FINANCING OF THE CENTRAL GOVERNMENT IN JANUARY 2023

1. Government debt data

The debt of the central government increased by HUF 945.5 billion in January due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 72.8 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,391.1 billion, which 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 367.6 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 151.6 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

	31.12.2021		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.01.2023		change
	Debt stock (preliminary data)	Breakdown	I. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***33,775.628***	***74.1%***	**1,296.615**	**1,223.827**	***0.000***	**72.788**	**33,848.416**	***72.8%***	***-1.35%***
1.1. Loans	**1,024.205**	***2.2%***	**0.000**	**44.602**	**0.000**	**-44.602**	**979.603**	***2.1%***	***-0.14%***
1.1.1. Foreign	1,024.205	*2.2%*	0.000	44.602	0.000	-44.602	979.603	***2.1%***	***-0.14%***
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%***	**1,296.615**	**1,179.225**	**0.000**	**117.390**	**32,868.813**	***70.7%***	***-1.21%***
1.2.1. Bonds	22,346.277	49.0%	172.572	341.332	0.000	-168.760	22,177.517	***47.7%***	***-1.36%***
1.2.2. Discount T-bills	1,785.783	3.9%	393.239	198.243	0.000	194.996	1,980.779	***4.3%***	***0.34%***
1.2.3. Retail securities	8,619.363	18.9%	730.804	639.650	0.000	91.154	8,710.517	***18.7%***	***-0.19%***
2. Foreign currency denominated debt	**11,397.328**	***25.0%***	**1,650.677**	**258.786**	**-367.559**	**1,024.332**	**12,421.660**	***26.7%***	***1.69%***
2.1. Loans	**1,959.079**	***4.3%***	**40.517**	**0.000**	**-60.435**	**-19.917**	**1,939.162**	***4.2%***	***-0.13%***
2.1.1. Foreign	1,959.079	*4.3%*	40.111	0.000	-60.029	-19.917	1,939.162	***4.2%***	***-0.13%***
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%***	**1,610.159**	**258.786**	**-307.125**	**1044.249**	**10,482.498**	***22.5%***	***1.82%***
2.2.1. Issued abroad	9,085.466	*19.9%*	1,581.255	258.078	-296.677	1,026.500	10,111.967	***21.7%***	***1.80%***
2.2.2. Issued in Hungary	352.783	*0.8%*	28.904	0.708	-10.448	17.748	370.532	***0.8%***	***0.02%***
Total	**45,172.957**	***99.1%***	**2,947.292**	**1,482.613**	**-367.559**	**1,097.120**	**46,270.076**	***99.5%***	***0.34%***
Other debt	389.419	*0.9%*	154.795	298.700	-7.736	-151.641	237.778	***0.5%***	***-0.34%***
Total central government debt	**45,562.376**	***100.0%***	**3,102.087**	**1,781.313**	**-375.296**	**945.478**	**46,507.854**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 1,024.3 billion in 2023 and amounted to HUF 12,421.7 billion at the end of January 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 26.7% in 2023.

The increase is mainly due to the foreign currency bonds issuance in January: 5-year foreign currency bond in the amount of HUF 558.1 billion (USD 1.5 billion) and 10-year foreign currency bond in the amount of HUF 558.1 billion (USD 1.5 billion), and 30-year foreign currency bond in the amount of HUF 465.1 billion HUF (1.25 billion USD) was also issued. A part of this issuance was used to repurchase two USD bonds maturing in 2023-24, together with the closing of the related swaps, at a face value of HUF 289.9 billion (USD 1.0 billion).

The forint denominated debt increased by HUF 72.8 billion to HUF 33,848.4 billion. The share of HUF-denominated debt reached 72.8% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 91.2 billion since the end of 2022 to HUF 8,710.5 billion at the end of January. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 371.1 billion, thus amounted to HUF 4,692.7 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 113,5 billion and amounted to HUF 628.2 billion at the end of January. The stock of the 1-year Government Securities decreased by HUF 44.3 billion to HUF 763.5 billion at the end of January. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 378.8 billion this year and amounted to HUF 2,055.7 billion at the end of January.

The volume of non-resident holdings of Hungarian government securities increased by HUF 1,518.8 billion to HUF 6,670.8 in January. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 6,616.8 billion. The non-resident holdings of Discount T-Bills amounted to HUF 54.0 billion, that represented only 0.8% of total non-resident holdings. The duration of the non-resident stock was 5.9 years at the end of January 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 month of the year marked-to-market deposits decreased by HUF 151.6 billion and reached HUF 237.8 billion (EUR 0.6 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.7 to 2.3. The bid-to-cover ratio of T-bond auctions decreased from 2.8 to 2.4 in January.

The average yield of the last 3-month Discount Treasury Bill auction in January was 14.21%, 7 basis points lower than in the previous month and the 6-month Treasury bill was 13.99%, 48 basis points lower than at the end of December. The average yield of the last 12-month Discount Treasury Bill auction in January was 13.39%, 110 basis points lower compared to December.

The average yield of the last 3-year government bond auction in January was 9.45%, 80 basis points lower compared to January. The average yield of the last 5-year government bond auction in January was 8.17%, 90 basis points lower compared to the previous month. The average yield of the last 10-year government bond auction was 7.43%, 84 basis points lower compared to January. The average yield of the last of 20-year government bond auction was 7.15%, lower by 265 basis points compared to the last November's average yield.

H-1013 Budapest, Krisztina tér 2. | Postal address: H-1255 Budapest, PO BOX. 85.
E-mail: akk@akk.hu | Registered at the Budapest Capital City Court (Hungary), Registration No.: 01-10-044549