

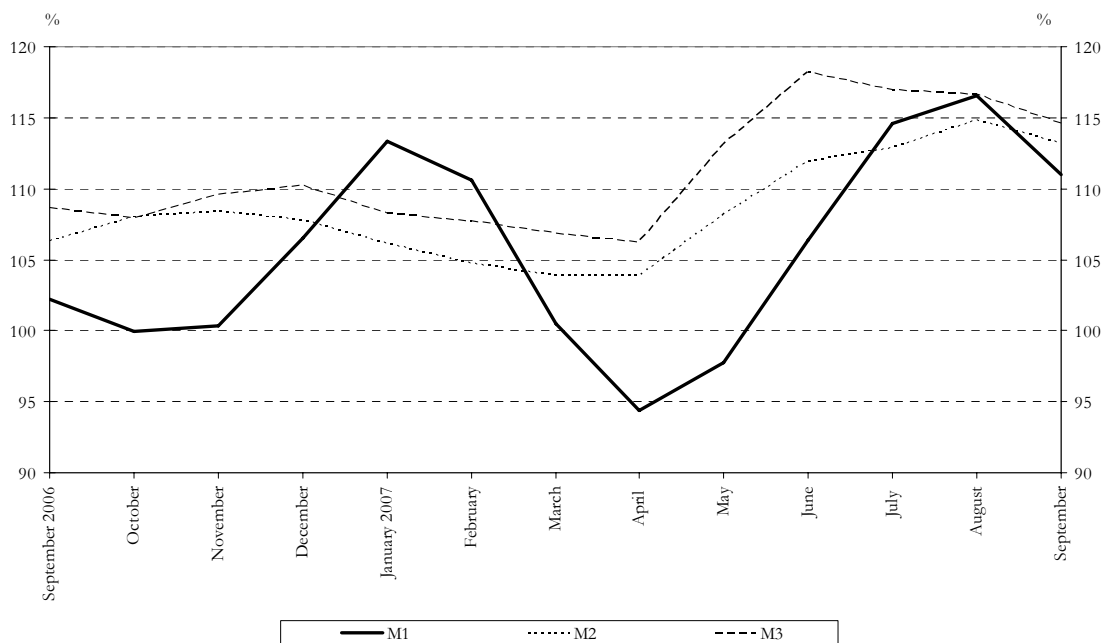
PRESS RELEASE

Consolidated balance sheet of MFIs: September 2007

In September 2007, the monetary base fell by HUF 6.8 billion to HUF 2,720.7 billion. The annualised month-on-month growth index¹ of the monetary base (M0) stood at 109.0%.

The growth rates of the monetary aggregates M1 and M2 fell in the month, after rising since May. M3 also fell, as seen in the previous two months. The annualised month-on-month growth index of the narrow monetary aggregate M1 fell by 5.5 percentage points to 111.0% and that of M2 by 1.7 percentage points to 113.2%. At 114.6%, the annualised month-on-month growth index of M3 was down 2.1 percentage points.

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 111.0 billion to HUF 13,546.7 billion.

The percentage share of M1 – which comprises currency outside MFIs and overnight deposits – fell from 44.1% to 43.3%, with its stock falling by HUF 66.8 billion. Here, the stock of overnight deposits fell most, reflecting a decline of HUF 159.8 billion in deposits of non-financial corporations and non-profit institutions serving households and an increase of HUF 105.1 billion in deposits of local government authorities.

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 – rose from 47.1% to 47.6%, with its stock rising by HUF 120.6 billion. This reflected increases in short-term deposits of NPISHs and local authorities.

The percentage share of M3-M2 – comprising outstanding repos, money market fund shares and debt securities with maturities of up to two years – rose from 8.8% to 9.2%, with its stock rising by HUF 57.2 billion.

