

31 March 2008

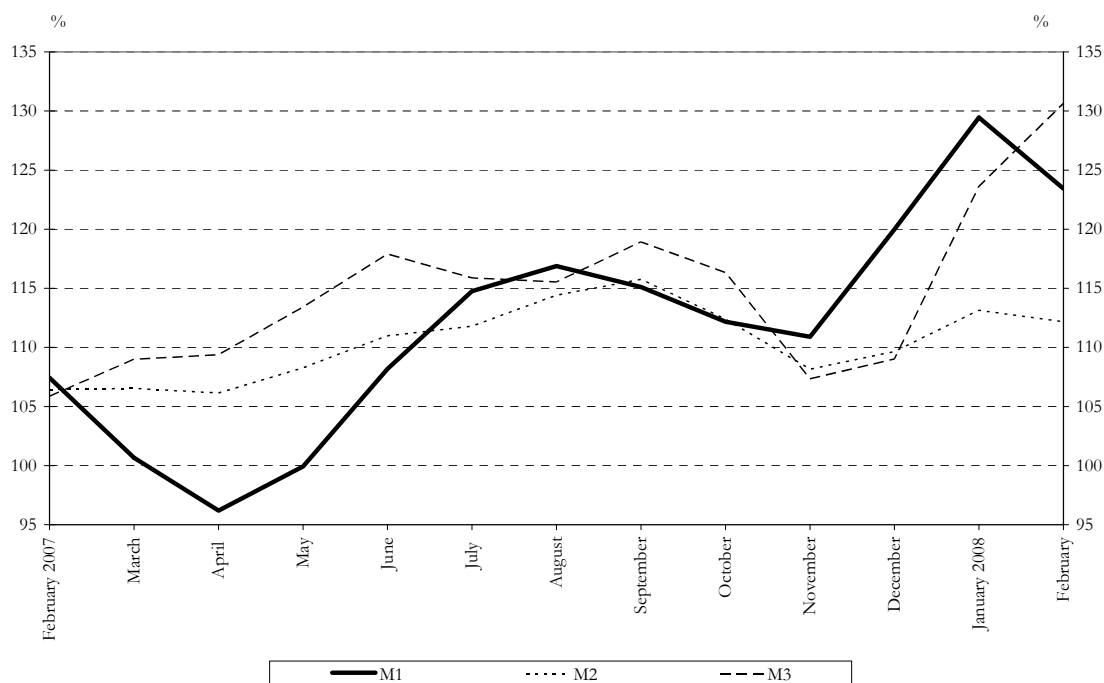
## PRESS RELEASE

### Consolidated balance sheet of MFIs: February 2008

In February 2008, the monetary base fell by HUF 38.5 billion to HUF 2,922.6 billion. The annualised month-on-month growth index<sup>1</sup> of the monetary base (M0) stood at 125.0%.

The annualised month-on-month growth indices of the monetary aggregates M1 and M2 were down on the month: that of M1 fell by 6.0 percentage points to 123.4% and that of M2 by 1.0 percentage point to 112.2%. The annualised month-on-month growth index of M3 rose by 7.0 percentage points to 130.6%, continuing the rise in the previous month. The growth rate of M3 has not been so strong since August 2000.

**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 477.6 billion to HUF 14,656.3 billion.

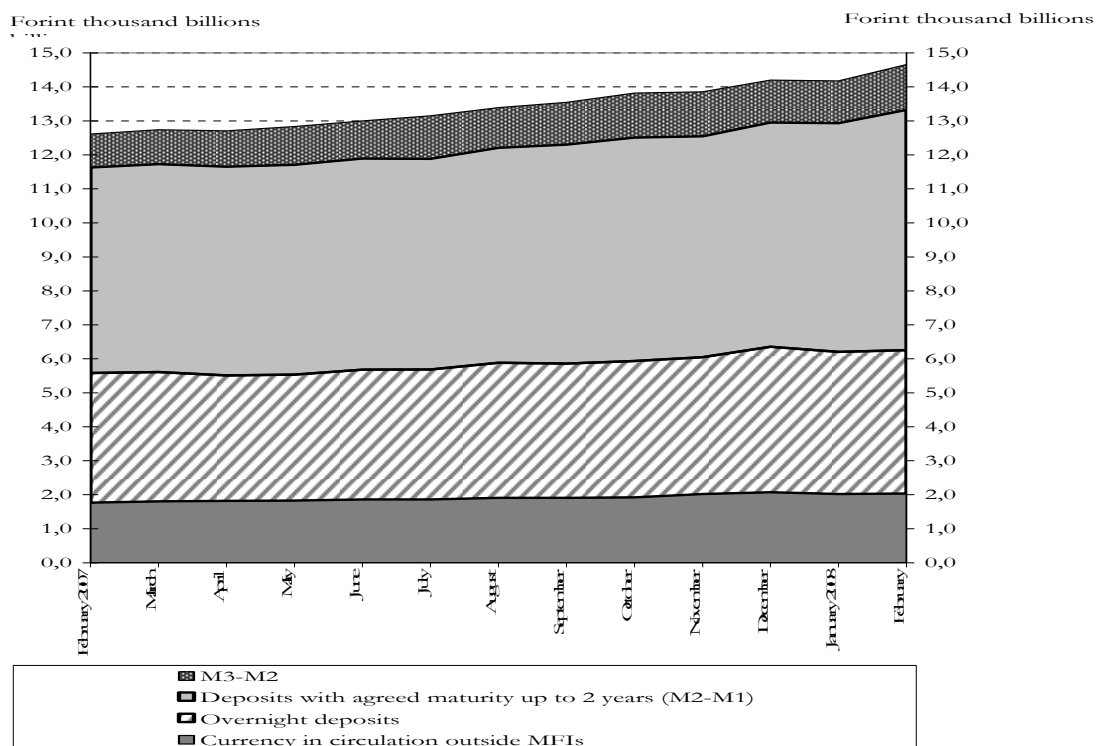
The percentage share of M1 – which comprises currency outside monetary financial institutions and overnight deposits – fell from 43.8% to 42.7%, with its stock rising by HUF 50.9 billion. Within this figure, the stock of overnight deposits rose by HUF 34.5 billion to HUF 4,218.1 billion.

