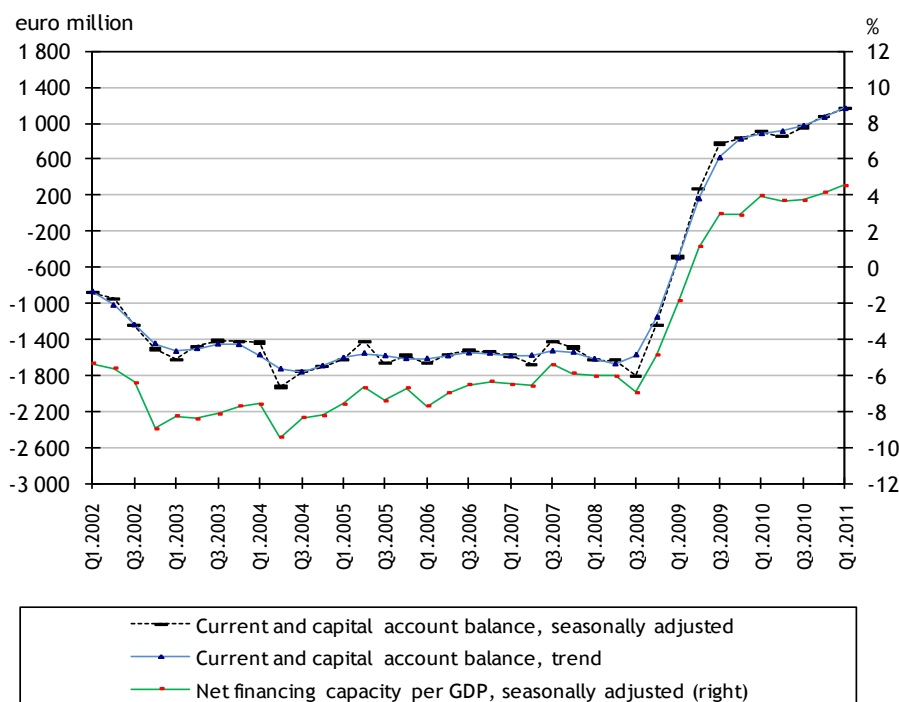


## PRESS RELEASE

### Hungary's balance of payments: 2011 Q1

In 2011 Q1,<sup>1</sup> Hungary's net external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 1,272 million (HUF 345 billion). Adjusted for seasonal effects, the net external financing capacity was 4.6% of GDP (HUF 317 billion). In 2011, the surplus on real economic transactions continued to increase and was higher than the income account deficit.<sup>2</sup> Seasonally adjusted export revenue and import expenditure have been higher than the levels recorded in previous quarters during the periods from early 2009 and 2009 H2, respectively.<sup>3</sup>

Chart 1  
Net external financing capacity in EUR millions (left-hand scale)  
and as a percentage of GDP (right-hand scale)



<sup>1</sup> Consistent with its practice of releasing and revising statistical data, on 30 June 2011 the MNB is publishing Hungary's balance of payments statistics for 2011 Q1 for the first time, together with revised 2010 Q1-Q4 data (based on revised data reported by data providers).

<sup>2</sup> In the balance of payments statistics, reinvested earnings under direct investment for 2010-2011 will remain estimates until annual corporate questionnaires are processed in September 2011, and therefore 2010 data are not treated as annual data until publication in September. Accordingly, 2010 data are only included in the quarterly time series.

<sup>3</sup> The detailed seasonally adjusted data and charts are available by clicking on the following links: [data](#), [charts](#).

