



20 December 2018

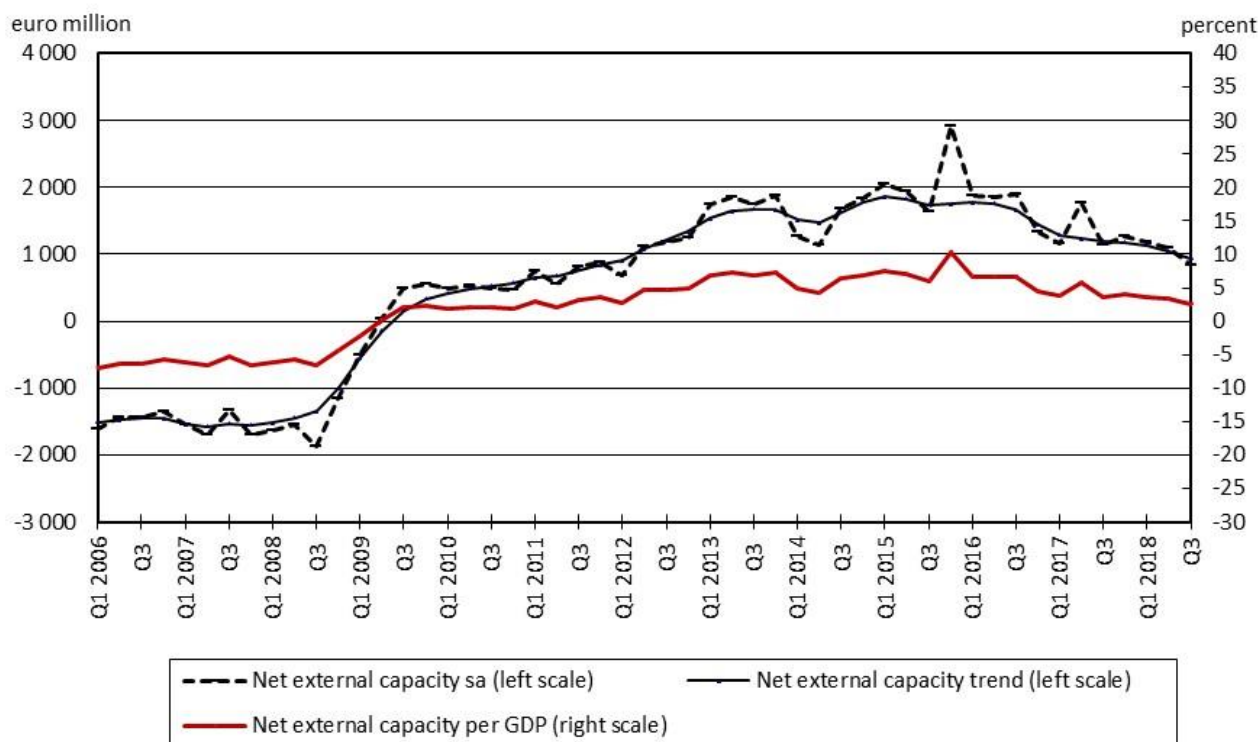
PRESS RELEASE

Hungary's balance of payments: 2018 Q3

In 2018 Q3,¹ Hungary's unadjusted net external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 557 million (HUF 181 billion). Adjusted for seasonal effects, the indicator stood at EUR 830 million (HUF 249 billion), equal to 2.5% 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 20 December 2018 the MNB is publishing Hungary's balance of payments and international investment position statistics for 2018 Q3 for the first time and revised quarterly data for 2018 Q1 and Q2.

Table 1

Balance of payments main components (EUR millions)

