



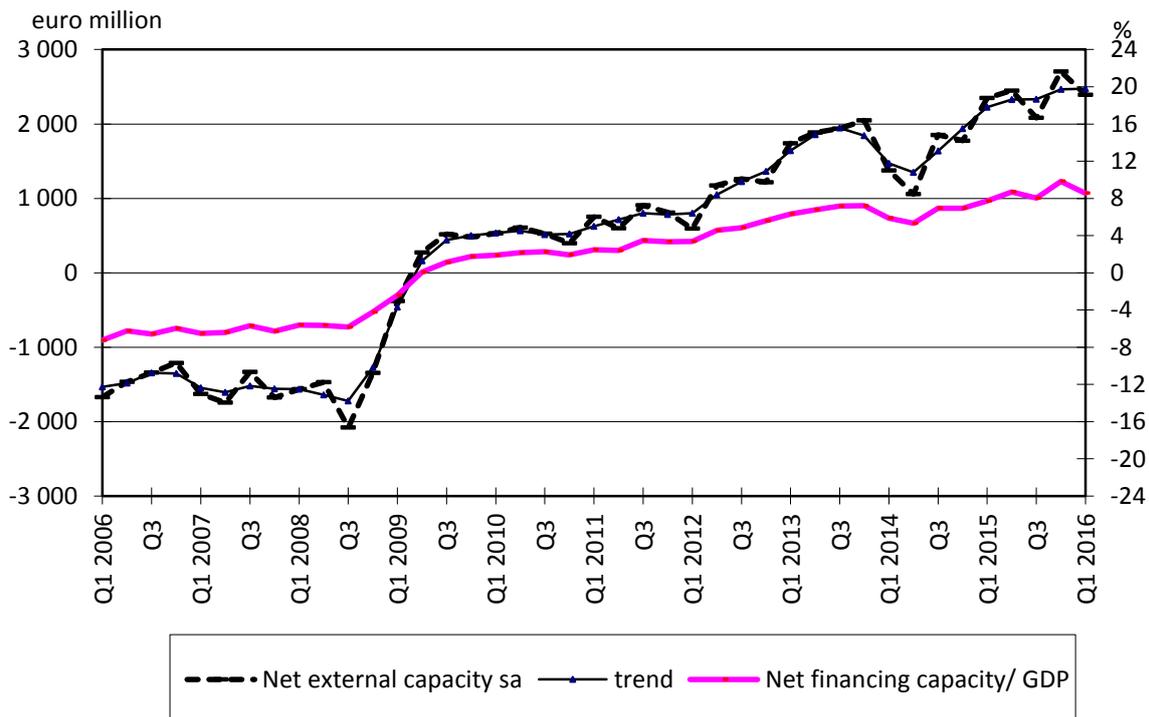
24 June 2016

## PRESS RELEASE

### Hungary's balance of payments: 2016 Q1

In 2016 Q1, Hungary's unadjusted net external financing capacity (i.e. the combined surplus of the current and capital accounts) amounted to EUR 2,165 million (HUF 671 billion).<sup>1</sup> Adjusted for seasonal effects, the net external financing capacity was EUR 2,395 million (HUF 718 billion), equal to 8.6% of quarterly GDP. Lower transfers from the EU were the main factor resulting in a decline in net external financing capacity.

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



<sup>1</sup> Consistent with the practice of releasing and revising statistical data, on 24 June 2016 the MNB is publishing Hungary's balance of payments and international investment position statistics for 2016 Q1 for the first time, as well as revised data for 2015 Q1–Q4.

