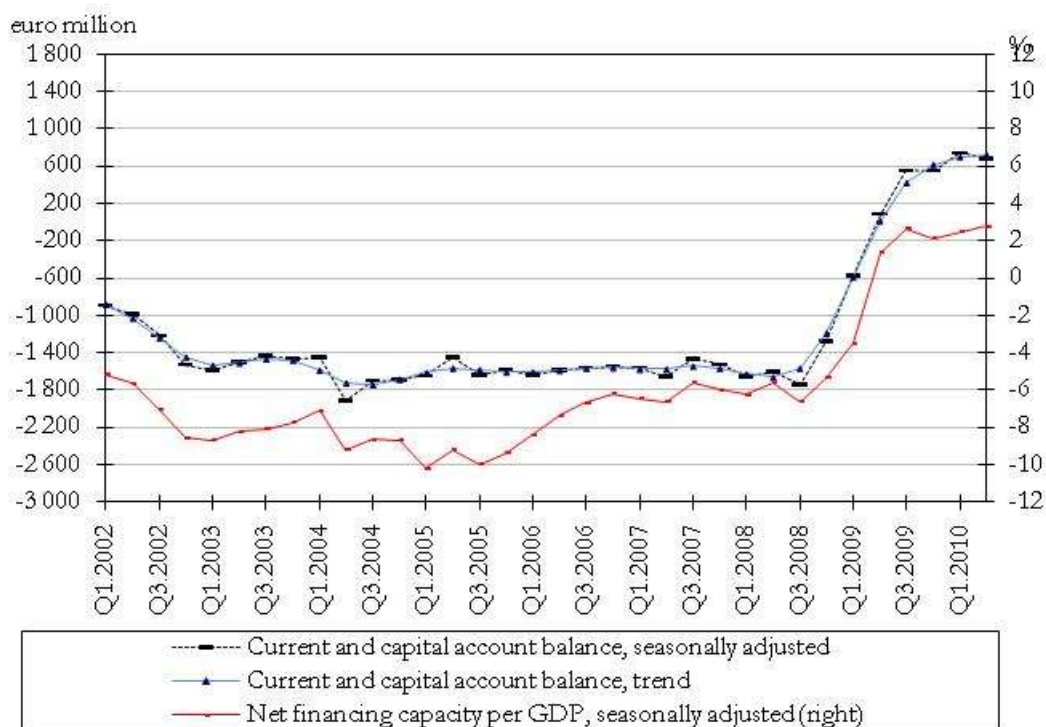


## PRESS RELEASE

### Hungary's balance of payments: 2010 Q2

In 2010 Q2,<sup>1</sup> Hungary's external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 806 million (HUF 221 billion), equal to the balance of EU transfers, recorded as current and capital transfers for Q2. After adjusting for seasonal effects, Hungary's external financing capacity was 2.8% of GDP (HUF 187 billion). The surplus on real economic transactions continued to be higher than the deficit on the income account. From the beginning of 2009, seasonally adjusted export revenue and import expenditure have both exceeded the levels recorded in the preceding quarters.

**Chart 1**  
**Net external financing capacity in EUR millions (left-hand scale)**  
**and as a percentage of GDP (right-hand scale)**



<sup>1</sup> Consistent with its practice of releasing and revising statistical data, on 30 September 2010 the MNB is publishing Hungary's balance of payments statistics for 2010 Q2 for the first time, together with revised quarterly data for 2010 Q1 and annual data for 2008 and 2009 (based on adjusted data reported by data providers). Data on direct investment transactions derived from corporate questionnaires compiled on the basis of balance sheet reports and income statements for 2009 have been incorporated into the balance of payments statistics, with stock data reported for 2009 for the first time. In the statistics for 2009, the estimates for reinvested earnings were replaced by preliminary data calculated on the basis of questionnaires. After-tax profits for 2010 will remain estimates until receipt of annual corporate questionnaires in June 2011.

From this press release onwards, the summary table and the analysis section will be modified, in order to promote better understanding by highlighting the standard, frequently analysed aggregates of the balance of payments. This change has been justified by past developments as well as by the large-volume transaction detailed in point 3 of the press release, casting light on the fact that the borderline between equity and other forms of financing within a group is not as clearly drawn as in the case of unaffiliated parties, which should be taken into account in analysing data on direct investment transactions in the context of developments in external financing.

