



21 June 2018

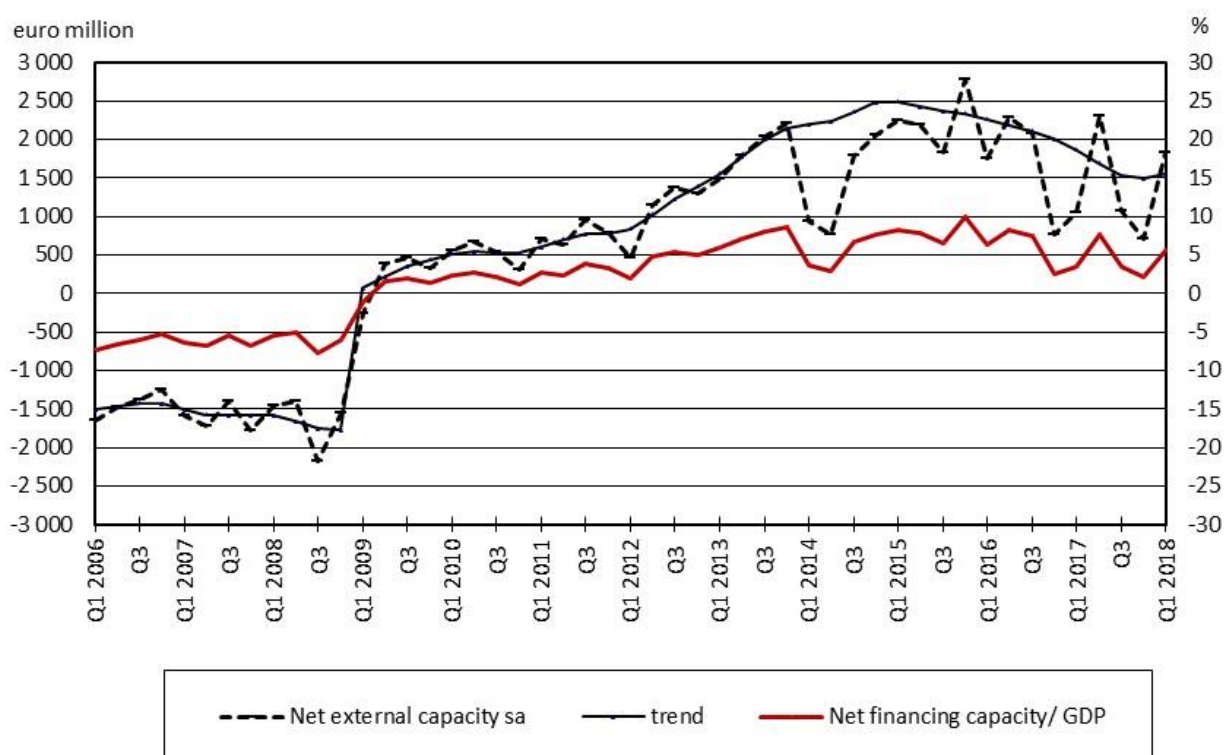
## PRESS RELEASE

### Hungary's balance of payments: 2018 Q1

In 2018 Q1,<sup>1</sup> Hungary's unadjusted net external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 2,148 million (HUF 667 billion). Adjusted for seasonal effects, the measure stood at EUR 1,831 million (HUF 556 billion), equal to 5.6 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)



<sup>1</sup> Consistent with the practice of releasing and revising statistical data, on 21 June 2018 the MNB is publishing Hungary's balance of payments statistics for 2018 Q1 for the first time, and revises the data for 2017 Q1-Q4.

