

## PRESS RELEASE

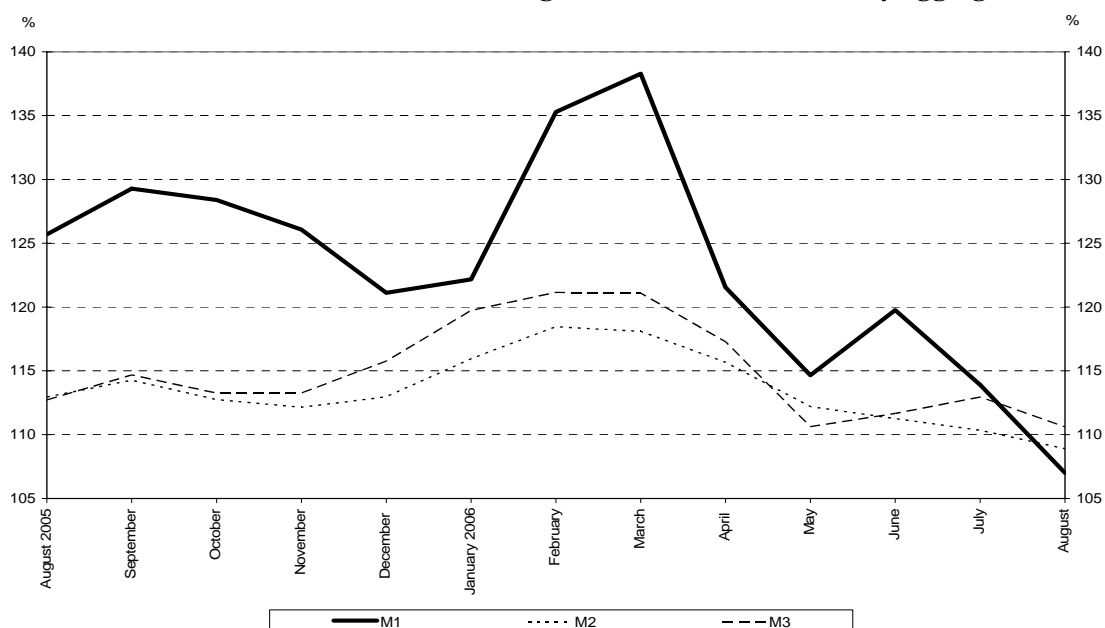
### Consolidated balance sheet of MFIs: August 2006

*As a consequence of the imposition of withholding taxes on interest from 1 September, households rearranged their portfolios towards deposits with maturities of over one year and mutual funds: overnight deposits and deposits with an agreed maturity of up to one year fell by HUF 533.0 billion, while deposits with an agreed maturity of over one year rose by HUF 289.5 billion. Other financial corporations' deposits with MFIs increased by HUF 222.1 billion.*

In August 2006, the monetary base rose by HUF 74.0 billion to HUF 2,536.9 billion. Currency in circulation rose by HUF 31.3 billion to HUF 1,894.0 billion and the monthly average stock of other monetary financial institutions' current account deposits by HUF 31.2 billion to HUF 618.5 billion. The monthly average stock of other monetary financial institutions' overnight deposits with the MNB increased by HUF 11.5 billion to HUF 24.4 billion. The annualised month-on-month growth index of the monetary base (M0)<sup>1</sup> was 128.9% in the month under review.

