



Ministry  
of Finance

Republic  
of Poland

Public Debt Department

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

September 2017

### THE MOST IMPORTANT INFORMATION

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



## I. MACROECONOMIC SITUATION

### Gross domestic product of Poland

constant prices, yoy  
source: GUS

In the second quarter of 2017 GDP went up by 1.1% (qoq, sa) similarly to the previous quarter. Data were in line with GUS flash estimate. In the second quarter of 2017 growth of households consumption remained strong and a slight acceleration in investments dynamics was observed. Increase in private consumption was a consequence of a positive labour market situation, robust sentiment of consumers and implementation of family support programme "Family 500+". Weak dynamics of investments activity stemmed from low absorption of EU funds due to 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 second quarter of 2017 GDP was 3.9% higher than a year ago as compared to 4.0% in the previous quarter. Domestic demand was the only source of GDP growth on the back of households consumption (contribution of 2.9 pp) and strong increase in inventories (1.9 pp). Contribution to GDP of investments, which were only 0.8% higher than a year before, was also slightly positive. Net exports contribution to GDP growth was negative (1.5 pp) due to significantly higher imports than exports dynamics (in yoy terms).

### Polish gross external debt position

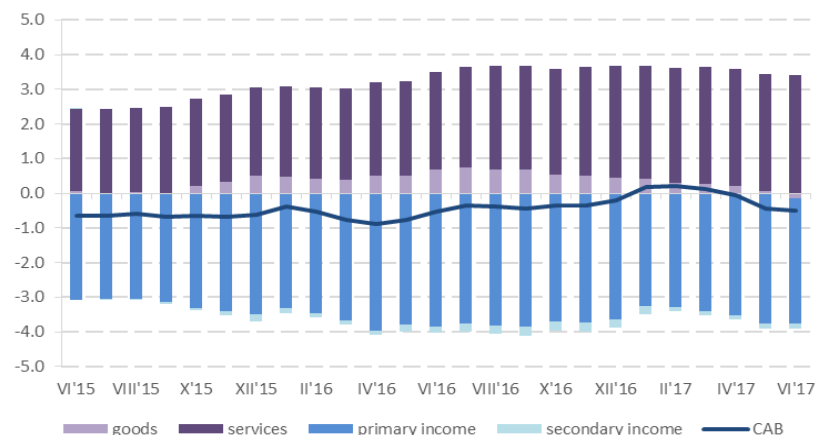
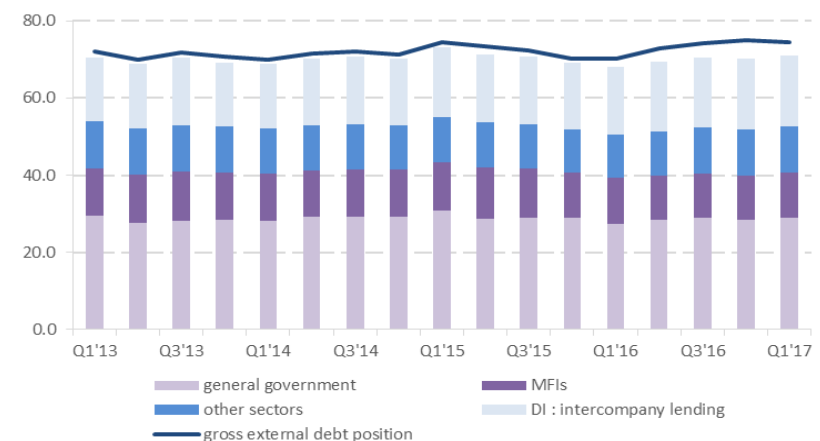
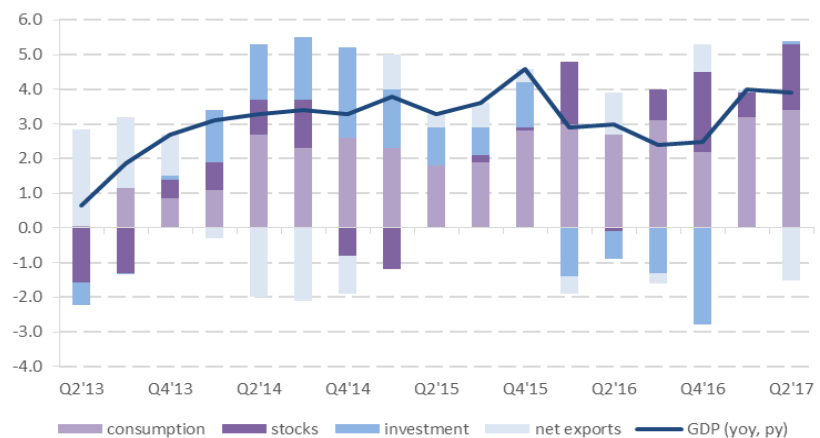
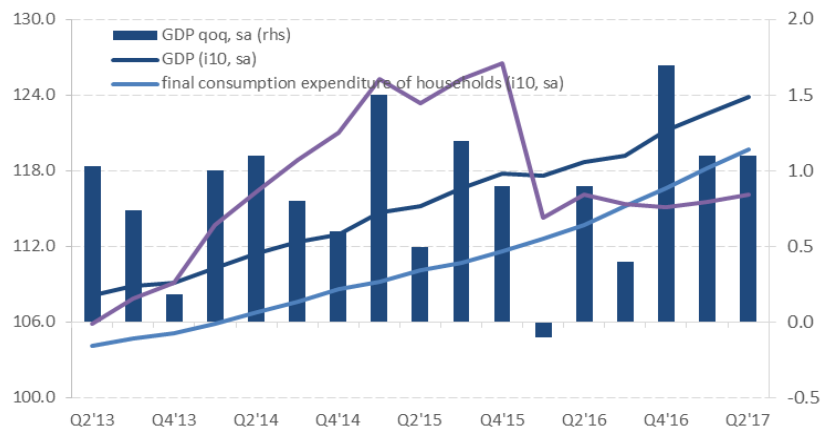
percent of GDP  
source: NBP, GUS, MoF own calculation

At the end of the first quarter of 2017 gross external debt reached EUR 321.3bn (74.5% of GDP) 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%. At the end of June 2017 official reserve assets reached EUR 98.0bn 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 June 2017, according to the preliminary data, current account deficit amounted to 0.5% of GDP (in 12-month terms of GDP). Data were below market expectations. C/A deficit was fully covered by long term capital, i.e. inflow of direct investments of non-residents and inflow of EU structural funds classified on the capital account.

