

Public debt 1Q2014

Quarterly newsletter

1. At the end of the first quarter of 2014 consolidated **public debt (according to domestic methodology)** stood at **PLN 782,079.1 million** *. Compared with the end of 2013 public debt decreased by PLN 100,218.6 million (11.4%).

2. Decrease of public debt in the first quarter of 2014 resulted from:

- decrease of central government sector debt by PLN 99,546.1 million (State Treasury debt decreased by PLN 99,540.9 million),
- decrease of local government sector debt by PLN 454.4 million (local government units debt decreased by PLN 369.8 million),
- decrease of social security sector debt by PLN 218.1 million.

Decrease of State Treasury (ST) debt was mainly influenced by the cancellation of ST securities in February 2014 as a result of pension system reform. That operation resulted in one-off reduction of ST debt by PLN 130,187.6 million. After excluding the effect of cancellation of ST securities central government sector debt increased by PLN 30,641.5 million.

3. At the end of the first quarter of 2014 unconsolidated public debt stood at PLN 844,473.5 million. Compared with the end of 2013 debt decreased by PLN 100,740.8 million (10.7%).

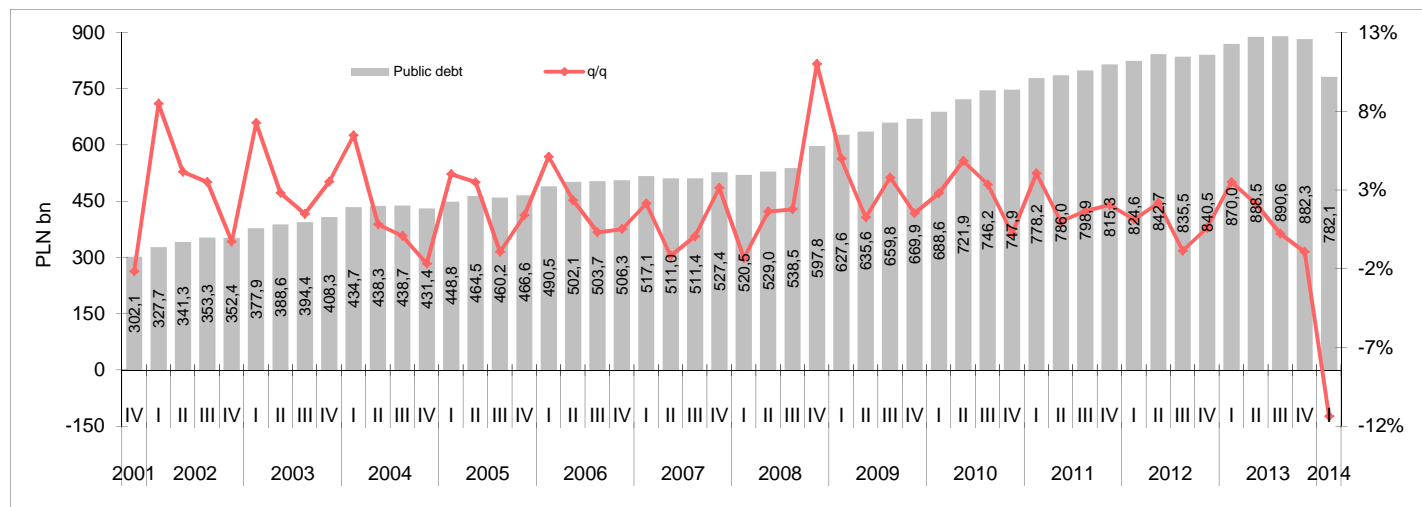
4. At the end of the first quarter of 2014 **general government debt** (EDP debt, part of the government finance Maastricht criterion) was at **PLN 818,975,0 million** *. Compared with the end of 2013 EDP debt decreased by PLN 115,631,5 million (12,4%).

5. Similarly to public debt measured according to domestic methodology, the change in EDP debt in the first quarter of 2014 resulted mainly from decrease in State Treasury debt.

