

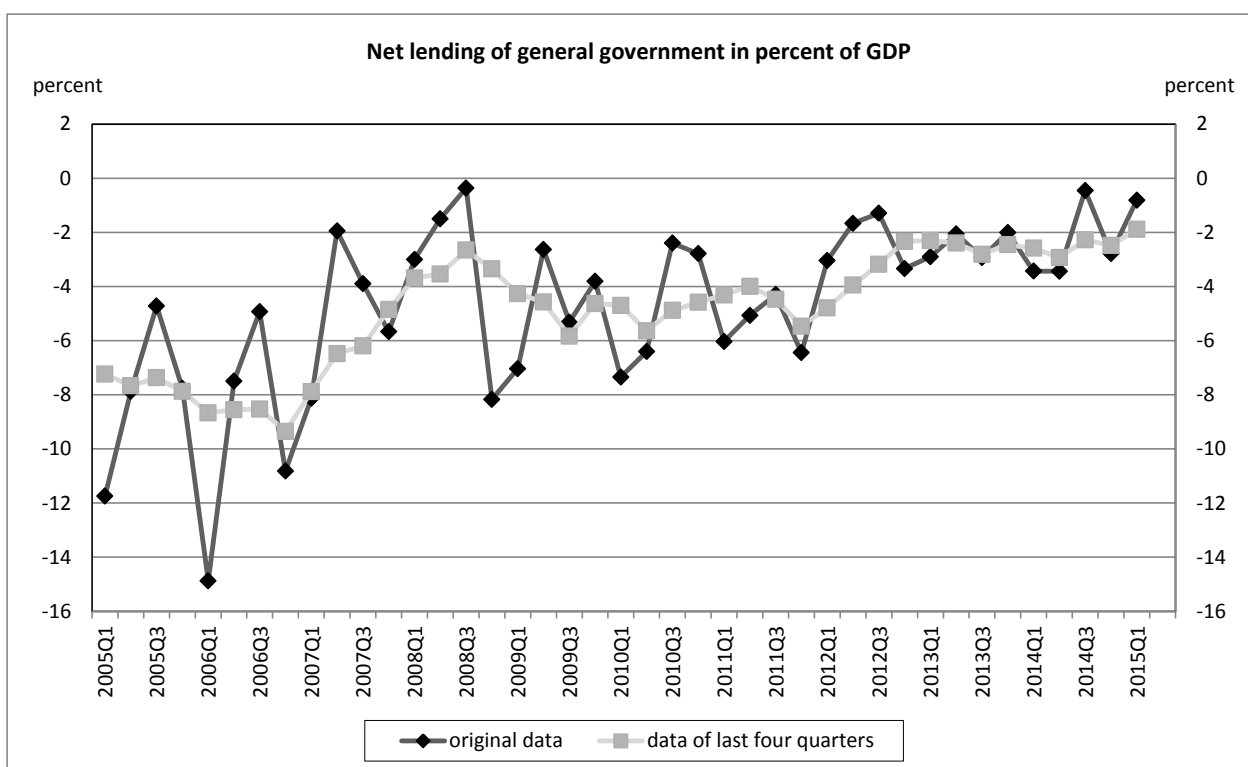


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PRESS RELEASE

Preliminary financial accounts for general government and households 2015 Q1

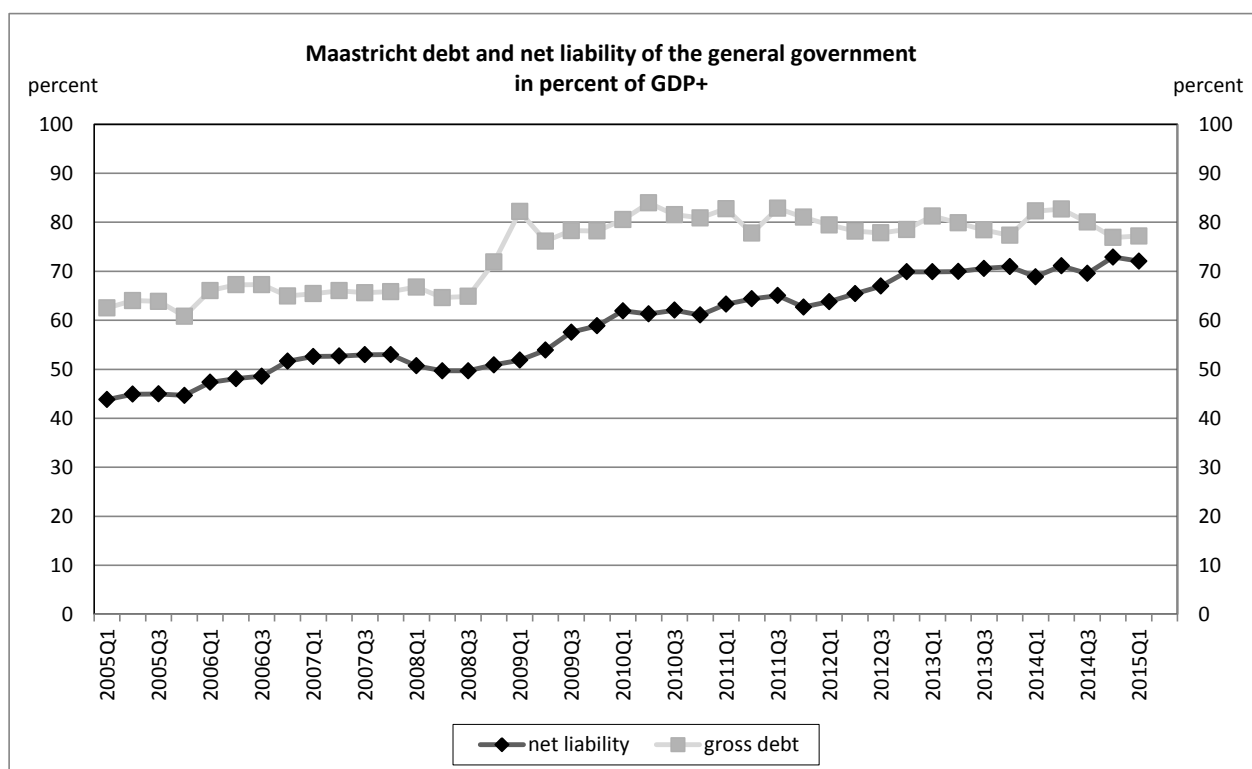
According to preliminary financial accounts data, general government net lending was equal to -1.9 per cent of Hungary's GDP in the four quarters to 2015 Q1. General government consolidated gross debt at nominal value amounted to 77.2 per cent of GDP at the end of 2015 Q1. In 2015 Q1, transactions increased the sector's debt by HUF 897 billion and exchange rate changes reduced it by HUF 440 billion. According to preliminary financial accounts data, net lending of households was equivalent to 7.5 per cent of GDP in the four quarters to 2015 Q1.



2015 Q1 data are based on the MNB's own GDP estimate.

According to preliminary data, general government net lending amounted to HUF -610 billion or -1.9 per cent of Hungary's GDP in the four quarters to 2015 Q1. General government net lending (HUF -61 billion) was equal to -0.8 per cent of quarterly GDP in 2015 Q1. At the end of 2015 Q1, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 24,976 billion, equivalent to 77.2 per cent of GDP. The sector's debt increased by HUF 897 billion due to transactions and fell by HUF 440 billion due to the appreciation of

the forint exchange rate. Net liabilities of general government amounted to HUF 23,315 billion or 72.1 per cent of GDP at the end of 2015 Q1.



* The Maastricht measure of general government debt is defined as the sector's consolidated gross debt at nominal value, excluding other liabilities (AF.8). Net liability is equal to net worth (i.e. the difference between the market values of total financial assets and total liabilities) with the opposite sign.

