



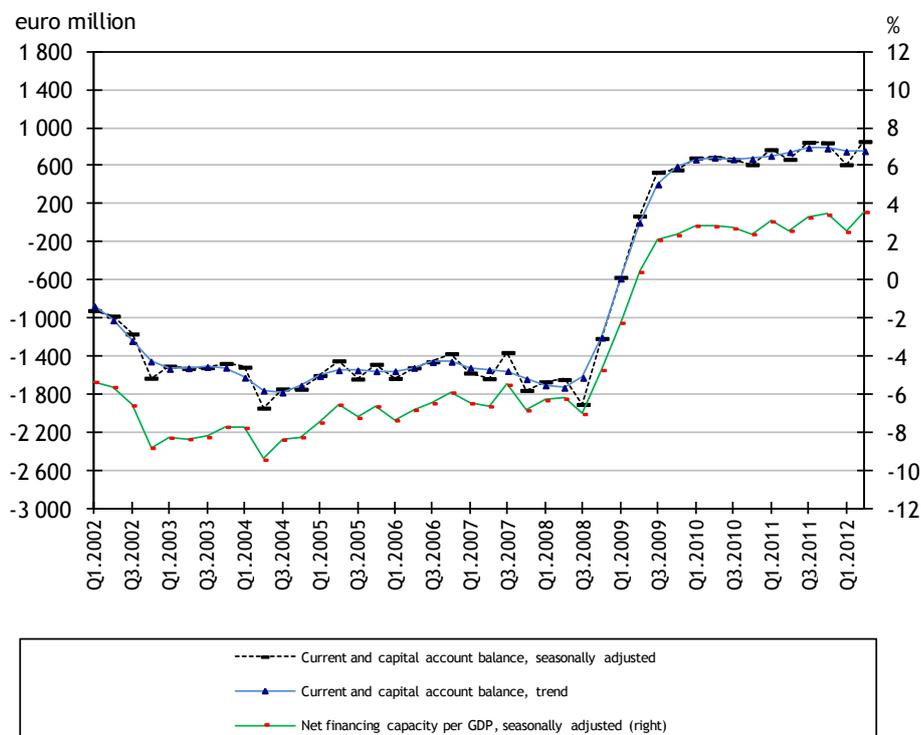
# MAGYAR NEMZETI BANK

## PRESS RELEASE

### Hungary's balance of payments: 2012 Q2

In 2012 Q2,<sup>1</sup> Hungary's net external financing capacity (i.e. the combined surplus on its current and capital accounts) amounted to EUR 975 million (HUF 287 billion). Adjusted for seasonal effects, the net external financing capacity was EUR 857 million or 3.6% of GDP (HUF 257 billion), 1.1 percentage point higher than in the previous quarter. According to seasonally adjusted data,<sup>2</sup> the current account surplus amounted to EUR 367 million. Within this, the surplus on goods and services was EUR 1,900 million, higher than in the previous quarter. The surplus on goods and services has exceeded the income account deficit in each successive quarter since 2009 Q3.

**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 28 September 2012 the MNB is publishing Hungary's balance of payments statistics for 2012 Q2 for the first time, together with revised annual data for 2009-2011 and 2012 Q1 (based on adjusted data reported by data providers). The CSO has corrected data on goods in a normal revision, to account for adjustments due to VAT residents. See details in Box 1.

