

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

June 2021

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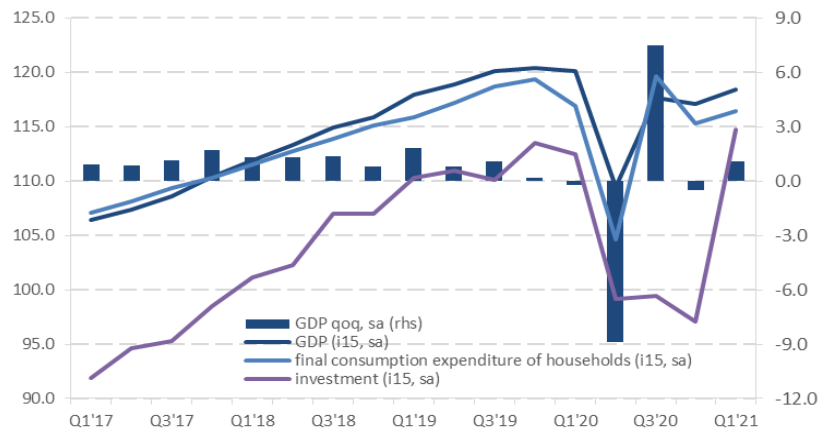


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

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

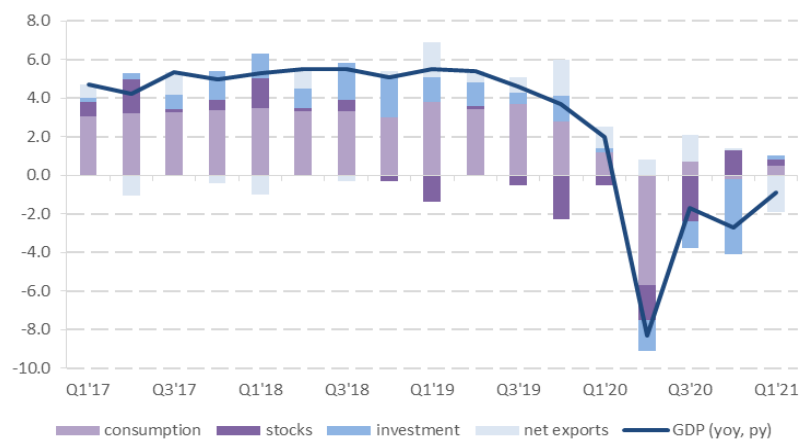
The beginning of this year showed an improvement in economic activity in Poland. In the first quarter of 2021 GDP increased by 1.1% (qoq, sa) despite the third wave of the pandemic, the increase in infections and strengthening of restrictions. Investment surprised on the upside rebounding by 18.2% (qoq, sa), exceeding its pre-pandemic level. Despite closure of some commercial and service facilities, households consumption also increased (by 1.0% qoq, sa). Domestic demand recovery supported imports which went up by 2.3% (qoq, sa).



### Contributions to Polish GDP growth

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

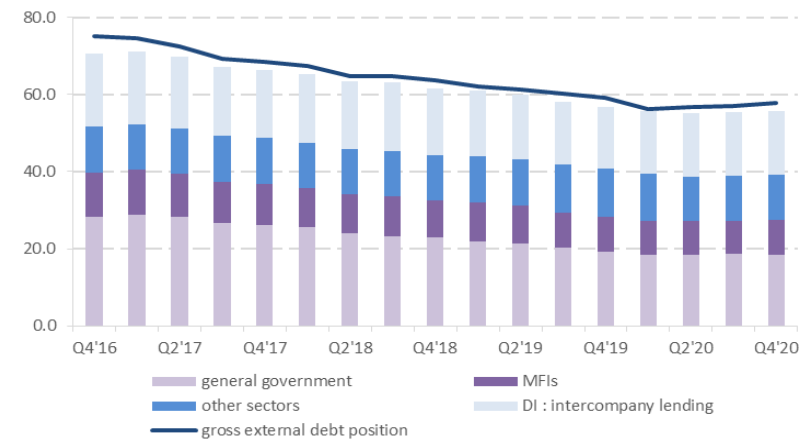
In the first quarter of 2021 GDP was 0.9% (py) lower than in the previous year. Households and public consumption increased by 0.2% and 2.5% (yoy, py), respectively. Investment was also slightly higher than in the same period of 2020. Due to stronger imports than exports dynamics, contribution of foreign trade to GDP growth was negative.



### Polish gross external debt position

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

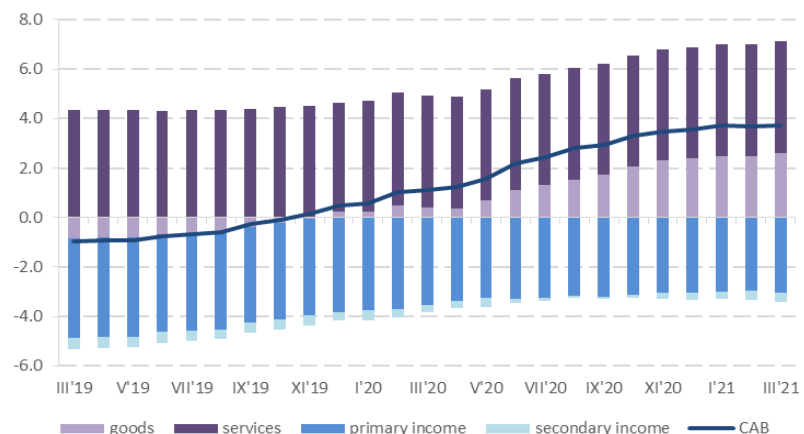
At the end of the fourth quarter of 2020 gross external debt reached EUR 303.0bn (57.9% of GDP) and was EUR 1.4bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 32.0%. At the end of March 2021 official reserve assets reached EUR 134.8bn and 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 March 2021, according to preliminary data, current account surplus stabilized at 3.7% of GDP (in 12-month terms). Foreign sales proved to be relatively resilient to the last two waves of the COVID-19 pandemic. In March exports and imports of goods, supported by low statistical base, were 27.7% and 24.6% higher than a year ago, respectively. 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.

