FINANCING OF THE CENTRAL GOVERNMENT IN NOVEMBER 2020

1. Government debt data

The debt of the central government increased by HUF 5,457.5 billion in January-November period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 3,519.6 billion, which finances the deficit of the central government budget.
- **The second – increasing – factor** is the net foreign currency issuance of HUF 1,518.3 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 446.7 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 27.1 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	30.11.2020		change
	Debt stock (preliminary data)	Breakdown	I-XI. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***24,357.094***	*82%*	**11,457.623**	**7,937.975**	***0.000***	**3519.649**	**27,876.742**	*79%*	***-2.7%***
1.1. Loans	**1,208.122**	*4%*	**0.000**	**46.507**	**0.000**	**-46.507**	**1,161.614**	*3%*	***-0.8%***
1.1.1. Foreign	1,208.122	*4%*	0.000	46.507	0.000	-46.507	1,161.614	***3%***	***-0.8%***
1.1.2. Domestic	0.000	*0%*	0.000	0.000	0.000	0.000	0.000	***0%***	***0.0%***
1.2. Government securities	**23,148.972**	*78%*	**11,457.623**	**7,891.467**	**0.000**	**3566.156**	**26,715.128**	*76%*	***-2.0%***
1.2.1. Public issues	23,109.794	*78%*	11,457.623	7,891.467	0.000	3566.156	26,675.950	***76%***	***-1.9%***
1.2.1.1. Bonds	*13,378.485*	*45%*	*5,536.955*	*1,954.907*	*0.000*	*3582.047*	*16,960.533*	***48%***	***3.2%***
1.2.1.2. Discount T-bills	*657.288*	*2%*	*1,656.102*	*1,635.149*	*0.000*	*20.953*	*678.241*	***2%***	***-0.3%***
1.2.1.3. Retail securities	*9,074.021*	*31%*	*4,264.566*	*4,301.410*	*0.000*	- *36.844*	*9,037.177*	***26%***	***-4.9%***
1.2.2. Private placements (bonds)	39.178	*0%*	0.000	0.000	0.000	0.000	39.178	***0%***	***0.0%***
2. Foreign currency denominated debt	**5,121.190**	*17%*	**2,520.913**	**1,002.640**	**446.666**	**1964.939**	**7,086.129**	*20%*	***2.9%***
2.1. Loans	**825.439**	*3%*	**172.528**	**54.031**	**76.664**	**195.162**	**1,020.601**	*3%*	***0.1%***
2.1.1. Foreign	825.439	*3%*	172.528	54.031	*76.664*	*195.162*	1020.601	***3%***	***0.1%***
2.1.2. Domestic	*0.000*	*0%*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	***0%***	***0.0%***
2.2. Government securities	**4,295.752**	*14%*	**2,348.384**	**948.610**	**370.002**	**1769.776**	**6,065.528**	*17%*	***2.8%***
2.2.1. Issued abroad	3,713.468	*13%*	2,301.449	922.575	316.829	1695.703	5,409.170	***15%***	***2.9%***
2.2.2. Issued in Hungary	582.284	*2%*	46.936	26.034	53.172	74.073	656.357	***2%***	***-0.1%***
Total	**29,478.284**	*99%*	**13,978.536**	**8,940.615**	**446.666**	**5,484.587**	**34,962.871**	*99%*	***0.2%***
Other debt	203.686	*1%*	523.742	567.349	16.505	-27.102	176.585	***1%***	***-0.2%***
Total central government debt	**29,681.970**	*100%*	**14,502.278**	**9,507.964**	**463.172**	**5,457.486**	**35,139.456**	***100%***	***0.0%***

The foreign currency debt of the central government increased by HUF 1,964.9 billion in 2020 and amounted to HUF 7,086.1 billion at the end of November 2020. The share of foreign currency denominated debt from 17% at the end of 2019 reached 20 per cent of total debt in 2020. The increase was due to the bond issuances carried out during the year: the issuance of Hungary's first international Green Bond in the amount of HUF 518.4 billion (EUR 1.5 billion) at the beginning of June, the issuance of HUF 707.6 billion (EUR 1-1 billion) in foreign currency bonds in April, and in September Japanese yen-denominated Samurai bonds were issued in the total amount of HUF 180.3 billion (JPY 62.7 billion). In November, HUF 895.2 billion (EUR 2.5 billion) bonds were issued for the purpose of pre-financing for 2021. A 10-year and a 30-year bond EUR 1.25-1.25 billion issuances have temporarily contributed to the rise of foreign currency debt ratio in November, but the ratio is expected to decline for the rest of the year.

The forint denominated debt increased by HUF 3,519.6 billion to HUF 27,876.7 billion. The share of HUF-denominated debt reached 79% of the total debt, while in December 2019 this proportion was 82%.

The stock of retail securities decreased by HUF 36.8 billion from the end of 2019 to HUF 9,037.2 billion at the end of November. 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 1,913.9 billion this year and amounted to HUF 5,110.1 billion at the end of November. 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 246.5 billion by the end of November and reached HUF 2,271.9 billion. The stock of the 1-year Government Securities decreased by HUF 1,054.6 billion to HUF 1,103.4 billion at the end of November.

The volume of non-resident holdings of Hungarian government securities increased by HUF 43.1 billion in November. 99.7% of non-resident holdings was T-bonds, which amounted to HUF 4,436.0 billion. The non-resident holdings of Discount T-Bills amounted to HUF 13.9 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 November 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 eleven months of the year marked-to-market deposits decreased by HUF 27.1 billion and reached HUF 176.6 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 decreased from 2.7 to 2.2. The bid-to-cover ratio of T-bond auctions decreased from 2.5 to 2.2.

The average yield of the last 3-month Discount Treasury Bill auction in November was 0.42%, 7 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in November was 0.48%, 22 basis points lower compared to October.

The average yield of the last 3-year government bond auction in November was 0.98%, 28 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.50%, 21 basis points lower compared to October. The average yield of the last auction of 10-year government bond was 2.18%, lower by 10 basis points compared to the last October's average yield. The average yield of the last 15-year government bond auction was 2.32%, 33 basis points lower compared to the last October's yield. The average yield of the last of 20-year government bond auction was 2.50%, lower by 18 basis points compared to the last October's average yield.