



Ministry
of Finance

Republic
of Poland

Public Debt Department

State budget borrowing requirements' financing plan and its background

March 2016

THE MOST IMPORTANT INFORMATION

I. Current macroeconomic situation	2-3
II. Statistical data	4
III. Background of borrowing requirements' financing	5-11
• MoF comments	10-11
IV. Monthly supply plan of Treasury securities	12

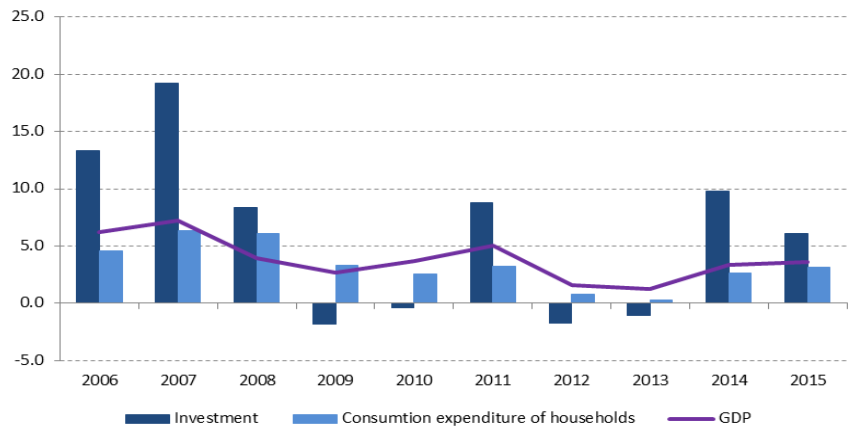


I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices, yoy
source: GUS

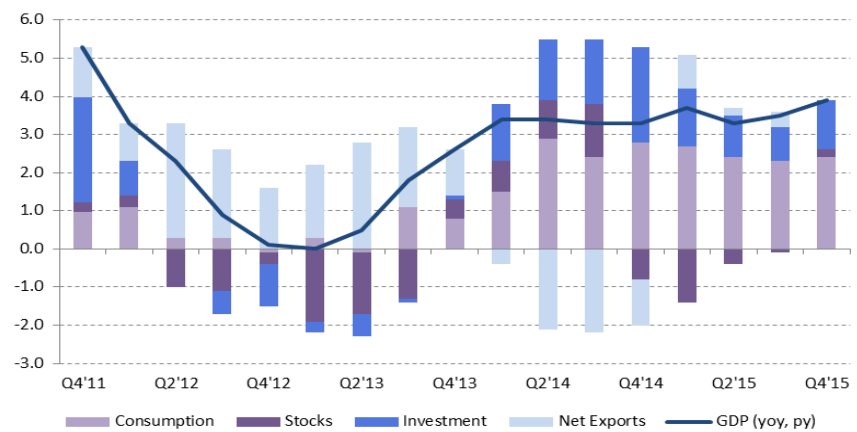
The Polish economy has continued its upward trend in 2015. Real GDP growth accelerated to 3.6%, following 3.3% growth a year earlier. The final consumption expenditure of households and gross fixed capital formation increased by 3.1% and 6.1%, respectively.



Contributions to Poland's GDP growth

percentage points
source: GUS; py - average prices of the previous year

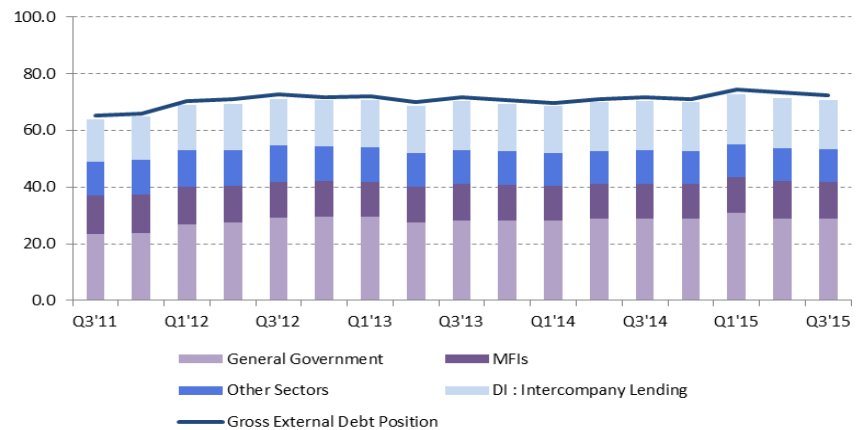
In the fourth quarter of 2015 GDP was 3.9% higher than a year ago, which was the best result in the course of the last four years. Domestic demand was the only source of GDP growth, mainly due to households consumption, investments and public consumption. The pace of investments growth (in yoy terms) was slightly higher than in the third quarter of 2015 and amounted to 4.9% and the pace of households consumption growth remain stable (3.1%). The net exports contribution was neutral with high exports and imports dynamics (in yoy terms).



Poland's gross external debt position

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

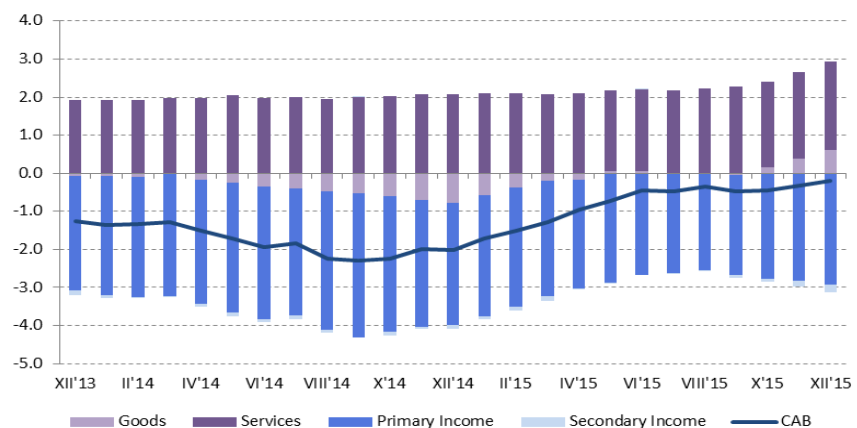
Gross external debt reached EUR 305.8bn (72.4% of GDP) at the end of the third quarter of 2015 and was EUR 2.0bn lower than in the previous quarter. The share of general government sector debt in total debt increased to 40.1%. Official reserve assets reached EUR 86.9bn at the end of December 2015 and 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

