



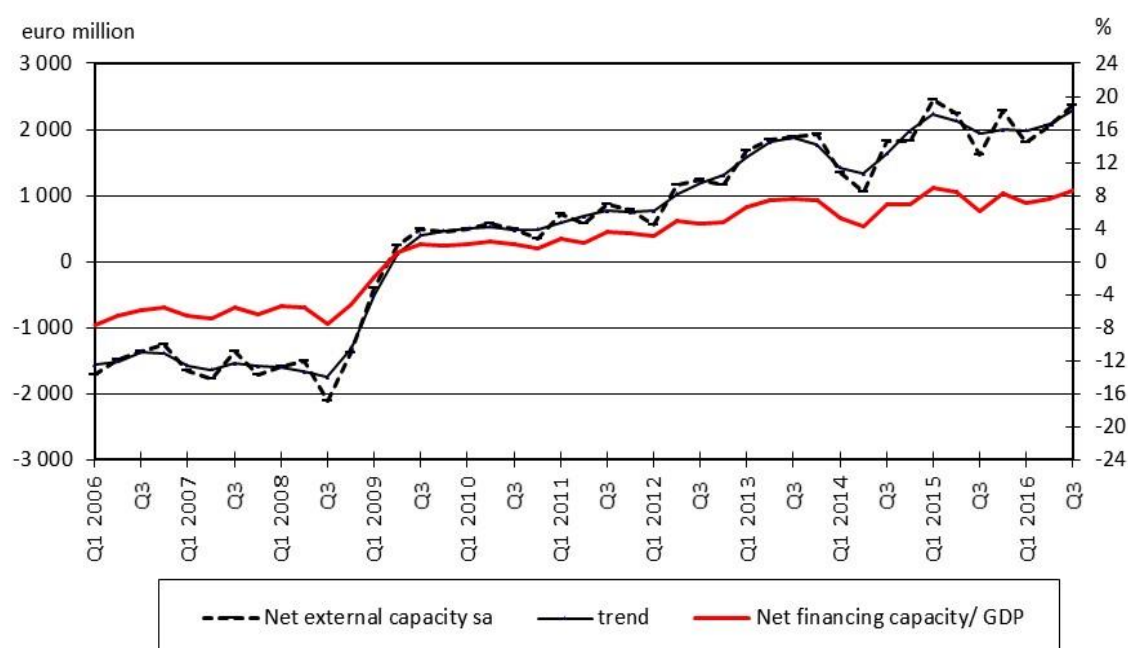
23 December 2016

PRESS RELEASE

Hungary's balance of payments: 2016 Q3

In 2016 Q3, Hungary's unadjusted net external financing capacity (i.e. the combined surplus on the current and capital accounts) amounted to EUR 2,469 million (HUF 766 billion).¹ Adjusted for seasonal effects, the net external financing capacity was EUR 2,371 million (HUF 757 billion), equal to 8.6% of quarterly GDP. The rise in transfers from the EU was the main factor driving the increase 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)



¹ Consistent with the practice of releasing and revising statistical data, on 23 December 2016 the MNB is publishing Hungary's balance of payments and international investment position statistics for 2016 Q3 for the first time, as well as revised data for 2016 Q1–Q2.

Table 1
Balance of payments main components (EUR millions)

