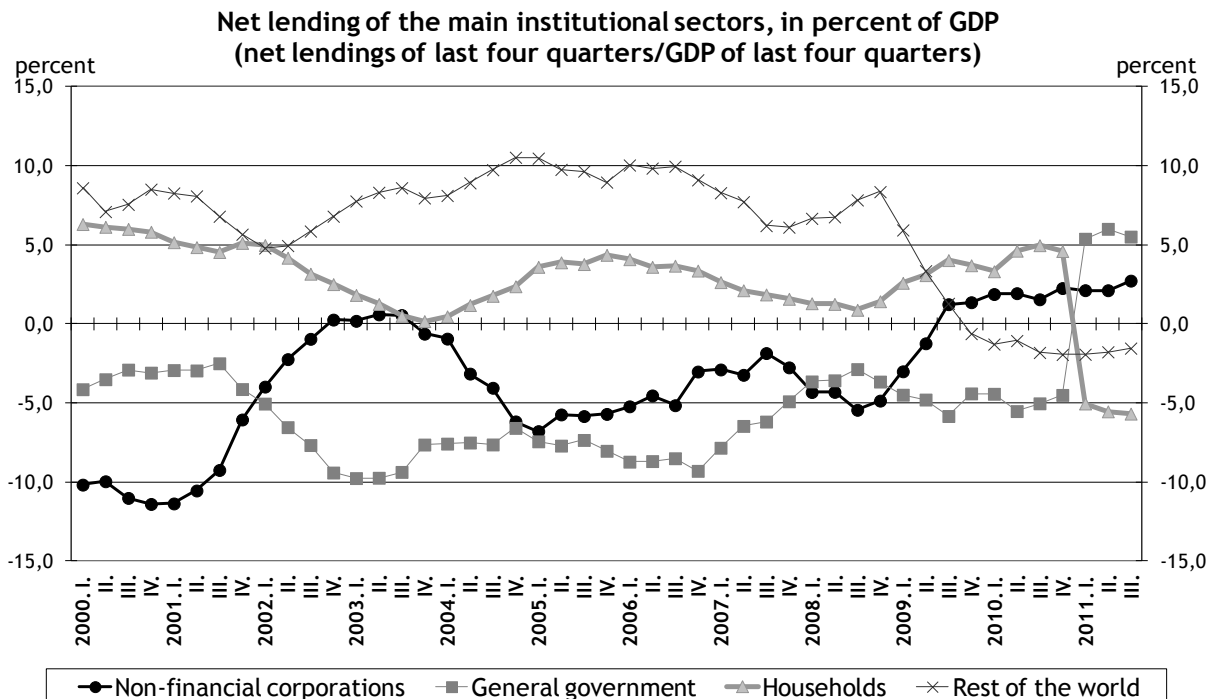


PRESS RELEASE

Hungary's financial accounts: 2011 Q3

According to financial accounts data, general government net lending was equal to 5.5 per cent of Hungary's GDP in the four quarters to 2011 Q3. Net lending of households was equivalent to -5.7 per cent of GDP in the year to 2011 Q3. Capital transfers from households to general government due to withdrawals from private pension funds (amounting to 9.6 per cent of annual GDP), recorded for 2011 Q1, had a significant effect on net lending of the general government and household sectors.

Net lending of non-financial corporations was equal to 2.7 per cent of GDP in the four quarters to 2011 Q3. According to financial accounts data, net lending of the rest of the world was -1.5 per cent of GDP in the four quarters to 2011 Q3.



