FINANCING OF THE CENTRAL GOVERNMENT IN JANUARY 2020

1. Government debt data

The debt of the central government decreased by HUF 74.2 billion in January due to the following reasons:

- **The first factor** is the net foreign currency redemption of HUF 469.2 billion, which decreased the debt of the central government.
- **The second – which had contrary effect than the above mentioned factor –** is the net forint issuance of HUF 274.2 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 third – also increasing – factor** is the depreciation of the forint, that increased the HUF value of the foreign currency debt by HUF 97.0 billion.
- **The fourth 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 23.8 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2020.

Central government gross debt and debt transactions in 2020

	31.12.2019		Issuance (increase in debt)	Redemptions (decrease in debt)	Other changes	Net change	31.01.2020		change
	Debt stock (preliminary data)	**Breakdown**	**I. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***24,357.094***	***82.1%***	**1,065.093**	**790.866**	***0.000***	**274.23**	**24,631.321**	***83.2%***	***1.1%***
1.1. Loans	**1,208.122**	***4.1%***	**0.000**	**0.000**	**0.000**	**0.000**	**1,208.122**	***4.1%***	***0.0%***
1.1.1. Foreign	1,208.122	*4.1%*	0.000	0.000	0.000	0.000	1,208.122	***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	**23,148.972**	***78.0%***	**1,065.093**	**790.866**	**0.000**	**274.23**	**23,423.199**	***79.1%***	***1.1%***
1.2.1. Public issues	23,109.794	*77.9%*	1,065.093	790.866	0.000	274.23	23,384.021	***79.0%***	***1.1%***
1.2.1.1. Bonds	*13,378.485*	*45.1%*	*382.875*	*290.467*	*0.000*	*92.41*	*13,470.893*	***45.5%***	***0.4%***
1.2.1.2. Discount T-bills	*657.288*	*2.2%*	*192.169*	*147.670*	*0.000*	*44.499*	*701.788*	***2.4%***	***0.2%***
1.2.1.3. Retail securities	*9,074.021*	*30.6%*	*490.049*	*352.729*	*0.000*	*137.32*	*9,211.340*	***31.1%***	***0.5%***
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	**5,121.190**	***17.3%***	**6.110**	**475.301**	**96.975**	**-372.217**	**4,748.973**	***16.0%***	***-1.2%***
2.1. Loans	**825.439**	***2.8%***	**0.000**	**0.000**	**15.309**	**15.309**	**840.748**	***2.8%***	***0.1%***
2.1.1. Foreign	825.439	*2.8%*	0.000	0.000	*15.309*	*15.309*	840.748	***2.8%***	***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	**4,295.752**	***14.5%***	**6.110**	**475.301**	**81.666**	**-387.526**	**3,908.226**	***13.2%***	***-1.3%***
2.2.1. Issued abroad	3,713.468	*12.5%*	0.000	475.064	70.811	-404.253	3,309.214	***11.2%***	***-1.3%***
2.2.2. Issued in Hungary	582.284	*2.0%*	6.110	0.237	10.855	16.727	599.011	***2.0%***	***0.1%***
Total	**29,478.284**	***99.3%***	**1,071.203**	**1,266.167**	**96.975**	**-97.990**	**29,380.294**	***99.2%***	***-0.1%***
Other debt	203.686	*0.7%*	33.126	13.079	3.762	23.808	227.495	***0.8%***	***0.1%***
Total central government debt	**29,681.970**	***100.0%***	**1,104.328**	**1,279.246**	**100.736**	**-74.182**	**29,607.788**	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 372.2 billion in 2020 and amounted to HUF 4,749.0 billion at the end of January 2020. The share of foreign currency denominated debt within the total debt decreased from 17.3% to 16.0% in 2020.

Due to the favorable liquidity situation and in order to reduce the redemption of foreign exchange debt, ÁKK repurchased the nominal value of the USD 1 billion foreign currency bonds from the four high-yield bonds, maturing between 2021-24, for a total value of HUF 306.9 billion.

The forint denominated debt increased by HUF 274.2 billion to HUF 24,631.3 billion. The share of HUF-denominated debt reached 83.2% of the total debt, while in December 2019 this proportion was 82.1%.

The stock of retail securities increased by HUF 137.3 billion from the end of 2019 to HUF 9,211.3 billion at the end of January.

The increase was mainly due to the sale of Hungarian Government Securities Plus, and also affected by the sales of 1-year Hungarian Government Securities, Premium Hungarian Government Securities, Treasury Savings Bills and Baby Bonds.

The stock of the new Hungarian Government Securities Plus increased to HUF 3,415.2 billion at the end of January compared to the previous month. Despite the repurchases of the Premium Hungarian Government Securities from dealers, the outstanding amount increased by HUF 23.6 billion by the end of January and reached HUF 2,542.0 billion. The stock of the 1-year Government Securities decreased by HUF 148.9 billion to HUF 2,009.1 billion at the end of January.

The volume of non-resident holdings of Hungarian government securities increased by HUF 119.2 billion in January. 99.3% of non-resident holdings was T-bonds, which amounted to HUF 4,258.5 billion. The non-resident holdings of Discount T-Bills amounted to HUF 28.7 billion, that represented only 0.7% of total non-resident holdings. The duration of the non-resident stock was 5.8 years at the end of January 2020.

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 month of the year marked-to-market deposits increased by HUF 23.8 billion and reached HUF 227.5 billion (EUR 0.7 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 2.6 The bid-to-cover ratio of T-bond auctions decreased from 4.4 to 3.8.

The average yield of the last 3-month Discount Treasury Bill auction in January was 0.05%, 5 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in January was 0.06%, 5 basis points higher compared to December.

The average yield of the last 3-year government bond auction in January was 0.49% 17 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 1.33% 20 basis points higher compared to December. The average yield of the last auction of 10-year government bond was 2.08%, higher by 21 basis points compared to the last December's average yield.