



24 June 2014

## PRESS RELEASE

### Hungary's balance of payments: 2014 Q1

#### Introductory remarks to the published data

The international methodological standards for balance of payments statistics (*Balance of Payments and International Investment Position Manual 6th Edition - BPM6*), revised in recent years, will be implemented uniformly in the European Union Member States, including in Hungary, in 2014. The press release of 24 June, containing Hungary's balance of payments data for 2014 Q1, is the first to be published with a content and detail reflecting the new methodological requirements. Simultaneously with introduction of the new methodology, the timeliness of the publication of data will be improved relative to past practice (85 days following the review period).<sup>1</sup>

In accordance with the Bank's data revision policy, data compiled to reflect the new methodology in June 2014 will only be revised going back to 2013. Statistical data compiled on the basis of the old methodology will continue to be available on the Bank's website frozen, reflecting the revision as at the end of March 2014. The long time series data, compiled on the basis of the new methodology, will be published on 23 September 2014, at the time the 2013 annual data are published. Consequently, only 2013 as a 'Janus year' will help users temporarily to eliminate the effects of the methodological changeover.

In terms of the compilation of data, a large part of the methodological changeover will involve reclassifications across the individual sub-accounts: goods, services, primary and secondary income as well as the capital account. The incorporation of data on illegal trade in goods and services, which previously was not recorded in the balance of payments, will be the only factor affecting the level of Hungary's net external financing capacity. (This will help better harmonise balance of payments data with the national accounts, where this item was incorporated into the statistics earlier.)

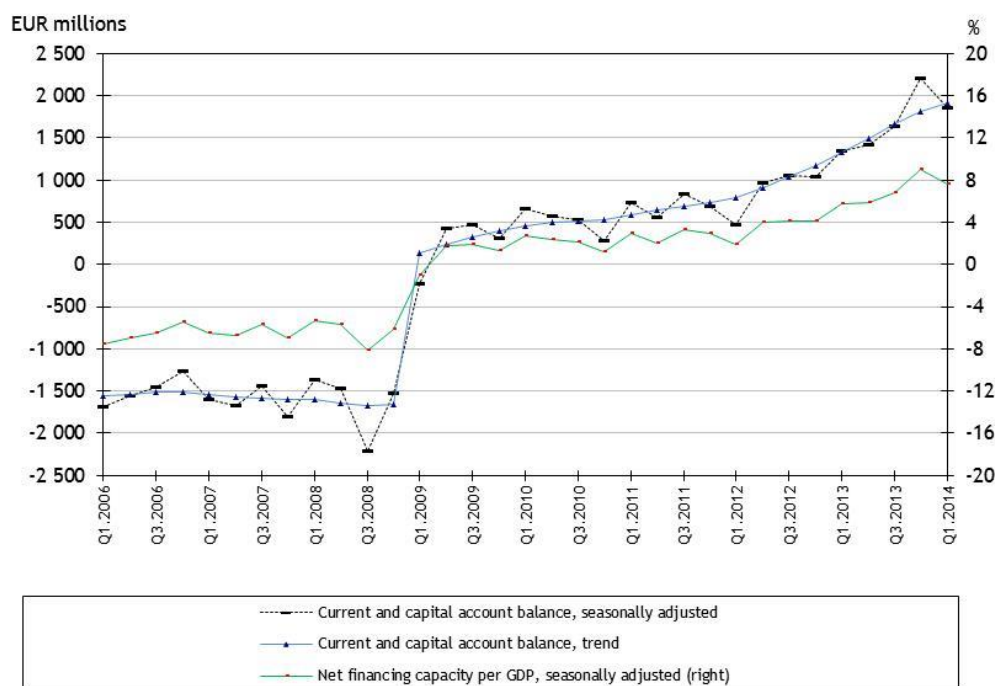
The box at the end of the press release as well as the [methodological changeover page](#) and the accompanying [methodological notes](#) on the MNB's website contain a detailed description of the components (see Table 4) and effects (see Tables 5 and 6) of the methodological changeover.

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<sup>1</sup> The publication dates are available in the [release calendar](#).

In 2014 Q1, Hungary's unadjusted net external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 1,554 million (HUF 481 billion).<sup>2</sup> Adjusted for seasonal effects, the net external financing capacity was EUR 1,861 million or 7.6% of GDP (HUF 578 billion).<sup>3</sup>

**Chart 1**  
**Net external financing capacity in EUR millions (left-hand scale)**  
**and as a percentage of GDP (right-hand scale)**



<sup>2</sup> Consistent with its practice of releasing and revising statistical data, on 24 June 2014 the MNB is publishing Hungary's balance of payments and international investment position statistics for 2014 Q1 for the first time, as well as revised quarterly data for 2013 Q1–Q4 (based on revised data reported by data providers).

<sup>3</sup> Because at this level of aggregation the new methodology has changed data contents only slightly, this times series can still be seasonally adjusted. The rest of the time series will be seasonally adjusted in September 2014, at the time of publication of the time series revised in accordance with the new methodology.

