

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

February 2022

### THE MOST IMPORTANT INFORMATION

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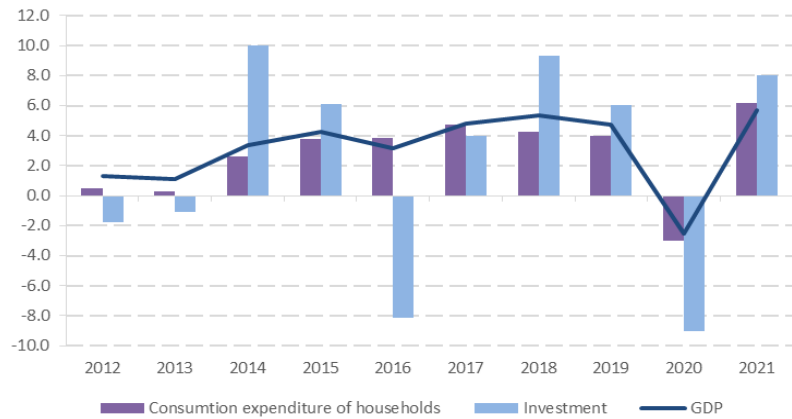


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices, yoy  
source: GUS

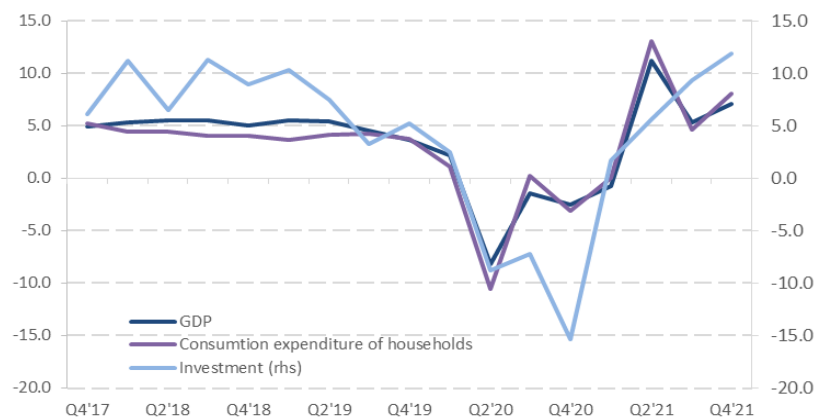
According to the preliminary estimate, GDP in 2021 was 5.7% higher than in 2020 (in the previous year it declined by 2.5%). Households consumption as well as investment rebounded in the previous year. Consumption expenditure in the households sector in 2021 increased by 6.2% compared with the previous year, while in 2020 it shrank by 3.0%. Gross fixed capital formation advanced by 8.0%, which was not enough to fully offset losses from the previous year. Inventories contribution to GDP growth was positive, whereas net exports contribution was negative.



### Contributions to Polish GDP growth

constant prices, yoy  
source: GUS, MoF own calculation

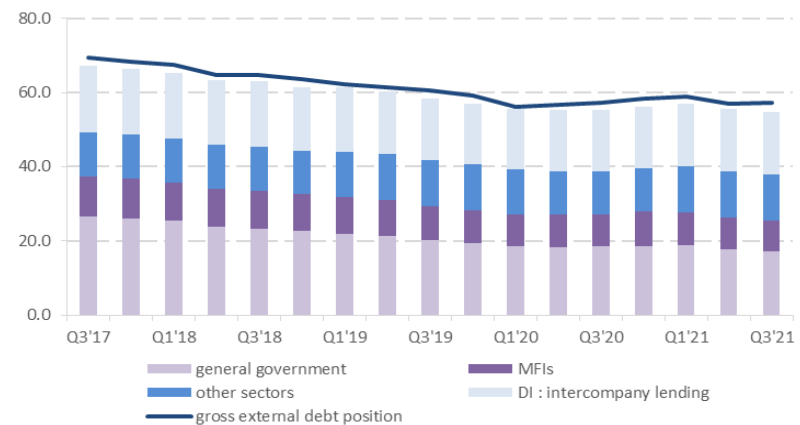
According to estimates based on data published for the whole year and assuming that the GDP dynamics in the first three quarters of 2021 remained unchanged, in the fourth quarter of 2021 GDP was about 7% higher than a year before. It indicates that yearly dynamics was higher than in the third quarter. We estimated that in the fourth quarter of 2021 households consumption increased by about 8% and investment by about 12%.



### Polish gross external debt position

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

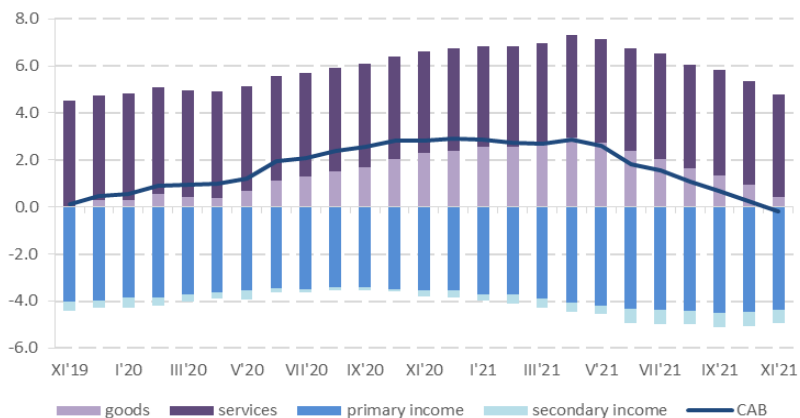
At the end of the third quarter of 2021 gross external debt reached EUR 315.7bn (57.2% of GDP) and was EUR 6.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased slightly to 30.2%. At the end of November 2021 official reserve assets reached EUR 146.7bn and remained broadly adequate, covering nearly 6 months of imports.