Chart 2 Components of the monetary aggregates

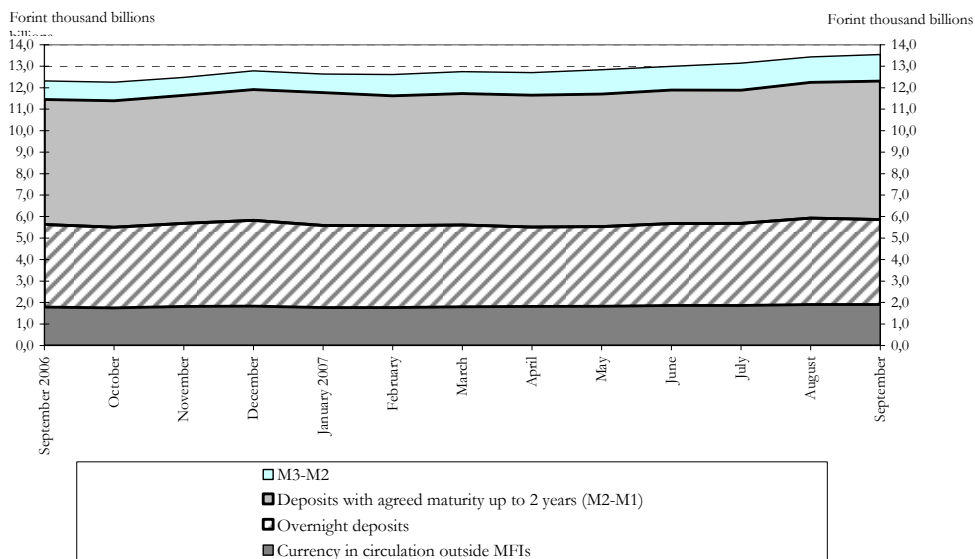


Chart 3 Seasonally adjusted M1

