

12 February 2008

PRESS RELEASE

Preliminary statistical balance sheet of the MNB January 2008

In January 2008, the monetary base fell by HUF 167.0 billion to HUF 2,884.2 billion. Of the components of the monetary base, the monthly average stock of currency in circulation fell by HUF 91.8 billion to HUF 2,165.9 billion, due mainly to the usual turn-of-the year effect. This seasonal pattern is also reflected in developments in the monetary base (see Chart 2). The monthly average stock of other monetary financial institutions' current account balances rose by HUF 17.0 billion to HUF 700.2 billion. At HUF 18.1 billion, the monthly average stock of other monetary financial institutions' overnight deposits was down HUF 92.2 billion on December 2007.

In January, the composition of the monetary base changed, due to the 3 percentage point fall in the percentage share of overnight deposits. The monthly averages of currency in circulation and other monetary financial institutions' current account balances rose to 75.1% and 24.3%, respectively, as a percentage of the monetary base. In contrast, the share of other monetary financial institutions' overnight deposits fell to 0.6%.

Chart 1 Components of the monetary base

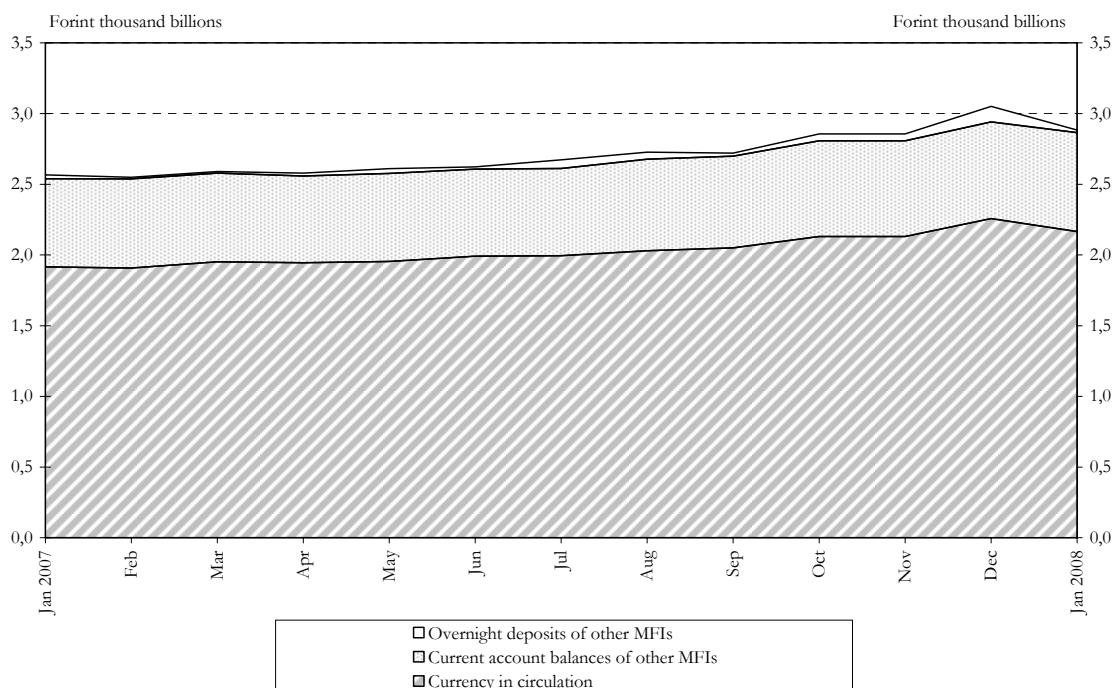
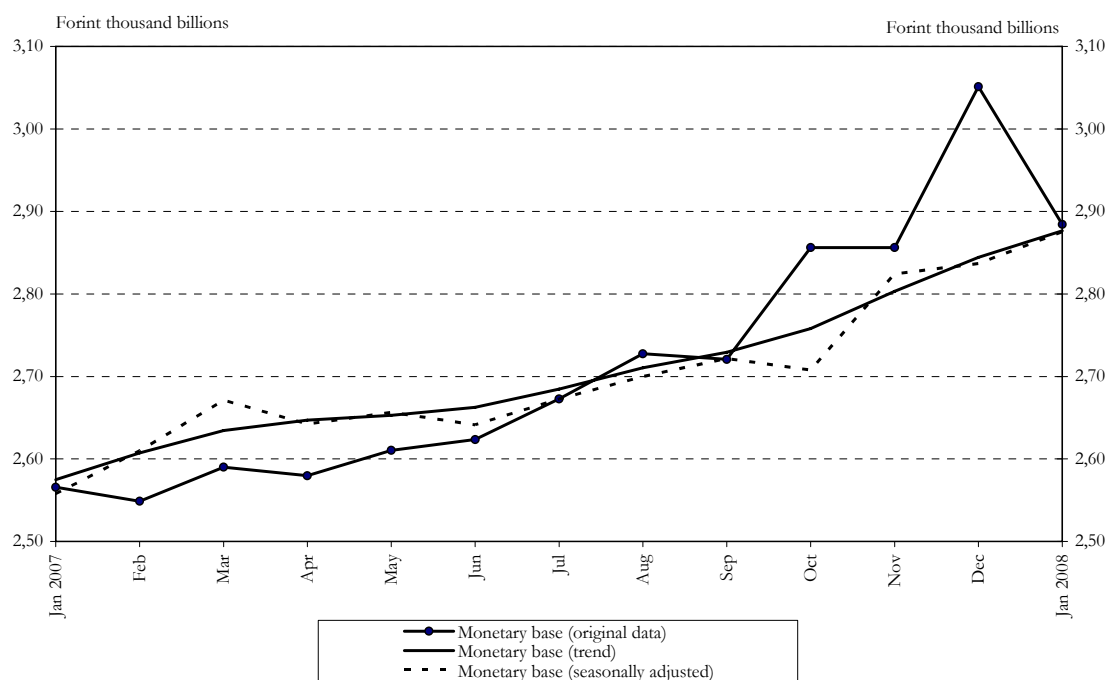
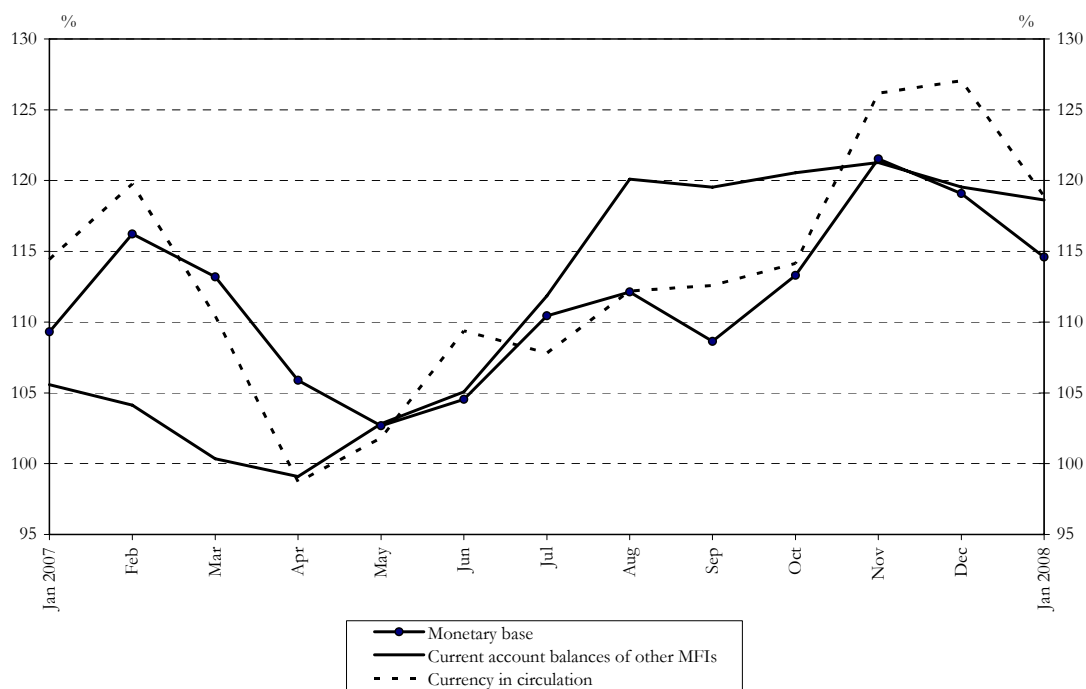


