

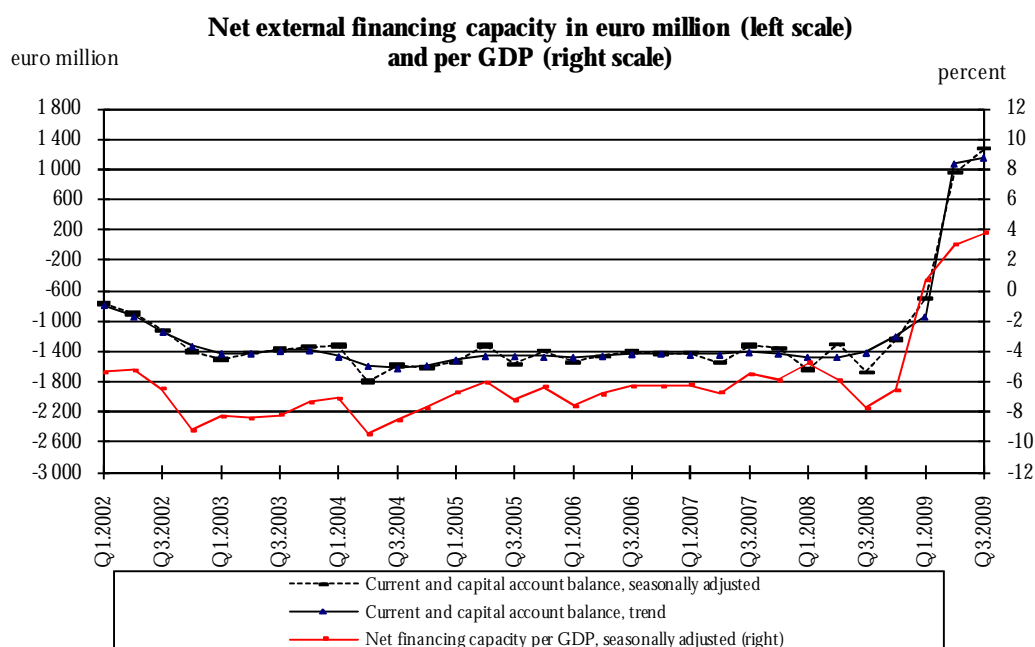
PRESS RELEASE

Hungary's balance of payments: 2009 Q3

Consistent with its schedule for quarterly releases and revisions of statistical data, on 30 December 2009 the MNB is publishing 2009 Q3 balance of payments statistics for the first time, together with revised data for 2009 Q1–Q2.

In 2009 Q3, Hungary's external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 1,052 million (HUF 286 billion). After adjusting for seasonal effects, the country's external financing capacity was close to 4% of GDP (EUR 1,268 million), improving by 11 percentage points and 1 percentage point from the end of 2008 and the previous quarter respectively. The surplus on real economic transactions continued to offset the deficit on the income account in the period under review. As regards trade in goods, expenditure on imports and export revenue exceeded the levels recorded in the previous quarter. The balance of EU transfers (EUR 701 million) also added to the increase in the financing capacity. The improvement in the income account balance was closely related to falling corporate profits;¹ however, there was no further improvement in the balance of interest income compared with the previous quarter.

Chart 1



¹ Direct investment income remains an estimate in the balance of payments statistics until receipt of corporate questionnaire-based data in September 2010.

