

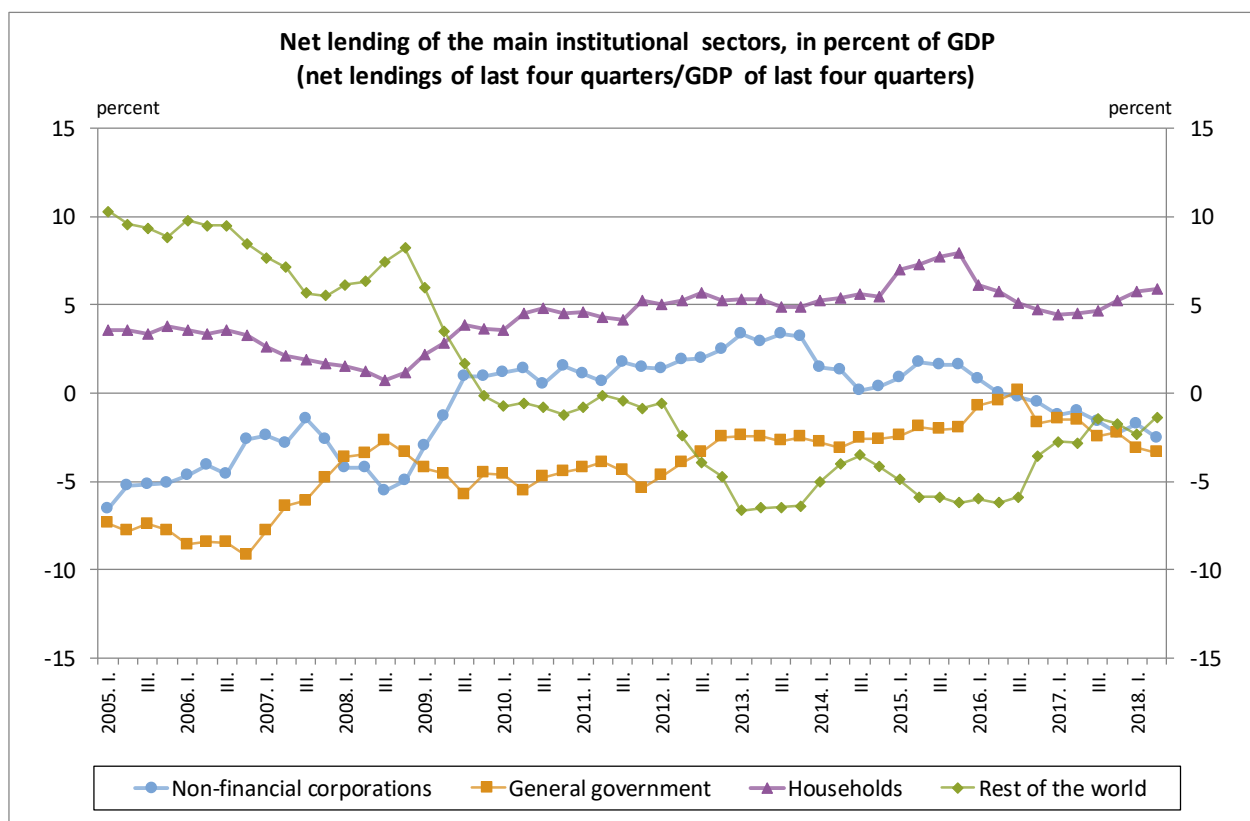


1 October 2018

PRESS RELEASE

Hungary's financial accounts: 2018 Q2

According to financial accounts data, net lending of general government amounted to -3.4 per cent in the four quarters to 2018 Q2.¹ Net lending of households was 5.9 per cent of Hungary's GDP in the same period. Net lending of non-financial corporations amounted to -2.6 per cent of GDP and net lending of the rest of the world was -1.4 per cent of GDP in the four quarters to 2018 Q2.