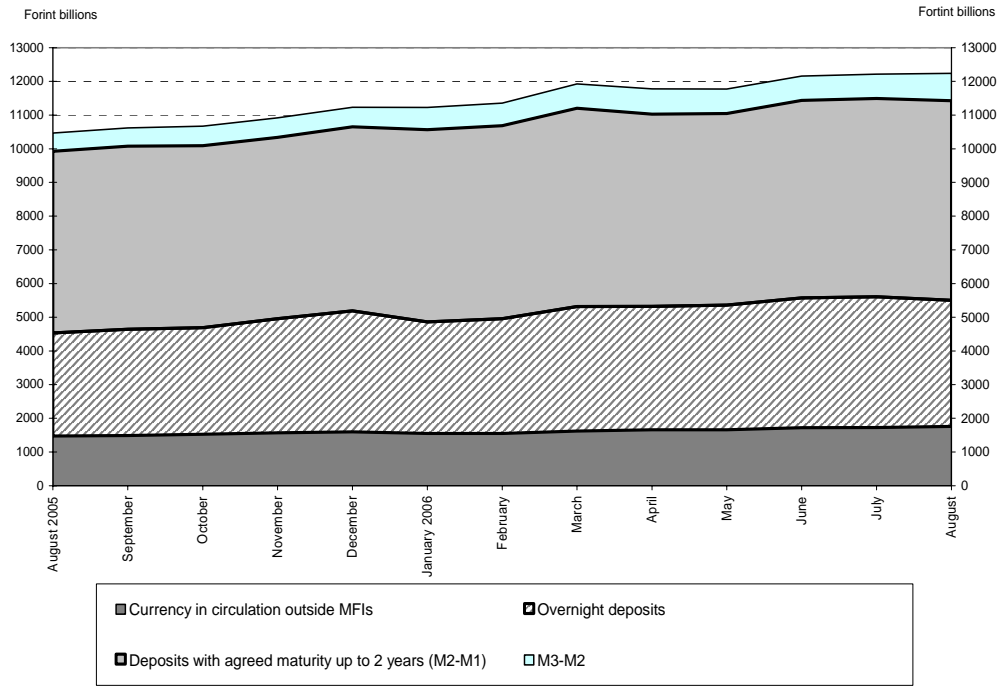
The annualised month-on-month growth index of the narrow monetary aggregate M1 fell by 6.9 percentage points, from 113.9% to 107.0%. The annualised month-on-month growth index of M2 was down 1.5 percentage points, from 110.3% to 108.9%. The annualised month-on-month growth index of M3 fell by 7.0 percentage points, from 114.8% to 107.9%.

**Chart 1 Annualised month-on-month growth rates of the monetary aggregates**

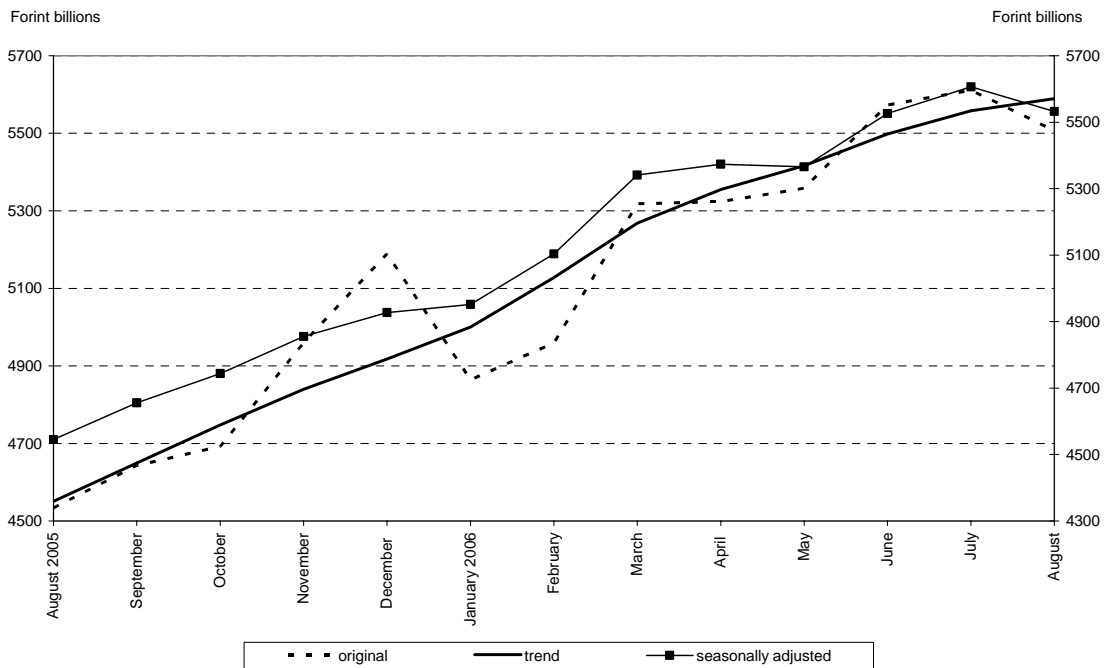


<sup>1</sup> For an explanation, see the methodological notes at the end of this press release.

