

PRESS RELEASE

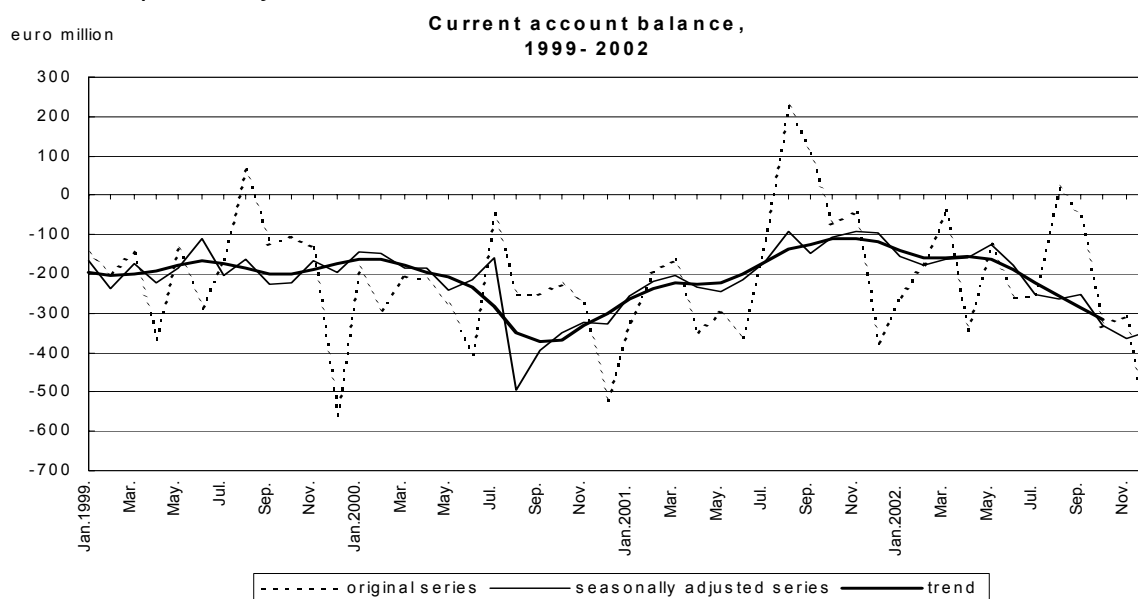
Hungary's balance of payments: December 2002

As was announced at the press conference held on the methodological changes to the compilation of balance of payments statistics on 13 November 2002:

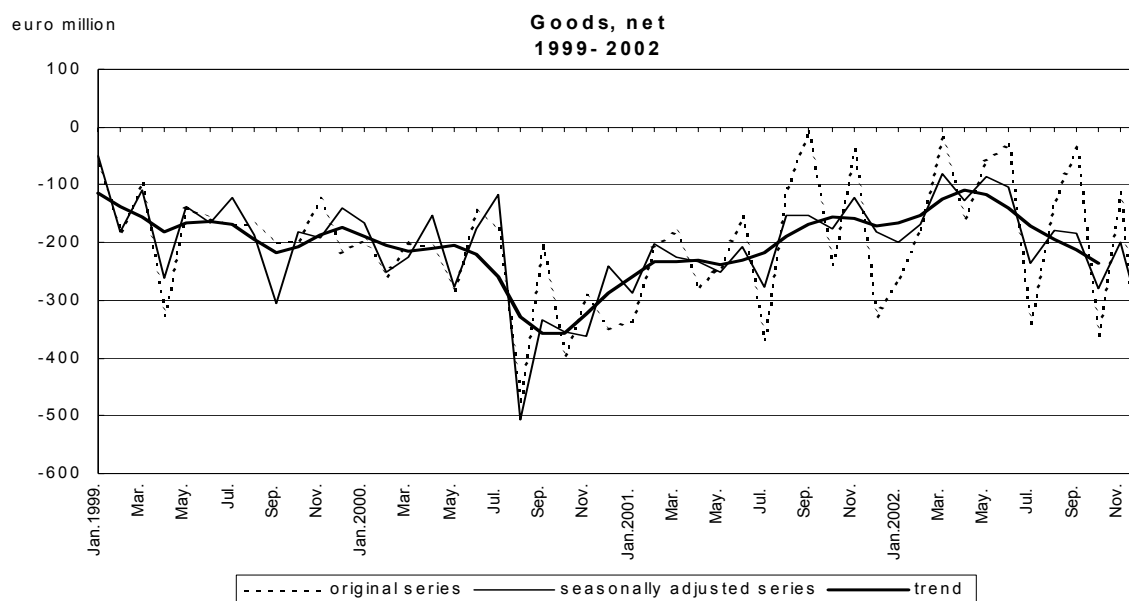
- **As from 2003**, the Magyar Nemzeti Bank will, in the area of **trade in goods**, replace its method of recording settlements data with a more accurate system of recording transactions according to the accrual principle. With the implementation of this methodological change, data on trade in goods will be based on **customs statistics**, similarly to the national accounts. Customs data will be first used at the time of publishing the balance of payments data for 2002. Simultaneously with this change, the Bank will revise its time series back to 1995. The time series accessible on the MNB's website will change accordingly. For the purposes of a more detailed analysis of the effects of the changes, the Bank will continue to make available the earlier time series for 1995–2002 for a limited period of time. The time constraint will not affect statistical data for 1995 compiled on the basis of the pre-2003 methodology – they will be part of the official data series; thus earlier and revised data can be compared any time. With the introduction of the **method of recording trade in goods in accordance with the international methodology**, one of the most significant inconsistencies with international statistical standards will be eliminated.
- In order to create consistency between the balance of payments and the national accounts, the Bank will, in agreement with the CSO, implement methodological changes in the compilation of **travel data**, in addition to trade in goods. The Bank has used the data revision related to the methodological changes to present the balance of payments and international investment position (IIP) data in a **satisfactory structure** for 1995–1996, in accordance with the international standard for the compilation of balance of payments statistics (Balance of Payments Manual, 5th Edition (BPM5), issued by the International Monetary Fund in 1993).
- Simultaneously with the implementation of the aforementioned methodological changes, the Bank has revised its current policy of data releases and revisions.