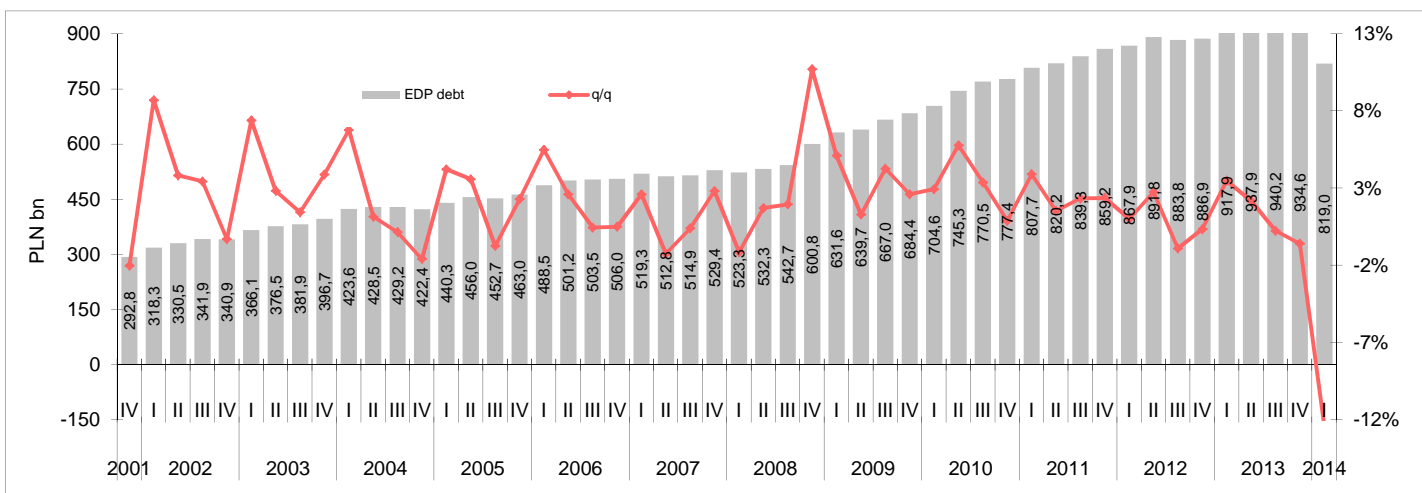
6. Table 1 presents the differences between public debt according to domestic methodology and general government debt.

* Data regarding the first quarter of 2014 is preliminary. Data regarding previous periods were updated if necessary.

