FINANCING OF THE CENTRAL GOVERNMENT

1. Government debt data

The debt of the central government increased by HUF 480.6 billion in January due to the following reasons:

- **The first factor** is the net forint issuance of HUF 441.9 billion – including retail government securities issuance – executed in the favorable market situation, which finances the deficit of the central government budget and partly the foreign currency debt maturing later this year. In line with the increasing debt the balance of the Treasury Single Account increased by HUF 768.7 billion as well.
- **The second factor** is the change of the foreign currency exchange rates that increased the mark-to-market deposits placed at GDMA by HUF 47.4 billion.
- **The third factor** is the net foreign currency issuance of HUF 8.7 billion.
- **The fourth one** – which had contrary effect than the above mentioned factors – is that the forint appreciated slightly, which decreased the HUF value of the foreign currency debt by HUF 17.4 billion.

According to the preliminary data **the domestic and foreign currency debt of central government** is the following in 2016:

Central government gross debt and debt transactions in 2016

	31.12.2015		Issuance (increase in debt)	Redemptions (decrease in debt)	Other changes	Net change	31.01.2016		change
	Debt stock (preliminary data)	**Breakdown**	**I. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***16 207,936***	***65,62%***	***930,551***	***488,806***	***0,000***	***441,745***	***16 649,681***	***66,12%***	***0,5%***
1.1. Loans	**694,107**	***2,81%***	**42,500**	**0,000**	**0,000**	**42,500**	**736,607**	***2,93%***	***0,1%***
1.1.1. Foreign	694,107	*2,81%*	42,500	0,000	0,000	42,500	736,607	***2,93%***	***0,1%***
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	**15 513,830**	***62,81%***	**888,051**	**488,806**	**0,000**	**399,245**	**15 913,075**	***63,20%***	***0,4%***
1.2.1. Public issues	15 462,312	*62,60%*	888,051	479,806	0,000	408,245	15 870,557	***63,03%***	***0,4%***
1.2.1.1. Bonds	*11 043,375*	*44,71%*	*169,179*	*253,148*	*0,000*	*-83,968*	*10 959,407*	***43,52%***	***-1,2%***
1.2.1.2. Discount T-bills	*901,552*	*3,65%*	*390,412*	*87,725*	*0,000*	*302,687*	*1 204,239*	***4,78%***	***1,1%***
1.2.1.3. Retail securities	*3 517,385*	*14,24%*	*328,459*	*138,933*	*0,000*	*189,526*	*3 706,912*	***14,72%***	***0,5%***
1.2.2. Private placements (bonds)	51,518	*0,21%*	0,000	9,000	0,000	-9,000	42,518	***0,17%***	***0,0%***
2. Foreign currency denominated debt	**7 735,799**	***31,32%***	**9,408**	**0,710**	**-17,352**	**-8,655**	**7 727,144**	***30,69%***	***-0,6%***
2.1. Loans	**1 696,806**	***6,87%***	**0,000**	**0,654**	**-3,899**	**-4,553**	**1 692,253**	***6,72%***	***-0,1%***
2.1.1. Foreign	1 564,350	*6,33%*	0,000	0,654	*1,269*	*0,615*	1 564,966	***6,22%***	***-0,1%***
2.1.1.1. Loan from IMF and EU	*469,680*	*1,90%*	*0,000*	*0,000*	*-1,050*	*-1,050*	*468,630*	***1,86%***	***0,0%***
2.1.1.2. Other	*1 094,670*	*4,43%*	*0,000*	*0,654*	*2,319*	*1,665*	*1 096,336*	***4,35%***	***-0,1%***
2.1.2. Domestic	*132,455*	*0,54%*	*0,000*	*0,000*	*-5,168*	*-5,168*	*127,287*	***0,51%***	***0,0%***
2.2. Government securities	**6 038,993**	***24,45%***	**9,408**	**0,056**	**-13,453**	**-4,101**	**6 034,892**	***23,97%***	***-0,5%***
2.2.1. Issued abroad	5 198,881	*21,05%*	0,000	0,000	-11,490	-11,490	5 187,392	***20,60%***	***-0,4%***
2.2.1.1. Foreign currency bonds	5 198,881	*21,05%*	0,000	0,000	-11,490	-11,490	5 187,392	***20,60%***	***-0,4%***
2.2.2. Issued in Hungary	840,112	*3,40%*	9,408	0,056	-1,964	7,388	847,500	***3,37%***	***0,0%***
2.2.2.1. Foreign currency bonds	840,112	*3,40%*	9,408	0,056	-1,964	7,388	847,500	***3,37%***	***0,0%***
Total	**23 943,735**	***96,94%***	**939,958**	**489,515**	**-17,352**	**433,091**	**24 376,826**	***96,81%***	***-0,1%***
Other debt	755,983	*3,06%*	185,850	136,400	-2,046	47,404	803,386	***3,19%***	***0,1%***
Total central government debt	**24 699,718**	***100,00%***	**1 125,809**	**625,916**	**-19,399**	**480,494**	**25 180,212**	***100,00%***	***0,0%***

The foreign currency debt of the central government decreased by HUF 8.7 billion from the end of December and amounted to HUF 7,727.1 billion at the end of January 2016. The share of foreign currency denominated debt within the total debt decreased to 31.7%, while at the end of the last year it was 32.3%.

The forint denominated debt increased by HUF 441.9 billion and amounted to HUF 16,649.8 billion. The share of HUF-denominated debt reached 66.1% of the total debt, while one month before this proportion was 65.6%.

The stock of retail securities increased by HUF 189.6 billion from the end of December 2015 and amounted to HUF 3,707.0 billion at the end of January. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 39.1 billion in January and reached HUF 1,237.4 billion. This shows that retail investors are buying longer term government securities as well. The stock of the Interest Bearing T-bills increased by HUF 144.0 billion in January and reached HUF 2,041.1 billion.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 61.8 billion in January. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 3,826.3 billion. The stock of non-resident Discount T-Bills amounted to HUF 7.9 billion, that represents 0.2% of total non-resident holdings. The duration of the non-resident stock was 5.19 years at the end of January 2016. It shows that last year's trend continued in 2016. Foreign investors reduced their holdings of forint bonds, while the duration of their holdings slightly increased. Domestic investors demand easily absorbed the stocks sold by foreign investors.

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 January marked-to-market deposits increased by HUF 47.4 billion and reached HUF 803.4 billion (EUR 2.6 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.7 in December to 2.2 in January. The bid-to-cover ratio of T-bond auctions increased from 2.1 to 2.2.

The average yield of the last 3-month Discount Treasury Bill auction in January was 0.98%, higher by 16 basis points compared to the previous month. The average yield of the last 12-month Discount Treasury Bill auction in January was 1.00%, lower by 20 basis points compared to December.

The average yield of the last 3-year government bond auction in January was 2.30%, higher by 22 basis points compared to the previous month. The average yield of the last 5-year government bond auction was 2.74%, lower by 2 basis points compared to December. Finally, the average yield of the last auction of 10-year government bond was 3.60%, higher by 2 basis points compared to the previous month's average yield.