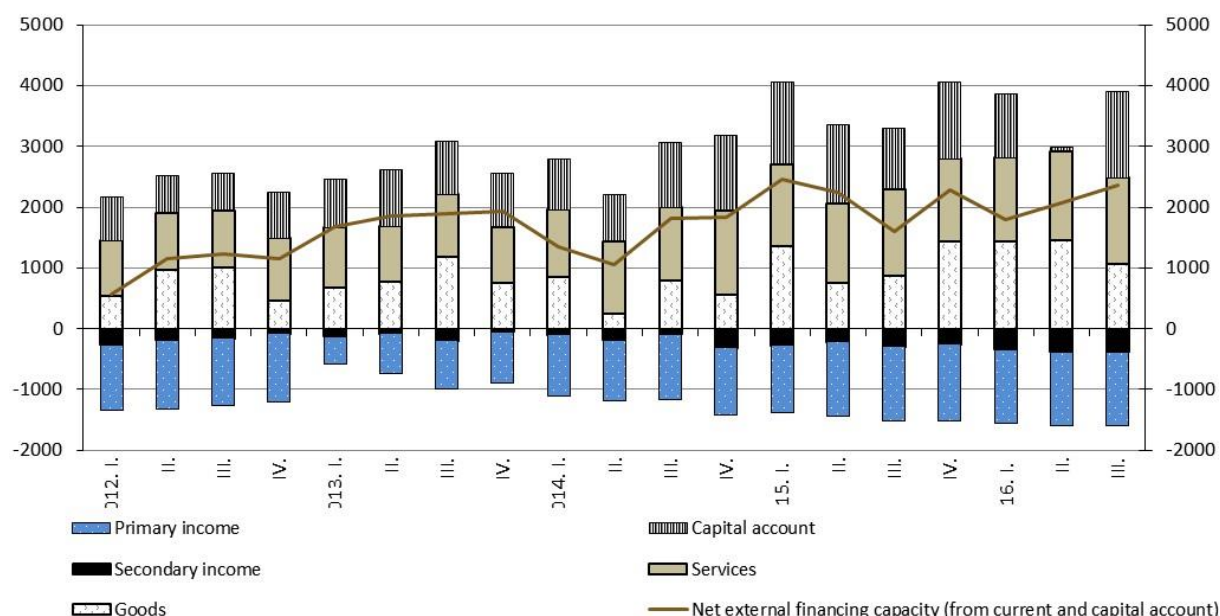
	2015					2016			
	Q1	Q2	Q3	Q4	Y	Q1	Q2	Q3	Q1-Q3
1. Current account, net (1.A+1.B+1.C)	1 461	592	997	664	3 713	1 371	1 585	1 289	4 245
1.A. Goods and Services, net	2 644	2 184	2 602	2 332	9 763	2 679	3 160	2 826	8 664
Exports	23 763	24 961	25 159	25 677	99 561	24 648	26 532	25 969	77 148
Imports	21 119	22 777	22 557	23 345	89 798	21 969	23 372	23 143	68 484
1.A.a. Goods, net	1 495	689	782	1 402	4 368	1 529	1 405	973	3 906
Exports	19 333	19 923	19 638	20 710	79 604	20 072	21 178	20 277	61 528
Imports	17 839	19 235	18 856	19 308	75 237	18 543	19 773	19 304	57 621
1.A.b. Services, net	1 149	1 496	1 820	930	5 395	1 150	1 755	1 852	4 758
Exports	4 430	5 038	5 522	4 967	19 957	4 576	5 353	5 691	15 621
Imports	3 281	3 542	3 701	4 037	14 562	3 426	3 599	3 839	10 863
1.B. Primary income, net	-729	-1 388	-1 376	-1 532	-5 026	-777	-1 167	-1 152	-3 097
1.B.1. Compensation of employees, net	677	702	732	748	2 860	775	744	720	2 239
1.B.2. Investment income, net	-1 769	-2 364	-2 348	-2 808	-9 289	-1 838	-2 251	-2 148	-6 237
1.B.2.1. Direct investment income, net	-1 240	-1 675	-1 872	-2 333	-7 120	-1 389	-1 618	-1 774	-4 780
1.B.2.2. Portfolio investment income, net	-504	-670	-455	-445	-2 074	-410	-603	-346	-1 359
1.B.2.3. Other investment income, net	-133	-123	-121	-120	-497	-117	-98	-85	-300
1.B.2.4. Reserve assets, net	108	104	100	90	401	78	68	57	203
1.B.3. Other primary income, net	362	274	240	528	1 403	286	339	276	901
-of which: EU transfers	362	274	240	528	1 403	286	339	276	901
1.C. Secondary income, net	-454	-204	-229	-136	-1 024	-530	-407	-384	-1 322
-of which: EU transfers	-211	53	45	179	66	-239	-136	-116	-490
2. Capital account, net	786	1 269	705	2 236	4 996	173	78	1 179	1 430
-of which: EU transfers	776	1 387	687	2 274	5 124	163	73	1 167	1 403
3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)	930	1 991	1 539	3 171	7 631	96	1 724	1 582	3 402
3.1. Direct investment (net assets)	129	881	-957	-452	-399	-588	233	-1 371	-1 725
3.1.k. Abroad (net assets)	551	626	460	-15 821	-14 184	-8 774	1	129	-8 644
3.1.1.k Equity (net assets)	-367	1 293	-339	-16 111	-15 523	-8 077	281	406	-7 390
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	-331	1 291	-555	-16 268	-15 864	-8 081	219	186	-7 675
3.1.1.2.ki Reinvestment of earnings (net assets)	-35	2	216	158	340	3	62	219	285
3.1.2.ki Debt instruments (net assets)	918	-667	799	290	1 340	-697	-280	-277	-1 253
3.1.2.1.ki Assets	219	-44	295	287	757	-558	-60	-348	-967
3.1.2.2.ki Liabilities	-699	623	-504	-2	-583	138	220	-72	287
3.1.t In Hungary (net liabilities)	423	-255	1 417	-15 369	-13 785	-8 186	-232	1 499	-6 919
3.1.1.t Equity (net liabilities)	1 032	-1 455	1 993	2 507	4 078	-7 971	-708	2 404	-6 275
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	84	-434	120	160	-70	-9 106	-662	395	-9 372
3.1.1.2.be Reinvestment of earnings (net liabilities)	948	-1 020	1 873	2 347	4 148	1 135	-47	2 009	3 097
3.1.2.be Debt instruments (net liabilities)	-610	1 200	-576	-17 876	-17 863	-215	476	-905	-644
3.1.2.1.be Assets	825	375	-1 019	19 400	19 580	-988	712	-4 060	-4 336
3.1.2.2.be Liabilities	215	1 574	-1 596	1 524	1 718	-1 203	1 188	-4 965	-4 980
3.2. Portfolio investment (net assets)	1 067	1 750	1 426	1 442	5 685	2 816	813	467	4 096
3.2.k Assets	-170	212	126	215	382	260	598	2	860
3.2.t Liabilities	-1 238	-1 538	-1 300	-1 227	-5 303	-2 556	-216	-465	-3 237
3.3. Financial derivatives (other than reserves), net assets	-108	-349	-289	59	-686	406	78	-70	414
3.3.k Assets	-2 229	-1 540	-1 231	-1 219	-6 218	-1 265	-885	-912	-3 062
3.3.t Liabilities	-2 122	-1 190	-942	-1 278	-5 532	-1 671	-963	-842	-3 476
3.4. Other investment (net assets)	-1 384	1 347	3 884	4 096	7 944	264	3 897	3 623	7 784
3.4.k Assets	740	963	701	3 005	5 409	2 027	2 992	1 551	6 569
3.4.t Liabilities	2 123	-384	-3 183	-1 090	-2 535	1 762	-905	-2 072	-1 214
3.5. Reserve assets	1 224	-1 638	-2 526	-1 974	-4 913	-2 803	-3 296	-1 068	-7 167
Memorandum:									
Net external financing capacity									
Net external financing capacity (Current and capital account)	2 247	1 861	1 702	2 900	8 709	1 544	1 663	2 469	5 675
Net external financing capacity (Financial account)	930	1 991	1 539	3 171	7 631	96	1 724	1 582	3 402
Balancing item (Net errors and omissions)	-1 317	131	-163	271	-1 078	-1 448	62	-887	-2 273

