



PRESS RELEASE

Madrid, 30 May 2016

Treasury funding cost continued to decline in 2015

The **Treasury's issuance programme** was completed satisfactorily in 2015, combining lower costs and a slight increase in the average life of the central government's book-entry debt. In effect, the average cost of the funding obtained in 2015 was 0.80% (1.31% for funding obtained from medium and long-term bonds and 0.05% for funding obtained from Treasury bills), compared with 1.46% in 2014. In turn, the average life of the central government's book-entry debt at end-2015 was 6.43 years, just over three months more than at end-2014.

In terms of volume, gross issuance was virtually unchanged on the 2014 figure at €237,424.7 million. The instruments with the highest issuance levels in 2015 were 1-year Treasury bills (€52,235.6 million) and 10-year bonds (€48,443.4 million). One of the most noteworthy features of primary market activity in 2015 was the substantial increase in longer-term conventional issues. In the case of inflation-linked bonds, activity fell by some 30%, despite the introduction of a new 15-year bond.

The rule introduced in 2014, whereby non-competitive bids are automatically considered not to have been submitted if the average yield at the auction is negative, came into play on several occasions in the course of the year.

On 2 October 2015 Standard & Poor's upgraded Spain's sovereign debt rating to BBB+ from the BBB rating assigned in May 2014. The other two main credit rating agencies left their ratings unchanged at Baa2 (Moody's) and BBB+ (Fitch).

Trading volume declined considerably, especially among account holders

Trading volume on the **secondary government debt market** amounted to €12.5 billion in 2015, down 27.6% compared with 2014, as a result of the significant decline in trading both among account holders (37.8%) and third parties (18.4%). In 2015, trading among account holders represented approximately 40% of the total, with third-party activity accounting for the other 60%.

Activity in 2015 was mainly in unstripped medium and long-term bonds, which accounted for 83% of the volume traded, while trading in Treasury bills represented 15.3% of the total and the remaining 1.7% consisted of strips. Cash transactions predominated, accounting for 48.9% of total trading, followed by sell/buy-back transactions with 33.7% and repurchase agreements with 15.1%.

Non-resident investors' portfolios continue to grow

As regards **registered medium and long-term bond portfolios**, the largest change was in the holdings of non-resident investors, which rose by €51.7 billion to stand at 50.9% of the outstanding balance, compared with 47.1% in 2014. The next largest change in this type of instruments was the rise of €32 billion in the portfolios held by the credit system, including the Banco de España. Changes in the opposite direction were observed in the holdings of other financial institutions and of general government, down €13.7 billion and €15.8 billion, respectively.

The most significant change in **registered Treasury bill portfolios** was also in the non-resident investors segment, which increased by €6.7 billion, accounting for 74.6% of the outstanding balance at end-2015. Apart from this change, the only other notable development was the contraction of €2.5 billion in the holdings of other financial institutions.

The balances of the **Banco de España's direct accounts** decreased by 25.5% in 2015 to stand at €1,682 million at the end of the year; 41% of them related to Treasury bills and 59% to medium and long-term bonds.

The outstanding debt of **other issuers** on the public debt book-entry market decreased by €5,565 million in 2015, mainly as a result of the net redemption of €4,810 million by public institutions other than regional governments, due to the redemption of more than €5 billion of the Fund for the Financing of Payments to Suppliers. Regional governments also posted negative net issuance of -€755 million. Following the backslide of recent years, the secondary market underwent a further decline of 32.3%, such that the total trading volume fell to €24.2 billion.

The full text of the Report is available at the Banco de España website: www.bde.es.