**Table 1**  
**Current account balance and net external financing capacity**

Euro million

	2010					2011
	Q1.	Q2.	Q3.	Q4.	Q1-Q4.	Q1.
<b>I. Current account</b>	<b>604</b>	<b>621</b>	<b>432</b>	<b>360</b>	<b>2 017</b>	<b>787</b>
<b>1. Real economic transaction</b>	<b>1 863</b>	<b>1 850</b>	<b>1 668</b>	<b>1 699</b>	<b>7 080</b>	<b>2 235</b>
1.1. Export	19 315	20 924	21 759	22 767	84 766	23 162
1.2. Import	17 452	19 075	20 091	21 068	77 686	20 927
<b>1.1. Goods</b>	<b>1 252</b>	<b>1 223</b>	<b>914</b>	<b>1 286</b>	<b>4 674</b>	<b>1 791</b>
1.1.1. Export	16 008	17 359	17 850	19 158	70 375	19 706
1.1.2. Import	14 756	16 136	16 936	17 872	65 700	17 916
<b>1.2. Services</b>	<b>612</b>	<b>627</b>	<b>754</b>	<b>413</b>	<b>2 406</b>	<b>444</b>
1.2.1. Export	3 308	3 565	3 909	3 609	14 391	3 455
1.2.2. Import	2 696	2 939	3 155	3 196	11 985	3 011
<b>2. Income and current transfers</b>	<b>-1 260</b>	<b>-1 228</b>	<b>-1 236</b>	<b>-1 339</b>	<b>-5 063</b>	<b>-1 447</b>
<b>2.1.. Income</b>	<b>-1 223</b>	<b>-1 464</b>	<b>-1 357</b>	<b>-1 421</b>	<b>-5 465</b>	<b>-1 387</b>
2.1.1. Compensation of employees	242	195	185	189	811	186
2.1.2. Direct investment income	-996	-1 078	-1 078	-1 138	-4 289	-1 056
2.1.3. Portfolio investment income	-179	-295	-183	-193	-849	-208
2.1.4. Other investment income	-291	-287	-280	-279	-1 137	-308
<b>2.2.. Current transfers</b>	<b>-37</b>	<b>236</b>	<b>121</b>	<b>82</b>	<b>402</b>	<b>-60</b>
-of which: EU transfers	198	440	312	258	1 208	132
<b>II. Capital account</b>	<b>452</b>	<b>389</b>	<b>439</b>	<b>454</b>	<b>1 734</b>	<b>484</b>
-of which: EU transfers	503	415	456	794	2 167	483
<b>III. Financial account (3+4+5+6)</b>	<b>2 466</b>	<b>237</b>	<b>-1 491</b>	<b>247</b>	<b>1 459</b>	<b>2 339</b>
<b>3. Direct investment</b>	<b>-455</b>	<b>-354</b>	<b>256</b>	<b>1 162</b>	<b>610</b>	<b>-414</b>
3.1. Abroad	-920	759	-352	-672	-1 185	-380
3.1.1. Equity capital and reinvested earnings	-322	-13	-377	-634	-1 346	-435
3.1.1.1. Equity capital	-168	116	-268	-404	-725	-265
3.1.1.2. Reinvested earnings	-154	-129	-109	-229	-621	-170
3.1.2. Other capital	-598	772	25	-38	161	55
3.1.2.1. Assets	-604	805	-12	-55	134	117
3.1.2.2. Liabilities	6	-34	38	17	27	-62
3.2. In Hungary	466	-1 112	608	1 834	1 795	-34
3.2.1. Equity capital and reinvested earnings	699	-1 383	2 239	1 348	2 903	1 421
3.2.1.1. Equity capital	395	215	1 238	485	2 333	582
3.2.1.2. Reinvested earnings	304	-1 598	1 001	863	570	839
3.2.2. Other capital	-234	271	-1 631	485	-1 108	-1 455
3.2.2.1. Assets	37	-92	686	166	797	-494
3.2.2.2. Liabilities	-271	363	-2 317	320	-1 905	-961
<b>4. Portfolio investment</b>	<b>2 543</b>	<b>-1 137</b>	<b>-734</b>	<b>-689</b>	<b>-16</b>	<b>4 116</b>
4.1. Assets	-125	64	-165	-150	-377	-107
4.2. Liabilities	2 668	-1 201	-569	-538	360	4 223
<b>5. Financial derivatives</b>	<b>-28</b>	<b>384</b>	<b>-213</b>	<b>486</b>	<b>629</b>	<b>-354</b>
5.1. Assets	1 021	1 244	1 504	1 154	4 922	1 061
5.2. Liabilities	-1 049	-859	-1 717	-668	-4 293	-1 416
<b>6. Other investment</b>	<b>405</b>	<b>1 343</b>	<b>-800</b>	<b>-712</b>	<b>236</b>	<b>-1 008</b>
6.1. Assets	395	77	-499	-89	-115	1 152
6.2. Liabilities	10	1 266	-301	-624	351	-2 160
<b>IV. International reserves</b>	<b>-2 910</b>	<b>-956</b>	<b>1 147</b>	<b>-299</b>	<b>-3 018</b>	<b>-2 451</b>
Memorandum:						
<b>7. Net external financing capacity</b>						
7.1. Net external financing capacity (CA and Capital account)	1 056	1 011	871	814	3 752	1 272
7.2. Financial account balance (Financial account balance and reserves)	444	719	344	52	1 559	112
7.3. Difference (Net errors and omissions)	-612	-292	-527	-762	-2 192	-1 159

