

31 March 2009

PRESS RELEASE

Hungary's balance of payments: 2008 Q4

Consistent with its method of releasing and revising statistical data, on 31 March 2009 the MNB is publishing 2008 Q4 balance of payments statistics for the first time, together with revised data for 2008 Q1–Q3. With the release of Q4 figures, data for each quarter of 2008 are now available. However, in the Bank's treatment the individual quarterly figures do not add up to the annual total, as direct investment income data are based on estimates. Accordingly, 2008 data on the Bank's website are only included in the quarterly series. The Bank will release 2008 balance of payments data in September 2009, consistent with its data release scheme.

Direct investment and income data for 2007 have also been updated, based on information derived from corporate questionnaires on direct investment in 2007. Continuing the practice of previous years, the Bank is also releasing 2007 direct investment data in a breakdown by country and sector.

According to quarterly data, Hungary's net external financing requirement (i.e. the combined deficit on its current and capital accounts) remained broadly unchanged in 2008 Q4 compared with the previous quarter. Its value was EUR 2,517 million (HUF 660 billion in domestic currency terms) and EUR 2,247 million, or 8.9% of GDP, after adjusting for seasonal effects.

Chart 1

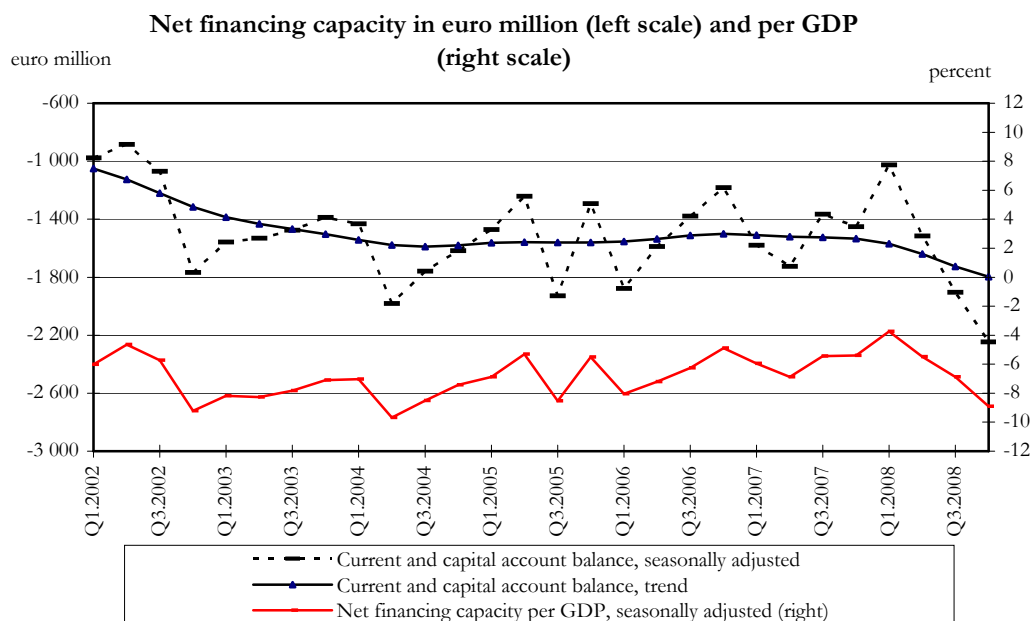


Table 1
Current account balance and net external financing capacity

Euro million

	2007					2008				
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4
1. Real economic transaction	154	428	449	338	1 370	449	413	188	-53	997
Export	18 782	19 829	20 644	21 569	80 824	21 469	22 472	22 207	19 847	85 994
Import	18 627	19 400	20 196	21 231	79 454	21 019	22 059	22 019	19 900	84 997
1.1. Goods	-12	89	47	194	318	372	131	-324	-93	86
1.1.1. Export	16 183	16 803	17 080	18 313	68 379	18 630	19 121	18 116	16 448	72 314
1.1.2. Import	16 194	16 713	17 033	18 119	68 060	18 259	18 989	18 439	16 541	72 228
1.2. Services	166	339	402	144	1 051	77	282	511	40	910
1.2.1. Travel, net	214	404	382	300	1 301	192	347	455	368	1 361
export	618	875	1 159	798	3 450	682	988	1 451	981	4 101
import	404	471	777	498	2 149	490	641	996	613	2 740
1.2.2. Other services, net	-48	-65	20	-156	-249	-114	-65	56	-328	-451
export	1 981	2 151	2 405	2 458	8 995	2 156	2 363	2 640	2 419	9 579
import	2 030	2 216	2 386	2 614	9 245	2 270	2 429	2 584	2 746	10 029