**Table 1**  
**Current account balance and net external financing capacity (EUR millions)<sup>4</sup>**

	2013					2014
	Q1	Q2	Q3	Q4	Q1-Q4	Q1
<b>1. Current account, net (1.A+1.B+1.C)</b>	<b>463</b>	<b>597</b>	<b>1 235</b>	<b>710</b>	<b>3 005</b>	<b>984</b>
<b>1.A. Goods and Services, net</b>	<b>1 658</b>	<b>1 966</b>	<b>2 506</b>	<b>1 657</b>	<b>7 787</b>	<b>1 989</b>
Exports	21 248	22 372	22 910	23 066	89 595	22 714
Imports	19 590	20 405	20 403	21 409	81 808	20 725
1.A.a. Goods, net	811	887	1 186	904	3 788	1 158
Exports	17 499	18 110	18 313	18 836	72 758	18 865
Imports	16 688	17 223	17 127	17 931	68 970	17 707
1.A.b. Services, net	847	1 079	1 320	752	3 999	831
Exports	3 749	4 261	4 597	4 230	16 837	3 849
Imports	2 902	3 182	3 276	3 478	12 838	3 018
<b>1.B. Primary income, net</b>	<b>-835</b>	<b>-1 275</b>	<b>-1 142</b>	<b>-1 171</b>	<b>-4 422</b>	<b>-775</b>
1.B.1. Compensation of employees, net	194	201	204	201	801	223
1.B.2. Investment income, net	-1 427	-1 814	-1 636	-1 799	-6 676	-1 312
1.B.2.1. Direct investment income, net	-831	-968	-1 042	-1 212	-4 053	-751
1.B.2.2. Portfolio investment income, net	-537	-791	-521	-544	-2 393	-521
1.B.2.3. Other investment income, net	-238	-223	-218	-198	-878	-191
1.B.2.4. Reserve assets, net	180	169	145	154	648	151
1.B.3. Other primary income, net	398	338	290	427	1 453	314
<b>1.C. Secondary income, net</b>	<b>-360</b>	<b>-95</b>	<b>-129</b>	<b>225</b>	<b>-360</b>	<b>-229</b>
-of which: EU transfers	-147	135	89	427	505	12
<b>2. Capital account, net</b>	<b>594</b>	<b>883</b>	<b>595</b>	<b>1 556</b>	<b>3 628</b>	<b>569</b>
-of which: EU transfers	585	865	596	1 546	3 593	552
<b>3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)</b>	<b>1 532</b>	<b>2 117</b>	<b>1 711</b>	<b>1 940</b>	<b>7 299</b>	<b>1 328</b>
<b>3.1. Direct investment (net assets)</b>	<b>-360</b>	<b>869</b>	<b>751</b>	<b>-1 639</b>	<b>-379</b>	<b>-636</b>
3.1.k. Abroad (net assets)	256	54	-872	2 131	1 569	596
3.1.1.k. Equity (net assets)	176	223	-864	1 870	1 405	595
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	98	117	-1 140	1 557	633	382
3.1.1.2.ki Reinvestment of earnings (net assets)	78	106	276	312	772	213
3.1.2.ki Debt instruments (net assets)	80	-169	-8	261	164	1
3.1.2.1.ki Assets	-13	-124	96	537	495	-20
3.1.2.2.ki Liabilities	-93	45	103	276	332	-21
3.1.t In Hungary (net liabilities)	616	-815	-1 623	3 770	1 947	1 232
3.1.1.t Equity (net liabilities)	501	-976	991	3 303	3 819	1 024
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	88	145	-213	1 922	1 942	355
3.1.1.2.be Reinvestment of earnings (net liabilities)	413	-1 121	1 204	1 381	1 877	669
3.1.2.be Debt instruments (net liabilities)	115	161	-2 614	467	-1 872	208
3.1.2.1.be Assets	1 636	895	757	-1 284	2 003	598
3.1.2.2.be Liabilities	1 750	1 055	-1 857	-818	132	806
<b>3.2. Portfolio investment (net assets)</b>	<b>-1 404</b>	<b>-1 113</b>	<b>781</b>	<b>-1 406</b>	<b>-3 142</b>	<b>-903</b>
3.2.k Assets	-236	-25	-49	-110	-420	162
3.2.t Liabilities	1 168	1 088	-831	1 297	2 722	1 064
<b>3.3. Financial derivatives (other than reserves), net assets</b>	<b>-228</b>	<b>-53</b>	<b>-112</b>	<b>-185</b>	<b>-579</b>	<b>5</b>
3.3.k Assets	-1 207	-844	-748	-1 095	-3 893	-841
3.3.t Liabilities	-979	-791	-636	-909	-3 314	-847
<b>3.4. Other investment (net assets)</b>	<b>1 679</b>	<b>3 070</b>	<b>3 608</b>	<b>1 832</b>	<b>10 188</b>	<b>446</b>
3.4.k Assets	-180	165	-143	69	-89	-239
3.4.t Liabilities	-1 859	-2 905	-3 751	-1 763	-10 278	-685
<b>3.5. Reserve assets</b>	<b>1 845</b>	<b>-656</b>	<b>-3 317</b>	<b>3 338</b>	<b>1 210</b>	<b>2 416</b>
<b>Memorandum:</b>						
<b>Net external financing capacity</b>						
Net external financing capacity (CA and Capital account)	1 057	1 480	1 830	2 266	6 632	1 554
Financial account balance	1 532	2 117	1 711	1 940	7 299	1 328
Difference (Net errors and omissions)	475	637	-119	-327	667	-226

