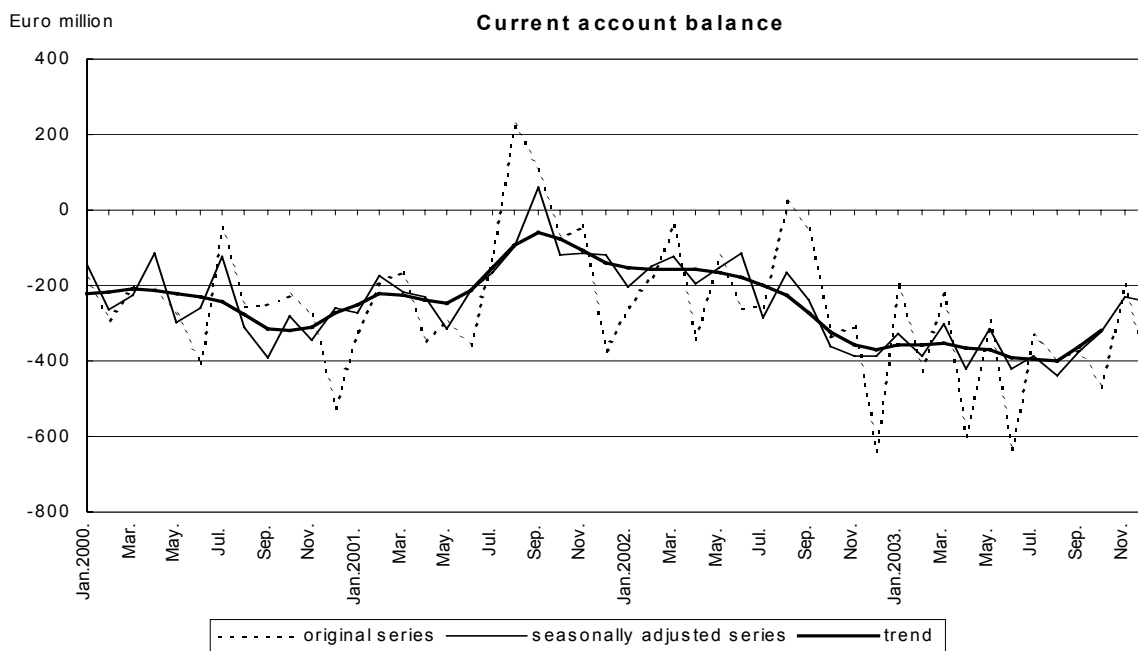


PRESS RELEASE

Hungary's balance of payments: December 2003

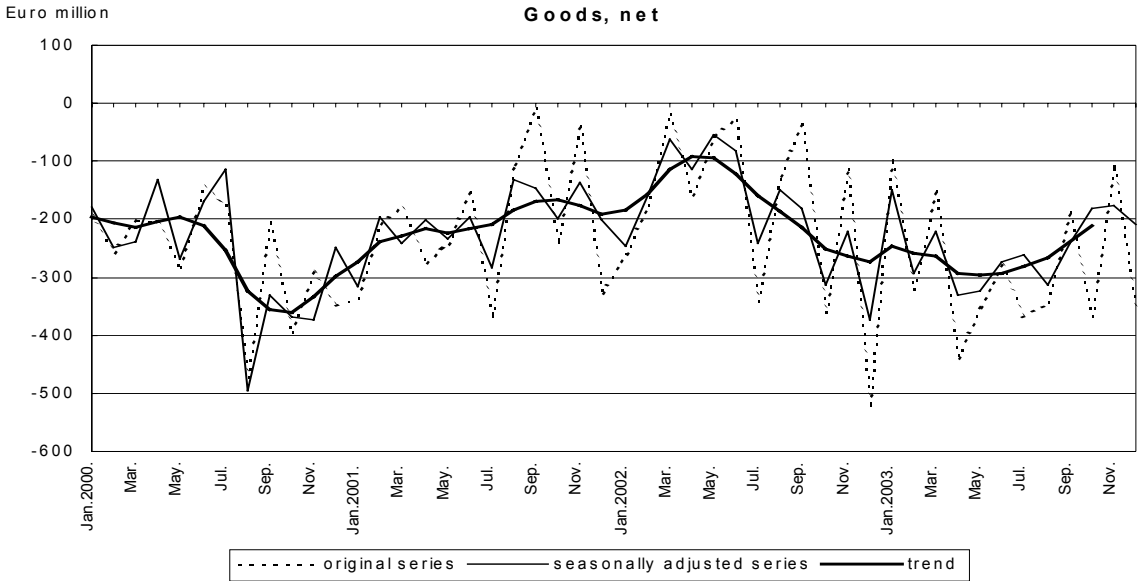
Consistent with its data release policy, the MNB is publishing the December 2003 balance of payments data, calling the attention to the major yearly trends observable on the basis of monthly data. The release of Hungary's 2003 balance of payments is scheduled for end-March 2004, together with the first release of Q4 data and the first revision of data for Q1–Q3. The balance of payments statistics, including reinvested earnings data, will also be released at end-March. The data reflecting the new methodology will be adjusted back to 1995.

