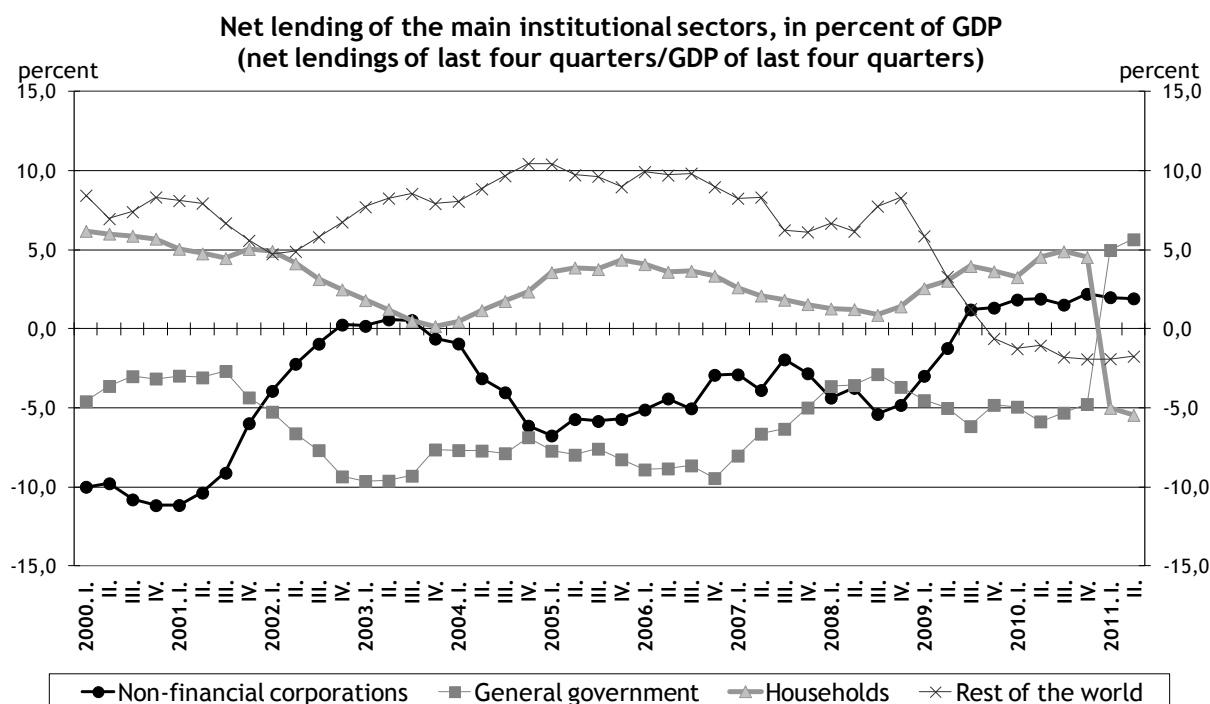


PRESS RELEASE

Hungary's financial accounts: 2011 Q2

According to financial accounts data, general government net lending was equal to 5.7 per cent of Hungary's GDP in the four quarters to 2011 Q2.¹ Net lending of households was equivalent to -5.4 per cent of GDP in the year to 2011 Q2. Capital transfers from households to general government due to withdrawals from private pension funds (amounting to 9.7 per cent of annual GDP), recorded for 2011 Q1, had a significant effect on net lending of the general government and household sectors.

Net lending of non-financial corporations was equal to 1.9 per cent of GDP in the four quarters to 2011 Q2. According to financial accounts data, net lending of the rest of the world was -1.7 per cent of GDP in the four quarters to 2011 Q2.



Note: For clarity, the Chart does not plot net lending of financial corporations and non-profit institutions serving households (their values are usually close to 0). Data for a given quarter show the sum of balances for the year ending with that quarter, expressed as a percentage of GDP for the same period.

