

PRESS RELEASE

Hungary's balance of payments: November 2002

According to the final data, Hungary's current account registered a EUR 455 million deficit in November 2002. This compared with a EUR 124 million deficit a year earlier. The year-on-year change was dominated by the increases in net expenditures for trade in goods and negative income on equity, and by the fall in net revenues for services, affecting net travel revenue in particular. After eliminating the seasonal effects, the current account was in a deficit of EUR 477 million. The significant fall in travel receipts 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 inflow amounted to EUR 47 million in the month under review.

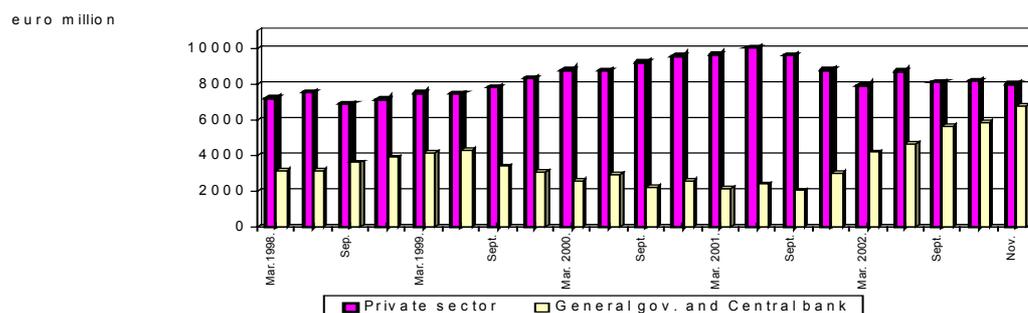
Central bank foreign exchange reserves amounted to EUR 9.8 billion at month-end. Whole-economy gross foreign debt was EUR 1.2 billion higher relative to the preceding month. This was attributable to the EUR 0.8 billion and EUR 0.4 billion upward effects of transactions, and price and exchange rate movements as well as other volume changes respectively. Net foreign debt rose by EUR 0.7 billion relative to the preceding month. This resulted mainly from the EUR 0.5 billion and EUR 0.2 billion upward effects 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 7.1 billion at end-November, EUR 0.9 billion higher than at the end of October.

Foreign debt of Hungary

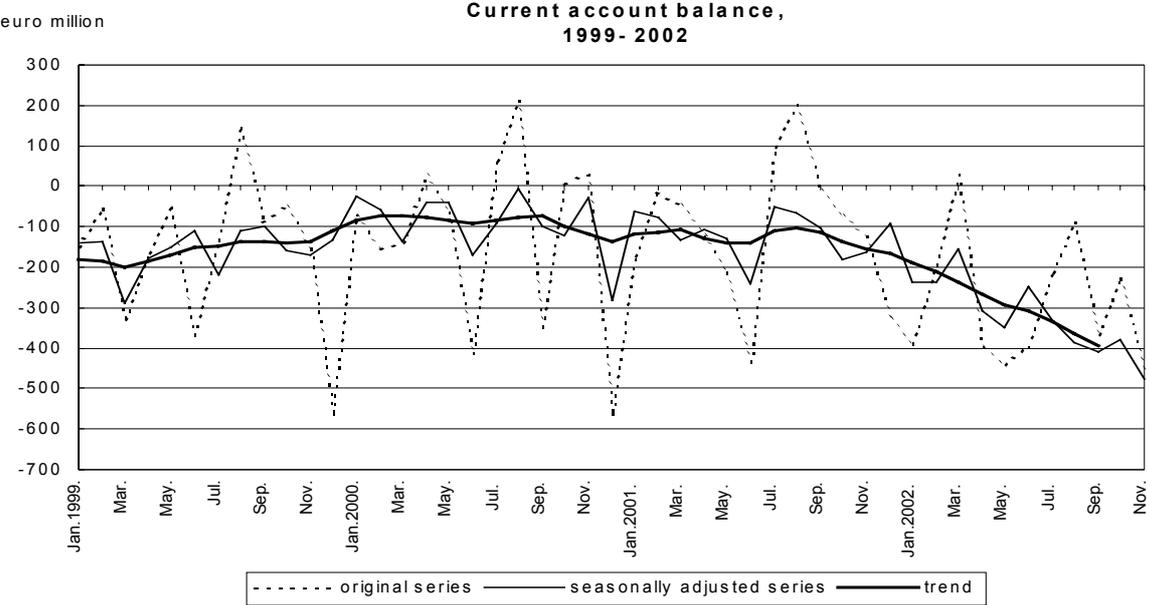
	Euro million	
	2002	
	Oct.	Nov.
I. Gross foreign debt, Total Economy (S.1) (A+B)	37.3	38.5
A: General government and Central bank (S.13+S.121)	16.9	17.6
A.1. o/w.:debt securities denominated in HUF	6.2	7.1
B. Private sector (S.1-S.13-S.121)	20.5	20.9
B.1. o/w.:Intercompany loans	6.4	6.6
II. Net foreign debt, Total Economy (S.1) (A+B)	14.0	14.7
A: General government and Central bank (S.13+S.121)	5.9	6.8
A.1. o/w.:debt securities denominated in HUF	6.2	7.1
B. Private sector (S.1-S.13-S.121)	8.2	8.0
B.1. o/w.:Intercompany loans	3.3	3.5
III. Gross foreign debt denominated in foreign currencies, Total Economy (S.1) ^{a)}	24.7	24.8
IV. Net foreign debt denominated in foreign currencies, Total Economy (S.1) ^{a)}	4.5	4.2

