FINANCING OF THE CENTRAL GOVERNMENT IN JANUARY 2019

1. Government debt data

The debt of the central government increased by HUF 43.4 billion in January due to the following reasons:

- **The first factor** is the net forint issuance of HUF 392.8 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 slightly increased the mark-to-market deposits placed at GDMA by HUF 1.5 billion.
- **The third – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 255.2 billion.
- **The fourth – also decreasing – factor** is the appreciation of the forint, that decreased the HUF value of the foreign currency debt by HUF 95.7 billion.

According to the preliminary data **the domestic and foreign currency debt of 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	31.01.2019		change
	Debt stock (preliminary data)	**Breakdown**	**I. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***22,795.954***	***79.5%***	***1,110.198***	***717.361***	***0.000***	***392.837***	***23,188.791***	***80.7%***	***1.2%***
1.1. Loans	**1,167.691**	*4.1%*	**20.084**	**0.000**	**0.000**	**20.084**	**1,187.775**	***4.1%***	***0.1%***
1.1.1. Foreign	1,167.691	*4.1%*	20.084	0.000	0.000	20.084	1,187.775	***4.1%***	***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%*	**1,090.114**	**717.361**	**0.000**	**372.753**	**22,001.017**	***76.6%***	***1.2%***
1.2.1. Public issues	21,589.085	*75.3%*	1,090.114	717.361	0.000	372.753	21,961.839	***76.4%***	***1.2%***
1.2.1.1. Bonds	*12,836.062*	*44.7%*	*329.627*	*130.578*	*0.000*	*199.049*	*13,035.112*	***45.4%***	***0.6%***
1.2.1.2. Discount T-bills	*1,237.307*	*4.3%*	*299.211*	*153.655*	*0.000*	*145.557*	*1,382.864*	***4.8%***	***0.5%***
1.2.1.3. Retail securities	*7,515.716*	*26.2%*	*461.276*	*433.129*	*0.000*	*28.148*	*7,543.863*	***26.3%***	***0.1%***
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%***	**6.002**	**261.159**	**-95.737**	**-350.895**	**5,373.874**	***18.7%***	***-1.3%***
2.1. Loans	**794.975**	***2.8%***	**0.000**	**0.000**	**-13.946**	**-13.946**	**781.030**	***2.7%***	***-0.1%***
2.1.1. Foreign	794.975	*2.8%*	0.000	0.000	*-13.946*	*-13.946*	781.030	***2.7%***	***-0.1%***
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%***	**6.002**	**261.159**	**-81.792**	**-336.949**	**4,592.844**	***16.0%***	***-1.2%***
2.2.1. Issued abroad	4,246.199	*14.8%*	0.000	260.939	-69.719	-330.658	3,915.541	***13.6%***	***-1.2%***
2.2.2. Issued in Hungary	683.594	*2.4%*	6.002	0.220	-12.073	-6.291	677.303	***2.4%***	***0.0%***
Total	**28,520.723**	***99.4%***	**1,116.200**	**978.520**	**-95.737**	**41.943**	***28,562.665***	***99.4%***	***0.0%***
Other debt	167.444	*0.6%*	37.032	32.597	-2.944	1.491	168.935	***0.6%***	***0.0%***
Total central government debt	**28,688.167**	***100.0%***	**1,153.232**	**1,011.118**	**-98.681**	**43.434**	***28,731.600***	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 350.9 billion in 2019 and amounted to HUF 5,373.9 billion at the end of January 2019. The share of foreign currency denominated debt within the total debt decreased from 20.0% to 18.7% in 2019.

The forint denominated debt increased by HUF 392.8 billion and amounted to HUF 23,188.8 billion. The share of HUF-denominated debt reached 80.7% of the total debt, while in December 2018 this proportion was 79.5%.

The stock of retail securities increased by HUF 28.1 billion from the end of 2018 and amounted to HUF 7,543.9 billion at the end of January. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 77.4 billion by the end of January and reached HUF 3,118.5 billion. The 2-year Hungarian Government Security's stock increased by HUF 36.0 billion and reached HUF 536.2 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 91.6 billion as a result of lenghtening maturities to HUF 3,332.0 billion at the end of January.

The volume of non-resident holdings of Hungarian government securities increased by HUF 198.8 billion in January. 96.0% of non-resident holdings was T-bonds, which amounted to HUF 3,991.6 billion. The non-resident holdings of Discount T-Bills amounted to HUF 168.0 billion, that represented only 4.0% of total non-resident holdings. The duration of the non-resident stock was 5.1 years at the end of January 2019.

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 month of the year marked-to-market deposits increased by HUF 1.5 billion and reached HUF 168.9 billion (EUR 0.5 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.8 to 2.0 in January. The bid-to-cover ratio of T-bond auctions increased from 2.6 to 3.2.

The average yield of the last 3-month Discount Treasury Bill auction in January was 0.05%, 2 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in January was 0.42%, 6 basis points higher compared to December.

The average yield of the last 3-year government bond auction in January was 1.16% 11 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 2.25% 41 basis points lower compared to December. Finally, the average yield of the last auction of 10-year government bond was 2.84%, lower by 31 basis points compared to the last December's average yield.