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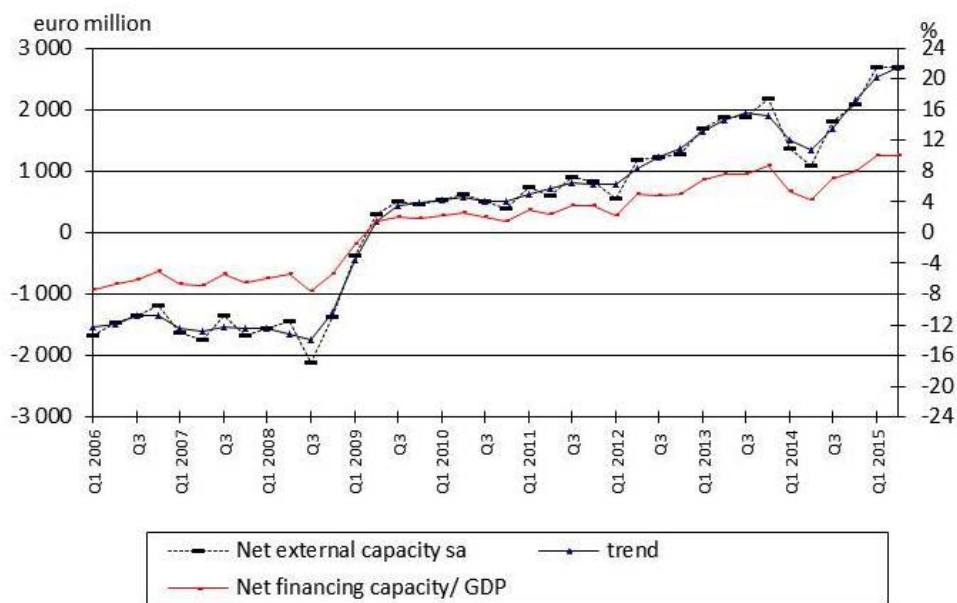
PRESS RELEASE

Hungary's balance of payments¹: 2015 Q2²

In 2015 Q2, Hungary's unadjusted net external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 2,331 million (HUF 715 billion). Adjusted for seasonal effects, the indicator was at the level of the previous quarter, amounting to EUR 2,685 million, i.e. 10% (HUF 822 billion) of quarterly GDP.

Chart 1

Net external financing capacity in EUR million (left-hand scale)
and as a percentage of quarterly GDP (right-hand scale)



¹ With this publication, **new, supplementary data** are becoming available on the MNB's website retroactively to 2013 with the separation of cross-border mergers and acquisitions (M&A) within equity related to direct investments. The box at the end of the press release contains more detailed information on the introduction.

² Consistent with its practice of releasing and revising statistical data, the MNB is publishing the 2015 Q2 balance of payments statistics for the first time, and – based on data providers' revised reports – is amending the data for 2015 Q1 as well as for 2012, 2013 and 2014. The CSO has also revised its data of foreign trade in goods and services as well as compensation of employees and workers' remittances used for compiling the balance of payments. See Point IV on data revisions, including the HCSO data revisions.

With regard to direct investments, corporate data reported on the basis of 2014 corporate balance sheet reports and profit and loss statements have been included, thus replacing the 2014 income and position data that were based on estimation in the previous publications. Data for 2015 continue to be based on estimation until the annual corporate surveys to be submitted in June 2016 have been processed.

Table 1

Balance of Payments main components (EUR millions)

