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CESEE-8 government debt and risks in 2024

This report takes stock of government debt ratios in eight Central, Eastern and Southeastern European EU member states (CESEE-8) in 2024, including comparisons to 2023. It analyzes the major drivers behind debt developments, such as primary balances, interest payments, the impact of inflation, real GDP growth and stock-flow adjustments. In addition, the report gives an overview of the risk profile of government debt at the end of 2024, including major changes over the past few years.

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High foreign currency share in non-euro area CESEE-8

At end-2024, foreign currencies accounted for more than half of total government debt in Bulgaria and Romania, and for 30% in Hungary and Poland. Most of this was denominated in euro.

Substantial nonresident holdings of government debt

Large nonresident holdings of government debt are a common feature across the region, but the structure of other holders varies widely. Hungary stands out for its substantial household participation, while central bank holdings are large in Slovenia and Slovakia. In most CESEE-8 countries, the sovereign-bank nexus is stronger than elsewhere in the EU-27.

Short-term and variable-rate debt remain a concern

Most governments in the CESEE-8 lengthened the average remaining maturity of their debt over the past decade. However, variable-rate debt and shorter maturities remain an issue, in particular in Poland and Hungary.

1 Introduction

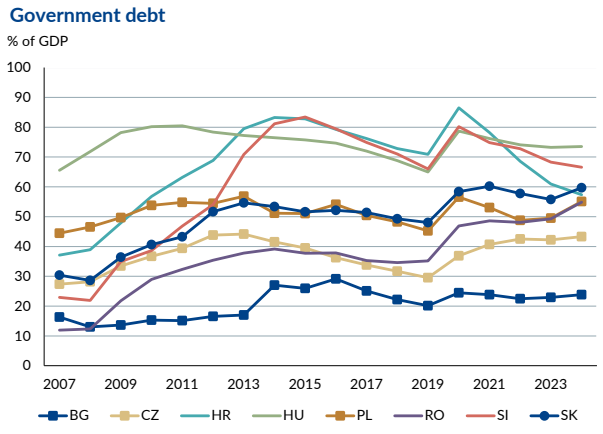
This report takes stock of government debt ratios in eight Central, Eastern and Southeastern European EU member states (CESEE-8)[1] in 2024, with comparisons to 2023. It analyzes the major drivers of debt dynamics, such as primary balances, interest payments, the impact of inflation, real GDP growth and stock-flow adjustments (i.e. differences between the change in debt and the fiscal balance). In addition, the report gives an overview of the risk profile of government debt at end-2024, including major changes over the past few years.

The publication of this report was delayed by the late release by Eurostat (in mid-December 2025) of data on the structure of government debt. As a result, the report is based on the second, updated release of deficit and debt data for 2024 contained in the October 2025 fiscal notifications by EU member states (as published in the AMECO and Eurostat databases).

2 Government debt ratios rose in 2024 amid lower inflation and higher primary deficits in some countries

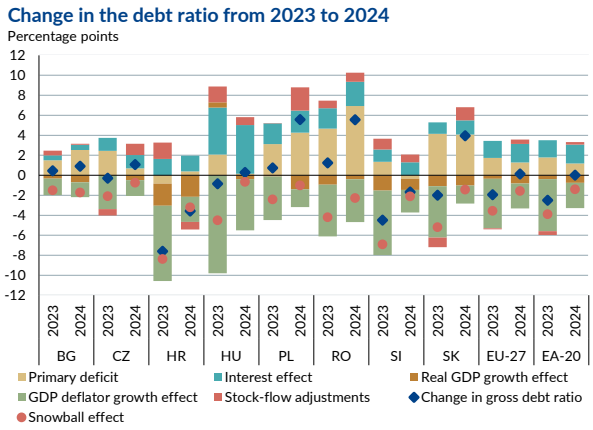
In 2024, the general government debt ratio (as a percentage of GDP) declined in only two out of the CESEE-8 countries discussed in this report (chart 1). This is a clearly worse outcome than in 2023, when the debt ratio decreased in five of these countries. Even in Croatia and Slovenia, the two countries where the ratio continued to decline in 2024, it did so at a slower pace than in the year before. In the countries where the ratio had risen in 2023 (Bulgaria, Poland and Romania), the pace accelerated in 2024. Romania and Poland saw the largest increases (by around 5.5 percentage points), followed by Slovakia (+3.9 percentage points), Bulgaria and Czechia (around +1 percentage point), while the rise was contained in Hungary (+0.3 percentage points).

Chart 1



Source: Author's calculations, European Commission.

Chart 2



Source: Author's calculations, European Commission, Eurostat.

As a result, at end-2024, debt ratios in most countries remained well above their 2019 (pre-COVID-19) levels, with the notable exceptions of Croatia, where the ratio fell substantially, and Slovenia, where it was only slightly above its 2019 level. Moreover, in Romania, the ratio reached its highest level since

[1] Bulgaria, Czechia, Croatia, Hungary, Poland, Romania, Slovakia and Slovenia.