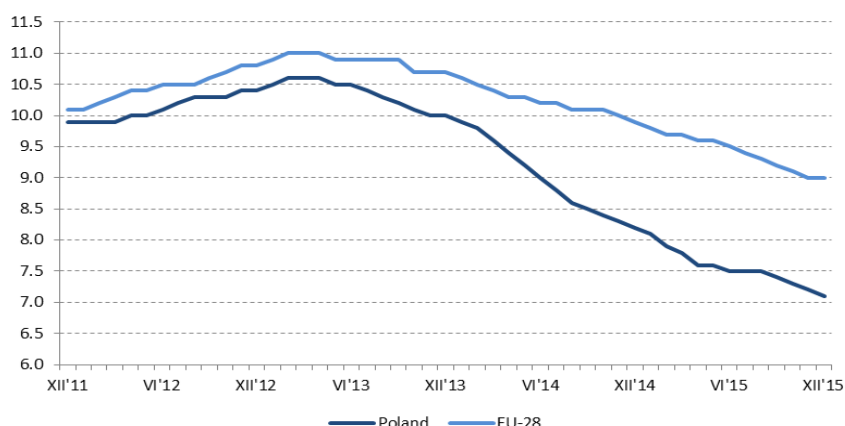
In December 2015, according to the preliminary data, C/A deficit decreased to 0.2% of GDP (in 12-month terms of GDP) as compared to 0.3% of GDP in the previous month. C/A deficit was with a wide margin covered by long term capital (mainly EU structural funds inflow).



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

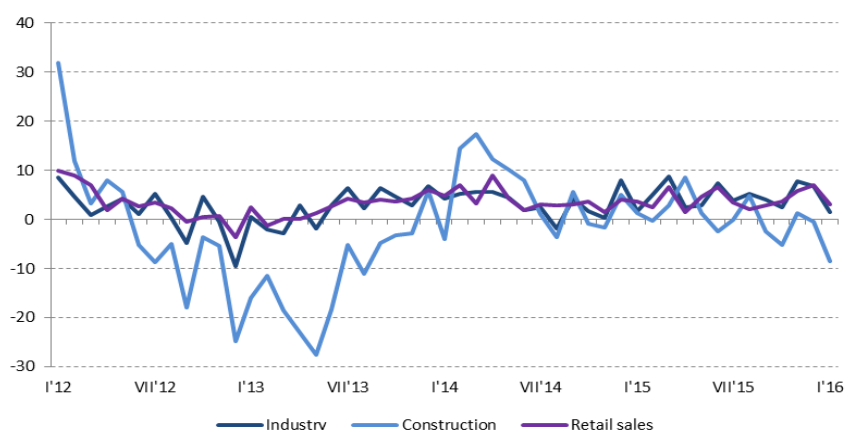
Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In December 2015 it amounted to 7.1% (versus 9.0% in EU on average) and it was 0.1 pp lower than in previous month and 1.1 pp lower than a year before. For the whole 2015 harmonised unemployment rate in Poland was 7.5% (versus 9.4% in EU on average) and it was 1.5 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

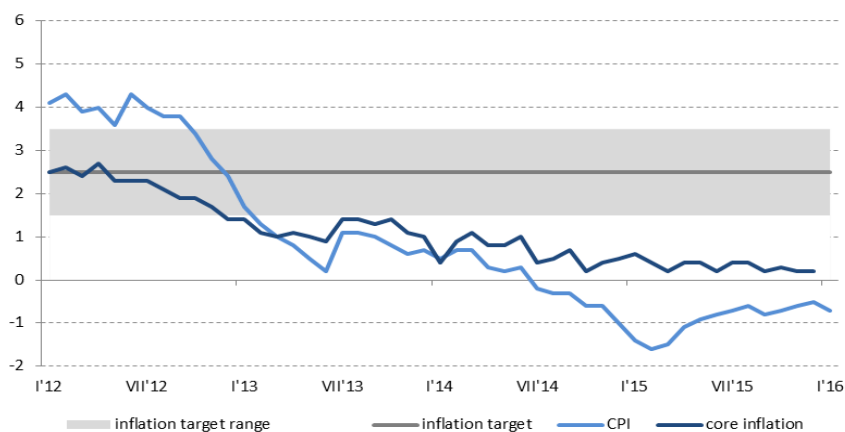
In January 2016 industrial output went down by 0.2% (mom, sa). As a result, production was 1.4% higher than a year ago (nsa). In January 2016 construction production dropped by 4.8% (mom, sa). As a result, its level was 8.6% (nsa) lower than a year before with one fewer working day. In January 2016 real retail sales increased slightly by 0.3% (mom, sa), following significant growth in the three previous months (mom, sa MoF). As a result, its level was 3.1% (nsa) higher than in the same month of 2015 with one fewer working day.



Inflation

percent, yoy
source: GUS, NBP

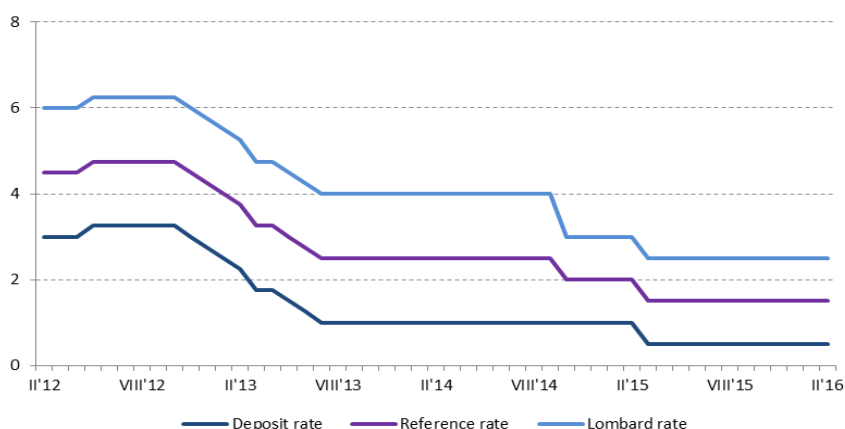
Since July 2014 consumer prices have been lower than a year before mainly because of drop of commodity prices (energy and food). In January 2016 deflation amounted to 0.7% (yoy). Core inflation (CPI excluding food and energy prices) is still positive and for almost one year it stays in the range of 0.2-0.4% (yoy). Deflation in producer prices has lasted 3 years already (1.2% yoy in January 2016).



NBP interest rates

percent, end of period
source: NBP

In February 2016 the Monetary Policy Council (MPC) left NBP's interest rates unchanged, with the reference rate at 1.50%. According to the latest Reuters' poll (January, 31) the bank analysts expect the MPC to keep interest rates unchanged in 2016.



