

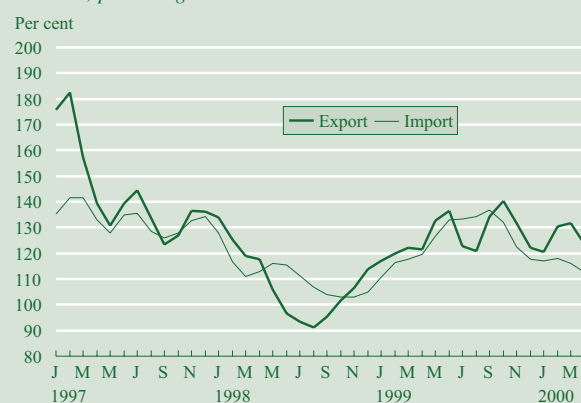
III. FOREIGN TRADE AND PAYMENTS

Foreign trade

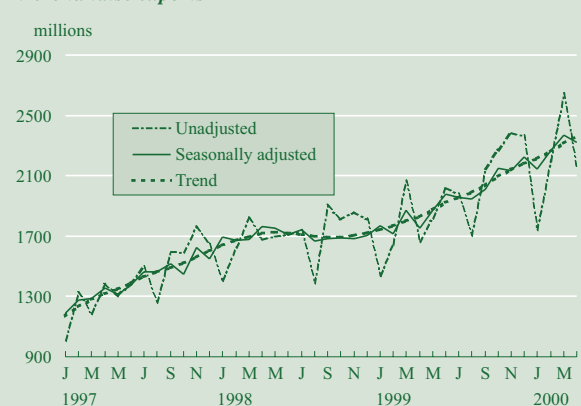
After seasonal adjustment, the upward slope of the trend of Hungarian merchandise exports has in recent months been stronger than the comparable indicator for imports. The strength of import growth has been abating gradually since January, in contrast to export growth, which has showed signs of losing momentum only since April. Consequently, the trend of the merchandise trade balance has been improving in recent months.

The year-on-year growth rate of goods exports was higher than that of imports in April 2000. However, comparing actual figures for the first four months of

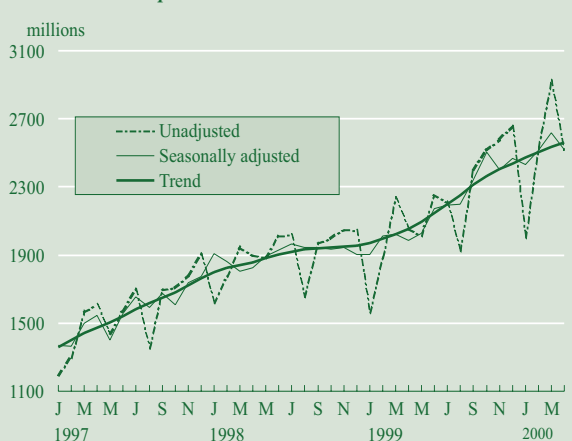
Annualised growth rates of merchandise foreign trade
In euros; preceding month = 100



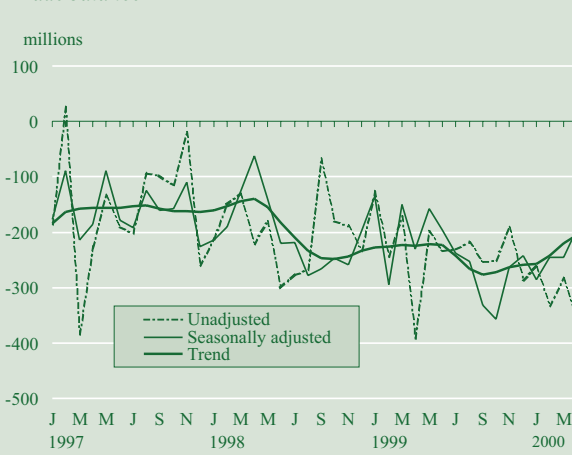
Merchandise exports



Merchandise imports



Trade balance



1999 and 2000, import growth continued to be a little stronger than export growth.¹ Movements in exchange rates also exercised a strong influence on growth rates denominated in euros – the euro exchange rate against the dollar was 13.1% weaker in April and 13.5% weaker

¹ Reports of additional turnover of goods for March by a number of customs-free locations with high turnover volumes definitely played a role here. As a consequence, the originally released data have been adjusted upwards significantly, by more than 200 million.

