



Ministry  
of Finance

Republic  
of Poland

Public Debt Department

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

August 2017

### THE MOST IMPORTANT INFORMATION

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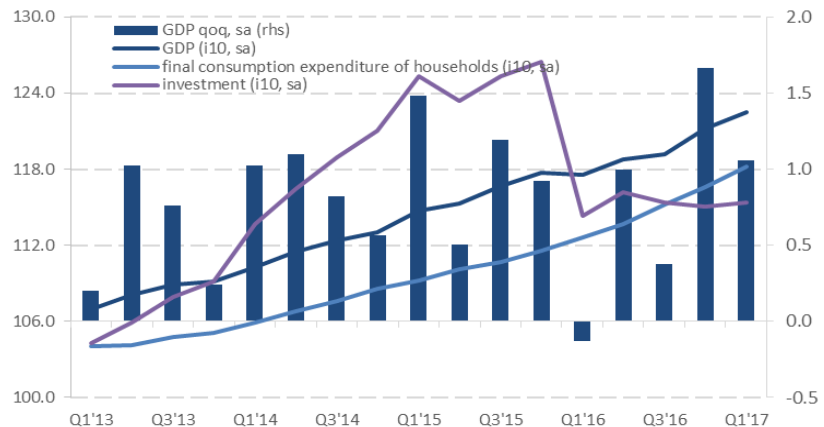


## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices, yoy  
source: GUS

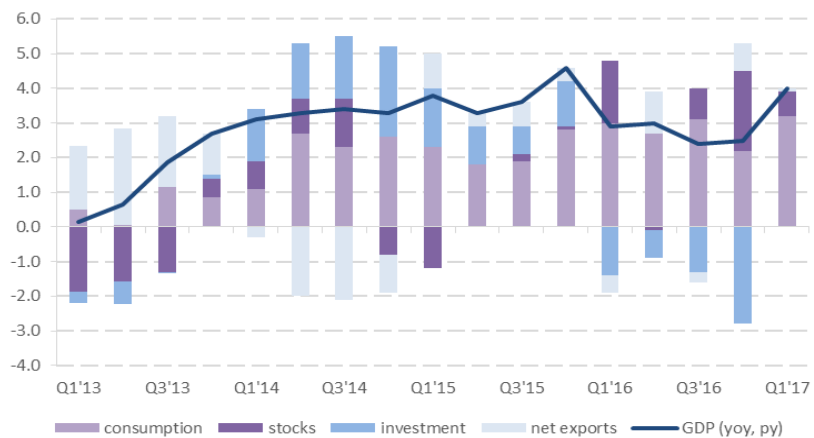
In the first quarter of 2017 GDP went up by 1.1% (qoq, sa) following a significant increase in the previous quarter (1.7%). Data were 0.1 pp higher than GUS flash estimate. In the first quarter of 2017 an acceleration in the pace of growth of households consumption was observed. In addition, investments went up slightly after two consecutive quarters of decrease. 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

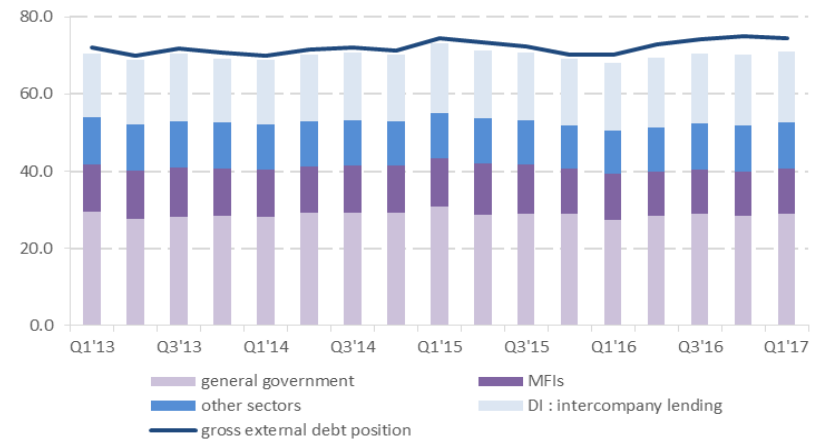
In the first quarter of 2017 GDP was 4.0% higher than a year ago as compared to 2.5% in the previous quarter. Domestic demand was the main source of GDP growth due to households consumption (contribution of 3.0 pp) and increase in inventories (0.7 pp). On the other hand, contribution to GDP of investments, which were 0.4% lower than a year before, was neutral. Due to higher imports than exports (in yoy terms) net exports positive contribution to GDP growth decreased (to 0.1 pp).



### Polish gross external debt position

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

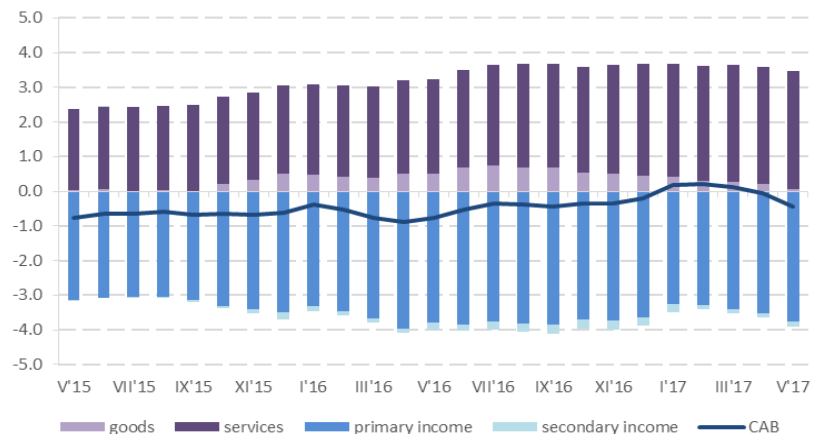
Gross external debt reached EUR 321.3bn (74.5% of GDP) at the end of the first quarter of 2017 and was EUR 3.1bn higher than in the previous quarter. The share of general government sector debt in total debt increased to 38.9%. Official reserve assets reached EUR 98.2bn at the end of May 2017 and remained broadly adequate covering over 5 months of imports.



