FINANCING OF THE CENTRAL GOVERNMENT IN JUNE 2017

1. Government debt data

The debt of the central government increased by HUF 880.0 billion in the January-June period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,161.5 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 103.9 billion.
- **The third decreasing factor** is that the forint appreciated, that decreased the HUF value of the foreign currency debt by HUF 41.0 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 136.6 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	30.06.2017		change
	Debt stock (preliminary data)	Breakdown	I-VI. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***18,430.869***	***72.48%***	***5,781.138***	***4,619.637***	***0.000***	***1,161.501***	***19,592.370***	***74.5%***	***2.0%***
1.1. Loans	**865.025**	***3.40%***	**12.039**	**0.000**	**0.000**	**12.039**	**877.064**	***3.33%***	***-0.1%***
1.1.1. Foreign	865.025	*3.40%*	12.039	0.000	0.000	12.039	877.064	***3.33%***	***-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	**17,565.844**	***69.08%***	**5,769.099**	**4,619.637**	**0.000**	**1,149.462**	**18,715.306**	***71.13%***	***2.1%***
1.2.1. Public issues	17,526.667	*68.92%*	5,769.099	4,619.637	0.000	1,149.462	18,676.129	***70.98%***	***2.1%***
1.2.1.1. Bonds	*11,562.378*	*45.47%*	*1,400.655*	*1,420.596*	*0.000*	*-19.941*	*11,542.437*	***43.87%***	***-1.6%***
1.2.1.2. Discount T-bills	*896.376*	*3.52%*	*982.207*	*960.359*	*0.000*	*21.848*	*918.224*	***3.49%***	***0.0%***
1.2.1.3. Retail securities	*5,067.913*	*19.93%*	*3,386.237*	*2,238.682*	*0.000*	*1,147.555*	*6,215.467*	***23.62%***	***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%***	**174.164**	**278.089**	**-40.992**	**-144.918**	**6,111.589**	***23.23%***	***-1.4%***
2.1. Loans	**1,101.596**	***4.33%***	**0.000**	**7.927**	**-7.590**	**-15.517**	**1,086.080**	***4.13%***	***-0.2%***
2.1.1. Foreign	1,097.589	*4.32%*	0.000	3.925	*-7.584*	*-11.510*	1,086.080	***4.13%***	***-0.2%***
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%***	**174.164**	**270.162**	**-33.402**	**-129.401**	**5,025.510**	***19.10%***	***-1.2%***
2.2.1. Issued abroad	4,618.946	*18.16%*	0.000	230.120	-29.642	-259.762	4,359.184	***16.57%***	***-1.6%***
2.2.2. Issued in Hungary	535.965	*2.11%*	174.164	40.042	-3.760	130.361	666.326	***2.53%***	***0.4%***
Total	**24,687.376**	***97.08%***	**5,955.302**	**4,897.726**	**-40.992**	**1,016.584**	***25,703.960***	***97.70%***	***0.6%***
Other debt	742.670	*2.92%*	584.084	716.077	-4.587	-136.580	606.091	***2.30%***	***-0.6%***
Total central government debt	**25,430.047**	***100.00%***	**6,539.386**	**5,613.803**	**-45.579**	**880.004**	***26,310.051***	***100.00%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 144.9 billion in 2017 and amounted to HUF 6,111.6 billion at the end of June 2017. The share of foreign currency denominated debt within the total debt decreased from 24.6% to 23.2% in 2017.

The forint denominated debt increased by HUF 1,161.5 billion and amounted to HUF 19,592.4 billion. The share of HUF-denominated debt reached 74.5% of the total debt, while in December 2016 this proportion was 72.5%.

The stock of retail securities increased by HUF 1,147.6 billion from the end of 2016 and amounted to HUF 6,215.5 billion at the end of June. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 487.2 billion by the end of June and reached HUF 2,008.3 billion. The 2-year Government Bond is issued from April and the stock reached HUF 266.4 billion. The stock of the Interest Bearing T-bills increased by HUF 386.5 billion and reached HUF 3,452.0 billion at the end of June.

The volume of non-resident holdings of Hungarian government securities increased by HUF 3.5 billion in June. 99.0% of non-resident holdings was T-bonds, which amounted to HUF 3,307.8 billion. The non-resident holdings of Discount T-Bills amounted to HUF 34.8 billion, that represented only 1.0% of total non-resident holdings. The duration of the non-resident stock was 5.7 years at the end of June 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 sixth month marked-to-market deposits decreased by HUF 136.6 billion and reached HUF 606.1 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 June. The bid-to-cover ratio of T-bond auctions increased from 3.4 to 4.0.

The average yield of the last 3-month Discount Treasury Bill auction in June hasn't changed from the prevoius month, it was 0.03%. The average yield of the last 12-month Discount Treasury Bill auction in June was 0.11% 1 basis points lower compared to May.

The average yield of the last 3-year government bond auction in June was 0.69% 9 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.66% 10 basis points lower compared to May. Finally, the average yield of the last auction of 10-year government bond was 2.92%, lower by 7 basis points compared to the previous month's average yield.