

28 September 2007

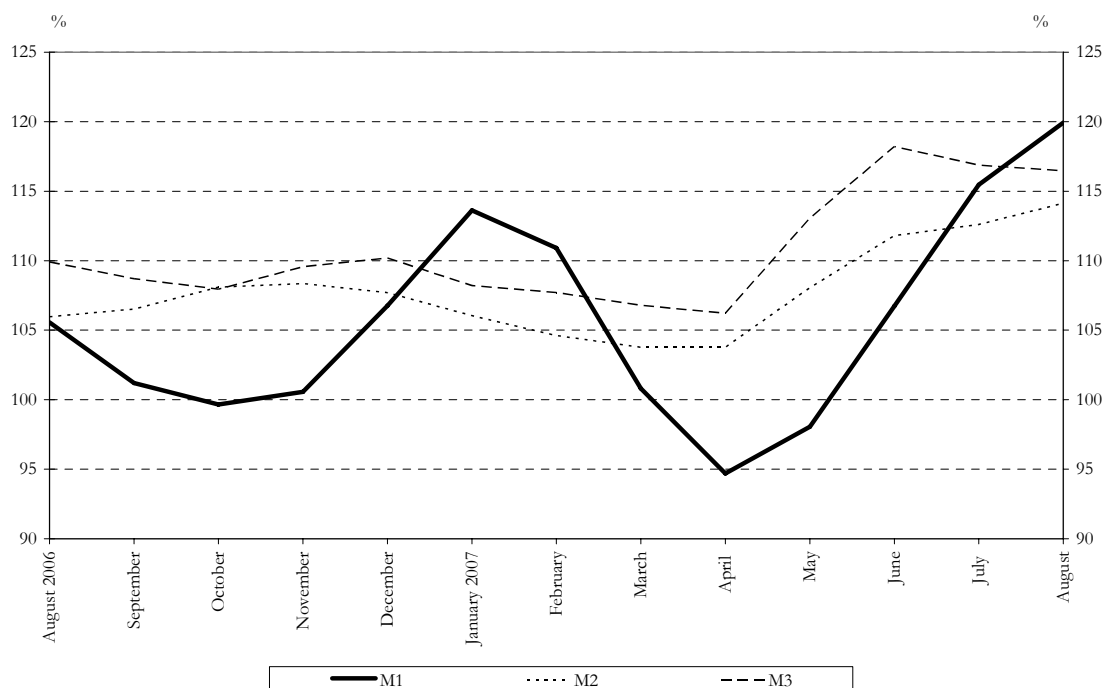
## PRESS RELEASE

### Consolidated balance sheet of MFIs: August 2007

In August 2007, the monetary base rose by HUF 54.5 billion to HUF 2,727.4 billion. The annualised month-on-month growth index<sup>1</sup> of the monetary base (M0) stood at 112.4%.

The rise in the monetary aggregates M1 and M2 in the previous two months continued in August. In contrast, M3 fell, as seen in the previous month. The annualised month-on-month growth index of the narrow monetary aggregate M1 rose by 4.5 percentage points to 119.9% and that of M2 rose by 1.5 percentage points to 114.1%. The annualised month-on-month growth index of M3 fell by 0.4 percentage points to 116.5%.

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

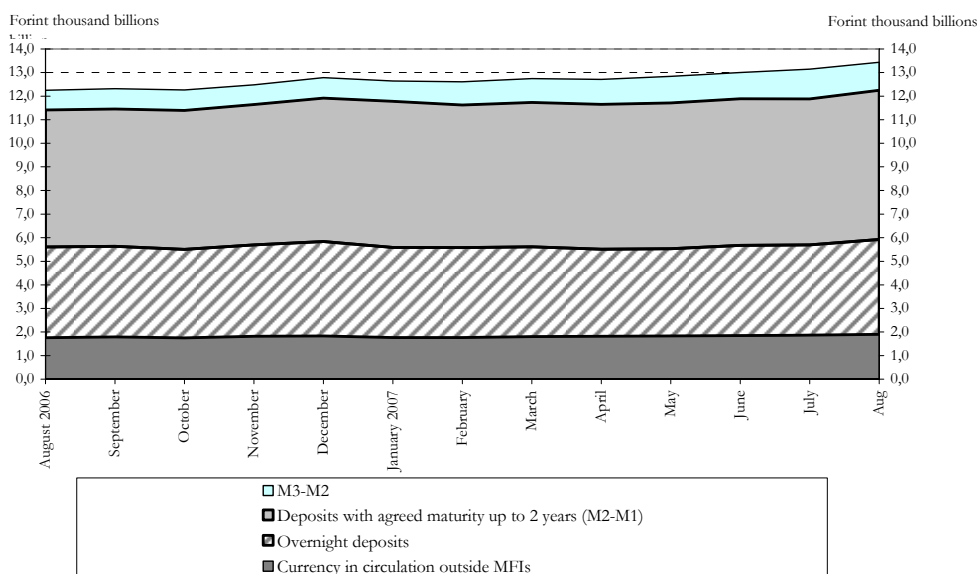


The not seasonally adjusted stock of the monetary aggregate M3 rose by HUF 290.0 billion to HUF 13,434.3 billion. The percentage share of M1 – which comprises currency outside MFIs and overnight deposits – increased from 43.3% to 44.1%, with its stock rising by HUF 237.7 billion. The percentage share of M2-M1 – a measure of deposits with an agreed maturity of up to two years – remained unchanged at 47.1%, with its stock rising by HUF 129.6 billion. The percentage share of M3-M2 – comprising outstanding repos, money

