

30 December 2003

PRESS RELEASE

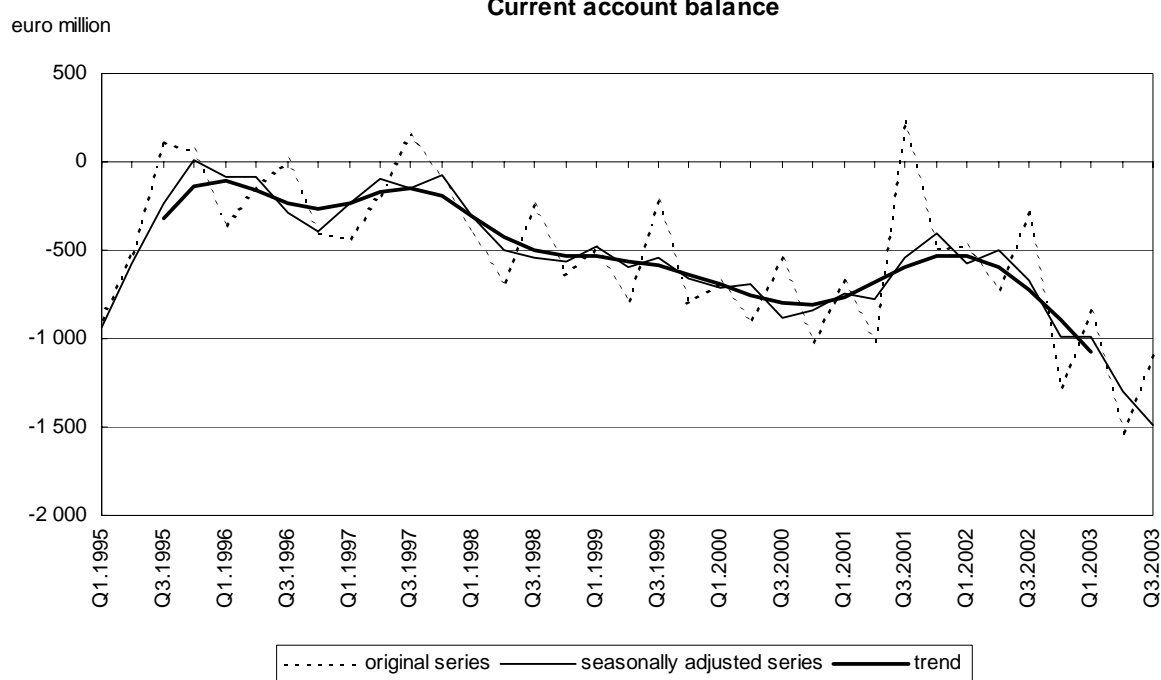
Hungary's balance of payments: 2003 Q3

Based on the quarterly data, Hungary's current account registered a EUR 1,101 million deficit in 2003 Q3. This was EUR 66 million lower than the deficit derived from data released for the three months of the period individually. It was mainly non-debt inflows that financed Hungary's current account deficit.

After eliminating the seasonal effects, the current account deficit¹ in 2003 Q3 was higher than in the previous quarter. As a result, the build-up of deficit which started in Q2 continued in the period under review (the deficit stagnated in Q1) (see Chart 1).

