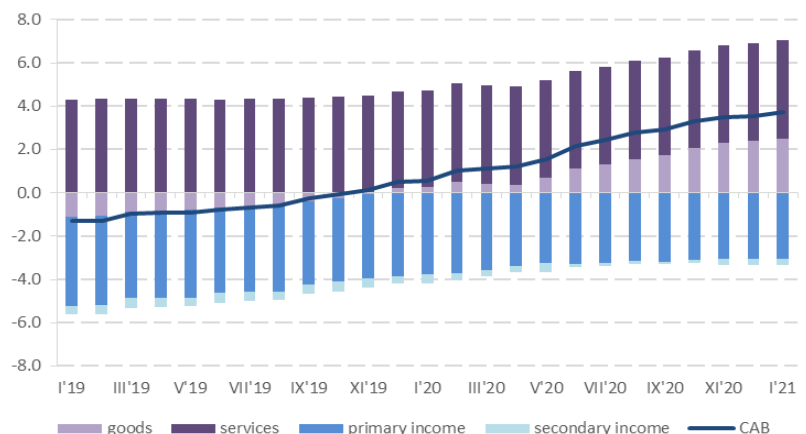
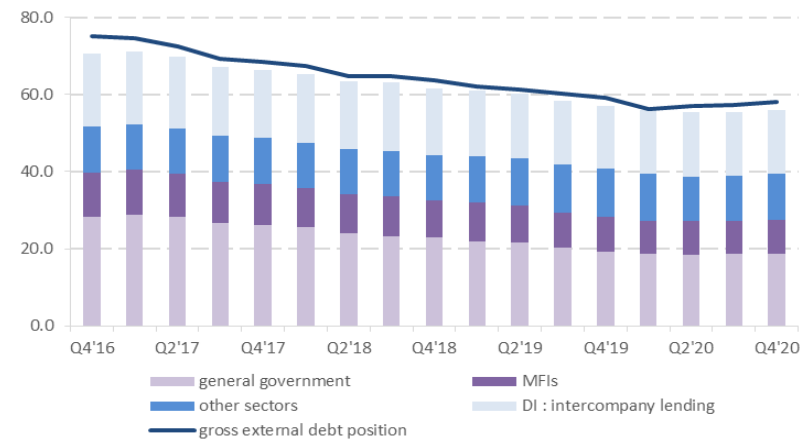
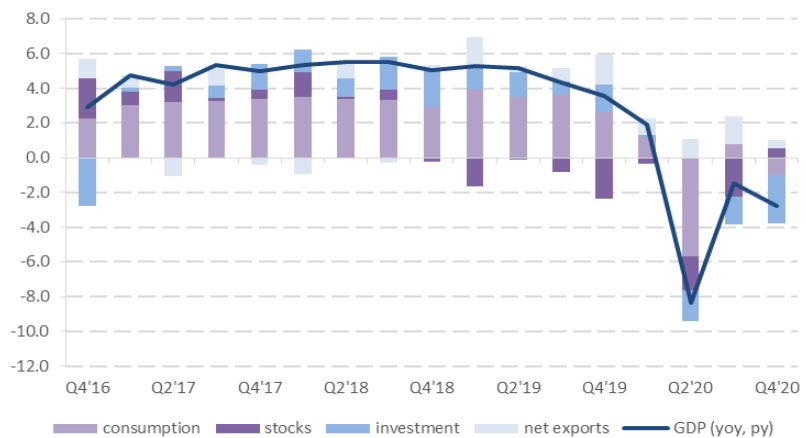
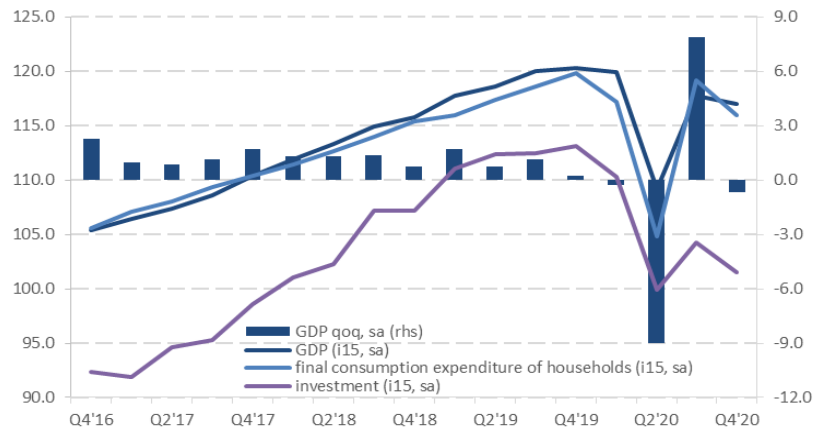
percent of GDP
source: NBP, GUS, MoF own calculation

At the end of the fourth quarter of 2020 gross external debt reached EUR 303.0bn (58.1% of GDP) and was EUR 1.4bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 32.0%. At the end of January 2021 official reserve assets reached EUR 129.8bn and remained broadly adequate, covering about 6 months of imports.

Current account balance

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

Taking into account new quarterly data, in January 2021 current account surplus increased to 3.7% of GDP (in 12-month terms). Despite the tightening of restrictions by Poland's key trade partners in response to a surge in new infections in autumn, exports remained relatively strong. In January exports and imports yearly dynamics were noticeably weaker than in December, however it was mostly due to the negative calendar effect and lack of one-off factors which supported trade at the end of 2020. In addition primary income deficit declined, reflecting lower foreign investors' income on their capital involvement in Polish entities.