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

	2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Real economic transactions, net (Goods and services)	2 560	2 124	2 391	2 691	2 600	3 075	2 633
1.1. Export	24 431	24 648	24 958	25 500	25 366	26 142	25 778
1.2. Import	21 876	22 784	22 779	22 767	22 777	23 373	23 373
1.1. Goods	1 349	745	875	1 440	1 435	1 460	1 061
1.1.1. Export	19 618	19 751	19 836	20 396	20 372	20 959	20 496
1.1.2. Import	18 432	19 211	19 294	19 050	19 225	19 735	19 639
1.2. Services	1 358	1 320	1 423	1 351	1 381	1 463	1 418
1.2.1. Travel, net	789	785	795	789	774	789	793
export	1 243	1 169	1 227	1 237	1 221	1 242	1 312
import	392	418	422	424	534	470	499
1.2.2. Other services, net	570	556	651	552	641	766	664
export	3 680	3 758	3 796	3 851	3 821	3 958	3 909
import	3 138	3 213	3 215	3 322	3 190	3 223	3 255
2. Primary income	-1 097	-1 214	-1 219	-1 253	-1 211	-1 218	-1 219
3. Secondary income	-276	-219	-297	-254	-344	-381	-378
4. Current account balance	1 317	670	777	973	1 217	1 625	1 093
5. Capital account	1 350	1 300	1 007	1 273	1 040	68	1 415
6. Net external financing capacity	2 456	2 246	1 608	2 278	1 800	2 062	2 371

I. Main developments in net external financing capacity (current and capital account aggregates) in the third quarter of 2016

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



² 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 subaccounts either (e.g. the seasonally adjusted current account balance does not equal to the sum of the seasonally adjusted data of the subaccounts).