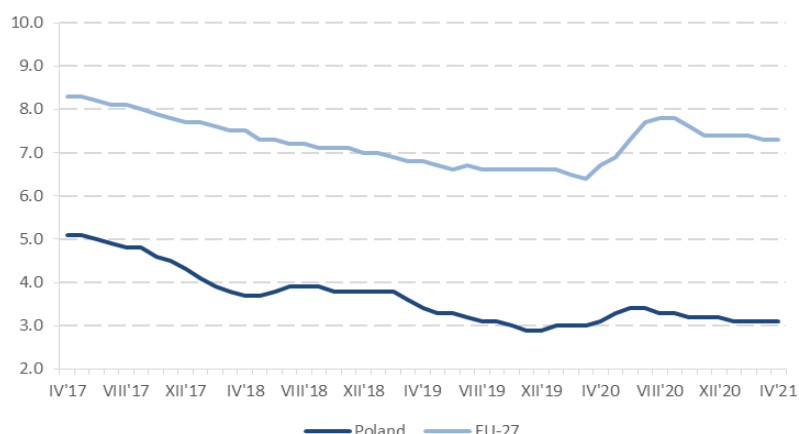




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

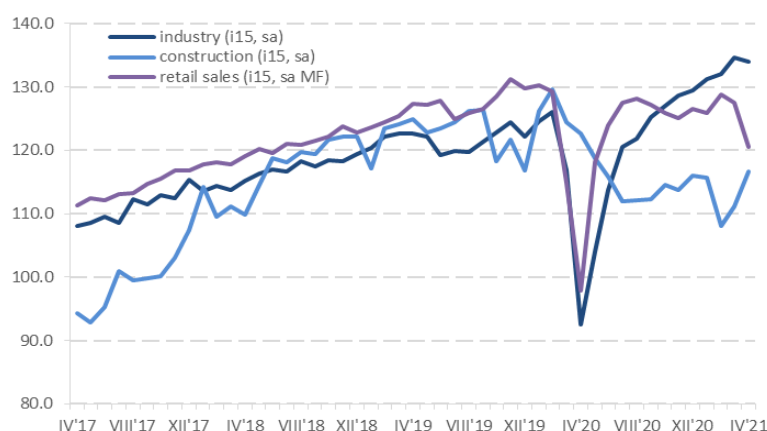
In April 2021 harmonised unemployment rate (sa) remained at the level observed in three previous months (3.1%) and was at the same level as a year earlier. It was much lower than in the EU-27 and eurozone on average (in April 2021 7.3% and 8.0%, respectively). Since the beginning of 2021, harmonised 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

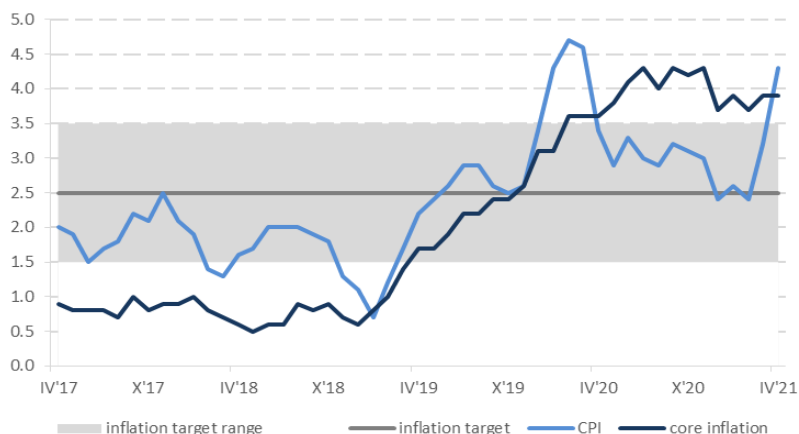
In April 2021 industrial production decreased by 0.4% (mom, sa) and was 44.5% higher than a year ago (nsa) boosted by very low statistical base. Data were in line with market expectations. Construction production increased by 5.0% (mom, sa), following relatively good data in the previous month. As a result, its level was 4.2% (nsa) lower than a year ago. The data were higher than expectations. In April 2021 retail sales declined (mom, sa MF) for the second month in a row. COVID-19 pandemic trade restrictions affected negatively the sales results in April 2021 and its solid annual dynamics (121.1) was mainly the effect of very low base from a year ago. Data were close to the expectations.



## Inflation

percent, yoy  
source: GUS, NBP

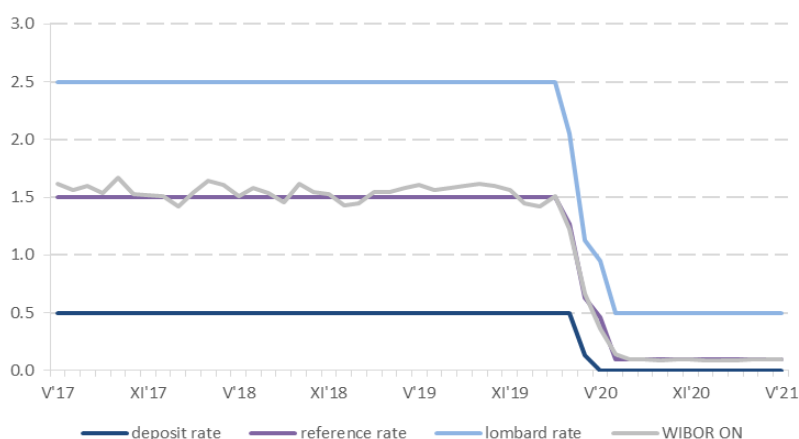
After three months of staying close to the inflation target, in March and April inflation rate increased, achieving 4.3% (yoy). Due to the rise of crude oil prices on international markets, energy prices increased considerably. Core inflation (CPI excluding food and energy prices) was still high and amounted to 3.9% (yoy). In May, according to the preliminary data, inflation rose again to 4.8%, mainly due to low base from the previous year. Data were consistent with market expectations. Because of high commodity prices and supply lack, producer prices also rose considerably. In April they were 5.3% higher than a year before.