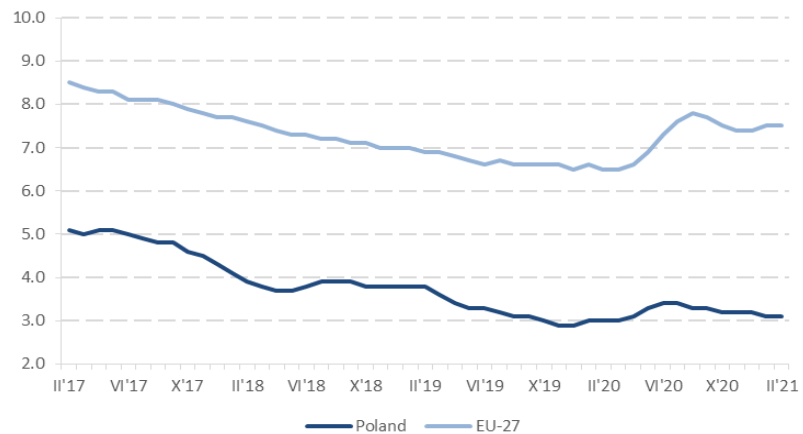




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

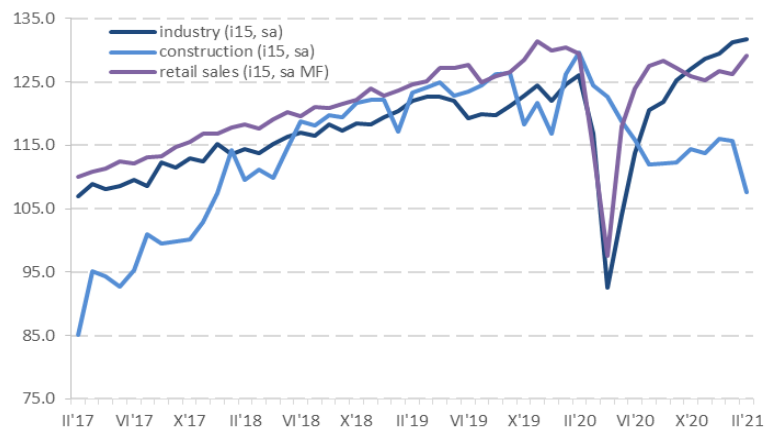
In February 2021 harmonised unemployment rate (sa) remained at 3.1% noted in the previous month which was 0.1 pp higher than a year earlier. It was lower than in the EU-27 on average (7.5%) and in the eurozone (8.3%).



Monthly indicators of the real sector

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

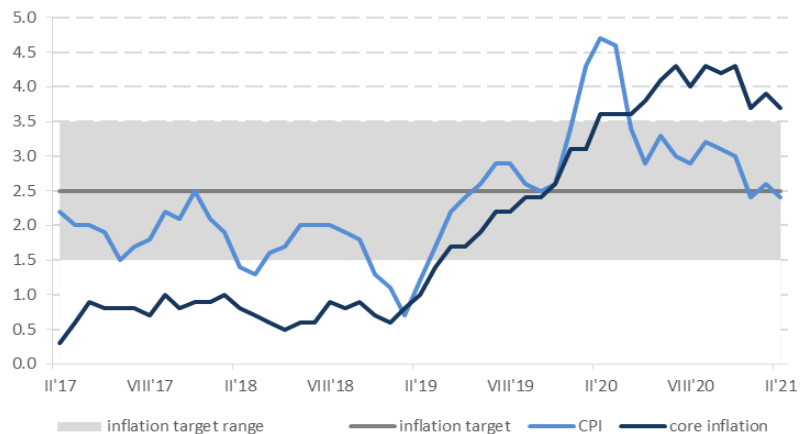
In February 2021 industrial production increased by 0.4% (mom, sa) and was 2.7% (nsa) higher than a year ago, proving once again its high resilience to the current wave of the COVID-19 pandemic. However, data were below market expectations. Construction production decreased unexpectedly by as much as 7% (mom, sa). As a result, its level was 16.9% (nsa) lower than in the previous year. The data were much below market expectations. Retail sales increased following slight drop in the previous month (mom, sa MF). As a result, sales were 3.1% (nsa) lower than a year ago. Data were close to market expectations.



Inflation

percent, yoy
source: GUS, NBP

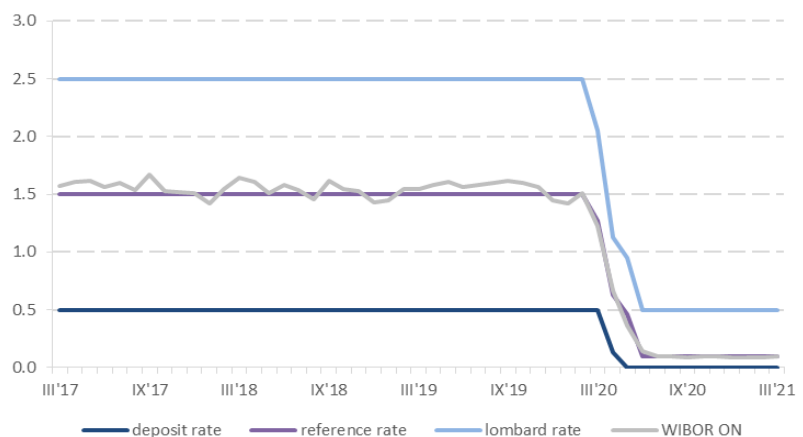
From December 2020 to February 2021 inflation rate was close to the inflation target. In February CPI rate was 2.4% (yoy). Core inflation (CPI excluding food and energy prices) was still high and in February it amounted to 3.7% (yoy) but the rate of growth of food prices was considerably lower (0.6% yoy). In March, according to the preliminary data, inflation rose to 3.2%, mainly due to high fuel prices. Data were higher than market expectations. Because of high commodity prices, producer prices rose considerably in the first two months of 2021. In February they were higher by 2.0% than a year ago.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

NBP's interest rates have remained on hold since end-May 2020. The reference rate is 0.1%, the lombard rate amounts to 0.5% and the deposit rate is 0.0%. Since March 2020 the NBP has purchased government securities and government-guaranteed debt securities on the secondary market. The Monetary Policy Council believes that the NBP's policy mitigates the negative economic impact of the pandemic, supports economic activity and stabilises inflation at the level consistent with the NBP's medium-term inflation target.