Table 1
Current account balance and net external financing capacity

Euro million

	2008					2009			
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q1-Q3
1. Real economic transaction	400	397	76	-93	780	843	1 815	1 986	4 643
Export	21 495	22 455	22 245	20 195	86 390	16 575	17 513	18 520	52 608
Import	21 095	22 057	22 170	20 288	85 610	15 732	15 699	16 534	47 965
1.1. Goods	344	101	-429	-90	-74	717	1 398	1 268	3 383
1.1.1. Export	18 667	19 169	18 198	16 694	72 727	13 729	14 334	14 851	42 914
1.1.2. Import	18 323	19 067	18 627	16 784	72 801	13 012	12 936	13 583	39 531
1.2. Services	56	296	504	-3	854	126	417	718	1 260
Export	2 828	3 286	4 048	3 502	13 663	2 846	3 179	3 669	9 695
Import	2 772	2 990	3 543	3 504	12 809	2 720	2 763	2 951	8 435
1.2.1. Travel, net	192	347	455	368	1 361	207	334	561	1 102
export	682	988	1 451	981	4 101	756	1 029	1 377	3 162
import	490	641	996	613	2 740	549	695	816	2 060
1.2.2. Other services, net	-136	-51	50	-371	-507	-81	83	156	158
export	2 146	2 298	2 597	2 521	9 562	2 090	2 151	2 292	6 532
import	2 282	2 349	2 547	2 892	10 069	2 171	2 068	2 135	6 374
2. Income and current transfers	-1 935	-1 948	-2 314	-2 175	-8 371	-1 430	-1 340	-1 288	-4 058
2.1. Income	-1 645	-1 898	-2 231	-1 924	-7 697	-1 278	-1 470	-1 418	-4 166
2.2.1. Income on debt	-782	-819	-900	-867	-3 368	-687	-669	-687	-2 044
2.2.2. Income on equity	-1 046	-1 277	-1 534	-1 250	-5 106	-764	-986	-924	-2 674
2.2.3. Compensation of employees	183	198	202	193	777	173	185	193	551
2.2. Current transfers, net	-290	-50	-83	-251	-674	-152	130	130	108
3. Current account balance	-1535	-1550	-2239	-2268	-7591	-587	475	698	586
4. Capital account	44	122	129	739	1 034	300	415	354	1 070
5. Non debt creating financing	1 206	-1 433	372	227	373	-6	-615	1 034	413
5.1. Abroad	-234	660	-331	-681	-586	-115	-373	-134	-622
5.1.1. Equity capital	-104	-89	-193	-631	-1 018	-70	-347	-82	-499
5.1.2. Reinvested earnings	-130	749	-138	-49	432	-45	-26	-52	-123
5.2. In Hungary	1 062	-964	1 025	2 286	3 410	364	-1 038	1 546	872
5.2.1. Equity capital	369	158	384	955	1 865	367	351	481	1 199
5.2.2. Reinvested earnings	693	-1 122	641	1 332	1 545	-4	-1 388	1 065	-327
5.3. Portfolio investment, equity securities	379	-1 129	-323	-1 379	-2 452	-255	796	-378	163
6. Debt creating finance	1 745	3 183	2 482	1 083	8 503	436	-928	-876	-1 369
6.1. Debt creating finance excluding FDI other capital	2 235	1 974	3 230	1 389	8 829	576	-1 277	710	9
6.1.1. Assets	-616	-301	-84	-949	-1 951	-2 143	951	82	-1 110
6.1.2. Liabilities	2 851	2 276	3 315	2 338	10 780	2 719	-2 228	628	1 119
6.2. FDI other capital	-490	1 208	-748	-296	-325	-140	348	-1 586	-1 378
6.2.1. Abroad	29	46	-446	390	18	-60	-163	121	-102
6.2.1.1. Assets	-27	-10	-458	361	-134	-56	-163	7	-212
6.2.1.2. Liabilities	56	55	11	29	152	-4	0	114	110
6.2.2. In Hungary	-519	1 163	-302	-685	-343	-80	512	-1 707	-1 276
6.2.2.1. Assets	-949	-502	246	-1 012	-2 216	-3 366	185	-542	-3 723
6.2.2.2. Liabilities	430	1 664	-548	326	1 873	3 286	326	-1 166	2 447
7. Net external financing capacity									
7.1. Net external financing capacity (CA and Capital account)	-1 490	-1 428	-2 110	-1 529	-6 557	-287	890	1 052	1 655
7.2. Financial account balance (Financial account balance and reserves)	-2 951	-1 750	-2 854	-1 321	-8 876	-430	1 543	-157	955
7.3. Difference (Net errors and omissions)	-1 461	-322	-744	208	-2 319	-143	653	-1 210	-700

