MAGYAR NEMZETI BANK

29 August 2008

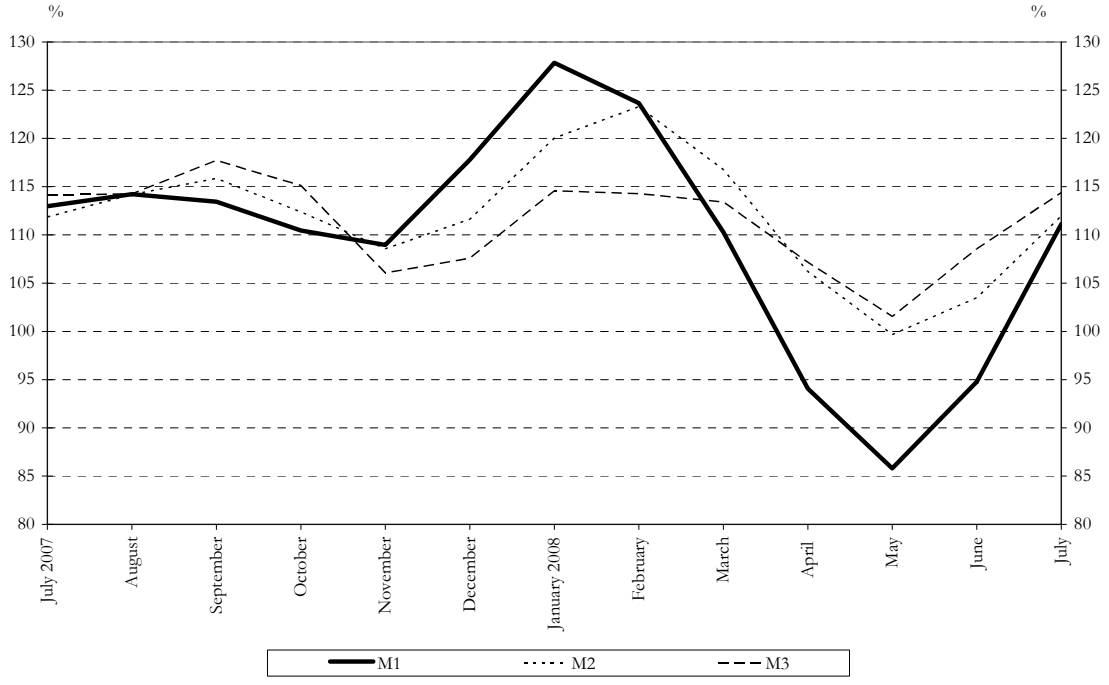
PRESS RELEASE

Consolidated balance sheet of MFIs: July 2008

In July 2008, the monetary base fell by HUF 134.7 billion to HUF 2,940.9 billion. The annualised month-on-month growth index[1] of the monetary base (M0) stood at 88.9%, down 9.2 percentage points on the previous month.

The annualised month-on-month growth index of the monetary aggregate M1 rose by 16.3 percentage points to 111.1% and that of M2 by 8.5 percentage points to 112.0%. The annualised month-on-month growth index of M3, at 114.4%, was 5.8 percentage points higher than in the previous month.

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



The not seasonally adjusted stock of the monetary aggregate M3 rose by HUF 510.4 billion to HUF 14,693.2 billion.

The percentage share of M1 – comprising currency outside monetary financial institutions and overnight deposits – within M3 remained unchanged at 42.6%. The stock of the aggregate amounted to HUF 6,259.3 billion. Within this, the stock of overnight deposits was HUF 4,256.9 billion.

[1] For an explanation, see the methodological notes at the end of this press release.

The percentage share of M2-M1 – a measure of deposits with an agreed maturity of up to two years – was 48.9%. The combined stock of M2-M1 rose by HUF 232.5 billion to HUF 9,171.3 billion.

The percentage share of M3-M2 – comprising outstanding repos, money market fund shares and debt securities with maturities of up to two years – was 8.5%. The combined stock of M3-M2 rose by HUF 64.5 billion to HUF 1,242.6 billion in the month.

