

State budget borrowing requirements' financing plan and its background

May 2022

THE MOST IMPORTANT INFORMATION

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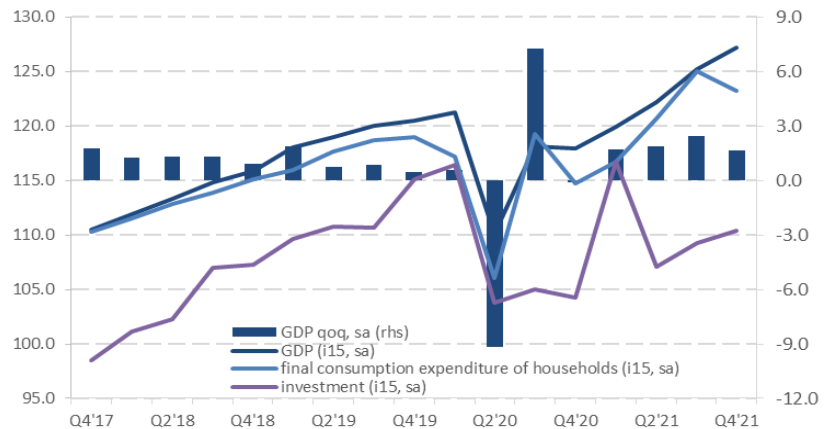


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

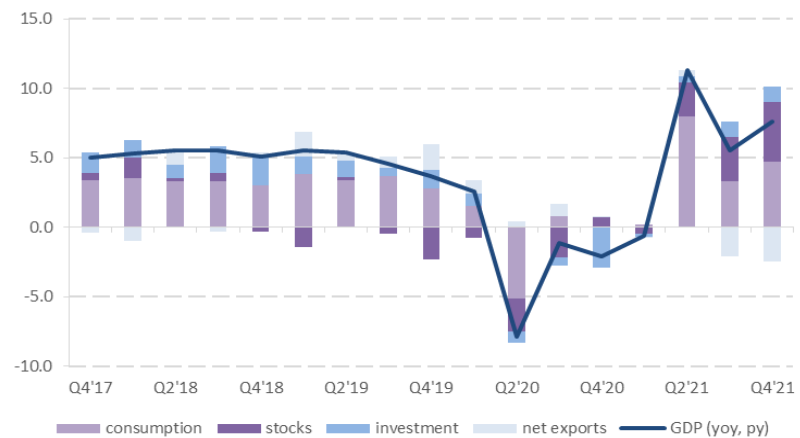
In the last quarter of 2021 there was a slowdown in economic growth (from 2.5% to 1.6% qoq, sa, according to revised data). However, its scale was moderate and GDP growth remained at the relatively high level, especially if we take into account the fourth wave of the pandemic. Households consumption decreased by 1.4% (qoq, sa) while investment went up by 1.1% (qoq, sa). Monthly data concerning real sector, indicate a continuation of a good economic performance in the first quarter, despite the fifth wave of the pandemic. 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

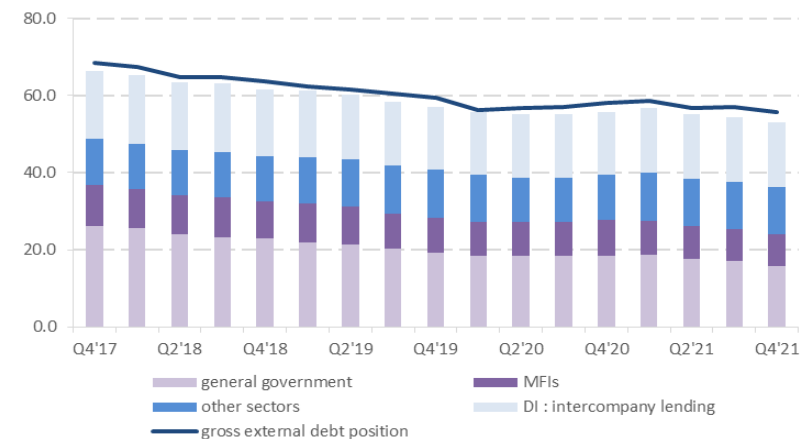
In the fourth quarter of 2021 GDP was 7.6% (py) higher than in the previous year. The annual dynamics was higher than in the third quarter due to low reference base (stronger negative impact on the economy of the second wave of the pandemic in the fourth quarter of 2020 than of the fourth wave a year later). Households consumption increased by 8.0% and investment was 5.2% higher than a year earlier. 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 inventories.



Polish gross external debt position

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

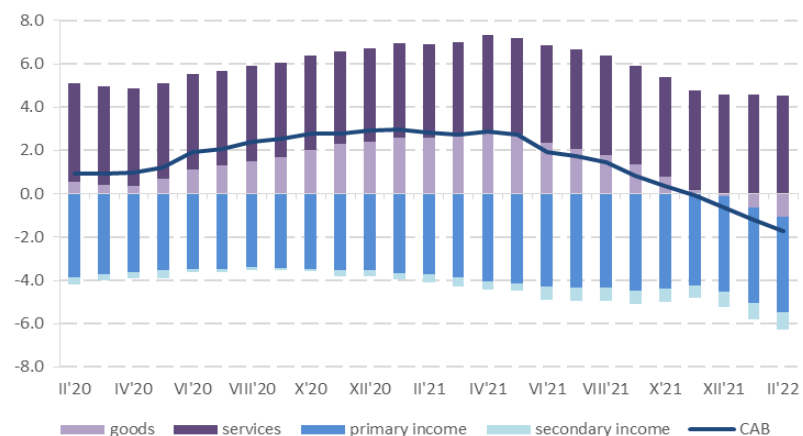
At the end of the fourth quarter of 2021 gross external debt reached EUR 320.4bn (55.8% of GDP) and was EUR 3.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 28.1%. At the end of February 2022 official reserve assets reached EUR 143.7bn 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 February 2022, taking into account preliminary data, current account deficit increased to 1.7% of GDP (in 12-month terms). Due to stronger imports than exports dynamics balance on goods decreased further to -1.1% of GDP. However overall trade balance (including services) remained positive (3.5% of GDP). 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.

