

11 August 2003

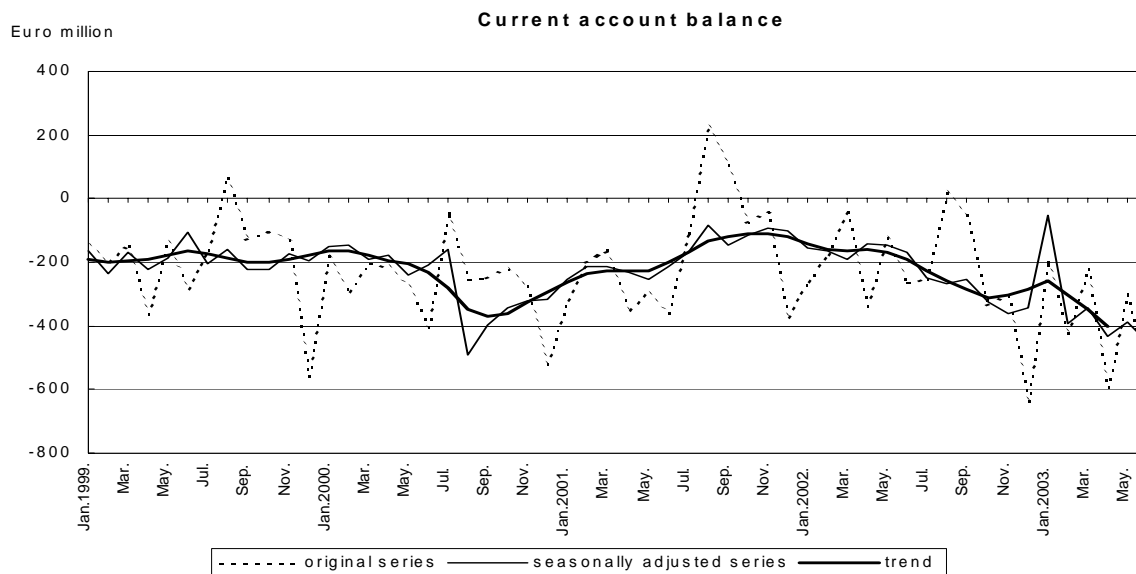
## PRESS RELEASE

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

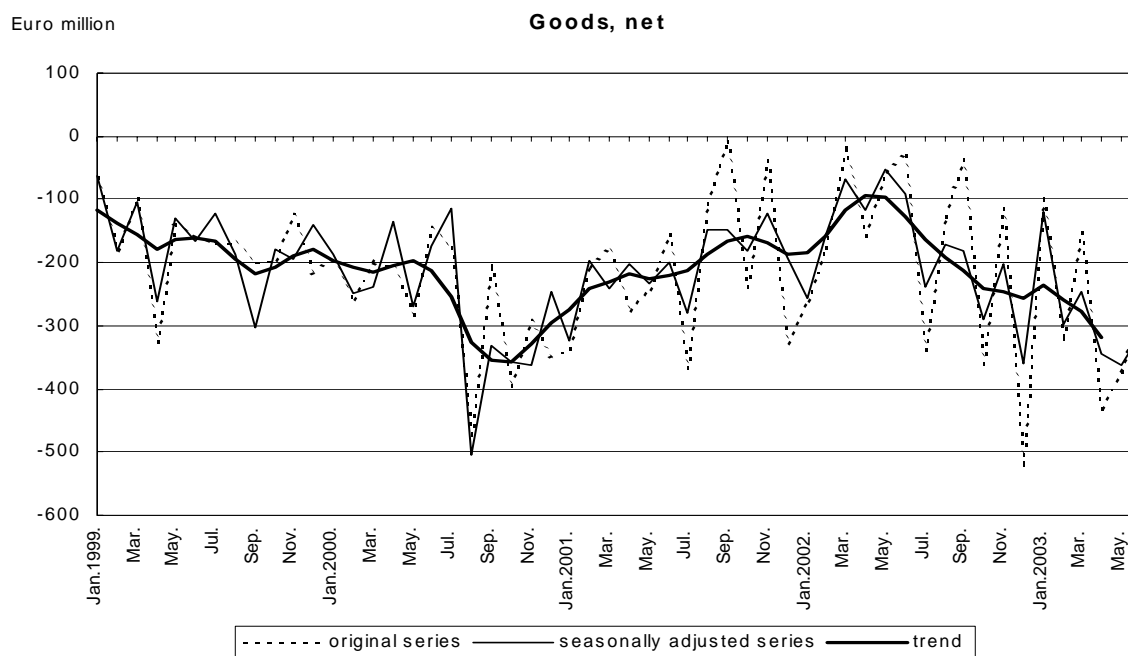
*From 2003, the Bank has shifted the focus of its releases from monthly to quarterly data. On a monthly basis, the Bank only publishes the balance of payments data consisting of the main aggregates, in addition to international reserves data, on the R+30<sup>th</sup> working day. Unlike the earlier practice, IIP data are not be published.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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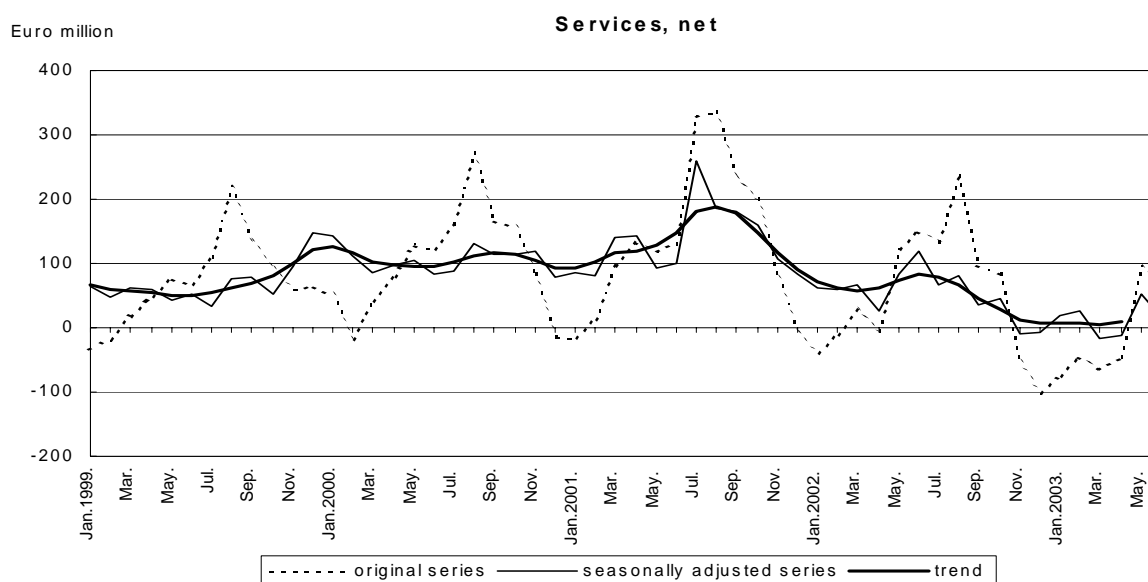
*Hungary's current account registered a EUR 567 million deficit in June 2003. After eliminating seasonal effects, the deficit was EUR 66 million higher than in the preceding month. The deficit for the trade in goods was smaller in June than in the previous month. Net travel started to improve after a worsening trend of several months, while the balance for services other than travel deteriorated at a similar rate to the previous month's. Hence the balance of real economic transactions remained virtually unchanged. The income and transfer accounts registered a higher deficit than a month before. Linked to non-debt financing, there was an inflow of EUR 80 million in June. Accordingly, it was mainly the increase in net foreign debt that continued to finance Hungary's current account deficit.*



