

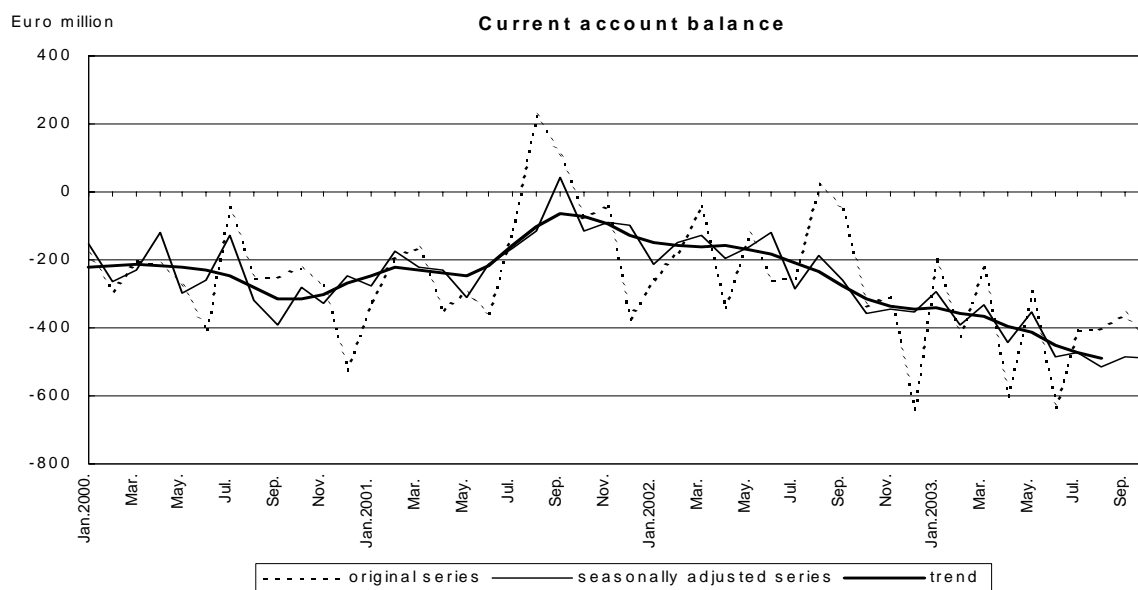
12 December 2003

PRESS RELEASE

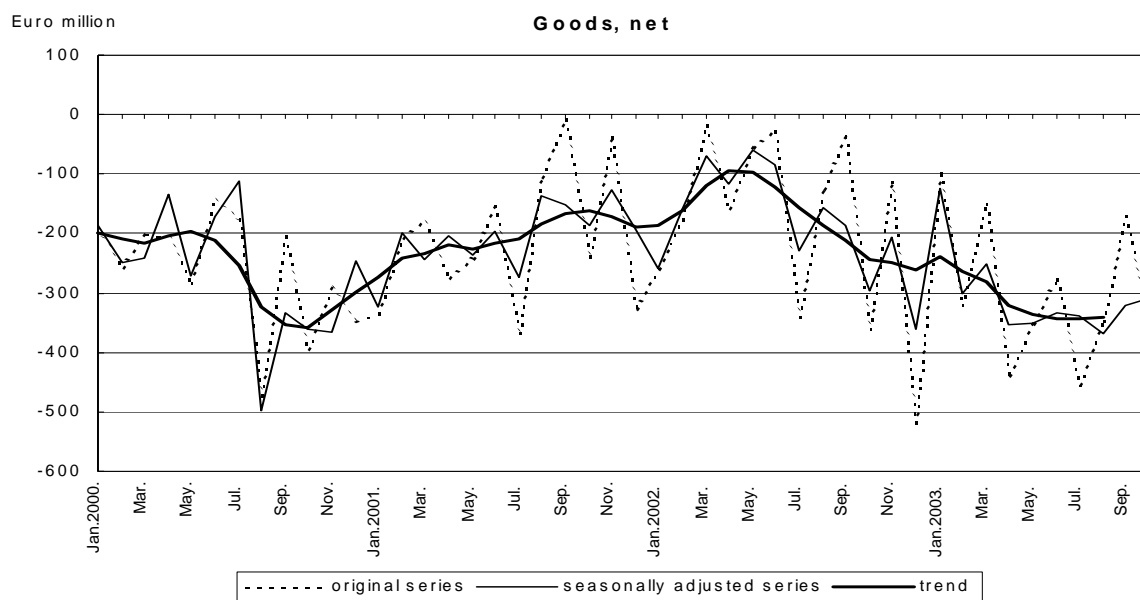
Hungary's balance of payments: October 2003

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+30th 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 15th 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

