

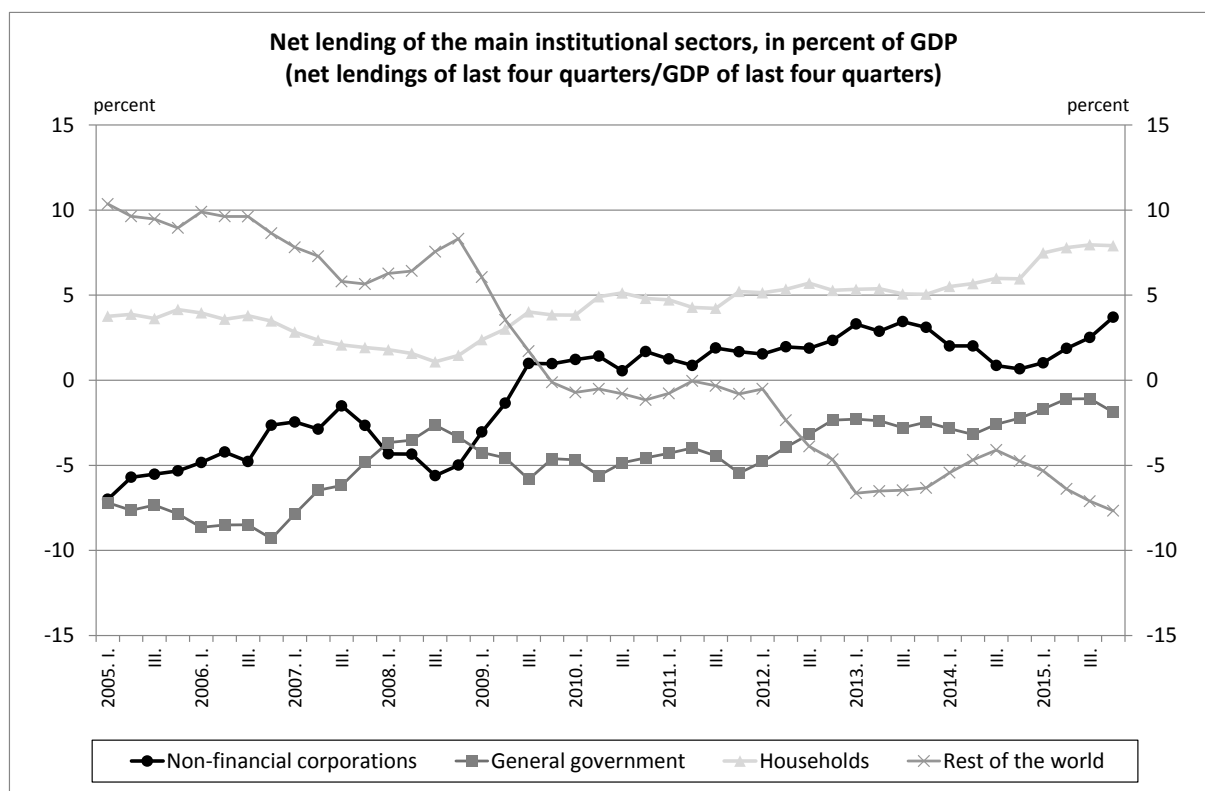


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PRESS RELEASE

Hungary's financial accounts: 2015 Q4

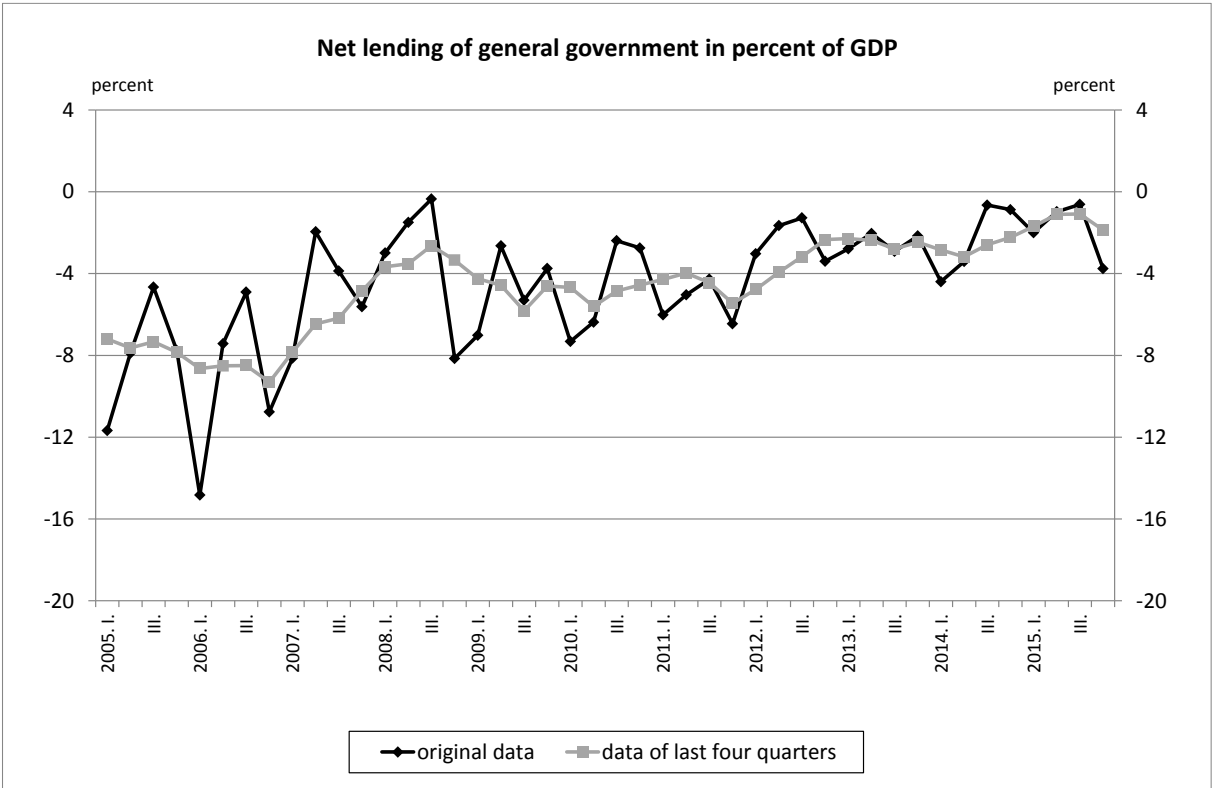
According to financial accounts data, net lending of general government and households amounted to -1.9 per cent and 7.9 per cent, respectively, of Hungary's GDP in 2015. Net lending of non-financial corporations was 3.7 per cent of GDP and net lending of the rest of the world was -7.7 per cent of GDP in the period under review.



* 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.

Net lending of general government amounted to HUF -633 billion or -1.9 per cent of Hungary's GDP in 2015. In 2015 Q4, the general government deficit, calculated from the financing side, was HUF 348 billion or -3.8 per cent of quarterly GDP. At the end of 2015, general government consolidated gross debt at nominal value (or

