



---

# Monthly Report

(includes data up to the end of February 2002)

4/2002

---

Compiled by the Statistics Department  
Issued by the Department for General Services and Procurement  
of the National Bank of Hungary  
Responsible for publishing: Zoltán Mikó, Head of Department  
Prepared for publication by the Publishing Office  
8–9 Szabadság tér, H-1850 Budapest  
Telefax: 36-1-428-2500  
Mailing: Miklós Molnár  
Telephone: 36-1-428-2600 ext. 14-29  
Internet: <http://www.mnb.hu>

ISSN 1216-4879

Date of publication: 14 May 2002

# Contents

---

<b>Domestic economic activity</b> . . . . .	5
<b>Price trends</b> . . . . .	7
Consumer prices . . . . .	7
Producer prices . . . . .	8
<b>Monetary developments</b> . . . . .	9
Monetary conditions . . . . .	9
The exchange rate . . . . .	9
Statistical balance sheet of the NBH . . . . .	10
Monetary survey . . . . .	10
Government securities market . . . . .	12
Market interest rates . . . . .	13
The Bux and the world's leading share market indicators . . . . .	15
<b>Balance of payments and foreign trade</b> . . . . .	17
The balance of payments and financing . . . . .	17
Hungary's external accounts . . . . .	18
Foreign trade . . . . .	19
<b>General government</b> . . . . .	21
Financial wealth and net borrowing of general government . . . . .	21
<b>Financial savings of households</b> . . . . .	23
Earnings . . . . .	23
Net lending of households . . . . .	23
<b>Main economic and financial indicators</b> . . . . .	25
<b>Tables</b> . . . . .	29
<b>Monetary policy decisions</b> . . . . .	119
<b>Calendar of statistical releases</b> . . . . .	125
<b>National Bank of Hungary general information</b> . . . . .	131



# Domestic economic activity

Slow Hungarian output growth, observed since November, continued in February 2002. As seen in the preceding few months, there was no significant improvement in export and domestic selling conditions 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,<sup>1</sup> industrial output rose by 0.4% in February relative to January. In contrast, total sales fell by 1.3% (see Chart 2).

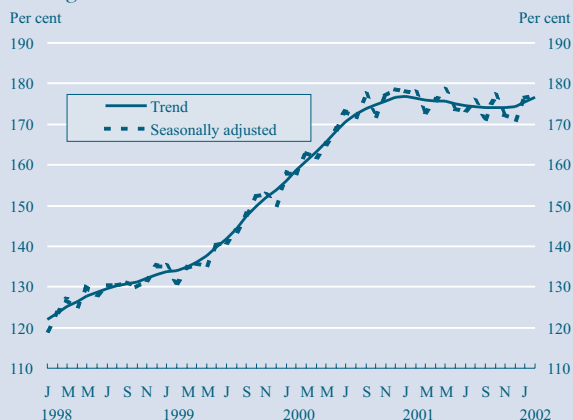
Turning to twelve-month industry developments, industrial output stagnated at its twelve-month previous level in February 2002, whereas total sales fell by 0.5%. Within total sales, exports were 2.3% higher and domestic sales 3.6% lower in a twelve-month comparison.

Total manufacturing output increased by 1.3% relative to February 2001. Output of the electricity, gas, steam and hot water supply sub-sector fell by 5.6% in comparison with the same period a year earlier. From among the mainstream branches of manufacturing, output of food, drink and tobacco manufacturers was 1.7% higher. Motor vehicle manufacturers' output, in contrast, fell by 4.3%. Up 28.6% and 33.4%, output of machinery and equipment manufacturers, and coke and refined petroleum product manufacturers rose the most saliently. Continuing their earlier gains, output of wood product manufacturers increased by 8.6%. However, output of paper and paper product manufacturing, and publishing and printing remained broadly at the levels recorded a year before. In contrast, manufacturers of textiles, and chemicals and chemical products registered declines in output of 6.3% and 6.6% respectively. Down 14.8%, output of fabricated metal product manufacturers saw the largest slump, reflecting the weakening demand for the sector's output.

Companies with at least five employees registered a 2.2% increase in output per capita in February relative to twelve months previously.

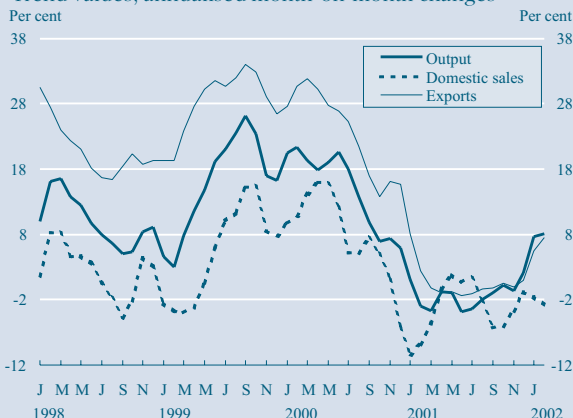
**Chart 1 Volume indices of industrial production**

Average of 1995 = 100

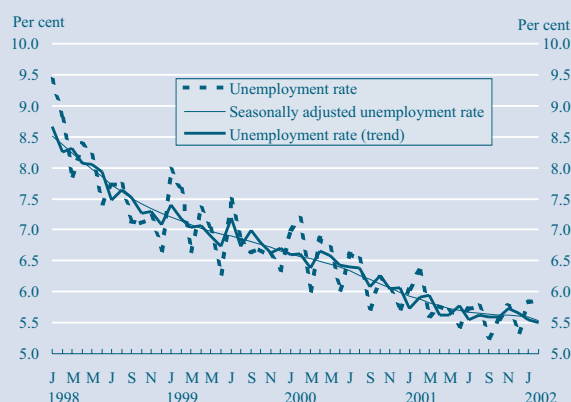
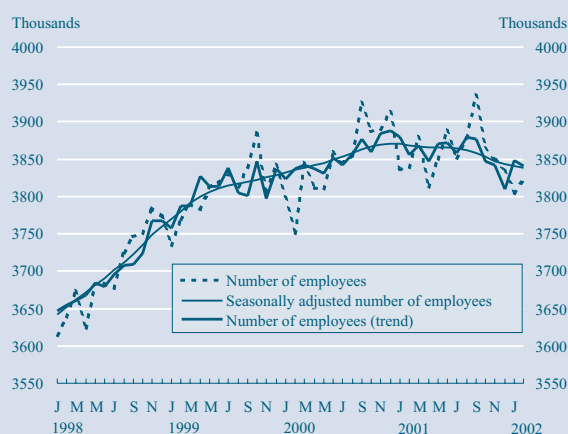


**Chart 2 Volume indices of industrial production and sales**

Trend values; annualised month-on-month changes



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

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

Continuing the trends of the preceding months, orders for manufacturers' output in the mainstream branches of manufacturing indicated little improvement in the sector's selling opportunities in February 2002. Similarly to the data for end-January, the volume of existing orders at end-February was lower than a year earlier, showing a 5.5% decline. The February volume of fresh orders was nearly 10% lower than a year before.

Looking at the performance of other economic sectors, the upturn in the construction industry continued in the early months of the year. Following a 13.5% surge in the preceding month, construction output rose robustly, by 26.5% in the month under review relative to a year earlier. Taking account of working-day variations, the volume of seasonally adjusted construction output was 2.4% higher in February than in January.

Data on existing contracts for construction work continue to indicate further gains in construction activity. The value of new construction contracts at constant prices was 64.8% higher in February than twelve months previously.

Turning to the underlying developments in the Hungarian labour market, the unemployment rate remained at a low level in February. According to the indicators derived from monthly data of the CSO's Labour Force Survey, adjusted for seasonal effects,<sup>2</sup> the whole-economy unemployment rate was 5.5% in the month under review. This was practically unchanged in comparison with January (see Chart 3).

The number of whole-economy registered unemployed fell by 0.6% in February relative to the preceding month and by 7.8% in comparison with the same month of the previous year (see Chart 4).

The number of people in employment was virtually static in February. According to the seasonally adjusted data, the number of people in employment remained unchanged relative to the preceding month and fell by 0.4% relative to February 2001.

<sup>2</sup> 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 1.0% in February 2002. Seasonally adjusted one-month core inflation was 0.6%.

