

Public debt 3Q2014

Quarterly newsletter

1. At the end of the third quarter of 2014 consolidated **public debt (according to domestic methodology)** stood at **PLN 802,127.1 million***. Compared with the end of the second quarter of 2014 public debt increased by PLN 8,570.8 million (1.1%).

2. Increase of public debt in the third quarter of 2014 resulted from:

- increase of central government sector debt by PLN 7,836.2 million (State Treasury debt increased by PLN 7,804.0 million),
- increase of local government sector debt by PLN 779.3 million (local government units debt decreased by PLN 673.0 million),
- decrease of social security sector debt by PLN 44.7 million.

3. In the first three quarters of 2014 public debt fell by PLN 80,165.8 million. The change resulted mainly from 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. Excluding the effect of cancellation of ST securities (regardless of its influence on debt servicing costs) public debt increased by PLN 50,021.8 million.

4. At the end of the third quarter of 2014 unconsolidated public debt stood at PLN 872,434.4 million. Compared with the end of the second quarter of 2014 debt increased by PLN 13,818.2 million (1.6%) and compared with the end of 2013 decreased by PLN 72,786.3 million (7.7%).

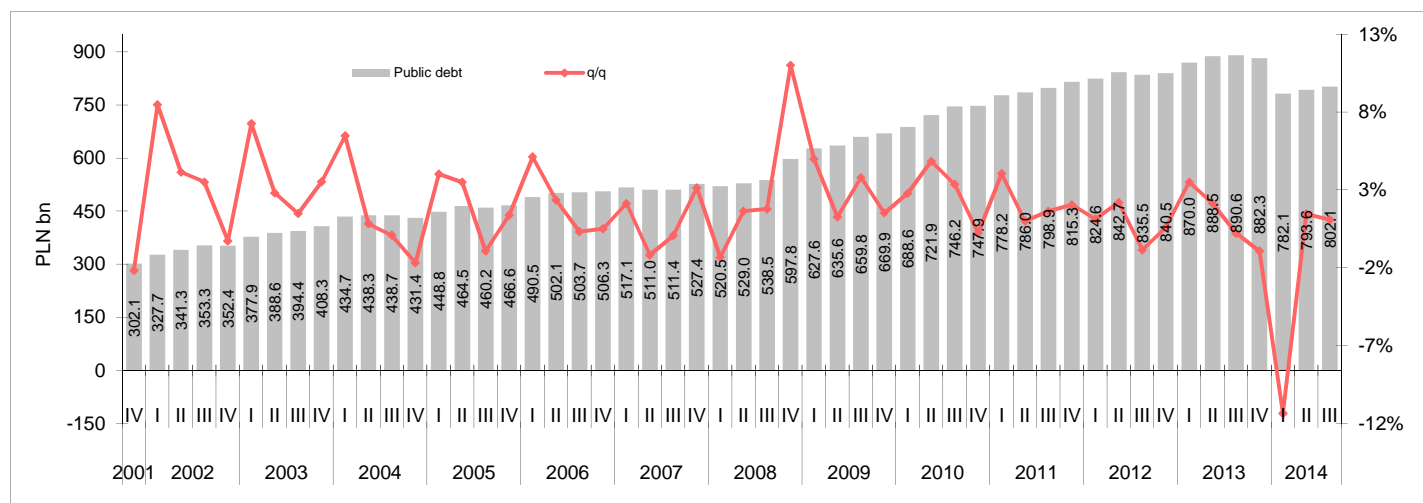
5. At the end of the third quarter of 2014 **general government debt** (EDP debt, part of the government finance Maastricht criterion) was at **PLN 831,854.6 million***. Compared with the end of the second quarter of 2014 EDP debt increased by PLN 10,509.0 million (1.3%) and compared with the end of 2013 EDP debt decreased by PLN 94,248.5 million (10.2%).

6. Similarly to public debt measured according to domestic methodology, the change in EDP debt in 2014 resulted mainly from changes in State Treasury debt.

