



Monthly Report

(includes data up to the end of August 2001)

10/2001

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Contents

Domestic economic activity	5
Price trends	7
Consumer prices	7
Producer prices	8
Monetary developments	9
Monetary conditions	9
The exchange rate	9
Statistical balance sheet of the NBH	9
Monetary survey	10
Government securities market	12
Market interest rates	13
The Bux and the world's leading share market indicators	15
Balance of payments and foreign trade	16
The balance of payments and financing	16
Hungary's external accounts	17
Foreign trade	18
General government	20
Net borrowing of general government	20
Financing and gross debt of general government	21
Earnings and financial savings of households	24
Earnings	24
Savings	25
Main economic and financial indicators	27
Tables	29
Calendar of statistical releases	125
General information	129

Domestic economic activity

Industrial output continued to grow modestly in August 2001. However, owing to a slowdown in the pace of export growth and the slackening of domestic demand, the pace of output growth further slackened. As a result of the global economic recession, stagnation replaced the robust, export-led output growth observed in the past few years. (see Chart 1).

Taking account of working-day variations, seasonally adjusted industrial output was 2% higher in August than in the preceding month, the volume of total sales rising by 2.9%. Within total sales, the volume of domestic sales rose by 0.9% and that of exports by 3.5% relative to July's levels (see Chart 2).

Turning to twelve-month industry developments, output grew by 3% and total sales by 5.7% in August relative to a year earlier. Within total sales, whole-economy exports grew robustly, by 10.9%, following the very subdued, around 5% outcomes in the preceding two months. Domestic sales failed to recover, their volume being only 1% higher than in August 2000.

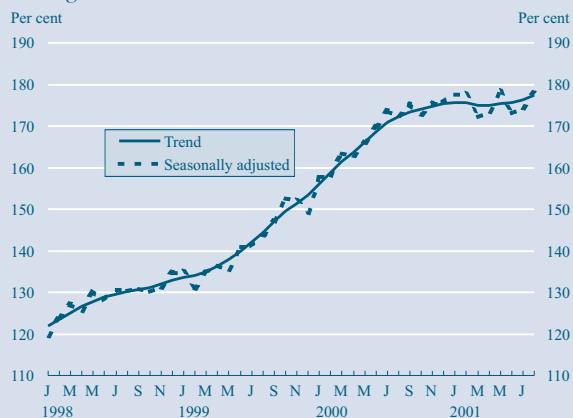
As seen in the preceding few months of the year, the performance of the various branches of manufacturing varied widely. Nearly half of manufacturing branches registered declines in output on a wide scale in a year-on-year comparison. Of note, however, were the very robust increases in manufacture of transport equipment, and in rubber and plastic products, at 26.4% and 24.5% respectively. Due to the world-wide recession afflicting the computer industry, output growth in the manufacture of machinery and equipment, a branch providing the driving force behind manufacturing output growth in recent years, slowed down considerably, lagging 3.4% behind its performance recorded a year earlier.

The volume of orders for manufacturers' output in the mainstream branches of manufacturing¹ continued to be strongly higher in a one-year comparison, rising by 38.3%

¹ The mainstream branches of manufacturing are: manufacture of textiles and textile products, manufacture of paper and paper products, manufacture of chemicals and chemical products, manufacture of basic metals and fabricated metal products, manufacture of machinery and equipment, manufacture of electrical and optical equipment, manufacture of transport equipment. (The observation covers companies with more than 50 employees.)

Chart 1 Volume indices of industrial production*

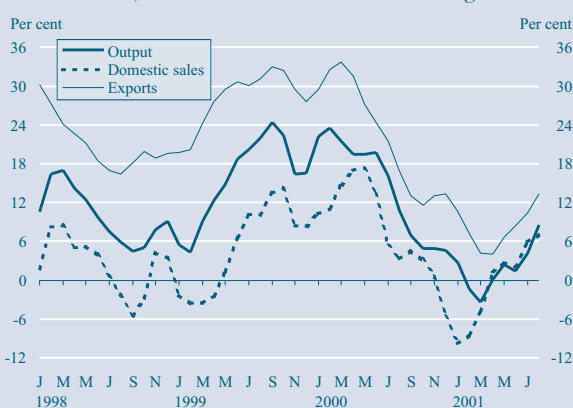
Average of 1995 = 100



* Using the Bank's method to seasonally adjust and calculate trends from data reported by the CSO.

Chart 2 Volume indices of industrial production and sales*

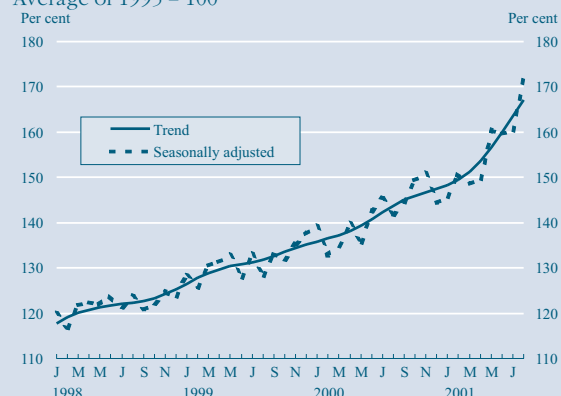
Trend values; annualised month-on-month changes



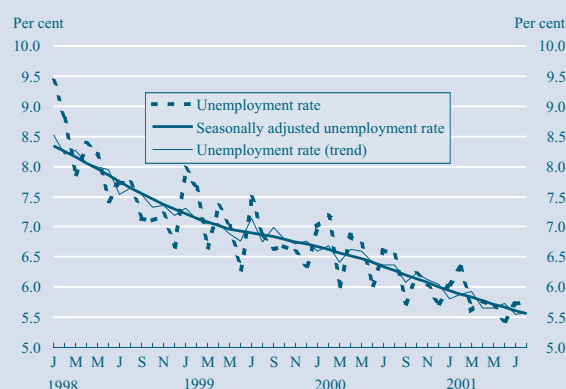
* Using the Bank's method to calculate trends from data reported by the CSO.

Chart 3 Volume index of construction output*

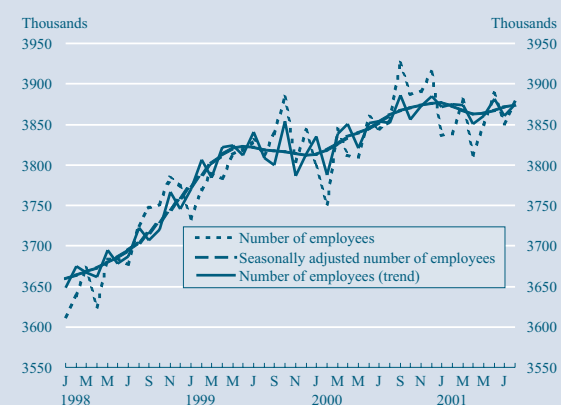
Average of 1995 = 100



*Using the Bank's method to seasonally adjust and calculate trends from data reported by the CSO.

Chart 4 Whole-economy unemployment rate*

*Using the Bank's method to seasonally adjust and calculate trends from data reported by the CSO.

Chart 5 Number of employed persons*

* Using the Bank's method to seasonally adjust and calculate trends from data reported by the CSO.

in August relative to twelve months previously, assisted by a 51% surge in export orders. By contrast, domestic orders fell by 9.6% in one year. The volume of new orders showed an increase of 11.6% in August compared with the same month of the previous year. Here, the volume of fresh domestic orders fell by 16.5%, in contrast with export orders, which rose by 21.6%.

The construction industry boom continued uninterrupted in August, the sector's output growing robustly. Adjusted to reflect seasonal effects and working-day variations, construction output was 7.5% higher than in the preceding month (see Chart 3). According to the not seasonally adjusted data, output grew by 22.1% relative to twelve months previously.

Existing order data suggest that the construction industry boom may continue in the near future. Measured at constant prices, the volume of contracts was 21.1% higher at end-August than twelve months previously, the volume of month-end orders showing an increase of 27%.

According to the values derived from the CSO's quarterly Labour Force Survey data, adjusted for seasonal effects, the whole-economy unemployment rate remained unchanged in August 2001 relative to July. The unemployment rate was 5.5% in the month under review, showing a 0.8 percentage point decrease relative to August 2000 (see Chart 4).

The seasonally adjusted number of people in employment was 0.4% higher in August than in the preceding month and 0.6% higher than in August 2000 (see Chart 5).

The number of whole-economy registered unemployed increased by 0.2% in one month but fell by 13.7% relative to a year earlier. The number of economically active people rose by 0.4% in August compared with July, while falling by 0.3% in twelve months.

Price trends

Consumer prices

The CSO release of the year-on-year consumer price index was 8.7% in August 2001, showing a considerable drop relative to the preceding month's outcome (9.4%). The rate of core consumer price inflation, as calculated by the CSO for the same period,² was 9.6%, being also substantially slower, by 0.7 percentage points, than in the preceding five month (see Chart 6).

From among the twelve-month outcomes for price categories, derived on the basis of price determination and used by the Bank, the food price index fell from the preceding month's 15.4% to 13.2%. This drop was explained by a sharp decline in unprocessed foods (their twelve-month index plunged from 23% to 6.6% in August). The increase in energy prices also continued to slow relative to the preceding month – motor fuel prices fell by 4.7% in one year, the twelve-month index of market-determined household energy prices fell from 16.8% to 15.1%, while that of regulated energy prices remained unchanged at 8.6%. Up 4.6%, the prices of industrial goods continued to rise at a modest pace. The slowdown in services price inflation continued, the value of the twelve-month index being 10.7% in August. As a result of all these price movements, the basket price index of goods comprising foods, industrial goods, market services and market energy fell from June's 11.7% and July's 11.1% to 9.1% in the month under review. The price index of alcoholic drinks and tobacco was 11.1%. Pharmaceuticals prices rose by 17.4% and that of other regulated prices by 9% in twelve months.