**Table 1**  
**Current account balance and net external financing capacity**

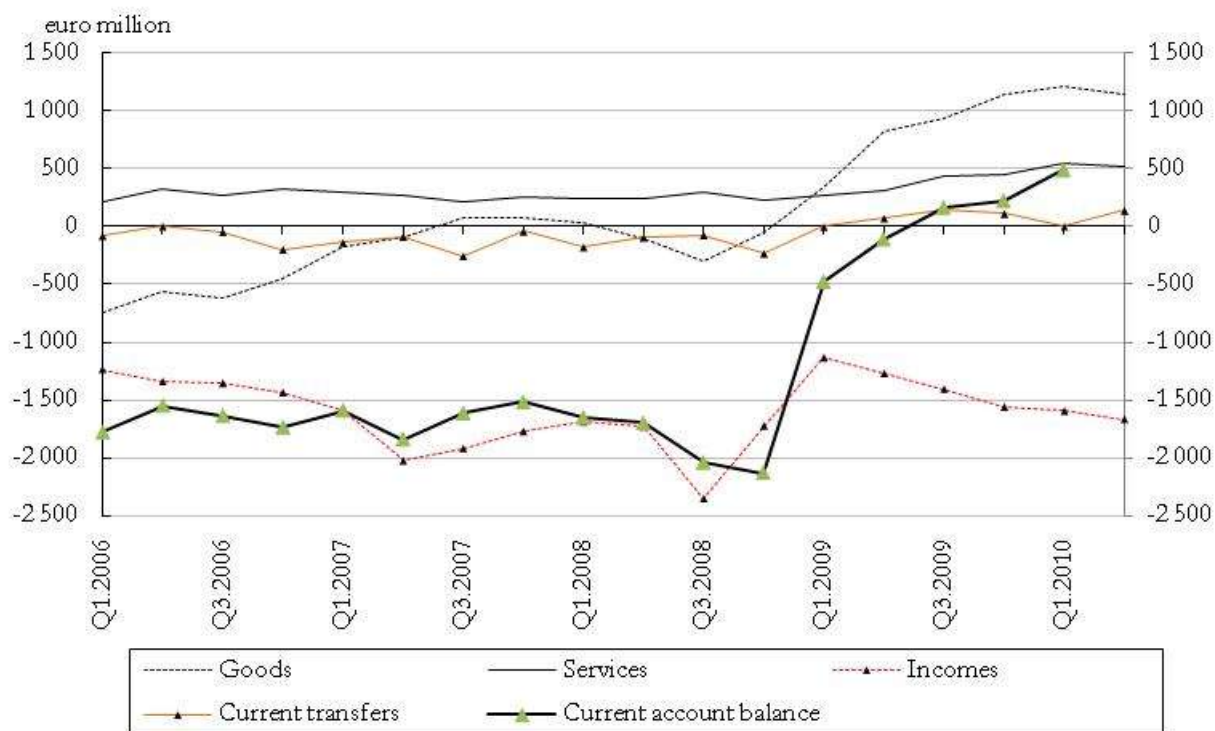
	2009					2010		
	Q1.	Q2.	Q3.	Q4.	Q1-Q4.	Q1.	Q2.	Q1-Q2.
<b>I. Current account</b>	<b>-582</b>	<b>161</b>	<b>393</b>	<b>-401</b>	<b>-429</b>	<b>448</b>	<b>418</b>	<b>866</b>
<b>1. Real economic transaction</b>	<b>535</b>	<b>1 357</b>	<b>1 444</b>	<b>1 382</b>	<b>4 718</b>	<b>1 829</b>	<b>1 804</b>	<b>3 633</b>
1.1. Export	16 486	17 415	18 365	19 397	71 663	19 336	20 873	40 208
1.2. Import	15 951	16 058	16 922	18 015	66 945	17 506	19 069	36 575
<b>1.1. Goods</b>	<b>438</b>	<b>1 006</b>	<b>823</b>	<b>1 085</b>	<b>3 352</b>	<b>1 234</b>	<b>1 193</b>	<b>2 427</b>
1.1.1. Export	13 557	14 166	14 649	16 002	58 374	16 077	17 368	33 445
1.1.2. Import	13 119	13 159	13 826	14 917	55 022	14 844	16 175	31 018
<b>1.2. Services</b>	<b>97</b>	<b>351</b>	<b>621</b>	<b>297</b>	<b>1 366</b>	<b>596</b>	<b>611</b>	<b>1 207</b>
1.2.1. Export	2 929	3 249	3 717	3 395	13 290	3 258	3 505	6 763
1.2.2. Import	2 832	2 898	3 096	3 098	11 924	2 663	2 894	5 556
<b>2. Income and current transfers</b>	<b>-1 117</b>	<b>-1 196</b>	<b>-1 051</b>	<b>-1 783</b>	<b>-5 147</b>	<b>-1 381</b>	<b>-1 386</b>	<b>-2 767</b>
<b>2.1. Income</b>	<b>-1 062</b>	<b>-1 318</b>	<b>-1 228</b>	<b>-1 892</b>	<b>-5 501</b>	<b>-1 327</b>	<b>-1 576</b>	<b>-2 903</b>
2.1.1. Compensation of employees	173	170	178	183	704	242	195	437
2.1.2. Direct investment income	-659	-808	-872	-1 615	-3 954	-1 100	-1 190	-2 290
2.1.3. Portfolio investment income	-220	-354	-203	-183	-960	-179	-295	-474
2.1.4. Other investment income	-357	-327	-331	-277	-1 292	-290	-287	-577
<b>2.2. Current transfers</b>	<b>-55</b>	<b>122</b>	<b>178</b>	<b>109</b>	<b>354</b>	<b>-55</b>	<b>191</b>	<b>136</b>
-of which: EU transfers	134	287	347	284	1 052	190	393	583
<b>II. Capital account</b>	<b>278</b>	<b>396</b>	<b>325</b>	<b>183</b>	<b>1 182</b>	<b>419</b>	<b>387</b>	<b>806</b>
-of which: EU transfers	282	396	348	616	1 641	469	413	882
<b>III. Financial account (3+4+5+6)</b>	<b>3 994</b>	<b>-2 033</b>	<b>2 743</b>	<b>187</b>	<b>4 892</b>	<b>2 910</b>	<b>-183</b>	<b>2 727</b>
