

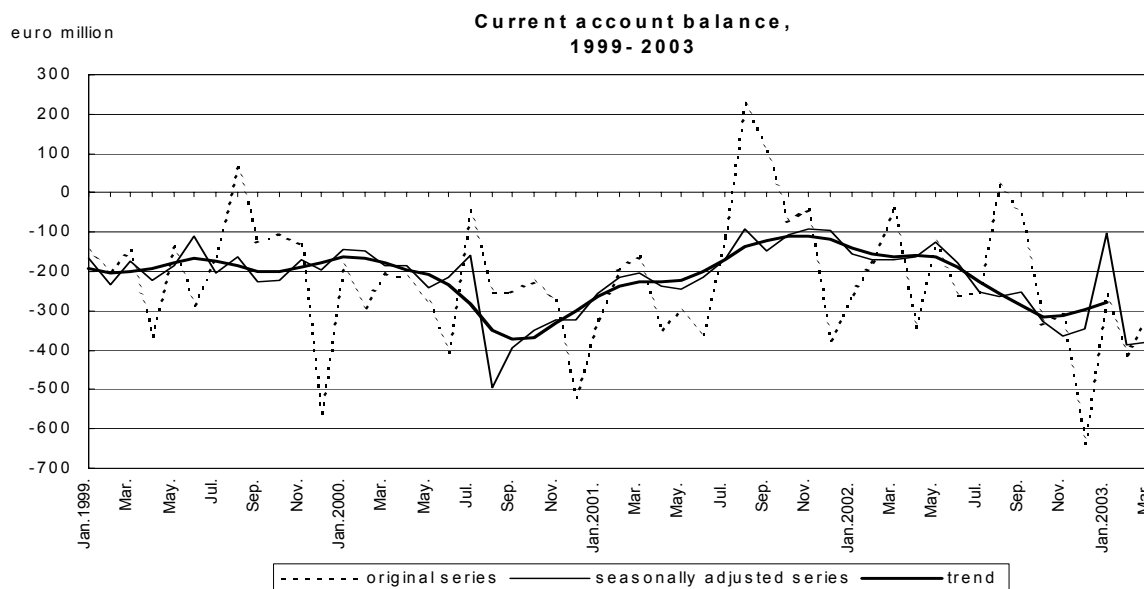
14 May 2003

## PRESS RELEASE

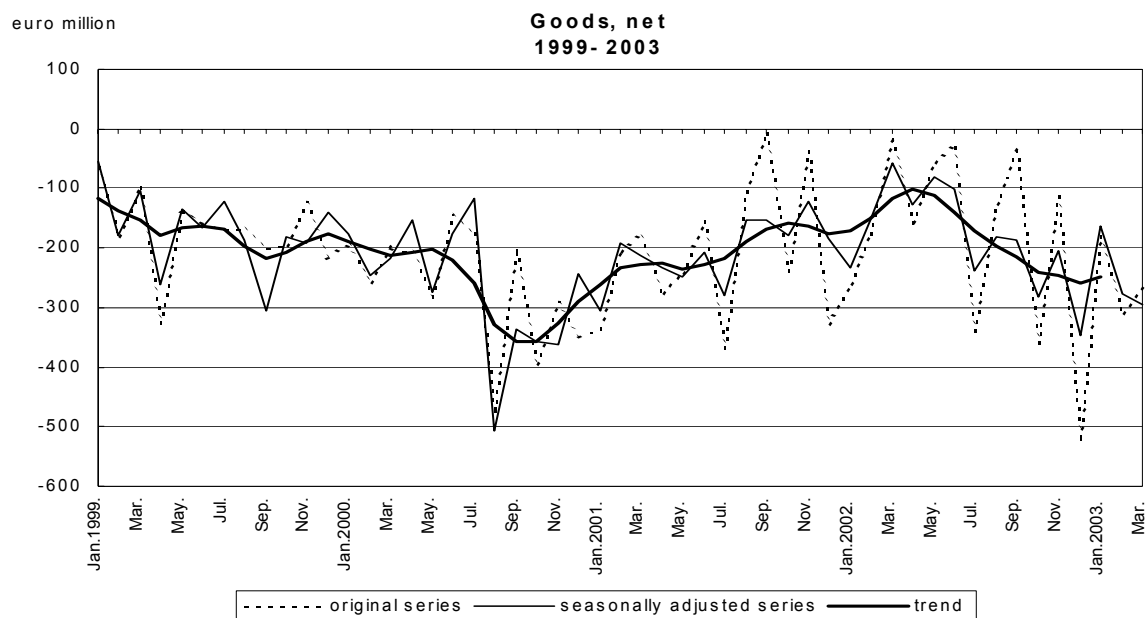
### Hungary's balance of payments: March 2003

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 Unlike the earlier practice, IIP data are not be published.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 be 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)