The one-month decrease in consumer prices was 0.2% in August, explained in part by seasonal effects (see chart 7). Down 1.4%, food prices fell for the second consecutive month. The prices of industrial goods showed a 0.7% drop. Within energy, motor fuel prices were also 0.7% lower. The price of market-determined energy rose slightly, by 0.1%, while that of regulated energy rose a little more strongly, by 1.8%. Regulated services prices rose by 0.3%, pharmaceuticals prices remaining unchanged. Market services

Chart 6 Twelve-month consumer price index and the CSO's index of core inflation

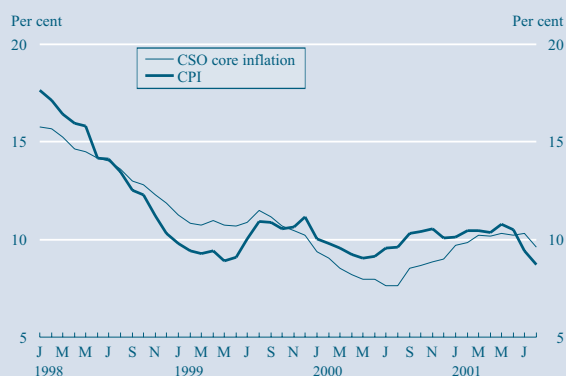
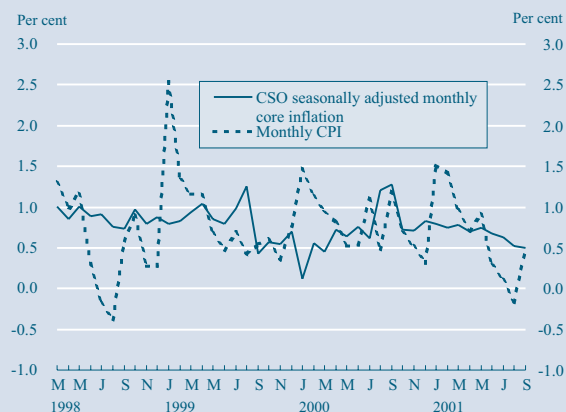


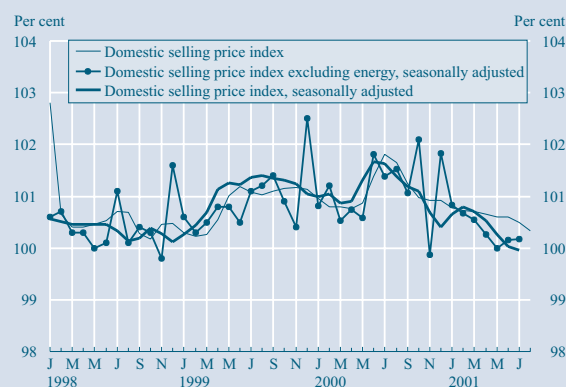
Chart 7 Seasonally adjusted monthly consumer price index and the CSO's seasonally adjusted index of core inflation



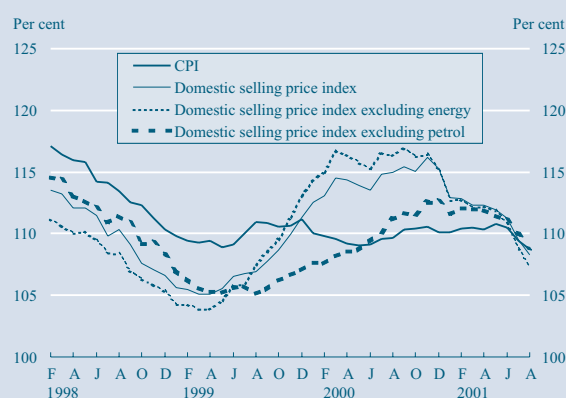
² The indicator calculated by the CSO eliminates changes in the prices of all unprocessed foods and energy, including motor fuel.

Chart 8 Domestic producer price indices

Preceding month = 100

**Chart 9 Comparison of the domestic producer price index excluding petrol with other price indices**

Same month of previous year = 100



prices were 0.4% higher in one month. Alcoholic drinks and tobacco cost 0.5% more in August than in July.

Producer prices

Producer prices, i.e. the CSO release of industrial firms' domestic selling prices, rose by 0.2% (by 0.3% after seasonal adjustment) in August relative to July, the twelve-month increase being 8.3%. Seasonally adjusted domestic producer prices excluding energy³ were unchanged relative to the preceding month⁴ (see Charts 8 and 9).

Manufacturing industry prices, which are the most dominant factor influencing movements in domestic selling prices, fell by a further 0.1% in August following two-month decreases in June–July. Chemical industry prices were 0.8% lower in a year-on-year comparison, in contrast with engineering prices, which were 0.8% higher. Prices in the other manufacturing industry branches were little changed. Food industry prices, representing an important weight, showed a decrease of 0.2% in one month.

³ The index is calculated net of the effects of changes in government regulated prices, i.e. in those of electricity, gas, steam and hot water supply, and collection, purification and distribution of water.

⁴ Due to the seasonal adjustment, this time series which reflects our 'best' understanding shows a slight difference with those published earlier.

Monetary developments

Monetary conditions

The Bank made the following changes to monetary conditions in July 2001.

- Effective from 1 August 2001, the Bank reduced the rate remunerated on required reserves built for domestic currency liabilities by 1 percentage point, while raising the rate remunerated on required reserves built for foreign currency liabilities by 0.5 of a percentage point. This meant that the interest rates remunerated on required reserves built for both domestic and foreign currency liabilities became equal, at 4.25%.

The exchange rate

The market rate of the forint fluctuated near the ceiling of the intervention band in August. The exchange rate weakened by approximately 3.4 percentage points towards the middle of the month relative to its level at end-July. Then it rose slightly, to close the month at 253.55 vis-à-vis the euro, 8% above the mid-band rate. That meant a 2.36% drop relative to the close at end-July. The average HUF/EUR exchange rate was 251.16, weakening by 0.88% in comparison with the July average (see Chart 10).

The National Bank of Hungary officially devalued the central intervention rate by 0.22% in August. The average deviation of the exchange rate from the central rate was 877 basis points toward the ceiling of the intervention band, 61 basis points less than in July.

Effective from 1 October, the National Bank of Hungary abandoned the crawling-peg exchange rate devaluation regime, and fixed the currency's central rate at 276.1 HUF/EUR.

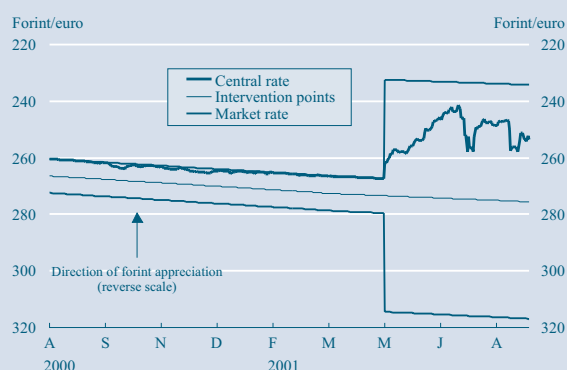
Following the authorities' move to widen the intervention band in May,⁵ official interventions in the foreign exchange market continued to be absent in August.

Statistical balance sheet of the NBH

The value of banknotes and coin in circulation increased by Ft 32.3 billion in August, the end-of-month total of other

⁵ Since 4 May 2001, the width of the intervention band is $\pm 15\%$.

Chart 10 Movements in the forint exchange rate vis-à-vis the euro within the intervention band



monetary financial institutions' account balances with the central bank increasing by Ft 199.6 billion relative to the end-July level. Closely related to these changes, outstanding repo transactions of other monetary financial institutions increased by Ft 9.3 billion, while holdings of NBH domestically issued bills and forint deposits of other monetary financial institutions with the central bank decreased by Ft 50.9 billion and Ft 178.5 billion respectively. Central government sector forint deposits with the central bank increased by Ft 33.6 billion. The Bank purchased foreign currency to the amount of Ft 16.2 billion in July to supply the foreign currency needed by the central government to service its foreign currency debt (see Table A).

Table A Changes in the balance sheet of the NBH

Calculated from end-of-month stocks

	Ft billions							
	2000			2001				
	Q1	Q2	August**	Q1	Q2	August**	Of which:	
	Averages*			Averages*			Transactions	Revaluations
Banknotes and coin	-23.4	15.4	19.9	-18.5	21.6	32.3	32.3	0.0
Forint liabilities to other monetary financial institutions	124.7	-97.3	-9.2	-63.6	20.8	29.1	29.1	0.0
Foreign currency liabilities to other monetary financial institutions	-25.8	-11.7	12.5	-28.8	5.7	-21.3	-23.2	1.8
Net claims on central government	-37.5	-13.9	-17.9	-119.8	-103.1	4.3	-37.3	41.6
Of which: forint loans	-6.0	-6.0	0.0	-6.0	-6.0	0.0	0.0	0.0
government securities	-3.1	-3.0	-7.7	-65.3	0.0	0.0	0.0	0.0
foreign currency loans	-19.2	0.1	29.9	-19.2	-40.1	24.3	0.0	24.3
Claims on other monetary financial institutions	5.3	-10.3	-0.3	-2.6	19.2	13.3	13.3	0.0
Net foreign assets and those not broken down by sector	107.7	-69.5	41.5	11.4	132.0	22.4	62.2	-39.8

* Quarterly average of changes relative to the preceding month.

** One-month changes.

Table B Average stock data in the statistical balance sheet of the NBH*

	Ft billions		
	2001		Monthly change
	July	August	
Banknotes and coin	1,001.4	1,023.7	22.3
Forint liabilities to other monetary financial institutions	917.2	959.0	41.8
Of which: bank's liabilities	395.9	396.4	0.5
forint deposits	424.6	460.6	36.0
domestically issued NBH bills	96.6	102.0	5.4
Foreign currency liabilities to other monetary financial institutions	417.7	374.4	-43.3
Net claims on central government	943.6	797.0	-146.6
Of which: forint loans	253.4	253.4	0.0
government securities	172.1	172.1	0.0
foreign currency loans	1,310.3	1,128.7	-181.6
Claims on other monetary financial institutions	85.7	80.6	-5.1
Net foreign assets and those not broken down by sector	1,306.9	1,479.4	172.5

* Monthly average of daily stock data.

