

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

4th quarter 2022

October 2022

### THE MOST IMPORTANT INFORMATION

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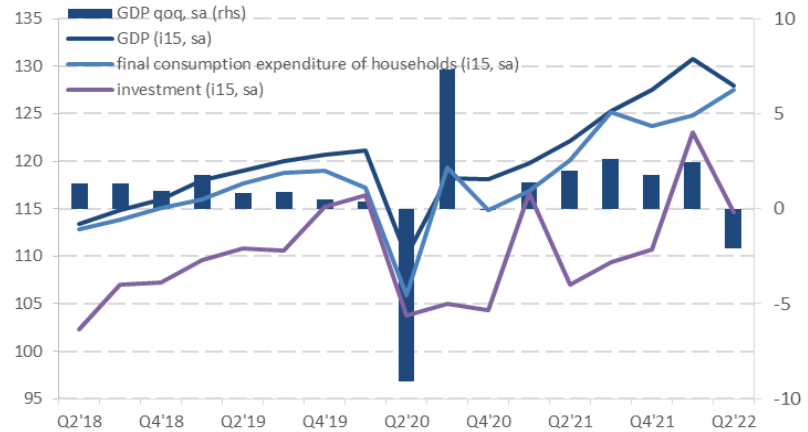


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

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

In the second quarter of 2022 Poland's GDP contracted by 2.1% (qoq, sa) following buoyant growth in previous quarters. Short-term outlook is subject to high uncertainty concerning effects of Russian aggression against Ukraine, disruptions in global supply chains, prices of commodities, especially energy and agriculture, economic situation in Germany - our main trading partner.



### Contributions to Polish GDP growth

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

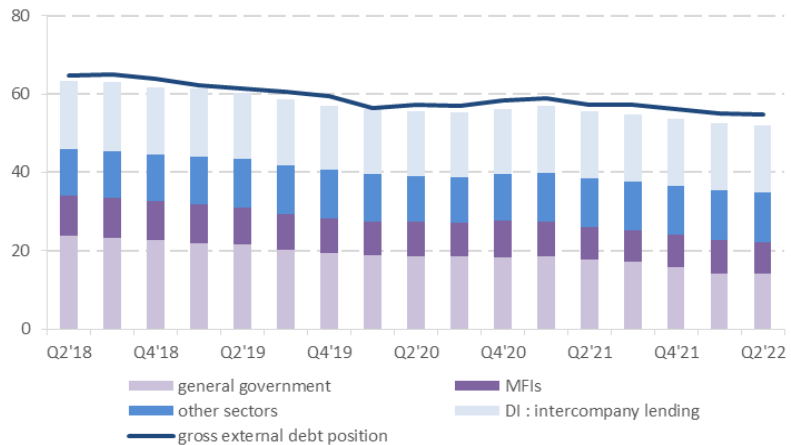
In the second quarter of 2022 GDP was 5.5% (py) higher than a year earlier. Key factor behind the slowdown in yearly dynamics was lower positive contribution of inventories (1.9 percentage points vs. 7.7 pp in the previous quarter). Investment went up by 7.1%, while households consumption increased by 6.4% (yoy). Due to still higher annual dynamics of imports than exports, net exports had a negative contribution to GDP growth, however significantly lower than in the preceding quarter (-1.2 pp vs -3.8 pp).



### Polish gross external debt position

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

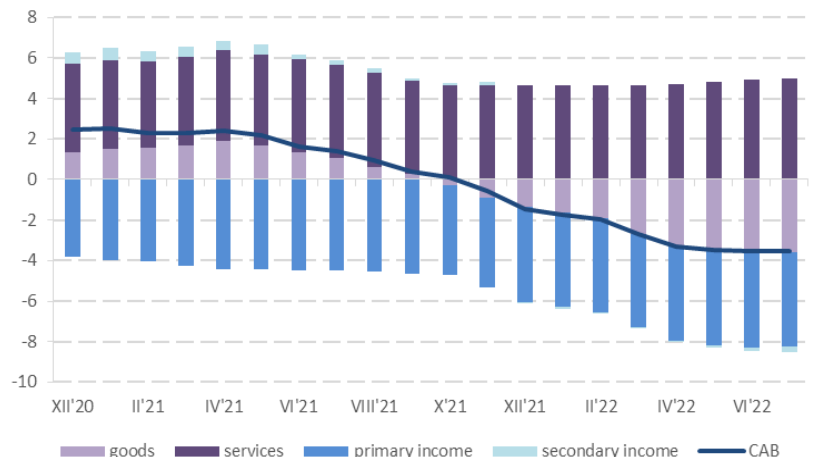
At the end of the second quarter of 2022 gross external debt reached EUR 334.6bn (54.8% of GDP) and was EUR 7.9bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 25.8%. At the end of July 2022 official reserve assets reached EUR 154.1bn 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 July 2022, taking into account revised quarterly data, current account deficit stabilized at 3.5% of GDP (in 12-month terms). Balance on goods amounted to -3.6% of GDP. Its deterioration observed in previous months was to a large extent an effect of negative terms of trade (high prices of imported energy commodities). 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.