<sup>2</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

	2009	2010	2011				2012			
	Y.	Y.	Q1.	Q2.	Q3.	Q4.	Q1-Q4.	Q1.	Q2.	Q1-Q2.
<b>I. Current account</b>	<b>-202</b>	<b>1 033</b>	<b>157</b>	<b>398</b>	<b>328</b>	<b>27</b>	<b>910</b>	<b>-7</b>	<b>519</b>	<b>512</b>
<b>1. Real economic transaction</b>	<b>4 328</b>	<b>6 147</b>	<b>1 631</b>	<b>1 956</b>	<b>1 661</b>	<b>1 337</b>	<b>6 585</b>	<b>1 581</b>	<b>2 165</b>	<b>3 746</b>
1.1. Export	70 667	83 620	22 332	22 789	22 816	22 884	90 820	22 340	23 179	45 520
1.2. Import	66 340	77 473	20 701	20 833	21 155	21 546	84 235	20 760	21 014	41 774
<b>1.1. Goods</b>	<b>2 341</b>	<b>3 215</b>	<b>1 176</b>	<b>865</b>	<b>672</b>	<b>648</b>	<b>3 360</b>	<b>995</b>	<b>1 308</b>	<b>2 303</b>
1.1.1. Export	57 358	68 978	18 885	18 709	18 600	19 039	75 233	18 969	19 343	38 312
1.1.2. Import	55 017	65 763	17 709	17 844	17 928	18 391	71 873	17 974	18 035	36 009
<b>1.2. Services</b>	<b>1 986</b>	<b>2 932</b>	<b>455</b>	<b>1 091</b>	<b>989</b>	<b>689</b>	<b>3 225</b>	<b>586</b>	<b>857</b>	<b>1 443</b>
1.2.1. Export	13 309	14 642	3 446	4 080	4 216	3 844	15 587	3 371	3 836	7 208
1.2.2. Import	11 323	11 710	2 991	2 989	3 227	3 155	12 363	2 786	2 979	5 765
<b>2. Income and current transfers</b>	<b>-4 530</b>	<b>-5 114</b>	<b>-1 474</b>	<b>-1 558</b>	<b>-1 333</b>	<b>-1 310</b>	<b>-5 675</b>	<b>-1 587</b>	<b>-1 647</b>	<b>-3 234</b>
<b>2.1.. Income</b>	<b>-4 935</b>	<b>-5 459</b>	<b>-1 437</b>	<b>-1 658</b>	<b>-1 533</b>	<b>-1 526</b>	<b>-6 155</b>	<b>-1 402</b>	<b>-1 718</b>	<b>-3 120</b>
2.1.1. Compensation of employees	701	789	221	238	237	217	913	213	230	443
2.1.2. Direct investment income	-3 373	-4 292	-1 147	-1 185	-1 162	-1 156	-4 650	-1 017	-1 102	-2 119
2.1.3. Portfolio investment income	-960	-836	-207	-405	-260	-238	-1 111	-271	-523	-794
2.1.4. Other investment income	-1 303	-1 120	-305	-306	-348	-349	-1 307	-327	-323	-650
<b>2.2.. Current transfers</b>	<b>404</b>	<b>345</b>	<b>-37</b>	<b>101</b>	<b>200</b>	<b>216</b>	<b>480</b>	<b>-186</b>	<b>72</b>	<b>-114</b>
-of which: EU transfers	1 056	1 061	163	360	404	403	1 331	22	299	320
<b>II. Capital account</b>	<b>1 071</b>	<b>1 691</b>	<b>469</b>	<b>390</b>	<b>747</b>	<b>742</b>	<b>2 348</b>	<b>333</b>	<b>457</b>	<b>790</b>
-of which: EU transfers	1 603	2 158	524	442	742	741	2 448	387	472	859
<b>III. Financial account (3+4+5+6)</b>	<b>4 943</b>	<b>1 842</b>	<b>2 410</b>	<b>806</b>	<b>910</b>	<b>-1 930</b>	<b>2 196</b>	<b>-2 493</b>	<b>-1 531</b>	<b>-4 024</b>
<b>3. Direct investment</b>	<b>128</b>	<b>725</b>	<b>-54</b>	<b>-470</b>	<b>-570</b>	<b>1 211</b>	<b>119</b>	<b>424</b>	<b>-612</b>	<b>-188</b>
3.1. Abroad	-1 348	-957	-131	39	-247	-2 834	-3 173	-3 388	-1 670	-5 058
3.1.1. Equity capital and reinvested earnings	-863	-1 026	-44	-243	-161	138	-310	-6 330	-183	-6 513
3.1.1.1. Equity capital	-766	-936	-103	-470	-22	244	-351	-6 266	-90	-6 356
3.1.1.2. Reinvested earnings	-98	-90	59	227	-139	-105	41	-64	-93	-157
3.1.2. Other capital	-485	69	-87	281	-85	-2 973	-2 864	2 942	-1 487	1 455
3.1.2.1. Assets	-764	128	35	258	-114	-2 953	-2 775	3 055	-1 393	1 662
3.1.2.2. Liabilities	279	-59	-121	24	29	-20	-89	-113	-94	-207
3.2. In Hungary	1 476	1 682	77	-509	-323	4 046	3 292	3 812	1 058	4 870
3.2.1. Equity capital and reinvested earnings	-1 810	2 968	1 244	-1 924	-62	4 680	3 938	1 171	-553	618
3.2.1.1. Equity capital	-1 618	3 130	674	-595	-953	3 583	2 710	959	822	1 781
3.2.1.2. Reinvested earnings	-192	-163	570	-1 329	891	1 097	1 229	213	-1 376	-1 163
3.2.2. Other capital	3 286	-1 285	-1 167	1 415	-261	-634	-647	2 640	1 612	4 252
3.2.2.1. Assets	-4 074	305	-490	1 440	-948	-228	-226	2 110	1 428	3 538
3.2.2.2. Liabilities	7 360	-1 590	-677	-25	688	-406	-421	530	183	714
<b>4. Portfolio investment</b>	<b>-3 592</b>	<b>-138</b>	<b>3 884</b>	<b>1 819</b>	<b>2 056</b>	<b>-1 182</b>	<b>6 579</b>	<b>406</b>	<b>-679</b>	<b>-273</b>
4.1. Assets	-738	-376	-313	-50	1 524	462	1 624	131	215	346
4.2. Liabilities	-2 854	238	4 197	1 869	532	-1 644	4 955	275	-894	-618
<b>5. Financial derivatives</b>	<b>641</b>	<b>625</b>	<b>-362</b>	<b>300</b>	<b>-359</b>	<b>-372</b>	<b>-793</b>	<b>-233</b>	<b>-117</b>	<b>-350</b>
5.1. Assets	5 627	4 919	1 059	1 281	1 420	1 250	5 010	1 326	1 191	2 517
5.2. Liabilities	-4 986	-4 294	-1 421	-981	-1 779	-1 622	-5 802	-1 559	-1 308	-2 867
<b>6. Other investment</b>	<b>7 765</b>	<b>630</b>	<b>-1 058</b>	<b>-844</b>	<b>-218</b>	<b>-1 588</b>	<b>-3 708</b>	<b>-3 090</b>	<b>-124</b>	<b>-3 214</b>
6.1. Assets	-424	141	1 102	167	-76	548	1 741	791	1 838	2 630
6.2. Liabilities	8 189	489	-2 160	-1 010	-142	-2 136	-5 449	-3 881	-1 962	-5 844
<b>IV. International reserves</b>	<b>-5 486</b>	<b>-3 018</b>	<b>-2 420</b>	<b>-1 272</b>	<b>-1 278</b>	<b>1 096</b>	<b>-3 874</b>	<b>2 808</b>	<b>-490</b>	<b>2 318</b>
<b>Memorandum:</b>										
<b>7. Net external financing capacity</b>										
7.1. Net external financing capacity (CA and Capital account)	869	2 724	626	788	1 075	769	3 258	326	975	1 302
7.2. Financial account balance (Financial account balance and reserves)	543	1 176	9	466	368	834	1 677	-314	2 021	1 707
7.3. Difference (Net errors and omissions)	-325	-1 548	-617	-322	-707	65	-1 581	-641	1 046	405

