

FINANCING OF THE CENTRAL GOVERNMENT IN MARCH 2018

1. Government debt data

The debt of the central government increased by HUF 904.4 billion in January-March period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,021.2 billion executed in the domestic and the retail market, which finances the annual deficit of the central government budget and partly 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 44.7 billion.
- **The third factor – which had contrary effect than the above mentioned factors** – is the net foreign currency redemption of HUF 16.7 billion.
- **The fourth – also decreasing – factor** is the change of the foreign currency exchange rates that decreased the mark-to-market deposits placed at GDMA by HUF 144.7 billion.

According to the preliminary data **the domestic and foreign currency debt of central government** was the following in 2018.

Central government gross debt and debt transactions in 2018

	31.12.2017		Issuance (increase in debt)	Redemptions (decrease in debt)	Other changes	Net change	31.03.2018		change percent
	Debt stock (preliminary data)	Breakdown					Debt stock (preliminary data)	Breakdown	
			III. month						
1. HUF denominated debt	20,689.414	77.4%	3,350.480	2,329.278	0.000	1,021.201	21,710.615	78.5%	1.2%
1.1. Loans	1,041.076	3.9%	39.676	0.000	0.000	39.676	1,080.751	3.9%	0.0%
1.1.1. Foreign	1,041.076	3.9%	39.676	0.000	0.000	39.676	1,080.751	3.9%	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	19,648.338	73.5%	3,310.804	2,329.278	0.000	981.526	20,629.864	74.6%	1.1%
1.2.1. Public issues	19,609.161	73.3%	3,310.804	2,329.278	0.000	981.526	20,590.686	74.5%	1.2%
1.2.1.1. Bonds	11,767.139	44.0%	780.357	247.570	0.000	532.787	12,299.926	44.5%	0.5%
1.2.1.2. Discount T-bills	1,039.165	3.9%	850.702	706.639	0.000	144.063	1,183.228	4.3%	0.4%
1.2.1.3. Retail securities	6,802.857	25.4%	1,679.745	1,375.069	0.000	304.676	7,107.533	25.7%	0.3%
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	5,782.546	21.6%	184.029	200.779	44.669	27.920	5,810.466	21.0%	-0.6%
2.1. Loans	929.066	3.5%	108.549	109.675	6.914	5.788	934.854	3.4%	-0.1%
2.1.1. Foreign	929.066	3.5%	108.549	109.675	6.914	5.788	934.854	3.4%	-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	4,853.480	18.1%	75.480	91.103	37.755	22.132	4,875.612	17.6%	-0.5%
2.2.1. Issued abroad	4,145.912	15.5%	71.286	81.978	32.305	21.613	4,167.525	15.1%	-0.4%
2.2.2. Issued in Hungary	707.568	2.6%	4.194	9.125	5.450	0.519	708.087	2.6%	-0.1%
Total	26,471.960	99.0%	3,534.509	2,530.057	44.669	1,049.121	27,521.082	99.5%	0.6%
Other debt	274.246	1.0%	179.754	324.766	0.289	-144.724	129.522	0.5%	-0.6%
Total central government debt	26,746.206	100.0%	3,714.263	2,854.823	44.958	904.398	27,650.604	100.0%	0.0%

The foreign currency debt of the central government increased by HUF 27.9 billion in 2018 and amounted to HUF 5,810.5 billion at the end of March 2018. The share of foreign currency denominated debt within the total debt decreased from 21.6% to 21.0% in 2018.

The forint denominated debt increased by HUF 1,021.2 billion and amounted to HUF 21,710.6 billion. The share of HUF-denominated debt reached 78.5% of the total debt, while in December 2017 this proportion was 77.4%.

The stock of retail securities increased by HUF 304.7 billion from the end of 2017 and amounted to HUF 7,107.5 billion at the end of March. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 276.2 billion by the end of March and reached HUF 2,733.7 billion. The 2-year Hungarian Government Security's stock increased by HUF 69.5 billion and reached HUF 446.4 billion. The stock of the 1-year and Half-year Government Securities decreased by HUF 48.5 billion due to the repurchase of retail securities from the banks and reached HUF 3,413.0 billion at the end of March.

The volume of non-resident holdings of Hungarian government securities increased by HUF 192.7 billion in March. 96.8% of non-resident holdings was T-bonds, which amounted to HUF 3,472.3 billion. The non-resident holdings of Discount T-Bills amounted to HUF 114.8 billion, that represented only 3.2% of total non-resident holdings. The duration of the non-resident stock was 5.2 years at the end of March 2018.

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 three months marked-to-market deposits decreased by HUF 144.7 billion due to the appreciation of EUR vs USD and reached HUF 129.5 billion (EUR 0.4 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 1.8 to 1.6 in March. The bid-to-cover ratio of T-bond auctions increased from 2.1 to 2.7.

The average yield of the last 3-month Discount Treasury Bill auction in March was 0.04%, 4 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in March was 0,03%, 2 basis points higher compared to February.

The average yield of the last 3-year government bond auction in March was 0.79% 11 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.22% 20 basis points lower compared to February. Finally, the average yield of the last auction of 10-year government bond was 2.63%, higher by 13 basis points compared to the last February's average yield.