2007, the year before the global financial crisis, and stood at near-record levels in Slovakia, Czechia and Poland.

Similar to 2023, primary balances contributed to the increase in the debt ratio in the majority of the CESEE-8 (chart 2). In four countries, Bulgaria, Poland, Romania and Slovakia, it represented the largest single driver of the rise. The largest primary deficits were recorded in Romania, Poland and Slovakia. In these countries, primary deficits were sizable also in structural terms[2]. This holds true to a smaller extent also for Bulgaria and Croatia. Compared to 2023, primary balances deteriorated in half of the CESEE-8 (Bulgaria, Croatia, Poland and Romania – in the latter three, the structural primary balances deteriorated as well).

Interest payments had a major adverse impact on the debt ratio in Hungary (+4.9 percentage points, up 0.2 percentage points from 2023), driven by a combination of the country's high debt level and the high implicit interest rate paid on the debt. Interest payments made a relatively strong contribution to the rise in the debt ratio also in Poland and Romania, but only around half as much as in Hungary given their significantly lower levels of both debt and interest rates.

Nominal GDP growth was a major factor in lowering debt ratios across the CESEE-8, although its impact was smaller than in 2023 (except in Bulgaria). This was again primarily driven by inflation, as measured by the GDP deflator, but the contribution of inflation was smaller than in 2023. Moreover, real GDP growth had a favorable impact on debt ratios in all CESEE-8 countries. In most cases, however, it was much smaller than the deflator effect. Four of the CESEE-8 (Bulgaria, Czechia, Hungary and Poland) saw the real GDP effect increase compared to 2023.

Overall, in 2024, the snowball effect (i.e. the net impact of interest rates, inflation and real GDP growth on the debt ratio) continued to reduce debt ratios in all CESEE-8 countries (particularly in Croatia), but less than in 2023.

Stock-flow adjustments (charts A1–A3 in the annex) remained generally small in the CESEE-8. Poland saw an increase in the debt ratio driven by net acquisitions of financial assets – mainly currency, deposits and loans granted. Exchange rate effects were notable only in Hungary due to the relatively large share of foreign currencies in total government debt (see below) and the depreciation of the forint against the euro by around 7% between end-2023 and end-2024, and contributed to the increase in the debt ratio.

3 High foreign-currency share in non-euro area CESEE-8 government debt

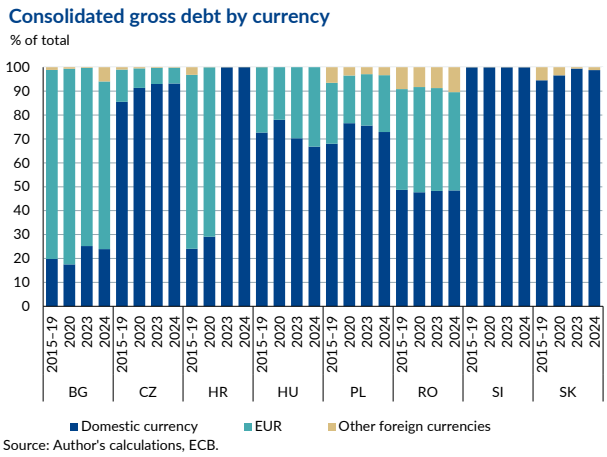
In assessing fiscal risks, the structure of government debt matters in addition to its size. As of end-2024, the government debt of the CESEE-8 countries which have adopted the euro (Croatia, Slovenia and Slovakia) was almost exclusively denominated in their national currency[3] (chart 3). Likewise, Czechia also had a high share of its government debt denominated in its national currency. In the other CESEE-8 countries which have not yet adopted the euro, foreign currency debt played a more important role. This was particularly the case in Bulgaria and Romania, where foreign currency debt accounted for 76% and 52%, respectively, of total government debt. Hungary and Poland had shares of

[2] That is, cyclically adjusted, excluding temporary and one-off measures.

[3] The statistics on the currency structure of government debt take into account hedging activities, showing debt on an ultimate currency basis.