Table 1

## Balance of payments main components (EUR millions)

	2017					2018
	Q1	Q2	Q3	Q4	Q1-Q4	Q1
<b>1. Current account, net (1.A+1.B+1.C)</b>	<b>979</b>	<b>1 605</b>	<b>874</b>	<b>430</b>	<b>3 888</b>	<b>1 027</b>
<b>1.A. Goods and Services, net</b>	<b>2 144</b>	<b>2 953</b>	<b>2 348</b>	<b>1 965</b>	<b>9 410</b>	<b>2 158</b>
Exports	27 206	28 336	27 606	27 945	111 093	27 967
Imports	25 062	25 383	25 258	25 980	101 683	25 809
1.A.a. Goods, net	702	1 162	164	189	2 217	374
Exports	21 906	22 483	21 060	22 045	87 494	22 426
Imports	21 205	21 321	20 896	21 855	85 277	22 053
1.A.b. Services, net	1 443	1 791	2 184	1 775	7 193	1 784
Exports	5 300	5 852	6 546	5 900	23 599	5 540
Imports	3 857	4 062	4 362	4 125	16 406	3 756
<b>1.B. Primary income, net</b>	<b>-1 056</b>	<b>-1 426</b>	<b>-1 201</b>	<b>-1 269</b>	<b>-4 951</b>	<b>-1 030</b>
1.B.1. Compensation of employees, net	706	704	700	617	2 726	573
1.B.2. Investment income, net	-2 017	-2 523	-2 175	-2 294	-9 009	-2 038
1.B.2.1. Direct investment income, net	-1 655	-1 902	-1 877	-1 993	-7 426	-1 763
1.B.2.2. Portfolio investment income, net	-331	-588	-276	-275	-1 470	-252
1.B.2.3. Other investment income, net	-77	-80	-70	-73	-300	-67
1.B.2.4. Reserve assets, net	47	47	48	46	187	44
1.B.3. Other primary income, net	256	393	275	409	1 332	435
-of which: EU transfers	256	393	275	409	1 332	435
<b>1.C. Secondary income, net</b>	<b>-110</b>	<b>78</b>	<b>-273</b>	<b>-265</b>	<b>-571</b>	<b>-102</b>
-of which: EU transfers	113	343	-18	-35	403	64
<b>2. Capital account, net</b>	<b>294</b>	<b>526</b>	<b>112</b>	<b>241</b>	<b>1 173</b>	<b>1 121</b>
-of which: EU transfers	298	546	196	445	1 486	1 113
<b>3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)</b>	<b>-71</b>	<b>2 314</b>	<b>-706</b>	<b>962</b>	<b>2 498</b>	<b>826</b>
<b>3.1. Direct investment (net assets)</b>	<b>-530</b>	<b>692</b>	<b>-962</b>	<b>-934</b>	<b>-1 735</b>	<b>-418</b>
3.1.k. Abroad (net assets)	2 459	1 066	-841	-2 053	631	37
3.1.1.k Equity (net assets)	2 230	802	-851	-2 437	-256	95
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	2 006	700	-1 241	-2 607	-1 141	-211
3.1.1.2.ki Reinvestment of earnings (net assets)	224	102	390	170	886	306
3.1.2.ki Debt instruments (net assets)	228	264	10	384	886	-58
3.1.2.1.ki Assets	346	269	16	214	845	-169
3.1.2.2.ki Liabilities	117	5	6	-170	-42	-111
3.1.t In Hungary (net liabilities)	2 989	374	121	-1 118	2 366	454
3.1.1.t Equity (net liabilities)	2 927	61	2 489	2 374	7 851	389
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	1 588	-460	320	296	1 744	-1 284
3.1.1.2.be Reinvestment of earnings (net liabilities)	1 339	521	2 169	2 077	6 107	1 674
3.1.2.be Debt instruments (net liabilities)	61	313	-2 369	-3 492	-5 486	65
3.1.2.1.be Assets	-310	215	1 374	2 436	3 716	234
3.1.2.2.be Liabilities	-248	528	-995	-1 055	-1 770	299
<b>3.2. Portfolio investment (net assets)</b>	<b>1 254</b>	<b>2 014</b>	<b>-133</b>	<b>700</b>	<b>3 835</b>	<b>-213</b>
3.2.k Assets	840	791	150	200	1 981	147
3.2.t Liabilities	-414	-1 223	283	-500	-1 854	360
<b>3.3. Financial derivatives (other than reserves), net assets</b>	<b>-515</b>	<b>27</b>	<b>-649</b>	<b>-440</b>	<b>-1 577</b>	<b>-224</b>
3.3.k Assets	-1 020	-779	-1 290	-1 188	-4 276	-935
3.3.t Liabilities	-505	-806	-640	-747	-2 699	-711
<b>3.4. Other investment (net assets)</b>	<b>-248</b>	<b>-83</b>	<b>1 954</b>	<b>324</b>	<b>1 947</b>	<b>1 971</b>
3.4.k Assets	1 171	1 393	697	-1 066	2 195	2 408
3.4.t Liabilities	1 419	1 476	-1 257	-1 390	248	437
<b>3.5. Reserve assets</b>	<b>-32</b>	<b>-336</b>	<b>-917</b>	<b>1 313</b>	<b>28</b>	<b>-290</b>
<b>Memorandum:</b>						
<b>Net external financing capacity</b>						
Net external financing capacity (Current and capital account)	1 273	2 131	986	672	5 061	2 148
Net external financing capacity (Financial account)	-71	2 314	-706	962	2 498	826
Balancing item (Net errors and omissions)	-1 344	183	-1 692	290	-2 563	-1 322

