FINANCING OF THE CENTRAL GOVERNMENT IN JANUARY 2017

1. Government debt data

The debt of the central government increased by HUF 376.2 billion in the January due to the following reasons:

- **The first factor** is the net forint issuance of HUF 421.7 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 753.5 billion in 2017 as well.
- **The second factor** is the net foreign currency issuance of HUF 14.4 billion.
- **The third factor** – which had contrary effect than the above mentioned factor – is the change of the foreign currency exchange rates that decreased the mark-to-market deposits placed at GDMA by HUF 59.6 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 0.3 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	31.01.2017		change
	Debt stock (preliminary data)	**Breakdown**	**I. month**				**Debt stock (preliminary data)**	**Breakdown**	**percent**
1. HUF denominated debt	***18,430.869***	***72.48%***	***1,098.949***	***677.231***	***0.000***	***421.718***	***18,852.587***	***73.1%***	***0.6%***
1.1. Loans	**865.025**	***3.40%***	**12.039**	**0.000**	**0.000**	**12.039**	**877.064**	***3.40%***	***0.0%***
1.1.1. Foreign	865.025	*3.40%*	12.039	0.000	0.000	12.039	877.064	***3.40%***	***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%***	**1,086.910**	**677.231**	**0.000**	**409.679**	**17,975.523**	***69.66%***	***0.6%***
1.2.1. Public issues	17,526.667	*68.92%*	1,086.910	677.231	0.000	409.679	17,936.346	***69.50%***	***0.6%***
1.2.1.1. Bonds	*11,562.378*	*45.47%*	*236.172*	*269.775*	*0.000*	*-33.603*	*11,528.775*	***44.67%***	***-0.8%***
1.2.1.2. Discount T-bills	*896.376*	*3.52%*	*209.127*	*111.438*	*0.000*	*97.690*	*994.066*	***3.85%***	***0.3%***
1.2.1.3. Retail securities	*5,067.913*	*19.93%*	*641.611*	*296.019*	*0.000*	*345.592*	*5,413.504*	***20.98%***	***1.0%***
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%***	**15.179**	**0.740**	**-0.295**	**14.143**	**6,270.651**	***24.30%***	***-0.3%***
2.1. Loans	**1,101.596**	***4.33%***	**0.000**	**0.636**	**-0.044**	**-0.680**	**1,100.916**	***4.27%***	***-0.1%***
2.1.1. Foreign	1,097.589	*4.32%*	0.000	0.636	*-0.078*	*-0.714*	1,096.875	***4.25%***	***-0.1%***
2.1.2. Domestic	*4.007*	*0.02%*	*0.000*	*0.000*	*0.034*	*0.034*	*4.041*	***0.02%***	***0.0%***
2.2. Government securities	**5,154.911**	***20.27%***	**15.179**	**0.104**	**-0.251**	**14.823**	**5,169.734**	***20.03%***	***-0.2%***
2.2.1. Issued abroad	4,618.946	*18.16%*	0.000	0.000	-0.289	-0.289	4,618.657	***17.90%***	***-0.3%***
2.2.2. Issued in Hungary	535.965	*2.11%*	15.179	0.104	0.038	15.112	551.077	***2.14%***	***0.0%***
Total	**24,687.376**	***97.08%***	**1,114.128**	**677.971**	**-0.295**	**435.862**	***25,123.238***	***97.35%***	***0.3%***
Other debt	742.670	*2.92%*	134.188	193.373	-0.429	-59.614	683.057	*2.65%*	***-0.3%***
Total central government debt	**25,430.047**	***100.00%***	**1,248.316**	**871.344**	**-0.724**	**376.248**	***25,806.295***	***100.00%***	***0.0%***

The foreign currency debt of the central government increased by HUF 14.1 billion from the end of December 2016 and amounted to HUF 6,270.7 billion at the end of January 2017. The share of foreign currency denominated debt within the total debt decreased to 24.3%, while at the end of the last year it was 24.6%.

The forint denominated debt increased by HUF 421.7 billion and amounted to HUF 18,852.6 billion. The share of HUF-denominated debt reached 73.1% of the total debt, while in December 2016 this proportion was 72.5%.

The stock of retail securities increased by HUF 345.6 billion from the end of 2016 and amounted to HUF 5,413.5 billion at the end of January. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 82.8 billion by the end of January and reached HUF 1,603.9 billion. The stock of the Interest Bearing T-bills increased by HUF 256.0 billion and reached HUF 3,321.6 billion at the end of January.

The volume of non-resident holdings of Hungarian government securities increased by HUF 26.0 billion in January. 99.8% of non-resident holdings was T-bonds, which amounted to HUF 3,462.8 billion. The stock of non-resident Discount T-Bills amounted to HUF 5.6 billion, that represents 0.2% of total non-resident holdings. The duration of the non-resident stock was 5.4 years at the end of January 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 month marked-to-market deposits decreased by HUF 59.6 billion and reached HUF 683.1 billion (EUR 2.2 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions decreased from 2.5 in December to 2.1 in January. The bid-to-cover ratio of T-bond auctions decreased from 5.2 to 3.5.

The average yield of the last 3-month Discount Treasury Bill auction in January was 0.09%, 6 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in January was 0.26% 7 basis points lower compared to December.

The average yield of the last 3-year government bond auction in January was 1.33% 30 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 2.10% 16 basis points higher compared to December. Finally, the average yield of the last auction of 10-year government bond was 3.43%, higher by 13 basis points compared to the previous month's average yield.