

State budget borrowing requirements' financing plan and its background

May 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

Despite the second wave of the COVID-19 pandemic, contraction in economic activity in the fourth quarter of 2020 was moderate compared to spring 2020. This was possible mainly due to the relatively favourable performance of industry. However, the restrictions hit some service sectors exceptionally hard. According to revised data, GDP declined by 0.5% (qoq), after an increase of 7.5% a quarter earlier. Private consumption decreased by 3.9% (qoq), reflecting the closure of some commercial and service facilities. Investment remained relatively weak and went down by 2.4% (qoq). On the other hand, foreign trade continued its recovery with exports and imports rising by 5.0% and 3.5% (qoq), respectively.

Contributions to Polish GDP growth

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

In the fourth quarter of 2020 GDP was 2.7% (py) lower than in the previous year. Private consumption declined by 3.3% (yoy, py), while public consumption increased by 7.7%. Exports and imports were also higher than in the fourth quarter of 2019 with minor positive contribution of foreign trade to yearly GDP growth (0.1 pp). Contribution of stocks was also positive (1.3 pp). Investment was noticeably lower than in the same period of 2019.

Polish gross external debt position

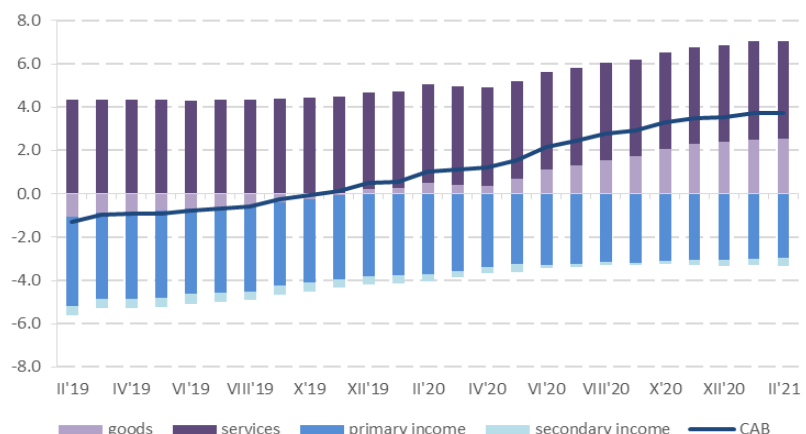
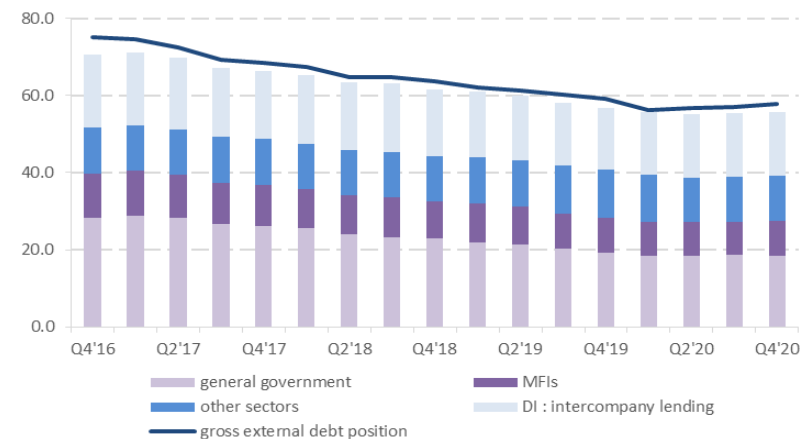
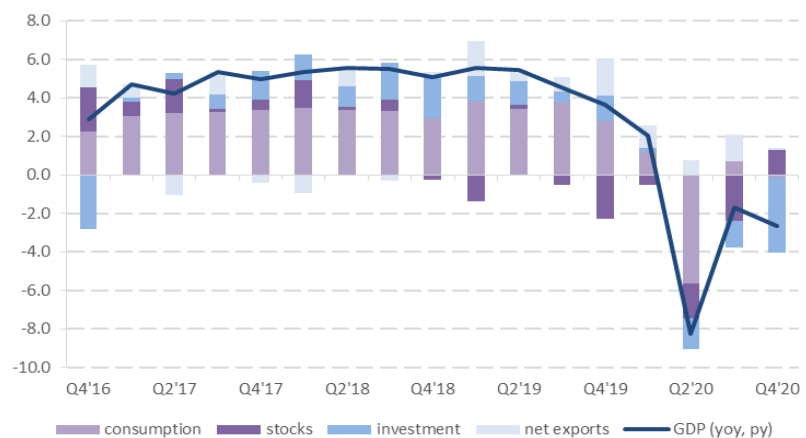
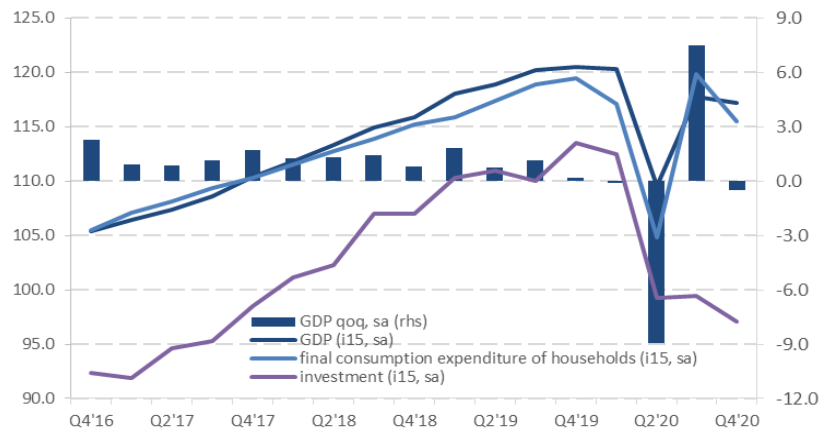
percent of GDP
source: NBP, GUS, MoF own calculation

At the end of the fourth quarter of 2020 gross external debt reached EUR 303.0bn (57.9% of GDP) and was EUR 1.4bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 32.0%. At the end of February 2021 official reserve assets reached EUR 134.8bn 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 February 2021, according to preliminary data, current account surplus stabilized at 3.7% 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 remained relatively strong. In February exports and imports yearly dynamics improved following weaker data a month earlier. In addition, primary income deficit has remained relatively low (3.0% of GDP), reflecting temporarily lower foreign investors' income on their capital involvement in Polish entities.

