FINANCING OF THE CENTRAL GOVERNMENT IN JULY 2021

1. Government debt data

The debt of the central government increased by HUF 1,152.2 billion in July due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,708.2 billion, which finances the deficit of the central government budget.
- **The second – 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 26.8 billion.
- **The third – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 442.8 billion, which decreased the debt of the central government.
- **The fourth – also decreasing – factor** is the appreciation of the forint that decreased the HUF value of the foreign currency debt by HUF 140.0 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	31.07.2021		change
	Debt stock (preliminary data)	Breakdown	I-VII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***29,237.266***	***79.7%***	**5,692.011**	**3,983.808**	***-0.001***	**1,708.201**	**30,945.467**	***81.8%***	***2.09%***
1.1. Loans	**1,161.614**	***3.2%***	**0.000**	**4.784**	**0.000**	**-4.784**	**1,156.830**	***3.1%***	***-0.11%***
1.1.1. Foreign	1,161.614	*3.2%*	0.000	4.784	0.000	-4.784	1,156.830	***3.1%***	***-0.11%***
1.1.2. Domestic	0.000	*0.0%*	0.000	0.000	0.000	0.000	0.000	***0.0%***	***0.00%***
1.2. Government securities	**28,075.652**	***76.5%***	**5,692.011**	**3,979.024**	**-0.001**	**1,712.985**	**29,788.637**	***78.7%***	***2.20%***
1.2.1. Public issues	28,036.474	*76.4%*	5,692.011	3,979.024	-0.001	1712.985	29,749.459	***78.6%***	***2.20%***
1.2.1.1. Bonds	*18,206.614*	*49.6%*	*2,989.580*	*1,742.438*	*0.000*	*1247.142*	*19,453.756*	***51.4%***	***1.78%***
1.2.1.2. Discount T-bills	*658.167*	*1.8%*	*659.007*	*730.310*	*0.000*	*-71.303*	*586.864*	***1.6%***	***-0.24%***
1.2.1.3. Retail securities	*9,171.693*	*25.0%*	*2,043.423*	*1,506.276*	*-0.001*	*537.146*	*9,708.839*	***25.7%***	***0.66%***
1.2.2. Private placements (bonds)	39.178	*0.1%*	0.000	0.000	0.000	0.000	39.178	***0.1%***	***0.00%***
2. Foreign currency denominated debt	**7,318.230**	***19.9%***	**174.859**	**617.675**	**-140.029**	**-582.844**	**6,735.386**	***17.8%***	***-2.15%***
2.1. Loans	**1,291.084**	***3.5%***	**157.684**	**58.529**	**-25.931**	**73.224**	**1,364.308**	***3.6%***	***0.09%***
2.1.1. Foreign	1,291.084	*3.5%*	157.684	58.529	*-25.931*	*73.224*	1364.308	***3.6%***	***0.09%***
2.1.2. Domestic	*0.000*	*0.0%*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	***0.0%***	***0.00%***
2.2. Government securities	**6,027.146**	***16.4%***	**17.175**	**559.145**	**-114.098**	**-656.068**	**5,371.078**	***14.2%***	***-2.23%***
2.2.1. Issued abroad	5,481.262	*14.9%*	0.000	527.690	-102.671	-630.361	4,850.901	***12.8%***	***-2.12%***
2.2.2. Issued in Hungary	545.885	*1.5%*	17.175	31.455	-11.427	-25.708	520.177	***1.4%***	***-0.11%***
Total	**36,555.496**	***99.6%***	**5,866.870**	**4,601.483**	**-140.030**	**1,125.357**	**37,680.854**	***99.6%***	***-0.06%***
Other debt	128.840	*0.4%*	181.598	152.590	-2.180	26.829	155.668	***0.4%***	***0.06%***
Total central government debt	**36,684.336**	***100.0%***	**6,048.468**	**4,754.072**	**-142.210**	**1,152.186**	**37,836.522**	***100.0%***	***0.00%***

The foreign currency debt of the central government decreased by HUF 582.8 billion in 2021 and amounted to HUF 6,735.4 billion at the end of July 2021. The share of foreign currency denominated debt within the total debt decreased from 19.9% to 17.8% in 2021.

The forint denominated debt increased by HUF 1,708.2 billion to HUF 30,945.5 billion. The share of HUF-denominated debt reached 81.8% of the total debt, while in December 2020 this proportion was 79.7%.

The stock of retail securities increased by HUF 537.1 billion from the end of 2020 to HUF 9,708.8 billion at the end of July.

The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 644.2 billion this year and amounted to HUF 5,865.4 billion at the end of July. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 70.6 billion due to the sales and the repurchases from dealers, thus amounted to HUF 2,380.6 billion. The stock of the 1-year Government Securities decreased by HUF 89.2 billion to HUF 999,2 billion at the end of July.

The volume of non-resident holdings of Hungarian government securities increased by HUF 434.3 billion in July. 99.7% of non-resident holdings was T-bonds, which amounted to HUF 4,682.6 billion. The non-resident holdings of Discount T-Bills amounted to HUF 12.6 billion, that represented only 0.3% of total non-resident holdings. The duration of the non-resident stock was 5.9 years at the end of July 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 seven months of the year marked-to-market deposits increased by HUF 26.8 billion and reached HUF 155.7 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 2.7 to 1.8. The bid-to-cover ratio of T-bond auctions decreased from 2.3 to 1.9 in July.

The average yield of the last 3-month Discount Treasury Bill auction in July was 0.52%, 5 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in July was 0.97%, 5 basis points higher compared to June.

The average yield of the last 5-year government bond auction in July was 2.03%, 1 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 2.85%, the same as the average yield of the last auction of June. The average yield of the last auction of 15-year government bond was 3.17%, lower by 2 basis points compared to the last May's average yield. The average yield of the last 20-year government bond auction was 3.29%, 11 basis points lower compared to the last June's yield. The average yield of the 30-year government green bond second auction was 3.44%, 25 basis points lower than the average yield of the first auction in April.