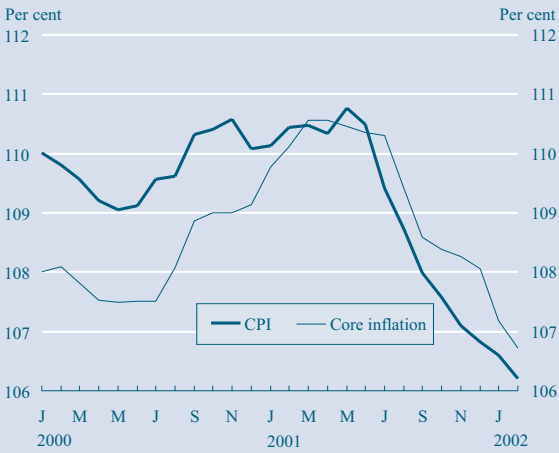
Looking at one-month price movements in the categories monitored by the National Bank of Hungary, the downward trend of motor fuel prices reversed in February, the average price of this product category rising by 1.9%. The market price of energy<sup>3</sup> rose by 0.5% and the regulated price of energy by 2.0%. Regulated services prices and pharmaceuticals prices were 1.2% and 0.1% higher respectively than in January. Alcoholic drinks and tobacco cost 1.8% more in one month. Food prices rose by 1.2%. Here, processed and unprocessed food prices were 1.2% and 1.4% higher respectively than in the preceding month. The increase in market services prices amounted to 1.2%. In contrast, industrial goods prices fell by 0.2%, explained by a 0.2% drop in non-durables prices.

The twelve-month consumer price index was 6.2% in February, showing a drop of 0.4 of a percentage point relative to January. One-month core inflation was 6.7%. This meant a decline relative to January of 0.5 of a percentage point (see Chart 5).

Examining twelve-month price developments in the categories monitored by the Bank, the downward trend of the food price inflation continued uninterrupted – food prices were 8.7% higher on average in February than a year earlier. Annual processed foods price inflation fell from January's 9.1% to 8.1%. Unprocessed foods price inflation, in contrast, rose from 8.7% to 9.6%. The twelve-month rate at which motor fuel prices fell was 10.1% in February. Inflation of market-determined household energy prices, having a relatively small weight, was insignificant in a twelve-month period, prices actually falling by 0.1%. The annual index of regulated energy prices fell 1 percentage point to 7.7%. Up 3.2% in the month under review, the prices of industrial goods continued to rise at a modest pace. Here, the gap between the indices for durables and non-durables remained unchanged. In twelve months, du-

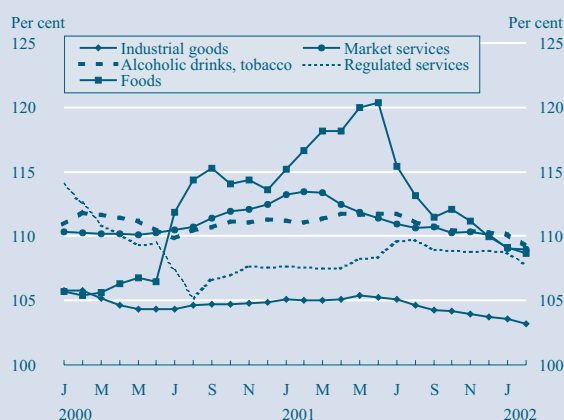
<sup>3</sup> This category does not reflect the effects of changes in motor fuel prices.

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

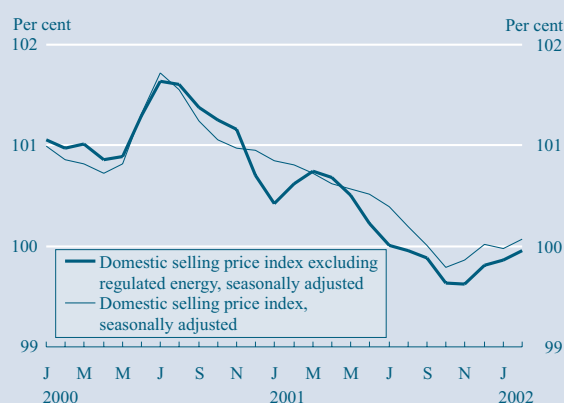


Source: CSO

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



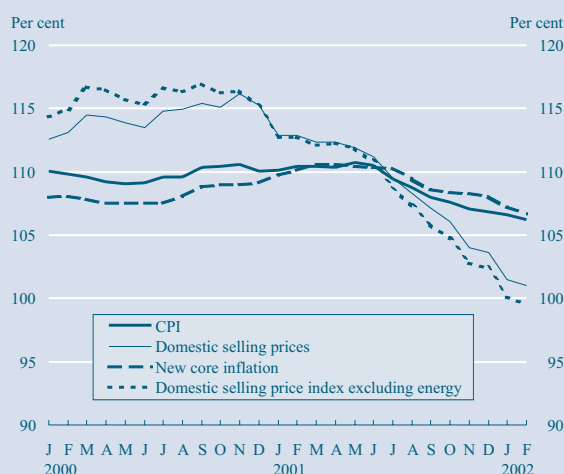
**Chart 7 Domestic producer price indices\***  
Preceding month = 100



\* Seasonally adjusted by the Bank.

**Chart 8 Comparison of domestic selling prices excluding regulated energy prices with other price indices**

Same month of previous year = 100



able goods prices fell by 1.1%, whereas non-durable goods prices rose by 4.9%. Annual market services price inflation remained unchanged at January's 9.0%. As a result of these price movements, the basket price index of goods comprising foods, industrial goods, market services and market energy fell from December's 7.3% and January's 6.7% to 6.4% in the month under review. The price index of alcoholic drinks and tobacco fell from 10.2% to 9.2%. Pharmaceuticals prices rose by 17.1% and those of other regulated services by 5.6% in twelve months (see Chart 6).

## Producer prices

Domestic producer prices excluding regulated energy prices<sup>4</sup> characterise changes in producer prices the best. Seasonally adjusted by the Bank, they fell by 0.05% in February relative to the preceding month (see Chart 7).<sup>5</sup>

Industrial firms' domestic selling prices, released by the CSO, rose by 0.4% in the month under review and by a total 1.0% in twelve months. Domestic selling prices, seasonally adjusted by the Bank, rose by 0.1% in one month.

Manufacturers' domestic selling prices rose by 0.5% in February relative to the preceding month, the 2.4% increase in refined petroleum product manufacturers' prices playing a major role. Within manufacturing, prices rose by 0.5% in the chemical industry, by 0.3% in machinery and equipment and by 0.7% in the food, drink and tobacco industry. The one-month increase in mining and extraction industry prices amounted to 1.3%.

The combined one-month change in domestic and export prices in industry was an increase of 0.3% in February 2002 (see Chart 8).

<sup>4</sup> The index is calculated net of the effects of changes in centrally regulated prices, i.e. in those of electricity, gas, steam and hot water supply, and collection, purification and distribution of water.

<sup>5</sup> 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 February 2002.

- Effective from 1 February 2002, forint-denominated liabilities from abroad with a remaining term to maturity of over two years and funds collected by credit institutions via private placement of securities, provided the securities' time to maturity is longer than two years, are exempted from the reserve requirement. This change in the Hungarian regulations is in line with the Bank's efforts to harmonise its rules with those of the European Central Bank.
- Effective from 19 February 2002, the National Bank of Hungary reduced the central bank base by 50 basis points, from 9.00% to 8.50%. As a consequence of the change to the base rate, the overnight deposit rate fell from 7.50% to 7.00% and the overnight secured loan rate from 10.50% to 10.00%. Official interest rates on the central bank facilities related to the base rate were changed accordingly.

## The exchange rate

Movements in the market rate of the forint continued to be confined to the upper region of the intervention band<sup>6</sup> in February 2002. The official exchange rate of the Hungarian currency strengthened near to 240 HUF/EUR towards mid-month. This was unprecedented since the introduction of the euro in January 1999. However, the currency weakened by almost 2% in the last few days of the month, the distance of its exchange rate from the centre of the band measuring 10.96%. The currency closed at 245.84 vis-à-vis the euro, down 0.97% on the closing rate in January. The three-month average exchange rate was 243.54 HUF/EUR in February, 0.17% stronger than the January average. The average distance of the exchange rate from the central rate was 1,179 basis points in the upper range of the intervention band, 15 basis points higher than in the preceding month.

The Bank has not conducted official intervention in the foreign exchange market since the move to widen the intervention band of the currency.<sup>7</sup> (See Chart 9.)

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

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

**Chart 9** Movements in the forint exchange rate vis-à-vis the euro



## Statistical balance sheet of the NBH

The value of banknotes and coin in circulation increased by Ft 14.5 billion in February. The end-of-month total of other monetary financial institutions' account balances with the central bank was Ft 72.0 billion higher than at the end of January. Closely related to these changes, holdings of NBH domestically issued bills fell by Ft 121.7 billion, other monetary financial institutions' forint deposits by Ft 1.7 billion and domestic currency-denominated loans of the central government sector by Ft 93.1 billion. (see Table A).

