



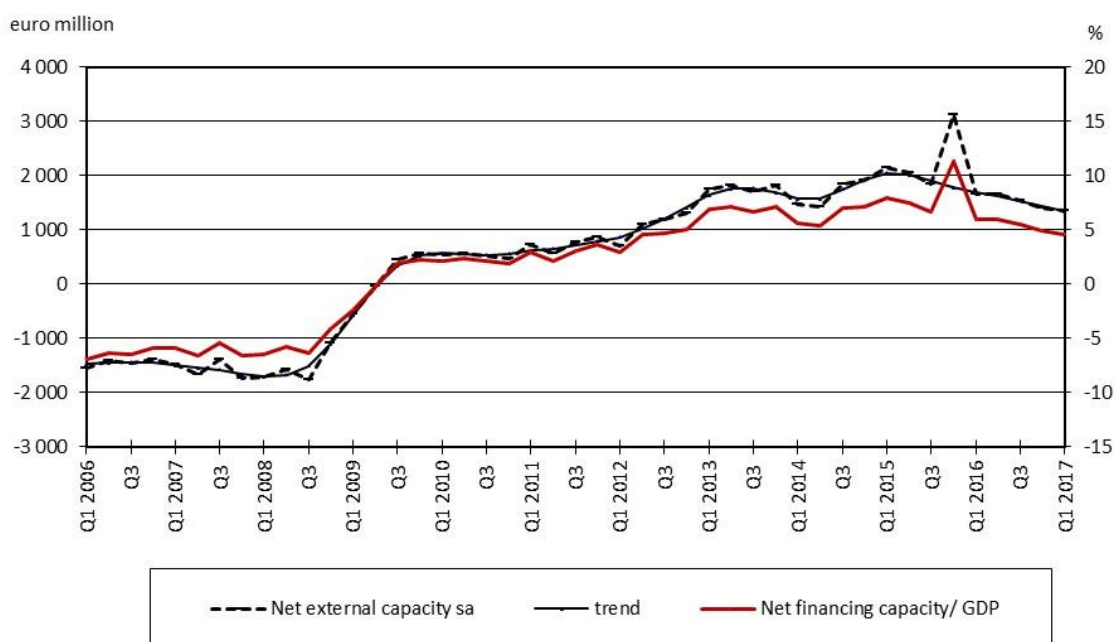
21 June 2017

PRESS RELEASE

Hungary's balance of payments: 2017 Q1

In 2017 Q1, Hungary's unadjusted net external financing capacity (i.e. the combined surplus on the current and capital accounts) amounted to EUR 1,358 million (HUF 420 billion).¹ Adjusted for seasonal effects, the net external financing capacity was EUR 1,352 million (HUF 420 billion), equal to 5% of quarterly GDP.

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

Table 1
Balance of payments main components (EUR millions)