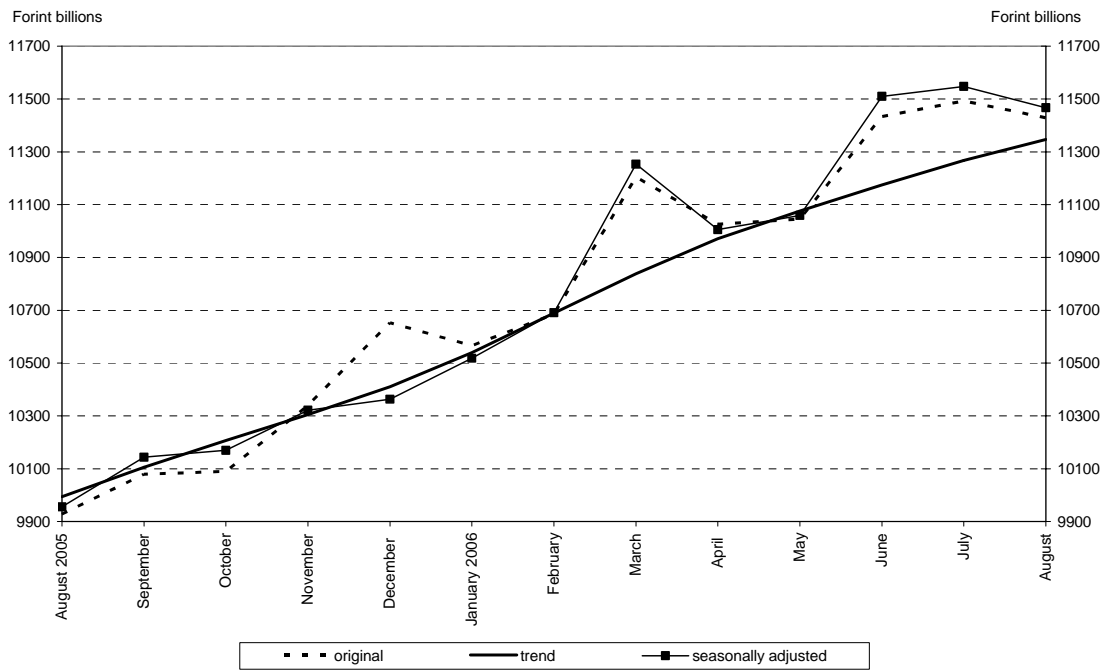
### Chart 2 Components of the monetary aggregates



