FINANCING OF THE CENTRAL GOVERNMENT IN SEPTEMBER 2018

1. Government debt data

The debt of the central government increased by HUF 1,671.9 billion in January-September period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 2,054.5 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 249.1 billion.
- **The third – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 601.6 billion.
- **The fourth – also decreasing – factor** is the change of the foreign currency exchange rates that decreased the mark-to-market deposits placed at GDMA by HUF 30.2 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	30.09.2018		change
	Debt stock (preliminary data)	**Breakdown**	**I-IX. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***20,689.414***	*77.4%*	***9,784.654***	***7,730.127***	***0.000***	***2,054.527***	***22,743.941***	***80.0%***	***2.7%***
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%*	**9,690.666**	**7,713.084**	**0.000**	**1,977.581**	**21,625.920**	***76.1%***	***2.6%***
1.2.1. Public issues	19,609.161	*73.3%*	9,690.666	7,713.084	0.000	1,977.581	21,586.742	***76.0%***	***2.6%***
1.2.1.1. Bonds	*11,767.139*	*44.0%*	*2,294.429*	*1,317.532*	*0.000*	*976.897*	*12,744.036*	***44.8%***	***0.8%***
1.2.1.2. Discount T-bills	*1,039.165*	*3.9%*	*3,259.696*	*2,824.434*	*0.000*	*435.263*	*1,474.428*	***5.2%***	***1.3%***
1.2.1.3. Retail securities	*6,802.857*	*25.4%*	*4,136.541*	*3,571.119*	*0.000*	*565.422*	*7,368.279*	***25.9%***	***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	**5,782.546**	***21.6%***	**316.783**	**918.335**	**249.080**	**-352.472**	**5,430.074**	***19.1%***	***-2.5%***
2.1. Loans	**929.066**	***3.5%***	**220.325**	**370.424**	**41.217**	**-108.882**	**820.184**	***2.9%***	***-0.6%***
2.1.1. Foreign	929.066	*3.5%*	220.325	370.424	*41.217*	*-108.882*	820.184	***2.9%***	***-0.6%***
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%***	**96.458**	**547.911**	**207.863**	**-243.590**	**4,609.890**	***16.2%***	***-1.9%***
2.2.1. Issued abroad	4,145.912	*15.5%*	71.286	493.886	176.919	-245.682	3,900.231	***13.7%***	***-1.8%***
2.2.2. Issued in Hungary	707.568	*2.6%*	25.172	54.024	30.944	2.092	709.660	***2.5%***	***-0.1%***
Total	**26,471.960**	***99.0%***	**10,101.437**	**8,648.462**	**249.080**	**1,702.055**	***28,174.015***	***99.1%***	***0.2%***
Other debt	274.246	*1.0%*	760.291	798.550	8.080	-30.179	244.067	***0.9%***	***-0.2%***
Total central government debt	**26,746.206**	***100.0%***	**10,861.728**	**9,447.012**	**257.160**	**1,671.876**	***28,418.082***	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 352.5 billion in 2018 and amounted to HUF 5,430.1 billion at the end of September 2018. The share of foreign currency denominated debt within the total debt decreased from 21.6% to 19.1% in 2018.

The forint denominated debt increased by HUF 2,054.5 billion and amounted to HUF 22,743.9 billion. The share of HUF-denominated debt reached 80.0% of the total debt, while in December 2017 this proportion was 77.4%.

The stock of retail securities increased by HUF 565.4 billion from the end of 2017 and amounted to HUF 7,368.3 billion at the end of September. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 475.4 billion by the end of September and reached HUF 2,932.9 billion. The 2-year Hungarian Government Security's stock increased by HUF 160.9 billion and reached HUF 537.7 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 97.8 billion due to the repurchase of retail securities from banks and narrowing the base of investors, reached HUF 3,363.7 billion at the end of September.

The volume of non-resident holdings of Hungarian government securities increased by HUF 39.4 billion in September. 97.0% of non-resident holdings was T-bonds, which amounted to HUF 3,634.8 billion. The non-resident holdings of Discount T-Bills amounted to HUF 114.3 billion, that represented only 3.0% of total non-resident holdings. The duration of the non-resident stock was 5.2 years at the end of September 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 nine months marked-to-market deposits decreased by HUF 30.2 billion due to the appreciation of EUR vs USD and reached HUF 244.1 billion (EUR 0.8 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.9 to 2.1 in September. The bid-to-cover ratio of T-bond auctions increased from 2.1 to 2.2.

The average yield of the last 3-month Discount Treasury Bill auction in September was 0.05%, 4 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in September was 0.58%, 3 basis points higher compared to August.

The average yield of the last 3-year government bond auction in September was 1.76% 13 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 2.96% 16 basis points higher compared to August. Finally, the average yield of the last auction of 10-year government bond was 3.58%, higher by 17 basis points compared to the last August's average yield.