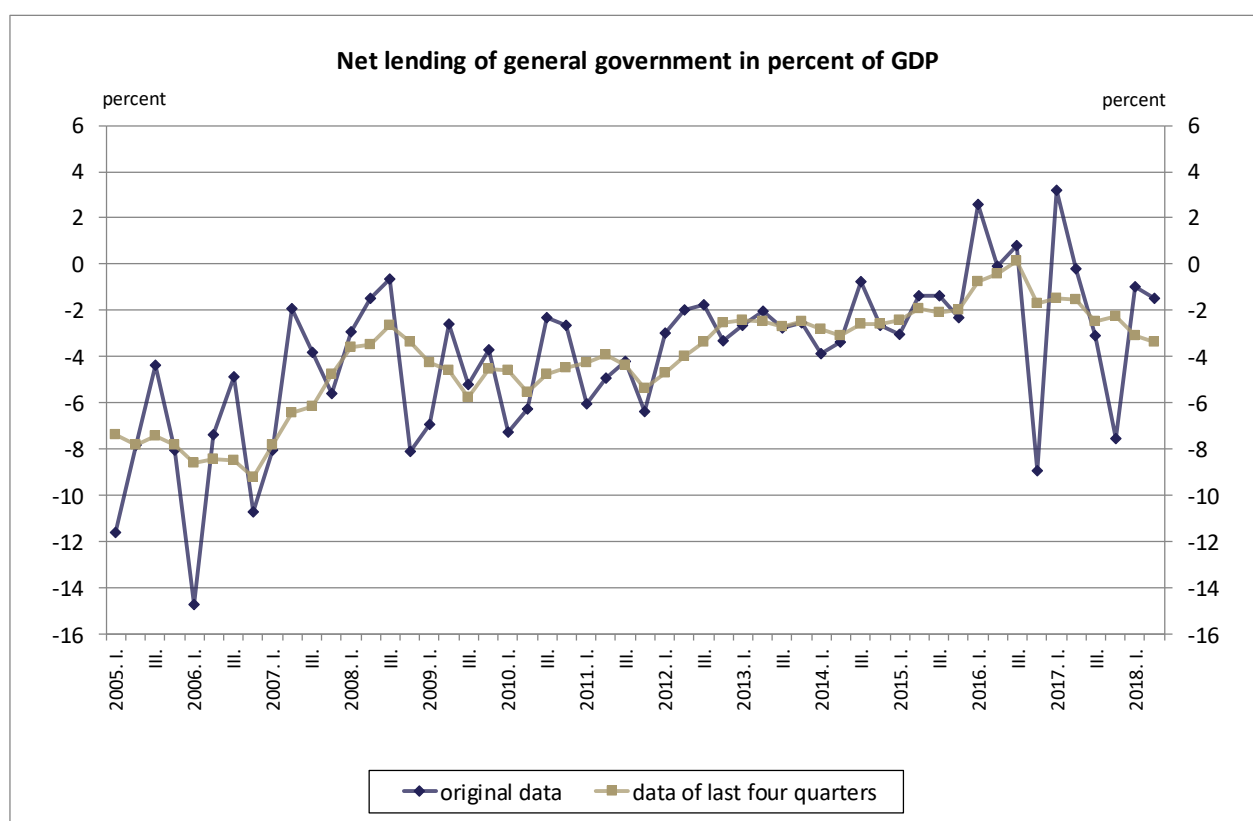


* Note: For clarity, the Chart does not plot net lending of financial corporations and non-profit institutions serving households (their values are usually close to 0). Data for a given quarter show the sum of balances for the year ending with that quarter, expressed as a percentage of GDP for the same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

¹ The Hungarian Central Statistical Office released annual GDP data for 2017 and retrospectively revised data on 28 September 2018. The effect of this revision on the gross government debt-to-GDP ratio at the end of the year is displayed in a separate row in the last row of the table containing the key data of the sectors. Since the HCSO revises quarterly GDP data at a later date, the effects of the changes in annual GDP are not reflected in the GDP-proportionate quarterly indicators released in this publication.

Net lending of general government amounted to HUF -1,338 billion or -3.4 per cent of Hungary's GDP in the four quarters to 2018 Q2. General government net lending calculated from the financing side (HUF -150 billion) was equal to -1.5 per cent of quarterly GDP in 2018 Q2.