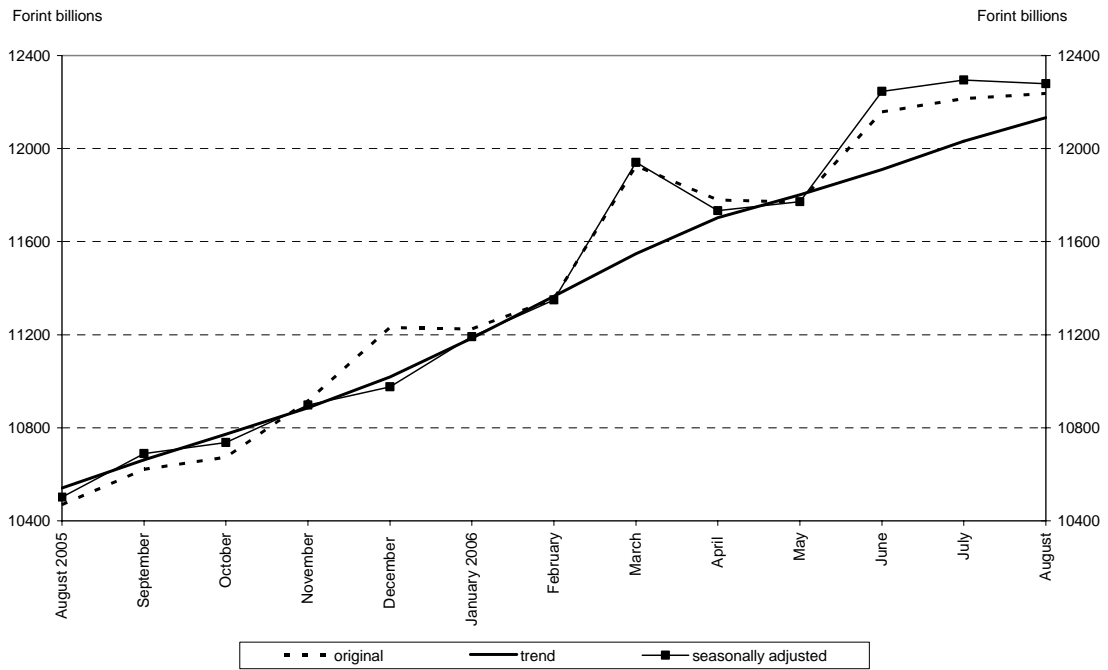
### Chart 3 Seasonally adjusted M1



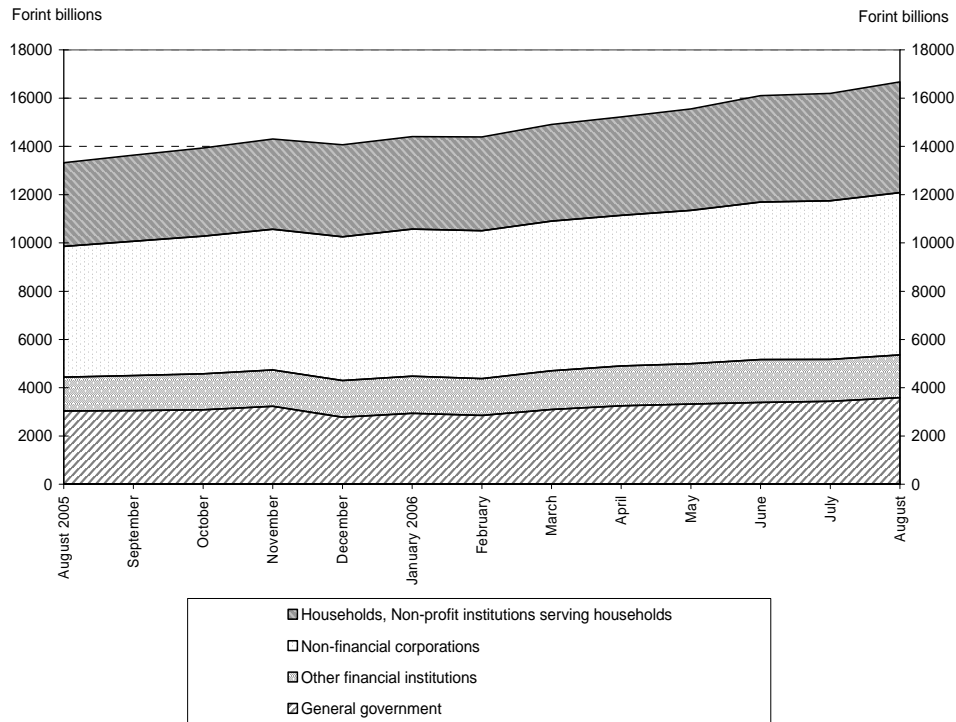
### Chart 4 Seasonally adjusted M2



### Chart 5 Seasonally adjusted M3

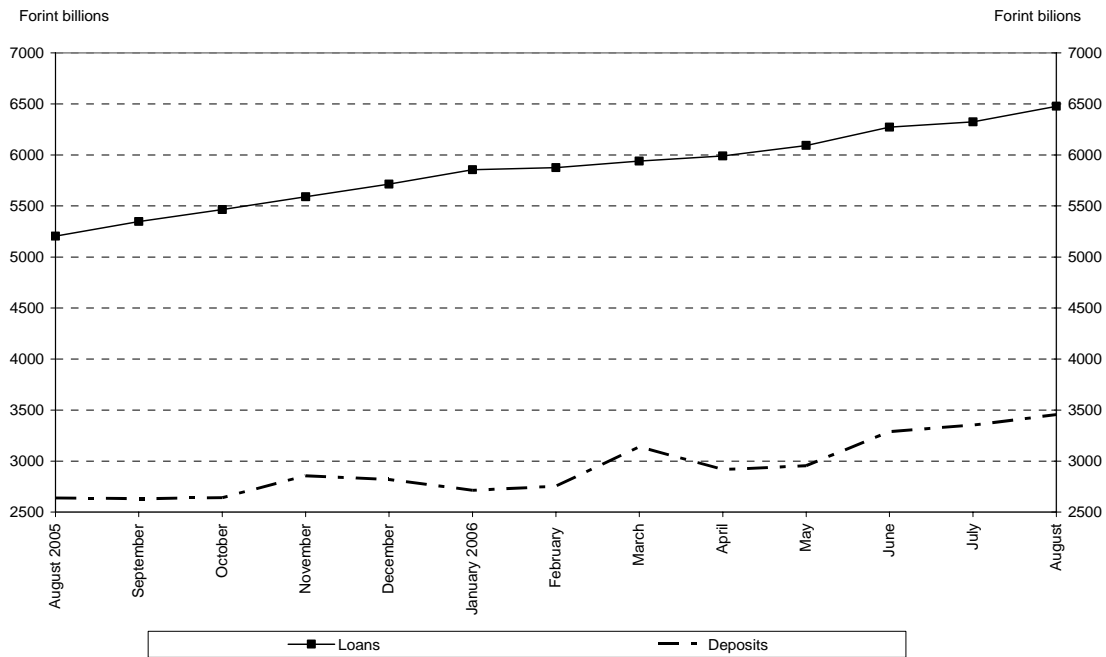


**Chart 6 Outstanding domestic loans**



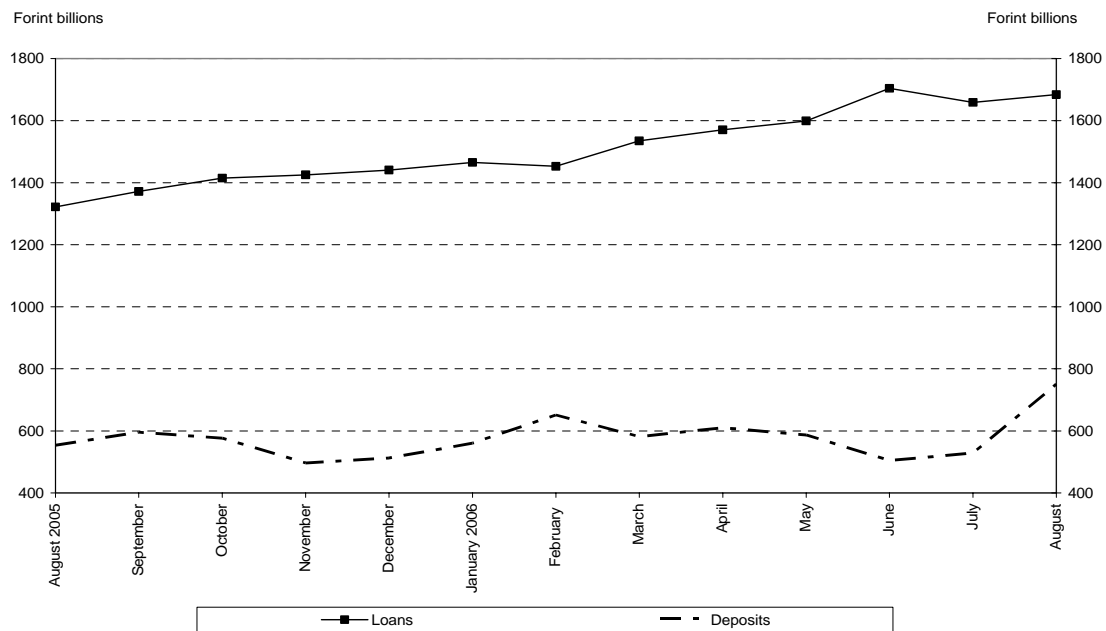
The total stock of loans granted by monetary financial institutions to non-financial corporations rose by HUF 153.8 billion in one month. Outstanding short and long-term loans were HUF 31.3 billion and HUF 122.5 billion higher respectively than in July. Loans with a maturity of up to 5 years rose by HUF 70.4 billion and those with a maturity of over 5 years by HUF 52.1 billion. Within short-term loans, the share of foreign currency loans edged down from 37.5% to 37.4% in one month. Foreign currency loans as a percentage of loans with a maturity of up to 5 years rose from 47.7% to 48.5%, while foreign currency loans as a percentage of loans with a maturity of over 5 years remained unchanged at 67.3%. Within the HUF 153.8 billion change in outstanding borrowings, forint loans outstanding rose by HUF 60.0 billion and foreign currency loans by HUF 93.8 billion. NFCs' deposits with MFIs were up by HUF 101.6 billion on the preceding month. Overnight deposits and deposits with an agreed maturity of up to one year rose by HUF 18.0 billion and HUF 81.3 billion respectively. Deposits with an agreed maturity of over one year increased by HUF 1.6 billion. Outstanding repo positions were up HUF 0.8 billion on July.

