

13 June 2003

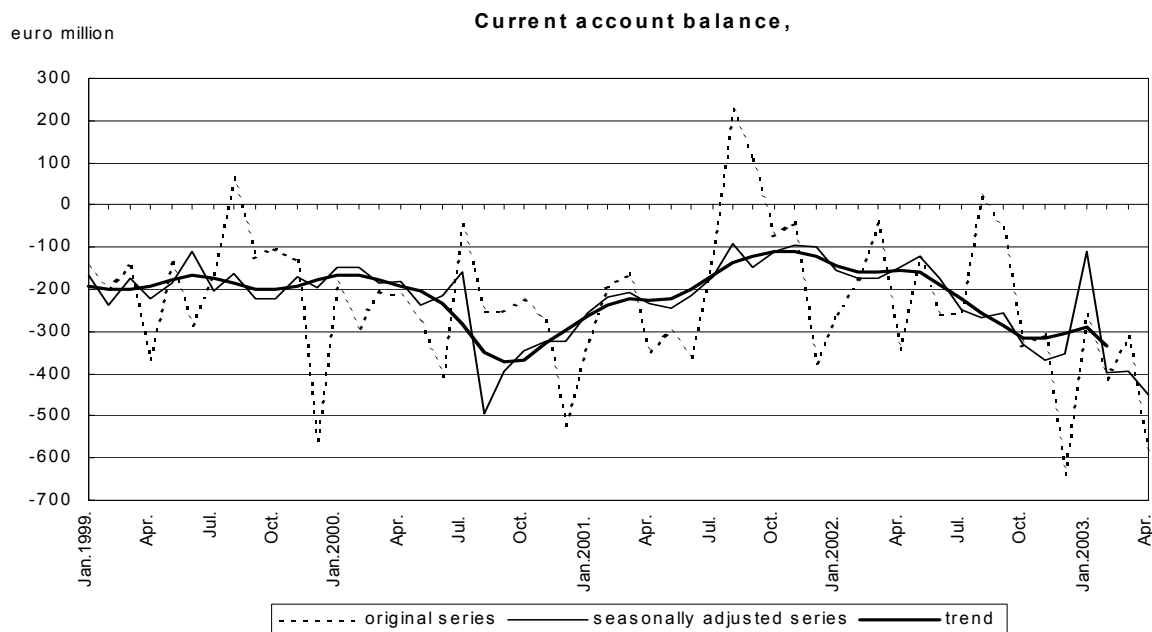
## PRESS RELEASE

### Hungary's balance of payments: April 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 Unlike the earlier practice, IIP data are not be published.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 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)*

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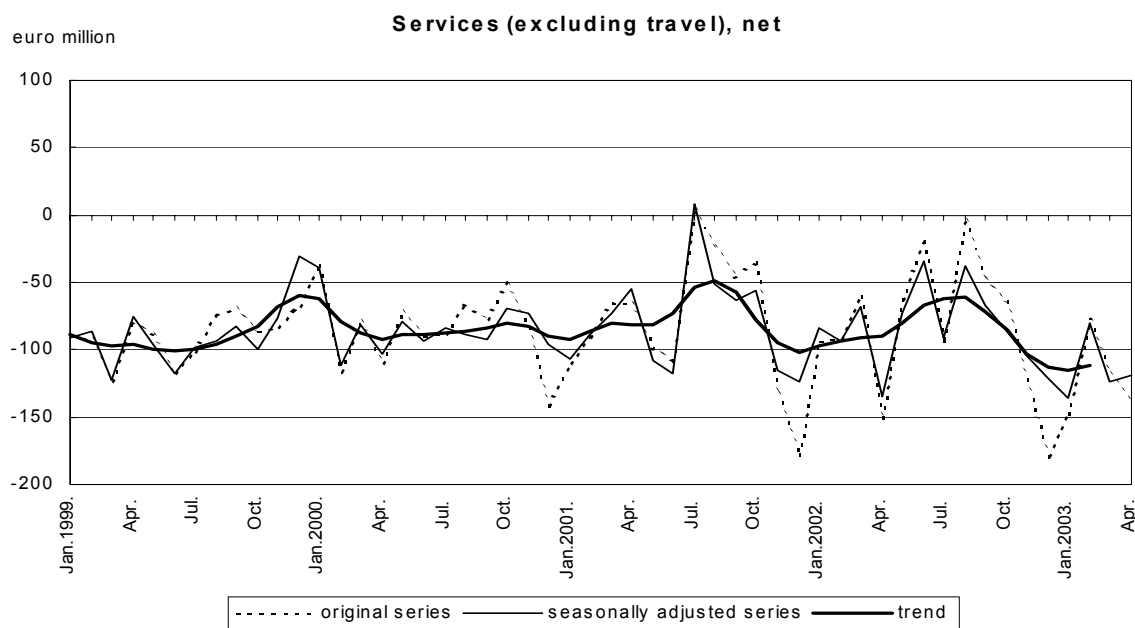
*Hungary's current account registered a EUR 592 million deficit in April 2003. After eliminating the seasonal effects, the deficit amounted to EUR 451 million. This compared with the preceding month's EUR 393 million deficit. (Only the January data broke the upward trend of current account deficits; however, the relatively low deficit for the first month of the year was attributable to one-off factors.) Real economic transactions (goods and services) continue to 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 Hungary's current account deficit.*



