FINANCING OF THE CENTRAL GOVERNMENT IN JUNE 2019

1. Government debt data

The debt of the central government increased by HUF 165.9 billion in January-June period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 553.3 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 change of the foreign currency exchange rates and other factors that increased the mark-to-market deposits placed at GDMA by HUF 32.2 billion**.**

- **The third – also increasing – factor** is the depreciation of the forint, that increased the HUF value of the foreign currency debt by HUF 31.5 billion**.**

- **The fourth – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 451.1 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	30.06.2019		change
	Debt stock (preliminary data)	Breakdown	I-VI. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***22,795.954***	***79.5%***	**6,646.707**	**6,093.455**	***0.000***	**553.252**	**23,349.206**	***80.9%***	***1.5%***
1.1. Loans	**1,167.691**	***4.1%***	**20.084**	**14.279**	**0.000**	**5.804**	**1,173.495**	***4.1%***	***0.0%***
1.1.1. Foreign	1,167.691	*4.1%*	20.084	14.279	0.000	5.804	1,173.495	***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%***	**6,626.624**	**6,079.176**	**0.000**	**547.448**	**22,175.711**	***76.9%***	***1.5%***
1.2.1. Public issues	21,589.085	*75.3%*	6,626.624	6,079.176	0.000	547.448	22,136.533	***76.7%***	***1.5%***
1.2.1.1. Bonds	*12,836.062*	*44.7%*	*2,146.424*	*1,947.510*	*0.000*	*198.914*	*13,034.976*	***45.2%***	***0.4%***
1.2.1.2. Discount T-bills	*1,237.307*	*4.3%*	*1,176.480*	*1,380.159*	*0.000*	*-203.679*	*1,033.629*	***3.6%***	***-0.7%***
1.2.1.3. Retail securities	*7,515.716*	*26.2%*	*3,303.720*	*2,751.507*	*0.000*	*552.213*	*8,067.928*	***28.0%***	***1.8%***
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%***	**34.876**	**485.968**	**31.468**	**-419.625**	**5,305.143**	***18.4%***	***-1.6%***
2.1. Loans	**794.975**	***2.8%***	**7.840**	**0.964**	**5.227**	**12.103**	**807.078**	***2.8%***	***0.0%***
2.1.1. Foreign	794.975	*2.8%*	7.840	0.964	*5.227*	*12.103*	807.078	***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%***	**27.036**	**485.005**	**26.240**	**-431.728**	**4,498.065**	***15.6%***	***-1.6%***
2.2.1. Issued abroad	4,246.199	*14.8%*	0.000	483.447	21.627	-461.820	3,784.379	***13.1%***	***-1.7%***
2.2.2. Issued in Hungary	683.594	*2.4%*	27.036	1.558	4.614	30.092	713.686	***2.5%***	***0.1%***
Total	**28,520.723**	***99.4%***	**6,681.583**	**6,579.424**	**31.468**	**133.627**	**28,654.350**	***99.3%***	***-0.1%***
Other debt	167.444	*0.6%*	191.532	160.633	1.327	32.226	199.669	***0.7%***	***0.1%***
Total central government debt	**28,688.167**	***100.0%***	**6,873.115**	**6,740.057**	**32.794**	**165.852**	**28,854.019**	***100.0%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 419.6 billion in 2019 and amounted to HUF 5,305.1 billion at the end of June 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 553.3 billion and amounted to HUF 23,349.2 billion. The share of HUF-denominated debt reached 80.9% of the total debt, while in December 2018 this proportion was 79.5%.

The stock of retail securities increased by HUF 552.2 billion from the end of 2018 and amounted to HUF 8,067.9 billion at the end of June. The increase was mainly due to the new 5-year retail government bond introduced on 1 June, its name is Hungarian Government Security Plus. At the same time, the sale of four other retail government securities (Half-Year Hungarian Government Securities, Two-Year Hungarian Government Securities, Bonus Hungarian Government Securities, Treasury Savings Plus) were finished. Next 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 are also available to the public.

The stock of the new Hungarian Government Securities Plus increased to HUF 882.7 billion in one month. The outstanding amount of the Premium Hungarian Government Securities increased by HUF 201.7 billion by the end of June and reached HUF 2,777.8 billion. The stock of the 1-year Government Securities decreased by HUF 396.2 billion to HUF 2,773.7 billion at the end of June. 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 97.4 billion in June. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 4,397.4 billion. The non-resident holdings of Discount T-Bills amounted to HUF 36.5 billion, that represented only 0.8% of total non-resident holdings. The duration of the non-resident stock was 5.6 years at the end of June 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 six months of the year marked-to-market deposits increased by HUF 32.2 billion and reached HUF 199.7 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 2.1 to 2.4. The bid-to-cover ratio of T-bond auctions decreased from 3.2 to 2.5.

The average yield of the last 3-month Discount Treasury Bill auction in June was 0.04%, 2 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in May was 0.24%, 3 basis points higher compared to May.

The average yield of the last 3-year government bond auction in June was 0.88% 38 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.49% 52 basis points lower compared to May. Finally, the average yield of the last auction of 10-year government bond was 2.59%, lower by 59 basis points compared to the last May's average yield.