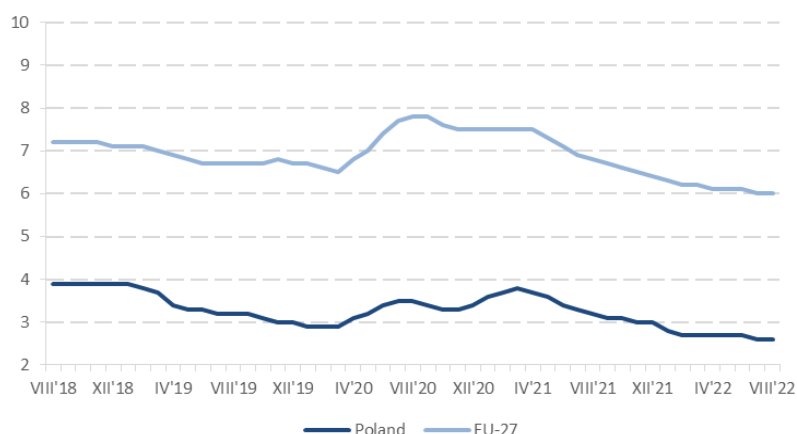




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

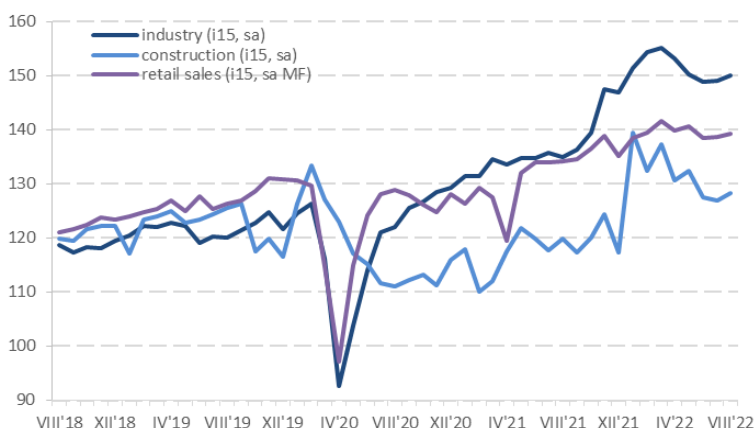
The harmonized unemployment rate (sa) amounted to 2.6% in August 2022 and it was at the same level as in previous month and by 0.6 pp lower than a year earlier. Thus it remained at historically low level. The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and the eurozone (6.0% and 6.6%, respectively). Among the EU countries, only in the Czech Republic it was lower than in Poland.



## Monthly indicators of the real sector

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

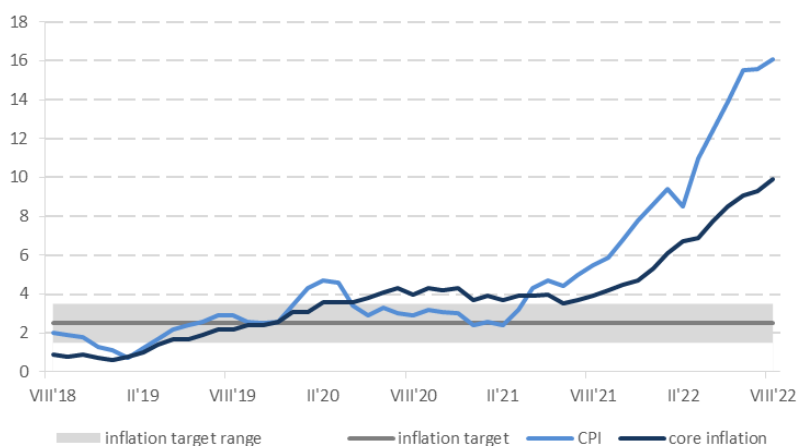
In August 2022 industrial production increased by 0.7% (mom, sa) and was 10.9% higher than a year ago (nsa). Data were above market expectations. Construction production grew by 1.1% (mom, sa) following decreases in two previous months. As a result its level was 6.1% (nsa) higher than a year ago. Retail sales increased slightly the second time in a row (mom, sa MF). The sales level was 4.2% (nsa) higher than in the previous year. Data were a bit better than market expectations.



## Inflation

percent, yoy  
source: GUS, NBP

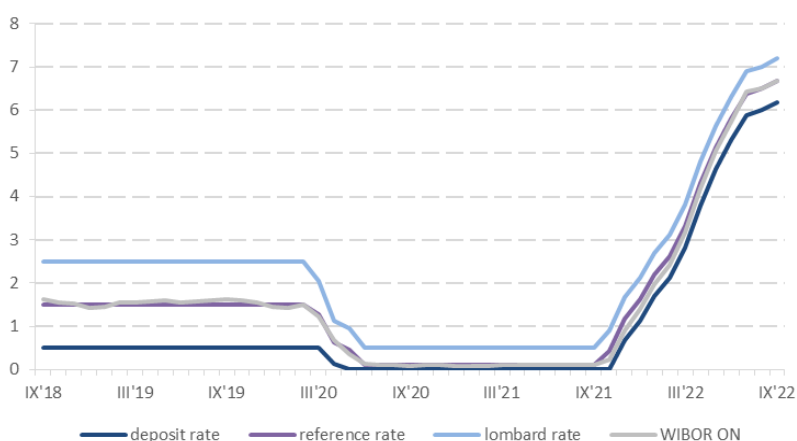
In August 2022 inflation rate increased to 16.1% yoy. CPI increases in last months were primarily caused by high increases of energy and food commodities prices on international markets. Annual rate of energy prices achieved 34.2% and food prices 17.5%. Core inflation (CPI excluding food and energy prices) increased to 9.9%. According to preliminary data in September inflation rate rose to 17.2%. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In August they were higher than a year before by 25.5%.



## NBP interest rates

percent, end of period  
source: NBP, Refinitiv

In September 2022, the Monetary Policy Council (MPC) raised NBP's interest rates by 0.25 pp. After eleventh hike in a row reference rate rose to 6.75%, lombard rate reached 7.25%, while the deposit rate increased to 6.25%. In October 2021 - September 2022 the reference rate rose by 6.65 pp in total. The Council decided to hike interest rates again in order to reduce risk of inflation running above the NBP inflation target in the monetary policy transmission horizon.