	2017					2018			
	Q1	Q2	Q3	Q4	Y	Q1	Q2	Q3	Q1-Q3
1. Current account, net (1.A+1.B+1.C)	783	1 617	999	547	3 947	671	929	156	1 756
1.A. Goods and Services, net	1 931	2 894	2 404	2 027	9 256	1 878	2 594	1 367	5 839
Exports	26 570	27 797	27 427	27 518	109 312	27 620	29 886	28 227	85 733
Imports	24 639	24 902	25 023	25 492	100 057	25 743	27 292	26 859	79 894
1.A.a. Goods, net	439	1 026	201	237	1 904	42	569	-894	-283
Exports	21 220	21 869	20 864	21 613	85 566	22 030	23 689	21 534	67 253
Imports	20 781	20 842	20 663	21 376	83 662	21 988	23 120	22 428	67 536
1.A.b. Services, net	1 492	1 868	2 203	1 789	7 352	1 836	2 025	2 261	6 121
Exports	5 350	5 928	6 563	5 905	23 746	5 590	6 197	6 692	18 480
Imports	3 858	4 060	4 360	4 116	16 394	3 755	4 172	4 431	12 358
1.B. Primary income, net	-1 091	-1 403	-1 177	-1 264	-4 936	-973	-1 615	-1 264	-3 852
1.B.1. Compensation of employees, net	708	706	703	617	2 732	569	629	603	1 801
1.B.2. Investment income, net	-2 054	-2 502	-2 155	-2 290	-9 000	-1 957	-2 478	-2 101	-6 535
1.B.2.1. Direct investment income, net	-1 691	-1 876	-1 852	-1 986	-7 405	-1 678	-1 878	-1 842	-5 398
1.B.2.2. Portfolio investment income, net	-331	-588	-276	-274	-1 469	-253	-577	-235	-1 065
1.B.2.3. Other investment income, net	-79	-84	-75	-75	-313	-70	-68	-71	-209
1.B.2.4. Reserve assets, net	47	47	48	46	187	44	45	47	137
1.B.3. Other primary income, net	256	393	275	409	1 332	414	234	234	882
-of which: EU transfers	256	393	275	409	1 332	414	234	234	882
1.C. Secondary income, net	-56	126	-227	-215	-373	-233	-50	53	-230
-of which: EU transfers	113	343	-18	-35	403	-103	131	230	258
2. Capital account, net	300	533	122	250	1 205	695	737	402	1 834
-of which: EU transfers	298	546	196	445	1 486	668	747	462	1 877
3. Financial account (net assets) (3.1+3.2+3.3+3.4+3.5)	-201	2 475	-639	741	2 376	568	1 156	-311	1 413
3.1. Direct investment (net assets)	-553	870	-890	-1 061	-1 635	-353	-206	-1 741	-2 300
3.1.k. Abroad (net assets)	2 546	1 163	-749	-2 062	898	164	112	397	674
3.1.1.k Equity (net assets)	2 325	916	-779	-2 343	119	157	203	592	952
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	2 030	753	-1 212	-2 557	-986	-241	160	194	113
3.1.1.2.ki Reinvestment of earnings (net assets)	295	163	434	213	1 105	398	43	398	839
3.1.2.ki Debt instruments (net assets)	220	247	30	282	779	7	-91	-194	-279
3.1.2.1.ki Assets	344	253	35	207	839	-172	166	31	25
3.1.2.2.ki Liabilities	124	6	5	-75	60	-179	257	225	303
3.1.t In Hungary (net liabilities)	3 099	293	142	-1 001	2 533	517	318	2 139	2 973
3.1.1.t Equity (net liabilities)	3 036	-43	2 539	2 489	8 021	-177	21	2 565	2 409
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	1 599	-515	341	348	1 772	-1 699	-401	362	-1 737
3.1.1.2.be Reinvestment of earnings (net liabilities)	1 437	472	2 199	2 141	6 249	1 521	422	2 203	4 146
3.1.2.be Debt instruments (net liabilities)	63	336	-2 398	-3 490	-5 488	694	297	-427	564
3.1.2.1.be Assets	-305	276	1 438	2 549	3 958	20	1 387	-1 082	325
3.1.2.2.be Liabilities	-242	612	-959	-941	-1 530	714	1 684	-1 509	889
3.2. Portfolio investment (net assets)	1 254	2 014	-133	644	3 779	-218	1 594	-500	875
3.2.k Assets	840	791	150	140	1 922	147	-102	-165	-121
3.2.t Liabilities	-414	-1 223	283	-503	-1 857	365	-1 696	335	-996
3.3. Financial derivatives (other than reserves), net assets	-515	27	-649	-440	-1 577	-224	176	-114	-163
3.3.k Assets	-1 020	-779	-1 290	-1 188	-4 276	-935	-873	-766	-2 575
3.3.t Liabilities	-505	-806	-640	-747	-2 699	-711	-1 049	-652	-2 412
3.4. Other investment (net assets)	-355	-101	1 951	285	1 781	1 654	-1 141	2 204	2 717
3.4.k Assets	1 185	1 406	709	-1 088	2 212	1 721	507	1 822	4 050
3.4.t Liabilities	1 539	1 507	-1 242	-1 373	431	67	1 647	-382	1 332
3.5. Reserve assets	-32	-336	-917	1 313	28	-290	733	-159	284
Memorandum:									
Net external financing capacity									
Net external financing capacity (Current and capital account)	1 083	2 150	1 122	797	5 152	1 366	1 667	557	3 590
Net external financing capacity (Financial account)	-201	2 475	-639	741	2 376	568	1 156	-311	1 413
Balancing item (Net errors and omissions)	-1 284	325	-1 760	-56	-2 776	-798	-510	-869	-2 177

