

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

December 2021

### THE MOST IMPORTANT INFORMATION

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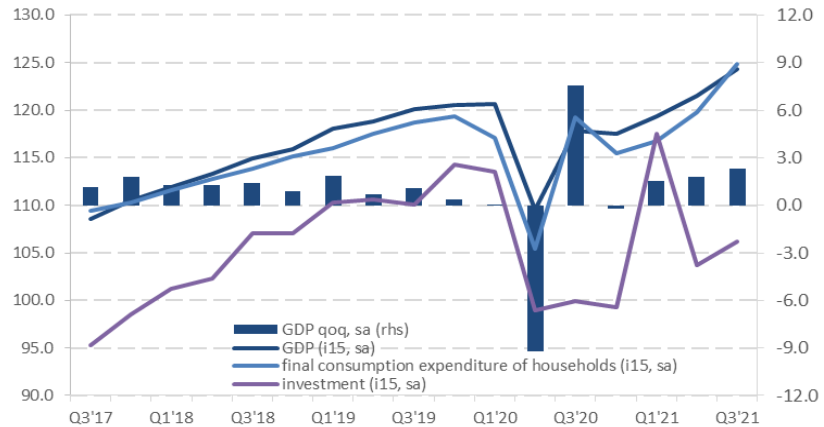


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

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

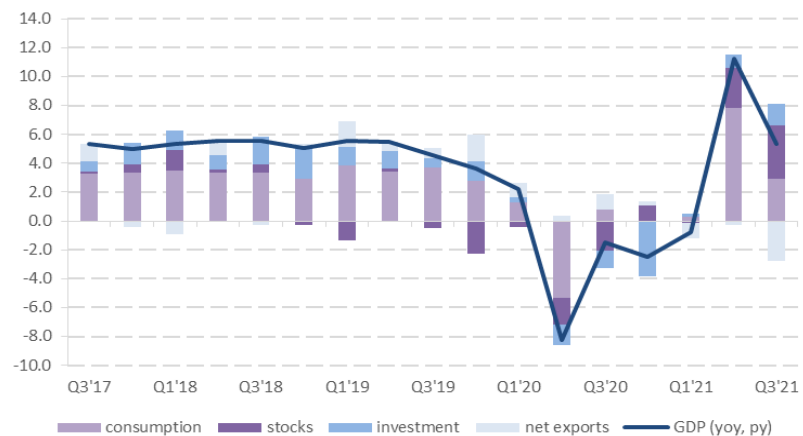
The Polish economy recovered strongly in the first half of 2021. GDP, despite the third wave of the pandemic and strengthening of virus containment measures, increased by 1.6% and 1.8% in the first and second quarter, respectively (qoq, sa). As a result, real GDP (sa) in the second quarter exceeded the pre-pandemic level (from Q4 2019). In the third quarter the GDP growth rate accelerated further to 2.3% (qoq, sa) driven among others by gradual easing of COVID-19 restrictions and increased confidence of businesses and consumers. Growth of households consumption accelerated to 4.3% (qoq, sa). Investment rebounded by 2.4% (qoq, sa) after strong decline in the previous quarter.



### Contributions to Polish GDP growth

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

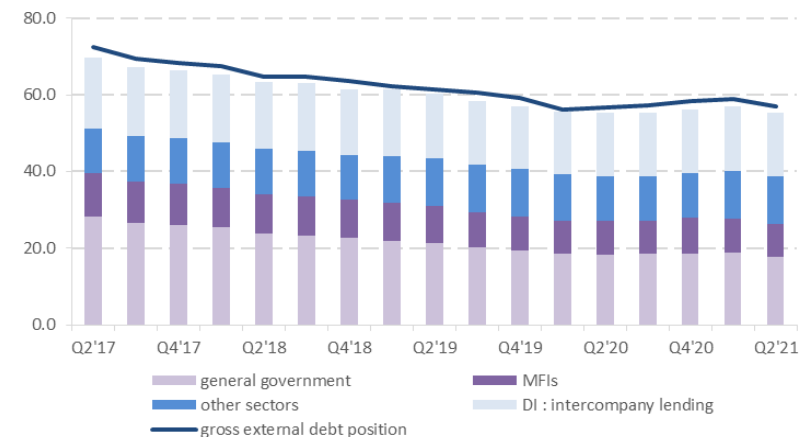
In the third quarter of 2021 GDP was 5.3% (py) higher than in the previous year. Households and public consumption increased by 4.7% and 0.8% (yoy, py) respectively. Investment was also higher than in the same period of 2020 (by 9.3%). Due to stronger imports than exports dynamics contribution of foreign trade to GDP growth was negative again. This was however fully offset by high positive contribution of stocks.



### Polish gross external debt position

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

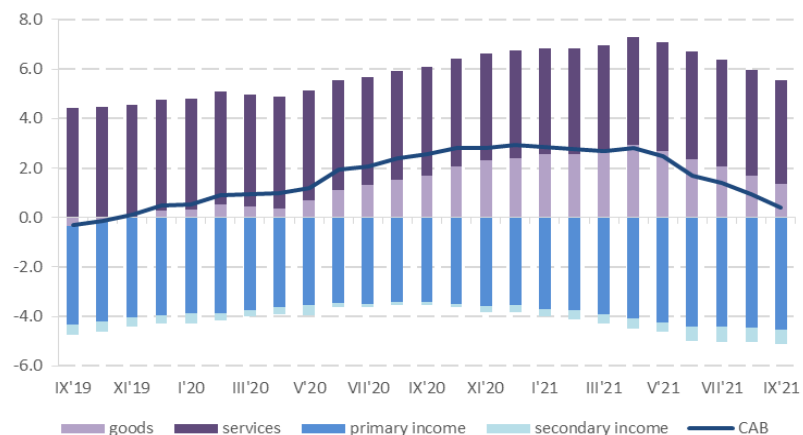
At the end of the second quarter of 2021 gross external debt reached EUR 308.4bn (56.9% of GDP) and was by EUR 0.8bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 31.1%. At the end of September 2021 official reserve assets reached EUR 143.9bn 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 2021, according to the preliminary data, current account surplus narrowed further to 0.4% of GDP (in 12-month terms). Due to stronger imports than exports dynamics, positive balance on goods decreased to 1.4% of GDP. Imports was boosted among others by higher domestic demand and rising prices of imported energy sources. On the other hand, exports was dampened by supply shortages in manufacturing (especially in automotive sector). Due to high foreign investors' income on their capital involvement in Polish entities, primary income deficit achieved 4.5% of GDP.

