

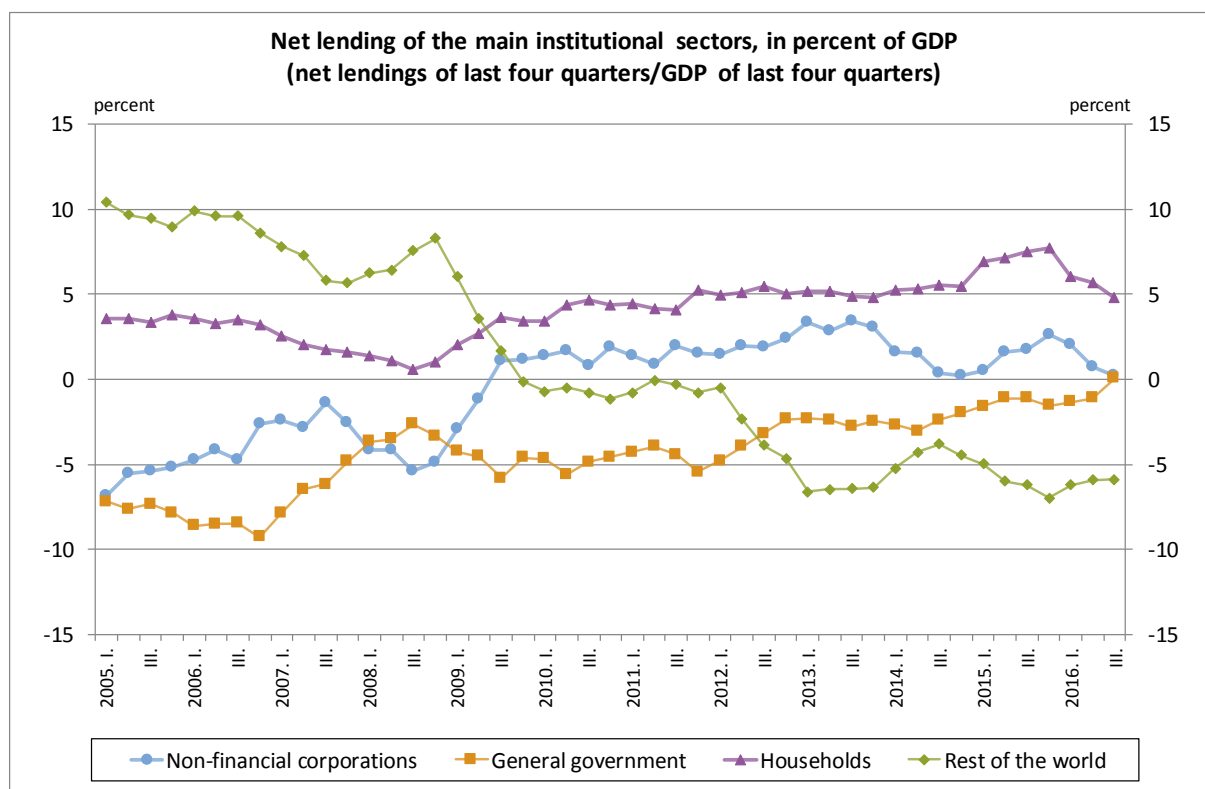


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PRESS RELEASE

Hungary's financial accounts: 2016 Q3

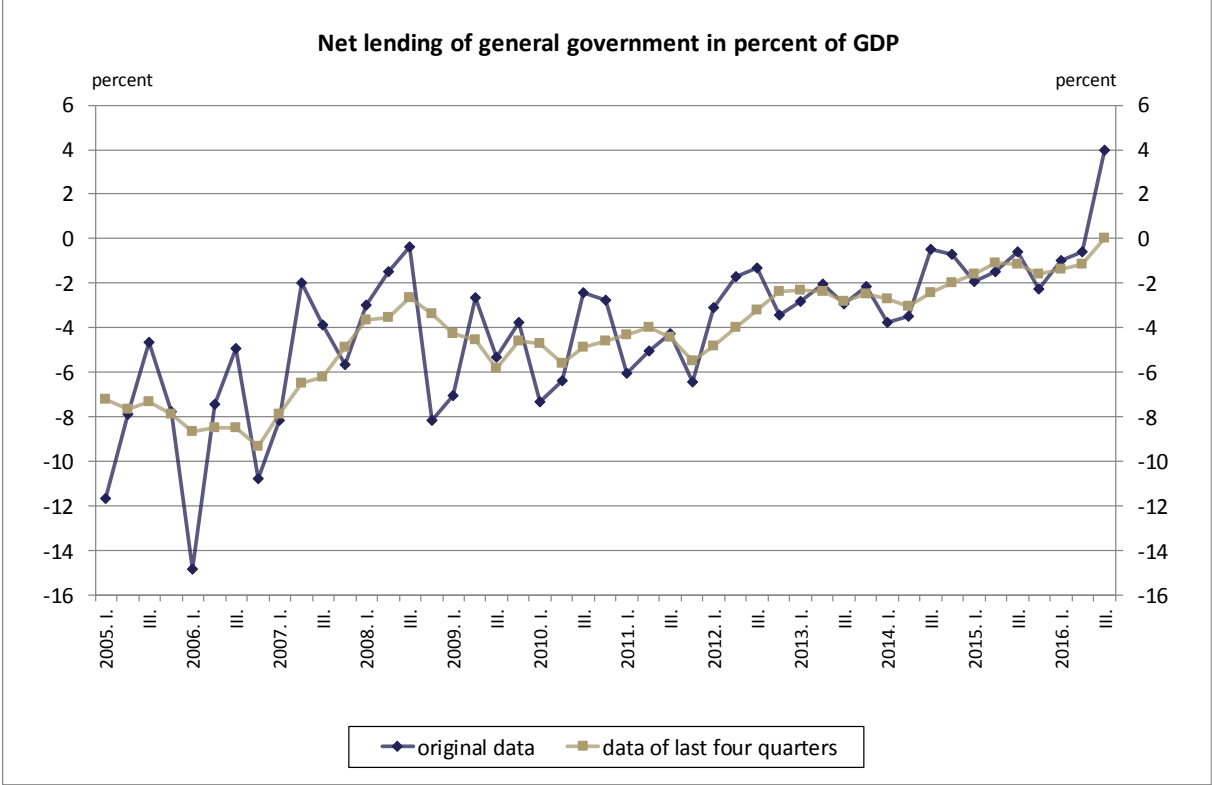
According to financial accounts data, net lending of general government amounted to 0.1 per cent of Hungary's GDP in the four quarters to 2016 Q3. Net lending of households was 4.8 per cent of GDP in the same period. Net lending of non-financial corporations was 0.2 per cent of GDP and net lending of the rest of the world was -5.9 per cent of GDP in the four quarters to 2016 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.