<b>3. Direct investment</b>	<b>349</b>	<b>-1 413</b>	<b>-256</b>	<b>1 162</b>	<b>-158</b>	<b>-541</b>	<b>-478</b>	<b>-1 018</b>
3.1. Abroad	-265	-621	-127	-694	-1 709	-796	468	-328
3.1.1. Equity capital and reinvested earnings	-99	-481	-198	-318	-1 096	14	-299	-285
3.1.1.1. Equity capital	-180	-353	-67	-322	-922	-170	-149	-319
3.1.1.2. Reinvested earnings	81	-128	-131	4	-174	183	-150	34
3.1.2. Other capital	-166	-140	70	-377	-613	-810	767	-42
3.1.2.1. Assets	-83	-147	5	-558	-784	-611	801	190
3.1.2.2. Liabilities	-83	7	65	182	171	-199	-34	-232
3.2. In Hungary	614	-792	-129	1 856	1 550	255	-946	-690
3.2.1. Equity capital and reinvested earnings	291	-857	1 357	-2 319	-1 528	809	-1 204	-395
3.2.1.1. Equity capital	424	564	468	-3 782	-2 326	366	251	617
3.2.1.2. Reinvested earnings	-133	-1 421	889	1 463	798	443	-1 455	-1 012
3.2.2. Other capital	323	65	-1 486	4 176	3 078	-554	258	-295
3.2.2.1. Assets	-3 110	29	-577	-7	-3 664	-317	-22	-339
3.2.2.2. Liabilities	3 433	36	-909	4 182	6 743	-237	281	44
<b>4. Portfolio investment</b>	<b>-1 583</b>	<b>-1 310</b>	<b>1 721</b>	<b>-2 146</b>	<b>-3 318</b>	<b>2 543</b>	<b>-1 089</b>	<b>1 454</b>
4.1. Assets	-679	33	37	-129	-738	-125	76	-49
4.2. Liabilities	-905	-1 344	1 685	-2 017	-2 580	2 668	-1 164	1 504
<b>5. Financial derivatives</b>	<b>-1 357</b>	<b>768</b>	<b>1 186</b>	<b>62</b>	<b>659</b>	<b>-33</b>	<b>387</b>	<b>354</b>
5.1. Assets	1 441	1 680	1 669	822	5 611	749	955	1 704
5.2. Liabilities	-2 798	-912	-483	-760	-4 952	-783	-567	-1 350
<b>6. Other investment</b>	<b>6 585</b>	<b>-78</b>	<b>92</b>	<b>1 109</b>	<b>7 709</b>	<b>941</b>	<b>996</b>	<b>1 937</b>
6.1. Assets	-51	-833	607	-73	-351	643	-54	589
6.2. Liabilities	6 637	756	-514	1 182	8 060	298	1 050	1 348
<b>IV. International reserves</b>	<b>-3 294</b>	<b>531</b>	<b>-2 645</b>	<b>-77</b>	<b>-5 486</b>	<b>-2 910</b>	<b>-956</b>	<b>-3 866</b>
Memorandum:								
<b>7. Net external financing capacity</b>								
7.1. Net external financing capacity (CA and Capital account)	-304	557	718	-218	753	867	806	1 672
7.2. Financial account balance (Financial account balance and reserves)	-700	1 502	-98	-110	594	0	1 139	1 139
7.3. Difference (Net errors and omissions)	-396	945	-816	109	-159	-867	334	-533

