FINANCING OF THE CENTRAL GOVERNMENT IN MARCH 2019

1. Government debt data

The debt of the central government increased by HUF 350.2 billion in January-March period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 732.2 billion executed in the domestic and the retail market, which finances the annual deficit of the central government budget and the foreign currency debt maturing this year.
- **The second 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 29.3 billion**.**
- **The third – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 397.5 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 13.8 billion**.**

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	31.03.2019		change
	Debt stock (preliminary data)	**Breakdown**	**III. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***22,795.954***	***79.5%***	***3,179.496***	***2,447.343***	***0.000***	***732.152***	***23,528.106***	***81.0%***	***1.6%***
1.1. Loans	**1,167.691**	*4.1%*	**20.084**	**8.451**	**0.000**	**11.633**	**1,179.324**	***4.1%***	***0.0%***
1.1.1. Foreign	1,167.691	*4.1%*	20.084	8.451	0.000	11.633	1,179.324	***4.1%***	***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	**21,628.263**	*75.4%*	**3,159.412**	**2,438.892**	**0.000**	**720.519**	**22,348.783**	***77.0%***	***1.6%***
1.2.1. Public issues	21,589.085	*75.3%*	3,159.412	2,438.892	0.000	720.519	22,309.605	***76.8%***	***1.6%***
1.2.1.1. Bonds	*12,836.062*	*44.7%*	*1,195.771*	*396.705*	*0.000*	*799.066*	*13,635.129*	***47.0%***	***2.2%***
1.2.1.2. Discount T-bills	*1,237.307*	*4.3%*	*651.492*	*711.507*	*0.000*	*-60.014*	*1,177.293*	***4.1%***	***-0.3%***
1.2.1.3. Retail securities	*7,515.716*	*26.2%*	*1,312.149*	*1,330.681*	*0.000*	*-18.532*	*7,497.183*	***25.8%***	***-0.4%***
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%***	**24.786**	**422.278**	**-13.789**	**-411.282**	**5,313.487**	***18.3%***	***-1.7%***
2.1. Loans	**794.975**	***2.8%***	**7.703**	**0.418**	**-1.633**	**5.652**	**800.627**	***2.8%***	***0.0%***
2.1.1. Foreign	794.975	*2.8%*	7.703	0.418	*-1.633*	*5.652*	800.627	***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%***	**17.082**	**421.860**	**-12.156**	**-416.934**	**4,512.859**	***15.5%***	***-1.6%***
2.2.1. Issued abroad	4,246.199	*14.8%*	0.000	421.395	-10.758	-432.153	3,814.046	***13.1%***	***-1.7%***
2.2.2. Issued in Hungary	683.594	*2.4%*	17.082	0.465	-1.398	15.219	698.813	***2.4%***	***0.0%***
Total	**28,520.723**	***99.4%***	**3,204.281**	**2,869.622**	**-13.789**	**320.870**	***28,841.593***	***99.3%***	***-0.1%***
Other debt	167.444	*0.6%*	104.583	75.189	-0.058	29.337	196.781	***0.7%***	***0.1%***
Total central government debt	**28,688.167**	***100.0%***	**3,308.864**	**2,944.810**	**-13.847**	**350.207**	***29,038.373***	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 411.3 billion in 2019 and amounted to HUF 5,313.5 billion at the end of March 2019. The share of foreign currency denominated debt within the total debt decreased from 20.0% to 18.3% in 2019.

The forint denominated debt increased by HUF 732.2 billion and amounted to HUF 23,528.1 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 decreased by HUF 18.5 billion from the end of 2018 and amounted to HUF 7,497.2 billion at the end of March due to the decrease of non-household's stock. As a result of increased retail interest rates at the end of February, the stock increased by HUF 166.1 billion in March compared to the previous month. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 90.8 billion by the end of March and reached HUF 3,131.9 billion. The 2-year Hungarian Government Security's stock increased by HUF 64.9 billion and reached HUF 565.1 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 189.7 billion to HUF 3,233.9 billion at the end of March.

The volume of non-resident holdings of Hungarian government securities increased by HUF 26.8 billion in March. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 4,209.4 billion. The non-resident holdings of Discount T-Bills amounted to HUF 32.0 billion, that represented only 0.8% of total non-resident holdings. The duration of the non-resident stock was 5.3 years at the end of March 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 three months of the year marked-to-market deposits increased by HUF 29.3 billion and reached HUF 196.8 billion (EUR 0.6 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions hasn't changed in March compared to the previous month's 2.5. The bid-to-cover ratio of T-bond auctions decreased from 3.0 to 2.9.

The average yield of the last 3-month Discount Treasury Bill auction in March was 0.00%, 2 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in March was 0.29%, 7 basis points lower compared to February.

The average yield of the last 3-year government bond auction in March was 1.26% 20 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.86% 35 basis points lower compared to February. Finally, the average yield of the last auction of 10-year government bond was 2.82%, lower by 34 basis points compared to the last February's average yield.