FINANCING OF THE CENTRAL GOVERNMENT IN AUGUST 2020

1. Government debt data

The debt of the central government increased by HUF 2,712.9 billion in January-August period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,970.6 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 424.1 billion, which 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 340.4 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 22.3 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2020.

Central government gross debt and debt transactions in 2020

	31.12.2019		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.08.2020		change
	Debt stock (preliminary data)	Breakdown	I-VIII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***24,357.094***	***82.1%***	**7,923.696**	**5,953.082**	***0.000***	**1970.614**	**26,327.708**	***81.3%***	***-0.8%***
1.1. Loans	**1,208.122**	***4.1%***	**0.000**	**46.507**	**0.000**	**-46.507**	**1,161.614**	***3.6%***	***-0.5%***
1.1.1. Foreign	1,208.122	*4.1%*	0.000	46.507	0.000	-46.507	1,161.614	***3.6%***	***-0.5%***
1.1.2. Domestic	0.000	*0.0%*	0.000	0.000	0.000	0.000	0.000	***0.0%***	***0.0%***
1.2. Government securities	**23,148.972**	***78.0%***	**7,923.696**	**5,906.575**	**0.000**	**2017.121**	**25,166.093**	*77.7%*	***-0.3%***
1.2.1. Public issues	23,109.794	*77.9%*	7,923.696	5,906.575	0.000	2017.121	25,126.916	*77.6%*	***-0.3%***
1.2.1.1. Bonds	*13,378.485*	*45.1%*	*3,398.117*	*1,051.732*	*0.000*	*2346.385*	*15,724.870*	***48.5%***	***3.5%***
1.2.1.2. Discount T-bills	*657.288*	*2.2%*	*1,365.773*	*1,270.673*	*0.000*	*95.100*	*752.389*	***2.3%***	***0.1%***
1.2.1.3. Retail securities	*9,074.021*	*30.6%*	*3,159.806*	*3,584.170*	*0.000*	- *424.364*	*8,649.657*	***26.7%***	***-3.9%***
1.2.2. Private placements (bonds)	39.178	*0.1%*	0.000	0.000	0.000	0.000	39.178	***0.1%***	***0.0%***
2. Foreign currency denominated debt	**5,121.190**	***17.3%***	**1,325.584**	**901.446**	**340.438**	**764.575**	**5,885.765**	***18.2%***	***0.9%***
2.1. Loans	**825.439**	***2.8%***	**75.881**	**1.297**	**59.545**	**134.129**	**959.567**	***3.0%***	***0.2%***
2.1.1. Foreign	825.439	*2.8%*	75.881	1.297	*59.545*	*134.129*	959.567	***3.0%***	***0.2%***
2.1.2. Domestic	*0.000*	*0.0%*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	***0.0%***	***0.0%***
2.2. Government securities	**4,295.752**	***14.5%***	**1,249.703**	**900.149**	**280.893**	**630.447**	**4,926.198**	***15.2%***	***0.7%***
2.2.1. Issued abroad	3,713.468	*12.5%*	1,225.955	896.122	238.747	568.580	4,282.047	***13.2%***	***0.7%***
2.2.2. Issued in Hungary	582.284	*2.0%*	23.748	4.028	42.146	61.867	644.151	***2.0%***	***0.0%***
Total	**29,478.284**	***99.3%***	**9,249.280**	**6,854.529**	**340.438**	**2,735.189**	**32,213.473**	***99.4%***	***0.1%***
Other debt	203.686	*0.7%*	404.929	440.936	13.705	-22.301	181.385	***0.6%***	***-0.1%***
Total central government debt	**29,681.970**	***100.0%***	**9,654.209**	**7,295.465**	**354.143**	**2,712.888**	**32,394.858**	***100.0%***	***0.0%***

The foreign currency debt of the central government increased by HUF 764.6 billion in 2020 and amounted to HUF 5,885.8 billion at the end of august 2020. The share of foreign currency denominated debt within the total debt increased from 17.3% to 18.2% in 2020. The increase was due to the issuance of Hungary's first international Green Bond in June, amounting to HUF 518.4 billion (EUR 1.5 billion), and issuance of HUF 707.6 billion (EUR 1-1 billion) in foreign currency bonds in April.

The forint denominated debt increased by HUF 1,970.6 billion to HUF 26,327.7 billion. The share of HUF-denominated debt reached 81.3% of the total debt, while in December 2019 this proportion was 82.1%.

The stock of retail securities decreased by HUF 424.4 billion from the end of 2019 to HUF 8,649.7 billion at the end of August. The decrease was mainly due to the precarious situation caused by the coronavirus epidemic and due to the maturing retail securities held by non-retail investors. As a result of restrictions on movement, the demand for retail government securities decreased temporary, however the sale of Hungarian Government Securities Plus accounted for the majority.

The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 1,492.7 billion this year and amounted to HUF 4,688.9 billion at the end of August. Due to the significant amount of securities' maturity owned by non-retail investors and to repurchases of the Premium Hungarian Government Securities from dealers, the outstanding amount decreased by HUF 380.8 billion by the end of August and reached HUF 2,137.5 billion. The stock of the 1-year Government Securities decreased by HUF 969.4 billion to HUF 1,188.7 billion at the end of August.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 340.3 billion in August. 99.3% of non-resident holdings was T-bonds, which amounted to HUF 4,053.2 billion. The non-resident holdings of Discount T-Bills amounted to HUF 27.2 billion, that represented only 0.7% of total non-resident holdings. The duration of the non-resident stock was 5.6 years at the end of August 2020.

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 deposits decreased by HUF 22.3 billion and reached HUF 181.4 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 1.7 to 1.4. The bid-to-cover ratio of T-bond auctions decreased from 2.4 to 2.3.

The average yield of the last 3-month Discount Treasury Bill auction in August was 0.32%, 4 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in August was 0.39%, 6 basis points higher compared to July.

The average yield of the last 3-year government bond auction in August was 1.10%, 16 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 1.63%, 40 basis points higher compared to July. The average yield of the last auction of 10-year government bond was 2.24%, higher by 16 basis points compared to the last July's average yield. The average yield of the last 15-year government bond auction was 2.88%, 22 basis points higher compared to the last June's yield.