<sup>4</sup> In the table, direct investment data continue to be published in accordance with the direction of investment, although this method has been replaced by the asset-liability breakdown in the standard presentation of balance of payment statistics. For the sake of clarity, it will be indicated in the case of individual aggregates of the financial accounts whether the data have been derived as the **difference of assets and liabilities** (*net assets*), or the opposite, as the **difference of liabilities and assets** (*net liabilities*). Based on the changed sign convention in the international methodology (increase in liabilities and assets = plus; decrease in liabilities and assets = minus), in the standard presentation the aggregates are shown on an 'assets minus liabilities' (*net assets*) basis, i.e. the sign of net lending calculated from the financial account is the same as the sign of net external financing capacity calculated from the main aggregates of the current and capital account, rather than the opposite of it.

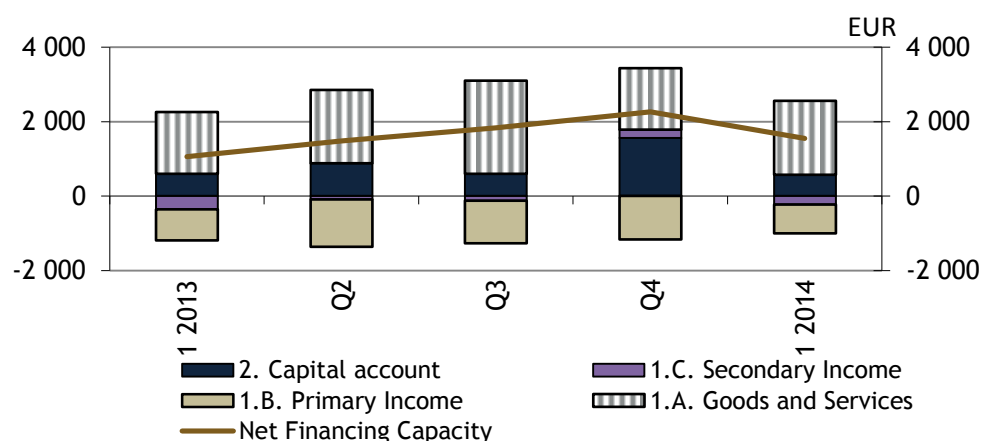
**Table 2**  
**Net external financing capacity (seasonally adjusted data; EUR millions)**

	2013				2014
	Q1	Q2	Q3	Q4	Q1
<b>Net external financing capacity</b>	<b>1 351</b>	<b>1 422</b>	<b>1 639</b>	<b>2 202</b>	<b>1 861</b>
<b>1.A. Goods and Services</b>	<b>1 769</b>	<b>1 737</b>	<b>2 226</b>	<b>2 049</b>	<b>2 106</b>
of which:					
Travel, net	650	684	635	661	711
credit	1 013	1 002	1 001	1 005	1 037
debit	348	351	355	357	388
<b>1.B+1.C. Primary and Secondary Income</b>	<b>-1 230</b>	<b>-1 271</b>	<b>-1 179</b>	<b>-1 074</b>	<b>-1 106</b>
of which:					
Compensation of employees	197	200	200	203	226
credit	418	417	414	416	422
debit	221	219	214	215	195
<b>EU-transfers</b>	<b>1 328</b>	<b>1 377</b>	<b>1 412</b>	<b>1 465</b>	<b>1 466</b>

Notes to the seasonally adjusted data: Back data will be published in September. Consequently, there is very limited scope for eliminating the seasonal effects. As the level of net external financing capacity, the methodological changeover only affects data through the incorporation of data on illegal trade in goods and services previously not recorded anywhere in the balance of payments. In addition to illegal trade, the value of FISIM and trade in intellectual property have been added to goods and services data. In turn, the values of FISIM and trade in intellectual property have been eliminated from primary and secondary income. In order to seasonally adjust data, data being published on the basis of the new methodology have been complemented with time series data published in March and adjusted to reflect the above corrections. The time series for travel have only been complemented with data on illegal trade. Data on compensation of employees and EU transfers in totals have not been affected by the methodological change. However, part of EU transfers has been recorded under primary income and another part under secondary income, as well as under capital transfers, similar to past practice. **From the next quarter, more detailed seasonally adjusted data will be analysed. In the press release, seasonally adjusted data will only be used to present the above data; due to a lack of back data, other data have not been seasonally adjusted.**

