



Monthly Report

(includes data up to the end of January 2002)

3/2002

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Domestic economic activity

Industrial output growth continued to fall in January 2001, reflecting the trends of the preceding few months. No significant improvement in export and domestic selling conditions occurred relative to earlier periods which could have induced an upturn in output (see Chart 1).

According to the data adjusted for seasonal effects and working day variations,¹ industrial output rose by 3.2% in January relative to December. The one-month increase in total sales, at 2.1%, was slightly less than that in output. Within total sales, the volume of exports was 2.7% higher than in the preceding month, domestic sales remaining virtually static (see Chart 2).

Turning to twelve-month industry developments, output and total sales were respectively 0.7% and 1.1% lower in January 2002 than their levels recorded a year earlier. Within total sales, exports fell by 1.3% and domestic sales by 0.9% in a twelve-month comparison.

Total manufacturing output fell by 1.1% relative to January 2001. However, output of the electricity, gas, steam and hot water supply sub-sector rose by 6.3% in twelve months. Manufacturers' output continued to be widely varied in the industry taken as a whole. From among the mainstream branches of manufacturing, output of food, drink and tobacco manufacturers was 5.3% higher in the month than a year earlier. Motor vehicle manufacturers' output, in contrast, fell by 11.7%. Output of machinery and equipment manufacturers and manufacturers not elsewhere classified rose the most strongly, by 33.9% and 33.8% respectively. Up 24.7% and 15.8% respectively, output of coke and refined petroleum product manufacturers as well as rubber and plastic product manufacturers, accounting a relatively minor role in the industry, also rose significantly. Manufacturers of wood, leather and footwear as well as paper and paper products registered quite strong increases in output, by 10.5%, 9.4% and 3.6% respectively. By contrast, output of electrical equipment, non-metallic mineral products, and chemical product manufacturers respectively was 3.8%, 4.5% and 6.7% lower in a twelve-month comparison.

¹ Using the Bank's method to seasonally adjust and calculate trends from data reported by the CSO.

Chart 1 Volume indices of industrial production*
Average of 1995 = 100

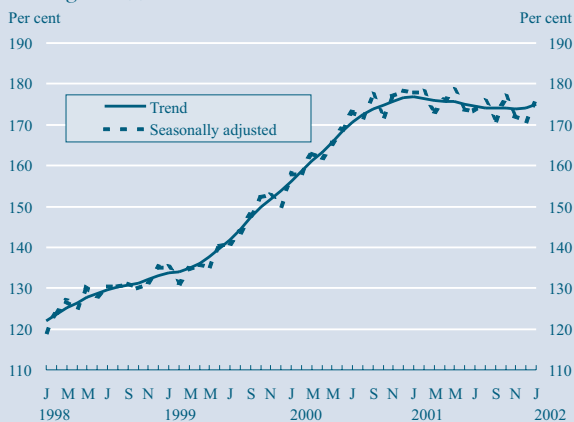


Chart 2 Volume indices of industrial production and sales

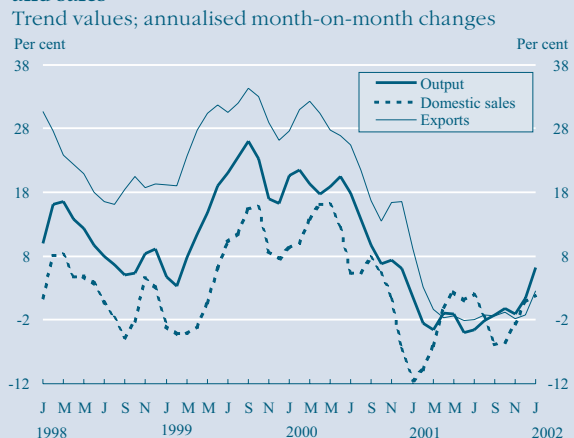
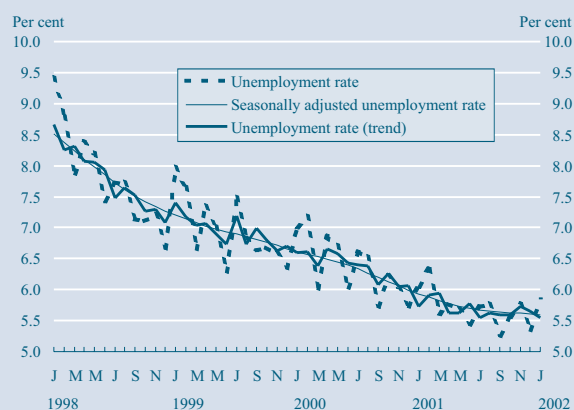
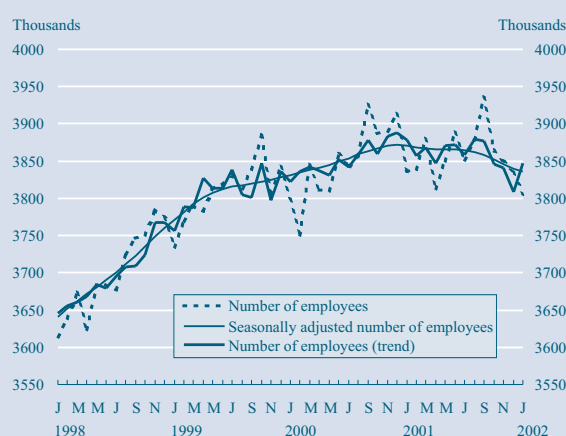


Chart 3 Whole-economy unemployment rate**Chart 4 Number of employed persons**

Companies with at least five employees registered a 1.5% increase in output per capita in the first month of the year relative to twelve months previously.

As seen in the preceding few months, orders for manufacturers' output in the mainstream branches of manufacturing continued to indicate little recovery of output in January 2002. The volume of existing orders at month-end was 1.4% lower than a year earlier. Breaking the previous trends, the existing volume of domestic orders at month-end was 12% higher than in January 2001. The January 2002 volume of fresh orders to the export sector declined by nearly 30% in one year, due to a massive, 35.8% fall in export demand. Domestic orders, in contrast, were 8.5% higher than a year previously.

Developments in the Hungarian labour market were characterised by a slow decline in the unemployment rate in January. According to the indicators derived from monthly data of the CSO's Labour Force Survey, adjusted for seasonal effects,² the whole-economy unemployment rate was 5.5% in the month under review. This was 0.1 of a percentage point lower than in December (see Chart 3).

The number of whole-economy registered unemployed fell by 1% relative to December and by 4.2% in comparison with January 2001.

The seasonally adjusted number of people in employment was 1% higher in January than in the preceding month and 0.8% lower than in January 2001 (see Chart 4).

² Using the Bank's method to seasonally adjust and calculate trends from data reported by the CSO.

Price trends

Consumer prices

Hungarian consumer prices, as measured by the CSO, increased by 1.3% in January 2002. The core inflation indicator, released by the CSO for the first time for the month under review, registered an increase of 0.3%.

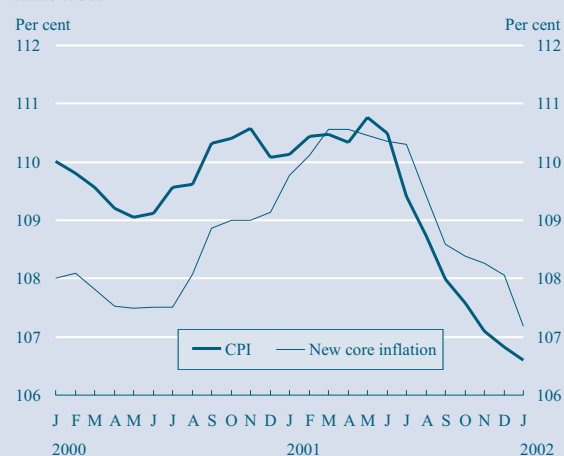
Looking at one-month price movements in the categories monitored by the National Bank of Hungary, the prices of motor fuels, a category of energy products continued to fall in January, being down 0.8%. The market price of energy³ rose by 0.7% and the regulated price of energy by 0.1%. Regulated services prices were 3.1% higher than in December. Pharmaceuticals prices remained unchanged. Alcoholic drinks and tobacco cost 2.2% more. Food prices rose by 2.8% in the month under review. Here, processed and unprocessed food prices were 1.1% and 6.9% higher respectively than in December. Market services prices rose by 1.7%. By contrast, industrial goods prices fell by 0.1% relative to the preceding month.

The twelve-month consumer price index was 6.6% in January, showing a drop of 0.2 of a percentage point relative to December 2001. The new core inflation indicator, calculated by the CSO for the same period, was 7.2%. This was 0.9 of a percentage point lower than the December 2001 value released retrospectively (see Chart 5).

Examining twelve-month price developments in the categories monitored by the Bank, the trend of the food price inflation continued to be downwards – food prices were 9.1% higher on average in January than a year earlier. Annual processed foods price inflation dropped significantly, from December's 11.9% to 9.1%. Unprocessed foods price inflation, in contrast, rose from 4.8% to 8.7%. Within the category of energy, the rate at which motor fuel prices fell was 9.6% in January. Inflation of market-determined household energy prices, having a relatively small weight, was downwards in the period February–November 2001. Since December, however, prices actually have been falling, the drop in January amounting to 0.3%. The annual index of regulated energy prices fell to 8.7%. Up 3.5% in the month under review, the prices of industrial goods contin-

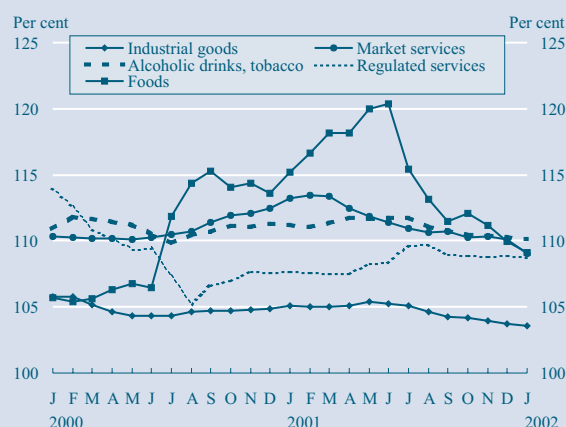
³ This category does not reflect the effects of changes in motor fuel prices.

