



21 December 2017

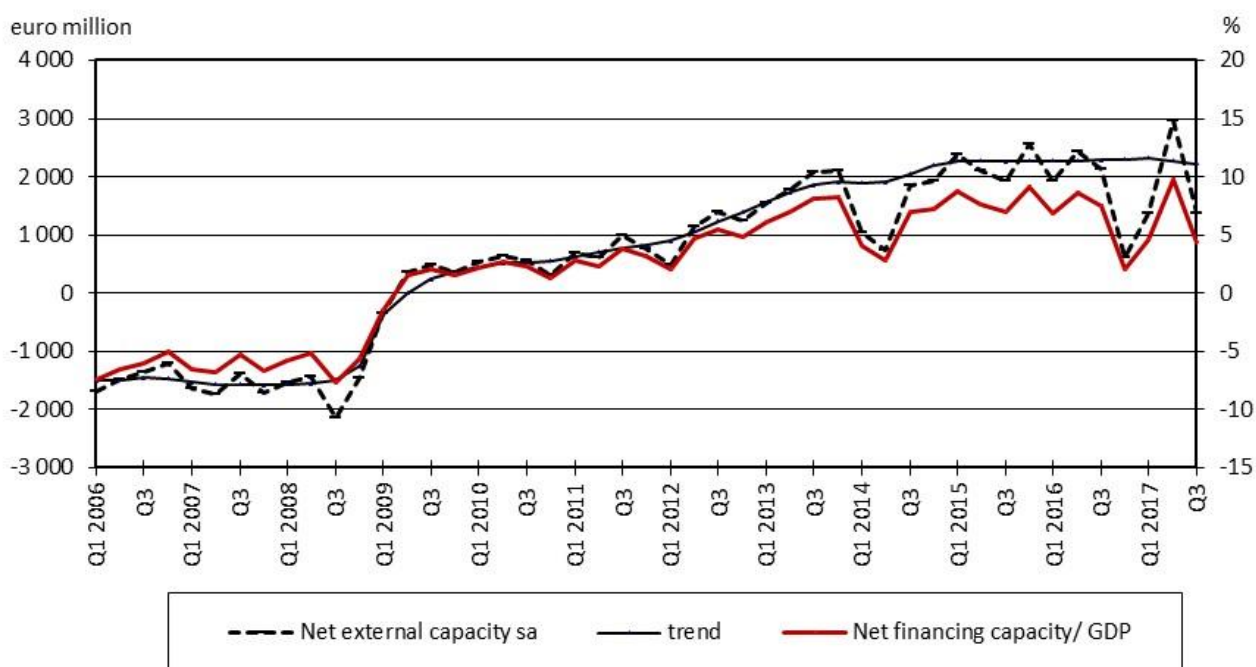
PRESS RELEASE

Hungary's balance of payments: 2017 Q3

In 2017 Q3,¹ Hungary's unadjusted net external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 1,103 million (HUF 338 billion). Adjusted for seasonal effects, net external financing capacity was EUR 1,372 million (HUF 475 billion), equal to 4.4 per cent of quarterly GDP.

Chart 1

Net external financing capacity in EUR million (left-hand scale)
and as a percentage of quarterly GDP (right-hand scale)



¹ Consistent with the practice of releasing and revising statistical data, on 21 December 2017 the MNB is publishing Hungary's balance of payments statistics for 2017 Q3 for the first time, and revises the data for 2017 Q1-Q2.

Table 1

Balance of payments main components (EUR million)

