

18 September 2002

## PRESS RELEASE

### Hungary's final balance of payments July 2002

According to the final data, Hungary's current account registered a EUR 215 million deficit in July 2002. This compared with a EUR 94 million surplus a year earlier. The increase in net expenditures for trade in goods and the fall in net revenues for services were dominant in the year-on-year change. After eliminating the seasonal effects, the current account was in a deficit of EUR 325 million. Net non-debt inflow amounted to EUR 74 million in July.

Central bank foreign exchange reserves amounted to EUR 10.3 billion at month-end. Whole-economy gross foreign debt was EUR 0.1 billion higher relative to the preceding month. The change in gross debt was dominated by the EUR 0.2 billion downward effect of transactions and the EUR 0.3 billion upward effect of price and exchange rate movements as well as other volume changes. Net foreign debt was practically unchanged relative to June. The EUR 0.1 upward effect of transactions was offset by the downward effect of 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 5.3 billion at end-July, EUR 0.2 billion higher than at the end of the preceding month.

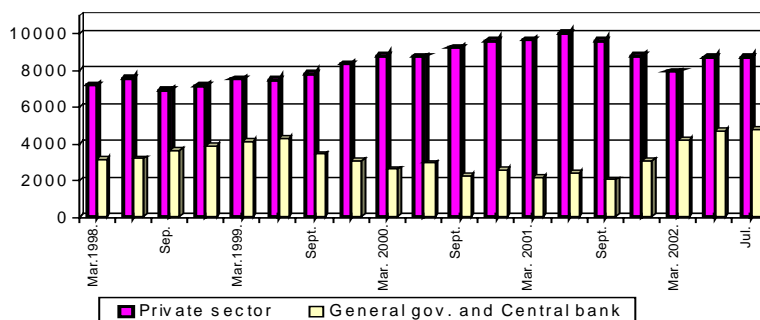
#### Foreign debt of Hungary

	Euro million	
	2002	
	Jun.	Jul.
<b>I. Gross foreign debt, Total Economy (S.1) (A+B)</b>	<b>36.6</b>	<b>36.7</b>
A: General government and Central bank (S.13+S.121)	16.1	16.2
A.1. o/w.:debt securities denominated in HUF	5.1	5.3
B. Private sector (S.1-S.13-S.121)	20.5	20.4
B.1. o/w.:Intercompany loans	6.5	6.5
<b>II. Net foreign debt, Total Economy (S.1) (A+B)</b>	<b>13.4</b>	<b>13.4</b>
A: General government and Central bank (S.13+S.121)	4.7	4.7
A.1. o/w.:debt securities denominated in HUF	5.1	5.3
B. Private sector (S.1-S.13-S.121)	8.7	8.7
B.1. o/w.:Intercompany loans	3.7	3.6
<b>III. Gross foreign debt denominated in foreign currencies, Total Economy (S.1) <sup>a)</sup></b>	<b>25.0</b>	<b>24.9</b>
<b>IV. Net foreign debt denominated in foreign currencies, Total Economy (S.1) <sup>a)</sup></b>	<b>4.5</b>	<b>4.5</b>

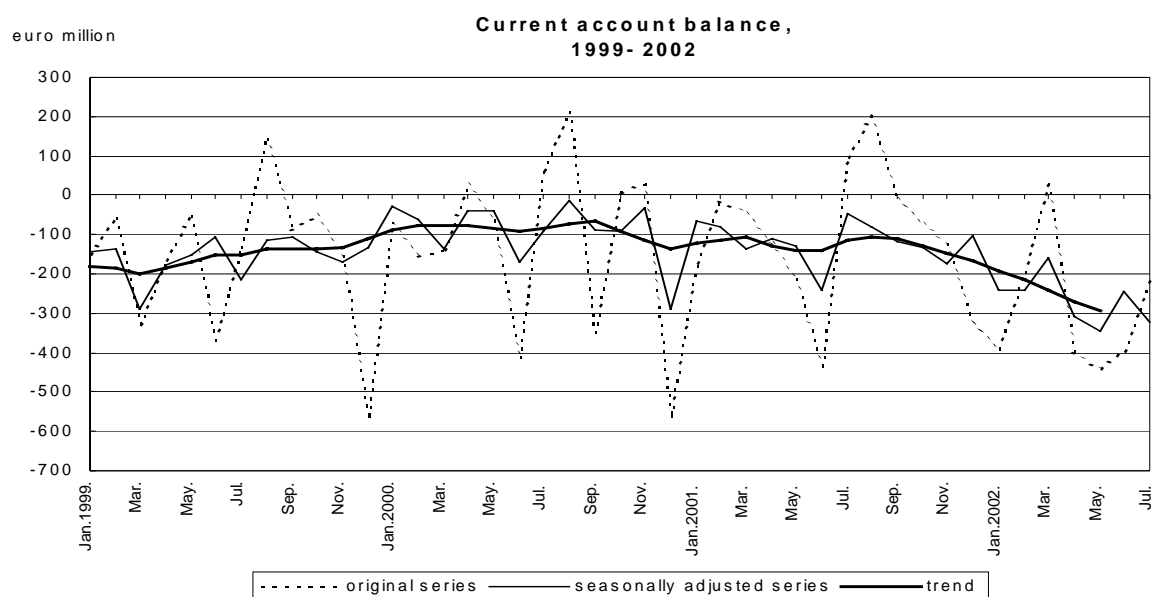
a) Excluding intercompany loans.

