

State budget borrowing requirements' financing plan and its background

February 2021

THE MOST IMPORTANT INFORMATION

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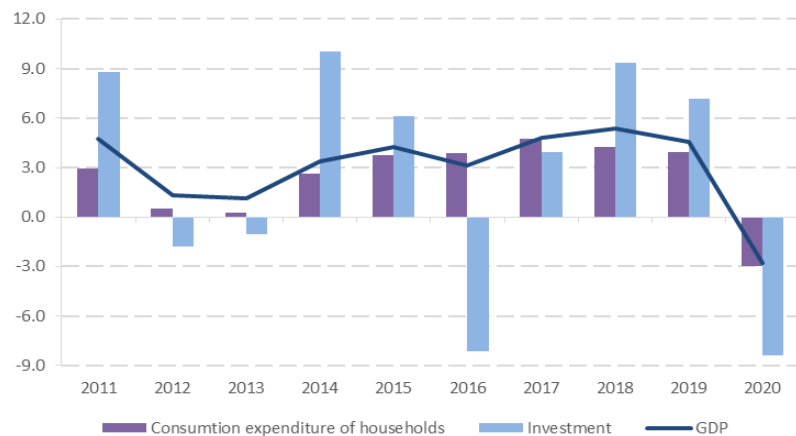


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices, yoy
source: GUS

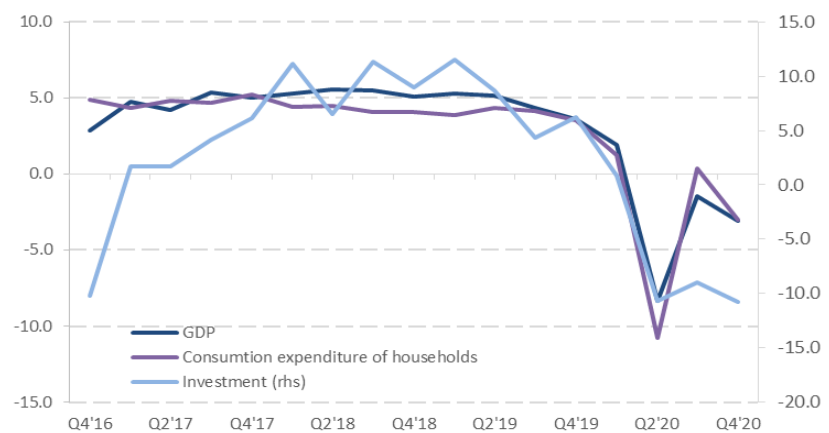
According to the preliminary estimate, GDP in 2020 was 2.8% lower than in 2019 (in the previous year it grew by 4.5%). It was the first contraction since the early 1990s. However, Polish economy most probably weathered the pandemic better than other large EU economies. Households consumption as well as investment decreased in the previous year. Consumption expenditure in the households sector in 2020 declined by 3.0% compared with the previous year, while in 2019 it grew by 4.0%. Gross fixed capital formation in 2020 dropped by 8.4% (in 2019 increased by 7.2%). Net exports contribution to GDP growth was positive, whereas inventories contribution was negative.



Contributions to Polish GDP growth

constant prices, yoy
source: GUS, MoF own calculation

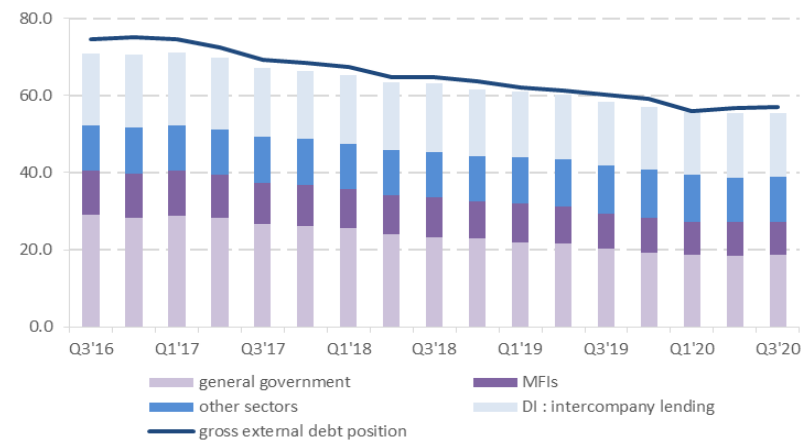
According to the estimates based on data published for the whole year and assuming that the GDP dynamics in the first three quarters of 2020 remained unchanged, in the fourth quarter of 2020 GDP was 3.1% lower than a year before (with a possible range from -2.9% to -3.3%). This indicates that yearly dynamics were lower than in the third quarter. We estimated that in the fourth quarter of 2020 households consumption declined by 3.0% (band between -2.9% and -3.3%) and investment by 10.8% (between -10.6% and -10.9%).