## II. STATISTICAL DATA

	Unit	2021 Q01	Q02	Q03	Q04	2022 Q01	Q02
<b>GDP</b>							
Gross domestic product	YoY	-0.6	11.3	5.5	7.6	8.5	5.5
	QoQ SA	1.4	2.0	2.6	1.8	2.5	-2.1
Final consumption expenditure of the households sector	YoY	-0.2	13.0	4.7	8.0	6.6	6.4
	QoQ SA	1.8	2.8	4.1	-1.1	0.9	2.1
Final consumption expenditure of the general government sector	YoY	2.4	4.2	2.8	4.0	0.6	0.8
	QoQ SA	0.4	1.1	0.4	0.7	0.2	0.7
Gross fixed capital formation	YoY	-1.3	3.0	6.6	5.2	4.3	7.1
	QoQ SA	11.8	-8.3	2.2	1.3	11.1	-6.8
Exports of goods and services	YoY	7.4	29.8	7.3	6.1	2.0	5.2
	QoQ SA	1.8	0.7	0.5	3.6	-2.1	3.0
Imports of goods and services	YoY	8.6	33.8	12.5	12.2	8.8	7.8
	QoQ SA	3.1	2.1	2.4	3.6	0.1	2.0
Gross value added	YoY	-0.9	10.4	5.4	7.5	8.3	5.3
	QoQ SA	1.7	1.5	1.9	1.9	1.8	-0.7
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	-0.2	7.2	2.8	3.9	3.9	3.6
Final consumption expenditure of the general government sector	pp	0.4	0.8	0.5	0.8	0.1	0.1
Gross fixed capital formation	pp	-0.2	0.5	1.1	1.1	0.6	1.1
Changes in inventories	pp	-0.5	2.4	3.2	4.3	7.7	1.9
Balance of trade turnover	pp	-0.1	0.4	-2.1	-2.5	-3.8	-1.2
Gross value added	pp	-0.9	9.2	4.7	6.6	7.3	4.6
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	59.9	56.5	57.8	49.7	60.0	59.2
Final consumption expenditure of the general government sector	% of GDP	17.8	18.3	17.8	20.3	16.9	17.9
Gross fixed capital formation	% of GDP	12.9	14.9	16.4	20.9	12.4	15.1
Changes in inventories	% of GDP	1.5	2.8	3.9	6.2	9.6	5.0
Exports of goods and services	% of GDP	62.4	62.7	59.9	58.6	63.4	66.8
Imports of goods and services	% of GDP	55.4	56.1	56.7	56.5	63.2	64.9
<b>Balance of payments</b>							
	Unit	2022 M03	M04	M05	M06	M07	M08
Goods: exports (EUR)	YoY	11.9	18.2	26.9	21.3	23.0	-
Goods: imports (EUR)	YoY	31.4	36.4	32.5	26.6	22.6	-
Current account balance <sup>1)</sup>	% of GDP	-2.7	-3.3	-3.4	-3.5	-3.5	-
Balance on goods <sup>1)</sup>	% of GDP	-2.7	-3.3	-3.4	-3.6	-3.6	-
Official Reserve Assets	EUR m	142 027.4	143 952.0	145 703.5	147 712.0	154 137.5	155 135.9
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	11.0	12.4	13.9	15.5	15.6	16.1
Core inflation (CPI excluding food and energy prices)	YoY	6.9	7.7	8.5	9.1	9.3	9.9
Producer Price Index (PPI)	YoY	21.9	24.1	24.7	25.6	25.5	25.5
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	15.4	12.4	14.9	10.4	7.1	10.9
	MoM SA	0.5	-1.2	-2.0	-0.9	0.1	0.7
Construction and assembly production <sup>2)</sup>	YoY	27.6	9.0	13.0	6.0	4.1	6.1
	MoM SA	3.6	-4.9	1.4	-3.6	-0.4	1.1
Manufacturing PMI	SA	52.7	52.4	48.5	44.4	42.1	40.9
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	9.6	19.0	8.2	3.2	2.0	4.2
Average paid employment in enterprise sector	YoY	2.4	2.8	2.4	2.2	2.3	2.4
	MoM	0.2	0.2	-0.1	0.1	0.2	-0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	1.3	1.6	-0.3	-2.2	0.2	-3.0
	MoM	3.7	-2.5	-5.0	0.9	2.9	-3.7
Harmonised unemployment rate (Eurostat)	%, SA	2.7	2.7	2.7	2.7	2.6	2.6
<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	2022 M02	M03	M04	M05	M06	M07
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 144 855.6	1 148 171.3	1 153 767.6	1 168 355.0	1 198 783.9	1 192 004.6
Domestic debt	face value, PLN m	884 271.4	895 722.3	899 905.8	910 660.4	935 266.7	919 089.2
	%	77.2	78.0	78.0	77.9	78.0	77.1
Foreign debt	face value, PLN m	260 584.2	252 448.9	253 861.8	257 694.6	263 517.2	272 915.4
	%	22.8	22.0	22.0	22.1	22.0	22.9
<b>Public debt (domestic definition)</b>							
	Unit	2021 Q01	Q02	Q03	Q04	2022 Q01	Q02
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 152 282.2	1 152 289.1	1 160 738.2	1 148 577.0	1 137 102.2	1 175 320.7
Domestic debt	face value, PLN m	845 843.4	855 430.0	858 651.6	859 052.7	860 629.1	887 973.1
	%	73.4	74.2	74.0	74.8	75.7	75.6
Foreign debt	face value, PLN m	306 438.9	296 859.0	302 086.6	289 524.2	276 473.1	287 347.6
	%	26.6	25.8	26.0	25.2	24.3	24.4
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 389 977.4	1 402 163.1	1 418 823.4	1 410 497.6	1 415 777.6	1 453 456.9
Source: MoF							

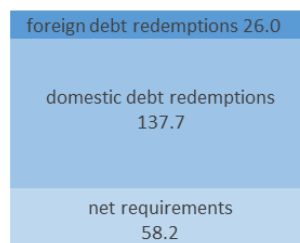
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Gross borrowing requirements in 2022 as of September 30, 2022, PLN bn

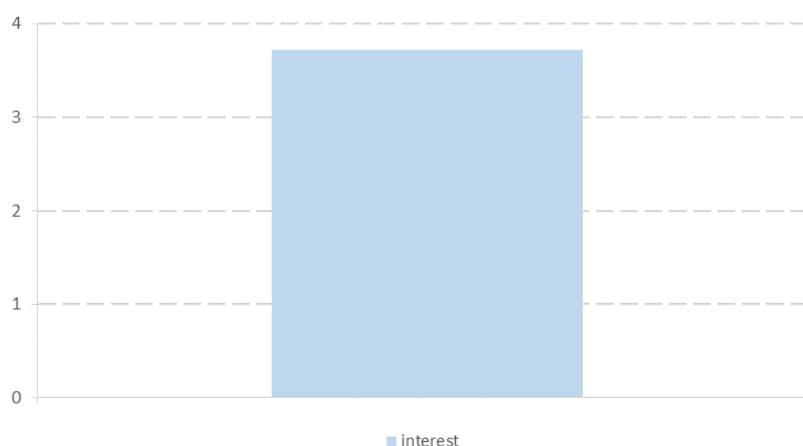
The State budget borrowing requirements for 2022 (acc. to the Budget Act) have been fully funded.