**Table 2**  
**Balance of payments and external financing capacity – seasonally adjusted data**

euro million

	2009				2010	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>1. Real economic transactions, net (Goods and services)</b>	<b>538</b>	<b>1 112</b>	<b>1 410</b>	<b>1 591</b>	<b>1 794</b>	<b>1 697</b>
1.1. Export	17 324	17 337	18 119	18 850	20 296	20 766
1.2. Import	17 115	16 072	16 591	17 485	18 356	19 073
<b>1.1. Goods</b>	<b>342</b>	<b>829</b>	<b>939</b>	<b>1 146</b>	<b>1 213</b>	<b>1 141</b>
1.1.1. Export	14 016	14 053	14 831	15 436	16 615	17 223
1.1.2. Import	13 711	13 151	13 672	14 347	15 479	16 135
<b>1.2. Services</b>	<b>266</b>	<b>315</b>	<b>432</b>	<b>449</b>	<b>551</b>	<b>518</b>
1.2.1. Travel, net	367	359	410	429	479	532
export	1 065	1 057	1 044	1 043	1 063	1 072
import	670	679	598	591	558	544
1.2.2. Other services, net	-122	1	22	46	238	60
export	2 283	2 252	2 359	2 326	2 614	2 477
import	2 407	2 301	2 320	2 293	2 357	2 468
<b>2. Income</b>	<b>-1 135</b>	<b>-1 272</b>	<b>-1 406</b>	<b>-1 560</b>	<b>-1 594</b>	<b>-1 665</b>
<b>3. Current account balance</b>	<b>-475</b>	<b>-109</b>	<b>168</b>	<b>226</b>	<b>491</b>	<b>398</b>
<b>4. Capital account</b>	<b>279</b>	<b>394</b>	<b>321</b>	<b>217</b>	<b>382</b>	<b>385</b>
<b>5. EU-transfers (current and capital account)</b>	<b>685</b>	<b>734</b>	<b>799</b>	<b>757</b>	<b>799</b>	<b>728</b>
<b>6. Net external financing capacity</b>	<b>-568</b>	<b>87</b>	<b>555</b>	<b>552</b>	<b>743</b>	<b>688</b>

**Chart 2**  
**Main aggregates of the current account**



## **Developments in the main aggregates of the current account**

In 2010 Q2, the current account surplus amounted to EUR 398 million, according to seasonally adjusted data.<sup>2</sup> The seasonally adjusted values of both exports and imports continued to rise relative to the previous quarter; however, the seasonally adjusted value of second-quarter goods exports (EUR 1,141 million) was lower than in 2010 Q1.

The seasonally adjusted surplus on services amounted to EUR 518 million in 2010 Q2, slightly lower than in the previous quarter. Within services, seasonally adjusted travel revenue (EUR 1,072 million) rose, while travel expenditure (EUR 544 million) fell relative to Q1. However, within other services, revenue (EUR 2,477 million) fell and expenditure (EUR 2,468 million) increased relative to the previous period.

In the income account, the seasonally adjusted deficit amounted to EUR 1,665 million. The size of deficit continued to rise in Q2.

Looking at accrual-based transactions with the European Union in the period, the balance of current transfers showed a EUR 393 million surplus, and transactions recorded as capital transfers showed a nearly EUR 413 million surplus. On balance, a EUR 806 million surplus was registered in the balance of payments as a balance of funds from and contributions to the EU in 2010 Q2.

## **The financial account**

Within direct investment, net direct investment transactions in equity capital by Hungarian residents abroad showed an inflow of EUR 468 million and net transactions by non-residents in Hungary showed an outflow of EUR 946 million. The EUR 468 million net inflow on direct investment transactions by Hungarian residents resulted from equity investments abroad of EUR 149 million, an outflow of EUR 150 million (mainly a fall in assets) due to reinvested earnings and net other capital inflows of EUR 767 million. The EUR 946 million net outflow on direct investment transactions by non-residents resulted from net purchases of shares and other equity of EUR 251 million, reinvested earnings of EUR 1,455 million due to foreign owners and an increase of EUR 258 million in other liabilities. Large outflows of reinvested earnings on direct investment by non-residents in the second quarter are a recurring phenomenon, because dividends declared in the period tend to reduce the value of reinvested earnings, and companies operating over a standard financial year generally declare dividends in the second quarter.

Portfolio investment assets fell by EUR 76 million. Here the value of purchases of shares amounted to EUR 51 million. Liabilities fell by EUR 1,164 million. Here, purchases of money market instruments by non-residents declined by EUR 904 million.

Other investment assets fell by EUR 54 million and liabilities rose by EUR 1,050 million.

