

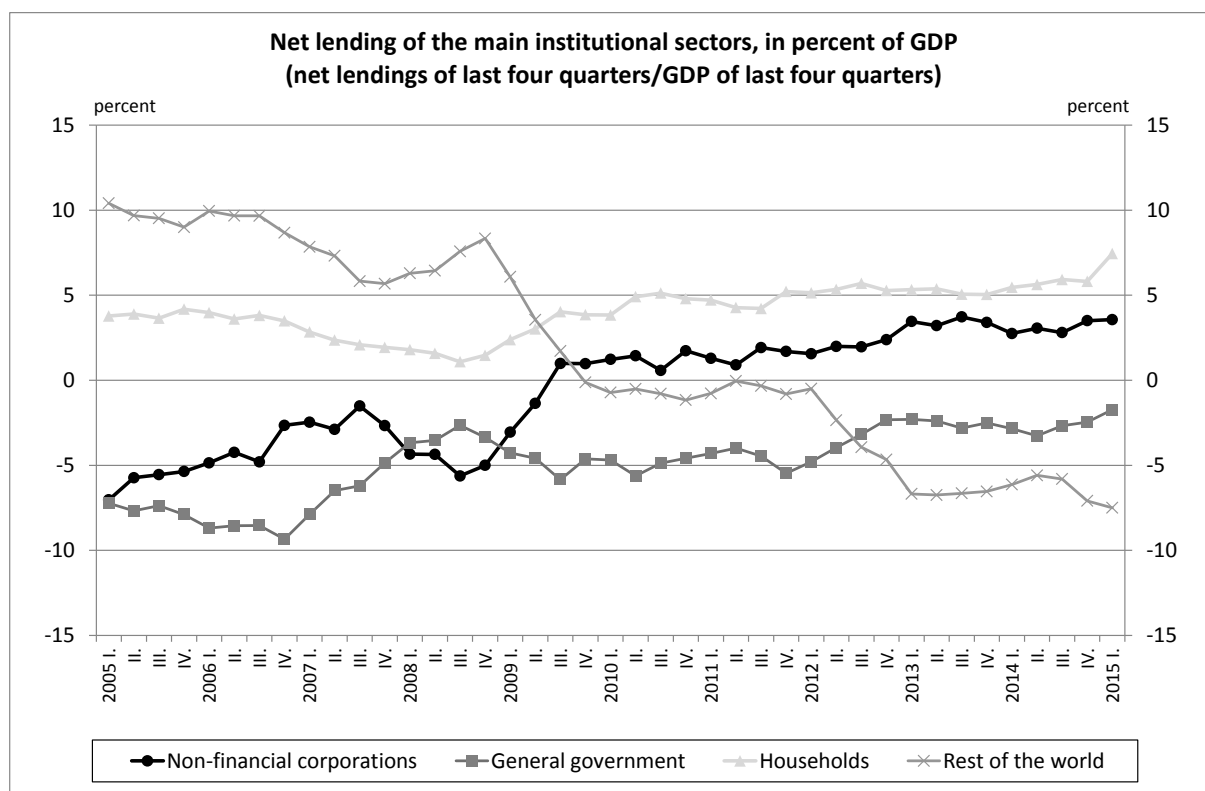


30 June 2015

## PRESS RELEASE

### Hungary's financial accounts: 2015 Q1

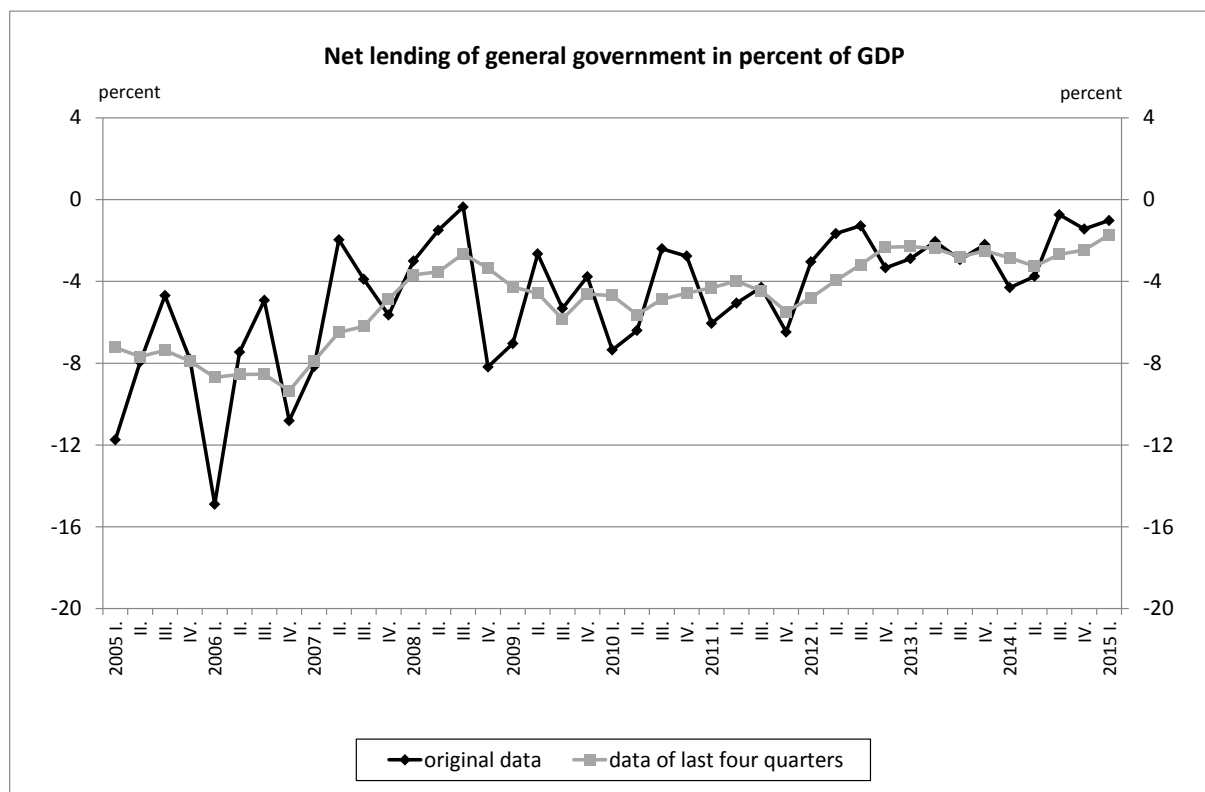
*According to financial accounts data, net lending of general government amounted to -1.7 per cent of Hungary's GDP in the four quarters to 2015 Q1. Net lending of households amounted to 7.5 per cent of GDP in the period. Net lending of non-financial corporations was 3.6 per cent of GDP and net lending of the rest of the world was -7.5 per cent of GDP in the four quarters to 2015 Q1.*



\* 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.

Net lending of general government amounted to HUF -557 billion or -1.7 per cent of Hungary's GDP in the four quarters to 2015 Q1. Calculated from the financial account side, general government net lending was HUF -76 billion or -1.0 per cent of quarterly GDP in 2015 Q1. At the end of 2015 Q1, general government consolidated

