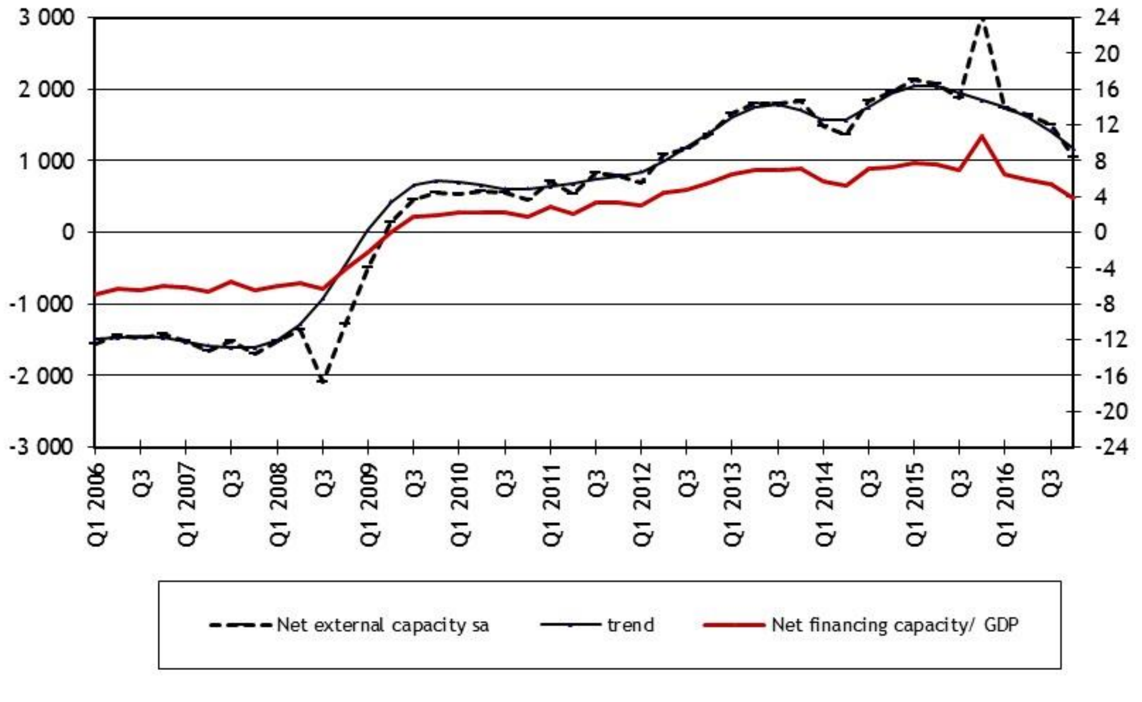
23 March 2017

PRESS RELEASE

Hungary's balance of payments: 2016 Q4

In 2016 Q4, Hungary's unadjusted net external financing capacity (i.e. the combined surplus on the current and capital accounts) amounted to EUR 742 million (HUF 228 billion).[1] Adjusted for seasonal effects, the net external financing capacity was EUR 1,045 million (HUF 330 billion), equal to 4% of quarterly GDP. The decrease in net external financing capacity mainly reflected a decline in transfers from the EU.

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 March 2017 the MNB is publishing Hungary's balance of payments and international investment position statistics for 2016 Q4 for the first time, as well as revised data for 2014, 2015 and 2016 Q1–Q3.