II. STATISTICAL DATA

	Unit	2019 Q03	Q04	2020 Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	4.4	3.6	1.9	-8.4	-1.5	-2.8
	QoQ SA	1.2	0.2	-0.3	-9.0	7.9	-0.7
Final consumption expenditure of the households sector	YoY	4.1	3.6	1.2	-10.8	0.4	-3.2
	QoQ SA	1.1	1.0	-2.2	-10.5	13.7	-2.7
Final consumption expenditure of the general government sector	YoY	6.8	4.5	2.6	3.4	3.4	3.4
	QoQ SA	1.2	0.7	0.7	0.9	0.9	0.8
Gross fixed capital formation	YoY	4.3	6.2	0.9	-10.7	-9.0	-10.9
	QoQ SA	0.1	0.6	-2.5	-9.4	4.3	-2.6
Exports of goods and services	YoY	5.5	3.0	2.0	-14.5	2.0	8.0
	QoQ SA	2.2	-0.6	1.3	-16.8	21.5	5.5
Imports of goods and services	YoY	4.3	-0.3	0.4	-18.0	-1.0	7.9
	QoQ SA	0.9	-1.7	1.0	-18.4	24.7	3.5
Gross value added	YoY	4.2	3.5	1.9	-8.1	-1.7	-3.1
	QoQ SA	0.9	0.7	-0.9	-9.2	7.9	0.5
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	2.4	1.8	0.8	-6.2	0.2	-1.6
Final consumption expenditure of the general government sector	pp	1.2	0.9	0.5	0.6	0.6	0.7
Gross fixed capital formation	pp	0.8	1.6	0.1	-1.8	-1.6	-2.7
Changes in inventories	pp	-0.8	-2.3	-0.3	-2.0	-2.3	0.6
Balance of trade turnover	pp	0.8	1.7	0.9	1.1	1.6	0.4
Gross value added	pp	3.7	3.1	1.7	-7.0	-1.5	-2.7
Taxes less subsidies	pp	0.7	0.5	0.2	-1.3	0.1	0.0
GDP structure							
Final consumption expenditure of the households sector	% of GDP	58.3	50.0	61.6	55.6	59.1	49.1
Final consumption expenditure of the general government sector	% of GDP	17.6	19.3	17.7	19.4	18.4	20.3
Gross fixed capital formation	% of GDP	17.5	25.3	12.9	15.9	16.0	22.7
Changes in inventories	% of GDP	1.2	-0.1	1.2	0.3	-1.0	0.3
Exports of goods and services	% of GDP	55.7	51.7	57.3	52.0	56.1	56.7
Imports of goods and services	% of GDP	51.2	46.8	51.6	44.2	49.5	49.8
Balance of payments							
	Unit	2020 M09	M10	M11	M12	2021 M01	M02
Goods: exports (EUR)	YoY	6.6	3.7	10.0	14.6	-3.0	-
Goods: imports (EUR)	YoY	2.1	-4.2	4.1	12.4	-5.4	-
Current account balance ¹⁾	% of GDP	2.9	3.3	3.5	3.6	3.7	-
Balance on goods ¹⁾	% of GDP	1.7	2.1	2.3	2.4	2.5	-
Official Reserve Assets	EUR m	119 127.0	122 588.6	120 499.1	125 621.6	129 831.5	134 764.3
Inflation							
Consumer Price Index (CPI)	YoY	3.2	3.1	3.0	2.4	2.6	2.4
Core inflation (CPI excluding food and energy prices)	YoY	4.3	4.2	4.3	3.7	3.9	3.7
Producer Price Index (PPI)	YoY	-1.4	-0.4	-0.2	0.1	1.0	2.0
Production							
Sold production of industry ²⁾	YoY	5.7	1.0	5.4	11.1	0.7	2.7
	MoM SA	2.7	1.4	1.3	0.6	1.4	0.4
Construction and assembly production ²⁾	YoY	-9.8	-5.8	-4.9	3.4	-10.1	-16.9
	MoM SA	0.2	1.9	-0.6	1.9	-0.2	-7.0
Manufacturing PMI	SA	50.8	50.8	50.8	51.7	51.9	53.4
Households and labour market							
Retail sales ²⁾	YoY	2.5	-2.3	-5.3	-0.8	-6.0	-3.1
Average paid employment in enterprise sector	YoY	-1.2	-1.0	-1.2	-1.0	-2.0	-1.7
	MoM	0.3	0.1	0.0	0.2	-0.2	0.3
Average monthly gross wages and salaries in enterprise sector (real)	YoY	2.4	1.6	1.8	4.1	2.2	2.0
	MoM	0.4	1.5	0.4	8.8	-8.5	0.1
Harmonised unemployment rate (Eurostat)	%, SA	3.3	3.2	3.2	3.2	3.1	3.1
<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	2020 M08	M09	M10	M11	M12	2021 M01
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 091 384.9	1 100 124.9	1 103 567.3	1 090 187.9	1 097 469.4	1 089 602.7
Domestic debt	face value, PLN m	836 212.5	836 792.2	830 032.9	830 741.8	831 444.3	828 635.1
	%	76.6	76.1	75.2	76.2	75.8	76.0
Foreign debt	face value, PLN m	255 172.4	263 332.7	273 534.5	259 446.1	266 025.1	260 967.6
	%	23.4	23.9	24.8	23.8	24.2	24.0
Public debt (domestic definition)							
	Unit	2019 Q03	Q04	2020 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 001 190.9	990 948.4	1 045 474.8	1 097 297.7	1 106 292.0	1 111 272.5
Domestic debt	face value, PLN m	713 568.9	716 183.7	744 617.7	825 498.1	824 082.3	823 282.0
	%	71.3	72.3	71.2	75.2	74.5	74.1
Foreign debt	face value, PLN m	287 622.0	274 764.7	300 857.2	271 799.6	282 209.7	287 990.5
	%	28.7	27.7	28.8	24.8	25.5	25.9
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 055 939.7	1 045 646.3	1 103 695.0	1 256 088.7	1 306 605.0	1 335 568.9

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2021

as of March 31, 2021, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 60% was a result of:

- T-bond sale on domestic market: PLN 34.0bn,
- switch auctions in 2021: PLN 8.0bn,
- switch auctions in 2020: PLN 41.1bn,
- loans from the European Union under the SURE instrument in the amount of PLN 25.8bn,
- higher financial resources at the end of 2020: PLN 62.1bn (the final level will be known following the closure of the budget year).

