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# **FINANCING OF THE CENTRAL GOVERNMENT AND THE PUBLIC DEBT IN 2007**

1. Expected outturn of financing in 2006
2. Main features of the 2007 financing plan

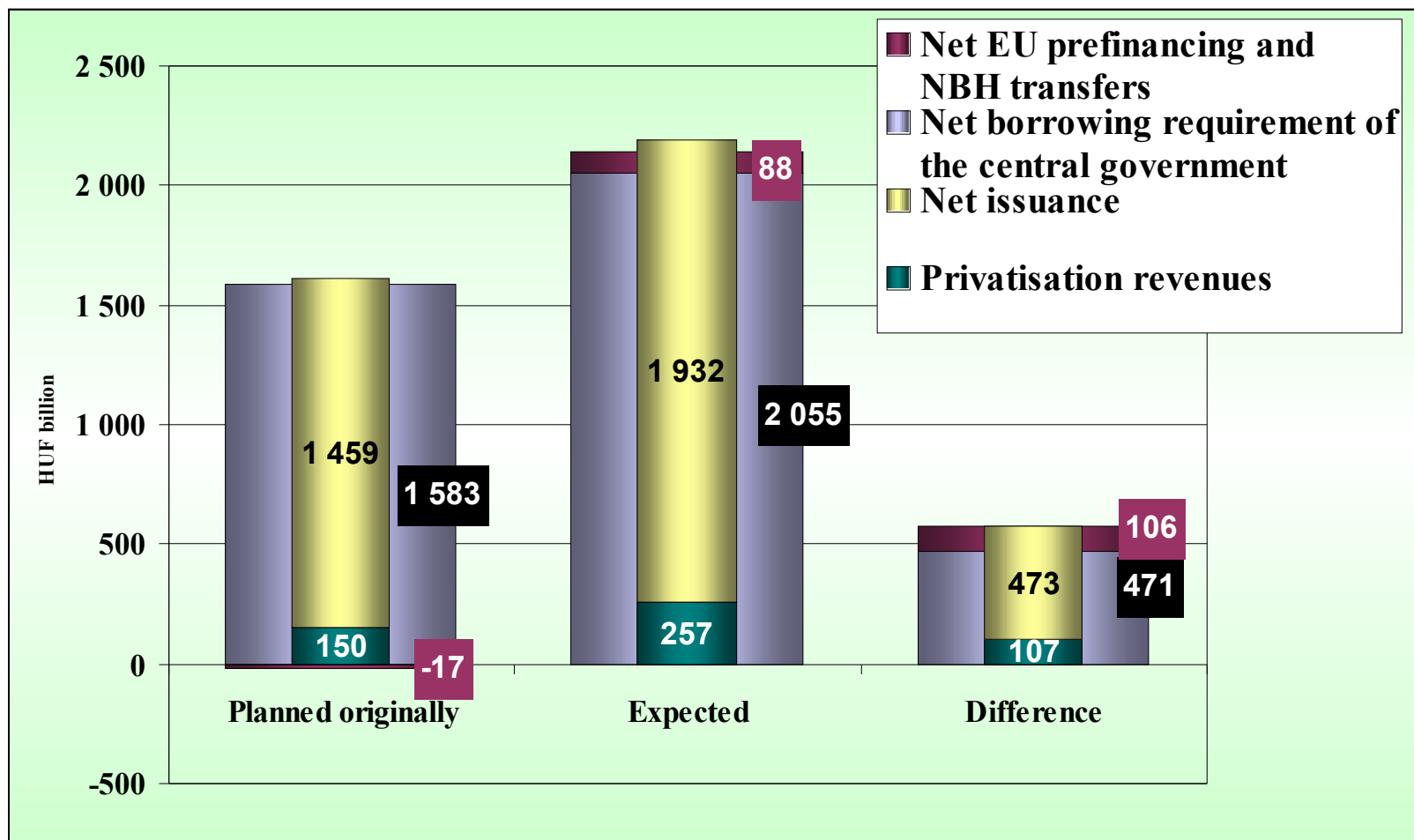
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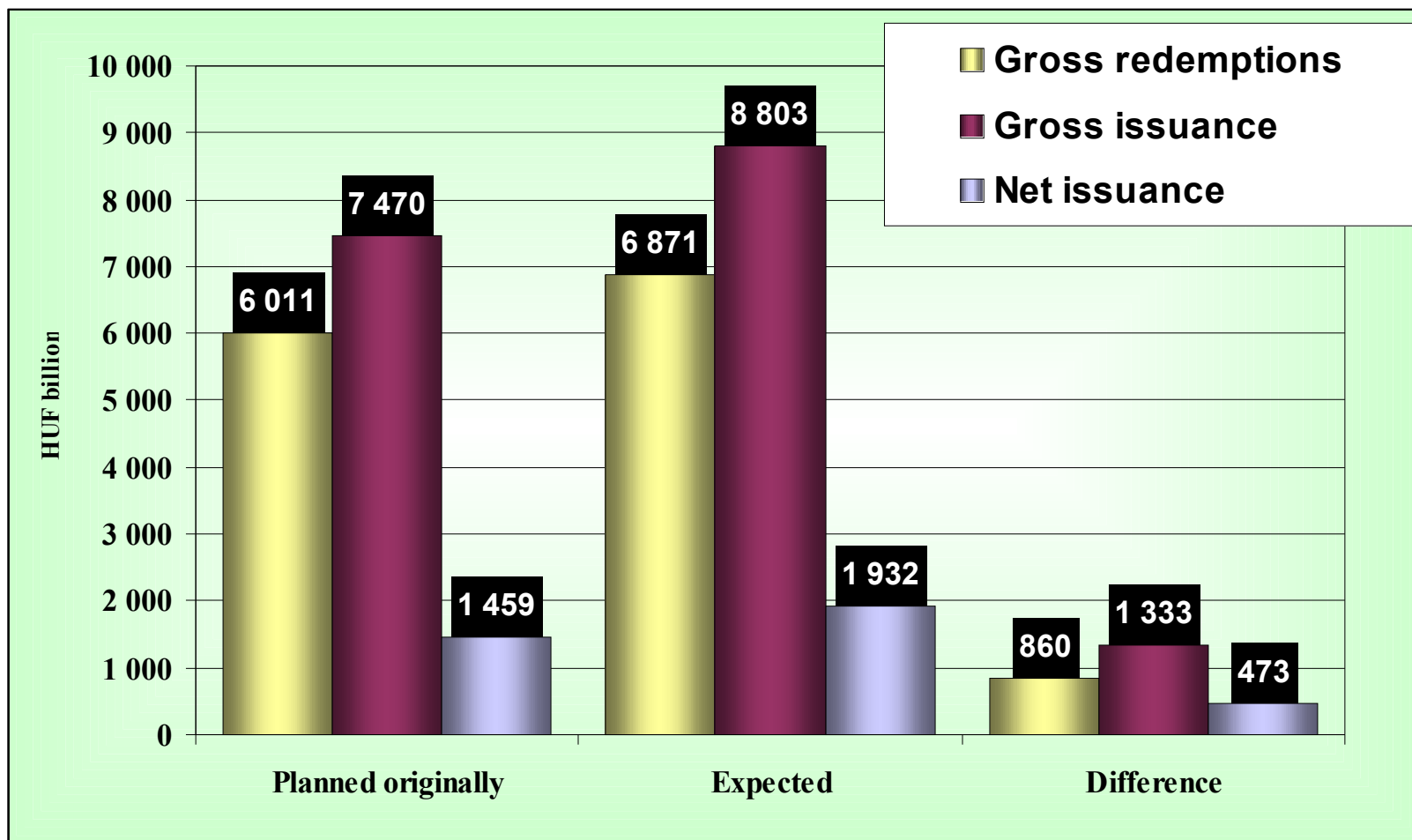
## Expected outturn of financing in 2006