	2016					2017			
	Q1	Q2	Q3	Q4	Y	Q1	Q2	Q3	Q1-Q3
1. Current account, net (1.A+1.B+1.C)	1 775	2 264	1 997	930	6 967	1 079	1 868	806	3 753
1.A. Goods and Services, net	2 689	3 419	3 115	2 251	11 474	2 178	3 188	2 236	7 603
Exports	24 098	26 146	25 803	25 800	101 847	26 953	28 482	27 575	83 009
Imports	21 409	22 727	22 688	23 549	90 373	24 774	25 294	25 338	75 406
1.A.a. Goods, net	1 372	1 570	994	770	4 707	706	1 487	197	2 390
Exports	19 376	20 626	19 794	20 392	80 188	21 783	22 913	21 341	66 037
Imports	18 005	19 055	18 800	19 622	75 482	21 077	21 426	21 144	63 647
1.A.b. Services, net	1 317	1 848	2 121	1 481	6 767	1 472	1 701	2 039	5 213
Exports	4 722	5 520	6 009	5 408	21 659	5 169	5 569	6 234	16 972
Imports	3 405	3 671	3 888	3 927	14 892	3 697	3 868	4 195	11 760
1.B. Primary income, net	-461	-777	-736	-832	-2 806	-836	-1 245	-1 192	-3 274
1.B.1. Compensation of employees, net	770	737	719	732	2 959	706	704	700	2 109
1.B.2. Investment income, net	-1 517	-1 853	-1 731	-1 985	-7 086	-1 813	-2 360	-2 184	-6 356
1.B.2.1. Direct investment income, net	-1 073	-1 224	-1 361	-1 584	-5 242	-1 455	-1 740	-1 885	-5 080
1.B.2.2. Portfolio investment income, net	-407	-598	-342	-359	-1 706	-331	-588	-277	-1 196
1.B.2.3. Other investment income, net	-116	-98	-85	-91	-389	-73	-79	-69	-222
1.B.2.4. Reserve assets, net	78	68	57	49	252	47	47	48	141
1.B.3. Other primary income, net	286	339	276	421	1 322	271	411	291	974
-of which: EU transfers	286	339	276	421	1 322	271	411	291	974
1.C. Secondary income, net	-453	-378	-382	-489	-1 701	-264	-75	-238	-577
-of which: EU transfers	-163	-121	-112	-202	-598	-41	190	18	166
2. Capital account, net	110	67	-100	8	86	279	1 028	297	1 604
-of which: EU transfers	100	63	165	207	535	283	1 046	376	1 705
3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)	798	2 235	968	430	4 430	467	2 795	171	3 433
3.1. Direct investment (net assets)	-213	660	-1 490	-870	-1 913	-455	791	-740	-405
3.1.k. Abroad (net assets)	-9 135	344	268	855	-7 669	2 474	1 054	569	4 097
3.1.1.k Equity (net assets)	-8 455	629	440	859	-6 527	2 245	752	563	3 559
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	-8 572	468	144	491	-7 468	2 027	700	179	2 907
3.1.1.2.ki Reinvestment of earnings (net assets)	117	161	295	368	940	218	52	383	652
3.1.2.ki Debt instruments (net assets)	-680	-285	-171	-4	-1 141	229	302	7	538
3.1.2.1.ki Assets	-547	-67	-247	23	-838	334	280	21	634
3.1.2.2.ki Liabilities	134	218	-76	27	303	104	-22	14	96
3.1.t In Hungary (net liabilities)	-8 922	-317	1 758	1 725	-5 756	2 929	263	1 309	4 501
3.1.1.t Equity (net liabilities)	-8 196	-852	5 536	1 975	-1 537	2 794	-121	2 469	5 142
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	-9 115	-467	3 855	223	-5 504	1 626	-426	303	1 503
3.1.1.2.be Reinvestment of earnings (net liabilities)	919	-385	1 681	1 752	3 967	1 169	305	2 166	3 640
3.1.2.be Debt instruments (net liabilities)	-726	536	-3 778	-250	-4 219	135	384	-1 160	-641
3.1.2.1.be Assets	-429	694	-585	-1 367	-1 687	-349	196	45	-108
3.1.2.2.be Liabilities	-1 155	1 229	-4 363	-1 617	-5 906	-214	580	-1 115	-749
3.2. Portfolio investment (net assets)	2 810	808	454	733	4 805	1 248	2 014	-243	3 019
3.2.k Assets	260	598	2	122	981	834	791	147	1 773
3.2.t Liabilities	-2 550	-211	-451	-611	-3 823	-414	-1 223	390	-1 247
3.3. Financial derivatives (other than reserves), net assets	406	78	-70	-361	53	-515	27	-650	-1 137
3.3.k Assets	-1 265	-885	-912	-1 058	-4 121	-1 020	-779	-1 290	-3 088
3.3.t Liabilities	-1 671	-963	-842	-698	-4 174	-505	-806	-640	-1 951
3.4. Other investment (net assets)	598	3 985	3 142	-140	7 584	222	298	2 720	3 241
3.4.k Assets	2 313	3 006	1 091	-32	6 377	1 512	1 655	1 492	4 659
3.4.t Liabilities	1 715	-979	-2 051	108	-1 207	1 290	1 357	-1 228	1 418
3.5. Reserve assets	-2 803	-3 296	-1 068	1 067	-6 100	-32	-336	-917	-1 285
Memorandum:									
Net external financing capacity									
Net external financing capacity (Current and capital account)	1 886	2 331	1 898	938	7 053	1 358	2 896	1 103	5 357
Net external financing capacity (Financial account)	798	2 235	968	430	4 430	467	2 795	171	3 433
Balancing item (Net errors and omissions)	-1 088	-96	-930	-508	-2 623	-891	-101	-932	-1 924

