FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2018

1. Government debt data

The debt of the central government increased by HUF 2,141.4 billion in January-October period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 2,124.6 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 265,6 billion.
- **The third – also increasing – factor** is the change of the foreign currency exchange rates that increased the mark-to-market deposits placed at GDMA by HUF 34.5 billion.
- **The fourth – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 283.4 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	31.10.2018		change
	Debt stock (preliminary data)	Breakdown	I-X. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***20,689.414***	***77.4%***	***10,825.666***	***8,701.060***	***0.000***	***2,124.606***	***22,814.020***	***79.0%***	***1.6%***
1.1. Loans	**1,041.076**	***3.9%***	**93.988**	**17.043**	**0.000**	**76.945**	**1,118.021**	***3.9%***	***0.0%***
1.1.1. Foreign	1,041.076	*3.9%*	93.988	17.043	0.000	76.945	1,118.021	***3.9%***	***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	**19,648.338**	*73.5%*	**10,731.678**	**8,684.017**	**0.000**	**2,047.661**	**21,695.999**	***75.1%***	***1.6%***
1.2.1. Public issues	19,609.161	*73.3%*	10,731.678	8,684.017	0.000	2,047.661	21,656.822	***75.0%***	***1.7%***
1.2.1.1. Bonds	*11,767.139*	*44.0%*	*2,693.149*	*1,628.212*	*0.000*	*1,064.937*	*12,832.076*	***44.4%***	***0.4%***
1.2.1.2. Discount T-bills	*1,039.165*	*3.9%*	*3,454.010*	*3,086.020*	*0.000*	*367.990*	*1,407.155*	***4.9%***	***1.0%***
1.2.1.3. Retail securities	*6,802.857*	*25.4%*	*4,584.519*	*3,969.785*	*0.000*	*614.734*	*7,417.591*	***25.7%***	***0.2%***
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%***	**646.436**	**929.832**	**265.624**	**-17.772**	**5,764.775**	***20.0%***	***-1.7%***
2.1. Loans	**929.066**	***3.5%***	**220.325**	**381.797**	**43.531**	**-117.941**	**811.125**	***2.8%***	***-0.7%***
2.1.1. Foreign	929.066	*3.5%*	220.325	381.797	*43.531*	*-117.941*	811.125	***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%***	**426.111**	**548.034**	**222.092**	**100.169**	**4,953.650**	***17.1%***	***-1.0%***
2.2.1. Issued abroad	4,145.912	*15.5%*	394.716	493.886	189.141	89.970	4,235.883	***14.7%***	***-0.8%***
2.2.2. Issued in Hungary	707.568	*2.6%*	31.395	54.148	32.952	10.199	717.767	***2.5%***	***-0.2%***
Total	**26,471.960**	***99.0%***	**11,472.103**	**9,630.892**	**265.623**	**2,106.835**	***28,578.795***	***98.9%***	***0.0%***
Other debt	274.246	*1.0%*	852.309	826.546	8.767	34.529	308.775	***1.1%***	***0.0%***
Total central government debt	**26,746.206**	***100.0%***	**12,324.412**	**10,457.438**	**274.390**	**2,141.364**	***28,887.570***	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 17.8 billion in 2018 and amounted to HUF 5,764.8 billion at the end of October 2018. The share of foreign currency denominated debt within the total debt decreased from 21.6% to 20.0% in 2018.

The forint denominated debt increased by HUF 2,124.6 billion and amounted to HUF 22,814.0 billion. The share of HUF-denominated debt reached 79.0% of the total debt, while in December 2017 this proportion was 77.4%.

The stock of retail securities increased by HUF 614.7 billion from the end of 2017 and amounted to HUF 7,417.6 billion at the end of October. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 531.7 billion by the end of October and reached HUF 2,989.2 billion. The 2-year Hungarian Government Security's stock increased by HUF 177.0 billion and reached HUF 553.8 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 125.4 billion due to the repurchase of retail securities from banks and narrowing the base of investors, reached HUF 3,336.2 billion at the end of October.

The volume of non-resident holdings of Hungarian government securities increased by HUF 224.7 billion in October. 95.4% of non-resident holdings was T-bonds, which amounted to HUF 3,789.7 billion. The non-resident holdings of Discount T-Bills amounted to HUF 184.1 billion, that represented only 4.6% of total non-resident holdings. The duration of the non-resident stock was 5.0 years at the end of October 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 ten months marked-to-market deposits increased by HUF 34.5 billion due to the depreciation of EUR vs USD and reached HUF 308.8 billion (EUR 1.0 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 2.1 to 2.7 in October. The bid-to-cover ratio of T-bond auctions increased from 2.2 to 2.8.

The average yield of the last 3-month Discount Treasury Bill auction in October was -0.07%, 12 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in October was 0.29%, 29 basis points lower compared to September.

The average yield of the last 3-year government bond auction in October was 1.69% 7 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 3.12% 16 basis points higher compared to September. Finally, the average yield of the last auction of 10-year government bond was 3.74%, higher by 16 basis points compared to the last September's average yield.