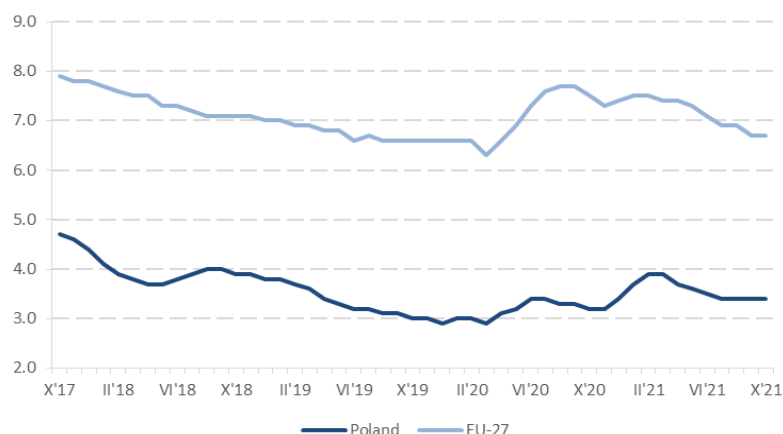




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

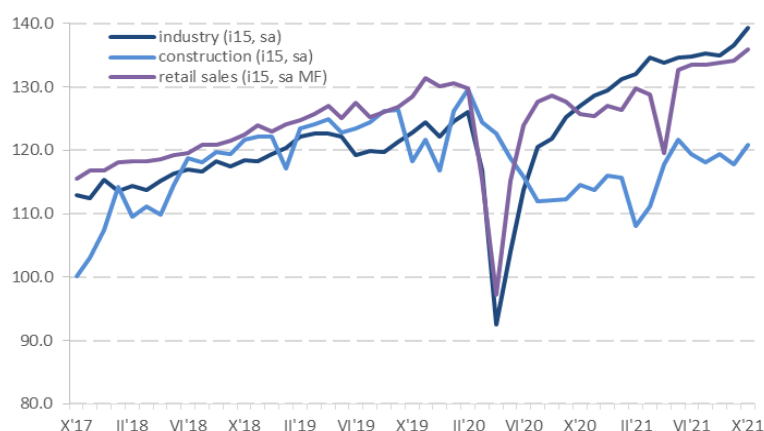
The harmonized unemployment rate (sa) amounted to 3.4% in October. It remained unchanged compared to three previous months, after decreases in the April-July period. As a result, it was 0.2 pp higher than a year earlier. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the eurozone (6.7% and 7.3%, respectively).



## Monthly indicators of the real sector

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

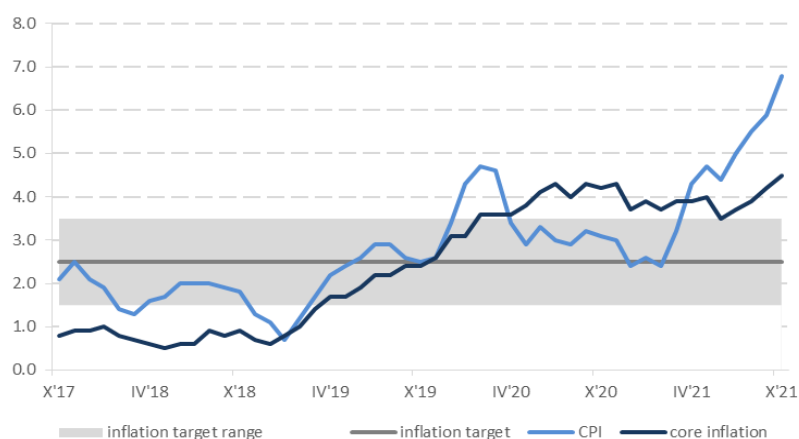
In October 2021 industrial production increased by 2.0% (mom, sa) and was 7.8% higher than a year ago (nsa). Data were above market expectations. Construction and assembly production increased by 2.6%, following a decline in the previous month (mom, sa). As a result, its level was 4.2% (nsa) higher than a year ago. Data were better than expectations. The growth rate of retail sales clearly accelerated (mom, sa). It was also the third consecutive increase in this category (mom, sa). The retail sales level was 6.9% higher than a year before. Data were above expectations.



