FINANCING OF THE CENTRAL GOVERNMENT IN SEPTEMBER 2023

1. Government debt data

The debt of the central government increased by HUF 4,399.1 billion in September due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 2,461.6 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 2,423.2 billion, which also finances the deficit and 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 276.2 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 209.5 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	**30.09.2023**		**change**
	Debt stock (preliminary data)	**Breakdown**	**January to September**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	**33,775.628**	***74.1%***	**10,280.501**	**7,818.944**	***0.000***	**2,461.557**	**36,237.185**	*72.5%*	***-1.60%***
1.1. Loans	**1,024.205**	***2.2%***	**0.000**	**102.382**	**0.000**	**-102.382**	**921.824**	***1.8%***	***-0.40%***
1.1.1. Foreign	1,024.205	*2.2%*	0.000	102.382	0.000	-102.382	921.824	***1.8%***	***-0.40%***
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%***	**10,280.501**	**7,716.562**	**0.000**	**2,563.938**	**35,315.361**	***70.7%***	***-1.20%***
1.2.1. Bonds	22,346.277	*49.0%*	2,532.320	1,211.271	0.000	1,321.049	23,667.326	***47.4%***	***-1.67%***
1.2.2. Discount T-bills	1,785.783	*3.9%*	3,736.253	3,366.760	0.000	369.493	2,155.276	***4.3%***	***0.39%***
1.2.3. Retail securities	8,619.363	*18.9%*	4,011.928	3,138.531	0.000	873.396	9,492.760	***19.0%***	***0.08%***
2. Foreign currency denominated debt	**11,397.328**	***25.0%***	**3,143.082**	**719.869**	**-276.223**	**2,146.991**	**13,544.319**	***27.1%***	***2.09%***
2.1. Loans	**1,959.079**	***4.3%***	**396.824**	**59.745**	**-36.319**	**300.759**	**2,259.838**	***4.5%***	***0.22%***
2.1.1. Foreign	1,959.079	*4.3%*	396.418	59.745	*-35.913*	300.759	2,259.838	***4.5%***	***0.22%***
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%***	**2,746.258**	**660.123**	**-239.904**	**1,846.231**	**11,284.481**	***22.6%***	***1.87%***
2.2.1. Issued abroad	9,085.466	*19.9%*	2,597.558	626.327	-233.343	1,737.888	10,823.354	***21.7%***	***1.72%***
2.2.1.1. Foreign currency bond	9,085.466	*19.9%*	2,417.273	626.177	-235.524	1,555.572	10,641.038	***21.3%***	***1.36%***
2.2.1.2. ECP program	0.000	*0.0%*	180.285	0.149	2.180	182.316	182.316	***0.4%***	***0.36%***
2.2.2. Issued in Hungary	352.783	*0.8%*	148.700	33.796	-6.561	108.343	461.126	***0.9%***	***0.15%***
Total	**45,172.957**	***99.1%***	**13,423.583**	**8,538.812**	**-276.223**	**4,608.548**	**49,781.504**	***99.6%***	***0.49%***
Other debt	389.419	*0.9%*	1,300.515	1,497.567	-12.424	-209.476	179.944	***0.4%***	***-0.49%***
Total central government debt	**45,562.376**	***100.0%***	**14,724.098**	**10,036.379**	**-288.647**	**4,399.072**	**49,961.448**	***100.0%***	***0.00%***

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The foreign currency debt of the central government increased by HUF 2,147.0 billion in 2023 and amounted to HUF 13,544.3 billion at the end of September 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 27.1% in 2023.

The increase is 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. Foreign currency securities issued under the ECP (Euro Commercial Paper) programme amounted to USD 500 million (HUF 180.3 billion) at the end of September. However, exchange rate appreciation has reduced the share of foreign currency debt.

The forint denominated debt increased by HUF 2,461.6 billion to HUF 36,237.2 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 873.4 billion since the end of 2022 to HUF 9,492.8 billion at the end of September. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 2,115.6 billion, thus amounted to HUF 6,437.2 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 385.6 billion and amounted to HUF 900.3 billion at the end of September. The stock of the 1-year Government Securities decreased by HUF 333.4 billion to HUF 474.4 billion at the end of September. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,422.0 billion this year and amounted to HUF 1,012.4 million at the end of September.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 843.6 billion to HUF 6,172.8 in September. 99.0% of non-resident holdings was T-bonds, which amounted to HUF 6,109.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 62.8 billion, that represented only 1.0% of total non-resident holdings. The duration of the non-resident stock was 6.1 years at the end of September 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 first nine month of the year marked-to-market deposits decreased by HUF 209.5 billion and reached HUF 179.9 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 1.8 to 2.4. The bid-to-cover ratio of T-bond auctions decreased from 4.3 to 3.6 in September.

The average yield of the last 3-month Discount Treasury Bill auction in September was 7.54%, 188 basis points lower than in the previous month and the 6-month Treasury bill was 8.52%, 106 basis points lower than at the end of August. The average yield of the last 12-month Discount Treasury Bill auction in September was 8.75%, 55 basis points lower compared to August.

The average yield of the most recent 3-year government bond auctions in September was 7.98% and 47 basis points lower compared to August. The average yield of the 5-year government bond auction in September was 7.00%, 69 basis points lower than in August. The average yield of the latest 10-year government bond auction in September was 7.00%, 34 basis points lower than in the previous month. The average yield of the last of 20-year government bond auction was 7.34%, higher by 40 basis points compared to the last July's average yield.

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