	2012	2013	2014				2015			
	Y	Y	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q1-Q2
1. Current account, net (1.A+1.B+1.C)	1 752	4 037	796	110	1 182	267	2 356	1 461	1 042	2 503
1.A. Goods and Services, net	6 730	7 388	2 041	1 608	2 411	1 650	7 710	2 518	2 236	4 754
Exports	86 021	89 039	22 377	23 346	23 754	23 914	93 391	23 992	25 396	49 388
Imports	79 291	81 650	20 336	21 738	21 343	22 264	85 682	21 474	23 159	44 634
1.A.a. Goods, net	2 933	3 396	1 030	251	790	530	2 601	1 326	767	2 093
Exports	69 961	72 000	18 264	18 633	18 694	19 177	74 768	19 715	20 545	40 260
Imports	67 028	68 603	17 234	18 382	17 904	18 647	72 167	18 389	19 778	38 167
1.A.b. Services, net	3 797	3 992	1 011	1 357	1 621	1 120	5 108	1 192	1 469	2 661
Exports	16 060	17 039	4 113	4 713	5 060	4 737	18 623	4 277	4 851	9 128
Imports	12 263	13 047	3 102	3 356	3 439	3 617	13 514	3 085	3 381	6 466
1.B. Primary income, net	-4 226	-2 899	-994	-1 311	-1 197	-1 147	-4 650	-738	-1 159	-1 897
1.B.1. Compensation of employees, net	1 605	2 219	548	572	567	593	2 280	566	597	1 162
1.B.2. Investment income, net	-7 119	-6 527	-1 860	-2 233	-2 023	-2 133	-8 248	-1 678	-2 044	-3 722
1.B.2.1. Direct investment income, net	-4 416	-3 953	-1 313	-1 445	-1 474	-1 579	-5 811	-1 148	-1 353	-2 501
1.B.2.2. Portfolio investment income, net	-2 274	-2 387	-520	-760	-506	-514	-2 300	-497	-663	-1 160
1.B.2.3. Other investment income, net	-1 222	-835	-178	-168	-171	-153	-670	-141	-133	-273
1.B.2.4. Reserve assets, net	793	648	151	141	127	113	533	108	104	212
1.B.3. Other primary income, net	1 288	1 410	318	349	259	392	1 319	375	288	663
-of which: EU transfers	1 288	1 410	318	349	259	392	1 319	375	288	663
1.C. Secondary income, net	-752	-453	-250	-186	-32	-235	-704	-320	-35	-355
-of which: EU transfers	105	466	-7	64	202	4	263	-70	215	145
2. Capital account, net	2 523	3 613	353	639	926	1 995	3 913	1 056	1 289	2 346
-of which: EU transfers	2 497	3 607	334	636	921	2 036	3 927	1 046	1 406	2 452
3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)	4 666	6 524	609	977	1 266	2 326	5 178	1 648	2 473	4 121
3.1. Direct investment (net assets)	-2 095	-1 028	-981	1 400	-1 161	-1 979	-2 721	210	1 382	1 592
3.1.k. Abroad (net assets)	9 090	1 448	555	367	602	1 089	2 612	637	11	648
3.1.1.k. Equity (net assets)	12 758	1 313	538	557	1 180	592	2 868	-178	651	473
3.1.1.1.ki Equity other than reinvestment of earnings (net as	11 763	755	403	439	903	325	2 070	-296	588	293
3.1.1.2.ki Reinvestment of earnings (net assets)	996	557	135	118	277	268	798	118	62	180
3.1.2.ki Debt instruments (net assets)	-3 669	135	16	-190	-578	497	-255	815	-639	175
3.1.2.1.ki Assets	-3 339	500	-27	52	-163	361	223	198	-166	32
3.1.2.2.ki Liabilities	330	364	-44	242	415	-136	478	-617	473	-144
3.1.t In Hungary (net liabilities)	11 184	2 476	1 536	-1 033	1 763	3 068	5 334	427	-1 371	-944
3.1.1.t Equity (net liabilities)	5 854	4 222	1 328	-1 848	2 953	1 886	4 319	1 037	-2 533	-1 496
3.1.1.1.be Equity other than reinvestment of earnings (net li	4 392	2 731	252	-1 394	1 420	357	636	159	-1 348	-1 188
3.1.1.2.be Reinvestment of earnings (net liabilities)	1 462	1 491	1 076	-455	1 533	1 529	3 683	878	-1 185	-308
3.1.2.be Debt instruments (net liabilities)	5 331	-1 746	208	816	-1 190	1 182	1 015	-610	1 162	552
3.1.2.1.be Assets	-7 110	1 994	699	-6	143	-340	496	886	447	1 333
3.1.2.2.be Liabilities	-1 779	248	908	809	-1 047	842	1 512	276	1 609	1 885
3.2. Portfolio investment (net assets)	-1 508	-3 074	-1 114	633	2 770	894	3 183	1 072	1 728	2 800
3.2.k Assets	-751	-351	195	479	395	704	1 774	-173	206	33
3.2.t Liabilities	757	2 723	1 309	-153	-2 375	-190	-1 409	-1 245	-1 522	-2 767
3.3. Financial derivatives (other than reserves), net assets	-306	-618	15	62	12	175	265	-107	-349	-457
3.3.k Assets	-4 679	-3 936	-843	-1 757	-526	-814	-3 941	-2 229	-1 539	-3 768
3.3.t Liabilities	-4 374	-3 318	-858	-1 819	-538	-990	-4 206	-2 122	-1 190	-3 312
3.4. Other investment (net assets)	11 925	10 034	272	-927	189	4 175	3 710	-752	1 347	596
3.4.k Assets	-1 839	-181	-282	-1 301	140	760	-683	817	1 369	2 187
3.4.t Liabilities	-13 764	-10 215	-554	-374	-49	-3 416	-4 393	1 569	22	1 591
3.5. Reserve assets	-3 351	1 210	2 416	-190	-544	-939	742	1 226	-1 635	-410
Memorandum:										
Net external financing capacity										
Net external financing capacity (Current and capital account)	4 275	7 649	1 149	749	2 108	2 262	6 269	2 517	2 331	4 848
Net external financing capacity (Financial account)	4 666	6 524	609	977	1 266	2 326	5 178	1 648	2 473	4 121
Balancing item (Net errors and omissions)	391	-1 126	-541	228	-842	64	-1 091	-869	141	-728

