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Government Debt Management Agency Pte Ltd.

Planning and Data Dissemination Department

FINANCING OF THE CENTRAL GOVERNMENT IN FEBRUARY 2023

1. Government debt data

The debt of the central government increased by HUF 1,120.2 billion in February due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 696.1 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,148.0 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 654.9 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 69.1 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	28.02.2023		change
	Debt stock (preliminary data)	Breakdown	I-II. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***33,775.628***	***74.1%***	**2,505.155**	**1,809.020**	***0.000***	**696.135**	**34,471.763**	***73.8%***	***-0.29%***
1.1. Loans	**1,024.205**	***2.2%***	**0.000**	**47.189**	**0.000**	**-47.189**	**977.016**	***2.1%***	***-0.16%***
1.1.1. Foreign	1,024.205	*2.2%*	0.000	47.189	0.000	-47.189	977.016	***2.1%***	***-0.16%***
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%***	**2,505.155**	**1,761.831**	**0.000**	**743.324**	**33,494.747**	***71.8%***	***-0.13%***
1.2.1. Bonds	22,346.277	49.0%	428.688	66.352	0.000	362.336	22,708.612	***48.6%***	***-0.40%***
1.2.2. Discount T-bills	1,785.783	3.9%	727.495	546.617	0.000	180.878	1,966.661	***4.2%***	***0.29%***
1.2.3. Retail securities	8,619.363	18.9%	1,348.972	1,148.862	0.000	200.110	8,819.473	***18.9%***	***-0.03%***
2. Foreign currency denominated debt	**11,397.328**	***25.0%***	**1,680.929**	**532.914**	**-654.926**	**493.089**	**11,890.417**	***25.5%***	***0.46%***
2.1. Loans	**1,959.079**	***4.3%***	**52.812**	**0.000**	**-105.748**	**-52.935**	**1,906.144**	***4.1%***	***-0.22%***
2.1.1. Foreign	1,959.079	*4.3%*	52.406	0.000	-105.342	-52.935	1,906.144	***4.1%***	***-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%***	**1,628.117**	**532.914**	**-549.179**	**546.024**	**9,984.274**	***21.4%***	***0.67%***
2.2.1. Issued abroad	9,085.466	*19.9%*	1,581.255	531.446	-529.829	519.980	9,605.447	***20.6%***	***0.64%***
2.2.2. Issued in Hungary	352.783	*0.8%*	46.862	1.468	-19.350	26.044	378.827	***0.8%***	***0.04%***
Total	**45,172.957**	***99.1%***	**4,186.084**	**2,341.934**	**-654.926**	**1,189.224**	**46,362.180**	***99.3%***	***0.17%***
Other debt	389.419	*0.9%*	373.941	428.294	-14.711	-69.065	320.354	***0.7%***	***-0.17%***
Total central government debt	**45,562.376**	***100.0%***	**4,560.025**	**2,770.229**	**-669.637**	**1,120.159**	**46,682.535**	***100.0%***	***0.00%***

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The foreign currency debt of the central government increased by HUF 493.1 billion in 2023 and amounted to HUF 11,890.4 billion at the end of February 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. 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 USD 1.0 billion (HUF 289.9 billion).

The forint denominated debt increased by HUF 696.1 billion to HUF 34,471.8 billion. The share of HUF-denominated debt reached 73.8% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 200.1 billion since the end of 2022 to HUF 8,819.5 billion at the end of February. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 723.4 billion, thus amounted to HUF 5,045.1 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 165.4 billion and amounted to HUF 680.1 billion at the end of February. The stock of the 1-year Government Securities decreased by HUF 88.9 billion to HUF 718.9 billion at the end of February. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 656.9 billion this year and amounted to HUF 1,777.6 billion at the end of February.

The volume of non-resident holdings of Hungarian government securities increased by HUF 134.6 billion to HUF 6,805.4 in February. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 6,748.5 billion. The non-resident holdings of Discount T-Bills amounted to HUF 56.9 billion, that represented only 0.8% of total non-resident holdings. The duration of the non-resident stock was 5.7 years at the end of February 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 two month of the year marked-to-market deposits decreased by HUF 69.1 billion and reached HUF 320.4 billion (EUR 0.8 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.3 to 1.4. The bid-to-cover ratio of T-bond auctions decreased from 2.4 to 1.8 in February.

The average yield of the last 3-month Discount Treasury Bill auction in February was 14.64%, 43 basis points higher than in the previous month and the 6-month Treasury bill was 14.79%, 80 basis points higher than at the end of January. The average yield of the last 12-month Discount Treasury Bill auction in February was 14.03%, 64 basis points higher compared to January.

The average yield of the last 3-year government bond auction in February was 10.55%, 110 basis points higher compared to January. The average yield of the last 5-year government bond auction in February was 9.31%, 114 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 8.50%, 107 basis points higher compared to January. The average yield of the last of 15-year government bond auction was 7.86%, lower by 197 basis points compared to the last November's average yield.

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