

VI. MONETARY DEVELOPMENTS

Apart from minor fluctuations, the forint exchange rate remained in the firm territory of the official intervention band throughout April. The Bank purchased foreign currency in the interbank foreign exchange market in the amount of 37.8 million.

Central bank domestic and foreign currency liabilities to Hungarian credit institutions fell by Ft 119.8 billion in April. Looking at movements in average stock data, liabilities to credit institutions rose by Ft 1 billion relative to March. Non-callable deposits and foreign currency deposits, in contrast, were Ft 167.1 billion and Ft 5.4 billion lower respectively. The Bank's claims on credit institutions fell by Ft 5.3 billion, due mainly to a fall in the value of official repo agreements. Central bank claims on the general government sector rose by Ft 3.2 billion. Foreign and other net liabilities fell by Ft 93.6 billion.

Non-resident holdings of government debt securities amounted to Ft 570.9 billion, showing a decrease of Ft 12.1 billion to the end of the month relative to end-March. As seen in March, yields rose at both the short and the long end of the secondary market of government debt securities. Static yields and moderate investor demand were the main feature of the month's government securities auctions.

The forint interbank market recorded turnover of Ft 1,340 billion in April, down Ft 45.8 billion on March. Influenced by the official rate reductions in the month, average interest rates continued to fall. Quotations of the one-month BUBOR fell, those of six and twelve-month BUBOR remaining flat.

The annual growth rates of the monetary aggregates rose slightly in April. M0 growth was 0.4 of a percentage point faster, running at 16.7% annually. The annual index of the money stock M1, which comprises currency held by non-banks and forint sight deposits, rose by 1.2 percentage points to 18.4%. Broad money M3, a composite of term domestic and foreign currency deposits plus holdings of bank securities, in addition to the elements of M1, stood 15.2% higher in April than twelve months previously, which meant its growth rate picked up 0.2 of a percentage point in one month. Annual

growth in M4, the broadest money aggregate, was 117.2%, rising by 0.5 of a percentage point. Net liabilities of the general government and non-profit sector to domestic credit institutions rose by Ft 18.3 billion.

Corporate and household sector short-term deposit and borrowing rates continued to fall in the month under review. The average price for corporate customers of short-term loans, negotiated at market conditions, fell 10 basis points to 12.5%. Deposit rates, at 9.0%, showed a drop of 40 basis points. Interest rates on personal home-building and real property loans fell from 19.3% to 17.5%. The average rate on consumer and other loan facilities, including Lombard, personal, hire purchase loans, overdrafts and car purchase finance, was un-

Foreign exchange market interventions by the NBH		
	millions	
	Purchases	Sales
January–December 1998	3,101.8	2,177.2
January 1999	114.4	0.0
February	200.6	0.0
March	0.0	0.0
April	0.0	0.0
May	44.7	0.0
June	190.9	0.0
July	731.8	0.0
August	457.4	0.0
September	42.0	0.0
October	0.0	0.0
November	504.5	0.0
December	538.9	0.0
January–December 1999	2,825.1	0.0
January 2000	820.1	0.0
February	546.1	0.0
March	100.2	0.0
April	37.8	0.0
January–April 2000	1,504.2	0.0

changed at the preceding month's 21.9%. Household sector short-term borrowing rates, at 8.7%, showed a fall of 60 basis points in the month.

Monthly financial statement of the Bank

The value of banknotes and coin in circulation was Ft 24 billion higher to the end of April relative to end-March.

The combined total of domestic and foreign currency liabilities of the central bank to credit institutions fell by Ft 119.8 billion in the month under review. Here, domestic currency liabilities declined by Ft 103 billion and foreign currency liabilities by Ft 16.8 billion.

The monthly average balance on credit institutions' settlement accounts was Ft 16.3 billion higher at the end of April than at the preceding month-end. The month-end total of non-callable deposits fell by Ft 139.3 billion. As regards the Bank's foreign currency liabilities to domestic credit institutions, the stock of short-term foreign currency deposits changed the most strongly, unlike in March, showing a drop of Ft 19.3 billion, at current rates.

The change in the average stock of central bank liabilities to credit institutions diverged with the preceding month's outcome – the averages of current account deposits rose by Ft 1 billion, while the averages of non-callable deposits and foreign currency deposits, re-

spectively, fell by Ft 167.1 billion and Ft 5.4 billion relative to March. The fall in foreign currency liabilities to domestic credit institutions due to transactions amounted to a total Ft 75.7 billion in the first four months of 2000.

