

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact persons below for details of any changes that may have been introduced by the country since that time.

## Hungary:

### Direct Investment Compilation Practices, Data Sources and Methodology

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#### Direct Investment in Hungary

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

#### Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

[Glossary of Direct Investment Terms and Definitions](#)

**DIRECT INVESTMENT IN HUNGARY**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on (i) direct investment income (income on equity, and income on debt [interest] only), and (ii) direct investment financial flows (equity capital and other capital), are disseminated by the National Bank of Hungary (NBH) with a timeliness of 7 weeks after the end of the reference period. Data on reinvested earnings are compiled but not disseminated at present, although there are plans to begin to do so in early 2003.

**Revision Policy:** The data are not regularly revised and are considered to be final when first released.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Below a threshold of USD 50,000, data are collected on an aggregate basis. Above that threshold data are reported on an individual transactions basis. Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from an international transactions reporting system (ITRS). Secondary data sources used are: (i) annual and quarterly joint National Bank of Hungary (NBH)/ Hungarian Central Statistical Office (HCSO) enterprise surveys of direct investment enterprises in Hungary, and (ii) monthly direct reports from resident enterprises on their accounts abroad and borrowing from nonresidents. (The threshold for the annual enterprise survey is foreign capital of over HUF 100 million and the threshold for the quarterly enterprise survey is foreign capital of over HUF 500 million.) A business register of enterprises involved in direct investment is maintained by the NBH. This register is updated on a quarterly basis using information from (i) registers maintained by the tax authorities, (ii) the ITRS's list of transactors, and (iii) the financial press.

**Geographic Classification:** Monthly data showing country breakdowns are disseminated by the NBH on a quarterly basis for direct investment equity capital only with a timeliness of 7 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Annual data showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones are compiled and reported to the OECD and Eurostat for publication for: (i) the European Union, (ii) EFTA, (iii) the OECD, and (iv) NAFTA. However, these data are not disseminated in the national publications. The five countries with the largest amount of direct investment flows into Hungary during the period from 1999 through 2001 (ranked in descending order) were: Germany, the United States, Austria, the Netherlands, and Japan.

**Industrial Classification:** Monthly data showing breakdowns by industrial sector are compiled by the NBH for direct investment equity capital only. Beginning from March 2002, these monthly data will be disseminated by the NBH on a quarterly basis with a timeliness of 7 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also disseminated showing a more detailed classification for the manufacturing sector. Beginning with the data for 2000, data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, and (ii) EFTA. Annual data showing breakdowns by industrial sector/partner country are also compiled and reported to the OECD and Eurostat for publication, but are not disseminated in the national publications.

**B. Methodology**

**Definition of Direct Investment Enterprises in Hungary:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Hungary is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. However, with effect from 2002, transactions of Special Purpose Entities (SPEs) that have the purpose of financial intermediation with other enterprises in the same group of related enterprises will be included in the direct investment data. Enterprises in Hungary are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. Contrary to COPC, deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes. In accordance with COPC, realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are not included. Contrary to the international standards, when a direct investment enterprise makes a loss, the net loss is not recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** Not applicable. Although data on reinvested earnings are compiled, information on the methodology used to compile the data will not be available until the data begin to be disseminated.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not cover interest income from trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking activities between affiliated banks. Contrary to the international standards, (i) the data include interest from claims and liabilities related to usual financial intermediation activities between affiliated financial intermediaries, and (ii) the data are compiled on a paid basis, rather than on an accrual basis.

**Treatment of Equity Capital:** The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) other non-voting stocks (including participating preference shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. The data do not cover: (i) financial leases, and (ii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data include transactions between affiliated financial intermediaries involving claims and liabilities related to usual financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Hungary and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are classified in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity transactions are classified as “Portfolio Investment: Increase in Assets: Equity Securities”, and loan transactions are classified as “Other Investment: Increase in Assets: Loans”, rather than as “Direct Investment in Hungary: Increase in Claims on Direct Investors” in both instances.

**Treatment of Quasi-corporations:** Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation of construction enterprises in Hungary by

nonresidents. Quasi-corporations arising from the operation in Hungary by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, are not applicable at present.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established in Hungary by nonresidents are generally not included in the direct investment data. However, if an offshore enterprise enters into a direct investment transaction with the sole purpose of transferring funds between different parties, the transaction is recorded in the balance of payments statistics but on a net basis, rather than on the recommended gross basis.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. There are no SPEs established in Hungary at present.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings in Hungary by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** Contrary to the international standards, the data do not include expenditure related to natural resources exploration in Hungary by nonresidents.