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<sup>2</sup> The seasonally adjusted data and more detailed charts are available on the MNB's website:

[http://www.mnb.hu/Root/Dokumentumtar/MNB/Statisztika/mnbhu\\_statisztikai\\_idosorok/mnbhu\\_fizm\\_2\\_0090330/sa\\_adatok\\_hu.xls](http://www.mnb.hu/Root/Dokumentumtar/MNB/Statisztika/mnbhu_statisztikai_idosorok/mnbhu_fizm_2_0090330/sa_adatok_hu.xls)

[http://www.mnb.hu/Root/Dokumentumtar/MNB/A\\_jegybank/lk\\_dummy/pressreleases\\_2009\\_/mnbhu\\_ta\\_jekoztato\\_scv-krol\\_szuk/sa\\_grafikon\\_hu.xls](http://www.mnb.hu/Root/Dokumentumtar/MNB/A_jegybank/lk_dummy/pressreleases_2009_/mnbhu_ta_jekoztato_scv-krol_szuk/sa_grafikon_hu.xls)

## Reserves and debt

Central bank foreign exchange reserves amounted to EUR 35.2 billion at end-September 2010. Hungary's net foreign debt, excluding other capital recorded under direct investment and financial derivatives, amounted to EUR 53.3 billion at the end of September 2010 (54.7% as a percentage of GDP).<sup>3</sup> Within this figure, the amount recorded as net short-term debt due to the recording of EU transfers was EUR 424 million, of which the value of short-term assets was EUR 828 million and that of liabilities was EUR 1,252 million.

**Table 3**  
**Foreign assets and liabilities of Hungary**

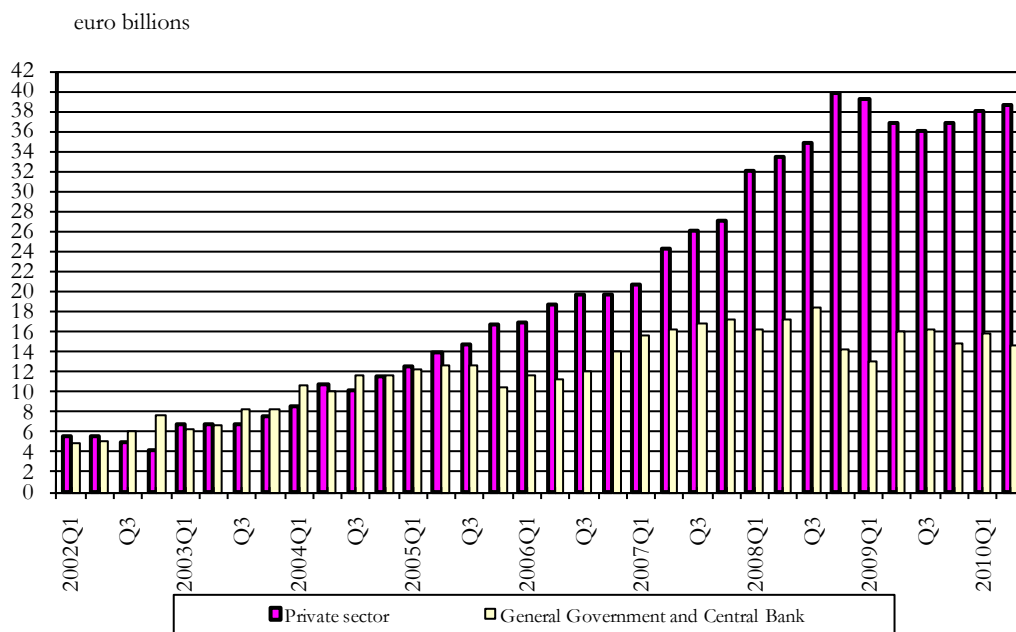
	2009				2010	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>1. Assets</b>	<b>94 246</b>	<b>95 837</b>	<b>98 968</b>	<b>99 924</b>	<b>105 986</b>	<b>107 237</b>
1.1. International reserves	27 890	26 950	30 603	30 677	33 852	35 174
1.2. Direct investment *	36 252	37 347	37 609	38 440	40 408	39 475
1.3. Portfolio investment	5 850	7 059	7 868	8 134	8 591	8 077
1.4. Financial derivatives	4 395	3 535	2 720	2 382	2 973	3 859
1.5. Other foreign assets	19 859	20 947	20 168	20 291	20 162	20 652
o/w: due to accrual accounting of EU-transfers	556	727	904	1 132	740	828
<b>2. Liabilities</b>	<b>189 806</b>	<b>196 850</b>	<b>202 050</b>	<b>208 753</b>	<b>218 876</b>	<b>213 349</b>
2.1. Direct investment *	77 211	82 728	83 538	90 529	92 742	87 514
2.2. Portfolio investment	36 837	39 678	44 889	43 463	49 359	44 749
2.3. Financial derivatives	5 921	3 466	3 375	3 009	3 399	4 973
2.4. Other foreign liabilities	69 838	70 978	70 247	71 751	73 376	76 113
o/w: due to accrual accounting of EU-transfers	1 629	1 982	2 028	1 664	1 625	1 252
<b>3. Net foreign liabilities (2-1)</b>	<b>95 561</b>	<b>101 013</b>	<b>103 082</b>	<b>108 829</b>	<b>112 890</b>	<b>106 112</b>
o/w: due to accrual accounting of EU-transfers	1 073	1 254	1 124	532	885	424
<b>Memorandum:**</b>						
4. Gross foreign debt (excluding direct investment other capital)	101 830	102 643	104 481	104 045	109 170	110 413
4.1. General government and Central bank	41 987	44 108	47 894	47 080	50 737	50 760
4.2. Private sector	59 843	58 535	56 587	56 965	58 433	59 653
5. Net foreign debt (excluding direct investment other capital)	52 294	52 763	52 204	51 580	53 798	53 288
5.1. General government and Central bank	13 006	16 019	16 210	14 735	15 798	14 713
5.2. Private sector	39 288	36 744	35 994	36 844	37 999	38 575

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

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

<sup>3</sup> Based on GDP for the last four quarters, measured in euro terms.