Chart 2 Components of the monetary aggregates

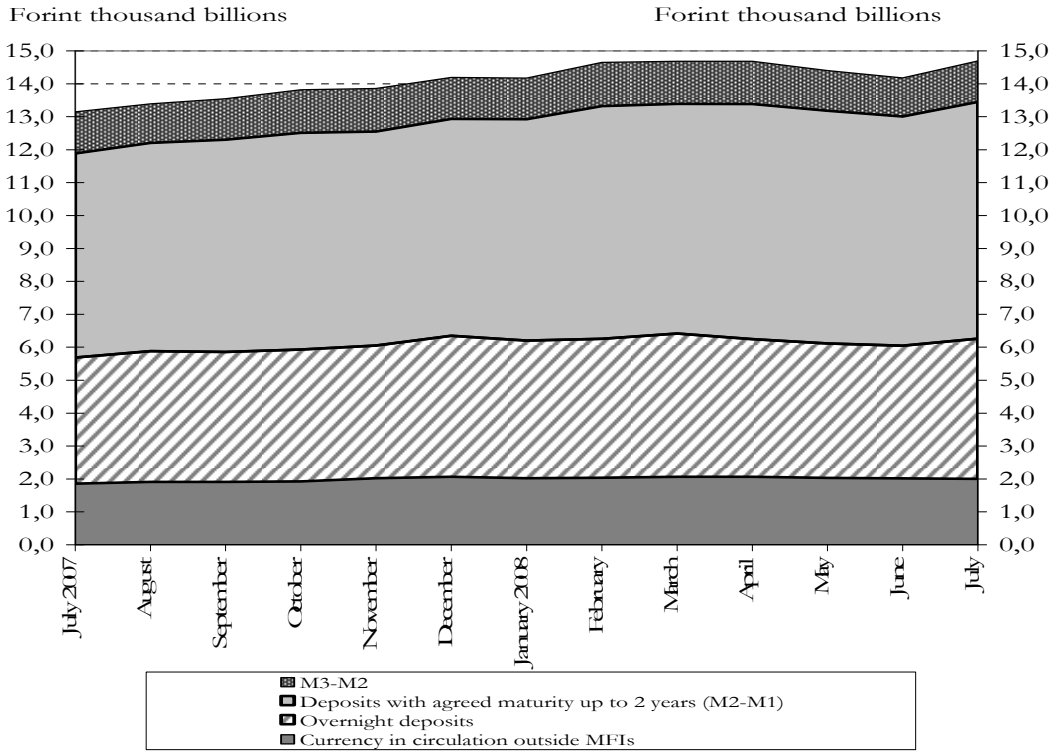


Chart 3 Seasonally adjusted M1