Chart 5 Year-on-year consumer price index and core inflation



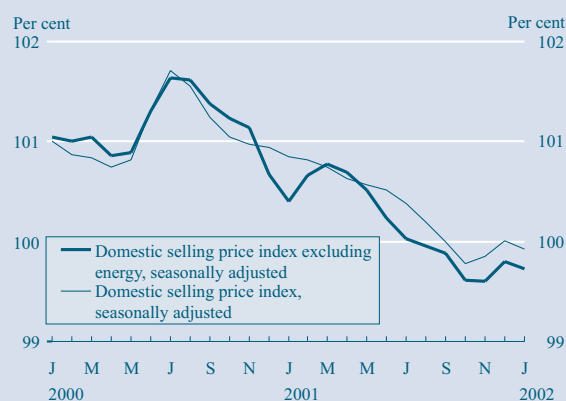
Source: CSO

Chart 6 Twelve-month changes in the prices* of the major categories monitored by the NBH



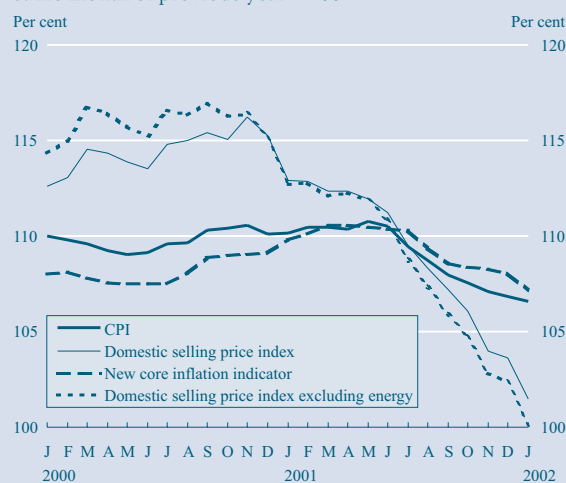
* Based on data released by the CSO.

Chart 7 Domestic producer price indices*
Preceding month = 100



* Seasonally adjusted by the Bank.

Chart 8 Comparison of domestic selling prices excluding energy with other price indices
Same month of previous year = 100



ued to rise at a modest pace. Annual market services price inflation slowed to 9.0% in January. As a result of these price movements, the basket price index of goods comprising foods, industrial goods, market services and market energy fell from November's 7.8% and December's 7.3% to 6.7% in the month under review. The price index of alcoholic drinks and tobacco changed only slightly, falling to 10.2%. Pharmaceuticals prices rose by 17.2% and those of other regulated services by 7.1% in twelve months (see Chart 6).

Producer prices

Domestic producer prices excluding energy⁴ characterise changes in producer prices the best. Seasonally adjusted by the Bank, they fell by 0.3% in January relative to the preceding month.⁵ Industrial firms' domestic selling prices, released by the CSO, rose by 1.1% in January, following a decline seen in the final months of 2001. This contrasted with a 0.1% drop in prices seasonally adjusted by the Bank (see Chart 7). The change in domestic selling prices was a total increase of 1.5% in the twelve months to January.

The increase in domestic selling prices in January was attributable mainly to administrative price changes – prices in electricity, gas, steam and hot water supply and in collection, purification and distribution of water rose by 3.4%. Manufacturing industry domestic selling prices were 0.5% higher in January than in the preceding month. Within manufacturing, chemical industry prices fell by 0.5%, whereas machinery and equipment prices and food, drink and tobacco prices rose by 0.3% and 1.9% respectively. Mining and extraction prices were 1.7% higher in January than in December (see Chart 8).

The combined one-month change in domestic and export prices in industry was a 0.1% increase in January 2001.

⁴ 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.

⁵ 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

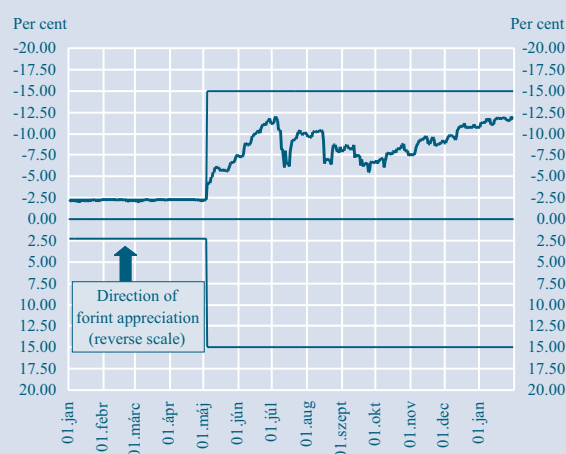
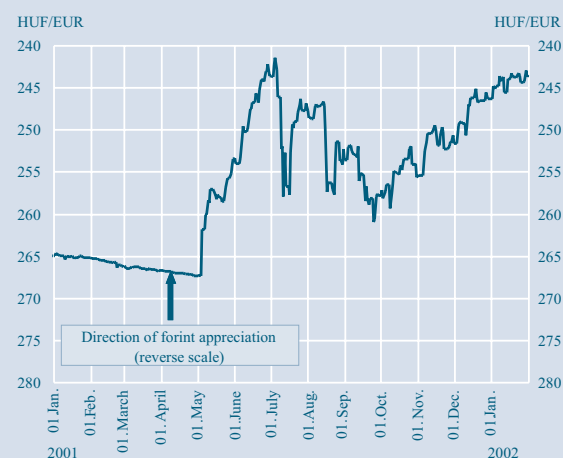
The following changes to monetary conditions were made in December 2001.

- Effective from 1 January 2002, the National Bank of Hungary reduced from 7.64% to 7.00% the interest rate on loans to finance the central government debt incurred prior to 1991, pursuant to the provisions of the Act on the Central Budget.
- Effective from 8 January 2002, the National Bank of Hungary reduced the central bank base by 25 basis points, from 9.75% to 9.50%. Favourable macroeconomic conditions had contributed to the reduction in official interest rates. As a consequence of the change to the base rate, the overnight deposit rate fell from 8.25% to 8.00% and the overnight secured loan rate from 11.25% to 11.00%. Official interest rates on facilities related to the base rate were changed accordingly.
- Effective from 22 January 2002, the National Bank of Hungary reduced the central bank base by another 50 basis points, from 9.50% to 9.00%, after considering the favourable economic and financial developments of previous months. As a consequence of the change to the base rate, the overnight deposit rate fell from 8.00% to 7.50% and the overnight secured loan rate from 11.00% to 10.50%. Official interest rates on facilities related to the base rate were changed accordingly.

The exchange rate

As seen throughout the previous year, movements in the market rate of the forint continued to be confined to the upper region of the intervention band⁶ in January 2002. The exchange rate strengthened virtually until month-end (29 January), rising some 12% relative to the central rate. The currency closed at 243.89 vis-à-vis the euro, 11.81% above the central rate. This closing rate was 1.15% stronger than the close in December. The January

⁶ The central rate of the forint was fixed at 276.1 against the euro on 1 October 2001.

Chart 9 Intra-band movements in the forint exchange rate vis-à-vis the currency basket**Chart 10 Movements in the forint exchange rate vis-à-vis the euro****Table A Changes in the balance sheet of the NBH**

Calculated from end-of-month stocks

	Ft billions							
	2000		2001		2002			
	Q3	Q4	January**	Q3	Q4	January**	Of which	
	Averages*			Averages*			Transactions	Revaluations
Liabilities								
Banknotes and coin	16.3	13.8	-73.4	18.8	27.7	-68.6	-68.6	0.0
Forint liabilities to other monetary financial institutions	-21.3	11.3	-253.1	-3.0	-29.8	-66.7	-66.7	0.0
Foreign currency liabilities to other monetary financial institutions	9.3	-5.2	-79.7	-11.6	-25.7	-49.6	-49.0	-0.6
Assets								
Net claims on central government	10.2	-27.0	-396.5	-19.9	-27.0	-226.9	-205.3	-21.6
Of which: Forint loans	-6.0	-6.3	0.0	-6.0	-6.0	0.0	0.0	0.0
Government securities	-4.4	-1.1	-193.6	0.0	0.0	-2.5	-2.5	0.0
Foreign currency loans	11.8	-33.7	-10.5	-35.0	-28.4	-2.8	0.0	-2.8
Claims on other monetary financial institutions	-1.7	-3.6	-3.2	-20.3	-8.0	-0.7	-0.7	0.0
Net foreign assets and those not broken down by sector	-4.2	50.6	-6.6	44.4	7.2	42.6	21.6	21.0

* Quarterly average of changes relative to the preceding month.

** One-month changes.

average HUF/EUR exchange rate was 243.95, 1.49% higher than the December average. The average distance of the exchange rate from the central rate was 1,164 basis points in the upper range of the intervention band. That meant an increase of 133 basis points relative to the preceding month (see Chart 9).

The Bank has not conducted official intervention in the foreign exchange market since the move to widen the intervention band of the currency.⁷

Statistical balance sheet of the NBH

The value of banknotes and coin in circulation fell by Ft 68.6 billion in January, reflecting seasonal patterns at work around the start of the year. The end-of-month total of other monetary financial institutions' account balances with the central bank was Ft 69.9 billion lower than at the end of December. Closely related to these changes, the outstanding stock of long-term forint loans to other monetary financial institutions fell by Ft 1.1 billion. Holdings of NBH domestically issued bills were Ft 100.1 billion lower. Other monetary financial institutions' forint deposits rose by Ft 33.9 billion. The increase in domestic currency-denominated loans of the central government sector amounted to Ft 194.8 billion. (see Table A).

