Press release

AKK published Hungary's 2022 Financing Plan

Budapest, December 17, 2021 - According to the 2022 Financing Plan published by the Ministry of Finance and the Government Debt Management Agency Pte. Ltd. ("AKK"), the total net financing requirement of the central budget in 2022 is HUF 3,153 billion. Next year's debt management targets include a lower amount of gross government securities issuance than in previous years, net HUF 1,000 billion increase in retail government securities owned by households, Hungarian Government Bond ("HGB") switch auction program totalling HUF 1,000 billion, USD bond liability management and the issuance of a new 10-year green HGB via monthly auctions.

The total net funding requirement of the central budget for 2022 is HUF 3,153 billion that is going to be financed by a net government securities issuance of HUF 2,663 billion and the partial utilization of liquidity reserves. Out of the net issuance HGB's will contribute to financing by HUF 1,000 billion, while the net increase of retail securities owned by households will amount to HUF 1,000 billion as well. In addition the net foreign currency issuance will finance the central budget deficit in an amount of HUF 406 billion, while the net issuance of discount T-bills will amount to HUF 258 billion.

A HUF 9,000 billion gross government securities issuance is excepted in 2022 including switch auctions compared to the HUF 11,593 billion figure in 2021 and the HUF 11,311 billion average gross government securities issuance during the last 5 years.

The 2022 Financing Plan's fulfilment is to be realized along the lines with the following breakdown:

HUF Institutional Financing

The strategic goal of AKK continues to be the gradual increase of the average time-to-maturity of the debt portfolio in line with prevailing market conditions, as well as the gradual smoothing of the maturity structure. Therefore, AKK will continue its switch auctions program albeit at a lower notional of HUF 1,000 billion and does not plan 3-year fixed interest bond auctions in 2022. The primary HGB issuance in 2022 is going to decrease to HUF 2,225 billion from the expected HUF 3,656 billion in 2021. Next year AKK wants to further improve the investor diversification in the HUF institutional market through disclosures and continued dialogue with domestic and international investors. Hungary's Green Bond Program will extend to the issuance of a new, 10-year green HUF bond in 2022, offered both to domestic and foreign investors. A new Primary Dealership Framework is to be introduced in H2 2022.

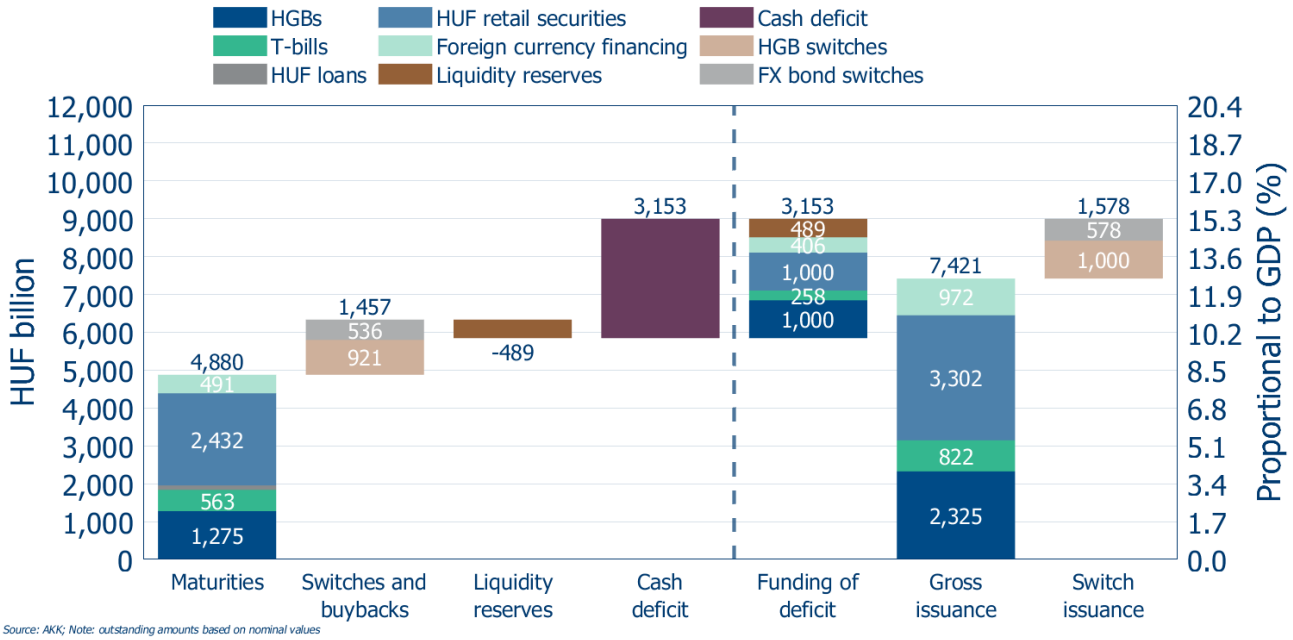
Retail Financing

The priority goal of public debt management continues to be the fulfilment of the 2023 goal of HUF 11,000 billion retail securities owned by households, doubling the end-2018 outstanding amount. The 2022 Financing Plan includes a net HUF 1,000 billion issuance of retail government securities to households. AKK remains keen to foster the further digitalization of distribution channels and we will develop and present a new Retail Debt Strategy in 2022.

Foreign Currency Financing

AKK's Board of Directors approved the widening of the FX debt ratio tolerance band from 10-20% to 10-25% to increase the optionality and room for manoeuvre of financing strategy, by taking into account the relative cost advantage of FX financing due to rising forint yields, while still aiming at a below 20% FX debt ratio ideally in the medium term. AKK plans to issue (partly green) international foreign currency bond in Japanese Yen Samurai market in Q1 2022. In addition to reduce the refinancing risk and to further increase the average term to maturity of debt AKK is planning to liability manage USD bonds maturing in 2023-2024 into longer bonds. AKK plans to raise foreign currency project and syndicated loans in an amount for up to EUR 2 billion. As a result the FX debt ratio is expected to remain stable in 2022.

The breakdown of Hungary's 2022 Financing Plan



Source: AKK; Note: outstanding amounts based on nominal values

AKK Pte. Ltd.