FINANCING OF THE CENTRAL GOVERNMENT IN SEPTEMBER 2016

1. Government debt data

The debt of the central government increased by HUF 420.2 billion in the January-September period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,858.5 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 balance of the Treasury Single Account increased by HUF 911.9 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 1,212.9 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 76.9 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 148.6 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	30.09.2016		change
	Debt stock (preliminary data)	Breakdown	I-IX. month				Debt stock (preliminary data)	Breakdown	percent
1. HUF denominated debt	***16,207.936***	***65.62%***	***7,696.519***	***5,837.974***	***0.000***	***1,858.546***	***18,066.482***	***71.9%***	***6.3%***
1.1. Loans	**694.107**	***2.81%***	**150.428**	**0.000**	**0.000**	**150.428**	**844.534**	***3.36%***	***0.6%***
1.1.1. Foreign	694.107	*2.81%*	150.428	0.000	0.000	150.428	844.534	***3.36%***	***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%***	**7,546.091**	**5,837.974**	**0.000**	**1,708.118**	**17,221.948**	***68.56%***	***5.7%***
1.2.1. Public issues	15,462.312	*62.60%*	7,546.091	5,826.469	0.000	1,719.623	17,181.935	***68.40%***	***5.8%***
1.2.1.1. Bonds	*11,043.375*	*44.71%*	*1,891.256*	*1,537.606*	*0.000*	*353.650*	*11,397.025*	***45.37%***	***0.7%***
1.2.1.2. Discount T-bills	*901.552*	*3.65%*	*2,552.092*	*2,359.840*	*0.000*	*192.251*	*1,093.803*	***4.35%***	***0.7%***
1.2.1.3. Retail securities	*3,517.385*	*14.24%*	*3,102.744*	*1,929.022*	*0.000*	*1,173.721*	*4,691.106*	***18.67%***	***4.4%***
1.2.2. Private placements (bonds)	51.518	*0.21%*	0.000	11.505	0.000	-11.505	40.013	***0.16%***	***0.0%***
2. Foreign currency denominated debt	**7,735.799**	***31.32%***	**134.158**	**1,347.028**	**-76.859**	**-1,289.729**	**6,446.070**	***25.66%***	***-5.7%***
2.1. Loans	**1,696.806**	***6.87%***	**0.000**	**496.950**	**-15.743**	**-512.693**	**1,184.112**	***4.71%***	***-2.2%***
2.1.1. Foreign	1,614.229	*6.54%*	0.000	491.991	*-14.720*	*-506.711*	1,107.518	***4.41%***	***-2.1%***
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*	*-14.390*	*-37.031*	*1,107.518*	***4.41%***	***-0.2%***
2.1.2. Domestic	*82.576*	*0.33%*	*0.000*	*4.960*	*-1.023*	*-5.982*	*76.594*	***0.30%***	***0.0%***
2.2. Government securities	**6,038.993**	***24.45%***	**134.158**	**850.078**	**-61.116**	**-777.035**	**5,261.958**	***20.95%***	***-3.5%***
2.2.1. Issued abroad	5,198.881	*21.05%*	42.300	543.066	-56.703	-557.470	4,641.412	***18.48%***	***-2.6%***
2.2.1.1. Foreign currency bonds	5,198.881	*21.05%*	42.300	543.066	-56.703	-557.470	4,641.412	***18.48%***	***-2.6%***
2.2.2. Issued in Hungary	840.112	*3.40%*	91.858	307.011	-4.413	-219.566	620.546	***2.47%***	***-0.9%***
2.2.2.1. Foreign currency bonds	840.112	*3.40%*	91.858	307.011	-4.413	-219.566	620.546	***2.47%***	***-0.9%***
Total	**23,943.735**	***96.94%***	**7,830.677**	**7,185.001**	**-76.859**	**568.817**	***24,512.552***	***97.58%***	***0.6%***
Other debt	755.983	*3.06%*	1,240.184	1,378.384	-10.422	-148.622	607.361	***2.42%***	***-0.6%***
Total central government debt	**24,699.718**	***100.00%***	**9,070.861**	**8,563.385**	**-87.281**	**420.195**	***25,119.913***	***100.00%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 1,289.7 billion from the end of December and amounted to HUF 6,446.1 billion at the end of September 2016. The share of foreign currency denominated debt within the total debt decreased to 25.7%, while at the end of the last year it was 31.3%.

The forint denominated debt increased by HUF 1,858.5 billion and amounted to HUF 18,066.5 billion. The share of HUF-denominated debt reached 71.9% of the total debt, while in December 2015 this proportion was 65.6%.

The stock of retail securities increased by HUF 1,173.7 billion from the end of December 2015 and amounted to HUF 4,691.1 billion at the end of September. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 217.9 billion by the end of September and reached HUF 1,416.2 billion. The stock of the Interest Bearing T-bills increased by HUF 916.5 billion and reached HUF 2,813.4 billion at the end of September.

The volume of non-resident holdings of Hungarian government securities increased by HUF 57.9 billion in September. 99.96% of non-resident holdings was T-bonds, which amounted to HUF 3,677.7 billion. The stock of non-resident Discount T-Bills amounted to HUF 1.6 billion, that represents 0.04% of total non-resident holdings. The duration of the non-resident stock was 5.5 years at the end of September 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 ninth months marked-to-market deposits decreased by HUF 148.6 billion and reached HUF 607.4 billion (EUR 1.96 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.0 in August to 1.6 in September. The bid-to-cover ratio of T-bond auctions increased from 2.6 to 3.0.

The average yield of the last 3-month Discount Treasury Bill auction in September was 0.45%, 6 basis points higher than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in September was 0.68% 5 basis points higher compared to August.

The average yield of the last 3-year government bond auction in September was 1.22% 14 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.79% 10 basis points lower compared to August. Finally, the average yield of the last auction of 10-year government bond was 2.85%, lower by 8 basis points compared to the previous month's average yield.