FINANCING OF THE CENTRAL GOVERNMENT IN JULY 2019

1. Government debt data

The debt of the central government increased by HUF 441.9 billion in January-July period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 790.9 billion executed in the domestic and 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 90.8 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 25.8 billion**.**

- **The fourth – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 465.5 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	31.07.2019		change
	Debt stock (preliminary data)	**Breakdown**	**I-VII. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***22,795.954***	***79.5%***	**7,895.344**	**7,104.489**	***0.000***	**790.855**	**23,586.809**	***81.0%***	***1.5%***
1.1. Loans	**1,167.691**	***4.1%***	**20.084**	**14.279**	**0.000**	**5.804**	**1,173.495**	***4.0%***	***0.0%***
1.1.1. Foreign	1,167.691	*4.1%*	20.084	14.279	0.000	5.804	1,173.495	***4.0%***	***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%***	**7,875.260**	**7,090.210**	**0.000**	**785.050**	**22,413.313**	***76.9%***	***1.6%***
1.2.1. Public issues	21,589.085	*75.3%*	7,875.260	7,090.210	0.000	785.050	22,374.136	***76.8%***	***1.6%***
1.2.1.1. Bonds	*12,836.062*	*44.7%*	*2,431.746*	*2,255.699*	*0.000*	*176.047*	*13,012.109*	***44.7%***	***-0.1%***
1.2.1.2. Discount T-bills	*1,237.307*	*4.3%*	*1,334.267*	*1,703.741*	*0.000*	*-369.474*	*867.834*	***3.0%***	***-1.3%***
1.2.1.3. Retail securities	*7,515.716*	*26.2%*	*4,109.247*	*3,130.769*	*0.000*	*978.477*	*8,494.193*	***29.2%***	***3.0%***
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%***	**38.383**	**503.889**	**90.758**	**-374.749**	**5,350.020**	***18.4%***	***-1.6%***
2.1. Loans	**794.975**	***2.8%***	**7.840**	**1.204**	**14.229**	**20.865**	**815.840**	***2.8%***	***0.0%***
2.1.1. Foreign	794.975	*2.8%*	7.840	1.204	*14.229*	*20.865*	815.840	***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%***	**30.543**	**502.685**	**76.528**	**-395.613**	**4,534.180**	***15.6%***	***-1.6%***
2.2.1. Issued abroad	4,246.199	*14.8%*	0.000	501.029	63.930	-437.099	3,809.101	***13.1%***	***-1.7%***
2.2.2. Issued in Hungary	683.594	*2.4%*	30.543	1.656	12.598	41.485	725.079	***2.5%***	***0.1%***
Total	**28,520.723**	***99.4%***	**7,933.726**	**7,608.378**	**90.758**	**416.106**	**28,936.828**	***99.3%***	***-0.1%***
Other debt	167.444	*0.6%*	217.783	195.406	3.387	25.764	193.208	***0.7%***	***0.1%***
Total central government debt	**28,688.167**	***100.0%***	**8,151.509**	**7,803.784**	**94.145**	**441.870**	**29,130.037**	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 374.7 billion in 2019 and amounted to HUF 5,350.0 billion at the end of July 2019. The share of foreign currency denominated debt within the total debt decreased from 20.0% to 18.4% in 2019.

The forint denominated debt increased by HUF 790.9 billion and amounted to HUF 23,586.8 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 978.5 billion from the end of 2018 and amounted to HUF 8,494.2 billion at the end of July. The increase was mainly due to the 5-year retail government bond introduced on 3 June, its name is Hungarian Government Security Plus. In addition to the new Hungarian Government Security Plus, the other successfully sold retail securities like the 1-year Hungarian Government Securities, Premium Hungarian Government Securities, Treasury Savings and Baby Bonds were also contributed to the change in the stock of retail securities.

The stock of the new Hungarian Government Securities Plus increased from HUF 882.7 billion in June to HUF 1,416.6 billion at the end of July. The outstanding amount of the Premium Hungarian Government Securities increased by HUF 254.6 billion by the end of July and reached HUF 2,830.7 billion. The stock of the 1-year Government Securities decreased by HUF 410.5 billion to HUF 2,759.4 billion at the end of July. The decline in the 1-Year Hungarian Government Securities is due to the reduction of the investor base in 2018.

The volume of non-resident holdings of Hungarian government securities increased by HUF 75.3 billion in July. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 4,498.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 10.3 billion, that represented only 0.2% of total non-resident holdings. The duration of the non-resident stock was 5.7 years at the end of July 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 seven months of the year marked-to-market deposits increased by HUF 25.8 billion and reached HUF 193.2 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 increased from 2.4 to 2.7. The bid-to-cover ratio of T-bond auctions hasn't changed in July compared to the previous month's 2.5.

The average yield of the last 3-month Discount Treasury Bill auction in July was 0.00%, 4 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in July was 0.15%, 9 basis points lower compared to June.

The average yield of the last 3-year government bond auction in July was 0.90% 2 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 1.43% 6 basis points lower compared to June. Finally, the average yield of the last auction of 10-year government bond was 2.38%, lower by 21 basis points compared to the last June's average yield.