

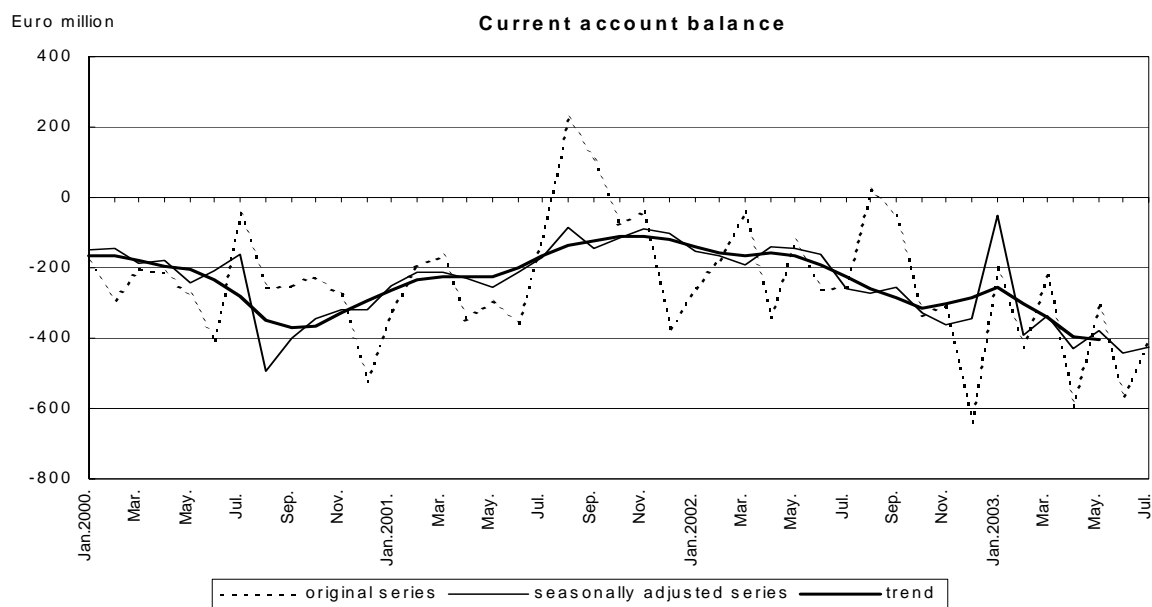
12 September 2003

## PRESS RELEASE

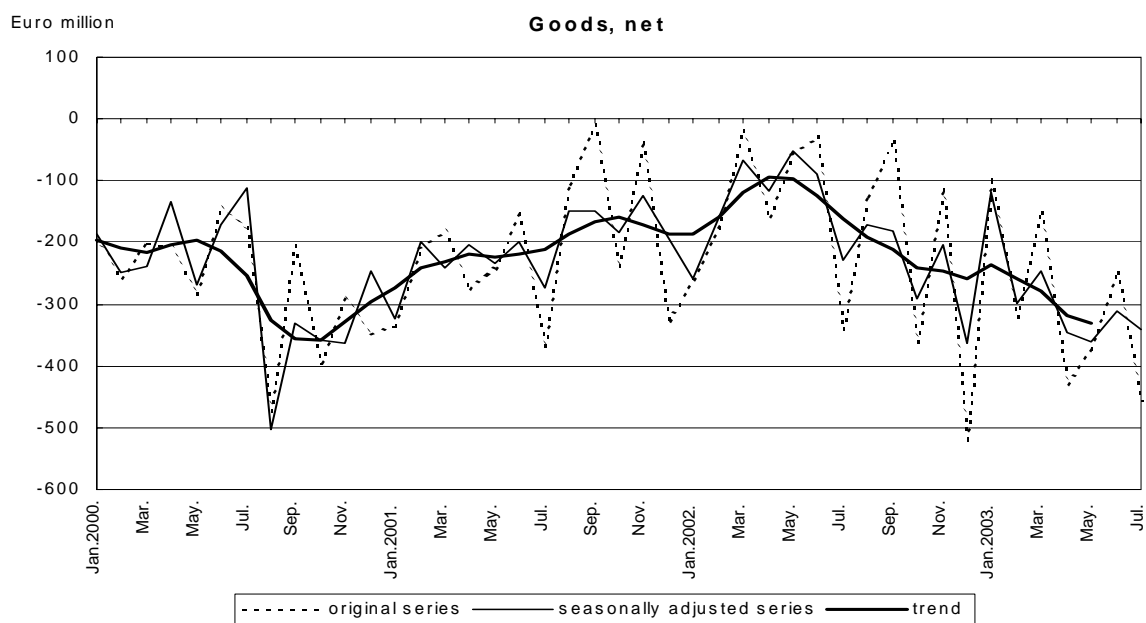
### Hungary's balance of payments: July 2003