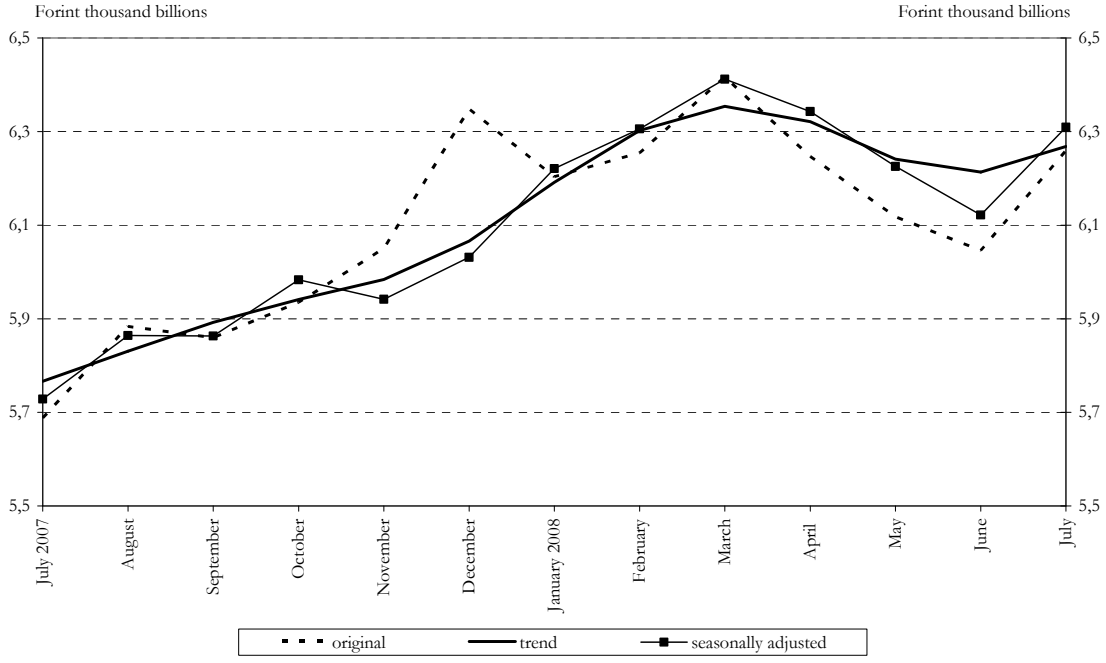


Chart 4 Seasonally adjusted M2

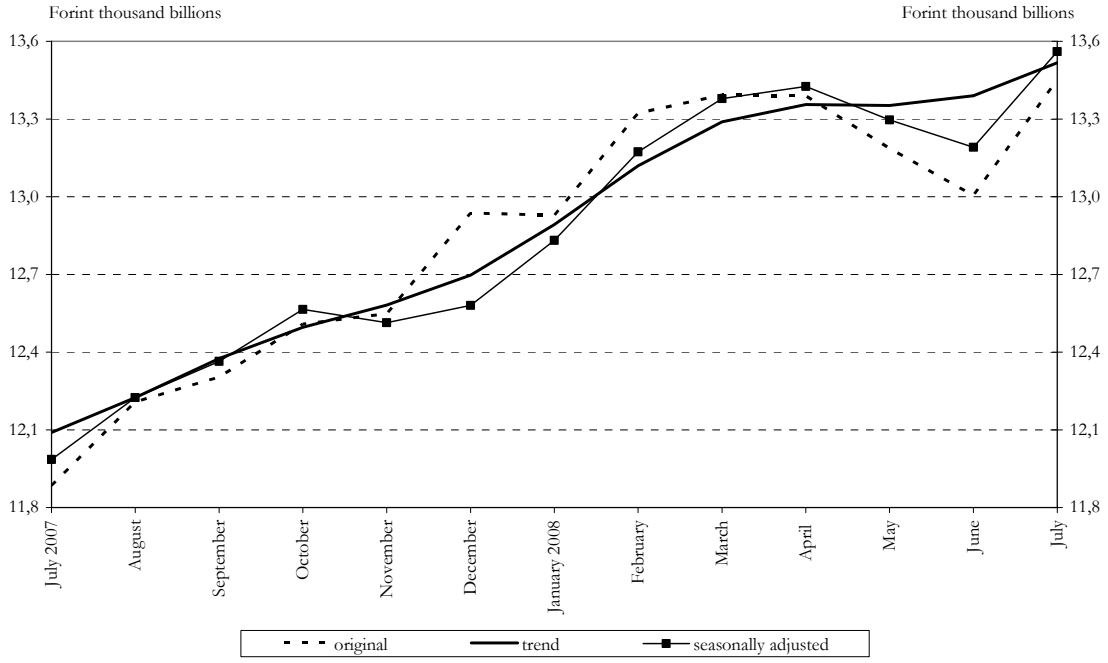
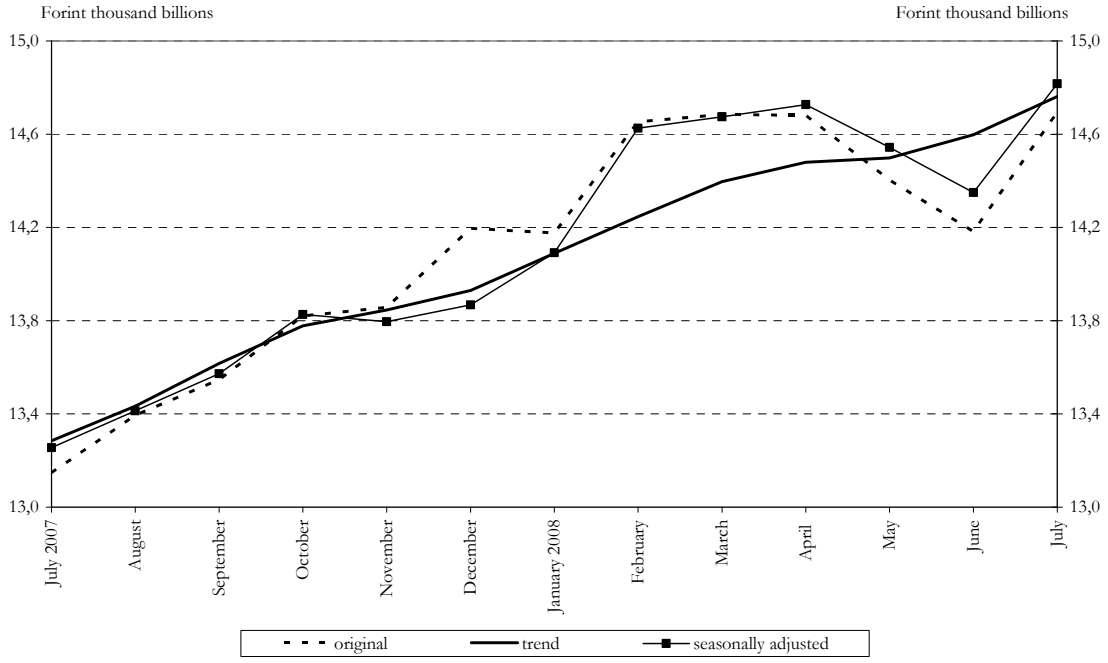