Net lending of general government amounted to HUF 18 billion or 0.1 per cent of Hungary's GDP in the four quarters to 2016 Q3. In 2016 Q3, general government net lending calculated from the financing side (HUF 356 billion) was equal to 3.9 per cent of quarterly GDP in 2016 Q3. At the end of 2016 Q3, general government

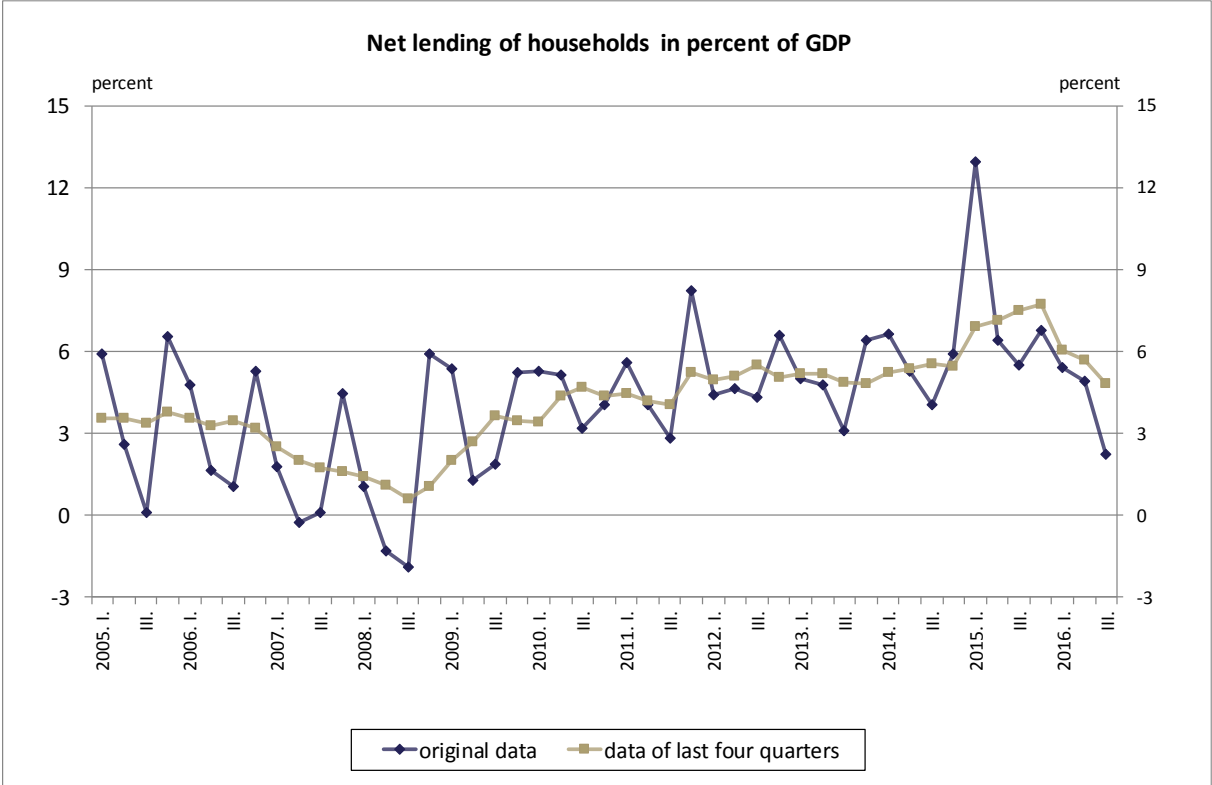
consolidated gross debt at nominal value (or Maastricht debt) was HUF 25,883 billion, equivalent to 74.3 per cent of GDP. The downward revaluation of foreign currency debt reduced government debt by HUF 178 billion. This was offset by net borrowing of HUF 153 billion. Net liabilities of general government amounted to HUF 22,578 billion or 64.9 per cent of GDP at the end of 2016 Q3.



