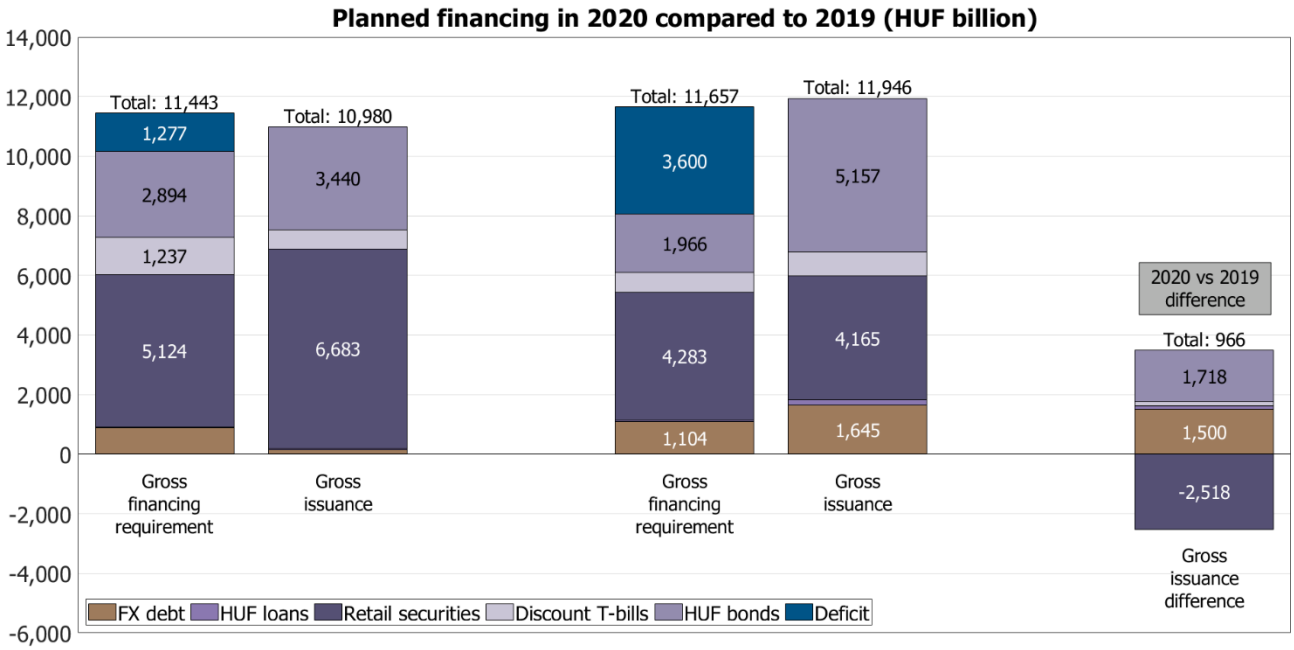
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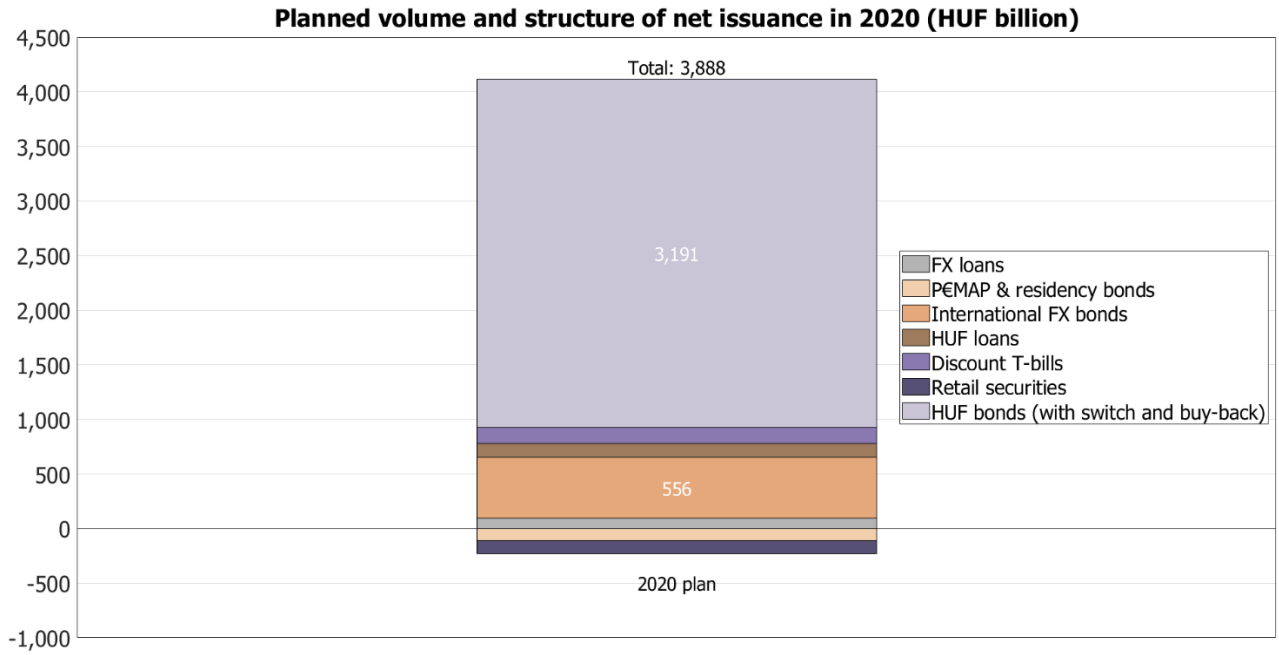
ÁKK Modifies 2020 Financing Plan

