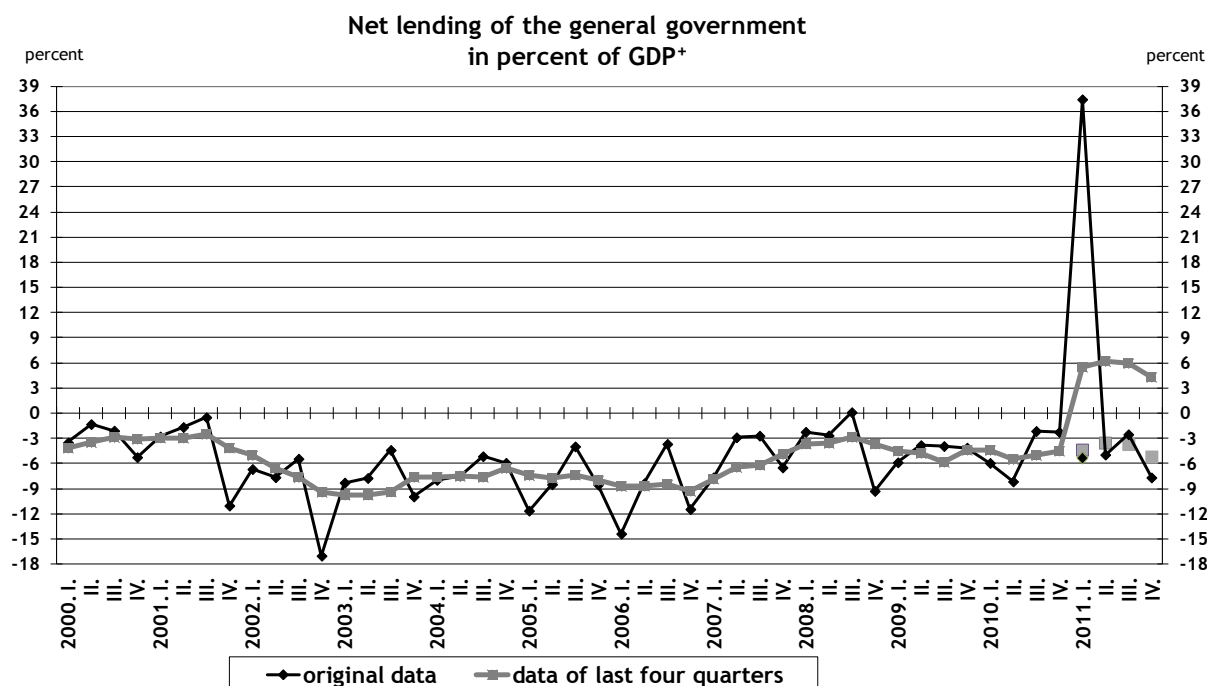


PRESS RELEASE

Preliminary financial accounts for general government and households: 2011 Q4

According to preliminary financial accounts data, general government net lending was equal to 4.3* per cent of Hungary's GDP in the four quarters to 2011 Q4. The positive balance reflected capital transfers from households to general government due to opt-outs from private pension funds, recorded in 2011 Q1. Excluding the amount of the capital transfer, general government net lending was equivalent to -5.2* per cent of GDP in 2011. General government consolidated gross debt at nominal value amounted to 80.3 per cent of GDP at the end of 2011. Net repayments reduced the debt by HUF 1,047 billion in Q4, while the depreciation of the forint increased it by HUF 765 billion.

Net lending of households was equivalent to -4.5 per cent of GDP in the four quarters to 2011 Q4, according to preliminary financial accounts data. Excluding the effect of the capital transfer from households to general government due to opt-outs from private pension funds, net lending of households was equal to 5.0 per cent of GDP in 2011.



⁺ 2011 Q4 data are based on the MNB's own GDP estimate.

For 2011, the quarterly data (shown in black, only for Q1) and the data referring to the final four quarters (shown in grey), which show general government net lending excluding the effect of the capital transfer due to withdrawals from private pension funds, were plotted as separate data points.