Hungary's current account registered a EUR 437 million deficit in December 2003. Taking account of the latest revised, but not final, goods data for January–November 2003, released by the CSO on 10 February 2004, the annual current account deficit amounted to around EUR 4.2 billion. The not seasonally adjusted monthly balance of payments data for January–November 2003, being published, do not include the revised statistics for the same period.¹ The annual current account deficit, calculated by the Bank on the basis of monthly data, was EUR 4,584 billion. Nevertheless, the revisions have been taken into account in calculating the seasonally adjusted data. Based on the seasonally adjusted data to be presented below, the current account deficit fell in the second half of 2003. Improvement in the goods balance played a major role in this. Income and current transfers developed broadly evenly throughout the year. Non-debt inflows financed nearly 10% of the current account balance. Consequently, the whole-economy net foreign debt increased.

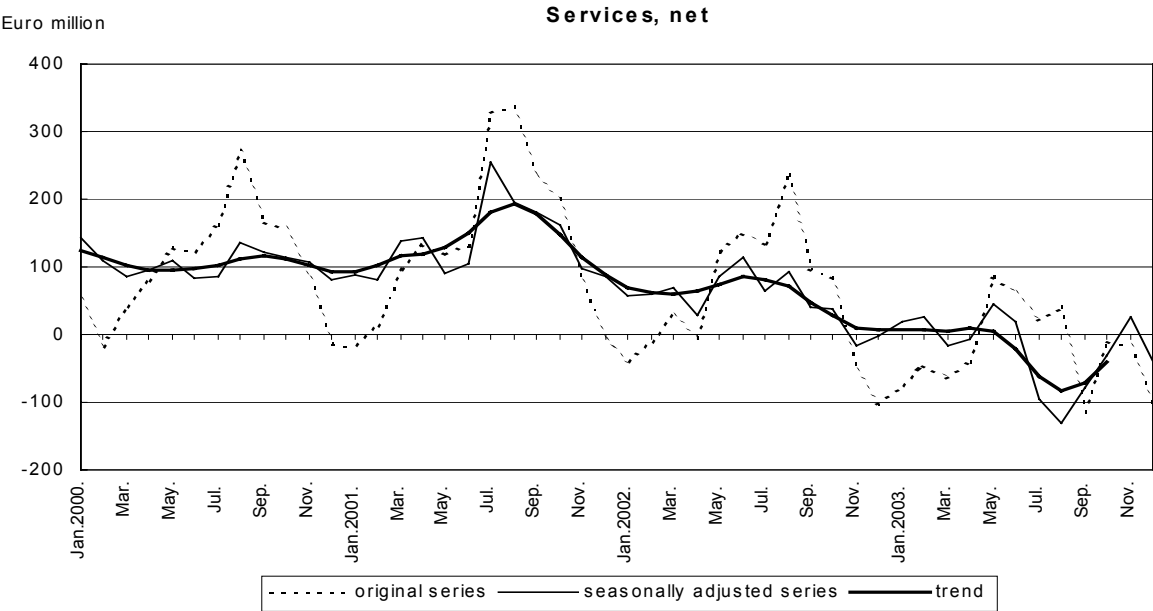


¹ Consistent with the Bank's data release and revision policy currently in effect.

In 2003, net expenditures for trade in goods were the balance of EUR 37.8 billion exports and EUR 41.1 billion imports.² Both exports and imports rose relative to the previous year. The seasonally adjusted goods deficit fell considerably in the final quarter, despite imports rising at a stronger rate than exports during the year as a whole.



According to the seasonally adjusted data, the services account deficit increased in 2003, despite the increase in net travel revenue in the second half. Rising as a trend throughout the whole year, the amount of deficit on other services was substantial.



² Including the release of customs-based data for December, the goods deficit was some EUR 0.4 billion lower than the deficit in the balance of payments in the first eleven months of the year.

According to the evidence of seasonally adjusted data, the outflows of both investment income on equity and investment income on debt developed evenly in 2003. This holds true for developments in current transfers.

Inward and outward non-debt capital transactions showed a net inflow of EUR 438 million in 2003, nearly equally distributed between direct investment and portfolio investment transactions. The net amount of direct investment transactions in equity capital was EUR 208 million. This derived from direct investment transactions by Hungarian residents abroad in the amount of EUR 1,286 million and direct investment transactions by non-residents in Hungary in the amount of EUR 1,494 million.