### Current account balance

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

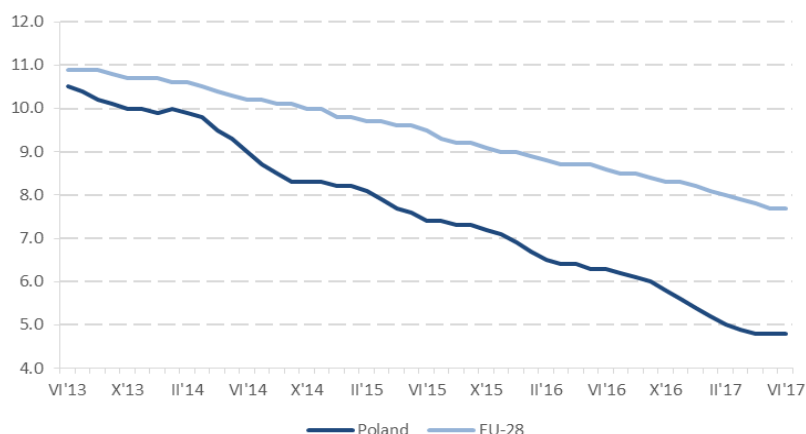
In May 2017, according to the preliminary data, current account deficit amounted to 0.4% of GDP (in 12-month terms of GDP). Data were below market expectations. The inflow of long-term capital also continued, i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on the capital account.



## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

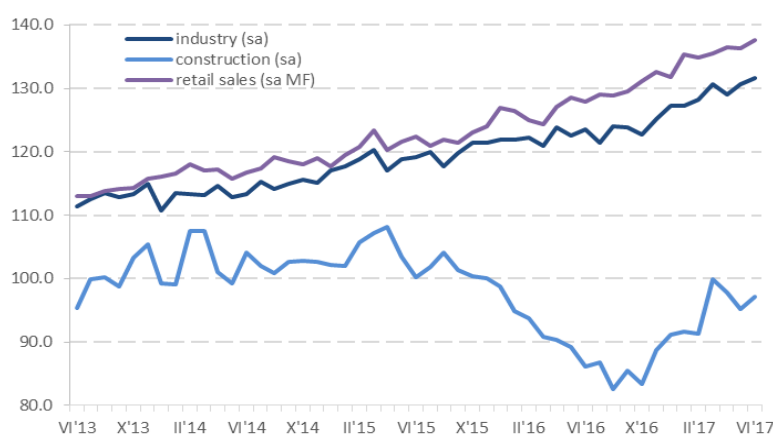
Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In June 2017 it amounted to 4.8% (versus 7.7% in EU on average) and was at the same level as in two previous months and 1.5 pp lower than a year earlier. Since April 2017 harmonised unemployment rate (sa) in Poland has been at the historically lowest level.



## Monthly indicators of the real sector

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

In June 2017 industrial output went up by 0.7% (mom, sa). As a result, production was 4.5% higher than a year ago (nsa). Data were slightly above market expectations. Construction production went up by 2.1% following decreases in two previous months (mom, sa). As a result its level was 11.6% (nsa) higher than a year before. Data exceeded expectations. Real retail sales increased by 0.9% (mom, sa MoF) following a small drop in the previous month. As a result its level was 5.8% (nsa) higher than in the same month of 2016. Data were somewhat below market expectations.



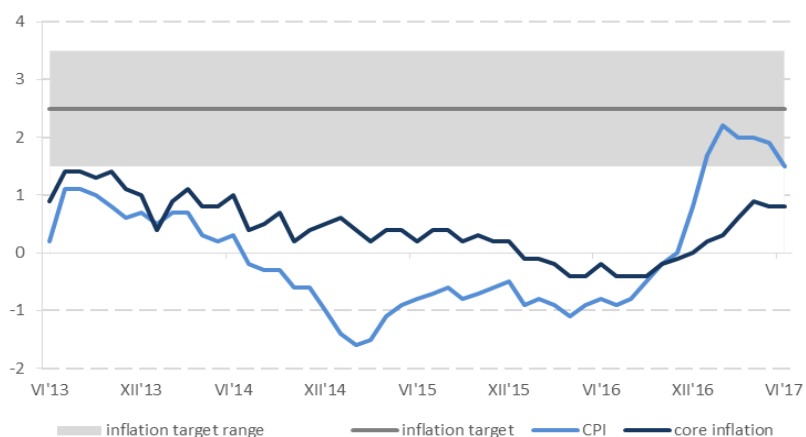
## Inflation

percent, yoy  
source: GUS, NBP

After CPI deflation (since July 2014 till October 2016), in the first quarter of 2017 inflation visibly accelerated to 2.0%, in line with increase of commodity prices. In the second quarter inflation rate decreased to 1.8% and in June to 1.5% (data were slightly lower than the market expectations).

Since the beginning of 2017 core inflation (CPI excluding food and energy prices) has been already positive and in June it was 0.8% (yoy).

After almost 4 years of deflation in producer prices, since September 2016, these prices have been rising rapidly and in the first quarter of 2017 they were higher than a year before by 4.4%. In the second quarter annual rate decreased to 2.8% (in June to 1.8%).

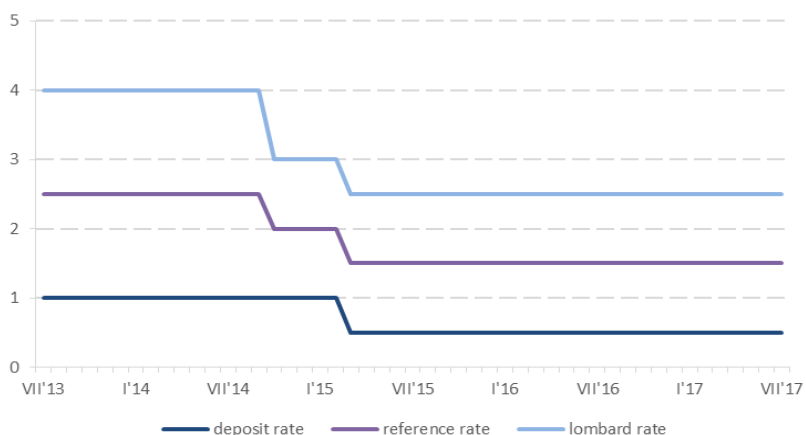


## NBP interest rates

percent, end of period  
source: NBP

In July 2017 the Monetary Policy Council kept NBP's interest rates unchanged with the reference rate at 1.50%. The decision was in line with market expectations. In the Council's assessment, the current level of interest rates is conducive to keeping Polish economy on the sustainable growth path and maintaining macroeconomic balance.

The latest Reuters' poll median forecast (July, 3rd) sees no NBP rate move till the end of the third quarter of 2018.