Polish gross external debt position

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

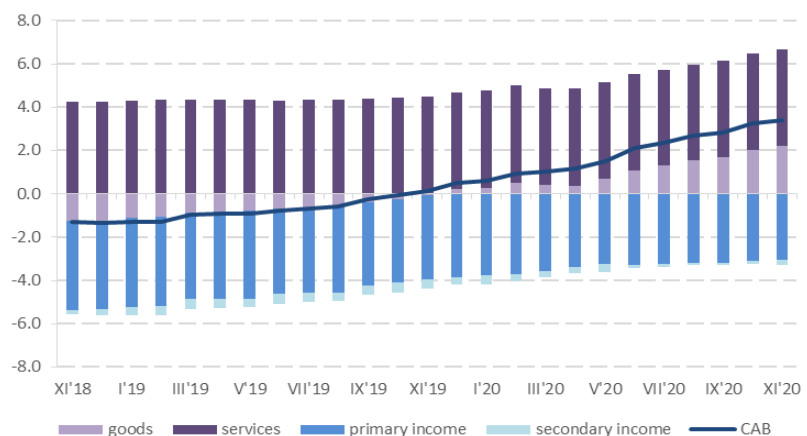
At the end of the third quarter of 2020 gross external debt reached EUR 300.7bn (57.1% of GDP) and was EUR 1.4bn higher than in the previous quarter. The share of general government sector debt in total debt increased to 32.6%. At the end of November 2020 official reserve assets reached EUR 120.5bn and 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 November 2020, according to the preliminary data, current account surplus increased to 3.4% 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 have remained relatively strong and in November its yearly dynamics reached the highest level since December 2019. Imports dynamics were still lower than exports dynamics, influenced by low oil prices. In addition primary income deficit declined, reflecting temporarily lower foreign direct investors' income on their capital involvement in Polish entities.

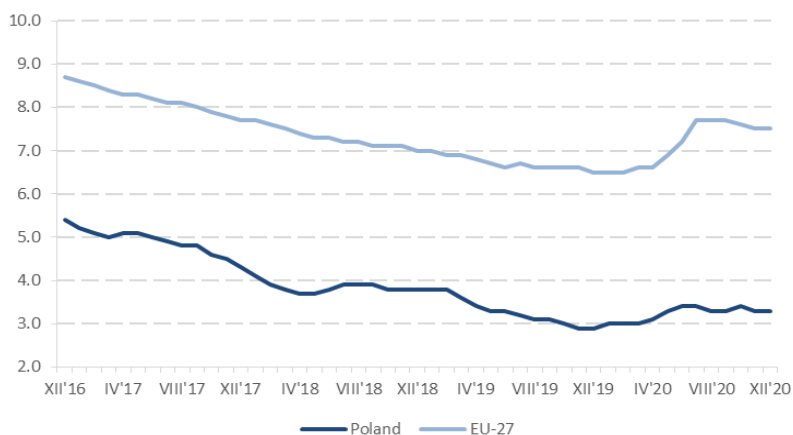




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

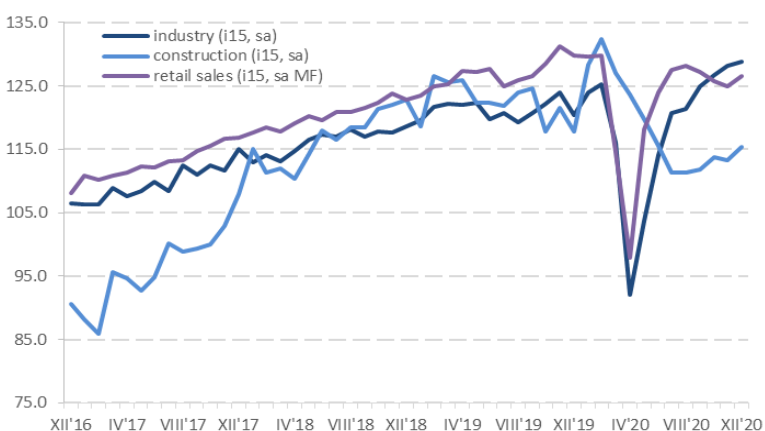
In December 2020 harmonised unemployment rate (sa) remained at the level observed in the previous month, i.e 3.3% and was 0.4 pp higher than a year earlier. Since May 2020 it has been relatively stable, but still at the highest level since March 2019. In December 2020 it was lower than in the EU-27 on average (7.6%) and eurozone (8.3%).



Monthly indicators of the real sector

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

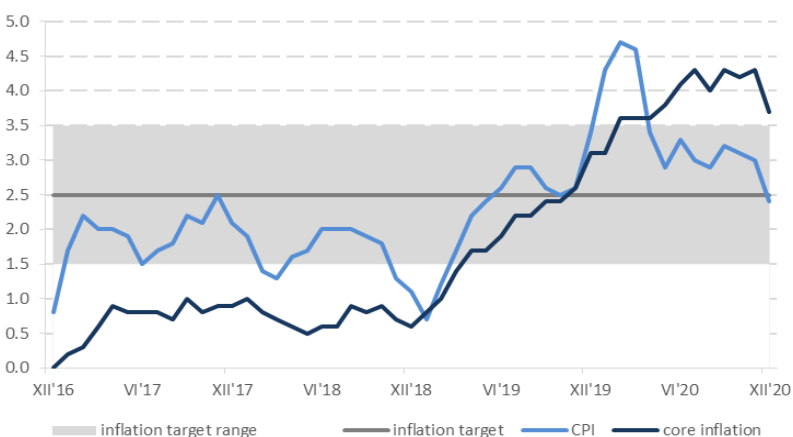
In December 2020 industrial production increased by 0.5% (mom, sa) and was 11.2% higher than a year ago (nsa). Data were above market expectations. Construction production grew by 1.9% (mom, sa), after a relatively mild decrease a month ago. As a result, its level was 3.4% higher than in the previous year (nsa). Data were above market expectations. Retail sales increased, following drops in three previous months (mom, sa MF). As a result, sales were 0.8% lower than a year ago (nsa). Data were close to market expectations.



