

14 January 2008

PRESS RELEASE

Preliminary statistical balance sheet of the MNB December 2007

In December 2007, the monetary base rose by HUF 194.9 billion to HUF 3,051.1 billion. Of the components of the monetary base, the monthly average stock of currency in circulation rose well above trend, by HUF 126.1 billion to 2,257.7 billion. This is a recurring phenomenon from year to year, well illustrated by the results of seasonal adjustment (see Chart 2). Other monetary financial institutions' current account balances rose by HUF 6.6 billion to HUF 683.2 billion. At HUF 110.2 billion, the monthly average stock of other monetary financial institutions' overnight deposits was up HUF 62.2 billion on November.

In December, the composition of the monetary base changed, due to the doubling in the percentage share of overnight deposits. The monthly averages of currency in circulation and other monetary financial institutions' current account balances fell to 74.0% and 22.4%, respectively, as a percentage of the monetary base. The share of other monetary financial institutions' overnight deposits rose to 3.6%.

Chart 1 Components of the monetary base

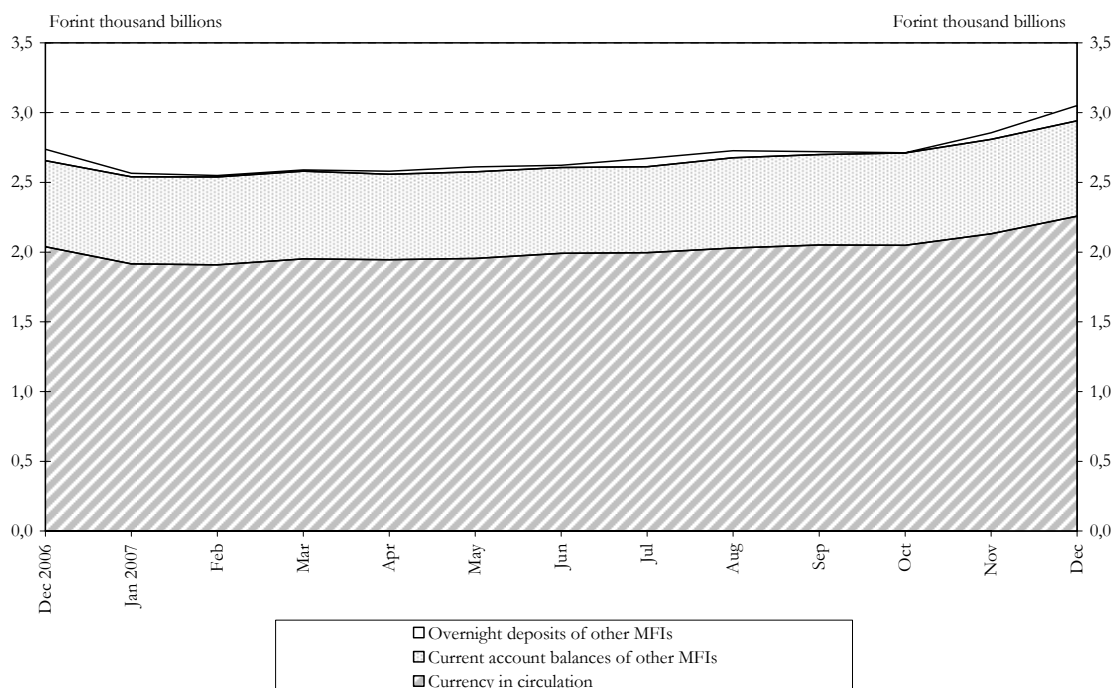
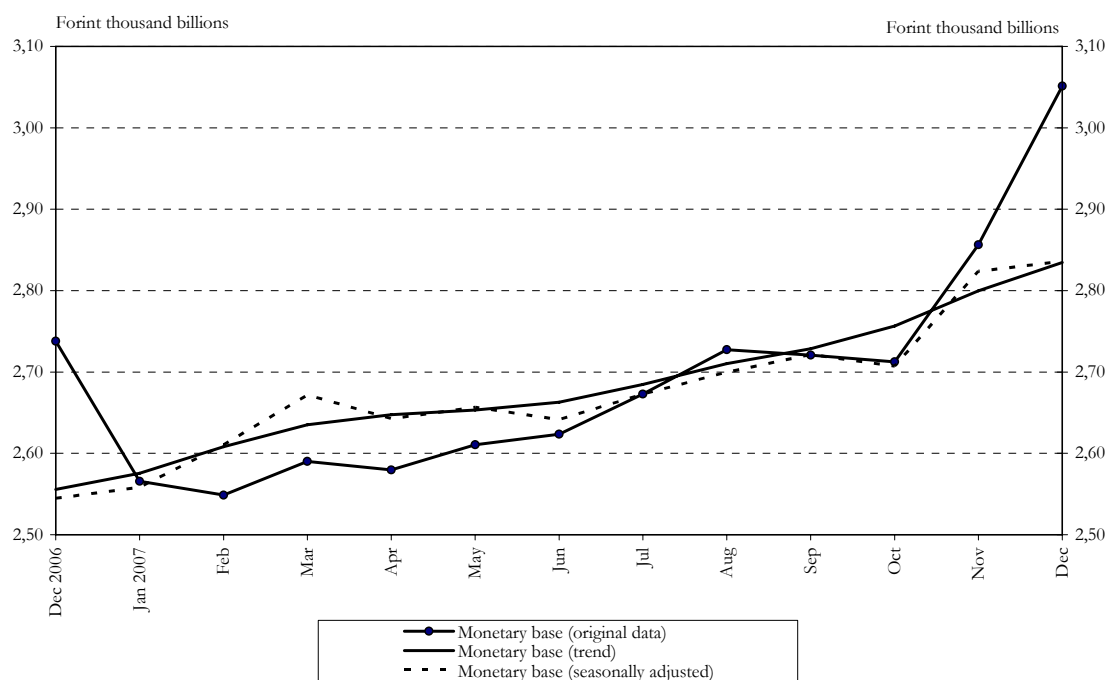
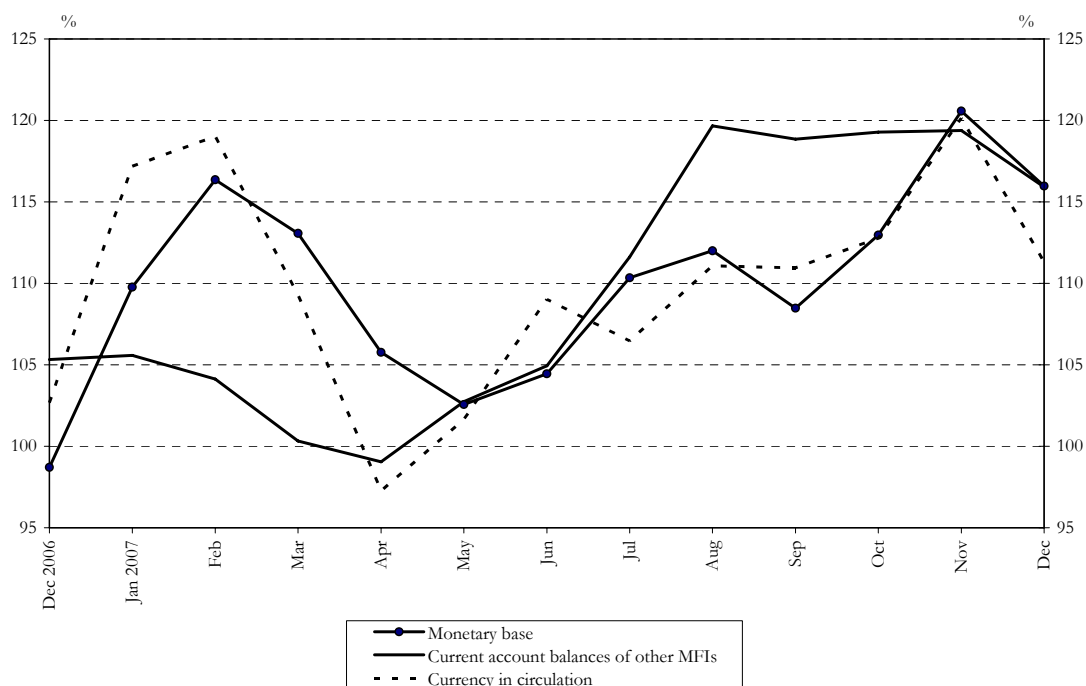


Chart 2 Movements in the monetary base



The annualised month-on-month growth index of the monetary base¹ was 116.0% in December, down 4.6 percentage points on the previous month.

