

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

August 2022

### THE MOST IMPORTANT INFORMATION

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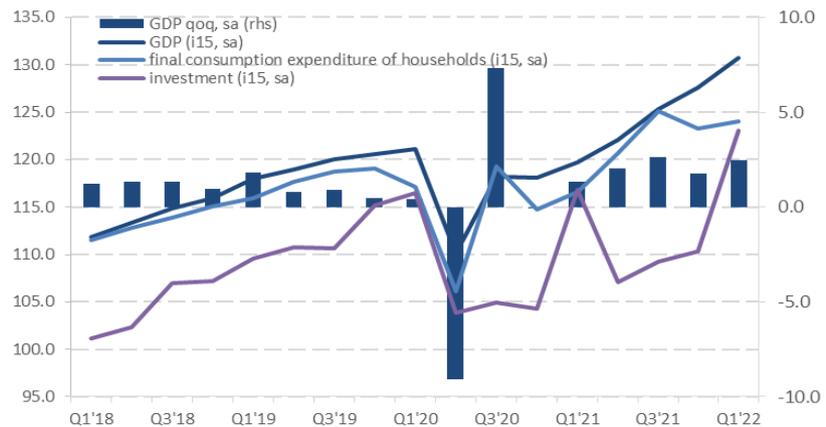


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices, seasonally adjusted data (sa)  
source: GUS, Eurostat

In the first quarter of 2022 the economy posted buoyant growth despite the fifth wave of the pandemic and the outbreak of the war in Ukraine. The rate of GDP growth accelerated to 2.5%, following strong increases in the three previous quarters (qoq, sa). Households consumption and investment increased by 0.6% and 11.5% (qoq, sa) respectively. However, economic prospects for the subsequent quarters have noticeably deteriorated due to effects of Russian aggression against Ukraine. The potential scale of the slowdown is a subject to high uncertainty and depends mainly on further conflict developments.



### Contributions to Polish GDP growth

average prices of the previous year (py), yoy  
source: GUS, MoF own calculation

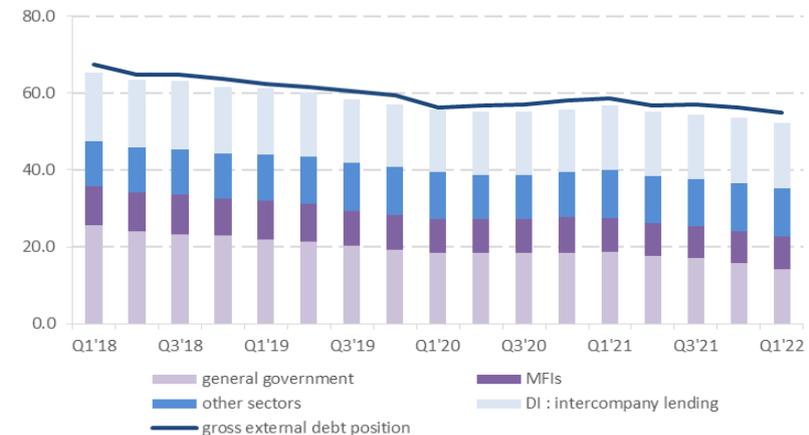
In the first quarter of 2022 GDP was 8.5% (py) higher than a year earlier. Investment went up by 4.3%, while households consumption increased by 6.6% (yoy). Due to the significantly higher annual dynamics of imports than exports, net exports had a negative contribution to growth (3.8 pp). On the other hand, disruptions in global supply chains, problems with international transport, rising prices of raw materials and commodities, as well as high uncertainty as to future developments were reflected in the record-high increase in inventories and a significant positive contribution of this category to GDP growth (as much as 7.7 pp).



### Polish gross external debt position

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

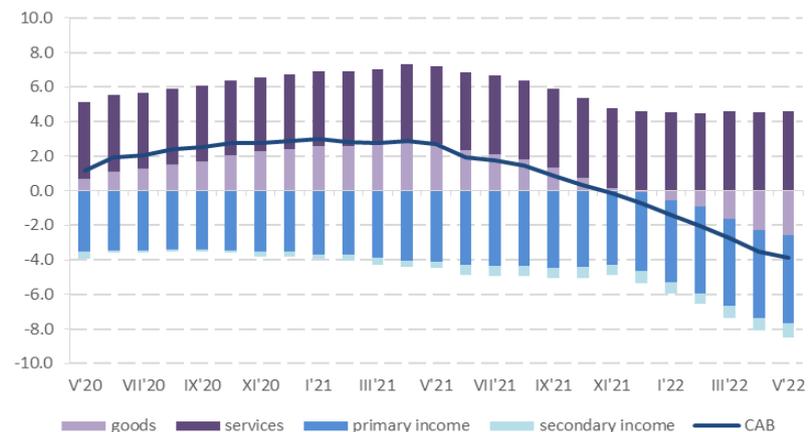
At the end of the first quarter of 2022 gross external debt reached EUR 325.5bn (54.9% of GDP) and was EUR 3.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 26.0%. At the end of May 2022 official reserve assets reached EUR 145.7bn and remained 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 May 2022, according to preliminary data, current account deficit increased to 3.9% of GDP (in 12-month terms). Due to stronger imports than exports dynamics balance on goods decreased further to -2.5% of GDP, but in May itself monthly deficit was significantly lower than in April and March. This improvement was due to the suspension of gas supplies from Russia, the decrease in prices of imported oil and the strong growth in exports to Ukraine (among others fuel and used passenger cars). C/A deficit was fully covered by long term capital i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on capital account.



