REPORT ON THE BALANCE OF PAYMENTS

JANUARY
2017

‘We may not always be able to do what must be done,
but we must always do what can be done.’

Letters 27
Gábor Bethlen

MAGYAR NEMZETI BANK

REPORT ON THE BALANCE OF PAYMENTS

JANUARY
2017

Published by the Magyar Nemzeti Bank

Publisher in charge: Eszter Hergár

H-1054 Budapest, Szabadság tér 9.

www.mnb.hu

ISSN 2064-8707 (print)

ISSN 2064-8758 (on-line)

In accordance with Act CXXXIX of 2013 on the Magyar Nemzeti Bank, the primary objective of the MNB is to achieve and maintain price stability and, without prejudice to its primary objective, the central bank is also responsible for maintaining the stability of the financial intermediary system. Developments in the external balance are key to financial stability, as processes relating to the balance of payments allow for conclusions to be drawn concerning the sustainability of economic growth and the relevant risks. Moreover, the analysis of the balance of payments enables earlier identification of economic problems, when they are developing, and thus steps can be taken to avoid such problems.

To this end, the Magyar Nemzeti Bank regularly performs comprehensive analyses of the trends relating to Hungary's external balance, examining a number of indicators to assess macroeconomic imbalances and identifying elements and processes which are of critical importance for Hungary's vulnerability.

Given the lessons from the financial crisis and the recent period, a country's balance of payments and the trends therein indicating potential dependence on external financing are particularly important in the economic media. Developments in the external balance position are also closely monitored by market participants and analysts. The primary goal of the Report on the Balance of Payments is to inform market participants about the developments in the balance of payments by way of this regular analysis, and thus provide deeper insight into the workings of the economy.

This analysis was prepared by the MNB's Directorate Monetary Policy and Financial Market Analysis under the general guidance of Barnabás Virág, Executive Director in charge of Monetary Policy, Financial Stability and Lending Incentives. Contributors: Eszter Balogh, Anna Boldizsár, Gabriella Csom-Bíró, Orsolya Csortos, Bence Gerlaki, Zsuzsa Kékesi, Balázs Kóczián, Péter Koroknai and Balázs Sisak. The Report was approved for publication by Deputy Governor Márton Nagy.

This Report is based on information pertaining to the period ending 23 December 2016.

SUMMARY

Hungary's external vulnerability continued to decline in 2016 Q3. The **high net lending** allowed for a **further decrease in the country's external debt ratios**, and at the same time **short-term external debt also declined significantly**. The **current account surplus exceeded 4 per cent of GDP,** while the economy's **net lending was close to 8 per cent of GDP, and thus still considerably exceeds the value observed in the neighbouring countries**.

According to the real economy approach, **both net lending and the current account surplus increased slightly**, with contributions from all the three factors. The **historically high trade surplus** was attributable to an expansion in the goods balance resulting from an improvement in the terms of trade. The transfer balance expanded modestly compared to the previous quarter, due to **transfer payments** related to the EU's new budget cycle. Mainly as a result of **declining interest payments**, the deficit on the income balance has been following a decreasing trend in the recent quarters.

According to the financing side developments, **in parallel with significant net FDI inflows of EUR 1.5 billion, the decline in net external debt resulting from transactions, which was mainly related to the banking sector, exceeded EUR 3 billion in the third quarter.** The decline in the net external debt of the **banking sector** is still attributable to the FX liquidity stemming from the closing of the FX swap transactions related to the conversion into forints, but the decrease in the sector's external – mainly short-term – debt also contributed to this trend. The net external debt of the consolidated general government increased slightly in Q3, which primarily owing to the decline in FX reserves as a result of the conversion into forints, while the **gross external debt of the government fell considerably**, in parallel with households' significant ongoing purchases of government securities.

The adjustment of debt indicators continued in 2016 Q3 as well. **Net external debt fell to nearly 20 per cent of GDP**, while the **gross external debt-to-GDP ratio declined to below 70 per cent**. In line with developments in financing, the decline in net external debt is **mostly attributable to the banking sector** and to a smaller degree to the corporate sector, while the net external debt of the consolidated general government actually increased slightly as a result of revaluation effects and non-residents' government securities purchases following the upgrade. The country's **gross external debt declined by more than 3 percentage points to 69 per cent of GDP**, which is mainly attributable to the strengthening of the forint against the main currencies and to the renewal of a maturing FX bond from domestic sources. In parallel with the gross external debt, **short-term external debt** – which is important in terms of external vulnerability – continued to **fall, declining to EUR 18.4 billion**. Considering that the short-term external debt declined to a greater extent than the decrease in FX reserves, the level of **FX reserves** at EUR 23.7 billion is still **well above the level expected by investors**.

Net lending stabilised at a high level in terms of the savings of sectors. As a result of the rise in tax revenues due to rising employment and wages, as well as the smaller amount of own contributions related to the lower EU transfers, the **net borrowing of the government fell to nearly zero**, which was broadly offset by the decline in the net saving of the private sector. Households' net lending declined in parallel with the expansion in household consumption, while that of companies decreased in line with new investment and the modest decline in operating profit. **Households continued to increase their savings in government securities, supporting the decline in the external debt of the government in Q3 as well**.

In our special topic, we examine the developments in the **external debt of the consolidated general government including the MNB**, as **the decline in the external debt of the government and in the share of foreign currency within government debt** greatly **contributed** to Hungary's rating upgrade in the autumn and to the fact that now all three leading credit rating agencies classify Hungary's debt rating in the investment grade category. In the recent years, Hungary has worked to **refinance** an increasing portion of the significant maturing external debt **from domestic funds**. This has been the aim of the **increasing involvement of households' savings** in the financing of the general government as well as the higher demand by banks generated by the **MNB's self-financing programme**. In international terms, although the **external debt of the consolidated general government** still exceeds the level of the countries in the region, since 2011 **it has been declining rapidly and strongly – to the greatest degree in European comparison**.

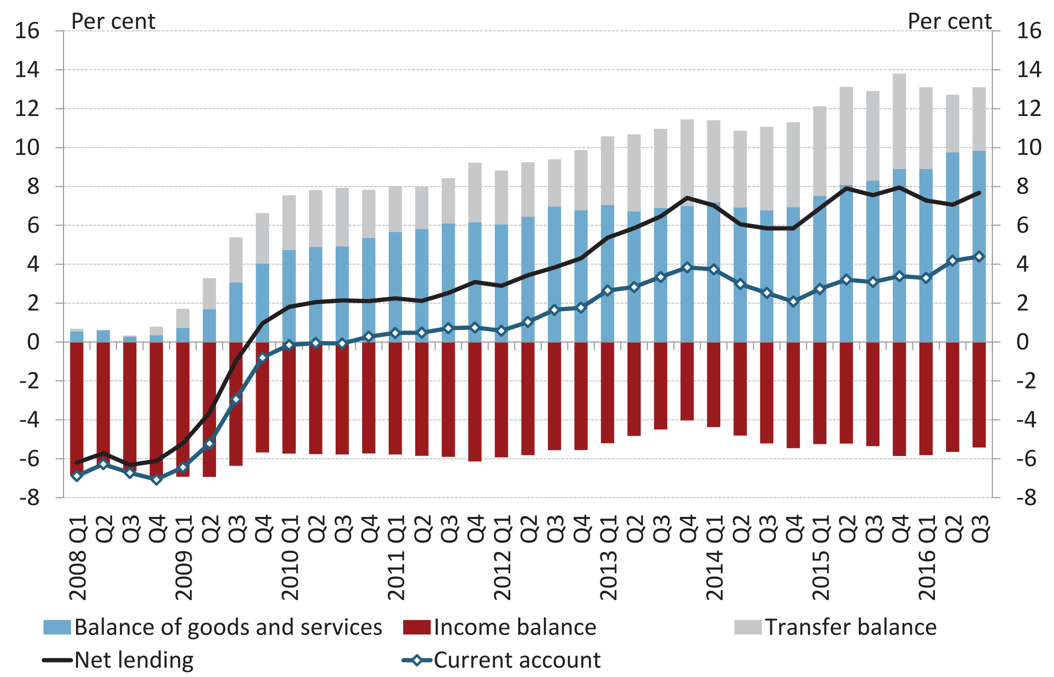
CONTENTS

1. REAL ECONOMY APPROACH

In the real economy approach, the four-quarter net lending of the Hungarian economy increased to 7.7 per cent of GDP in 2016 Q3, while the current account surplus rose to the historically high level of 4.4 per cent of GDP. All the three components of the real economy approach simultaneously supported the achievement of the favourable external balance position. The historically high trade surplus evolved as a result of a slight expansion in the goods balance and an improvement in the terms of trade. However, real annual growth in exports and imports slowed in Q3, related to the subdued industrial performance observed during the period under review. The transfer balance expanded slightly compared to the previous quarter, which was attributable to the increase in payments related to the EU's new budget cycle. The deficit on the income balance has followed a declining trend in the recent quarters, also contributing to the decline in external vulnerability.

In the real economy approach, compared to the previous two quarters, the four-quarter net lending of the Hungarian economy improved in 2016 Q3, and the current account surplus also continued to rise (Chart 1). The EUR 2.5 billion surplus registered for seasonally unadjusted net lending evolved as a result of a current account surplus of EUR 1.3 billion and a capital account surplus of EUR 1.2 billion. According to four-quarter data, Hungary's net lending rose to 7.7 per cent of GDP, which is mainly attributable to the high current account surplus of 4.4 per cent of GDP. In addition, following gradual decline in the previous two quarters, capital transfers increased as a result of rising EU fund inflows, and thus the transfer balance expanded to 3.3 per cent of GDP. Similarly to the previous quarters, the deficit on the income balance declined further in Q3. Therefore, overall, all the three components of the real economy approach contributed to the increase in Hungary's net lending.

Chart 1: Developments in the components of net lending* (four-quarter values as a percentage of GDP)



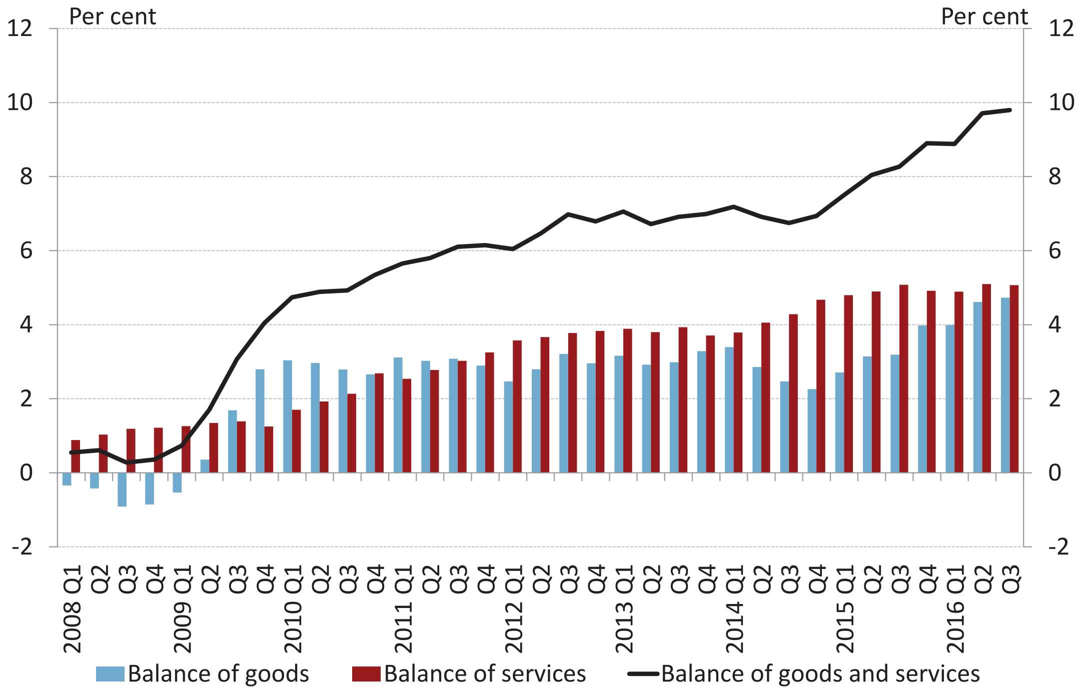
All charts by the MNB unless otherwise indicated.

*Income balance: earned income, income on equity and income on debt.
Transfer balance: sum of the capital account and other primary and secondary income.

1.1. Balance of trade

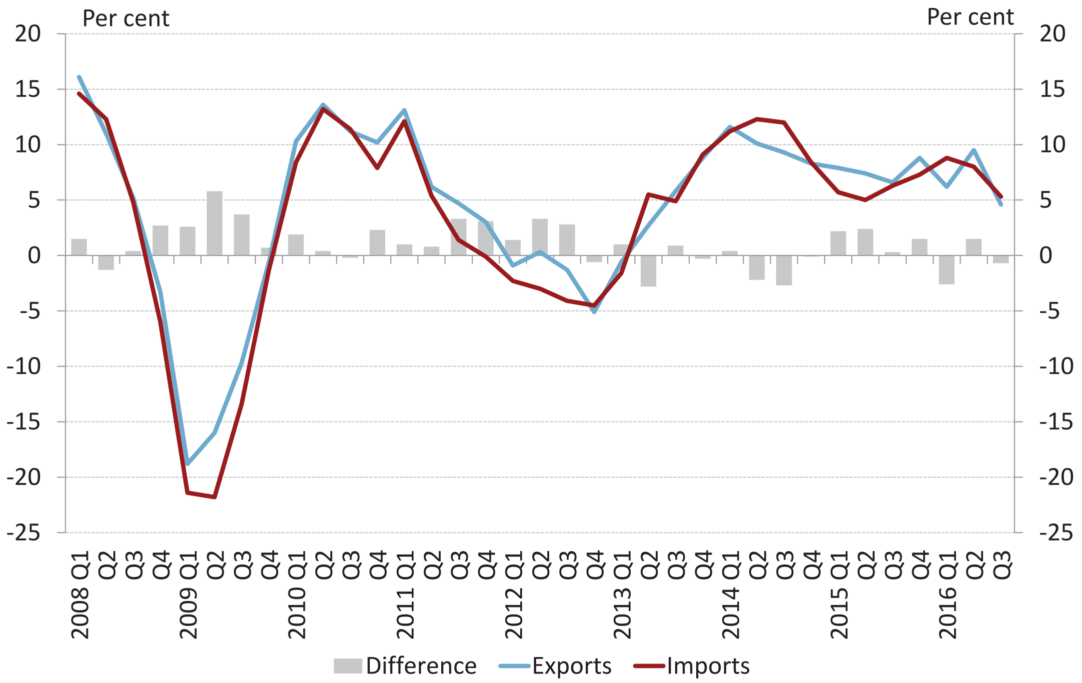
Hungary's trade surplus increased slightly during Q3 (Chart 2). The Q3 trade surplus was much higher than the value observed in the same period of the previous year. As a result, the four-quarter trade surplus was close to 10 per cent of GDP, marking a historical high. In parallel with the subdued increase in industrial production, the goods surplus also rose only slightly, basically supported by the improvement in the terms of trade. Nevertheless, the goods surplus is still slightly lower than the surplus on the services balance. The services surplus is still mainly related to tourism, transport and infocommunication services.