II. STATISTICAL DATA

	Unit	2014		2015			2016
		Q03	Q04	Q01	Q02	Q03	Q04
GDP							
Gross domestic product	YoY	3.3	3.3	3.7	3.3	3.5	3.9
	QoQ SA	0.7	1.0	1.0	0.6	0.9	1.1
Final consumption expenditure of the households sector	YoY	2.4	2.8	3.1	3.1	3.1	3.1
	QoQ SA	0.8	0.9	0.8	0.7	0.6	0.5
Final consumption expenditure of the general government sector	YoY	5.3	7.4	3.7	2.5	2.7	4.8
	QoQ SA	0.8	1.1	0.5	0.9	0.8	1.3
Gross fixed capital formation	YoY	9.5	9.5	11.5	6.1	4.6	4.9
	QoQ SA	2.1	1.8	2.0	0.3	1.2	1.3
Exports of goods and services	YoY	4.7	6.9	8.4	4.8	3.9	9.1
	QoQ SA	1.9	1.1	1.9	0.5	1.6	4.3
Imports of goods and services	YoY	9.7	10.0	6.8	4.5	3.1	9.4
	QoQ SA	2.9	0.1	1.4	0.6	0.9	5.6
Gross value added	YoY	3.5	3.3	3.3	3.2	3.4	3.8
	QoQ SA	1.0	0.6	0.8	0.8	0.8	1.1
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp.	1.5	1.5	2.0	1.9	1.8	1.5
Final consumption expenditure of the general government sector	pp.	0.9	1.3	0.7	0.5	0.5	0.9
Gross fixed capital formation	pp.	1.7	2.5	1.5	1.1	0.9	1.3
Changes in inventories	pp.	1.4	-0.8	-1.4	-0.4	-0.1	0.2
Balance of trade turnover	pp.	-2.2	-1.2	0.9	0.2	0.4	0.0
Gross value added	pp.	3.1	2.9	2.9	2.8	3.0	3.3
Taxes less subsidies	pp.	0.2	0.4	0.8	0.5	0.5	0.6
GDP structure							
Final consumption expenditure of the households sector	% of GDP	60.4	51.3	64.4	59.7	60.0	49.4
Final consumption expenditure of the general government sector	% of GDP	17.8	19.1	17.7	18.1	17.6	18.8
Gross fixed capital formation	% of GDP	18.9	27.7	13.9	18.1	19.3	27.7
Changes in inventories	% of GDP	0.6	0.5	-0.7	0.3	0.5	0.6
Exports of goods and services	% of GDP	48.3	44.8	51.6	49.7	49.1	46.8
Imports of goods and services	% of GDP	46.9	44.0	47.7	46.8	47.4	44.0
Balance of payments							
	Unit	2015		2016			
		M08	M09	M10	M11	M12	M01
Goods: exports (EUR)	YoY	8.1	3.0	3.0	12.3	12.1	-
Goods: exports (EUR)	YoY	6.7	5.2	-2.9	5.3	3.8	-
Current account balance ¹⁾	% of GDP	-0.4	-0.5	-0.4	-0.3	-0.2	-
Balance on goods ¹⁾	% of GDP	0.0	-0.1	0.2	0.4	0.6	-
Official Reserve Assets	EUR mln	88 100.7	90 381.2	91 557.1	92 675.4	86 893.5	91 474.1
Inflation							
Consumer Price Index (CPI)	YoY	-0.6	-0.8	-0.7	-0.6	-0.5	-0.7
Core inflation (CPI excluding food and energy prices)	YoY	0.4	0.2	0.3	0.2	0.2	-
Producer Price Index (PPI)	YoY	-2.7	-2.8	-2.3	-1.8	-0.8	-1.2
Production							
Sold production of industry ²⁾	YoY	5.3	4.0	2.4	7.8	6.7	1.4
	MoM SA	-	-	-	-	-	-
Construction and assembly production ²⁾	YoY	4.8	-2.5	-5.2	1.2	-0.4	-8.6
	MoM SA	-	-	-	-	-	-
Manufacturing PMI	SA	51.1	50.9	52.2	52.1	52.1	50.9
Households and labour market							
Retail sales ²⁾	YoY	2.0	2.9	3.6	5.7	7.0	3.1
Average paid employment in enterprise sector	YoY	1.0	1.0	1.1	1.2	1.4	2.3
	MoM	0.1	0.1	0.3	0.2	0.2	1.4
Average monthly gross wages and salaries in enterprise sector (r€)	YoY	4.0	4.9	4.0	4.6	3.6	4.8
	MoM	-1.3	1.2	1.2	1.4	8.7	-8.8
Harmonised unemployment rate (Eurostat)	% SA	7.5	7.4	7.3	7.2	7.1	-
<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, MoF calculation based on NBP, GUS data, HSEC, Market</small>							
State Treasury debt							
	Unit	2015		2016			
		M07	M08	M09	M10	M11	M12
State Treasury debt (acc. to the place of issue criterion)	nominal, PLN mio	811 439.3	819 163.1	837 652.5	827 082.6	836 817.3	834 541.0
Domestic debt	nominal, PLN mio	539 755.9	544 992.3	555 441.4	535 234.1	544 400.1	543 259.0
	%	66.5	66.5	66.3	64.7	65.1	66.5
Foreign debt	nominal, PLN mio	271 683.4	274 170.9	282 211.1	291 848.5	292 417.2	291 282.0
	%	33.5	33.5	33.7	35.3	34.9	34.9
Public debt (domestic definition)							
	Unit	2014		2015			
		Q02	Q03	Q04	Q01	Q02	Q03 ¹⁾
Public debt (acc. to the place of issue criterion)	nominal, PLN mio	793 556.4	802 133.0	826 772.2	848 180.4	858 208.8	876 398.3
Domestic debt	nominal, PLN mio	518 785.8	522 068.5	534 790.1	559 186.6	564 626.1	579 229.1
	%	65.4	65.1	64.7	65.9	65.8	66.1
Foreign debt	nominal, PLN mio	274 770.5	280 064.5	291 982.1	288 993.8	293 582.7	297 169.2
	%	34.6	34.9	35.3	34.1	34.2	33.9
General Government debt (EU definition)							
General Government debt	nominal, PLN mio	827 817.4	839 564.1	867 066.5	886 451.0	895 874.4	915 201.4
<small>1) preliminary data Source: MoF</small>							

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

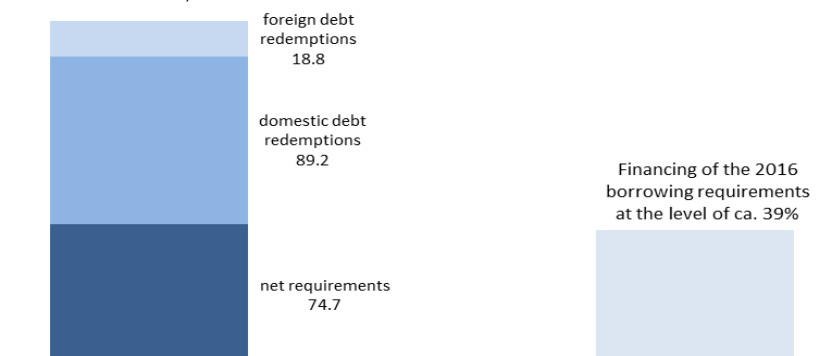


Gross borrowing requirements in 2016

Financing of the State budget borrowing requirements of 2016 reached the level of ca. 39% (the prefinancing level amounted to ca. 20% by the end of the fourth quarter of 2015).