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

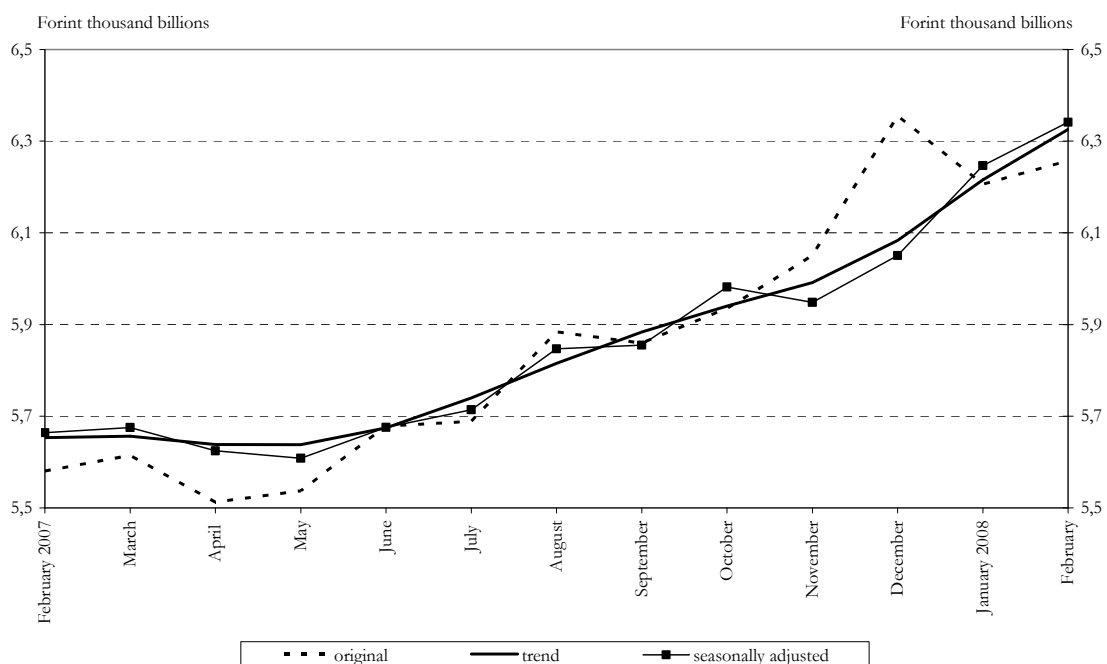
The percentage share of M2-M1 – a measure of deposits with an agreed maturity of up to two years – rose from 47.4% to 48.2%. The combined stock of M2-M1 grew by HUF 343.4 billion.

The percentage share of M3-M2 – comprising outstanding repos, money market fund shares and debt securities with maturities of up to two years – rose by 9.1%. The combined stock of M3-M2 was up by HUF 83.3 billion on the previous month.

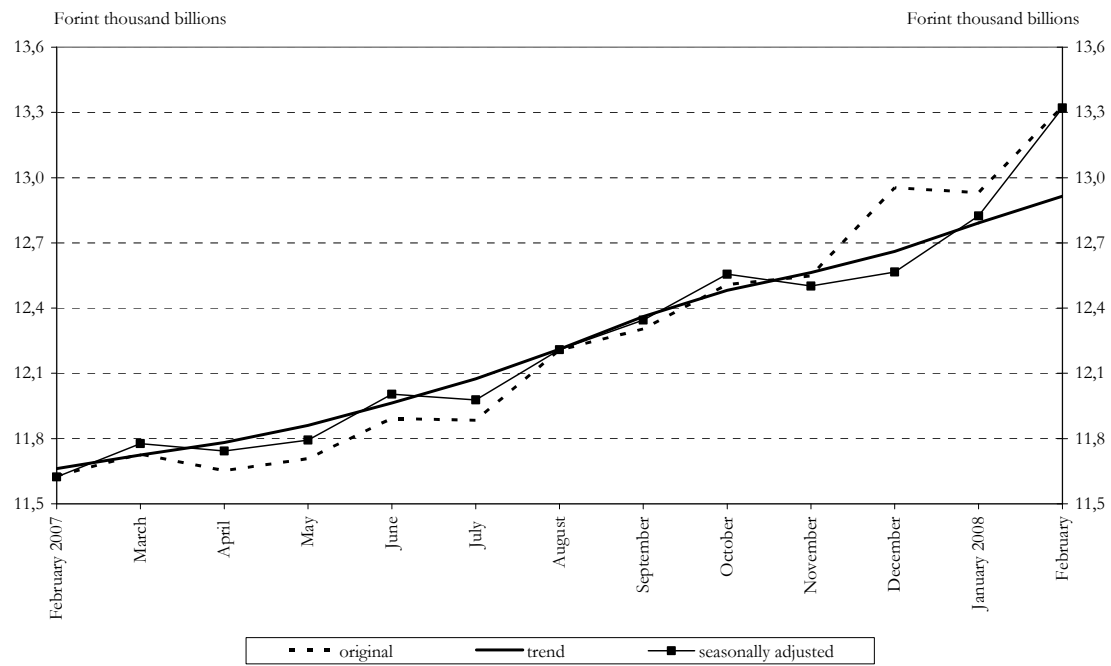
**Chart 2 Components of the monetary aggregates**



