

BALANCE OF PAYMENTS REPORT

8 October 2025

Revisions improved the picture: the external position shows a bit higher surplus, external debt ratios stagnated at moderate levels, FX reserves exceed the adequate amount

The external position remained a bright spot among Hungarian macro-figures after the publication of the Q2 BoP statistics, which also contained the usual annual revisions. Hungary runs a sustainable external trajectory, and the revisions even improved the picture slightly, as the new figures reflect a higher and modestly rising external surplus. FDI inflows and EU fund absorption remained subdued. External debt indicators have been stagnating for many quarters, while FX reserves are exceeding the adequate levels by an increasing margin, which now exceeds EUR 10 billion.

Looking ahead, we revise our forecast on the current account to 2% of GDP in 2025 and to 1% in 2026. Consequently, the net financing capacity could remain in positive territory this year and next, despite the expected rise in domestic demand. We expect net FDI inflow to return to the slightly positive territory after the recent one-offs, and we anticipate external debt indicators to gradually decline further, reaching around 60% by 2026.

Revisions: the regular annual revisions took place, **but they did not change the big picture of a sustainable external trajectory.**

- In most cases, the surplus of the trade and the C/A balance of the previous years was revised downwards (by around 0.5% of GDP), while the NEO (net errors and omissions) was also decreased roughly to the same extent, so the NFC2 (C/A balance + capital balance and the net financing capacity) remained almost unchanged. In 2023, the NFC2 even improved, mainly due to an upward revision in the capital balance.
- However, regarding 2025 the revisions improved the picture: instead of a modest (1% of GDP) and decreasing surplus, now Hungary has a higher (2% of GDP) an increasing one, providing larger buffers for a domestic-demand-led recovery.

Indicators of external balance: the current account balance and the external financing capacity show modest surplus (Charts 1–4)

- Current account:** In Q2 2025, Hungary's current account balance reached a EUR +1.4 billion surplus both in NSA and SA terms and the Q1 data was also revised up from 1.1 bn to 1.4 bn. The revised data reaches +2 / +3% of GDP. As the 2024 data were revised downwards, the new figures show an improvement compared to the 2024 ones, instead of the slightly decreasing surplus suggested by Q1 2025 data and the preliminary figures of Q2 2025 of (EUR 0.8 bn or 1% of GDP). These figures suggest that the fiscal tightening in 2024 and the drastic, 10%+ fall in investment had a more positive effect on net exports than the rise in consumption and the weak export demand. The revised data still suggest that the recovery of exports has not started yet, as SA figures still stagnate.
- EFC1:** Hungary's external financing capacity (the sum of the current account and the capital balance) was also revised higher (via higher C/A surplus) from the previous 2% range to around 3% of GDP. The surplus of the capital balance remained subdued at around 0.5% of GDP, the level characteristic since the freeze of EU funds, well below the usual 2% of GDP of the pre-freeze period.

