

PRESS RELEASE

Hungary's balance of payments: October 2002

According to the final data, Hungary's current account registered a EUR 231 million deficit in October 2002. This compared with a EUR 72 million deficit a year earlier. The decline in net revenues for services, particularly tourism, was dominant in the year-on-year change. After eliminating the seasonal effects, the current account was in a deficit of EUR 331 million. The significant fall in tourism revenue explains the major part of the steady increase in the seasonally adjusted current account deficit since the final quarter of 2001. Contributing to this are the slight increases in deficits on goods trade and other services. Net non-debt inflow amounted to EUR 20 million in the month under review.

Central bank foreign exchange reserves amounted to EUR 9.9 billion at month-end. Whole-economy gross foreign debt was virtually unchanged relative to the preceding month. This was attributable to the fact that the EUR 0.1 billion downward effect of transactions was offset by the identical upward effect of price and exchange rate movements as well as other volume changes. Net foreign debt rose by EUR 0.2 billion relative to the preceding month. This resulted mainly from the EUR 0.2 billion upward effect of transactions. The outstanding total of forint-denominated central bank and government debt securities was EUR 6.2 billion at end-October, EUR 0.1 billion higher than at the end of September.

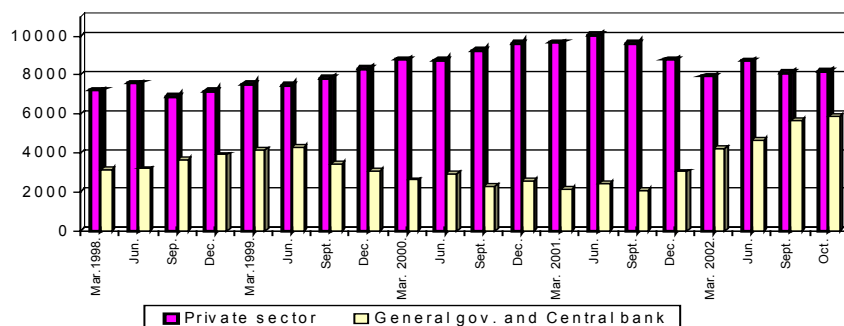
Foreign debt of Hungary

	Euro million	
	2002	
	Sept.	Oct.
I. Gross foreign debt, Total Economy (S.1) (A+B)	37.3	37.3
A: General government and Central bank (S.13+S.121)	17.1	16.9
A.1. o/w.:debt securities denominated in HUF	6.1	6.2
B. Private sector (S.1-S.13-S.121)	20.2	20.5
B.1. o/w.:Intercompany loans	6.4	6.4
II. Net foreign debt, Total Economy (S.1) (A+B)	13.8	14.0
A: General government and Central bank (S.13+S.121)	5.7	5.9
A.1. o/w.:debt securities denominated in HUF	6.1	6.2
B. Private sector (S.1-S.13-S.121)	8.1	8.2
B.1. o/w.:Intercompany loans	3.4	3.3
III. Gross foreign debt denominated in foreign currencies, Total Economy (S.1) ^{a)}	24.8	24.7
IV. Net foreign debt denominated in foreign currencies, Total Economy (S.1) ^{a)}	4.2	4.5