**Chart 3**  
**Net foreign debt of Hungary, 2002–2010\***



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

## Notice of changes approved for publication relative to previous periods

Information relating to the volume of reinvested earnings from direct investment questionnaires for 2009 are published for the first time, similar to direct capital investments that have also been analysed for 2009, and for 2008 as well in connection with the questionnaires.

Major points of the changes, implemented in addition to the regular revision dating back to 2008, are as follows:

- data on
  - goods, compensation for employees and current transfers up to 2007,
  - EU transfers up to 2006,
  - changes in the data on goods stemming from changes in the methodology of terms of delivery adjustment, up to 2004 (for further information refer to point 1 of the explanation following table 4)

are shown in the balance-of-payments statistics as reviewed by CSO

- In order to eliminate, or reduce breaks in time series stemming from the introduction of the new data collection system in 2008, we have reviewed transactions and movements dating back to 2004 relating to commercial loans, external assets of households and dividend liabilities (for further information refer to point 2 of the explanation following table 4).

Moreover, structural changes made by a multinational company during the regular revision period had an unparalleled impact on quarterly direct investment data for 2009 Q4 (for further information refer to point 4 of the explanation following table 4).

Table 4 below contains a summary of all changes, showing separately the changes made in certain instruments with a view to eliminating breaks in time series. Following the table, an in-depth explanation of these changes can be found.

Table 4

Total revisions by BoP components, (those of beyond normal revisions are separately identified)

Euro million

Changes in net flows vis-a-vis the last publication (excl. SPEs)							
	2004	2005	2006	2007	2008	2009	2010Q1
1. Goods	-273	-330	-407	-330	-501	-661	8
o/w: cif/fob correction	-273	-330	-407	-455	-501	-400	-110
2. Services						-108	75
3. Incomes		1	3	-27	143	141	31
4. Current transfers			1	-3	90	45	-11
<b>I. Current account balance (1+2+3+4)</b>	<b>-273</b>	<b>-329</b>	<b>-403</b>	<b>-359</b>	<b>-268</b>	<b>-582</b>	<b>104</b>
<b>II. Capital account</b>			<b>18</b>	<b>5</b>	<b>-11</b>	<b>-79</b>	<b>-30</b>
<b>III. Financial account (5+6+7+8)</b>	<b>751</b>	<b>615</b>	<b>3</b>	<b>-1 013</b>	<b>-143</b>	<b>-152</b>	<b>236</b>
5. Foreign direct investment	-195		-155	-1 104	69	-156	136
Foreign direct investment abroad					-75	-455	44
Equity					-93	-389	-38
Other capital					18	-66	82
Foreign direct investment in Hungary	-195		-155	-1 104	144	299	92
Equity					64	-4 422	-169
Other capital	-195		-155	-1 104	80	4 721	261
o/w: correction of liabilities due to dividends	-195		-155	-1 112			
6. Portfolio investments							54
7. Financial derivatives					21		
8. Other investments	946	615	158	92	-233	4	46
Assets	673	-19	-725	-691	-257	9	28
o/w: financial assets of households	-67	-138	-92	-81	-53	-91	-4
o/w: correction in trade credits	740	119	-614	-627			
Liabilities	273	634	883	783	24	-5	18
o/w: financial assets of households	56	62	58	32	-28	-6	1
o/w: correction in trade credits	217	572	827	723			
<b>IV. Net errors and omissions</b>	<b>-478</b>	<b>-285</b>	<b>382</b>	<b>1 367</b>	<b>422</b>	<b>813</b>	<b>-309</b>
Changes in stocks vis-a-vis the last publication (excl. SPEs)							
	2004	2005	2006	2007	2008	2009	2010Q1
1. Foreign direct investment (net liabilities)	-747	-727	-898	-1 978	-566	1 348	1 535
Foreign direct investment abroad (net assets)					694	2 288	2 400
Equity					711	2 228	2 409
Other capital assets					-10	65	-8
Other capital liabilities					7	5	1
Foreign direct investment in Hungary	-747	-727	-898	-1 978	128	3 636	3 935
Equity					-262	-977	-1 259
Other capital assets					-210	147	-73
Other capital liabilities	-747	-727	-898	-1 978	180	4 761	5 122
o/w: correction of liabilities due to dividends	-747	-727	-898	-1 978			
2. Portfolio investments (net liabilities)							55
3. Financial derivatives (net liabilities)							
4. Other investments (net liabilities)	2 174	2 706	2 886	2 961	-758	-533	-568
Assets	2 743	2 719	3 489	4 164	1 211	908	944
o/w: financial assets of households	474	613	704	786	838	929	933
o/w: correction in trade credits	2 269	2 107	2 765	3 376			
Liabilities	4 917	5 426	6 375	7 125	452	375	376
o/w: financial assets of households	169	231	289	321	293	287	288
o/w: correction in trade credits	4 748	5 195	6 086	6 776			
<b>Gross debt*</b>	<b>4 917</b>	<b>5 426</b>	<b>6 375</b>	<b>7 125</b>	<b>452</b>	<b>375</b>	<b>431</b>
<b>Net debt*</b>	<b>2 174</b>	<b>2 706</b>	<b>2 886</b>	<b>2 961</b>	<b>-758</b>	<b>-533</b>	<b>-513</b>
<b>Current account balance in the percentage of the GDP</b>	<b>-0,3%</b>	<b>-0,4%</b>	<b>-0,4%</b>	<b>-0,4%</b>	<b>-0,3%</b>	<b>-0,6%</b>	<b>0,4%</b>
<b>Gross debt in the percentage of the GDP*</b>	<b>5,9%</b>	<b>6,1%</b>	<b>7,1%</b>	<b>7,1%</b>	<b>0,4%</b>	<b>0,4%</b>	<b>0,5%</b>
<b>Net debt in the percentage of the GDP*</b>	<b>2,6%</b>	<b>3,1%</b>	<b>3,2%</b>	<b>2,9%</b>	<b>-0,7%</b>	<b>-0,6%</b>	<b>-0,5%</b>

