

State budget borrowing requirements' financing plan and its background

June 2022

THE MOST IMPORTANT INFORMATION

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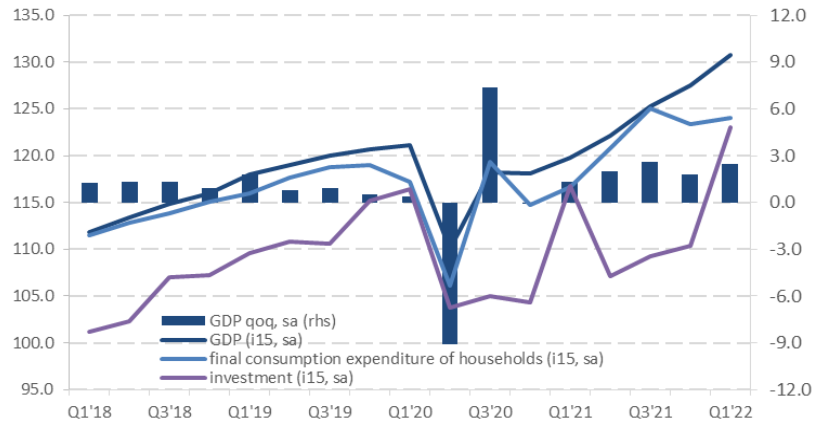


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

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

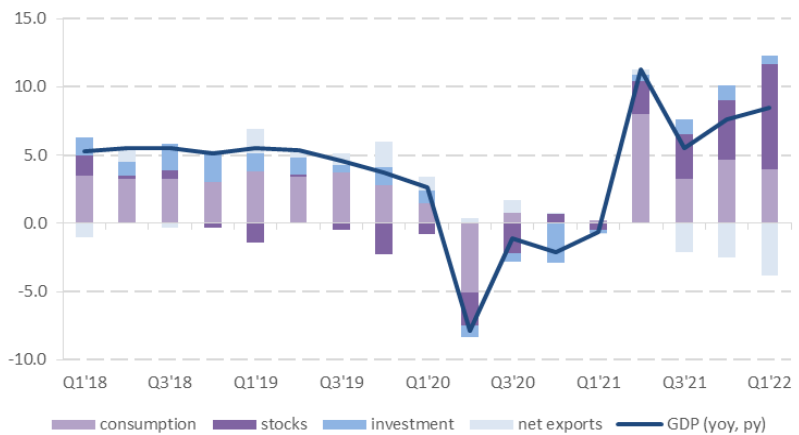
In the first quarter of 2022 the economy posted buoyant growth despite the fifth wave of the pandemic and the outbreak of the war in Ukraine. The rate of GDP growth accelerated to 2.5% following strong increases in the three previous quarters (qoq, sa). Households consumption and investment increased by 0.6% and 11.5% (qoq, sa), respectively. However, economic prospects for the subsequent quarters have noticeably deteriorated due to effects of Russian aggression against Ukraine. The potential scale of the slowdown is a subject to high uncertainty and depends mainly on further conflict developments.



Contributions to Polish GDP growth

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

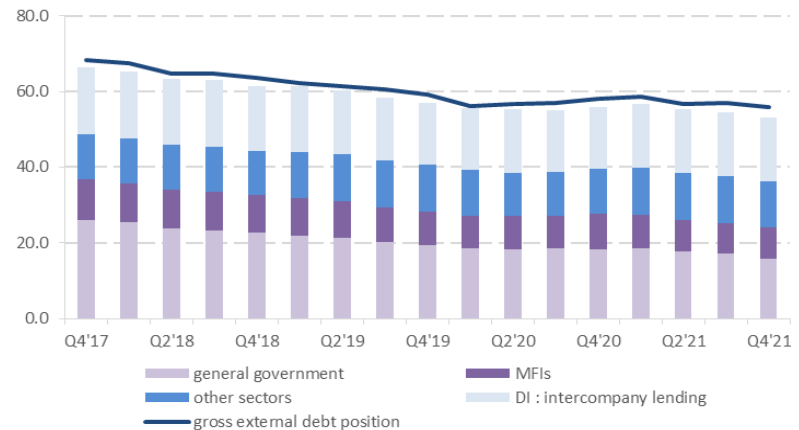
In the first quarter of 2022 GDP was 8.5% (py) higher than a year earlier. Investment went up by 4.3%, while households consumption increased by 6.6% (yoy). Due to the significantly higher annual dynamics of imports than exports, net exports had a negative contribution to growth (3.8%). On the other hand, disruptions in global supply chains, problems with international transport, rising prices of raw materials and commodities as well as high uncertainty as to future developments were reflected in the record-high increase in inventories and a significant positive contribution of this category to GDP growth (as much as 7.7%)



Polish gross external debt position

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

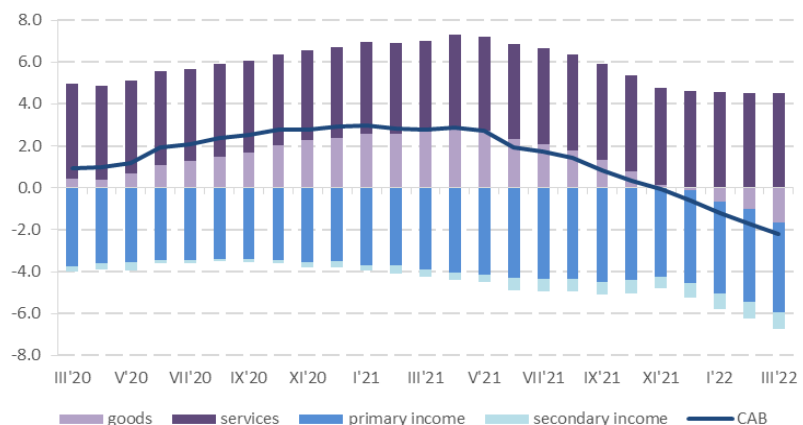
At the end of the fourth quarter of 2021 gross external debt reached EUR 320.4bn (55.8% of GDP) and was EUR 3.3bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 28.1%. At the end of March 2022 official reserve assets reached EUR 142.0bn and remained broadly adequate, covering about 5 months of imports.