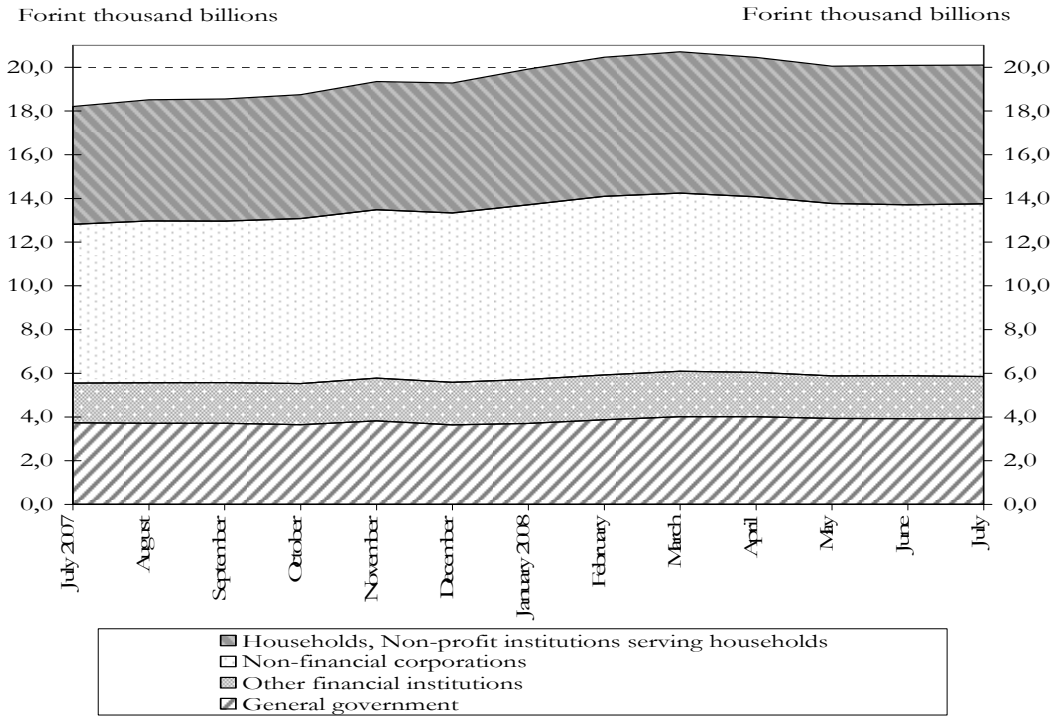
Chart 5 Seasonally adjusted M3



Domestic assets of monetary financial institutions[2] rose by HUF 13.4 billion to HUF 20,105.3 billion in July. Within this, assets with general government rose by HUF 1.9 billion and those with non-financial corporations by HUF 85.4 billion. Assets with households and non-profit institutions serving households fell by HUF 34.9 billion and those with other financial corporations by HUF 39.0 billion on the previous month.

Within the total stock of domestic assets, the percentage shares changed only slightly. The percentage shares of assets with non-financial corporations, households non-profit institutions serving households, general government and other financial corporations were 39.3%, 31.6%, 19.5% and 9.6%, respectively.

Chart 6 Composition of the stock of domestic loans



The total stock of loans granted by monetary financial institutions to non-financial corporations rose by HUF 93.3 billion to HUF 7,4451.4 billion.

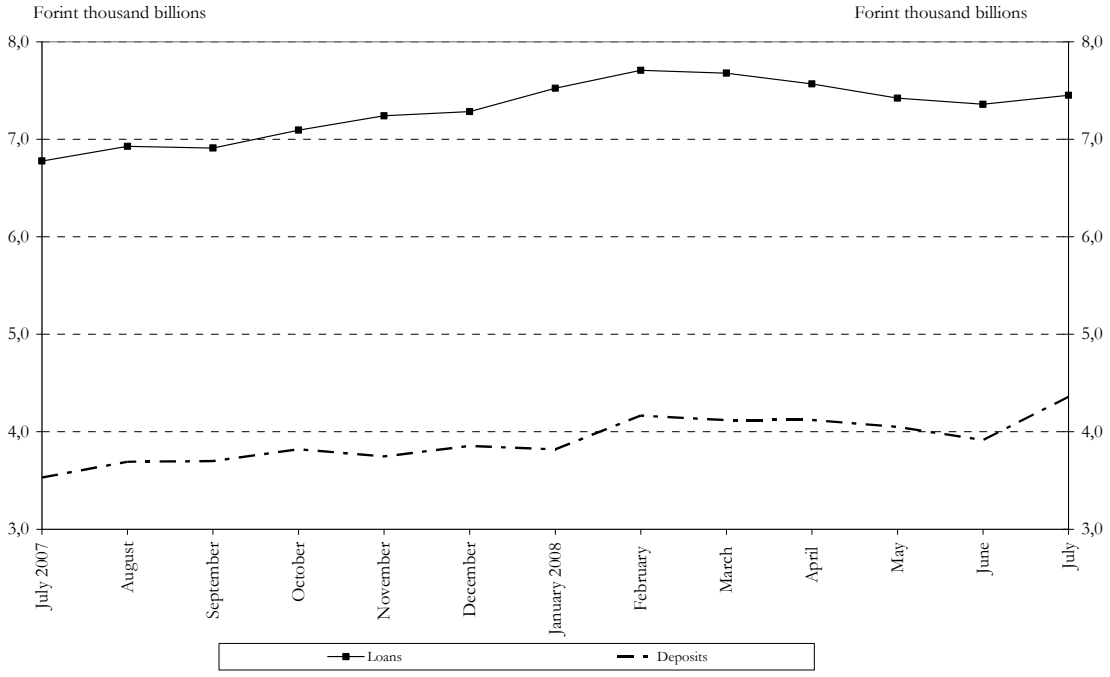
Short-term loans, at HUF 2,807.9 billion, were up HUF 59.0 billion. Loans with a maturity of over one year rose by HUF 34.3 billion to HUF 4,643.5 billion. Within longer-term term loans, loans with a maturity of up to five years rose by HUF 36.1 billion to HUF 1,933.3 billion and loans with a maturity of over five years fell by HUF 1.8 billion to HUF 2,710.2 billion. The percentage shares were little changed. Short-term loans accounted for 37.7% of total loans. The percentage share of loans with a maturity of up to five years was 25.9% and that of loans with a maturity of over five years was 36.4%.