**Table 1**  
**Balance of payments main components (EUR millions)**

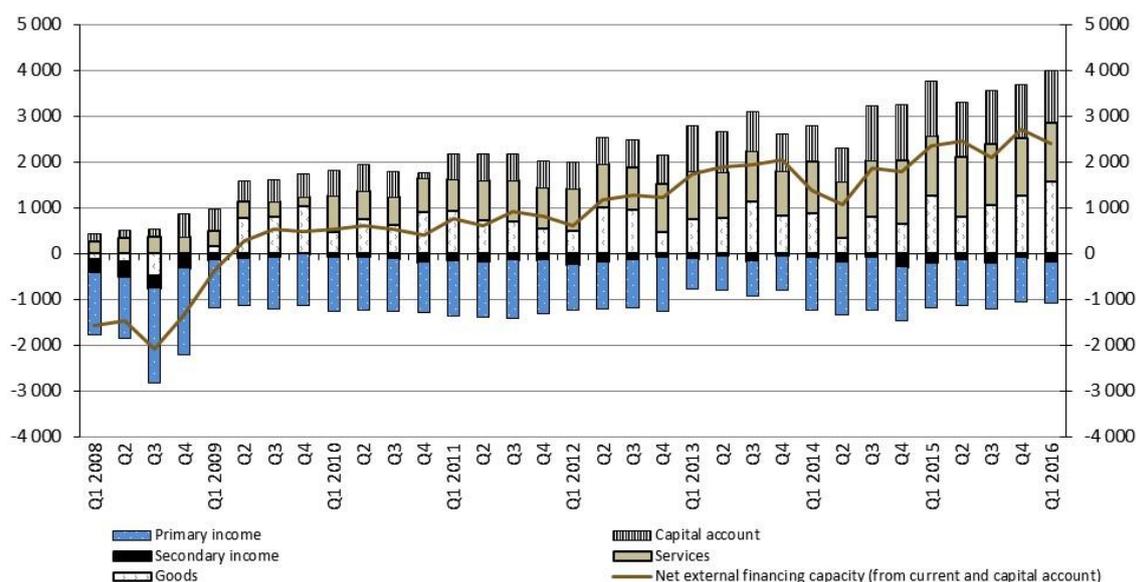
	2015					2016
	Q1	Q2	Q3	Q4	Y	Q1
<b>1. Current account, net (1.A+1.B+1.C)</b>	<b>1 375</b>	<b>888</b>	<b>1 490</b>	<b>1 018</b>	<b>4 771</b>	<b>1 740</b>
<b>1.A. Goods and Services, net</b>	<b>2 528</b>	<b>2 119</b>	<b>2 709</b>	<b>1 993</b>	<b>9 348</b>	<b>2 810</b>
Exports	23 876	25 263	25 598	25 460	100 198	25 027
Imports	21 348	23 145	22 889	23 467	90 849	22 218
1.A.a. Goods, net	1 448	713	964	1 134	4 259	1 654
Exports	19 539	20 341	20 171	20 593	80 644	20 455
Imports	18 091	19 627	19 207	19 459	76 384	18 800
1.A.b. Services, net	1 080	1 405	1 744	859	5 089	1 155
Exports	4 337	4 923	5 427	4 867	19 554	4 573
Imports	3 256	3 518	3 682	4 008	14 465	3 418
<b>1.B. Primary income, net</b>	<b>-747</b>	<b>-1 172</b>	<b>-1 081</b>	<b>-997</b>	<b>-3 997</b>	<b>-647</b>
1.B.1. Compensation of employees, net	566	596	590	610	2 363	603
1.B.2. Investment income, net	-1 688	-2 054	-1 923	-2 119	-7 783	-1 544
1.B.2.1. Direct investment income, net	-1 166	-1 373	-1 454	-1 648	-5 641	-1 094
1.B.2.2. Portfolio investment income, net	-497	-663	-448	-437	-2 045	-407
1.B.2.3. Other investment income, net	-132	-122	-120	-124	-498	-121
1.B.2.4. Reserve assets, net	108	104	100	90	401	78
1.B.3. Other primary income, net	375	285	251	512	1 423	294
-of which: EU transfers	375	285	251	512	1 423	294
<b>1.C. Secondary income, net</b>	<b>-407</b>	<b>-59</b>	<b>-137</b>	<b>22</b>	<b>-580</b>	<b>-423</b>
-of which: EU transfers	-191	177	103	302	390	-185
<b>2. Capital account, net</b>	<b>745</b>	<b>1 195</b>	<b>669</b>	<b>2 155</b>	<b>4 765</b>	<b>425</b>
-of which: EU transfers	735	1 313	652	2 191	4 891	382
<b>3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)</b>	<b>1 081</b>	<b>2 444</b>	<b>1 983</b>	<b>3 712</b>	<b>9 221</b>	<b>863</b>
<b>3.1. Direct investment (net assets)</b>	<b>127</b>	<b>1 236</b>	<b>-558</b>	<b>97</b>	<b>902</b>	<b>-238</b>
3.1.k. Abroad (net assets)	624	1	506	-15 836	-14 705	-8 707
3.1.1.k Equity (net assets)	-198	645	-290	-16 123	-15 966	-7 954
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	-314	580	-583	-16 355	-16 672	-8 069
3.1.1.2.ki Reinvestment of earnings (net assets)	116	65	293	232	707	115
3.1.2.ki Debt instruments (net assets)	822	-644	796	287	1 260	-753
3.1.2.1.ki Assets	192	-163	294	283	605	-567
3.1.2.2.ki Liabilities	-630	481	-502	-4	-655	186
3.1.t In Hungary (net liabilities)	497	-1 235	1 064	-15 933	-15 607	-8 469
3.1.1.t Equity (net liabilities)	1 092	-2 470	1 624	1 925	2 172	-8 200
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	142	-1 352	67	181	-961	-8 922
3.1.1.2.be Reinvestment of earnings (net liabilities)	950	-1 118	1 557	1 744	3 133	722
3.1.2.be Debt instruments (net liabilities)	-595	1 235	-560	-17 858	-17 779	-269
3.1.2.1.be Assets	834	330	-1 041	19 343	19 466	-994
3.1.2.2.be Liabilities	238	1 564	-1 601	1 484	1 687	-1 263
<b>3.2. Portfolio investment (net assets)</b>	<b>1 072</b>	<b>1 728</b>	<b>1 427</b>	<b>1 446</b>	<b>5 672</b>	<b>2 796</b>
3.2.k Assets	-173	206	125	214	371	225
3.2.t Liabilities	-1 245	-1 522	-1 302	-1 231	-5 300	-2 571
<b>3.3. Financial derivatives (other than reserves), net assets</b>	<b>-108</b>	<b>-349</b>	<b>-289</b>	<b>59</b>	<b>-686</b>	<b>406</b>
3.3.k Assets	-2 229	-1 540	-1 231	-1 219	-6 218	-1 265
3.3.t Liabilities	-2 122	-1 190	-942	-1 278	-5 532	-1 671
<b>3.4. Other investment (net assets)</b>	<b>-1 236</b>	<b>1 465</b>	<b>3 928</b>	<b>4 081</b>	<b>8 237</b>	<b>702</b>
3.4.k Assets	801	983	670	2 985	5 439	2 301
3.4.t Liabilities	2 037	-482	-3 257	-1 096	-2 798	1 600
<b>3.5. Reserve assets</b>	<b>1 226</b>	<b>-1 635</b>	<b>-2 524</b>	<b>-1 970</b>	<b>-4 904</b>	<b>-2 804</b>
<b>Memorandum:</b>						
<b>Net external financing capacity</b>						
Net external financing capacity (Current and capital account)	2 120	2 082	2 159	3 174	9 535	2 165
Net external financing capacity (Financial account)	1 081	2 444	1 983	3 712	9 221	863
Balancing item (Net errors and omissions)	-1 039	362	-176	538	-315	-1 302