A detailed description of the methodological changes and the new system of data releases is available on the Bank's website at: http://www.mnb.hu/dokumentumok/fm_modszertan_2003_en.doc.

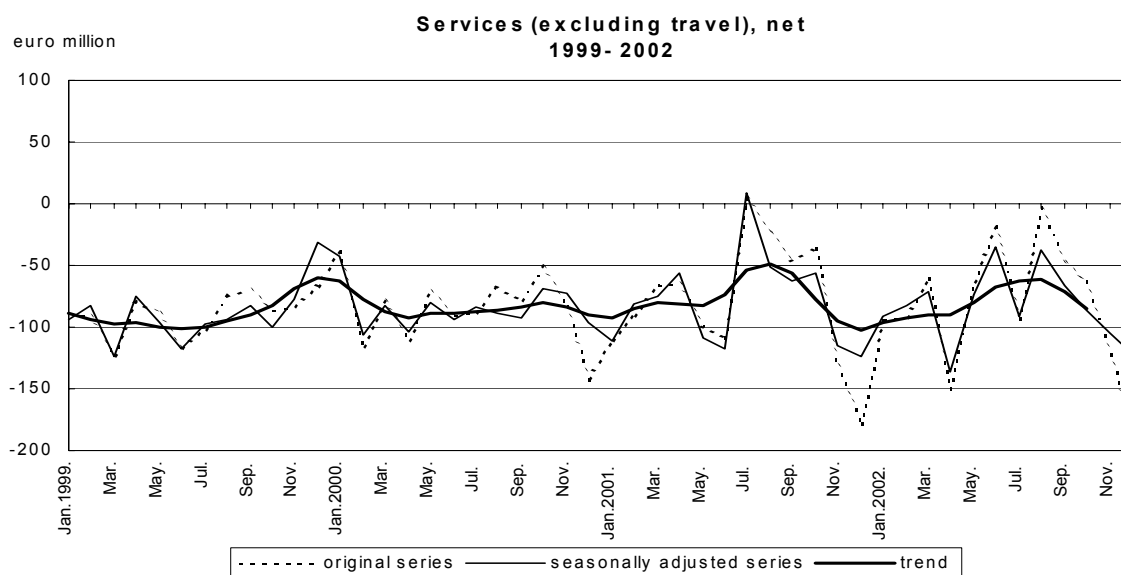
According to the data compiled on the basis of the new methodology, Hungary's current account registered a EUR 2,771 million deficit in 2002. This compared with a EUR 1,967 million deficit in 2001. The fall in net revenues for services was dominant in the year-on-year change. Net non-debt outflow amounted to EUR 891 million in 2002, EUR 81 million more than in the previous year.



In 2002, net expenditures for trade in goods were the balance of EUR 36,821 million exports and EUR 39,024 million imports. Exports and imports rose by EUR 2,124 million and EUR 1,831 million respectively relative to the previous year. The seasonally adjusted time series showed a slightly higher goods deficit in 2002 than in 2001.