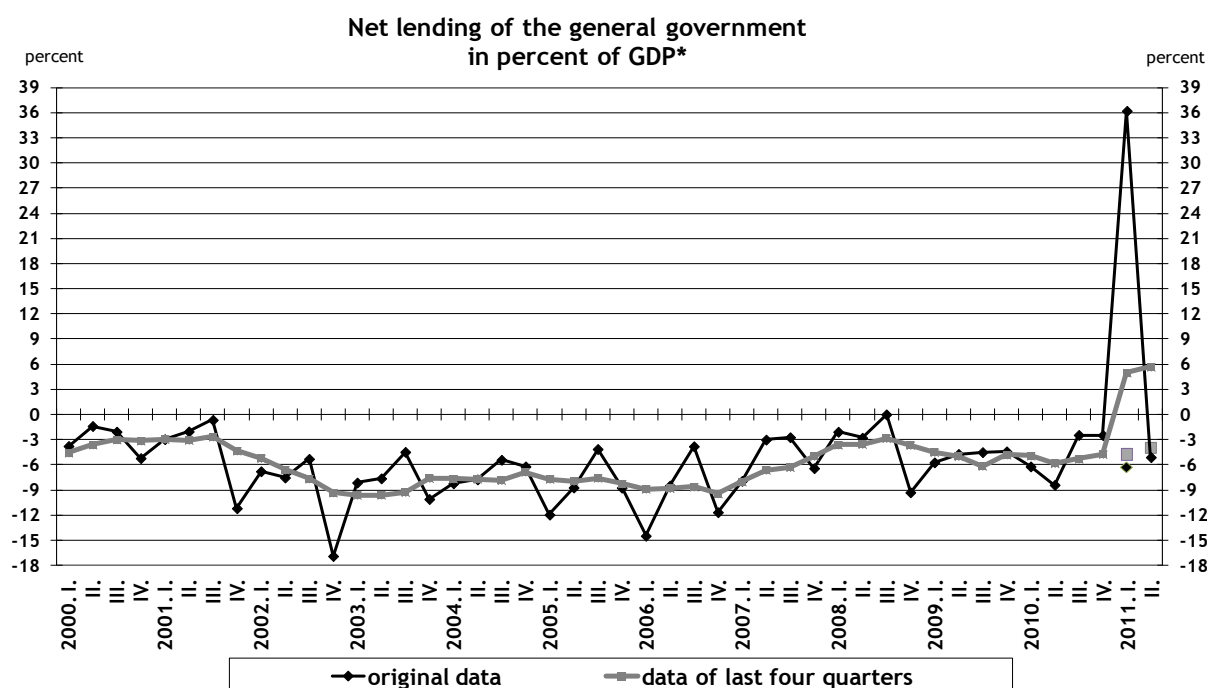
¹ The Central Statistical Office published backward revisions to GDP data on 22 September 2011. The financial accounts data being published do not yet reflect the effect of this revision on the sectors' net lending as a percentage of GDP, given that the CSO has not yet modified quarterly GDP data. The revised quarterly GDP data will be published in December 2011.

According to financial accounts data, general government net lending - which also includes reinvested earnings of the Magyar Nemzeti Bank² - amounted to HUF 1,571 billion or 5.7 per cent of GDP in the four quarters to 2011 Q2. Excluding capital transfers from households to general government due to withdrawals from private pension funds, general government net lending amounted to HUF -1,107 billion or -4.0 per cent of GDP in the four quarters to 2011 Q2.

In 2011 Q2, general government net lending (HUF -357 billion) was equal to -5.1 per cent of quarterly GDP.

At the end of 2011 Q2, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 21,286 billion, equivalent to 76.8 per cent of GDP.

In 2011 Q2, net borrowing of central government was HUF 167 billion. Fund transfers related to withdrawals from private pension funds had a significant effect on the structure of central government balance sheet. Other assets arising in the previous quarter were removed from the balance sheet with the transfer of financial assets and were replaced by cash received from pension funds and securities issued by sectors other than central government. As a result of the asset transfer, government bonds and Treasury bills taken back by the state reduced the liabilities of central government. Local government authorities financed their net borrowing (HUF 114 billion) mainly by reducing their deposits. Net borrowing of social security funds (HUF 75 billion) resulted in an increase in borrowing from central government.



* Note: For 2011 Q1-Q2, the quarterly data (shown in black, only for Q1) and data the final four quarters (shown in grey), which show general government net lending excluding the effect of the capital transfer due to withdrawals from private pension funds, were plotted as data points.

