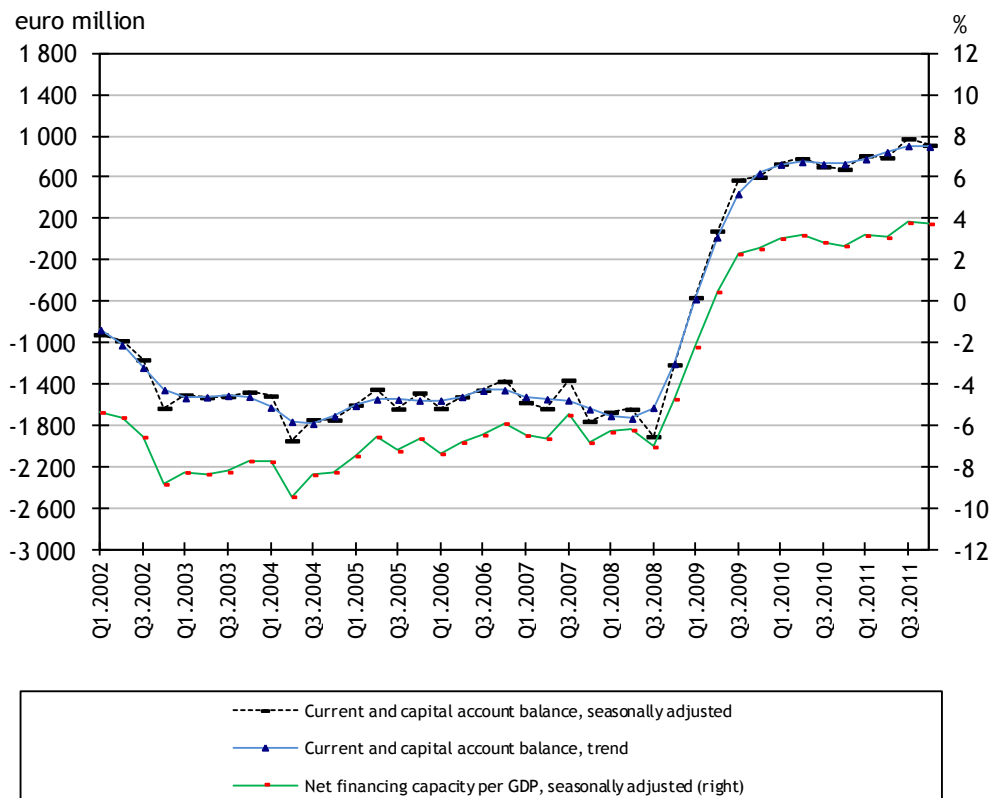


PRESS RELEASE

Hungary's balance of payments: 2011 Q4

In 2011 Q4,¹ Hungary's net external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 835 million (HUF 254 billion). Adjusted for seasonal effects, the net external financing capacity was 3.8% of GDP (HUF 271 billion). According to seasonally adjusted data,² the surplus on goods and services fell relative to the previous quarter, but continued to be significant (EUR 1,728 million). The surplus on goods and services has exceeded the income account deficit in each successive quarter since 2009 Q3.

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



¹ Consistent with its practice of releasing and revising statistical data, on 30 March 2012 the MNB is publishing Hungary's balance of payments statistics for 2011 Q4 for the first time, together with revised annual data for 2009 and 2010 as well as revised quarterly data for 2011 Q1-Q3 (based on adjusted data reported by data providers).

² The detailed seasonally adjusted data and charts are available by clicking on the following links: [data](#), [charts](#).