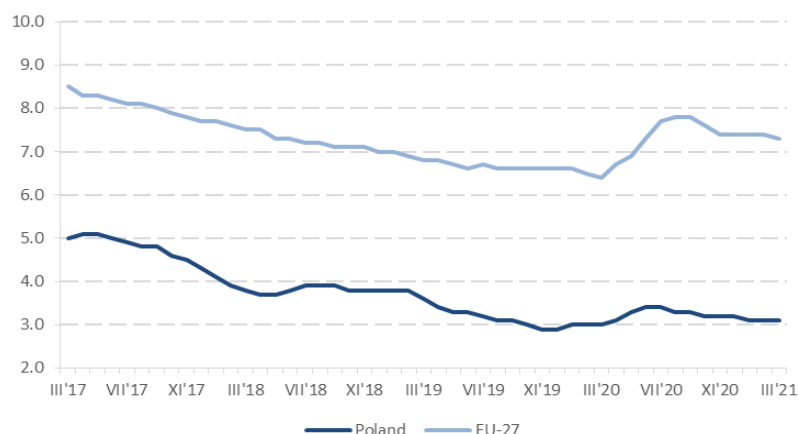




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

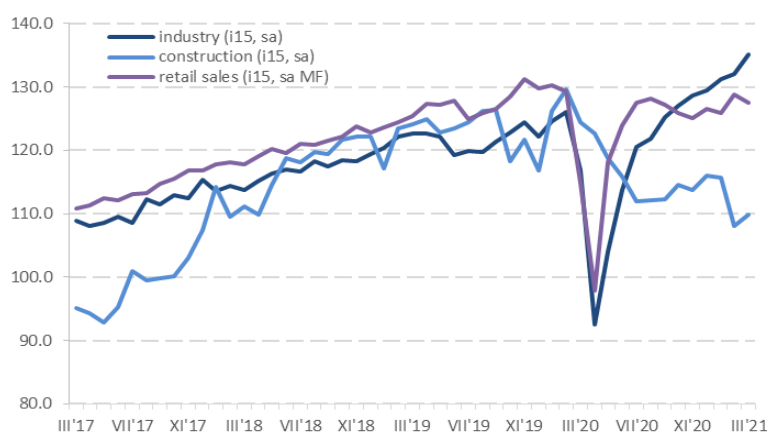
In March 2021 harmonised unemployment rate remained at the level observed in two previous months and equalled to 3.1% which was by 0.1 pp higher than a year earlier. Simultaneously it was much lower than in the EU-27 on average and in the eurozone: 7.3% and 8.1%, respectively in March 2021. Since the beginning of 2021, harmonised unemployment rate in Poland has been the lowest among the EU countries.



Monthly indicators of the real sector

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

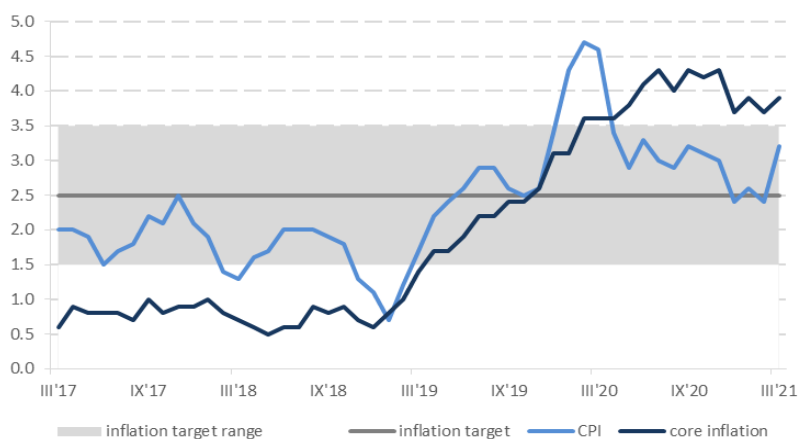
In March 2021 industrial production increased by 2.3% (mom, sa) and was 18.9% (non-seasonally adjusted data, nsa) higher than a year ago, proving once again its high resilience to the current wave of the COVID-19 pandemic. Data were noticeably above market expectations. Construction production increased by 1.5% (mom, sa), following deep and unexpected drop in the previous month. As a result, its level was 10.8% (nsa) lower than a year ago. Data were a bit below market expectations. Retail sales declined after a relatively large increase in February (mom, sa MF). COVID-19 pandemic trade restrictions negatively affected the sales results and its solid annual dynamics (115.2) were mainly the effect of the low base from a year ago. Data were better than market expectations.



Inflation

percent, yoy
source: GUS, NBP

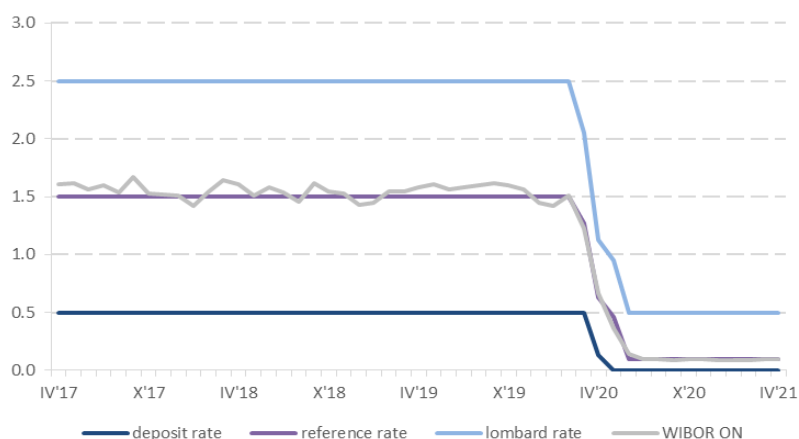
After three months of staying close to the inflation target, in March inflation rate increased to 3.2% (yoy). Due to rise of crude oil prices on international markets energy prices increased considerably. Core inflation (CPI excluding food and energy prices) was still high and in March it amounted to 3.9% (yoy). In April, according to the preliminary data, inflation rose to 4.3%, mainly due to high fuel prices and faster growth of food prices. Data were higher than market expectations. Because of high commodity prices and supply lack producer prices rose considerably in first quarter of 2021. In March they were higher by 3.9% than a year ago.