## II. STATISTICAL DATA

	Unit	2015 Q04	2016 Q01	Q02	Q03	Q04	2017 Q01
<b>GDP</b>							
Gross domestic product	Y oY	4.6	2.9	3.0	2.4	2.5	4.0
	QoQ SA	0.9	-0.1	1.0	0.4	1.7	1.1
Final consumption expenditure of the households sector	Y oY	2.9	3.4	3.4	4.1	4.5	4.7
	QoQ SA	0.8	1.0	0.9	1.3	1.2	1.4
Final consumption expenditure of the general government sector	Y oY	7.2	4.5	4.2	3.8	-0.2	1.0
	QoQ SA	2.4	1.0	-0.3	0.7	0.2	0.0
Gross fixed capital formation	Y oY	4.5	-9.8	-4.5	-6.7	-9.8	-0.4
	QoQ SA	0.9	-9.6	1.7	-0.7	-0.2	0.3
Exports of goods and services	Y oY	9.1	7.1	11.8	7.8	9.3	8.3
	QoQ SA	2.2	1.4	4.0	0.1	3.1	1.8
Imports of goods and services	Y oY	8.4	8.7	10.1	8.7	8.2	8.7
	QoQ SA	3.7	1.5	3.1	0.8	1.3	3.8
Gross value added	Y oY	4.5	2.7	2.8	2.2	2.5	3.7
	QoQ SA	0.8	0.5	0.4	0.6	1.6	0.5
<b>Contribution to GDP growth</b>							
Final consumption expenditure of the households sector	pp	1.4	2.2	2.0	2.5	2.2	3.0
Final consumption expenditure of the general government sector	pp	1.4	0.8	0.7	0.6	0.0	0.2
Gross fixed capital formation	pp	1.3	-1.4	-0.8	-1.3	-2.8	0.0
Changes in inventories	pp	0.1	1.8	-0.1	0.9	2.3	0.7
Balance of trade turnover	pp	0.4	-0.5	1.2	-0.3	0.8	0.1
Gross value added	pp	4.0	2.4	2.5	2.0	2.3	3.3
Taxes less subsidies	pp	0.6	0.5	0.5	0.4	0.2	0.7
<b>GDP structure</b>							
Final consumption expenditure of the households sector	% of GDP	48.8	64.2	58.8	60.2	50.1	64.9
Final consumption expenditure of the general government sector	% of GDP	19.5	17.4	17.7	17.3	19.0	16.9
Gross fixed capital formation	% of GDP	27.4	12.3	16.8	17.5	24.4	11.7
Changes in inventories	% of GDP	0.6	1.1	0.6	1.5	2.7	1.9
Exports of goods and services	% of GDP	46.3	53.9	54.5	52.4	49.0	56.4
Imports of goods and services	% of GDP	43.2	49.6	49.1	49.6	45.7	52.6
<b>Balance of payments</b>							
	Unit	2017 M01	M02	M03	M04	M05	M06
Goods: exports (EUR)	Y oY	14.3	5.7	15.1	1.4	14.5	-
Goods: imports (EUR)	Y oY	16.0	8.9	16.8	3.3	19.1	-
Current account balance <sup>1)</sup>	% of GDP	0.2	0.2	0.1	-0.1	-0.4	-
Balance on goods <sup>1)</sup>	% of GDP	0.4	0.3	0.3	0.2	0.1	-
Official Reserve Assets	EUR m	106 181.5	104 658.4	104 705.6	100 403.9	98 195.2	97 969.5
<b>Inflation</b>							
Consumer Price Index (CPI)	Y oY	1.7	2.2	2.0	2.0	1.9	1.5
Core inflation (CPI excluding food and energy prices)	Y oY	0.2	0.3	0.6	0.9	0.8	0.8
Producer Price Index (PPI)	Y oY	4.0	4.5	4.8	4.2	2.4	1.8
<b>Production</b>							
Sold production of industry <sup>2)</sup>	Y oY	9.1	1.1	11.1	-0.6	9.2	4.5
	MoM SA	0.0	0.8	1.9	-1.1	1.2	0.7
Construction and assembly production <sup>2)</sup>	Y oY	2.1	-5.3	17.2	4.3	8.4	11.6
	MoM SA	0.7	-0.4	9.4	-2.1	-3.2	2.1
Manufacturing PMI	SA	54.8	54.2	53.5	54.1	52.7	53.1
<b>Households and labour market</b>							
Retail sales <sup>2)</sup>	Y oY	9.5	5.2	7.9	6.7	7.4	5.8
Average paid employment in enterprise sector	Y oY	4.5	4.6	4.5	4.6	4.5	4.3
	MoM	2.8	0.3	0.1	0.2	0.0	0.2
Average monthly gross wages and salaries in enterprise sector (real)	Y oY	2.5	1.8	3.1	2.0	3.4	4.5
	MoM	-8.1	0.3	6.4	-2.2	-2.2	2.9
Harmonised unemployment rate (Eurostat)	%, SA	5.2	5.0	4.9	4.8	4.8	4.8
<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>							
<b>State Treasury debt</b>							
	Unit	2016 M12	2017 M01	M02	M03	M04	M05
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	928 666.2	930 061.2	945 151.0	941 428.3	942 547.6	940 531.3
Domestic debt	face value, PLN m	609 202.9	617 912.8	633 076.6	639 484.5	643 216.2	647 158.6
	%	65.6	66.4	67.0	67.9	68.2	68.8
Foreign debt	face value, PLN m	319 463.2	312 148.3	312 074.5	301 943.8	299 331.4	293 372.6
	%	34.4	33.6	33.0	32.1	31.8	31.2
<b>Public debt (domestic definition)</b>							
	Unit	2015 Q04	2016 Q01	Q02	Q03	Q04	2017 Q01 <sup>1)</sup>
Public debt (acc. to the place of issue criterion)	face value, PLN m	877 282.4	899 250.3	936 951.4	939 584.5	965 198.1	975 274.3
Domestic debt	face value, PLN m	570 482.6	600 024.1	614 898.8	624 358.2	630 170.8	658 005.7
	%	65.0	66.7	65.6	66.5	65.3	67.5
Foreign debt	face value, PLN m	306 799.8	299 226.2	322 052.6	315 226.3	335 027.4	317 268.6
	%	35.0	33.3	34.4	33.5	34.7	32.5
<b>General Government debt (EU definition)</b>							
General Government debt	face value, PLN m	919 576.5	938 481.7	977 839.1	978 443.2	1 006 272.3	1 013 571.4

1) Interim data  
Source: MoF

### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Gross borrowing requirements in 2017

Financing of the State budget borrowing requirements at the level of ca. 71% was a result of:

- T-bond sale on domestic market: PLN 57.1bn,
- switch auctions in 2017: PLN 12.5bn,
- 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.

