FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2022

1. Government debt data

The debt of the central government increased by HUF 3,594.4 billion in October due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 873.5 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,312.7 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 1,063.6 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 344.6 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	31.10.2022		change
	Debt stock (preliminary data)	Breakdown	I-X. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	*32,121.236*	*78.9%*	**10,366.100**	**9,492.600**	*0.000*	**873.500**	**32,994.736**	*74.5%*	***-4.43%***
1.1. Loans	**1,307.744**	*3.2%*	**0.000**	**118.527**	**0.000**	**-118.527**	**1,189.217**	*2.7%*	***-0.53%***
1.1.1. Foreign	1,307.744	*3.2%*	0.000	118.527	0.000	-118.527	1,189.217	***2.7%***	***-0.53%***
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%*	**10,366.100**	**9,374.072**	**0.000**	**992.027**	**31,805.519**	*71.8%*	***-3.90%***
1.2.1. Bonds	20,220.031	49.7%	3,050.596	1,713.419	0.000	1,337.177	21,557.208	***48.7%***	***-1.01%***
1.2.2. Discount T-bills	583.208	1.4%	2,348.692	1,681.464	0.000	667.228	1,250.437	***2.8%***	***1.39%***
1.2.3. Retail securities	10,010.253	24.6%	4,966.811	5,979.189	0.000	-1012.378	8,997.875	***20.3%***	***-4.28%***
2. Foreign currency denominated debt	**8,395.157**	***20.6%***	**1,989.389**	**676.689**	**1,063.630**	**2,376.329**	**10,771.486**	***24.3%***	***3.69%***
2.1. Loans	**1,345.240**	*3.3%*	**225.411**	**31.912**	**167.021**	**360.521**	**1,705.761**	***3.9%***	***0.55%***
2.1.1. Foreign	1,345.240	*3.3%*	225.411	31.912	167.021	360.521	1,705.761	***3.9%***	***0.55%***
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%*	**1,763.977**	**644.778**	**896.609**	**2015.808**	**9,065.725**	***20.5%***	***3.15%***
2.2.1. Issued abroad	6,594.948	*16.2%*	1,646.776	413.994	842.817	2,075.599	8,670.547	***19.6%***	***3.37%***
2.2.2. Issued in Hungary	454.969	*1.1%*	117.201	230.784	53.792	-59.790	395.178	***0.9%***	***-0.23%***
Total	**40,516.393**	***99.6%***	**12,355.488**	**10,169.289**	**1,063.630**	**3,249.829**	**43,766.222**	***98.8%***	***-0.74%***
Other debt	180.629	*0.4%*	1,942.960	1,624.476	26.125	344.609	525.239	***1.2%***	***0.74%***
Total central government debt	**40,697.022**	***100.0%***	**14,298.449**	**11,793.765**	**1,089.755**	**3,594.439**	**44,291.461**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 2,376.3 billion in 2022 and amounted to HUF 10,771.5 billion at the end of October 2022. The share of foreign currency denominated debt within the total debt increased from 20.6% to 24.3% in 2022.

The increase is mainly due to the HUF 205.4 billion of Samurai bonds issued in February, the HUF 1,441.3 billion of foreign currency bonds issued in June and the depreciation of the forint.

The forint denominated debt increased by HUF 873.5 billion to HUF 32,994.7 billion. The share of HUF-denominated debt reached 74.5% of the total debt, while in December 2021 this proportion was 78.9%.

The stock of retail securities decreased by HUF 1,012.4 billion since the end of 2021 to HUF 8,997.9 billion at the end of October. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 1,764.8 billion, thus amounted to HUF 3,967.6 billion. The stock of the 1-year Government Securities decreased by HUF 44.6 billion to HUF 957.0 billion at the end of October. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 3,125.1 billion this year and amounted to HUF 3,236.4 billion at the end of October. From September, the Bonus Hungarian Government Security was reintroduced, increasing its holdings by HUF 293.9 billion and amounted to HUF 354.7 billion at the end of the month, including the previous issues.

The volume of non-resident holdings of Hungarian government securities increased by HUF 1,201.3 billion to HUF 5,913.7 in October. 99.9% of non-resident holdings was T-bonds, which amounted to HUF 5,905.7 billion. The non-resident holdings of Discount T-Bills amounted to HUF 8.0 billion, that represented only 0.1% of total non-resident holdings. The duration of the non-resident stock was 6.2 years at the end of October 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 ten month of the year marked-to-market deposits increased by HUF 344.6 billion and reached HUF 525.3 billion (EUR 1.3 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.5 to 2.7. The bid-to-cover ratio of T-bond auctions increased from 2.8. to 4.1 in October.

The average yield of the last 3-month Discount Treasury Bill auction in October was 13.14%, 185 basis points higher than in the previous month and the 6-month Treasury bill was 13.12%, 61 basis points higher than at the end of September. The average yield of the last 12-month Discount Treasury Bill auction in October was 13.35%, 51 basis points higher compared to September.

The average yield of the last 5-year government bond auction in October was 12.22%, 185 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 10.67%, 142 basis points higher compared to September. The average yield of the last auction of 15-year government bond was 9.83%, higher by 107 basis point compared to the last September's average yield. The average yield of the last 20-year government bond auction was 9.39%, 89 basis points higher than the average yield at the previous auction (in early September).
The average yield of 10-year green government bond was 10.06% in the October auction, which was 27 basis points higher than its average yield at the previous auction at the end of September.

H-1013 Budapest, Krisztina tér 2. | Postal address: H-1255 Budapest, PO BOX. 85.
E-mail: akk@akk.hu | Registered at the Budapest Capital City Court (Hungary), Registration No.: 01-10-044549