Table 1
Balance of payments main components (EUR millions)

	2014					2015					2016				
	Q1	Q2	Q3	Q4	Y	Q1	Q2	Q3	Q4	Y	Q1	Q2	Q3	Q4	Q1-Q4
1. Current account, net (1.A+1.B+1.C)	**747**	**50**	**1 088**	**291**	**2 175**	**1 506**	**635**	**1 029**	**524**	**3 693**	**1 517**	**1 790**	**1 529**	**688**	**5 524**
1.A. Goods and Services, net	**1 952**	**1 508**	**2 263**	**1 555**	**7 279**	**2 685**	**2 202**	**2 617**	**2 302**	**9 806**	**2 717**	**3 375**	**3 039**	**2 472**	**11 603**
Exports	22 315	23 265	23 630	23 853	93 062	23 810	25 008	25 282	25 827	99 927	24 650	26 725	26 134	26 488	103 996
Imports	20 362	21 757	21 366	22 298	85 783	21 124	22 807	22 665	23 525	90 121	21 934	23 350	23 095	24 015	92 393
1.A.a. Goods, net	989	186	693	503	2 371	1 501	695	785	1 422	4 402	1 508	1 602	1 063	1 089	5 261
Exports	18 203	18 539	18 566	19 116	74 423	19 339	19 929	19 641	20 729	79 638	20 037	21 293	20 277	21 195	82 802
Imports	17 214	18 352	17 872	18 613	72 051	17 839	19 234	18 856	19 307	75 236	18 529	19 692	19 214	20 105	77 541
1.A.b. Services, net	964	1 322	1 570	1 052	4 908	1 185	1 507	1 833	880	5 404	1 209	1 773	1 976	1 383	6 342
Exports	4 112	4 727	5 064	4 737	18 640	4 470	5 079	5 641	5 098	20 289	4 613	5 431	5 857	5 293	21 194
Imports	3 148	3 405	3 494	3 685	13 732	3 286	3 572	3 809	4 218	14 885	3 404	3 658	3 880	3 910	14 852
1.B. Primary income, net	**-950**	**-1 283**	**-1 144**	**-1 033**	**-4 409**	**-734**	**-1 389**	**-1 371**	**-1 692**	**-5 186**	**-769**	**-1 201**	**-1 151**	**-1 314**	**-4 435**
1.B.1. Compensation of employees, net	585	594	615	708	2 502	677	702	732	748	2 860	775	744	720	743	2 983
1.B.2. Investment income, net	-1 852	-2 226	-2 018	-2 139	-8 235	-1 770	-2 367	-2 346	-2 812	-9 295	-1 830	-2 241	-2 147	-2 479	-8 696
1.B.2.1. Direct investment income, net	-1 297	-1 431	-1 462	-1 583	-5 774	-1 240	-1 677	-1 869	-2 336	-7 123	-1 384	-1 612	-1 776	-2 074	-6 846
1.B.2.2. Portfolio investment income, net	-527	-768	-513	-521	-2 329	-504	-670	-455	-445	-2 074	-407	-598	-342	-359	-1 706
1.B.2.3. Other investment income, net	-180	-169	-170	-147	-666	-133	-124	-122	-121	-500	-117	-98	-85	-95	-396
1.B.2.4. Reserve assets, net	151	141	127	113	533	108	104	100	90	401	78	68	57	49	252
1.B.3. Other primary income, net	318	349	259	398	1 324	358	276	243	372	1 250	286	295	276	421	1 278
-of which: EU transfers	318	349	259	398	1 324	358	276	243	372	1 250	286	295	276	421	1 278
1.C. Secondary income, net	**-256**	**-176**	**-31**	**-231**	**-695**	**-445**	**-178**	**-217**	**-86**	**-927**	**-431**	**-384**	**-359**	**-470**	**-1 644**
-of which: EU transfers	-7	64	202	48	307	-203	80	57	230	164	-139	-115	-90	-174	-518
2. Capital account, net	**353**	**631**	**898**	**2 071**	**3 953**	**800**	**1 304**	**731**	**2 310**	**5 144**	**257**	**156**	**102**	**54**	**569**
-of which: EU transfers	334	636	921	2 112	4 003	789	1 422	713	2 348	5 273	248	151	411	248	1 058
3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)	**342**	**753**	**1 231**	**2 225**	**4 551**	**827**	**1 945**	**1 223**	**2 926**	**6 921**	**305**	**1 880**	**1 587**	**130**	**3 902**
3.1. Direct investment (net assets)	**-1 014**	**1 439**	**-1 261**	**-2 137**	**-2 973**	**45**	**869**	**-1 268**	**-722**	**-1 076**	**-559**	**233**	**-1 585**	**-1 260**	**-3 171**