2. Income and current transfers	-1 617	-2 421	-2 152	-1 782	-7 972	-2 099	-2 423	-2 846	-2 531	-9 899
2.1.. Income	-1 649	-2 210	-1 749	-1 869	-7 477	-1 844	-2 126	-2 506	-2 109	-8 585
2.2.1. Income on debt	-500	-546	-512	-591	-2 149	-783	-818	-901	-866	-3 367
2.2.2. Income on equity	-1 374	-1 924	-1 486	-1 548	-6 332	-1 297	-1 597	-1 895	-1 525	-6 314
2.2.3. Compensation of employees	225	260	249	270	1 003	236	289	289	282	1 096
2.2.. Current transfers, net	32	-210	-403	87	-494	-255	-297	-339	-422	-1 313
3. Current account balance	-1463	-1993	-1703	-1444	-6602	-1650	-2010	-2658	-2584	-8902
4. Capital account	54	136	601	348	1 139	788	126	139	67	1 121
5. Non debt creating financing	-252	-4 009	-891	445	-4 707	1 368	-1 159	528	448	1 184
5.1. Abroad	-642	-717	-376	-864	-2 599	-388	537	-469	-840	-1 160
5.1.1. Equity capital	-484	-765	-152	-641	-2 042	-110	-85	-187	-665	-1 046
5.1.2. Reinvested earnings	-157	49	-225	-224	-557	622	-282	-175	-114	-114
5.2. In Hungary	1 072	-2 162	2 220	2 282	3 412	1 378	-568	1 320	2 628	4 758
5.2.1. Equity capital	347	-719	496	721	844	313	153	151	813	1 430
5.2.2. Reinvested earnings	725	-1 443	1 725	1 561	2 568	1 065	-721	1 168	1 816	3 328
5.3. Portfolio investment, equity securities	-683	-1 130	-2 734	-973	-5 520	379	-1 129	-323	-1 341	-2 413
6. Debt creating finance	2 222	6 270	2 180	1 093	11 765	797	3 087	2 381	2 441	8 705
6.1 Debt creating finance excluding FDI other capital	2 407	4 185	2 581	1 704	10 877	1 305	3 159	3 159	2 735	9 048
6.1.1 Assets	-753	165	1 243	261	916	-760	-352	-84	-305	-1 500
6.1.2 Liabilities	3 159	4 021	1 338	1 443	9 961	2 064	2 202	3 243	3 040	10 549
6.2 FDI other capital	-185	2 085	-401	-611	888	-508	1 237	-778	-294	-343
6.2.1. Abroad	-36	11	49	-154	-129	29	47	-440	373	9
6.2.1.1 Assets	-84	113	-16	-127	-115	-23	-14	-455	357	-135
6.2.1.2 Liabilities	48	-102	65	-27	-15	53	61	15	16	144
6.2.2 In Hungary	-148	2 073	-450	-457	1 017	-537	1 190	-338	-667	-352
6.2.2.1 Assets	-240	125	-387	-3 076	-3 579	-896	-320	270	-1 097	-2 043
6.2.2.2 Liabilities	92	1 949	-63	2 619	4 596	359	1 510	-608	429	1 690
7. Net external financing capacity										
7.1. Net external financing capacity (C/A and Capital account)	-1 409	-1 856	-1 102	-1 095	-5 462	-861	-1 884	-2 519	-2 517	-7 781
7.2. Financial account balance (Financial account balance and reserves)	-1 970	-2 261	-1 289	-1 537	-7 058	-2 164	-1 928	-2 909	-2 889	-9 889
7.3. Difference (Net errors and omissions)	-561	-405	-188	-442	-1 595	-1 303	-44	-390	-372	-2 108