Current account balance

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

In March 2022, according to preliminary data, current account deficit increased to 2.2% of GDP (in 12-month terms). Due to stronger imports than exports dynamics balance on goods decreased further to -1.7% of GDP. In consequence to the war in Ukraine and sanctions imposed on Russia and Belarus, sales to eastern markets strongly decreased. On the other hand, the increase in fuel prices on world markets supported imports. C/A deficit was fully covered by long term capital i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on capital account.



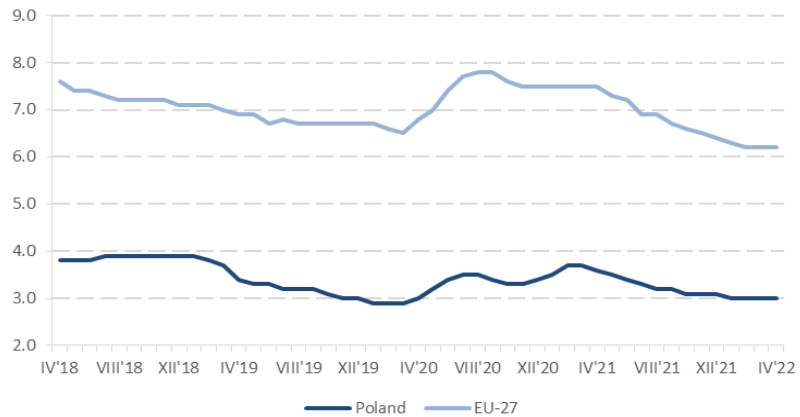
I. MACROECONOMIC SITUATION



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

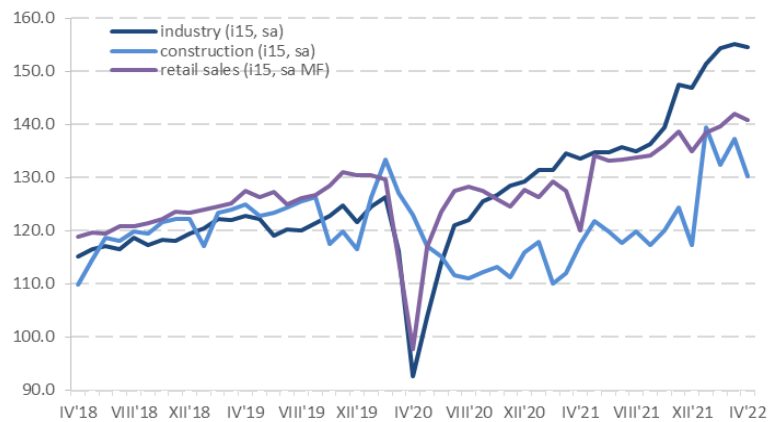
In April the harmonized unemployment rate (sa) amounted to 3.0% and it was at the same level as in three previous months and 0.7% lower than a year earlier. It was only slightly higher than the historical minimum observed in January-March 2020 (2.9%). The unemployment rate in Poland is currently clearly lower than the average in the EU-27 and in the eurozone (6.2% and 6.8%, 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

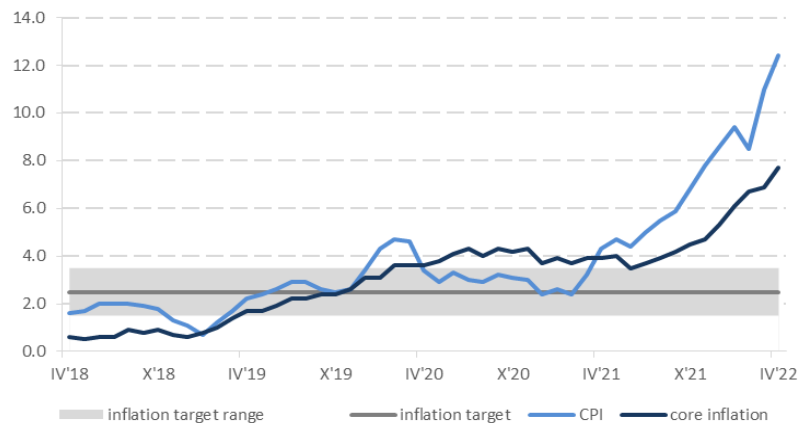
In April 2022 industrial production decreased by 0.4% (mom, sa) and was 13.0% higher than a year ago (nsa). Data were below market expectations. Construction production decreased by 5.1% (mom, sa) following an increase in the previous month. As a result its level was 9.3% (nsa) higher than a year ago. Data were much worse than MoF expectations. Retail sales decreased after relatively large increases in the three previous months (mom, sa MF). The sales level was 19% (nsa) higher than in the previous year. Very high annual dynamics can be mainly explained by a base effect (a year ago shopping malls were closed due to the 3rd wave of COVID-19). Data were slightly higher than market expectations.



Inflation

percent, yoy
source: GUS, NBP

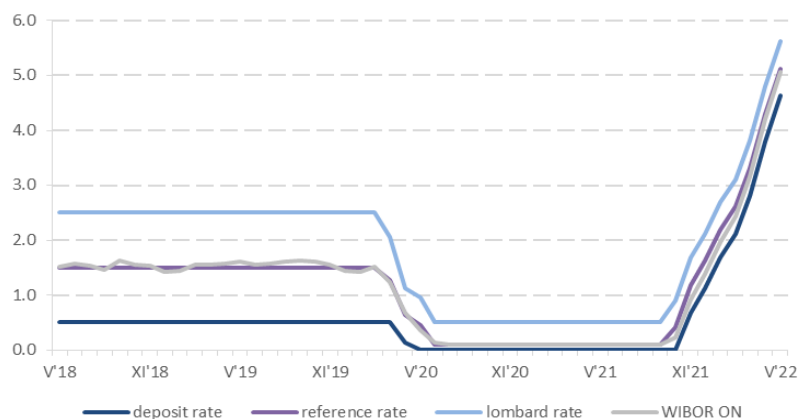
In April 2022 inflation rate increased to 12.4% yoy. High CPI increases in last two months were connected with high increases of energy and food commodities prices on international markets. Annual rate of energy prices achieved 27.5% and food prices 12.7%. However core inflation (CPI excluding food and energy prices) increased in slightly lower extent to 7.7%. According to preliminary data, in May inflation rose to 13.9%. Because of high commodity prices and supply disruptions, producer prices also rose considerably. In April they were higher than a year before by 23.3%.