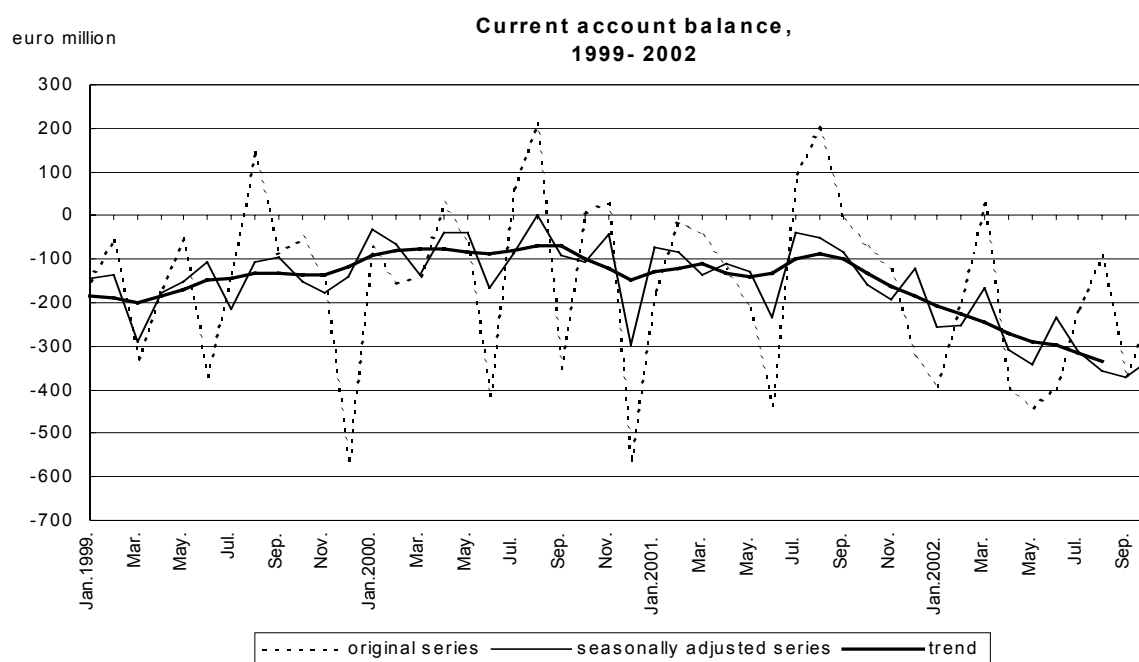
a) excluding intercompany loans

Net foreign debt, Hungary 1998-2002 (by sectors, including intercompany loans)