Looking at developments in the average stocks of central bank liabilities to other monetary financial institutions, the averages of current account balances and forint deposits increased by Ft 6.4 billion and Ft 23.1 billion respectively. By contrast, foreign currency deposits fell by Ft 15.5 billion. Other monetary financial institutions' average holdings of NBH domestically issued bills were Ft 21.4 billion lower than in December (see Table B).

⁷ Since 4 May 2001, the width of the intervention band has been $\pm 15\%$.

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 picked up 1.3 percentage points relative to the preceding month, to run at 15.8% in January 2002.

With the exception of M4, the annual growth indices of every monetary aggregate, derived from the liability items of the aggregate balance sheet based on the final data for January, slowed in the month under review. The monetary aggregate M1 is composed of currency outside monetary institutions plus forint sight deposits. Its annual growth rate fell by 0.8 of a percentage point to 15.7% from December to January. M2 is a measure of sight foreign currency deposits plus time forint and foreign currency deposits, in addition to the constituents of M1. The annual index of the aggregate slowed by 0.1 of a percentage point to 16.8% in one month. Broad money M3 is a measure of M2 plus liabilities from repurchase agreements and holdings of bank securities. The annual growth index of the aggregate changed comparably with that of M2, falling by 0.2 of a percentage point to 17.0%. Broadest money M4 comprises M3 plus government securities and NBH domestic bills held by the non-bank sector. Year-on-year M4 growth picked up 0.6 of percentage point in January, its end-of-month stock being 16.4% higher than a year previously. (see Chart 11).

Examining the individual liability items of the aggregate balance sheet of monetary institutions by sector, the month-end value of non-financial corporations' forint deposits fell by Ft 92.5 billion in January due to the transaction effect. The sector's foreign currency deposits rose by Ft 33.1 billion due to transactions and fell by Ft 1.8 billion due to exchange rate movements. Household sector deposits were Ft 12.6 billion higher than in December. Within this, domestic currency deposits increased by Ft 26.4 billion, due exclusively to transactions. Foreign currency deposits fell by Ft 13.1 billion due to the transaction effect and by another Ft 0.7 billion on account of the negative contribution of exchange rate movements. On balance, households' foreign currency deposits fell by Ft 13.8 billion in the month under review.

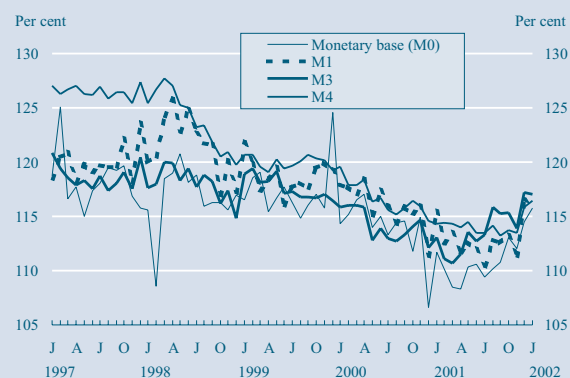
Domestic assets comprise claims arising from securities holdings vis-à-vis the domestic sectors, in addition to the domestic credit stock, on the assets side of the aggregate balance sheet of monetary institutions. They fell by Ft 107.4 billion due to transactions and by Ft 28.4 billion due to the exchange rate effect. Corporate sector total outstanding domestic borrowings were Ft 31.8 billion higher in the month. Here, the transaction effect accounted for Ft 25.1 billion of the increase in outstanding borrowings in the do-

Table B Averages of asset and liability items in the statistical balance sheet of the NBH*

	Ft billions		
	Dec. 2001	Jan. 2002	Monthly change
Liabilities			
Banknotes and coin	1,171.0	1087.6	-83.4
Forint liabilities to other monetary financial institutions	882.4	890.5	8.1
Of which: Current account balances	416.5	422.9	6.4
Forint deposits	357.0	380.1	23.1
Domestically issued NBH bills	108.9	87.5	-21.4
Foreign currency liabilities to other monetary financial institutions	291.5	276.0	-15.5
Assets			
Net claims on central government	919.4	815.5	-103.9
Of which: Forint loans	233.6	217.4	-16.2
Government securities	172.1	169.6	-2.5
Foreign currency loans	1,193.6	1,148.6	-45.0
Claims on other monetary financial institutions	63.8	47.3	-16.5
Net foreign assets and those not broken down by sector	1,361.7	1391.3	29.6

* Monthly average of daily stock data.

Chart 11 Annual growth rates of the monetary aggregates*



* The Chart plots M0 indices after eliminating the effect of the changes to the required reserves system in 2000–2001.*

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			2002		
	Q3	Q4	January	Q3	Q4	January	Of which:****	
	Averages***			Averages***			Transactions	Revaluations
Non-financial corporations, net (S.11)	-67.7	-18.5	-185.8	-38.7	57.0	-89.0	-93.2	4.1
Assets	-91.7	-63.4	-78.7	-65.9	-20.0	-43.3	-49.2	5.8
Deposits+cash+repos+securities	24.0	44.8	-107.0	27.3	77.0	-45.8	-44.0	-1.8
Other financial corporations, net (S.123+S.124+S.125)	-22.1	-4.5	87.7	10.4	-32.6	-14.9	-15.6	0.7
Assets	-5.4	-12.9	34.2	-11.7	-11.5	-23.3	-24.0	0.7
Deposits+repos	-16.8	8.4	53.5	22.0	-21.2	8.4	8.4	0.0
General government sector, net* (S.13)	-6.5	13.7	141.8	-35.2	9.7	178.8	157.2	21.6
Central government, net* (S.1311)	-22.1	12.2	167.4	-56.9	7.8	219.7	198.0	21.6
Local government, net (S.1313)	15.6	1.5	-25.6	21.7	1.8	-40.8	-40.8	0.0
Credits	0.2	-1.4	1.1	0.2	-4.5	-0.9	-0.9	0.0
Deposits	15.4	2.9	-26.7	21.5	6.3	-39.9	-39.9	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)	31.8	34.5	-20.5	30.9	84.7	-80.7	-80.2	-0.5
Credits	-18.2	-20.5	-7.0	-27.8	-25.3	-12.0	-12.2	0.2
Deposits+cash+securities	50.0	55.1	-13.4	58.8	109.9	-68.8	-68.1	-0.7
Non-profit institutions serving households, net (S.15)	1.6	-1.0	4.4	0.7	-0.8	3.8	3.8	0.0
Credits	0.0	-0.8	0.3	0.0	-3.1	-0.7	-0.7	0.0
Deposits	1.7	-0.2	4.0	0.7	2.2	4.5	4.5	0.0
Non-residents, net (S.2)	-20.3	-21.6	-54.7	-40.3	-49.1	55.8	34.0	25.0
Other, net	83.1	-2.5	27.0	72.2	-68.8	-53.8	-6.0	-50.9

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.

*** Average of monthly net changes in creditor position.

**** The amount of other volume changes is not shown separately.

mestic currency. Outstanding foreign currency borrowings rose by Ft 12.6 billion due to transactions, but fell by Ft 5.7 billion due to the exchange rate effect. Other volume changes caused a Ft 0.1 billion fall in the end-of-month stock of corporate sector foreign currency borrowings. Central government net liabilities fell by Ft 198 billion on account of the transaction effect and by another Ft 21.6 billion due the exchange rate effect. Outstanding lending by monetary institutions to the household sector in January was Ft 15.6 billion higher than in the preceding month.

As an effect of changes in outstanding borrowings and deposits, net liabilities of the general government sector were Ft 178.8 billion lower in January than in December. Net savings of households fell by Ft 80.7 billion, net claims of monetary institutions against non-financial corporations rose by Ft 89 billion, their net foreign assets vis-à-vis non-residents falling by Ft 55.8 billion (see Table C).

Government securities market

Yield movements in the Hungarian government securities market continued to be downwards in January. The drop in yields was particularly marked in the first part of the month,

the market mostly stagnating in the latter part. Zero-coupon yields⁸ reflect developments in the secondary market. Looking at the month as a whole, they fell more markedly, by 86–115 basis points on average at the nearest maturities, i.e. at three, six and twelve months, while slightly less, by 26–74 basis points, at the more distant maturities (see Chart 12).

In January as a whole, implied one-year forward rates⁹ in one–four years' time fell regressively, by 61–28 basis points. By contrast, those at the far end of the maturity spectrum rose slightly, by 13 and 16 basis points (see Chart 13).

Non-resident investors stepped up their holdings of Hungarian domestic currency-denominated government debt securities by Ft 29.7 billion. The sector's total holdings of government securities amounted to Ft 1,105.218 billion at the end of January.

The total amount of bids submitted at the auctions of government bonds was lower in January than in December. Four auctions of NBH bills were conducted in the month under review.¹⁰ Yields fell at a slowing pace throughout the month, investor demand weakening. The monthly average yield evolving at the auctions held in the month, weighted by the total amount allotted, was 9.06%.

The Hungarian Government Bond Index, the MAX, reflects movements in the prices of publicly-issued, fixed-coupon government bonds with a residual maturity of more than one year. Its value was 225.4553 points on 31 January. Calculated from movements in the index values, the annual return realisable on a portfolio equal to the composition of the index basket was 13.32%.

⁸ 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.

⁹ 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, and fourteen year's time, do not reflect adequately the rapid turns in the market's judgement.

¹⁰ 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 bond. 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. As part of a reform of its monetary policy instruments in March 2001, the Bank changed over from the earlier interest rate tender scheme to a system of volume tenders. Within the framework of volume tenders, the Bank sells bills at bid prices. The quantity to be sold is announced taking into view the banking system's liquidity, in addition to the competing bids. The Bank's intention is to follow a rate taking stance at the auctions, and it does not wish to give interest rate signals via the interest rate evolving at the auctions. (Indication of the exact quantity in the public offer is required for both technical and legal reasons; therefore, the indication in the public offer of the amount to be issued does not mean the quantity of paper to be actually sold.) The Bank announces the amounts to be allotted on the Reuters screen page NBHJ at 2 p.m. on the business day preceding the auction.