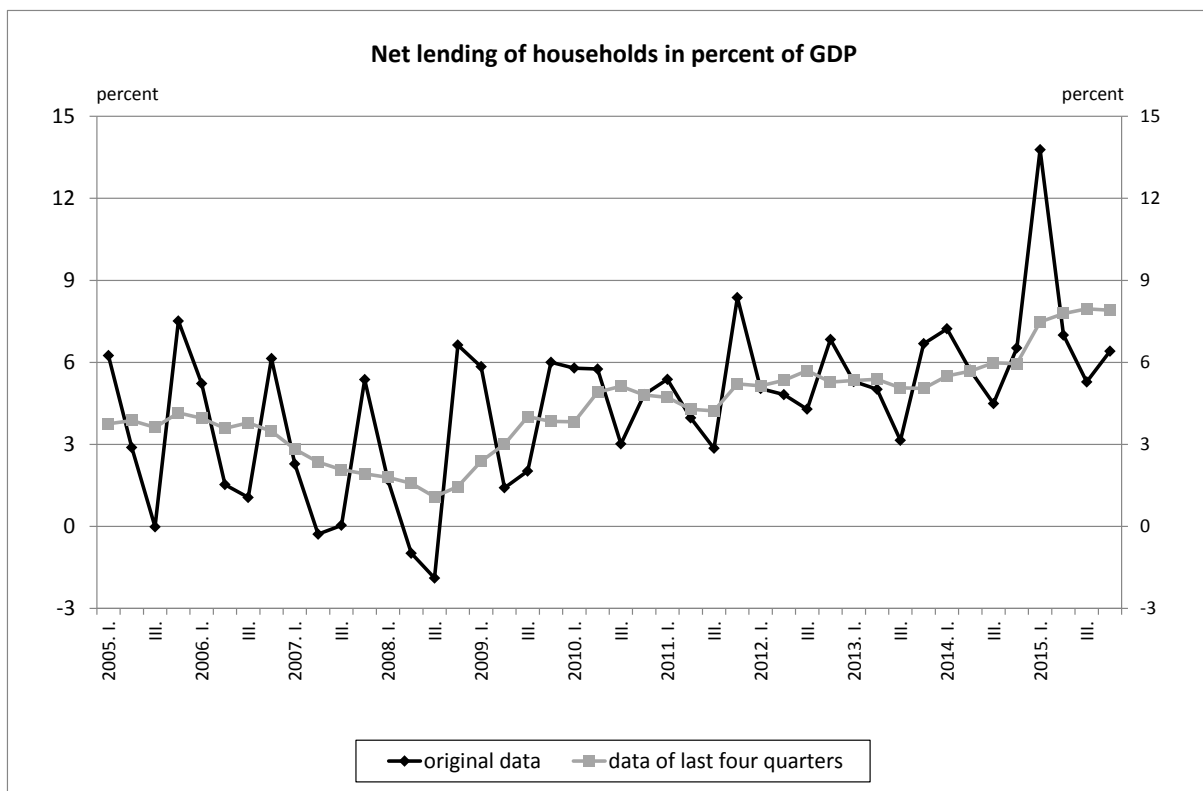
Maastricht debt) was HUF 25,394 billion, equivalent to 75.3 per cent of GDP. General government debt fell by HUF 606 billion due to net repayments and rose by HUF 88 billion due to the depreciation of the forint. Net liabilities of general government amounted to HUF 23,379 billion or 69.4 per cent of GDP at the end of 2015.



In 2015 Q4, net borrowing of central government amounted to HUF 240 billion. On the assets side of the sub-sector’s balance sheet, there was a significant decline in deposits with the central bank and credit institutions, which mainly reflected large amounts of maturing government securities and redemptions. Within other assets, there was an increase in receivables from the European Union and short-term loans rose as well. By contrast, tax receivables of central government from the corporate sector fell and there was a small volume of equity sales. On the liabilities side, there was a significant decline in the stock of securities due to transactions. Within loans, repayments of long-term loans continued, but their amount was lower than in previous quarters. Within other liabilities, it was mainly trade payables and wage liabilities which declined significantly.

Net borrowing of local governments was HUF 98 billion in 2015 Q4. Within the sub-sector’s financial assets, local government deposits placed with credit institutions fell significantly. Parallel with this, the sub-sector’s tax liabilities also fell. There were no significant changes in local governments’ other financial assets and liabilities in the period.

Net borrowing of the social security funds was HUF 10 billion in 2015 Q4. On the assets side of the sub-sector’s balance sheet, deposits with central government fell, while tax and social contribution claims vis-à-vis the household sector increased. On the liabilities side, the stock of short-term loans granted by central government increased.



Net lending of households (HUF 2,665 billion) was equivalent to 7.9 per cent of GDP in 2015 and to HUF 594 billion or 6.4 per cent of quarterly GDP in 2015 Q4. The change in the sector's net financial savings was driven by an increase in financial assets. Liabilities barely changed due to transactions.

Within the sector's financial assets, household holdings of current account deposits and currency holdings rose the most strongly in 2015 Q4. This was related to the higher outflow of incomes characterising the end of the year as well as that fact that the payment of part of wages due in the early days of January was brought forward to December. Households increased further their government securities holdings, which mainly affected short-term securities. In 2015 Q4, holdings of mutual fund shares rose significantly due to transactions. Although investments in money market funds fell, this was offset by an increase in demand for non-money market funds. In the case of bonds issued by credit institutions, net sales continued, and there was a decline in holdings of quoted shares.

On the liabilities side, the decline in households' loan liabilities continued in 2015 Q4. The sector was a net repayer of both real estate loans and consumption loans. Conversions of household non-mortgage foreign currency loans started in November, which led to a further shift in the currency composition of loan liabilities. At the end of the year, the overwhelming majority of households' loan liabilities were in forint, with the ratio of foreign currency loans to the total declining to around 2%.