**Table 2**  
**Balance of payments and financing capacity items - seasonally adjusted data**

euro million

	2010				2011
	Q1	Q2	Q3	Q4	Q1
<b>1. Real economic transactions, net (Goods and services)</b>	<b>1 802</b>	<b>1 674</b>	<b>1 706</b>	<b>1 908</b>	<b>2 160</b>
1.1. Export	20 197	20 762	21 484	22 275	24 198
1.2. Import	18 571	19 149	19 820	20 324	21 893
<b>1.1. Goods</b>	<b>1 094</b>	<b>1 103</b>	<b>1 147</b>	<b>1 356</b>	<b>1 625</b>
1.1.1. Export	16 996	17 443	18 252	18 791	20 678
1.1.2. Import	15 510	15 950	17 159	17 197	18 548
<b>1.2. Services</b>	<b>638</b>	<b>594</b>	<b>595</b>	<b>565</b>	<b>496</b>
1.2.1. Travel, net	502	488	443	448	418
export	1 068	1 044	1 008	1 017	991
import	538	546	571	571	578
1.2.2. Other services, net	147	120	152	155	130
export	2 611	2 529	2 586	2 597	2 812
import	2 334	2 498	2 431	2 458	2 624
<b>2. Income</b>	<b>-1 380</b>	<b>-1 389</b>	<b>-1 404</b>	<b>-1 417</b>	<b>-1 433</b>
<b>3. Current account balance</b>	<b>278</b>	<b>453</b>	<b>494</b>	<b>576</b>	<b>802</b>
<b>4. Capital account</b>	<b>480</b>	<b>394</b>	<b>423</b>	<b>437</b>	<b>513</b>
<b>5. EU-transfers (current and capital account)</b>	<b>832</b>	<b>767</b>	<b>761</b>	<b>918</b>	<b>793</b>
<b>6. Net external financing capacity</b>	<b>907</b>	<b>849</b>	<b>952</b>	<b>1 079</b>	<b>1 161</b>

#### Developments in the main aggregates of the current account

In 2011 Q1, the current account surplus amounted to EUR 802 million, according to seasonally adjusted data. The seasonally adjusted values of both exports and imports as well as the seasonally adjusted goods balance (EUR 1,625 million) were higher than in the previous quarter.

