

State budget borrowing requirements' financing plan and its background

June 2019

THE MOST IMPORTANT INFORMATION

I. Current macroeconomic situation	2-3
II. Statistical data	4
III. Background of borrowing requirements' financing	5-10
• MoF's comment	10
IV. Monthly supply plan of Treasury securities	11

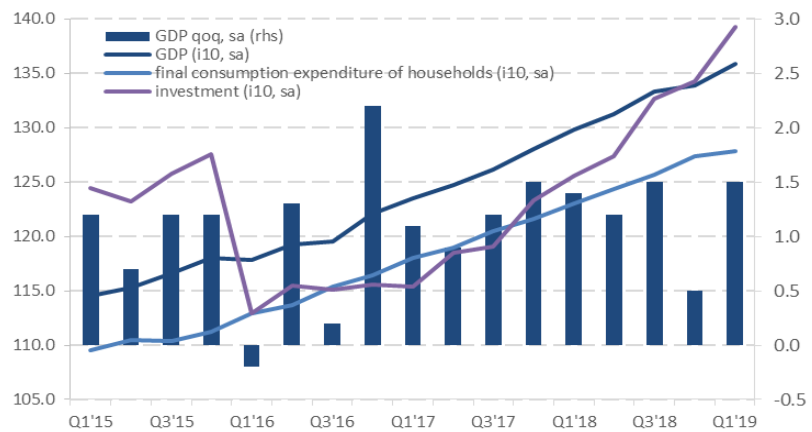


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices, seasonally adjusted data
source: GUS, Eurostat

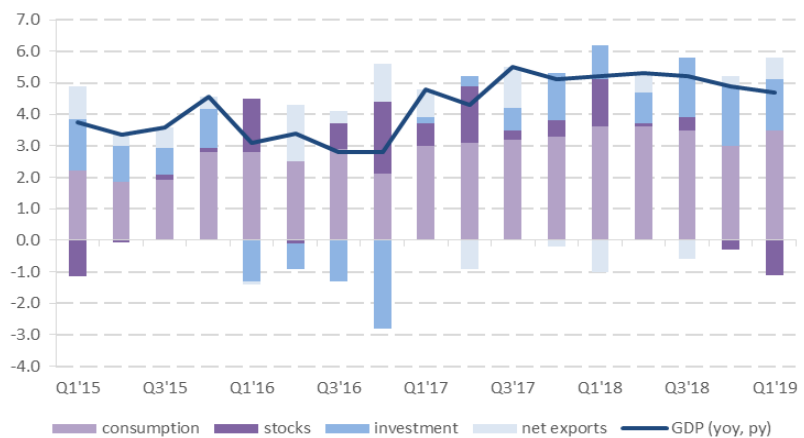
In the first quarter of 2019 GDP increased by 1.5% (qoq) versus 0.5% a quarter earlier. Rate of growth of households consumption decreased (qoq), while the pace of growth of investment significantly accelerated. After a relatively strong fourth quarter of 2018, especially in the case of exports, trade dynamics slowed down.



Contributions to Polish GDP growth

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

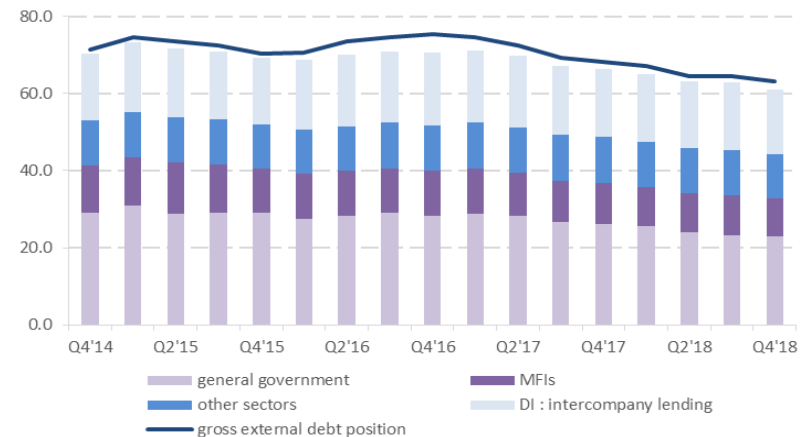
In the first quarter of 2019 GDP was 4.7% higher than a year ago versus 4.9% in the previous quarter. Households consumption was the main source of GDP growth (yoy, py). Investment registered a two-digit growth rate (12.6% versus 8.2% in the fourth quarter). Inventories contribution to GDP growth was negative (1.1 pp) and net exports contributed positively (0.7 pp). Strong private consumption demand was a consequence of a positive labour market situation and robust consumer sentiment. Investment was supported among others by high investment outlays dynamics in non-financial enterprises sector.



Polish gross external debt position

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

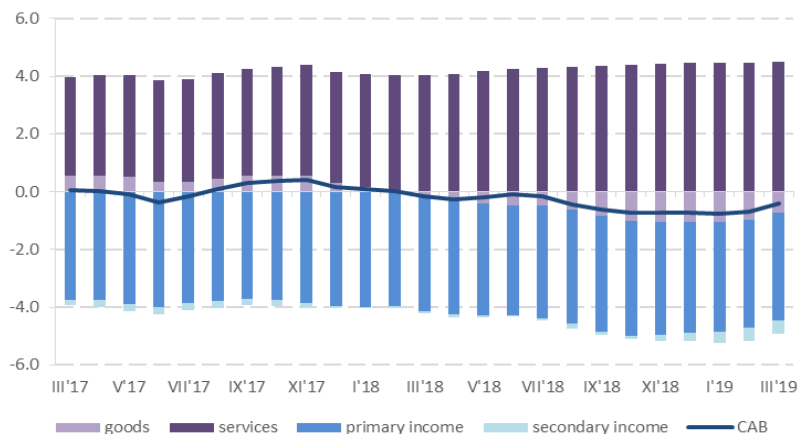
At the end of the fourth quarter of 2018 gross external debt reached EUR 313.7bn (63.2% of GDP) and was EUR 3.0bn lower than in the previous quarter. The share of general government debt in total debt increased slightly to 36.2%. At the end of March 2019 official reserve assets reached about EUR 100.7bn and remained broadly adequate, covering nearly 5 months of imports.