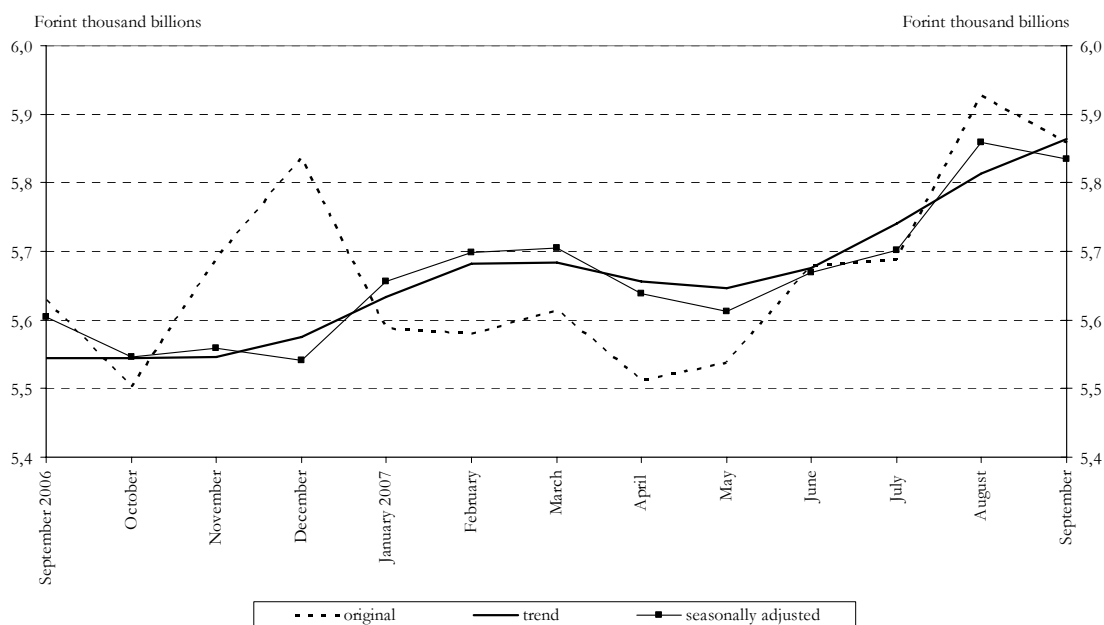


Chart 4 Seasonally adjusted M2

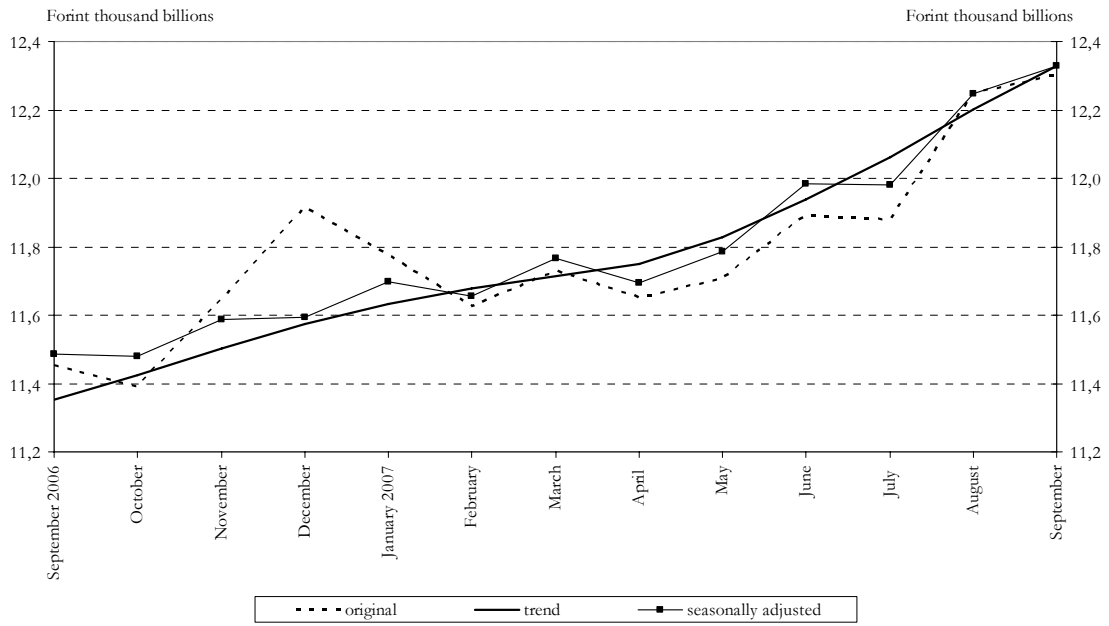
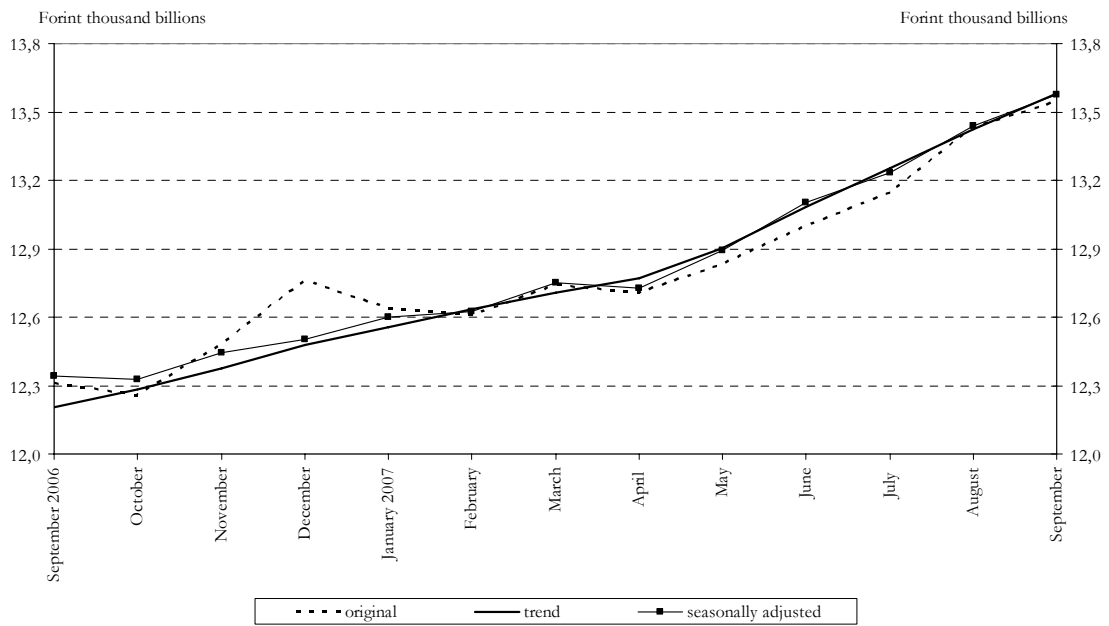