Central bank foreign exchange reserves amounted to EUR 10.1 billion at end-December 2003.

* * * * *

Balance of payments, Hungary

euro million

	2002				2003			
	Oct	Nov	Dec	Jan-Dec	Oct	Nov	Dec	Jan-Dec
1. Goods, net	-360	-115	-519	-2203	-368	-109	-356	-3382
1.1. Exports	3355	3376	2670	36821	3516	3677	3185	37755
1.2. Imports	3715	3490	3190	39024	3884	3786	3541	41137
2. Services and income, net	-13	-222	-156	-1043	-132	-112	-137	-1740
2.1. Services*, net	83	-51	-101	636	-10	-16	-104	-260
2.1.1. Exports	756	572	679	8237	775	777	1118	8955
2.1.2. Imports	673	624	780	7600	784	793	1222	9216
2.2. Income, net	-96	-171	-55	-1679	-122	-96	-33	-1480
2.2.1. Income on debt, net	-65	-89	17	-729	-121	-69	-26	-805
2.2.2. Income on equity, net	-46	-88	-86	-1101	-18	-37	-23	-814
2.2.3. Compensation of employees, net	15	7	14	151	16	10	16	139
3. Current transfers	39	28	39	475	31	21	56	538
4. Current account balance	-334	-309	-637	-2771	-469	-200	-437	-4584
5. Non debt creating financing, net	24	-8	60	891	-576	-86	368	438
5.1. Direct investment, equity capital, net	77	40	77	1077	-583	29	433	208
5.1.1. Abroad, net	-15	-7	-41	-204	-714	-15	-36	-1286
5.1.2. In Hungary, net	92	46	118	1281	132	44	469	1494
5.2. Portfolio investment, equity securities, net	-53	-47	-16	-186	7	-114	-65	230
*- o/w: Travel, net	147	72	79	1629	110	92	80	1240
credit	309	212	220	3448	276	209	242	3028
debit	162	140	142	1819	166	117	162	1788

Balance of payments, Hungary 2003.
(including revisions of goods by CSO)

euro million

	2003											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
1. Goods, net	-151	-316	-133	-420	-333	-221	-362	-301	-97	-222	-60	-356
1.1. Exports	2759	2860	3328	3115	3064	3037	3141	2745	3600	3646	3680	3185
1.2. Imports	2910	3177	3460	3536	3397	3258	3503	3046	3697	3868	3740	3541
2. Services and income, net												
2.1. Services	-74	-45	-64	-41	86	62	21	42	-113	-8	-15	-104
2.1.1. Travel, net	72	31	58	92	122	196	121	152	114	110	92	80
credit	193	144	188	235	259	338	326	326	290	276	209	242
debit	122	114	130	143	137	142	206	174	176	166	117	162
2.1.2. Other services, net	-146	-76	-122	-132	-36	-134	-100	-110	-227	-118	-108	-185
credit	467	416	457	419	448	390	434	383	575	499	568	876
debit	612	492	580	552	484	524	534	494	802	617	676	1060
2.2. Income, net	-69	-90	-56	-176	-98	-458	-28	-133	-121	-122	-96	-33
2.2.1. Income on debt, net	-56	-93	-12	-135	-40	-194	46	-51	-52	-121	-69	-26
2.2.2. Income on equity, net	-25	-4	-54	-52	-73	-273	-84	-91	-80	-18	-37	-23
2.2.3. Compensation of employees, net	13	7	10	11	15	10	10	9	11	16	10	16
3. Current transfers	44	32	50	57	71	41	44	36	55	31	21	56
4. Current account balance	-249	-420	-203	-581	-274	-576	-325	-356	-276	-321	-150	-437

Balance of payments, Hungary (seasonally adjusted data) ^{a)}

euro million

	2003											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
1. Goods, net	-149	-293	-221	-330	-322	-273	-262	-314	-241	-182	-176	-209
1.1. Exports	3026	3039	3098	3067	3066	3086	3116	3208	3307	3314	3325	3321
1.2. Imports	3290	3294	3343	3373	3434	3300	3382	3577	3579	3508	3604	3393
2. Services and income, net												
2.1. Services	19	26	-17	-7	46	19	-96	-132	-80	-32	26	-39
2.1.1. Travel, net	149	109	106	103	104	178	52	41	77	86	111	119
credit	297	249	242	256	251	293	222	197	239	247	249	286
debit	140	139	132	151	144	134	162	146	162	161	133	175
2.1.2. Other services, net	-135	-78	-122	-124	-67	-142	-134	-169	-156	-119	-92	-163
credit	443	387	465	432	449	392	459	445	489	562	662	720
debit	543	517	571	559	560	582	617	633	664	679	710	765
2.2. Income, net	-138	-141	-127	-127	-116	-132	-120	-126	-122	-127	-117	-122
2.2.1. Income on debt, net	-68	-74	-63	-68	-62	-72	-60	-68	-63	-73	-66	-71
2.2.2. Income on equity, net	-77	-73	-74	-59	-40	-91	-71	-81	-61	-75	-71	-54
2.2.3. Compensation of employees, net	9	9	6	11	11	12	9	11	15	16	15	17
3. Current transfers	44	32	50	57	71	41	44	36	55	31	21	56
4. Current account balance	-326	-387	-301	-423	-316	-421	-386	-439	-375	-321	-231	-242