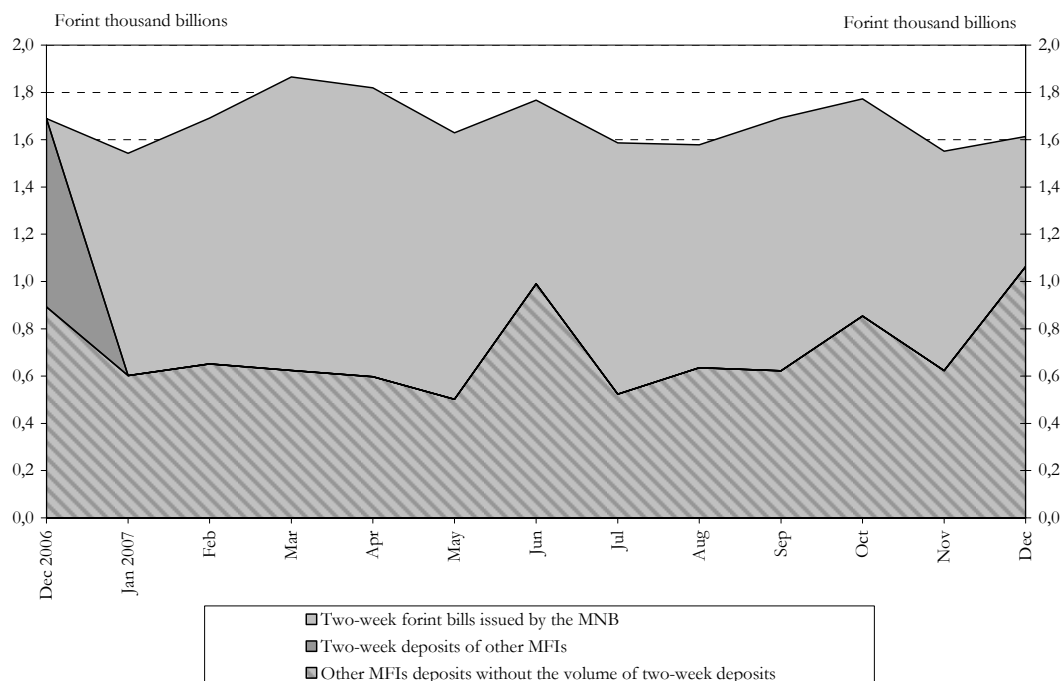
Chart 3 Annualised growth indices of the monetary base and its components¹



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

In December, other monetary financial institutions' end-of-month holdings of deposits with the central bank rose by HUF 440.3 billion to HUF 1,063.5 billion, the highest level in 2007. Other MFIs' forint deposits rose by HUF 440.5 billion to HUF 1,062.4 billion and foreign currency deposits fell by HUF 0.1 billion to HUF 1.1 billion. The end-of-month total of two-week forint-denominated central bank bills² amounted to HUF 550.5 billion, down HUF 377.7 billion on November. The combined stock of other MFIs' deposits and two-week forint-denominated central bank bills rose by HUF 62.7 billion to HUF 1,613.9 billion. Other MFIs had no outstanding liabilities to the central bank at the end of the month.

Chart 4 End-of-month stocks of other MFIs' deposits and two-week forint bills issued by the MNB³



