



Ministry  
of Finance

Republic  
of Poland

Public Debt Department

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

July 2015

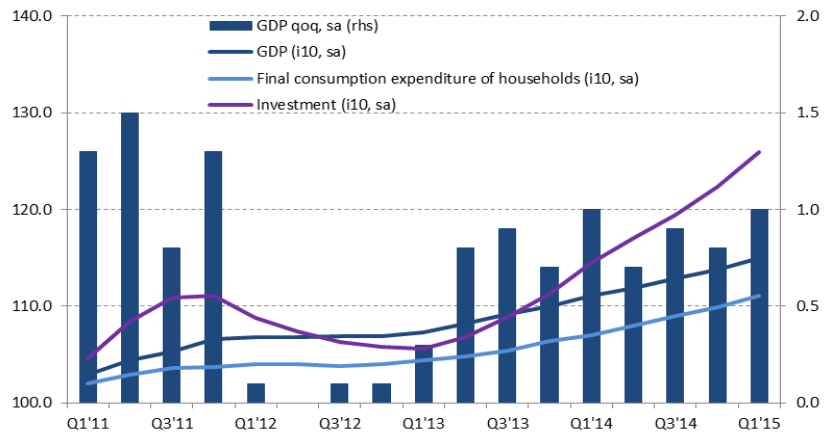
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## Gross domestic product of Poland

constant prices, seasonally adjusted data  
source: Eurostat, GUS

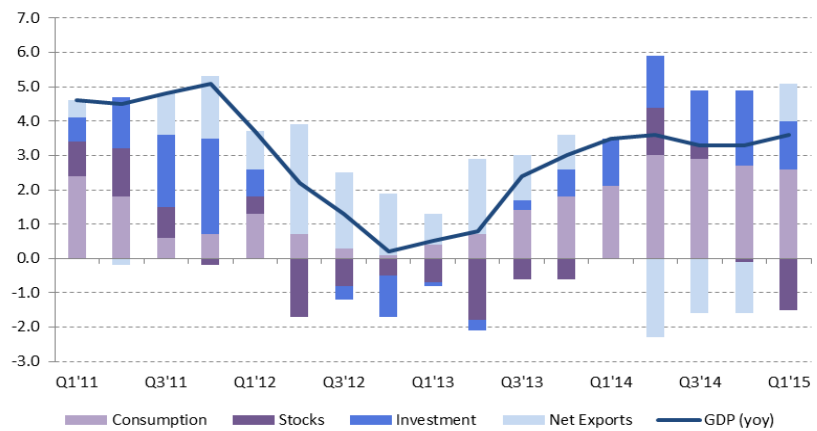
A steady recovery started in the middle of 2013. In the first quarter of 2015 Polish economy continued its upward trend: GDP increased by 1.0% (qoq, sa), following an increase by 0.8% in the fourth quarter of 2014.



## Contributions to Poland's GDP growth

percentage points  
source: GUS, MF own calculation

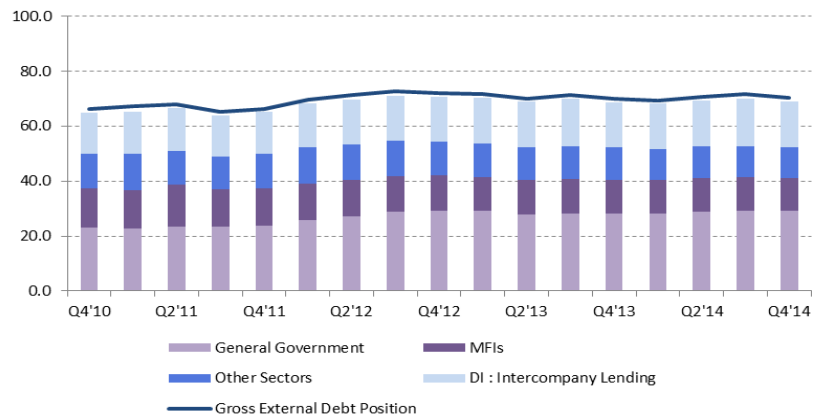
In the first quarter of 2015 GDP was 3.6% higher than a year ago. Domestic demand remained the main source of GDP growth mainly due to investments and private consumption. In the first quarter of 2015 domestic demand growth was lower than in the previous quarters due to negative contribution to GDP growth of inventories. The net exports contribution – for the first time in three quarters – was also positive.



## Poland's gross external debt position

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

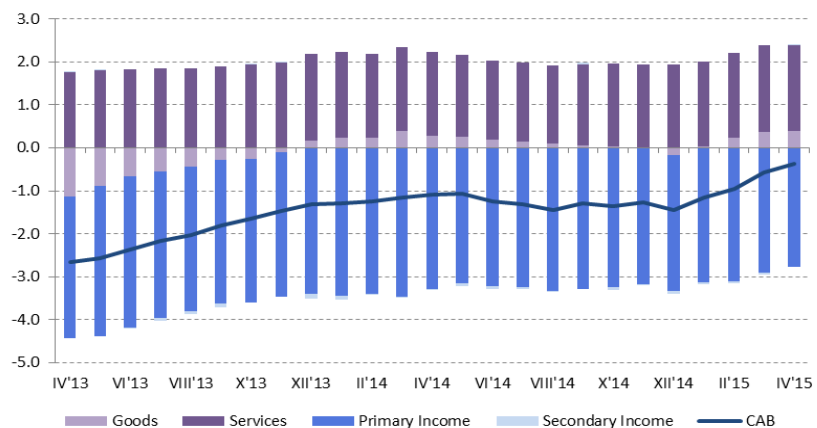
Gross external debt reached EUR 289.7bn (70.1% of GDP) at the end of the fourth quarter of 2014 and was lower than in the previous quarter. The share of direct investment intercompany lending in total debt decreased slightly to 23.8%. Official reserve assets reached EUR 91.8bn at the end of April 2015 and remained broadly adequate, covering nearly 6 months of imports.



## Current account balance

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

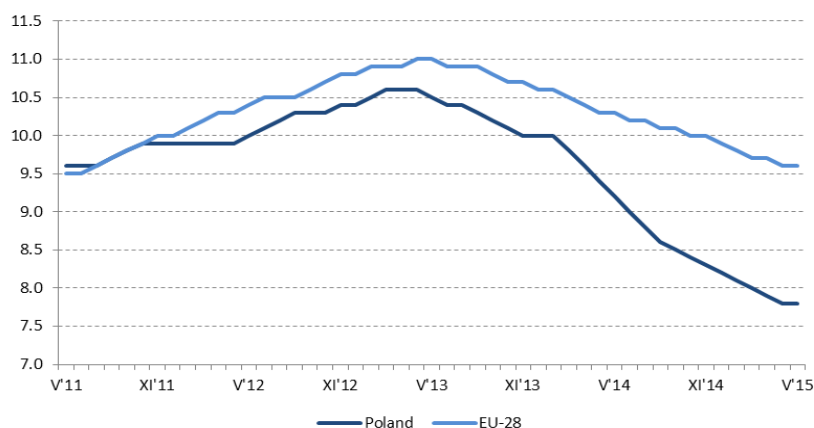
In April 2015, according to the preliminary data, Poland's C/A deficit amounted to 0.4% of GDP (in 12-month terms of GDP) as compared to 0.6% of GDP a month earlier. C/A deficit was with a wide margin covered by long term capital (mainly EU structural funds inflow).



## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

Harmonised unemployment rate (sa) has continued its downward trend observed since mid-2013. In May 2015 it amounted to 7.8% (versus 9.6% in EU on average) and remained at the level of the previous month and was 1.4 pp. lower than a year before.

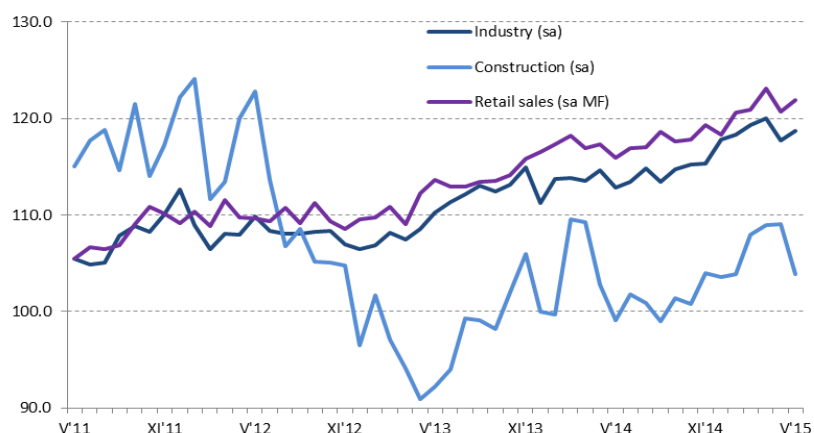


## Monthly indicators of the real sector

sold production in constant prices, i10, seasonally adjusted data  
source: Eurostat, GUS, MF own calculation

In May 2015 industrial output increased by 0.9% (mom, sa). In consequence production was 2.8% higher than a year ago (nsa). In May 2015 construction production went down by 4.8% (mom, sa) following growth in the four previous months. As a result, its level was only 1.3% (nsa) higher than a year before.

In May 2015 real retail sales increased by 1.0% (mom, sa MoF) following an unexpected, significant decline in the previous month. As a result, its level was 4.7% (nsa) higher than in the same month of 2014.



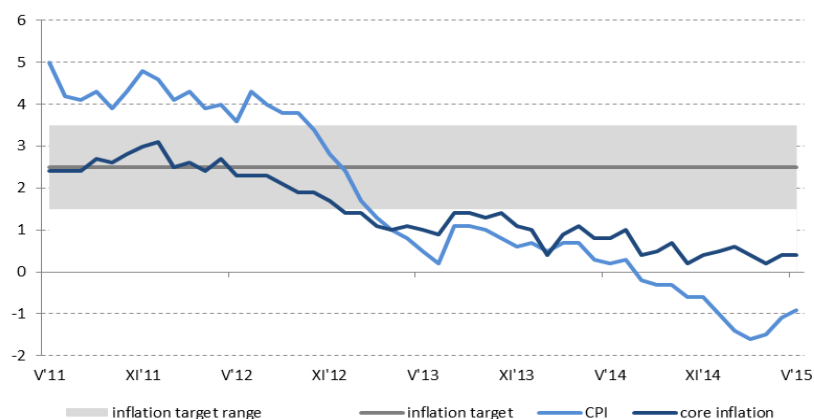
## Inflation

percent, yoy  
source: GUS, NBP

Since July 2014 consumer prices have been lower than a year before mainly because of drop of commodity prices (energy and food). In May 2015 deflation reached 0.9% (yoy).

Core inflation (CPI excluding food and energy prices) is still positive and in May 2015 reached 0.4% (yoy).

Deflation in producer prices has been lasting over two years (2.2% yoy in May 2015).

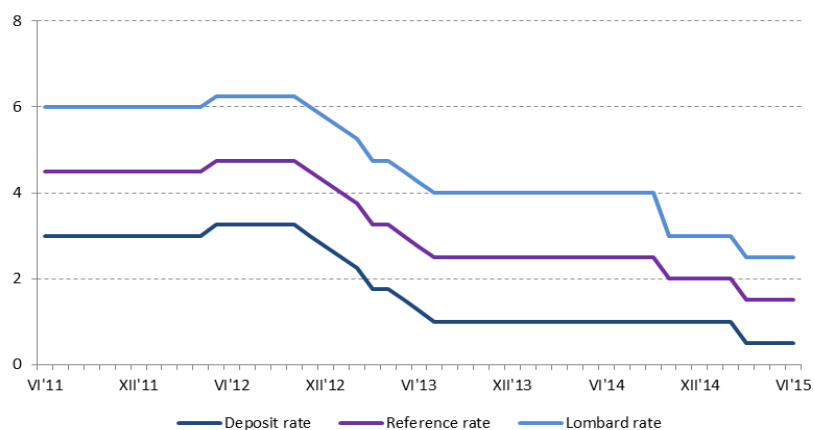


## NBP interest rates

percent, end of period  
source: NBP

In June 2015 the Monetary Policy Council kept NBP's interest rates unchanged, with the reference rate at 1.50%.

According to the latest Reuters poll (May, 28) the NBP interest rates are forecast to rise in the third quarter of 2016.