The EUR 3,448 million tourism revenue was EUR 776 million lower in 2002 than a year earlier. This contrasted with the 1,819 EUR million tourism expenditure being EUR 191 higher year on year. Net expenditures for service transactions excluding tourism amounted to EUR 993 million in the year under review, EUR 40 million more than in 2001. According to the time series calculated after eliminating the seasonal effects, the trend of balance outcomes for service transactions excluding tourism has fluctuated in a range of EUR -50 million and EUR -100 million over the past four years.



Total net outflow of investment income amounted to EUR 1,830 million in 2002. This was EUR 140 million higher than in 2001. Here, the negative balance for investment income on equity increased by EUR 185 million, whereas that for investment income on debt fell by EUR 44 million in a year-on-year comparison.

The EUR 475 million surplus on current transfers in 2002 was EUR 76 million higher than in 2001.

The balance of non-debt capital transactions showed a total inflow of EUR 891 million in 2002. 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 1,281 million and EUR 204 million respectively. Portfolio investment transactions in equity securities showed a net outflow of EUR 186 million in the year under review.

Central bank foreign exchange reserves amounted to EUR 9.9 billion at end-2002. Whole-economy gross foreign debt was EUR 1.0 billion higher relative to the previous year-end. The change in gross debt was shaped by the EUR 0.5 billion downward effect of transactions and the EUR 1.5 billion upward effect of price and exchange rate movements as well as other volume changes. The upward effects of EUR 1.1 billion and EUR 1.0 billion respectively of transactions, and price and exchange rate movements as well as other volume changes explained the EUR 2.1 billion increase in net debt. The outstanding total of forint-denominated central bank and government debt securities was EUR 7.6 billion at end-2002, EUR 3.2 billion higher than at the end of the previous year.

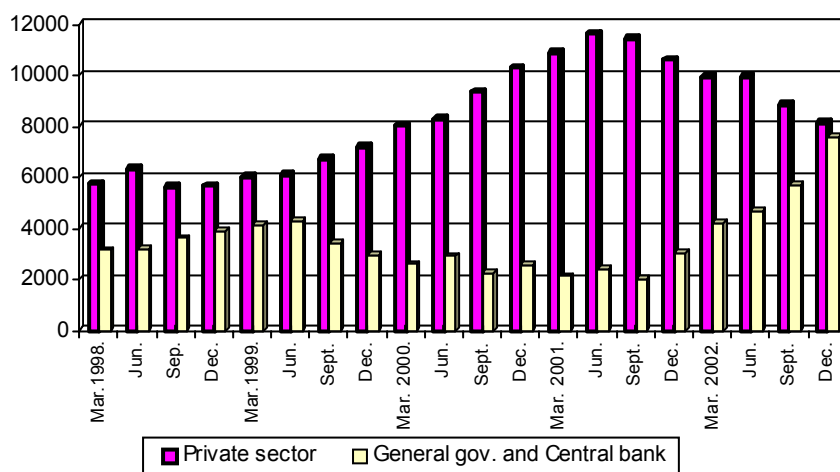
Foreign debt of Hungary

	Euro million	
	2001 Dec.	2002 Dec.
I. Gross foreign debt, Total Economy (S.1) (A+B)	37.6	38.6
A: General government and Central bank (S.13+S.121)	16.9	18.4
A.1. o/w.:debt securities denominated in HUF	4.4	7.6
B. Private sector (S.1-S.13-S.121)	20.6	20.2
B.1. o/w.:Intercompany loans	5.4	6.2
II. Net foreign debt, Total Economy (S.1) (A+B)	13.6	15.7
A: General government and Central bank (S.13+S.121)	3.0	7.6
A.1. o/w.:debt securities denominated in HUF	4.4	7.6
B. Private sector (S.1-S.13-S.121)	10.6	8.1
B.1. o/w.:Intercompany loans	5.0	3.9
III. Gross foreign debt denominated in foreign currencies, Total Economy (S.1) ^{a)}	27.8	24.8
IV. Net foreign debt denominated in foreign currencies, Total Economy (S.1) ^{a)}	4.3	4.2

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 the 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.