NBP interest rates

percent, monthly average
source: NBP, Refinitiv

The NBP's interest rates have remained on hold since end-May 2020. The reference rate is 0.1%, the lombard rate amounts to 0.5% and the deposit rate is 0.0%. Since March 2020 the NBP has purchased government securities and government-guaranteed debt securities on the secondary market. The Monetary Policy Council believes that NBP's policy mitigates the negative economic impact of the pandemic, supports economic activity and stabilises inflation at the level consistent with the NBP's inflation target in the medium term.





II. STATISTICAL DATA

	Unit	2019 Q03	Q04	2020 Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	4.6	3.7	2.0	-8.3	-1.7	-2.7
	QoQ SA	1.1	0.2	-0.1	-8.9	7.5	-0.5
Final consumption expenditure of the households sector	YoY	4.2	3.7	1.2	-10.8	0.4	-3.2
	QoQ SA	1.3	0.5	-2.0	-10.5	14.3	-3.6
Final consumption expenditure of the general government sector	YoY	7.1	4.8	2.5	3.4	3.0	7.7
	QoQ SA	1.6	0.0	1.3	1.2	1.0	1.7
Gross fixed capital formation	YoY	3.3	5.2	1.7	-9.8	-8.2	-15.4
	QoQ SA	-0.8	3.1	-0.9	-11.8	0.3	-2.4
Exports of goods and services	YoY	5.4	3.1	2.7	-13.7	2.3	7.6
	QoQ SA	2.0	-0.3	1.7	-16.5	20.8	5.0
Imports of goods and services	YoY	4.2	-0.5	0.8	-16.6	-0.3	8.2
	QoQ SA	1.0	-1.7	1.2	-17.2	23.1	3.5
Gross value added	YoY	4.4	3.6	2.0	-8.0	-2.0	-3.0
	QoQ SA	0.7	0.3	0.3	-9.4	7.1	0.1
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	2.5	1.9	0.8	-6.2	0.2	-1.6
Final consumption expenditure of the general government sector	pp	1.2	0.9	0.4	0.6	0.5	1.5
Gross fixed capital formation	pp	0.6	1.3	0.2	-1.6	-1.4	-3.9
Changes in inventories	pp	-0.5	-2.3	-0.5	-1.8	-2.4	1.3
Balance of trade turnover	pp	0.8	1.9	1.2	0.8	1.4	0.1
Gross value added	pp	3.8	3.1	1.8	-7.0	-1.8	-2.7
Taxes less subsidies	pp	0.7	0.6	0.3	-1.3	0.1	0.0
GDP structure							
Final consumption expenditure of the households sector	% of GDP	58.3	50.2	61.4	55.4	59.0	49.1
Final consumption expenditure of the general government sector	% of GDP	17.6	19.3	17.7	19.4	18.4	21.2
Gross fixed capital formation	% of GDP	17.3	25.1	12.8	15.8	16.0	21.3
Changes in inventories	% of GDP	1.4	-0.2	1.2	0.8	-0.9	0.8
Exports of goods and services	% of GDP	55.5	51.6	57.6	52.3	56.4	56.6
Imports of goods and services	% of GDP	51.0	46.7	51.6	44.7	49.8	49.6
Balance of payments							
	Unit	2020 M10	M11	M12	2021 M01	M02	M03
Goods: exports (EUR)	YoY	3.7	10.0	14.6	-0.9	6.2	-
Goods: imports (EUR)	YoY	-4.2	4.1	12.4	-4.0	6.0	-
Current account balance ¹⁾	% of GDP	3.3	3.5	3.5	3.7	3.7	-
Balance on goods ¹⁾	% of GDP	2.1	2.3	2.4	2.5	2.5	-
Official Reserve Assets	EUR m	122 588.6	120 499.1	125 621.6	129 831.5	134 764.3	134 814.4
Inflation							
Consumer Price Index (CPI)	YoY	3.1	3.0	2.4	2.6	2.4	3.2
Core inflation (CPI excluding food and energy prices)	YoY	4.2	4.3	3.7	3.9	3.7	3.9
Producer Price Index (PPI)	YoY	-0.4	-0.2	0.1	1.0	2.2	3.9
Production							
Sold production of industry ²⁾	YoY	1.0	5.4	11.1	0.7	2.5	18.9
	MoM SA	1.4	1.3	0.6	1.4	0.5	2.3
Construction and assembly production ²⁾	YoY	-5.8	-4.9	3.4	-10.1	-16.9	-10.8
	MoM SA	1.9	-0.6	1.9	-0.2	-6.6	1.5
Manufacturing PMI	SA	50.8	50.8	51.7	51.9	53.4	54.3
Households and labour market							
Retail sales ²⁾	YoY	-2.3	-5.3	-0.8	-6.0	-3.1	15.2
Average paid employment in enterprise sector	YoY	-1.0	-1.2	-1.0	-2.0	-1.7	-1.3
	MoM	0.1	0.0	0.2	-0.2	0.3	-0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	1.6	1.8	4.1	2.2	2.0	4.7
	MoM	1.5	0.4	8.8	-8.5	0.1	5.4
Harmonised unemployment rate (Eurostat)	%, SA	3.2	3.2	3.2	3.1	3.1	3.1
<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 M09	M10	M11	M12	2021 M01	M02
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 100 124.9	1 103 567.3	1 090 187.9	1 097 469.6	1 089 602.9	1 122 195.0
Domestic debt	face value, PLN m	836 792.2	830 032.9	830 741.8	831 444.5	828 635.3	845 101.3
	%	76.1	75.2	76.2	75.8	76.0	75.3
Foreign debt	face value, PLN m	263 332.7	273 534.5	259 446.1	266 025.1	260 967.6	277 093.8
	%	23.9	24.8	23.8	24.2	24.0	24.7
Public debt (domestic definition)							
	Unit	2019 Q03	Q04	2020 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 001 190.9	990 948.4	1 045 474.8	1 097 297.7	1 106 292.0	1 111 272.5
Domestic debt	face value, PLN m	713 568.9	716 183.7	744 617.7	825 498.1	824 082.3	823 282.0
	%	71.3	72.3	71.2	75.2	74.5	74.1
Foreign debt	face value, PLN m	287 622.0	274 764.7	300 857.2	271 799.6	282 209.7	287 990.5
	%	28.7	27.7	28.8	24.8	25.5	25.9
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 055 939.7	1 045 646.3	1 103 695.0	1 256 088.7	1 306 605.0	1 335 568.9