Looking at developments in the average stocks of central bank liabilities to other monetary financial institutions, the average of foreign currency balances decreased by Ft 43.3 billion, while the averages of forint balances, forint deposits and other monetary financial institutions' average holdings of NBH domestically issued bills increased by Ft 0.5 billion, Ft 36 billion and Ft 5.4 billion respectively (see Table B).

Monetary survey

Calculated from the data after eliminating the effect of the change to the required reserves system in 2000–2001, annual growth in the monetary base accelerated by 0.8 of a percentage point to 10.2% in August relative to the preceding month.

The annual growth indices of all monetary aggregates, derived from the liability items of the aggregate balance sheet based on the final data for August, increased in the month under review. Annual growth in M1, a composite of banknotes and coin held by non-banks plus forint sight deposits, picked up 2.4 percentage points, the end-of-month

stock of the aggregate being 12.5% higher than a year before. The above normal increase of Ft 75.2 billion in non-financial corporations' sight and current account deposit balances, constituent components of M1, explained this stronger-than-usual change in annual growth.

The annual index of the money measure M2, which comprises foreign currency deposits and time forint deposits, in addition to M1, picked up 2.8 percentage points relative to July, to run at 15.6%.

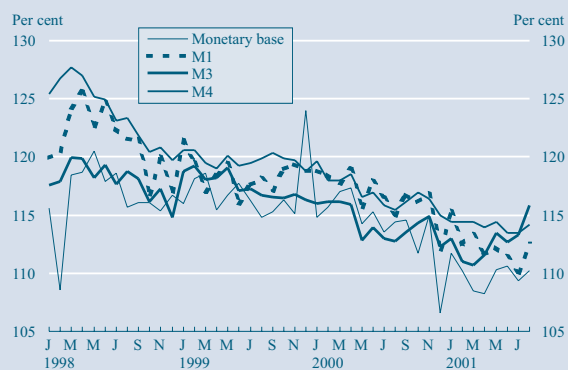
The change in the annual index of broad money M3, a measure of M2 plus liabilities from repurchase agreements and holdings of bank securities, was similar to that of M2 but a little more modest. Annual growth in the aggregate increased by 2.5 percentage points, the end-of-month stock M3 being 15.8% higher in a year-on-year comparison.

Annual growth in broadest money M4, an aggregate of M3 plus government securities and NBH domestic bills held by the non-bank sector, increased by 0.7 of a percentage point to 14.1% (see Chart 11).

Looking at the individual liability items of the aggregate balance sheet of monetary institutions by sector, the month-end value of non-financial corporate sector deposits increased by Ft 120.9 billion in August due to the transaction effect. Here, forint and foreign currency deposits rose by Ft 112.5 billion and Ft 8.4 billion respectively. The sector's foreign currency deposits also rose, by Ft 1.9 billion on account of movements in exchange rates. Household sector deposits were Ft 68 billion higher than in July. Here, domestic currency deposits rose by Ft 60.7 billion and foreign currency deposits by Ft 8.1 billion due to the transaction effect. Exchange rate movements made a Ft 0.8 billion negative contribution to household foreign currency deposits.

As regards the items on the assets side of the aggregate balance sheet of monetary institutions, domestic claims, which include claims from securities holdings vis-à-vis the domestic sectors, in addition to the domestic credit stock, increased by Ft 126.4 billion due to transactions and by Ft 53.8 billion due to the exchange rate effect. Corporate sector outstanding domestic borrowings were Ft 68.4 billion higher in the month. The transaction effects were increases of Ft 49.2 billion and Ft 10.1 billion on the sector's outstanding forint and on foreign currency borrowings respectively. Exchange rate movements contributed Ft 9.9 billion. Other volume changes caused a Ft 0.6 billion decrease in the end-of-month stock of corporate sector foreign currency borrowings. Central government net liabilities rose by Ft 3.9 billion due to the transaction effect and by another Ft 42.8 billion due to the effect of exchange rate movements. Lending by monetary institutions to the household sector rose by Ft 26.2 billion in August relative to the preceding month.

Chart 11 Annual growth rates of the monetary aggregates*



* The Chart plots M0 indices after eliminating the effect of the change to the required reserves system in effect since 1 February 2001.

Notes:

M1 = Currency in circulation plus forint sight deposits held at banks.

M2 = M1 plus foreign currency deposits plus forint time deposits (not shown in the chart as it hardly plots differently from M3).

M3 = M2 plus outstanding repos plus holdings of bank securities.

M4 = M3 plus government securities held by non-banks plus MNB domestic bills held by non-banks.

Monetary base (M0) = Currency in circulation plus credit institutions' reserves and other domestic currency balances at the central bank.

M0 is calculated from the month-end value of banknotes and coin, and the average of banks' reserves and other forint balances with the central bank, taking the averages of the last two weeks up to end-August 1998 and monthly averages from September. M0 does not include the stock of central bank remunerated deposits.

Table C Monthly changes in the net positions of institutional sectors vis-à-vis monetary institutions

	Ft billions							
	2000			2001				
	Q1	Q2	August	Q1	Q2	August	Of which:	
	Averages***			Averages***			Transactions	Revaluations
Non-financial corporations, net (S.11)	-22.7	-47.5	-36.8	-75.6	30.8	54.2	62.0	-8.4
Assets	-46.3	-63.0	-100.3	-50.7	14.7	-74.5	-64.8	-10.3
Deposits+cash+repos+securities	23.6	15.5	63.5	-24.9	16.1	128.8	126.8	1.9
Other financial corporations, net (S.123+S.124+S.125)	20.0	-17.1	-22.7	-1.4	-6.7	33.5	34.1	-0.7
Assets	-3.1	-3.3	-13.2	5.5	-23.3	-26.9	-26.2	-0.7
Deposits+repos	23.1	-13.8	-9.6	-6.9	16.6	60.4	60.3	0.0
General government sector, net* (S.13)	-35.2	-26.7	-34.2	91.1	133.5	-58.4	-15.6	-42.8
Central government, net* (S.1311)	-42.6	-13.8	-19.9	84.7	152.2	-46.7	-3.9	-42.8
Local government, net (S.1313)	7.3	-12.9	-14.3	6.4	-18.7	-11.7	-11.7	0.0
Credits	-0.4	-1.3	-6.1	1.2	-2.1	-5.1	-5.1	0.0
Deposits	7.7	-11.6	-8.2	5.2	-16.6	-6.6	-6.6	0.0
Social security funds (S.1314)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Households, net** (S.14)	3.6	9.1	58.1	-5.1	12.7	69.7	70.4	-0.8
Credits	-10.7	-15.9	-19.0	-14.9	-23.6	-27.0	-27.0	0.0
Deposits+cash+securities	14.3	25.1	77.0	9.8	36.4	96.7	97.5	-0.8
Non-profit institutions serving households, net (S.15)	1.7	0.2	-1.4	2.6	5.6	-0.5	-0.5	0.0
Assets	-0.5	0.5	-0.1	-0.3	4.4	0.0	0.0	0.0
Deposits	2.2	-0.3	-1.3	2.8	1.2	-0.4	-0.4	0.0
Non-residents, net (S.2)	-41.5	34.2	-65.0	-78.2	-78.7	-96.0	-83.8	-13.7
Other, net	74.1	47.8	102.1	66.7	-97.2	-2.5	-66.7	66.4

Note: Increase in outstanding borrowings or decrease in deposits = (-); decrease in outstanding borrowings or increase in deposits = (+).

* Includes blocked deposits of central government and those of APV Rt.

** Including accrued interest.

*** Quarterly average of monthly net changes in creditor position.

As an effect of changes in outstanding borrowings and deposits, net liabilities of the general government sector were Ft 58.4 billion higher in August than in July. Net savings of households vis-à-vis monetary institutions rose by Ft 69.7 billion, net assets of non-financial corporations fell by Ft 54.2 billion, and net foreign assets vis-à-vis non-residents rose by Ft 96 billion (see Table C).

Government securities market

Yields in the government securities market continued to be broadly static in August, as seen in the preceding month. Zero-coupon yields,⁶ which reflect movements in the secondary market, fell slightly, by 2–4 basis points, with the other two short maturities, i.e. six and twelve months, and a

⁶ 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.

little more strongly, by 6–11 basis points, at the longer end (see Chart 12).

The implied one-year forward rates⁷ in one and two years' time rose more strongly, by 18 and 10 basis points. Those for the more distant maturities rose less strongly, by 4, 3 and 6 basis points (see Chart 13).

Non-resident investors reduced their holdings of Hungarian domestic currency-denominated government debt securities by Ft 9.2 billion, so the sector's total holdings amounted to Ft 931.511 billion at the end of the month under review.

The amounts of bids submitted at the auctions of government bonds were lower relative to July. Four auctions of NBH bills were conducted in the month.⁸ Yields were rising and investor demand was falling throughout the month. The average yield at all auctions held in the month, weighted by the amount sold, was 10.80%.

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, closed August at 210.7276. Calculated from movements in the index values, the annual return achievable on a portfolio equal to the composition of the index basket was 9.60%.

Market interest rates

The total value of transactions in the interbank market was Ft 1,562.9 billion in August, showing an increase of Ft 98.2 billion in one month. This increase was mostly accounted for by a higher turnover in overnight transactions. Monthly turnover of overnight deals amounted to Ft 1,426.8 billion, 91.29% of total turnover, increasing by 7.22% relative to the preceding month. (see Chart 14).