**Exchange Rate Conversion:** Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

**DIRECT INVESTMENT IN HUNGARY**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Inward position data are compiled and disseminated by two separate statistical agencies in Hungary. Monthly data on (i) equity capital, and (ii) other capital, are compiled and disseminated by the National Bank of Hungary (NBH) with a timeliness of 7 weeks after the end of the reference period. Annual (calendar year) data on equity capital only are compiled and disseminated by the Hungarian Central Statistical office (HCSO) with a timeliness of 40 weeks (10 months) after the end of the reference period. Data on reinvested earnings are compiled by the NBH, but are not disseminated by either agency at present.

**Revision Policy:** The data become final 12 months after they are first released.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The monthly data on equity capital and other capital disseminated by the NBH are compiled using the perpetual inventory method (a method for deriving position data from transactions data) using data obtained from an international transactions reporting system (ITRS). Secondary data sources used are: (i) annual and quarterly joint National Bank of Hungary (NBH)/ Hungarian Central Statistical Office (HCSO) enterprise surveys of direct investment enterprises in Hungary, and (ii) monthly direct reports from resident enterprises on their accounts abroad and borrowing from nonresidents. (The threshold for the annual enterprise survey is foreign capital of over HUF 100 million and the threshold for the quarterly enterprise survey is foreign capital of over HUF 500 million.) The annual data disseminated by the HCSO are primarily compiled from the annual corporation tax declarations. Since 1999, the annual joint NBH/HCSO enterprise survey of direct investment enterprises in Hungary has also been used by the HCSO to obtain information on the country of origin. Published sources, such as company accounts, are used for cross-checking the data obtained from the surveys. A business register of enterprises involved in direct investment is maintained by the NBH. This register is updated on a quarterly basis using information from (i) registers maintained by the tax authorities, (ii) the ITRS's list of transactors, and (iii) the financial press.

**Geographic Classification:** Annual (calendar year) data showing country breakdowns are disseminated by the HCSO on equity capital with a timeliness of 40 weeks (10 months) after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, and (iv) NAFTA. The five countries with the largest amount of direct investment in Hungary as at the end of 2000 (ranked in descending order) were: Germany, Austria, the United States, the Netherlands, and France. No data showing breakdowns by country are compiled at present by the NBH for the data on equity capital and other capital. However, there are plans to begin to do so in early 2003.

**Industrial Classification:** Annual (calendar year) data showing breakdowns by industrial sector are disseminated by the HCSO on equity capital with a timeliness of 40 weeks (10 months) after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also disseminated showing a more detailed sectoral classification based on ISIC Rev. 3. Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, and (ii) EFTA. Data showing breakdowns by industrial sector/partner country are also disseminated. No data showing breakdowns by industrial sector are compiled at present by the NBH for the data on equity capital and other capital. However, there are plans to begin to do so in early 2003.

**B. Methodology**

**Definition of Direct Investment Enterprises in Hungary:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Hungary is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No

value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. However, with effect from 2002, positions of Special Purpose Entities (SPEs) that have the purpose of financial intermediation with other enterprises in the same group of related enterprises will be included in the direct investment data. Enterprises in Hungary are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** The monthly data compiled by the NBH and the annual data compiled by the HSCO cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the NBH and the HSCO data include equity positions between affiliated banks and between affiliated financial intermediaries. Data on reinvested earnings are compiled by the NBH but not disseminated at present. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Hungary.)

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. The data do not cover: (i) financial leases, and (ii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data include positions between affiliated financial intermediaries involving claims and liabilities related to usual financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Positions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Hungary and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are classified in accordance with the international standards as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity positions are classified as “Assets: Portfolio Investment: Equity Securities”, and loan positions are classified as “Assets: Other Investment: Loans”, rather than as “Liabilities: Direct Investment in Hungary: Claims on Direct Investors” in both instances.

**Treatment of Quasi-corporations:** Contrary to the international standards, the NBH and HSCO direct investment data do not include the activities of quasi-corporations involving the operation of construction enterprises in Hungary by nonresidents. Quasi-corporations arising from the operation in Hungary by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, are not applicable at present.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established in Hungary by nonresidents are generally not included in the direct investment data. However, if an offshore enterprise enters into a direct investment transaction with the sole purpose of transferring funds between different parties, the transaction is recorded in the balance of payments statistics but on a net basis, rather than on the recommended gross basis.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. There are no SPEs established in Hungary at present.