\*FDI other capital excluded



## **1 Changes in the balance of trade in goods resulting from the new method of delivery terms**

The balance of payment method applies the value of goods at the customs frontier of the exporting country. On the other hand, the primary source of data, namely the CSO's foreign trade statistics uses the prices charged for delivery at the Hungarian border (i.e. the value at the Hungarian frontier). In the case of exports the two is the same; however, it differs for imports, as the import value shown by the foreign trade sector is greater as far as the national economy is concerned than what is required by the balance of payments manual. Consequently, the import data compiled by the CSO is applied for the purposes of financial accounts following a terms of delivery adjustment. This is done in accordance with the means used for the GDP compilation, where turnover is credited by the value of goods as recorded at the border of the exporting country.

In recent years, terms of delivery adjustment was carried out using an average adjustment factor at the national economy level in connection with financial accounts and the GDP alike; however, on the one hand, the adjustment factor had to be reviewed from time to time due to changes in the structure of foreign trade, and, on the other hand, EU Member States are increasingly switching to the country-based method for estimating this adjustment factor, i.e. to the differentiation of the total economy adjustment factor. The CSO and MNB joined forces in 2009 to launch the review process and the changes in the applied methodology, as a consequence of which adjustments had been made in the financial accounts effecting import data retroactively going back to 2004 (according to the above, this review did not cover the official CSO import data on external trade, for all changes are attributed to regular revisions). The new figures are shown in the GDP publication as well.

The new terms of delivery adjustment method resulted, on the one hand, in changes at the national level compared to previous data, plus the adjustments factors are now different for each economy. In light of the fact that this value at the national level is lower than previously, imports recorded in the current account is higher, and this publication contains these higher import figures retrospectively going back to 2004.

## **2 Retroactive data revisions carried out in order to eliminate time series disruptions:**

### **2.1 Estimation of household holdings of external financial assets**

No direct sources of data are available for deposits made by households abroad and on household loans taken from abroad.

The balance of payment statistics estimated, in accordance with financial accounts statistics, external deposits and loans of households. The estimate was made using the alternative data sources as follows:

- quarterly data from the monetary statistics of the Oesterreichische Nationalbank and the Deutsche Bundesbank on the deposits and loans of Hungarian households,
- annual data from the monetary statistics of the Swiss National Bank on the deposits of Hungarian clients,
- furthermore, information supplied on the interest incomes of Hungarian private individuals by financial service providers having deducted the tax at source, as well as information supplied to APEH on the annual interest income of Hungarian private individuals pursuant Council Directive 2003/48/EC,
- cumulative data from the balance of payment statistics and from previous cash-flow reports and carried over receivables and liabilities attributed to non-Member States of

the European Economic Area.

This publication contains the revised figures of external deposits and external loans of households retrospectively going back to 2004.