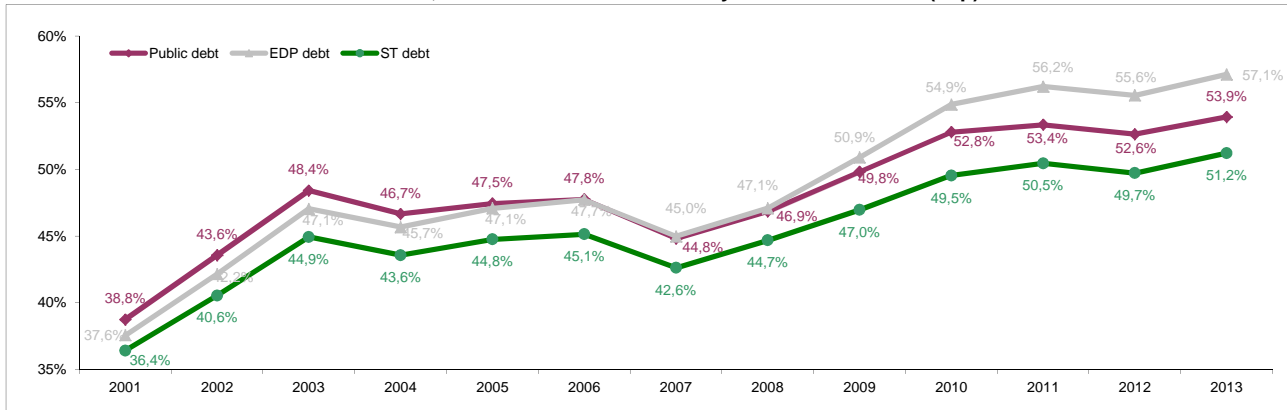
Public debt



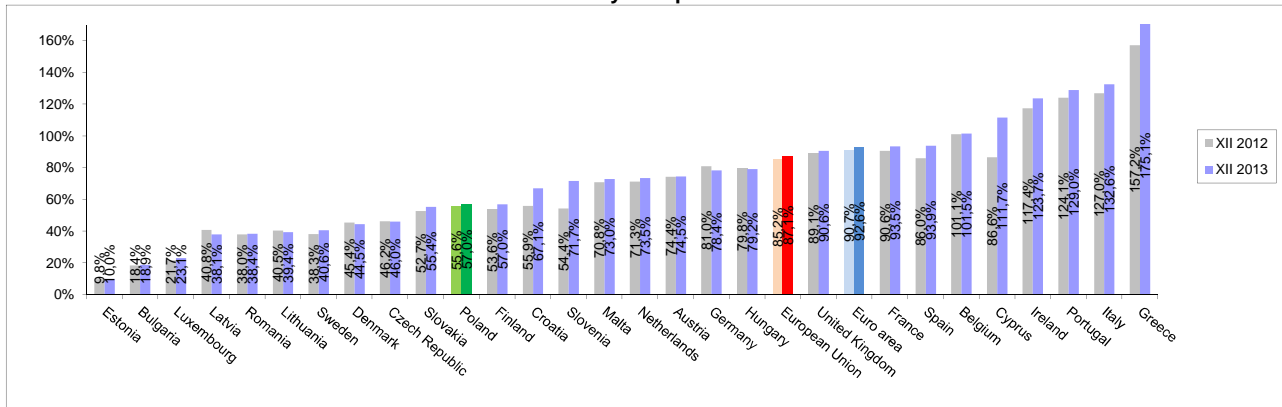
EDP debt



Public debt, EDP debt and State Treasury debt to GDP ratios (eop)

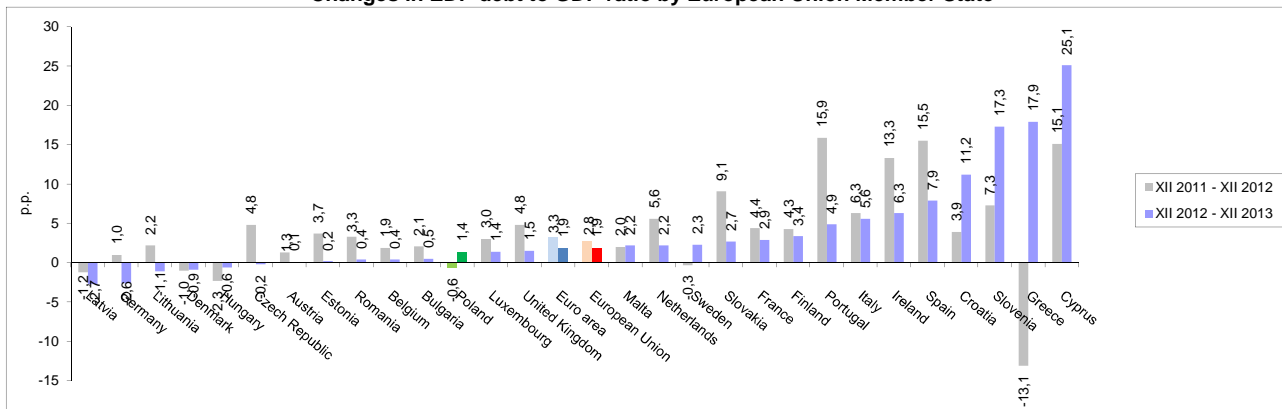


EDP debt to GDP ratio by European Union Member State



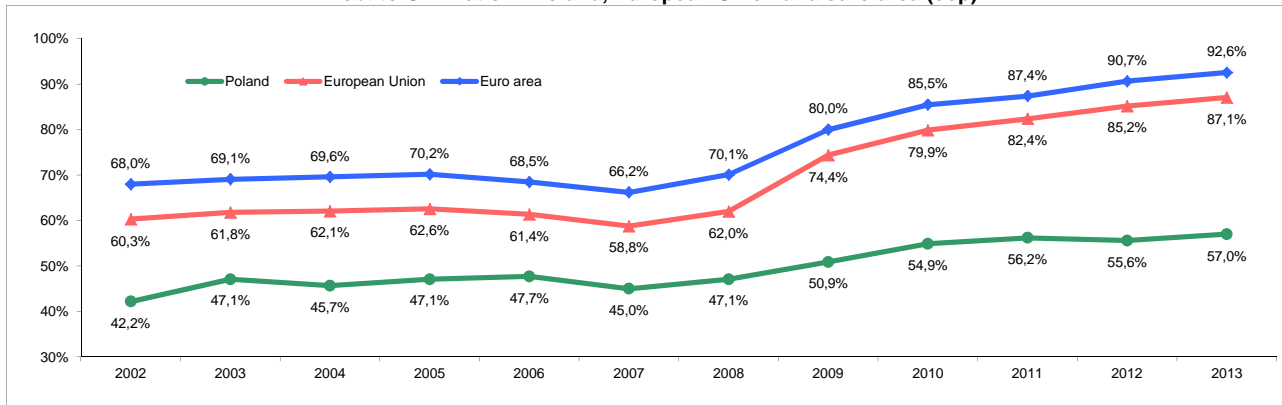
Source: Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Changes in EDP debt to GDP ratio by European Union Member State