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2021

as of April 30, 2021, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 65% was a result of:

- T-bond sale on domestic market: PLN 48.1bn,
- switch auctions in 2021: PLN 8.0bn,
- switch auctions in 2020: PLN 41.1bn,
- loans from the European Union under the SURE instrument in the amount of PLN 25.9bn,
- loans incurred from international financial institutions (IFIs): PLN 0.2bn,
- higher financial resources at the end of 2020: PLN 62.0bn (the final level will be known following the closure of the budget year).

Outflows of funds related to domestic marketable TS transfers in May

plan as of April 30, 2021

Value of funds transferred from the State budget to the market in May shall amount to PLN 7.8bn, of which:

- TS redemptions: PLN 7.7bn,
- interest payments: PLN 0.2bn.

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

From May to the end of 2021 the funds to be transferred to the domestic market shall amount to PLN 54.3bn (as of April 30, 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 May to the end of 2021 is not presented.

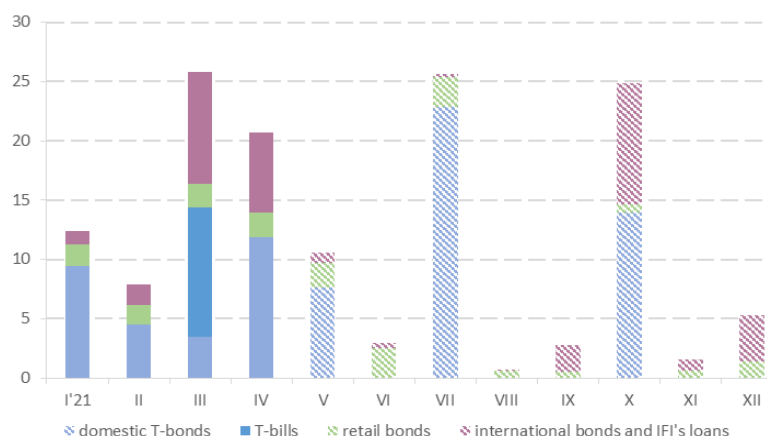
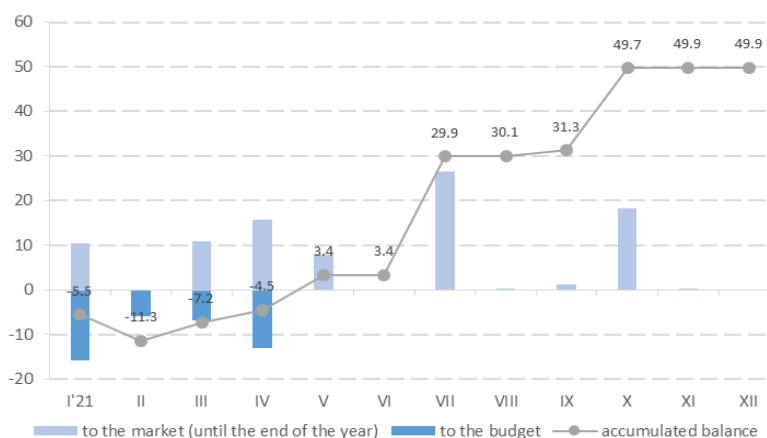
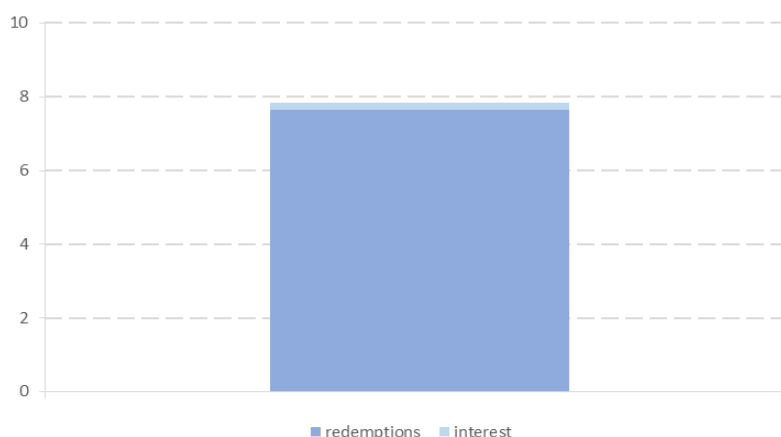
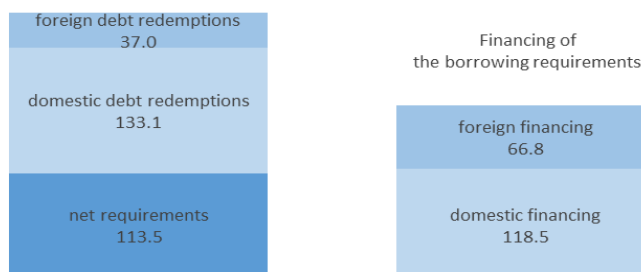
State Treasury debt redemptions in 2021

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

The nominal amount of debt to be redeemed in 2021 (as of April 30, 2021) is equal to PLN 74.2bn, including:

- T-bonds: PLN 44.5bn,
- retail bonds: PLN 10.1bn,
- T-bills: PLN 10.9bn,
- bonds and loans incurred on foreign markets: PLN 18.9bn.