Table 2
Balance of payments and financing capacity items - seasonally adjusted data*

euro million

	2008				2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Real economic transactions, net (Goods and services)	318	205	220	372	928	1 591	2 050
1.1. Export	22 607	22 328	21 755	19 551	17 539	17 482	18 056
1.2. Import	22 042	22 125	21 377	19 244	16 823	15 951	15 837
1.1. Goods, net	182	-62	-181	137	595	1 263	1 528
1.1.1. Export	19 329	19 059	18 369	16 113	14 264	14 280	14 964
1.1.2. Import	18 881	19 030	17 864	15 809	13 946	13 112	12 843
1.2. Services, net	182	257	289	137	310	378	507
1.2.1. Export	3 247	3 325	3 578	3 414	3 284	3 243	3 220
1.2.2. Import	2 988	3 107	3 367	3 305	2 935	2 873	2 806
1.2.1. Travel, net	307	339	344	364	382	378	421
export	903	968	1 083	1 097	1 080	1 009	1 028
import	629	641	714	686	638	686	592
1.2.2. Other services, net	-112	-104	-90	-167	-53	-13	-14
export	2 335	2 341	2 438	2 300	2 272	2 209	2 176
import	2 498	2 398	2 528	2 502	2 246	2 190	2 131
2. Income and current transfers, net	-1 915	-1 845	-2 293	-2 233	-1 389	-1 250	-1 296
2.1. Income, net	-1 851	-1 766	-2 290	-1 695	-1 544	-1 444	-1 411
2.1.1. Income on debt, net	-775	-792	-953	-850	-725	-643	-673
2.1.2. Income on equity, net	-1 291	-1 254	-1 381	-1 171	-1 032	-956	-785
2.1.3. Compensation of employees, net	194	193	195	186	184	184	186
2.2. Current transfers, net**	-154	-122	-96	-219	-73	52	108
3. Current account balance, net	-1 613	-1 657	-2 205	-2 263	-251	333	424
4. Capital account, net	160	98	96	643	426	388	320
6. Net external financing capacity	-1 638	-1 307	-1 678	-1 250	-703	956	1 268

* The sub-balance outcomes are directly seasonally adjusted. Consequently, the seasonally adjusted current account balance outcome cannot be reproduced from the seasonally adjusted data of the sub-accounts.

** Data reviewed at 16:00 30, December 2009.

Developments in the components of external financing capacity

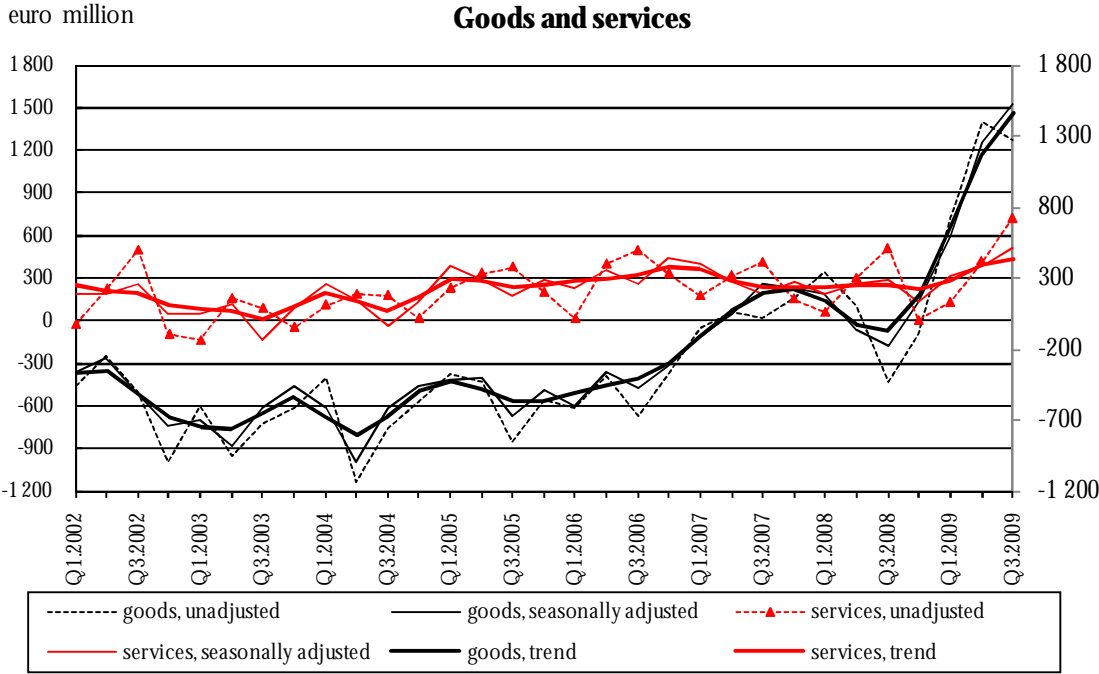
In 2009 Q3, the current account surplus continued to rise, reaching EUR 424 million, according to seasonally adjusted data. The value of net exports was close to EUR 1.5 billion. Exports and imports fell by 8% and nearly 20% respectively relative to the end of 2008. However, export revenue rose slightly compared with the previous quarter and imports of goods stopped declining further.