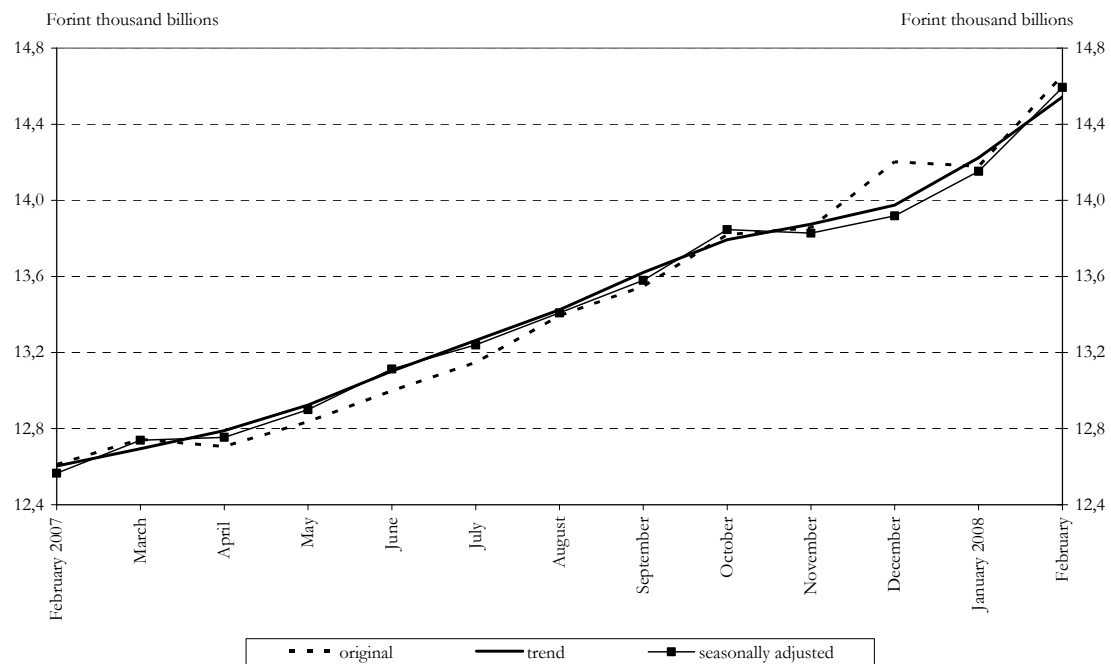
**Chart 3 Seasonally adjusted M1**



### Chart 4 Seasonally adjusted M2



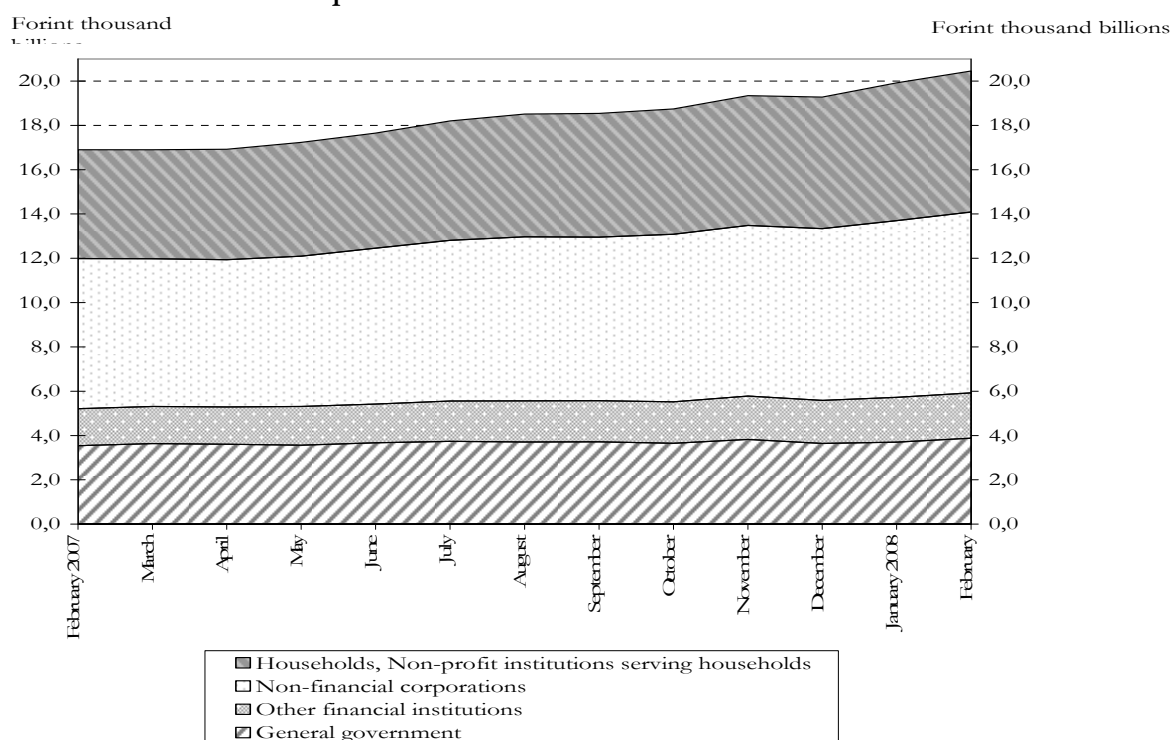
### Chart 5 Seasonally adjusted M3



Domestic assets of monetary financial institutions<sup>2</sup> rose by HUF 537.1 billion to HUF 20,459.0 billion in the month under review. Here, the stocks of assets with general government, non-financial corporations, households and non-profit institutions serving households showed the strongest increase.

Within domestic assets, those with non-financial corporations continued to account for the highest percentage share, although their ratio fell by 0.2 percentage points to 39.9%. The ratio of MFIs' assets with households and NPISHs to total domestic assets remained broadly unchanged, edging down by 0.1 percentage point. The ratio of assets with general government rose by 0.4 percentage points to 19.0% and that of assets with other financial corporations fell by 0.1 percentage point to 10.0%.

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



The total stock of loans granted by monetary financial institutions to non-financial corporations has been upwards since September 2007. In February, it rose by HUF 183.7 billion to HUF 7,706.4 billion. Short-term loans were up by HUF 71.8 billion to HUF 2,825.6 