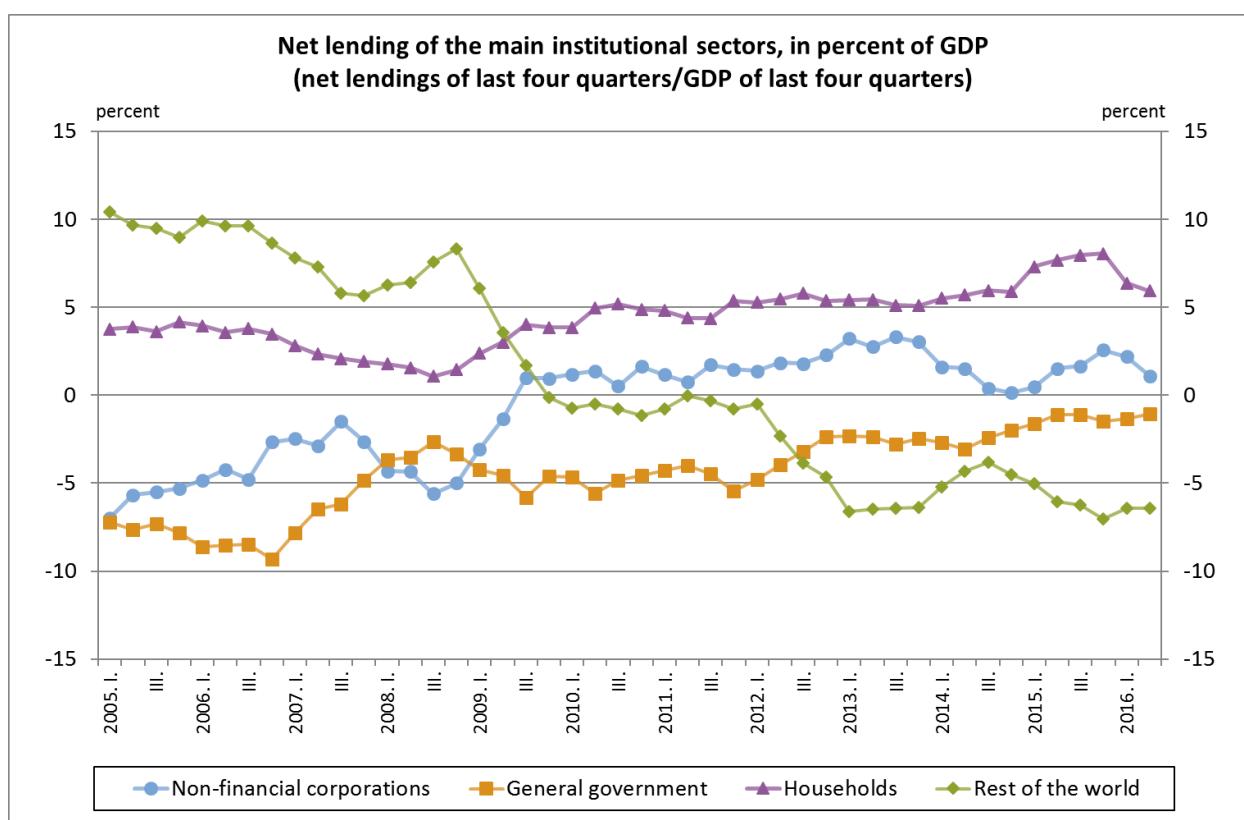




PRESS RELEASE

Hungary's financial accounts: 2016 Q2

Budapest, 3 October 2016 – According to financial accounts data, net lending of general government amounted to -1.0 per cent of Hungary's GDP¹ – in the four quarters to 2016 Q2. Net lending of households was 5.9 per cent of GDP in the period. Net lending of non-financial corporations was 1.1 per cent of GDP and net lending of the rest of the world was -6.4 per cent of GDP in the four quarters to 2016 Q2.