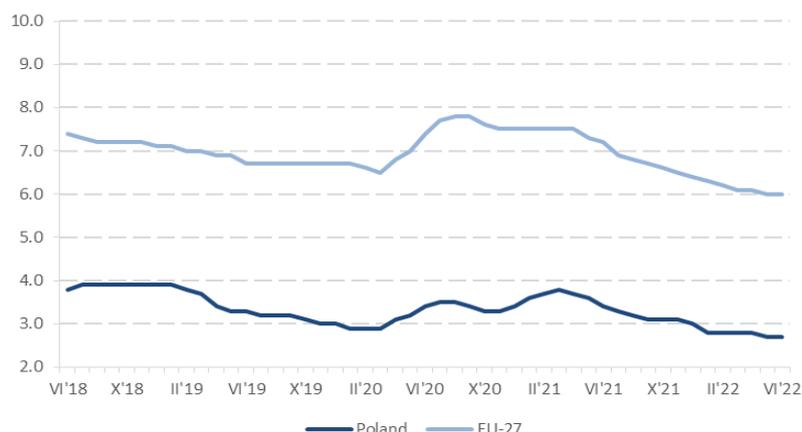
## I. MACROECONOMIC SITUATION



### Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

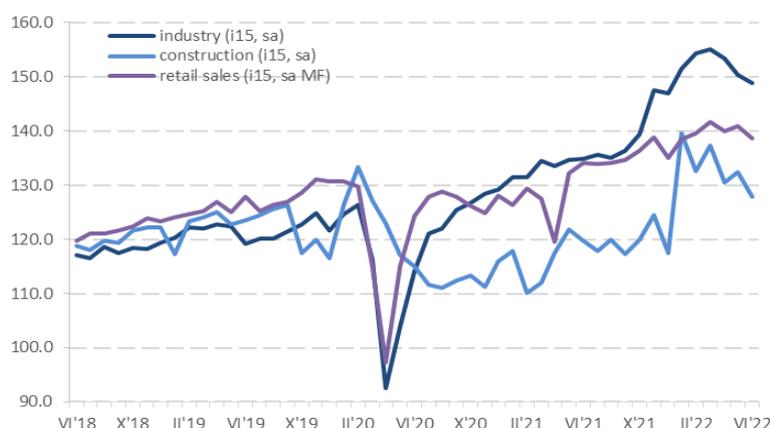
The harmonized unemployment rate (sa) amounted to 2.7% in June 2022 and it was at the same level as in previous month and by 0.7 pp lower than a year earlier. Thus it remained at historically low level. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the euro area (6.0% and 6.6%, respectively). Among the EU countries, only in the Czech Republic it was lower than in Poland.



### Monthly indicators of the real sector

sold production in constant prices,  
non-seasonally adjusted (nsa)  
source: Eurostat, GUS, MoF own calculation

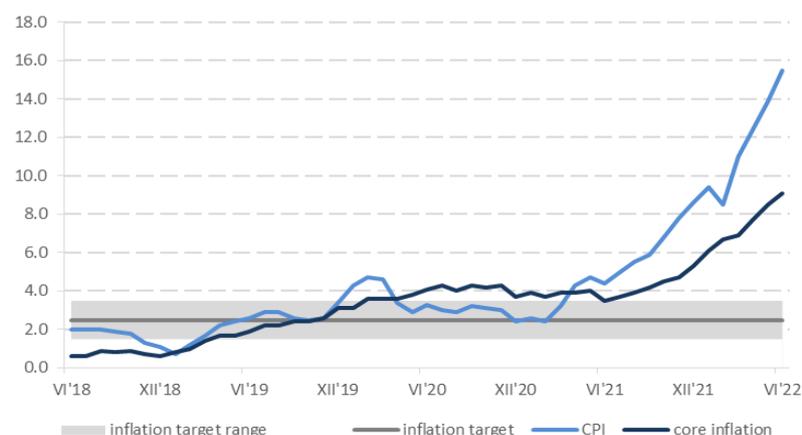
In June 2022 industrial production decreased by 0.9% (mom, sa) and was 10.4% higher than a year ago (nsa). Data were slightly below market expectations. Construction production decreased by 3.5% (mom, sa) following 1.4% growth in the previous month. As a result its level was 5.9% (nsa) higher than a year ago. Data were below expectations. Retail sales decreased after a mild growth in the previous month (mom, sa MF). The sales level was 3.2% (nsa) higher than in the previous year. Data were worse than market expectations.



### Inflation

percent, yoy  
source: GUS, NBP

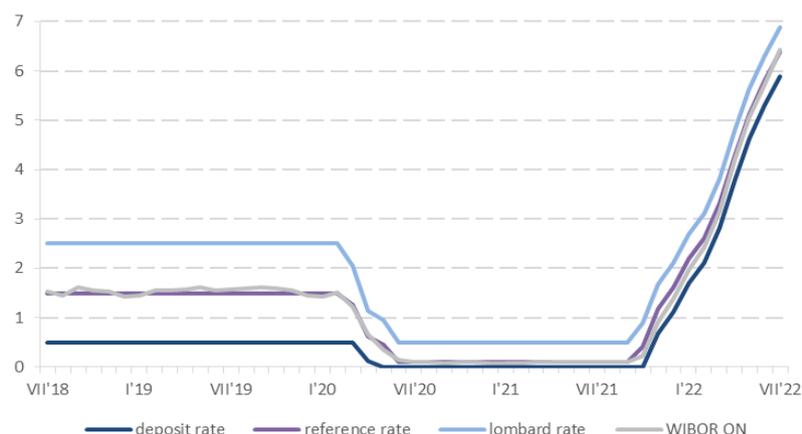
In June 2022 inflation rate increased to 15.5% yoy. High CPI increases in last months were primarily caused by high increase of energy and food commodities prices on international markets. Annual rate of energy prices achieved 39.0% and food prices 14.2%. However, core inflation (CPI excluding food and energy prices) increased less to 9.1%. According to preliminary data, in July inflation rate stabilised at 15.5%. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In June they were higher than a year before by 25.6%.