Inflation

percent, yoy
source: GUS, NBP

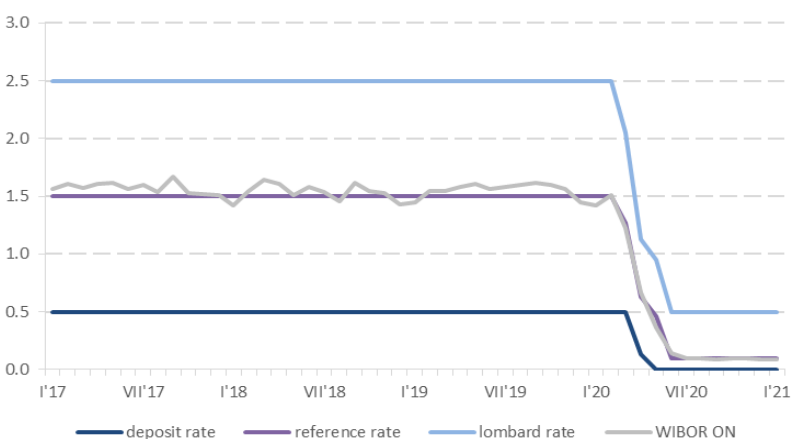
After few months of stabilisation at the level close to 3%, in December inflation rate decreased to 2.4%, i.e. slightly below the inflation target. There was considerably lower pace of growth of food prices, but core inflation (CPI excluding food and energy prices) was still high and in December it amounted to 3.7% (yoy). Data were below market expectations. On average CPI inflation in 2020 was 3.4%. After nine months of deflation, in December producer prices were at the previous year's level (according to the preliminary data) and on average they dropped by 0.6% in 2020.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In January 2021 the MPC kept NBP interest rates on hold. The reference rate remained at 0.1%, the lombard rate at 0.5% and the deposit rate at 0.0%. In the period of March-May 2020 the reference rate was lowered by 140 bps in total. Since March 2020 NBP has purchased government securities and government-guaranteed debt securities on the secondary market. The Council believes that NBP's monetary 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	2015	2016	2017	2018	2019	2020
GDP							
Gross domestic product	YoY	4.2	3.1	4.8	5.4	4.5	-2.8
	QoQ SA						
Final consumption expenditure of the households sector	YoY	3.8	3.9	4.8	4.3	4.0	-3.0
	QoQ SA						
Final consumption expenditure of the general government sector	YoY	2.4	1.9	2.7	3.5	6.2	-
	QoQ SA						
Gross fixed capital formation	YoY	6.1	-8.2	4.0	9.4	7.2	-8.4
	QoQ SA						
Exports of goods and services	YoY	8.0	9.3	9.6	6.9	5.1	-
	QoQ SA						
Imports of goods and services	YoY	6.9	7.9	10.2	7.4	3.3	-
	QoQ SA						
Gross value added	YoY	4.1	3.1	4.7	5.3	4.5	-2.9
	QoQ SA						
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	2.2	2.2	2.8	2.5	2.3	-1.7
Final consumption expenditure of the general government sector	pp	0.4	0.3	0.5	0.6	1.1	-
Gross fixed capital formation	pp	1.2	-1.6	0.7	1.6	1.3	-1.6
Changes in inventories	pp	-0.2	1.2	0.8	0.4	-1.3	-
Balance of trade turnover	pp	0.6	0.9	0.1	0.0	1.1	-
Gross value added	pp	3.6	2.8	4.1	4.7	3.9	-2.6
Taxes less subsidies	pp	0.6	0.4	0.7	0.7	0.6	-
GDP structure							
Final consumption expenditure of the households sector	% of GDP	57.8	57.8	57.9	57.5	56.7	-
Final consumption expenditure of the general government sector	% of GDP	18.1	17.9	17.7	17.7	18.0	-
Gross fixed capital formation	% of GDP	20.1	18.0	17.5	18.2	18.5	-
Changes in inventories	% of GDP	0.5	1.7	2.4	2.6	1.2	-
Exports of goods and services	% of GDP	49.1	51.9	54.2	55.2	55.5	-
Imports of goods and services	% of GDP	46.3	48.2	50.4	52.2	50.8	-
Balance of payments							
	Unit	2020					
		M07	M08	M09	M10	M11	M12
Goods: exports (EUR)	YoY	1.7	1.9	6.1	3.8	9.5	-
Goods: imports (EUR)	YoY	-4.3	-4.7	1.8	-3.5	5.3	-
Current account balance ¹⁾	% of GDP	2.4	2.7	2.8	3.3	3.4	-
Balance on goods ¹⁾	% of GDP	1.3	1.5	1.7	2.0	2.2	-
Official Reserve Assets	EUR m	116 100.8	116 822.1	119 127.0	122 588.6	120 499.1	125 621.6
Inflation							
Consumer Price Index (CPI)	YoY	3.0	2.9	3.2	3.1	3.0	2.4
Core inflation (CPI excluding food and energy prices)	YoY	4.3	4.0	4.3	4.2	4.3	3.7
Producer Price Index (PPI)	YoY	-0.6	-1.3	-1.4	-0.4	-0.2	0.0
Production							
Sold production of industry ²⁾	YoY	1.1	1.5	5.7	1.0	5.4	11.2
	MoM SA	5.8	0.6	2.9	1.5	1.1	0.5
Construction and assembly production ²⁾	YoY	-11.0	-12.0	-9.8	-5.8	-4.9	3.4
	MoM SA	-3.6	-0.1	0.5	1.6	-0.4	1.9
Manufacturing PMI	SA	52.8	50.6	50.8	50.8	50.8	51.7
Households and labour market							
Retail sales ²⁾	YoY	3.0	0.5	2.5	-2.3	-5.3	-0.8
Average paid employment in enterprise sector	YoY	-2.3	-1.5	-1.2	-1.0	-1.2	-1.0
	MoM	1.1	0.7	0.3	0.1	0.0	0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	0.8	1.2	2.4	1.6	1.8	6.6
	MoM	2.0	-0.7	0.4	1.5	0.4	4.1
Harmonised unemployment rate (Eurostat)	%, SA	3.4	3.3	3.3	3.4	3.3	3.3
<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					
		M06	M07	M08	M09	M10	M11
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 088 191.6	1 094 346.6	1 091 384.9	1 100 124.9	1 103 567.3	1 090 187.9
Domestic debt	face value, PLN m	835 023.5	838 440.1	836 212.5	836 792.2	830 032.9	830 741.8
	%	76.7	76.6	76.6	76.1	75.2	76.2
Foreign debt	face value, PLN m	253 168.1	255 906.5	255 172.4	263 332.7	273 534.5	259 446.1
	%	23.3	23.4	23.4	23.9	24.8	23.8
Public debt (domestic definition)							
	Unit	2019			2020		
		Q02	Q03	Q04	Q01	Q02	Q03
Public debt (acc. to the place of issue criterion)	face value, PLN m	998 220.7	1 001 190.9	990 948.4	1 045 474.8	1 097 297.7	1 106 285.8
Domestic debt	face value, PLN m	708 264.6	713 568.9	716 183.7	744 617.7	825 498.1	824 076.1
	%	71.0	71.3	72.3	71.2	75.2	74.5
Foreign debt	face value, PLN m	289 956.1	287 622.0	274 764.7	300 857.2	271 799.6	282 209.7
	%	29.0	28.7	27.7	28.8	24.8	25.5
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 051 770.3	1 055 639.7	1 045 391.3	1 103 420.0	1 255 968.7	1 307 258.3