# Financing needs in 2006



Higher net borrowing requirement, higher net issuance and more privatisation revenues.

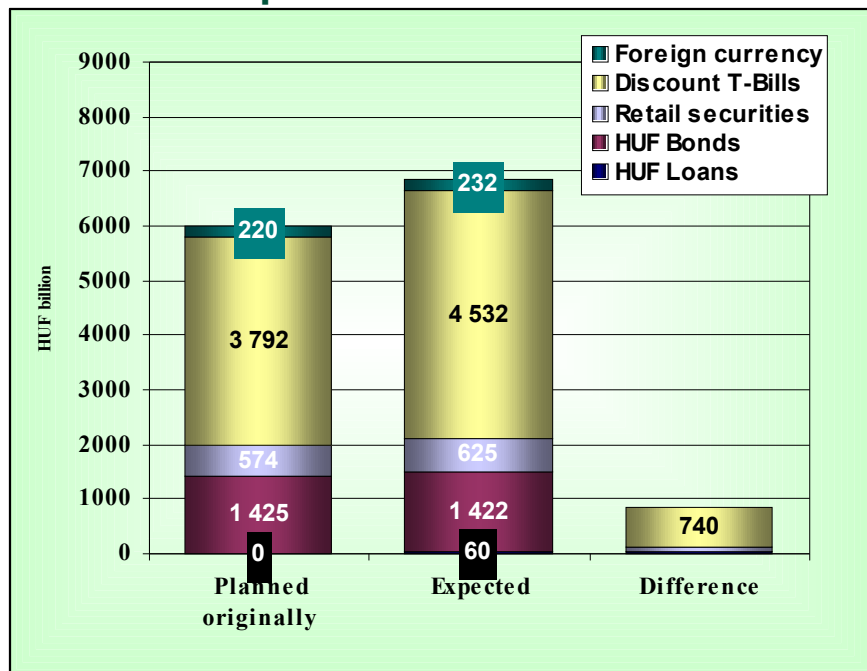
# Debt transactions in 2006



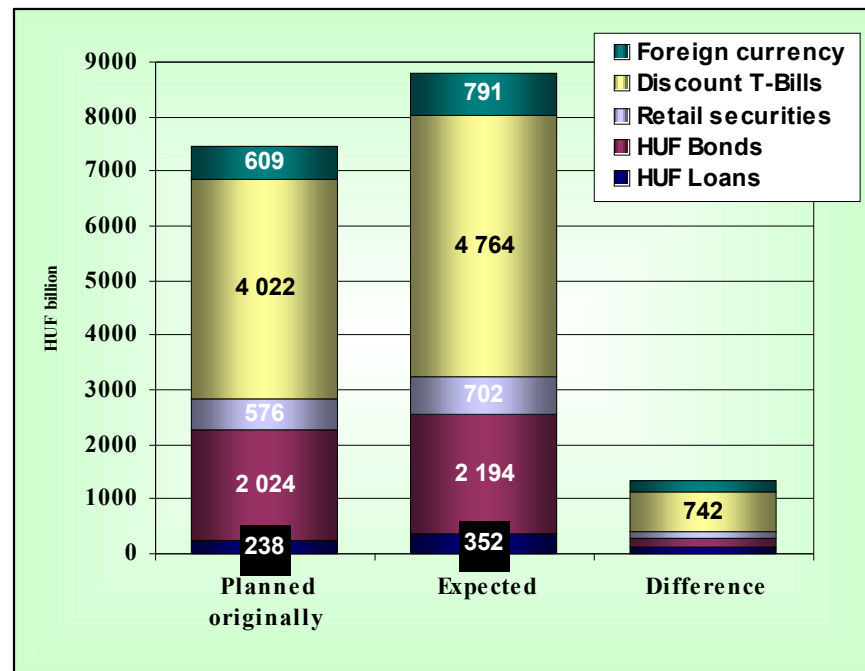
**Significantly higher gross redemptions and gross issuance.**

