



Ministry
of Finance

Republic
of Poland

Public Debt Department

State budget borrowing requirements' financing plan and its background

May 2017

THE MOST IMPORTANT INFORMATION

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I. MACROECONOMIC SITUATION

Gross domestic product of Poland

constant prices, yoy
source: GUS

In the fourth quarter of 2016 growth of economic activity in Poland accelerated. According to the revised data, GDP went up by 1.6% (qoq, sa) following an increase of 0.3% in the third quarter of 2016. Exports and imports rebounded after a relatively weaker previous quarter. On the other hand, the pace of growth of households consumption was similar to the previous quarter and investments have remained relatively stable for the second consecutive quarter. Increase in private consumption was a consequence of a positive labour market situation, robust consumer sentiment and realisation of family support programme "Family 500+". Weak dynamics of investments activity was a consequence of low absorption of EU funds due to the process of switching from the 2007-2013 to the 2014-2020 financial framework.

Contributions to Polish GDP growth

percentage points

source: GUS; py - average prices of previous year

In the fourth quarter of 2016 GDP was 2.5% higher than a year ago as compared to 2.4% in the previous quarter. Data was slightly lower than previous estimation of the GUS. Domestic demand was the main source of GDP growth due to households consumption (contribution of 2.2 pp) and increase in inventories (2.3 pp). Negative contribution to GDP growth came again from investments (-2.8 pp), which were 9.8% lower than a year before. Contrary to the previous quarter net exports had positive contribution (0.8 pp as compared to -0.3 pp in the third quarter of 2016) due to higher exports than imports (in yoy terms).

Polish gross external debt position

percent of GDP

source: NBP, GUS, MoF own calculation

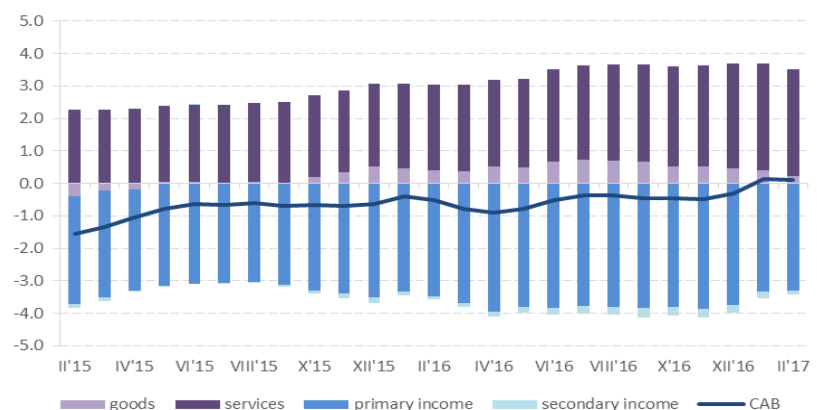
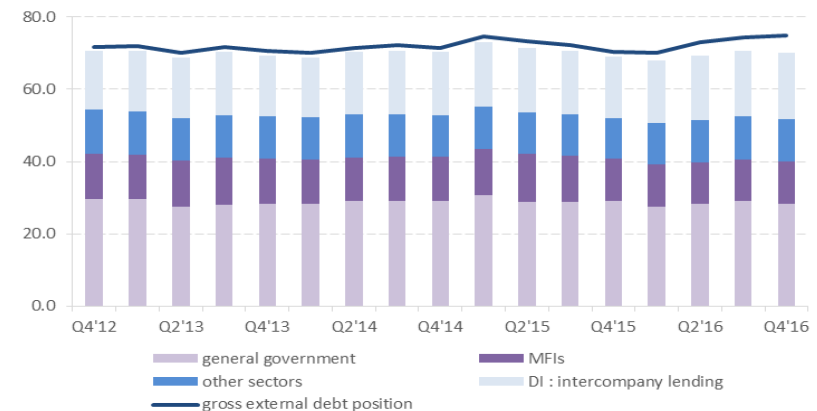
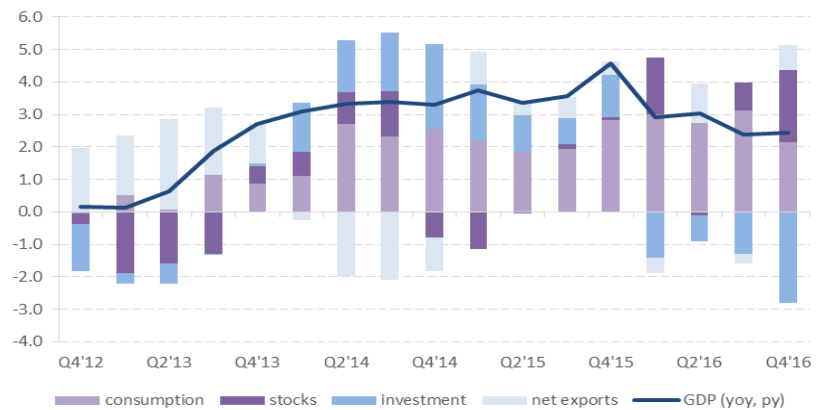
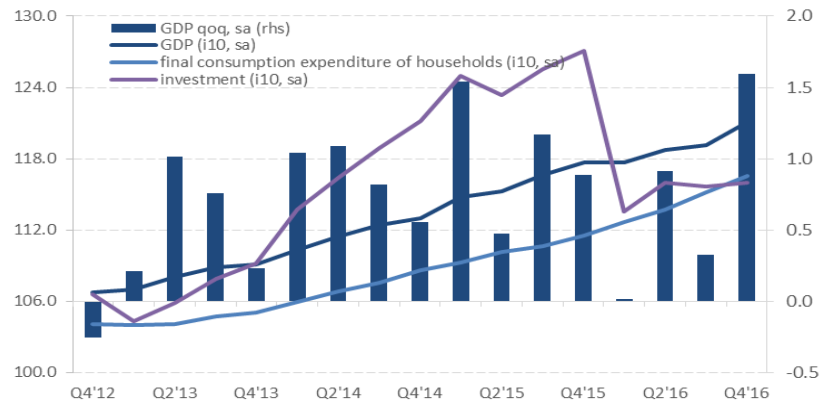
Gross external debt reached EUR 317.4bn (74.8% of GDP) at the end of the fourth quarter of 2016 and was EUR 1.4bn higher than in the previous quarter. The share of general government sector debt in total debt decreased to 38.0%. Official reserve assets reached EUR 104.7bn at the end of March 2017 and remained broadly adequate covering around 6 months of imports.