## 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. Till the end of May 2021 central bank purchased PLN 133.8 bn (face value) in debt securities.





## II. STATISTICAL DATA

	Unit	2019 Q04	2020 Q01	Q02	Q03	Q04	2021 Q01
<b>GDP</b>							
Gross domestic product	YoY	3.7	2.0	-8.3	-1.7	-2.7	-0.9
	QoQ SA	0.2	-0.2	-8.9	7.5	-0.5	1.1
Final consumption expenditure of the households sector	YoY	3.7	1.2	-10.8	0.4	-3.2	0.2
	QoQ SA	0.5	-2.0	-10.5	14.3	-3.6	1.0
Final consumption expenditure of the general government sector	YoY	4.8	2.5	3.4	3.0	7.7	2.5
	QoQ SA	-0.1	1.6	0.9	0.8	1.6	-0.1
Gross fixed capital formation	YoY	5.2	1.7	-9.8	-8.2	-15.4	1.3
	QoQ SA	3.1	-0.9	-11.8	0.3	-2.4	18.2
Exports of goods and services	YoY	3.1	2.7	-13.7	2.3	7.6	5.7
	QoQ SA	-0.3	1.9	-16.6	20.7	4.9	-0.1
Imports of goods and services	YoY	-0.5	0.8	-16.6	-0.3	8.2	10.0
	QoQ SA	-1.6	0.7	-16.9	23.5	3.9	2.3
Gross value added	YoY	3.6	2.0	-8.0	-2.0	-3.0	-1.3
	QoQ SA	0.3	0.0	-9.3	7.3	0.3	1.3
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	1.9	0.7	-6.2	0.2	-1.7	0.1
Final consumption expenditure of the general government sector	pp	0.9	0.5	0.5	0.5	1.5	0.4
Gross fixed capital formation	pp	1.3	0.2	-1.6	-1.4	-3.9	0.2
Changes in inventories	pp	-2.3	-0.5	-1.8	-2.4	1.3	0.3
Balance of trade turnover	pp	1.9	1.1	0.8	1.4	0.1	-1.9
Gross value added	pp	3.1	1.8	-7.0	-1.8	-2.7	-1.2
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	50.2	61.4	55.4	59.0	49.1	60.3
Final consumption expenditure of the general government sector	% of GDP	19.3	17.7	19.4	18.4	21.2	17.9
Gross fixed capital formation	% of GDP	25.1	12.8	15.8	16.0	21.3	12.7
Changes in inventories	% of GDP	-0.2	1.2	0.8	-0.9	0.8	2.1
Exports of goods and services	% of GDP	51.6	57.6	52.3	56.4	56.6	61.0
Imports of goods and services	% of GDP	46.7	51.6	44.7	49.8	49.6	54.9
<b>Balance of payments</b>							
	Unit	2020 M11	M12	2021 M01	M02	M03	M04
Goods: exports (EUR)	YoY	10.0	14.6	-0.9	5.9	27.7	-
Goods: imports (EUR)	YoY	4.1	12.4	-4.0	6.2	24.6	-
Current account balance <sup>1)</sup>	% of GDP	3.5	3.5	3.7	3.7	3.7	-
Balance on goods <sup>1)</sup>	% of GDP	2.3	2.4	2.5	2.5	2.6	-
Official Reserve Assets	EUR m	120 499.1	125 621.6	129 831.5	134 764.3	134 814.3	128 703.2
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	3.0	2.4	2.6	2.4	3.2	4.3
Core inflation (CPI excluding food and energy prices)	YoY	4.3	3.7	3.9	3.7	3.9	3.9
Producer Price Index (PPI)	YoY	-0.2	0.1	1.0	2.2	4.2	5.3
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	5.4	11.1	0.7	2.5	18.6	44.5
	MoM SA	1.3	0.6	1.4	0.5	2.0	-0.4
Construction and assembly production <sup>2)</sup>	YoY	-4.9	3.4	-10.1	-16.9	-10.8	-4.2
	MoM SA	-0.6	1.9	-0.2	-6.6	2.8	5.0
Manufacturing PMI	SA	50.8	51.7	51.9	53.4	54.3	53.7
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	-5.3	-0.8	-6.0	-3.1	15.2	21.1
Average paid employment in enterprise sector	YoY	-1.2	-1.0	-2.0	-1.7	-1.3	0.9
	MoM	0.0	0.2	-0.2	0.3	-0.1	-0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	1.8	4.1	2.2	2.0	4.7	5.3
	MoM	0.4	8.8	-8.5	0.1	5.4	-2.9
Harmonised unemployment rate (Eurostat)	%, SA	3.2	3.2	3.1	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>							
<b>State Treasury debt</b>							
	Unit	2020 M10	M11	M12	2021 M01	M02	M03
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 103 567.3	1 090 187.9	1 097 479.8	1 089 613.1	1 122 205.3	1 131 760.0
Domestic debt	face value, PLN m	830 032.9	830 741.8	831 454.8	828 645.5	845 111.5	847 668.7
	%	75.2	76.2	75.8	76.0	75.3	74.9
Foreign debt	face value, PLN m	273 534.5	259 446.1	266 025.1	260 967.6	277 093.8	284 091.3
	%	24.8	23.8	24.2	24.0	24.7	25.1
<b>Public debt (domestic definition)</b>							
	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
<b>General Government debt (EU definition)</b>							
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