**Table 2**  
**Net external financing capacity (seasonally adjusted data; EUR millions)<sup>2</sup>**

	2015				2016
	Q1	Q2	Q3	Q4	Q1
<b>1. Real economic transactions, net (Goods and services)</b>	<b>2 373</b>	<b>2 198</b>	<b>2 349</b>	<b>2 441</b>	<b>2 635</b>
1.1. Export	24 503	25 037	25 252	25 374	25 691
1.2. Import	22 087	23 125	23 049	22 848	23 005
<b>1.1. Goods</b>	<b>1 263</b>	<b>803</b>	<b>1 049</b>	<b>1 265</b>	<b>1 556</b>
1.1.1. Export	19 798	20 221	20 256	20 367	20 724
1.1.2. Import	18 639	19 504	19 522	19 165	19 460
<b>1.2. Services</b>	<b>1 294</b>	<b>1 309</b>	<b>1 341</b>	<b>1 254</b>	<b>1 306</b>
1.2.1. Travel, net	800	798	808	801	788
export	1 228	1 170	1 248	1 244	1 224
import	383	404	428	426	540
1.2.2. Other services, net	514	535	564	360	552
export	3 595	3 683	3 714	3 723	3 772
import	3 119	3 180	3 192	3 301	3 190
<b>2. Primary income</b>	<b>-973</b>	<b>-1 000</b>	<b>-1 014</b>	<b>-982</b>	<b>-913</b>
<b>3. Secondary income</b>	<b>-212</b>	<b>-132</b>	<b>-205</b>	<b>-88</b>	<b>-178</b>
<b>4. Current account balance</b>	<b>1 240</b>	<b>1 068</b>	<b>1 141</b>	<b>1 334</b>	<b>1 583</b>
<b>5. Capital account</b>	<b>1 200</b>	<b>1 180</b>	<b>1 161</b>	<b>1 157</b>	<b>1 142</b>
<b>6. EU-transfers</b>	<b>1 646</b>	<b>1 733</b>	<b>1 463</b>	<b>1 692</b>	<b>1 386</b>
<b>7. Net external financing capacity</b>	<b>2 349</b>	<b>2 449</b>	<b>2 084</b>	<b>2 705</b>	<b>2 395</b>