Current account balance

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

In March 2019, according to the preliminary data, current account deficit amounted to 0.4% of GDP. Data were significantly better than market expectations. The C/A deficit was, with a wide margin, covered by long-term capital, i.e. inflow of direct investment of non-residents and inflow of EU structural funds classified on the capital account.

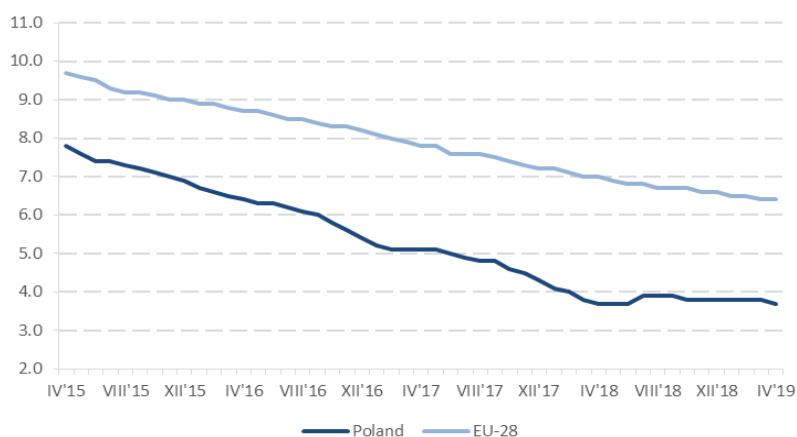




Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

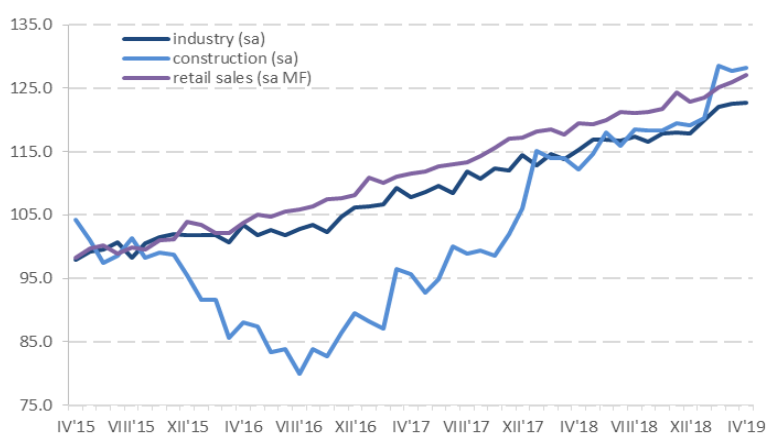
In April 2019 harmonised unemployment rate decreased by 0.1 pp to 3.7% (compared to 6.4% on average in the EU) after five months of stabilization. It returned to the record low level noted in April-June 2018.



Monthly indicators of the real sector

sold production in constant prices, i15, seasonally adjusted data; source: Eurostat, GUS, MoF own calculation

In April 2019 industrial production went up by 0.1% (mom, sa) and was 9.2% higher than a year ago (nsa). Data were close to market expectations. Construction and assembly production increased by 0.3% following its rather slightly drop in the previous month (mom, sa) and was 17.4% (nsa) higher than a year before. Data met MoF's expectations. Real retail sales rate of growth accelerated to 1% (cp, mom, sa MoF). As a result, retail sales were 11.9% (nsa) higher than in the same month of 2018. The annual dynamics (nsa) was positively affected by calendar effect (the later Easter and one working day more than a year before). Data were above market expectations.



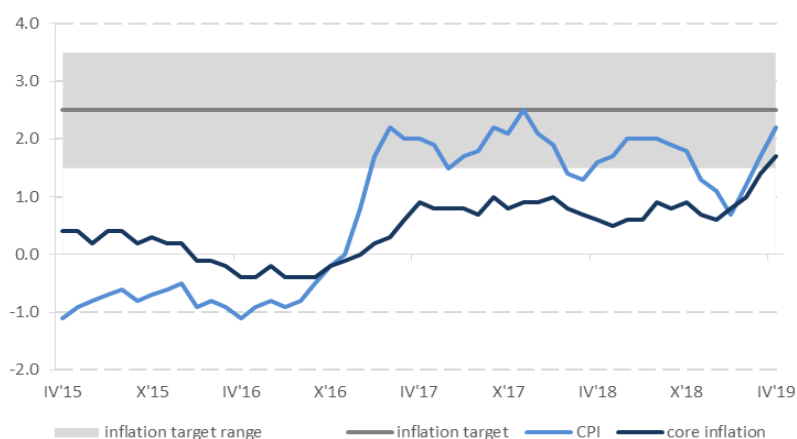
Inflation

percent, yoy
source: GUS, NBP

In April 2019 consumer prices rose by 1.1% (mom). As a result, annual rate of inflation increased to 2.2% and was close to the inflation target. Data were considerably higher than market expectations.

Core inflation (CPI excluding food and energy prices) in April reached 1.7% (yoy; 1.4% in March), the highest level since December 2012.

In April producer prices increased by 0.4% (mom) and their level was 2.6% higher than a year ago.