billion. Loans with a maturity of over one year rose by HUF 111.8 billion to HUF 4,880.8 billion. Within longer-term term loans, loans with a maturity of up to five years rose by HUF 58.1 billion to HUF 2,049.1 billion and loans with a maturity of over five years by HUF 53.7 billion to HUF 2,831.7 billion. Short-term loans and loans with a maturity of over five years both accounted for a 36.7% share as a percentage of total loans. The share of short-term loans edged up by 0.1 percentage point and that of loans with a maturity of over five years fell by 0.2 percentage points. The share of loans with a maturity of up to five years was 26.6%, up 0.1 percentage point on the previous month.

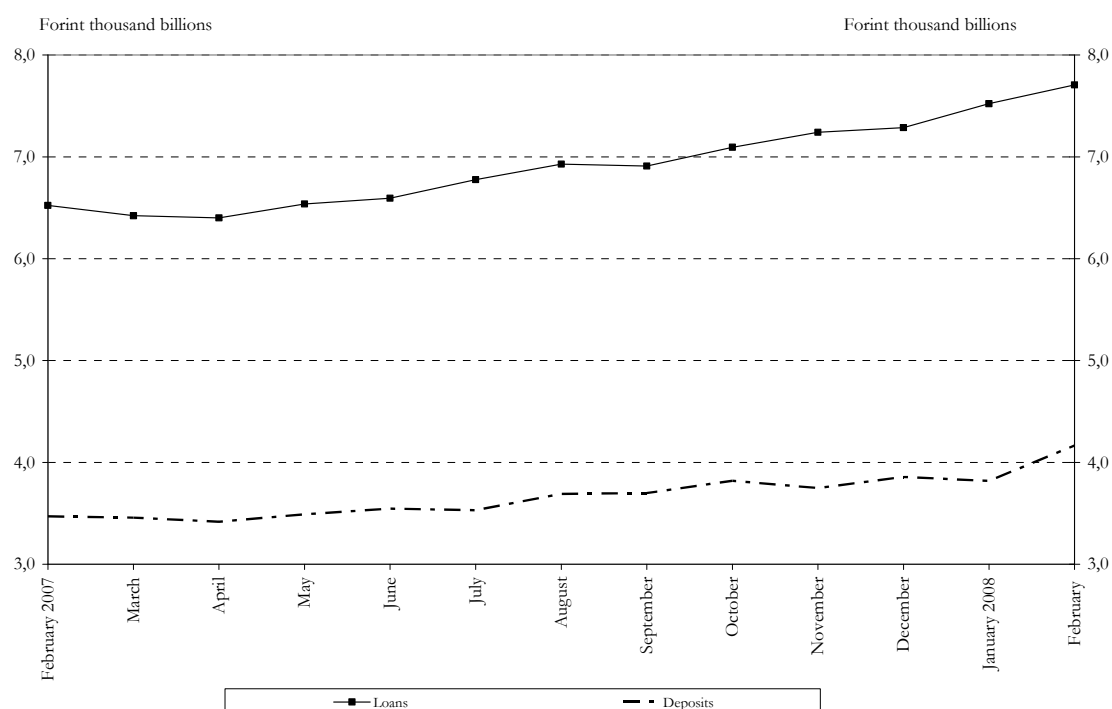
The share of foreign currency loans with a maturity of up to one year rose from 34.1% to 36.4%, that of loans with a maturity of over one year and up to five years from 55.4% to 57.3% and that of loans with a maturity of over five years from 71.5% to 72.3%. The stock of foreign currency loans was HUF 220.9 billion higher than in January. Here, exchange

<sup>2</sup> MFIs' domestic assets include debt securities, and shares and other equity, in addition to loans.

rate changes and transactions accounted for HUF 46.9 billion and HUF 174.0 billion, respectively, of the increase.