## II. STATISTICAL DATA

	Unit	2013 Q04	2014 Q01	Q02	Q03	Q04	2015 Q01
<b>GDP</b>							
Gross domestic product	YoY	3.0	3.5	3.6	3.3	3.3	3.6
	QoQ SA	0.7	1.0	0.7	0.9	0.8	1.0
Final consumption expenditure of the households sector	YoY	2.6	3.0	3.0	3.2	3.0	3.1
	QoQ SA	1.0	0.6	0.9	1.0	0.8	1.1
Final consumption expenditure of the general government sector	YoY	2.2	0.5	6.4	5.3	6.4	3.3
	QoQ SA	0.6	1.2	2.2	0.7	1.1	0.3
Gross fixed capital formation	YoY	3.0	11.4	8.7	9.2	8.6	11.4
	QoQ SA	2.1	2.9	2.3	2.0	2.4	2.9
Exports of goods and services	YoY	6.6	7.6	6.0	3.6	5.6	8.0
	QoQ SA	0.5	1.6	1.1	1.3	2.2	2.1
Imports of goods and services	YoY	4.2	8.0	11.7	7.4	9.5	6.0
	QoQ SA	1.3	3.7	1.4	1.2	2.4	1.5
Gross value added	YoY	3.1	3.1	3.3	3.3	3.1	3.3
	QoQ SA	1.0	1.0	0.3	0.7	0.5	0.7
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp.	1.4	2.0	1.8	2.0	1.5	2.0
Final consumption expenditure of the general government sector	pp.	0.4	0.1	1.2	0.9	1.2	0.6
Gross fixed capital formation	pp.	0.8	1.4	1.5	1.6	2.2	1.4
Changes in inventories	pp.	-0.6	0.0	1.4	0.4	-0.1	-1.5
Balance of trade turnover	pp.	1.0	0.0	-2.3	-1.6	-1.5	1.1
Gross value added	pp.	2.8	2.8	2.9	2.9	2.7	2.9
Taxes less subsidies	pp.	0.2	0.7	0.7	0.4	0.6	0.7
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	52.4	65.6	60.9	60.2	51.4	64.2
Final consumption expenditure of the general government sector	% of GDP	18.3	17.9	18.4	17.7	18.9	17.6
Gross fixed capital formation	% of GDP	26.5	12.9	17.4	18.7	27.5	13.8
Changes in inventories	% of GDP	0.5	0.9	0.5	0.8	0.4	-0.7
Exports of goods and services	% of GDP	42.9	48.5	47.8	47.6	44.2	51.0
Imports of goods and services	% of GDP	41.3	46.8	46.0	45.9	43.2	46.8
<b>Balance of payments</b>							
	Unit	2014 M12	2015 M01	M02	M03	M04	M05
Goods: exports (EUR)	YoY	4.3	5.2	10.8	13.7	8.7	-
Goods: exports (EUR)	YoY	9.8	-1.3	3.8	9.8	8.0	-
Current account balance <sup>1)</sup>	% of GDP	-1.4	-1.2	-1.0	-0.6	-0.4	-
Balance on goods <sup>1)</sup>	% of GDP	-0.2	0.0	0.2	0.4	0.4	-
Official Reserve Assets	EUR mln	82 644.8	87 934.7	86 899.3	90 558.5	91 819.1	93 875.4
<b>Inflation</b>							
Consumer Price Index (CPI)	YoY	-1.0	-1.4	-1.6	-1.5	-1.1	-0.9
Core inflation (CPI excluding food and energy prices)	YoY	0.5	0.6	0.4	0.2	0.4	0.4
Producer Price Index (PPI)	YoY	-2.7	-2.8	-2.8	-2.5	-2.7	-2.2
<b>Production</b>							
Sold production of industry <sup>2)</sup>	YoY	8.1	1.6	5.0	8.8	2.4	2.8
	MoM SA	2.0	0.4	0.8	0.6	-1.9	0.9
Construction and assembly production <sup>2)</sup>	YoY	5.0	1.3	-0.3	2.9	8.5	1.3
	MoM SA	-0.4	0.3	3.9	0.9	0.1	-4.8
Manufacturing PMI	SA	52.8	55.2	55.1	54.8	54.0	52.4
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	YoY	4.0	3.3	2.4	6.6	1.5	4.7
Average paid employment in enterprise sector	YoY	1.1	1.2	1.2	1.1	1.1	0.0
	MoM	0.0	0.4	0.0	0.1	0.0	1.1
Average monthly gross wages and salaries in enterprise sector (re)	YoY	4.8	5.0	4.9	6.5	4.8	4.1
	MoM	9.7	9.8	1.1	5.6	-2.5	-2.9
Harmonised unemployment rate (Eurostat)	% SA	8.2	8.1	8.0	7.9	7.8	7.8
<sup>1)</sup> Data in 12-month terms <sup>2)</sup> Constant prices. Data for units in which the number of employed persons exceeds 9 persons Source: GUS, NBP, Eurostat, MoF calculation based on NBP, GUS data, HSBC, Markit							
<b>State Treasury debt</b>							
	Unit	2014 M11	M12	2015 M01	M02	M03	M04
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	772 544.0	779 938.4	790 807.8	802 803.2	806 423.2	802 033.1
Domestic debt	nominal, PLN mio	503 705.9	503 079.0	510 347.7	526 273.2	532 455.5	530 447.3
	%	65.2	64.5	64.5	65.6	66.0	66.1
Foreign debt	nominal, PLN mio	268 838.0	276 859.4	280 460.1	276 530.0	273 967.7	271 585.8
	%	34.8	35.5	35.5	34.4	34.0	33.9
<b>Public debt (domestic definition)</b>							
	Unit	2013 Q04	2014 Q01	Q02	Q03	Q04	2015 Q01 <sup>1)</sup>
Public debt (acc. to the place of issue criterion)	nominal, PLN mio	882 293.0	782 104.7	793 556.4	802 133.0	826 762.7	848 046.7
Domestic debt	nominal, PLN mio	614 321.8	505 904.8	518 785.8	522 068.5	534 780.7	559 060.8
	%	69.6	64.7	65.4	65.1	64.7	65.9
Foreign debt	nominal, PLN mio	267 971.2	276 199.9	274 770.5	280 064.5	291 982.0	288 985.9
	%	30.4	35.3	34.6	34.9	35.3	34.1
<b>General Government debt (EU definition)</b>							
General Government debt	nominal, PLN mio	926 115.3	816 404.8	827 333.2	839 082.8	866 570.3	885 727.1
<sup>1)</sup> preliminary data Source: MoF							

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

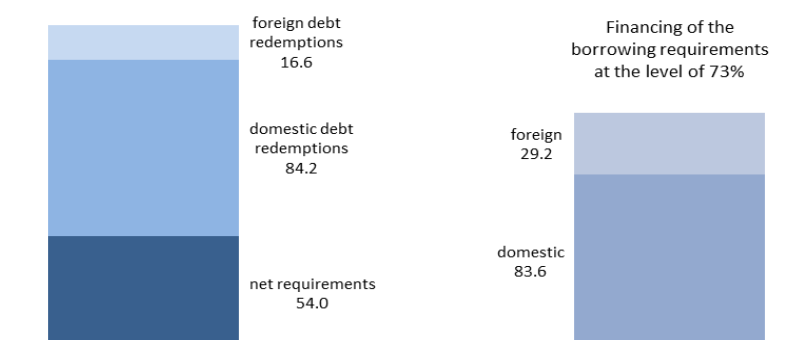


#### Gross borrowing requirements in 2015

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

- T-bond sale on domestic market: PLN 46.5bn,
- switch auctions: 8.4bn,
- T-bond sale on foreign markets: PLN 6.3bn (EUR 1.0bn, CHF 0.6bn),
- loans incurred from IFIs: PLN 0.3bn,
- switch auctions in 2014: PLN 24.2bn,
- T-bonds buyback on foreign markets: USD 0.4bn,
- and higher than planned financial resources at the end of 2014: PLN 26.0bn.

