

12 March 2008

PRESS RELEASE

Preliminary statistical balance sheet of the MNB February 2008

In February 2008, the monetary base rose by HUF 38.5 billion to HUF 2,922.6 billion. Of the components of the monetary base, the monthly average stock of currency in circulation increased by HUF 9.8 billion to HUF 2,175.7 billion; that of other monetary financial institutions' current account balances by HUF 21.0 billion to HUF 721.1 billion; and that of other monetary financial institutions' overnight deposits by HUF 7.7 billion to HUF 25.8 billion.

In February, the composition of the monetary base changed by less than 1 percentage point compared with the previous month. The percentage share of currency in circulation fell to 74.4%. The highly volatile annual growth rate of currency in circulation, reflecting seasonal effects, fell by 6.5 percentage points to 117.8% (see Chart 3). Other monetary financial institutions' current account balances and other monetary financial institutions' overnight deposits rose to 24.7% and 0.6%, respectively, as a percentage of the monetary base.

Chart 1 Components of the monetary base

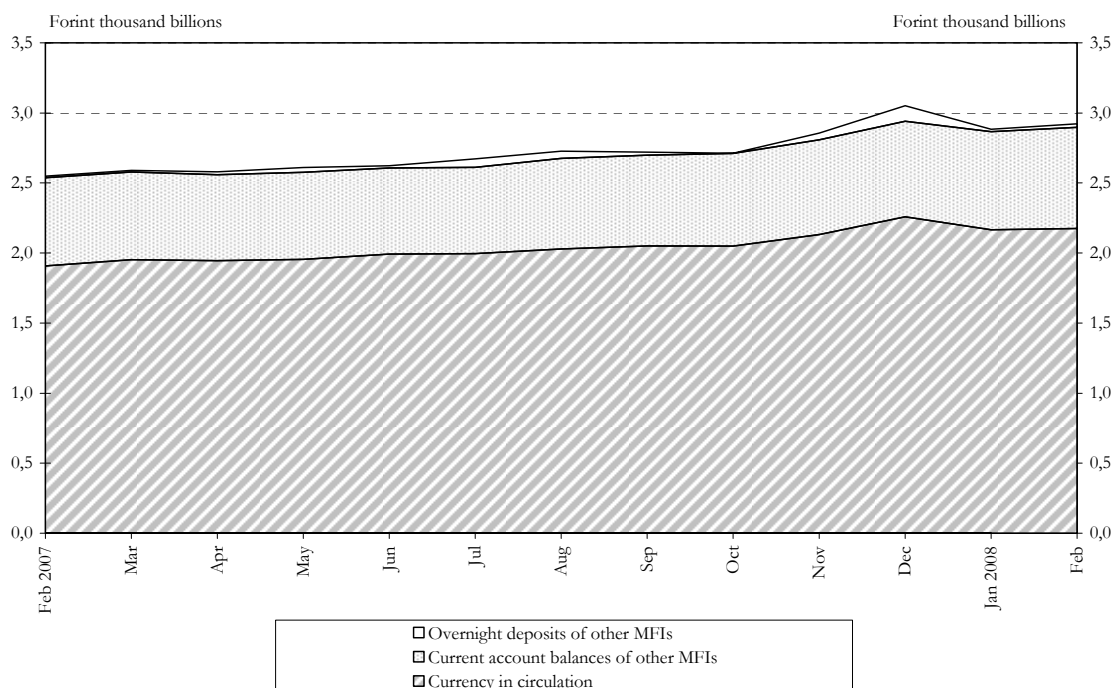
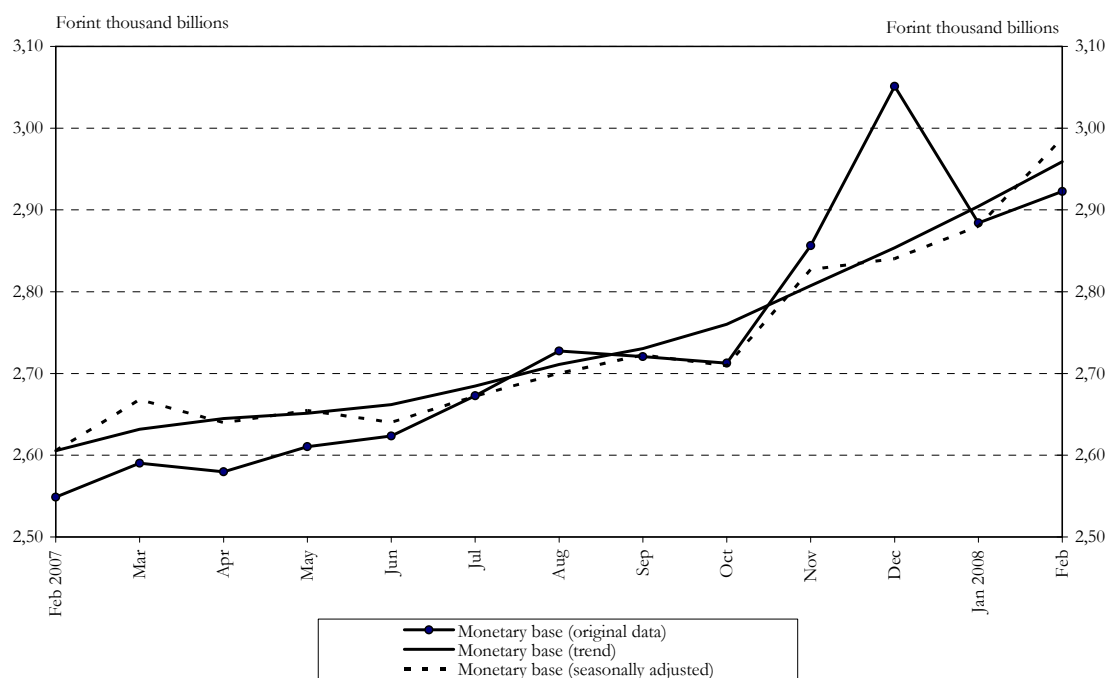
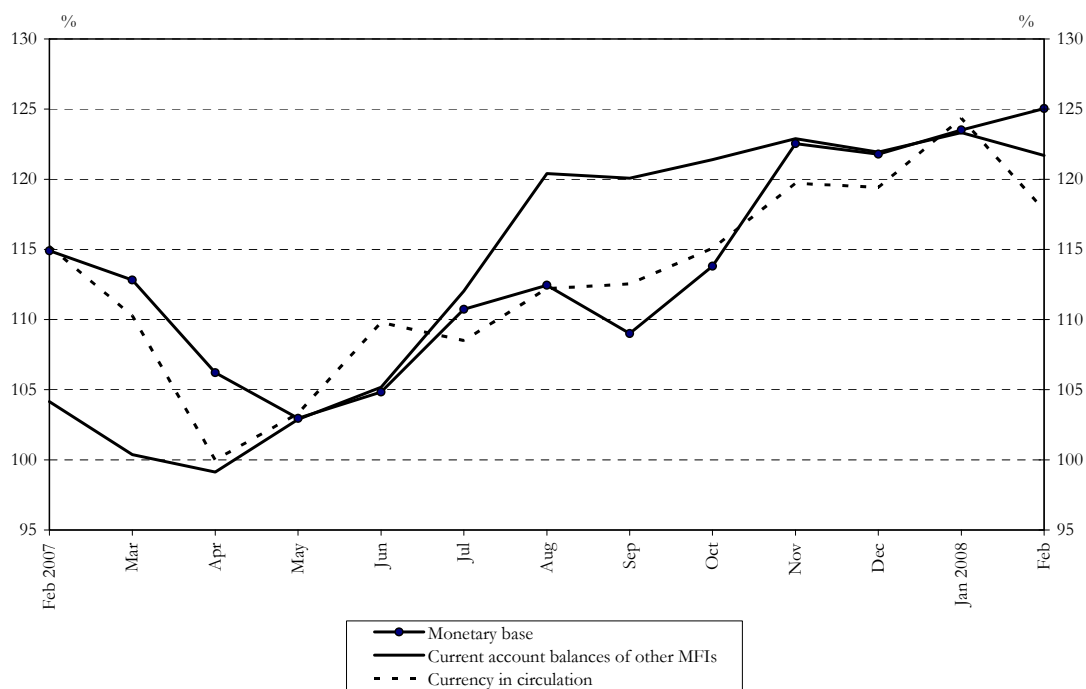