**Table 2**  
**Current account balance and financing capacity items - seasonally adjusted data**

	euro million									
	2010				2011				2 012	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>1. Real economic transactions, net (Goods and services)</b>	<b>1 547</b>	<b>1 457</b>	<b>1 455</b>	<b>1 693</b>	<b>1 680</b>	<b>1 701</b>	<b>1 644</b>	<b>1 561</b>	<b>1 638</b>	<b>1 900</b>
1.1. Export	19 695	20 572	21 228	22 086	23 136	22 706	22 604	22 417	23 114	23 091
1.2. Import	18 225	18 886	20 012	20 288	21 532	20 768	21 282	21 111	21 572	20 949
<b>1.1. Goods</b>	<b>790</b>	<b>860</b>	<b>728</b>	<b>899</b>	<b>1 017</b>	<b>786</b>	<b>808</b>	<b>776</b>	<b>927</b>	<b>1 172</b>
1.1.1. Export	16 010	16 907	17 696	18 330	19 303	18 636	18 822	18 508	19 368	19 267
1.1.2. Import	15 422	16 028	17 167	17 384	18 319	17 735	18 203	18 006	18 349	17 925
<b>1.2. Services</b>	<b>821</b>	<b>692</b>	<b>735</b>	<b>747</b>	<b>652</b>	<b>990</b>	<b>802</b>	<b>787</b>	<b>759</b>	<b>755</b>
1.2.1. Travel, net	567	562	555	551	551	572	556	541	523	513
export	1 033	1 014	983	1 005	967	1 029	1 010	985	966	887
import	442	460	442	447	443	444	432	439	419	393
1.2.2. Other services, net	248	109	163	223	137	348	230	256	234	223
export	2 642	2 627	2 640	2 685	2 824	3 009	2 925	2 803	2 900	2 925
import	2 401	2 522	2 476	2 507	2 727	2 653	2 671	2 557	2 571	2 692
<b>2. Income</b>	<b>-1 385</b>	<b>-1 363</b>	<b>-1 332</b>	<b>-1 374</b>	<b>-1 496</b>	<b>-1 525</b>	<b>-1 548</b>	<b>-1 552</b>	<b>-1 513</b>	<b>-1 535</b>
<b>3. Current account balance</b>	<b>353</b>	<b>226</b>	<b>225</b>	<b>344</b>	<b>351</b>	<b>262</b>	<b>241</b>	<b>159</b>	<b>1</b>	<b>367</b>
<b>4. Capital account</b>	<b>504</b>	<b>511</b>	<b>448</b>	<b>218</b>	<b>486</b>	<b>388</b>	<b>705</b>	<b>727</b>	<b>474</b>	<b>459</b>
<b>5. EU-transfers (current and capital account)</b>	<b>890</b>	<b>876</b>	<b>798</b>	<b>593</b>	<b>845</b>	<b>778</b>	<b>1 087</b>	<b>1 011</b>	<b>698</b>	<b>749</b>
<b>6. Net external financing capacity</b>	<b>684</b>	<b>689</b>	<b>667</b>	<b>614</b>	<b>771</b>	<b>669</b>	<b>848</b>	<b>843</b>	<b>614</b>	<b>857</b>

The difference between the two measures of external financing capacity, calculated as the balance on the financial account (financial account and reserves) and net external financing capacity (CA and capital account) amounted to EUR +1,046 million in 2012 Q2, in contrast with EUR -641 million in the previous quarter.

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

In 2012 Q2, the surplus on goods surplus increased relative to the previous quarter, amounting to EUR 1,172 million, according to seasonally adjusted data. However, seasonally adjusted exports and imports both fell slightly relative to the previous quarter: exports and imports amounted to EUR 19,267 million and EUR 17,925 million respectively. As a result of data corrections due to VAT residents, the recorded amount of trade in goods has changed (see [Box 1](#)).