NBP interest rates

percent, end of period
source: NBP, Refinitiv

In May 2022 the Monetary Policy Council raised NBP's interest rates by 0.75 percentage point. After eighth hike in a row, reference rate rose to 5.25%, lombard rate reached 5.75%, while the deposit rate increased to 4.75%. In October 2021 - May 2022 the reference rate rose by 5.15 percentage points in total. The Council decided to hike interest rates again in order to reduce risk of inflation running above the NBP inflation target in the monetary policy transmission horizon.





II. STATISTICAL DATA

	Unit	2020 Q04	2021 Q01	Q02	Q03	Q04	2022 Q01
GDP							
Gross domestic product	YoY	-2.1	-0.6	11.3	5.5	7.6	8.5
	QoQ SA	0.0	1.4	2.0	2.6	1.8	2.5
Final consumption expenditure of the households sector	YoY	-3.1	-0.2	13.0	4.7	8.0	6.6
	QoQ SA	-3.8	1.6	3.5	3.6	-1.4	0.6
Final consumption expenditure of the general government sector	YoY	7.8	2.4	4.2	2.8	4.0	0.6
	QoQ SA	1.5	0.4	0.9	0.6	0.8	0.3
Gross fixed capital formation	YoY	-11.4	-1.3	3.0	6.6	5.2	4.3
	QoQ SA	-0.6	11.9	-8.3	2.0	1.1	11.5
Exports of goods and services	YoY	7.8	7.4	29.8	7.3	6.1	2.0
	QoQ SA	4.3	1.8	0.8	0.4	3.5	-2.1
Imports of goods and services	YoY	8.5	8.6	33.8	12.5	12.2	8.8
	QoQ SA	4.0	3.1	2.2	2.3	3.6	0.1
Gross value added	YoY	-2.4	-0.9	10.4	5.4	7.5	8.3
	QoQ SA	0.0	1.7	1.5	1.9	1.9	1.8
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp	-1.6	-0.2	7.2	2.8	3.9	3.9
Final consumption expenditure of the general government sector	pp	1.6	0.4	0.8	0.5	0.8	0.1
Gross fixed capital formation	pp	-2.9	-0.2	0.5	1.1	1.1	0.6
Changes in inventories	pp	0.7	-0.5	2.4	3.2	4.3	7.7
Balance of trade turnover	pp	0.1	-0.1	0.4	-2.1	-2.5	-3.8
Gross value added	pp	-2.1	-0.9	9.2	4.7	6.6	7.3
GDP structure							
Final consumption expenditure of the households sector	% of GDP	48.8	59.9	56.5	57.8	49.7	60.0
Final consumption expenditure of the general government sector	% of GDP	20.8	17.8	18.3	17.8	20.3	16.9
Gross fixed capital formation	% of GDP	21.9	12.9	14.9	16.4	20.9	12.4
Changes in inventories	% of GDP	0.4	1.5	2.8	3.9	6.2	9.6
Exports of goods and services	% of GDP	57.0	62.4	62.7	59.9	58.6	63.4
Imports of goods and services	% of GDP	49.8	55.4	56.1	56.7	56.5	63.2
Balance of payments							
	Unit	2021 M11	M12	2022 M01	M02	M03	M04
Goods: exports (EUR)	YoY	7.4	26.6	20.0	9.8	16.2	-
Goods: imports (EUR)	YoY	24.3	35.5	37.4	20.2	34.3	-
Current account balance ¹⁾	% of GDP	-0.1	-0.6	-1.2	-1.7	-2.2	-
Balance on goods ¹⁾	% of GDP	0.2	-0.1	-0.6	-1.0	-1.7	-
Official Reserve Assets	EUR m	146 719.0	146 576.0	144 309.5	143 730.1	142 027.4	144 003.6
Inflation							
Consumer Price Index (CPI)	YoY	7.8	8.6	9.4	8.5	11.0	12.4
Core inflation (CPI excluding food and energy prices)	YoY	4.7	5.3	6.1	6.7	6.9	7.7
Producer Price Index (PPI)	YoY	13.6	14.4	16.1	16.1	21.9	23.0
Production							
Sold production of industry ²⁾	YoY	14.8	16.3	18.0	17.3	15.4	13.0
	MoM SA	5.8	-0.4	3.1	1.9	0.5	-0.4
Construction and assembly production ²⁾	YoY	12.8	3.1	20.8	21.2	27.6	9.3
	MoM SA	3.6	-5.6	18.9	-5.0	3.6	-5.1
Manufacturing PMI	SA	54.4	56.1	54.5	54.7	52.7	52.4
Households and labour market							
Retail sales ²⁾	YoY	12.1	8.0	10.6	8.1	9.6	19.0
Average paid employment in enterprise sector	YoY	0.7	0.5	2.3	2.2	2.4	2.8
	MoM	0.2	0.0	1.5	0.2	0.2	0.2
Average monthly gross wages and salaries in enterprise sector (real)	YoY	1.9	2.4	0.1	2.9	1.3	1.6
	MoM	0.8	9.3	-10.4	2.9	3.7	-2.5
Harmonised unemployment rate (Eurostat)	% SA	3.1	3.1	3.0	3.0	3.0	3.0
<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	2021 M10	M11	M12	M01	2022 M02	M03
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	1 126 980.2	1 138 121.4	1 138 033.6	1 137 131.9	1 144 855.0	1 148 171.3
Domestic debt	face value, PLN m	856 613.3	863 872.8	872 681.2	879 247.0	884 270.8	895 722.3
	%	76.0	75.9	76.7	77.3	77.2	78.0
Foreign debt	face value, PLN m	270 366.9	274 248.6	265 352.4	257 884.9	260 584.2	252 448.9
	%	24.0	24.1	23.3	22.7	22.8	22.0
Public debt (domestic definition)							
	Unit	2020 Q03	Q04	2021 Q01	Q02	Q03	Q04
Public debt (acc. to the place of issue criterion)	face value, PLN m	1 106 292.0	1 111 806.3	1 152 282.2	1 152 289.1	1 160 738.2	1 148 575.8
Domestic debt	face value, PLN m	824 082.3	823 542.1	845 843.4	855 430.0	858 651.6	859 051.6
	%	74.5	74.1	73.4	74.2	74.0	74.8
Foreign debt	face value, PLN m	282 209.7	288 264.2	306 438.9	296 859.0	302 086.6	289 524.2
	%	25.5	25.9	26.6	25.8	26.0	25.2
General Government debt (EU definition)							
General Government debt	face value, PLN m	1 306 682.0	1 336 557.6	1 389 977.4	1 402 163.1	1 418 823.4	1 410 493.6