Gross borrowing requirements in 2015  
(acc. to 2015 Budget Act)  
Total: PLN 154.8bn, of which:

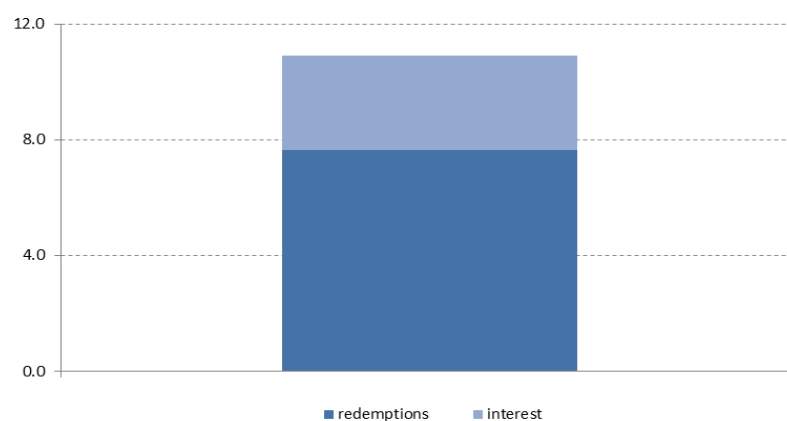


#### Flows of funds into the market related to T-securities transfers in July

as of June 30, 2015

As of June 30, 2015 flow of funds from State budget shall amount to PLN 10.9bn, of which:

- TS redemptions: PLN 7.7bn,
- interest payments: PLN 3.3bn

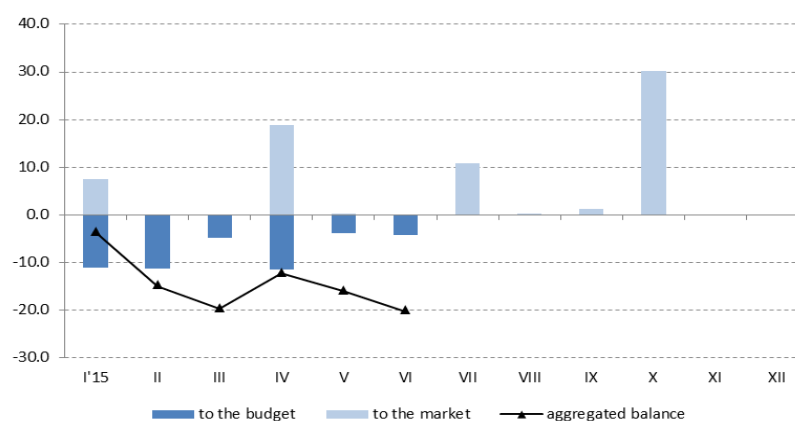


#### Flows of funds between the market and the budget\*

as of June 30, 2015, PLN bn

As of June 30, 2015, to the end of the year the funds to be transferred to the market shall amount to PLN 42.6bn.

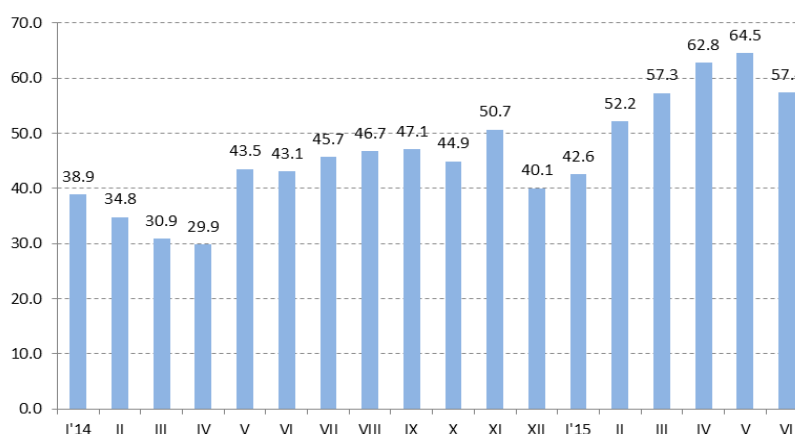
\* figures include sale, redemptions and interest payments on wholesale bonds; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



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

funds to finance borrowing needs, PLN bn

The funds ensure liquidity in borrowing needs financing.



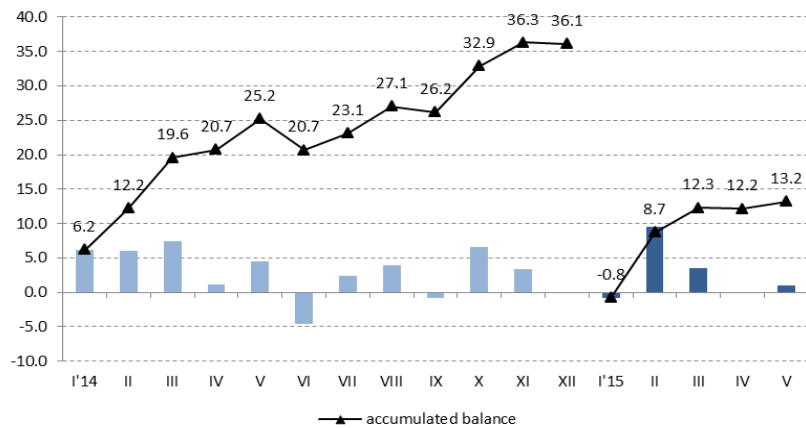


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### Change of debt in domestic Treasury securities held by banks

without buy-sell-back transactions with MoF, PLN bn

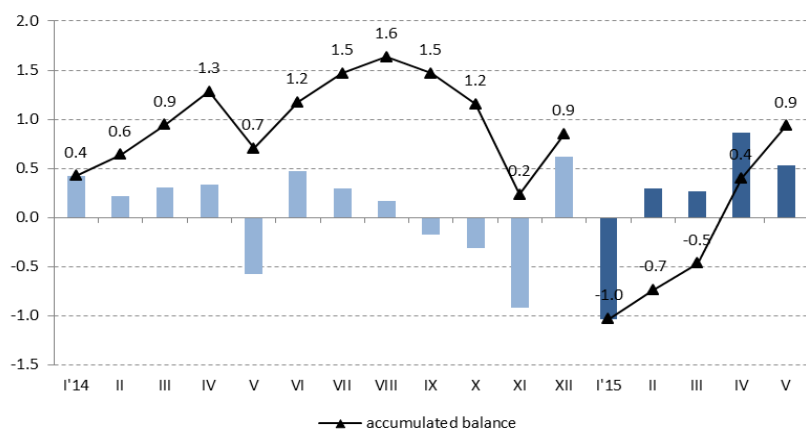
In the period of I - V 2015 debt held by domestic banks increased by PLN 13.2bn comparing to PLN 25.2bn increase during the same period of 2014.



#### Change of debt in domestic Treasury securities held by insurance companies

PLN bn

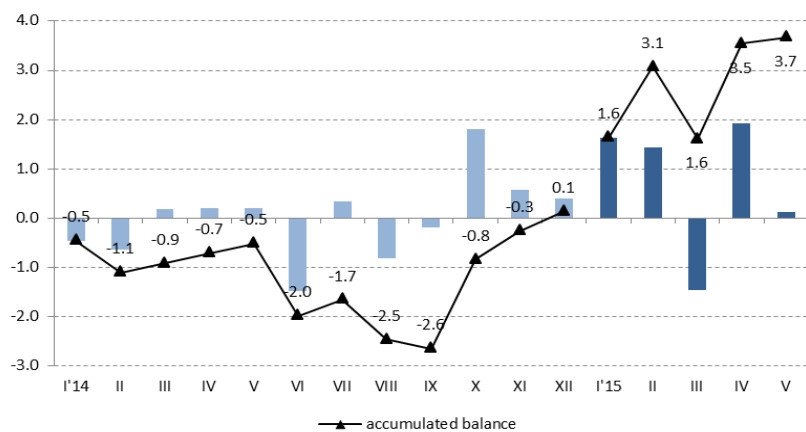
In the period of I - V 2015 there was an increase of PLN 0.9bn in debt held by insurance companies. During the same period of 2014 there was an increase of PLN 0.7bn.