## Inflation

percent, yoy  
source: GUS, NBP

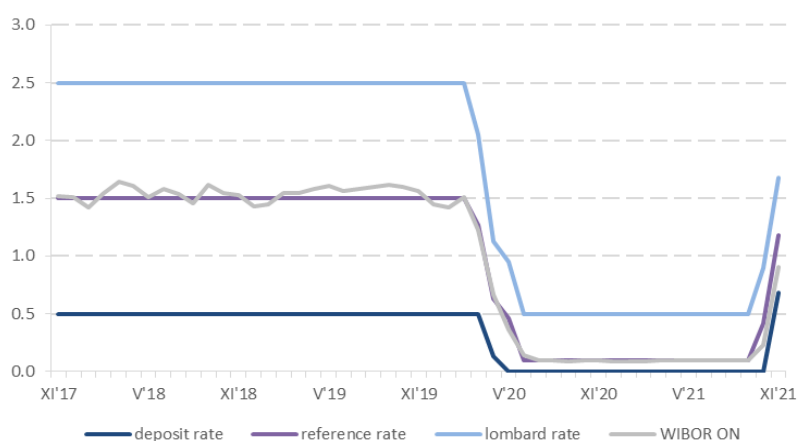
Since March 2021 inflation rate has accelerated and amounted to 6.8% (yoy) in October (the highest level for 20 years). Due to rise of crude oil and gas prices on international markets energy prices increased considerably (by 18.3%). Food prices also accelerated (to 5.0% yoy). Core inflation (CPI excluding food and energy prices) was still high and in October it reached 4.5% (yoy). In November, according to the preliminary data, inflation rose to 7.7% and was higher than market expectations. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In October they were higher than a year before by 11.8%.



## NBP interest rates

percent, end of period  
source: NBP, Refinitiv

In November 2021 the Monetary Policy Council raised NBP's interest rates for the second month in a row. A higher-than-expected 0.75 pp increase lifted the reference rate to 1.25%, lombard rate rose to 1.75%, while the deposit rate increased to 0.75%. In October-November 2021 reference rate rose by 1.15 pp in total. The MPC decided to hike interest rates in order to reduce risk of inflation remaining elevated in the monetary policy transmission horizon.





## II. STATISTICAL DATA

	Unit	2020			2021		
		Q02	Q03	Q04	Q01	Q02	Q03
<b>GDP</b>							
Gross domestic product	YoY	-8.2	-1.5	-2.5	-0.8	11.2	5.3
	QoQ SA	-9.2	7.5	-0.2	1.6	1.8	2.3
Final consumption expenditure of the households sector	YoY	-10.6	0.3	-3.1	0.1	13.1	4.7
	QoQ SA	-9.9	13.1	-3.2	1.1	2.5	4.3
Final consumption expenditure of the general government sector	YoY	4.3	3.3	8.1	1.6	3.0	0.8
	QoQ SA	0.8	1.0	1.3	-0.4	1.0	0.4
Gross fixed capital formation	YoY	-8.8	-7.2	-15.4	1.7	5.6	9.3
	QoQ SA	-12.8	0.9	-0.7	18.4	-11.7	2.4
Exports of goods and services	YoY	-13.5	2.4	8.1	7.3	29.2	8.6
	QoQ SA	-16.5	20.6	5.2	0.8	0.9	1.6
Imports of goods and services	YoY	-15.6	0.5	8.5	10.3	34.5	15.2
	QoQ SA	-16.4	22.5	4.4	2.9	2.6	3.7
Gross value added	YoY	-7.9	-1.7	-2.8	-1.2	10.3	5.1
	QoQ SA	-9.3	7.4	0.4	1.5	1.0	1.4
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	-6.0	0.2	-1.6	0.0	7.3	2.7
Final consumption expenditure of the general government sector	pp	0.7	0.6	1.6	0.3	0.6	0.1
Gross fixed capital formation	pp	-1.4	-1.3	-3.8	0.2	0.9	1.5
Changes in inventories	pp	-1.8	-2.0	1.1	-0.2	2.8	3.7
Balance of trade turnover	pp	0.4	1.1	0.2	-1.1	-0.3	-2.8
Gross value added	pp	-6.9	-1.5	-2.5	-1.1	9.1	4.4
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	55.6	58.8	48.9	60.1	56.6	58.5
Final consumption expenditure of the general government sector	% of GDP	19.5	18.3	21.1	17.7	18.1	17.7
Gross fixed capital formation	% of GDP	15.8	15.9	21.1	12.7	14.8	16.3
Changes in inventories	% of GDP	0.8	-0.6	0.8	2.0	3.4	4.1
Exports of goods and services	% of GDP	52.6	56.6	57.3	62.2	62.6	60.4
Imports of goods and services	% of GDP	45.3	50.0	50.0	55.5	56.4	57.8
<b>Balance of payments</b>							
	Unit	2021			2021		
		M05	M06	M07	M08	M09	M10
Goods: exports (EUR)	YoY	40.5	22.7	13.1	18.9	12.2	-
Goods: imports (EUR)	YoY	52.4	34.7	21.5	31.6	21.5	-
Current account balance <sup>1)</sup>	% of GDP	2.5	1.7	1.4	0.9	0.4	-
Balance on goods <sup>1)</sup>	% of GDP	2.7	2.4	2.1	1.7	1.4	-
Official Reserve Assets	EUR m	133 383.4	134 110.3	136 926.6	143 354.8	143 932.0	144 069.2
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	4.7	4.4	5.0	5.5	5.9	6.8
Core inflation (CPI excluding food and energy prices)	YoY	4.0	3.5	3.7	3.9	4.2	4.5
Producer Price Index (PPI)	YoY	6.6	7.2	8.4	9.6	10.3	11.8
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	29.7	18.1	9.5	13.0	8.7	7.8
	MoM SA	0.7	0.1	0.4	-0.3	1.3	2.0
Construction and assembly production <sup>2)</sup>	YoY	4.7	4.5	3.2	10.2	4.2	4.2
	MoM SA	3.4	-1.9	-1.0	1.1	-1.4	2.6
Manufacturing PMI	SA	57.2	59.4	57.6	56.0	53.4	53.8
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	13.9	8.6	3.9	5.4	5.1	6.9
Average paid employment in enterprise sector	YoY	2.7	2.8	1.8	0.9	0.6	0.5
	MoM	0.3	0.3	0.0	-0.2	-0.1	0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	5.2	5.1	3.6	3.8	2.7	1.5
	MoM	-3.2	2.8	0.5	-0.4	-0.7	0.2
Harmonised unemployment rate (Eurostat)	%, SA	3.6	3.5	3.4	3.4	3.4	3.4
<small>1) Data in 12-month terms  2) Constant prices. Data for units in which the number of employed persons exceeds 9 persons  Source: GUS, NBP, Eurostat, IHS Markit, MoF calculation based on NBP, GUS data</small>							
<b>State Treasury debt</b>							
	Unit	2021			2021		
		M04	M05	M06	M07	M08	M09
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 122 147.1	1 125 467.6	1 133 647.5	1 135 089.0	1 135 646.3	1 144 751.6
Domestic debt	face value, PLN m	851 752.5	854 274.5	858 992.1	857 474.9	859 953.3	864 975.7
	%	75.9	75.9	75.8	75.5	75.7	75.6
Foreign debt	face value, PLN m	270 394.6	271 193.1	274 655.4	277 614.2	275 693.0	279 775.9
	%	24.1	24.1	24.2	24.5	24.3	24.4
<b>Public debt (domestic definition)</b>							
	Unit	2020			2021		
		Q01	Q02	Q03	Q04	Q01	Q02
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 045 474.8	1 097 298.7	1 106 292.0	1 111 806.3	1 152 219.3	1 152 190.6
Domestic debt	face value, PLN m	744 617.7	825 499.1	824 082.3	823 542.1	845 780.4	855 331.0
	%	71.2	75.2	74.5	74.1	73.4	74.2
Foreign debt	face value, PLN m	300 857.2	271 799.6	282 209.7	288 264.2	306 438.9	296 859.6
	%	28.8	24.8	25.5	25.9	26.6	25.8
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 103 701.0	1 255 650.7	1 306 461.0	1 336 135.6	1 389 487.4	1 401 619.6