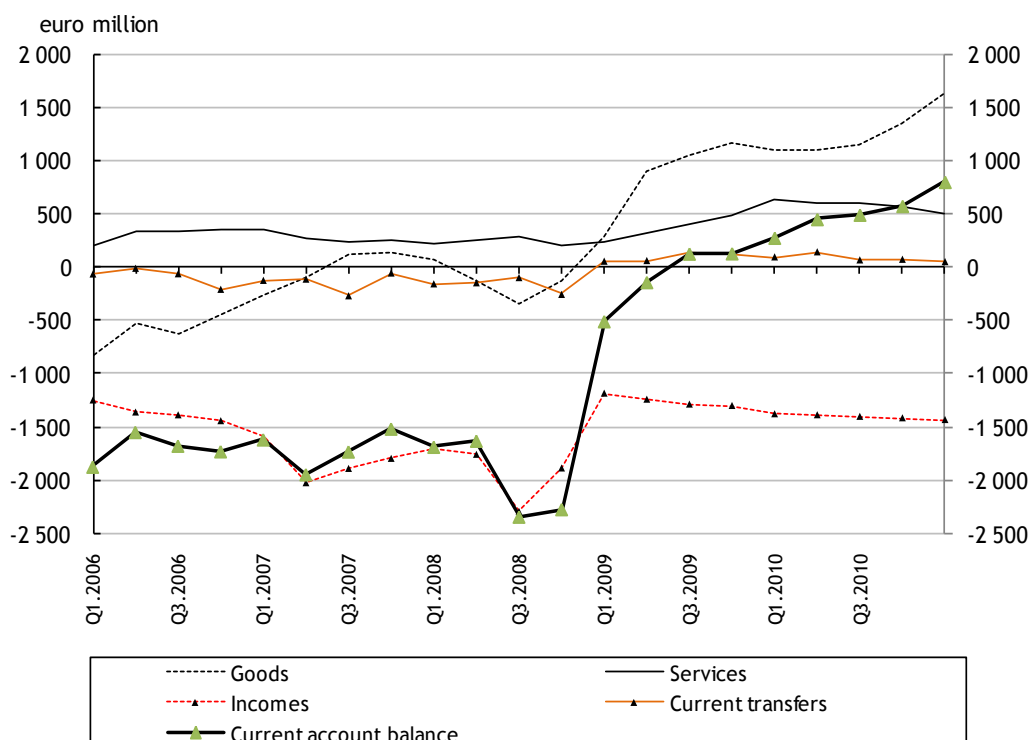
The seasonally adjusted surplus on services amounted to EUR 496 million in 2011 Q1, with the surplus declining relative to previous quarters.

Within services, seasonally adjusted travel revenue (EUR 991 million) fell, while expenditure (EUR 578 million) remained broadly unchanged at the levels of previous quarters. By contrast, other service revenue (EUR 2,812 million) and expenditure (EUR 2,624 million) both increased relative to previous quarters.

In the income account, the seasonally adjusted deficit amounted to EUR 1,433 million, with the size of deficit continuing to rise in 2011 Q1. In the balance of payments statistics, after-tax profits within direct investment income for 2010 (i.e. income on equity) and, consequently, reinvested earnings will remain estimates until annual corporate questionnaires are processed in September 2011.

In terms of accrual-based transfers with the European Union in the period, surplus on current transfers was EUR 132 million, and transactions recorded as capital transfers showed a nearly EUR 483 million surplus. Current and capital transfers to and from the EU are adjusted jointly; the seasonally adjusted surplus on current and capital transfers amounted to EUR 793 million in 2011 Q1.

**Chart 2**  
**Main aggregates of the seasonally adjusted current account**



### The financial account<sup>4</sup>

Within direct investment, net direct investment transactions by Hungarian residents abroad showed an outflow of EUR 380 million and net transactions by non-residents in Hungary showed an outflow of EUR 34 million. The EUR 380 million net outflow (an increase in direct investment abroad) on direct investment transactions by Hungarian residents resulted from an increase in equity investments abroad of EUR 265 million, reinvested earnings amounting to EUR 170 million (an outflow of funds) and net FDI other capital inflows (a net increase in debt) of EUR 55 million. The EUR 34 million net outflow on direct investment transactions by non-residents in Hungary resulted from a net increase in equity investment amounting to EUR 582 million, reinvested earnings allocated to foreign investors amounting to EUR 839 million and net outflows of EUR 1,455 million in FDI other capital.

