FINANCING OF THE CENTRAL GOVERNMENT IN FEBRUARY 2024

1. Government debt data

The debt of the central government increased by HUF 2,850.6 billion in February due to the following reasons:

- **The first increasing factor** is the net foreign currency issuance of HUF 1,538.8 billion, which finances the deficit and increased the foreign currency deposit, and also increased the debt of the central government.
- **The second – increasing – factor** is the net forint issuance of HUF 846.7 billion, which finances the deficit of the central government budget.
- **The third – also increasing factor —** is the depreciation of the forint that increased the HUF value of the foreign currency debt by HUF 450.2 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 14.8 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	29.02.2024		change
	Debt stock (preliminary data)	Breakdown	January to February				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	**36,888.034**	***72.5%***	**2,342.630**	**1,495.951**	**0.000**	**846.679**	**37,734.713**	***70.2%***	***-2.27%***
1.1. Loans	**868.220**	***1.7%***	**0.000**	**20.084**	**0.000**	**-20.084**	**848.137**	***1.6%***	***-0.13%***
1.1.1. Foreign	868.220	*1.7%*	0.000	20.084	0.000	-20.084	848.137	***1.6%***	***-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	**36,019.813**	***70.8%***	**2,342.630**	**1,475.867**	**0.000**	**866.763**	**36,886.576**	***68.7%***	***-2.14%***
1.2.1. Bonds	24,058.876	*47.3%*	690.985	366.406	0.000	324.579	24,383.456	***45.4%***	***-1.91%***
1.2.2. Discount T-bills	1,883.770	*3.7%*	796.609	719.994	0.000	76.615	1,960.385	***3.6%***	***-0.05%***
1.2.3. Retail securities	10,077.167	*19.8%*	855.036	389.468	0.000	465.568	10,542.736	***19.6%***	***-0.18%***
2. Foreign currency denominated debt	**13,678.314**	***26.9%***	**1,543.654**	**4.823**	**450.229**	**1,989.060**	**15,667.374**	***29.2%***	***2.28%***
2.1. Loans	**2,670.009**	***5.2%***	**83.850**	**0.000**	**80.202**	**164.052**	**2,834.061**	***5.3%***	***0.03%***
2.1.1. Foreign	2,670.009	*5.2%*	83.850	0.000	*80.202*	164.052	2,834.061	***5.3%***	***0.03%***
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%***	**1,459.804**	**4.823**	**370.027**	**1,825.008**	**12,833.312**	***23.9%***	***2.25%***
2.2.1. Issued abroad	10,535.449	*20.7%*	1,441.195	1.078	355.936	1,796.053	12,331.501	***23.0%***	***2.24%***
2.2.1.1. Foreign currency bond	10,357.080	*20.4%*	1,441.195	1.078	350.758	1,790.875	12,147.955	***22.6%***	***2.25%***
2.2.1.2. ECP program	178.369	*0.4%*	0.000	0.000	5.177	5.177	183.546	***0.3%***	***-0.01%***
2.2.2. Issued in Hungary	472.856	*0.9%*	18.609	3.745	14.091	28.955	501.811	***0.9%***	***0.00%***
Total	**50,566.347**	***99.4%***	**3,886.284**	**1,500.774**	**450.229**	**2,835.739**	**53,402.086**	***99.4%***	***0.00%***
Other debt	298.836	*0.6%*	920.103	913.573	8.300	14.830	313.666	***0.6%***	***0.00%***
Total central government debt	**50,865.184**	***100.0%***	**4,806.387**	**2,414.348**	**458.530**	**2,850.569**	**53,715.752**	***100.0%***	***0.00%***

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The foreign currency debt of the central government increased by HUF 1,989.1 billion in 2024 and amounted to HUF 15,667.4 billion at the end of February 2024. The share of foreign currency denominated debt within the total debt increased from 26.9% to 29,2% 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 exchange rate depreciation further increased the share of foreign currency debt.

The forint denominated debt increased by HUF 846.7 billion to HUF 37,734.7 billion. The share of HUF-denominated debt reached 70.2% of the total debt, while in December 2023 this proportion was 72.5%.

The stock of retail securities increased by HUF 465.6 billion since the end of 2023 to HUF 10,542.7 billion at the end of February.
The portfolio of Premium Hungarian Government Security with a maturity of 8 years increased by HUF 110.4 billion, thus amounted to HUF 7,103.1 billion. In January, the new 3-year fixed-rate Fixed Hungarian Government Security was introduced, its issuance amounted to HUF 164.3 billion at the end of the month. The stock of the 1-year Government Security increased by HUF 111.1 billion to HUF 685.1 billion at the end of February. The sale of Bonus Hungarian Government Security was also significant: the stock of 3- and 5-year Bonus Hungarian Government Security increased by HUF 47.3 billion and amounted to HUF 920.5 billion at the end of February.

The volume of non-resident holdings of Hungarian government securities increased by HUF 490.6 billion to HUF 7,460.0 in February. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 7,397.1 billion. The non-resident holdings of Discount T-Bills amounted to HUF 62.9 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 February 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 two months of the year marked-to-market and other deposits increased by HUF 14.8 billion and reached HUF 313.7 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 1.3 to 1.6. The bid-to-cover ratio of T-bond auctions increased from 3.8 to 6.4 in February.

The average yield of the last 3-month Discount Treasury Bill auction in February was 6.69%, 22 basis points lower than in the previous month and the 6-month Treasury bill was 6.78%, 6 basis points lower than at the end of January. The average yield of the last 12-month Discount Treasury Bill auction in February was 6.70%, 15 basis points lower compared to January.

The average yield of the latest 3-year government bond auctions in February was 5.95% and 13 basis points lower compared to the auction in January. The average yield of the 5-year government bond auction in February was 5.84%, 1 basis points lower than in January. The average yield of the latest 10-year government bond auction in February was 6.23%, 4 basis points higher than in the previous month. The average yield of the last of 15-year government bond auction was 6.23%, lower by 142 basis points compared to the last October's average yield.

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