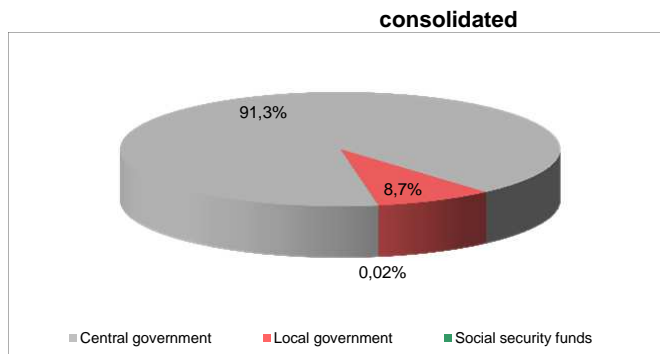
Source: Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Debt to GDP ratio in Poland, European Union and euro area (eop)

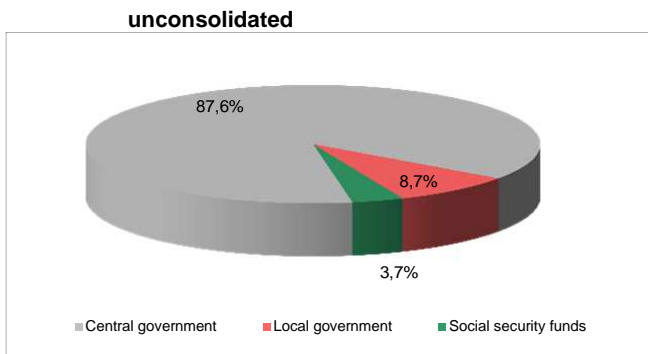


Source: Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Public debt by sub-sector:

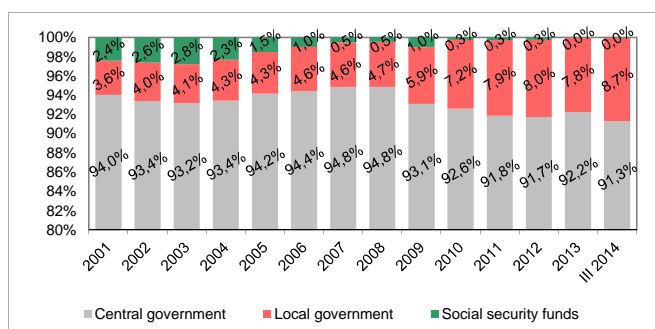


The central government is by far the most important debt issuer, representing 91.3% of public debt, of which 91.1% represents State Treasury debt. The local government sub-sector contribution was 8.7% of the total debt, of which 8.3% represents debt of local government units and their unions.



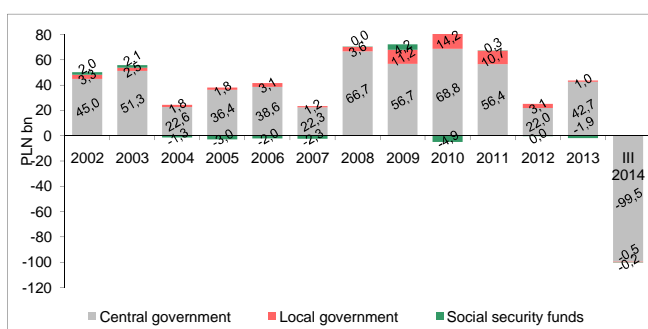
The central government and State Treasury made up 87.6% and 87.4% of the total unconsolidated public debt respectively. Unconsolidated social security funds debt includes loans granted by State Treasury (PLN 30.9 bn at the end of the first quarter of 2014), hence larger contribution of SSF to unconsolidated public debt.

