## FINANCING OF THE CENTRAL GOVERNMENT IN SEPTEMBER 2019

### 1. Government debt data

**The debt of the central government increased** by HUF 534.9 billion in January-September period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 886.5 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 factor** is the depreciation of the forint, that increased the HUF value of the foreign currency debt by HUF 212.9 billion.
- **The third – also 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 61.7 billion.
- **The fourth – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 626.2 billion, which decreased the debt of the central government.

According to the preliminary data **the domestic and foreign currency debt of the central government** was the following in 2019.

Central government gross debt and debt transactions in 2019

| | 31.12.2018 | | Issuance (increase in debt) | Redemptions (decrease in debt) | Other changes | Net change | 30.09.2019 | | change |
|---|---|---|---|---|---|---|---|---|---|
| | **Debt stock (preliminary data)** | **Breakdown** | **I-IX. month** | | | | **Debt stock (preliminary data)** | **Breakdown** | **percent** |
| **1. HUF denominated debt** | ***22 795,954*** | ***79,5%*** | **9 692,006** | **8 805,529** | ***0,000*** | **886,478** | **23 682,432** | ***81,0%*** | ***1,6%*** |
| 1.1. Loans | **1 167,691** | ***4,1%*** | **20,084** | **14,279** | **0,000** | **5,804** | **1 173,495** | ***4,0%*** | ***-0,1%*** |
| 1.1.1. Foreign | 1 167,691 | *4,1%* | 20,084 | 14,279 | 0,000 | 5,804 | 1 173,495 | ***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 | **21 628,263** | ***75,4%*** | **9 671,923** | **8 791,249** | **0,000** | **880,673** | **22 508,937** | ***77,0%*** | ***1,6%*** |
| 1.2.1. Public issues | 21 589,085 | *75,3%* | 9 671,923 | 8 791,249 | 0,000 | 880,673 | 22 469,759 | ***76,9%*** | ***1,6%*** |
| *1.2.1.1. Bonds* | *12 836,062* | *44,7%* | *2 837,088* | *2 755,481* | *0,000* | *81,607* | *12 917,670* | ***44,2%*** | ***-0,5%*** |
| *1.2.1.2. Discount T-bills* | *1 237,307* | *4,3%* | *1 520,666* | *1 998,443* | *0,000* | *-477,777* | *759,531* | ***2,6%*** | ***-1,7%*** |
| *1.2.1.3. Retail securities* | *7 515,716* | *26,2%* | *5 314,168* | *4 037,326* | *0,000* | *1276,843* | *8 792,558* | ***30,1%*** | ***3,9%*** |
| 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** | **5 724,768** | ***20,0%*** | **70,387** | **696,572** | **212,909** | **-413,276** | **5 311,492** | ***18,2%*** | ***-1,8%*** |
| 2.1. Loans | **794,975** | ***2,8%*** | **7,840** | **17,253** | **32,839** | **23,426** | **818,401** | ***2,8%*** | ***0,0%*** |
| 2.1.1. Foreign | 794,975 | *2,8%* | 7,840 | 17,253 | *32,839* | *23,426* | 818,401 | ***2,8%*** | ***0,0%*** |
| 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 | **4 929,793** | ***17,2%*** | **62,547** | **679,319** | **180,070** | **-436,702** | **4 493,091** | ***15,4%*** | ***-1,8%*** |
| 2.2.1. Issued abroad | 4 246,199 | *14,8%* | 0,000 | 613,791 | 151,077 | -462,714 | 3 783,485 | ***12,9%*** | ***-1,9%*** |
| 2.2.2. Issued in Hungary | 683,594 | *2,4%* | 62,547 | 65,528 | 28,994 | 26,013 | 709,607 | ***2,4%*** | ***0,0%*** |
| **Total** | **28 520,723** | ***99,4%*** | **9 762,393** | **9 502,100** | **212,909** | **473,202** | **28 993,924** | ***99,2%*** | ***-0,2%*** |
| Other debt | 167,444 | *0,6%* | 299,382 | 246,226 | 8,532 | 61,688 | 229,132 | ***0,8%*** | ***0,2%*** |
| **Total central government debt** | **28 688,167** | ***100,0%*** | **10 061,775** | **9 748,327** | **221,441** | **534,889** | **29 223,056** | ***100,0%*** | ***0,0%*** |

**The foreign currency debt of the central government** decreased by HUF 413.3 billion in 2019 and amounted to HUF 5,311.5 billion at the end of September 2019. The share of foreign currency denominated debt within the total debt decreased from 20.0% to 18.2% in 2019.

**The forint denominated debt increased** by HUF 886.5 billion and amounted to HUF 23,682.4 billion. The share of HUF-denominated debt reached 81.0% of the total debt, while in December 2018 this proportion was 79.5%.

The stock of retail securities increased by HUF 1,276.8 billion from the end of 2018 and amounted to HUF 8,792.6 billion at the end of September. The increase was mainly due to the 5-year retail government bond introduced on 3 June, its name is Hungarian Government Security Plus.

The stock of the new Hungarian Government Securities Plus increased to HUF 2,124.0 billion at the end of September. The outstanding amount of the Premium Hungarian Government Securities increased by HUF 156.6 billion by the end of September and reached HUF 2,732.7 billion. The stock of the 1-year Government Securities decreased by HUF 618.3 billion to HUF 2,551.5 billion at the end of September.

The volume of non-resident holdings of Hungarian government securities increased by HUF 22.0 billion in September. 99.9% of non-resident holdings was T-bonds, which amounted to HUF 4,377.7 billion. The non-resident holdings of Discount T-Bills amounted to non-resident stock was 5.8 years at the end of September 2019.

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 nine months of the year marked-to-market deposits increased by HUF 61.7 billion and reached HUF 229.1 billion (EUR 0.7 billion) at the end of the month.

## 2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 2.1 to 2.5. The bid-to-cover ratio of T-bond auctions decreased from 2.3 to 2.0.

The average yield of the last 3-month Discount Treasury Bill auction in September was -0.03%, 2 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in September was 0.04%, 1 basis points lower compared to August.

The average yield of the last 3-year government bond auction in September was 0.38% 52 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 0.94% 19 basis points higher compared to August. The average yield of the last auction of 10-year government bond was 1.92%, higher by 12 basis points compared to the last August's average yield.