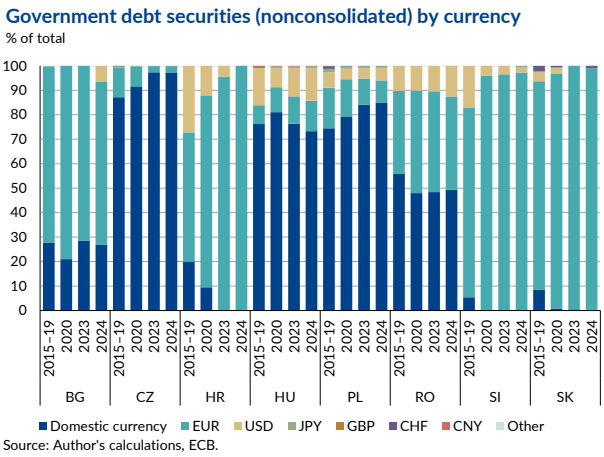
around 30%. While the elevated share of foreign currency debt combined with floating exchange rates in these countries (except in Bulgaria) represents a source of vulnerability, this was mitigated by the fact that foreign currency debt in Bulgaria, Czechia and Hungary was almost exclusively denominated in euro. In Bulgaria, foreign currency risk was small due to the currency board system and was eliminated when the country adopted the euro at the beginning of 2026. In Poland and Romania, other foreign currencies also played a limited role[4].

Chart 3



Source: Author's calculations, ECB.

Chart 4



Source: Author's calculations, ECB.

There have been no major shifts in the currency structure of government debt over the past few years in most of the countries under review. Not surprisingly, the share of domestic currency debt rose sharply in Croatia when the country adopted the euro at the beginning of 2023, and a similar shift is expected for Bulgaria in the data for end-2026. The share of domestic currency debt rose modestly in Czechia as well. By contrast, the share of foreign currency debt increased modestly in Poland in recent years but remained lower at end-2024 than during 2015–2019 on average. In Hungary, however, the share of foreign currency debt at end-2024 was higher than during 2015–2019 on average and it rose substantially, from 23% as of end-2021 to 33% as of end-2024. This rise largely reflected substantially increased issuance of debt in foreign currencies. During 2022–2024, slightly more than half of the net incurrence of government debt was denominated in foreign currencies. By contrast, during 2015–2019, foreign currency debt was being repaid on a net transaction basis and during 2020–2021, net issuance in foreign currencies was much smaller than in local currency. Another factor contributing to the increase was the depreciation of the forint.

It should be noted, however, that the numbers above take into account hedging activities, and governments may in fact incur more debt in non-euro foreign currencies than indicated above. For example, statistics about the (unhedged) currency structure of debt securities issued by the general government (chart 4) show that the US dollar accounted for 13% of total outstanding government debt securities in Hungary at end-2024[5] (although according to the statistics on the hedged currency structure of government debt, foreign currency debt was exclusively denominated in euro).

[4] In Romania, this was mostly debt denominated in US dollars; no breakdown is available for Poland, but data on debt securities issued by the general government suggest a similar situation.

[5] At end-2024, debt securities accounted for 80–90% of total government debt in most of the countries under review. This share was somewhat lower (72–73%) in Croatia and Poland.

4 Nonresidents hold substantial government debt across the CESEE-8

Nonresidents are important investors in government debt across the CESEE-8 countries[6]. In Bulgaria, Slovenia and Slovakia, they held more than half of the total outstanding debt of the general government as of end-2024. In Romania, their share was slightly below 50%. Nonresidents accounted for about a third of total outstanding government debt in Croatia, Hungary and Poland, and for a quarter in Czechia (chart 5). According to data available for five countries (chart 6), the share of nonresidents was particularly high (at least 50%) in governments' loan liabilities at end-2024, but their share was also substantial in outstanding government debt securities (20–55%). However, given that debt securities are by far the largest component of total government debt, nonresidents hold substantially more debt securities than loans.

Trends in nonresidents' share of government debt varied across the region in recent years. Comparing the 2015–2019 average and end-2024, we see that their share declined sharply in Czechia (albeit gradually) and Poland (primarily until end-2020) and to a smaller extent in Croatia, Hungary and Slovenia. By contrast, nonresidents' share increased notably in Bulgaria, while their share was relatively stable in Romania and Slovakia.

In euro area countries, significant nonresident ownership can be interpreted as a result of financial market integration within the euro area. In the other countries of the sample, the size of nonresident ownership of total government debt is more likely the result of various factors, such as the composition of government debt by currency and the place of issuance (i.e. issuance on international vs. domestic markets), the interest rate premium vs. foreign markets in combination with perceived exchange rate risks, market liquidity (especially on the domestic government securities market), the role of lending by international financial organizations, etc.

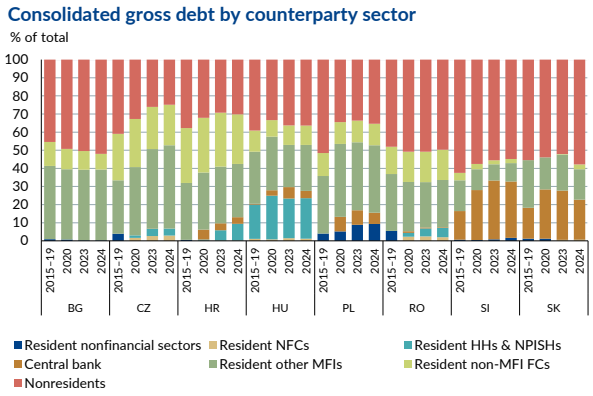
There is more cross-country heterogeneity in the shares of other investor sectors. One striking observation is the share of Hungarian government debt held by households. This has been attributable to the government's deliberate strategy of seeking households as investors to reduce dependence on nonresidents. For that purpose, special bonds have been sold to households on very favorable terms (e.g. attractive coupon compared to other government bonds, tax exemption, nearly cost-free redemption at face value before maturity). Elsewhere in the region, nonfinancial sectors (i.e. households and nonprofit institutions serving households (NPISHs) and nonfinancial corporations) hold only small shares of government debt.

