

State budget borrowing requirements' financing plan and its background

August 2021

THE MOST IMPORTANT INFORMATION

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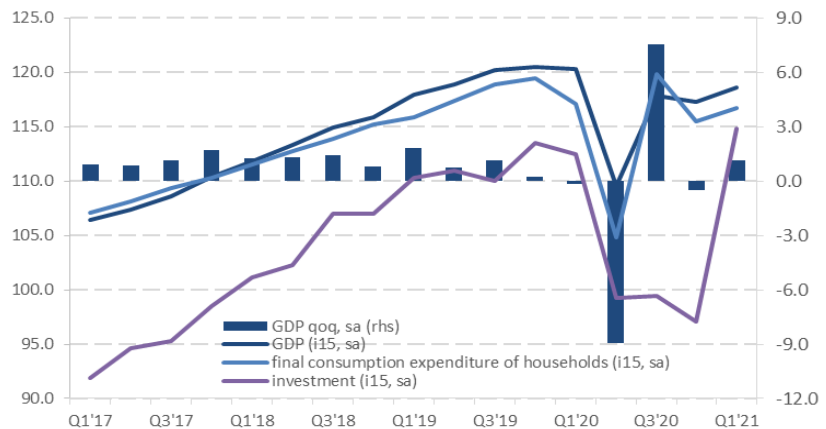


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

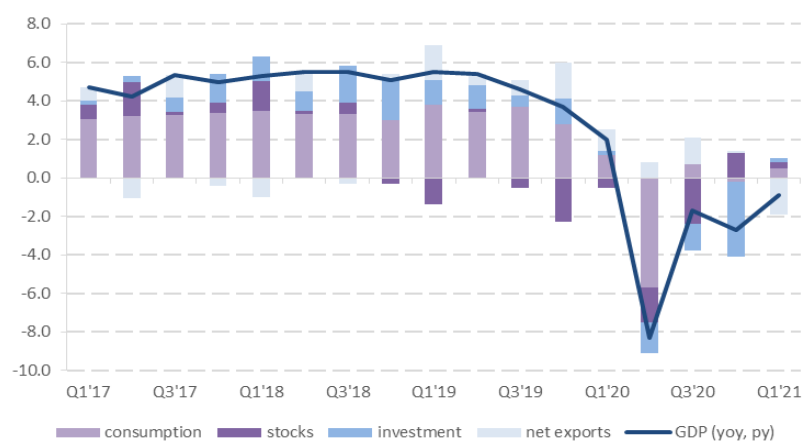
The beginning of this year showed an improvement in economic activity in Poland. In the first quarter of 2021 GDP increased by 1.1% (qoq, sa) despite the third wave of the pandemic, the increase in infections and strengthening of restrictions. Investment surprised on the upside rebounding by 18.2% (qoq, sa), exceeding its pre-pandemic level. Despite closure of some commercial and service facilities, households consumption also increased (by 1.0% qoq, sa). Domestic demand recovery supported imports which went up by 2.3% (qoq, sa).



Contributions to Polish GDP growth

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

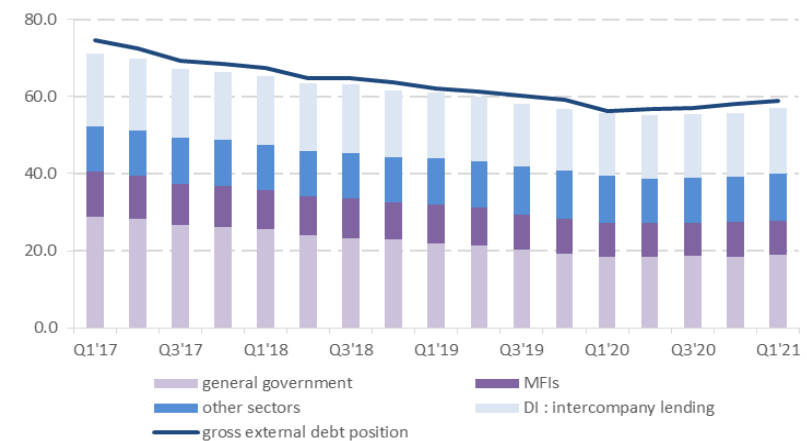
In the first quarter of 2021 GDP was 0.9% (py) lower than in the previous year. Households and public consumption increased by 0.2% and 2.5% (yoy, py), respectively. Investment was also slightly higher than in the same period of 2020. Due to stronger imports than exports dynamics, contribution of foreign trade to GDP growth was negative.



Polish gross external debt position

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

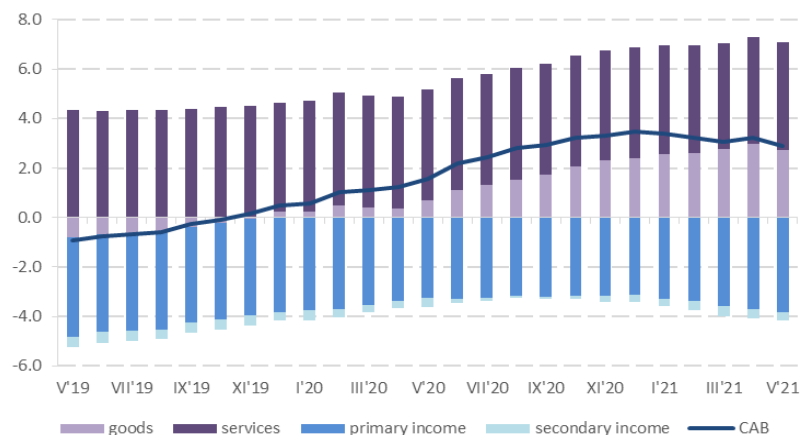
At the end of the first quarter of 2021 gross external debt reached EUR 307.7bn (58.9% of GDP) and was EUR 4.0bn higher than in the previous quarter. The share of general government sector debt in total debt increased slightly to 32.0%. At the end of May 2021 official reserve assets reached EUR 133.4bn 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

In May 2021, according to preliminary data, current account surplus narrowed to 2.9% of GDP (in 12-month terms). Foreign sales remained in upward trend, however due to stronger imports than exports dynamics positive balance on goods decreased to 2.7% of GDP. Due to recovery of foreign investors' income on their capital involvement in Polish entities, primary income deficit returned to its pre-pandemic level.