Chart 2 Movements in the monetary base



The annualised month-on-month growth index of the monetary base¹ was 114.6% in January, 4.5 percentage points lower than in the previous month.

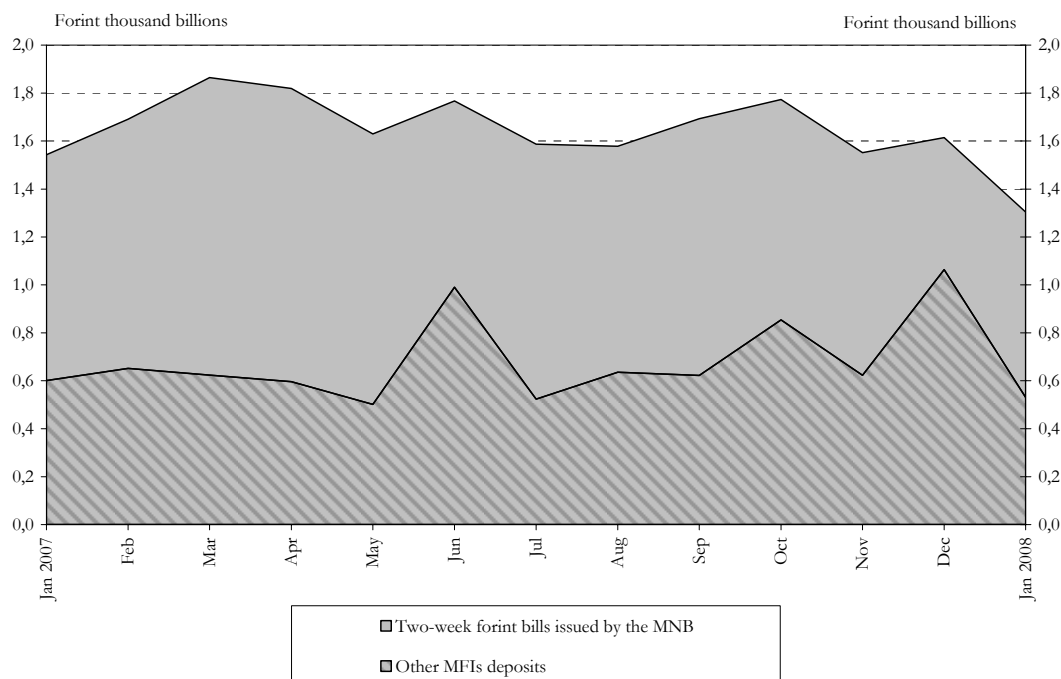
Chart 3 Annualised growth indices of the monetary base and its components¹