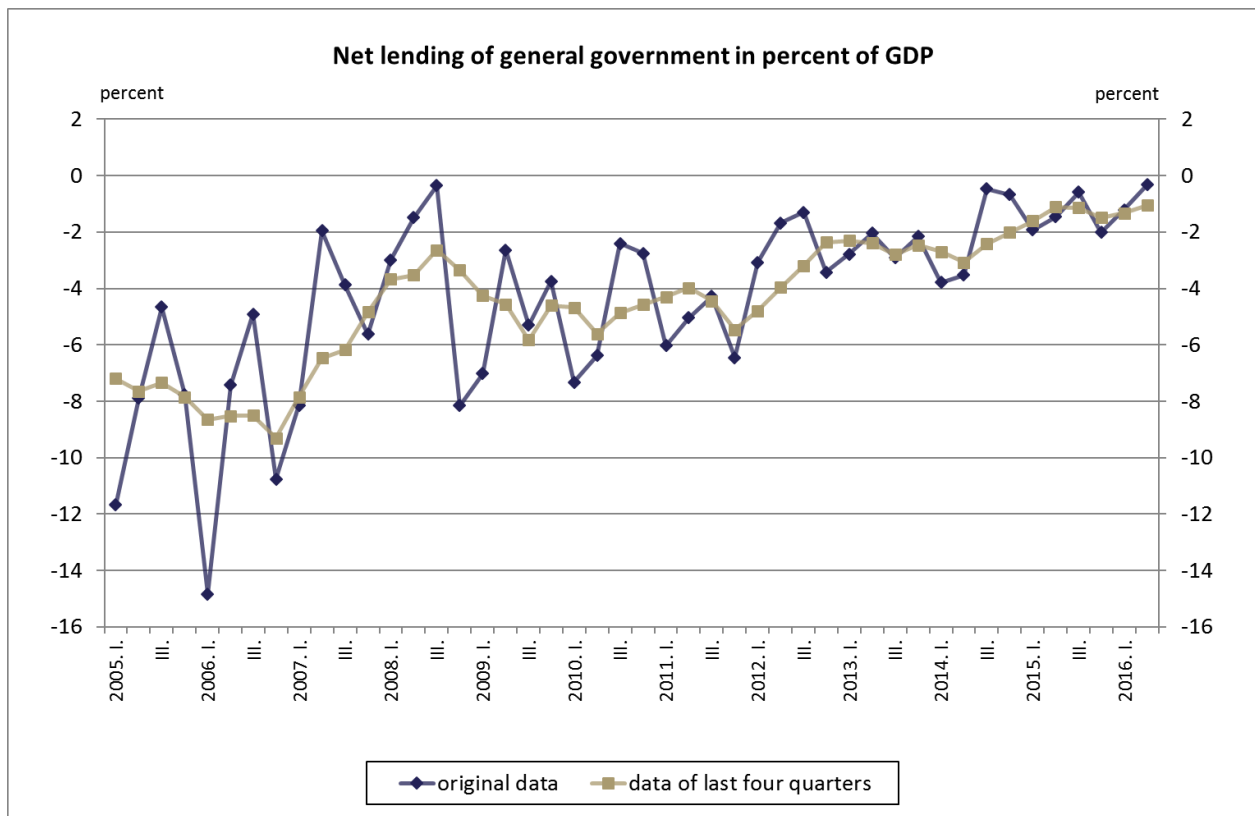


* Note: For clarity, the Chart does not plot net lending of financial corporations and non-profit institutions serving households (their values are usually close to 0). Data for a given quarter show the sum of balances for the year ending with that quarter, expressed as a percentage of GDP for the same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

The general government net lending amounted to HUF -359 billion or -1.0 per cent of GDP in the four quarters to 2016 Q2. General government net lending calculated from the financing side (HUF -28 billion) was equal to -0.3 per

¹ Annual data on the GDP of 2015 and retrospectively modified data were published by the Central Statistical Office on 30 September 2016. The effect of this revision on the gross public debt at the end of the year, in the proportion of GDP, is indicated in a separate line which is the last line of the table showing the key data of sectors. As the Central Statistical Office performs the revision of quarterly GDP data later, the effects of the changes in annual GDP are not reflected by the quarterly indicators published in the present publication, in the ratio of GDP.