The sector's deposits with monetary financial institutions rose by HUF 348.2 billion. Compared with the previous three months, this salient increase was caused by a couple of individual transactions. Within total deposits, the share of overnight deposits was 49.1%, that of deposits with an agreed maturity was 50.7% and that of outstanding repos was 0.2%. Overnight deposits fell by HUF 11.2 billion to HUF 2,044.4 billion. Within this figure, both forint and foreign currency deposits fell. Deposits with a maturity of up to one year rose by HUF 359.1 billion to HUF 2,057.0 billion. The increase in deposits with a maturity of over one year and the fall in outstanding repos offset each other. The combined change was an increase of HUF 0.3 billion.

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

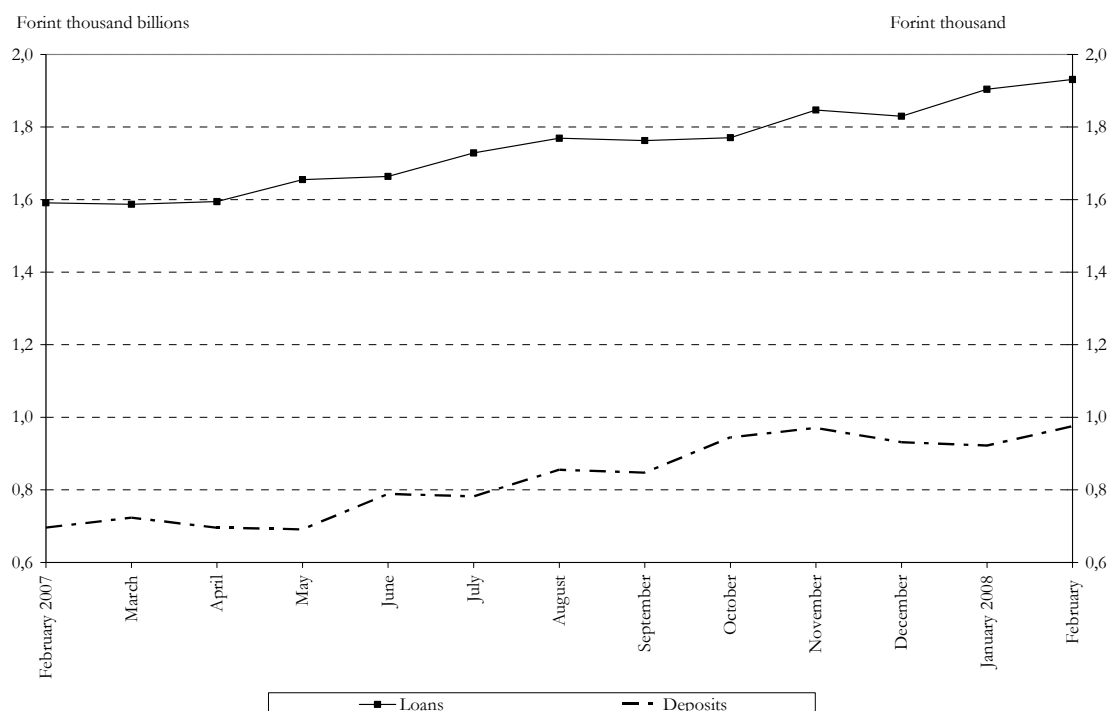


The stock of loans granted to other financial corporations rose again in February, though less strongly than in January, by HUF 27.0 billion to HUF 1,930.9 billion. The share of loans with a maturity of up to five years – accounting for the highest value within the total – changed from 44.2% to 43.7%, that of loans with a maturity of up to one year from 29.7% to 30.0% and that of loans with a maturity of over five years from 26.1% to 26.3%.

Within loans granted to the sector, the stock of forint loans fell by HUF 3.7 billion and that of foreign currency loans rose by HUF 30.7 billion. Exchange rate changes and transactions accounted for HUF 28.5 billion and HUF 2.3 billion, respectively, of the increase in the latter.

In February, the sector's deposits with monetary financial institutions rose by HUF 53.7 billion to HUF 975.6 billion. The value of overnight deposits increased by HUF 6.2 billion and that of deposits with an agreed maturity by HUF 5.7 billion. Outstanding repos were up by HUF 41.9 billion on January.

