

31 December 2008

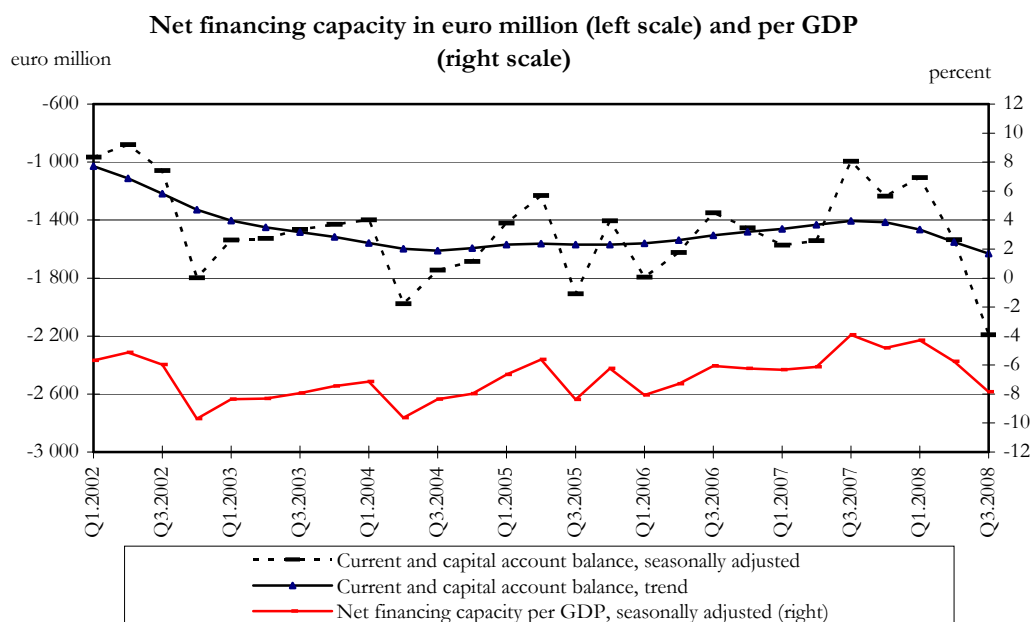
## PRESS RELEASE

### Hungary's balance of payments: 2008 Q3

Consistent with its method of releasing and revising statistical data, on 31 December 2008 the MNB is publishing 2008 Q3 balance of payments data for the first time, together with revised data for 2008 Q1–Q2.

*According to quarterly data, in 2008 Q3 Hungary's net external financing requirement (i.e. the combined deficit on its current and capital accounts), rose compared with the previous quarter. Its value was EUR 2,365 million (HUF 556 billion in domestic currency terms) and EUR 2,182 million, or 7.8% of GDP, after adjusting for seasonal effects.*