A second major feature is that central banks hold a comparatively high share of outstanding Slovenian and Slovak government debt. This has been the result of the Eurosystem's public sector purchase programme (PSPP)[7], which was launched in March 2015. Consequently, central bank holdings in Slovenia and Slovakia rose in a first step during 2015–2017 and in a second step during 2020–2022. Croatia, Hungary and Poland have much smaller but notable central bank holdings of government debt. These countries also implemented quantitative easing programs in response to the COVID-19 crisis.

[6] The available statistics on the counterparty structure of government debt do not differentiate between debt issued domestically and abroad ("eurobonds"). Therefore, the above data do not shed light on the importance of foreign investors for domestic government bond markets and are influenced by the debt management strategy with regard to issuance on domestic and foreign markets.

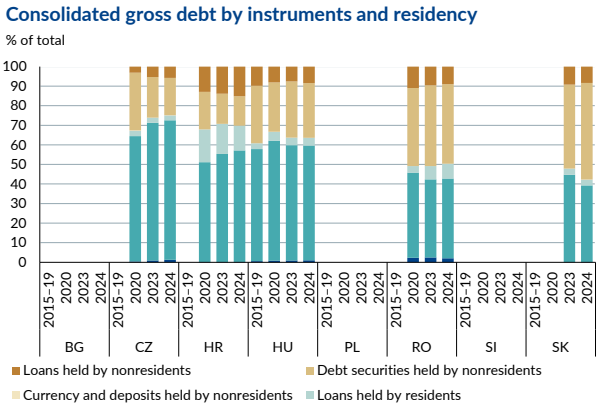
[7] Purchases under the PSPP continued – with breaks – until mid-2022, followed by reinvestments until mid-2023. As of July 2023. all PSPP reinvestments were discontinued. For more details see: https://www.ecb.europa.eu/mopo/implement/app/html/index.en.html.

Chart 5



Note: NFCs and households are combined as "Resident nonfinancial sectors" for all countries for 2015–2019 and for Bulgaria, Poland and Slovenia for all periods.
Source: Author's calculations, ECB, Eurostat.

Chart 6



Source: Author's calculations, Eurostat.

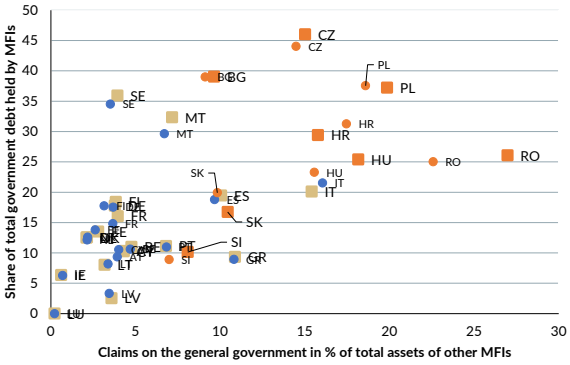
Resident banks (i.e. "other MFIs") are also important holders of government debt across the region. They held about 40–45% of government debt in Bulgaria, Czechia and Poland and about 25–30% in Croatia, Hungary and Romania. Their holdings were smaller in Slovenia and Slovakia (roughly 10–15%). Large interlinkages between banks and the government ("sovereign-bank nexus") may give rise to macroprudential stability concerns owing to potential adverse feedback loops between the two sectors. Compared to other EU member states, the sovereign-bank nexus seems to be relatively strong in most CESEE-8 countries (Slovenia and Slovakia being exemptions). Czechia, Poland and Romania stand out in particular (chart 7). In Czechia, where banks held almost half of government debt, claims on the government represented 15% of total bank assets. While Polish banks accounted for nearly 40% of Polish government debt at end-2024, claims on the Polish government made up 20% of Polish banks' total assets. Relatively strong linkages were also present in Romania, where claims on the sovereign accounted for 27% of banks' total assets, with these banks holding about the same share in total outstanding government debt. Compared to 2023, the sovereign-bank nexus strengthened modestly in six of the CESEE-8 (except in Croatia and Slovakia). This was mainly attributable to the rise in the share of claims on the general government in total bank assets, which was particularly pronounced in Romania and Hungary. Czechia and Hungary saw the largest increases in the share of outstanding government debt held by banks (by around 2 percentage points between 2023 and 2024), with smaller rises in Romania and Slovenia. By contrast, compared to the average of 2015–2019 (chart 8), the sovereign-bank nexus seems to have weakened by 2024 in most of the CESEE-8: The share of government debt held by banks decreased in the majority of them (except in Czechia and Poland), while the share of claims on the general government in total bank assets decreased in Bulgaria, Croatia, Hungary, Slovenia and Slovakia.

