



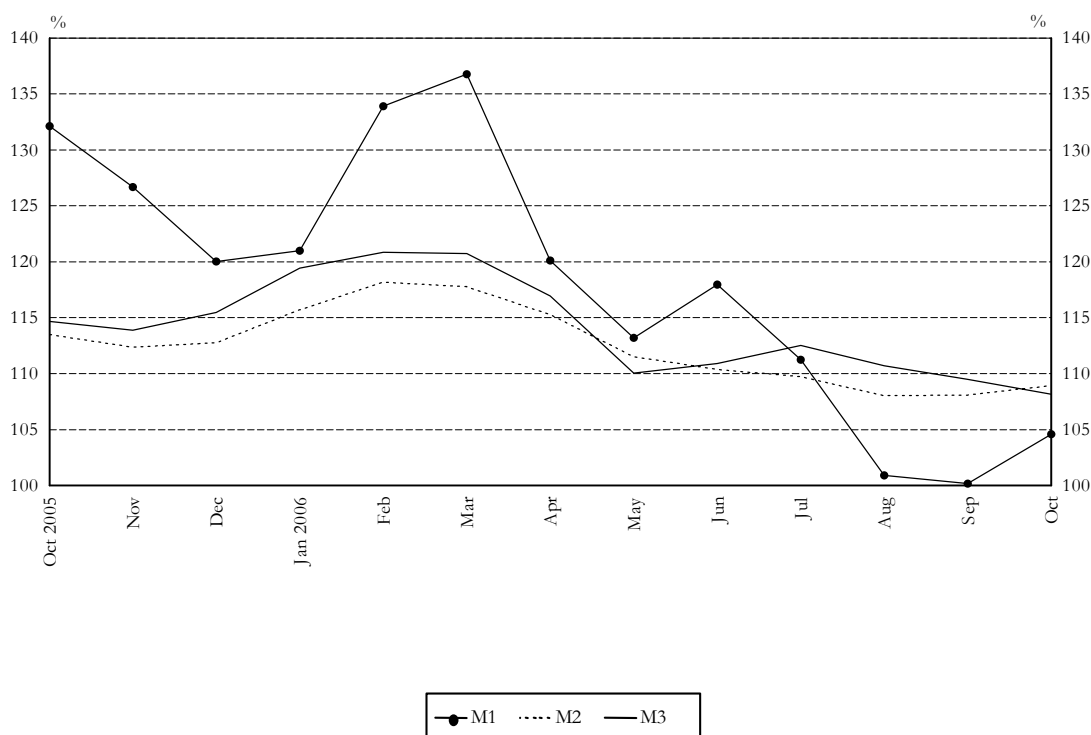
PRESS RELEASE

Consolidated balance sheet of the MFIs: October 2006

In October 2006, the **monetary base** increased by HUF 97.0 billion to HUF 2,632.3 billion. The annualised month-on-month growth index¹ of the **monetary base (M0)** was 124.8%.

Unlike earlier the original and seasonally adjusted stock of all three monetary aggregates decreased this month. Following a decline in the preceding three months, the annualised month-on-month growth index of the narrow monetary aggregate **M1** rose by 4.4 percentage points to 104.6%, the original aggregate decreasing due to a HUF 70.3 billion drop in the demand and current account deposits of the local governments. There was only a slight change in the annualised month-on-month growth index of monetary aggregates M2 and M3, steadily fluctuating between 108% and 113% since May. In October, the annualised month-on-month growth index of **M2** was 108.9%, while that of **M3** was 108.2%.