Table 2

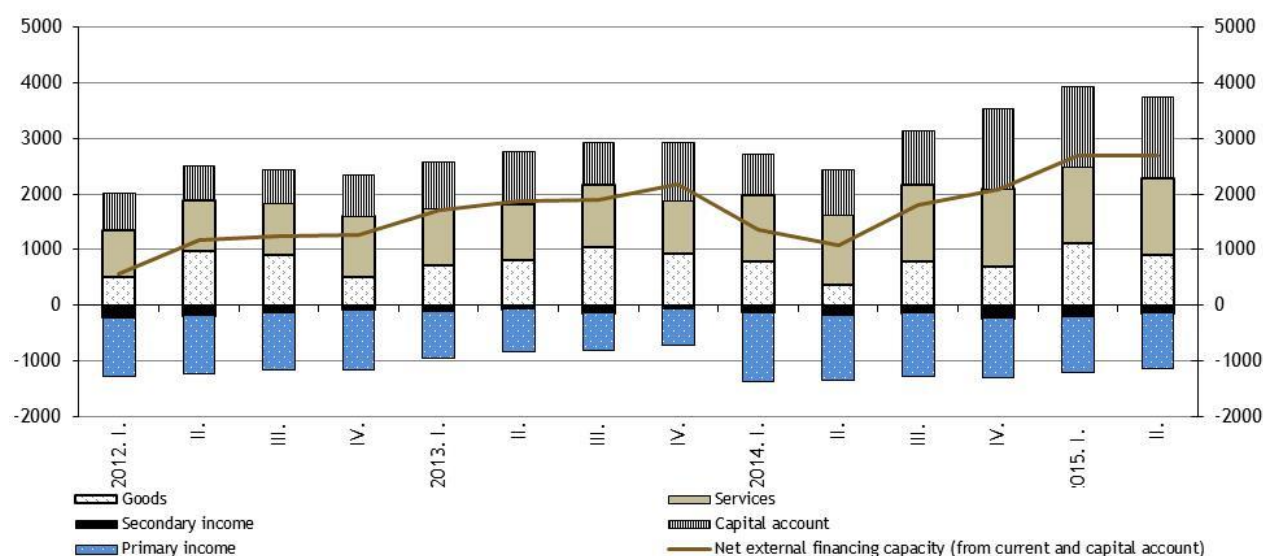
Net external financing capacity³
(seasonally adjusted data; EUR million)

	2013				2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Real economic transactions, net (Goods and services)	1 735	1 837	2 143	1 821	2 030	1 665	2 062	2 115	2 446	2 322
1.1. Export	21 725	22 151	22 415	22 738	22 962	23 188	23 449	23 790	24 609	25 203
1.2. Import	19 974	20 532	20 420	20 933	21 044	21 756	21 439	21 788	22 093	23 185
1.1. Goods	710	818	1 033	923	790	377	790	695	1 109	904
1.1.1. Export	17 636	17 952	18 157	18 273	18 525	18 570	18 763	18 931	19 978	20 459
1.1.2. Import	16 869	17 183	17 238	17 518	17 650	18 273	18 126	18 361	18 809	19 651
1.2. Services	1 030	997	1 132	946	1 192	1 239	1 376	1 389	1 376	1 374
1.2.1. Travel, net	662	690	674	683	712	720	760	776	780	791
export	1 032	1 065	998	1 027	1 109	1 111	1 099	1 190	1 226	1 166
import	333	362	365	351	370	406	361	389	395	400
1.2.2. Other services, net	386	270	475	261	476	553	583	605	599	607
export	3 146	3 171	3 291	3 355	3 407	3 558	3 602	3 601	3 494	3 637
import	2 794	2 913	2 812	3 063	2 977	3 014	3 016	2 976	2 942	3 039
2. Primary income	-837	-757	-654	-636	-1 250	-1 168	-1 141	-1 072	-1 010	-1 005
3. Secondary income	-122	-75	-147	-73	-124	-187	-137	-231	-198	-141
4. Current account balance	858	911	1 213	1 067	754	245	803	588	1 372	1 177
5. Capital account	815	947	760	1 037	715	804	958	1 427	1 437	1 453
6. Net external financing capacity	1 699	1 884	1 885	2 183	1 366	1 091	1 808	2 085	2 679	2 685

I. Main developments in net external financing capacity (current and capital account aggregates)

Chart 2

Net external financing capacity (seasonally adjusted, EUR million)



In 2015 Q2, the seasonally adjusted net external financing capacity calculated as the balance on the current and capital account was at the level of the previous quarter. Of the components, the surplus on goods declined, while there were no major changes in the data for services and incomes as well as the capital account data net of seasonal effects.

In 2015 Q2, the seasonally adjusted **surplus on goods** amounted to EUR 904 million, which is lower than the surplus in Q1, while both exports (EUR 20,459 million) and imports (EUR 19,651 million) exceeded the levels of the previous quarter. The surplus on **services** was EUR 1,374 million in Q2. Within that, travel surplus amounted to EUR 791

³ The sub-balance outcomes are directly seasonally adjusted. This means that the sub-accounts, derived from the not adjusted data, are directly seasonally adjusted. Consequently, the seasonally adjusted current account balance outcome cannot be reproduced from the seasonally adjusted data of the sub-accounts.