Table 1
Current account balance and net external financing capacity

Euro million

	2009						2010					2011				
	Y.	Q1.	Q2.	Q3.	Q4.	Q1-Q4.	Q1.	Q2.	Q3.	Q4.	Q1-Q4.	Q1.	Q2.	Q3.	Q4.	Q1-Q4.
I. Current account	-139	224	435	302	226	1,187	342	502	439	149	1,431					
1. Real economic transaction	4,328	1,503	1,695	1,471	1,479	6,147	1,794	2,155	1,827	1,485	7,261					
1.1. Export	70,667	18,945	20,640	21,453	22,582	83,620	22,763	23,250	23,259	23,289	92,560					
1.2. Import	66,340	17,443	18,945	19,982	21,103	77,473	20,968	21,095	21,432	21,804	85,298					
1.1. Goods	2,341	860	909	560	886	3,215	1,339	1,064	838	795	4,037					
1.1.1. Export	57,358	15,627	16,977	17,494	18,880	68,978	19,316	19,170	19,042	19,444	76,973					
1.1.2. Import	55,017	14,767	16,068	16,934	17,994	65,763	17,977	18,106	18,204	18,649	72,936					
1.2. Services	1,986	643	786	910	593	2,932	455	1,091	989	689	3,225					
1.2.1. Export	13,309	3,318	3,663	3,959	3,702	14,642	3,446	4,080	4,216	3,844	15,587					
1.2.2. Import	11,323	2,676	2,877	3,048	3,109	11,710	2,991	2,989	3,227	3,155	12,363					
2. Income and current transfers	-4,467	-1,278	-1,260	-1,169	-1,253	-4,960	-1,452	-1,653	-1,388	-1,336	-5,830					
2.1.. Income	-4,884	-1,309	-1,462	-1,316	-1,278	-5,366	-1,419	-1,743	-1,591	-1,565	-6,317					
2.1.1. Compensation of employees	701	195	200	201	209	806	186	197	194	185	763					
2.1.2. Direct investment income	-3,323	-1,048	-1,087	-1,059	-1,022	-4,216	-1,093	-1,229	-1,185	-1,181	-4,687					
2.1.3. Portfolio investment income	-960	-171	-292	-181	-191	-836	-207	-405	-252	-231	-1,096					
2.1.4. Other investment income	-1,302	-286	-283	-276	-275	-1,120	-304	-306	-348	-338	-1,297					
2.2.. Current transfers	417	31	202	147	26	406	-34	90	202	228	487					
-of which: EU transfers	1,056	213	383	339	220	1,154	162	369	406	417	1,356					
II. Capital account	1,093	506	530	513	207	1,756	453	319	695	686	2,153					
-of which: EU transfers	1,603	560	549	533	546	2,188	451	372	690	684	2,197					
III. Financial account (3+4+5+6)	4,901	2,688	215	-1,269	85	1,718	2,221	681	953	-1,740	2,115					
3. Direct investment	94	-233	-459	426	990	724	-209	-619	-530	1,240	-118					
3.1. Abroad	-1,423	-866	880	-326	-692	-1,005	-103	-80	-186	-2,749	-3,117					
3.1.1. Equity capital and reinvested earnings	-856	-132	105	-386	-774	-1,188	-17	-355	-92	261	-203					
3.1.1.1. Equity capital	-766	-268	150	-351	-623	-1,092	-123	-624	2	275	-469					
3.1.1.2. Reinvested earnings	-90	135	-45	-35	-151	-96	105	269	-94	-14	267					
3.1.2. Other capital	-568	-733	775	59	82	183	-86	276	-94	-3,010	-2,915					
3.1.2.1. Assets	-846	-541	808	22	-55	234	37	256	-118	-2,967	-2,792					
3.1.2.2. Liabilities	279	-192	-33	38	137	-51	-123	20	24	-44	-123					
3.2. In Hungary	1,517	633	-1,339	752	1,682	1,728	-106	-539	-344	3,989	2,999					
3.2.1. Equity capital and reinvested earnings	-1,781	917	-1,519	2,174	1,442	3,013	1,078	-1,914	-93	4,946	4,017					
3.2.1.1. Equity capital	-1,531	728	219	1,328	841	3,116	549	-623	-995	3,878	2,809					
3.2.1.2. Reinvested earnings	-250	188	-1,738	846	601	-103	529	-1,291	902	1,069	1,208					
3.2.2. Other capital	3,298	-284	180	-1,422	240	-1,285	-1,184	1,375	-251	-957	-1,018					
3.2.2.1. Assets	-4,074	-56	-252	859	-237	315	-462	1,432	-927	-369	-326					
3.2.2.2. Liabilities	7,372	-228	433	-2,281	477	-1,600	-722	-57	676	-589	-692					
4. Portfolio investment	-3,592	2,662	-1,257	-797	-747	-138	3,884	1,819	2,055	-1,183	6,576					
4.1. Assets	-738	-125	64	-165	-150	-377	-313	-50	1,524	462	1,624					
4.2. Liabilities	-2,854	2,787	-1,320	-632	-597	238	4,197	1,869	531	-1,645	4,952					
5. Financial derivatives	641	-28	384	-216	485	625	-362	300	-359	-373	-794					
5.1. Assets	5,627	1,021	1,243	1,501	1,154	4,919	1,059	1,281	1,420	1,250	5,009					
5.2. Liabilities	-4,986	-1,049	-859	-1,718	-669	-4,294	-1,421	-981	-1,779	-1,622	-5,803					
6. Other investment	7,758	286	1,547	-682	-643	508	-1,092	-820	-214	-1,424	-3,549					
6.1. Assets	-435	264	249	-327	-146	40	1,061	206	-62	725	1,929					
6.2. Liabilities	8,193	22	1,298	-355	-497	468	-2,152	-1,025	-152	-2,149	-5,479					
IV. International reserves	-5,486	-2,910	-956	1,147	-299	-3,018	-2,420	-1,272	-1,278	1,096	-3,874					
Memorandum:																
7. Net external financing capacity																
7.1. Net external financing capacity (CA and Capital account)	954	730	965	814	433	2,943	795	821	1,134	835	3,584					
7.2. Financial account balance (Financial account balance and reserves)	585	222	741	122	214	1,299	198	591	325	644	1,758					
7.3. Difference (Net errors and omissions)	-369	-508	-224	-692	-219	-1,643	-597	-230	-809	-191	-1,826					