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

plan as of March 31, 2021

Value of funds transferred from the State budget to the market in April shall amount to PLN 15.7bn, of which:

- TS redemptions: PLN 11.9bn,
- interest payments: PLN 3.8bn.

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

From April to the end of 2021 the funds to be transferred to the domestic market shall amount to PLN 70.0bn (as of March 31, 2021).

* 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 April to the end of 2021 is not presented.

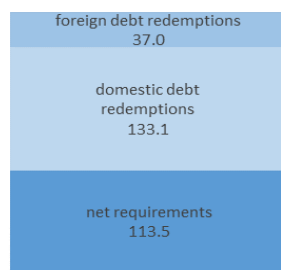
State Treasury debt redemptions in 2021

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

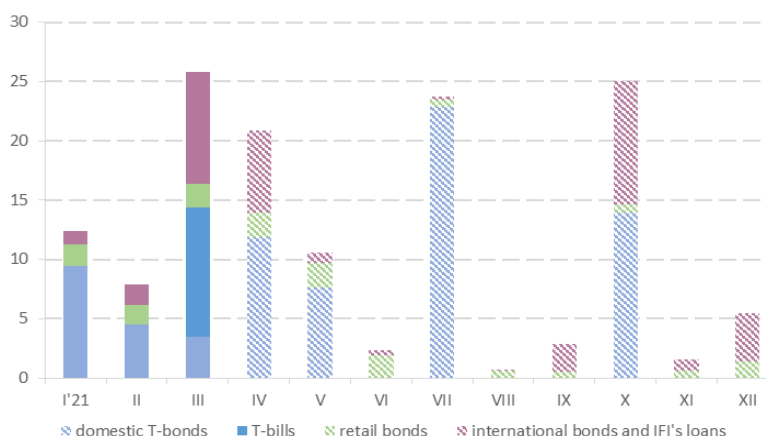
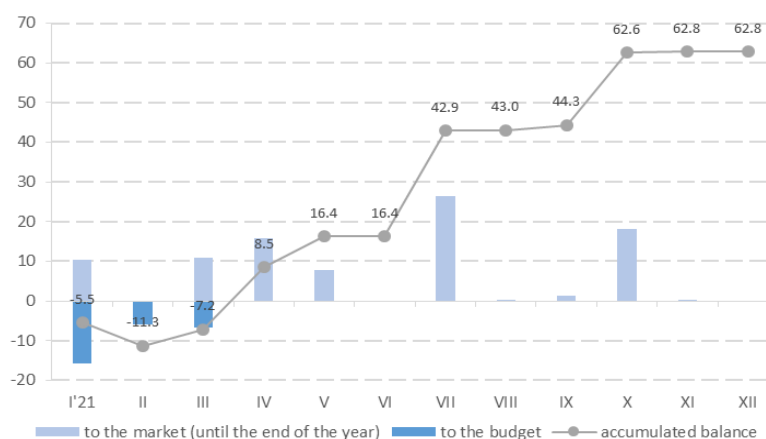
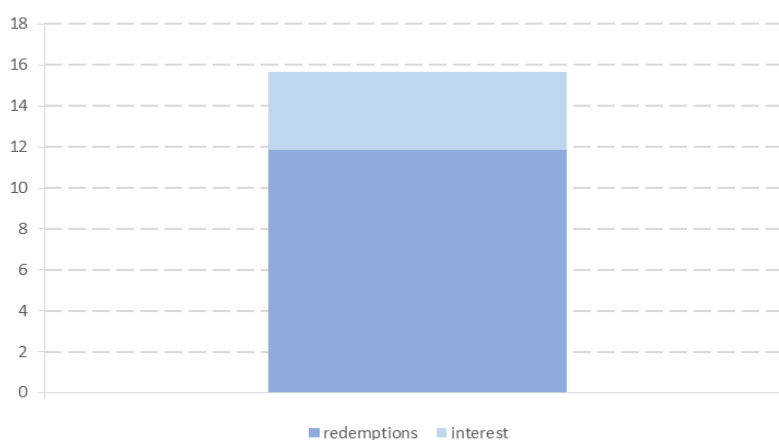
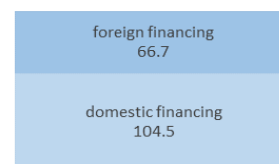
The nominal amount of debt to be redeemed in 2021 (as of March 31, 2021) is equal to PLN 93.0bn, including:

- T-bonds: PLN 56.3bn,
- retail bonds: PLN 9.7bn,
- bonds and loans incurred on foreign markets: PLN 26.2bn.

Gross borrowing requirements
PLN 283.6bn, of which:



Financing of the borrowing requirements





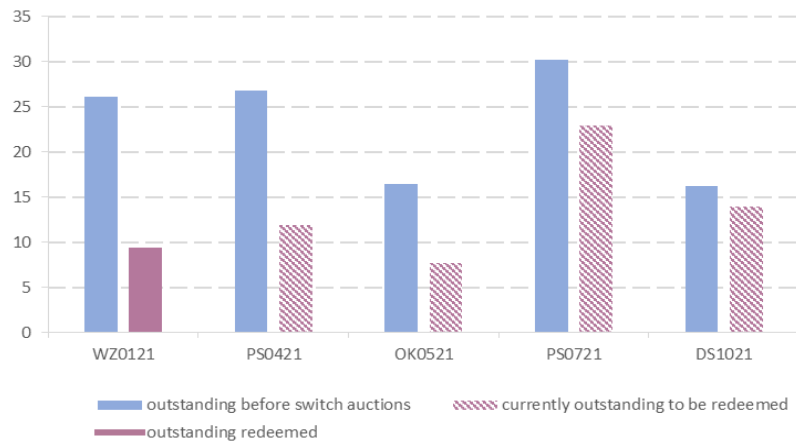
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

as of March 31, 2021, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2021:

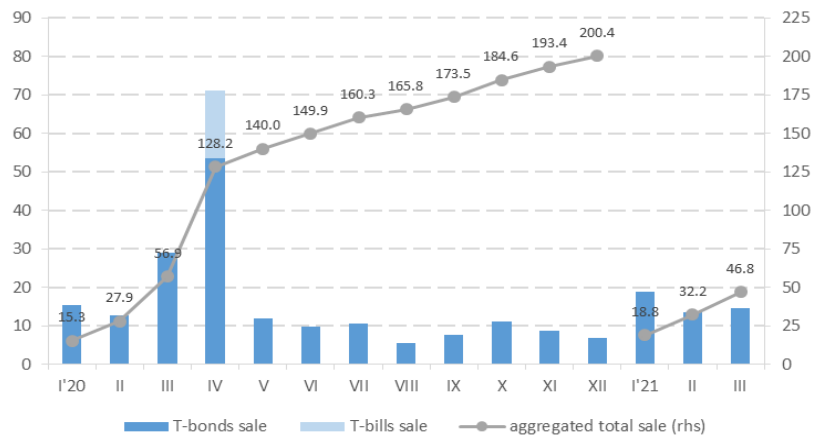
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 14.9bn (56% of the issuance),
- OK0521: PLN 8.8bn (54% of the issuance),
- PS0721: PLN 7.3bn (24% of the issuance),
- DS1021: PLN 2.2bn (14% of the issuance).



Sale of domestic T-bills and T-bonds in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-III 2021 aggregated total sale of T-bonds amounted to PLN 46.8bn versus PLN 56.9bn in the same period of 2020. T-bills were not sold.



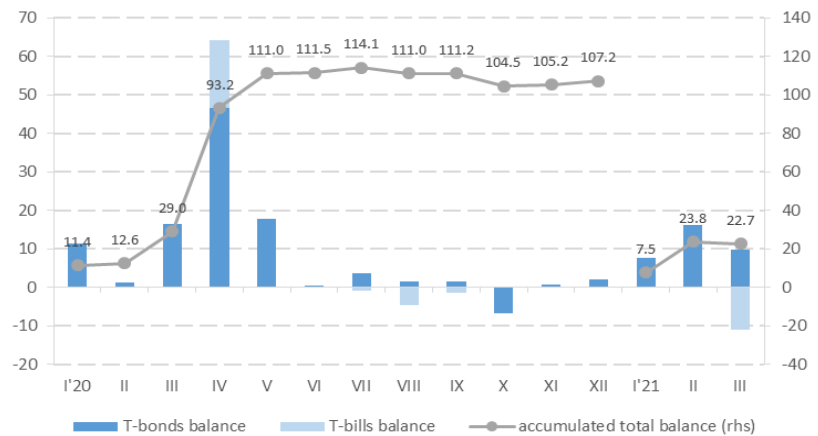
Balance of domestic T-bills and T-bonds in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-III 2021 indebtedness in:

- T-bonds increased by PLN 33.6bn versus an increase of PLN 29.0bn in the same period of 2020,
- T-bills decreased by PLN 10.9bn versus no change in indebtedness in the same period of 2020.

The figures also include the amount of T-bonds issued and transferred by the Minister of Finance, Funds and Regional Policy on the basis of other acts than the Public Finance Act.

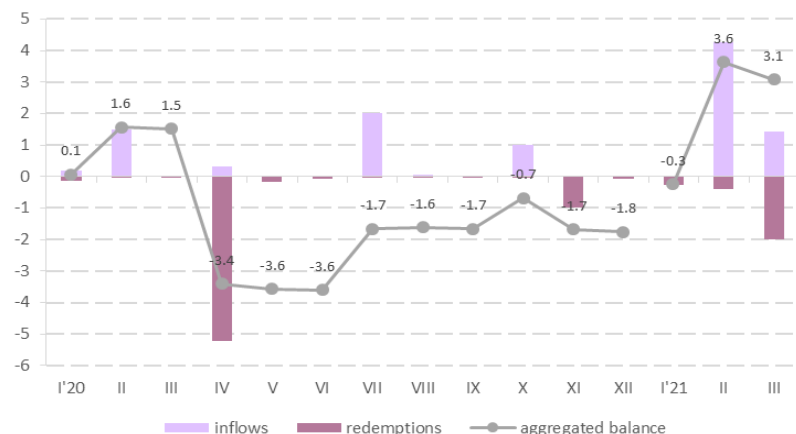


External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-III 2021 was positive and amounted to EUR 3.1bn (positive balance of EUR 1.5bn in the same period of 2020) which resulted from:

- negative balance of T-bonds of EUR 2.5bn (positive balance of EUR 1.7bn in the same period of 2020),
- negative balance of loans incurred from IFIs of EUR 0.1bn (negative balance of EUR 0.2bn in the same period of 2020),
- positive balance of loans incurred from European Union under SURE instrument of EUR 5.7bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

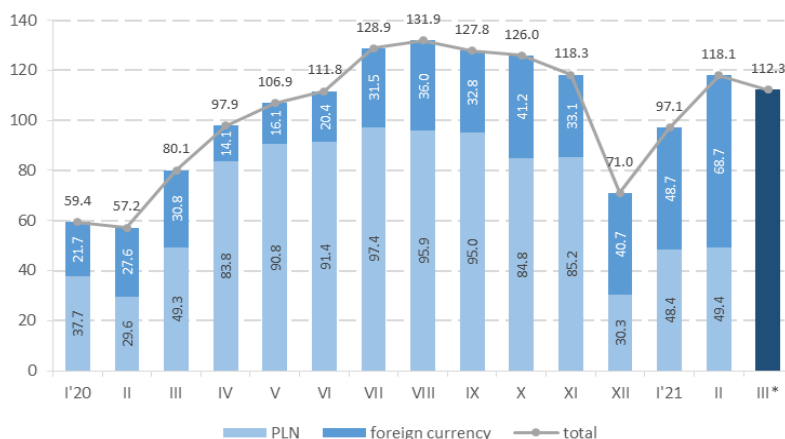


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of March 2021 there was equivalent of PLN 112.3bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