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

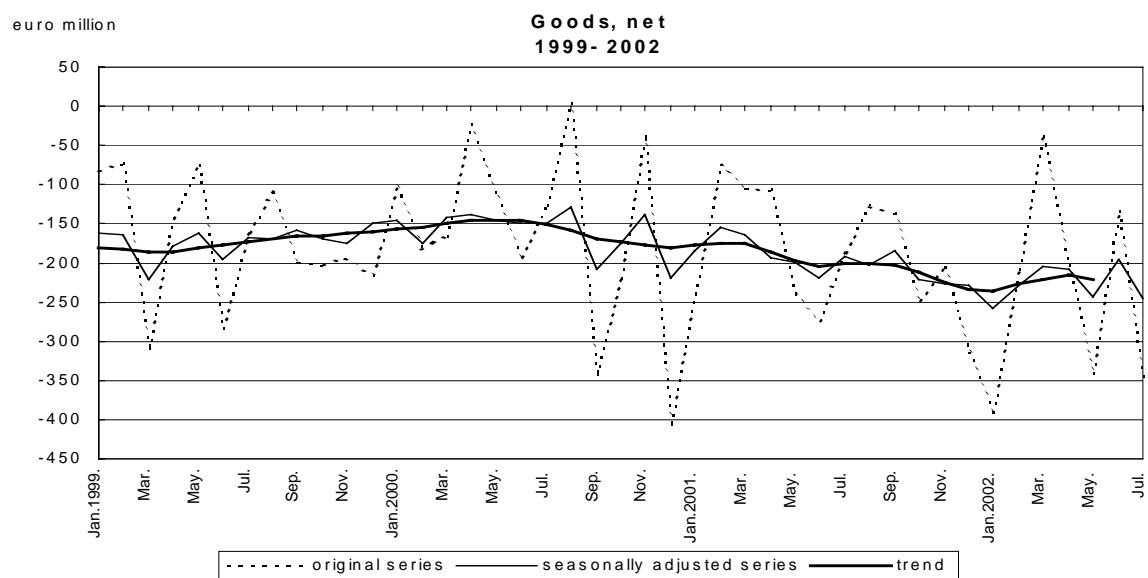
euro million



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



In July, net expenditures for trade in goods were the balance of EUR 3,024 million exports and EUR 3,374 million imports. The monthly values of exports and imports rose by EUR 263 million and EUR 424 million respectively relative to July 2001. The seasonally adjusted goods deficit was EUR 53 million higher in July 2002 than a year earlier.



Tourism revenue, at EUR 392 million, was EUR 112 million lower, whereas expenditure, at EUR 150 million, was unchanged in comparison with July 2001. Net expenditures for service transactions excluding tourism amounted to EUR 60 million in the month under review. This month's outcome appears to break the trend of monthly deficits which has been upwards since the summer of 2001.



Net outflow of investment income was EUR 85 million. Here, the negative balance for investment income on equity rose by EUR 14 million and that of investment income on debt fell by EUR 44 million relative to July 2001.

The EUR 37 million surplus on current transfers in July 2002 was EUR 17 million higher than that recorded a year previously.

Non-debt capital transactions showed a balance of EUR 74 million in the month under review. The outcome for direct investments in equity capital was the result of direct investment transactions by Hungarian residents abroad, at EUR 17 million, and those by non-residents in Hungary, at EUR 157 million. Portfolio investment transactions in equity securities showed net outflows of EUR 65 million.

## Balance of payments, Hungary

euro million

	2001				2002			
	May	Jun.	Jul.	Jan.-Jul.	May	Jun.	Jul.	Jan.-Jul.
<b>1. Goods, net</b>	<b>-240</b>	<b>-275</b>	<b>-188</b>	<b>-1230</b>	<b>-341</b>	<b>-134</b>	<b>-349</b>	<b>-1664</b>
1.1. Exports	2649	2598	2761	18151	2843	2833	3024	19297
1.2. Imports	2889	2873	2950	19382	3184	2966	3374	20961
<b>2. Services and income, net</b>	<b>24</b>	<b>-178</b>	<b>262</b>	<b>186</b>	<b>-123</b>	<b>-286</b>	<b>97</b>	<b>-564</b>
2.1. Services*, net	232	198	377	1339	116	126	182	530
2.1.1. Exports	698	738	922	4718	678	717	838	4691
2.1.2. Imports	467	541	545	3379	562	591	655	4161
2.2. Income, net	-208	-375	-115	-1153	-239	-412	-85	-1094
2.2.1. Income on debt, net	-70	-144	-41	-522	-86	-157	3	-449
2.2.2. Income on equity, net	-139	-232	-74	-632	-151	-257	-88	-642
2.2.3. Compensation of employees, net	1	1	0	1	-1	1	0	-3
<b>3. Current transfers</b>	<b>3</b>	<b>17</b>	<b>20</b>	<b>131</b>	<b>21</b>	<b>23</b>	<b>37</b>	<b>213</b>
<b>4. Current account balance</b>	<b>-213</b>	<b>-436</b>	<b>94</b>	<b>-914</b>	<b>-443</b>	<b>-397</b>	<b>-215</b>	<b>-2015</b>
<b>5. Non debt creating financing, net</b>	<b>127</b>	<b>102</b>	<b>22</b>	<b>607</b>	<b>-95</b>	<b>37</b>	<b>74</b>	<b>477</b>
5.1. Direct investment, equity capital, net	119	103	16	506	-19	93	140	554
5.1.1. Abroad, net	-12	-13	-10	-357	-21	22	-17	-77
5.1.2. In Hungary, net	131	116	26	863	2	71	157	631
5.2. Portfolio investment, equity securities, net	8	0	6	101	-76	-55	-65	-77
*- o/w: Travel, net	252	265	354	1549	193	165	242	1075
credit	377	413	504	2384	319	298	392	1967
debit	125	148	150	835	125	133	150	892