Consolidated public debt by sub-sector



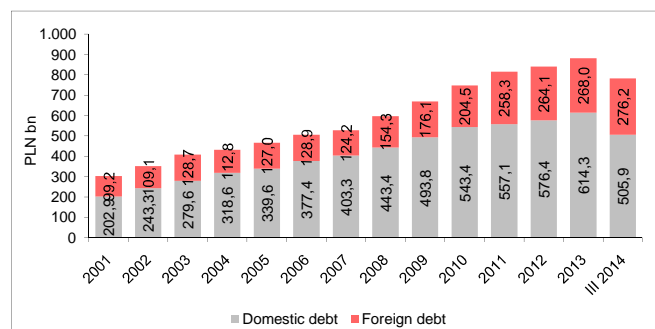
Social security funds debt plays a minor role in the general government debt with its contribution of 0.02% of the total debt, compared to 2.4% at the end of 2001. The ratio of central government sector debt to total debt decreased in the first quarter of 2014 from 92.2% to 91.3% - the decrease stemmed mainly from State Treasury debt reduction as a result of pension system reform.

Changes in consolidated public debt by sub-sector

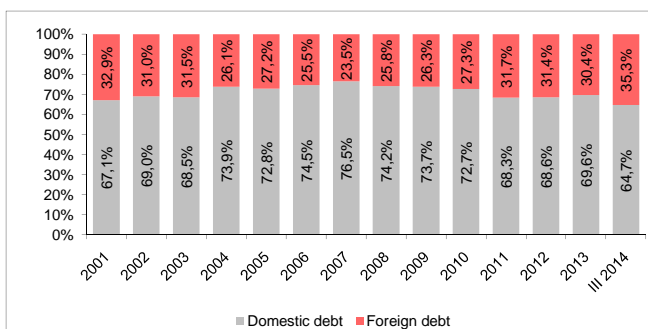


The decrease of public debt since the end of 2013 was mainly a result of central government debt decrease (by PLN 99.5 bn). The decrease of local government sector and social security sector debt played a minor role.

Public debt according to the place of issue criterion

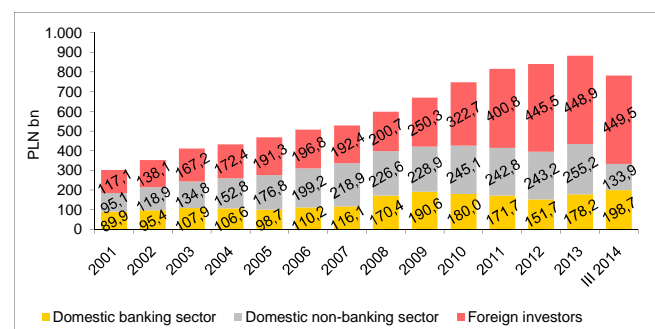


At the end of the first quarter of 2014 domestic debt stood at PLN 505.9 bn, down by PLN 108.5 bn (17.7%) compared with the end of 2013. Foreign debt stood at PLN 276.2 bn, up by PLN 8.2 bn (3.1%).

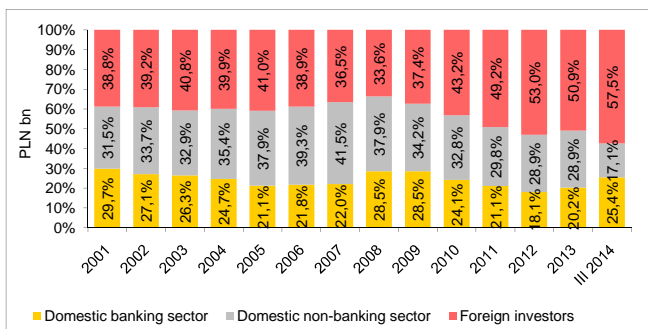


The share of foreign debt in the total public debt increased to 35.3% at the end of first quarter of 2014 (from 30.4% at the end of 2013) - mainly because of substantial nominal decrease of domestic debt.

Public debt by holder



In the first quarter of 2014 public debt towards:
 - domestic banking sector increased by PLN 20.5 bn (11.5%),
 - domestic non-banking sector decreased by PLN 121.4 bn (47.6%),
 - foreign investors (non-residents) increased by PLN 0.6 bn (0.1%).



A substantial decrease of the share of public debt towards domestic non-banking sector (from 28.9% to 17.1%) stemmed from the cancellation of State Treasury securities owned by Open Pension Funds as a result of pension system reform.

