FINANCING OF THE CENTRAL GOVERNMENT IN FEBRUARY 2020

1. Government debt data

The debt of the central government increased by HUF 2.0 billion in January-February period due to the following reasons:

- **The first factor** is the net foreign currency redemption of HUF 732.8 billion, which decreased the debt of the central government.
- **The second – which had contrary effect than the above mentioned factor –** is the net forint issuance of HUF 562.6 billion executed in the retail debt market, which finances the annual deficit of the central government budget and the foreign currency debt maturing this year.
- **The third – also increasing – factor** is the depreciation of the forint, that increased the HUF value of the foreign currency debt by HUF 140.9 billion.
- **The fourth 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 31.3 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	29.02.2020		change
	Debt stock (preliminary data)	Breakdown	I-II. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***24,357.094***	***82.1%***	**1,999.845**	**1,437.263**	***0.000***	**562.582**	**24,919.675**	***84.0%***	***1.9%***
1.1. Loans	**1,208.122**	***4.1%***	**0.000**	**0.000**	**0.000**	**0.000**	**1,208.122**	***4.1%***	***0.0%***
1.1.1. Foreign	1,208.122	*4.1%*	0.000	0.000	0.000	0.000	1,208.122	***4.1%***	***0.0%***
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%***	**1,999.845**	**1,437.263**	**0.000**	**562.582**	**23,711.554**	***79.9%***	***1.9%***
1.2.1. Public issues	23,109.794	*77.9%*	1,999.845	1,437.263	0.000	562.582	23,672.376	***79.7%***	***1.9%***
1.2.1.1. Bonds	*13,378.485*	*45.1%*	*748.780*	*361.034*	*0.000*	*387.746*	*13,766.231*	***46.4%***	***1.3%***
1.2.1.2. Discount T-bills	*657.288*	*2.2%*	*349.582*	*294.045*	*0.000*	*55.538*	*712.826*	***2.4%***	***0.2%***
1.2.1.3. Retail securities	*9,074.021*	*30.6%*	*901.482*	*782.184*	*0.000*	*119.30*	*9,193.319*	***31.0%***	***0.4%***
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%***	**12.243**	**745.006**	**140.867**	**-591.897**	**4,529.294**	***15.3%***	***-2.0%***
2.1. Loans	**825.439**	***2.8%***	**2.902**	**0.000**	**23.382**	**26.284**	**851.723**	***2.9%***	***0.1%***
2.1.1. Foreign	825.439	*2.8%*	2.902	0.000	*23.382*	*26.284*	851.723	***2.9%***	***0.1%***
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%***	**9.341**	**745.006**	**117.484**	**-618.180**	**3,677.571**	***12.4%***	***-2.1%***
2.2.1. Issued abroad	3,713.468	*12.5%*	0.000	744.504	100.859	-643.645	3,069.822	***10.3%***	***-2.2%***
2.2.2. Issued in Hungary	582.284	*2.0%*	9.341	0.502	16.625	25.465	607.749	***2.0%***	***0.1%***
Total	**29,478.284**	***99.3%***	**2,012.088**	**2,182.269**	**140.867**	**-29.315**	**29,448.969**	***99.2%***	***-0.1%***
Other debt	203.686	*0.7%*	78.599	53.431	6.111	31.280	234.966	***0.8%***	***0.1%***
Total central government debt	**29,681.970**	***100.0%***	**2,090.687**	**2,235.700**	**146.978**	**1.965**	**29,683.935**	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 591.9 billion in 2020 and amounted to HUF 4,529.3 billion at the end of February 2020. The share of foreign currency denominated debt within the total debt decreased from 17.3% to 15.3% in 2020.

Due to the favourable liquidity situation and in order to reduce the redemption of foreign exchange debt, ÁKK repurchased the nominal value of the USD 1 billion foreign currency bonds from the four high-yield bonds, maturing between 2021-24, for a total value of HUF 306.9 billion. The foreign currency debt was further reduced by repayment of the maturing 15-year foreign currency bond totalling HUF 269.4 billion in February.

The forint denominated debt increased by HUF 562.6 billion to HUF 24,919.7 billion. The share of HUF-denominated debt reached 84.0% of the total debt, while in December 2019 this proportion was 82.1%.

The stock of retail securities increased by HUF 119.3 billion from the end of 2019 to HUF 9,193.3 billion at the end of February.

The increase was mainly due to the sale of Hungarian Government Securities Plus, and also affected by the sales of 1-year Hungarian Government Securities, Premium Hungarian Government Securities, Treasury Savings Bills and Baby Bonds.

The stock of the Hungarian Government Securities Plus increased by HUF 548.0 billion this year and amounted to HUF 3,744.2 billion at the end of February. Despite the repurchases of the Premium Hungarian Government Securities from dealers, the outstanding amount increased by HUF 22.5 billion by the end of February and reached HUF 2,540.8 billion. The stock of the 1-year Government Securities decreased by HUF 273.9 billion to HUF 1,884.1 billion at the end of February.

The volume of non-resident holdings of Hungarian government securities increased by HUF 56.6 billion in February. 99.3% of non-resident holdings was T-bonds, which amounted to HUF 4,199.0 billion. The non-resident holdings of Discount T-Bills amounted to HUF 31.6 billion, that represented only 0.7% of total non-resident holdings. The duration of the non-resident stock was 5.9 years at the end of February 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 two months of the year marked-to-market deposits increased by HUF 31.3 billion and reached HUF 235.0 billion (EUR 0.7 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.6 to 2.3. The bid-to-cover ratio of T-bond auctions decreased from 3.8 to 2.7.

The average yield of the last 3-month Discount Treasury Bill auction in February was 0.36%, 31 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in February was 0.51%, 45 basis points higher compared to January.

The average yield of the last 3-year government bond auction in February was 0.83% 34 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 1.62% 29 basis points higher compared to January. The average yield of the last auction of 10-year government bond was 2.18%, higher by 10 basis points compared to the last January's average yield.