

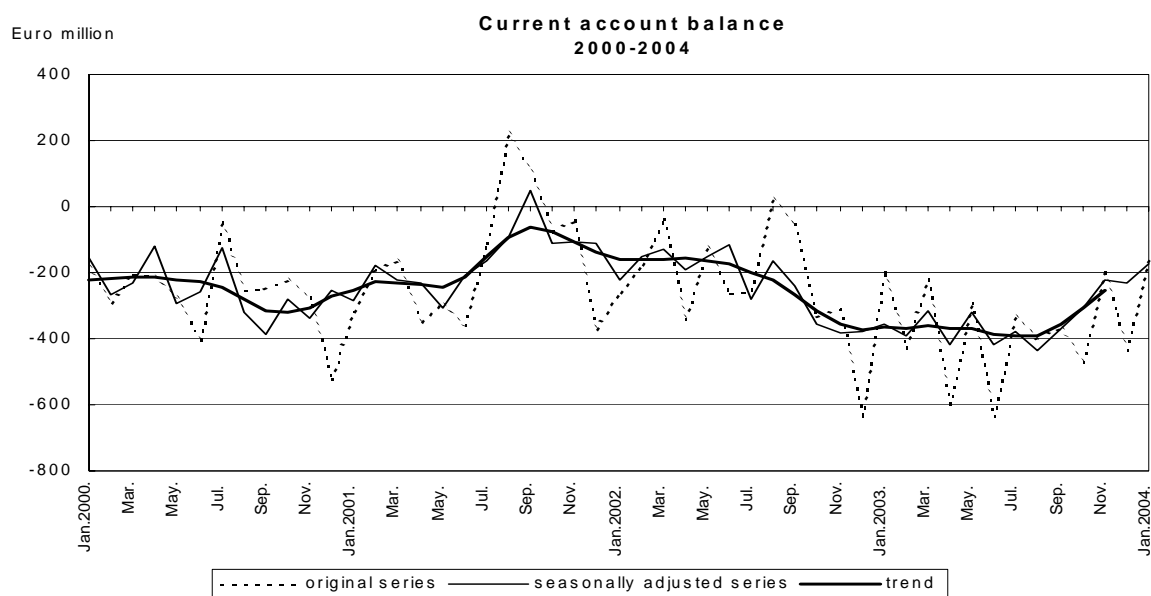
12 March 2004

PRESS RELEASE

Hungary's balance of payments: January 2004

The January balance of payments data are consistent with those published by the Bank in the past, as they do not include reinvested earnings. In line with the Bank's data revision policy, the release of Hungary's 2003 balance of payments, including reinvested earnings data, is scheduled for end-March 2004, together with the first release of 2003 data, including those for 2003 Q4 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; and the January 2004 balance of payments data will be revised in accordance with the change by the Bank to its statistical methodology.

Hungary's current account registered a EUR 163 million deficit in January 2004. That was lower than in the preceding month. According to the seasonally adjusted data, the deficit continued to fall in 2003 H2. (In calculating the seasonally adjusted data, the Bank relied on the corrected customs-based data for 2003, as in the preceding month.¹) The declining goods deficit, observable since 2003 H2, played an important role in developments in the current account balance in January 2004. Income and current transfers continued to develop broadly evenly in the month under review. Non-debt outflows amounted to EUR 138 million, deriving as a balance of a EUR 96 million inflow and a EUR 205 million outflow of direct investment capital.

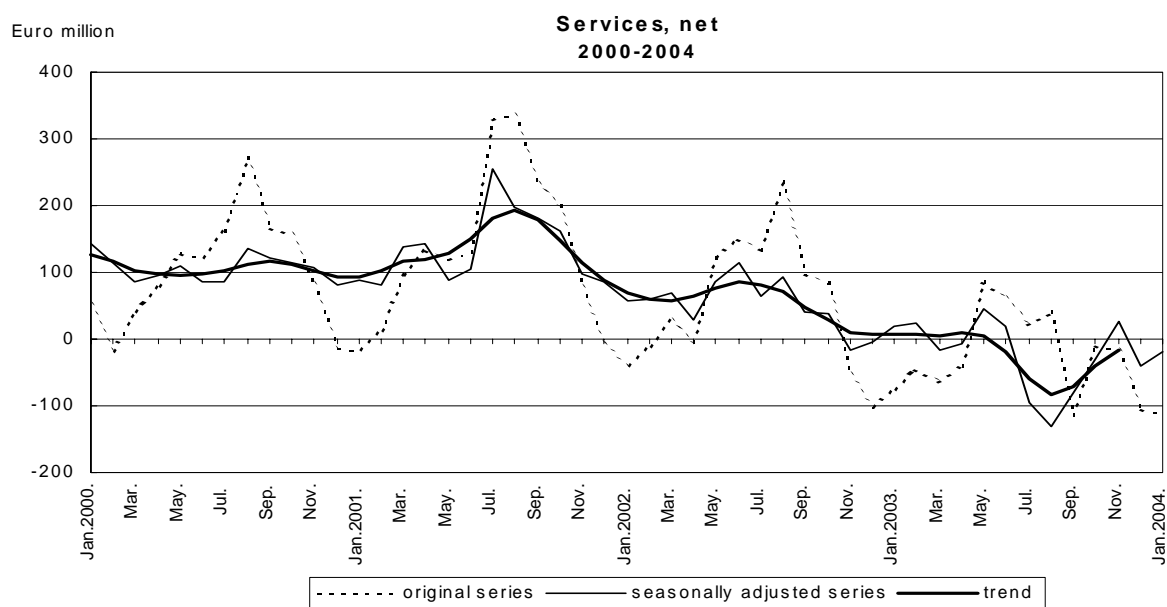


¹ Consistent with the Bank's data release and revision policy currently in effect, corrected customs data will be built in the not seasonally adjusted 2003 data at the time of the March data revision.

