Ministry of Finance | Republic of Poland

Public Debt Department

State budget borrowing requirements' financing plan and its background

December 2015

THE MOST IMPORTANT INFORMATION

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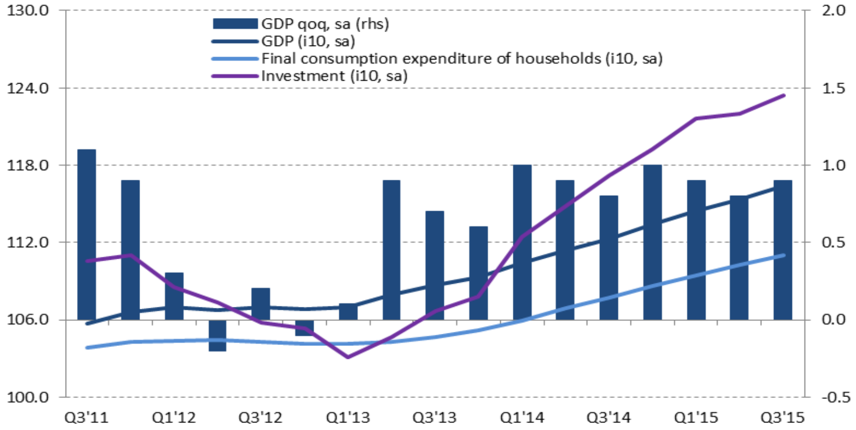
Gross domestic product of Poland

constant prices, yoy

A steady recovery started in the second quarter of 2013. In the third quarter of 2015 Polish economy continued its upward trend: GDP increased by 0.9% (qoq, sa), following an increase of 0.8% in the second quarter of 2015.

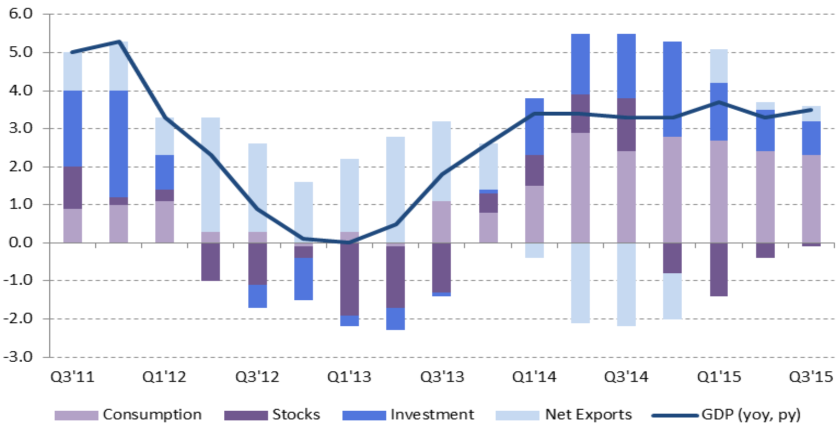


Contributions to Poland's GDP growth

percentage points

source: GUS, MoF own calculation

In the third quarter of 2015 GDP was 3.5% higher than a year ago. Domestic demand was the main source of GDP growth mainly due to private consumption and, to a lesser extent, investments. However the pace of investments growth (in yoy terms) was considerably lower than in the first half of 2015. The net exports contribution was also positive. Only inventories had negative contribution to GDP growth in the third quarter of 2015, however its magnitude was smaller than in the previous two quarters.

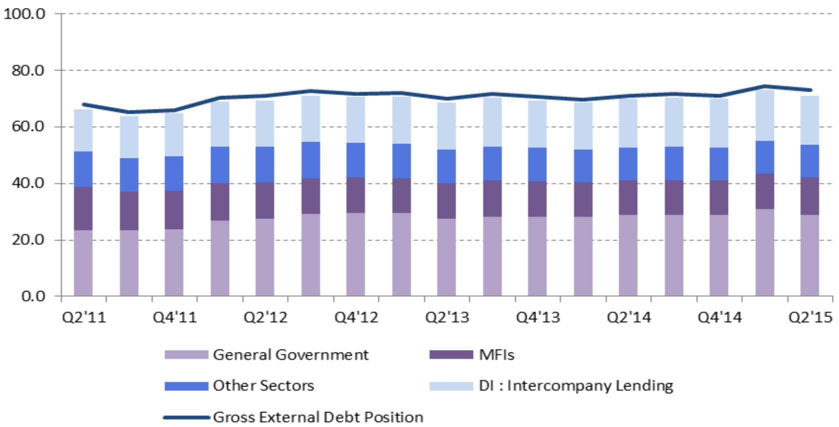


Poland's gross external debt position

percent of GDP

source: NBP, GUS, MoF own calculation

Gross external debt reached EUR 306.6bn (73.1% of GDP) at the end of the second quarter of 2015 and was EUR 1.3bn lower than in the previous quarter. The share of the general government sector debt in total debt decreased to 39.5%. Official reserve assets reached EUR 90.4bn at the end of September 2015 and remained broadly adequate, covering over 5 months of imports.