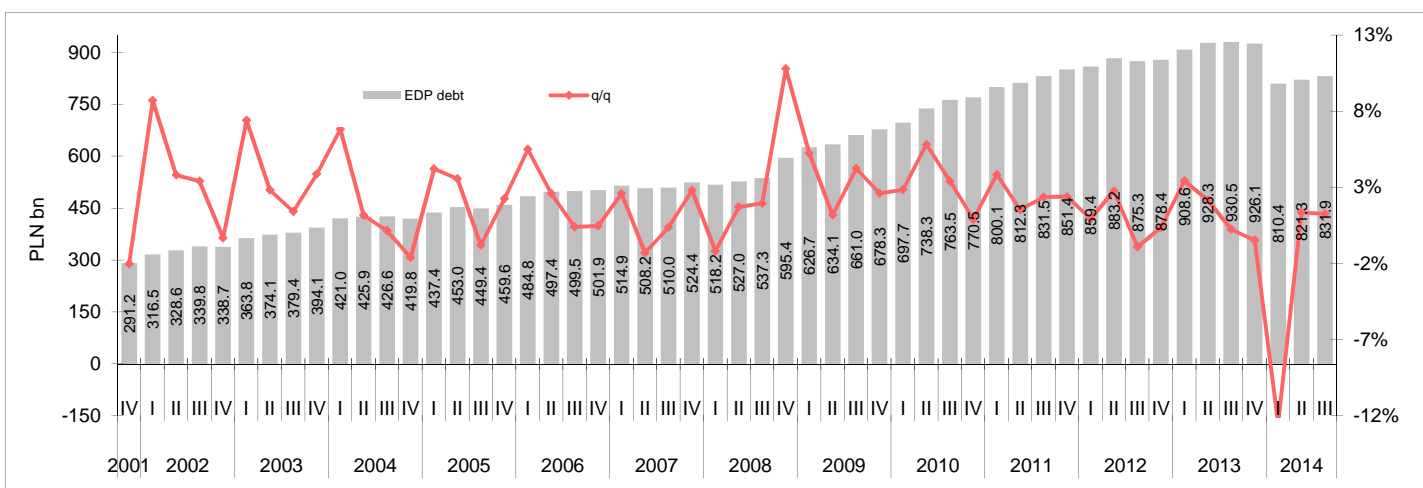
7. Table 1 presents the differences between public debt according to domestic definition and general government debt.

* Data regarding the second quarter of 2014 are preliminary. Data regarding previous periods were updated if necessary. In particular, the EDP debt was revised due to changes in the scope of the general government sector according to ESA2010.