Central bank claims on credit institutions fell by Ft 5.3 billion in April, mainly due to a decrease in the amount outstanding under official repo agreements. Overall, the Bank's net liabilities to domestic credit institutions were lower by Ft 114.5 billion. In January–April, the Bank's claims on domestic credit institutions fell by Ft 7.8 billion, the effect of transactions being Ft 8.3 billion.

Central bank net claims on the general government sector were Ft 3.2 billion higher in April. Here, claims on the sector fell by Ft 19.3 billion and liabilities by Ft 22.5 billion. The total stock of general government net borrowings fell by Ft 171.3 billion in January–April. Transactions accounted for Ft 162.8 billion of this fall.

Total central bank foreign and other net assets contracted by Ft 93.6 billion in one month. Here, net foreign liabilities, valued at current rates, were Ft 43.5 billion lower at month-end than at the end of March. Foreign assets fell by Ft 5.6 billion, while liabilities rose by Ft 37.9 billion. Long-term foreign liabilities were Ft 46.4 billion lower, in contrast with short-term liabilities which rose by Ft 84.3 billion. International reserves had risen by 178.21 million to 11,380.6 million by the end of April.

Changes in the balance sheet of the NBH
On the basis of month-end stocks

Ft billions

	1999				2000			1999	2000*		
	March	April	Q1	Q4*	March	April	Q1	January–April			
			Monthly average				Monthly average	Total	Trans-action	Volume changes	Total***
Banknotes and coin	11.4	15.4	28.9	28.9	21.1	24.0	−22.9	10.0	−95.6	0.0	−95.6
Forint deposits of credit institutions	−3.2	−57.9	31.5	31.5	−171.7	−103.0	124.7	−28.7	140.1	0.0	140.1
Foreign currency deposits of credit institutions	−25.7	−16.6	−9.8	−9.8	0.8	−16.8	−25.8	7.9	−75.7	14.3	−61.4
Net claims on general government (including ÁPV Rt deposits)**	39.7	−203.8	−64.6	−64.6	−64.1	3.2	−37.5	−269.1	−162.8	−8.5	−171.3
Of which: – foreign currency credit	25.3	−138.0	−51.5	−51.5	−44.7	−19.3	−25.8	−221.4	−114.8	3.7	−111.1
– revaluation bonds	0.0	−330.5	0.0	0.0	0.0	0.0	0.0	−286.1	0.0	0.0	0.0
Claims on credit institutions	−22.7	−1.9	−3.8	−3.8	−40.7	−5.3	5.3	−25.6	−8.3	0.5	−7.8
Foreign and other net assets	−34.5	146.6	118.9	118.9	−45.1	−93.6	108.2	283.9	139.9	22.3	162.2

Note: The aggregates may differ due to rounding.

* Preliminary data.

** At current exchange rates, including blocked government deposits.

*** There was no other change in volume in the period.

Central bank policy measures

The Bank, in response to developments in the domestic financial markets, made the following interest rate decisions in the period starting 1 April 2000.

- Effective from 3 April, the base lending rate fell from 12.0% to 11.0%, with simultaneous reductions in all the related rates on refinancing loans and credits extended to the central government. The Bank also lowered the supplementary repo rate, from 21.0% to 19.0%. The decision to reduce the base rate was taken to create consistency between movements in BUBOR and the central bank base rate.
- Effective from 25 April, the interest rate on the two-week deposit fell from 11.25% to 11.0%. Leaving the official interest rate corridor intact, the Bank reduced the overnight repo and swap rates from 13.25% to 13.0%, and the overnight deposit rate from 9.25% to 9.0%. The rate remunerated on compulsory reserves built for domestic and foreign currency liabilities fell from 5.5% to 5.25%. Favourable developments in the economy as a whole and in core inflation contributed to the Bank's decision to reduce its dealing rates.

Banking survey, money supply and demand

According to the final figures, growth in the monetary aggregates rose slightly in April relative to March. Growth in the monetary base picked up 0.4 of a percentage point in one month, so its end-of-month stock was 16.7% higher than a year earlier.