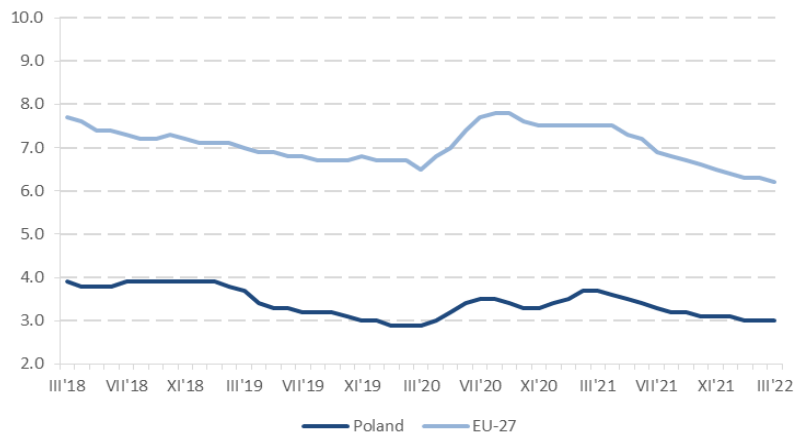




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

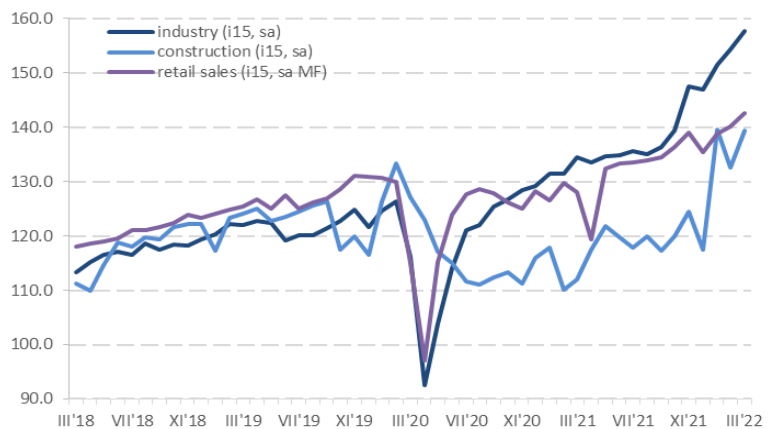
The harmonized unemployment rate (sa) amounted to 3.0% in March 2022 and it was at the same level as in two previous months and 0.7 pp lower than a year earlier. It was only slightly higher than the historical minimum observed in January-March 2020 (2.9%). The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and in the eurozone (6.2% and 6.8%, respectively). Among the EU countries, only in the Czech Republic and in Germany it was lower than in Poland.



Monthly indicators of the real sector

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

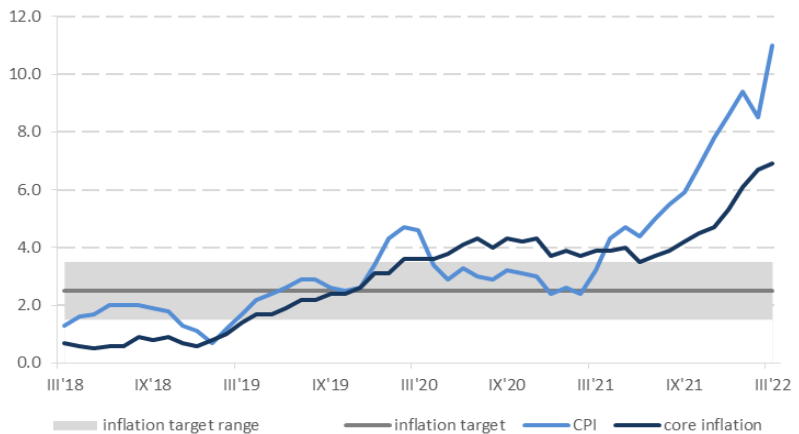
In March 2022 industrial production increased by 2.1% (mom, sa) and was 17.3% higher than a year ago (nsa). Data were above market expectations. Construction production increased by 5.1% (mom, sa) following a drop in the previous month. As a result, its level was 27.6% (nsa) higher than a year ago. Data were much better than MoF expectations. Retail sales increased the third time in a row (mom, sa MoF). Retail sales level was 9.6% higher than a year before. Data were above market expectations.