\* 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 August

as of July 31, 2017, PLN bn

Value of funds transferred from the State budget to the market in August shall amount to PLN 6.1bn, of which:

- TS redemptions: PLN 6.0bn,
- interest payments: PLN 0.1bn.

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

as of July 31, 2017, PLN bn

As of July 31, 2017, to the end of the year the funds to be transferred to the market shall amount to PLN 27.5bn.

\* 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.

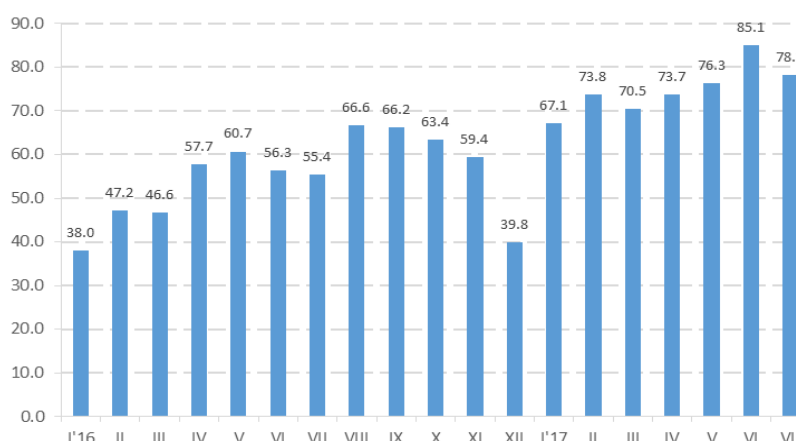
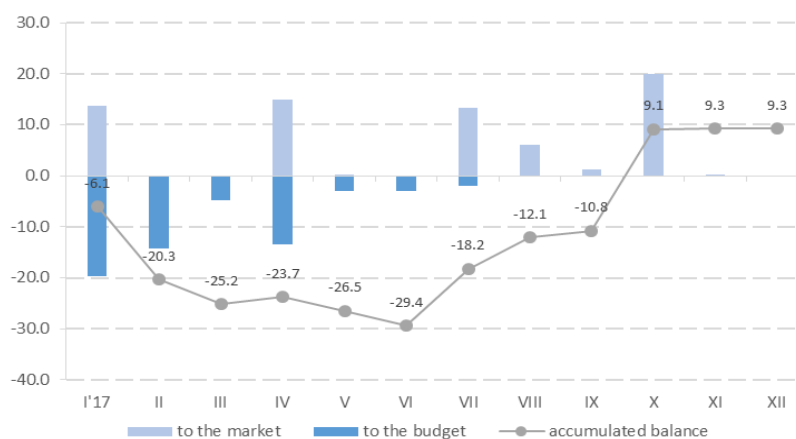
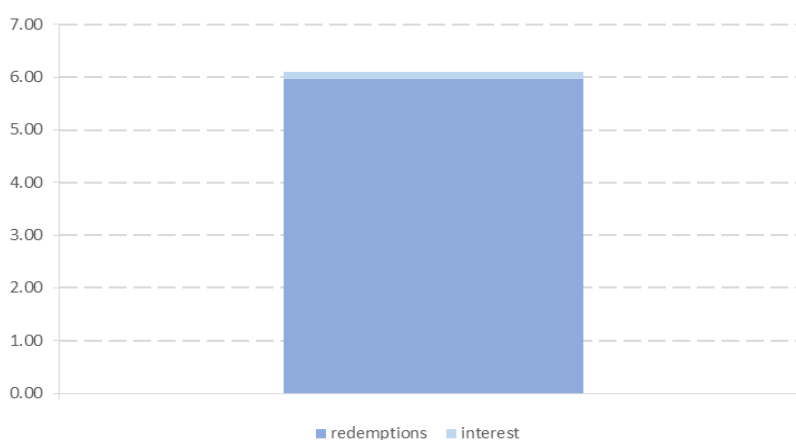
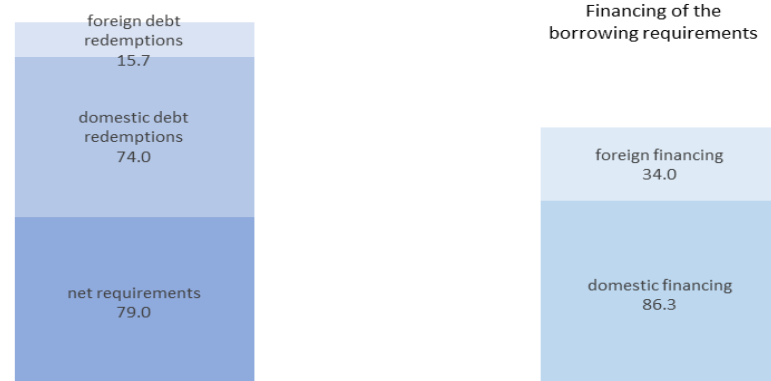
#### Funds in PLN and in foreign currency on budgetary accounts at the end of month

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:

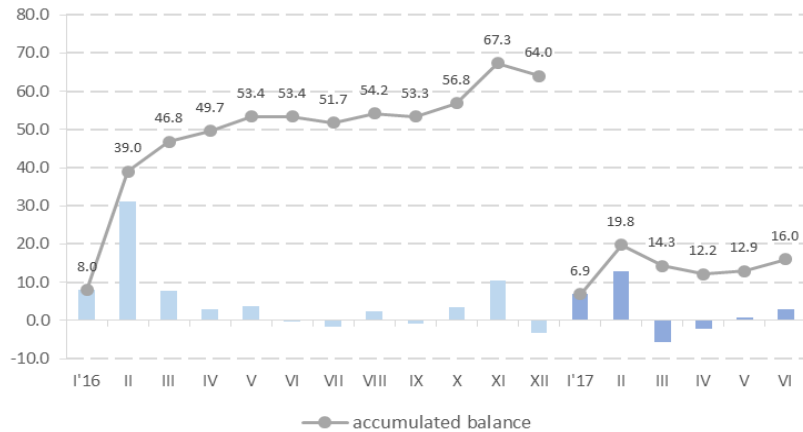




### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

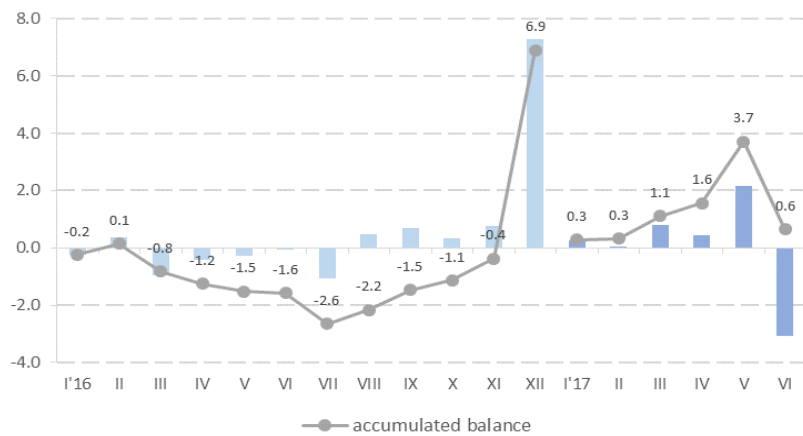
#### Change of debt in domestic Treasury securities held by banks without buy-sell-back transactions with MoF, PLN bn

