FINANCING OF THE CENTRAL GOVERNMENT IN JUNE 2023

1. Government debt data

The debt of the central government increased by HUF 2,365.2 billion in June due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,908.3 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,613.3 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 943.2 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 213.2 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	30.06.2023		change
	Debt stock (preliminary data)	Breakdown	January to June				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	*33,775.628*	*74.1%*	**7,285.618**	**5,377.333**	*0.000*	**1,908.285**	**35,683.913**	*74.5%*	*0.32%*
1.1. Loans	**1,024.205**	*2.2%*	**0.000**	**102.382**	**0.000**	**-102.382**	**921.824**	*1.9%*	*-0.32%*
1.1.1. Foreign	1,024.205	*2.2%*	0.000	102.382	0.000	-102.382	921.824	*1.9%*	*-0.32%*
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%*	**7,285.618**	**5,274.951**	**0.000**	**2,010.666**	**34,762.089**	*72.5%*	*0.65%*
1.2.1. Bonds	22,346.277	49.0%	1,610.456	732.422	0.000	878.034	23,224.311	*48.5%*	*-0.59%*
1.2.2. Discount T-bills	1,785.783	3.9%	2,646.447	2,031.154	0.000	615.293	2,401.076	*5.0%*	*1.09%*
1.2.3. Retail securities	8,619.363	18.9%	3,028.715	2,511.376	0.000	517.339	9,136.702	*19.1%*	*0.15%*
2. Foreign currency denominated debt	**11,397.328**	*25.0%*	**2,145.652**	**532.395**	**-943.190**	**670.068**	**12,067.396**	*25.2%*	*0.16%*
2.1. Loans	**1,959.079**	*4.3%*	**286.177**	**1.140**	**-150.709**	**134.327**	**2,093.406**	*4.4%*	*0.07%*
2.1.1. Foreign	1,959.079	*4.3%*	285.771	1.140	-150.303	134.327	2,093.406	*4.4%*	*0.07%*
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%*	**1,859.475**	**531.254**	**-792.481**	**535.740**	**9,973.990**	*20.8%*	*0.10%*
2.2.1. Issued abroad	9,085.466	*19.9%*	1,744.083	525.208	-762.485	456.390	9,541.856	*19.9%*	*-0.03%*
2.2.2. Issued in Hungary	352.783	*0.8%*	115.392	6.046	-29.996	79.350	432.133	*0.9%*	*0.13%*
Total	**45,172.957**	*99.1%*	**9,431.270**	**5,909.728**	**-943.190**	**2,578.352**	**47,751.309**	*99.6%*	*0.49%*
Other debt	389.419	*0.9%*	978.682	1,171.032	-20.837	-213.188	176.231	*0.4%*	*-0.49%*
Total central government debt	**45,562.376**	*100.0%*	**10,409.952**	**7,080.760**	**-964.027**	**2,365.164**	**47,927.540**	*100.0%*	*0.00%*

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The foreign currency debt of the central government increased by HUF 670.1 billion in 2023 and amounted to HUF 12,067.4 billion at the end of June 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 25.2% 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 1,908.3 billion to HUF 35,683.9 billion. The share of HUF-denominated debt reached 74.5% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 517.3 billion since the end of 2022 to HUF 9,136.7 billion at the end of June. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 1,600.9 billion, thus amounted to HUF 5,922.6 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 354.6 billion and amounted to HUF 869.3 billion at the end of June. The stock of the 1-year Government Securities decreased by HUF 329.8 billion to HUF 478.0 billion at the end of June. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,207.0 billion this year and amounted to HUF 1,227.5 billion at the end of June.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 690.6 billion to HUF 6,523.9 in June. 98.8% of non-resident holdings was T-bonds, which amounted to HUF 6,446.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 77.0 billion, that represented only 1.2% of total non-resident holdings. The duration of the non-resident stock was 5.9 years at the end of June 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 six month of the year marked-to-market deposits decreased by HUF 213.2 billion and reached HUF 176.2 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 decreased from 4.5 to 2.7. The bid-to-cover ratio of T-bond auctions decreased from 4.0 to 3.9 in June.

The average yield of the last 3-month Discount Treasury Bill auction in June was 10.14%, 348 basis points lower than in the previous month and the 6-month Treasury bill was 10.21%, 348 basis points lower than at the end of May. The average yield of the last 12-month Discount Treasury Bill auction in June was 11.45%, 204 basis points lower compared to May.

The average yield of the most recent 3-year government bond auctions in June was 8.77% and 97 basis points lower compared to May. The average yield of the 5-year government bond auction in June was 7.69%, 84 basis points less than in May. The average yield of the latest 10-year government bond auction in June was 7.02%, 74 basis points lower than in the previous month.

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