In 2016 Q3, net lending of central government amounted to HUF 319 billion. On the assets side of the sub-sector's balance sheet, there was a notable increase in deposits placed with the central bank and credit institutions. In addition, shares held by the central government sub-sector also rose due to transactions. As seen in the previous quarter, there was a fall in respect of financial derivatives and receivables from the EU declined sharply. On the liabilities side, there was a much smaller increase in respect of Treasury bills than in the previous quarter, as purchases by the household sector rose much less strongly, and Treasury bills held by the financial corporate sector fell significantly. Holdings of government bonds rose significantly, reflecting massive net sales. Credit institutions purchased the overwhelming majority of bonds; however, households also purchased slight amounts. By contrast, the process of redemptions of government bonds held by the rest of the world slowed, with the pace of redemptions moderating in this respect. In terms of outstanding borrowing, the stock of short-term loans fell and the stock of long-term loans remained broadly unchanged. As concerns other liabilities, payables related to transfers from the European Union declined sharply. As a result, liabilities of central government fell slightly overall, despite the substantial amount of government securities issued in the period.

Net lending of local governments was HUF 72 billion in 2016 Q3. Within the sub-sector’s financial assets, local government deposits placed with credit institutions rose significantly. Within liabilities of local governments, other accounts payable to the corporate sector increased.

Net borrowing of the social security funds was HUF 35 billion in 2016 Q3. On the assets side of the sub-sector’s balance sheet, deposits held with central government and contribution receivables from households fell. On the liabilities side, the stock of short-term loans granted by central government increased.



Net lending of households was equivalent to 4.8 per cent (HUF 1,683 billion) of quarterly GDP in the four quarters to 2016 Q3. The sector’s financial savings have increased steadily in recent quarters and reached HUF 203 billion or 2.3 per cent of quarterly GDP in 2016 Q3. Purchases of government securities continued to be dominant within financial investments by the household sector. In particular, demand for short-term securities was strong, although the stock of long-term government securities has also increased steadily in recent months. Claims of households from credit institutions fell notably due to maturing bonds issued by the banking sector. Investments in quoted shares issued by credit institutions also declined in the period under review. The stock of household deposits increased, reflecting the significant increase in foreign currency deposits. By contrast, the stock of forint deposits fell. Households’ portfolio of other mutual fund shares increased in 2016 Q3, but this was offset by net sales of money market fund shares. On balance, household holdings of mutual fund shares barely changed in the period. Household wealth in insurance technical reserves rose only slightly. Net equity of households in pension funds increased and the stock of reserves recorded for insurance companies fell.

Outstanding borrowing by the household sector increased in 2016 Q3 following the decline over the past several years. In the case of housing loans granted by credit institutions, there was modest net borrowing again in the period. In addition, the stock of consumption loans increased due to transactions, mainly reflecting borrowing by self-employed persons.