Table 2

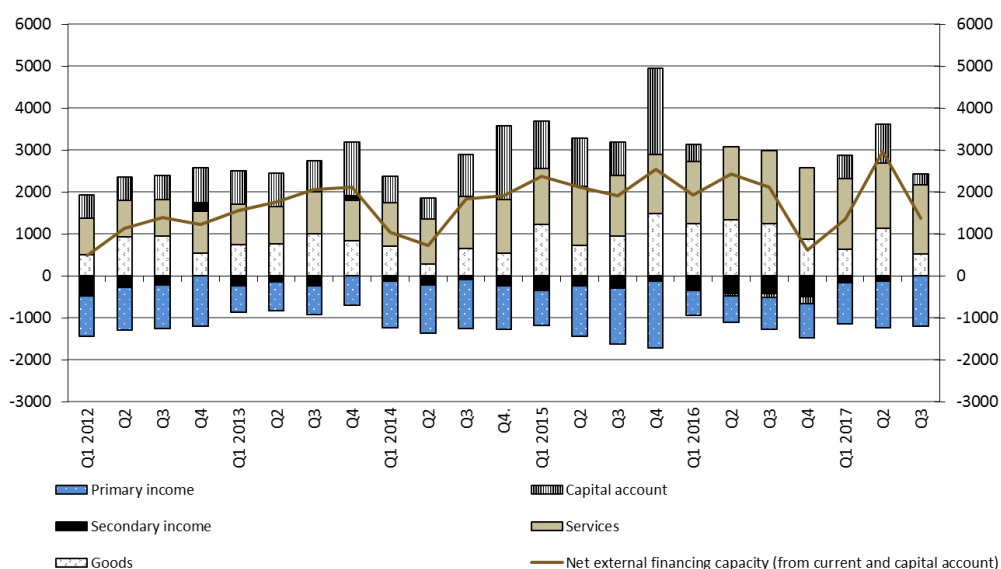
Net external financing capacity²
(seasonally adjusted data; EUR million)

	2016				2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Real economic transactions, net (Goods and services)	2 712	3 183	2 940	2 636	2 222	2 919	2 081
1.1. Export	24 806	25 665	25 449	25 829	27 374	27 784	27 663
1.2. Import	22 193	22 352	22 649	22 999	25 160	25 231	25 461
1.1. Goods	1 247	1 342	1 239	876	638	1 130	524
1.1.1. Export	19 746	20 021	19 892	20 135	21 529	22 259	21 787
1.1.2. Import	18 497	18 661	18 870	19 256	21 317	21 271	21 359
1.2. Services	1 488	1 738	1 745	1 695	1 690	1 560	1 647
1.2.1. Travel, net	770	801	784	803	810	805	820
export	1 251	1 256	1 309	1 312	1 336	1 321	1 412
import	495	461	492	501	514	544	565
1.2.2. Other services, net	775	928	950	912	890	815	839
export	3 905	4 220	4 233	4 180	4 301	4 194	4 311
import	3 307	3 288	3 323	3 200	3 426	3 437	3 489
2. Primary income	-604	-635	-751	-818	-978	-1 103	-1 204
3. Secondary income	-340	-430	-423	-500	-159	-133	-276
4. Current account balance	1 556	1 974	1 894	1 540	1 065	1 346	772
5. Capital account	396	-46	-94	-155	555	930	261
6. Net external financing capacity	1 922	2 424	2 118	615	1 360	2 960	1 372

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

Chart 2

Net external financing capacity (seasonally adjusted data; EUR million)



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 524 million in 2017 Q3, remaining below the level recorded in the previous quarter. In 2017 Q3, exports (EUR 21,787 million) were lower than their level recorded in the previous quarter, while seasonally adjusted imports (EUR 21,359 million) were higher than their level in the previous quarter.