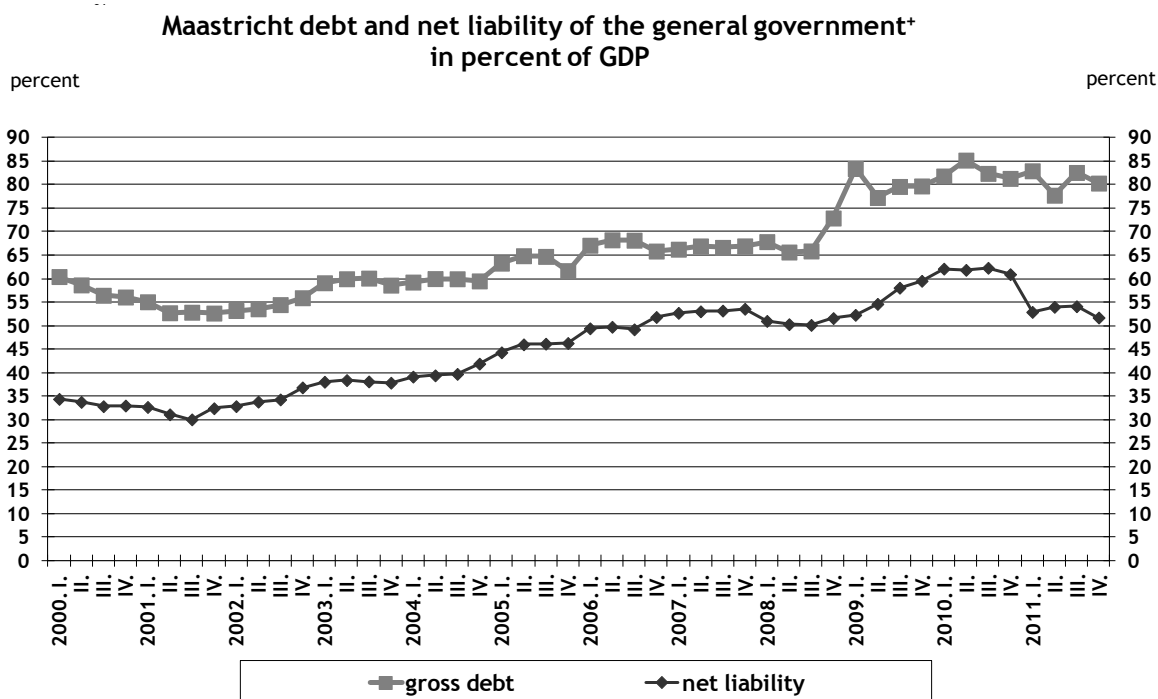
According to preliminary data, general government net lending amounted to HUF 1,217* billion or 4.3* per cent of Hungary's GDP in the four quarters to 2011 Q4. Excluding the effect of the capital transfer from households to general government due to opt-outs from private pension funds, general

*Corrected on 22 February 2012. Corrected data are marked by an asterisk in the text. The correction has been made necessary by the fact that other financial liabilities of central government in 2011 Q4 were incorrectly calculated.

government net lending amounted to HUF -1,460* billion or -5.2* per cent of GDP in the year to 2011 Q4.

