



Monthly Report

(includes data up to the end of November 2000)

1/2001

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Dear reader,

The January 2001 Monthly Report of the National Bank of Hungary, which you now have at hand, is the first issue with a changed design and content. The following important changes have been made to the Monthly Report:

- 1. The economic events which the Report discusses concentrate primarily on statistics prepared by the Bank's staff. As a result, the Report has become less extensive.*
- 2. The time horizon of data has been reduced to the current year and the previous one. Consequently, the tables now cover data for periods extending from 13 up to 24 months, in a monthly breakdown. Longer time series will be published annually, and they will be permanently accessible on the Bank's web site.*
- 3. The section of the Monthly Report which includes methodological notes has been revised and expanded significantly. With a frequency of once a year and also at times of major revisions of the statistical methodology, a chapter including detailed statistical notes will be published in the printed version. The 1/2001 Report offers such guidance. Later in the course of 2001, this text will be published on one more occasion, when the changeover to presentation of data in a breakdown by economic sectors, harmonising with international recommendations, has been completed. The latest update of the methodological notes will be constantly available on the Bank's web site.*
- 4. In order to improve the freshness of data and enhance their information content, the period before the publication of data will be reduced by some two weeks starting from issue 2/2001.*

We sincerely hope that, thanks to these changes, the report has become more up-to-date, wide-ranging but nevertheless much more concise, and as such it will please all our readers. If you have any observations regarding either the content or the design of the Report, please contact the Bank's Statistics Department by either calling the telephone number or writing to the postal address given in the general information section of the Report.

The Monthly Report and the downloadable time series data have been available on the Internet for some time now. Therefore, we would like to survey our readers' actual need for the printed version of the publication, asking you to fill in and send back the enclosed questionnaire to us.

Domestic economic activity

The trend of industrial production upwards remained unbroken in November 2000. However, as seen in the preceding two months, the pace of this growth moderated a little, relative to the outcomes recorded in the first half of the year. The slowdown in growth was basically a result of the high base figures. Seasonally adjusted industrial output,¹ adjusted for working-day variations, rose by 0.8% and total sales by 2% in the month under review relative to a year before. Within total sales, the volume of exports rose by 3.9%, in contrast with domestic sales, which shrank by 0.8%.

Looking at year-on-year developments in output, the volume of industrial production was 13.4% higher in November than twelve months previously. Total sales rose by 15.2% in the period, assisted by increases of 22.9% and 7.7% in exports and domestic sales respectively (see Chart 1).

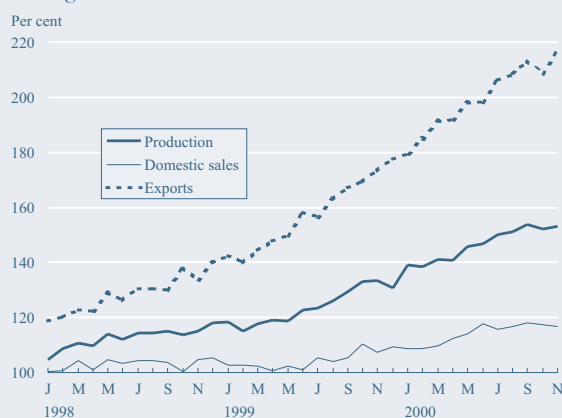
Industry's most robustly growing sub-sector continues to be manufacturing. Manufacturing output grew by 16.1% in November relative to a year before, exports soaring by 23.1% in the period. Exceeding the industry average by a healthy margin, domestic sales rose by 12.3%. Encouragingly, there were strong increases in output and sales across almost the whole of manufacturing compared with the same period of 1999. According to the popular gauge of productivity, gross production per capita in manufacturing was 13.9% higher in November in a twelve-month comparison. Indicating a prolonged and steady upturn in industrial performance, fresh orders for manufacturers' output in the more important branches of manufacturing were nearly 20% higher than a year before. Here, export orders surged by 17.8% and domestic orders by 28.2% in the period.

Construction output, adjusted to reflect seasonal effects and working-day variations, registered a 0.8% increase in November relative to October and one of 9% compared with a year previously.

The number of both people in employment and economically active persons has been rising uninterruptedly since April 2000 (see Chart 2), following the short-lived

Chart 1 Volume indices of industrial production and sales*

Average of 1997 = 100

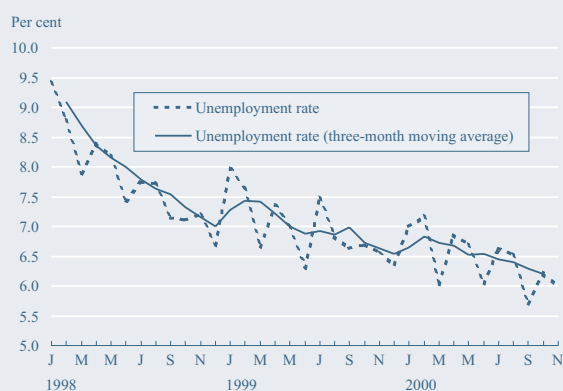


* Seasonally adjusted by the Bank using the CSO release of data.

Chart 2 Number of employed persons



¹ Bank calculations using the CSO release of data.

Chart 3 Unemployment rate

downturn around the start of the year, according to evidence of the indicators calculated from the CSO Labour Force Survey conducted monthly (three-month moving average). This upward trend remained unbroken in November, accompanied by a further drop in the number of unemployed and the unemployment rate.

The unemployment rate, derived from the CSO release of data using a three-month moving average, was 6% in November, showing a drop of 0.2 of a percentage point relative to October. In a twelve-month comparison, the unemployment rate fell by 0.6 of a percentage point (see Chart 3).

