FINANCING OF THE CENTRAL GOVERNMENT IN MARCH 2020

1. Government debt data

The debt of the central government increased by HUF 704.8 billion in January-March period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 917.9 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 second – which had contrary effect than the above mentioned factor –** is the net foreign currency redemption of HUF 732.0 billion, which decreased the debt of the central government.
- **The third – increasing – factor** is the depreciation of the forint that increased the HUF value of the foreign currency debt by HUF 396.9 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 122.0 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)	Redemption (decrease in debt)	Other changes	Net change	31.03.2020		change
	Debt stock (preliminary data)	Breakdown	I-III. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***24,357.094***	***82.1%***	**2,729.723**	**1,811.774**	***0.000***	**917.949**	**25,275.043**	***83.2%***	***1.1%***
1.1. Loans	**1,208.122**	***4.1%***	**0.000**	**46.507**	**0.000**	**-46.507**	**1,161.614**	***3.8%***	***-0.2%***
1.1.1. Foreign	1,208.122	*4.1%*	0.000	46.507	0.000	-46.507	1,161.614	***3.8%***	***-0.2%***
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%***	**2,729.723**	**1,765.266**	**0.000**	**964.457**	**24,113.429**	***79.4%***	***1.4%***
1.2.1. Public issues	23,109.794	*77.9%*	2,729.723	1,765.266	0.000	964.457	24,074.251	***79.2%***	***1.4%***
1.2.1.1. Bonds	*13,378.485*	*45.1%*	*914.778*	*202.688*	*0.000*	*712.090*	*14,090.575*	***46.4%***	***1.3%***
1.2.1.2. Discount T-bills	*657.288*	*2.2%*	*549.236*	*326.439*	*0.000*	*222.797*	*880.086*	***2.9%***	***0.7%***
1.2.1.3. Retail securities	*9,074.021*	*30.6%*	*1,265.709*	*1,236.140*	*0.000*	*29.57*	*9,103.590*	***30.0%***	***-0.6%***
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%***	**14.781**	**746.804**	**396.941**	**-335.083**	**4,786.108**	***15.8%***	***-1.5%***
2.1. Loans	**825.439**	***2.8%***	**2.902**	**0.449**	**71.493**	**73.946**	**899.385**	***3.0%***	***0.2%***
2.1.1. Foreign	825.439	*2.8%*	2.902	0.449	*71.493*	*73.946*	899.385	***3.0%***	***0.2%***
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%***	**11.879**	**746.355**	**325.447**	**-409.028**	**3,886.723**	***12.8%***	***-1.7%***
2.2.1. Issued abroad	3,713.468	*12.5%*	0.000	744.504	274.412	-470.092	3,243.375	***10.7%***	***-1.8%***
2.2.2. Issued in Hungary	582.284	*2.0%*	11.879	1.851	51.035	61.064	643.348	***2.1%***	***0.2%***
Total	**29,478.284**	***99.3%***	**2,744.504**	**2,558.578**	**396.941**	**582.867**	**30,061.151**	***98.9%***	***-0.4%***
Other debt	203.686	*0.7%*	217.874	116.231	20.330	121.972	325.659	***1.1%***	***0.4%***
Total central government debt	**29,681.970**	***100.0%***	**2,962.378**	**2,674.809**	**417.271**	**704.839**	**30,386.809**	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 335.1 billion in 2020 and amounted to HUF 4,786.1 billion at the end of March 2020. The share of foreign currency denominated debt within the total debt decreased from 17.3% to 15.8% in 2020.

The forint denominated debt increased by HUF 917.9 billion to HUF 25,275.0 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 29.6 billion from the end of 2019 to HUF 9,103.6 billion at the end of March. The increase was mainly due to the sale of Hungarian Government Securities Plus.

The stock of the Hungarian Government Securities Plus increased by HUF 675.6 billion this year and amounted to HUF 3,871.7 billion at the end of March. Despite the repurchases of the Premium Hungarian Government Securities from dealers, the outstanding amount increased by HUF 33.6 billion by the end of March and reached HUF 2,552.0 billion. The stock of the 1-year Government Securities decreased by HUF 485.4 billion to HUF 1,672.7 billion at the end of March.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 215.3 billion in March. 99.1% of non-resident holdings was T-bonds, which amounted to HUF 3,980.4 billion. The non-resident holdings of Discount T-Bills amounted to HUF 34.9 billion, that represented only 0.9% of total non-resident holdings. The duration of the non-resident stock was 5.7 years at the end of March 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 three months of the year marked-to-market deposits increased by HUF 122.0 billion and reached HUF 325.7 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 decreased from 2.3 to 1.5. The bid-to-cover ratio of T-bond auctions decreased from 2.7 to 1.6.

The average yield of the last 3-month Discount Treasury Bill auction in March was 0.79%, 43 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in March was 0.85%, 34 basis points higher compared to February.

The average yield of the last 3-year government bond auction in March was 1.14% 31 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 1.43% 19 basis points lower compared to February.