Chart 1



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

Euro million

Euro million									
	2007					2008			
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q1-Q3
<b>1. Real economic transaction</b>	<b>154</b>	<b>428</b>	<b>449</b>	<b>338</b>	<b>1 370</b>	<b>451</b>	<b>471</b>	<b>376</b>	<b>1 297</b>
Export	18 782	19 829	20 644	21 569	80 824	21 362	22 414	22 123	65 899
Import	18 627	19 400	20 196	21 231	79 454	20 911	21 944	21 747	64 602
<b>1.1. Goods</b>	<b>-12</b>	<b>89</b>	<b>47</b>	<b>194</b>	<b>318</b>	<b>377</b>	<b>169</b>	<b>-206</b>	<b>341</b>
1.1.1. Export	16 183	16 803	17 080	18 313	68 379	18 589	19 128	18 105	55 822
1.1.2. Import	16 194	16 713	17 033	18 119	68 060	18 212	18 959	18 311	55 481
<b>1.2. Services</b>	<b>166</b>	<b>339</b>	<b>402</b>	<b>144</b>	<b>1 051</b>	<b>73</b>	<b>301</b>	<b>582</b>	<b>956</b>
1.2.1. Travel, net	214	404	382	300	1 301	192	347	455	993
export	618	875	1 159	798	3 450	682	988	1 451	3 120
import	404	471	777	498	2 149	490	641	996	2 127
1.2.2. Other services, net	-48	-65	20	-156	-249	-119	-46	127	-37
export	1 981	2 151	2 405	2 458	8 995	2 091	2 298	2 568	6 957
import	2 030	2 216	2 386	2 614	9 245	2 209	2 344	2 440	6 994
<b>2. Income and current transfers</b>	<b>-1 596</b>	<b>-2 398</b>	<b>-2 128</b>	<b>-1 758</b>	<b>-7 880</b>	<b>-2 087</b>	<b>-2 416</b>	<b>-2 868</b>	<b>-7 371</b>
<b>2.1.. Income</b>	<b>-1 627</b>	<b>-2 187</b>	<b>-1 726</b>	<b>-1 846</b>	<b>-7 386</b>	<b>-1 832</b>	<b>-2 121</b>	<b>-2 510</b>	<b>-6 463</b>
2.2.1. Income on debt	-500	-546	-512	-591	-2 149	-773	-912	-901	-2 486
2.2.2. Income on equity	-1 352	-1 900	-1 463	-1 524	-6 240	-1 295	-1 597	-1 899	-4 791
2.2.3. Compensation of employees	225	260	249	270	1 003	236	289	289	814
<b>2.2.. Current transfers, net</b>	<b>32</b>	<b>-210</b>	<b>-403</b>	<b>87</b>	<b>-494</b>	<b>-255</b>	<b>-296</b>	<b>-357</b>	<b>-908</b>
<b>3. Current account balance</b>	<b>-1441</b>	<b>-1969</b>	<b>-1680</b>	<b>-1420</b>	<b>-6510</b>	<b>-1636</b>	<b>-1946</b>	<b>-2492</b>	<b>-6074</b>
<b>4. Capital account</b>	<b>54</b>	<b>136</b>	<b>601</b>	<b>348</b>	<b>1 139</b>	<b>788</b>	<b>126</b>	<b>127</b>	<b>1 042</b>
<b>5. Non debt creating financing</b>	<b>-274</b>	<b>-4 037</b>	<b>-914</b>	<b>412</b>	<b>-4 813</b>	<b>1 410</b>	<b>-1 136</b>	<b>365</b>	<b>639</b>
5.1. Abroad	-651	-731	-385	-873	-2 640	-364	540	-414	-238
5.1.1. Equity capital	-484	-765	-152	-641	-2 042	-85	-81	-132	-299
5.1.2. Reinvested earnings	-166	35	-234	-233	-598	-279	622	-282	61
5.2. In Hungary	1 060	-2 177	2 206	2 258	3 347	1 395	-553	821	1 663
5.2.1. Equity capital	347	-719	496	721	844	306	117	-345	79
5.2.2. Reinvested earnings	713	-1 457	1 710	1 537	2 503	1 089	-670	1 166	1 584
5.3. Portfolio investment, equity securities	-683	-1 130	-2 734	-973	-5 520	379	-1 123	-41	-786
<b>6. Debt creating finance</b>	<b>2 222</b>	<b>6 275</b>	<b>2 180</b>	<b>1 102</b>	<b>11 779</b>	<b>656</b>	<b>3 397</b>	<b>2 485</b>	<b>6 538</b>
6.1 Debt creating finance excluding FDI other capital	2 407	4 185	2 581	1 704	10 877	1 141	1 815	3 265	6 221
6.1.1 Assets	-753	165	1 243	261	916	-750	-212	-110	-1 072
6.1.2 Liabilities	3 160	4 021	1 338	1 443	9 961	1 891	2 026	3 375	7 292
6.2 FDI other capital	-185	2 090	-401	-602	901	-485	1 582	-780	317
6.2.1. Abroad	-36	16	49	-154	-124	55	60	-376	-261
6.2.1.1 Assets	-84	118	-16	-127	-109	2	-8	-388	-393
6.2.1.2 Liabilities	48	-102	65	-27	-15	53	67	12	132
6.2.2 In Hungary	-149	2 073	-450	-448	1 026	-540	1 522	-404	578
6.2.2.1 Assets	-240	125	-387	-3 076	-3 579	-832	62	327	-443
6.2.2.2 Liabilities	91	1 949	-63	2 628	4 605	292	1 460	-731	1 021
<b>7. Net external financing capacity</b>									
7.1. Net external financing capacity (CA and Capital account)	-1 388	-1 833	-1 079	-1 072	-5 371	-848	-1 820	-2 365	-5 032
7.2. Financial account balance (Financial account balance and reserves)	-1 948	-2 238	-1 266	-1 514	-6 966	-2 066	-2 261	-2 850	-7 177
7.3. Difference (Net errors and omissions)	-561	-405	-188	-442	-1 595	-1 218	-441	-486	-2 145