Current account balance

percent of GDP, in 12-month terms

source: NBP, GUS, MoF own calculation

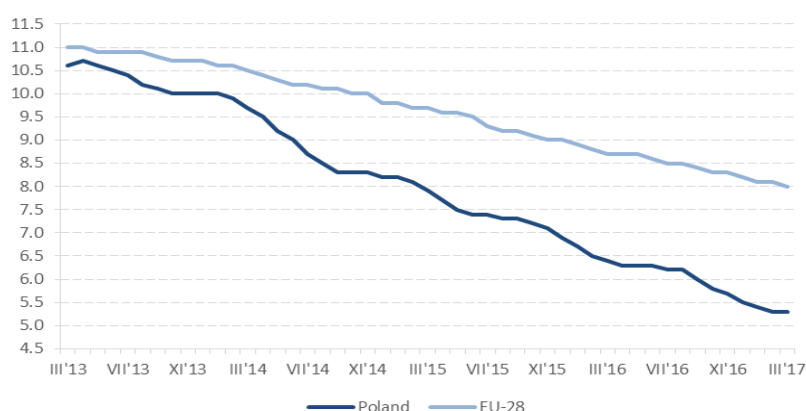
In February 2017, according to the preliminary data, C/A balance was positive and amounted to 0.1% of GDP (in 12-month terms of GDP). Data was below market expectations. The inflow of long-term capital also continued, i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on capital account.



Harmonised unemployment rate

percent, seasonally adjusted data
source: Eurostat

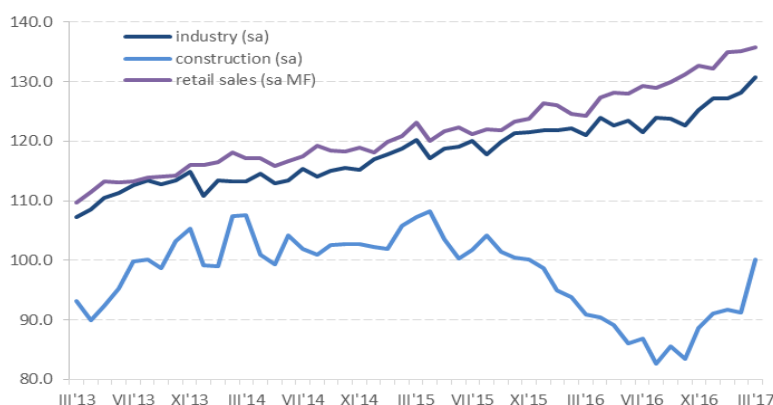
Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In March 2017 it amounted to 5.3% (versus 8.0% in EU on average) and was at the same level as in the previous month and 1.1 pp lower than a year earlier. In March 2017 harmonised unemployment rate (sa) in Poland stayed at the historically lowest level.



Monthly indicators of the real sector

sold production in constant prices, i10, seasonally adjusted data
source: GUS

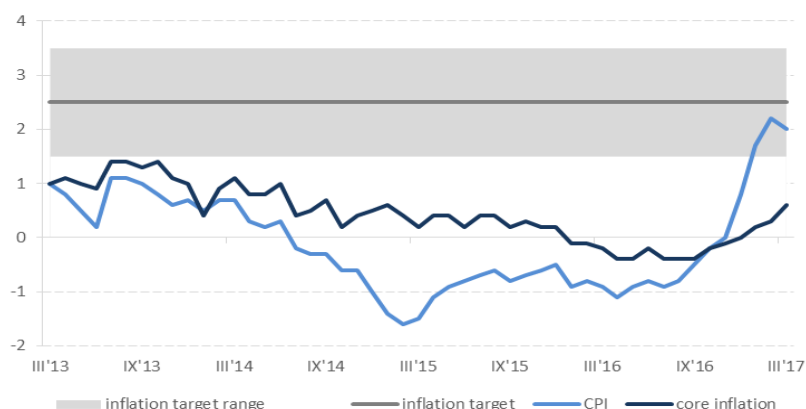
In March 2017 industrial output went up by 2.1% (mom, sa). As a result, production was 11.1% higher than a year ago (nsa). Data was better than market expectations. In March 2017 construction production skyrocketed by 9.7% (mom, sa) following a slight drop in the previous month (mom, sa). As a result its level was 17.2% (nsa) higher than a year before. Data was significantly above expectations. In March 2017 growth rate of real retail sales accelerated to 0.4% (mom, sa MoF). As a result its level was 7.9% (nsa) higher than in the same month of 2016. Data was above market expectations.



Inflation

percent, yoy
source: GUS, NBP

Since July 2014 till October 2016 there was CPI deflation mainly caused by the drop of commodity prices (energy and food). In the last few months inflation visibly accelerated, in line with energy prices increase, and in March 2017 it amounted to 2.0%. Data was slightly lower than market expectations. Almost whole year 2016 core inflation (CPI excluding food and energy prices) remained below zero and in March 2017 it rose to 0.6% yoy. After almost 4 years of deflation in producer prices, since September 2016 these prices have been rising rapidly and in March were higher than a year before by 4.7%.

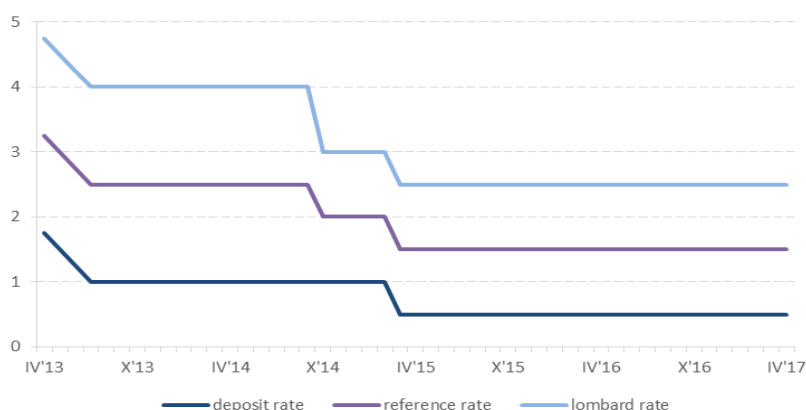


NBP interest rates

percent, end of period
source: NBP

In April 2017 the Monetary Policy Council kept NBP's interest rates unchanged with the reference rate at 1.5%. The decision was in line with market expectations. In the Council's assessment, the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.

The latest Reuters' poll median forecast (April, 3rd) sees no NBP's rate move till the end of 2017.