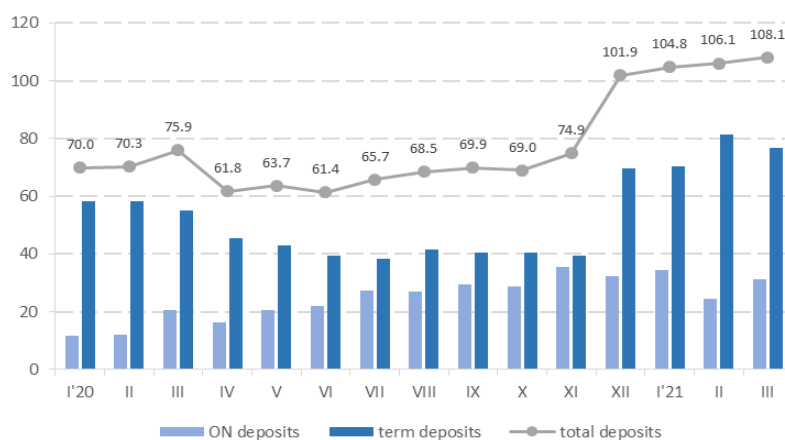
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

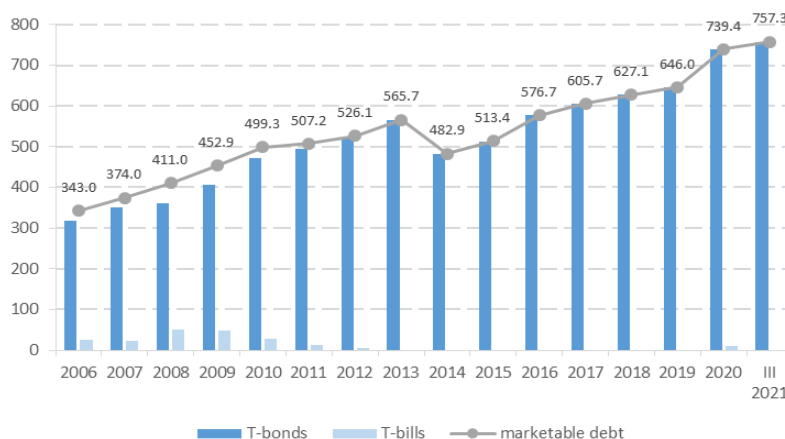
As a result of consolidation of the public finance sector liquidity management there were PLN 108.1bn funds accumulated at the end of March 2021, of which: PLN 76.7bn was on term deposits and PLN 31.4bn on ON deposits.



Structure of domestic marketable debt

PLN bn

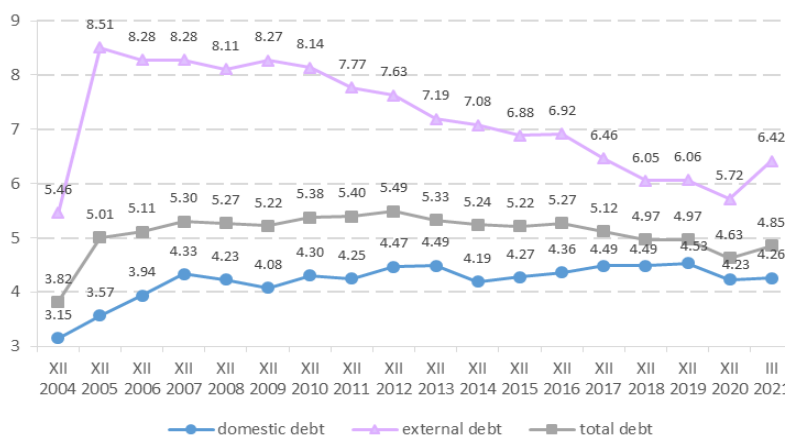
The marketable domestic debt amounted to PLN 757.3bn at the end of March 2021 comparing to PLN 739.4bn at the end of 2020.



Average maturity

years

The average maturity of the domestic debt amounted to 4.26 years at the end of March 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.85 years (4.63 years at the end of 2020).

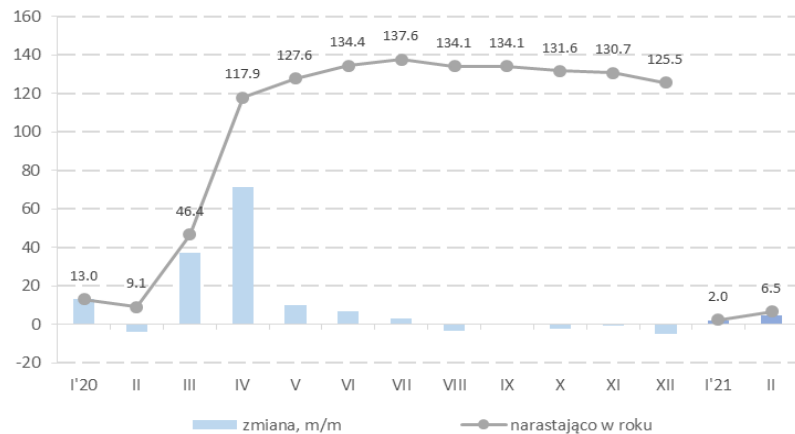




III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

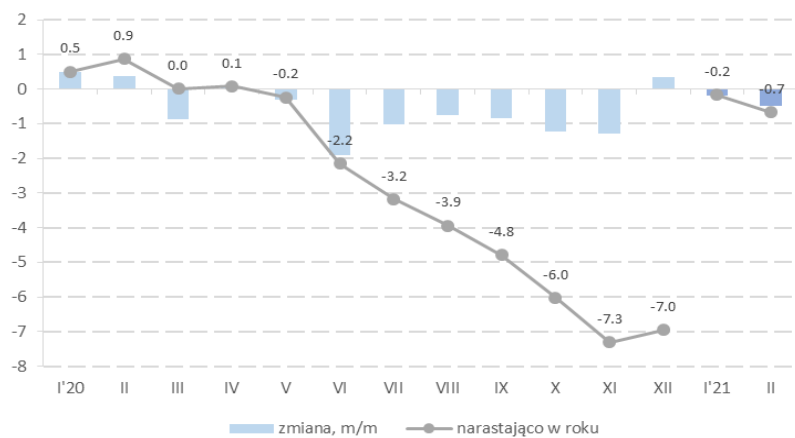
Change of debt in the domestic Treasury securities held by banks PLN bn

In the period of I-II 2021 there was an increase of debt by PLN 6.5bn comparing to PLN 9.1bn increase during the same period of 2020. Banks' holdings reached the level of PLN 436.9bn.