Inflation

percent, yoy
source: GUS, NBP

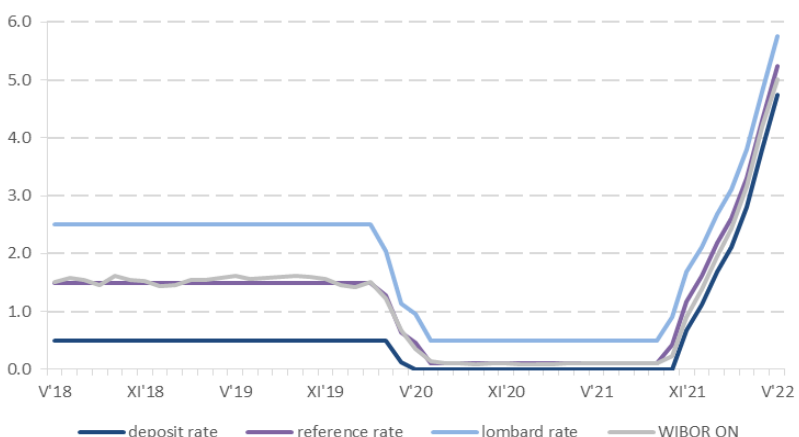
In March 2022 inflation rate increased to 11.0% yoy. It was connected with high increases of energy and food commodities prices on international markets. Annual rate of energy prices rose to 27.4% and food prices to 9.2%. However core inflation (CPI excluding food and energy prices) increased in March in much lower extent to 6.9%. According to the preliminary data in April inflation rose again to 12.3%. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In March they were higher than a year before by 20.0%.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In May 2022 the Monetary Policy Council raised NBP's interest rates by 0.75 percentage point. After eighth hike in a row, reference rate rose to 5.25%, lombard rate reached 5.75%, while the deposit rate increased to 4.75%. In October 2021 - May 2022 the reference rate rose by 5.15 percentage points 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 Q03	Q04	2021 Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	-1.1	-2.1	-0.6	11.3	5.5	7.6
	QoQ SA	7.3	-0.1	1.7	1.9	2.5	1.6
Final consumption expenditure of the households sector	YoY	0.2	-3.1	-0.2	13.0	4.7	8.0
	QoQ SA	12.4	-3.8	1.7	3.4	3.5	-1.4
Final consumption expenditure of the general government sector	YoY	3.3	7.8	2.4	4.2	2.8	4.0
	QoQ SA	1.0	1.6	0.2	1.2	0.8	0.9
Gross fixed capital formation	YoY	-3.2	-11.4	-1.3	3.0	6.6	5.2
	QoQ SA	1.1	-0.6	11.9	-8.3	2.0	1.1
Exports of goods and services	YoY	2.2	7.8	7.4	29.8	7.3	6.1
	QoQ SA	21.0	4.4	1.1	1.3	0.5	3.7
Imports of goods and services	YoY	0.8	8.5	8.6	33.8	12.5	12.2
	QoQ SA	22.4	4.2	2.6	2.4	2.5	3.8
Gross value added	YoY	-1.3	-2.4	-0.9	10.4	5.4	7.5
	QoQ SA	7.3	0.0	1.8	1.4	1.8	1.9
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	0.1	-1.6	-0.2	7.2	2.8	3.9
Final consumption expenditure of the general government sector	pp	0.7	1.6	0.4	0.8	0.5	0.8
Gross fixed capital formation	pp	-0.6	-2.9	-0.2	0.5	1.1	1.1
Changes in inventories	pp	-2.2	0.7	-0.5	2.4	3.2	4.3
Balance of trade turnover	pp	0.9	0.1	-0.1	0.4	-2.1	-2.5
Gross value added	pp	-1.2	-2.1	-0.9	9.2	4.7	6.6
GDP structure							
Final consumption expenditure of the households sector	% of GDP	58.3	48.8	59.9	56.5	57.8	49.7
Final consumption expenditure of the general government sector	% of GDP	18.2	20.8	17.8	18.3	17.8	20.3
Gross fixed capital formation	% of GDP	16.4	21.9	12.9	14.9	16.4	20.9
Changes in inventories	% of GDP	-0.5	0.4	1.5	2.8	3.9	6.2
Exports of goods and services	% of GDP	56.2	57.0	62.4	62.7	59.9	58.6
Imports of goods and services	% of GDP	49.5	49.8	55.4	56.1	56.7	56.5
Balance of payments							
	Unit	2021 M10	M11	M12	2022 M01	M02	M03
Goods: exports (EUR)	YoY	8.9	7.4	26.6	20.0	10.4	-
Goods: imports (EUR)	YoY	24.2	24.3	35.5	37.4	21.6	-
Current account balance ¹⁾	% of GDP	0.4	-0.1	-0.6	-1.2	-1.7	-
Balance on goods ¹⁾	% of GDP	0.8	0.2	-0.1	-0.7	-1.1	-
Official Reserve Assets	EUR m	144 068.1	146 719.0	146 576.0	144 309.5	143 730.1	142 055.7
Inflation							
Consumer Price Index (CPI)	YoY	6.8	7.8	8.6	9.4	8.5	11.0
Core inflation (CPI excluding food and energy prices)	YoY	4.5	4.7	5.3	6.1	6.7	6.9
Producer Price Index (PPI)	YoY	12.0	13.6	14.4	16.1	16.1	20.0
Production							
Sold production of industry ²⁾	YoY	7.6	14.8	16.3	18.0	17.3	17.3
	MoM SA	2.2	5.8	-0.4	3.1	1.9	2.1
Construction and assembly production ²⁾	YoY	4.1	12.8	3.1	20.8	21.2	27.6
	MoM SA	2.3	3.6	-5.6	18.9	-5.0	5.1
Manufacturing PMI	SA	53.8	54.4	56.1	54.5	54.7	52.7
Households and labour market							
Retail sales ²⁾	YoY	6.9	12.1	8.0	10.6	8.1	9.6
Average paid employment in enterprise sector	YoY	0.5	0.7	0.5	2.3	2.2	2.4
	MoM	0.1	0.2	0.0	1.5	0.2	0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	1.5	1.9	2.4	0.1	2.9	1.3
	MoM	0.2	0.8	9.3	-10.4	2.9	3.7
Harmonised unemployment rate (Eurostat)	%, SA	3.1	3.1	3.1	3.0	3.0	3.0
<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	2021 M09	M10	M11	M12	2022 M01	M02
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 144 751.6	1 126 980.2	1 138 121.4	1 138 031.3	1 137 129.6	1 144 852.7
Domestic debt	face value, PLN m	864 975.7	856 613.3	863 872.8	872 678.9	879 244.7	884 288.6
	%	75.6	76.0	75.9	76.7	77.3	77.2
Foreign debt	face value, PLN m	279 775.9	270 366.9	274 248.6	265 352.4	257 884.9	260 584.1
	%	24.4	24.0	24.1	23.3	22.7	22.8
Public debt (domestic definition)							
	Unit	2020 Q03	Q04	2021 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 106 292.0	1 111 806.3	1 152 282.2	1 152 289.1	1 160 738.2	1 148 575.8
Domestic debt	face value, PLN m	824 082.3	823 542.1	845 843.4	855 430.0	858 651.6	859 051.6
	%	74.5	74.1	73.4	74.2	74.0	74.8
Foreign debt	face value, PLN m	282 209.7	288 264.2	306 438.9	296 859.0	302 086.6	289 524.2
	%	25.5	25.9	26.6	25.8	26.0	25.2
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 306 682.0	1 336 557.6	1 389 977.4	1 402 163.1	1 418 823.4	1 410 493.6

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2022

as of April 30, 2022, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 66% (acc. to the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 29.7bn,
- switch auctions in 2022: PLN 7.7bn,
- loans incurred from IFIs: PLN 0.5bn,
- 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 (the final level will be known following the closure of the budget year).

