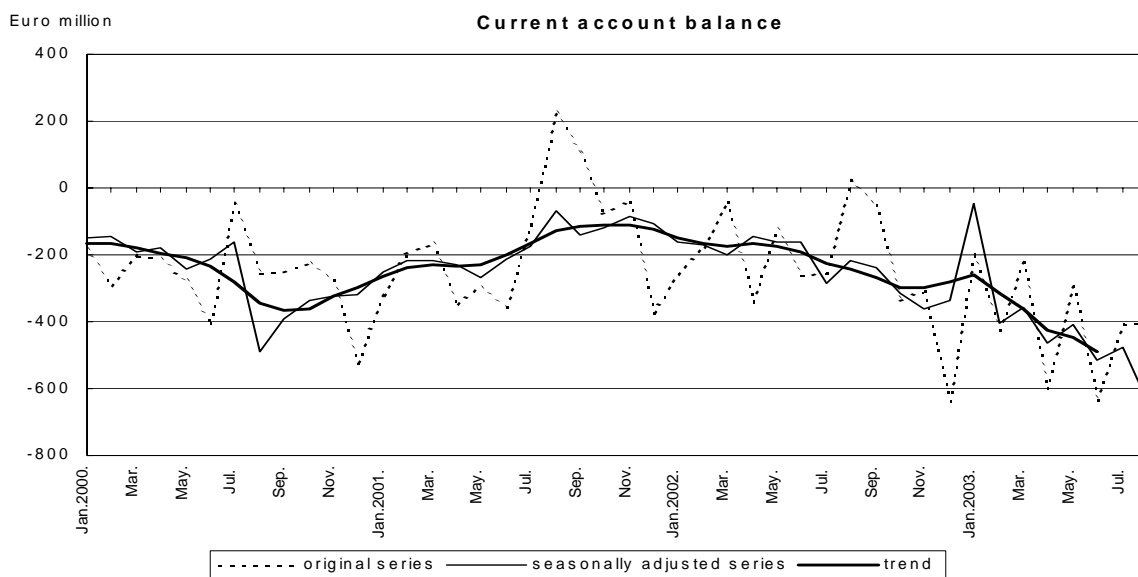


## PRESS RELEASE

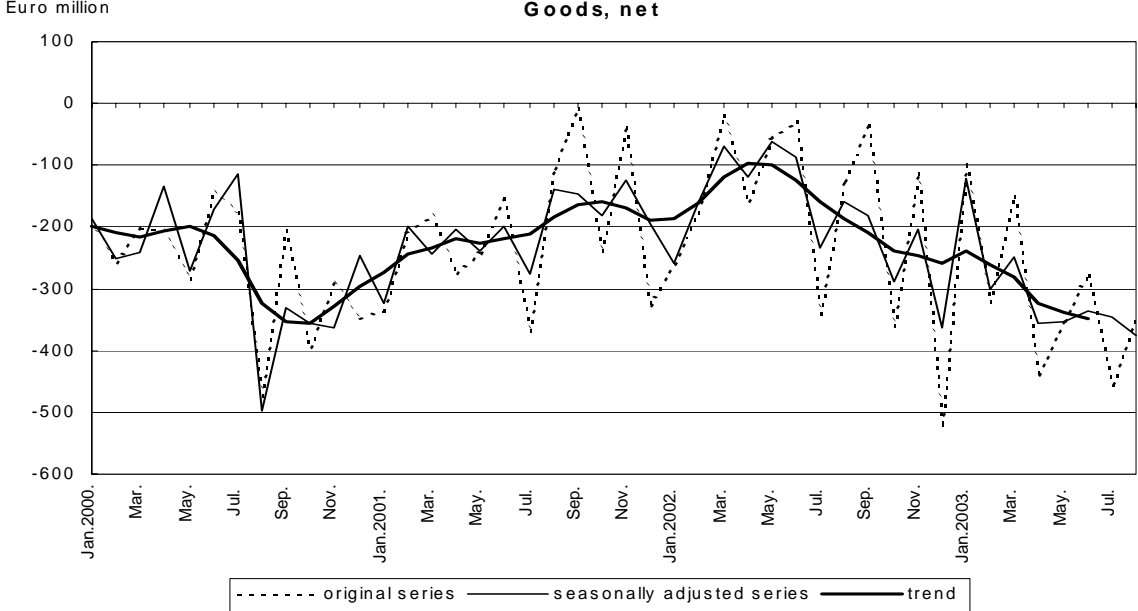
### Hungary's balance of payments: August 2003

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+30<sup>th</sup> working day. Unlike the earlier practice, IIP data are not 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 15<sup>th</sup> 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](http://www.mnb.hu/dokumentumok/fm_modszertan_2003_en.pdf)