**Chart 7 Non-financial corporations' loans and deposits**



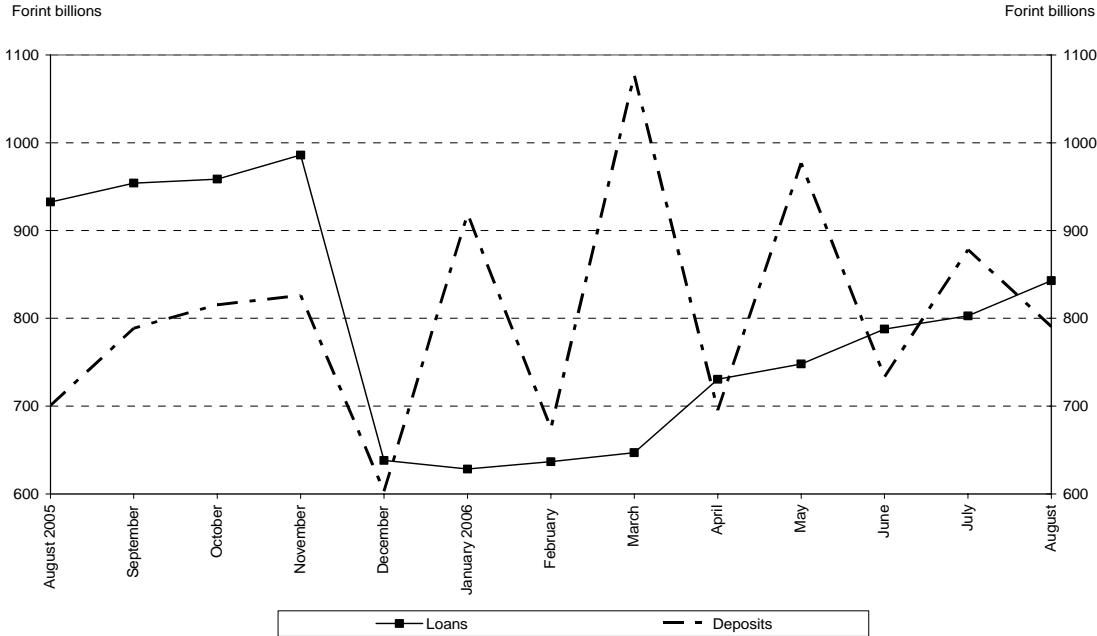
Outstanding loans to other financial corporations rose by HUF 25.2 billion, after falling in July. Loans with a maturity up of to one year fell by HUF 144.7 billion and those with a maturity over one year rose by HUF 169.9 billion. Loans with a maturity of up to 5 years were up by HUF 164.0 billion and those with a maturity of over 5 years by HUF 5.9 billion. The stock of forint loans to the sector rose by HUF 15.7 billion and that of foreign currency loans by HUF 9.5 billion. The sector's deposits with monetary financial institutions increased by HUF 222.1 billion. Overnight deposits increased by HUF 123.8 billion, time deposits by HUF 73.1 billion and outstanding repos by HUF 25.2 billion.

**Chart 8 Loans and deposits of other financial corporations**



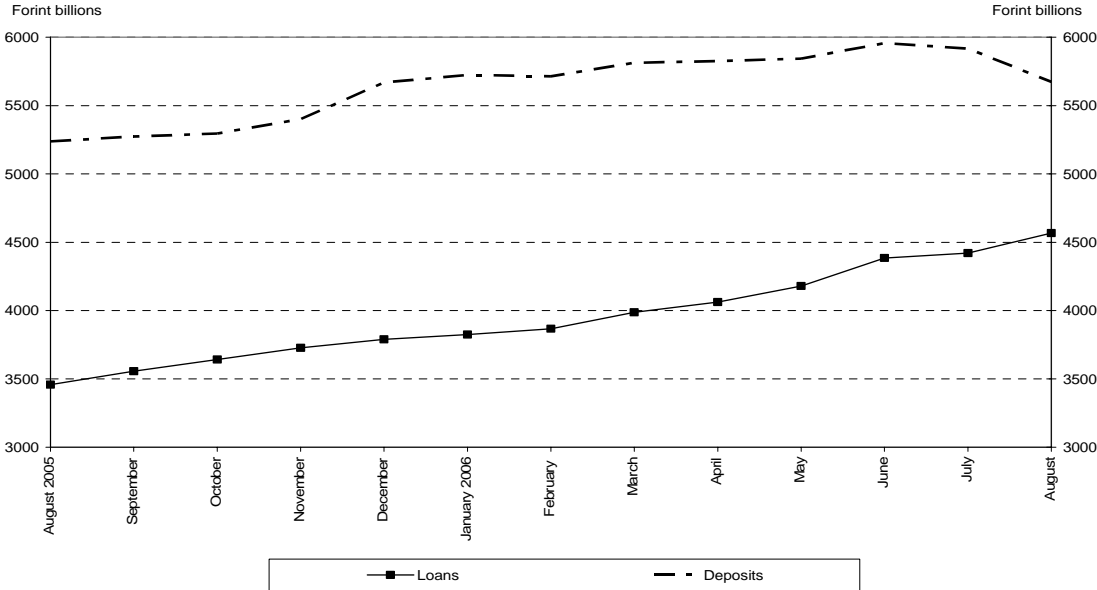
The increase in loans granted by monetary financial institutions to general government since February 2006 continued: their stock rose by HUF 40.3 billion in August relative to end-July. The sector's deposits with MFIs were down HUF 87.5 billion on the preceding month: deposits of the central government fell by HUF 79.8 billion and those of the local government sub-sector by HUF 7.7 billion.