Source: MoF

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Gross borrowing requirements in 2021 as of November 30, 2021, PLN bn

The State budget borrowing requirements for 2021 (acc. to the amended budget act) have been fully funded.

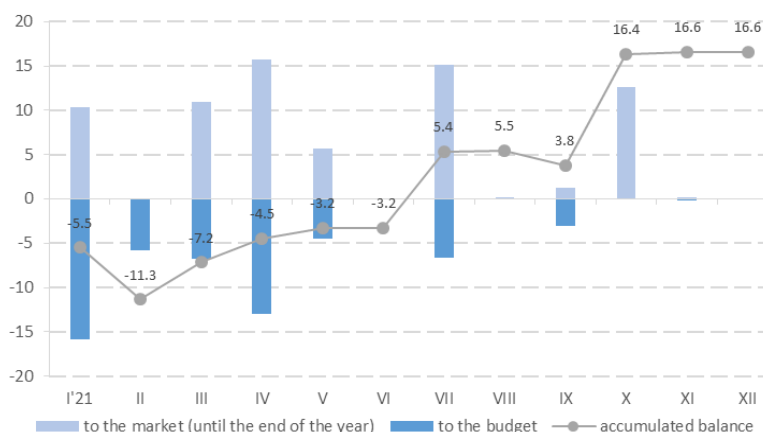


#### Outflows of funds related to domestic marketable T-securities transfers in December plan as of November 30, 2021

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.

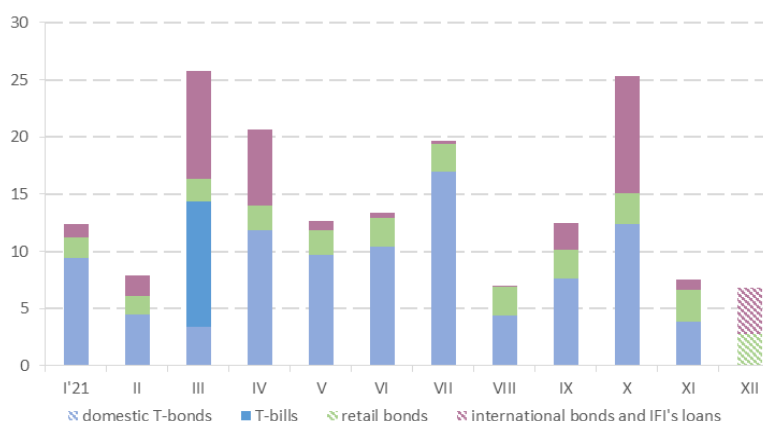


\* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget to the end of 2021 is not presented.

#### 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 November 30, 2021) is equal to PLN 6.8bn, including:

- T-retail bonds: PLN 2.8bn,
- bonds and loans incurred on foreign markets: PLN 4.1bn.





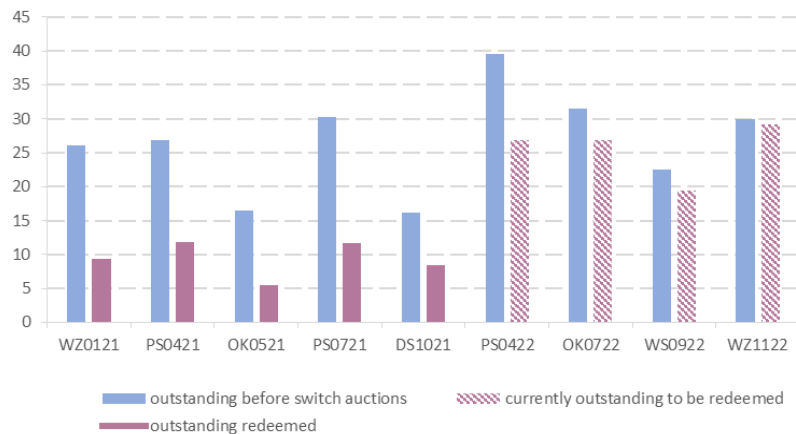
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Reducing refinancing risk connected with redemptions of domestic TS maturing in 2021 and 2022

as of November 30, 2021, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2021 and 2022:

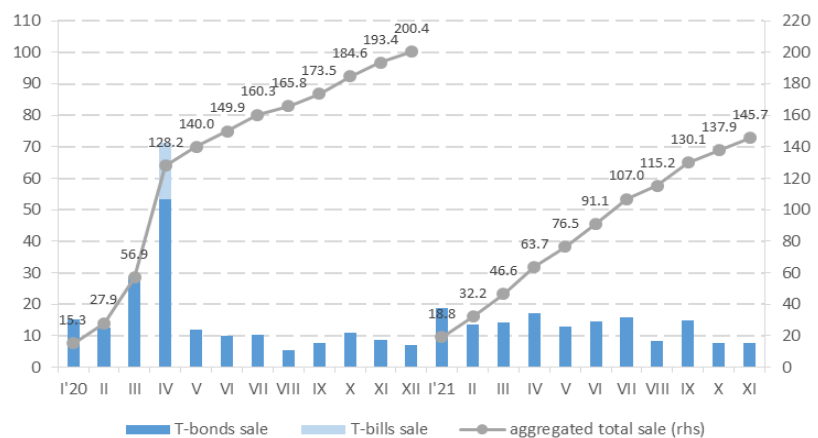
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 14.9bn (56% of the issuance),
- OK0521: PLN 11.0bn (67% of the issuance),
- PS0721: PLN 18.5bn (61% of the issuance),
- DS1021: PLN 7.7bn (48% of the issuance),
- PS0422: PLN 12.6bn (32% of the issuance),
- OK0722: PLN 4.5bn (14% of the issuance),
- WS0922: PLN 3.1bn (14% of the issuance),
- WZ1122: PLN 0.7bn (2% of the issuance).



#### Sale of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-XI 2021 aggregated total sale of T-bonds amounted to PLN 145.7bn versus PLN 175.7bn in the same period of 2020. T-bills were not sold versus PLN 17.7bn sold in 2020.



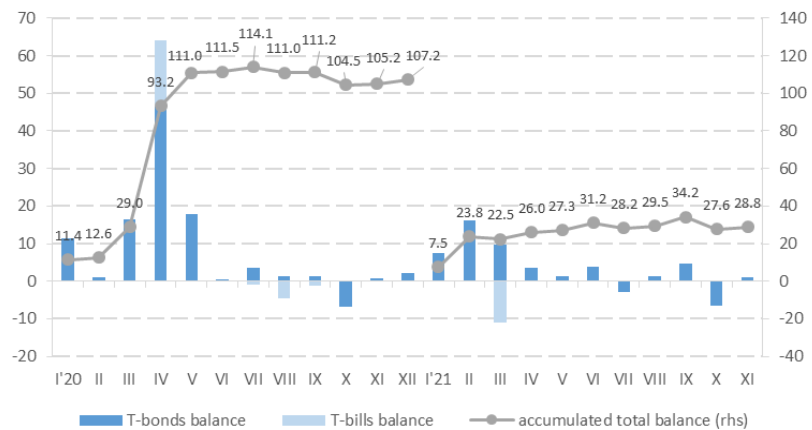
#### Balance of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period of I-XI 2021 indebtedness in:

- T-bonds increased by PLN 39.7 bn versus an increase of PLN 94.3bn in the same period of 2020,
- T-bills decreased by PLN 10.9bn versus an increase of PLN 10.9bn in the same period of 2020.

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.

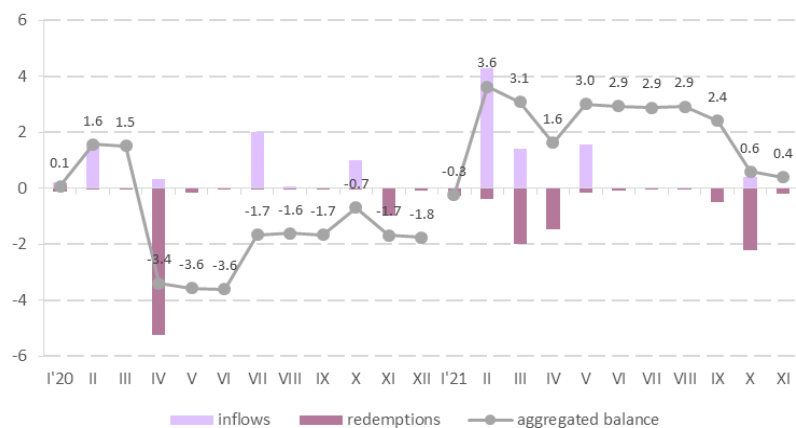


#### External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-XI 2021 was positive and amounted to EUR 0.4bn which resulted from:

- negative balance of T-bonds of EUR 5.8bn,
- negative balance of loans incurred from IFIs of EUR 1.1bn,
- loans from the European Union under SURE instrument of EUR 7.2bn.