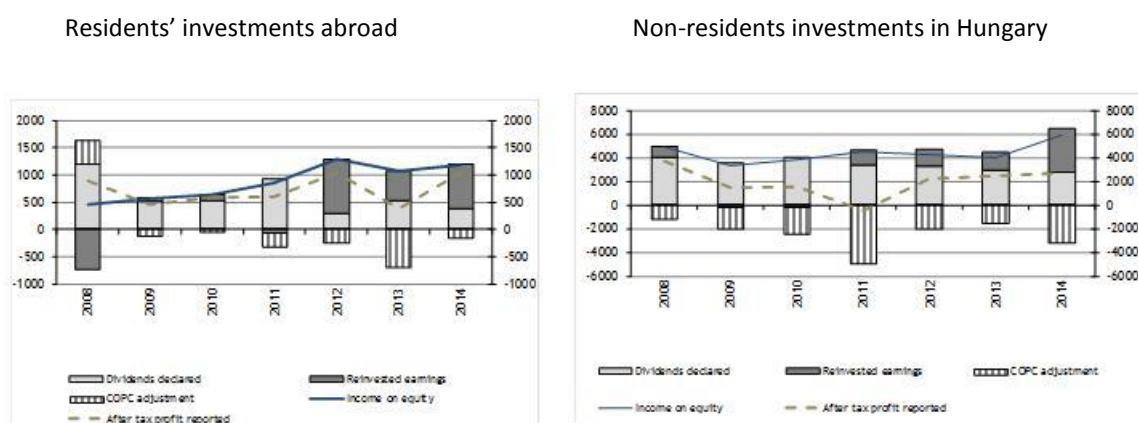
million, which is higher than the 2014 quarterly data even in seasonally adjusted terms. Credits and debits reached EUR 1,166 million and 400 million, respectively. Data on services other than travel were close to the level of the previous quarter: credits and debits in Q2 amounted to EUR 3,637 million and EUR 3,039 million, respectively.

The seasonally adjusted **primary income** deficit in 2015 Q2 (EUR 1,005 million) was close to the level of the previous quarter.

Regarding **FDI equity income in 2014**, this is the first publication where data provided by enterprises based on their annual corporate reports are available to replace the previously published estimates.⁴ Compared to the estimate, resident FDI companies' 2014 profit proved to be significantly higher, which is reflected in the lower value of the 2014 net external financing capacity compared to the one published before and – through the reinvestment of earnings – in the higher net inflow of FDI in Hungary. Within the increase in direct investment incomes in 2014 compared to previous years, certain enterprise groups recorded outstanding profits, in addition to the rise in corporate profits related to economic growth.

Chart 3

Components of direct investment income on shares and other equity (EUR millions)⁵



In macroeconomic statistics, the annual profit of FDI enterprises is decomposed in order to statistically distinguish within P&L the *income*, *valuation changes* and *other change in volumes* components affecting the change in the value of equity. In the current account, only profit related to the *current operating performance* of businesses is taken into account as income (current operating performance concept, COPC). The sign of the COPC adjustment is positive if an increase and negative if a decrease is produced in equity as the sum of the particular components of the after-tax profit considered from a statistical point of view as valuation changes or other change in volumes⁶. The information required for the performance of the COPC adjustment is also available only on an annual basis, from the corporate data supplies based on their annual income statement.

⁴ For 2015 FDI equity income continues to be estimated.

⁵ For each year, a dashed line denotes the after-tax profits reported by data providers as stated in their income statement. In external accounts, extraordinary profit elements, other than normal income, must be recorded as valuation changes (exchange rate or price changes) or as other volume changes in the international investment position rather than as income in current account (COPC adjustment). Income on FDI equity recorded in the balance of payments is the sum of dividends declared payable and reinvested earnings.

⁶ Including, for example, the impairment loss of inventories and assets and their reversal, realised and not realised losses and gains from changes in the exchange rates, the profit and loss effect of forgiven debt assets and liabilities as well as the over-plan depreciation of tangible assets and its reversal.

Table 3

Adjustment for recording income on FDI equity according to the current operating performance concept [COPC] (EUR millions) 2010-2014⁷