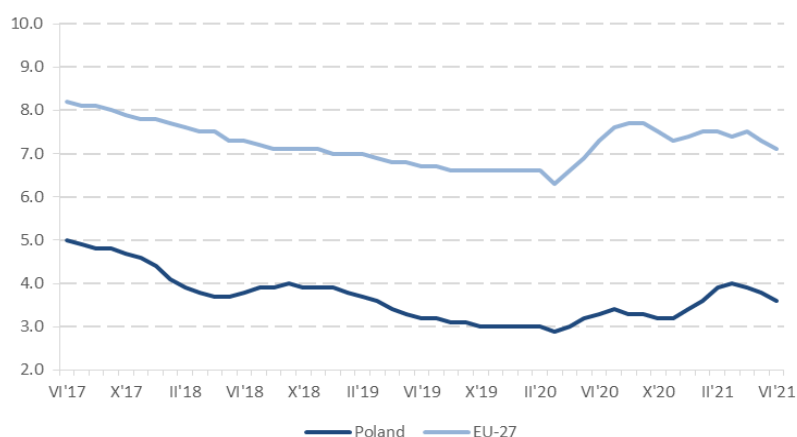




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

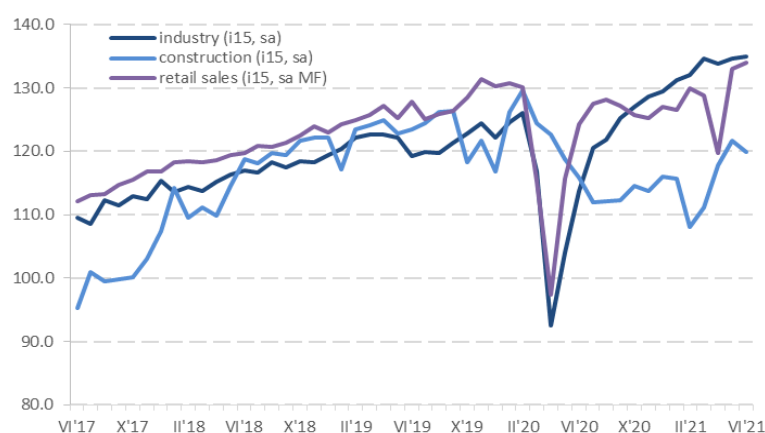
Harmonised unemployment rate slightly decreased for a third month in a row to 3.6% in June 2021. It was by 0.3 pp higher than a year earlier. It was much lower than in the EU-27 and the eurozone on average (in June 2021 7.1% and 7.7%, respectively).



Monthly indicators of the real sector

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

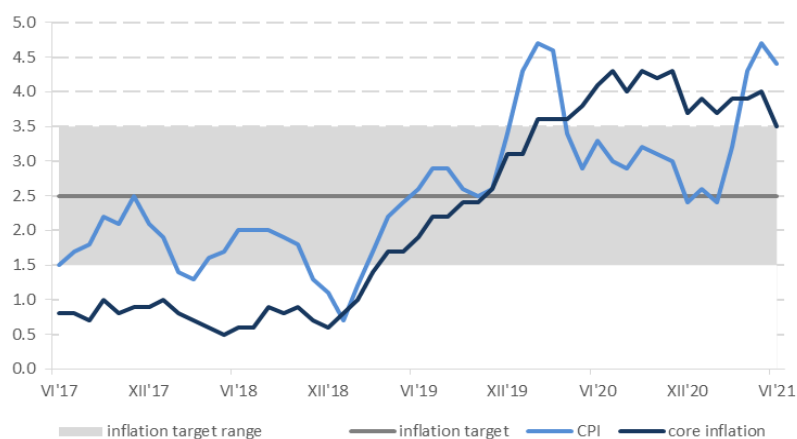
In June 2021 industrial production increased by 0.2% (mom, sa) and was 18.4% higher than a year ago (non-seasonally adjusted data, nsa) boosted by low statistical base. Data were slightly below market expectations. Construction production declined by 1.5% following the increases in the three previous months (mom, sa). As a result, its level was 4.4% (nsa) higher than a year ago. Data were weaker than expectations. Retail sales increased slightly (mom, sa MF) following the jump in the previous month. The retail sales level was 8.6% higher than a year before. The data were close to expectations.



Inflation

percent, yoy
source: GUS, NBP

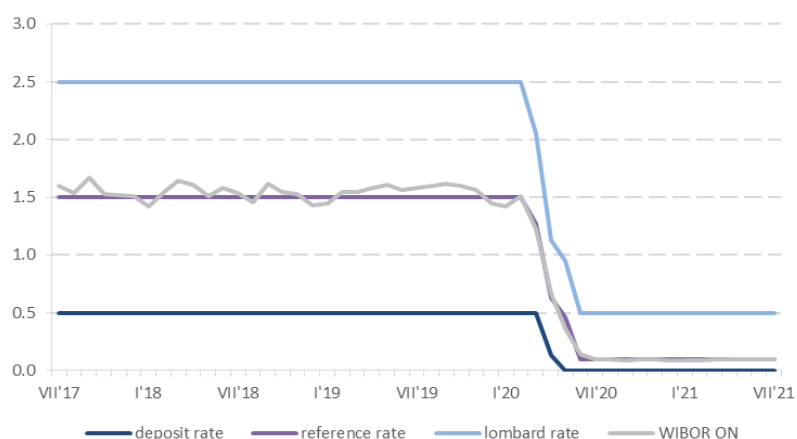
Since March 2021 inflation rate has accelerated achieving 4.7% in May (yoy). In June CPI rate decreased to 4.4%. Due to rise of crude oil prices on international markets energy prices increased considerably. Core inflation (CPI excluding food and energy prices) was still high, but in June it decreased to 3.5% (yoy). Higher inflation rate was affected also by the low base from the previous year connected with the pandemic outbreak. In July, according to the preliminary data, inflation rose to 5.0% and was considerably higher than market expectations. Because of high commodity prices and supply lack, producer prices also rose considerably. In June they were higher than a year before by 7.0%.