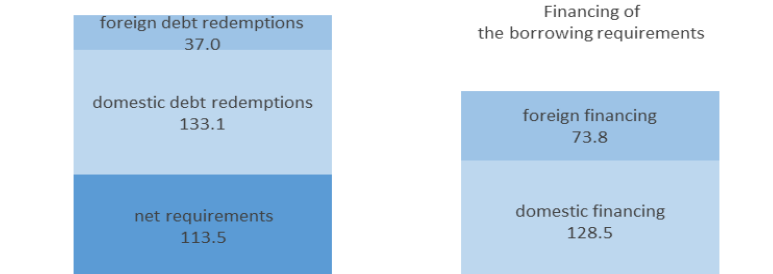
#### Gross borrowing requirements in 2021

as of May 31, 2021, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 71% was a result of:

- T-bond sale on domestic market: PLN 54.8bn,
- switch auctions in 2021: PLN 11.2bn,
- switch auctions in 2020: PLN 41.1bn,
- loans from the European Union under the SURE instrument in the amount of PLN 32.9bn,
- loans incurred from international financial institutions (IFIs): PLN 0.2bn,
- higher financial resources at the end of 2020: PLN 62.0bn.

Gross borrowing requirements PLN 28,4bn, of which:



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

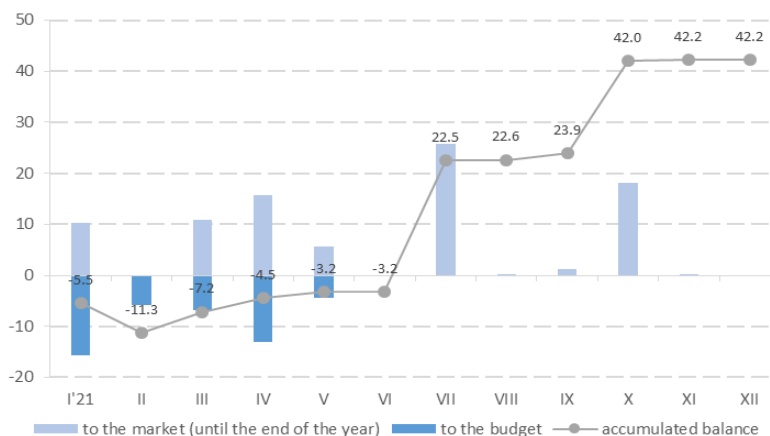
plan as of May 31, 2021

There will be no funds transferred from the State budget to the market in June (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 June to the end of 2021 the funds to be transferred to the domestic market shall amount to PLN 45.4bn (as of May 31, 2021).



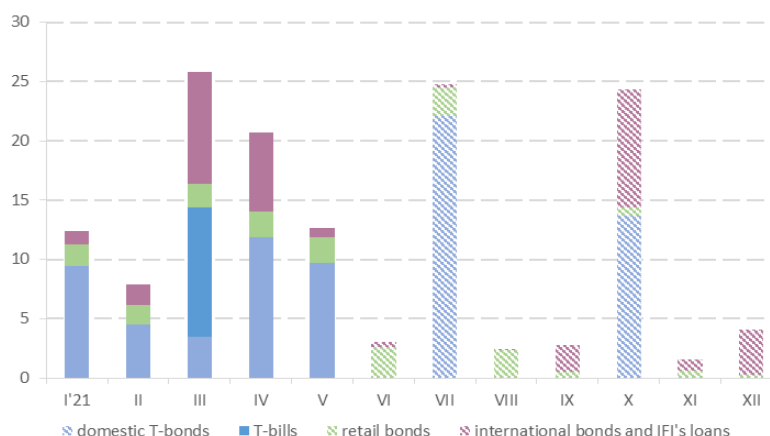
\* Figures include sale, redemptions and interest payments on wholesale T-securities; monthly financing plans will depend on market situation and feedback from investors, thus the detailed schedule of monthly flows to the budget in the period of June to the end of 2021 is not presented.

#### 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 May 31, 2021) is equal to PLN 63.0bn, including:

- T-bonds: PLN 35.8bn,
- retail bonds: PLN 9.5bn,
- bonds and loans incurred on foreign markets: PLN 17.7bn.





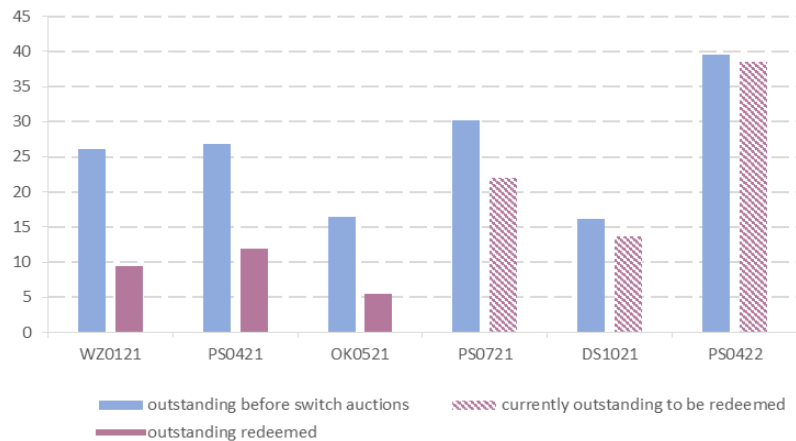
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

as of May 31, 2021, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2021:

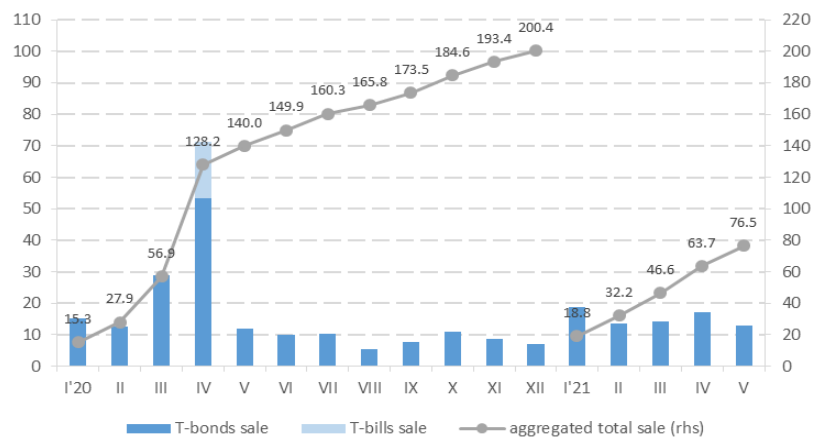
- WZ0121: PLN 16.6bn (64% of the issuance),
- PS0421: PLN 14.9bn (56% of the issuance),
- OK0521: PLN 11.0bn (67% of the issuance),
- PS0721: PLN 8.1bn (27% of the issuance),
- DS1021: PLN 2.5bn (15% of the issuance),
- PS0422: PLN 1.0bn (3% of the issuance).



#### Sale of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-V 2021 aggregated total sale of T-bonds amounted to PLN 76.5bn versus PLN 122.2bn in the same period of 2020. T-bills were not sold versus PLN 17.7bn sold in 2020.



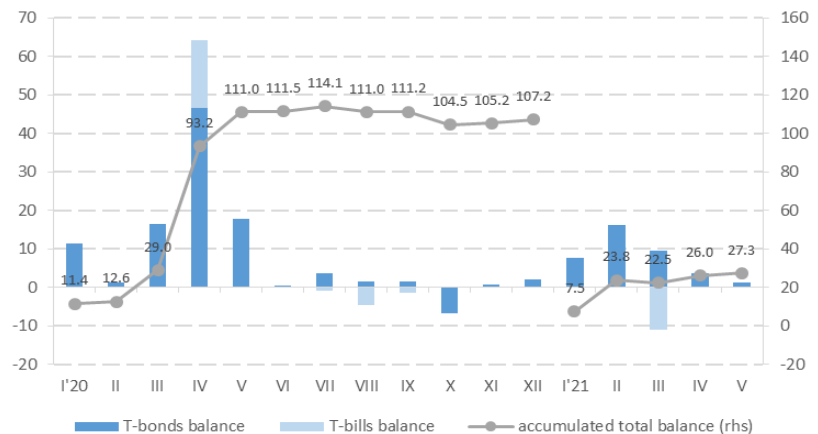
#### Balance of domestic TS in 2020 and 2021

settlement date, nominal amount, PLN bn

In the period I-V 2021 indebtedness in

- T-bonds increased to PLN 38.2bn versus an increase of PLN 93.3bn 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.

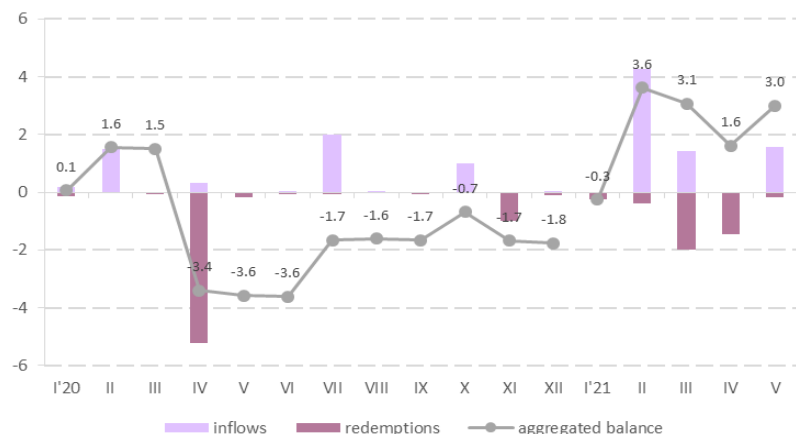


#### External financing in 2020 and 2021

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

Net financing on foreign markets in the period of I-V 2021 was positive and amounted to EUR 3.0bn, which resulted from:

- negative balance of T-bonds issuance of EUR 4.0bn,
- negative balance of loans from IFIs at the level of EUR 0.3bn,
- loans from the European Union under the SURE instrument in the amount of EUR 7.2bn.



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

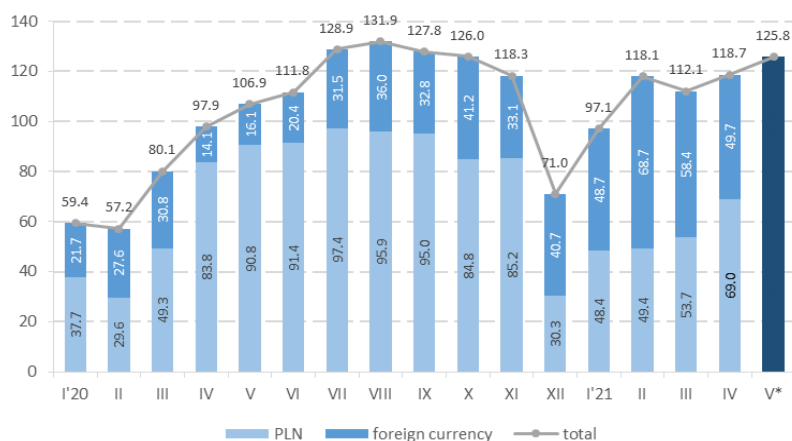


#### Funds in PLN and foreign currency on the budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

At the end of May 2021 there was equivalent of PLN 125.8bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

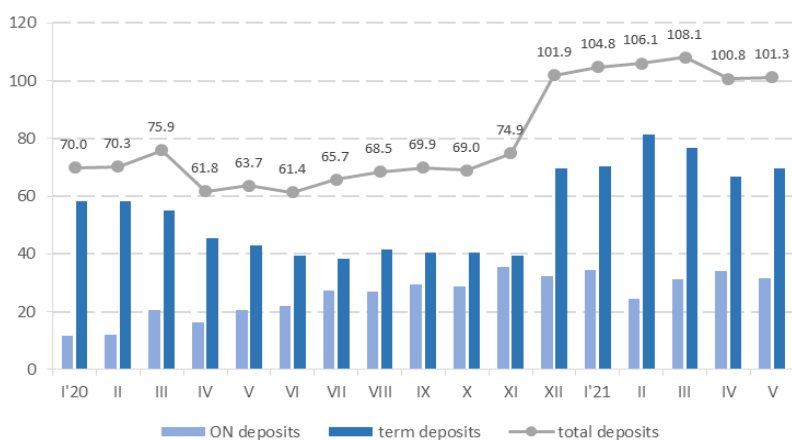
\* Estimated data.



