

PRESS RELEASE

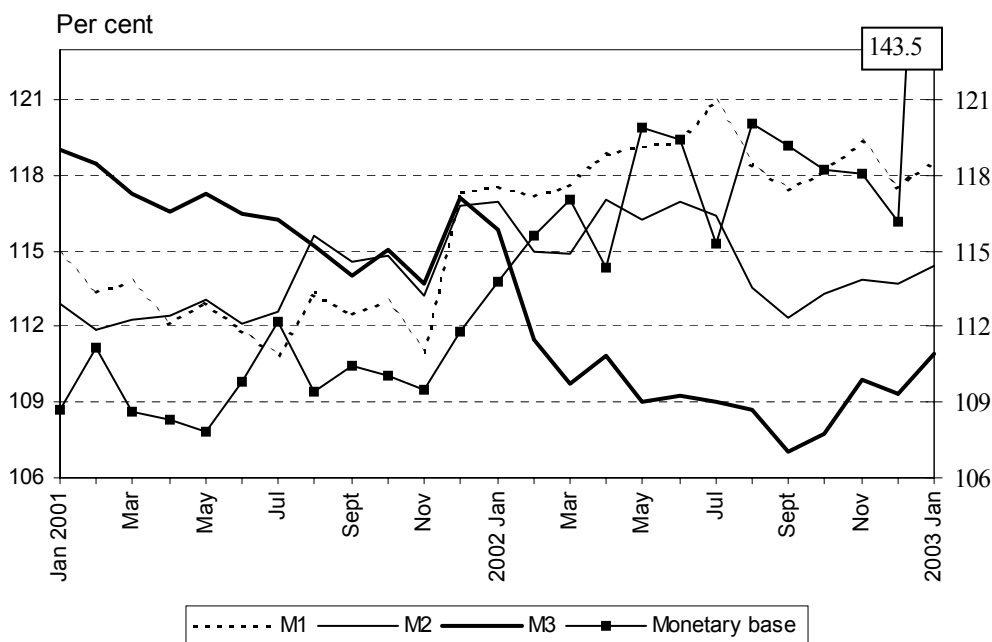
Monetary survey: January 2003

In line with the methodology of the European Central Bank, from January 2003 the MNB has changed the composition of the monetary aggregates. This press release is based on data revised using the new methodology. A short description of the changes can be found in Appendix 3.

In January 2003, the annual rate of growth of the monetary base^{a)} increased by 27.3 percentage points relative to the preceding month, the aggregate growing by 43.5% in twelve months. The annual growth rate of the aggregate, calculated excluding overnight deposits, was 14.8%, 3.2 percentage points higher than in December.

The monetary aggregate M1 is composed of currency outside monetary financial institutions plus sight deposits. Its growth rate increased by 1.0 percentage points relative to the preceding month. Consequently, the end-of-month stock of M1 grew by 18.6% year on year. M2 is a measure of deposits with an agreed maturity up to 2 years, in addition to the constituents of M1. Annual growth in the aggregate picked up 0.7 percentage points relative to December, the end-of-month stock of M2 growing at a 14.4% year-on-year rate in January. The annual growth rate of broad money M3 increased by 1.6 percentage points in one month. As a result, the end-of-month stock of M3 grew by 10.9% in one year.

Annual growth rates of the monetary aggregates



^{a)} As of 1 August 2002, the Bank lowered the reserve ratio from 6% to 5%, with a reduction in the range of bank liabilities subject to reserve requirements. The Chart plots the index for M0 calculated after eliminating the effects of the change to reserve requirements.

Appendix 1

Monetary survey (S.121+S.122)