### 1 Main developments in net external financing capacity (current and capital account aggregates)

**Chart 2**  
**Net external financing capacity (EUR millions)**



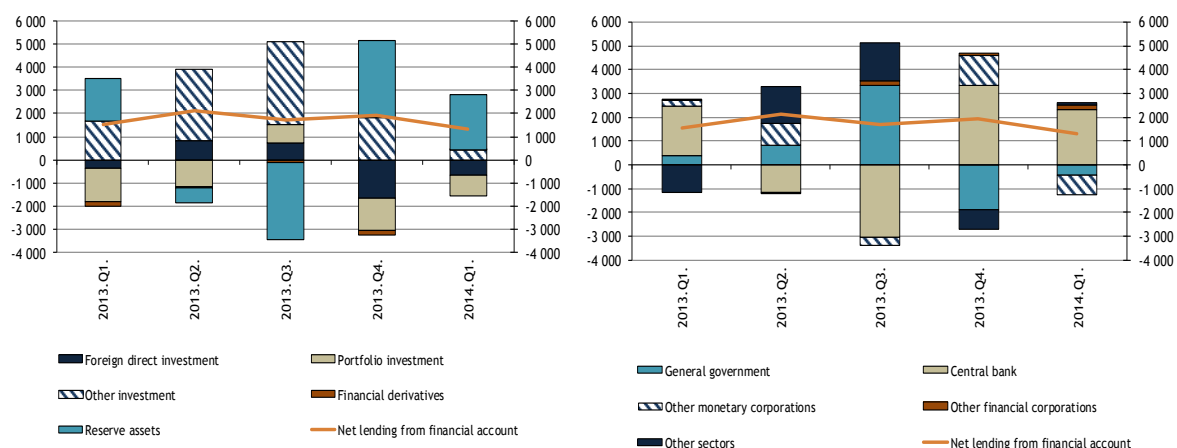
The combined balance on goods and services, one of the main aggregates of net external financing capacity calculated as the balance on the current and capital accounts, increased in 2014 Q1. Revenue and expenditure were both lower compared with the previous quarter due to seasonal effects, but exceeded levels recorded for 2013 Q1. At EUR 1,158 million, the surplus on goods was higher than in the previous quarter. Exports (EUR 18,865 million) rose relative to the previous quarter, but imports fell slightly (EUR 17,707 million). Both exports and imports significantly exceeded levels recorded for the same period of the previous year.

The surplus on services amounted to EUR 831 million in 2014 Q1. Within this, the travel surplus was EUR 495 million. Revenues (EUR 792 million) and expenditures (EUR 297 million) tend to be lower in the first quarter than in other quarters of the year. As the table above shows, seasonally adjusted revenues, expenditures and the balance were close to levels recorded for previous quarters.

In 2014 Q1, the primary income deficit (EUR 775 million) was lower than in other quarters of the year, also reflecting seasonal effects. In addition, the deficit was also lower than in the same period a year earlier (EUR 835 million). The secondary income deficit amounted to EUR 229 million. The surplus on current and capital transfers vis-à-vis the EU was EUR 878 million (EUR 314 million on primary income, EUR 12 million on secondary income and EUR 552 million on capital transfers). The seasonally adjusted surplus for 2014 Q1 amounted to EUR 1,466 million.

## 2 The financial account<sup>5</sup>

**Chart 3**  
**Financial account by institutional sectors and functional categories (EUR millions)**



Within direct investments, outward investments by Hungarian residents rose by EUR 596 million (of which capital in transit and restructuring of asset portfolios were EUR 312 million) and inward investments by non-residents by EUR 1,232 million (of which capital in transit and restructuring of asset portfolios also amounted to EUR 312 million) in 2014 Q1.<sup>6</sup>

Within direct investments by Hungarian residents abroad, investments in equities rose by EUR 382 million in 2014 Q1. Within this, capital in transit amounted to EUR 312 million. Reinvested earnings

<sup>5</sup> For summary data by investment category, see Table 1.

<sup>6</sup> Data after eliminating *capital in transit* and *restructuring of asset portfolios* are available on the MNB's website.

contributed EUR 213 million to the value of direct investments abroad. FDI other capital net inflows amounted to EUR 1 million.

Within direct investments by non-residents in Hungary, the value of investments in equities rose by EUR 355 million. Within this, capital in transit amounted to EUR 312 million. Reinvested earnings increased the value of direct investments by non-residents by EUR 669 million. FDI other capital net liabilities inflows amounted to EUR 208 million.

Portfolio investment transactions showed a net inflow of EUR 903 million in 2014 Q1, reflecting an increase of EUR 162 million in assets and one of EUR 1,064 million in liabilities. Within assets, equity securities and investment fund shares increased by EUR 161 million and debt securities by EUR 1 million. Within liabilities, equity securities and investment fund shares fell by EUR 115 million, while debt securities increased EUR 1,180 million.

The balance of other investments showed an outflow of EUR 446 million in 2014 Q1. This reflected a decline of EUR 143 million in assets and one of EUR 685 million in liabilities. Net other equity assets increased by EUR 23 million, net assets with maturities up to one year increased by EUR 120 million, reflecting a decline of EUR 198 million in assets and one of EUR 318 million in liabilities. Net assets with maturities over one year increased by EUR 303 million, reflecting a decline of EUR 67 million in assets and one of EUR 369 million in liabilities.