NBP interest rates

percent, monthly average
source: NBP, Refinitiv

The NBP's interest rates have remained on hold since end-May 2020. The reference is 0.1%, the lombard rate amounts to 0.5% and the deposit rate is 0.0%. Since March 2020 NBP has purchased government securities and government-guaranteed debt securities on the secondary market. Till the end of July 2021 central bank has purchased PLN 140.2bn (face value) in debt securities. According to the Monetary Policy Council, the NBP's monetary policy supports the consolidation of economic recovery following the pandemic-induced recession and stabilises inflation at the level consistent with the NBP's inflation target in the medium term.





II. STATISTICAL DATA

	Unit	2019 Q04	2020 Q01	Q02	Q03	Q04	2021 Q01
GDP							
Gross domestic product	YoY	3.7	2.0	-8.3	-1.7	-2.7	-0.9
	QoQ SA	0.2	-0.2	-8.9	7.5	-0.5	1.1
Final consumption expenditure of the households sector	YoY	3.7	1.2	-10.8	0.4	-3.2	0.2
	QoQ SA	0.5	-2.0	-10.5	14.3	-3.6	1.0
Final consumption expenditure of the general government sector	YoY	4.8	2.5	3.4	3.0	7.7	2.5
	QoQ SA	-0.1	1.6	0.9	0.8	1.6	-0.1
Gross fixed capital formation	YoY	5.2	1.7	-9.8	-8.2	-15.4	1.3
	QoQ SA	3.1	-0.9	-11.8	0.3	-2.4	18.2
Exports of goods and services	YoY	3.1	2.7	-13.7	2.3	7.6	5.7
	QoQ SA	-0.3	1.9	-16.6	20.7	4.9	-0.1
Imports of goods and services	YoY	-0.5	0.8	-16.6	-0.3	8.2	10.0
	QoQ SA	-1.6	0.7	-16.9	23.5	3.9	2.3
Gross value added	YoY	3.6	2.0	-8.0	-2.0	-3.0	-1.3
	QoQ SA	0.3	0.0	-9.3	7.3	0.3	1.3
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	1.9	0.7	-6.2	0.2	-1.7	0.1
Final consumption expenditure of the general government sector	pp	0.9	0.5	0.5	0.5	1.5	0.4
Gross fixed capital formation	pp	1.3	0.2	-1.6	-1.4	-3.9	0.2
Changes in inventories	pp	-2.3	-0.5	-1.8	-2.4	1.3	0.3
Balance of trade turnover	pp	1.9	1.1	0.8	1.4	0.1	-1.9
Gross value added	pp	3.1	1.8	-7.0	-1.8	-2.7	-1.2
GDP structure							
Final consumption expenditure of the households sector	% of GDP	50.2	61.4	55.4	59.0	49.1	60.3
Final consumption expenditure of the general government sector	% of GDP	19.3	17.7	19.4	18.4	21.2	17.9
Gross fixed capital formation	% of GDP	25.1	12.8	15.8	16.0	21.3	12.7
Changes in inventories	% of GDP	-0.2	1.2	0.8	-0.9	0.8	2.1
Exports of goods and services	% of GDP	51.6	57.6	52.3	56.4	56.6	61.0
Imports of goods and services	% of GDP	46.7	51.6	44.7	49.8	49.6	54.9
Balance of payments							
	Unit	2021 M01	M02	M03	M04	M05	M06
Goods: exports (EUR)	YoY	0.8	6.3	28.9	69.2	41.7	-
Goods: imports (EUR)	YoY	-4.5	5.8	24.3	59.7	53.7	-
Current account balance ¹⁾	% of GDP	3.4	3.2	3.1	3.2	2.9	-
Balance on goods ¹⁾	% of GDP	2.6	2.6	2.8	3.0	2.7	-
Official Reserve Assets	EUR m	129 831.5	134 764.3	134 814.3	128 703.1	133 383.4	134 113.7
Inflation							
Consumer Price Index (CPI)	YoY	2.6	2.4	3.2	4.3	4.7	4.4
Core inflation (CPI excluding food and energy prices)	YoY	3.9	3.7	3.9	3.9	4.0	3.5
Producer Price Index (PPI)	YoY	1.0	2.2	4.2	5.5	6.6	7.0
Production							
Sold production of industry ²⁾	YoY	0.7	2.5	18.6	44.2	29.7	18.4
	MoM SA	1.4	0.5	2.0	-0.6	0.7	0.2
Construction and assembly production ²⁾	YoY	-10.1	-16.9	-10.8	-4.2	4.7	4.4
	MoM SA	-0.2	-6.6	2.8	6.0	3.4	-1.5
Manufacturing PMI	SA	51.9	53.4	54.3	53.7	57.2	59.4
Households and labour market							
Retail sales ²⁾	YoY	-6.0	-3.1	15.2	21.1	13.9	8.6
Average paid employment in enterprise sector	YoY	-2.0	-1.7	-1.3	0.9	2.7	2.8
	MoM	-0.2	0.3	-0.1	-0.2	0.3	0.3
Average monthly gross wages and salaries in enterprise sector (real)	YoY	2.2	2.0	4.7	5.3	5.2	5.1
	MoM	-8.5	0.1	5.4	-2.9	-3.2	2.8
Harmonised unemployment rate (Eurostat)	%, SA	3.6	3.9	4.0	3.9	3.8	3.6
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							
State Treasury debt							
	Unit	2020 M12	2021 M01	M02	M03	M04	M05
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 097 480.0	1 089 613.3	1 122 205.5	1 131 763.0	1 122 147.1	1 125 467.6
Domestic debt	face value, PLN m	831 455.0	828 645.7	845 111.7	847 671.6	851 752.5	854 274.5
	%	75.8	76.0	75.3	74.9	75.9	75.9
Foreign debt	face value, PLN m	266 025.0	260 967.6	277 093.8	284 091.3	270 394.6	271 193.1
	%	24.2	24.0	24.7	25.1	24.1	24.1
Public debt (domestic definition)							
	Unit	2019 Q04	2020 Q01	Q02	Q03	Q04	2021 Q01
Public debt (acc. to the place of issue criterion)	face value, PLN m	990 948.4	1 045 474.8	1 097 298.7	1 106 292.0	1 111 806.1	1 152 655.2
Domestic debt	face value, PLN m	716 183.7	744 617.7	825 499.1	824 082.3	823 541.9	846 216.1
	%	72.3	71.2	75.2	74.5	74.1	73.4
Foreign debt	face value, PLN m	274 764.7	300 857.2	271 799.6	282 209.7	288 264.2	306 439.2
	%	27.7	28.8	24.8	25.5	25.9	26.6
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 045 646.3	1 103 695.0	1 255 644.7	1 306 455.0	1 336 091.0	1 389 836.8