# Structure of redemptions and issuance in 2006

## Gross redemptions in 2006

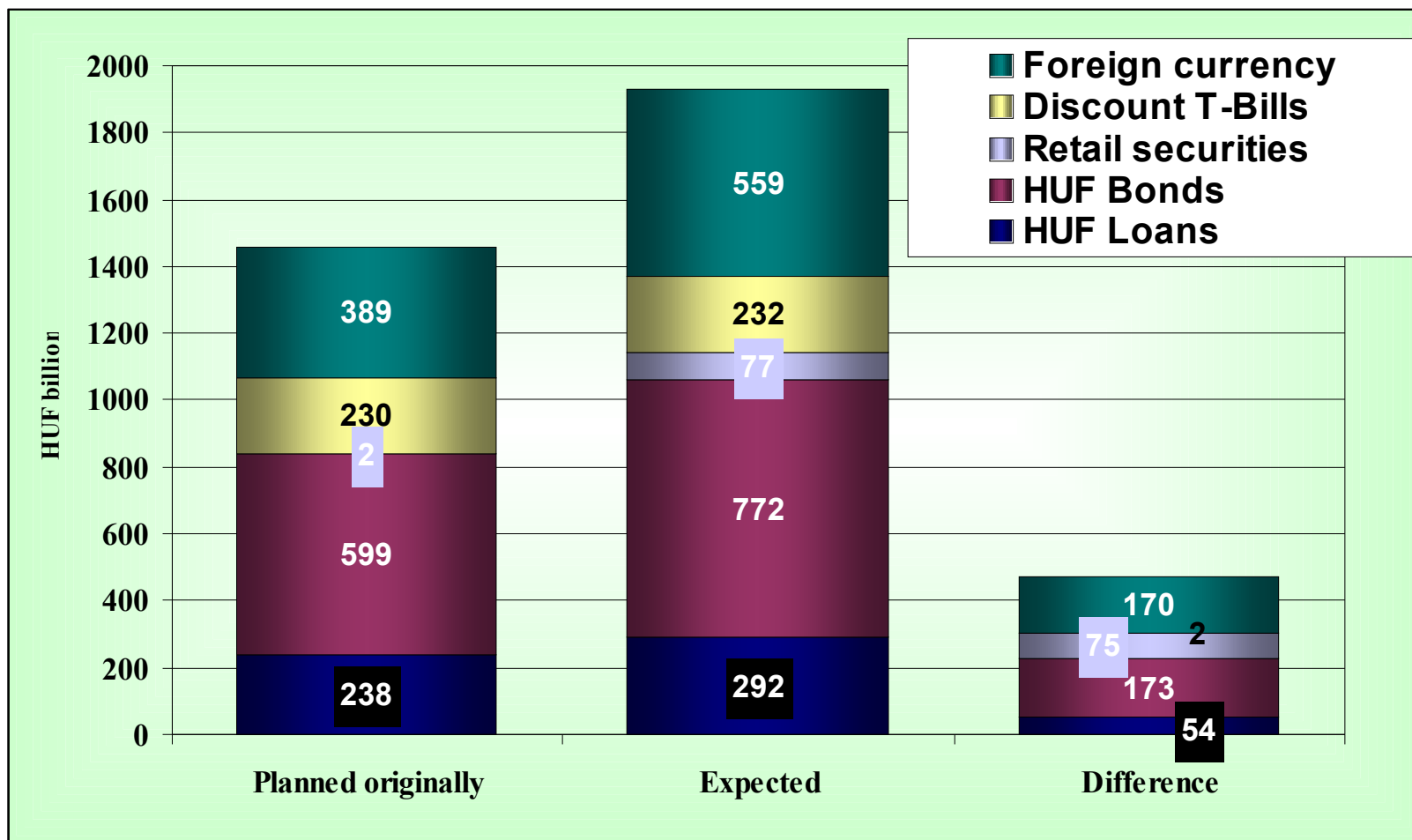


## Gross issuance in 2006



The increase in both issuance and redemptions is mainly caused by Discount Treasury bills.

# Structure of net issuance in 2006



The increase is mainly caused by HUF denominated and foreign exchange bonds.