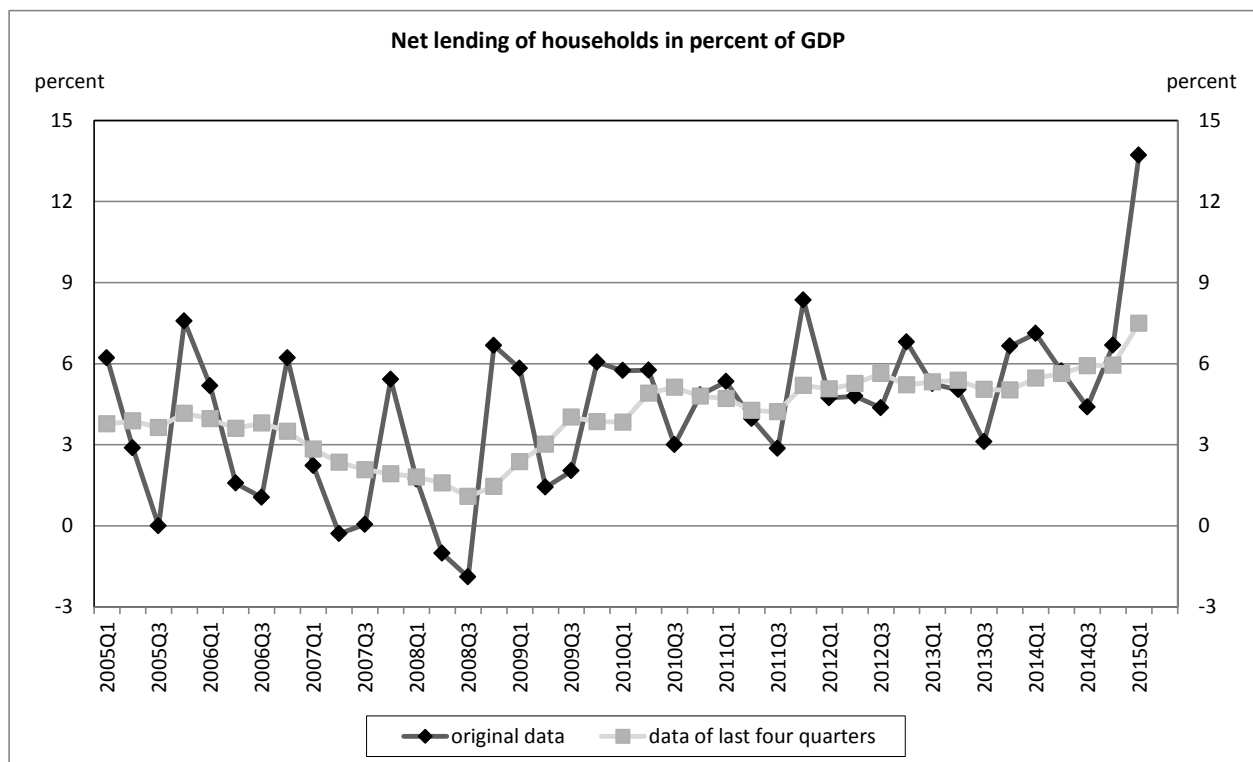
2015 Q1 data are based on the MNB's own GDP estimate.

In 2015 Q1, net borrowing of central government amounted to HUF 134 billion. On the assets side of the sub-sector's balance sheet, the stock of deposits with the central bank rose significantly, mainly reflecting the increase in short-term securities and loans on the liabilities side. The decrease in financial derivatives only partially offset the effect of the increase in deposits. On the liabilities side, there was a strong issuance of Treasury bills, most of which was purchased by credit institutions and households. The stock of short-term loans from non-residents related to derivative contracts also increased. In contrast with the increase in short-term debt, the change in long-term securities and loans was slight. Long-term liabilities fell slightly due to the strong issuance of government bonds and significant repurchases of foreign currency bonds issued abroad, but rose modestly due to long-term borrowing. Other accounts payable of central government fell sharply, mainly reflecting declines in trade payables and tax debt to non-financial corporations and in liabilities vis-à-vis European Union.

