

PRESS RELEASE

**Hungary's final balance of payments
September 2002**

According to the final data, Hungary's current account registered a EUR 366 million deficit in September 2002. This compared with a EUR 12 million deficit a year earlier. Increases in net expenditures for trade in goods and negative investment income as well as the fall in net revenues for services, particularly tourism, were dominant in the year-on-year change. After eliminating the seasonal effects, the current account was in a deficit of EUR 416 million. The significant fall in tourism revenue explains the major part of the steady increase in the seasonally adjusted current account deficit since the final quarter of 2001. Contributing to this are the slight increases in deficits on goods trade and other services. Net non-debt outflow amounted to EUR 34 million in September.

Central bank foreign exchange reserves amounted to EUR 10.3 billion at month-end. Whole-economy gross foreign debt was EUR 0.4 billion higher relative to the preceding month. The change in gross debt was shaped by the EUR 0.2–0.2 billion upward effects of transactions, and price and exchange rate movements as well as other volume changes. Net foreign debt rose by EUR 0.6 billion relative to August. This resulted from upward effects of EUR 0.4 and EUR 0.2 billion respectively of transactions, and price and exchange rate movements as well as other volume changes. The outstanding total of forint-denominated central bank and government debt securities was EUR 6.1 billion at end-September, EUR 0.4 billion higher than at the end of August.

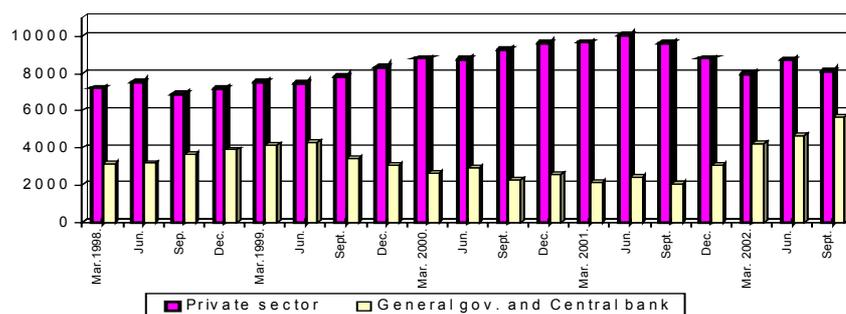
Foreign debt of Hungary

	Euro million	
	2002 Aug.	Sept.
I. Gross foreign debt, Total Economy (S.1) (A+B)	36.9	37.3
A: General government and Central bank (S.13+S.121)	16.6	17.1
A.1. o/w.:debt securities denominated in HUF	5.7	6.1
B. Private sector (S.1-S.13-S.121)	20.3	20.2
B.1. o/w.:Intercompany loans	6.3	6.4
II. Net foreign debt, Total Economy (S.1) (A+B)	13.2	13.8
A: General government and Central bank (S.13+S.121)	5.1	5.7
A.1. o/w.:debt securities denominated in HUF	5.7	6.1
B. Private sector (S.1-S.13-S.121)	8.1	8.1
B.1. o/w.:Intercompany loans	3.4	3.4
III. Gross foreign debt denominated in foreign currencies, Total Economy (S.1) ^{a)}	24.9	24.8
IV. Net foreign debt denominated in foreign currencies, Total Economy (S.1) ^{a)}	4.1	4.2

