FINANCING OF THE CENTRAL GOVERNMENT IN FEBRUARY 2019

1. Government debt data

The debt of the central government decreased by HUF 65.0 billion in January-February period due to the following reasons:

- **The first factor** is the net foreign currency redemption of HUF 294.2 billion, which decreased the debt of the central government.
- **The second factor** is the appreciation of the forint, that decreased the HUF value of the foreign currency debt by HUF 86.5 billion**.**
- **The third – which had contrary effect than the above mentioned factors –** is the net forint issuance of HUF 303.3 billion executed in the domestic and the retail market, which finances the annual deficit of the central government budget and the foreign currency debt maturing this year.
- **The fourth – also increasing – factor** is the change of the foreign currency exchange rates and other factors that slightly increased the mark-to-market deposits placed at GDMA by HUF 12.5 billion.

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	**28.02.2019**		**change**
	Debt stock (preliminary data)	**Breakdown**	**II. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***22,795.954***	***79.5%***	***2,165.443***	***1,862.184***	***0.000***	***303.259***	***23,099.213***	***80.7%***	***1.2%***
1.1. Loans	**1,167.691**	*4.1%*	**20.084**	**0.000**	**0.000**	**20.084**	**1,187.775**	***4.1%***	***0.1%***
1.1.1. Foreign	1,167.691	*4.1%*	20.084	0.000	0.000	20.084	1,187.775	***4.1%***	***0.1%***
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%***	**2,145.359**	**1,862.184**	**0.000**	**283.175**	**21,911.438**	***76.6%***	***1.2%***
1.2.1. Public issues	21,589.085	*75.3%*	2,145.359	1,862.184	0.000	283.175	21,872.261	***76.4%***	***1.2%***
1.2.1.1. Bonds	*12,836.062*	*44.7%*	*786.512*	*290.629*	*0.000*	*495.883*	*13,331.946*	***46.6%***	***1.8%***
1.2.1.2. Discount T-bills	*1,237.307*	*4.3%*	*488.584*	*516.618*	*0.000*	*-28.034*	*1,209.274*	***4.2%***	***-0.1%***
1.2.1.3. Retail securities	*7,515.716*	*26.2%*	*870.263*	*1,054.937*	*0.000*	*-184.674*	*7,331.041*	***25.6%***	***-0.6%***
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	**5,724.768**	***20.0%***	**12.296**	**306.481**	**-86.519**	**-380.703**	**5,344.065**	***18.7%***	***-1.3%***
2.1. Loans	**794.975**	***2.8%***	**0.000**	**0.000**	**-12.660**	**-12.660**	**782.315**	***2.7%***	***0.0%***
2.1.1. Foreign	794.975	*2.8%*	0.000	0.000	*-12.660*	*-12.660*	782.315	***2.7%***	***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%***	**12.296**	**306.481**	**-73.859**	**-368.044**	**4,561.750**	***15.9%***	***-1.2%***
2.2.1. Issued abroad	4,246.199	*14.8%*	0.000	306.206	-62.868	-369.074	3,877.126	***13.5%***	***-1.3%***
2.2.2. Issued in Hungary	683.594	*2.4%*	12.296	0.275	-10.991	1.030	684.624	***2.4%***	***0.0%***
Total	**28,520.723**	***99.4%***	**2,177.739**	**2,168.665**	**-86.519**	**-77.445**	***28,443.278***	***99.4%***	***0.0%***
Other debt	167.444	*0.6%*	70.389	55.152	-2.758	12.479	179.923	***0.6%***	***0.0%***
Total central government debt	**28,688.167**	***100.0%***	**2,248.128**	**2,223.817**	**-89.277**	**-64.966**	***28,623.201***	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 380.7 billion in 2019 and amounted to HUF 5,344.1 billion at the end of February 2019. The share of foreign currency denominated debt within the total debt decreased from 20.0% to 18.7% in 2019.

The forint denominated debt increased by HUF 303.3 billion and amounted to HUF 23,099.2 billion. The share of HUF-denominated debt reached 80.7% of the total debt, while in December 2018 this proportion was 79.5%.

The stock of retail securities decreased by HUF 184.7 billion from the end of 2018 and amounted to HUF 7,331.0 billion at the end of February due to the decrease of non-household's stock. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 33.4 billion by the end of February and reached HUF 3,074.5 billion. The 2-year Hungarian Government Security's stock increased by HUF 57.2 billion and reached HUF 557.4 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 286.8 billion as a result of lenghtening maturities to HUF 3,136.8 billion at the end of February.

The volume of non-resident holdings of Hungarian government securities increased by HUF 54.9 billion in February. 98.9% of non-resident holdings was T-bonds, which amounted to HUF 4,168.3 billion. The non-resident holdings of Discount T-Bills amounted to HUF 46.3 billion, that represented only 1.1% of total non-resident holdings. The duration of the non-resident stock was 5.2 years at the end of February 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 first two months of the year marked-to-market deposits increased by HUF 12.5 billion and reached HUF 179.9 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 increased from 2.0 to 2.5 in February. The bid-to-cover ratio of T-bond auctions decreased from 3.2 to 3.0.

The average yield of the last 3-month Discount Treasury Bill auction in February was 0.02%, 3 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in February was 0.36%, 6 basis points lower compared to January.

The average yield of the last 3-year government bond auction in February was 1.46% 30 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 2.21% 4 basis points lower compared to January. Finally, the average yield of the last auction of 10-year government bond was 3.16%, higher by 32 basis points compared to the last January's average yield.