FINANCING OF THE CENTRAL GOVERNMENT IN JULY 2016

1. Government debt data

The debt of the central government increased by HUF 435.5 billion in the January-July period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,719.2 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. In line with the increasing debt the balance of the Treasury Single Account increased by HUF 591.4 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 1,221.5 billion
- **The third factor** – which is a decreasing factor – is that the forint appreciated slightly, that decreased the HUF value of the foreign currency debt by HUF 9.6 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 52.5 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	31.07.2016		change
	Debt stock (preliminary data)	Breakdown	I-VII. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***16,207.936***	***65.62%***	***6,192.755***	***4,473.604***	***0.000***	***1,719.151***	***17,927.087***	***71.3%***	***5.7%***
1.1. Loans	**694.107**	***2.81%***	**150.428**	**0.000**	**0.000**	**150.428**	**844.534**	***3.36%***	***0.5%***
1.1.1. Foreign	694.107	*2.81%*	150.428	0.000	0.000	150.428	844.534	***3.36%***	***0.5%***
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%***	**6,042.327**	**4,473.604**	**0.000**	**1,568.723**	**17,082.553**	***67.96%***	***5.2%***
1.2.1. Public issues	15,462.312	*62.60%*	6,042.327	4,462.934	0.000	1,579.393	17,041.705	***67.80%***	***5.2%***
1.2.1.1. Bonds	*11,043.375*	*44.71%*	*1,455.947*	*1,355.028*	*0.000*	*100.918*	*11,144.294*	***44.34%***	***-0.4%***
1.2.1.2. Discount T-bills	*901.552*	*3.65%*	*2,130.297*	*1,676.174*	*0.000*	*454.123*	*1,355.675*	***5.39%***	***1.7%***
1.2.1.3. Retail securities	*3,517.385*	*14.24%*	*2,456.084*	*1,431.732*	*0.000*	*1,024.352*	*4,541.737*	***18.07%***	***3.8%***
1.2.2. Private placements (bonds)	51.518	*0.21%*	0.000	10.670	0.000	-10.670	40.848	***0.16%***	***0.0%***
2. Foreign currency denominated debt	**7,735.799**	***31.32%***	**109.320**	**1,330.843**	**-9.565**	**-1,231.088**	**6,504.711**	***25.88%***	***-5.4%***
2.1. Loans	**1,696.806**	***6.87%***	**0.000**	**482.867**	**-3.251**	**-486.118**	**1,210.688**	***4.82%***	***-2.1%***
2.1.1. Foreign	1,614.229	*6.54%*	0.000	479.442	*-3.042*	*-482.484*	1,131.746	***4.50%***	***-2.0%***
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*	*10.092*	*-2.712*	*-12.804*	*1,131.746*	***4.50%***	***-0.1%***
2.1.2. Domestic	*82.576*	*0.33%*	*0.000*	*3.425*	*-0.209*	*-3.634*	*78.942*	***0.31%***	***0.0%***
2.2. Government securities	**6,038.993**	***24.45%***	**109.320**	**847.976**	**-6.314**	**-744.970**	**5,294.023**	***21.06%***	***-3.4%***
2.2.1. Issued abroad	5,198.881	*21.05%*	42.300	543.066	-8.210	-508.976	4,689.905	***18.66%***	***-2.4%***
2.2.1.1. Foreign currency bonds	5,198.881	*21.05%*	42.300	543.066	-8.210	-508.976	4,689.905	***18.66%***	***-2.4%***
2.2.2. Issued in Hungary	840.112	*3.40%*	67.020	304.910	1.896	-235.994	604.118	***2.40%***	***-1.0%***
2.2.2.1. Foreign currency bonds	840.112	*3.40%*	67.020	304.910	1.896	-235.994	604.118	***2.40%***	***-1.0%***
Total	**23,943.735**	***96.94%***	**6,302.075**	**5,804.447**	**-9.565**	**488.063**	***24,431.798***	***97.20%***	***0.3%***
Other debt	755.983	*3.06%*	1,067.012	1,115.847	-3.710	-52.545	703.437	***2.80%***	***-0.3%***
Total central government debt	**24,699.718**	***100.00%***	**7,369.086**	**6,920.294**	**-13.275**	**435.518**	***25,135.235***	***100.00%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 1,231.1billion from the end of December and amounted to HUF 6,504.7 billion at the end of July 2016. The share of foreign currency denominated debt within the total debt decreased to 25.9%, while at the end of the last year it was 31.3%.

The forint denominated debt increased by HUF 1,719.2 billion and amounted to HUF 17,927.1 billion. The share of HUF-denominated debt reached 71.3% of the total debt, while in December 2015 this proportion was 65.6%.

The stock of retail securities increased by HUF 1,024.4 billion from the end of December 2015 and amounted to HUF 4,541.7 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 179.2 billion by the end of July and reached HUF 1,377.5 billion. The stock of the Interest Bearing T-bills increased by HUF 813.8 billion and reached HUF 2,710.7 billion at the end of July.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 32.0 billion in July. 99.9% of non-resident holdings was T-bonds, which amounted to HUF 3,559.2 billion. The stock of non-resident Discount T-Bills amounted to HUF 3.5 billion, that represents 0.1% of total non-resident holdings. The duration of the non-resident stock was 5.6 years at the end of July 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 seven months marked-to-market deposits decreased by HUF 52.5 billion and reached HUF 703.4 billion (EUR 2.3 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 1.8 in June to 2.5 in July. The bid-to-cover ratio of T-bond auctions increased from 2.7 to 3.5.

The average yield of the last 3-month Discount Treasury Bill auction in July was 0.53%, 30 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in July was 0.59% 35 basis points lower compared to June.

The average yield of the last 3-year government bond auction in July was 1.42% 32 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 2.07% 16 basis points lower compared to June. Finally, the average yield of the last auction of 10-year government bond was 2.94%, lower by 33 basis points compared to the previous month's average yield.