Chart 12 Annualised zero-coupon yields and central bank two-week deposit rates

Short-term yields on a compounded basis; weekly averages

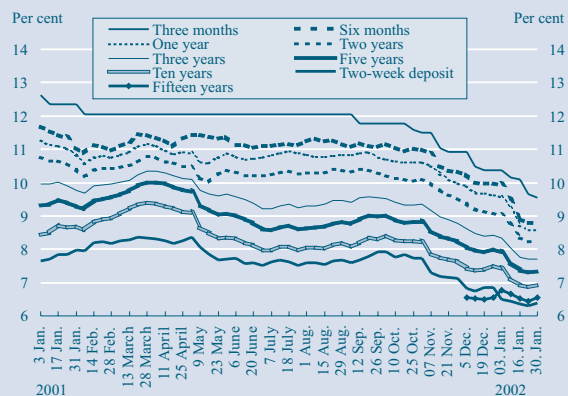


Chart 13 One-year spot rates and implied forward rates derived by the Bank from zero-coupon yields

On a compounded basis; weekly averages

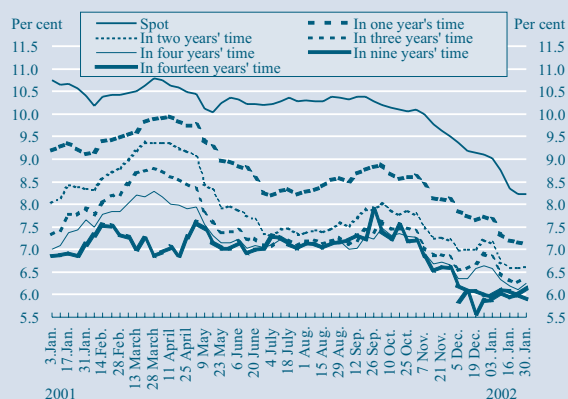
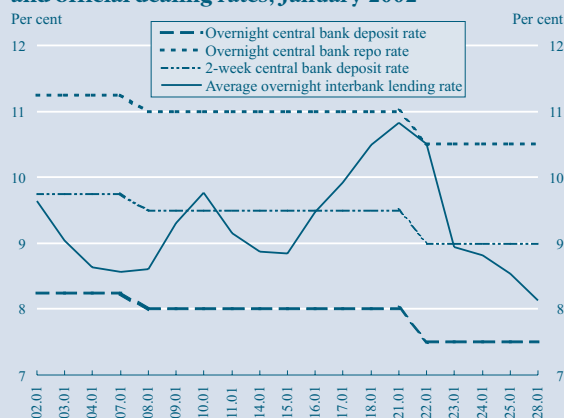
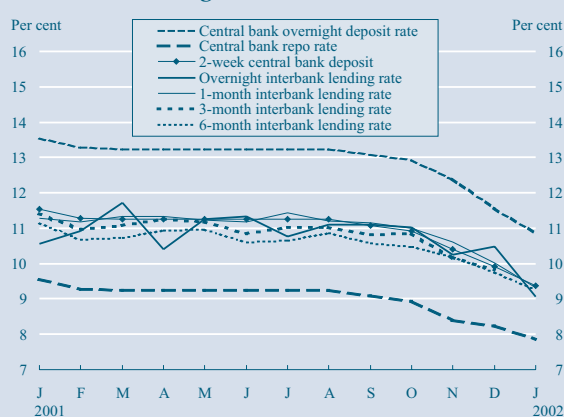
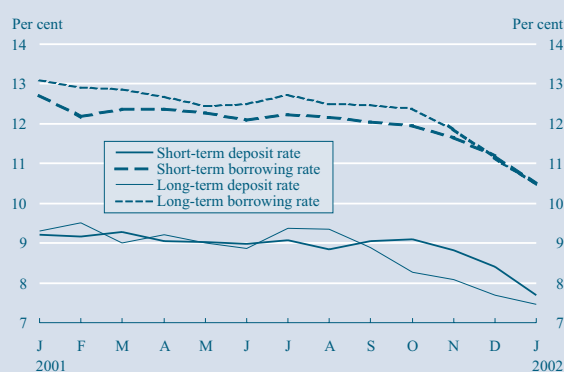


Chart 14 Average interbank lending rates and official dealing rates, January 2002**Chart 15 Monthly averages of interbank lending rates and official dealing rates^{12,13}****Chart 16 Averages of non-financial corporate sector borrowing and deposit rates**

Market interest rates

The total value of transactions in the domestic forint interbank market¹¹ was Ft 1,513.8 billion in January, showing a drop of Ft 52.2 billion relative to the preceding month. The daily average of interest rates on interbank overnight loans fluctuated widely in the month – the average rate fluctuated near the lower range of the interest rate corridor in the first part, but had quickly reached the upper boundary of the corridor by the 20th (see Chart 14).

The January average of interest rates on overnight lending fell 142 basis points from the preceding month's 10.49% to 9.07%, that of lending rates for one month falling 70 basis points, from December's 10.02% to 9.32%. The three-month average interest rate fell 87 basis points, from the preceding month to 8.93% in January. Six-month lending rates were 45 basis points lower, down from the preceding month's 9.76% to 9.26% on average (see Chart 15).

The negotiated average price for non-financial corporations of short-term loans fell 68 basis points, from 11.18% in December to 10.50% in January, due mainly to banks' interest rate decisions. That of long-term loans fell 67 basis points, from 11.15% to 10.48%, primarily on account of a change in the composition of outstanding lending. Average short-term deposit rates dropped 71 basis points, from 8.40% to 7.69%, and that of long-term deposits from 7.70% to 7.45%, both due to changes in interest rate conditions. The gap between the averages of short-term borrowing and deposit rates, playing a more significant role in non-financial corporations' debts and deposits, widened from 2.78 percentage points to 2.82 percentage points in one month (see Chart 16).

Turning to changes in household sector market rates, individuals' borrowing rates fell in January. The negotiated average housing loan rate fell from 14.63% to 14.57%, the total charge indicator¹⁴ being 15.6%. The average of consumer credit rates fell from 20.65% to 20.37%. The reductions in interest rates on both housing loans, and consumer credit and other loans were caused by changes in interest rate conditions. Total charges on consumer credit and other loans were 24.65% in January¹⁵ (see Table 4 on Page 15).

In January, individuals' average sight deposit rates fell 15 basis points, from 3.13% to 2.98%, and that of short-term

¹¹ Monthly average interest rates of the individual sectors are calculated using as weights new deposits accepted and loans extended. Interest rates do not include additional charges.

¹² The interest rate corridor narrowed to 300 basis points on 11 December 2001.

¹³ On 18 December 2001, the Bank switched its standing facility from the hold-in-custody repo into the overnight central bank secured loan.

¹⁴ Total charges on the various types of loan, weighted by total lending in a given month.

¹⁵ Total charges on lending for more than three months were published for December 2001. For January 2002, total charges on all types of loan are being published. Therefore, the indicators are not comparable.

Table D Average rates on consumer credit for more than three months and average total charges on loans***

	2001								Per cent
	May	June	July	August	September	October	November	December	2002 January
Overdrafts									
Average interest rate	20.11	20.09	20.33	20.27	18.89	19.00	18.90	18.82	18.68
Average total charge	26.56	26.53	26.82	26.75	23.98	24.14	23.82	23.79	23.10
Personal loans									
Average interest rate	23.88	23.57	23.15	22.99	23.08	23.54	23.18	21.38	22.72
Average total charge	29.12	29.65	28.72	28.68	28.64	28.50	27.78	26.49	26.81
Lombard loans									
Average interest rate	17.89	17.35	18.09	16.92	17.25	17.78	16.20	16.94	15.88
Average total charge	20.25	19.73	20.94	19.81	20.59	19.84	18.02	18.27	17.81
Hire purchase loans									
Average interest rate	27.05	28.09	28.17	27.34	27.93	27.54	27.95	28.81	27.44
Average total charge	30.64	32.38	32.55	32.04	32.07	32.40	32.89	33.68	33.12
Car purchase loans									
Average interest rate	19.88	19.82	19.76	19.93	19.94	19.42	18.68	18.00	18.56
Average total charge	22.40	22.40	22.28	22.47	22.39	20.84	20.31	18.54	19.67
Mortgage loans									
Average interest rate	18.65	18.73	18.61	18.69	18.61	18.61	18.45	18.60	18.70
Average total charge	20.37	20.46	20.37	20.79	20.14	19.39	20.85	20.99	22.38
Other loans									
Average interest rate	17.37	16.70	16.82	17.64	16.69	16.24	17.65	15.45	31.83
Average total charge	20.49	21.10	22.29	19.30	19.95	20.57	22.01	20.15	37.24
Total consumer and other loans									
Average interest rate	20.59	20.59	20.80	20.66	19.98	20.01	20.06	19.97	20.37
Average total charge	25.57	25.82	25.98	25.89	24.30	24.14	24.39	24.31	24.65
Housing loans									
Average interest rate	..	..	..	..	..	..	..	..	14.57
Average total charge	..	..	..	..	..	..	..	..	15.60
SOLE PROPRIETORS									
<i>Total loans</i>									
Average interest rate	..	..	..	..	..	..	..	..	17.45
Average total charge	..	..	..	..	..	..	..	..	19.05

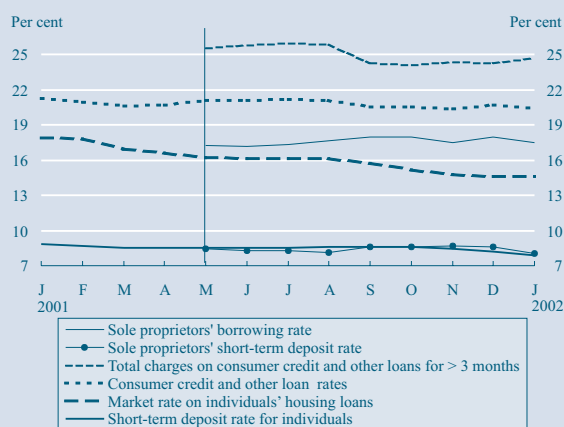
* Data reporting for the various types of loans was introduced in May 2001.