	Income on equity abroad					Income on equity in Hungary				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Total economy										
1.1 After tax profit	592	612	1 042	388	1 031	1545	-342	2681	2933	3273
1.1.1. Of which COPC adjustment	-43	-252	-249	-690	-158	-2330	-4966	-2035	-1529	-3200
1.1.2. Adjusted FDI income, Published (1.1-1.1.1.)	635	864	1 292	1 078	1 190	3875	4624	4715	4462	6473
Deposit taking corporations (S122)										
1.1 After tax profit	-58	132	173	59	-93	-208	-1424	-847	-389	-1088
1.1.1. Of which COPC adjustment	-14	26	13	-11	-336	-902	-2127	-1138	-569	-1493
1.1.2. Adjusted FDI income, Published (1.1-1.1.1.)	-44	106	160	70	243	693	703	291	181	405
Other financial corporations (S123, S124, S127)										
1.1 After tax profit	-4	-20	-19	161	121	-81	-83	-62	289	-272
1.1.1. Of which COPC adjustment	-3	0	0	-23	-80	-124	-128	-134	61	-468
1.1.2. Adjusted FDI income, Published (1.1-1.1.1.)	-1	-20	-19	184	201	43	45	72	228	196
Non-financial corporations (S1V)										
1.1 After tax profit	654	500	888	168	1 003	1834	1165	3590	3032	4634
1.1.1. Of which COPC adjustment	-26	-278	-262	-656	258	-1304	-2712	-763	-1021	-1239
1.1.2. Adjusted FDI income, Published (1.1-1.1.1.)	680	778	1 150	824	746	3138	3876	4353	4054	5872

As for the stating of dividends in macroeconomic statistics, since the changeover to the new international methodology (BPM6) last year, superdividend (= dividend paid from reserves) has to be recorded as disinvestment and not as income. Table 4 shows the dividends recorded as income and the superdividends recorded as withdrawal of capital.

Table 4

Dividends recorded as distributed income and as superdividend 2013-2015 (EUR millions)

	FDI abroad, income on equity			FDI in Hungary, income on equity		
	2013	2014	2015 H1	2013	2014	2015 H1
Total economy						
1. Dividends reported	630	465	1 131	3696	4294	4140
2. Superdividends	109	73	672	725	1504	964
3. Adjusted Dividends, Published (1.1-1.2)	521	392	459	2971	2790	3175
Deposit taking corporations (S122)						
1. Dividends reported	94	94	150	188	194	139
2. Superdividends	6	1	42	87	115	42
3. Adjusted Dividends, Published (1.1-1.2)	87	94	108	101	79	97
Other financial corporations (S123, S124, S127)						
1. Dividends reported	1	3	10	102	57	43
2. Superdividends	0	0	0	16	5	2
3. Adjusted Dividends, Published (1.1-1.2)	1	3	10	85	52	41
Non-financial corporations (S1V)						
1. Dividends reported	535	368	971	3406	4043	3958
2. Superdividends	103	73	630	621	1383	921
3. Adjusted Dividends, Published (1.1-1.2)	432	295	341	2 785	2 660	3 037

The deficit on secondary income amounted to EUR 35 million in 2015 Q2. Within that, current transfers to and from the EU reached a surplus of EUR 215 million. The surplus of primary incomes related to the EU (taxes and subsidies on production and products) amounted to EUR 288 million, while the value of funds received as capital transfer was EUR 1,406 million. The surplus vis-à-vis the EU amounted to a total EUR 1,908 million in Q2.

⁷ In the balance of payments, row 1.1.2. of the Table is shown under Direct investment income, Income on equity, credit (FDI abroad), and debit (FDI in Hungary) under the same item.

II. Financial account: net external financing capacity calculated from the financial account⁸

Within **direct investments**, in the second quarter of 2015 outward investments by Hungarian residents rose by EUR 11 million, and inward investments by non-residents decreased by EUR 1371 million. Within direct investments by Hungarian residents abroad, investments in equities rose by EUR 588 million in 2015 Q2, of which superdividends decreased the value of investments by EUR 74 million. Reinvested earnings contributed EUR 62 million to the value of investments abroad. Transactions in debt instruments showed a EUR 639 million decrease in net assets. Within direct investments by non-residents in Hungary, the value of investments in equities in 2015 Q2 decreased by EUR 1348 million, of which the superdividends voted from the earnings of previous years amounted to EUR 713 million. Reinvested earnings contributed another EUR 1185 million to decreasing the investments of non-residents. The balance of transactions in debt instruments showed an increase of EUR 1162 million in net liabilities. The capital in transit recorded on assets and liabilities in the amount of EUR 918 million had a neutral effect on this balance.

Net **portfolio investment** assets increased by EUR 1728 million, for the most part owing to the decrease in debt security liabilities by EUR 1713 million.

Other investment net assets showed an increase of EUR 1347 million, about half of which, i.e. EUR 647 million, was constituted by the increase in net assets with the EU.

III. Stock of reserve assets and external debt

The central bank's reserve assets amounted to EUR 34.8 billion at the end of June 2015. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 32.3 billion at the end of June 2015 (30.7% as a percentage of GDP in the last four quarters). Net assets, reflecting the recording of EU transfers on an accrual basis, amounted to EUR 1559 million. Within this, the value of assets was EUR 1961 million and that of liabilities was EUR 402 million.