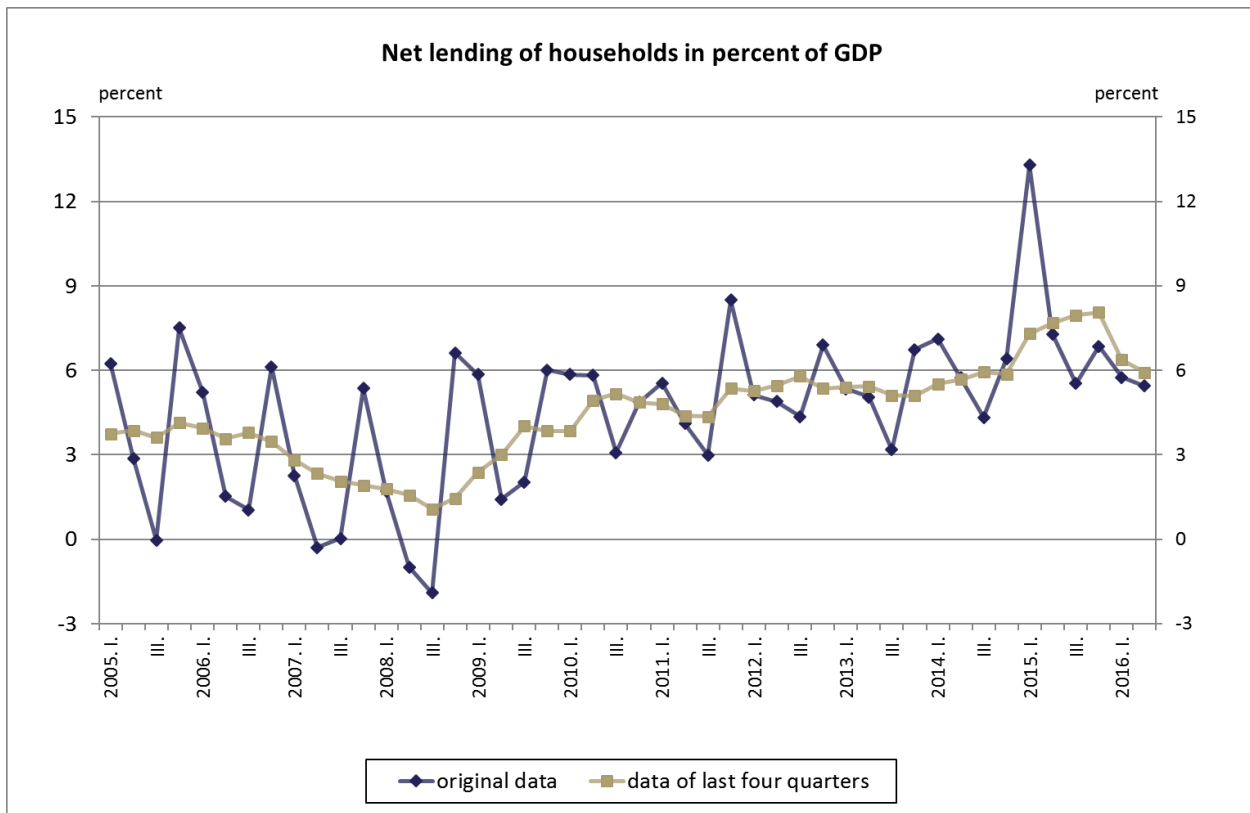
cent of quarterly GDP in 2016 Q2. At the end of 2016 Q2, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 25,908 billion, equivalent to 75.6 per cent of GDP. Net repayments contributed HUF 307 billion to the decline in debt in the second quarter, the revaluation of foreign currency debt partly offset the effect by HUF 59 billion. Net liabilities of general government amounted to HUF 22,647 billion or 66.1 per cent of GDP at the end of 2016 Q2.



In 2016 Q2, net lending of central government amounted to HUF 37 billion. On the assets side of the sub-sector's balance sheet, there was a decline in deposits with the central bank, mainly reflecting repayments of borrowing abroad. The decline in equity holdings of central government due to transactions reflects the payment of dividends by the central bank, which does not affect the sectors' net lending, according to the statistical methodology. However, other receivables of the central government have increased, primarily as a result of increasing receivables from trade credits and advances of corporations included in the government sector. On the liabilities side, there were significant net issues of short-term government securities, although significantly less than in the previous quarter. Treasury bills were mainly purchased by households, while those held by credit institutions fell. Turnover in government bonds in the quarter was characterised by net redemptions, which primarily affected bonds held by non-residents. As a result of the two divergent trends, holdings of securities issued by central government rose slightly. The stock of long-term foreign currency borrowing from abroad fell significantly, reflecting large repayments. Consequently, liabilities of central government fell overall in the second quarter.