Source: MoF

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

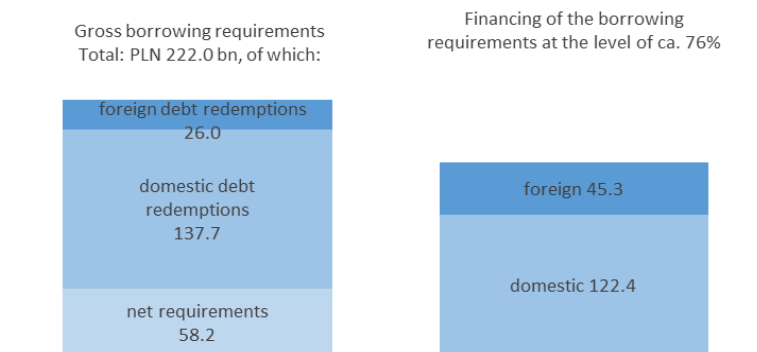


Gross borrowing requirements in 2022

as of May 31, 2022, PLN bn

Financing of the State budget borrowing requirements at the level of ca. 76% (acc. to the Budeget Act) was a result of:

- T-bond sale on domestic market: PLN 36.8bn,
- switch auctions in 2022: PLN 11.6bn,
- T-bond sale on foreign markets: PLN 9.2bn,
- loans incurred from IFIs: PLN 0.9bn,
- loans from the European Union under the SURE instrument in the amount of PLN 7.0bn,
- switch auctions in 2021: PLN 24.1bn,
- higher financial resources at the end of 2021: PLN 78.0bn.



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

plan as of May 31, 2022

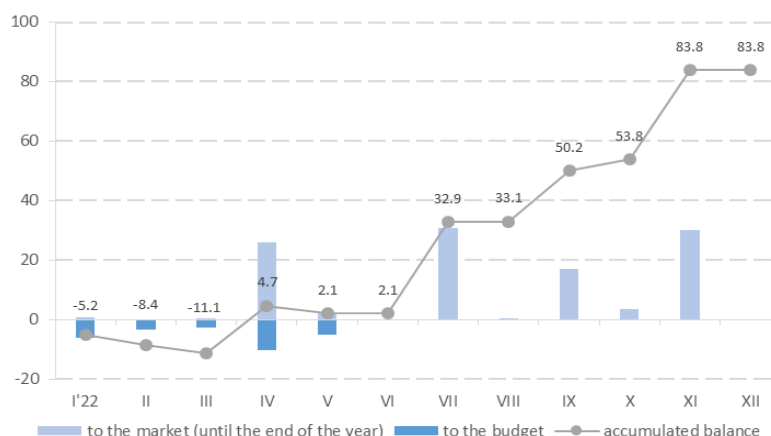
There will be no funds transferred from the State budget to the market in June (neither TS redemptions nor interest payments).

Flows of funds between the domestic market and the budget*

as at the end of month, PLN bn

From June to the end of 2022 the funds to be transferred to the domestic market shall amount to PLN 81.8bn (as of May 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 June 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 May 31, 2022) is equal to PLN 76.3bn, including:

- T-bonds: PLN 66.9bn,
- retail bonds: PLN 6.7bn,
- bonds and loans incurred on foreign markets: PLN 2.7bn.





III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

Buy-back of T-bonds maturing in 2022 and 2023:

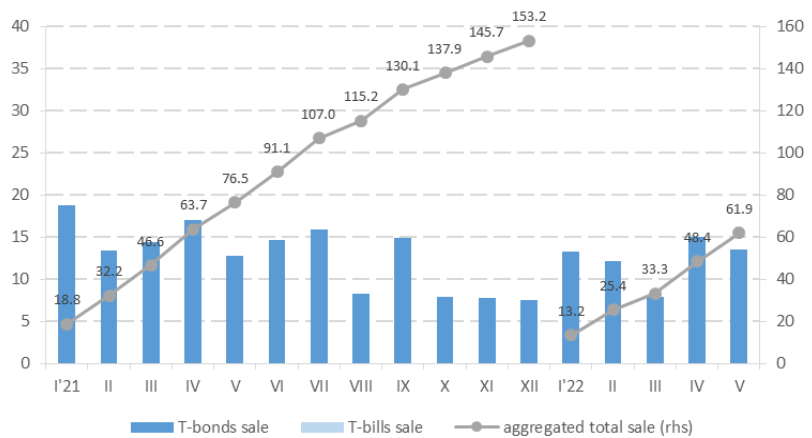
- PS0422: PLN 17.1bn (43% of the issuance),
- OK0722: PLN 6.6bn (21% of the issuance),
- WS0922: PLN 6.4bn (28% of the issuance),
- WZ1122: PLN 6.0bn (20% of the issuance),
- PS0123: PLN 1.1bn (3% of the issuance),
- OK0423: PLN 0.05bn (0,2% of the issuance).