**Table A Changes in the balance sheet of the NBH**  
Calculated from end-of-month stocks

Ft billions								
	2000		2001			2002		
	Q3	Q4	February**	Q3	Q4	February**	Of which	
	Averages*			Averages*			Transactions	Revaluations
<b>Liabilities</b>								
Banknotes and coin	16.3	13.8	3.4	18.8	27.7	14.6	14.6	0.0
Forint liabilities to other monetary financial institutions	-21.3	11.3	51.4	-1.9	-29.7	59.3	59.3	0.0
Foreign currency liabilities to other monetary financial institutions	9.3	-5.2	17.1	-11.6	-25.7	-8.9	-9.8	0.9
<b>Assets</b>								
Net claims on central government	10.2	-27.0	-4.9	-19.9	-27.0	-21.2	-28.2	7.0
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	-1.9	0.0	0.0	0.0	0.0	0.0
Foreign currency loans	11.8	-33.7	11.5	-35.0	-28.4	-123.1	-125.0	1.9
Claims on other monetary financial institutions	-1.7	-3.6	0.2	-20.3	-8.0	0.2	0.2	0.0
Net foreign assets and those not broken down by sector	-4.2	50.6	76.6	45.5	7.3	86.0	92.1	-6.1

\* Quarterly average of changes relative to the preceding month.

\*\* One-month changes.

Looking at developments in the average stocks of central bank liabilities to other monetary financial institutions, the average of current account balances increased by Ft 8.0 billion, whereas those of forint deposits and foreign currency deposits fell by Ft 4.4 billion and Ft 17.2 billion respectively. Other monetary financial institutions' average holdings of NBH domestically issued bills were Ft 19.6 billion lower relative to the preceding month (see Table B).

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

	2002		Monthly change
	Jan.	Feb.	
<b>Liabilities</b>			
Banknotes and coin	1,087.6	1,080.7	-6.9
Forint liabilities to other monetary financial institutions	916.0	900.1	-15.9
Of which: Current account balances	422.9	430.9	8.0
Forint deposits	380.1	375.7	-4.4
Domestically issued NBH bills	113.1	93.5	-19.6
Foreign currency liabilities to other monetary financial institutions	276.0	258.8	-17.2
<b>Assets</b>			
Net claims on central government	815.5	693.1	-122.4
Of which: Forint loans	217.4	217.4	0.0
Government securities	169.6	169.6	0.0
Foreign currency loans	1,148.6	1,112.8	-35.8
Claims on other monetary financial institutions	47.3	46.0	1.3
Net foreign assets and those not broken down by sector	1,416.8	1,500.5	83.7

\* Monthly average of daily stock data.

## Monetary survey

At 17.6% annual growth in the monetary base was 1.7 percentage points faster in February 2002 relative to the preceding month.

With the exception of M1, the annual growth indices of every monetary aggregate, derived from the liability items of the aggregate balance sheet based on the final data for February, 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 rose by 1.9 percentage points to 17.6% from January to February. 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 1.7 per-

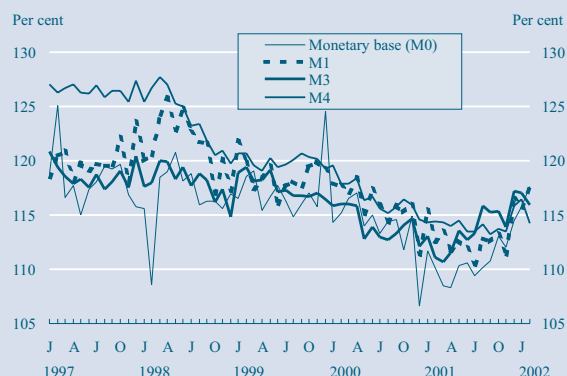
centage points to 15.1% in one month. Broad money M3 is a measure of M2 plus liabilities from repurchase agreements and holdings of bank securities. The annual growth index of the aggregate changed comparably with that of M2, falling by 1.1 percentage points to 15.9%. Broadest money M4 comprises M3 plus resident holdings of government securities outside monetary institutions and NBH domestic bills held by non-banks. Year-on-year M4 growth moderated 2.2 percentage points in February, its end-of-month stock being 14.2% higher than a year previously (see Chart 10).

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 rose by Ft 1.7 billion in February due to the transaction effect. The sector's foreign currency deposits fell by Ft 42.4 billion due to transactions and rose by Ft 3.2 billion due to exchange rate movements. Household sector deposits were Ft 10.5 billion lower than in January. Within this, domestic currency deposits fell by Ft 5.1 billion, due exclusively to transactions. Foreign currency deposits fell by Ft 11.3 billion due to the transaction effect and rose by Ft 6 billion on account of the positive contribution of exchange rate movements. On balance, households' foreign currency deposits fell by Ft 5.3 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 rose by Ft 8.3 billion due to transactions and by Ft 18.1 billion due to the exchange rate effect. Corporate sector total outstanding domestic borrowings were Ft 4.8 billion higher in the month. Here, outstanding borrowings in the domestic currency fell by Ft 15.7 billion due to the transaction effect. Outstanding foreign currency borrowings rose by Ft 10.6 billion due to transactions and by Ft 10.2 billion due to the exchange rate effect. Other volume changes caused a Ft 0.2 billion fall in the end-of-month stock of corporate sector foreign currency borrowings. Central government net liabilities fell by Ft 8.4 billion on account of the transaction effect, but rose by Ft 8 billion due the exchange rate effect. Outstanding lending by monetary institutions to the household sector was Ft 17.5 billion higher in February than in the preceding month.

As an effect of changes in outstanding borrowings and deposits, net liabilities of the general government sector were Ft 11.1 billion higher in February relative to January. Net savings of households fell by Ft 53.2 billion, net claims of monetary institutions against non-financial corporations rose by Ft 25.7 billion, their net foreign assets vis-à-vis non-residents falling by Ft 94.7 billion (see Table C on Page 12).

**Chart 10 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 outside monetary institutions plus forint sight deposits.

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 securities issued by other monetary financial institutions.

M4 = M3 plus resident holdings of government securities outside monetary institutions plus MNB domestic bills held by non-banks.

Monetary base (M0) = Currency in circulation plus other monetary financial 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 other monetary financial institutions' 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	February	Q3	Q4	February	Of which****	
	Averages***			Averages***			Transactions	Revaluations
<b>Non-financial corporations, net (S.11)</b>	-67.7	-18.5	25.7	-38.7	57.0	-25.7	-18.9	-7.0
Assets	-91.7	-63.4	-13.6	-65.9	-20.0	-5.2	4.8	-10.2
Deposits+cash+repos+securities	24.0	44.8	39.3	27.3	77.0	-20.5	-23.7	3.2
<b>Other financial corporations, net (S.123+S.124+S.125)</b>	-22.1	-4.5	-39.7	10.4	-32.6	-27.8	-28.1	0.2
Assets	-5.4	-12.9	-7.0	-11.7	-11.5	-5.2	-5.5	0.2
Deposits+repos	-16.8	8.4	-32.6	22.0	-21.2	-22.6	-22.6	0.0
<b>General government sector, net* (S.13)</b>	-6.5	13.7	27.1	-35.2	9.7	-11.1	-3.2	-8.0
Central government, net* (S.1311)	-22.1	12.2	38.1	-56.9	7.8	0.4	8.4	-8.0
Local government, net (S.1313)	15.6	1.5	-11.0	21.7	1.8	-11.6	-11.6	0.0
Credits	0.2	-1.4	-1.4	0.2	-4.5	-3.5	-3.5	0.0
Deposits	15.4	2.9	-9.6	21.5	6.3	-8.1	-8.1	0.0
Social security funds, net (S.1314)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Households, net** (S.14)</b>	31.8	34.5	-4.2	30.9	84.7	-53.2	-59.0	5.8
Credits	-18.2	-20.5	-15.0	-27.8	-25.3	-13.9	-13.7	-0.2
Deposits+cash+securities	50.0	55.1	10.8	58.8	109.9	-39.3	-45.3	6.0
<b>Non-profit institutions serving households, net (S.15)</b>	1.6	-1.0	2.0	0.7	-0.8	5.8	5.8	0.0
Credits	0.0	-0.8	-0.1	0.0	-3.1	4.8	4.8	0.0
Deposits	1.7	-0.2	2.0	0.7	2.2	1.1	1.1	0.0
<b>Non-residents, net (S.2)</b>	-20.3	-21.6	-130.0	-40.3	-49.1	94.7	111.2	-14.1
<b>Other, net</b>	83.1	-2.5	119.2	72.2	-68.8	17.3	-7.8	23.0

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 ÁPV Rt.