Portfolio investment assets rose by EUR 107 million. Within this, purchases of equity (representing less than 10% foreign ownership) amounted to EUR 77 million and purchases of bonds amounted to EUR 30 million. Liabilities increased by EUR 4,223 million. At EUR 2,766 million and EUR 1,131 million respectively, the largest increases were in bond and money market liabilities. The Government Debt Management Agency issued two foreign currency bonds in a total value of USD 3.75 billion in Q1. Within money market instruments, non-residents increased strongly their holdings of two-week MNB bills. Equity liabilities increased by EUR 326 million.

<sup>4</sup> For summary data by investment category, see Table 1. More detailed data are available on the MNB's website.

The balance of other investments showed an outflow of EUR 1,008 million. Short-term assets fell by EUR 958 million and long-term assets by 193 million (an inflow of funds). The decline in short-term liabilities (an outflow of funds) amounted to EUR 1,532 million and that in long-term liabilities amounted to EUR 628 million in Q1.

#### Stock of international reserves and external debt

Central bank foreign exchange reserves amounted to EUR 35.7 billion at the end of March 2011. Hungary's net foreign debt, excluding other capital recorded under direct investment and financial derivatives, amounted to EUR 52.9 billion at the end of March 2011 (53.4% as a percentage of GDP). The amount recorded as net short-term asset due to the recording of EU transfers was EUR 543 million, of which the value of short-term assets was EUR 887 million and that of short-term liabilities was EUR 1,431 million.

**Table 3**  
**Foreign assets and liabilities of Hungary**

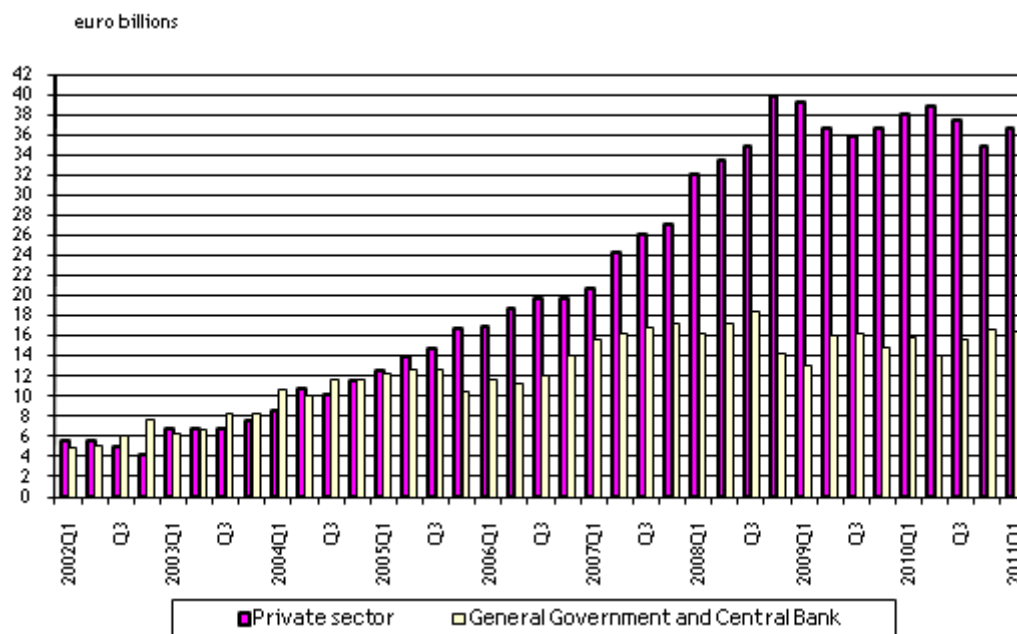
Euro million					
	2010				2011
	Q1	Q2	Q3	Q4	Q1
<b>1. Assets</b>	<b>103 303</b>	<b>104 030</b>	<b>101 640</b>	<b>103 649</b>	<b>105 880</b>
1.1. International reserves	33 852	35 174	33 676	33 674	35 692
1.2. Direct investment *	37 321	35 998	35 002	36 598	37 809
1.3. Portfolio investment	8 591	8 086	8 657	9 336	9 661
1.4. Financial derivatives	2 991	3 866	3 377	2 863	3 002
1.5. Other foreign assets	20 546	20 907	20 928	21 178	19 716
o/w: due to accrual accounting of EU-transfers	800	809	1 130	1 379	887
<b>2. Liabilities</b>	<b>219 411</b>	<b>213 000</b>	<b>213 726</b>	<b>212 913</b>	<b>219 621</b>
2.1. Direct investment *	93 024	87 474	88 860	89 928	93 231
2.2. Portfolio investment	49 359	43 995	45 460	43 160	49 992
2.3. Financial derivatives	3 384	4 960	4 231	4 366	3 788
2.4. Other foreign liabilities	73 645	76 570	75 174	75 459	72 611
o/w: due to accrual accounting of EU-transfers	1 625	1 276	1 489	1 367	1 431
<b>3. Net foreign liabilities (2-1)</b>	<b>116 109</b>	<b>108 970</b>	<b>112 085</b>	<b>109 264</b>	<b>113 742</b>
o/w: due to accrual accounting of EU-transfers	825	467	358	-12	543