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



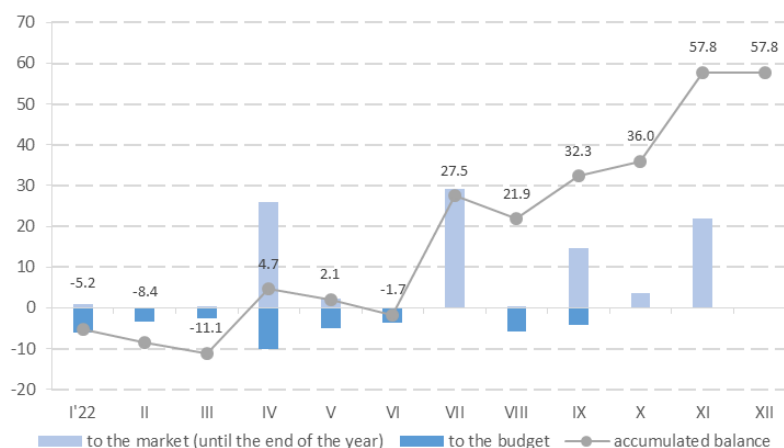
#### Flows of funds into the market related to domestic T-securities transfers in October as of September 30, 2022, PLN bn

Value of funds transferred from the State budget to the market in October shall amount to PLN 3.7bn (interest payments).



#### Flows of funds between the domestic market and the budget\* as at the end of month, PLN bn

As of September 30 2022, to the end of the year the funds to be transferred to the market shall amount to PLN 25.5bn.

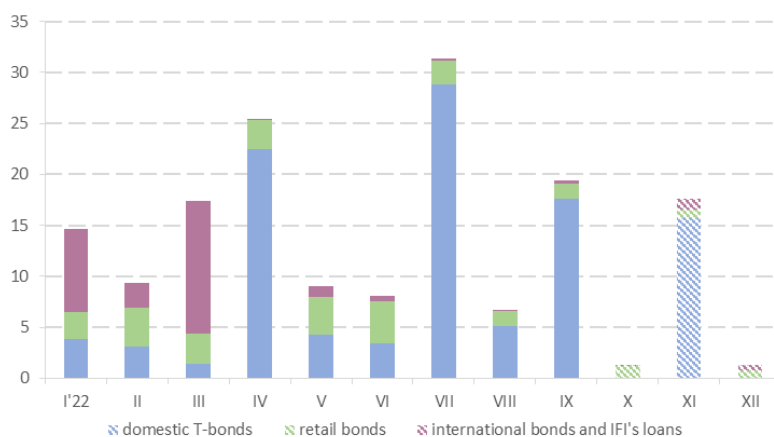


\* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget to the period of September to the end of 2022 is not presented.

#### 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 September 30, 2022), is equal to PLN 20.2bn, including:

- T-bonds: PLN 15.7bn,
- T-retail bonds: PLN 2.8bn,
- bonds and loans incurred on foreign markets: PLN 1.7bn.





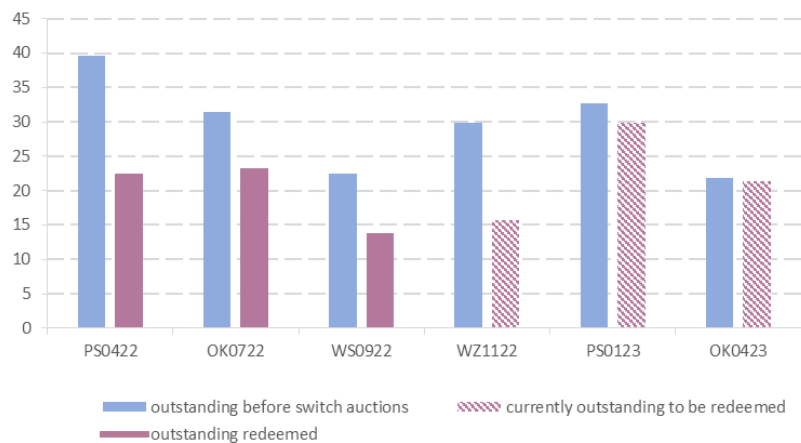
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

Buy-back of T-bonds maturing in years 2022 and 2023 (by switch):

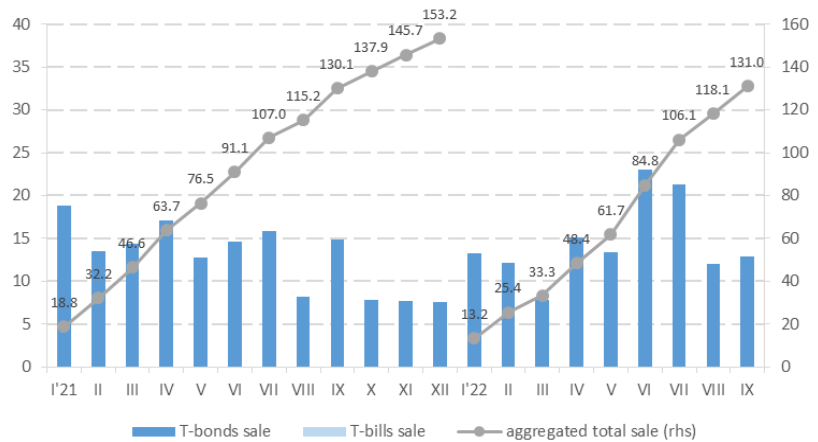
- PS0422: PLN 17.1bn (43% of the issuance),
- OK0722: PLN 8.2bn (26% of the issuance),
- WS0922: PLN 8.7bn (39% of the issuance),
- WZ1122: PLN 14.2bn (48% of the issuance),
- PS0123: PLN 2.9bn (9% of the issuance),
- OK0423: PLN 0.4bn (2% of the issuance).