Sale of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-V 2022 aggregated total sale of T-bonds amounted to PLN 61.9bn versus PLN 76.5bn in the same period of 2021.

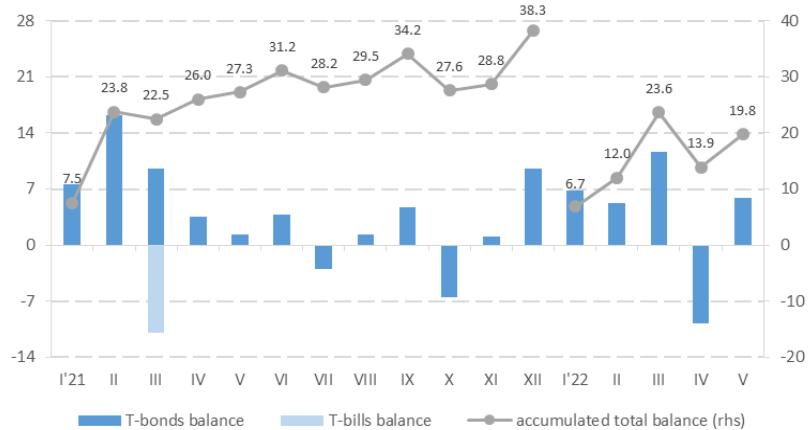


Balance of domestic TS in 2021 and 2022

settlement date, nominal amount, PLN bn

In the period of I-V 2022 indebtedness in T-bonds increased to PLN 19.8bn versus an increase of PLN 38.2bn in the same period of 2021. T-bills remained the same versus decrease of PLN 10.9bn in the same period of 2021.

The figures also include the amount of T-bonds issued and transferred by the Minister of Finance on the basis of other acts than the Public Finance Act.

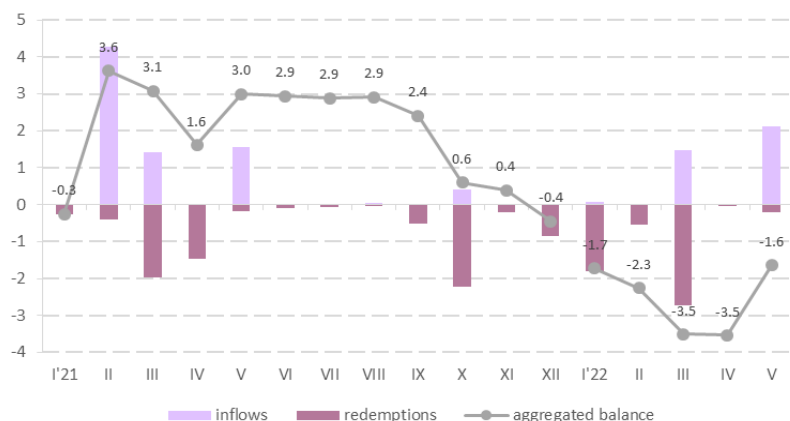


External financing in 2021 and 2022

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

Net financing on foreign markets in the period of I-V 2022 was negative and amounted to EUR 1.6bn, which resulted from:

- negative balance of T-bonds of EUR 2.7bn,
- negative balance of loans incurred from IFIs of EUR 0.4bn,
- positive balance of SURE instrument of EUR 1.5bn.



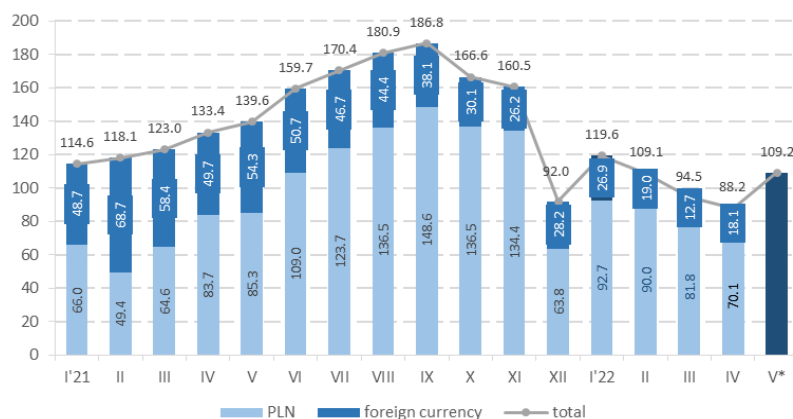
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



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

funds financing the borrowing needs, PLN bn

At the end of May 2022 there was equivalent of PLN 109.2bn on the budgetary accounts. The funds ensure liquidity in the borrowing needs financing.

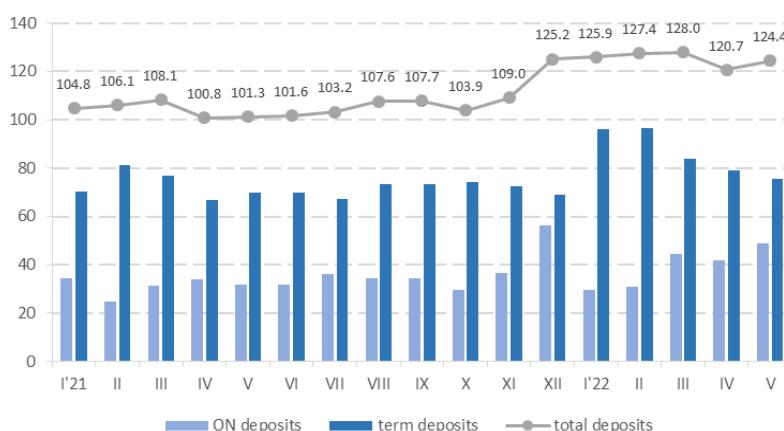


* Estimated data.