Major indicators of foreign trade in 2000						
	Exports		Imports		Balance	
	April	January–April	April	January–April	April	January–April
Available data (millions; 1999)	1,663.9	6,805.5	2,055.5	7,741.6	–391.6	–936.2
Available data (millions; 2000)	2,046.0	8,566.0	2,403.6	9,817.7	–357.6	–1,251.7
<i>Value indices (%) , same period of previous year = 100</i>						
Calculated from available data	123.0	125.9	116.9	126.8	–	–
Reflecting forthcoming adjustments*	127.1	127.4	120.0	127.9	–	–

* Estimate.

Foreign trade by major groups of commodity*								
	1999	2000				1999	2000	
	April	February	March	April	January–April	1999	2000	January–April
	Trade volume, millions					Distribution, %		
EXPORTS								
Food, beverages, tobacco	123.7	144.1	183.4	146.1	500.2	596.8	7.3	7.0
Raw materials	44.9	44.9	62.3	48.2	165.3	195.5	2.4	2.3
Energy	30.7	36.3	44.9	35.1	127.2	152.3	1.9	1.8
Manufactured goods	552.0	668.6	766.1	605.5	2,176.5	2,598.0	32.0	30.3
Machinery, equipment	912.5	1,289.1	1,548.8	1,211.0	3,836.3	5,023.5	56.4	58.6
Total	1,663.9	2,183.0	2,605.5	2,046.0	6,805.5	8,566.0	100.0	100.0
IMPORTS								
Food, beverages, tobacco	65.6	64.8	83.2	71.5	262.1	278.7	3.4	2.8
Raw materials	51.7	59.8	64.6	58.2	186.1	235.9	2.4	2.4
Energy	108.7	213.4	234.1	206.3	406.1	747.7	5.2	7.6
Manufactured goods	827.9	920.3	1,036.6	883.4	3,003.2	3,621.3	38.8	36.9
Machinery, equipment	1,001.6	1,264.1	1,475.4	1,184.2	3,884.2	4,934.1	50.2	50.3
Total	2,055.5	2,522.5	2,893.8	2,403.6	7,741.6	9,817.7	100.0	100.0

* Data for 2000 are preliminary.

Direction of foreign trade*								
	1999	2000				1999	2000	
	April	February	March	April	January–April	1999	2000	January–April
	Trade volume, millions					Distribution, %		
EXPORTS								
Developed countries	1,380.7	1,866.6	2,179.6	1,725.2	5,730.8	7,252.7	84.2	84.7
EU	1,240.1	1,699.9	1,962.6	1,573.2	5,214.0	6,608.0	76.6	77.1
CEECs	217.1	250.1	338.5	261.4	826.9	1,053.9	12.2	12.3
CEFTA	139.6	160.3	216.9	163.4	539.3	668.9	7.9	7.8
CIS	43.1	47.3	69.6	53.5	153.7	209.7	2.3	2.4
Developing countries	56.8	61.1	78.0	52.5	216.6	232.6	3.2	2.7
Other countries	9.3	5.2	9.4	6.8	31.2	26.8	0.5	0.3
Total	1,663.9	2,183.0	2,605.5	2,046.0	6,805.5	8,566.0	100.0	100.0
IMPORTS								
Developed countries	1,550.5	1,831.6	2,041.4	1,686.0	5,875.1	7,020.6	75.9	71.5
EU	1,354.6	1,543.7	1,725.9	1,422.7	5,094.1	5,923.5	65.8	60.3
CEECs	287.0	405.2	496.9	417.5	1,028.9	1,622.3	13.3	16.5
CEFTA	144.0	174.3	212.1	180.2	545.3	724.1	7.0	7.4
CIS	138.0	223.8	279.5	225.9	465.1	869.9	6.0	8.9
Developing countries	175.2	214.5	269.1	194.4	663.6	859.1	8.6	8.8
Other countries	42.8	71.1	86.5	105.7	174.1	315.7	2.2	3.2
Total	2,055.5	2,522.5	2,893.8	2,403.6	7,741.6	9,817.7	100.0	100.0

* Data for 2000 are preliminary.

on average in the first four months of the year than in the comparable periods of 1999.