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

euro million

	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Real economic transactions, net (Goods and services)	486	1 088	1 326	1 432	1 518	1 462	1 465	1 712	1 804	1 910	1 823	1 728
1.1. Export	17 068	17 115	17 869	18 597	19 739	20 555	21 202	22 075	23 662	23 144	22 995	22 790
1.2. Import	16 562	15 816	16 795	17 143	18 185	18 884	20 050	20 237	21 897	21 026	21 468	21 411
1.1. Goods	162	566	681	804	776	853	754	923	1 166	1 006	954	849
1.1.1. Export	13 772	13 843	14 538	15 178	16 056	16 900	17 687	18 288	19 822	19 086	19 250	18 846
1.1.2. Import	13 569	13 067	14 049	14 455	15 339	15 984	17 203	17 292	18 761	17 977	18 336	18 273
1.2. Services	381	465	607	621	807	681	750	748	657	975	801	798
1.2.1. Travel, net	510	523	561	550	568	562	555	551	548	570	564	554
export	1 034	1 000	1 015	1 016	1 043	1 011	1 001	992	978	1 030	993	984
import	519	517	446	477	442	456	443	451	443	436	434	446
1.2.2. Other services, net	-105	-24	-3	57	249	111	157	220	125	354	232	255
export	2 272	2 263	2 363	2 333	2 643	2 628	2 639	2 686	2 825	3 011	2 924	2 803
import	2 400	2 303	2 353	2 320	2 390	2 528	2 478	2 512	2 709	2 661	2 675	2 564
2. Income	-1 154	-1 167	-1 239	-1 327	-1 361	-1 325	-1 314	-1 357	-1 482	-1 580	-1 607	-1 642
3. Current account balance	-525	47	242	244	357	347	242	391	467	411	380	306
4. Capital account	260	362	271	167	537	523	477	221	449	312	693	681
5. EU-transfers (current and capital account)	567	638	662	788	934	897	842	646	780	705	1 055	994
6. Net external financing capacity	-561	83	576	604	731	783	705	680	811	791	975	912