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

plan as of April 30, 2022

Value of funds transferred from the State budget to the market in April shall amount to PLN 2.3bn (interest payments).

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

From May to the end of 2022 the funds to be transferred to the domestic market shall amount to PLN 87.7bn (as of April 30, 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 May to the end of 2022 is not presented.

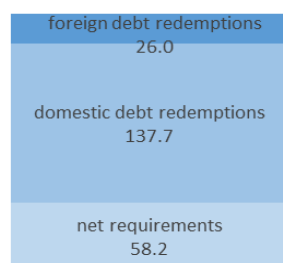
State Treasury debt redemptions in 2022

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

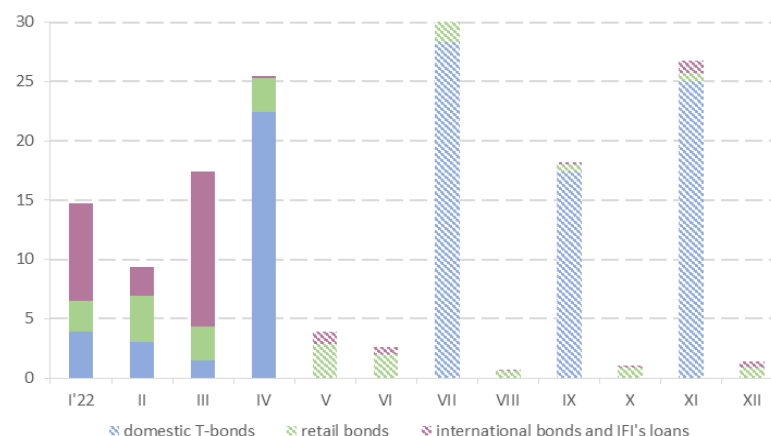
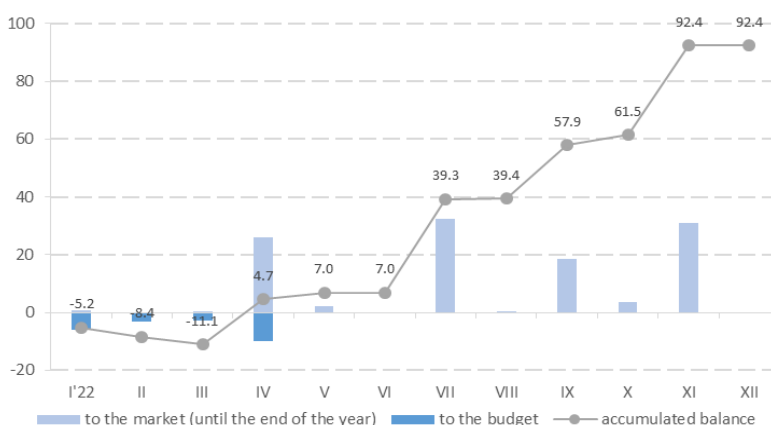
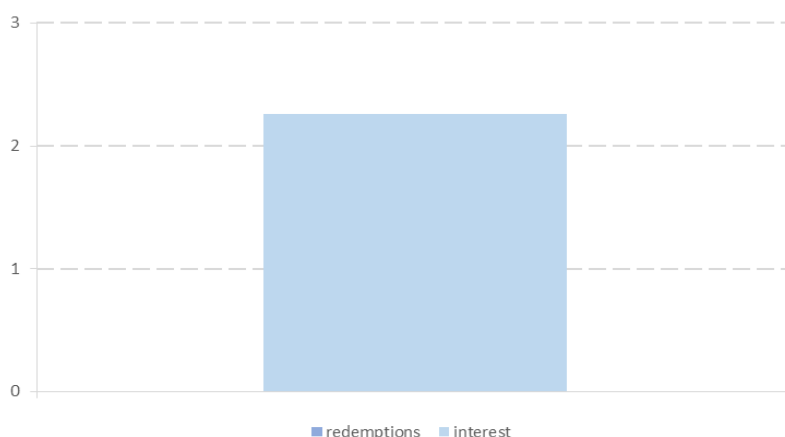
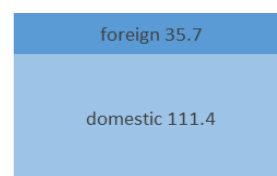
The nominal amount of debt to be redeemed in 2022 (as of April 30, 2022) is equal to PLN 84.7bn, including:

- T-bonds: PLN 70.7bn,
- retail bonds: PLN 10.2bn,
- bonds and loans incurred on foreign markets: PLN 3.8bn.

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



Financing of the borrowing requirements at the level of ca. 66%





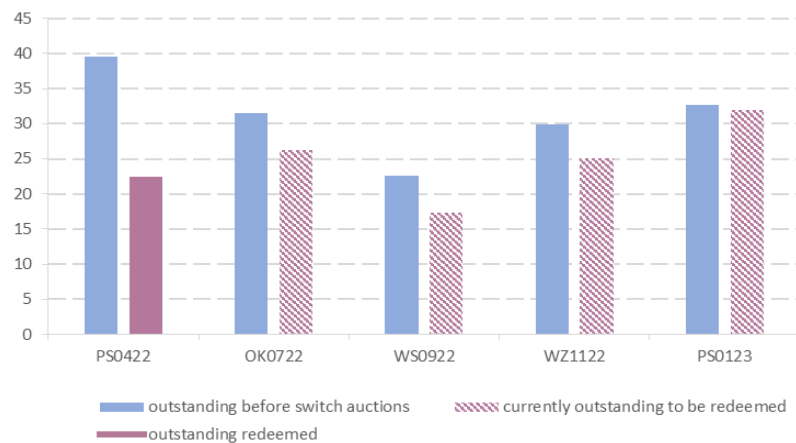
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

