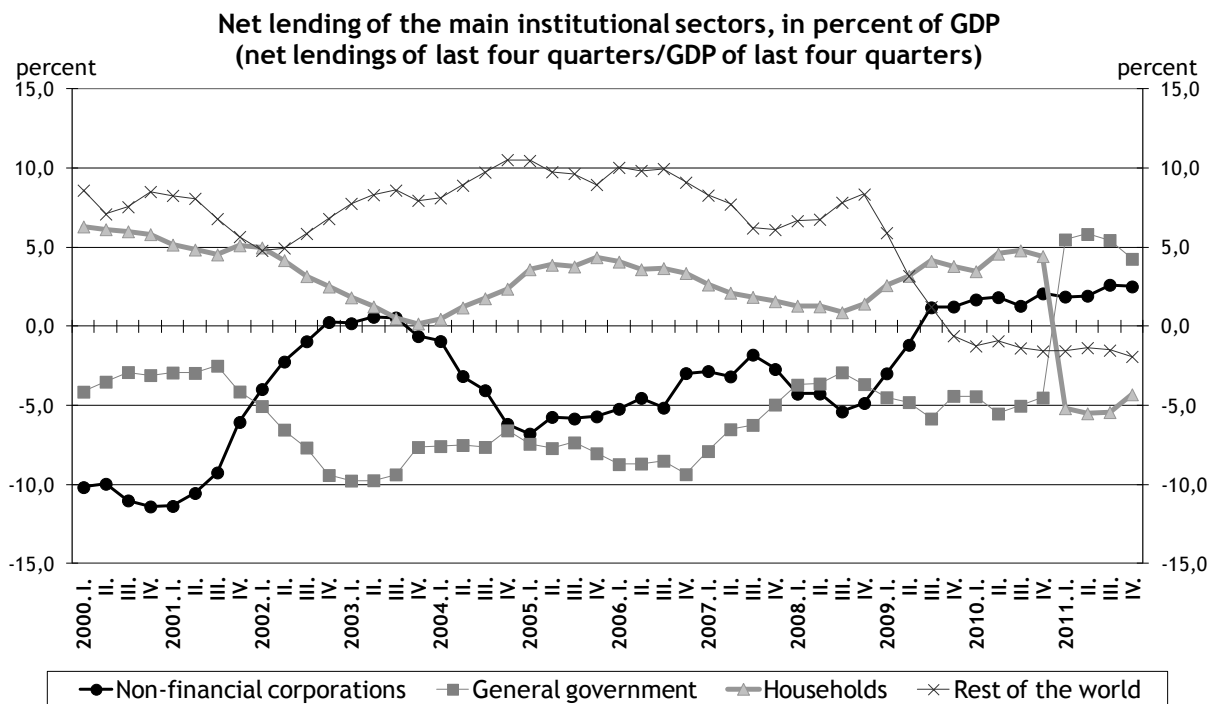


PRESS RELEASE

Hungary's financial accounts: 2011 Q4

According to financial accounts data, general government net lending was equal to 4.3 per cent of Hungary's GDP in the year to 2011 Q4. Net lending of households was equivalent to -4.3 per cent of GDP in same period. Capital transfers from households to general government due to withdrawals from private pension funds (amounting to 9.5 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 2.5 per cent of GDP in the four quarters to 2011 Q4. According to financial accounts data, net lending of the rest of the world was -1.9 per cent of GDP in 2011.