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2021

as of July 31, 2021, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 79% was a result of:

- T-bond sale on domestic market: PLN 64.5bn,
- switch auctions in 2021: PLN 23.2bn,
- switch auctions in 2020: PLN 41.1bn,
- loans from the European Union under the SURE instrument in the amount of PLN 32.9bn,
- loans incurred from international financial institutions (IFIs): PLN 0.3bn,
- higher financial resources at the end of 2020: PLN 62.0bn.

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

plan as of July 31, 2021, PLN bn

Value of funds transferred from the State budget to the market in August shall amount to PLN 0.14bn (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 2021 the funds to be transferred to the domestic market shall amount to PLN 16.0bn (as of July 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 August to the end of 2021 is not presented.

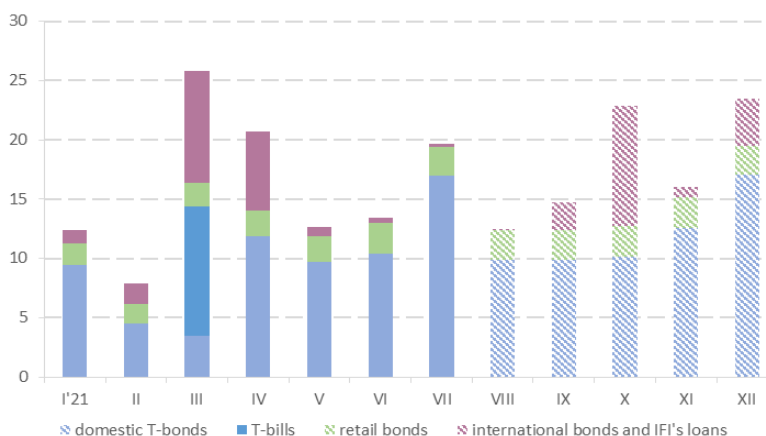
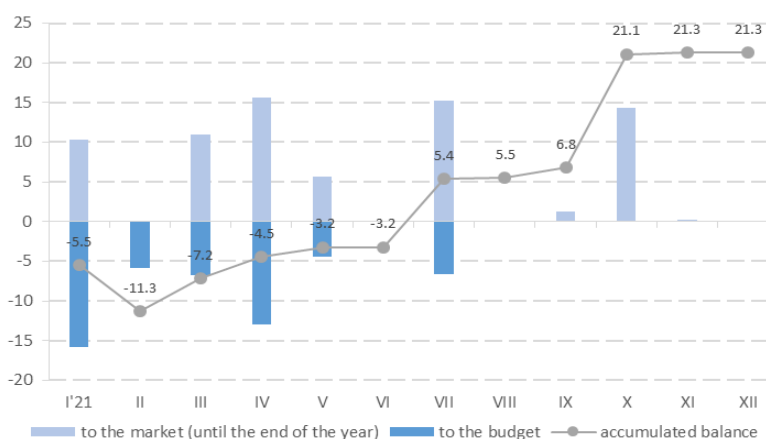
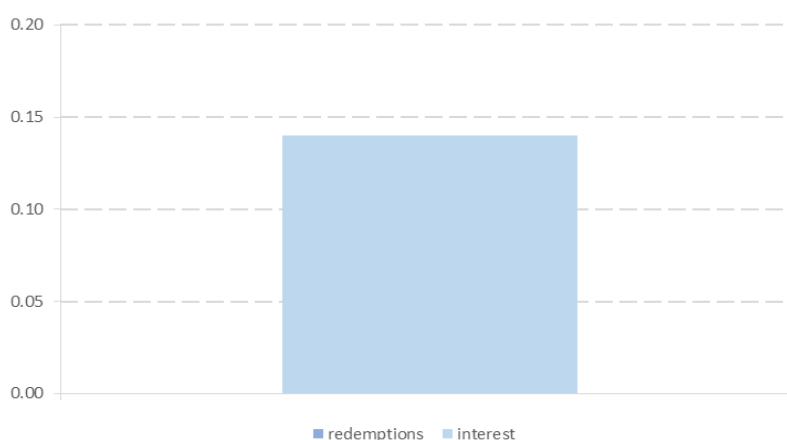
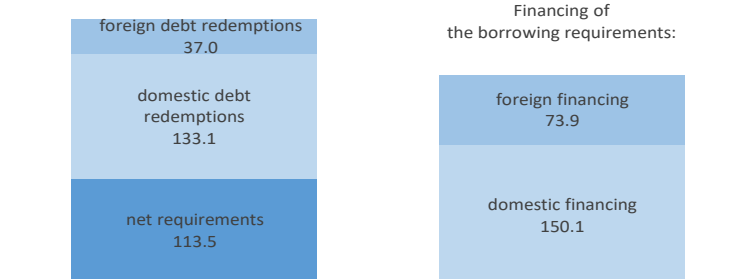
State Treasury debt redemptions in 2021

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

The nominal amount of debt to be redeemed in 2021 (as of July 31, 2021) is equal to PLN 89.5bn, including:

- T-bonds: PLN 59.6bn,
- retail bonds: PLN 12.6bn,
- bonds and loans incurred on foreign markets: PLN 17.4bn.

