

FINANCING OF THE CENTRAL GOVERNMENT IN FEBRUARY 2017

1. Government debt data

The debt of the central government increased by HUF 393.4 billion in the February due to the following reasons:

- **The first factor** is the net forint issuance of HUF 456.6 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 28.0 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 24.6 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 66.7 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	28.02.2017		change percent
	Debt stock (preliminary data)	Breakdown					Debt stock (preliminary data)	Breakdown	
			I-II. month						
1. HUF denominated debt	18,430.869	72.48%	2,130.669	1,674.065	0.000	456.604	18,887.473	73.1%	0.7%
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%	2,118.630	1,674.065	0.000	444.564	18,010.409	69.74%	0.7%
1.2.1. Public issues	17,526.667	68.92%	2,118.630	1,674.065	0.000	444.564	17,971.231	69.59%	0.7%
1.2.1.1. Bonds	11,562.378	45.47%	434.117	812.599	0.000	-378.482	11,183.896	43.31%	-2.2%
1.2.1.2. Discount T-bills	896.376	3.52%	370.453	231.241	0.000	139.212	1,035.588	4.01%	0.5%
1.2.1.3. Retail securities	5,067.913	19.93%	1,314.060	630.226	0.000	683.834	5,751.747	22.27%	2.3%
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%	29.456	1.414	-66.653	-38.611	6,217.896	24.08%	-0.5%
2.1. Loans	1,101.596	4.33%	0.000	1.220	-11.688	-12.908	1,088.689	4.22%	-0.1%
2.1.1. Foreign	1,097.589	4.32%	0.000	1.220	-11.681	-12.901	1,084.688	4.20%	-0.1%
2.1.2. Domestic	4.007	0.02%	0.000	0.000	-0.007	-0.007	4.000	0.02%	0.0%
2.2. Government securities	5,154.911	20.27%	29.456	0.194	-54.965	-25.703	5,129.208	19.86%	-0.4%
2.2.1. Issued abroad	4,618.946	18.16%	0.000	0.000	-49.157	-49.157	4,569.789	17.70%	-0.5%
2.2.2. Issued in Hungary	535.965	2.11%	29.456	0.194	-5.808	23.454	559.419	2.17%	0.1%
Total	24,687.376	97.08%	2,160.126	1,675.480	-66.653	417.993	25,105.369	97.22%	0.1%
Other debt	742.670	2.92%	252.569	269.425	-7.725	-24.582	718.089	2.78%	-0.1%
Total central government debt	25,430.047	100.00%	2,412.694	1,944.905	-74.378	393.411	25,823.458	100.00%	0.0%

The foreign currency debt of the central government decreased by HUF 38.6 billion from the end of December 2016 and amounted to HUF 6,217.9 billion at the end of February 2017. The share of foreign currency denominated debt within the total debt decreased to 24.1%, while at the end of the last year it was 24.6%.

The forint denominated debt increased by HUF 456.6 billion and amounted to HUF 18,887.5 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 683.8 billion from the end of 2016 and amounted to HUF 5,751.7 billion at the end of February. The combined outstanding amount of the Premium Hungarian Government Bonds and the Bonus Hungarian Government Bonds increased by HUF 226.6 billion by the end of February and reached HUF 1,747.8 billion. The stock of the Interest Bearing T-bills increased by HUF 449.1 billion and reached HUF 3,514.7 billion at the end of February.

The volume of non-resident holdings of Hungarian government securities decreased by HUF 147.3 billion in February. 99.3% of non-resident holdings was T-bonds, which amounted to HUF 3,297.6 billion. The stock of non-resident Discount T-Bills amounted to HUF 23.6 billion, that represents 0.7% of total non-resident holdings. The duration of the non-resident stock was 5.4 years at the end of February 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 two month marked-to-market deposits decreased by HUF 24.6 billion and reached HUF 718.1 billion (EUR 2.3 billion) at the end of the month.

2. Forint yields

The average bid-to-cover ratio of Discount T-bill auctions increased from 2.1 in January to 2.6 in February. The bid-to-cover ratio of T-bond auctions decreased from 3.5 to 3.4.

The average yield of the last 3-month Discount Treasury Bill auction in February was 0.06%, 3 basis points lower than in the previous month. The average yield of the last 12-month Discount Treasury Bill auction in February was 0.22% 4 basis points lower compared to January.

The average yield of the last 3-year government bond auction in February was 1.56% 23 basis points higher compared to the previous month. The average yield of the last 5-year government bond auction was 2.22% 12 basis points higher compared to January. Finally, the average yield of the last auction of 10-year government bond was 3.57%, higher by 14 basis points compared to the previous month's average yield.