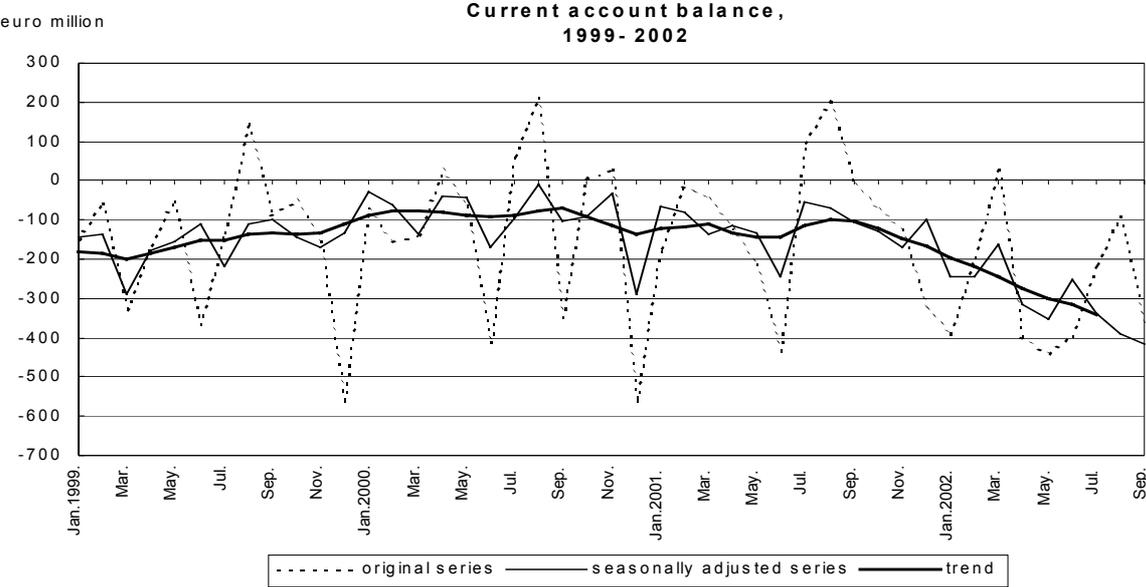
a) excluding intercompany loans

**Net foreign debt, Hungary 1998-2002
(by sectors, including intercompany loans)**

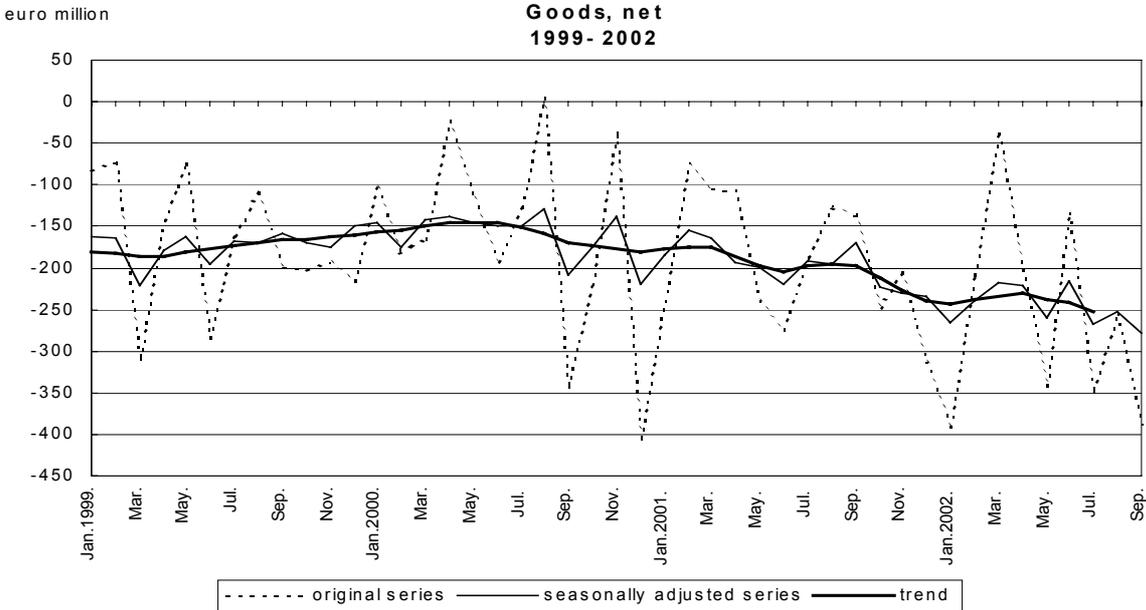
euro million



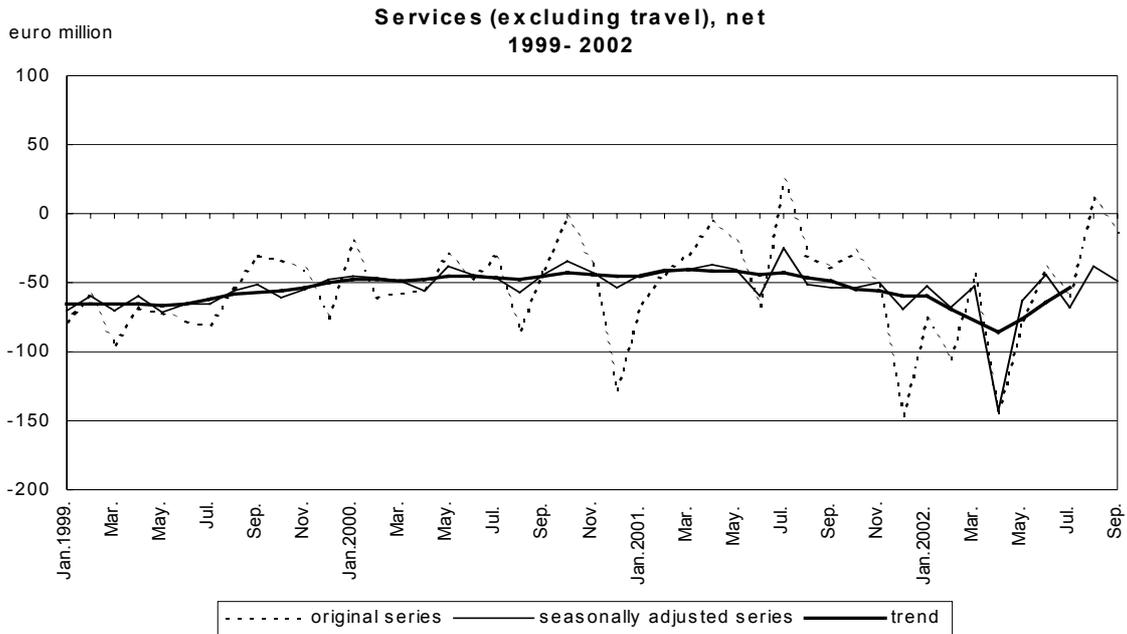
The rise in net debt of general government and MNB relative to mid-2001 was attributable to the increase in domestic currency-denominated debt and the reduction in foreign exchange reserves. Most of the fall in private sector net debt in the period was accounted for by an increase in assets.