Chart 1

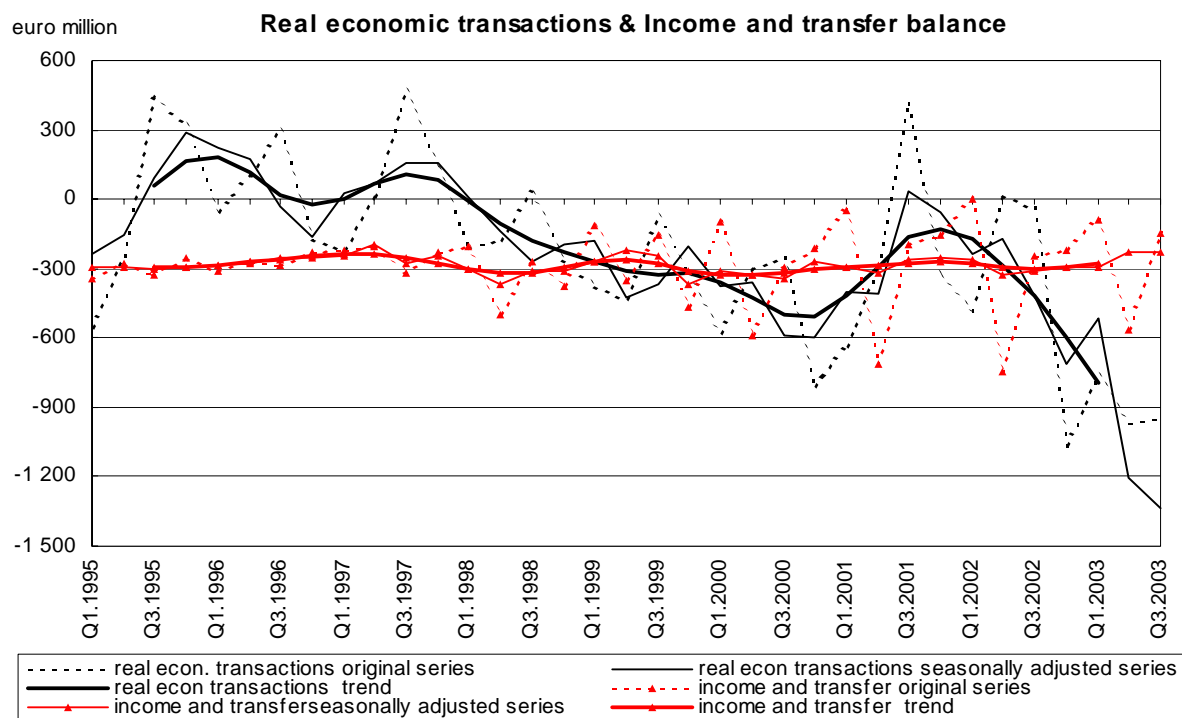
Current account balance



Real economic transactions (i.e. those in goods and services) play a dominant role in current account balance outcomes. In Q3, the higher deficit on this sub-account continued to explain the increase in current account deficit. Compared with real economic transactions, income and current transfers appear to be in broad balance over the longer term. The deficit on this sub-account remained unchanged in the period under review relative to the previous quarter (see Chart 2).

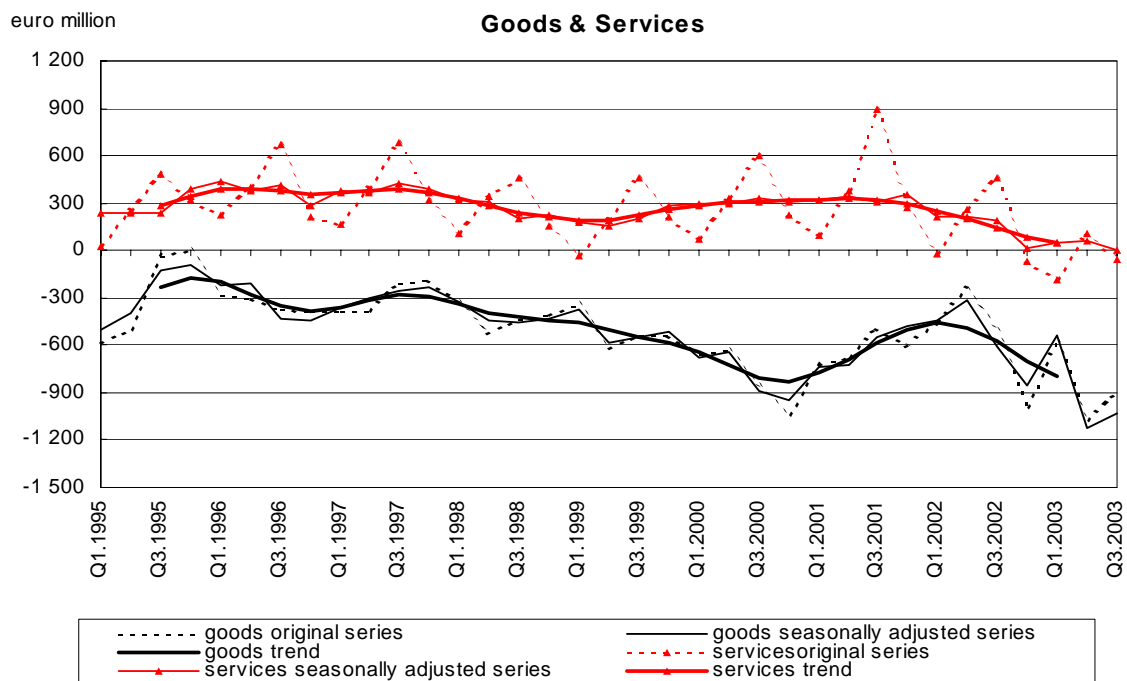
¹ In the following, the remarks are based on seasonally adjusted data in the case of the current account items.