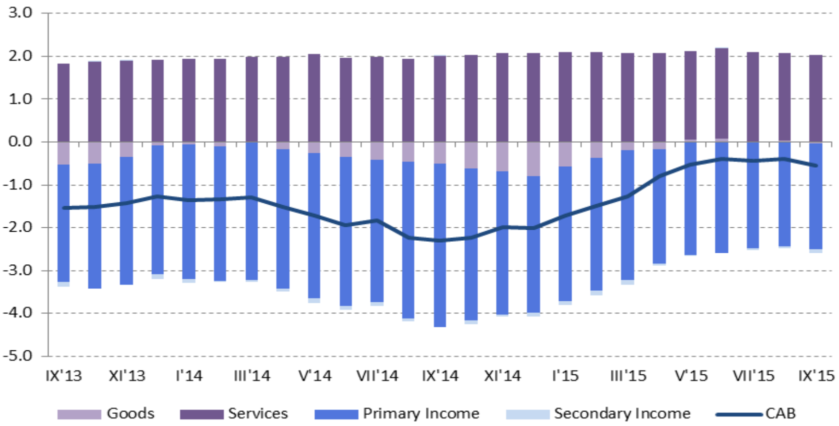


Current account balance

percent of GDP, in 12-month terms

source: NBP, GUS, MoF own calculation

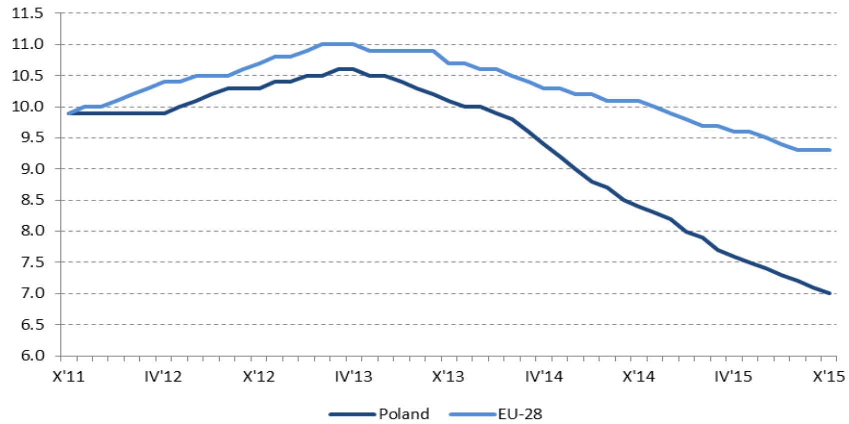
In September 2015, according to the preliminary data, C/A deficit increased to 0.6% of GDP (in 12-month terms of GDP) from 0.4% of GDP in the previous month. C/A deficit was with a wide margin covered by long term capital (mainly EU structural funds inflow).



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

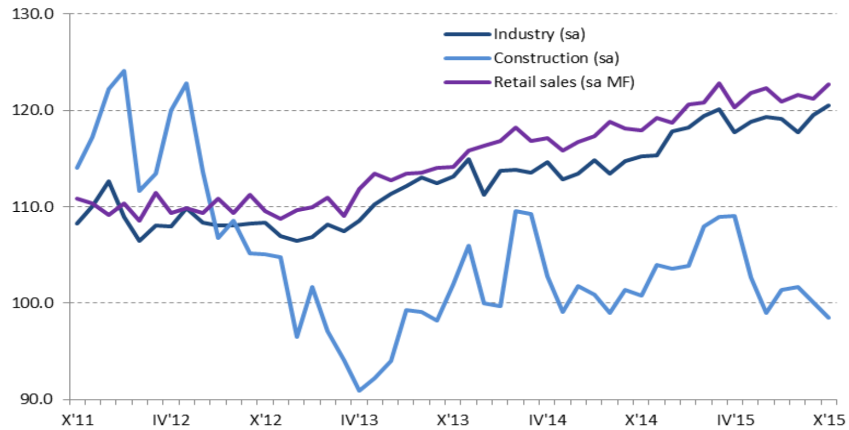
Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In October 2015 it amounted to 7.0% (versus 9.3% in EU on average) and it was 0.1 pp lower than in previous month and 1.4 pp lower than a year before.



Monthly indicators of the real sector

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

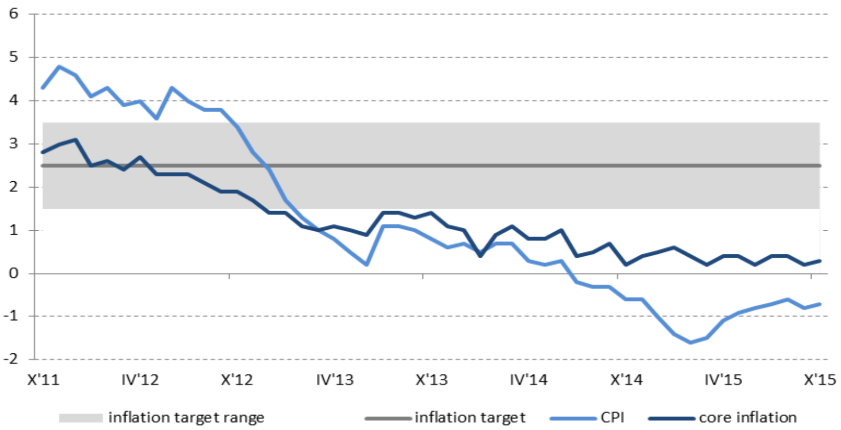
In October 2015, after a rebound in the previous months, industrial output increased by 0.8% (mom, sa). As a result, production was 2.4% higher than a year ago (nsa).
In October 2015 construction production went down by 1.6% (mom, sa) following a similar decrease in the previous month. As a result, its level was 5.2% (nsa) lower than a year before.
In October 2015 real retail sales increased by 1.2% (mom, sa MoF) following a slight decline in the previous month. As a result, its level was 3.6% (nsa) higher than in the same month of 2014.



Inflation

percent, yoy
source: GUS, NBP

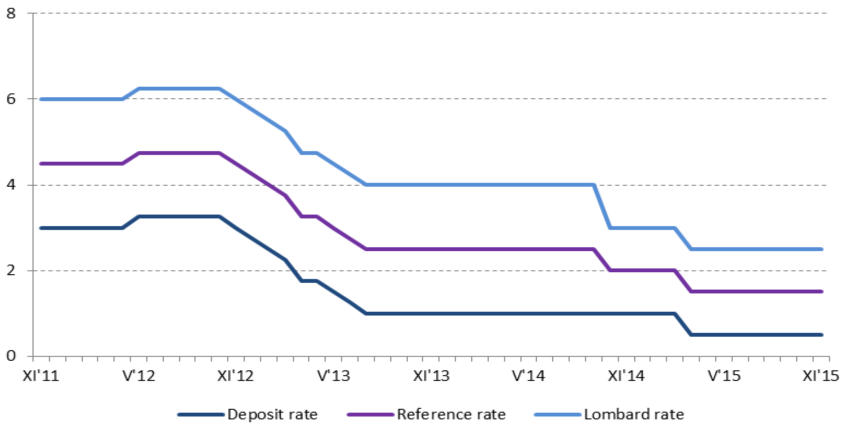
Since July 2014 consumer prices have been lower than a year before mainly because of a drop of commodity prices (energy and food). In October 2015 consumer price drop achieved 0.7% (yoy).
Core inflation (CPI excluding food and energy prices) is still positive and in October 2015 amounted to 0.3% (yoy).
Deflation in producer prices has been lasting for 3 years (2.3% yoy in October 2015).



