FINANCING OF THE CENTRAL GOVERNMENT IN DECEMBER 2019

1. Government debt data

The debt of the central government increased by HUF 993.8 billion in January-December period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,561.1 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 second factor** is the depreciation of the forint, that increased the HUF value of the foreign currency debt by HUF 146.5 billion.
- **The third – also increasing – 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 36.2 billion.
- **The fourth – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 750.0 billion, which decreased the debt of the central government.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2019.

Central government gross debt and debt transactions in 2019

	31.12.2018		Issuance (increase in debt)	Redemptions (decrease in debt)	Other changes	Net change	31.12.2019		change
	Debt stock (preliminary data)	Breakdown	I-XII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	**22,795.954**	**79.5%**	**12,366.160**	**10,805.021**	**0.000**	**1,561.14**	**24,357.094**	**82.1%**	**2.6%**
1.1. Loans	**1,167.691**	**4.1%**	**54.710**	**14.279**	**0.000**	**40.431**	**1,208.122**	**4.1%**	**0.0%**
1.1.1. Foreign	1,167.691	4.1%	54.710	14.279	0.000	40.431	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	**21,628.263**	**75.4%**	**12,311.451**	**10,790.742**	**0.000**	**1,520.71**	**23,148.972**	**78.0%**	**2.6%**
1.2.1. Public issues	21,589.085	75.3%	12,311.451	10,790.742	0.000	1,520.71	23,109.794	77.9%	2.6%
1.2.1.1. Bonds	*12,836.062*	*44.7%*	*3,427.865*	*2,885.443*	*0.000*	*542.42*	*13,378.485*	*45.1%*	*0.3%*
1.2.1.2. Discount T-bills	*1,237.307*	*4.3%*	*1,846.653*	*2,426.672*	*0.000*	*-580.019*	*657.288*	*2.2%*	*-2.1%*
1.2.1.3. Retail securities	*7,515.716*	*26.2%*	*7,036.932*	*5,478.627*	*0.000*	*1,558.31*	*9,074.021*	*30.6%*	*4.4%*
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	**5,724.768**	**20.0%**	**145.534**	**895.572**	**146.459**	**-603.578**	**5,121.190**	**17.3%**	**-2.7%**
2.1. Loans	**794.975**	**2.8%**	**53.584**	**45.125**	**22.005**	**30.463**	**825.439**	**2.8%**	**0.0%**
2.1.1. Foreign	794.975	2.8%	53.584	45.125	22.005	30.463	825.439	2.8%	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	**4,929.793**	**17.2%**	**91.950**	**850.446**	**124.455**	**-634.042**	**4,295.752**	**14.5%**	**-2.7%**
2.2.1. Issued abroad	4,246.199	14.8%	0.000	636.739	104.007	-532.732	3,713.468	12.5%	-2.3%
2.2.2. Issued in Hungary	683.594	2.4%	91.950	213.708	20.448	-101.310	582.284	2.0%	-0.4%
Total	**28,520.723**	**99.4%**	**12,511.695**	**11,700.593**	**146.459**	**957.561**	**29,478.284**	**99.3%**	**-0.1%**
Other debt	167.444	0.6%	357.825	327.056	5.473	36.242	203.686	0.7%	0.1%
Total central government debt	**28,688.167**	**100.0%**	**12,869.520**	**12,027.648**	**151.932**	**993.803**	**29,681.970**	**100.0%**	**0.0%**

The foreign currency debt of the central government decreased by HUF 603.6 billion in 2019 and amounted to HUF 5,121.2 billion at the end of December 2019. The share of foreign currency denominated debt within the total debt decreased from 20.0% to 17.3% in 2019.

Due to the favorable liquidity situation and in order to reduce the redemption of foreign exchange debt, ÁKK repurchased HUF 269.7 billion foreign currency bonds maturing in 2020 and 2021 during this year.

The forint denominated debt increased by HUF 1,561.1 billion to HUF 24,357.1 billion. The share of HUF-denominated debt reached 82.1% of the total debt, while in December 2018 this proportion was 79.5%.

The stock of retail securities increased by HUF 1,558.3 billion from the end of 2018 to HUF 9,074.0 billion at the end of December. The increase was mainly due to the 5-year retail government bond introduced on 3 June, its name is Hungarian Government Security Plus. The Hungarian Government Security Plus in printed form is also available for the public in the network of Hungarian Post Office from 4 November, which further increases the range of retail government securities.

The stock of the new Hungarian Government Securities Plus increased to HUF 3,136.0 billion at the end of December compared to the previous month. Due to the repurchase of significant amount of the Premium Hungarian Government Securities from dealers, the outstanding amount decreased by HUF 57.8 billion by the end of December and reached HUF 2,518.3 billion. The stock of the 1-year Government Securities decreased by HUF 1,011.8 billion to HUF 2,158.0 billion at the end of December.

The volume of non-resident holdings of Hungarian government securities increased by HUF 21.8 billion in December. 99.3% of non-resident holdings was T-bonds, which amounted to HUF 4,139.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 28.0 billion, that represented only 0.7% of total non-resident holdings. The duration of the non-resident stock was 5.8 years at the end of December 2019.

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 twelve months of the year marked-to-market deposits increased by HUF 36.2 billion and reached HUF 203.7 billion (EUR 0.6 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 1.4 The bid-to-cover ratio of T-bond auctions increased from 4.0 to 4.4.

The average yield of the last 3-month Discount Treasury Bill auction in December was 0.00%, 9 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in December was 0.01%, 7 basis points higher compared to November.

The average yield of the last 3-year government bond auction in December was 0.32% 3 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.13% 4 basis points higher compared to November. The average yield of the last auction of 10-year government bond was 1.87%, higher by 1 basis points compared to the last November's average yield.