Balance of payments, Hungary (seasonally adjusted data) ^{a)}

euro million

	2002											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1. Goods, net	-245	-159	-63	-114	-53	-83	-241	-149	-180	-314	-221	-373
1.1. Exports	2985	3099	3133	3172	3127	3103	3027	3070	3109	3044	2955	2921
1.2. Imports	3262	3326	3215	3297	3163	3261	3195	3170	3310	3337	3265	3211
2. Services and income, net												
2.1. Services	57	60	69	29	85	114	64	93	40	38	-17	-3
2.1.1. Travel, net	186	160	137	157	168	149	155	125	108	123	91	118
credit	307	321	307	303	309	274	306	259	267	280	250	267
debit	170	165	165	147	138	140	147	130	160	157	159	154
2.1.2. Other services, net	-84	-92	-79	-126	-89	-27	-89	-24	-59	-89	-118	-118
credit	392	383	369	338	346	465	410	412	389	431	374	461
debit	458	482	441	486	465	478	489	467	480	502	488	525
2.2. Income, net	-128	-124	-140	-135	-152	-137	-143	-146	-139	-138	-151	-136
2.2.1. Income on debt, net	-60	-55	-64	-65	-70	-65	-65	-66	-73	-62	-67	-58
2.2.2. Income on equity, net	-82	-78	-105	-79	-105	-84	-97	-104	-63	-74	-113	-91
2.2.3. Compensation of employees, net	14	13	12	15	15	14	7	11	12	14	11	14
3. Current transfers	73	19	53	34	36	31	43	42	38	39	28	39
4. Current account balance	-203	-149	-122	-197	-194	-115	-286	-168	-239	-363	-389	-386

In December 2003, the average exchange rates of the euro and the US dollar were HUF 264.84 and HUF 215.82 respectively.

The release of balance of payments data for January 2004 is scheduled for 12 March 2004. The Bank will release Hungary's balance of payments including reinvested earnings data first on 31 March 2004 (in a monthly and quarterly breakdown for 1995–2003).

Based on the Monetary Council's decision of 15 December 2003, the Bank's data release and revision policy will change after Hungary's joining the European Union. For a detailed description, see the press release 'Changes to the compilation and publication method and to the revision policy of the balance of payments statistics' on the Bank's website at (http://www.mnb.hu/dokumentumok/sajtokozi10105_en.pdf).

* * * * *

a) Methodological notes to seasonal adjustment:

The method used to seasonally adjust the sub-components of the current account in 2003 is as follows:

- 1 The components of the current account are seasonally adjusted using the SEATS TRAMO software, within the Demetra interface, in line with the recommendations of Eurostat.
- 2 The effects of *holidays* are eliminated using a built-in variable designed for holidays in Hungary; the *working-day effect* is eliminated using two regression variables.
- 3 *Outliers* are identified according to the basic setting, allowing the identification of all three types of outlier.
- 4 Consistent data are available from 1995. The Bank, therefore, revises data for the period beginning with that year. In order to minimise revisions, the same model setting is being used for one year. The press releases include a five-month moving average of the seasonally smoothed data, with diminishing weights proceeding symmetrically on both sides of the centre ($y_t = 1/9x_{t-2} + 2/9x_{t-1} + 3/9x_t + 2/9x_{t+1} + 1/9x_{t+2}$), instead of the trend calculated by the programme.
- 5 The sub-balance outcomes are directly seasonally adjusted. This means that the sub-accounts, derived from the not adjusted data, are directly seasonally adjusted. Consequently, the seasonally adjusted current account balance outcome cannot be reproduced from the seasonally adjusted data of the sub-accounts.

Notes to the press release and the tables:

The codes attached to the names of the sectors and sub-sectors (e.g. S.121) refer to the corresponding groups of the classification generally used in international practice. The definitions of the individual sectors can be found on the Bank's website at Financial Data...Statistical Releases, 'Sector classification in the MNB's statistical press releases from June 2001'.