Developments in the main aggregates of the current account

In 2011 Q4, the current account surplus amounted to EUR 306 million, according to seasonally adjusted data. The goods surplus fell relative to the previous quarter, its seasonally adjusted amount being EUR 849 million. Seasonally adjusted exports fell more sharply than imports relative to the previous quarter. Exports and imports amounted to EUR 18,846 million and EUR 18,273 million respectively.

The seasonally adjusted surplus on services amounted to EUR 798 million in 2011 Q4. Within services, seasonally adjusted travel revenue and expenditure were EUR 984 million and EUR 446 million respectively, broadly the same as in the previous quarter. Other service revenue and expenditure amounted to EUR 2,803 million and EUR 2,564 million respectively in Q4, slightly below the levels recorded for the previous quarter.

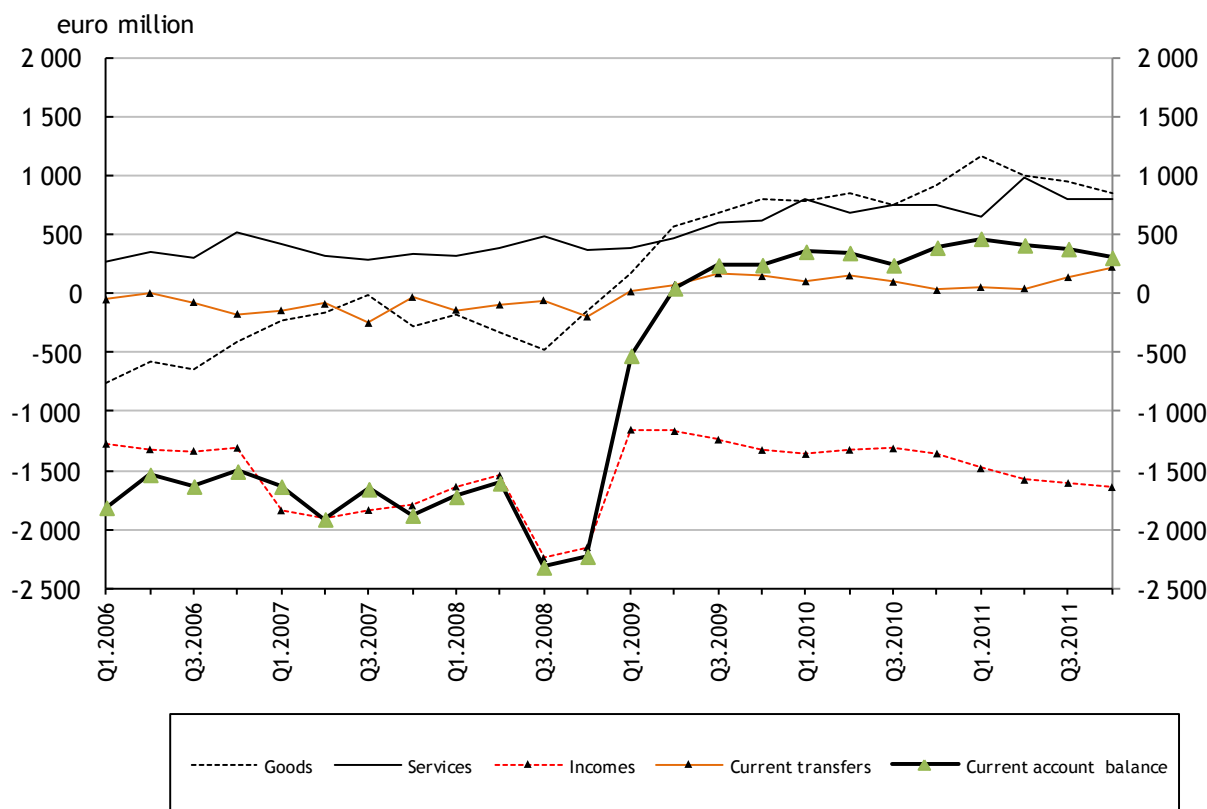
In the income account, the seasonally adjusted deficit amounted to EUR 1,642 million, with the size of deficit continuing to increase in Q4. For 2011, there has been an only slight revision to estimated³ income on shares and other equity has been revised only slightly.⁴