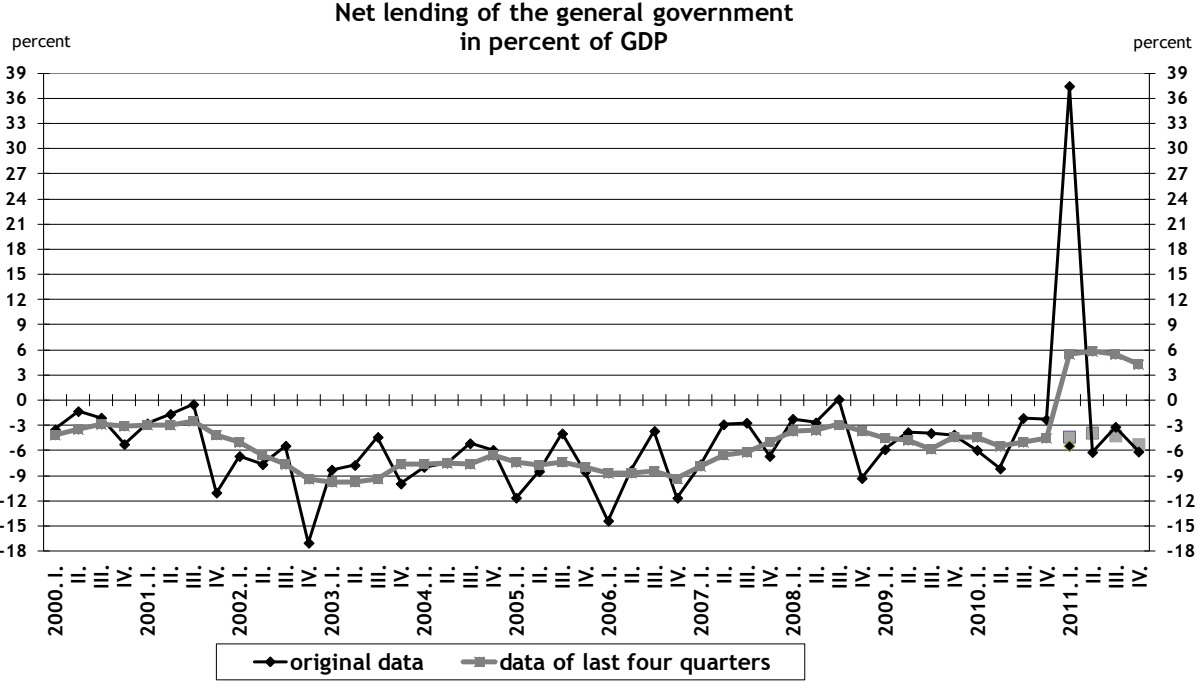
Note: For clarity, the Chart does not plot net lending of financial corporations and non-profit institutions serving households (their values are usually close to 0). Data for a given quarter show the sum of balances for the year ending with that quarter, expressed as a percentage of GDP for the same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

According to financial accounts data, general government net lending amounted to HUF 1,201 billion or 4.3 per cent of GDP in the year to 2011 Q4. Excluding capital transfers from households to general government due to withdrawals from private pension funds, general government net lending

amounted to HUF -1,477 billion or -5.2 per cent of GDP in the four quarters to 2011 Q4. In 2011 Q4, general government net lending (HUF -482 billion) was equal to -6.1 per cent of quarterly GDP.

At the end of 2011 Q4, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 22,692 billion, equivalent to 80.6 per cent of GDP. Net repayments (transaction) reduced the debt by HUF 1,030 billion and the depreciation of the forint (revaluation) increased it by HUF 764 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.

In 2011 Q4, central government net borrowing was HUF 920 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 121 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 317 billion) mainly reflected the cancellation of debt owed to 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 -1,210 billion) was equal to -4.3 per cent of GDP in the year to 2011 Q4. Excluding capital transfers from households to general government due to withdrawals from private pension funds, household net lending amounted to HUF 1,468 billion or 5.2 per cent of GDP in the four quarters to 2011 Q4. In 2011 Q4, household net lending (HUF 639 billion) amounted to 8.1 per cent of quarterly GDP.