Table 2

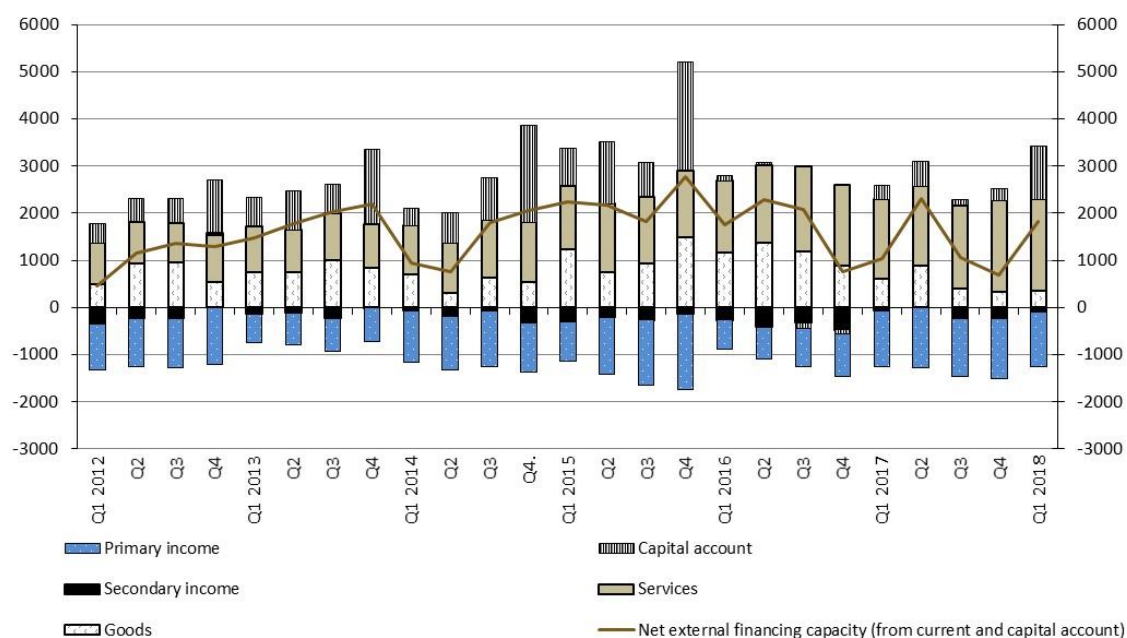
Net external financing capacity<sup>2</sup>  
(seasonally adjusted data; EUR millions)

	2017				2018
	Q1	Q2	Q3	Q4	Q1
<b>1. Real economic transactions, net (Goods and services)</b>	<b>2 213</b>	<b>2 747</b>	<b>2 116</b>	<b>2 333</b>	<b>2 233</b>
1.1. Export	27 539	27 708	27 694	27 961	28 673
1.2. Import	25 378	25 308	25 422	25 768	26 471
<b>1.1. Goods</b>	<b>601</b>	<b>897</b>	<b>391</b>	<b>344</b>	<b>346</b>
1.1.1. Export	21 491	21 913	21 589	21 990	22 667
1.1.2. Import	21 361	21 160	21 174	21 760	22 484
<b>1.2. Services</b>	<b>1 695</b>	<b>1 680</b>	<b>1 777</b>	<b>1 925</b>	<b>1 948</b>
1.2.1. Travel, net	809	814	834	848	861
export	1 339	1 324	1 410	1 393	1 421
import	520	539	554	533	534
1.2.2. Other services, net	886	928	960	1 122	1 155
export	4 451	4 482	4 589	4 596	4 623
import	3 576	3 606	3 642	3 359	3 519
<b>2. Primary income</b>	<b>-1 185</b>	<b>-1 267</b>	<b>-1 237</b>	<b>-1 260</b>	<b>-1 162</b>
<b>3. Secondary income</b>	<b>-61</b>	<b>-1</b>	<b>-232</b>	<b>-245</b>	<b>-90</b>
<b>4. Current account balance</b>	<b>1 102</b>	<b>1 193</b>	<b>818</b>	<b>839</b>	<b>971</b>
<b>5. Capital account*</b>	<b>294</b>	<b>526</b>	<b>112</b>	<b>241</b>	<b>1 121</b>
<b>6. Net external financing capacity</b>	<b>1 047</b>	<b>2 310</b>	<b>1 071</b>	<b>702</b>	<b>1 831</b>