Price trends

The year-on-year rate of core consumer price inflation, calculated using the Bank's method, was 9.7% in November. That meant an increase of 0.1 of a percentage point relative to the preceding month (see Chart 4). The trend value of core consumer price inflation was 0.71% in November, showing a 0.3 percentage point drop relative to October. The upward correction of food prices, lasting for several months, continued to account for most of the monthly increase in prices. However, the pace of that increase slowed a little relative to earlier months of the year. Food price inflation contributed 0.15 of a percentage point to the trend of core inflation. (That value meant a considerable decline following the 0.36 of a percentage point contribution measured in October.) Quite similar movements were observable in services prices and household energy prices. Accordingly, the former contributed 0.28 of a percentage point and the latter 0.07 of a percentage point to the trend value of core inflation, i.e. both stood lower than in the preceding month (0.3 and 0.14 of one percentage point respectively) (see Chart 5). The twelve-month increase in consumer prices, as measured by the CSO, was 10.6% in November, the highest value recorded in the period Jan.–Nov. 2000. Looking at the major categories individually, the increase in consumer goods prices, at 1.1%, was the lowest, while those in food prices, at 12.9%, and households energy, at 12.6%, were the highest.

Producer prices (the CSO release of domestic sales prices) rose by 16.2% in November relative to a year before, exceeding the increase in consumer prices. The one-month increase in producer prices was 2.1%. Seasonally adjusted domestic industrial output prices excluding energy prices² rose by 1.6% in the month under review relative to the preceding month. Manufacturing industry prices, which are a dominant factor influencing movements in domestic sales prices, stood 1.5% higher than in October. The rate at which food industry prices rose moderated further, to 0.9%. In contrast, chemical industry producer prices rose at their highest rate in November during the period since the start of the year to

² The index eliminates the effects of changes in the prices of electricity, gas, steam and hot water supply as well as of production, treatment and distribution of water.

Chart 4 Monthly consumer price index and the trend of core inflation

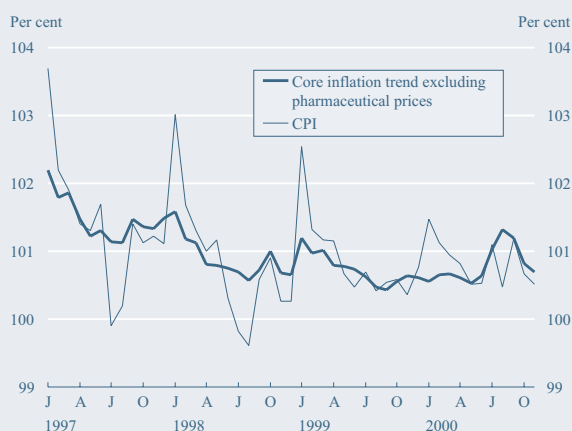


Chart 5 Contributions of the CSO's major product categories to the trend of core inflation

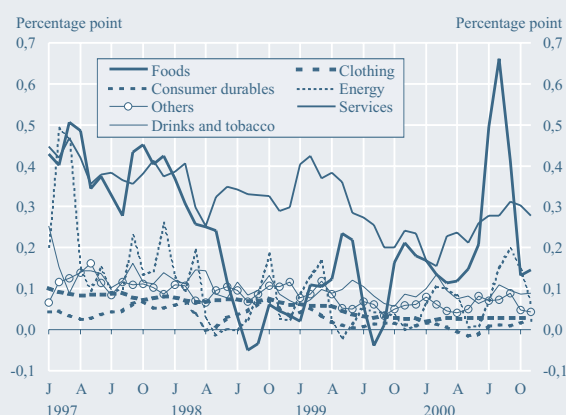
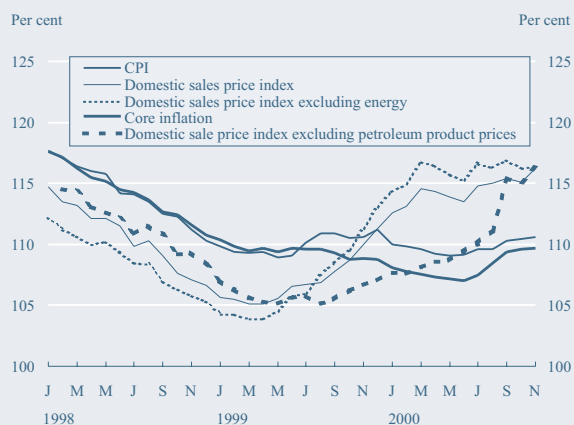


Chart 6 Domestic Producer Price Index excluding petroleum product prices and other price indices

Same month of previous year = 100



date. An explanation for the 4.6% increase in chemical industry producer prices is to be found in world market developments – petroleum product prices surged higher by another 10.1% in one month. The monthly outcomes for price indices in the remainder of manufacturing sectors varied between 0% and 0.8%. Removing the effect of variations in petroleum product prices, the value of the producer price index was 112.5% (see Chart 6).

Monetary developments

The Bank, in response to developments in the domestic financial markets, took the following policy decision in November 2000.

Effective from 15 November 2000, the rate remunerated on compulsory reserves built for domestic-currency liabilities rose from 5% to 6% and the rate remunerated on compulsory reserves built for foreign-currency liabilities rose from 5.5% to 6.5%.

The market rate of the forint departed a little from the strong edge of the official intervention band in November. That meant the exchange rate depreciated by 0.67% against the currency basket in comparison with end-October. The National Bank of Hungary officially devalued the central rate by 0.3% in the month.³ The average deviation of the exchange rate from the central rate was 192 basis points toward the strong extreme of the intervention band. The Bank did not conduct official intervention in the foreign exchange market in the month (see Chart 7).