Table 2

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

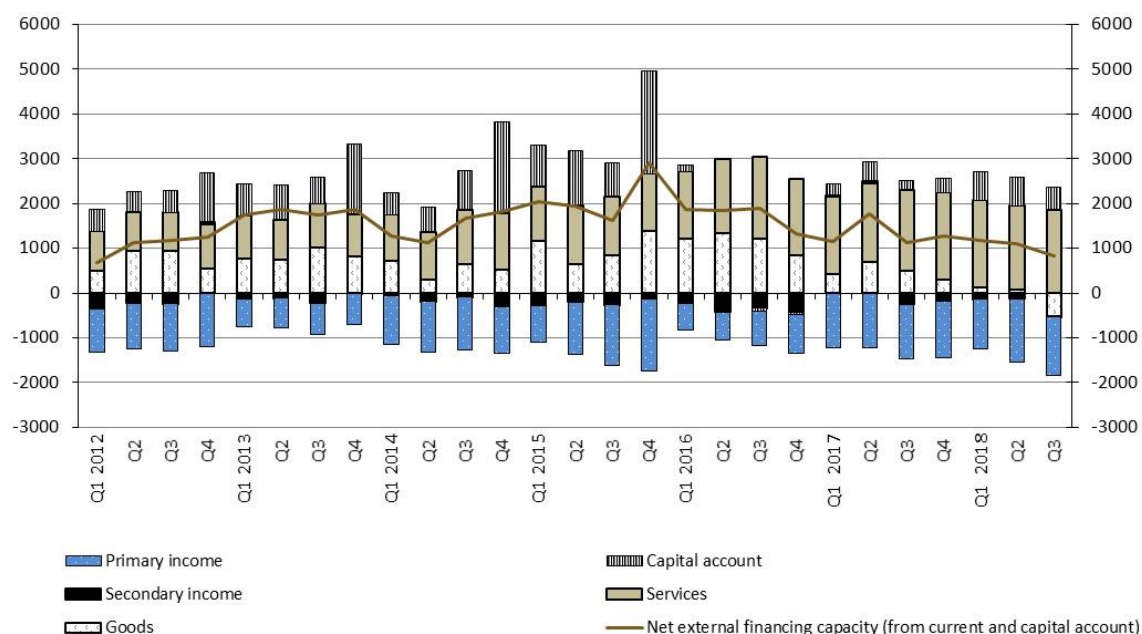
	2017				2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1. Real economic transactions, net (Goods and services)	2 006	2 632	2 267	2 353	2 016	2 245	1 260
1.1. Export	26 974	27 034	27 516	27 640	28 393	29 004	28 114
1.2. Import	24 965	24 815	25 164	25 311	26 416	27 005	27 192
1.1. Goods	431	703	485	299	116	77	-513
1.1.1. Export	20 901	21 241	21 374	21 587	22 349	22 734	22 122
1.1.2. Import	20 940	20 686	20 914	21 306	22 420	22 792	22 846
1.2. Services	1 715	1 757	1 826	1 942	1 957	1 873	1 869
1.2.1. Travel, net	811	812	826	859	881	905	933
export	1 340	1 331	1 406	1 391	1 422	1 417	1 506
import	519	543	553	532	531	538	553
1.2.2. Other services, net	906	993	1 020	1 136	1 169	1 067	953
export	4 490	4 532	4 625	4 618	4 660	4 717	4 614
import	3 583	3 598	3 635	3 356	3 525	3 624	3 665
2. Primary income	-1 231	-1 219	-1 222	-1 263	-1 121	-1 423	-1 309
3. Secondary income	35	43	-256	-183	-136	-132	-16
4. Current account balance	1 050	1 204	895	791	720	556	312
5. Capital account	265	437	210	320	630	629	504
6. Net external financing capacity	1 155	1 776	1 138	1 266	1 187	1 105	830

I. Main developments in net external financing capacity (current and capital account aggregates) in 2018 Q3

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).