Net lending of local governments was HUF 59 billion in 2015 Q1. Within financial assets, local government deposits with credit institutions rose significantly and other accounts receivable fell slightly. On the liabilities side, other accounts payable, primarily to non-financial corporations and households, increased strongly.

Net lending of social security funds was HUF 14 billion in 2015 Q1. On the assets side, deposits with the Treasury rose slightly, while tax and contribution claims vis-à-vis households fell. On the liabilities side, the stock of short-

term loans granted by central government and trade payables vis-à-vis non-financial corporations increased significantly.



2015 Q1 data are based on the MNB's own GDP estimate.

According to preliminary financial accounts data, net lending of households (HUF 2,425 billion) was equivalent to 7.5 per cent of GDP in the four quarters to 2015 Q1. Net lending of the sector (HUF 1,031 billion) amounted to 13.7 per cent of quarterly GDP in 2015 Q1. The unusual size of household net lending reflected the decline in outstanding amount of loan arising from the settlement of mortgage and other loans as well as compensation related to deposits of liquidated credit institutions.¹

In 2015 Q1, household holdings of liquid, short-term financial instrument continued to increase. Holdings of currency, current account deposits and short-term government securities rose strongly. Purchases of mutual fund shares are moderate relative to the increases of previous quarters. In addition, insurance reserves and claims on unpaid wages increased significantly. Other deposits, purchases of equity in quoted companies as well as tax claims and transfer receivables vis-à-vis the European Union fell. The significant decline in financial derivatives reflects the effects of the conversion of foreign currency mortgage loans into forints and the difference between the exchange rate set by legislation and the MNB's official exchange rate. On the liabilities side, the shift in currency denomination of loans taken reflects the effects of forint conversion. The fall in other liabilities reflected simultaneous decreases in tax payables, in line with the increase in tax receivables, as well as early payments of family allowances and social security benefits.

¹ Details on the financial settlement of foreign currency loans and compensations from the NDIF are provided in the Methodological notes accompanying this press release.

Detailed preliminary financial accounts data are available on the MNB's website at: Statistics/Statistical Data and Information/Statistical Time Series/XII. Financial Accounts/[Preliminary Financial Accounts of Households and General Government](#). The full set of financial accounts for the institutional sectors of the national economy for 2015 Q1 will be published on 30 June 2015.

Tables

Main data of the institutional sectors

	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1
Net lending, quarterly transactions, billion HUF													
General government (S.13)	-195	-117	-95	-259	-191	-152	-226	-163	-242	-271	-37	-241	-61
Households (S.14)	303	338	320	527	347	374	239	540	502	452	364	578	1 031
Net lending of last four quarters, billion HUF													
General government (S.13)	-1 352	-1 121	-908	-665	-662	-697	-828	-732	-783	-901	-713	-792	-610
Households (S.14)	1 430	1 495	1 611	1 488	1 532	1 568	1 487	1 500	1 655	1 733	1 858	1 896	2 425
Consolidated gross debt of the general government, billion HUF													
General government (S.13)	22 432	22 204	22 237	22 414	23 371	23 272	23 116	23 085	24 935	25 437	25 103	24 525	24 976
Quarterly changes in consolidated gross debt of the general government, billion HUF													
changes in debt	-289	-228	33	177	957	-99	-156	-31	1 850	502	-333	-578	451
of which: transactions	321	21	148	-118	479	219	-261	10	1 472	445	-336	-721	897
revaluation	-610	-249	-115	289	478	-318	105	-41	318	57	6	142	-440
other changes in volume	0	0	0	6	0	0	0	0	60	0	-4	0	-6