3.1.k. Abroad (net assets)	573	476	614	1 182	2 845	562	616	463	-15 826	-14 184	-8 765	-2	131	761	-7 874
3.1.1.k Equity (net assets)	586	631	1 191	614	3 022	-363	1 292	-335	-16 113	-15 520	-8 077	284	407	767	-6 620
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	427	488	888	321	2 124	-331	1 291	-554	-16 278	-15 872	-8 081	219	186	502	-7 174
3.1.1.2.ki Reinvestment of earnings (net assets)	159	143	303	293	898	-32	0	218	166	352	3	65	221	265	554
3.1.2.ki Debt instruments (net assets)	-13	-155	-577	568	-177	925	-676	799	287	1 335	-687	-286	-276	-6	-1 254
3.1.2.1.ki Assets	-26	52	-161	374	239	227	-51	300	289	766	-549	-66	-347	23	-939
3.1.2.2.ki Liabilities	-13	207	416	-194	416	-698	625	-498	2	-570	138	220	-72	29	315
3.1.t In Hungary (net liabilities)	1 587	-963	1 875	3 319	5 818	517	-253	1 732	-15 104	-13 108	-8 206	-235	1 717	2 021	-4 703
3.1.1.t Equity (net liabilities)	1 354	-1 827	3 015	2 126	4 668	1 113	-1 415	2 181	2 588	4 466	-7 993	-768	2 352	2 206	-4 203
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	261	-1 408	1 471	582	906	162	-400	300	219	281	-9 123	-705	369	78	-9 381
3.1.1.2.be Reinvestment of earnings (net liabilities)	1 093	-419	1 544	1 544	3 762	951	-1 015	1 881	2 368	4 185	1 130	-63	1 983	2 128	5 178
3.1.2.be Debt instruments (net liabilities)	234	864	-1 140	1 193	1 151	-596	1 162	-449	-17 692	-17 575	-214	534	-635	-184	-499
3.1.2.1.be Assets	773	-6	265	-173	859	819	395	-1 031	19 427	19 610	-959	690	-4 071	-1 477	-5 816
3.1.2.2.be Liabilities	1 007	858	-875	1 020	2 009	223	1 557	-1 480	1 735	2 035	-1 172	1 224	-4 706	-1 661	-6 315
3.2. Portfolio investment (net assets)	**-1 108**	**618**	**2 779**	**865**	**3 154**	**1 064**	**1 739**	**1 415**	**1 430**	**5 648**	**2 810**	**808**	**454**	**733**	**4 805**
3.2.k Assets	198	480	400	710	1 788	-170	212	126	215	382	260	598	2	122	981
3.2.t Liabilities	1 306	-138	-2 379	-155	-1 367	-1 235	-1 527	-1 289	-1 215	-5 265	-2 550	-211	-451	-611	-3 823
3.3. Financial derivatives (other than reserves), net assets	**15**	**62**	**12**	**175**	**265**	**-108**	**-349**	**-289**	**59**	**-686**	**406**	**78**	**-70**	**-340**	**73**
3.3.k Assets	-843	-1 757	-526	-814	-3 941	-2 229	-1 540	-1 231	-1 219	-6 218	-1 265	-885	-912	-1 013	-4 076
3.3.t Liabilities	-858	-1 819	-538	-990	-4 206	-2 122	-1 190	-942	-1 278	-5 532	-1 671	-963	-842	-673	-4 149
3.4. Other investment (net assets)	**32**	**-1 175**	**244**	**4 263**	**3 365**	**-1 400**	**1 324**	**3 891**	**4 133**	**7 948**	**451**	**4 057**	**3 856**	**-69**	**8 295**
3.4.k Assets	-357	-1 320	112	769	-796	707	968	713	2 996	5 384	2 193	2 959	1 890	-277	6 765
3.4.t Liabilities	-389	-145	-133	-3 494	-4 161	2 107	-356	-3 177	-1 137	-2 564	1 741	-1 098	-1 966	-208	-1 530
3.5. Reserve assets	**2 416**	**-191**	**-544**	**-942**	**740**	**1 224**	**-1 638**	**-2 526**	**-1 974**	**-4 913**	**-2 803**	**-3 296**	**-1 068**	**1 067**	**-6 100**
Memorandum:															
Net external financing capacity															
Net external financing capacity (Current and capital account)	1 099	680	1 986	2 362	6 128	2 305	1 939	1 760	2 834	8 838	1 774	1 946	1 631	742	6 093
Net external financing capacity (Financial account)	342	753	1 231	2 225	4 551	827	1 945	1 223	2 926	6 921	305	1 880	1 587	130	3 902
Balancing item (Net errors and omissions)	-758	73	-756	-137	-1 577	-1 479	7	-537	92	-1 917	-1 469	-66	-44	-611	-2 190