### Current account balance

percent of GDP, in 12-month terms  
source: NBP, GUS, MoF own calculation

In November 2021, according to the preliminary data, current account balance was negative and amounted to -0.2% of GDP (in 12-month terms). Due to stronger imports than exports dynamics, positive balance on goods decreased to 0.4% of GDP. Imports was boosted among others by rising domestic demand (including inventories) and higher energy prices. Exports dynamics improved, but was still dampened by supply shortages (especially in automotive sector). Due to high foreign investors' income on their capital involvement in Polish entities (sound financial results of companies), primary income deficit totalled at 4.4% of GDP.

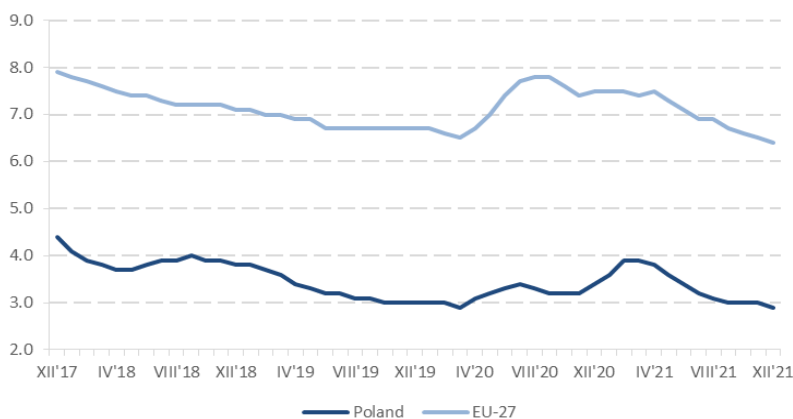




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

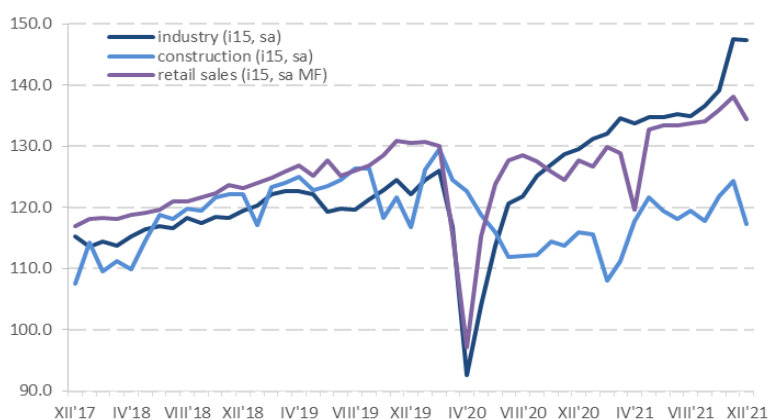
The harmonized unemployment rate (sa) amounted to 2.9% in December 2021 and it was by 0.1 pp lower than in three previous months and by 0.5 pp lower than a year earlier. It has reached its historically low level, previously observed just before the outbreak of the pandemic (in March 2020). The unemployment rate is currently clearly lower than the average in the EU-27 and the euro area (6.4% and 7.0%, 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  
source: Eurostat, GUS, MoF own calculation

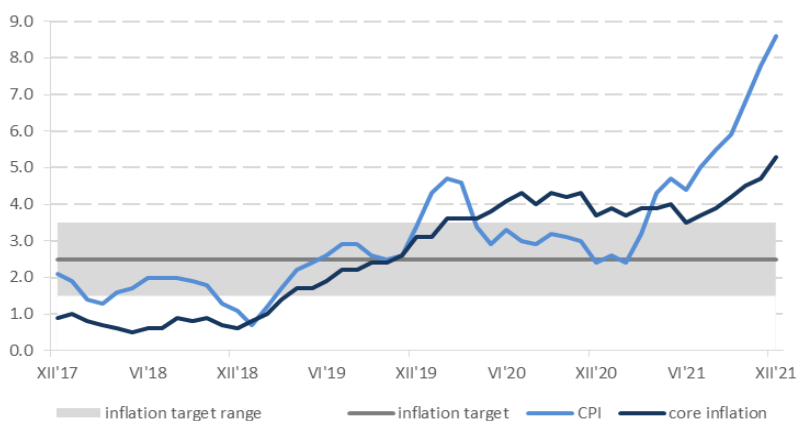
In December 2021 industrial production declined only by 0.2% (mom, sa) after strong increase in the previous month and was 16.7% higher than a year ago (nsa). Data were markedly above market expectations. Construction and assembly production dropped by 5.6% (mom, sa) following its rise in the previous two months (data for November 2021 were revised downwards). As a result its level was 3.1% (nsa) higher than a year ago. Data were worse than MoF expectations. Retail sales decreased in December 2021 following the growth in the previous seven months (mom, sa MoF). The retail sales level was 8% higher than a year before (nsa). Data were below expectations.