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



¹See: Methodological notes

Chart 2: Components of the monetary aggregates

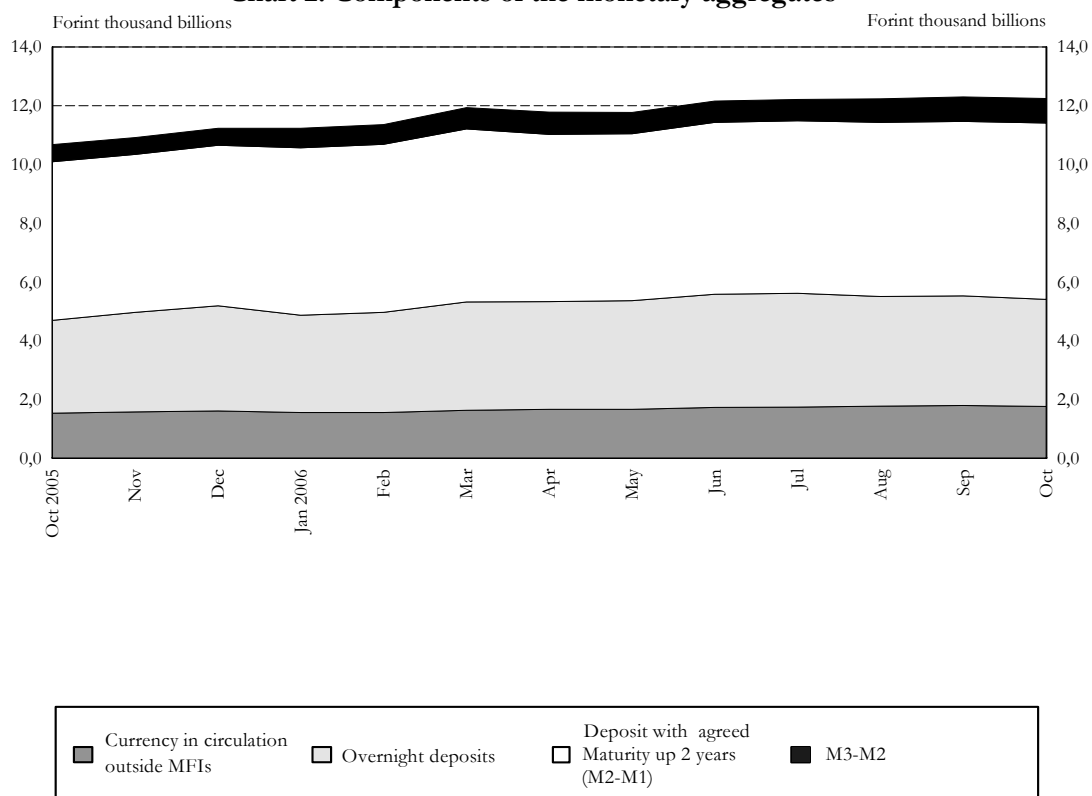


Chart 3: Seasonally adjusted M1

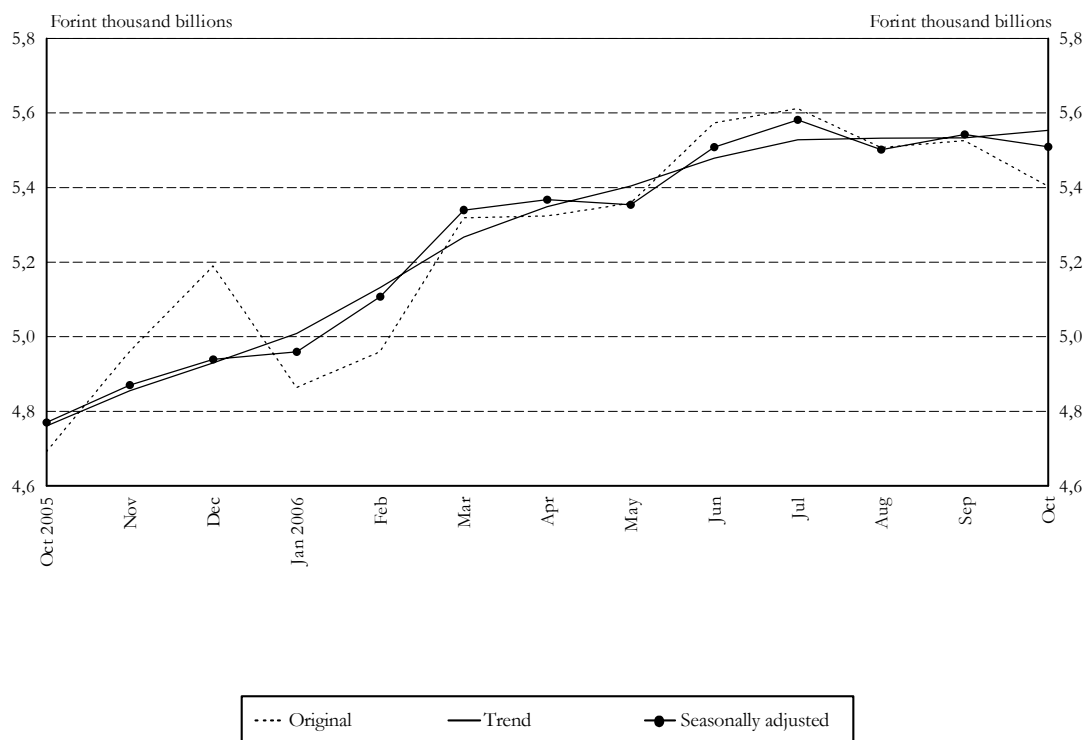


Chart 4: Seasonally adjusted M2