Table 2

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

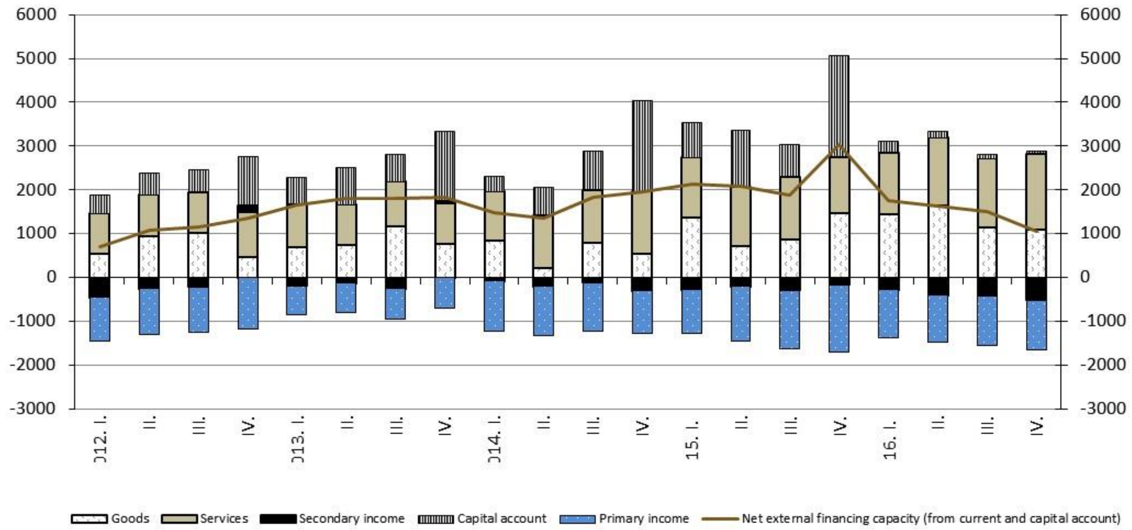
	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Real economic transactions, net (Goods and services)	**2 603**	**2 117**	**2 387**	**2 707**	**2 642**	**3 258**	**2 820**	**2 885**
1.1. Export	24 499	24 691	25 083	25 622	25 396	26 330	25 951	26 280
1.2. Import	21 898	22 799	22 857	22 949	22 761	23 335	23 289	23 372
1.1. Goods	**1 374**	**728**	**863**	**1 462**	**1 439**	**1 634**	**1 141**	**1 104**
1.1.1. Export	19 627	19 746	19 869	20 393	20 338	21 060	20 536	20 855
1.1.2. Import	18 406	19 238	19 324	19 031	19 187	19 685	19 571	19 958
1.2. Services	**1 364**	**1 330**	**1 435**	**1 291**	**1 419**	**1 552**	**1 576**	**1 721**
1.2.1. Travel, net	790	765	792	785	754	788	785	792
export	1 239	1 166	1 224	1 232	1 221	1 243	1 313	1 335
import	393	418	420	426	536	470	497	490
1.2.2. Other services, net	593	581	661	533	685	801	768	846
export	3 734	3 814	3 887	3 957	3 906	4 069	4 043	4 098
import	3 163	3 239	3 304	3 489	3 192	3 275	3 271	3 166
2. Primary income	**-1 013**	**-1 245**	**-1 325**	**-1 542**	**-1 091**	**-1 083**	**-1 117**	**-1 146**
3. Secondary income	**-274**	**-201**	**-296**	**-162**	**-283**	**-404**	**-436**	**-518**
4. Current account balance	**1 319**	**683**	**772**	**962**	**1 313**	**1 780**	**1 285**	**1 156**
5. Capital account*	**800**	**1 304**	**731**	**2 310**	**257**	**156**	**102**	**54**
6. Net external financing capacity	**2 138**	**2 077**	**1 879**	**3 042**	**1 748**	**1 643**	**1 509**	**1 045**