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

settlement date, nominal amount, PLN bn

In the period of I-IX 2022 aggregated total sale of T-bonds amounted to PLN 131.0bn versus PLN 130.1bn in the same period of 2021.



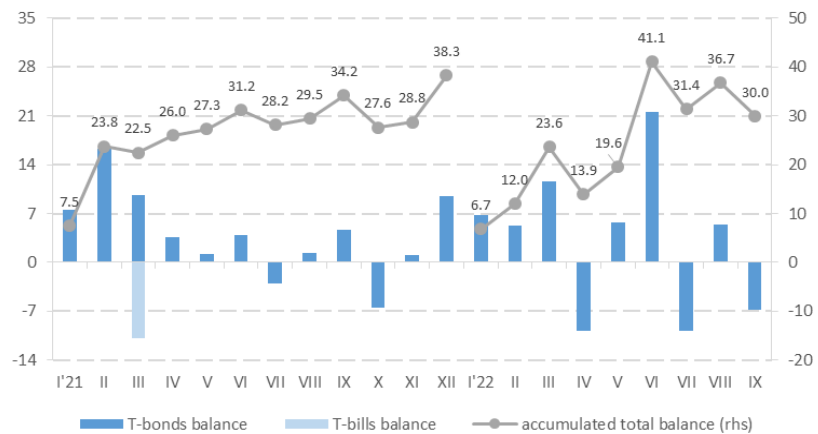
#### Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-IX 2022 indebtedness in:

- T-bonds increased to PLN 30.0bn versus increase of PLN 45.1bn in the same period of 2021,
- T-bills remained the same versus decrease of PLN 10.9bn in the same period of 2021.

The figures also include 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.

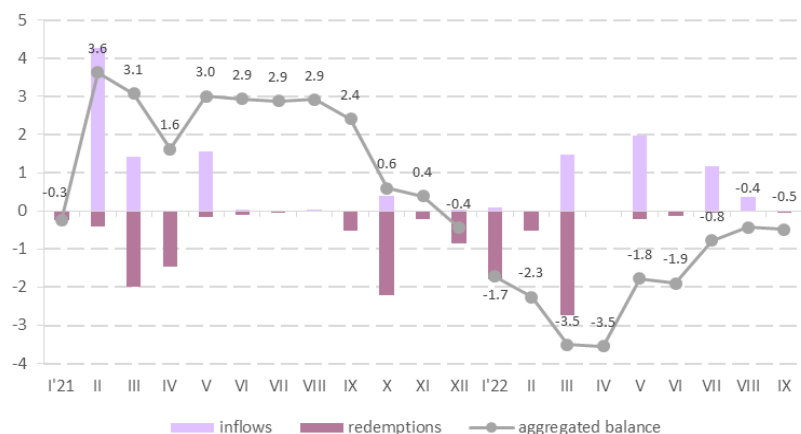


#### External financing in 2021 and 2022

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

Net financing on foreign markets in the period of I-IX 2022 was negative and amounted to EUR 0.5bn, which resulted from:

- negative balance of T-bonds issuance of EUR 2.7bn,
- positive balance of loans incurred from IFIs at the level of EUR 0.8bn,
- positive balance of instrument SURE of EUR 1.5bn.



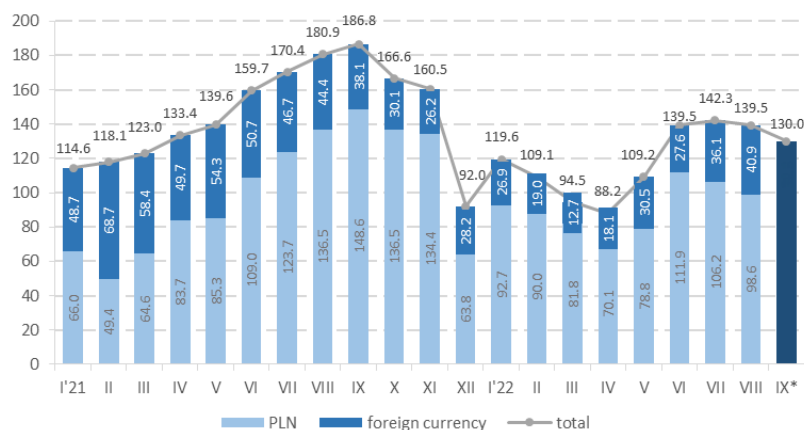
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### 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 September 2022 there was the equivalent of PLN 130.0bn on the budgetary accounts. The funds ensure liquidity in borrowing needs financing.

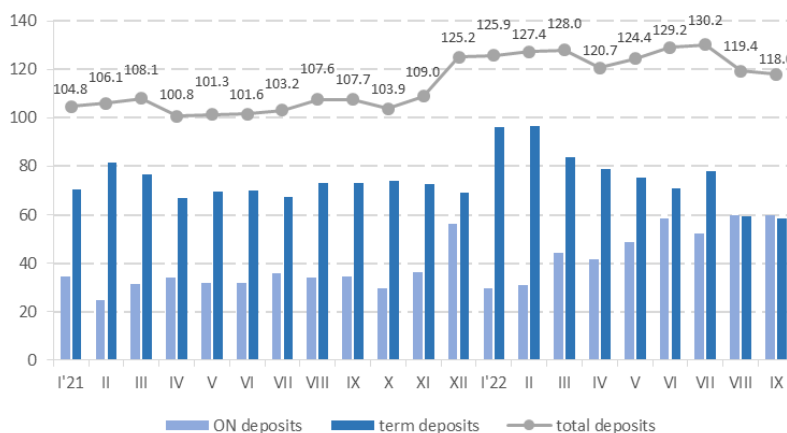


\* Estimated data.