II. STATISTICAL DATA

	Unit	2015 Q03	2015 Q04	2016 Q01	2016 Q02	2016 Q03	2016 Q04
GDP							
Gross domestic product	YoY	3.6	4.6	2.9	3.0	2.4	2.5
	QoQ SA	1.2	0.9	0.0	0.9	0.3	1.6
Final consumption expenditure of the households sector	YoY	3.2	2.9	3.4	3.4	4.1	4.5
	QoQ SA	0.5	0.8	1.0	0.9	1.3	1.2
Final consumption expenditure of the general government sector	YoY	-0.1	7.2	4.5	4.2	3.8	-0.2
	QoQ SA	-0.1	2.5	0.5	0.3	1.2	0.4
Gross fixed capital formation	YoY	4.3	4.5	-9.8	-4.5	-6.7	-9.8
	QoQ SA	1.8	1.2	-10.7	2.1	-0.2	0.2
Exports of goods and services	YoY	6.5	9.1	7.1	11.8	7.8	9.3
	QoQ SA	3.7	2.2	1.3	4.1	0.2	3.2
Imports of goods and services	YoY	5.3	8.4	8.7	10.1	8.7	8.2
	QoQ SA	2.1	3.6	2.1	2.9	0.5	1.1
Gross value added	YoY	3.5	4.5	2.7	2.8	2.2	2.5
	QoQ SA	1.0	0.8	0.5	0.5	0.6	1.6
Contribution to GDP growth							
Final consumption expenditure of the households sector	pp.	1.9	1.5	2.2	2.0	2.5	2.2
Final consumption expenditure of the general government sector	pp.	0.0	1.4	0.8	0.7	0.7	0.0
Gross fixed capital formation	pp.	0.8	1.3	-1.4	-0.8	-1.3	-2.8
Changes in inventories	pp.	0.2	0.1	1.8	-0.1	0.9	2.3
Balance of trade turnover	pp.	0.7	0.4	-0.5	1.2	-0.3	0.8
Gross value added	pp.	3.1	4.0	2.4	2.5	2.0	2.3
Taxes less subsidies	pp.	0.5	0.6	0.5	0.5	0.4	0.2
GDP structure							
Final consumption expenditure of the households sector	% of GDP	60.1	48.8	64.2	58.8	60.2	50.1
Final consumption expenditure of the general government sector	% of GDP	17.3	19.5	17.4	17.7	17.3	19.0
Gross fixed capital formation	% of GDP	19.2	27.4	12.3	16.8	17.5	24.4
Changes in inventories	% of GDP	0.8	0.6	1.1	0.6	1.5	2.7
Exports of goods and services	% of GDP	50.1	46.3	53.9	54.5	52.4	49.0
Imports of goods and services	% of GDP	48.3	43.2	49.6	49.1	49.6	45.7
	Unit	2016 M10	2016 M11	2016 M12	2017 M01	2017 M02	2017 M03
Balance of payments							
Goods: exports (EUR)	YoY	-0.5	5.8	5.2	13.9	3.8	-
Goods: imports (EUR)	YoY	3.6	6.3	7.1	16.1	9.1	-
Current account balance ¹⁾	% of GDP	-0.4	-0.5	-0.3	0.1	0.1	-
Balance on goods ¹⁾	% of GDP	0.5	0.5	0.5	0.4	0.2	-
Official Reserve Assets	EUR mln	103 157.6	104 192.5	108 063.9	106 181.5	104 658.4	104 705.6
Inflation							
Consumer Price Index (CPI)	YoY	-0.2	0.0	0.8	1.7	2.2	2.0
Core inflation (CPI excluding food and energy prices)	YoY	-0.2	-0.1	0.0	0.2	0.3	0.6
Producer Price Index (PPI)	YoY	0.6	1.8	3.2	4.0	4.5	4.7
Production							
Sold production of industry ²⁾	YoY	-1.3	3.1	2.1	9.1	1.1	11.1
	MoM SA	-0.9	2.0	1.5	0.0	0.8	2.1
Construction and assembly production ³⁾	YoY	-20.1	-12.8	-8.0	2.1	-5.3	17.2
	MoM SA	-2.5	6.4	2.7	0.7	-0.4	9.7
Manufacturing PMI	SA	50.2	51.9	54.3	54.8	54.2	53.5
Households and labour market							
Retail sales ²⁾	YoY	4.6	7.4	6.1	9.5	5.2	7.9
Average paid employment in enterprise sector	YoY	3.1	3.1	3.1	4.5	4.6	4.5
	MoM	0.1	0.2	0.1	2.8	0.3	0.1
Average monthly gross wages and salaries in enterprise sector (real)	YoY	3.8	4.0	1.9	2.5	1.8	3.1
	MoM	0.5	1.5	6.3	-8.1	0.3	6.4
Harmonised unemployment rate (Eurostat)	%, SA	5.8	5.7	5.5	5.4	5.3	5.3
<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, IHS Markit, MoF calculation based on NBP, GUS data</small>							
	Unit	2016 M09	2016 M10	2016 M11	2016 M12	2017 M01	2017 M02
State Treasury debt							
State Treasury debt (acc. to the place of issue criterion)	face value, PLN mio	902 709.5	910 750.4	923 339.9	928 662.4	930 057.4	945 147.2
Domestic debt	face value, PLN mio	602 632.0	603 339.4	606 188.1	609 199.1	617 909.0	633 072.8
	%	66.8	66.2	65.7	65.6	66.4	67.0
Foreign debt	face value, PLN mio	300 077.4	307 411.0	317 151.8	319 463.2	312 148.3	312 074.5
	%	33.2	33.8	34.3	34.4	33.6	33.0
	Unit	2015 Q03	2015 Q04	2016 Q01	2016 Q02	2016 Q03	2016 Q04 ¹⁾
Public debt (domestic definition)							
Public debt (acc. to the place of issue criterion)	face value, PLN mio	876 405.4	877 282.4	899 249.9	936 951.0	939 560.4	965 201.5
Domestic debt	face value, PLN mio	579 092.1	570 482.7	600 023.7	614 898.4	624 334.1	630 174.2
	%	66.1	65.0	66.7	65.6	66.4	65.3
Foreign debt	face value, PLN mio	297 313.3	306 799.8	299 226.2	322 052.6	315 226.3	335 027.4
	%	33.9	35.0	33.3	34.4	33.6	34.7
General Government debt (EU definition)							
General Government debt	face value, PLN mio	911 315.6	919 576.0	938 481.3	977 838.2	978 416.8	1 006 281.6

III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Gross borrowing requirements in 2017

Financing of the State budget borrowing requirements at the level of ca. 61% was a result of:

- T-bond sale on domestic market: PLN 47.7bn,
- switch auctions in 2017: PLN 4.9bn,
- T-bond sale on foreign markets: PLN 6.4bn (EUR 1.5bn),
- loans incurred from IFIs: PLN 0.1bn,
- switch auctions in 2016: PLN 13.4bn,
- and higher than planned financial resources at the end of 2016: PLN 30.8bn (initial data, the final level will be known following the closure of the budget year).