## Inflation

percent, yoy  
source: GUS, NBP

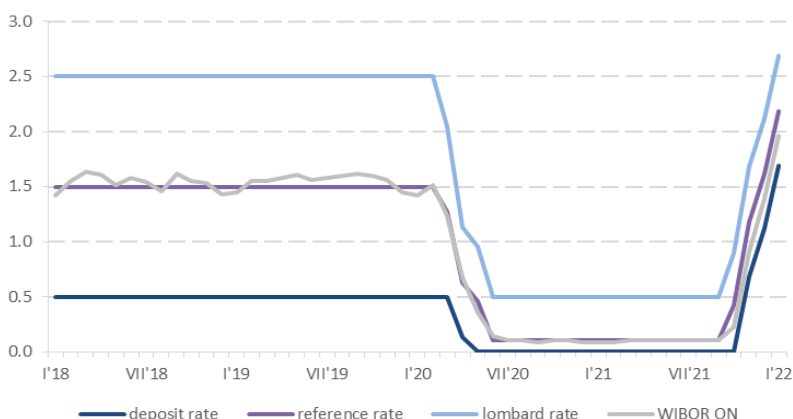
In December 2021 inflation rate amounted to 8.6% (the highest level in 21 years). Due to rise of crude oil and gas prices on international markets energy prices increased considerably (20.6%). Food prices also accelerated (to 8.6%). Core inflation (CPI excluding food and energy prices) was still high and in December it achieved 5.3%. On average inflation rate in 2021 amounted to 5.1%. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In December they were higher than a year before by 14.2% and on average by 7.9% in 2021.



## NBP interest rates

percent, end of period  
source: NBP, Refinitiv

In January 2022 the Monetary Policy Council raised NBP's interest rates for the fourth month in a row. The reference rate rose by 0.50 pp to 2.25%, the lombard rate was increased to 2.75%, while the deposit rate was set at 1.75%. In the period of October 2021 - January 2022 the reference rate rose by 2.15 pp in total. The MPC decided to hike interest rates in order to reduce risk of inflation running above the NBP's inflation target in the monetary policy transmission horizon.





## II. STATISTICAL DATA

	Unit	2016	2017	2018	2019	2020	2021
<b>GDP</b>							
Gross domestic product	YoY	3.1	4.8	5.4	4.7	-2.5	5.7
	QoQ SA						
Final consumption expenditure of the households sector	YoY	3.9	4.8	4.3	4.0	-3.0	6.2
	QoQ SA						
Final consumption expenditure of the general government sector	YoY	1.9	2.7	3.5	6.5	4.9	-
	QoQ SA						
Gross fixed capital formation	YoY	-8.2	4.0	9.4	6.1	-9.0	8.0
	QoQ SA						
Exports of goods and services	YoY	9.3	9.6	6.9	5.2	0.1	-
	QoQ SA						
Imports of goods and services	YoY	7.9	10.2	7.4	3.0	-1.1	-
	QoQ SA						
Gross value added	YoY	3.1	4.7	5.3	4.6	-2.6	5.3
	QoQ SA						
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	2.2	2.8	2.5	2.3	-1.7	3.4
Final consumption expenditure of the general government sector	pp	0.3	0.5	0.6	1.1	0.9	-
Gross fixed capital formation	pp	-1.6	0.7	1.7	1.1	-1.6	1.3
Changes in inventories	pp	1.2	0.8	0.4	-1.0	-0.7	-
Balance of trade turnover	pp	0.9	0.1	0.0	1.3	0.7	-
Gross value added	pp	2.8	4.1	4.7	4.0	-2.2	4.6
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	57.8	57.9	57.5	56.7	55.9	-
Final consumption expenditure of the general government sector	% of GDP	17.9	17.7	17.7	18.0	19.2	-
Gross fixed capital formation	% of GDP	18.0	17.5	18.2	18.3	16.6	-
Changes in inventories	% of GDP	1.7	2.4	2.6	1.4	0.6	-
Exports of goods and services	% of GDP	51.9	54.2	55.2	55.4	56.2	-
Imports of goods and services	% of GDP	48.2	50.4	52.2	50.6	49.4	-
<b>Balance of payments</b>							
	Unit	2021					
		M07	M08	M09	M10	M11	M12
Goods: exports (EUR)	YoY	12.0	18.1	12.7	9.7	14.2	-
Goods: imports (EUR)	YoY	20.8	30.7	21.8	20.9	29.0	-
Current account balance <sup>1)</sup>	% of GDP	1.5	1.1	0.7	0.3	-0.2	-
Balance on goods <sup>1)</sup>	% of GDP	2.1	1.7	1.4	0.9	0.4	-
Official Reserve Assets	EUR m	136 926.6	143 354.8	143 932.0	144 072.9	146 719.0	146 578.3
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	5.0	5.5	5.9	6.8	7.8	8.6
Core inflation (CPI excluding food and energy prices)	YoY	3.7	3.9	4.2	4.5	4.7	5.3
Producer Price Index (PPI)	YoY	8.4	9.6	10.3	12.0	13.6	14.2
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	9.5	13.0	8.7	7.6	14.8	16.7
	MoM SA	0.4	-0.3	1.3	1.8	6.1	-0.2
Construction and assembly production <sup>2)</sup>	YoY	3.2	10.2	4.2	4.1	12.7	3.1
	MoM SA	-1.0	1.1	-1.4	3.4	2.1	-5.6
Manufacturing PMI	SA	57.6	56.0	53.4	53.8	54.4	56.1
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	3.9	5.4	5.1	6.9	12.1	8.0
Average paid employment in enterprise sector	YoY	1.8	0.9	0.6	0.5	0.7	0.5
	MoM	0.0	-0.2	-0.1	0.1	0.2	0.0
Average monthly gross wages and salaries in enterprise sector (real)	YoY	3.6	3.8	2.7	1.5	1.9	2.4
	MoM	0.5	-0.4	-0.7	0.2	0.8	9.3
Harmonised unemployment rate (Eurostat)	%, SA	3.2	3.1	3.0	3.0	3.0	2.9
<sup>1)</sup> Data in 12-month terms <sup>2)</sup> 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							
<b>State Treasury debt</b>							
	Unit	2021					
		M06	M07	M08	M09	M10	M11
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 133 647.5	1 135 089.0	1 135 646.3	1 144 751.6	1 126 980.2	1 138 121.4
Domestic debt	face value, PLN m	858 992.1	857 474.9	859 953.3	864 975.7	856 613.3	863 872.8
	%	75.8	75.5	75.7	75.6	76.0	75.9
Foreign debt	face value, PLN m	274 655.4	277 614.2	275 693.0	279 775.9	270 366.9	274 248.6
	%	24.2	24.5	24.3	24.4	24.0	24.1
<b>Public debt (domestic definition)</b>							
	Unit	2020			2021		
		Q02	Q03	Q04	Q05	Q06	Q07
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 097 298.7	1 106 292.0	1 111 806.3	1 152 235.1	1 152 233.9	1 160 701.5
Domestic debt	face value, PLN m	710 318.3	713 341.0	716 558.7	738 345.7	756 518.4	755 460.4
	%	64.7	64.5	64.4	64.1	65.7	65.1
Foreign debt	face value, PLN m	386 980.4	392 951.0	395 247.6	413 889.3	395 715.5	405 241.1
	%	35.3	35.5	35.6	35.9	34.3	34.9
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	1 255 871.7	1 306 682.0	1 336 557.6	1 389 925.2	1 402 087.6	1 418 769.6