The unadjusted figures, expressed in euros, show that the value of Hungarian goods trade, reflecting seasonal factors, fell markedly in April relative to the values recorded in the preceding month. Turnover tends to be slow in the first month of a quarter.

Machinery and equipment continued to increase its share within total exports in April and the first four months of 2000 relative to the comparable periods twelve months previously. Unlike machinery and equipment, the percentages that all other commodity groups accounted for remained static or slightly fell in the period. It was mostly exports to the developed countries,

PROCESSING TRADE						
2000 turnover data						
	Processing exports				Imports of materials for inward processing	
	Full value		Material content			
	April	January–April	April	January–April	April	January–April
Available data (millions; 1999)	328.3	1,359.8	247.2	1,021.1	334.1	1,214.1
Available data (millions; 1999)	371.1	1,564.1	292.9	1,200.0	352.2	1,445.4
Value indices on dollar basis; same period of previous year = 100						
Calculated from available data	113.0	115.0	118.5	117.5	105.4	119.1
Reflecting forthcoming adjustments*	116.8	116.4	122.4	119.7	108.2	120.0
* Estimate.						
Ratios*						
	Per cent					
	1999		2000			
	April	January–April	April	January–April	April	January–April
Processing exports as a percentage of total exports	18.6	20.1	18.0	18.2		
Fee content of processing exports	24.8	25.0	20.9	23.9		
Imports of materials as a percentage of total imports	15.1	15.5	14.9	14.6		
* 2000 data reflect ratios after removal of forthcoming adjustments and the exchange rate effect.						

and members of the EU in particular, which continued to rise.²

As regards whole-economy imports, year-on-year growth in imports of machinery and equipment was broadly comparable with the whole-economy average in April and the period January–April, which resulted in little material change in the ratio of this commodity group to total imports. Within imports of machinery and equipment, the percentages that the developed countries and members of the EU accounted for declined, while those of the other important country groups, including the CEFTA region, the CIS states and the Far East, increased.³ That, however, was the principal consequence of multinationals with production bases in Hungary importing their input directly from the Far East instead of their west European distribution bases, rather than a loosening of Hungary's economic contacts with the developed countries.

In April and the first four months of 2000, the volume of Hungarian food industry goods trade, and the surplus

on food trade, both rose above the outcomes recorded in the comparable periods of 1999. Due to the base effect, inward and outward trade with the CIS states and Russia rose particularly strongly. However, the percentage share of the region within whole-economy foreign trade fell, particularly as regards imports.

The euro value of energy imports and ratio of energy imports to whole-economy imports were perceptibly higher in April and the first four months of 2000 than in the same periods of 1999. The increase in the percentage which energy accounts for within total imports is related to an almost uninterrupted rise in the price of crude oil in the world market since the start of 1999. Expressed in volume terms, energy imports in April and the first four months of 2000 remain below the levels recorded in the comparable periods of 1999.

The increase in the energy bill⁴ affects not only the concentration of the commodity pattern of whole-economy imports but also changes in the regional patterns – the vast bulk of imported energy is from the CIS states and Russia.⁵ The very fact that energy prices rose played a significant role in the fall in the percentage share of the developed countries in total Hungarian imports.

In April and the period January–April 2000, imports of the major categories of commodity from the CEFTA and the CIS rose markedly relative to the year earlier periods, with an increase, too, in the percentages that these countries account for within Hungarian imports. The Far East saw its share remain broadly unchanged; goods turnover with the region rose much more modestly and affected only a few categories of commodity.

In terms of value added, the ratio of processing exports to finished goods exports was slightly lower in

² This is indicated by the changing shares of the developed countries and the EU within Hungarian exports of machinery and equipment – they rose from 92% and 84% in the first four months of 1999 to 93% and 85% in the same period of 2000.