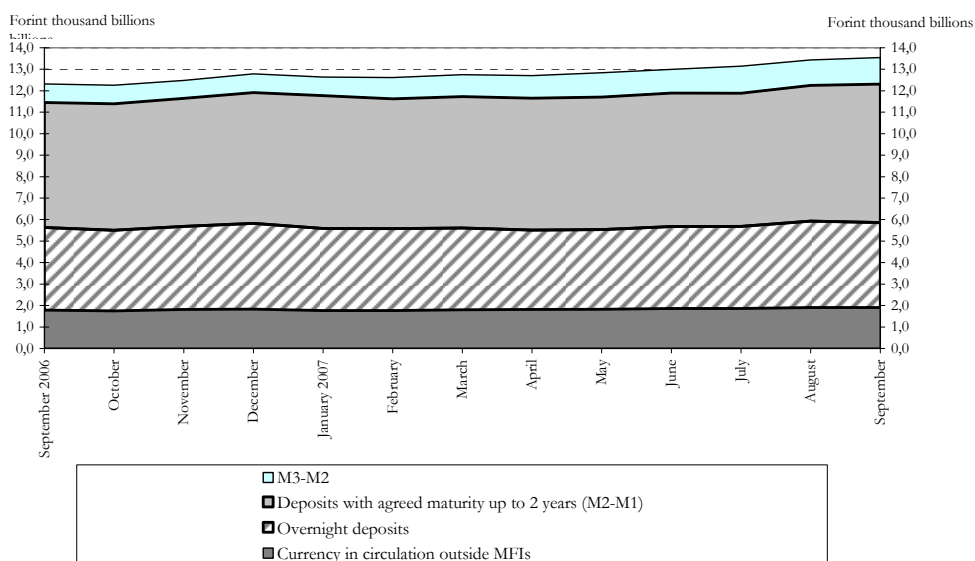
Chart 5 Seasonally adjusted M3



The total stock of domestic loans of monetary financial institutions fell slightly by HUF 7.0 billion to HUF 18,548.2 billion in September, after rising since April.

Within domestic assets, loans to non-financial corporations account for the highest percentage share. This ratio fell by 0.3 percentage points to 39.8% in September. The ratio of assets of MFIs vis-à-vis households and non-profit institutions serving households to total domestic assets rose by 0.3 percentage points to 30.1%. The ratio of assets vis-à-vis general government remained unchanged at 20.0%, and that of those against other financial corporations edged down by 0.1 percentage point to 10.0%.

Chart 6 Composition of the stock of domestic loans

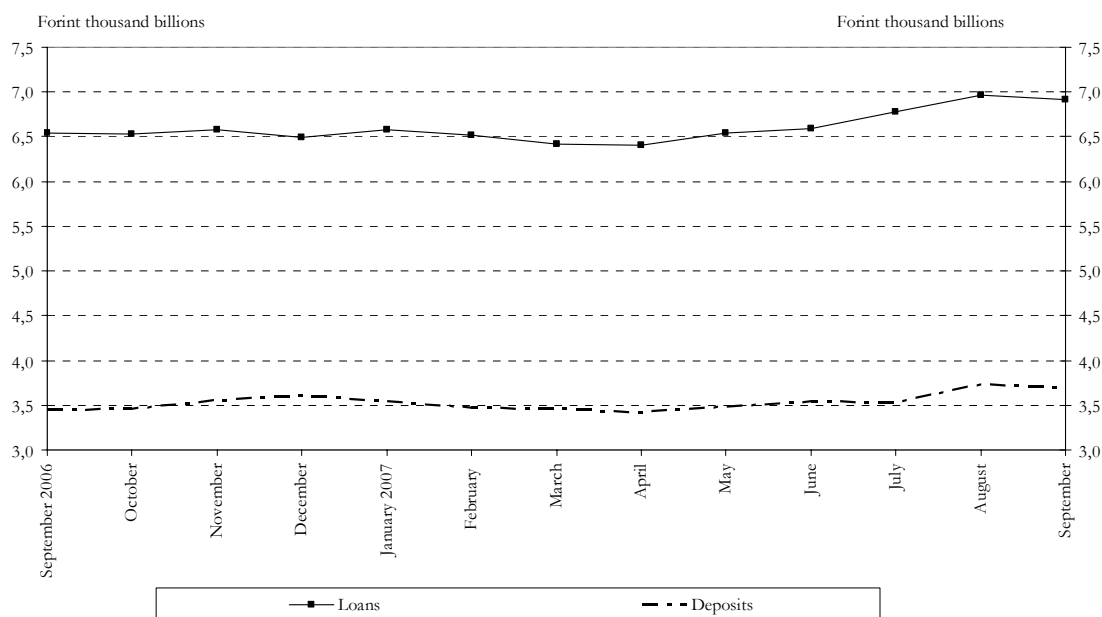


The total stock of loans granted by monetary financial institutions to non-financial corporations fell by HUF 56.6 billion to HUF 6,911.0 billion, reversing the increase in the previous four months. The stocks of loans fell within all three maturity categories. Short-term loans fell by HUF 10.9 billion to HUF 2,552.8 billion, and loans with a maturity of over one year fell by HUF 45.6 billion to HUF 4,358.2 billion. Within loans with a maturity of over one year, loans with a maturity of up to five years fell by HUF 27.5 billion to HUF 1,786.9 billion; and loans with a maturity of over five years fell by HUF 18.2 billion to HUF 2,571.3 billion. As seen in August, loans with a maturity of over five years accounted for the highest share within the total, remaining unchanged at 37.2%. The shares of short-term loans with a maturity of over one year and up to five years, at 36.9% and 25.9%, respectively, were little changed relative to the preceding month.