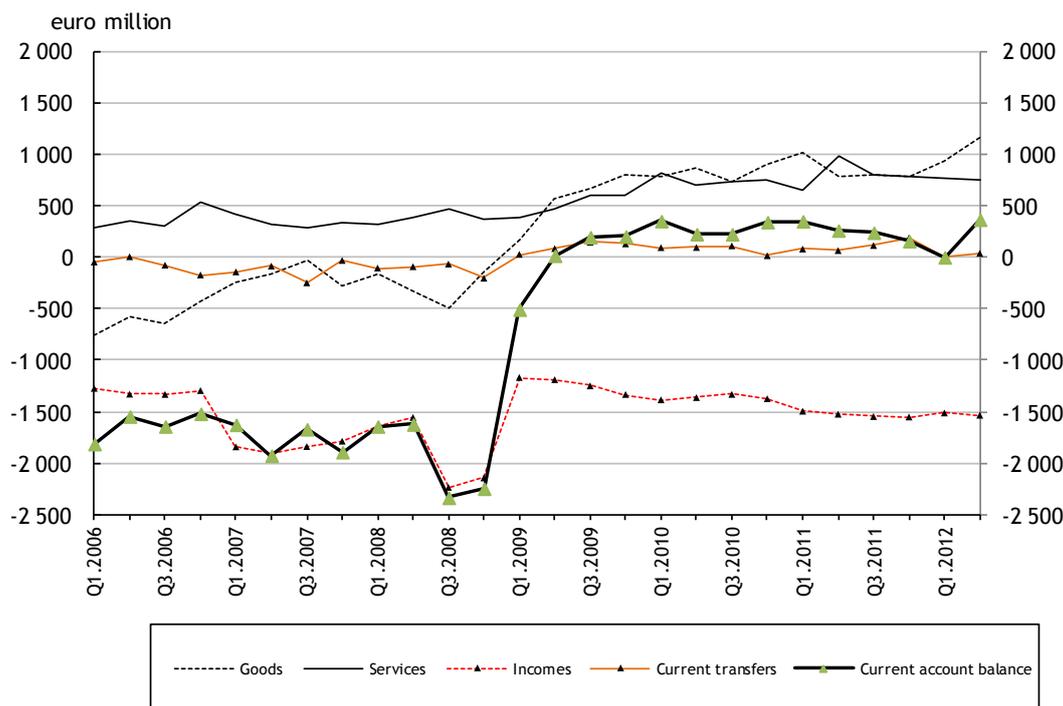
The seasonally adjusted surplus on services amounted to EUR 755 million in 2012 Q2. Within services, seasonally adjusted travel revenue and expenditure were EUR 887 million and EUR 393 million respectively. Both revenue and expenditure were lower than in previous quarters. Other services revenue and expenditure amounted to EUR 2,925 million and EUR 2,692 million respectively in 2012 Q2. Both revenue and expenditure were higher than in the previous quarter.

In the income account, the seasonally adjusted deficit amounted to EUR 1,535 million. The amount of deficit rose slightly relative to the previous quarter, but remained broadly unchanged at the level of previous quarters. The data on income on equity under direct investment for 2011 are published for the first time, based on annual reports of companies (see [Box 2](#)). For 2012, income on equity within direct investment remains an estimate.<sup>3</sup>

According to accrual-based data, the seasonally unadjusted surplus on current transfers from the European Union was EUR 299 million, and transactions recorded as capital transfers showed a EUR 472 million surplus. Current and capital transfers to and from the EU are adjusted jointly; the seasonally adjusted surplus was EUR 749 million in 2012 Q2.

<sup>3</sup> Data on income on equity for 2012, based on companies' annual reports, will become available in September 2013. Until then, the data remain estimates in the balance of payments. However, these will be modified quarterly in the light of new information.

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



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

Within direct investment, outward investment by Hungarian residents increased by EUR 1,670 million and inward investment by non-residents by EUR 1,058 million. High inflows and outflows are partly due to the large amount of capital in transit flows recorded in 2012 Q2 (see [Box 3](#)).

Within investments by Hungarian residents abroad, investments in equities rose by EUR 90 million and the value of reinvested earnings by EUR 93 million. Net FDI other capital outflows amounted to EUR 1,487 million, resulting from the increase in foreign assets.

As for direct investments in Hungary, the value of investments in equities rose by EUR 822 million; however, reinvested earnings reduced the value of inward investments by EUR 1,376 million.<sup>5</sup> Net FDI other capital inflows amounted to EUR 1,612 million, reflecting a EUR 183 million increase in foreign liabilities and a EUR 1,428 million decline in foreign assets.

Portfolio investment transactions showed a net outflow of EUR 679 million in 2012 Q2, reflecting a EUR 215 million and a EUR 894 million decline in assets and liabilities respectively. Within assets, the decline in equity investments representing less than 10% foreign ownership amounted to EUR 260 million, and the increase in bond assets amounted to EUR 42 million. Within liabilities, the increase in equity liabilities representing less than 10% foreign ownership amounted to EUR 278 million. By

<sup>4</sup> For summary data by investment category, see Table 1. More detailed data are available on the MNB's website. The detailed data are available on the MNB's website by clicking on the following link: [quarterly time series](#).

<sup>5</sup> An explanation for this is that at companies using a normal accounting year, dividends are generally declared payable in the second quarter, which in this period exceed estimated income (after-tax profit) nearly equally distributed over the entire business year. Consequently, reinvested earnings, derived using the residual principle, will be a factor with a negative sign, reducing the value of investment.

contrast, bond liabilities fell by EUR 308 million and liabilities on money market instruments by EUR 864 million.

The balance of other investments showed an outflow of EUR 124 million in Q2. This reflected a EUR 1,838 and a EUR 1,962 million decline in assets and liabilities respectively. Within assets, short and long-term assets fell by EUR 1,385 million and by EUR 453 million respectively. Within liabilities, the decline in short-term liabilities amounted to EUR 977 and that in long-term liabilities amounted to EUR 985 million. Within this, the repayment by general government of an IMF loan amounted to SDR 790.3 million.

### Stock of international reserves and external debt

Central bank's foreign exchange reserves amounted to EUR 35.6 billion at the end of June 2012. Hungary's net foreign debt, excluding FDI other capital, amounted to EUR 46.4 billion at the end of June 2012 (47.5% as a percentage of GDP). The amount recorded as net short-term liabilities on an accrual basis due to the recording of EU transfers was EUR 1,272 million. Within this, the value of short-term assets was EUR 873 million and that of short-term liabilities was EUR 2,144 million.