Movements in the daily averages of overnight rates within the month showed the customary picture – from a low level at the start of the month the average rate rose gradually in the second half, then, following a temporary

⁷ 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 even making mild assumptions. At present, only two ten-year government bonds trade in the market, and turnover volumes in the secondary market are relatively thin. Therefore, the estimate of the ten-year zero-coupon rate, and particularly the forward rate derived from the zero-coupon rate, which, for the purposes of the analysis, is substituted by the one-year rate in nine years' time, do not reflect adequately the rapid turns in the market's judgement.

⁸ On 22 March 2000, the National Bank of Hungary started to issue a zero coupon bond with maturity of three months, classified as a government paper. The inaugural sale of the paper took place on 20 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 (interest rate tender). The maximum amount to be allotted is limited to the amount on offer, with no minimum amount being established.

Chart 12 Zero-coupon yields and annualised central bank two-week deposit rates
Short-term yields on a compounded basis; weekly averages

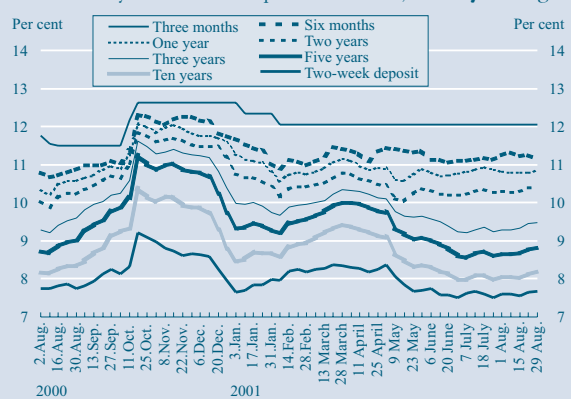


Chart 13 One-year spot rates and implied forward rates derived from the Bank's zero-coupon yields
On a compounded basis; weekly averages

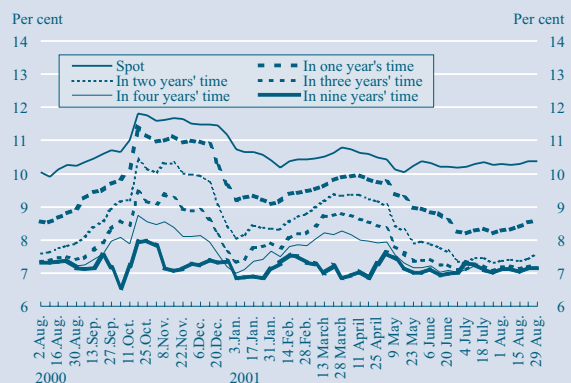


Chart 14 Average interbank lending rates and official dealing rates, August 2001

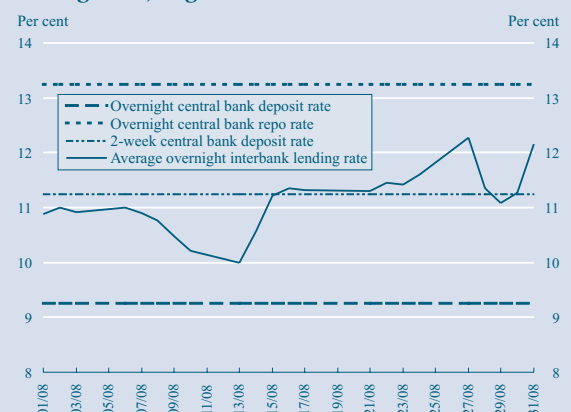
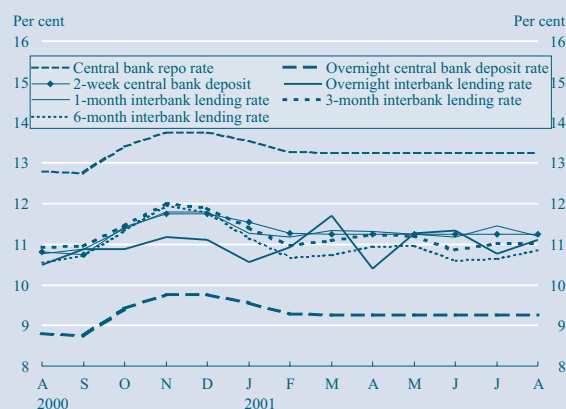
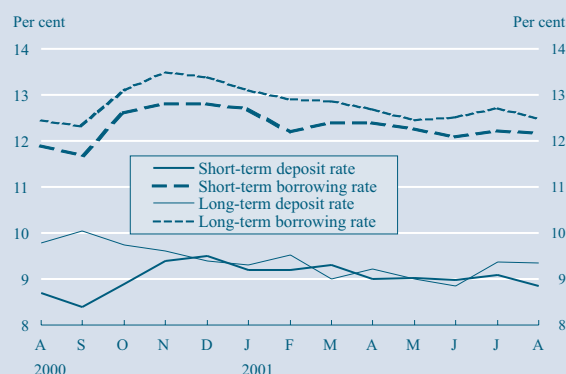
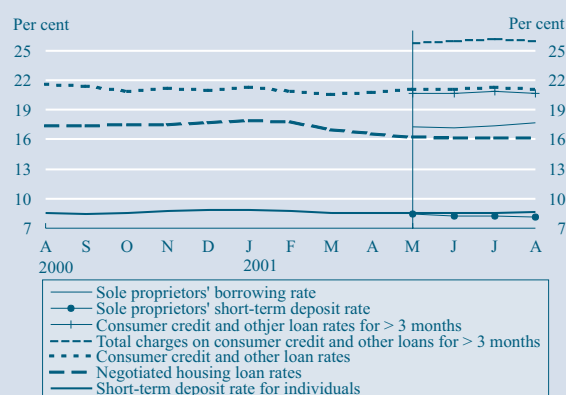


Chart 15 Monthly averages of interbank lending rates and official dealing rates**Chart 16 Non-financial corporate sector borrowing and deposit rates****Chart 17 Household sector average borrowing and deposit rates and total charges on loans**

* Data reporting was introduced in May 2001.

drop, it continued to fluctuate near the ceiling of the interest rate corridor.

The average of overnight interest rates rose 33 basis points to 11.11%, while that of one-month rates fell 25 basis points to 11.20%. The average of three-month lending rates remained unchanged at July's 11.01%. The average interest rate on loans provided for six months rose from 10.66% to 10.86% (see Chart 15).

Average borrowing rates of the non-financial corporate sector fell a little in August. The negotiated average price for non-financial corporations of short-term loans changed from 12.22% to 12.17% in one month. That of short-term deposit rates fell from July's 9.08% to 8.85%, basically on account of the composition effect.⁹ The short-term banking spread was 3.32 percentage points in the month under review. Generally playing a marginal role in non-financial corporations' debts and deposits, the average of long-term borrowing rates fell from 12.72% to 12.50% and that of deposits from 9.38% to 9.35%, due to banks' interest rate decisions (see Chart 16).¹⁰

Turning to households, the negotiated average interest rate on short-term loans provided for individuals, constituting a part of the sector, fell from 16.18% to 16.14%. The average rate on consumer credit and other loans also fell, from 21.21% to 21.10%. This latter was mainly caused by a change in banks' interest rate conditions (see Chart 17).

The average interest rate on consumer credit and other loans, provided for terms of more than three months, fell to 20.67%, the total charge indicator, at 25.93%, being 0.22 of a percentage point lower than in the preceding month. Half of the decrease was accounted for by the change in total charges. Looking at the proportions of costs above interest rates on the various types of loan, the highest values were observed in the case of overdrafts, the proportion of which to total consumer credit and other loans provided in August being 54.95%. Hire purchase loans and personal loans bore the highest total charges (32.04% and 28.28% respectively) in the month, but their share within total lending was low (see Table 4).

Individuals' average sight deposit rates changed from 3.31% to 3.2%, mainly as a result of a change in the composition of deposits. The average of short-term deposit rates changed from 8.53% to 8.61%. That of interest rates on long-term deposits, which have a smaller weight, fell from 9.41% to 9.31%.

The average interest rate on lending to sole proprietors, a constituent of the household sector, rose from 17.33% to 17.63%, owing principally to a change in banks' interest rate conditions. This, however, was still much lower than

⁹ A change in composition results from shifts across credit institutions in the proportions of deposits accepted and loans provided.

¹⁰ A change in interest rate conditions occurs when credit institutions alter the rates on their deposit and loan products.

the average of interest rates charged on borrowing by individuals. The average sight deposit rate changed from 1.74% to 1.68% and average short-term deposit rate from 8.27% to 8.16%, due to the change in the composition of loans across credit institutions.

The BUX and the world's leading share market indicators

The share index of the Budapest Stock Exchange fell by another 3.5% in August, following a 5.3% and a 2.0% decline in the preceding two months. The BUX was rising during the early days of the month, reaching its monthly peak of 6,716.17 in this period. However, it fell back below 6,500 towards the middle of the month. Movements in the BUX were very modest in the second half, so the index fluctuated in fairly a narrow band of around 1 per cent. The market closed the month at 6,360.17 points (see Chart 18).

Measured on a dollar basis, the official index of the Budapest Stock Exchange fell by 1.8% in August following losses of 1.3% and 0.3% in June–July. The major international exchanges incurred even deeper losses, except the FTSE. After stagnation in July, the Dow Jones Industrial Average of New York and the DAX of Frankfurt fell by 5.4% and 7.8% respectively. Also measured on a dollar basis, the London FTSE weakened by 1.4%, as seen in the preceding month. However, the NASDAQ, a gauge of movements in the prices of technology stocks, again fell significantly in August, losing 12.7%, following an 8.1% decline in July. Looking at the Far Eastern markets, the Nikkei in Tokyo lost another 4.9% on a dollar basis after a 6.5% and a 8.8% fall in June–July. The Hang Seng of Hong Kong lost exactly 10.0%, after falling by 5.6% in the preceding month (see Chart 19).