The share of foreign currency loans with a maturity of up to one year changed from 32.1% to 31.1%, that of loans with a maturity of over one year and up to five years from 48.1% to 49.4% and that of loans with a maturity of over five years from 68.7% to 68.8%. The stock of foreign currency loans was HUF 28.1 billion lower than in August. Here, the stock of loans fell by HUF 57.5 billion due to exchange rate changes and rose by HUF 29.4 billion due to transactions.

The sector's deposits with monetary financial institutions fell by HUF 27.8 billion to HUF 3,700.1 billion. Within total deposits, the share of overnight deposits was 50.9%, that of deposits with an agreed maturity was 48.9% and that of outstanding repos was 0.2%. Overnight deposits had been rising since May. In September, however, their stock fell by HUF 72.7 billion to HUF 1,883.3. Here, forint deposits fell by HUF 67.0 billion and foreign currency deposits by HUF 5.7 billion. Deposits with a maturity of up to one year were up by HUF 46.8 billion. Deposits with a maturity of over one year changed only slightly, rising by HUF 2.3 billion. Outstanding repos fell by HUF 4.2 billion.

Chart 7 Loans and deposits of non-financial corporations

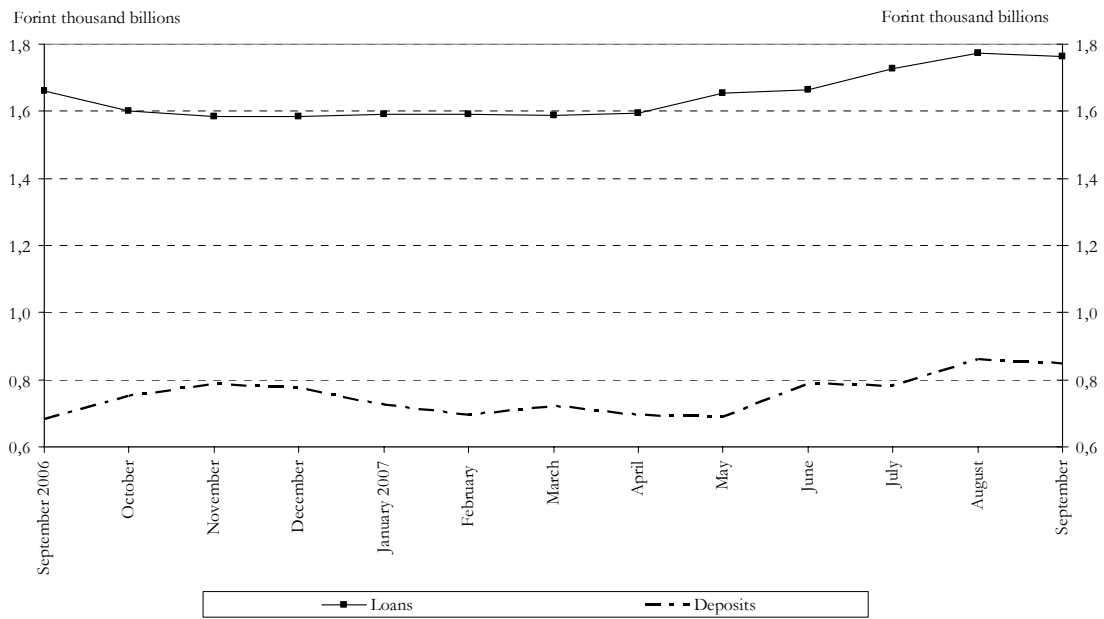


The stock of loans granted to other financial corporations had been rising since April. It, however, fell by HUF 10.3 billion to HUF 1,762.4 billion in the review month. The share of loans with a maturity of up to five years – accounting for the highest value within the total – changed from 47.7% to 46.9%, that of loans with a maturity of over five years from 23.3% to 23.6% and that of loans with a maturity of up to one year from 29.0% to 29.5%.

Within loans granted to the sector, forint loans rose by HUF 4.2 billion and foreign currency loans fell by HUF 14.5 billion. Foreign currency loans fell by HUF 29.9 billion due to exchange rate changes and rose by HUF 15.5 billion due to transactions.

The sector's deposits with monetary financial institutions fell by HUF 14.4 billion to HUF 847.2 billion, after rising strongly in the preceding month. The value of overnight deposits fell by HUF 15.2 billion and that of deposits with an agreed maturity rose by HUF 18.1 billion. Outstanding repos were down HUF 17.3 billion on August.

Chart 8 Loans and deposits to other financial corporations



Loans granted by monetary financial institutions to the general government sector fell by HUF 125.0 billion to HUF 594.0 billion in September.

