FINANCING OF THE CENTRAL GOVERNMENT IN MARCH 2022

1. Government debt data

The debt of the central government increased by HUF 1,636.4 billion in March due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,349.3 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 256.3 billion, which increased the debt of the central government.
- **The third – also increasing — factors** is the depreciation of the forint that increased the HUF value of the foreign currency debt by HUF 24.7 billion.
- **The fourth – additional increasing – factor** is the change of the foreign currency exchange rates and other factors that increased the mark-to-market deposits placed at GDMA by HUF 6.2 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2022.

Central government gross debt and debt transactions in 2022

	31.12.2021		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.03.2022		change
	Debt stock (preliminary data)	Breakdown	I-III. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	*32,121.236*	*78.9%*	**3,120.253**	**1,770.968**	*0.000*	**1,349.284**	**33,470.521**	*79.1%*	*0.14%*
1.1. Loans	**1,307.744**	*3.2%*	**0.000**	**2.310**	**0.000**	**-2.310**	**1,305.434**	*3.1%*	*-0.13%*
1.1.1. Foreign	1,307.744	*3.2%*	0.000	2.310	0.000	-2.310	1,305.434	*3.1%*	*-0.13%*
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	**30,813.492**	*75.7%*	**3,120.253**	**1,768.658**	**0.000**	**1,351.595**	**32,165.087**	*76.0%*	*0.27%*
1.2.1. Bonds	20,220.031	49.7%	1,181.430	258.030	0.000	923.400	21,143.431	*49.9%*	*0.26%*
1.2.2. Discount T-bills	583.208	1.4%	676.771	307.753	0.000	369.019	952.227	*2.2%*	*0.82%*
1.2.3. Retail securities	10,010.253	24.6%	1,262.051	1,202.875	0.000	59.176	10,069.429	*23.8%*	*-0.81%*
2. Foreign currency denominated debt	**8,395.157**	*20.6%*	**320.532**	**64.263**	**24.722**	**280.991**	**8,676.147**	*20.5%*	*-0.13%*
2.1. Loans	**1,345.240**	*3.3%*	**62.546**	**6.108**	**1.698**	**58.136**	**1,403.376**	*3.3%*	*0.01%*
2.1.1. Foreign	1,345.240	*3.3%*	62.546	6.108	1.698	58.136	1,403.376	*3.3%*	*0.01%*
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	**7,049.917**	*17.3%*	**257.986**	**58.155**	**23.023**	**222.855**	**7,272.772**	*17.2%*	*-0.14%*
2.2.1. Issued abroad	6,594.948	*16.2%*	205.441	8.680	20.230	216.991	6,811.939	*16.1%*	*-0.11%*
2.2.2. Issued in Hungary	454.969	*1.1%*	52.545	49.475	2.794	5.864	460.832	*1.1%*	*-0.03%*
Total	**40,516.393**	*99.6%*	**3,440.785**	**1,835.232**	**24.722**	**1,630.275**	**42,146.668**	*99.6%*	*0.00%*
Other debt	180.629	*0.4%*	423.896	415.485	-2.256	6.155	186.784	*0.4%*	*0.00%*
Total central government debt	**40,697.022**	*100.0%*	**3,864.681**	**2,250.717**	**22.466**	**1,636.429**	**42,333.451**	*100.0%*	*0.00%*

The foreign currency debt of the central government increased by HUF 281.0 billion in 2022 and amounted to HUF 8,676.1 billion at the end of March 2022. The share of foreign currency denominated debt within the total debt decreased from 20.6% to 20.5% in 2022.

The increase is mainly due to the issuance of Japanese yen-denominated Samurai bonds in total amount of HUF 205.4 billion (75.3 billion yen) in February. Four series were issued with different maturities, one of them is 3-year long traditional foreign currency bond and three of them are 5-7-10-year long green foreign currency bonds, which further broadened Hungary's relations with Japanese green investors.

The forint denominated debt increased by HUF 1,349.3 billion to HUF 33,470.5 billion. The share of HUF-denominated debt reached 79.1% of the total debt, while in December 2021 this proportion was 78.9%.

The stock of retail securities increased by HUF 59.2 billion from the end of 2021 to HUF 10,069.4 billion at the end of March. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 412.1 billion, thus amounted to HUF 2,614.9 billion. The stock of the 1-year Government Securities increased by HUF 64.7 billion to HUF 1,066.3 billion at the end of March. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 425.5 billion this month and amounted to HUF 5,936.1 billion at the end of March.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 328.1 billion in March. 99.3% of non-resident holdings was T-bonds, which amounted to HUF 4,486.2 billion. The non-resident holdings of Discount T-Bills amounted to HUF 33.9 billion, that represented only 0.7% of total non-resident holdings. The duration of the non-resident stock was 6.5 years at the end of March 2022.

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 increased by HUF 6.2 billion and reached HUF 186.8 billion (EUR 0.5 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 1.9 to 1.8. The bid-to-cover ratio of T-bond auctions increased from 2.3 to 3.8 in March.

The average yield of the last 3-month Discount Treasury Bill auction in March was 5.81%, 131 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in March was 6.05%, 127 basis points higher compared to February.

The average yield of the last 5-year government bond auction in March was 6.50%, 154 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 6.36%, 137 basis points higher compared to February. The average yield of the last auction of 15-year government bond was 5.54%, higher by 77 basis points compared to the last February's average yield. The average yield of the last 20-year government bond auction was 6.42%, 127 basis points higher compared to the last February's yield. The average yield of 10-year green government bond was 5.76% in the March auction, which was 97 basis points higher than its average yield at the previous auction in February.