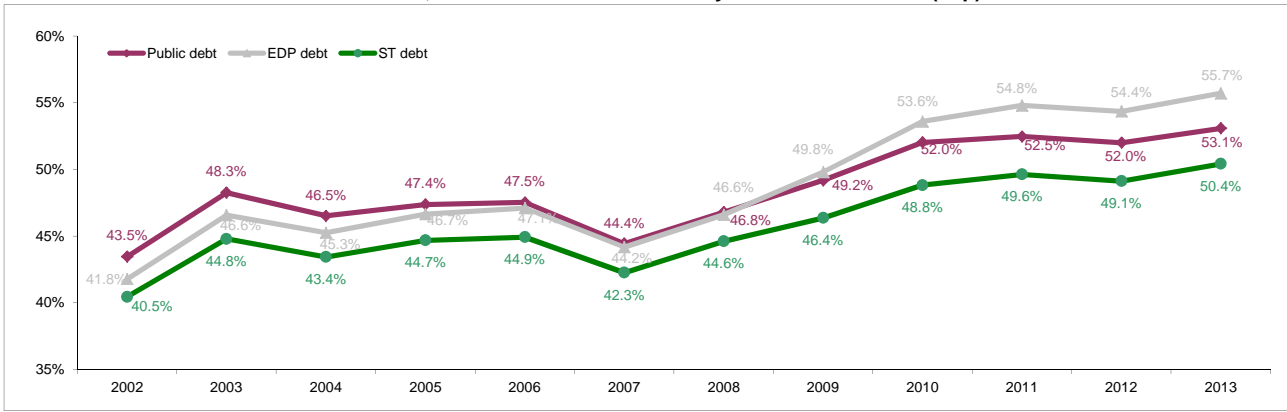
Public debt



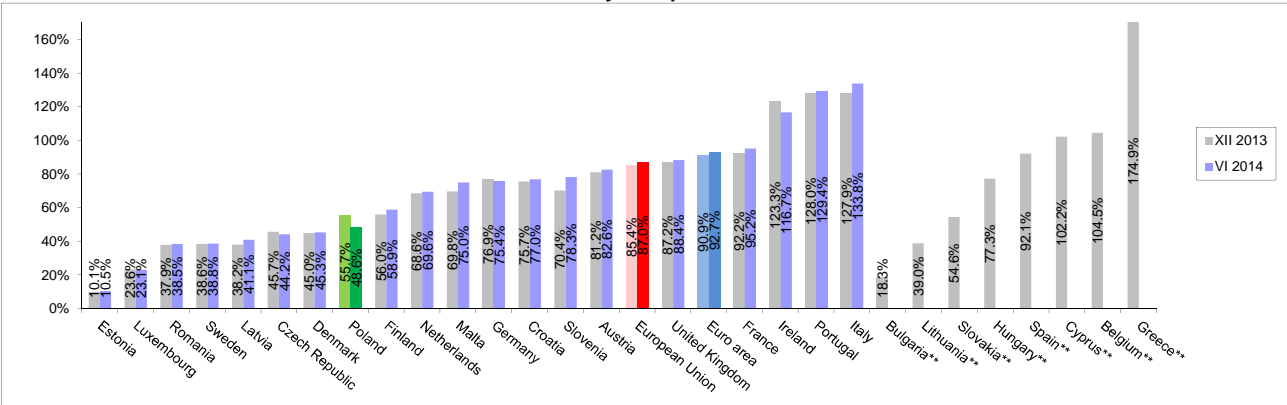
EDP debt



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

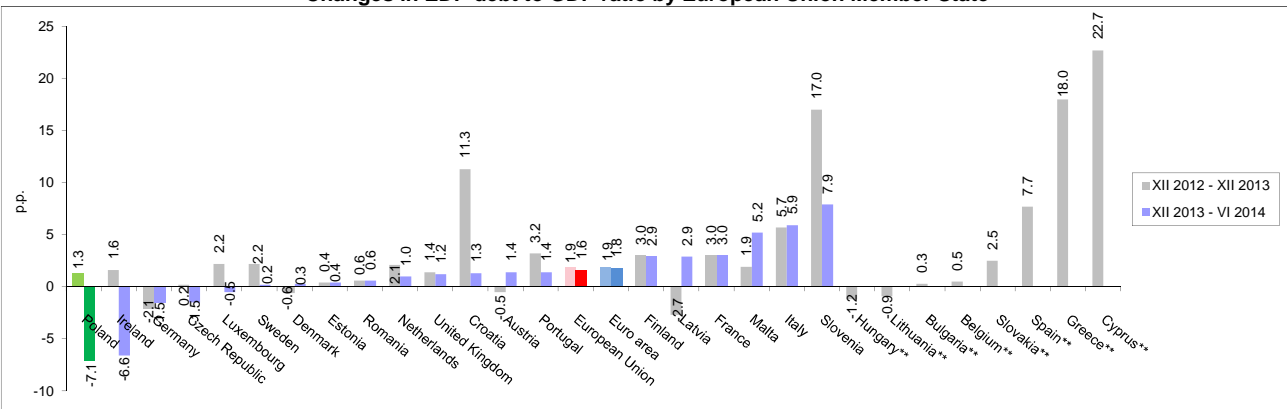


EDP debt to GDP ratio by European Union Member State



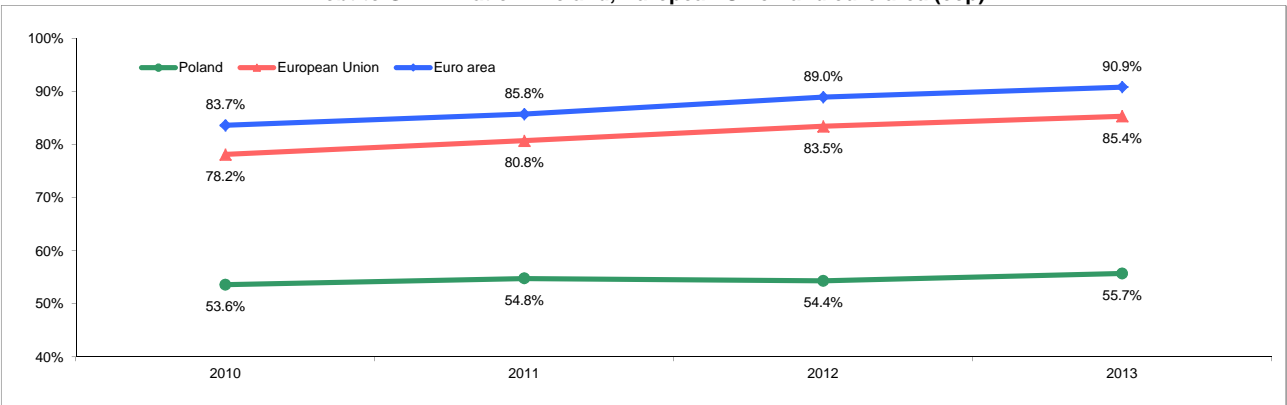
Source: Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

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)



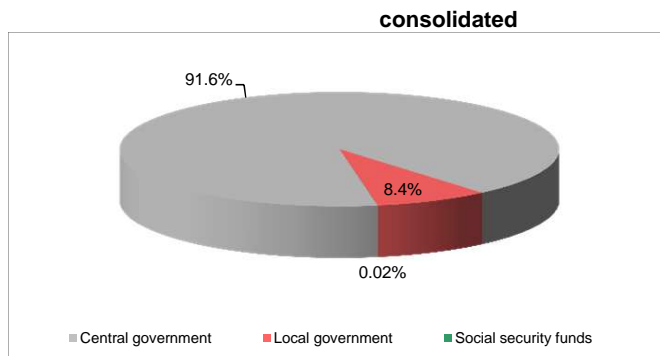
Source: Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

* revised GDP data calculated according to ESA2010

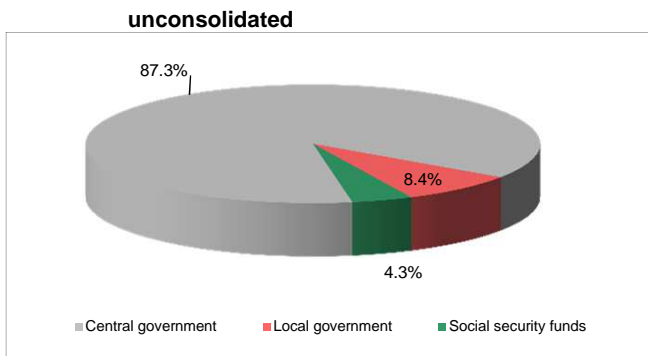
** data for second quarter 2014 not available

*** annual data for all EU countries available only for 2010-2013

Public debt by sub-sector:

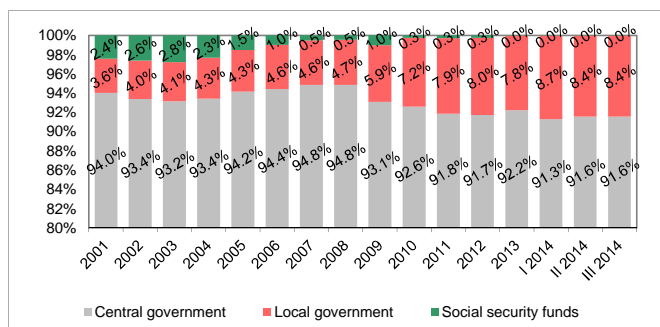


The central government is by far the most important debt issuer, representing 91.6% of public debt, of which 91.3% represents State Treasury debt. The local government sub-sector contribution was 8.4% of the total debt, of which 8.0% represents debt of local government units and their unions.



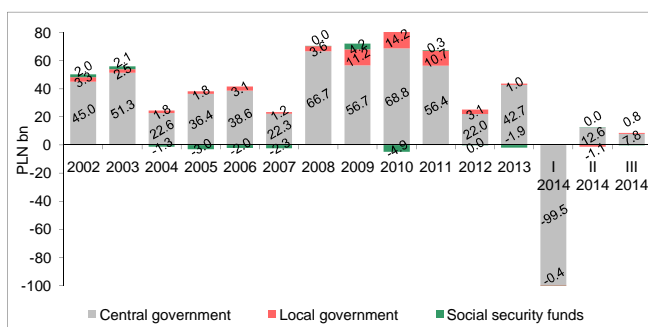
The central government and State Treasury made up 87.3% and 87.1% of the total unconsolidated public debt respectively. Unconsolidated social security funds debt includes loans granted by State Treasury (PLN 37.7 bn at the end of the third quarter of 2014), hence larger contribution of SSF to unconsolidated public debt.