The percentage share of foreign currency loans with a maturity of up to one year fell from 26.9% to 26.6%, that of loans with a maturity of over one year and up to five years from 51.8% to 51.2% and that of loans with a maturity of over five years from 67.2% to 66.7%. The total stock of foreign currency loans, at HUF 3,546.4 billion, was HUF 0.2 billion lower than in June. Here, exchange rate changes reduced the value of loans by HUF 103.2 billion and transactions increased it by HUF 102.9 billion.

[2] MFIs' domestic assets include debt securities, and shares and other equity, in addition to loans.

The sector's deposits with monetary financial institutions rose by HUF 443.9 billion to HUF 4,358.4 billion. Within total deposits, the share of overnight deposits was 65.3%, that of deposits with an agreed maturity was 34.0% and that of outstanding repos was 0.7%. Overnight deposits rose by HUF 290.0 billion to HUF 2,220.7 billion. Within this, forint deposits fell by HUF 14.5 billion and foreign currency deposits rose by HUF 304.4 billion. Deposits with a maturity of up to one year rose by HUF 151.0 billion to HUF 2,128.8 billion. The combined stock of deposits with a maturity of over one year and outstanding repos rose by HUF 9.7 billion to HUF 75.7 billion.

Chart 7 Loans and deposits of non-financial corporations

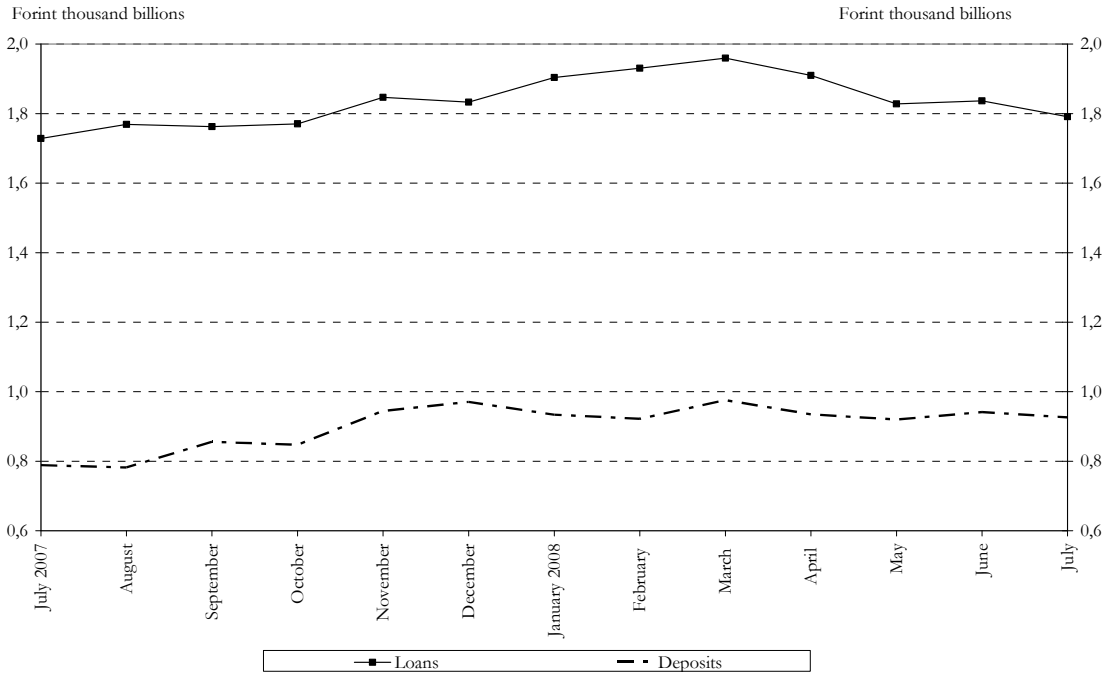


The stock of loans granted to other financial corporations fell by HUF 45.6 billion to HUF 1,791.4 billion. Loans with a maturity of up to five years, at 42.5%, continued to account for the highest percentage share within the total. The shares of loans with a maturity of up to one year and that of loans with a maturity of over five years were 30.4% and 27.1%, respectively.

The stock of forint loans fell by HUF 4.0 billion to HUF 236.1 billion and that of foreign currency fell by HUF 41.7 billion to HUF 1,555.2 billion. Exchange rate changes reduced the value of foreign currency loans by HUF 63.3 billion and transactions increased it by HUF 21.6 billion.

In July, deposits of other financial corporations rose by HUF 25.1 billion to HUF 951.3 billion. Within total deposits, the value of overnight deposits fell by HUF 2.5 billion to HUF 184.5 billion and that of deposits with an agreed maturity rose by HUF 20.2 billion to HUF 747.9 billion. Outstanding repos rose by HUF 7.4 billion to HUF 18.9 billion.