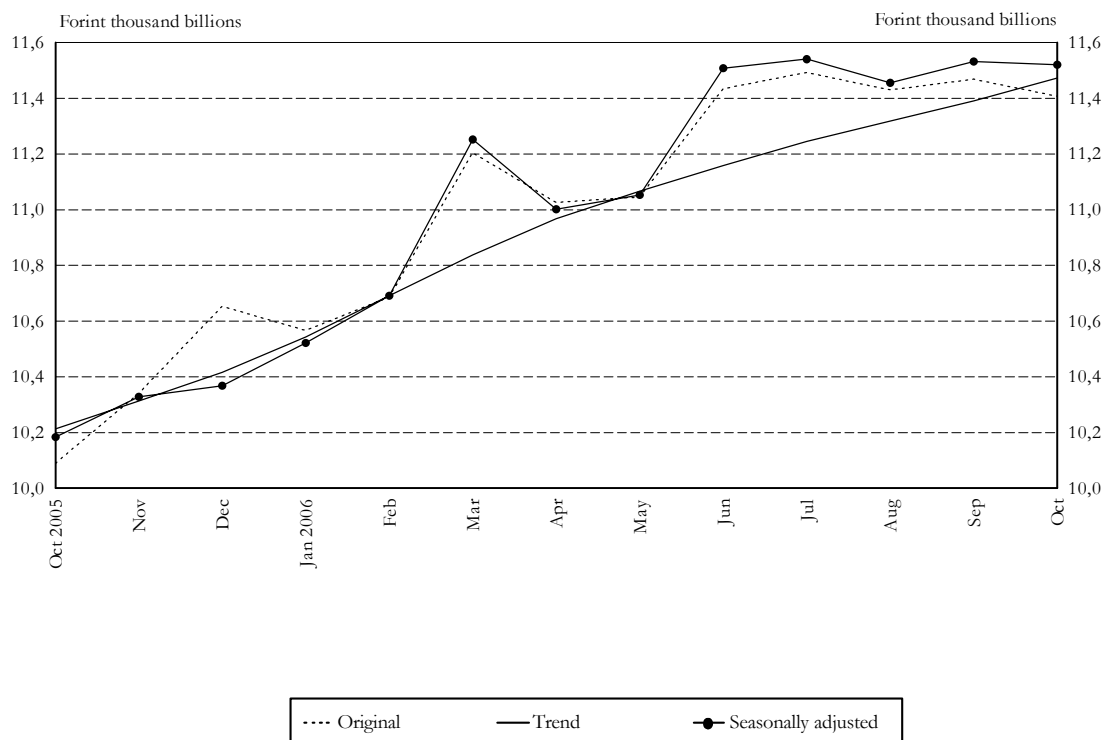
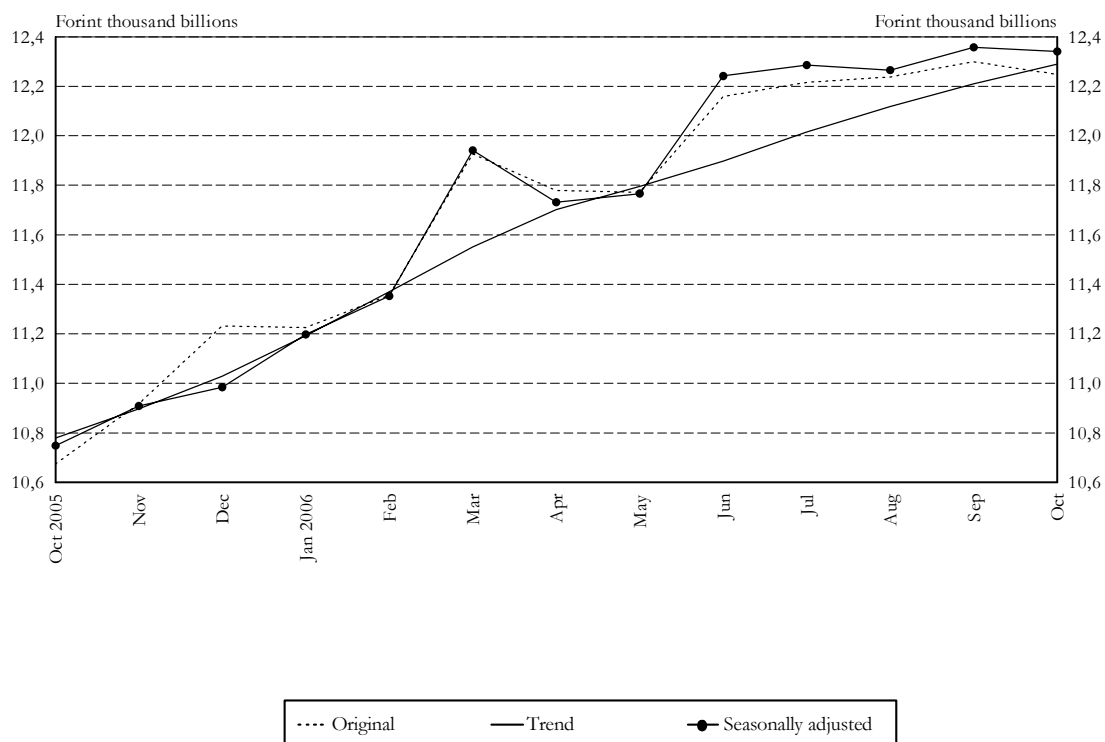
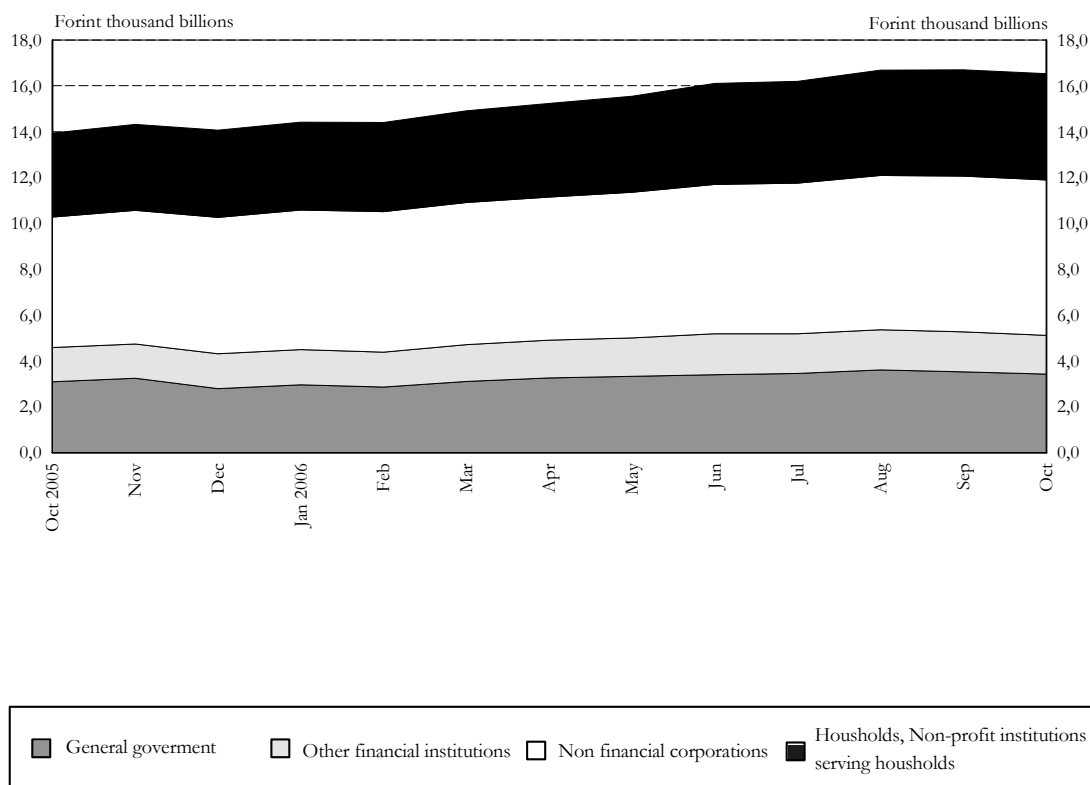