According to accrual-based data, the seasonally unadjusted surplus on current transfers between Hungary and the European Union was EUR 417 million, and transactions recorded as capital transfers showed a nearly EUR 684 million surplus. Current and capital transfers to and from the EU are adjusted jointly; the seasonally adjusted surplus on current and capital transfers amounted to EUR 994 million in 2011 Q4.

³ Data on income on shares and other equity in 2011 based on companies' annual reports will only become available in September 2012. Until then, the data remain estimates.

⁴ The estimate for credit institutions includes the effects of tax changes related to early repayments of foreign currency loans by households.

Chart 2
Main aggregates of the current account



The financial account⁵

Within direct investment, outward investment by Hungarian residents increased by EUR 2,749 million and inward investment by non-residents by EUR 3,989 million.

Capital in transit flows through the corporate sector were particularly large in 2011 Q4. Previously, this phenomenon only affected special purpose entities. Capital in transit means that Hungarian companies receive capital or a loan from one member of a group of companies, which they transfer to another foreign member of the group at very short notice. Capital in transit distorts the economic interpretation of data on foreign direct investments. In 2011 Q4, capital in transit accounted for EUR 2.5 billion within investments of EUR 4 billion by non-residents in Hungary and investments of EUR 2.7 billion by Hungarian residents abroad. That amount did not relate to the financing of the Hungarian economy. For more details, see the box on capital in transit at the end of this press release.

Within investments by Hungarian residents abroad, investments in equities fell by EUR 275 million; however, the value of reinvested earnings increased the value of such investments by EUR 14 million. Net FDI other capital outflows amounted to EUR 3,010 million. Within investments by non-residents in Hungary, the value of investments in equities fell by EUR 3,878 million; and reinvested

⁵ For summary data by investment category, see Table 1. More detailed data are available on the MNB's website. The detailed data are available on the MNB's website by clicking on the following link: [quarterly time series](#).

earnings increased the value of investments by non-residents in Hungary by another EUR 1,069 million. Net FDI other capital outflows amounted to EUR 957 million.

Portfolio investment transactions showed a net outflow of EUR 1,183 million. Portfolio investment assets fell by EUR 462 million. Within this, the decrease in equity investments representing less than 10% foreign ownership amounted to EUR 351 million. Bond assets fell by EUR 108 million and money market assets by EUR 3 million. Liabilities declined by EUR 1,645 million. At EUR 1,500 million, the largest increase was in bond liabilities. Within this, maturities of foreign currency-denominated bonds issued by the Hungarian government abroad accounted for EUR 1 billion. Equity liabilities fell by EUR 90 million.

The balance of other investments showed an outflow of EUR 1,424 million. Short-term assets fell by EUR 549 million and long-term assets by EUR 175 million (an inflow of funds). The decline in short-term liabilities amounted to EUR 62 million and that in long-term liabilities amounted to EUR 2,087 million in Q4. Within this, the amount of a loan repaid to the European Commission accounted for EUR 2 billion.

Stock of international reserves and external debt

Central bank foreign exchange reserves amounted to EUR 37.8 billion at the end of December 2011. Hungary's net foreign debt, excluding FDI other capital, amounted to EUR 44.7 billion at the end of December 2011 (44.3% as a percentage of GDP). The amount recorded as net short-term assets on an accrual basis due to the recording of EU transfers was EUR 842 million, of which the value of short-term assets was EUR 1,371 million and that of short-term liabilities was EUR 2,213 million.