Gross borrowing requirements
PLN 283.6bn, of which:





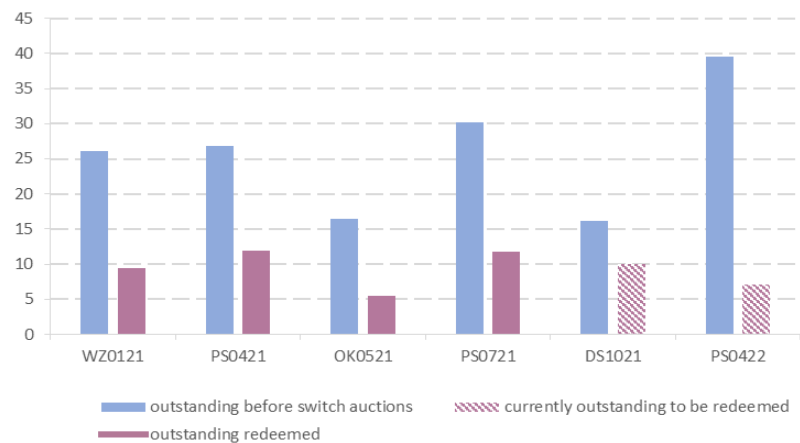
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

as of July 31, 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 6.1bn (38% of the issuance),
- PS0422: PLN 32.5bn (82% of the issuance).

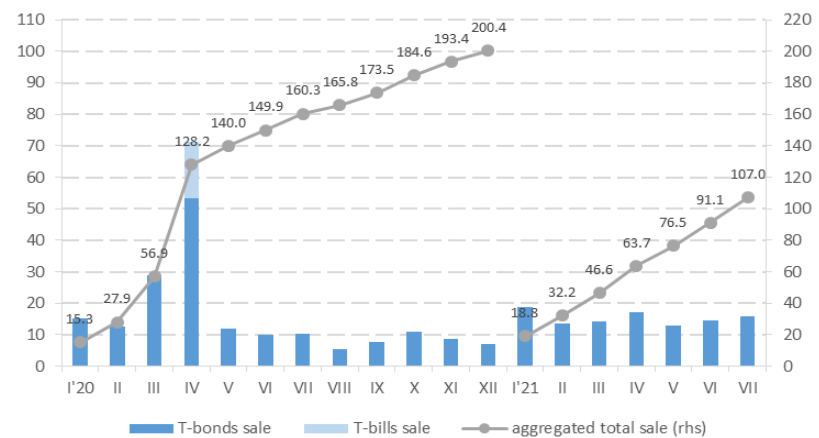


Sale of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-VII 2021 aggregated total sale of T-bonds amounted to PLN 107.0bn versus PLN 142.6bn in the same period of 2020.

T-bills were not sold versus PLN 17.7bn sold in 2020.



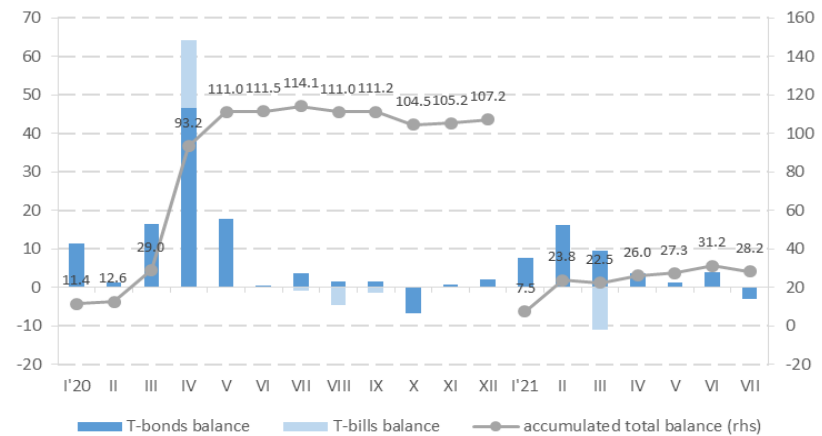
Balance of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-VII 2021 indebtedness in:

- T-bonds increased by PLN 39.1bn versus an increase of PLN 97.3bn in the same period of 2020,
- T-bills decreased by PLN 10.9bn versus increase of PLN 16.8bn in the same period of 2020.

The figures also include the amounts 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.

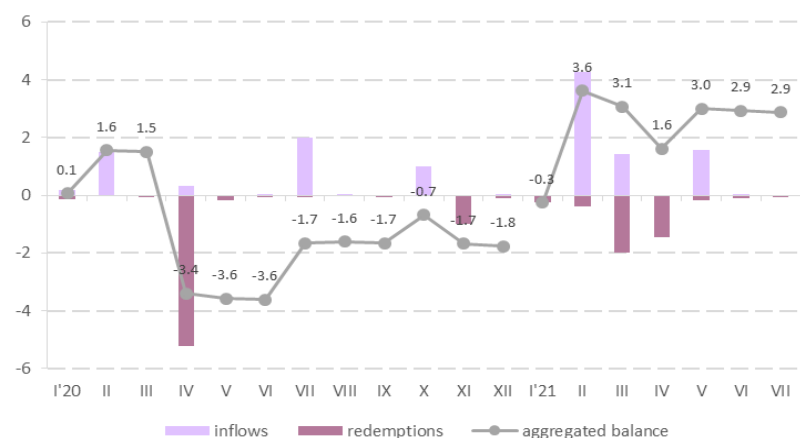


External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-VII 2021 was positive and amounted to EUR 2.9bn, which resulted from:

- negative balance of T-bonds issuance of EUR 4.0bn,
- negative balance of loans from IFIs at the level of EUR 0.4bn,
- loans from the European Union under the SURE instrument in the amount of EUR 7.2bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

