FINANCING OF THE CENTRAL GOVERNMENT IN MAY 2019

1. Government debt data

The debt of the central government increased by HUF 217.0 billion in January-May period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 581.9 billion executed in the domestic market, which finances the annual deficit of the central government budget and 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 54.3 billion**.**
- **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 16.8 billion**.**
- **The fourth – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 436.0 billion, which decreased the debt of the central government.

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	31.05.2019		change
	Debt stock (preliminary data)	**Breakdown**	**I-V. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***22,795.954***	***79.5%***	***4,955.933***	***4,374.081***	***0.000***	***581.852***	***23,377.806***	***80.9%***	***1.4%***
1.1. Loans	**1,167.691**	***4.1%***	**20.084**	**14.279**	**0.000**	**5.804**	**1,173.495**	***4.1%***	***0.0%***
1.1.1. Foreign	1,167.691	*4.1%*	20.084	14.279	0.000	5.804	1,173.495	***4.1%***	***0.0%***
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%***	**4,935.849**	**4,359.802**	**0.000**	**576.047**	**22,204.310**	***76.8%***	***1.4%***
1.2.1. Public issues	21,589.085	*75.3%*	4,935.849	4,359.802	0.000	576.047	22,165.133	***76.7%***	***1.4%***
1.2.1.1. Bonds	*12,836.062*	*44.7%*	*1,873.010*	*969.274*	*0.000*	*903.736*	*13,739.798*	***47.5%***	**2.8%**
1.2.1.2. Discount T-bills	*1,237.307*	*4.3%*	*1,002.303*	*1,267.300*	*0.000*	*-264.997*	*972.310*	***3.4%***	**-0.9%**
1.2.1.3. Retail securities	*7,515.716*	*26.2%*	*2,060.536*	*2,123.227*	*0.000*	*-62.691*	*7,453.024*	***25.8%***	**-0.4%**
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%***	**30.055**	**466.006**	**54.309**	**-381.642**	**5,343.126**	***18.5%***	***-1.5%***
2.1. Loans	**794.975**	***2.8%***	**7.840**	**0.418**	**8.675**	**16.096**	**811.071**	***2.8%***	***0.0%***
2.1.1. Foreign	794.975	*2.8%*	7.840	0.418	*8.675*	*16.096*	811.071	***2.8%***	***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%***	**22.215**	**465.587**	**45.634**	**-397.738**	**4,532.055**	***15.7%***	***-1.5%***
2.2.1. Issued abroad	4,246.199	*14.8%*	0.000	464.296	38.005	-426.291	3,819.908	***13.2%***	***-1.6%***
2.2.2. Issued in Hungary	683.594	*2.4%*	22.215	1.291	7.629	28.553	712.147	***2.5%***	***0.1%***
Total	**28,520.723**	***99.4%***	**4,985.987**	**4,840.086**	**54.309**	**200.209**	***28,720.932***	***99.4%***	***-0.1%***
Other debt	167.444	*0.6%*	151.247	136.574	2.139	16.812	184.256	***0.6%***	***0.1%***
Total central government debt	**28,688.167**	***100.0%***	**5,137.234**	**4,976.661**	**56.448**	**217.021**	***28,905.188***	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 381.6 billion in 2019 and amounted to HUF 5,343.1 billion at the end of May 2019. The share of foreign currency denominated debt within the total debt decreased from 20.0% to 18.5% in 2019.

The forint denominated debt increased by HUF 581.9 billion and amounted to HUF 23,377.8 billion. The share of HUF-denominated debt reached 80.9% of the total debt, while in December 2018 this proportion was 79.5%.

The stock of retail securities decreased by HUF 62.7 billion from the end of 2018 and amounted to HUF 7,453.0 billion at the end of May due to the decrease of non-household's owned stock. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 212.0 billion by the end of May and reached HUF 3,253.1 billion. The 2-year Hungarian Government Security's stock decreased by HUF 102.1 billion and reached HUF 398.1 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 194.5 billion to HUF 3,229.1 billion at the end of May.

The volume of non-resident holdings of Hungarian government securities increased by HUF 131.1 billion in May. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 4,301.6 billion. The non-resident holdings of Discount T-Bills amounted to HUF 34.9 billion, that represented only 0.8% of total non-resident holdings. The duration of the non-resident stock was 5.3 years at the end of May 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 five months of the year marked-to-market deposits increased by HUF 16.8 billion and reached HUF 184.3 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 decreased from 2.2 to 2.1. The bid-to-cover ratio of T-bond auctions increased from 2.2 to 3.2.

The average yield of the last 3-month Discount Treasury Bill auction in May was 0.06%, 6 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in May was 0.21%, 1 basis points higher compared to April.

The average yield of the last 3-year government bond auction in May was 1.26% 13 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 2.01% 13 basis points lower compared to April. Finally, the average yield of the last auction of 10-year government bond was 3.13%, lower by 10 basis points compared to the last April's average yield.