Chart 2

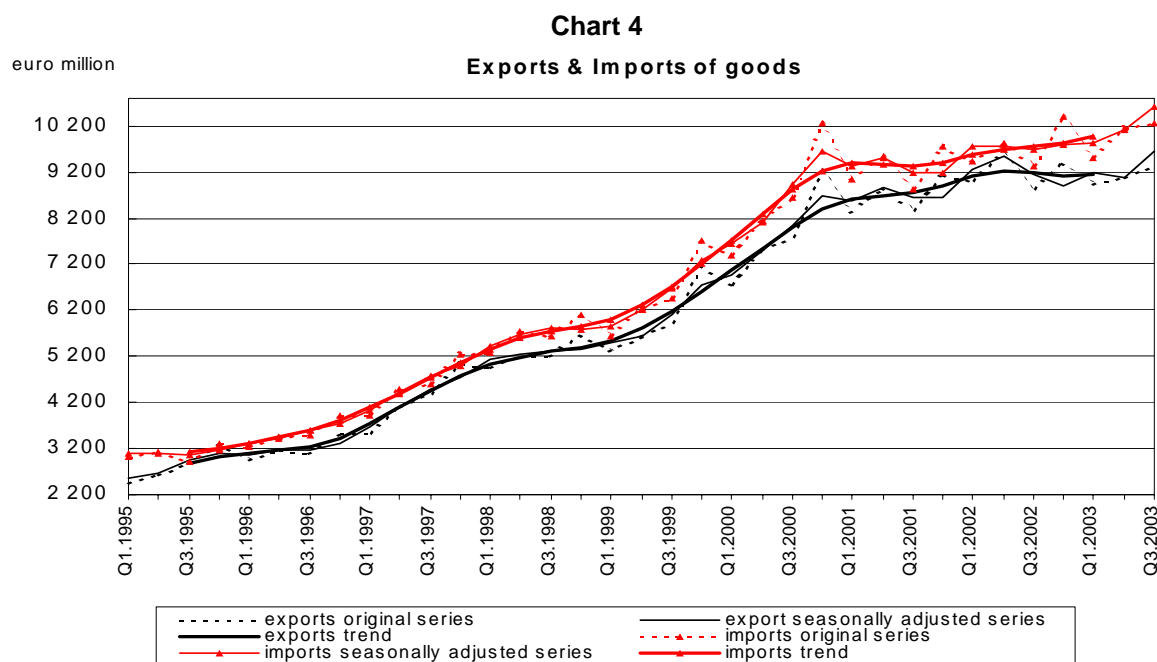


The deficit on real economic transactions increased relative to Q2, in which the higher goods deficit played a dominant role. The balance on service transactions continued to improve relative to the previous quarter (see Chart 3).