Balance of payments, Hungary

euro million

	2001				2002			
	Oct.	Nov.	Dec.	Jan.-Dec.	Oct.	Nov.	Dec.	Jan.-Dec.
1. Goods, net	-239	-41	-328	-2496	-360	-115	-519	-2203
1.1. Exports	3227	3363	2567	34697	3355	3376	2670	36821
1.2. Imports	3466	3404	2895	37193	3715	3490	3190	39024
2. Services and income, net	129	-26	-80	130	-13	-222	-156	-1043
2.1. Services*, net	199	78	-8	1643	83	-51	-101	636
2.1.1. Exports	798	697	663	8366	756	572	679	8237
2.1.2. Imports	599	620	670	6724	673	624	780	7600
2.2. Income, net	-70	-104	-72	-1513	-96	-171	-55	-1679
2.2.1. Income on debt, net	-51	-96	-32	-773	-65	-89	17	-729
2.2.2. Income on equity, net	-36	-21	-53	-916	-46	-88	-86	-1101
2.2.3. Compensation of employees, net	17	13	14	177	15	7	14	151
3. Current transfers	36	23	32	399	39	28	39	475
4. Current account balance	-75	-43	-375	-1967	-334	-309	-637	-2771
5. Non debt creating financing, net	239	133	-331	810	24	-8	60	891
5.1. Direct investment, equity capital, net	310	103	-352	722	77	40	77	1077
5.1.1. Abroad, net	-6	-13	43	-376	-15	-7	-41	-204
5.1.2. In Hungary, net	315	116	-395	1098	92	46	118	1281
5.2. Portfolio investment, equity securities, net	-70	30	21	88	-53	-47	-16	-186
*- o/w: Travel, net	235	209	171	2596	147	72	79	1629
credit	390	324	296	4224	309	212	220	3448
debit	155	115	125	1628	162	140	142	1819

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

euro million

	2002											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
1. Goods, net	-201	-168	-82	-129	-86	-104	-237	-178	-185	-280	-200	-343
1.1. Exports	3000	3045	3087	3087	3070	3071	3065	3053	3107	3111	3102	3084
1.2. Imports	3268	3315	3206	3312	3197	3261	3190	3184	3303	3421	3333	3249
2. Services and income, net												
2.1. Services												
2.1.1. Travel, net	147	152	131	156	170	145	148	116	106	122	100	135
credit	319	317	300	306	309	286	300	244	264	278	249	278
debit	170	160	163	148	138	138	148	129	162	158	156	156
2.1.2. Other services, net	-91	-82	-71	-136	-74	-35	-91	-38	-67	-86	-104	-122
credit	402	377	353	349	367	447	400	416	385	442	367	475
debit	471	489	443	494	460	476	493	468	483	504	486	538
2.2. Income, net												
2.2.1. Income on debt, net	-62	-61	-61	-65	-65	-68	-58	-65	-67	-65	-63	-57
2.2.2. Income on equity, net	0	0	0	0	0	0	0	0	0	0	0	0
2.2.3. Compensation of employees, net	13	12	12	15	15	14	6	11	13	15	11	14
3. Current transfers	73	19	53	34	36	31	43	42	38	39	28	39
4. Current account balance	-154	-177	-164	-160	-126	-176	-252	-265	-251	-329	-365	-347

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	-287	-201	-227	-234	-251	-208	-278	-152	-152	-177	-121	-182
1.1. Exports	2880	2831	2813	2870	2933	2934	2901	2992	2941	2956	2988	2974
1.2. Imports	3173	3100	2978	3120	3177	3145	3157	3039	3072	3147	3134	3055
2. Services and income, net												
2.1. Services												
2.1.1. Travel, net	189	173	203	210	203	217	248	237	241	210	238	228
credit	326	306	341	334	336	360	380	391	375	359	360	355
debit	130	122	132	121	132	141	133	152	140	152	128	138
2.1.2. Other services, net	-111	-111	-75	-56	-109	-118	9	-51	-63	-56	-115	-124
credit	302	273	309	315	307	311	436	383	338	403	372	389
debit	392	380	395	383	430	430	435	447	433	436	492	464
2.2. Income, net												
2.2.1. Income on debt, net	-67	-71	-70	-71	-71	-68	-72	-62	-58	-66	-65	-62
2.2.2. Income on equity, net	0	0	0	0	0	0	0	0	0	0	0	0
2.2.3. Compensation of employees, net	14	16	11	13	16	16	13	15	16	17	18	14
3. Current transfers	60	17	22	37	16	26	31	40	59	36	23	32
4. Current account balance	-257	-219	-202	-235	-245	-217	-170	-93	-149	-109	-92	-96

* * * * *

In December 2002, the average exchange rates of the euro and the US dollar were HUF 236.14 and HUF 231.87 respectively. The month-end exchange rates were HUF 235.90 vis-à-vis the euro and HUF 225.16 vis-à-vis the US dollar.

The Bank will release Hungary's balance of payments for January 2003 on 14 March 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 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'.