Net lending of non-financial corporations was HUF 1,250 billion or 3.7 per cent of quarterly GDP in 2015 and HUF 526 billion or 5.7 per cent of quarterly GDP in 2015 Q4. Non-financial corporations' assets and liabilities increased sharply due to transactions in the final quarter, mainly related to lending abroad and borrowing from abroad. Within the sector's financial assets, there was a significant increase in the sector's current account

deposits, which was offset to some extent by declines in the stocks of securities issued by the general government sector, in shares and other equities within claims from non-residents as well as in other accounts receivable due to transactions.

Changes in the sector's liabilities were also mainly influenced by transactions related to the rest of the world. The stocks of loans and equities rose the most strongly, while the stocks of corporate bonds held by non-residents and other accounts payable to non-residents fell due to transactions. Tax payables to central government fell in the quarter, due to tax advance top-ups at the end of the year.

Net lending of the rest of the world was HUF -2,587 billion or -7.7 per cent of GDP in 2015 and HUF -893 billion or -9.6 per cent of quarterly GDP in 2015 Q4, i.e. the national economy financed the rest of the world to such an extent. In addition to transactions related to non-financial corporations, non-residents reduced their receivables from financial corporations and general government. This mainly affected government securities and deposits and credit instruments, while their equity in financial corporations increased due to transactions.

On the liabilities side of the sector's balance sheet, non-residents' accounts payable to the general government sector increased significantly and liabilities to resident financial corporations fell. Deposits placed by credit institutions abroad increased significantly due to transactions and the MNB's foreign securities fell in the quarter.

Tables

Main data of the institutional sectors

	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Net lending, quarterly transactions, billion HUF													
Non-financial corporations (S.11)	257	139	202	423	168	-177	211	71	111	-61	493	291	526
Financial corporations (S.12)	-96	119	101	77	-125	115	-219	-33	-31	-411	-301	-70	116
General government (S.13)	-264	-186	-153	-226	-177	-315	-270	-54	-77	-150	-81	-54	-348
Households (S.14)	532	352	375	243	548	518	452	374	572	1 035	577	460	594
Non-profit institutions serving households (S.15)	21	3	1	-4	20	48	142	1	93	-23	-5	-6	6
Rest of the world (S.2)	-450	-428	-526	-514	-434	-188	-316	-358	-668	-390	-683	-620	-893
Net lending of last four quarters, billion HUF													
Non-financial corporations (S.11)	669	952	842	1 021	932	616	625	273	215	332	614	834	1 250
Financial corporations (S.12)	-198	74	169	201	172	168	-152	-262	-168	-694	-776	-813	-666
General government (S.13)	-671	-661	-697	-828	-741	-871	-988	-817	-717	-552	-362	-362	-633
Households (S.14)	1 512	1 540	1 575	1 503	1 518	1 684	1 761	1 891	1 916	2 433	2 557	2 643	2 665
Non-profit institutions serving households (S.15)	21	9	17	21	20	65	206	211	284	213	66	59	-28
Rest of the world (S.2)	-1 333	-1 915	-1 906	-1 917	-1 902	-1 662	-1 452	-1 296	-1 530	-1 732	-2 099	-2 361	-2 587
Consolidated gross debt of the general government, billion HUF													
General government (S.13)	22 414	23 362	23 263	23 107	23 076	24 915	25 420	25 084	24 514	24 976	25 878	25 912	25 394
Quarterly changes in consolidated gross debt of the general government, billion HUF													
changes in debt	177	948	-99	-156	-31	1 839	505	-336	-570	462	902	34	-518
of which: transactions	-102	471	217	-278	28	1 469	444	-338	-706	902	395	94	-606
revaluation	279	477	-315	122	-59	315	61	5	136	-440	507	-60	88
other changes in volume	0	0	0	0	0	54	0	-3	0	0	0	0	0
Net lending, quarterly transactions, percent of GDP													
Non-financial corporations (S.11)	3,3	2,1	2,7	5,5	2,1	-2,5	2,7	0,9	1,3	-0,8	6,0	3,3	5,7
Financial corporations (S.12)	-1,2	1,8	1,3	1,0	-1,5	1,6	-2,8	-0,4	-0,4	-5,5	-3,7	-0,8	1,3
General government (S.13)	-3,4	-2,8	-2,0	-2,9	-2,2	-4,4	-3,4	-0,7	-0,9	-2,0	-1,0	-0,6	-3,8
Households (S.14)	6,8	5,3	5,0	3,1	6,7	7,2	5,7	4,5	6,5	13,8	7,0	5,3	6,4
Non-profit institutions serving households (S.15)	0,3	0,0	0,0	0,0	0,2	0,7	1,8	0,0	1,1	-0,3	-0,1	-0,1	0,1
Rest of the world (S.2)	-5,8	-6,4	-7,0	-6,6	-5,3	-2,6	-4,0	-4,3	-7,6	-5,2	-8,3	-7,1	-9,6
Net lending of last four quarters, percent of GDP													
Non-financial corporations (S.11)	2,3	3,3	2,9	3,4	3,1	2,0	2,0	0,9	0,7	1,0	1,9	2,5	3,7
Financial corporations (S.12)	-0,7	0,3	0,6	0,7	0,6	0,5	-0,5	-0,8	-0,5	-2,1	-2,4	-2,4	-2,0
General government (S.13)	-2,3	-2,3	-2,4	-2,8	-2,5	-2,8	-3,2	-2,6	-2,2	-1,7	-1,1	-1,1	-1,9
Households (S.14)	5,3	5,3	5,4	5,1	5,1	5,5	5,7	6,0	6,0	7,5	7,8	8,0	7,9
Non-profit institutions serving households (S.15)	0,1	0,0	0,1	0,1	0,1	0,2	0,7	0,7	0,9	0,7	0,2	0,2	-0,1
Rest of the world (S.2)	-4,7	-6,6	-6,5	-6,5	-6,3	-5,4	-4,7	-4,1	-4,8	-5,3	-6,4	-7,1	-7,7
Consolidated gross debt of the general government, percent of GDP													
General government (S.13)	78,3	81,0	79,5	77,9	76,8	81,5	81,9	79,4	76,2	76,8	78,8	78,0	75,3