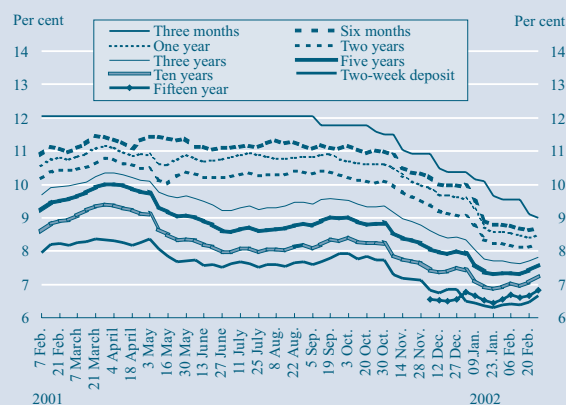
\*\* Including accrued interest.

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

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

Chart 11 Annualised zero-coupon yields and central bank two-week deposit rates

Short-term yields on a compounded basis; weekly averages



## Government securities market

The downward trend of yields in the Hungarian government securities market, observed in the preceding two months, came to a halt in February. Zero-coupon yields<sup>8</sup> reflect developments in the secondary market. Looking at the month as a whole, they rose slightly, by 4–9 basis points on average at the nearest maturities, i.e. at three, six and twelve months, and by 9–34 basis points at the more distant maturities (see Chart 11).

In February as a whole, implied one-year forward rates<sup>9</sup> in one to four years' time rose progressively, between 9 and 56 basis points. In contrast, those at the far end of the matu-

<sup>8</sup> 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.

<sup>9</sup> Implied forward rates will only match expectations of future interest rates if certain conditions are met. However, movements in derived rates may be used to forecast shifts in the market's expectations of future interest rates, even making moderate assumptions. (At present, only three ten-year and one fifteen-year government bonds trade in the market, and turnover volumes in the secondary market are relatively thin. Therefore, the estimate of the zero-coupon rate, and particularly the forward rate derived from the zero-coupon rate, which is substituted by the one-year rate in nine years' and fourteen years' time, does not reflect adequately the rapid turns in the market's judgement.)

rity spectrum rose regressively, between 10 and 13 basis points (see Chart 12).

Non-resident investors stepped up their holdings of Hungarian domestic currency-denominated government debt securities by Ft 80.3 billion. The sector's total holdings of government securities amounted to Ft 1,185.49 billion at the end of February.

The total amount of bids submitted at the auctions of government bonds was lower in February than in January. Four auctions of NBH bills were conducted in the month under review.<sup>10</sup> Yields fell throughout the month, accompanied by weakening investor demand. The monthly average yield evolving at the auctions held in the month, weighted by the total amount allotted, was 8.45%.

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 224.6447 points on 28 February. Calculated from movements in the index values, the annual return realisable on a portfolio equal to the composition of the index basket was 12.67%.

## Market interest rates

The total value of transactions in the domestic forint interbank market<sup>11</sup> was Ft 1,280.2 billion in February, showing a drop of Ft 233.6 billion, or 15.4%, relative to the preceding month. Movements in the daily average of interest rates on interbank overnight loans were fairly even in the month under review (see Chart 13).

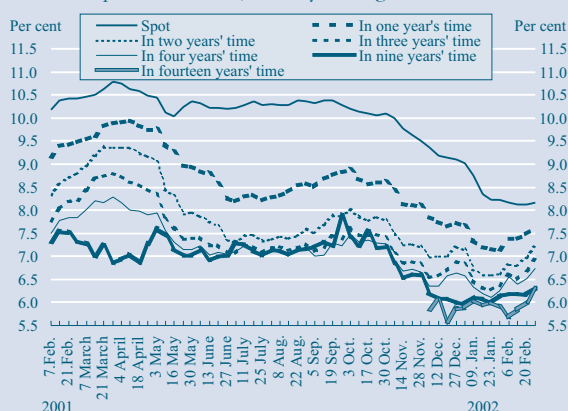
The February average of interest rates on overnight lending fell 31 basis points from the preceding month's 9.07% to 8.76%, that of lending rates for one month falling 52 basis points, from January's 9.32% to 8.80%. The three-month average interest rate fell 34 basis points, from 8.93% in the preceding month to 8.59% in February. Six-month lending rates were 85 basis points lower, down from the preceding month's 9.26% to 8.41% on average (see Chart 14).

<sup>10</sup> On 22 March 2000, the National Bank of Hungary launched 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.

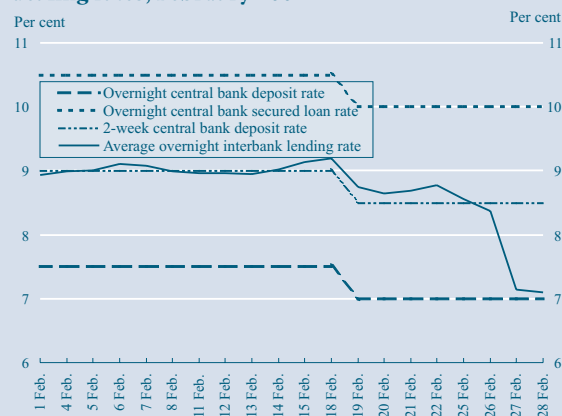
<sup>11</sup> Average interest rates of the individual sectors are calculated using as weights new deposits accepted and loans extended in a given month. Interest rates do not include additional charges.

<sup>12</sup> The interest rate corridor narrowed to 300 basis points on 11 December 2001.

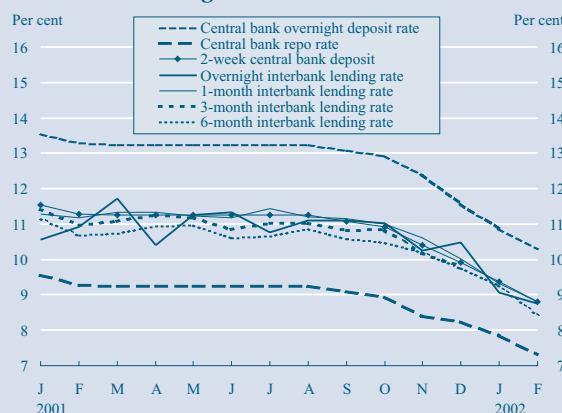
**Chart 12 One-year spot rates and implied forward rates derived by the Bank from zero-coupon yields**  
On a compounded basis; weekly averages

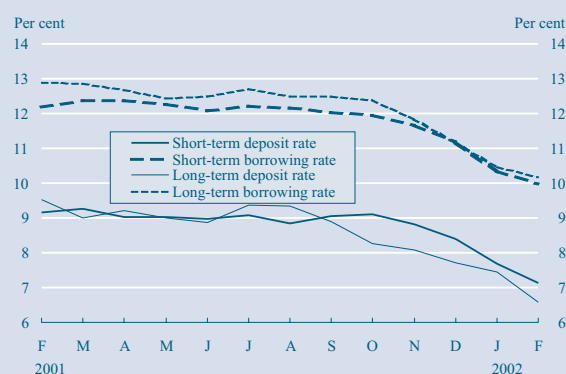


**Chart 13 Average interbank lending rates and official dealing rates, February 2002**



**Chart 14 Monthly averages of interbank lending rates and official dealing rates<sup>12</sup>**



**Chart 15 Averages of non-financial corporate sector borrowing and deposit rates**

The negotiated average price for non-financial corporations of short-term loans fell 37 basis points, from 10.35% in January to 9.98% in February, due mainly to banks' interest rate decisions. That of long-term loans fell 29 basis points, from 10.48% to 10.19%, primarily on account of a change in the composition of outstanding lending. Average short-term deposit rates dropped 55 basis points, from 7.69% to 7.14%, and that of long-term deposits 86 basis points, from 7.45% to 6.59%, 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 2.66 percentage points to 2.84 percentage points in one month (see Chart 15).

Turning to changes in household sector market rates,<sup>13</sup> the negotiated average housing loan rate fell from 14.57%

**Table D Household sector forint average borrowing rates and average total charges on loans\*\*\*\***

	Per cent				
	2001			2002	
	October	November	December	January	February
<b>Overdrafts</b>					
Average interest rate	19.07	18.97	18.90	18.16	18.78
Average total charge	24.14	23.82	23.79	21.69	23.08
<b>Personal loans</b>					
Average interest rate	23.48	23.12	21.32	22.69	22.13
Average total charge	29.29	28.09	26.72	27.76	28.03
<b>Lombard loans</b>					
Average interest rate	17.63	16.11	16.74	15.87	15.35
Average total charge	19.84	18.02	18.27	17.92	17.64
<b>Hire purchase loans</b>					
Average interest rate	27.54	27.95	28.97	27.44	28.71
Average total charge	34.25	34.54	35.14	35.73	35.68
<b>Car purchase loans</b>					
Average interest rate	19.22	18.56	17.93	18.55	18.62
Average total charge	20.84	20.31	18.54	20.29	20.78
<b>Mortgage loans</b>					
Average interest rate	18.60	18.44	18.59	18.64	18.51
Average total charge	19.39	20.85	20.99	22.91	22.60
<b>Other loans</b>					
Average interest rate	16.40	15.51	15.89	27.36	25.97
Average total charge	22.83	24.19	21.22	32.21	31.20
<b>Total consumer and other loans</b>					
Average interest rate	19.87	19.78	19.88	19.67	19.84
Average total charge	24.38	24.59	24.50	23.67	24.31
<b>Housing loans</b>					
Average interest rate	..	..	..	14.57	14.36
Average total charge	..	..	..	15.60	15.26

\* For the period May–December 2001, interest rates on household consumer credit and other loans contain data only on borrowing by individuals and sole proprietors for maturities longer than three months. From January 2002, interest rates on consumer credit and other loans include those for borrowing by the entire household sector, and include interest rates on loans for periods of less than three months as well.