Net lending of local governments was HUF 78 billion in 2016 Q2. Within the sub-sector's financial assets, local government deposits with credit institutions fell significantly. By contrast, securities held by local governments continued to increase: there were significant purchases of Treasury bills, as seen in the previous quarter. Within liabilities of local governments, other payables to the corporate sector fell.

Net lending of the social security funds was HUF 13 billion. On the assets side of the sub-sector's balance sheet, deposits held with central government increased. Liabilities of social security funds remained broadly unchanged.



Net lending of households was equivalent to 5.9 per cent (HUF 2,029 billion) of quarterly GDP in the four quarters to 2016 Q2 and to 5.4 per cent (HUF 470 billion) of quarterly GDP in 2016 Q2. Within the sector's financial assets, there was a significant increase in currency held by households and a slight rise in deposits. Although current account deposits increased significantly, this was partly offset by withdrawals from time deposits. Net purchases of government securities continued to be dominant within financial investments of the household sector. In particular, demand for short-term securities was strong. Quoted shares and other equities also increased due to transactions. By contrast, there were net sales of mutual fund shares and bonds issued by financial corporations. The stock of non-money market fund shares increased, as seen in previous quarters; however, investments in money market fund shares fell more strongly than the increase in the former. Insurance technical reserves also continued to increase in the period, which affected both life insurance reserves and pension fund reserves.

On the liabilities side, the decline in households' loan liabilities continued in 2016 Q2. The sector was a net repayer of consumption loans. In the case of real estate loans provided by credit institutions, households on balance borrowed small amounts.

According to the data of financial accounts, net lending of non-financial corporations was HUF 378 billion or 1.1 per cent of quarterly GDP in the four quarters to 2016 Q2. By contrast, the sector registered a net borrowing of HUF 143 billion or 1.7 per cent of quarterly GDP in 2016 Q2. Among financial assets, it was primarily receivables from non-resident parties that increased, mainly through increases in loans granted, equities and trade credits and advances. In addition, the deposit of non-financial corporations has increased significantly, too, and it was determined by the increase in current account deposits in credit institutions and the reduction in short-term deposits. In this quarter, by way of transactions, the government securities held by the sector decreased, while in the case of bonds and investment fund shares of foreign issue, net purchases were observed.

In the second quarter, non-financial corporations' debts against both domestic sectors and foreign parties increased. As a result of transactions, the stocks of issued debt securities and owners' loans taken increased significantly, which was partly set off by the reduction in liabilities incurred in the form of equity. Non-financial corporations increased their commercial loan debts to the state and to foreign parties, too.

Net lending of the rest of the world was HUF -2,199 billion or -6.4 per cent of GDP in the four quarters to 2016 Q2 and HUF -631 billion or -7.3 per cent of quarterly GDP in 2016 Q2, i.e. the national economy financed the rest of the world to that extent. Among non-residents' financial assets, claims against the central government decreased most, primarily as a result of loan repayments of high amounts. In addition, by way of transaction, shares in non-financial corporations and the stock of credit institution bonds and government papers also dropped. In this quarter, non-residents increased the outstanding amount of deposits in credit institutions to the highest extent, and, in addition, their receivables from non-financial corporations also extended because of net share purchases and transactions related to loans extended and trade credit and advances.

As far as liabilities are concerned, non-residents' loans taken from non-financial corporations and credit institutions increased most, and by way of transaction, the stock of foreign equities owned by non-financial corporations also increased. This was offset by the fact that in the second quarter, non-residents' liabilities from securities dropped significantly.

