FINANCING OF THE CENTRAL GOVERNMENT IN DECEMBER 2021

1. Government debt data

The debt of the central government increased by HUF 4,012.7 billion in December due to the following reasons:

- **The first factor** is the net forint issuance of HUF 2,884.0 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 916.8 billion, which increased the debt of the central government.
- **The third – also increasing — factor** is the depreciation of the forint that increased the HUF value of the foreign currency debt by HUF 160.1 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 51.8 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2021.

Central government gross debt and debt transactions in 2021

	31.12.2020		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.12.2021		change
	Debt stock (preliminary data)	Breakdown	I-XII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	*29,237.266*	*79.7%*	**10,326.947**	**7,442.986**	*-0.001*	**2,883.960**	**32,121.226**	*78.9%*	*-0.77%*
1.1. Loans	**1,161.614**	*3.2%*	**150.914**	**4.784**	**0.000**	**146.130**	**1,307.744**	*3.2%*	*0.05%*
1.1.1. Foreign	1,161.614	*3.2%*	150.914	4.784	0.000	146.130	1,307.744	*3.2%*	*0.05%*
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	**28,075.652**	*76.5%*	**10,176.033**	**7,438.202**	**-0.001**	**2,737.829**	**30,813.481**	*75.7%*	*-0.82%*
1.2.1. Public issues	28,036.474	*76.4%*	10,176.033	7,399.025	-0.001	2,777.007	30,813.481	*75.7%*	*-0.71%*
1.2.1.1. Bonds	*18,206.614*	*49.6%*	*5,055.995*	*3,042.578*	*0.000*	*2,013.417*	*20,220.031*	*49.7%*	*0.05%*
1.2.1.2. Discount T-bills	*658.167*	*1.8%*	*1,258.439*	*1,333.398*	*0.000*	*-74.959*	*583.208*	*1.4%*	*-0.36%*
1.2.1.3. Retail securities	*9,171.693*	*25.0%*	*3,861.599*	*3,023.049*	*-0.001*	*838.549*	*10,010.242*	*24.6%*	*-0.40%*
1.2.2. Private placements (bonds)	39.178	*0.1%*	0.000	39.178	0.000	-39.178	0.000	*0.0%*	*-0.11%*
2. Foreign currency denominated debt	**7,318.230**	*19.9%*	**1,979.634**	**1,062.817**	**160.109**	**1,076.926**	**8,395.157**	*20.6%*	*0.68%*
2.1. Loans	**1,291.084**	*3.5%*	**182.960**	**144.857**	**16.053**	**54.156**	**1,345.240**	*3.3%*	*-0.21%*
2.1.1. Foreign	1,291.084	*3.5%*	182.960	144.857	*16.053*	*54.156*	1345.240	*3.3%*	*-0.21%*
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	**6,027.146**	*16.4%*	**1,796.674**	**917.960**	**144.056**	**1022.771**	**7,049.917**	*17.3%*	*0.89%*
2.2.1. Issued abroad	5,481.262	*14.9%*	1,672.080	699.032	140.639	1,113.687	6,594.948	*16.2%*	*1.26%*
2.2.2. Issued in Hungary	545.885	*1.5%*	124.594	218.928	3.418	-90.916	454.969	*1.1%*	*-0.37%*
Total	**36,555.496**	*99.6%*	**12,306.582**	**8,505.803**	**160.108**	**3,960.886**	**40,516.382**	*99.6%*	*-0.09%*
Other debt	128.840	*0.4%*	439.524	390.868	3.133	51.789	180.629	*0.4%*	*0.09%*
Total central government debt	**36,684.336**	*100.0%*	**12,746.106**	**8,896.671**	**163.241**	**4,012.675**	**40,697.012**	*100.0%*	*0.00%*

The foreign currency debt of the central government increased by HUF 1,076.9 billion in 2021 and amounted to HUF 8,395.2 billion at the end of December 2021. The share of foreign currency denominated debt within the total debt increased from 19.9% to 20.6% in 2021.

The increase is mainly due to the foreign currency bond issues. Three foreign currency bonds were issued in September, 10-year foreign currency bond USD 2.25 billion (HUF 671.4 billion), 30-year foreign currency bond USD 2 billion (HUF 596.8 billion) and 7-year foreign currency bond EUR 1 billion (HUF 352.9 billion), its coupon was the lowest one that ever achieved by Hungary during euro bond issues. In December, Hungary's first foreign sovereign Green Panda Bond was issued on the Chinese bond market for 1 billion renminbi (HUF 51 billion).
The higher debt of foreign currency debt was also the result of the depreciation of the Hungarian currency.

The forint denominated debt increased by HUF 2,884.0 billion to HUF 32,121.2 billion. The share of HUF-denominated debt reached 78.9% of the total debt, while in December 2020 this proportion was 79.7%.

The stock of retail securities increased by HUF 838.5 billion from the end of 2020 to HUF 10,010.2 billion at the end of December. The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 1,140.2 billion this year and amounted to HUF 6,361,5 billion at the end of December. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year decreased by HUF 107.2 billion due to a significant maturity, thus amounted to HUF 2,202.7 billion. The stock of the 1-year Government Securities decreased by HUF 86.8 billion to HUF 1,001.5 billion at the end of December.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 389.4 billion in December. 99.9% of non-resident holdings was T-bonds, which amounted to HUF 4,146.0 billion. The non-resident holdings of Discount T-Bills amounted to HUF 3.6 billion, that represented only 0.1% of total non-resident holdings. The duration of the non-resident stock was 6.3 years at the end of December 2021.

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 year marked-to-market deposits increased by HUF 51.8 billion and reached HUF 180.6 billion (EUR 0.5 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.6 to 1.9. The bid-to-cover ratio of T-bond auctions increased from 2.7 to 3.3 in December.

The average yield of the last 3-month Discount Treasury Bill auction in December was 2.36%, 45 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in December was 3.72%, 71 basis points higher compared to November.

The average yield of the last 5-year government bond auction in December was 4.28%, 42 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 4.54%, 52 basis points higher compared to November. The average yield of the last auction of 15-year government bond was 4.59%, higher by 45 basis points compared to the last November's average yield. The average yield of the last 20-year government bond auction was 4.62%, 34 basis points higher compared to the last November's yield.