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 trade in **goods** amounted to EUR 1,061 million in 2016 Q3, lower than the surplus in the previous quarter. Both exports (EUR 20,496 million) and imports (EUR 19,639 million) fell in 2016 Q3 relative to the previous quarter.

The surplus on trade in **services** amounted to EUR 1,418 million in 2016 Q3. This, as in the case of the goods surplus, was also lower than in the previous quarter. Within this, the travel surplus rose relative to the previous quarter, amounting to EUR 793 million. Both credits (EUR 1,312 million) and debits (EUR 499 million) were higher than in Q2. Other services credits (EUR 3,909 million) fell relative to the previous quarter, while debits (EUR 3,255 million) rose from their level in the previous quarter. The seasonally adjusted surplus on other services (EUR 664 million) was lower than in the previous quarter.

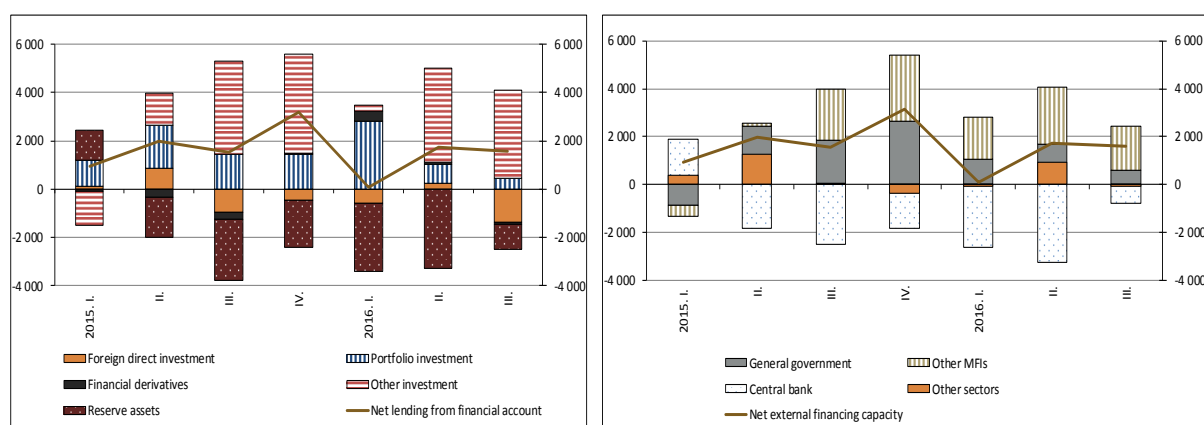
In 2016 Q3, the seasonally adjusted **primary income** deficit (EUR 1,219 million) was broadly unchanged relative to the previous quarter.

The deficit on **secondary income** was EUR 378 million in 2016 Q3, nearly the same as the level in the previous quarter.

The seasonally adjusted surplus on **transfers to and from the EU** amounted to EUR 1,239 million in 2016 Q3, with the seasonally unadjusted surplus amounting to EUR 1,327 million. As regards the *unadjusted values* of the individual components, net primary income (taxes and subsidies on production and products) amounted to EUR 276 million and the deficit on current transfers, recorded under secondary income, amounted to EUR 116 million. The value of funds received from the EU, recorded as capital transfers, was EUR 1,167 million.

II. Financial account: net external financing capacity calculated from the financial account in the third quarter of 2016³

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



³ Summary data for the individual categories of investments are included in Table 1.

Direct investment transactions showed a net inflow of EUR 1,371 million in 2016 Q3: outward investments by residents rose by EUR 129 million and inward investments by non-residents by EUR 1,499 million.

Within direct investments abroad, equities and reinvested earnings contributed EUR 186 million and EUR 219 million, respectively, to the value of investments abroad in 2016 Q3. Within equity investments, capital withdrawals recorded as superdividends amounted to EUR 39 million.⁴ Transactions in debt instruments showed a EUR 277 million decrease in net assets.