Annual growth in M1, a composite of currency in circulation and forint sight deposits, changed the most strongly, picking up 1.2 percentage points from March to April. As a result, the end-of-month stock of M1 stood 18.4% higher relative to twelve months previously. Broad money M3, which is a measure of banknotes and coin, deposits held with banks as well as holdings of bank securities, grew at a rate 0.2 of a percentage point faster, its stock expanding by 15.2% year on year. Of its components, the end-of-month stock of corporate deposits fell by Ft 3.8 billion due to transactions.

The sector's domestic currency deposits fell by Ft 8.2 billion and foreign currency deposits rose by Ft 4.4 billion due to transactions. The effect of transactions on households' domestic and foreign currency deposits were decreases of Ft 10.5 billion and Ft 0.2 billion respectively.

Annual growth in M4, an aggregate of M3 plus government securities and NBH bills held by the non-bank sector, picked up 0.5 of a percentage point, expanding by 17.2% annually.

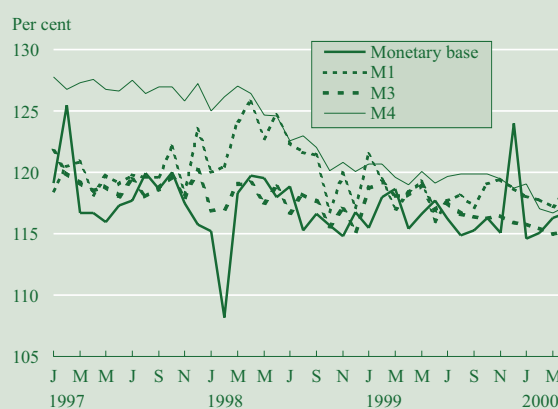
The domestic credit stock rose by Ft 77.2 billion due to transactions and by another Ft 9.8 billion due to exchange rate changes. Even so, the year-on-year decrease in the outstanding total was 1.1%. The effect of transactions on net liabilities of the government sector was an increase of Ft 20.8 billion. Exchange rate movements caused the stock to fall by Ft 8.2 billion. Outstanding borrowings of the corporate sector rose by Ft 58.5 billion in the month.

Transactions contributed Ft 40.6 billion and exchange rate movements another Ft 17.9 billion.

As a result of changes in the outstanding stocks of credits and deposits, the net liabilities of the general government and non-profit sector rose by Ft 18.3 billion in April.

Net household deposits with domestic banks were up by Ft 14.3 billion. Net corporate debt expanded by Ft 59.3 billion. Net foreign liabilities of the Hungarian banking sector fell by Ft 5.2 billion.

Annual growth rates of the money aggregates



Notes:
M1= Currency in circulation + forint sight deposits held at banks.
M3=M1 + forint time deposits + foreign currency deposits + bank securities.
M4=M3 + government securities held by non-banks + MNB domestic bills held by non-banks.
Monetary base (M0)=Currency in circulation + banks' deposits and other domestic currency accounts at the central bank.
M0 is calculated from the month-end total of notes and coin and the average of banks' reserve deposits and other domestic currency deposits with the central bank – the latter taken as the averages of the last two weeks up to end-August and monthly averages from September. M0 does not include the stock of central bank remunerated deposits.

Monthly changes in the net position of institutional sectors vis-à-vis the banking system*

	Ft billions							
	1998	1999		2000	1999	2000	1999	2000
	Q4	Q1	Q4	Q1	April		January–April	
	Average [†]		Average [†]					
General government and non-profit sector, net**	-13.2	40.6	43.0	45.9	199.9	-18.3	321.8	119.3
Consolidated central government, net**	-14.3	41.2	40.3	44.7	213.5	-12.6	337.2	121.6
Local authorities, net	0.5	-1.9	1.8	-1.0	-14.4	-10.3	-20.2	-13.4
Other (non-profit) entities, net	0.6	1.3	0.9	2.2	0.8	4.6	4.8	11.1
Enterprise sector, net	13.5	-46.3	-12.2	-58.1	-27.8	-59.3	-166.7	-238.1
Credit	-18.1	-22.9	-59.3	-49.1	-16.3	-58.4	-85.1	-205.8
Deposits+cash+securities***	31.6	-23.4	47.1	-9.0	-11.5	-0.9	-81.6	-32.3
Households, net****	51.7	33.1	41.1	-9.5	26.4	14.3	122.8	-14.1
Credit	-4.9	-4.5	-10.9	-10.3	-8.4	-16.4	-21.9	-47.3
Deposits+cash+securities	56.7	37.6	52.0	0.8	34.8	30.7	144.7	33.2
Non-residents, net	-24.2	-23.4	-82.5	-42.1	-117.7	-5.2	-187.9	-131.5
Other items, net	-27.8	-4.1	10.7	63.8	-80.8	68.5	-90.0	264.3

Note: Increase in credits or decrease in deposits = (-); Decrease in credits or increase in deposits = (+).