#### Consolidation of public finance sector liquidity management

PLN bn

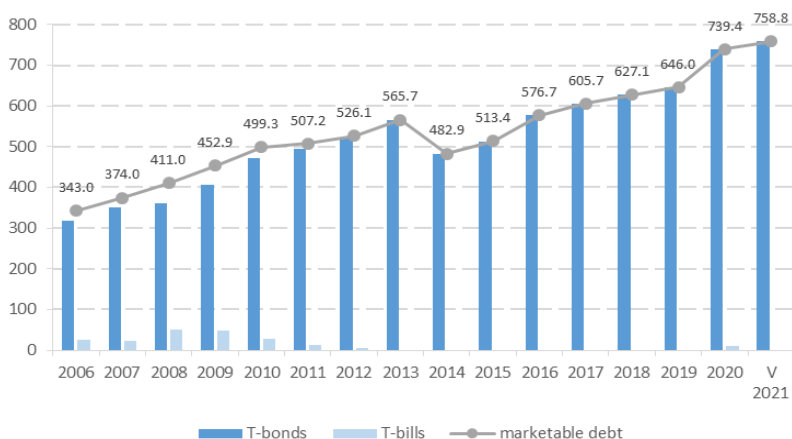
As a result of consolidation of the public finance sector liquidity management there were PLN 101.3bn funds accumulated at the end of May 2021, of which: PLN 69.7bn was on term deposits and PLN 31.6bn on ON deposits.



#### Structure of domestic marketable debt

PLN bn

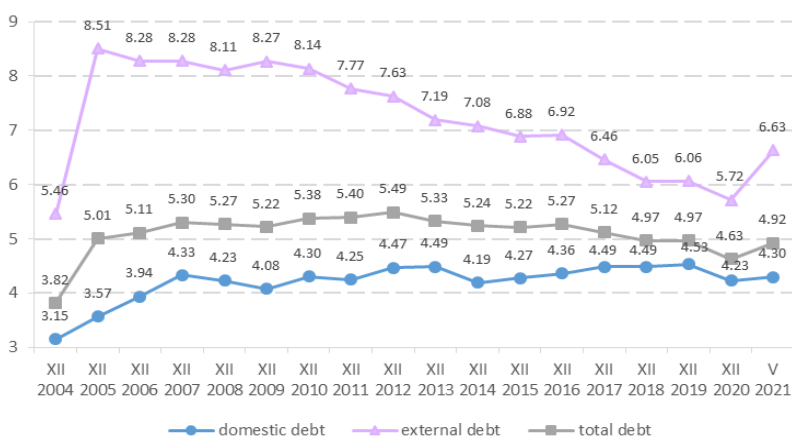
The marketable domestic debt amounted to PLN 758.8bn at the end of May 2021, comparing to PLN 739.4bn at the end of 2020.



#### Average maturity

years

The average maturity of the domestic debt amounted to 4.30 years at the end of May 2021 (4.23 years at the end of 2020). The average of the total debt amounted to 4.92 years (4.63 years at the end of 2020).



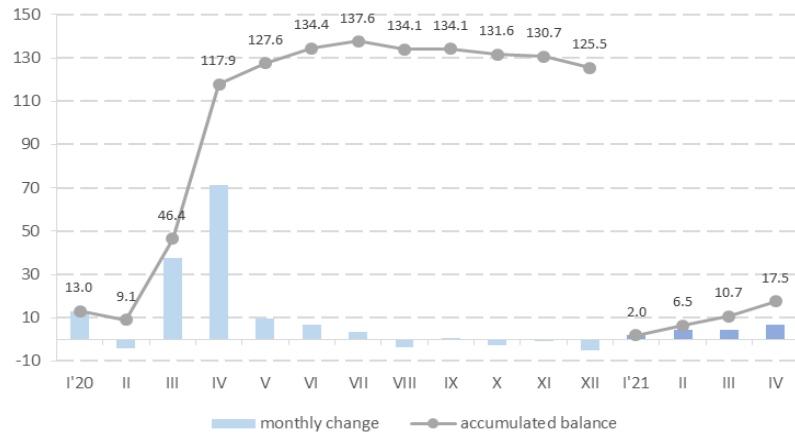


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

PLN bn

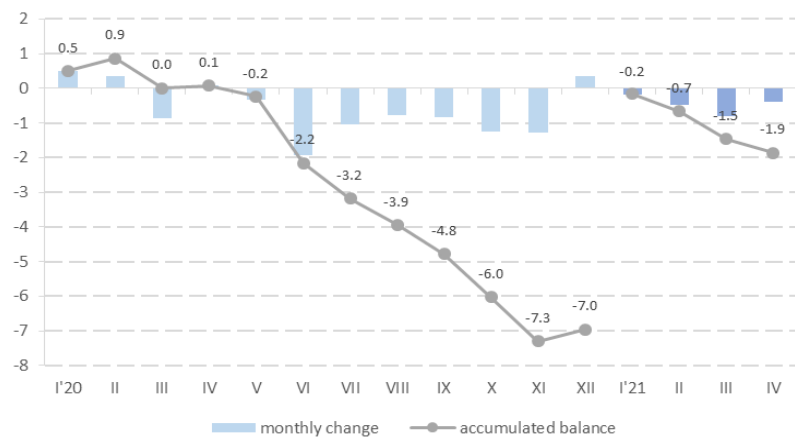
In the period of I-IV 2021 there was an increase of debt by PLN 17.5bn comparing to PLN 117.9bn increase during the same period of 2020. Banks' holdings reached the level of PLN 448.0bn.