The stock of the general government sector's deposits with monetary financial institutions fell by HUF 46.5 billion to HUF 827.5 billion. This decline in deposits reflected a HUF 182.5 billion fall in deposits of the central government and a HUF 136.0 billion increase in deposits of local governments.

Chart 9 Loans and deposits of the general government sector

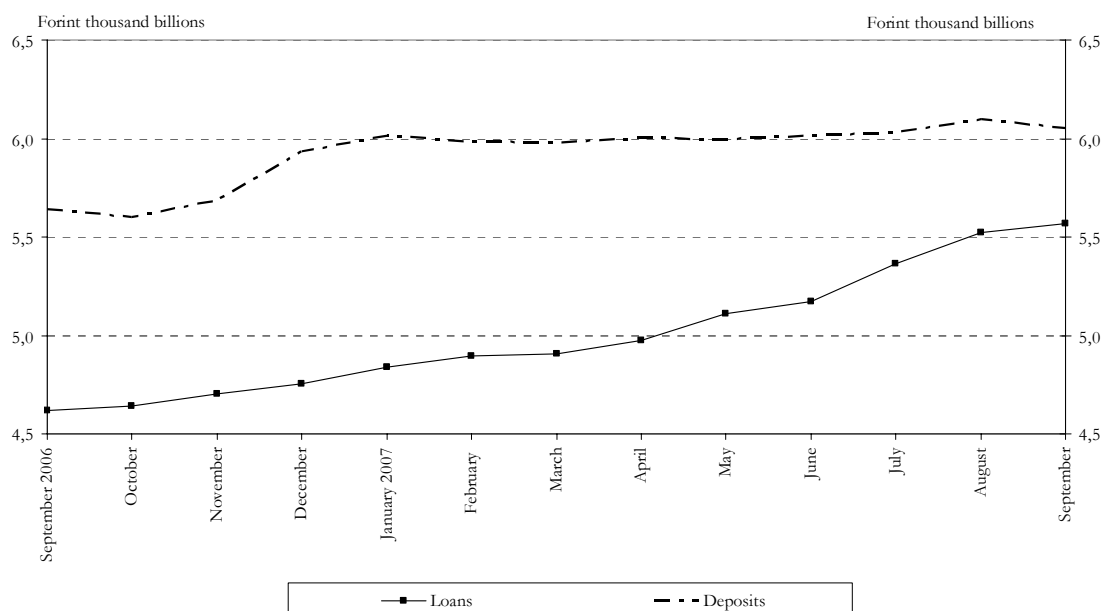


The increase in loans granted to the household sector over the past few years continued: total loans outstanding rose by HUF 44.4 billion to HUF 5,565.3 billion in September. Forint loans were up by HUF 1.8 billion and foreign currency loans by HUF 42.6 billion. Transactions contributed HUF 101.4 billion to the increase in foreign currency loans. Exchange rate valuation effects reduced the value of loans by HUF 58.7 billion. The share of foreign currency loans within the total continued to rise: this month it was up from 50.9% to 51.3%. Foreign currency loans as a percentage of total loans have been rising continuously over the past two years. In September, their value was more than twice its level of two years previously.

The stock of household deposits with monetary financial institutions has been fluctuating around HUF 6,000 billion since December 2006. In September, household deposits fell by HUF 43.7 billion to HUF 6,054.0 billion, after rising in the previous three months.

Outstanding household loans rose by 20.5% and deposits by 7.3% relative September 2006. Consequently, the difference between the values of loans and deposits fell by 52.1% in twelve months.

Chart 10 Loans and deposits of the household sector



Within loans granted to households, the share of loans in a breakdown by type barely changed. The share of housing loans was 53.9%, with their stock rising by HUF 11.3 billion. Foreign currency loans rose from 42.2% to 42.6% as a percentage of housing loans. The percentage share of consumer credit within the total stock of loans to households was 39.6%, with the outstanding amount of loans increasing by HUF 30.2 billion. Foreign currency loans edged up from 64.7% to 64.8% as a percentage of total consumer credit. The stock of other loans rose by HUF 3.0 billion. Here, the percentage share of foreign currency loans within the total was 40.5%.

