

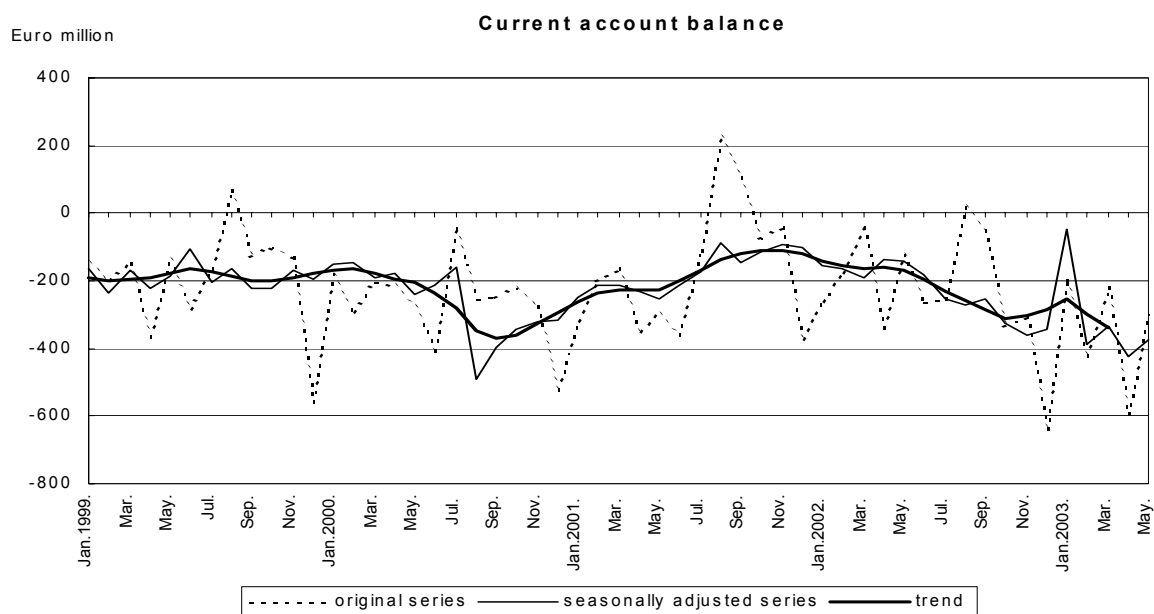
PRESS RELEASE

Hungary's balance of payments: May 2003

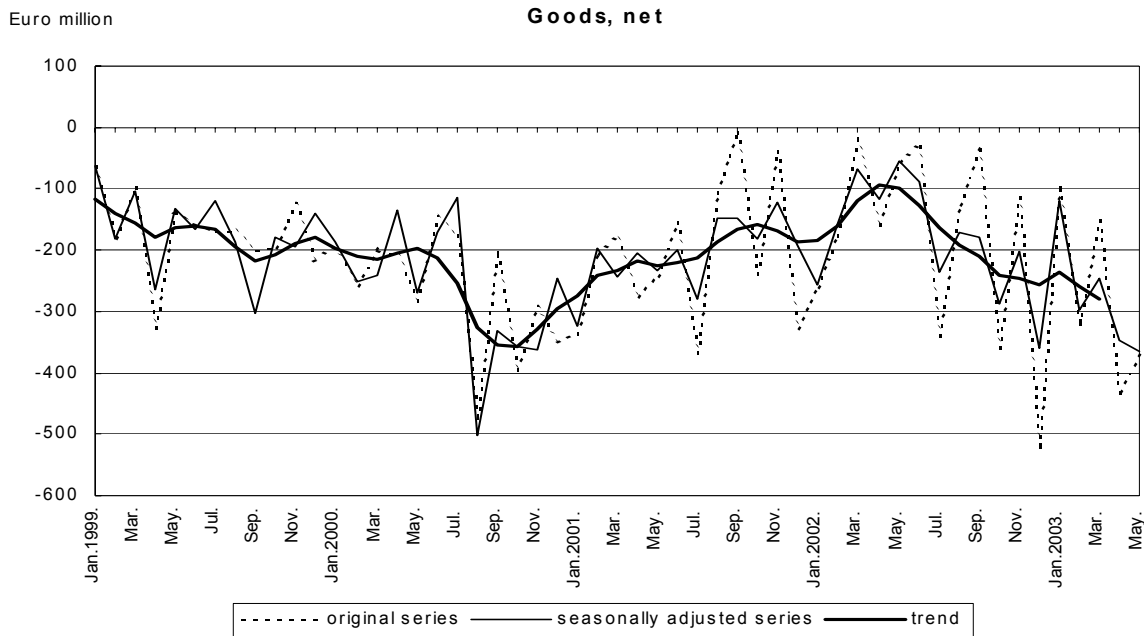
From 2003, the Bank has shifted the focus of its releases from monthly to quarterly data. On a monthly basis, the Bank only publishes the balance of payments data consisting of the main aggregates, in addition to international reserves data, on the R+30th working day. Unlike the earlier practice, IIP data are not be published. While keeping the previous structure, detailed balance of payments and IIP data are only compiled and published quarterly and yearly on the Bank's website before the end of the quarter following the reference period. With the introduction of the new system of data releases, the Bank has also changed its data revision practice. Monthly data are revised regularly at the time of releasing and revising quarterly and yearly data. Quarterly data are not revised within a year – they are only revised at the time of releasing and revising yearly data. Yearly data are revised twice – in the 15th month following the reference year as well as a year later. For more details, see the methodological description at: http://www.mnb.hu/dokumentumok/fm_modszertan_2003_en.pdf