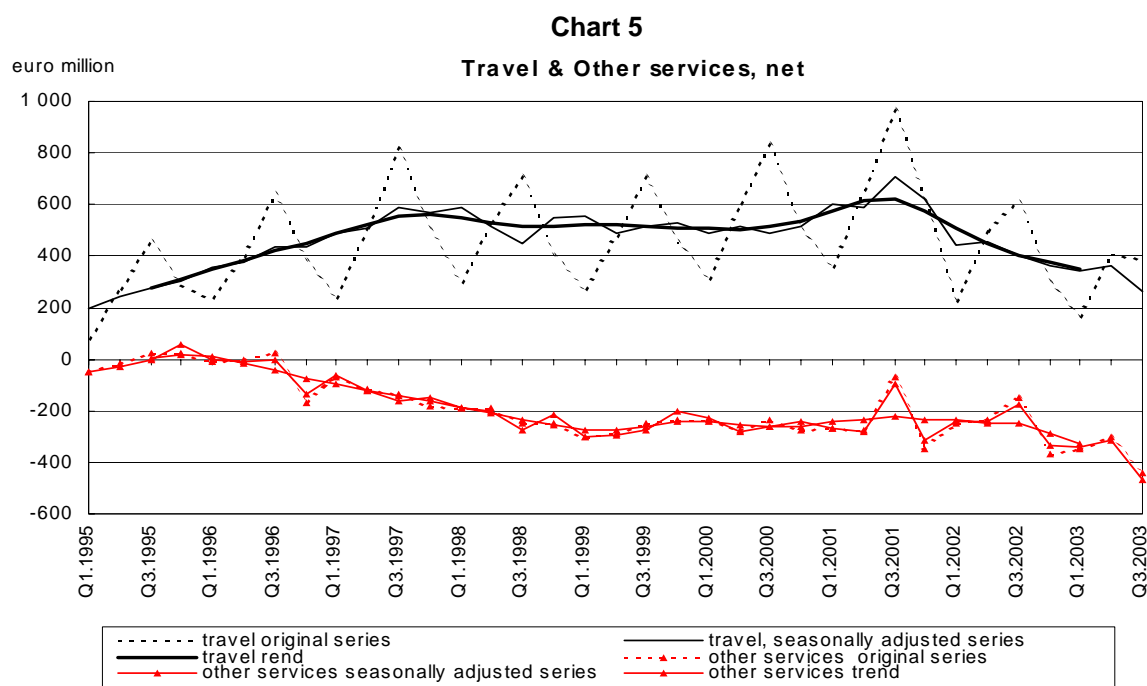
Chart 3



The change in the outcome on the goods balance relative to the previous quarter was the result of a stronger increase in exports than in imports (see Chart 4).² Taking the longer-term view, the upward trend of imports has picked up slightly in the past two years, that of exports showing no significant variations for the period after 2002 Q1.

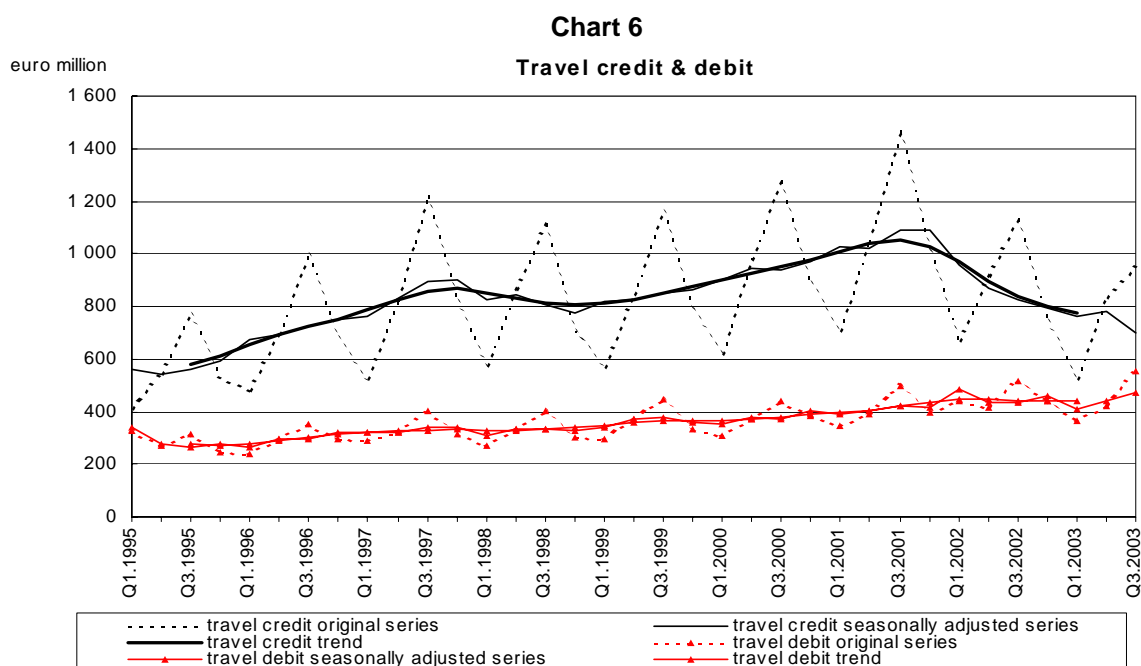


Within services, the outcomes on both the travel and the other services accounts deteriorated (see Chart 5). In the case of other services, all this was accompanied by a robust increase in expenditure and revenue.

