FINANCING OF THE CENTRAL GOVERNMENT IN AUGUST 2021

1. Government debt data

The debt of the central government increased by HUF 1,059.5 billion in August due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,812.4 billion, which finances the deficit of the central government budget.
- **The second – 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 31.3 billion.
- **The third – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 472.5 billion, which decreased the debt of the central government.
- **The fourth – also decreasing – factor** is the appreciation of the forint that decreased the HUF value of the foreign currency debt by HUF 311.7 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	31.08.2021		change
	Debt stock (preliminary data)	**Breakdown**	**I-VIII. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***29,237.266***	***79.7%***	**6,532.857**	**4,720.429**	***-0.001***	**1,812.426**	**31,049.692**	***82.3%***	***2.56%***
1.1. Loans	**1,161.614**	***3.2%***	**0.000**	**4.784**	**0.000**	**-4.784**	**1,156.830**	***3.1%***	***-0.10%***
1.1.1. Foreign	1,161.614	*3.2%*	0.000	4.784	0.000	-4.784	1,156.830	***3.1%***	***-0.10%***
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%***	**6,532.857**	**4,715.645**	**-0.001**	**1,817.210**	**29,892.862**	***79.2%***	***2.67%***
1.2.1. Public issues	28,036.474	*76.4%*	6,532.857	4,715.645	-0.001	1817.210	29,853.684	***79.1%***	***2.67%***
1.2.1.1. Bonds	*18,206.614*	*49.6%*	*3,340.109*	*1,875.641*	*0.000*	*1464.468*	*19,671.082*	***52.1%***	***2.49%***
1.2.1.2. Discount T-bills	*658.167*	*1.8%*	*780.719*	*894.962*	*0.000*	*-114.242*	*543.925*	***1.4%***	***-0.35%***
1.2.1.3. Retail securities	*9,171.693*	*25.0%*	*2,412.028*	*1,945.043*	*-0.001*	*466.984*	*9,638.677*	***25.5%***	***0.54%***
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%***	**177.249**	**649.747**	**-311.729**	**-784.228**	**6,534.003**	***17.3%***	***-2.64%***
2.1. Loans	**1,291.084**	***3.5%***	**157.684**	**90.305**	**-60.386**	**6.992**	**1,298.076**	***3.4%***	***-0.08%***
2.1.1. Foreign	1,291.084	*3.5%*	157.684	90.305	*-60.386*	*6.992*	1298.076	***3.4%***	***-0.08%***
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%***	**19.565**	**559.442**	**-251.343**	**-791.220**	**5,235.926**	***13.9%***	***-2.56%***
2.2.1. Issued abroad	5,481.262	*14.9%*	0.000	527.690	-226.599	-754.289	4,726.973	***12.5%***	***-2.42%***
2.2.2. Issued in Hungary	545.885	*1.5%*	19.565	31.752	-24.744	-36.931	508.954	***1.3%***	***-0.14%***
Total	**36,555.496**	***99.6%***	**6,710.106**	**5,370.177**	**-311.731**	**1,028.198**	**37,583.695**	***99.6%***	***-0.07%***
Other debt	128.840	*0.4%*	201.700	164.266	-6.161	31.273	160.113	***0.4%***	***0.07%***
Total central government debt	**36,684.336**	***100.0%***	**6,911.806**	**5,534.443**	**-317.892**	**1,059.471**	**37,743.807**	***100.0%***	***0.00%***

The foreign currency debt of the central government decreased by HUF 784.2 billion in 2021 and amounted to HUF 6,534.0 billion at the end of August 2021. The share of foreign currency denominated debt within the total debt decreased from 19.9% to 17.3% in 2021.

The forint denominated debt increased by HUF 1,812.4 billion to HUF 31,049.7 billion. The share of HUF-denominated debt reached 82.3% of the total debt, while in December 2020 this proportion was 79.7%.

The stock of retail securities increased by HUF 467.0 billion from the end of 2020 to HUF 9,638.7 billion at the end of August.

The stock of the Hungarian Government Securities Plus (dematerialised and printed) increased by HUF 768.4 billion this year and amounted to HUF 5,989.7 billion at the end of August. The portfolio of Premium Hungarian Government Securities with a maturity of more than one year decreased by HUF 121.2 billion due to a significant maturity, thus amounted to HUF 2,188.7 billion. The stock of the 1-year Government Securities decreased by HUF 84.9 billion to HUF 1,003.5 billion at the end of August.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 30.1 billion in August. 99.9% of non-resident holdings was T-bonds, which amounted to HUF 4,659.8 billion. The non-resident holdings of Discount T-Bills amounted to HUF 5.2 billion, that represented only 0.1% of total non-resident holdings. The duration of the non-resident stock was 5.9 years at the end of August 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 eight months of the year marked-to-market deposits increased by HUF 31.3 billion and reached HUF 160.1 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 decreased from 1.8 to 1.2. The bid-to-cover ratio of T-bond auctions decreased from 1.9 to 1.3 in August.

The average yield of the last 3-month Discount Treasury Bill auction in August was 0.82%, 30 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in August was 1.08%, 11 basis points higher compared to July.

The average yield of the last 5-year government bond auction in August was 2.31%, 28 basis points higher compared to the previous month. The average yield of the last 10-year government bond auction was 2.88%, 3 basis points higher compared to July. The average yield of the last auction of 15-year government bond was 3.28%, higher by 11 basis points compared to the last July's average yield. The average yield of the last 20-year government bond auction was 3.30%, 1 basis points higher compared to the last July's yield.