FINANCING OF THE CENTRAL GOVERNMENT IN NOVEMBER 2017

1. Government debt data

The debt of the central government increased by HUF 1,504.4 billion in the January-November period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 2,290.2 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.
- **The second increasing factor** is that the forint depreciated, that increased the HUF value of the foreign currency debt by HUF 31.3 billion.
- **The third factor – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 356.3 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 460.8 billion.

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

Central government gross debt and debt transactions in 2017

	31.12.2016		Issuance (increase in debt)	Redemptions (decrease in debt)	Other changes	Net change	**30.11.2017**		**change**
	Debt stock (preliminary data)	**Breakdown**	**I-XI. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***18,430.869***	***72.48%***	***10,023.502***	***7,733.265***	***0.000***	***2,290.236***	***20,721.105***	***76.9%***	***4.5%***
1.1. Loans	**865.025**	***3.40%***	**147.921**	**0.000**	**0.000**	**147.921**	**1,012.945**	***3.76%***	***0.4%***
1.1.1. Foreign	865.025	*3.40%*	147.921	0.000	0.000	147.921	1,012.945	***3.76%***	***0.4%***
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%***	**9,875.581**	**7,733.265**	**0.000**	**2,142.316**	**19,708.160**	***73.17%***	***4.1%***
1.2.1. Public issues	17,526.667	*68.92%*	9,875.581	7,733.265	0.000	2,142.316	19,668.983	***73.03%***	***4.1%***
1.2.1.1. Bonds	*11,562.378*	*45.47%*	*2,444.986*	*2,100.538*	*0.000*	*344.448*	*11,906.826*	***44.21%***	***-1.3%***
1.2.1.2. Discount T-bills	*896.376*	*3.52%*	*1,976.225*	*1,778.031*	*0.000*	*198.194*	*1,094.570*	***4.06%***	***0.5%***
1.2.1.3. Retail securities	*5,067.913*	*19.93%*	*5,454.370*	*3,854.696*	*0.000*	*1,599.674*	*6,667.587*	***24.75%***	***4.8%***
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%***	**693.881**	**1,050.154**	**31.305**	**-324.968**	**5,931.539**	***22.02%***	***-2.6%***
2.1. Loans	**1,101.596**	***4.33%***	**132.230**	**234.638**	**3.923**	**-98.484**	**1,003.112**	***3.72%***	***-0.6%***
2.1.1. Foreign	1,097.589	*4.32%*	132.230	230.636	*3.929*	*-94.477*	1,003.112	***3.72%***	***-0.6%***
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%***	**561.650**	**815.516**	**27.382**	**-226.484**	**4,928.427**	***18.30%***	***-2.0%***
2.2.1. Issued abroad	4,618.946	*18.16%*	351.210	774.784	22.162	-401.412	4,217.533	***15.66%***	***-2.5%***
2.2.2. Issued in Hungary	535.965	*2.11%*	210.440	40.731	5.220	174.929	710.894	***2.64%***	***0.5%***
Total	**24,687.376**	***97.08%***	**10,717.383**	**8,783.419**	**31.305**	**1,965.269**	***26,652.645***	***98.95%***	***1.9%***
Other debt	742.670	*2.92%*	928.365	1,386.739	-2.464	-460.838	281.832	***1.05%***	***-1.9%***
Total central government debt	**25,430.047**	***100.00%***	**11,645.747**	**10,170.158**	**28.841**	**1,504.431**	***26,934.477***	***100.00%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 325.0 billion in 2017 and amounted to HUF 5,931.5 billion at the end of November 2017. The share of foreign currency denominated debt within the total debt decreased from 24.6% to 22.0% in 2017.

The first installment of the credit line for financing of the Paks2 nuclear power plant construction was paid out in the amount of HUF 24.4 billion.

Hungary issued yuan-denominated 'panda' bonds on 27 July 2017, targeted at the domestic Chinese market, for the value of RMB 1 billion (127.4 million euros).

Hungary's first ever International Bond Exchange transaction was executed in October, where USD 1.16 billion USD bonds were bought back and issued an EUR 1 billion 10 year euro bond. Foreign currency bond exchange did not increase the amount of foreign currency debt.

The forint denominated debt increased by HUF 2,290.2 billion and amounted to HUF 20,721.1 billion. The share of HUF-denominated debt reached 76.9% of the total debt, while in December 2016 this proportion was 72.5%.

The stock of retail securities increased by HUF 1,599.7 billion from the end of 2016 and amounted to HUF 6,667.6 billion at the end of November. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 863.8 billion by the end of November and reached HUF 2,384.9 billion. The 2-year Hungarian Government Security is issued from April and the stock reached HUF 356.4 billion. The stock of the 1-year and Half-year Government Securities increased by HUF 361.2 billion and reached HUF 3,426.8 billion at the end of November.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 115.2 billion in November. 99.0% of non-resident holdings was T-bonds, which amounted to HUF 3,363.3 billion. The non-resident holdings of Discount T-Bills amounted to HUF 35.2 billion, that represented only 1.0% of total non-resident holdings. The duration of the non-resident stock was 5.4 years at the end of November 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 eleven month marked-to-market deposits decreased by HUF 460.8 billion due to the appreciation of EUR vs USD and other transaction (bond exchange) and reached HUF 281.8 billion (EUR 0.9 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.2 to 1.6 in November. The bid-to-cover ratio of T-bond auctions increased from 2.8 to 2.9.

The average yield of the last 3-month Discount Treasury Bill auction in November was 0.00%, which is the same value as it was in October. The average yield of the last 12-month Discount Treasury Bill auction in November was 0.03%, 5 basis points higher than in the previous month.

The average yield of the last 3-year government bond auction in November was 0.57% 8 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 1.04% 15 basis points lower compared to October. Finally, the average yield of the last auction of 10-year government bond was 2.04%, lower by 42 basis points compared to the previous month’s average yield.