#### Change of debt in domestic Treasury securities held by investment funds

PLN bn

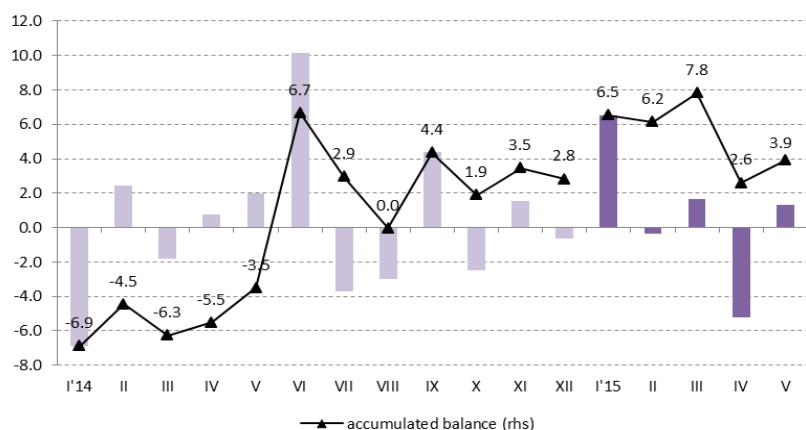
In the period of I - V 2015 there was an increase of PLN 3.7bn in debt held by investment funds. During the same period of 2014 there was a decrease of PLN 0.5bn.



#### Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In the period of I - V 2015 inflow of foreign capital to the domestic TS market amounted to PLN 3.9bn comparing to outflow of PLN 3.5bn in the same period of 2014. Foreign investors' holdings reached the level of PLN of 199.9bn.



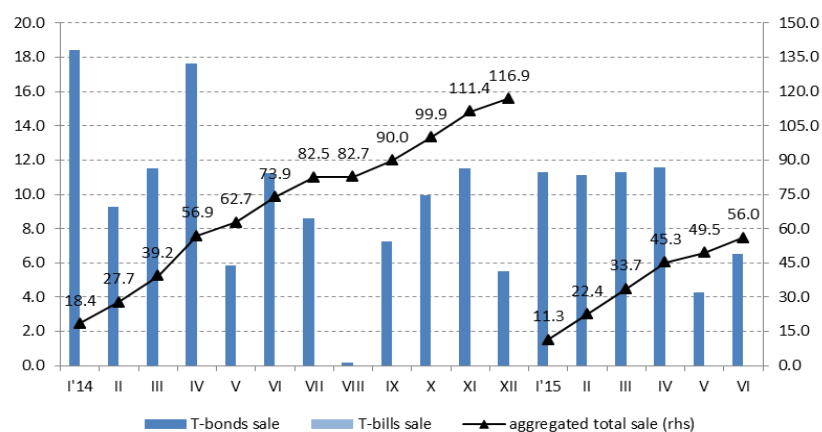
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Sale of T-bonds and T-bills in the period of I - VI 2015 and in 2014

settlement date, nominal amount, PLN bn

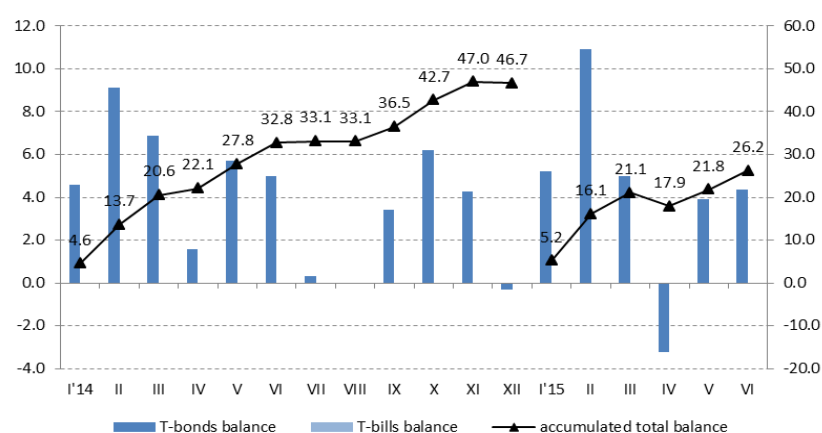
Since April 2013 T-bills have not been offered.



#### Balance of T-bonds and T-bills in the period of I - VI 2015 and in 2014

settlement date, nominal amount, PLN bn

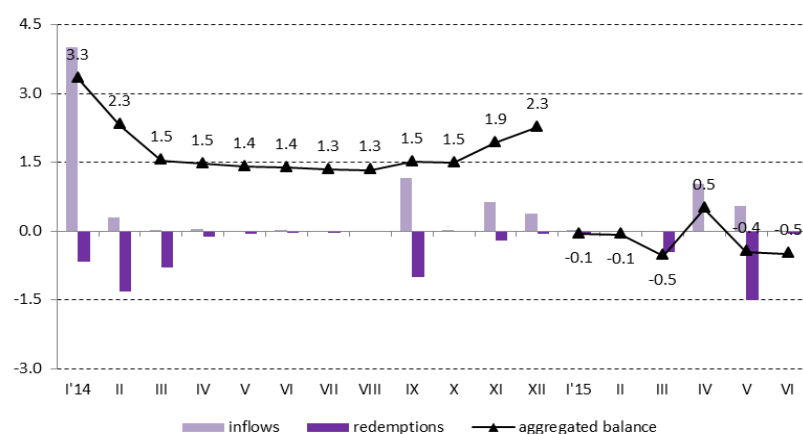
In the period of I - VI 2015 indebtedness in T-bonds increased by PLN 26.2bn.



#### External financing in the period of I - VI 2015 and in 2014

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

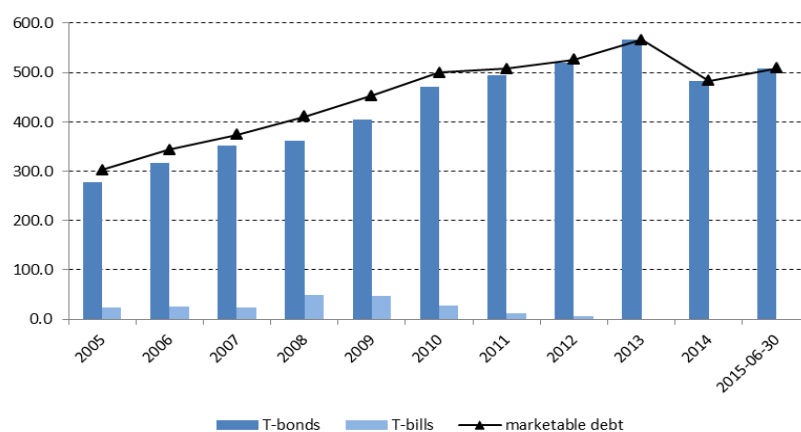
Net financing on foreign markets in the period of I - VI 2015 was negative and amounted to EUR 0.5bn. T-bonds issuance was EUR 1.5bn. Loans incurred from IFIs were at the level of EUR 0.1bn. Apart from those, EUR 6.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2014.