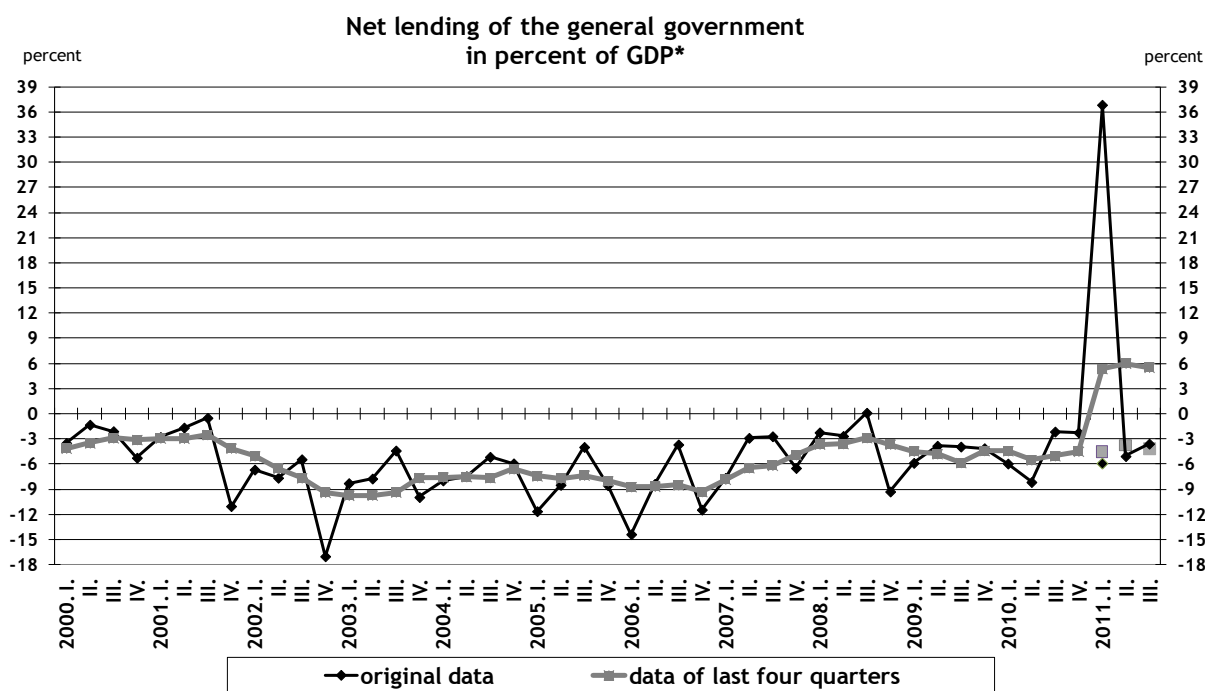
Note: For clarity, the Chart does not plot net lending of financial corporations and non-profit institutions serving households (their values are usually close to 0). Data for a given quarter show the sum of balances for the year ending with that quarter, expressed as a percentage of GDP for the same period.

According to financial accounts data, general government net lending amounted to HUF 1,533 billion or 5.5 per cent of GDP in the four quarters to 2011 Q3. Beginning with this press release, general government net lending does not include reinvested earnings of the Magyar Nemzeti Bank,

in order to ensure methodological consistency between the general government balance in the financial accounts and the balance in the non-financial accounts compiled by the CSO (for more details, see point 1 in the Methodological notes). Excluding capital transfers from households to general government due to withdrawals from private pension funds, general government net lending amounted to HUF -1,145 billion or -4.1 per cent of GDP in the four quarters to 2011 Q3. In 2011 Q3, general government net lending (HUF -258 billion) was equal to -3.6 per cent of quarterly GDP.

At the end of 2011 Q3, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 22,931 billion, equivalent to 82.6 per cent of GDP.¹

In 2011 Q3, central government net borrowing was HUF 241 billion. On the assets side, deposits with the central bank and holdings of quoted shares rose significantly. By contrast, holdings of mutual fund shares fell sharply. On the liabilities side, there were significant increases in government bonds and loans. Net lending of local government authorities (HUF 104 billion) was mainly reflected in an increase in deposits. Net borrowing of social security funds (HUF 121 billion) resulted in an increase in other assets and a decline in borrowing from central government.

