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PRESS RELEASE

Preliminary statistical balance sheet of the MNB: March 2016

In March 2016, forint liquidity of the domestic banking sector fell, which was mainly reflected in declines in overnight, two-week and three-month central bank deposits. The average and end-of-month stocks of external assets and liabilities both fell. The average stock of currency in circulation also fell slightly. The overnight interbank interest rate fluctuated near the central bank base rate throughout most of March.

1 Balance sheet of the MNB containing monthly average stocks

Table 1 Statistical balance sheet of the MNB – monthly average stocks

Assets	HUF billions						
	Feb. 2016	Mar. 2016	Monthly changes	Liabilities	Feb. 2016	Mar. 2016	Monthly changes
External assets	10 330,9	9 990,6	-340,3	Currency in circulation	4 281,7	4 272,4	-9,3
One-week and Two and Six-month loans of credit institutions ⁵	167,0	356,7	189,7	Current account balances of other MFIs	362,7	356,0	-6,7
Swap claims on foreign currency with credit institutions ¹	0,0	0,0	0,0	Overnight deposits of other MFIs	147,0	107,3	-39,7
Swap claims on foreign currency related to Pillar 3 of the Funding for Growth Scheme with credit institutions ^{1,2}	80,6	80,3	-0,3	Two-week deposits of other MFIs	895,7	635,3	-260,4
Swap claims on HUF related to foreign currency sale tender for the settlement and conversation of FX loans with credit institutions ^{1,3}	1 817,2	1 414,5	-402,7	Three-month deposits of other MFIs ⁶	3 057,4	2 959,8	-97,6
Remaining assets ^{4,7}	1 608,8	1 604,1	-4,7	Other deposits of other MFIs	99,4	100,2	0,8
				Deposits of central government	1 220,9	1 319,8	98,9
				Foreign liabilities	819,2	789,9	-29,3
				Swap liabilities to HUF with credit institutions ¹	0,0	0,0	0,0
				Swap liabilities to HUF related to Pillar 3 of the Funding for Growth Scheme with credit institutions ^{1,2}	80,6	80,3	-0,3
				Swap liabilities to foreign currency related to euro sale tender for the settlement and conversation of FX loans with credit institutions ^{1,3}	1 817,2	1 414,5	-402,7
				Remaining liabilities ⁷	1 222,7	1 410,7	188,0
Total assets	14 004,5	13 446,2	-558,2	Total liabilities	14 004,5	13 446,2	-558,2

¹ Includes the overnight, one-week, two-week, three-month and EUR/HUF central bank FX-swaps with credit institutions related to Phase 1 of Pillar 3 of the Funding for Growth Scheme, as well swaps related to euro sale tender for the settlement and conversation of FX loans on a gross basis. (See the Methodological notes.)

² The euro liquidity-providing FX swap tender, introduced under Phase 1 of Pillar 3 of the Funding for Growth Scheme, was terminated on 1 July 2014. The monthly average amounts of FX swaps outstanding are shown in the table.

³ Includes the average stocks of Swiss franc sale tenders, in addition to those of euro sale tenders. A notice on EUR and CHF sale tenders related to the settlement and conversation of foreign currency loans is available on the MNB's website at <http://www.mnb.hu/en/monetary-policy/monetary-policy-instruments/tenders-quick-tenders/fx-spot-tenders>.

⁴ Includes loans offered to credit institutions under the Funding for Growth Scheme. <http://www.mnb.hu/en/monetary-policy/funding-for-growth-scheme-fgs>.

⁵ In September 2015, loans allotted at one-week and three-month loan tenders were introduced, replacing two-week and six-month loans. In the case of six-month loans, the Table contains the outstanding amounts of loans extended earlier.

⁶ From 23 September, the three-month deposit has been the MNB's new policy instrument.

⁷ From March 2016, other items on both the assets and liabilities sides include swaps outstanding under Phase 3 of Pillar 2 of the Funding for Growth Scheme as well.

The decline in March in the average stock of **external assets** mainly affected international reserves, and reflected the maturity of central bank FX swaps conducted in connection with the conversion of household foreign currency loans into forints. The effect of foreign currency transactions by the GDMA and the Hungarian State Treasury, the larger part of which was related to the maturity of a pound sterling-denominated government bond and a smaller part to the decline in the margin account of the GDMA managed by the MNB, as well as other factors, such as the revaluation of international reserves due to exchange rate movements, also contributed to the fall in external assets. By contrast, transfers from the European Commission moderated the decline in external assets.

The average stock of swap transactions related to the settlement and forint conversion of household foreign currency loans is shown in Table 1 and Chart 8 of the chart-pack.¹

The average stock of lending to credit institutions mainly reflected the fact that the stock of overnight collateralised loans increased in the second half of the month.

The **average stock of currency in circulation** fell slightly (Table 1 and Chart 5 of the chart-pack).

The excess of the monthly average of the banking sector's **current account balances** with the MNB over reserve requirements was higher than in February. Excess reserves amounted to HUF 8.9 billion, which was moderate compared with the sector's total reserve requirements of HUF 347.1 billion (Charts 1 and 2 of the chart-pack).

The declines in the average stocks of **overnight, two-week and three-month deposits** reflected the fall in the banking sector's forint liquidity.

The average stock of **central government deposits** rose in March compared with the previous month, mainly as a result of foreign currency deposits by the GDMA.

The **overnight interbank rate** fluctuated near the central bank base rate throughout most of the month (Chart 12 of the chart-pack). In March, the MNB reduced further the interest rate on the overnight collateralised loan by a 50 basis points on top of the 15 basis point automatic decrease justified the reduction in the central bank base rate. Consequently, in addition to the fact that the interest rate corridor became narrower and more asymmetric, the interest rate on the overnight deposits turned negative. The interest rate corridor narrowed from 2 percentage points to 1.5 percentage points: the two bounds of the corridor are now at distances of 0.25 percentage points on the upper side and 1.25 percentage points, i.e. unchanged, on the lower side of the central bank base rate.

¹ Includes the stock of FX swaps entered into at the Swiss franc sale tender, in addition to the euro sale tender.

2 Balance sheet of the MNB compiled from end-of-month data

Table 2 Transactions and revaluations in the balance sheet of the MNB compiled from preliminary end-of-month data – March 2016

HUF billions

Assets	Opening stocks	Revaluations and other changes	Transactions	Closing stocks	Liabilities	Opening stocks	Revaluations and other changes	Transactions	Closing stocks
External assets	10464,2	-24,6	-1184,1	9255,6	Currency in circulation	4250,4	0,0	6,5	4256,9
Remaining assets	1838,1	20,1	285,6	2143,8	Three-month deposits of other MFIs	3078,8	0,0	-519,5	2559,3
					Two-week deposits of other MFIs	993,8	0,0	-773,6	220,3
					Other deposits of other MFIs	546,7	0,1	119,6	666,5
					Deposits of central government	1351,5	5,4	-152,0	1204,8
					External liabilities	839,6	-9,9	-36,5	793,3
					Remaining liabilities	1241,4	-0,1	457,0	1698,3
Total assets	12302,3	-4,5	-898,4	11399,3	Total liabilities	12302,3	-4,5	-898,4	11399,3

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Detailed tables: [Time series](#)

Notes: [Methodological notes](#)

Charts: [Chart pack](#)

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