Chart 2 Movements in the monetary base



The annualised month-on-month growth index of the monetary base¹ was 125.0% in February, 1.5 percentage points higher than in the previous month.

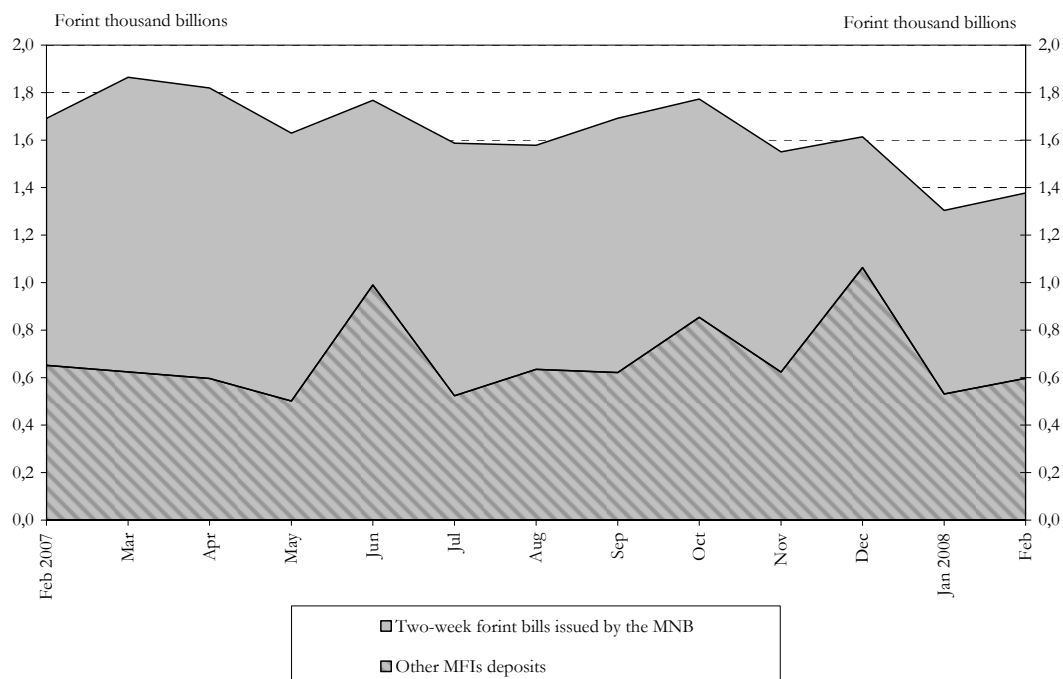
Chart 3 Annualised growth indices of the monetary base and its components¹