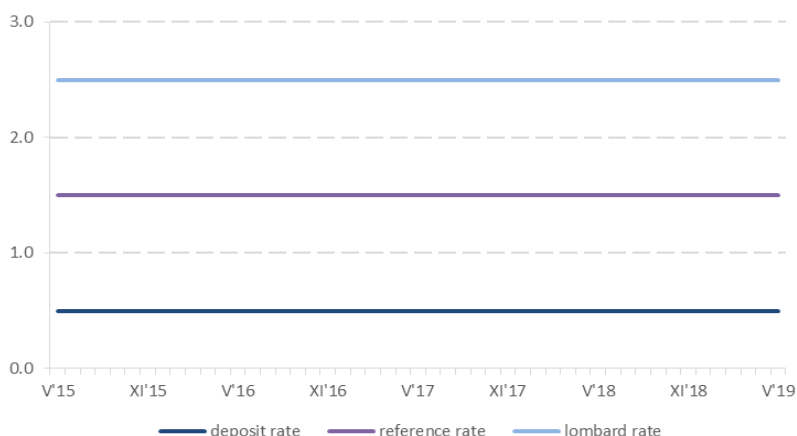


NBP interest rates

percent, end of period
source: NBP

In May 2019, the Monetary Policy Council kept NBP's interest rates unchanged with the reference rate at 1.50%. The decision was in line with market expectations. In the Council's assessment, the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.

The latest Reuters' poll median forecast (April, 29) sees NBP rates on hold in 2019.





II. STATISTICAL DATA

	Unit	2017 Q04	2018 Q01	Q02	Q03	Q04	2019 Q01
GDP							
Gross domestic product	YoY	5.1	5.2	5.3	5.2	4.9	4.7
	QoQ SA	1.5	1.4	1.2	1.5	0.5	1.5
Final consumption expenditure of the households sector	YoY	5.0	4.6	4.8	4.4	4.2	3.9
	QoQ SA	0.9	1.2	1.1	1.1	1.3	0.4
Final consumption expenditure of the general government sector	YoY	4.2	4.5	4.5	5.2	4.7	6.4
	QoQ SA	1.4	0.9	1.6	1.5	0.9	1.3
Gross fixed capital formation	YoY	6.2	9.6	6.0	11.3	8.2	12.6
	QoQ SA	3.6	1.8	1.5	4.2	1.2	3.7
Exports of goods and services	YoY	10.4	3.8	8.1	5.3	7.9	5.9
	QoQ SA	3.5	0.4	2.7	-0.8	4.4	-0.4
Imports of goods and services	YoY	11.8	6.1	7.6	7.0	7.8	5.0
	QoQ SA	2.7	1.0	2.1	1.3	1.5	0.8
Gross value added	YoY	4.9	5.2	5.1	5.1	4.9	4.6
	QoQ SA	1.1	1.4	1.3	1.3	1.0	1.2
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	2.5	2.9	2.8	2.6	2.1	2.4
Final consumption expenditure of the general government sector	pp	0.8	0.7	0.8	0.9	0.9	1.1
Gross fixed capital formation	pp	1.5	1.1	1.0	1.9	1.9	1.6
Changes in inventories	pp	0.5	1.5	0.1	0.4	-0.3	-1.1
Balance of trade turnover	pp	-0.2	-1.0	0.6	-0.6	0.3	0.7
Gross value added	pp	4.3	4.6	4.5	4.5	4.2	4.1
Taxes less subsidies	pp	0.8	0.6	0.8	0.7	0.7	0.6
GDP structure							
Final consumption expenditure of the households sector	% of GDP	50.3	63.2	58.8	59.0	50.4	62.1
Final consumption expenditure of the general government sector	% of GDP	18.9	17.0	17.5	17.1	19.0	17.3
Gross fixed capital formation	% of GDP	24.1	12.3	16.2	17.9	24.9	13.3
Changes in inventories	% of GDP	2.8	3.3	2.3	2.1	2.3	2.2
Exports of goods and services	% of GDP	50.4	56.6	57.1	55.4	52.6	57.9
Imports of goods and services	% of GDP	47.2	53.3	52.7	52.2	49.8	53.5
Balance of payments							
	Unit	2018 M11	M12	2019 M01	M02	M03	M04
Goods: exports (EUR)	YoY	7.6	2.3	5.0	10.0	7.9	-
Goods: imports (EUR)	YoY	9.1	2.3	4.9	7.8	1.4	-
Current account balance ¹⁾	% of GDP	-0.7	-0.7	-0.8	-0.7	-0.4	-
Balance on goods ¹⁾	% of GDP	-1.0	-1.0	-1.0	-1.0	-0.7	-
Official Reserve Assets	EUR m	100 109.7	102 267.8	98 986.7	98 745.8	100 738.4	104 418.1
Inflation							
Consumer Price Index (CPI)	YoY	1.3	1.1	0.7	1.2	1.7	2.2
Core inflation (CPI excluding food and energy prices)	YoY	0.7	0.6	0.8	1.0	1.4	1.7
Producer Price Index (PPI)	YoY	2.8	2.1	2.2	2.9	2.5	2.6
Production							
Sold production of industry ²⁾	YoY	4.6	2.9	6.0	6.9	5.6	9.2
	MoM SA	0.1	-0.2	1.9	1.8	0.5	0.1
Construction and assembly production ²⁾	YoY	17.0	12.3	3.2	15.1	10.8	17.4
	MoM SA	1.0	-0.2	1.0	6.9	-0.7	0.3
Manufacturing PMI	SA	49.5	47.6	48.2	47.6	48.7	49.0
Households and labour market							
Retail sales ²⁾	YoY	6.9	3.9	6.1	5.6	1.8	11.9
Average paid employment in enterprise sector	YoY	3.0	2.8	2.9	2.9	3.0	2.9
	MoM	0.1	0.0	2.2	0.2	0.2	0.0
Average monthly gross wages and salaries in enterprise sector (real)	YoY	6.3	4.9	6.7	6.3	3.9	4.8
	MoM	0.9	6.2	-6.3	0.0	4.0	-0.7
Harmonised unemployment rate (Eurostat)	%, SA	3.8	3.8	3.8	3.8	3.8	3.7
<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	2018 M10	M11	M12	2019 M01	M02	M03
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	959 861.8	954 136.9	954 269.3	954 658.6	963 574.3	978 996.9
Domestic debt	face value, PLN m	671 567.1	672 191.9	674 422.0	683 092.0	689 673.7	696 242.6
	%	70.0	70.5	70.7	71.6	71.6	71.1
Foreign debt	face value, PLN m	288 294.6	281 944.9	279 847.2	271 566.6	273 900.6	282 754.3
	%	30.0	29.5	29.3	28.4	28.4	28.9
Public debt (domestic definition)							
	Unit	2017 Q03	Q04	2018 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	972 219.7	961 841.5	989 235.9	984 470.7	977 304.9	984 319.6
Domestic debt	face value, PLN m	659 494.1	662 517.5	679 831.0	675 566.2	678 615.4	688 254.1
	%	67.8	68.9	68.7	68.6	69.4	69.9
Foreign debt	face value, PLN m	312 725.6	299 324.1	309 404.9	308 904.5	298 689.6	296 065.5
	%	32.2	31.1	31.3	31.4	30.6	30.1
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 013 703.6	1 005 721.6	1 031 501.5	1 032 458.2	1 028 496.1	1 034 377.0