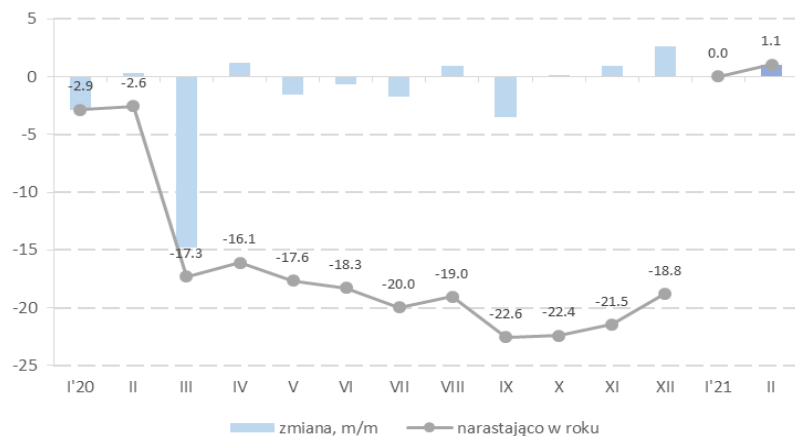
Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In the period of I-II 2021 there was a decrease of debt by PLN 0.7bn comparing to PLN 0.9bn increase during the same period of 2020. Insurance companies' holdings reached the level of PLN 56.7bn.



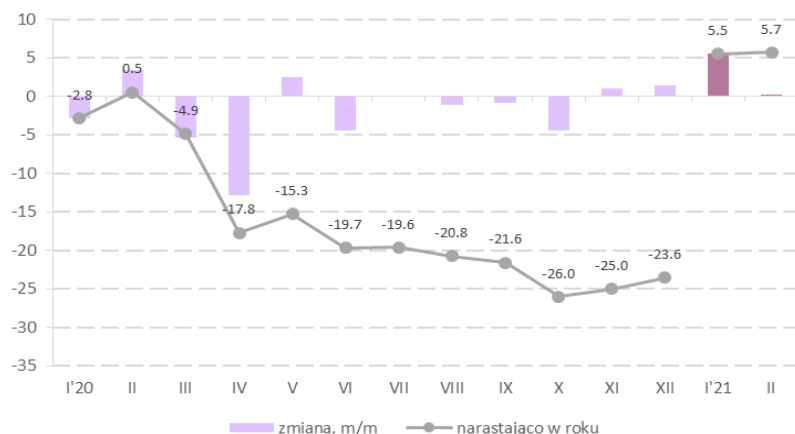
Change of debt in the domestic Treasury securities held by investment funds PLN bn

In the period of I-II 2021 there was an increase of debt by PLN 1.1bn comparing to PLN 2.6bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 49.6bn.



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

In the period of I-II 2021 there was an increase of debt by PLN 5.7bn comparing to PLN 0.5bn increase in the same period of 2020. Foreign investors' holdings reached the level of PLN 139.4bn.



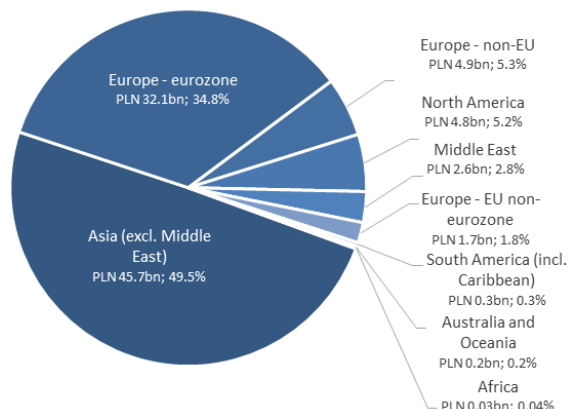
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

as of February 28, 2021, the chart presents data excluding omnibus accounts

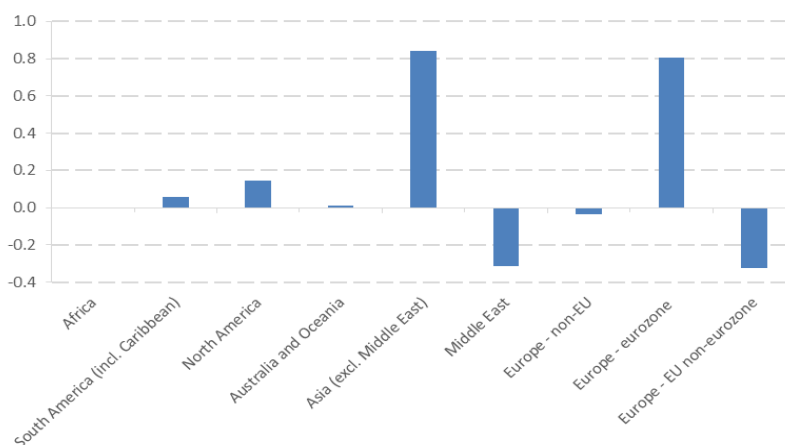
The non-residents' share in the domestic Treasury securities market increased by PLN 0.2bn in February 2021. The foreign investors' portfolio amounted to PLN 139.4bn, which constituted 17.3% share in total debt in Treasury securities (17.7% in the previous month).



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

change in February 2021, mom, PLN bn, the chart presents data excluding omnibus accounts

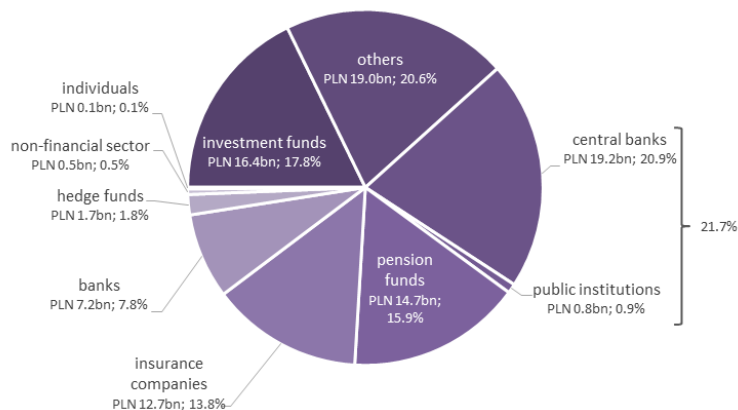
In February 2021 the highest increase was recorded by Asian investors (PLN 0.8bn), while the highest decrease was noted investors from the EU non-eurozone and Middle East (PLN 0.3bn each).