In January 2004, net expenditures for trade in goods were the balance of EUR 3,063 million exports and EUR 3,107 billion imports. Exports and imports were EUR 256 million and EUR 200 million higher respectively than a year earlier. According to the seasonally adjusted data, export growth was higher than import growth in a one-month comparison. The seasonally adjusted goods deficit was EUR 100 million lower than in December 2003.



Net travel revenue amounted to EUR 18 million in January. According to the time series derived by seasonally adjusting data, the trend of monthly travel account surpluses has been upwards in recent months. The deficit on services excluding travel was EUR 129 million in the month under review. After eliminating the seasonal effects, the trend of monthly deficits on services excluding travel has been upwards.



Total net outflow of investment income amounted to EUR 52 million in January. Here, the negative balance for investment income on equity increased by EUR 4 million and that for investment income on debt fell by EUR 34 million in a year-on-year comparison.

The surplus registered on current transfers amounted to EUR 35 million. That was EUR 10 million higher than in January 2003.

Inward and outward non-debt capital transactions showed a net outflow of EUR 138 million in January. The value of direct investment in equity capital was the balance of direct investment transactions by Hungarian residents abroad and those by non-residents in Hungary, in the amounts of EUR 205 million and EUR 96 million respectively. Portfolio investment transactions in equity securities showed a net outflow of EUR 28 million in the month under review.

Central bank foreign exchange reserves amounted to EUR 10.7 billion at end-January 2004.

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Balance of payments, Hungary

euro million

	2003	2004
	Jan.	Jan.
1. Goods, net	-100	-44
1.1. Exports	2807	3063
1.2. Imports	2908	3107
2. Services and income, net	-145	-154
2.1. Services*, net	-76	-111
2.1.1. Exports	658	666
2.1.2. Imports	734	777
2.2. Income, net	-69	-43
2.2.1. Income on debt, net	-56	-22
2.2.2. Income on equity, net	-25	-29
2.2.3. Compensation of employees, net	13	9
3. Current transfers	44	35
4. Current account balance	-200	-163
5. Non debt creating financing, net	77	-138
5.1. Direct investment, equity capital, net	58	-110
5.1.1. Abroad, net	-6	-205
5.1.2. In Hungary, net	64	96
5.2. Portfolio investment, equity securities, net	19	-28
*- o/w: Travel, net	72	18
credit	193	135
debit	122	117

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

euro million

	2004
	Jan.
1. Goods, net	-97
1.1. Exports	3509
1.2. Imports	3648
2. Services and income, net	
2.1. Services	-19
2.1.1. Travel, net	94
credit	243
debit	137
2.1.2. Other services, net	-121
credit	615
debit	711
2.2. Income, net	-119
2.2.1. Income on debt, net	-61
2.2.2. Income on equity, net	-83
2.2.3. Compensation of employees, net	6
3. Current transfers	35
4. Current account balance	-174

Balance of payments, Hungary 2003. (seasonally adjusted data) ^{a)} (including revisions of goods by CSO)

euro million

	2003											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
1. Goods, net	-184	-292	-226	-327	-320	-273	-255	-308	-237	-174	-171	-197
1.1. Exports	3007	3024	3103	3075	3061	3080	3107	3215	3328	3334	3328	3358
1.2. Imports	3279	3286	3324	3374	3427	3286	3376	3586	3592	3531	3625	3394
2. Services and income, net												
2.1. Services	19	24	-17	-8	46	19	-96	-132	-81	-32	26	-40
2.1.1. Travel, net	149	110	107	103	104	178	53	42	77	86	110	116
credit	302	249	241	257	252	294	222	195	238	246	247	286
debit	143	139	133	152	145	134	162	146	161	160	133	173
2.1.2. Other services, net	-138	-81	-123	-123	-68	-142	-132	-167	-154	-117	-90	-159
credit	445	388	465	431	451	392	459	445	490	563	662	718
debit	547	523	571	563	565	586	620	633	661	676	703	753
2.2. Income, net	-141	-142	-125	-128	-113	-134	-117	-126	-119	-127	-113	-121
2.2.1. Income on debt, net	-71	-74	-62	-67	-61	-70	-59	-66	-61	-71	-64	-68
2.2.2. Income on equity, net	-77	-72	-75	-59	-39	-92	-71	-82	-61	-75	-72	-53
2.2.3. Compensation of employees, net	10	9	6	11	12	12	9	11	15	16	14	16
3. Current transfers	44	32	50	57	71	41	44	36	55	31	21	56
4. Current account balance	-356	-390	-314	-417	-318	-417	-376	-435	-368	-308	-223	-230

The underlying data for 2003 on the Bank's website are shown in accordance with the Bank's data release policy. The underlying data, used to calculate the seasonally adjusted data in the table above, are available on the Bank's website as an Appendix to its 12 February 2004 press release.

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Data compiled in accordance with the new methodology will be first released at end-2004, going back to 1995. Simultaneously with this, the 'Time series for 1995–2002 prior to the methodological changes in 2003' will be cancelled.

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/sajtokozl0105_en.pdf).

In January 2004, the average exchange rates of the euro and the US dollar were HUF 264.60 and HUF 209.76 respectively.

The next release of balance of payments data is scheduled for end-March 2004 (see the reminder at the beginning of this press release). The February 2004 balance of payments will be released on 13 April 2004.

^{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'.