**Chart 9 Loans and deposits of general government**



Up HUF 146.2 billion in August, the outstanding total of loans granted by monetary financial institutions to the household sector continued to rise. Following the slight increase in July, households' deposits with MFIs were HUF 243.5 billion lower than in the preceding month, as a result of the imposition of withholding taxes on interest.

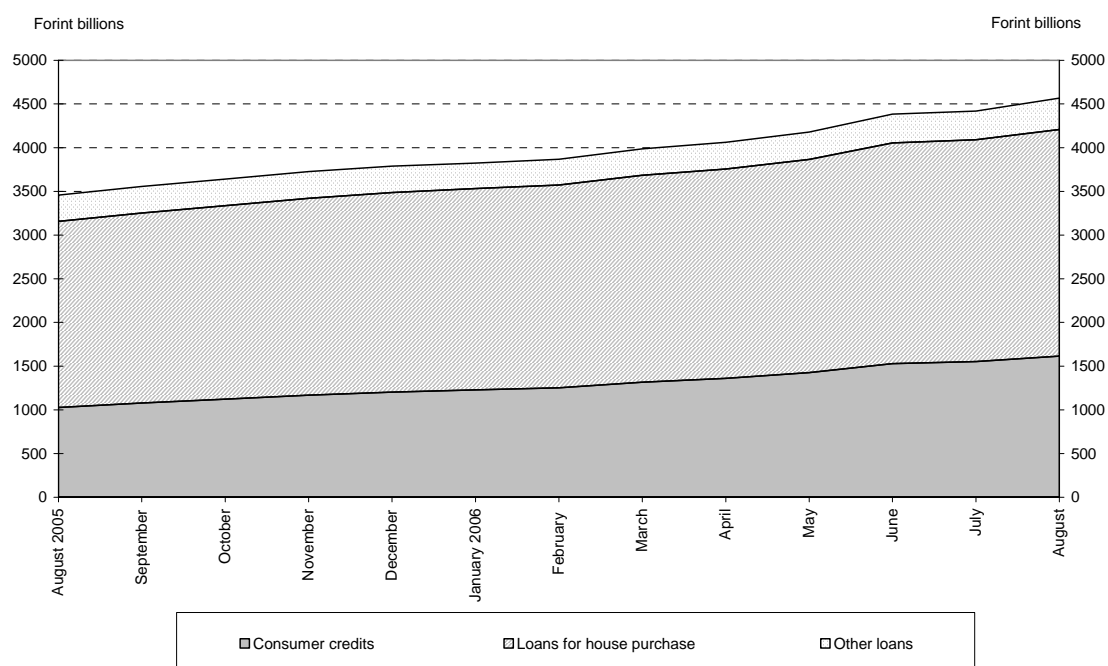
**Chart 10 Loans and deposits of households**



Within loans outstanding to households, housing loans dropped from 57.4% to 56.8% as a percentage of the total, with the stock of loans rising by HUF 56.2 billion. Within housing loans, foreign currency loans rose from 29.5% to 31.0%. Consumer credit edged up from 35.1% to 35.4% as a proportion of the total, with the outstanding amount of consumer credit increasing by HUF 62.8 billion. Foreign currency loans changed from 55.8% to 56.8% as a percentage of total consumer credit. Other loans to the household sector rose by HUF 27.1 billion in the month under review. Here, the percentage share of foreign currency loans was up from 32.6% to 34.9%.