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

as of February 28, 2021, the chart presents data excluding omnibus accounts

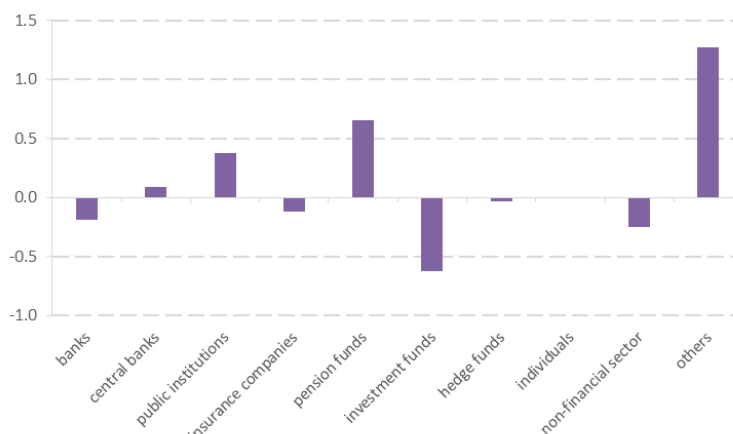
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 21.7% at the end of February 2021.



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

change in February 2021, mom, PLN bn, the chart presents data excluding omnibus accounts

In February 2021 the highest increase was recorded by investors categorized as "others" (PLN 1.3bn), while the highest decrease was noted by investment funds (PLN 0.6bn).



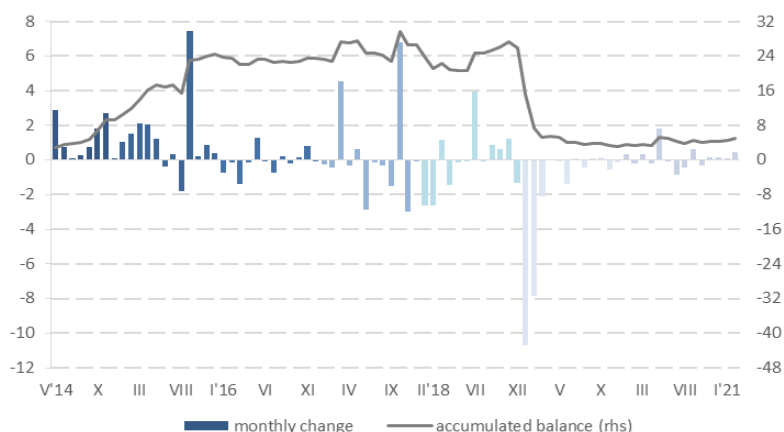


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in February 2021, PLN bn

Central banks and public institutions' involvement increased by PLN 0.5bn in February 2021. In the period from the end of April 2014 to the end of February 2021, for which the detailed information is available, portfolios of those entities increased by PLN 4.9bn.



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

as of February 28, 2021, 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	25 482.9	34.9%
Luxembourg	7 983.3	10.9%
Netherlands	7 105.6	9.7%
Ireland	4 655.9	6.4%
Germany	4 605.2	6.3%
United States	3 928.2	5.4%
France	3 357.5	4.6%
United Kingdom	2 848.4	3.9%
Austria	2 445.8	3.3%
Switzerland	1 492.6	2.0%
United Arab Emirates	1 150.1	1.6%
Denmark	873.5	1.2%
Others	7 092.8	9.7%
Total	73 021.7	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-03-2021

(...) Two Treasury bond sale auctions are planned for April. The supply for the second one includes the outflow of funds to the market due to the redemption of bonds and the interest payments for a total amount of PLN 15.7bn. No T-bill auctions are planned.

The quarterly plan provides flexibility in the selection of bond auctions, out of six planned in total, depending on the budgetary and market situation - from one to three will be switching auctions.

In February indebtedness in domestic Treasury securities increased by PLN 16.2bn. The involvement of domestic banks increased by PLN 4.5bn and involvement of domestic non-banking sector PLN 11.6bn and foreign investors by PLN 0.2bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES FOR Q2 2021



General assumptions

- in the second quarter of 2021 T-bond auctions are planned according to the announced yearly issuance calendar,
- offer of T-bonds on the domestic market will depend on the budget and market situation, as well as consultations with investors,
- possible auctions of Treasury bills will be held within the confines of the State budget liquidity management,
- foreign financing will be determined by the situation on the international financial market and the domestic market, as well as by the budget conditions,
- the announced plan may be modified subject to the market situation.

Offer of T-bonds on domestic market

- **sale auctions:**
between three and five auctions, total supply PLN 20.0-35.0bn, the structure of T-bonds to be offered will be subject to the market situation.
- **switch auctions:**
in April auction is not planned, between one and three auctions in May-June (subject to the budget and market situation) – T-bonds maturing in 2021 and 2022 would be offered to repurchase.

Offer of T-bills

Detailed information on the offer of T-bills will be presented in the monthly issuance plans.

Foreign financing

- possible issuances of bonds on the international market,
- loans from international financial institutions up to EUR 0.1bn,
- possible loans from the EU under the instrument for temporary support to mitigate unemployment risks in the emergency (SURE).



V. SUPPLY PLAN OF TREASURY SECURITIES IN APRIL 2021

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
8 APR 2021	12 APR 2021	OK0423 / PS1026 / WZ1126 / DS1030 / WZ1131	3.000-5.000
23 APR 2021	27 APR 2021	OK0423 / PS1026 / WZ1126 / DS1030 / WZ1131 / possible T-bond either of WS or IZ type	5.000-8.000*

**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.*

T-bond switching auctions

Switching auctions of Treasury bonds are not planned.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0721 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0423 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0424 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0425 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0431 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0427 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0433 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period