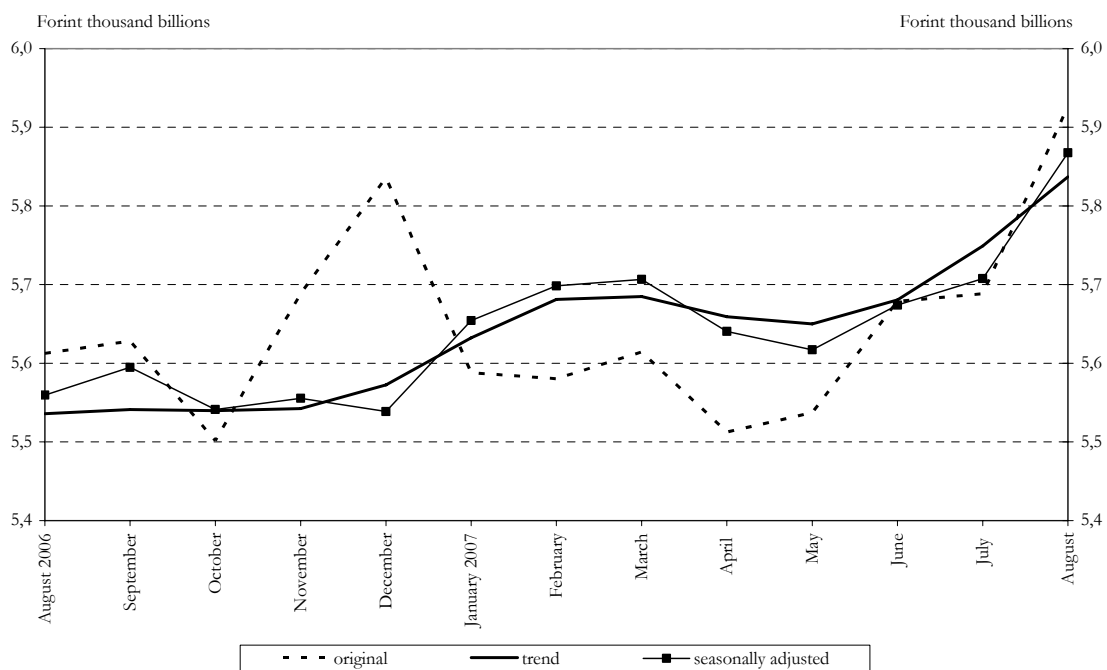
<sup>1</sup> For an explanation, see the methodological notes at the end of this press release.

market fund shares and debt securities with maturities of up to two years – fell from 9.6% to 8.8%, with its stock falling by HUF 77.3 billion.

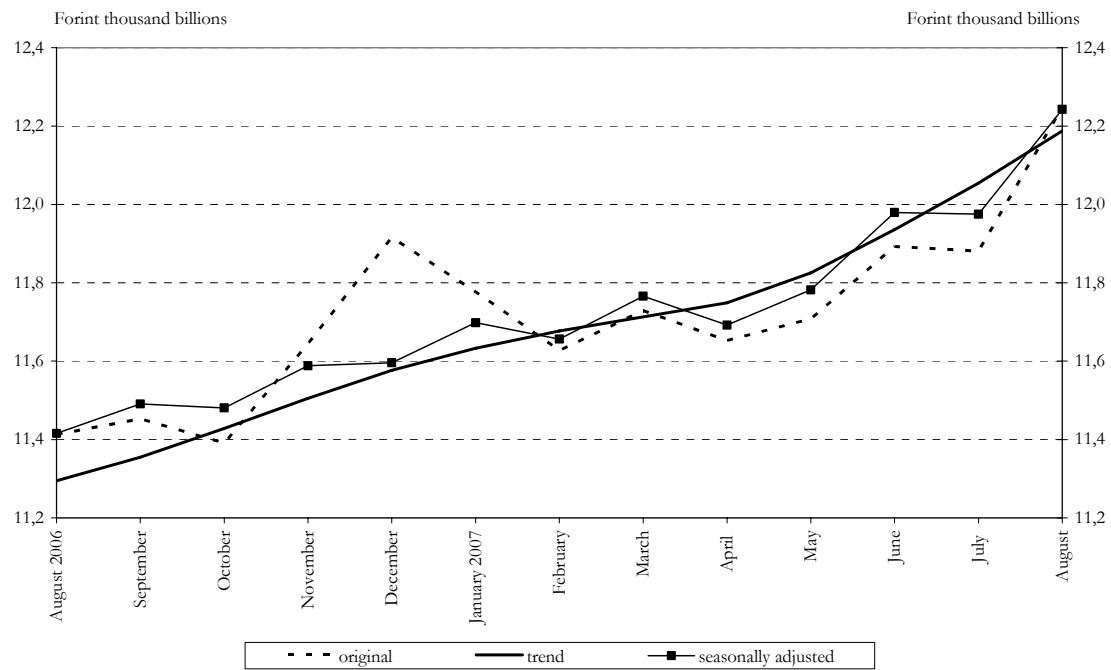
**Chart 2 Components of the monetary aggregates**