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2019

as of May 31, 2019, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 73% was a result of:

- T-bond sale on domestic market: PLN 35.1bn,
- switch auctions in 2019: PLN 19.4bn,
- T-bond sale on foreign markets: PLN 8.5bn (EUR 2.0bn),
- loans incurred from IFIs: PLN 0.6bn,
- switch auctions in 2018: PLN 28.3bn,
- T-bonds buyback on foreign markets in 2018: USD 0.2bn,
- higher financial resources at the end of 2018: PLN 27.0bn.

Gross borrowing requirements
Total: PLN 163.7bn, of which:



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

as of May 31, 2019

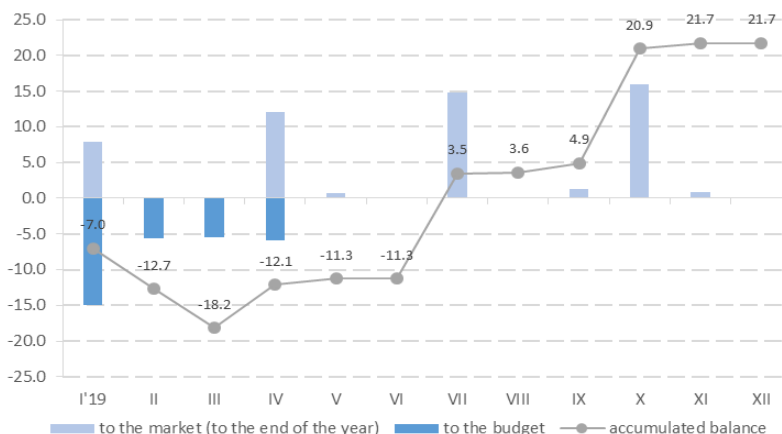
In June there will be no funds transferred from the State budget to the market related to T-securities (neither TS redemptions nor interest payments).

Flows of funds between the market and the budget*

as at the end of month, PLN bn

From June to the end of 2019 the funds to be transferred to the market shall amount to PLN 33.0bn.

* 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 budget in the period of June to the end of 2019.

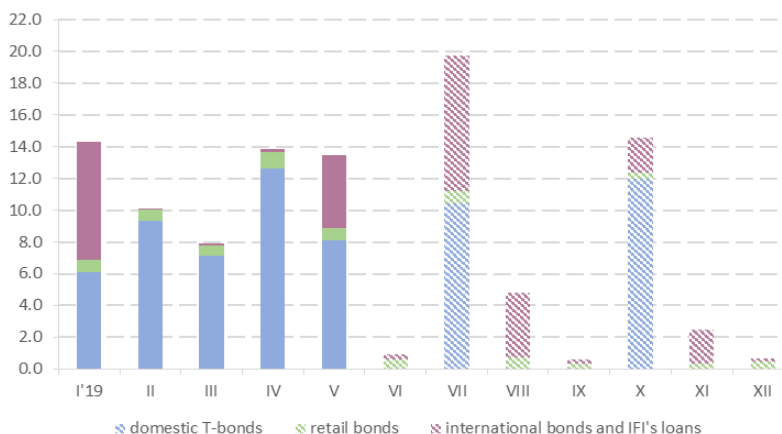


State Treasury debt redemptions in 2019

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

The nominal amount of debt to be redeemed in 2019 (as of May 31, 2019), is equal to PLN 43.8bn, including:

- T-bonds: PLN 22.4bn,
- retail bonds: PLN 3.7bn,
- bonds and loans incurred on foreign markets: PLN 17.6bn.



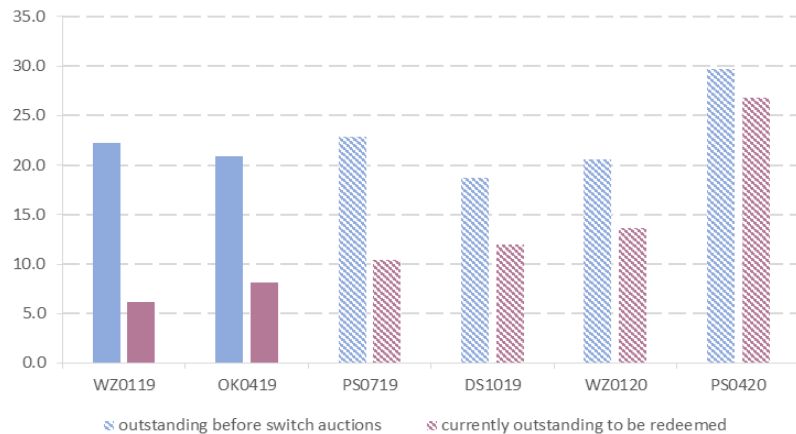


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Reducing refinancing risk connected with redemptions of domestic T-securities maturing in 2019 and 2020 as of May 31, 2019, nominal amount, PLN bn