³ The percentage shares that the developed countries and the EU accounted for within Hungarian imports of machinery and equipment were 82% and 71% in January–April 1999, compared with 78% and 64% in the same period of 2000.

⁴ This caused an increase in costs to the tune of 350 million in the first four months of 2000 relative to the same period of 1999.

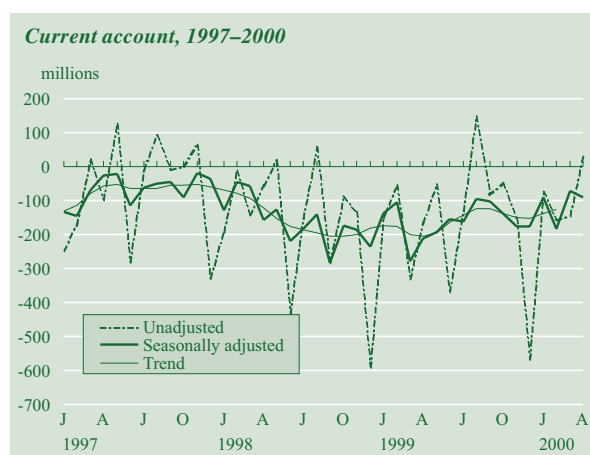
⁵ In January–April 2000, the CIS states, and Russia in particular, accounted for some 75% and 66% respectively of Hungarian energy imports. A year earlier, the respective percentages were 67% and 56%. This is also an indication of an increase in the percentage share of the eastern region within Hungarian energy imports due to rising energy prices.

April and January–April 2000 than in the same periods of 1999. However, the share which materials for processing accounted for within whole-economy exports and imports fell, with the decline in exports being more pronounced.⁶

The current account and financing

In April 2000 the current account ran a surplus of 28 million. After seasonal adjustment,⁷ the current account was 92 million in deficit, which meant an increase in deficit of 22 million. However, there was a marked decrease of 120 million in the deficit relative to its level of a year earlier. The trend, derived from the seasonally adjusted data by using moving averages, shows a decline in deficit since December 1999. The January–April deficit, 350 million, was half of that in the same period of 1999.

The merchandise trade deficit amounted to 48 million in April.⁸ According to the seasonally smoothed data, the trade balance showed a 155 million surplus.



⁶ Data on materials for processing constitute the uncertain point of customs-based trade statistics. Although importing companies are obliged to report on the material purchased for processing, such imports are recorded only on a quantitative basis. The system of checking the reliability of value data is inadequate.

⁷ The earlier fixed model did not allow current account balances to be seasonally adjusted. The very favourable outcomes for March–April, however, prompted a change to the model, and other seasonal patterns are now given a role in the time series. Values in the new model have caused a substantial revision of data for the past four months.

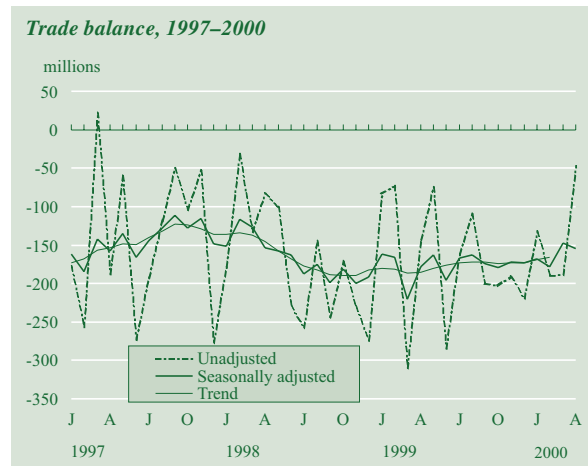
⁸ In April, merchandise exports and imports, as shown in the balance of payments, were 434 million and 199 million higher respectively than customs-based exports and imports, which include turnover conducted by the customs-free zones. Accordingly, the difference between the customs-based deficit and the balance-of-payments deficit amounted to 235 million. January–April balance-of-payments exports were 934 million and imports 530 million higher than customs-based exports and imports respectively.