NBP interest rates

percent, end of period
source: NBP

In November 2015 the Monetary Policy Council kept NBP's interest rates unchanged, with the reference rate at 1.50%. According to the latest Reuters poll (November, 27th) bank analysts forecast the key interest rates to decline by 25 bps in the first quarter of 2016 (the reference rate is expected to fall to 1.25%).



II. STATISTICAL DATA

	Unit	2014 Q02	Q03	Q04	2015 Q01	Q02	Q03
GDP							
Gross domestic product	YoY	3.4	3.3	3.3	3.7	3.3	3.5
	QoQ SA	0.9	0.8	1.0	0.9	0.8	0.9
Final consumption expenditure of the households sector	YoY	3.0	2.4	2.8	3.1	3.1	3.1
	QoQ SA	0.9	0.8	0.8	0.8	0.7	0.7
Final consumption expenditure of the general government sector	YoY	6.2	5.3	7.4	3.7	2.5	2.7
	QoQ SA	2.4	0.7	1.4	0.1	0.7	0.6
Gross fixed capital formation	YoY	9.3	9.5	9.5	11.5	6.1	4.6
	QoQ SA	2.1	2.1	1.7	2.0	0.3	1.2
Exports of goods and services	YoY	6.5	4.7	6.9	8.4	4.8	3.9
	QoQ SA	2.0	1.6	2.3	1.4	-0.2	0.7
Imports of goods and services	YoY	11.7	9.7	10.0	6.8	4.5	3.1
	QoQ SA	2.3	2.6	1.0	1.2	0.1	0.5
Gross value added	YoY	3.4	3.5	3.3	3.3	3.2	3.4
	QoQ SA	0.0	0.9	0.8	0.7	0.7	0.7
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp.	1.8	1.5	1.5	2.0	1.9	1.8
Final consumption expenditure of the general government sector	pp.	1.1	0.9	1.3	0.7	0.5	0.5
Gross fixed capital formation	pp.	1.6	1.7	2.5	1.5	1.1	0.9
Changes in inventories	pp.	1.0	1.4	-0.8	-1.4	-0.4	-0.1
Balance of trade turnover	pp.	-2.1	-2.2	-1.2	0.9	0.2	0.4
Gross value added	pp.	3.0	3.1	2.9	2.9	2.8	3.0
Taxes less subsidies	pp.	0.4	0.2	0.4	0.8	0.5	0.5
GDP structure							
Final consumption expenditure of the households sector	% of GDP	60.9	60.4	51.3	64.4	59.7	60.0
Final consumption expenditure of the general government sector	% of GDP	18.4	17.8	19.1	17.7	18.1	17.6
Gross fixed capital formation	% of GDP	17.5	18.9	27.7	13.9	18.1	19.3
Changes in inventories	% of GDP	0.7	0.6	0.5	-0.7	0.3	0.5
Exports of goods and services	% of GDP	48.1	48.3	44.8	51.6	49.7	49.1
Imports of goods and services	% of GDP	46.6	46.9	44.0	47.7	46.8	47.4

	Unit	2015 M05	M06	M07	M08	M09	M10
Balance of payments							
Goods: exports (EUR)	YoY	7.8	10.4	3.5	8.7	4.1	-
Goods: exports (EUR)	YoY	0.3	9.2	5.8	7.5	5.8	-
Current account balance[1)]	% of GDP	-0.5	-0.4	-0.4	-0.4	-0.6	-
Balance on goods[1)]	% of GDP	0.1	0.1	0.0	0.0	0.0	-
Official Reserve Assets	EUR mln	93 875.4	93 395.0	90 207.7	88 100.7	90 381.2	91 557.1
Inflation							
Consumer Price Index (CPI)	YoY	-0.9	-0.8	-0.7	-0.6	-0.8	-0.7
Core inflation (CPI excluding food and energy prices)	YoY	0.4	0.2	0.4	0.4	0.2	0.3
Producer Price Index (PPI)	YoY	-2.1	-1.4	-1.8	-2.7	-2.8	-2.3
Production							
Sold production of industry[2)]	YoY	2.8	7.4	3.8	5.3	4.0	2.4
	MoM SA	0.9	0.4	-0.2	-1.2	1.6	0.8
Construction and assembly production[2)]	YoY	1.3	-2.5	-0.1	4.8	-2.5	-5.2
	MoM SA	-5.9	-3.6	2.4	0.3	-1.6	-1.6
Manufacturing PMI	SA	52.4	54.3	54.5	51.1	50.9	52.2
Households and labour market							
Retail sales[2)]	YoY	4.7	6.6	3.5	2.0	2.9	3.6
Average paid employment in enterprise sector	YoY	1.1	0.9	0.9	1.0	1.0	1.1
	MoM	0.0	0.0	0.1	0.1	0.1	0.3
Average monthly gross wages and salaries in enterprise sector (re	YoY	4.1	3.3	4.0	4.0	4.9	4.0
	MoM	-2.9	0.9	1.5	-1.3	1.2	1.2
Harmonised unemployment rate (Eurostat)	%, SA	7.5	7.4	7.3	7.2	7.1	7.0

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, MoF calculation based on NBP, GUS data, HSBC, Markit

	Unit jedn.	2015 M04	M05	M06	M07	M08	M09
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	802 033.1	810 231.0	817 800.7	811 439.3	819 163.1	837 652.5
Domestic debt	nominal, PLN mio	530 447.3	534 836.5	539 257.6	539 755.9	544 992.3	555 441.4
	%	66.1	66.0	65.9	66.5	66.5	66.5
Foreign debt	nominal, PLN mio	271 585.8	275 394.5	278 543.1	271 683.4	274 170.9	282 211.1
	%	33.9	34.0	34.1	33.5	33.5	33.7

	Unit jedn.	2014 Q01	Q02	Q03	Q04	2015 Q01	Q02[1)]
Public debt (domestic definition)							
Public debt (acc. to the place of issue criterion)	nominal, PLN mio	782 104.7	793 556.4	802 133.0	826 771.7	848 183.4	858 151.6
Domestic debt	nominal, PLN mio	505 904.8	518 785.8	522 068.5	534 789.6	559 197.5	564 600.0
	%	64.7	65.4	65.1	64.7	65.9	65.8
Foreign debt	nominal, PLN mio	276 199.9	274 770.5	280 064.5	291 982.1	288 985.9	293 551.6
	%	35.3	34.6	34.9	35.3	34.1	34.2
General Government debt (EU definition)							
General Government debt	nominal, PLN mio	816 891.9	827 817.4	839 564.1	867 065.9	886 454.0	895 807.9

1) preliminary data
Source: MoF

Gross borrowing requirements in 2015

State budget borrowing requirements for 2015 has been fully funded. We have started the prefinancing of next year's borrowing needs.