#### Consolidation of public finance sector liquidity management

PLN bn

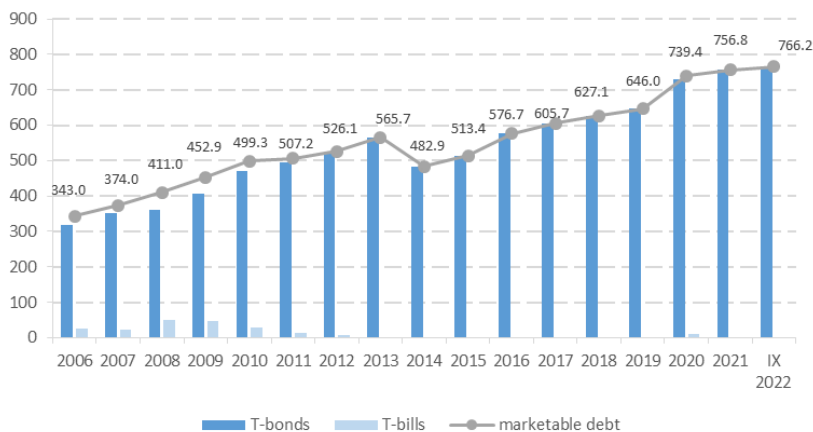
As a result of consolidation of public finances liquidity management there were PLN 118.0bn funds accumulated at the end of September 2022, of which PLN 58.3bn was as term deposits and PLN 59.7bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

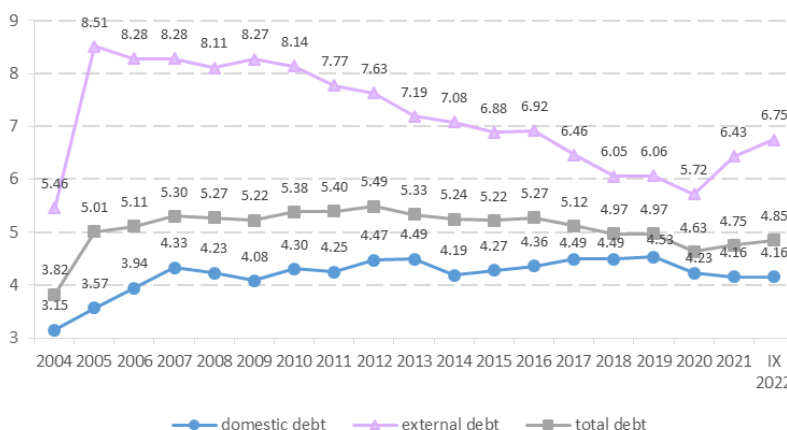
At the end of September 2022 the marketable domestic debt after consolidation within the State Treasury amounted to PLN 766.2bn comparing to PLN 756.8bn at the end of 2021.



#### Average maturity

years

At the end of September 2022 the average maturity of domestic debt amounted to 4.16 years (at the end of 2021 4.16 as well). The average of total debt amounted to 4.85 years (4.75 years at the end of 2021).



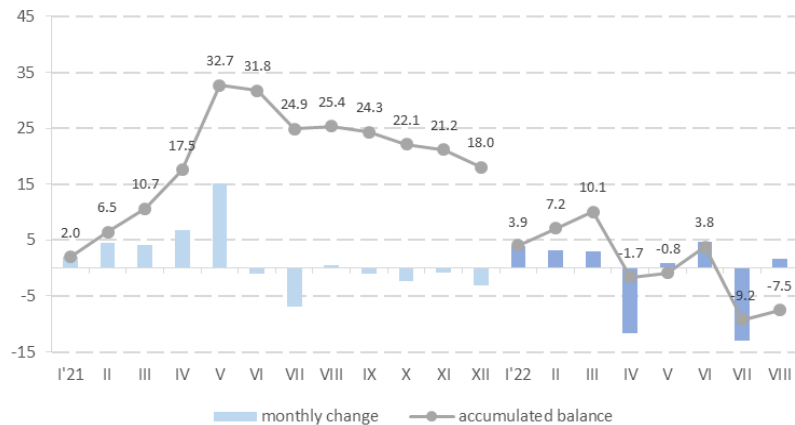


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

PLN bn

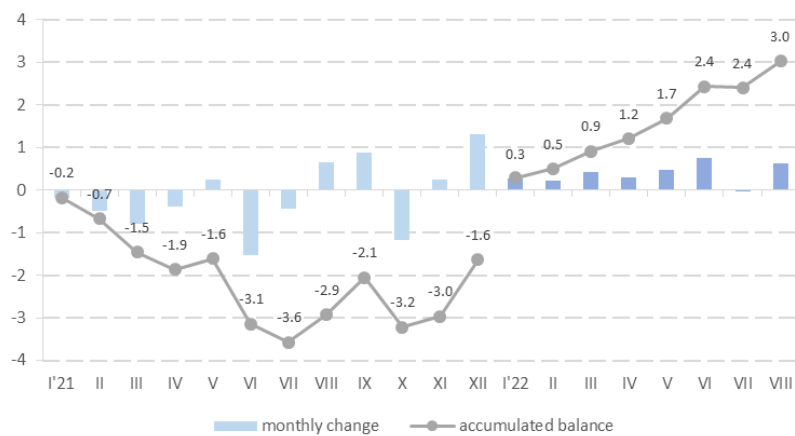
In the period of I-VIII 2022 there was a decrease of debt by PLN 7.5bn comparing to PLN 25.4bn increase during the same period of 2021. Banks' holdings reached the level of PLN 440.9bn.



