FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2019

1. Government debt data

The debt of the central government increased by HUF 564.7 billion in January-October period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,051.1 billion executed in the retail debt 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 136.3 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 39.3 billion.
- **The fourth – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 661.9 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	31.10.2019		change
	Debt stock (preliminary data)	**Breakdown**	**I-X. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***22,795.954***	***79.5%***	**10,674.095**	**9,622.999**	***0.000***	**1051.097**	**23,847.051**	***81.5%***	***2.1%***
1.1. Loans	**1,167.691**	***4.1%***	**20.084**	**14.279**	**0.000**	**5.804**	**1,173.495**	***4.0%***	***-0.1%***
1.1.1. Foreign	1,167.691	*4.1%*	20.084	14.279	0.000	5.804	1,173.495	***4.0%***	***-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	**21,628.263**	***75.4%***	**10,654.012**	**9,608.720**	**0.000**	**1045.292**	**22,673.555**	***77.5%***	***2.1%***
1.2.1. Public issues	21,589.085	*75.3%*	10,654.012	9,608.720	0.000	1045.292	22,634.378	***77.4%***	***2.1%***
1.2.1.1. Bonds	*12,836.062*	*44.7%*	*3,082.456*	*2,896.002*	*0.000*	*186.453*	*13,022.516*	***44.5%***	***-0.2%***
1.2.1.2. Discount T-bills	*1,237.307*	*4.3%*	*1,641.630*	*2,071.089*	*0.000*	*-429.460*	*807.848*	***2.8%***	***-1.6%***
1.2.1.3. Retail securities	*7,515.716*	*26.2%*	*5,929.927*	*4,641.628*	*0.000*	*1288.299*	*8,804.014*	***30.1%***	***3.9%***
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%***	**84.032**	**745.920**	**136.263**	**-525.625**	**5,199.143**	***17.8%***	***-2.2%***
2.1. Loans	**794.975**	***2.8%***	**7.840**	**39.150**	**21.183**	**-10.127**	**784.848**	***2.7%***	***-0.1%***
2.1.1. Foreign	794.975	*2.8%*	7.840	39.150	*21.183*	*-10.127*	784.848	***2.7%***	***-0.1%***
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%***	**76.192**	**706.770**	**115.080**	**-515.498**	**4,414.295**	***15.1%***	***-2.1%***
2.2.1. Issued abroad	4,246.199	*14.8%*	0.000	641.043	96.439	-544.604	3,701.596	***12.7%***	***-2.1%***
2.2.2. Issued in Hungary	683.594	*2.4%*	76.192	65.727	18.641	29.106	712.700	***2.4%***	***0.1%***
Total	**28,520.723**	***99.4%***	**10,758.127**	**10,368.919**	**136.263**	**525.471**	**29,046.194**	***99.3%***	***-0.1%***
Other debt	167.444	*0.6%*	322.152	288.136	5.261	39.277	206.721	***0.7%***	***0.1%***
Total central government debt	**28,688.167**	***100.0%***	**11,080.279**	**10,657.055**	**141.524**	**564.749**	**29,252.915**	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 525.6 billion in 2019 and amounted to HUF 5,199.1 billion at the end of October 2019. The share of foreign currency denominated debt within the total debt decreased from 20.0% to 17.8% in 2019.

Due to the favorable liquidity situation and in order to reduce the redemption of foreign exchange debt, ÁKK repurchased HUF 269.7 billion foreign currency bonds maturing in 2020 and 2021 during this year.

The forint denominated debt increased by HUF 1,051.1 billion to HUF 23,847.1 billion. The share of HUF-denominated debt reached 81.5% of the total debt, while in December 2018 this proportion was 79.5%.

The stock of retail securities increased by HUF 1,288.3 billion from the end of 2018 to HUF 8,804.0 billion at the end of October. The increase was mainly due to the 5-year retail government bond introduced on 3 June, its name is Hungarian Government Security Plus.

The stock of the new Hungarian Government Securities Plus increased to HUF 2,484.6 billion at the end of October. The outstanding amount of the Premium Hungarian Government Securities increased by HUF 54.9 billion by the end of October and reached HUF 2,631.0 billion. The stock of the 1-year Government Securities decreased by HUF 751.6 billion to HUF 2,418.3 billion at the end of October.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 12.8 billion in October. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 4,362.4 billion. The non-resident holdings of Discount T-Bills amounted to HUF 6.8 billion, that represented only 0.2% of total non-resident holdings. The duration of the non-resident stock was 5.8 years at the end of October 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 ten months of the year marked-to-market deposits increased by HUF 39.3 billion and reached HUF 206.7 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 2.5 to 2.4. The bid-to-cover ratio of T-bond auctions increased from 2.0 to 2.1.

The average yield of the last 3-month Discount Treasury Bill auction in October was -0.05%, 2 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in October was 0.01%, 3 basis points lower compared to September.

The average yield of the last 3-year government bond auction in October was 0.40% 2 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 0.97% 3 basis points higher compared to September. The average yield of the last auction of 10-year government bond was 1.96%, higher by 4 basis points compared to the last September's average yield. The average yield of the last 15-year government bond auction was 2.57% 44 basis points higher compared to the last August auction.