### NBP interest rates

percent, end of period  
source: NBP, Refinitiv

In July 2022, the Monetary Policy Council raised the NBP's interest rates by 0.50 pp. After tenth hike in a row reference rate rose to 6.5%, lombard rate reached 7.0%, while the deposit rate increased to 6.0%. In October 2021 - July 2022 the reference rate rose by 6.4 pp in total. The Council decided to hike interest rates again in order to reduce risk of inflation running above the NBP inflation target in the monetary policy transmission horizon.





## II. STATISTICAL DATA

	Unit	2020 Q04	2021 Q01	Q02	Q03	Q04	2022 Q01
<b>GDP</b>							
Gross domestic product	YoY	-2.1	-0.6	11.3	5.5	7.6	8.5
	QoQ SA	0.0	1.4	2.0	2.6	1.8	2.5
Final consumption expenditure of the households sector	YoY	-3.1	-0.2	13.0	4.7	8.0	6.6
	QoQ SA	-3.8	1.6	3.5	3.6	-1.4	0.6
Final consumption expenditure of the general government sector	YoY	7.8	2.4	4.2	2.8	4.0	0.6
	QoQ SA	1.5	0.4	0.9	0.6	0.8	0.3
Gross fixed capital formation	YoY	-11.4	-1.3	3.0	6.6	5.2	4.3
	QoQ SA	-0.6	11.9	-8.3	2.0	1.1	11.5
Exports of goods and services	YoY	7.8	7.4	29.8	7.3	6.1	2.0
	QoQ SA	4.3	1.8	0.8	0.4	3.5	-2.1
Imports of goods and services	YoY	8.5	8.6	33.8	12.5	12.2	8.8
	QoQ SA	4.0	3.1	2.2	2.3	3.6	0.1
Gross value added	YoY	-2.4	-0.9	10.4	5.4	7.5	8.3
	QoQ SA	0.0	1.7	1.5	1.9	1.9	1.8
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	-1.6	-0.2	7.2	2.8	3.9	3.9
Final consumption expenditure of the general government sector	pp	1.6	0.4	0.8	0.5	0.8	0.1
Gross fixed capital formation	pp	-2.9	-0.2	0.5	1.1	1.1	0.6
Changes in inventories	pp	0.7	-0.5	2.4	3.2	4.3	7.7
Balance of trade turnover	pp	0.1	-0.1	0.4	-2.1	-2.5	-3.8
Gross value added	pp	-2.1	-0.9	9.2	4.7	6.6	7.3
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	48.8	59.9	56.5	57.8	49.7	60.0
Final consumption expenditure of the general government sector	% of GDP	20.8	17.8	18.3	17.8	20.3	16.9
Gross fixed capital formation	% of GDP	21.9	12.9	14.9	16.4	20.9	12.4
Changes in inventories	% of GDP	0.4	1.5	2.8	3.9	6.2	9.6
Exports of goods and services	% of GDP	57.0	62.4	62.7	59.9	58.6	63.4
Imports of goods and services	% of GDP	49.8	55.4	56.1	56.7	56.5	63.2
<b>Balance of payments</b>							
	Unit	2022 M01	M02	M03	M04	M05	M06
Goods: exports (EUR)	YoY	19.9	11.2	18.7	7.9	26.4	-
Goods: imports (EUR)	YoY	35.0	22.1	38.2	24.5	35.8	-
Current account balance <sup>1)</sup>	% of GDP	-1.4	-2.1	-2.8	-3.5	-3.9	-
Balance on goods <sup>1)</sup>	% of GDP	-0.5	-0.9	-1.6	-2.3	-2.5	-
Official Reserve Assets	EUR m	144 309.5	143 730.1	142 027.4	143 952.0	145 703.5	147 712.0
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	9.4	8.5	11.0	12.4	13.9	15.5
Core inflation (CPI excluding food and energy prices)	YoY	6.1	6.7	6.9	7.7	8.5	9.1
Producer Price Index (PPI)	YoY	16.1	16.1	21.9	24.1	24.7	25.6
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	18.0	17.3	15.4	12.4	14.9	10.4
	MoM SA	3.1	1.9	0.5	-1.2	-2.0	-0.9
Construction and assembly production <sup>2)</sup>	YoY	20.8	21.2	27.6	9.0	13.0	5.9
	MoM SA	18.9	-5.0	3.6	-4.9	1.4	-3.5
Manufacturing PMI	SA	54.5	54.7	52.7	52.4	48.5	44.4
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	10.6	8.1	9.6	19.0	8.2	3.2
Average paid employment in enterprise sector	YoY	2.3	2.2	2.4	2.8	2.4	2.2
	MoM	1.5	0.2	0.2	0.2	-0.1	0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	0.1	2.9	1.3	1.6	-0.3	-2.2
	MoM	-10.4	2.9	3.7	-2.5	-5.0	0.9
Harmonised unemployment rate (Eurostat)	%, SA	2.8	2.8	2.8	2.8	2.7	2.7
<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	2021 M12	2022 M01	M02	M03	M04	M05
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 138 034.2	1 137 132.5	1 144 855.6	1 148 171.3	1 153 767.6	1 168 355.0
Domestic debt	face value, PLN m	872 681.7	879 247.5	884 271.4	895 722.3	899 905.8	910 660.4
	%	76.7	77.3	77.2	78.0	78.0	77.9
Foreign debt	face value, PLN m	265 352.4	257 884.9	260 584.2	252 448.9	253 861.8	257 694.6
	%	23.3	22.7	22.8	22.0	22.0	22.1
<b>Public debt (domestic definition)</b>							
	Unit	2020 Q04	2021 Q01	Q02	Q03	Q04	2022 Q01
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 111 806.3	1 152 282.2	1 152 289.1	1 160 738.2	1 148 577.0	1 137 102.2
Domestic debt	face value, PLN m	823 542.1	845 843.4	855 430.0	858 651.6	859 052.7	860 629.1
	%	74.1	73.4	74.2	74.0	74.8	75.7
Foreign debt	face value, PLN m	288 264.2	306 438.9	296 859.0	302 086.6	289 524.2	276 473.1
	%	25.9	26.6	25.8	26.0	25.2	24.3
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 336 557.6	1 389 977.4	1 402 163.1	1 418 823.4	1 410 497.6	1 415 777.6