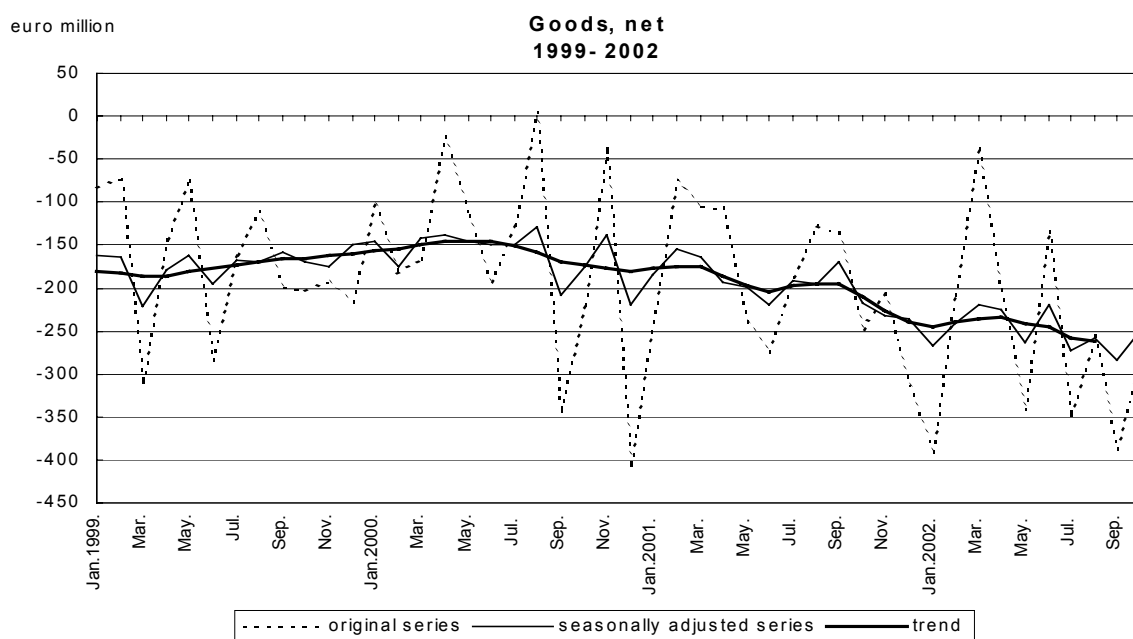
euro million



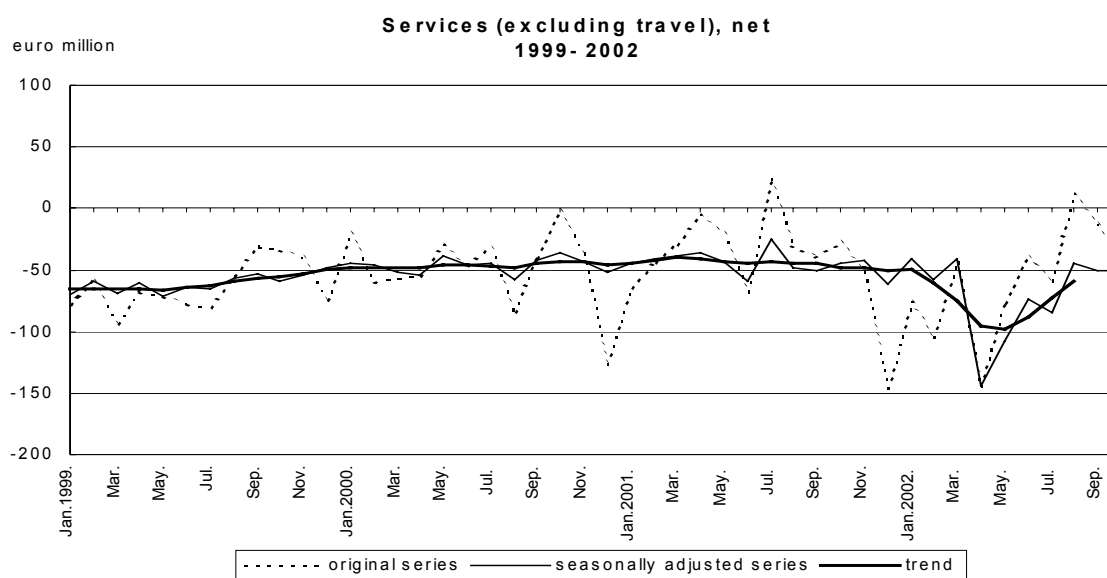
The rise in net debt of general government and MNB relative to mid-2001 was attributable to the increase in domestic currency-denominated debt and the fall in foreign exchange reserves. Most of the change in private sector net debt in the period was accounted for by an increase in assets.



In October, net expenditures for trade in goods were the balance of EUR 3,238 million exports and EUR 3,516 million imports. The monthly values of exports and imports rose by EUR 551 million and EUR 580 million respectively relative to October 2001. The seasonally adjusted goods deficit was EUR 34 million lower than in the preceding month.



The EUR 293 million tourism revenue was EUR 91 million lower in October 2002 than twelve months previously. This contrasted with the 121 EUR million tourism expenditure being EUR 2 million higher year on year. Net expenditures for service transactions excluding tourism amounted to EUR 47 million in the review month. According to the time series calculated after eliminating the seasonal effects, the trend of monthly balance outcomes for service transactions excluding tourism shows continuously falling deficits since the spring of 2002.



Within the EUR 109 million net outflow of investment income, the negative balance for investment income on equity increased by EUR 10 million and that for investment income on debt by EUR 14 million in a year-on-year comparison.

The EUR 30 million surplus on current transfers in October 2002 was EUR 6 million higher than in October 2001.

The balance of non-debt capital transactions showed a total inflow of EUR 20 million in October. The value of direct investments 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 14 million and EUR 87 million respectively. Portfolio investment transactions in equity securities showed a net outflow of EUR 53 million in the month under review.

Balance of payments, Hungary

euro million

	2001				2002			
	Aug.	Sept.	Oct.	Jan.-Oct.	Aug.	Sept.	Oct.	Jan.-Oct.
1. Goods, net	-128	-137	-249	-1744	-257	-388	-278	-2586
1.1. Exports	2499	2430	2687	25768	2684	2732	3238	27952
1.2. Imports	2627	2568	2936	27512	2941	3120	3516	30538
2. Services and income, net	299	74	153	712	132	-10	16	-426
2.1. Services*, net	357	262	238	2196	269	148	125	1072
2.1.1. Exports	914	758	792	7182	825	730	750	6996
2.1.2. Imports	557	496	554	4985	556	582	625	5924
2.2. Income, net	-58	-188	-85	-1484	-137	-158	-109	-1498
2.2.1. Income on debt, net	-18	-54	-51	-645	-38	-92	-65	-645
2.2.2. Income on equity, net	-40	-134	-36	-842	-99	-66	-46	-852
2.2.3. Compensation of employees, net	0	0	1	3	0	0	2	-1
3. Current transfers	30	51	24	236	35	32	30	310
4. Current account balance	201	-12	-72	-796	-90	-366	-231	-2702
5. Non debt creating financing, net	76	103	239	1025	226	-34	20	690
5.1. Direct investment, equity capital, net	89	83	310	988	238	12	73	876
5.1.1. Abroad, net	-16	-14	-6	-393	-38	-30	-14	-160
5.1.2. In Hungary, net	105	97	316	1380	276	42	87	1036
5.2. Portfolio investment, equity securities, net	-13	20	-70	37	-12	-45	-53	-187
*- o/w: Travel, net	386	301	266	2503	258	162	172	1666
credit	543	426	384	3737	379	297	293	2935
debit	157	124	119	1234	121	136	121	1269