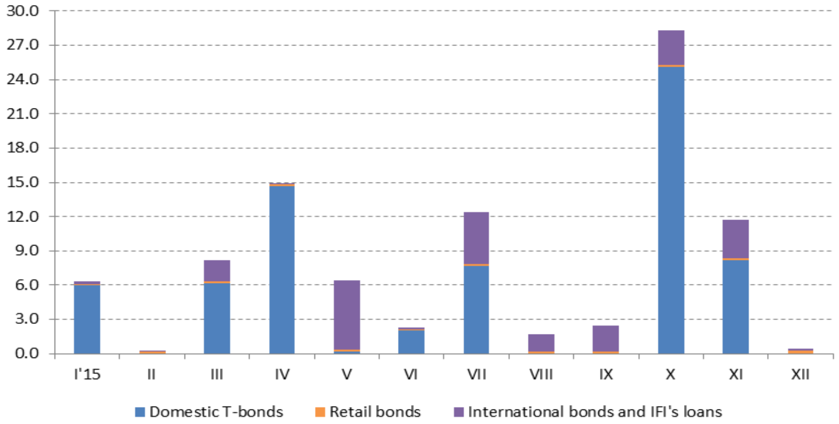
Flows of funds into the market related to T-securities transfers in December

In December there will be no funds transferred from the State budget to the market related to wholesale T-securities (neither TS redemptions nor interest payments).

State Treasury debt redemptions in 2015
nominal amount, as of November 30, 2015; PLN bn

The nominal amount of debt to be redeemed in 2015 is equal to PLN 0.7bn, including:

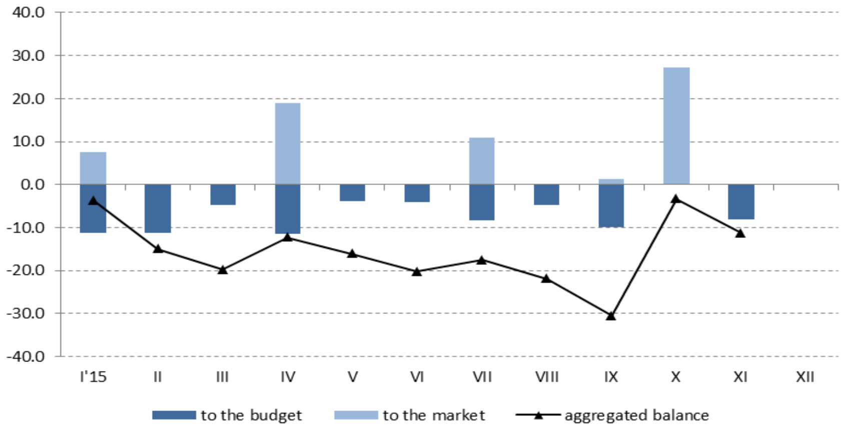
- retail T-bonds: PLN 0.3bn,
- loans incurred on foreign markets: PLN 0.4bn.



Flows of funds between the market and the budget*
as of November 30, 2015, PLN bn

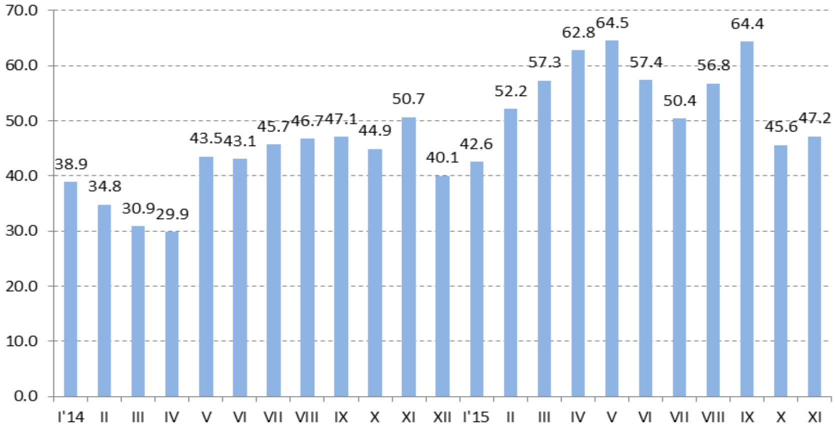
There will be no funds, linked to wholesale TS redemptions and interest payments, transferred to the market by the end of this year.

** 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.*



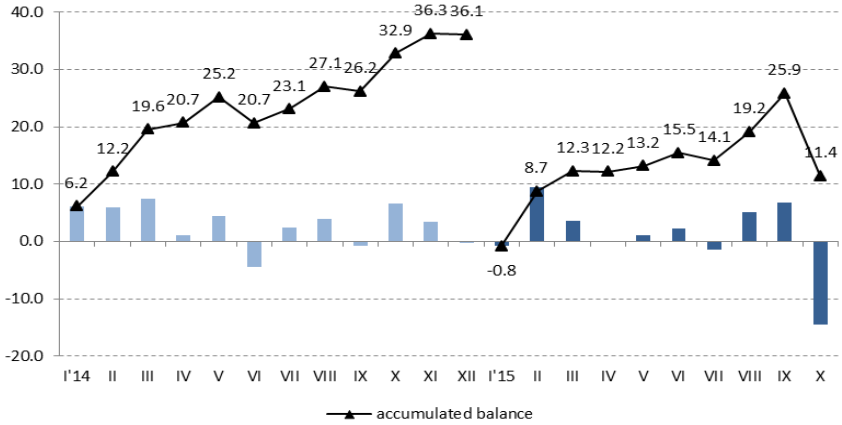
Funds in PLN and in foreign currency on budgetary accounts at the end of month
funds financing the borrowing needs, PLN bn

The funds ensure liquidity in borrowing needs financing.