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

euro million

	2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Real economic transactions, net (Goods and services)	292	311	439	435	369	334	233	95
1.1. Export	19 369	19 620	20 603	21 018	21 866	22 215	22 369	19 306
1.2. Import	19 045	19 219	20 099	20 491	21 450	21 839	22 102	19 136
1.1. Goods, net	-78	26	178	197	243	114	-147	-80
1.1.1. Export	16 499	16 629	17 458	17 718	18 927	18 821	18 657	15 839
1.1.2. Import	16 593	16 481	17 394	17 379	18 690	18 724	18 833	15 871
1.2. Services, net	275	324	244	254	257	209	231	178
1.2.1. Travel, net	369	356	306	291	299	315	354	361
export	860	843	862	872	881	952	1 075	1 072
import	466	494	546	571	624	670	706	708
1.2.2. Other services, net	-30	-55	-64	-66	-90	-93	-100	-128
export	2 093	2 169	2 420	2 326	2 275	2 383	2 662	2 288
import	2 099	2 270	2 460	2 404	2 351	2 488	2 660	2 529
2. Income and current transfers, net	-1 734	-1 681	-2 955	-1 813	-1 980	-2 114	-2 197	-2 261
2.1. Income, net	-1 680	-1 946	-1 850	-1 934	-1 973	-2 076	-2 334	-2 176
2.1.1. Income on debt, net	-478	-521	-561	-637	-720	-799	-888	-962
2.1.2. Income on equity, net	-1 462	-1 653	-1 541	-1 606	-1 550	-1 587	-1 620	-1 594
2.1.3. Compensation of employees, net	240	244	250	259	261	270	277	276
2.2.. Current transfers, net	-98	-55	-371	37	-278	-196	-12	-385
3. Current account balance, net	-1 637	-1 551	-1 689	-1 560	-1 681	-1 798	-1 802	-1 952
4. Capital account, net	179	149	173	110	653	483	332	265
6. Net external financing capacity	-1 581	-1 725	-1 366	-1 452	-1 026	-1 515	-1 905	-2 247

Developments in the components of external financing capacity

In 2008 Q4, the seasonally adjusted current account deficit amounted to EUR 1,952 million, some EUR 150 million higher compared with the deficit in the previous quarter.

The seasonally adjusted goods deficit fell to EUR 80 million, with both exports and imports declining by nearly 15% compared with the previous quarter. Revenue from trade in services fell in Q4, while the trend of expenditure remained upwards. The surplus on services amounted to EUR 178 million (Chart 2).

Chart 2



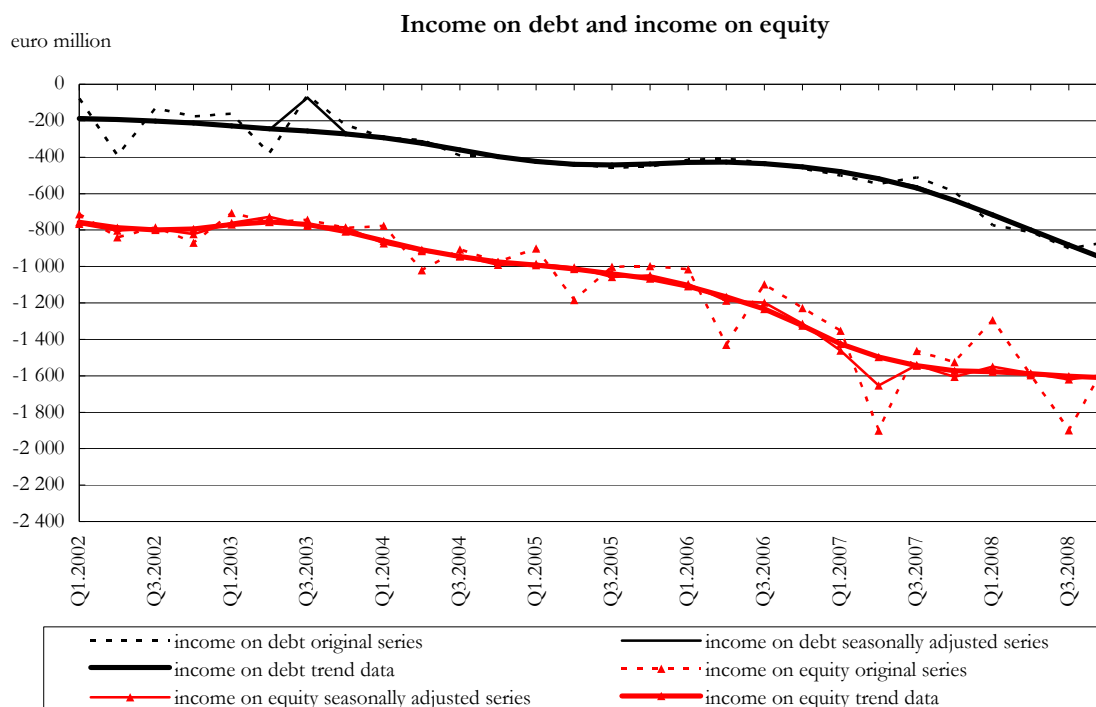
Travel revenue and expenditure both were lower in 2008 Q4 than in the previous quarter, due to seasonal effects; and the seasonally adjusted data were broadly comparable with those for Q3. The seasonally adjusted travel surplus amounted to EUR 361 million. Other services registered a seasonally adjusted EUR 128 million deficit, due to declining revenue.