Source: MoF

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Gross borrowing requirements in 2022

as of July 31, 2022, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 95% (acc. to the Budgeet Act) was a result of:

- T-bond sale on domestic market: PLN 68.9bn,
- switch auctions in 2022: PLN 17.6bn,
- T-bond sale on foreign markets: PLN 9.2bn,
- loans incurred from IFIs: PLN 5.9bn,
- loans from the European Union under the SURE instrument in the amount of PLN 7.0bn,
- switch auctions in 2021: PLN 24.1bn,
- higher financial resources at the end of 2021: PLN 78.0bn.

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

plan as of July 31, 2022

Value of funds transferred from the State budget to the market in August shall amount to PLN 0.16bn (interest payments).

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

as at the end of month, PLN bn

From August to the end of 2022 the funds to be transferred to the domestic market shall amount to PLN 48.2bn (as of July 31, 2022).

\* 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 period of August to the end of 2022 is not presented.

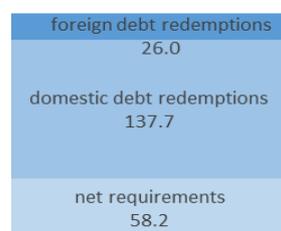
#### State Treasury debt redemptions in 2022

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

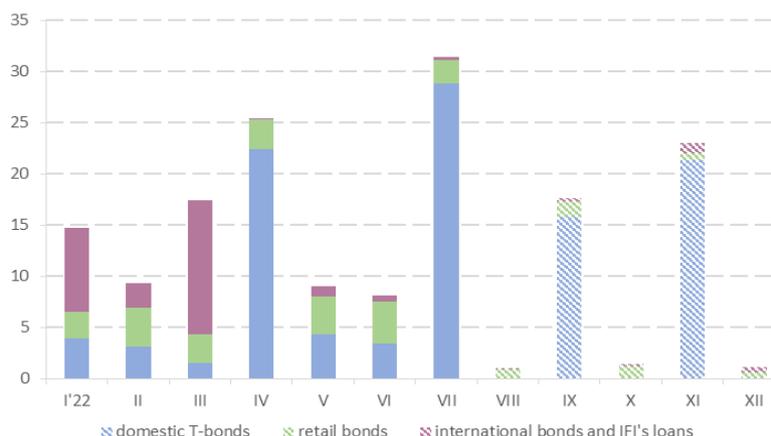
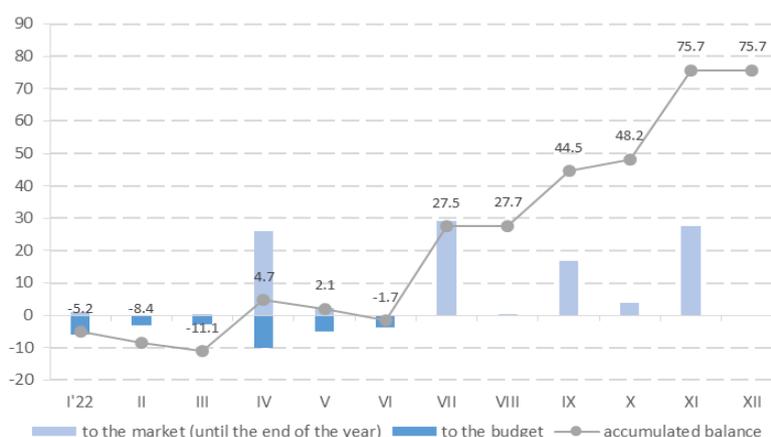
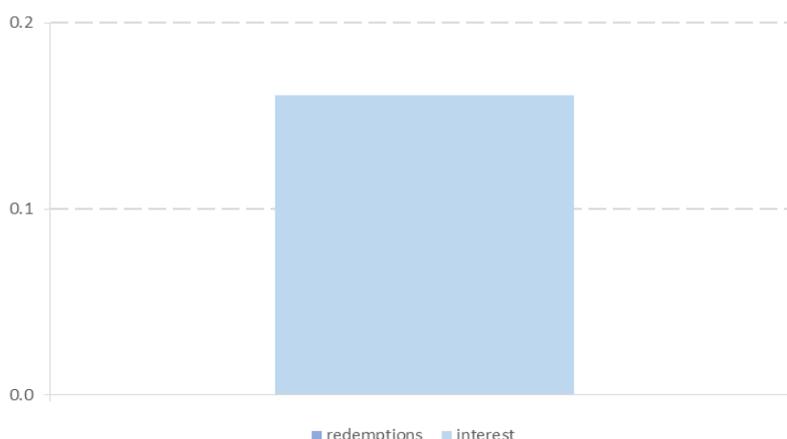
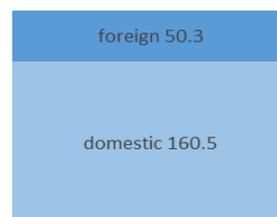
The nominal amount of debt to be redeemed in 2022 (as of July 31, 2022) is equal to PLN 44.0bn, including:

- T-bonds: PLN 37.2bn,
- retail bonds: PLN 4.8bn,
- bonds and loans incurred on foreign markets: PLN 2.0bn.