Tables

Main data of the institutional sectors

	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	
Net lending, quarterly transactions, billion HUF														
Non-financial corporations (S.11)	183	418	181	-290	163	70	106	-188	507	124	419	-308	143	
Financial corporations (S.12)	112	83	-126	110	-223	-3	-19	-379	-366	-77	86	33	33	
General government (S.13)	-152	-225	-177	-271	-279	-39	-59	-145	-120	-51	-186	-93	-28	
Households (S.14)	378	246	552	510	454	360	564	997	601	482	635	442	470	
Non-profit institutions serving households (S.15)	2	-3	21	49	143	2	106	-2	-7	5	40	19	13	
Rest of the world (S.2)	-522	-519	-451	-108	-258	-390	-697	-284	-614	-482	-994	-93	-631	
Net lending of last four quarters, billion HUF														
Non-financial corporations (S.11)	806	984	912	493	472	123	48	150	495	549	862	742	378	
Financial corporations (S.12)	179	218	187	179	-156	-242	-135	-624	-767	-841	-736	-324	75	
General government (S.13)	-700	-829	-740	-825	-952	-766	-648	-522	-363	-376	-503	-451	-359	
Households (S.14)	1 591	1 516	1 531	1 686	1 762	1 876	1 888	2 374	2 521	2 643	2 715	2 160	2 029	
Non-profit institutions serving households (S.15)	20	24	24	69	210	215	300	249	99	101	35	56	76	
Rest of the world (S.2)	-1 896	-1 912	-1 914	-1 600	-1 336	-1 207	-1 453	-1 629	-1 985	-2 077	-2 374	-2 183	-2 199	
Consolidated gross debt of the general government, billion HUF														
General government (S.13)	23 263	23 107	23 076	24 915	25 420	25 084	24 514	24 985	25 887	25 920	25 402	26 156	25 908	
Quarterly changes in consolidated gross debt of the general government, billion HUF														
changes in debt	-99	-156	-31	1 839	505	-336	-570	471	902	34	-518	754	-248	
of which: transactions	217	-278	28	1 482	431	-338	-705	902	395	94	-606	752	-307	
revaluation	-315	122	-59	302	73	5	135	-439	507	-60	88	1	59	
other changes in volume	0	0	0	54	0	-3	0	8	0	0	0	0	0	
Net lending, quarterly transactions, percent of GDP														
Non-financial corporations (S.11)	2,5	5,4	2,2	-4,1	2,1	0,8	1,2	-2,5	6,2	1,4	4,5	-4,0	1,7	
Financial corporations (S.12)	1,5	1,1	-1,5	1,5	-2,8	0,0	-0,2	-5,0	-4,4	-0,9	0,9	0,4	0,4	
General government (S.13)	-2,0	-2,9	-2,2	-3,8	-3,5	-0,5	-0,7	-1,9	-1,5	-0,6	-2,0	-1,2	-0,3	
Households (S.14)	5,1	3,2	6,7	7,1	5,7	4,3	6,4	13,3	7,3	5,5	6,9	5,8	5,4	
Non-profit institutions serving households (S.15)	0,0	0,0	0,3	0,7	1,8	0,0	1,2	0,0	-0,1	0,1	0,4	0,2	0,2	
Rest of the world (S.2)	-7,0	-6,7	-5,5	-1,5	-3,3	-4,7	-7,9	-3,8	-7,5	-5,5	-10,7	-1,2	-7,3	
Net lending of last four quarters, percent of GDP														
Non-financial corporations (S.11)	2,8	3,3	3,0	1,6	1,5	0,4	0,1	0,5	1,5	1,7	2,6	2,2	1,1	
Financial corporations (S.12)	0,6	0,7	0,6	0,6	-0,5	-0,8	-0,4	-1,9	-2,3	-2,5	-2,2	-1,0	0,2	
General government (S.13)	-2,4	-2,8	-2,5	-2,7	-3,1	-2,4	-2,0	-1,6	-1,1	-1,1	-1,5	-1,3	-1,0	
Households (S.14)	5,4	5,1	5,1	5,5	5,7	5,9	5,9	7,3	7,7	8,0	8,1	6,4	5,9	
Non-profit institutions serving households (S.15)	0,1	0,1	0,1	0,2	0,7	0,7	0,9	0,8	0,3	0,3	0,1	0,2	0,2	
Rest of the world (S.2)	-6,5	-6,4	-6,4	-5,2	-4,3	-3,8	-4,5	-5,0	-6,0	-6,3	-7,0	-6,4	-6,4	
Consolidated gross debt of the general government, percent of GDP														
General government (S.13)	79,5	77,9	76,8	81,5	81,9	79,4	76,2	76,8	78,8	78,0	75,4	77,2	75,6	
Consolidated gross debt of the general government, percent of GDP (calculated with annual GDP)*														
General government (S.13)	76,6			75,7				74,7						

*An indicator calculated with the annual GDP published by the Central Statistical Office on 30 September 2016. See more in footnote 1.