In the period of I-VI 2017 debt held by domestic banks increased by PLN 16.0bn comparing to PLN 53.4bn increase during the same period of 2016.



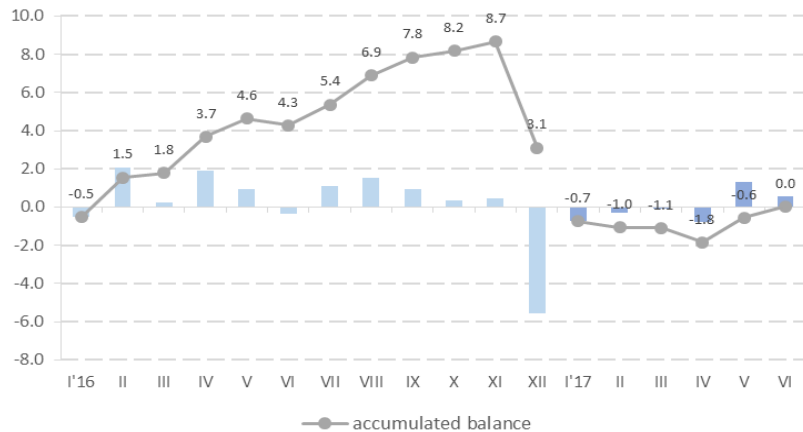
#### Change of debt in domestic Treasury securities held by insurance companies PLN bn

In the period of I-VI 2017 there was an increase of PLN 0.6bn in debt held by insurance companies. During the same period of 2016 there was a decrease of PLN 1.6bn.



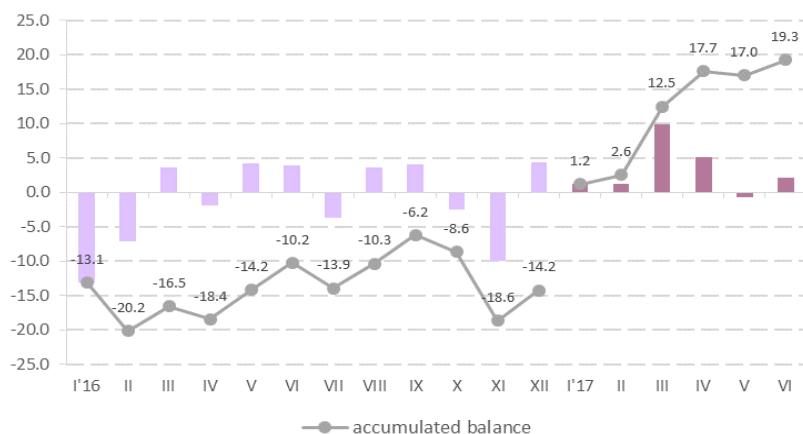
#### Change of debt in domestic Treasury securities held by investment funds PLN bn

In the period of I-VI 2017 there was no change in debt held by investment funds. During the same period of 2016 there was an increase of PLN 4.3bn.



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

In the period of I-VI 2017 inflow of foreign capital to the domestic TS market amounted to PLN 19.3bn comparing to outflow of PLN 10.2bn in the same period of 2016. Foreign investors' holdings reached the level of PLN 211.8bn.



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

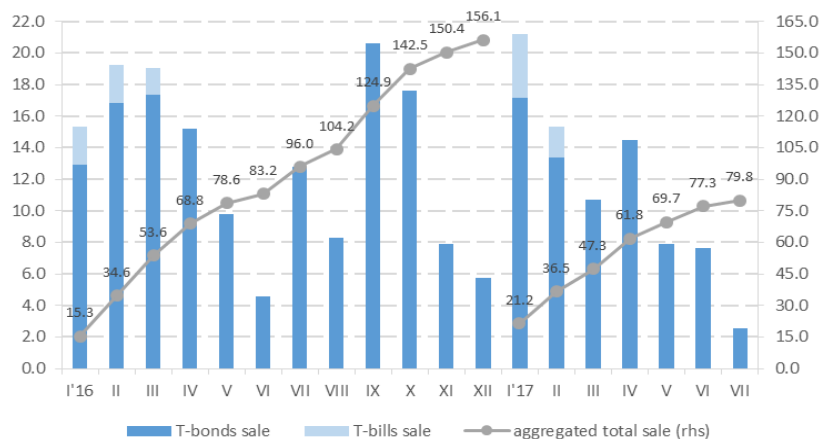


#### Sale of T-bonds and T-bills in the period of I-VII 2017 and 2016

*auction date, nominal amount, PLN bn*

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

- T-bonds amounted to PLN 73.9bn versus PLN 89.5bn in the same period of 2016,
- T-bills amounted to PLN 6.0bn versus PLN 6.5bn in the same period of 2016.