* net requirements acc. to the Budget Act; debt redemptions as of December 31, 2016.

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

as of April 30, 2017, PLN bn

Value of funds transferred from the State budget to the market in May shall amount to PLN 0.1bn

Flows of funds between the market and the budget*

as of April 30, 2017, PLN bn

As of April 30th, 2017 to the end of the year the funds to be transferred to the market shall amount to PLN 48.4bn.

* 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.

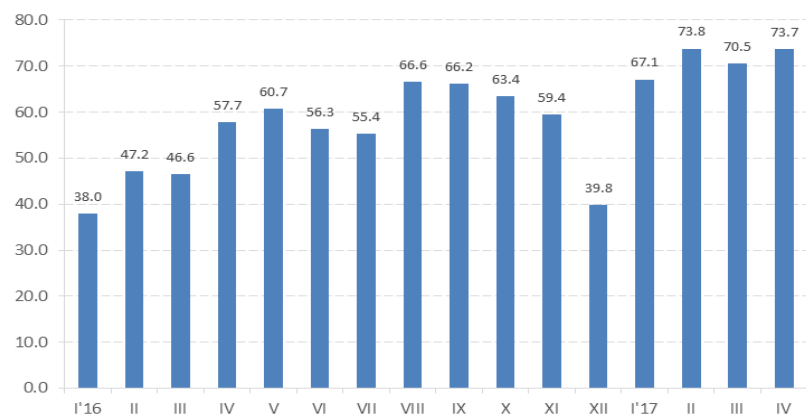
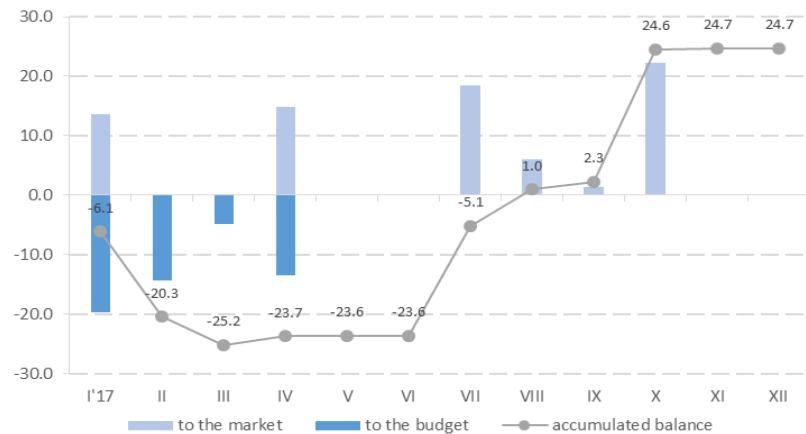
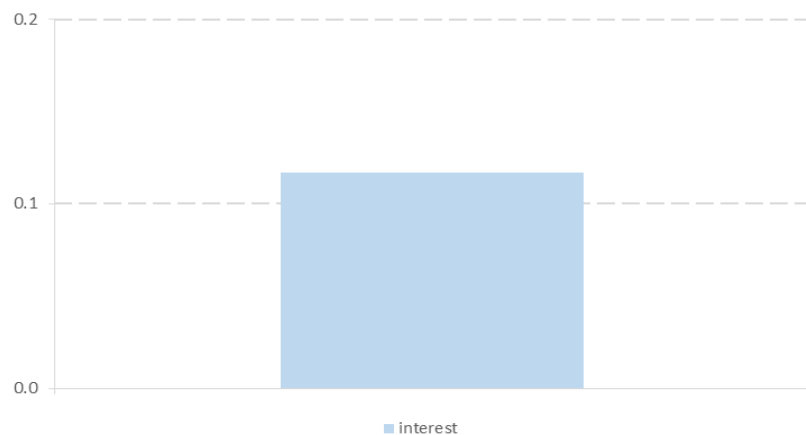
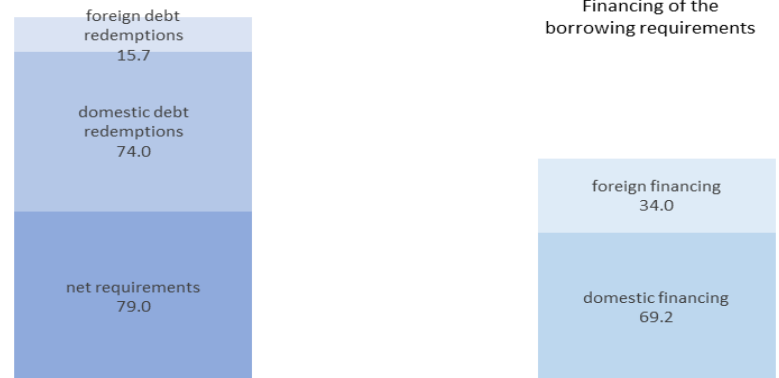
Funds in PLN and in foreign currency on budgetary accounts at the end of month

funds financing the borrowing needs, PLN bn

The funds ensure liquidity in borrowing needs financing.

Gross borrowing requirements in 2017*

Total: PLN 168.7bn, of which:

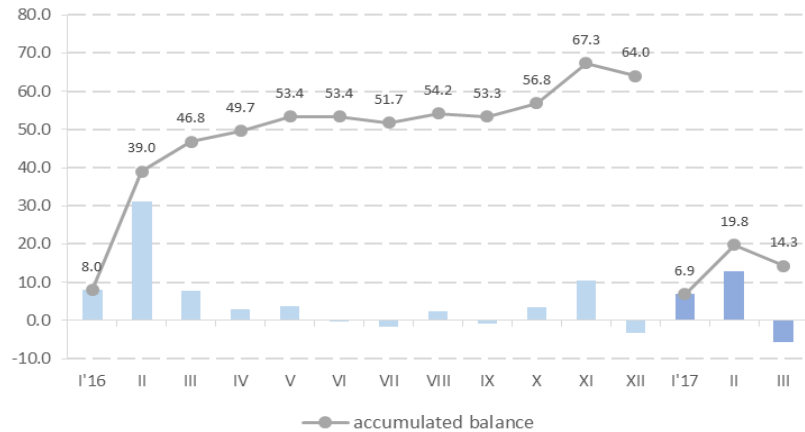




III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

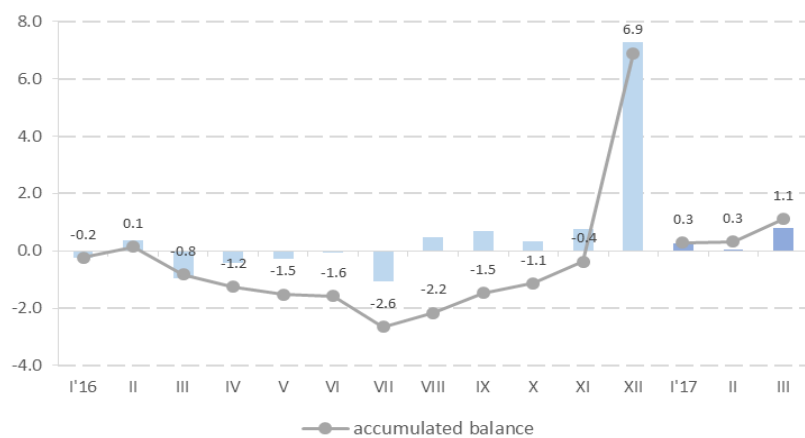
Change of debt in domestic Treasury securities held by banks without buy-sell-back transactions with MoF, PLN bn