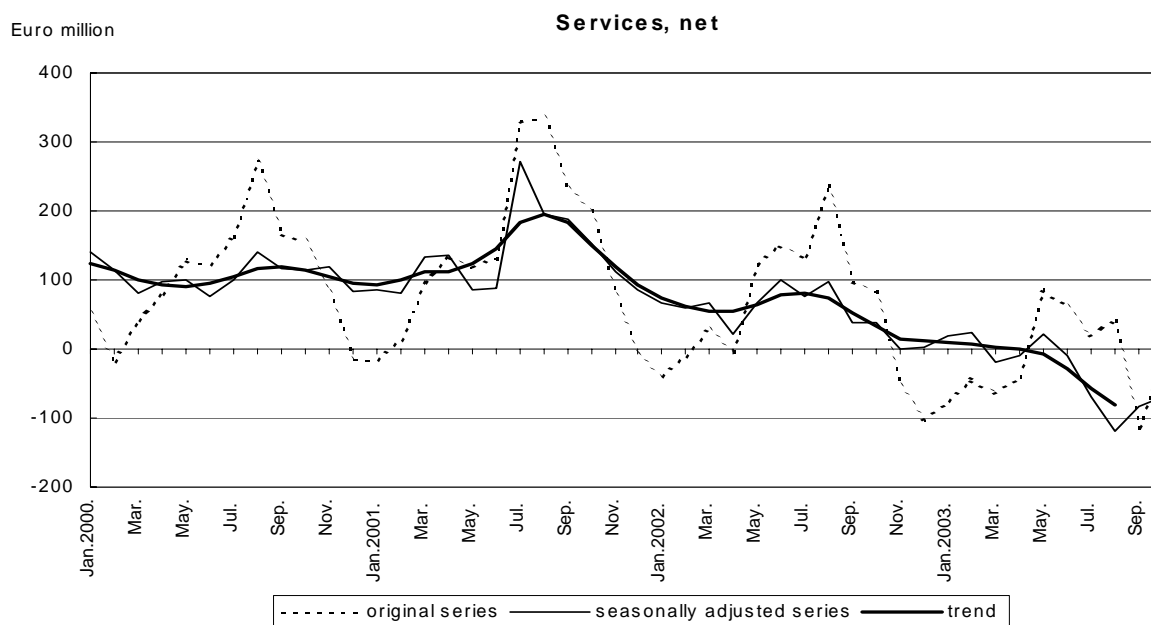
Hungary's current account registered a EUR 469 million deficit in October 2003. After eliminating the seasonal effects, the deficit was practically unchanged in a month-on-month comparison. The improvement in the balance of real economic transactions and the deterioration in the income and transfer accounts both played a role in this. The outcomes on the goods and services sub-accounts within the seasonally adjusted balance of real economic transactions improved for the second consecutive month. However, the outcomes on the sub-accounts of the income and transfer accounts worsened. Within non-debt capital flows, the inflow of direct investment capital amounted to EUR 132 million, the third largest monthly amount in 2003 to date. At EUR 714 million, direct investment by Hungarian residents abroad was substantial. This indicates continued regional expansion by Hungarian firms and explains the large outflows of non-debt income in the month under review.



In October, net expenditures for trade in goods were the balance of EUR 3,516 million exports and EUR 3,884 million imports. According to the seasonally adjusted data, the deficit was EUR 14 million lower than in September and EUR 11 million higher than a year earlier. Exports and imports were broadly unchanged relative to the preceding month. Independently from developments in exports and imports, the balance outcome for October showed a slight improvement.



According to the seasonally adjusted data, the services account deficit continued to fall in October relative to the two preceding months. The outcomes on both sub-accounts of services improved – the deficit on other services fell and, associated with higher revenue and expenditure, the travel surplus increased slightly.



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

The surplus registered on current transfers amounted to EUR 31 million in October.

Inward and outward non-debt capital transactions showed a net outflow of EUR 576 million in October, explained by massive direct investment capital transactions by Hungarian residents abroad in the amount of EUR 714 million. Non-residents invested EUR 132 million in Hungary. Portfolio investment transactions in equity securities showed a net inflow of EUR 7 million in the month under review.