Chart 5: Seasonally adjusted M3



Following a moderate growth over the past month, in October, the total stock of domestic loans decreased by HUF 164.5 billion, putting an end to the growth starting in March 2006. The total stock of domestic loans in each sector decreased, in which exchange rate changes played an important role.

Chart 6: Composition of the stock of domestic loans

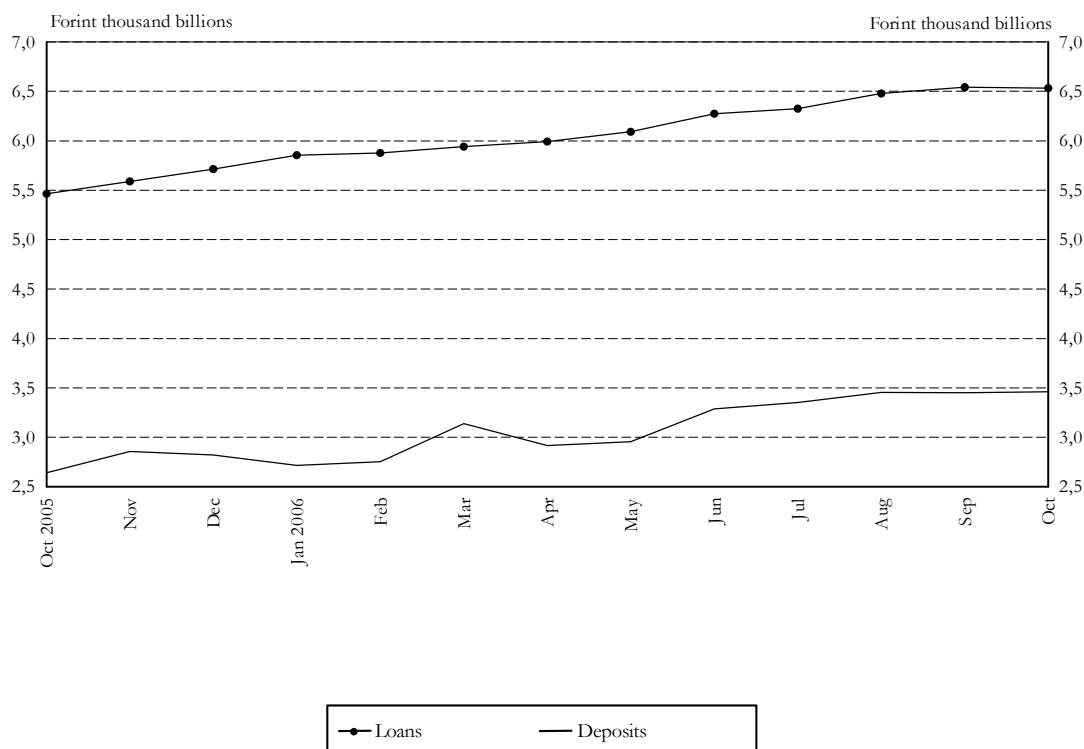


The total stock of loans granted by monetary financial institutions to **non-financial corporations** fell by HUF 6.7 billion to HUF 6,534.6 billion, breaking the growth trend of the previous one year. Compared to the past month, the distribution of the stock of loans granted to non-financial corporations changed only slightly in terms of loan maturity. In October, the share of loans with a maturity of up to one year within the total stock of loans amounted to 37.9%, the share of long-term loans with a maturity under 5 years was 28.2%, while the proportion of loans with a maturity over 5 years was 33.95. The stock of loans with a maturity of up to one year continued to grow, rising by HUF 24.8 billion, while the stock of loans with a maturity of over one year dropped by HUF 31.5 billion. The stock of long-term loans with a maturity of up to 5 years fell by HUF 4.7 billion, while that of long-term loans with a maturity of over five years went down by HUF 26.7 billion.

The share of foreign currency loans decreased in the case of all three types of maturity: It fell from 36.7% to 32.7% in the case of loans with a maturity of up to one year and from 47.7% to 45.0% in the case of loans with a maturity of up to 5 years. As regards loans with a maturity of over 5 years, the proportion of foreign exchange loans fell by 2 percentage points to 65.1% compared to the previous month. Within the HUF 6.7 billion change in the total stock of loans, the volume of forint loans rose by HUF 198.9 billion, while the stock of foreign exchange loans fell by HUF 205.6 billion, of which HUF 137.7 billion resulted from exchange rate change.

Following a slight setback in September, the sector's deposits with monetary financial institutions increased by HUF 10.2 billion to HUF 3,462.2. Within the stock of deposits, the share of demand and current account deposits was 51.3%, while that of the fixed deposits was 48.0%. The volume of demand and current account deposits rose by HUF 16,7 billion. The stock of deposits with a maturity of up to one year fell by HUF 7.9 billion and that of deposits with a maturity of over one year by HUF 6.5 billion, while the volume of repos grew by HUF 8.0 billion.