* The time series of the capital account cannot be seasonally adjusted, and therefore the data are seasonally unadjusted.

I. Main developments in net external financing capacity (current and capital account aggregates) in the fourth 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 1,104 million in 2016 Q4, broadly the same as in the previous quarter. However, both exports (EUR 20,855 million) and imports (EUR 19,958 million) were higher than in the previous quarter.

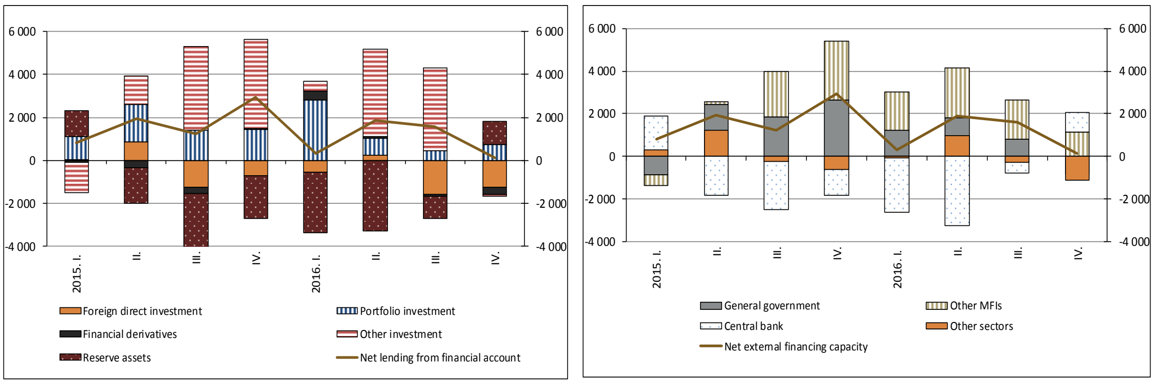
The surplus on trade in **services** amounted to EUR 1,721 million in 2016 Q4, exceeding the surplus in the previous quarter. Within this, the rising travel surplus relative to the previous quarter amounted to EUR 792 million, with credits (EUR 1,335 million) being higher than in the previous quarter. Debits amounted to EUR 490 million. Other services credits (EUR 4,098 million) rose relative to the previous quarter, while debits (EUR 3,166 million) fell. The seasonally adjusted surplus on other services (EUR 846 million) rose relative to the previous quarter.

In 2016 Q4, the seasonally adjusted **primary and secondary income** deficits (EUR 1,146 million and EUR 518 million, respectively) were higher than in the previous quarter.

