

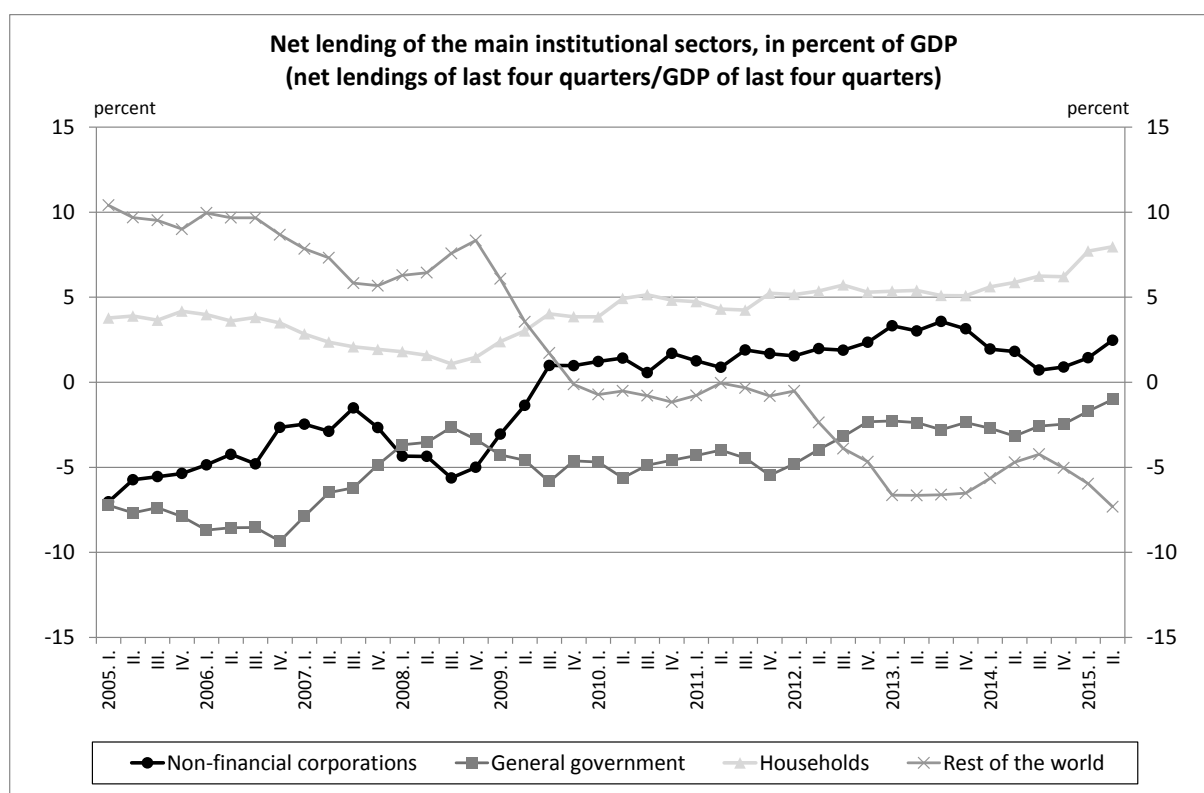


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PRESS RELEASE

Hungary's financial accounts: 2015 Q2

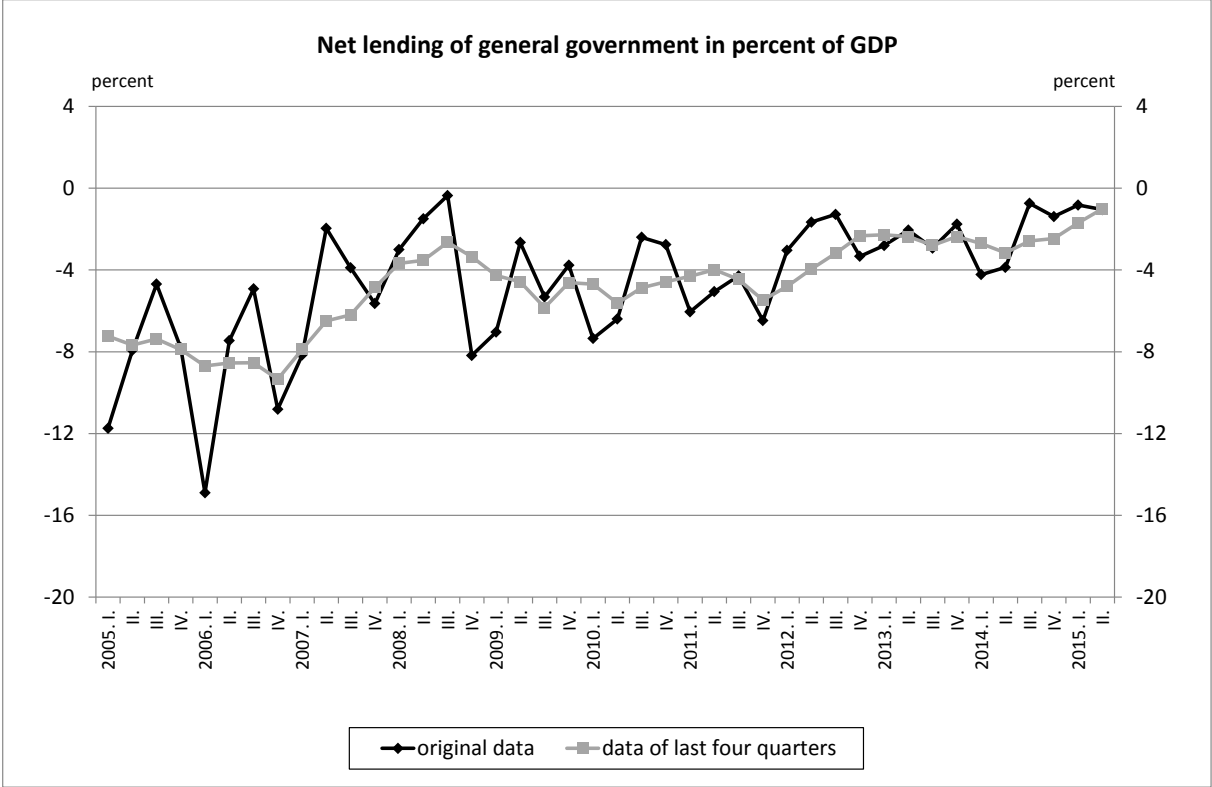
According to financial accounts data, net lending of general government amounted to -1.0 per cent of Hungary's GDP in the four quarters to 2015 Q2. Net lending of households amounted to 8.0 per cent of GDP¹ in the period. Net lending of non-financial corporations was 2.5 per cent of GDP and net lending of the rest of the world was -7.3 per cent of GDP in the four quarters to 2015 Q2.



* 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.

¹ The Central Statistical Office published backward revisions to Hungary's GDP data on 30 September 2015. The effects of this revision on the gross government debt-to-GDP ratio are shown in a separate line in the bottom line of the table presenting the main aggregates for the institutional sectors. The financial accounts data being published do not reflect the effects of this revision on the sectors' quarterly net lending as a percentage of GDP, given that the CSO will revise the quarterly GDP data at a later date.

Net lending of general government amounted to HUF -86 billion or -1.1 per cent of Hungary’s quarterly GDP in 2015 Q2. At the end of 2015 Q2, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 25,878 billion, equivalent to 79.6 per cent of GDP. The depreciation of the forint and transactions contributed HUF 508 billion and HUF 397 billion, respectively, to the increase in general government debt. Borrowing from the MFB (Hungarian Development Bank) to purchase Budapest Bank accounted for HUF 195 billion of the increase in debt due to transactions. Net liabilities of the general government sector amounted to HUF 22,897 billion or 70.4 per cent of GDP at the end of 2015 Q2.