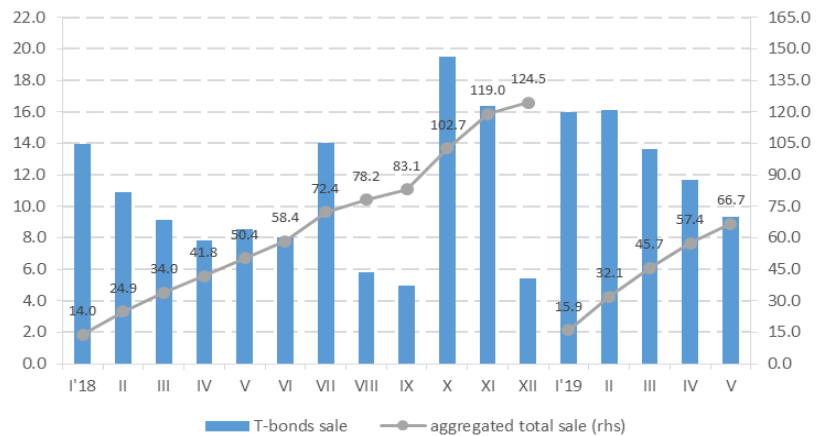
Buy-back of T-bonds maturing in 2019 and 2020:

- WZ0119: PLN 16.1bn (72% of the issuance),
- OK0419: PLN 12.7bn (61% of the issuance),
- PS0719: PLN 12.4bn (54% of the issuance),
- DS1019: PLN 6.7bn (36% of the issuance),
- WZ0120: PLN 7.0bn (34% of the issuance),
- PS0420: PLN 2.9bn (10% of the issuance).



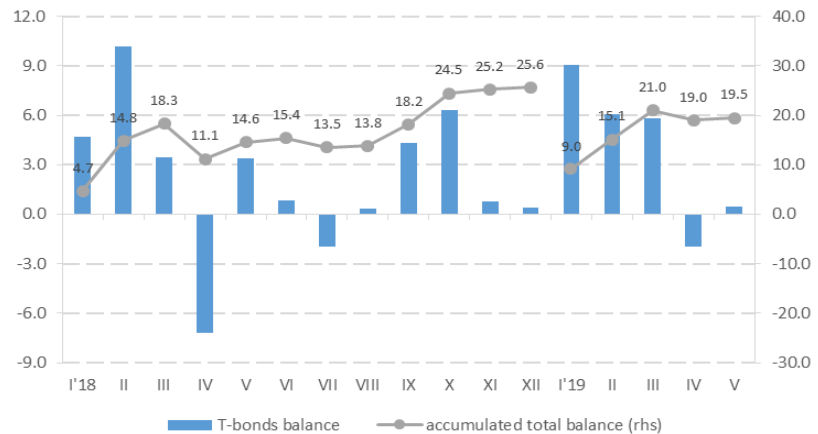
Sale of domestic T-bonds in 2018 and 2019 auction date, nominal amount, PLN bn

In the period of I-V 2019 aggregated total sale of T-bonds amounted to PLN 66.7bn versus PLN 50.4bn in the same period of 2018.



Balance of domestic T-bonds in 2018 and 2019 auction date, nominal amount, PLN bn

In the period of I-V 2019 indebtedness in T-bonds increased by PLN 19.5bn versus an increase of PLN 14.6bn in the same period of 2018.



External financing in 2018 and 2019

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

Net financing on foreign markets in the period of I-V 2019 was negative and amounted to EUR 0.7bn (positive balance of EUR 1.0bn in the same period of 2018) which resulted from:

- negative balance of T-bonds of EUR 0.6bn (positive balance of EUR 0.1bn in the same period of 2018),
- negative balance of loans incurred from IFIs of EUR 0.2bn (positive balance of EUR 0.9bn in the same period of 2018).



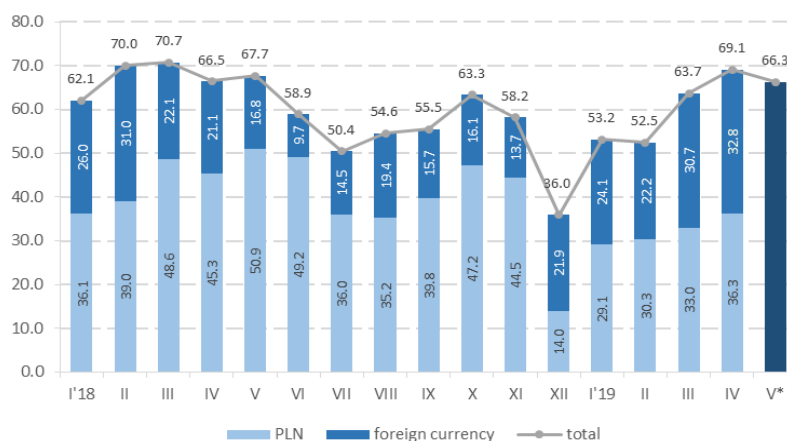
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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 May 2019 there was the equivalent of PLN 66.3bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