Gross borrowing requirements PLN 283.6bn, of which:





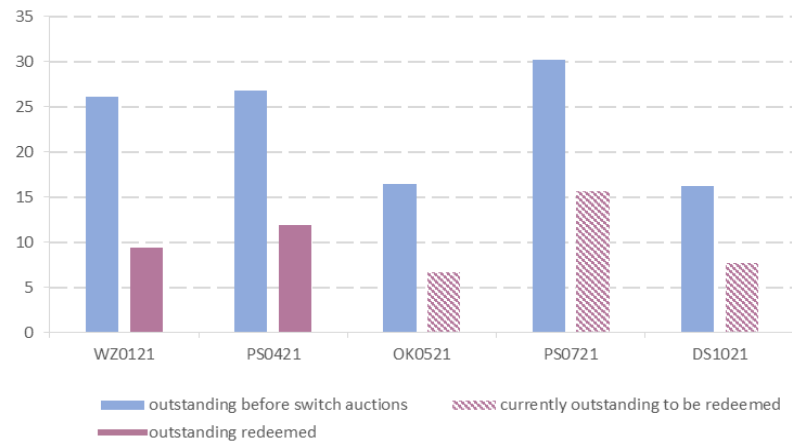
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

Buy-back of T-bonds maturing in 2021:

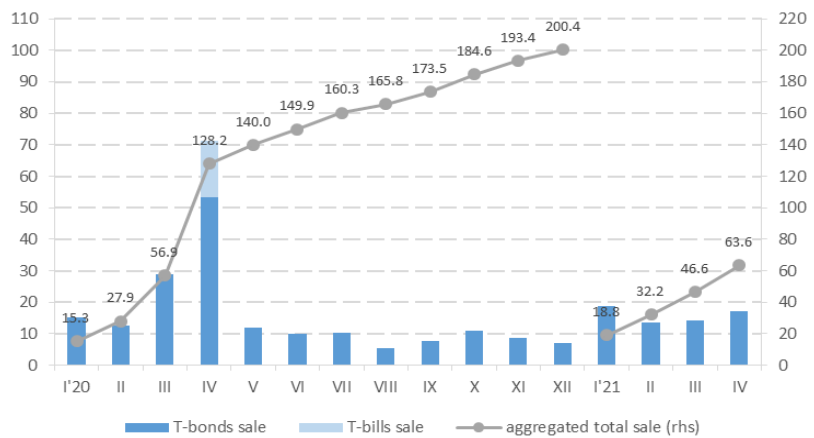
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 14.9bn (56% of the issuance),
- OK0521: PLN 9.8bn (60% of the issuance),
- PS0721: PLN 14.6bn (48% of the issuance),
- DS1021: PLN 8.5bn (53% of the issuance).



Sale of domestic T-bonds in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-IV 2021 aggregated total sale of T-bonds amounted to PLN 63.6bn versus PLN 110.4bn in the same period of 2020. T-bills were not sold.



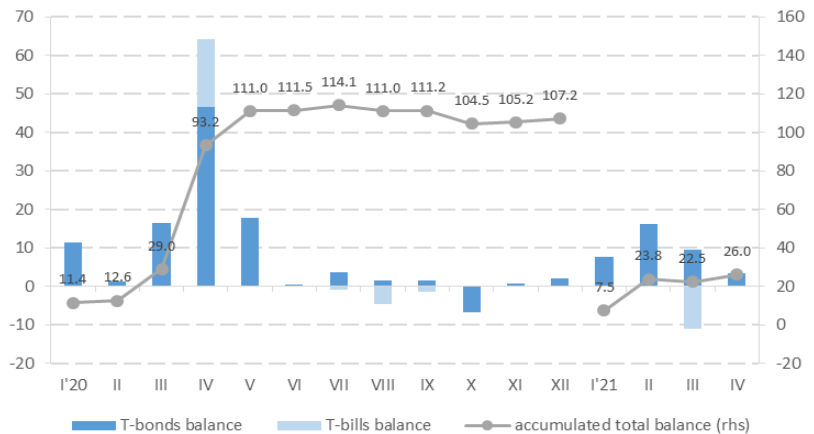
Balance of domestic T-bonds in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-IV 2021 indebtedness in

- T-bonds increased to PLN 36.9bn versus an increase of PLN 75.4bn in the same period of 2020,
- T-bills decreased by PLN 10.9bn versus increase of PLN 17.7bn 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.

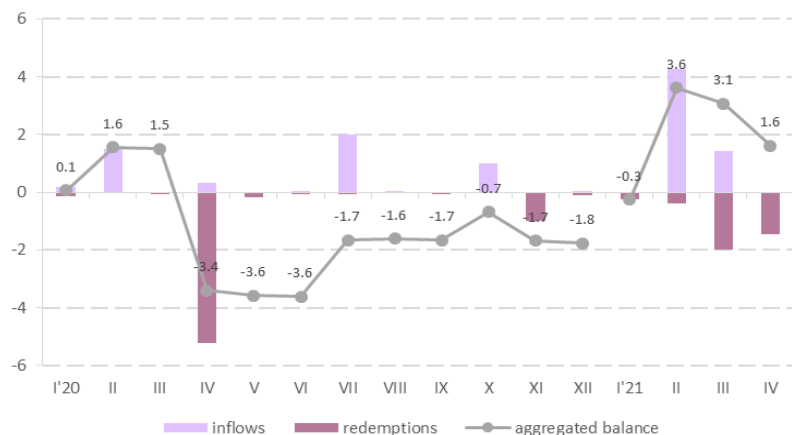


External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-IV 2021 was positive and amounted to EUR 1.6bn, which resulted from:

- negative balance of T-bonds issuance of EUR 4.0bn,
- negative balance of loans from IFIs at the level of EUR 0.1bn,
- loans from the European Union under the SURE instrument in the amount of EUR 5.7bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