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

euro million

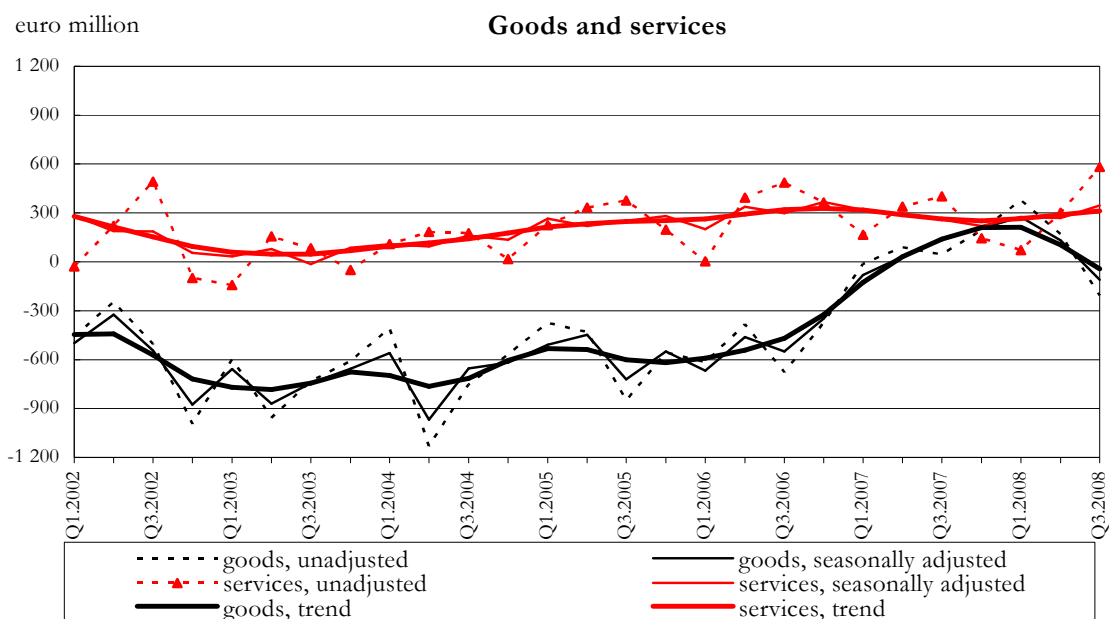
	2007				2008		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>1. Real economic transactions, net (Goods and services)</b>	<b>222</b>	<b>300</b>	<b>439</b>	<b>410</b>	<b>459</b>	<b>409</b>	<b>351</b>
1.1. Export	19 228	19 626	20 327	20 911	21 800	21 963	22 477
1.2. Import	19 272	19 294	20 489	20 381	21 625	21 824	22 064
<b>1.1. Goods, net</b>	<b>-80</b>	<b>32</b>	<b>142</b>	<b>206</b>	<b>274</b>	<b>131</b>	<b>-110</b>
1.1.1. Export	16 491	16 624	17 607	17 657	18 909	18 914	18 675
1.1.2. Import	16 631	16 540	17 433	17 475	18 674	18 756	18 747
<b>1.2. Services, net</b>	<b>318</b>	<b>291</b>	<b>259</b>	<b>220</b>	<b>274</b>	<b>269</b>	<b>345</b>
1.2.1. Travel, net	342	357	291	316	302	325	347
export	825	839	819	868	872	947	1 070
import	488	495	544	598	589	671	691
1.2.2. Other services, net	3	-79	-63	-121	-92	-57	72
export	2 090	2 170	2 431	2 294	2 205	2 319	2 595
import	2 062	2 279	2 451	2 405	2 319	2 411	2 511
<b>2. Income and current transfers, net</b>	<b>-1 858</b>	<b>-2 038</b>	<b>-2 041</b>	<b>-2 056</b>	<b>-2 165</b>	<b>-2 307</b>	<b>-2 545</b>
2.1. Income, net	-1 658	-2 036	-1 794	-1 873	-1 902	-1 951	-2 580
2.1.1. Income on debt, net	-479	-520	-559	-630	-716	-802	-900
2.1.2. Income on equity, net	-1 431	-1 565	-1 572	-1 649	-1 404	-1 543	-1 723
2.1.3. Compensation of employees, net	241	246	253	258	262	275	286
2.2. Current transfers, net	-53	-134	-239	-45	-279	-216	-219
<b>3. Current account balance, net</b>	<b>-1 534</b>	<b>-1 756</b>	<b>-1 573</b>	<b>-1 618</b>	<b>-1 831</b>	<b>-1 853</b>	<b>-2 157</b>
<b>4. Capital account, net</b>	<b>81</b>	<b>160</b>	<b>576</b>	<b>339</b>	<b>805</b>	<b>139</b>	<b>121</b>
<b>6. Net external financing capacity</b>	<b>-1 572</b>	<b>-1 543</b>	<b>-996</b>	<b>-1 235</b>	<b>-1 107</b>	<b>-1 535</b>	<b>-2 182</b>