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

PLN bn

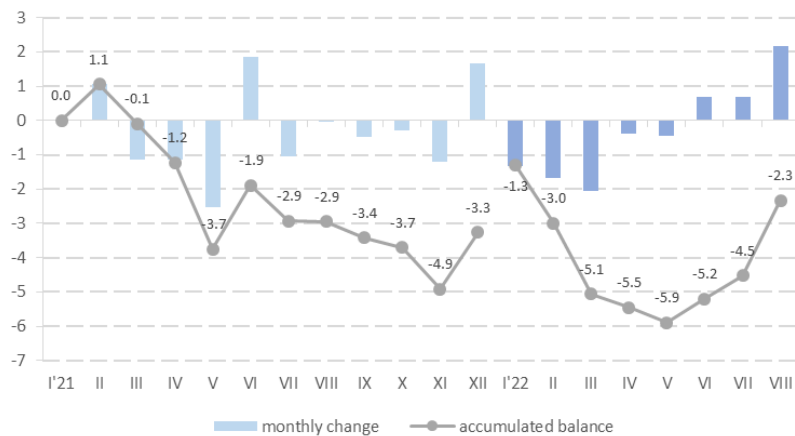
In the period of I-VIII 2022 there was an increase of debt by PLN 3.0bn comparing to PLN 2.9bn a decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 58.7bn.



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

PLN bn

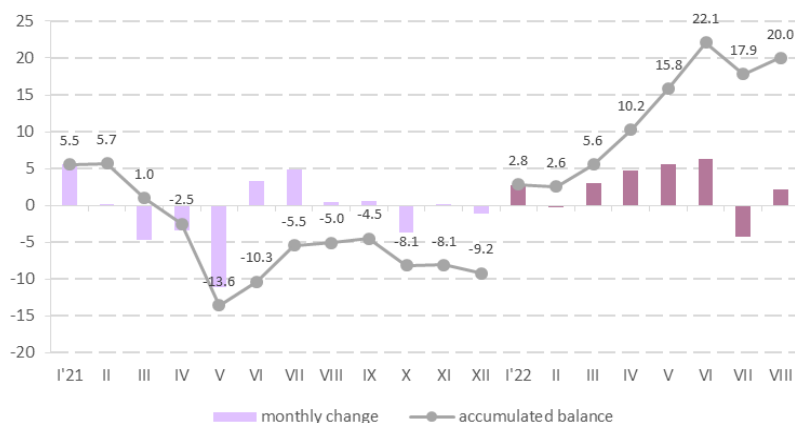
In the period of I-VIII 2022 there was a decrease of debt by PLN 2.3bn comparing to PLN 2.9bn a decrease during the same period of 2021. Investment funds' holdings reached the level of PLN 43.0bn.



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

PLN bn

In the period of I-VIII 2022 there was an increase of debt by PLN 20bn comparing to PLN 5.0bn a decrease during the same period of 2021. Foreign investors' holdings reached the level of PLN 144.6bn.





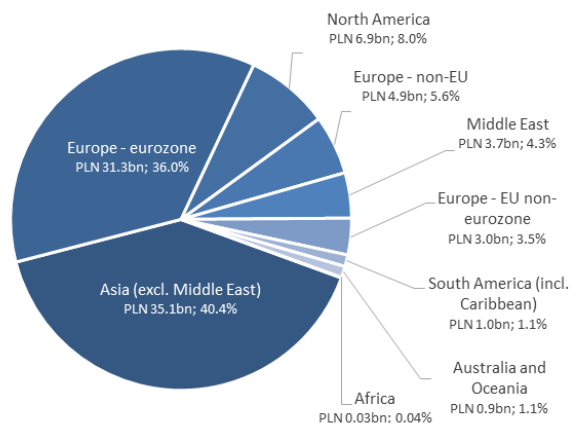
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

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

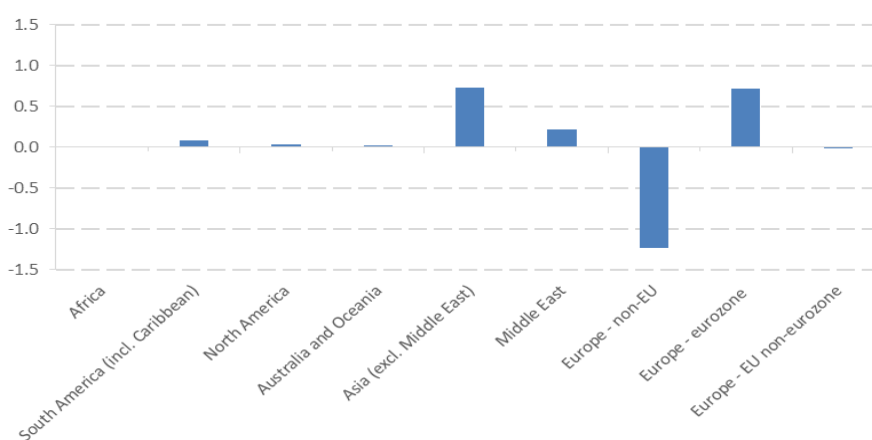
The non-residents' share in the domestic Treasury securities market increased by PLN 2.1bn in August 2022. The foreign investors' portfolio amounted to PLN 144.5bn, which constituted 16.9% share in total debt in TS (also 16.9% in the previous month).



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

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

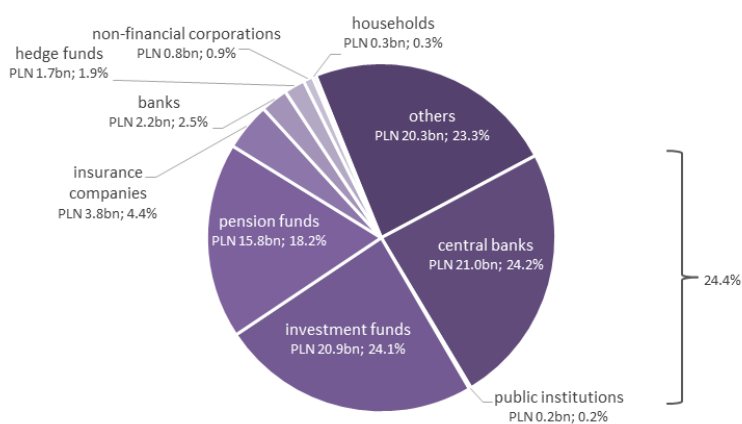
In August 2022 the highest increase was recorded by Asian investors (excl. Middle East) (PLN 0.7bn) and Europe — eurozone (0.7bn as well), while the highest decrease was noted by Europe non-EU investors (PLN 1.2bn).