The seasonally adjusted surplus on **transfers to and from the EU** amounted to EUR 495 million in 2016 Q4.[3] As regards the *unadjusted values* of the individual components, net primary income (taxes and subsidies on production and products) amounted to EUR 421 million and the deficit on current transfers, recorded under secondary income, amounted to EUR 174 million. The value of funds received from the EU, recorded as capital transfers, was EUR 248 million.

II. Financial account: net external financing capacity calculated from the financial account in the fourth quarter of 2016[4]

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



FDI transactions showed a net inflow of EUR 1,260 million in 2016 Q4: outward FDI rose by EUR 761 million and inward FDI by EUR 2,021 million.

[3] The time series of EU transfers cannot be seasonally adjusted, and therefore the data on EU transfers are seasonally unadjusted.
[4] Summary data for the individual categories of investments are included in Table 1.

Within FDI abroad, equities and reinvested earnings contributed EUR 502 million and EUR 265 million, respectively, to the increase in the value of investments abroad in 2016 Q4. Within equity investments, there were no capital withdrawals recorded as superdividends in the quarter.[5] Transactions in debt instruments showed a EUR 6 million decrease in net assets.

Within FDI in Hungary, the value of investments in equities and reinvested earnings increased the value of investments by non-residents by EUR 78 million and EUR 2,128 million, respectively. (Within equity investments, capital withdrawals recorded as superdividends amounted to EUR 10 million.) Transactions in debt instruments showed a EUR 184 million decrease in net liabilities.

In 2016 Q4, transactions in capital in transit and asset portfolio restructurings[6] increased the value of inward FDI debt liabilities and that of outward FDI equity by EUR 292 million.

Portfolio investment transactions showed a net outflow of EUR 733 million in 2016 Q4 (an increase in net assets). This reflected an increase of EUR 122 million in assets and a decline of EUR 611 million in liabilities.

Net **other investments** showed a total inflow of EUR 69 million (a decrease in net assets). Assets fell by EUR 277 million and liabilities by EUR 208 million. The decline in assets vis-à-vis the EU related to the accrual-based recording of EU transfers amounted to EUR 1,364 million in 2016 Q4. Liabilities to the EU rose by EUR 240 million.

III. Stock of reserve assets and external debt

The central bank's reserve assets amounted to EUR 24.4 billion at the end of December 2016. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 20.7 billion at the end of December 2016 (18.4% 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 1.5 billion: the stock of assets was EUR 2.1 billion and that of liabilities was EUR 0.6 billion.

[5] 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.

[6] 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 Hungary[7] (EUR millions)