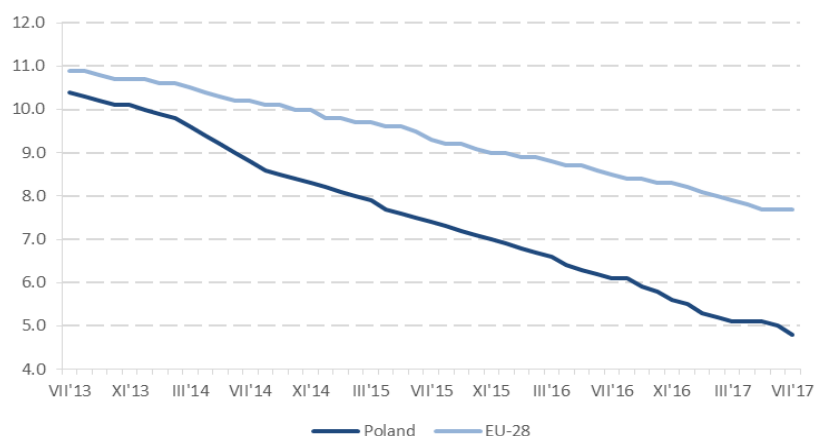




## Harmonised unemployment rate

percent, seasonally adjusted data  
source: Eurostat

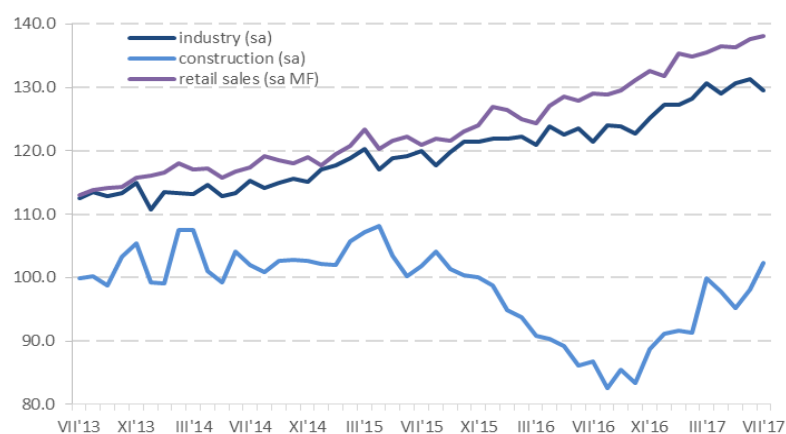
Harmonised unemployment rate (sa) has continued its downward trend since mid-2013. In July 2017 it amounted to 4.8% (versus 7.7% in EU on average) and was 0.2 pp lower than a month before and 1.3 pp lower than a year earlier. In July 2017 harmonised unemployment rate (sa) in Poland reached the historically lowest level.



## Monthly indicators of the real sector

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

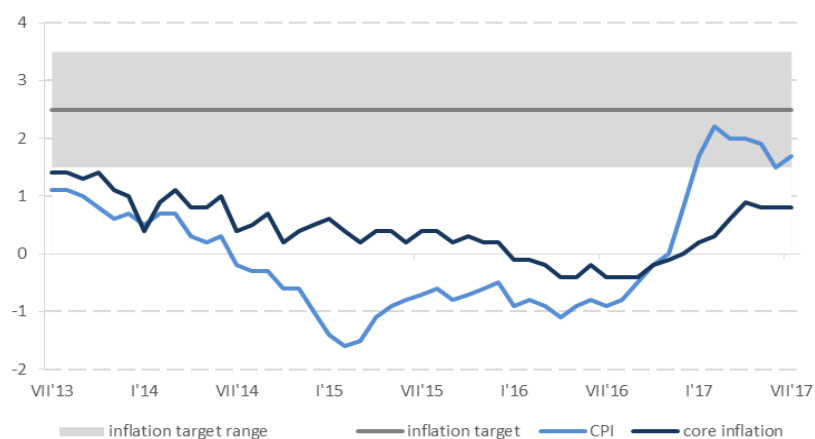
In July 2017 industrial output went down by 1.2% (mom, sa). As a result, production was 6.2% higher than a year ago (nsa). Data were below market expectations. Construction production went up by 4.3% following a rebound in the previous month (mom, sa). As a result, its level was 19.8% (nsa) higher than a year before. Data beat expectations. Real retail sales increased by 0.3% (mom, sa MoF) following a relatively high growth in the previous month. As a result their level was 6.8% (nsa) higher than in the same month of 2016. Data were close to market expectations.



## Inflation

percent, yoy  
source: GUS, NBP

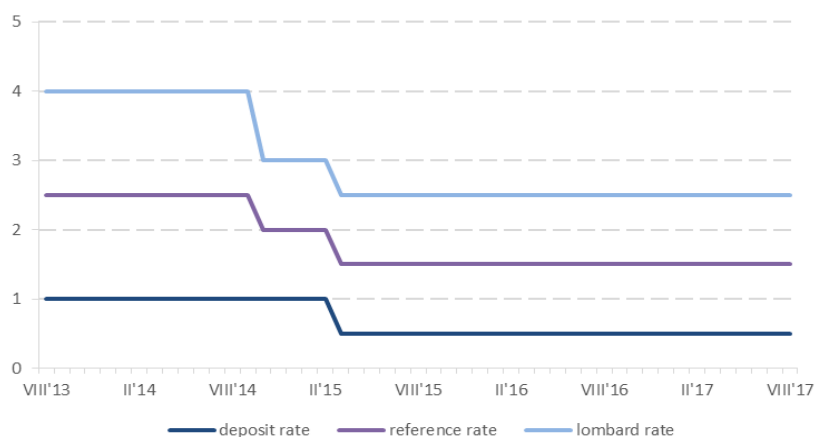
After CPI deflation (since July 2014 till October 2016), in the first quarter of 2017, in line with commodity prices increase, inflation visibly accelerated to 2.0%. In the second quarter inflation rate decreased to 1.8% and in July to 1.7% (data were slightly higher than market expectations). Since the beginning of 2017 core inflation (CPI excluding food and energy prices) has been positive and in the last three months 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 were higher than a year before by 4.4%. In the second quarter of 2017 annual dynamics decreased to 2.8%



## 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 (August, 31th) sees no NBP rate move till the end of the third quarter of 2018.