Chart 7: Loans and deposits of non-financial corporations

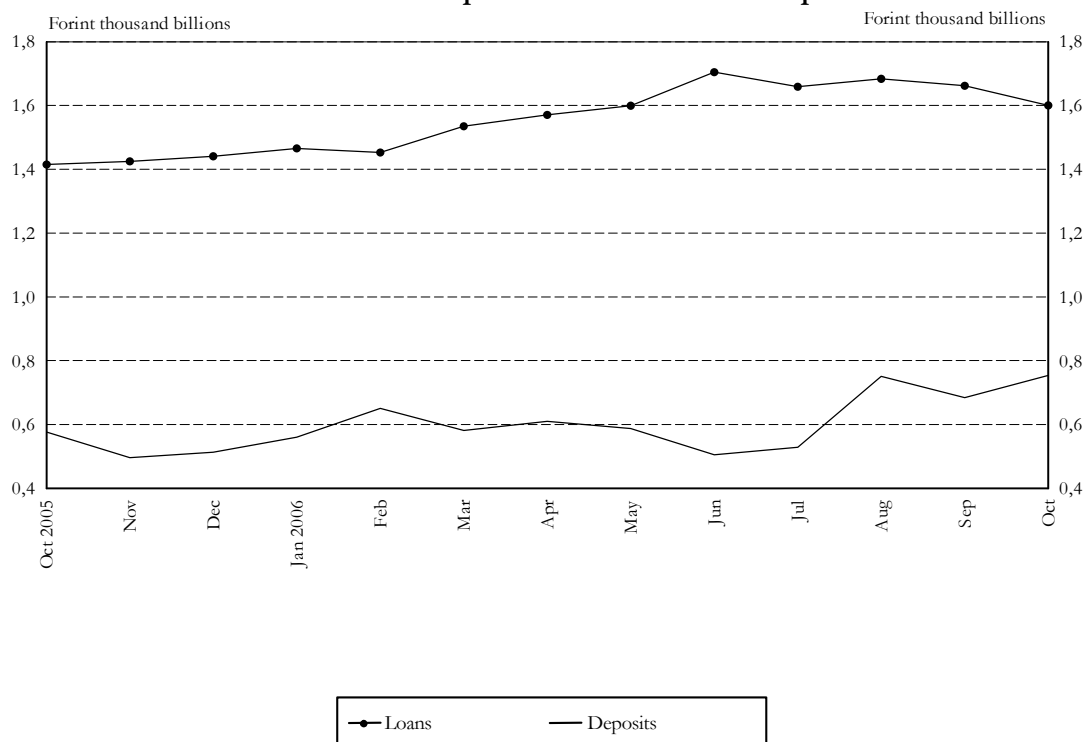


The stock of loans granted to **other financial corporations** has been on a downward trend since August, dropping in October by HUF 60.9 billion to HUF 1600.7 billion. Within the total stock of loans, the proportion of loans with a maturity of up to 5 year is the highest, amounting to 42.8% this month. The proportion of loans with a maturity of up to one year fell by HUF 15.1 billion and that of the loans with a maturity of over a year by HUF 45.8. billion. The volume of long-term loans with a maturity up to 5 years decreased by HUF 33.9 billion, while that of loans with a maturity of over 5 years by HUF 11.9 billion.

The stock of forint loans granted to the sector rose by HUF 4,2 billion, while the stock of foreign exchange loans fell by HUF 65.1 billion, of which HUF 62.6 billion was a result of HUF exchange rate changes. The proportion of foreign exchange loans to the total stock of loans granted to other financial corporations was 87.6% in October.

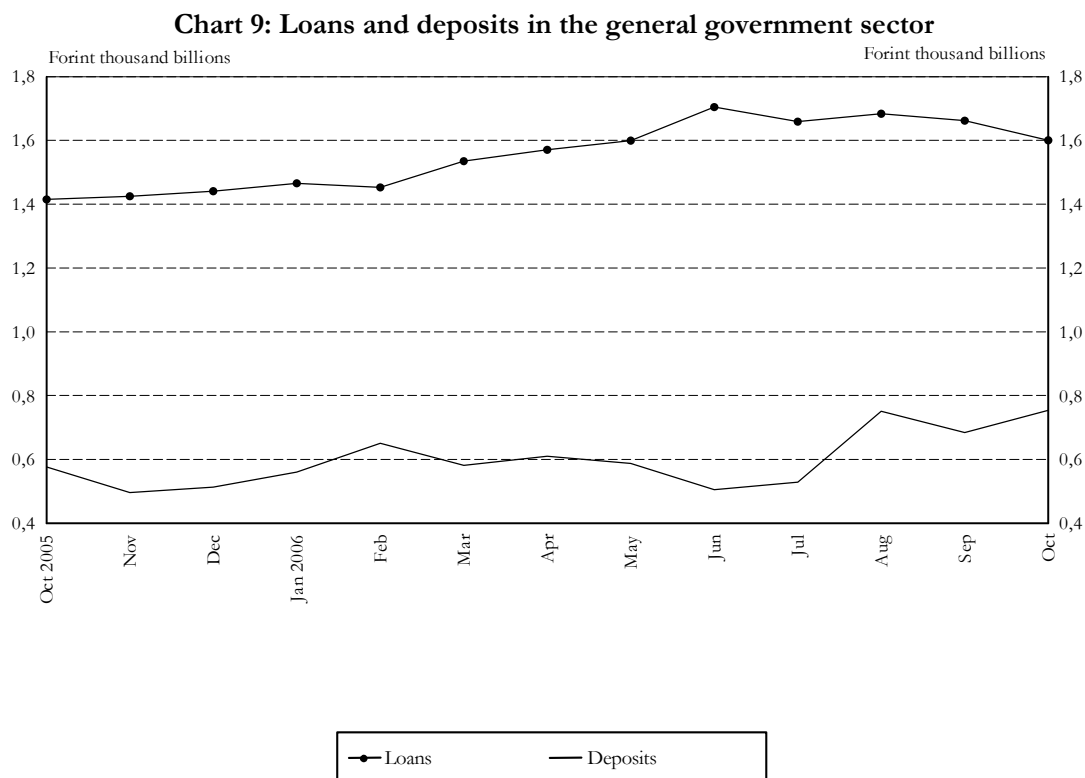
Following a decline in September, the sector's deposits with monetary financial institutions increased by HUF 69.0 billion to HUF 753.5 billion. The volume of demand deposits and current account deposits diminished by HUF 22.5 billion, the stock of fixed deposits rose by HUF 105.3 billion, while that of the repos fell by HUF 13.8 billion.

Chart 8: Loans and deposits to other financial corporations



Similarly to the previous month, the increase in loans granted by monetary financial institutions to the **general government sector**, characterising most of the year, continued to stall; its stock decreased by HUF 4.9 billion in October.

