FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2024

1. Government debt data

The debt of the central government increased by HUF 4,708,0 billion in October due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 2,051.3 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,820.6 billion, which finances the deficit and increased the foreign currency deposit, and also increased the debt of the central government.
- **The third – also increasing factor —** is the depreciation of the forint that increased the HUF value of the foreign currency debt by HUF 1,044.7 billion.
- **The fourth – which had contrary effect than the above mentioned factors –** is the change of the foreign currency exchange rates and other factors that decreased the mark-to-market deposits placed at GDMA by HUF 208.6 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	31.10.2024		change
	Debt stock (preliminary data)	Breakdown	January to October				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	**36,888.034**	*72.5%*	**10,514.300**	**8,462.951**	**0.000**	**2,051.349**	**38,939.383**	***70.1%***	***-2.45%***
1.1. Loans	**868.220**	*1.7%*	**66.302**	**47.661**	**0.000**	**18.641**	**886.861**	***1.6%***	***-0.11%***
1.1.1. Foreign	868.220	*1.7%*	66.302	47.661	0.000	18.641	886.861	***1.6%***	***-0.11%***
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%*	**10,447.998**	**8,415.290**	**0.000**	**2,032.708**	**38,052.522**	***68.5%***	***-2.34%***
1.2.1. Bonds	24,058.876	*47.3%*	3,278.912	2,965.949	0.000	312.963	24,371.839	***43.9%***	***-3.44%***
1.2.2. Discount T-bills	1,883.770	*3.7%*	4,388.957	3,828.985	0.000	559.972	2,443.741	***4.4%***	***0.69%***
1.2.3. Retail securities	10,077.167	*19.8%*	2,780.129	1,620.355	0.000	1,159.774	11,236.941	***20.2%***	***0.41%***
2. Foreign currency denominated debt	**13,678.314**	*26.9%*	**2,382.321**	**561.700**	**1,044.651**	**2,865.271**	**16,543.585**	***29.8%***	***2.88%***
2.1. Loans	**2,670.009**	*5.2%*	**578.020**	**54.758**	**201.949**	**725.210**	**3,395.220**	***6.1%***	***0.86%***
2.1.1. Foreign	2,670.009	*5.2%*	578.020	54.758	*201.949*	725.210	3,395.220	***6.1%***	***0.86%***
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%*	**1,804.301**	**506.942**	**842.702**	**2,140.061**	**13,148.365**	***23.7%***	***2.02%***
2.2.1. Issued abroad	10,535.449	*20.7%*	1,720.874	481.685	808.443	2,047.633	12,583.081	***22.6%***	***1.93%***
2.2.1.1. Foreign currency bond	10,357.080	*20.4%*	1,540.464	296.895	794.793	2,038.362	12,395.442	***22.3%***	***1.94%***
2.2.1.2. ECP program	178.369	*0.4%*	180.410	184.790	13.650	9.271	187.640	***0.3%***	***-0.01%***
2.2.2. Issued in Hungary	472.856	*0.9%*	83.426	25.257	34.258	92.428	565.284	***1.0%***	***0.09%***
Total	**50,566.347**	***99.4%***	**12,896.620**	**9,024.651**	**1,044.651**	**4,916.620**	**55,482.968**	***99.8%***	***0.43%***
Other debt	298.836	*0.6%*	2,936.455	3,153.611	8.525	-208.630	90.206	***0.2%***	***-0.43%***
Total central government debt	**50,865.184**	***100.0%***	**15,833.075**	**12,178.262**	**1,053.176**	**4,707.990**	**55,573.173**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 2,865.3 billion in 2024 and amounted to HUF 16,543.6 billion at the end of October 2024. The share of foreign currency denominated debt within the total debt increased from 26.9% to 29.8% 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. On 5 September 2024, Hungary issued the next series of so-called Samurai bonds denominated in Japanese Yen. In the transaction, the Hungarian sovereign raised a total of JPY 39.6 billion (HUF 99.3 billion) by issuing two series with different maturities. One of the two series is a 3-year maturity conventional bond in the amount of JPY 38.3 billion (HUF 96.0 billion) and the other one is a 10-year maturity green bond in the amount of JPY 1.3 billion (HUF 3.3 billion).
The amount of foreign currency securities issued in 2024 under the ECP (Euro Commercial Paper) program was USD 500 million (HUF 180.4 billion). The project financing foreign currency loan in the amount of EUR 1.0 billion (HUF 393.8 billion) increased the foreign currency debt in April. The drawdown of foreign currency loans and the exchange rate depreciation further increased the share of foreign currency debt.

The forint denominated debt increased by HUF 2,051.3 billion to HUF 38,939.4 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 1,159.8 billion since the end of 2023 to HUF 11,236.9 billion at the end of October. The portfolio of Premium Hungarian Government Security with a long-term maturity increased by HUF 72.2 billion, thus amounted to HUF 7,064.9 billion. In January, the new 3-year fixed-rate Fixed Hungarian Government Security was introduced; its issuance amounted to HUF 857.2 billion at the end of the month. The sale of Bonus Hungarian Government Security also increased: the stock of 3- and 5-year Bonus Hungarian Government Security increased by HUF 296.3 billion and amounted to HUF 1,169.5 billion at the end of October. From June 2024 retail investors are able to buy the Hungarian Government Security Plus (dematerialised and printed MÁP Plusz) with renewed terms and conditions, which stock, together with previously sold MÁP Plusz, amounted to HUF 769.8 billion. Simultaneously with the renewal of the MÁP Plusz, the 1-Year Hungarian Government Security is being phased out, which stock decreased by HUF 67.8 billion to HUF 506.2 billion at the end of October.

The volume of non-resident holdings of Hungarian government securities increased by HUF 257.2 billion to HUF 6,109.6 in October. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 6,098.1 billion. The non-resident holdings of Discount T-Bills amounted to HUF 11.5 billion, that represented only 0,2% of total non-resident holdings. The duration of the non-resident stock was 6.0 years at the end of October 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 ten months of the year marked-to-market and other deposits decreased by HUF 208.6 billion and reached HUF 90.2 billion (EUR 0.2 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.2 to 1.8. The bid-to-cover ratio of T-bond auctions also decreased from 6.2 to 4.3 in October.

The average yield of the last 3-month Discount Treasury Bill auction in October was 5.45%, 1 basis points higher than in the previous month and the 6-month Treasury bill was 5.25%, 20 basis points lower than at the end of September. The average yield of the last 12-month Discount Treasury Bill auction in October was 5.42%, 5 basis points higher compared to September.

The average yield of the latest 3-year government bond auctions in October was 6.54% and 76 basis points higher compared to the auction in September. The average yield of the 5-year government bond auction in October was 6.60%, 88 basis points higher than in September. The average yield of the 10-year government bond auction in October was 6.87%, 66 basis points higher than in the previous month. The average yield of the latest 15-year bond auction was 6.86%, higher by 45 basis points compared to the last August's average yield. The average yield of the last of 30-year green bond auction was 6.96%, higher by 17 basis points compared to the last May's average yield.

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