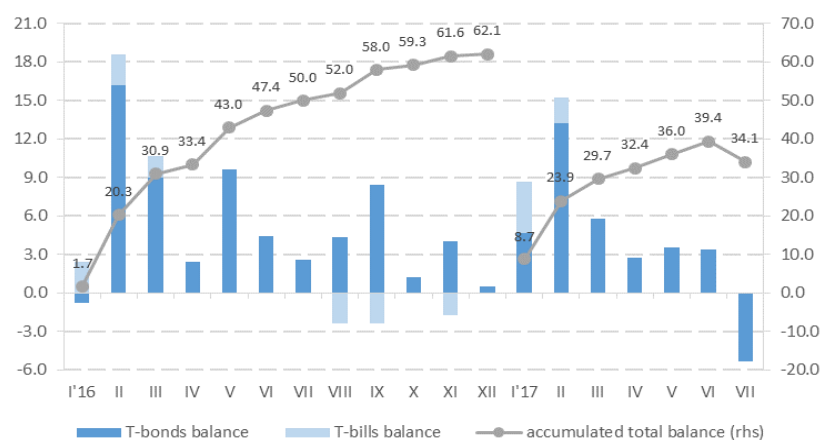


#### Balance of T-bonds and T-bills in the period of I-VII 2017 and 2016

*auction date, nominal amount, PLN bn*

In the period of I-VII 2017 indebtedness in:

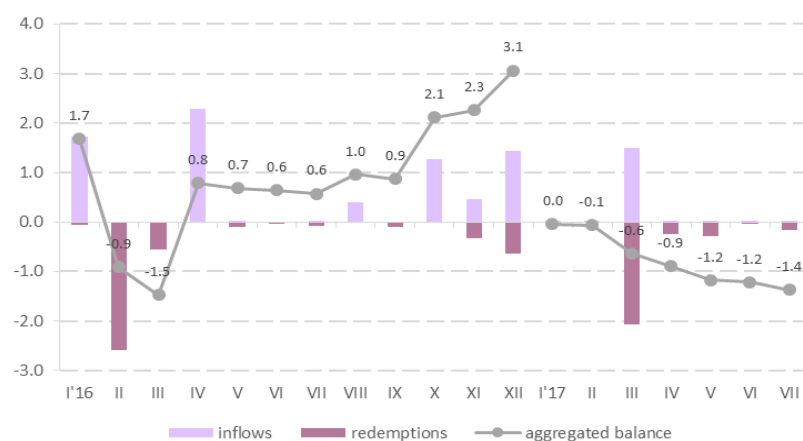
- T-bonds increased by PLN 28.1bn,
- T-bills increased by PLN 6.0bn.



#### External financing in the period of I-VII 2017 and 2016

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

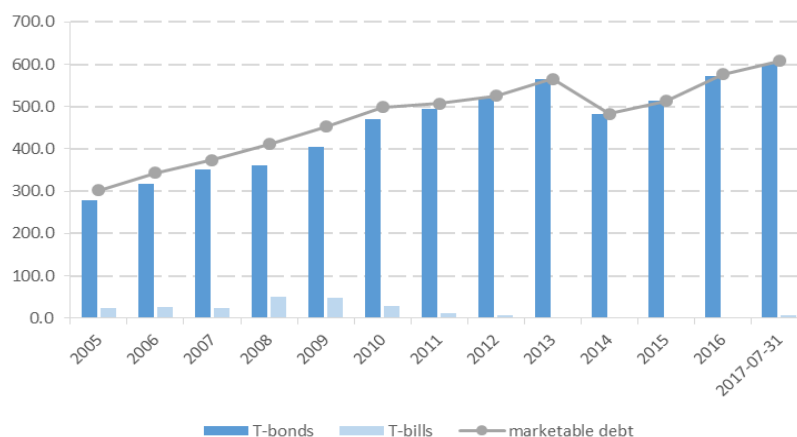
Net financing on foreign markets in the period of I-VII 2017 was negative and amounted to EUR 1.4bn, which resulted from negative balance of T-bonds issuance of EUR 1.0bn and negative balance of loans incurred from IFIs at the level of EUR 0.4bn.



#### Structure of marketable debt

*PLN bn*

At the end of July 2017 the marketable domestic debt amounted to PLN 608.6bn comparing to PLN 576.7bn at the end of 2016.



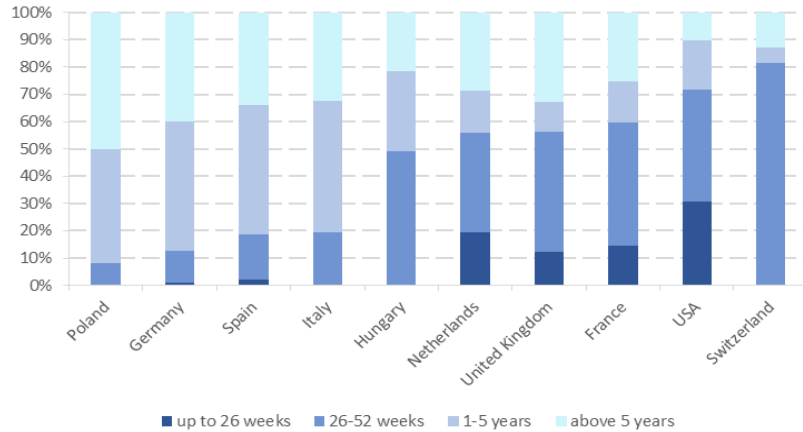


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

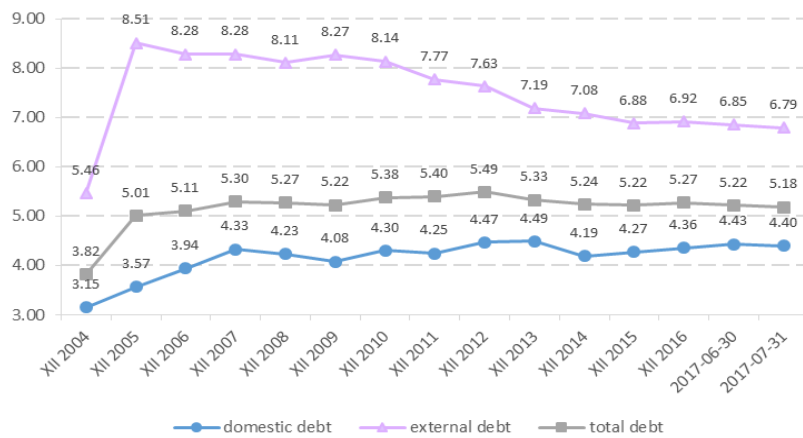
auctions and syndicates, local currency, ytd in the period of January 1 - July 31, 2017

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



#### Average maturity

At the end of July 2017 the average maturity of domestic debt amounted to 4.40 (while at the end of 2016 it was 4.36). The average of total debt decreased to 5.18 (5.27 at the end of 2016).