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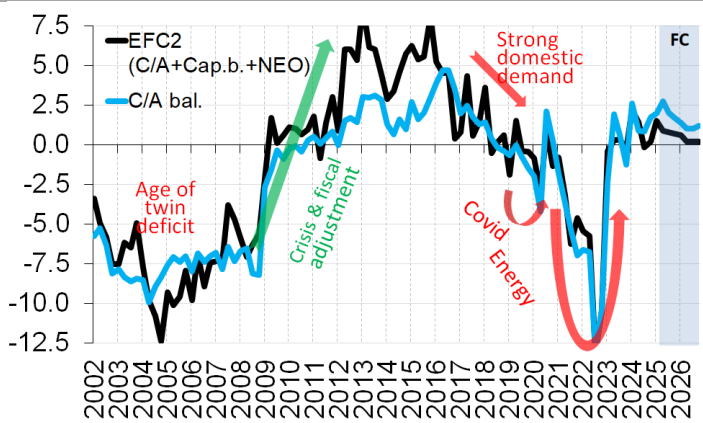
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- **EFC2** (EFC1 plus net errors and omissions), the net financing capacity, which we usually consider the best and most stable indicator of external imbalances, remained around 1% of GDP in SA terms in 2024 and rose moderately to 1-1.5% of GDP in H1 2025. It was also increased by the revisions, but less than the C/A balance or the NFC1 were, as the NEO remained highly negative (-2% of GDP). Nevertheless, the shift in NFC2 to the slightly negative territory, suggested by the preliminary Q2 figures did not take place. (The negative NEO could be the consequence of hidden imports through online retail trade and/or capital outflows under the radar).
- **Capital flows: Q2 FDI outflow is in line with the usual pattern, 4Q figures remained subdued. Debt absorption remained slightly positive (Charts 5-7)**
 - In Q2, the net FDI inflow was negative again, at EUR -1.0 bn, but unlike in Q1, this is in line with the usual seasonality, as Q2 is the time when companies pay dividends from the profit of previous years. The four-quarter figure improved to zero (from Q3, this figure is expected to turn positive as the 2024 Q2 figure will drop out, when Budapest Airport was purchased by the government, which resulted in a large (EUR 2.5 bn) outflow). In Q2, the net incurrence of foreign debt reached EUR 1.1 bn, while the recent figures fluctuated around zero.
- **Indebtedness and reserves: depreciation in 2024 made external debt ratios slightly increase** (Charts 7-10).
 - First, we emphasise that we use the BoP and external debt figures without SPVs. In our view, the figures that contain special-purpose vehicles are heavily distorted by entities that do not have much to do with the Hungarian economy. Therefore we rely on data cleaned from SPVs, as these data are much more consistent with the Hungarian macro-trajectory, and give us reliable information on indebtedness and vulnerability. We also filter out intercompany loans, which we consider to be more FDI-like than debt.
 - The gradual but steady decline in the indicators of external debt between 2010 and 2019 was a key factor in supporting Hungary's credit story, and its rating as well. Having topped out in 2009-2010 at very high levels (gross external debt at 120% of GDP), it fell to levels of around 50-55% of GDP, which could be considered low even in regional comparison. From 2020 the decrease in debt reversed due to the energy crisis (just like in most CEE countries; see Chart 7), and debt ratios followed upward trajectories; levels were still not high in CEE comparison. In 2023, debt ratios started to moderate again, albeit very gradually.
 - **Indicators of external indebtedness have been** stagnating, or very slightly decreasing, for a while. Net external debt stagnates around 15% of GDP, **gross external debt is around 65%**, having topped out near 70% of GDP in 2022. **Gross external FX debt** has been fluctuating around 45% of GDP and **short-term external debt between 15% and 20% for many quarters.**
 - **Hungary's FX reserves rose to EUR 47 billion in Q2 (or 22% of GDP) and to EUR 48 bn by the end of Q3.** The surplus of FX reserves above the level suggested by the reserve adequacy rules increased further, above EUR 10 bn, providing room for the national bank to be active on the FX market, if needed.

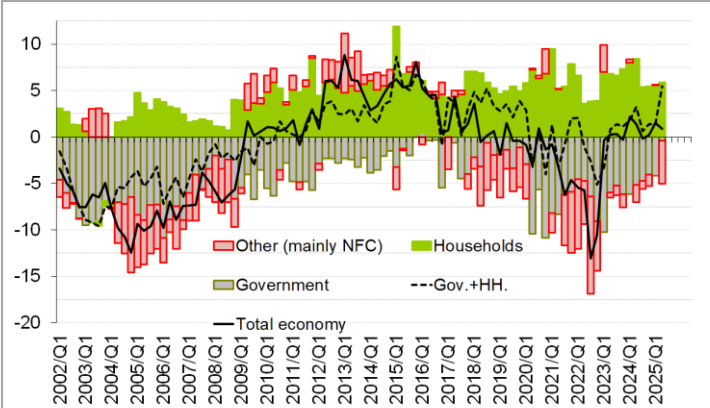
Outlook: the revisions improved the big picture slightly, the Hungarian economy runs on a solid external trajectory, with a surplus of around 2% of GDP in 2025. So even if investment growth returns and the consumption-led recovery continues, we expect the C/A balance to remain in a surplus of around 1% of GDP in 2026. Hungary's net financing capacity could reach 0.8% of GDP in 2025 and moderate to slightly above zero in 2026. We expect net FDI inflow to return into positive territory soon. All in all, the net incurrence of external debt could be around zero, or might return to slightly negative territory and the economy will become a net debt repayer. We expect the gross-external-debt-to-GDP ratio to slightly decline toward 60% by the end of 2026. Risks are balanced, new export capacities might deliver faster export growth, but risks from potential fiscal measures could boost imports more than we expect.