### **3 Stock of international reserves and external debt**

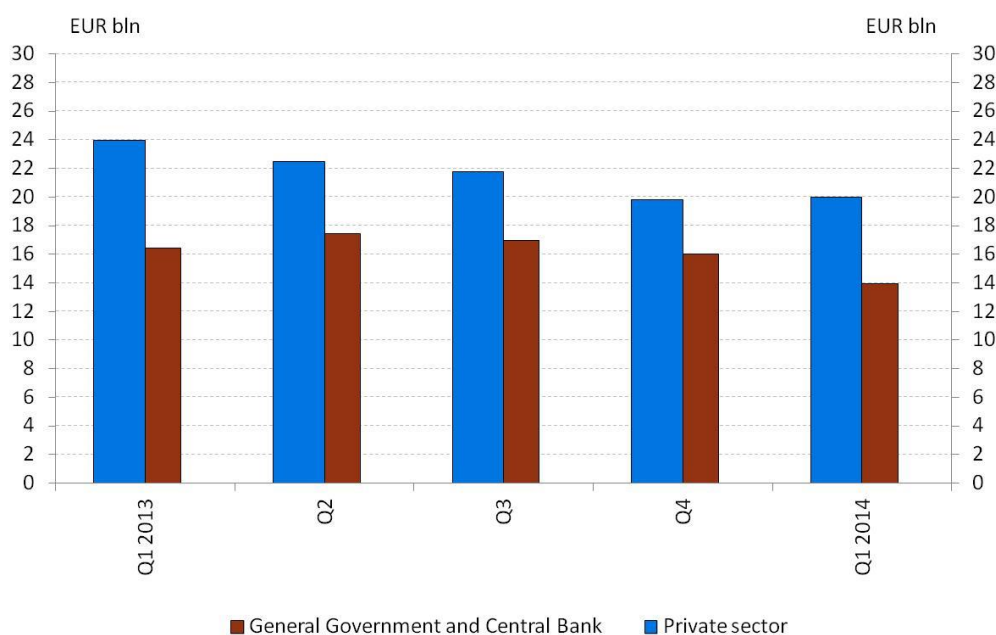
Central bank foreign exchange reserves amounted to EUR 36.2 billion at the end of March 2014. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 34.1 billion at the end of March 2014 (34.6% as a percentage of GDP). Net short-term assets reflecting the recording of EU transfers on an accrual basis amounted to EUR 126 million. Within this, the value of assets was EUR 1,429 million and that of liabilities was EUR 1,303 million.

**Table 3**  
**Foreign assets and liabilities of Hungary<sup>7</sup> (EUR millions)**

	2013				2014
	Q1	Q2	Q3	Q4	Q1
<b>Assets</b>	<b>108 584</b>	<b>107 471</b>	<b>103 102</b>	<b>106 974</b>	<b>110 018</b>
3.1.k Direct investment*	46 039	46 925	46 662	47 503	48 416
3.2.k Portfolio investment	5 849	5 617	5 714	5 720	5 902
3.3.k Financial derivatives (other than reserves)	3 849	3 085	2 679	2 679	2 526
3.4.k Other investment	17 381	17 516	17 232	17 289	16 977
o/w: assets related to the European Union	829	1 365	1 764	1 622	1 429
3.5. Reserve assets	35 467	34 329	30 815	33 782	36 197
<b>Liabilities</b>	<b>201 863</b>	<b>202 321</b>	<b>195 467</b>	<b>197 613</b>	<b>198 261</b>
3.1.t Direct investment*	95 443	97 166	95 351	97 767	98 927
3.2.t Portfolio investment	47 386	49 525	48 267	49 858	50 059
3.3.t Financial derivatives (other than reserves)	4 007	3 538	3 700	3 718	3 831
3.4.t Other investment	55 027	52 093	48 149	46 271	45 444
o/w: liabilities related to the European Union	1 295	1 254	870	1 116	1 303
<b>Net Assets</b>	<b>-93 279</b>	<b>-94 850</b>	<b>-92 365</b>	<b>-90 639</b>	<b>-88 244</b>
o/w: net assets related to the European Union	-466	112	894	507	126
<b>Memorandum:</b>					
<b>Gross external debt (excluding direct investment other capital)</b>	<b>93 960</b>	<b>92 615</b>	<b>87 717</b>	<b>87 865</b>	<b>88 053</b>
General government and Central bank	52 534	52 786	48 947	51 193	51 655
Other MFIs and Other sectors	41 427	39 830	38 770	36 672	36 399
<b>Net external debt (excluding direct investment other capital)</b>	<b>40 374</b>	<b>40 010</b>	<b>38 853</b>	<b>35 964</b>	<b>34 067</b>
General government and Central bank	16 429	17 462	16 969	16 028	13 941
Other MFIs and Other sectors	23 945	22 547	21 884	19 937	20 126

\* Assets and liabilities are grouped separately within the directional breakdown of investment.