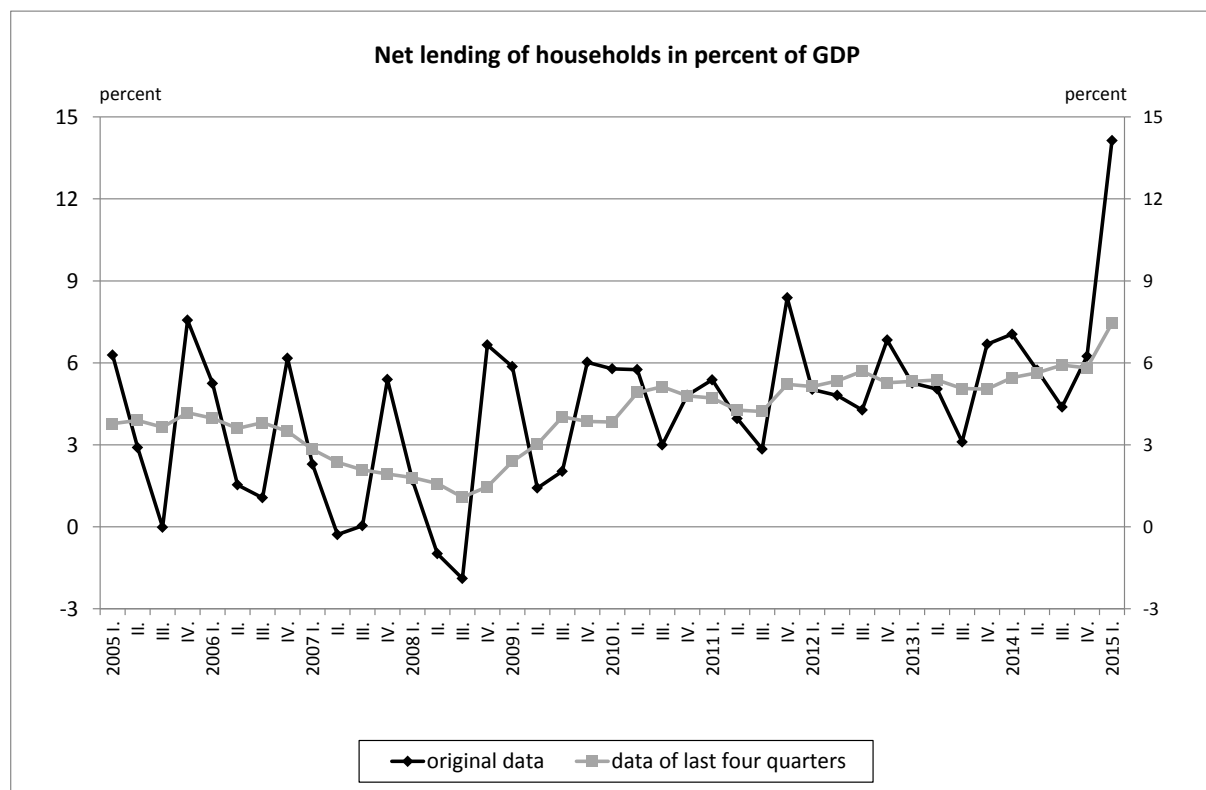
gross debt at nominal value (or Maastricht debt) was HUF 24,976 billion, equivalent to 77.6 per cent of GDP. In 2015 Q1, general government debt rose by HUF 897 billion due to net borrowing and fell by HUF 440 billion due to the appreciation of the forint. Net liabilities of the general government sector amounted to HUF 23,387 billion or 72.7 per cent of GDP at the end of 2015 Q1.



Central government net borrowing amounted to HUF 155 billion in 2015 Q1. 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. The decrease in financial derivatives partially offset the effect of the increase in deposits. On the liabilities side, there was 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 stock of short-term debt, the change in long-term debt securities and loans due to transactions was marginal. Long-term liabilities fell slightly due to the combination of strong issuance of government bonds and significant repurchases of foreign currency bonds issued abroad, but were offset by long-term borrowing. Other accounts payable of central government fell sharply, due mainly to declines in trade payables and tax liabilities vis-à-vis non-financial corporations and in payables to the European Union.

Net lending of local government was HUF 77 billion in 2015 Q1. Within financial assets, local government deposits with credit institutions rose significantly. On the liabilities side, other accounts payable vis-à-vis non-financial corporations and households increased strongly. By contrast, trade payables (trade credits and advances) vis-à-vis non-financial corporations fell.

Net lending of social security funds was HUF 3 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 by central government and trade payables vis-à-vis non-financial corporations decreased significantly.



Net lending of households (HUF 2,398 billion) was equivalent to 7.5 per cent of GDP in the four quarters to 2015 Q1. In 2015 Q1, net lending of the sector (HUF 1,044 billion) amounted to 14.1 per cent of quarterly GDP. The unusual size of household net lending was determined by the settlement of mortgage and other loans as well as compensation related to deposits of liquidated credit institutions.<sup>1</sup>

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

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

Net lending of the non-financial corporate sector was HUF 1,147 billion or 3.6 per cent of GDP in the four quarters to 2015 Q1. In 2015 Q1, net lending of non-financial corporations was HUF 16 billion, the equivalent of 0.2 per cent of quarterly GDP.

On the assets side, non-financial corporations increased significantly their holdings of foreign currency current accounts with credit institutions, short-term (inter-company) loans to non-residents and trade credits as well as tax receivables vis-à-vis local governments. The most significant declines were in forint current accounts and short-term deposits. In addition, long-term loans to non-residents, equities and tax receivables vis-à-vis central government also fell significantly. The fall in liabilities mainly reflected repayments of loans, which was partly offset by increases in foreign shares and other equity, trade credits and tax payables due to transactions.

According to financial accounts data, net lending of the rest of the world (or whole-economy net borrowing) amounted to HUF -2,413 billion or -7.5 per cent of GDP in the four quarters to 2015 Q1. In 2015 Q1, net lending of the rest of the world was HUF -492 billion or -6.7 per cent of quarterly GDP.

