FINANCING OF THE CENTRAL GOVERNMENT IN MARCH 2017

1. Government debt data

The debt of the central government increased by HUF 527.9 billion in the January-March period due to the following reasons:

- **The first factor** is the net forint issuance of HUF 606.6 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 factor** is the net foreign currency issuance of HUF 47.0 billion.
- **The third factor** – which had contrary effect than the above mentioned factors – is the change of the foreign currency exchange rates that decreased the mark-to-market deposits placed at GDMA by HUF 79.0 billion.
- **The fourth one** – which is also a decreasing factor – is that the forint appreciated, that decreased the HUF value of the foreign currency debt by HUF 46.7 billion.

According to the preliminary data **the domestic and foreign currency debt of central government** was the following in Q1 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	31.03.2017		change
	Debt stock (preliminary data)	**Breakdown**	**I-III. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***18,430.869***	***72.48%***	***3,009.106***	***2,402.535***	***0.000***	***606.571***	***19,037.440***	***73.3%***	***0.9%***
1.1. Loans	**865.025**	***3.40%***	**12.039**	**0.000**	**0.000**	**12.039**	**877.064**	***3.38%***	***0.0%***
1.1.1. Foreign	865.025	*3.40%*	12.039	0.000	0.000	12.039	877.064	***3.38%***	***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%***	**2,997.066**	**2,402.535**	**0.000**	**594.532**	**18,160.376**	***69.96%***	***0.9%***
1.2.1. Public issues	17,526.667	*68.92%*	2,997.066	2,402.535	0.000	594.532	18,121.198	***69.81%***	***0.9%***
1.2.1.1. Bonds	*11,562.378*	*45.47%*	*669.534*	*862.235*	*0.000*	*-192.701*	*11,369.677*	***43.80%***	***-1.7%***
1.2.1.2. Discount T-bills	*896.376*	*3.52%*	*551.396*	*507.833*	*0.000*	*43.564*	*939.940*	***3.62%***	***0.1%***
1.2.1.3. Retail securities	*5,067.913*	*19.93%*	*1,776.136*	*1,032.467*	*0.000*	*743.669*	*5,811.581*	***22.39%***	***2.5%***
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%***	**53.941**	**6.949**	**-46.663**	**0.329**	**6,256.836**	***24.10%***	***-0.5%***
2.1. Loans	**1,101.596**	***4.33%***	**0.000**	**6.652**	**-8.180**	**-14.832**	**1,086.765**	***4.19%***	***-0.1%***
2.1.1. Foreign	1,097.589	*4.32%*	0.000	2.650	*-8.175*	*-10.825*	1,086.765	***4.19%***	***-0.1%***
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%***	**53.941**	**0.297**	**-38.483**	**15.161**	**5,170.072**	***19.92%***	***-0.4%***
2.2.1. Issued abroad	4,618.946	*18.16%*	0.000	0.000	-34.447	-34.447	4,584.499	***17.66%***	***-0.5%***
2.2.2. Issued in Hungary	535.965	*2.11%*	53.941	0.297	-4.036	49.608	585.573	***2.26%***	***0.1%***
Total	**24,687.376**	***97.08%***	**3,063.047**	**2,409.484**	**-46.663**	**606.900**	***25,294.276***	***97.44%***	***0.4%***
Other debt	742.670	*2.92%*	310.371	384.164	-5.252	-79.044	663.626	***2.56%***	***-0.4%***
Total central government debt	**25,430.047**	***100.00%***	**3,373.418**	**2,793.647**	**-51.915**	**527.856**	***25,957.902***	***100.00%***	***0.0%***

The foreign currency debt of the central government increased by HUF 0.3 billion in 2017 and amounted to HUF 6,256.8 billion at the end of March 2017. The share of foreign currency denominated debt within the total debt decreased from 24.6% to 24.1% in 2017.

The forint denominated debt increased by HUF 606.6 billion and amounted to HUF 19,037.4 billion. The share of HUF-denominated debt reached 73.3% of the total debt, while in December 2016 this proportion was 72.5%.

The stock of retail securities increased by HUF 743.7 billion from the end of 2016 and amounted to HUF 5,811.6 billion at the end of March. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 297.0 billion by the end of March and reached HUF 1,818.2 billion. The stock of the Interest Bearing T-bills increased by HUF 436.6 billion and reached HUF 3,502.2 billion at the end of March.

The volume of non-resident holdings of Hungarian government securities increased by HUF 25.6 billion in March. 99.2% of non-resident holdings was T-bonds, which amounted to HUF 3,319.9 billion. The non-resident holdings of Discount T-Bills amounted to HUF 26.9 billion, that represented only 0.8% of total non-resident holdings. The duration of the non-resident stock was 5.4 years at the end of March 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 three month marked-to-market deposits decreased by HUF 79.0 billion and reached HUF 663.6 billion (EUR 2.1 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.6 in February to 2.2 in March. The bid-to-cover ratio of T-bond auctions decreased from 3.4 to 3.3.

The average yield of the last 3-month Discount Treasury Bill auction in March was 0.03%, 3 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in March was 0.13% 9 basis points lower compared to February.

The average yield of the last 3-year government bond auction in March was 1.13% 43 basis points lower compared to the previous month. The average yield of the last 5-year government bond auction was 2.16% 6 basis points lower compared to February. Finally, the average yield of the last auction of 10-year government bond was 3.57%, hasn't changed from the previous month's average yield.