Chart 11 Composition of household loans

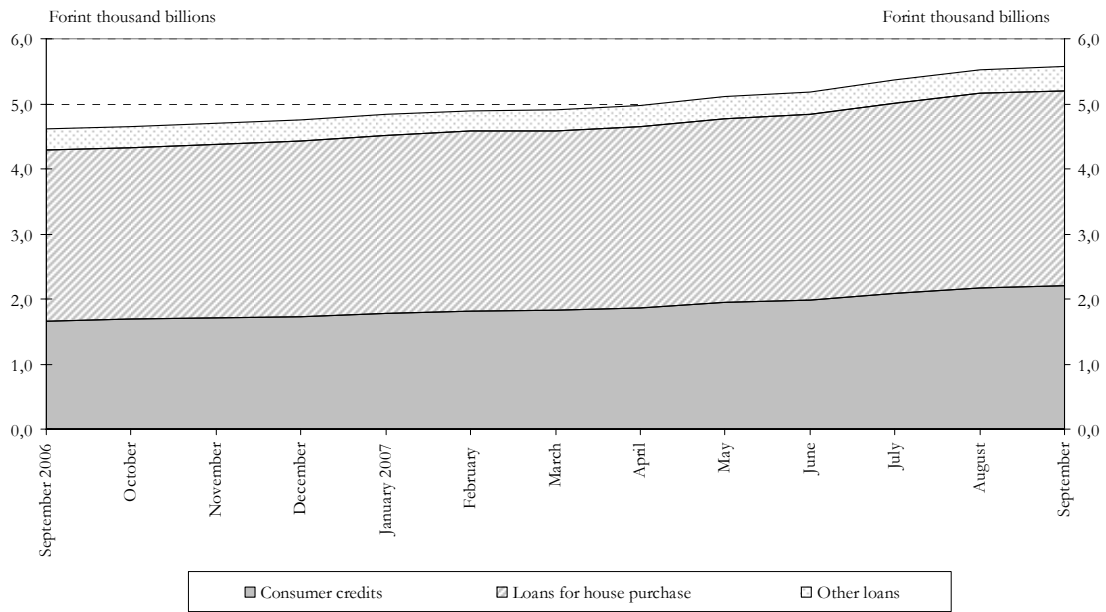
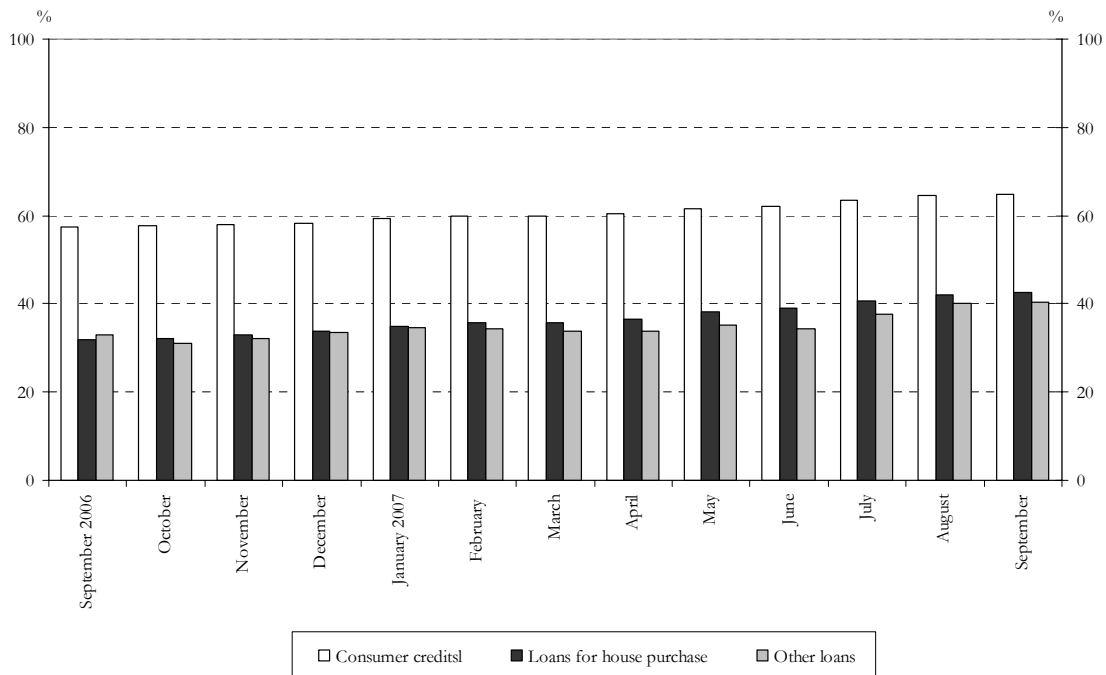


Chart 12 Percentage share of foreign currency loans to households in a breakdown by types of loan