Chart 2



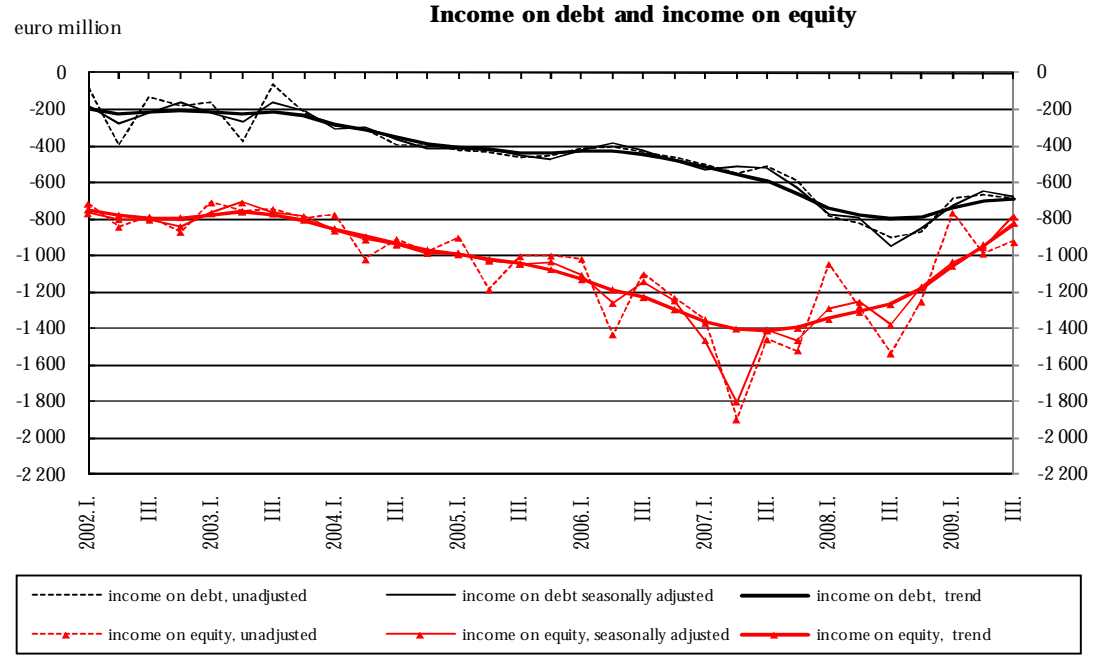
At 5% and 15% respectively, the declines in services exports and imports relative to the end of 2008 was smaller than those in exports and imports of goods, with only a slight drop compared with the outturns for the previous quarter. Within services, the decline in travel expenditure was larger, with a marked fall in expenditure on personal travel.

Chart 3



In the income account, the deficit on income on equity was EUR 785 million (one of its components being lower profits of companies affected by direct investment income, which, however, remains an estimate until the end of September 2010 – see Footnote 1). At the same time, seasonally adjusted negative interest income on debt was EUR 673 million.

Chart 4



The surplus on current transfers amounted to EUR 130 million in 2009 Q3, according to not seasonally adjusted data. Looking at transactions with the European Union in the period, the balance of current transfers showed a EUR 332 million surplus, and transactions recorded as capital transfers showed a EUR 368 million surplus. On balance, capital transfers to and from EU institutions showed a EUR 700 million surplus in the balance of payments Q3 as a balance of funds from and contributions to the EU.