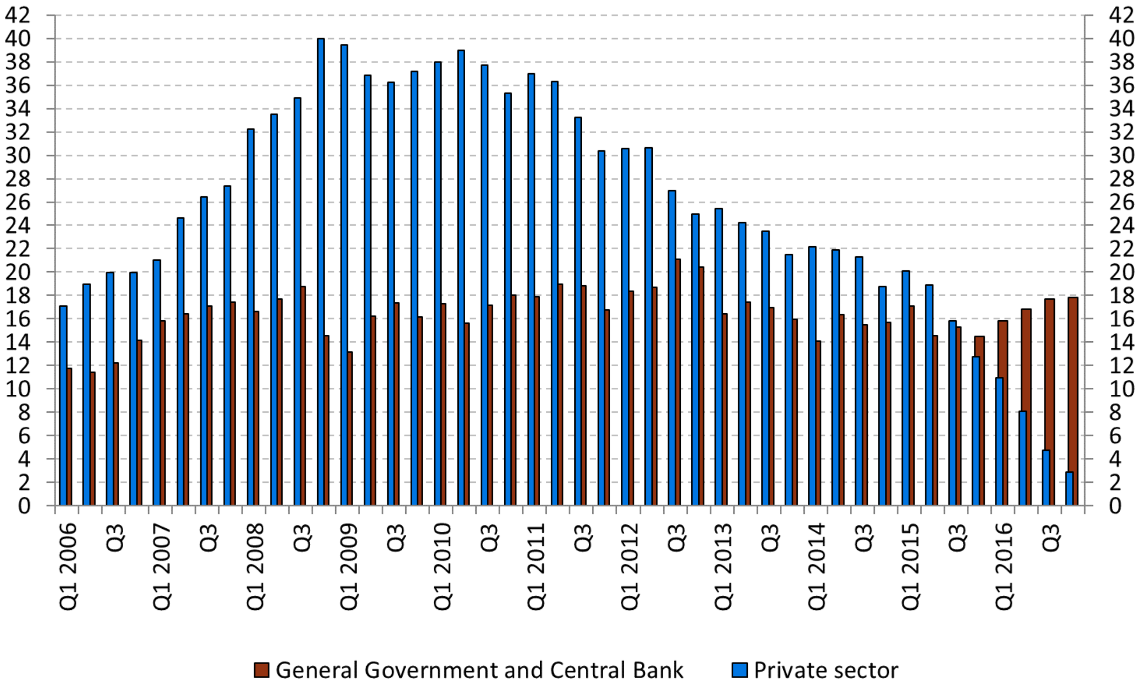
	2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	**108 935**	**108 839**	**113 487**	**115 287**	**124 980**	**122 413**	**118 716**	**138 360**	**126 733**	**129 494**	**125 621**	**118 272**
3.1.k Direct investment	**47 602**	**49 084**	**52 679**	**52 522**	**55 922**	**55 984**	**55 088**	**72 992**	**62 537**	**63 903**	**59 432**	**49 948**
3.2.k Portfolio investment	**5 881**	**6 525**	**7 035**	**7 793**	**8 368**	**8 295**	**7 921**	**8 333**	**8 391**	**8 997**	**9 214**	**9 594**
3.3.k Financial derivatives and employee stock options	**2 531**	**1 739**	**2 344**	**3 840**	**5 754**	**4 620**	**4 235**	**4 283**	**3 699**	**4 184**	**3 732**	**4 651**
3.4.k Other investment	**16 724**	**15 411**	**15 745**	**16 554**	**18 028**	**18 753**	**19 345**	**22 430**	**24 556**	**27 625**	**29 582**	**29 695**
o/w: due to accrual accounting of EU-transfers	1 384	1 324	1 787	1 486	1 365	1 529	2 135	3 361	3 263	3 239	3 447	2 074
3.5. Reserve assets	**36 197**	**36 080**	**35 684**	**34 578**	**36 908**	**34 761**	**32 127**	**30 322**	**27 551**	**24 785**	**23 661**	**24 384**
Liabilities	**201 004**	**200 056**	**200 308**	**199 532**	**215 907**	**209 471**	**206 724**	**212 292**	**202 562**	**201 696**	**199 424**	**191 950**
3.1.t Direct investment	**99 306**	**97 973**	**100 380**	**102 152**	**110 483**	**109 672**	**112 114**	**118 397**	**109 066**	**109 571**	**108 267**	**99 703**
3.2.t Portfolio investment	**50 292**	**51 674**	**49 655**	**49 921**	**54 034**	**50 472**	**48 946**	**49 325**	**47 633**	**46 964**	**48 188**	**49 202**
3.3.t Financial derivatives and employee stock options	**4 120**	**3 318**	**2 878**	**3 462**	**3 626**	**2 687**	**2 308**	**2 117**	**1 851**	**2 112**	**1 769**	**1 624**
3.4.t Other investment	**47 285**	**47 090**	**47 395**	**43 997**	**47 764**	**46 640**	**43 356**	**42 453**	**44 013**	**43 049**	**41 200**	**41 421**
o/w: due to accrual accounting of EU-transfers	1 303	1 714	1 863	881	768	427	413	400	1 152	1 040	322	567
Net Assets	**-92 070**	**-91 217**	**-86 821**	**-84 245**	**-90 927**	**-87 059**	**-88 008**	**-73 932**	**-75 829**	**-72 202**	**-73 803**	**-73 678**
o/w: due to accrual accounting of EU-transfers	81	-390	-76	604	597	1 102	1 722	2 962	2 111	2 199	3 125	1 507