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 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)

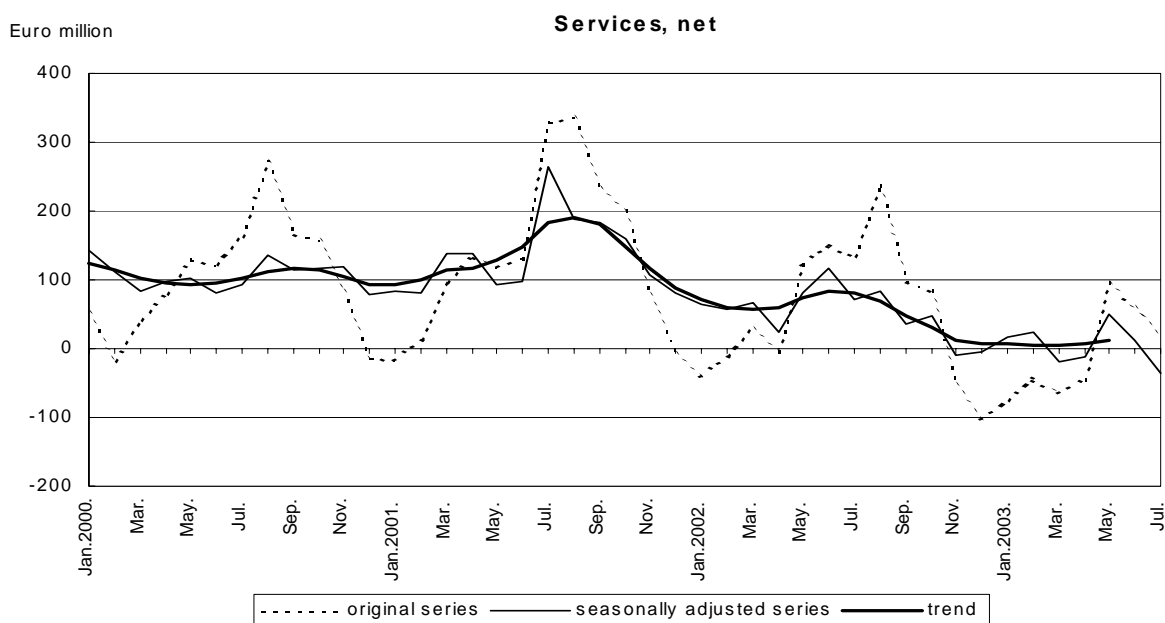
Hungary's current account registered a EUR 408 million deficit in July 2003. After eliminating seasonal effects, the deficit was EUR 19 million lower than in the preceding month. The slight improvement in the July balance outcome was attributable to positive developments in the income and transfer accounts. The outcomes on the goods and services sub-accounts within the balance of real economic transactions worsened relative to June. Non-debt inflow amounted to EUR 413 million in the month under review. Accordingly, July was the first month since August 2002, when Hungary's current account deficit was financed by non-debt inflows, rather than by the increase in net foreign debt.