## II. STATISTICAL DATA

	Unit	2016				2017			
		Q01	Q02	Q03	Q04	Q01	Q02		
<b>GDP</b>									
Gross domestic product	Y oY	2.9	3.0	2.4	2.5	4.0	3.9		
	QoQ SA	-0.1	0.9	0.4	1.7	1.1	1.1		
Final consumption expenditure of the households sector	Y oY	3.4	3.4	4.1	4.5	4.7	4.9		
	QoQ SA	1.0	0.9	1.3	1.2	1.3	1.3		
Final consumption expenditure of the general government sector	Y oY	4.5	4.2	3.8	-0.2	1.0	2.4		
	QoQ SA	1.0	-0.6	1.1	0.3	0.1	1.5		
Gross fixed capital formation	Y oY	-9.8	-4.5	-6.7	-9.8	-0.4	0.8		
	QoQ SA	-9.6	1.6	-0.7	-0.2	0.3	0.5		
Exports of goods and services	Y oY	7.1	11.8	7.8	9.3	8.3	2.8		
	QoQ SA	1.2	4.8	-0.4	2.5	1.2	0.0		
Imports of goods and services	Y oY	8.7	10.1	8.7	8.2	8.7	6.1		
	QoQ SA	1.4	3.6	0.6	1.1	3.6	0.1		
Gross value added	Y oY	2.7	2.8	2.2	2.5	3.7	3.7		
	QoQ SA	0.5	0.2	0.7	1.7	0.7	1.4		
<b>Contribution to GDP growth</b>									
Final consumption expenditure of the households sector	pp	2.2	2.0	2.5	2.2	3.0	2.9		
Final consumption expenditure of the general government sector	pp	0.8	0.7	0.6	0.0	0.2	0.5		
Gross fixed capital formation	pp	-1.4	-0.8	-1.3	-2.8	0.0	0.1		
Changes in inventories	pp	1.8	-0.1	0.9	2.3	0.7	1.9		
Balance of trade turnover	pp	-0.5	1.2	-0.3	0.8	0.1	-1.5		
Gross value added	pp	2.4	2.5	2.0	2.3	3.3	3.2		
Taxes less subsidies	pp	0.5	0.5	0.4	0.2	0.7	0.7		
<b>GDP structure</b>									
Final consumption expenditure of the households sector	% of GDP	64.2	58.8	60.2	50.1	64.9	59.4		
Final consumption expenditure of the general government sector	% of GDP	17.4	17.7	17.3	19.0	16.9	17.4		
Gross fixed capital formation	% of GDP	12.3	16.8	17.5	24.4	11.7	16.2		
Changes in inventories	% of GDP	1.1	0.6	1.5	2.7	2.0	2.4		
Exports of goods and services	% of GDP	53.9	54.5	52.4	49.0	56.4	54.1		
Imports of goods and services	% of GDP	49.6	49.1	49.6	45.7	52.6	50.2		
<b>Balance of payments</b>									
	Unit	2017		M02	M03	M04	M05	M06	M07
Goods: exports (EUR)	Y oY	5.7	15.1	1.4	16.2	8.7	-	-	-
Goods: imports (EUR)	Y oY	8.9	16.8	3.3	21.4	15.0	-	-	-
Current account balance <sup>1)</sup>	% of GDP	0.2	0.1	-0.1	-0.5	-0.5	-	-	-
Balance on goods <sup>1)</sup>	% of GDP	0.3	0.3	0.2	0.1	-0.1	-	-	-
Official Reserve Assets	EUR m	104 658.4	104 705.6	100 403.9	98 195.2	97 969.5	93 577.6	-	-
<b>Inflation</b>									
Consumer Price Index (CPI)	Y oY	2.2	2.0	2.0	1.9	1.5	1.7	-	-
Core inflation (CPI excluding food and energy prices)	Y oY	0.3	0.6	0.9	0.8	0.8	0.8	-	-
Producer Price Index (PPI)	Y oY	4.5	4.8	4.2	2.4	1.8	2.2	-	-
<b>Production</b>									
Sold production of industry <sup>2)</sup>	Y oY	1.1	11.1	-0.6	9.2	4.4	6.2	-	-
	MoM SA	0.8	1.9	-1.1	1.2	0.5	-1.2	-	-
Construction and assembly production <sup>2)</sup>	Y oY	-5.3	17.2	4.3	8.4	11.6	19.8	-	-
	MoM SA	-0.4	9.4	-2.1	-2.7	3.2	4.3	-	-
Manufacturing PMI	SA	54.2	53.5	54.1	52.7	53.1	52.3	-	-
<b>Households and labour market</b>									
Retail sales <sup>2)</sup>	Y oY	5.2	7.9	6.7	7.4	5.8	6.8	-	-
Average paid employment in enterprise sector	Y oY	4.6	4.5	4.6	4.5	4.3	4.5	-	-
	MoM	0.3	0.1	0.2	0.0	0.2	0.3	-	-
Average monthly gross wages and salaries in enterprise sector (real)	Y oY	1.8	3.1	2.0	3.4	4.5	3.1	-	-
	MoM	0.3	6.4	-2.2	-2.2	2.9	0.1	-	-
Harmonised unemployment rate (Eurostat)	%, SA	5.2	5.1	5.1	5.1	5.0	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	2017		M01	M02	M03	M04	M05	M06
State Treasury debt (acc. to the place of issue criterion)	face value, PLN m	930 061.2	945 151.0	941 428.3	942 547.6	940 531.3	945 695.5	-	-
Domestic debt	face value, PLN m	617 912.8	633 076.6	639 484.5	643 216.2	647 158.6	650 210.3	-	-
	%	66.4	67.0	67.9	68.2	68.8	68.8	-	-
Foreign debt	face value, PLN m	312 148.3	312 074.5	301 943.8	299 331.4	293 372.6	295 485.2	-	-
	%	33.6	33.0	32.1	31.8	31.2	31.2	-	-
<b>Public debt (domestic definition)</b>									
	Unit	2015		2016		2017			
		Q04	Q01	Q02	Q03	Q04	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 72% (acc. to the Budget Act) and 85% (acc. to the budget execution estimate) was a result of:

- T-bond sale on domestic market: PLN 57.6bn,
- switch auctions in 2017: PLN 13.7bn,
- T-bond sale on foreign markets: PLN 6.4bn (EUR 1.5bn),
- loans incurred from IFIs: PLN 0.2bn,
- switch auctions in 2016: PLN 13.4bn,
- and higher than planned financial resources at the end of 2016: PLN 30.8bn.