**I. Main developments in net external financing capacity (current and capital account aggregates)**

**Chart 2**  
**Net external financing capacity (seasonally unadjusted, EUR millions)**



<sup>2</sup> The balances are directly adjusted. The seasonally adjusted balances cannot be reproduced from the seasonally adjusted credits and debits. The same applies to the aggregates. The seasonally adjusted aggregates cannot be reproduced from the seasonally adjusted sub-accounts either (e.g. the seasonally adjusted current account balance does not equal to the sum of the seasonally adjusted data of the sub-accounts).

Of the components of Hungary’s net external financing capacity, calculated as the balance on the current and capital accounts, the seasonally adjusted surplus on **goods** amounted to EUR 1,556 million in 2016 Q1, exceeding the surplus in the previous quarter. Both exports (EUR 20,724 million) and imports (EUR 19,460 million) were higher in 2016 Q1 compared with the previous quarter.

The surplus on **services** amounted to EUR 1,306 million in 2016 Q1, also exceeding the surplus in the previous quarter. Within this, the travel surplus was EUR 788 million, falling relative to the previous quarter. Credits (EUR 1,224 million) fell and debits (EUR 540 million) rose. Other services credits amounted to EUR 3,772 million, rising relative to the previous quarter, and debits amounted to EUR 3,190 million, falling from their level in the previous quarter. As a result, the surplus on other services (EUR 552 million) was higher than in the previous quarter.

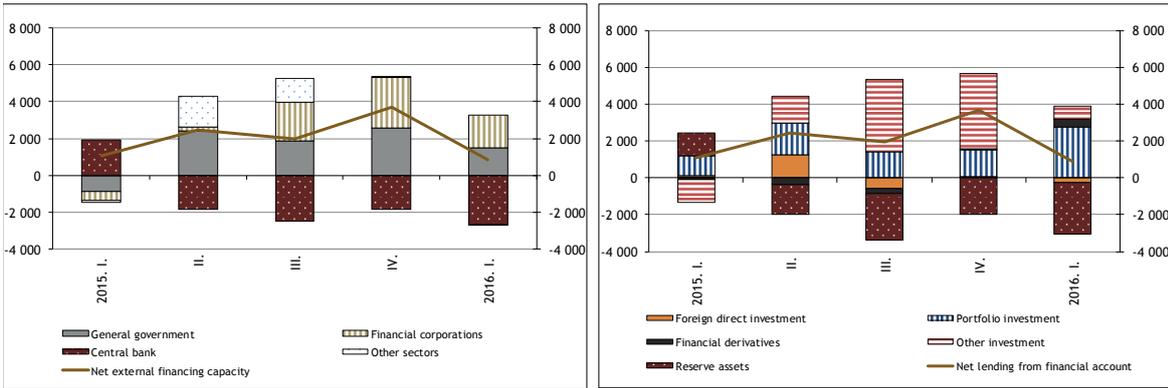
In 2016 Q1, the seasonally adjusted **primary income** deficit (EUR 913 million) fell slightly relative to previous quarters.

The deficit on **secondary income** was EUR 178 million in 2016 Q1, rising relative to the level in the previous quarter.

The seasonally adjusted surplus on **transfers to and from the EU** amounted to EUR 1,386 million in 2016 Q1, with the seasonally unadjusted surplus amounting to only EUR 491 million. Seasonally adjusted, the quarterly data showed a decline compared with previous quarters. As regards the *unadjusted values* of the individual components, net primary income (taxes and subsidies on production and products) amounted to EUR 294 million and the deficit on current transfers, recorded under secondary income, amounted to EUR 185 million. Funds received from the EU, recorded as capital transfers, amounted to EUR 382 million.