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

PLN bn

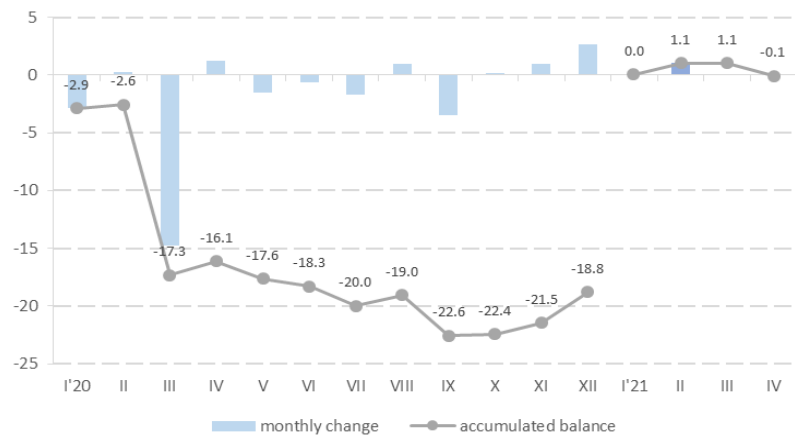
In the period of I-IV 2021 there was a decrease of debt by PLN 1.9bn comparing to PLN 0.1bn increase during the same period of 2020. Insurance companies' holdings reached the level of PLN 55.5bn.



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

PLN bn

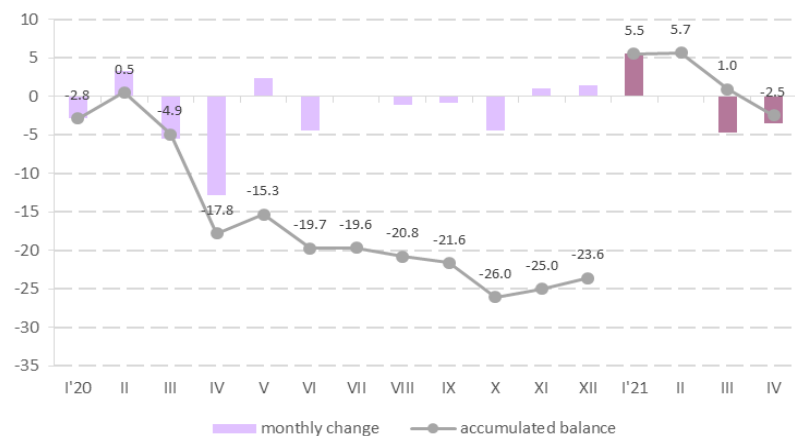
In the period of I-IV 2021 there was a slight decrease of debt by PLN 0.1bn comparing to PLN 16.1bn decrease in the same period of 2020. Investment funds' holdings reached the level of PLN 47.4bn.



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

PLN bn

In the period of I-IV 2021 there was a decrease of debt by PLN 2.5bn comparing to PLN 17.8bn decrease in the same period of 2020. Foreign investors' holdings reached the level of PLN 131.3bn.





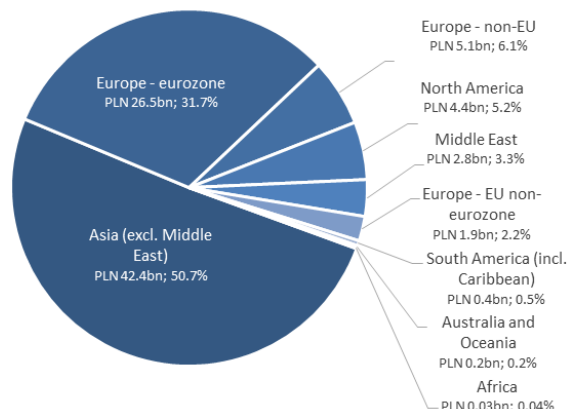
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

as of April 30, 2021, the chart presents data excluding omnibus accounts

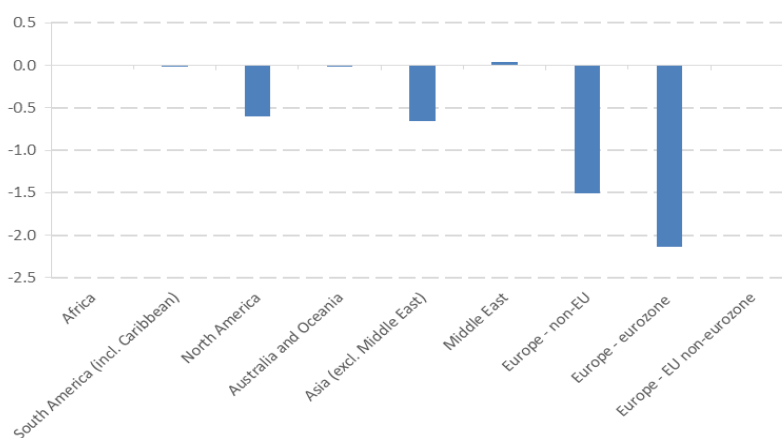
The non-residents' share in the domestic TS market decreased by PLN 3.5bn in April 2021. The foreign investors' portfolio amounted to PLN 131.3bn, which constituted 16.3% share in total debt in TS (16.8% in the previous month).