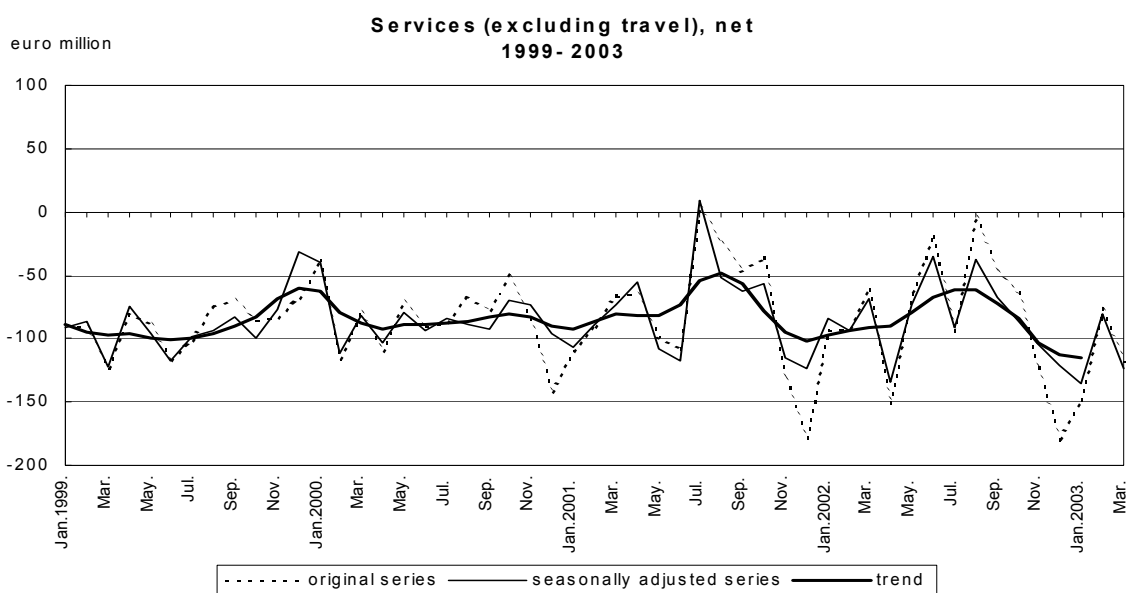
Hungary's current account registered a EUR 313 million deficit in March 2003. After eliminating the seasonal effects, the deficit amounted to EUR 379 million. This compared with the preceding month's EUR 386 million deficit. Although the trend of current account deficits stopped rising, the seasonally adjusted monthly deficits of the past two quarters have fluctuated in a EUR 300–400 million range. Real economic transactions (goods and services) play a dominant role in current account developments, as, over the longer term, income and current transfers appear to be in broad balance. It is mainly the increase in net foreign debt that continues to finance the current account deficit.



In March, net expenditures for trade in goods were the balance of EUR 3,169 million exports and EUR 3,436 million imports. According to the seasonally adjusted data, the deficit practically stopped increasing further. The rise in deficit in March amounted to EUR 20 million in one month and to EUR 238 million relative to a year earlier.



Within services, travel and other services both show a deteriorating trend over the longer term. Whereas, according to the seasonally adjusted data, net travel revenues did not fall in March, net expenditures for other services increased by more than EUR 40 million relative to February.



According to the not seasonally adjusted data, total net outflow of investment income amounted to EUR 44 million in March. Here, the negative balance for investment income on equity was EUR 42 million lower and that for investment income on debt

EUR 25 million lower in a year-on-year comparison. Taking the longer-term view, both components of the income account show a balanced picture on the basis of the seasonally adjusted data.

According to the not seasonally adjusted data, the EUR 57 million surplus on current transfers in March 2003 was EUR 4 million higher than a year earlier. After seasonal adjustment, the trend of current transfer surpluses is slightly upwards.

Inward and outward non-debt capital transactions showed a net outflow of EUR 68 million in March. The value of direct investment in equity capital was the net result of direct investment transactions by Hungarian residents abroad and those by non-residents in Hungary, in the amounts of EUR 361 million and EUR 58 million respectively. Portfolio investment transactions in equity securities showed a net inflow of EUR 236 million in the month under review. Due to the higher current account deficit and the structure of financing, Hungary's net debt increased by more than EUR 1 billion in 2003 Q1 as a result of transactions.

Central bank foreign exchange reserves amounted to EUR 12.5 billion at end-March 2003.