<sup>1</sup> Net requirements acc. to the Budget Act; debt redemptions as of December 31, 2016 (total: PLN 168.7bn).  
<sup>2</sup> Budget execution estimate from the 2018 Budget Act

#### Flows of funds into the market related to domestic T-securities transfers in September as of August 31, 2017, PLN bn

Value of funds transferred from the State budget to the market in September shall amount to PLN 1.3bn (as interest payments).

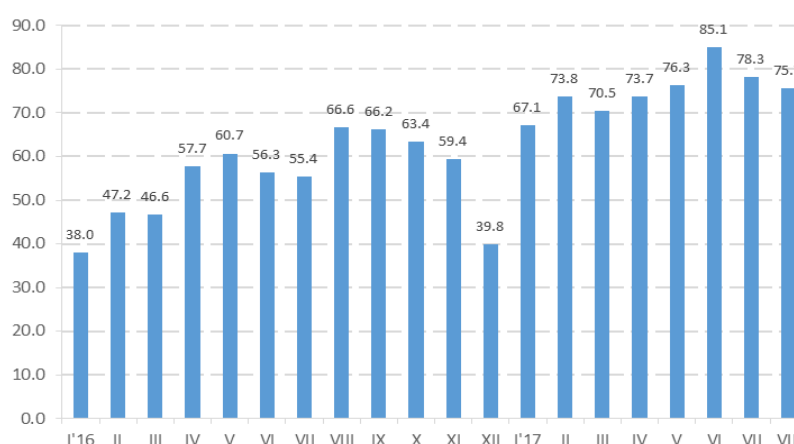
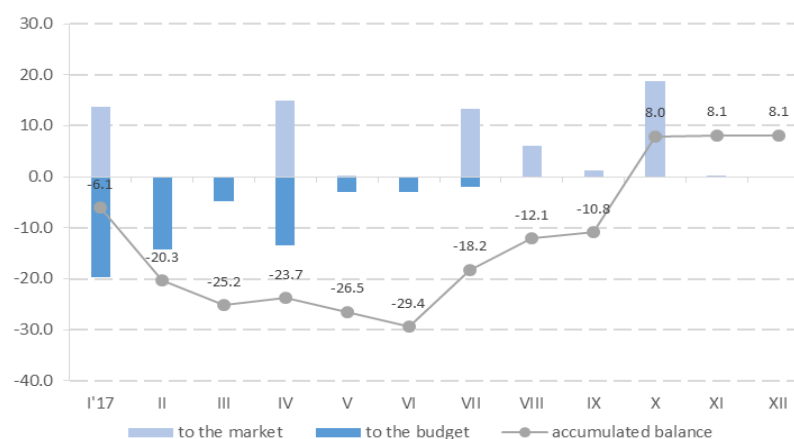
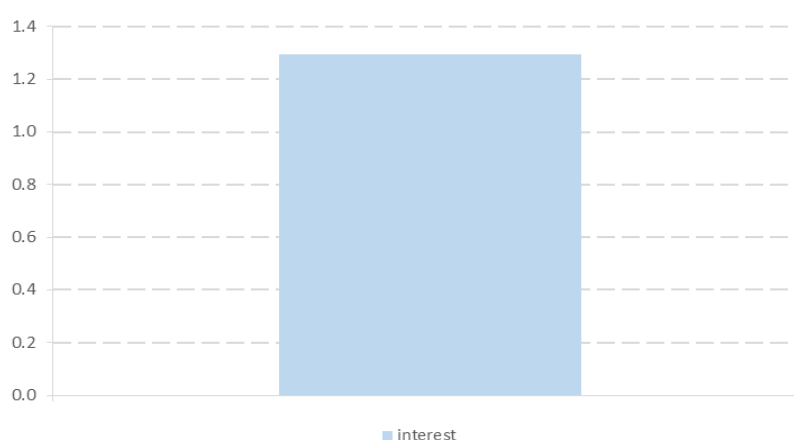
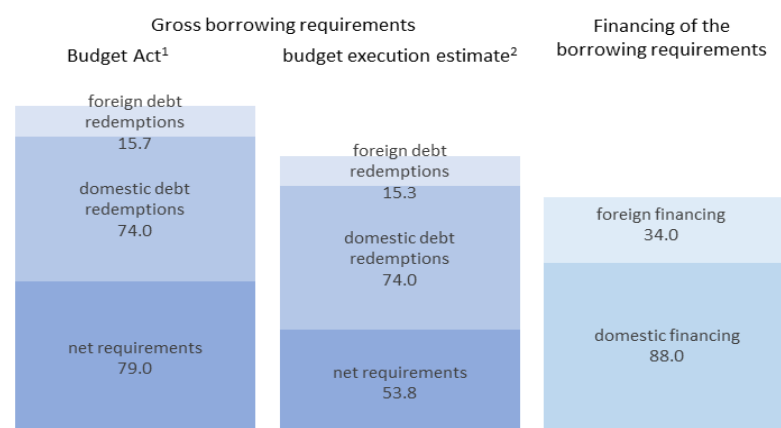
#### Flows of funds between the market and the budget\* as of August 31, 2017, PLN bn

As of August 31, 2017 to the end of the year the funds to be transferred to the market shall amount to PLN 20.2bn.

\* 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.