In September, net expenditures for trade in goods were the balance of EUR 2,732 million exports and EUR 3,120 million imports. The monthly values of exports and imports rose by EUR 302 million and EUR 552 million respectively relative to September 2001. The seasonally adjusted goods deficit was EUR 26 million higher than in August.



The EUR 297 million tourism revenue was EUR 129 million lower in September 2002 than a year earlier. This contrasted with the 136 EUR million tourism expenditure being EUR 12 higher year on year. Net expenditures for service transactions excluding tourism amounted to EUR 14 million in the month under review. According to the time series calculated after eliminating the seasonal effects, the trend of monthly balance outcomes for service transactions excluding tourism shows continuously falling deficits since the spring of 2002.



Within the EUR 158 million net outflow of investment income, the negative balance for investment income on equity fell by EUR 68 million, whereas that for investment income on debt rose by EUR 38 million in a year-on-year comparison.

The EUR 32 million surplus on current transfers in September 2002 was EUR 19 million lower than in September 2001.

The balance of non-debt capital transactions showed a total outflow of EUR 34 million in September. The value of direct investments in equity capital was the balance of direct investment transactions by Hungarian residents abroad and those by non-residents in Hungary, in the amounts of EUR 30 million and EUR 42 million respectively. Portfolio investment transactions in equity securities showed a net outflow of EUR 45 million in the month under review.

Balance of payments, Hungary

euro million

	2001				2002			
	Jul.	Aug.	Sept.	Jan.-Sept.	Jul.	Aug.	Sept.	Jan.-Sept.
1. Goods, net	-188	-128	-137	-1495	-349	-257	-388	-2309
1.1. Exports	2761	2499	2430	23081	3024	2684	2732	24714
1.2. Imports	2950	2627	2568	24576	3374	2941	3120	27022
2. Services and income, net	262	299	74	559	97	132	-10	-442
2.1. Services*, net	377	357	262	1958	182	269	148	947
2.1.1. Exports	922	914	758	6390	838	825	730	6245
2.1.2. Imports	545	557	496	4432	655	556	582	5299
2.2. Income, net	-115	-58	-188	-1399	-85	-137	-158	-1389
2.2.1. Income on debt, net	-41	-18	-54	-594	3	-38	-92	-579
2.2.2. Income on equity, net	-74	-40	-134	-806	-88	-99	-66	-807
2.2.3. Compensation of employees, net	0	0	0	2	0	0	0	-3
3. Current transfers	20	30	51	212	37	35	32	280
4. Current account balance	94	201	-12	-724	-215	-90	-366	-2471
5. Non debt creating financing, net	22	76	103	786	74	226	-34	669
5.1. Direct investment, equity capital, net	16	89	83	678	140	238	12	803
5.1.1. Abroad, net	-10	-16	-14	-387	-17	-38	-30	-145
5.1.2. In Hungary, net	26	105	97	1065	157	276	42	948
5.2. Portfolio investment, equity securities, net	6	-13	20	108	-65	-12	-45	-134
*- o/w: Travel, net	354	386	301	2237	242	258	162	1494
credit	504	543	426	3353	392	379	297	2643
debit	150	157	124	1116	150	121	136	1148