Gross borrowing requirements  
Total: PLN 222.0 bn, of which:



Financing of the borrowing requirements at the level of ca. 95%





### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Reducing refinancing risk connected with redemptions of domestic TS maturing in 2022 and 2023

as of July 31, 2022, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2022 and 2023:

- PS0422: PLN 17.1bn (43% of the issuance),
- OK0722: PLN 8.2bn (26% of the issuance),
- WS0922: PLN 6.7bn (30% of the issuance),
- WZ1122: PLN 8.6bn (29% of the issuance),
- PS0123: PLN 1.7bn (5% of the issuance),
- OK0423: PLN 0.3bn (1,3% of the issuance).



#### Sale of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-VII 2022 aggregated total sale of T-bonds amounted to PLN 106.0bn versus PLN 107.0bn in the same period of 2021.

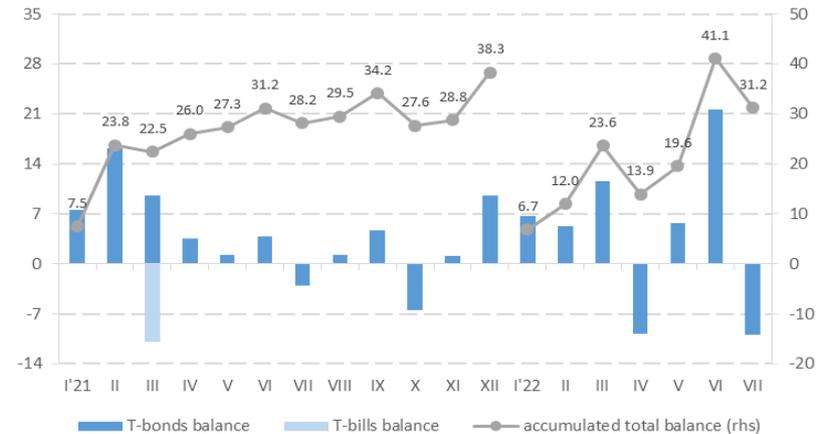


#### Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-VII 2022 indebtedness in T-bonds increased by PLN 31.2bn versus an increase of PLN 39.1bn in the same period of 2021. T-bills remained the same versus decrease of PLN 10.9bn in the same period of 2021.

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

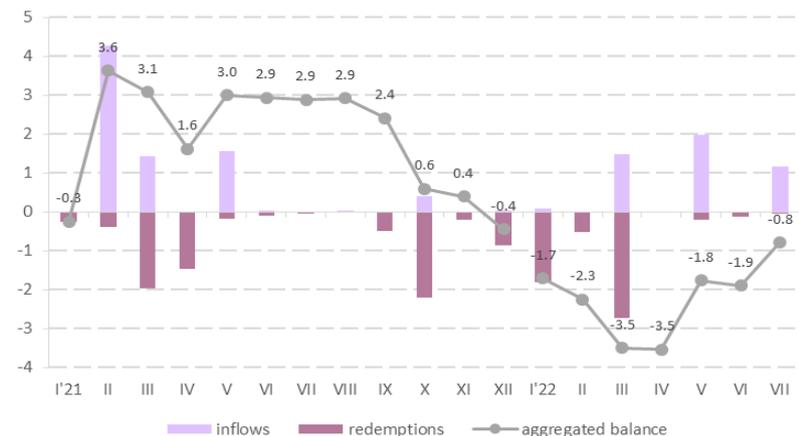


#### External financing in 2021 and 2022

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

Net financing on foreign markets in the period of I-VII 2022 was negative and amounted to EUR 0.8bn, which resulted from:

- negative balance of T-bonds of EUR 2.7bn,
- positive balance of loans incurred from IFIs of EUR 0.5bn,
- positive balance of SURE instrument of EUR 1.5bn.



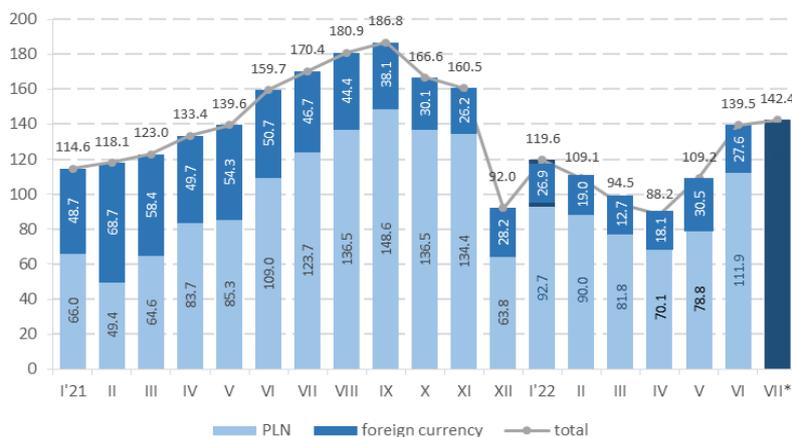
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### 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 July 2022 there was equivalent of PLN 142.4bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