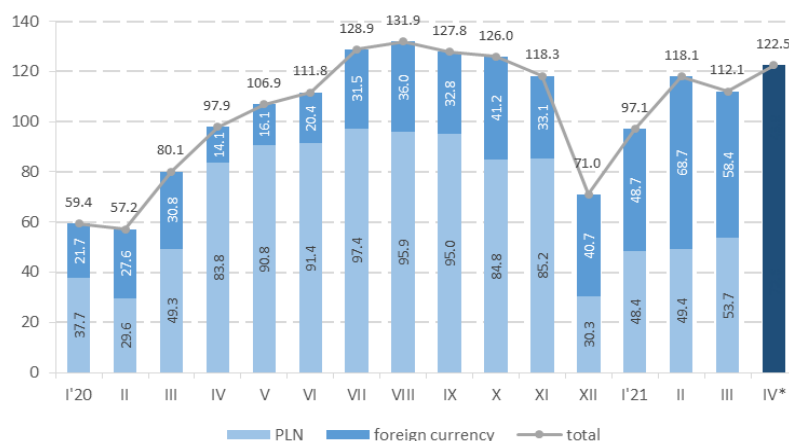


Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of April 2021 there was equivalent of PLN 122.5bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

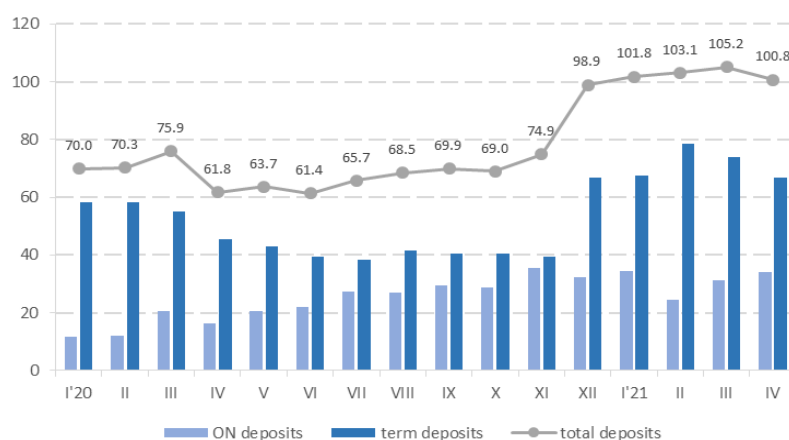
* Estimated data.



Consolidation of public finance sector liquidity management

PLN bn

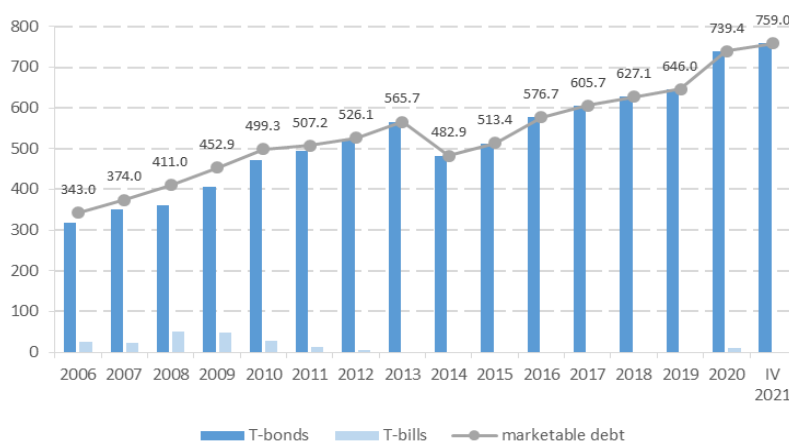
As a result of consolidation of the public finance sector liquidity management there were PLN 100.8bn funds accumulated at the end of April 2021, of which: PLN 66.7bn was on term deposits and PLN 34.0bn on ON deposits.



Structure of domestic marketable debt

PLN bn

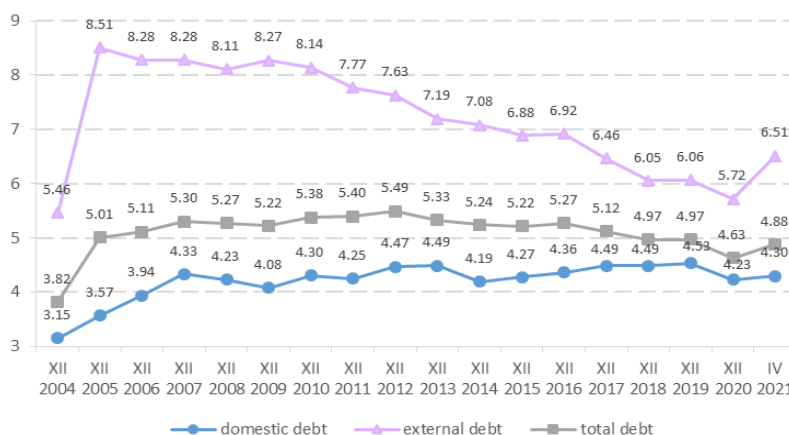
The marketable domestic debt amounted to PLN 759.0bn at the end of April 2021, comparing to PLN 739.4bn at the end of 2020.



Average maturity

years

The average maturity of the domestic debt amounted to 4.30 years at the end of April 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.88 years (4.63 years at the end of 2020).