In April, net expenditures for trade in goods were the balance of EUR 3,074 million exports and EUR 3,505 million imports. According to the seasonally adjusted data, the deficit increased further in the month under review. The rise in deficit in April amounted to EUR 40 million relative to March and to EUR 257 million relative to a year earlier. The trend of goods imports has remained upwards in recent months. By contrast, the trend of goods exports has been falling or stagnating since 2002 Q2.



According to the seasonally adjusted data, the balance outcomes of travel and other services within services were comparable with those of a year previously. Net revenues of and expenditures for other services have been rising as a trend. Net travel revenues and expenditures have remained practically static.



Taking the longer-term view, developments in both components of the income account are broadly even, after eliminating the seasonal effects. According to the not seasonally adjusted data, total net outflow of investment income amounted to EUR 172 million in April. Here, the negative balance for investment income on equity was EUR 39 million lower and that for investment income on debt EUR 2 million lower in a year-on-year comparison.

After seasonal adjustment, the trend of current transfer surpluses is slightly upwards, the April data remaining level with the preceding month's. According to the not seasonally adjusted data, the EUR 56 million surplus on current transfers was EUR 22 million higher than a year earlier.

Inward and outward non-debt capital transactions showed a net outflow of EUR 35 million in April. The value of direct investment in equity capital was the net result of direct investment transactions by Hungarian residents abroad and withdrawals by non-residents from Hungary, in the amounts of EUR 13 million and EUR 38 million respectively. Portfolio investment transactions in equity securities showed a net inflow of EUR 16 million in the month under review. The current account deficit and the structure of financing caused Hungary's net debt to continue increasing in April, according to the evidence of transactions data.

Central bank foreign exchange reserves amounted to EUR 11.6 billion at end-April 2003.

## Balance of payments, Hungary

euro million

	2002				2003			
	Feb.	Mar.	Apr.	Jan.-Apr.	Feb.	Mar.	Apr.	Jan.-Apr.
<b>1. Goods, net</b>	<b>-177</b>	<b>-19</b>	<b>-159</b>	<b>-617</b>	<b>-310</b>	<b>-267</b>	<b>-432</b>	<b>-1191</b>
1.1. Exports	3031	3307	3232	12223	2862	3169	3074	11753
1.2. Imports	3208	3326	3391	12840	3172	3436	3505	12944
<b>2. Services and income, net</b>	<b>-20</b>	<b>-76</b>	<b>-215</b>	<b>-382</b>	<b>-137</b>	<b>-104</b>	<b>-217</b>	<b>-580</b>
2.1. Services*, net	-11	28	-6	-30	-47	-60	-45	-228
2.1.1. Exports	628	591	634	2459	559	642	654	2510
2.1.2. Imports	639	563	640	2489	606	702	699	2739
2.2. Income, net	-9	-104	-209	-352	-90	-44	-172	-352
2.2.1. Income on debt, net	-11	-37	-135	-214	-93	-12	-133	-275
2.2.2. Income on equity, net	-9	-84	-89	-198	-5	-42	-50	-119
2.2.3. Compensation of employees, net	11	17	15	59	7	10	11	42
<b>3. Current transfers</b>	<b>19</b>	<b>53</b>	<b>34</b>	<b>179</b>	<b>34</b>	<b>57</b>	<b>56</b>	<b>192</b>
<b>4. Current account balance</b>	<b>-178</b>	<b>-41</b>	<b>-341</b>	<b>-820</b>	<b>-413</b>	<b>-313</b>	<b>-592</b>	<b>-1580</b>
<b>5. Non debt creating financing, net</b>	<b>35</b>	<b>62</b>	<b>145</b>	<b>480</b>	<b>-82</b>	<b>-68</b>	<b>-35</b>	<b>-116</b>
5.1. Direct investment, equity capital, net	27	56	128	349	-42	-303	-51	-339
5.1.1. Abroad, net	-17	-6	-29	-67	1	-361	-13	-378
5.1.2. In Hungary, net	44	62	157	417	-43	58	-38	39
5.2. Portfolio investment, equity securities, net	8	7	17	130	-41	236	16	223
*- o/w: Travel, net	81	89	145	367	31	58	92	252
credit	216	250	283	949	144	188	235	760
debit	135	161	138	582	114	130	143	508