The seasonally adjusted surplus on trade in **services** amounted to EUR 1,647 million, exceeding the surplus recorded in the previous quarter. Within this, net travel amounted to EUR 820 million, with both credits (EUR 1,412 million) and debits (EUR 565 million) being higher than their levels in the previous quarter. Both other services credits (EUR 4,311 million) and debits (EUR 3,489 million) exceeded their values recorded in the previous quarter. The balance of services other than travel (EUR 839 million) was also higher than in 2017 Q2.

In 2017 Q3, the seasonally adjusted **primary income** deficit (EUR 1,204 million) was higher than its level recorded in the previous quarter.

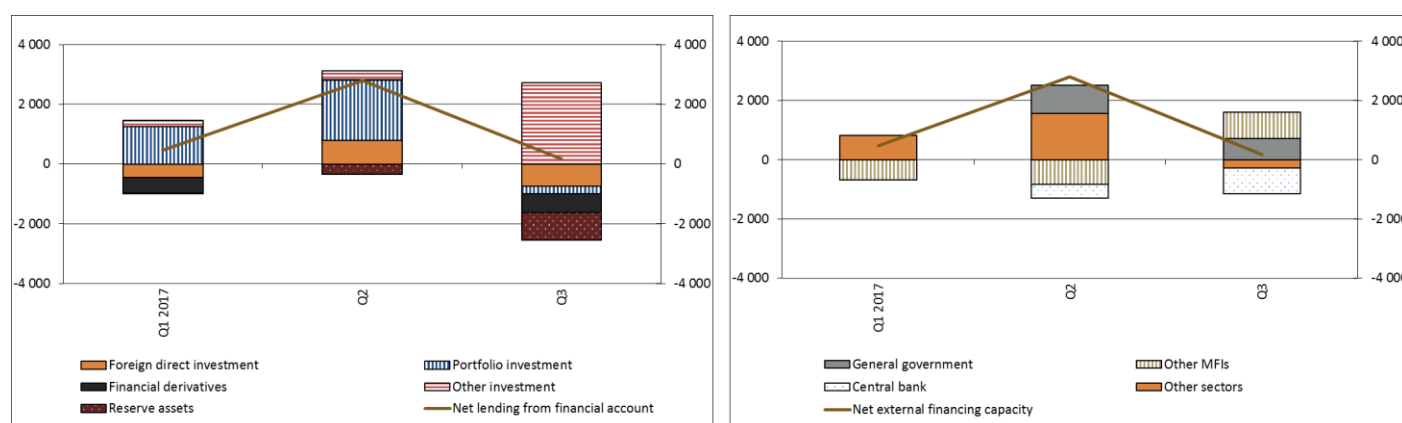
The seasonally adjusted **secondary income** deficit (EUR 276 million) exceeded its level recorded in the previous quarter.

The adjusted balance of the **transfers to and from the EU** amounted to EUR 957 million in 2017 Q3. As regards the *unadjusted value* of individual components, net primary income (taxes and subsidies on production and products) amounted to EUR 291 million, and the balance of current transfers, recorded under secondary income, amounted to EUR 18 million. The value of funds received from the EU, recorded as capital transfers, amounted to EUR 376 million.

II. Financial account: net external financing capacity calculated from the financial account in the third quarter of 2017³

Chart 3

Financial account by functional categories and institutional sectors (EUR million)



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

FDI transactions showed a net inflow of EUR 740 million in 2017 Q3: outward FDI rose by EUR 569 million (of which capital in transit⁴ amounted to EUR 213 million) and inward FDI by EUR 1,309 million (of which capital in transit amounted to EUR 213 million).

Within residents' investments abroad, equity investments and reinvested earnings increased the value of foreign investments by EUR 179 million and EUR 383 million, respectively, in 2017 Q3. Within equity investments, capital withdrawals recorded as superdividends⁵ amounted to EUR 3 million. Transactions in debt instruments showed a EUR 7 million increase in net assets.

Within FDI in Hungary, the value of investments in equities decreased and reinvested earnings increased the value of investments by non-residents by EUR 303 million and EUR 2,166 million, respectively in 2017 Q3. (Within equity investments, capital withdrawals recorded as superdividends amounted to EUR 54 million.) Transactions in debt instruments showed a EUR 1,160 million decrease in net liabilities.