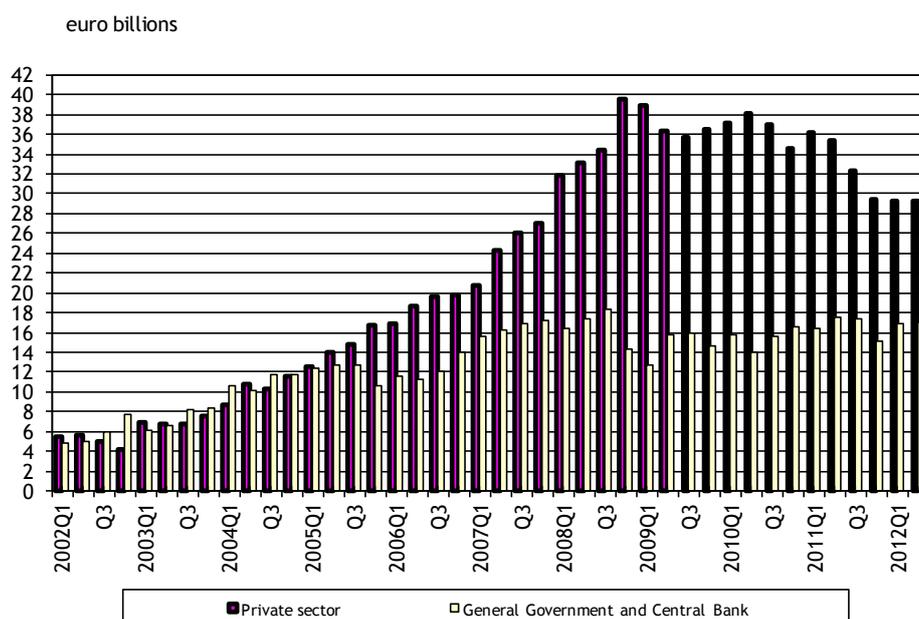
**Table 3**  
**Foreign assets and liabilities of Hungary<sup>6</sup>**

	Euro million							
	2009	2010	2011				2012	
	Q4	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>1. Assets</b>	<b>98 615</b>	<b>104 646</b>	<b>106 273</b>	<b>104 922</b>	<b>106 403</b>	<b>107 748</b>	<b>104 423</b>	<b>105 253</b>
1.1. International reserves	30 677	33 674	35 692	37 003	38 764	37 774	34 697	35 575
1.2. Direct investment *	36 774	37 713	38 390	36 661	37 695	40 665	41 644	42 703
1.3. Portfolio investment	8 135	9 300	9 500	9 336	6 531	6 161	6 446	6 057
1.4. Financial derivatives	2 384	2 865	3 010	2 424	3 857	4 123	3 450	4 302
1.5. Other foreign assets	20 645	21 094	19 680	19 497	19 557	19 024	18 186	16 616
o/w: due to accrual accounting of EU-transfers	1 151	1 300	803	1 060	1 172	1 430	652	873
<b>2. Liabilities</b>	<b>209 535</b>	<b>212 356</b>	<b>218 069</b>	<b>216 943</b>	<b>205 923</b>	<b>202 628</b>	<b>204 968</b>	<b>205 380</b>
2.1. Direct investment *	91 678	90 177	92 406	88 914	83 597	86 811	90 885	91 951
2.2. Portfolio investment	43 081	42 646	49 541	51 021	44 959	41 052	43 853	44 419
2.3. Financial derivatives	2 980	4 370	3 798	5 076	5 748	5 337	4 493	4 442
2.4. Other foreign liabilities	71 796	75 163	72 324	71 932	71 618	69 427	65 738	64 569
o/w: due to accrual accounting of EU-transfers	1 664	1 333	1 431	1 479	1 650	2 213	1 809	2 144
<b>3. Net foreign liabilities (2-1)</b>	<b>110 920</b>	<b>107 710</b>	<b>111 797</b>	<b>112 022</b>	<b>99 520</b>	<b>94 880</b>	<b>100 545</b>	<b>100 127</b>
o/w: due to accrual accounting of EU-transfers	512	33	627	419	478	783	1 157	1 272
<b>Memorandum:</b>								
4. Gross foreign debt (excluding direct investment other capital)	104 053	107 221	109 402	110 800	109 244	102 566	100 239	99 923
4.1. General government and Central bank	47 044	51 974	53 194	55 693	57 110	54 236	52 377	53 414
4.2. Private sector	57 009	55 247	56 208	55 107	52 134	48 329	47 862	46 510
5. Net foreign debt (excluding direct investment other capital)	51 233	51 118	52 621	52 905	49 593	44 586	46 079	46 395
5.1. General government and Central bank	14 677	16 529	16 425	17 468	17 314	15 137	16 819	17 126
5.2. Private sector	36 556	34 589	36 196	35 437	32 280	29 450	29 259	29 269

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

<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*.

**Chart 3**  
**Net foreign debt of Hungary (excluding direct investment other capital), 2002-2012**



#### Data revisions during the review period

Tables 4 and 5 summarise all changes to data due to revisions for the period 2009-2011 and 2012 Q1. The data revision for the review period reflect corrections by data providers.