milliárd forint

	2001	2001	2002	2002	2002	2003
	Nov	Dec	Jan	Nov	Dec	Jan
I. Domestic claims (S.1) (1+...+7)	7370.4	7491.6	7368.7	8723.5	9113.6	9091.8
1. <i>Claims on non-financial corporations (S.11)</i>	3769.9	3739.7	3775.3	4247.6	3874.0	3868.7
1.1 Credits	3525.5	3486.6	3511.3	3920.3	3697.9	3690.2
1.1.1 Forint	2313.2	2326.9	2342.5	2616.5	2486.6	2404.1
1.1.2 Foreign currency	1204.2	1159.7	1168.7	1303.8	1211.3	1285.6
1.1.3 Sale and repurchase agreements	8.1	0.0	0.0	0.0	0.0	0.6
1.2 Bonds	9.8	10.2	11.0	21.0	12.6	15.2
1.3 Shares and other equities	234.6	242.9	253.0	306.3	163.5	163.2
2. <i>Claims on other financial corporations (S.123+S.124+S.125)</i>	392.1	401.3	425.9	626.7	655.2	692.2
2.1 Credits	350.7	357.2	381.6	574.4	602.2	636.6
2.1.1 Forint	148.5	154.5	160.8	171.9	173.0	174.8
2.1.2 Foreign currency	192.6	201.0	213.7	401.2	427.5	458.8
2.1.3 Sale and repurchase agreements	9.6	1.7	7.2	1.3	1.8	2.9
2.2 Bonds	0.2	0.2	0.2	0.0	0.0	0.1
2.3 Shares and other equities	41.2	43.8	44.1	52.4	52.9	55.5
3. <i>Net claims on consolidated central government (S.1311)</i>	2284.3	2392.0	2193.6	2325.4	2988.7	2901.7
3.1 Government bonds	1331.3	1338.1	1327.8	1305.8	1429.8	1491.1
3.2 Treasury bills	237.3	281.3	308.0	385.3	386.9	453.0
3.3 Foreign currency loans	1297.3	1166.9	1164.1	872.8	851.2	859.5
3.4 Derivatives	-263.1	-208.2	-227.0	-99.1	-65.3	-24.6
3.5 Other claims on central government, net	-318.5	-186.1	-379.3	-139.3	386.2	122.7
4. <i>Credits to social security funds (S.1314)</i>	0.0	0.0	0.0	0.0	0.0	0.0
5. <i>Credits to local governments (S.1313)</i>	67.1	72.2	73.1	96.2	116.1	118.9
5.1 Forint	61.9	68.6	69.5	91.1	96.1	98.3
5.2 Foreign currency	5.1	3.6	3.6	5.0	19.9	20.6
6. <i>Credits to households (S.14)</i>	842.6	871.3	885.0	1414.8	1467.1	1498.4
6.1 Forint	822.0	849.7	862.9	1380.0	1430.7	1459.6
6.2 Foreign currency	20.6	21.6	22.1	34.9	36.4	38.8
7. <i>Non-profit institutions serving households (S.15)</i>	14.5	15.1	15.7	12.8	12.6	11.9
7.1 Forint	8.8	9.5	10.2	9.5	9.4	8.7
7.2 Foreign currency	5.6	5.6	5.5	3.3	3.2	3.2
II. Net foreign assets (S.2)	692.7	872.6	802.6	515.3	511.6	635.8
1. Foreign currency holdings	36.3	58.1	33.0	28.1	30.6	28.0
2. Loans and deposits	-359.6	-327.4	-262.9	-397.7	-398.3	-1075.7
3. Bonds	997.3	1124.4	1014.7	860.1	854.3	1657.8
4. Shares and other equities	18.7	17.4	17.8	24.8	25.1	25.7

Appendix 1 (contd.)

Monetary survey (S.121+S.122)