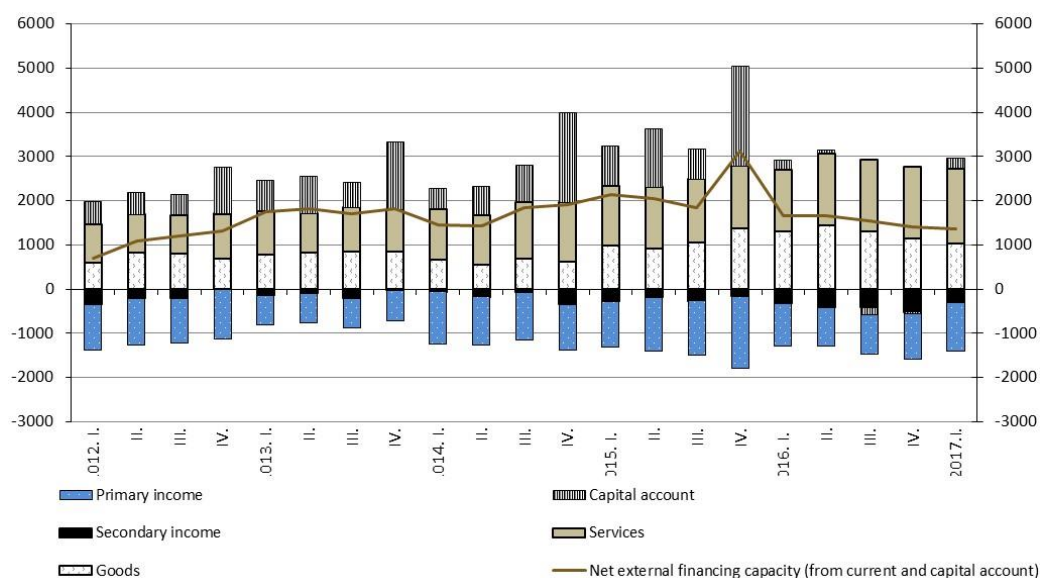
	2016					2017
	Q1	Q2	Q3	Q4	Y	Q1
1. Current account, net (1.A+1.B+1.C)	1 626	1 989	1 671	856	6 141	1 221
1.A. Goods and Services, net	2 717	3 375	3 039	2 472	11 603	2 455
Exports	24 650	26 725	26 134	26 488	103 996	27 447
Imports	21 934	23 350	23 095	24 015	92 393	24 992
1.A.a. Goods, net	1 508	1 602	1 063	1 089	5 261	1 028
Exports	20 037	21 293	20 277	21 195	82 802	22 327
Imports	18 529	19 692	19 214	20 105	77 541	21 299
1.A.b. Services, net	1 209	1 773	1 976	1 383	6 342	1 427
Exports	4 613	5 431	5 857	5 293	21 194	5 120
Imports	3 404	3 658	3 880	3 910	14 852	3 693
1.B. Primary income, net	-637	-996	-987	-1 118	-3 738	-840
1.B.1. Compensation of employees, net	775	744	720	743	2 983	711
1.B.2. Investment income, net	-1 698	-2 080	-1 983	-2 283	-8 042	-1 822
1.B.2.1. Direct investment income, net	-1 250	-1 449	-1 610	-1 875	-6 185	-1 461
1.B.2.2. Portfolio investment income, net	-407	-598	-342	-359	-1 706	-331
1.B.2.3. Other investment income, net	-119	-100	-87	-97	-403	-77
1.B.2.4. Reserve assets, net	78	68	57	49	252	47
1.B.3. Other primary income, net	286	339	276	421	1 322	271
-of which: EU transfers	286	339	276	421	1 322	271
1.C. Secondary income, net	-454	-390	-381	-498	-1 724	-395
-of which: EU transfers	-163	-121	-112	-202	-598	-170
2. Capital account, net	110	67	-99	13	91	137
-of which: EU transfers	100	63	165	207	535	141
3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)	589	1 986	976	151	3 702	145
3.1. Direct investment (net assets)	-452	392	-1 417	-1 119	-2 597	-336
3.1.k. Abroad (net assets)	-8 760	1	139	766	-7 855	2 343
3.1.1.k Equity (net assets)	-8 077	284	310	772	-6 712	2 131
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	-8 081	219	89	506	-7 266	2 031
3.1.1.2.ki Reinvestment of earnings (net assets)	3	65	221	265	554	101
3.1.2.ki Debt instruments (net assets)	-683	-283	-171	-6	-1 143	211
3.1.2.1.ki Assets	-549	-65	-247	22	-840	317
3.1.2.2.ki Liabilities	133	218	-76	28	303	105
3.1.t In Hungary (net liabilities)	-8 308	-391	1 556	1 885	-5 257	2 679
3.1.1.t Equity (net liabilities)	-8 128	-922	5 659	2 085	-1 307	2 935
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	-9 122	-695	3 844	152	-5 821	1 745
3.1.1.2.be Reinvestment of earnings (net liabilities)	993	-227	1 815	1 933	4 514	1 190
3.1.2.be Debt instruments (net liabilities)	-179	532	-4 103	-200	-3 951	-256
3.1.2.1.be Assets	-981	686	-577	-1 491	-2 363	-344
3.1.2.2.be Liabilities	-1 161	1 217	-4 679	-1 691	-6 314	-600
3.2. Portfolio investment (net assets)	2 810	808	454	733	4 805	1 266
3.2.k Assets	260	598	2	122	981	853
3.2.t Liabilities	-2 550	-211	-451	-611	-3 823	-414
3.3. Financial derivatives (other than reserves), net assets	406	78	-70	-386	27	-486
3.3.k Assets	-1 265	-885	-912	-1 058	-4 121	-980
3.3.t Liabilities	-1 671	-963	-842	-672	-4 148	-494
3.4. Other investment (net assets)	629	4 005	3 077	-144	7 566	-266
3.4.k Assets	2 339	3 022	1 032	-44	6 350	1 107
3.4.t Liabilities	1 710	-982	-2 045	100	-1 217	1 374
3.5. Reserve assets	-2 803	-3 296	-1 068	1 067	-6 100	-32
Memorandum:						
Net external financing capacity						
Net external financing capacity (Current and capital account)	1 736	2 056	1 572	869	6 233	1 358
Net external financing capacity (Financial account)	589	1 986	976	151	3 702	145
Balancing item (Net errors and omissions)	-1 147	-70	-596	-718	-2 531	-1 213