On the assets side of their balance sheet, non-residents increased the stock of their loans granted to central government, equity in resident companies as well as trade credits and advances. By contrast, current account deposits, long-term debt securities, loans granted to non-financial corporations and other accounts receivable fell due to transactions. On the liabilities side, currency, short-term debt securities and loans as well as trade credits and advances rose due to transactions. By contrast, current account deposits, other deposits as well as long-term debt securities and loans fell significantly.

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## 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
<b>Net lending, quarterly transactions, billion HUF</b>													
Non-financial corporations (S.11)	-144	315	261	249	167	258	424	166	-16	365	362	404	16
Financial corporations (S.12)	-155	4	43	-103	105	99	77	-122	111	-223	-53	-44	-471
General government (S.13)	-195	-117	-94	-258	-191	-153	-226	-179	-304	-295	-61	-125	-76
Households (S.14)	322	338	314	530	348	374	239	543	498	451	363	540	1 044
Non-profit institutions serving households (S.15)	15	-7	-7	21	3	1	-4	20	50	143	0	93	-21
Rest of the world (S.2)	157	-534	-516	-438	-432	-579	-510	-429	-339	-441	-611	-869	-492
<b>Net lending of last four quarters, billion HUF</b>													
Non-financial corporations (S.11)	439	565	560	682	993	935	1 098	1 015	832	940	877	1 115	1 147
Financial corporations (S.12)	-430	-331	-189	-212	49	144	178	160	165	-158	-287	-209	-791
General government (S.13)	-1 354	-1 124	-910	-665	-661	-697	-828	-748	-861	-1 004	-839	-785	-557
Households (S.14)	1 450	1 517	1 627	1 505	1 531	1 566	1 491	1 504	1 654	1 731	1 856	1 852	2 398
Non-profit institutions serving households (S.15)	36	39	37	21	9	17	21	20	67	210	214	287	216
Rest of the world (S.2)	-141	-666	-1 124	-1 331	-1 920	-1 965	-1 959	-1 951	-1 858	-1 720	-1 820	-2 260	-2 413
<b>Consolidated gross debt of the general government, billion HUF</b>													
General government (S.13)	22 432	22 204	22 237	22 414	23 371	23 272	23 116	23 085	24 924	25 429	25 092	24 519	24 976
<b>Quarterly changes in consolidated gross debt of the general government, billion HUF</b>													
changes in debt	-289	-228	33	177	957	-99	-156	-31	1 839	505	-336	-574	457
of which: transactions	321	21	148	-118	479	219	-261	10	1 461	448	-338	-716	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	0

	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
<b>Net lending, quarterly transactions, percent of GDP</b>													
Non-financial corporations (S.11)	-2,2	4,5	3,6	3,2	2,5	3,5	5,5	2,0	-0,2	4,6	4,4	4,7	0,2
Financial corporations (S.12)	-2,4	0,1	0,6	-1,3	1,6	1,3	1,0	-1,5	1,6	-2,8	-0,6	-0,5	-6,4
General government (S.13)	-3,0	-1,7	-1,3	-3,3	-2,9	-2,1	-2,9	-2,2	-4,3	-3,8	-0,7	-1,4	-1,0
Households (S.14)	5,0	4,8	4,3	6,8	5,3	5,0	3,1	6,7	7,1	5,7	4,4	6,2	14,1
Non-profit institutions serving households (S.15)	0,2	-0,1	-0,1	0,3	0,0	0,0	0,0	0,2	0,7	1,8	0,0	1,1	-0,3
Rest of the world (S.2)	2,5	-7,6	-7,0	-5,6	-6,5	-7,8	-6,6	-5,3	-4,8	-5,6	-7,4	-10,0	-6,7
<b>Net lending of last four quarters, percent of GDP</b>													
Non-financial corporations (S.11)	1,6	2,0	2,0	2,4	3,5	3,2	3,7	3,4	2,7	3,1	2,8	3,5	3,6
Financial corporations (S.12)	-1,5	-1,2	-0,7	-0,7	0,2	0,5	0,6	0,5	0,5	-0,5	-0,9	-0,7	-2,5
General government (S.13)	-4,8	-4,0	-3,2	-2,3	-2,3	-2,4	-2,8	-2,5	-2,8	-3,3	-2,7	-2,5	-1,7
Households (S.14)	5,1	5,3	5,7	5,3	5,3	5,4	5,1	5,0	5,5	5,6	5,9	5,8	7,5
Non-profit institutions serving households (S.15)	0,1	0,1	0,1	0,1	0,0	0,1	0,1	0,1	0,2	0,7	0,7	0,9	0,7
Rest of the world (S.2)	-0,5	-2,3	-3,9	-4,7	-6,7	-6,7	-6,6	-6,5	-6,1	-5,6	-5,8	-7,1	-7,5
<b>Consolidated gross debt of the general government, percent of GDP</b>													
General government (S.13)	79,5	78,2	77,8	78,5	81,3	79,9	78,4	77,3	82,3	82,7	80,1	76,9	77,6

