FINANCING OF THE CENTRAL GOVERNMENT IN AUGUST 2023

1. Government debt data

The debt of the central government increased by HUF 2,702.0 billion in August due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 2,055.4 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,575.7 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 653.3 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 275.9 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	31.08.2023		change
	Debt stock (preliminary data)	**Breakdown**	**January to August**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***33,775.628***	***74.1%***	**9,426.214**	**7,370.808**	***0.000***	**2,055.406**	**35,831.034**	***74.2%***	***0.11%***
1.1. Loans	**1,024.205**	***2.2%***	**0.000**	**102.382**	**0.000**	**-102.382**	**921.824**	***1.9%***	***-0.34%***
1.1.1. Foreign	1,024.205	*2.2%*	0.000	102.382	0.000	-102.382	921.824	***1.9%***	***-0.34%***
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%***	**9,426.214**	**7,268.426**	**0.000**	**2,157.787**	**34,909.210**	***72.3%***	***0.45%***
1.2.1. Bonds	22,346.277	49.0%	2,233.690	1,438.364	0.000	795.326	23,141.603	***47.9%***	***-1.10%***
1.2.2. Discount T-bills	1,785.783	3.9%	3,398.643	2,877.549	0.000	521.094	2,306.876	***4.8%***	***0.86%***
1.2.3. Retail securities	8,619.363	18.9%	3,793.880	2,952.513	0.000	841.368	9,460.731	***19.6%***	***0.68%***
2. Foreign currency denominated debt	**11,397.328**	***25.0%***	**2,199.717**	**623.971**	**-653.263**	**922.483**	**12,319.812**	***25.5%***	***0.51%***
2.1. Loans	**1,959.079**	***4.3%***	**325.061**	**59.125**	**-99.992**	**165.944**	**2,125.023**	***4.4%***	***0.10%***
2.1.1. Foreign	1,959.079	*4.3%*	324.655	59.125	-99.586	165.944	2,125.023	***4.4%***	***0.10%***
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%***	**1,874.656**	**564.845**	**-553.271**	**756.539**	**10,194.789**	***21.1%***	***0.41%***
2.2.1. Issued abroad	9,085.466	*19.9%*	1,744.083	556.406	-533.610	654.067	9,739.533	***20.2%***	***0.24%***
2.2.2. Issued in Hungary	352.783	*0.8%*	130.573	8.440	-19.660	102.472	455.256	***0.9%***	***0.17%***
Total	**45,172.957**	***99.1%***	**11,625.930**	**7,994.778**	**-653.263**	**2,977.889**	**48,150.846**	***99.8%***	***0.62%***
Other debt	389.419	*0.9%*	1,149.722	1,408.349	-17.302	-275.929	113.491	***0.2%***	***-0.62%***
Total central government debt	**45,562.376**	***100.0%***	**12,775.653**	**9,403.127**	**-670.565**	**2,701.960**	**48,264.336**	***100.0%***	***0.00%***

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The foreign currency debt of the central government increased by HUF 922.5 billion in 2023 and amounted to HUF 12,319.8 billion at the end of August 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 25.5% in 2023.

The increase is mainly due to the foreign currency bonds issuance 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 also 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 maturing between 2023-24, together with the closing of the related swaps, at a face value of USD 1.0 billion (HUF 289.9 billion). However, exchange rate appreciation has reduced the share of foreign currency debt.

The forint denominated debt increased by HUF 2,055.4 billion to HUF 35,831.0 billion. The share of HUF-denominated debt reached 74.2% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 841.4 billion since the end of 2022 to HUF 9,460.7 billion at the end of August. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 2,076.4 billion, thus amounted to HUF 6,398.0 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 368.5 billion and amounted to HUF 883.2 billion at the end of August. The stock of the 1-year Government Securities decreased by HUF 348.5 billion to HUF 459.3 billion at the end of August. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,373.4 billion this year and amounted to HUF 1,061.1 billion at the end of August.

The volume of non-resident holdings of Hungarian government securities increased by HUF 120.8 billion to HUF 7,016.4 in August. 99.0% of non-resident holdings was T-bonds, which amounted to HUF 6,943.5 billion. The non-resident holdings of Discount T-Bills amounted to HUF 72.9 billion, that represented only 1.0% of total non-resident holdings. The duration of the non-resident stock was 5.7 years at the end of August 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 eight month of the year marked-to-market deposits decreased by HUF 275.9 billion and reached HUF 113.5 billion (EUR 0.3 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.4 to 1.8. The bid-to-cover ratio of T-bond auctions increased from 3.6 to 4.3 in August.

The average yield of the last 3-month Discount Treasury Bill auction in August was 9.42%, 75 basis points lower than in the previous month and the 6-month Treasury bill was 9.58%, 65 basis points lower than at the end of July. The average yield of the last 12-month Discount Treasury Bill auction in August was 9.30%, 103 basis points lower compared to July.

The average yield of the most recent 3-year government bond auctions in August was 8.45% and 42 basis points lower compared to July. The average yield of the 5-year government bond auction in August was 7.69%, 13 basis points higher than in July. The average yield of the latest 10-year government bond auction in August was 7.34%, 15 basis points higher than in the previous month. The average yield of the last of 15-year government bond auction was 7.50%, lower by 1 basis points compared to the last May's average yield. In the August auction of the 10-year green bond, the average yield was 7.04%, which was 165 basis points lower than the average yield at the previous auction in March.

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