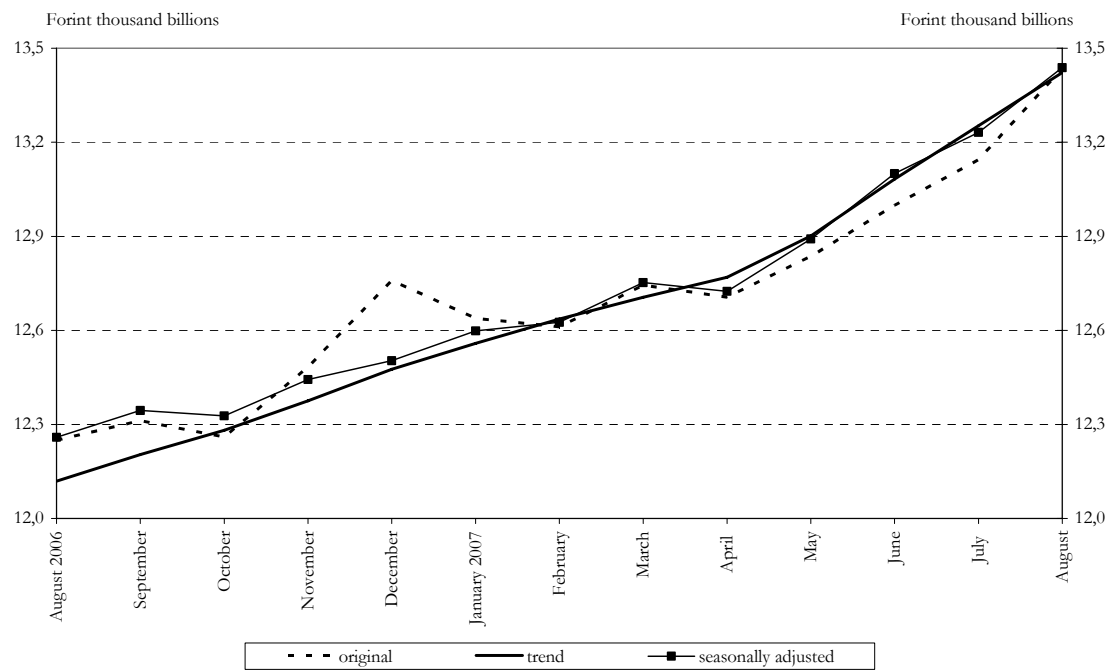
**Chart 3 Seasonally adjusted M1**



### Chart 4 Seasonally adjusted M2



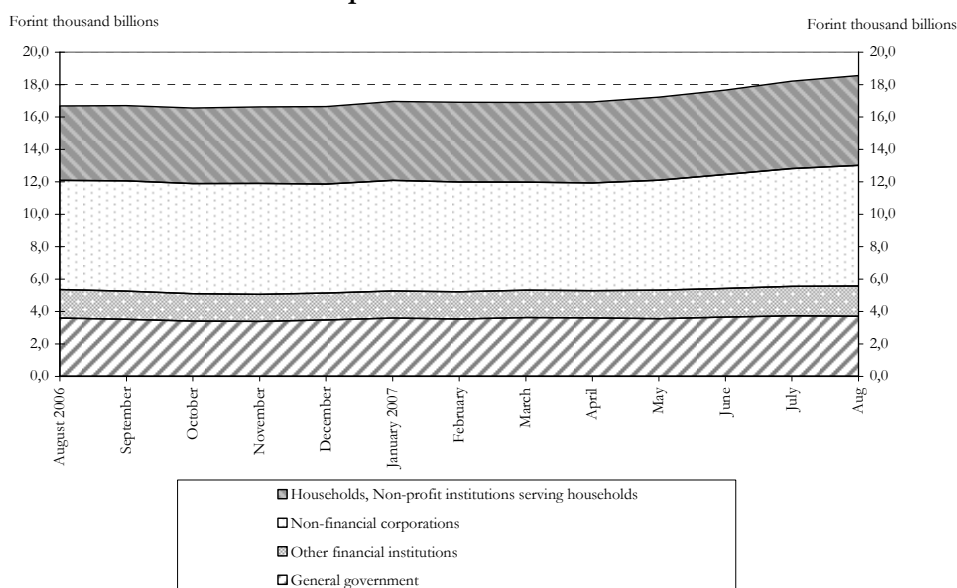
### Chart 5 Seasonally adjusted M3



The total stock of domestic loans increased by HUF 353.6 billion to HUF 18,555.9 billion in August, continuing the rise which began in April and exceeding its highest level recorded in July.