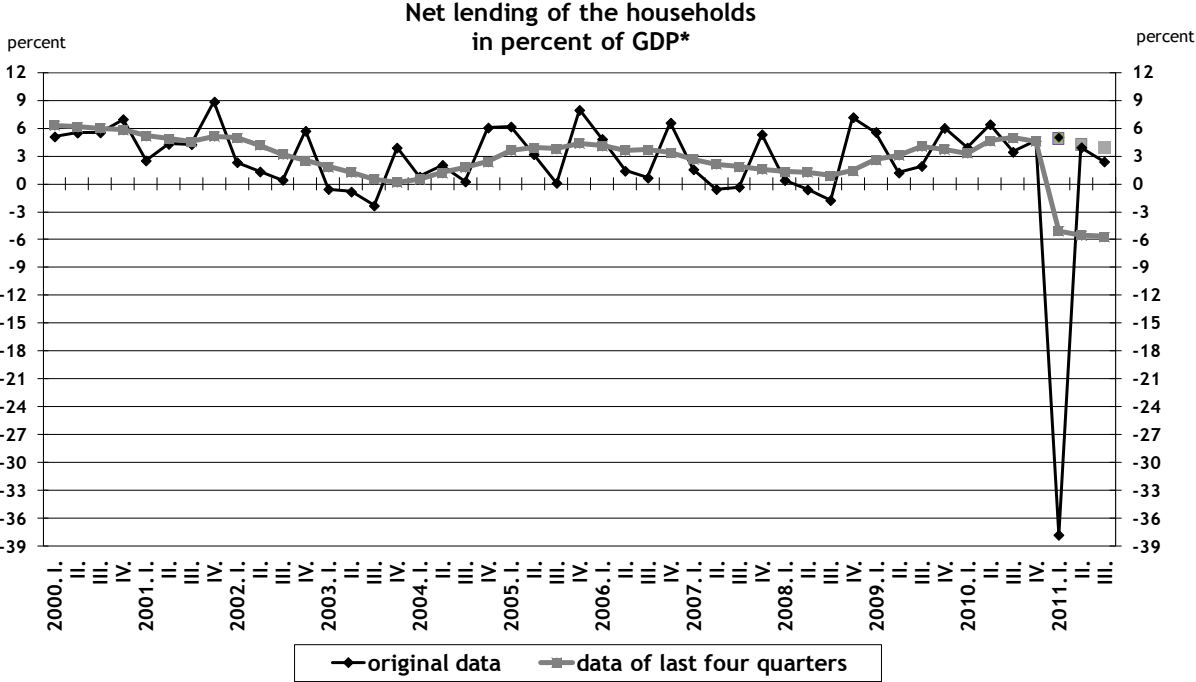


* For 2011, the quarterly data (shown in black, only for Q1) and the data referring to the final four quarters (shown in grey), which show general government net lending excluding the effect of the capital transfer due to withdrawals from private pension funds, were plotted as separate data points.

According to financial accounts data, household net lending (HUF -1,576 billion) was equal -5.7 per cent of GDP in the four quarters to 2011 Q3. Excluding capital transfers from households to general government due to withdrawals from private pension funds, household net lending amounted to HUF 1,101 billion or 4.0 per cent of GDP in the four quarters to 2011 Q3. In 2011 Q3, household net lending (HUF 174 billion) amounted to 2.4 per cent of quarterly GDP.

¹ The difference between the preliminary figure for the debt ratio published on 16 November 2011 and that published in this press release is mainly accounted for by the revision of GDP data by the CSO since the preliminary release.

On the assets side, household holdings of cash, forint deposits and quoted shares increased significantly in 2011 Q3. By contrast, other assets fell sharply, due to disbursements of real returns related to opt-outs from private pension funds. On the liabilities side, there was an increase in forint loans and a decline in foreign currency loans, exceeding the increase in forint loans. In addition, the sector’s other liabilities fell sharply.



* Note: 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 financial accounts data, net lending of non-financial corporations amounted to HUF 759 billion or 2.7 per cent of GDP in the four quarters to 2011 Q3. In 2011 Q3, the sector’s net lending was HUF 266 billion, the equivalent of 3.7 per cent of quarterly GDP.

On the assets side, non-financial corporations mainly increased their lending and other assets. On the liabilities side, the increases in equity liabilities and other liabilities and the decline in loans were dominant.