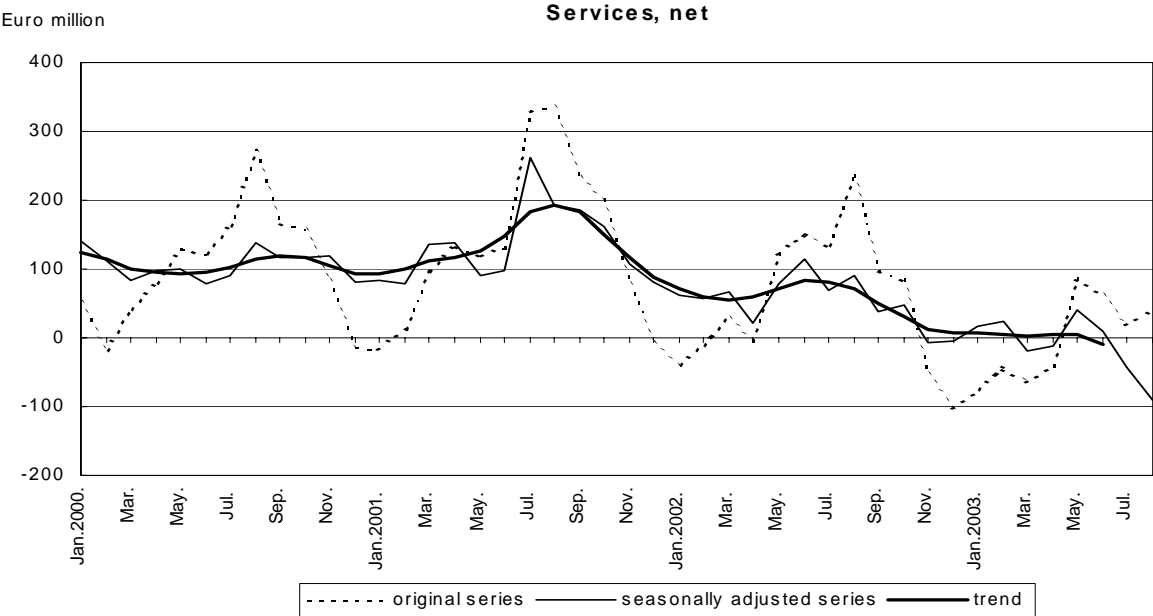
Hungary's current account registered a EUR 402 million deficit in August 2003. After eliminating the seasonal effects, the deficit was EUR 157 million higher than in the preceding month. The deterioration in the August balance outcome was attributable to negative developments in the balance of real economic transactions and in the income and transfer accounts. The not seasonally adjusted current account deficit fell a little in one month. However, as this improvement was smaller than in earlier years, the seasonally adjusted deficit was higher. The outcomes on the goods and services sub-accounts within the balance of real economic transactions worsened relative to July. As non-debt inflow amounted to EUR 173 million, Hungary's current account deficit was again financed by the increase in net foreign debt in the month under review.



In August, net expenditures for trade in goods were the balance of EUR 2,709 million exports and EUR 3,056 million imports. According to the seasonally adjusted data, the deficit increased by EUR 30 million relative to July and was EUR 217 million higher than a year earlier. Both exports and imports were higher in the month under review, the increase in deficit being attributable to the faster rise in imports.



According to the seasonally adjusted data, the services account deficit increased relative to the preceding month. The outcomes on both sub-accounts of services deteriorated – the deficit on other services rose and, due to declines in revenue and expenditure, the travel surplus fell.



According to the evidence of seasonally adjusted data, the outflows of both investment income on equity and investment income on debt, the two constituents of direct investment income flows, were higher relative to the preceding month.

The surplus registered on current transfers amounted to EUR 36 million in August.

Inward and outward non-debt capital transactions showed a net inflow of EUR 173 million in August. Direct investment transactions in equity capital by Hungarian residents abroad amounted to EUR 13 million, those by non-residents in Hungary amounting to EUR 120 million. Portfolio investment transactions in equity securities showed a net inflow of EUR 66 million in the month under review. Once again, in August Hungary's current account deficit was financed by the increase in net foreign debt.

Central bank foreign exchange reserves amounted to EUR 10.7 billion at end-August 2003.

## Balance of payments, Hungary

euro million

	2002				2003			
	Jun	Jul	Aug	Jan.-Aug	Jun	Jul	Aug	Jan.-Aug
<b>1. Goods, net</b>	<b>-31</b>	<b>-340</b>	<b>-127</b>	<b>-1171</b>	<b>-279</b>	<b>-456</b>	<b>-347</b>	<b>-2450</b>
1.1. Exports	3148	2965	2634	24178	2969	3063	2709	23801
1.2. Imports	3179	3305	2761	25349	3249	3519	3056	26251
<b>2. Services and income, net</b>	<b>-262</b>	<b>43</b>	<b>106</b>	<b>-598</b>	<b>-396</b>	<b>3</b>	<b>-91</b>	<b>-1114</b>
2.1. Services*, net	149	132	235	607	62	20	41	-18
2.1.1. Exports	755	827	804	5523	728	760	708	5420
2.1.2. Imports	606	694	569	4915	666	740	667	5438
2.2. Income, net	-411	-89	-128	-1205	-458	-17	-132	-1096
2.2.1. Income on debt, net	-166	3	-37	-498	-194	48	-51	-534
2.2.2. Income on equity, net	-257	-100	-101	-815	-273	-75	-91	-647
2.2.3. Compensation of employees, net	12	8	10	107	10	10	9	85
<b>3. Current transfers</b>	<b>31</b>	<b>43</b>	<b>42</b>	<b>331</b>	<b>41</b>	<b>44</b>	<b>36</b>	<b>375</b>
<b>4. Current account balance</b>	<b>-261</b>	<b>-254</b>	<b>21</b>	<b>-1438</b>	<b>-635</b>	<b>-408</b>	<b>-402</b>	<b>-3189</b>
<b>5. Non debt creating financing, net</b>	<b>36</b>	<b>70</b>	<b>247</b>	<b>820</b>	<b>83</b>	<b>413</b>	<b>173</b>	<b>611</b>
5.1. Direct investment, equity capital, net	91	135	259	845	90	397	106	273
5.1.1. Abroad, net	21	-24	-39	-109	-58	-31	-13	-540
5.1.2. In Hungary, net	70	160	298	954	147	428	120	812
5.2. Portfolio investment, equity securities, net	-55	-65	-12	-24	-7	16	66	338
*- o/w: Travel, net	168	226	239	1185	196	121	152	843
credit	316	412	393	2387	338	326	326	2010
debit	148	186	154	1201	142	206	174	1167