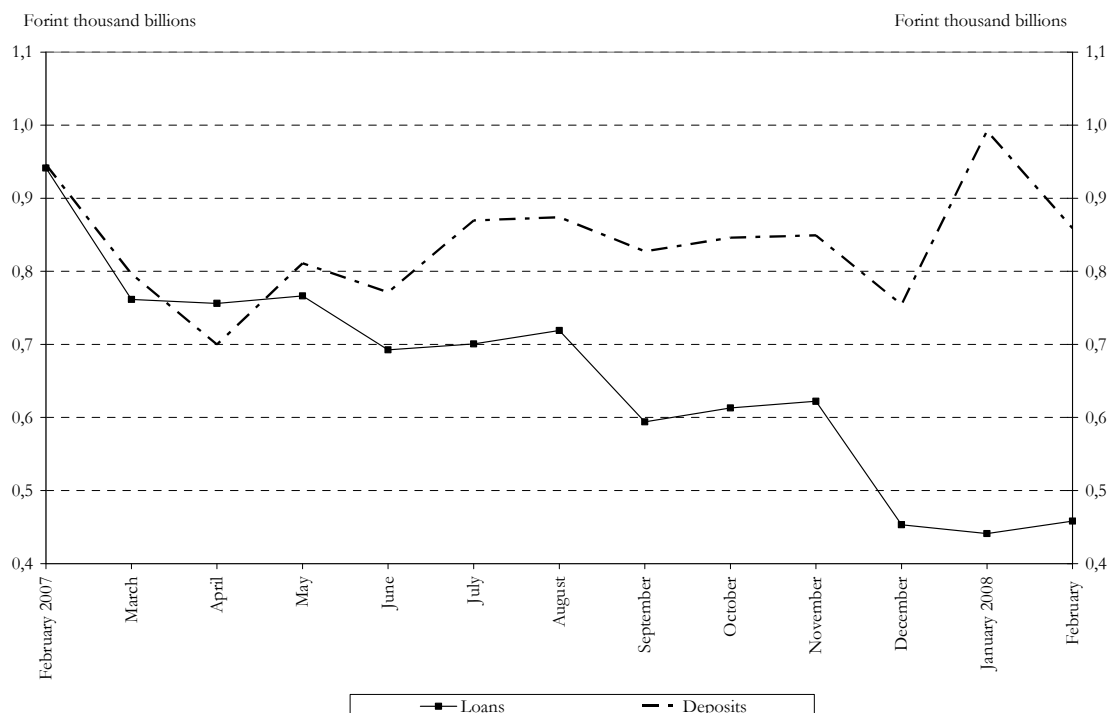
**Chart 8 Loans and deposits to other financial corporations**



Loans granted by monetary financial institutions to the general government sector rose by HUF 17.1 billion to HUF 458.2 billion.

The stock of the general government sector's deposits with monetary financial institutions fell by HUF 133.3 billion to HUF 858.8 billion. That reflected a HUF 142.8 billion fall in deposits of the central government and a HUF 9.5 billion increase in deposits of the local government sub-sector.

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

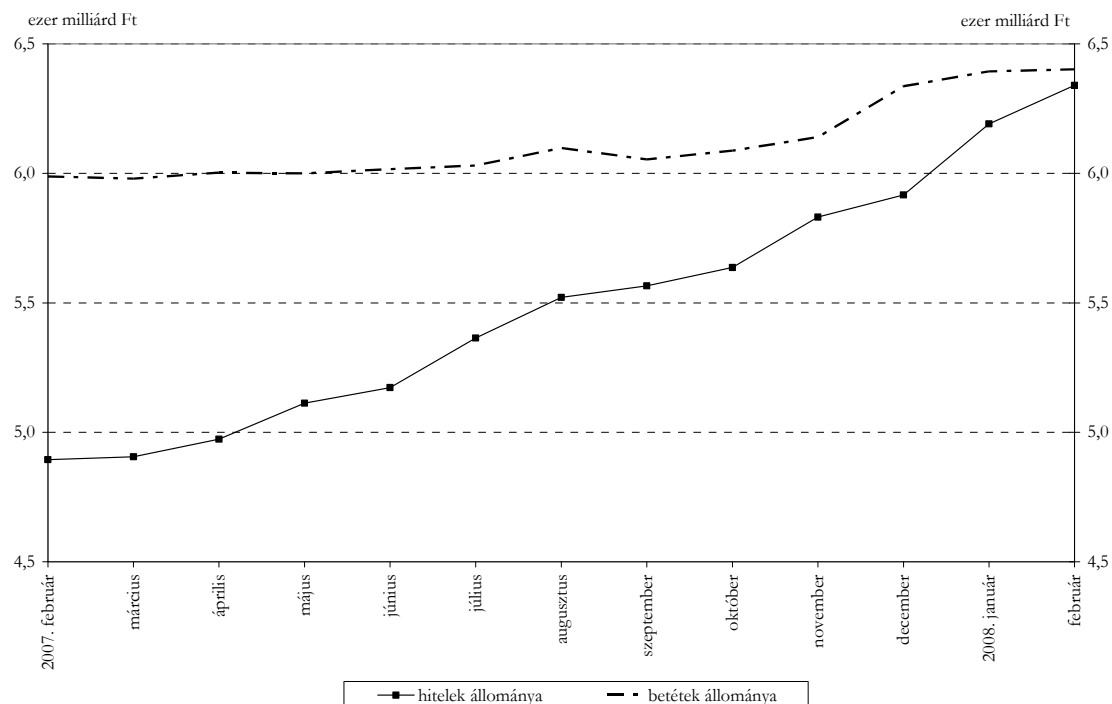


Loans granted to the household sector grew at a somewhat more modest pace compared with the previous month: total loans outstanding rose by HUF 148.7 billion to HUF 6,339.5 billion in February. Forint loans were down by HUF 14.4 billion and foreign currency loans were up by HUF 163.2 billion. Transactions and exchange rate valuation effects contributed HUF 64.4 billion and HUF 98.8 billion, respectively, to the increase in the value of foreign currency loans. The share of foreign currency loans within the total continued to rise: this month it was up from 57.3% to 58.5%. Foreign currency loans have continued to account for more than half of total loans to households for the 7<sup>th</sup> consecutive month.

