FINANCING OF THE CENTRAL GOVERNMENT IN JULY 2018

1. Government debt data

The debt of the central government increased by HUF 1,326.7 billion in January-July period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,624.7 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 205.3 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 1.6 billion.
- **The fourth factor – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 504.9 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	31.07.2018		change
	Debt stock (preliminary data)	Breakdown	I-VII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	*20,689.414*	*77.4%*	*7,584.201*	*5,959.462*	*0.000*	*1,624.739*	*22,314.153*	*79.5%*	*2.1%*
1.1. Loans	**1,041.076**	*3.9%*	**93.988**	**17.043**	**0.000**	**76.945**	**1,118.021**	*4.0%*	*0.1%*
1.1.1. Foreign	1,041.076	*3.9%*	93.988	17.043	0.000	76.945	1,118.021	*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	**19,648.338**	*73.5%*	**7,490.213**	**5,942.419**	**0.000**	**1,547.793**	**21,196.132**	*75.5%*	*2.0%*
1.2.1. Public issues	19,609.161	*73.3%*	7,490.213	5,942.419	0.000	1,547.793	21,156.954	*75.4%*	*2.0%*
1.2.1.1. Bonds	*11,767.139*	*44.0%*	*1,785.315*	*1,129.149*	*0.000*	*656.166*	*12,423.305*	*44.3%*	*0.3%*
1.2.1.2. Discount T-bills	*1,039.165*	*3.9%*	*2,449.471*	*1,987.895*	*0.000*	*461.576*	*1,500.741*	*5.3%*	*1.5%*
1.2.1.3. Retail securities	*6,802.857*	*25.4%*	*3,255.426*	*2,825.375*	*0.000*	*430.051*	*7,232.909*	*25.8%*	*0.3%*
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%*	**189.008**	**693.918**	**205.305**	**-299.605**	**5,482.942**	*19.5%*	*-2.1%*
2.1. Loans	**929.066**	*3.5%*	**108.549**	**183.155**	**32.762**	**-41.844**	**887.222**	*3.2%*	*-0.3%*
2.1.1. Foreign	929.066	*3.5%*	108.549	183.155	*32.762*	*-41.844*	887.222	*3.2%*	*-0.3%*
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%*	**80.459**	**510.763**	**172.543**	**-257.761**	**4,595.719**	*16.4%*	*-1.8%*
2.2.1. Issued abroad	4,145.912	*15.5%*	71.286	493.886	147.165	-275.435	3,870.477	*13.8%*	*-1.7%*
2.2.2. Issued in Hungary	707.568	*2.6%*	9.173	16.877	25.378	17.674	725.242	*2.6%*	*-0.1%*
Total	**26,471.960**	*99.0%*	**7,773.210**	**6,653.381**	**205.305**	**1,325.134**	*27,797.095*	*99.0%*	*0.0%*
Other debt	274.246	*1.0%*	597.517	601.456	5.533	1.594	275.840	*1.0%*	*0.0%*
Total central government debt	**26,746.206**	*100.0%*	**8,370.727**	**7,254.837**	**210.838**	**1,326.728**	*28,072.934*	*100.0%*	*0.0%*

The foreign currency debt of the central government decreased by HUF 299.6 billion in 2018 and amounted to HUF 5,482.9 billion at the end of July 2018. The share of foreign currency denominated debt within the total debt decreased from 21.6% to 19.5% in 2018.

The forint denominated debt increased by HUF 1,624.7 billion and amounted to HUF 22,314.2 billion. The share of HUF-denominated debt reached 79.5% of the total debt, while in December 2017 this proportion was 77.4%.

The stock of retail securities increased by HUF 430.1 billion from the end of 2017 and amounted to HUF 7,232.9 billion at the end of July. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 361.2 billion by the end of July and reached HUF 2,818.7 billion. The 2-year Hungarian Government Security's stock increased by HUF 126.5 billion and reached HUF 503.4 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 73.8 billion due to the repurchase of retail securities from banks and reached HUF 3,387.7 billion at the end of July.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 51.6 billion in July. 97.6% of non-resident holdings was T-bonds, which amounted to HUF 3,486.2 billion. The non-resident holdings of Discount T-Bills amounted to HUF 86.1 billion, that represented only 2.4% of total non-resident holdings. The duration of the non-resident stock was 5.2 years at the end of July 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 seven months marked-to-market deposits increased by HUF 1.6 billion due to the depreciation of EUR vs USD and reached HUF 275.8 billion (EUR 0.9 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.7 to 2.9 in July. The bid-to-cover ratio of T-bond auctions decreased from 1.9 to 1.6.

The average yield of the last 3-month Discount Treasury Bill auction in July was 0.10%, 13 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in July was 0.52%, 2 basis points lower compared to June.

The average yield of the last 3-year government bond auction in July was 1.72% 10 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 2.70% 1 basis points lower compared to June. Finally, the average yield of the last auction of 10-year government bond was 3.29%, lower by 22 basis points compared to the last June's average yield.