as of April 30, 2022, nominal amount, PLN bn

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

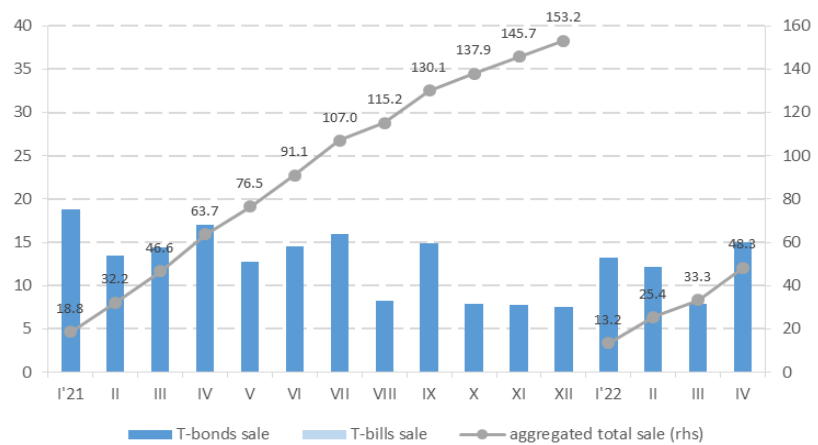
- PS0422: PLN 17.1bn (43% of the issuance),
- OK0722: PLN 5.1bn (16% of the issuance),
- WS0922: PLN 5.2bn (23% of the issuance),
- WZ1122: PLN 4.9bn (16% of the issuance),
- PS0123: PLN 0.7bn (2% of the issuance).



Sale of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

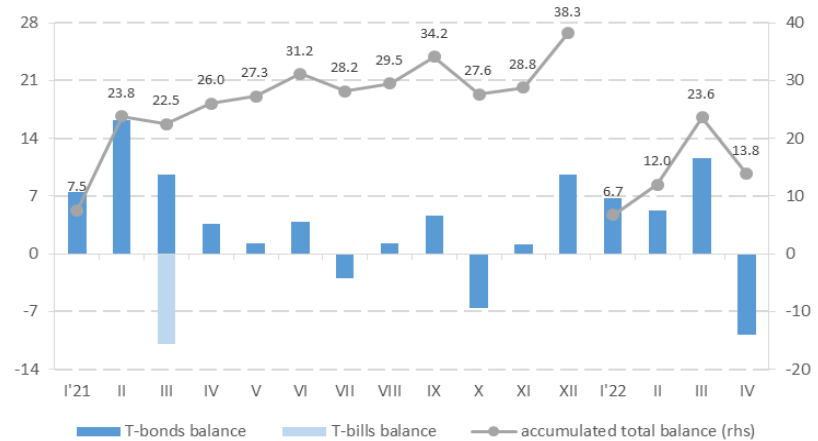
In the period of I-IV 2022 aggregated total sale of T-bonds amounted to PLN 48.3bn versus PLN 63.7bn in the same period of 2021.



Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-IV 2022 indebtedness in T-bonds increased by PLN 13.8bn versus increase of PLN 36.9bn in the same period of 2021. T-bills remained the same versus decrease of PLN 10.9bn in the same period of 2021.



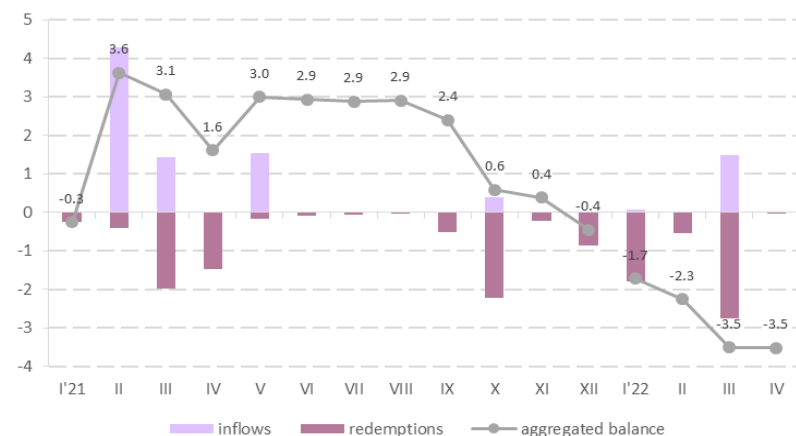
The figures also include the amount of T-bonds issued and transferred by the Minister of Finance on the basis of other acts than the Public Finance Act.

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-IV 2022 was negative and amounted to EUR 3.5bn, which resulted from:

- negative balance of T-bonds of EUR 4.7bn,
- negative balance of loans incurred from IFIs of EUR 0.3bn,
- positive balance of SURE instrument of EUR 1.5bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

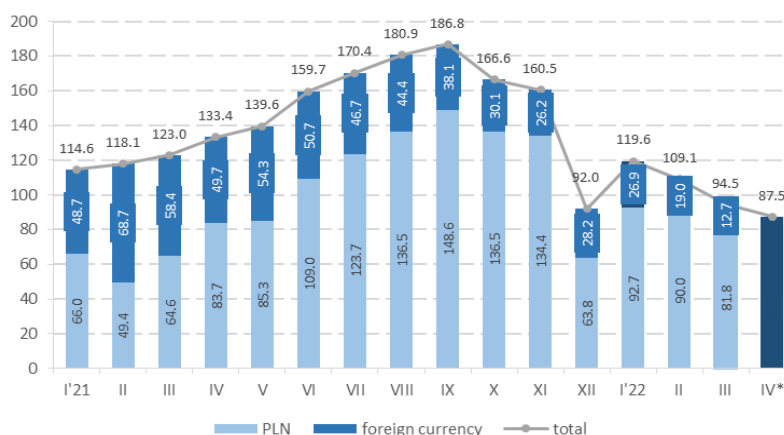


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of April 2022 there was equivalent of PLN 87.5bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