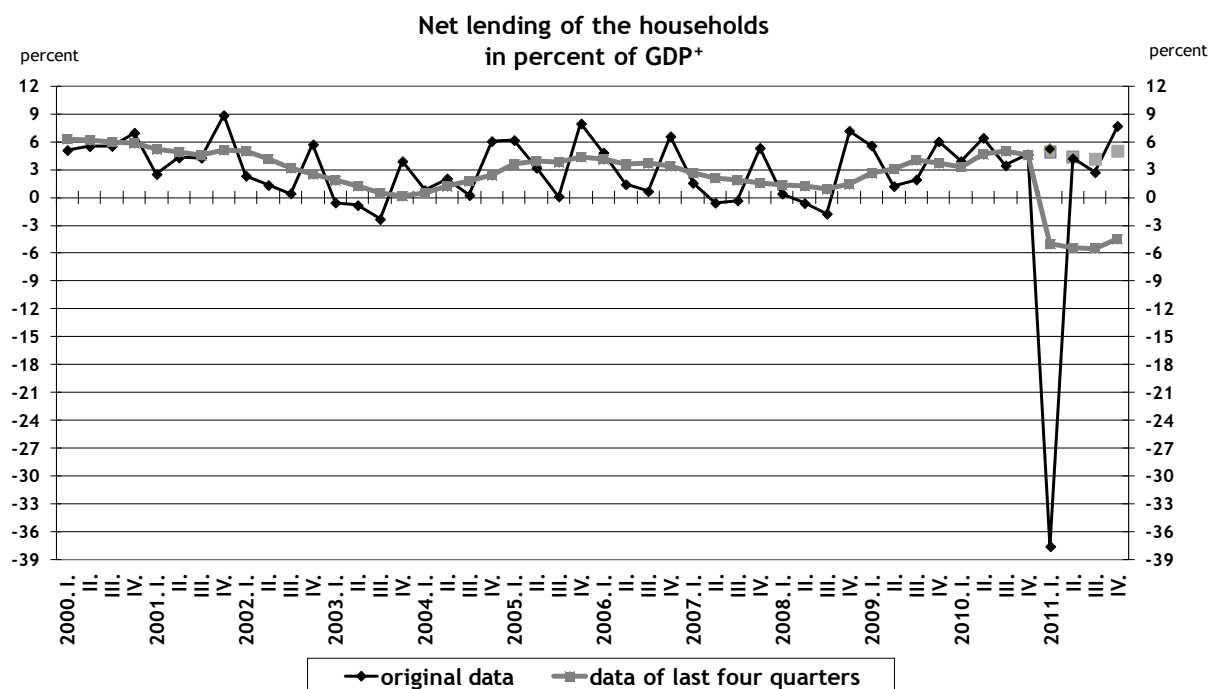
General government net lending (HUF -602* billion) was equal to -7.7* per cent of quarterly GDP in 2011 Q4.

At the end of 2011, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 22,649 billion, equivalent to 80.3 per cent of GDP. Net repayments (transaction) reduced the debt by HUF 1,047 billion and the depreciation of the forint (revaluation) increased it by HUF 765 billion. At the end of 2011, a 1 forint change in the exchange rate caused a 0.14 percentage point change in the gross debt-to-GDP ratio. Net liabilities of general government amounted to HUF 14,583* billion or 51.7 per cent of GDP at the end of 2011 Q4.



⁺ The Maastricht measure of general government debt is defined as the sector's consolidated gross debt at nominal value, excluding other liabilities (AF.7). Net debt is equal to net worth (i.e. the difference between the market values of total financial assets and total liabilities) with the opposite sign.

In 2011 Q4, net borrowing of central government amounted to HUF 1030* billion. On the assets side, central government deposits with the central bank, lending within general government and holdings of mutual fund shares fell significantly. On the liabilities side, the declines in holdings of government bonds and foreign borrowing were dominant. The assumption by central government of county government debt had a significant impact on net lending of local government authorities (HUF 103 billion). On the assets side of the local authority balance sheet, deposits with credit institutions fell sharply. On the liabilities side, there was a significant decline in bond liabilities. Net lending of social security funds (HUF 325 billion) mainly reflected the cancellation of debt owed to central government.



⁺ 2011 Q4 data are based on the MNB's own GDP estimate.

For 2011, the quarterly data (shown in black, only for Q1) and the data referring to the final four quarters (shown in grey), which show general government net lending excluding the effect of the capital transfer due to withdrawals from private pension funds, were plotted as separate data points.

According to preliminary financial accounts data, household net lending (HUF -1,261 billion) was equivalent to -4.5 per cent of GDP in the four quarters to 2011 Q4. Excluding the effect of the capital transfer from households to general government due to opt-outs from private pension funds, household net lending amounted to HUF 1,417 billion or 5.0 per cent of GDP in the year to 2011 Q4.