As regards the major items in the balance of the NBH, the value of banknotes and coin in circulation rose by Ft 33.1 billion in November relative to October. The combined total of domestic and foreign currency liabilities of the central bank to credit institutions rose by Ft 106.2 billion in the month under review (see Table A). Central bank claims on credit institutions fell by Ft 3.1 billion, mainly due to a decrease in the amount outstanding of central bank long-term domestic currency loans. Overall, the Bank's net liabilities

Chart 7 Exchange rate movements within the intervention band

13 March 1995 = 100

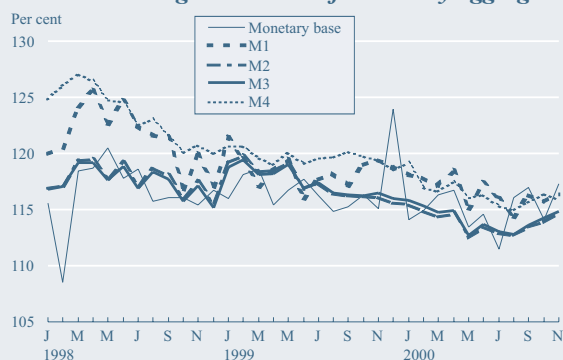


Table A Changes in the balance sheet of the NBH

Calculated from end-of-month stocks

	1999			2000					Ft billions	
	Q2	Q3	November	Q2	Q3	November	of which			
	Monthly average			Monthly average			Transaction	Volume changes		
Banknotes and coin	15.8	11.9	15.3	15.5	16.4	33.1	33.1	0.0		
Forint deposits of credit institutions	-13.0	71.9	103.6	-97.3	-21.3	90.7	90.7	0.0		
Foreign currency deposits of credit institutions	-15.6	-27.5	25.0	-11.7	9.3	15.5	19.2	-3.7		
Net claims on general government (including ÁPV Rt deposits)	-114.9	-69.9	-111.0	-13.9	10.2	-17.1	-38.9	21.8		
Of which: foreign currency credit	-81.4	-26.2	-98.8	-9.7	-16.7	20.2	0.0	20.2		
revaluation bonds	-110.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Claims on credit institutions	-5.7	-3.1	-6.7	-10.3	-1.7	-3.1	-2.9	-0.2		
Foreign and other net assets	107.8	129.3	261.6	-69.4	-4.1	159.5	184.8	-25.3		

³ Since 1 January 2000 the official currency basket consists 100% of the euro. The monthly devaluation rate fell to 0.3% from 1 April.

Chart 8 Annual growth rates of the money aggregates*Note:*

M1 = Currency in circulation + forint sight deposits held at banks.
M2 = M1 + sight foreign currency deposits + time domestic and foreign currency deposits.
M3 = M2 + forint time deposits + foreign currency deposits + bank securities.
M4 = M3 + government securities held by non-banks + MNB domestic bills held by non-banks.
Monetary base (M0) = Currency in circulation + banks' required reserves and other domestic currency accounts at the central bank.

to domestic credit institutions were Ft 109.3 billion higher, and its net claims on general government were Ft 17.1 billion lower. Total central bank foreign and other net assets rose by Ft 159.5 billion in the month under review.

Looking at the average stocks of central bank liabilities to credit institutions, the average of current account deposits rose by Ft 16 billion, that of non-callable deposits fell by Ft 38.8 billion, while that of foreign currency deposits rose by Ft 10.4 billion relative to the preceding month.

The growth rates of every money indicator, except M4, the broadest measure, picked up speed in November (see Chart 8). Annual growth in the monetary base changed the most significantly, rising by 3.2 percentage points, to 17.3%, following a considerable drop in the preceding month. Annual growth in M1, a composite of banknotes and coin held by non-banks and forint sight deposits, gained 0.6 of a percentage point from September to October, to exceed its twelve-month previous value by 16.4%. The money measure M2, which comprises sight foreign currency deposits as well as domestic and foreign currency term deposits, grew by 0.8 of a percentage point higher rate, at 14.8%. Growth in broad money M3, which comprises banknotes and coin held by non-banks, bank deposits as well as holdings of bank securities, rose by 0.6 of a percentage point, to 14.9%. Increases in the end-of-month stocks of corporate sector domestic and foreign currency deposits as well as in household sector domestic currency deposits were dominant in M3 growth picking up speed. Annual growth in M4, an aggregate of M3 plus government securities held by the non-bank sector and outstanding NBH domestic currency bills, fell by 0.5 of a percentage point to 15.9%.

The domestic credit stock rose by Ft 5.9 billion due to transactions and by another Ft 13.9 billion due to exchange rate changes. Looking at the most important components of the credit stock, net liabilities of the government sector fell by Ft 77.8 billion due to transactions. The effect of transactions on outstanding borrowings of the corporate sector was an increase of Ft 33.7 billion in the month.

The rise in the domestic credit stock since September 1999 continued in November, although the rate of this increase was slightly weaker than in October. Corporate sector domestic borrowings expanded by Ft 24.4 billion, the effect of transactions accounting for Ft 33.7 billion. Exchange rate movements caused a downward revaluation of Ft 8.8 billion. The effect of other volume changes was a drop of Ft 0.5 billion. The change in debt due to transactions was entirely the result of an increase of Ft 40.2 billion in domestic currency borrowings. Firms' foreign currency liabilities fell by Ft 6.5 billion due to transactions. The end-of-month stock of corporate deposits rose by Ft 69.5 billion due to transactions, accounted for by increases of Ft 34.8 billion and Ft 34.6 billion in domestic and foreign

currency deposits respectively. On balance, net corporate sector debt fell by Ft 46.7 billion due to the effects of transactions and movements in exchange rates.

The upward trend of yields in the government securities market, experienced in the preceding two months, changed direction in November. Looking at movements taking place throughout the entire month, the Bank's estimate of zero-coupon yields⁴ fell across every maturity. At the shorter end, i.e. at three, six and twelve months, they fell more strongly, by 12 basis points, with a less significant drop of 9–11 basis points occurring at the longer end (see Chart 9).

