FINANCING OF THE CENTRAL GOVERNMENT IN MAY 2024

1. Government debt data

The debt of the central government increased by HUF 3,767.4 billion in May due to the following reasons:

- **The first increasing factor** is the net foreign currency issuance of HUF 1,805.6 billion, which finances the deficit and increased the foreign currency deposit, and also increased the debt of the central government.
- **The second – increasing – factor** is the net forint issuance of HUF 1,912.2 billion, which finances the deficit of the central government budget.
- **The third – also increasing factor —** is the depreciation of the forint that increased the HUF value of the foreign currency debt by HUF 274.2 billion.
- **The fourth – which had contrary effect than the above mentioned factors –** is the change of the foreign currency exchange rates and other factors that decreased the mark-to-market deposits placed at GDMA by HUF 224.5 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2024.

Central government gross debt and debt transactions in 2024

	31.12.2023		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.05.2024		change
	Debt stock (preliminary data)	Breakdown	January to May				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	**36,888.034**	*72.5%*	**5,343.563**	**3,431.390**	**0.000**	**1,912.173**	**38,800.207**	***71.0%***	***-1.50%***
1.1. Loans	**868.220**	*1.7%*	**46.997**	**38.861**	**0.000**	**8.136**	**876.356**	***1.6%***	***-0.10%***
1.1.1. Foreign	868.220	*1.7%*	46.997	38.861	0.000	8.136	876.356	***1.6%***	***-0.10%***
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	**36,019.813**	*70.8%*	**5,296.566**	**3,392.529**	**0.000**	**1,904.038**	**37,923.851**	***69.4%***	***-1.40%***
1.2.1. Bonds	24,058.876	*47.3%*	1,736.367	885.940	0.000	850.427	24,909.303	***45.6%***	***-1.71%***
1.2.2. Discount T-bills	1,883.770	*3.7%*	1,929.473	1,824.873	0.000	104.600	1,988.370	***3.6%***	***-0.06%***
1.2.3. Retail securities	10,077.167	*19.8%*	1,630.726	681.715	0.000	949.011	11,026.178	***20.2%***	***0.37%***
2. Foreign currency denominated debt	**13,678.314**	*26.9%*	**2,163.942**	**358.350**	**274.155**	**2,079.748**	**15,758.062**	***28.8%***	***1.95%***
2.1. Loans	**2,670.009**	*5.2%*	**497.211**	**53.153**	**45.317**	**489.376**	**3,159.385**	***5.8%***	***0.53%***
2.1.1. Foreign	2,670.009	*5.2%*	497.211	53.153	*45.317*	489.376	3,159.385	***5.8%***	***0.53%***
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	**11,008.305**	*21.6%*	**1,666.731**	**305.197**	**228.838**	**1,590.372**	**12,598.677**	***23.1%***	***1.42%***
2.2.1. Issued abroad	10,535.449	*20.7%*	1,621.605	294.171	220.468	1,547.902	12,083.350	***22.1%***	***1.40%***
2.2.1.1. Foreign currency bond	10,357.080	*20.4%*	1,441.195	295.631	220.231	1,365.795	11,722.875	***21.5%***	***1.10%***
2.2.1.2. ECP program	178.369	*0.4%*	180.410	-1.460	0.236	182.106	360.475	***0.7%***	***0.31%***
2.2.2. Issued in Hungary	472.856	*0.9%*	45.126	11.026	8.370	42.470	515.326	***0.9%***	***0.01%***
Total	**50,566.347**	***99.4%***	**7,507.505**	**3,789.739**	**274.155**	**3,991.921**	**54,558.268**	***99.9%***	***0.45%***
Other debt	298.836	*0.6%*	2,543.642	2,773.018	4.887	-224.489	74.348	***0.1%***	***-0.45%***
Total central government debt	**50,865.184**	***100.0%***	**10,051.147**	**6,562.757**	**279.043**	**3,767.433**	**54,632.616**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 2,079.7 billion in 2024 and amounted to HUF 15,758.1 billion at the end of May 2024. The share of foreign currency denominated debt within the total debt increased from 26.9% to 28.8% in 2024.

The increase is mainly due to the foreign currency bond issuances in January 2024. On 3 January Hungary's first international bond issuance this year was made in the amount of USD 2.5 billion (HUF 863.6 billion) with 12-year maturity, followed by Hungary's third EUR Green Bond issuance on 18 January in the amount of EUR 1.5 billion (HUF 577.6 billion) with a maturity of 5.5-year. The amount of foreign currency securities issued in 2024 under the ECP (Euro Commercial Paper) program was USD 500 million (HUF 180.4 billion). The project financing foreign currency loan in the amount of EUR 1.0 billion (HUF 393.8 billion) increased the foreign currency debt in April. The exchange rate depreciation further increased the share of foreign currency debt.

The forint denominated debt increased by HUF 1,912.2 billion to HUF 38,800.2 billion. The share of HUF-denominated debt reached 71.0% of the total debt, while in December 2023 this proportion was 72.5%.

The stock of retail securities increased by HUF 949.0 billion since the end of 2023 to HUF 11,026.2 billion at the end of May. The portfolio of Premium Hungarian Government Security with a long-term maturity increased by HUF 148.1 billion, thus amounted to HUF 7,140.8 billion. In January, the new 3-year fixed-rate Fixed Hungarian Government Security was introduced; its issuance amounted to HUF 422.0 billion at the end of the month. The sale of Bonus Hungarian Government Security also increased: the stock of 3- and 5-year Bonus Hungarian Government Security increased by HUF 122.3 billion and amounted to HUF 995.5 billion at the end of May. The stock of the 1-year Government Security increased by HUF 218.8 billion to HUF 792.8 billion at the end of May.

The volume of non-resident holdings of Hungarian government securities increased by HUF 273.3 billion to HUF 7,111.7 in May. 98.9% of non-resident holdings was T-bonds, which amounted to HUF 7,032.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 78.9 billion, that represented only 1.1% of total non-resident holdings. The duration of the non-resident stock was 5.7 years at the end of May 2024.

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 five months of the year marked-to-market and other deposits decreased by HUF 224.5 billion and reached HUF 74.3 billion (EUR 0.2 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.2 to 3.4. The bid-to-cover ratio of T-bond auctions increased from 4.4 to 5.2 in May.

The average yield of the last 3-month Discount Treasury Bill auction in May was 6.80%, 8 basis points lower than in the previous month and the 6-month Treasury bill was 6.85%, 2 basis points lower than at the end of April. The average yield of the last 12-month Discount Treasury Bill auction in May was 6.79%, 17 basis points lower compared to April.

The average yield of the latest 3-year government bond auctions in May was 6.97% and 23 basis points lower compared to the auction in April. The average yield of the 5-year government bond auction in May was 6.92%, 23 basis points lower than in April. The average yield of the latest 10-year government bond auction in May was 6.93%, 14 basis points lower than in the previous month. The average yield of the last of 15-year government bond auction was 6.77%, higher by 54 basis points compared to the last February's average yield. The average yield of the last of 30-year green bond auction was 6.79%, lower by 88 basis points compared to the last October's average yield.

H-1013 Budapest, Krisztina tér 2. | Postal address: H-1253 Budapest, PO BOX. 85. | Fax: +36 1 488 9445
E-mail: akk@akk.hu | Registered at the Budapest Capital City Court (Hungary), Registration No.: 01-10-044549