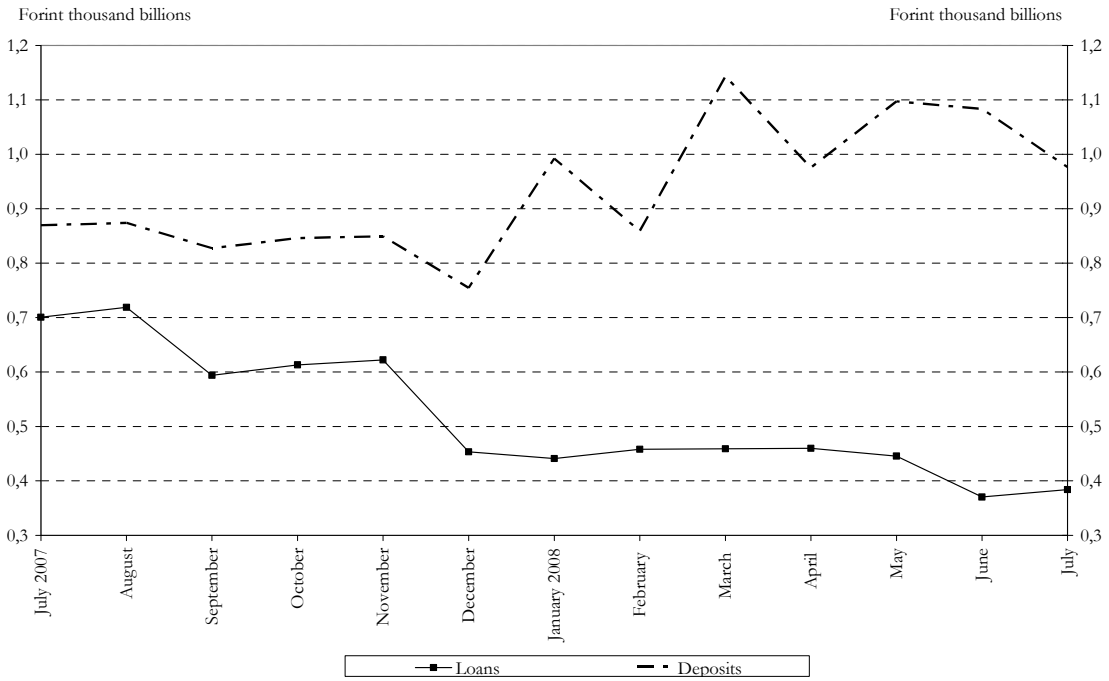
Chart 8 Loans and deposits to other financial corporations



Loans granted by monetary financial institutions to the general government sector rose by HUF 13.6 billion to HUF 384.0 billion.

The stock of the general government sector's deposits with monetary financial institutions fell by HUF 107.0 billion to HUF 976.3 billion. That reflected an decrease of HUF 114.9 billion in deposits of the central government and an increase of HUF 8.0 billion in deposits of the local government sub-sector.

Chart 9 Loans and deposits of the general government sector



Loans granted to the household sector fell by HUF 36.1 billion to HUF 6,320.8 billion. Here, forint loans were up HUF 2.7 billion. In contrast, foreign currency loans fell by HUF 38.8 billion to HUF 3,703.7 billion. Exchange rate valuation effects reduced the value of foreign currency loans by HUF 156.2 billion and transactions increased it by HUF 117.5 billion.

The shares of foreign currency and forint loans within the total were 58.6% and 41.4%, respectively.

Within loans granted to households, the share of housing loans edged down from 51.8% to 51.7%, with a HUF 23.9 billion fall in their stock. Foreign currency loans remained unchanged at 51.3% as a percentage of housing loans.

The percentage share of consumer credit within the total stock of loans to households rose from 42.8% to 42.9%, with a HUF 9.4 billion fall to HUF 2,713.9 billion in the outstanding amount of loans. Foreign currency loans fell from 70.9% to 70.4% as a percentage of total consumer credit.

The share of other loans remained unchanged at 5.4%, but their stock fell by HUF 2.8 billion. Here, the percentage share of foreign currency loans fell from 36.3% to 34.4%.