Gross borrowing requirements in 2016 (acc. to 2016 Budget Act)

Total: PLN 182.7bn, of which:



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

as of February 29, 2016

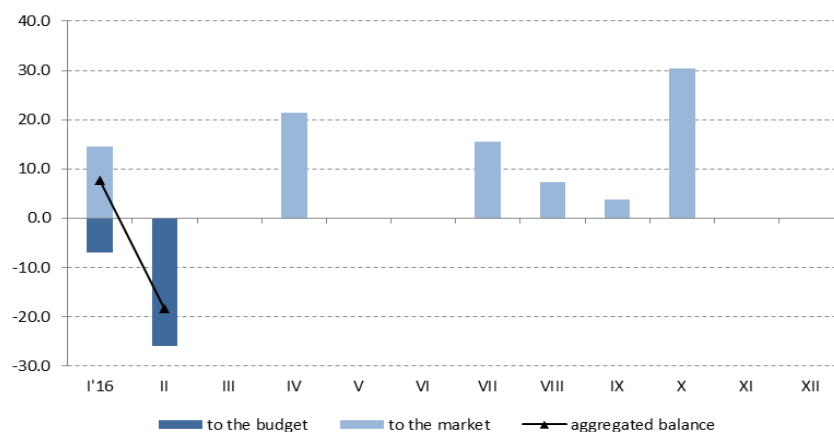
In March there will be no funds transferred from the State budget to the market related to T-securities (neither TS redemptions, nor interest payments).

Flows of funds between the market and the budget*

as of February 29, 2016, PLN bn

As of February 29, 2016, to the end of the year the funds to be transferred to the market shall amount to PLN 78.1bn.

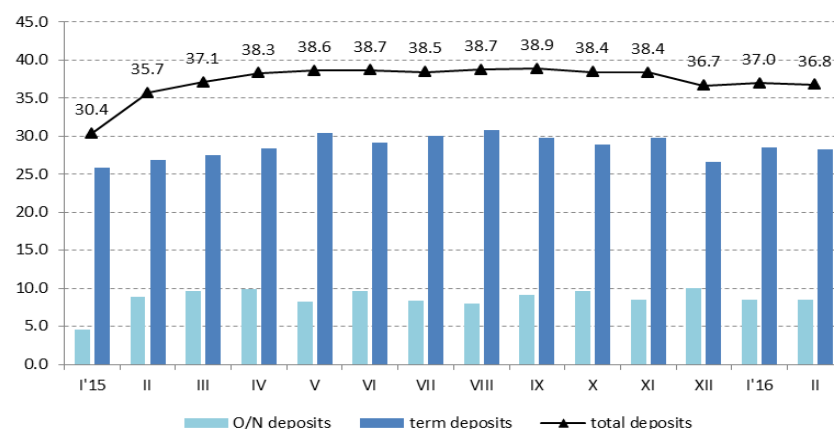
* figures include sale, redemptions and interest payments on wholesale bonds and T-bills; monthly financing plans will depend on market situation and feedback from investors thus the detailed schedule of monthly flows to budget in the following months is not presented.



Consolidation of public finances liquidity management

PLN bn

As a result of consolidation of public finances liquidity management there were PLN 36.8bn funds accumulated at the end of February, of which PLN 28.3bn was as term deposits and PLN 8.5bn on O/N deposits.



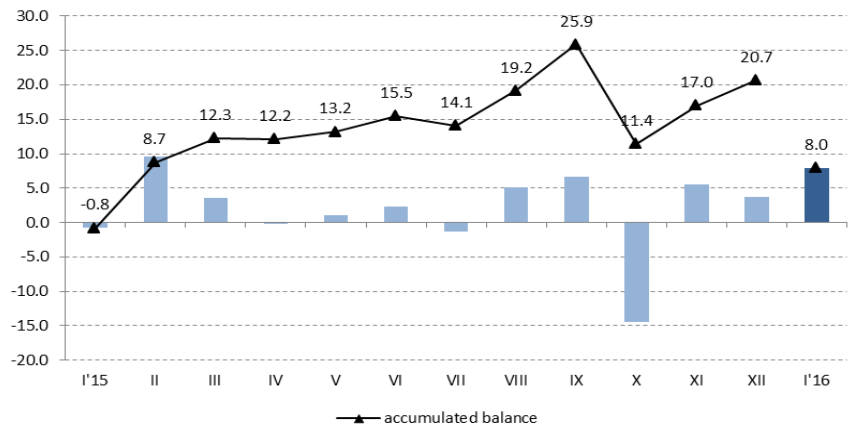


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Change of debt in domestic Treasury securities held by banks

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

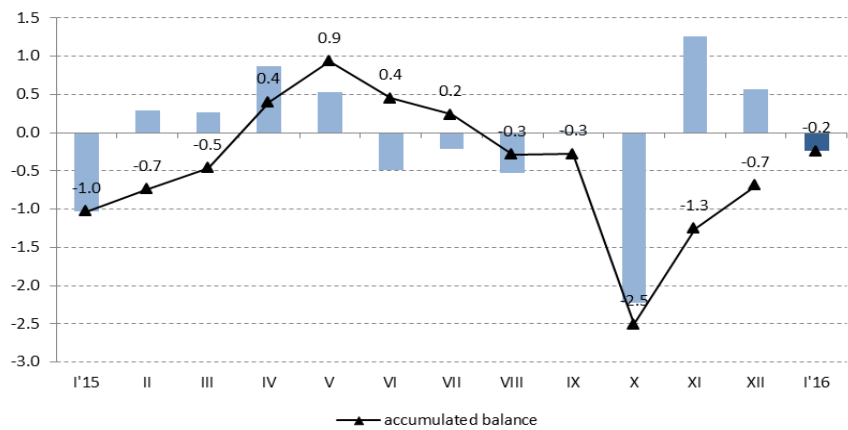
In January 2016 debt held by domestic banks increased by PLN 8.0bn comparing to PLN 0.8bn decrease during the same period of 2015.



