# FINANCING OF THE CENTRAL GOVERNMENT IN JUNE 2022

## 1. Government debt data

**The debt of the central government increased** by HUF 3,583.2 billion in June due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,522.2 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,186.8 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 664.8 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 209.4 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 | 30.06.2022 | | change |
|---|---|---|---|---|---|---|---|---|---|
| | Debt stock (preliminary data) | Breakdown | I-VI. month | | | | Debt stock (preliminary data) | Breakdown | percent |
| **1. HUF denominated debt** | ***32,121.236*** | ***78.9%*** | **5,747.338** | **4,225.134** | ***0.000*** | **1,522.204** | **33,643.440** | ***76.0%*** | ***-2.95%*** |
| 1.1. Loans | **1,307.744** | ***3.2%*** | **0.000** | **35.240** | **0.000** | **-35.240** | **1,272.504** | ***2.9%*** | ***-0.34%*** |
| 1.1.1. Foreign | 1,307.744 | *3.2%* | 0.000 | 35.240 | 0.000 | -35.240 | 1,272.504 | ***2.9%*** | ***-0.34%*** |
| 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%*** | **5,747.338** | **4,189.894** | **0.000** | **1,557.444** | **32,370.936** | ***73.1%*** | ***-2.61%*** |
| 1.2.1. Bonds | 20,220.031 | 49.7% | 1,914.831 | 839.983 | 0.000 | 1074.848 | 21,294.878 | ***48.1%*** | ***-1.59%*** |
| 1.2.2. Discount T-bills | 583.208 | 1.4% | 1,260.687 | 854.853 | 0.000 | 405.834 | 989.042 | ***2.2%*** | ***0.80%*** |
| 1.2.3. Retail securities | 10,010.253 | 24.6% | 2,571.820 | 2,495.058 | 0.000 | 76.763 | 10,087.016 | ***22.8%*** | ***-1.82%*** |
| **2. Foreign currency denominated debt** | **8,395.157** | ***20.6%*** | **1,798.315** | **611.550** | **664.825** | **1,851.590** | **10,246.747** | ***23.1%*** | ***2.51%*** |
| 2.1. Loans | **1,345.240** | ***3.3%*** | **68.392** | **6.784** | **104.835** | **166.443** | **1,511.683** | ***3.4%*** | ***0.11%*** |
| 2.1.1. Foreign | 1,345.240 | *3.3%* | 68.392 | 6.784 | 104.835 | 166.443 | 1,511.683 | ***3.4%*** | ***0.11%*** |
| 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%*** | **1,729.923** | **604.767** | **559.990** | **1685.147** | **8,735.064** | ***19.7%*** | ***2.40%*** |
| 2.2.1. Issued abroad | 6,594.948 | *16.2%* | 1,646.776 | 413.994 | 521.066 | 1,753.848 | 8,348.796 | ***18.9%*** | ***2.65%*** |
| 2.2.2. Issued in Hungary | 454.969 | *1.1%* | 83.147 | 190.773 | 38.925 | -68.701 | 386.268 | ***0.9%*** | ***-0.25%*** |
| **Total** | **40,516.393** | ***99.6%*** | **7,545.653** | **4,836.685** | **664.825** | **3,373.794** | **43,890.187** | ***99.1%*** | ***-0.44%*** |
| Other debt | 180.629 | *0.4%* | 899.550 | 708.751 | 18.620 | 209.420 | 390.049 | ***0.9%*** | ***0.44%*** |
| **Total central government debt** | **40,697.022** | ***100.0%*** | **8,445.204** | **5,545.435** | **683.445** | **3,583.214** | **44,280.236** | ***100.0%*** | ***0.00%*** |

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**The foreign currency debt of the central government** increased by HUF 1,851.6 billion in 2022 and amounted to HUF 10,246.7 billion at the end of June 2022. The share of foreign currency denominated debt within the total debt increased from 20.6% to 23.1% in 2022. The growth was based on the foreign currency bonds issuance in June. On 8 June two USD denominated bonds were issued: HUF 666.4 billion (USD 1.75 billion) with a 7-year term and HUF 476.0 billion (USD 1.25 billion) with a 12-year term. In parallel with USD bonds, a 9-year long foreign currency bond in the amount of HUF 298.9 billion (EUR 750 million) was also issued. A portion of this inflow was used to repurchase three USD bonds maturing between 2023-24 at a face value of HUF 452.7 billion (USD 1.2 billion).

**The forint denominated debt increased** by HUF 1,522.2 billion to HUF 33,643.4 billion. The share of HUF-denominated debt reached 76.0% of the total debt, while in December 2021 this proportion was 78.9%.

The stock of retail securities increased by HUF 76.8 billion from the end of 2021 to HUF 10,087.0 billion at the end of June. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 1,217.6 billion, thus amounted to HUF 3,420.4 billion. The stock of the 1-year Government Securities increased by HUF 115.5 billion to HUF 1,117.0 billion at the end of June. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,281.3 billion this year and amounted to HUF 5,080.3 billion at the end of June.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 751.1 billion to HUF 4,644.4 in June. 99.7% of non-resident holdings was T-bonds, which amounted to HUF 4,632.2 billion. The non-resident holdings of Discount T-Bills amounted to HUF 12.1 billion, that represented only 0.3% of total non-resident holdings. The duration of the non-resident stock was 6.5 years at the end of May 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 six month of the year marked-to-market deposits increased by HUF 209.4 billion and reached HUF 390.0 billion (EUR 1.0 billion) at the end of the month.

## 2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.3 to 2.9 in June. The bid-to-cover ratio of T-bond auctions hasn't changed in June compared to the previous month's 3.5.

The average yield of the last 3-month Discount Treasury Bill auction in June was 6.53%, 25 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in June was 7.21%, 53 basis points higher compared to May.

The average yield of the last 5-year government bond auction in June was 8.40%, 100 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 8.02%, 69 basis points higher compared to May. The average yield of the last auction of 15-year government bond was 7.98%, higher by 95 basis points compared to the last May's average yield. The average yield of 10-year green government bond was 7.29% in the June auction, which was 17 basis points lower than its average yield at the previous auction in May. The average yield of the last 30-year green government bond auction was 7.94%, which was 355 basis points higher compared to the previous (November 2021) auction's yield.



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