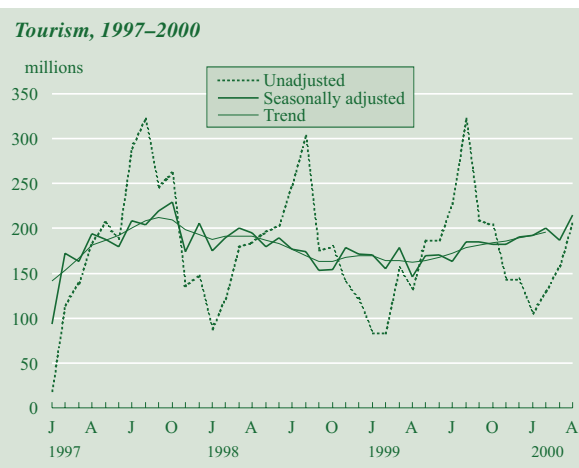
Having picked up strongly in March, exports and imports rose more modestly subsequently. The trend of goods trade, constructed using moving averages, shows continuous improvement, which, due to the massive weight of the merchandise trade balance, was a dominant factor in the fall in the current account deficit. The January–April deficit amounted to 559 million, down 51 million on the same period of 1999.

Developments in the seasonally adjusted current account data				
	April 1999	2000		
		February	March	April
Trade balance*	-179	-178	-148	-155
Exports	1,584	2,000	2,149	2,217
Imports	1,701	2,135	2,321	2,360
Tourism	146	201	187	215
Debt-related income flows	-49	-70	-42	-76
Current account	-212	-183	-70	-92

* There may be a gap between the goods balance and the difference between exports and imports because of seasonal adjustment.

Current account					
	April 1999	2000		1999	
		March	April	January–April	2000
Trade balance	-143	-189	-48	-610	-559
Exports	1,605	2,220	2,168	6,249	8,215
Imports	1,748	2,409	2,216	6,860	8,774
Services	65	102	151	155	406
Tourism	132	157	207	455	599
Other services	-67	-56	-56	-300	-193
Income	-113	-105	-111	-322	-347
Investment income	-113	-106	-110	-323	-348
debt-creating	-67	-73	-93	-278	-292
non-debt creating	-46	-33	-16	-45	-56
Compensation of employees	0	1	-1	1	1
Current transfers	25	48	35	73	150
Current account	-166	-145	28	-704	-350
Real economic transactions	-78	-87	103	-455	-154
Income and transfer accounts	-88	-57	-75	-249	-197



**Balance of services excluding tourism***

	April 1999	2000		
		February	March	April
Construction services	-16	-1	1	4
Merchanting services	4	5	5	6
Transportation	10	5	10	14
Business services	-17	-7	-5	-3
Technical and cultural services	-49	-62	-54	-81
Government services	-1	-1	-1	-2
Total	-67	-61	-56	-56

* The aggregate figures may differ due to seasonal adjustment.

Transactions affecting changes in net debt outstanding to the rest of the world

	2000	
	April	January–April
1 Current account balance	28	-350
2 Capital account balance	22	37
3 Borrowing requirement (1+2)*	50	-314
4 Non-debt inflow	95	375
5 Total (3+4)	145	62
6 Debt creating flows (6a+6b)**	-130	-28
6a In domestic currency	-41	517
6b In foreign currency	-88	-545
7 Financing gap (5+6)	15	33
8 Net errors and omissions	-15	-33

* Net borrowing (–) or net lending (+).

** Net change in debt: decrease, (–) or increase (+).

Another important factor shaping the current account outcome in April, in addition to goods trade, was tourism, which registered a surplus of 207 million. After seasonal adjustment, the tourism surplus was to 215

⁹ January–April net interest expenses of the NBH and the government sector, and corporate and other sectors were 22 million 16 million higher respectively. Credit institutions, in contrast, saw their net interest expenses fall by 24 million relative to the same period of 1999.

¹⁰ Privatisation proceeds of ÁPV Rt from the sale of the social security authorities' stake in the vaccine producer Humán amounted to 8 million.

million, improving relative to both the preceding month and April 1999. The trend of tourism surplus has been sloping upwards since April 1999, explained by a rapid increase in revenue. Net tourism revenue rose by 144 million in the first four months of 2000 relative to the same period of 1999.