a) excluding intercompany loans

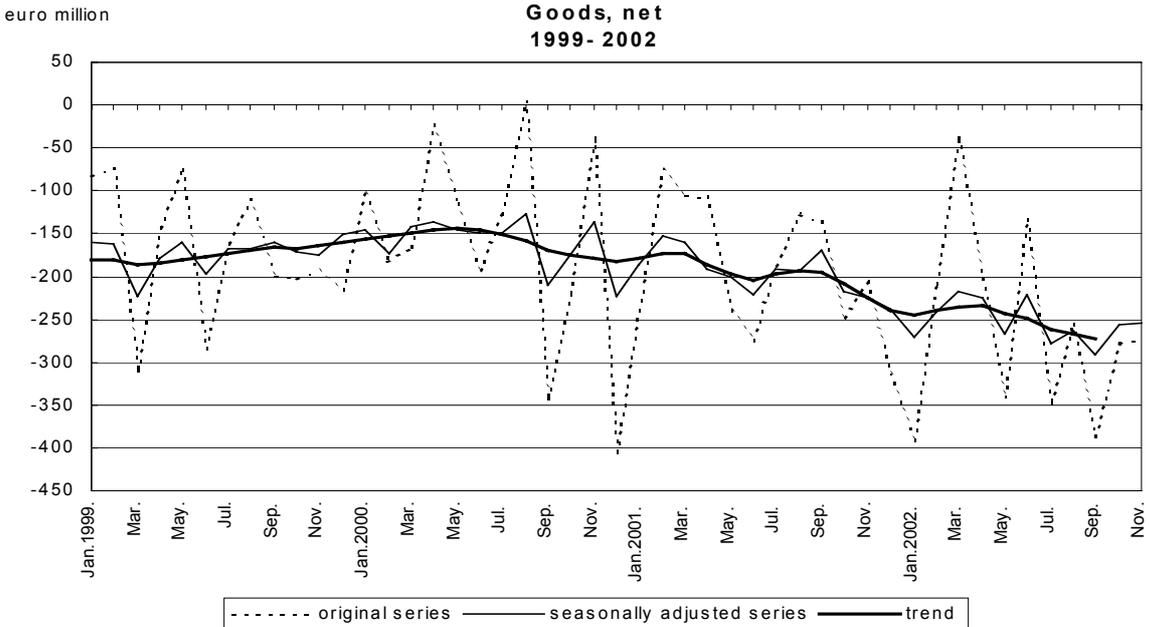
Net foreign debt, Hungary 1998-2002 (by sectors, including intercompany loans)



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 fall in foreign exchange reserves. Most of the change in private sector net debt in the period was accounted for by an increase in assets.



In November, net expenditures for trade in goods were the balance of EUR 3,247 million exports and EUR 3,521 million imports. The monthly values of exports and imports rose by EUR 423 million and EUR 490 million respectively relative to November 2001. The seasonally adjusted goods deficit was EUR 2 million lower than in the preceding month.



The EUR 221 million travel revenue was EUR 131 million lower in November 2002 than twelve months previously. This contrasted with the 135 EUR million travel expenditure being EUR 15 million higher year on year. Net expenditures for service transactions excluding travel amounted to EUR 112 million in the review month. According to the time series calculated after eliminating the seasonal effects, the trend of monthly balance outcomes for service transactions excluding travel shows continuously falling deficits since the spring of 2002.



Within the EUR 178 million net outflow of investment income, the negative balance for investment income on equity increased by EUR 71 million and that for investment income on debt fell by EUR 7 million in a year-on-year comparison.

The EUR 23 million surplus on current transfers in November 2002 was EUR 8 million higher than in November 2001.

The balance of non-debt capital transactions showed a total inflow of EUR 47 million in November. 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 5 million and EUR 43 million respectively. Portfolio investment transactions in equity securities showed a net inflow of EUR 9 million.