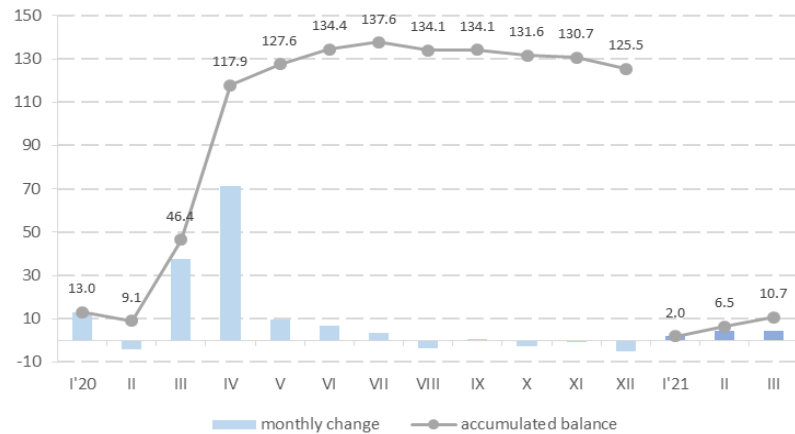


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

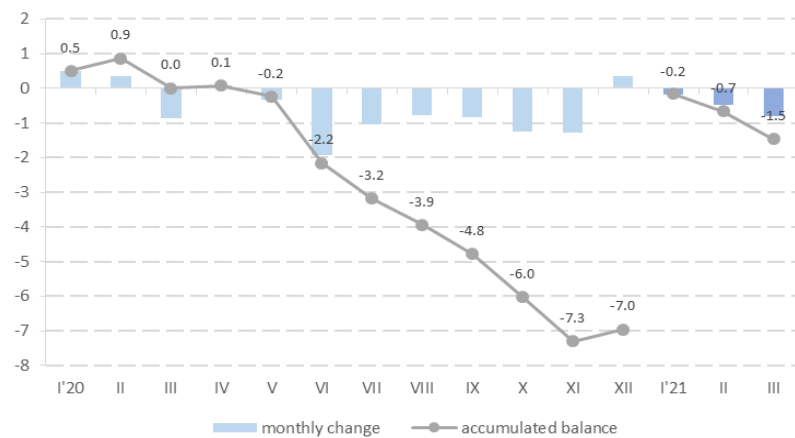
In the period of I-III 2021 there was an increase of debt by PLN 10.7bn comparing to PLN 46.4bn increase during the same period of 2020. Banks' holdings reached the level of PLN 441.1bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

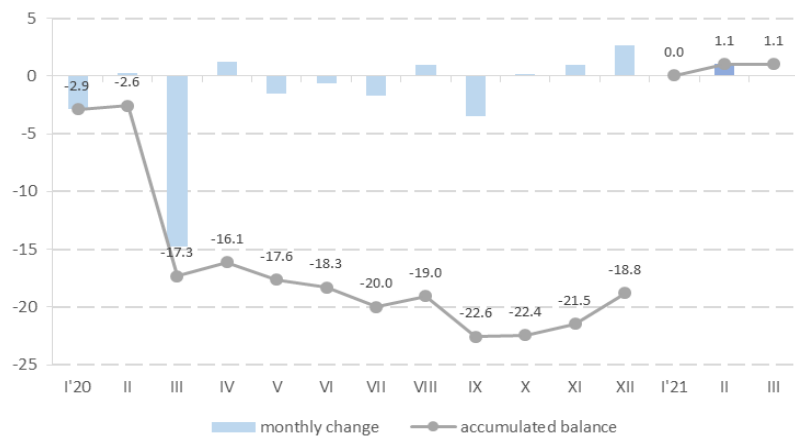
In the period of I-III 2021 there was a decrease of debt by PLN 1.5bn comparing to no change during the same period of 2020. Insurance companies' holdings reached the level of PLN 55.9bn.



Change of debt in the domestic TS held by investment funds

PLN bn

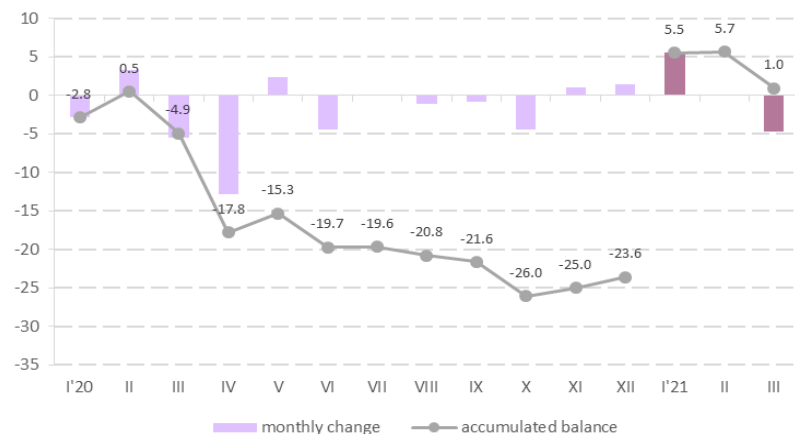
In the period of I-III 2021 there was an increase of debt by PLN 1.1bn comparing to PLN 17.3bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 48.5bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In the period of I-III 2021 there was an increase of debt by PLN 1.0bn comparing to PLN 4.9bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 134.7bn.



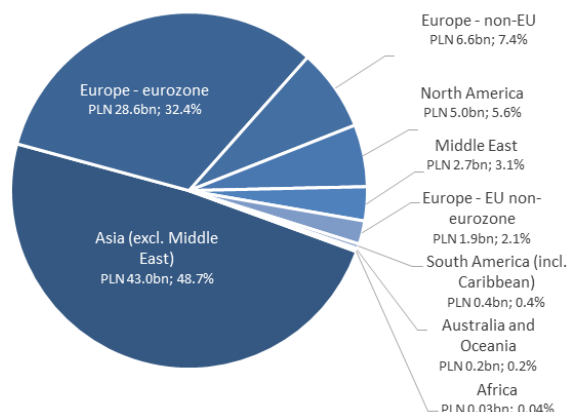
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

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

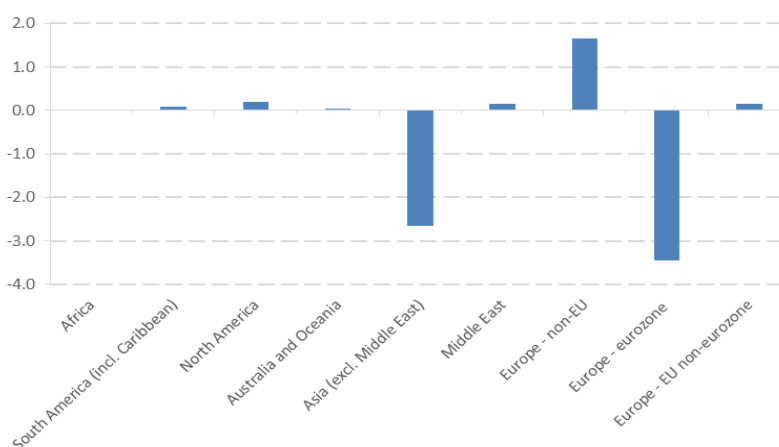
The non-residents' share in the domestic TS market decreased by PLN 4.7bn in March 2021. The foreign investors' portfolio amounted to PLN 134.7bn, which constituted 16.8% share in total debt in TS (17.3% in the previous month).



