

## Hungary: Election uncertainty as net bond supply falls

Hungary faces elevated fiscal uncertainty ahead of the April elections as the deficit rises to 5.5% of GDP. Borrowing needs ease slightly, but record redemptions drive a sharp fall in net HGB issuance, with bonds regaining dominance and retail declining. For FX issuance, diversification remains the name of the game, with reliance on EU money

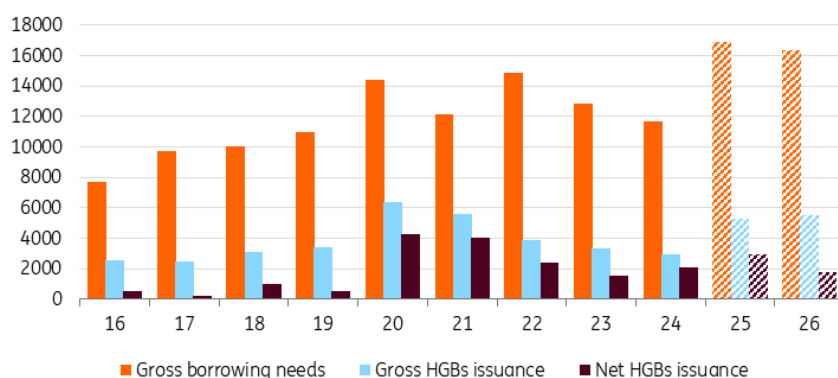


Hungary faces heightened fiscal uncertainty as rising deficits and April's elections reshape funding and issuance dynamics

### Fiscal policy: rising deficit and elevated risk ahead of April elections

In November, the government announced an increase in the public finance deficit to 5% of GDP in 2025 and 2026. Last year ended at 4.9%, and we expect this year to be at 5.5% of GDP. In cash terms, the deficit should end up similar to the government's estimate. However, given the general election in April and the unclear direction of fiscal policy afterwards, there is a greater degree of uncertainty than usual regarding fiscal and issuance plans.

## Gross financing needs and HGB issuance (HUFbn)



Source: AKK, ING estimates

## Local issuance: HGBs regain dominance as Hungary’s borrowing needs moderate

After the increase in budget targets at the end of last year, we saw a significant increase in gross borrowing needs and HGB issuance at the same time. Last year, gross needs probably reached new historical highs. This year should see a slight decrease from HUF16891bn to HUF16391bn (-3% year-on-year, 17.9% of GDP). Gross HGB issuance should be roughly stable from HUF5266bn to HUF5496bn (+4.4%), but net issuance should fall significantly from HUF2945bn to HUF1783bn (-39.5%) given the historically large maturity of HGBs this year.

The debt agency indicates a continued focus on the belly of the curve, and the average maturity of current debt of 5.1y should not change much this year. At the same time, we observe a continuing trend of HGBs returning as the main funding source, while the share of retail issuance continues to decline.

## Financing needs for 2026 (HUFbn)

	AKK	ING
State budget	5,445	5,445
Domestic redemptions	9,392	9,392
Foreign redemptions	860	860
Pre-financing	695	695
<b>Total financing needs</b>	<b>16,391</b>	<b>16,392</b>
HGBs issuance	4,496	4,496
HGBs switch auctions	1,000	1,000
T-bonds for local authorities	100	100
Retail purchases	198	198
Retail bonds	4,442	4,442
T-Bills issuance	2,222	2,222
HUF loans	195	195
FX issuance	2,600	2,600
IFI and other loans	965	965
Other FX borrowings	173	173
<b>Gross borrowing requirement</b>	<b>16,391</b>	<b>16,391</b>
<b>HGBs Issuance (inc. switches)</b>	<b>5,496</b>	<b>5,496</b>
<b>Net HGBs Issuance (inc. switches)</b>	<b>1,783</b>	<b>1,783</b>

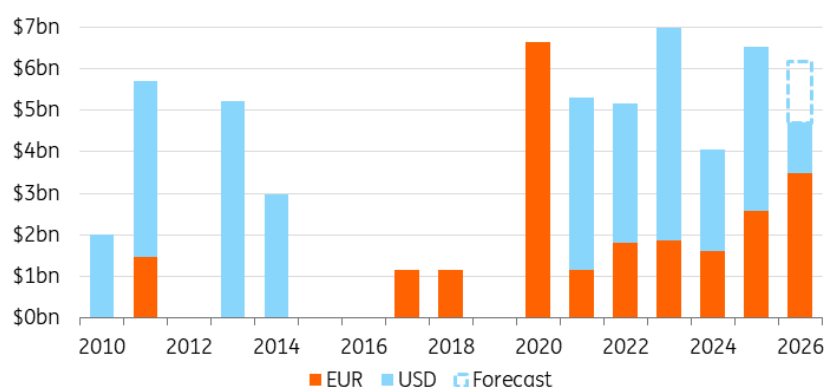
Source: AKK, ING estimates

## FX issuance: diversification remains the name of the game

In 2025, Hungary's FX bond issuance was revised higher, with a \$4bn dollar deal added on top of the €2.5bn issued at the start of the year.

Fiscal policy is budgeted to remain steady, with a deficit of 5% of GDP planned, and in turn, €5.2bn in conventional (USD and EUR) international bond issuance is pencilled in for the full year. The debt agency has again been quick off the mark with €3bn issued in January, including a green bond, before a \$1.2bn tap that completes over 75% of the plan for the full year. We expect there is scope for further USD issuance, with around \$1.5bn of the initial plan remaining, although timing here is complicated by April's elections, given the AKK's preference usually to front-load Eurobond issuance in the first half of the year.

## Hungary EUR & USD international sovereign bond issuance (USD equivalent)



Source: Bond Radar, ING estimates

Outside traditional Eurobond financing, Hungary is set to continue its strategy of diversification. The financing plan includes a €0.5bn issuance in the Asian market, €1bn in Euro Commercial Paper, and €2.5bn in foreign currency loans – largely from the EU's new security loan program (SAFE).

In turn, we think risks skew slightly to the upside in terms of the potential for more Eurobond issuance than expected, given the overall fiscal uncertainty, as well as reliance on disbursements from the EU for part of the FX financing requirements. The government recently introduced more flexibility in its medium-term target for the share of FX within government debt, which now has a tolerance range of +/- 3pp around the 30% level.

## Author

### Frantisek Taborsky

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

### James Wilson

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).