** For the period May–December 2001, total charges were only available on consumer credit and other loans for more than three months.

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

	2001								Per cent
	May	June	July	August	September	October	November	December	2002 January
Consumer credit and other loans									
Overdrafts	51.82	52.44	53.26	54.73	53.94	55.53	54.47	52.47	62.27
Personal loans	12.50	12.89	12.44	12.11	12.83	11.18	12.21	12.14	8.47
Lombard loans	2.98	3.43	2.18	1.60	2.06	2.19	2.03	1.84	1.63
Hire purchase loans	5.59	5.44	6.95	6.43	6.59	6.85	8.65	10.06	8.31
Car purchase loans	7.93	7.75	7.08	6.13	6.16	6.57	7.50	5.39	4.79
Mortgages	18.37	17.15	16.61	17.02	17.34	16.82	14.19	16.72	9.43
Other loans	0.80	0.90	1.48	1.97	1.09	0.86	0.95	1.40	5.09
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* For the period May–December 2001, total charges were only available on consumer credit and other loans for more than three months.

Chart 17 Household sector average borrowing and deposit rates and total charges on loans*


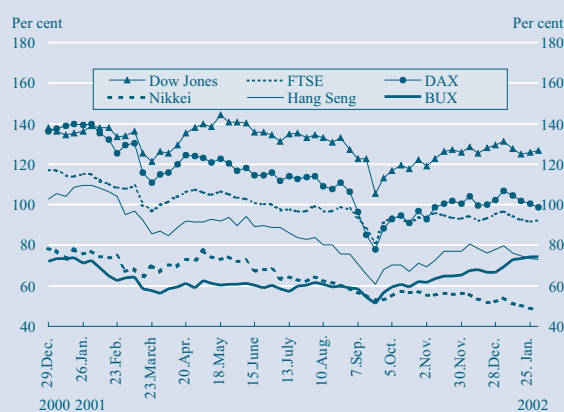
* Total charges on consumer credit and other loans include only interest rates on loans beyond three months for the period ending with December 2001.

Chart 18 The BUX
 2 January 1991 = 1,000


Source: BSE

Chart 19 The world's leading exchanges and the BUX

5 September 1997 = 100; on a dollar basis



Source: Reuters

deposit rates fell 31 basis points, from 8.16% to 7.85%. Interest rate reductions by credit institutions were behind the falls in average interest rates. Due mainly to interest rate conditions, the average interest rate on long-term deposits fell 18 basis points, from 8.41% to 8.23% (see Chart 17).

The BUX and the world's leading share market indicators

After stagnating in December, the share index of the Budapest Stock Exchange rose very strongly in January, by 13.7%. Prices began their upward movement right at the beginning of the month, accompanied by slight declines on only a couple of occasions. At 7,168.03, the BUX was at its monthly low on 2 January. Its close at 8,108.22 coincided with its monthly peak (see Chart 18).

Measured on a dollar basis, the official index of the Budapest Stock Exchange rose 10.2% in January extending its 2.4% gain in December. This is seen as a strong performance, and it is even more impressive in international comparison, given that the important international exchanges all fell back. The Dow Jones Industrial Average of New York experienced the smallest decline, falling by 1%, after a 1.7% gain in the preceding month. The NASDAQ index, a gauge of movements in the share prices of technology sector firms, also fell slightly, by a modest 1.7%. This followed a 1.2% decline in December. Of the European exchanges, the London FTSE registered a 4.0% drop and the DAX of Frankfurt an even stronger one of 4.6%, after gaining 2.4% and 2.8% respectively in the preceding month (see Chart 19).

The Far Eastern markets fell even more deeply. On a dollar basis, the Nikkei in Tokyo weakened by 7.2% in January following a 7.6% drop in December. The Hang Seng of Hong Kong fell 5.9%, after a 1.0% gain in the preceding month.

Distribution of securities holdings by sector

Total Hungarian government debt securities holdings,¹⁶ measured at market value, rose by 3.4% in 2001 Q4 relative to the previous quarter. This was mainly due to an 8.8% increase in treasury bill holdings, although those of government bonds rose significantly, by 2.8%, as well. By contrast, holdings of NBH bills fell further, by 7.2%, continuing the trend of previous quarters.

The market value of households' government securities holdings rose by Ft 14.4 billion, mainly on account of purchases of treasury bills. The sector's share of the government securities market continued to be below 15% in the period under review.

¹⁶ Government securities comprise domestically issued forint-denominated government bonds, treasury bills and domestic currency bills issued by the NBH.

Non-resident holdings of government debt securities rose significantly, by Ft 139.9 billion, following a drop in the previous quarter. The sector's percentage share of total holdings rose from 17.1% to 18.9% towards the end of the year.

Financial corporations increased their holdings of government securities by Ft 105.7 billion in Q4, the sector's share of the government securities market remaining unchanged. At 1.8 percentage points, the percentage share of other monetary financial institutions saw the largest decline. By contrast, the percentage shares of insurers and pension funds, and other financial intermediaries rose a little in comparison with the previous quarter (see Table F).

Non-financial corporations' holdings of government securities fell by Ft 33.1 billion in the period, reflecting the seasonal patterns of previous years. As a result, the sector's percentage share of total holdings fell to 5.5%, the lowest level since 1997 to date.

The share of general government holdings as a percentage of the market fell from 2.8% to 2.2%, mainly on account of a Ft 28 billion drop in local authorities' holdings of government securities.

Non-profit institutions serving households continued to account for a stable percentage share of 0.7% for a protracted period, although they reduced their holdings of government paper by Ft 3.6 billion in the final quarter of the year.

Following a total decline of Ft 990.0 billion in the first three quarters of the year, holdings of exchange-traded shares rose by Ft 444.1 billion in the period under review, to Ft 2,848.8 billion at end-2001. The increase in holdings was attributable exclusively to the rise in share prices. The withdrawal of one company from the market, with a Ft 9.0 billion market capitalisation, countered the effect of rising prices.

Net sales of shares by households continued in Q4 – the value of sales exceeded that of purchases by Ft 14.5 billion, in comparison with Ft 9.5 billion each in the previous two quarters. The sector registered a Ft 34.6 billion holding gain, so, on balance, its holdings of shares rose by nearly Ft 19 billion in the period. The household sector directly held 6.2% of exchange-traded shares at the end of September (see Table G).

Non-resident investors' holdings rose by nearly Ft 348 billion, holdings gains on holdings of shares contributing Ft 330 billion. The sector was a net buyer to the tune of nearly Ft 21 billion in the period under review. This compared with net purchases of nearly Ft 8 billion in Q3. As a result, their percentage share rose by 1 percentage point, to 72.9%.

Holdings of exchange-traded shares by the financial corporate sector rose by over Ft 15 billion, despite the value of net sales being more than Ft 12 billion. On the whole, the sector's proportion of total holdings fell slightly, to 6.3%, at the end of the year.

Table F Distribution of government securities holdings by sector*

	Per cent		
	Total holdings		
	2001		
	June	Sep.	Dec.
Non-financial corporations (S.11)	6.0	6.2	5.5
National Bank of Hungary (S.121)	3.2	3.2	3.1
Other monetary financial institutions (S.122)	24.4	27.0	25.3
Other financial intermediaries (S.123)	9.7	8.6	9.9
Financial auxiliaries (S.124)	1.3	1.5	1.3
Insurance companies, pension funds (S.125)	17.3	17.9	18.4
Financial corporations (S.12)	56.0	58.2	58.0
Central government (S.1311)	0.1	0.1	0.1
Local government (S.1313)	2.4	2.7	2.2
Social security funds (S.1314)	0.0	0.0	0.0
General government (S.13)	2.5	2.8	2.2
Households (S.14)	15.5	15.0	14.8
NPIs serving households (S.15)	0.7	0.7	0.6
Non-residents (S.2)	19.2	17.1	18.9
Total holdings	100.0	100.0	100.0

* The codes attached to the names of sectors and sub-sectors (for example, S.121) refer to the corresponding groups generally used in international practice. For the definitions of the individual sectors, see 'Sector classification in the NBH's press releases from June 2001' on the Bank's web site at Financial Data...Statistical Releases.

Table G Exchange-traded shares held by institutional sectors

	Per cent		
	Total holdings		
	2001		
	June	Sep.	Dec.
Non-financial corporations (S.11)	6.4	5.7	6.1
National Bank of Hungary (S.121)	0.0	0.0	0.0
Other monetary financial institutions (S.122)	1.5	1.6	1.5
Other financial intermediaries (S.123)	1.5	1.5	1.2
Financial auxiliaries (S.124)	0.1	0.2	0.2
Insurance companies, pension funds (S.125)	3.3	3.5	3.3
Financial corporations (S.12)	6.4	6.8	6.3
Central government (S.1311)	7.5	8.2	7.7
Local government (S.1313)	0.8	0.7	0.8
Social security funds (S.1314)	0.0	0.0	0.0
General government (S.13)	8.4	9.0	8.5
Households (S.14)	6.9	6.6	6.2
NPIs serving households (S.15)	0.1	0.1	0.0
Non-residents (S.2)	71.8	71.9	72.9
Total holdings	100.0	100.0	100.0

Table H Investment unit holdings by institutional sector
(negyedév végi állományi adatok)

	Per cent					
	Net asset value					
	Ft billions			Per cent		
	2001			2001		
	June	Sep.	Dec.	June	Sep.	Dec.
Other monetary financial institutions (S.122)	13,825	13,693	15,563	2.3	2.1	2.2
Households (S.14)	494,646	511,738	573,326	81.6	78.9	80.6
Other sectors (S.1-S.122-S.14)	85,281	109,883	107,352	14.1	16.9	15.1
Whole economy (S.1)	593,751	635,314	696,241	98.0	97.9	97.9
Non-residents (S.2)	12,247	13,412	15,214	2.0	2.1	2.1
Total holdings (S.1+S.2)	605,998	648,726	711,454	100.0	100.0	100.0

NFCs were net buyers in the amount of nearly Ft 8 billion. Moreover, they posted a Ft 32.5 billion holding gain. As a result, their share of the market rose a little, to 6.1%.

