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CEE Issuance Outlook 2025

Consolidation of public finances is being postponed and the combination of high debt service costs and the redemption calendars further increases borrowing needs across the board. Declining external demand and an unfavourable global environment are forcing governments to shift to local sources of funding, increasing gross local currency issuance in most countries.

Eurobond issuance for the CEE region should remain elevated compared to pre-Covid years, while Hungary stands out as an outlier in continuing to reduce supply and successfully front-loading its needs

The CEE region failed to deliver on the promised consolidation of public finances last year and the rising debt burden is weighing on fiscal policy this year as well. Most countries ended up with higher gross borrowing needs last year than initially indicated, a bias that we take into this year. In addition, the political cycle plays against already heavy borrowing needs with presidential elections in May in Poland and Romania, a general election in September in the Czech Republic, and an election campaign starting in Hungary ahead of a general election in April 2026. So this year we see higher borrowing needs in all the countries we cover despite the plan to reduce the government deficit across the board. The exception is Romania, which on paper expects to consolidate public finances after a record deficit last year, but as we discuss in the country page, the planned consolidation is built on shaky foundations.

CEE issuance summary

	Poland	Czechia	Hungary	Romania	Turkey
Gross borrowing needs (%GDP)	↔13.7%	↔6.6%	↑15.1%	↓12.4%	↔5.8%
Gross borrowing needs	↑8%	↑5%	↑14%	↓8%	↑33%
Gross LCY issuance	↓15%	↑11%	↑47%	↑20%	↑40%
Net LCY issuance	↓17%	↑1%	↑37%	↑27%	↑21%
Gross FX issuance	↑EUR15.5bn	x	↓EUR3.4bn	↓EUR13bn	↓USD11bn
Gross FX issuance	↑1%	x	↓18%	↓27%	↓14%
Net FX issuance	↑27%	x	↓37%	↓22%	↓110%

Source: Ministry of Finance (MinFin), ING estimates

Local currency issuance: Reorientating back to local funding

With rising borrowing needs and falling demand, governments need to diversify funding sources more, which we see as a trend over the past two years in the region. Indeed, especially in the second half of 2024, we saw the start of outflows of foreign bondholders in most countries, and this year's conditions do not suggest an early turnaround. On the local side, fiscal policy, the election cycle and the late stage of central bank rate cuts are weighing on demand, while on the global side elevated core rates and the global aversion to unsustainable fiscal policy are more likely to support risk aversion to debt in the CEEMEA space. However, in some cases the local markets have saturated their demand in the past year and therefore we are seeing more and more T-bills issued to bridge higher bond yields, and to lure over-liquidated local banking markets. At the same time, retail bond issuance is increasing in an attempt to diversify bondholders and reach households' high savings built up post-Covid and the high inflation period. However, maintaining demand in these segments is now a prerequisite for keeping local bond issuance in check, and so increasingly we need to keep an eye on the overall funding picture in case one source of funding falls out and is replaced by another, usually local bonds.

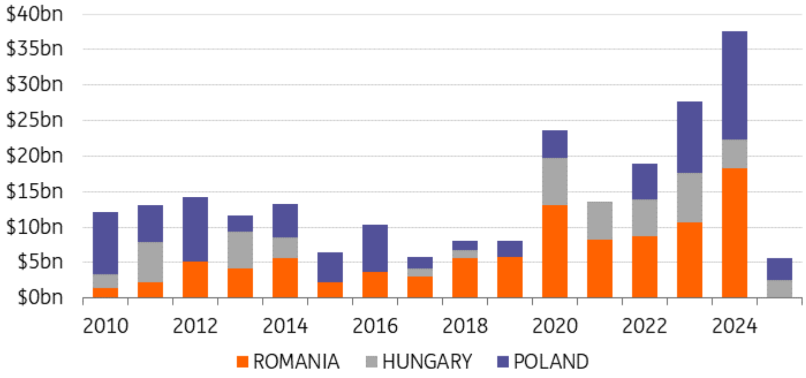
In the baseline scenario, we expect an increase in local-currency bond issuance in all countries in the CEE region except Poland, where we have seen an all-time record supply in the past year. While supply should be only marginally higher in the Czech Republic due to higher redemptions, the increase is more pronounced in the rest of the region as governments reorientate themselves towards local funding resources. At the same time, it is important to take into account that next year promises high issuance in most countries as well, given the absence of a significant public finance consolidation plan and an uncomfortable redemption schedule. Therefore, we are likely to see efforts to prefinance next year as well, if market demand permits, further increasing overall bond supply.

Frantisek Taborsky, EMEA FX & FI Strategist

FX issuance: Another busy year ahead

After a record year for Eurobond issuance in 2024, CEE sovereigns are set to be very active again this year in the primary market, given the lack of significant fiscal tightening. In this context, Hungary is a clear outlier, making steps to reduce gross Eurobond issuance, and successfully front-loading its plans with a EUR2.5bn issuance in the first week of the year. Romania and Poland have been slightly slower out of the gate relative to 2024, with Romania so far holding off until finalising the 2025 budget and hoping for some of the political volatility to recede. While on paper Romania is also budgeting for lower Eurobond issuance across the year, there is plenty of uncertainty and risks remain for higher-than-planned issuance, with experience from last year likely to keep investors cautious. In Turkey, gross issuance is set to remain high, but this is largely an exercise in refinancing, with net supply modestly negative.

CEE-3: EUR & USD international sovereign bond issuance (USD equivalent)



Source: Bond Radar, ING

Some trends from 2024 are likely to continue, with the focus for most on a wide range of funding sources (EU money, green bonds, alternative currencies, along with sukuk issuance for Turkey), although EUR paper should be dominant for Poland, Romania and Hungary. The question of tenor is less certain, with evidence from early in the year suggesting that most issuers are likely to avoid longer maturity, 30-year deals, given the move higher in long-end rates we have seen – this trend should continue if our expectation for structurally higher rates in the US plays out over the year.

James Wilson, EM Sovereign Strategist

Authors

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

James Wilson
EM Sovereign Strategist
James.wilson@ing.com