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



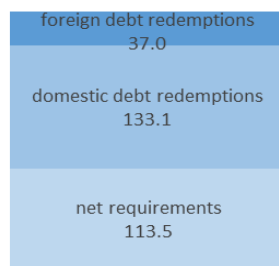
Gross borrowing requirements in 2021

as of January 31, 2021, PLN bn

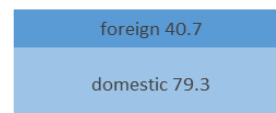
Financing of the State budget borrowing requirements at the level of ca. 42% was a result of:

- T-bond sale on domestic market: PLN 17.5bn,
- switch auctions in 2020: PLN 41.1bn,
- higher financial resources at the end of 2020: PLN 61.4bn (the final level will be know following the closure of the budget year).

Gross borrowing requirements
Total: PLN 283.6bn, of which:



Financing of
the borrowing requirements
at the level of ca. 42%



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

plan as of January 31, 2021

There will be no funds transferred from the State budget to the market in February (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 February to the end of 2021 the funds to be transferred to the domestic market shall amount to PLN 88.8bn (as of January 31, 2021).



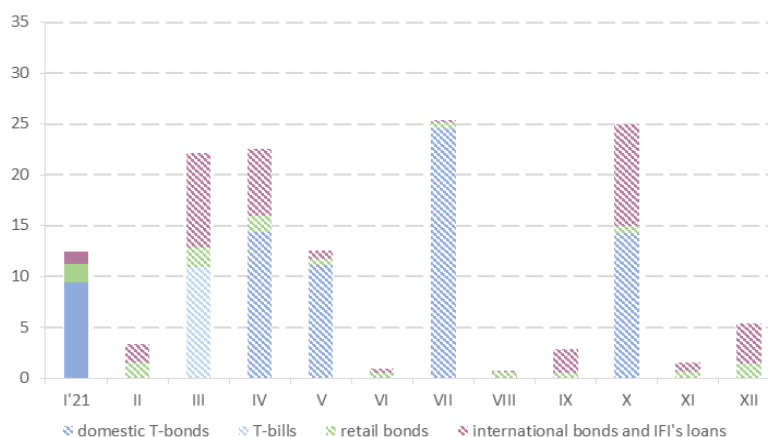
* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget in the period of February to the end of 2021 is not presented.

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 January 31, 2021) is equal to PLN 122.2bn, including:

- T-bonds: PLN 64.3bn,
- retail bonds: PLN 10.7bn,
- T-bills: PLN 10.9bn
- bonds and loans incurred on foreign markets: PLN 36.3bn.





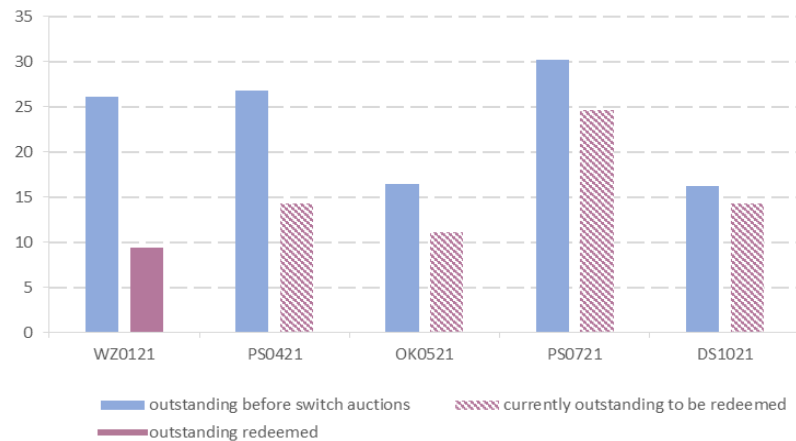
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

Buy-back of T-bonds maturing in 2021:

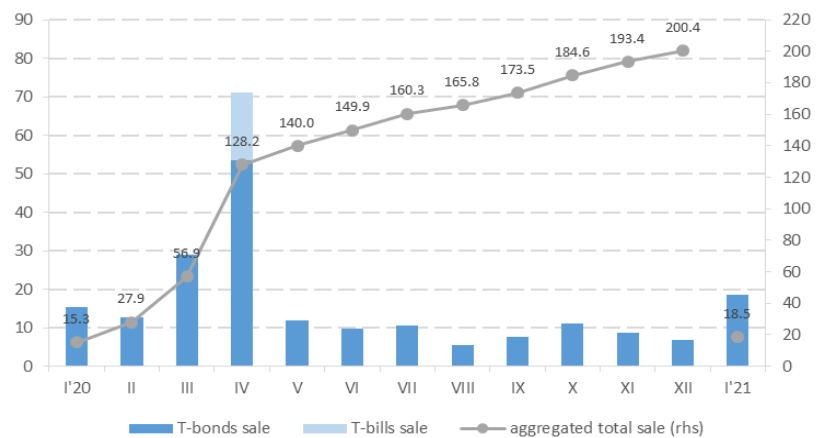
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 12.5bn (47% of the issuance),
- OK0521: PLN 5.4bn (32% of the issuance),
- PS0721: PLN 5.6bn (19% of the issuance),
- DS1021: PLN 1.9bn (12% of the issuance).



Sale of domestic T-bonds in 2020 and 2021

settlement date, nominal amount, PLN bn

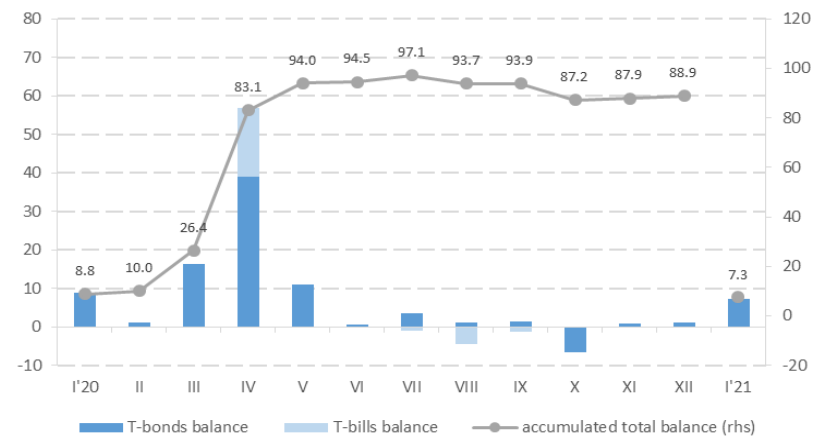
In January 2021 aggregated total sale of T-bonds amounted to PLN 18.5bn versus PLN 15.3bn in the same period of 2020.



Balance of domestic T-bonds in 2020 and 2021

settlement date, nominal amount, PLN bn

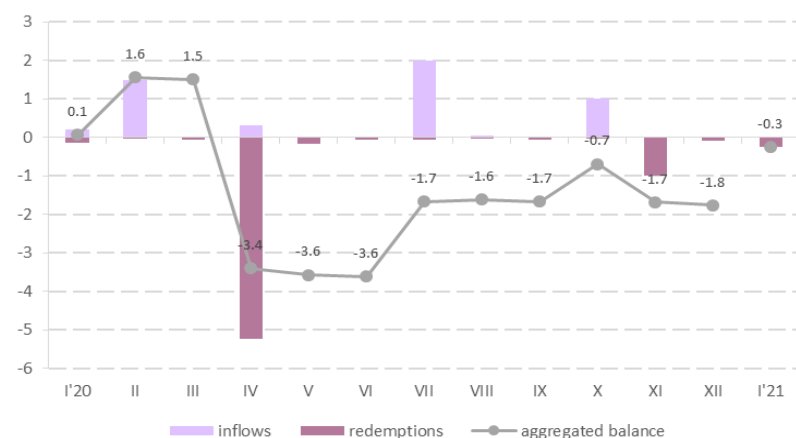
In January 2021 indebtedness in T-bonds increased to PLN 7.3bn versus increase of PLN 8.8bn in the same period of 2020.



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 January 2021 was negative and amounted to EUR 0.3bn, which resulted from negative balance of T-bonds issuance of EUR 0.2bn and negative balance of loans from IFIs at the level of EUR 0.1bn



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

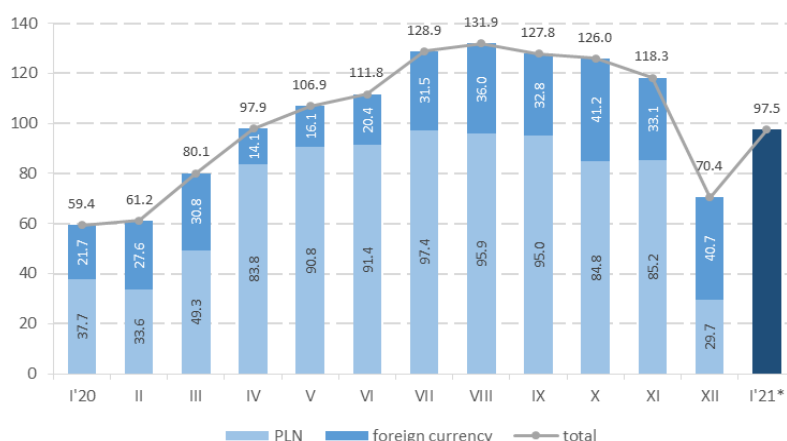


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of January 2021 there was equivalent of PLN 97.5bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