**Chart 4**  
**Net foreign debt of Hungary (excluding FDI debt instruments), 2014 Q1**



<sup>7</sup> Assets and liabilities vis-à-vis non-residents include all financial assets and liabilities vis-à-vis the rest of the world, while foreign debt, by definition, does not include *shares and other equity* and *financial derivatives*.

#### 4 The methodological changeover and data revisions during the review period

Table 4 summarises all factors that underlie the transition from the BPM5 methodology to BPM6 by instrument.

**Table 4**  
**Impact of methodological changes on the instruments of the balance of payments**

Structure according to BPM5	factors of the methodological change +/-	Structure according to BPM6
<b>I. Current account (1+2+3+4)</b>		<b>1. Current account</b>
<b>Goods and services</b>		<b>1.A. Goods and services</b>
<b>01. Goods</b>	- manufacturing services on physical inputs owned by others + merchanting + durable and valuable goods - repair + illegal activities	<b>1.A.a. Goods</b>
<b>02. Services</b>	+ manufacturing services on physical inputs owned by others - merchanting + repair + sale and purchase of intellectual property right + FISIM	<b>1.A.b. Services</b>
<b>Travel</b>	- durable and valuable goods + illegal activities	<b>Travel</b>
<b>03. Income</b>	- FISIM +/- superdividend + taxes and subsidies on products and production	<b>1.B. Primary income</b>
<b>04. Current transfers</b>	- taxes and subsidies on products and production	<b>1.C. Secondary income</b>
<b>II. Capital account (5+6)</b>		<b>2. Capital account</b>
<b>05. Capital transfers</b>	- migrants' effects	<b>2.1. Acquisitions/disposals of nonproduced nonfinancial assets</b>
<b>06. Acquisitions/disposals of nonproduced nonfinancial assets</b>	- sale and purchase of intellectual property right	<b>2.2. Capital transfers</b>
<b>III. Financial account (7+8+9+10)</b>	change of the sign of assets transactions	<b>3. Financial account</b>
<b>07. Direct investment</b>		<b>3.1. Direct investment</b>
7.1. Abroad		3.1.k Assets
7.1.1. Equity capital and reinvested earnings		3.1.1.k Equity and investment fund shares
7.1.1.1. Equity		3.1.1.1.k Equity other than reinvestment of earnings
7.1.1.2. Reinvested earnings		3.1.1.2.k Reinvestment of earnings
7.1.2. Other capital		3.2.k Debt instruments
7.2. In Hungary		3.1.t Liabilities
7.2.1. Equity capital and reinvested earnings		3.1.1.t Equity and investment fund shares
7.2.1.1. Equity		3.1.1.1.t Equity other than reinvestment of earnings
7.2.1.2. Reinvested earnings		3.1.1.2.t Reinvestment of earnings
7.2.2. Other capital		3.2.t Debt instruments
<b>08. Portfolio investment</b>	- equity participations below the 10 per cent voting power	<b>3.2. Portfolio investment</b>
Assets		3.2.k Assets
Liabilities		3.2.t Liabilities
<b>09. Financial derivatives</b>	+ employee stock options	<b>3.3. Financial derivatives and employee stock options</b>
Assets		3.3.k Assets
Liabilities		3.3.t Liabilities
<b>10. Other investment</b>	+ equity participations below the 10 per cent voting power	<b>3.4. Other investment</b>
Assets		3.4.k Assets
Liabilities		3.4.t Liabilities
<b>VI. International reserves</b>	+ SDR allocation	<b>3.5. Reserve assets</b>



Tables 5 and 6 summarise all changes to data due to revisions for the review period (2013 Q1–Q4). Shifts arising from the methodological changeover and data corrections during the review period are treated separately. (BPM5 = data published in the press release of end-March 2014.)