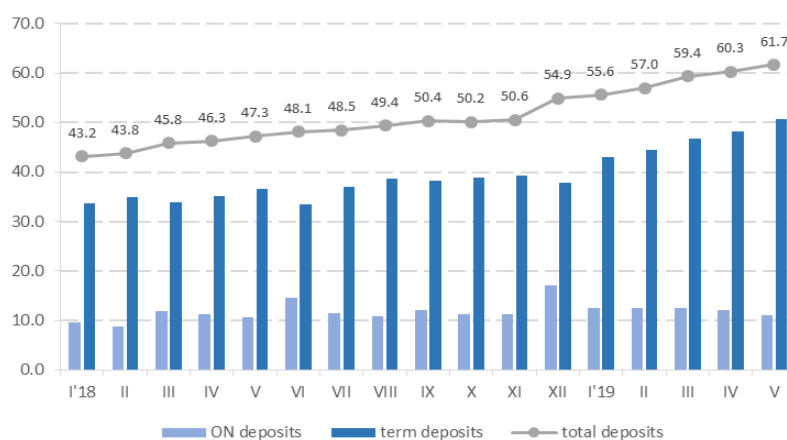


* estimated data

Consolidation of public finance sector liquidity management

PLN bn

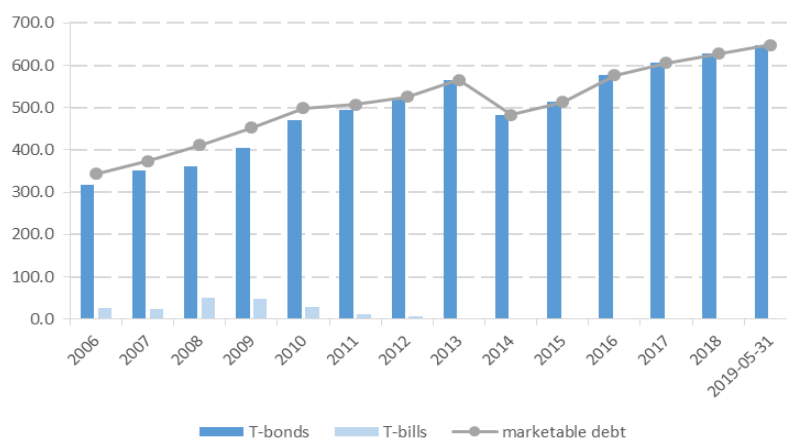
As a result of consolidation of the public finance sector liquidity management there were PLN 61.7bn funds accumulated at the end of May 2019, of which: PLN 50.7bn was on term deposits and PLN 11.0bn on ON deposits.



Structure of marketable debt

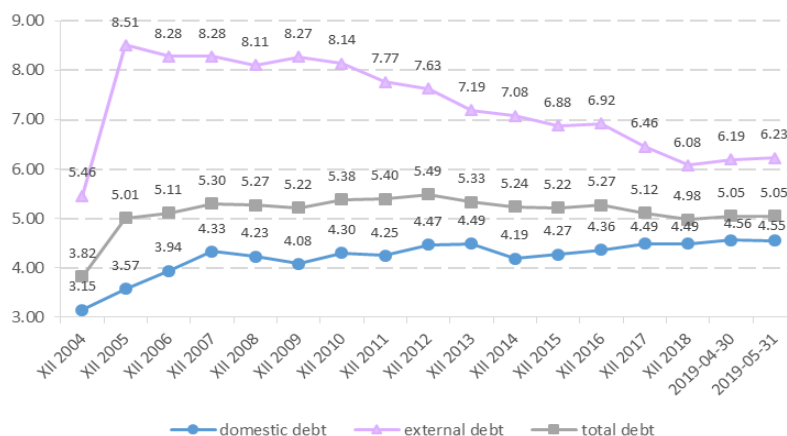
PLN bn

The marketable domestic debt amounted to PLN 648.1bn at the end of May 2019 (4.49 years at the end of 2018). The average of total debt amounted to 5.05 years (4.98 years at the end of 2018).



Average maturity

The average maturity of domestic debt amounted to 4.55 years at the end of May 2019 (4.49 years at the end of 2018). The average of total debt amounted to 5.05 years (4.98 years at the end of 2018).

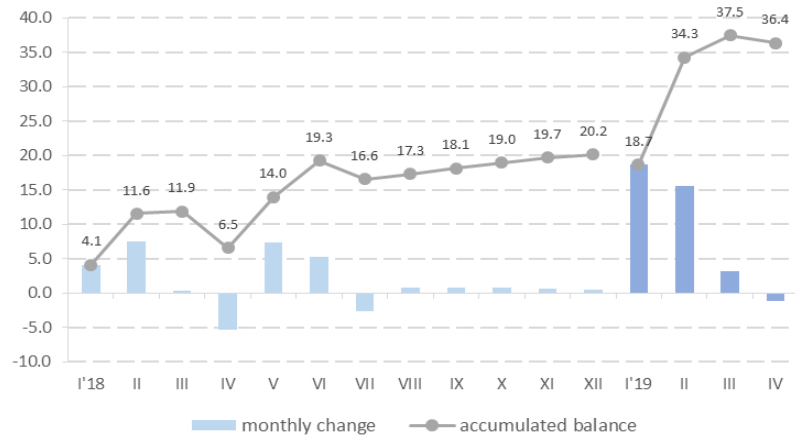




III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

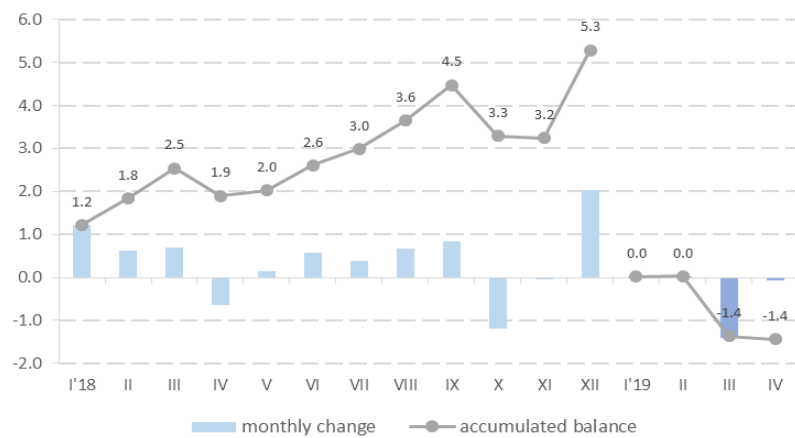
Change of debt in the domestic Treasury securities held by banks PLN bn

In the period of I-IV 2019 there was an increase of debt by PLN 36.4bn comparing to PLN 6.5bn increase during the same period of 2018. Banks' holdings reached the level of PLN 300.4bn.