Source: MoF

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



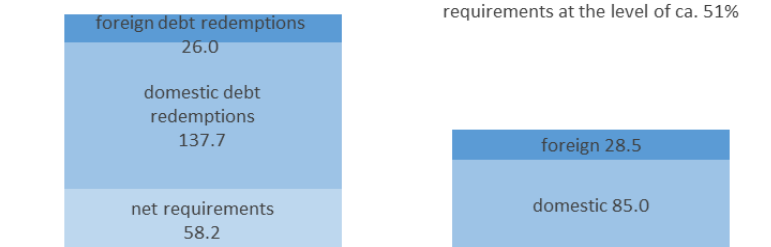
#### Gross borrowing requirements in 2021

as of January 31, 2022, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 51% (acc. to the Budget Act) was a result of:

- T-bond sale on domestic market: PLN 7.7bn,
- switch auctions in 2022: PLN 3.9bn,
- loans incurred from IFIs: PLN 0.3bn,
- switch auctions in 2021: PLN 24.1bn,
- higher financial resources at the end of 2021: PLN 77.4bn.

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



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

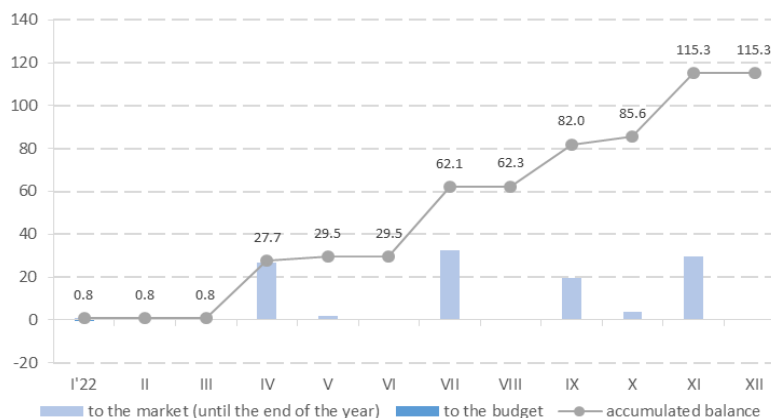
plan as of January 31, 2022

There will be no funds transferred from the State budget to the market in February (neither TS redemptions nor interest payments).

#### Flows of funds between the domestic market and the budget\*

as at the end of month, PLN bn

From February to the end of 2022 the funds to be transferred to the domestic market shall amount to PLN 114.5bn (as of January 31, 2022).



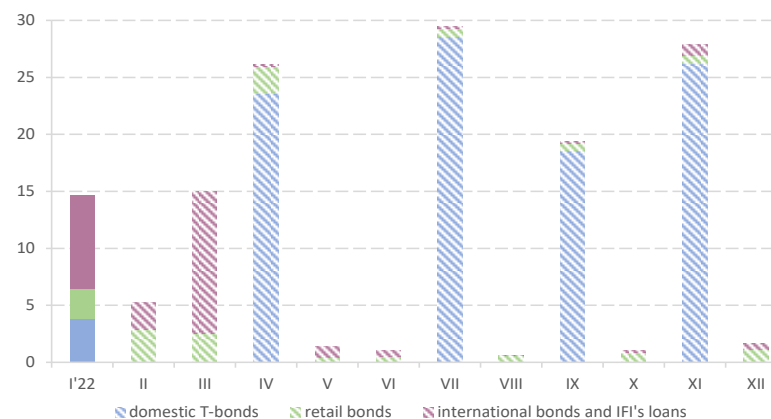
\* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget to the period of February to the end of 2022 is not presented.

#### 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 January 31, 2022) is equal to PLN 128.8bn, including:

- T-bonds: PLN 97.0bn,
- retail bonds: PLN 13.1bn,
- bonds and loans incurred on foreign markets: PLN 18.7bn.