Methodological notes

1. Compensation for clients of investment service providers in liquidation and the statistical recording of financial settlement

The Settlement Fund started to disburse the amounts established for victims of the Quaestor and Hungária company groups in liquidation in May 2016 (second phase of compensation for bond holders). Simultaneously with this, Hurrira and Hungária bonds recorded in the financial accounts and remaining in circulation were closed in the statistics. Consequently, the bonds held by households were reduced by transaction, and financial compensation paid by the Settlement Fund was recorded under other financial instruments (currency, deposits). In connection with the settlement, household net lending remained unaffected, while there was a shift among financial instruments.

2. Methodological changes in the management of non-financial corporations of holding type

A consolidation procedure was worked out for holding like entities relating to resident non-financial corporations, which appeared recently and carry out financial transactions of increasing volumes. As a result of the accumulation of intercompany claims and liabilities, the data of these corporations basically distorted the non-consolidated indicators of the non-financial corporations sector. The partial data consolidation applied within company groups of non-financial corporations and the consolidation of the data of corporations of holding type with the data of their resident parent companies simplified the internal and intercompany financial relations of large resident company groups, therefore altogether reduced non-financial corporations' claims and liabilities from and to each other, existing in the form of loans and equities, compared to the previous data disclosures. The elimination of intercompany data accumulation had no impact on balance indicators (net lending and net financial worth).

3. Methodological changes to the recording of forint currency

In the first quarter, an estimate of currency holdings of non-profit institutions serving households was made, which was not previously included in the financial accounts. The data have been backdated over the entire time series. Banknotes and coin in circulation has remained broadly unchanged and currency held by households has been reduced by the amount of currency held by non-profit institutions serving households. The latter has been defined as a residual in distributing the amount of forint currency among the sectors.

4. Methodological changes to the recording of monetary gold and SDR

Beginning with the data supply of 2016 Q1, unallocated gold accounts, forming part of international reserves, will be recorded as an asset of the central bank and a liability of the rest of the world in the financial accounts, in line with international statistical standards. As a result, the recording of monetary gold without an offsetting entry, where the asset of the central bank is not the liability of another sector, has been terminated. In the financial accounts, the reserve position in the International Monetary Fund, which was previously recorded under the SDR

instrument, has been reclassified into current account deposits. The above changes have been backdated over the entire time series.

5. Uncertainties related to the use of general government sector data

Balance sheets of the central government and local government sub-sectors for 2016 Q1 and Q2 were used only to a limited extent, as they were not fully available at the time of compilation of complete financial account data. As a consequence, other assets and liabilities as well as loans granted contain estimates as well. Furthermore, 2016 Q1–Q2 data on other assets and other liabilities related to transfers from the European Union are also based on preliminary estimates. These data, and consequently the sector’s net lending, may change in later publications.

6. Uncertainties related to 2016 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.

Publication of additional 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 annual financial accounts of public companies (owned by central 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/statisztika/statisztikai-adatok-informaciok/adatok-idosorok/xii-a-nemzetgazdasag-penzugyi-szamlai-penzugyi-eszkozok-es-kotelezettsegek-allomanyai-es-tranzakcioi/a-penzugyi-szamlakhoz-kapcsolodo-egyeb-adatok>.

Impact of data revisions on data in financial accounts

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016Q1
Non-financial corporations (S.11)	6	0	-4	-17	-56	-22	-5	-101	-581	-49
Financial corporations (S.12)	0	0	0	0	-2	0	1	11	-108	-5
General government (S.13)	0	0	0	0	0	0	0	14	99	-111
Households (S.14)	0	0	4	17	44	24	16	-16	86	-2
Non-profit institutions serving households (S.15)	-6	0	0	1	12	-2	0	16	11	-9
Rest of the world (S.2)	0	0	0	0	2	0	-12	77	492	176

Data revisions reflect changes in the data sources and the methods of compilation of the financial accounts. Compared to the full data supply for 2016 Q1, data have changed as a result of the data revision made in the

balance of payments statistics and the securities statistics. Another significant difference in the financial accounts was caused by the use of the now available corporate balance sheet data of 2015 instead of the earlier estimated data, and this mainly affected the stocks and transactions indicators of non-financial corporations and households. In the case of the general government, another modification was the transfer of the data of corporations reclassified to the government sector in the actual quarter, as well as the use of updated data sources and information. The latter revisions primarily influenced the loans granted by the general government and the claims and liabilities related to EU transfers.

References

[Comprehensive tables](#)

[Time series](#)

[Charts](#)

[Financial accounts manual](#)

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