Budapest, August 26, 2020 - The Hungarian Ministry of Finance has adjusted the deficit target of the 2020 budget because of the unfavorable economic outlook caused by the COVID-19 pandemic, as well as fiscal policy actions intended to mitigate its negative economic impact. Therefore, the cash-flow based deficit of the central government budget has increased by HUF 1,710 billion from HUF 1,890 to HUF 3,600 billion.

Due to the increased funding requirement and the better than expected retail sales, the Government Debt Management Agency (ÁKK) has updated its 2020 financing plan. In the new modified financing plan, which was approved in August, ÁKK projects a higher volume of retail sales than it did in the financing plan approved in May. As a result of this, the amount of retail government securities held by individuals is expected to increase from HUF 7,766 billion to HUF 8,547 billion by the end of 2020, whereas the total outstanding amount of retail government securities will decrease by HUF 119 billion because of the HUF 900 billion decline of the holdings of institutions. Based on these projections, the medium-term strategic goal of increasing the outstanding amount of retail government securities held by individual investors from the end-2019 level of HUF 7,766 billion to HUF 11,000 billion by 2023 is maintained. ÁKK also keeps its other strategic goals of increasing the average term to maturity of the debt portfolio and maintaining the share of foreign currency debt at low levels, in line with the publicly communicated benchmarks.

Due to the HUF 1,710 billion higher deficit ÁKK intends to increase gross financing in two main areas. On the one hand, after the slowdown of retail sales in the spring retail sales picked up again in the summer and based on this development ÁKK has increased the expected annual volume of net retail sales by HUF 882 billion from HUF -1,000 billion to HUF -119 billion. On the other hand, the planned volume of domestic market wholesale bond issuance has been increased by HUF 948 billion from HUF 3,397 billion to HUF 4,345 billion for the year 2020. ÁKK plans to achieve this extra issuance in the currently used framework of weekly government bond auctions.