Table D Proportions of the various loan types* within total lending to individuals**

	2001				Per cent
	May	June	July	August	
Consumer credit and other loans					
Overdrafts	52.20	52.70	53.61	54.95	
Personal loans	12.58	12.93	12.50	12.13	
Lombard loans	3.00	3.44	2.19	1.61	
Hire purchase loans	5.63	5.46	7.00	6.46	
Car purchase loans	7.99	7.79	7.13	6.15	
Mortgages	17.78	16.74	16.06	16.69	
Other loans	0.82	0.92	1.51	2.01	
Total	100.00	100.00	100.00	100.00	

* Data reporting was introduced in May 2001.

** The table includes only data on loans with maturities of more than 3 months.

Chart 18 The BUX

January 1991 = 1000

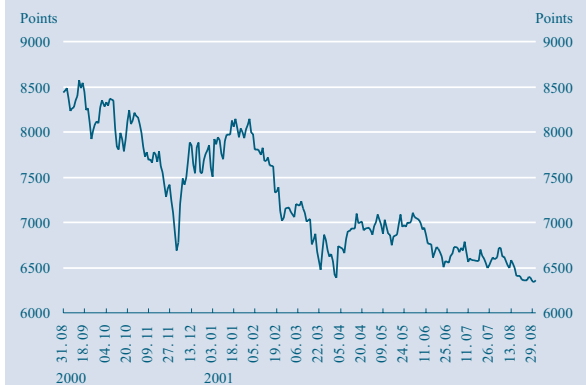
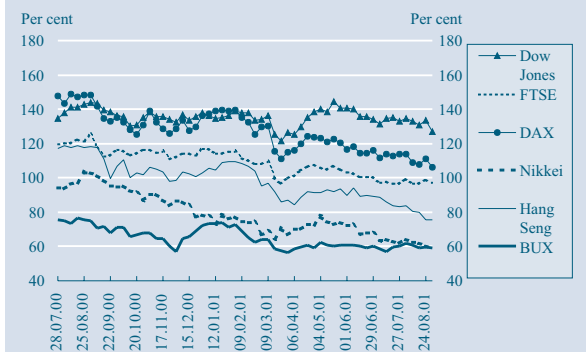


Chart 19 The world's leading exchanges and the BUX

5 September 1997 = 100; on a dollar basis



Balance of payments and foreign trade

Chart 20 Current account

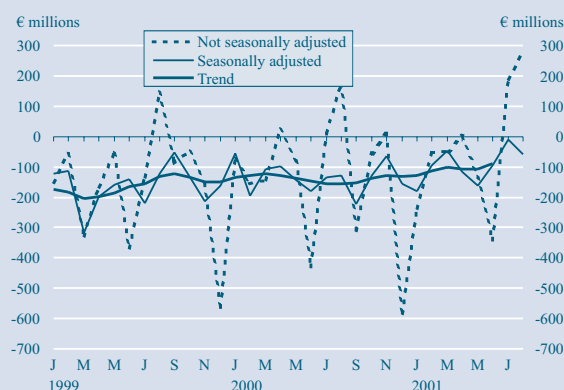


Chart 21 Trade balance

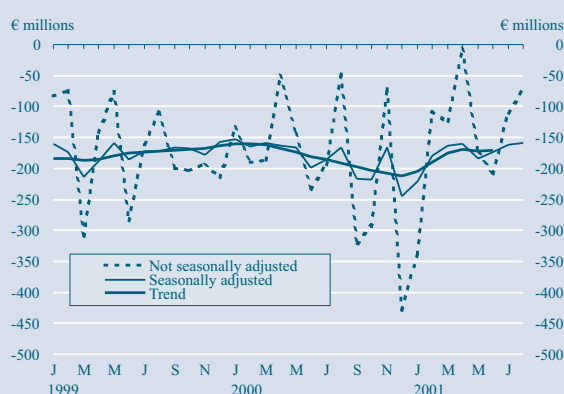


Table E Seasonally adjusted current account data*

	€ millions			
	2000	2001		
	Aug.	June	July	Aug.
Goods	-167	-173	-162	-159
Exports	2,437	2,599	2,637	2,559
Imports	2,582	2,835	2,854	2,727
Services excluding tourism	-79	-46	12	-24
Tourism	218	245	263	248
Non-debt income flows	-61	-65	-61	-55
Debt-related income flows	-74	-81	-69	-58
Current transfers	40	31	42	37
Current account balance	-129	-96	-10	-59

* Due to the method used for seasonal adjustment, the balance cannot be reproduced from the seasonally adjusted data that underlie the given sub-balance.

The balance of payments and financing

According to the seasonally adjusted data,¹¹ the current account was €59 million in deficit in August 2001 (see Table E). The trend of monthly current account deficits, derived by calculating from the five-month moving averages of the seasonally adjusted data, including those for August, shows a decline (see Chart 20), while that of goods deficits shows nearly equal outturns for the fourth consecutive month (see Chart 21).

The seasonally adjusted current account deficit was €49 million higher in August than in the preceding month. The goods trade deficit was only little changed, both export and import values falling considerably. Net tourism revenues fell, and the balance of other services dipped into the negative again. These changes are attributable mainly to the effect of the unusually good July data, providing a high base. Negative investment incomes on debt and equity fell, the former owing to higher revenues, the latter to lower expenditure. The surplus on current transfers fell a little.

The current account deficit, not seasonally adjusted, was €70 million lower in August than a year earlier. Services continued to register the most marked change – the deficit on other services fell by €55 million relative to August 2000, and the tourism surplus rose by €30 million. The outflow of investment income on debt fell by €16 million; and the balances on goods and investment income on equity improved a little. From among the sub-accounts of the current account, it was only the balance on current transfers which deteriorated.

According to the not seasonally adjusted data, the current account was €273 million in surplus in August. The capital account closed with a surplus of €49 million, so whole-economy external financing requirement

¹¹ Using the SEATS TRAMO software, the model settings which accord best with the characteristics of the times series ending with the final data for January 1994–December 2000 are fixed at the entire length of the year. The newly published data are adjusted within this model in the course of 2001. Taking account of the data for the latest month, the seasonally adjusted data for earlier periods will change. 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.

amounted to €322 million in the month under review (see Table F). Net non-debt inflow was €77 million – non-residents invested nearly €100 million in Hungary, direct investments by Hungarian residents abroad amounting to €9 million. The balance of inward and outward portfolio investment transactions in equity securities was a net outflow of €13 million. Non-resident investors reduced by €32 million their holdings of securities issued by the Hungarian government and the central bank.

Hungary's external accounts

Whole-economy gross foreign debt was €36.5 billion at the end of August 2001, falling by €1 billion relative to the preceding month. Transactions, and exchange rate and price movements as well as other volume changes explained €0.4 billion and €0.6 billion respectively of the change in gross debt. The combined gross foreign currency debt of general government and the NBH outstanding to non-residents amounted to €17 billion, forint debt accounting for €3.8 billion. The gross debt of other monetary financial institutions and the other sectors was €19.5 billion. Here, inter-company loans amounted to €4.1 billion. Financial liabilities of direct investment enterprises to their parents, also known as inter-company loans, had a share of 30% within total corporate sector foreign debt.

Whole-economy net debt amounted to €11.6 billion towards end-August, down €0.5 billion in one month. The combined net debt of the NBH and the central government was €2.2 billion. However, taking foreign currency denominated assets and liabilities into account, the two sectors took a €1.6 billion net lending position in foreign currency. Total private sector net foreign debt was €9.4 billion, inter-company loans accounting for €3.8 billion (see Table G).

Table F Transaction effects on changes in Hungary's net foreign debt

		€ millions			
		2000	2001		
		Aug.	June	July	Aug.
1	Current account	174	-341	191	273
2	Capital account	37	77	21	49
3	Net lending / net borrowing (1+2)*	211	-264	213	322
4	Non-debt capital flows	153	90	18	77
5	Total (3+4)	364	-174	231	399
6	Debt-creating flows (6a+6b)**	-317	184	-172	-363
6a	In forint	286	112	-239	-32
6b	In foreign currency	-603	72	67	-330
7	Financing gap (5+6)	47	10	59	37
8	Errors and omissions	-47	-10	-59	-37

* Net borrowing (-), or net lending (+).

** Net change in debt: fall (-), or increase (+).

Table G Hungary's assets and liabilities vis-a-vis non-residents

Monthly changes

		2001		Change	Of which:			
		July	August		Transactions	Exchange rate movements	Price changes	Other volume changes
Net foreign currency debt of the NBH and government		-1,648	-1,571	77	11	1	54	11
Net forint debt of the NBH and government		3,874	3,753	-121	-32	-89	0	0
Total net debt of the NBH and government		2,226	2,182	-44	-21	-88	54	11
Assets of the NBH and government		15,490	14,848	-642	-333	-158	-140	-11
Of which: international reserves		13,536	13,128	-408	-290	-139	21	0
Gross foreign currency debt of the NBH and government		13,842	13,278	-565	-322	-157	-87	0
Gross forint debt of the NBH and government		3,874	3,753	-121	-32	-89	0	0
Total gross debt of the NBH and government		17,716	17,030	-686	-354	-246	-87	0
Net debt of other monetary financial institutions and other sectors*		6,065	5,655	-410	-316	-102	7	1
Assets of other monetary financial institutions and other sectors		9,531	9,712	181	278	-158	39	22
Gross debt of other monetary financial institutions and other sectors		15,596	15,367	-229	-38	-261	46	24
Inter-company loans, net		3,820	3,762	-58	-26	-33	0	0
Assets		327	365	39	47	-8	0	0
Liabilities		4,147	4,127	-20	21	-41	0	0

* Excluding inter-company loans.

The total stock of direct investments by non-residents in Hungary amounted to €24.1 billion at the end of August, of which the value of holdings of shares and classes of equity capital was €19.9 billion.