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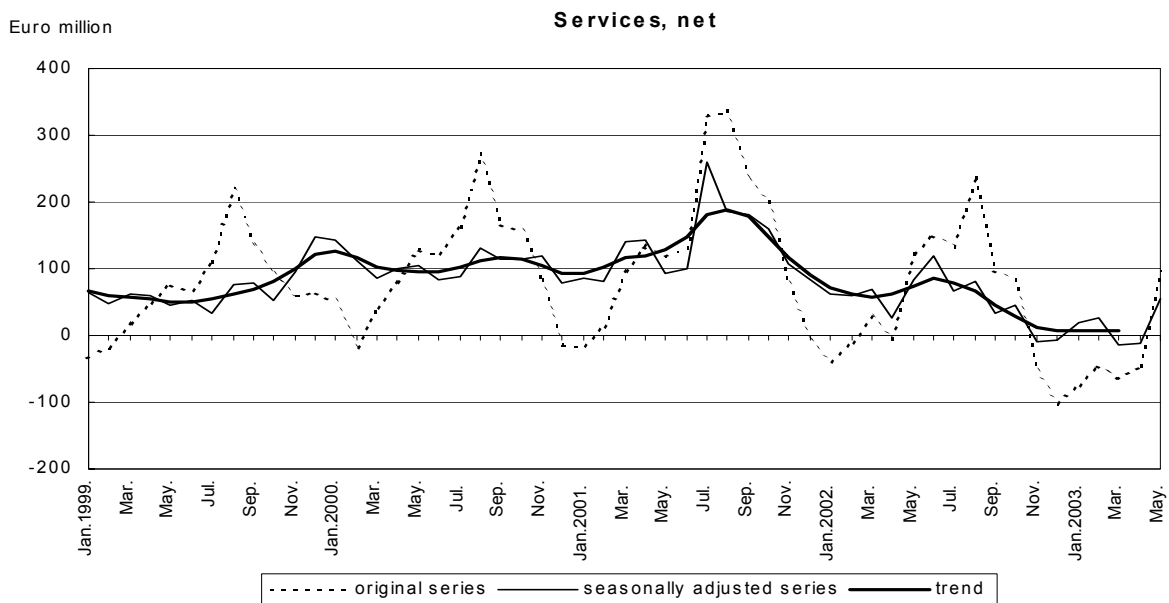
Hungary's current account registered a EUR 305 million deficit in May 2003. After eliminating the seasonal effects, the deficit was EUR 51 million lower than in the preceding month. The improvement in the balance of real economic transactions, playing a dominant role in current account developments, was related to other services, as the May goods deficit slightly exceeded April's. Non-debt inflows amounted to EUR 38 million in the month under review. Consequently, it was mainly the increase in net foreign debt that continued to finance Hungary's current account deficit.



In May, net expenditures for trade in goods were the balance of EUR 3,064 million exports and EUR 3,438 million imports. According to the seasonally adjusted data, the deficit increased further in the month under review. The rise in deficit in May amounted to EUR 17 million relative to April and to EUR 310 million relative to a year earlier. After eliminating the seasonal effects, goods exports have been stagnating and goods imports have been upwards in 2003.



According to the seasonally adjusted data, the balance outcome on the services account improved in May – the deficit on services excluding travel fell, the travel surplus remaining virtually unchanged.



According to the seasonally adjusted data, net investment income on equity, one of the constituents of inward and outward flows of direct investment income, fell in April–May. Taking a longer-term view, net investment income on debt has been in a broad balance.

After eliminating the seasonal effects, the EUR 72 million surplus on current transfers was EUR 16 million higher than in the preceding month.

Inward and outward non-debt capital transactions showed a net inflow of EUR 38 million in May. The net value of direct investment in equity capital was practically zero, as Hungarian residents invested EUR 68 million abroad and non-residents invested EUR 67 million in Hungary. Portfolio investment transactions in equity securities showed a net inflow of EUR 39 million in the month under review. According to the evidence of transactions data, the current account deficit and the structure of financing caused Hungary's net debt to continue increasing in May.

