# FINANCING OF THE CENTRAL GOVERNMENT IN MARCH 2023

## 1. Government debt data

**The debt of the central government increased** by HUF 1,813.5 billion in March due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,103.1 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,407.6 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 627.9 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 69.2 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 | 31.03.2023 | | change |
|---|---|---|---|---|---|---|---|---|---|
| | Debt stock (preliminary data) | Breakdown | I-III. month | | | | Debt stock (preliminary data) | Breakdown | percent |
| **1. HUF denominated debt** | ***33,775.628*** | ***74.1%*** | **3,645.939** | **2,542.857** | ***0.000*** | **1,103.082** | **34,878.710** | ***73.6%*** | ***-0.51%*** |
| 1.1. Loans | **1,024.205** | ***2.2%*** | **0.000** | **59.471** | **0.000** | **-59.471** | **964.734** | ***2.0%*** | ***-0.21%*** |
| 1.1.1. Foreign | 1,024.205 | *2.2%* | 0.000 | 59.471 | 0.000 | -59.471 | 964.734 | ***2.0%*** | ***-0.21%*** |
| 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%*** | **3,645.939** | **2,483.386** | **0.000** | **1,162.553** | **33,913.976** | ***71.6%*** | ***-0.30%*** |
| 1.2.1. Bonds | 22,346.277 | 49.0% | 716.039 | 49.860 | 0.000 | 666.179 | 23,012.455 | ***48.6%*** | ***-0.47%*** |
| 1.2.2. Discount T-bills | 1,785.783 | 3.9% | 1,099.244 | 868.618 | 0.000 | 230.626 | 2,016.409 | ***4.3%*** | ***0.34%*** |
| 1.2.3. Retail securities | 8,619.363 | 18.9% | 1,830.657 | 1,564.908 | 0.000 | 265.748 | 8,885.112 | ***18.8%*** | ***-0.16%*** |
| **2. Foreign currency denominated debt** | **11,397.328** | ***25.0%*** | **1,937.217** | **529.647** | **-627.911** | **779.659** | **12,176.987** | ***25.7%*** | ***0.69%*** |
| 2.1. Loans | **1,959.079** | ***4.3%*** | **102.037** | **0.511** | **-99.870** | **1.655** | **1,960.734** | ***4.1%*** | ***-0.16%*** |
| 2.1.1. Foreign | 1,959.079 | *4.3%* | 101.631 | 0.511 | -99.464 | 1.655 | 1,960.734 | ***4.1%*** | ***-0.16%*** |
| 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%*** | **1,835.180** | **529.135** | **-528.042** | **778.004** | **10,216.253** | ***21.6%*** | ***0.85%*** |
| 2.2.1. Issued abroad | 9,085.466 | *19.9%* | 1,744.083 | 525.208 | -509.037 | 709.837 | 9,795.304 | ***20.7%*** | ***0.73%*** |
| 2.2.2. Issued in Hungary | 352.783 | *0.8%* | 91.097 | 3.927 | -19.004 | 68.166 | 420.950 | ***0.9%*** | ***0.11%*** |
| **Total** | **45,172.957** | ***99.1%*** | **5,583.156** | **3,072.504** | **-627.911** | **1,882.741** | **47,055.697** | ***99.3%*** | ***0.18%*** |
| Other debt | 389.419 | *0.9%* | 638.042 | 694.628 | -12.645 | -69.231 | 320.188 | ***0.7%*** | ***-0.18%*** |
| **Total central government debt** | **45,562.376** | ***100.0%*** | **6,221.198** | **3,767.132** | **-640.556** | **1,813.509** | **47,375.885** | ***100.0%*** | ***0.00%*** |

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**The foreign currency debt of the central government** increased by HUF 779.7 billion in 2023 and amounted to HUF 12,177.0 billion at the end of March 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 25.7% in 2023.

The increase is mainly due to the foreign currency bonds issuance in January: 5-year foreign currency bond in the amount of 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).

**The forint denominated debt increased** by HUF 1,103.1 billion to HUF 34,878.7 billion. The share of HUF-denominated debt reached 73.6% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 265.7 billion since the end of 2022 to HUF 8,885.1 billion at the end of March. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 998.0 billion, thus amounted to HUF 5,319.7 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 209.2 billion and amounted to HUF 723.9 billion at the end of March. The stock of the 1-year Government Securities decreased by HUF 164.5 billion to HUF 643.3 billion at the end of March. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 848.4 billion this year and amounted to HUF 1,586.1 billion at the end of March.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 227.2 billion to HUF 6,578.3 in March. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 6,526.7 billion. The non-resident holdings of Discount T-Bills amounted to HUF 51.6 billion, that represented only 0.8% of total non-resident holdings. The duration of the non-resident stock was 5.8 years at the end of March 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 three month of the year marked-to-market deposits decreased by HUF 69.2 billion and reached HUF 320.2 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 increased from 1.4 to 5.5. The bid-to-cover ratio of T-bond auctions increased from 1.8 to 2.7 in March.

The average yield of the last 3-month Discount Treasury Bill auction in March was 14.90%, 26 basis points higher than in the previous month and the 6-month Treasury bill was 15.21%, 42 basis points higher than at the end of February. The average yield of the last 12-month Discount Treasury Bill auction in March was 14.56%, 53 basis points higher compared to February.

The average yield of the last 3-year government bond auction in March was 10.29%, 26 basis points lower compared to February. The average yield of the last 5-year government bond auction in March was 9.26%, 5 basis points lower compared to the previous month. The average yield of the last 10-year government bond auction was 8.44%, 6 basis points lower compared to February. The average yield of the last of 10-year green government bond auction was 8.69%, lower by 137 basis points compared to the last October's average yield.



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