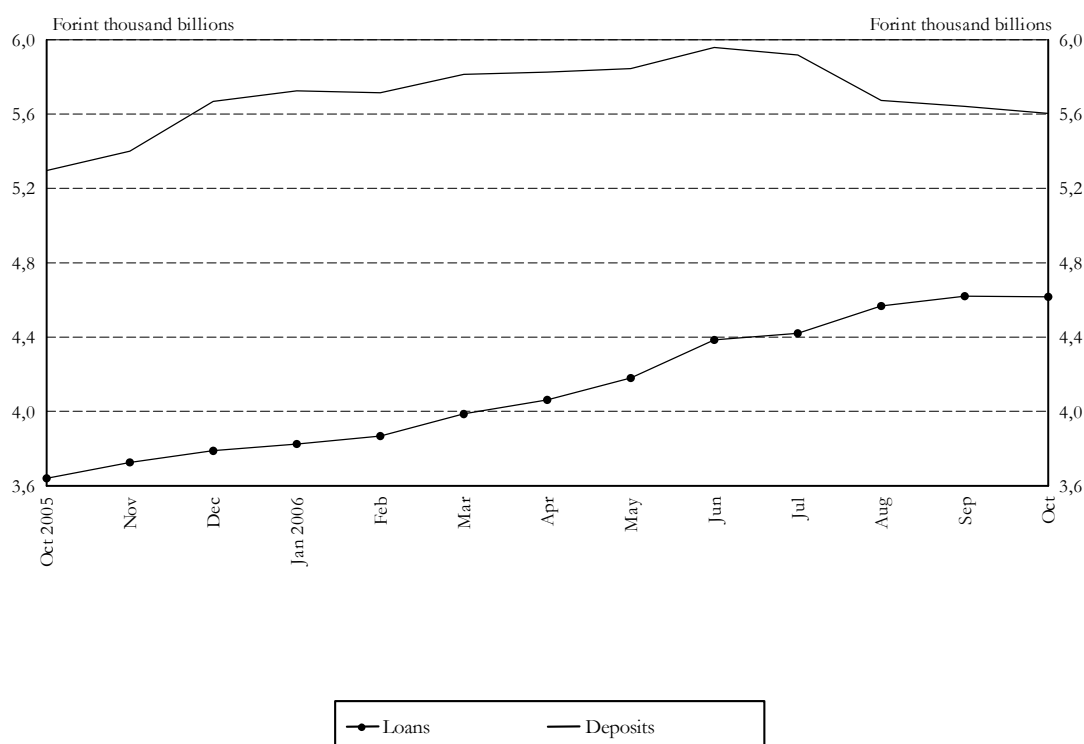
The stock of the sector's deposits with monetary financial institutions fell by HUF 187.4 billion. The deposits of the central government decreased by HUF 125.0 billion and those of the local governments by HUF 62.4 billion.



In October, the growth of the stock of loans granted to the **household sector** came to a halt and fell by HUF 3.4 billion to HUF 4,616.6 billion. The share of foreign exchange loans within the total stock of loans remained 41.1% compared to the previous month. Its proportion steadily grew over the past two years, by this month amounting to nearly four times of its proportion in October 2004.

The decrease in the stock of household deposits with monetary financial institutions, starting in July, continued its downward trend in October, falling by HUF 37.7 billion to HUF 5,602.8 billion.

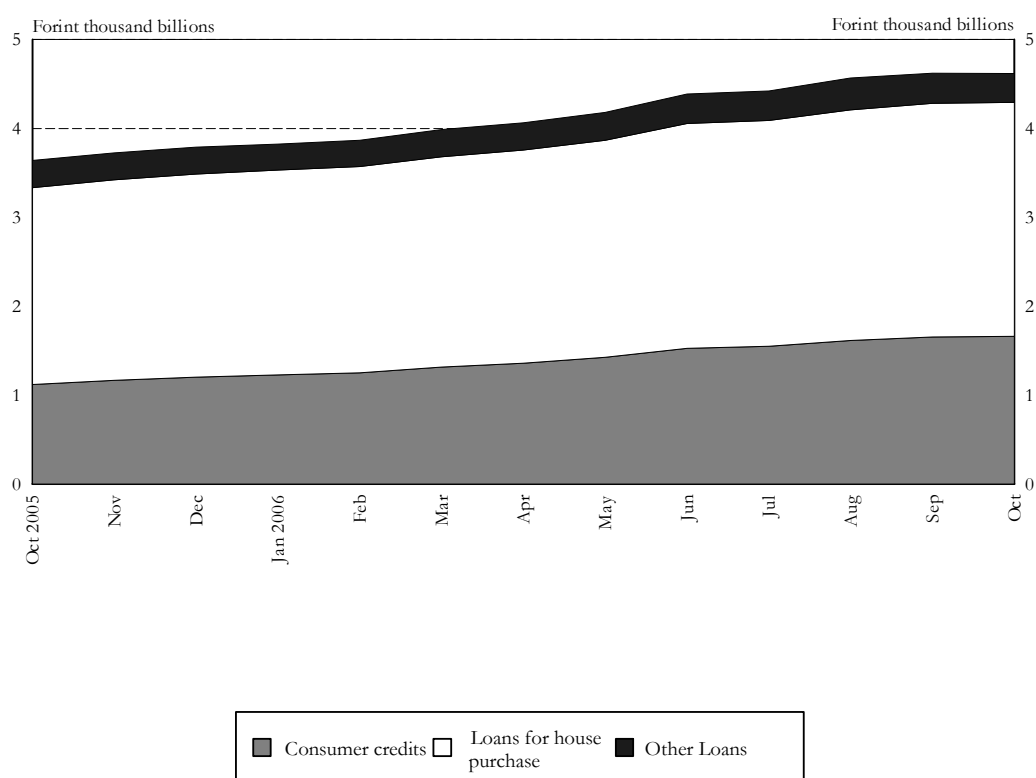
Chart 10: Loans and deposits of the household sector