	milliárd forint					
	2001	2001	2002	2002	2002	2003
	Nov	Dec	Jan	Nov	Dec	Jan
III. Broad money (M3) (1 + 2 + 3 + 4)	6827.3	7172.3	7000.5	7503.8	7855.8	7765.8
1. M2	6256.1	6631.1	6503.5	7122.0	7544.2	7440.2
1.1 Currency outside monetary institutions (S.1+S.2-S.121-S.122)	1006.8	1037.6	986.0	1191.5	1181.8	1167.2
1.1.1 Households (S.14)	916.9	951.9	903.9	1083.9	1087.9	1070.2
1.1.2 Other (S.1+S.2-S.121-S.122-S.14)	89.9	85.6	82.1	107.6	93.9	97.0
1.2 Deposits with maturity up to 2 years	5249.3	5593.5	5517.5	5930.6	6362.4	6273.0
1.2.1 Non-financial corporations (S.11)	1696.8	1770.8	1707.9	1957.9	2109.7	1901.0
1.2.2.1 Forint	1349.1	1412.2	1312.9	1541.0	1714.1	1533.3
1.2.2.2 Foreign currency	347.7	358.5	395.1	416.9	395.7	367.7
1.2.2 Other financial corporations (S.123+S.124+S.125)	63.1	109.7	121.2	128.5	175.5	259.7
1.2.2.1 Forint	53.3	96.7	107.8	108.3	161.6	246.2
1.2.2.2 Foreign currency	9.8	13.0	13.3	20.2	14.0	13.5
1.2.3 Local governments (S.1313)	114.1	194.1	153.3	138.5	217.8	182.1
1.2.3.1 Forint	113.7	178.9	139.0	128.9	180.1	148.8
1.2.3.2 Foreign currency	0.4	15.2	14.2	9.6	37.8	33.3
1.2.4 Households (S.14)	3277.0	3418.7	3430.3	3594.7	3752.2	3812.5
1.2.4.1 Forint	2533.1	2654.0	2680.4	2954.3	3125.2	3188.3
1.2.4.2 Foreign currency	743.9	764.8	749.8	640.5	627.0	624.1
1.2.5 Non-profit institutions serving households (S.15)	98.2	100.2	104.9	110.9	107.1	117.7
1.2.5.1 Forint	87.8	90.0	94.5	99.0	96.1	107.0
1.2.5.2 Foreign currency	10.3	10.2	10.4	11.8	11.0	10.7
2. Sale and repurchase agreements	37.0	21.0	35.1	193.0	109.1	103.6
2.1 Non-financial corporations (S.11)	18.6	7.3	19.6	34.0	23.9	15.3
2.2 Other financial corporations (S.123+S.124+S.125)	7.6	10.3	11.2	147.6	76.9	76.4
2.3 Local governments (S.1313)	10.3	2.9	3.7	10.7	7.4	10.5
2.4 Households (S.14)	0.3	0.3	0.4	0.3	0.5	0.3
2.5 Non-profit institutions serving households (S.15)	0.2	0.2	0.2	0.4	0.4	1.2
3. Securities issued by monetary financial institutions (S.121+S.122) with maturity up to 2 years	421.0	400.1	330.0	24.8	19.3	13.1
3.1 MNB (S.121)	391.4	368.4	300.3	0.0	0.0	0.0
3.2 Other monetary financial institutions (S.122)	29.6	31.8	29.7	24.8	19.3	13.1
4. Money market funds shares/units	113.2	120.0	131.9	163.8	183.2	208.8
IV. Liabilities with maturity over 2 years (1 + 2)	370.3	378.9	386.5	557.8	668.3	741.8
1. Deposits with maturity over 2 years	292.0	296.5	296.3	277.7	286.5	293.9
1.1 Non-financial corporations (S.11)	9.4	9.9	9.8	8.8	10.2	11.7
1.1.1 Forint	9.3	9.7	9.5	8.5	9.9	11.5
1.1.2 Foreign currency	0.1	0.2	0.3	0.3	0.3	0.2
1.2.2 Other financial corporations (S.123+S.124+S.125)	4.6	1.8	1.8	17.2	17.7	6.0
1.2.2.1 Forint	0.0	0.0	0.0	17.2	17.7	6.0
1.2.2.2 Foreign currency	4.6	1.8	1.8	0.0	0.0	0.0
1.2.3 Local governments (S.1313)	0.7	0.6	0.6	0.7	2.3	1.2
1.2.3.1 Forint	0.7	0.6	0.6	0.7	2.3	1.2
1.2.3.2 Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0
1.2.4 Households (S.14)	277.2	284.1	284.1	251.0	256.3	274.8
1.2.4.1 Forint	275.9	282.9	283.4	250.3	255.6	273.9
1.2.4.2 Foreign currency	1.3	1.2	0.7	0.7	0.7	1.0
1.2.5 Non-profit institutions serving households (S.15)	0.0	0.1	0.1	0.1	0.1	0.2
1.2.5.1 Forint	0.0	0.0	0.0	0.1	0.1	0.2
1.2.5.2 Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0
2. Securities issued by monetary financial institutions (S.121+S.122) with maturity over 2 years	78.3	82.4	90.2	280.0	381.7	447.9
IV. Other claims net (III.+IV.-I.-II.)	-865.5	-813.0	-784.2	-1177.3	-1101.2	-1219.9
Memorandum item:						
Domestic credit (1.1.1+1.2.1+1.3+1.4+1.5+1.6+1.7)	7084.6	7194.3	7060.4	8343.9	8884.7	8857.8

Foreign currency denominated assets and liabilities are converted into forint equivalent by using official midpoint exchange rates of the central bank.

The aggregates may not sum to the totals because of rounding.

Monetary aggregates

	Ft billions					
	2001		2002			2003
	30 Nov	31 Dec	31 Jan	30 Nov	31 Dec	31 Jan
Monetary base (M0)	1482.0	1608.5	1523.7	1643.3	1763.9	2053.1
M1	2854.4	3110.2	2908.7	3406.6	3656.2	3448.8
M2	6256.1	6631.1	6503.5	7122.0	7544.2	7440.2
M3	6827.3	7172.3	7000.5	7503.8	7855.8	7765.8
M4	9696.0	10058.9	10035.5	11119.4	11552.6	11585.8

Notes:

Monetary base (M0) = Currency in circulation plus other monetary financial institutions' reserves and other domestic currency balances at the central bank. (M0 is calculated from the monthly average stocks derived from daily data of all three components.)