Finally, resident nonmonetary financial corporations (e.g. investment funds, pension funds, insurance corporations, financial auxiliaries, etc.; ESA 2010 sector codes S.124–S.129) held a comparatively large share of government debt in Croatia and Czechia (27% and 22%, respectively) at end-2024. The high share in Croatia is likely supported by the relatively large size of occupational pensions and personal pensions linked to employment (second- and third-pillar) as a percentage of GDP. The share of resident nonmonetary financial corporations was also relatively large in Romania (17%), followed by Poland, Hungary and Bulgaria (about 10%). By contrast, the share of this sector was negligible in Slovenia and

Slovakia, the two euro area countries in the sample with the biggest share of outstanding government debt[8] held by nonresident investors and central banks.

Chart 7

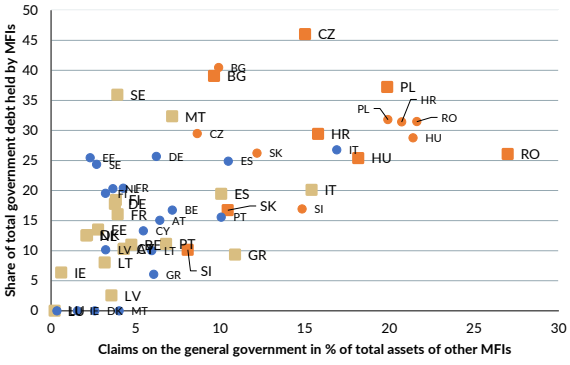
Sovereign-bank nexus across the EU-27, 2023 and 2024



Note: CESEE-8 is marked by orange squares and dots.
Source: Author's calculations, ECB, Eurostat.

Chart 8

Sovereign-bank nexus across the EU-27, 2015–2019 and 2024



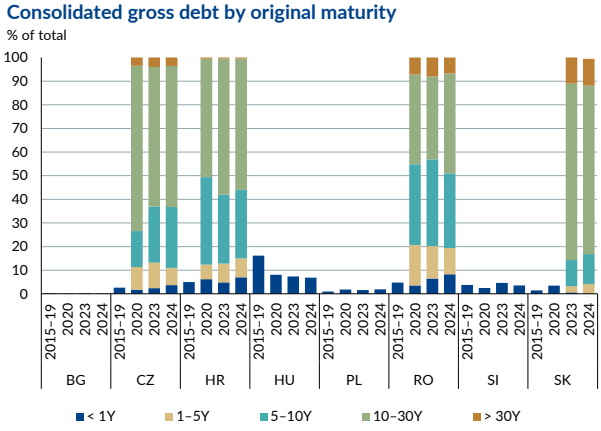
Note: CESEE-8 is marked by orange squares and dots.
Source: Author's calculations, ECB, Eurostat.

5 Government debt skewed toward longer maturities in most CESEE-8

Detailed data on the maturity structure of government debt is relatively scarce. Data by original maturity (chart 9) suggest that governments in the CESEE-8 cover their financing needs almost exclusively with long-term debt (i.e. with maturities of over one year). Available data for the four CESEE-8 countries with more detailed information show that debt with original maturities between ten and 30 years are the preferred choice (especially in Slovakia), followed by debt with maturities between five and ten years. Debt with original maturities of over 30 years is relatively uncommon, as are maturities of between one and five years. The composition of debt by original maturity remained broadly stable over the past few years, with only a minor shift toward shorter segments (up to five years) in Croatia and a decline in debt with short-term original maturities (less than one year) in Hungary. In Romania, there was a shift from original maturities between one and five years toward the segment of less than one year.

Chart 9

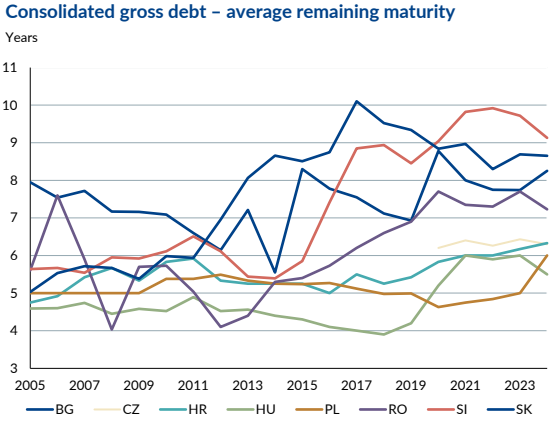
Consolidated gross debt by original maturity



Source: Author's calculations, Eurostat, ECB.