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

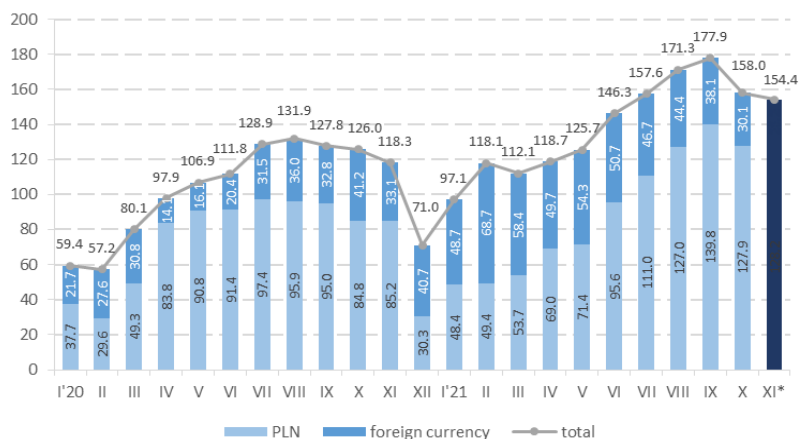


#### Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of November 2021 there was equivalent of PLN 154.4bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

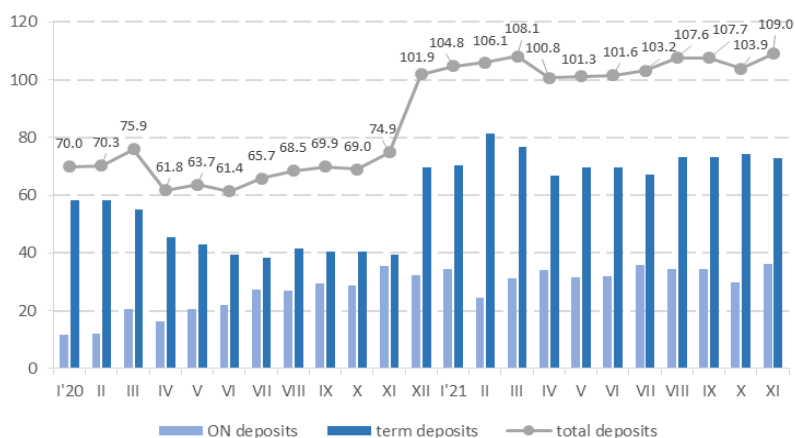
\* Estimated data.



#### Consolidation of public finance sector liquidity management

PLN bn

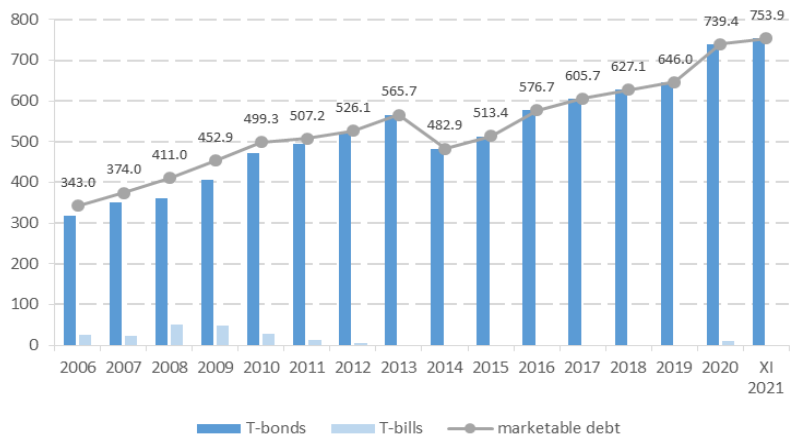
As a result of consolidation of the public finance sector liquidity management there were PLN 109.0bn funds accumulated at the end of November 2021, of which: PLN 72.7bn was on term deposits and PLN 36.4bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

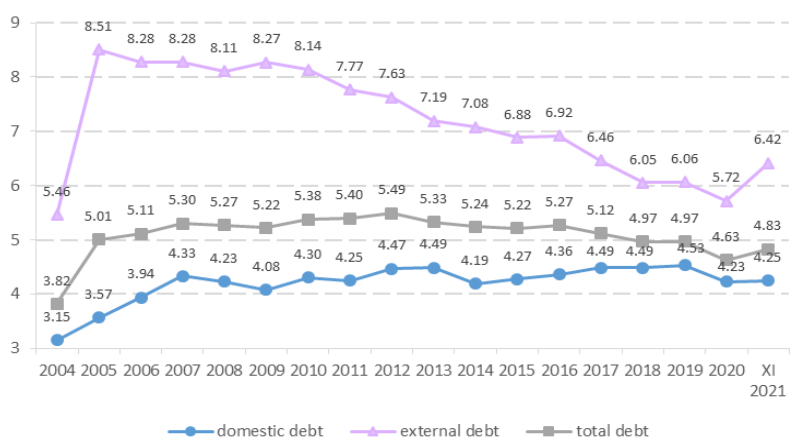
The marketable domestic debt amounted to PLN 753.9bn at the end of November 2021, comparing to PLN 739.4bn at the end of 2020.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.25 years at the end of November 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.83 years (4.63 years at the end of 2020).