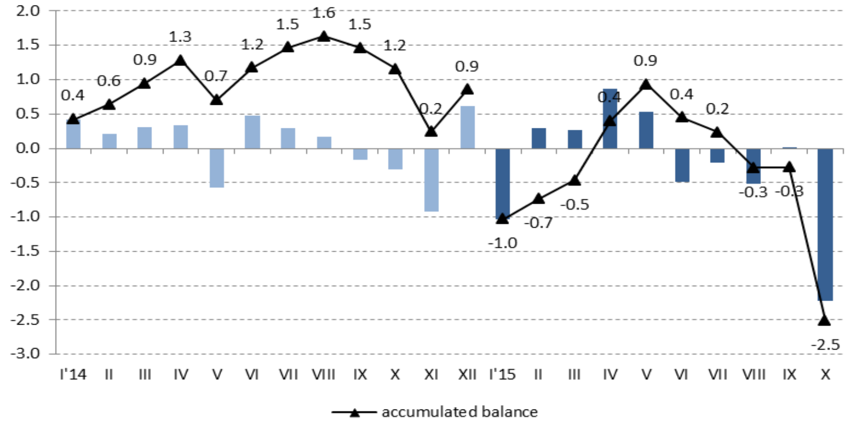
Change of debt in domestic Treasury securities held by banks
without buy-sell-back transactions with MoF, PLN bn

In the period of I-X 2015 debt held by domestic banks increased by PLN 11.4bn comparing to PLN 32.9bn increase during the same period of 2014.



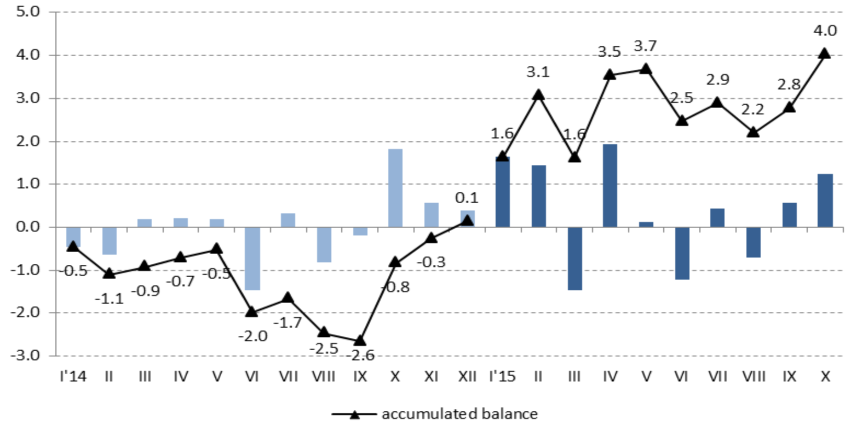
Change of debt in domestic Treasury securities held by insurance companies
PLN bn

In the period of I-X 2015 there was a decrease of PLN 2.5bn in debt held by insurance companies. During the same period of 2014 there was an increase of PLN 1.2bn.



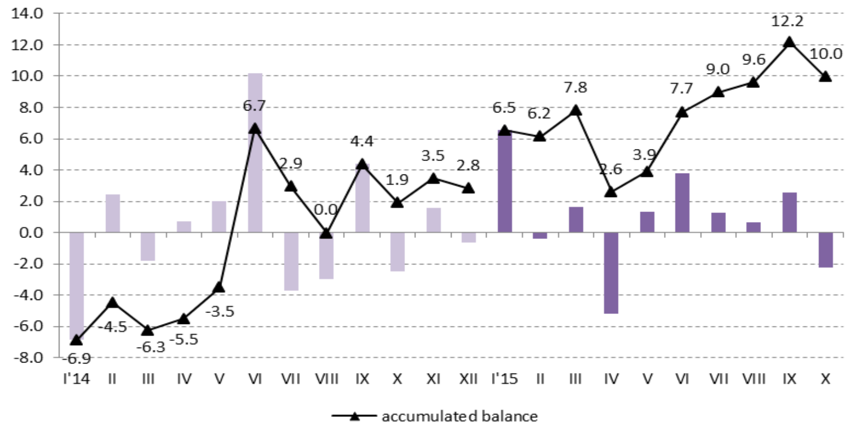
Change of debt in domestic Treasury securities held by investment funds
PLN bn

In the period of I-X 2015 there was an increase of PLN 4.0bn in debt held by investment funds. During the same period of 2014 there was a decrease of PLN 0.8bn.



Change of debt in domestic Treasury securities held by foreign investors
PLN bn

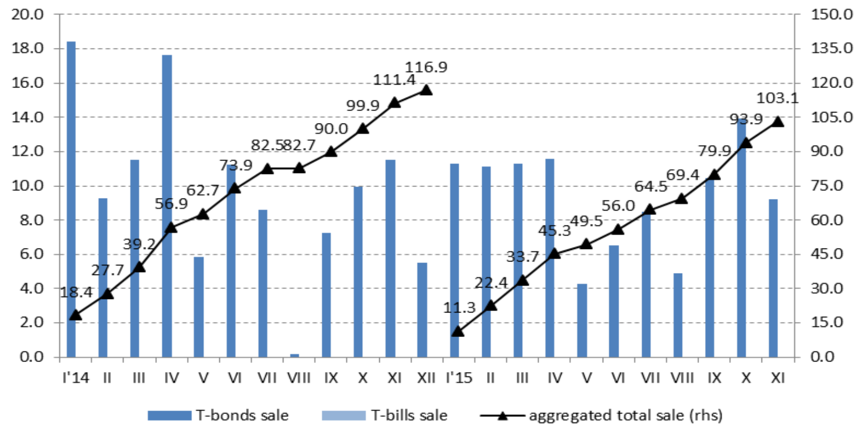
In the period of I-X 2015 inflow of foreign capital to the domestic TS market amounted to PLN 10.0bn comparing to inflow of PLN 1.9bn in the same period of 2014. Foreign investors' holdings reached the level of PLN 206.0bn.



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

settlement date, nominal amount, PLN bn

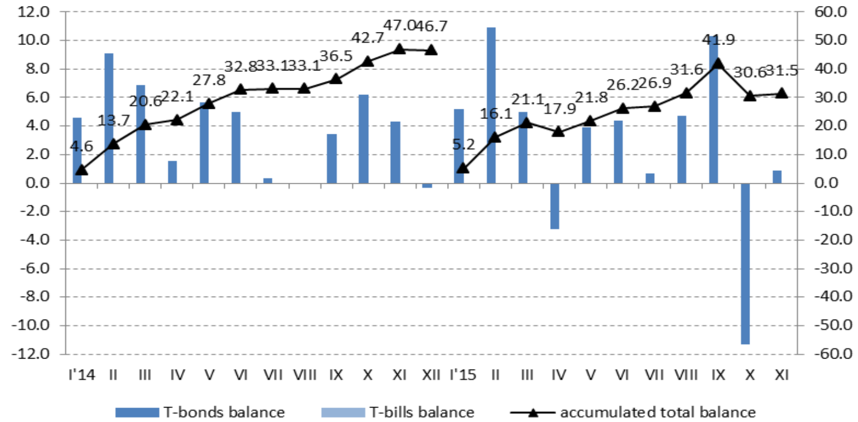
Since April 2013 T-bills have not been offered. In the period of I-XI 2015 aggregated total sale of T-bonds amounted to PLN 103.1bn versus PLN 111.4bn as compared to the corresponding period of the previous year.