In 2011 Q4, household net lending (HUF 604 billion) amounted to 7.7 per cent of quarterly GDP. Excluding the effect of the capital transfer related to early repayments of foreign currency mortgages, household net lending amounted to HUF 430 billion or 5.5 per cent of quarterly GDP.

Early repayments of foreign currency mortgages had a significant impact on the structure of household sector financial assets and liabilities. This is discussed in more detail in notes 1 and 2 in the box at the end of the press release. On the assets side, household holdings of foreign currency, foreign currency deposits and shares and other equity declined sharply, with life insurance reserves falling only slightly. By contrast, forint cash and forint deposits increased significantly. On the liabilities side, foreign currency loans due to transactions, mainly reflecting early repayments, fell sharply. By contrast, forint loans increased considerably, also mainly as a result of early repayments.

Preliminary financial accounts data are available on the MNB's website at: Statistics/Statistical Data and Information/Statistical Time Series/XII. Financial Accounts/Preliminary Financial Accounts of Households and General Government. The full set of financial accounts for the institutional sectors of the national economy for the period 2011 Q4 will be published on 2 April 2012.

Tables

Main data of the general government and the households

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4
Net lending, quarterly transactions, billion HUF												
General government (S.13)	-342	-244	-251	-290	-353	-536	-145	-167	2343	-341	-182	-602*
Households (S.14)	325	77	123	424	232	422	235	343	-2350	289	195	604
Net lending, quarterly transactions, excluding the effect of the capital transfer due to opt-outs from private pension funds and early repayments of foreign currency mortgage loans, billion HUF												
General government (S.13)	-342	-244	-251	-322	-411	-536	-145	-167	-335	-341	-182	-550*
Households (S.14)	325	77	123	456	290	422	235	343	328	289	195	430
Net lending of last four quarters, billion HUF												
General government (S.13)	-1173	-1239	-1496	-1127	-1138	-1430	-1325	-1202	1494	1690	1653	1217*
Households (S.14)	680	798	1036	950	856	1200	1313	1232	-1349	-1482	-1522	-1261
Net lending of last four quarters, excluding the effect of the capital transfer due to opt-outs from private pension funds and early repayments of foreign currency mortgage loans, billion HUF												
General government (S.13)	-1173	-1239	-1496	-1159	-1228	-1520	-1415	-1260	-1183	-988	-1025	-1408*
Households (S.14)	680	798	1036	982	946	1290	1403	1290	1328	1196	1156	1243
Consolidated gross debt of the general government, billion HUF												
General government (S.13)	21837	19990	20443	20422	21048	22095	21732	21750	22450	21281	22931	22649
Quarterly changes in consolidated gross debt of the general government, billion HUF												
changes in debt	2490	-1846	452	-20	626	1047	-364	19	700	-1169	1649	-282
of which: transactions	1154	-629	547	-52	717	166	40	-75	1227	-1191	573	-1047
revaluation	1322	-1217	-95	32	-92	881	-404	94	-526	22	1076	765
other changes in volume	13	0	0	0	0	0	0	0	0	0	0	0
	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4
Net lending, quarterly transactions, percent of GDP												
General government (S.13)	-5,9	-3,8	-3,9	-4,1	-5,9	-8,2	-2,1	-2,3	37,4	-5,0	-2,5	-7,7*
Households (S.14)	5,6	1,2	1,9	6,0	3,9	6,4	3,4	4,6	-37,6	4,2	2,7	7,7
Net lending, quarterly transactions, excluding the effect of the capital transfer due to opt-outs from private pension funds and early repayments of foreign currency mortgage loans, percent of GDP												
General government (S.13)	-5,9	-3,8	-3,9	-4,6	-6,9	-8,2	-2,1	-2,3	-5,4	-5,0	-2,5	-7,0*
Households (S.14)	5,6	1,2	1,9	6,5	4,9	6,4	3,4	4,6	5,2	4,2	2,7	5,5
Net lending of last four quarters, percent of GDP												
General government (S.13)	-4,5	-4,8	-5,8	-4,4	-4,4	-5,5	-5,0	-4,5	5,5	6,2	6,0	4,3*
Households (S.14)	2,6	3,1	4,0	3,7	3,3	4,6	5,0	4,6	-5,0	-5,4	-5,5	-4,5
Net lending of last four quarters, excluding the effect of the capital transfer due to opt-outs from private pension funds and early repayments of foreign currency mortgage loans, percent of GDP												
General government (S.13)	-4,5	-4,8	-5,8	-4,5	-4,8	-5,9	-5,4	-4,7	-4,4	-3,6	-3,7	-5,0*
Households (S.14)	2,6	3,1	4,0	3,8	3,7	5,0	5,3	4,8	4,9	4,4	4,2	4,4
Consolidated gross debt of the general government, percent of GDP												
General government (S.13)	83,4	77,3	79,6	79,7	81,8	85,2	82,4	81,3	82,9	77,7	82,6	80,3