The seasonally adjusted deficit on income on debt amounted to EUR 962 million and negative income on equity amounted to EUR 1,594 million.

The deficit on current transfers amounted to EUR 385 million in 2008 Q4.

Looking at transactions with the European Union in Q3, the balance of current transfers showed a EUR 137 million deficit, and transactions recorded as capital transfers showed a EUR 77 million surplus. Capital transfers to and from EU institutions showed a EUR 60 million deficit in the period.

Chart 3



Inward and outward non-debt capital transactions showed a net inflow of EUR 448 million in 2008 Q4. Within this figure, the value of outward direct investment transactions in equity capital by Hungarian residents amounted to EUR 665 million and inward transactions by non-residents amounted to EUR 813 million. Reinvested earnings on direct investment by Hungarian residents and non-residents, respectively, increased the value of direct investment by EUR 175 million and EUR 1,816 million.¹ Portfolio investment transactions in equity securities showed a net outflow of EUR 1,341 million. Here, purchases of shares abroad by Hungarian residents amounted to EUR 128 million and sales of Hungarian shares by non-residents amounted to EUR 1,213 million.

The balance of debt generating financing was EUR 2,441 million in 2008 Q4. Within this figure, other capital transactions – recorded in foreign direct investment flows – by Hungarian residents abroad showed an inflow of EUR 373 million and other capital transactions by non-residents in Hungary showed an outflow of EUR 667 million.

Reserves and debt

Central bank foreign exchange reserves amounted to EUR 24.0 billion at end-December 2008.

Hungary's net foreign debt, excluding other capital recorded under direct investment and financial derivatives, amounted to EUR 54.0 billion at the end of December 2008 (51.2% as a percentage of GDP).

¹ 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 the distribution of dividends depends on owners' decisions, their recording is aligned with the time dividends are declared payable and are derived from direct reports. The value of reinvested earnings is usually negative in Q2, given that firms generally decide on dividends in the first half, and mainly in the second quarter.

Table 3
Foreign assets and liabilities of Hungary

Euro million

	2007				2008				
	Q1	Q2	Q3	Q4	Q1 op.poz.**	Q1	Q2	Q3	Q4
1. Assets	60 684	62 538	62 794	67 732	70 140	72 856	77 140	80 534	82 837
1.1. International reserves	16 999	16 966	16 478	16 385	16 385	16 815	17 290	17 409	24 040
1.2. Direct investment *	17 853	18 464	18 791	22 584	29 198	29 905	30 227	31 530	31 833
1.3. Portfolio investment	5 225	5 456	5 933	6 219	6 379	6 479	7 191	7 338	5 988
1.4. Financial derivatives	1 615	1 899	1 634	1 661	2 386	3 218	4 280	2 873	3 522
1.5. Other foreign assets	18 992	19 752	19 957	20 883	15 792	16 439	18 151	21 383	17 455
2. Liabilities	157 323	165 533	165 613	170 688	178 190	179 188	189 547	191 976	188 275
2.1. Direct investment *	71 368	72 245	74 431	78 954	80 495	79 711	85 636	84 198	80 691
2.2. Portfolio investment	50 080	53 109	49 403	47 961	53 206	50 764	52 675	52 717	41 566
2.3. Financial derivatives	1 905	2 276	2 142	2 175	2 533	3 715	3 886	3 128	4 490
2.4. Other foreign liabilities	33 970	37 903	39 637	41 598	41 957	44 998	47 349	51 934	61 528
3. Net foreign liabilities (2-1)	96 639	102 995	102 819	102 956	108 050	106 332	112 407	111 442	105 438

