FINANCING OF THE CENTRAL GOVERNMENT IN JULY 2022

1. Government debt data

The debt of the central government increased by HUF 3,509.9 billion in July due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,198.1 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,171.1 billion, which increased the debt of the central government.
- **The third – also increasing — factors** is the depreciation of the forint that increased the HUF value of the foreign currency debt by HUF 857.6 billion.
- **The fourth – additional increasing – factor** is the change of the foreign currency exchange rates and other factors that increased the mark-to-market deposits placed at GDMA by HUF 283.2 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2022.

Central government gross debt and debt transactions in 2022

	31.12.2021		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.07.2022		change
	Debt stock (preliminary data)	Breakdown	I-VII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***32,121.236***	***78.9%***	**6,407.091**	**5,209.030**	***0.000***	**1,198.061**	**33,319.298**	***75.4%***	***-3.56%***
1.1. Loans	**1,307.744**	***3.2%***	**0.000**	**35.240**	**0.000**	**-35.240**	**1,272.504**	***2.9%***	***-0.33%***
1.1.1. Foreign	1,307.744	*3.2%*	0.000	35.240	0.000	-35.240	1,272.504	***2.9%***	***-0.33%***
1.1.2. Domestic	0.000	*0.0%*	0.000	0.000	0.000	0.000	0.000	***0.0%***	***0.00%***
1.2. Government securities	**30,813.492**	***75.7%***	**6,407.091**	**5,173.789**	**0.000**	**1,233.302**	**32,046.794**	***72.5%***	***-3.22%***
1.2.1. Bonds	20,220.031	49.7%	2,077.853	904.878	0.000	1172.975	21,393.006	***48.4%***	***-1.29%***
1.2.2. Discount T-bills	583.208	1.4%	1,397.765	1,058.535	0.000	339.230	922.438	***2.1%***	***0.65%***
1.2.3. Retail securities	10,010.253	24.6%	2,931.474	3,210.377	0.000	-278.903	9,731.350	***22.0%***	***-2.58%***
2. Foreign currency denominated debt	**8,395.157**	***20.6%***	**1,808.131**	**637.077**	**857.593**	**2,028.647**	**10,423.804**	***23.6%***	***2.95%***
2.1. Loans	**1,345.240**	***3.3%***	**68.392**	**31.263**	**133.315**	**170.445**	**1,515.684**	***3.4%***	***0.12%***
2.1.1. Foreign	1,345.240	*3.3%*	68.392	31.263	133.315	170.445	1,515.684	***3.4%***	***0.12%***
2.1.2. Domestic	*0.000*	*0.0%*	0.000	0.000	0.000	0.000	0.000	***0.0%***	***0.00%***
2.2. Government securities	**7,049.917**	***17.3%***	**1,739.739**	**605.814**	**724.278**	**1858.202**	**8,908.119**	***20.2%***	***2.83%***
2.2.1. Issued abroad	6,594.948	*16.2%*	1,646.776	413.994	678.101	1,910.883	8,505.832	***19.2%***	***3.04%***
2.2.2. Issued in Hungary	454.969	*1.1%*	92.963	191.820	46.177	-52.681	402.288	***0.9%***	***-0.21%***
Total	**40,516.393**	***99.6%***	**8,215.222**	**5,846.106**	**857.593**	**3,226.708**	**43,743.101**	***99.0%***	***-0.61%***
Other debt	180.629	*0.4%*	1,158.691	905.520	30.023	283.194	463.824	***1.0%***	***0.61%***
Total central government debt	**40,697.022**	***100.0%***	**9,373.913**	**6,751.626**	**887.616**	**3,509.903**	**44,206.925**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 2,028.6 billion in 2022 and amounted to HUF 10,423.8 billion at the end of July 2022. The share of foreign currency denominated debt within the total debt increased from 20.6% to 23.6% in 2022.

The increase is due to the HUF 205.4 billion of Samurai bonds issued in February, the HUF 1,441.3 billion of foreign currency bonds issued in June and the depreciation of the forint.

The forint denominated debt increased by HUF 1,198.1 billion to HUF 33,319.3 billion. The share of HUF-denominated debt reached 75.4% of the total debt, while in December 2021 this proportion was 78.9%.

The stock of retail securities decreased by HUF 278.9 billion from the end of 2021 to HUF 9,731.4 billion at the end of July. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 1,259.4 billion, thus amounted to HUF 3,462.1 billion. The stock of the 1-year Government Securities increased by HUF 91.3 billion to HUF 1,092.9 billion at the end of July. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,660.4 billion this year and amounted to HUF 4,701.1 billion at the end of July.

The volume of non-resident holdings of Hungarian government securities increased by HUF 608.4 billion to HUF 5,252.8 in July. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 5,241.6 billion. The non-resident holdings of Discount T-Bills amounted to HUF 11.2 billion, that represented only 0.2% of total non-resident holdings. The duration of the non-resident stock was 6.4 years at the end of July 2022.

In order to reduce counterparty risk associated with the swap transactions concluded by GDMA, so-called marked-to-market deposits are being placed as collateral covering the net value of the swap positions. Such deposits placed at GDMA are counted as part of the government debt as 'other obligations'. During the first seven month of the year marked-to-market deposits increased by HUF 283.2 billion and reached HUF 463.8 billion (EUR 1.1 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.9 to 2.0. The bid-to-cover ratio of T-bond auctions increased from 3.5 to 3.7 in July.

The average yield of the last 3-month Discount Treasury Bill auction in July was 8.18%, 165 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in July was 9.58%, 237 basis points higher compared to June.

The average yield of the last 5-year government bond auction in July was 9.47%, 107 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 8.22%, 20 basis points higher compared to June. The average yield of the last auction of 15-year government bond was 7.99%, higher by 1 basis point compared to the last June's average yield. The average yield of the last 20-year government bond auction was 8.65%, 155 basis points higher than the average yield at the previous auction (mid-May).
The average yield of 10-year green government bond was 8.63% in the July auction, which was 134 basis points higher than its average yield at the previous auction in June.

H-1013 Budapest, Krisztina tér 2. | Postal address: H-1255 Budapest, PO BOX. 85.
E-mail: akk@akk.hu | Registered at the Budapest Capital City Court (Hungary), Registration No.: 01-10-044549