### Developments in the components of external financing capacity

In 2008 Q3, the seasonally adjusted current account deficit amounted to EUR 2,157 million and it was some EUR 300 million higher compared with the deficit in the previous quarter.

At EUR 110 million, trade in goods once again recorded a seasonally adjusted deficit for the first time since 2007 Q1. The seasonally adjusted surplus on services, at EUR 345 million, rose compared with the previous quarter (Chart 2).

**Chart 2**



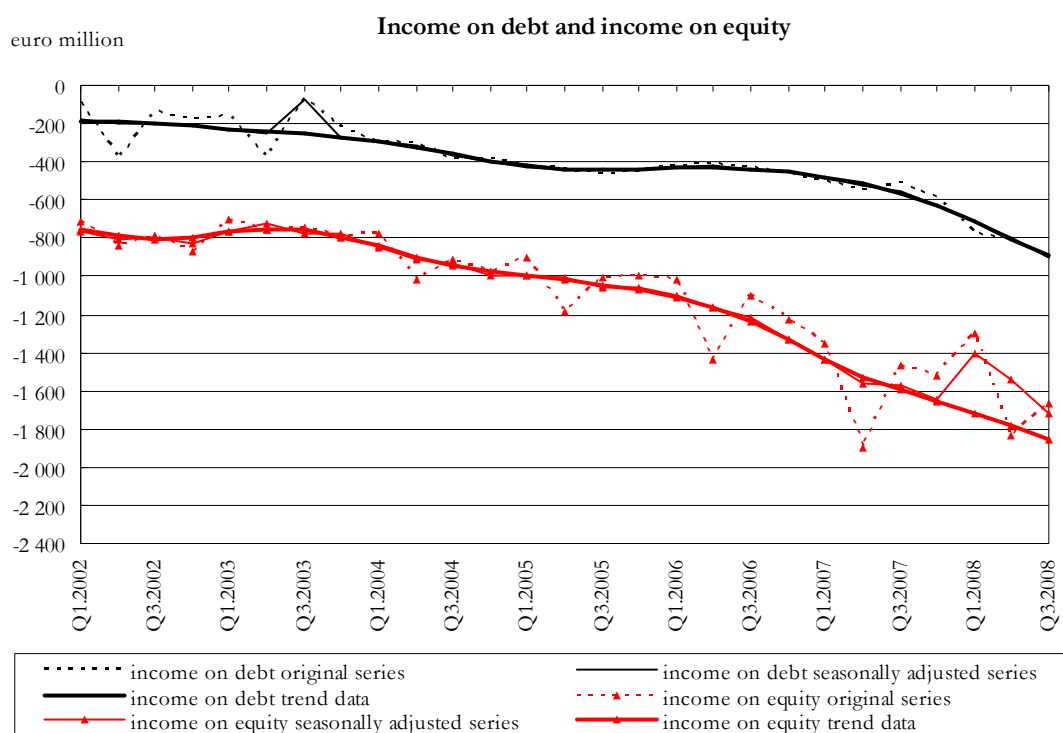
Within services, the seasonally adjusted travel surplus amounted to EUR 347 million in 2008 Q3. Other services registered a seasonally adjusted EUR 72 million surplus in the period.

