FINANCING OF THE CENTRAL GOVERNMENT IN MARCH 2024

1. Government debt data

The debt of the central government increased by HUF 3,451.0 billion in March due to the following reasons:

- **The first increasing factor** is the net foreign currency issuance of HUF 1,380.9 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 1,211.0 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 528.6 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 330.5 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	31.03.2024		change
	Debt stock (preliminary data)	Breakdown	January to March				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	**36,888.034**	***72.5%***	**3,389.650**	**2,178.619**	**0.000**	**1,211.031**	**38,099.065**	***70.1%***	***-2.38%***
1.1. Loans	**868.220**	***1.7%***	**0.000**	**36.259**	**0.000**	**-36.259**	**831.962**	***1.5%***	***-0.18%***
1.1.1. Foreign	868.220	*1.7%*	0.000	36.259	0.000	-36.259	831.962	***1.5%***	***-0.18%***
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%***	**3,389.650**	**2,142.360**	**0.000**	**1,247.290**	**37,267.103**	***68.6%***	***-2.20%***
1.2.1. Bonds	24,058.876	*47.3%*	1,040.155	541.607	0.000	498.548	24,557.425	***45.2%***	***-2.09%***
1.2.2. Discount T-bills	1,883.770	*3.7%*	1,180.680	1,120.419	0.000	60.261	1,944.030	***3.6%***	***-0.12%***
1.2.3. Retail securities	10,077.167	*19.8%*	1,168.815	480.334	0.000	688.481	10,765.648	***19.8%***	***0.01%***
2. Foreign currency denominated debt	**13,678.314**	***26.9%***	**1,734.269**	**353.366**	**528.566**	**1,909.469**	**15,587.783**	***28.7%***	***1.81%***
2.1. Loans	**2,670.009**	***5.2%***	**83.850**	**53.153**	**94.420**	**125.117**	**2,795.126**	***5.1%***	***-0.10%***
2.1.1. Foreign	2,670.009	*5.2%*	83.850	53.153	*94.420*	125.117	2,795.126	***5.1%***	***-0.10%***
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%***	**1,650.420**	**300.213**	**434.145**	**1,784.352**	**12,792.657**	***23.6%***	***1.91%***
2.2.1. Issued abroad	10,535.449	*20.7%*	1,621.605	294.171	417.570	1,745.004	12,280.453	***22.6%***	***1.90%***
2.2.1.1. Foreign currency bond	10,357.080	*20.4%*	1,441.195	295.631	411.358	1,556.923	11,914.002	***21.9%***	***1.57%***
2.2.1.2. ECP program	178.369	*0.4%*	180.410	-1.460	6.211	188.081	366.451	***0.7%***	***0.32%***
2.2.2. Issued in Hungary	472.856	*0.9%*	28.815	6.042	16.576	39.348	512.204	***0.9%***	***0.01%***
Total	**50,566.347**	***99.4%***	**5,123.919**	**2,531.985**	**528.566**	**3,120.500**	**53,686.847**	***98.8%***	***-0.57%***
Other debt	298.836	*0.6%*	2,428.313	2,109.336	11.481	330.458	629.294	***1.2%***	***0.57%***
Total central government debt	**50,865.184**	***100.0%***	**7,552.232**	**4,641.321**	**540.047**	**3,450.958**	**54,316.142**	***100.0%***	***0.00%***

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The foreign currency debt of the central government increased by HUF 1,909.5 billion in 2024 and amounted to HUF 15,587.8 billion at the end of March 2024. The share of foreign currency denominated debt within the total debt increased from 26.9% to 28.7% 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. Foreign currency securities issued under the ECP (Euro Commercial Paper) programme amounted to USD 1,000 million (HUF 366.5 billion) at the end of March. The exchange rate depreciation further increased the share of foreign currency debt.

The forint denominated debt increased by HUF 1,211.0 billion to HUF 38,099.1 billion. The share of HUF-denominated debt reached 70.1% of the total debt, while in December 2023 this proportion was 72.5%.

The stock of retail securities increased by HUF 688.5 billion since the end of 2023 to HUF 10,765.6 billion at the end of March. The portfolio of Premium Hungarian Government Security with a maturity of 8 years increased by HUF 141.5 billion, thus amounted to HUF 7,134.2 billion. In January, the new 3-year fixed-rate Fixed Hungarian Government Security was introduced; its issuance amounted to HUF 268.6 billion at the end of the month. The stock of the 1-year Government Security increased by HUF 164.7 billion to HUF 738.7 billion at the end of March. The sale of Bonus Hungarian Government Security was also significant: the stock of 3- and 5-year Bonus Hungarian Government Security increased by HUF 76.6 billion and amounted to HUF 949.8 billion at the end of March.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 975.4 billion to HUF 6,484.7 in March. 99.1% of non-resident holdings was T-bonds, which amounted to HUF 6,427.7 billion. The non-resident holdings of Discount T-Bills amounted to HUF 56.9 billion, that represented only 0.9% of total non-resident holdings. The duration of the non-resident stock was 6.0 years at the end of March 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 three months of the year marked-to-market and other deposits increased by HUF 330.5 billion and reached HUF 629.3 billion (EUR 1.6 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 1.8. The bid-to-cover ratio of T-bond auctions decreased from 6.4 to 4.0 in March.

The average yield of the last 3-month Discount Treasury Bill auction in March was 6.59%, 10 basis points lower than in the previous month and the 6-month Treasury bill was 6.65%, 13 basis points lower than at the end of February. The average yield of the last 12-month Discount Treasury Bill auction in March was 6.69%, 1 basis points lower compared to February.

The average yield of the latest 3-year government bond auctions in March was 6.48% and 53 basis points higher compared to the auction in February. The average yield of the 5-year government bond auction in March was 6.34%, 50 basis points higher than in February. The average yield of the latest 10-year government bond auction in March was 6.49%, 26 basis points higher than in the previous month. The average yield of the last of 7-year green government bond auction was 6.29%, lower by 55 basis points compared to the last November’s average yield.

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