FINANCING OF THE CENTRAL GOVERNMENT IN DECEMBER 2020

1. Government debt data

The debt of the central government increased by HUF 7,002.4 billion in January-December period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 4,880.2 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,650.0 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 547.0 billion.
- **The fourth factor – 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 74.8 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	31.12.2020		change
	Debt stock (preliminary data)	Breakdown	I-XII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***24,357.094***	***82.1%***	**13,319.698**	**8,439.526**	***0.000***	**4880.172**	**29,237.266**	*79.7%*	***-2.4%***
1.1. Loans	**1,208.122**	***4.1%***	**0.000**	**46.507**	**0.000**	**-46.507**	**1,161.614**	*3.2%*	***-0.9%***
1.1.1. Foreign	1,208.122	*4.1%*	0.000	46.507	0.000	-46.507	1,161.614	***3.2%***	***-0.9%***
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%***	**13,319.698**	**8,393.018**	**0.000**	**4926.680**	**28,075.652**	*76.5%*	***-1.5%***
1.2.1. Public issues	23,109.794	*77.9%*	13,319.698	8,393.018	0.000	4926.680	28,036.474	***76.4%***	***-1.4%***
1.2.1.1. Bonds	*13,378.485*	*45.1%*	*6,933.627*	*2,105.499*	*0.000*	*4828.129*	*18,206.614*	***49.6%***	***4.6%***
1.2.1.2. Discount T-bills	*657.288*	*2.2%*	*1,797.629*	*1,796.750*	*0.000*	*0.879*	*658.167*	***1.8%***	***-0.4%***
1.2.1.3. Retail securities	*9,074.021*	*30.6%*	*4,588.442*	*4,490.770*	*0.000*	*97.672*	*9,171.693*	***25.0%***	***-5.6%***
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%***	**2,807.992**	**1,157.968**	**547.016**	**2197.040**	**7,318.230**	***19.9%***	***2.7%***
2.1. Loans	**825.439**	***2.8%***	**456.376**	**85.529**	**94.798**	**465.645**	**1,291.084**	***3.5%***	***0.7%***
2.1.1. Foreign	825.439	*2.8%*	456.376	85.529	*94.798*	*465.645*	1291.084	***3.5%***	***0.7%***
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%***	**2,351.616**	**1,072.439**	**452.219**	**1731.395**	**6,027.146**	***16.4%***	***2.0%***
2.2.1. Issued abroad	3,713.468	*12.5%*	2,301.449	925.999	392.345	1767.794	5,481.262	***14.9%***	***2.4%***
2.2.2. Issued in Hungary	582.284	*2.0%*	50.167	146.440	59.874	-36.399	545.885	***1.5%***	***-0.5%***
Total	**29,478.284**	***99.3%***	**16,127.690**	**9,597.494**	**547.016**	**7,077.213**	**36,555.496**	***99.6%***	***0.3%***
Other debt	203.686	*0.7%*	531.203	624.359	18.310	-74.846	128.840	***0.4%***	***-0.3%***
Total central government debt	**29,681.970**	***100.0%***	**16,658.893**	**10,221.853**	**565.326**	**7,002.366**	**36,684.336**	***100.0%***	***0.0%***

The foreign currency debt of the central government increased by HUF 2,197.0 billion in 2020 and amounted to HUF 7,318.2 billion at the end of December 2020. The share of foreign currency denominated debt within the total debt increased from 17.3% to 19.9 % in 2020. The increase was due to the bond issuances carried out during the year: the issuance of Hungary's first international Green Bond in the amount of HUF 518.4 billion (EUR 1.5

billion) at the beginning of June, the issuance of HUF 707.6 billion (EUR 1-1 billion) in foreign currency bonds in April, and in September Japanese yen-denominated Samurai bonds were issued in the total amount of HUF 180.3 billion (JPY 62.7 billion). In November, HUF 895.2 billion (EUR 2.5 billion) bonds were issued for the purpose of pre-financing for 2021.

The forint denominated debt increased by HUF 4,880.2 billion to HUF 29,237.3 billion. The share of HUF-denominated debt reached 79.7% of the total debt, while in December 2019 this proportion was 82.1%.

The stock of retail securities increased by HUF 97.7 billion from the end of 2019 to HUF 9,171.7 billion at the end of December. Despite the significant increase in the stock held by households, the moderate growth figure is due to the maturity of retail government securities held by non-retail investors.

The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 2,025.1 billion this year and amounted to HUF 5,221.2 billion at the end of December. 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 208.4 billion by the end of December and reached HUF 2,310.0 billion. The stock of the 1-year Government Securities decreased by HUF 1,069.7 billion to HUF 1,088.4 billion at the end of December.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 78.5 billion in December. 99.7% of non-resident holdings was T-bonds, which amounted to HUF 4,357.6 billion. The non-resident holdings of Discount T-Bills amounted to HUF 13.9 billion, that represented only 0.3% of total non-resident holdings. The duration of the non-resident stock was 5.8 years at the end of December 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 year marked-to-market deposits decreased by HUF 74.8 billion and reached HUF 128.8 billion (EUR 0.3 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions hasn't changed from 2.2. The bid-to-cover ratio of T-bond auctions increased from 2.2 to 2.7.

The average yield of the last 3-month Discount Treasury Bill auction in December was 0.28%, 14 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in December was 0.36%, 12 basis points lower compared to November.

The average yield of the last 3-year government bond auction in December was 0.73%, 25 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.38%, 12 basis points lower compared to November. The average yield of the last auction of 10-year government bond was 2.10%, lower by 8 basis points compared to the last November's average yield. The average yield of the last 15-year government bond auction was 2.29%, 3 basis points lower compared to the last November's yield.