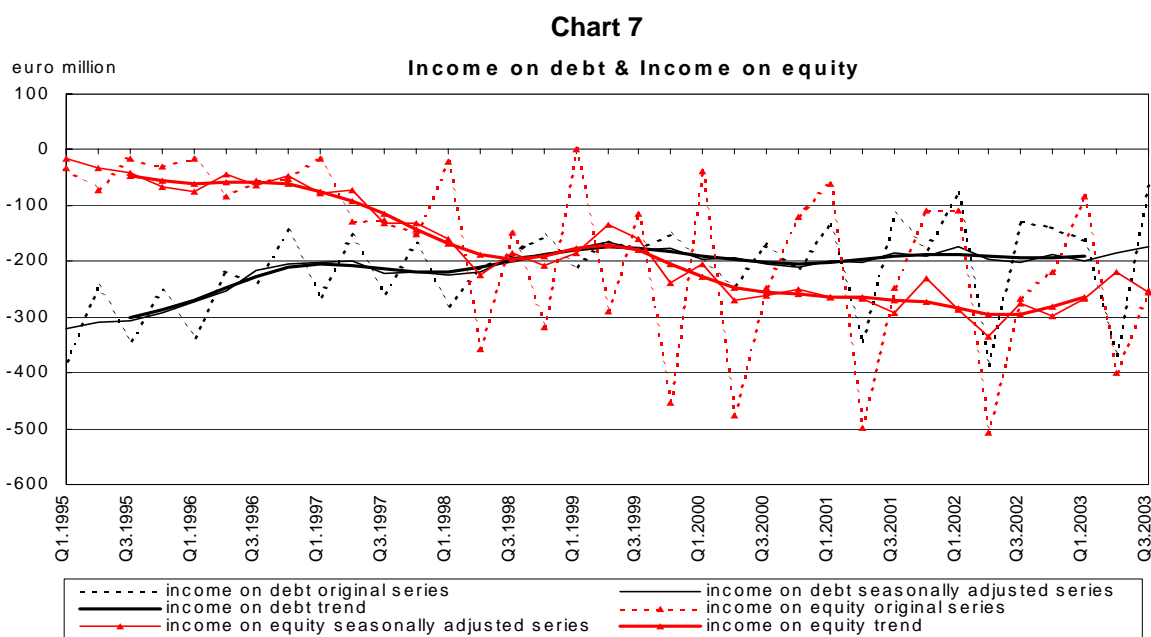


² In line with the Bank's revised policy of data releases and revisions, third-quarter data are the first revision of monthly data released in July, August and September. Third-quarter exports and imports were EUR 116 million and EUR 44 million higher respectively than the sum of monthly data first released in Q3. The Bank will publish on its website the revised data as part of the time series of the monthly balance of payments.

2003 Q3 travel revenue was again lower than in the previous quarter. This meant that, after the improvement in Q2,³ the decline in revenue which started at end-2001 continued. The trend of expenditures has been slightly upwards in recent years, with the data for 2003 Q3 continuing to be higher than in the previous quarter (see Chart 6).



Developments in income on debt and income on equity are dominant factors affecting the income and transfer account balance. The balance of inward and outward flows of income on debt improved in 2003 Q3, while that of income on equity worsened relative to the previous period. As a combined effect, the balance on the income and transfer account remained unchanged (see Chart 7).



³ The favourable travel revenue data for Q2 were attributable mainly to an increase in turnover in June 2003 – whereas in January–May 2003 monthly revenues lagged behind those for the previous year, the June 2003 data were higher relative to a year earlier.

The surplus on current transfers in 2003 Q3 was lower than in the previous quarter of the year.

Inward and outward non-debt capital transactions showed a net inflow of EUR 706 million in 2003 Q3. The value of direct investment in equity capital was the net result of transactions by Hungarian residents abroad and by non-residents in Hungary, in the amounts of EUR 26 million and EUR 585 million respectively. Portfolio investment transactions in equity securities showed a net inflow of EUR 147 million in the period under review.