Chart 1: Main indicators of external balance
(as % of GDP, SA)



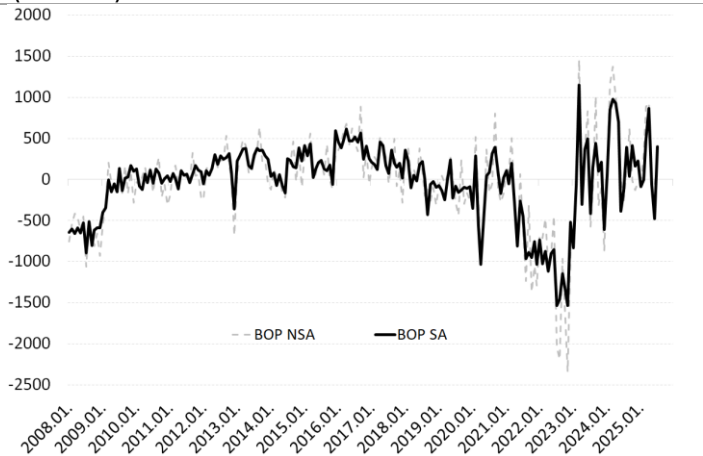
Sources: MNB, OTP Research

Chart 2: Net financing capacity of the main sectors and the whole economy (as % of GDP, SA)



Sources: MNB, OTP Research

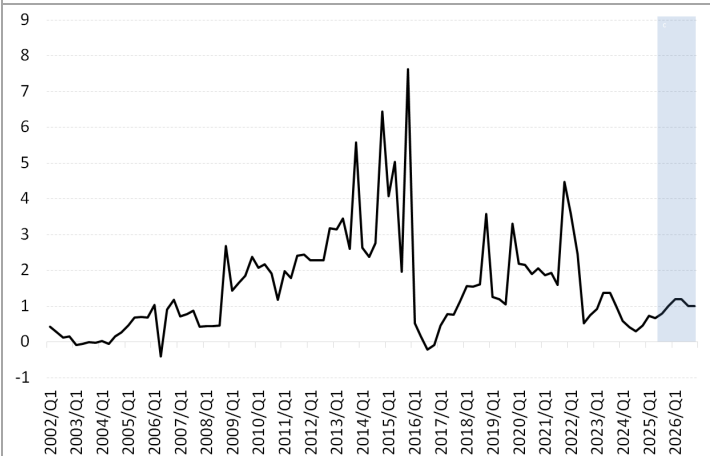
Chart 3: Monthly current account balance*
(EUR mn.)