#### Memorandum:

4. Gross foreign debt (excluding direct investment other capital)	109 438	110 116	108 898	107 616	109 746
4.1. General government and Central bank	50 738	50 033	50 277	52 085	53 246
4.2. Private sector	58 701	60 083	58 620	55 531	56 500
5. Net foreign debt (excluding direct investment other capital)	53 682	52 728	52 998	51 430	52 918
5.1. General government and Central bank	15 740	14 012	15 663	16 586	16 388
5.2. Private sector	37 941	38 716	37 335	34 844	36 530

\* Assets and liabilities are grouped separately within the directional breakdown of investment.

**Chart 3**  
**Net foreign debt of Hungary, 2002-2011\***



#### **Recording securities repurchase agreements and securities lending transactions from 2011**

This Press Release presents the effects of securities repurchase agreements (repos) and securities lending with non-residents from 2011, consistent with international statistical standards. In the past, repo transactions, involving the physical movement of securities, have been recorded as securities sale and purchase transactions rather than as loans against securities as collateral, in accordance with Hungarian accounting standards and securities accounts. This practice has been inconsistent with standard statistical methodology. (The MNB and general government are exceptions, where the treatment of securities repurchase transactions has been consistent with international methodological standards.)

Repo transactions between residents and non-residents, involving the physical transfer of securities, are recorded as changes of ownership (sale and purchase) in the securities statistics as well as in the balance of payments and the financial accounts. In previous periods, the total volume of such transactions was insignificant, amounting to EUR 53 million as closing position at the end of 2010. In 2011 Q1, however, the volume of repurchase agreements with non-residents rose significantly. This motivated a change in the recording method. The changed treatment of securities data according to the new statistical methodology has reduced the closing positions at the end-March in the balance of payments statistics and the national accounts by EUR 786 million compared to the stocks recorded in the securities statistics.

The repo adjustments related to non-residents, backdated to the period prior to 2011 in the balance of payments and the national accounts as well as the adjusted data for transactions between resident sectors will be published in the securities statistics, the monetary statistics and the financial accounts, respectively, in September 2011.

**Differences from the data recorded in the securities statistics (EUR millions)**  
**(balance of payments data - securities statistical data)**

	Other volume changes (adjustment of opening position in January 2011)	Transactions (2011 Q1)	Other changes (price and exchange rate changes) (2011 Q1)	Closing position as of 31 March 2011
Forint-denominated government securities and MNB bills	-53	-716	-17	-786

**Data revisions during the review period**

Tables 4 and 5 summarise all changes to data due to revisions for the period 2010 Q1-Q4. Adjustments and changes by data providers have been incorporated into the statistics. In addition, during the revision some companies have been reclassified as special purpose entities (SPEs) based on the nature of their activities, in agreement with the CSO. Consequently, these data have been reclassified from the beginning of 2010;<sup>5</sup> however, they are not incorporated in the balance of payments excluding SPE data. This reclassification explains the significant shifts in the data on dividends, reinvested earnings and direct investment as well as in the related stocks.