## I. Main developments in net external financing capacity (current and capital account aggregates) in 2018 Q1

Chart 2

Net external financing capacity (seasonally adjusted data; 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 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 346 million in 2018 Q1, nearly identical to the level recorded in 2017 Q4. Seasonally adjusted exports (EUR 22,667 million) and imports (EUR 22,484 million) in 2018 Q1 exceeded their levels in the previous quarter.

The seasonally adjusted surplus on trade in **services** amounted to EUR 1,948 million, exceeding the surplus recorded in the previous quarter. Within this, net travel amounted to EUR 861 million, with both travel credits (EUR 1,421 million) and debits (EUR 534 million) being higher than their levels a quarter earlier. In 2018 Q1, both other services credits (EUR 4,623 million) and debits (EUR 3,519 million) exceeded their values recorded in 2017 Q4, and the surplus on other services (EUR 1,155 million) was higher than in the previous quarter.

In 2018 Q1, the seasonally adjusted **primary income** deficit (EUR 1,162 million) was lower than its level recorded in the previous quarter.

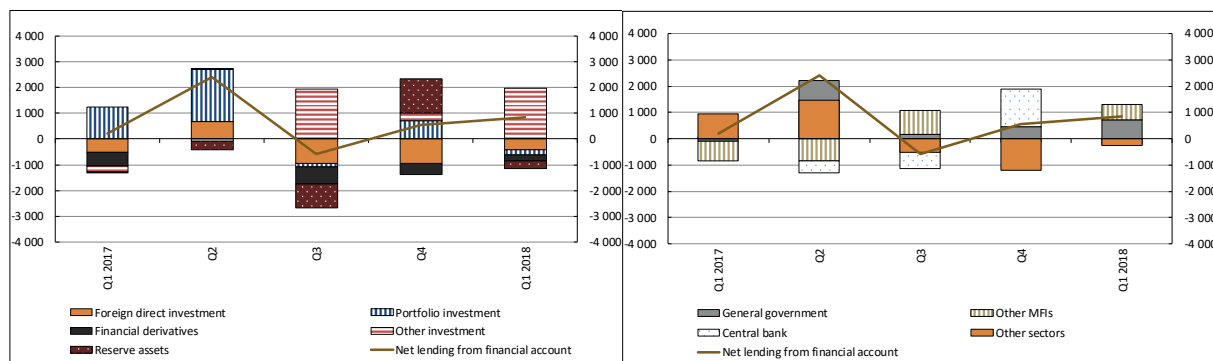
The seasonally adjusted deficit of **secondary income** (EUR 90 million) was also lower than that recorded in 2017 Q4.

The time series for the **capital account**, including data for 2018 Q1, did not show any seasonal pattern; therefore, the seasonally adjusted data was identical to the seasonally unadjusted data. The largest part of the capital account is formed by capital transfers received from the EU, which amounted to EUR 1,113 million in 2018 Q1. 2018 Q1 is the first time since 2016 when the size of capital transfers was significant again. The aggregated time series for **transfers to and from the EU** showed seasonal patterns; the adjusted balance of transfers was EUR 1,253 million in 2018 Q1. As regards the *unadjusted value* of individual components, net primary income (taxes and subsidies on production and products) amounted to EUR 435 million, and the net current transfers, recorded under secondary income, amounted to EUR 64 million. The value of funds received from the EU, recorded as capital transfers, amounted to EUR 1,113 million.