Inward and outward non-debt capital transactions showed a net inflow of EUR 1,034 million in 2009 Q3. Within this figure, the value of outward direct investment transactions in equity capital by Hungarian residents amounted to EUR 82 million and inward transactions by non-residents amounted to EUR 481 million. Reinvested earnings on direct investment transactions by Hungarian residents increased the value of direct investment by EUR 52 million and those on direct investment transactions by non-residents reduced it by EUR 1,065 million.² Portfolio investment transactions in equity securities showed a net outflow of EUR 378 million. Here, purchases of shares abroad by Hungarian residents amounted to EUR 437 million and sales of Hungarian shares by non-residents amounted to EUR 59 million.

The balance of debt generating financing was EUR -876 million in 2009 Q3. Within this figure, other capital transactions – recorded in foreign direct investment flows – by Hungarian residents abroad recorded an outflow of EUR 121 million and other capital transactions by non-residents in Hungary recorded an outflow of EUR 1,707 million.

Due to the recording of EU transfers on an accrual basis, imputed short-term liabilities rose by EUR 57 million and short-term assets by EUR 214 million in 2009 Q3.³

Reserves and debt

Central bank foreign exchange reserves amounted to EUR 30.6 billion at end-September 2009. Hungary's net foreign debt, excluding other capital recorded under direct investment and financial derivatives, amounted to EUR 52.2 billion at the end of September 2009 (55.6% as a percentage of GDP).

Within this figure, the amount recorded as net short-term debt due to the recording of EU transfers was EUR 1.16 billion, of which the amount of short-term assets was EUR 0.87 billion and that of liabilities was EUR 2.03 billion.

² Reinvested earnings are the difference between after-tax profit and declared dividends. In the new data collection framework, dividends are based on data reported for all periods. After-tax profits for 2008 have been derived from annual corporate questionnaires. However, after-tax profits for 2009 are forint estimates. Consequently, reinvested earnings in the balance of payments statistics for 2008 are reports-based, and those for 2009 are estimates. Movements in the EUR/HUF exchange rate in the first three months of the year strongly influenced data expressed in euro terms.

³ For the methodological description of recording EU transfers, see page 7 of the [September 2009 Press Release](#).

Table 3
Foreign assets and liabilities of Hungary

Euro million

	2008					2009		
	Q1 op.poz.**	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Assets	71 104	72 892	76 627	79 348	81 738	88 982	90 888	93 759
1.1. International reserves	16 385	16 815	17 290	17 409	24 040	27 890	26 950	30 603
1.2. Direct investment *	29 349	29 337	29 098	29 808	29 596	32 088	33 390	33 388
1.3. Portfolio investment	6 379	6 479	7 189	7 336	5 986	5 849	7 058	7 867
1.4. Financial derivatives	2 615	3 393	4 485	3 015	3 643	4 388	3 531	2 709
1.5. Other foreign assets	16 374	16 868	18 564	21 779	18 474	18 767	19 960	19 193
o/w: due to accrual accounting of EU-transfers	609	449	453	447	689	462	658	869
2. Liabilities	179 636	180 664	190 571	193 464	188 336	187 434	194 178	200 277
2.1. Direct investment *	80 676	79 149	84 367	83 372	79 282	75 598	80 971	82 692
2.2. Portfolio investment	53 206	50 764	52 675	52 717	41 506	36 836	39 678	44 889
2.3. Financial derivatives	2 534	3 724	3 897	3 148	4 511	5 921	3 466	3 379
2.4. Other foreign liabilities	43 220	47 027	49 633	54 227	63 036	69 079	70 063	69 317
o/w: due to accrual accounting of EU-transfers	1 211	1 939	2 087	2 011	1 182	1 629	1 982	2 028
3. Net foreign liabilities (2-1)	108 532	107 772	113 945	114 116	106 597	98 451	103 289	106 517
o/w: due to accrual accounting of EU-transfers	602	1 490	1 634	1 564	493	1 167	1 324	1 159