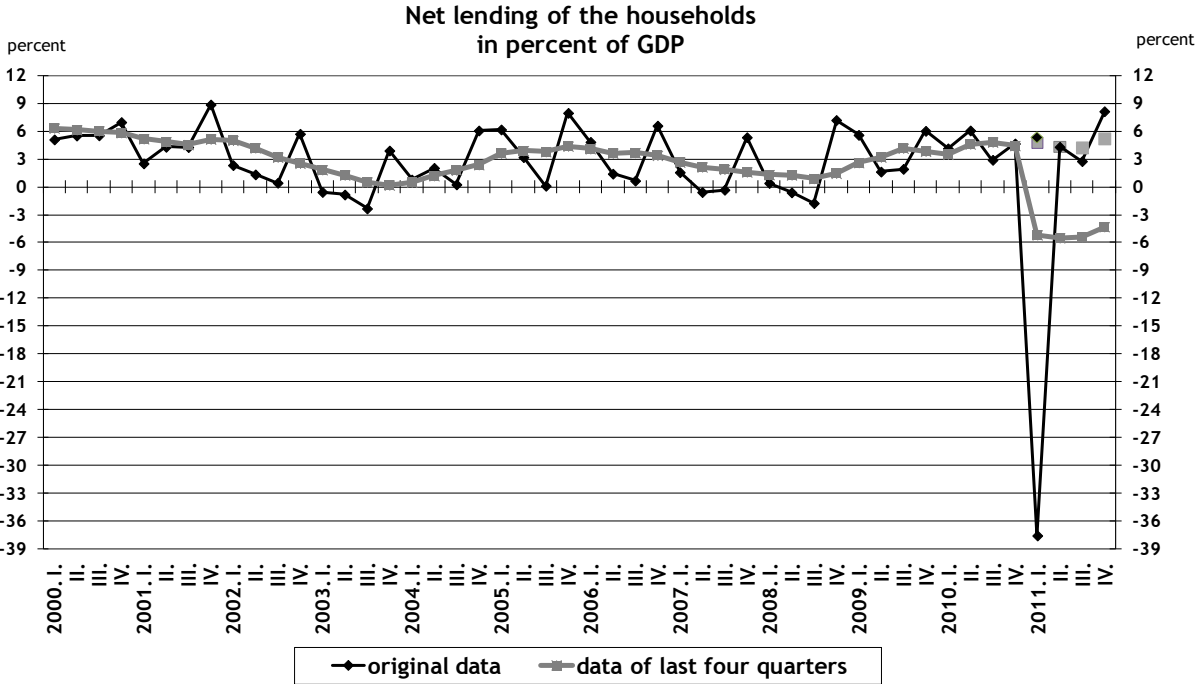
Early repayments of foreign currency mortgages had a significant impact on household net lending (increasing it by HUF 174 billion) as well as on the structure of the sector’s financial assets and liabilities. On the assets side, household holdings of foreign currency cash, foreign currency deposits and shares and other equity declined sharply, with insurance reserves falling slightly. By contrast, forint cash and forint deposits increased significantly. On the liabilities side, there was a sharp drop in foreign currency loans due to transactions, mainly reflecting early repayments. By contrast, forint loans increased significantly, also mainly as a result of early repayments.

Impact of early repayments on the sectors’ net lending

Early repayments had a significant impact on net lending of the household, general government and financial corporations sectors between 2011 Q4 and 2012 Q1. A description of the methodology for recording early repayments is available under Section 1 of the methodological notes at the end of this press release.

In 2011 Q4, households repaid HUF 642 billion of foreign currency loans, calculated at market exchange rates, exploiting the advantages of the early repayment scheme. In this context, they received a capital transfer of a total of HUF 174 billion from financial corporations (HUF 122 billion) and general government (HUF 52 billion).

In 2012 Q1, households repaid HUF 712 billion of foreign currency loans, calculated at market exchange rates, under the early repayment scheme. In this context, they received a capital transfer of a total of HUF 196 billion from financial corporations (HUF 137 billion) and general government (HUF 59 billion).



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 709 billion or 2.5 per cent of GDP in the year to 2011 Q4. In 2011 Q4, the sector's net lending was HUF 102 billion, the equivalent of 1.3 per cent of quarterly GDP.

On the assets side, non-financial corporations mainly increased their deposits, loans and equity assets in 2011 Q4. On the liabilities side, the increases in equity 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 -536 billion or -1.9 per cent of GDP in the four quarters to 2011 Q4. In 2011 Q4, the sector's net lending was HUF -197 billion, equal to -2.5 per cent of quarterly GDP.

On the assets side, non-residents mainly increased their equity assets and other assets and reduced their deposits, holdings of debt securities and loans granted. On the liabilities side, there were increases mainly in deposits and loans due to transactions. By contrast, holdings of cash, debt securities, equity liabilities and other liabilities fell significantly.