## II. Financial account: net external financing capacity calculated from the financial account in 2018 Q1<sup>3</sup>

Chart 3

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



**Foreign direct investment** transactions showed a net inflow of EUR 418 million in 2018 Q1: outward FDI increased by EUR 37 million and inward FDI by EUR 454 million. In 2018 Q1, capital in transit and asset portfolio restructuring<sup>4</sup> reduced the value of both outward and inward investments (a withdrawal of capital) by EUR 287 million.

Within residents' investments abroad, equity investments decreased by EUR 211 million and reinvested earnings increased by EUR 306 million the value of investments abroad in 2018 Q1. Within equity investments, there was no capital withdrawals recorded as superdividends<sup>5</sup>. Transactions in debt instruments showed a EUR 58 million decrease in net assets.

Within FDI in Hungary, the value of investments in equities reduced the value of investments by non-residents by EUR 1,284 million and reinvested earnings increased it by EUR 1,674 million in 2018 Q1. (Within equity investments, capital withdrawals recorded as superdividends amounted to EUR 20 million.) Transactions in debt instruments showed a EUR 65 million increase in net liabilities.

**Portfolio investment** transactions showed a net inflow of EUR 213 million in 2018 Q1 (a decline in net assets). This reflected increases of EUR 147 million and EUR 360 million in assets and liabilities, respectively.

**Net other investments** showed a total outflow of EUR 1,971 million (an increase in net assets). Assets and liabilities increased by EUR 2,408 million and EUR 437 million, respectively. Assets vis-à-vis the EU related to the accrual-based recording of EU transfers rose by EUR 652 million and liabilities vis-à-vis the EU fell by EUR 21 million.

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

<sup>4</sup> 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](#).

<sup>5</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.

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

The central bank's reserve assets amounted to EUR 23.1 billion at the end of March 2018. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 13.9 billion at the end of March 2018 (11.2% 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 1.8 billion. Within this, the value of assets was EUR 1.9 billion and that of liabilities was EUR 36 million.

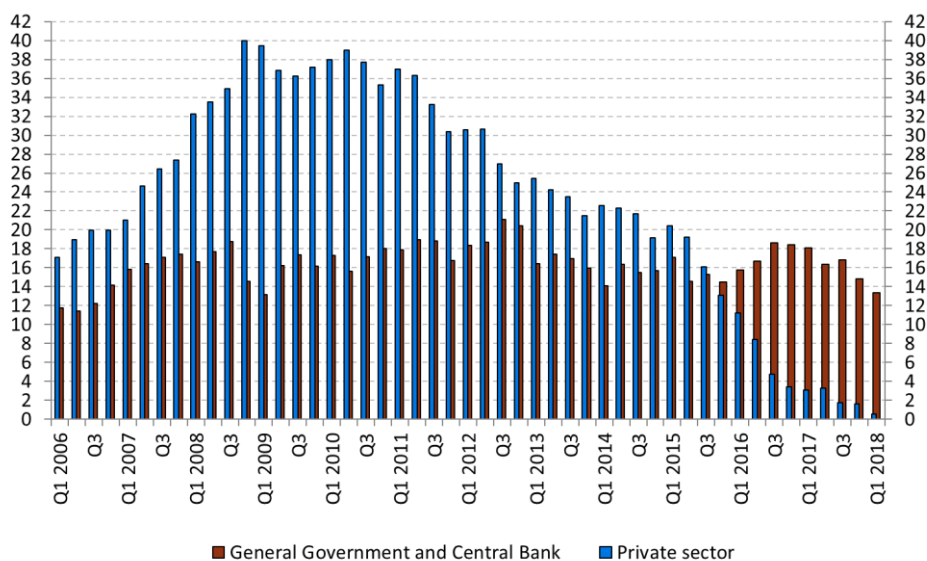
Table 3

Foreign assets and liabilities of Hungary, end of periods (EUR millions)<sup>6</sup>