## **2.2 Adjustments of dividend liabilities**

The data collection system from before 2008 did not provide accurate information on declared but unpaid dividends, on account of which a debt has been accumulated in the time series prior to 2008 relating to non-financial companies. After the introduction of the new data collection system, we re-analysed the situation and arrived at the conclusion that no additional debts resulted from approved and unpaid dividends. Relying on this information, we checked the period before 2008 to determine any ‘unjustified’ accumulation in liabilities. Within the framework of the revision, we reduced the debts from approved and unpaid dividends for the period prior to 2008 going back to 2004.

## **2.3 New estimation of commercial loans**

In the data collection system from before 2008 (retroactive to 1995) the current account shows under goods primarily the CSO numbers for external trade (see point 1, among others, including the appropriate adjustments), however, in the financial account the financing items did not originate from direct reports, as they were obtained from the CSO data shown under goods and based on an algorithm created from cash-flow reports of banks made to MNB relating to goods. The new data collection system introduced in 2008 remains to rely on CSO data under goods, and use it as a data source (in accordance with international standards) however, this way it prescribes direct corporate reports concerning the for the profit-and-loss account, including the financing items for the trade on goods.

Based on the data gathered by the revised data collection system, it is apparent that the time series for the commercial loans obtained by the data collection system did not coincide with the new data reported. Consequently, it was necessary to modify the time series for commercial loans for the period between 2004 and 2007. The estimation relied on balance of payment statistics reported directly after 2008, plus on the data on goods recorded in the current account. The estimate modified the times series for both trade credit receivables and trade credit debts.

With the new commercial loan time series, we managed to bring balance-of-payment statistics into line with financial accounts retroactively going back to 2004, as the two statistics used different methods for commercial loans before 2008. As of this publication, however, these differences apply only to the data from before 2004, as this present revision of the balance of payments did not cover that period.

## **3 Description of a large-value transaction during 2009 Q4**

A multinational company restructured its Hungarian branch in several phases. The restructuring only affected the financing structure of the company; however, its operations remained unaffected. In the process, the foreign owner set up two new Hungarian subsidiaries from the companies previously operating in Hungary. At the request of the owner, an independent valuation firm evaluated the company’s equity in the previous Hungarian branches, and valued them many times over their book value. The foreign owner company contributed its Hungarian subsidiaries into the newly formed Hungarian company by obtaining shares for a smaller fraction of the company’s value, and converting the remainder into loan receivables from the new company.

For statistical recording purposes, the MNB approved the revalued reported asset values and recorded the data on the transactions and the international investment positions accordingly.

**The above-specified transaction is shown in the 2009 Q4 balance of payment statistics as follows**

Event	Statistical accounting
Excessive revaluation of the Hungarian subsidiary's equity capital	Price change: direct investment in Hungary, shares and other equity (shown in stock data only)
Foreign-owned Hungarian subsidiaries are no longer owned by the foreign investor, and ownership is transferred to the newly formed Hungarian company	Transaction: direct investment in Hungary, reduction in shares and other equity
Contribution in kind provided to the newly formed Hungarian subsidiary	Transaction: (1) direct investment in Hungary, increase in shares and other equity (fraction of the value of the contributed company) (2) direct investment in Hungary, other capital transactions, liabilities (most of the value of the contributed company)

Even though the transaction has no impact on the total of direct investment made in Hungary in the balance of payment statistics, used for the settlement of transaction, the revalued value shown under shares and other equity are recorded as net disinvestment (expenditure), while the inflow of capital of the same value appears – to a lesser extent – under shares and equity, and the larger part is shown under other capital transactions (as an increase in intra-group loan liabilities). In the statistics, the volume of direct investment in Hungary shows significant growth due to the overvaluation and the composition of the instrument changes as well. The value of shares and other equity, resulting from the above transactions and reflecting the new ownership structure, does not significantly differ from the value prior to the revaluation. The difference between the original equity and the revalued capital is shown as a loan liability, due to which the intra-group loan liability increases significantly.

\* \* \* \* \*

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

Consistent with international guidelines, when performing seasonal adjustment the model settings of the appropriate diagnostics for adjustment are generally left unchanged for a year, in order to minimise revisions. After a year, however, the settings and parameters are reviewed for all time series and the most appropriate ones are chosen. Simultaneously with the receipt of 2010 Q1 data, the new model settings for the time series were defined and fixed for the remainder of the year. This will only be changed if the diagnostics for seasonal adjustment fail and therefore new settings need to be applied.

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 2010 Q3, as well as revised data for 2010 Q1–Q2 on 31 December 2010.

**MAGYAR NEMZETI BANK**  
**STATISTICS**

*One of the primary statutory duties of the Magyar Nemzeti Bank is to collect and publish statistical information. The statistical press release aims to help the reader understand the latest published data. The Quarterly Report on Inflation and the Report on Financial Stability, published periodically, contain the Bank's analyses of underlying economic processes and are accessible at [www.mnb.hu](http://www.mnb.hu).*

Detailed tables: [Balance of payments](#)

Notes [Methodological notes](#)

Charts: [Chart pack](#)