Table 1. Differences between public debt (according to domestic methodology) and general government debt (PLN m)

ITEM	XII 2008	XII 2009	XII 2010	XII 2011	XII 2012	III 2013	VI 2013	IX 2013	XII 2013	III 2014
Public debt	597.764,4	669.876,4	747.899,2	815.346,2	840.476,8	870.009,1	888.540,1	890.572,8	882.297,7	782.079,1
<i>1) Adjustments concerning the scope of the sector</i>	8.121,8	18.571,9	32.771,5	47.228,2	49.912,9	51.609,1	52.934,2	52.085,0	54.416,3	38.712,1
Debt of National Road Fund	5.923,1	15.703,2	24.798,1	36.412,7	41.197,4	41.410,0	41.856,5	41.740,4	43.644,7	28.037,2
T-Securities held by funds managed by Bank Gospodarstwa Krajowego	-	-1.276,2	-232,9	-364,5	-3.038,9	-1.577,3	-624,8	-1.366,5	-895,2	-1.032,0
National Road Fund (aquisition of infrastructure assets)*	2.396,0	4.292,8	8.197,4	11.076,3	11.571,9	11.571,9	11.499,2	11.499,2	11.423,8	11.423,8
Reaserch & development units**	-213,1	-156,2	-	-	-	-	-	-	-	-
Public corporations included in general government sector	15,8	8,3	8,9	103,7	182,4	204,4	203,2	211,8	243,0	283,1
<i>2) Differences concerning debt instruments</i>	-5.041,2	-4.001,4	-3.287,6	-3.367,4	-3.517,1	-3.756,4	-3.575,8	-2.475,7	-2.107,6	-1.816,2
matured payables	-5.069,9	-4.688,6	-3.860,1	-3.504,4	-3.616,5	-3.783,3	-3.589,1	-2.480,2	-2.211,3	-1.953,4
debt assumption - activation of a guarantee	28,7	42,3	18,5	15,0	20,4	9,9	0,4	1,6	2,4	0,8
restructured/refinanced trade credits	-	344,9	554,0	122,0	79,0	17,0	12,9	2,9	101,3	136,3
up-front payments on off-market swaps	-	300,0	-	-	-	-	-	-	-	-
General government debt	600.845,0	684.446,9	777.383,2	859.207,0	886.872,6	917.861,8	937.898,5	940.182,1	934.606,4	818.975,0

* in compliance with Eurostat guidelines on sector classification of some motorway projects, general government debt figures include capital expenditures of the projects in question

** according to the Public Finance Act of August 27th 2009 (Journal of Law 09.157.1240 dated September 24th 2009) from Jan 1st 2010 Research and Development Units are not included in the public finance sector.

Table 2. Public debt - before consolidation (m PLN, at nominal value, eop)

ITEM	XII 2012	structure	XII 2013	structure	III 2014	structure	change		change	
		XII 2012		XII 2013		III 2014	III 2014 - XII 2013	XII 2013 - XII 2012		
						m PLN	%	m PLN	%	
Public debt	889.652,1	100,0%	945.214,3	100,0%	844.473,5	100,0%	-100.740,8	-10,7%	55.562,2	6,2%
1. Central government sector debt	795.702,9	89,4%	839.917,6	88,9%	740.036,5	87,6%	-99.881,0	-11,9%	44.214,6	5,6%
1.1. State Treasury	793.853,7	89,2%	838.025,4	88,7%	738.149,7	87,4%	-99.875,7	-11,9%	44.171,7	5,6%
1.2. Earmarked State funds	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	-	0,0	-
1.3. State institutions of higher education	519,1	0,1%	579,9	0,1%	551,1	0,1%	-28,8	-5,0%	60,7	11,7%
1.4. Independent public health units	1.293,5	0,1%	1.271,8	0,1%	1.298,9	0,2%	27,1	2,1%	-21,7	-1,7%
1.5. State institutions of culture	16,8	0,0%	13,4	0,0%	8,8	0,0%	-4,6	-34,2%	-3,4	-20,4%
1.6. Polish Academy of Science and units established by it	8,0	0,0%	3,8	0,0%	3,7	0,0%	-0,1	-3,2%	-4,1	-52,1%
1.7. Other central government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	11,8	0,0%	23,3	0,0%	24,3	0,0%	1,0	4,3%	11,5	97,4%
2. Local government sector debt	72.812,6	8,2%	74.039,1	7,8%	73.397,4	8,7%	-641,7	-0,9%	1.226,6	1,7%
2.1. Local government units	68.206,6	7,7%	69.492,7	7,4%	68.908,3	8,2%	-584,3	-0,8%	1.286,1	1,9%
2.2. Independent public health units	4.392,9	0,5%	3.919,8	0,4%	3.879,4	0,5%	-40,4	-1,0%	-473,1	-10,8%
2.3. Local institutions of culture	99,5	0,0%	81,1	0,0%	77,1	0,0%	-4,0	-5,0%	-18,4	-18,5%
2.4. Other local government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	113,6	0,0%	545,6	0,1%	532,7	0,1%	-12,9	-2,4%	432,0	380,2%
3. Social Security Sector debt	21.136,6	2,4%	31.257,6	3,3%	31.039,5	3,7%	-218,1	-0,7%	10.121,0	47,9%
3.1. Social Insurance Institution	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	-100,0%	0,0	-
3.2. Funds managed by Social Insurance Institution	21.136,6	2,4%	31.257,6	3,3%	31.039,5	3,7%	-218,1	-0,7%	10.121,0	47,9%
3.3. Agricultural Social Insurance Fund	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	-	0,0	-
3.4. National Health Fund	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	-	0,0	-

