



14 November 2016

PRESS RELEASE

Preliminary statistical balance sheet of the MNB: October 2016

In October 2016, forint liquidity of the domestic banking sector fell. This was reflected in the use of central bank deposit instruments in a way that the decline in the use of the three-month deposit instrument exceeded the combined increase in the use all other deposit instruments. The average stock of currency in circulation increased in the month. The average stock of external assets fell slightly and their end-of-month stock increased. The overnight interbank interest rate fluctuated near the central bank base rate throughout most of October.

1 Balance sheet of the MNB containing monthly average stocks

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

Assets				Liabilities	HUF billions		
	Sept 2016	Oct 2016	Monthly changes		Sept 2016	Oct 2016	Monthly changes
External assets	8 116,0	8 075,0	-41,0	Currency in circulation	4 452,4	4 475,5	23,1
One-week and Three-month loans of credit institutions	287,4	247,1	-40,3	Current account balances of other MFIs	363,3	355,1	-8,2
Swap claims on HUF related to foreign currency sale tender for the settlement and conversation of FX loans with credit institutions ^{1,3}	600,1	520,1	-80,1	Overnight deposits of other MFIs	28,7	75,7	47,0
Swap claims on HUF related to forint liquidity providing EUR/HUF FX swap ^{1,2}	0,0	122,4	122,4	Three-month deposits of other MFIs ⁵	1 767,4	1 444,2	-323,3
Other swap claims on foreign currency with credit institutions ¹	0,0	0,0	0,0	Other deposits of other MFIs	147,9	144,5	-3,4
Remaining assets ^{4,6}	1 850,5	1 731,1	-119,3	Deposits of central government	1 444,1	1 548,1	104,0
				External liabilities	867,4	865,3	-2,1
				Swap liabilities to foreign currency related to euro sale tender for the settlement and conversation of FX loans with credit institutions ^{1,3}	600,1	520,1	-80,1
				Swap liabilities to foreign currency related to forint liquidity providing EUR/HUF FX swap ^{1,2}	0,0	122,4	122,4
				Other swap liabilities to HUF with credit institutions ¹	0,0	0,0	0,0
				Remaining liabilities ⁶	1 182,5	1 144,8	-37,7
Total assets	10 854,0	10 695,8	-158,2	Total liabilities	10 854,0	10 695,8	-158,2

¹ This item includes FX-swaps with credit institutions on a gross basis. (See the Methodological notes.)

² A notice on Forint liquidity providing EUR/HUF FX swap is available on the MNB's website at <http://www.mnb.hu/letoltes/t-c-forint-liquidity-providing-swap-en.pdf>

³ 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 within Funding for Growth Scheme.

<http://www.mnb.hu/en/monetary-policy/funding-for-growth-scheme-fgs>

⁵ From 23 September, the three-month deposit has been the MNB's new policy instrument.

⁶ 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 average stock of **external assets** fell slightly in October. The carry-over effect of the decline at the end of the previous month offset the increase in October. The stock of foreign currency arising from the fine-tuning instruments (from FX swap tenders providing forint liquidity), introduced in October, as well as the receipt of EU transfers led to an increase in the end-of-month stock of external assets. By contrast, offsetting the increase was the fact that Premium Euro Hungarian Government Bonds of more than EUR 500 million matured on 25 October.

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.

The average stock of **lending** to credit institutions fell in September. The average stocks of both one-week and three-month loans to banks fell in the period.

On 4 October 2016, the MNB announced that it would hold EUR/HUF FX-swap tenders providing forint liquidity on an ad hoc basis until further notice. Under the facility, credit institutions are able to swap euros for forint with the MNB by entering into transactions with maturities of one week, one month or three months. The Bank held EUR/HUF FX-swap tenders providing forint liquidity twice in October, on 17 and 24. Table 1 of the press release and Chart 8 of the chart pack already include the October 2016 average outstanding stock of FX swaps entered into under the Bank's new fine-tuning operation (without maturity breakdown).

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

At HUF 7.8 billion, the monthly average of the banking sector's **current account balances** with the MNB exceeded reserve requirements by a smaller amount than in the previous month. The decline in excess reserves coincided with the fact that from 1 October 2016 the MNB reduced the interest rate remunerated on credit institutions' reserves exceeding their reserve requirements from the O/N interest rate to the O/N interest rate minus 15 basis points. The lower interest rate remunerated on excess reserves encourages banks to place their current account balances in excess of their minimum reserves in O/N deposits. In October, reserve requirements amounted to HUF 347.4 billion (Charts 1 and 2 of the chart-pack).

The banking sector's liquidity fell in October: the average stock of **overnight deposits** increased, which was exceeded by the decline in the use of **three-month deposits**. The MNB held the first of its tenders for the three-month deposits with a quantity limit in October. As a result, the end-of-month stock of sterilisation instruments fell to HUF 1,174.5 billion.

The average stock of **central government deposits** increased in October.

The average stock of **external liabilities** fell slightly relative to September.

The **overnight interbank rate** fluctuated near the central bank base rate throughout most of October. It fell below the base rate for a few days in the second half of the month, before rising above that level for a few days following the deadline for VAT payments on 20 October (Chart 12 of the chart-pack). On 26 October, the MNB reduced the overnight lending rate by 10 basis points. As a result, the interest rate corridor narrowed further. Since that date, the distance of the upper bound of the corridor from the central bank base rate has been 0.15 and that of the lower bound has remained unchanged at 0.95 percentage points.

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 – October 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	7 931,4	10,7	411,1	8 353,2	Currency in circulation	4 447,3	0,0	72,3	4 519,6
Remaining assets	2 444,9	19,3	-520,4	1 943,8	Three-month deposits of other MFIs	1 765,1	0,0	-590,9	1 174,2
					Other deposits of other MFIs	640,7	0,2	145,8	786,8
					Deposits of central government	1 640,1	0,0	273,0	1 913,1
					External liabilities	803,2	6,9	33,9	844,0
					Remaining liabilities	1 079,9	22,9	-43,5	1 059,3
Total assets	10 376,3	30,0	-109,3	10 297,0	Total liabilities	10 376,3	30,0	-109,3	10 297,0

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Detailed tables: [Time series](#)

Notes: [Methodological notes](#)

Charts: [Chart pack](#)

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