**Table 5**  
**Total revisions by BoP components (excluding SPEs, EUR millions)**

2013	BPM5	BPM6	Difference	of which	
				Methodology	Revisions
1. Current account	2 941	3 005	64	67	-3
1.A. Goods and Services, net	7 811	7 787	-25	112	-137
1.A.a. Goods	4 313	3 788	-525	-261	-264
1.A.b. Services	3 498	3 999	500	373	127
1.A.b.4. Travel	2 383	2 566	183	183	0
1.A.b.e. Other Services	1 115	1 432	317	190	127
<b>1.B. Primary Income</b>	<b>-5 933</b>	<b>-4 422</b>	<b>1 511</b>	<b>1 407</b>	<b>103</b>
1.B.1. Compensation of employees	801	801	0	0	0
1.B.2. Investment income, net	-6 734	-6 676	58	-45	103
1.B.2.1. Direct investment income, net	-4 157	-4 053	105	0	105
1.B.2.2. Portfolio investment income, net	-1 749	-2 393	-645	-643	-2
1.B.2.3. Other investment income, net	-828	-878	-50	-50	0
1.B.2.4. Reserve assets, net	0	648	648	648	0
1.B.3. Other primary income, net	0	1 453	1 453	1 453	0
<b>1.C. Secondary income</b>	<b>1 062</b>	<b>-360</b>	<b>-1 422</b>	<b>-1 453</b>	<b>31</b>
<b>2. Capital account</b>	<b>3 392</b>	<b>3 628</b>	<b>236</b>	<b>106</b>	<b>130</b>
2.1. Gross acquisitions/disposals of non-produced	-50	49	99	106	-7
2.2. Capital transfers	3 442	3 579	137	0	137
<b>3. Financial account (net assets)</b>	<b>7 266</b>	<b>7 299</b>	<b>33</b>	<b>0</b>	<b>33</b>
<b>3.1. Direct investment (net assets)*</b>	<b>-615</b>	<b>-379</b>	<b>237</b>	<b>0</b>	<b>237</b>
Assets	3 793	3 904	111	0	111
Equity	1 341	1 405	64	0	64
Debt instruments	2 452	2 499	47	0	47
Liabilities	4 408	4 283	-126	0	-126
Equity	3 914	3 819	-94	0	-94
Debt instruments	495	463	-31	0	-31
<b>3.2. Portfolio investment (net assets)</b>	<b>-3 140</b>	<b>-3 142</b>	<b>-2</b>	<b>0</b>	<b>-2</b>
Assets	-420	-420	0	0	0
Liabilities	2 720	2 722	2	0	2
<b>3.3. Financial derivatives, net assets</b>	<b>-576</b>	<b>-579</b>	<b>-2</b>	<b>0</b>	<b>-2</b>
Assets	-3 893	-3 893	0	0	0
Liabilities	-3 317	-3 314	2	0	2
<b>3.4. Other investment (net assets)</b>	<b>10 388</b>	<b>10 188</b>	<b>-200</b>	<b>0</b>	<b>-200</b>
Assets	-67	-89	-22	0	-22
Liabilities	-10 456	-10 278	178	0	178
<b>3.5. Reserve assets</b>	<b>1 210</b>	<b>1 210</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. Net errors and omissions</b>	<b>934</b>	<b>667</b>	<b>-267</b>	<b>0</b>	<b>-267</b>

**Direct investment according to the direction of investments**

3.1. Direct investment (net assets)	-615	-379	237	0	237
Direct investment abroad (net assets)	1 701	1 569	-132	-255	123
Equity (net assets)	1 341	1 405	64	0	64
Equity other than reinvestment of earnings	731	633	-98	-112	14
Reinvestment of earnings	610	772	162	112	50
Debt instruments	360	164	-196	-255	59
Direct investment in Hungary (net liabilities)	2 316	1 947	-369	-255	-114
Equity	3 914	3 819	-95	0	-95
Equity other than reinvestment of earnings	2 702	1 942	-760	-682	-78
Reinvestment of earnings	1 212	1 877	665	682	-17
Debt instruments	-1 597	-1 872	-275	-255	-20

**Table 6**  
**Changes in stocks and some indicators vis-à-vis the last publication (excluding SPEs, EUR millions)**

2013	BPM5	BPM6	Difference	of which	
				Methodology	Revisions
3.1. Direct investment (net assets)	-51 865	-50 264	1 601	0	1 601
Assets	45 850	47 503	1 653	0	1 653
Equity	26 475	28 065	1 591	0	1 591
Debt instruments	19 375	19 438	63	0	63
Liabilities	97 715	97 767	52	0	52
Equity	67 868	67 775	-93	0	-93
Debt instruments	29 847	29 992	145	0	145
3.2. Portfolio investment (net assets)	-44 166	-44 137	28	29	-1
Assets	5 721	5 720	0	0	0
Liabilities	49 886	49 858	-28	-29	1
3.3. Financial derivatives, net assets	-1 032	-1 038	-6	0	-6
Assets	2 678	2 679	1	0	1
Liabilities	3 710	3 718	7	0	7
3.4. Other investment (net assets)	-27 927	-28 982	-1 055	-1 138	83
Assets	17 017	17 289	273	0	273
Liabilities	44 944	46 271	1 327	1 138	190
3.5. Reserve assets	33 782	33 782	0	0	0

**Stock of Direct investments according to the direction of investments**

3.1. Direct investment (net assets)	-51 865	-50 264	1 601	0	1 601
Direct investment abroad (net assets)	28 774	28 868	95	-1 567	1 662
Equity (net assets)	26 475	28 064	1 589	0	1 589
Debt instruments	2 299	805	-1 494	-1 567	73
Direct investment in Hungary (net liabilities)	80 639	79 132	-1 507	-1 567	61
Equity	67 868	67 773	-95	0	-95
Debt instruments	12 771	11 359	-1 412	-1 567	155

\* The amount of EUR 1.6 billion shown as a revision under Direct investment equity assets includes the additional estimate of foreign equity holdings by resident households.

**Revisions due to the methodological change of 2014**

This is the first balance of payments publication that has been compiled and disclosed based on the new Balance of Payments and International Investment Position Manual Sixth Edition (BPM6).

Under the BPM6, the structure and main categories have been fully harmonised with the structure and concepts of national accounts. The new balance of payments methodology applies the sectorisation and terminology of the System of National Accounts (SNA).