Table 3. Public debt - after consolidation (m PLN, at nominal value, eop)

ITEM	XII 2012	structure	XII 2013	structure	III 2014	structure	change		change	
		XII 2012		XII 2013		III 2014	III 2014 - XII 2013	XII 2013 - XII 2012		
						m PLN	%	m PLN	%	
Public debt	840.476,8	100,0%	882.297,7	100,0%	782.079,1	100,0%	-100.218,6	-11,4%	41.820,9	5,0%
1. Central government sector debt	770.819,5	91,7%	813.526,3	92,2%	713.980,3	91,3%	-99.546,1	-12,2%	42.706,9	5,5%
1.1. State Treasury	769.128,8	91,5%	811.827,1	92,0%	712.286,2	91,1%	-99.540,9	-12,3%	42.698,4	5,6%
1.2. Earmarked State funds	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	-	0,0	-
1.3. State institutions of higher education	486,4	0,1%	532,0	0,1%	500,9	0,1%	-31,1	-5,8%	45,6	9,4%
1.4. Independent public health units	1.188,6	0,1%	1.144,5	0,1%	1.170,2	0,1%	25,7	2,2%	-44,2	-3,7%
1.5. State institutions of culture	3,1	0,0%	8,3	0,0%	3,6	0,0%	-4,7	-57,0%	5,1	164,5%
1.6. Polish Academy of Science and units established by it	4,7	0,0%	2,1	0,0%	1,9	0,0%	-0,2	-7,7%	-2,6	-55,7%
1.7. Other central government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	7,9	0,0%	12,4	0,0%	17,5	0,0%	5,0	40,3%	4,5	57,6%
2. Local government sector debt	67.398,2	8,0%	68.391,2	7,8%	67.936,8	8,7%	-454,4	-0,7%	993,0	1,5%
2.1. Local government units	64.020,2	7,6%	65.210,1	7,4%	64.840,3	8,3%	-369,8	-0,6%	1.189,9	1,9%
2.2. Independent public health units	3.314,1	0,4%	3.122,0	0,4%	3.041,6	0,4%	-80,4	-2,6%	-192,0	-5,8%
2.3. Local institutions of culture	58,1	0,0%	54,5	0,0%	51,5	0,0%	-3,0	-5,5%	-3,6	-6,2%
2.4. Other local government legal entities established under separate acts for public tasks execution, with the exception of enterprises, banks and companies organized under commercial law	5,9	0,0%	4,6	0,0%	3,5	0,0%	-1,1	-24,6%	-1,3	-21,9%
3. Social Security Sector debt	2.259,1	0,3%	380,1	0,0%	162,0	0,0%	-218,1	-57,4%	-1.879,0	-83,2%
3.1. Social Insurance Institution	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	-100,0%	0,0	-
3.2. Funds managed by Social Insurance Institution	2.259,1	0,3%	380,1	0,0%	162,0	0,0%	-218,1	-57,4%	-1.879,0	-83,2%
3.3. Agricultural Social Insurance Fund	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	-	0,0	-
3.4. National Health Fund	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	-	0,0	-