Chart 10

Consolidated gross debt – average remaining maturity

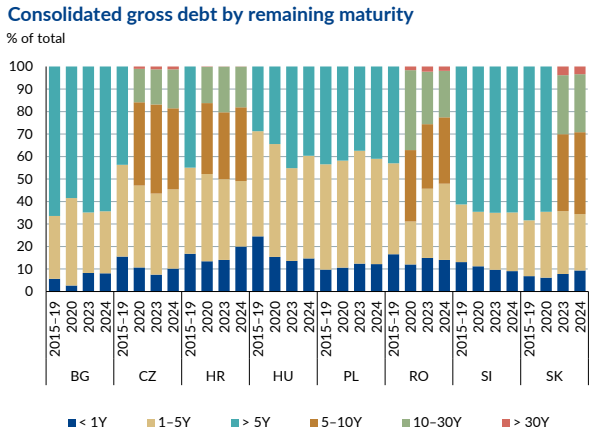


Source: Author's calculations, ECB.

[8] It should be noted that the relatively small share of Slovenian and Slovak government debt held by non-MFI financial corporations seems to be unrelated to the relative size of the total assets of these sectors as a percentage of GDP, since the two countries are in the mid-range of the CESEE-8 on that basis.

Most governments in the CESEE-8 lengthened the average remaining maturity of government debt over the past decade (chart 10), thereby reducing roll-over risks. Given the high share of fixed-rate government debt (see below), this contributed to a reduction in interest rate risk. As a result, the average maturity ranged between around six and 9 years at end-2024, compared to a range of 4.5 to 7 years in 2010.

Chart 11



Source: Author's calculations, Eurostat, ECB.

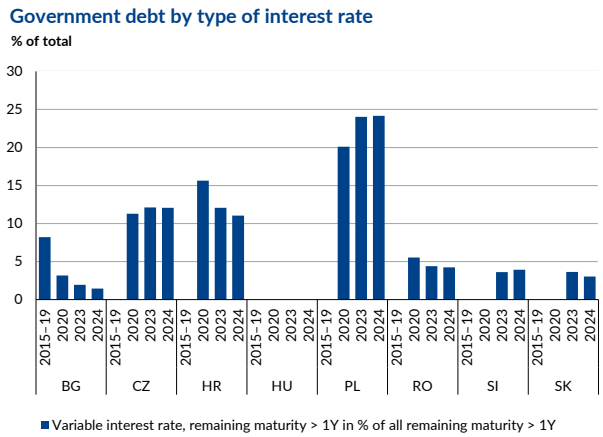
More detailed data on government debt by remaining maturity (chart 11) show that at end-2024, short-term debt with remaining maturities of up to one year accounted for about 10% of government debt across the CESEE-8. There was a modest increase in this share in Bulgaria, Croatia, Poland and Slovakia, while the share decreased in Hungary and Slovenia. Debt with remaining maturities of at least five years accounted for half or more of total government debt in most of the CESEE-8 (except Hungary and Poland). This share increased somewhat in recent years in Czechia, Croatia and Slovenia. In Hungary and Poland, remaining maturities of at least five years accounted for about 40% of government debt, with most debt (around 45% of the total) maturing between one and five years. Very long-term remaining maturities (30 years or more) continue to be extremely rare in the region.

6 Implicit interest rate on government debt rose sharply since 2021

Based on data for seven CESEE-8 countries, variable-rate debt accounted for a very modest share of government debt with remaining maturities of more than one year[9] in Bulgaria, Romania, Slovenia and Slovakia, representing less than 5% of total outstanding debt in this maturity segment (chart 12). This share was bigger in Czechia, Croatia (around 10%) and particularly in Poland (nearly 25%). The numbers are very similar for debt with *original* maturities of more than one year.

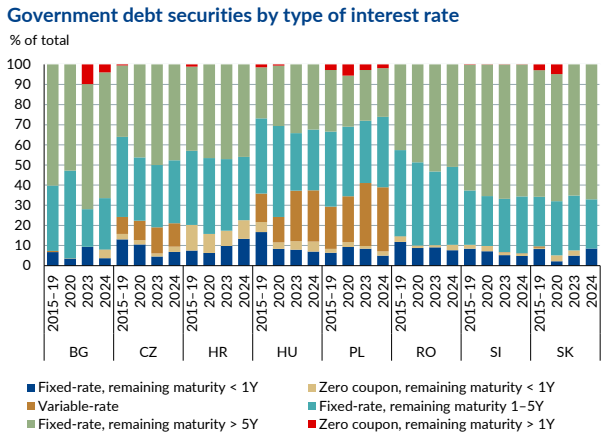
[9] Data on government debt by the type of interest rate fixation are available only for debt with maturities of more than one year.