Implied one-year forward rates⁵ in one and two years' time rose only slightly, by 23 basis points and 11 basis points. In contrast, at the farther horizon they fell incrementally, by 12 basis points, 26 basis points and 46 basis points (see Chart 10).

Non-resident investors held Ft 21.6 billion more Hungarian domestic currency-denominated government debt securities than at the end of October, so the sector's total holdings amounted to Ft 691.6 billion at the end of the month under review. The total amount of bids submitted at the auctions of government bonds fell relative to the preceding month. Four auctions of NBH bills were conducted in November.⁶ Yields were static throughout the period, with a strong demand of Ft 70–100 billion for the paper in the first part. The average yield of all auctions held in the month, weighted by the amount sold, was 11.83%.

The value of the Hungarian Government Bond Index, the MAX, which reflects movements in the prices of publicly-issued, fixed-coupon government bonds with a residual maturity of more than one year, stood at 190.4349 on 30 November. Calculated from movements in the index values, the annual return achievable on a portfolio equal to the composition of the index basket was 11.5%.

Total interbank turnover was Ft 1,475.8 billion in November, some 3.6% higher than in the preceding month. Monthly average interbank lending rates continued to rise

Chart 9 Zero-coupon yields, and the annual return on central bank two-week and one-month deposit rates
Short-term yields on a compounded basis; weekly averages

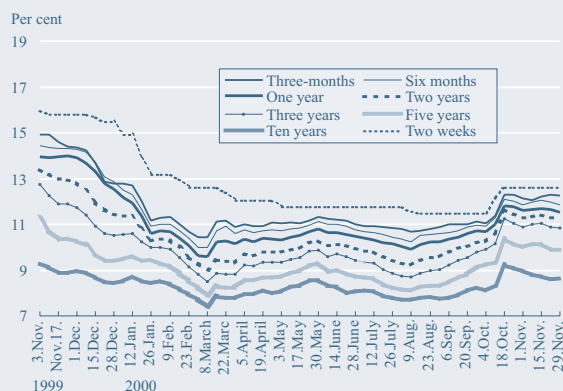
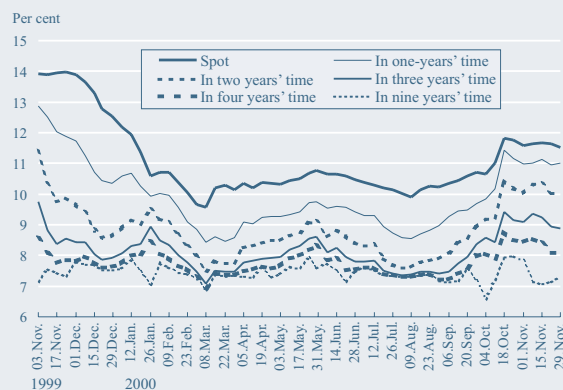


Chart 10 One-year spot and implied forward rates derived from the Bank's zero-coupon yields
On a compounded basis; weekly averages

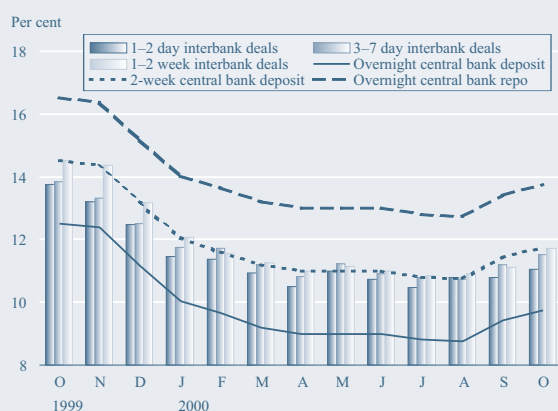


⁴ The National Bank of Hungary calculates zero-coupon yields using the Svensson method. The estimates rely on the Debt Management Agency's release of the most favourable secondary market prices of discount treasury bills and fixed-rate government bonds with residual maturity of more than three months.

⁵ Implied forward rates may be equal to expected future interest rates only if certain conditions are met. However, movements in derived rates may help anticipate shifts in the market's expectations of future interest rates. At present, only one single ten-year bond trades in the market, and turnover volumes in the secondary market are relatively thin. The estimate of the ten-year zero-coupon rate, and particularly the forward rate derived from the zero-coupon rate, which is substituted by the one-year rate in nine years' time, cannot reflect the rapid turns in the market's judgement.

⁶ The National Bank of Hungary has been issuing a non interest-bearing bill with maturity of three months since 22 March 2000. The Bank offers a new series of the bill at auction every Monday. No indications for bidders, whether in terms of quantity or quality, are given in advance. The maximum amount to be allocated is limited to the amount on offer, with no minimum amount being established.

Chart 11 Monthly averages of official dealing rates and interbank rates



across the whole maturity spectrum, continuing the increase which began in October. The average rate on 1–2 day transactions, which have the largest share of total turnover, rose 30 basis points to 11.1%. The share of this maturity area fell by 5 percentage points to 85.6% during the month.

The average rate in the maturity bracket of 3–7 day deals was also 30 basis points higher, the proportion of this market segment to the total rising from 4.1% to 7.1%. The average of interest rates on 1–2 week transactions saw the largest movement, rising 60 basis points, with an increase of 1.7 percentage points in the share of this maturity area within total turnover. Interest rates for maturities extending beyond two weeks did not change materially compared with the preceding month (see Chart 11).