# Main features of the 2007 financing plan



# The borrowing requirements in 2007

# The borrowing requirements

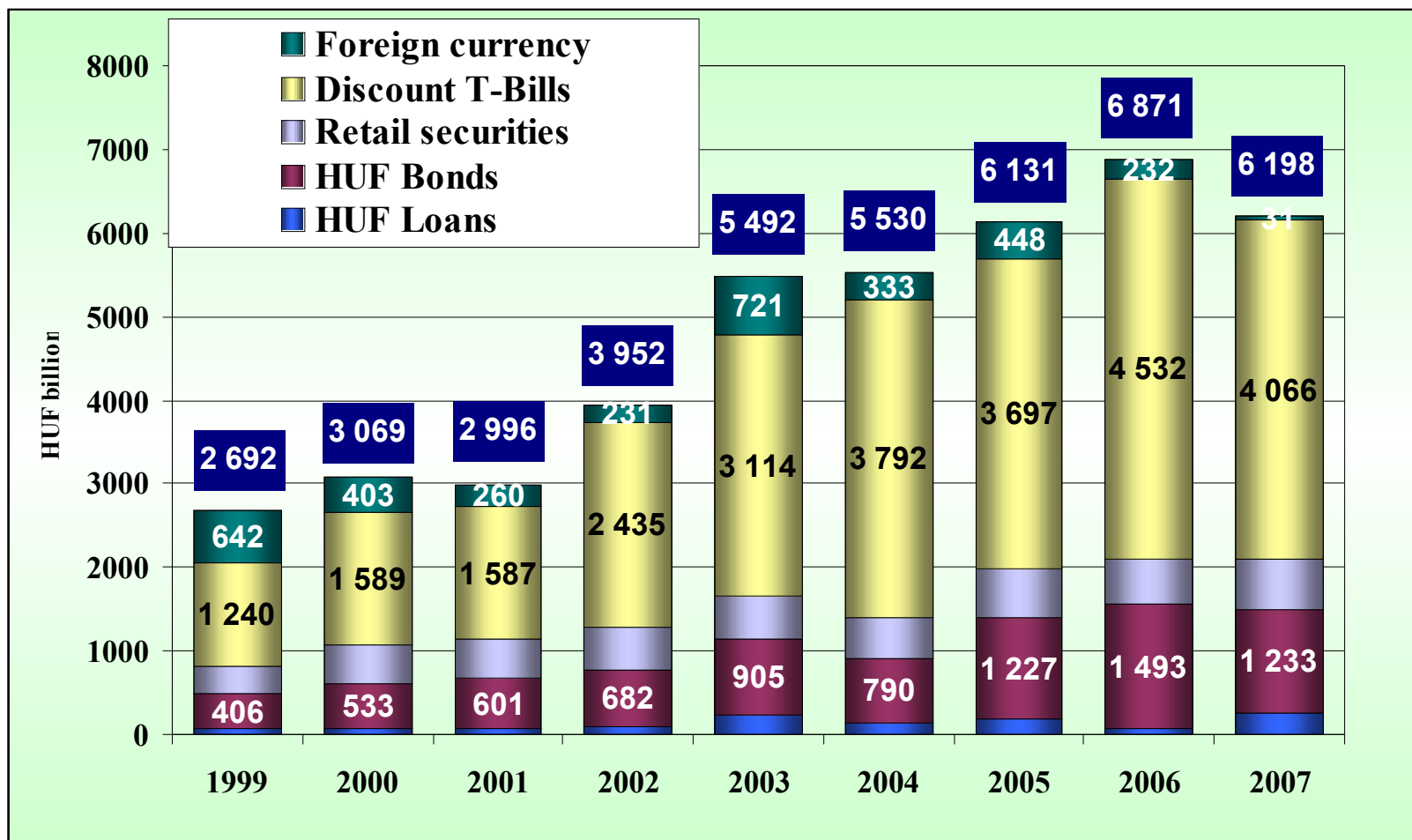
	HUF billion					
	2002	2003	2004	2005	2006*	2007**
Deficit of the central government budget (excl. privatisation revenues)	1469,6	733,6	921,7	547,8	1949,0	1653,0
<i>of which: debt assumptions</i>	511,9		31,6	180,3	352,0	146,0
Financing requirements of the Social Security Funds	100,9	345,1	422,9	468,8	140,4	32,2
Financing requirements of the extrabudgetary funds	-1,5	-18,8	-27,9	-30,4	-33,1	-16,0
<b>Net borrowing requirement</b>	<b>1569,0</b>	<b>1059,9</b>	<b>1316,7</b>	<b>986,2</b>	<b>2056,4</b>	<b>1669,3</b>
Capital transfers to the NBH	250,2	82,9	0,0	1,1	14,8	17,0
Privatisation revenues and capital transfers	0,0	-42,0	-166,5	0,0	-257,3	-26,6
Net prefiancing of EU transfers			12,8	169,0	73,6	80,6
<b>Total net borrowing requirement</b>	<b>1819,2</b>	<b>1100,8</b>	<b>1163,0</b>	<b>1156,3</b>	<b>1887,5</b>	<b>1740,2</b>
Redemptions	3952,2	5492,4	5530,9	6150,7	6871,0	6197,8
<b>Gross borrowing requirement</b>	<b>5771,4</b>	<b>6593,2</b>	<b>6693,9</b>	<b>7307,0</b>	<b>8758,5</b>	<b>7938,0</b>

\* Expected \*\* Appropriation

The gross borrowing requirement is HUF 661 billion (730) monthly, the net borrowing requirement is HUF 145 billion (157) monthly.

**Decreasing gross and net borrowing requirements  
(Even without debt assumptions).**

# The structure of gross redemptions



Smaller redemptions in Discount T-Bills, HUF Bonds and FX debt , more HUF Loan redemptions.

# Principles, volume and composition of gross issuance

# The main objective of public debt management

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**To finance in the given macroeconomic environment in an integrated manner, with minimal costs in the long term and by running acceptable risks.**