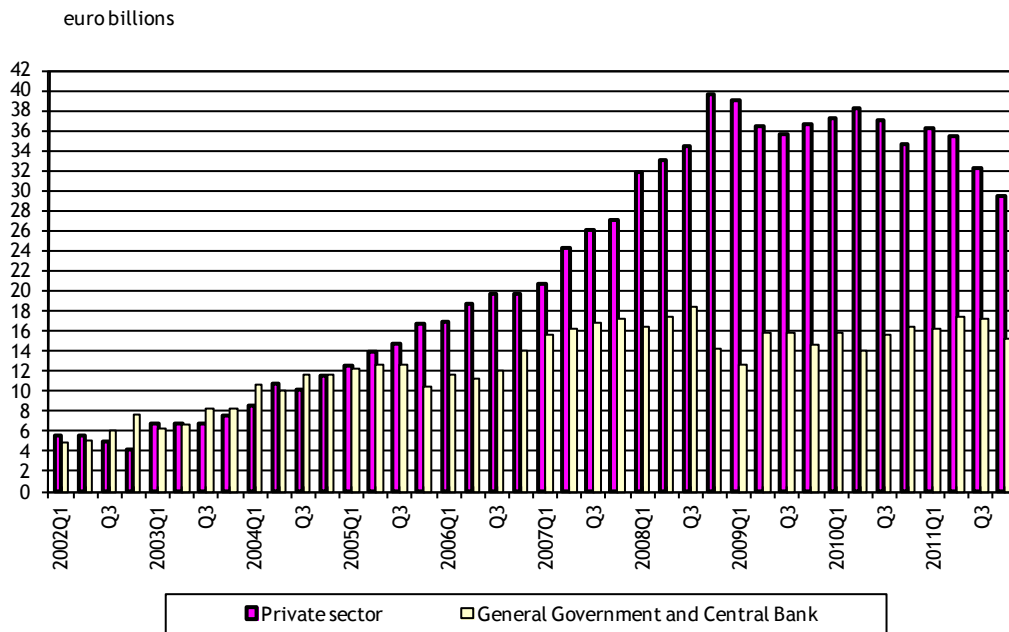
Table 3
Foreign assets and liabilities of Hungary⁶

	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Assets	92,401	94,164	97,224	98,250	104,480	105,066	102,112	104,285	106,017	104,936	106,379	107,550
1.1. International reserves	27,890	26,950	30,603	30,677	33,852	35,174	33,676	33,674	35,692	37,003	38,764	37,774
1.2. Direct investment *	34,086	35,274	35,481	36,441	38,257	36,964	35,567	37,281	38,014	36,595	37,613	40,591
1.3. Portfolio investment	5,850	7,059	7,868	8,134	8,554	8,051	8,621	9,300	9,500	9,336	6,531	6,161
1.4. Financial derivatives	4,395	3,539	2,722	2,384	2,991	3,869	3,378	2,865	3,010	2,424	3,853	4,118
1.5. Other foreign assets	20,181	21,342	20,550	20,615	20,825	21,008	20,870	21,165	19,801	19,578	19,618	18,906
o/w: due to accrual accounting of EU-transfers	605	782	959	1,151	842	813	1,142	1,422	931	1,189	1,288	1,371
2. Liabilities	190,305	197,202	203,062	209,765	220,014	213,084	213,156	212,474	218,919	218,815	208,252	202,743
2.1. Direct investment *	77,988	83,307	84,776	91,888	94,320	88,322	89,215	90,295	93,246	90,791	85,938	87,401
2.2. Portfolio investment	36,605	39,517	44,649	43,081	49,094	43,646	44,982	42,646	49,541	51,021	44,958	40,601
2.3. Financial derivatives	5,921	3,447	3,346	2,980	3,384	4,960	4,231	4,370	3,798	5,076	5,752	5,343
2.4. Other foreign liabilities	69,791	70,931	70,290	71,816	73,216	76,157	74,728	75,162	72,333	71,926	71,604	69,398
o/w: due to accrual accounting of EU-transfers	1,629	1,982	2,028	1,664	1,625	1,276	1,489	1,333	1,431	1,479	1,650	2,213
3. Net foreign liabilities (2-1)	97,903	103,038	105,838	111,515	115,534	108,018	111,044	108,188	112,902	113,878	101,873	95,193
o/w: due to accrual accounting of EU-transfers	1,024	1,199	1,069	512	783	463	347	-89	499	291	362	842
Memorandum:												
4. Gross foreign debt (excluding direct investment other capital)	101,550	102,433	104,282	104,073	109,090	109,711	108,439	107,220	109,411	110,794	109,229	102,535
4.1. General government and Central bank	41,755	43,947	47,654	47,045	50,817	50,039	50,272	51,975	53,195	55,694	57,111	54,225
4.2. Private sector	59,795	58,487	56,628	57,028	58,273	59,672	58,167	55,245	56,216	55,100	52,118	48,310
5. Net foreign debt (excluding direct investment other capital)	51,691	52,158	51,623	51,284	53,054	52,221	52,598	51,046	52,509	52,818	49,518	44,674
5.1. General government and Central bank	12,724	15,801	15,913	14,679	15,778	13,979	15,617	16,408	16,298	17,342	17,199	15,185
5.2. Private sector	38,967	36,357	35,711	36,605	37,276	38,243	36,981	34,638	36,211	35,477	32,319	29,489

