FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2021

1. Government debt data

The debt of the central government increased by HUF 3,164.0 billion in October due to the following reasons:

- **The first factor** is the net forint issuance of HUF 2,112.5 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,071.4 billion, which increased the debt of the central government.
- **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 10.1 billion.
- **The fourth – which had contrary effect than the above mentioned factors –** is the appreciation of the forint that decreased the HUF value of the foreign currency debt by HUF 30.0 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	31.10.2021		change
	Debt stock (preliminary data)	**Breakdown**	**I-X. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***29,237.266***	***79.7%***	**8,324.087**	**6,211.548**	***-0.001***	**2,112.537**	**31,349.803**	***78.7%***	***-1.03%***
1.1. Loans	**1,161.614**	***3.2%***	**0.000**	**4.784**	**0.000**	**-4.784**	**1,156.830**	***2.9%***	***-0.26%***
1.1.1. Foreign	1,161.614	*3.2%*	0.000	4.784	0.000	-4.784	1,156.830	***2.9%***	***-0.26%***
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%***	**8,324.087**	**6,206.764**	**-0.001**	**2,117.321**	**30,192.973**	***75.8%***	***-0.76%***
1.2.1. Public issues	28,036.474	*76.4%*	8,324.087	6,206.764	-0.001	2,117.321	30,153.795	***75.7%***	***-0.75%***
1.2.1.1. Bonds	*18,206.614*	*49.6%*	*4,148.259*	*2,507.330*	*0.000*	*1,640.930*	*19,847.543*	***49.8%***	***0.18%***
1.2.1.2. Discount T-bills	*658.167*	*1.8%*	*1,009.350*	*1,138.918*	*0.000*	*-129.568*	*528.600*	***1.3%***	***-0.47%***
1.2.1.3. Retail securities	*9,171.693*	*25.0%*	*3,166.478*	*2,560.517*	*-0.001*	*605.959*	*9,777.652*	***24.5%***	***-0.46%***
1.2.2. Private placements (bonds)	39.178	*0.1%*	0.000	0.000	0.000	0.000	39.178	***0.1%***	***-0.01%***
2. Foreign currency denominated debt	**7,318.230**	***19.9%***	**1,866.242**	**794.823**	**-30.035**	**1,041.384**	**8,359.615**	***21.0%***	***1.03%***
2.1. Loans	**1,291.084**	***3.5%***	**172.602**	**90.870**	**-14.637**	**67.095**	**1,358.178**	***3.4%***	***-0.11%***
2.1.1. Foreign	1,291.084	*3.5%*	172.602	90.870	*-14.637*	*67.095*	1358.178	***3.4%***	***-0.11%***
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%***	**1,693.641**	**703.954**	**-15.397**	**974.290**	**7,001.436**	***17.6%***	***1.14%***
2.2.1. Issued abroad	5,481.262	*14.9%*	1,621.090	570.737	-7.419	1,042.934	6,524.196	***16.4%***	***1.43%***
2.2.2. Issued in Hungary	545.885	*1.5%*	72.551	133.216	-7.979	-68.644	477.241	***1.2%***	***-0.29%***
Total	**36,555.496**	***99.6%***	**10,190.329**	**7,006.372**	**-30.036**	**3,153.921**	**39,709.418**	***99.7%***	***0.00%***
Other debt	128.840	*0.4%*	263.650	253.162	-0.420	10.068	138.908	***0.3%***	***0.00%***
Total central government debt	**36,684.336**	***100.0%***	**10,453.979**	**7,259.534**	**-30.456**	**3,163.990**	**39,848.326**	***100.0%***	***0.00%***

The foreign currency debt of the central government increased by HUF 1,041.4 billion in 2021 and amounted to HUF 8,359.6 billion at the end of October 2021. The share of foreign currency denominated debt within the total debt increased temporarily from 19.9% to 21.0% in 2021, but the ratio is expected to decline for the rest of the year.

The increase is mainly due to the issuance of 10-year foreign currency bond USD 2.25 billion (HUF 671.4 billion) and 30-year foreign currency bond USD 2 billion (HUF 596.8 billion) in September. The EUR 1 billion (HUF 352.9 billion) 7-year foreign currency bond was also issued in September and its coupon was the lowest one that ever achieved by Hungary during euro bond issues.

The forint denominated debt increased by HUF 2,112.5 billion to HUF 31,349.8 billion. The share of HUF-denominated debt reached 78.7% of the total debt, while in December 2020 this proportion was 79.7%.

The stock of retail securities increased by HUF 606.0 billion from the end of 2020 to HUF 9,777.7 billion at the end of October. The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 994.4 billion this year and amounted to HUF 6,215.6 billion at the end of October. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year decreased by HUF 146.2 billion due to a significant maturity in October, thus amounted to HUF 2,163.8 billion. The stock of the 1-year Government Securities decreased by HUF 131.4 billion to HUF 957.0 billion at the end of October.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 211.9 billion in October. 99.6% of non-resident holdings was T-bonds, which amounted to HUF 4,569.2 billion. The non-resident holdings of Discount T-Bills amounted to HUF 16.8 billion, that represented only 0.4% of total non-resident holdings. The duration of the non-resident stock was 6.1 years at the end of October 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 ten months of the year marked-to-market deposits increased by HUF 10.1 billion and reached HUF 138.9 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 3.1 to 2.2. The bid-to-cover ratio of T-bond auctions increased from 2.4 to 3.3 in October.

The average yield of the last 3-month Discount Treasury Bill auction in October was 1.18%, 2 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in October was 1.75%, 22 basis points higher compared to September.

The average yield of the last 5-year government bond auction in October was 3.12%, 59 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 3.78%, 73 basis points higher compared to September. The average yield of the last auction of 15-year government bond was 4.24%, higher by 72 basis points compared to the last September's average yield. The average yield of the last 20-year government bond auction was 4.09%, 53 basis points higher compared to the last September's yield.