Within direct investments in Hungary, the value of investments in equities and reinvested earnings increased the value of investments by non-residents by EUR 395 million and EUR 2,009 million, respectively. (Within equity investments, capital withdrawals recorded as superdividends amounted to EUR 12 million.) Transactions in debt instruments showed a EUR 905 million decrease in net liabilities.

In 2016 Q3, capital in transit and asset portfolio restructurings had no effect on the headline values of investments either by non-residents in Hungary or by Hungarian residents abroad. Nevertheless, the effect of these is recognisable in the more detailed breakdown of data by instrument and sector.⁵

Portfolio investment transactions showed a net outflow of EUR 467 million in 2016 Q3 (an increase in net assets). This reflected an increase of EUR 2 million in assets and a decline of EUR 465 million in liabilities.

Net other investments showed a total outflow amounting to EUR 3,623 million (an increase in net assets). Assets increased by EUR 1,551 million. Within this, currency and deposits increased by EUR 1,131 million. Liabilities fell by EUR 2,072 million. Within this, the decline in loan liabilities amounted to EUR 635 million. Deposit liabilities fell by EUR 273 million and other liabilities by EUR 850 million. Here the decline in assets vis-à-vis the EU related to the accrual-based recording of EU transfers amounted to EUR 817 million.

III. Stock of reserve assets and external debt

The central bank's reserve assets amounted to EUR 23.7 billion at the end of September 2016. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 22.8 billion at the end of September 2016 (20.2% 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 2.6 billion: the stock of assets was EUR 2.9 billion and that of liabilities was EUR 0.3 billion.

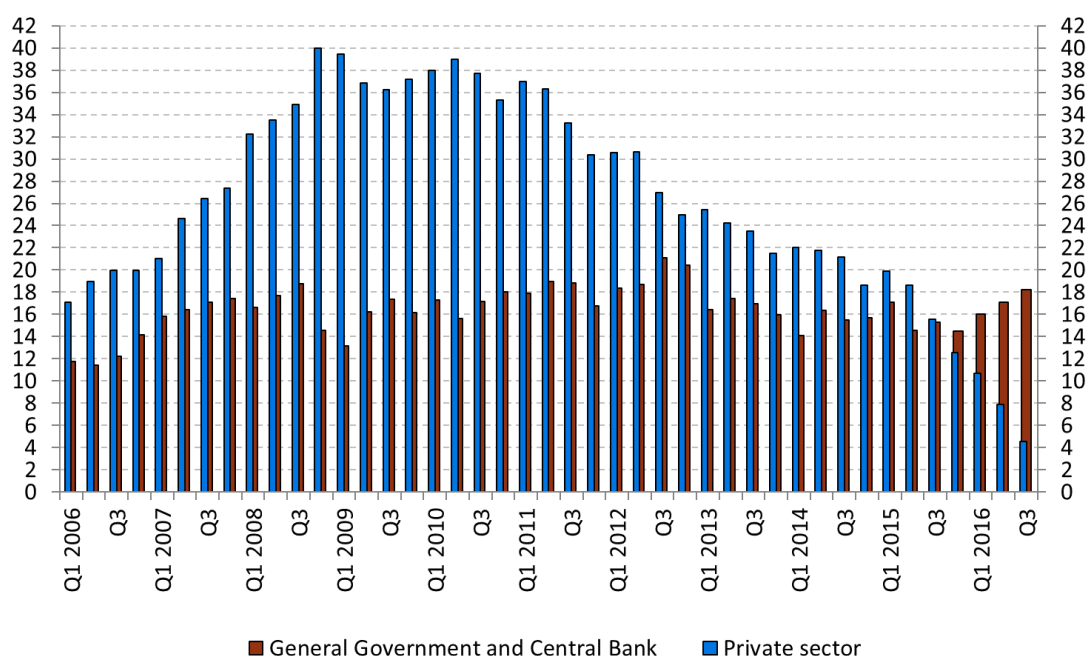
⁴ Under the BPM6 methodology, superdividends are not recorded as dividends but rather as capital withdrawal. Superdividends are dividends declared payable from retained earnings of previous years. The value of capital withdrawal recorded as superdividends are published separately on the MNB's website,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

⁵ 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.