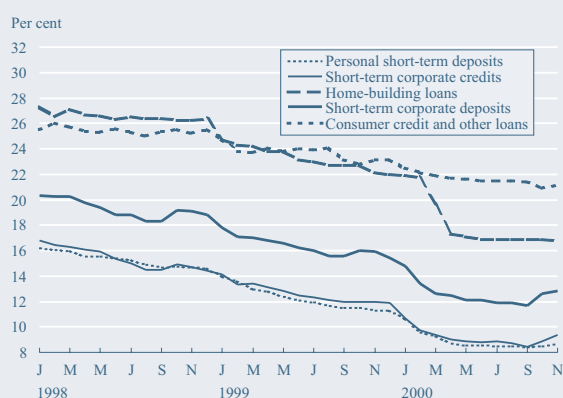
The interest rate increase implemented by the Bank in October found reflection in movements in household and corporate sector average interest rates in November. Corporate sector average short-term deposit rates rose 50 basis points, borrowing rates rising 20 basis points. As a consequence, the short-term banking spread narrowed from October's 370 basis points to 340 basis points.

Household sector average deposit and borrowing rates, except long-term deposit rates and home-building and property loan rates, also rose relative to October (see Chart 12). The average of sight deposit rates rose 10 basis points and that of short-term deposit rates 20 basis points. Due to the change in the composition of outstanding debts, the banking sector average of household sector borrowing rates fell 20 basis points. Home-building and property loan rates remained unchanged at the level seen in earlier months of the year, in contrast with consumer and loan rates, which rose 20 basis points.

The gap between corporate and household sector average borrowing rates⁷ narrowed by another 10 basis points, to 770 basis points. Corporate sector average short-term deposit rates were 70 basis points higher than the corresponding average of household sector deposit rates.

The share index of the Budapest Stock Exchange fell sharply in November following a slight drop in October. During the first part of the month, prices edged lower, before a subsequent massive decline. The market closed November at 6,891.29, down 15.6% on its finish in October (see Chart 13). The month-end value of the BUX coincided not only with the month's low but also with the lowest value in 2000 to date. Measured on a dollar basis, the official index of the Budapest Stock Exchange fell by another 12.5% in November, following a fall of 4.9% in the preceding month. That was larger than the declines in the major international exchanges, including the Dow Jones Industrial Average of New York, the DAX of Frankfurt and the

Chart 12 Corporate and household sector interest rates

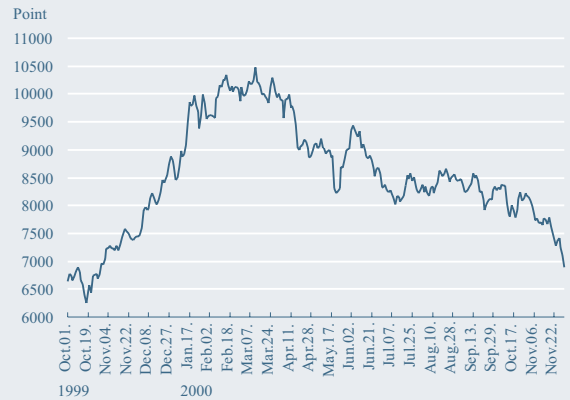


⁷ For both sectors, average borrowing rates have been defined taking into view the new contracts concluded during the course of the month.

FTSE of London. In New York, the Dow Jones Industrial Average, which gained 3% in October, fell by 5.1% in November. Also on a dollar basis, the DAX and the FTSE both fell practically equally, by nearly 6%. However, the NASDAQ, the index of the United States' most advanced technological stocks, fell quite substantially, its value plummeting by 23.6% following a decline of 8.1% in October.

Among the Far Eastern exchanges, the Nikkei of Tokyo remained practically static in November, after losing 8.4% in the preceding month. The Hang Seng Index of Hong Kong fell by 4.9%, virtually the same measure as in October.

Chart 13 The BUX
2 January 1991 = 1,000



Balance of payments and foreign trade

Chart 14 Current account

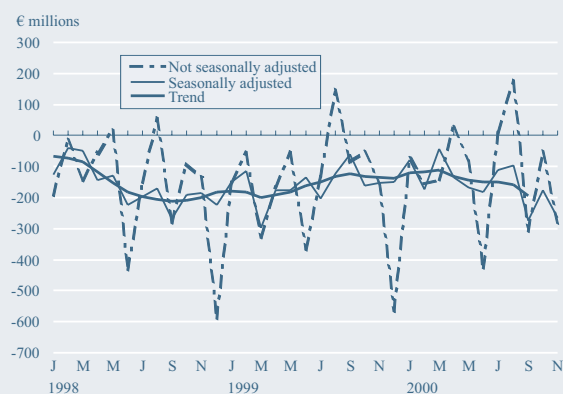


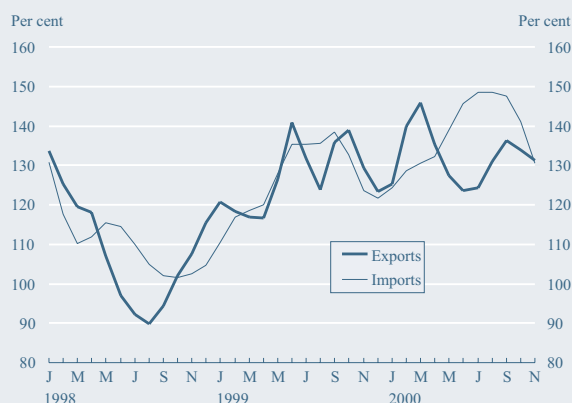
Table B Developments in the seasonally adjusted current account data

	€ millions			
	1999 Nov.	Sep.	Oct.	2000 Nov.
Trade balance*	-162	-223	-220	-235
Exports	1,849	2,415	2,518	2,570
Imports	2,069	2,676	2,747	2,942
Tourism	183	227	223	227
Services excluding tourism	-40	-40	-2	-37
Non-debt-related income flows	-86	-119	-123	-36
Debt-related income flows	-50	-73	-55	-83
Current transfers	33	38	41	42
Current account balance*	-151	-275	-176	-265

* There may be a gap between the data because of seasonal adjustment.