Chart 2: Developments in the balance of trade and its components (four-quarter values as a percentage of GDP)



Annual real growth in exports decelerated in 2016 Q3, due to restrained external demand and subdued industrial performance (Chart 3). The decline in export dynamics observed in Q3 was attributable to weak industrial performance in July and September. Restrained production was typical in the electronics sector and in vehicle manufacturing, which has a high weight. In the latter sector, changes of models and the usual summer production stoppages may have played a significant role. In addition, variations in industrial production in Hungary's main trading partner countries may have also contributed to the slowdown in Hungarian export and import growth in Q3. During the period, real growth in imports slightly exceeded that of exports, resulting in a slight decline in the volume of net exports.

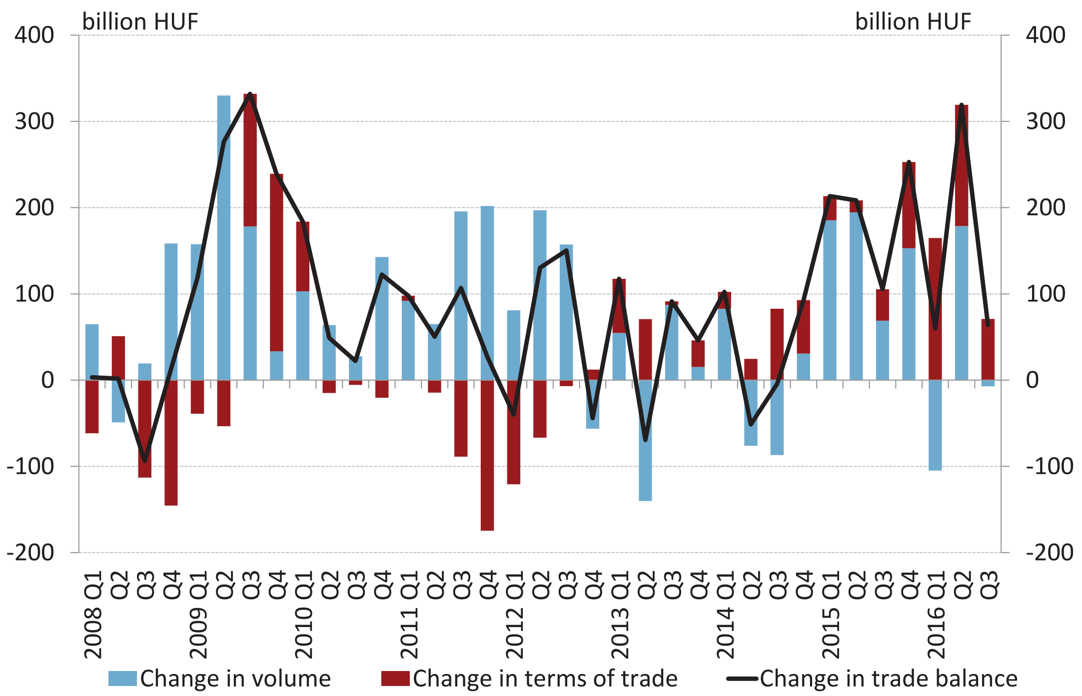
Chart 3: Annual real growth of exports and imports



Source: HCSO and MNB.

The expansion in the trade surplus observed in Q3 was supported by the improvement in the terms of trade and was slightly reduced by the change in volume (Chart 4). Compared to the same period of the previous year, in Q3 the decline in import prices exceeded the decrease in export prices; the resulting improvement in the terms of trade supported the annual rise in the goods and services surplus by nearly HUF 70 billion. The low price of energy, which has a high weight in Hungary's imported products, continued to determine the favourable developments in foreign trade prices. In Q3, however, in line with the fading effect of the oil price decline, the impact of the terms of trade on the trade surplus diminished.

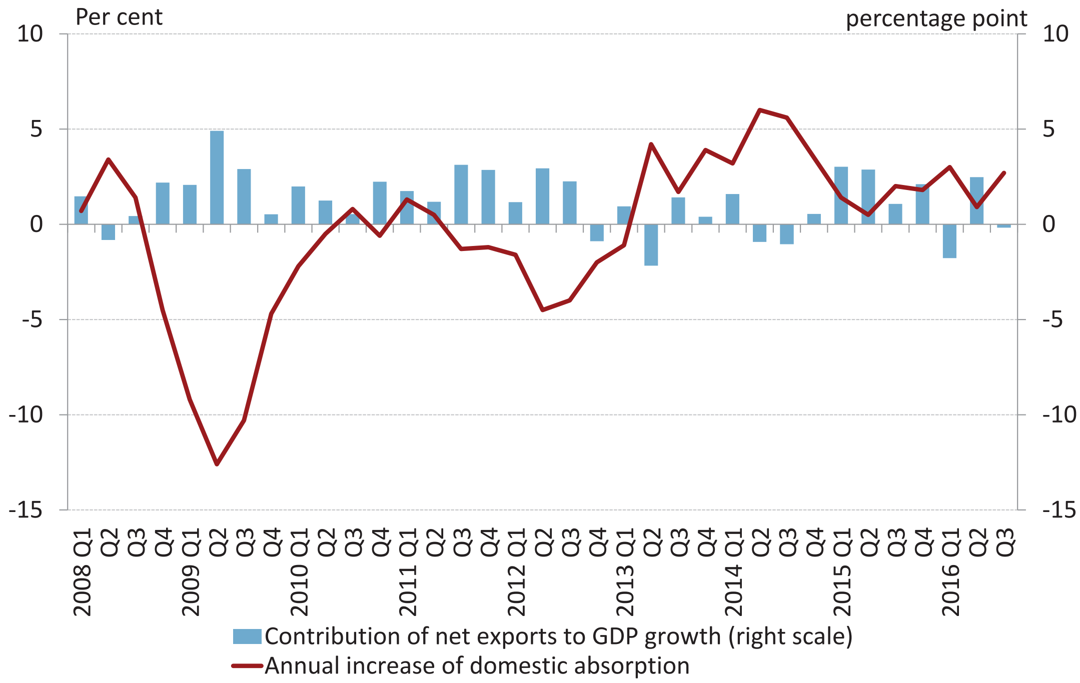
Chart 4: Developments in the balance of trade factors according to GDP (year-on-year)



Source: HCSO.

The annual growth rate of domestic absorption was up in Q3, while net exports restrained growth slightly (Chart 5). The expansion in domestic absorption was primarily related to the increase in the household sector's consumption, while investment declined. Investment was down as in the previous quarters, which is mainly explained by the subdued level of EU funds compared to the high absorption in the previous quarters, and it mainly reduced public sector investment. At the same time, investment by companies active in foreign trade and in the domestic services sector increased. The contribution of net exports to growth was slightly negative during the quarter, which was partly attributable to weak industrial performance. Therefore, overall, GDP growth in Q3 was the result of the expansion in domestic absorption.

Chart 5: Annual growth rate of domestic absorption and contribution of net exports to GDP growth

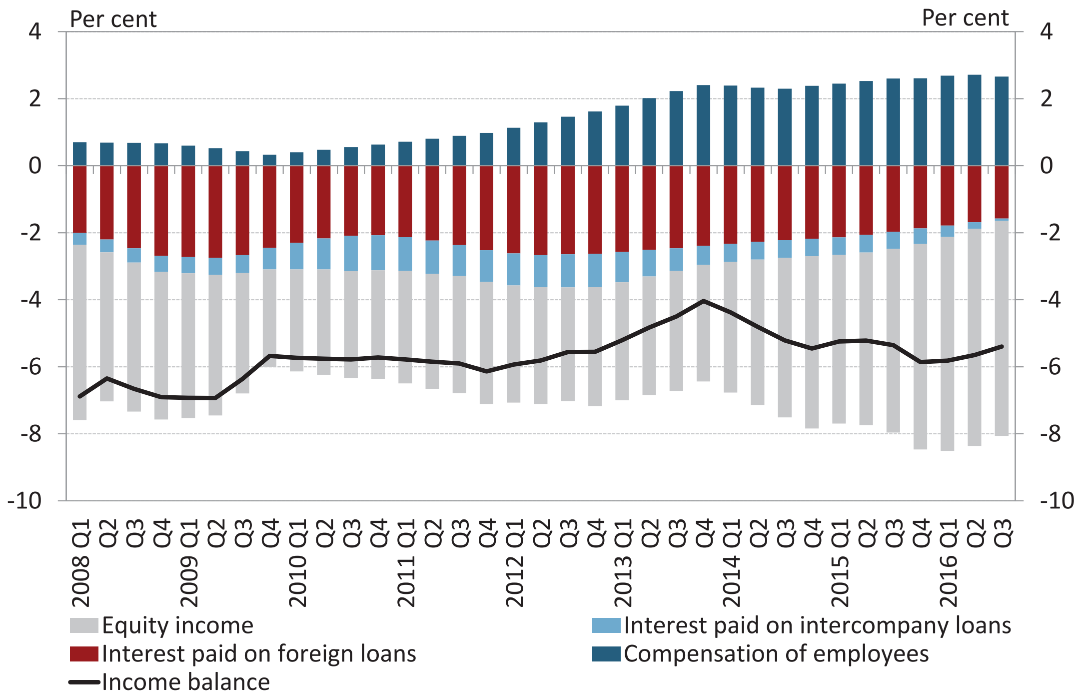


Source: HCSO.

1.2. Income balance

The income balance deficit declined further in Q3, resulting from an improvement in the interest balance of foreign loans and a decrease in the income of foreign-owned companies (Chart 6). The improvement in the income balance deficit which started at the end of 2015 continued in Q3, as the deficit fell to 5.4 per cent of GDP. This is partly attributable to the improving interest expenditure resulting from the low interest rate environment, supported as well by the steady decline in gross external debt. According to relevant data, the profits of foreign-owned companies operating in Hungary decreased, which also contributed to the lower income balance deficit. The net interest cost of foreign companies' intercompany loans also fell in Q3. Employees' incomes, i.e. the income of residents working abroad for less than a year, stabilised at around 2.6 per cent of GDP.

Chart 6: Developments in the items of the income balance* (four-quarter values as a percentage of GDP)

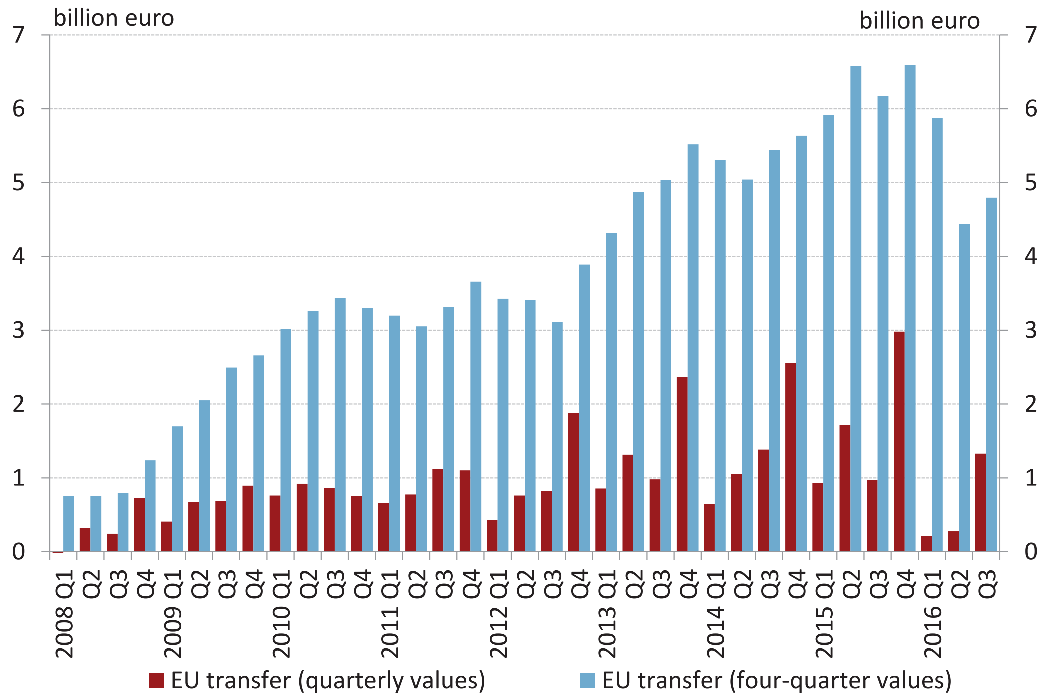


*Income balance: earned income, income on equity and income on debt.

1.3. Transfer balance

As opposed to 2016 H1, the value of EU transfers utilised in Hungary rose in Q3 (Chart 7). In connection with the closing of the EU's previous budget cycle and the beginning of the new one, the absorption of EU transfers declined at the beginning of the year. However, the surplus on the transfer balance increased in Q3, in line with the acceleration in disbursements. During the period under review, the rising absorption of EU funds took place in parallel with higher absorption of capital transfers and lower absorption of current transfers. The four-quarter value of the net absorption of EU funds was around EUR 5 billion in Q3. However, in spite of the rise, it is below the value observed one year earlier. The fall in EU transfers observed in H1 mainly affected the general government, which was also reflected in the low investment of the sector.

Chart 7: Developments in the absorption of EU transfers

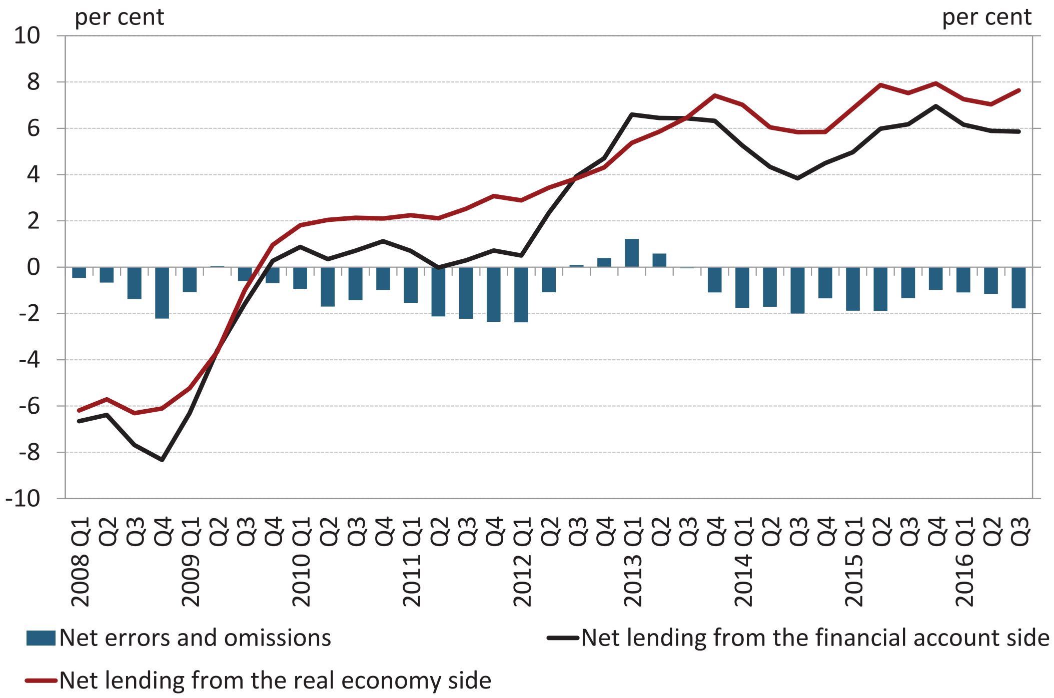


2. FINANCING APPROACH

Net lending calculated on the basis of the financial account amounted to nearly 6 per cent of GDP in Q3, which was the result of a larger decline in net external debt and significant inflows of non-debt liabilities. Non-debt liabilities increased by EUR 1.5 billion in the quarter under review, which was almost entirely reflected in the rise in foreign direct investments. Net outflows of debt liabilities reduced the net external debt of the economy significantly, by EUR 3.1 billion, with the highest contribution from the banking sector. The decline in the net external debt of banks is still attributable to the FX liquidity stemming from the closing of the FX swap transactions related to the conversion into forints, but the decrease in the sector's external – mainly short-term – debt also contributed to this trend. The net external debt of the consolidated general government increased slightly in the quarter under review, due primarily to the decline in FX reserves as a result of the conversion into forints, while the gross external debt of the government fell considerably.