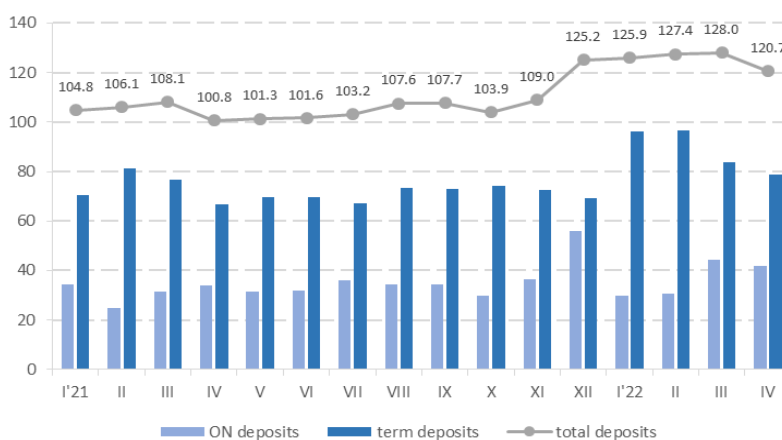
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

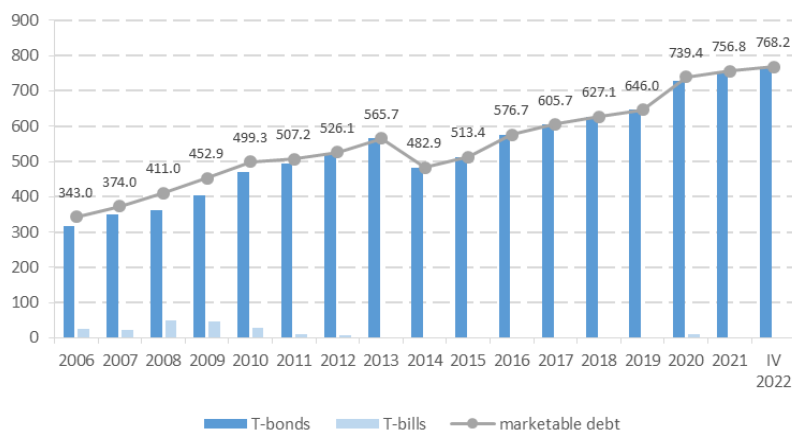
As a result of consolidation of the public finance sector liquidity management there were PLN 120.7bn funds accumulated at the end of April 2022, of which: PLN 78.8bn was on term deposits and PLN 41.8bn on ON deposits.



Structure of domestic marketable debt

PLN bn

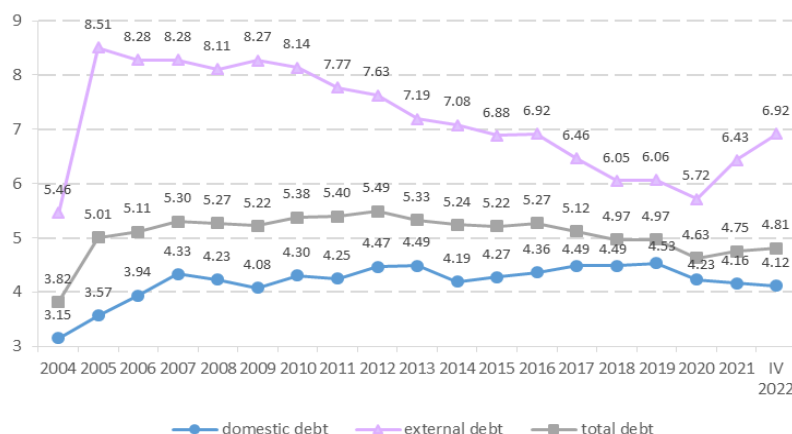
At the end of April 2022 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 768.2bn comparing to PLN 756.8bn at the end of 2021.



Average maturity

years

The average maturity of the domestic debt amounted to 4.12 years at the end of April 2022 (4.16 years at the end of 2021). The average of the total debt amounted to 4.81 years (4.75 years at the end of 2021).



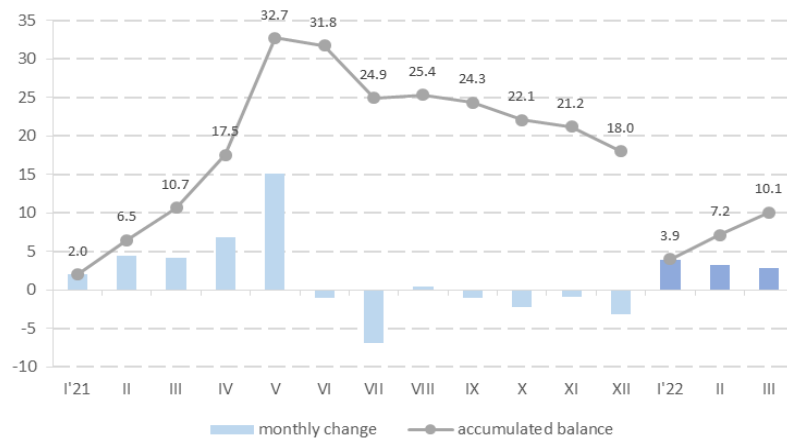


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

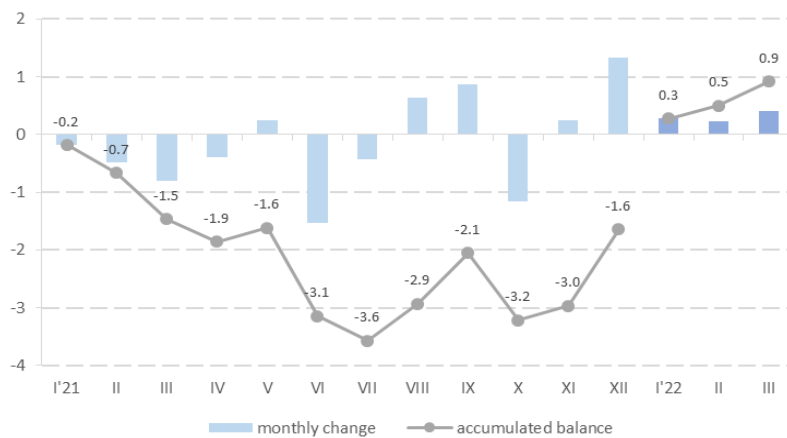
In I-III 2022 there was an increase of debt by PLN 10.1bn comparing to PLN 10.7bn increase during the same period of 2021. Banks' holdings reached the level of PLN 458.5bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