#### Structure of marketable debt

PLN bn

At the end of June 2015 the marketable domestic debt amounted to PLN 508.9bn comparing to PLN 482.9bn at the end of 2014.



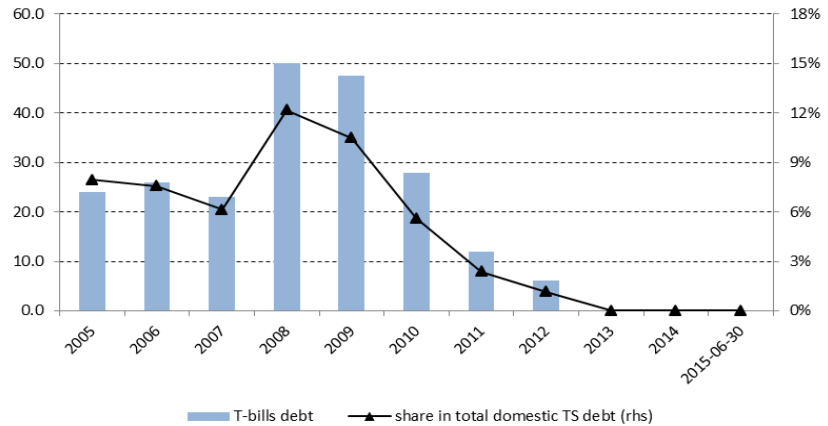


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

#### T-bills outstanding

PLN bn

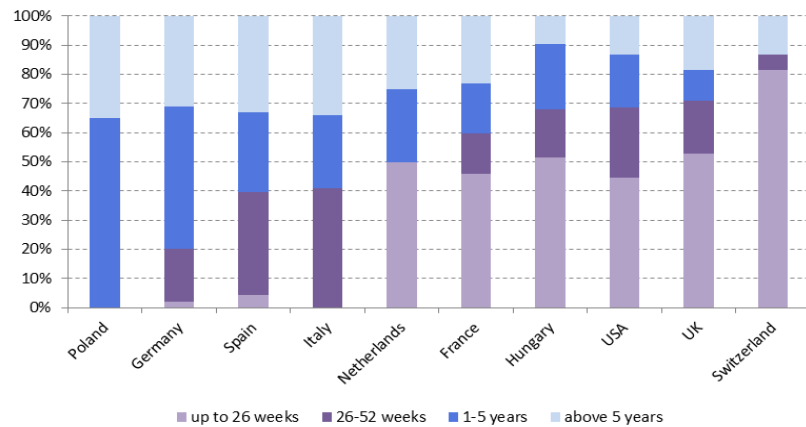
Since August 2013 there has been no T-bills outstanding.



#### Maturity breakdown of T-securities in Poland and other countries

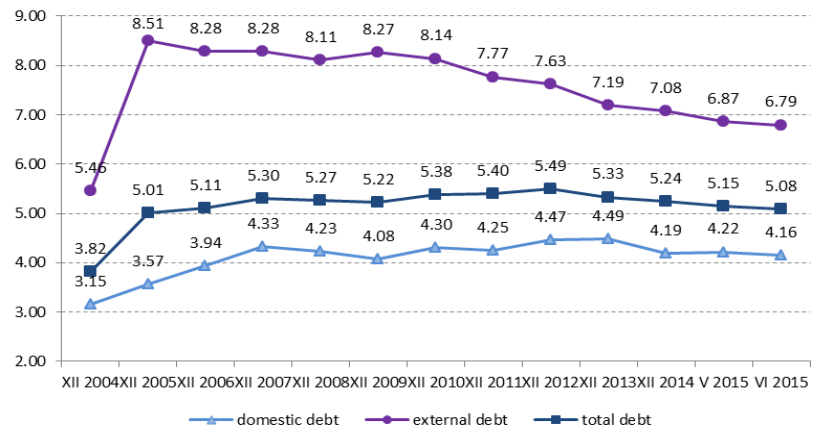
auctions and syndicates, local currency, ytd in the period of January 1 - June 30, 2015

In Poland only Treasury securities with maturity over 1 year have been offered in 2015.



#### Average maturity

At the end of June 2015 the average maturity of domestic debt decreased to 4.16 in comparison with the end-2014 figure (4.19).

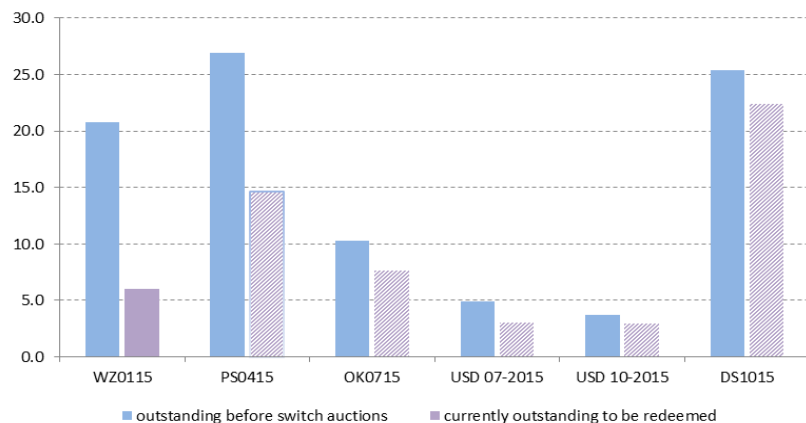


#### Reducing refinancing risk connected with T-bonds' redemptions maturing in 2015

nominal amount, as of June 30, 2015, PLN bn

Buy-back of T-bonds maturing in 2015 (by switch or cash settlement):

- WZ0115: PLN 14.7bn (71%),
- PS0415: PLN 12.2bn (45%),
- OK0715: PLN 2.6bn (26%),
- USD 07-2015: PLN 1.9bn (USD 0.6bn) (36%).
- USD 10-2015: PLN 0.8bn (USD 0.2bn) (21%),
- DS1015: PLN 2.9bn (12%).





### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

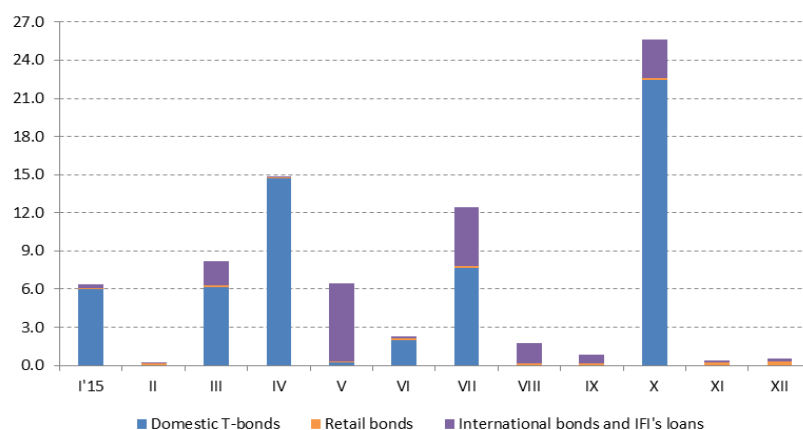


#### State Treasury debt redemptions in 2015

nominal amount, as of June 30, 2015;  
PLN bn

The nominal amount of debt to be redeemed in 2015 is equal to PLN 41.7bn, including:

- T-bonds: PLN 30.1bn,
- T-retail bonds: PLN 1.3bn,
- bonds and loans incurred on foreign markets: PLN 10.3bn.