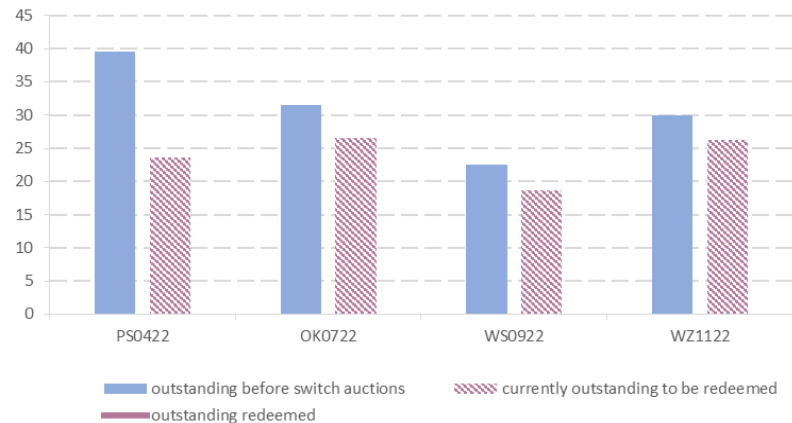
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

as of January 31, 2022, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2022:

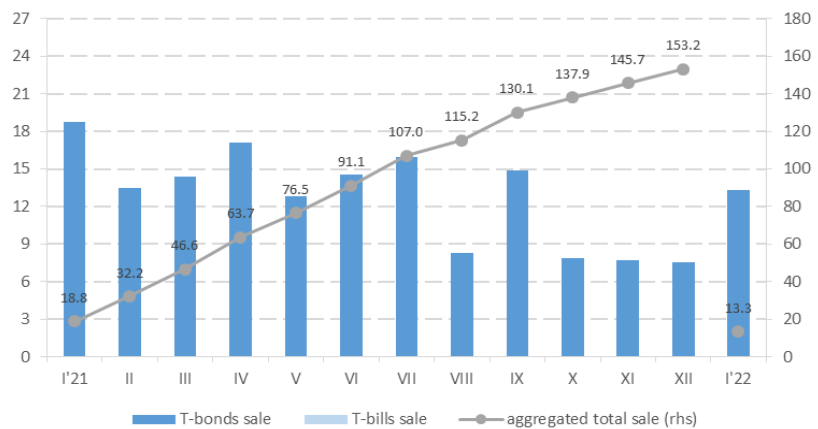
- PS0422: PLN 16.0bn (40% of the issuance),
- OK0722: PLN 4.8bn (15% of the issuance),
- WS0922: PLN 3.9bn (17% of the issuance),
- WZ1122: PLN 3.7bn (12% of the issuance).



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

settlement date, nominal amount, PLN bn

In January 2022 aggregated total sale of T-bonds amounted to PLN 13.3bn versus PLN 18.8bn in the same period of 2021.

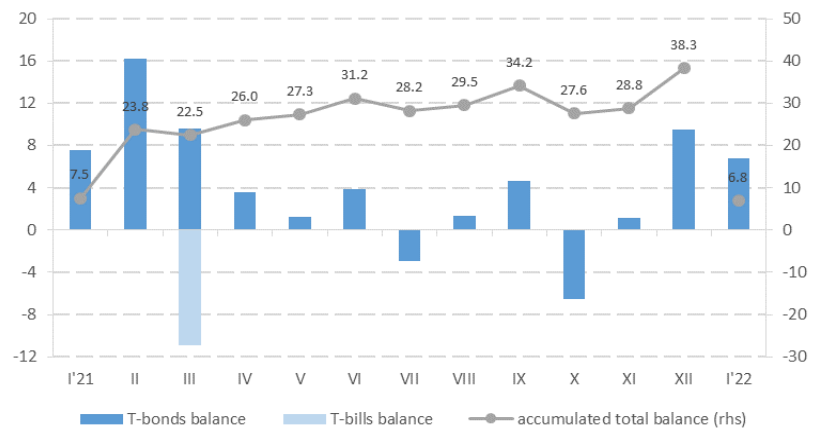


#### Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In January 2022 indebtedness in T-bonds increased to PLN 6.8bn versus increase of PLN 7.5bn 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 January 2022 was negative and amounted to EUR 1.7bn, which resulted from:

- negative balance of T-bonds of EUR 1.5bn,
- negative balance of loans incurred from IFIs of EUR 0.2bn.



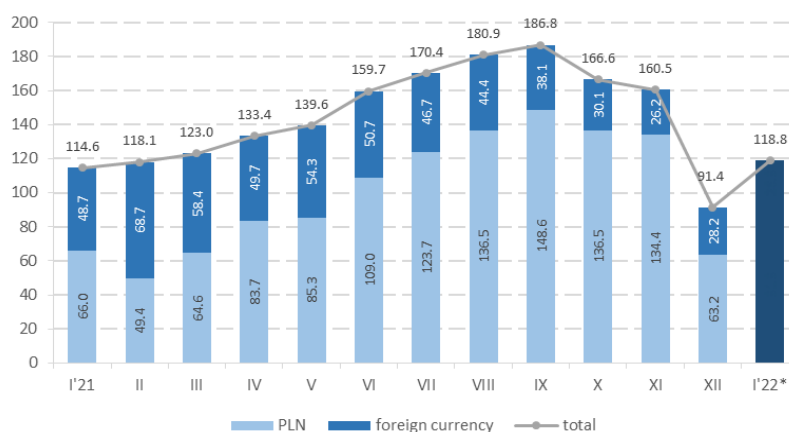
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### 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 January 2022 there was equivalent of PLN 118.8bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

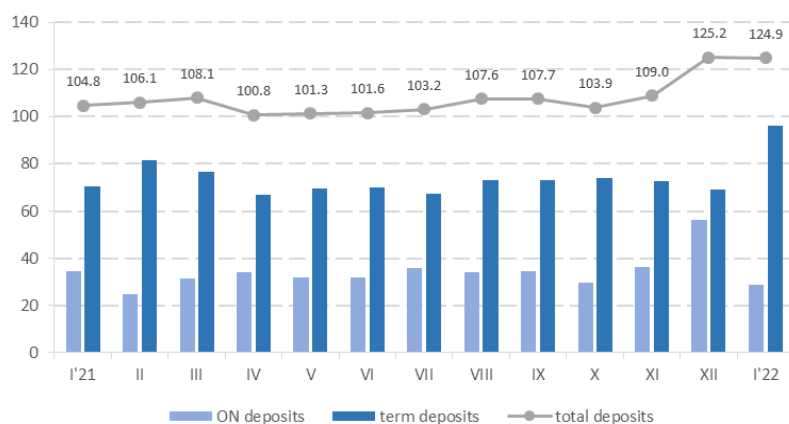


\* Estimated data.