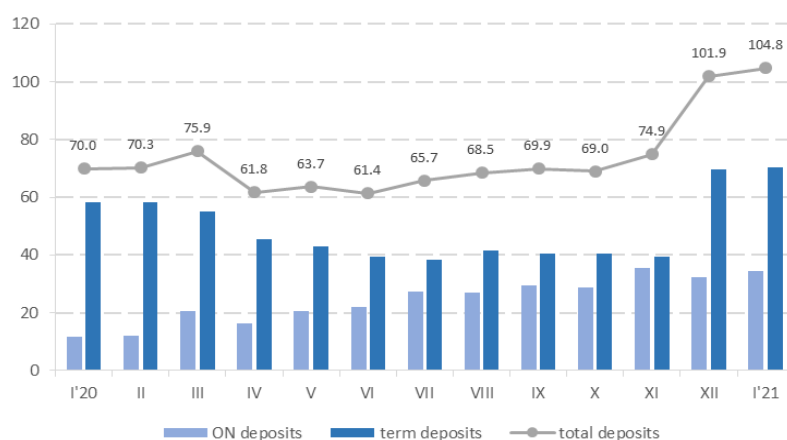
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

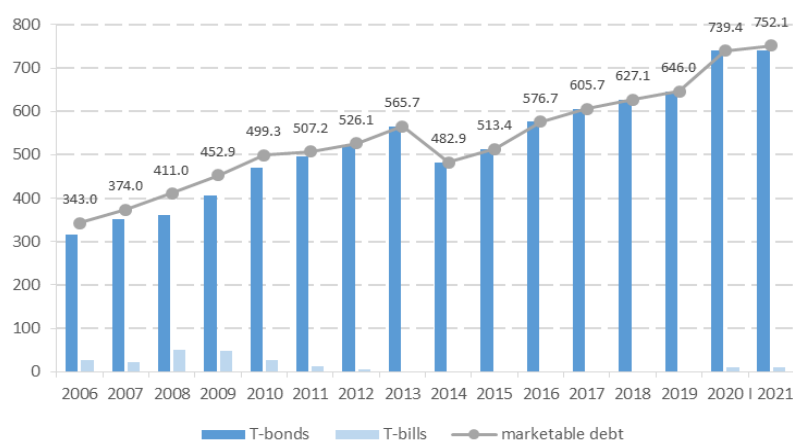
As a result of consolidation of the public finance sector liquidity management there were PLN 104.8bn funds accumulated at the end of January 2021, of which: PLN 70.4bn was on term deposits and PLN 34.4bn on ON deposits.



Structure of domestic marketable debt

PLN bn

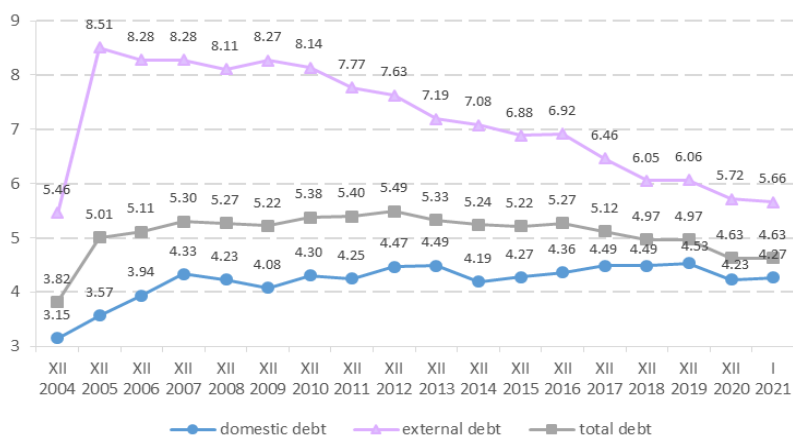
The marketable domestic debt amounted to PLN 752.1bn at the end of January 2021, comparing to PLN 739.4bn at the end of 2020.



Average maturity

years

The average maturity of the domestic debt amounted to 4.27 years at the end of January 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.63 years (4.63 years at the end of 2020).

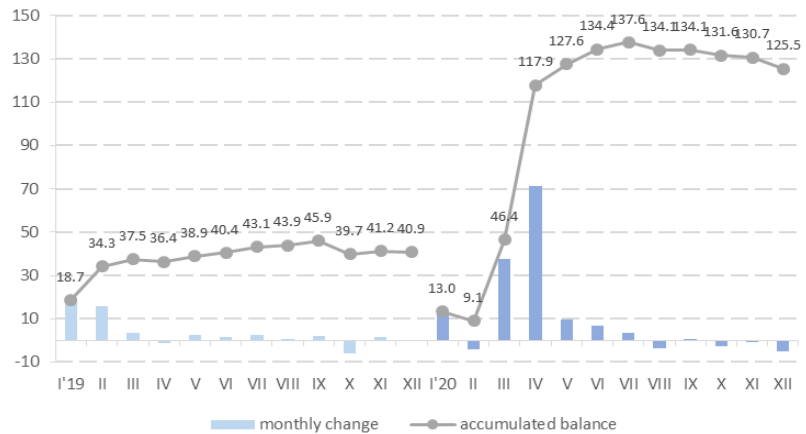




III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

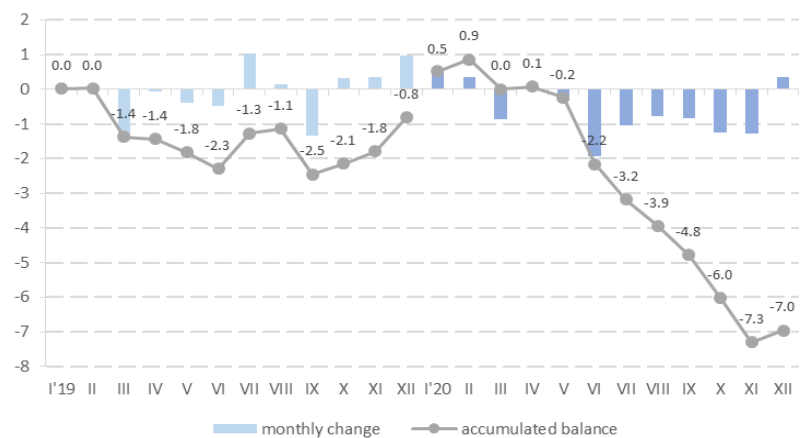
Change of debt in the domestic Treasury securities held by banks PLN bn

In the period of I-XII 2020 there was an increase of debt by PLN 125.5bn comparing to PLN 40.9bn increase during the same period of 2019. Banks' holdings reached the level of PLN 430.4bn.