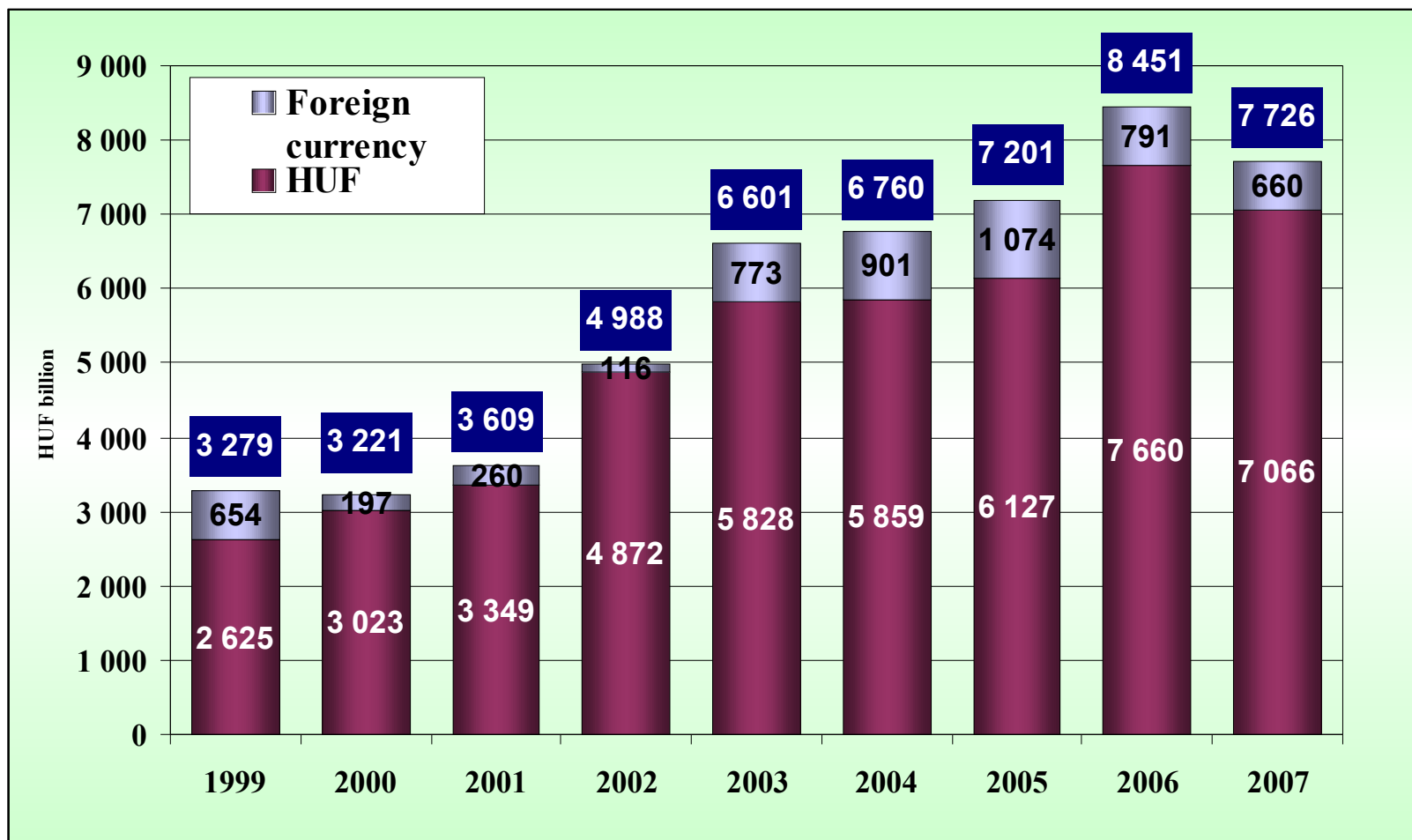
# The principles of public debt management

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- strategic behaviour in the domestic market (simplicity, transparency, liquidity),
- benchmark size issues in the foreign exchange markets (according to the market standards), widening the investor base,
- stable HUF/FX debt ratio (kept in a range),
- active management of the temporarily free cash funds of the state (liquidity management),
- compliance with benchmarks.

1. HUF debt / FX debt ratio,
2. fixed / floating HUF debt ratio,
3. HUF debt duration,
4. currency composition fo FX debt,
5. fixed / floating FY debt ratio,
6. optimal balance of the Single Treasury Account (STA).

