FINANCING OF THE CENTRAL GOVERNMENT IN DECEMBER 2023

1. Government debt data

The debt of the central government increased by HUF 5,302.8 billion in December due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 3,112.4 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 2,848.5 billion, which finances the deficit and increased the foreign currency deposit, and also 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 567.5 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 90.6 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	31.12.2023		change
	Debt stock (preliminary data)	Breakdown	January to December				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	**33,775.628**	***74.1%***	**13,655.274**	**10,542.869**	**0.000**	**3,112.405**	**36,888.034**	***72.5%***	***-1.61%***
1.1. Loans	**1,024.205**	***2.2%***	**0.000**	**155.985**	**0.000**	**-155.985**	**868.220**	***1.7%***	***-0.54%***
1.1.1. Foreign	1,024.205	*2.2%*	0.000	155.985	0.000	-155.985	868.220	***1.7%***	***-0.54%***
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%***	**13,655.274**	**10,386.884**	**0.000**	**3,268.390**	**36,019.813**	***70.8%***	***-1.07%***
1.2.1. Bonds	22,346.277	*49.0%*	3,745.994	2,033.395	0.000	1,712.600	24,058.876	***47.3%***	***-1.75%***
1.2.2. Discount T-bills	1,785.783	*3.9%*	4,821.386	4,723.399	0.000	97.987	1,883.770	***3.7%***	***-0.22%***
1.2.3. Retail securities	8,619.363	*18.9%*	5,087.894	3,630.090	0.000	1,457.804	10,077.167	***19.8%***	***0.89%***
2. Foreign currency denominated debt	**11,397.328**	***25.0%***	**3,860.449**	**1,011.988**	**-567.476**	**2,280.985**	**13,678.314**	***26.9%***	***1.88%***
2.1. Loans	**1,959.079**	***4.3%***	**913.546**	**118.413**	**-84.203**	**710.930**	**2,670.009**	***5.2%***	***0.95%***
2.1.1. Foreign	1,959.079	*4.3%*	913.140	118.413	*-83.797*	710.930	2,670.009	***5.2%***	***0.95%***
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%***	**2,946.903**	**893.574**	**-483.274**	**1,570.055**	**11,008.305**	***21.6%***	***0.93%***
2.2.1. Issued abroad	9,085.466	*19.9%*	2,770.863	854.140	-466.741	1,449.982	10,535.449	***20.7%***	***0.77%***
2.2.1.1. Foreign currency bond	9,085.466	*19.9%*	2,590.578	853.990	-464.975	1,271.613	10,357.080	***20.4%***	***0.42%***
2.2.1.2. ECP program	0.000	*0.0%*	180.285	0.149	-1.766	178.369	178.369	***0.4%***	***0.35%***
2.2.2. Issued in Hungary	352.783	*0.8%*	176.040	39.435	-16.532	120.073	472.856	***0.9%***	***0.16%***
Total	**45,172.957**	***99.1%***	**17,515.724**	**11,554.856**	**-567.477**	**5,393.391**	**50,566.347**	***99.4%***	***0.27%***
Other debt	389.419	*0.9%*	1,839.685	1,914.931	-15.337	-90.583	298.836	***0.6%***	***-0.27%***
Total central government debt	**45,562.376**	***100.0%***	**19,355.409**	**13,469.787**	**-582.814**	**5,302.808**	**50,865.184**	***100.0%***	***0.00%***

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The foreign currency debt of the central government increased by HUF 2,281.0 billion in 2023 and amounted to HUF 13,678.3 billion at the end of December 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 26.9% in 2023.

The increase is mainly 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. The foreign currency bond maturing in May 2028 was further increased by USD 500 million (HUF 173.3 billion) in the private placement in November. Foreign currency securities issued under the ECP (Euro Commercial Paper) programme amounted to USD 500 million (HUF 178.4 billion) at the end of December. The RRF (Recovery and Resilience Facility) loan of EUR 779.5 million (HUF 297.6 billion) was drawn down from EU funds at the end of December. However, exchange rate appreciation has reduced the share of foreign currency debt.

The forint denominated debt increased by HUF 3,112.4 billion to HUF 36,888.0 billion. The share of HUF-denominated debt reached 72.5% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 1,457.8 billion since the end of 2022 to HUF 10,077.2 billion at the end of December. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 2,671.1 billion, thus amounted to HUF 6,992.7 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 358.5 billion and amounted to HUF 873.2 billion at the end of December. The stock of the 1-year Government Securities decreased by HUF 233.8 billion to HUF 574.0 billion at the end of December. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,527.2 billion this year and amounted to HUF 907.3 million at the end of December.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 1146.2 billion to HUF 5,874.3 in December. 98.9% of non-resident holdings was T-bonds, which amounted to HUF 5,807.2 billion. The non-resident holdings of Discount T-Bills amounted to HUF 67.2 billion, that represented only 1.1% of total non-resident holdings. The duration of the non-resident stock was 6.2 years at the end of December 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 year marked-to-market and other deposits decreased by HUF 90.6 billion and reached HUF 298.8 billion (EUR 0.8 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 1.6. The bid-to-cover ratio of T-bond auctions decreased from 6.6 to 4.7 in December.

The average yield of the last 3-month Discount Treasury Bill auction in December was 6.47%, 125 basis points lower than in the previous month and the 6-month Treasury bill was 6.31%, 194 basis points lower than at the end of November. The average yield of the last 12-month Discount Treasury Bill auction in December was 6.22%, 187 basis points lower compared to November.

The average yield of the most recent 3-year government bond auctions in December was 6.52% and 85 basis points lower compared to November. The average yield of the 5-year government bond auction in December was 5.98%, 72 basis points lower than in November. The average yield of the latest 10-year government bond auction in December was 6.07%, 66 basis points lower than in the previous month.

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