The deficit on other service transactions, excluding tourism, was 56 million in April. That was equal to the deficit recorded in March, while falling by 11 million relative to April 1999. The deficit on technical and cultural services rose whether compared with March or twelve months previously. That, however, was offset by improvements in the balances on the rest of other service transactions. In the January–April period of 2000 there was a year-on-year fall of 107 million in the deficit on other service transactions, excluding tourism.

In April, the balance of real economic transactions closed with a 103 million surplus. There was a significant improvement in the balance relative to both the preceding month and a year earlier, as the merchandise trade deficit fell and the surplus on services increased. The January–April deficit was 300 million lower than in the comparable period of 1999.

Negative net investment income amounted to 110 million in the month under review, the deficit on debt-related items, 93 million, being the dominant factor. Here, net outflows on the existing debt amounted to 76 million after seasonal adjustment. That meant a marked increase relative to March and twelve months earlier. The net outflow of direct investment income on equity was half of that in March and two-thirds of that in April 1999. Due to the effect of higher interest payments on debt⁹ and outflow of direct investment income on equity, the deficit on investment income rose in January–April.

The surplus on current transfers was 35 million in April and 150 million in January–April. The cumulative surplus was nearly twice as much as in the comparable period of the previous year, explained by rises in other current receipts of households, the corporate sector, non-profit institutions and the government sector.

The income and transfer accounts, which comprise income and current transfers, registered a deficit of 75 million in April. That was 18 million more than in March but 13 million lower than in April 1999. The cumulative January–April deficit was 52 million less than in the comparable period of 1999.

The combined current and capital account deficit was 50 million in April. Within non-debt financing, the recorded balance-of-payments flow of foreign direct investment into Hungary totalled 95 million – direct investment receipts totalled 172 million,¹⁰ in contrast with net portfolio investment outflows from equity securities amounting to 77 million. Whole-economy net

debt fell by 130 million, owing to the net investment receipts and non-debt inflows.

In April the financial account, which registers capital transactions by function, closed with a deficit of 22 million, excluding movements in reserves. Net inflows arising from foreign direct transactions amounted to 232 million – the value of investments recorded as flows into equity securities was 172 million, the outflow on inter-company loans amounting to 60 million. Foreign direct investment in Hungary totalled 220 million in the month under review. The value of investments in equity capital, channelled through the Hungarian banking sector, was 162 million.

Balance-of-payments portfolio investment outflow amounted to 627 million. Liabilities of Hungarian residents on equity securities fell by 63 million. Outstand-

ing bond liabilities were 463 million lower. Foreign currency bond liabilities of the National Bank of Hungary fell by 411 million.¹² Domestic currency-denominated liabilities of the government sector fell by 41 million.

Other investment outflows amounted to 373 million in the month under review. Short-term assets of the Bank fell by 448 million, its short-term liabilities rising by 237 million.¹⁰ The government sector decreased its long-term liabilities, which comprise debt outstanding to the World Bank, by 81 million. Credit institutions' short-term assets rose by 82 million, while their short-term liabilities fell by 118 million. The corporate and other sectors saw their short-term assets and long-term liabilities increase by 137 million and 75 million respectively.

Financial account*					
	April 1999	2000		1999	2000
		March	April	January–April	
Foreign direct investment in Hungary	-9	145	220	288	476
Direct investment abroad	-6	-13	12	-34	5
Portfolio investment	575	-316	-627	670	-729
Assets	-13	94	-32	663	-73
Liabilities	588	-410	-595	7	-657
Other investments	-407	-418	373	-88	894
Assets	25	-794	214	19	-224
Liabilities	-432	376	159	-107	1,118
Changes in international reserves	95	744	-13	204	-298

* The signs indicate a fall (+) or increase (-) in reserves.