Consolidated public debt by sub-sector



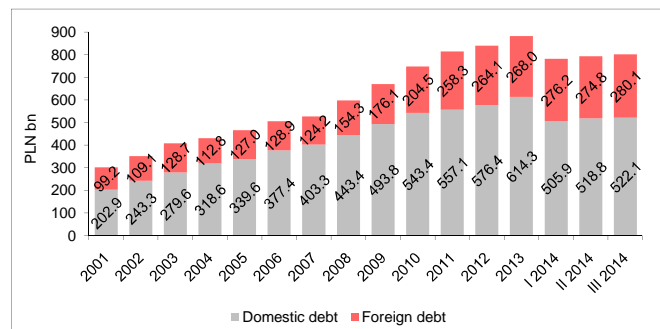
Social security funds debt plays a minor role in the general government debt with its contribution of 0.02% of the total debt, compared to 2.4% at the end of 2001. The ratio of central government sector debt to total debt remained at the same level - 91.6%.

Changes in consolidated public debt by sub-sector

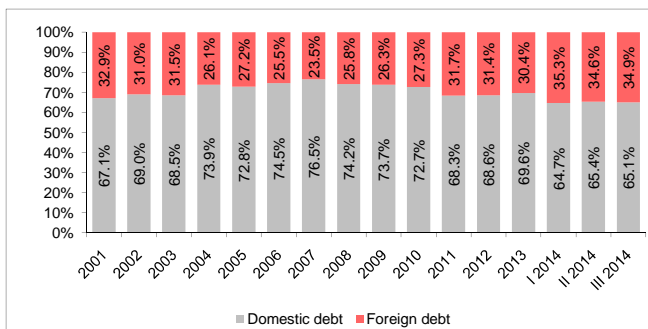


The increase of public debt in the third quarter of 2014 (by PLN 8.6 bn) was a result of central and local government debt increase by PLN 7.8 bn and 0.8 bn respectively. In the first three quarters of 2014 central government debt decreased mainly as a result of pension system reform by PLN 79.1 bn. In the same period local government debt decreased by PLN 0.8 bn largely due to decrease of debt of local government units and their unions in the first half of 2014.

Public debt according to the place of issue criterion

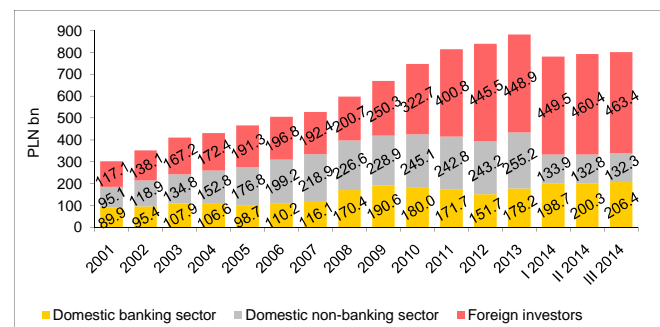


At the end of the third quarter of 2014 domestic debt stood at PLN 522.1 bn, up by PLN 3.3 bn (2.5%) compared with the end of the second quarter of 2014. Foreign debt stood at PLN 280.1 bn, up by PLN 5.3 bn (1.9%).

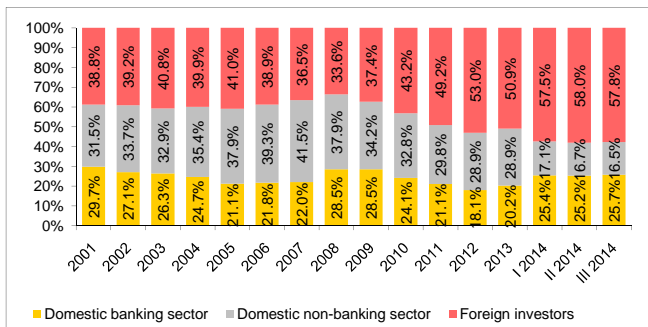


The share of foreign debt in the total public debt increased to 34.9% at the end of third quarter of 2014 (from 34.6% at the end of the second quarter of 2014).