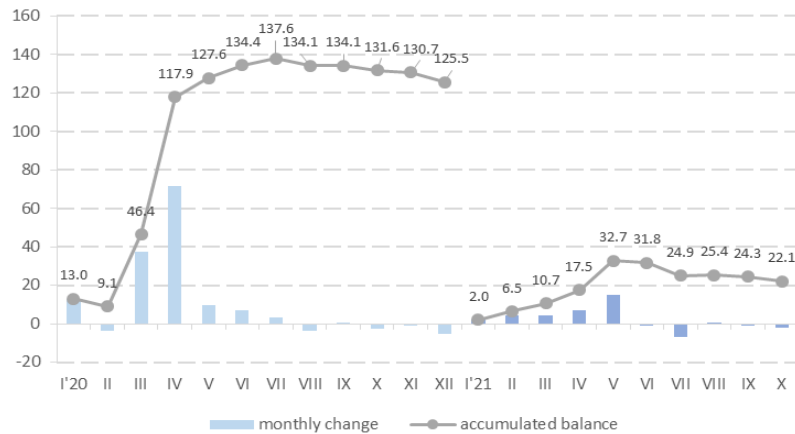


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

PLN bn

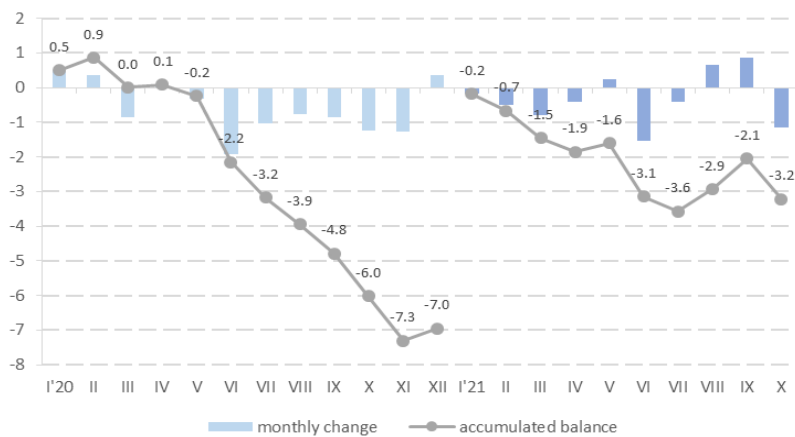
In the period of I-X 2021 there was an increase of debt by PLN 22.1bn comparing to PLN 131.6bn increase during the same period of 2020. Banks' holdings reached the level of PLN 452.5bn.



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

PLN bn

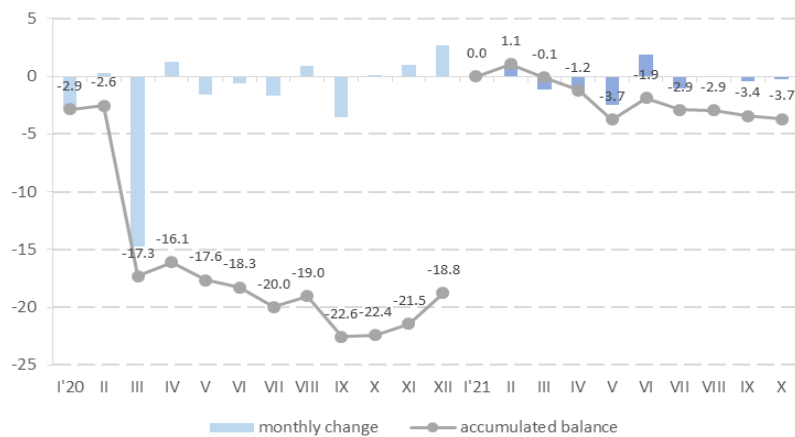
In the period of I-X 2021 there was a decrease of debt by PLN 3.2bn comparing to PLN 6.0bn decrease during the same period of 2020. Insurance companies' holdings reached the level of PLN 54.1bn.



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

PLN bn

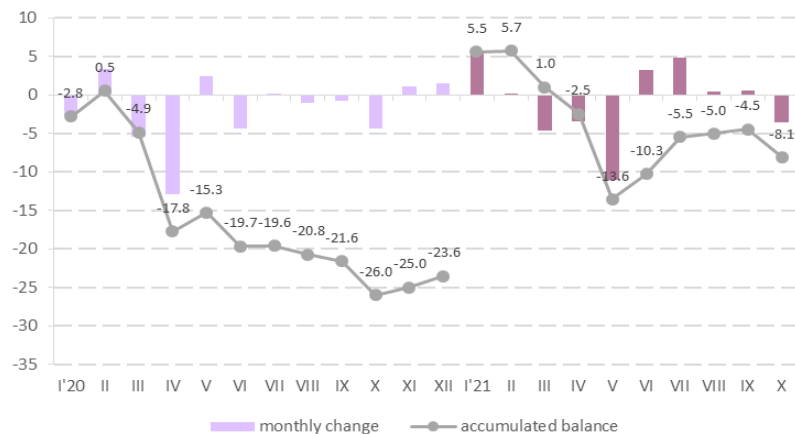
In the period of I-X 2021 there was a decrease of debt by PLN 3.7bn comparing to PLN 22.4bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 44.9bn.



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

PLN bn

In the period of I-X 2021 there was a decrease of debt by PLN 8.1bn comparing to PLN 26.0bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 125.6bn.





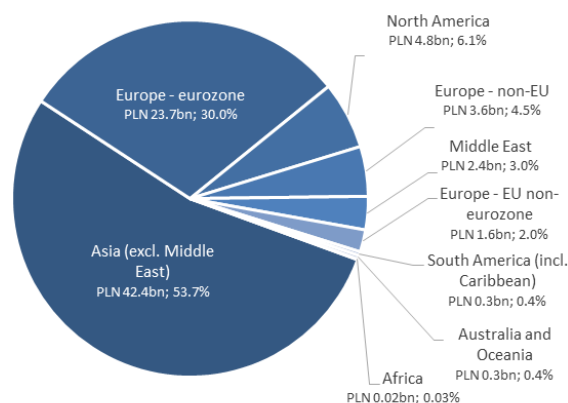
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Geographical distribution of the domestic TS held by non-residents

as of October 31, 2021, the chart presents data excluding omnibus accounts

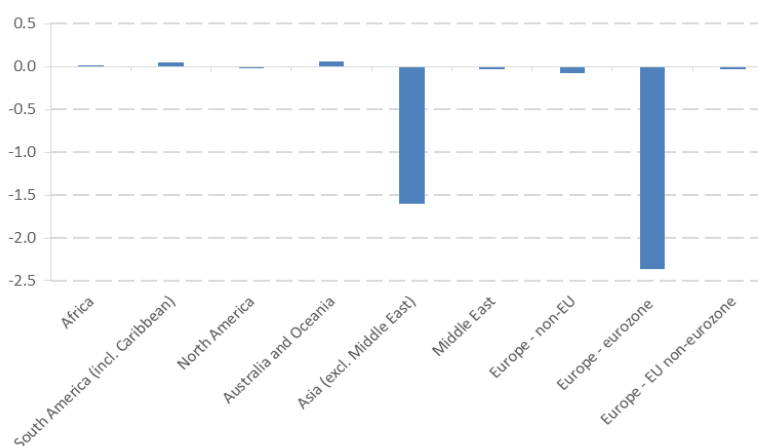
The non-residents' share in the domestic Treasury securities market decreased by PLN 3.6bn in October 2021. The foreign investors' portfolio amounted to PLN 125.6bn, which constituted 15.5% share in total debt in Treasury securities (15.9% in the previous month).