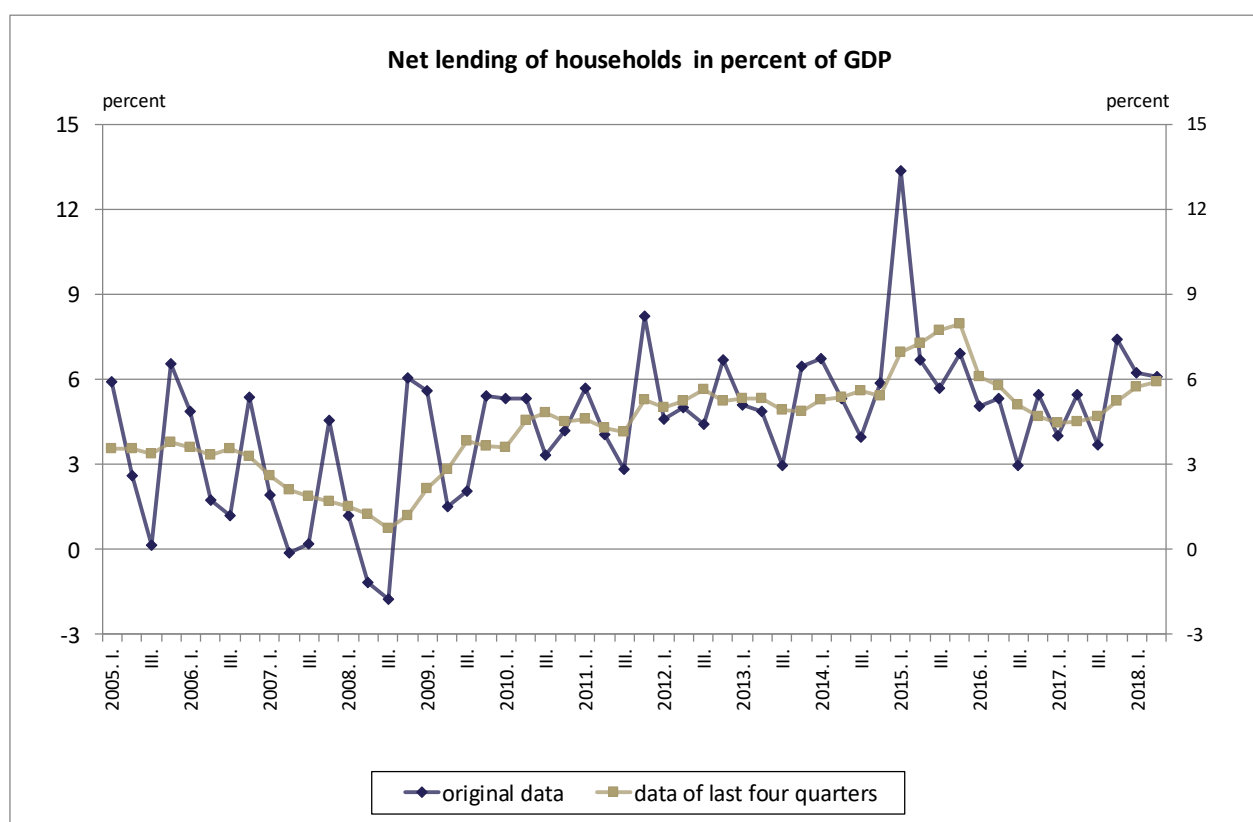
At the end of 2018 Q2, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 28,743 billion, equivalent to 72.2 per cent of GDP. Transactions and revaluations increased the stock of government debt by HUF 376 billion and HUF 322 billion, respectively, in the quarter. Taking into account Eximbank's debt, the general government's Maastricht measure of debt was 74.2 per cent of the GDP, 2.0 percentage points higher than the 72.2 per cent calculated under financial accounts methodology. Net liabilities of general government amounted to HUF 23,610 billion or 59.3 per cent of GDP at the end of 2018 Q2.



In 2018 Q2, net borrowing of central government amounted to HUF 187 billion. On the assets side of the sub-sector's balance sheet, the significant increase in the stock of other accounts receivable was the most significant. In addition to this, the stock of deposits placed by central government also increased. Large net issues of discount Treasury bills played the most important role in the increase in financial liabilities in 2018 Q2. Financial corporations (and credit institutions in particular) and the non-resident sector were the most important buyers of government debt. By contrast, there was a considerable decline in the stock of government bonds due to transactions, with households and local governments being the only sectors to purchase government bonds on a net basis. In contrast with previous quarters, outstanding borrowing by central government rose significantly. This mainly affected the stock of short-term loans from non-residents. Due to transactions, there was also a considerable increase in other liabilities, and particularly in trade payables, in 2018 Q2.