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

⁶ 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 3
Net foreign debt of Hungary, 2002-2011



Data revisions during the review period

Tables 4 and 5 summarise all changes to data due to revisions for the period 2009, 2010 and 2011 Q1-Q3. The data revision for the review period reflect corrections by data providers as well as new data estimates.⁷

⁷ Due to the revision of the estimate for foreign currency holdings of households and the components of volume change, data on households' cash assets and foreign currency cash liabilities have been revised back to 2011 Q3 as well as to 2010 and 2009.

Table 4
Total revisions by BoP components (those beyond normal revisions are separately identified)
(excl. SPEs)

	EUR millions		
	2009	2010	2011. Q1-Q3
1. Goods	0	-15	-234
2. Services	0	24	316
3. Incomes	42	103	-64
4. Current transfers	0	11	137
I. Current account balance (1+2+3+4)	42	123	155
II. Capital account	0	21	-62
III. Financial account (5+6+7+8)	29	328	31
5. Foreign direct investment	255	295	-12
Foreign direct investment abroad	-119	-56	23
Equity	-33	-154	24
Other capital	-86	99	-1
Foreign direct investment in Hungary	374	350	-35
Equity	151	242	-124
Other capital	223	108	88
6. Portfolio investments	-99	-49	-63
Assets	0	0	-2
Liabilities	-99	-49	-61
7. Financial derivatives	0	-1	-1
8. Other investments	-127	83	107
Assets	-95	78	-67
Liabilities	-32	5	174
IV. Net errors and omissions	-71	-472	-124

Table 5
Changes in stocks vis-à-vis the last publication (excl. SPEs)

	EUR millions		
	2009	2010	2011. Q1-Q3
1. Foreign direct investment (net liabilities)	532	821	135
Foreign direct investment abroad (net assets)	105	296	302
Equity	89	377	341
Other capital assets	15	-82	12
Other capital liabilities	-2	-1	51
Foreign direct investment in Hungary	637	1 117	437
Equity	416	622	245
Other capital assets	87	220	-28
Other capital liabilities	308	716	164
2. Portfolio investments (net liabilities)	-405	-437	-244
Assets	0	0	0
Liabilities	-405	-437	-244
3. Financial derivatives (net liabilities)	0	-1	0
4. Other investments (net liabilities)	-198	-130	45
Assets	139	37	0
Liabilities	-59	-93	45
Gross debt*	-60	-95	44
Net debt*	-199	-132	44
Current account balance in the percentage of the GDP	0.0%	0.1%	0.2%
Gross debt in the percentage of the GDP*	-0.1%	-0.1%	0.1%
Net debt in the percentage of the GDP*	-0.2%	-0.1%	0.1%

* Excluding FDI other capital.