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

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

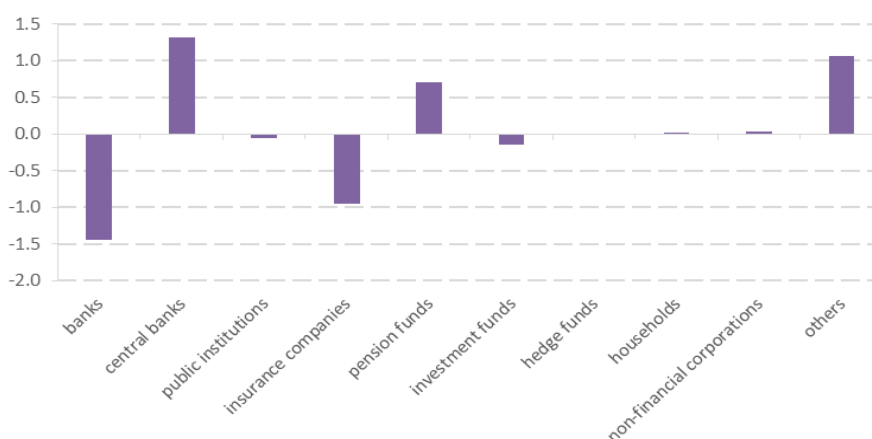
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 24.4% at the end August 2022.



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

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

In August 2022 the highest increase was recorded by central banks (PLN 1.3bn), while the highest decrease was noted by banks (PLN 1.4bn).



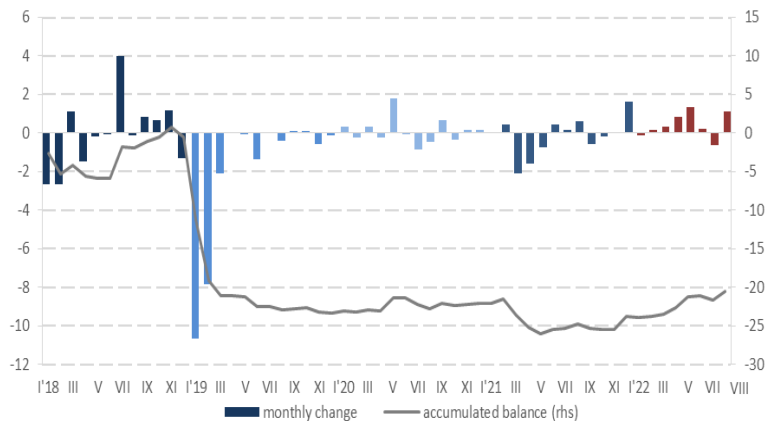


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in August 2022, PLN bn

Central banks and public institutions' involvement increased by PLN 1.3bn in August 2022. In the period from the end of January 2018 to the end of August 2022 portfolios of those entities decreased by PLN 20.4bn.



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

as of August 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	15 702.8	23.8%
Luxembourg	11 112.9	16.9%
Netherlands	7 704.7	11.7%
United States	6 383.0	9.7%
Ireland	6 133.5	9.3%
Germany	4 660.0	7.1%
United Kingdom	3 157.9	4.8%
Switzerland	1 618.5	2.5%
Denmark	1 517.8	2.3%
United Arab Emirates	975.2	1.5%
Cayman Islands	877.7	1.3%
Australia	839.0	1.3%
France	739.3	1.1%
Bulgaria	705.3	1.1%
Others	3 813.5	5.7%
<b>Total</b>	<b>66 665.9</b>	<b>100.0%</b>

#### Comment

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

30-09-2022

(...)

In October one T-bond switching auction and one T-bond sale auction are planned. T-bill auction is not planned. In Q4 2022, depending on the needs, two or three T-bond sale auctions and two or three T-bond switching auctions are planned.

In August T-bonds indebtedness in domestic Treasury securities increased by PLN 12.1bn. The involvement of domestic banks increased by PLN 1.7bn, domestic non-banks investors by PLN 8.2bn and foreign investors by PLN 2.1bn.

## IV. SUPPLY PLAN OF TREASURY SECURITIES FOR Q4 2022



### General assumptions

- T-bond auctions are planned according to the announced yearly issuance calendar,
- offer of T-bonds on the domestic market will depend on the budget and market situation as well as the consultations with investors,
- possible auctions of Treasury bills will be held within the confines of the State budget liquidity management,
- foreign financing will be determined by the situation on the international financial market and the domestic market as well as by budget conditions,
- the announced plan may be modified subject to the market situation.

### Offer of T-bonds on domestic market

- **sale auctions:**  
between two and three auctions, total supply PLN 12.0-22.0bn, the structure of the sold T-bonds will be subject to the market situation
- **switch auctions:**  
between two and three auctions - subject to the budget and market situation, securities offered to repurchase would be T-bonds maturing in 2022 and in 2023.

### Offer of T-bills

Detailed information on the offer of T-bills will be presented in the monthly issuance plans.

### Foreign financing

- possible issuances of bonds on the international market,
- loans from International Financial Institutions up to EUR 0.2bn,
- possible loans from the EU under the instrument for temporary support to mitigate unemployment risks in the emergency (SURE).



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

### T-bond sale auction

Auction date	Settlement date	Series	Planned supply (PLN mln)
20-Oct-2022	24-Oct-2022	OK0724 / PS0527 / WZ1127 / DS0432 / WZ0533 / possible other T-bonds	4,000-8,000

### T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
11-Oct-2022 / 13-Oct-2022	OK0724 / PS0527 / WZ1127 / DS0432 / WZ0533 / possible other T-bonds	WZ1122	15,702
		PS0123	29,796
		OK0423	21,436

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS1123 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR1023 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 6.75% in the first coupon period
DOR1024 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.10%); 6.85% in the first coupon period
TOS1025 3-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 6.85%
COI1026 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 7.00% in the first coupon period
EDO1032 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 7.25% in the first coupon period
ROS1028 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 7.20% in the first coupon period
ROD1034 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 7.50% in the first coupon period