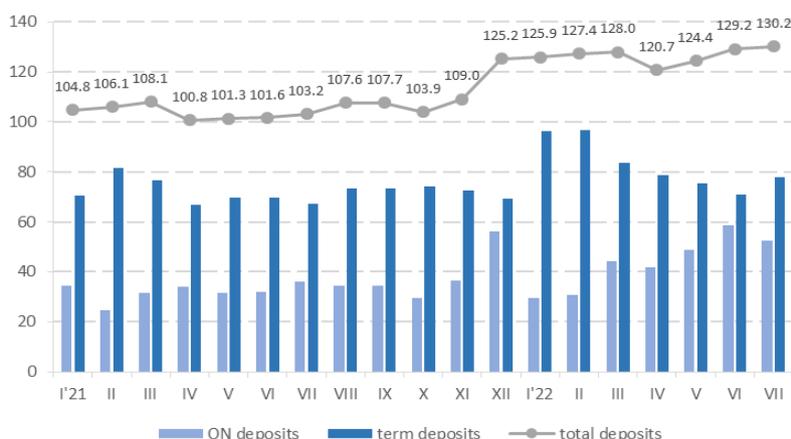


\* Estimated data.

#### Consolidation of public finance sector liquidity management

PLN bn

As a result of consolidation of the public finance sector liquidity management there were PLN 130.2bn funds accumulated at the end of July 2022, of which: PLN 77.8bn was on term deposits and PLN 52.4bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

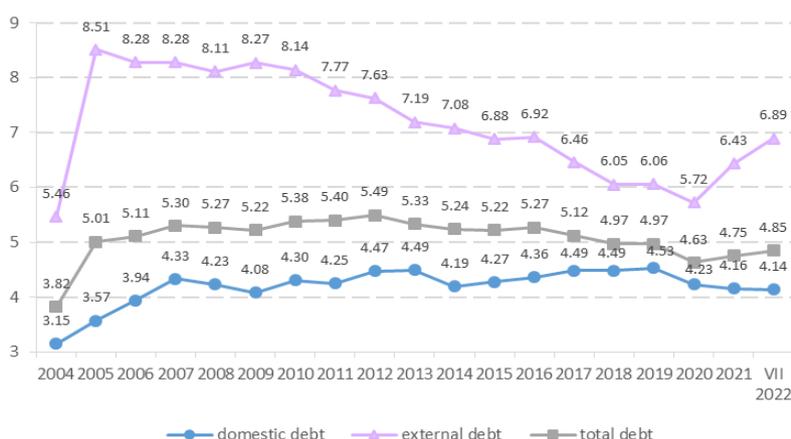
The marketable domestic debt after consolidation within the State Treasury amounted to PLN 772.5bn at the end of July 2022, comparing to PLN 756.8bn at the end of 2021.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.14 years at the end of July 2022 (4.16 years at the end of 2021). The average of the total debt amounted to 4.85 years (4.75 years at the end of 2021).



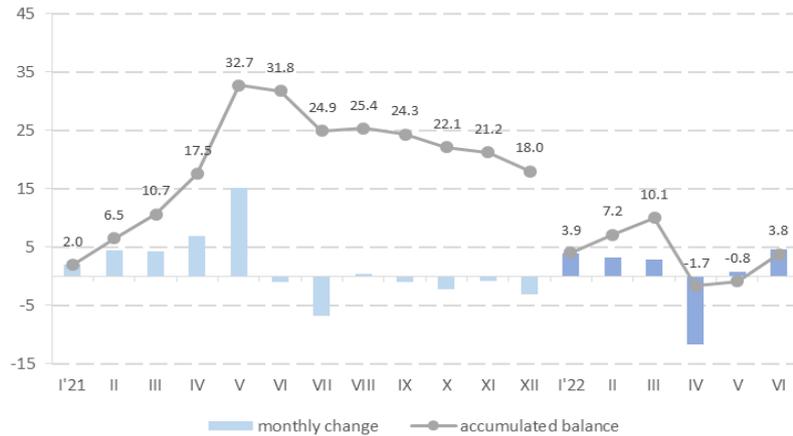


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Change of debt in the domestic TS held by banks

PLN bn

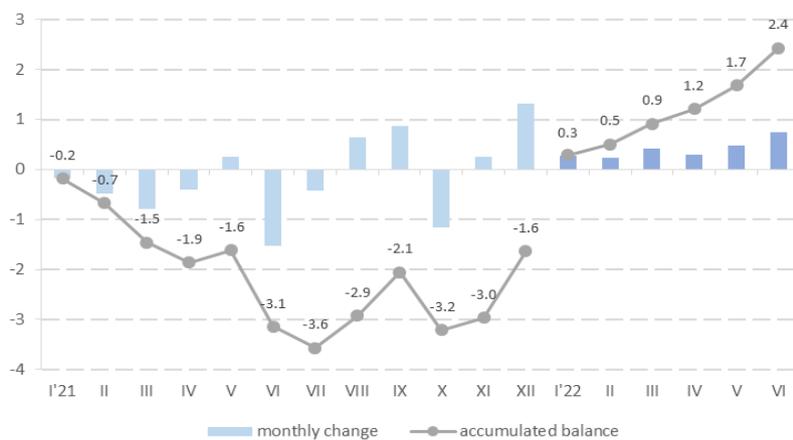
In I-VI 2022 there was an increase of debt by PLN 3.8bn comparing to PLN 31.8bn increase during the same period of 2021. Banks' holdings reached the level of PLN 452.3bn.