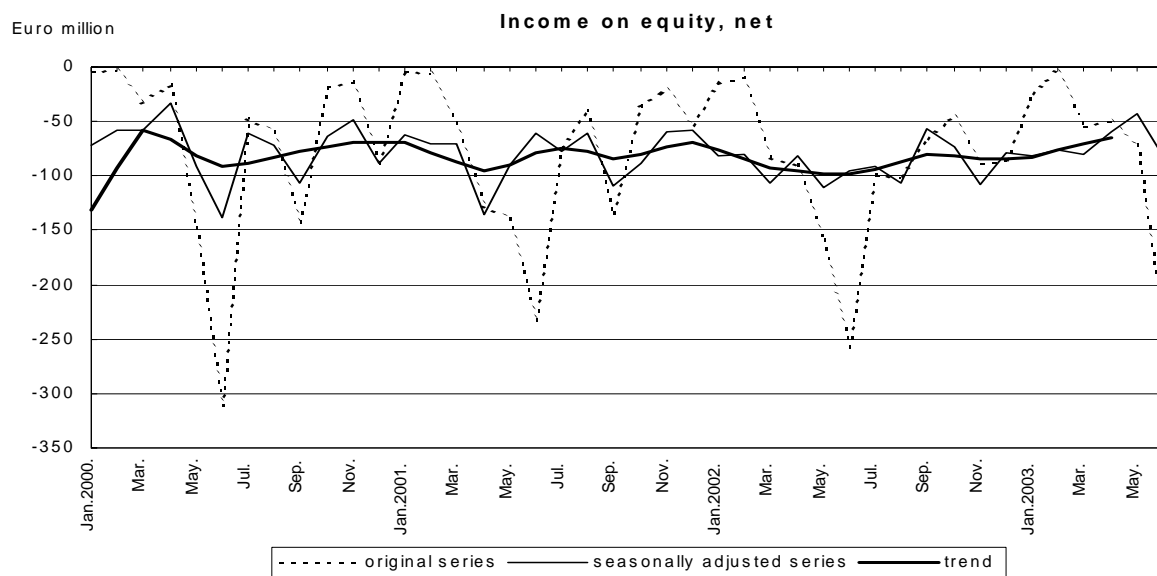
In June, net expenditures for trade in goods were the balance of EUR 3,028 million exports and EUR 3,276 million imports. According to the seasonally adjusted data, the deficit fell by EUR 51 million relative to May, and was EUR 221 million higher than a year earlier. After eliminating the seasonal effects from the monthly data, goods exports have been stagnating throughout 2003 and goods imports have returned to the level seen early in the year, following an outlier in May.



According to the seasonally adjusted data, the balance outcome on the services account was near the level seen at the start of the year – the deficit on services excluding travel increased, and the travel surplus also increased.



According to the seasonally adjusted data, net investment outflows, one of the constituents of inward and outward flows of direct investment income, increased in June relative to the previous month. (Unadjusted data show that outward profit transfers tend to peak in June, just as in the previous year.) Taking a longer-term view, net investment income on debt has been in a broad balance.



Net current transfers registered a surplus of EUR 38 million in June.

Inward and outward non-debt capital transactions showed a net inflow of EUR 80 million in June. The net value of direct investment in equity capital was positive in June, as Hungarian residents invested EUR 58 million abroad and non-residents invested EUR 144 million in Hungary. Portfolio investment transactions in equity securities showed a net outflow of EUR 7 million in the month under review. According to the evidence of transactions data, the current account deficit and the structure of financing caused Hungary's net debt to continue increasing in June.

Central bank foreign exchange reserves amounted to EUR 10.9 billion at end-June 2003.

## Balance of payments, Hungary

euro million

	2002				2003			
	Apr.	May	Jun.	Jan.-Jun.	Apr.	May	Jun.	Jan.-Jun.
<b>1. Goods, net</b>	<b>-159</b>	<b>-57</b>	<b>-31</b>	<b>-704</b>	<b>-432</b>	<b>-374</b>	<b>-248</b>	<b>-1628</b>
1.1. Exports	3232	3207	3148	18579	3074	3064	3028	18107
1.2. Imports	3391	3264	3179	19283	3505	3438	3276	19735
<b>2. Services and income, net</b>	<b>-215</b>	<b>-103</b>	<b>-262</b>	<b>-747</b>	<b>-217</b>	<b>-4</b>	<b>-357</b>	<b>-978</b>
2.1. Services*, net	-6	122	149	240	-45	95	60	-75
2.1.1. Exports	634	678	755	3893	654	705	726	3949
2.1.2. Imports	640	557	606	3652	699	610	666	4024
2.2. Income, net	-209	-225	-411	-988	-172	-99	-418	-903
2.2.1. Income on debt, net	-135	-84	-166	-463	-133	-42	-188	-524
2.2.2. Income on equity, net	-89	-160	-257	-614	-50	-72	-240	-445
2.2.3. Compensation of employees, net	15	19	12	90	11	15	10	66
<b>3. Current transfers</b>	<b>34</b>	<b>36</b>	<b>31</b>	<b>246</b>	<b>56</b>	<b>72</b>	<b>38</b>	<b>293</b>
<b>4. Current account balance</b>	<b>-341</b>	<b>-124</b>	<b>-261</b>	<b>-1205</b>	<b>-592</b>	<b>-305</b>	<b>-567</b>	<b>-2313</b>
<b>5. Non debt creating financing, net</b>	<b>145</b>	<b>-12</b>	<b>36</b>	<b>503</b>	<b>-35</b>	<b>38</b>	<b>80</b>	<b>18</b>
5.1. Direct investment, equity capital, net	128	9	91	450	-51	-1	87	-243
5.1.1. Abroad, net	-29	1	21	-45	-13	-68	-58	-494
5.1.2. In Hungary, net	157	9	70	496	-38	67	144	251
5.2. Portfolio investment, equity securities, net	17	-22	-55	53	16	39	-7	261
*- o/w: Travel, net	145	185	168	721	92	122	196	571
credit	283	316	316	1581	235	259	338	1358
debit	138	131	148	861	143	137	142	787

