FINANCING OF THE CENTRAL GOVERNMENT IN FEBRUARY 2018

1. Government debt data

The debt of the central government increased by HUF 579.5 billion in January-February period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 732.2 billion – including retail government securities issuance – executed in the domestic market, which finances the annual deficit of the central government budget and partly the foreign currency debt maturing this year.
- **The second factor** is that the forint depreciated, that increased the HUF value of the foreign currency debt by HUF 76.2 billion.
- **The third factor – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 87.5 billion.
- **The fourth – also decreasing – factor** is the change of the foreign currency exchange rates that decreased the mark-to-market deposits placed at GDMA by HUF 141.3 billion.

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

Central government gross debt and debt transactions in 2018

	31.12.2017		Issuance (increase in debt)	Redemptions (decrease in debt)	Other changes	Net change	28.02.2018		change
	Debt stock (preliminary data)	Breakdown	II. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	*20,689.414*	*77.35%*	*2,490.867*	*1,758.688*	*0.000*	*732.179*	*21,421.593*	*78.4%*	*1.0%*
1.1. Loans	**1,041.076**	*3.89%*	**39.676**	**0.000**	**0.000**	**39.676**	**1,080.751**	*3.96%*	*0.1%*
1.1.1. Foreign	1,041.076	*3.89%*	39.676	0.000	0.000	39.676	1,080.751	*3.96%*	*0.1%*
1.1.2. Domestic	0.000	*0.00%*	0.000	0.000	0.000	0.000	0.000	*0.00%*	*0.0%*
1.2. Government securities	**19,648.338**	*73.46%*	**2,451.191**	**1,758.688**	**0.000**	**692.503**	**20,340.841**	*74.44%*	*1.0%*
1.2.1. Public issues	19,609.161	*73.32%*	2,451.191	1,758.688	0.000	692.503	20,301.664	*74.30%*	*1.0%*
1.2.1.1. Bonds	*11,767.139*	*44.00%*	*588.920*	*173.143*	*0.000*	*415.777*	*12,182.916*	*44.58%*	*0.6%*
1.2.1.2. Discount T-bills	*1,039.165*	*3.89%*	*595.918*	*627.409*	*0.000*	*-31.491*	*1,007.674*	*3.69%*	*-0.2%*
1.2.1.3. Retail securities	*6,802.857*	*25.43%*	*1,266.353*	*958.136*	*0.000*	*308.217*	*7,111.074*	*26.02%*	*0.6%*
1.2.2. Private placements (bonds)	39.178	*0.15%*	0.000	0.000	0.000	0.000	39.178	*0.14%*	*0.0%*
2. Foreign currency denominated debt	**5,782.546**	*21.62%*	**111.183**	**198.731**	**76.185**	**-11.364**	**5,771.182**	*21.12%*	*-0.5%*
2.1. Loans	**929.066**	*3.47%*	**108.549**	**108.248**	**12.101**	**12.402**	**941.468**	*3.45%*	*0.0%*
2.1.1. Foreign	929.066	*3.47%*	108.549	108.248	*12.101*	*12.402*	941.468	*3.45%*	*0.0%*
2.1.2. Domestic	*0.000*	*0.00%*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.00%*	*0.0%*
2.2. Government securities	**4,853.480**	*18.15%*	**2.634**	**90.483**	**64.084**	**-23.766**	**4,829.714**	*17.67%*	*-0.5%*
2.2.1. Issued abroad	4,145.912	*15.50%*	0.000	81.595	54.724	-26.871	4,119.041	*15.07%*	*-0.4%*
2.2.2. Issued in Hungary	707.568	*2.65%*	2.634	8.888	9.360	3.106	710.674	*2.60%*	*0.0%*
Total	**26,471.960**	*98.97%*	**2,602.050**	**1,957.420**	**76.185**	**720.815**	*27,192.775*	*99.51%*	*0.5%*
Other debt	274.246	*1.03%*	116.500	258.953	1.155	-141.298	132.948	*0.49%*	*-0.5%*
Total central government debt	**26,746.206**	*100.00%*	**2,718.550**	**2,216.373**	**77.340**	**579.517**	*27,325.723*	*100.00%*	*0.0%*

The foreign currency debt of the central government decreased by HUF 11.4 billion in 2018 and amounted to HUF 5,771.2 billion at the end of February 2018. The share of foreign currency denominated debt within the total debt decreased from 21.6% to 21.1% in 2018.

The forint denominated debt increased by HUF 732.2 billion and amounted to HUF 21,421.6 billion. The share of HUF-denominated debt reached 78.4% of the total debt, while in December 2017 this proportion was 77.4%.

The stock of retail securities increased by HUF 308.2 billion from the end of 2017 and amounted to HUF 7,111.1 billion at the end of February. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 240.8 billion by the end of February and reached HUF 2,698.3 billion. The 2-year Hungarian Government Security's stock increased by HUF 59.4 billion and reached HUF 436.2 billion. The stock of the 1-year and Half-year Government Securities increased by HUF 2.6 billion and reached HUF 3,464.1 billion at the end of February.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 10.7 billion in February. 98.2% of non-resident holdings was T-bonds, which amounted to HUF 3,332.3 billion. The non-resident holdings of Discount T-Bills amounted to HUF 62.0 billion, that represented only 1.8% of total non-resident holdings. The duration of the non-resident stock was 5.3 years at the end of February 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 two months marked-to-market deposits decreased by HUF 141,3 billion due to the appreciation of EUR vs USD and reached HUF 132.9 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 1.9 to 1.8 in February. The bid-to-cover ratio of T-bond auctions decreased from 3.0 to 2.1.

The average yield of the last 3-month Discount Treasury Bill auction in February was 0.00%, which is the same value as it was in January. The average yield of the last 12-month Discount Treasury Bill auction in February was 0.01%, 1 basis points higher than in the previous month.

The average yield of the last 3-year government bond auction in February was 0.90% 43 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 1.42% 43 basis points higher compared to January. Finally, the average yield of the last auction of 10-year government bond was 2.50%, higher by 57 basis points compared to the last January's average yield.