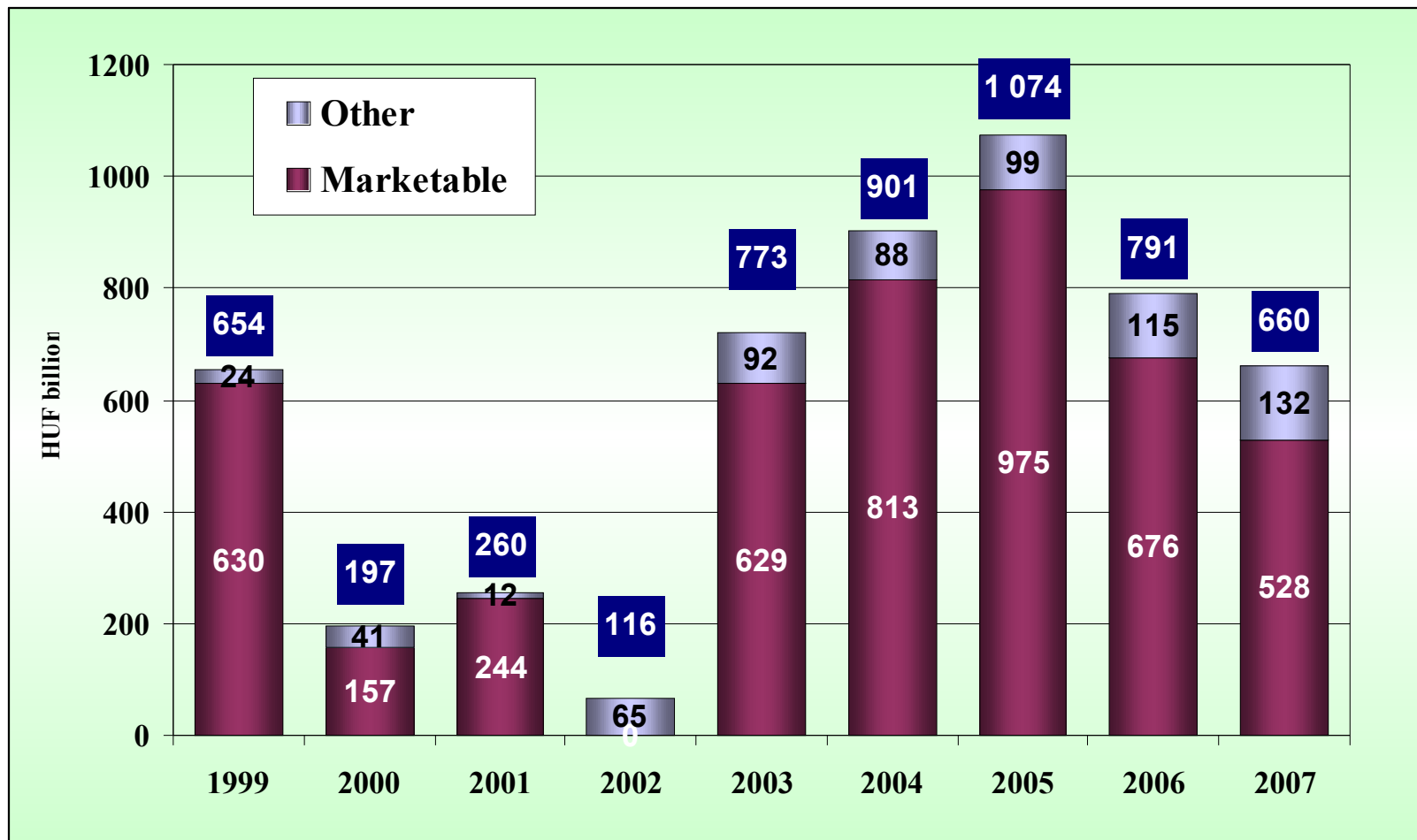
# Breakdown of gross issuances



**Decreasing gross issuance in 2007**

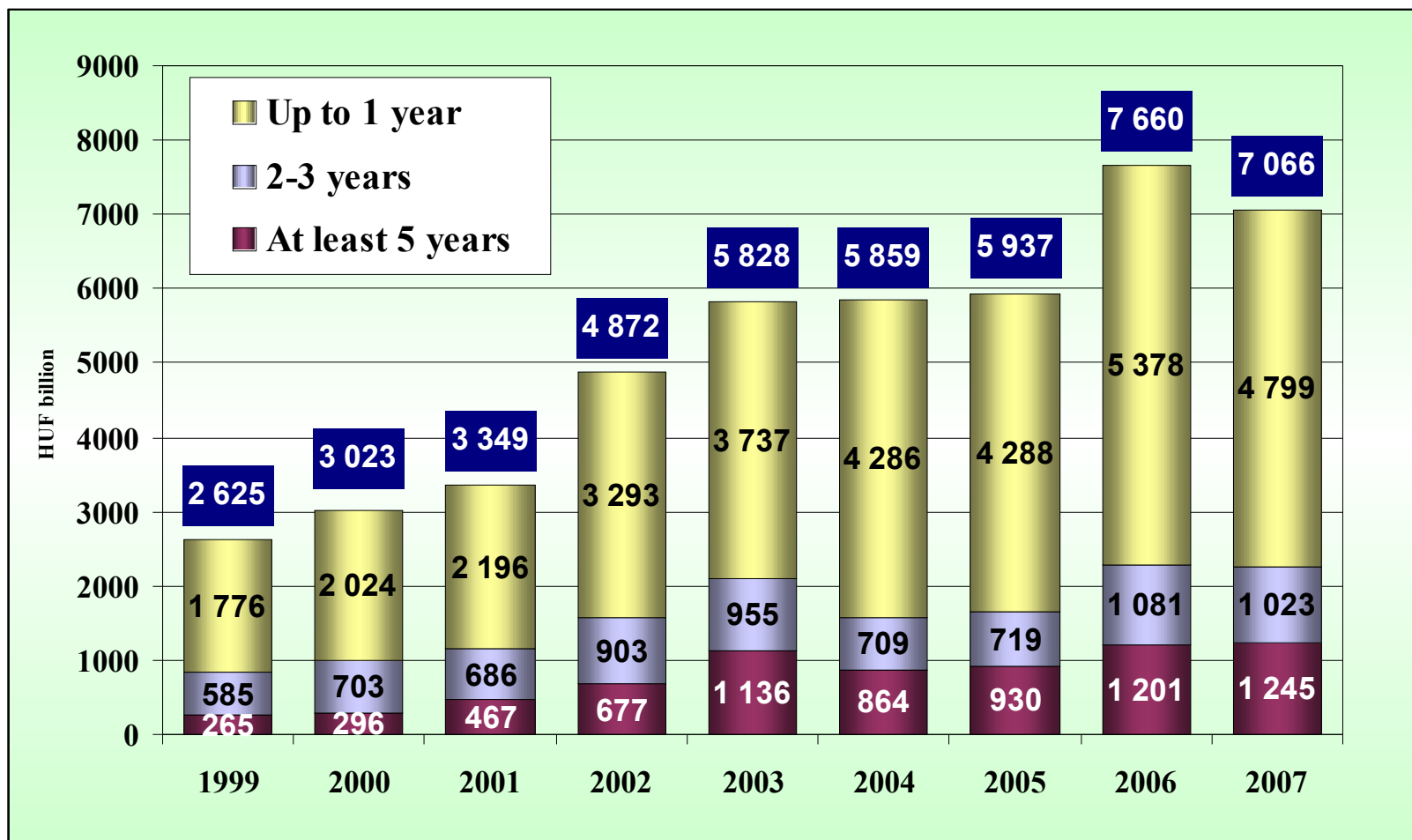


# Gross foreign currency issuance



**Decreasing issuance of marketable