Portfolio investment transactions showed a net inflow of EUR 243 in 2017 Q3 (a decrease in net assets). This reflected increases of EUR 147 million in assets and EUR 390 million in liabilities.

Net other investments showed a total outflow of EUR 2,720 million (an increase in net assets). Assets increased by EUR 1,492 million and liabilities fell by EUR 1,228 million. The increase in assets vis-à-vis the EU related to the accrual-based recording of EU transfers amounted to EUR 17 million in 2017 Q3. Liabilities to the EU decreased by EUR 414 million.

III. Stock of reserve assets and external debt

The central bank's reserve assets amounted to EUR 22.2 billion at the end of September 2017. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 16.9 billion at the end of September 2017 (14.1% as a percentage of GDP in the last four quarters). Net assets, reflecting the recording of EU transfers on an accrual basis, amounted to EUR 2.9 billion. Within this, the value of assets was EUR 3.0 billion and that of liabilities was EUR 0.1 billion.

⁴ A summary of the transactions belonging to capital in transit and asset portfolio restructuring as well as adjusted direct investment data are available on the MNB's website in a [table](#).

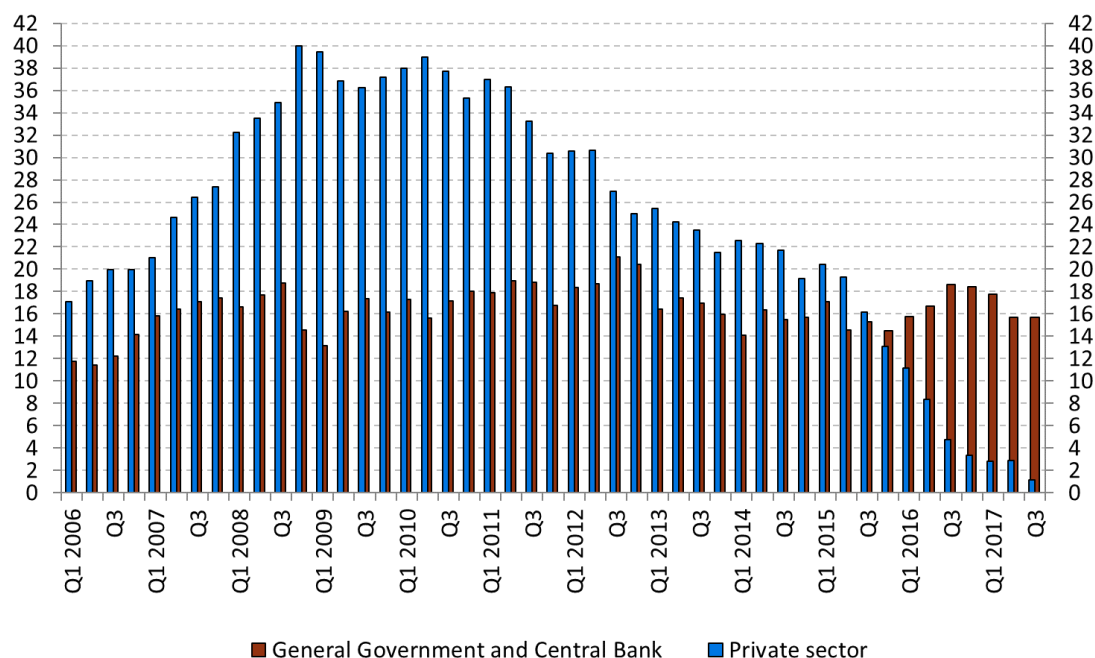
⁵ Under the BPM6 methodology, superdividends are not recorded as dividends, but rather as capital withdrawal. Superdividends are dividends declared payable from retained earnings of previous years. The value of capital withdrawal recorded as superdividends are published separately on the MNB's website, in the files detailing [\(FDI aggregates\)](#), according to the directional principle.