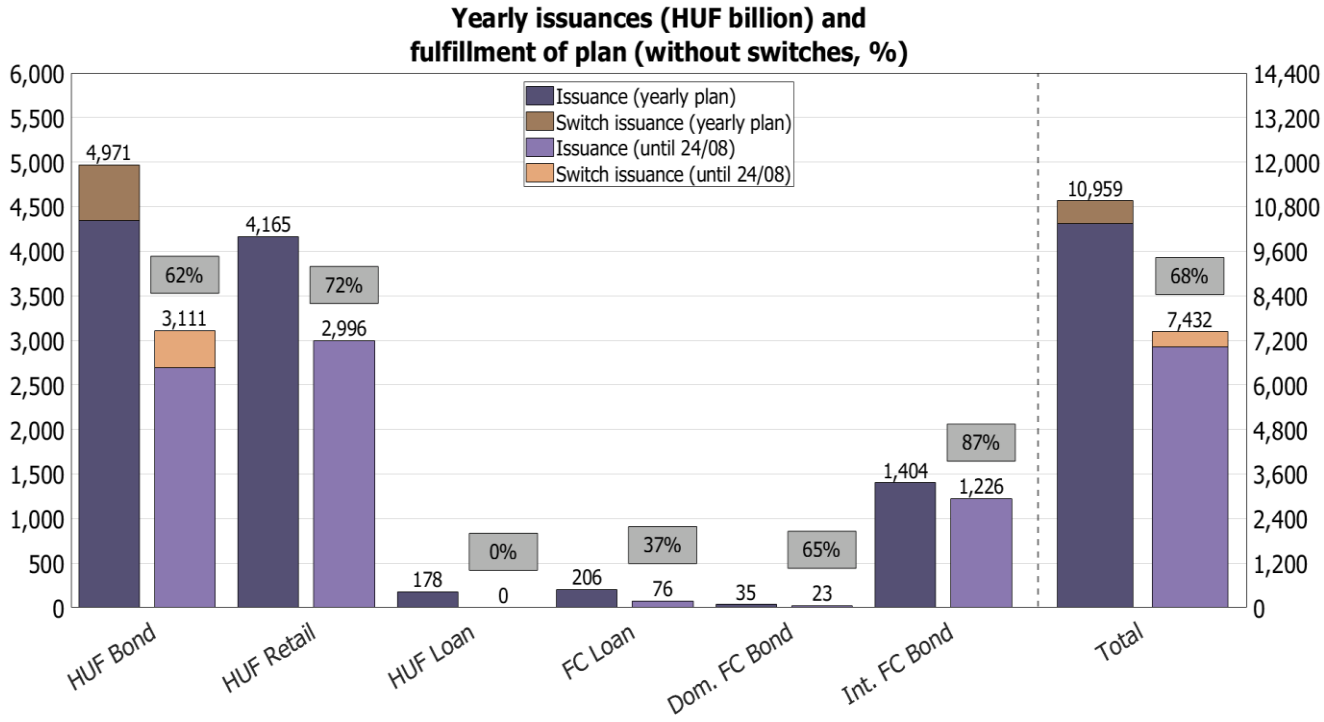




Out of the HUF 882 billion extra retail debt sales HUF 583 billion issuance has already been executed by mid-August, as a result of the strong demand by households. In the wholesale market, out of the HUF 948 billion extra bond auction issuance HUF 438 billion issuance has already been executed by mid-August, as ÁKK has continuously accepted higher than planned amounts at auctions in line with the market demand. The government bond purchase program of the National Bank of Hungary provides favorable conditions for the

HUF government bond market and for ÁKK's strategy to lengthen the maturity of the public debt.

As regards the foreign currency financing, there are no changes in the financing plan. ÁKK plans the total annual foreign currency bond issuance at EUR 4 billion, out of which EUR 3.5 billion was already executed in April and June. The remaining EUR 500 million equivalent is planned to be realized in Japanese Yen (in the form of Samurai bonds), a part of which will be Green Bond issuance. Besides, ÁKK still plans to draw down EUR 500 million long-term foreign currency loans provided by multilateral financing organizations (and a similar amount in HUF), out of which EUR 208 million has already been realized. In accordance with previous years' practice, ÁKK is going to continue the active management of the maturity profile of both local and foreign currency debt.



Regarding all previous considerations, the 2020 financing plan calculates with both higher gross borrowing requirement and higher gross issuance compared to 2019. By the middle of August 2020, ÁKK has already issued 62% of the increased HUF wholesale government bond plan (of auctions), 87% of FX bond issuance and has sold 72% of the retail government securities volume of the revised financing plan.

ÁKK Zrt.