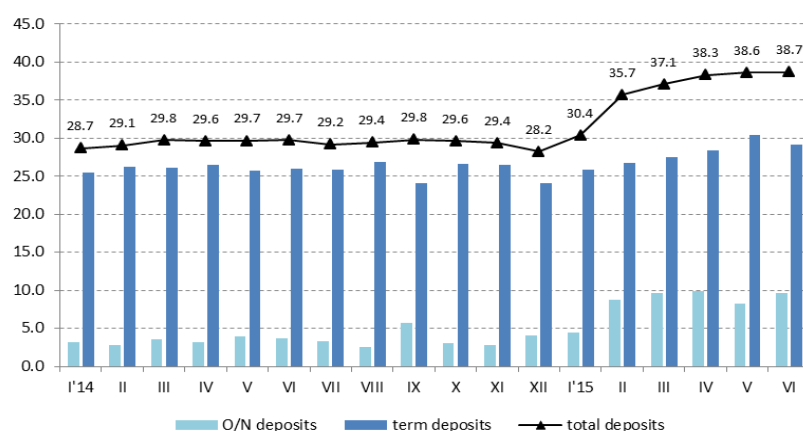


#### Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 38.7bn funds accumulated at the end of June, of which PLN 29.1bn was as term deposits and PLN 9.6bn on O/N deposits.

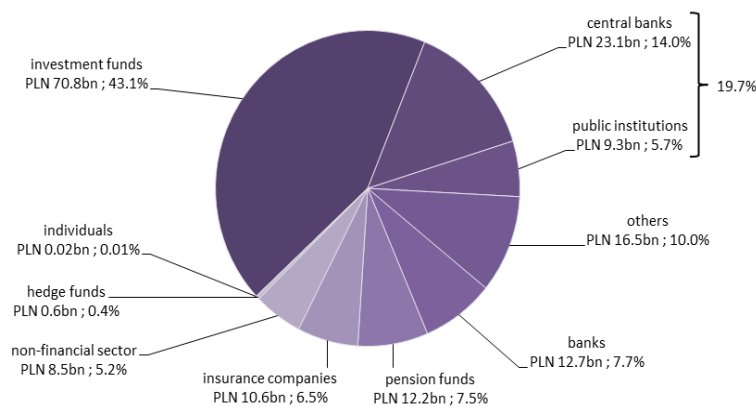
In the period of January - February 2015 the second stage of the consolidation took place (the number of public finance units was increased and court deposits were also included in the consolidation).



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

as of May 31, 2015, the chart presents data excluding omnibus accounts

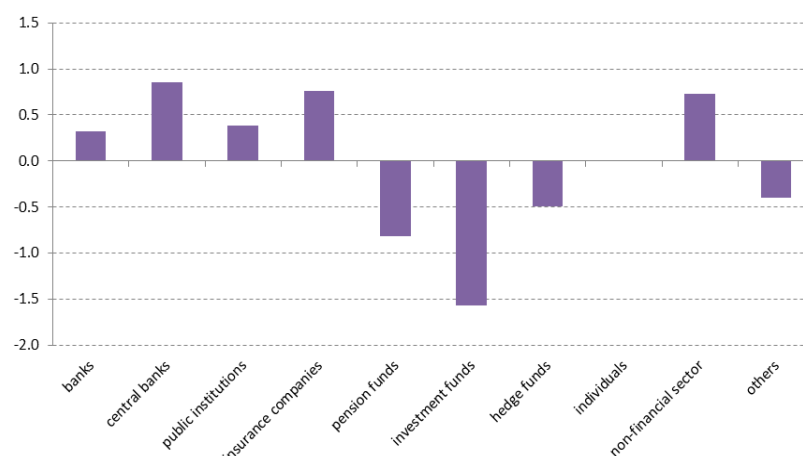
The share of non-residents in the domestic Treasury securities market increased (PLN 1.3bn) and amounted to PLN 199.9bn which constituted 39.6% share in total debt in marketable T-bonds. The majority was dominated by stable, long-term non-banking investors. As of the end of May, central banks and public institutions' share in holdings increased again and amounted to 19.7%.



#### Change of debt in domestic Treasury securities held by non-residents by institutional distribution

as of May 31, 2015

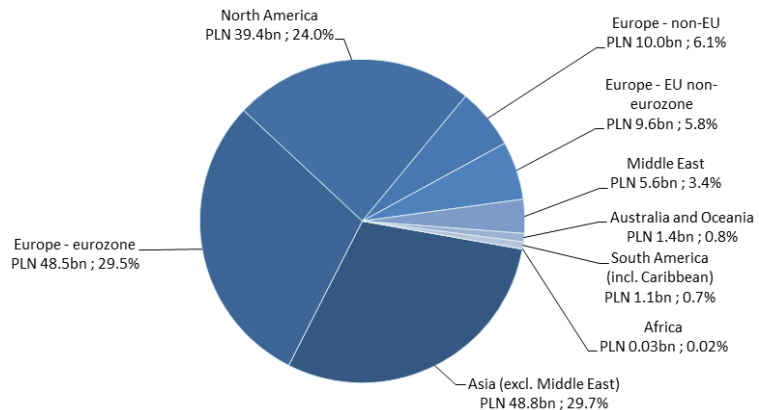
In May 2015 the highest increase in T-securities portfolio was noted by central banks and public institutions (PLN 1.2bn), insurance companies (PLN 0.8bn), as well as non-financial sector (PLN 0.7bn). The lowest, on the other hand, was recorded by investment funds (PLN -1.6bn) and pension funds (PLN -0.8bn).



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

as of May 31, 2015, excluding omnibus accounts

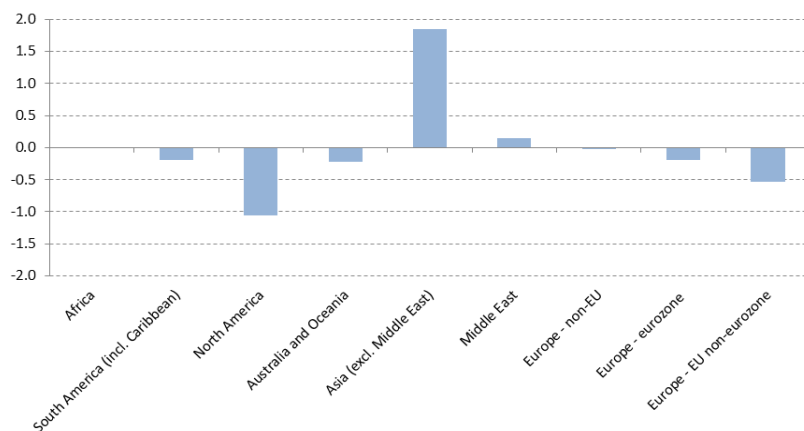
Geographical structure of domestic T-bonds held by non-residents, as well as institutional distribution, is well-diversified.