Within incomes, the seasonally adjusted deficit on income on debt amounted to EUR 900 million and negative income on equity amounted to EUR 1,723 million.

The deficit on current transfers amounted to EUR 219 million in 2008 Q3.

Looking at transactions with the European Union in Q3, the balance of current transfers showed a EUR 86 million deficit, and transactions recorded as capital transfers showed a EUR 144 million surplus. The balance of capital transfers to and from EU institutions was in a EUR 58 million surplus in the period.

**Chart 3**



Inward and outward non-debt capital transactions showed a net inflow of EUR 365 million in 2008 Q3. The value of outward direct investment transactions in equity capital by Hungarian residents amounted to EUR 132 million and withdrawals of equity capital by non-residents amounted to EUR 345 million. Reinvested earnings on direct investment by Hungarian residents and non-residents, respectively, increased the value of investment by EUR 282 million and EUR 1,166 million.<sup>1</sup> Portfolio investment transactions in equity securities showed a net outflow of EUR 41 million. Here, purchases of shares abroad by Hungarian residents amounted to EUR 507 million and purchases of Hungarian shares by non-residents amounted to EUR 465 million.

<sup>1</sup> Reinvested earnings are the difference between after-tax profit and declared dividends. For 2007, the after-tax component of direct investments is based on corporate questionnaires, i.e. reported by firms (and so are reinvested earnings). After-tax profits for 2008, however, are estimates. Consequently, despite the fact that dividends are not reports-based, reinvested earnings are also estimates. Annual data derived from the questionnaires and the estimates are nearly evenly distributed over quarters, under after-tax profits, as a percentage of the seasonal factors of GDP. As owners decide on the distribution of dividends, their recording is aligned with the time dividends are declared payable and are derived from direct reports. The value of reinvested earnings is negative in Q2, given that firms generally decide on dividends in the first half, and mainly in the second quarter.

The balance of debt generating financing was EUR 2,485 million in 2008 Q3. Within this figure, other FDI – included in foreign direct investment flows – related to direct investment by Hungarian residents abroad and by non-residents in Hungary, respectively, showed outflows of EUR 376 million and EUR 404 million.

## Reserves and debt

Central bank foreign exchange reserves amounted to EUR 17.4 billion at end-September 2008.

Hungary's net foreign debt, excluding other capital recorded under direct investment, amounted to EUR 51.9 billion at the end of September 2008 (48.9% as a percentage of GDP). Including other capital, the net debt was EUR 55.0 billion (51.9% as a percentage of GDP).

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

Euro million

	2007				2008			
	Q1	Q2	Q3	Q4	Q1 op.poz.**	Q1	Q2	Q3
<b>1. Assets</b>	<b>60 449</b>	<b>62 065</b>	<b>62 098</b>	<b>66 816</b>	<b>69 118</b>	<b>71 769</b>	<b>75 444</b>	<b>78 356</b>
1.1. International reserves	16 999	16 966	16 478	16 385	16 385	16 815	17 290	17 409
1.2. Direct investment *	17 619	17 991	18 096	21 667	28 137	28 788	28 714	29 805
1.3. Portfolio investment	5 225	5 456	5 933	6 219	6 379	6 479	6 987	6 838
1.4. Financial derivatives	1 615	1 899	1 634	1 661	2 386	3 218	4 274	2 870
1.5. Other foreign assets	18 992	19 752	19 957	20 883	15 830	16 468	18 178	21 434
<b>2. Liabilities</b>	<b>157 801</b>	<b>166 495</b>	<b>167 027</b>	<b>172 554</b>	<b>179 610</b>	<b>180 490</b>	<b>190 423</b>	<b>192 465</b>
2.1. Direct investment *	71 846	73 206	75 845	80 819	81 904	81 156	86 839	84 854
2.2. Portfolio investment	50 080	53 109	49 403	47 961	53 206	50 764	52 681	52 664
2.3. Financial derivatives	1 905	2 276	2 142	2 175	2 539	3 721	3 893	3 133
2.4. Other foreign liabilities	33 971	37 903	39 638	41 599	41 960	44 849	47 010	51 815
<b>3. Net foreign liabilities (2-1)</b>	<b>97 352</b>	<b>104 430</b>	<b>104 929</b>	<b>105 738</b>	<b>110 492</b>	<b>108 721</b>	<b>114 979</b>	<b>114 109</b>