Public debt by holder



In the third quarter of 2014 public debt towards:
 - domestic banking sector increased by PLN 6.0 bn (3.0%),
 - domestic non-banking sector decreased by PLN 0.4 bn (0.3%),
 - foreign investors (non-residents) increased by PLN 3.0 bn (0.6%).



In the third quarter of 2014 the share of public debt towards domestic non-banking sector continued to fall (from 16.7% to 16.5%). The share of public debt towards domestic banking sector rose from 25.2% to 25.7%.

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

ITEM	XII 2010	XII 2011	XII 2012	III 2013	VI 2013	IX 2013	XII 2013	III 2014	VI 2014	IX 2014
Public debt	747,899.2	815,346.2	840,476.8	870,009.1	888,540.1	890,572.9	882,293.0	782,104.7	793,556.4	802,127.1
<i>1) Adjustments concerning the scope of the sector</i>										
Debt of National Road Fund	25,838.8	39,439.1	41,443.1	42,356.8	43,298.2	42,399.0	45,907.8	30,098.6	29,817.9	31,735.5
T-Securities held by funds managed by Bank Gospodarstwa Krajowego	24,798.1	36,412.7	41,197.4	41,410.0	41,856.5	41,740.4	43,644.7	28,037.2	29,043.5	31,034.7
National Road Fund (aquisition of infrastructure assets)*	-232.9	-364.5	-3,038.9	-1,577.3	-624.8	-1,366.5	-895.2	-1,032.0	-1,953.4	-2,431.0
T-Securities held by Bank Guarantee Fund	8,197.4	11,076.3	11,571.9	11,571.9	11,499.2	11,499.2	11,423.8	11,423.8	11,345.2	11,345.2
Public corporations included in general government sector	-7,128.9	-8,209.7	-9,113.1	-9,895.6	-10,279.4	-10,329.4	-9,366.1	-9,471.1	-9,818.4	-9,874.4
<i>2) Differences concerning debt instruments</i>										
matured payables	205.0	524.3	825.8	847.7	846.6	855.1	1,100.5	1,140.7	1,201.0	1,660.9
debt assumption - activation of a guarantee	-3,287.6	-3,367.4	-3,517.1	-3,756.4	-3,575.8	-2,475.7	-2,097.6	-1,809.1	-2,028.7	-2,008.0
restructured/refinanced trade credits	-3,860.1	-3,504.4	-3,616.5	-3,783.3	-3,589.1	-2,480.2	-2,202.1	-1,951.3	-2,132.8	-2,055.4
derivatives	18.5	15.0	20.4	9.9	0.4	1.6	2.4	0.8	0.8	0.9
	554.0	122.0	79.0	17.0	12.9	2.9	102.1	133.3	100.8	214.3
	-	-	-	-	-	-	-	8.1	2.4	-167.9
General government debt	770,450.5	851,417.9	878,402.8	908,609.5	928,262.5	930,496.1	926,103.1	810,394.1	821,345.6	831,854.6