Foreign trade

In August, the annualised growth rate of the trend of goods exports was again higher than the comparable indicator for imports. As a result, the trend of merchandise foreign trade balance improved modestly relative to the preceding few months of the year (see Chart 22).

The annual growth rate of Hungarian exports was higher than that of imports in August and the first eight months of 2001. The gap between the growth rates calculated from the seasonally adjusted data was lower, which was attributable to the relatively high level of imports in August 2000, as compared with a relatively high level of exports a year later. As a result, the goods trade balance was also more favourable than a year earlier. Robust imports of machinery in August 2000, on the one hand, and an increase in food industry exports coupled with a lower energy import, on the other, explained this more favourable balance.

The not adjusted levels of foreign trade in goods fell in August, reflecting seasonal patterns. The size of this fall was larger in imports than in exports, which resulted in an improvement in the trade balance outcome (see Charts 23, 24 and 25).

Looking at the pattern of exports, there was an increase in the percentage share of food industry products and, simultaneously, in that of processed goods in August and the first eight months of 2001 relative to the comparable period of the previous year. In terms of a regional breakdown, the increase in the percentage share accounted for by the CEFTA in a year-on-year comparison deserves special mention.

The value and the percentage share of whole-economy net imports of energy fell in August relative to a year earlier. However, the volume of energy imports, expressed in calorific terms, did not fall, so this change was mainly the result of the decline in the world market price of energy.¹²

Despite the fall in August, whole-economy energy imports were some €350 million higher, and net energy im-

Chart 22 Annualised monthly growth rates of the trend of merchandise foreign trade calculated in euros



Chart 23 Merchandise exports

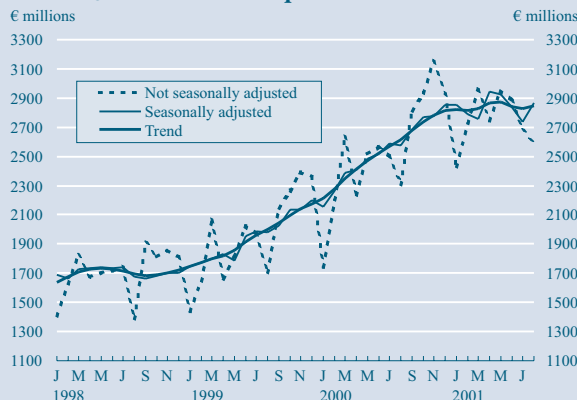
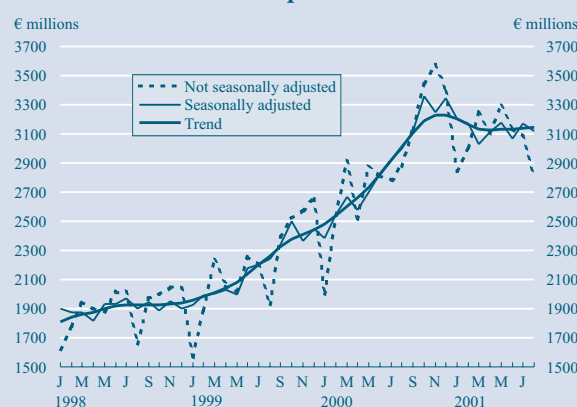


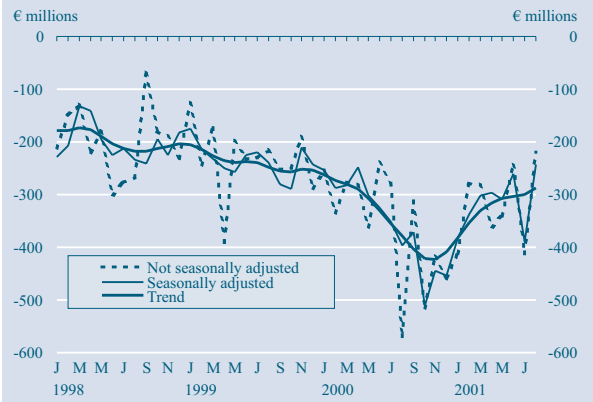
Chart 24 Merchandise imports



¹² The decline in prices actually occurred in July 2001. However, experience and analysis have proved that these changes feed through to Hungarian energy imports with a month lag. In the first eight months of 2001, Hungarian energy imports were some €350 million, and net energy imports some €230 million, higher than in the same period of 2000, due to movements in the world market price of energy.

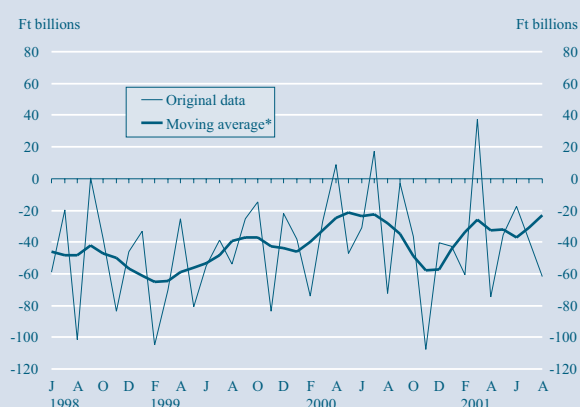
ports some €230 million higher, in the first eight months of 2001 than in the same period of 2000, due to changes in the world market price of energy. However, higher revenues achieved on food and engineering industry exports offset this effect.

Chart 25 Trade balance



General government

Chart 26 Net lending/net borrowing of general government



*The smoothed time series is a five-month centred moving average with varying weights up to July 2001. The August moving average has been calculated using a tri-nomial average with equal weights and an estimate for September (Ft 30.8 billion).

Net borrowing of general government

The net borrowing requirement of general government, calculated from revenues and expenditures, amounted to Ft 76.7 billion in August 2001, nearly equal to that recorded a year earlier (see Chart 26). The net borrowing requirement of central government increased by Ft 10.0 billion and that of the social security funds by Ft 7.1 billion. The local government authorities, in contrast, saw their net borrowing requirement fall by Ft 12.9 billion relative to August 2000 (see Table H). According to the Bank's calculations, the cumulative general government deficit amounted to Ft 309.3 billion in January–August 2001, in comparison with Ft 263.3 billion in the same period of the previous year.

The central government net borrowing requirement, which includes the balances of the extra-budgetary funds, ÁPV Rt as well as other units of central government, and adjusted to reflect the Bank's calculation method, was Ft 46.2 billion in August. 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, amounted to Ft 6.8 billion.

Out of total central government expenditure, Ft 94.5 billion extraordinary expenditure was not actually transferred but placed on a suspense deposit account last December. The Bank's calculations do not treat this amount as expenditure affecting general government accounts for 2000. However, it has been recorded as actual expenditure for 2001, depending on actual transfers effected from the account. The expenditure items were the following in sequence: ÁPV Rt received Ft 35 billion in January, the local government authorities and units of central government receiving Ft 10 billion and Ft 5 billion respectively in March. The balance on the account did not change in April–June. In July, however, another Ft 13.4 billion was transferred to the social security funds. That amount was accounted for by the Health Insurance Authority and the Pension Insurance Authority with amounts of Ft 1.6 billion and Ft 11.8 billion respectively. In August, no further amounts were transferred from the suspense deposit account.

Table H General government (S.13) net lending (+) / net borrowing (–) by sub-sector

	Ft billions		
	2000 August	2001 July	2001 August
General government balance (1)	–36.9	–45.6	–48.6
Extra-budgetary funds (2)	0.5	6.3	0.8
ÁPV Rt (3)	–0.1	–2.0	1.9
Other units of central government (4)	0.2	–0.3	–0.3
Central government (S.1311) (5=1+2+3+4)	–36.2	–41.6	–46.2
Social security funds (S.1314) (6)	–11.8	6.2	–19.0
Local authorities (S.1313)* (7)	–24.5	–3.5	–11.6
General government, total (S.13) (8=4+5+6+7)	–72.6	–38.9	–76.7

* Where no revenue and expenditure data are available for a given month, financing data are taken to estimate the monthly balances of local authorities.

The difference between interest expenditure recorded on cash and accrual bases increased the central government borrowing requirement by Ft 14.9 billion in August, approximating the increase of Ft 19.4 billion in the borrowing requirement of the comparable period a year earlier.

The Ft 2.5 billion interest revenue from outstanding gas utility bonds accounted for the vast bulk of revenue raised by the State Privatisation and Holding Company in August. Transfers related to asset management, allowances to the local government authorities paid on the basis of land value under ownership rights, and the conversion of compensation vouchers into life annuity schemes explained the slight, Ft 0.9 billion increase in expenditures. As a result of all these, the Bank calculated the net financing capacity of the company, recorded as part of the central government sector, to have been Ft 1.9 billion in August.

The balances of other units of central government, estimated on the basis of bank statistics, and that of social security provisions funded by the central budget increased the net borrowing requirement of central government by Ft 0.3 billion and Ft 0.4 billion respectively.

The social security authorities, i.e. the Health Insurance Fund and the Pension Insurance Fund, registered a net borrowing position in August, following the net lending position they registered in the preceding month. The net borrowing requirement of the two authorities, at nearly Ft 19 billion, was higher in comparison with that recorded a year earlier (Ft 11.9 billion). On the revenue side, contribution receipts continued to meet the estimate, with a lag observed only in receipts from the central government. On the expenditure side, it was mostly old-age pensions funded from health insurance sources, sick benefits and pharmaceutical subsidies that exceeded the estimate. As a result of developments in the month under review, the borrowing requirement of the social security sub-sector amounted to Ft 82.4 billion in the period January–August 2001.

The net borrowing requirement of the local government authorities, estimated from transactions data reported by the Ministry of Finance for January–June and taking into account those calculated from financing data for July as well as estimates for August, amounted to Ft 11.6 billion in August, the financing capacity of the sub-sector for the period January–August being Ft 0.1 billion.

