FINANCING OF THE CENTRAL GOVERNMENT IN JANUARY 2021

1. Government debt data

The debt of the central government decreased by HUF 252.2 billion in January due to the following reasons:

- **The first factor** is the net forint issuance of HUF -124.5 billion.
- **The second – also decreasing – factor** is the appreciation of the forint that decreased the HUF value of the foreign currency debt by HUF 132.6 billion.
- **The third factor – which had contrary effect than the above mentioned factors** is the net foreign currency issuance that representing the sale of retail foreign currency bonds, which increased the budget debt by HUF 1.9 billion.
- **The fourth – another increasing – factor** is the change of the foreign currency exchange rates and other factors that decreased the mark-to-market deposits placed at GDMA by HUF 3.0 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2021.

Central government gross debt and debt transactions in 2021

	31.12.2020		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.01.2021		change
	Debt stock (preliminary data)	**Breakdown**	**I. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***29,237.266***	***79.7%***	**347.295**	**471.802**	***0.000***	**-124.506**	**29,112.760**	***79.9%***	***0.2%***
1.1. Loans	**1,161.614**	***3.2%***	**0.000**	**4.784**	**0.000**	**-4.784**	**1,156.830**	***3.2%***	***0.0%***
1.1.1. Foreign	1,161.614	*3.2%*	0.000	4.784	0.000	-4.784	1,156.830	***3.2%***	***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	**28,075.652**	***76.5%***	**347.295**	**467.018**	**0.000**	**-119.722**	**27,955.930**	***76.7%***	***0.2%***
1.2.1. Public issues	28,036.474	*76.4%*	347.295	467.018	0.000	-119.722	27,916.752	***76.6%***	***0.2%***
1.2.1.1. Bonds	*18,206.614*	*49.6%*	*-38.910*	*166.077*	*0.000*	*-204.987*	*18,001.627*	***49.4%***	***-0.2%***
1.2.1.2. Discount T-bills	*658.167*	*1.8%*	*69.661*	*49.993*	*0.000*	*19.668*	*677.835*	***1.9%***	***0.1%***
1.2.1.3. Retail securities	*9,171.693*	*25.0%*	*316.545*	*250.948*	*0.000*	*65.597*	*9,237.290*	***25.4%***	***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	**7,318.230**	***19.9%***	**2.461**	**0.544**	**-132.592**	**-130.675**	**7,187.556**	***19.7%***	***-0.2%***
2.1. Loans	**1,291.084**	***3.5%***	**0.000**	**0.000**	**-23.408**	**-23.408**	**1,267.676**	***3.5%***	***0.0%***
2.1.1. Foreign	1,291.084	*3.5%*	0.000	0.000	*-23.408*	*-23.408*	1267.676	***3.5%***	***0.0%***
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	**6,027.146**	***16.4%***	**2.461**	**0.544**	**-109.184**	**-107.267**	**5,919.880**	***16.2%***	***-0.2%***
2.2.1. Issued abroad	5,481.262	*14.9%*	0.000	0.000	-99.285	-99.285	5,381.977	***14.8%***	***-0.2%***
2.2.2. Issued in Hungary	545.885	*1.5%*	2.461	0.544	-9.899	-7.982	537.903	***1.5%***	***0.0%***
Total	**36,555.496**	***99.6%***	**349.756**	**472.345**	**-132.592**	**-255.181**	**36,300.315**	***99.6%***	***0.0%***
Other debt	128.840	*0.4%*	29.871	24.526	-2.383	2.963	131.803	***0.4%***	***0.0%***
Total central government debt	**36,684.336**	***100.0%***	**379.628**	**496.872**	**-134.974**	**-252.218**	**36,432.118**	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 130.7 billion in 2021 and amounted to HUF 7,187.6 billion at the end of January 2021. The share of foreign currency denominated debt within the total debt decreased from 19.9 % to 19.7 % in 2021.

The forint denominated debt decreased by HUF 124.5 billion to HUF 29,112.8 billion. The share of HUF-denominated debt reached 79.9% of the total debt, while in December 2020 this proportion was 79.7%.

The negative net issuance was caused by the HUF 690.3 billion liquidity repo portfolio maturing at the beginning of the year, which was only partially compensate by the HUF 485.3 billion net bond issuance to finance the budget deficit.

The stock of retail securities increased by HUF 65.6 billion from the end of 2020 to HUF 9,237.3 billion at the end of January*.* Despite the significant increase in the stock held by households, the moderate growth figure is due to the repurchases from non-retail investors.

The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 100.3 billion this year and amounted to HUF 5,321.5 billion at the end of January. At the end of January 2021, the portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 21.9 billion due to the sales and the repurchases from dealers, thus amounting to HUF 2,331.8 billion. The stock of the 1-year Government Securities decreased by HUF 7.3 billion to HUF 1,081.1 billion at the end of January.

The volume of non-resident holdings of Hungarian government securities increased by HUF 309.0 billion in January. 99.6% of non-resident holdings was T-bonds, which amounted to HUF 4,661.5 billion. The non-resident holdings of Discount T-Bills amounted to HUF 18.9 billion, that represented only 0.4% of total non-resident holdings. The duration of the non-resident stock was 5.9 years at the end of January 2021.

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 month of the year marked-to-market deposits increased by HUF 3.0 billion and reached HUF 131.8 billion (EUR 0.4 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.2 to 1.0. The bid-to-cover ratio of T-bond auctions increased from 2.7 to 2.9.

The average yield of the last 3-month Discount Treasury Bill auction in January was 0.36%, 8 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in January was 0.45%, 9 basis points higher compared to December.

The average yield of the last 5-year government bond auction in January was 1.42%, 4 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 2.26%, 16 basis points higher compared to December. The average yield of the last auction of 15-year government bond was 2.50%, higher by 21 basis points compared to the last December's average yield. The average yield of the last 20-year government bond auction was 2.80%, 30 basis points higher compared to the last November's yield.