\* \* \*

## 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. The cancellation of deposits in the household and corporate sectors caused HUF 94 billion and HUF 27 billion other changes in volume, respectively. The amount of compensation paid by the NDIF was recorded as a capital transfer in the financial accounts, which increased net lending of the sectors. Half of the claims of discontinuing credit institutions were written off in the financial accounts, with the rest recorded under non-financial corporations until future sale or termination. Consequently, households and non-financial corporations, respectively, incurred a HUF 14 billion and HUF 25 billion loan liability through other changes in volume vis-à-vis 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 account statistics, in line with monetary statistics. The decline in household loans arising from forint conversion (HUF 344 billion) is equal to the difference between the stocks of loans recorded at market exchange rates and fixed exchange rates. Households' derivative claims against credit institutions and other financial intermediaries fell by the same amount due to conversion. Consequently, forint conversion had no effect on net lending of households and financial corporations, but protected households from incurring a significant revaluation loss of HUF 66 billion in 2014 Q4 and one of HUF 278 billion in 2015 Q1.

In 2015 Q1, the decline in the stock of household loans due to financial settlements (HUF 370 billion) was recorded as transaction in the financial account statistics. Financial assets of households no longer having outstanding debt and participating in the settlement increased due to transactions on account of the settlement (by around HUF 130 billion). Accordingly, capital transfers from financial corporations as a result of financial settlement increased household net lending in the financial accounts by approximately HUF 500 billion in 2015 Q1. Financial settlement will continue to have an effect on net lending of financial corporations in 2015 Q2 as well as in Q3.

### 3 Uncertainties related to general government sector data for 2015 Q1

The balance sheets of central government and local government equivalent to annual reports were already fully available at the time of compilation of general government financial accounts. These data were used directly in calculating certain assets and liabilities of the general government sector (loans granted, trade

credits); therefore, data revisions back to 2013 Q4 were conducted in the case of these instruments. Balance sheets of central government institutions and local governments for 2015 Q1 were not yet fully available; therefore, these data were not used directly, but served as a basis for expert estimates. These data, and consequently the sector's net lending, may change in later publications.

#### 4 Uncertainties related to 2015 Q1 data for households

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.

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## About the publication of information related to the financial accounts

The tables showing the differences between the financial accounts and balance of payments statistics, between the financial accounts and the monetary balance sheets as well as the tables showing the financial accounts of companies in collective ownership (state and local government) are being released in conjunction with this press release. They can be accessed by clicking on the following link: <http://www.mnb.hu/en/statistics/statistical-data-and-information/statistical-time-series/xii-financial-accounts-financial-assets-and-liabilities-of-institutional-sectors/other-data-relating-to-financial-accounts>.

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## 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	2011	2012	2013	2014Q1	2014Q2	2014Q3	2014Q4
Non-financial corporations (S.11)	1	-1	0	1	-1	-1	-1	-1	13	77	13	24	-110
Financial corporations (S.12)	0	0	0	0	0	0	0	-16	0	-10	1	-3	10
General government (S.13)	-4	2	-1	-2	1	1	-3	0	-16	-62	-24	-24	117
Households (S.14)	3	-1	1	1	-1	0	4	17	4	-4	-1	-1	-38
Non-profit institutions serving households (S.15)	0	0	0	0	0	0	0	0	0	0	0	0	0
Rest of the world (S.2)	0	0	0	0	0	0	0	0	0	-1	11	3	21

Data revisions reflect changes in the data sources and the methods of calculation of the financial accounts. The changes relative to the full set of accounts for 2014 Q4 were mainly related to comprehensive data corrections after receipt of the full balance sheets of general government and revisions of balance of payments statistics.

## References

[Comprehensive tables](#)

[Time series](#)

[Charts](#)

[Financial accounts manual](#)

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