

Note: Below are extracts from an article published by The Irish Times (5th January 2023) and as referenced below.

NTMA raises €3.5bn in green bond sale after strong demand.

According to The Irish Times, Brennan (2023), the amount of debt raised within days of the start of the new year equates to half of the lower end of a target that the NTMA had set itself for the whole of 2023:

The National Treasury Management Agency (NTMA) sold a higher-than-expected €3.5 billion of green bonds on Thursday after fielding demand from investors for more than 10 times that amount.

The agency had originally set out to sell between €2 billion and €3 billion of green bonds this week in a deal being managed by BNP Paribas, Bank of America Securities, Cantor Fitzgerald Ireland, Danske Bank, Deutsche Bank and Nomura. The bonds are due to mature in 20 years' time.

Green bond funds will be used to finance eligible projects, such as sustainable water and waste management, clean transportation and renewable energy deals, as the Government targets tens of billions of euro of spending on reducing the State's greenhouse gas emissions by 50 per cent by the end of the decade compared with 2018 levels.

This Irish Times article by Brennan (2023) continues to outline how the NTMA targets to sell between €7 billion and €11 billion worth of bonds in 2023:

The NTMA said that the final order book amounted to over €35 billion from 300 institutional investors. The bonds are set to be priced to carry a market interest rate, or yield, of 3.1 per cent.

The NTMA, where Frank O'Connor became chief executive last July, said in December that it plans to sell between €7 billion and €11 billion worth of bonds in 2023, with no short-term treasury bill sales planned for the year. It raised €7 billion on the long-term debt markets last year.

The Government revealed on Wednesday that it posted a €5.2 billion budget surplus last year, far in excess of the €1 billion forecast a little over three months ago and driven by higher-than-expected corporate tax receipts. Still, borrowing costs have increased globally in the past year as major central banks have hiked official rates aggressively to try to tackle soaring inflation. The European Central Bank (ECB) has moved its deposit rate from minus 0.5 per cent to 2 per cent since late July.

"Today's transaction, which also provides a new 20-year benchmark bond, shows we continue to see strong investor demand for Irish sovereign debt," said Dave McEvoy, director of funding and debt management at the NTMA. "With relatively low levels of maturing debt this year, an anticipated exchequer surplus, and strong cash balances

supported by our pre-funding strategy, we have flexibility in managing our issuance over the remainder of 2023.”

Brennan (2023) in his Irish Times article reports that bond issuance by governments across the euro zone is set to jump this year as they seek to raise funds in an attempt to soften the blows from soaring energy prices:

Cantor Fitzgerald fixed-income strategist Ryan McGrath highlighted in a note to clients on Thursday that the NTMA held €31.4 billion of cash at the end of November. However, it only faces €9 billion of debt maturities this year. “Looking forward an estimated €6 billion surplus is projected for 2023, a €10.7 billion surplus in 2024 and a €13.7 billion surplus in 2025.”

Bond issuance by governments across the euro zone is set to jump this year as they seek to raise funds in an attempt to soften the blows from soaring energy prices. The ECB is also scheduled to start offloading some of its €5 trillion of bond holdings, known as quantitative tightening (QT), which could further keep bond prices under pressure in 2023.

Barclays predicts that net euro zone government bond supply will climb to a record of nearly €500 billion in 2023. – Additional reporting, Bloomberg

References

Brennan, J. (2023) ‘NTMA raises €3.5bn in green bond sale after strong demand, Irish Times, 05 January. Available at: <https://www.irishtimes.com/business/2023/01/05/ntma-receives-more-than-23bn-of-orders-for-green-bonds/> (Accessed 06 January 2023).

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