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

settlement date, nominal amount, PLN bn

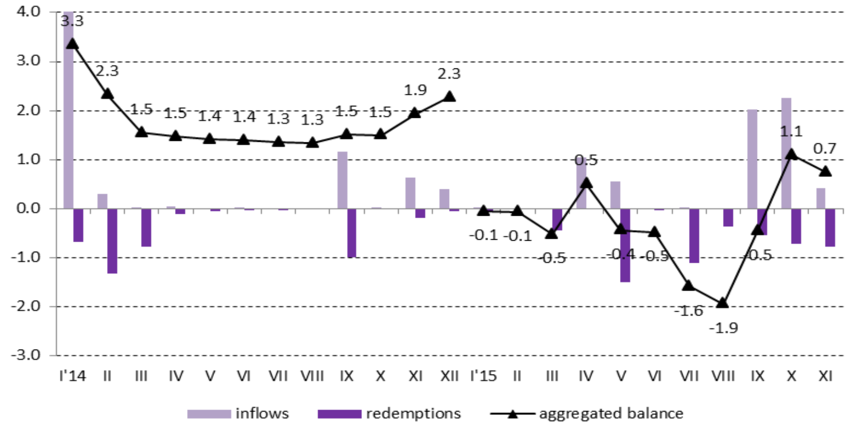
In the period of I-XI 2015 indebtedness in T-bonds increased by PLN 31.5bn.



External financing in the period of I-XI 2015 and in 2014

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

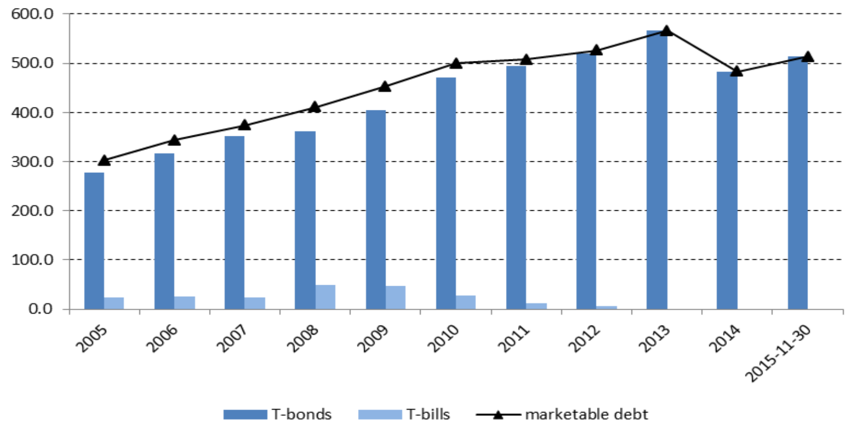
Net financing on foreign markets in the period of I-XI 2015 was negative and amounted to EUR 0.7bn. T-bonds issuance was EUR 4.3bn. Loans incurred from IFIs were at the level of EUR 2.0bn. Apart from those, EUR 6.7bn on the FX budgetary accounts was available - the money related to the foreign debt management raised and not spent in 2014.



Structure of marketable debt

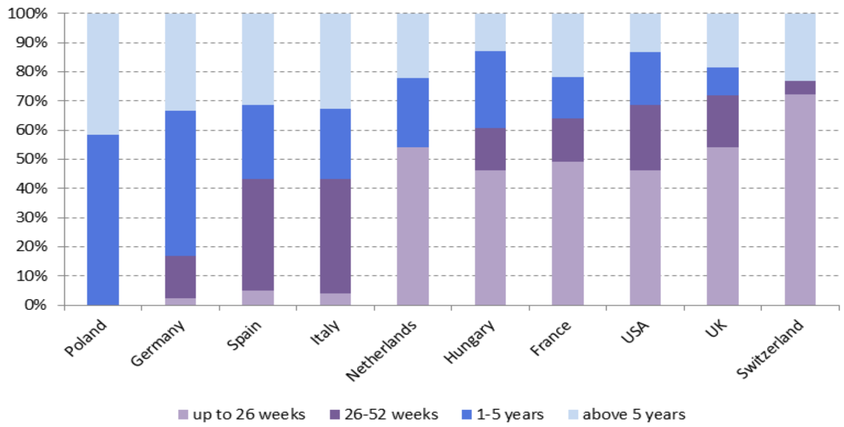
PLN bn

At the end of November 2015 the marketable domestic debt amounted to PLN 513.2bn comparing to PLN 482.9bn at the end of 2014.



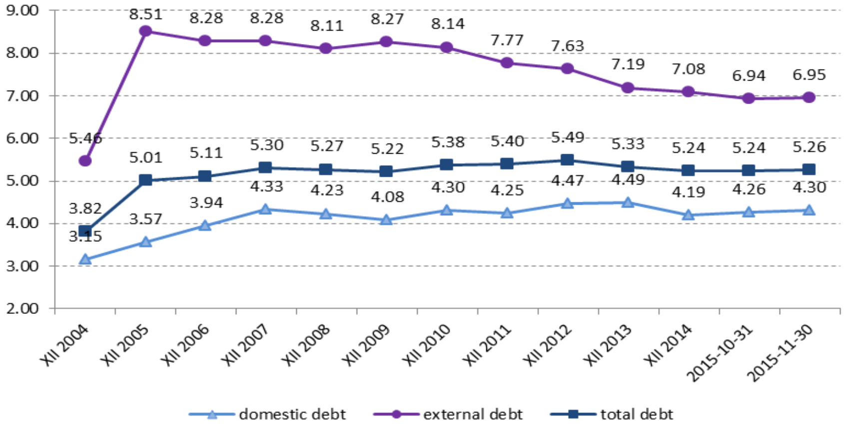
Maturity breakdown of T-securities in Poland and other countries
auctions and syndicates, local currency, ytd in the period of January 1 - November 30, 2015

The sale of TS in Poland in is dominated by securities maturing in 1 to 5 years. In 2015 there have been are no TS with a maturity date shorter than a year.



