## FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2016

### 1. Government debt data

**The debt of the central government increased** by HUF 566.7 billion in the January-October period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 2,076.8 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 balance of the Treasury Single Account increased by HUF 1,231.4 billion in 2016 as well.
- **The second factor** – which had contrary effect than the above mentioned factor – is the net foreign currency redemption of HUF 1,372.5 billion.
- **The third factor** – which is a decreasing factor – is that the forint appreciated, that decreased the HUF value of the foreign currency debt by HUF 76.3 billion.
- **The fourth one** – 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 61.2 billion.

According to the preliminary data **the domestic and foreign currency debt of central government** was 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 | 31.10.2016 | | change |
|---|---|---|---|---|---|---|---|---|---|
| | **Debt stock (preliminary data)** | **Breakdown** | **I-X. month** | | | | **Debt stock (preliminary data)** | **Breakdown** | **percent** |
| **1. HUF denominated debt** | ***16,207.936*** | ***65.62%*** | ***8,567.706*** | ***6,490.877*** | ***0.000*** | ***2,076.829*** | ***18,284.765*** | ***72.4%*** | ***6.7%*** |
| 1.1. Loans | **694.107** | ***2.81%*** | **170.918** | **0.000** | **0.000** | **170.918** | **865.025** | ***3.42%*** | ***0.6%*** |
| 1.1.1. Foreign | 694.107 | *2.81%* | 170.918 | 0.000 | 0.000 | 170.918 | 865.025 | ***3.42%*** | ***0.6%*** |
| 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%*** | **8,396.788** | **6,490.877** | **0.000** | **1,905.911** | **17,419.741** | ***68.94%*** | ***6.1%*** |
| 1.2.1. Public issues | 15,462.312 | *62.60%* | 8,396.788 | 6,479.372 | 0.000 | 1,917.416 | 17,379.728 | ***68.79%*** | ***6.2%*** |
| *1.2.1.1. Bonds* | *11,043.375* | *44.71%* | *2,207.895* | *1,757.641* | *0.000* | *450.254* | *11,493.629* | ***45.49%*** | ***0.8%*** |
| *1.2.1.2. Discount T-bills* | *901.552* | *3.65%* | *2,733.480* | *2,556.606* | *0.000* | *176.875* | *1,078.426* | ***4.27%*** | ***0.6%*** |
| *1.2.1.3. Retail securities* | *3,517.385* | *14.24%* | *3,455.412* | *2,165.125* | *0.000* | *1,290.287* | *4,807.673* | ***19.03%*** | ***4.8%*** |
| 1.2.2. Private placements (bonds) | 51.518 | *0.21%* | 0.000 | 11.505 | 0.000 | -11.505 | 40.013 | ***0.16%*** | ***-0.1%*** |
| **2. Foreign currency denominated debt** | **7,735.799** | ***31.32%*** | **149.690** | **1,522.222** | **-76.332** | **-1,448.865** | **6,286.934** | ***24.88%*** | ***-6.4%*** |
| 2.1. Loans | **1,696.806** | ***6.87%*** | **0.000** | **496.950** | **-15.554** | **-512.504** | **1,184.302** | ***4.69%*** | ***-2.2%*** |
| 2.1.1. Foreign | 1,614.229 | *6.54%* | 0.000 | 491.991 | *-14.541* | *-506.532* | 1,107.698 | ***4.38%*** | ***-2.2%*** |
| *2.1.1.1. Loan from EU* | *469.680* | *1.90%* | *0.000* | *469.350* | *-0.330* | *-469.680* | *0.000* | ***0.00%*** | ***-1.9%*** |
| *2.1.1.2. Other* | *1,144.549* | *4.63%* | *0.000* | *22.641* | *-14.211* | *-36.852* | *1,107.698* | ***4.38%*** | ***-0.2%*** |
| 2.1.2. Domestic | *82.576* | *0.33%* | *0.000* | *4.960* | *-1.013* | *-5.972* | *76.604* | ***0.30%*** | ***0.0%*** |
| 2.2. Government securities | **6,038.993** | ***24.45%*** | **149.690** | **1,025.272** | **-60.779** | **-936.360** | **5,102.633** | ***20.20%*** | ***-4.3%*** |
| 2.2.1. Issued abroad | 5,198.881 | *21.05%* | 42.300 | 543.066 | -55.953 | -556.719 | 4,642.162 | ***18.37%*** | ***-2.7%*** |
| *2.2.1.1. Foreign currency bonds* | 5,198.881 | *21.05%* | 42.300 | 543.066 | -55.953 | -556.719 | 4,642.162 | ***18.37%*** | ***-2.7%*** |
| 2.2.2. Issued in Hungary | 840.112 | *3.40%* | 107.390 | 482.205 | -4.826 | -379.641 | 460.470 | ***1.82%*** | ***-1.6%*** |
| *2.2.2.1. Foreign currency bonds* | 840.112 | *3.40%* | 107.390 | 482.205 | -4.826 | -379.641 | 460.470 | ***1.82%*** | ***-1.6%*** |
| **Total** | **23,943.735** | ***96.94%*** | ***8,717.396*** | **8,013.099** | **-76.332** | **627.965** | ***24,571.700*** | ***97.25%*** | ***0.3%*** |
| Other debt | 755.983 | *3.06%* | 1,386.547 | 1,438.002 | -9.785 | -61.240 | 694.743 | ***2.75%*** | ***-0.3%*** |
| **Total central government debt** | **24,699.718** | ***100.00%*** | **10,103.942** | **9,451.100** | **-86.117** | **566.725** | ***25,266.442*** | ***100.00%*** | ***0.0%*** |

**The foreign currency debt of the central government** decreased by HUF 1,448.9 billion from the end of December and amounted to HUF 6,286.9 billion at the end of October 2016. The share of foreign currency denominated debt within the total debt decreased to 24.9%, while at the end of the last year it was 31.3%.

**The forint denominated debt** increased by HUF 2,076.8 billion and amounted to HUF 18,284.8 billion. The share of HUF-denominated debt reached 72.4% of the total debt, while in December 2015 this proportion was 65.6%.

The stock of retail securities increased by HUF 1,290.3 billion from the end of December 2015 and amounted to HUF 4,807.7 billion at the end of October. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 237.0 billion by the end of October and reached HUF 1,435.3 billion. The stock of the Interest Bearing T-bills increased by HUF 1,011.1 billion and reached HUF 2,908.1 billion at the end of October.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 3.4 billion in October. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 3,670.0 billion. The stock of non-resident Discount T-Bills amounted to HUF 5.9 billion, that represents 0.2% of total non-resident holdings. The duration of the non-resident stock was 5.6 years at the end of October 2016.

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 ten months marked-to-market deposits decreased by HUF 61.2 billion and reached HUF 694.7 billion (EUR 2.2 billion) at the end of the month.

## 2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.6 in September to 2.5 in October. The bid-to-cover ratio of T-bond auctions increased from 3.0 to 4.2.

The average yield of the last 3-month Discount Treasury Bill auction in October was 0.37%, 8 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in October was 0.51% 17 basis points lower compared to September.

The average yield of the last 3-year government bond auction in October was 1.15% 7 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.78% 1 basis points lower compared to September. Finally, the average yield of the last auction of 10-year government bond was 2.97%, higher by 12 basis points compared to the previous month's average yield.