	2017				2018
	Q1	Q2	Q3	Q4	Q1
<b>Assets</b>	<b>122 922</b>	<b>123 746</b>	<b>122 184</b>	<b>122 195</b>	<b>122 728</b>
3.1.k Direct investment	53 233	54 004	53 840	53 614	53 073
3.2.k Portfolio investment	10 772	11 386	11 596	11 892	11 784
3.3.k Financial derivatives and employee stock options	4 109	3 566	2 801	2 527	1 777
3.4.k Other investment	30 410	31 329	31 720	30 794	33 036
o/w: due to accrual accounting of EU-transfers	909	2 173	1 558	1 226	1 863
3.5. Reserve assets	24 398	23 461	22 226	23 368	23 059
<b>Liabilities</b>	<b>199 812</b>	<b>199 382</b>	<b>199 207</b>	<b>199 040</b>	<b>197 725</b>
3.1.t Direct investment	105 844	105 664	106 480	107 581	107 153
3.2.t Portfolio investment	48 682	47 809	48 486	48 549	47 219
3.3.t Financial derivatives and employee stock options	1 656	1 551	1 573	1 589	1 809
3.4.t Other investment	43 630	44 359	42 669	41 322	41 545
o/w: due to accrual accounting of EU-transfers	580	510	30	56	36
<b>Net Assets</b>	<b>-76 890</b>	<b>-75 635</b>	<b>-77 023</b>	<b>-76 846</b>	<b>-74 996</b>
o/w: due to accrual accounting of EU-transfers	329	1 663	1 528	1 169	1 826
<b>Memorandum:</b>					
<b>Gross external debt (excluding FDI debt)</b>	<b>79 574</b>	<b>78 347</b>	<b>76 487</b>	<b>74 540</b>	<b>73 967</b>
General government and Central bank	42 975	41 475	39 895	38 976	37 921
Other MFIs and Other sectors	36 599	36 872	36 592	35 565	36 046
<b>Net external debt (excluding FDI debt)</b>	<b>21 226</b>	<b>19 624</b>	<b>18 576</b>	<b>16 413</b>	<b>13 937</b>
General government and Central bank	18 107	16 353	16 855	14 808	13 385
Other MFIs and Other sectors	3 119	3 271	1 721	1 605	551

Chart 4

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



<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

In the June 2018 publication, the regular revision period of the balance of payments statistics goes back to the four quarters of 2017. Tables 4 and 5 summarise changes relative to data for 2017 Q1-Q4 published in March 2018. The shifts are explained by revisions by data providers.

Table 4

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

	<b>2017Q1-Q4</b>
1. Goods	-110
2. Services	0
3. Primary income	-89
4. Secondary income	483
<b>I. Current account balance (1+2+3+4)</b>	<b>284</b>
<b>II. Capital account</b>	<b>-331</b>
<b>III. Financial account (5+6+7+8)</b>	<b>-81</b>
5. Foreign direct investment (net assets)	192
Foreign direct investment abroad (net assets)	325
Equity	346
Debt instruments	-20
Foreign direct investment in Hungary (net liabilities)	134
Equity	31
Debt instruments	103
6. Portfolio investments (net assets)	5
Assets	1
Liabilities	-4
7. Financial derivatives (net assets)	0
8. Other investments (net assets)	-278
Assets	28
Liabilities	306
<b>IV. Net errors and omissions</b>	<b>-34</b>

Table 5

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

	<b>2017Q4</b>
<b>1. Foreign direct investment (net assets)</b>	<b>45</b>
Foreign direct investment abroad (net assets)	336
Equity	371
Debt assets	5
Debt liabilities	40
Foreign direct investment in Hungary (net liabilities)	291
Equity	69
Debt assets	145
Debt liabilities	367
<b>2. Portfolio investments (net assets)</b>	<b>2</b>
Assets	-1
Liabilities	-3
<b>3. Financial derivatives (net assets)</b>	<b>0</b>
<b>4. Other investments (net assets)</b>	<b>-255</b>
Assets	266
Liabilities	522
<b>Gross external debt*</b>	<b>527</b>
<b>Net external debt*</b>	<b>259</b>
Goods net in the percentage of the GDP	-0,1%
Current account balance in the percentage of the GDP	0,2%
Gross debt in the percentage of the GDP*	0,4%
Net debt in the percentage of the GDP*	0,2%

\* 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.

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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 for January 2017 and 2017 Q1. 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 2018 Q2 and will revise annual data for 2015, 2016 and 2017 as well as quarterly data for 2018 Q1 on 20 September 2018.

Detailed tables: [Time series](#)

Notes: [Methodological notes](#)

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