In Q3, four-quarter net lending according to the financing side amounted to 5.9 per cent of GDP (Chart 8), which is lower than the figure from the real economy approach.[1] This means that net lending calculated on the basis of real economy data exceeds the value calculated from the financing side, i.e. the decline in the external debt indicators of the economy is lower than what would be justified by real-economy developments. This is in line with the long-term trend, both in terms of Hungarian and regional data. The four-quarter value of the difference amounted to 1.8 per cent of GDP in Q3, and is thus slightly higher its long-term average, but in international comparison it is still considered low.

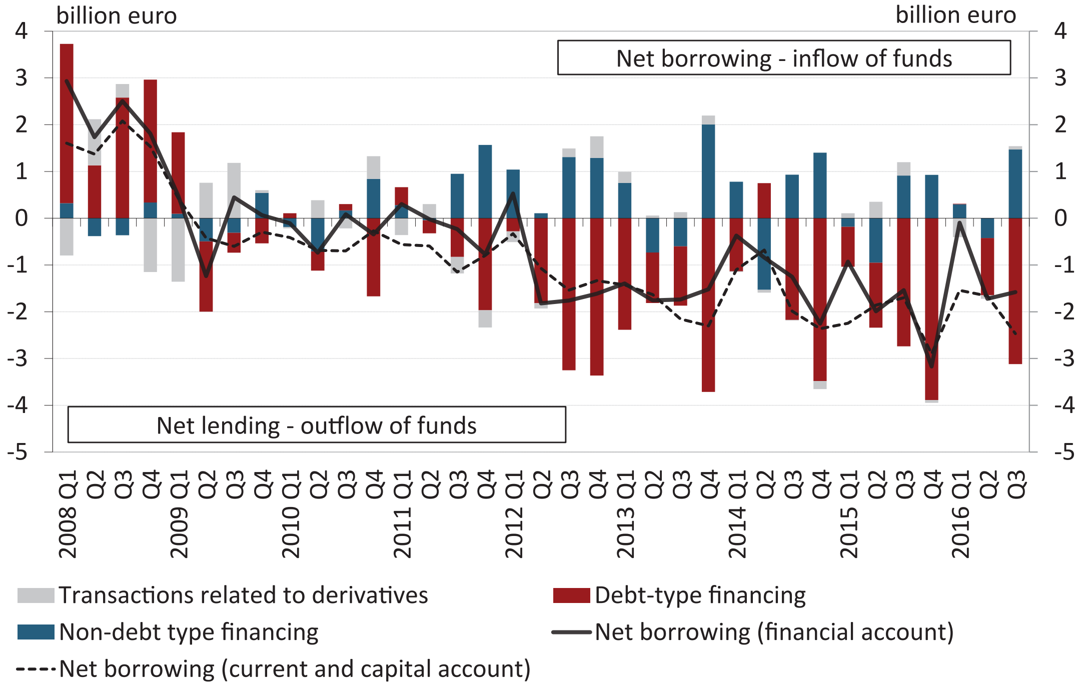
Chart 8: Two types of net lending and 'Net errors and omissions'
(four-quarter values as a percentage of GDP)



Unadjusted net lending according to the financing side declined slightly in Q3 and amounted to EUR 1.6 billion (Chart 9). The outflow of funds is exclusively the result of the EUR 3.1 billion decline in debt-type liabilities. At the same time, non-debt liabilities rose by EUR 1.5 billion in Q3, which was mainly related to foreign direct investment, and within that to the reinvestment earnings of foreign-owned companies. The volume of derivative transactions was negligible in the period under review.

1 Trends in the balance of payments can also be analysed by examining the financing of real economy transactions. Indeed, the financial account shows what types of transactions were used by resident economic actors to finance transactions in the real economy that had an effect on net financial wealth. While data derived from the real economy approach and the financing approach should be identical in theory, differences are likely to arise in practice due to non-integrated data sources, incomplete observation and the different treatment of the exchange rates, as indicated by the category 'Net errors and omissions'.

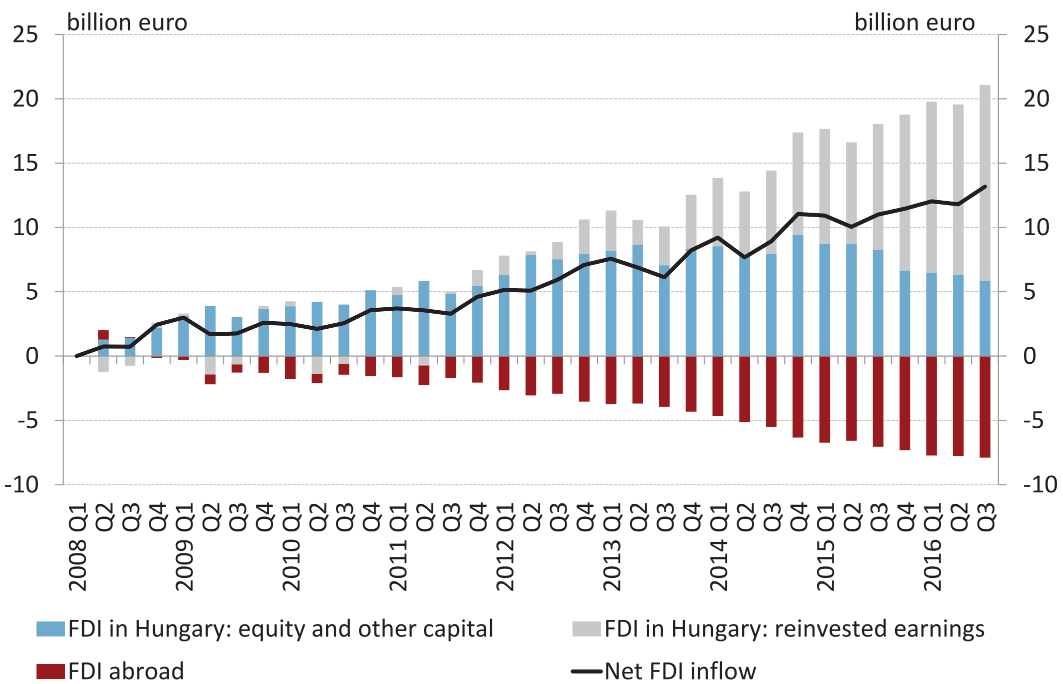
Chart 9: Developments in the structure of net lending (unadjusted transactions)



2.1. Non-debt liabilities

In Q3, the value of net foreign direct investment increased again in Hungary (Chart 10). Capital in transit transactions often significantly distort developments in FDI, and therefore, it is worthwhile to analyse the values excluding such transactions. In the past quarter, non-residents' investments in Hungary rose by EUR 1.4 billion, which is primarily attributable to the reinvestment earnings of foreign-owned companies and to a slight increase in non-residents' domestic equity. At the same time, investments in Hungary were reduced by the decrease in intercompany loans, while residents' divestments rose only slightly.

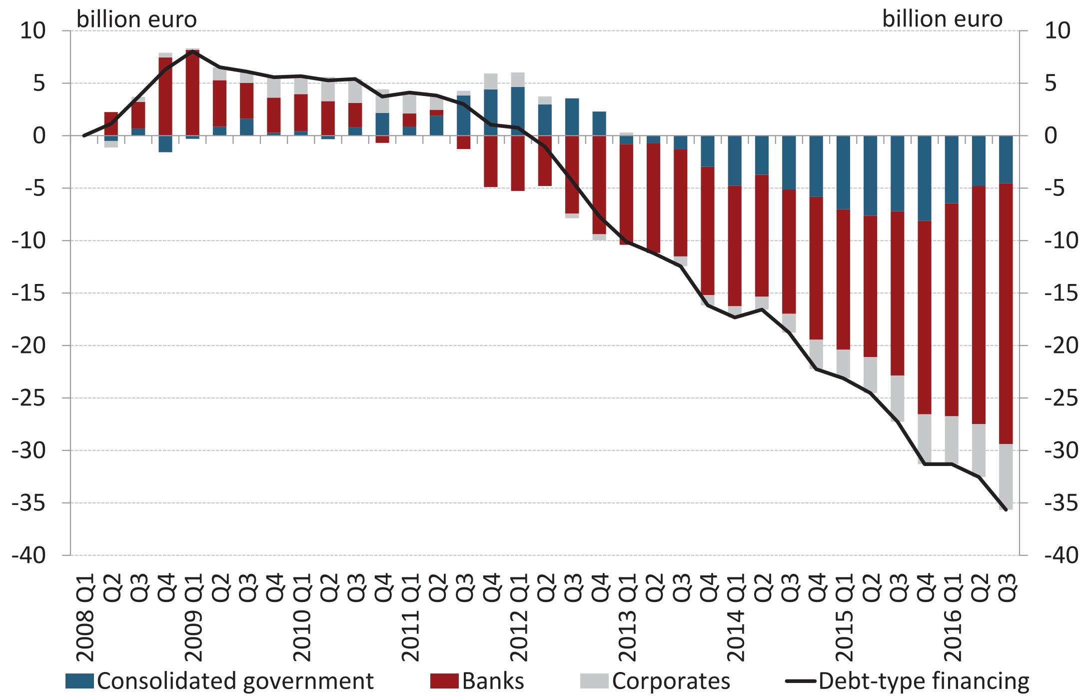
Chart 10: Developments in FDI without capital in transit transactions (cumulative transactions)



2.2. Debt liabilities

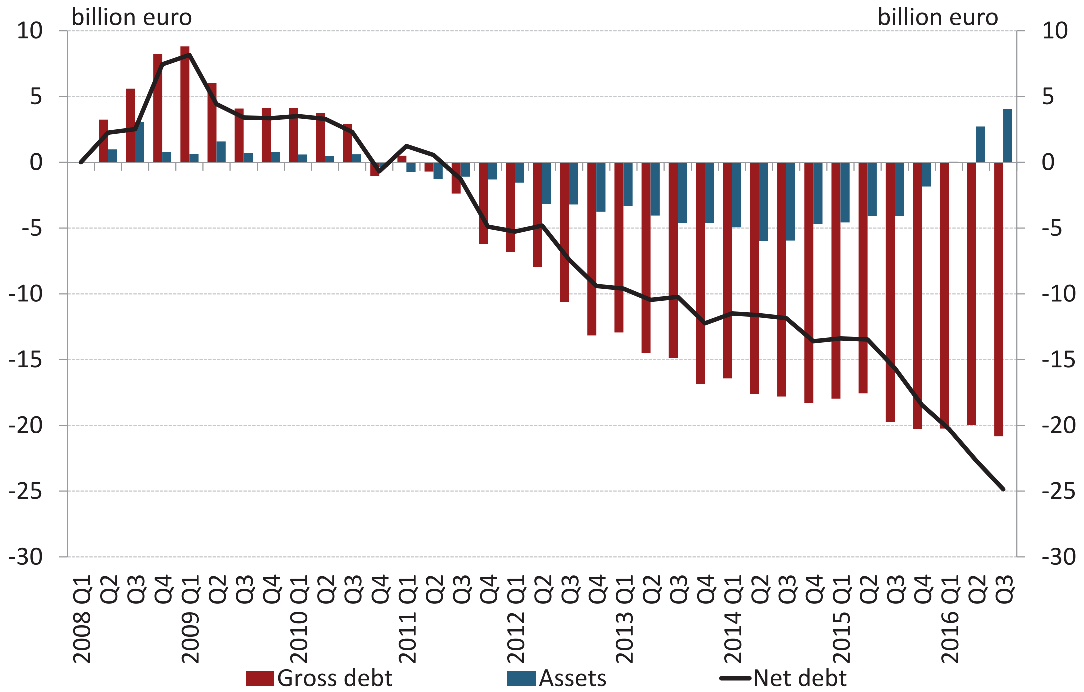
In Q3, the country's net external debt declined significantly, falling by EUR 3.1 billion, which is primarily related to the banking sector, while, to a lesser extent, the corporate sector also contributed to the decline (Chart 11). The transactions related to the conversion into forints had an impact on the net external debt of the banking sector and the consolidated general government in the past quarter as well: that of the former was reduced, while that of the latter was increased – through the reduction of the FX reserves – by the closing of the FX swap transactions. On the whole, the net external debt of the government rose by EUR 0.3 billion, while that of the banking sector fell by EUR 2.2 billion. Net external debt of non-financial corporations declined by EUR 1.2 billion in Q3, which is mostly attributable to the rise in foreign assets, mainly related to foreign deposits.

Chart 11: Developments in net debt-type financing by sector (cumulative transactions)



In Q3, the net external debt of the banking sector declined by some EUR 2.2 billion, which was attributable to an expansion in its foreign assets as well as to a decline in its gross external debt (Chart 12). The maturity of FX swaps related to the conversion into forints continues to play a role in the EUR 1.3 billion increase in foreign assets. In addition, the decrease in banks' net external debt also resulted from the EUR 0.9 billion decline in external debt, which was primarily reflected in the decline in short-term external debt, but the slight decrease in bank bonds held by non-residents also contributed to the downward trend. It is worth noting that as a result of the significant rise in banks' external assets in the past two years, the sector's external assets already exceed the size of foreign liabilities, and thus banks' net external debt has become negative (for more details see the section on debt ratios).

Chart 12: Developments in the banking sector's external debt and assets (cumulative transactions)



The net external debt of the consolidated general government including the MNB increased by EUR 0.3 billion, as a result of a smaller decline in external debt and a larger decline in FX reserves (Chart 13). The net external debt of the consolidated general government has dropped considerably since end-2011, but the pace of this decline has slowed in recent quarters. At the same time, since 2014, non-residents' HUF-denominated and FX-denominated government securities holdings have fallen considerably, by EUR 3.5 billion and by nearly EUR 5 billion, respectively. In parallel with that, domestic private sectors (banks and households) significantly increased their respective roles in financing the government, also supported by the self-financing programme launched by the MNB (see the special topic on the longer-term developments in the external debt of the general government). In 2016 Q3, the foreign liabilities of the government fell by EUR 1.2 billion, while – in parallel with a decrease in FX reserves by EUR 1.1 billion – other assets, mainly related to the absorption of EU transfers, were also down by EUR 0.4 billion. Consequently, the government's net external debt increased by EUR 0.3 billion in total.

In Q3, the general government's net external debt was increased by the following factors:

- non-residents' HUF-denominated government securities purchases with a value of nearly EUR 600 million. This increase, observed as opposed to previous quarters' declines, may also have been attributable to the fact that during the quarter under review the credit rating of the Hungarian government was shifted to the investment grade category by all credit rating agencies;
- foreign currency liquidity provided to banks in the amount of EUR 400 million for the conversion of foreign currency loans into forints;
- a decline of some EUR 400 million in assets from the EU related to the transfers from the European Commission;
- in addition, the interest paid by the government on foreign currency bonds and the government's other foreign currency payment obligations (e.g. foreign pension payments) also reduced foreign exchange reserves.