In the period of I-III 2017 debt held by domestic banks increased by PLN 14.3bn comparing to PLN 46.8bn increase during the same period of 2016.



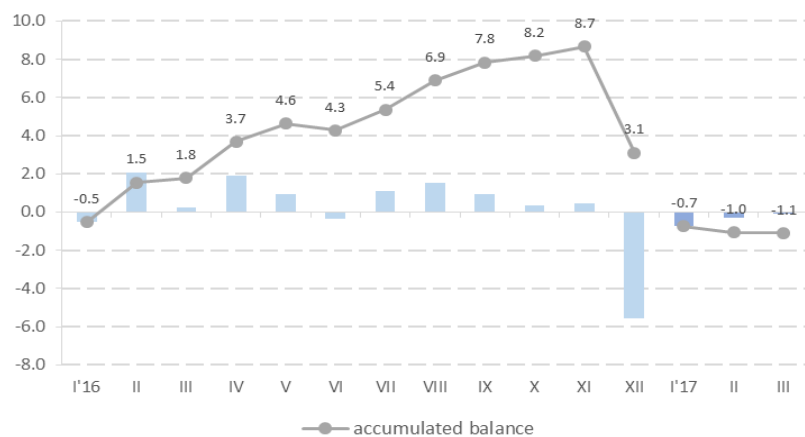
Change of debt in domestic Treasury securities held by insurance companies PLN bn

In the period of I-III 2017 there was an increase of PLN 1.1bn in debt held by insurance companies. During the same period of 2016 there was a decrease of PLN 0.8bn.



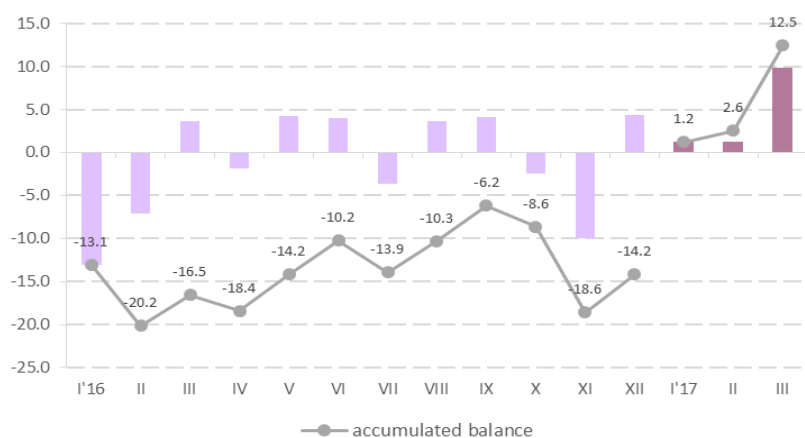
Change of debt in domestic Treasury securities held by investment funds PLN bn

In the period of I-III 2017 there was a decrease of PLN 1.1bn in debt held by investment funds. During the same period of 2016 there was an increase of PLN 1.8bn.



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

In the period of I-III 2017 inflow of foreign capital to the domestic TS market amounted to PLN 12.5bn comparing to outflow of PLN 16.5bn in the same period of 2016. Foreign investors' holdings reached the level of PLN 205.0bn.



III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

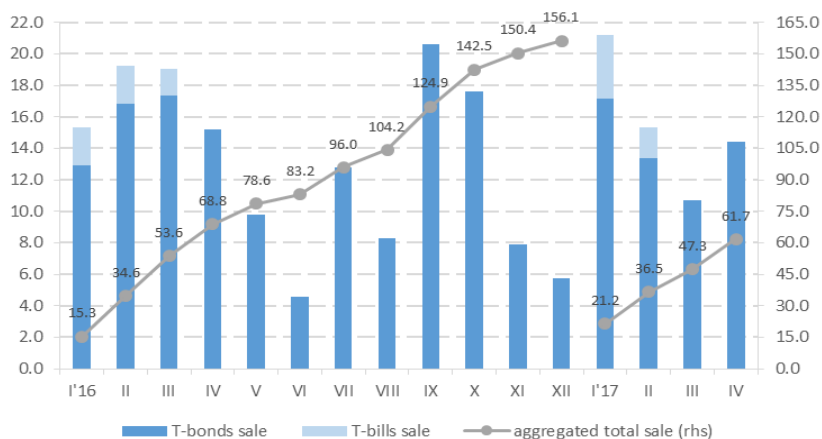


Sale of T-bonds and T-bills in the period of I-IV 2017 and 2016

auction date, nominal amount, PLN bn

In the period of I-IV 2017 aggregated total sale of:

- T-bonds amounted to PLN 55.7bn versus PLN 62.4bn in the same period of 2016,
- T-bills amounted to PLN 6.0bn versus PLN 6.5bn in the same period of 2016.

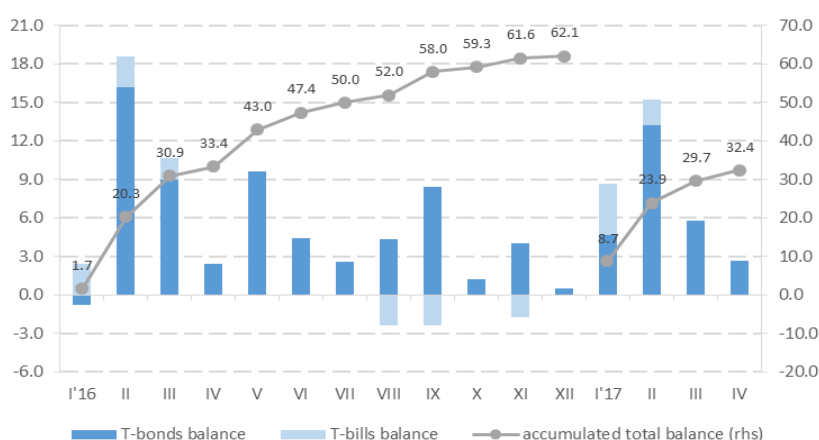


Balance of T-bonds and T-bills in the period of I-IV 2017 and 2016

auction date, nominal amount, PLN bn

In the period of I-IV 2017 indebtedness in:

- T-bonds increased by PLN 26.4bn,
- T-bills increased by PLN 6.0bn.