Within domestic assets, loans to non-financial corporations account for the highest percentage share. This ratio rose by 0.2 percentage points to 40.1% in August. 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 29.9%. Assets vis-à-vis general government fell by 0.6 percentage points to 20.0%, and those against other financial corporations edged up by 0.1 percentage point to 10.1%.

**Chart 6 Composition of the stock of domestic loans**

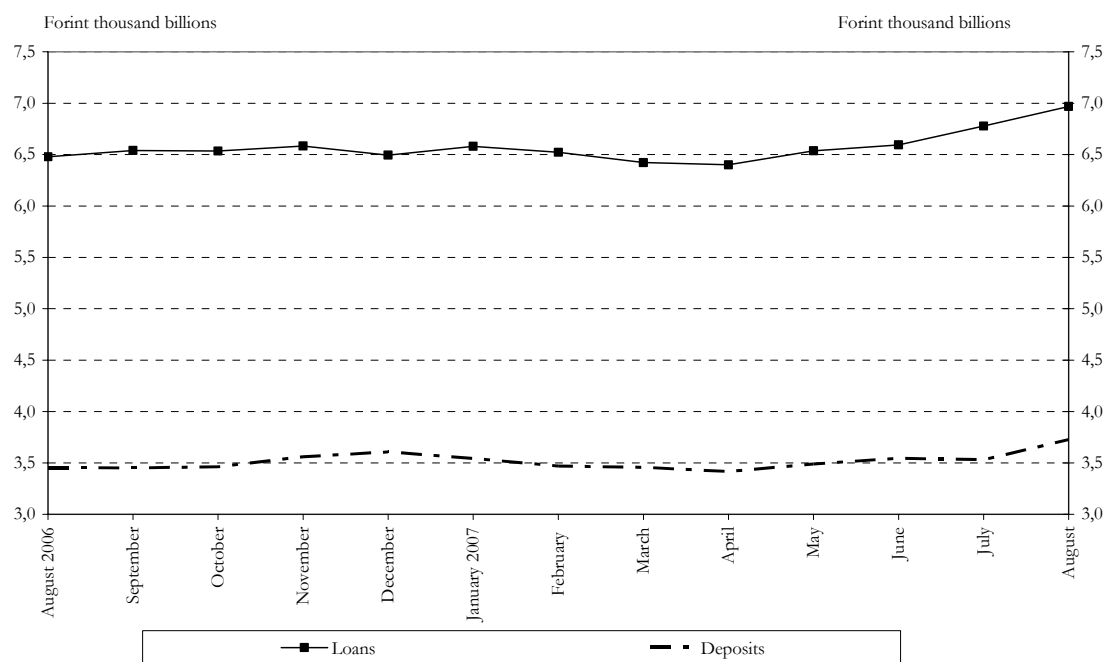


The total stock of loans granted by monetary financial institutions to non-financial corporations rose by HUF 191.1 billion to HUF 6,968.3 billion, continuing the increase in the previous two months and exceeding its highest level recorded in the previous month. Within loans to non-financial corporations, both short and long-term loans rose to their highest levels to date. Short-term increased by HUF 41.1 billion to HUF 2,563.7 billion and loans with a maturity of over one year rose by HUF 150.0 billion to HUF 4,404.6 billion. Within loans with a maturity of over one year, loans with a maturity of up to five years rose by HUF 47.0 billion to HUF 1,814.4 billion; and loans with a maturity of over five years rose by HUF 103.0 billion to HUF 2,590.3 billion, its highest level to date. In August, loans with a maturity of over five years accounted for the highest share within the total. Earlier, short-term loans which had the highest share of the total. The percentage share of loans with a maturity of over five years rose by 0.5 percentage points to 37.2%. By contrast, the share of short-term loans fell by 0.4 percentage points to 36.8%. The share of loans with a maturity of over one year and up to five years was 26.0%.

The share of foreign currency loans with a maturity of up to one year changed from 28.3% to 32.1%, that of loans with a maturity of over one year and up to five years from 45.5% to 48.1% and that of loans with a maturity of over five years from 67.0% to 68.7%. The total stock of foreign currency loans was HUF 291.1 billion higher than in July. Here, transactions and exchange rate changes, respectively, accounted for HUF 244.1 billion and HUF 46.9 billion of the increase.