Sources: Eurostat, MNB, OTP Research

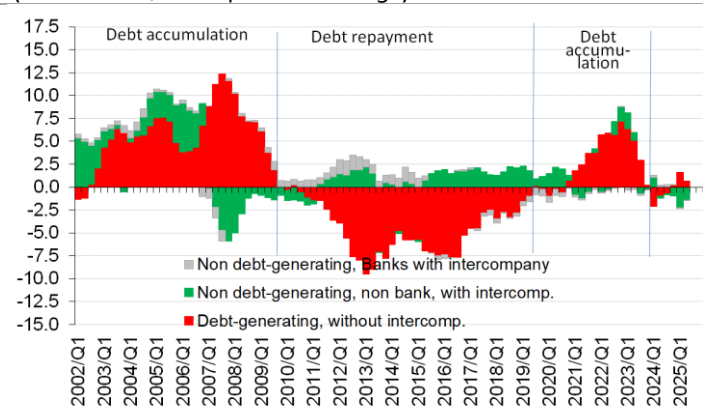
* monthly figures are not in line with the recent revision and not consistent with the quarterly figures

Chart 4: Capital balance
(as % of GDP, SA)



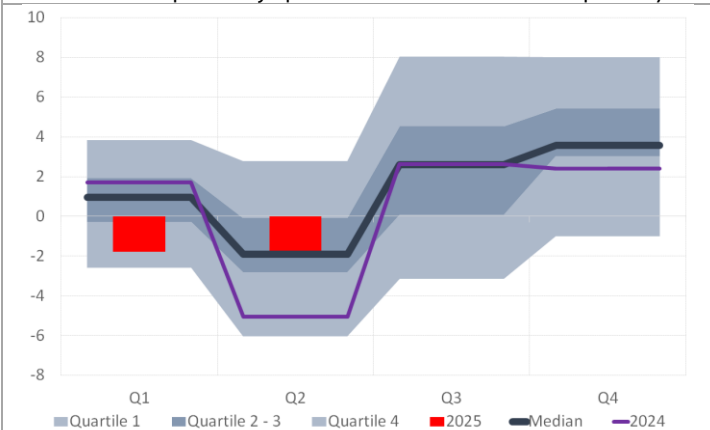
Sources: MNB, OTP Research (negative numbers represent outflow)

Chart 5: Structure of (net) capital flows
(as % of GDP, four-quarter average)



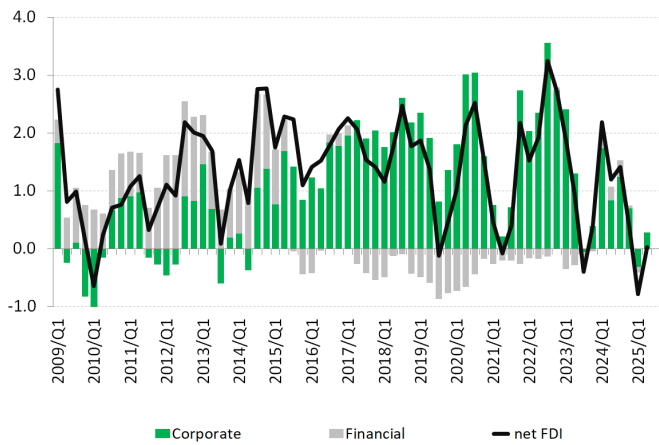
Sources: MNB, KSH (negative numbers represent outflow)

Chart 6: Net FDI inflow (% of GDP, NSA, Quarters of 2024 and 2025 vs. quarterly quartiles of the 2007-2022 period)



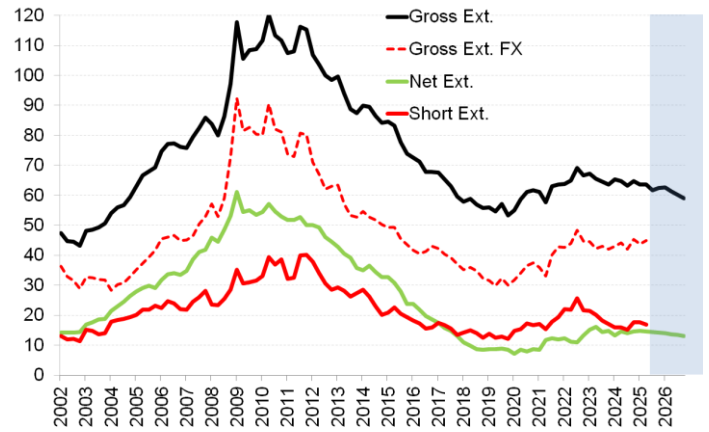
Sources: MNB, KSH (w/o intercompany debt)