Net lending of local governments was HUF 18 billion in 2018 Q2. On the assets side of the sector's balance sheet, only other assets increased considerably, mainly in respect of tax receivables. There was a shift in the sector's deposits: the decline in the stock of deposits with credit institutions was offset by an increase in the stock of deposits with the central government sub-sector. The stock of securities held by local governments was broadly unchanged: although the stock of Treasury bills fell, that of government bonds increased by the same amount. Overall, liabilities were broadly unchanged due to transactions, with borrowing by the sector offsetting a decline in other (primarily tax) liabilities.

Net lending of the social security funds was HUF 19 billion in 2018 Q2. On the assets side of the sub-sector's balance sheet, deposits with central government and tax receivables increased slightly. On the liabilities side, there was a slight decline in the stock of short-term loans granted by central government.



According to financial accounts data, net lending of the household sector was equivalent to 5.9 per cent (HUF 2,348 billion) of quarterly GDP in the four quarters to 2018 Q2 and to 6.1 per cent (HUF 633 billion) of quarterly GDP in 2018 Q2.

On the assets side of the sector's balance sheet, there was a significant increase in currency, current account deposits and debt securities issued by central government, while shares and other equity, insurance technical reserves and other assets rose less strongly due to transactions. By contrast, mutual fund shares and foreign currency deposits fell. On balance, the stock of foreign currency deposits did not fall, because upward revaluations resulting from the depreciation of the forint offset the effect of transactions.

On the liabilities side of the sector's balance sheet, the stock of housing loans within borrowing from credit institutions rose significantly due to transactions. The stocks of consumer and other loans also increased. The stocks

of consumer and other loans from other financial corporations fell slightly. Other financial corporations sold loans to credit institutions (approximately HUF 25 billion). This had an effect on the distribution of loans between credit institutions and other financial corporations. Other liabilities of households rose slightly due to transactions.

Net lending of non-profit institutions serving households was HUF 345 billion or 0.9 per cent of quarterly GDP in the year up to 2018 Q2 and HUF 38 billion or 0.4 per cent of quarterly GDP in 2018 Q2. Non-profit institutions serving households primarily increased their deposits and their debt securities issued by central government. Changes in other financial assets and liabilities were insignificant.

Net lending of non-financial corporations was HUF -1,019 billion or -2.6 per cent of quarterly GDP in the year to 2018 Q2 and HUF -101 billion or -1.0 per cent of quarterly GDP in 2018 Q2.

In 2018 Q2, non-financial corporations' financial assets and liabilities rose strongly due to transactions. Within financial assets, current account deposits, short-term loans and other assets rose significantly. The stock of time deposits, long-term loans and shares and other equity increased slightly. On the liabilities side of the sub-sector's balance sheet, there was a significant increase in loans and other liabilities. Shares and other equity also increased considerably due to transactions.

Net lending of the rest of the world (or net borrowing of the national economy) was HUF -540 billion or -1.4 per cent of GDP in the year to 2018 Q2 and HUF -389 billion or -3.8 per cent of quarterly GDP in 2018 Q2.

Financial assets and liabilities of the rest of the world rose significantly due to transactions. The increase in liabilities exceeded considerably the rise in financial assets. On the assets side of the sector's balance sheet, there was a considerable increase in the stocks of current account deposits, short and long-term loans and other assets. By contrast, there was a significant decline in long-term securities and financial derivatives due to transactions.

On the liabilities side of the sector's balance sheet, the stock of time deposits, short and long-term securities, short-term loans and other liabilities rose significantly due to transactions. By contrast, there was a decline in current account deposits and financial derivative liabilities.