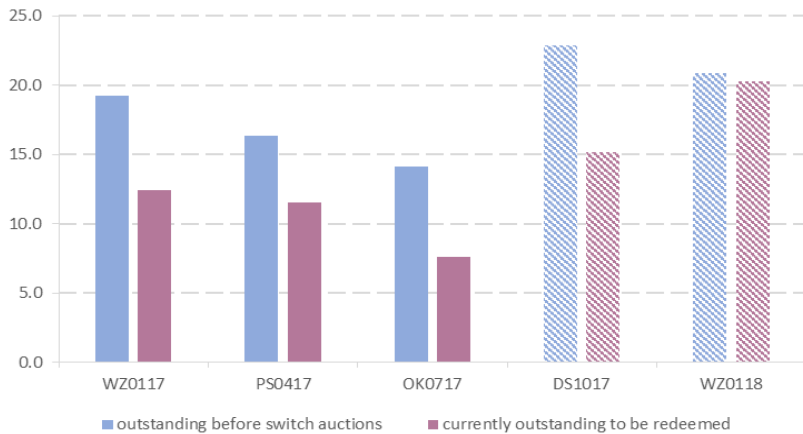


#### Reducing refinancing risk connected with T-bonds' redemptions maturing in 2017 and 2018

as of July 31, 2017, nominal amount, PLN bn

Buy-back of T-bonds maturing in 2017 and 2018 (by switch):

- WZ0117: PLN 6.8bn (35%),
- PS0417: PLN 4.9bn (30%),
- OK0717: PLN 6.5bn (46%),
- DS1017: PLN 7.8bn (34%),
- WZ0118: PLN 0.6bn (3%).

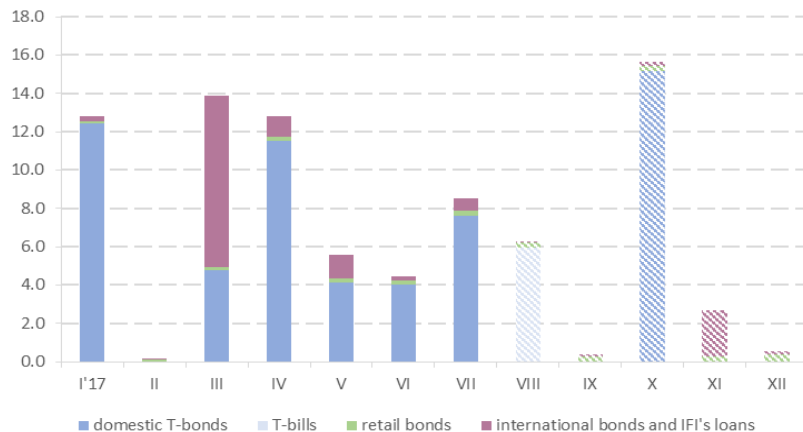


#### State Treasury debt redemptions in 2017

as of July 31, 2017, nominal amount, PLN bn

The nominal amount of debt to be redeemed in 2017 is equal to PLN 25.5bn, including:

- T-bonds: PLN 15.2bn,
- T-retail bonds: PLN 1.4bn,
- T-bills: PLN 6.0bn,
- bonds and loans incurred on foreign markets: PLN 3.0bn.





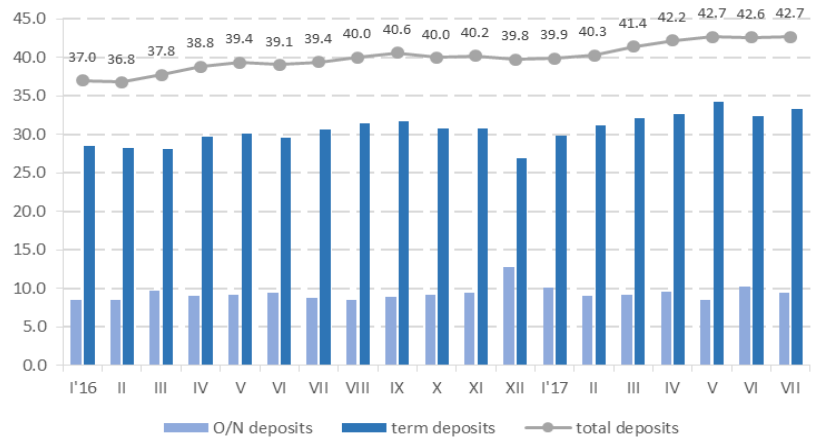
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Consolidation of public finances liquidity management

PLN bn

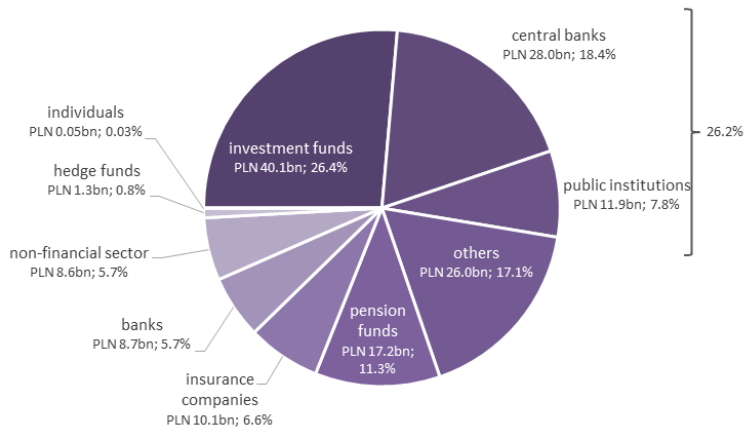
As a result of consolidation of public finances liquidity management there were PLN 42.7bn funds accumulated at the end of July 2017, of which PLN 33.3bn was as term deposits and PLN 9.4bn on O/N deposits.



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

as of June 30, 2017, the chart presents data excluding omnibus accounts

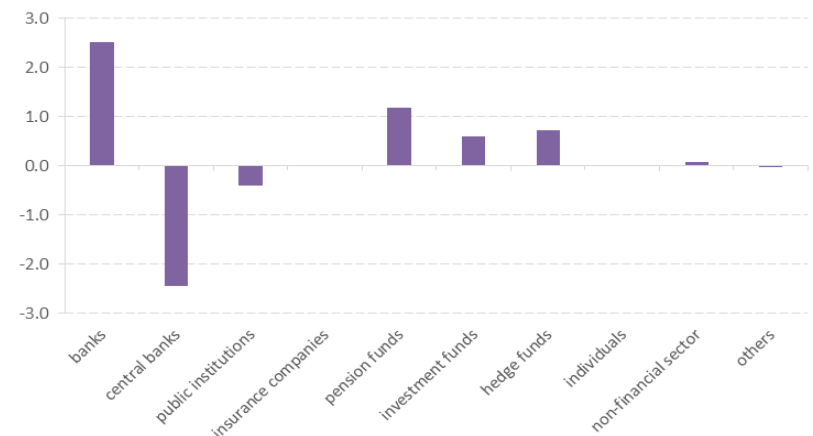
In June 2017 the non-residents' share in the domestic Treasury securities market increased by PLN 2.2bn. The foreign investors' portfolio amounted to PLN 211.7bn which constituted 33.8% share in total debt in Treasury securities (33.6% in the previous month). As of the end of June 2017 central banks and public institutions' share in foreign holdings amounted to 26.2%.