## Balance of payments, Hungary

euro million

	2002				2003			
	Jan.	Feb.	Mar.	Jan.-Mar.	Jan.	Feb.	Mar.	Jan.-Mar.
<b>1. Goods, net</b>	<b>-262</b>	<b>-177</b>	<b>-19</b>	<b>-458</b>	<b>-183</b>	<b>-310</b>	<b>-267</b>	<b>-759</b>
1.1. Exports	2653	3031	3307	8991	2649	2862	3169	8679
1.2. Imports	2915	3208	3326	9449	2831	3172	3436	9439
<b>2. Services and income, net</b>	<b>-71</b>	<b>-20</b>	<b>-76</b>	<b>-167</b>	<b>-123</b>	<b>-137</b>	<b>-104</b>	<b>-364</b>
2.1. Services*, net	-41	-11	28	-24	-77	-47	-60	-183
2.1.1. Exports	606	628	591	1825	655	559	642	1856
2.1.2. Imports	647	639	563	1849	732	606	702	2040
2.2. Income, net	-30	-9	-104	-143	-46	-90	-44	-180
2.2.1. Income on debt, net	-31	-11	-37	-79	-36	-93	-12	-141
2.2.2. Income on equity, net	-16	-9	-84	-109	-23	-5	-42	-69
2.2.3. Compensation of employees, net	17	11	17	44	13	7	10	30
<b>3. Current transfers</b>	<b>73</b>	<b>19</b>	<b>53</b>	<b>145</b>	<b>44</b>	<b>34</b>	<b>57</b>	<b>136</b>
<b>4. Current account balance</b>	<b>-261</b>	<b>-178</b>	<b>-41</b>	<b>-480</b>	<b>-261</b>	<b>-413</b>	<b>-313</b>	<b>-987</b>
<b>5. Non debt creating financing, net</b>	<b>237</b>	<b>35</b>	<b>62</b>	<b>335</b>	<b>68</b>	<b>-82</b>	<b>-68</b>	<b>-82</b>
5.1. Direct investment, equity capital, net	139	27	56	222	57	-42	-303	-288
5.1.1. Abroad, net	-15	-17	-6	-38	-6	1	-361	-366
5.1.2. In Hungary, net	154	44	62	260	63	-43	58	78
5.2. Portfolio investment, equity securities, net	98	8	7	113	11	-41	236	206
*- o/w: Travel, net	53	81	89	223	72	31	58	160
credit	200	216	250	666	193	144	188	526
debit	147	135	161	444	122	114	130	365

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

euro million

	2003		
	Jan.	Feb.	Mar.
<b>1. Goods, net</b>	<b>-163</b>	<b>-276</b>	<b>-296</b>
1.1. Exports	2994	2965	2961
1.2. Imports	3194	3284	3249
<b>2. Services and income, net</b>			
2.1. Services			
2.1.1. Travel, net	160	104	103
credit	301	249	242
debit	144	140	133
2.1.2. Other services, net	-136	-81	-124
credit	457	383	460
debit	568	470	592
2.2. Income, net			
2.2.1. Income on debt, net	-65	-74	-63
2.2.2. Income on equity, net	-92	-92	-89
2.2.3. Compensation of employees, net	9	9	6
<b>3. Current transfers</b>	<b>44</b>	<b>34</b>	<b>57</b>
<b>4. Current account balance</b>	<b>-104</b>	<b>-386</b>	<b>-379</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>-232</b>	<b>-153</b>	<b>-58</b>	<b>-127</b>	<b>-80</b>	<b>-102</b>	<b>-239</b>	<b>-181</b>	<b>-188</b>	<b>-283</b>	<b>-204</b>	<b>-346</b>
1.1. Exports	3015	3076	3108	3101	3078	3071	3056	3033	3075	3065	3048	3018
1.2. Imports	3284	3324	3270	3309	3241	3233	3208	3206	3279	3338	3343	3255
<b>2. Services and income, net</b>												
2.1. Services												
2.1.1. Travel, net	141	154	134	157	170	145	148	116	106	122	100	135
credit	309	320	304	307	310	286	300	244	264	278	248	277
debit	174	167	166	149	138	138	148	128	160	156	154	154
2.1.2. Other services, net	-85	-93	-68	-135	-73	-35	-91	-38	-67	-86	-105	-122
credit	402	380	352	349	367	447	401	415	385	442	367	474
debit	463	486	435	492	459	476	494	471	488	510	493	548
2.2. Income, net												
2.2.1. Income on debt, net	-62	-55	-64	-66	-66	-69	-59	-66	-69	-67	-65	-59
2.2.2. Income on equity, net	-81	-83	-90	-88	-87	-89	-90	-93	-84	-90	-96	-94
2.2.3. Compensation of employees, net	14	13	12	15	15	14	7	11	12	15	11	14
<b>3. Current transfers</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>4. Current account balance</b>	<b>-154</b>	<b>-169</b>	<b>-171</b>	<b>-161</b>	<b>-126</b>	<b>-177</b>	<b>-252</b>	<b>-265</b>	<b>-251</b>	<b>-328</b>	<b>-363</b>	<b>-345</b>

\* \* \*

In March 2003, the average exchange rates of the euro and the US dollar were HUF 245.65 and HUF 227.25 respectively.

The Bank will release Hungary's balance of payments for April 2003 on 13 June 2003.

\* \* \*

<sup>a)</sup> 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 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.
- 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 the MNB's statistical press releases from June 2001'.