Tables

Main data of the institutional sectors

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4
Net lending, quarterly transactions, billion HUF												
Non-financial corporations (S.11)	-70	328	156	-94	46	370	20	121	-2	391	219	102
Financial corporations (S.12)	-26	126	-110	-38	129	-31	-54	-222	57	-96	-110	-114
General government (S.13)	-342	-244	-251	-290	-353	-536	-145	-171	2337	-425	-229	-482
Households (S.14)	326	104	123	424	245	399	198	346	-2343	295	199	639
Non-profit institutions serving households (S.15)	4	-7	3	6	-13	11	8	-10	6	-2	-4	34
Rest of the world (S.2)	97	-308	81	-22	-70	-227	-42	-79	-71	-177	-91	-197
Net lending, quarterly transactions, excluding the effect of the capital transfer due to opt-outs from private pension funds in March 2011, billion HUF												
General government (S.13)	-342	-244	-251	-290	-353	-536	-145	-171	-340	-425	-229	-482
Households (S.14)	326	104	123	424	245	399	198	346	335	295	199	639
Net lending of last four quarters, billion HUF												
Non-financial corporations (S.11)	-778	-303	308	320	436	477	342	557	508	529	728	709
Financial corporations (S.12)	-298	-133	-217	-48	106	-52	5	-178	-250	-315	-371	-263
General government (S.13)	-1174	-1240	-1498	-1127	-1138	-1430	-1325	-1205	1485	1596	1512	1201
Households (S.14)	681	825	1063	977	897	1191	1266	1187	-1401	-1504	-1503	-1210
Non-profit institutions serving households (S.15)	3	2	5	6	-12	7	12	-4	15	2	-9	35
Rest of the world (S.2)	1549	829	320	-153	-319	-238	-361	-418	-419	-370	-418	-536
Net lending of last four quarters, excluding the effect of the capital transfer due to opt-outs from private pension funds in March 2011, billion HUF												
General government (S.13)	-1174	-1240	-1498	-1127	-1138	-1430	-1325	-1205	-1192	-1082	-1165	-1477
Households (S.14)	681	825	1063	977	897	1191	1266	1187	1277	1174	1174	1468
Consolidated gross debt of the general government, billion HUF												
General government (S.13)	21864	20018	20470	20450	21075	22123	21759	21777	22478	21309	22958	22692
Quarterly changes in consolidated gross debt of the general government, billion HUF												
changes in debt	2 490	-1846	452	-20	626	1047	-364	19	700	-1169	1649	-266
of which: transactions	1154	-629	547	-52	717	166	40	-76	1226	-1193	572	-1030
revaluation	1322	-1217	-95	32	-92	881	-404	94	-526	24	1078	764
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												
Non-financial corporations (S.11)	-1,2	5,2	2,4	-1,3	0,8	5,6	0,3	1,6	0,0	5,7	3,0	1,3
Financial corporations (S.12)	-0,4	2,0	-1,7	-0,5	2,2	-0,5	-0,8	-3,0	0,9	-1,4	-1,5	-1,5
General government (S.13)	-5,9	-3,8	-3,9	-4,1	-5,9	-8,2	-2,1	-2,3	37,5	-6,2	-3,2	-6,1
Households (S.14)	5,6	1,6	1,9	6,0	4,1	6,1	2,9	4,7	-37,5	4,3	2,8	8,1
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	0,4
Rest of the world (S.2)	1,7	-4,8	1,3	-0,3	-1,2	-3,4	-0,6	-1,1	-1,1	-2,6	-1,3	-2,5
Net lending, quarterly transactions, excluding the effect of the capital transfer due to opt-outs from private pension funds in March 2011, percent of GDP												
General government (S.13)	-5,9	-3,8	-3,9	-4,1	-5,9	-8,2	-2,1	-2,3	-5,5	-6,2	-3,2	-6,1
Households (S.14)	5,6	1,6	1,9	6,0	4,1	6,1	2,9	4,7	5,4	4,3	2,8	8,1
Net lending of last four quarters, percent of GDP												
Non-financial corporations (S.11)	-3,0	-1,2	1,2	1,2	1,7	1,8	1,3	2,1	1,9	1,9	2,6	2,5
Financial corporations (S.12)	-1,1	-0,5	-0,8	-0,2	0,4	-0,2	0,0	-0,7	-0,9	-1,2	-1,3	-0,9
General government (S.13)	-4,5	-4,8	-5,8	-4,4	-4,4	-5,5	-5,0	-4,5	5,5	5,8	5,5	4,3
Households (S.14)	2,6	3,2	4,1	3,8	3,5	4,6	4,8	4,4	-5,2	-5,5	-5,4	-4,3
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	0,1
Rest of the world (S.2)	5,9	3,2	1,2	-0,6	-1,2	-0,9	-1,4	-1,6	-1,5	-1,4	-1,5	-1,9
Net lending of last four quarters, excluding the effect of the capital transfer due to opt-outs from private pension funds in March 2011, percent of GDP												
General government (S.13)	-4,5	-4,8	-5,8	-4,4	-4,4	-5,5	-5,0	-4,5	-4,4	-4,0	-4,2	-5,2
Households (S.14)	2,6	3,2	4,1	3,8	3,5	4,6	4,8	4,4	4,7	4,3	4,2	5,2
Consolidated gross debt of the general government, percent of GDP												
General government (S.13)	83,5	77,4	79,7	79,8	81,9	85,3	82,5	81,4	83,1	77,9	82,8	80,6

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 the losses of financial corporations on a cash basis only in 2012, general government has other liabilities to financial corporations in the financial accounts at the end of 2011.