Chart 12



Source: Author's calculations, Eurostat.

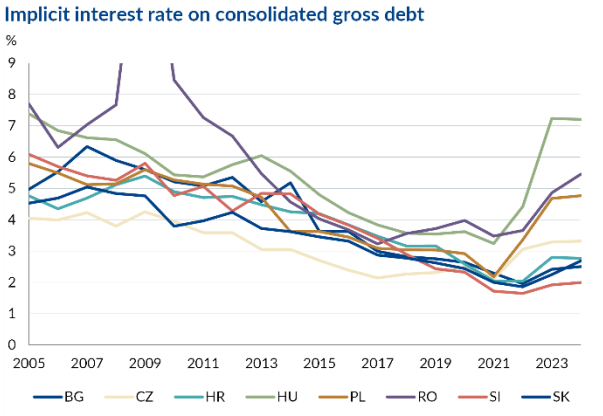
Chart 13



Source: Author's calculations, ECB.

More granular data are available for the biggest part of government debt, i.e. government debt securities (chart 13): Fixed-rate government bonds with remaining maturities of more than one year accounted for the bulk of government securities at end-2024 in all CESEE-8 countries (80–90%, except in Hungary and Poland at around 60%). Longer-dated bonds (with maturities of more than five years) with fixed interest rates had a relatively large share (around 60–65%) in Bulgaria, Slovenia and Slovakia, while their share was lowest in Poland (24%) and Hungary (32%). Comparing the 2015–2019 average with end-2024 data shows that in most CESEE-8 countries, the share of securities with remaining maturities between one and five years declined, mainly reflecting a shift to maturities of more than five years. Variable-rate government bonds accounted for about 25–30% of outstanding debt securities in Poland and Hungary, a relatively high level. In Czechia, the share was lower at around 12%. Zero coupon instruments play a subordinate role, with only Bulgaria and Croatia using them to any notable extent (8–9%).

Chart 14



Note: Value for Romania for 2009 cut off (15.9%).
Source: Author's calculations, European Commission.

The implicit interest rate on government debt[10] decreased gradually and continuously across the CESEE-8 prior to the COVID-19 crisis (chart 14). The trend reversed in 2021–2022 as monetary tightening to contain inflationary pressures induced by the post-COVID-19 led to increases in the

[10] The implicit interest rate discussed here refers to total government debt, irrespective of the currency of issuance. A more exhaustive description of implicit interest rate developments is hindered by the lack of more granular data.

general interest rate level. The following rise (until including 2024) in the implicit interest rate was largest in Hungary and Poland, followed by Romania and Czechia. A likely contributing factor to this development was the relatively large share of instruments with variable interest rates and/or short-term remaining maturities when interest rates started to rise in Poland, Hungary and Czechia. Hungary saw a particularly sharp rise in policy rates and the general interest rate level. Another potential factor in Hungary and Romania was concern about fiscal risks and sustainability, as reflected in sharp increases in interest premia.

7 Conclusions

This report reviewed developments in general government debt across eight Central, Eastern and Southeastern European EU member states (CESEE-8) during 2024, providing also some insight into selected sources of vulnerability associated with the structure of government debt.

In 2024, the general government debt ratio (as a percentage of GDP) declined in only two CESEE-8 countries discussed in this report. For comparison, the debt ratio decreased in five countries in 2023. Similar to 2023, primary balances contributed to the increase of the debt ratio in the majority of the CESEE-8, with half of the countries seeing deteriorations in their primary balances compared to 2023. Interest payments had the largest adverse impact on the debt ratio in Hungary, followed by Poland and Romania. Nominal GDP growth was a major factor in lowering the debt ratios in all CESEE-8, but in most countries, the impact was smaller than in 2023. Although this was again primarily driven by inflation, real GDP growth had a favorable impact on the debt ratios in all countries, in four of them even more so than in 2023. Stock-flow adjustments typically remained small across the CESEE-8 but caused a comparatively large debt increase in Poland. Exchange rate effects were notable only in Hungary, driving an increase in debt.

As of end-2024, government debt in the CESEE-8 countries which have adopted the euro was almost exclusively denominated in the single currency. Czechia also had a high share of its government debt denominated in its national currency. In the other CESEE-8 countries which have not yet adopted the euro, foreign currency debt played a more important role, especially in Bulgaria and Romania. Although foreign currency debt in combination with variable exchange rates can be a source of vulnerability, this risk seems to be mitigated by the fact that the euro accounts for the bulk of foreign currency debt in these countries. In Bulgaria, the foreign currency risk was small due to the currency board system and ultimately eliminated upon the adoption of the euro at the beginning of 2026.