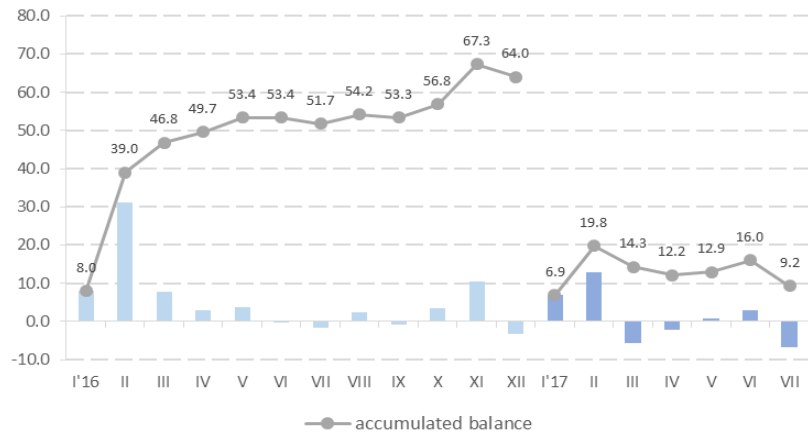


### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

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

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

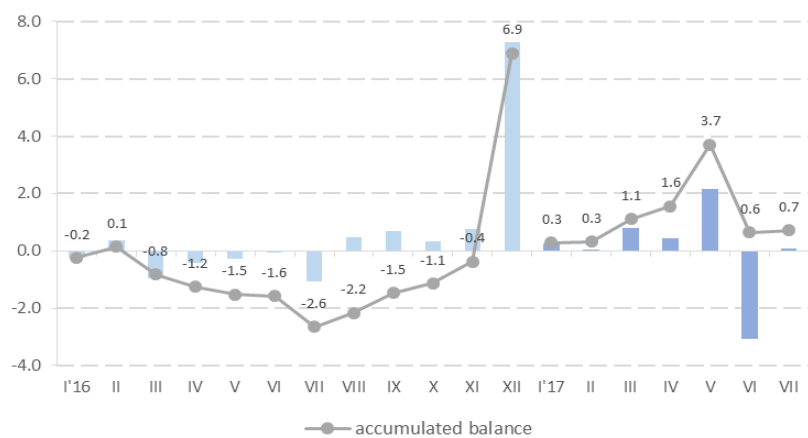
In the period of I-VII 2017 debt held by domestic banks increased by PLN 9.2bn comparing to PLN 51.7bn increase during the same period of 2016.



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

PLN bn

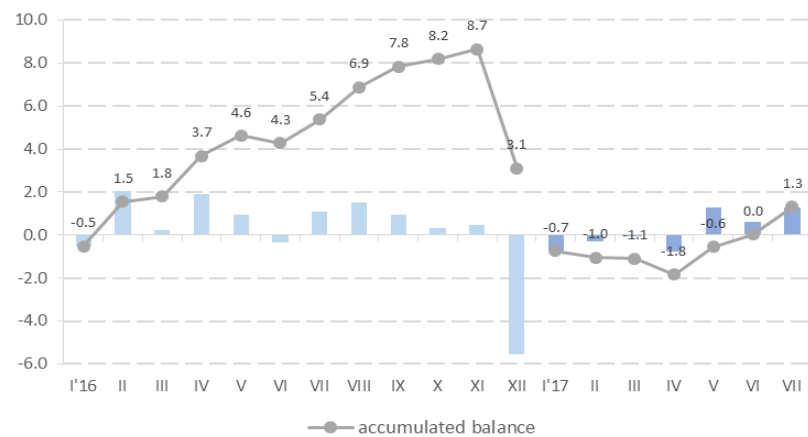
In the period of I-VII 2017 there was an increase of PLN 0.7bn in debt held by insurance companies. During the same period of 2016 there was a decrease of PLN 2.6bn.



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

PLN bn

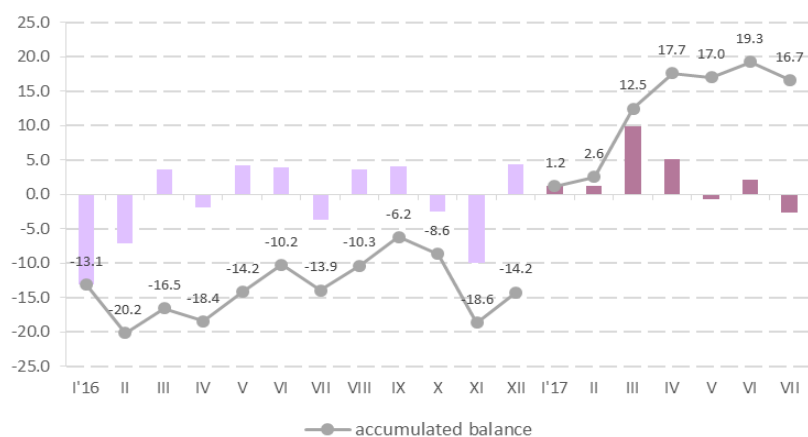
In the period of I-VII 2017 there was an increase of PLN 1.3bn in debt held by investment funds. During the same period of 2016 there was an increase of PLN 5.4bn.



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

PLN bn

In the period of I-VII 2017 inflow of foreign capital to the domestic TS market amounted to PLN 16.7bn comparing to outflow of PLN 13.9bn in the same period of 2016. Foreign investors' holdings reached the level of PLN 209.2bn.



### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING

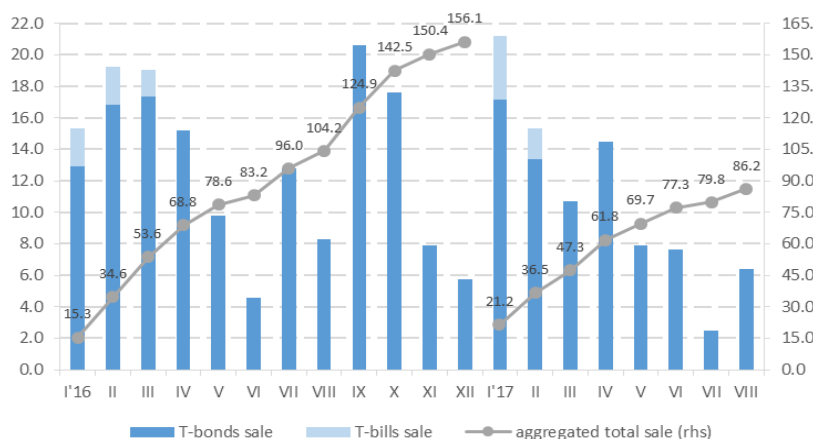


#### Sale of T-bonds and T-bills in the period of I-VIII 2017 and 2016

*auction date, nominal amount, PLN bn*

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

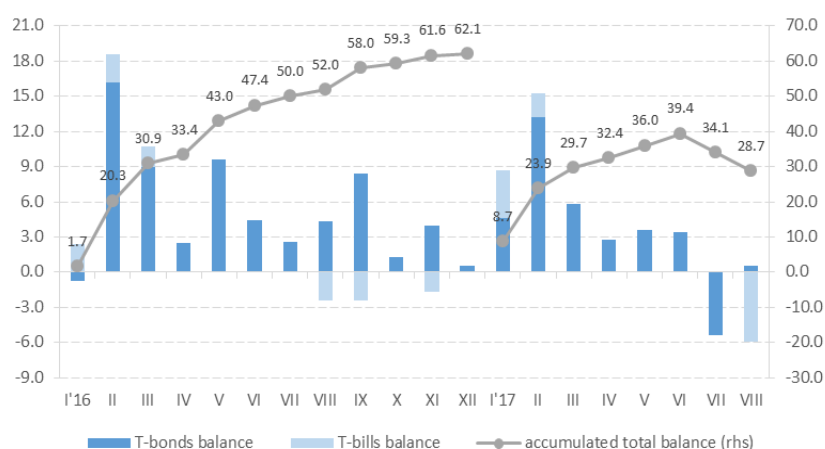
- T-bonds amounted to PLN 80.2bn versus PLN 97.7bn in the same period of 2016,
- T-bills amounted to PLN 6.0bn versus PLN 6.5bn in the same period of 2016.



