FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2020

1. Government debt data

The debt of the central government increased by HUF 4,379.3 billion in January-October period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 3,209.6 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 619.9 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 573.4 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 23.6 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	31.10.2020		change
	Debt stock (preliminary data)	Breakdown	I-X. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***24,357.094***	***82.1%***	**10,322.285**	**7,112.716**	***0.000***	**3209.568**	**27,566.662**	***80.9%***	***-1.1%***
1.1. Loans	**1,208.122**	***4.1%***	**0.000**	**46.507**	**0.000**	**-46.507**	**1,161.614**	***3.4%***	***-0.7%***
1.1.1. Foreign	1,208.122	*4.1%*	0.000	46.507	0.000	-46.507	1,161.614	***3.4%***	***-0.7%***
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%***	**10,322.285**	**7,066.209**	**0.000**	**3256.076**	**26,405.048**	*77.5%*	***-0.5%***
1.2.1. Public issues	23,109.794	*77.9%*	10,322.285	7,066.209	0.000	3256.076	26,365.870	***77.4%***	***-0.5%***
1.2.1.1. Bonds	*13,378.485*	*45.1%*	*4,893.104*	*1,411.433*	*0.000*	*3481.670*	*16,860.156*	***49.5%***	***4.4%***
1.2.1.2. Discount T-bills	*657.288*	*2.2%*	*1,564.100*	*1,562.413*	*0.000*	*1.688*	*658.976*	***1.9%***	***-0.3%***
1.2.1.3. Retail securities	*9,074.021*	*30.6%*	*3,865.081*	*4,092.363*	*0.000*	*- 227.282*	*8,846.738*	***26.0%***	***-4.6%***
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%***	**1,622.903**	**1,002.973**	**573.385**	**1193.315**	**6,314.506**	***18.5%***	***1.3%***
2.1. Loans	**825.439**	***2.8%***	**172.528**	**54.031**	**98.375**	**216.873**	**1,042.312**	***3.1%***	***0.3%***
2.1.1. Foreign	825.439	*2.8%*	172.528	54.031	*98.375*	*216.873*	1042.312	***3.1%***	***0.3%***
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%***	**1,450.374**	**948.942**	**475.010**	**976.442**	**5,272.194**	***15.5%***	***1.0%***
2.2.1. Issued abroad	3,713.468	*12.5%*	1,406.249	923.126	407.931	891.053	4,604.521	***13.5%***	***1.0%***
2.2.2. Issued in Hungary	582.284	*2.0%*	44.125	25.816	67.079	85.389	667.673	***2.0%***	***0.0%***
Total	**29,478.284**	***99.3%***	**11,945.188**	**8,115.689**	**573.385**	**4,402.884**	**33,881.167**	***99.5%***	***0.2%***
Other debt	203.686	*0.7%*	481.042	525.254	20.598	-23.614	180.072	***0.5%***	***-0.2%***
Total central government debt	**29,681.970**	***100.0%***	**12,426.229**	**8,640.943**	**593.983**	**4,379.270**	**34,061.240**	***100.0%***	***0.0%***

The foreign currency debt of the central government increased by HUF 1,193.3 billion in 2020 and amounted to HUF 6,314.5 billion at the end of October 2020. The share of foreign currency denominated debt within the total debt increased from 17.3% to 18.5% 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.

In September, Japanese yen-denominated Samurai bonds were issued in the total amount of HUF 180.3 billion (JPY 62.7 billion). Four series with different maturities, two of them are green bonds, making Hungary the first foreign state to issue a green bond in Japan.

The forint denominated debt increased by HUF 3,209.6 billion to HUF 27,566.7 billion. The share of HUF-denominated debt reached 80.9% of the total debt, while in December 2019 this proportion was 82.1%.

The stock of retail securities decreased by HUF 227.3 billion from the end of 2019 to HUF 8,846.7 billion at the end of October. The decrease was due to the maturing retail securities held by non-retail investors.

The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 1,762.2 billion this year and amounted to HUF 4,958.4 billion at the end of October. 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 287.1 billion by the end of October and reached HUF 2,231.2 billion. The stock of the 1-year Government Securities decreased by HUF 1,058.4 billion to HUF 1,099.6 billion at the end of October.

The volume of non-resident holdings of Hungarian government securities increased by HUF 228.6 billion in October. 99.7% of non-resident holdings was T-bonds, which amounted to HUF 4,391.5 billion. The non-resident holdings of Discount T-Bills amounted to HUF 15.4 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 October 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 ten months of the year marked-to-market deposits decreased by HUF 23.6 billion and reached HUF 180.1 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 increased from 1.7 to 2.7. The bid-to-cover ratio of T-bond auctions increased from 2.3 to 2.5.

The average yield of the last 3-month Discount Treasury Bill auction in October was 0.49%, 3 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in October was 0.70%, 9 basis points lower compared to September.

The average yield of the last 3-year government bond auction in October was 1.26%, 6 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.71%, 16 basis points lower compared to September. The average yield of the last auction of 10-year government bond was 2.28%, lower by 32 basis points compared to the last September's average yield. The average yield of the last 15-year government bond auction was 2.65%, 10 basis points lower compared to the last September's yield. The average yield of the last of 20-year government bond auction was 2.68%, lower by 50 basis points compared to the last July's average yield.