# Kalin Anev Janse speaks about ESM/EFSF funding plans in Börsen-Zeitung interview

**Interview with Kalin Anev Janse, ESM Chief Financial Officer**
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**Börsen-Zeitung: Mr Anev Janse, what is the funding volume for the ESM and the EFSF this year and how does this compare with 2024?**

Kalin Anev Janse: For 2025, we plan a total of €28.5 billion in long-term funding, with €21.5 billion from the European Financial Stability Facility (EFSF) and €7 billion from European Stability Mechanism (ESM). This volume is slightly higher than the €26 billion in 2024 due to higher refinancing needs. In addition to long-term bonds, we also have our 3- and 6-months bills, which raised €24.6 billion in 2024. Furthermore, we introduced a new financial product last year: Euro Commercial Paper, to better cover short-term liquidity needs. In 2024, we issued around €3.5 billion in Euro Commercial paper with an average maturity of three weeks. We plan to continue utilising the full range of our financing instruments in 2025, ensuring our presence in the market from very short-term to long-term bonds.

**What is the current outstanding bond volume of the two institutions on the market?**

Currently, we have a total of €271.1 billion in outstanding bonds, €192.7 billion from EFSF and €78.4 billion from the ESM, of which 6 billion in USD-denominated bonds. Additionally, we have €8.7 billion in outstanding bills. This positions us in a similar size to Austria in the bond market.

**There is currently more discussion on the markets that the demand for bonds could decline this year. Do you share this view?**

I believe we have a healthy market. We transitioned from the fastest interest rate hike period to rate cuts in 2024. Investors are now looking to lock in higher rates. The highly-rated bonds from ESM and EFSF, the EU Commission, and the European Investment Bank (EIB) offer good returns, are very safe and secure. The first deals of the year were executed successfully, with large order books. It is also important to note that many issuers concluded their activities early in 2024 – we finished in September. Therefore, there is a significant number of investors that are waiting for issuers to come to the market in early 2025.

**According to experts, the escalating sovereign debt and growing budget deficits of governments could become a serious issue for the markets and lead to a crisis. This has been discussed for several years now. Do you also have this concern?**

Europe does face challenges. However, I do not see a crisis from escalating sovereign debt now. Markets are expecting a marginal decline in gross issuance in 2025, however, accompanied by a further increase in net bond issuance by euro area sovereigns compared to 2024 and 2023. That said, such developments will differ across euro area countries.

**The Bund swap spread turned negative in November for the first time in more than 20 years. What is the situation with the ESM/EFSF, is the swap spread also negative for you?**

We are closely monitoring this development. The cheapening of Bunds – and by extension that of the EFSF and the ESM versus swaps albeit to a lesser extent – can be explained by the steady increase in Bund free-float due to increased bond issuance by governments and the phasing out of central bank bond purchases. We see this as less of a concern for European supranational issuers like EFSF and ESM, but it serves as a cautionary sign for member states with large financing needs. ESM/EFSF remained positive towards swap transactions. Compared to the Bund, the spread in the 10-year maturity range narrowed from 55 to 36 basis points within a year.

**What do you deduce from the negative swap spread? Do you expect it to continue this year or to normalise?**

The negative swap spread can be attributed to several factors. In 2022, as monetary policy was tightened, the bond holdings of the Eurosystem were still at their peak, leading to a divergence between higher swap rates and lower bond yields. By 2024, this has reversed: monetary policy is in easing mode, which is lowering swap rates, while rising bond supply is putting upward pressure on bond yields. Wider swap spreads can sometimes reflect systemic risk, but that doesn’t seem to be the case this time. We also don’t see signs of redenomination risk picking up.

**What changes do you expect to see on the bond markets this year, also taking into account Donald Trump's new US presidency?**

On Trump’s inauguration day, we went to the euro market. It turned out to be one of the largest order books in EFSF history. The support of markets towards Europe and the euro are strong. Additionally, for bond markets, the EU’s strategic agenda for the next five years includes enhancing European security and defence, competitiveness, and deepening the Single Market. Investors will need to watch the EU’s new direction and new financial opportunities. We have also observed some interesting shifts in investor base: last year, Asian investors took up almost a quarter of ESM/EFSF bonds, marking their biggest participation since 2011. There has also been an increased interest in EFSF/ESM bonds from central banks globally.

**What influence do you see AI having on electronic bond trading in 2025?**

Electronic trading of EFSF/ESM bonds has increased over the past decade, rising from 40% to 60% in volume and from 55% to 80% in the number of trades. This trend highlights the growing reliance on electronic platforms for bond trading. In 2025, I expect that artificial intelligence (AI) will play an increasingly pivotal role in bond issuances and investment decisions. At the ESM, we are looking into how AI can be integrated into various business areas.

**The bond issuance of the EU, EIB and your institution together exceeded the €1 trillion mark in 2024. How do you see the further development of these European safe assets this year?**

We moved from billions to trillions in European safe asset issuance from the EU Commission, the EIB, and both the EFSF and ESM. Keep in mind that the ESM borrows on the market at cheaper rates than 16 out of the 20 euro area countries, with financing costs below the GDP-weighted average of the euro area's financing costs. At the same time, the ESM has a lending capacity that is close to €430 billion, which is growing as countries that received aid during the euro debt crisis, from the EFSF and the ESM, continue to repay their loans. Financing public goods through European institutions can help countries consolidate their public finances, making room for investment and protecting against future shocks. Considering the European strategic agenda and the analysis in the reports by Mario Draghi and Enrico Letta, European institutions have the potential to do much more. The cash is there, if there is political will.

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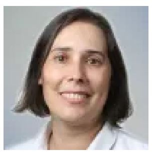

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