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

*auction date, nominal amount, PLN bn*

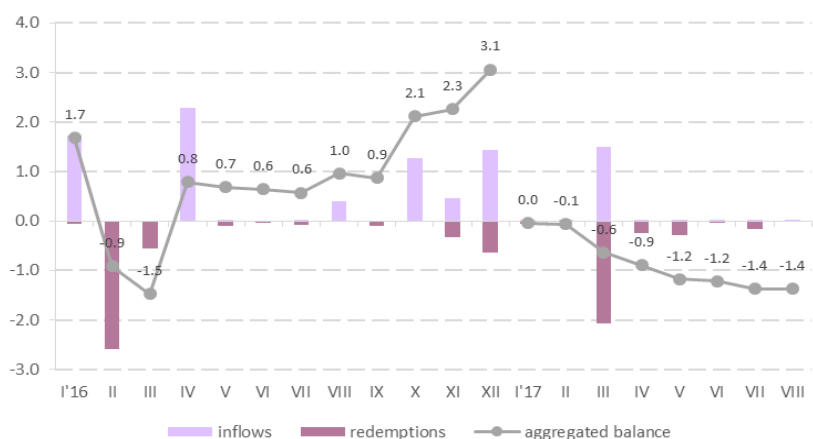
In the period of I-VIII 2017 indebtedness in T-bonds increased by PLN 28.7bn.



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

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

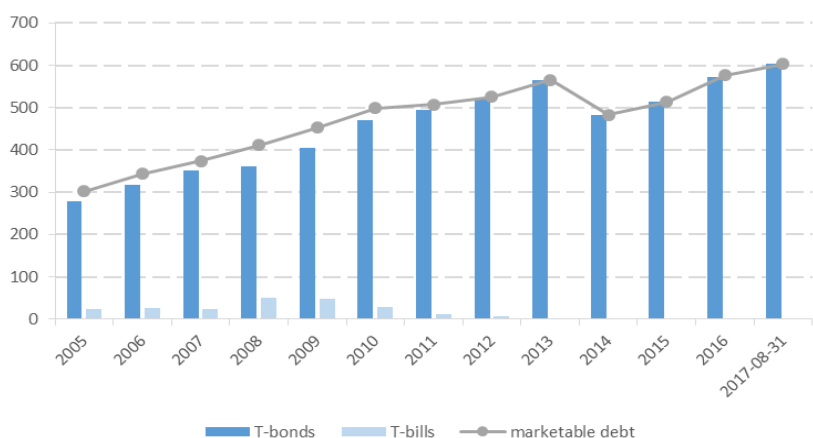
Net financing on foreign markets in the period of I-VIII 2017 was negative and amounted to EUR 1.4bn, which resulted from negative balance of T-bonds issuance of EUR 1.0bn and negative balance of loans incurred from IFIs at the level of EUR 0.4bn.



#### Structure of marketable debt

*PLN bn*

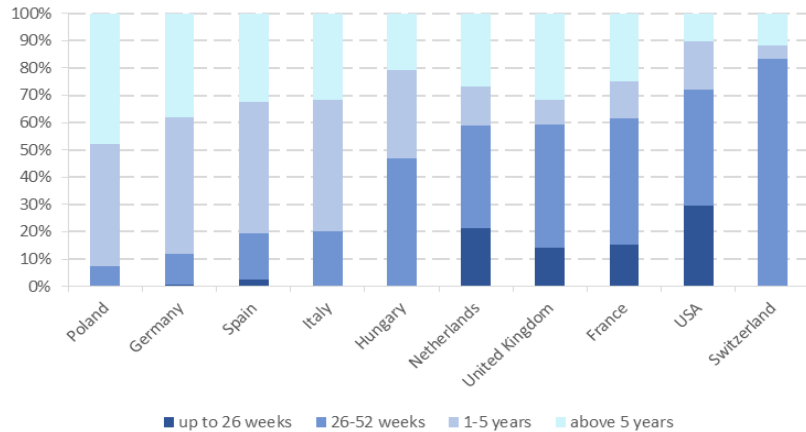
At the end of August 2017 the marketable domestic debt amounted to PLN 604.9bn comparing to PLN 576.7bn at the end of 2016.



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

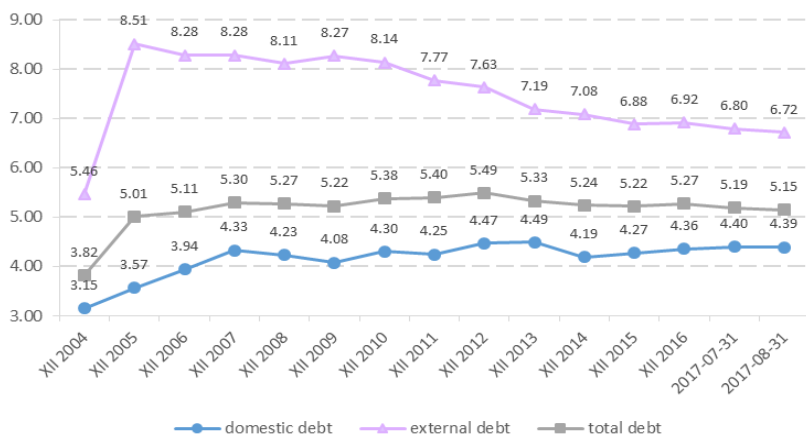
auctions and syndicates, local currency, ytd in the period of January 1 - August 31, 2017

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



#### Average maturity

At the end of August 2017 the average maturity of domestic debt amounted to 4.39 (while at the end of 2016 it was 4.36). The average of total debt amounted to 5.15 (5.27 at the end of 2016).