Table 5

Foreign assets and liabilities of Hungary (EUR millions)⁹

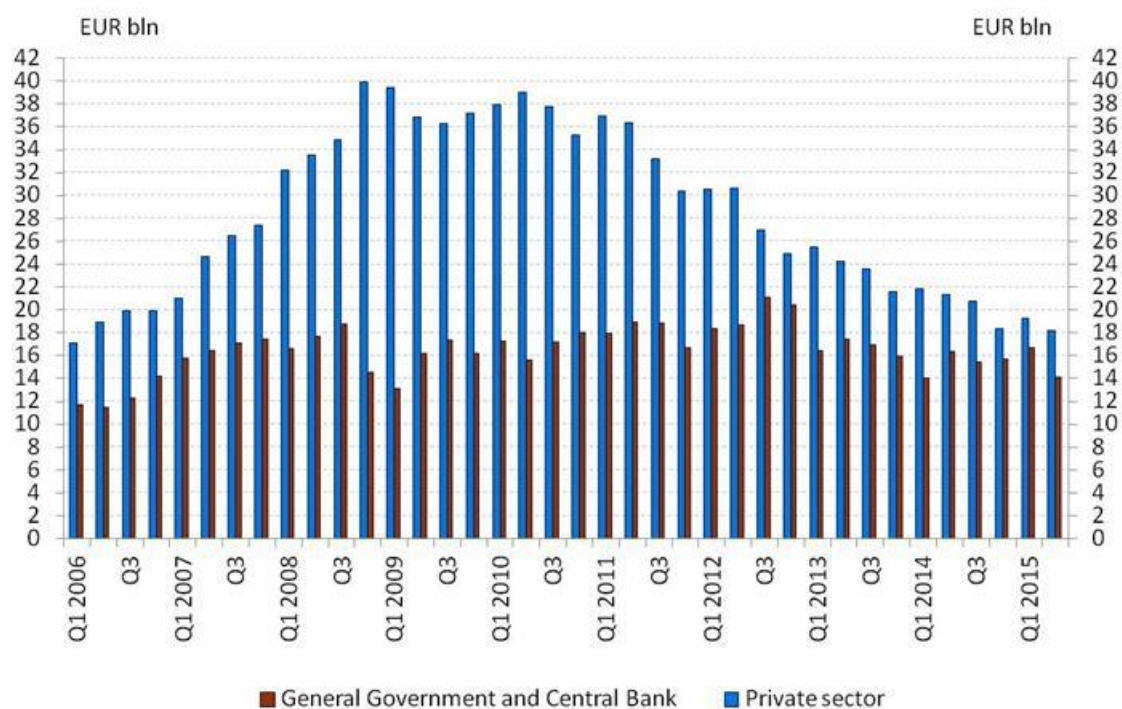
	2012	2013	2014				2015	
	Q4	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Assets	105 170	106 191	109 091	108 957	113 522	115 112	125 381	122 793
3.1.k Direct investment	43 772	46 702	47 510	48 940	52 424	52 078	55 960	55 627
3.2.k Portfolio investment	6 109	5 835	6 051	6 689	7 198	7 951	8 529	8 450
3.3.k Financial derivatives and employee stock options	3 869	2 679	2 531	1 739	2 344	3 840	5 754	4 620
3.4.k Other investment	17 538	17 192	16 802	15 509	15 873	16 664	18 230	19 335
o/w: due to accrual accounting of EU-transfers	1 407	1 641	1 384	1 324	1 787	1 486	1 411	1 961
3.5. Reserve assets	33 881	33 782	36 197	36 080	35 684	34 578	36 908	34 761
Liabilities	205 398	199 088	200 268	199 177	199 395	198 358	211 883	202 717
3.1.t Direct investment	94 055	97 460	98 808	97 560	99 851	101 319	107 425	103 497
3.2.t Portfolio investment	47 885	49 858	50 292	51 674	49 655	49 888	53 996	50 443
3.3.t Financial derivatives and employee stock options	3 771	3 946	4 120	3 318	2 878	3 462	3 626	2 687
3.4.t Other investment	59 687	47 825	47 048	46 624	47 011	43 690	46 836	46 090
o/w: due to accrual accounting of EU-transfers	1 576	1 115	1 303	1 714	1 863	897	432	402
Net Assets	-100 228	-92 897	-91 177	-90 220	-85 873	-83 245	-86 503	-79 924
o/w: due to accrual accounting of EU-transfers	-170	525	81	-390	-76	588	979	1 559
Memorandum:								
Gross external debt (excluding FDI debt)	97 679	89 418	89 771	90 359	89 039	87 080	92 681	87 851
General government and Central bank	55 183	51 196	51 764	53 451	52 047	51 245	54 697	50 352
Other MFIs and Other sectors	42 496	38 222	38 007	36 908	36 993	35 834	37 985	37 500
Net external debt (excluding FDI debt)	45 373	37 551	35 896	37 681	36 279	34 053	36 020	32 312
General government and Central bank	20 424	15 985	14 073	16 359	15 475	15 733	16 721	14 152
Other MFIs and Other sectors	24 949	21 566	21 823	21 322	20 804	18 320	19 298	18 160

⁸ Summary data for the individual categories of investment are included in Table 1.