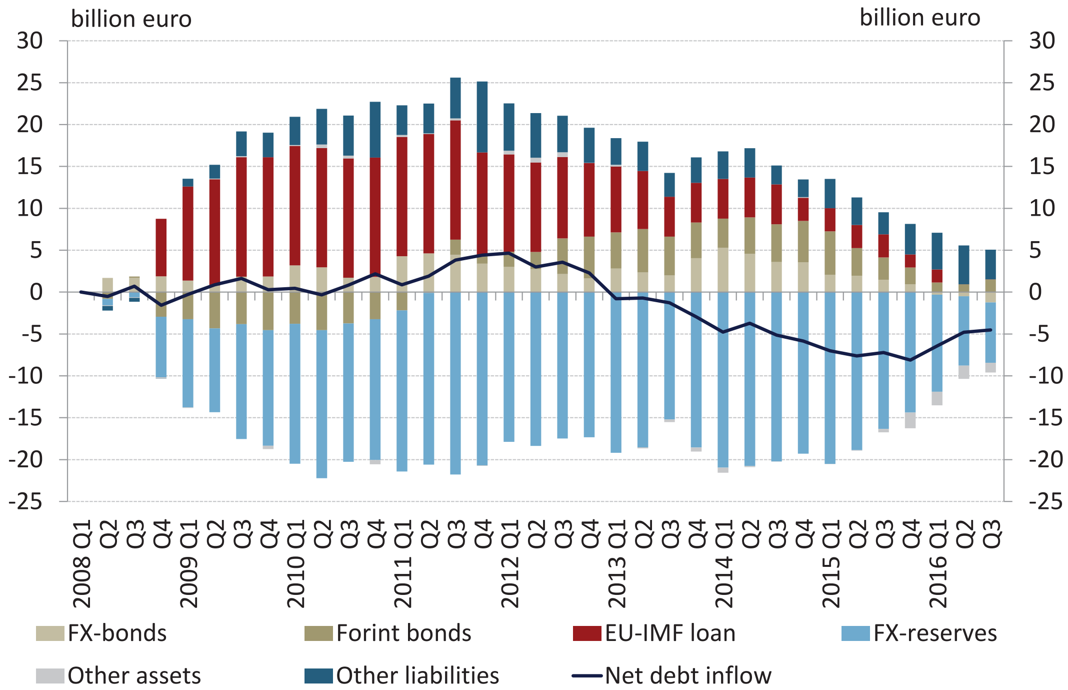
At the same time, the following factors reduced the net external debt of the general government:

- in connection with EU transfer absorption, the debt of the central budget vis-à-vis the EU declined by around EUR 800 million;
- EU transfer inflows added some EUR 700 million to the FX reserves, which were also increased by banks' foreign currency deposits.

The following factors did not change the net external debt of the general government, but influenced the size of its gross components:

- as a result of the maturity of an FX bond, gross external debt fell by around EUR 900 million. At the same time, it reduced the FX reserves;
- due to the slight depreciation of the US dollar, foreign deposits on the margin account placed at the government declined, which reduced both the gross external debt of the government and the foreign exchange reserves.

Chart 13: Breakdown of net external debt of the general government consolidated with the MNB (cumulative transactions)



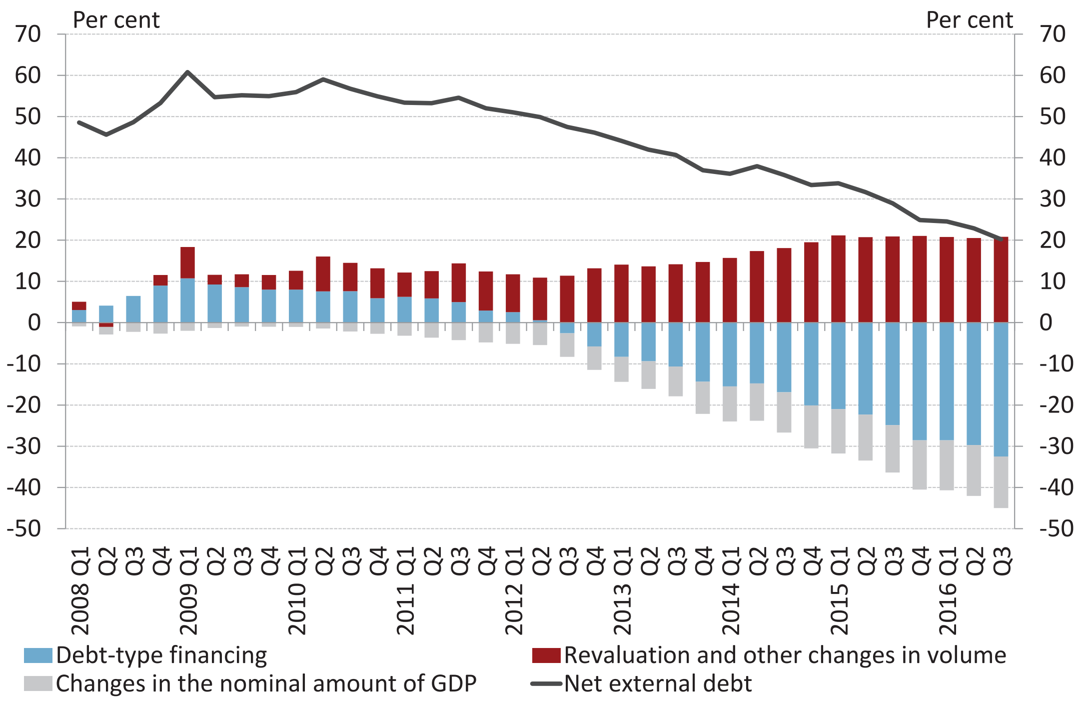
3. DEVELOPMENTS IN DEBT RATIOS

The adjustment of debt indicators continued in 2016 Q3. Net external debt fell to nearly 20 per cent of GDP, while the gross external debt-to-GDP ratio declined to below 70 per cent. In addition to higher outflows of debt, nominal GDP growth also contributed to the decline in net external debt. The decline in net external debt is mostly related to the banking sector and to a lesser extent to companies, while the net external debt of the consolidated general government actually increased slightly in the period under review. In the case of the banking sector, in addition to the rise in foreign assets, the decline in external debt also resulted in a decrease in net external debt, while companies also reduced Hungary's net external debt by more than 1 per cent of GDP. The net external debt of the general government rose in Q3, due mainly to revaluation effects and non-residents' government securities purchases following the rating upgrade. The gross external debt of the country declined by more than 3 percentage points to 69 per cent of GDP. This decline, which was larger than the decline in net external debt, was primarily attributable to an around 2 per cent strengthening of the forint against the main currencies and to an FX bond maturity amounting to nearly EUR 0.9 billion. The short-term external debt of the country was down to EUR 18.4 billion, which is mostly related to the banking sector, but all three sectors contributed to the decline amounting to a total EUR 1.4 billion. In Q3, even with the expected decrease, the level of foreign exchange reserves was still well above the level expected by investors.

3.1. Developments in net and gross external debt

In Q3, the net external debt of the country fell to nearly 20 per cent of GDP, mainly due to the outflows of debt liabilities (Chart 14). The net external debt-to-GDP ratio amounted to 20.2 per cent at end-September. In addition to higher outflows of debt generating liabilities, the rise in nominal GDP also contributed to the decline. At the same time, the stock indicator was slightly increased by the revaluation, which is explained by the repricing of government securities holdings taking place due to the decline in government securities yields in Q3.[2]

Chart 14: Components of changes in net external debt (cumulative values as a percentage of GDP, end-2007 = 0)



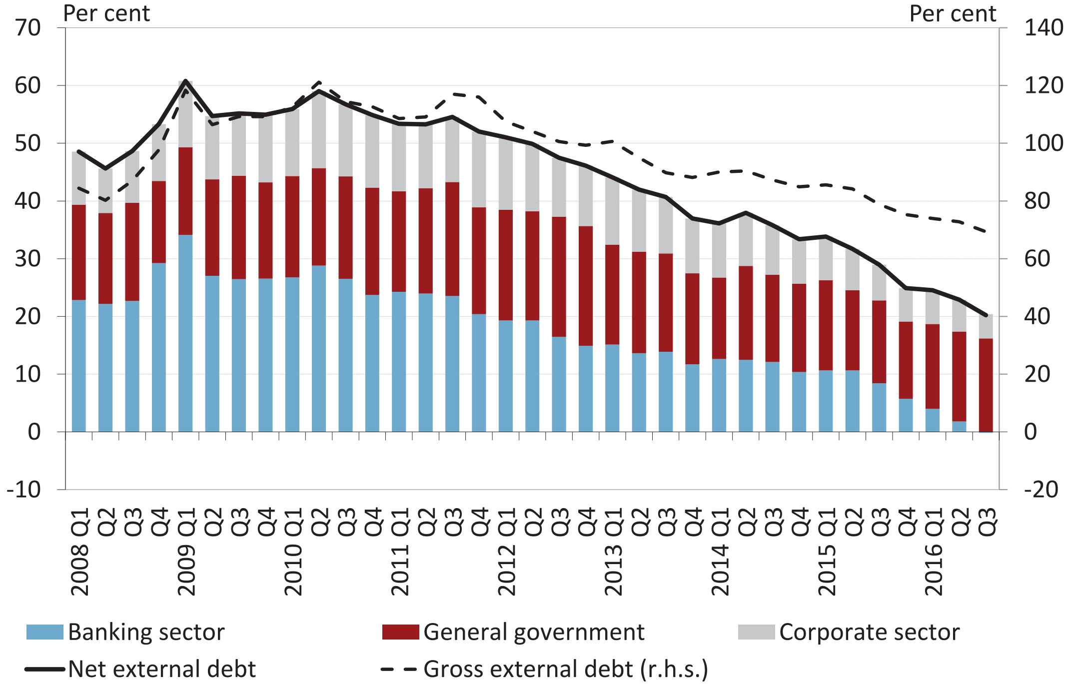
The decline in net external debt is mostly related to the banking sector and to a lesser extent to companies, while the net external debt of the consolidated general government actually increased slightly in the period under review (Chart 15). Banks' net external debt fell by nearly 2 per cent of GDP as a result of an increase in banks' foreign assets

2 The appreciation of the forint exchange rate against the euro had no material impact on net external debt, as EUR-denominated debt is roughly offset by the almost same level of EUR-denominated foreign exchange reserves.

and a decrease in their liabilities. The rise in the sector's assets was also attributable to the swap maturity related to the conversion into forints. Moreover, it also contributed to the lower net external debt that companies reduced their net external debt by more than 1 per cent of GDP in the period under review: in addition to a rise in the sector's foreign assets, the reduction of debt also resulted in a decline in the indicator. At the same time, the net external debt of the general government increased slightly in Q3: in addition to transactions, revaluation also played a role in the rise in the net external debt of the consolidated general government. Following the upgrade, in addition to non-residents' government securities purchases and the repricing of government securities holdings, the decline in the foreign assets of the general government (mainly in the FX reserves) was the most determining factor.

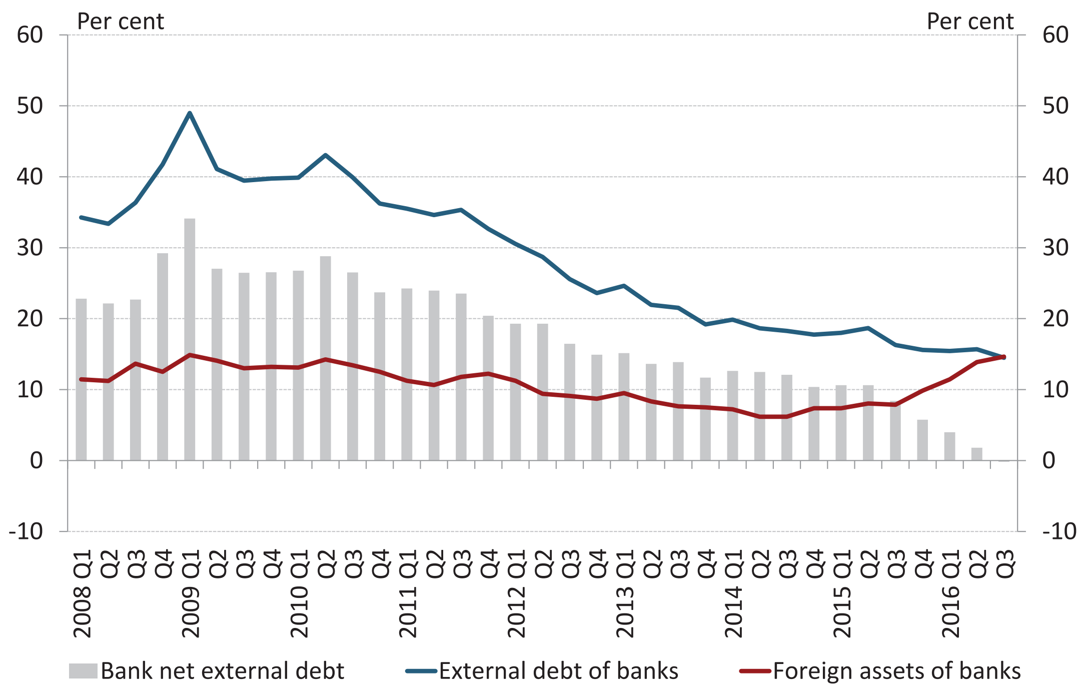
Hungary's gross external debt declined by more than 3 percentage points to 69 per cent of GDP (Chart 15). The stronger decline in gross external debt compared to the decline in net external debt may have been primarily attributable to the strengthening of the forint against the main currencies. The external debt of the consolidated general government decreased by the largest degree (around 2 per cent of GDP), although this did not change the net indicator. Gross external debt was reduced by the FX bond repayment and the margin accounts as well as by a decline in liabilities vis-à-vis the EU in connection with EU transfers. In addition to that of the general government, the gross external debt of the private sector was also down in Q3: the banking sector's and companies' gross external exposure also declined, although to a lesser extent than the net indicator.

Chart 15: Net external debt in a sectoral breakdown and gross external debt
(as a percentage of GDP, excluding intercompany loans)



The banking sector's net external debt became negative in 2016 Q3, as foreign assets exceeded the level of external debt (Chart 16). The net external debt of the sector declined further in Q3: in parallel with an increase in foreign assets, the sector's gross external debt also decreased, after having stagnated in the previous quarters. As a result, banks' total foreign assets already slightly exceed the sector's liabilities, and thus its net external debt became negative, which was unprecedented in the history of Hungary's balance of payments statistics. In addition to the balance sheet adjustment, it also played a role in the decline in net external debt that since mid-2015 the sector's foreign exchange assets had increased significantly, partly due to the maturity of FX swaps related to the conversion of households' FX loans into forints. This latter development, however, entailed a decline in the MNB's FX reserves, i.e. the programme did not affect the level of the net external debt of the country and only resulted in a rearrangement between sectors. At the same time, it is worth emphasising that in spite of the negative net external debt, the banking sector's gross external debt amounts to some 15 per cent of GDP, i.e. to around EUR 16 billion, of which more than EUR 6 billion (40 per cent) matures within a year.