Methodological notes

1 Statistical recording of early repayments of foreign currency mortgage loans

Under the relevant regulation, financial corporations are required to use fixed, significantly below-market exchange rates for early repayments by households. The resulting increase in wealth is treated as a capital transfer to households in the statistics. In the statistical accounts, this capital transfer is granted 70-30 per cent by financial corporations and general government, given that general government will refund 30 per cent of the loss arising from early repayments to financial corporations. Capital transfers are recorded at the time households repay their debt; those related to repayments made before the end of the year were recorded in 2011 Q4. Capital transfers related to early repayments made in 2012 will be recorded in 2012 Q1. Given that general government refunds 30 per cent of losses on a cash basis only in 2012, the sector has other liabilities to financial corporations in the financial accounts at the end of 2011. Calculated at market exchange rates, households repaid HUF 642 billion of their foreign currency mortgage loans, taking advantage of the early repayment option, and they received a HUF 174 billion capital transfer from financial corporations and general government.

2 Uncertainties related to 2011 Q4 data for the household sector

2011 Q4 household financial accounts data are only partially able to reflect the effects of economic events. Households are likely to have reduced their financial assets or increased liabilities in order to make early repayments which can be captured only to a limited extent in the statistics. In

addition, based on bank account turnover households are likely to have increased their foreign investments at the end of the year, which can be captured only partially by the statistics. Households are estimated to have reduced their foreign currency holdings by HUF 120 billion, i.e. they converted the foreign currency equivalent of that amount to forints. In addition, deposits held abroad, claims on voluntary pension funds and households' other assets are estimates. The estimates may change in later publications or may be replaced by actual data as they become available.

3 Capital injection to Hungarian Development Bank

Central government granted a HUF 120 billion capital injection to Hungarian Development Bank in 2011 Q4, in part to cover the losses incurred in earlier periods and in part to stimulate development banking activity. The whole amount of this capital injection is treated as a capital transfer in the statistics, and as a result it is recorded as a decline in financial assets held by central government. The statistical treatment of the capital injection may change later, if adequate information is obtained that the capital injection granted to support development banking activity earns a return which is comparable to market returns.

4 Change to the recording of extraordinary VAT refunds

In accordance with the judgement of the European Court of Justice, Parliament has changed VAT refund rules. As a result, other liabilities of central government in the financial accounts are estimated to have increased by HUF 289 billion and its net borrowing requirement to have increased by the same amount in 2011 Q3, given that the amount was recorded in the statistics as a capital transfer from the state to non-financial corporations. The estimate for the amount of capital transfer was revised based on data becoming available since then. According to current information, the value of capital transfer was HUF 198 billion in 2011 Q3, and as a result central government other liabilities increased by the same amount. In the statistical treatment of the transfer, changing the estimate for Q3 does not have an effect on general government net lending in 2012, only on the ratio between Q3 and Q4 net lending.

5 Injection to the Magyar Nemzeti Bank's revaluation reserves

According to a decision by Eurostat, injections to the Magyar Nemzeti Bank's revaluation reserves need not be recorded as central government expenditure. As a result, central government net lending in the financial accounts increased by HUF 29 billion in 2011 Q1 relative to the previous data release.

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.

References

[Data](#)
[Financial accounts manual](#)
[Methodological notes](#)

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