Change of debt in domestic Treasury securities held by insurance companies

PLN bn

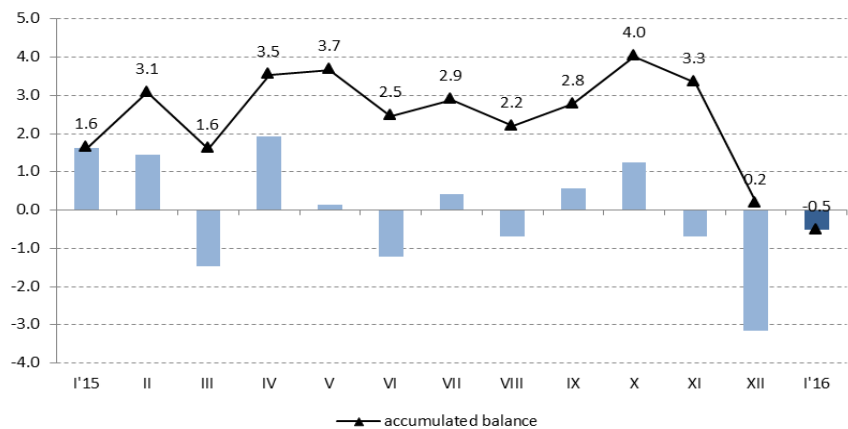
In January 2016 there was a decrease of PLN 0.2bn in debt held by insurance companies. During the same period of 2015 there was a decrease of PLN 1.0bn.



Change of debt in domestic Treasury securities held by investment funds

PLN bn

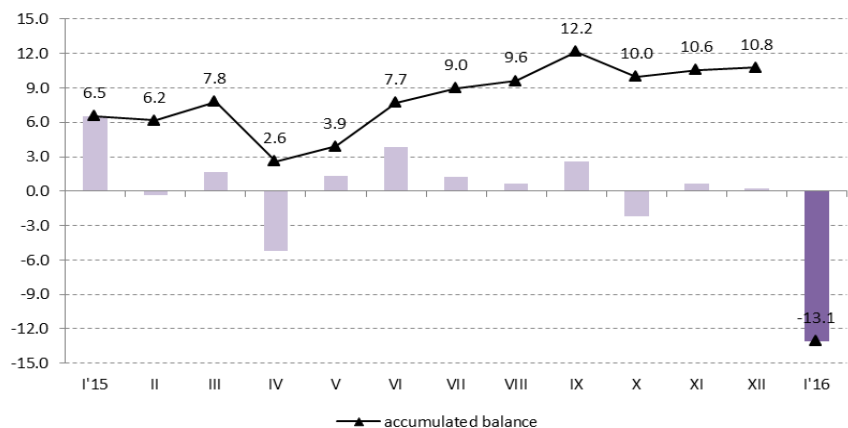
In January 2016 there was a decrease of PLN 0.5bn in debt held by investment funds. During the same period of 2015 there was an increase of PLN 1.6bn.



Change of debt in domestic Treasury securities held by foreign investors

PLN bn

In January 2016 outflow of foreign capital from the domestic TS market amounted to PLN 13.1bn, which resulted, to a large extent, from redemption of T-bond maturing in January and held by those investors in the amount of PLN 8bn, as well as significant demand from Polish banks for short-term bonds which was used by foreign investment funds to take profit (90% of the decrease in debt held by non-residents relates to TS maturing in 2016). Foreign investors' holdings reached the level of PLN 193.7bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

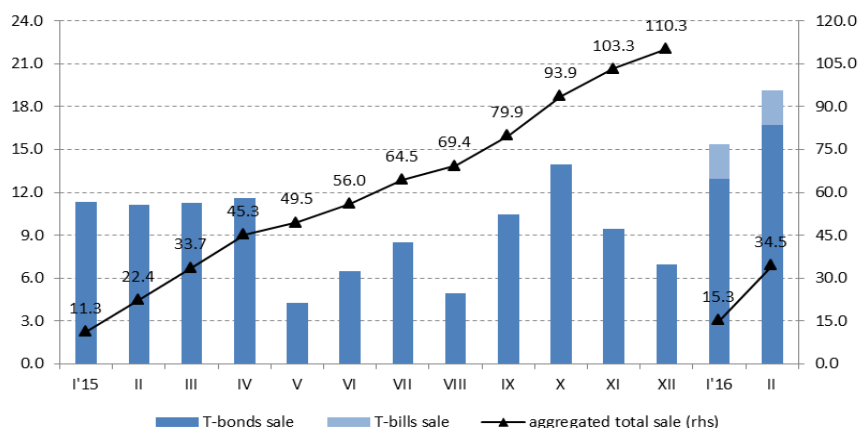


Sale of T-bonds and T-bills in the period of I-II 2016 and 2015

auction date, nominal amount, PLN bn

In the period of I-II 2016 aggregated total sale of:

- T-bonds amounted to PLN 29.7bn versus PLN 22.4bn as compared to the corresponding period of the previous year,
- T-bills amounted to PLN 4.8bn (since April 2013 to December 2015 T-bills were not offered).

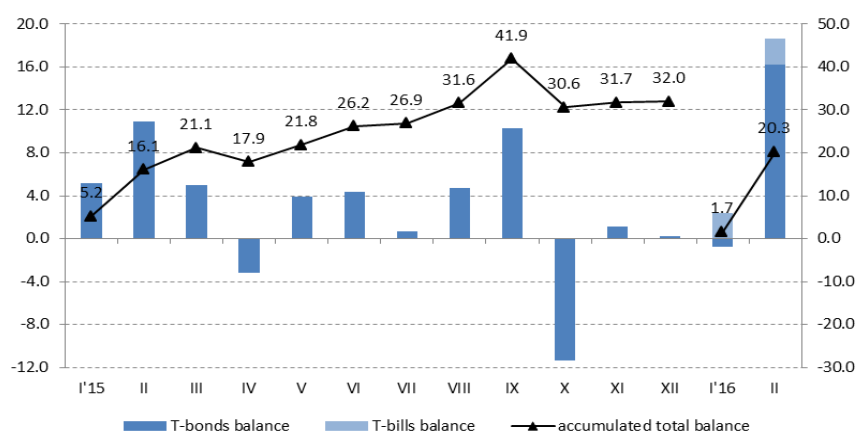


Balance of T-bonds and T-bills in the period of I-II 2016 and 2015

auction date, nominal amount, PLN bn

In the period of I-II 2016 indebtedness in:

