FINANCING OF THE CENTRAL GOVERNMENT IN JULY 2017

1. Government debt data

The debt of the central government increased by HUF 476.1 billion in the January-July period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,165.3 billion – including retail government securities issuance – executed in the domestic market, which finances the annual deficit of the central government budget and partly the foreign currency debt maturing this year.
- **The second factor – which had contrary effect than the above mentioned factor –** is the net foreign currency redemption of HUF 288.5 billion.
- **The third decreasing factor** is that the forint appreciated, that decreased the HUF value of the foreign currency debt by HUF 119.2 billion.
- **The fourth factor – which is also a decreasing factor –** is the change of the foreign currency exchange rates that decreased the mark-to-market deposits placed at GDMA by HUF 281.5 billion.

According to the preliminary data **the domestic and foreign currency debt of central government** was the following in 2017.

	31.12.2016		Issuance (increase in debt)	Redemptions (decrease in debt)	Other changes	Net change	31.07.2017		change
	Debt stock (preliminary data)	Breakdown	I-VII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***18,430.869***	***72.48%***	***6,515.297***	***5,349.996***	***0.000***	***1,165.302***	***19,596.171***	***75.6%***	***3.2%***
1.1. Loans	**865.025**	***3.40%***	**12.039**	**0.000**	**0.000**	**12.039**	**877.064**	***3.39%***	***0.0%***
1.1.1. Foreign	865.025	*3.40%*	12.039	0.000	0.000	12.039	877.064	***3.39%***	***0.0%***
1.1.2. Domestic	0.000	*0.00%*	0.000	0.000	0.000	0.000	0.000	***0.00%***	***0.0%***
1.2. Government securities	**17,565.844**	***69.08%***	**6,503.258**	**5,349.996**	**0.000**	**1,153.262**	**18,719.107**	*72.26%*	***3.2%***
1.2.1. Public issues	17,526.667	*68.92%*	6,503.258	5,349.996	0.000	1,153.262	18,679.929	***72.11%***	***3.2%***
1.2.1.1. Bonds	*11,562.378*	*45.47%*	*1,552.930*	*1,616.299*	*0.000*	*-63.369*	*11,499.009*	***44.39%***	***-1.1%***
1.2.1.2. Discount T-bills	*896.376*	*3.52%*	*1,097.699*	*1,171.707*	*0.000*	*-74.008*	*822.368*	***3.17%***	***-0.4%***
1.2.1.3. Retail securities	*5,067.913*	*19.93%*	*3,852.628*	*2,561.990*	*0.000*	*1,290.639*	*6,358.551*	***24.54%***	***4.6%***
1.2.2. Private placements (bonds)	39.178	*0.15%*	0.000	0.000	0.000	0.000	39.178	***0.15%***	***0.0%***
2. Foreign currency denominated debt	**6,256.507**	***24.60%***	**331.368**	**619.895**	**-119.238**	**-407.765**	**5,848.742**	***22.58%***	***-2.0%***
2.1. Loans	**1,101.596**	***4.33%***	**107.818**	**115.376**	**-22.426**	**-29.985**	**1,071.612**	***4.14%***	***-0.2%***
2.1.1. Foreign	1,097.589	*4.32%*	107.818	111.374	*-22.421*	*-25.978*	1,071.612	***4.14%***	***-0.2%***
2.1.2. Domestic	*4.007*	*0.02%*	*0.000*	*4.002*	*-0.005*	*-4.007*	*0.000*	***0.00%***	***0.0%***
2.2. Government securities	**5,154.911**	***20.27%***	**223.551**	**504.519**	**-96.812**	**-377.780**	**4,777.131**	***18.44%***	***-1.8%***
2.2.1. Issued abroad	4,618.946	*18.16%*	38.830	464.283	-84.223	-509.676	4,109.270	***15.86%***	***-2.3%***
2.2.2. Issued in Hungary	535.965	*2.11%*	184.721	40.236	-12.588	131.896	667.861	***2.58%***	***0.5%***
Total	**24,687.376**	***97.08%***	**6,846.666**	**5,969.891**	**-119.238**	**757.537**	***25,444.913***	***98.22%***	***1.1%***
Other debt	742.670	*2.92%*	627.976	897.871	-11.567	-281.461	461.209	***1.78%***	***-1.1%***
Total central government debt	**25,430.047**	***100.00%***	**7,474.642**	**6,867.762**	**-130.805**	**476.076**	***25,906.122***	***100.00%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 407.8 billion in 2017 and amounted to HUF 5,848.7 billion at the end of July 2017. The share of foreign currency denominated debt within the total debt decreased from 24.6% to 22.6% in 2017.

The forint denominated debt increased by HUF 1,165.3 billion and amounted to HUF 19,596.2 billion. The share of HUF-denominated debt reached 75.6% of the total debt, while in December 2016 this proportion was 72.5%.

The stock of retail securities increased by HUF 1,290.6 billion from the end of 2016 and amounted to HUF 6,358.6 billion at the end of July. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 567.1 billion by the end of July and reached HUF 2,088.2 billion. The 2-year Government Bond is issued from April and the stock reached HUF 282.7 billion. The stock of the Interest Bearing T-bills increased by HUF 431.8 billion and reached HUF 3,497.3 billion at the end of July.

The volume of non-resident holdings of Hungarian government securities increased by HUF 31.9 billion in July. 99.4% of non-resident holdings was T-bonds, which amounted to HUF 3,353.3 billion. The non-resident holdings of Discount T-Bills amounted to HUF 21.3 billion, that represented only 0.6% of total non-resident holdings. The duration of the non-resident stock was 5.7 years at the end of July 2017.

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 seventh month marked-to-market deposits decreased by HUF 281.5 billion and reached HUF 461.2 billion (EUR 1.5 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 2.0 to 2.3 in July. The bid-to-cover ratio of T-bond auctions decreased from 4.0 to 1.8.

The average yield of the last 3-month Discount Treasury Bill auction in July was 0.02%, 1 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in July was 0.10% 1 basis points lower compared to June.

The average yield of the last 3-year government bond auction in July was 0.75% 6 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 1.75% 9 basis points higher compared to June. Finally, the average yield of the last auction of 10-year government bond was 3.09%, higher by 17 basis points compared to the previous month's average yield.