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

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

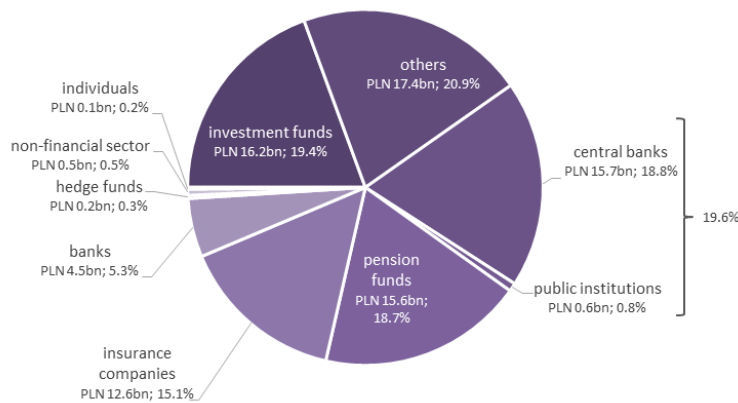
In April 2021 the highest decrease was noted by eurozone investors (PLN 2.1bn).



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

as of April 30, 2021, the chart presents data excluding omnibus accounts

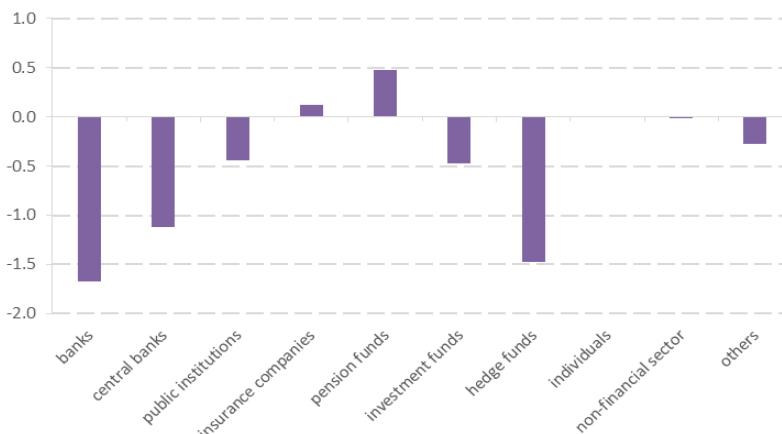
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 19.6% at the end of April 2021.



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

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

In April 2021 the highest increase was recorded by pension funds (PLN 0.5bn), while the highest decrease was noted by banks (PLN 1.7bn).



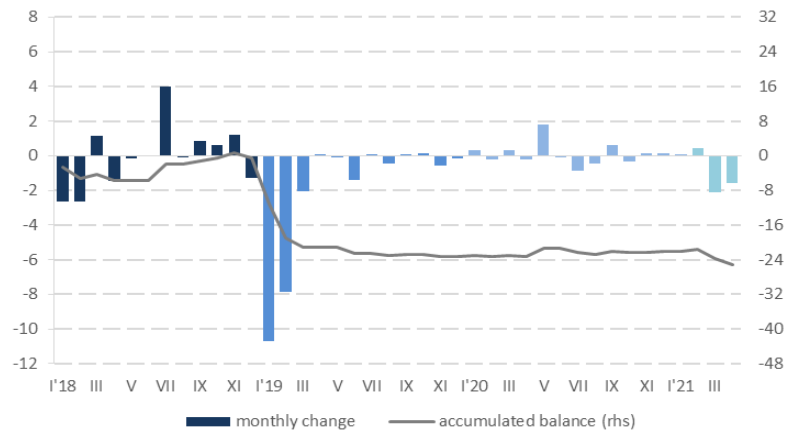


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in April 2021, PLN bn

Central banks and public institutions' involvement decreased by PLN 1.6bn in April 2021. In the period from the end of January 2018 to the end of April 2021, for which the detailed information is available, portfolios of those entities decreased by PLN 25.2bn.



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

as of April 30, 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	26 108.0	38.5%
Netherlands	7 255.2	10.7%
Luxembourg	6 966.5	10.3%
Germany	4 764.5	7.0%
Ireland	3 832.4	5.7%
United States	3 644.3	5.4%
United Kingdom	3 155.9	4.7%
France	2 047.3	3.0%
Switzerland	1 453.8	2.1%
United Arab Emirates	1 103.1	1.6%
Denmark	1 056.7	1.6%
Others	6 397.0	9.4%
<b>Total</b>	<b>67 784.7</b>	<b>100.0%</b>

#### Comment

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

31-05-2021

At the end of May the reserve of liquid funds in PLN on the budgetary accounts amounted to ca. PLN 126bn. The level of financing of this year's borrowing requirements is ca. 71%.

Two Treasury bond switching auctions are planned for June. No T-bill auctions are planned.

In April indebtedness in domestic Treasury securities increased by PLN 3.6bn. The involvement of domestic banks increased by PLN 6.9bn, the indebtedness towards foreign investors decreased by PLN 3.5bn with no significant changes in involvement of domestic non-banking sector.

## IV. SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2021



### T-bond sale auction

Sale auctions of T-bonds are not planned.

### T-bond switching auction

Auction date / settlement date	Settlement T-bonds	Source T-bonds	Outstanding (PLN m)
11 JUN 2021 / 15 JUN 2021	OK0423 / PS1026 / WZ1126 / WZ1131 / DS0432	PS0721	22.055
		DS1021	13.719
		PS0422	38.525
24 JUN 2021 / 28 JUN 2021	OK0423 / PS1026 / WZ1126 / WZ1131 / DS0432	PS0721	22.055
		DS1021	13.719
		PS0422	38.525

### T-bill auctions

Sale auctions of Treasury bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
OTS0921 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 0.50% per year
DOS0623 2-year	100.00 PLN (99.90 PLN for rolling-over)	Fixed: 1.00%
TOZ0624 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 1.10% in the first coupon period
COI0625 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 0.75%); 1.30% in the first coupon period
EDO0631 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 1.70% in the first coupon period
ROS0627 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.25%); 1.50% in the first coupon period
ROD0633 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.50%); 2.00% in the first coupon period