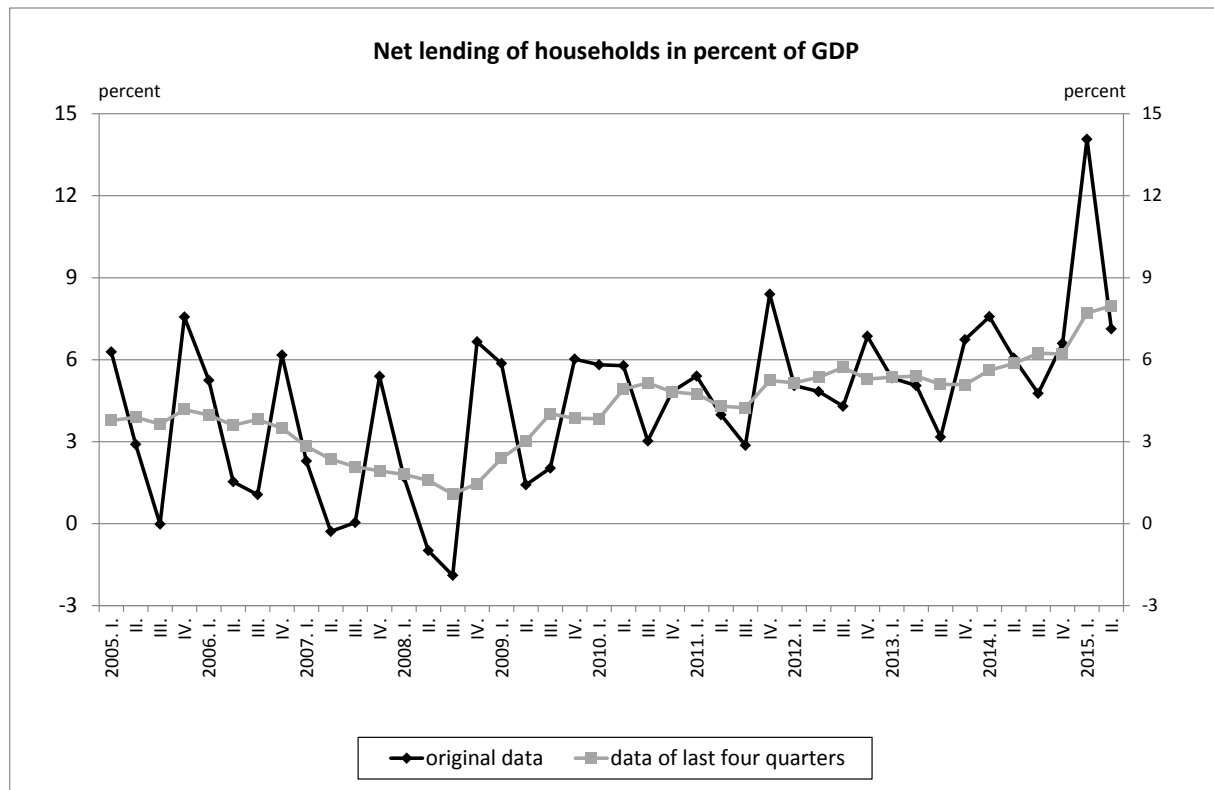


Net borrowing of central government amounted to HUF 14 billion in 2015 Q2. On the assets side, equity held by the central government sector increased significantly as a result of the purchase of Budapest Bank. Other receivables of central government vis-à-vis the European Union also increased significantly. On the liabilities side, the stock of short-term securities fell considerably, with large purchases of Treasury bills being limited to the household sector. The increase in the stock of long-term securities due to transactions reflected two contrasting developments: there was strong issuance of domestic government bonds in the quarter, which was partly offset by large amount redemptions of foreign currency bonds issued abroad. The increase in the stock of long-term loans mainly reflected borrowing related to the equity purchase discussed above. In addition, there was a small amount repayment of loans in the period under review. The decline in the stock of short-term loans due to transactions resulted from the fall in outstanding loans related to derivative transactions with non-residents.

Net borrowing of local government was HUF 88 billion in 2015 Q2. Within the sub-sector’s financial assets, local government deposits with credit institutions fell significantly, which local governments used mainly to

reduce their other accounts payable. As a consequence, tax liabilities and other payables to non-financial corporations declined sharply.

Net lending of social security funds was HUF 16 billion in 2015 Q2. On the assets side of the sub-sector's balance sheet, tax and contribution claims vis-à-vis the household sector increased slightly. Liabilities remained broadly unchanged.