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. Based on available information, households increased their deposits held abroad by HUF 32 billion in 2011 Q4. A memorandum item has been published on developments in households' foreign deposits in the tables showing time series data for the household sector.

3 Capital injection to Hungarian Development Bank

Central government granted a HUF 120 billion capital injection to Hungarian Development Bank in 2011 Q4. In the press release presenting preliminary 2011 Q4 data, this capital injection was recorded in full as a capital transfer, as insufficient information was available on the likely use of the capital injection at the time of publication. Based on information received from the Hungarian Development Bank since then, HUF 31 billion was recorded as a capital injection and HUF 89 billion as a capital increase. Due to this change, general government net lending has increased by HUF 89 billion relative to preliminary 2011 Q4 data published earlier.

4 Change to the recording of 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. 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 2011 Q3 does not have an effect on general government net lending in 2012, only on the ratio between 2011 Q3 and 2011 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, with the balance of the central bank changing in the opposite direction.

6 Recording PPP transactions

Based on information received from the State Audit Office and the Ministry of National Development, part of PPP transactions, originally recorded as investment by non-financial corporations between 2006 and 2008, has been re-recorded as investment by general government. This change has increased general government net borrowing and debt by HUF 13 billion in 2006, HUF 13 billion in 2007 and HUF 1 billion in 2008, and have had an opposite effect on the indicators of the non-financial corporate sector. (In the economic literature, PPP is investment initiated by the state and involving the private sector, generally recorded for the accounts of the private sector.

Revisions to past data

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

	billion HUF								
	2005	2006	2007	2008	2009	2010	2011Q1	2011Q2	2011Q3
Non-financial corporations (S.11)	0	13	13	1	-31	-49	-32	46	-47
Financial corporations (S.12)	0	0	0	0	-1	-1	-22	1	-8
General government (S.13)	0	-13	-13	-1	0	-3	31	-77	29
Households (S.14)	0	0	0	1	27	-45	21	25	25
Non-profit institutions serving households (S.15)	0	0	0	0	0	0	0	0	0
Rest of the world (S.2)	0	0	0	-1	5	98	1	6	0

Data revisions reflect changes in the data sources and method of calculation of the financial accounts, the changes in the method of estimation of cash transactions of households with the rest of the world, the altered treatment of extraordinary VAT refunds, changes in the treatment of the replenishment of the equalisation reserve of the Magyar Nemzeti Bank as well as changes in the treatment of certain PPP transactions.

The changes relating to the rest of the world sector were made in line with the revision of balance of payments data. Some of these changes are attributable to adjustments to the data reported by data providers, others to the effect of the re-estimation of the foreign cash transactions of households.

Because of the revision of the method of estimating the stock of foreign currency cash holdings of households and the components of the change in stock, the figures for the cash assets of households and the cash liabilities of the rest of the world were changed retroactively in 2011 Q3, in 2010 and in 2009. Accordingly, net lending of households was increased by HUF 27 billion in 2009 and reduced by HUF 47 billion in 2010 and by HUF 5 billion in 2011 Q3.

Net lending of the general government changed in 2011 Q1-Q3 mainly due to the revision of other liabilities. Some of the changes in other liabilities, such as the extraordinary VAT refunds and the replenishment of the equalisation reserve of the MNB, have already been incorporated in the preliminary financial accounts for general government published on 17 February 2012.

The change in the treatment of extraordinary VAT refunds increased general government net lending by HUF 91 billion and reduced net lending of non-financial corporations by the same amount in 2011 Q3. This issue is discussed in more detail in Section 4 of the methodological notes.

Eurostat decided that the replenishment of the equalisation reserve of the Magyar Nemzeti Bank need not be recorded as an expenditure of central government, which increased net lending of general government and reduced that of financial corporations by HUF 29 billion in 2011 Q1. This issue is discussed in more detail in Section 5 of the methodological notes.

Some PPP transactions were re-recorded as investment by general government, reducing net lending of general government and increasing that of non-financial corporations in 2006, 2007 and 2008. A more detailed discussion of this issue can be found in Section 6 of the methodological notes.

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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