## Balance of payments, Hungary (seasonally adjusted data) <sup>a)</sup>

	2002						
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
<b>1. Goods, net</b>	<b>-257</b>	<b>-229</b>	<b>-205</b>	<b>-208</b>	<b>-243</b>	<b>-196</b>	<b>-246</b>
1.1. Exports	2559	2686	2740	2797	2825	2940	2915
1.2. Imports	2908	2942	2929	3043	3103	3046	3183
<b>2. Services and income, net</b>							
2.1. Services							
2.1.1. Travel, net	157	193	171	162	173	156	158
credit	283	317	292	285	295	280	290
debit	138	141	133	117	127	110	121
2.1.2. Other services, net	-55	-72	-57	-150	-70	-51	-71
credit	381	390	389	382	391	404	385
debit	442	468	452	493	478	477	492
2.2. Income, net							
2.2.1. Income on debt, net	-55	-56	-50	-58	-60	-54	-33
2.2.2. Income on equity, net	-81	-76	-77	-73	-86	-86	-86
2.2.3. Compensation of employees, net	1	-4	0	0	-1	1	0
<b>3. Current transfers</b>	<b>30</b>	<b>30</b>	<b>35</b>	<b>31</b>	<b>36</b>	<b>36</b>	<b>37</b>
<b>4. Current account balance</b>	<b>-242</b>	<b>-243</b>	<b>-159</b>	<b>-308</b>	<b>-347</b>	<b>-244</b>	<b>-325</b>

**Balance of payments, Hungary (seasonally adjusted data) <sup>a)</sup>**

euro million

	2001											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
<b>1. Goods, net</b>	<b>-184</b>	<b>-154</b>	<b>-164</b>	<b>-193</b>	<b>-200</b>	<b>-220</b>	<b>-193</b>	<b>-202</b>	<b>-184</b>	<b>-220</b>	<b>-227</b>	<b>-228</b>
1.1. Exports	2593	2534	2542	2618	2576	2706	2719	2607	2591	2588	2687	2605
1.2. Imports	2806	2665	2777	2775	2777	2943	2845	2760	2752	2837	2921	2870
<b>2. Services and income, net</b>												
2.1. Services												
2.1.1. Travel, net	228	201	227	236	234	252	269	250	261	250	264	259
credit	363	308	339	351	355	382	375	371	378	376	389	381
debit	117	115	116	102	127	122	121	145	121	135	127	113
2.1.2. Other services, net	-45	-40	-41	-37	-39	-60	-28	-43	-53	-53	-51	-69
credit	311	313	330	353	345	339	387	376	367	365	377	377
debit	366	353	369	360	381	406	409	400	409	421	433	450
2.2. Income, net												
2.2.1. Income on debt, net	-61	-71	-65	-73	-70	-67	-72	-64	-60	-73	-71	-49
2.2.2. Income on equity, net	-69	-71	-85	-112	-74	-65	-79	-69	-86	-78	-74	-64
2.2.3. Compensation of employees, net	-1	0	-1	1	1	1	0	0	0	1	1	2
<b>3. Current transfers</b>	<b>23</b>	<b>22</b>	<b>17</b>	<b>25</b>	<b>18</b>	<b>22</b>	<b>25</b>	<b>24</b>	<b>29</b>	<b>26</b>	<b>26</b>	<b>29</b>
<b>4. Current account balance</b>	<b>-64</b>	<b>-80</b>	<b>-135</b>	<b>-109</b>	<b>-129</b>	<b>-240</b>	<b>-48</b>	<b>-82</b>	<b>-117</b>	<b>-132</b>	<b>-172</b>	<b>-102</b>

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Average exchange rates of the Hungarian forint in July 2002 were 246.64 per euro and 248.59 per US dollar. The month-end exchange rates were 245.05 per euro and 250.18 per US dollar.

\* \* \* \* \*

<sup>a)</sup> 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 the NBH's statistical press releases from June 2001'.