Balance of payments, Hungary (seasonally adjusted data) ^{a)}

euro million

	2002						Jul.	Aug.	Sept.
	Jan.	Feb.	Mar.	Apr.	May	Jun.			
1. Goods, net	-265	-239	-217	-222	-260	-215	-268	-252	-278
1.1. Exports	2559	2684	2736	2791	2815	2927	2900	2863	2871
1.2. Imports	2901	2940	2932	3051	3116	3066	3208	3168	3235
2. Services and income, net									
2.1. Services									
2.1.1. Travel, net	156	191	168	158	168	150	151	135	133
credit	282	314	289	280	289	273	282	267	269
debit	138	141	133	117	128	110	121	114	131
2.1.2. Other services, net	-52	-68	-52	-143	-63	-44	-68	-38	-49
credit	384	396	399	397	410	429	413	442	447
debit	441	465	448	486	470	467	481	472	480
2.2. Income, net									
2.2.1. Income on debt, net	-55	-59	-56	-69	-76	-75	-59	-77	-81
2.2.2. Income on equity, net	-78	-77	-73	-72	-79	-83	-82	-89	-67
2.2.3. Compensation of employees, net	1	-4	0	0	-1	1	0	0	0
3. Current transfers	29	28	33	28	32	30	30	31	27
4. Current account balance	-243	-245	-163	-314	-355	-253	-337	-391	-416

Balance of payments, Hungary (seasonally adjusted data) ^{a)}

euro million

	2001											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1. Goods, net	-184	-154	-164	-193	-200	-220	-193	-196	-170	-223	-231	-234
1.1. Exports	2594	2533	2541	2614	2571	2699	2710	2608	2603	2596	2690	2608
1.2. Imports	2801	2664	2779	2781	2786	2956	2862	2783	2728	2817	2905	2860
2. Services and income, net												
2.1. Services												
2.1.1. Travel, net												
credit	228	200	226	234	232	249	265	257	268	252	266	259
debit	362	306	337	348	351	377	369	379	384	380	393	382
2.1.2. Other services, net	117	115	116	102	127	122	121	148	120	134	126	112
credit	-44	-40	-41	-37	-40	-60	-25	-51	-53	-54	-50	-69
debit	312	314	332	355	349	344	395	366	360	360	375	377
2.2. Income, net	365	353	369	360	380	405	407	405	411	421	433	450
2.2.1. Income on debt, net												
2.2.2. Income on equity, net	-60	-72	-67	-77	-74	-72	-79	-55	-50	-64	-65	-46
2.2.3. Compensation of employees, net	-71	-73	-81	-99	-73	-80	-78	-64	-86	-78	-75	-69
3. Current transfers	-1	0	-1	1	1	1	0	0	0	1	1	2
4. Current account balance	23	22	17	26	18	22	25	24	34	26	26	29
	-65	-82	-138	-112	-134	-245	-55	-69	-108	-128	-170	-101

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Average exchange rates of the Hungarian forint in September 2002 were 243.88 per euro and 248.66 per US dollar. The month-end exchange rates were 243.28 per euro and 247.36 per US dollar.

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^{a)} Methodological notes to seasonal adjustment:

The method used to seasonally adjust the sub-components of the current account in 2002 is as follows:

- 1 The components of the current account are seasonally adjusted using the SEATS TRAMO software, within the Demetra interface, in line with the recommendations of Eurostat.
- 2 The effects of *holidays* are eliminated using a built-in variable designed for holidays in Hungary; the *working-day effect* is eliminated using two regression variables.
- 3 *Outliers* are identified according to the basic setting, allowing the identification of all three types of outlier.
- 4 In order for the seasonally adjusted time series to be stable and *minimise revisions*, the available times series have been adjusted starting from 1994, and the same model setting is being used for one year. The Bank's publications include a five-month moving average of the seasonally smoothed data, with diminishing weights proceeding symmetrically on both sides of the centre ($y_t = 1/9x_{t-2} + 2/9x_{t-1} + 3/9x_t + 2/9x_{t+1} + 1/9x_{t+2}$), instead of the trend calculated by the programme.

- 5 The sub-balance outcomes are directly seasonally adjusted. This means that the sub-accounts, derived from the not adjusted data, are directly seasonally adjusted. Consequently, the seasonally adjusted current account balance outcome cannot be reproduced from the seasonally adjusted data of the sub-accounts.
- 6 Compensation for employees does not reflect seasonal effects, therefore, the Table includes the not seasonally adjusted data.

Notes to the press release and the tables:

The codes attached to the names of the sectors and sub-sectors (e.g. S.121) refer to the corresponding groups of the classification generally used in international practice. The definitions of the individual sectors can be found on the Bank's web site at Financial Data...Statistical Releases, 'Sector classification in MNB's statistical press releases from June 2001'.