Chart 2

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



Of the components of Hungary's net external financing capacity, calculated as the balance on the current and capital accounts, the seasonally adjusted deficit on trade in **goods** amounted to EUR 513 million in 2018 Q3. This is the first period, when the adjusted balance of trade in goods was negative, after a long period of time. Seasonally adjusted exports (EUR 22,122 million) declined relative to the previous quarter, while imports (EUR 22,846 million) in 2018 Q3 exceeded the level in the previous quarter.

The seasonally adjusted surplus on trade in **services** amounted to EUR 1,869 million. This is largely identical to the surplus recorded in the previous quarter. Within this, net travel amounted to EUR 933 million, with both travel credits (EUR 1,506 million) and debits (EUR 553 million) being higher than in the previous quarter. In 2018 Q3, other services credits (EUR 4,614 million) declined relative to the previous quarter, while debits (EUR 3,665 million) exceeded their values recorded in 2018 Q2, and the surplus on other services (EUR 953 million) was lower than in the previous quarter.

In 2018 Q3, the seasonally adjusted **primary income** deficit (EUR 1,309 million) was lower than its level recorded in the previous quarter.

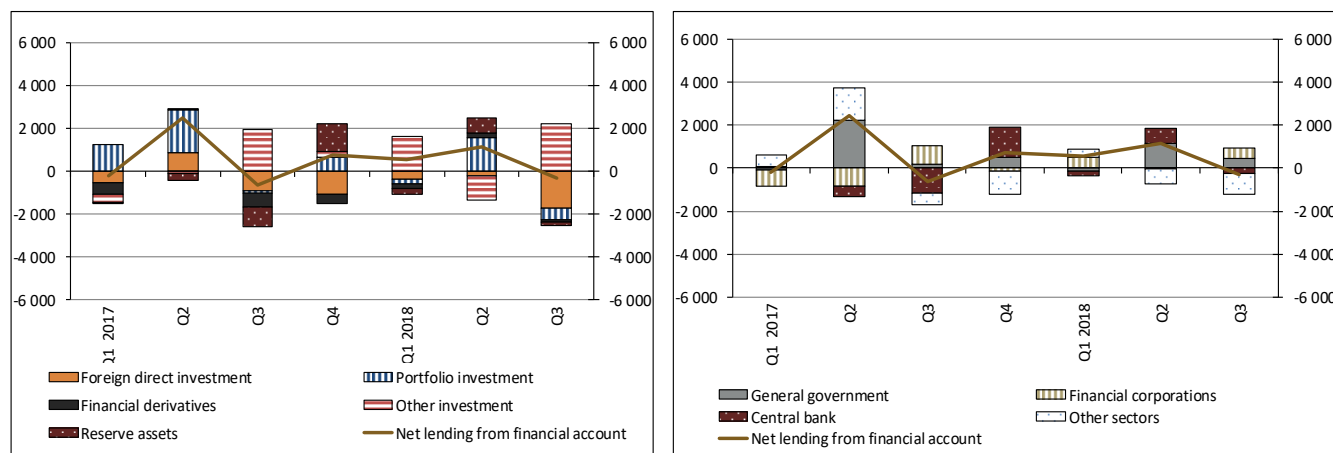
The seasonally adjusted **secondary income** deficit (EUR 16 million) was lower than that recorded in the previous quarter.

The adjusted balance of the **transfers to and from the EU** amounted to EUR 1,028 million in 2018 Q3. As regards the *unadjusted value* of individual components, net primary income (taxes and subsidies on production and products) amounted to EUR 234 million, and net current transfers, recorded under secondary income, amounted to EUR 230 million. The value of funds received from the EU, recorded as capital transfers, amounted to EUR 462 million.