Capital in Transit

Capital in transit means transactions within a multinational enterprise group that pass through the compiling economy without making an impact. These transactions do not finance development projects, capital investment or other activities in Hungary; consequently, they distort the statistics on the components of foreign direct investment.⁸ Thus their effect on statistical data is comparable to the impact of special purpose entities (SPEs).

The MNB has launched a pilot project to investigate into the phenomenon of capital in transit in non-SPEs and to isolate such transactions within foreign direct investment. In our publication in September 2012, a report on the first findings of the study is planned to be published. Until then, we will present separately capital in transit within FDI transactions - similarly to this press release - if we find the phenomenon to be exceptional. Accordingly, of the EUR 4 billion direct investment by non-residents in Hungary and EUR 2.7 billion investments by residents abroad in Q4 2011, EUR 2.5 billion was capital in transit, having nothing to do with financing the Hungarian economy.

Capital in transit is not easy to distinguish, as, unlike special purpose entities, the affected companies are organically integrated into the Hungarian economy. Still, due to their special function within the multinational enterprises, they also participate in financing transactions relating to operations outside Hungary. As a practical difficulty for the compilation of statistics, the unit of statistical observation is the company rather than an activity. Consequently, the method used to differentiate operational companies from SPEs must be different from the one we are to apply to distinguish transiting transactions within the statistics published.

The definition of capital in transit and its distinction within foreign direct investment is a problem at the international level as well. Some countries also encounter similar phenomena, and this issue is in the research phase in all these countries. For the time being, there are no internationally accepted, reliable methodologies for filtering out the distorting effects of capital in transit from statistical data.

The MNB has published its methodological paper 'Balance of Payments Statistics of Hungary'

After the first edition in 2006, the Magyar Nemzeti Bank Statistics republished its methodological paper 'Balance of Payments Statistics of Hungary'. The update was necessitated by the significant changes in national procedures since the previous publication as well as the revision of international methodologies completed in the meantime. The booklet provides information to the general public on the international methodology of the balance of payments statistics and international investment position and on the method of compilation of such statistics in Hungary.

The publication sets out to present and explain the key concepts and conventions relating to balance of payments statistics and the international investment position as well as the structure of statistical reports. Furthermore, it also explains the relationship with the system of national accounts, which is crucial for the understanding of the system of macroeconomic statistics and in particular of the role of balance of payments statistics.

As the methodological standards of the International Monetary Fund applicable to the balance of payments (IMF Balance of Payments Manual, BPM) are not available in Hungarian, the manual also contains a summary of the international methodology. In addition to the effective 5th edition of the IMF's Balance of Payments Manual (BPM5), we also give an outline of the new version (BPM6) to be implemented in 2014 together with the new, revised European System of Accounts (ESA 2010). Similarly to other EU Member States, the MNB also plans full conversion to BPM6 at that time. Therefore, this publication presents the currently effective international methodology, also explaining the new methodology in brief.

In addition to the international methodologies, the description of Hungarian procedures is also essential. To this end, we explain the operation of the data collection systems relying on direct reporting by corporations. In this context, we provide a complete list of monthly, quarterly and yearly reports to feed into the compilation of the balance of payments statistics in the annex.

The publication is available on the MNB website under Publications.

⁸ They increase the value of investments by non-residents in Hungary or investments by Hungarian residents abroad, or the value of equity capital and of other capital, or the debit and credit balances within other capital.

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 2012 Q1 and revised quarterly data for 2011 Q1, Q2 and Q3 on 29 June 2012.

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.

Detailed tables: [Balance of payments](#)

Notes [Methodological notes](#)

Charts: [Chart pack](#)

Email: sajto@mnb.hu