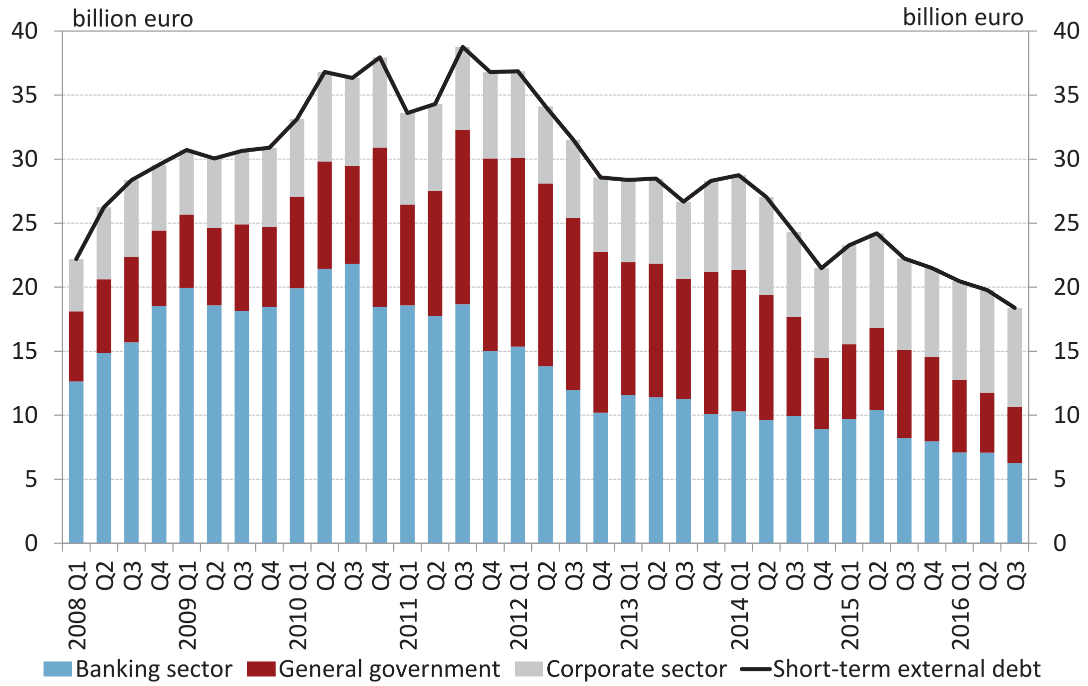
Chart 16: Developments in the banking sector's external assets and debt (as a percentage of GDP)



3.2. Developments in short-term external debt

In Q3, the country's short-term external debt fell to EUR 18.4 billion, which is mainly attributable to the banking sector, although all three sectors contributed to the decline of EUR 1.4 billion (Chart 17). The strongest contribution to the decline in the country's short-term external debt was made by the banking sector, primarily through the EUR 0.6 billion reduction of its originally short-term external debt, but the sector's amortising debt was also down by EUR 0.2 billion. In addition, the short-term external debt of the general government also fell by EUR 0.3 billion, mainly resulting from the decrease in margin accounts. Non-financial corporations also reduced their short-term external debt according to residual maturity, which is mainly attributable to a decline – due to trade credit – in the originally short-term debt by EUR 0.2 billion, but the sector's amortising debt also showed a decline of EUR 0.1 billion in the period under review. Accordingly, with EUR 0.3 billion each, the general government and the corporate sector made almost equal contributions to the improvement in this indicator, which is important in terms of external vulnerability.

Chart 17: Developments in gross short-term external debt based on residual maturity



3.3. Developments in foreign exchange reserves and reserve adequacy

In 2016 Q3, FX reserves declined mainly as a result of the FX transactions of the Government Debt Management Agency (ÁKK) and the maturities of the central bank FX swap transactions related to the conversion of households' FX loans into forints (Chart 18). At end-September 2016, international reserves amounted to EUR 23.7 billion, representing a decline of EUR 1.1 billion compared to the level at end-June 2016. The following were the key factors influencing the level of reserves:

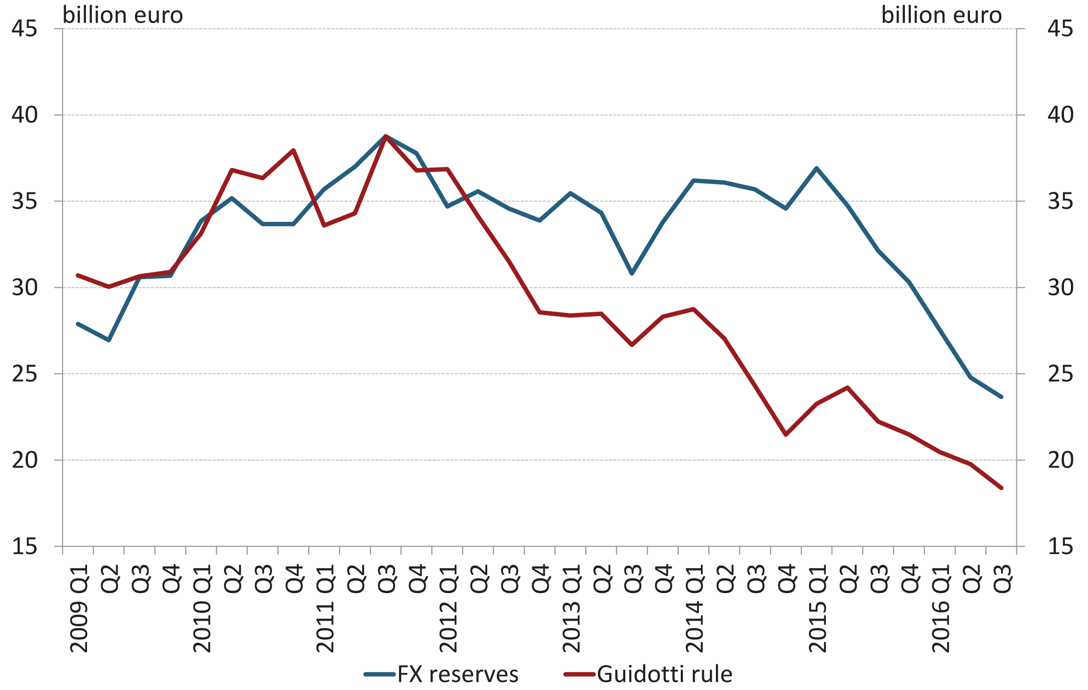
- The maturity of the swap facilities related to the conversion of households' FX loans into forints and the loans granted within the framework of the FX pillar of the Funding for Growth Scheme reduced reserves by EUR 400 million and EUR 60 million, respectively.
- Taking into account earlier prepayments as well, the ÁKK's EUR-denominated FX bond maturing in July reduced the level of FX reserves by nearly EUR 900 million. FX bond issues took place only in the case of securities for households. Accordingly, the government obtained the funds necessary for repayments mainly by issuing HUF-denominated government securities, which was also significantly supported by the MNB's self-financing programme.
- In addition to the MNB's programmes, further reserve reducing items were the FX expenditures of the Hungarian State Treasury (MÁK), the changes in the mark-to-market deposit holdings related to the ÁKK's hedging swap transactions and the ÁKK's other FX expenditures.
- All of these items were partly offset by the EU funding3 amounting to more than EUR 700 million as well as by banks' FX deposits placed with the MNB. Most of the EU transfers were credited to the account of the Treasury in July; the European Commission made transfers in connection with projects still belonging to the previous EU cycle.

Short-term external debt declined to a greater extent than the decrease in FX reserves, and the level of the latter is still well above the level expected by investors. Based on the Guidotti indicator, which is particularly followed by both investors and the central bank, the value of FX reserves of EUR 23.7 billion in September 2016 significantly exceeded the level of short-term external debt, which amounted to EUR 18.4 billion. In contrast to the EUR 1.1 billion drop in FX

3 In the balance of payments, the accounting of transfers from the EU is done on an accrual basis, at the time of their spending, while their appearance in the FX reserves reflects a cash-based approach. As a result, there is a difference between the amounts of EU funds.

reserves, short-term external debt declined to a greater extent, by nearly EUR 1.4 billion, resulting in a rise in the surplus reserve relative to short-term external debt. Based on the Guidotti rule, FX reserves exceeded the short-term external debt by more than EUR 5 billion in 2016 Q3

Chart 18: Short-term external debt and the stock of foreign exchange reserves of the Hungarian economy



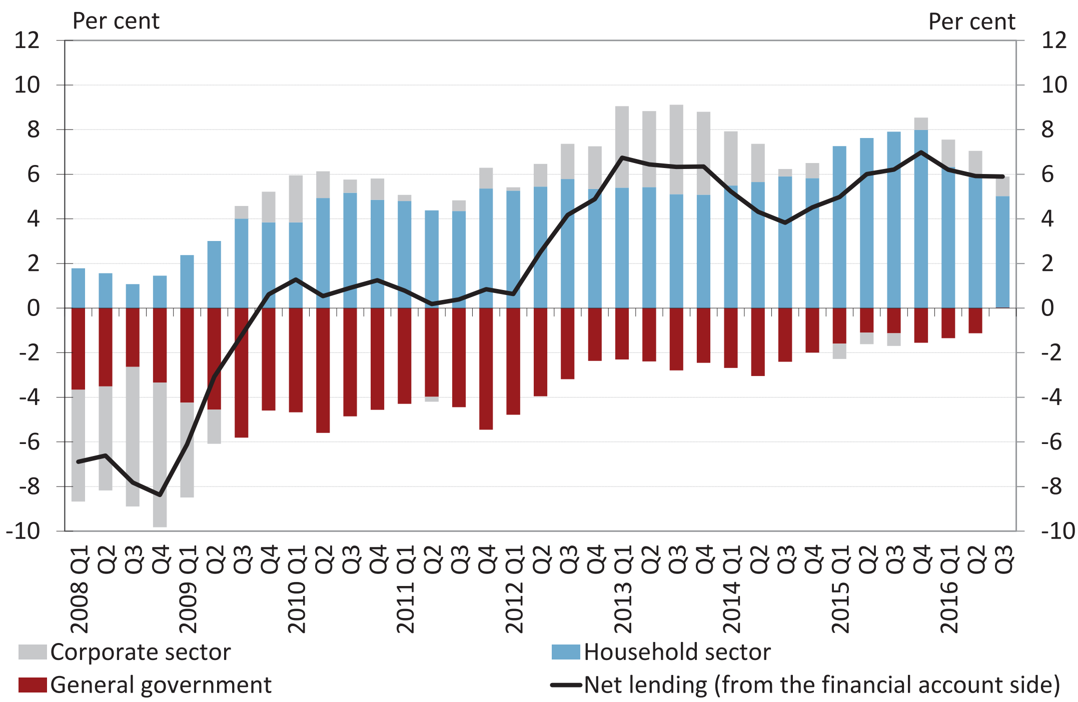
* Guidotti rule: short-term external debt based on residual maturity.

4. SECTORS' SAVINGS APPROACH

Similarly to the previous quarter, in 2016 Q3 net lending according to economic sectors' savings amounted to nearly 6 per cent of GDP. In the quarter under review, the four-quarter net borrowing of the general government declined further from the historic low of 1.1 per cent of GDP in Q2 to 0 per cent of GDP. However, this impact was offset by a slight decline in the private sector's net saving: while the net saving of households fell considerably, that of the corporate sector decreased only to a smaller degree. Looking at the savings of households, they continue to be most interested in government securities, although in addition to real estate funds, bond funds also increased slightly. Similarly to previous quarters, households' government securities purchases contributed significantly to the reduction of the government's external debt.

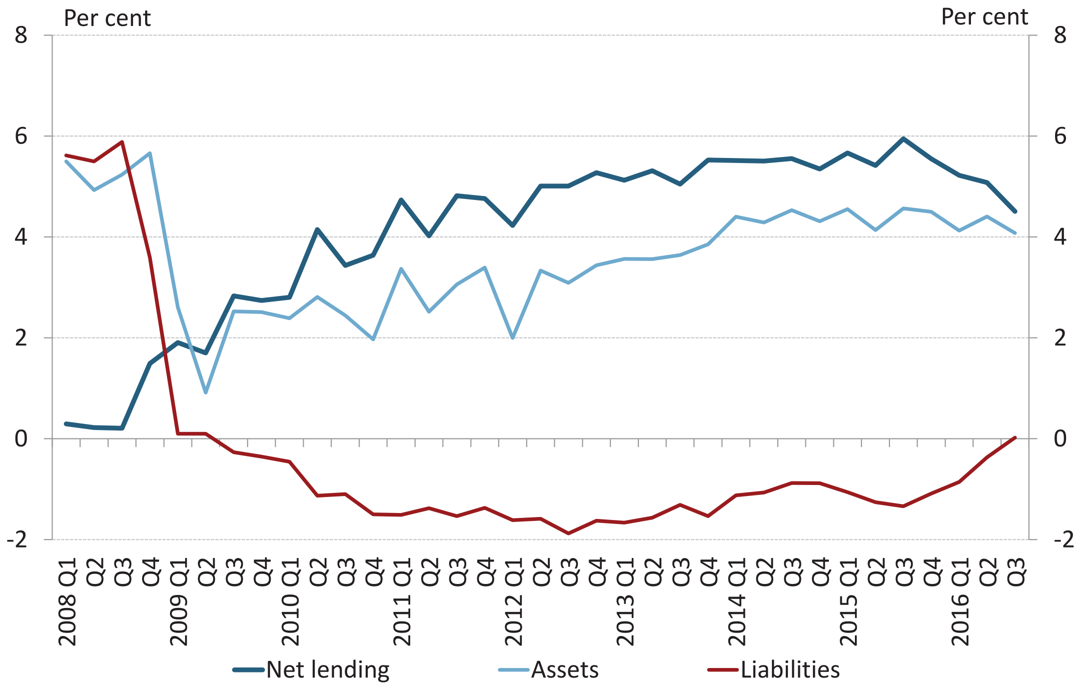
In Q3, the four-quarter net lending of the economy became stable at around 6 per cent of GDP, which was attributable to the historically low level of the government's net borrowing, while the net saving of households and companies was down (Chart 19). On the revenue side, the historically low general government deficit was the result of the rise in tax revenues due to increasing employment and wages. On the other hand, EU fund absorption was mainly related to advance payments, not accompanied by own contributions this year, resulting in significant savings on the expenditure side. In line with the expansion in household consumption, households' net savings declined in Q3. Mainly in conformity with new investment projects and a small decline in operating profits, corporate net savings was slightly lower. In parallel with an unchanged level of the corporate deposit-to-GDP ratio, the bank loans-to-GDP ratio continued to decline, i.e. companies continue to reduce their outstanding debt.

Chart 19: Net lending by sectors (four-quarter values relative to GDP)



According to the underlying trends, households net savings decreased further in Q3, which took place against the background of increased borrowing and declining asset accumulation (Chart 20). Rising wages and employment as well as the decline in unemployment resulted in an increase in households' consumption and investment expenditures. In line with all that, borrowing by households slightly exceeded the amount of loan repayment, which may indicate a change in households' attitude to indebtedness. Nevertheless, the degree of the cautiously rising net borrowing is far below pre-crisis levels. In parallel with that, although the accumulation of financial assets declined to some extent, it is still relatively high, at around 4 per cent of GDP.