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

\*\*\* Other loans for periods of less than three months (particularly mortgages) explain the large difference between average interest rates for 2001 and 2002. For the period up to December 2001, interest rates do not include data on loans for periods of less than three months.

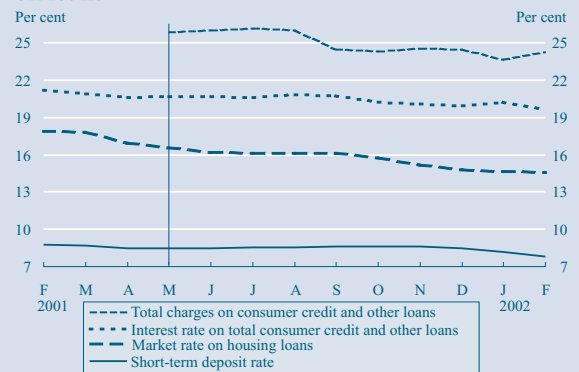
<sup>13</sup> Household sector interest rates also contain sole proprietors' borrowing and deposit rates from May 2001. However, total charges on borrowing by sole proprietors are only available from January 2002.



to 14.36% due to changes to interest rate conditions, the total charge indicator being 15.26% following 15.60% in the preceding month. The average of consumer credit rates fell from 19.67% to 19.84%. Total charges on consumer credit and other loans were 24.31%, up from 23.67% in January (see Table D).

In February, households' average sight deposit rates fell 44 basis points, from 2.82% to 2.38%, due to the change in the composition of deposits. Average short-term deposit rates fell 23 basis points, from 7.84% to 7.61%, average interest rates on long-term deposits falling 59 basis points, from 8.24% to 7.65%, both explained by changes to interest rate conditions (see Chart 16).

**Chart 16 Household sector average borrowing and deposit rates and average total charges on loans\*\*\***



\* For the period up to December 2001, total charges on household consumer credit and other loans contain data only on borrowing for maturities longer than three months.

\*\* From May 2001, household borrowing and deposit rates also contain data on sole proprietors as of May 2001.

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

	2001			2002	
	October	November	December	January	February
<b>Consumer credit and other loans</b>					
Overdrafts	54.67	52.48	52.45	67.01	64.56
Personal loans	10.47	11.17	11.50	7.00	8.36
Lombard loans	2.15	2.00	1.84	1.36	1.63
Hire purchase loans	6.35	7.84	9.41	6.81	4.15
Car purchase loans	6.60	7.75	5.44	4.15	3.47
Mortgages	15.76	12.91	15.67	7.89	11.43
Other loans	3.99	5.84	3.69	5.79	6.39
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

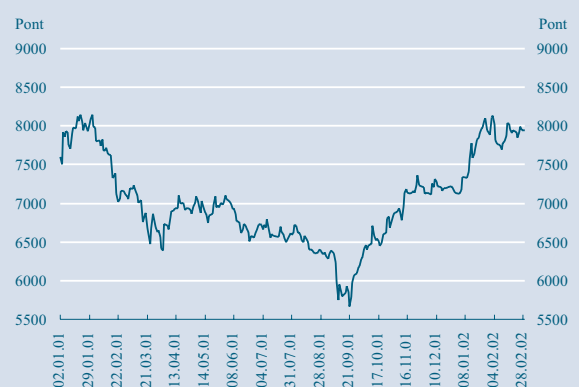
\* For the period May–December 2001, total charges were only available on consumer credit and other loans for more than three months by the individual types of loan.

## The BUX and the world's leading share market indicators

After gaining 13.7% in the preceding month, the share index of the Budapest Stock Exchange fell 2.1% in February. In the first week of the month, prices declined from their monthly peak of 8,131.52 to 7,699.58, the monthly low, only to rise above the 8,000 point mark again within the space of another week. Movements in the BUX were fairly narrow throughout the second half of the month, confined to a 1.2% band. It closed February at 7,941.58 points (see Chart 17).

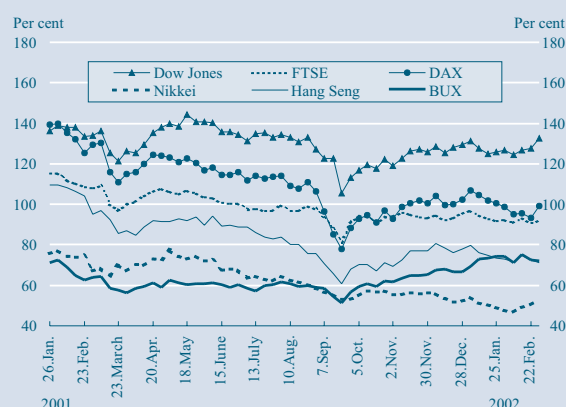
Measured on a dollar basis, the official index of the Budapest Stock Exchange fell 1.9% in February following a 2.4% and a 10.2% gain in December and January. From among the important international exchanges, the Dow Jones Industrial Average of New York rose 1.9%. In contrast, the NASDAQ index, a gauge of movements in the share prices of technology sector firms, fell 12.3%. Of the European ex-

**Chart 17 The BUX**  
2 January 1991 = 1000



**Chart 18 The world's leading exchanges and the BUX**

5 September 1997 = 100; on a dollar basis



changes, the London FTSE registered a 0.9% drop and the DAX of Frankfurt one of 0.2%, both measured on a dollar basis, after losing 4.0% and 4.6% respectively in the preceding month.

Performance on the Far Eastern markets was mixed. Whereas the Nikkei in Tokyo rose 6.6% in February on a dollar basis following declines of 7.6% and 7.2% in December–January, the Hang Seng of Hong Kong extended its losses, falling by another 2.3% in the month, after a 5.9% drop in January (see Chart 18).



# Balance of payments and foreign trade

## The balance of payments and financing

According to the seasonally adjusted data,<sup>14</sup> Hungary's current account registered a €252 million deficit in February 2002 (see Table F). Including the data for February, the trend of current account outcomes shows monthly deficits rising by €15–18 million since September 2001 (see Chart 19). The trend of goods trade deficit has been upwards since October. The monthly deficits have been rising less strongly than the current account deficits, by €8–10 million (see Chart 20).

The seasonally adjusted current account saw a €4 million lower deficit in February than in January. The tourism surplus changed the most strongly in one month, rising by €53 million due mainly to higher revenues. The goods trade deficit fell by €29 million, on account primarily of stronger export revenues. Net expenditures for services excluding tourism was €17 million higher than in the preceding month. The one-month changes in negative investment income on equity and the current transfer surplus amounted to less than €2 million.

According to the not seasonally adjusted data, Hungary's current account registered a €168 million higher deficit in February 2002 than a year earlier. The largest change occurred to the goods trade balance, where the deficit rose by €67 million, accompanied by higher export and import values. The deficit on services excluding tourism increased by €25 million in a year-on-year comparison. Within the income account, the outflow of investment income on debt fell by €16 million, whereas that of investment income on equity rose by €4 million. The current transfer surplus was €6 million higher than a year previously, the tourism surplus remaining broadly unchanged relative to February 2001.

<sup>14</sup> 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 2002. The newly published data have been adjusted within this model in the course of the year. 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 reproduced from a set of seasonally adjusted data that underlie the given sub-balance.