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

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

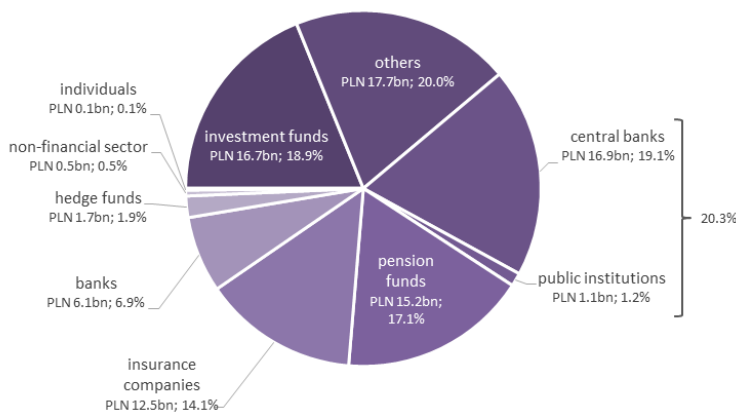
In March 2021 the highest increase was recorded by European non-EU countries (PLN 1.7bn), while the highest decrease was noted by eurozone investors (PLN 3.5bn).



Institutional distribution of the domestic TS held by non-residents

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

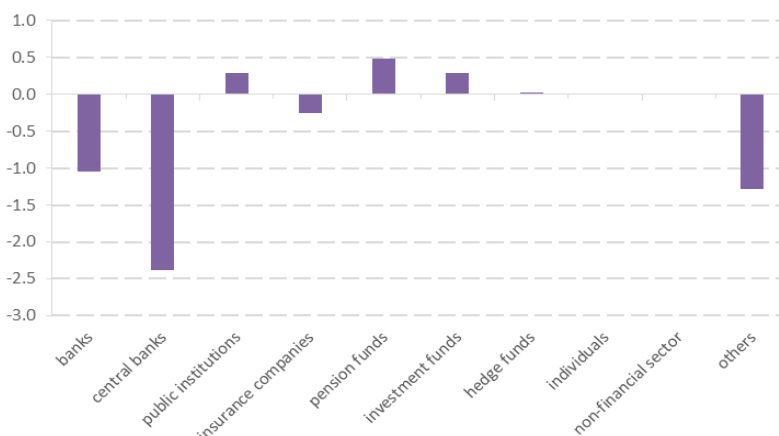
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 20.3% at the end of March 2021.



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

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

In March 2021 the highest increase was recorded by pension funds (PLN 0.5bn), while the highest decrease was noted by central banks (PLN 2.4bn).



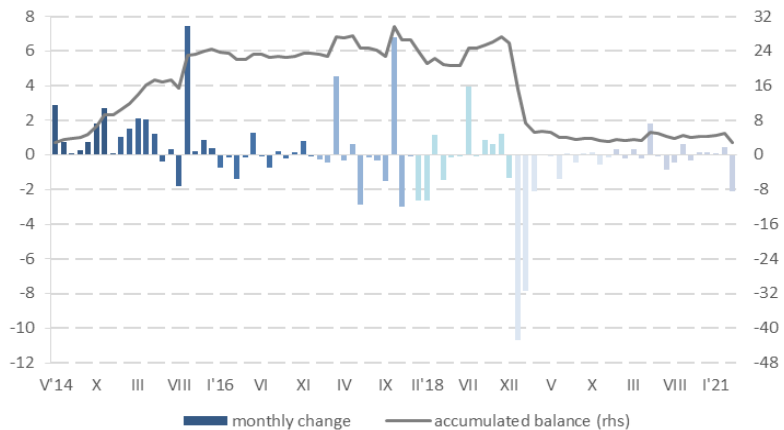


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in March 2021, PLN bn

Central banks and public institutions' involvement decreased by PLN 2.1bn in March 2021. In the period from the end of April 2014 to the end of March 2021, for which the detailed information is available, portfolios of those entities increased by PLN 2.8bn.



Structure of non-residents' holdings in TS by countries

as of March 31, 2021, excluding omnibus accounts and central banks, countries with more than 1% share

Countries	Outstanding in nominal value (PLN m)	Share in non-residents holdings
Japan	25 523.1	35.7%
Luxembourg	7 760.9	10.8%
Netherlands	7 045.8	9.8%
Ireland	4 748.6	6.6%
Germany	4 639.2	6.5%
United Kingdom	4 246.2	5.9%
United States	4 068.0	5.7%
France	1 907.5	2.7%
Switzerland	1 453.6	2.0%
Austria	1 367.4	1.9%
United Arab Emirates	1 189.7	1.7%
Denmark	1 040.1	1.5%
Norway	830.8	1.2%
Canada	726.3	1.0%
Others	4 988.9	7.0%
Total	71 536.2	100.0%

Comment

Sebastian Skuza, Secretary of State at the MoF

30-04-2021

(...) One Treasury bond sale auction and one bond switching auction are planned for May. No T-bill auctions are planned.

In March indebtedness in domestic Treasury securities decreased by PLN 1.2bn. The involvement of domestic banks increased by PLN 4.2bn, while the debt held by foreign investors decreased by PLN 4.7bn and in case of domestic non-banking sector by PLN 0.7bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN MAY 2021



T-bond sale auction

Auction date	Settlement date	Series	Planned offer (PLN m)
21 MAY 2021	25 MAY 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 auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)*
6 MAY 2021 / 10 MAY 2021	OK0423 / PS1026 / WZ1126 / DS1030 / WZ1131	OK0521	5.497
		PS0721	22.055
		DS1021	13.719
		PS0422	38.525

* After settlement of auction held on May 6, 2021.

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0821 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0523 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0524 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0525 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0531 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0527 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0533 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period