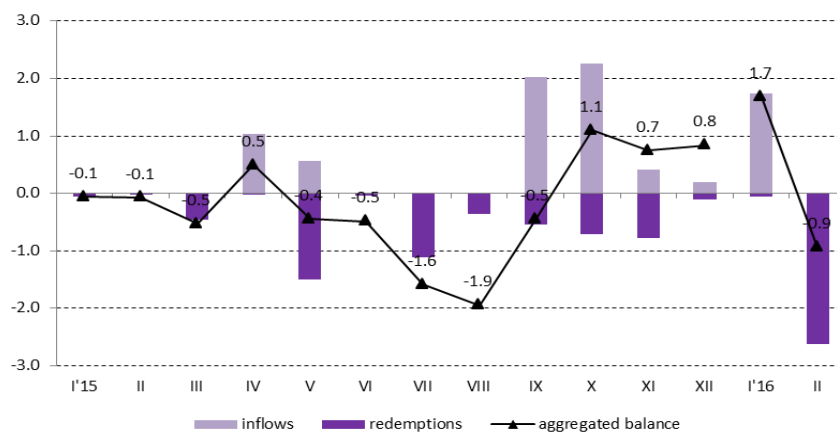
- T-bonds increased by PLN 15.5bn,
- T-bills increased by PLN 4.8bn.



External financing in the period of I-II 2016 and 2015

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

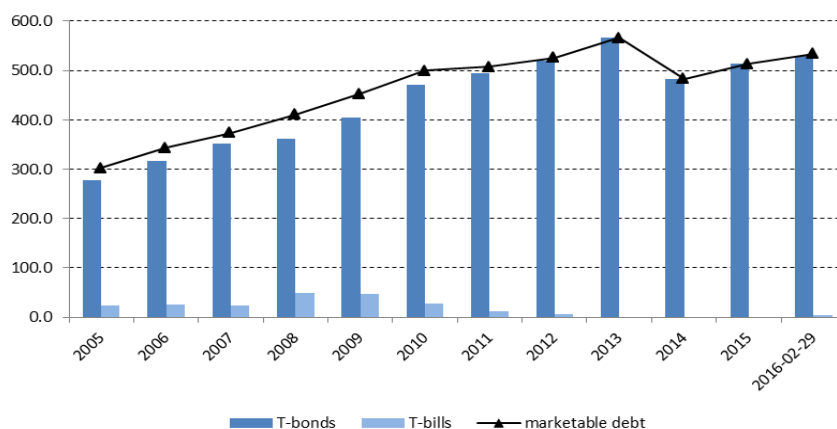
Net financing on foreign markets in the period of I-II 2016 was negative and amounted to EUR 0.9bn, which was a result of negative T-bonds balance of EUR 0.9bn and negative balance of loans incurred from IFIs at the level of EUR 0.1bn.



Structure of marketable debt

PLN bn

At the end of February 2016 the marketable domestic debt amounted to PLN 533.6bn comparing to PLN 513.4bn at the end of 2015.



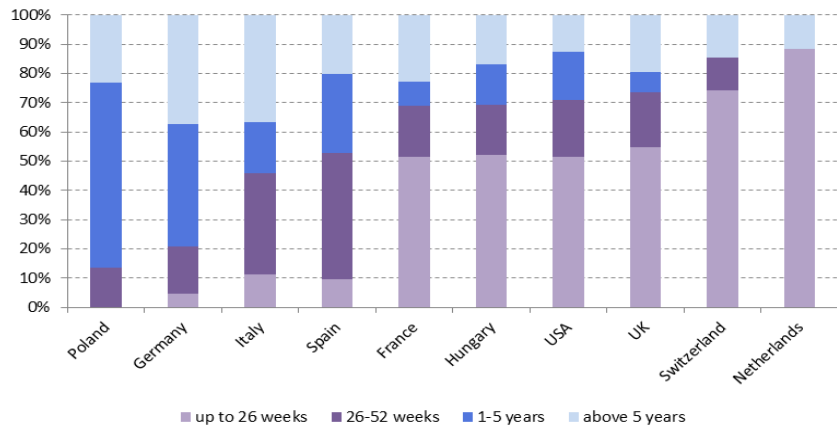


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Maturity breakdown of T-securities in Poland and other countries

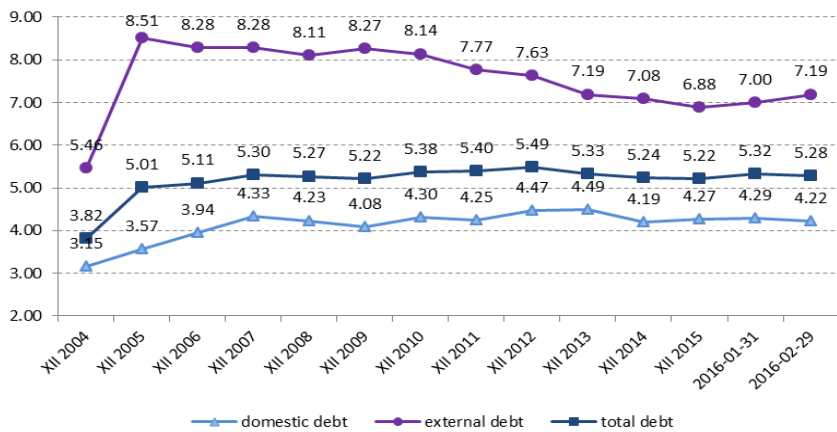
auctions and syndicates, local currency, ytd in the period of 1 January - 29 February, 2016

The sale of TS in Poland in 2016 is dominated by securities maturing up to 5 years.



Average maturity

At the end of February 2016 the average maturity of domestic debt amounted to 4.22 (while at the end of 2015 it was 4.27). The average of total debt accounted to 5.28 (5.22 at the end of 2015).

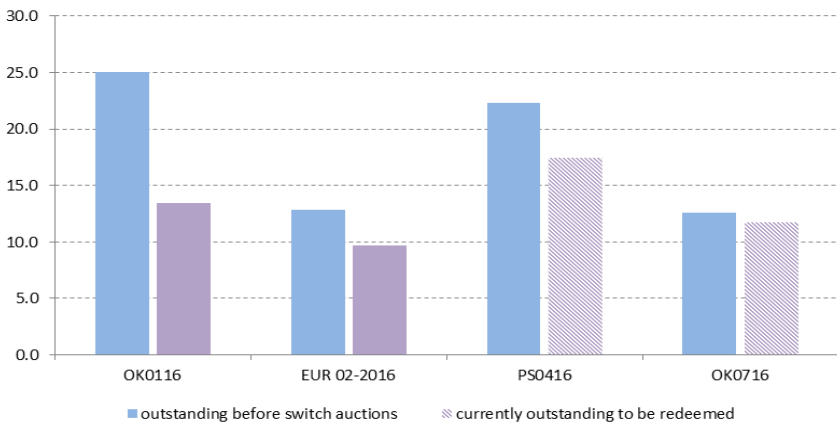


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2016

nominal amount, as of February 29, 2016, PLN bn

Buy-back of T-bonds maturing in 2016 (by switch or cash settlement):

- OK0116: PLN 11.6bn (46%),
- EUR 02-2016: PLN 3.1bn (24%),
- PS0416: PLN 4.9bn (22%),
- OK0716: PLN 0.9bn (7%).