Tables

Main data of the institutional sectors

	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
Net lending, quarterly transactions, billion HUF													
Non-financial corporations (S.11)	459	1	291	-462	176	-72	176	-726	240	-302	-69	-546	-101
Financial corporations (S.12)	-295	13	86	50	67	34	-11	51	2	60	-9	183	-30
General government (S.13)	-113	-118	-222	201	-9	75	-871	267	-21	-300	-799	-88	-150
Households (S.14)	562	497	662	394	473	266	534	338	517	356	787	572	633
Non-profit institutions serving households (S.15)	-7	5	40	25	13	-14	218	7	22	-12	256	63	38
Rest of the world (S.2)	-606	-398	-855	-208	-720	-289	-46	62	-760	198	-166	-183	-389
Net lending of last four quarters, billion HUF													
Non-financial corporations (S.11)	586	544	559	288	6	-68	-182	-446	-381	-611	-857	-677	-1 019
Financial corporations (S.12)	-509	-565	-506	-146	215	237	140	141	76	102	104	235	203
General government (S.13)	-642	-695	-683	-252	-148	44	-605	-538	-551	-925	-853	-1 208	-1 338
Households (S.14)	2 429	2 591	2 734	2 115	2 025	1 794	1 667	1 611	1 655	1 745	1 998	2 232	2 348
Non-profit institutions serving households (S.15)	99	101	35	62	83	64	243	224	233	234	273	329	345
Rest of the world (S.2)	-1 963	-1 976	-2 138	-2 067	-2 181	-2 072	-1 262	-992	-1 032	-545	-666	-911	-540
Consolidated gross debt of the general government, billion HUF													
General government (S.13)	25 981	26 092	25 665	26 411	26 190	26 145	26 172	26 690	26 923	26 969	27 359	28 045	28 743
Quarterly changes in consolidated gross debt of the general government, billion HUF													
changes in debt	900	111	-428	746	-221	-45	27	517	234	46	391	686	698
of which: transactions	394	173	-514	746	-278	132	-25	571	283	-7	338	627	376
revaluation	505	-62	87	0	57	-177	52	-57	-49	53	52	59	322
other changes in volume	0	0	0	0	0	0	0	2	0	0	0	0	0
	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
Net lending, quarterly transactions, percent of GDP													
Non-financial corporations (S.11)	5,4	0,0	3,0	-5,9	2,0	-0,8	1,8	-8,6	2,5	-3,1	-0,7	-6,0	-1,0
Financial corporations (S.12)	-3,5	0,1	0,9	0,6	0,8	0,4	-0,1	0,6	0,0	0,6	-0,1	2,0	-0,3
General government (S.13)	-1,3	-1,3	-2,3	2,6	-0,1	0,8	-8,9	3,2	-0,2	-3,1	-7,5	-1,0	-1,5
Households (S.14)	6,7	5,7	6,9	5,0	5,3	3,0	5,5	4,0	5,5	3,7	7,4	6,3	6,1
Non-profit institutions serving households (S.15)	-0,1	0,1	0,4	0,3	0,1	-0,2	2,2	0,1	0,2	-0,1	2,4	0,7	0,4
Rest of the world (S.2)	-7,2	-4,6	-8,9	-2,7	-8,1	-3,2	-0,5	0,7	-8,0	2,0	-1,6	-2,0	-3,8
Net lending of last four quarters, percent of GDP													
Non-financial corporations (S.11)	1,8	1,6	1,6	0,8	0,0	-0,2	-0,5	-1,2	-1,0	-1,6	-2,2	-1,7	-2,6
Financial corporations (S.12)	-1,5	-1,7	-1,5	-0,4	0,6	0,7	0,4	0,4	0,2	0,3	0,3	0,6	0,5
General government (S.13)	-1,9	-2,1	-2,0	-0,7	-0,4	0,1	-1,7	-1,5	-1,5	-2,5	-2,2	-3,1	-3,4
Households (S.14)	7,3	7,7	8,0	6,1	5,8	5,1	4,7	4,5	4,5	4,7	5,2	5,7	5,9
Non-profit institutions serving households (S.15)	0,3	0,3	0,1	0,2	0,2	0,2	0,7	0,6	0,6	0,6	0,7	0,8	0,9
Rest of the world (S.2)	-5,9	-5,9	-6,2	-6,0	-6,2	-5,9	-3,6	-2,8	-2,8	-1,5	-1,7	-2,3	-1,4
Consolidated gross debt of the general government, percent of GDP													
General government (S.13)	78,0	77,6	74,8	76,4	74,8	74,2	73,9	74,1	73,6	72,3	71,7	72,1	72,2
Consolidated gross debt of the general government, percent of GDP (calculated with annual GDP)*													
General government (S.13)			74,7				73,8				71,3		
Consolidated gross debt of the general government including Eximbank, percent of GDP													
General government including Eximbank	79,7	79,4	76,7	78,3	76,8	76,2	76,0	76,2	75,7	74,3	73,6	73,9	74,2
Consolidated gross debt of the general government including Eximbank, percent of GDP (calculated with annual GDP)*													
General government including Eximbank			76,6				75,9				73,3		