Current account financing and capital transactions					
	April 1999	2000		1999	2000
		March	April	January–April	
Current account	-166	-145	28	-704	-350
Capital account	-59	9	22	-71	37
NBH	-304	12	238	-565	-975
Government	562	89	-126	1,095	728
NBH and government	258	100	112	529	-247
Credit institutions	-106	-123	-198	-99	509
Corporate and other sectors	112	32	-180	356	-396
Foreign direct investment	-15	132	232	254	480
Financing total	248	141	-35	1,040	347
Of which: debt-creating	39	150	-130	261	-28
non-debt creating	209	-9	95	779	375
Errors and omissions (NEO)	-23	-6	-15	-265	-33

Hungary's external accounts

At the end of April, whole-economy gross foreign debt amounted to 31.2 billion, inter-company loans accounting for 3.1 billion of this. The combined gross foreign currency debt of the NBH and the Government outstanding to non-residents was 15.9 billion, and that of credit institutions and the corporate and other sectors was 15.3 billion.

Total financial liabilities of direct investment enterprises to their parents, also known as inter-company loans, accounted for 32% of corporate sector gross external debt.

Whole-economy net debt stood at 11.4 billion at end-April, inter-company loans amounting to 2.8 billion. The net debt of the NBH and the Government amounted to 2.7 billion. Private sector debt was 8.7 billion.

Hungary's domestic currency debt outstanding to non-residents totalled 2,214 million, showing a fall of 40 million relative to end-March 2000.

The total stock of foreign direct investment in Hungary was 19.8 billion, holdings in equity capital accounting for 16.7 billion of this.

¹¹ The repayment by the Bank of its bond liability to the amount of ¥50 billion at end-March was accounted for April. Short-term assets of the Bank, increased for technical reasons in March, were reduced by the same amount.

¹² The rise in short-term liabilities resulted from the revaluation of outstanding financial derivatives, which were accounted for by mark-to-market deposits held with the NBH.

III. FOREIGN TRADE AND PAYMENTS

Assets and liabilities vis-à-vis non-residents

Changes compared with the preceding month

millions

	2000		Change	Of which			
	January	April		Transactions	Exchange rate changes	Price effect	Other volume changes
Net foreign currency debt of the NBH and government	344	490	146	153	116	-129	6
Net forint debt of the NBH and government	2,254	2,214	-40	-41	1	0	0
Total net debt of the NBH and government	2,598	2,704	106	112	117	-129	6
Assets of the NBH and government	13,226	13,178	-48	-463	213	202	0
Of which: international reserves	11,202	11,380	178	13	185	-20	0
Gross foreign currency debt of the NBH and government	13,569	13,668	98	-310	329	73	6
Gross forint debt of the NBH and government	2,254	2,214	-40	-41	1	0	0
Total gross debt of the NBH and government	15,823	15,882	59	-351	330	73	6
Business sector, net debt*	5,995	5,805	-189	-302	95	-21	39
Business sector, assets	5,878	6,353	475	279	156	70	-30
Business sector, gross debt	11,873	12,158	285	-22	250	49	9
Inter-company loans, net	2,752	2,846	94	60	29	0	5
assets	301	269	-32	-41	9	0	0
liabilities	3,054	3,115	62	19	38	0	5

* Excluding inter-company loans.

Assets and liabilities vis-à-vis non-residents

(Changes in relation to December 1999)

millions

	December 1999	April 2000	Change	Of which			
				Transactions	Exchange rate changes	Price effect	Other volume changes
Net foreign currency debt of the NBH and government	1,338	490	-848	-764	168	-258	6
Net forint debt of the NBH and government	1,723	2,214	490	517	-27	0	0
Total net debt of the NBH and government	3,061	2,704	-358	-247	141	-258	6
Assets of the NBH and government	12,073	13,178	1104	209	447	450	-2
Of which: international reserves	10,751	11,380	629	298	384	-54	0
Gross foreign currency debt of the NBH and government	13,411	13,668	256	-555	616	192	5
Gross forint debt of the NBH and government	1,723	2,214	490	517	-27	0	0
Total gross debt of the NBH and government	15,135	15,882	747	-38	589	192	5
Business sector, net debt*	5,589	5,805	217	142	142	-41	-27
Business sector, assets	5,411	6,353	942	351	349	163	79
Business sector, gross debt	11,000	12,158	1159	493	491	122	53
Inter-company loans, net	2,678	2,846	168	77	57	0	34
assets	190	269	79	61	18	0	0
liabilities	2,869	3,115	247	138	75	0	34

* Excluding inter-company loans.