**II. Financial account: net external financing capacity calculated from the financial account in the first quarter of 2016<sup>3</sup>**

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



<sup>3</sup> Summary data for the individual categories of investment are included in Table 1.

**Direct investment** transactions showed a net inflow of EUR 238 million. Outward investments fell by EUR 8,707 million and inward investments by EUR 8,469 million in 2016 Q1, most of which was related to capital in transit transactions. Adjusted for the effect of capital in transit and of asset portfolio restructuring, the value of outward investments transactions was EUR 644 million and that of inward investment transactions was EUR 882 million.

Within direct investments abroad, equities other than reinvestment of earnings reduced the value of investments abroad by EUR 8,069 million (of which capital in transit amounted to EUR 8,831 million) and reinvested earnings increased it by EUR 115 million in 2016 Q1. Within equity investments, capital withdrawals recorded as superdividends amounted to EUR 9 million.<sup>4</sup> Transactions in debt instruments showed a EUR 753 million decrease in net assets (of which capital in transit amounted to EUR 520 million).

Within direct investments in Hungary, the value of investments in equities other than reinvestment of earnings reduced the value of investments in Hungary by EUR 8,922 million (of which capital in transit amounted to EUR 9,233 million) and reinvested earnings increased it by EUR 722 million. (Within equity investments, capital withdrawals recorded as superdividends amounted to EUR 100 million.) The net debt instruments showed a EUR 269 million decrease in net liabilities (of which capital in transit amounted to EUR 117 million). A [table](#) on the MNB's website summarises transactions related to capital in transit and asset portfolio restructuring as well as adjusted direct investment data.<sup>5</sup>

**Portfolio investment** transactions showed a net outflow of EUR 2,796 million in 2016 Q1 (an increase in net assets), reflecting a EUR 225 million increase in assets and a EUR 2,571 million decrease in liabilities. Within assets, equity securities and investment fund shares increased by EUR 123 million and debt securities by EUR 103 million. Within liabilities, equity securities and investment fund shares decreased by EUR 152 million and debt securities by EUR 2,418 million.

The balance of **other investments** showed an outflow of EUR 702 million in 2016 Q1 (an increase in net assets). Assets increased by EUR 2,301 million, of which loan assets rose by EUR 1,987 million. Liabilities increased by EUR 1,600 million, of which deposit liabilities rose by EUR 735 million. Within other assets and liabilities under other investments, the increase in assets vis-à-vis the EU related to the accrual-based recording of EU transfers amounted to EUR 54 million. Liabilities increased by EUR 670 million.

### III. Stock of reserve assets and external debt

The central bank's reserve assets amounted to EUR 27.6 billion at the end of March 2016. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 26.0 billion at the end of March 2016 (24.1% as a percentage of GDP in the last four quarters). Net assets vis-à-vis the European Union, reflecting the recording of EU transfers on an accrual basis, amounted to EUR 2.3 billion: the stock of assets was EUR 3.4 billion and that of liabilities was EUR 1.1 billion.

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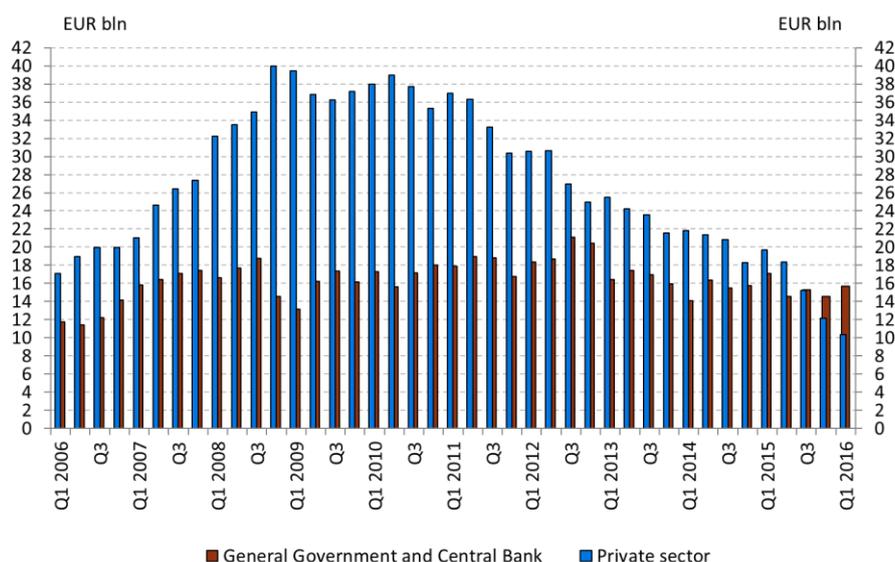
<sup>4</sup> Under the BPM6 methodology, superdividends are not recorded as dividends but rather as capital withdrawal. Superdividends are dividends declared payable from retained earnings of previous years. The value of capital withdrawal recorded as superdividends are published separately on the MNB's website, in the files detailing ([FDI aggregates](#)), according to the directional principle.