**Table 4**  
**Changes in transactions vis-à-vis the last publication (excluding SPEs)**

	EUR millions			
	2009	2010	2011	Q1 2012
1. Goods	0	0	-677	-161
2. Services	0	0	0	-20
3. Incomes	-51	-94	177	20
4. Current transfers	-12	-60	-7	-32
<b>I. Current account balance (1+2+3+4)</b>	<b>-63</b>	<b>-154</b>	<b>-506</b>	<b>-193</b>
<b>II. Capital account</b>	<b>-22</b>	<b>-65</b>	<b>195</b>	<b>-156</b>
<b>III. Financial account (5+6+7+8)</b>	<b>41</b>	<b>124</b>	<b>8</b>	<b>175</b>
5. Foreign direct investment	34	2	197	78
Foreign direct investment abroad	75	48	-116	-29
Equity	-8	161	-130	-24
Other capital	83	-114	14	-5
Foreign direct investment in Hungary	-41	-46	314	107
Equity	-29	-46	103	-233
Other capital	-12	0	211	341
6. Portfolio investments	0	0	0	0
Assets	0	0	0	0
Liabilities	0	0	0	0
7. Financial derivatives	0	0	1	2
8. Other investments	7	122	-190	94
Assets	11	101	-214	86
Liabilities	-4	20	24	9
<b>IV. Net errors and omissions</b>	<b>44</b>	<b>95</b>	<b>303</b>	<b>174</b>

**Table 5**  
**Changes in stocks and some indicators vis-à-vis the last publication (excl. SPEs)**

	EUR millions			
	2009	2010	2011	Q1 2012
1. Foreign direct investment (net liabilities)	-544	-550	-802	-929
Foreign direct investment abroad (net assets)	341	437	187	235
Equity	424	406	214	260
Other capital assets	-82	24	-36	-25
Other capital liabilities	1	-8	-9	0
Foreign direct investment in Hungary	-202	-113	-615	-694
Equity	-224	-123	-918	-1 128
Other capital assets	-9	2	-29	80
Other capital liabilities	14	12	273	513
2. Portfolio investments (net liabilities)	0	0	448	435
Assets	0	0	0	0
Liabilities	0	0	449	435
3. Financial derivatives (net liabilities)	0	0	-11	-6
4. Other investments (net liabilities)	-51	72	-106	-13
Assets	30	-71	127	41
Liabilities	-20	1	21	28
<b>Gross debt*</b>	<b>-20</b>	<b>1</b>	<b>21</b>	<b>28</b>
<b>Net debt*</b>	<b>-51</b>	<b>72</b>	<b>-106</b>	<b>-13</b>
<b>Goods net in the precentage of the GDP</b>	<b>0,0%</b>	<b>0,0%</b>	<b>-0,7%</b>	<b>-0,7%</b>
<b>Current account balance in the precentage of the GDP</b>	<b>-0,1%</b>	<b>-0,2%</b>	<b>-0,5%</b>	<b>-0,9%</b>
<b>Gross debt in the percentage of the GDP*</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,1%</b>
<b>Net debt in the percentage of the GDP*</b>	<b>-0,1%</b>	<b>0,1%</b>	<b>-0,1%</b>	<b>-0,1%</b>

\* Excluding FDI other capital.

#### Box 1 Revision of the VAT resident adjustment

Since September 2008 the MNB and the CSO have been making an adjustment on the data of foreign trade in goods in the balance of payments and in the national accounts in order to prevent the value added accounted for through the VAT registrations registered by non-resident companies in Hungary and resident companies abroad from resulting in statistical errors (see the [statistical press release](#) on 2008 Q2). Due to the appearance of new VAT registrations as well as the changes in their relations with residents and in their transactions, the adjustment relating to VAT residents is revised regularly on the basis of the final VAT and enterprise balance sheet data.

Since September 2011 the CSO and the MNB have been treating individually the VAT registrations that show behavioural patterns significantly deviating from the macro estimate introduced in 2008 (see the [statistical press release](#) on 2011 Q2).

Based on definitive information on 2011, the scope of individual estimates expanded, and VAT residents that do not have a relationship with the Hungarian economy (have no sales transactions with residents) have become completely excluded from the goods data. As a result of the adjustment, the surplus of trade in goods in 2011 declines by EUR 664 million compared to the preliminary estimate released in the previous publication.

## Box 2 FDI income according to the Current Operating Performance Concept (COPC)

The introduction of the new data collection system of the balance of payments statistics in 2008 was coupled with the revision of the data collection forms that had existed earlier as well. Accordingly, the survey forms for monitoring the annual profit/loss and balance sheet data of direct investment enterprises were also amended. One of the most important changes was the one that allowed - in compliance with the international statistical methodology - the decomposition of the Profit and Loss Account data in order to statistically distinguish within P&L the income, valuation changes or other change in volumes components affecting the change in the value of equity, and also allowed us to take into account only the profit related to the current operating performance of businesses as income in the current account (COPC). The first release of COPC adjusted FDI income data were made public by the MNB in September 2009, following the processing of the data collections based on the 2008 annual reports. (See the [statistical press release](#) on 2009 Q2.)

As a reminder, the sign of the COPC adjustment is positive if an increase and negative if a decrease is produced in equity as the sum of the particular components of the after-tax profit considered from a statistical point of view as valuation changes or other change in volumes.<sup>7</sup> In the balance of payments, the value of the COPC adjustment is deducted from the value of the reported after-tax profit. It means that in case of a loss stemming from this, as a result of the adjustment, the income recorded in the balance of payments and through that the increase in equity due to transaction will be greater (cp. accounting of reinvested earnings), which is offset in the international investment position by the negative value of valuation changes and/or the other change in volumes. The case is the opposite if, overall, a profit is produced on the profit/loss components excluded from the after tax profit: the recorded income and through that the increase in equity due to transaction will be lower as a result of the adjustment, which, in turn, is 'offset' by the positive value of valuation changes and/or the other change in volumes in the international investment position. Obviously, the value of equity capital by itself is not affected by the COPC adjustment, but the components of the change in equity (by transaction, valuation changes, and other change in volumes) are different, depending on whether the COPC adjustment is applied or not. Since 2009, the value of COPC adjustment has shown losses both on Hungarians' investments abroad and on non-residents' investments in Hungary. The higher FDI income in external statistics as a result of the COPC adjustment does not mean actual distributable profit to investors. In 2011, the depreciation of assets, changes in the exchange rates, losses due to loan impairment and the final repayment of foreign currency-denominated mortgages had a considerable impact on the value of COPC adjustment.