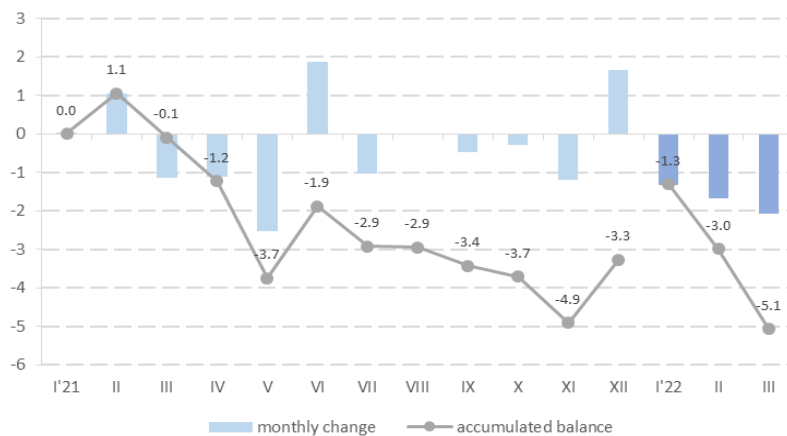
In I-III 2022 there was a increase of debt by PLN 0.9bn comparing to PLN 1.5bn decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 56.6bn.



Change of debt in the domestic TS held by investment funds

PLN bn

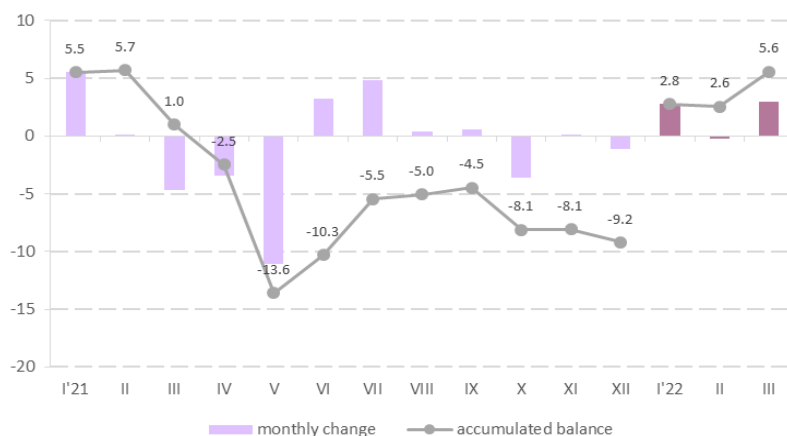
In I-III 2022 there was a decrease of debt by PLN 5.1bn comparing to PLN 0.1bn decrease in the same period of 2021. Investment funds' holdings reached the level of PLN 40.3bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In I-III 2022 there was a increase of debt by PLN 5.6bn comparing to PLN 1.0bn increase in the same period of 2021. Foreign investors' holdings reached the level of PLN 127.3bn.



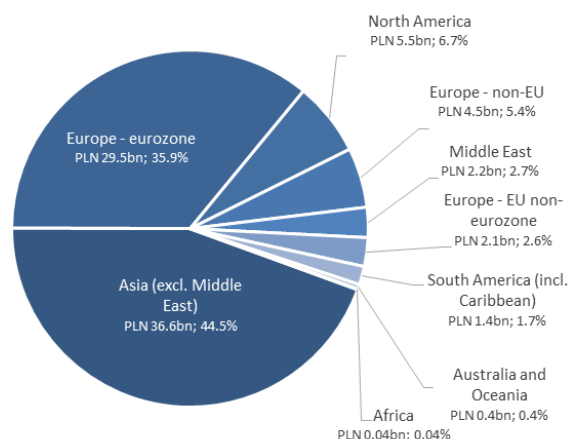
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

as of March 31, 2022, the chart presents data excluding omnibus accounts

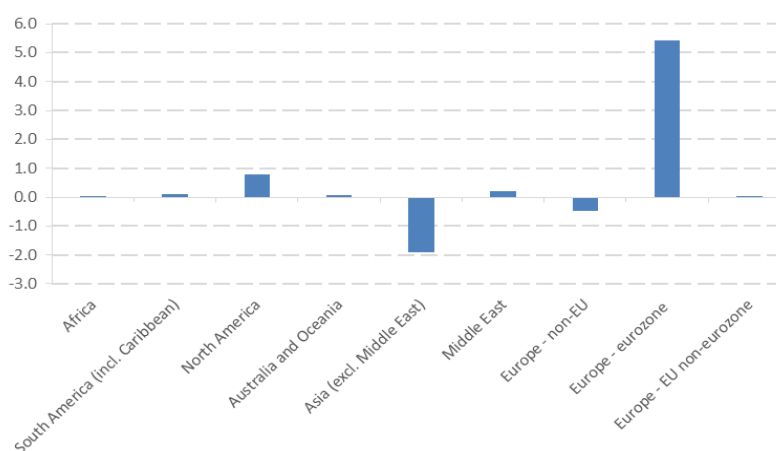
The non-residents' share in the domestic Treasury securities market increased by PLN 3.0bn in March 2022. The foreign investors' portfolio amounted to PLN 130.1bn, which constituted 15.4% share in total debt in Treasury securities (15.4% in the previous month).