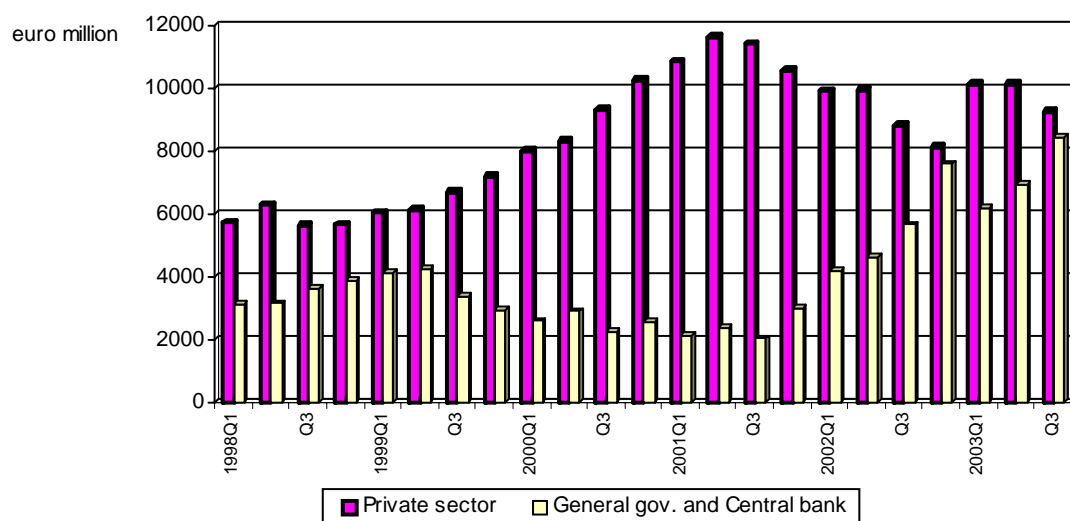
Central bank foreign exchange reserves amounted to EUR 11.0 billion at end-September 2003. Whole-economy gross foreign debt was EUR 2.8 billion higher than at the end of Q2. Transactions, and price and exchange rate movements as well as other volume changes increased the gross foreign debt by EUR 2.0 billion and EUR 0.8 billion respectively. Transactions and other factors contributed EUR 0.4 billion and EUR 0.2 billion respectively to the EUR 0.6 billion increase in net debt. The outstanding total of forint-denominated government and central bank securities was EUR 8.9 billion at end-September, EUR 1.3 billion higher than at the end of the previous quarter.

Foreign debt of Hungary

	Euro million	
	2003 Q2	Q3
I. Gross foreign debt, Total Economy (S.1) (A+B)	40.2	43.0
A: General government and Central bank (S.13+S.121)	18.1	19.8
A.1. o/w.:debt denominated in HUF/1	8.0	9.2
B. Private sector (S.1-S.13-S.121)	22.1	23.2
B.1. o/w.:debt denominated in HUF/1	2.4	3.2
B.2. o/w.:Intercompany loans	6.4	6.5
II. Net foreign debt, Total Economy (S.1) (A+B)	17.1	17.7
A: General government and Central bank (S.13+S.121)	7.0	8.4
A.1. o/w.:debt denominated in HUF/1	7.8	8.9
B. Private sector (S.1-S.13-S.121)	10.1	9.2
B.1. o/w.:debt denominated in HUF/1	0.0	0.3
B.2. o/w.:Intercompany loans	3.0	2.1

1/ Securities plus other.

Net foreign debt, Hungary 1998-2003 (by sectors, including intercompany loans)



The net debt of general government and the MNB was higher at end-Q3 than at the end of the previous quarter, due mainly to an increase in liabilities. By contrast, the private sector's net debt fell as a consequence of a higher increase in assets than in liabilities.