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

In February, other monetary financial institutions' end-of-month holdings of deposits with the central bank rose by HUF 66.4 billion to HUF 597.6 billion. Forint deposits rose by HUF 66.3 billion to HUF 596.4 billion and foreign currency deposits by HUF 0.1 billion to HUF 1.3 billion. Holdings of two-week forint-denominated central bank bills² at the end of the month amounted to HUF 779.8 billion, up HUF 7.2 billion on January. The combined stock of other monetary financial institutions' deposits and market holdings of two-week forint-denominated central bank bills increased by HUF 73.6 billion to HUF 1,377.4 billion. At the end of February, other MFIs' had no outstanding liabilities vis-à-vis the central bank.

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



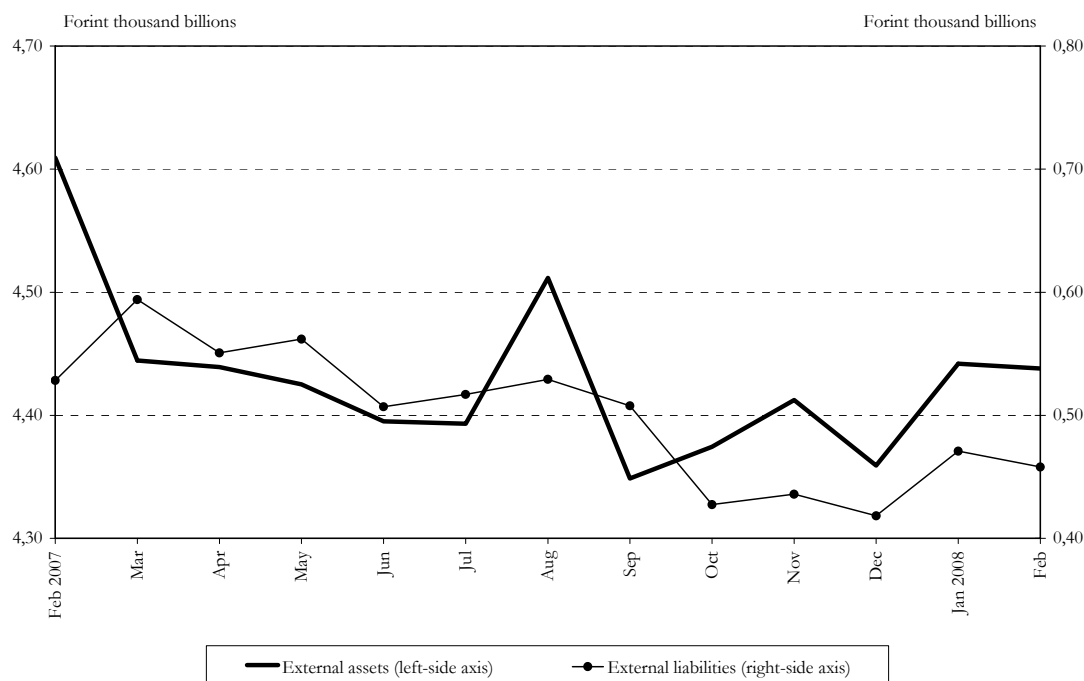
There were no loans outstanding to the central government at the end of February, given the repayment by the sub-sector of its foreign currency liabilities in December 2007. Deposits from the central government fell by HUF 138.0 billion to HUF 387.7 billion.

Net external assets of the Magyar Nemzeti Bank were HUF 8.9 billion higher than in January. Transactions reduced the value of net external assets by HUF 28.1 billion and exchange rates changes increased it by HUF 37.0 billion. The end-of-month total of assets vis-à-vis non-residents fell by HUF 4.0 billion to HUF 4,438.0 billion. The value of net external assets fell by HUF 39.3 billion due to transactions and rose by HUF 35.3 billion due to foreign exchange revaluation. The end-of-month total of external liabilities fell by HUF 12.8 billion to HUF 458.0 billion. Transactions and exchange rate changes, respectively, accounted for HUF 11.1 billion and HUF 1.7 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=mnbbhu_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=mnbbhu_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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