## Balance of payments, Hungary (seasonally adjusted data) <sup>a)</sup>

euro million

	2003							
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
<b>1. Goods, net</b>	<b>-121</b>	<b>-301</b>	<b>-249</b>	<b>-355</b>	<b>-353</b>	<b>-337</b>	<b>-347</b>	<b>-377</b>
1.1. Exports	3041	3021	3075	3042	3026	3013	3036	3101
1.2. Imports	3275	3274	3312	3359	3425	3278	3397	3602
<b>2. Services and income, net</b>								
2.1. Services								
2.1.1. Travel, net	159	106	103	108	110	165	40	29
credit	301	250	241	256	249	290	217	190
debit	141	135	133	151	145	134	162	146
2.1.2. Other services, net	-134	-79	-121	-121	-66	-140	-103	-138
credit	442	387	467	433	448	391	419	400
debit	523	514	532	540	533	548	546	556
2.2. Income, net								
2.2.1. Income on debt, net	-68	-74	-63	-67	-61	-71	-59	-66
2.2.2. Income on equity, net	-82	-76	-79	-62	-43	-98	-73	-90
2.2.3. Compensation of employees, net	9	9	6	11	12	12	9	10
<b>3. Current transfers</b>	<b>44</b>	<b>32</b>	<b>50</b>	<b>57</b>	<b>71</b>	<b>41</b>	<b>44</b>	<b>36</b>
<b>4. Current account balance</b>	<b>-48</b>	<b>-403</b>	<b>-357</b>	<b>-463</b>	<b>-408</b>	<b>-515</b>	<b>-477</b>	<b>-634</b>

Balance of payments, Hungary (seasonally adjusted data) <sup>a)</sup>

euro million

	2002											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
<b>1. Goods, net</b>	<b>-259</b>	<b>-161</b>	<b>-69</b>	<b>-118</b>	<b>-61</b>	<b>-87</b>	<b>-234</b>	<b>-160</b>	<b>-180</b>	<b>-289</b>	<b>-204</b>	<b>-363</b>
1.1. Exports	2976	3092	3140	3184	3123	3098	3008	3067	3139	3060	2954	2909
1.2. Imports	3262	3320	3202	3293	3157	3259	3184	3177	3327	3357	3283	3191
<b>2. Services and income, net</b>												
2.1. Services												
2.1.1. Travel, net												
credit	141	156	140	154	172	138	146	116	106	124	101	135
debit	310	321	306	302	307	272	303	254	267	281	250	278
2.1.2. Other services, net	170	160	163	148	138	140	147	130	162	158	156	155
credit	-84	-92	-78	-123	-88	-26	-96	-32	-64	-84	-104	-122
debit	393	383	368	337	345	467	411	411	388	432	374	460
2.2. Income, net	453	471	459	469	470	473	488	478	490	503	494	517
2.2.1. Income on debt, net												
2.2.2. Income on equity, net	-60	-55	-64	-65	-70	-65	-65	-66	-70	-67	-66	-60
2.2.3. Compensation of employees, net	-82	-80	-107	-81	-111	-87	-99	-106	-55	-75	-109	-78
3. Current transfers	14	13	12	15	15	14	7	11	12	15	11	14
<b>4. Current account balance</b>	<b>73</b>	<b>19</b>	<b>53</b>	<b>34</b>	<b>36</b>	<b>31</b>	<b>43</b>	<b>42</b>	<b>38</b>	<b>39</b>	<b>28</b>	<b>39</b>
	<b>-162</b>	<b>-170</b>	<b>-200</b>	<b>-146</b>	<b>-160</b>	<b>-163</b>	<b>-286</b>	<b>-216</b>	<b>-238</b>	<b>-315</b>	<b>-360</b>	<b>-336</b>

\* \* \* \* \*

In August 2003, the average exchange rates of the euro and the US dollar were HUF 259.64 and HUF 232.84 respectively.

The releases of Hungary's balance of payments for September 2003 is scheduled for 12 November 2003.

\* \* \* \* \*

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'.