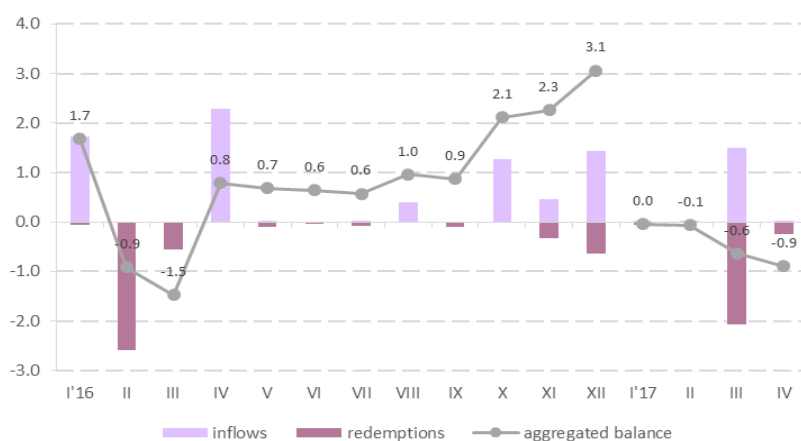


External financing in the period of I-IV 2017 and 2016

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

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

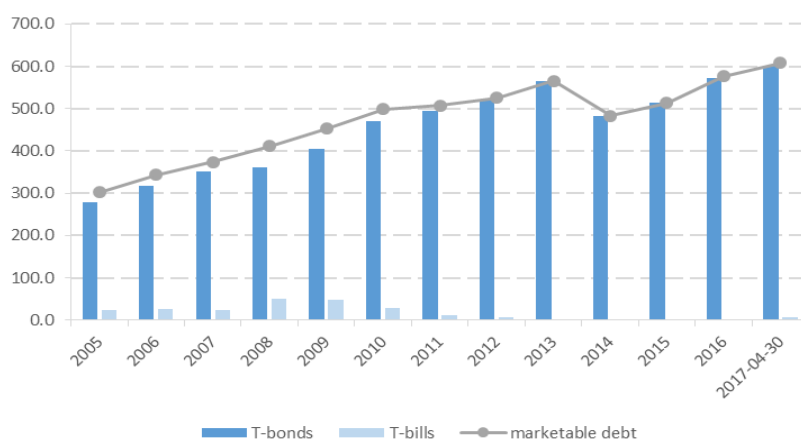
Net financing on foreign markets in the period of I-IV 2017 was negative and amounted to EUR 0.9bn, which resulted from negative balance of T-bonds issuance of EUR 0.7bn and negative balance of loans incurred from IFIs at the level of EUR 0.2bn.



Structure of marketable debt

PLN bn

At the end of April 2017 the marketable domestic debt amounted to PLN 607.9bn comparing to PLN 576.7bn at the end of 2016.



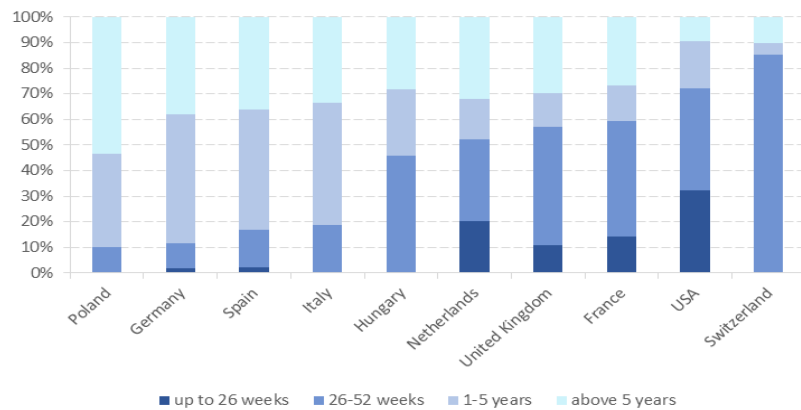


III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

Maturity breakdown of T-securities in Poland and other countries

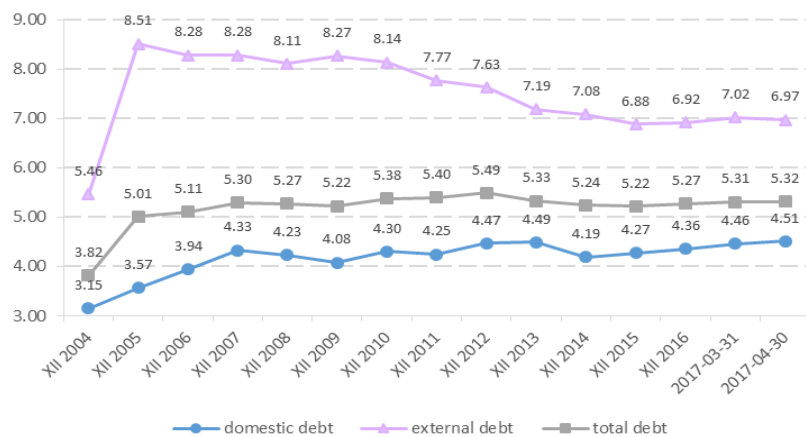
auctions and syndicates, local currency, ytd in the period of January 1 - April 30, 2017

The sale of TS in Poland is dominated by securities maturing above 5 years.



Average maturity

At the end of April 2017 the average maturity of domestic debt amounted to 4.51 (while at the end of 2016 it was 4.36). The average of total debt increased to 5.32 (5.27 at the end of 2016).