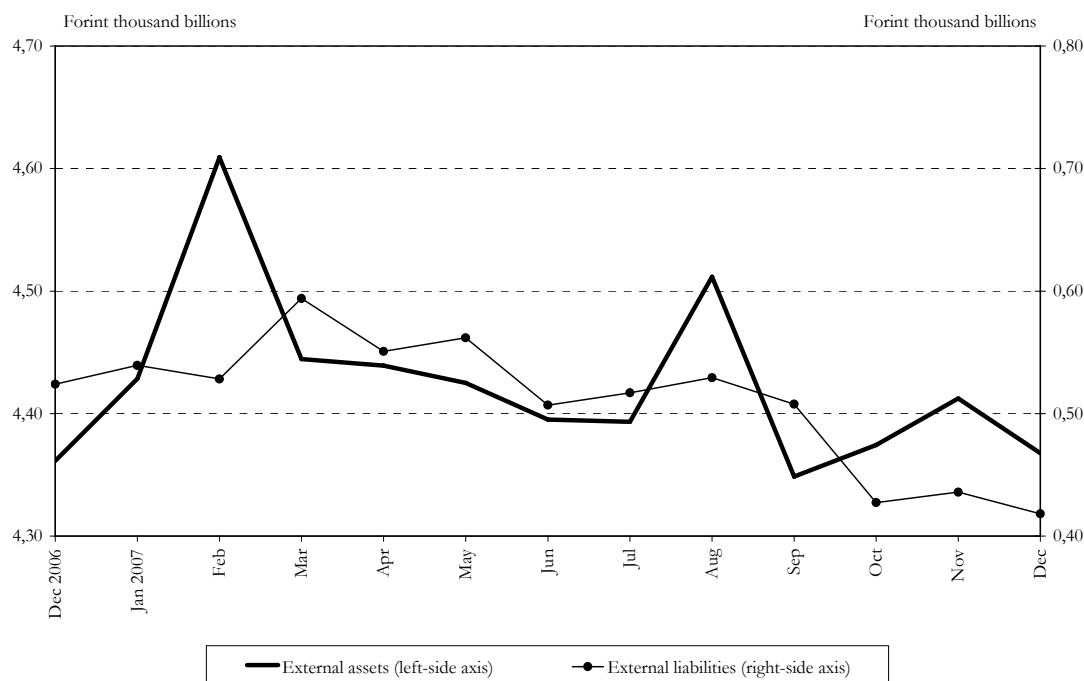
The month-end stock of loans outstanding to the central government fell by HUF 76.5 billion to zero, as the sub-sector repaid its foreign currency debt. Deposits from the central government fell by HUF 216.4 billion to HUF 254.9 billion.

Net external assets of the Magyar Nemzeti Bank were HUF 27.1 billion lower than in November. Transactions reduced the value of net external assets by HUF 29.7 billion and exchange rates changes increased it by HUF 2.6 billion. The end-of-month total of assets vis-à-vis non-residents fell by HUF 44.7 billion to HUF 4,367.7 billion. Transactions and foreign exchange revaluations reduced the value of net external assets by HUF 42.6 billion and HUF 2.1 billion respectively. The end-of-month total of external liabilities fell by HUF 17.6 billion to HUF 418.3 billion. Transactions and exchange rate changes, respectively, accounted for HUF 12.8 billion and HUF 4.8 billion of the fall in the value of external liabilities.

² The press release on the procedure for issuance and auctions of the two-week MNB bill can be accessed via http://www.mnb.hu/Engine.aspx?page=mnbhu_mnbkozlem&ContentID=9165. Further information on the two-week central bank instrument is available on the MNB's website at http://www.mnb.hu/engine.aspx?page=mnbhu_jegybanki_betet.

³ For an explanation, see the methodological notes at the end of this press release.

Chart 5 Assets and liabilities of the MNB vis-à-vis non-residents at the end of the month



Methodological notes to the press release

Ensuring comparability of data over periods requires eliminating seasonal variations and distortions from original data. Consequently, the time series for the monetary base (M0) is 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 growth indices in this press release are derived from trend data by dividing the base period data by data for the previous period, and by raising the quotient to the 12th power. The month-on-month growth rates, calculated using this method, better reflect developments in the most recent period than year-on-year growth indices. Chart 3 plots the annualised month-on-month growth indices of the monetary base and its components. The Bank does not publish a separate index for overnight deposits, as they fluctuate considerably, frequently moving to zero. However, changes in the stock of overnight deposits are also taken account of in calculating the growth index of M0.

Chart 4 shows other monetary financial institutions' total holdings of deposits and two-week forint-denominated central bank bills. The MNB has been issuing two-week forint-denominated bills since 9 January 2007, in order to facilitate credit institutions' efficient liquidity management and the development of financial markets. They replace the two-week central bank deposit as a key policy instrument. The new two-week MNB bill is a negotiable instrument, i.e. credit institutions may sell the securities they hold to other residents as well as non-residents prior to maturity.

Monthly changes in stock data are calculated from data before rounding. Consequently, such differences between monthly data, derived using this method, may be different from those calculated from rounded data.

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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