#### Consolidation of public finance sector liquidity management

PLN bn

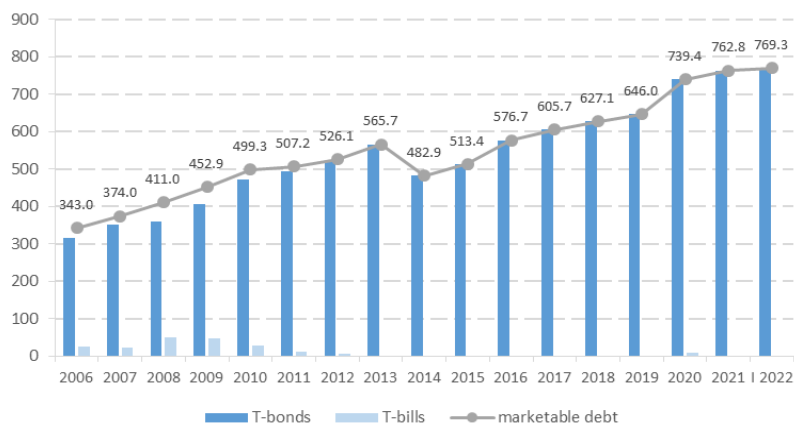
As a result of consolidation of the public finance sector liquidity management there were PLN 124.9bn funds accumulated at the end of January 2022, of which: PLN 96.2bn was on term deposits and PLN 28.7bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

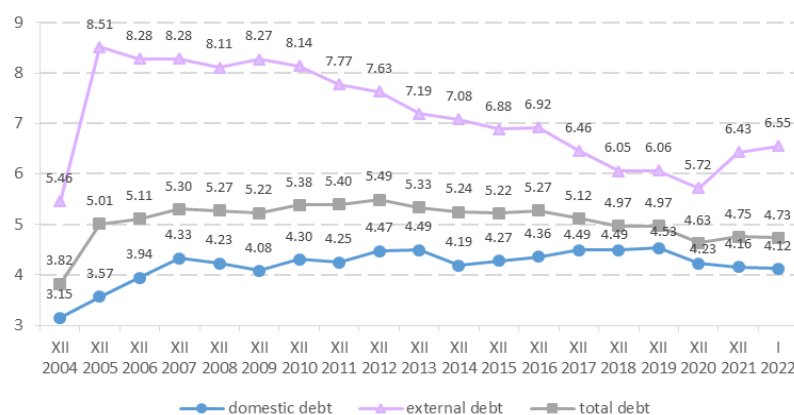
The marketable domestic debt amounted to PLN 769.3bn at the end of January 2022, comparing to PLN 762.8bn at the end of 2021.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.12 years at the end of January 2022 (4.16 years at the end of 2021). The average of the total debt amounted to 4.73 years (4.75 years at the end of 2021).



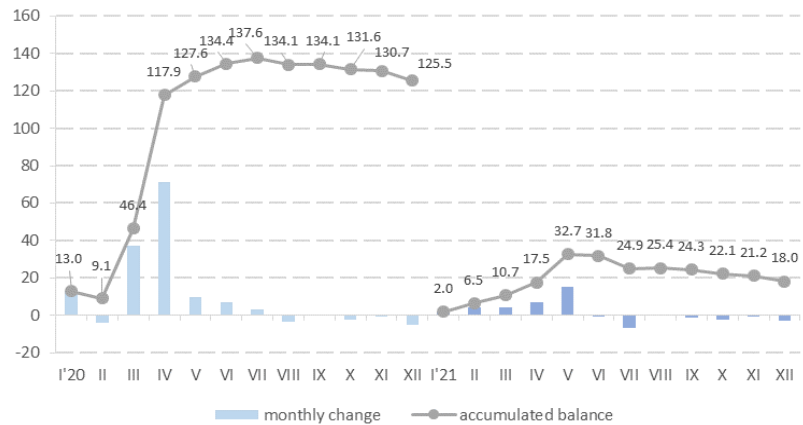


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

PLN bn

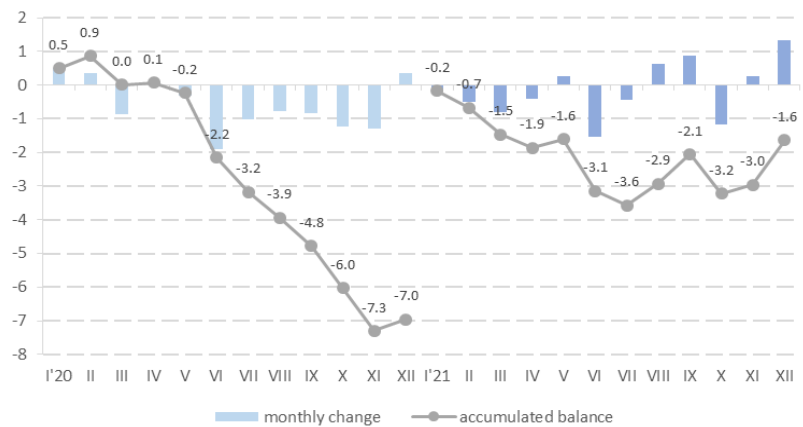
In the period of I-XII 2021 there was an increase of debt by PLN 18.0bn comparing to PLN 125.5bn increase during the same period of 2020. Banks' holdings reached the level of PLN 448.5bn.



