FINANCING OF THE CENTRAL GOVERNMENT IN NOVEMBER 2018

1. Government debt data

The debt of the central government increased by HUF 2,258.8 billion in January-November period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 2,334.9 billion executed in the domestic and the retail market, which finances the annual deficit of the central government budget and partly the foreign currency debt maturing this year.
- **The second factor** is the depreciation of the forint, that increased the HUF value of the foreign currency debt by HUF 245.4 billion.
- **The third – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 280.1 billion.
- **The fourth – also decreasing – factor** is the change of the foreign currency exchange rates and other factors that decreased the mark-to-market deposits placed at GDMA by HUF 41.5 billion.

According to the preliminary data **the domestic and foreign currency debt of central government** was the following in 2018.

	31.12.2017		Issuance (increase in debt)	Redemptions (decrease in debt)	Other changes	Net change	30.11.2018		change
	Debt stock (preliminary data)	Breakdown	I-XI. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	*20,689.414*	*77.4%*	*11,849.520*	*9,514.584*	*0.000*	*2,334.936*	*23,024.350*	*79.4%*	*2.0%*
1.1. Loans	**1,041.076**	*3.9%*	**121.068**	**17.043**	**0.000**	**104.025**	**1,145.100**	*3.9%*	*0.1%*
1.1.1. Foreign	1,041.076	*3.9%*	121.068	17.043	0.000	104.025	1,145.100	*3.9%*	*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	**19,648.338**	*73.5%*	**11,728.452**	**9,497.541**	**0.000**	**2,230.912**	**21,879.250**	*75.4%*	*2.0%*
1.2.1. Public issues	19,609.161	*73.3%*	11,728.452	9,497.541	0.000	2,230.912	21,840.072	*75.3%*	*2.0%*
1.2.1.1. Bonds	*11,767.139*	*44.0%*	*2,958.800*	*1,656.372*	*0.000*	*1,302.428*	*13,069.567*	*45.1%*	*1.1%*
1.2.1.2. Discount T-bills	*1,039.165*	*3.9%*	*3,755.840*	*3,396.572*	*0.000*	*359.269*	*1,398.434*	*4.8%*	*0.9%*
1.2.1.3. Retail securities	*6,802.857*	*25.4%*	*5,013.812*	*4,444.597*	*0.000*	*569.215*	*7,372.072*	*25.4%*	*0.0%*
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	**5,782.546**	*21.6%*	**649.866**	**929.930**	**245.394**	**-34.670**	**5,747.876**	*19.8%*	*-1.8%*
2.1. Loans	**929.066**	*3.5%*	**220.325**	**381.797**	**40.683**	**-120.789**	**808.277**	*2.8%*	*-0.7%*
2.1.1. Foreign	929.066	*3.5%*	220.325	381.797	*40.683*	*-120.789*	808.277	*2.8%*	*-0.7%*
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	**4,853.480**	*18.1%*	**429.541**	**548.133**	**204.711**	**86.119**	**4,939.599**	*17.0%*	*-1.1%*
2.2.1. Issued abroad	4,145.912	*15.5%*	394.716	493.886	174.268	75.098	4,221.010	*14.6%*	*-0.9%*
2.2.2. Issued in Hungary	707.568	*2.6%*	34.825	54.246	30.443	11.021	718.589	*2.5%*	*-0.2%*
Total	**26,471.960**	*99.0%*	**12,499.386**	**10,444.514**	**245.394**	**2,300.266**	*28,772.226*	*99.2%*	*0.2%*
Other debt	274.246	*1.0%*	917.758	966.313	7.102	-41.453	232.793	*0.8%*	*-0.2%*
Total central government debt	**26,746.206**	*100.0%*	**13,417.144**	**11,410.827**	**252.496**	**2,258.813**	*29,005.019*	*100.0%*	*0.0%*

The foreign currency debt of the central government decreased by HUF 34.7 billion in 2018 and amounted to HUF 5,747.9 billion at the end of November 2018. The share of foreign currency denominated debt within the total debt decreased from 21.6% to 19.8% in 2018.

The forint denominated debt increased by HUF 2,334.9 billion and amounted to HUF 23,024.4 billion. The share of HUF-denominated debt reached 79.4% of the total debt, while in December 2017 this proportion was 77.4%.

The stock of retail securities increased by HUF 569.2 billion from the end of 2017 and amounted to HUF 7,372.1 billion at the end of November. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 507.3 billion by the end of November and reached HUF 2,964.8 billion. The 2-year Hungarian Government Security's stock increased by HUF 107.6 billion and reached HUF 484.4 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 82.8 billion due to the repurchase of retail securities from banks and narrowing the base of investors, reached HUF 3,378.8 billion at the end of November.

The volume of non-resident holdings of Hungarian government securities increased by HUF 102.9 billion in November. 93.5% of non-resident holdings was T-bonds, which amounted to HUF 3,811.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 264.8 billion, that represented only 6.5% of total non-resident holdings. The duration of the non-resident stock was 5.0 years at the end of November 2018.

In order to reduce counterparty risk associated with the swap transactions concluded by ÁKK, so-called marked-to-market deposits are being placed as collateral covering the net value of the swap positions. Such deposits placed at ÁKK are counted as part of the government debt as 'other obligations'. During the first eleven months marked-to-market deposits decreased by HUF 41.5 billion due to the revaluation of EUR vs USD and other factors and reached HUF 232.8 billion (EUR 0.7 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 2.0 in November. The bid-to-cover ratio of T-bond auctions decreased from 2.8 to 2.7.

The average yield of the last 3-month Discount Treasury Bill auction in November was -0.11%, 4 basis points lower than in the previous month. The average yield of the last 2-month Discount Treasury Bill auction in November was 0.33%, 4 basis points higher compared to October.

The average yield of the last 3-year government bond auction in November was 1.47% 22 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 2.83% 29 basis points lower compared to October. Finally, the average yield of the last auction of 10-year government bond was 3.63%, lower by 11 basis points compared to the last October's average yield.