The sector's deposits with monetary financial institutions rose by HUF 197.3 billion to HUF 3,727.9 billion. Within total deposits, the share of overnight deposits was 52.5%, that of deposits with an agreed maturity was 47.3% and that of outstanding repos was 0.3%. Overnight deposits have been rising since May. In August their stock increased by HUF 101.6 billion. Here, forint deposits rose by HUF 125.9 billion and foreign currency deposits fell by HUF 24.3 billion. Deposits with a maturity of up to one year were up by HUF 93.5 billion. Deposits with a maturity of over one year barely changed, rising by HUF 0.8 billion. Outstanding repos increased by HUF 1.4 billion.

**Chart 7 Loans and deposits of non-financial corporations**

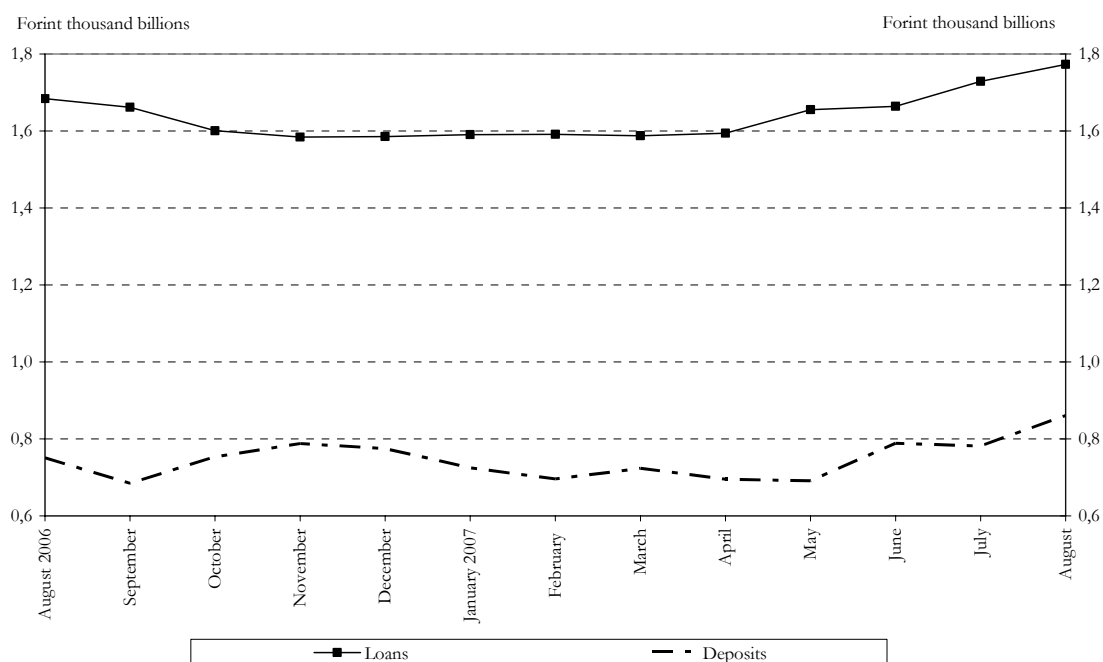


The stock of loans granted to other financial corporations has been rising since April. It rose by HUF 44.0 billion to HUF 1,772.7 billion in the review month. The share of loans with a maturity of up to five years – accounting for the highest value within the total – changed from 47.5% to 47.7%, that of loans with a maturity of over five years from 23.0% to 23.3% and that of loans with a maturity of up to one year from 29.5% to 29.0%.

Within loans granted to the sector, forint loans fell by HUF 9.8 billion and foreign currency loans rose by HUF 53.9 billion. Transactions and exchange rate changes, respectively, accounted for HUF 30.2 billion and HUF 23.7 billion of the change in the stock of foreign currency loans.

The sector's deposits with monetary financial institutions had been fluctuating between HUF 680–800 billion since August 2006. In August 2007, they rose by HUF 78.5 billion to HUF 860.3 billion. The value of overnight deposits rose by HUF 23.7 billion and that of deposits with an agreed maturity by HUF 39.6 billion. Outstanding repos were up HUF 15.2 billion on July.