Net lending of households (HUF 584 billion) was equivalent to 7.1 per cent of quarterly GDP in 2015 Q2. The conversion into forints of part of foreign currency loans and settlement of foreign currency mortgage loans continued into the second quarter, which increased household sector net lending in the period under review. Outstanding borrowing by the household sector declined further, resulting from the settlement of real estate and other loans. Financial assets of households no longer having outstanding debt and participating in the settlement increased due to transfers received from financial institutions.

Within financial assets, household holdings of currency and government securities grew the most strongly in 2015 Q2. Increases in holdings of forint and foreign currency both contributed to the rise in total currency holdings. Net purchases of government securities mainly affected short-term securities. In addition, there has also been a steady increase in holdings of long-term government securities. The sectors' deposits fell due to transactions, although current account deposits increased. This was offset by a significant decline in time deposits. Holdings of shares and other equity also fell in the period under review. Transactions by households affecting their holdings of mutual fund shares were characterised by net sales of money market fund shares and net purchases of non-money market fund shares. On aggregate, however, this resulted in a decline in holdings of mutual fund shares.

Developments on the liabilities side were determined by net repayments of loans. Net forint borrowing rose slightly, while transactions in foreign currency real estate and consumption loans led to a significant reduction in the outstanding stocks of loans.

Net lending of non-financial corporations was HUF 542 billion or 6.6 per cent of quarterly GDP in 2015 Q2. The increase in non-financial corporations' financial assets and a decline in their liabilities (consolidated transactions) by a comparable amount resulted in an increase in the sector's net financial savings. Within financial assets, receivables vis-à-vis non-residents rose the most strongly, partly reflecting increases in loans extended and equity shares held. In addition to the continuous increase in non-financial corporations' holdings of currency and current account deposits, savings in time deposits and debt securities fell in 2015 Q2.

Within liabilities, loans payable to domestic banks fell, as there were net repayments of both forint and foreign currency loans. Payables of non-financial corporations to non-residents changed only slightly due to transactions, although intercompany loans from the rest of the world increased significantly and liabilities in the form of shares and other equity fell by a comparable magnitude. Non-financial corporations also reduced their trade credits to the government and non-resident sectors.

Net lending of the rest of the world amounted to HUF -759 billion or -9.3 per cent of quarterly GDP in 2015 Q2, i.e. the national economy financed the rest of the world to such an extent. On the assets side of their balance sheet, non-residents mainly increased their receivables from the general government sector through net sales of significant amounts of government securities. Equity investments by non-residents in Hungary also fell, in which the recording of reinvested earnings in the quarter and the purchase of Budapest Bank accounted for the largest part. This was partly offset by the increase in intercompany loans extended to non-financial corporations; and there was a significant increase in deposits held with domestic credit institutions.

On the liabilities side, non-residents' payables to the resident sectors fell on the whole. There was a shift between debt securities holdings and deposits in the quarter, with liabilities in the form of deposits rising strongly and those in the form of securities falling. Investments by non-residents in equities abroad and payables related to EU transfers both increased in the quarter.