Table F Seasonally adjusted current account data\*

	2001		2002	
	Feb.	Dec.	Jan.	Feb.
Goods	–154	–223	–251	–221
Exports	2,522	2,591	2,542	2,666
Imports	2,669	2,878	2,918	2,947
Services excluding tourism	–41	–66	–50	–66
Tourism	210	263	156	210
Income on equity	–51	–46	–56	–55
Income on debt	–70	–46	–52	–54
Current transfers	22	28	29	28
Current account balance	–84	–114	–256	–252

\* 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 19 Current account

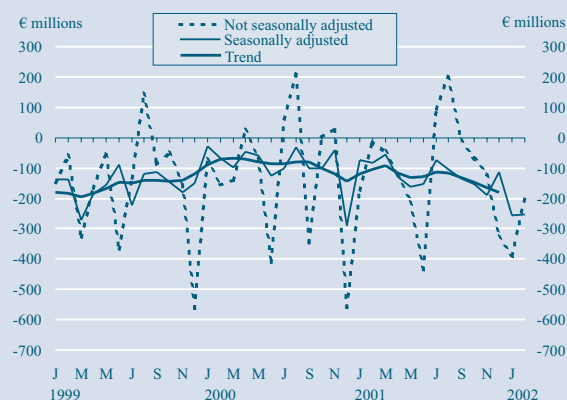
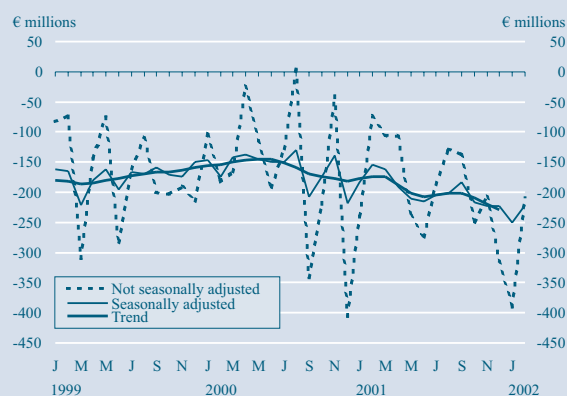


Chart 20 Trade balance



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

€ millions

		2001		2002	
		Feb.	Dec.	Jan.	Feb.
1	Current account	-14	-328	-390	-198
2	Capital account	11	32	18	5
3	Net lending / net borrowing (1+2)*	-3	-297	-373	-192
4	Non-debt capital flows	266	-335	223	33
5	Total (3+4)	263	-632	-150	-159
6	Debt-creating flows (6a+6b)**	-241	561	91	174
6a	In forint	250	244	122	330
6b	In foreign currency	-492	317	-31	-156
7	Financing gap (5+6)	22	-71	-59	14
8	Errors and omissions	-22	71	59	-14

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

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

According to the not seasonally adjusted data, the current account saw an almost €198 million deficit in February. The capital account closed with a surplus of €5 million, so whole-economy external financing requirement amounted to nearly €192 million in the month under review (see Table G). Net non-debt inflow amounted to €33 million – Hungarian residents invested €16 million abroad, direct investments by non-residents in Hungary amounting to €40 million. The balance of inward and outward portfolio investment transactions in equity securities was a net inflow of €8 million. Non-resident investors increased by €330 million their holdings of forint-denominated securities issued by the Hungarian government.

### Hungary's external accounts

Whole-economy gross foreign debt was €37.5 billion at the end of February 2002. The combined gross foreign currency debt of general government and the National Bank of Hungary outstanding to non-residents amounted to €16.6 billion, forint debt accounting for €4.8 billion, or 29% of the total. The gross debt of other monetary financial institutions and the other sectors was €20.9 billion. Here, inter-company loans amounted to €6.2 billion. Inter-company loans, i.e. debt liabilities of subsidiary companies to their parents, had a share of 43% within the other sectors' gross foreign debt.

Whole-economy net debt amounted to €12.1 billion at end-February. The combined net debt of general government and the National Bank of Hungary was €3.7 billion. However, taking foreign currency denominated assets and liabilities into account, the two sectors took a €1.1 billion net lending position in foreign currency. Total private sector net foreign debt was €8.4 billion, inter-company loans accounting for €3.6 billion (see Table H).

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

€ millions

	2002		Change	Of which:			
	January	February		Transactions	Exchange rate movements	Price changes	Other volume change
Net foreign currency debt of the NBH and government	-1,188	-1,130	57	48	-30	39	0
Net forint debt of the NBH and government	4,539	4,822	283	330	-46	0	0
Total net debt of the NBH and government	3,351	3,691	341	378	-76	39	0
Assets of the NBH and government	13,603	1,902	-700	-670	-9	-22	0
Of which: International reserves	11,758	11,203	-554	-545	-8	-1	0
Gross foreign currency debt of the NBH and government	12,415	11,772	-643	-622	-39	17	0
Gross forint debt of the NBH and government	4,539	4,822	283	330	-46	0	0
Total gross debt of the NBH and government	16,954	16,594	-360	-292	-85	17	0
Net debt of other monetary financial institutions and other sectors*	5,034	4,846	-188	-130	-55	15	-18
Total assets of other monetary financial institutions and other sectors	9,852	9,800	-52	-660	30	571	7
Gross debt of other monetary financial institutions and other sectors	14,886	14,647	-240	-790	-25	586	-10
Inter-company loans, net liabilities	3,653	3,555	-98	-74	-4	0	-20
Credit	2,827	2,682	-145	-144	-1	0	1
Debit	6,479	6,237	-243	-218	-5	0	-19

\* Excluding inter-company loans.

The total stock of direct investments by non-residents in Hungary amounted to €27.1 billion at the end of February, of which the value of holdings of corporate shares and other classes of equity capital was €20.9 billion.

## Foreign trade

In February 2002, the trend of whole-economy exports crossed strongly above that of imports. However, this was in contrast with the picture of the preceding few months, when import growth was slightly more upwards than export growth (see Chart 21). The trend of merchandise foreign trade rose robustly in the first two months of 2002 relative to the last few months of 2001, but the trade balance outcomes changed only a little.

According to the estimated, not seasonally adjusted Hungarian foreign trade data, annual growth in exports was stronger than in imports both in February 2002 and the first two months of the year. As a result, the balance of goods trade showed lower deficits in February and January–February 2002 than in the comparable periods of the previous year.

Both exports and imports were higher in February than in the preceding month, reflecting the influence of seasonal patterns. This change affected exports more than imports, so Hungary's goods trade deficit was lower in February in a year-on-year comparison.

The twelve-month growth rates of whole-economy exports and imports, calculated from the seasonally adjusted turnover data, were comparable in February 2002 with those derived from the not seasonally adjusted data (see Charts 22, 23 and 24).

Examining the composition and direction of whole-economy goods trade, the percentage shares accounted for by machinery and equipment, and the developed countries, particularly the EU member states, both fell in February 2002 relative to a year previously. Consequently, the growth rates registered by this product category and country group with the largest percentage shares within Hungarian goods trade both remained below the whole-economy average.

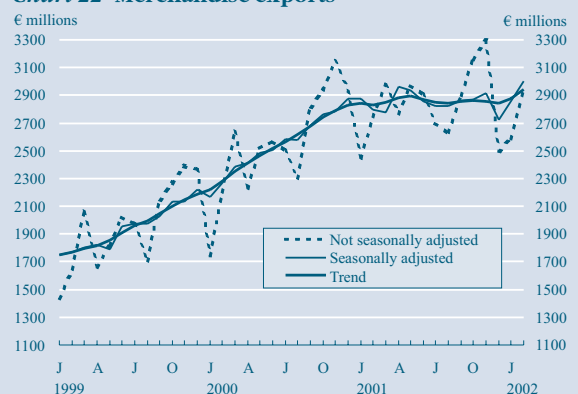
Looking at the composition of goods trade, there was an increase in the percentage shares of foods industry and manufacturing products within exports and imports, simultaneously with a decline in the percentage share of machinery and equipment in February and January–February relative to the comparable periods of the previous year. These changes were reflected in exports more than in imports.