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

In January, other monetary financial institutions' end-of-month holdings of deposits with the central bank fell by HUF 532.2 billion to HUF 531.2 billion. Forint deposits fell by HUF 532.3 billion to HUF 530.0 billion and foreign currency deposits rose by HUF 0.1 billion to HUF 1.2 billion. Holdings of two-week forint-denominated central bank bills² at the end of the month amounted to HUF 772.6 billion, up HUF 222.2 billion on December 2007. The combined stock of other monetary financial institutions' deposits and market holdings of two-week forint-denominated central bank bills fell by HUF 310.1 billion to HUF 1,303.9 billion, the lowest level since January 2007. At the end of January, other MFIs' outstanding liabilities vis-à-vis the central bank amounted to HUF 4.8 billion.

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



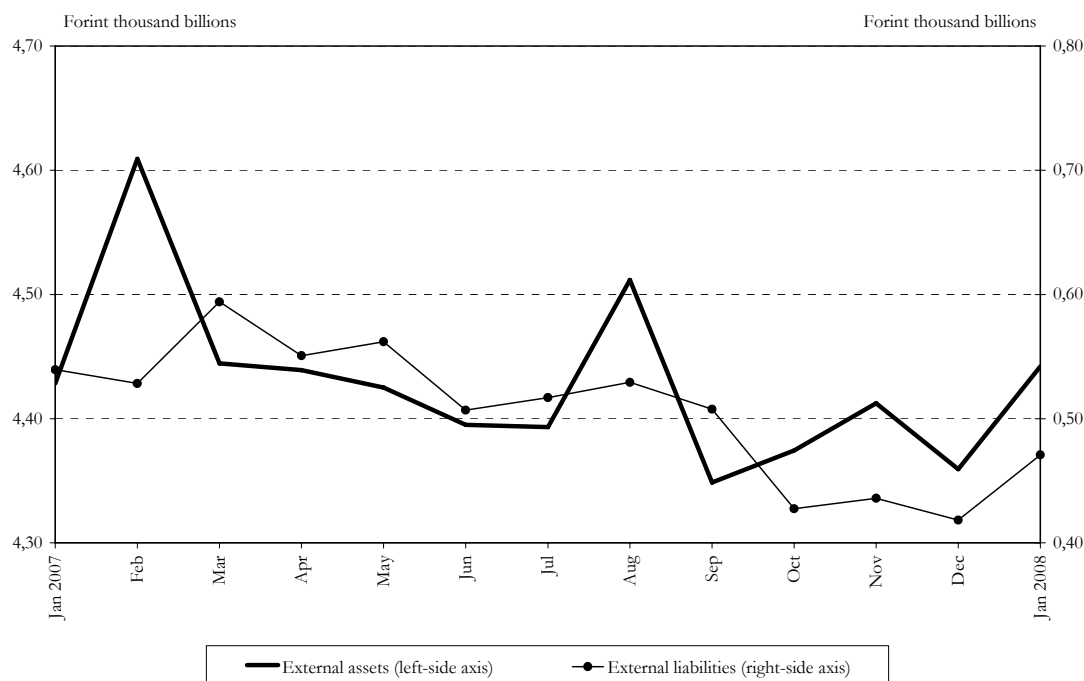
There were no loans outstanding to the central government at the end of January, given the repayment by the sub-sector of its foreign currency liabilities in December 2007. Deposits from the central government rose by HUF 270.8 billion to HUF 525.7 billion.

Net external assets of the Magyar Nemzeti Bank were HUF 30.2 billion higher than in December 2007. Transactions reduced the value of net external assets by HUF 80.6 billion and exchange rates changes increased it by HUF 110.8 billion. The end-of-month total of assets vis-à-vis non-residents rose by HUF 82.7 billion to HUF 4,442.0 billion. The value of net external assets rose by HUF 43.8 billion due to transactions reduced and fell by HUF 126.5 billion due to foreign exchange revaluation. The end-of-month total of external liabilities rose by HUF 52.5 billion to HUF 470.8 billion. Transactions and exchange rate changes, respectively, accounted for HUF 36.8 billion and HUF 15.7 billion of the increase 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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