Memorandum:***

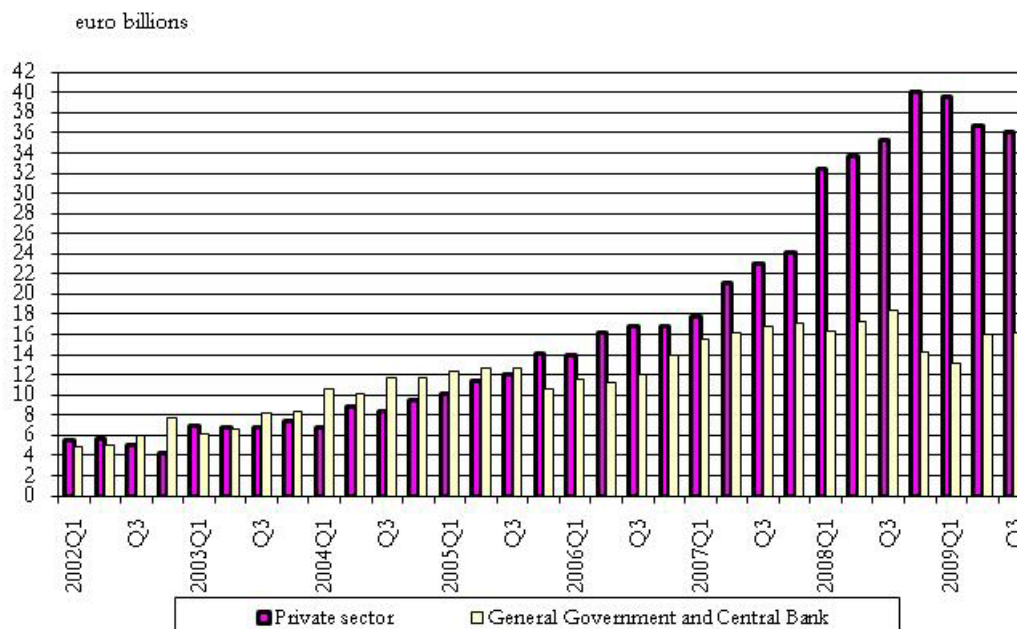
4. Gross foreign debt (excluding direct investment other capita	80 406	84 012	88 770	94 700	98 497	101 070	101 727	103 550
4.1. General government and Central bank	34 378	34 221	35 749	36 931	39 478	41 987	44 108	47 894
4.2. Private sector	46 028	49 791	53 022	57 769	59 018	59 084	57 620	55 656
5. Net foreign debt (excluding direct investment other capital)	46 372	48 744	50 861	53 630	54 406	52 625	52 835	52 248
5.1. General government and Central bank	16 882	16 310	17 257	18 339	14 301	13 073	16 065	16 224
5.2. Private sector	29 490	32 434	33 605	35 291	40 105	39 552	36 770	36 024

* Assets and liabilities are grouped separately within the directional breakdown of investment.

** Opening stocks derived from the new data collection system. Details on the effects of the methodological change on the published data are available in Appendix 2 of the 2008 Q1 statistical release.

*** Equity capital and financial derivatives are not included in debt, consistent with the IMF's *External Debt Statistics: Guide for Compilers and Users*.

Chart 5
Net foreign debt of Hungary, 2002-2009*



* Equity capital and financial derivatives are not included in debt, consistent with the IMF's *External Debt Statistics: Guide for Compilers and Users*.

* * * * *

The seasonally adjusted data are subject to more uncertainty than usual, due to fluctuations caused by the financial crisis.

In this press release, Hungary's balance of payments is presented excluding data on special purpose entities (SPEs), in accordance with past practice. However, Hungary's balance of payments and external balance sheet both excluding and including SPE data are available on the Bank's website. The MNB will release Hungary's balance of payments and international investment position data for 2009 Q4, as well as revised data for Q1–Q3 on 31 March 2010. Direct investment data in a breakdown by country and sector, compiled on the basis of 2008 corporate questionnaires, will be published simultaneously with the release of balance of payments data.

MAGYAR NEMZETI BANK STATISTICS

One of the primary statutory duties of the Magyar Nemzeti Bank is to collect and publish statistical information. The MNB makes available for users statistical data compiled in accordance with international standards on a regular basis. The Quarterly Report on Inflation and the Report on Financial Stability, the Bank's periodical publications, contain comprehensive analyses of underlying economic processes and are accessible at www.mnb.hu.

Detailed tables: [Balance of payments](#)
Notes: [Methodological notes](#)
Charts: [Chart pack](#)
Q&A: [Questions and answers](#)