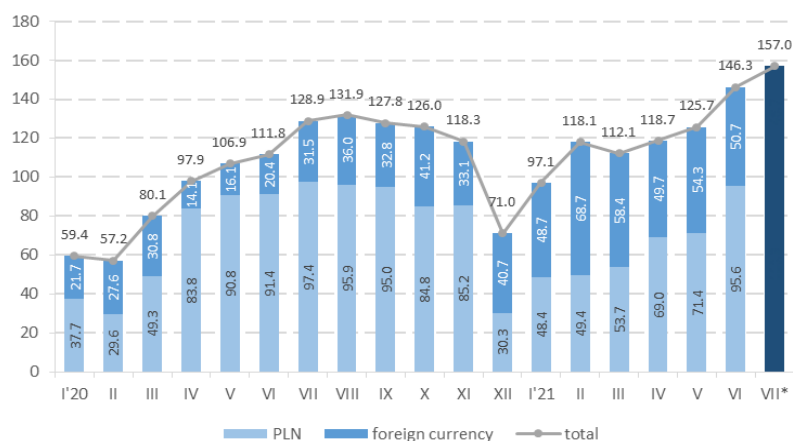


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of July 2021 there was equivalent of PLN 157.0bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

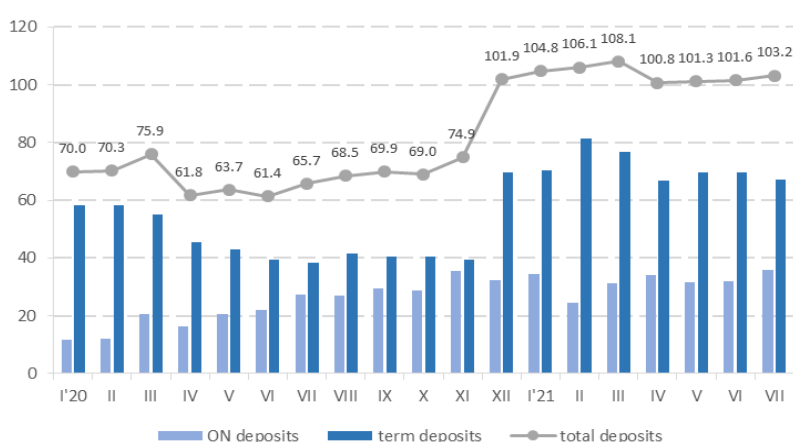
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

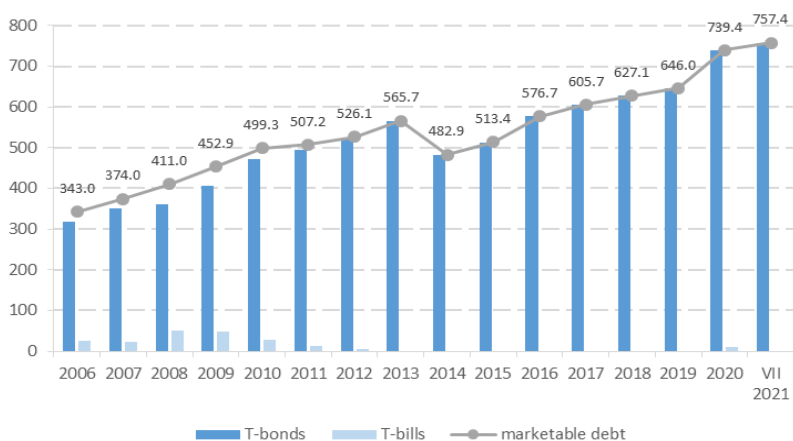
As a result of consolidation of the public finance sector liquidity management there were PLN 103.2bn funds accumulated at the end of July 2021, of which: PLN 67.2bn was on term deposits and PLN 36.0bn on ON deposits.



Structure of domestic marketable debt

PLN bn

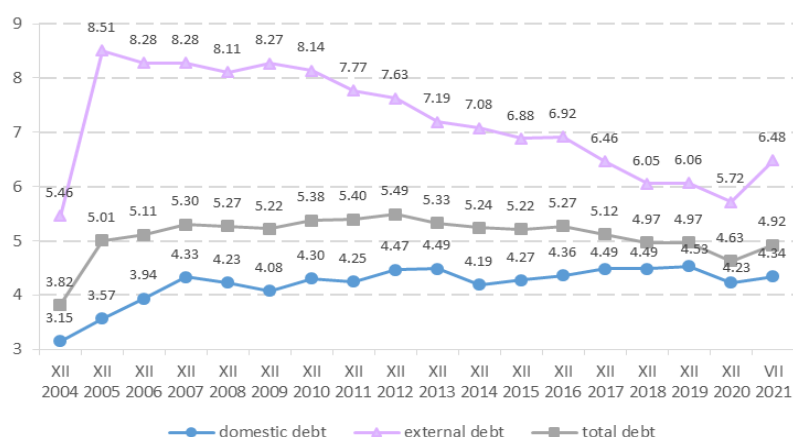
The marketable domestic debt amounted to PLN 757.4bn at the end of July 2021, comparing to PLN 739.4bn at the end of 2020.



Average maturity

years

The average maturity of the domestic debt amounted to 4.34 years at the end of July 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.92 years (4.63 years at the end of 2020).