The general government sector's existing holdings rose by nearly Ft 27 billion, accounted for mainly by its holding gains. The sector's percentage share was little changed in the period, its holdings of exchange-traded shares amounting to 8.5% of the market at year-end.

The outstanding total of investment units, measured at net asset value, rose by 9.7% in 2001 Q4.

There continued to be only modest changes in the percentage shares of the individual institutional sectors – a slight increase in that of households compared with a modest fall in that of the other sectors (see Table H).

Balance of payments and foreign trade

The balance of payments and financing

According to the seasonally adjusted data,¹⁷ Hungary's current account was €265 million in deficit in January 2002 (see Table I). Including the data for January, the trend of current account outcomes shows monthly deficits rising by €18–20 million since August 2000 (see Chart 20). The trend of goods trade shows that since October monthly deficits have been rising less strongly than the current account deficits, by €8–10 million (see Chart 21).

The seasonally adjusted current account saw a €144 million lower deficit in January than in December 2001. The tourism surplus changed the most strongly in one month, falling by €111 million due mainly to lower revenues. The change in individuals' currency conversion habits must have been in the background of lower revenues. The goods trade deficit was €27 million higher, on account of lower exports and higher imports. Net expenditures for services excluding tourism fell by €13 million. Negative investment incomes on equity and on debt respectively rose by €10 million and €6 million.

According to the not seasonally adjusted data, Hungary's current account registered a €187 million higher deficit in January than a year earlier. This change was accounted for by an unusually low tourism surplus, which fell by €74 million, and by a €62 million higher goods deficit. The balance of incomes remained virtually unchanged, as the rise in negative investment income on equity was largely equal to the fall in investment income on debt. The current transfer surplus was €8 million higher than a year previously.

According to the not seasonally adjusted data, the current account was in a €390 million deficit in January. The capital account closed with a surplus of €18 million, so whole-economy external financing requirement

¹⁷ 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 have been fixed at the entire length of the year. The newly published data have been 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, have been 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.

Table I Seasonally adjusted current account data*

	2001			2002
	Jan.	Nov.	Dec.	Jan.
Goods	-184	-219	-219	-246
Exports	2,577	2,671	2,587	2,535
Imports	2,783	2,908	2,843	2,874
Services excluding tourism	-44	-43	-58	-45
Tourism	223	264	260	149
Income on equity	-49	-53	-48	-58
Income on debt	-59	-67	-46	-52
Current transfers	23	26	30	31
Current account balance	-78	-195	-121	-265

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

Chart 20 Current account

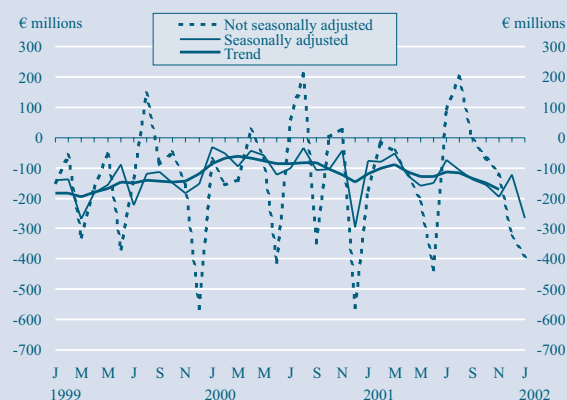


Chart 21 Trade balance

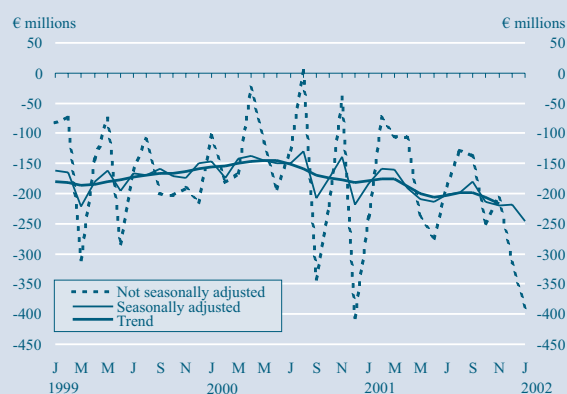


Table J Transaction effects on changes in Hungary's net foreign debt

	€ millions			
	2001			2002
	Jan.	Nov.	Dec.	Jan.
1 Current account	-175	-124	-328	-390
2 Capital account	30	16	32	18
3 Net lending / net borrowing (1+2)*	-145	-107	-297	-373
4 Non-debt capital flows	-162	123	-335	223
5 Total (3+4)	-308	15	-632	-150
6 Debt-creating flows (6a+6b)**	279	-93	561	91
6a In forint***	210	117	244	122
6b In foreign currency	68	-210	317	-31
7 Financing gap (5+6)	-29	-78	-71	-59
8 Errors and omissions	29	78	71	59

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

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

*** In forint-denominated bonds and money-market instruments of general government and the NBH.

amounted to nearly €373 million in the month under review (see Table J). Net non-debt inflow amounted to €223 million – Hungarian residents invested €13 million abroad, direct investments by non-residents in Hungary amounting to €148 million. The balance of inward and outward portfolio investment transactions in equity securities was a net inflow of €88 million. Non-resident investors stepped up by €122 million their holdings of securities issued by the Hungarian government.

Hungary's external accounts

Whole-economy gross foreign debt was €38.3 billion at the end of January 2002. The combined gross foreign currency debt of general government and the National Bank of Hungary outstanding to non-residents amounted to €17 billion, forint debt accounting for €4.5 billion, or 27%, of the total. The gross debt of other monetary financial institutions and the other sectors was €21.4 billion. Here, inter-company loans amounted to €6.5 billion. Inter-company loans, i.e. debt liabilities of subsidiary companies to their parents, had a share of 44% within the other sectors' gross foreign debt.¹⁸

Whole-economy net debt amounted to €12 billion at end-January. The combined net debt of general government and the National Bank of Hungary was €3.4 billion. However, taking foreign currency denominated assets and liabilities into account, the two sectors took a €1.2 billion net lending position in foreign currency. Total private sector net foreign debt was €8.7 billion, inter-company loans accounting for €3.7 billion (see Table K).

Table K Hungary's assets and liabilities vis-à-vis non-residents (changes relative to the preceding month)

	€ millions						
	2001	2002	Change	Of which:			
	December	January		Transactions	Exchange rate movements	Price changes	Other volume changes
Net foreign currency debt of the NBH and government	-1,334	-1,188	147	153	39	-45	0
Net forint debt of the NBH and government	4,366	4,539	173	122	51	0	0
Total net debt of the NBH and government	3,031	3,351	319	275	90	-45	0
Assets of the NBH and government	13,934	13,603	-331	-504	64	108	0
Of which: International reserves	12,195	11,758	-438	-465	55	-27	0
Gross foreign currency debt of the NBH and government	12,600	12,415	-185	-351	103	63	0
Gross forint debt of the NBH and government	4,366	4,539	173	122	51	0	0
Total gross debt of the NBH and government	16,965	16,954	-12	-229	154	63	0
Net debt of other monetary financial institutions and other sectors*	5,317	5,034	-283	-232	10	1	-62
Total assets of other monetary financial institutions and other sectors	9,523	9,852	329	-303	114	469	50
Gross debt of other monetary financial institutions and other sectors	14,840	14,886	46	-535	124	470	-13
Inter-company loans, net liabilities	3,448	3,653	205	48	14	0	143
Credit	2,564	2,827	263	261	7	0	-6
Debit	6,012	6,479	468	309	21	0	137

* Excluding inter-company loans.

¹⁸ Explained by a methodological change, the percentage share of inter-company loans increased significantly relative to the preceding month. From January 2002, inter-company transactions vis-à-vis the group netting centre, and the associated debits and credits have been recorded under inter-company loans. This modification is consistent with the principle of consolidating on a group level, relating to the accounting treatment of direct investment in international statistical methodology.

The total stock of direct investments by non-residents in Hungary amounted to €27.5 billion at the end of January, of which the value of holdings of corporate shares and other classes of equity capital was €21.1 billion.

Foreign trade

In January 2002, the trend of whole-economy exports crossed above that of imports. This was in contrast with the picture in December, when import growth was slightly more upwards than export growth (see Chart 22). Simultaneously with this, the trend of merchandise foreign trade balance outcomes deteriorated slightly again in December 2001–January 2002 relative to November.

According to the not seasonally adjusted Hungarian foreign trade data, exports and imports of goods both fell in December 2001 relative to the preceding few months, to a greater extent than would be justified by seasonal patterns. This fall was more significant in exports, which probably explains why export and import levels did not fall further in January; moreover, exports rose a little. As a result of these developments, the balance of goods trade showed a lower deficit in the month, following the significant increase in December.

Imports rose more strongly than exports in December 2001 relative to twelve months previously. However, in January 2002 exports registered a stronger growth rate than imports. Taken together, neither exports nor imports reached the levels recorded in December 2000. The volume of goods trade was slightly higher in January 2002 than in January 2001.

Looking at 2001 as a whole, the values of both exports and imports exceeded the 2000 outcomes, import growth being stronger than export growth. Goods trade registered a smaller deficit throughout the year as a whole than in the previous year. Hungary's terms of trade deteriorated slightly. Taking this into account, the growth rate of exports calculating in volume terms was higher than that of imports.