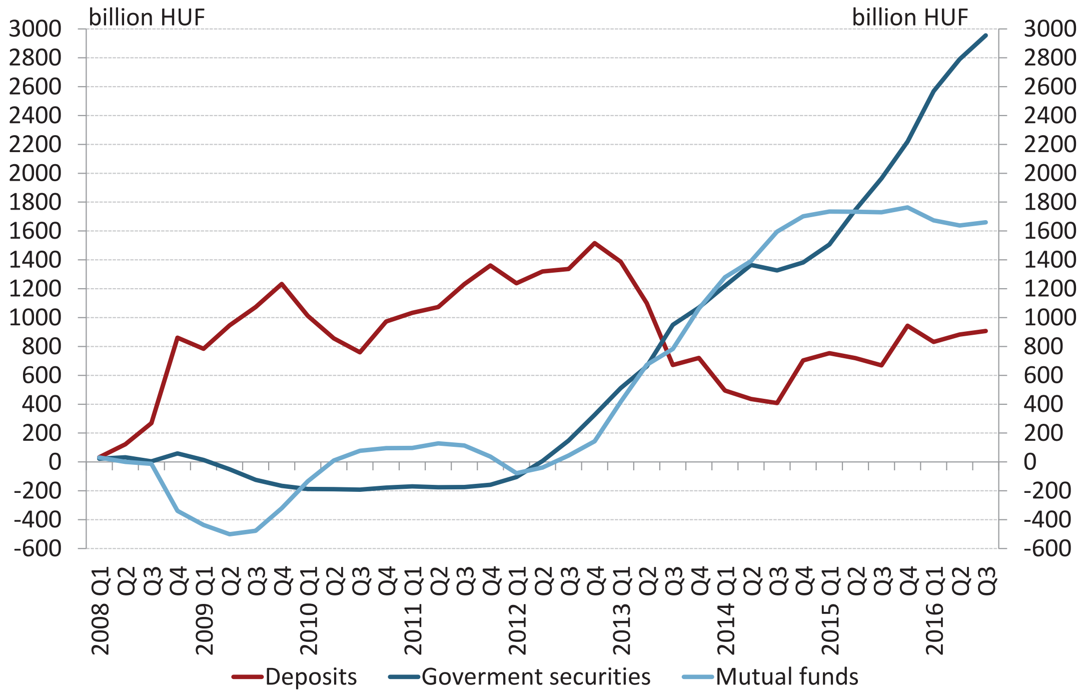
Chart 20: Underlying trends in households' net lending (seasonally adjusted data relative to GDP)



* The revised net savings of households exclude the transactions that add to savings and are related to the early repayment scheme, the disbursement of real yields and the indemnification of the deposit holders of defaulting mutual savings banks, and also exclude the estimated impact of the foreign currency loan settlement and the conversion into forints.

Households' government securities holdings increased rapidly in Q3 and thus contributed significantly to the domestic financing of the government (Chart 21). Looking at the changes in households' asset portfolio, the share of government securities increased further in Q3. As a result of the still significant yield premium, households' government securities holdings were up considerably, although – presumably in relation to the increasingly significant maturities – the degree of the expansion was somewhat below that observed in the previous quarters. Nevertheless, households continue to provide a considerable portion of the public sector's financing. There was an overall slight rise in the holdings of mutual fund shares: in addition to the expansion in property funds, bond fund holdings increased again in Q3, while assets managed by money market funds were down. Within the slight overall increase in bank deposits, current account deposits rose, while time deposits decreased considerably – in view of the low interest rate environment.

Chart 21: Cumulative transactions of households' assets



5. DEVELOPMENTS IN THE EXTERNAL DEBT OF THE CONSOLIDATED GENERAL GOVERNMENT INCLUDING THE MNB

The decline in the external debt of the government and in the share of foreign currency within government debt contributed strongly to Hungary's upgrade in the autumn, as all three major credit rating agencies upgraded the rating of the Hungarian government debt to investment grade. Consequently, the changes in the external debt of the consolidated general government are examined in the special topic in this report. Following the outbreak of the crisis, the ratio of foreign funding of the general government surged as a result of the IMF/EU loan and then started to decline from 2012. Hungary increasingly strived to refinance the significant maturing external debt from domestic funds. In line with the government's intention, this has been the aim of the increasing direct involvement of households' savings in the financing of the general government as well as of the higher demand by banks generated by the MNB's self-financing programme. At the same time, the foreign currency needed for the maturing FX debt was provided from the central bank's reserves, which have recently declined, also as a result of the foreign currency demand related to the conversion of household foreign currency loans into forints, but the reserves still exceed the level expected by investors. The above developments led to the dual trend that the gross external and FX debt of the general government decreased significantly, while the decline in the net external debt of the consolidated general government including the central bank FX reserves slowed down. Even though according to an international comparison the external debt of the government still exceeds the regional countries' levels, since 2011 it has decreased significantly and at a rapid pace – in fact the decrease was the largest amount in the countries of the EU. The higher external debt is primarily attributable to the higher level of government debt, while since 2011, of the European countries, the share of foreign financing within government debt has declined to the greatest extent in Hungary, and is already lower than the levels observed in Slovakia or Poland.

5.1. Introduction

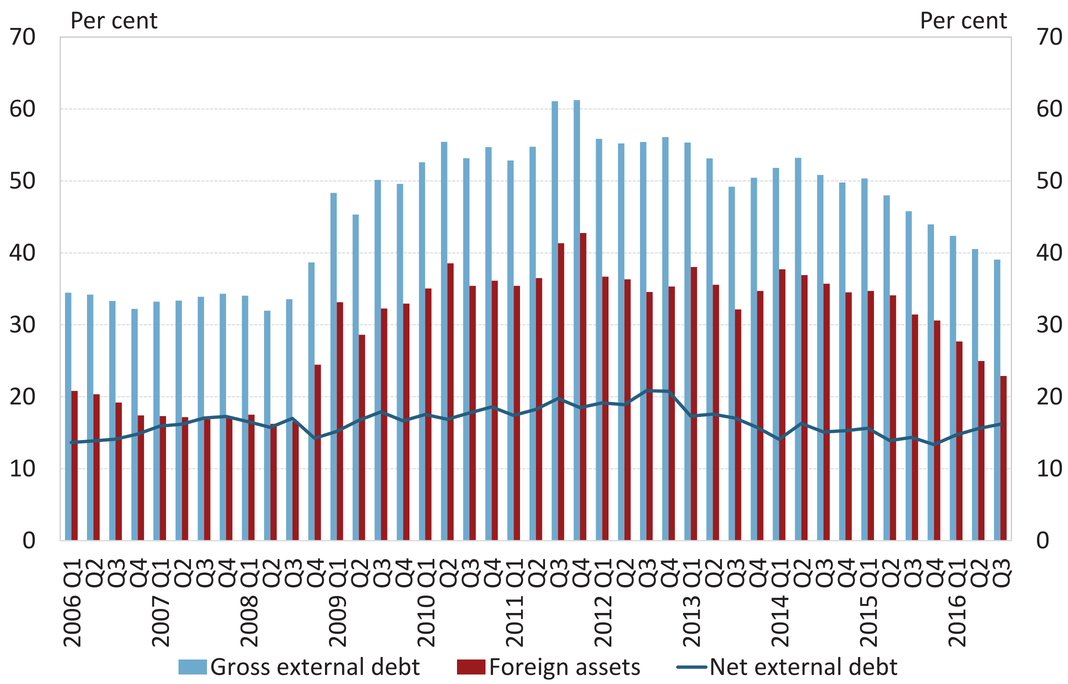
In the case of Hungary, the crisis highlighted that the vulnerability of the country can also be significantly increased by the financing structure of government debt, i.e. by the high ratio of foreign currency within government debt. The external debt outstanding, which can be considered high by international standards as well, had an unfavourable impact on the assessment of Hungary's external vulnerability. This is because a continuous renewal requirement is related to external debt maturities, i.e. the accumulated external debt has to be refinanced. Therefore, economic agents need to obtain funds not only for their spending (consumption, investment) that exceeds their income, but they must also finance their debt maturing in the meantime, either from external or internal funds. Following the outbreak of the crisis, the significant increase in the gross financing requirement of the economy was partly attributable to the surge in the debt of the general government maturing within a year. The maturing external debt of the government rose by EUR 10 billion compared to pre-crisis levels, and already amounting to EUR 15 billion in 2012, partly due to the maturity of international loans becoming short-term loans. Accordingly, the financing structure of the general government had a material impact on the external assessment of the economy as well. All of this is clearly evidenced by the fact that upon justifying Hungary's upgrade in the autumn of 2016, international credit rating agencies emphasised the significant decline in the external and foreign currency dependence of the government. In addition, it is especially interesting to examine this topic because the decrease in the gross external debt of the general government took place in parallel with the decline in net external debt coming to an end in recent quarters.

Firstly, in this section we provide an overview of the developments in the net external debt of the consolidated general government including the MNB and the factors that led to the slowdown in the decline in the indicator. Secondly, we examine what factors contributed to the decrease in the gross external debt of the government. In addition, we present the recent developments in foreign exchange reserves, which have a significant impact on net external debt, and how they may have influenced the changes in the gross external debt of the country. This is followed by a brief discussion of the structure of government debt: the degree of foreign financing is also presented, in addition to the ratio of foreign currency. Finally, the Hungarian data are analysed in an international context.

5.2. Changes in the net external debt of the consolidated general government

The net external debt of the general government was relatively stable in the past years, while major changes took place in the gross components, i.e. foreign debt and assets changed significantly. Following the crisis, the gross external debt of the consolidated government sector in a wider sense, i.e. including the MNB as well, rose strongly as a result of loans borrowed from international organisations (EU/IMF) and revaluation due to exchange rate depreciation. Mainly as a result of the weakening of the forint, the external debt of the general government continued to increase until end-2011, before embarking on a slow downward path. In the past one and a half years, the reduction in gross external debt accelerated, with the MNB's measures detailed below playing a significant role in this development. On the assets side, the foreign assets of the consolidated general government are mainly affected by the changes in FX reserves. In 2008, the loans from international institutions added to the FX reserves, and thus gross foreign assets also rose significantly and were increased further by revaluation due to weakening of the forint. Accordingly, some of the increase in gross external debt was reflected in the rise in FX reserves as well. Since 2015, in parallel with the gross external debt, foreign assets have also been declining considerably. As a result, net external debt, i.e. the difference between gross components, has been relatively stable since the crisis. The net debt indicator had increased only slightly, to 20 per cent of GDP by end-2012, and amounted to 16 per cent of GDP in 2016 Q3, following a slow decline. In the remaining part of the section we examine the reason for the difference in the changes in the gross and net indicators.

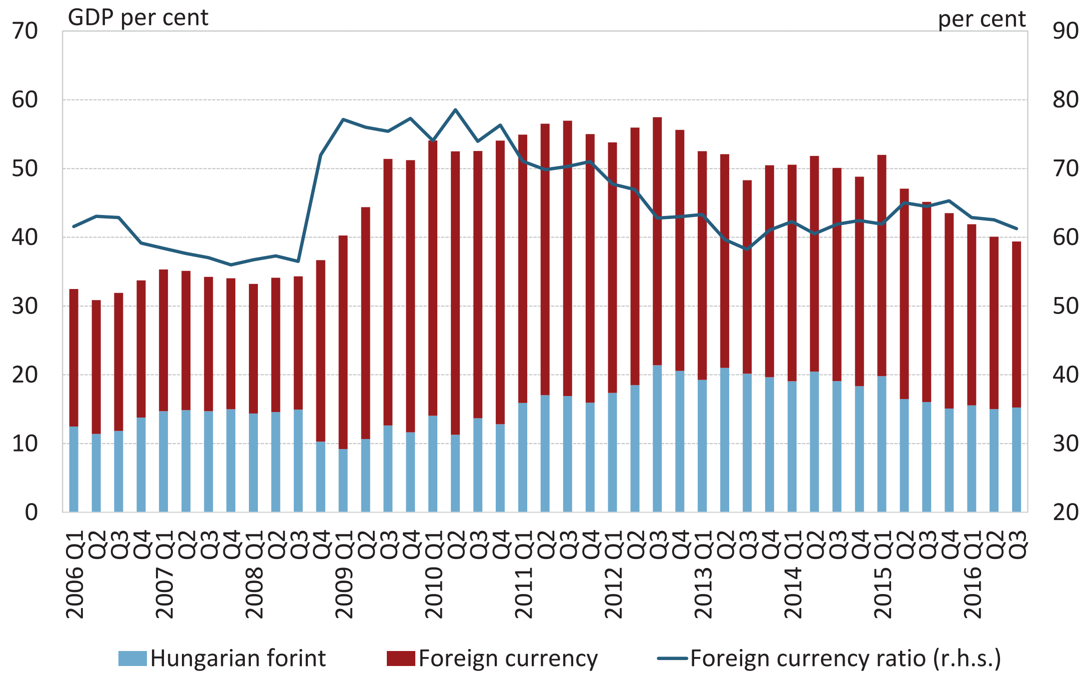
Chart 22: Net and gross external debt as well as foreign assets of the consolidated general government as a proportion of GDP



5.3. What resulted in the decline in gross external debt?

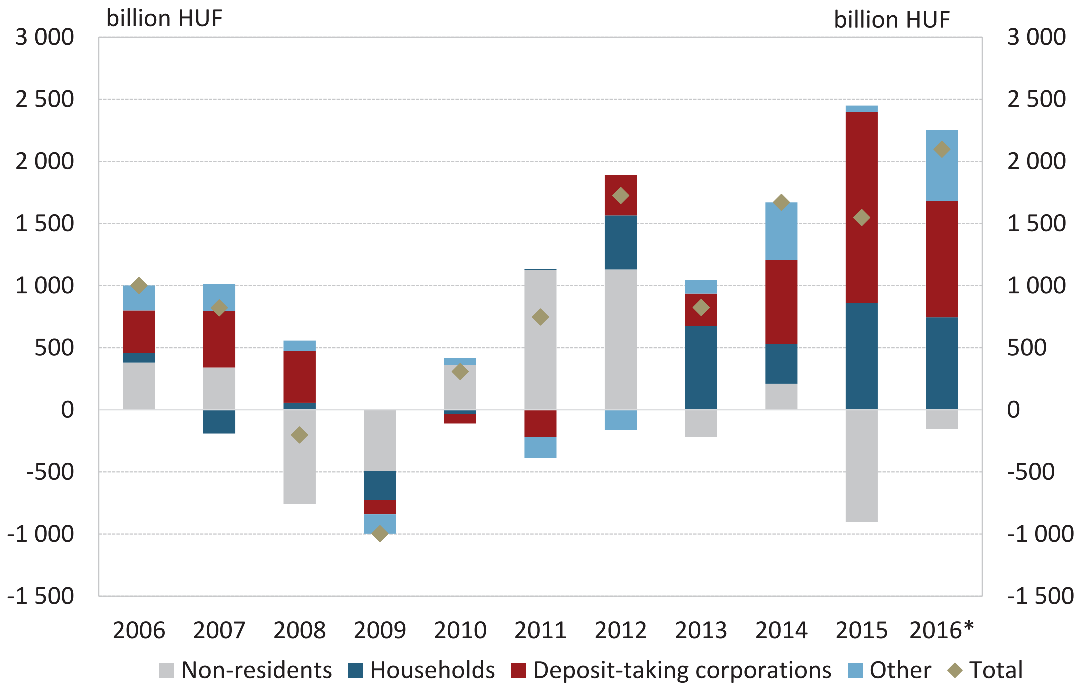
In the past one and a half years, the decline in the gross external debt of the general government affected both forint and foreign currency liabilities; as a result, the share of foreign currency within the sector's external debt sank to the pre-crisis level. The foreign currency structure of the total external debt of the MNB and the general government changed considerably in 2008. Neither foreign nor domestic players were willing to finance the outstanding debt, and therefore it was necessary to obtain funds from international organisations (EU/IMF). The HUF-denominated external debt declined as a result of the sales by non-residents and the maturities of government securities, while the FX debt increased significantly due to the aforementioned borrowing. As a result, the ratio of foreign currency within the external debt of the consolidated general government rose from 60 per cent to nearly 80 per cent (and the share of foreign currency within government debt increased from 30 per cent to above 50 per cent). With the repayment of international loans and with the return of foreign lenders to the government securities market, the ratio of forint financing started to rise, also supported by the change in the debt management strategy. Since early 2015, both non-residents' forint government bond holdings and the FX debt have declined considerably, which is attributable to the MNB's self-financing programme as well.

