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Updated 2020 financing requirements and funding plan

The Belgian Debt Agency has modified its 2020 funding plan in order to take account of the Kingdom's increased funding needs resulting from the Covid-19 crisis. On April 8, 2020, the Economic Risk Management Group published its scenario consisting of a recession of 8.0%^[1] in 2020 and a 2020 ESA government deficit of 7.5%. Federal government net borrowing would then amount to EUR 31.41 billion in 2020, representing an increase of EUR 21.81 billion compared to the original funding plan.

As a result, the 2020 gross funding requirements would rise to EUR 51.87 billion. These do take into account a lower amount of pre-funding as the Agency decided to stop buying back bonds maturing in 2022^[2].

The Debt Agency plans to issue EUR 45.35 billion of medium and long term funding instruments instead of EUR 30.00 billion as foreseen in the original funding plan. As such OLO issuance would amount to EUR 42.85 billion in 2020. The Agency already issued a third new OLO benchmark (OLO91) on March 31, for an amount of EUR 8.0 billion, and it decided to add three OLO auctions to its auction calendar in May, August and October 2020. This should be sufficient to meet the new OLO issuance target. Overall, long-term funding stands at EUR 22.74 billion as of today, which leaves EUR 22.61 billion to be funded in the remainder of the year.

Short-term funding would also increase in 2020, as the outstanding amount of Treasury Certificates would rise by EUR 8.0 billion over the year. On the other hand, the net change in other short term debt would decrease to EUR -1.48 billion.

The Belgian Debt Agency does not anticipate a breach of its risk limits which would be caused by this extra funding. The average life of the debt portfolio would remain above 9.00 years, and the 12- and 60-month refinancing risks would remain below 17.50% and 42.50% respectively.

The Agency will of course continue to closely monitor the impacts of the measures to battle the corona virus. When needed, updated guidance on the financing plan will be given.

[1] The IMF expects a recession of 6.9% for Belgium (WEO 15/04/2020)

[2] See our March 30 press release

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