FINANCING OF THE CENTRAL GOVERNMENT IN OCTOBER 2017

1. Government debt data

The debt of the central government increased by HUF 1,171.0 billion in the January-October period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,955.6 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 7.5 billion.
- **The third factor – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 364.4 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 427.8 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	31.10.2017		change
	Debt stock (preliminary data)	Breakdown	I-X. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***18,430.869***	***72.48%***	***8,773.095***	***6,817.463***	***0.000***	***1,955.632***	***20,386.501***	***76.6%***	***4.2%***
1.1. Loans	**865.025**	***3.40%***	**36.039**	**0.000**	**0.000**	**36.039**	**901.064**	***3.39%***	***0.0%***
1.1.1. Foreign	865.025	*3.40%*	36.039	0.000	0.000	36.039	901.064	***3.39%***	***0.0%***
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%***	**8,737.056**	**6,817.463**	**0.000**	**1,919.593**	**19,485.437**	***73.25%***	***4.2%***
1.2.1. Public issues	17,526.667	*68.92%*	8,737.056	6,817.463	0.000	1,919.593	19,446.259	***73.10%***	***4.2%***
1.2.1.1. Bonds	*11,562.378*	*45.47%*	*2,156.268*	*1,648.875*	*0.000*	*507.393*	*12,069.771*	***45.37%***	***-0.1%***
1.2.1.2. Discount T-bills	*896.376*	*3.52%*	*1,482.339*	*1,667.235*	*0.000*	*-184.896*	*711.480*	***2.67%***	***-0.9%***
1.2.1.3. Retail securities	*5,067.913*	*19.93%*	*5,098.449*	*3,501.353*	*0.000*	*1,597.096*	*6,665.009*	***25.06%***	***5.1%***
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%***	**668.358**	**1,032.712**	**7.522**	**-356.832**	**5,899.675**	***22.18%***	***-2.4%***
2.1. Loans	**1,101.596**	***4.33%***	**107.818**	**217.215**	**-0.048**	**-109.446**	**992.151**	***3.73%***	***-0.6%***
2.1.1. Foreign	1,097.589	*4.32%*	107.818	213.213	*-0.043*	*-105.439*	992.151	***3.73%***	***-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%***	**560.540**	**815.497**	**7.570**	**-247.386**	**4,907.524**	***18.45%***	***-1.8%***
2.2.1. Issued abroad	4,618.946	*18.16%*	351.210	774.832	5.214	-418.408	4,200.538	***15.79%***	***-2.4%***
2.2.2. Issued in Hungary	535.965	*2.11%*	209.330	40.665	2.356	171.021	706.986	***2.66%***	***0.6%***
Total	**24,687.376**	***97.08%***	**9,441.453**	**7,850.175**	**7.522**	**1,598.800**	***26,286.176***	***98.82%***	***1.7%***
Other debt	742.670	*2.92%*	857.588	1,281.704	-3.677	-427.792	314.878	***1.18%***	***-1.7%***
Total central government debt	**25,430.047**	***100.00%***	**10,299.041**	**9,131.878**	**3.845**	**1,171.008**	***26,601.054***	***100.00%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 356.8 billion in 2017 and amounted to HUF 5,899.7 billion at the end of October 2017. The share of foreign currency denominated debt within the total debt decreased from 24.6% to 22.2% in 2017.

The forint denominated debt increased by HUF 1,955.6 billion and amounted to HUF 20,386.5 billion. The share of HUF-denominated debt reached 76.6% of the total debt, while in December 2016 this proportion was 72.5%.

The stock of retail securities increased by HUF 1,597.1 billion from the end of 2016 and amounted to HUF 6,665.0 billion at the end of October. The combined outstanding amount of the Premium Hungarian Government Securities and the Bonus Hungarian Government Securities increased by HUF 817.0 billion by the end of October and reached HUF 2,338.1 billion. The 2-year Hungarian Government Security is issued from April and the stock reached HUF 333.9 billion. The stock of the 1-year and Half-year Government Securities increased by HUF 430.1 billion and reached HUF 3,495.7 billion at the end of October.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 15.3 billion in October. 99.6% of non-resident holdings was T-bonds, which amounted to HUF 3,498.0 billion. The non-resident holdings of Discount T-Bills amounted to HUF 15.8 billion, that represented only 0.4% of total non-resident holdings. The duration of the non-resident stock was 5.5 years at the end of October 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 ten month marked-to-market deposits decreased by HUF 427.8 billion and reached HUF 314.9 billion (EUR 1.0 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 3.3 to 2.2 in October. The bid-to-cover ratio of T-bond auctions decreased from 4.5 to 2.8.

The average yield of the last 3-month Discount Treasury Bill auction in October was 0.00%, 7 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in October was -0.02%, which is the same value as it was in September.

The average yield of the last 3-year government bond auction in October was 0.49% which is also the same value than the previous month. The average yield of the last 5-year government bond auction was 1.19% 1 basis points lower compared to September. Finally, the average yield of the last auction of 10-year government bond was 2.46%, lower by 10 basis points compared to the previous month's average yield.