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

change in March 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

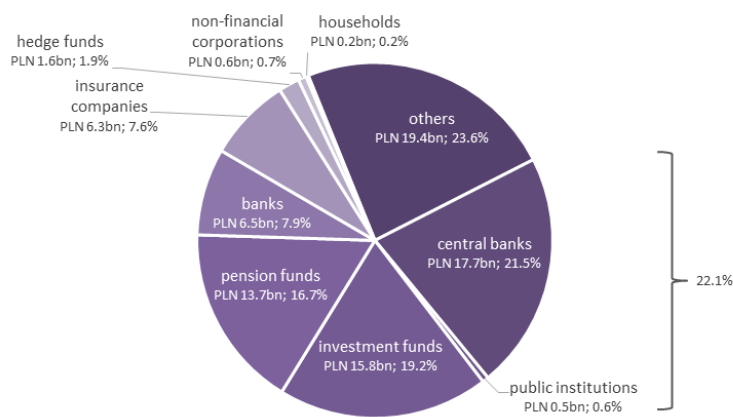
In March 2022 the highest increase was recorded by Eurozone investors (PLN 5.4bn), while the highest decrease was noted by Asian investors (excl. Middle East) (PLN 1.9bn).



Institutional distribution of the domestic TS held by non-residents

as of March 31, 2022, the chart presents data excluding omnibus accounts

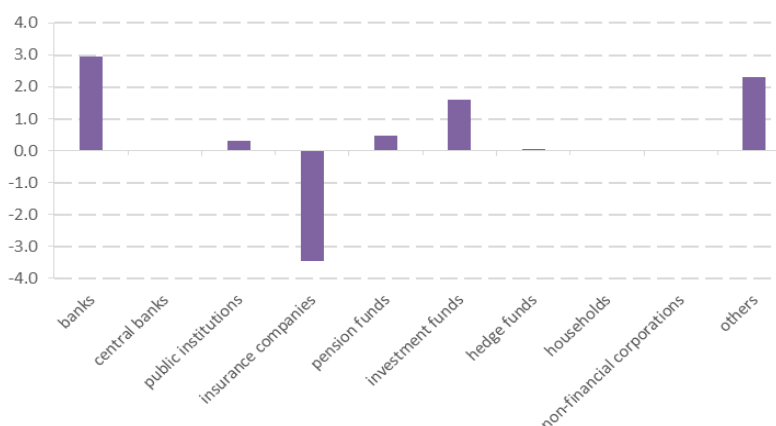
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 22.1% at the end of March 2022.



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

change in March 2022, mom, PLN bn, the chart presents data excluding omnibus accounts

In March 2022 the highest increase was recorded by banks (PLN 3.0bn), while the highest decrease was noted by insurance companies (PLN 3.5bn).



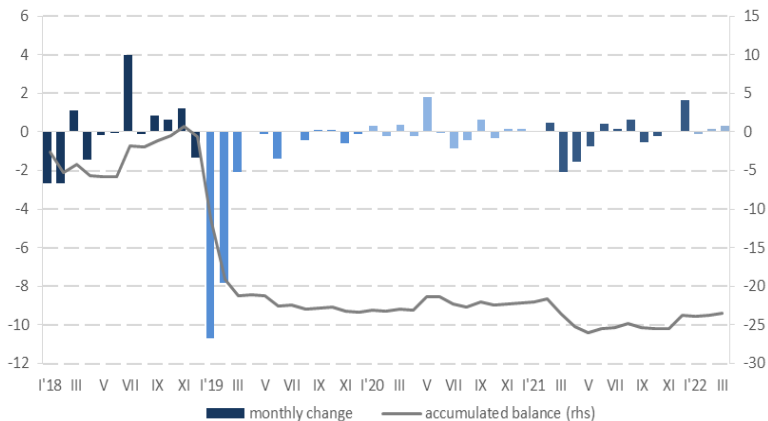


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in March 2022, PLN bn

Central banks and public institutions' involvement increased by PLN 0.3bn in March 2022. In the period from the end of January 2018 to the end of March 2022 portfolios of those entities decreased by PLN 23.5bn.



Structure of non-residents' holdings in TS by countries

as of March 31, 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	18 597.0	28.8%
Luxembourg	8 891.9	13.8%
Netherlands	7 056.8	10.9%
United States	4 618.9	7.2%
Germany	4 528.1	7.0%
France	3 650.8	5.7%
Ireland	3 531.0	5.5%
United Kingdom	2 692.8	4.2%
Switzerland	1 451.2	2.3%
Cayman Islands (the)	1 351.3	2.1%
Austria	1 138.0	1.8%
Denmark	945.7	1.5%
United Arab Emirates	841.8	1.3%
Canada	799.1	1.2%
Others	4 366.9	6.8%
Total	64 461.3	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

30-04-2022

At the end of April the reserve of liquid funds in PLN and foreign currency on the budgetary accounts amounted to ca. PLN 87bn. The level of financing of this year's borrowing requirements is ca. 66%.

In May one switching auction and one T-bond sale auction are planned. No T-bill auctions are planned.

In March 2022 indebtedness in domestic Treasury securities increased by PLN 11.8bn. The involvement of domestic banks increased by PLN 2.9bn, and non-banking investors by PLN 5.8bn, while the indebtedness towards foreign investors increased by PLN 3.0bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN MAY 2022



T-bond sale auction

Auction date	Settlement date	Series	Planned offer (PLN m)
26 MAY 2022	30 MAY 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432 / possible other T-bond	3,000-7,000

*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 auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
12 MAY 2022 / 16 MAY 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432 / possible other T-bond	OK0722	26,307
		WS0922	17,374
		WZ1122	25,043
		PS0123	31,980
		OK0423	21,855

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0822 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.50%
DOS0524 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 3.00%
TOZ0525 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 3.10% in the first coupon period
COI0526 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 3.30% in the first coupon period
EDO0532 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 3.70% in the first coupon period
ROS0528 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 3.50% in the first coupon period
ROD0534 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 4.00% in the first coupon period