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

	2016				2017
	Q1	Q2	Q3	Q4	Q1
1. Real economic transactions, net (Goods and services)	2 718	3 257	2 787	2 830	2 479
1.1. Export	25 456	26 025	25 835	26 267	27 739
1.2. Import	22 755	23 265	23 022	24 015	25 587
1.1. Goods	1 301	1 449	1 310	1 143	1 033
1.1.1. Export	20 169	20 989	20 607	21 048	22 448
1.1.2. Import	18 885	19 350	19 438	19 890	21 674
1.2. Services	1 404	1 620	1 614	1 628	1 694
1.2.1. Travel, net	768	794	788	802	807
export	1 241	1 291	1 322	1 362	1 397
import	503	461	492	489	519
1.2.2. Other services, net	689	844	820	833	871
export	3 826	4 094	4 084	4 083	4 279
import	3 164	3 280	3 282	3 182	3 448
2. Primary income	-952	-887	-905	-1 026	-1 093
3. Secondary income	-330	-412	-419	-524	-304
4. Current account balance	1 503	1 960	1 408	1 267	1 115
5. Capital account	203	74	-154	-31	228
6. Net external financing capacity	1 650	1 667	1 540	1 404	1 352

I. Main developments in net external financing capacity (current and capital account aggregates) in the first quarter of 2017

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 1,033 million in 2017 Q1; the surplus has been falling. However, both exports (EUR 22,448 million) and imports (EUR 21,674 million) were higher than in the previous quarter.

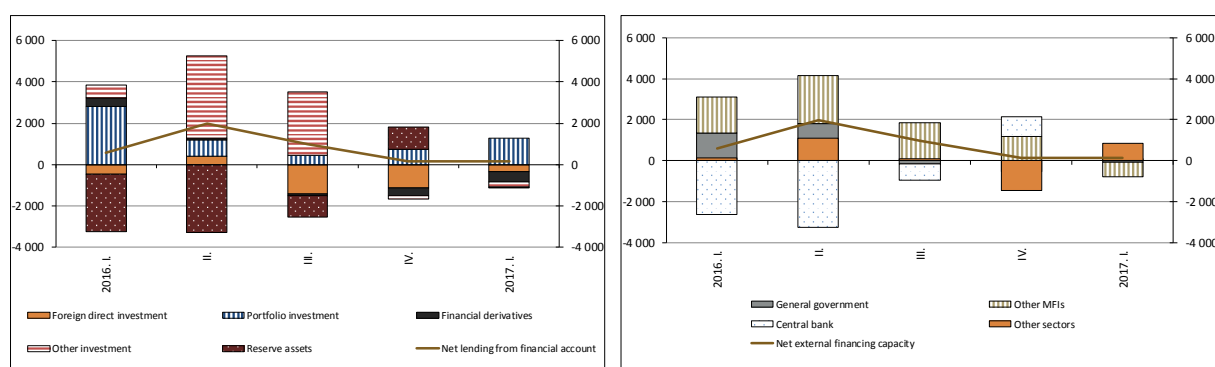
The surplus on trade in **services** amounted to EUR 1,694 million in 2017 Q1, exceeding its level in the previous quarter. Within this, the rising travel surplus relative to the previous quarter amounted to EUR 807 million, with both credits (EUR 1,397 million) and debits (EUR 519 million) both being higher than in the previous quarter. Both other services credits (EUR 4,279 million) and debits (EUR 3,488 million) rose relative to the previous quarter. The seasonally adjusted surplus on other services (EUR 871 million) also rose relative to the previous quarter.

In 2017 Q1, the seasonally adjusted **primary income** deficit (EUR 1,093 million) was higher than in the previous quarter. By contrast, the **secondary income** deficit (EUR 304 million) was lower than in previous quarters.