Tables

Main data of the institutional sectors

	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Net lending, quarterly transactions, billion HUF													
Non-financial corporations (S.11)	312	244	257	141	235	419	141	-204	201	86	202	-26	542
Financial corporations (S.12)	6	44	-101	111	105	81	-120	108	-216	-26	-20	-428	-276
General government (S.13)	-117	-94	-258	-186	-153	-226	-143	-299	-305	-62	-120	-61	-86
Households (S.14)	340	316	532	352	375	243	548	535	476	395	571	1 041	584
Non-profit institutions serving households (S.15)	-7	-7	21	3	1	-4	20	48	142	1	93	-23	-5
Rest of the world (S.2)	-534	-503	-450	-422	-564	-514	-446	-188	-299	-394	-725	-503	-759
Net lending of last four quarters, billion HUF													
Non-financial corporations (S.11)	560	538	669	954	878	1 053	937	591	557	224	285	463	804
Financial corporations (S.12)	-328	-185	-204	60	159	196	177	174	-147	-254	-154	-690	-750
General government (S.13)	-1 124	-910	-665	-655	-691	-822	-707	-820	-972	-809	-786	-548	-330
Households (S.14)	1 523	1 633	1 512	1 540	1 575	1 502	1 518	1 701	1 803	1 954	1 977	2 483	2 591
Non-profit institutions serving households (S.15)	39	37	21	9	17	21	20	65	206	211	284	213	66
Rest of the world (S.2)	-670	-1 114	-1 333	-1 909	-1 938	-1 949	-1 946	-1 711	-1 446	-1 326	-1 606	-1 921	-2 381
Consolidated gross debt of the general government, billion HUF													
General government (S.13)	22 204	22 237	22 414	23 362	23 263	23 107	23 076	24 915	25 420	25 084	24 514	24 973	25 878
Quarterly changes in consolidated gross debt of the general government, billion HUF													
changes in debt	-228	33	177	948	-99	-156	-31	1 839	505	-336	-570	459	906
of which: transactions	21	148	-118	470	219	-261	10	1 470	444	-338	-706	898	397
revaluation	-249	-115	289	478	-318	105	-41	314	61	6	136	-440	508
other changes in volume	0	0	6	0	0	0	0	55	0	-4	0	0	0
	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Net lending, quarterly transactions, percent of GDP													
Non-financial corporations (S.11)	4,4	3,3	3,3	2,1	3,2	5,5	1,7	-2,9	2,6	1,0	2,3	-0,4	6,6
Financial corporations (S.12)	0,1	0,6	-1,3	1,7	1,4	1,1	-1,5	1,5	-2,7	-0,3	-0,2	-5,8	-3,4
General government (S.13)	-1,7	-1,3	-3,3	-2,8	-2,1	-2,9	-1,8	-4,2	-3,9	-0,7	-1,4	-0,8	-1,1
Households (S.14)	4,8	4,3	6,9	5,3	5,1	3,2	6,7	7,6	6,1	4,8	6,6	14,1	7,1
Non-profit institutions serving households (S.15)	-0,1	-0,1	0,3	0,0	0,0	0,0	0,2	0,7	1,8	0,0	1,1	-0,3	-0,1
Rest of the world (S.2)	-7,6	-6,8	-5,8	-6,4	-7,6	-6,7	-5,5	-2,7	-3,8	-4,8	-8,4	-6,8	-9,3
Net lending of last four quarters, percent of GDP													
Non-financial corporations (S.11)	2,0	1,9	2,3	3,3	3,0	3,6	3,1	2,0	1,8	0,7	0,9	1,4	2,5
Financial corporations (S.12)	-1,2	-0,6	-0,7	0,2	0,5	0,7	0,6	0,6	-0,5	-0,8	-0,5	-2,1	-2,3
General government (S.13)	-4,0	-3,2	-2,3	-2,3	-2,4	-2,8	-2,4	-2,7	-3,2	-2,6	-2,5	-1,7	-1,0
Households (S.14)	5,4	5,7	5,3	5,4	5,4	5,1	5,1	5,6	5,9	6,2	6,2	7,7	8,0
Non-profit institutions serving households (S.15)	0,1	0,1	0,1	0,0	0,1	0,1	0,1	0,2	0,7	0,7	0,9	0,7	0,2
Rest of the world (S.2)	-2,4	-3,9	-4,7	-6,6	-6,7	-6,6	-6,5	-5,6	-4,7	-4,2	-5,0	-6,0	-7,3
Consolidated gross debt of the general government, percent of GDP													
General government (S.13)	78,2	77,8	78,5	81,3	79,9	78,4	77,3	82,2	82,7	80,0	76,9	77,6	79,6
Consolidated gross debt of the general government, percent of GDP (calculated with annual GDP)*													
General government (S.13)			78,3				76,8				76,2		

Methodological notes

1 Effect of the exchange rate fixation, forint conversion and settlement of foreign currency mortgage loans on statistics

Household foreign currency mortgage loans are recorded in the MNB's statistics at forint value recalculated at the MNB's official exchange rates until the time of their actual conversion into forints. The effect of exchange rate fixation will be recorded as a financial derivative claim vis-à-vis credit institutions and other financial intermediaries among households' financial assets until actual conversion. The amount of financial derivatives is equal to the difference between the forint values of the stocks of loans recorded at market exchange rates and fixed exchange rates.