Net lending of non-financial corporations was HUF 79 billion or 0.2 per cent of quarterly GDP in the four quarters to 2016 Q3. By contrast, the sector registered a net borrowing of HUF 66 billion or 0.7 per cent of quarterly GDP in 2016 Q3. Both assets and liabilities fell in the period due to transactions. On the assets side, the significant decline in the stock of loans to non-residents was dominant, but the stocks of mutual fund shares issued abroad and financial derivatives also fell due to transactions. By contrast, the sector's claims from central government increased, due to net purchases of government securities and an increase in other tax receivables. The change in claims from financial corporations mainly reflected the increase in current account deposits placed with credit institutions and the decline in short-term deposits.

Developments in liabilities side were also determined by transactions with non-residents. Although equities held by the rest of the world increased due to transactions, this was offset by large repayments of loans. Non-financial corporations' liabilities to the domestic sectors rose slightly in the period. Here, net borrowing from credit institutions was dominant.

Net lending of the rest of the world was HUF -2,048 billion or -5.9 per cent of GDP in the four quarters to 2016 Q3 and HUF -487 billion or -5.4 per cent of quarterly GDP in 2016 Q3, i.e. the national economy financed the rest of the world to that extent. Claims of non-residents fell against every domestic sector in the period. Lending to non-financial corporations fell the most strongly, although the stocks of deposits placed with credit institutions, debt securities and other accounts receivable also fell. This was offset by the fact that non-residents increased strongly their equities held in non-financial corporations due to transactions.

On the liabilities side of the sector's balance sheet, there was a significant negative transaction in the case of borrowing from non-financial corporations. By contrast, the stock of deposits rose. Non-financial corporations and credit institutions increased their deposits held abroad, while the central bank reduced its deposits. In addition, there was a slight increase in debt securities and equities due to transactions in the period under review.

Tables

Main data of the institutional sectors

	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3
Net lending, quarterly transactions, billion HUF													
Non-financial corporations (S.11)	414	177	-277	163	60	117	-176	517	113	446	-380	79	-66
Financial corporations (S.12)	92	-96	127	-192	28	9	-367	-308	-67	86	50	66	8
General government (S.13)	-225	-177	-269	-279	-39	-59	-145	-121	-51	-213	-75	-49	356
Households (S.14)	240	526	479	423	338	524	973	533	482	635	416	428	203
Non-profit institutions serving households (S.15)	-3	21	49	143	2	106	-2	-7	5	40	19	13	-14
Rest of the world (S.2)	-519	-451	-108	-258	-390	-697	-284	-614	-482	-994	-30	-537	-487
Net lending of last four quarters, billion HUF													
Non-financial corporations (S.11)	1 009	931	502	477	123	63	165	519	572	902	697	259	79
Financial corporations (S.12)	262	241	250	-68	-133	-28	-522	-638	-732	-656	-238	135	209
General government (S.13)	-829	-740	-824	-951	-764	-646	-522	-363	-376	-530	-460	-389	18
Households (S.14)	1 446	1 457	1 604	1 667	1 766	1 764	2 258	2 368	2 512	2 623	2 066	1 962	1 683
Non-profit institutions serving households (S.15)	24	24	69	210	215	300	249	99	101	35	56	76	58
Rest of the world (S.2)	-1 912	-1 914	-1 600	-1 336	-1 207	-1 453	-1 629	-1 985	-2 077	-2 374	-2 120	-2 042	-2 048
Consolidated gross debt of the general government, billion HUF													
General government (S.13)	23 107	23 076	24 915	25 420	25 084	24 514	24 985	25 887	25 920	25 402	26 156	25 908	25 883
Quarterly changes in consolidated gross debt of the general government, billion HUF													
changes in debt	-156	-31	1 839	505	-336	-570	471	902	34	-518	754	-248	-25
of which: transactions	-278	28	1 484	431	-338	-705	902	395	94	-606	753	-307	153
revaluation	122	-59	301	73	5	135	-439	507	-60	89	1	59	-178
other changes in volume	0	0	54	0	-3	0	8	0	0	0	0	0	0
Net lending, quarterly transactions, percent of GDP													
Non-financial corporations (S.11)	5,3	2,2	-3,8	2,0	0,7	1,3	-2,3	6,2	1,3	4,7	-4,9	0,9	-0,7
Financial corporations (S.12)	1,2	-1,2	1,8	-2,4	0,3	0,1	-4,9	-3,7	-0,8	0,9	0,7	0,8	0,1
General government (S.13)	-2,9	-2,2	-3,7	-3,5	-0,5	-0,7	-1,9	-1,4	-0,6	-2,3	-1,0	-0,6	3,9
Households (S.14)	3,1	6,4	6,6	5,3	4,0	5,9	12,9	6,4	5,5	6,8	5,4	4,9	2,3
Non-profit institutions serving households (S.15)	0,0	0,3	0,7	1,8	0,0	1,2	0,0	-0,1	0,1	0,4	0,2	0,1	-0,2
Rest of the world (S.2)	-6,7	-5,5	-1,5	-3,2	-4,7	-7,9	-3,8	-7,4	-5,5	-10,6	-0,4	-6,2	-5,4
Net lending of last four quarters, percent of GDP													
Non-financial corporations (S.11)	3,4	3,1	1,6	1,5	0,4	0,2	0,5	1,6	1,7	2,7	2,0	0,7	0,2
Financial corporations (S.12)	0,9	0,8	0,8	-0,2	-0,4	-0,1	-1,6	-1,9	-2,2	-1,9	-0,7	0,4	0,6
General government (S.13)	-2,8	-2,5	-2,7	-3,1	-2,4	-2,0	-1,6	-1,1	-1,1	-1,6	-1,3	-1,1	0,1
Households (S.14)	4,9	4,8	5,2	5,4	5,6	5,4	6,9	7,2	7,5	7,7	6,0	5,7	4,8
Non-profit institutions serving households (S.15)	0,1	0,1	0,2	0,7	0,7	0,9	0,8	0,3	0,3	0,1	0,2	0,2	0,2
Rest of the world (S.2)	-6,4	-6,4	-5,2	-4,3	-3,8	-4,5	-5,0	-6,0	-6,2	-7,0	-6,2	-5,9	-5,9
Consolidated gross debt of the general government, percent of GDP													
General government (S.13)	77,8	76,6	81,2	81,6	78,9	75,7	76,4	78,3	77,5	74,7	76,5	75,0	74,3