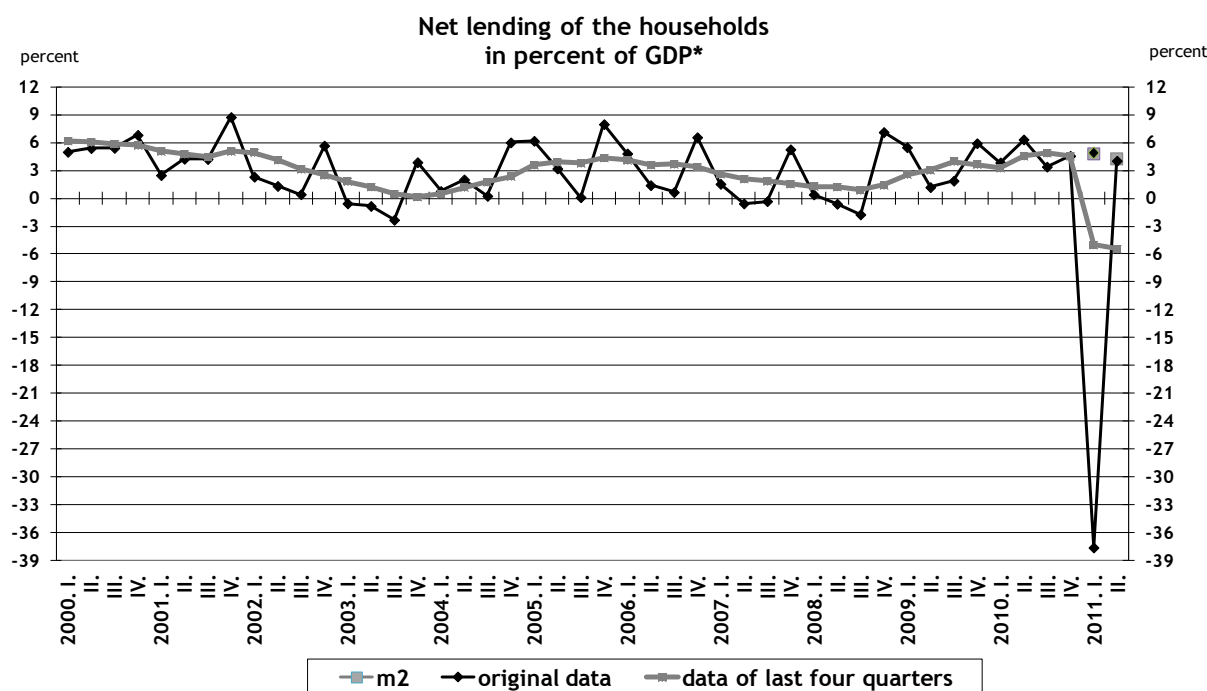
According to financial accounts data, household net lending (HUF -1,509 billion) was equal -5.4 per cent of GDP in the four quarters to 2011 Q2. Excluding capital transfers from households to general

² For notes on the methodology of recording, see page 51 of [Financial Accounts of Hungary, 2008](#) on the Bank's website.

government due to withdrawals from private pension funds, household net lending amounted to HUF 1,169 billion or 4.2 per cent of GDP in the four quarters to 2011 Q2.

In 2011 Q2, household net lending (HUF 282 billion) amounted to 4 per cent of quarterly GDP.

On the assets side, household holdings of cash, deposits, debt securities issued by credit institutions, mutual fund shares and other assets increased significantly in 2011 Q2. On the liabilities side, there was an increase in forint loans and a decline in foreign currency loans, exceeding the increase in forint loans. In addition, the sector's other liabilities rose significantly.



* Note: For 2011 Q1-Q2, the quarterly data (shown in black, only for Q1) and data the final four quarters (shown in grey), which show general government net lending excluding the effect of the capital transfer due to withdrawals from private pension funds, were plotted as data points.

According to financial accounts data, net lending of non-financial corporations amounted to HUF 535 billion or 1.9 per cent of GDP in the four quarters to 2011 Q2. In 2011 Q2, the sector's net lending was HUF 325 billion, the equivalent of 4.7 per cent of quarterly GDP.