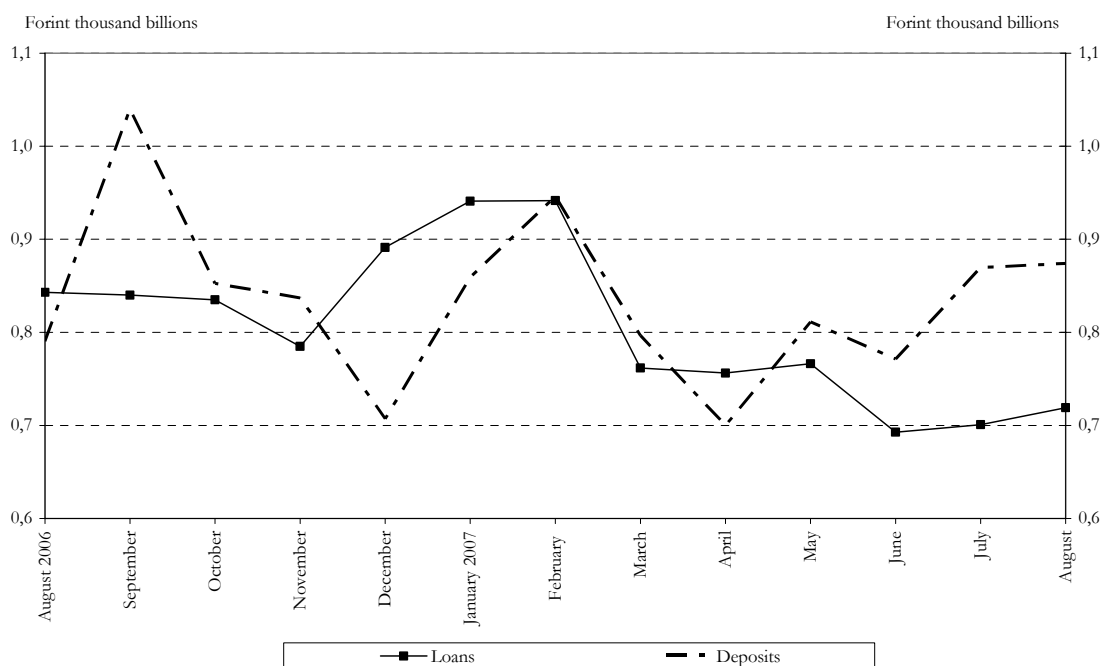
**Chart 8 Loans and deposits to other financial corporations**



Loans granted by monetary financial institutions to the general government sector rose by HUF 18.3 billion to HUF 719.0 billion in August.

The stock of the general government sector's deposits with monetary financial institutions increased by HUF 4.3 billion to HUF 874.0 billion. This rise in deposits reflected a HUF 6.2 billion increase in deposits of the central government and a HUF 2.0 billion fall in deposits of local governments.

**Chart 9 Loans and deposits of the general government sector**

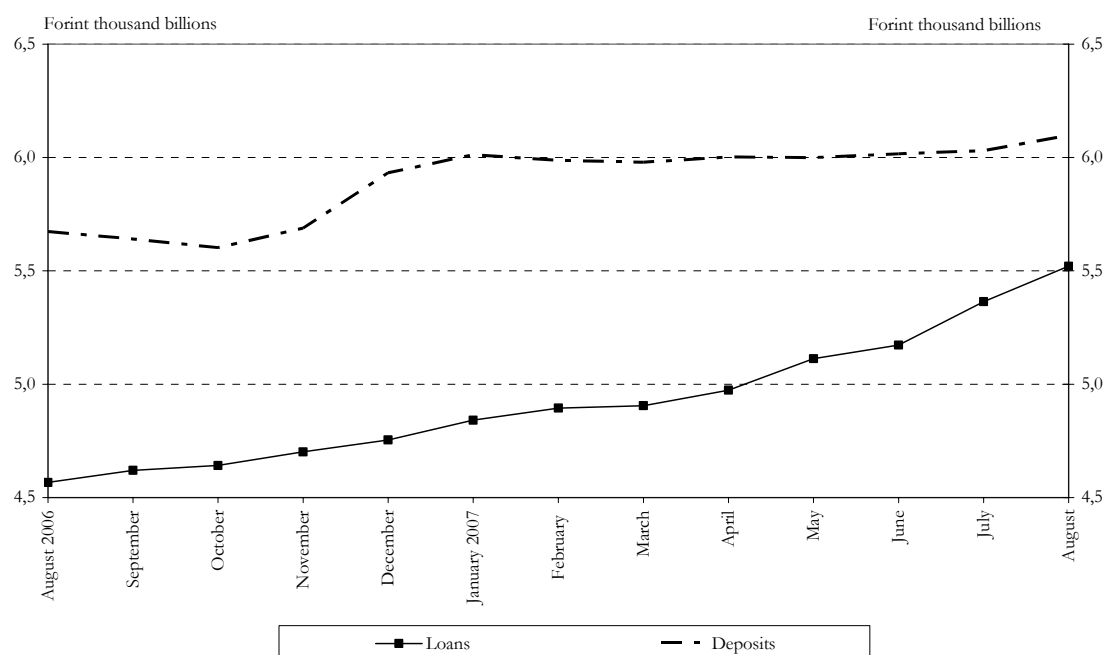


The increase in loans granted to the household sector over the past few years continued: total loans outstanding rose by HUF 156.5 billion to HUF 5,520.8 billion in August. Forint loans were up by HUF 9.8 billion and foreign currency loans by HUF 166.3 billion. Transactions totalling HUF 122.6 billion and exchange rate valuation effects amounting to HUF 43.7 billion contributed to the increase in foreign currency loans. The share of foreign currency loans within the total continued to rise: this month it was up from 49.3% to 50.9%. Foreign currency loans as a percentage of total loans have been rising continuously over the past two years. In August, their value was more than 2 times 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 August, household deposits rose by HUF 67.4 billion to HUF 6,097.8 billion.