<sup>5</sup> The statistical treatment of the outlier asset portfolio restructuring in 2015 Q4, recorded as a direct investment transaction, is discussed in detail in the box at the end of this press release.

**Table 3**  
**Foreign assets and liabilities of Hungary<sup>6</sup> (EUR millions)**

	2015				2016
	Q1	Q2	Q3	Q4	Q1
<b>Assets</b>	<b>125 735</b>	<b>122 650</b>	<b>119 155</b>	<b>139 227</b>	<b>127 421</b>
3.1.k Direct investment	56 319	55 860	55 365	73 703	63 131
3.2.k Portfolio investment	8 529	8 451	7 921	8 333	8 358
3.3.k Financial derivatives and employee stock options	5 754	4 620	4 235	4 283	3 698
3.4.k Other investment	18 225	18 958	19 507	22 587	24 683
o/w: due to accrual accounting of EU-transfers	1 377	1 551	2 168	3 358	3 398
3.5. Reserve assets	36 908	34 761	32 127	30 322	27 551
<b>Liabilities</b>	<b>213 448</b>	<b>204 034</b>	<b>198 900</b>	<b>211 353</b>	<b>200 353</b>
3.1.t Direct investment	108 203	104 537	104 680	117 808	107 538
3.2.t Portfolio investment	53 996	50 443	48 900	49 268	47 568
3.3.t Financial derivatives and employee stock options	3 626	2 687	2 308	2 117	1 851
3.4.t Other investment	47 624	46 366	43 011	42 159	43 396
o/w: due to accrual accounting of EU-transfers	768	427	413	400	1 060
<b>Net Assets</b>	<b>-87 713</b>	<b>-81 384</b>	<b>-79 745</b>	<b>-72 126</b>	<b>-72 932</b>
o/w: due to accrual accounting of EU-transfers	609	1 125	1 756	2 958	2 338
<b>Memorandum:</b>					
<b>Gross external debt (excluding FDI debt)</b>	<b>93 469</b>	<b>88 127</b>	<b>83 819</b>	<b>81 469</b>	<b>80 126</b>
General government and Central bank	55 035	50 380	48 866	47 713	46 073
Other MFIs and Other sectors	38 434	37 748	34 954	33 756	34 053
<b>Net external debt (excluding FDI debt)</b>	<b>36 812</b>	<b>32 967</b>	<b>30 563</b>	<b>26 732</b>	<b>26 033</b>
General government and Central bank	17 092	14 590	15 316	14 589	15 682
Other MFIs and Other sectors	19 719	18 377	15 247	12 143	10 351

**Chart 4**  
**Net foreign debt of Hungary (excluding FDI debt instruments), 2016 Q1**



<sup>6</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*.

#### IV. Data revisions in the period

Tables 4 and 5 summarise changes occurring in the revision periods (2015 Q1–Q4). During the revised period, most of the shifts are explained by data revisions of data providers. This is also valid for the shift related to the outlier asset portfolio realignment in 2015 Q4 within direct investments, which is discussed in more detail in a box at the end of this press release. As a result of data revisions by data providers, the net errors and omissions in 2015 fell by more than EUR 900 million, from EUR -1,223 million published in March to EUR -315 million.