Chart 7: Net FDI inflow
(4Q sum; % of GDP)



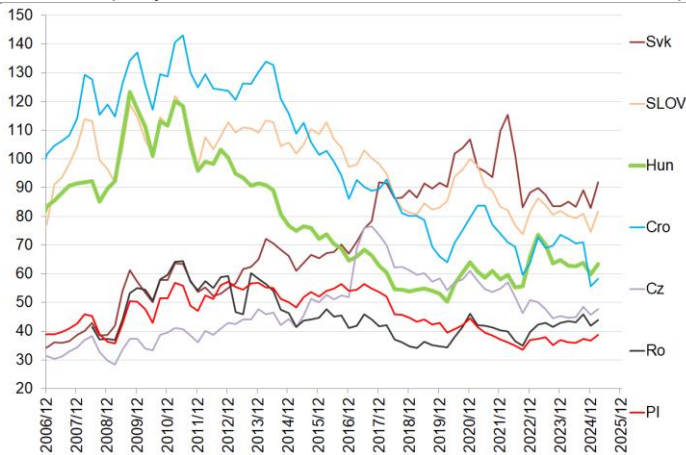
Sources: MNB, OTP Research

Chart 8: Indicators of external debt (% of GDP)



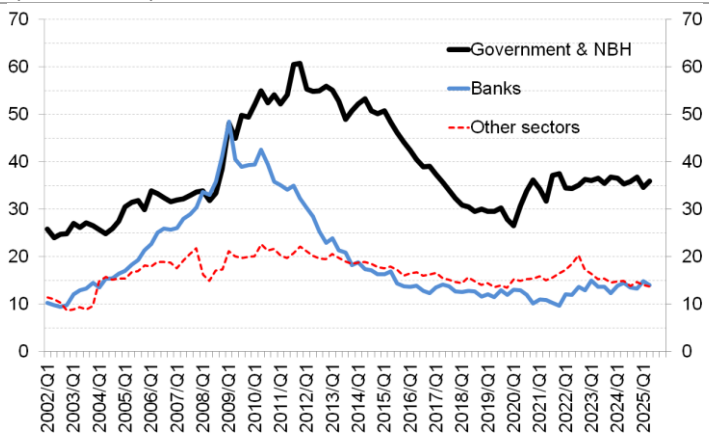
Sources: MNB, OTP Research

Chart 9: World Bank's gross external debt (w/o intercompany debt, as % of GDP, data available till Q3 2024)



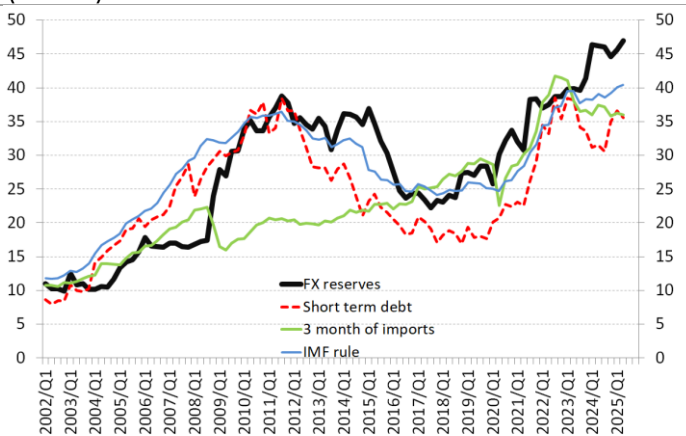
Sources: Datastream, World Bank

Chart 10: Gross external debt by sectors (as % of GDP)



Sources: MNB, OTP Research

Chart 11: Reserves and reserve adequacy rules (EUR bn)



Sources: MNB, OTP Research

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