Within the sector's deposits with MFIs, overnight deposits fell by HUF 275.1 billion and deposits with an agreed maturity of up to one year by HUF 257.9 billion. Foreign currency loans outstanding to households rose by HUF 20.1 billion. By contrast, deposits with an agreed maturity of up to two years and those with an agreed maturity of over two years increased: the former by HUF 191.1 billion and the latter by HUF 98.4 billion.

**Chart 11 Loans to households**

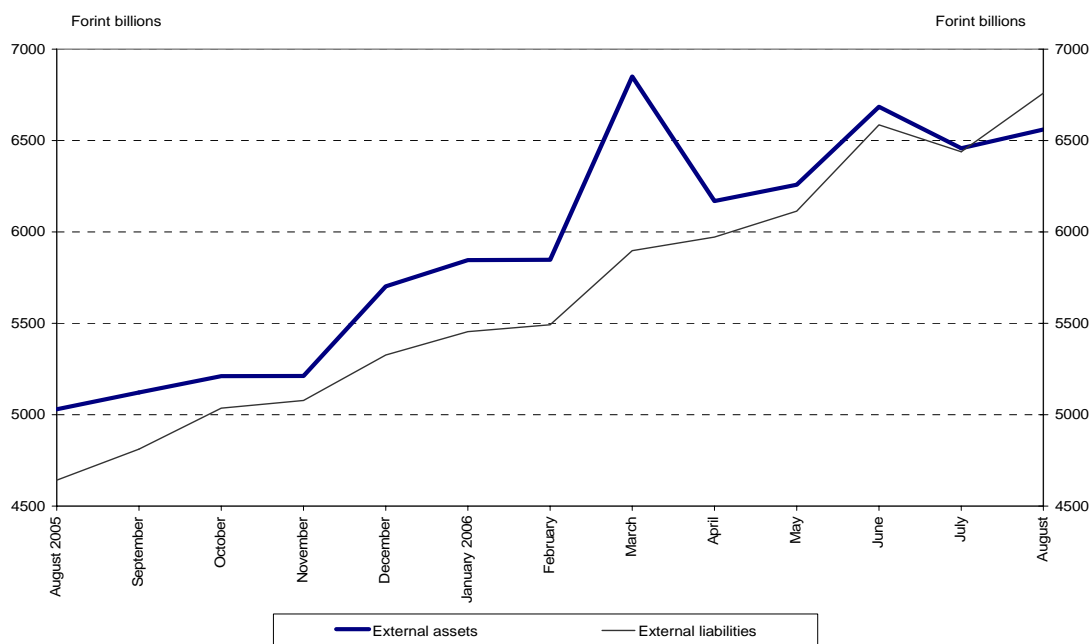


In August, liabilities of monetary financial institutions vis-à-vis non-residents exceeded their assets for the first time since October 2000. The sector's external assets and liabilities respectively were HUF 102.6 billion and HUF 321.1 billion higher than in July. As a consequence, MFIs' net external assets fell by HUF 218.5 billion.

Assets of the central bank vis-à-vis non-residents rose by HUF 31.0 billion and its liabilities fell by HUF 28.2 billion relative to the preceding month. As a result, net external assets were HUF 59.2 billion higher than in July.

Net assets of other monetary financial institutions vis-à-vis non-residents were down HUF 277.6 billion in August. The sector's external assets rose by HUF 71.6 billion and its liabilities by HUF 349.2 billion.

Chart 12 External assets and liabilities



### Methodological notes to the press release

Ensuring comparability of data over different periods requires eliminating seasonal variations and distortions. Consequently, the time series for the monetary aggregates are individually seasonally adjusted. Trend data are obtained from the seasonally adjusted data by eliminating outliers relating to deterministic effects and irregular components identified in the seasonal adjustment process. The annualised month-on-month growth indices in this press release are generated from trend data by dividing the trend data for the base period by that for the previous period, and by raising the quotient to the 12<sup>th</sup> power. The month-on-month growth rates derived using this method better reflect developments of the most recent period than annual (twelve-month-on-twelve-month) growth indices.

Percentages and ratios are calculated from data before rounding. The sums of sub-totals may not add to total due to rounding.

*The data underlying this press release are available on the MNB's website at [http://english.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=0708\\_monstatpubl\\_en.xls](http://english.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=0708_monstatpubl_en.xls).*

**MAGYAR NEMZETI BANK**  
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