**Treatment of Land and Buildings:** In accordance with the international standards, the NBH and HSCO data include ownership of land and buildings in Hungary by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** Contrary to the international standards, the NBH and HSCO data do not include expenditure related to natural resources exploration in Hungary by nonresidents.

**Valuation:** Contrary to the international standards, the NBH and HSCO data are reported at book values, rather than market values. The book values used are the historical costs,

**Exchange Rate Conversion:** For both the NBH and the HCSO data, the exchange rate at the end of the period is used to convert foreign currencies into the unit of account.

**HUNGARY: DIRECT INVESTMENT ABROAD**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on (i) direct investment income (income on equity, and income on debt [interest] only), and (ii) direct investment financial flows (equity capital and other capital) are disseminated by the National Bank of Hungary (NBH) with a timeliness of 7 weeks after the end of the reference period. Data on reinvested earnings are compiled but not disseminated at present, although there are plans to begin to do so in early 2003.

**Revision Policy:** The data are not regularly revised and are considered to be final when first released.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Below a threshold of USD 50,000, data are collected on an aggregate basis. Above that threshold data are reported on an individual transactions basis. Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from an international transactions reporting system (ITRS). Secondary data sources used are: (i) annual and quarterly joint National Bank of Hungary (NBH)/ Hungarian Central Statistical Office (HCSO) enterprise surveys of residents with direct investment enterprises abroad, and (ii) monthly direct reports from resident enterprises on their accounts abroad and borrowing from nonresidents. (The threshold for the annual enterprise survey is capital abroad of over HUF 10 million and the threshold for the quarterly enterprise survey is capital abroad of over HUF 100 million. A business register of enterprises involved in direct investment is maintained by the NBH. This register is updated on a quarterly basis using information from (i) the ITRS's list of transactors, (ii) registers maintained by the NBH as the former foreign exchange control authority, and (iii) the financial press.

**Geographic Classification:** Monthly data showing country breakdowns are disseminated by the NBH on a quarterly basis for direct investment equity capital only with a timeliness of 7 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Annual data are showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones are compiled and reported to the OECD and Eurostat for publication for: (i) the European Union, (ii) EFTA, (iii) the OECD, and (iv) NAFTA. However, these data are not disseminated in the national publications. The five countries with the largest amount of direct investment flows from Hungary during the period from 1999 through 2001 (ranked in descending order) were: Macedonia, the Slovak Republic, Denmark, Romania, and Cyprus.

**Industrial Classification:** Monthly data showing breakdowns by industrial sector are compiled by the NBH for direct investment equity capital only. Beginning from March 2002, these monthly data will be disseminated by the NBH on a quarterly basis with a timeliness of 7 weeks after the end of the reference period. The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also disseminated showing a more detailed classification for the manufacturing sector. Beginning with the data for 2000, data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, and (ii) EFTA. Annual data showing breakdowns by industrial sector/partner country are also compiled and reported to the OECD and Eurostat for publication, but are not disseminated in the national publications.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.



**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. However, with effect from 2002, transactions of Special Purpose Entities (SPEs) that have the purpose of financial intermediation with other enterprises in the same group of related enterprises will be included in the direct investment data. Enterprises in Hungary are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. Contrary to the COPC, deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes. In accordance with the COPC, realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are not included. Contrary to the international standards, when a direct investment enterprise makes a loss, the net loss is not recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** Not applicable. Although data on reinvested earnings are compiled, information on the methodology used to compile the data will not be available until the data begin to be disseminated.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not cover interest income from trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking activities between affiliated banks. Contrary to the international standards, (i) the data include interest from claims and liabilities related to usual financial intermediation activities between affiliated financial intermediaries, and (ii) the data are compiled on a paid basis, rather than on an accrual basis.

**Treatment of Equity Capital:** The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) other non-voting stocks (including participating preference shares). The data do not cover noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. The data do not cover: (i) financial leases, and (ii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) activities between affiliated banks involving deposits, loans, and other claims and liabilities related to usual banking transactions. Contrary to the international standards, the data include transactions between affiliated financial intermediaries involving claims and liabilities related to usual financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Hungary and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are classified in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity transactions are classified as “Portfolio Investment: Increase in Assets: Equity Securities”, and loan transactions are classified as “Other Investment: Increase in Assets: Loans”, rather than as “Direct Investment in Hungary: Increase in Claims on Direct Investors” in both instances.