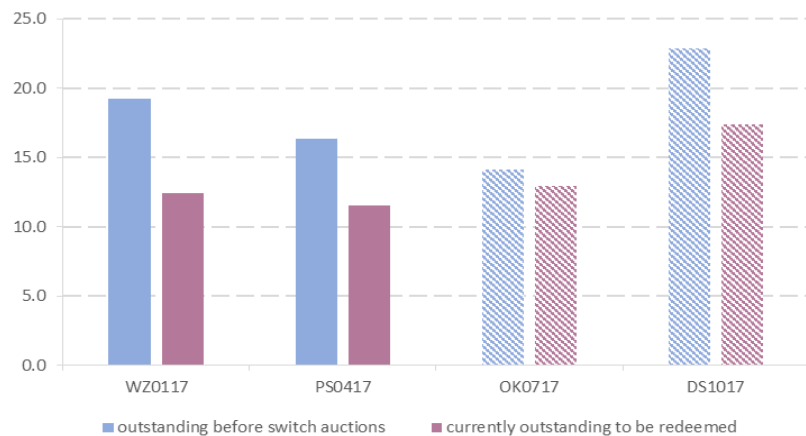


Reducing refinancing risk connected with T-bonds' redemptions maturing in 2017

as of April 30, 2017, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2017 (by switch):

- WZ0117: PLN 6.8bn (35%),
- PS0417: PLN 4.9bn (30%),
- OK0717: PLN 1.2bn (8%),
- DS1017: PLN 5.5bn (24%).

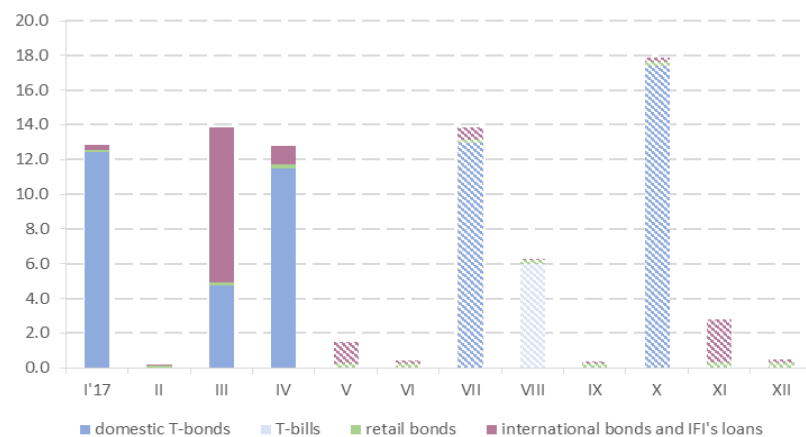


State Treasury debt redemptions in 2017

as of April 30, 2017, nominal amount, PLN bn

The nominal amount of debt to be redeemed in 2017 is equal to PLN 43.5bn, including:

- T-bonds: PLN 30.4bn,
- T-retail bonds: PLN 2.0bn,
- T-bills: PLN 6.0bn,
- bonds and loans incurred on foreign markets: PLN 5.2bn.



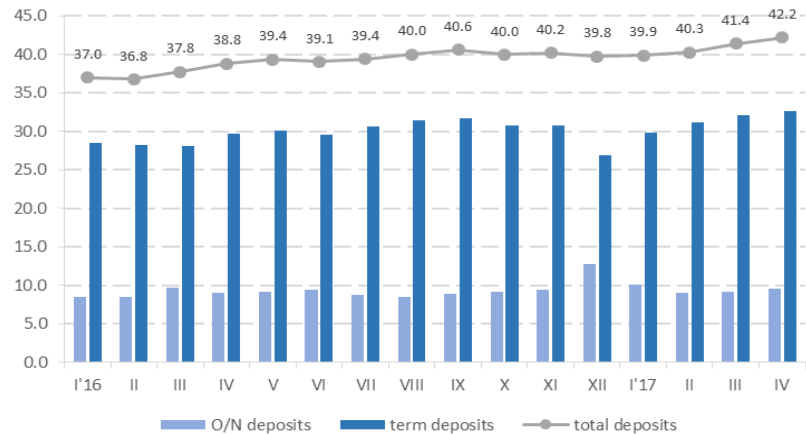
III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



Consolidation of public finances liquidity management

PLN bn

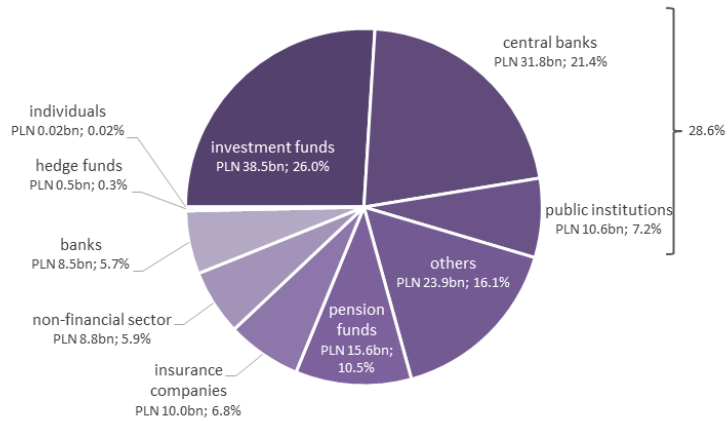
As a result of consolidation of public finances liquidity management there were PLN 42.2bn funds accumulated at the end of April 2017, of which PLN 32.6bn was as term deposits and PLN 9.6bn on O/N deposits.



Institutional distribution of domestic Treasury securities held by non-residents

as of March 31, 2017, the chart presents data excluding omnibus accounts

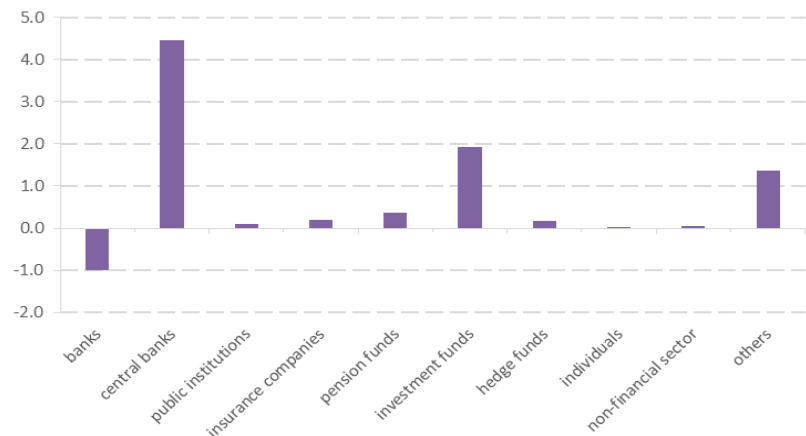
In March 2017 the non-residents' share in the domestic Treasury securities market increased by PLN 9.9bn. The foreign investors' portfolio amounted to PLN 205.0bn which constituted 33.2% share in total debt in Treasury securities (31.9% in the previous month). As of the end of March 2017 central banks and public institutions' share in foreign holdings amounted to 28.6%.