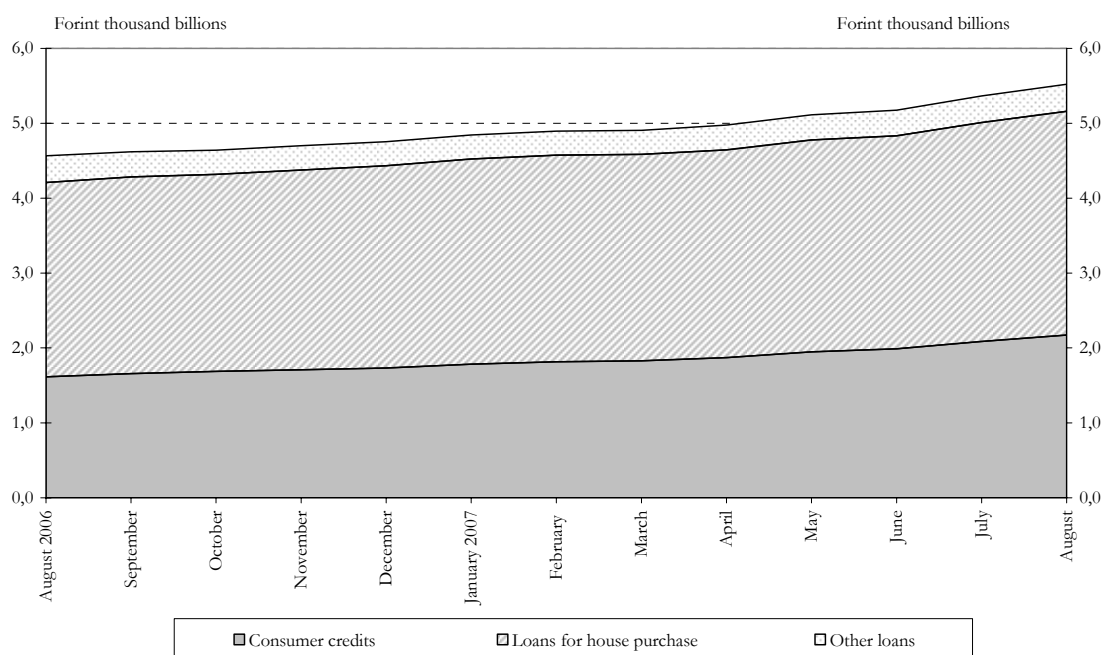
Outstanding household loans rose by 20.9% and deposits by 7.5% relative August 2006. Consequently, the difference between the values of loans and deposits fell by 47.9% in twelve months.

