

FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2023

1. Government debt data

The debt of the central government increased by HUF 4,155.8 billion in October due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 2,585.9 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 2,432.1 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 579.9 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 282.2 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	31.10.2023		change
	Debt stock (preliminary data)	Breakdown	January to October				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	33,775.628	74.1%	11,292.322	8,706.457	0.000	2,585.866	36,361.494	73.1%	-1.00%
1.1. Loans	1,024.205	2.2%	0.000	102.382	0.000	-102.382	921.824	1.9%	-0.39%
1.1.1. Foreign	1,024.205	2.2%	0.000	102.382	0.000	-102.382	921.824	1.9%	-0.39%
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%	11,292.322	8,604.075	0.000	2,688.247	35,439.670	71.3%	-0.60%
1.2.1. Bonds	22,346.277	49.0%	2,837.972	1,434.746	0.000	1,403.226	23,749.503	47.8%	-1.28%
1.2.2. Discount T-bills	1,785.783	3.9%	4,076.193	3,850.424	0.000	225.769	2,011.552	4.0%	0.13%
1.2.3. Retail securities	8,619.363	18.9%	4,378.157	3,318.905	0.000	1,059.252	9,678.615	19.5%	0.55%
2. Foreign currency denominated debt	11,397.328	25.0%	3,154.111	722.053	-579.851	1,852.207	13,249.536	26.6%	1.63%
2.1. Loans	1,959.079	4.3%	396.824	59.745	-86.843	250.235	2,209.314	4.4%	0.14%
2.1.1. Foreign	1,959.079	4.3%	396.418	59.745	-86.437	250.235	2,209.314	4.4%	0.14%
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%	2,757.287	662.308	-493.007	1,601.972	11,040.222	22.2%	1.49%
2.2.1. Issued abroad	9,085.466	19.9%	2,597.558	626.327	-476.019	1,495.212	10,580.678	21.3%	1.34%
2.2.1.1. Foreign currency bond	9,085.466	19.9%	2,417.273	626.177	-474.113	1,316.983	10,402.449	20.9%	0.98%
2.2.1.2. ECP program	0.000	0.0%	180.285	0.149	-1.906	178.229	178.229	0.4%	0.36%
2.2.2. Issued in Hungary	352.783	0.8%	159.729	35.981	-16.988	106.760	459.543	0.9%	0.15%
Total	45,172.957	99.1%	14,446.433	9,428.510	-579.851	4,438.073	49,611.029	99.8%	0.64%
Other debt	389.419	0.9%	1,436.816	1,703.043	-16.022	-282.248	107.171	0.2%	-0.64%
Total central government debt	45,562.376	100.0%	15,883.249	11,131.552	-595.872	4,155.824	49,718.200	100.0%	0.00%

The foreign currency debt of the central government increased by HUF 1,852.2 billion in 2023 and amounted to HUF 13,249.5 billion at the end of October 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 26.6% in 2023.

The increase is due to the foreign currency bonds issuance in 2023. 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 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 (HUF 289.9 billion) maturing between 2023-24, together with the closing of the related swaps, at a face value of USD 1.0 billion. Further EUR 1.75 billion (HUF 673.2 billion) of 10-year foreign currency bond was issued in September. Foreign currency securities issued under the ECP (Euro Commercial Paper) programme amounted to USD 500 million (HUF 180.3 billion) at the end of October. However, exchange rate appreciation has reduced the share of foreign currency debt.

The forint denominated debt increased by HUF 2,585.9 billion to HUF 36,361.5 billion. The share of HUF-denominated debt reached 73.1% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 1,059.3 billion since the end of 2022 to HUF 9,678.6 billion at the end of October. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 2,283.9 billion, thus amounted to HUF 6,605.6 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 374.4 billion and amounted to HUF 889.1 billion at the end of October. The stock of the 1-year Government Securities decreased by HUF 276.3 billion to HUF 531.5 billion at the end of October. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,459.9 billion this year and amounted to HUF 974.6 million at the end of October.

The volume of non-resident holdings of Hungarian government securities increased by HUF 874.8 billion to HUF 7,047.6 in October. 98.9% of non-resident holdings was T-bonds, which amounted to HUF 6,972.7 billion. The non-resident holdings of Discount T-Bills amounted to HUF 74.9 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 October 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 ten month of the year marked-to-market deposits decreased by HUF 282.2 billion and reached HUF 107.2 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 2.4 to 1.7. The bid-to-cover ratio of T-bond auctions increased from 3.6 to 4.2 in October.

The average yield of the last 3-month Discount Treasury Bill auction in October was 8.04%, 50 basis points higher than in the previous month and the 6-month Treasury bill was 8.16%, 36 basis points lower than at the end of September. The average yield of the last 12-month Discount Treasury Bill auction in October was 8.35%, 40 basis points lower compared to September.

The average yield of the most recent 3-year government bond auctions in October was 8.45% and 47 basis points higher compared to September. The average yield of the 5-year government bond auction in October was 7.65%, 65 basis points higher than in September. The average yield of the latest 10-year government bond auction in October was 7.61%, 61 basis points higher than in the previous month. The average yield of the latest 15-year government bond auction in October was 7.65%, 15 basis points higher than the average yield of the previous auction in August. The average yield of the last of 30-year green bond auction was 7.67%, higher by 22 basis points compared to the last May's average yield.