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Results of the 1-yr State Note issuance of September 4, 2023

1. Results

The issuance result of the 1-yr State Note, redeeming on September 4th, 2024 and carrying a coupon of 3.30%, amounted to 21.896 billion euro. It is by far the most successful issuance of State Notes ever. Until now, the record was held by the so-called Leterme-Notes, which resulted in an amount of 5.729 billion euro, in December 2011.

234,310 subscriptions were made through the website of the Belgian Debt Agency, for an amount of 7.093 billion euro. This is equivalent to 32.4% of the total amount issued. The average amount of a State Note issued via the website of the Debt Agency was 30,272 euro.

The Federal Debt Agency is delighted that so many people accepted the offer of this 1-yr State Note.

2. Consequences for the debt servicing costs and for the federal budget

The Agency observes that the spread between the OLOs and the bonds of countries like France or Germany has decreased by 3 to 4 basis points as a result of the issuance of this State Note. This will lead to lower debt servicing costs for its future issuances. For the remaining issuance of 2023, cost savings are estimated to be 2.1 million euro per year, or 21 million euro over the next 10 years. In case this decrease in spread would be confirmed in 2024, another 15.2 million euro per year would be saved, or 152 million euro over the next 10 years.

Moreover, the coupon of this State Note was set to reflect the 0.30% fee to be paid to the banks. In this case, the interest cost would be equivalent to the government's 1-yr financing cost. As there are no fees paid for subscriptions via the Agency's website, the cost savings amount to 21.3 million euro.

In addition, the federal government's withholding tax income is expected to increase by an amount between 60 en 100 million euro in 2024 as a result of this issuance.

Finally, the Agency expects that the return on the investment of its increased cash reserves will be at least equivalent to the financing cost of the State Note that financed them.

3. Consequences for the 2023 financing plan

As already mentioned in last week Friday's press release, some of the planned issuance of Treasury Certificates during the coming weeks will be cancelled. Afterwards, more cancellations will occur and it is expected that the outstanding amount of Treasury Certificates will be brought down by 10.4 billion euro over the course of 2023.

The remaining issuance of medium- and long-term debt will also be reduced, by 2.25 billion euro, to 45.0 billion euro.

Moreover, the Agency will hold a structurally higher cash reserve position, the increase of which would be around 9.0 billion euro.

A detailed discussion of the new financing plan is available in today's press release.

4. Impact on the debt portfolio's structure and on the related risks

The average life of the debt portfolio will be slightly lower than the previously expected values for the next months, due to the decrease of the long-term funding by 2.25 billion euro. The Agency would like to remind that this risk parameter is calculated on the basis of the net debt, and it will as such not exhibit any other changes.

For the same reason, the refinancing and refixing risks will only modestly increase.

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