Consolidation of public finance sector liquidity management

PLN bn

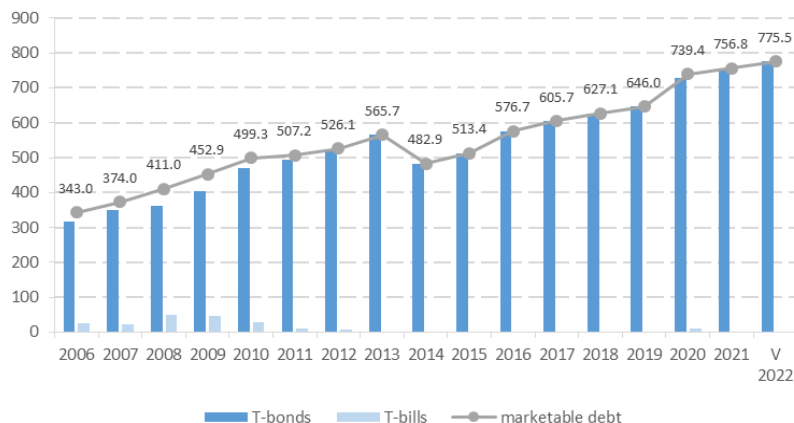
As a result of consolidation of the public finance sector liquidity management there were PLN 124.4bn funds accumulated at the end of May 2022, of which: PLN 75.5bn was on term deposits and PLN 48.8bn on ON deposits.



Structure of domestic marketable debt

PLN bn

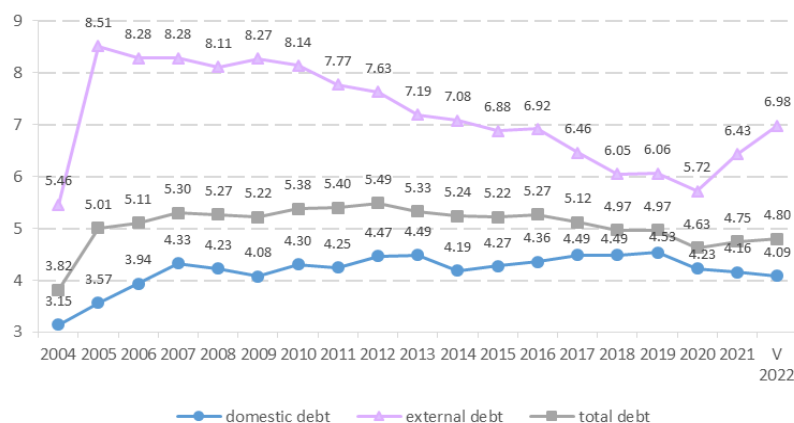
The marketable domestic debt after consolidation within the State Treasury amounted to PLN 775.5bn at the end of May 2022, comparing to PLN 756.8bn at the end of 2021.



Average maturity

years

The average maturity of the domestic debt amounted to 4.09 years at the end of May 2022 (4.16 years at the end of 2021). The average of the total debt amounted to 4.80 years (4.75 years at the end of 2021).



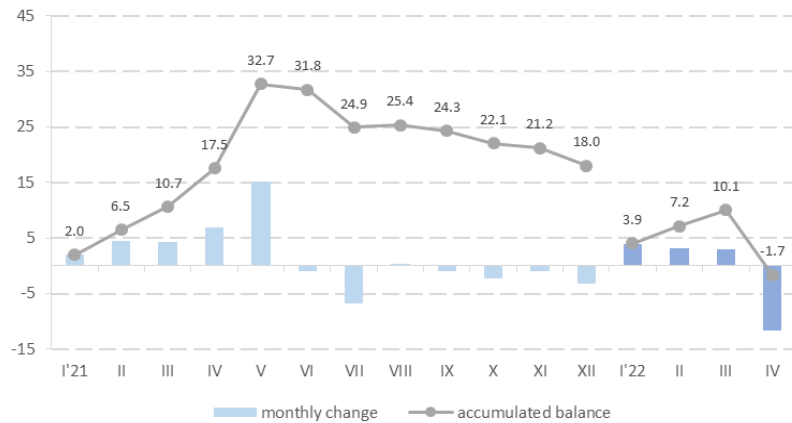


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in the domestic TS held by banks

PLN bn

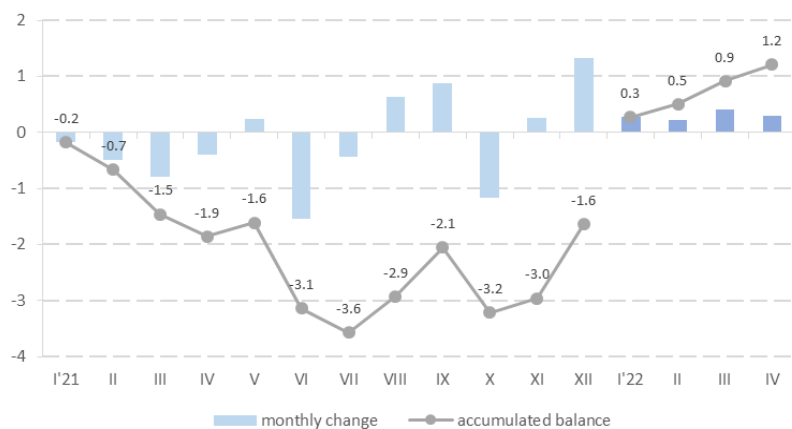
In I-IV 2022 there was a decrease of debt by PLN 1.7bn comparing to PLN 17.5bn increase during the same period of 2021. Banks' holdings reached the level of PLN 446.8bn.