In a regional breakdown of goods trade, the percentage share of imports from developing countries, particularly from a number of Far Eastern economies (e.g. China, Taiwan, Malaysia, Singapore, the Philippines and South Ko-

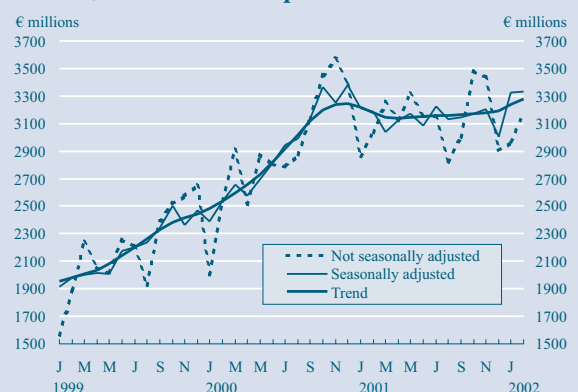
**Chart 21 Annualised monthly growth rates of the trends of goods trade calculated in euros**



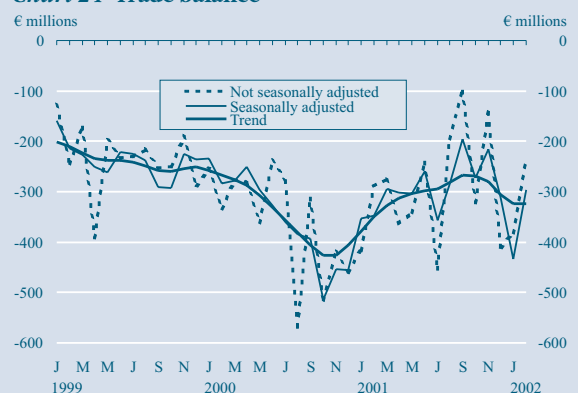
**Chart 22 Merchandise exports**



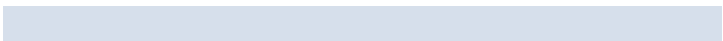
**Chart 23 Merchandise imports**



**Chart 24 Trade balance**



rea), increased simultaneously with a fall in the percentage share of the EU member countries. The growth rate of imports from this group of countries was significantly stronger than the whole-economy average. Aside from a slight fall, there was little change in the percentage shares accounted for by the CEFTA and CIS states in the month under review relative to a year earlier. Goods trade with these countries grew largely comparably with the whole-economy average.



# 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 (see Table I), amounted to Ft 156.4 billion in February 2002 and a total Ft 267.2 billion in January–February. The net borrowing requirement of the central government was Ft 126.5 billion in the month under review, the social security funds registering a Ft 28.1 billion net borrowing requirement and the local government authorities one of Ft 1.7 billion.

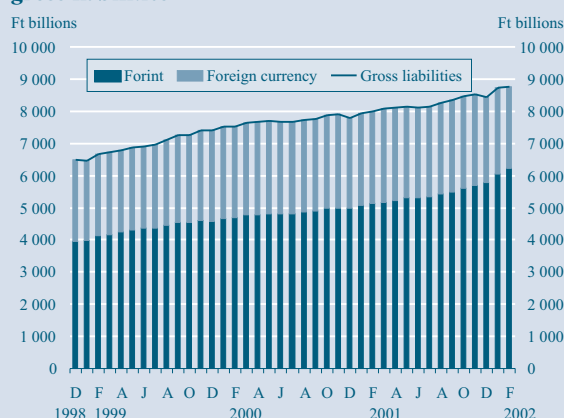
Financial assets of the central government fell by Ft 109.6 billion in February, Ft 81.6 billion of this fall being attributable to transactions and Ft 28 billion to revaluations. Transactions were mainly accounted for by an increase in deposits with the National Bank of Hungary and lending within the general government sector. Transactions and revaluations respectively accounted for Ft 45 billion and Ft –11.2 billion of the Ft 33.8 billion increase in liabilities. Following a Ft 179 billion net issue of government debt securities in the preceding month, issuing in the amount of another Ft 176.6 billion contributed to the outstanding total in February. The assumption of outstanding debts of the Hungarian Railways continued, the central government repaying immediately the Ft 10 billion domestic loan taken over from the state railway company. Consequently, this amount was not recorded within liabilities to domestic credit institutions. The repayment by the government of Ft 125 billion in outstanding foreign currency loan liabilities to the National Bank of Hungary reduced total liabilities significantly. Closely related to this item, the repayment of another Ft 1.8 billion in outstanding swap transactions was also recorded in the month. Despite insignificant issuance, the outstanding amount of compensation vouchers, recorded as liabilities of the central government, doubled since the end of 2001, due to the continued rise in market prices.

Net financial assets of the social security authorities fell by Ft 28.1 billion in February 2002. Outstanding borrowings from the central government were Ft 21.4 billion higher, so total loan liabilities of the social security sub-sector amounted to Ft 68.8 billion at month-end. The

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

Ft billions

	Stocks: Feb. 2002	Flows:			
		February		January–February	
		Transac- tions	Other changes in volume	Transac- tions	Other changes in volume
<b>Central government (S.1311)</b>					
Assets	1,109.3	–81.6	–28.0	134.1	0.6
Liabilities	8,628.7	45.0	–11.2	317.6	–9.7
<b>Net financial assets</b>	<b>–7,519.4</b>	<b>–126.5</b>	<b>–16.8</b>	<b>–183.5</b>	<b>10.2</b>
<b>Social security funds (S.1314)</b>					
Assets	0.0	–5.8	0.0	–10.8	0.0
Liabilities	78.3	22.3	0.0	37.9	0.0
<b>Net financial assets</b>	<b>–78.3</b>	<b>–28.1</b>	<b>0.0</b>	<b>–48.7</b>	<b>0.0</b>
<b>Local government authorities (S.1313)</b>					
Assets	499.4	–7.7	0.0	–51.8	0.0
Liabilities	241.4	–6.0	0.0	–16.9	–0.2
<b>Net financial assets</b>	<b>257.9</b>	<b>–1.7</b>	<b>0.0</b>	<b>–35.0</b>	<b>0.2</b>
<b>Consolidated general government</b>					
Assets	1,411.7	–111.6	–28.0	44.8	0.6
Liabilities	8,751.4	44.8	–11.2	311.9	–9.9
<b>Net financial assets</b>	<b>–7,339.7</b>	<b>–156.4</b>	<b>–16.8</b>	<b>–267.2</b>	<b>10.4</b>

**Chart 25 Composition of general government gross liabilities**

Health Fund drew on its deposit with the State Treasury. Consequently, there remained no claims of the social security authorities against the central government.

The changes in February in financial assets and liabilities of the local government authorities were estimated taking into account bank statistics. Accordingly, total assets fell by Ft 7.7 billion as a balance of a drop in the sub-sector's deposits with credit institutions. Simultaneously, liabilities rose by Ft 6 billion as a balance of new borrowings and changes in other liabilities. The change in net financial assets of the local government authorities amounted to Ft -1.7 billion in the month under review. Based on retrospective reports, January holdings of government securities by local authorities were reduced by Ft 4.6 billion. An explanation for this is that local authorities repurchased gas utility bonds from ÁKK Rt to the same amount. The sub-sector's data for 2001 as a whole have also been revised in view of local authorities' balance sheet reports for 2001 Q4.

In February 2002, the gross debt of general government increased by Ft 33.6 billion. The outstanding total amounted to Ft 8,751.4 billion at the end of the month (see Chart 25). Liabilities to residents fell by Ft 57.4 billion, those to non-residents rising by Ft 91.0 billion. Foreign currency liabilities continued to fall.

# Financial savings of households

## Earnings

As seen in the preceding few months, gross average earnings continued to grow in the whole economy in February. The robust increase in earnings was attributable mainly to the adjustment of government sector wages. Corporate sector earnings grew at a more modest pace.

According to the data adjusted for seasonal effects and working-day variations, corporate sector gross earnings growth was 1.1% higher in February than in the preceding month. Unadjusted corporate sector earnings growth amounted to 13.5% relative to twelve months previously (see Chart 26).

Government sector seasonally adjusted earnings were 3.3% higher on average in February 2002 than in January. Not seasonally adjusted earnings grew by 34.1% in twelve months.

Full-time employees' monthly gross average earnings in the total economy grew by 19.2% in February 2002 relative to a year earlier.

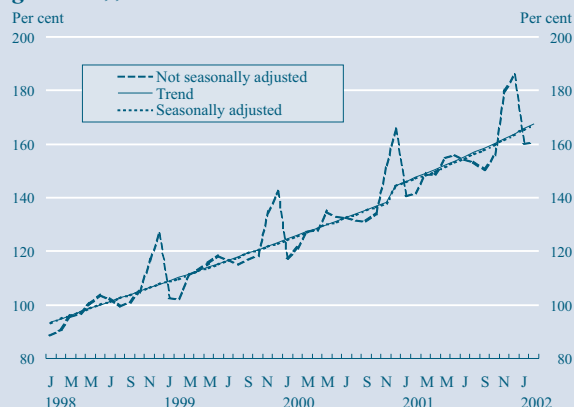
Net average earnings in the total economy rose by 18.5% in the same period. Corporate sector net earnings grew by 14.0% and government sector net earnings by 30%.

## Net lending of households

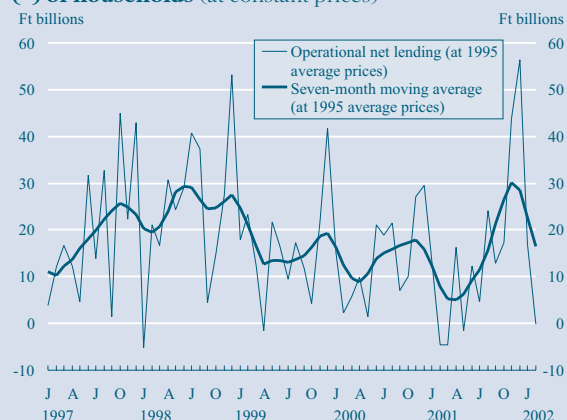
Operational net lending of households equals their financial savings after eliminating compensation for inflation incorporated in interest. Reflecting the trends of the previous two years, its amount was lower in February than in January, but higher on both current and constant price bases than a year earlier. Characteristic of the early months of the year, the trend of households' financial savings continued to be downwards (see Chart 27).

