FINANCING OF THE CENTRAL GOVERNMENT IN JULY 2023

1. Government debt data

The debt of the central government increased by HUF 2,576.6 billion in July due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,709.7 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,607.4 billion, which also finances the deficit and increased the debt of the central government.
- **The third – which had contrary effect than the above mentioned factors —** is the appreciation of the forint that decreased the HUF value of the foreign currency debt by HUF 483.9 billion.
- **The fourth – also decreasing – factor** is the change of the foreign currency exchange rates and other factors that decreased the mark-to-market deposits placed at GDMA by HUF 256.5 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2023.

Central government gross debt and debt transactions in 2023

	31.12.2022		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.07.2023		change
	Debt stock (preliminary data)	Breakdown	January to July				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	*33,775.628*	*74.1%*	**8,392.814**	**6,683.158**	*0.000*	**1,709.656**	**35,485.284**	*73.7%*	*-0.42%*
1.1. Loans	**1,024.205**	*2.2%*	**0.000**	**102.382**	**0.000**	**-102.382**	**921.824**	*1.9%*	*-0.33%*
1.1.1. Foreign	1,024.205	*2.2%*	0.000	102.382	0.000	-102.382	921.824	*1.9%*	*-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	**32,751.423**	*71.9%*	**8,392.814**	**6,580.776**	**0.000**	**1,812.038**	**34,563.460**	*71.8%*	*-0.08%*
1.2.1. Bonds	22,346.277	49.0%	1,892.144	1,314.566	0.000	577.579	22,923.855	*47.6%*	*-1.43%*
1.2.2. Discount T-bills	1,785.783	3.9%	3,046.461	2,511.971	0.000	534.490	2,320.273	*4.8%*	*0.90%*
1.2.3. Retail securities	8,619.363	18.9%	3,454.209	2,754.240	0.000	699.969	9,319.332	*19.4%*	*0.44%*
2. Foreign currency denominated debt	**11,397.328**	*25.0%*	**2,172.157**	**564.758**	**-483.899**	**1,123.500**	**12,520.829**	*26.0%*	*0.99%*
2.1. Loans	**1,959.079**	*4.3%*	**305.670**	**1.419**	**-70.748**	**233.504**	**2,192.582**	*4.6%*	*0.25%*
2.1.1. Foreign	1,959.079	*4.3%*	305.264	1.419	-70.342	233.504	2,192.582	*4.6%*	*0.25%*
2.1.2. Domestic	*0.000*	*0.0%*	0.406	0.000	-0.406	0.000	0.000	*0.0%*	*0.00%*
2.2. Government securities	**9,438.250**	*20.7%*	**1,866.487**	**563.340**	**-413.151**	**889.997**	**10,328.246**	*21.5%*	*0.74%*
2.2.1. Issued abroad	9,085.466	*19.9%*	1,744.083	556.406	-399.753	787.925	9,873.391	*20.5%*	*0.57%*
2.2.2. Issued in Hungary	352.783	*0.8%*	122.404	6.934	-13.399	102.072	454.855	*0.9%*	*0.17%*
Total	**45,172.957**	*99.1%*	**10,564.971**	**7,247.916**	**-483.899**	**2,833.156**	**48,006.113**	*99.7%*	*0.58%*
Other debt	389.419	*0.9%*	1,071.748	1,312.386	-15.894	-256.532	132.887	*0.3%*	*-0.58%*
Total central government debt	**45,562.376**	*100.0%*	**11,636.719**	**8,560.302**	**-499.793**	**2,576.624**	**48,139.000**	*100.0%*	*0.00%*

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The foreign currency debt of the central government increased by HUF 1,123.5 billion in 2023 and amounted to HUF 12,520.8 billion at the end of July 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 26.0% in 2023.

The increase is mainly due to the foreign currency bonds issuance in January: 5-year foreign currency bond in the amount of USD 1.5 billion (HUF 558.1 billion) and 10-year foreign currency bond in the amount of USD 1.5 billion (HUF 558.1 billion), and 30-year foreign currency bond in the amount of 1.25 billion USD (HUF 465.1 billion HUF) was also issued. The foreign currency debt was further increased by the private placement in March. The 5- and 10-year foreign currency bonds issued in January were increased in the amounts of USD 150 million (HUF 54.3 billion) and USD 300 million (HUF 108.6 billion). A part of the January's issuance was used to repurchase two USD bonds maturing between 2023-24, together with the closing of the related swaps, at a face value of USD 1.0 billion (HUF 289.9 billion). However, exchange rate appreciation has reduced the share of foreign currency debt.

The forint denominated debt increased by HUF 1,709.7 billion to HUF 35,485.3 billion. The share of HUF-denominated debt reached 73.7% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 700.0 billion since the end of 2022 to HUF 9,319.3 billion at the end of July. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 1,881.8 billion, thus amounted to HUF 6,203.4 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 352.5 billion and amounted to HUF 867.2 billion at the end of July. The stock of the 1-year Government Securities decreased by HUF 341.2 billion to HUF 466.6 billion at the end of July. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,300.5 billion this year and amounted to HUF 1,134.0 billion at the end of July.

The volume of non-resident holdings of Hungarian government securities increased by HUF 371.1 billion to HUF 6,895.6 in Julye. 99.1% of non-resident holdings was T-bonds, which amounted to HUF 6,830.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 64.7 billion, that represented only 0.9% of total non-resident holdings. The duration of the non-resident stock was 5.8 years at the end of July 2023.

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 decreased by HUF 256.5 billion and reached HUF 132.9 billion (EUR 0.3 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.7 to 1.4. The bid-to-cover ratio of T-bond auctions decreased from 3.9 to 3.6 in July.

The average yield of the last 3-month Discount Treasury Bill auction in July was 10.17%, 3 basis points higher than in the previous month and the 6-month Treasury bill was 10.23%, 2 basis points higher than at the end of June. The average yield of the last 12-month Discount Treasury Bill auction in July was 10.33%, 112 basis points lower compared to June.

The average yield of the most recent 3-year government bond auctions in July was 8.87% and 10 basis points higher compared to June. The average yield of the 5-year government bond auction in July was 7.56%, 13 basis points less than in June. The average yield of the latest 10-year government bond auction in July was 7.19%, 17 basis points higher than in the previous month. The average yield of the last of 20-year government bond auction was 6.94%, lower by 108 basis points compared to the last April's average yield.

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