FINANCING OF THE CENTRAL GOVERNMENT IN JANUARY 2018

1. Government debt data

The debt of the central government increased by HUF 344.3 billion in January due to the following reasons:

- **The first factor** is the net forint issuance of HUF 461.2 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 8.4 billion.
- **The third – also increasing – factor** is the net foreign currency issuance of HUF 5.5 billion.
- **The fourth factor – which had contrary effect than the above mentioned factor –** is the change of the foreign currency exchange rates that decreased the mark-to-market deposits placed at GDMA by HUF 130.8 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	31.01.2018		change
	Debt stock (preliminary data)	Breakdown	I. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***20,689.414***	***77.35%***	***1,302.512***	***841.356***	***0.000***	***461.156***	***21,150.570***	***78.1%***	***0.7%***
1.1. Loans	**1,041.076**	***3.89%***	**37.089**	**0.000**	**0.000**	**37.089**	**1,078.164**	***3.98%***	***0.1%***
1.1.1. Foreign	1,041.076	*3.89%*	37.089	0.000	0.000	37.089	1,078.164	***3.98%***	***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%***	**1,265.424**	**841.356**	**0.000**	**424.067**	**20,072.406**	***74.09%***	***0.6%***
1.2.1. Public issues	19,609.161	*73.32%*	1,265.424	841.356	0.000	424.067	20,033.228	***73.95%***	***0.6%***
1.2.1.1. Bonds	*11,767.139*	*44.00%*	*276.084*	*77.772*	*0.000*	*198.312*	*11,965.450*	***44.17%***	***0.2%***
1.2.1.2. Discount T-bills	*1,039.165*	*3.89%*	*307.589*	*286.601*	*0.000*	*20.988*	*1,060.153*	***3.91%***	***0.0%***
1.2.1.3. Retail securities	*6,802.857*	*25.43%*	*681.751*	*476.984*	*0.000*	*204.768*	*7,007.625*	***25.87%***	***0.4%***
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%***	**113.882**	**108.353**	**8.422**	**13.951**	**5,796.497**	***21.40%***	***-0.2%***
2.1. Loans	**929.066**	***3.47%***	**108.549**	**108.248**	**1.077**	**1.378**	**930.444**	***3.43%***	***0.0%***
2.1.1. Foreign	929.066	*3.47%*	108.549	108.248	*1.077*	*1.378*	930.444	***3.43%***	***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%***	**5.333**	**0.105**	**7.345**	**12.573**	**4,866.053**	***17.96%***	***-0.2%***
2.2.1. Issued abroad	4,145.912	*15.50%*	3.815	0.000	6.290	10.105	4,156.017	***15.34%***	***-0.2%***
2.2.2. Issued in Hungary	707.568	*2.65%*	1.518	0.105	1.055	2.468	710.036	***2.62%***	***0.0%***
Total	**26,471.960**	***98.97%***	**1,416.394**	**949.710**	**8.422**	**475.107**	***26,947.067***	***99.47%***	***0.5%***
Other debt	274.246	*1.03%*	32.167	162.750	-0.213	-130.797	143.449	***0.53%***	***-0.5%***
Total central government debt	**26,746.206**	***100.00%***	**1,448.561**	**1,112.460**	**8.208**	**344.310**	***27,090.516***	***100.00%***	***0.0%***

The foreign currency debt of the central government increased by HUF 14.0 billion in 2018 and amounted to HUF 5,796.5 billion at the end of January 2018. The share of foreign currency denominated debt within the total debt decreased from 21.6% to 21.4% in 2018.

The forint denominated debt increased by HUF 461.2 billion and amounted to HUF 21,150.6 billion. The share of HUF-denominated debt reached 78.1% of the total debt, while in December 2017 this proportion was 77.4%.

The stock of retail securities increased by HUF 204.8 billion from the end of 2017 and amounted to HUF 7,007.6 billion at the end of January. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 184.8 billion by the end of January and reached HUF 2,642.4 billion. The 2-year Hungarian Government Security's stock increased by HUF 34.7 billion and reached HUF 411.5 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 18.3 billion and reached HUF 3,443.2 billion at the end of January.

The volume of non-resident holdings of Hungarian government securities increased by HUF 19.6 billion in January. 97.70% of non-resident holdings was T-bonds, which amounted to HUF 3,327.4 billion. The non-resident holdings of Discount T-Bills amounted to HUF 77.7 billion, that represented only 2.3% of total non-resident holdings. The duration of the non-resident stock was 5.2 years at the end of January 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 month marked-to-market deposits decreased by HUF 130.8 billion due to the appreciation of EUR vs USD and reached HUF 143.4 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 increased from 1.4 to 1.9 in January. The bid-to-cover ratio of T-bond auctions increased from 2.3 to 3.0.

The average yield of the last 3-month Discount Treasury Bill auction in January was 0.00%, 3 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in January was 0.00%, 4 basis points lower than in the previous month.

The average yield of the last 3-year government bond auction in January was 0.47% 11 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 0.99% 8 basis points lower compared to December. Finally, the average yield of the last auction of 10-year government bond was 1.93%, lower by 11 basis points compared to the last November's average yield.