⁹ Assets and liabilities vis-à-vis non-residents include all financial assets and liabilities vis-à-vis the rest of the world, while foreign debt, by definition, does not include *shares and other equity and financial derivatives*

Chart 5

Net foreign debt of Hungary (excluding FDI debt instruments), 2015 Q2



IV. Data revisions in the period 2012 to 2015Q1

In this publication the regular revision period of the balance of payments statistics goes back to 2012. The tables 6-7 present the changes compared to the data for 2012-2013, published in March 2015, and to the 2014-2015Q1 data, announced in June 2015.

The data revision there reflects the impact, on the one hand, of the modified data reports, data corrections of companies (of which the most significant item affected the stock of assets of financial derivatives at the end of March 2015), on the other hand, the replacement of estimations by reported data (income and stock of foreign direct investments), thirdly, the impacts of the data revision in the basic statistics taken over from HCSO (goods and services, compensation of employees and workers' remittances).

Within primary incomes, based on the reported data, the equity income of foreign direct investments in Hungary resulted in an expenditure higher by EUR 2074 million than estimated so far, while the equity income revenue of foreign direct investments abroad exceeded the estimated value by EUR 217 million. The higher than estimated profit is also included in the financial account - in addition to the FDI income - as higher direct investment, due to the reinvestment of earnings.

The changes in 2012 of goods trade and processing fees, closely related but recorded among services, were primarily necessitated by the implementation of the integration of utilization of liabilities tables to the national accounts. And concerning the years 2013 and 2014, the regular revision of the trade in goods data took place, in accordance with the national account statistics of HCSO.

In accordance with the application of ESA2010, HCSO performed a data revision in the data of compensation of employees and workers' remittances. Two factors are responsible for the change in compensation of employees received from abroad and workers' remittances (credit) received from abroad. On the one hand, the definition of the number of persons working abroad were taken into account based on the new baseline figures of the Labour

Force Survey (MEF) according to the census of 2011, on the other hand, in the estimation procedure Eurostat ESA2010 data were used. The change in compensation of employees and workers' remittances (debit) paid to abroad was also caused by the shift to data compiled by the ESA2010 methodology.

Table 6

Changes in net flows vis-a-vis the last publication (excluding SPEs, EUR millions)

	2012	2013	2014	2015Q1
1. Goods	-36	-118	-109	-251
2. Services	-21	0	110	-1
3. Primary income	-54	24	-1 786	-240
4. Secondary income	50	78	47	-29
I. Current account balance (1+2+3+4)	-61	-17	-1 738	-521
II. Capital account	0	0	-71	48
III. Financial account (5+6+7+8)	5	-19	-2 132	49
5. Foreign direct investment (net assets)	-7	-106	-2 103	-204
Foreign direct investment abroad (net assets)	19	70	124	45
Equity	18	63	138	34
Debt instruments	1	7	-14	11
Foreign direct investment in Hungary (net liabilities)	26	176	2 228	249
Equity	26	78	2 077	300
Debt instruments	0	98	150	-50
6. Portfolio investments (net assets)	0	0	33	139
Assets	0	0	-8	33
Liabilities	0	0	-41	-107
7. Financial derivatives (net assets)	0	19	178	77
8. Other investments (net assets)	13	68	-239	37
Assets	13	29	50	26
Liabilities	0	-38	289	-11
IV. Net errors and omissions	67	-3	-322	522

Table 7

Changes in stocks and selected macroeconomic indicators vis-à-vis the last publication (excluding SPEs, EUR millions)

	2012	2013	2014	2015Q1
1. Foreign direct investment (net assets)	29	-66	-770	-772
Foreign direct investment abroad (net assets)	28	64	-419	-263
Equity	27	62	-422	-278
Debt assets	2	2	4	21
Debt liabilities	0	0	1	6
Foreign direct investment in Hungary (net liabilities)	0	130	351	509
Equity	-1	9	28	242
Debt assets	-5	-29	95	3
Debt liabilities	-4	92	418	270
2. Portfolio investments (net assets)	0	0	-8	129
Assets	0	0	-8	25
Liabilities	0	0	0	-104
3. Financial derivatives (net assets)	0	-229	-428	-2 162
4. Other investments (net assets)	-182	-60	-210	-193
Assets	1	32	81	147
Liabilities	183	91	290	341
	0	0	0	0
Gross external debt*	183	91	290	237
Net external debt*	182	60	210	88
Goods net in the percentage of the GDP	0,0%	-0,1%	-0,1%	-1,0%
Current account balance in the percentage of the GDP	-0,1%	0,0%	-1,7%	-2,2%
Gross debt in the percentage of the GDP*	0,2%	0,1%	0,3%	0,2%
Net debt in the percentage of the GDP*	0,2%	0,1%	0,2%	0,1%

* FDI debt instruments excluded

Cross-border mergers and acquisitions (M&A) within FDI share and other equity

Upon the analysis of foreign capital flows, user demand arose both in Hungary and in the international fora that within foreign direct investment recorded in the standard balance of payments statistics, information should also be provided on the size of 'newly issued shares' received by the company. The separation of cross-border mergers and acquisitions (hereinafter: M&A) within FDI equity transactions was included in the supplementary, non-mandatory data supplies requested by the OECD and Eurostat in order to satisfy analysts' demand. During an M&A, a company does not receive additional funds and no disinvestment takes place either, only the ownership structure of the already existing investments changes.