Balance of payments, Hungary

euro million

	2001				2002				2003		
	Q. I.	Q. II.	Q. III.	Q. IV.	Q. I.	Q. II.	Q. III.	Q. IV.	Q. I.	Q. II.	Q. III.
1. Goods, net	-726	-676	-486	-608	-458	-247	-505	-994	-574	-1073	-902
1.1. Exports	8310	8878	8352	9157	8991	9587	8841	9401	8942	9087	9348
1.2. Imports	9036	9554	8838	9765	9449	9834	9346	10395	9517	10159	10250
2. Services and income, net	-56	-412	575	23	-167	-580	96	-392	-401	-625	-333
2.1. Services*, net	91	384	899	269	-24	265	465	-70	-185	107	-52
2.1.1. Exports	1614	1971	2623	2158	1825	2068	2337	2007	1863	2089	2334
2.1.2. Imports	1523	1587	1724	1889	1849	1803	1872	2077	2049	1982	2385
2.2. Income, net	-147	-796	-324	-246	-143	-845	-369	-322	-215	-732	-281
2.2.1. Income on debt, net	-135	-343	-116	-179	-79	-384	-128	-138	-162	-370	-57
2.2.2. Income on equity, net	-60	-498	-248	-110	-109	-506	-267	-220	-83	-398	-254
2.2.3. Compensation of employees, net	47	46	39	44	44	46	25	35	30	36	30
3. Current transfers	99	79	130	91	145	101	123	106	126	169	135
4. Current account balance	-684	-1009	219	-494	-480	-726	-285	-1280	-849	-1529	-1101
5. Non debt creating financing, net	300	307	162	41	335	168	311	77	-65	90	706
5.1. Direct investment, equity capital, net	227	286	148	61	222	228	433	193	-277	46	559
5.1.1. Abroad, net	-312	-45	-44	25	-38	-7	-95	-63	-355	-140	-26
5.1.2. In Hungary, net	539	331	192	36	260	236	528	257	79	186	585
5.2. Portfolio investment, equity securities, net	73	22	13	-20	113	-60	-123	-117	212	44	147
* - o/w: Travel, net	359	656	966	615	223	498	611	297	160	410	386
credit	705	1045	1464	1010	666	915	1125	741	526	832	942
debit	346	389	498	394	444	417	514	443	365	422	556

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

Euro million

	2001				2002				2003		
	Q. I.	Q. II.	Q. III.	Q. IV.	Q. I.	Q. II.	Q. III.	Q. IV.	Q. I.	Q. II.	Q. III.
1. Goods, net	-736	-725	-551	-482	-445	-315	-608	-855	-533	-1121	-1028
1.1. Exports	8568	8854	8634	8653	9249	9546	9139	8894	9190	9064	9661
1.2. Imports	9342	9501	9182	9199	9760	9768	9705	9790	9839	10108	10634
2. Services and income, net											
2.1. Services	320	342	309	349	209	219	194	16	49	58	-2
2.1.1. Travel, net	601	588	707	621	441	453	403	361	340	362	265
credit	1026	1021	1087	1090	958	868	827	795	763	784	700
debit	389	402	423	414	485	434	436	460	412	440	474
2.1.2. Other services, net	-265	-283	-93	-312	-244	-243	-172	-333	-343	-314	-465
credit	904	985	1183	1094	1141	1197	1217	1247	1300	1324	1383
debit	1149	1221	1292	1362	1354	1412	1449	1489	1644	1591	1953
2.2. Income, net	-414	-411	-413	-395	-406	-473	-443	-440	-434	-384	
2.2.1. Income on debt, net	-199	-202	-185	-189	-175	-196	-201	-189	-198	-184	-173
2.2.2. Income on equity, net	-263	-266	-292	-231	-286	-336	-276	-298	-268	-220	-255
2.2.3. Compensation of employees, net	41	48	44	43	45	38	32	35	29	34	33
3. Current transfers	94	79	129	96	140	101	123	111	121	169	135
4. Current account balance	-740	-782	-544	-408	-575	-501	-667	-994	-984	-1302	-1485

The release of balance of payments data for November 2003 is scheduled for 14 January 2004. Based on the Monetary Council's decision of 15 December, the Bank's data release and revision policy will change after Hungary's joining the European Union.

^{a)} 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.

Notes to the press release and the tables:

- 1 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'.
- 2 In order to comply with the data dissemination standards of the IMF, the MNB will publish IIP data in a new composition among the statistical times series on its website, beginning with the release of 2003 Q2 data. The difference between gross foreign debt, published earlier on a regular basis, and the new category of debt is that the latter does not group liabilities arising from financial derivatives into the elements of debt. In the following, both data will be published on the Bank's website, in addition to indicating the relevant type of debt.