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

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

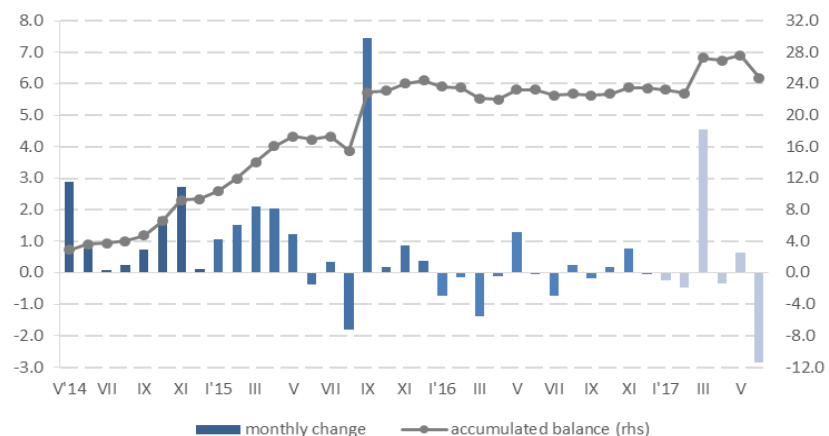
In June 2017 the highest increase recorded banks (PLN 2.5bn). The highest decrease was recorded by central banks (PLN 2.4bn).



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

change in June 2017, PLN bn

In June 2017 central banks and public institutions' involvement in the Polish debt market decreased by PLN 2.8bn. Since the end of April 2014 to the end of June 2017, when the detailed information is available, portfolios of those entities increased by PLN 24.7bn.



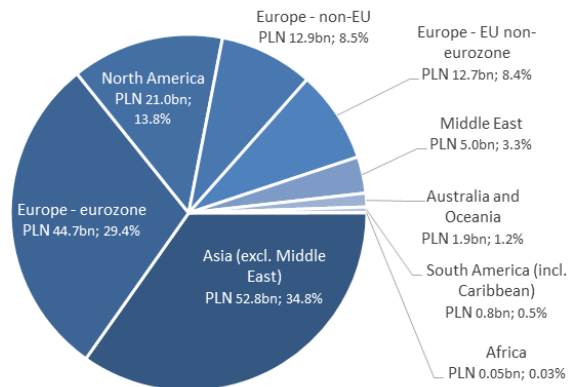


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

as of June 30, 2017, the chart presents data excluding omnibus accounts

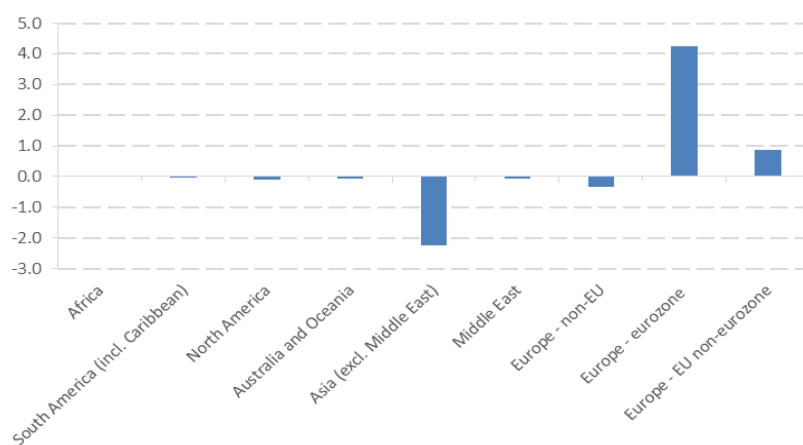
Geographical structure of domestic Treasury securities held by non-residents, as well as institutional distribution, is well-diversified.



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

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

In June 2017 the highest increase was recorded by investors from Eurozone countries (PLN 4.2bn). The highest decrease was noted by investors from Asia (PLN 2.2bn).



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

as of June 30, 2017, excluding omnibus accounts and central banks, countries with more than 1% share

Countries	Outstanding in nominal value (PLN m)	Share in non-residents holdings (%)
Japan	21 924.4	17.7%
United States	19 994.7	16.1%
Luxembourg	18 269.0	14.7%
Norway	11 093.0	9.0%
United Kingdom	9 091.8	7.3%
Ireland	8 386.4	6.8%
Germany	6 568.2	5.3%
Netherlands	5 918.1	4.8%
United Arab Emirates	2 415.9	1.9%
Austria	2 312.2	1.9%
Hong Kong	2 214.5	1.8%
Denmark	1 918.0	1.5%
Australia	1 744.0	1.4%
France	1 703.9	1.4%
Switzerland	1 567.9	1.3%
Others	8 797.3	7.1%
<b>Total</b>	<b>123 919.3</b>	<b>100.0%</b>

#### MoF comment

**Piotr Nowak, Undersecretary of State, MoF**  
31-07-2017

(...) Because of the persisting very good budget liquidity situation and current level of financing of the borrowing needs, there will be no sale auctions in August. We will organize one switch auction only. Similarly to the previous months, we do not plan any T-bill auctions.

In June foreign investors increased their portfolios of PLN denominated Treasury securities by PLN 2.2bn, in case of T-bonds with maturity above 3 years the inflow of PLN 2.4bn was recorded.

## IV. SUPPLY PLAN OF TREASURY SECURITIES IN JUNE 2017



### T-bond sale auctions

Sale auctions of T-bonds are not planned.

### Treasury bond switching auction

Auction/ settlement date	Settlement T-bond	Source T-bond	Outstanding* (PLN m)
3 AUG 2017/ 7 AUG 2017	OK0419 / PS0123 / WZ1122/ WZ0126 / DS0727 / WS0447	DS1017	14,069
		WZ0118	17,767
		PS0418	18,021

\* after auction settlement

### T-bill auctions

Sale auctions of T-bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
DOS0819	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.10%
TOZ0820	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.20% in the first coupon period
COI0821	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.40% in the first coupon period
EDO0827	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.70% in the first coupon period
ROS0823	PLN 100.00	Floating (inflation rate + 1.75%) 2.80% in the first coupon period
ROD0829	PLN 100.00	Floating (inflation rate + 2.00%) 3.20% in the first coupon period