FINANCING OF THE CENTRAL GOVERNMENT IN MAY 2017

1. Government debt data

The debt of the central government increased by HUF 465.0 billion in the January-May period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 800.1 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 134.8 billion.
- **The third decreasing factor** is that the forint appreciated, that decreased the HUF value of the foreign currency debt by HUF 62.5 billion.
- **The fourth factor – which is also a decreasing factor – i**s the change of the foreign currency exchange rates that decreased the mark-to-market deposits placed at GDMA by HUF 137.8 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	31.05.2017		change
	Debt stock (preliminary data)	**Breakdown**	**I-V. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***18,430.869***	***72.48%***	***5,033.244***	***4,233.149***	***0.000***	***800.096***	***19,230.965***	***74.3%***	***1.8%***
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%***	**5,021.205**	**4,233.149**	**0.000**	**788.057**	**18,353.901**	***70.88%***	***1.8%***
1.2.1. Public issues	17,526.667	*68.92%*	5,021.205	4,233.149	0.000	788.057	18,314.723	***70.73%***	***1.8%***
1.2.1.1. Bonds	*11,562.378*	*45.47%*	*1,175.437*	*1,355.613*	*0.000*	*-180.176*	*11,382.202*	***43.96%***	***-1.5%***
1.2.1.2. Discount T-bills	*896.376*	*3.52%*	*851.349*	*941.417*	*0.000*	*-90.068*	*806.308*	***3.11%***	***-0.4%***
1.2.1.3. Retail securities	*5,067.913*	*19.93%*	*2,994.420*	*1,936.119*	*0.000*	*1,058.301*	*6,126.214*	***23.66%***	***3.7%***
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%***	**141.948**	**276.699**	**-62.549**	**-197.300**	**6,059.207**	***23.40%***	***-1.2%***
2.1. Loans	**1,101.596**	***4.33%***	**0.000**	**6.652**	**-11.419**	**-18.071**	**1,083.526**	***4.18%***	***-0.1%***
2.1.1. Foreign	1,097.589	*4.32%*	0.000	2.650	*-11.413*	*-14.064*	1,083.526	***4.18%***	***-0.1%***
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%***	**141.948**	**270.047**	**-51.130**	**-179.229**	**4,975.681**	***19.21%***	***-1.1%***
2.2.1. Issued abroad	4,618.946	*18.16%*	0.000	230.120	-45.039	-275.159	4,343.787	***16.77%***	***-1.4%***
2.2.2. Issued in Hungary	535.965	*2.11%*	141.948	39.928	-6.091	95.930	631.895	***2.44%***	***0.3%***
Total	**24,687.376**	***97.08%***	**5,175.193**	**4,509.848**	**-62.549**	**602.796**	***25,290.172***	***97.66%***	***0.6%***
Other debt	742.670	*2.92%*	515.880	647.002	-6.702	-137.823	604.848	***2.34%***	***-0.6%***
Total central government debt	**25,430.047**	***100.00%***	**5,691.073**	**5,156.849**	**-69.251**	**464.973**	***25,895.019***	***100.00%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 197.3 billion in 2017 and amounted to HUF 6,059.2 billion at the end of May 2017. The share of foreign currency denominated debt within the total debt decreased from 24.6% to 23.4% in 2017.

The forint denominated debt increased by HUF 800.1 billion and amounted to HUF 19,231.0 billion. The share of HUF-denominated debt reached 74.3% of the total debt, while in December 2016 this proportion was 72.5%.

The stock of retail securities increased by HUF 1,058.3 billion from the end of 2016 and amounted to HUF 6,126.2 billion at the end of May. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 413.7 billion by the end of May and reached HUF 1,934.9 billion. The 2-year Government Bond is issued from April and the stock reached HUF 225.8 billion. The stock of the Interest Bearing T-bills increased by HUF 411.5 billion and reached HUF 3,477.1 billion at the end of May.

The volume of non-resident holdings of Hungarian government securities increased by HUF 86.9 billion in May. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 3,331.3 billion. The non-resident holdings of Discount T-Bills amounted to HUF 7.9 billion, that represented only 0.2% of total non-resident holdings. The duration of the non-resident stock was 5.5 years at the end of May 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 fifth month marked-to-market deposits decreased by HUF 137.8 billion and reached HUF 604.8 billion (EUR 2.0 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions hasn't changed from the previous month's 2.0 in May. The bid-to-cover ratio of T-bond auctions decreased from 4.1 to 3.4.

The average yield of the last 3-month Discount Treasury Bill auction in May was 0.03%, 1 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in May was 0.12% 2 basis points lower compared to April.

The average yield of the last 3-year government bond auction in May was 0.78% 17 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.76% 29 basis points lower compared to April. Finally, the average yield of the last auction of 10-year government bond was 2.99%, lower by 24 basis points compared to the previous month's average yield.