Methodological notes

1 Appearance of methodological developments in data on certain assets and liabilities

For the purposes of this publication, an estimate has been made to define trade credits of self-employed persons belonging to the household sector as well as their other assets and liabilities, which previously were not included in the financial accounts. This modification affects households' receivables and payables from and to non-financial corporations, on the one hand, and the financial relationships within the household sector, on the other. These items do not materially affect the balancing items of households or non-financial corporations, but increase the stock and transactions of claims and liabilities. The changes have been backdated over the entire time series.

In addition to the above, the estimation method for utilities payable by households to non-financial corporations (trade credits) has also been adjusted. This has affected both stock and transactions data, and write-offs of claims due to non-payment has been recorded as other volume change. The increase in trade credits and the introduction of write-offs of claims have reduced household net lending and raised net lending of non-financial corporations by HUF 20–30 billion annually.

An estimate has also been made on balance sheet data of companies and partnerships changing over to simplified forms of taxation (simplified entrepreneurial tax, and itemised taxation of small tax-paying enterprises), which previously were not covered by taxation data used for the compilation of the financial accounts. Supplementing corporate sector data mainly affects data on other corporate equity; the additional stock of other equity has been incorporated into financial accounts data from 2004.

The method of calculating transactions of mutual fund shares and insurance technical reserves has been revised within the financial accounts. As a result of the modification, revaluation and transactions data on households, investment funds, insurance companies and pension funds have changed, while the stock data have remained unchanged. Household sector net lending has decreased by HUF 50–100 billion annually as a result of the corrections, and net lending of the financial corporate sector has increased accordingly.

2 Uncertainties related to household data for 2016 Q3

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 other 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 government 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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016Q1	2016Q2
Non-financial corporations (S.11)	27	32	58	67	19	39	20	15	39	-72	-64
Financial corporations (S.12)	56	80	46	66	17	46	54	107	80	17	32
General government (S.13)	0	0	0	0	0	0	0	2	-27	17	-21
Households (S.14)	-82	-112	-104	-132	-36	-85	-74	-124	-93	-26	-41
Non-profit institutions serving households (S.15)	0	0	0	0	0	0	0	0	0	0	0
Rest of the world (S.2)	0	0	0	0	0	0	0	0	0	64	94

Data revisions reflect changes in the data sources and the methods of calculation of the financial accounts. Relative to the full set of accounts for 2016 Q2, data have changed mainly in response to the revision and modification of compilation methods used to calculate certain receivables and payables of households. These changes mainly affected stock and transactions data of households, non-financial corporations and financial corporations over the entire time series. For 2016, data have changed as a result of revisions of balance of payments statistics. In the case of general government, the receipt of updated data and information has also caused changes.

References

[Comprehensive tables](#)

[Time series](#)

[Charts](#)

[Financial accounts manual](#)

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