The surplus on **transfers to and from the EU** amounted to EUR 242 million in 2017 Q1.³ As regards the *unadjusted values* of the individual components, net primary income (taxes and subsidies on production and products) amounted to EUR 271 million and the deficit on current transfers, recorded under secondary income, amounted to EUR 170 million. The value of funds received from the EU, recorded as capital transfers, was EUR 141 million.

II. Financial account: net external financing capacity calculated from the financial account in the first quarter of 2017⁴

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



FDI transactions showed a net inflow of EUR 336 million in 2017 Q1: outward FDI rose by EUR 2,343 million and inward FDI by EUR 2,679 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 2,031 million (of which capital in transit⁵ amounted to EUR 2,005 million) and EUR 101 million, respectively, to the increase in the value of investments abroad in 2017 Q1. Within equity investments, there were no capital withdrawals recorded as superdividends in the quarter.⁶ Transactions in debt instruments showed a EUR 211 million increase 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 1,745 million (of which capital in transit amounted to EUR 2,005 million) and EUR 1,190 million, respectively. (Within equity investments, capital withdrawals recorded as superdividends amounted to EUR 22 million.) Transactions in debt instruments showed a EUR 256 million decrease in net liabilities.

Portfolio investment transactions showed a net outflow of EUR 1,266 million in 2017 Q1 (an increase in net assets). This reflected an increase of EUR 853 million in assets and a decline of EUR 414 million in liabilities.

Net **other investments** showed a total inflow of EUR 266 million (a decrease in net assets). Assets increased by EUR 1,107 million and liabilities by EUR 1,374 million. The decline in assets vis-à-vis the EU related to the accrual-based recording of EU transfers amounted to EUR 383 million in 2017 Q1. Liabilities to the EU rose by EUR 52 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 March 2017. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 21.2 billion at the end of March 2017 (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 0.5 billion: the stock of assets was EUR 1.1 billion and that of liabilities was EUR 0.6 billion.

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.

⁶ 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.

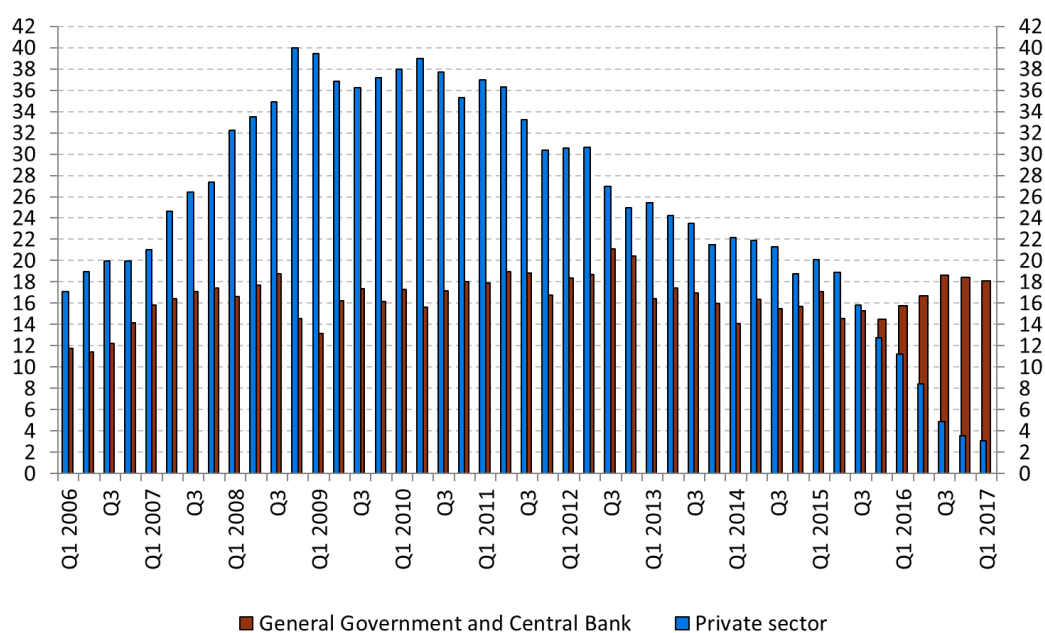
Table 3
Foreign assets and liabilities of Hungary⁷ (EUR millions)