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

Balance of payments, Hungary

euro million

	2002				2003			
	Aug	Sept	Oct	Jan-Oct	Aug	Sept	Oct	Jan-Oct
1. Goods, net	-127	-38	-360	-1570	-347	-172	-368	-2989
1.1. Exports	2634	3242	3355	30775	2709	3460	3516	30777
1.2. Imports	2761	3280	3715	32344	3056	3631	3884	33766
2. Services and income, net	106	-53	-13	-664	-91	-238	-132	-1484
2.1. Services*, net	235	99	83	789	41	-113	-10	-140
2.1.1. Exports	804	707	756	6985	708	864	775	7059
2.1.2. Imports	569	608	673	6197	667	977	784	7199
2.2. Income, net	-128	-151	-96	-1453	-132	-125	-122	-1344
2.2.1. Income on debt, net	-37	-93	-65	-656	-51	-52	-121	-707
2.2.2. Income on equity, net	-101	-66	-46	-926	-91	-84	-18	-749
2.2.3. Compensation of employees, net	10	8	15	130	9	11	16	112
3. Current transfers	42	38	39	408	36	53	31	459
4. Current account balance	21	-53	-334	-1825	-402	-357	-469	-4014
5. Non debt creating financing, net	247	-6	24	838	173	113	-576	149
5.1. Direct investment, equity capital, net	259	39	77	961	106	49	-583	-261
5.1.1. Abroad, net	-39	-31	-15	-156	-13	7	-714	-1247
5.1.2. In Hungary, net	298	71	92	1116	120	42	132	986
5.2. Portfolio investment, equity securities, net	-12	-45	-53	-123	66	64	7	409
*- o/w: Travel, net	239	146	147	1478	152	114	110	1067
credit	393	320	309	3015	326	290	276	2576
debit	154	174	162	1537	174	176	166	1509

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

euro million

	2003									
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.
1. Goods, net	-123	-300	-251	-352	-351	-334	-339	-369	-322	-308
1.1. Exports	3038	3026	3067	3036	3027	3025	3049	3143	3206	3194
1.2. Imports	3276	3274	3313	3358	3425	3278	3395	3598	3535	3537
2. Services and income, net										
2.1. Services										
2.1.1. Travel, net	152	110	107	103	104	176	-49	37	72	80
credit	301	250	242	257	251	293	220	193	235	243
debit	140	139	133	152	145	134	162	147	162	162
2.1.2. Other services, net	-145	-76	-121	-132	-45	-139	-138	-170	-158	-137
credit	443	387	468	432	447	392	458	444	486	475
debit	544	519	562	550	546	562	590	600	623	616
2.2. Income, net										
2.2.1. Income on debt, net	-68	-74	-63	-67	-62	-71	-60	-67	-63	-73
2.2.2. Income on equity, net	-80	-74	-77	-60	-42	-95	-70	-88	-67	-78
2.2.3. Compensation of employees, net	10	9	7	11	11	12	9	11	15	15
3. Current transfers	44	32	50	57	71	41	44	36	53	31
4. Current account balance	-293	-390	-331	-444	-354	-486	-470	-513	-484	-489

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

euro million

	2002											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1. Goods, net	-259	-160	-70	-117	-59	-85	-228	-155	-185	-297	-207	-361
1.1. Exports	2973	3092	3131	3172	3126	3106	3028	3069	3117	3053	2953	2919
1.2. Imports	3261	3320	3200	3294	3158	3257	3183	3175	3328	3359	3283	3191
2. Services and income, net												
2.1. Services												
2.1.1. Travel, net	188	161	138	157	168	147	153	122	104	118	95	124
credit	309	321	307	303	308	274	305	256	265	276	249	277
debit	170	165	165	147	138	140	147	130	160	157	155	155
2.1.2. Other services, net	-92	-91	-80	-130	-71	-24	-91	-23	-60	-81	-112	-137
credit	392	383	368	337	346	467	411	410	389	431	373	459
debit	462	480	447	484	466	477	486	468	479	504	497	539
2.2. Income, net												
2.2.1. Income on debt, net	-60	-55	-64	-65	-70	-65	-65	-66	-73	-62	-66	-60
2.2.2. Income on equity, net	-81	-79	-106	-81	-109	-85	-99	-106	-64	-78	-108	-77
2.2.3. Compensation of employees, net	14	13	13	15	15	14	7	11	12	14	11	14
3. Current transfers	73	19	53	34	36	31	43	42	38	39	28	39
4. Current account balance	-211	-148	-128	-197	-161	-119	-284	-187	-259	-356	-346	-355

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In October 2003, the average exchange rates of the euro and the US dollar were HUF 255.47 and HUF 218.46 respectively.

The releases of Hungary's balance of payments for 2003 Q3, the first revision of data for July–September as well as the end-September IIP data are scheduled for 30 December 2003. The first release of the November 2003 balance of payments is scheduled for 14 January 2004.

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^{a)} 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 ($y_t = 1/9x_t + 2/9x_{t-1} + 3/9x_t + 2/9x_{t+1} + 1/9x_{t+2}$), 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 website at Financial Data...Statistical Releases, 'Sector classification in the MNB's statistical press releases from June 2001'.