	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1
Net lending, quarterly transactions, percent of GDP													
General government (S.13)	-3,0	-1,7	-1,3	-3,3	-2,9	-2,1	-2,9	-2,0	-3,4	-3,4	-0,5	-2,8	-0,8
Households (S.14)	4,7	4,8	4,4	6,8	5,3	5,0	3,1	6,6	7,1	5,7	4,4	6,7	13,7
Net lending of last four quarters, percent of GDP													
General government (S.13)	-4,8	-3,9	-3,2	-2,3	-2,3	-2,4	-2,8	-2,5	-2,6	-2,9	-2,3	-2,5	-1,9
Households (S.14)	5,1	5,3	5,6	5,2	5,3	5,4	5,0	5,0	5,5	5,6	5,9	5,9	7,5
Consolidated gross debt of the general government, percent of GDP													
General government (S.13)	79,5	78,2	77,8	78,5	81,3	79,9	78,4	77,3	82,3	82,7	80,0	76,9	77,2

Methodological notes

1 Liquidation of credit institutions and compensations by the National Deposits Insurance Fund (NDIF)

In 2015 Q1, customer claims and liabilities vis-à-vis credit institutions were cancelled through other changes in volume due to the liquidation of four credit institutions, similarly to cases of previous quarters. In the case of households, the termination of deposits and the write-off of loan liabilities caused a HUF 94 billion and HUF 27 billion other changes in volume, respectively, in the financial accounts in 2015 Q1. The amount of compensation paid by the NDIF was recorded as a capital transfer in the financial accounts, which increased net lending of households. Half of the claims of discontinuing credit institutions were written off in the financial accounts, with the rest recorded as loan liabilities of households to non-financial corporations until future sale or termination. Consequently, households incurred a HUF 14 billion loan liability through other changes in volume vis-à-vis credit institutions reclassified into the non-financial corporate sector.

2 Effect of the fixation of exchange rate and settlement of foreign currency mortgage loans on the recording

Residential foreign currency mortgage loans are recorded in the MNB's statistics at forint value recalculated at the MNB's official exchange rates until the time of their actual conversion into forints. The effect of exchange rate fixation will be recorded as a financial derivative claim vis-à-vis credit institutions among households' financial assets until actual conversion. The amount of financial derivatives is equal to the difference between the forint values of the stocks of loans recorded at market exchange rates and fixed exchange rates.

The conversion of foreign currency loans into forints has been recorded as transaction in the financial accounts, in line with monetary statistics. The decline in household loans arising from forint conversion is equal to the difference between the stocks of loans recorded at market exchange rates and fixed exchange rates. Households' derivative claims vis-à-vis credit institutions fell by the same amount due to conversion; therefore, forint conversion had no effect on net lending of households.

In 2015 Q1, the decline in the stock of household loans due to settlements was recorded as transaction in the financial accounts. Financial assets of households no longer having outstanding debt and participating in the settlement rose due to transactions on account of the settlement. These transactions increased net lending of households; however, the size of contribution cannot be shown separately from financial accounts data.

3 Uncertainties related to general government sector data for 2015 Q1

The full sets of balance sheets of central government and local government were not yet fully available at the time the preliminary financial accounts of general government were compiled. Therefore, certain assets and liabilities of the general government sector for the period have not been used directly but have served as a basis for expert estimates. Estimates have been made for the following instruments: loans granted, trade credits and advances as well as other accounts receivable and payable. These data, and consequently the sector's net lending, may change in later publications.

4 Uncertainties related to 2015 Q1 data for households

During compiling preliminary household data for 2015 Q1, estimates were used to calculate certain assets (primarily wage claims) and liabilities vis-à-vis general government. Foreign financial assets of households are not fully captured by the statistics; therefore, data on financial savings of the household sector contain uncertainties in the financial accounts. The estimated values may change in later publications or may be replaced by actual data as they become available.

References:

[Data](#)

[Financial accounts manual](#)

[Methodological notes](#)

MAGYAR NEMZETI BANK

DIRECTORATE STATISTICS

Contact information:

Phone: + 36 (1) 428-2751

Fax: + 36 (1) 429-8000

Email: info@mnbb.hu