FINANCING OF THE CENTRAL GOVERNMENT IN AUGUST 2022

1. Government debt data

The debt of the central government increased by HUF 3,542.6 billion in August due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,038.1 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,234.1 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 883.5 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 386.9 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	31.08.2022		change
	Debt stock (preliminary data)	Breakdown	I-VIII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***32,121.236***	***78.9%***	**7,358.964**	**6,320.848**	***0.000***	**1,038.116**	**33,159.352**	***75.0%***	***-3.97%***
1.1. Loans	**1,307.744**	***3.2%***	**0.000**	**46.027**	**0.000**	**-46.027**	**1,261.717**	***2.9%***	***-0.36%***
1.1.1. Foreign	1,307.744	*3.2%*	0.000	46.027	0.000	-46.027	1,261.717	***2.9%***	***-0.36%***
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%***	**7,358.964**	**6,274.821**	**0.000**	**1,084.143**	**31,897.636**	***72.1%***	***-3.61%***
1.2.1. Bonds	20,220.031	49.7%	2,427.050	1,102.939	0.000	1,324.111	21,544.141	***48.7%***	***-0.99%***
1.2.2. Discount T-bills	583.208	1.4%	1,659.948	1,325.405	0.000	334.544	917.752	***2.1%***	***0.64%***
1.2.3. Retail securities	10,010.253	24.6%	3,271.966	3,846.477	0.000	-574.511	9,435.742	***21.3%***	***-3.27%***
2. Foreign currency denominated debt	**8,395.157**	***20.6%***	**1,872.320**	**638.202**	**883.478**	**2,117.596**	**10,512.753**	***23.8%***	***3.13%***
2.1. Loans	**1,345.240**	***3.3%***	**123.057**	**31.263**	**138.747**	**230.541**	**1,575.780**	***3.6%***	***0.26%***
2.1.1. Foreign	1,345.240	*3.3%*	123.057	31.263	138.747	230.541	1,575.780	***3.6%***	***0.26%***
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%***	**1,749.263**	**606.939**	**744.731**	**1887.056**	**8,936.973**	***20.2%***	***2.88%***
2.2.1. Issued abroad	6,594.948	*16.2%*	1,646.776	413.994	697.557	1,930.339	8,525.287	***19.3%***	***3.07%***
2.2.2. Issued in Hungary	454.969	*1.1%*	102.487	192.945	47.174	-43.284	411.685	***0.9%***	***-0.19%***
Total	**40,516.393**	***99.6%***	**9,231.284**	**6,959.050**	**883.478**	**3,155.712**	**43,672.105**	***98.7%***	***-0.84%***
Other debt	180.629	*0.4%*	1,391.494	1,026.681	22.076	386.889	567.519	***1.3%***	***0.84%***
Total central government debt	**40,697.022**	***100.0%***	**10,622.778**	**7,985.731**	**905.554**	**3,542.602**	**44,239.624**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 2,117.6 billion in 2022 and amounted to HUF 10,512.8 billion at the end of August 2022. The share of foreign currency denominated debt within the total debt increased from 20.6% to 23.8% in 2022.

The increase is 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 1,038.1 billion to HUF 33,159.4 billion. The share of HUF-denominated debt reached 75.0% of the total debt, while in December 2021 this proportion was 78.9%.

The stock of retail securities decreased by HUF 574.5 billion from the end of 2021 to HUF 9,435.7 billion at the end of August. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 1,406.0 billion, thus amounted to HUF 3,608.7 billion. The stock of the 1-year Government Securities increased by HUF 45.8 billion to HUF 1,047.3 billion at the end of August. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 2,069.3 billion this year and amounted to HUF 4,292.2 billion at the end of August.

The volume of non-resident holdings of Hungarian government securities increased by HUF 37.3 billion to HUF 5,290.1 in August. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 5,280.3 billion. The non-resident holdings of Discount T-Bills amounted to HUF 9.8 billion, that represented only 0.2% of total non-resident holdings. The duration of the non-resident stock was 6.5 years at the end of August 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 eight month of the year marked-to-market deposits increased by HUF 386.9 billion and reached HUF 567.5 billion (EUR 1.4 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 2.0 to 2.1. The bid-to-cover ratio of T-bond auctions increased from 3.7 to 4.4 in August.

The average yield of the last 3-month Discount Treasury Bill auction in August was 9.08%, 90 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in August was 9.88%, 30 basis points higher compared to August.

The average yield of the last 5-year government bond auction in August was 9.35%, 12 basis points lower compared to the previous month. The average yield of the last 10-year government bond auction was 8.46%, 24 basis points higher compared to July. The average yield of the last auction of 15-year government bond was 8.26%, higher by 27 basis point compared to the last July's average yield. The average yield of the last 20-year government bond auction was 7.49%, 116 basis points lower than the average yield at the previous auction (mid-July).
The average yield of 10-year green government bond was 7.99% in the August auction, which was 64 basis points lower than its average yield at the previous auction in July.

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