Methodological notes

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

Residential 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 fell by HUF 344 billion in 2015 Q1. This was 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–Q3, but to a significantly lesser degree than in the first quarter.

2 Conversion of household non-mortgage foreign currency loans

Conversions of household non-mortgage foreign currency loans started in 2015 Q4. Statistical recording of forint conversion is identical to the methodology presented in the case of conversions of foreign currency mortgage loans into forints. The decline in the stock of household loans resulting from forint conversion (the difference between stocks of loans recorded at market exchange rates and fixed exchange rates) amounted to HUF 18 billion, and derivative claims of households against credit institutions and other financial intermediaries declined by the same amount.

3 Compensation of customers of investment service providers put into liquidation; compensation by the Investor Protection Fund (BEVA)

BEVA pays compensation to investors having claims against member institutions put into liquidation. In accordance with the national accounts methodology, the amount of compensation received from BEVA is recorded as capital transfer, which increases household net lending. Compensation of holders of Quaestor

bonds started in 2015 Q3. In relation to this, HUF 86 billion has been paid out to injured persons so far. This has had an increasing effect on net financial savings of households.

4 Uncertainties related to general government sector data

Only preliminary, not yet fully completed balance sheets of the central government and local government sub-sectors for 2015 Q4 were available at the time of compilation of the financial accounts. Therefore, other assets, other liabilities and loans granted contain estimates. Furthermore, other assets and other liabilities related to transfers from the European Union are also based on estimates in 2015. These data, and consequently the sector's net lending, may change in later publications.

5 Uncertainties related to household data

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	2015Q2	2015Q3
Non-financial corporations (S.11)	0	0	0	0	0	0	0	-4	-69	-50	-25	-75
Financial corporations (S.12)	0	0	0	0	0	0	0	-5	-14	0	-21	11
General government (S.13)	0	0	0	0	0	0	0	-34	69	-84	13	-137
Households (S.14)	0	0	0	0	0	0	0	0	-61	-2	0	-16
Non-profit institutions serving households (S.15)	0	0	0	0	0	0	0	0	0	0	0	0
Rest of the world (S.2)	0	0	0	0	0	0	0	43	76	137	33	217

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 Q3 were mainly related to comprehensive revisions of shares and other equities data derived from annual corporate balance sheets and revisions of balance of

payments statistics. Backward revisions of general government transactions data mainly reflect improvements in accrual-based data on taxes and EU transfers.

References

[Comprehensive tables](#)

[Time series](#)

[Charts](#)

[Financial accounts manual](#)

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