#### Change of debt in the domestic TS held by insurance companies

PLN bn

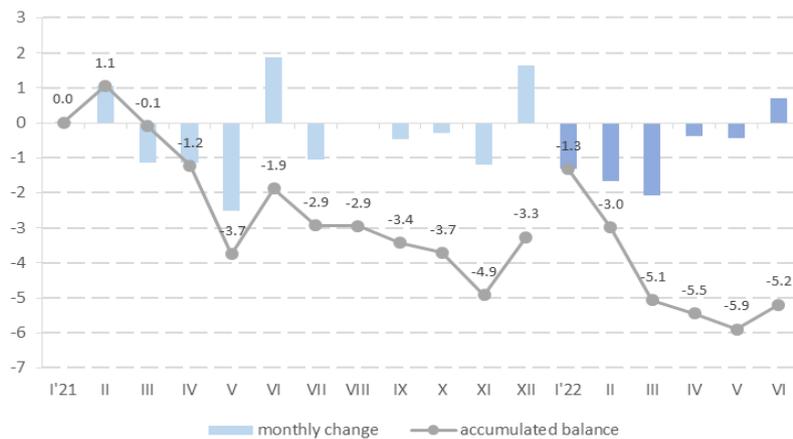
In I-VI 2022 there was an increase of debt by PLN 2.4bn comparing to PLN 3.1bn decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 58.1bn.



#### Change of debt in the domestic TS held by investment funds

PLN bn

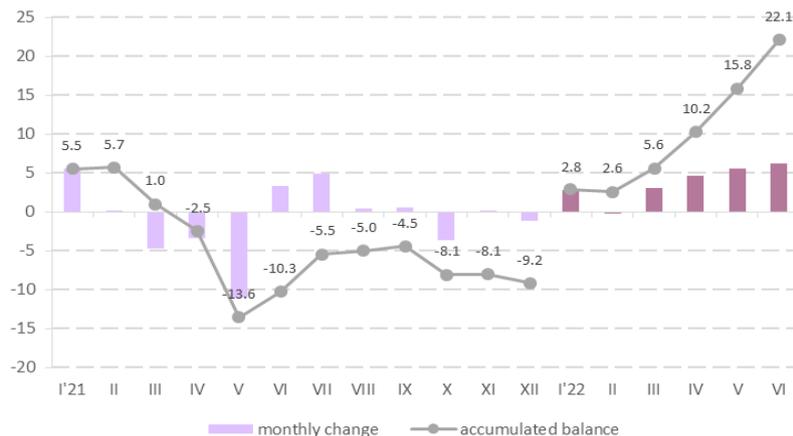
In I-VI 2022 there was a decrease of debt by PLN 5.2bn comparing to PLN 1.9bn decrease in the same period of 2021. Investment funds' holdings reached the level of PLN 40.1bn.



#### Change of debt in the domestic TS held by foreign investors

PLN bn

In I-VI 2022 there was an increase of debt by PLN 22.1bn comparing to PLN 10.3bn decrease in the same period of 2021. Foreign investors' holdings reached the level of PLN 146.6bn.

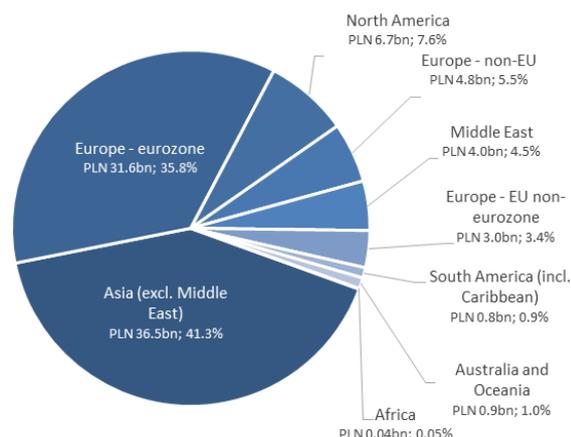


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



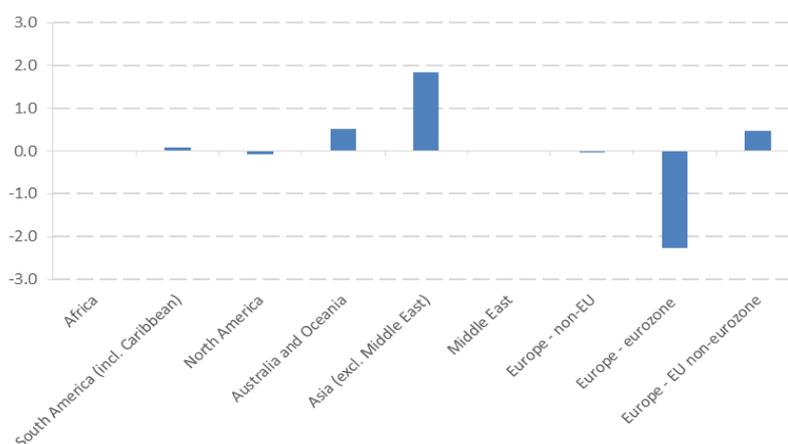
#### Geographical distribution of the domestic TS held by non-residents as of June 30, 2022, the chart presents data excluding omnibus accounts

The non-residents' share in the domestic Treasury securities market increased by PLN 6.2bn in June 2022. The foreign investors' portfolio amounted to PLN 146.6bn, which constituted 17.0% share in total debt in TS (16.7% in the previous month).