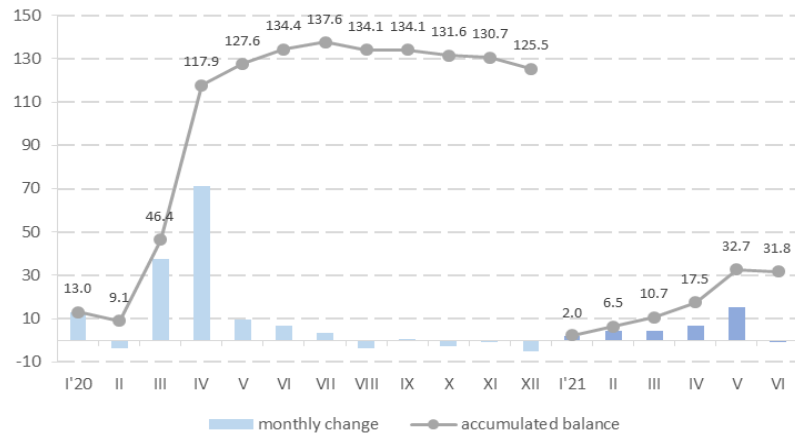


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

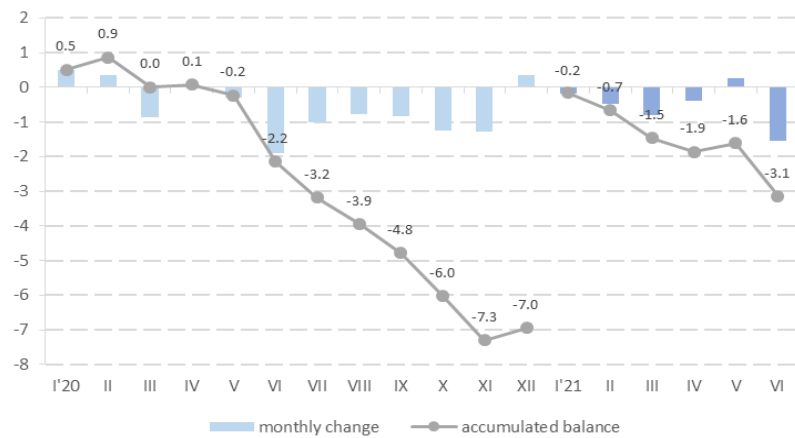
In the period of I-VI 2021 there was an increase of debt by PLN 31.8bn comparing to PLN 134.4bn increase during the same period of 2020. Banks' holdings reached the level of PLN 462.2bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

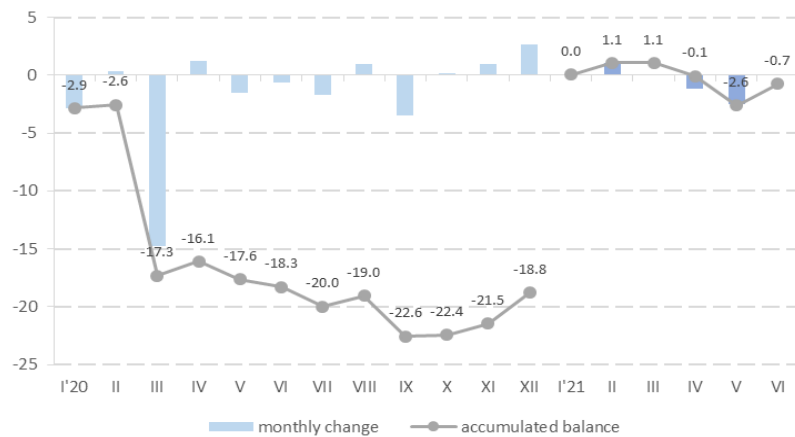
In the period of I-VI 2021 there was a decrease of debt by PLN 3.1bn comparing to PLN 2.2bn decrease in debt during the same period of 2020. Insurance companies' holdings reached the level of PLN 54.2bn.



Change of debt in the domestic TS held by investment funds

PLN bn

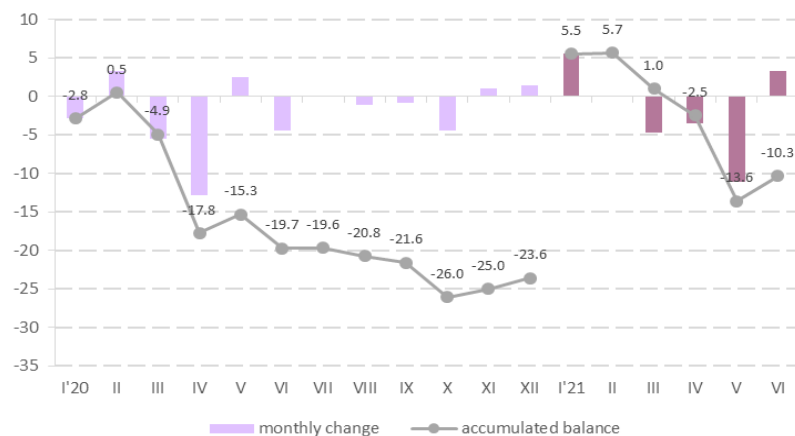
In the period of I-VI 2021 there was a decrease of debt by PLN 0.7bn comparing to PLN 18.3bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 46.7bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-VI 2021 there was a decrease of debt by PLN 10.3bn comparing to PLN 19.7bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 123.4bn.



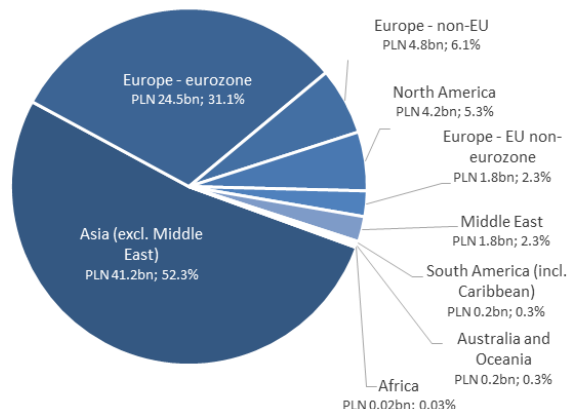
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

as of June 30, 2021, the chart presents data excluding omnibus accounts

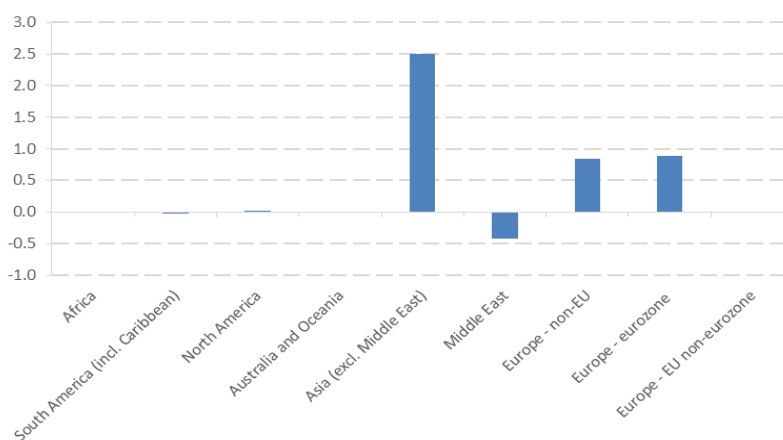
The non-residents' share in the domestic TS market increased by PLN 3.3bn in June 2021. The foreign investors' portfolio amounted to PLN 123.4bn, which constituted 15.2% share in total debt in TS (14.9% in the previous month).