**Treatment of Quasi-corporations:** Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation of construction enterprises abroad by

Hungarian residents. Quasi-corporations arising from the operation abroad by Hungarian residents of mobile equipment, such as ships, aircraft, and drilling rigs, cannot be identified at present.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established abroad by Hungarian residents are generally not included in the direct investment data. However, if an offshore enterprise enters into a direct investment transaction with the sole purpose of transferring funds between different parties, the transaction is recorded in the balance of payments statistics but on a net basis, rather than on the recommended gross basis.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. SPEs established abroad by Hungarian residents cannot be identified at present.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Hungarian resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** Contrary to the international standards, the data do not include expenditure related to natural resources exploration abroad by Hungarian residents.

**Exchange Rate Conversion:** Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

**HUNGARY: DIRECT INVESTMENT ABROAD**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Monthly data on (i) equity capital and (ii) other capital, are disseminated by the National Bank of Hungary (NBH) with a timeliness of 7 weeks after the end of the reference period. Data on reinvested earnings are compiled by the NBH, but are not disseminated. Position data on direct investment abroad are not compiled by the Hungarian Statistical Agency (HCSO).

**Revision Policy:** The data are not subject to regular revision and are considered to be final when first released.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The monthly data on equity capital and other capital are primarily compiled using the perpetual inventory method (a method for deriving position data from transactions data) using data obtained from an international transactions reporting system (ITRS) on aggregated flows by currencies. Secondary data sources used are: (i) annual and quarterly joint National Bank of Hungary (NBH)/ Hungarian Central Statistical Office (HCSO) enterprise surveys of residents with direct investment enterprises abroad, and (ii) monthly direct reports from resident enterprises on their accounts abroad and borrowing from nonresidents. (The threshold for the annual enterprise survey is capital abroad of over HUF 10 million and the threshold for the quarterly enterprise survey is capital abroad of over HUF 100 million. The data on reinvested earnings are compiled using information obtained from the annual joint NBH/HCSO enterprise survey. A business register of enterprises involved in direct investment is maintained by the NBH. This register is updated on a quarterly basis using information from (i) the ITRS's list of transactors, (ii) registers maintained by the NBH as the former foreign exchange control authority, and (iii) the financial press.

**Geographic Classification:** Not applicable. No data showing breakdowns by country are compiled at present. However, there are plans to begin to do so in early 2003.

**Industrial Classification:** Not applicable. No data showing breakdowns by industrial sector are compiled at present. However, there are plans to begin to do so in early 2003.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. However, with effect from 2002, positions of Special Purpose Entities (SPEs) that have the purpose of financial intermediation with other enterprises in the same group of related enterprises will be included in the direct investment data. Enterprises in Hungary are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. Data on reinvested earnings are compiled by the NBH, but are not disseminated at present. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. The data do not cover: (i) financial leases, and (ii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data include positions between affiliated financial intermediaries involving claims and liabilities related to usual financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Positions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Hungary and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are classified in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity positions are classified as "Assets: Portfolio Investment: Equity Securities", and loan positions are classified as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in Hungary: Claims on Direct Investors" in both instances.

**Treatment of Quasi-corporations:** Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation of construction enterprises abroad by Hungarian residents. Quasi-corporations arising from the operation abroad by Hungarian residents of mobile equipment, such as ships, aircraft, and drilling rigs, cannot be identified at present.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established abroad by Hungarian residents are generally not included in the direct investment data. However, if an offshore enterprise enters into a direct investment transaction with the sole purpose of transferring funds between different parties, the transaction is recorded in the balance of payments statistics but on a net basis, rather than on the recommended gross basis.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. SPEs established abroad by Hungarian residents cannot be identified at present.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings abroad by Hungarian resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** Contrary to the international standards, the data do not include expenditure related to natural resources exploration abroad by Hungarian residents.

**Valuation:** Contrary to the international standards, the data are reported at book values, rather than market values. The book values used are the historical costs.

**Exchange Rate Conversion:** The exchange rate at the end of the period is used to convert foreign currencies into the unit of account.