Memorandum:***

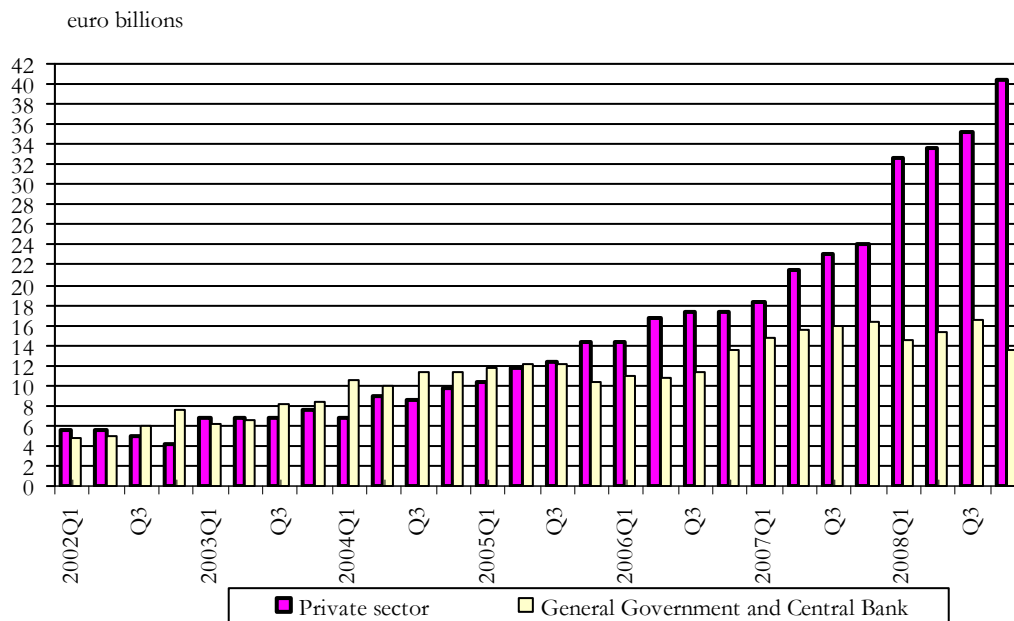
4. Gross foreign debt (excluding direct investment other capital)	70 724	75 366	77 051	79 157	79 143	81 983	86 487	92 406	97 048
4.1. General government and Central bank	32 276	33 063	33 045	33 415	33 167	32 282	33 661	34 905	38 319
4.2. Private sector	38 448	42 303	44 006	45 743	45 976	49 701	52 826	57 501	58 729
5. Net foreign debt (excluding direct investment other capital)	33 027	36 865	39 021	40 421	45 691	47 144	48 989	51 731	53 975
5.1. General government and Central bank	14 777	15 462	15 888	16 266	15 976	14 531	15 343	16 483	13 480
5.2. Private sector	18 250	21 403	23 133	24 155	29 715	32 613	33 646	35 248	40 494

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

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

*** Equity capital and financial derivatives are not included in debt, consistent with the IMF's *External Debt Statistics: Guide for Compilers and Users*.

Chart 4
Net foreign debt of Hungary 2002-2008*



* Equity capital and financial derivatives are not included in debt, consistent with the IMF's *External Debt Statistics: Guide for Compilers and Users*.

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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 both excluding and including SPE data are available on the Bank's website. The Bank will release Hungary's balance of payments and international investment position data for 2009 Q1, as well as revised data for Q1–Q4 on 30 June 2009.

Detailed tables: [Balance of payments](#)

Notes [Methodological notes](#)

Charts: [Chart pack](#)

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

MAGYAR NEMZETI BANK STATISTICS

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 comprehensive analyses of underlying economic processes and are accessible at www.mnb.hu.