FINANCING OF THE CENTRAL GOVERNMENT IN SEPTEMBER 2024

1. Government debt data

The debt of the central government increased by HUF 4,819.6 billion in September due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 2,614.6 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,802.2 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 603.9 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 201.1 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	30.09.2024		change
	Debt stock (preliminary data)	Breakdown	January to September				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	**36,888.034**	*72.5%*	**9,503.504**	**6,888.870**	**0.000**	**2,614.634**	**39,502.667**	***70.9%***	***-1.58%***
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%*	**9,437.202**	**6,841.209**	**0.000**	**2,595.993**	**38,615.806**	***69.3%***	***-1.47%***
1.2.1. Bonds	24,058.876	*47.3%*	2,962.479	2,154.520	0.000	807.959	24,866.835	***44.7%***	***-2.64%***
1.2.2. Discount T-bills	1,883.770	*3.7%*	3,931.044	3,283.727	0.000	647.317	2,531.086	***4.5%***	***0.84%***
1.2.3. Retail securities	10,077.167	*19.8%*	2,543.679	1,402.962	0.000	1,140.717	11,217.885	***20.1%***	***0.33%***
2. Foreign currency denominated debt	**13,678.314**	*26.9%*	**2,360.684**	**558.509**	**603.887**	**2,406.062**	**16,084.376**	***28.9%***	***1.99%***
2.1. Loans	**2,670.009**	*5.2%*	**562.531**	**54.758**	**111.621**	**619.393**	**3,289.402**	***5.9%***	***0.66%***
2.1.1. Foreign	2,670.009	*5.2%*	562.531	54.758	*111.621*	619.393	3,289.402	***5.9%***	***0.66%***
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%*	**1,798.153**	**503.751**	**492.266**	**1,786.669**	**12,794.973**	***23.0%***	***1.34%***
2.2.1. Issued abroad	10,535.449	*20.7%*	1,720.874	481.685	473.028	1,712.217	12,247.666	***22.0%***	***1.28%***
2.2.1.1. Foreign currency bond	10,357.080	*20.4%*	1,540.464	296.895	464.899	1,708.468	12,065.548	***21.7%***	***1.31%***
2.2.1.2. ECP program	178.369	*0.4%*	180.410	184.790	8.129	3.749	182.118	***0.3%***	***-0.02%***
2.2.2. Issued in Hungary	472.856	*0.9%*	77.279	22.066	19.238	74.452	547.308	***1.0%***	***0.05%***
Total	**50,566.347**	***99.4%***	**11,864.188**	**7,447.380**	**603.887**	**5,020.696**	**55,587.043**	***99.8%***	***0.41%***
Other debt	298.836	*0.6%*	2,881.754	3,089.043	6.193	-201.096	97.740	***0.2%***	***-0.41%***
Total central government debt	**50,865.184**	***100.0%***	**14,745.942**	**10,536.423**	**610.080**	**4,819.599**	**55,684.783**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 2,406.1 billion in 2024 and amounted to HUF 16,084.4 billion at the end of September 2024. The share of foreign currency denominated debt within the total debt increased from 26.9% to 28.9% 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 2,614.6 billion to HUF 39,502.7 billion. The share of HUF-denominated debt reached 70.9% of the total debt, while in December 2023 this proportion was 72.5%.

The stock of retail securities increased by HUF 1,140.7 billion since the end of 2023 to HUF 11,217.9 billion at the end of September. The portfolio of Premium Hungarian Government Security with a long-term maturity increased by HUF 79.1 billion, thus amounted to HUF 7,071.8 billion. In January, the new 3-year fixed-rate Fixed Hungarian Government Security was introduced; its issuance amounted to HUF 771.1 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 268.4 billion and amounted to HUF 1,141.6 billion at the end of September. 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 765.9 billion. Simultaneously with the renewal of the MÁP Plusz, the 1-Year Hungarian Government Security is being phased out, which stock increased by HUF 32.2 billion to HUF 606.2 billion at the end of September.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 551.0 billion to HUF 5,852.4 in September. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 5,838.8 billion. The non-resident holdings of Discount T-Bills amounted to HUF 13.6 billion, that represented only 0,2% of total non-resident holdings. The duration of the non-resident stock was 6.3 years at the end of September 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 nine months of the year marked-to-market and other deposits decreased by HUF 201.1 billion and reached HUF 97.7 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 increased from 2.1 to 2.2. The bid-to-cover ratio of T-bond auctions also increased from 4.3 to 6.2 in September.

The average yield of the last 3-month Discount Treasury Bill auction in September was 5.44%, 31 basis points lower than in the previous month and the 6-month Treasury bill was 5.45%, 28 basis points lower than at the end of September. The average yield of the last 12-month Discount Treasury Bill auction in September was 5.37%, 27 basis points lower compared to August.

The average yield of the latest 3-year government bond auctions in September was 5.78% and 13 basis points lower compared to the auction in September. The average yield of the 5-year government bond auction in September was 5.72%, 18 basis points lower than in August. The average yield of the latest 10-year government bond auction in September was 6.21%, 8 basis points lower than in the previous month. The average yield of the last of 20-year bond auction was 6.42%, lower by 40 basis points compared to the last July's average yield.

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