Change of debt in the domestic TS held by insurance companies

PLN bn

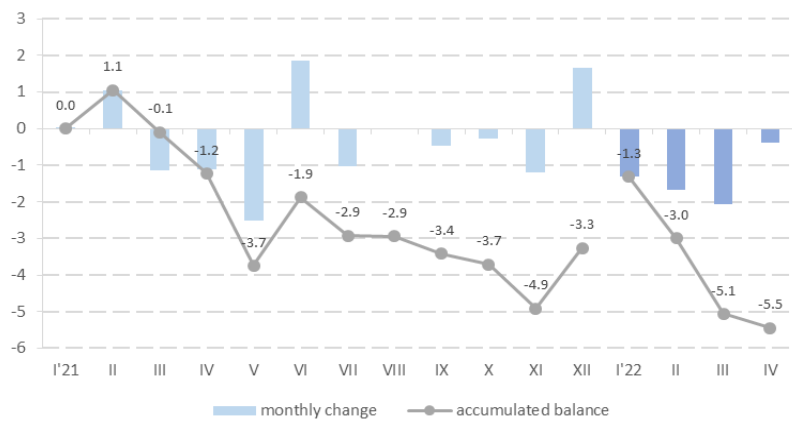
In I-IV 2022 there was an increase of debt by PLN 1.2bn comparing to PLN 1.9bn decrease during the same period of 2021. Insurance companies' holdings reached the level of PLN 56.9bn.



Change of debt in the domestic TS held by investment funds

PLN bn

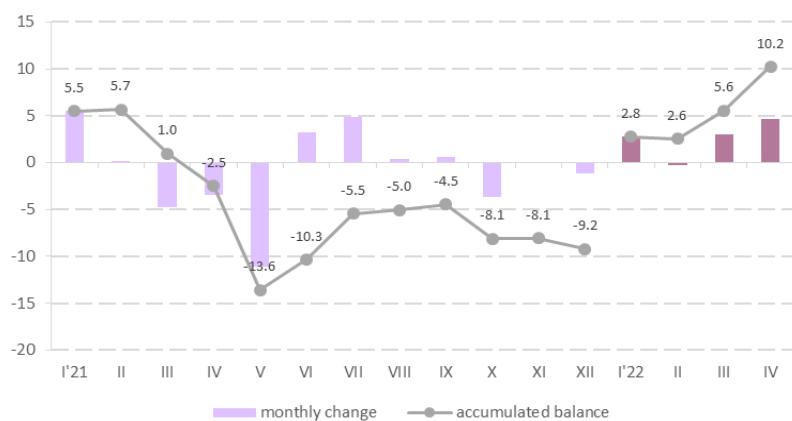
In I-IV 2022 there was a decrease of debt by PLN 5.5bn comparing to PLN 1.2bn decrease in the same period of 2021. Investment funds' holdings reached the level of PLN 39.9bn.



Change of debt in the domestic TS held by foreign investors

PLN bn

In I-IV 2022 there was an increase of debt by PLN 10.2bn comparing to PLN 2.5bn decrease in the same period of 2021. Foreign investors' holdings reached the level of PLN 134.8bn.



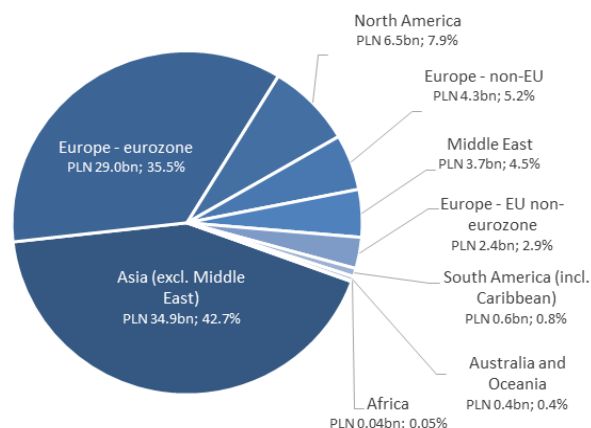
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Geographical distribution of the domestic TS held by non-residents

as of April 30, 2022, the chart presents data excluding omnibus accounts

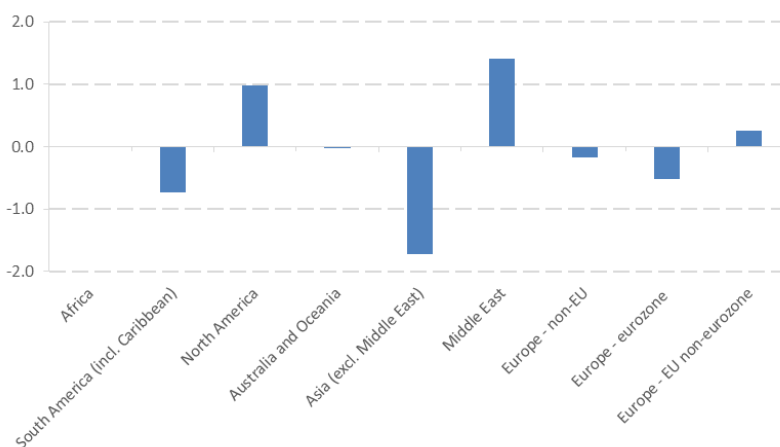
The non-residents' share in the domestic Treasury securities market increased by PLN 4.7bn in April 2022. The foreign investors' portfolio amounted to PLN 134.8bn, which constituted 16.2% share in total debt in TS (15.4% in the previous month).