Chart 23: Denomination of the gross external debt of the government as a percentage of GDP



Non-residents' government securities sales since 2015 were offset by domestic sectors' purchases, which was strongly supported by the MNB's self-financing programme. Last year, non-residents' government securities holdings showed a sharp decline of some HUF 900 billion, which to some extent even exceeded the drop experienced in the year of the crisis. However, an important difference is that whereas in 2008 the sales of government securities by non-residents resulted in a major increase in yields, which could be controlled only by raising the central bank base rate and with the involvement of international organisations in financing, non-resident actors' protracted sales in 2015 took place in parallel with domestic players' purchases, which did not have a material impact on yields and also did not hinder the continuation of monetary policy easing. The underlying reason was that the MNB's self-financing programme provided significant support to the banking sector's government securities purchases, and furthermore in line with the government's intentions, the amount of government securities sold directly to households also increased considerably. Strong government securities purchases by these two sectors allowed the government to refinance its significant maturing FX debt without any major FX bond issuance in foreign markets or increase in market yields. All of this contributed to a substantial decline in external vulnerability in the past three years.

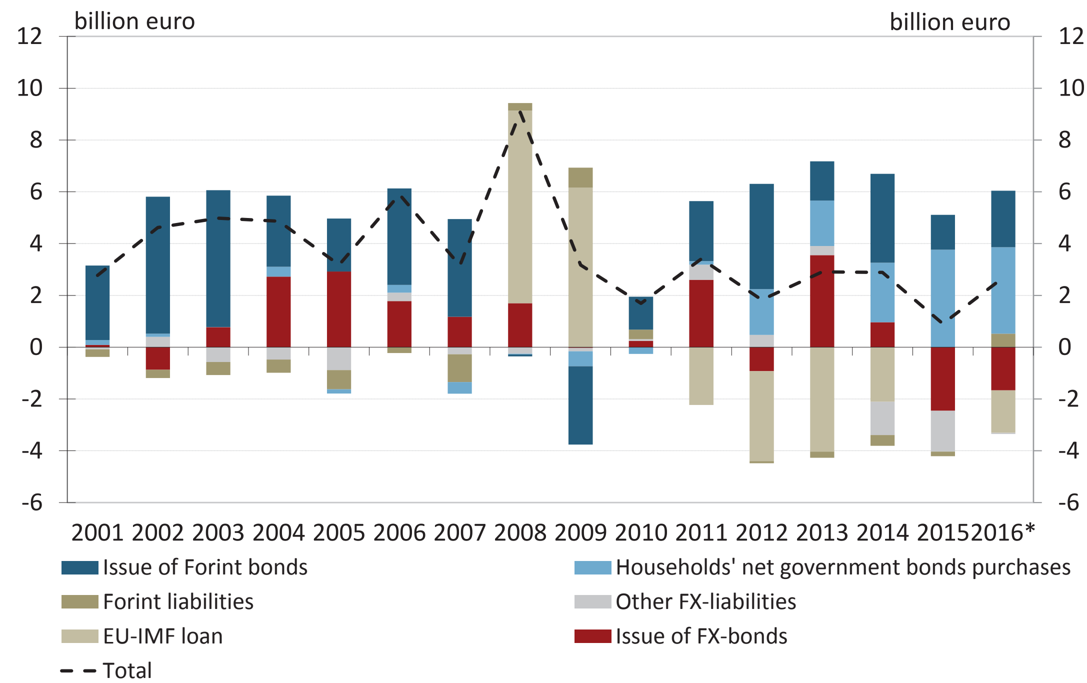
Chart 24: Demand for HUF-denominated government securities in a sectoral breakdown



*Based on Q3 data.

Domestic sectors' strong demand for HUF-denominated government securities allowed the government to obtain the funds necessary for its maturing FX bonds and FX debts and to issue FX bonds in smaller amounts than before. As a result, the FX-denominated external debt also declined. The repayment of the loans borrowed from international organisations was first financed from international FX issuance, but in 2012 unfavourable investor sentiment did not support further FX bond issuance, and the debt management strategy of the Government Debt Management Agency (ÁKK) also changed. For repaying the maturing debt, higher forint bond issuance and households' increased government securities purchases were necessary. The latter were supported by attractive pricing and the introduction of new securities, in addition to the development of the sales network. In 2013, the successful international bond issuance provided the most important source of funding (in net terms), but starting from 2014 the focus was again on increasing the domestic financing of the government debt: in addition to the FX bond intended for the domestic sectors (P€MÁK), the general government issued only a smaller amount of renminbi bonds in early 2016. As FX bonds are mainly held by non-residents, as a result of the absence of international FX issuances, the gross external debt of the general government declined. However, it is important to point out that this would not have been possible without the buoyant demand of households and the banking sector: households increased their government securities holdings even in addition to the renewal of the large maturing stock, while banks purchased significant quantities of HUF-denominated government securities as a result of the measures of the self-financing programme.

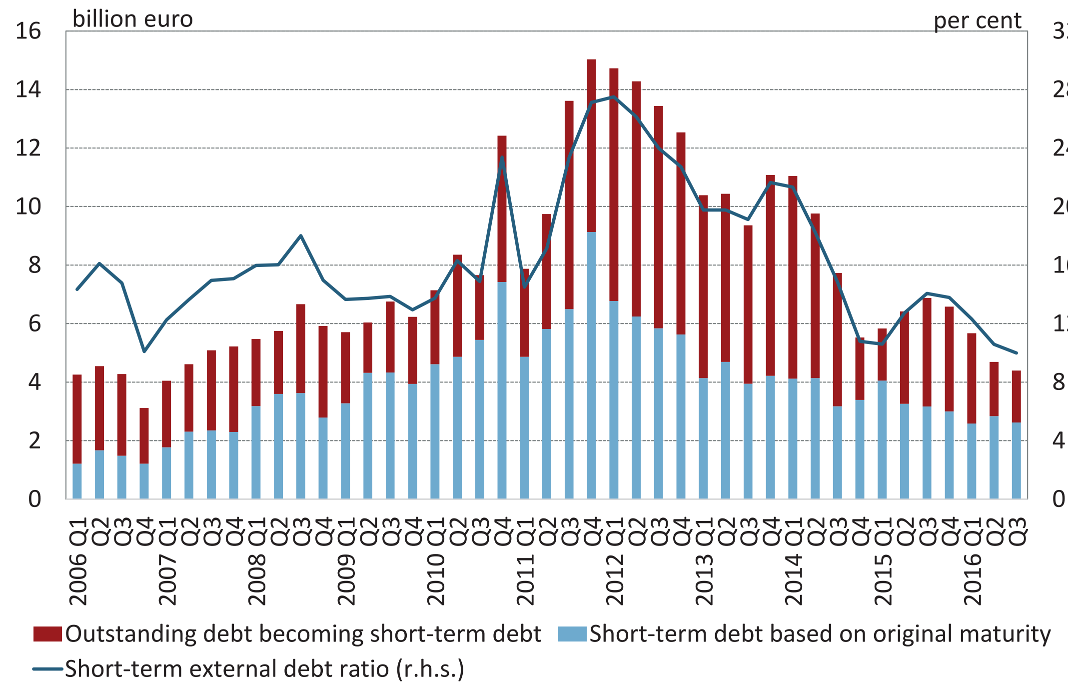
Chart 25: Breakdown of the net issuance of the general government



*Based on Q2 data.

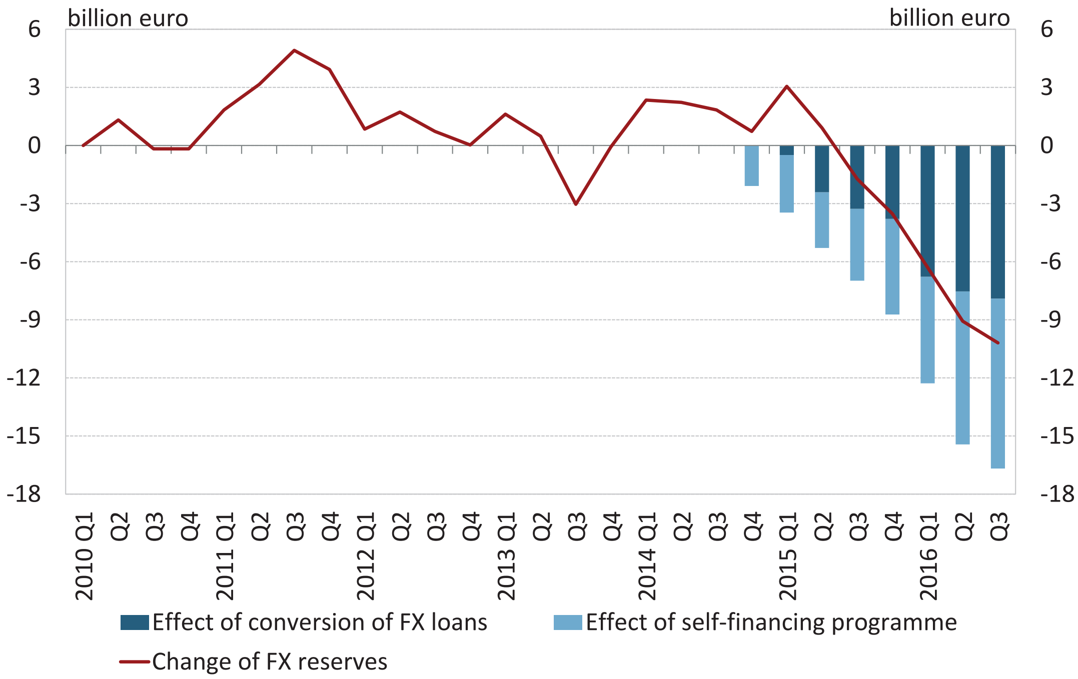
The decline in the gross external debt of the general government was also reflected in the decrease in the sector's short-term foreign debt. Short-term debt according to residual maturity of the consolidated general government was close to EUR 15 billion at end-2011, thus contributing significantly to the Hungarian economy's historically high overall short-term external debt, which amounted to nearly EUR 37 billion. The rise in the short-term debt of the general government was primarily attributable to the fact that the maturities of the loans from international organisations became short-term ones: in some periods the loans increased the debt, which was becoming short-term, by EUR 3–4 billion. In addition, as of the second half of 2010, short-term external debt according to initial maturity of the general government also increased significantly, which is primarily attributable to non-residents' rising MNB bill holdings and an increase in non-residents' treasury bill holdings. One of the measures of the self-financing programme was that as of August 2014 the MNB bill turned into a deposit, which could be placed with the MNB only by residents. Although this reduced the government's short-term external debt according to initial maturity, at the same time the margin accounts rising as a result of the strengthening of the US dollar increased the short-term external debt of the government. Nevertheless, in mid-2016 – partly due to non-residents' lower treasury bill holdings following from the increase in banks' demand for short-term securities due to changing the policy instruments – the government's originally short-term debt fell to below EUR 3 billion, which had been unprecedented since end-2008. The debt that became short-term after the repayment of the last instalment of the EU loan also amounted to a very low amount of EUR 2 billion. On the whole, the short-term external debt of the general government was around the pre-crisis level – EUR 5 billion – in mid-2016, amounting to some 10 per cent of the gross external debt of the general government.

Chart 26: Changes in the short-term external debt of the consolidated general government



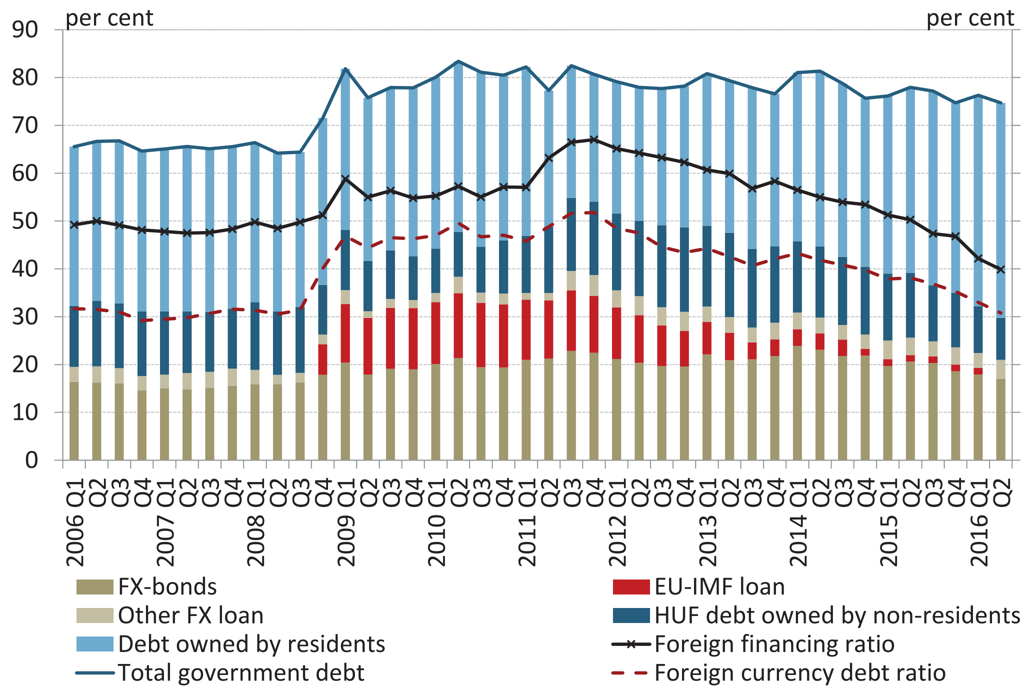
The self-financing programme and the conversion into forints considerably reduced Hungary's gross external debt. At the same time, the decline in FX reserves restrained the decrease in the net external debt of the government. The decline in the net external debt of the general government has decelerated recently, which is mainly attributable to the decrease in FX reserves. However, it is important to emphasise that the decrease in FX reserves also contributed to the decline in external vulnerability, as both the self-financing programme and the conversion into forints became possible as a result of the reduction of the FX reserves. The self-financing programme contributed to the decline in the gross external debt of the general government by allowing the restraining of FX bond issues. At the same time, due to the decrease in FX reserves, it did not affect the net external debt of the consolidated general government. Banks spent the foreign currency originating from the conversion into forints on reducing their external debt and increasing their foreign assets, while adding to the net external debt of the consolidated general government due to the decrease in FX reserves. The decline in external debt resulting from the high net lending and the related stabilisation of short-term external debt at a lower level allowed for the reduction of FX reserves. As a result, compared to end-2014 the level of FX reserves declined by nearly EUR 11 billion. Nevertheless, they still exceed the level expected by investors. It is worth noting that in addition to the conversion into forints, the government's negative net FX issue also contributed to the decrease in FX reserves. However, this effect was roughly offset by other factors that add to the FX reserves (e.g. EU transfer inflows).