#### Change of debt in domestic Treasury securities held by non-residents by geographical distribution

as of May 31, 2015, PLN bn

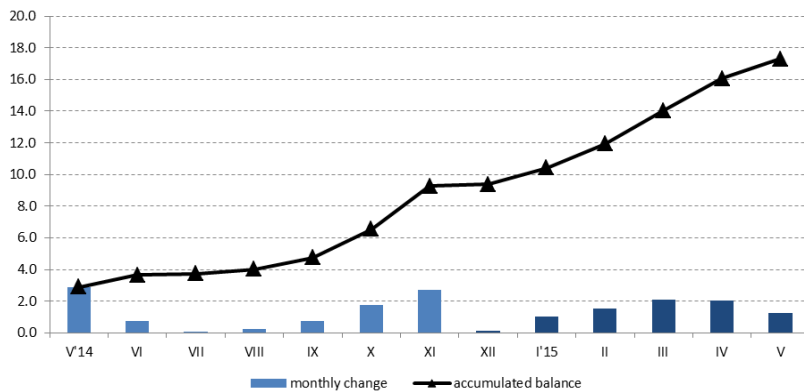
In May 2015 the most significant increase in holdings was recorded by entities from Asia excluding Middle East (PLN 1.8bn). The highest decreases occurred in the North America (PLN -1.1bn) and the Europe - EU non-eurozone investors' portfolios (PLN -0.5bn).



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

as of May 31, 2015, PLN bn

Involvement of central banks and public institutions in the Polish debt market in the period of April 2014 to the end of May 2015, when the detailed information is available, increased by PLN 17.3bn. In May the increase amounted to PLN 1.2bn.



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

as of May 31, 2015, excluding omnibus accounts and central banks, countries with more than 1% share

Countries	Outstanding in nominal	Share in non-residents
United States	38,202.7	27.05%
Luxembourg	26,436.2	18.72%
Japan	18,740.9	13.27%
Norway	8,205.9	5.81%
United Kingdom	7,739.1	5.48%
Thailand	7,186.0	5.09%
Germany	6,262.6	4.43%
Ireland	5,732.7	4.06%
Netherlands	3,319.8	2.35%
France	3,159.6	2.24%
Austria	2,266.9	1.60%
United Arab Emirates	1,961.5	1.39%
Switzerland	1,536.1	1.09%
Pozostale kraje	10,503.1	7.44%
<b>Suma</b>	<b>141,253.0</b>	<b>100.00%</b>

#### MoF comments

**Mateusz Szczurek, Minister of Finance**

Statement for the Polish Press Agency

22-06-2015

*It should be stressed that Polish economy itself, by its growth structure, growth level and by the fact that today is less dependent on continuous inflow of foreign capital, is much more stable and resilient to distortions relating to e.g. deepening of Greek crisis.*

*Secondly, the Ministry of Finance has financed 70% of 2015 borrowing requirements, we have PLN 60bn cash buffer in case of difficulties with financing the deficit. PLN 46bn of available cash reserves is denominated in foreign currencies which means that in case of significant weakening pressure, speculative FX movements both the Ministry of Finance through these funds and the National Bank of Poland as usual through FX reserves can stabilize currency situation on the market.*

*It is worth to add a state or a strength of a Polish banking sector.*

**Piotr Marczak, Director of the Public Debt Department, MoF**

30-06-2015

*Uncertainty prevails among investors over the impact of a situation in Greece on debt and FX markets. On the Polish market, bonds yield increases and weakening of Polish zloty in the last two days were taking place at a very low turnover. Fundamentally, there is no reason to assume that the Greek crisis will significantly influence the Polish financial market in the longer run. In this situation we decided to execute issuance calendar on holiday months with limited supply. This approach is possible because we have financed 73% of this year's borrowing requirements and have approximately PLN 58bn of domestic and foreign currencies reserves at the end of June.*

*In the second decade of June we repaid ahead of schedule half of our liabilities relating to deferred payments of financing F-16 fighters' purchase worth USD 0.92bn. Early repayment resulted from significant level of budget liquidity reserves and foreign currency risk management.*

*We will redeem bonds issued on the US-dollar market maturing in July with a nominal amount of USD 0.95bn using available USD funds exchanged from EUR in previous year.*

*At the first auction of July we offer floating rate bonds with a supply of PLN 1 –2bn. At the second auction which will be settled at the day of PLN 10.9bn principal and interest payments of bonds we will offer securities worth PLN 2-6bn in the structure corresponding to interest raised by investors without bonds offered at the first auction.*

*According to the calendar in August we plan one bonds auction with a limited supply of PLN 4bn. September's supply will depend on current market situation.*

*Visible yields increase in the domestic market and a weakening of Polish zloty make issues on foreign markets more attractive. We look at the different proposals without defining any time or market of a potential bonds issue.*

*In May foreign investors increased their portfolios of PLN denominated bonds by PLN 1.3bn. Once again holdings of central banks and public institutions increased significantly by PLN 1.2bn, mainly from Asia (PLN 1.0bn) and Middle East (PLN 0.2bn).*

*In June the increase of foreign investors' involvement on Polish debt market was one of the highest in the last twelve months.*

#### Rating agency comment

**S&P**

01-07-2015

*We don't expect [Greek debt crisis has] an immediate impact on Poland. In the long run the situation depends on how Greece will impact the euro zone in general.*

*Trade links between Poland and Greece aren't large, neither is Polish banks' exposure.*



## IV. PLAN OF FINANCING THE STATE BUDGET BORROWING REQUIREMENTS IN JULY AND AUGUST 2015

Because of the significant uncertainty on financial markets due to situation in Greece, the Ministry of Finance has decided to present a framework plan of Treasury Securities issuance for the two following months i.e. July and August 2015. This plan combines the traditional monthly plan of supply of Treasury Securities and quarterly plan of financing the state budget borrowing requirements.

### Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
9 JULY 2015	13 JULY 2015	WZ0120 / WZ0124	1,000-2,000
23 JULY 2015	27 JULY 2015	Choice will depend on the market conditions, excluding bonds offered at the first auction	2,000-6,000
6 AUGUST 2015	10 AUGUST 2015	Choice will depend on the market conditions	1,000-4,000

*The final offer and the supply will be announced 2 days before the auction and will result from the market situation and consultations with investors.*

*The Minister of Finance is entitled to organize non-competitive auctions where bonds will be sold at a minimum clean price.*

*The announced plan may be modified depending on the market situation.*

### Foreign financing

- Possible issuance of bonds on the international markets (depending on the market situation),
- Possibility of additional financing by bonds' issuance in the private placement system.

### Offer on retail market

T-bond	Issue price	Coupon
DOS0717	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ0718	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.10% in the first coupon period
COI0719	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO0725	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period