The growth rates of goods trade, calculated from the seasonally adjusted data, were higher in December 2001 and lower in January 2002, than the indices derived from the not adjusted data. All this suggests that developments in goods trade in December 2001 and January 2002 were slightly different from the seasonal trends (see Charts 23, 24 and 25).

Examining the commodity pattern and direction of goods trade, the percentage shares of machinery and equipment, and of the developed countries, particularly the EU member states, fell in December 2001 but rose in January 2002. These trends affected mainly exports. The January data show that the change in December was a one-off effect, and that the commodity pattern of goods

Chart 22 Annualised monthly growth rates of the trends of goods trade calculated in euros

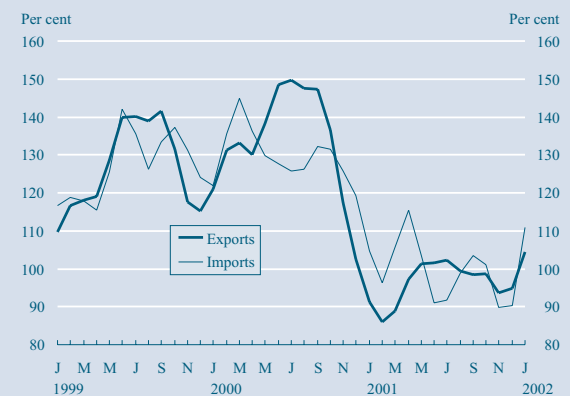


Chart 23 Merchandise exports

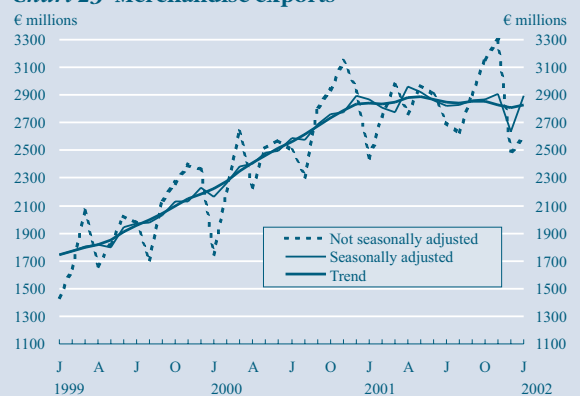


Chart 24 Merchandise imports

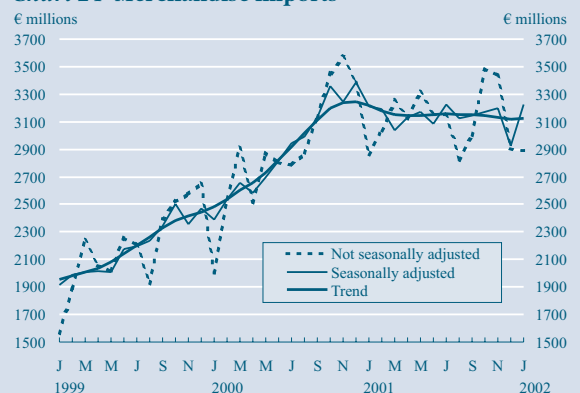
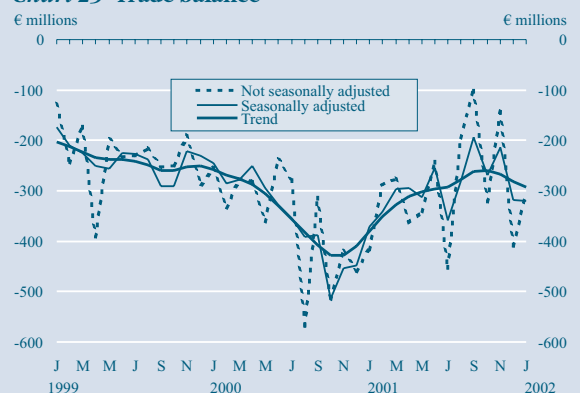


Chart 25 Trade balance



trade was back to normal in the new year, as economic activity got underway. However, reflecting the seasonal effects, the percentage share accounted for by food industry products fell within whole-economy goods exports in January 2002.

Looking at 2001 as a whole, there was a slight fall in the percentage share of machinery and equipment relative to the previous year, the commodity pattern of goods imports remaining broadly unchanged. Simultaneously with this, the percentage share of the EU member countries fell slightly in imports, accompanied by an increase in that of the Far Eastern developing countries and the CEFTA states.

The percentage shares of energy imports (and exports) was comparable in 2001 with those recorded a year previously. As a result, imports of energy were higher than in 2000, despite slightly rising volumes expressed in terms of calorific value – imports rose by around €170 million and net imports by around €50 million.¹⁹

¹⁹ Within-year changes in imported energy, therefore, barely affected the cumulative goods balance outcome for 2001 relative to the previous year.

General government

Financial wealth and net borrowing of general government

The change in general government net financial assets due to transactions, i.e. the net borrowing requirement calculated from financing items, amounted to Ft 112.8 billion in January 2002 (see Table L). The net borrowing requirement of the central government was Ft 51.4 billion in the month under review, the social security funds registering a Ft 20.5 billion net borrowing requirement and the local government authorities one of Ft 40.9 billion.

Financial assets of the central government rose by Ft 249.8 billion in January, Ft 221.3 billion being attributable to transactions and Ft 28.6 billion to revaluations. Transactions were mainly accounted for by an increase in deposits with the National Bank of Hungary and lending within the general government sector. The Ft 274.2 billion increase in liabilities was due to transactions. The assumption of outstanding borrowings by the Hungarian Railways was responsible for the increase in outstanding debt to credit institutions. In January, debt securities holdings increased as a result of a government securities issue with a net face value of HUF 179 billion. The estimated change in wage liabilities played a dominant role in the increase in other liabilities.

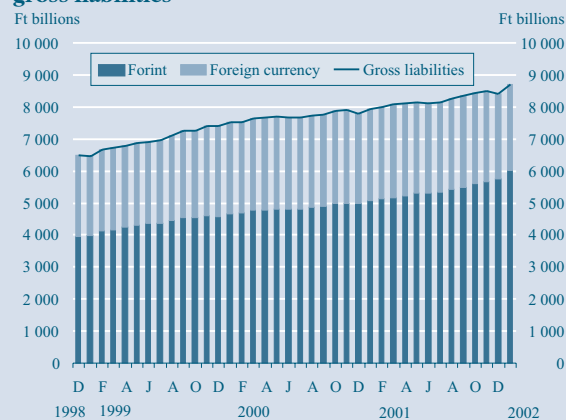
Net financial assets of the social security authorities fell by Ft 20.5 billion in January. Outstanding borrowings from the central government were Ft 16.3 billion higher, so loan liabilities amounted to Ft 47.4 billion at month-end. At end-January, the social security funds held Ft 5.8 billion on the Treasury Account.

The change in January in financial assets and liabilities of the local government authorities has been estimated taking into account bank statistics. Accordingly, total assets fell by Ft 39.5 billion as a balance of a drop in deposits with credit institutions. Liabilities rose by Ft 1.2 billion due to new borrowings. The change in net financial assets of the local government authorities amounted to Ft -40.7 billion in the month under review.

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

Ft billions

	Stocks: Jan. 2002	Flows:	
		January	
		Transac- tions	Other changes in volume
Central government (S.1311)			
Assets	1,218.9	221.3	28.6
Liabilities	8,594.9	272.6	1.5
Net financial assets	-7,376.0	-51.4	27.0
Social security funds (S.1314)			
Assets	5.8	-5.0	0.0
Liabilities	56.0	15.5	0.0
Net financial assets	-50.1	-20.5	0.0
Local government authorities (S.1313)			
Assets	505.8	-39.5	0.0
Liabilities	217.4	1.4	-0.2
Net financial assets	288.4	-40.9	0.2
Consolidated general government			
Assets	1,550.5	161.9	28.6
Liabilities	8,688.2	274.8	1.3
Net financial assets	-7,137.7	-112.8	27.3

Chart 26 Composition of general government gross liabilities

In January, the gross debt of general government increased by Ft 276.1 billion. The outstanding total amounted to Ft 8,688.2 billion at the end of the month (see Chart 26). This change was due mainly to transactions, revaluations accounting for only Ft 1.3 billion. Liabilities to residents and non-residents both rose.

Financial savings of households

Net lending of households

Operational net lending of households equals their financial savings after eliminating compensation for inflation incorporated in interest. Its amount was Ft 36 billion in January 2002. Reflecting seasonal patterns, this was lower than the salient value characterising the end of the year, and exceeded the data for a year earlier, both on current and constant price bases. The trend of financial savings was downwards, as seen in previous years (see Chart 27).

Net financial wealth of households, measured at market value, rose by Ft 87.9 billion. Financial assets and liabilities respectively were Ft 102.1 billion and Ft 14.2 billion higher than in the preceding month (see Table M). Of the various financial instruments, investment unit holdings rose strongly. By contrast, holdings of domestic currency cash fell significantly, reflecting the effects of seasonal patterns. Holding gains on account of rising share prices caused an increase in January in financial asset holdings. The increase in housing loans continued to be stronger than that in consumer credit. The growth rate of outstanding borrowings, measured on a constant price basis, has been upwards for two years now. Following the decline in previous years, the trend of financial asset holdings turned upwards from the second half (see Chart 28 on the page 26).

The build-up in household sector forint deposits continued in January, the rate of this growth exceeding that recorded a year earlier. Deposits rose by Ft 28.9 billion in the month. Operational transactions and compensation for inflation incorporated in interest accounted for Ft 15 billion and Ft 13.9 billion respectively. Short-term deposits accounted for most of the increase. Sight deposits fell as a percentage of total holdings (see Chart 29 on the page 26).

Domestic currency cash holdings of households was Ft 48.4 billion lower in January than in December, reflecting the seasonal effects characterising movements in cash holdings.