**Chart 10 Loans and deposits of the household sector**

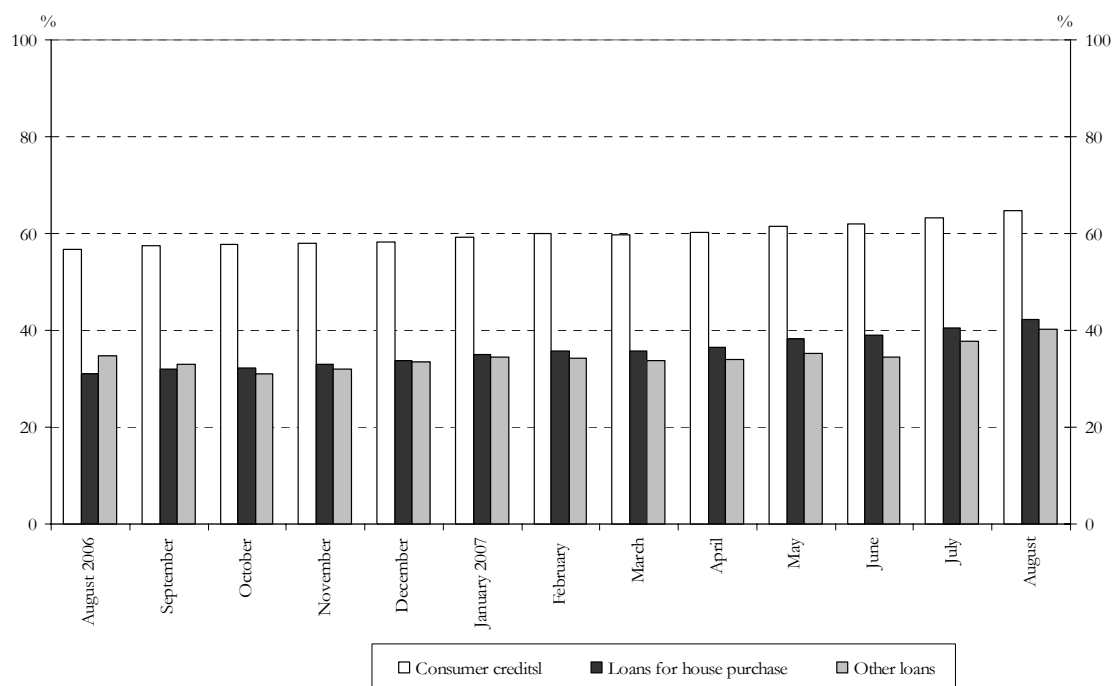


Within loans granted to households, the share of loans in a breakdown by type barely changed. The share of housing loans was 54.1%, with their stock rising by HUF 65.6 billion. Foreign currency loans rose from 40.6% to 42.2% as a percentage of housing loans. The percentage share of consumer credit within the total stock of loans to households was 39.3%, with the outstanding amount of loans increasing by HUF 84.2 billion. Foreign currency loans rose from 63.4% to 64.7% as a percentage of total consumer credit. The stock of other loans rose by HUF 6.7 billion. Here, the percentage share of foreign currency loans within the total was 40.2%.

**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 rose by HUF 68.1 billion. Deposits with agreed maturity fell by HUF 0.7 billion. Within this figure, deposits with a maturity of up to one year were up by HUF 7.4 billion and those with a maturity of over one year fell by HUF 8.1 billion.

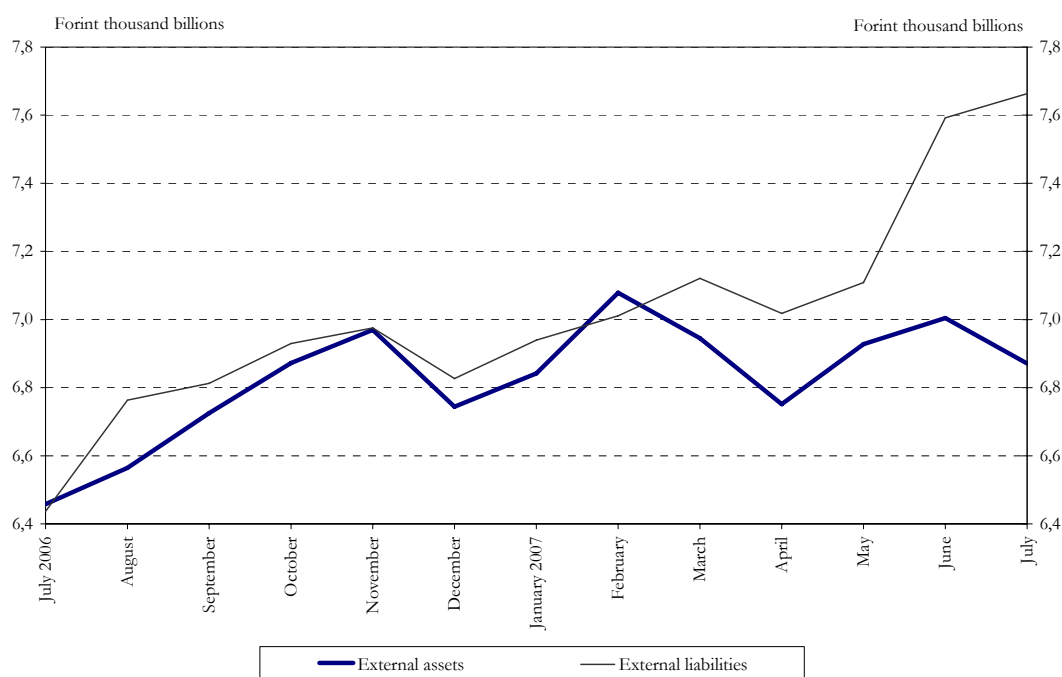


Except in February 2007, external liabilities of monetary financial institutions vis-à-vis non-residents have been higher than their external assets since August 2006. External assets rose by HUF 100.9 billion and external liabilities by HUF 97.8 billion. On balance, MFIs' net external assets increased by HUF 3.2 billion in the month under review.

Assets of the central bank vis-à-vis the rest of the world rose by HUF 118.4 billion and its liabilities by HUF 12.3 billion. As a consequence, net external assets were up HUF 106.1 billion on the previous month.

Net assets of other monetary financial institutions vis-à-vis non-residents fell by HUF 102.9 billion in August. This was the result of a HUF 85.4 billion fall in external assets and a HUF 85.4 billion increase in external liabilities.

**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 12<sup>th</sup> 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  $t^{\text{th}}$  period
- $L_t$ : is the money stock in the  $t^{\text{th}}$  month
- $T_t$ : is transactions in the  $t^{\text{th}}$  month
- $P_t$ : is the price level in the  $t^{\text{th}}$  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](http://english.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=0708_monstatpubl_en.xls).*

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