debt in 2007**

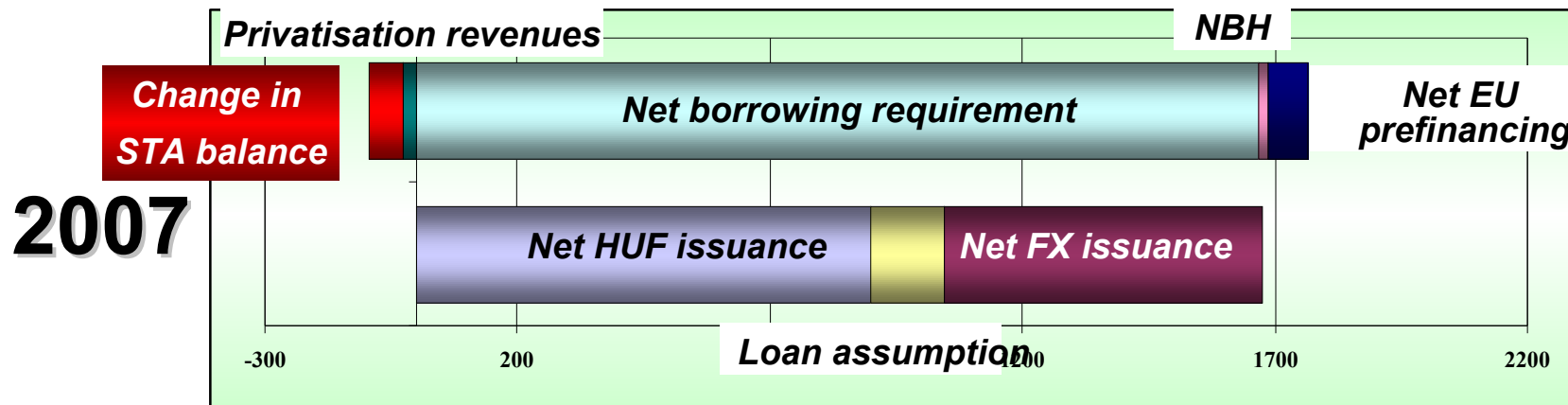
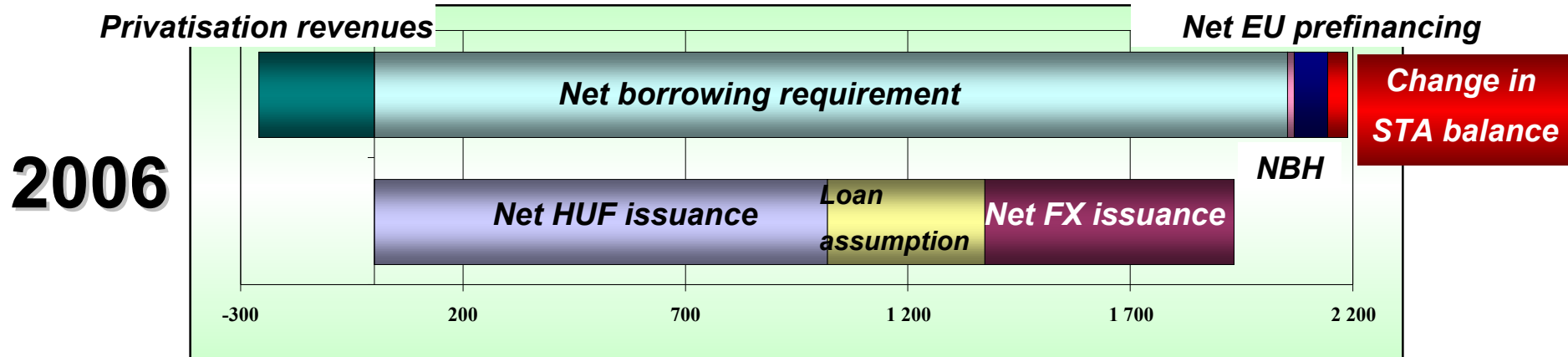
# Gross domestic market issuance



The issuance of bonds remains unchanged,  
the issuance of Treasury bills decreases in 2007