Foreign currency deposits fell by Ft 13.9 billion in January. Operational transactions in foreign currency deposits amounted to Ft -14.5 billion. At month-end, households' foreign currency deposits were accounted for 45.3% by the

Chart 27 Operational net lending (+) / net borrowing (-) of households at constant prices

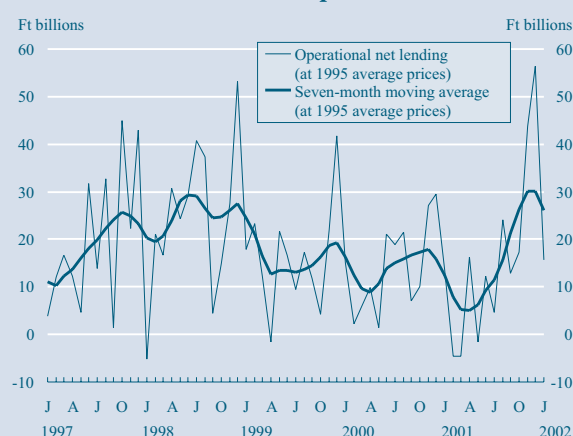


Table M Disaggregating net financial wealth of households into the components of change

	Stock at Jan. 31, 2002	January flows:					
		Transactions				Re-valuations	Other changes in volume
			Transactions net of compensation for inflation	Compensation for inflation incorporated in interest			
Forint cash	903.9	-48.4	-48.4	-48.4	0.0	0.0	0.0
Foreign currency cash	39.6	13.4	13.2	13.2	0.0	0.2	0.0
Forint deposits and bank securities	3,030.0	28.9	28.9	15.0	13.9	0.0	0.0
Foreign currency deposits	752.1	-13.9	-13.2	-14.5	1.3	-0.7	0.0
Non-bank securities	1,691.6	60.5	32.4	24.7	7.7	28.1	0.0
Pension funds and life insurance	1,096.4	20.8	20.8	15.0	5.8	0.0	0.0
Unpaid wages	168.2	40.8	40.8	40.8	0.0	0.0	0.0
Financial assets, total	7,681.8	102.1	74.5	45.8	28.7	27.6	0.0
Home-building loans	337.7	8.6	8.8	7.0	1.8	-0.2	0.0
Consumer credit	557.2	3.4	3.6	0.6	3.0	-0.1	-0.1
Other borrowings	59.3	2.2	2.2	2.2	0.0	0.0	0.0
Household debt	954.2	14.2	14.6	9.8	4.8	-0.3	-0.1
NET FINANCIAL WEALTH AND THE COMPONENTS OF CHANGE IN WEALTH	6,727.6	87.9	59.9	36.0	23.9	27.9	0.1

Chart 28 Growth in household sector financial wealth at constant prices

Percentage change on a year earlier. At average 1995 prices using seven-month moving averages

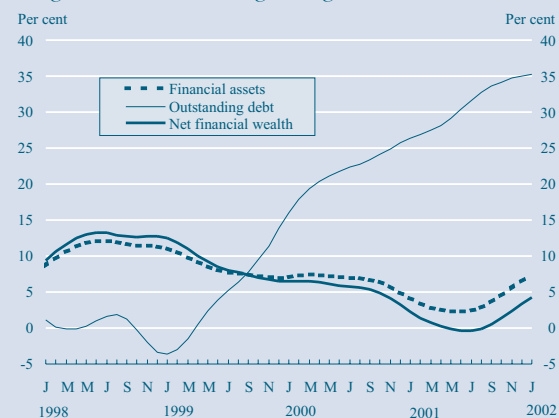


Chart 29 Household sector financial assets

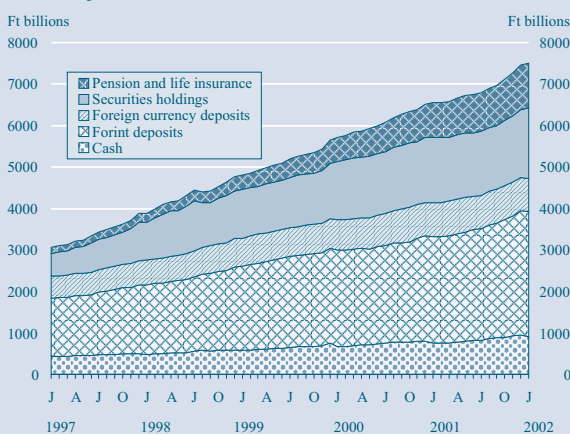
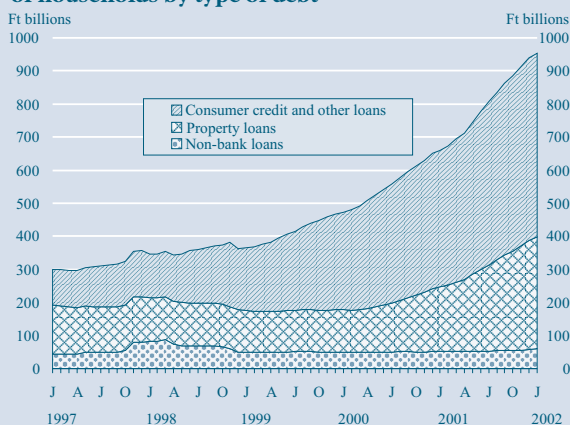


Chart 30 Outstanding borrowings of households by type of debt



euro and 45.4% by the dollar. The fall in foreign currency deposits was reflected in an increase in foreign currency cash holdings. Whereas households placed a substantial part of EMU member currency cash holdings on foreign currency deposits at the end of 2001, they reduced their account holdings at the beginning of the new year and stepped up their foreign currency cash holdings.

There was substantial demand for investment units within the various classes of security in January. Operational transactions in investment units amounted to Ft 38.6 billion, the highest monthly outcome to date. By contrast, holdings of government securities and shares continued to fall. Holding gains contributed positively to the sector's holdings of shares. Non-bank securities held by households rose by Ft 60.5 billion at market value. Operational transactions, compensation for inflation incorporated in interest and revaluation accounted for Ft 24.7 billion, Ft 7.7 billion and 28.1 billion respectively.

The stock of unpaid wages was Ft 40.8 billion higher in January. This significant increase resulted from the payment in December of a part of wages due in the early days January, so the end-of-month stock of unpaid wages actually fell in December. Rising significantly relative to the preceding month, the end-January stock was comparable with earlier outcomes.

As seen a year earlier, the increase in household sector net borrowings slowed in January relative to the preceding few months. Outstanding debt rose by Ft 14.2 billion. Up Ft 8.6 billion, the build-up in housing loans continued to exceed the Ft 3.4 billion increase in consumer credit. The proportion of property loans within total outstanding debt rose from 29.7% in December to 35.4% in January (see Chart 30).

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 2000		110.0	109.4	110.7	7.0	29.3	114.3	118.0	116.6	13.17	-74	44	11,513	-31.5
February		109.8	109.1	116.0	7.2	4.3	115.2	117.7	116.7	12.04	-157	125	11,869	-83.3
March	106.6	109.6	108.5	113.0	6.0	11.3	116.6	117.0	116.7	11.60	-142	54	11,202	-13.6
April		109.2	108.2	113.6	6.9	19.4	117.1	118.4	116.5	11.20	27	162	11,380	11.4
May		109.1	108.0	113.9	6.7	2.8	114.0	115.1	113.5	11.00	-66	186	11,549	-18.0
June	105.7	109.1	108.0	112.0	6.0	42.4	115.0	117.4	114.6	11.00	-411	168	10,999	-31.7
July		109.6	107.7	114.7	6.6	38.5	113.3	115.9	113.6	11.00	60	42	11,110	-35.0
August		109.6	107.6	112.4	6.5	44.1	114.4	114.4	113.3	10.81	209	253	11,628	-30.9
September	104.6	110.3	108.5	111.9	5.7	14.6	114.6	115.8	114.0	10.75	-348	230	12,047	14.4
October		110.4	108.7	112.2	6.2	21.1	111.7	115.2	114.7	11.42	3	37	12,069	-20.9
November		110.6	108.9	114.6	6.0	57.2	115.0	115.9	115.3	11.75	27	-154	12,433	-67.5
December	104.3	110.1	109.0	116.5	5.7	62.8	106.6	111.4	112.7	11.75	-562	319	12,068	-92.1
January 2001		110.1	109.7	115.8	6.0	29.2	111.7	115.4	113.0	11.55	-175	105	11,590	-27.5
February		110.4	109.8	117.3	6.3	-9.9	110.2	112.5	111.1	11.28	-14	270	12,104	-53.0
March	104.4	110.5	110.2	116.5	5.6	-10.1	108.5	113.5	110.7	11.25	-48	147	12,187	52.0
April		110.3	110.2	119.7	5.8	35.6	108.3	111.7	111.6	11.25	-121	67	12,536	-63.9
May		110.8	110.3	115.3	5.7	-3.6	110.3	112.6	113.5	11.25	-213	131	12,990	-46.9
June	104.0	110.5		118.0	5.4	27.0	110.6	111.9	112.7	11.25	-436	116	13,596	-30.2
July		109.4		114.0	5.7	10.5	109.4	110.4	113.3	11.25	94	26	13,536	-49.0
August		108.7		117.3	5.8	53.8	110.2	112.9	115.9	11.25	201	105	13,128	-70.0
September	103.7	108.0		119.1	5.3	29.0	110.7	112.5	115.2	11.08	-12	97	13,120	-3.4
October		107.6		121.5	5.6	39.1	113.0	113.2	115.4	10.93	-72	316	12,993	-107.1
November		107.1		122.7	5.8	99.0	112.0	111.3	113.9	10.40	-124	104	12,724	-48.7
December	103.3	106.8		118.0	5.4	128.3	114.5	116.5	117.2	9.91	-328	-402	12,195	-81.1
January 2002		106.6			5.8	36.0	115.8	115.7	117.0	9.36	-390	148	11,758	-112.8

Source: CSO, NBH

* Preliminary data for 2000 and 2001.

** According to the agreement between the NBH and the CSO, from June 2001 the data on core inflation are published by the CSO.

*** Equity capital.