In February, household deposits with MFIs grew by only HUF 7.7 billion to a total of HUF 6,401.7 billion, with the rate of increase slowing from the previous month.

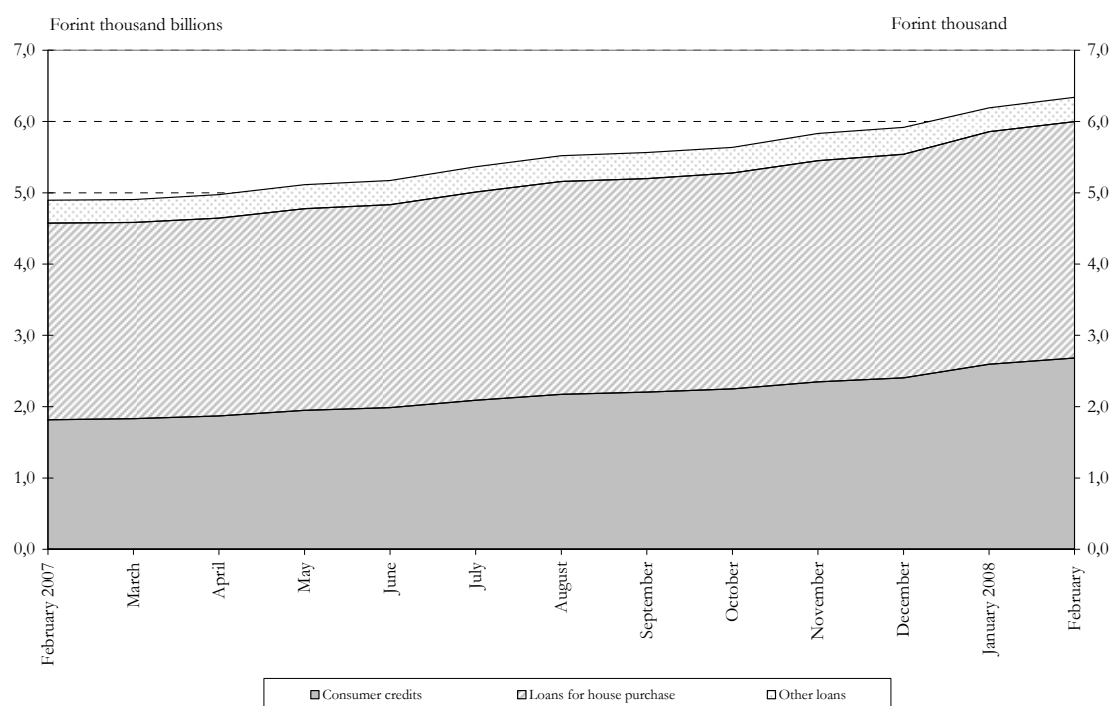
Outstanding household loans rose by HUF 1,445.1 billion or 27.9% and deposits by HUF 418.8 billion or 6.6% compared with twelve months previously. Consequently, the difference between the values of loans and deposits fell from HUF 1,093.4 billion to a record low of HUF 62.0 billion in one year.