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

PLN bn

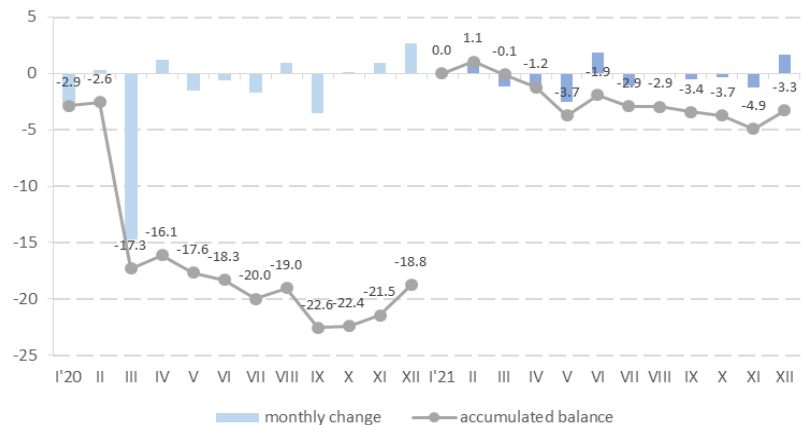
In the period of I-XII 2021 there was a decrease of debt by PLN 1.6bn comparing to PLN 7.0bn decrease during the same period of 2020. Insurance companies' holdings reached the level of PLN 55.7bn.



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

PLN bn

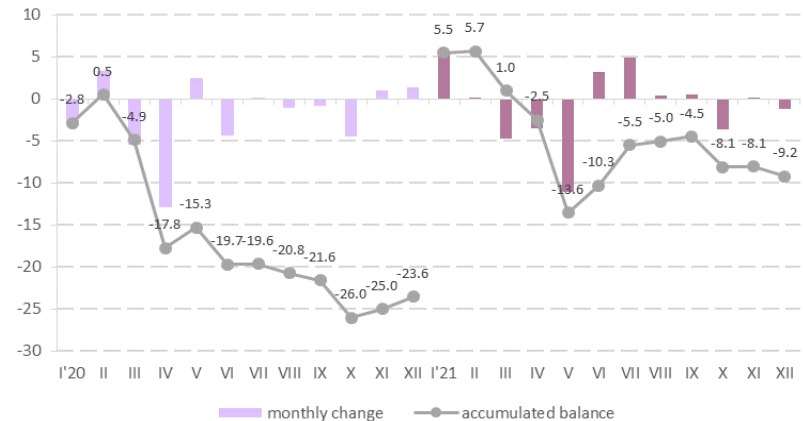
In the period of I-XII 2021 there was a decrease of debt by PLN 3.3bn comparing to PLN 18.8bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 45.3bn.



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

PLN bn

In the period of I-XII 2021 there was a decrease of debt by PLN 9.2bn comparing to PLN 23.6bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 124.6bn.





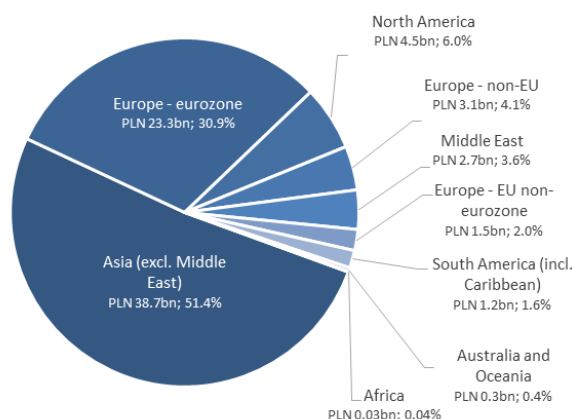
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

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

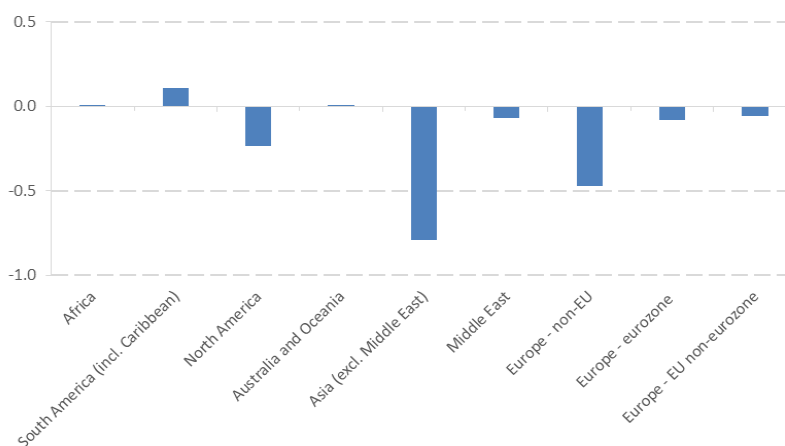
The non-residents' share in the domestic Treasury securities market decreased by PLN 1.1bn in December 2021. The foreign investors' portfolio amounted to PLN 124.6bn, which constituted 15.2% share in total debt in Treasury securities (15.5% in the previous month).