II. Financial account: net external financing capacity calculated from the financial account in 2018 Q3³

Chart 3

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



Foreign direct investment transactions showed a net inflow of EUR 1741 million in 2018 Q3: outward FDI increased by EUR 397 million and inward FDI by EUR 2139 million. In 2018 Q3, capital in transit and asset portfolio restructuring⁴ increased the value of both outward and inward investments by EUR 56 million.

Within residents' investments abroad, equity investments and reinvested earnings increased the value of investments abroad by EUR 194 million and EUR 398 million, respectively, in 2018 Q3. Within equity investments, the value of capital withdrawals recorded as superdividends⁵ was EUR 14 million. Transactions in debt instruments showed a EUR 194 million decrease in net assets.

Within FDI in Hungary, the equity increased the value of non-residents' investments by EUR 362 million and reinvested earnings increased it by EUR 2203 million in 2018 Q3. (Within equity, capital withdrawals recorded as superdividends amounted to EUR 24 million.) Transactions in debt instruments showed a EUR 427 million decrease in net liabilities.

Portfolio investment transactions showed a net inflow of EUR 500 million in 2018 Q3 (a decline in net assets). This reflected the decrease of EUR 165 million in assets and the increase of EUR 335 million in liabilities.

Net other investments showed a total outflow of EUR 2,204 million (an increase in net assets). Assets increased by EUR 1,822 million, while liabilities declined by EUR 382 million. Assets vis-à-vis the EU related to the accrual-based recording of EU transfers and liabilities vis-à-vis the EU rose by EUR 651 million and EUR 4 million, respectively.

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

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.

III. Stock of reserve assets and external debt

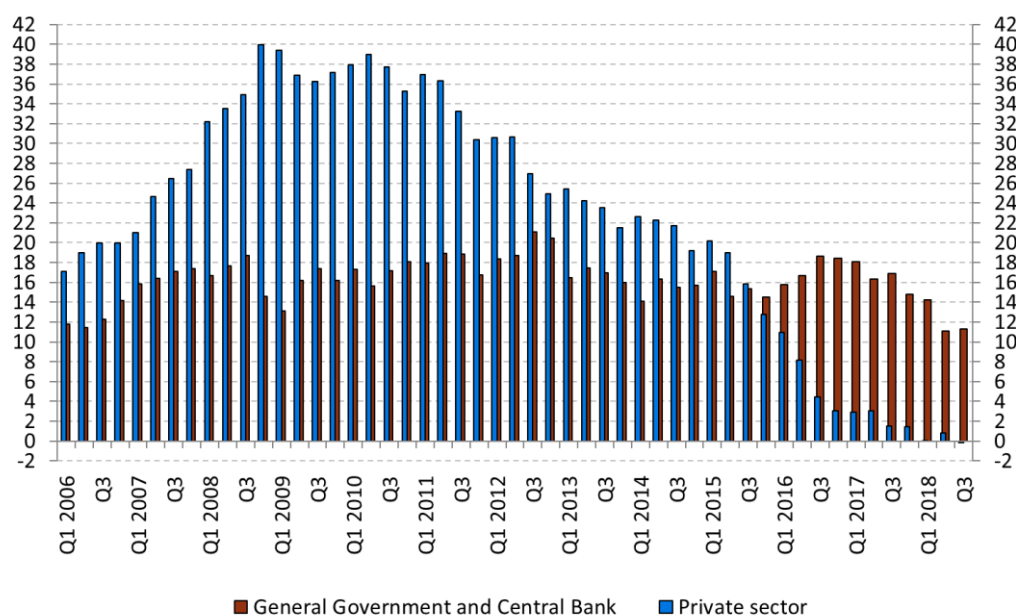
The central bank's reserve assets amounted to EUR 23.7 billion at the end of September 2018. Hungary's net foreign debt, excluding FDI debt instruments, amounted to EUR 11.1 billion at the end of September 2018 (8.8 % as a percentage of GDP in the last four quarters). Net assets, reflecting the recording of EU transfers on an accrual basis, amounted to EUR 2.4 billion. Within this, the value of assets was EUR 2.4 billion and that of liabilities was EUR 32 million.