Chart 15 Annualised growth rates of merchandise foreign trade derived from the monthly trends expressed in euros

In euros, preceding month = 100



According to the seasonally adjusted numbers,⁸ the current account ran a deficit of €265 million in November 2000 (see Chart 14). The one-month increase of €89 million in deficit was mainly accounted for by a higher merchandise trade deficit. Looking at the trend of goods trade, exports had been rising evenly, in contrast with imports, which were increasingly picking up speed in previous months of the year. The deficit on other services excluding tourism also rose, explained mainly by higher imports of technical and cultural services. Investment income flows moved in different directions – the outflow of direct investment income on equity fell considerably, while that of income on debt rose.

After removing the effects of seasonal patterns, the current account deficit rose by €114 million in November relative to a year previously (see Table B). That change was accounted for principally by the increase in the merchandise trade deficit, which in turn reflected a stronger increase in imports than in exports. The rise in merchandise trade deficit was only partially offset by a higher surplus on current transfers. Income flows showed similarities with those of a year before – there was an increase in the investment income deficit on debt and a fall in the investment income deficit on equity.

According to the not seasonally adjusted data, the current account was €283 million in deficit in November. The capital account closed with a deficit of €52 million, so whole-economy external financing requirement amounted to €231 million in the month under review. The balance of non-debt capital transactions showed an inward flow of €8 million. Here, the net inflow of direct investments in equity capital, received via the domestic banking sector, amounted to €146 million, the value of investments by residents abroad being €87 million. Portfolio investment transactions in equity securities resulted in a €50 million net outflow.

⁸ Using the SEATS TRAMO software a model is constructed in which the data are seasonally adjusted for the period January 1994–December 1999. This model is then fixed at the length of the year. Subsequent data are adjusted in this model. The sub-accounts of the balance of payments, derived from the not seasonally adjusted data, are adjusted directly. Consequently, a seasonally adjusted sub-balance cannot be re-produced from a set of seasonally adjusted data that underlie the given sub-balance.

Whole-economy gross foreign debt rose to €33.5 billion to the end of November, inter-company loans accounting for €3.5 billion of the outstanding total. The combined gross foreign currency debt of the NBH and the central government outstanding to non-residents and that of credit institutions and the corporate and other sectors amounted to €16.5 billion and €17 billion respectively. Total financial liabilities of direct investment enterprises to their parents, also known as inter-company loans, accounted for 28% of corporate sector gross external debt.

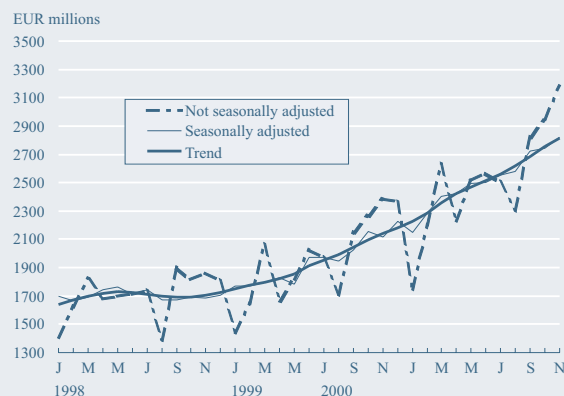
Whole-economy net debt stood at €11.7 billion at end-November, inter-company loans amounting to €3.1 billion. The combined net debt of the NBH and the central government stood at €2.3 billion. However, if only foreign currency denominated assets and liabilities are taken into account, the two sectors took a €336 million net lending position in foreign currency. Private sector net foreign debt was €9.4 billion. Hungary's domestic currency debt outstanding to non-residents was €2.6 billion.

Measured on the basis of seasonally adjusted data, the upward slopes both of Hungarian merchandise exports and imports continued to moderate in November 2000 relative to the preceding month (see Chart 15). The slope of goods export growth crossed above that of goods imports for the first time since April 2000. Despite this, the balance of Hungarian merchandise trade continued to deteriorate in the month under review. Even so, the trade deficit rose less strongly than in earlier months of the year.

Import growth was faster both in November and the period January–November than export growth relative to October and the same period of 1999. An explanation for this is offered by the outstandingly high October–November level of imports, on the one hand, and a deterioration in Hungary's terms of trade, on the other (see Charts 16 and 17).

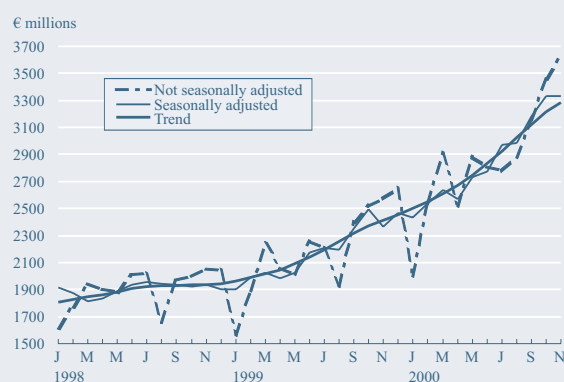
Customs-based foreign trade statistics, expressed in euros, showed that the values of outward and inward trade were higher in November than in the preceding few months of the year, reflecting the seasonal patterns of previous years. Imports grew more strongly than exports, with the result that the merchandise trade balance improved a little (see Chart 18).