**Table 4**  
**The size of data revisions by BoP components over the last release (SPEs excluded)**

	EUR millions
	<b>2010.</b>
1. Goods	0
2. Services	0
3. Incomes	-24
3.2. Direct investment income	-14
3.2.1. Income on equity	0
3.2.1.1. Dividends	-371
3.2.1.2. Reinvested earnings	371
3.2.2. Interest	-14
4. Current transfers	10
<b>I. Current account balance (1+2+3+4)</b>	<b>-14</b>
<b>II. Capital account</b>	<b>-55</b>
<b>III. Financial account (5+6+7+8)</b>	<b>150</b>
5. Foreign direct investment	30
Foreign direct investment abroad	-557
Equity	459
Reinvested earnings	-350
Other capital	-666
Foreign direct investment in Hungary	587
Equity	4
Reinvested earnings	-21
Other capital	604
6. Portfolio investments	0
7. Financial derivatives	-2
8. Other investments	122
Assets	30
Liabilities	92
<b>IV. Net errors and omissions</b>	<b>-81</b>

<sup>5</sup> Data will be revised going back to several years in September 2011, in accordance with the announced data revision policy.

**Table 5**  
**Changes in stocks and selected macro-indicators over the last release (SPEs excluded)**

	EUR millions
	<b>2010</b>
1. Foreign direct investment (net liabilities)	2 382
Foreign direct investment abroad (net assets)	-2 091
Equity	-2 965
Other capital	874
Foreign direct investment in Hungary (net liabilities)	292
Equity	-730
Other capital	1 021
2. Portfolio investments (net liabilities)	0
3. Financial derivatives (net liabilities)	3
4. Other investments (net liabilities)	596
Assets	-26
Liabilities	570
<b>Gross debt*</b>	<b>570</b>
<b>Net debt*</b>	<b>596</b>
<b>Current account balance in the percentage of the GDP</b>	<b>0,0%</b>
<b>Gross debt in the percentage of the GDP*</b>	<b>0,6%</b>
<b>Net debt in the percentage of the GDP*</b>	<b>0,6%</b>

\* FDI other capital excluded.

\* \* \* \* \*

The seasonally adjusted data are subject to more uncertainty than usual, due to fluctuations caused by the financial crisis.

Consistent with international guidelines, when performing seasonal adjustment the model settings of the appropriate diagnostics for adjustment are generally left unchanged for a year, in order to minimise revisions. After a year, however, the settings and parameters are reviewed for all time series and the most appropriate ones are chosen. Simultaneously with publication of 2011 Q1 data, the new model settings were defined and fixed for the remainder of the year. The settings will only be changed if the diagnostics for seasonal adjustment fail and therefore new settings need to be applied. For the settings and parameters for the individual series, see the [Chart pack](#).

In this press release, Hungary's balance of payments is presented excluding data on special purpose entities (SPEs), in accordance with past practice. However, Hungary's balance of payments and external balance sheet both excluding and including SPE data are available on the Bank's website.

The MNB will release Hungary's balance of payments and international investment position data for 2011 Q2 and the annual balance of payments and international investment position statistics for 2010 as well as revised data for 2008-2009 on 30 September 2011.

**MAGYAR NEMZETI BANK**  
**STATISTICS**

*One of the primary statutory duties of the Magyar Nemzeti Bank is to collect and publish statistical information. The statistical press release aims to help the reader understand the latest published data. The Quarterly Report on Inflation and the Report on Financial Stability, published periodically, contain the Bank's analyses of underlying economic processes and are accessible at [www.mnb.hu](http://www.mnb.hu).*

Detailed tables: [Balance of payments](#)

Notes [Methodological notes](#)

Charts: [Chart pack](#)

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