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

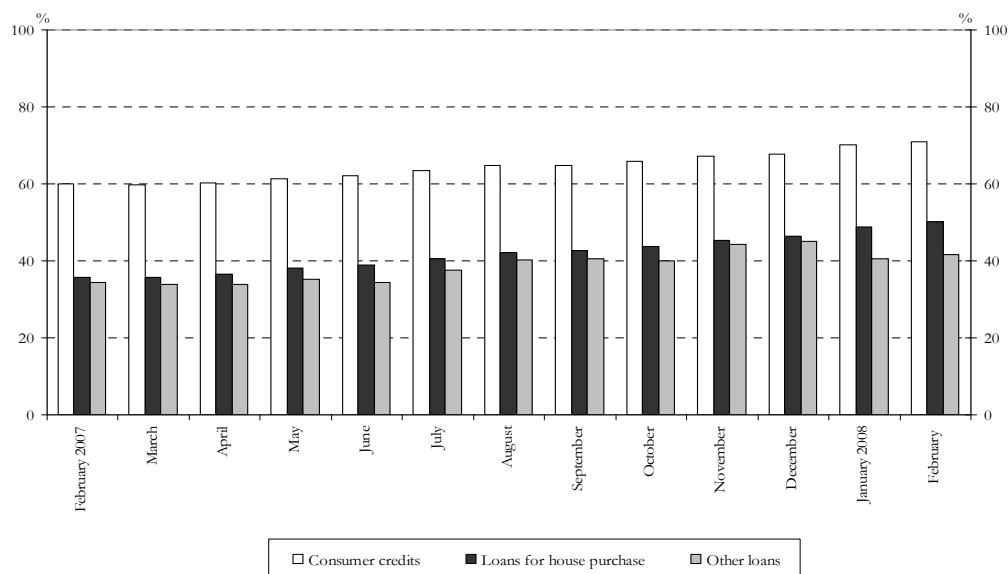


Within loans granted to households, the share of housing loans fell from 52.7% to 52.3%, with their stock rising by HUF 56.6 billion. Foreign currency loans rose from 48.8% to 50.1% as a percentage of housing loans. The percentage share of consumer credit within the total stock of loans to households was up from 41.9% to 42.3%, with the outstanding amount of loans increasing by HUF 84.3 billion. Foreign currency loans changed slightly to 71.0% as a percentage of total consumer credit. The share of other loans remained unchanged at 5.4%, with an increase of HUF 7.8 billion in their stock. Here, the percentage share of foreign currency loans rose from 40.4% to 41.7%.

**Chart 11 Composition of household loans**



**Chart 12 Percentage share of foreign currency loans to households in a breakdown by types of loan**



Household deposits with monetary financial institutions rose by HUF 7.7 billion. There were divergent movements in the stocks of deposits within the various maturity categories: overnight deposits rose by HUF 42.8 billion, while deposits with agreed maturity fell by HUF 35.1 billion. Within this figure, deposits with a maturity of up to one year fell by HUF 11.0 billion and those with a maturity of over one year by HUF 24.0 billion.

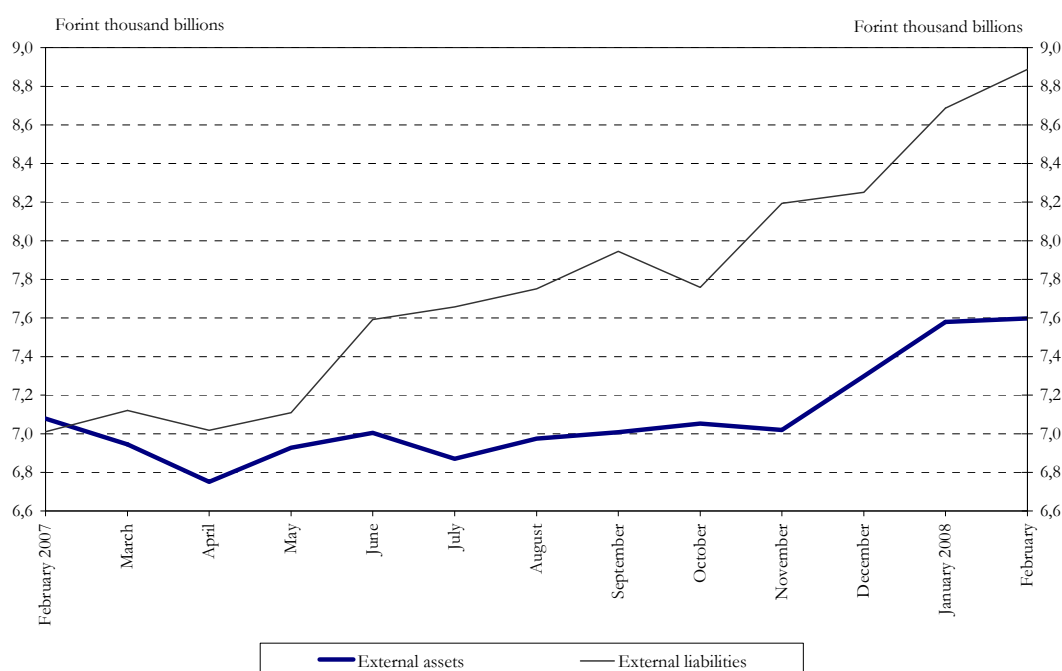


External assets and liabilities of monetary financial institutions rose by HUF 18.4 billion to HUF 7,597.0 billion and by HUF 201.1 billion to HUF 8,887.6 billion, respectively. On balance, monetary financial institutions' net external liabilities increased by HUF 182.6 billion to a record high of HUF 1,290.6 billion.

Assets and liabilities of the central bank vis-à-vis the rest of the world fell by HUF 4.0 billion to HUF 4,438.0 billion and by HUF 12.8 billion to HUF 458.0 billion, respectively. As a consequence, the stock of net external assets rose by HUF 8.9 billion to HUF 3,980.0 billion.

Net liabilities of other monetary financial institutions with non-residents were up by HUF 191.5 billion on the month. External assets increased by HUF 22.4 billion to HUF 3,159.0 billion. External liabilities rose by HUF 213.9 billion to HUF 8,429.5 billion. Exchange rate changes contributed HUF 77.7 billion to the increase in liabilities.

**Chart 13 External assets and liabilities**



## Methodological notes

Percentages and ratios are calculated from data without 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. The time series for the monetary aggregates are therefore 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 constructed from trend data by dividing the data in the reference period by that in the previous period, and annualising the quotient by raising it to the 12<sup>th</sup> power. The underlying reason for using trend data is that the month-on-month growth rates tend to be more variable and may contain one-off effects without eliminating seasonal effects. As an effect, the annualised month-on-month growth rates are comparable with other annual indices.

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; however, 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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