The sign convention applied in the financial account has also changed in the wake of harmonisation. Instead of inflow/outflow, positive or negative changes in assets and liabilities are presented, with assets minus liabilities constituting the balance (net assets). The sign of net lending calculated based on the top-down (current and capital account) or bottom-up approach (financial account) is therefore identical. (In Table 5 showing the extent of discrepancies, the change derived from the above has been eliminated.)

Below we briefly summarise how the changes arising from the implementation of the new methodology affect the individual balance of payments categories. (For more details on this, see the page on the [methodological change](#) and the methodological [notes](#) on the MNB's website.)

**Current account balance**

In the case of goods, the new methodology brought about several changes. Merchanting, which used to form part of services, will be recognised here, while goods for processing in the reporting economy and goods for processing abroad as well as maintenance and repair were removed from here and transferred to services. Durable and high-value goods acquired for own use are included in

trade in goods, while under the old methodology they were classified into travel (its translation changed in Hungarian). Methodologically, the recording of illegal trade in goods is a new element.

In the case of services, goods for processing in the reporting economy, goods for processing abroad and maintenance and repair services are new here, while merchanting is removed from services to goods. A methodological change that affects travel is that durable and high-value goods are transferred from here to goods, and accounting for illegal transactions will be a new element here. From this time onwards, the sales of intellectual property, which was formerly recognised under non-produced, non-financial assets, will also be accounted for under services. Financial intermediation services indirectly measured (FISIM), which were formerly included in interest income implicitly is a new element in services.

EUR millions

2013	BPM5	BPM6	Difference	Methodology			Revisions		
				Credit	Debit	Net	Credit	Debit	Net
1.A. Goods and Services	7 811	7 787	-25	-4 296	-4 409	112	-148	-11	-137
1.A.a. Goods	4 313	3 788	-525	-5 076	-4 815	-261	0	264	-264
1.A.b. Services	3 498	3 999	500	780	406	373	-148	-275	127
1.A.b.4. Travel	2 383	2 566	183	139	-45	183	0	0	0
1.A.b.e. Other Services	1 115	1 432	317	641	451	190	-148	-275	127

Primary income is a new category.

Compensation of employees and other investment income were supplemented with a new income element which includes product and production taxes and subsidies formerly recognised as current transfers (some of the EU transfers). It is also new that in the case of direct investment, extraordinary dividends paid from the earnings of previous years (superdividends) must be recorded as a withdrawal of equity rather than as of income. Financial services indirectly measured (FISIM) are now recorded under services, and other investment income is adjusted for them. For the purposes of presentation, it is a novelty that income on reserve assets is recognised in a separate row, thus portfolio investment and other investment will also change accordingly.

Secondary income is the new term formerly used for current transfers. In addition to the change of names, the fact that product and production taxes and subsidies are reclassified under primary income represents a change in contents also.

### Capital Account

In the capital account, capital transfers are only affected by the effects of migrants. Computer software, audiovisual products and transactions involving the proprietary rights arising from research and development have been reclassified into the appropriate service categories from non-produced, non-financial assets.

### Financial account

Under direct investment, it has been a substantial change that in the standard presentation, instead of the breakdown by the direction of investment, the methodology applies a breakdown by assets and liabilities. Thus all assets and liabilities which may have been netted in the aggregate figures of the breakdown by the direction of investment are recorded separately. It primarily shows in the case of equity, in the recognition of reverse investment since the asset and liability data have already been available for other capital. The old breakdown based on the directional principle will still be published for the sake of facilitating analysis.

The role of equity share is replaced by the voting power, while indirect voting power and fellow enterprises receive a greater emphasis. In the case of the latter, assets and liabilities are classified in the breakdown by directional principle according to the resident or non-resident status of their ultimate investors.

Investments among corporate group members representing voting shares of under 10 per cent must also be recorded among direct investments under the new methodology. Extraordinary dividends paid from the earnings of previous years (superdividends) must be treated as a withdrawal of equity rather than as direct investment income.

In the case of portfolio investments, according to the new methodology, securitised and unsecuritised participations embodying a voting power of under 10 per cent within the enterprise group were reclassified under the new methodology to direct investment income, while unsecuritised participations embodying a voting power of under 10 per cent outside the enterprise group were moved to other investment.

Financial derivatives and employee stock options were not changed upon the implementation of the new methodology.

Unsecuritised participations embodying a voting power of under 10 per cent outside the enterprise group have been transferred to other investment from portfolio investments. It is also a novelty that under other investment, a liability should be recorded linked up with SDR allocation which was recognised under reserves.

Reserve assets were not changed because of the implementation of the new methodology.

\* \* \* \* \*

In this press release, Hungary's balance of payments and international investment position are presented excluding data on special purpose entities (SPEs), consistent with past practice. However, Hungary's balance of payments and IIP both excluding and including SPE data are available on the MNB's website.

The MNB will release Hungary's balance of payments and international investment position data for 2014 Q2 as well as back data reflecting the new methodology on 23 September 2014.

Detailed tables: [Balance of payments](#)

Notes [Methodological notes](#)

Charts: [Chart pack](#)

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