Memorandum:

Gross external debt (excluding FDI debt)	**90 008**	**90 825**	**89 423**	**87 408**	**93 633**	**88 435**	**84 210**	**81 821**	**80 810**	**79 580**	**78 169**	**77 582**
General government and Central bank	51 764	53 451	52 047	51 229	55 035	50 380	48 866	47 713	46 165	44 279	44 003	43 891
Other MFIs and Other sectors	38 244	37 375	37 377	36 179	38 598	38 056	35 344	34 109	34 645	35 301	34 166	33 691
Net external debt (excluding FDI debt)	**36 212**	**38 243**	**36 789**	**34 491**	**37 172**	**33 479**	**31 115**	**27 241**	**26 811**	**24 869**	**22 447**	**20 745**
General government and Central bank	14 073	16 359	15 475	15 716	17 092	14 590	15 316	14 501	15 848	16 799	17 719	17 826
Other MFIs and Other sectors	22 139	21 884	21 314	18 775	20 080	18 889	15 799	12 740	10 963	8 070	4 728	2 918

Chart 4

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



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[7] 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 2014, 2015 and 2016 Q1–Q3 data published in December 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)

	2014	2015	Q1-Q3 2016
1. Goods	0	35	266
2. Services	0	9	201
3. Primary income	-6	-160	-24
4. Secondary income	0	97	148
I. Current account balance (1+2+3+4)	-6	-20	591
II. Capital account	0	148	-914
III. Financial account (5+6+7+8)	-172	-710	370
5. Foreign direct investment (net assets)	-140	-677	-186
Foreign direct investment abroad (net assets)	8	-1	8
Equity	2	4	4
Debt instruments	5	-4	5
Foreign direct investment in Hungary (net liabilities)	148	676	194
Equity	3	388	-134
Debt instruments	145	288	328
6. Portfolio investments (net assets)	-18	-38	-25
Assets	0	0	0
Liabilities	18	38	25
7. Financial derivatives (net assets)	0	0	0
8. Other investments (net assets)	-13	4	581
Assets	-9	-25	473
Liabilities	4	-30	-108
IV. Net errors and omissions	-166	-839	694

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

	2014	2015	Q1-Q3 2016
1. Foreign direct investment (net assets)	**-351**	**-683**	**-97**
Foreign direct investment abroad (net assets)	14	-40	-63
Equity	-8	-48	-79
Debt assets	22	34	15
Debt liabilities	1	25	-2
Foreign direct investment in Hungary (net liabilities)	365	643	34
Equity	-4	-79	-381
Debt assets	83	101	113
Debt liabilities	451	824	528
2. Portfolio investments (net assets)	**-21**	**-58**	**-94**
Assets	0	0	0
Liabilities	21	58	94
3. Financial derivatives (net assets)	**0**	**0**	**13**
4. Other investments (net assets)	**-131**	**-146**	**404**
Assets	-88	-98	399
Liabilities	43	48	-5
Gross external debt*	**63**	**106**	**87**
Net external debt*	**151**	**204**	**-312**
Goods net in the percentage of the GDP	0,0%	0,0%	0,3%
Current account balance in the percentage of the GDP	0,0%	0,0%	0,7%
Gross debt in the percentage of the GDP*	0,1%	0,1%	0,1%
Net debt in the percentage of the GDP*	0,1%	0,2%	-0,3%

* Excluding FDI debt instruments.

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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.

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The MNB will release Hungary's balance of payments and international investment position data for 2017 Q1 and will revise quarterly data for 2016 Q1–Q4 on 21 June 2017.

Detailed tables: **Balance of payments**
Notes: **Methodological notes**

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