### The adjustment applied to FDI income according to the COPC 2008-2011<sup>8</sup>

	Euro million				Percent of GDP			
	2008	2009	2010	2011	2008	2009	2010	2011
<b>1 FDI abroad</b>								
1.1 After tax profit	841	443	556	588	0,8	0,5	0,6	0,6
1.1.1. Of which COPC adjustment	426	-113	-42	-251	0,4	-0,1	0,0	-0,3
1.1.2. Adjusted FDI income, Published (1.1-1.2)	415	556	597	839	0,4	0,6	0,6	0,8
<b>2 FDI in Hungary</b>								
2.1 After tax profit	3 702	1 467	1 551	-296	3,5	1,6	1,6	-0,3
2.1.1. Of which COPC adjustment	-1 257	-1 863	-2 324	-4 845	-1,2	-2,0	-2,4	-4,9
2.1.2. Adjusted FDI income, Published (2.1-2.1.1.)	4 960	3 330	3 875	4 549	4,7	3,6	4,0	4,6

<sup>7</sup> Including, for example, the provision of inventories and of claims and their reversal, realised and not realised foreign exchange loss and gain, the profit and loss effect of remitted liabilities and claims as well as the impairment of fixed assets and its reversal.

<sup>8</sup> Row 1.1.2 of the table appears in the BoP current account as credit under item 3.2.1 Income on (FDI) equity, whereas row 2.1.2 appears as debit under the same item.

### Box 3 Capital in transit in Hungary since 2008

In countries significantly affected by foreign capital movements, and thus in Hungary as well, the evaluation and treatment of the effect of capital movements that have a less direct impact on the functioning of the resident economy (this is called capital in transit) causes problems. In Hungary, capital movements that take place through special purpose entities have been separated in the balance of payments statistics since 2006; therefore, they do not distort the economic interpretation of data. However, transactions containing such capital in transit have also appeared and become increasingly frequent among normal companies recently. The theoretical and practical clarification of capital in transit is in progress in the international methodology and the countries concerned, including Hungary.

As a first step, from the practical side, we identified the transactions related to capital in transit exclusively on the basis of company information available during the compilation of the balance of payments, and determined the characteristics of capital in transit.

Based on the cases examined to date, the phenomenon of capital in transit is typically related to the special function(s) of Hungarian affiliates of multinational companies within these companies. It is important that the foreign owner decides whether the special activity (possession of a foreign subsidiary company, lending to foreign partners from foreign funds) is performed through the affiliate in Hungary. Namely, during the identification we take into account the activity and the content and not the form of capital movement. Accordingly, the magnitudes of inflows and outflows recorded within a given period are typically similar.

Most of the capital in transit is within foreign direct investments, although it may happen that one of the inflow or outflow transactions affects portfolio investments or other investments.

Capital in transit may affect both share and other equity instruments within direct investments as well.

Within direct investments, the following types of transactions may constitute the types of capital in transit (in- and outflows):

- non-residents' investment in equities in Hungary → Hungarians' investment in equities abroad
- non-residents' investment in equities in Hungary → lending to foreign affiliate/other member of the group of companies;
- loan received from mother company/other member in the group of companies → investment in equities abroad;
- loan received from mother company/other member in the group of companies → lending to foreign affiliate/other member of the group of companies.

In the case of the above transactions it may happen that the inflow is included in non-residents' investments in Hungary, whereas the outflow is included in Hungarians' investments abroad. However, it can also be considered capital in transit when the two related transactions are recorded either within non-residents' investments in Hungary or within Hungarians' investments abroad, one on the liabilities side and the other on the assets side, e.g. financing of firms belonging to another group of companies from the capital increase, credit pass-through.

Accordingly, in the current phase of the work we primarily reviewed the transactions that affect direct investments, because this is where we face the phenomenon that data have become difficult to understand in an economic sense, especially in terms of time series, due to capital in transit transactions.

We have not dealt either with the items that appear in the incomes and seem to be pass-through and or with the effects on stocks. The clarification and interpretation of the concept of capital in transit is also still an ongoing process. It is similar to the difficulties related to the identification of former off-shore companies and, following the stopping of that legal category, to that of special

purpose entities. In their case we have to separate these firms on the basis of the special activity of a whole company; now, however, we try to separate the special activity of normal companies in order to exclude the distorting effect of capital in transit, so that the statistics that we publish could provide information on the changes in investments that can be interpreted in an economic sense.

Since 2008, FDI data have been affected by capital in transit as follows (quarterly time series are available on the MNB's website):

### Capital in transit transactions

(EUR million)