In its publications, the MNB has already separated capital in transit and asset portfolio restructurings, according to the directions of investment, giving the capital investment and disinvestment flows as well. At the same time, data excluding M&A are not published separately, indicating that – in contrast to capital in transit and the asset portfolio realignment – M&A transactions do not distort FDI statistics, only provide supplementary information on the changes in the funds available for the companies affected by direct investments.

Within FDI equity in Hungary M&A transactions, relate to purchase/sale of existing shares by a direct investor/direct investment enterprise. While greenfield investments or extension of capital increase the total assets of the resident enterprises and therefore directly impact on production, etc, M&A usually doesn't have the same impact, there is a change only in the structure of foreign direct investors/ direct investment enterprises.

Purchase means that foreign investors of the Direct investment equity in Hungary has been changed to new foreign owners. Sales, in turn, mean the sale of foreign owners' investments in Hungary to Hungarian owners or to other foreign investors. It is also recorded as M&A disinvestment if a Hungarian-owned company merges with a foreign company in the form of cross-border merger. If only the foreign owners of a direct investment enterprise in Hungary has changed, that does not have any impact on the net of FDI in Hungary.

Similarly to the above, in the row Direct investment equity abroad, the M&A investments can be identified as the cases when a Hungarian investor purchases an existing share in a foreign company from foreign or Hungarian investors. In the case of disinvestments, a Hungarian owner sells his share in a foreign direct investment enterprise to a foreign or a Hungarian owner. In cases when a Hungarian investor sells his foreign share holding to another Hungarian investor, neither the net direct investments abroad, nor the country breakdown or sectoral breakdown of the investment will change.

The table below depicts the FDI equity investments excluding capital in transit and Restructuring of asset portfolios and M&A transactions in a separate row.

FDI equity excluding Capital in Transit and Restructuring of asset portfolios and Mergers and Acquisitions

Euro million	2013				2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
FDI equity other than reinvested earnings, net	-52	-118	145	-1 955	151	1 833	-518	92	-607	1 936
of which: M&A transactions	-10	288	402	-435	233	439	90	120	36	624
FDI in Hungary, equity other than reinvested earnings	153	302	-136	1 884	-61	-1 394	1 184	357	159	-1 348
of which: M&A in Hungary	-22	-264	-488	433	-206	-445	-120	-11	-3	-701
Investment	692	1 593	881	2 671	1 371	675	1 530	1 261	497	388
of which: M&A	228	316	476	1 116	807	364	142	452	62	35
Disinvestment	538	1 291	1 017	787	1 431	2 069	345	904	338	1 736
of which: M&A	250	580	963	683	1 013	810	262	463	65	736
FDI abroad, equity other than reinvested earnings	101	183	9	-71	91	439	667	449	-448	588
of which: M&A abroad	-32	24	-86	-2	26	-6	-30	110	33	-78
Investment	175	274	144	135	117	521	705	691	166	782
of which: M&A	1	25	46	70	30	9	5	172	34	1
Disinvestment	74	90	135	206	27	82	39	242	614	193
of which: M&A	32	1	133	72	3	15	35	63	1	79

For example, if an investor from Luxembourg purchases an Austrian investor's direct investment enterprise in Hungary, it is recorded in the balance of payments both as equity investment (the share of the investor from Luxembourg increased) and disinvestment (the Austrian investor's share declined) in Direct investments in Hungary, equity. As a result, the amount of net

equity investment remained unchanged, but the change in ownership can be followed in the country breakdown. From now on, these transactions will also be published as M&A transactions (investment and disinvestment) in the supplementary table.

If a Hungarian investor purchases shares in a resident company from a foreign owner, it is recorded in the balance of payments as disinvestment in Direct investments in Hungary, equity, and it is also published as M&A transactions.

Likewise, if a Hungarian company purchases an investment from a Cypriot investor in Romania, it is recorded in the balance of payments as Direct investments abroad equity investment, and from now on it is also presented among the M&A transactions.

On the website, the M&A transactions are available as a subtable of the publication containing data excluding capital in transit and the asset portfolio restructuring (in euro and forint as well)..

In this press release, Hungary's balance of payments and international investment position are presented excluding data on special purpose entities (SPEs), consistent with past practice. However, Hungary's balance of payments and IIP both excluding and including SPE data are available on the MNB's website.

The MNB will release Hungary's balance of payments and international investment position data for 2015 Q3 and will revise data for 2015 Q1 and Q2 on 23 December 2015.

Detailed tables: [Balance of payments](#)

Notes: [Methodological notes](#)

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