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## **RETAIL FINANCING IN THE HIGH INFLATIONARY ERA**

### **Abstract:**

Retail financing was part of the Hungarian debt management framework even before the millennium but it only gained momentum after 2012. As FX debt reduction became a strategic goal of the economic policy after the Great Financial Crisis such as the financial inclusion of households, widening the retail investor base and boosting the sales of retail debt securities with competitive yields and higher publicity was an obvious choice. Currently, more than 20% of the Hungarian public debt is in household ownership, indicating the need for careful monitoring of retail debt and also different challenges as experienced in the previous years when, while combatting their impacts on the wholesale market and financing costs, the high inflation and interest rates rearranged the retail debt as well. This paper aims to present the evolution of the Hungarian retail debt programme, its importance in public debt financing and how the high inflation and interest rate environment affected the behavior of retail investors. Also, the paper assesses a what-if analysis that was conducted to estimate the real cost effect of the retail debt programme as it is often considered an expensive form of funding.

### **Keywords:**

Public Debt, Retail Debt Programme, Household Assets, Inflation, AR model