Central bank foreign exchange reserves amounted to EUR 10.9 billion at end-May 2003.

Balance of payments, Hungary

euro million

	2002				2003			
	Mar.	Apr.	May	Jan.-May	Mar.	Apr.	May	Jan.-May
1. Goods, net	-19	-159	-57	-674	-152	-432	-374	-1380
1.1. Exports	3307	3232	3207	15430	3293	3074	3064	15080
1.2. Imports	3326	3391	3264	16104	3446	3505	3438	16460
2. Services and income, net	-76	-215	-103	-485	-120	-217	-4	-621
2.1. Services*, net	28	-6	122	92	-64	-45	95	-135
2.1.1. Exports	591	634	678	3137	645	654	705	3223
2.1.2. Imports	563	640	557	3046	709	699	610	3358
2.2. Income, net	-104	-209	-225	-577	-56	-172	-99	-486
2.2.1. Income on debt, net	-37	-135	-84	-298	-12	-133	-42	-337
2.2.2. Income on equity, net	-84	-89	-160	-358	-54	-50	-72	-205
2.2.3. Compensation of employees, net	17	15	19	78	10	11	15	57
3. Current transfers	53	34	36	215	50	56	72	254
4. Current account balance	-41	-341	-124	-944	-223	-592	-305	-1746
5. Non debt creating financing, net	62	145	-12	467	-60	-35	38	-61
5.1. Direct investment, equity capital, net	56	128	9	359	-293	-51	-1	-329
5.1.1. Abroad, net	-6	-29	1	-66	-351	-13	-68	-436
5.1.2. In Hungary, net	62	157	9	425	58	-38	67	107
5.2. Portfolio investment, equity securities, net	7	17	-22	108	234	16	39	268
*- o/w: Travel, net	89	145	185	552	58	92	122	375
credit	250	283	316	1265	188	235	259	1020
debit	161	138	131	713	130	143	137	645

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

euro million

	2003				
	Jan.	Feb.	Mar.	Apr.	May.
1. Goods, net	-119	-299	-246	-347	-364
1.1. Exports	3044	3023	3072	3042	3047
1.2. Imports	3276	3276	3309	3353	3477
2. Services and income, net					
2.1. Services					
2.1.1. Travel, net	158	105	102	106	108
credit	301	251	243	258	253
debit	141	135	133	151	144
2.1.2. Other services, net	-132	-76	-118	-121	-57
credit	441	387	465	434	449
debit	524	514	533	541	534
2.2. Income, net					
2.2.1. Income on debt, net	-68	-74	-62	-67	-61
2.2.2. Income on equity, net	-82	-77	-80	-61	-43
2.2.3. Compensation of employees, net	9	9	6	12	12
3. Current transfers	44	32	50	56	72
4. Current account balance	-47	-386	-335	-424	-373

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	-258	-159	-68	-118	-54	-89	-236	-171	-180	-288	-203	-361
1.1. Exports	2975	3094	3147	3185	3118	3086	3000	3073	3139	3062	2959	2912
1.2. Imports	3263	3322	3215	3294	3152	3239	3177	3189	3321	3359	3297	3191
2. Services and income, net												
2.1. Services												
2.1.1. Travel, net												
credit	140	155	139	153	170	145	148	115	107	123	101	134
debit	310	322	307	304	310	286	299	244	264	278	249	277
2.1.2. Other services, net	170	160	163	148	138	138	149	130	162	158	156	155
credit	-83	-91	-76	-121	-88	-39	-92	-36	-65	-83	-102	-120
debit	394	383	367	338	344	466	412	413	385	434	375	458
2.2. Income, net	454	471	459	469	469	474	486	478	490	503	494	518
2.2.1. Income on debt, net												
2.2.2. Income on equity, net	-60	-55	-64	-65	-70	-69	-60	-67	-70	-67	-66	-60
2.2.3. Compensation of employees, net	-81	-80	-107	-82	-111	-93	-91	-107	-56	-73	-108	-79
3. Current transfers	14	13	12	15	15	14	6	11	12	15	11	14
4. Current account balance	73	19	53	34	36	31	43	42	38	39	28	39
	-153	-163	-190	-138	-143	-182	-254	-271	-255	-325	-360	-342

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In May 2003, the average exchange rates of the euro and the US dollar were HUF 245.90 and HUF 212.17 respectively.

The release of Hungary's balance of payments for June 2003 is scheduled for 11 August 2003.

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^{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 web site at Financial Data...Statistical Releases, 'Sector classification in the MNB's statistical press releases from June 2001'.