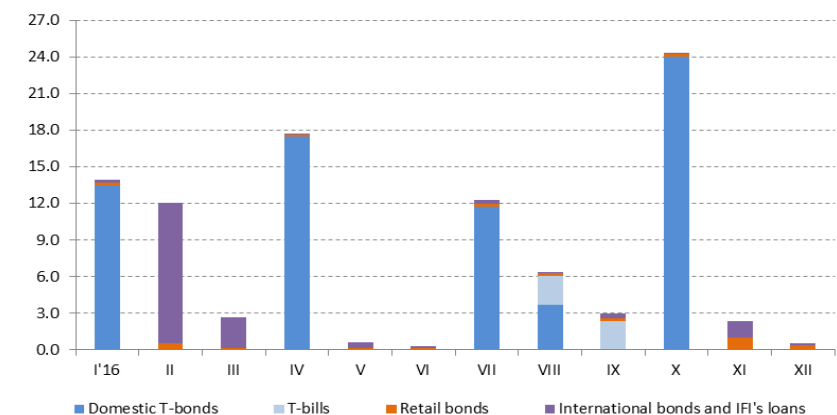


State Treasury debt redemptions in 2016

nominal amount, as of February 29, 2016; PLN bn

The nominal amount of debt to be redeemed in 2016 is equal to PLN 70.1bn, including:

- T-bonds: PLN 56.9bn,
- T-retail bonds: PLN 2.9bn,
- T-bills: PLN 4.8bn,
- bonds and loans incurred on foreign markets: PLN 5.5bn.



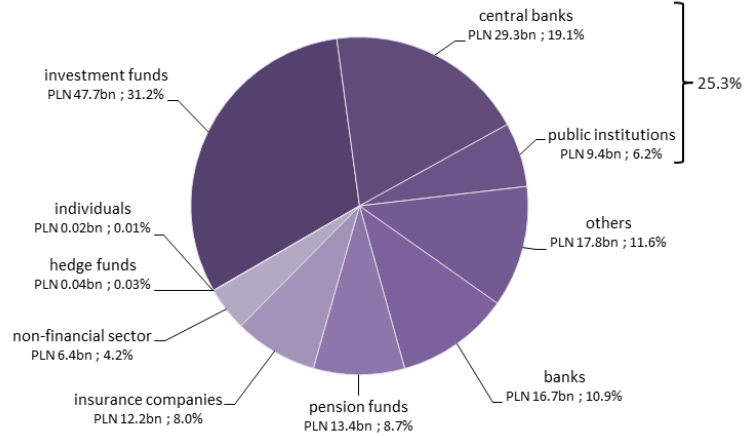
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Institutional distribution of domestic Treasury securities held by non-residents

as of January 31, 2016, the chart presents data excluding omnibus accounts

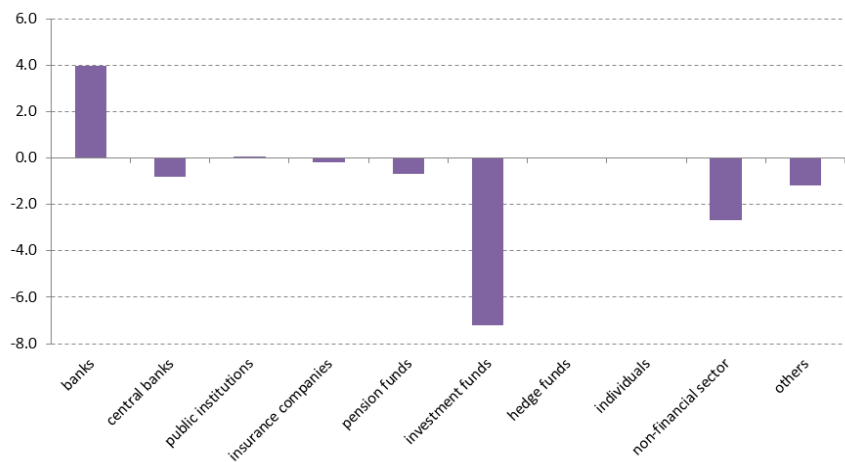
In January 2016 the share of non-residents in the domestic Treasury securities market decreased by PLN 13.1bn. The foreign investors' portfolio amounted to PLN 193.7bn which constituted 38.4% share in total debt in marketable T-bonds (40.3% in the previous month). As of the end of January 2016 central banks and public institutions' share in holdings amounted to 25.3%.



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

change in January 2016, mom, PLN bn

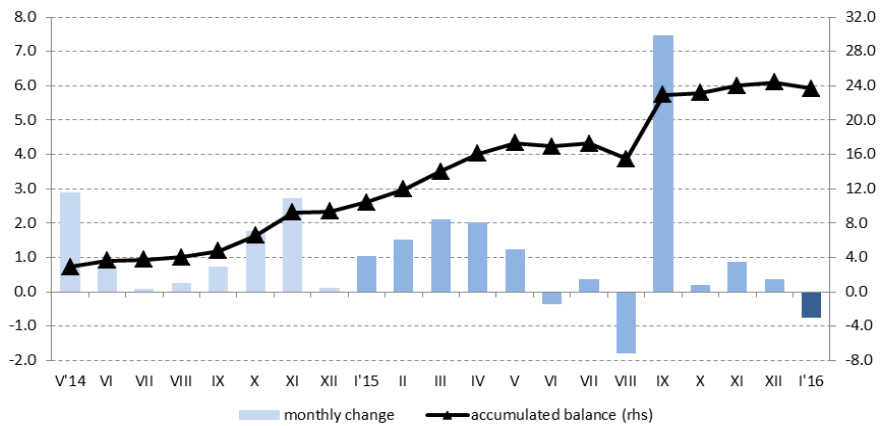
In January 2016 an increase of PLN 4.0bn in TS portfolio was noted by banks. The highest decrease was recorded by investment funds which reduced their involvement in Polish TS market by PLN 7.2bn.