* An indicator published by the CSO on 28 September 2018 (calculated with annual GDP data). All other indicators have been calculated using quarterly GDP data currently available. For more details, see Footnote No 1.

Methodological notes

1. The inclusion of Eximbank data in compiling general government statistics

Given that the Hungarian Export-Import Bank Plc. (Eximbank) is a financial institution operating as a credit institution, the financial corporation sector (S.12), and within this credit institution sub-sector (S.122) will contain its data in the statistical publications prepared by the MNB. However, within financial accounts statistics, the Maastricht debt of the general government including the Eximbank is also published, as supplementary information. Due to the characteristics of financial intermediation, the inclusion of Eximbank's data will not significantly modify the net financial worth (or net liabilities) of the general government, or its net lending in the periods when there was no capital increase by the government recorded as transfers.

2. Insurance technical reserves abroad within households' assets

Based on the results of the third round of a survey of household wealth coordinated by the European Central Bank, the time series for the stock and for volume changes in the stock of households' insurance technical reserves abroad have been estimated retrospectively and incorporated into the statistics from 2018 Q2. The time series is shown as an asset of households and a liability of the rest of the world under pension fund reserves.

3. Balance of Széchenyi Recreation Cards (SZÉP cards) within households' assets

Institutions issuing SZÉP cards have been reclassified from the non-financial corporate sector into companies providing auxiliary financial services in the statistics compiled by the Bank. Furthermore, starting from this data release the time series for the balance of SZÉP cards are shown retrospectively in the financial accounts, within households' other assets and financial auxiliaries' (S.126) liabilities, based on issuers' data.

4. Re-estimating the financial relationships within the non-financial corporate sector and between non-financial corporations and households

The entire set of information in non-financial corporations' reports have been processed. As a result, starting from this data release financial relationships within the sector and between non-financial corporations and households have changed retrospectively in the financial accounts. This has affected loans, trade credits, equity and other accounts receivable of non-financial corporations within the sector.

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

The stocks of other assets and other liabilities of the general government sector related to transfers from the European Union for 2018 Q1 and Q2 are based on estimates. Therefore, these values may change in later publications.

6. Uncertainties related to 2018 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

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 tables showing 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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018Q1
Non-financial corporations (S.11)	-49	-41	6	-10	-1	23	-40	-24	-152	129
Financial corporations (S.12)	0	0	3	-22	5	-3	-1	17	3	-5
General government (S.13)	0	0	0	0	0	0	0	-1	-164	-76
Households (S.14)	54	47	-3	39	5	-10	89	80	66	38
Non-profit institutions serving households (S.15)	0	0	0	0	0	0	0	-21	140	-146
Rest of the world (S.2)	-5	-6	-6	-7	-9	-10	-47	-51	108	59

Data revisions reflect the methodological changes in the data sources and compilation of the financial accounts and the effect of data corrections. Relative to the full set of accounts for 2018 Q1, data have changed going back to 2015 Q1 as a result of the revision of balance of payments statistics. This revision affected data for the rest of the world vis-à-vis financial and non-financial corporations, general government and households. The incorporation of data for SZÉP cards slightly changed net lending of households and financial corporations going back to 2011. The inclusion of data for households' insurance technical reserves abroad caused a slight change in net lending of households and the rest of the world over the entire recording period. The re-estimation of financial accounts data for non-financial corporations, derived from non-financial corporations' reports, affected transactions with households over the entire recording period. Net lending of non-profit institutions serving households vis-à-vis general government changed due to a data revision.

References:

[Comprehensive tables](#)

[Time series](#)

[Charts](#)

[Financial accounts manual](#)

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