

Ireland's National Treasury Management Agency announces its Bond Issuance Plans for 2004

Ireland to Issue New Benchmark Bond maturing in April 2020

Ireland plans to issue a new benchmark bond maturing in April 2020. The new bond will be launched in the second half of January 2004 by means of a buyback and exchange programme in which investors in the current 5% Treasury Bond 2013 will be offered terms for switching up to €2 billion of their holdings into the new issue. The buyback leg of the transaction will be conducted by means of a reverse auction and the proceeds will be simultaneously switched into the new bond at a uniform price, which will be announced in advance by the NTMA.

The new bond will be auctioned as soon as possible after its launch so as to bring the amount in issue above the €2.5 billion level where it will be listed on the MTS Ireland electronic trading platform, and ultimately above the €5 billion level where it will be listed on EuroMTS.

In addition to the exchange programme Ireland will issue some €4 billion of bonds in 2004. This is some €2.5 billion less than in 2003 and reflects the absence of any significant debt maturities and the continued healthy state of the public finances. The projected deficit on the general government balance in 2004 is 1.1% of GDP, with a gross Debt to GDP ratio of 33 per cent, the second lowest in the EU.

It is expected that bond issuance will be mainly in the new 2020 benchmark bond and also in the benchmark 3¼% Treasury Bond 2009. The 5% Treasury Bond 2013, which will still have some €6 billion in issue after the exchange programme in January, will continue to have benchmark status, as will the 4.6% Treasury Bond 2016 and the 4¼% Treasury Bond 2007.

The size of the bond auctions in 2004 will be determined by market conditions but will normally be for at least €450m. While auctions will continue to be held on the third Thursday of the month, the frequency of the auctions will be kept under review in the light of the reduced issuance requirement. The market will be given one week's notice of the details of each auction.

The NTMA will continue its practice of bidding competitively for non-benchmark illiquid bonds as opportunities arise in the markets in 2004. This has the potential to boost the size of the normal auctions and to concentrate liquidity in the benchmark bonds.

The funding position will be kept under review and, should there be any significant change in circumstances, a further announcement will be made.

National Treasury Management Agency

19 December 2003