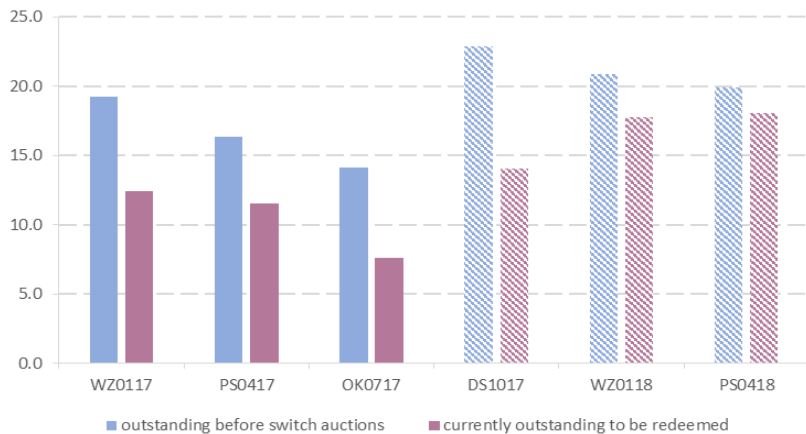


#### Reducing refinancing risk connected with T-bonds' redemptions maturing in 2017 and 2018

as of August 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 8.9bn (39%),
- WZ0118: PLN 3.1bn (15%),
- PS0418: PLN 1.9bn (10%).

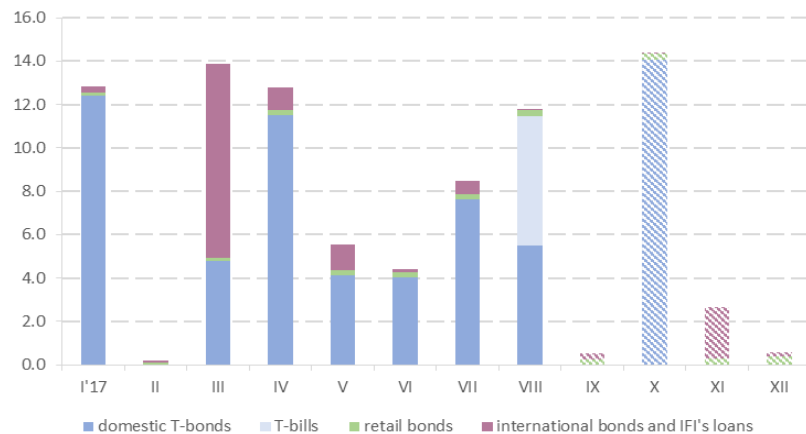


#### State Treasury debt redemptions in 2017

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

The nominal amount of debt to be redeemed in 2017 is equal to PLN 18.2bn, including:

- T-bonds: PLN 14.1bn,
- retail T-bonds: PLN 1.2bn,
- bonds and loans incurred on foreign markets: PLN 2.9bn.





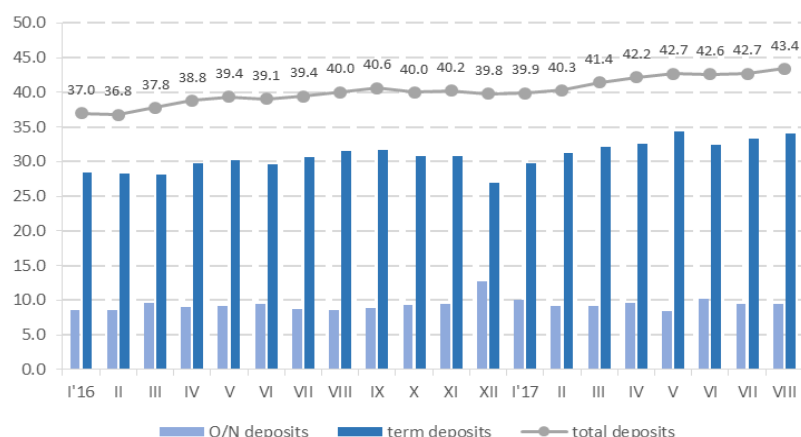
### III. BACKGROUND OF BORROWING REQUIREMENTS' FINANCING



#### Consolidation of public finances liquidity management

PLN bn

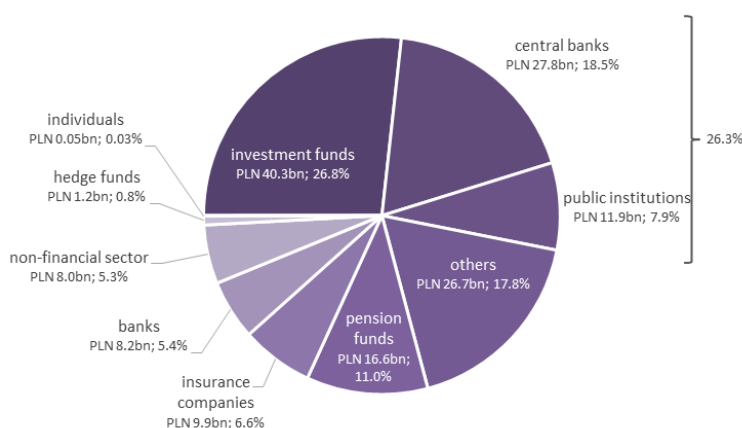
As a result of consolidation of public finances liquidity management there were PLN 43.4bn funds accumulated at the end of August 2017, of which PLN 34.0bn was as term deposits and PLN 9.4bn on O/N deposits.



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

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

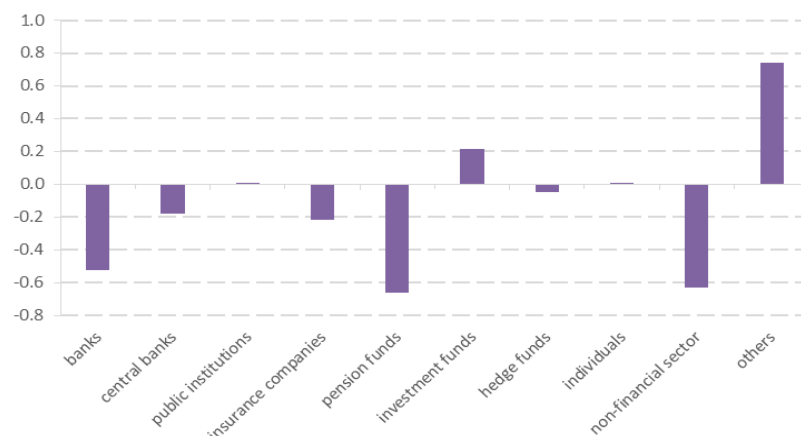
In July 2017 the non-residents' share in the domestic Treasury securities market decreased by PLN 2.6bn. The foreign investors' portfolio amounted to PLN 209.2bn which constituted 33.6% share in total debt in Treasury securities (33.8% in the previous month). As of the end of July 2017 central banks and public institutions' share in foreign holdings amounted to 26.3%.