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

euro million

	2002									
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.
1. Goods, net	-266	-241	-220	-225	-263	-219	-272	-258	-283	-249
1.1. Exports	2589	2669	2713	2807	2834	2922	2899	2919	2930	3064
1.2. Imports	2894	2936	2932	3053	3122	3075	3220	3184	3254	3367
2. Services and income, net										
2.1. Services										
2.1.1. Travel, net	156	191	168	159	169	152	153	138	136	154
credit	279	312	288	281	290	275	285	272	275	283
debit	138	141	133	117	128	110	121	114	130	136
2.1.2. Other services, net	-41	-58	-41	-144	-107	-74	-85	-45	-51	-50
credit	386	397	398	393	405	421	403	428	431	423
debit	441	465	448	487	471	469	484	474	482	496
2.2. Income, net										
2.2.1. Income on debt, net	-56	-60	-56	-68	-74	-72	-55	-72	-75	-75
2.2.2. Income on equity, net	-78	-77	-73	-72	-80	-84	-82	-90	-67	-82
2.2.3. Compensation of employees, net	1	-4	0	0	-1	1	0	0	0	2
3. Current transfers	29	28	33	28	32	31	31	32	28	32
4. Current account balance	-257	-253	-165	-309	-343	-234	-310	-356	-372	-331

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

euro million

	2001											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1. Goods, net	-184	-154	-164	-193	-200	-220	-193	-196	-170	-217	-232	-235
1.1. Exports	2582	2546	2543	2607	2603	2694	2695	2633	2636	2585	2642	2599
1.2. Imports	2796	2661	2778	2783	2789	2963	2871	2793	2743	2801	2893	2850
2. Services and income, net												
2.1. Services												
2.1.1. Travel, net	228	200	226	235	232	250	266	258	269	247	265	259
credit	360	305	337	349	352	379	373	383	389	374	387	378
debit	117	115	116	102	127	122	121	147	120	133	127	113
2.1.2. Other services, net	-44	-40	-38	-36	-44	-59	-25	-49	-51	-44	-43	-61
credit	311	314	331	355	348	343	393	363	357	365	379	380
debit	365	353	369	360	380	405	407	405	412	420	433	449
2.2. Income, net												
2.2.1. Income on debt, net	-61	-72	-67	-76	-74	-72	-78	-53	-48	-67	-67	-48
2.2.2. Income on equity, net	-71	-73	-81	-99	-73	-80	-78	-64	-86	-78	-75	-69
2.2.3. Compensation of employees, net	-1	0	-1	1	1	1	0	0	0	1	1	2
3. Current transfers	23	22	17	26	18	22	25	24	34	26	26	29
4. Current account balance	-72	-86	-138	-110	-128	-235	-40	-50	-83	-157	-194	-120

* * * * *

In October 2002, the average exchange rates of the euro and the US dollar were HUF 243.61 and HUF 248.18 respectively. The month-end exchange rates were HUF 241.49 vis-à-vis the euro and HUF 244.67 vis-à-vis the US dollar.

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^{a)} Methodological notes to seasonal adjustment:

The method used to seasonally adjust the sub-components of the current account in 2002 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 In order for the seasonally adjusted time series to be stable and *minimise revisions*, the available times series have been adjusted starting from 1994, and the same model setting is being used for one year. The Bank's publications 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.
- 6 Compensation for employees does not reflect seasonal effects, therefore, the Table includes the not seasonally adjusted data.

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 MNB's statistical press releases from June 2001'.