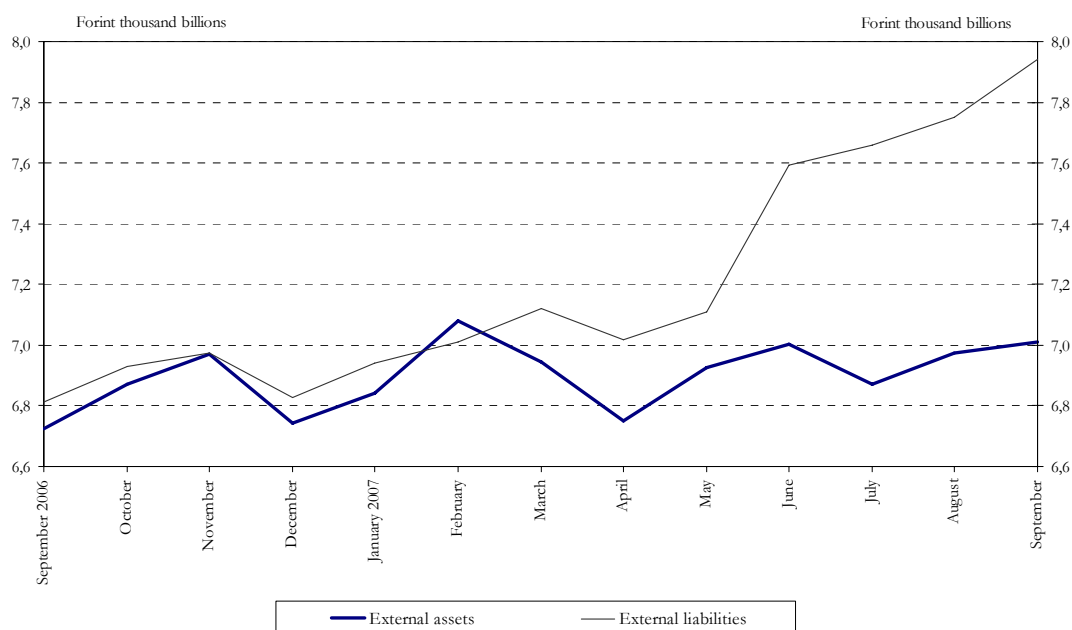
Within household deposits with monetary financial institutions, overnight deposits fell by HUF 83.5 billion. Deposits with agreed maturity rose by HUF 39.8 billion. Within this figure, deposits with a maturity of up to one year were up by HUF 35.9 billion and those with a maturity of over one year by HUF 3.8 billion.

Apart from a slight drop in August, the difference between external assets and liabilities of monetary financial institutions vis-à-vis non-residents have been rising since July. External assets rose by HUF 34.6 billion. External liabilities have been rising since May. In September, they rose by HUF 192.0 billion. On balance, MFIs' net external liabilities increased by HUF 157.5 billion in the month under review.

Assets of the central bank vis-à-vis the rest of the world fell by HUF 163.0 billion and its liabilities by HUF 23.9 billion. As a consequence, net external assets were down HUF 139.1 billion on the previous month.

Net assets of other monetary financial institutions vis-à-vis non-residents rose by HUF 18.4 billion in September. This was the result of a HUF 197.5 billion and a HUF 215.9 billion increase in external assets and liabilities respectively. Transactions contributed HUF 332.1 billion to the value of external liabilities. Exchange rate changes had a HUF 121.4 billion negative valuation effect.

Chart 13 External assets and liabilities



Methodological notes

Percentages and ratios are calculated from data before 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. 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 12th power. Using trend data is required by the fact that the month-on-month growth rates tend to be more variable and can contain one-off effects

without eliminating seasonal effects. After annualising, the month-on-month growth rates become comparable with other annual indices.

The formula used to calculate the new year-on-year indices eliminates the effect of inflation on the price level. In addition, it only takes into account changes in stocks caused by transactions, i.e. it does not include the effects of exchange rate changes, price changes and other volume changes. Consequently, it gives a more accurate picture of true developments in the monetary aggregates than the previously published index with a base fixed on December 2001. The formula of the new year-on-year indices is:

$$a_t = I_t \cdot I_{t-1} \cdot I_{t-2} \cdot \dots \cdot I_{t-11} \cdot 100$$
$$I_t = \frac{\frac{L_{t-1} + T_t}{P_t}}{\frac{L_{t-1}}{P_{t-1}}}$$

where

- t: is the reference period (month)
- a_t : is the index calculated for the t^{th} period
- L_t : is the money stock in the t^{th} month
- T_t : is transactions in the t^{th} month
- P_t : is the price level in the t^{th} month (average of 1995 = 100).

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 and 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_en.xls.

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