Financing and gross debt of general government

General government net lending/net borrowing can be calculated taking into account changes in financial assets

Table I Changes in financial wealth of general government (S.13)

	Stocks: August 2001	Flows:			
		August		January–August	
		Transac- tions	Other changes in volume	Transac- tions	Other changes in volume
Ft billions					
Central governments (S.1311)					
Assets	1,202.2	55.0	-41.5	301.6	159.6
Liabilities	8,187.6	97.4	15.2	518.2	-48.2
Net financial assets	-6,985.4	-42.4	-56.8	-216.6	207.8
Social security funds (S.1314)					
Assets	2.3	0.5	0.0	-4.1	0.0
Liabilities	183.5	19.4	0.0	83.2	0.0
Net financial assets	-181.3	-19.0	0.0	-87.3	0.0
Local government authorities (S.1313)					
Assets	476.0	-6.2	0.0	27.3	0.0
Liabilities	184.2	4.1	0.4	15.5	-0.9
Net financial assets	291.8	-10.3	-0.4	11.8	0.9
Consolidated general government					
Assets	1,379.1	29.8	-41.5	232.0	159.6
Liabilities	8,254.0	101.5	15.7	524.0	-49.1
Net financial assets	-6,874.9	-71.7	-57.2	-292.1	208.7

and liabilities, in addition to the balance of revenue and expenditure.

The difference between the two indicators of general government net lending, derived from revenue and expenditure as well as from financing data, stems from statistical error.

Taking account of credits and deposits of non-profit institutions, a sub-sector of general government, as well as claims of local government authorities arising from repurchase agreements, constitutes a change from June 2001 in the presentation of stocks of financial assets and liabilities and the changes therein, in accordance with the method of presenting monetary statistics. These items tend to increase financial assets of general government by Ft 10–20 billion in the period under review, the amount of liabilities remaining virtually unchanged. Another change has been the recording, at market value, of outstanding derivatives transactions of the central government vis-à-vis the National Bank of Hungary within assets and liabilities. This revision has been backdated to January 2001. Repricing increased the values of assets and liabilities by Ft 143.6 billion and Ft 61.1 billion respectively in January and by Ft 171.3 billion and Ft 70 billion in August.

The change in general government net financial assets due to transactions (see Table I), i.e. the net borrowing requirement calculated from financing items, amounted to Ft 71.7 billion in August and a total Ft 292.1 billion in the first eight months of 2001. The borrowing requirement of the central government was Ft 42.4 billion, that of the social security funds was Ft 19.0 billion and that of the local government authorities was Ft 10.3 billion.

Financial assets of the central government increased by Ft 13.5 billion in August. That was mainly the result of increases in the sector's deposits with the NBH and outstanding lending to the social security authorities as well as a revaluation loss on derivatives related to outstanding debt. The increase of Ft 112.6 billion in liabilities was primarily the balance of issues of forint-denominated government securities, interest accruing on debt and revaluation of foreign currency instruments.

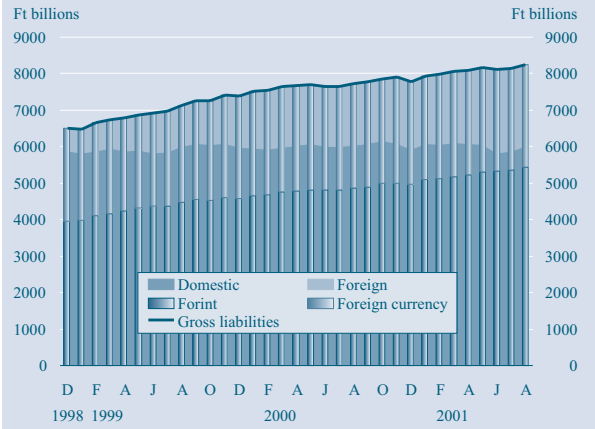
The stock of outstanding borrowings of the social security funds from the central government increased by Ft 19.8 billion in August, to a total Ft 174.5 billion towards the end of the month. Taking into account changes in other financial liabilities and assets, net assets of the sub-sector fell by Ft 19.0 billion in the month under review.

Financial assets of the local government authorities decreased by Ft 6.2 billion, liabilities increasing by Ft 4.6 billion in August. As a result, the change in net financial assets was a decrease of Ft 10.8 billion in the month under review.

In August, the gross debt of general government increased by Ft 117.2 billion, its outstanding total reaching

Ft 8,254 billion at the end of the month (see Chart 27). The increase in foreign currency debt arising from currency translation amounted to Ft 16 billion, affecting mostly debt owed to non-residents.

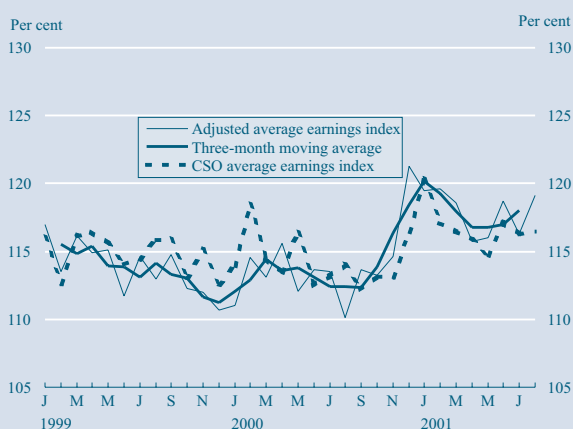
Chart 27 Composition of general government gross liabilities



Earnings and financial savings of households

Chart 28 Corporate sector monthly gross average earnings*

Same period of previous year = 100



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

Earnings

Corporate sector adjusted gross earnings growth¹³ was 19.1% higher in August 2001 than a year earlier and was 2.8 percentage points higher than in July. The unadjusted earnings index, calculated by the CSO, showed an increase of 16.5% in one year, which was only very slightly higher than the 16.3% growth rate recorded in the preceding month (see Chart 28).

The gap between the outcomes for the two indicators is explained by the change in the number of hours worked and a variation in the composition of staff. The number of hours worked was 3.2% lower in August 2001 than a year before. According to the CSO data, the number of working days was 22 in August 2001, in contrast with 23 in August 2000, which played a role in the fall in the number of hours worked.

According to the data released by the CSO, irregular pay to personnel¹⁴ as a share of total gross pay was 22% in the month under review. That was 2.1 percentage points higher than in August 2000.

According to the Bank's calculations,¹⁵ the rate of whole economy earnings growth was high in August, similarly to that recorded at the start of the year. Overall, earnings in the total economy grew by 19.1% in a one-year comparison.

Government sector adjusted earnings growth¹⁶ was 19% in August 2001 year on year. The increase in earnings growth amounted to 10.7 percentage points relative to the preceding month. The index as calculated by the CSO was 0.4% higher than that calculated by the Bank.

¹³ Since June, 2000 the Bank uses its own indicator to analyse movements in earnings which eliminates from the CSO's index the effects of changes in the composition of labour, i.e. shifts in the distribution of blue-collar and white-collar workers, the composition of labour across sectors, and the number of hours worked, therefore, it provides a more accurate picture of actual movements in earnings. The revision and further development of the indicator is currently underway.

¹⁴ Bonuses, overtime, profit-related pay, one-month pay awards etc.

¹⁵ Companies with more than 5 employees (financial and non-financial companies), and units of central government and the social security authorities (general government sector).

¹⁶ The data have been adjusted by eliminating the percentage shares of manual and non-manual workers as well as the effect of changes in workforce across the sectors.

The strong outflow of earnings in August is explained by the 25.5% wage increase implemented in public administration, defence and compulsory social security, which can be traced basically to the modification to public servants' salary system. (This sector provides nearly 40% of those employed in the central government sector.)

The August data once more provide evidence for the fact that the monthly data are not suitable for drawing meaningful conclusions, due to the uneven within-year distribution of irregular pay and the wage corrections and settlements implemented at different times in the various quarters of central government.

The share of irregular pay to personnel as a percentage of government sector earnings was 20.7% in August, showing an decrease of 1.7 percentage points relative to August 2000.

Savings

In August, operational net lending of households, i.e. their financial savings after eliminating compensation for inflation incorporated in interest, amounted to Ft 50.7 billion. Measured both on a current and constant price bases, this was the highest value recorded in 2000 to date. From its trough in March, the trend of financial savings has been rising (see Chart 29).

It has been observable since February that revaluation of the various savings instruments reduces households' net financial wealth (see Table J). The sector incurred substantial losses in the share market in August; revaluations affected holdings of investment units; and the loss incurred due to exchange rate movements offset the holding gain realised due to the depreciation of the forint. Revaluation losses amounted a total Ft 11.5 billion, so financial wealth of households, measured at market prices, increased by Ft 64.9 billion. The trend values, i.e. the changes relative to the same month of the previous year, measured on a constant price basis, show a decrease in net financial wealth in previous months, with the gradual slowdown in the growth rate of financial assets and the rising trend of outstanding debt playing a role (see Chart 30).

Within financial assets, households' forint claims on credit institutions rose saliently. Whereas withdrawals of deposits and flows in securities holdings characterised the first quarter of the year, deposit holdings became the most favoured investment vehicle from April, in contrast to securities. Forint deposit holdings of households increased by Ft 66.8 billion in August, the effect of compensation for inflation incorporated in interest accounting for Ft 15.7 billion and operational transactions for Ft 51.1 billion. Increasing savings data for the month was the payment in August of a part of wages due in September. This also had an effect on cash holdings, which rose by Ft 22.7 billion in the month. The advance payment of wages, however, was reflected in the fall in unpaid wages, so it did not affect the level of financial savings.