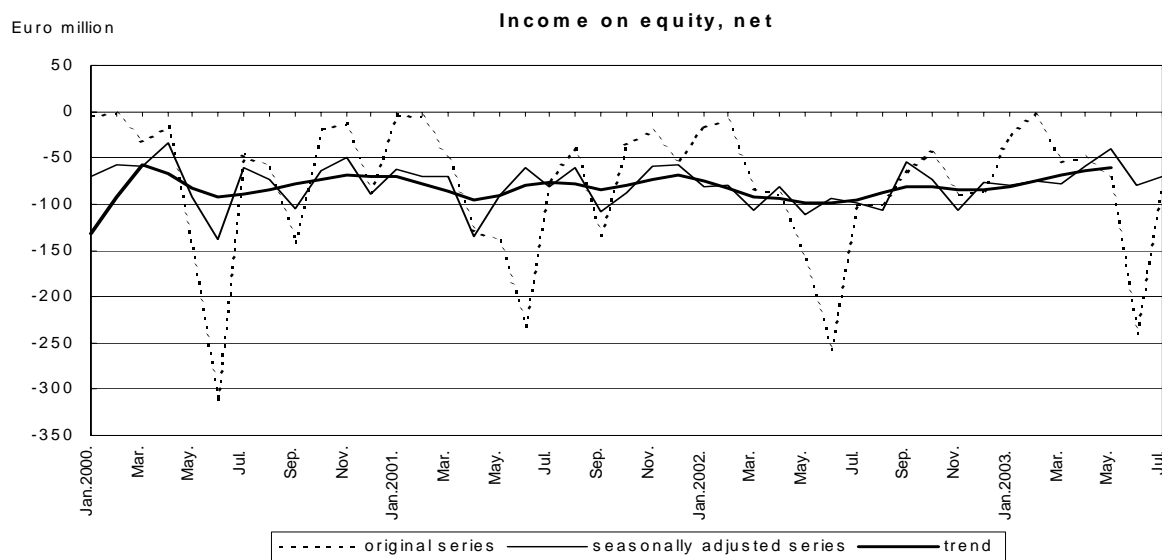
In July, net expenditures for trade in goods were the balance of EUR 3,063 million exports and EUR 3,519 million imports. According to the seasonally adjusted data, the deficit increased by EUR 29 million relative to June and was EUR 111 million higher than a year earlier. The seasonally adjusted data show that monthly goods exports have been fluctuating in a relatively narrow range of EUR 50 million since the start of the year, falling by EUR 19 million in July. Imports, in contrast, have been moving in a wider range of nearly EUR 200 million. Imports rose by EUR 90 million in the month under review relative to June. Accordingly, July's data were the second strongest, following the spike in May, taking the period since the start of 2003 to date.



According to the seasonally adjusted data, the balance outcome on the services account deteriorated relative to the preceding month. Although the deficit on services excluding travel fell in July, the travel surplus also fell, due to a decline in revenue and a rise in expenditure.



According to the seasonally adjusted data, outflows of both investment income on equity and investment income on debt, the two constituents of direct investment income flows, were lower relative to the preceding month.



The surplus registered on current transfers amounted to EUR 44 million in July.

Inward and outward non-debt capital transactions showed a net inflow of EUR 413 million in July. Direct investment transactions in equity capital by Hungarian residents abroad amounted to EUR 31 million, those by non-residents in Hungary amounting to EUR 428 million. Portfolio investment transactions in equity securities showed a net inflow of EUR 16 million in the month under review. According to the evidence of transactions data, July was the first month since August 2002, when Hungary's current account deficit was financed non-debt inflows, rather than by the increase in net foreign debt.

Central bank foreign exchange reserves amounted to EUR 10.8 billion at end-July 2003.

## Balance of payments, Hungary

euro million

	2002				2003			
	May	Jun	Jul	Jan.-Jul.	May	Jun	Jul	Jan.-Jul.
<b>1. Goods, net</b>	<b>-57</b>	<b>-31</b>	<b>-340</b>	<b>-1044</b>	<b>-374</b>	<b>-248</b>	<b>-456</b>	<b>-2083</b>
1.1. Exports	3207	3148	2965	21544	3064	3028	3063	21170
1.2. Imports	3264	3179	3305	22588	3438	3276	3519	23254
<b>2. Services and income, net</b>	<b>-103</b>	<b>-262</b>	<b>43</b>	<b>-704</b>	<b>-4</b>	<b>-357</b>	<b>3</b>	<b>-975</b>
2.1. Services*, net	122	149	132	373	95	60	20	-55
2.1.1. Exports	678	755	827	4719	705	726	760	4709
2.1.2. Imports	557	606	694	4346	610	666	740	4763
2.2. Income, net	-225	-411	-89	-1077	-99	-418	-17	-920
2.2.1. Income on debt, net	-84	-166	3	-461	-42	-188	48	-477
2.2.2. Income on equity, net	-160	-257	-100	-714	-72	-240	-75	-520
2.2.3. Compensation of employees, net	19	12	8	98	15	10	10	76
<b>3. Current transfers</b>	<b>36</b>	<b>31</b>	<b>43</b>	<b>289</b>	<b>72</b>	<b>38</b>	<b>44</b>	<b>337</b>
<b>4. Current account balance</b>	<b>-124</b>	<b>-261</b>	<b>-254</b>	<b>-1459</b>	<b>-305</b>	<b>-567</b>	<b>-408</b>	<b>-2722</b>
<b>5. Non debt creating financing, net</b>	<b>-12</b>	<b>36</b>	<b>70</b>	<b>573</b>	<b>38</b>	<b>80</b>	<b>413</b>	<b>431</b>
5.1. Direct investment, equity capital, net	9	91	135	586	-1	87	397	154
5.1.1. Abroad, net	1	21	-24	-70	-68	-58	-31	-525
5.1.2. In Hungary, net	9	70	160	656	67	144	428	679
5.2. Portfolio investment, equity securities, net	-22	-55	-65	-12	39	-7	16	277
*- o/w: Travel, net	185	168	226	946	122	196	121	692
credit	316	316	412	1994	259	338	326	1685
debit	131	148	186	1047	137	142	206	993