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

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

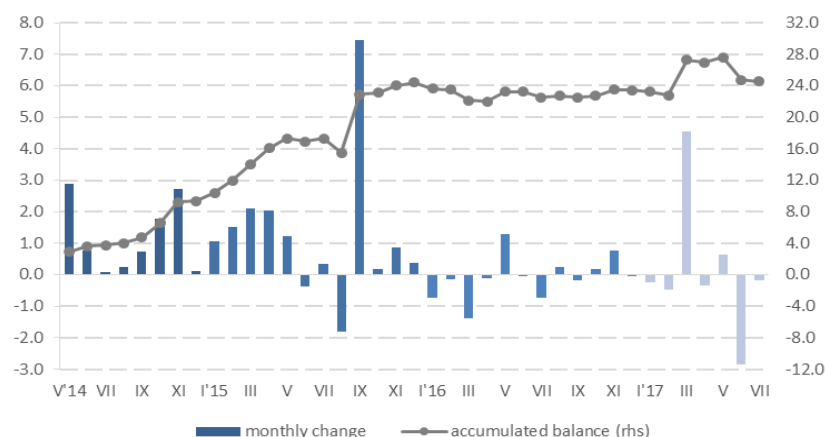
In July 2017 the highest increase was recorded by investors from the category "others" (PLN 0.7bn). The highest decrease was noted by pension funds (PLN 0.7bn), next non-financial sector (PLN 0.6bn) and banks (PLN 0.5bn).



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

change in July 2017, PLN bn

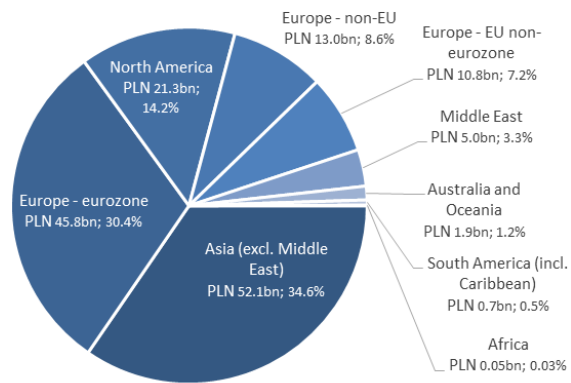
In July 2017 central banks and public institutions' involvement in the Polish debt market decreased by PLN 0.2bn. Since the end of April 2014 to the end of July 2017, when the detailed information is available, portfolios of those entities increased by PLN 24.6bn.



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

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

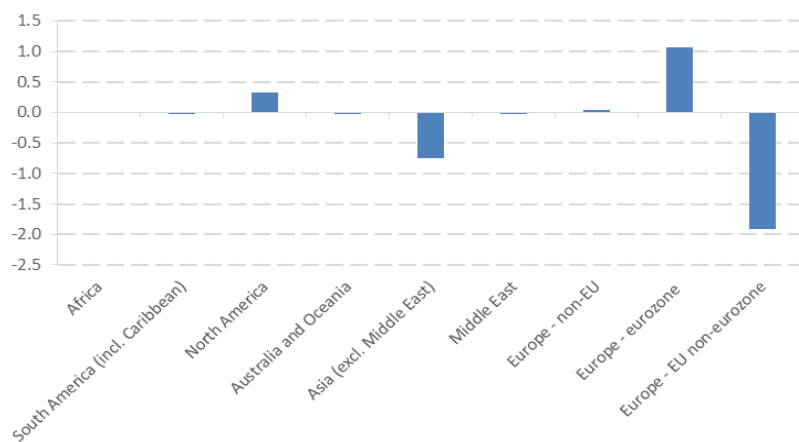
Geographical structure of domestic Treasury securities held by non-residents, as well as institutional distribution, is well-diversified.



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

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

In July 2017 the highest increase was recorded by investors from the eurozone (PLN 1.1bn). The highest decrease was noted by investors from the EU non-eurozone countries (PLN 1.9bn).



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

as of July 31, 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	21 238.5	17.3%
United States	20 306.3	16.5%
Luxembourg	19 009.4	15.5%
Norway	11 125.7	9.1%
Ireland	8 092.8	6.6%
United Kingdom	7 103.1	5.8%
Germany	6 427.3	5.2%
Netherlands	6 058.3	4.9%
France	2 982.1	2.4%
United Arab Emirates	2 374.4	1.9%
Hong Kong	2 365.7	1.9%
Denmark	1 933.7	1.6%
Australia	1 735.5	1.4%
Switzerland	1 576.0	1.3%
Austria	1 500.8	1.2%
Others	8 974.3	7.3%
<b>Total</b>	<b>122 803.9</b>	<b>100.0%</b>



#### MoF comment

**Piotr Nowak, Undersecretary of State, MoF**

*31-08-2017*

The level of financing the State budget gross borrowing requirements (taking into account the assumptions to the 2017 Budget Act) reached 72% at the end of August. However with the effect of lower execution of net borrowing requirements, particularly state budget deficit, the level amounted to 85%. The amount of liquid funds was at the level of ca. PLN 76bn.

Because of the persisting favourable budget liquidity situation and current level of financing of the borrowing needs, there will be no Treasury securities sale auctions in September. We will organize one switch auction only on September 14th when bonds maturing in October 2017 and, as prefinancing, bonds maturing in 2018 will be bought back.

In July foreign investors decreased their portfolios of PLN denominated Treasury securities by PLN 2.6bn, which was a result of T-bonds repurchase on July 25th, as well as reduction of holdings of T-bonds with medium- and long-term maturities. In August the debt held by foreign investors will likely remain broadly stable.



## IV. SUPPLY PLAN OF TREASURY SECURITIES IN SEPTEMBER 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)
14 SEP 2017/ 18 SEP 2017	OK0419 / WZ1122 / PS0123 / WZ0126 / DS0727	DS1017	14,069
		WZ0118	17,767
		PS0418	18,021
		PS0718	25,507

### T-bill auctions

Sale auctions of T-bills are not planned.

### Offer on the retail market

T-bond	Issue price	Coupon
DOS0919	PLN 100.00 (99.90 PLN for rolling-over)	Fixed, 2.10%
TOZ0920	PLN 100.00 (99.90 PLN for rolling-over)	Floating (1.00 * WIBOR 6M) 2.20% in the first coupon period
COI0921	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.25%) 2.40% in the first coupon period
EDO0927	PLN 100.00 (99.90 PLN for rolling-over)	Floating (inflation rate + 1.50%) 2.70% in the first coupon period
ROS0923	PLN 100.00	Floating (inflation rate + 1.75%) 2.80% in the first coupon period
ROD0929	PLN 100.00	Floating (inflation rate + 2.00%) 3.20% in the first coupon period