According to financial accounts data, net lending of the rest of the world (or whole-economy net lending with an opposite sign) amounted to HUF -426 billion or -1.5 per cent of GDP in the four quarters to 2011 Q3. In 2011 Q3, the sector’s net lending was HUF -91 billion, equal to -1.3 per cent of quarterly GDP.

On the assets side, non-residents mainly increased their holdings of debt securities issued by central government, loans and other asset holdings. By contrast, they reduced their deposits, holdings of debt securities issued by credit institutions and loans to non-financial corporations. On the liabilities side, the largest increases were in deposits, debt securities held by the central bank, loans and other liabilities. By contrast, there was a significant decline in mutual fund shares.

Tables

Net lending of the main institutional sectors (quarterly transactions)

billion HUF

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3
Non-financial corporations (S.11)	-76	320	183	-76	59	339	89	119	29	345	266
Financial corporations (S.12)	-25	126	-110	-38	129	-31	-53	-222	79	-97	-102
General government (S.13)	-342	-244	-251	-290	-353	-536	-146	-167	2306	-348	-258
Households (S.14)	325	77	123	424	232	422	235	343	-2364	271	174
Non-profit institutions serving households (S.15)	4	-7	3	6	-13	11	8	-10	6	-2	-4
Rest of the world (S.2)	102	-273	54	-40	-69	-219	-149	-79	-72	-183	-91

Net lending of the main institutional sectors (quarterly transactions in percent of quarterly GDP)

percent

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3
Non-financial corporations (S.11)	-1,3	5,0	2,9	-1,1	1,0	5,2	1,3	1,6	0,5	5,0	3,7
Financial corporations (S.12)	-0,4	2,0	-1,7	-0,5	2,2	-0,5	-0,8	-3,0	1,3	-1,4	-1,4
General government (S.13)	-5,9	-3,8	-3,9	-4,1	-6,0	-8,2	-2,1	-2,2	36,9	-5,1	-3,6
Households (S.14)	5,6	1,2	1,9	6,0	3,9	6,4	3,4	4,6	-37,8	3,9	2,4
Non-profit institutions serving households (S.15)	0,1	-0,1	0,0	0,1	-0,2	0,2	0,1	-0,1	0,1	0,0	-0,1
Rest of the world (S.2)	1,7	-4,3	0,8	-0,6	-1,2	-3,3	-2,2	-1,1	-1,2	-2,7	-1,3

Net lending of the main institutional sectors (transactions of last four quarters)

billion HUF

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3
Non-financial corporations (S.11)	-785	-318	320	351	485	504	410	606	577	583	759
Financial corporations (S.12)	-297	-132	-215	-47	107	-51	6	-178	-227	-293	-342
General government (S.13)	-1173	-1239	-1496	-1127	-1138	-1430	-1325	-1202	1458	1646	1533
Households (S.14)	680	798	1036	950	856	1200	1313	1232	-1364	-1515	-1576
Non-profit institutions serving households (S.15)	3	2	5	6	-12	7	12	-4	15	2	-9
Rest of the world (S.2)	1555	869	333	-158	-328	-274	-477	-516	-520	-484	-426

Net lending of the main institutional sectors (net lending of last four quarters in percent of GDP of last four quarters)

percent

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3
Non-financial corporations (S.11)	-3,0	-1,2	1,2	1,4	1,9	1,9	1,6	2,3	2,1	2,1	2,7
Financial corporations (S.12)	-1,1	-0,5	-0,8	-0,2	0,4	-0,2	0,0	-0,7	-0,8	-1,1	-1,2
General government (S.13)	-4,5	-4,8	-5,8	-4,4	-4,4	-5,5	-5,0	-4,5	5,4	6,0	5,5
Households (S.14)	2,6	3,1	4,0	3,7	3,3	4,6	5,0	4,6	-5,0	-5,5	-5,7
Non-profit institutions serving households (S.15)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0
Rest of the world (S.2)	5,9	3,4	1,3	-0,6	-1,3	-1,1	-1,8	-1,9	-1,9	-1,8	-1,5

Methodological notes

1 Change in the recording of reinvested earnings between central government and the central bank

The recording of reinvested earnings on equity between central government and the central bank has been discontinued, in order to harmonise financial and non-financial accounts. This methodological change has affected data on net lending of financial corporations and, within that, the central bank and general government and, within that, central government retroactively. Data on reinvested earnings of the central bank will be available as a memorandum item in the tables presenting the time series for financial accounts under general government and central government sectors.