Chart 10 Loans and deposits of the household sector

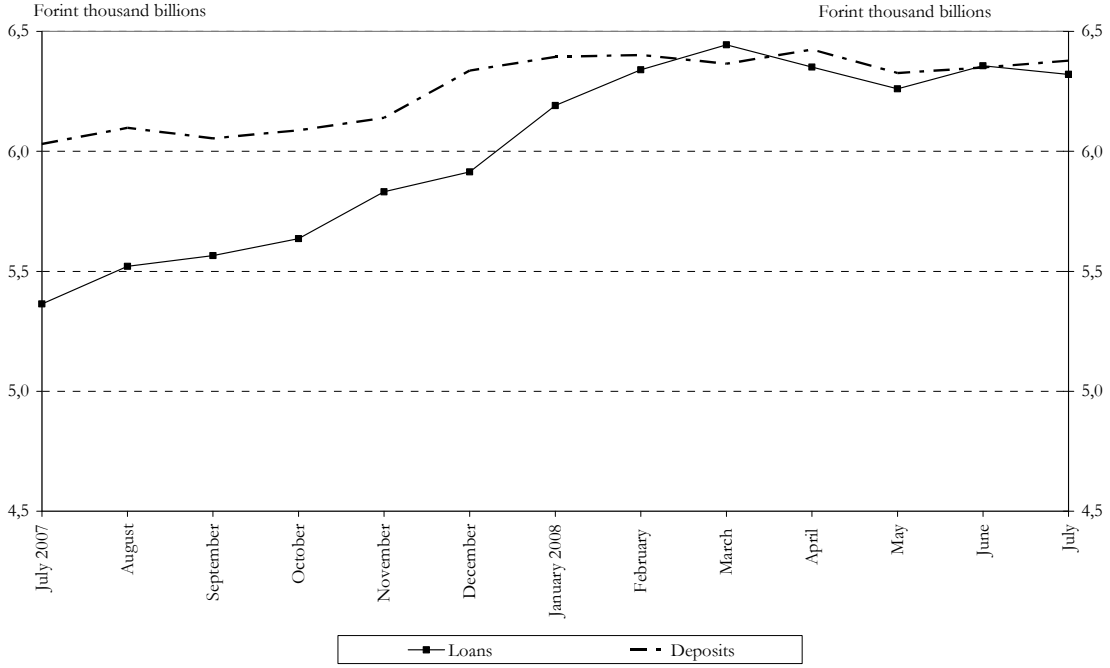


Chart 11 Composition of household loans

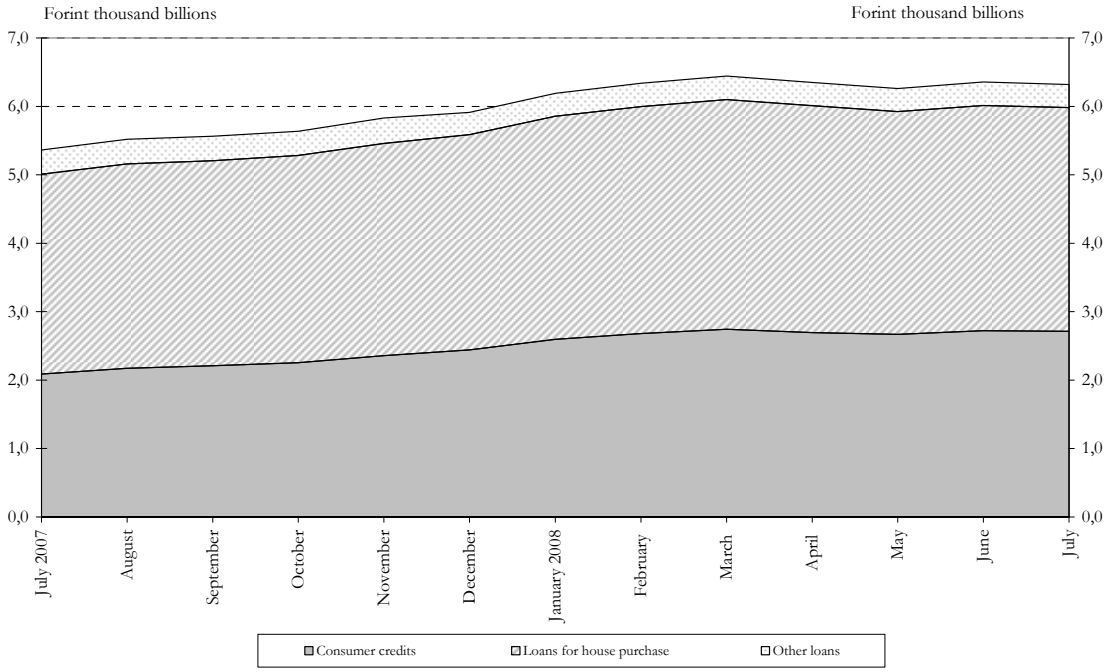
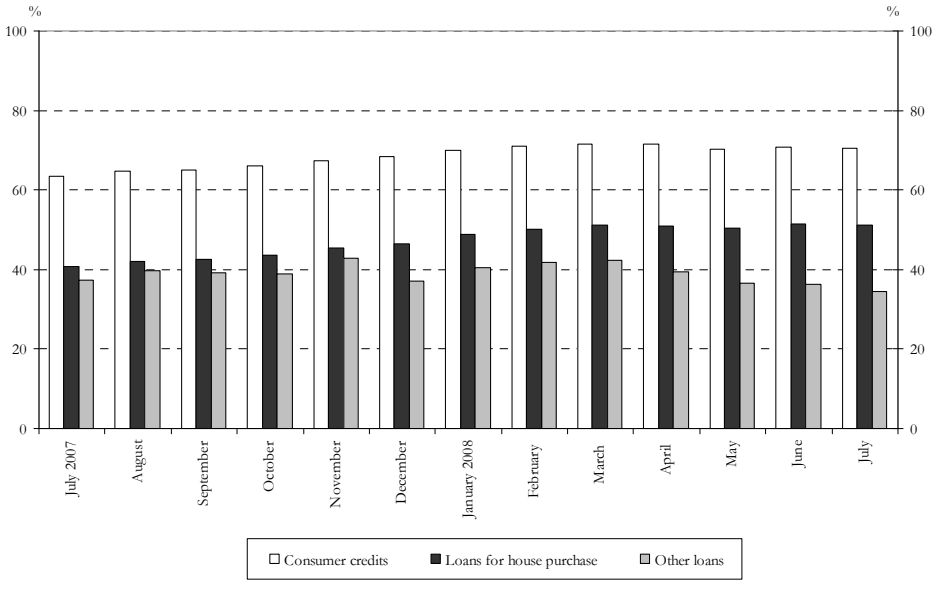


Chart 12 Percentage share of foreign currency loans to households in a breakdown by types of loan



Household deposits with monetary financial institutions rose by HUF 28.5 billion to HUF 6,377.9 billion. Forint deposits fell by HUF 14.9 billion and foreign currency deposits increased by HUF 43.7 billion compared with June. Exchange rate changes and transactions, respectively, accounted for HUF 23.4 billion and HUF 67.1 billion for the change in the combined stock of foreign currency deposits.