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

as of January 31, 2016, PLN bn

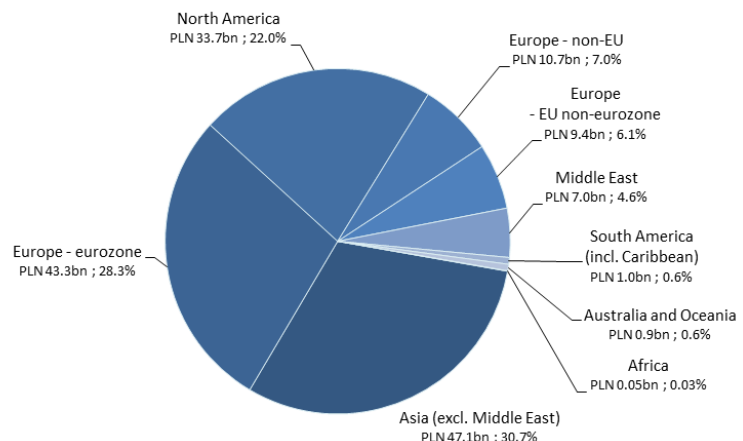
In January 2016 central banks and public institutions' involvement in the Polish debt market decreased by PLN 0.7bn. Since April 2014 to the end of January 2016, when the detailed information is available, portfolios of those entities increased by PLN 23.6bn.



Geographical distribution of domestic Treasury securities held by non-residents

as of January 31, 2016, excluding omnibus accounts

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



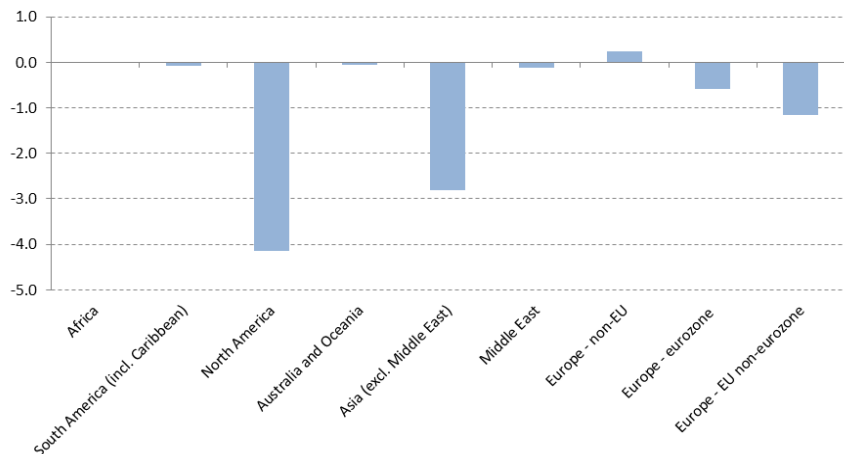


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

change in January 2016, mom, PLN bn

In January 2016 European investors from outside EU slightly increased their involvement in the domestic T-securities market (PLN 0.3bn). The highest decreases were recorded by investors from North America and Asia (PLN 4.1bn and PLN 2.8bn, respectively).



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

as of January 31, 2016, 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	32 799.1	26.5%
Japan	19 550.2	15.8%
Luxembourg	16 660.1	13.5%
Norway	8 463.3	6.8%
Austria	8 038.4	6.5%
Germany	7 300.5	5.9%
United Kingdom	7 256.2	5.9%
Ireland	5 502.7	4.4%
Netherlands	3 907.1	3.2%
United Arab Emirates	2 144.0	1.7%
Switzerland	1 991.5	1.6%
Denmark	1 251.3	1.0%
Others	8 948.0	7.2%
Total	123 812.4	100.0%

MoF comments

Piotr Nowak, Undersecretary of State, MoF

08-02-2016, interview for the Puls Biznesu (fragments)

Regarding the possibility of financing half of the State budget borrowing needs by the end of the 1st quarter, which is realistic, the question arises if we really need this. We can observe a significant demand for the T-bonds and there is no risk that would require creating too big buffers.

We are not going to increase the supply of short-term bonds and T-bills, we would like to continue the process of extending the average time maturity of debt.

(...) With regards to the USD market, we are receiving many inquiries, because we have not placed any issue there for 2 years. Therefore, I do not exclude that we will offer some bonds in this market but the final decision has not been made yet. Everything will depend on the market situation and whether the cost of financing, expressed in the equivalent in PLN, will be attractive.

(...) We are considering so called "panda bonds", i.e. bonds denominated in Chinese yuan. We are getting signals that there are investors strongly interested.

Today Polish-Chinese trade relations are mainly based on trade in goods, which balance is negative to us and amounts to enormous EUR 17bn. Over recent years we were concentrating on creating new forms of cooperation and attracting investors and Chinese funds to Poland. Now we have a great opportunity to open the Chinese debt market to us (...).



Piotr Nowak, Undersecretary of State, MoF

02-03-2016, interview for the Puls Biznesu (fragments)

The outflow of foreign capital recorded in January is not worrying us as 90% of it was short-term bonds maturing in 2016. Domestic banks demanded Treasury securities with short maturities and bought them from foreign investors who were reducing their positions in all emerging markets.

We are still observing a significant demand for our debt and the yields of long-term bonds are reaching the levels observed before the rating downgrade. This in turn shows that the Polish creditworthiness is stable.

In February the MoF observed further reduction on foreign investors' holdings but again it mainly concerned securities with shorter maturities. Medium- and long-term bonds are still highly demanded.



IV. SUPPLY PLAN OF TREASURY SECURITIES IN MARCH 2016

Treasury bond auction

Auction date	Settlement date	Series	Planned offer (PLN m)
3 MAR 2016	7 MAR 2016	OK1018 / DS0726	4,000-7,000

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

Treasury bond switching auction

Auction/ settlement date	Settlement T-bond	Source T-bond	Outstanding (PLN m)
24 MAR 2016/ 29 MAR 2016	choice will depend on the market conditions, excluding bonds offered at the first auction	PS0416	17,443
		OK0716	11,736
		PS1016	23,985

T-bill auctions

Auction date	Settlement date	T-bill	Maturity date	Planned offer (PLN m)
14 MAR 2016	16 MAR 2016	37-week	30 NOV 2016	1,000-2,000

The Minister of Finance is entitled to organize non-competitive auctions where T-bills will be sold at a minimum price of bids accepted at the sale auction.

Offer on the retail market

T-bond	Issue price	Coupon
DOS0318	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.00%
TOZ0319	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.10% in the first coupon period
COI0320	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.30% in the first coupon period
EDO0326	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.50% in the first coupon period