2 Recording termination of membership in private pension funds and the related asset transfers

Under the relevant law, membership of former members in private pension funds ceased on 1 March 2011. Accordingly, 2011 Q1 financial accounts data include the amount of capital transfers from households to general government related to the opt-outs. In the statistical records, members' pension fund reserves, excluding their real returns and personal contributions to the funds, were recorded as a capital transfer to central government on 1 March 2011; households' pension fund reserves (recorded under insurance technical reserves) were reduced by the same amount, with general government's claims on pension funds (recorded under other assets/liabilities) being increased by the same amount in Q1. The value of capital transfer and the amount due to households are currently estimated to be HUF 2,678 billion and HUF 233 billion, respectively.

Private pension funds transferred financial assets of their former members to central government in 2011 Q2. This asset transfer only affected the balance sheets of central government and private pension funds, and left the sectors' net lending unaffected. As a result of the asset transfer, general government gross debt fell by the values of government bonds and Treasury bills transferred to the state (by HUF 1,354 billion at nominal value).

Former pension fund members received the amount of their real return plus individual contributions from pension funds in 2011 Q3. The disbursement of this amount left net lending of households (and other sectors) unchanged in the financial accounts, but affected the composition of financial assets. As a result of disbursements, other claims of households on pension funds fell and their deposits and cash holdings increased in 2011 Q3.

3 Decline in household foreign currency holdings

According to estimates based on reports from bureaux de change, household holdings of foreign currency fell by HUF 40 billion in the financial accounts due to transactions in 2011 Q3.

4 Recording extraordinary VAT refunds

In accordance with the judgement of the European Court of Justice at the end of July 2011, Parliament has changed VAT refund rules. Accordingly, 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, as the amount was recorded in the statistics as a capital transfer from the state to non-financial corporations.

5 Bond issue by MÁV Ltd

Hungarian Railways Ltd issued government-guaranteed bonds to cover its expenses in 2011 Q3. As the bond issue served to cover the costs of MÁV, it was recorded in the statistics both as central government expenditure and an increase in central government liabilities. This increased the debt and deficit of central government by HUF 35 billion in 2011 Q3.

6 Harmonising balance of payments and financial accounts statistics

Beginning with this press release, a table presenting the differences between financial accounts data and balance of payments data will be published on a quarterly basis, in conjunction with the release of the full set of Hungary's financial accounts statistics, in order to increase statistical transparency. The table and the related methodological notes are available at the following link:

http://english.mnb.hu/Statiztika/data-and-information/mnben_statiztikai_idosorok/mnben_elv_net_lending/background-data-of-financial-accounts

Revisions to past data

Changes in the net lending of the main institutional sectors compared to the last publication

	2005	2006	2007	2008	2009	2010	2011q1	2011q2
Non-financial corporations (S.11)	-1	-24	24	-1	1	5	23	19
Financial corporations (S.12)	-45	-39	-36	-12	-127	-91	-50	-14
General government (S.13)	45	39	36	13	126	87	23	8
Households (S.14)	0	0	0	0	1	0	6	-12
Non-profit institutions serving households (S.15)	0	0	0	0	0	0	0	0
Rest of the world (S.2)	1	24	-24	1	-1	0	-2	-2

The data revisions mainly reflect methodological changes and partly result from changes in the data sources of the financial accounts. The discontinuation of the recording of reinvested earnings under equity asset transactions between central government and the central bank constituted the most important change. This has affected the time series data for the financial balances of financial corporations and general government retroactively. The methodological notes of this press release provide more details on these changes.

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

[Comprehensive data](#)
[Time series](#)
[Diagrams](#)
[Financial accounts manual](#)

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