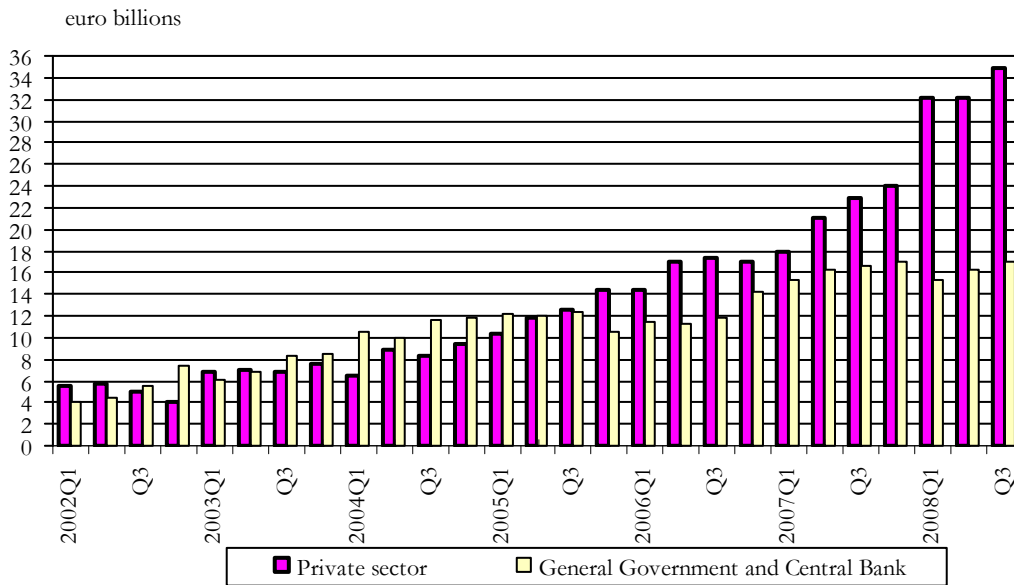
### Memorandum:

4. Gross foreign debt (excluding direct investment other capital)	72 629	77 643	79 194	81 333	81 685	85 555	90 046	95 367
4.1. General government and Central bank	32 971	33 896	33 835	34 234	33 986	33 134	34 724	35 551
4.2. Private sector	39 658	43 747	45 358	47 099	47 699	52 421	55 322	59 816
5. Net foreign debt (excluding direct investment other capital)	33 317	37 242	39 529	40 935	45 809	47 468	48 384	51 903
5.1. General government and Central bank	15 350	16 160	16 562	16 960	16 670	15 268	16 276	17 016
5.2. Private sector	17 967	21 083	22 967	23 975	29 139	32 200	32 108	34 886

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

\*\* Opening stocks derived from the new data collection system.

**Chart 4**  
**Net foreign debt of Hungary 2002-2008\***



\* Excluding other FDI capital recorded within direct investment.

\* \* \* \* \*

In this press release, Hungary's balance of payments is presented excluding data on special purpose entities, in accordance with past practice. However, Hungary's balance of payments and external balance sheet data are available on the Bank's website both excluding and including SPE data. The MNB will release Hungary's balance of payments and international investment position data for 2008 Q4, as well as revised data for Q1–Q3 on 31 March 2009. Direct investment data in a breakdown by country and sector, compiled on the basis of 2007 corporate questionnaires, will be published simultaneously with the release of balance of payments data.

Detailed tables: [Balance of payments](#)

Notes [Methodological notes](#)

Charts: [Chart pack](#)

Q&A: [Questions and answers](#)

*One of the primary statutory duties of the Magyar Nemzeti Bank is to collect and publish statistical information. The MNB makes available for users statistical data compiled in accordance with international standards on a regular basis. The Quarterly Report on Inflation and the Report on Financial Stability, the Bank's periodical publications, contain compressive analyses of underlying economic processes and are accessible at [www.mnb.hu](http://www.mnb.hu).*

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