Balance of payments, Hungary

euro million

	2001				2002			
	Sept.	Oct.	Nov.	Jan.-Nov.	Sept.	Oct.	Nov.	Jan.-Nov.
1. Goods, net	-137	-249	-207	-1951	-388	-278	-274	-2860
1.1. Exports	2430	2687	2824	28592	2732	3238	3247	31199
1.2. Imports	2568	2936	3031	30543	3120	3516	3521	34059
2. Services and income, net	74	153	69	781	-10	16	-204	-630
2.1. Services*, net	262	238	181	2377	148	125	-26	1046
2.1.1. Exports	758	792	750	7932	730	750	601	7597
2.1.2. Imports	496	554	569	5555	582	625	627	6551
2.2. Income, net	-188	-85	-112	-1596	-158	-109	-178	-1676
2.2.1. Income on debt, net	-54	-51	-96	-741	-92	-65	-89	-734
2.2.2. Income on equity, net	-134	-36	-17	-859	-66	-46	-88	-941
2.2.3. Compensation of employees, net	0	1	1	4	0	2	0	-2
3. Current transfers	51	24	15	250	32	30	23	333
4. Current account balance	-12	-72	-124	-920	-366	-231	-455	-3157
5. Non debt creating financing, net	103	239	123	1148	-34	20	47	737
5.1. Direct investment, equity capital, net	83	310	93	1081	12	73	38	914
5.1.1. Abroad, net	-14	-6	-11	-404	-30	-14	-5	-165
5.1.2. In Hungary, net	97	316	104	1484	42	87	43	1079
5.2. Portfolio investment, equity securities, net	20	-70	30	67	-45	-53	9	-178
*- o/w: Travel, net	301	266	233	2735	162	172	85	1752
credit	426	384	352	4089	297	293	221	3156
debit	124	119	120	1354	136	121	135	1404

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

euro million

	2002										
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.
1. Goods, net	-270	-241	-218	-225	-268	-221	-279	-263	-292	-257	-255
1.1. Exports	2589	2669	2712	2807	2833	2920	2894	2916	2917	3044	3066
1.2. Imports	2907	2945	2937	3054	3119	3068	3209	3169	3234	3342	3379
2. Services and income, net											
2.1. Services											
2.1.1. Travel, net	157	191	169	159	169	150	151	135	133	150	128
credit	288	320	293	283	290	273	281	265	265	270	253
debit	138	141	133	117	128	110	121	114	131	136	142
2.1.2. Other services, net	-42	-59	-43	-147	-111	-79	-90	-51	-58	-54	-61
credit	392	401	401	394	403	416	395	416	415	403	389
debit	441	465	448	487	470	468	482	472	480	493	489
2.2. Income, net											
2.2.1. Income on debt, net	-58	-61	-57	-68	-73	-70	-52	-68	-70	-68	-62
2.2.2. Income on equity, net	-79	-78	-75	-74	-82	-86	-85	-93	-72	-87	-99
2.2.3. Compensation of employees, net	1	-4	0	0	-1	1	0	0	0	2	0
3. Current transfers	29	28	33	28	33	31	32	33	29	34	34
4. Current account balance	-236	-238	-156	-307	-348	-247	-331	-385	-410	-378	-477

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	-185	-153	-161	-192	-201	-221	-192	-194	-170	-218	-226	-238
1.1. Exports	2583	2547	2543	2608	2604	2694	2694	2630	2632	2582	2645	2602
1.2. Imports	2804	2667	2782	2784	2787	2958	2863	2783	2729	2784	2912	2866
2. Services and income, net												
2.1. Services												
2.1.1. Travel, net	228	200	226	235	232	249	265	257	268	245	271	260
credit	366	309	339	350	351	376	368	376	380	363	402	391
debit	117	115	116	102	127	122	121	148	120	134	126	112
2.1.2. Other services, net	-44	-40	-38	-36	-44	-58	-25	-48	-51	-46	-38	-61
credit	312	314	331	354	347	341	391	361	353	360	388	387
debit	365	353	369	360	380	405	407	405	412	419	435	450
2.2. Income, net												
2.2.1. Income on debt, net	-61	-72	-67	-76	-73	-71	-77	-52	-46	-65	-70	-50
2.2.2. Income on equity, net	-71	-73	-81	-99	-74	-80	-78	-65	-87	-78	-65	-70
2.2.3. Compensation of employees, net	-1	0	-1	1	1	1	0	0	0	1	1	2
3. Current transfers	23	22	17	25	18	22	25	24	34	26	25	29
4. Current account balance	-61	-78	-134	-109	-131	-242	-61	-65	-105	-183	-163	-93

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In November 2002, the average exchange rates of the euro and the US dollar were HUF 238.13 and HUF 237.63 respectively. The month-end exchange rates were HUF 237.48 vis-à-vis the euro and HUF 239.01 vis-à-vis the US dollar.

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According to the announcement at a [press conference held on 13 November 2002](#), affecting trade in goods from 2003, the MNB will change its statistical methodology of compiling Hungarian balance of payments statistics from recording settlements data to a more accurate system of recording transactions according to the accrual method. Following the implementation of this change, data on trade in goods will be based on **customs statistics** which better reflect physical movements of goods, similarly to the national accounts. The releases of balance of payments data will have to be adjusted to the dates of data releases by the CSO, which are different from the current publication policy of the MNB. Beginning with the data for December 2002, the MNB will not publish preliminary balance of payments data in early February. The December data, including the revised time series for the period beginning from 1995, will be released on **25 February 2003**.

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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 the NBH's statistical press releases from June 2001'.