**Table 4**  
**Changes in net flows vis-a-vis the last publication (excluding SPEs, EUR millions)**

	Q1-Q4 2015
1. Goods	0
2. Services	0
3. Primary income	3
4. Secondary income	0
<b>I. Current account balance (1+2+3+4)</b>	<b>3</b>
<b>II. Capital account</b>	<b>0</b>
<b>III. Financial account (5+6+7+8)</b>	<b>912</b>
5. Foreign direct investment (net assets)	684
Foreign direct investment abroad (net assets)	-16 086
Equity	-16 116
Debt instruments	30
Foreign direct investment in Hungary (net liabilities)	-16 770
Equity	-63
Debt instruments	-16 707
6. Portfolio investments (net assets)	0
Assets	0
Liabilities	0
7. Financial derivatives (net assets)	0
8. Other investments (net assets)	228
Assets	7
Liabilities	-221
<b>IV. Net errors and omissions</b>	<b>909</b>

**Table 5**  
**Changes in stocks and selected macroeconomic indicators vis-à-vis the last publication**  
**(excluding SPEs, EUR millions)**

	<b>Q1-Q4 2015</b>
1. Foreign direct investment (net assets)	4 987
Foreign direct investment abroad (net assets)	-2 258
Equity	-2 307
Debt assets	67
Debt liabilities	18
Foreign direct investment in Hungary (net liabilities)	-7 244
Equity	9 165
Debt assets	14 417
Debt liabilities	-1 992
2. Portfolio investments (net assets)	0
Assets	0
Liabilities	0
3. Financial derivatives (net assets)	0
4. Other investments (net assets)	-123
Assets	-22
Liabilities	101
Gross external debt*	101
Net external debt*	123
Goods net in the percentage of the GDP	0,0%
Current account balance in the percentage of the GDP	0,0%
Gross debt in the percentage of the GDP*	0,1%
Net debt in the percentage of the GDP*	0,1%

\* FDI debt instruments excluded.

\* \* \* \* \*

**On the statistical recognition of the outlier asset portfolio restructuring transaction  
in 2015 Q4**

In the last quarter of 2015 a multinational corporation reorganised its operating structure globally, which also had a substantial impact on the operation of the group members in Hungary. The global streamlining of the business was implemented in multiple steps. During the process certain functions of the respective Hungarian business operation were transferred within the group (in the form of contribution in kind and by selling property rights) to a non-resident subsidiary, and then, as the conclusion of the process, the Hungarian company sold this non-resident subsidiary to another group member third-country peer company. The Hungarian company received in lieu of selling its foreign subsidiary a credit portfolio vis-à-vis non-resident, but group member companies.

In the balance of payments and international investment position statistics the individual steps, separated in legal and accounting terms, were recorded in accordance with their economic content. During the statistical recognition, for the purpose of establishing the consolidated total value of the transferred asset components, we set out from the value realised upon the sale of the non-resident subsidiary. The value of the non-resident subsidiary is essentially generated as a result of revaluation in the international investment position rather than from transaction. This is why this outlier is shown under the price changes in the international investment position statistics. On the other hand, the sale of the company, which concludes the process, is recognised as a

transaction in the balance of payments at this value against the FDI intragroup credit portfolio received as an offsetting item.

In accounting terms, the Hungarian company realised extraordinary revenue on the sale of the non-resident subsidiary, which increased its equity through the reinvested earnings. This increasing effect also appears – indirectly, progressing upwards in the ownership chain – also at that Hungarian member of the enterprise group, whose owner is already non-resident, thus this growth in equity must be also recorded in the balance of payments statistics. In accordance with the MNB's normal data dissemination schedule, the statistical accounting of the corporate profit/loss and the replacement of the estimated income related to direct capital investments with the reported data are performed after the processing of the annual reports of the companies, in the September issue of the publication. Due to the COPC adjustment, the extraordinary revenue part of the profit/loss is recognised not as revenue, but as the revaluation of outstanding stocks in the international investment position. In view of the outstanding magnitude of the extraordinary revenue connected to the transaction also at the level of the national economy and thereby of its stock increasing effect through the revaluations, we recognised this already now, in the June publication, thereby avoiding the change in the stock as a result of this transaction with opposite sign in June and thereafter in the September publication.

\* \* \* \* \*

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 level of details in the tables presenting the balance of payments statistics published on the MNB's website on 24 June 2016 is expanded. The higher level of details applies to reserve transactions and positions as well as to the breakdown of the gross debt table by foreign currency and forint, which will be broken down further by sector. In addition, the FDI transactions will be presented in a new table broken down by directional principle and instrument. The changes are highlighted in the index of the publication excel files and also separately, within the tables.

\* \* \* \* \*

The MNB will release Hungary's balance of payments and international investment position data for 2016 Q2 and will revise annual data for 2013, 2014 and 2015 as well as quarterly data on 2016 Q1 on 23 September 2016.

Detailed tables: [Balance of payments](#)

Notes: [Methodological notes](#)

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