FINANCING OF THE CENTRAL GOVERNMENT IN MAY 2023

1. Government debt data

The debt of the central government increased by HUF 2,222.8 billion in May due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,723.5 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,526.5 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 945.8 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 81.4 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	31.05.2023		change
	Debt stock (preliminary data)	Breakdown	January to May				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***33,775.628***	***74.1%***	**6,107.517**	**4,384.057**	***0.000***	**1,723.460**	**35,499.089**	***74.3%***	***0.16%***
1.1. Loans	**1,024.205**	***2.2%***	**0.000**	**59.471**	**0.000**	**-59.471**	**964.734**	***2.0%***	***-0.23%***
1.1.1. Foreign	1,024.205	*2.2%*	0.000	59.471	0.000	-59.471	964.734	***2.0%***	***-0.23%***
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%***	**6,107.517**	**4,324.586**	**0.000**	**1,782.932**	**34,534.354**	***72.3%***	***0.39%***
1.2.1. Bonds	22,346.277	49.0%	1,314.352	318.052	0.000	996.300	23,342.577	***48.8%***	***-0.20%***
1.2.2. Discount T-bills	1,785.783	3.9%	2,199.072	1,744.111	0.000	454.961	2,240.744	***4.7%***	***0.77%***
1.2.3. Retail securities	8,619.363	18.9%	2,594.094	2,262.423	0.000	331.670	8,951.034	***18.7%***	***-0.19%***
2. Foreign currency denominated debt	**11,397.328**	***25.0%***	**2,057.548**	**531.018**	**-945.772**	**580.757**	**11,978.086**	***25.1%***	***0.05%***
2.1. Loans	**1,959.079**	***4.3%***	**206.791**	**0.511**	**-151.593**	**54.687**	**2,013.766**	***4.2%***	***-0.09%***
2.1.1. Foreign	1,959.079	*4.3%*	206.385	0.511	-151.187	54.687	2,013.766	***4.2%***	***-0.09%***
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%***	**1,850.757**	**530.507**	**-794.180**	**526.070**	**9,964.320**	***20.9%***	***0.14%***
2.2.1. Issued abroad	9,085.466	*19.9%*	1,744.083	525.208	-764.090	454.785	9,540.251	***20.0%***	***0.02%***
2.2.2. Issued in Hungary	352.783	*0.8%*	106.674	5.298	-30.090	71.286	424.069	***0.9%***	***0.11%***
Total	**45,172.957**	***99.1%***	**8,165.065**	**4,915.075**	**-945.772**	**2,304.218**	**47,477.174**	***99.4%***	***0.21%***
Other debt	389.419	*0.9%*	905.871	966.224	-21.075	-81.428	307.991	***0.6%***	***-0.21%***
Total central government debt	**45,562.376**	***100.0%***	**9,070.936**	**5,881.299**	**-966.847**	**2,222.790**	**47,785.165**	***100.0%***	***0.00%***

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The foreign currency debt of the central government increased by HUF 580.8 billion in 2023 and amounted to HUF 11,978.1 billion at the end of May 2023. The share of foreign currency denominated debt within the total debt increased from 25.0% to 25.1% 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 1,723.5 billion to HUF 35,499.1 billion. The share of HUF-denominated debt reached 74.3% of the total debt, while in December 2022 this proportion was 74.1%.

The stock of retail securities increased by HUF 331.7 billion since the end of 2022 to HUF 8,951.0 billion at the end of May. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 1,332.9 billion, thus amounted to HUF 5,654.5 billion. The outstanding amount of the Bonus Hungarian Government Security increased by HUF 292.6 billion and amounted to HUF 807.3 billion at the end of May. The stock of the 1-year Government Securities decreased by HUF 305.5 billion to HUF 502.3 billion at the end of May. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 1,077.1 billion this year and amounted to HUF 1,357.4 billion at the end of May.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 219.7 billion to HUF 7,214.5 in May. 98.8% of non-resident holdings was T-bonds, which amounted to HUF 7,131.3 billion. The non-resident holdings of Discount T-Bills amounted to HUF 83.3 billion, that represented only 1.2% of total non-resident holdings. The duration of the non-resident stock was 5.75 years at the end of May 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 four month of the year marked-to-market deposits decreased by HUF 81.4 billion and reached HUF 308.0 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 5.4 to 4.5. The bid-to-cover ratio of T-bond auctions decreased from 4.1 to 4.0 in May.

The average yield of the last 3-month Discount Treasury Bill auction in May was 13.62%, 108 basis points lower than in the previous month and the 6-month Treasury bill was 13.69%, 102 basis points lower than at the end of April. The average yield of the last 12-month Discount Treasury Bill auction in May was 13.49%, 97 basis points lower compared to April.

The average yield of the most recent 3- and 5-year government bond auctions in May was 9.74% and 8.53%, respectively, 75 and 70 basis points lower compared to April. The average yield of the 7-year 2030/A government bond auction in May was 7.78%, 18 basis points less than in April. The average yield of the latest 10-year government bond auction in May was 7.76%, 58 basis points lower than in the previous month. The average yield of the 15-year government bond auction in May of 7.51% was 35 basis points lower than that of in mid-February. In the May auction of the 30-year green bond, the average yield was 7.45%, which was 114 basis points lower than the average yield at the previous auction (last September).

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