FINANCING OF THE CENTRAL GOVERNMENT IN MAY 2021

1. Government debt data

The debt of the central government increased by HUF 464.7 billion in May due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,242.4 billion, which finances the deficit of the central government budget.
- **The second – which had contrary effect than the above mentioned factor –** is the net foreign currency redemption of HUF 440.9 billion, which decreased the debt of the central government.
- **The third – also decreasing – factor** is the appreciation of the forint that decreased the HUF value of the foreign currency debt by HUF 316.5 billion.
- **The fourth – decreasing – factor** is the change of the foreign currency exchange rates and other factors that decreased the mark-to-market deposits placed at GDMA by HUF 20.3 billion.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2021.

Central government gross debt and debt transactions in 2021

	31.12.2020		Issuance (increase in debt)	Redemption (decrease in debt)	Other changes	Net change	31.05.2021		change
	Debt stock (preliminary data)	Breakdown	I-V. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***29,237.266***	***79.7%***	**3,965.194**	**2,722.756**	***-0.001***	**1,242.437**	**30,479.703**	***82.0%***	***2.35%***
1.1. Loans	**1,161.614**	***3.2%***	**0.000**	**4.784**	**0.000**	**-4.784**	**1,156.830**	***3.1%***	***-0.05%***
1.1.1. Foreign	1,161.614	*3.2%*	0.000	4.784	0.000	-4.784	1,156.830	***3.1%***	***-0.05%***
1.1.2. Domestic	0.000	*0.0%*	0.000	0.000	0.000	0.000	0.000	***0.0%***	***0.00%***
1.2. Government securities	**28,075.652**	***76.5%***	**3,965.194**	**2,717.972**	**-0.001**	**1,247.221**	**29,322.873**	***78.9%***	***2.40%***
1.2.1. Public issues	28,036.474	*76.4%*	3,965.194	2,717.972	-0.001	1247.221	29,283.696	***78.8%***	***2.40%***
1.2.1.1. Bonds	*18,206.614*	*49.6%*	*2,081.932*	*1,122.989*	*0.000*	*958.942*	*19,165.556*	***51.6%***	***1.96%***
1.2.1.2. Discount T-bills	*658.167*	*1.8%*	*446.284*	*520.795*	*0.000*	*-74.511*	*583.656*	***1.6%***	***-0.22%***
1.2.1.3. Retail securities	*9,171.693*	*25.0%*	*1,436.979*	*1,074.188*	*-0.001*	*362.790*	*9,534.483*	***25.7%***	***0.66%***
1.2.2. Private placements (bonds)	39.178	*0.1%*	0.000	0.000	0.000	0.000	39.178	***0.1%***	***0.00%***
2. Foreign currency denominated debt	**7,318.230**	***19.9%***	**153.767**	**594.696**	**-316.545**	**-757.474**	**6,560.756**	***17.7%***	***-2.29%***
2.1. Loans	**1,291.084**	***3.5%***	**142.968**	**57.674**	**-61.282**	**24.011**	**1,315.095**	***3.5%***	***0.02%***
2.1.1. Foreign	1,291.084	*3.5%*	142.968	57.674	*-61.282*	*24.011*	1315.095	***3.5%***	***0.02%***
2.1.2. Domestic	*0.000*	*0.0%*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	***0.0%***	***0.00%***
2.2. Government securities	**6,027.146**	***16.4%***	**10.799**	**537.022**	**-255.262**	**-781.486**	**5,245.661**	***14.1%***	***-2.31%***
2.2.1. Issued abroad	5,481.262	*14.9%*	0.000	527.690	-230.074	-757.763	4,723.498	***12.7%***	***-2.23%***
2.2.2. Issued in Hungary	545.885	*1.5%*	10.799	9.332	-25.189	-23.722	522.163	***1.4%***	***-0.08%***
Total	**36,555.496**	***99.6%***	**4,118.961**	**3,317.452**	**-316.546**	**484.963**	**37,040.459**	***99.7%***	***0.06%***
Other debt	128.840	*0.4%*	111.926	126.465	-5.737	-20.276	108.564	***0.3%***	***-0.06%***
Total central government debt	**36,684.336**	***100.0%***	**4,230.887**	**3,443.917**	**-322.283**	**464.687**	**37,149.023**	***100.0%***	***0.00%***

The foreign currency debt of the central government decreased by HUF 757.5 billion in 2021 and amounted to HUF 6,560.8 billion at the end of May 2021. The share of foreign currency denominated debt within the total debt decreased from 19.9% to 17.7% in 2021.

The forint denominated debt increased by HUF 1242.4 billion to HUF 30,479.7 billion. The share of HUF-denominated debt reached 82.0% of the total debt, while in December 2020 this proportion was 79.7%.

The stock of retail securities increased by HUF 362.8 billion from the end of 2020 to HUF 9,534.5 billion at the end of May.

The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 452.6 billion this year and amounted to HUF 5,673.9 billion at the end of May. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year increased by HUF 19.9 billion due to the sales and the repurchases from dealers, thus amounted to HUF 2,329.9 billion. The stock of the 1-year Government Securities decreased by HUF 36.5 billion to HUF 1,051.9 billion at the end of May.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 183.4 billion in May. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 4,484.8 billion. The non-resident holdings of Discount T-Bills amounted to HUF 8.7 billion, that represented only 0.2% of total non-resident holdings. The duration of the non-resident stock was 5.9 years at the end of May 2021.

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 decreased by HUF 20.3 billion and reached HUF 108.6 billion (EUR 0.3 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 3.0 to 2.2. The bid-to-cover ratio of T-bond auctions decreased from 2.9 to 2.8 in May.

The average yield of the last 3-month Discount Treasury Bill auction in May was 0.60%, 6 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in May was 0.78%, 13 basis points higher compared to April.

The average yield of the last 5-year government bond auction in May was 2.08%, 35 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 3.09%, 40 basis points higher compared to April. The average yield of the last 15-year government bond auction was 3.19%, 19 basis points higher compared to the last March's yield.