Chart 27: Cumulative impact of the self-financing programme and the conversion into forints on FX reserves



In recent years, the ratio of foreign financing and FX debt has declined gradually within the total Hungarian debt, contributing to Hungary's more favourable external assessment. Prior to the crisis, the share of foreign currency within the Hungarian government debt was stable around 30 per cent. The weak demand and the liquidity shortage in the market experienced at the time of the crisis made it necessary for Hungary to resort to loans provided by international institutions for the further financing of the government debt. As a result, at end-2008 there was a sharp increase in non-residents' role in financing the Hungarian government debt, and the share of foreign currency within total debt also surged to nearly 50 per cent. Foreign financing and the ratio of foreign currency rose to a historic high in 2011 Q2, which was attributable to the depreciation of the domestic currency as well as to a 7 percentage point decline in the ratio of domestic financing (the latter is partly related to the withdrawal of the HUF-denominated government securities taken over from the private pension funds). After 2011 Q4, the FX ratio and the ratio of foreign financing declined in line with the gradual repayment of the EU/IMF loan and the increase in HUF-denominated bond issues (Chart 28). As a considerable portion of HUF-denominated securities were purchased by non-residents (Chart 24), the ratio of foreign financing declined more slowly than the FX ratio. Nevertheless, from 2013 the ratio of foreign financing declined faster than the FX ratio, which is attributable to the decline in HUF-denominated government securities held by non-residents as a result of the upturn in households' government securities purchases as well as to the rise in the Premium Euro Hungarian Government Bond (P€MÁK) issued for the domestic private sector. As a result of the central bank's self-financing programme aimed at a further reduction of external vulnerability, the share of FX debt within the Hungarian government debt continued to decline, and, as most of the FX debt was owned by non-residents, it contributed to a more favourable domestic–foreign ownership structure as well. On the whole, mostly as a result of the MNB's self-financing programme, the share of foreign currency within government debt declined from 52 per cent in 2011 to 35.3 per cent by end-2015, while the ratio of foreign financing was down from 67 per cent to 47.8 per cent. The decline in both the FX ratio and the ratio of foreign financing continued in 2016 as well: as a result of the refinancing of the government's FX maturities from forints and from purchases by domestic sectors, in 2016 Q2 the ratio of foreign financing and the ratio of FX debt decreased to 40 per cent and 30 per cent, respectively, and the latter may fall to around 25 per cent by the end of the year.

Chart 28: Components of the government debt-to-GDP ratio as well as changes in foreign financing and the FX ratio

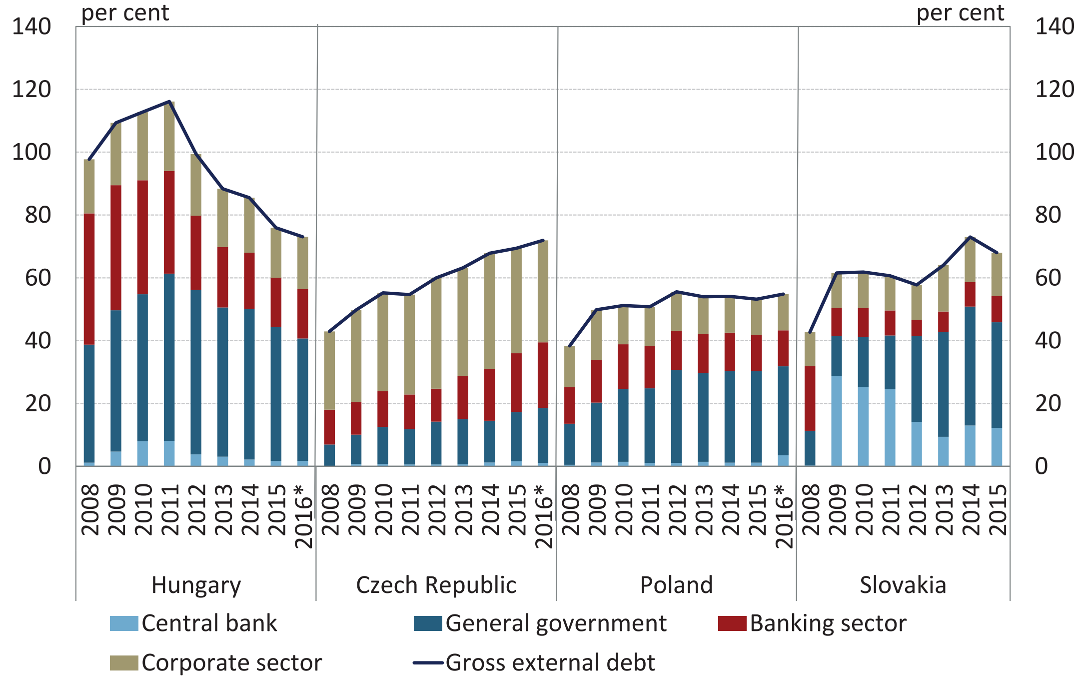


5.4. International comparison

The external debt of the consolidated government has declined considerably since 2011, but remains high compared to the competitors in the region. In Hungary, each sector contributed to the decline in external debt, with the external debt of the banking sector decreasing to the greatest extent. Even the gross external debt of the Hungarian consolidated general government declined substantially from a level exceeding 60 per cent of GDP to 40 per cent of GDP, in view of its high level, the government debt can still be considered significant. Although the external debt of the consolidated general government in the Czech Republic and Poland increased steadily since 2008, it remained below the Hungarian figure in 2016 H1. In Slovakia, the high external debt of the central bank is mostly of technical nature, as it is related to the TARGET system, which belongs to the functioning of the euro-area banking sector.[4]

4 The rise in the short-term external debt of the Slovak consolidated general government in 2008 was attributable to joining the euro area. Following Slovakia's accession to the euro area, banks placed their surplus liquidity in the interbank market: Slovakian banks transferred excess liquidity to other banks in the euro area through the TARGET system, which meant that the Slovakian central bank incurred liabilities (i.e. short-term external debt) in the TARGET system.

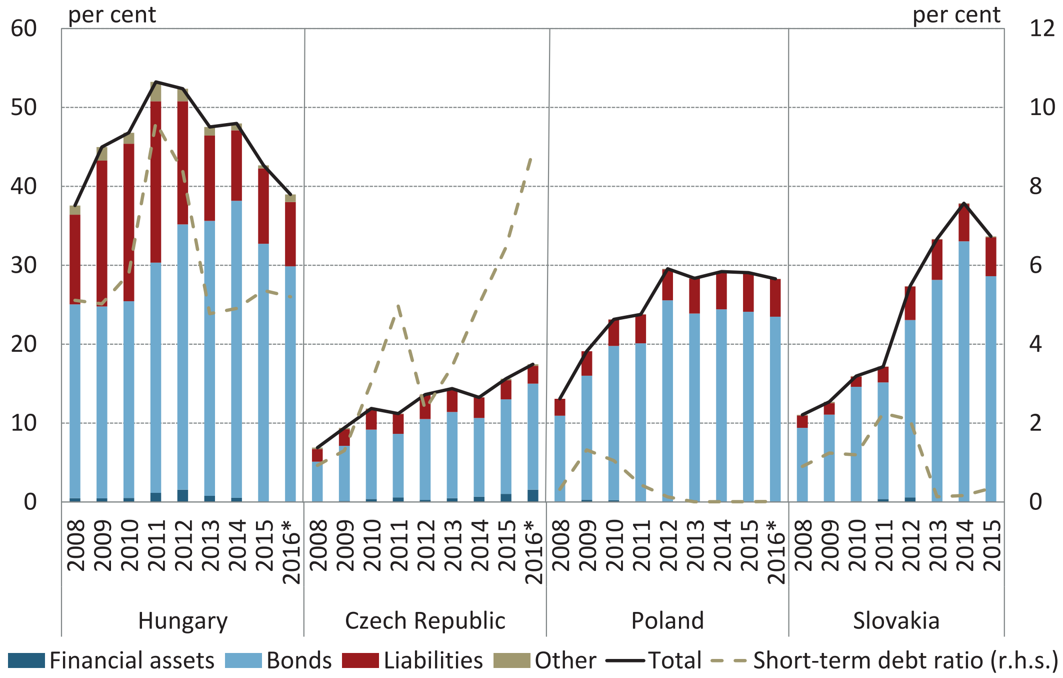
Chart 29: Gross external debt by sectors in the Visegrád countries as a percentage of GDP



*In 2016, on the basis of data valid until the end of Q2.
Sources: central bank websites.

While the level of the gross external debt of the general government has declined considerably in Hungary as a result of favourable developments in recent years, it still exceeds the indicators of the countries in the region. The gross external debt of the general government declined from more than 50 per cent of GDP to 40 per cent of GDP between 2011 and 2016. The largest fall was observed in HUF- and FX-denominated government bonds held by non-residents, but – due to the high government debt – their levels exceed those of the competitors in the region. Although the external bond debt of the Slovak general government was close to the Hungarian figure in the past years, due to the euro-area membership many non-residents do not undertake any exchange rate risk, and thus they represent a more stable source of funding. Although both are rising, the levels of the external debt of the Czech and Polish governments carry low risk in terms of external vulnerability. The ratio of the short-term external debt according to initial maturity related to the government within the gross external debt of the government became stable in Hungary around 5 per cent following a major decline, but the Czech indicator rose considerably in the past years. However, the increase in the Czech short-term external debt is not a problem in terms of external vulnerability, because in connection with the introduction of the exchange rate cap the Czech Republic has recently accumulated significant FX reserves.

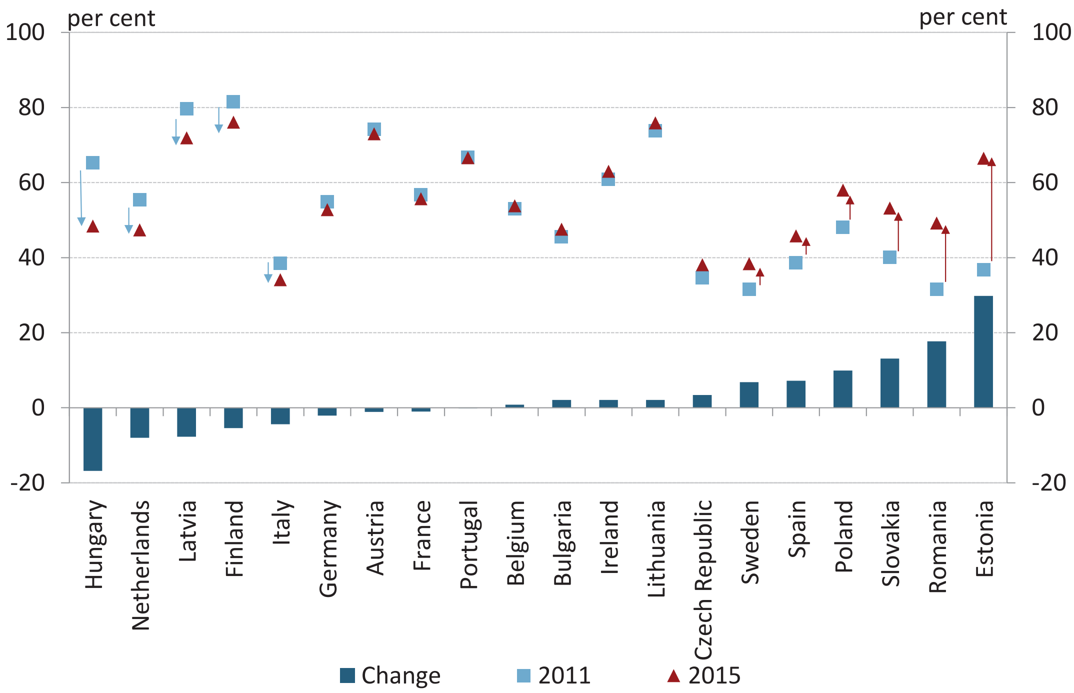
Chart 30: External debt of the general government as a percentage of GDP and the ratio of short-term debt according to initial maturity in the Visegrád countries



*In 2016, on the basis of data valid until the end of Q2.
Sources: central bank websites.

In the case of Hungarian government debt, as a result of significant declines in recent years, the ratio of foreign financing is no longer considered high by European standards. In the period between 2011 and 2015, the share of foreign financing within government debt changed considerably in a number of European countries. It is difficult to draw a general conclusion for all the countries under review, but the countries which had relatively high exposures in 2011 reduced their debts vis-à-vis the rest of the world to the greatest extent (of these, Hungary reduced its exposure to the greatest extent), while an increase was observed in countries with lower – below 50 per cent – values. It should be noted that in terms of the Visegrád countries (which usually serve as a base of comparison for Hungary) and Romania, three countries significantly increased the ratio of external financing in the period under review. Estonia is in a special position because it shows the highest growth in external exposure, but as its government debt is at only around 12 per cent of GDP, the impact on the whole economy is less significant.

Chart 31: Role of foreign financing in government debt



Source: Eurostat.

LIST OF CHARTS

Gábor Bethlen

(15 November 1580 – 15 November 1629)

Prince of Transylvania (1613–1629), elected King of Hungary as Gábor I (1620–1621), one of the most prominent personalities of 17th century Hungary. At the beginning of his career he loyally served the Princes of Transylvania Zsigmond Báthory, Mózes Székely, István Bocskai and Gábor Báthory. When Gábor Báthory contemplated alliance with the Hapsburgs, he turned against him and got himself elected to the throne of the principality. During his reign, he consolidated the position of Transylvania setting both the economy and the cultural life of this part of Hungary on a path of development later generally referred to as the ‘golden age of Transylvania’.

The twenty-five years preceding the rule of Bethlen were heavy with external and internal wars leaving the population considerably thinned out. Bethlen set out to stabilise the domestic situation, to consolidate his power and to rebuild Transylvania with great patience. He established a centralised state apparatus and concurrently sought to strengthen the financial status of the principality. He ordered an accurate statement of treasury revenues, had the lands and properties granted since 1588 reviewed and ratified only those which had been awarded in recognition for service to the country.

To promote industry and trade, Bethlen encouraged an economic policy of mercantilism and settled foreign craftsmen in the country. Instead of taxation, he relied on the more rational utilisation of other means deriving from his status as prince in building his rule. He developed precious metals mining, invited renowned specialists from abroad and strove to boost trade. Gábor Bethlen minted coins of a stable value and regulated the multidirectional trade in goods by prohibiting exports of key merchandise.

Gábor Bethlen attempted to form an international anti-Hapsburg coalition among western and eastern European countries. In order to strengthen his ties with the Protestant Powers, on 1 March 1626 he wed the sister of George William Elector of Brandenburg, Catherine of Brandenburg, and in 1626 he joined the Westminster alliance of the Protestant Powers.

REPORT ON THE BALANCE OF PAYMENTS

January 2017

Print: Prospektus–SPL consortium

H-8200 Veszprém, Tartu u. 6.

mnb.hu