Table 3
Foreign assets and liabilities of Hungary⁶ (EUR millions)

	2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Assets	124 990	122 387	118 690	138 372	126 548	129 342	125 160
3.1.k Direct investment	55 813	55 849	54 964	72 906	62 441	63 817	59 384
3.2.k Portfolio investment	8 368	8 295	7 921	8 333	8 391	8 997	9 214
3.3.k Financial derivatives and employee stock options	5 754	4 620	4 235	4 283	3 698	4 172	3 719
3.4.k Other investment	18 147	18 863	19 443	22 528	24 467	27 571	29 183
o/w: due to accrual accounting of EU-transfers	1 365	1 529	2 135	3 369	3 056	3 033	2 930
3.5. Reserve assets	36 908	34 761	32 127	30 322	27 551	24 785	23 661
Liabilities	215 356	208 950	205 991	211 416	202 515	201 821	199 190
3.1.t Direct investment	110 010	109 270	111 508	117 627	109 169	109 662	108 123
3.2.t Portfolio investment	54 010	50 437	48 900	49 267	47 566	46 887	48 094
3.3.t Financial derivatives and employee stock options	3 626	2 687	2 308	2 117	1 851	2 112	1 769
3.4.t Other investment	47 710	46 556	43 274	42 405	43 929	43 160	41 205
o/w: due to accrual accounting of EU-transfers	768	427	413	408	1 127	1 113	317
Net Assets	-90 366	-86 563	-87 301	-73 044	-75 967	-72 479	-74 030
o/w: due to accrual accounting of EU-transfers	597	1 102	1 722	2 961	1 928	1 919	2 612
Memorandum:							
Gross external debt (excluding FDI debt)	93 555	88 317	84 083	81 715	80 659	79 614	78 082
General government and Central bank	55 035	50 380	48 866	47 721	46 140	44 353	44 003
Other MFIs and Other sectors	38 520	37 937	35 217	33 994	34 519	35 261	34 079
Net external debt (excluding FDI debt)	36 976	33 251	30 890	27 036	26 749	24 958	22 759
General government and Central bank	17 092	14 590	15 316	14 501	16 030	17 079	18 237
Other MFIs and Other sectors	19 883	18 661	15 574	12 535	10 719	7 879	4 522

Chart 4
Net foreign debt of Hungary (excluding FDI debt instruments), end of periods (EUR billions)



⁶ 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 relative to 2016 Q1–Q2 data published in September 2016. During the revised period, most of the shifts are explained by data revisions of data providers.

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

	2016 Q1	2016 Q2
1. Goods	0	0
2. Services	0	0
3. Primary income	-117	-134
4. Secondary income	-47	-48
I. Current account balance (1+2+3+4)	-164	-182
II. Capital account	-91	1
III. Financial account (5+6+7+8)	-264	-301
5. Foreign direct investment (net assets)	-172	-413
Foreign direct investment abroad (net assets)	-19	-58
Equity	-27	111
Debt instruments	8	-169
Foreign direct investment in Hungary (net liabilities)	153	355
Equity	134	313
Debt instruments	20	42
6. Portfolio investments (net assets)	0	0
Assets	0	0
Liabilities	0	0
7. Financial derivatives (net assets)	0	-2
8. Other investments (net assets)	-92	114
Assets	43	16
Liabilities	135	-98
IV. Net errors and omissions	-9	-120

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

	2016 Q1	2016 Q2
1. Foreign direct investment (net assets)	-947	-1 359
Foreign direct investment abroad (net assets)	-20	-35
Equity	-27	84
Debt assets	33	83
Debt liabilities	25	202
Foreign direct investment in Hungary (net liabilities)	928	1 324
Equity	134	447
Debt assets	42	-53
Debt liabilities	836	824
2. Portfolio investments (net assets)	0	0
Assets	0	0
Liabilities	0	0
3. Financial derivatives (net assets)	0	2
4. Other investments (net assets)	-61	55
Assets	161	181
Liabilities	222	126
Gross external debt*	222	126
Net external debt*	61	-55
Goods net in the percentage of the GDP	0,0%	0,0%
Current account balance in the percentage of the GDP	-0,1%	-0,2%
Gross debt in the percentage of the GDP*	0,2%	0,1%
Net debt in the percentage of the GDP*	0,1%	-0,1%

* FDI debt instruments excluded.

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 2016 Q4 and will revise annual data for 2014–2015 as well as quarterly data on 2016 Q1–Q3 on 23 March 2016.

Detailed tables: [Balance of payments](#)

Notes: [Methodological notes](#)

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