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

change in March 2017, mom, PLN bn, the chart presents data excluding omnibus accounts

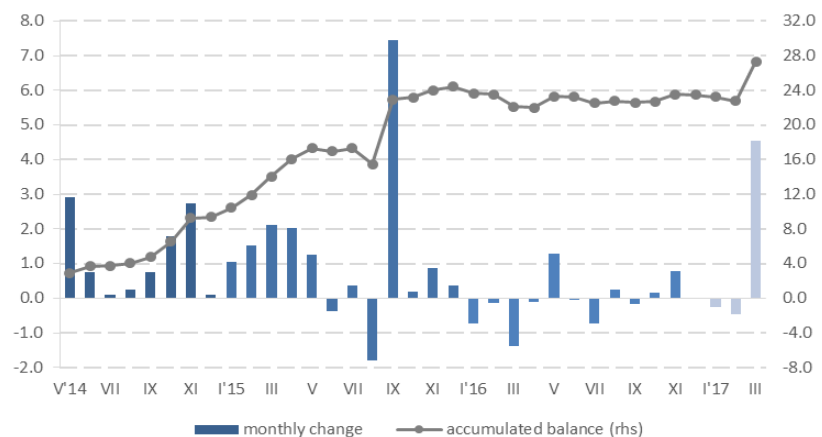
In March 2017 the highest increase was noted by central banks (PLN 4.4bn) and the only one decrease was recorded by banks (PLN 1.0bn).



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

change in March 2017, PLN bn

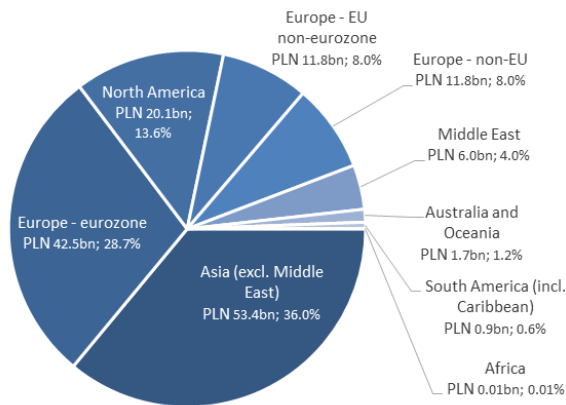
In March 2017 central banks and public institutions' involvement in the Polish debt market increased by PLN 4.5bn. Since the end of April 2014 to the end of March 2017, portfolios of those entities increased by PLN 27.3bn.



Geographical distribution of domestic Treasury securities held by non-residents

as of March 31, 2017, the chart presents data excluding omnibus accounts

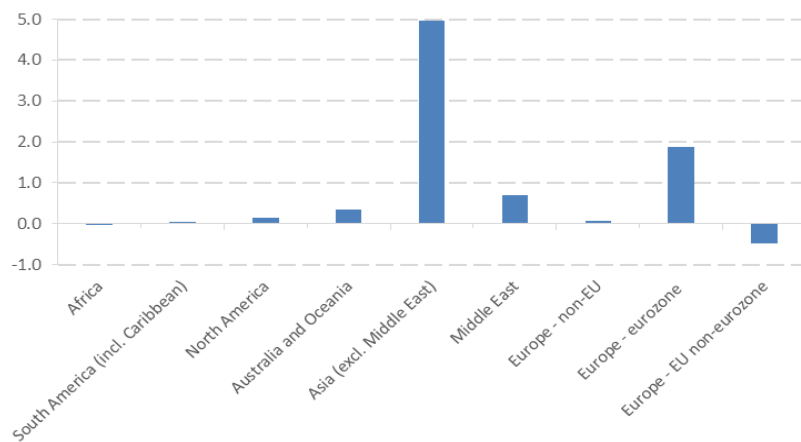
Geographical structure of domestic Treasury securities held by non-residents, as well as institutional distribution, is well-diversified.



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

change in March, 2017, mom, PLN bn, the chart presents data excluding omnibus accounts

In March 2017 the highest increase was recorded by investors from Asia (PLN 5.0bn). The only one decrease was noted by the EU non-Eurozone countries (PLN 0.5bn).



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

as of March 31, 2017, 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 (%)
Japan	19 760.5	17.0%
United States	19 375.7	16.6%
Luxembourg	17 520.5	15.0%
Norway	9 955.2	8.5%
Ireland	7 994.4	6.9%
United Kingdom	7 469.7	6.4%
Germany	6 698.2	5.7%
Netherlands	5 448.2	4.7%
Denmark	2 972.5	2.5%
United Arab Emirates	2 562.8	2.2%
Hong Kong	2 041.8	1.8%
Austria	1 908.1	1.6%
Switzerland	1 601.4	1.4%
Australia	1 574.0	1.4%
France	1 226.1	1.1%
Others	8 470.1	7.3%
Total	116 579.1	100.0%



MoF comment

Piotr Nowak, Undersecretary of State, MoF

28-04-2017

The level of financing the State budget borrowing requirements for 2017 at the end of April reached ca. 61% and the amount of liquid funds exceeded PLN 70bn.

In May we will hold one T-bond sale auction (May 18th) and one T-bond switch auction (May 25th). Taking into account the quarterly issuance plan and previous announcements, as well as good budget liquidity situation and current level of the financing of the borrowing needs, the planned supply at the sale auction will be of PLN 3-5bn. At the switch auction T-bonds maturing in July and October will be redeemed. No T-bills auctions will be held.

March is a month when foreign investors significantly increased their portfolios of PLN denominated Treasury securities – the inflow amounted to PLN 9.9bn and mainly was related to T-bonds with maturity above 7 years, of which PLN 4.5bn arose from central banks and public institutions and PLN 1.9bn from investment funds. The increase, geographically, came from Asian and European investors. In April we are observing further inflow of foreign capital to the market.



IV. SUPPLY PLAN OF TREASURY SECURITIES IN MAY 2017

T-bond sale auctions

Auction date	Settlement date	Series	Planned offer (PLN m)
18 MAY 2017	22 MAY 2017	OK0419 / PS0422 / WZ1122 / WZ0126 / DS0727 / possible T-bond of WS or IZ type	3,000-5,000

*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 Economic Development and 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)
25 MAY 2017/ 29 MAY 2017	OK0419 / PS0422 / WZ1122/ WZ0126 / DS0727	OK0717	12,950
		DS1017	17,402

T-bill auctions

Sale auctions of T-bills are not planned.

Offer on the retail market

T-bond	Issue price	Coupon
DOS0519	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.10%
TOZ0520	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.20% in the first coupon period
COI0521	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.40% in the first coupon period
EDO0527	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.70% in the first coupon period
ROS0523	PLN 100.00	Floating (inflation rate + 1.75%) 2.80% in the first coupon period
ROD0529	PLN 100.00	Floating (inflation rate + 2.00%) 3.20% in the first coupon period