Average maturity

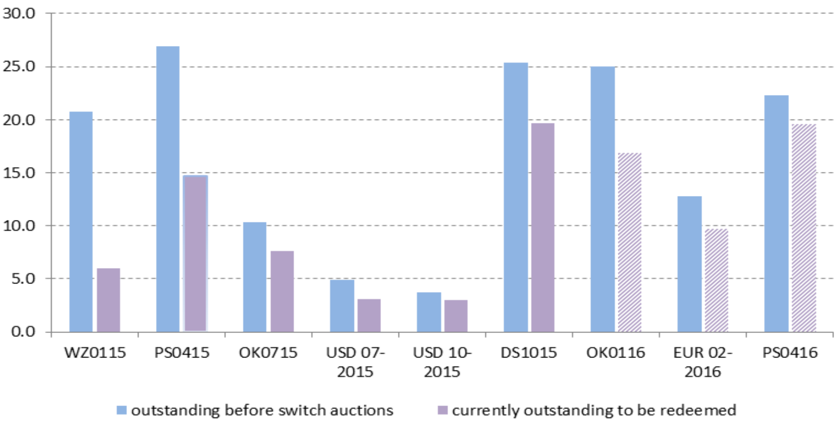
At the end of December 2015 the average maturity of domestic debt amounted to 4.30 (while at the end of 2014 it was 4.19). The average of total debt accounted to 5.26 (5.24 at the end of 2014).



Reducing refinancing risk connected with T-bonds' redemptions maturing in 2015 and 2016
nominal amount, as of November 30, 2015, PLN bn

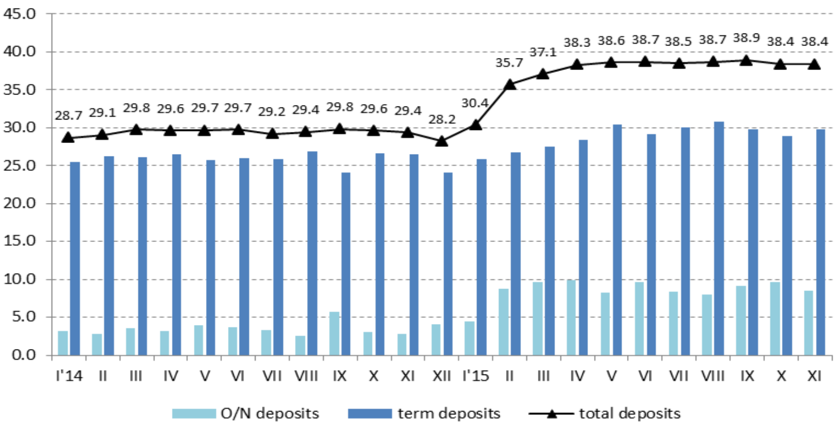
Buy-back of T-bonds maturing in 2015 (by switch or cash settlement):

- 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 5.7bn (22%),
- OK0116: PLN 8.1bn (32%),
- EUR 02-2016: PLN 3.1bn (24%),
- PS0416: PLN 2.7bn (12%).



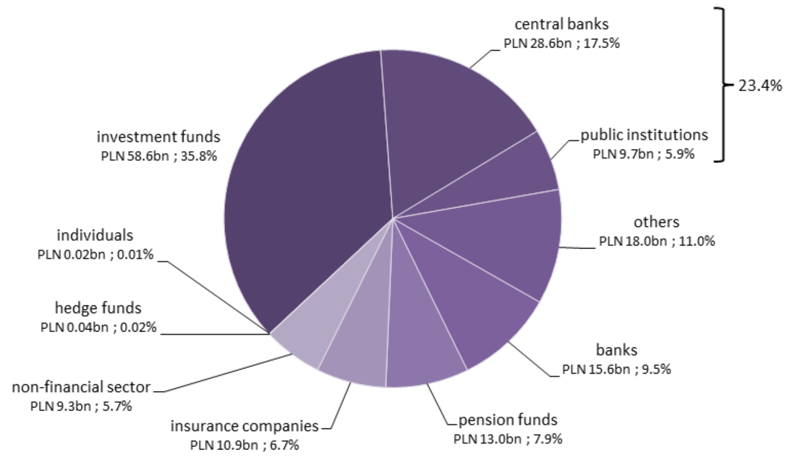
Consolidation of public finances liquidity management
PLN bn

As a result of consolidation of public finances liquidity management there were PLN 38.4bn funds accumulated at the end of November, of which PLN 29.8bn was as term deposits and PLN 8.5bn 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 included).



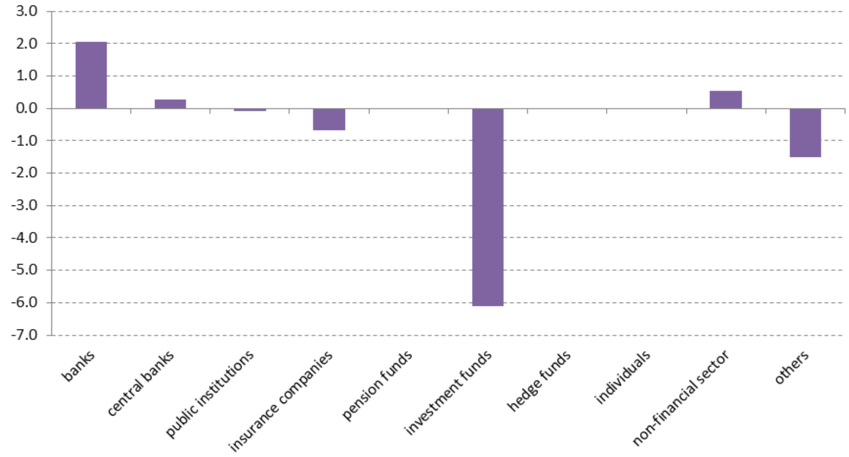
Institutional distribution of domestic Treasury securities held by non-residents
as of October 31, 2015, the chart presents data excluding omnibus accounts

In October the share of non-residents in the domestic Treasury securities market decreased by PLN 2.2bn which resulted mainly from the redemption of PLN 10bn of T-bonds maturing in October that were held by this group of investors. The foreign investors' portfolio amounted to PLN 206.0bn which constituted 40.8% share in total debt in marketable T-bonds (39.7% in the previous month). As of the end of October, central banks and public institutions' share in holdings amounted to 23.4%.



