FINANCING OF THE CENTRAL GOVERNMENT IN SEPTEMBER 2017

1. Government debt data

The debt of the central government increased by HUF 946.2 billion in the January-September period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 1,620.4 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 3.6 billion.
- **The third factor – which had contrary effect than the above mentioned factors –** is the net foreign currency redemption of HUF 334.5 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 343.4 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	**30.09.2017**		**change**
	Debt stock (preliminary data)	**Breakdown**	**I-IX. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***18,430.869***	***72.48%***	***8,012.014***	***6,391.583***	***0.000***	***1,620.431***	***20,051.300***	***76.0%***	***3.5%***
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%***	**7,999.975**	**6,391.583**	**0.000**	**1,608.391**	**19,174.236**	***72.70%***	***3.6%***
1.2.1. Public issues	17,526.667	*68.92%*	7,999.975	6,391.583	0.000	1,608.391	19,135.058	***72.55%***	***3.6%***
1.2.1.1. Bonds	*11,562.378*	*45.47%*	*2,008.282*	*1,695.344*	*0.000*	*312.938*	*11,875.316*	***45.02%***	***-0.4%***
1.2.1.2. Discount T-bills	*896.376*	*3.52%*	*1,353.354*	*1,503.680*	*0.000*	*-150.326*	*746.050*	***2.83%***	***-0.7%***
1.2.1.3. Retail securities	*5,067.913*	*19.93%*	*4,638.339*	*3,192.559*	*0.000*	*1,445.780*	*6,513.692*	***24.70%***	***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%***	**354.634**	**689.097**	**3.579**	**-330.883**	**5,925.624**	***22.47%***	***-2.1%***
2.1. Loans	**1,101.596**	***4.33%***	**107.818**	**184.208**	**-0.534**	**-76.925**	**1,024.671**	***3.88%***	***-0.4%***
2.1.1. Foreign	1,097.589	*4.32%*	107.818	180.207	*-0.529*	*-72.918*	1,024.671	***3.88%***	***-0.4%***
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%***	**246.816**	**504.888**	**4.114**	**-253.958**	**4,900.953**	***18.58%***	***-1.7%***
2.2.1. Issued abroad	4,618.946	*18.16%*	38.830	464.283	2.194	-423.260	4,195.686	***15.91%***	***-2.3%***
2.2.2. Issued in Hungary	535.965	*2.11%*	207.986	40.605	1.920	169.301	705.266	***2.67%***	***0.6%***
Total	**24,687.376**	***97.08%***	**8,366.648**	**7,080.680**	**3.579**	**1,289.547**	***25,976.924***	***98.49%***	***1.4%***
Other debt	742.670	*2.92%*	776.553	1,116.447	-3.477	-343.370	399.300	***1.51%***	***-1.4%***
Total central government debt	**25,430.047**	***100.00%***	**9,143.201**	**8,197.127**	**0.103**	**946.177**	***26,376.224***	***100.00%***	***0.0%***

The foreign currency debt of the central government decreased by HUF 330.9 billion in 2017 and amounted to HUF 5,925.6 billion at the end of September 2017. The share of foreign currency denominated debt within the total debt decreased from 24.6% to 22.5% in 2017.

The forint denominated debt increased by HUF 1,620.4 billion and amounted to HUF 20,051.3 billion. The share of HUF-denominated debt reached 76.0% of the total debt, while in December 2016 this proportion was 72.5%.

The stock of retail securities increased by HUF 1,445.8 billion from the end of 2016 and amounted to HUF 6,513.7 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 740.1 billion by the end of September and reached HUF 2,261.3 billion. The 2-year Government Bond is issued from April and the stock reached HUF 317.4 billion. The stock of the Interest Bearing T-bills increased by HUF 375.8 billion and reached HUF 3,441.4 billion at the end of September.

The volume of non-resident holdings of Hungarian government securities increased by HUF 42.8 billion in September. 99.4% of non-resident holdings was T-bonds, which amounted to HUF 3,507.0 billion. The non-resident holdings of Discount T-Bills amounted to HUF 22.1 billion, that represented only 0.6% of total non-resident holdings. The duration of the non-resident stock was 5.6 years at the end of September 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 nine month marked-to-market deposits decreased by HUF 343.4 billion and reached HUF 399.3 billion (EUR 1.3 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 2.0 to 3.3 in September. The bid-to-cover ratio of T-bond auctions increased from 2.9 to 4.5.

The average yield of the last 3-month Discount Treasury Bill auction in September was -0.07%, 7 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in September was -0.02% 9 basis points lower compared to August.

The average yield of the last 3-year government bond auction in September was 0.49% 20 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 1.20% 41 basis points lower compared to August. Finally, the average yield of the last auction of 10-year government bond was 2.56%, lower by 40 basis points compared to the previous month's average yield.