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

euro million

	2003						
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
<b>1. Goods, net</b>	<b>-120</b>	<b>-299</b>	<b>-246</b>	<b>-346</b>	<b>-362</b>	<b>-311</b>	<b>-340</b>
1.1. Exports	3043	3021	3069	3038	3046	3046	3027
1.2. Imports	3276	3273	3307	3344	3463	3296	3386
<b>2. Services and income, net</b>							
2.1. Services							
2.1.1. Travel, net	159	106	103	108	110	165	40
credit	301	251	243	258	253	294	222
debit	141	135	133	151	145	134	163
2.1.2. Other services, net	-135	-80	-121	-125	-32	-142	-104
credit	442	387	467	433	446	389	419
debit	523	514	532	542	532	551	548
2.2. Income, net							
2.2.1. Income on debt, net	-67	-73	-62	-66	-60	-69	-58
2.2.2. Income on equity, net	-80	-75	-78	-59	-40	-80	-71
2.2.3. Compensation of employees, net	9	9	6	11	12	12	9
<b>3. Current transfers</b>	<b>44</b>	<b>32</b>	<b>50</b>	<b>56</b>	<b>72</b>	<b>38</b>	<b>44</b>
<b>4. Current account balance</b>	<b>-49</b>	<b>-390</b>	<b>-338</b>	<b>-430</b>	<b>-379</b>	<b>-444</b>	<b>-425</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>-258</b>	<b>-159</b>	<b>-68</b>	<b>-117</b>	<b>-53</b>	<b>-90</b>	<b>-229</b>	<b>-173</b>	<b>-182</b>	<b>-290</b>	<b>-205</b>	<b>-362</b>
1.1. Exports	2976	3094	3144	3182	3113	3085	3006	3075	3142	3065	2959	2912
1.2. Imports	3256	3319	3207	3289	3149	3252	3181	3186	3332	3357	3291	3191
<b>2. Services and income, net</b>												
2.1. Services												
2.1.1. Travel, net	141	156	140	154	172	138	146	115	107	124	101	135
credit	310	322	308	304	310	275	306	245	265	279	249	277
debit	170	160	163	148	138	140	148	129	162	158	156	155
2.1.2. Other services, net	-85	-93	-80	-122	-70	-27	-97	-40	-68	-87	-105	-123
credit	393	383	366	338	345	466	412	411	388	433	373	460
debit	453	471	459	468	471	473	488	478	489	503	493	517
2.2. Income, net												
2.2.1. Income on debt, net	-60	-55	-64	-65	-70	-66	-65	-67	-70	-67	-65	-59
2.2.2. Income on equity, net	-81	-79	-106	-81	-111	-94	-98	-106	-55	-73	-107	-77
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>-164</b>	<b>-192</b>	<b>-140</b>	<b>-145</b>	<b>-164</b>	<b>-259</b>	<b>-271</b>	<b>-254</b>	<b>-327</b>	<b>-362</b>	<b>-344</b>

In July 2003, the average exchange rates of the euro and the US dollar were HUF 264.04 and HUF 232.11 respectively.

The releases of Hungary's balance of payments for 2003 Q2, the first revision of data for April–June as well as the end-June IIP data are scheduled for 30 September 2003. The first release of the August 2003 balance of payments is scheduled for 10 October 2003.

<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'.