Net financial wealth of households, measured at market value, rose by Ft 11.7 billion. Financial assets and liabilities respectively were Ft 29.7 billion and Ft 18 billion higher than in the preceding month (see Table J). Of the various financial instruments, investment units continued to be sought after the most. In addition, flows into pension funds assets were strong. Unlike the picture of the preceding months, households registered losses on their holdings of

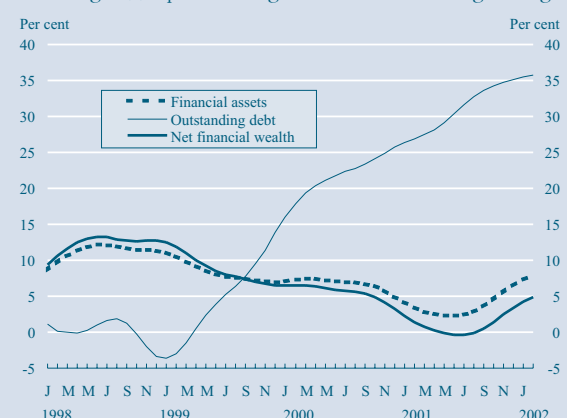
**Chart 26 Corporate sector gross average earnings growth 1998 = 100**



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



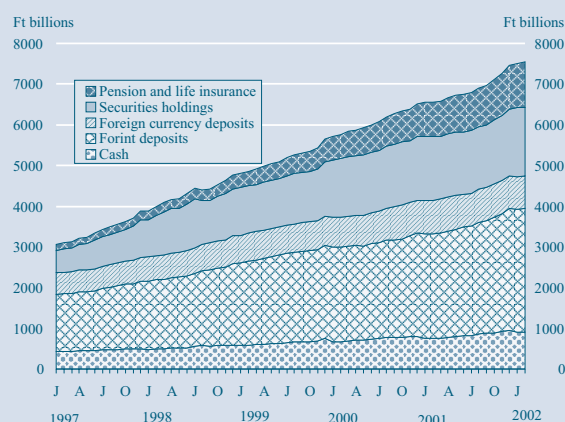
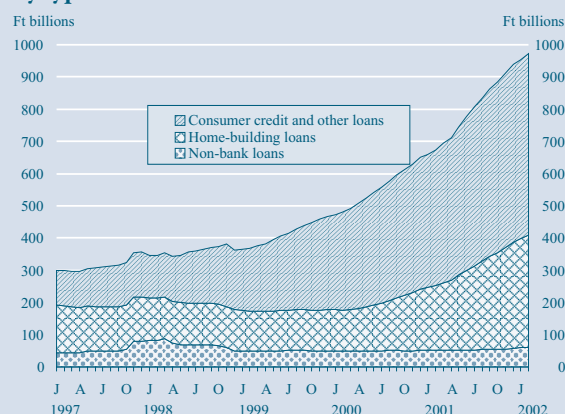
**Chart 28 Growth in household sector financial wealth at constant prices** Percentage change on a year earlier  
At average 1995 prices using seven-month moving averages





**Table J** Disaggregating net financial wealth of households into the components of change

Into the components of change						Ft billions	
	Stock Feb. 28 2002	February flows					Other changes in vol- ume
		Transactions	Trans- actions net of compen- sation for inflation	Com- pensation for infla- tion in- corporated in interest	Re- valua- tions		
Forint cash	908.4					4.5	4.5
Foreign currency cash	51.6	12.0	11.6	11.6	0.0	0.4	0.0
Forint deposits and bank securities	3,027.5	-2.5	-2.5	-15.5	13.0	0.0	0.0
Foreign currency deposits	746.5	-5.6	-11.6	-12.8	1.2	6.0	0.0
Non-bank securities	1,698.4	6.8	23.6	16.2	7.4	-16.8	0.0
Pension funds and life insurance	1,114.1	17.7	17.7	12.2	5.5	0.0	0.0
Unpaid wages	167.8	-3.2	-3.2	-3.2	0.0	0.0	0.0
<b>Financial assets, total</b>	<b>7,714.3</b>	<b>29.7</b>	<b>40.1</b>	<b>13.0</b>	<b>27.1</b>	<b>-10.4</b>	<b>0.0</b>
Home-building loans	349.9	12.2	12.1	10.4	1.7	0.1	0.0
Consumer credit	562.9	5.7	5.8	3.0	2.8	0.1	-0.2
Other borrowings	59.4	0.1	0.1	0.1	0.0	0.0	0.0
<b>Household debt</b>	<b>972.2</b>	<b>18.0</b>	<b>18.0</b>	<b>13.5</b>	<b>4.5</b>	<b>0.2</b>	<b>-0.2</b>

**Chart 29** Household sector financial assets**Chart 30** Outstanding borrowings of households by type of debt

financial instruments. Losses on securities holdings on account of falling share prices amounted to Ft 16.8 billion. In contrast, the depreciation of the forint caused a Ft 6 billion gain on foreign currency deposits.

Within total debt, the increase in housing loans continued to be stronger than that in consumer credit, as seen in the preceding months. 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 in the second half (see Chart 28 on Page 23).

In contrast with the robust build-up in the preceding months, household sector forint deposits fell in February. Withdrawals amounted to Ft 15.5 billion. However, interest receipts contributed Ft 13 billion to existing deposit holdings, so the month-end total of deposits fell by Ft 2.5 billion. Time deposits accounted for most of this decline. Sight deposits remained broadly unchanged (see Chart 29).

Domestic currency cash holdings of households were Ft 4.5 billion higher in February, following the massive decline in January which reflected the effect of seasonal patterns.

The fall in foreign currency deposits and the simultaneous rise in foreign currency cash holdings continued in February. Foreign currency deposits jumped towards the end of 2001 on account of flows into deposits of EMU member currency cash holdings. At the beginning of the new year, however, foreign currency cash holdings were built up gradually again. Households' foreign currency deposits were concentrated nearly equally in the euro and the dollar (45.6% and 45.2%).

There continued to be lively demand for investment units within the various classes of security in February. Operational transactions in investment units amounted to Ft 23 billion. In contrast, holdings of government securities and shares continued to fall. Non-bank securities held by households rose by Ft 6.8 billion at market value. Operational transactions, compensation for inflation incorporated in interest and revaluation accounted for Ft 16.2 billion, Ft 7.4 billion and Ft -16.8 billion respectively.

Household sector net borrowings rose by Ft 18 billion in February, more strongly than a year earlier. The build-up in housing loans continued to be more robust than that in consumer credit. The former increased by Ft 12.2 billion and the latter by Ft 5.7 billion. The proportion of property loans within total outstanding debt rose from 29.9% a year earlier to 36% in February (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	104.2	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	-27.8
February		110.4	109.8	117.3	6.3	-9.9	110.2	112.5	111.1	11.28	-14	270	12,104	-52.9
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	52.2
April		110.3	110.2	119.7	5.8	35.6	108.3	111.7	111.6	11.25	-121	67	12,536	-62.6
May		110.8	110.3	115.3	5.7	-3.6	110.3	112.6	113.5	11.25	-213	131	12,990	-44.9
June	104.0	110.5		118.0	5.4	27.0	110.6	111.9	112.7	11.25	-436	116	13,596	-30.1
July		109.4		114.0	5.7	10.5	109.4	110.4	113.3	11.25	94	26	13,536	-48.4
August		108.7		117.3	5.8	53.8	110.2	112.9	115.9	11.25	201	105	13,128	-69.2
September	103.7	108.0		119.1	5.3	29.0	110.7	112.5	115.2	11.08	-12	97	13,120	-2.6
October		107.6		121.5	5.6	39.1	113.0	113.2	115.4	10.93	-72	316	12,993	-119.3
November		107.1		122.7	5.8	99.0	112.0	111.3	113.9	10.40	-124	104	12,724	-61.0
December	103.3	106.8		118.0	5.4	128.3	114.5	116.5	117.2	9.91	-328	-402	12,195	-93.3
January 2002		106.6		119.2	5.8	39.2	115.8	115.7	117.0	9.36	-390	148	11,758	-110.9
February		106.2		119.2	..	-0.5	117.6	117.6	115.9	8.80	-198	40	11,203	-156.4

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.