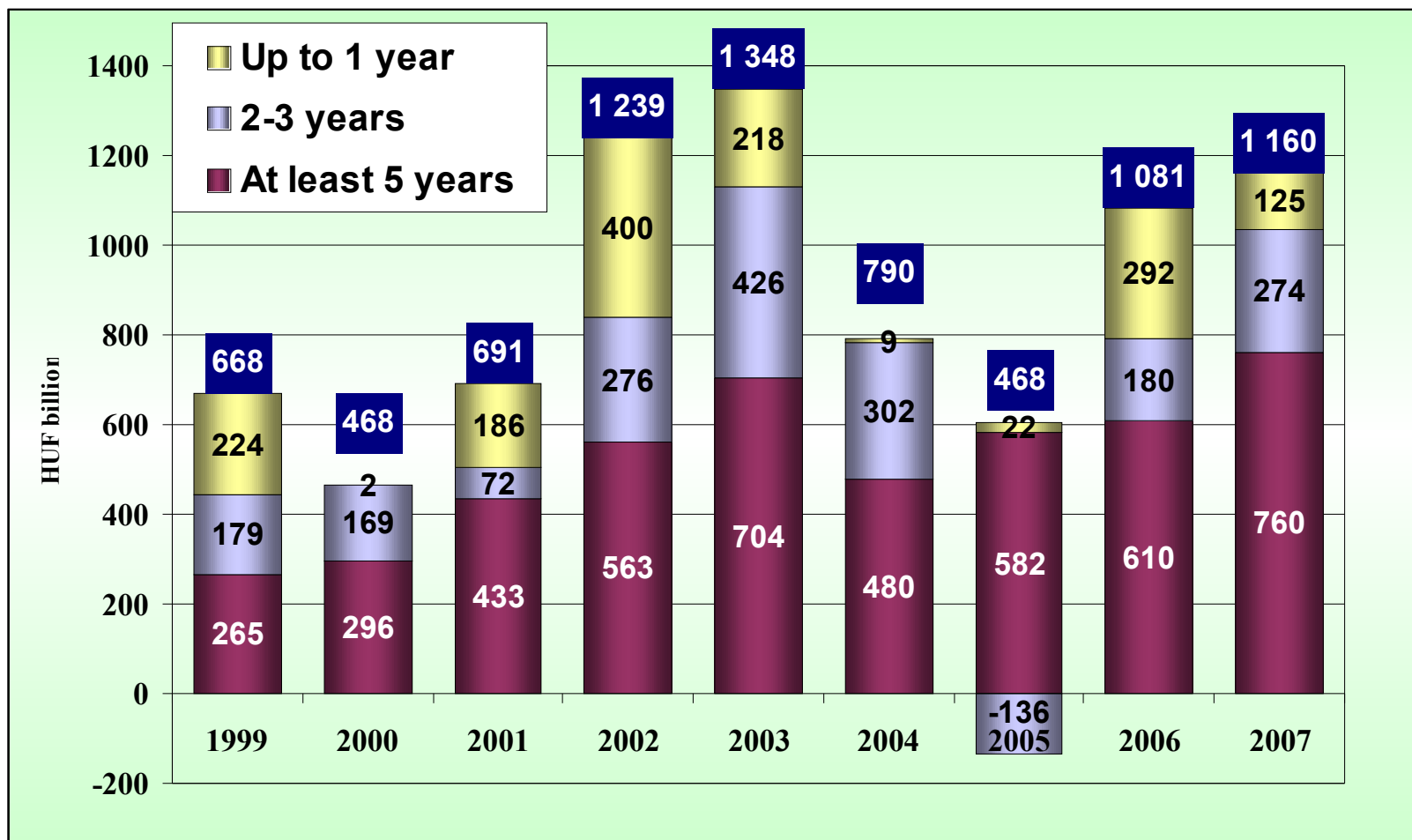
# Net issuance

# Composition of the net financing



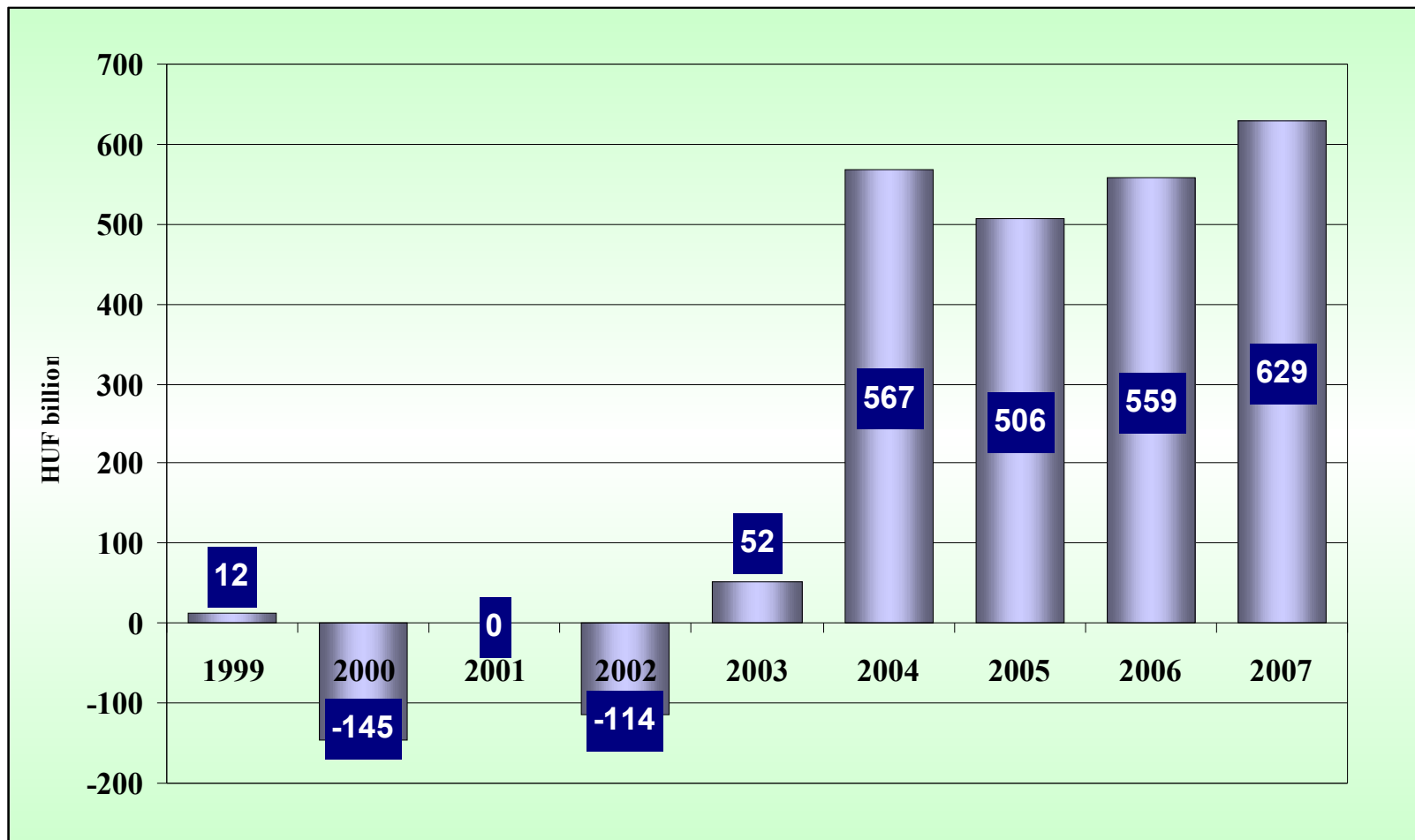
**Total net issuance:** HUF 1932 billion in 2006  
 HUF 1701 billion in 2007

# Net domestic market issuance



**Net issuance increases by 7% in 2007**

# Net foreign currency issuance



# Summary

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- Decreasing gross and net borrowing requirements. (Even without debt assumptions.)
- Smaller redemptions in Discount T-Bills, HUF Bonds and FX debt, more HUF Loan redemptions.
- Decreasing gross issuance in both the HUF and the foreign exchange market.
- Decreasing total net issuance. Slightly increasing domestic market and foreign currency net issuance - to redeem HUF Loans.
- Compliance with benchmarks (unchanged HUF/FX debt ratio).

**Thank you for your attention!**