M1 = Currency outside monetary financial institutions plus overnight deposits.

M2 = M1 plus forint and foreign currency deposits with an agreed maturity up to 2 years.

M3 = M2 plus outstanding repurchase agreements plus holdings by residents other than monetary financial institutions of securities issued by monetary financial institutions with maturities up to 2 years plus holdings by residents other than monetary financial institutions of investment units issued by money market funds.

M4 = Currency outside monetary financial institutions plus total deposits and debt securities issued by monetary financial institutions plus non-monetary government securities outstanding (according to the unchanged definition).

Notes to the changes to the structure of the consolidated balance sheet and the definitions of the monetary aggregates

Starting with the release of data for January 2003, the Magyar Nemzeti Bank has been compiling and publishing the monetary aggregates by adopting a new methodology consistent with that used by the European Central Bank.

Adding money market funds to the money creating sector

In addition to the central bank and credit institutions, money market funds also comprise monetary financial institutions, as the liabilities of money market funds, i.e. the investment units they issue, show characteristics similar to those of bank deposits. Accordingly, in producing the balance sheet, the Bank has also included money market funds in the consolidation process.

Within investment funds, the investment units of those satisfying the following criteria are categorised into money market funds:

- *transferability*: funds can be mobilised through various payment methods (e.g. transfer or other cashless payment instruments, e.g. though the use of bank cards),
- *convertibility*: investment units can be converted into cash or transferable deposits at low conversion costs which do not jeopardise liquidity,
- *certainty*: investment units have pre-determined values expressed in the domestic currency,
- *marketability*: there is an organised market for quoting and trading in investment units; in the case of units which are not traded on an exchange market (investment units of open-end funds), marketability is ensured by the price established and published daily.

Another criterion for classifying into money market funds is that the investment fund must invest at least 85% of its assets in money market instruments or other marketable debt securities (the remaining term to maturity of which does not exceed one year), or bank deposits, or other financial instruments guaranteeing returns similar to interest rates on money market instruments.

In addition to **M0**, the MNB uses three monetary aggregates (with increasingly lower liquidity in terms of their components) which constitute increasingly wider agglomerates. These are the following: narrow money **M1**, the intermediate aggregate **M2** and broad money **M3**. In addition to the above monetary aggregates, the MNB continues to monitor M4 with unchanged constituents as one of the indicators of savings.

The components of the monetary aggregates compiled in line with the ECB's methodology are the following:

	M0	M1	M2	M3
Currency in circulation (average)	X			
Domestic currency accounts and O/N deposits of other monetary financial institutions at the Central bank (average)	X			
Currency outside monetary financial institutions		X	X	X
O/N deposits		X	X	X
Deposits with maturity up to 2 years			X	X
Repurchase agreements				X
Securities with up to 2 years issued by monetary financial institutions				X
Money market funds shares/units				X

The most important differences between the new methodology and the earlier definitions:

M0

A significant difference in comparison with the earlier practice is that the MNB counts overnight deposits of other monetary financial institutions at the central bank towards the monetary base, and that currency in circulation is calculated on the basis of monthly averages derived from daily data. Earlier, M0 included the month-end value of currency in circulation.

M1

In addition to currency outside monetary financial institutions, the new methodology treats forint-denominated overnight deposits and foreign currency-denominated overnight deposits as constituents of M1.

M2

According to the new definition, M2 does not include deposits with an agreed maturity over 2 years, unlike in the earlier method.

M3

M3 does not include deposits with an agreed maturity over 2 years and debt securities with over 2 years' agreed maturity issued by monetary financial institutions. However, it includes holdings by residents other than monetary financial institutions of MNB bonds with up to 2 years' agreed maturity plus holdings by residents other than monetary financial institutions of investment units issued by money market funds.

The structure of the consolidated balance sheet was changed as follows:

- Deposits with over 2 years' agreed maturity at monetary financial institutions in a breakdown by sector and denomination, and debt securities with over 2 years' agreed maturity issued by monetary financial institutions are presented as separate items, as part of **IV. Liabilities with maturity over 2 years**.
- The consolidated balance sheet also includes holdings by residents other than monetary financial institutions of investment units issued by money market funds.

Another novelty, in addition to the above methodological changes, is that, from January 2003, net assets vis-à-vis non-residents are reported in a breakdown by instruments, generally applied in monetary balance sheets.

The time series of M0, the monetary aggregates M1–M3 and the consolidated balance sheet of monetary financial institutions have been recalculated on the basis of the new methodology, going back to January 1998, January 1993 and January 2000 respectively.