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

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

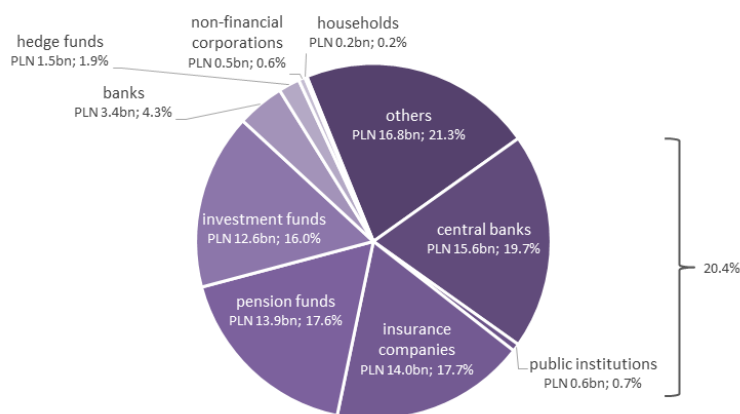
In October 2021 the highest decrease was noted by eurozone investors (PLN 2.4bn).



#### Institutional distribution of the domestic TS held by non-residents

as of October 31, 2021, the chart presents data excluding omnibus accounts

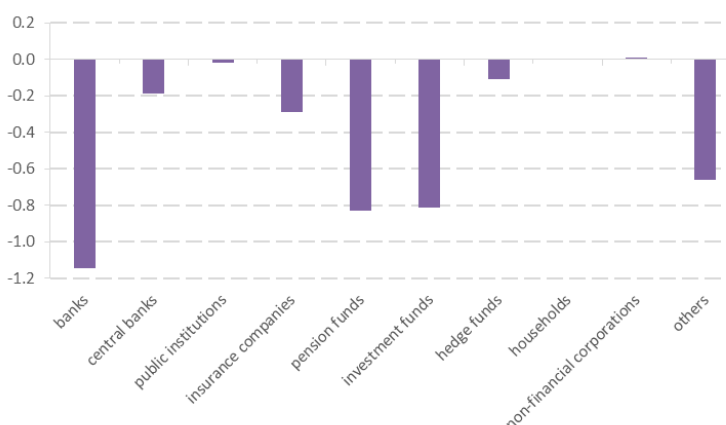
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 20.4% at the end of October 2021.



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

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

In October 2021 the highest decrease was recorded by banks (PLN 1.1bn).



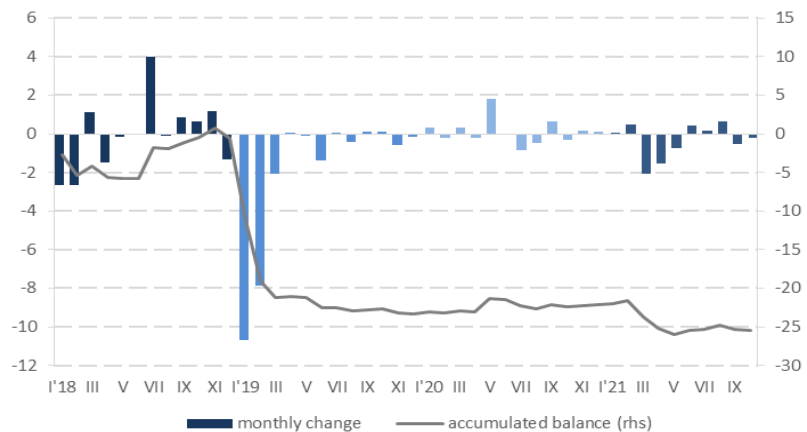


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in October 2021, PLN bn

Central banks and public institutions' involvement decreased by PLN 0.2bn in October 2021. In the period from the end of January 2018 to the end of October 2021 portfolios of those entities decreased by PLN 25.5bn.



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

as of October 31, 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	26 371.7	41.5%
Netherlands	7 028.2	11.1%
Luxembourg	5 682.9	8.9%
Germany	4 446.7	7.0%
United States	4 163.4	6.6%
Ireland	3 490.1	5.5%
United Kingdom	2 194.6	3.5%
France	1 909.5	3.0%
Switzerland	1 327.9	2.1%
United Arab Emirates	1 092.0	1.7%
Denmark	810.1	1.3%
Others	5 017.8	7.9%
<b>Total</b>	<b>63 534.9</b>	<b>100.0%</b>

#### Comment

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

30-11-2021

(...) The level of pre-financing of next year's borrowing requirements presented in the draft budget act is ca. 9%.

One Treasury bond switching auction is planned for December.

In October indebtedness in domestic Treasury securities decreased by PLN 6.5bn., of which indebtedness towards domestic banks decreased by PLN 2.2bn, PLN 0.6bn towards domestic non-banking sector and the debt held by foreign investors decreased by PLN 3.6bn.

## IV. SUPPLY PLAN OF TREASURY SECURITIES IN DECEMBER 2021



### 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)
09 DEC 2021 / 13 DEC 2021	OK0724 / PS1026 / WZ1126 / WZ1131 / DS0432	PS0422	26,922
		OK0722	26,927
		WS0922	19,404
		WZ1122	29,253

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0322 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS1223 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ1224 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI1225 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO1231 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS1227 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD1233 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period