The conversion of foreign currency loans into forints has been recorded as transaction in the financial account statistics, in line with monetary statistics. The decline in household loans arising from forint conversion (HUF 344 billion) in 2015 Q1 is equal to the difference between the stocks of loans recorded at market exchange rates and fixed exchange rates. Households' derivative claims against credit institutions and other financial intermediaries fell by the same amount due to conversion. Consequently, forint conversion had no effect on net lending of households and financial corporations, but protected households from incurring a significant revaluation loss of HUF 66 billion in 2014 Q4 and one of HUF 278 billion in 2015 Q1.

In 2015 Q1, the decline in the stock of household loans due to financial settlements (HUF 370 billion) was recorded as transaction in the financial account statistics. Financial assets of households no longer having outstanding debt and participating in the settlement increased due to transactions on account of the settlement (by around HUF 130 billion). Accordingly, capital transfers from financial corporations as a result of financial settlement increased household net lending in the financial accounts by approximately HUF 500 billion in 2015 Q1. Financial settlement will continue to have an effect on net lending of households and financial corporations in 2015 Q2 and Q3, but this effect is expected to be significantly smaller than in 2015 Q1.

2 Uncertainties related to general government sector balance sheet data

The balance sheets of the central government and local government sub-sectors for 2015 Q2 were already available at the time of compilation of the full set of financial accounts. However, the balance sheet data were not used directly, similarly to balance sheet reports for the previous quarter, but served as a basis of expert estimates in calculating certain assets and liabilities of the general government sector (loans granted, trade credits). These data, and consequently the sector's net lending, may change in later publications.

3 Uncertainties related to 2015 Q2 data for households

Foreign financial assets of households are not fully captured by the statistics; therefore, data on financial savings of the household sector contain uncertainties in the financial accounts. The estimated values may change in later publications or may be replaced by actual data as they become available.

About the publication of information related to the financial accounts

The tables showing the key financial data of state and local government owned large non-financial enterprises, the differences between the financial accounts and balance of payments statistics, the differences between the financial accounts and the monetary balance sheets as well as the tables showing the financial accounts of companies in collective ownership (state and local government) are being released in conjunction with this press release. They can be accessed by clicking on the following link: <http://www.mnb.hu/en/statistics/statistical-data-and-information/statistical-time-series/xii-financial-accounts-financial-assets-and-liabilities-of-institutional-sectors/other-data-relating-to-financial-accounts>.

Revisions to past data

Changes in the net lending of the main institutional sectors compared to the last publication (billion HUF)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015Q1
Non-financial corporations (S.11)	0	0	0	0	-10	-3	-12	-78	-830	-42
Financial corporations (S.12)	0	0	0	0	2	-2	8	18	55	43
General government (S.13)	0	0	0	0	0	0	0	41	-1	14
Households (S.14)	0	0	0	0	8	6	7	14	125	-3
Non-profit institutions serving households (S.15)	0	0	0	0	0	0	0	0	-3	-2
Rest of the world (S.2)	0	0	0	0	0	0	-2	6	654	-10

Data revisions reflect changes in the data sources and the methods of calculation of the financial accounts. The changes relative to the full set of accounts for 2015 Q1 were mainly related to revisions of balance of payments statistics. In addition significant differences were caused in the financial accounts by the incorporation of changes arising from the processing of newly available corporate balance sheet data for 2014 into data estimated earlier, which mainly affected non-financial corporations and households. In the case of general government, part of changes reflects the incorporation of data for enterprises classified into the government sector in 2015 Q2, another part being related to updated data sources and information. These revisions mainly affected trade credits extended by general government and receivables/payables related to EU transfers.

References

[Comprehensive tables](#)

[Time series](#)

[Charts](#)

[Financial accounts manual](#)

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