Chart 29 Operational net lending (+) / net borrowing (-) of households

At average 1995 prices

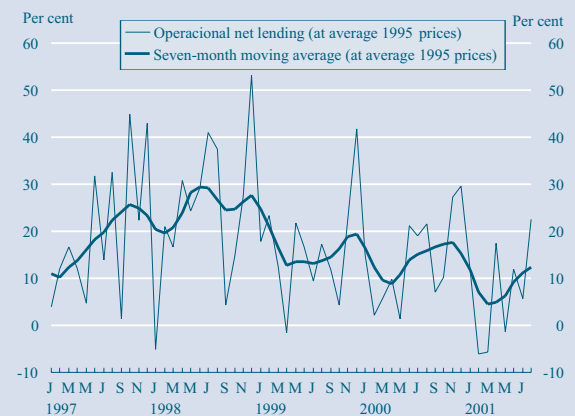


Table J Decomposing net financial wealth of households into the components of change

	Ft billions					
	Stocks: 31 Aug. 2001	August flows:				
		Transactions:	Trans- actions net of com- pensation for inflation	Compens ation for inflation in- corporated in interest	Re- valuations	Other changes in volume
Cash	851.9	22.7	22.7	22.7	0.0	0.0
Forint deposits and bank securities	2,759.3	66.8	66.8	51.1	15.7	0.0
Foreign currency deposits	730.9	7.1	7.9	6.7	1.2	-0.8
Non-bank securities	1,558.7	0.3	11.0	1.6	9.4	-10.7
Pension funds and life insurance	959.5	16.6	16.6	9.9	6.7	0.0
Non-paid wages	128.2	-21.2	-21.2	-21.2	0.0	0.0
Financial assets, total	6,988.5	92.3	103.8	70.8	33.0	-11.5
Home-building loans	275.1	14.0	14.0	12.1	1.9	0.0
Consumer credit	506.4	13.0	11.1	7.6	3.5	0.0
Other borrowings	53.8	0.4	0.4	0.4	0.0	0.0
Household debt	835.3	27.4	25.5	20.1	5.4	0.0
NET FINANCIAL WEALTH AND THE COMPONENTS OF CHANGE IN WEALTH	6,153.2	64.9	78.3	50.7	27.6	-11.5

Chart 30 Growth in household sector financial wealth at constant prices

Percentage changes on the preceding month

At average 1995 prices using seven-month moving averages

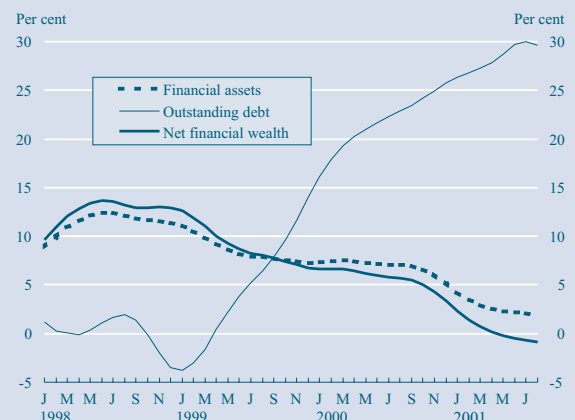
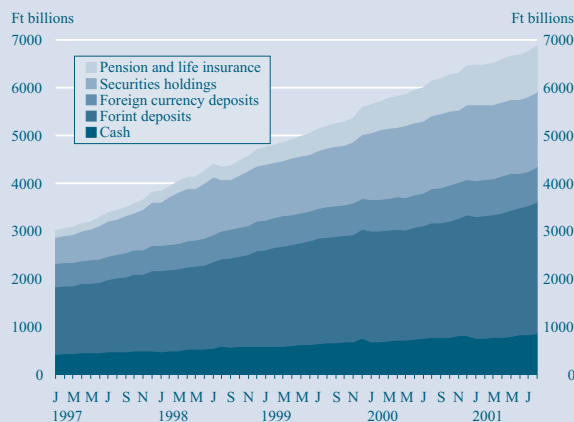
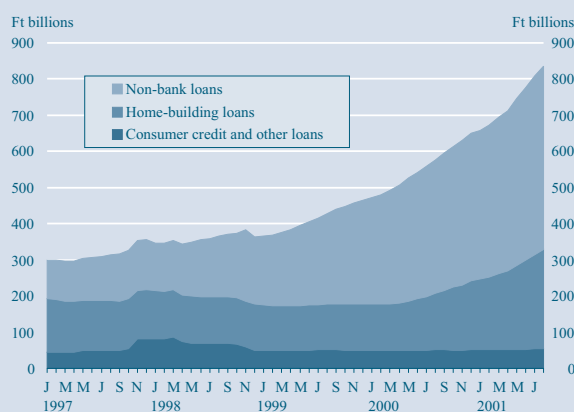


Chart 31 Household sector financial assets**Chart 32 Outstanding borrowings of households by type of debt***

* In the 9/2001 Monthly Report, the Chart 'Outstanding borrowings of households by type of debt' contained an error, as the markings of components were transposed.

As seen in the preceding month, the sector stepped up its foreign currency deposits. Operational transactions amounted to Ft 6.7 billion. The currencies of the Euro region and the US dollar each accounted for around half the flows into foreign currency deposits. At month-end, households' foreign currency deposits were concentrated 48% in the dollar and 42% in the currencies of the Euro region.

Households continued to increase their holdings of investment units and, in contrast with net sales of government securities observed in previous months, they were net purchasers in the government securities market as well. Holdings of shares have been falling continuously since the beginning of the year. Operational transactions amounted to Ft 3.1 billion, Ft 1.5 billion and Ft -3 billion respectively in investment units, government securities and shares (see Chart 31).

Household sector net borrowings again increased strongly in August, by Ft 27.4 billion. The increase in housing loans (Ft 14 billion) was slightly higher than that in consumer credit (Ft 13 billion). The trend of outstanding housing loans has been upwards since the start of the year, exceeding that of consumer credit. (see Chart 32).

Main economic and financial indicators

	GDP volume indices*	Consumer price index	Core inflation (CSO)	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**	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	111.3	119.6	8.0	31.3	116.5	121.8	118.9	16.17	-151	270	7,898	-33.2
February		109.4	110.8	113.3	7.6	41.3	118.6	119.8	119.5	16.00	-57	68	8,574	-105.1
March	103.2	109.3	110.7	117.1	6.7	22.0	119.1	117.4	118.2	16.00	-330	89	8,243	-70.0
April		109.4	111.0	116.5	7.3	-2.8	115.5	118.5	118.2	15.58	-167	100	8,190	-25.0
May		108.9	110.7	117.2	7.0	39.5	116.7	119.5	119.1	15.10	-55	127	8,380	-80.9
June	103.3	109.1	110.7	114.6	6.3	30.4	117.7	116.0	116.9	14.85	-369	119	9,068	-54.9
July		110.0	110.9	115.0	7.5	17.5	116.2	117.7	117.4	14.75	-134	60	9,150	-38.9
August		110.9	111.5	116.6	6.8	32.3	114.9	118.2	116.5	14.75	144	113	9,285	-53.6
September	104.2	110.9	111.2	116.0	6.6	22.2	116.0	117.6	116.5	14.75	-87	103	9,635	-25.5
October		110.5	110.7	114.3	6.7	8.1	117.0	119.5	116.4	14.75	-50	61	9,743	-14.7
November		110.6	110.5	116.5	6.6	41.8	115.8	119.9	116.6	14.53	-157	146	10,768	-83.5
December	105.9	111.2	110.2	117.0	6.3	80.5	124.5	119.2	116.1	14.38	-562	296	10,874	-22.2
January 2000		110.0	109.4	110.7	7.0	29.3	114.3	118.5	116.6	13.17	-77	44	11,513	-38.0
February		109.8	109.1	116.0	7.2	4.3	115.2	118.1	116.7	12.04	-157	125	11,869	-73.8
March	106.5	109.6	108.5	113.0	6.0	11.3	116.6	117.4	116.7	11.60	-145	54	11,202	-27.1
April		109.2	108.2	113.6	6.9	19.4	117.1	118.8	116.6	11.20	21	162	11,380	9.1
May		109.1	108.0	113.9	6.7	2.8	114.0	115.5	113.5	11.00	-80	186	11,549	-47.0
June	105.6	109.1	108.0	112.0	6.0	42.4	115.0	117.7	114.6	11.00	-428	168	10,999	-31.1
July		109.6	107.7	114.7	6.6	38.5	113.3	116.3	113.6	11.00	10	42	11,110	17.2
August		109.6	107.6	112.4	6.5	44.1	114.4	114.8	113.4	10.81	174	253	11,628	-72.6
September	104.5	110.3	108.5	111.9	5.7	14.6	114.6	116.2	114.0	10.75	-311	229	12,047	-3.2
October		110.4	108.7	112.2	6.2	21.1	111.7	115.5	114.8	11.42	-55	37	12,069	-36.7
November		110.6	108.9	114.6	6.0	57.2	115.0	116.2	115.3	11.75	11	-154	12,433	-107.6
December	104.2	110.1	109.0	116.5	5.7	62.8	106.6	111.5	112.7	11.75	-583	314	12,068	-40.6
January 2001		110.1	109.7	116.0	6.0	24.8	111.7	115.3	113.0	11.55	-237	109	11,590	-42.7
February		110.4	109.8	117.4	6.3	-13.0	110.2	112.5	111.0	11.28	-54	268	12,104	-60.8
March	104.4	110.5	110.2	116.3	5.6	-12.4	108.5	113.3	110.7	11.25	-48	142	12,187	37.3
April		110.3	110.2	119.3	5.8	38.1	108.3	111.6	111.5	11.25	-2	62	12,536	-74.7
May		110.8	110.3	115.0	5.7	-2.9	110.3	112.2	113.4	11.25	-134	124	12,990	-35.4
June	104.0	110.5	110.2	117.9	5.4	26.7	110.6	111.4	112.7	11.25	-341	111	13,596	-17.4
July		109.4	110.3	114.0	5.7	12.6	109.4	110.1	113.3	11.25	191	23	13,536	-38.9
August		108.7	109.6	117.2	5.8	50.7	110.2	112.5	115.8	11.25	273	100	13,128	-76.7

Source: CSO, NBH

* Preliminary data for 2000 and 2001.

** Equity capital.