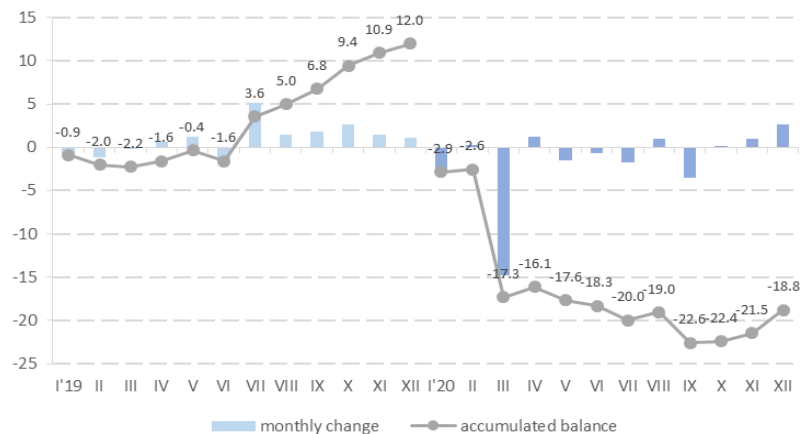
Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In the period of I-XII 2020 there was a decrease of debt by PLN 7.0bn comparing to PLN 0.8bn decrease during the same period of 2019. Insurance companies' holdings reached the level of PLN 57.3bn.



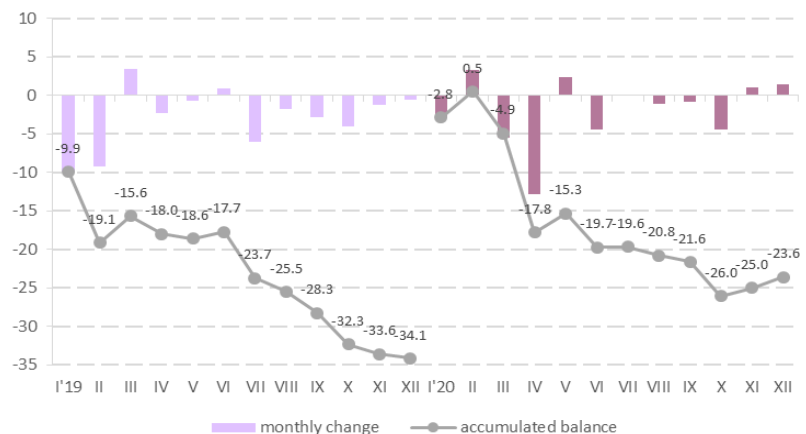
Change of debt in the domestic Treasury securities held by investment funds PLN bn

In the period of I-XII 2020 there was a decrease of debt by PLN 18.8bn comparing to PLN 12.0bn increase in the same period of 2019. Investment funds' holdings reached the level of PLN 48.6bn.



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

In the period of I-XII 2020 there was a decrease of debt by PLN 23.6bn comparing to PLN 34.1bn decrease in the same period of 2019. Foreign investors' holdings reached the level of PLN 133.8bn.



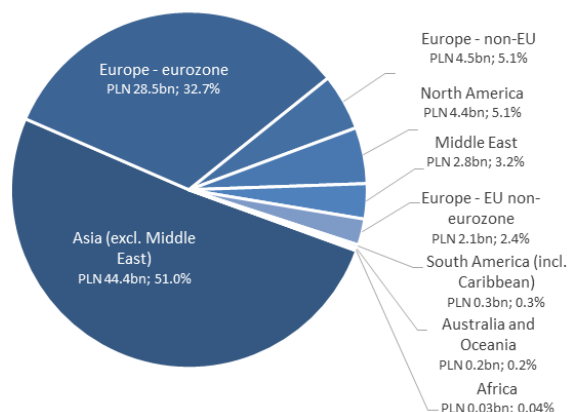
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

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

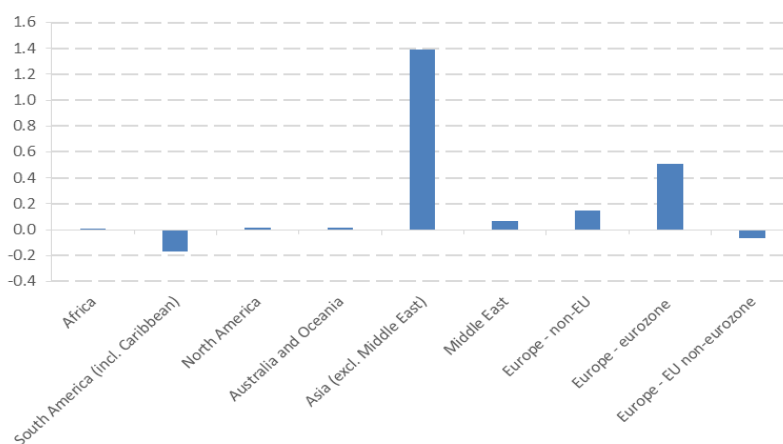
The non-residents' share in the domestic Treasury securities market increased by PLN 1.4bn in December 2020. The foreign investors' portfolio amounted to PLN 133.8bn, which constituted 17.1% share in total debt in Treasury securities (16.9% in the previous month).