On the assets side, non-financial corporations mainly increased their holdings of deposits, shares and equity assets and other assets, while they reduced their loans. On the liabilities side, the increase in equity liabilities and the decline in loans were dominant.

According to financial accounts data, net lending of the rest of the world (or whole-economy net lending with an opposite sign) amounted to HUF -480 billion or -1.7 per cent of GDP in the four quarters to 2011 Q2. In 2011 Q2, the sector's net lending was HUF -182 billion, equal to -2.6 per cent of quarterly GDP.

On the assets side, non-residents mainly increased their holdings of debt securities and reduced their deposits, equity assets, and other assets. On the liabilities side, there were increases mainly in debt securities, equity liabilities and other liabilities. By contrast, deposits and loans declined significantly.

Tables³

Net lending of the main institutional sectors (quarterly transactions)

billion HUF

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2
Non-financial corporations (S.11)	-76	320	182	-77	59	339	89	115	6	325
Financial corporations (S.12)	-27	189	-68	-14	149	-7	-30	-199	129	-83
General government (S.13)	-339	-306	-292	-316	-373	-560	-169	-186	2283	-357
Households (S.14)	325	77	122	424	232	422	235	343	-2370	282
Non-profit institutions serving households (S.15)	4	-7	3	6	-13	11	8	-10	7	-1
Rest of the world (S.2)	101	-273	54	-39	-69	-219	-148	-79	-70	-182

Net lending of the main institutional sectors (quarterly transactions in percent of quarterly GDP)

percent

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2
Non-financial corporations (S.11)	-1,3	4,9	2,8	-1,1	1,0	5,1	1,3	1,5	0,1	4,7
Financial corporations (S.12)	-0,4	2,9	-1,1	-0,2	2,5	-0,1	-0,4	-2,6	2,1	-1,2
General government (S.13)	-5,7	-4,7	-4,5	-4,4	-6,2	-8,4	-2,4	-2,5	36,2	-5,1
Households (S.14)	5,5	1,2	1,9	5,9	3,9	6,3	3,4	4,6	-37,6	4,0
Non-profit institutions serving households (S.15)	0,1	-0,1	0,0	0,1	-0,2	0,2	0,1	-0,1	0,1	0,0
Rest of the world (S.2)	1,7	-4,2	0,8	-0,5	-1,1	-3,3	-2,1	-1,1	-1,1	-2,6

Net lending of the main institutional sectors (transactions of last four quarters)

billion HUF

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2
Non-financial corporations (S.11)	-785	-318	319	350	484	503	410	601	549	535
Financial corporations (S.12)	-278	-59	-107	80	256	60	99	-86	-106	-182
General government (S.13)	-1192	-1311	-1603	-1253	-1287	-1542	-1419	-1289	1367	1571
Households (S.14)	680	798	1035	949	856	1200	1313	1232	-1369	-1509
Non-profit institutions serving households (S.15)	3	2	5	6	-12	7	12	-4	15	3
Rest of the world (S.2)	1554	868	333	-157	-327	-273	-476	-516	-517	-480

Net lending of the main institutional sectors (net lending of last four quarters in percent of GDP of last four quarters)

percent

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2
Non-financial corporations (S.11)	-3,0	-1,2	1,2	1,3	1,9	1,9	1,5	2,2	2,0	1,9
Financial corporations (S.12)	-1,1	-0,2	-0,4	0,3	1,0	0,2	0,4	-0,3	-0,4	-0,7
General government (S.13)	-4,5	-5,0	-6,2	-4,8	-4,9	-5,9	-5,3	-4,8	5,0	5,7
Households (S.14)	2,6	3,0	4,0	3,6	3,3	4,6	4,9	4,5	-5,0	-5,4
Non-profit institutions serving households (S.15)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0
Rest of the world (S.2)	5,9	3,3	1,3	-0,6	-1,3	-1,0	-1,8	-1,9	-1,9	-1,7

Methodological notes

1 Recording termination of membership in private pension funds and the related asset transfers

Under the relevant law, membership of former members in private pension funds ceased on 1 March 2011. Consequently, 2011 Q1 financial accounts data include the capital transfer by households to general government related to the termination of membership in pension funds. In the statistical accounts, members' pension fund reserves, excluding their real returns and personal contributions to the funds, were transferred to central government on 1 March 2011. Households' pension fund reserves (recorded under insurance technical reserves) were reduced by the same amount, with general government's claims on pension funds (recorded under other assets/liabilities) being

³ The sectors' net lending as a percentage of GDP does not yet reflect the effect of the latest revision by the CSO. See explanation in footnote 1.

increased by the same amount in Q1. The value of capital transfer is currently estimated to have been HUF 2,678 billion, and the amount due to households (the sum of real returns and personal contributions) to have been HUF 233 billion.