	2008			2009			2010			2011			2012 Q1-Q2		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
<b>3. Direct investment</b>	<b>72 098</b>	<b>69 421</b>	<b>2 677</b>	<b>104 031</b>	<b>103 903</b>	<b>128</b>	<b>80 247</b>	<b>79 522</b>	<b>725</b>	<b>97 114</b>	<b>96 995</b>	<b>119</b>	<b>53 202</b>	<b>53 390</b>	<b>-188</b>
of which capital in transit	1 772	1 772	0	7 259	7 259	0	2 549	2 653	-104	3 316	3 390	-74	1 171	1 545	-374
<b>3.1. Direct investment abroad</b>	<b>12 357</b>	<b>13 871</b>	<b>-1 514</b>	<b>8 967</b>	<b>10 315</b>	<b>-1 348</b>	<b>15 314</b>	<b>16 271</b>	<b>-957</b>	<b>13 867</b>	<b>17 040</b>	<b>-3 173</b>	<b>8 969</b>	<b>14 026</b>	<b>-5 058</b>
of which capital in transit	78	1 159	-1 081	47	235	-188	168	682	-513	70	2 757	-2 687	0	1 368	-1 368
3.1.1. Equity capital and reinvested earnings	3 398	4 928	-1 530	937	1 800	-863	2 689	3 715	-1 026	1 783	2 092	-310	330	6 843	-6 513
of which capital in transit	0	1 070	-1 069	0	235	-235	108	518	-411	70	175	-105	0	0	0
3.1.1.1. Equity capital	2 277	4 513	-2 236	478	1 244	-766	2 182	3 118	-936	904	1 256	-351	82	6 438	-6 356
of which capital in transit	0	1 070	-1 069	0	235	-235	108	518	-411	70	175	-105	0	0	0
3.1.1.2. Reinvested earnings	1 120	415	706	458	556	-98	506	597	-90	878	837	41	249	406	-157
of which capital in transit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3.1.2. Other capital	8 959	8 943	16	8 030	8 515	-485	12 625	12 556	69	12 085	14 948	-2 864	8 638	7 183	1 455
of which capital in transit	78	90	-11	47	0	47	61	164	-103	0	2 582	-2 582	0	1 368	-1 368
3.1.2.1. Assets	7 881	8 031	-150	7 157	7 921	-764	11 453	11 324	128	10 051	12 826	-2 775	7 885	6 223	1 662
of which capital in transit	78	90	-11	47	0	47	61	164	-103	0	2 582	-2 582	0	1 368	-1 368
3.1.2.2. Liabilities	1 078	912	166	873	594	279	1 173	1 232	-59	2 033	2 122	-89	754	961	-207
of which capital in transit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>3.2. Direct investment in Hungary</b>	<b>59 741</b>	<b>55 550</b>	<b>4 191</b>	<b>95 064</b>	<b>93 588</b>	<b>1 476</b>	<b>64 933</b>	<b>63 251</b>	<b>1 682</b>	<b>83 247</b>	<b>79 955</b>	<b>3 292</b>	<b>44 234</b>	<b>39 364</b>	<b>4 870</b>
of which capital in transit	1 694	613	1 081	7 212	7 024	188	2 381	1 971	409	3 246	633	2 613	1 171	177	994
<b>3.2.1. Equity capital and reinvested earnings</b>	<b>12 499</b>	<b>8 332</b>	<b>4 167</b>	<b>11 988</b>	<b>13 799</b>	<b>-1 810</b>	<b>10 101</b>	<b>7 134</b>	<b>2 968</b>	<b>21 523</b>	<b>17 585</b>	<b>3 938</b>	<b>4 867</b>	<b>4 250</b>	<b>618</b>
of which capital in transit	971	0	970	235	0	235	328	108	220	2 683	36	2 647	1 022	0	1 022
3.2.1.1. Equity capital	7 540	4 268	3 272	8 658	10 277	-1 618	6 227	3 096	3 130	16 974	14 265	2 710	2 811	1 030	1 781
of which capital in transit	971	0	970	235	0	235	328	108	220	2 683	36	2 647	1 022	0	1 022
3.2.1.2. Reinvested earnings	4 960	4 064	895	3 330	3 522	-192	3 875	4 037	-163	4 549	3 321	1 229	2 056	3 219	-1 163
of which capital in transit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3.2.2. Other capital	47 242	47 218	24	83 076	79 790	3 286	54 832	56 117	-1 285	61 723	62 370	-647	39 366	35 114	4 252
of which capital in transit	724	613	110	6 977	7 024	-47	2 053	1 864	189	563	597	-34	149	177	-28
3.2.2.1. Assets	21 579	23 850	-2 270	37 554	41 628	-4 074	27 812	27 507	305	30 004	30 230	-226	20 016	16 478	3 538
of which capital in transit	493	120	373	378	6 599	-6 221	1 752	0	1 752	242	355	-113	138	11	127
3.2.2.2. Liabilities	25 663	23 368	2 294	45 522	38 161	7 360	27 020	28 611	-1 590	31 719	32 140	-421	19 350	18 636	714
of which capital in transit	231	493	-262	6 599	425	6 174	301	1 864	-1 563	321	242	79	11	166	-155
<b>4.2. Portfolio investment, liabilities</b>	<b>10 271</b>	<b>10 285</b>	<b>-14</b>	<b>6 941</b>	<b>9 795</b>	<b>-2 854</b>	<b>8 858</b>	<b>8 619</b>	<b>238</b>	<b>27 140</b>	<b>22 185</b>	<b>4 955</b>	<b>23 430</b>	<b>24 048</b>	<b>-618</b>
of which capital in transit	0	0	0	0	0	0	104	0	104	74	0	74	374	0	374
<b>Capital in transit total</b>	<b>1 772</b>	<b>1 772</b>	<b>0</b>	<b>7 259</b>	<b>7 259</b>	<b>0</b>	<b>2 653</b>	<b>2 653</b>	<b>0</b>	<b>3 390</b>	<b>3 390</b>	<b>0</b>	<b>1 546</b>	<b>1 545</b>	<b>0</b>

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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 MNB's website.

The MNB will release Hungary's balance of payments and international investment position data for 2012 Q3 and revised quarterly data for 2012 Q1-Q2 on 28 December 2012.

**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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