Chart 16 Merchandise exports



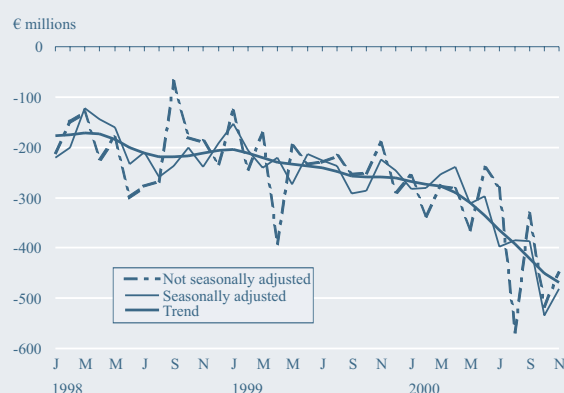
Source: CSO

Chart 17 Merchandise imports



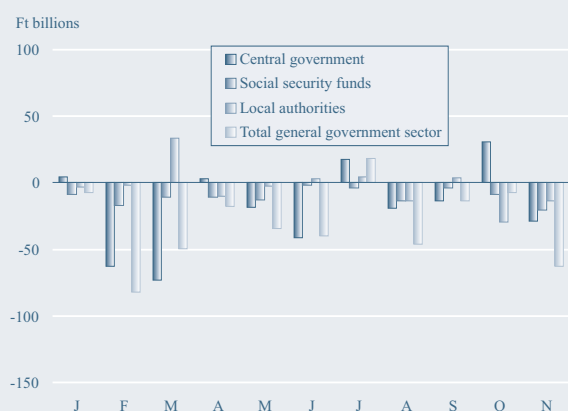
Source: CSO

Chart 18 Trade balance



Source: CSO

Chart 19 General government net lending (+) / net borrowing (-) by sub-sector



The net borrowing requirement of general government amounted to Ft 62.6 billion in November, showing an improvement of Ft 20.9 billion in relation to November 1999. The central government, the social security funds and the local government authorities, respectively, ran a Ft 29.1 billion, a Ft 20.2 billion and a Ft 23.3 billion deficit (see Chart 19).

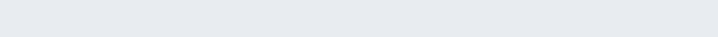
The cumulative net borrowing requirement of general government amounted to Ft 342.9 billion in the first eleven months of 2000. That was Ft 250.3 billion lower than in the same period of 1999. The central government borrowing requirement, including the accounts of ÁPV Rt and the extra-budgetary funds and adjusted to reflect the Bank's calculation method, was Ft 201.8 billion, which meant a drop of Ft 226 billion relative to a year earlier. The primary surplus of central government, excluding interest payments and receipts, as well as mutual assets and liabilities of the NBH and the central government, was Ft 432.1 billion in the period.

The official total sum of central government revenue continued to exceed the target in January–November. That was owing mainly to revenues of customs duties and import fees, receipts of the central government units and value added tax considerably exceeding the target.

In contrast with revenue, total central government expenditure continued to lag behind the official target in the period. Looking at the major items of expenditure, housing subsidies, transfers to the social security authorities, provisions disbursed with the assistance of the social security authorities and subsidies to local government authorities were lower than projected in the first eleven months, continuing the dominant trend of the year. Transfers to economic organisations and consumer price subsidies, in contrast, continued to exceed the projections for the period.

In November the gross debt of general government rose by Ft 48.3 billion, to a total Ft 7,864.1 billion. Net general government debt, i.e. the gross debt less the sector's holdings of assets other than shares and miscellaneous equity securities, amounted to Ft 6,685.7 billion at the end of the month. The government issued a new for-

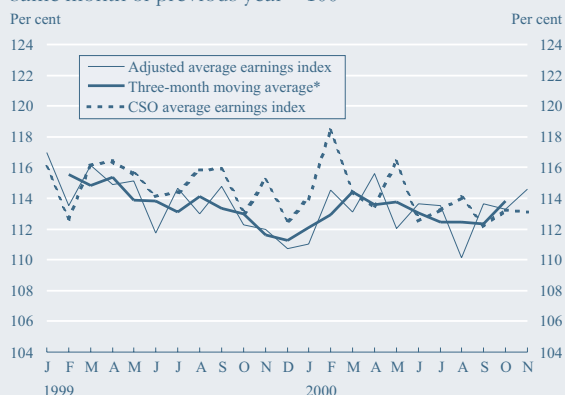
eign currency bond to the tune of Ft 106 billion, which explained most of the increase in liabilities. In November the change in general government net financial assets due to transactions, which shows the sector's debt in terms of deficit financing, was a decrease of Ft 68.4 billion.



Earnings and financial savings of households

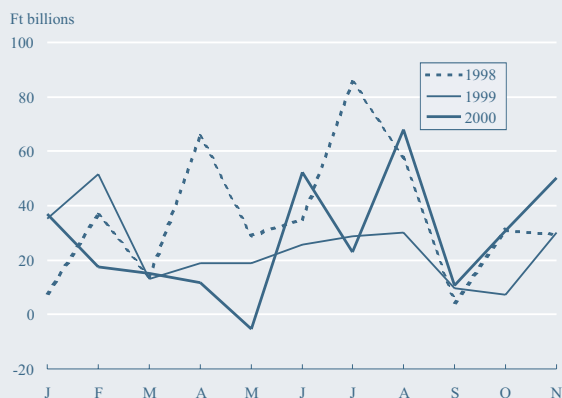
Chart 20 Corporate sector monthly gross average earnings index

Same month of previous year = 100



*The series is smoothed using a centred three-month, equal-weight moving average.

Chart 21 Operational net lending (+) / net borrowing (-) of households



Whole-economy gross earnings growth⁹ rose in November 2000 relative to the preceding month, following the prolonged drop in earlier months of the year. According to the Bank's calculations¹⁰ which eliminate the effects of changes in the composition of the workforce and the number of hours worked, earnings in firms with more than 5 employees grew by 14.6% in twelve months. That earnings growth was 1.3 percentage points higher than in October. The pick-up in earnings growth is explained by a drop in the number of hours worked, due to the change in working days, rather than by an increase in the percentage share of irregular pay (see Chart 20).

Adjusted government sector earnings growth¹¹ was 17.1%, showing an increase of 8.5 percentage points relative to October. Extraordinary pay awards to health care workers played an important role in the significant increase in earnings.