Private pension funds transferred to central government the financial assets related to those whose membership ceased in 2011 Q2. This asset transfer only affected the balance sheets of the state and private pension funds, and did not have a direct impact on the sectors' positions. General government gross debt fell by the value of government bonds and Treasury bills taken back by the state (by HUF 1,354 billion at nominal value).

2 Recording repurchase and securities lending transactions from 2008

In this Press Release, the effects of securities repurchase agreements and securities lending transactions conducted with non-residents in the period 2008-2010 are presented in accordance with international statistical standards and consistent with balance of payments statistics as well as monetary and securities statistical data to be published in October 2011. As was indicated in the previous Press Release, we will use this method in the case of 2011 data for the non-resident sector. The same method will also be used for the period 2008-2011 and for transactions between resident sectors in the Press Release for 2011 Q2.

In the past, data on securities repo transactions involving the physical movement of securities for the period prior to 2011 have been recorded as securities sale and purchase transactions rather than as collateralised loans, in accordance with Hungarian accounting standards and securities accounts. This practice has been inconsistent with standard statistical methodology. (The MNB and general government and, from 2011, the non-resident sector are exceptions, where the treatment of securities repurchase transactions has been consistent with international methodological standards.)

The new adjustments have not materially affected the net financial worth and net lending of sectors, only the structure of positions and transactions in financial assets and liabilities. Due to a lack of information, data for the period prior to 2008 cannot be adjusted using the same method in the financial accounts. It should be noted, however, that the magnitude of repurchase agreements and lending transactions, involving the physical movement of securities, was insignificant in the period prior to 2008.

3 Re-estimating the distribution of cash holdings by sector from 2009

Non-financial corporations' domestic cash holdings and transactions during period from the 2009 Q1 have been re-estimated using corporate balance sheet data becoming available recently. As a result, net lending of households increased by HUF 66 billion in 2009 and fell by HUF 25 billion relative to data published previously. Data for non-financial corporations have been changed by the same amount, but in the opposite direction.

4 Harmonising financial accounts data for non-residents with balance of payments statistics

In this Press Release, the significant difference between the stock data for the non-resident sector of the financial accounts and the international investment position data of the balance of payments has been eliminated. As a result, in the financial accounts non-residents' positions in quoted shares and equities have been modified; however, transactions data on these instruments have not been changed. The forint portion of Hungary's IMF quota, which is also shown on the liabilities side of the

balance sheet of the Magyar Nemzeti Bank, will be recorded on a net basis in the financial accounts, in line with the balance of payments methodology.

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

Revisions to past data

Changes in the net lending of the main institutional sectors compared to the last publication

billion HUF

	2005	2006	2007	2008	2009	2010	2011q1
Non-financial corporations (S.11)	-2	-1	0	91	-178	174	-130
Financial corporations (S.12)	0	0	2	-41	-7	-164	130
General government (S.13)	2	1	0	0	14	16	31
Households (S.14)	0	0	0	0	66	-10	-22
Non-profit institutions serving households (S.15)	0	0	0	0	0	0	1
Rest of the world (S.2)	0	0	-2	-51	106	-16	-10

The data revisions mainly reflect changes in the data sources of the financial accounts and partly result from methodological changes. Major changes have occurred in the following data sources: the balance of payments, monetary and securities statistics as well as corporate balance sheet data reflecting the sector's cash holdings. The uniform accounting treatment of securities repurchase and lending transactions has been the methodological change. The methodological notes of this Press Release provide details on these changes.

MAGYAR NEMZETI BANK STATISTICS

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

References

[Comprehensive data](#)
[Time series](#)
[Diagrams](#)
[Financial accounts manual](#)

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