FINANCING OF THE CENTRAL GOVERNMENT IN AUGUST 2024

1. Government debt data

The debt of the central government increased by HUF 4,449.2 billion in August due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 2,386.4 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,868.2 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 400.4 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 205.8 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	31.08.2024		change
	Debt stock (preliminary data)	**Breakdown**	**January to August**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	**36,888.034**	*72.5%*	**8,621.333**	**6,234.958**	**0.000**	**2,386.376**	**39,274.409**	***71.0%***	***-1.52%***
1.1. Loans	**868.220**	*1.7%*	**66.302**	**47.661**	**0.000**	**18.641**	**886.861**	***1.6%***	***-0.10%***
1.1.1. Foreign	868.220	*1.7%*	66.302	47.661	0.000	18.641	886.861	***1.6%***	***-0.10%***
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%*	**8,555.032**	**6,187.296**	**0.000**	**2,367.735**	**38,387.548**	***69.4%***	***-1.42%***
1.2.1. Bonds	24,058.876	*47.3%*	2,673.564	1,957.922	0.000	715.642	24,774.518	***44.8%***	***-2.51%***
1.2.2. Discount T-bills	1,883.770	*3.7%*	3,534.554	3,031.138	0.000	503.416	2,387.186	***4.3%***	***0.61%***
1.2.3. Retail securities	10,077.167	*19.8%*	2,346.913	1,198.236	0.000	1,148.677	11,225.844	***20.3%***	***0.48%***
2. Foreign currency denominated debt	**13,678.314**	*26.9%*	**2,235.766**	**367.539**	**400.427**	**2,268.654**	**15,946.967**	***28.8%***	***1.94%***
2.1. Loans	**2,670.009**	*5.2%*	**544.662**	**54.120**	**70.781**	**561.323**	**3,231.332**	***5.8%***	***0.59%***
2.1.1. Foreign	2,670.009	*5.2%*	544.662	54.120	*70.781*	561.323	3,231.332	***5.8%***	***0.59%***
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%*	**1,691.104**	**313.419**	**329.646**	**1,707.331**	**12,715.635**	***23.0%***	***1.35%***
2.2.1. Issued abroad	10,535.449	*20.7%*	1,621.605	294.171	317.197	1,644.631	12,180.080	***22.0%***	***1.31%***
2.2.1.1. Foreign currency bond	10,357.080	*20.4%*	1,441.195	295.631	314.440	1,460.005	11,817.084	***21.4%***	***1.00%***
2.2.1.2. ECP program	178.369	*0.4%*	180.410	-1.460	2.757	184.627	362.996	***0.7%***	***0.31%***
2.2.2. Issued in Hungary	472.856	*0.9%*	69.499	19.248	12.449	62.700	535.556	***1.0%***	***0.04%***
Total	**50,566.347**	***99.4%***	**10,857.099**	**6,602.497**	**400.427**	**4,655.029**	**55,221.377**	***99.8%***	***0.42%***
Other debt	298.836	*0.6%*	2,785.076	2,995.807	4.899	-205.831	93.005	***0.2%***	***-0.42%***
Total central government debt	**50,865.184**	***100.0%***	**13,642.175**	**9,598.303**	**405.326**	**4,449.198**	**55,314.382**	***100.0%***	***0.00%***

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The foreign currency debt of the central government increased by HUF 2,268.7 billion in 2024 and amounted to HUF 15,947.0 billion at the end of August 2024. The share of foreign currency denominated debt within the total debt increased from 26.9% to 28.8% 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. 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 2,386.4 billion to HUF 39,274.4 billion. The share of HUF-denominated debt reached 71.0% of the total debt, while in December 2023 this proportion was 72.5%.

The stock of retail securities increased by HUF 1,148.7 billion since the end of 2023 to HUF 11,225.8 billion at the end of August. The portfolio of Premium Hungarian Government Security with a long-term maturity increased by HUF 137.3 billion, thus amounted to HUF 7,130.0 billion. In January, the new 3-year fixed-rate Fixed Hungarian Government Security was introduced; its issuance amounted to HUF 700.0 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 246.0 billion and amounted to HUF 1,119.2 billion at the end of August. 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 768.2 billion. Simultaneously with the renewal of the MÁP Plusz, the 1-Year Hungarian Government Security is being phased out, which stock increased by HUF 80.2 billion to HUF 654.2 billion at the end of August.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 183.6 billion to HUF 6,403.5 in July. 99.7% of non-resident holdings was T-bonds, which amounted to HUF 6,387.2 billion. The non-resident holdings of Discount T-Bills amounted to HUF 16.2 billion, that represented only 0,3% of total non-resident holdings. The duration of the non-resident stock was 5.8 years at the end of August 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 eight months of the year marked-to-market and other deposits decreased by HUF 205.8 billion and reached HUF 93.0 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 decreased from 4.2 to 2.1. The bid-to-cover ratio of T-bond auctions also decreased from 5.0 to 4.3 in August.

The average yield of the last 3-month Discount Treasury Bill auction in August was 5.75%, 12 basis points lower than in the previous month and the 6-month Treasury bill was 5.73%, 9 basis points lower than at the end of August. The average yield of the last 12-month Discount Treasury Bill auction in August was 5.64%, 51 basis points lower compared to August.

The average yield of the latest 3-year government bond auctions in August was 5.91% and 21 basis points lower compared to the auction in July. The average yield of the 5-year government bond auction in August was 5.90%, 22 basis points lower than in July. The average yield of the latest 10-year government bond auction in August was 6.29%, 18 basis points lower than in the previous month. The average yield of the last of 15-year bond auction was 6.41%, lower by 36 basis points compared to the last May's average yield. The average yield of the last of 7-year green bond auction was 6.14%, lower by 58 basis points compared to the last June's average yield.

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