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

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

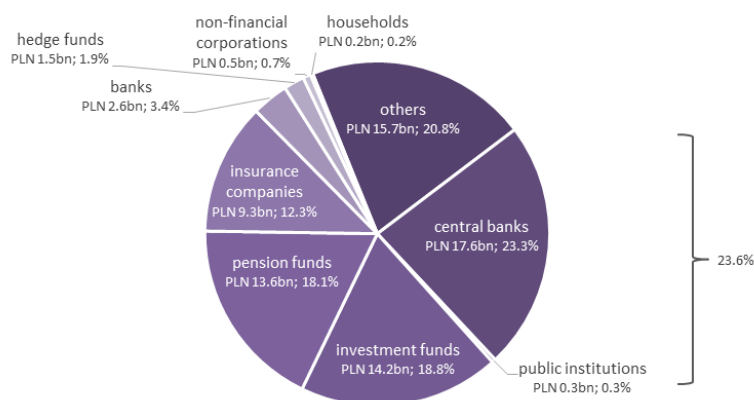
In December 2021 the highest increase was recorded by investors from South America (PLN 0.1bn), while the highest decrease was noted by investors from Asia (excl. Middle East) (PLN 0.8bn).



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

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

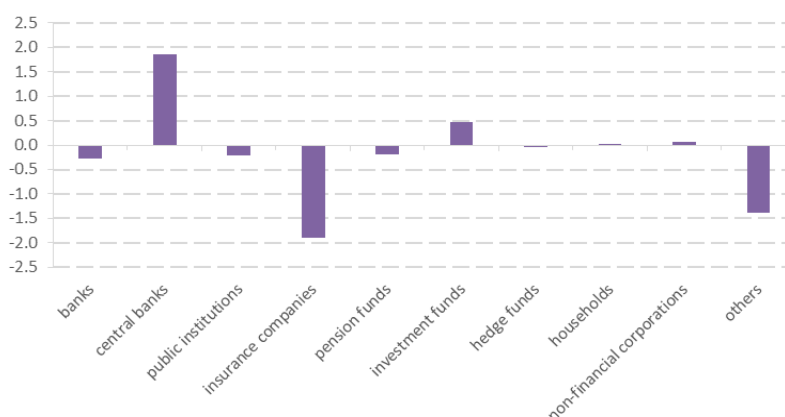
Institutional structure of domestic Treasury securities held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 23.6% at the end of December 2021.



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

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

In December 2021 the highest increase was recorded by central banks (PLN 1.9bn), while the highest decrease was noted by insurance companies (PLN 1.9bn).



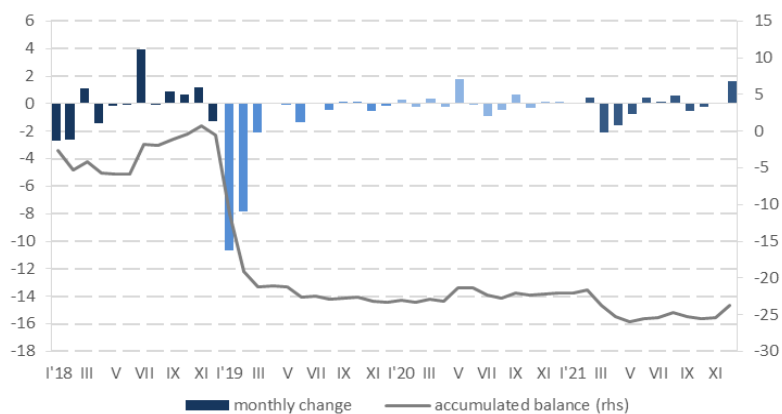


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in December 2021, PLN bn

Central banks and public institutions' involvement increased by PLN 1.6bn in December 2021. In the period from the end of January 2018 to the end of December 2021 portfolios of those entities decreased by PLN 23.8bn.



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

as of December 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	20 808.2	36.0%
Netherlands	7 097.4	12.3%
Luxembourg	6 127.6	10.6%
United States	3 777.3	6.5%
Germany	3 611.0	6.3%
Ireland	3 147.1	5.4%
France	2 103.5	3.6%
United Kingdom	1 672.9	2.9%
United Arab Emirates	1 670.7	2.9%
Switzerland	1 339.0	2.3%
Cayman Islands (the)	1 215.2	2.1%
Canada	678.9	1.2%
Denmark	653.1	1.1%
Others	3 844.9	6.7%
<b>Total</b>	<b>57 746.7</b>	<b>100.0%</b>

#### Comment

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

31-01-2022

(...) The level of financing of this year's borrowing requirements is ca. 51%.

In February, as in January, one switching auction and one T-bond sale auctions are planned. No T-bill auctions are planned.

In December 2021 indebtedness in domestic Treasury securities increased by PLN 9.5bn. The involvement of domestic banks decreased by PLN 3.2bn, and foreign investors by PLN 1.1bn, while the indebtedness towards non-banking investors increased by PLN 13.8bn.

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



### T-bond sale auction

Auction date	Settlement date	Series	Planned offer (PLN m)
24 FEB 2022	28 FEB 2022	OK0724 / WZ1126 / PS0527 / WZ1131 / DS0432 / possible T-bond either of WS or IZ type	3,000-6,000

*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)
11 FEB 2022 / 15 FEB 2022	OK0724 / WZ1126 / PS0527 / WZ1131 / DS0432	PS0422	23,599
		OK0722	26,589
		WS0922	18,588
		WZ1122	26,226
		PS0123	32,685

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0522 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.00%
DOS0224 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.50%
TOZ0225 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.60% in the first coupon period
COI0226 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.80% in the first coupon period
EDO0232 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 2.20% in the first coupon period
ROS0228 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period
ROD0234 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 2.50% in the first coupon period