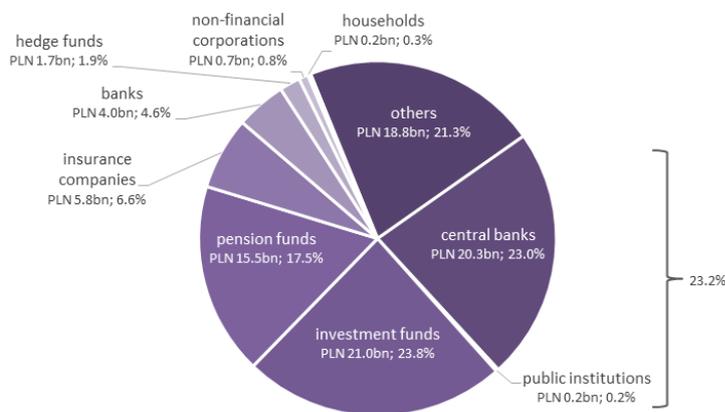
#### Change of debt in the domestic TS held by non-residents by regions change in June 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

In June 2022 the highest increase was recorded by Asian investors (excl. Middle East) (PLN 1.8bn), while the highest decrease was noted by eurozone investors (PLN 2.3bn).



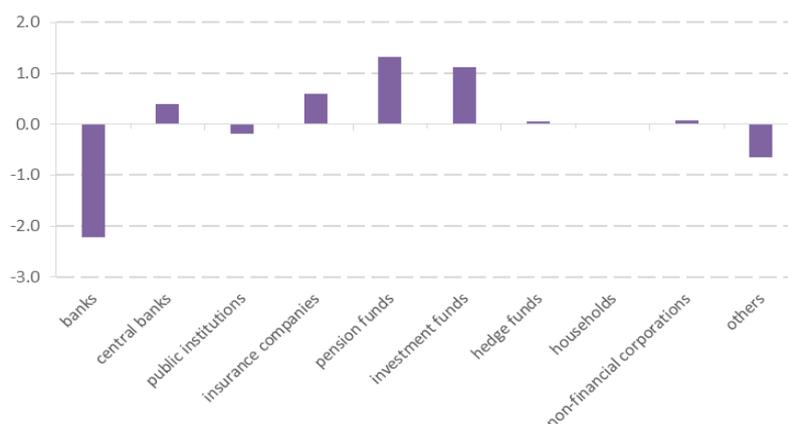
#### Institutional distribution of the domestic TS held by non-residents as of June 30, 2022, the chart presents data excluding omnibus accounts

Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 23.2% at the end June 2022.



#### Change of debt in the domestic TS held by non-residents by institutions change in June 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

In June 2022 the highest increase was recorded by pension funds (PLN 1.3bn), while the highest decrease was noted by banks (PLN 2.2bn).



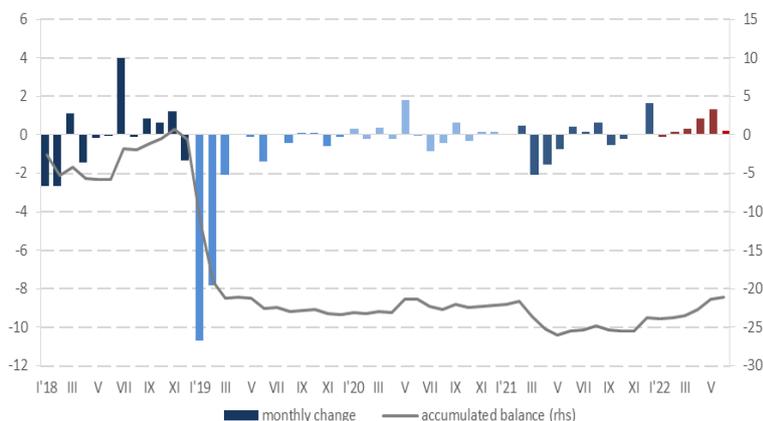


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in June 2022, PLN bn

Central banks and public institutions' involvement increased by PLN 0.2bn in June 2022. In the period from the end of January 2018 to the end of June 2022 portfolios of those entities decreased by PLN 21.1bn.



#### Structure of non-residents' holdings in TS by countries

as of June 30, 2022, 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	17 336.0	25.5%
Luxembourg	10 911.3	16.0%
Netherlands	7 270.4	10.7%
United States	6 136.2	9.0%
Ireland	5 882.8	8.6%
Germany	4 606.8	6.8%
United Kingdom	3 011.7	4.4%
Switzerland	1 639.8	2.4%
Denmark	1 564.7	2.3%
France	1 426.8	2.1%
United Arab Emirates	1 174.4	1.7%
Australia	802.7	1.2%
Cayman Islands (the)	778.3	1.1%
Austria	763.8	1.1%
Others	4 727.5	6.9%
<b>Total</b>	<b>68 033.2</b>	<b>100.0%</b>

#### Comment

#### Sebastian Skuza, Secretary of State, MoF

31-07-2022

(...)

In August one switching auction is planned. No T-bill auctions are planned.

In June 2022 indebtedness in domestic Treasury securities increased by PLN 21.6bn. The involvement of domestic banks increased by PLN 4.6bn, involvement of domestic non-banking investors increased by PLN 10.7bn, including PLN 10.9bn of households, while the involvement of foreign investors increased by PLN 6.2bn.

## IV. SUPPLY PLAN OF TREASURY SECURITIES IN AUGUST 2022



### T-bond sale auctions

Sale auctions of Treasury bonds are not planned.

### T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
11 AUGUST 2022 / 16 AUGUST 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432 / possible other T-bond	WS0922	15,815
		WZ1122	21,351
		PS0123	30,973
		OK0423	21,560

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS1122 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0823 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.50% in the first coupon period
DOR0824 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.25%); 6.75% in the first coupon period
TOZ0825 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.50%
COI0826 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 6.50% in the first coupon period
EDO0832 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 6.75% in the first coupon period
ROS0828 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 6.70% in the first coupon period
ROD0834 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.00% in the first coupon period