Table 3

Foreign assets and liabilities of Hungary, end of periods (EUR millions)⁶

	2016				2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Assets	127 530	130 451	125 742	118 664	123 298	124 345	123 682
3.1.k Direct investment	63 209	64 702	60 193	50 546	53 180	53 901	53 867
3.2.k Portfolio investment	8 391	8 997	9 214	9 594	10 731	11 347	11 555
3.3.k Financial derivatives and employee stock options	3 699	4 173	3 720	4 894	4 109	3 566	2 803
3.4.k Other investment	24 680	27 795	28 955	29 245	30 880	32 069	33 231
o/w: due to accrual accounting of EU-transfers	3 333	3 371	2 515	1 488	1 435	2 974	2 969
3.5. Reserve assets	27 551	24 785	23 661	24 384	24 398	23 461	22 226
Liabilities	202 735	201 911	201 811	195 755	198 808	198 076	197 924
3.1.t Direct investment	109 001	109 430	110 381	102 737	105 045	104 677	105 367
3.2.t Portfolio investment	47 633	46 964	48 188	49 202	48 682	47 809	48 593
3.3.t Financial derivatives and employee stock options	1 851	2 112	1 769	1 797	1 655	1 550	1 572
3.4.t Other investment	44 250	43 406	41 472	42 020	43 427	44 040	42 391
o/w: due to accrual accounting of EU-transfers	1 122	1 073	273	567	629	516	109
Net Assets	-75 205	-71 460	-76 069	-77 092	-75 510	-73 730	-74 242
o/w: due to accrual accounting of EU-transfers	2 211	2 298	2 242	920	806	2 458	2 860
Memorandum:							
Gross external debt (excluding FDI debt)	81 047	79 936	78 442	78 181	79 370	78 029	76 294
General government and Central bank	46 135	44 312	43 954	43 891	43 025	41 481	39 974
Other MFIs and Other sectors	34 912	35 624	34 488	34 290	36 346	36 547	36 320
Net external debt (excluding FDI debt)	26 924	25 055	23 347	21 793	20 554	18 566	16 873
General government and Central bank	15 748	16 700	18 602	18 414	17 762	15 712	15 695
Other MFIs and Other sectors	11 176	8 356	4 744	3 379	2 792	2 854	1 178

Chart 4

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

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

In the December 2017 publication, the regular revision period of the balance of payments statistics goes back to 2017 Q1 and Q2. Tables 4 and 5 summarise changes relative to data for 2017 Q1 and Q2 published in September 2017. The shifts are explained by data revisions by data providers.

Table 4

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

	Q1	Q2
1. Goods	0	0
2. Services	-2	-1
3. Primary income	-3	5
4. Secondary income	131	114
I. Current account balance (1+2+3+4)	126	118
II. Capital account	142	-344
III. Financial account (5+6+7+8)	225	317
5. Foreign direct investment (net assets)	-142	137
Foreign direct investment abroad (net assets)	8	2
Equity	0	2
Debt instruments	8	-1
Foreign direct investment in Hungary (net liabilities)	150	-135
Equity	-19	49
Debt instruments	169	-184
6. Portfolio investments (net assets)	0	0
Assets	0	0
Liabilities	0	0
7. Financial derivatives (net assets)	-8	44
8. Other investments (net assets)	375	137
Assets	340	57
Liabilities	-34	-79
IV. Net errors and omissions	-43	543

Table 5

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

	Q1	Q2
1. Foreign direct investment (net assets)	-390	-252
Foreign direct investment abroad (net assets)	0	3
Equity	-11	-8
Debt assets	23	27
Debt liabilities	12	15
Foreign direct investment in Hungary (net liabilities)	390	255
Equity	-24	31
Debt assets	243	214
Debt liabilities	657	439
2. Portfolio investments (net assets)	0	0
Assets	0	0
Liabilities	0	0
3. Financial derivatives (net assets)	0	0
4. Other investments (net assets)	464	606
Assets	401	462
Liabilities	-63	-144
Gross external debt*	-63	-144
Net external debt*	-464	-606
Goods net in the percentage of the GDP	0,0%	0,0%
Current account balance in the percentage of the GDP	0,5%	0,4%
Gross debt in the percentage of the GDP*	-0,1%	-0,1%
Net debt in the percentage of the GDP*	-0,4%	-0,5%

* FDI excluding 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 influence the applicability, interpretation and the dissemination of seasonally adjusted data; TRAMO/SEATS will continue to be the seasonal adjustment method used. 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 Q4, and will revise annual data for 2015 and 2016 and quarterly data for 2017 Q1-Q3 on 23 March 2018.

Detailed tables: [Time series](#)

Notes: [Methodological notes](#)

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