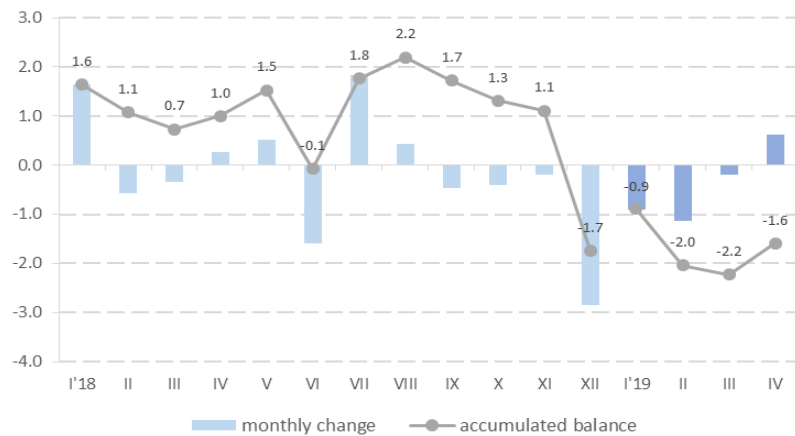
Change of debt in the domestic Treasury securities held by insurance companies PLN bn

In the period of I-IV 2019 there was a decrease of debt by PLN 1.4bn comparing to PLN 1.9bn increase during the same period of 2018. Insurance companies' holdings remained at the level of PLN 63.7bn.



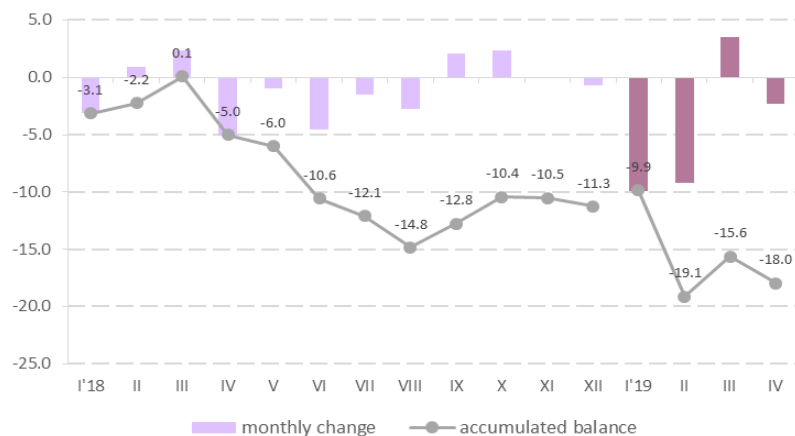
Change of debt in the domestic Treasury securities held by investment funds PLN bn

In the period of I-IV 2019 there was a decrease of debt by PLN 1.6bn comparing to PLN 1.0bn increase in the same period of 2018. Investment funds' holdings reached the level of PLN 53.8bn.



Change of debt in the domestic Treasury securities held by foreign investors PLN bn

In the period of I-IV 2019 there was a decrease of debt by PLN 18.0bn comparing to PLN 5.0bn decrease in the same period of 2018. Foreign investors' holdings reached the level of PLN 173.5bn.



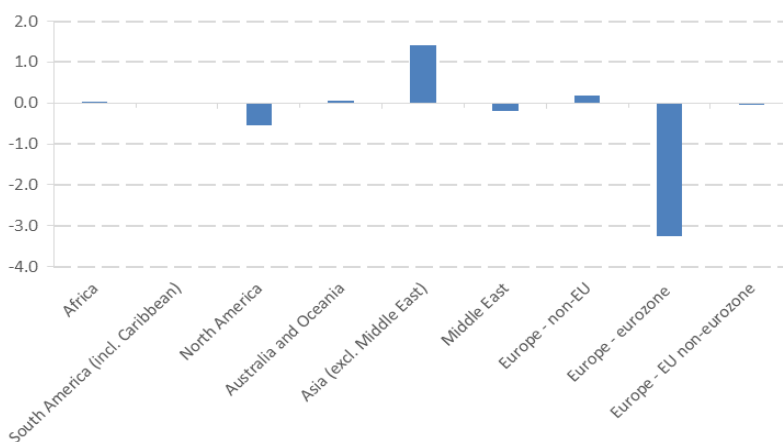
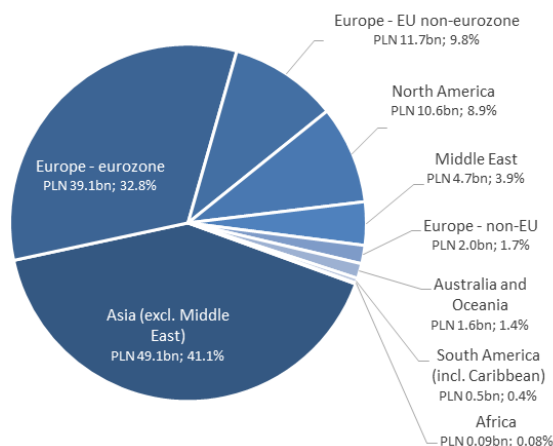
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic Treasury securities held by non-residents

as of April 30, 2019, the chart presents data excluding omnibus accounts

The non-residents' share in the domestic Treasury securities market decreased by PLN 2.3bn in April 2019. The foreign investors' portfolio amounted to PLN 173.5bn, which constituted 25.9% share in total debt in Treasury securities (26.3% in the previous month).