	2016				2017
	Q1	Q2	Q3	Q4	Q1
Assets	126 813	129 621	124 937	118 026	121 813
3.1.k Direct investment	62 552	63 915	59 491	50 025	52 236
3.2.k Portfolio investment	8 391	8 997	9 214	9 594	10 749
3.3.k Financial derivatives and employee stock options	3 699	4 173	3 720	4 894	4 109
3.4.k Other investment	24 620	27 751	28 852	29 130	30 321
o/w: due to accrual accounting of EU-transfers	3 333	3 371	2 515	1 488	1 116
3.5. Reserve assets	27 551	24 785	23 661	24 384	24 398
Liabilities	202 940	202 034	201 431	194 376	196 696
3.1.t Direct investment	109 189	109 539	109 982	101 333	102 849
3.2.t Portfolio investment	47 633	46 964	48 188	49 202	48 682
3.3.t Financial derivatives and employee stock options	1 851	2 112	1 769	1 797	1 655
3.4.t Other investment	44 267	43 419	41 493	42 045	43 511
o/w: due to accrual accounting of EU-transfers	1 122	1 073	273	567	622
Net Assets	-76 127	-72 413	-76 494	-76 350	-74 883
o/w: due to accrual accounting of EU-transfers	2 211	2 298	2 242	920	494
Memorandum:					
Gross external debt (excluding FDI debt)	81 064	79 949	78 462	78 206	79 454
General government and Central bank	46 135	44 312	43 954	43 891	43 017
Other MFIs and Other sectors	34 929	35 637	34 508	34 314	36 437
Net external debt (excluding FDI debt)	27 001	25 112	23 470	21 933	21 179
General government and Central bank	15 748	16 700	18 602	18 414	18 074
Other MFIs and Other sectors	11 253	8 412	4 868	3 520	3 105

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*.

Chart 4

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



IV. Data revisions in the period

Tables 4 and 5 summarise changes relative to 2016 Q1–Q4 data published in March 2017. The significant shifts are explained by data providers' revisions.

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

	Q1-Q4 2016
1. Goods	0
2. Services	0
3. Primary income	697
4. Secondary income	-80
I. Current account balance (1+2+3+4)	618
II. Capital account	-478
III. Financial account (5+6+7+8)	-201
5. Foreign direct investment (net assets)	574
Foreign direct investment abroad (net assets)	19
Equity	-92
Debt instruments	112
Foreign direct investment in Hungary (net liabilities)	-555
Equity	2 897
Debt instruments	-3 451
6. Portfolio investments (net assets)	0
Assets	0
Liabilities	0
7. Financial derivatives (net assets)	-46
8. Other investments (net assets)	-729
Assets	-415
Liabilities	313
IV. Net errors and omissions	-341

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

	Q4 2016
1. Foreign direct investment (net assets)	-1 553
Foreign direct investment abroad (net assets)	-115
Equity	-76
Debt assets	101
Debt liabilities	140
Foreign direct investment in Hungary (net liabilities)	1 438
Equity	1 405
Debt assets	52
Debt liabilities	85
2. Portfolio investments (net assets)	0
Assets	0
Liabilities	0
3. Financial derivatives (net assets)	70
4. Other investments (net assets)	-1 188
Assets	-565
Liabilities	624
Gross external debt*	624
Net external debt*	1 189
Goods net in the percentage of the GDP	0,0%
Current account balance in the percentage of the GDP	0,5%
Gross debt in the percentage of the GDP*	0,6%
Net debt in the percentage of the GDP*	1,1%

* Excluding FDI debt instruments.

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, together with the HCSO, has switched from Demetra to JDemetra+ as the new standard software for seasonal adjustment starting from the first publication of seasonally adjusted data in 2017. JDemetra+ is the officially recommended software for seasonal adjustment of official statistics within the European System of Central Banks and the European Statistical System, in producing seasonally adjusted data. As a member of the European System of Central Banks, one of the key objectives of the MNB is to produce seasonally adjusted data of the best possible quality, which are comparable to those produced and published by other Member States.

The software change does not affect the used seasonal adjustment method (TRAMO/SEATS) and the standardised procedure for producing seasonally adjusted data.

The change does not influence the applicability, the interpretation and the dissemination of seasonally adjusted data. However, due to the many new statistical tests and diagnostics built into the new programme, we can provide higher quality seasonally adjusted data to users.

The MNB will release Hungary's balance of payments and international investment position data for 2017 Q2 and will revise data for 2014, 2015 and 2016 as well as for 2017 Q1 on 20 September 2017.

Detailed tables: [Balance of payments](#)

Notes: [Methodological notes](#)

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