Within loans granted to households, the proportion of housing loans was 57.0%, the stock increasing by HUF 5.8 billion. Within housing loans, the share of foreign currency loans was 32.2%. The proportion of consumer credit within the total stock of housing loans was 36.0%, its volume increasing by HUF 4.7 billion. Foreign currency loans were 57.2% as a percentage of total consumer credit. The stock of other loans fell by HUF 13.9 billion, the percentage share of foreign exchange loans being 31.0%.

The proportion of demand and current account deposits within the stock of household loans with monetary financial institutions fell by HUF 16.4 billion. The share of deposits with a maturity of up to one year decreased by HUF 16.5 billion, and that of loans with a maturity of over one year by HUF 4.9 billion.

Chart 11: Composition of household loans

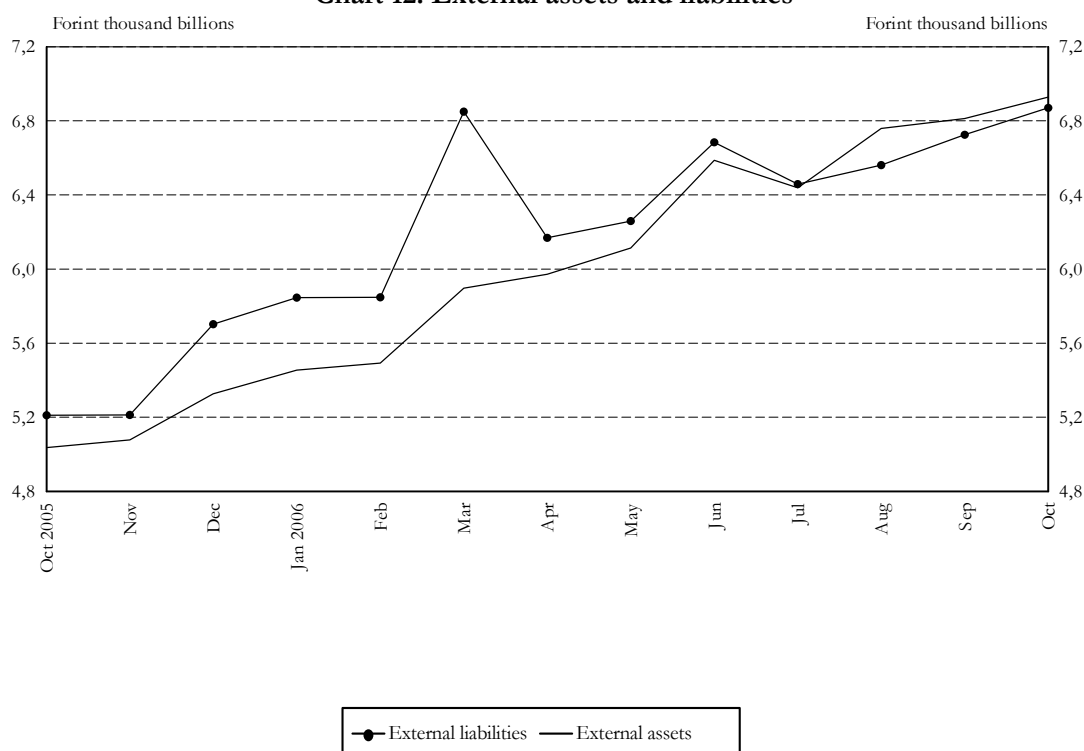


Similarly to the two previous months, the liabilities of **monetary financial institutions vis-à-vis non-residents** exceeded their assets in October, too. The external assets and liabilities, respectively, were HUF 145.0 billion and HUF 116.4 billion higher. As a consequence, MIF's net external assets rose by HUF 28.6 billion.

Assets and liabilities of the **central bank vis-à-vis non-residents** diminished by HUF 240.9 billion and HUF 27.5 billion, respectively. The net external assets decreased by HUF 213.4 billion.

Net assets of **other monetary financial institutions vis-à-vis non-residents** increased by HUF 242.0 billion. The sector's external assets rose by HUF 385.8 billion and its external liabilities by HUF 143.8 billion.

Chart 12: External assets and liabilities



Methodological notes

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. The month-on-month growth rates derived using this method better reflect developments of the most recent period than annual (twelve-month-on-twelve-month) growth indices.

Percentages and ratios are calculated from data before rounding. The sums of sub-totals may not add to total due to rounding.

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,
http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=0708_monstatpubl_hu.xls

Budapest, 29 November 2006

MAGYAR NEMZETI BANK
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