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

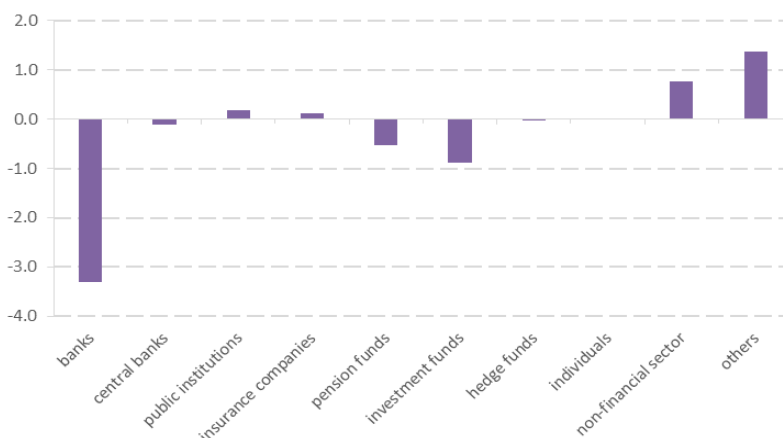
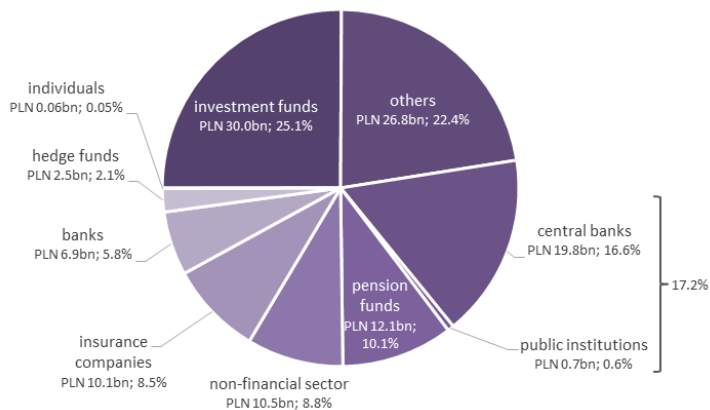
change in April 2019, mom, PLN bn, the chart presents data excluding omnibus accounts

In April 2019 the highest increase was recorded by Asian investors (PLN 1.4bn), while the highest decrease was noted by investors from the eurozone (PLN 3.3bn).

Institutional distribution of the domestic Treasury securities held by non-residents

as of April 30, 2019, 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 17.2% at the end of April 2019.



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

change in April 2019, mom, PLN bn, the chart presents data excluding omnibus accounts

In April 2019 the highest increase was recorded by investors from the category "others" (PLN 1.4bn) and the highest decrease was noted by banks (PLN 3.3bn).

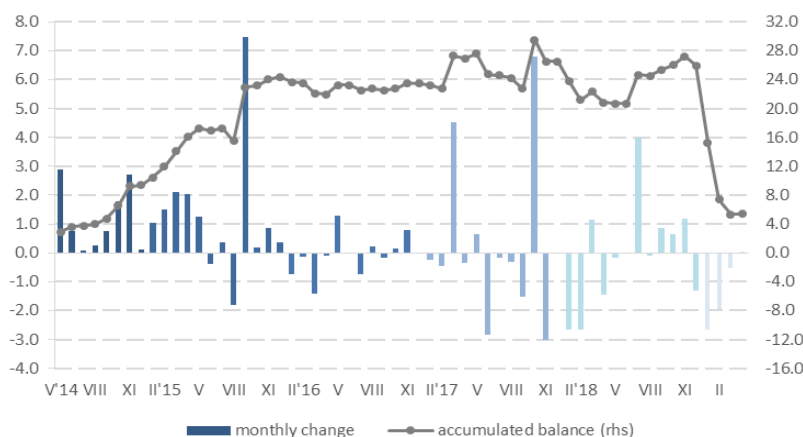


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in April 2019, PLN bn

Central banks and public institutions' involvement increased by PLN 0.1bn in April 2019. In the period from the end of April 2014 to the end of April 2019, for which the detailed information is available, portfolios of those entities increased by PLN 5.4bn.



Structure of non-residents' holdings in Treasury securities by countries

as of April 30, 2019, excluding omnibus accounts and central banks, countries with more than 1% share

Countries	Outstanding in nominal value (PLN m)	Share in non-residents holdings
Japan	24 411.5	24.5%
Luxembourg	14 486.3	14.5%
United States	9 549.6	9.6%
United Kingdom	8 967.6	9.0%
Ireland	7 387.1	7.4%
Netherlands	7 107.4	7.1%
Germany	5 907.3	5.9%
Hong Kong	3 147.4	3.2%
United Arab Emirates	2 632.4	2.6%
France	2 246.0	2.3%
Switzerland	1 474.4	1.5%
Australia	1 443.5	1.4%
Denmark	1 065.8	1.1%
Others	9 761.7	9.8%
Total	99 588.1	100.0%

Comment

Piotr Nowak, Undersecretary of State, MoF

31-05-2019

At the end of May the level of financing the State budget gross borrowing requirements amounted to 73%. Liquid funds on the budgetary accounts reached ca. PLN 66bn. As it was in May, due to high level of financing of the borrowing needs and favourable budget liquidity situation, both auctions that are to be held in June will be switching auctions.

In April indebtedness in domestic T-bond market increased by PLN 0.9bn. It was a result of higher involvement of domestic non-banking sector investors (by PLN 4.4bn) and decrease in involvement of domestic banks (by PLN 1.1bn) and non-residents (by PLN 2.3bn).

IV. SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2019



T-bond sale auctions

Sale auctions of Treasury bonds are not planned.

T-bond switching auctions

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
13 JUNE 2019 / 17 JUNE 2019	OK0521 / PS1024 / WZ0525 / WZ0528 / DS1029 / possible T-bond either of WS or IZ type	PS0719	10,438
		DS1019	12,005
		WZ0120	13,614
		PS0420	26,781
27 JUNE 2019 / 1 JULY 2019	OK0521 / PS1024 / WZ0525 / WZ0528 / DS1029 / possible T-bond either of WS or IZ type	PS0719	10,438
		DS1019	12,005
		WZ0120	13,614
		PS0420	26,781

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0919 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 1.50% per year
POS0420 10-month	100.00 PLN (99.90 PLN for rolling-over)	Fixed 1.50% + chance to win a cash premium
DOS0621 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 2.10%
TOZ0622 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 2.20% in the first coupon period
COI0623 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 2.40% in the first coupon period
EDO0629 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%); 2.70% in the first coupon period
ROS0625 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.75%); 2.80% in the first coupon period
ROD0631 family bonds 12-year	100.00 PLN	Floating (inflation rate + 2.00%); 3.20% in the first coupon period