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

euro million

	2003			
	Jan.	Feb.	Mar.	Apr.
<b>1. Goods, net</b>	<b>-171</b>	<b>-284</b>	<b>-305</b>	<b>-345</b>
1.1. Exports	3000	2970	2969	2972
1.2. Imports	3205	3300	3268	3404
<b>2. Services and income, net</b>				
2.1. Services				
2.1.1. Travel, net	160	104	102	105
credit	302	249	243	258
debit	144	141	134	153
2.1.2. Other services, net	-135	-81	-124	-118
credit	457	383	459	417
debit	560	502	581	550
2.2. Income, net				
2.2.1. Income on debt, net	-66	-75	-64	-68
2.2.2. Income on equity, net	-83	-80	-79	-65
2.2.3. Compensation of employees, net	9	9	6	12
<b>3. Current transfers</b>	<b>44</b>	<b>34</b>	<b>57</b>	<b>56</b>
<b>4. Current account balance</b>	<b>-111</b>	<b>-398</b>	<b>-393</b>	<b>-451</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>-237</b>	<b>-159</b>	<b>-63</b>	<b>-88</b>	<b>-80</b>	<b>-99</b>	<b>-239</b>	<b>-186</b>	<b>-194</b>	<b>-290</b>	<b>-211</b>	<b>-354</b>
1.1. Exports	3015	3077	3109	3095	3076	3070	3055	3033	3076	3067	3051	3023
1.2. Imports	3292	3335	3284	3295	3229	3224	3201	3202	3278	3339	3348	3264
<b>2. Services and income, net</b>												
2.1. Services												
2.1.1. Travel, net	141	154	133	158	170	145	149	116	106	122	100	134
credit	310	320	305	306	310	286	300	244	264	278	248	278
debit	174	167	167	148	138	138	147	128	160	156	154	154
2.1.2. Other services, net	-84	-93	-68	-135	-74	-35	-91	-38	-67	-86	-105	-122
credit	402	380	352	349	367	447	401	415	385	442	367	474
debit	458	508	428	497	461	477	494	470	485	506	488	541
2.2. Income, net												
2.2.1. Income on debt, net	-62	-55	-64	-65	-66	-69	-60	-67	-69	-67	-66	-60
2.2.2. Income on equity, net	-85	-81	-111	-82	-89	-94	-92	-106	-59	-77	-109	-81
2.2.3. Compensation of employees, net	14	13	12	15	15	14	6	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>-155</b>	<b>-174</b>	<b>-176</b>	<b>-147</b>	<b>-122</b>	<b>-176</b>	<b>-250</b>	<b>-267</b>	<b>-254</b>	<b>-331</b>	<b>-368</b>	<b>-353</b>

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In April 2003, the average exchange rates of the euro and the US dollar were HUF 245.59 and HUF 226.26 respectively.

The MNB will release the first revision of Hungary's balance of payments data for 2003 Q1 as well as end-of-Q1 IIP data on 30 June 2003. The first release of the May 2003 balance of payments is scheduled for 14 July 2003.

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<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'.