Nonresidents are important investors in government debt across the CESEE-8. Available data suggest that nonresident holdings accounted for a particularly large share of government debt in the form of loans. Concerning other counterpart sectors, households are important investors in Hungarian government debt, which is the result of a deliberate strategy by the country's debt management agency. A second major feature is the high share of outstanding Slovenian and Slovak government debt held by central banks, attributable to the Eurosystem's public sector purchase programme that was started in 2015. Resident banks are also important holders of government debt across the region, giving rise to some concern about the sovereign-bank nexus. Compared to other EU member states, the sovereign-bank nexus seems to be particularly strong in Czechia, Poland and Romania.

In a positive development, most governments in the CESEE-8 lengthened the average remaining maturity of government debt over the past decade, thus reducing their roll-over and interest rate risks. At end-2024, short-term debt with remaining maturities of up to one year accounted for only about

10% of government debt across the CESEE-8. Debt with remaining maturities of at least five years represent half or more of total government debt in most of these countries, but very long-term maturities (i.e. 30 years or more) are very rare in the region.

Debt instruments (with remaining maturities of more than one year) carrying a variable interest rate make up a very modest part of government debt in Bulgaria, Romania, Slovenia and Slovakia. However, their share is larger in Czechia and Croatia and particularly in Poland. According to data available on government securities (the largest component of government debt), fixed-rate bonds with remaining maturities of more than one year accounted for the bulk of government securities at end-2024 in all CESEE-8 countries. Favorably, comparing the 2015–2019 average and end-2024 shows that the share of securities with remaining maturities between one and five years decreased, mainly reflecting a shift to maturities of more than five years in most of the CESEE-8. Variable-rate bonds are common only in Hungary and Poland.

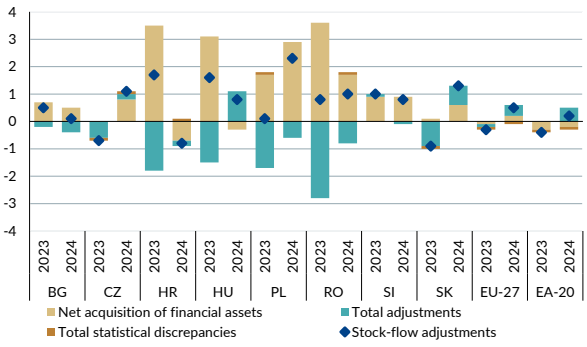
Although the high share of fixed-rate instruments and the lengthening of maturities can cushion the impact of a rise in the general interest rate level, the implicit interest rate on government debt increased over the past few years in all CESEE-8 countries, with the biggest increases observed in Hungary and Poland, followed by Romania and Czechia. A likely contributing factor to this development in Poland, Hungary and Czechia was the relatively large share of instruments with variable interest rates and/or short-term residual maturities when interest rates started to increase, and a sharp rise in interest premia likely played a role in Hungary and Romania.

8 Annex

Chart A1

Decomposition of the contribution of stock-flow adjustments to the change in the debt ratio: 2023 and 2024

Percentage points

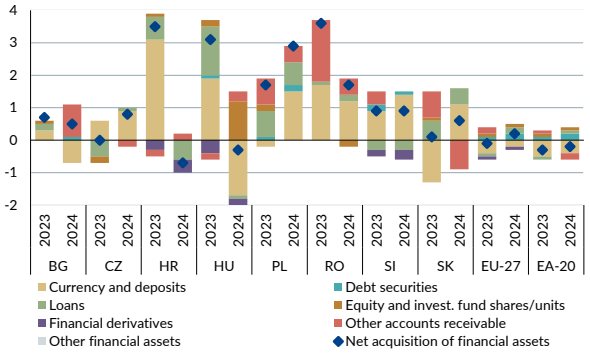


Source: Author's calculations, European Commission, Eurostat.

Chart A2

Decomposition of the contribution of the net acquisition of financial assets to the change in the debt ratio: 2023 and 2024

Percentage points

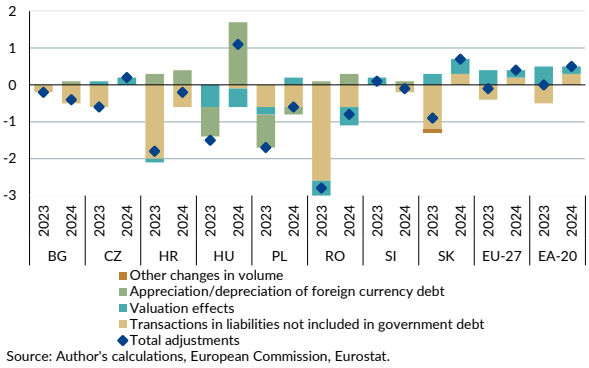


Source: Author's calculations, European Commission, Eurostat.

Chart A3

Decomposition of the contribution of total adjustments to the change in the debt ratio: 2023 and 2024

Percentage points



Source: Author's calculations, European Commission, Eurostat.

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