In November, operational net lending of households, i.e. their financial savings after adjustment for the effects of inflation, amounted to Ft 50.2 billion, significantly higher than in the preceding month and a year before (see Chart 21). Of its constituents, the value of financial assets rose by Ft 63.4 billion. The increase in household debt amounted to Ft 13.2 billion. Net financial wealth of households, valued at market prices, was Ft 21.9 billion higher in the month. That reflected a downward revaluation of Ft 56.9 billion due to the effect of price changes, primarily movements in share prices.

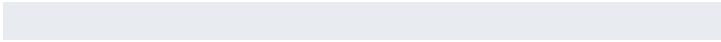
Of the various financial assets of households, domestic currency deposits and holdings of cash increased the most strongly in the month. However, holdings of investment

⁹ Companies with more than 5 employees (financial and non-financial companies), and units of central government and the social security authorities (general government sector).

¹⁰ Starting from June 2000, movements in earnings are analysed by the Bank's new indicator, which eliminates from the CSO index the effects of changes in the composition of labour, i.e. the shifts in the distribution of blue-collar and white-collar workers, the composition of labour across the sectors, and the number of hours worked, therefore, it provides a more accurate picture of actual movements in earnings. The revision of this indicator is currently underway.

¹¹ The data have been adjusted by eliminating the percentage shares of blue-collar and white-collar workers as well as the effect of changes in workforce across the sectors.

fund certificates fell. Claims of households against domestic credit institutions rose by Ft 49.7 billion, significantly exceeding the year's monthly average increase. Here, inflation-adjusted transactions accounted for Ft 33.8 billion. The value of cash holdings rose by Ft 28.1 billion. Households' foreign currency deposits were Ft 4.8 billion lower, inflation-adjusted transactions explaining Ft 3.7 billion of the drop. However, the sector incurred a holding loss in the amount of Ft 9.8 billion due to movements in exchange rates. Holdings of bank securities fell by Ft 47.2 billion. Households reduced their holdings of investment fund certificates by some Ft 11 billion. Measured at market value, the revaluation of securities holdings caused a significant loss of Ft 47.1 billion, on account primarily of a decline in share prices. Total debt of households rose by Ft 18.7 billion in November, of which net borrowing, excluding compensation for inflation, accounted for Ft 13.2 billion. The net increase in home-building loans (Ft 6.4 billion) was higher than that in consumer credit (Ft 5 billion).



Main economic and financial indicators

	GDP volume indices	Consumer price index	Core inflation (NBH)	Gross earnings index	Unemployment rate	Operational net lending	M0	M1	M3	Central bank policy rate (2 week deposit)	Current account balance	Direct investment in Hungary ¹	International reserves	General government net lending position
	Same quarter of previous year = 100	Same month of previous year = 100			Per cent	Ft billions	Same month of previous year = 100			Per cent	€ millions	€ millions, end of period	Ft billions	
January 1999		109.8	110.4	119.6	8.0	35.2	116.0	121.4	118.8	16.17	-151	270	7,898	-33.2
February		109.4	109.9	113.3	7.6	51.7	118.1	119.5	119.4	16.00	-57	68	8,574	-105.1
March	103.5 ²	109.3	109.5	117.1	6.7	12.9	118.6	117.1	118.1	16.00	-330	89	8,243	-70.0
April		109.4	109.7	116.5	7.3	18.7	115.4	118.5	118.2	15.58	-166	100	8,190	-32.5
May		108.9	109.5	117.2	7.0	18.9	116.7	119.4	119.0	15.10	-55	127	8,380	-81.0
June	103.9 ²	109.1	109.7	114.6	6.3	25.6	117.7	116.0	116.9	14.85	-369	119	9,068	-54.9
July		110.0	109.6	115.0	7.5	28.6	116.2	117.7	117.4	14.75	-131	63	9,150	-39.0
August		110.9	109.6	116.6	6.8	30.0	114.8	118.2	116.5	14.75	145	113	9,285	-53.6
September	104.5 ²	110.9	109.3	116.0	6.6	9.8	115.3	117.1	116.3	14.75	-83	103	9,635	-25.6
October		110.5	108.7	114.3	6.7	7.4	116.3	119.0	116.3	14.75	-51	71	9,743	-14.8
November		110.6	108.8	116.5	6.6	30.2	115.1	119.4	116.4	14.53	-156	147	10,768	-83.5
December	105.9 ²	111.2	108.7	117.0	6.3	74.2	124.0	118.8	116.0	14.38	-566	296	10,874	-12.0
January 2000		110.0	108.0	110.7	7.0	36.8	114.1	118.1	115.8	13.17	-77	58	11,513	-7.3
February		109.8	107.8	116.0	7.2	17.6	114.9	117.8	115.3	12.04	-156	123	11,869	-81.9
March	106.6 ²	109.6	107.5	113.0	6.0	15.0	116.3	117.2	114.8	11.60	-145	54	11,202	-49.8
April		109.2	107.3	113.6	6.9	11.7	116.7	118.4	114.9	11.20	28	162	11,380	-18.0
May		109.1	107.2	113.9	6.7	-5.2	113.5	115.1	112.7	11.00	-81	186	11,549	-34.1
June	105.8 ²	109.1	107.0	112.0	6.0	52.4	114.6	117.4	113.7	11.00	-429	170	10,999	-39.9
July		109.6	107.4	114.7	6.6	23.1	111.5	115.9	113.0	11.00	8	37	11,110	18.1
August		109.6	108.5	112.4	6.5	68.0	116.1	114.4	112.8	10.81	176	253	11,628	-46.4
September	104.5 ²	110.3	109.4	111.9	5.7	10.7	117.0	116.3	113.6	10.75	-310	229	12,047	-13.7
October		110.4	109.6	112.2	6.2	30.9	114.1	115.8	114.3	11.42	-53	37	12,069	-7.3
November		110.6	109.7	114.6	6.0	50.2	117.3	116.4	114.9	11.75	-283	146	12,433	-62.6

Source: CSO, NBH

¹ Equity capital.

² Preliminary data.