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

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

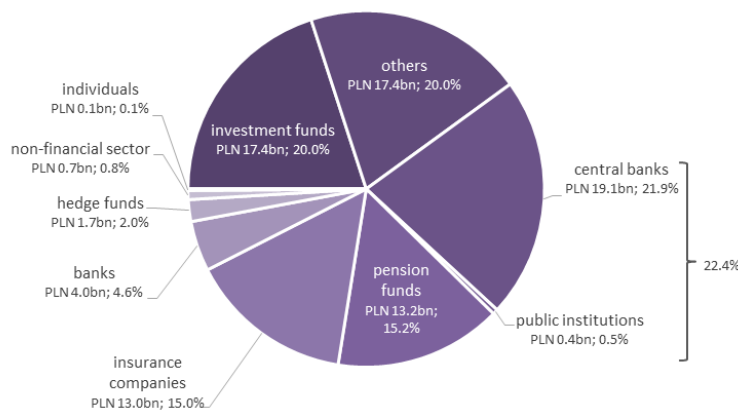
In December 2020 the highest increase was recorded by Asian investors (excl. Middle East) (PLN 1.4bn), while the highest decrease was noted by investors from South America (PLN 0.2bn).



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

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

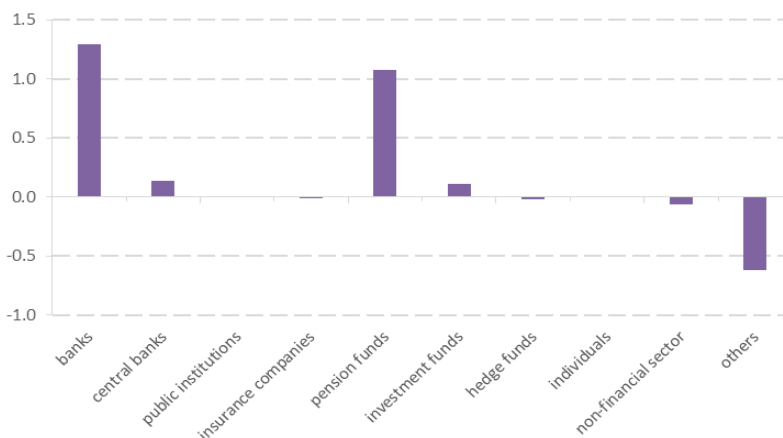
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 22.4% at the end of December 2020.



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

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

In December 2020 the highest increase was recorded by banks (PLN 1.3bn), while the highest decrease was noted by investors categorized as "others" (PLN 0.6bn).



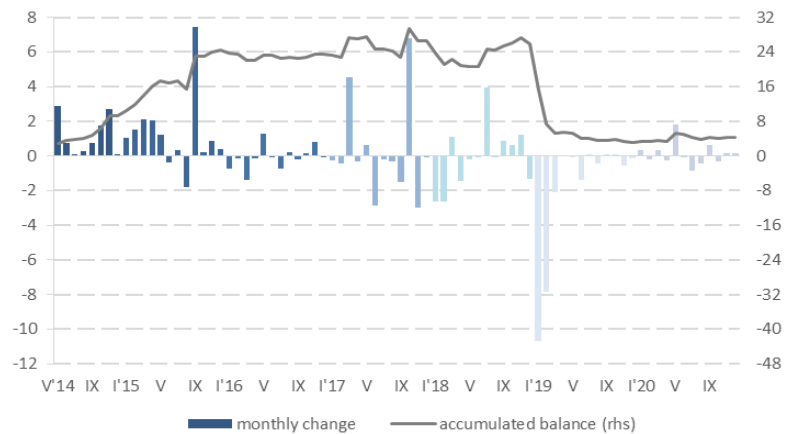


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in December 2020, PLN bn

Central banks and public institutions' involvement increased by PLN 0.1bn in December 2020. In the period from the end of April 2014 to the end of December 2020, for which the detailed information is available, portfolios of those entities increased by PLN 4.4bn.



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

as of December 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	24 253.2	35.6%
Luxembourg	7 910.4	11.6%
Netherlands	7 096.2	10.4%
Ireland	5 003.1	7.3%
Germany	4 690.2	6.9%
United States	3 695.7	5.4%
United Kingdom	2 872.6	4.2%
France	2 117.1	3.1%
Switzerland	1 331.5	2.0%
United Arab Emirates	1 297.5	1.9%
Italy	877.6	1.3%
Denmark	816.6	1.2%
Hong Kong	781.7	1.1%
Others	5 351.6	7.9%
Total	68 095.0	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

29-01-2021

At the end of January the reserve of liquid funds in PLN and foreign currency on the budgetary accounts amounted to ca. PLN 95bn. The level of financing of this year's borrowing requirements is ca. 42%.

Two Treasury bond auctions are planned for February. First the switching auction, then T-bond sale auction. No T-bill auctions are planned.

In December 2020 indebtedness in domestic Treasury securities increased by PLN 2.0bn. The involvement of domestic non-banking investors increased by PLN 5.8bn, and foreign investors by PLN 1.4bn, while the indebtedness towards domestic banks decreased by PLN 5.2bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN FEBRUARY 2021



T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
18 FEB 2021	22 FEB 2021	OK0423 / P1026 / WZ1126 / DS1030 / WZ1131 / possible T-bond either of WS or IZ type	4.000-7.000

*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

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)*
4 FEB 2021 / 8 FEB 2021	OK0423 / PS0425 / WZ1126 / DS1030 / WZ1131	PS0421	13.074
		OK0521	8.687
		PS0721	24.040
		DS1021	13.973

* After settlement of auction held on February 4, 2021.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0521 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0223 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0224 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0225 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0231 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0227 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0233 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period