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

euro million

	2003					
	Jan.	Feb.	Mar.	Apr.	May	Jun.
<b>1. Goods, net</b>	<b>-118</b>	<b>-298</b>	<b>-245</b>	<b>-345</b>	<b>-362</b>	<b>-311</b>
1.1. Exports	3044	3024	3073	3041	3047	3062
1.2. Imports	3275	3272	3307	3343	3462	3295
<b>2. Services and income, net</b>						
2.1. Services						
2.1.1. Travel, net	159	106	103	109	110	166
credit	302	253	245	262	257	299
debit	141	135	133	150	144	133
2.1.2. Other services, net	-137	-81	-123	-127	-34	-144
credit	442	387	467	432	446	389
debit	526	518	537	547	539	555
2.2. Income, net						
2.2.1. Income on debt, net	-70	-76	-65	-70	-65	-73
2.2.2. Income on equity, net	-81	-76	-80	-60	-43	-82
2.2.3. Compensation of employees, net	9	9	6	12	12	12
<b>3. Current transfers</b>	<b>44</b>	<b>32</b>	<b>50</b>	<b>56</b>	<b>72</b>	<b>38</b>
<b>4. Current account balance</b>	<b>-50</b>	<b>-392</b>	<b>-342</b>	<b>-434</b>	<b>-386</b>	<b>-452</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>-257</b>	<b>-159</b>	<b>-67</b>	<b>-117</b>	<b>-53</b>	<b>-90</b>	<b>-238</b>	<b>-172</b>	<b>-181</b>	<b>-289</b>	<b>-203</b>	<b>-361</b>
1.1. Exports	2975	3094	3146	3186	3118	3085	3000	3073	3140	3062	2959	2912
1.2. Imports	3255	3318	3206	3288	3148	3250	3183	3188	3333	3358	3292	3191
<b>2. Services and income, net</b>												
2.1. Services												
2.1.1. Travel, net	141	156	140	154	172	138	147	115	106	124	101	135
credit	311	323	310	306	313	279	297	242	263	278	249	278
debit	170	160	162	148	138	139	149	130	162	158	156	155
2.1.2. Other services, net	-86	-94	-81	-123	-71	-28	-89	-37	-67	-87	-106	-124
credit	393	383	367	338	345	466	412	411	388	432	373	460
debit	453	471	459	468	469	473	485	478	490	503	495	519
2.2. Income, net												
2.2.1. Income on debt, net	-60	-55	-64	-65	-70	-66	-60	-67	-70	-68	-67	-61
2.2.2. Income on equity, net	-81	-80	-106	-82	-111	-95	-91	-107	-56	-73	-108	-78
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>-154</b>	<b>-165</b>	<b>-193</b>	<b>-142</b>	<b>-147</b>	<b>-167</b>	<b>-251</b>	<b>-269</b>	<b>-252</b>	<b>-325</b>	<b>-362</b>	<b>-345</b>

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In June 2003, the average exchange rates of the euro and the US dollar were HUF 261.10 and HUF 223.70 respectively.

The release of Hungary's balance of payments for July 2003 is scheduled for 12 September 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 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 web site at Financial Data...Statistical Releases, 'Sector classification in the MNB's statistical press releases from June 2001'.