

BRAZILIAN NATIONAL TREASURY REVISES THE ANNUAL BORROWING PLAN 2021

The National Treasury announces the revision of the indicative limits defined in the 2021 Annual Borrowing Plan (2021 ABP) for Federal Public Debt (FPD) outstanding volume, profile, and maturity structure, to be met at year-end, as shown in the table below.

Table 1 – Indicative limits for the FPD in 2021

Indicators	2020	ABP 2021 ranges		ABP 2021 revised ranges	
		Minimum	Maximum	Minimum	Maximum
Outstanding volume (BRL billion)					
FPD	5,009.6	5,600.0	5,900.0	5,500.0	5,800.0
Composition (% of FPD)					
Fixed-rate	34.8	38.0	42.0	31.0	35.0
Inflation-linked	25.3	24.0	28.0	26.0	30.0
Floating-rate	34.8	28.0	32.0	33.0	37.0
FX	5.1	3.0	7.0	3.0	7.0
Maturity Structure					
% maturing in 12 months	27.6	24.0	29.0	22.0	27.0
Average maturity (years)	3.6	3.2	3.6	3.4	3.8

Source: National Treasury/Special Secretariat of Finance/Ministry of Economy

The new reference limits reveal a more favorable scenario for the FPD profile indicators at year-end compared to January 2021, when the ABP was released. The FPD outstanding volume tends to get smaller, mainly due to the expectation of lower issuances of fixed-rate bonds, particularly those with shorter maturities. This adjustment in the 2021 ABP borrowing strategy translates into a composition with greater share of floating-rate bonds and inflation-linked bonds, over fixed-rate bonds.

On the other hand, the change in issuances profile is reflected by the expectations regarding the maturity structure indicators, contributing to both reducing the share of debt maturing in 12 months and increasing the average FPD maturity. That is to say, the revised ranges mean a reduction in refinancing risk, since there will be less concentration of short-term debt. This shift in expectations is important, considering the reduction in the FPD maturity occurred throughout 2020, due to bond issuances to face the economic and social effects of the pandemic.

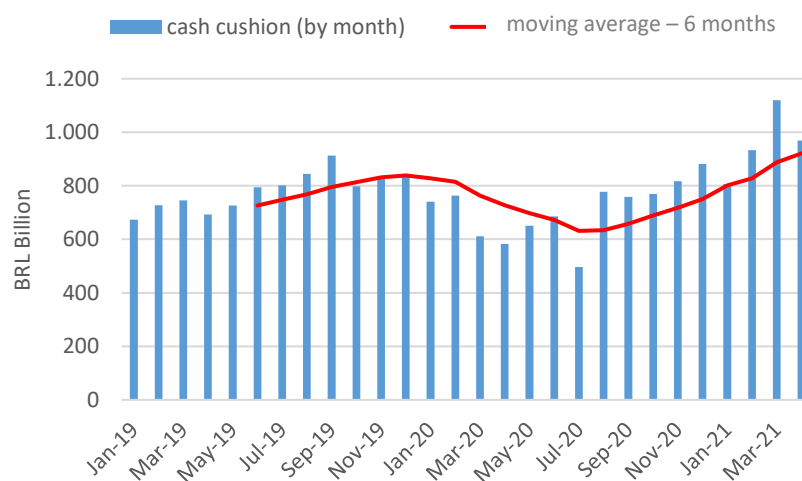
Debt Report

The 2021 ABP revision is needed to adapt the financing strategy to the conditions of the demand observed in the first four months of the year, which allowed the National Treasury to prioritize floating-rate (LFT) and inflation-linked (NTN-B) bonds issuances, which have longer maturities, over fixed-rate bonds (LTN) with maturities of up to 12 months.

The revision will allow the maintenance of the current issuances profile in a relatively more favorable environment than the one estimated when the 2021 ABP was prepared, which was in a context of uncertainties due to the COVID19 pandemic and its impacts on the economy and financial markets. Thus, it also aims to provide greater transparency and predictability to the bond issuances strategy, avoiding uncertainties regarding any sudden changes in direction that would be necessary to comply with the originally proposed targets.

In addition to the lower concentration of the expected short-term debt, the 2021 ABP revision considers that FPD refinancing risk has been mitigated by the policy of holding cash availabilities for debt payments, the so-called liquidity reserve (cash cushion), at a prudential level. Figure 1 shows that this cash cushion has been reinforced and has shown an upward trend in recent months, as a result of the implementation of the bond issuances strategy, combined with other initiatives in 2021, such as the de-linking of resources from funds (R\$ 140 billion) and the anticipated payment of federal government credits by public banks (BNDES: R\$ 38 billion received and R\$ 62 billion to be received in 2021; and Caixa Econômica Federal: R\$ 7 billion also to be paid this year). Both events were not known when the PAF was released in January.

Figure 1 – Liquidity reserve available to pay debt



Debt Report

The National Treasury maintains permanent monitoring of debt indicators performance, including the liquidity reserve, and market conditions. The ABP revision provides to debt management the flexibility required to face the changing scenario and to define the more adequate bond issuances strategy to meet federal government borrowing needs, and to ensure the proper functioning of government bond market.



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