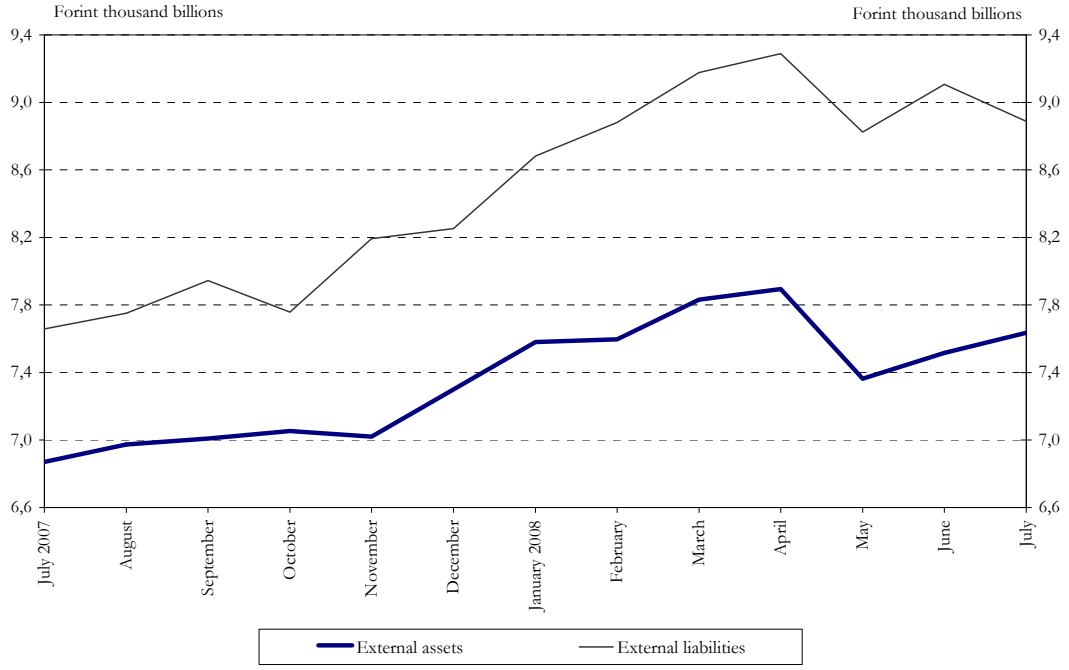
Foreign currency deposits with an agreed maturity of up to one year rose by HUF 38.9 billion. Overnight deposits fell by HUF 33.1 billion. In contrast, deposits with an agreed maturity rose by HUF 61.7 billion on the previous month.

External assets of monetary financial institutions rose by HUF 120.2 billion to HUF 7,635.5 billion and their liabilities fell by HUF 219.2 billion to HUF 8,887.5 billion. On balance, monetary financial institutions' net external liabilities fell by HUF 339.4 billion. The value of net external assets was HUF 1,252.0 billion.

Assets of the central bank vis-à-vis the rest of the world fell by HUF 116.9 billion to HUF 4,173.1 billion and its liabilities rose by HUF 56.1 billion to HUF 417.8 billion. As a result, the stock of net external assets fell by HUF 173.0 billion to HUF 3,755.3 billion.

Net liabilities of other monetary financial institutions with non-residents fell by HUF 512.4 billion in the month under review. External assets rose by HUF 237.0 billion to HUF 3,462.4 billion. Here, exchange rate changes reduced the value of assets by HUF 57.1 billion and transactions increased it by HUF 294.2 billion. External liabilities fell by HUF 275.4 billion to HUF 8,469.7 billion. Exchange rate changes and transactions, respectively, accounted for HUF 221.2 billion and HUF 54.2 billion of the fall in the value of liabilities.

Chart 13 External assets and liabilities



Methodological notes

Percentages and ratios are calculated from data without rounding. The sums of sub-totals may not add to total due to rounding.

Ensuring comparability of data over different periods requires eliminating seasonal variations and distortions. The time series for the monetary aggregates are therefore 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 constructed from trend data by dividing the data in the reference period by that in the previous period, and annualising the quotient by raising it to the 12th power. The underlying reason for using trend data is that the month-on-month growth rates tend to be more variable and may contain one-off effects without

eliminating seasonal effects. As an effect, the annualised month-on-month growth rates are comparable with other annual indices.

The advantage of month-on-month indices is that they reflect only the developments of the last month. In contrast, the year-on-year indices (monthly year-on-year changes over the last 12 months) represent an entire year's movements; however, they are more stable.

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_enxls.

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