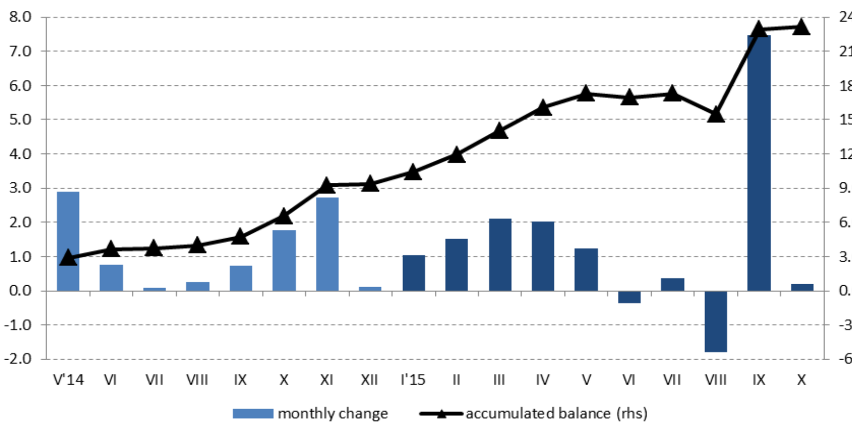
Change of debt in domestic Treasury securities held by non-residents by institutional distribution
change in October 2015, mom, PLN bn

In October 2015 the highest increase in TS portfolio was noted by banks (PLN 2.0bn). The highest decrease, on the other hand, was recorded by investment funds (PLN 6.1bn). Then, in second place, entities categorized as "others" (decrease of PLN 1.5bn).



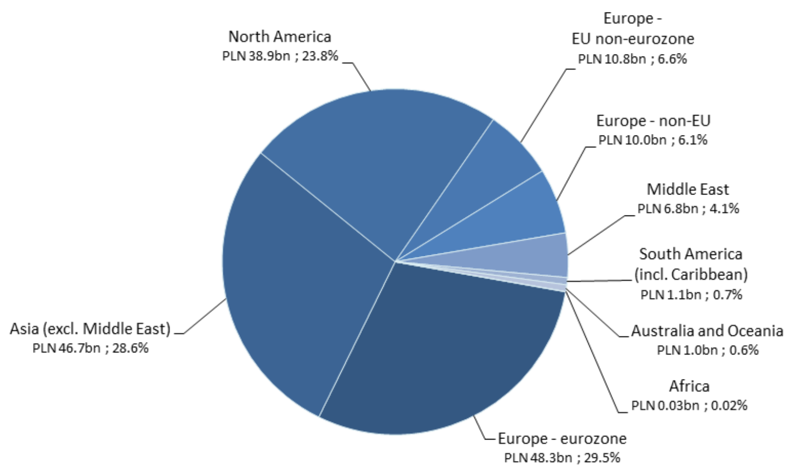
Change of debt in domestic Treasury securities held by central banks and public institutions
as of October 31, 2015, PLN bn

After a substantial change in classifying an investment fund purchasing Polish TS into a central bank resulting in an increase of central banks and public institutions' involvement in the Polish debt market by PLN 7.5bn in September 2015, there was a slight increase of PLN 0.2bn noted in October. In the period of April 2014 to the end of October 2015, when the detailed information is available, portfolios of those entities increased by PLN 23.1bn.



Geographical distribution of domestic Treasury securities held by non-residents
as of October 31, 2015, excluding omnibus accounts

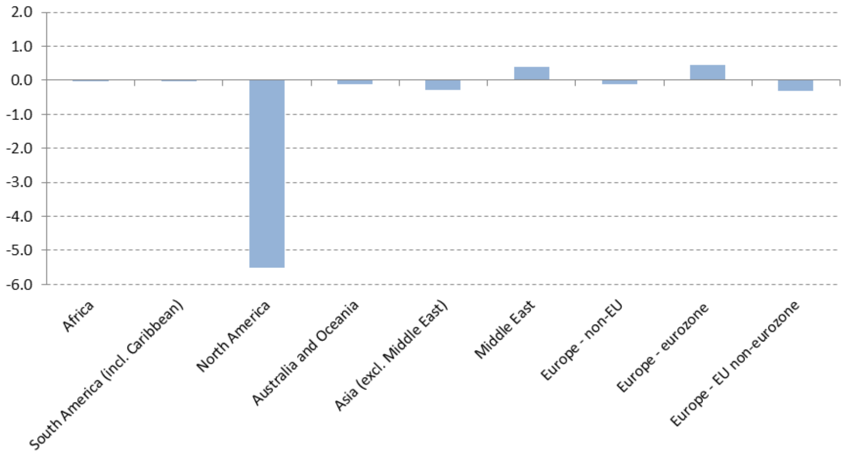
Geographical structure of domestic T-bonds held by non-residents, as well as institutional distribution, is well-diversified.



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

change in October 2015, mom, PLN bn

In October 2015 the most significant change in holdings was recorded by investors from North America whose involvement in the domestic T-securities market decreased by PLN 5.5bn.



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

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

Countries	Outstanding in nominal value (PLN mio)	Share in non-residents holdings (%)
United States	37 657.9	27.89%
Luxembourg	23 586.5	17.47%
Japan	19 135.1	14.17%
United Kingdom	8 545.6	6.33%
Norway	8 099.4	6.00%
Germany	6 982.5	5.17%
Ireland	5 908.2	4.38%
Austria	4 316.4	3.20%
Netherlands	3 580.3	2.65%
France	2 404.2	1.78%
United Arab Emirates	1 919.9	1.42%
Switzerland	1 690.3	1.25%
Others	11 196.0	8.29%
Total	**135 022.3**	**100%**

Treasury bond switching auction

Auction/ settlement date	Settlement T-bond	Source T-bond	Outstanding (PLN m)
10 DEC 2015/ 14 DEC 2015	choice will depend on the market conditions	OK0116	16,910
		PS0416	19,580
		OK0716	12,589

Offer on retail market

T-bond	Issue price	Coupon
DOS1217	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ1218	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.10% in the first coupon period
COI1219	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO1225	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period