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

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

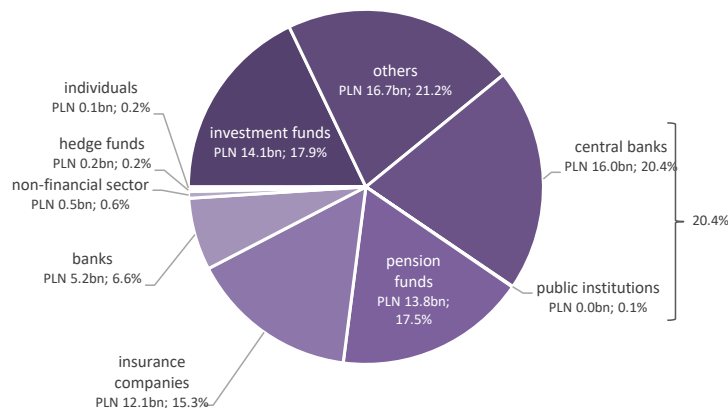
In June 2021 the highest increase was recorded by Asia (PLN 2.5bn), while the highest decrease was noted by Middle East investors (PLN 0.4bn).



Institutional distribution of the domestic TS held by non-residents

as of June 30, 2021, the chart presents data excluding omnibus accounts

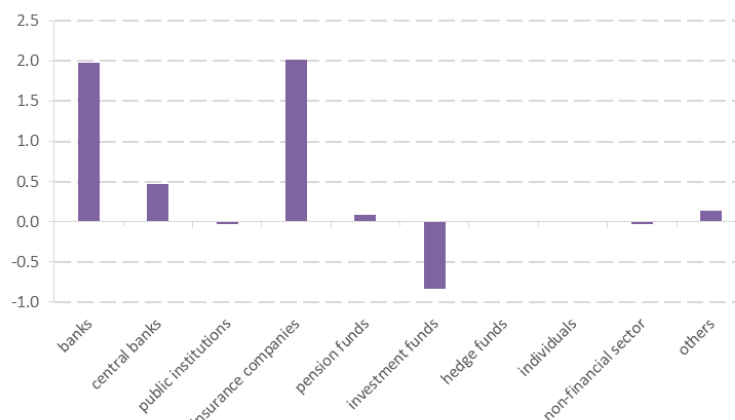
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 20.5% at the end of June 2021.



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

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

In June 2021 the highest increase was recorded by insurance companies (PLN 2.0bn) and banks (PLN 2.0bn), while the highest decrease was noted by investment funds (PLN 0.8bn).



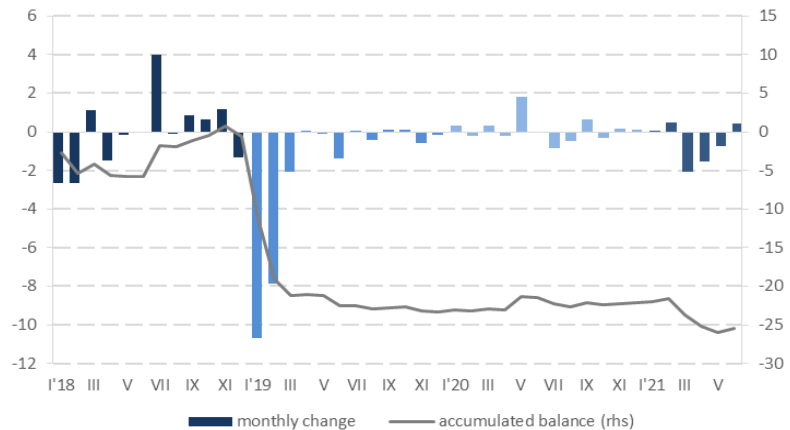


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in June 2021, PLN bn

Central banks and public institutions' involvement increased by PLN 0.5bn in June 2021. In the period from January 2018 to the end of June 2021, for which the detailed information is available, portfolios of those entities decreased by PLN 25.5bn.



Structure of non-residents' holdings in TS by countries

as of June 30, 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	24 849.8	39.7%
Luxembourg	6 310.9	10.1%
Netherlands	6 260.3	10.0%
Germany	5 036.8	8.0%
United States	3 502.8	5.6%
United Kingdom	3 409.2	5.4%
Ireland	3 121.6	5.0%
France	1 547.5	2.5%
Switzerland	1 326.0	2.1%
Denmark	1 012.5	1.6%
Austria	925.3	1.5%
United Arab Emirates	791.7	1.3%
Italy	696.6	1.1%
Others	3 853.6	6.2%
Total	62 644.5	100.0%

Comment

Sebastian Skuza, Secretary of State at the MoF

31-07-2021

(...) The level of financing of this year's borrowing requirements is ca. 79%.

One Treasury bond switching auction is planned for August. No T-bill auctions are planned.

In June indebtedness in domestic Treasury securities increased by PLN 3.9bn. The involvement of domestic banks decreased by PLN 1.0bn, the indebtedness towards foreign investors increased by PLN 3.3bn while involvement of domestic non-banking sector increased by PLN 1.9bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN AUGUST 2021



T-bond sale auction

Sale auctions of T-bonds are not planned.

T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
19 AUG 2021 / 23 AUG 2021	OK0423 / PS1026 / WZ1126 / WZ1131 / DS0432 possible T-bond either of WS or IZ type	DS1021	12.526
		PS0422	34.401
		OK0722	31.439

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS1121 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0823 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0824 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0825 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0831 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0827 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0833 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period