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

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

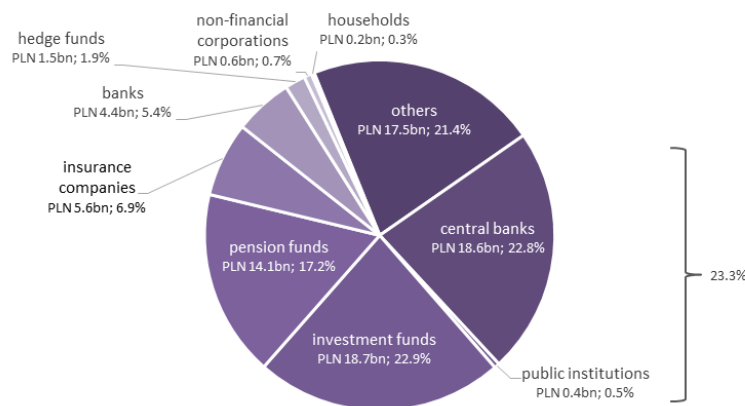
In April 2022 the highest increase was recorded by Middle East investors (PLN 1.4bn), while the highest decrease was noted by Asian investors (excl. Middle East) (PLN 1.7bn).



Institutional distribution of the domestic TS held by non-residents

as of April 30, 2022, the chart presents data excluding omnibus accounts

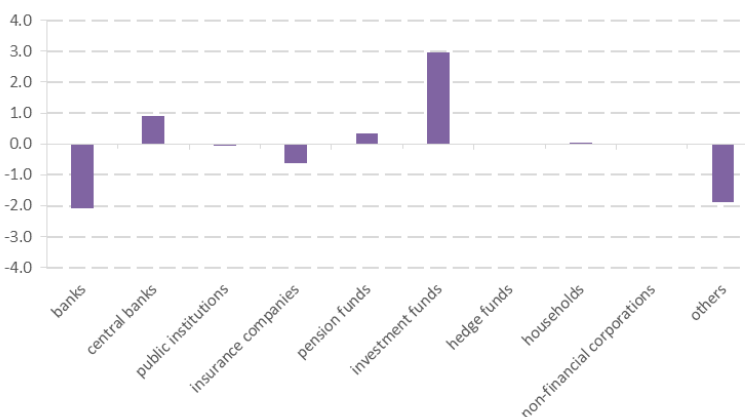
Institutional structure of domestic TS held by non-residents, as well as geographical distribution, is well-diversified. The central banks and public institutions' share in foreign holdings amounted to 23.3% at the end April 2022.



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

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

In April 2022 the highest increase was recorded by investment funds (PLN 3.0bn), while the highest decrease was noted by banks (PLN 2.1bn).



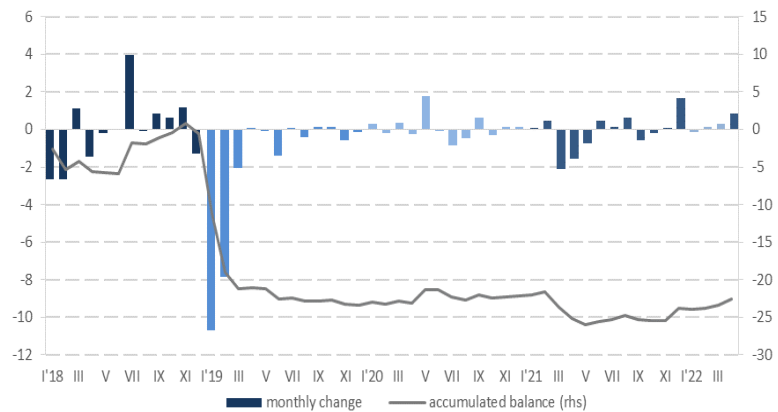


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in April 2022, PLN bn

Central banks and public institutions' involvement increased by PLN 0.8bn in April 2022. In the period from the end of January 2018 to the end of April 2022 portfolios of those entities decreased by PLN 22.6bn.



Structure of non-residents' holdings in TS by countries

as of April 30, 2022, excluding omnibus accounts and central banks, countries with more than 1% share

Countries	Outstanding in nominal value (PLN m)	Share in non-residents holdings
Japan	16 753.9	26.6%
Luxembourg	9 902.1	15.7%
Netherlands	7 230.7	11.5%
United States	5 656.6	9.0%
Germany	4 324.9	6.9%
Ireland	3 787.9	6.0%
France	2 576.7	4.1%
United Kingdom	2 476.9	3.9%
United Arab Emirates	1 628.6	2.6%
Switzerland	1 473.5	2.3%
Denmark	1 117.9	1.8%
Canada	738.5	1.2%
Others	5 421.3	8.6%
Total	63 089.5	100.0%

Comment

Sebastian Skuza, Secretary of State, MoF

31-05-2022

[...]

One switching auction and one T-bond sale auction are planned for June. No T-bill auctions are planned.

In April 2022 indebtedness in domestic Treasury securities decreased by PLN 9.7bn. The involvement of domestic banks decreased by PLN 11.7bn, and domestic non-banking investors by PLN 2.6bn, while the indebtedness towards foreign investors increased by PLN 4.7bn.

IV. SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2022



T-bond sale auction

Auction date	Settlement date	Series	Planned offer (PLN m)
23 JUNE 2022	27 JUNE 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432 / possible other T-bond	3,000-7,000

*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)
10 JUNE 2022 / 14 JUNE 2022	OK0724 / PS0527 / WZ1127 / WZ1131 / DS0432 / possible other T-bond	OK0722	24,852
		WS0922	16,120
		WZ1122	23,891
		PS0123	31,626
		OK0423	21,810

T-bill auctions

Sale auctions of Treasury bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
OTS0922 3-month	100.00 PLN (100.00 PLN for rolling-over)	Fixed: 3.00%
ROR0623 1-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.00%); 5.25% in the first coupon period
DOR0624 2-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (NBP reference rate + 0.25%); 5.50% in the first coupon period
TOZ0625 3-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M); 5.50% in the first coupon period
COI0626 4-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.00%); 5.50% in the first coupon period
EDO0632 10-year	100.00 PLN (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%); 5.75% in the first coupon period
ROS0628 family bonds 6-year	100.00 PLN	Floating (inflation rate + 1.50%); 5.70% in the first coupon period
ROD0634 family bonds 12-year	100.00 PLN	Floating (inflation rate + 1.75%); 6.00% in the first coupon period