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

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

ITEM	XII 2013	structure XII 2013	VI 2014	structure VI 2014	IX 2014	structure IX 2014	change		change	
							m PLN	%	m PLN	%
Public debt	945,220.7	100.0%	858,616.2	100.0%	872,434.4	100.0%	13,818.2	1.6%	-72,786.3	-7.7%
1. Central government sector debt	839,907.1	88.9%	752,179.4	87.6%	761,739.8	87.3%	9,560.4	1.3%	-78,167.3	-9.3%
1.1. State Treasury	838,025.4	88.7%	750,204.0	87.4%	759,713.7	87.1%	9,509.8	1.3%	-78,311.6	-9.3%
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	579.8	0.1%	552.5	0.1%	551.7	0.1%	-0.8	-0.1%	-28.1	-4.8%
1.4. Independent public health units	1,261.4	0.1%	1,340.7	0.2%	1,358.9	0.2%	18.2	1.4%	97.5	7.7%
1.5. State institutions of culture	13.4	0.0%	6.2	0.0%	7.9	0.0%	1.7	26.9%	-5.5	-40.9%
1.6. Polish Academy of Science and units established by it	3.8	0.0%	2.9	0.0%	1.9	0.0%	-0.9	-33.2%	-1.9	-50.0%
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	23.3	0.0%	73.1	0.0%	105.6	0.0%	32.4	44.3%	82.3	352.8%
2. Local government sector debt	74,056.0	7.8%	72,192.3	8.4%	72,870.4	8.4%	678.1	0.9%	-1,185.6	-1.6%
2.1. Local government units	69,492.7	7.4%	67,636.1	7.9%	68,287.5	7.8%	651.4	1.0%	-1,205.2	-1.7%
2.2. Independent public health units	3,937.6	0.4%	3,965.7	0.5%	3,987.1	0.5%	21.4	0.5%	49.5	1.3%
2.3. Local institutions of culture	81.1	0.0%	77.0	0.0%	78.1	0.0%	1.1	1.4%	-3.0	-3.7%
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	544.7	0.1%	513.5	0.1%	517.8	0.1%	4.3	0.8%	-26.9	-4.9%
3. Social Security Sector debt	31,257.6	3.3%	34,244.5	4.0%	37,824.2	4.3%	3,579.7	10.5%	6,566.6	21.0%
3.1. Social Insurance Institution	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	9771.1%	0.0	78.2%
3.2. Funds managed by Social Insurance Institution	31,257.6	3.3%	34,244.5	4.0%	37,824.2	4.3%	3,579.7	10.5%	6,566.6	21.0%
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 2013	structure XII 2013	VI 2014	structure VI 2014	IX 2014	structure IX 2014	change		change	
							m PLN	%	m PLN	%
Public debt	882,293.0	100.0%	793,556.4	100.0%	802,127.1	100.0%	8,570.8	1.1%	-80,165.8	-9.1%
1. Central government sector debt	813,515.3	92.2%	726,539.5	91.6%	734,375.7	91.6%	7,836.2	1.1%	-79,139.6	-9.7%
1.1. State Treasury	811,827.1	92.0%	724,745.2	91.3%	732,549.2	91.3%	7,804.0	1.1%	-79,277.9	-9.8%
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	531.9	0.1%	498.9	0.1%	499.7	0.1%	0.8	0.2%	-32.2	-6.1%
1.4. Independent public health units	1,133.5	0.1%	1,226.8	0.2%	1,222.4	0.2%	-4.4	-0.4%	88.8	7.8%
1.5. State institutions of culture	8.3	0.0%	0.9	0.0%	1.1	0.0%	0.2	26.8%	-7.2	-86.9%
1.6. Polish Academy of Science and units established by it	2.1	0.0%	1.9	0.0%	1.4	0.0%	-0.5	-25.3%	-0.7	-33.7%
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	12.4	0.0%	65.9	0.0%	102.0	0.0%	36.1	54.8%	89.5	719.8%
2. Local government sector debt	68,397.6	7.8%	66,849.9	8.4%	67,629.1	8.4%	779.3	1.2%	-768.4	-1.1%
2.1. Local government units	65,210.1	7.4%	63,634.4	8.0%	64,307.3	8.0%	673.0	1.1%	-902.8	-1.4%
2.2. Independent public health units	3,129.1	0.4%	3,161.5	0.4%	3,265.8	0.4%	104.3	3.3%	136.7	4.4%
2.3. Local institutions of culture	54.5	0.0%	50.9	0.0%	53.3	0.0%	2.4	4.6%	-1.2	-2.2%
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	3.8	0.0%	3.1	0.0%	2.7	0.0%	-0.4	-13.0%	-1.2	-30.2%
3. Social Security Sector debt	380.1	0.0%	167.0	0.0%	122.3	0.0%	-44.7	-26.7%	-257.8	-67.8%
3.1. Social Insurance Institution	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	9767.9%	0.0	78.2%
3.2. Funds managed by Social Insurance Institution	380.1	0.0%	167.0	0.0%	122.3	0.0%	-44.7	-26.8%	-257.8	-67.8%
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	-