FINANCING OF THE CENTRAL GOVERNMENT IN DECEMBER 2022

1. Government debt data

The debt of the central government increased by HUF 4,865.4 billion in December due to the following reasons:

- **The first increasing factor** is the net forint issuance of HUF 1,654.4 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 2,269.9 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 732.3 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 208.8 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	31.12.2022		change
	Debt stock (preliminary data)	Breakdown	I-XII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***32,121.236***	***78.9%***	**13,418.203**	**11,763.811**	***0.000***	**1,654.392**	**33,775.628**	***74.1%***	***-4.80%***
1.1. Loans	**1,307.744**	***3.2%***	**0.000**	**283.539**	**0.000**	**-283.539**	**1,024.205**	***2.2%***	***-0.97%***
1.1.1. Foreign	1,307.744	*3.2%*	0.000	283.539	0.000	-283.539	1,024.205	***2.2%***	***-0.97%***
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%***	**13,418.203**	**11,480.272**	**0.000**	**1,937.931**	**32,751.423**	***71.9%***	***-3.83%***
1.2.1. Bonds	20,220.031	49.7%	3,924.764	1,798.518	0.000	2,126.246	22,346.277	***49.0%***	***-0.64%***
1.2.2. Discount T-bills	583.208	1.4%	3,391.546	2,188.972	0.000	1202.575	1,785.783	***3.9%***	***2.49%***
1.2.3. Retail securities	10,010.253	24.6%	6,101.892	7,492.782	0.000	-1390.890	8,619.363	***18.9%***	***-5.68%***
2. Foreign currency denominated debt	**8,395.157**	***20.6%***	**3,049.506**	**779.604**	**732.270**	**3,002.172**	**11,397.328**	***25.0%***	***4.39%***
2.1. Loans	**1,345.240**	***3.3%***	**543.249**	**41.146**	**111.736**	**613.839**	**1,959.079**	***4.3%***	***0.99%***
2.1.1. Foreign	1,345.240	*3.3%*	543.249	41.146	111.736	613.839	1,959.079	***4.3%***	***0.99%***
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%***	**2,506.257**	**738.458**	**620.533**	**2388.333**	**9,438.250**	***20.7%***	***3.39%***
2.2.1. Issued abroad	6,594.948	*16.2%*	2,325.624	412.953	577.847	2,490.518	9,085.466	***19.9%***	***3.74%***
2.2.2. Issued in Hungary	454.969	*1.1%*	180.633	325.505	42.687	-102.186	352.783	***0.8%***	***-0.34%***
Total	**40,516.393**	***99.6%***	**16,467.709**	**12,543.415**	**732.270**	**4,656.563**	**45,172.957**	***99.1%***	***-0.41%***
Other debt	180.629	*0.4%*	2,265.850	2,071.766	14.707	208.790	389.419	***0.9%***	***0.41%***
Total central government debt	**40,697.022**	***100.0%***	**18,733.558**	**14,615.181**	**746.976**	**4,865.353**	**45,562.376**	***100.0%***	***0.00%***

H-1013 Budapest, Krisztina tér 2. | Postal address: H-1255 Budapest, PO BOX. 85.
E-mail: akk@akk.hu | Registered at the Budapest Capital City Court (Hungary), Registration No.: 01-10-044549

The foreign currency debt of the central government increased by HUF 3,002.2 billion in 2022 and amounted to HUF 11,397.3 billion at the end of December 2022. The share of foreign currency denominated debt within the total debt increased from 20.6% to 25.0% in 2022.

The increase is mainly due to the HUF 205.4 billion of Samurai bonds issued in February, the HUF 1,441.3 billion of foreign currency bonds issued in June, the HUF 410.5 billion Green Bond and the HUF 110.9 billion Green Panda Bond issued in November. ÁKK re-opened the USD bond maturing in 2041 with a private placement of USD 400 million (HUF157.5 billion) in November (settled in December). The depreciation of the forint further increased the HUF value of foreign currency debt.

The forint denominated debt increased by HUF 1,654.4 billion to HUF 33,775.6 billion. The share of HUF-denominated debt reached 74.1% of the total debt, while in December 2021 this proportion was 78.9%.

The stock of retail securities decreased by HUF 1,390.9 billion since the end of 2021 to HUF 8,619.4 billion at the end of December. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 2,118.9 billion, thus amounted to HUF 4,321.6 billion. From September, the Bonus Hungarian Government Security was reintroduced, increasing its holdings by HUF 453.9 billion and amounted to HUF 514.7 billion at the end of December, including the previous issues. The stock of the 1-year Government Securities decreased by HUF 193.8 billion to HUF 807.8 billion at the end of December. The stock of the Hungarian Government Securities Plus (dematerialised and printed) decreased by HUF 3,927.0 billion this year and amounted to HUF 2,434.5 billion at the end of December.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 430.6 billion to HUF 5,152.0 in December. 99.5% of non-resident holdings was T-bonds, which amounted to HUF 5,124.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 27.1 billion, that represented only 0.5% of total non-resident holdings. The duration of the non-resident stock was 6.5 years at the end of December 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 year marked-to-market deposits increased by HUF 208.8 billion and reached HUF 389.4 billion (EUR 1.0 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.3 to 1.7. The bid-to-cover ratio of T-bond auctions decreased from 3.1 to 2.8 in December.

The average yield of the last 3-month Discount Treasury Bill auction in December was 14.28%, 119 basis points higher than in the previous month and the 6-month Treasury bill was 14.47%, 85 basis points higher than at the end of November. The average yield of the last 12-month Discount Treasury Bill auction in December was 14.49%, 96 basis points higher compared to November.

The average yield of the last 5-year government bond auction in December was 9.07%, 20 basis points lower compared to the previous month. The average yield of the last 10-year government bond auction was 8.27%, 11 basis points lower compared to November.

H-1013 Budapest, Krisztina tér 2. | Postal address: H-1255 Budapest, PO BOX. 85.
E-mail: akk@akk.hu | Registered at the Budapest Capital City Court (Hungary), Registration No.: 01-10-044549