Table 3

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

	2017				2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Assets	123 830	125 027	123 462	123 455	123 119	127 997	129 044
3.1.k Direct investment	53 797	54 926	54 749	54 588	54 027	56 560	56 055
3.2.k Portfolio investment	10 772	11 386	11 596	11 833	11 727	11 597	11 463
3.3.k Financial derivatives and employee stock options	4 109	3 566	2 801	2 527	1 777	2 546	2 705
3.4.k Other investment	30 754	31 686	32 089	31 139	32 529	33 233	35 095
o/w: due to accrual accounting of EU-transfers	909	2 173	1 558	1 226	994	1 719	2 397
3.5. Reserve assets	24 398	23 461	22 226	23 368	23 059	24 061	23 727
Liabilities	199 580	198 659	198 112	197 299	195 853	193 814	196 293
3.1.t Direct investment	105 491	104 789	105 218	105 665	105 445	105 071	107 088
3.2.t Portfolio investment	48 682	47 809	48 486	48 551	47 223	42 962	44 249
3.3.t Financial derivatives and employee stock options	1 656	1 551	1 573	1 590	1 809	2 644	2 053
3.4.t Other investment	43 751	44 510	42 834	41 494	41 375	43 138	42 903
o/w: due to accrual accounting of EU-transfers	580	510	30	56	44	32	32
Net Assets	-75 750	-73 632	-74 650	-73 845	-72 735	-65 817	-67 248
o/w: due to accrual accounting of EU-transfers	329	1 663	1 528	1 169	950	1 688	2 365
Memorandum:							
Gross external debt (excluding FDI debt)	79 695	78 499	76 653	74 713	73 796	73 095	73 516
General government and Central bank	42 975	41 475	39 895	38 976	37 929	36 268	36 579
Other MFIs and Other sectors	36 719	37 024	36 758	35 737	35 867	36 826	36 937
Net external debt (excluding FDI debt)	21 003	19 418	18 374	16 241	14 273	11 907	11 120
General government and Central bank	18 107	16 353	16 855	14 808	14 241	11 074	11 265
Other MFIs and Other sectors	2 896	3 065	1 518	1 433	31	832	-145

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 *equity, investment fund shares and financial derivatives*.

IV. Data revisions in the period

In the December 2018 publication, the regular revision period of the balance of payments statistics goes back to 2018 Q1 and Q2. Tables 4 and 5 summarise changes relative to data for 2018 Q1 and Q2 published in September 2018. The changes related to the instruments reflect revisions affecting data reported by companies and EU transfers.

Table 4

Changes in balance of payments data vis-a-vis the last publication (excluding SPEs, EUR million)

	Q1 2018	Q2 2018
1. Goods	0	0
2. Services	0	0
3. Primary income	-1	-1
4. Secondary income	-168	158
I. Current account balance (1+2+3+4)	-169	157
II. Capital account	-432	318
III. Financial account (5+6+7+8)	-685	247
5. Foreign direct investment (net assets)	-85	-196
Foreign direct investment abroad (net assets)	8	20
Equity	0	29
Debt instruments	8	-9
Foreign direct investment in Hungary (net liabilities)	93	217
Equity	4	-103
Debt instruments	89	320
6. Portfolio investments (net assets)	-4	7
Assets	0	0
Liabilities	4	-7
7. Financial derivatives (net assets)	0	0
8. Other investments (net assets)	-596	436
Assets	-622	439
Liabilities	-26	3
IV. Net errors and omissions	-85	-228

Table 5

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

	Q1 2018	Q2 2018
1. Foreign direct investment (net assets)	-170	-447
Foreign direct investment abroad (net assets)	70	93
Equity	0	29
Debt assets	60	63
Debt liabilities	-10	-1
Foreign direct investment in Hungary (net liabilities)	240	540
Equity	24	-10
Debt assets	73	-188
Debt liabilities	289	361
2. Portfolio investments (net assets)	-4	3
Assets	0	0
Liabilities	4	-3
3. Financial derivatives (net assets)	0	0
4. Other investments (net assets)	-843	-371
Assets	-778	-306
Liabilities	65	65
Gross external debt*	63	62
Net external debt*	841	369
Goods net in the percentage of the GDP	0,0%	0,0%
Current account balance in the percentage of the GDP	-0,6%	0,5%
Gross debt in the percentage of the GDP*	0,0%	0,0%
Net debt in the percentage of the GDP*	0,7%	0,3%

* 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 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 Q4 and will revise annual data for 2016, 2017, as well as quarterly data for 2018 Q1-Q3 on 25 March 2018.

Detailed tables: [Time series](#)

Notes: [Methodological notes](#)

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