Challenges to public debt management in Poland

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19th OECD Global Forum on Public Debt Management
25-26 November 2009
1. Managing global volatility
2. Macroeconomic and fiscal environment
3. Financing and debt management
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Managing global volatility

Poland more exposed to both upturns and downturns than less liquid markets

FX rate movements to EURO in the region in the period of January 2007 - November 2009
Inflow of foreign capital in 2009 to domestic TS market YTD amounted to PLN 22.6 bn.
Managing global volatility

Changes in assets of domestic non-banking financial institutions
1. Managing global volatility

2. **Macroeconomic and fiscal environment**

3. Financing and debt management
Deterioration of fiscal position as a result of an economic slowdown

Growth rates likely to be higher than conservative assumptions of the 2010 budget (European Commission forecasts revised up in November to 1.2% in 2009 and 1.8% in 2010 versus 1.2% in the draft budget 2010).
Polish economy proved the most resilient in the EU

GDP growth rates in Q2 2009 (% y/y) seasonally adjusted data

Source: Eurostat.
Macroeconomic and fiscal environment

Growing net and gross borrowing requirements of the State budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Debt Redemptions</th>
<th>External Debt Redemptions</th>
<th>Net Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>72.4</td>
<td>7.4</td>
<td>42.8</td>
</tr>
<tr>
<td>2009e</td>
<td>93.3</td>
<td>13.2</td>
<td>57.0</td>
</tr>
<tr>
<td>2010 draft</td>
<td>113.1</td>
<td>8.7</td>
<td>82.4</td>
</tr>
<tr>
<td>Total</td>
<td>204.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>122.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009e</td>
<td>163.6</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>204.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. Managing global volatility
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3. Financing and debt management
• Borrowing requirements financed predominantly domestically.
• Flexible approach towards domestic and foreign financing
Financing and debt management

Balance of T-bonds and T-bills in the period I-X 2009
(settlement date, nominal amount, PLN bn)

Net financing in 2009 covered mostly with bond issuance (86%).
Financing and debt management

External financing in I-XI 2009
- bonds issued on foreign markets and loans received from IFIs

EUR bond
USD bond
CHF bond
JPY bond
IFI loan
Financing and debt management

Refinancing risk

**ATM of the State Treasury debt**

A target of average term to maturity (ATM) reaching ≥ 4.5 years by 2012.
Financing and debt management

Exchange rate risk

*Share of foreign debt in the State Treasury debt*

Widening the acceptable share of foreign currency debt in total debt to the range of 20-30%, in connection with high volatility of exchange rates and flexible approach to choosing markets.
Financing and debt management

State Treasury debt redemptions in 2010
(as of 30 September 2009, nominal amount, PLN bn)
Limiting refinancing risk connected with bonds’ redemptions – switching auctions
THANK YOU...