* Excluding consolidations and write-offs. At current prices. Preliminary data.

** Including deposits of APV Rt and the non-profit sector.

*** Adjusted for the technical cash stock of the Hungarian Post Office.

**** Including accrued intra-year interest.

† Quarterly average of monthly net changes in positions.

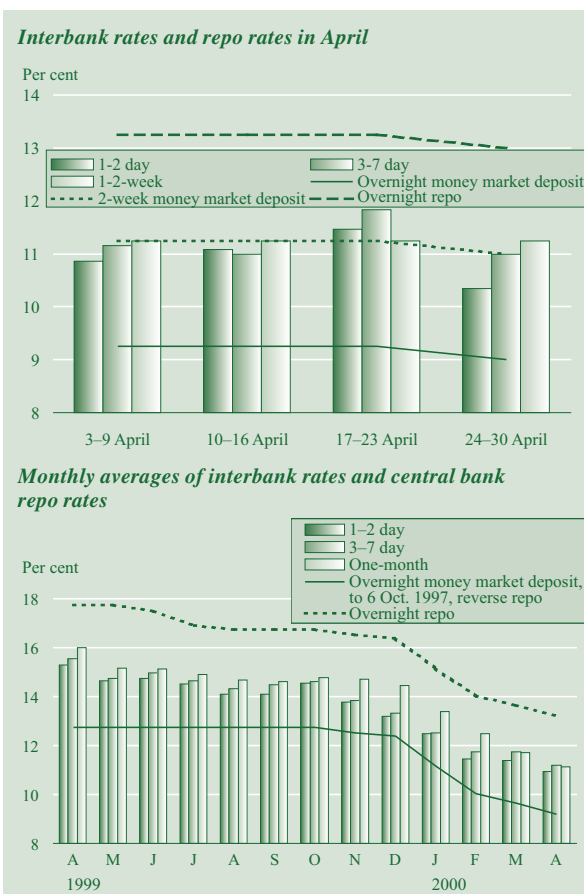
The interbank market

From high levels towards the end of the preceding month, overnight interest rates eased back to normal opening levels in the forint interbank market at the start

of the April maintenance period. However, accompanied by high turnover volumes, the costs of funds at the shorter end of the market began to rise in the first week, due to tight liquidity conditions. The level of overnight rates was more variable, though generally remaining high. Trading remained lively. As regards longer maturities, participants maintained strong interest only in one-week and three-month funds. Nevertheless, interest rates did not change materially at these maturities. The 25 basis point rate reduction by the National Bank of Hungary on 25 April triggered a downward correction of market returns which also affected overnight rates.

Affected by the official rate reduction, interbank interest rates were mostly lower at both the short and long end of the market in April. Forint interbank turnover amounted to Ft 1,340 billion, falling by Ft 5.8 billion relative to March. Average 1–2 day rates stood at 11%, down 40 basis points on the preceding month's average. Following a drop in the preceding month, the share of this maturity area rose by 8.8 percentage points to 85.3%. The average rate in the maturity bracket of 3–7 day deals was 50 basis points lower, at 11.2%. The proportion of this maturity area fell by 0.6 of a percentage point to 8.4%. Turnover of fortnight–one month fell to nearly one third, with the share of this maturity spectrum within the total being 4.2%. The average interest rate, down 30 basis points, stood at 11.3%. Transactions for maturities extending beyond one month accounted for 2.1% of total turnover, the average interest rate standing at 11.1%.

Quotations of the one-month BUBOR fell in the month, those of six and twelve months remaining unchanged. The one-month rate was 26 basis points lower on the preceding month's close, finishing April at



Interbank turnover							
							Ft billions
	Interbank turnover						Total
	1–2 days	3–7 days	1 week–2 weeks	2 weeks–1 month	1–3 months	Over 3 months	
March 1999							
29 March–4 April	165.2	15.2	14.8	1.5	9.2	0.4	206.3
5–11 April	148.8	16.7	7.0	9.6	1.6	–	183.6
12–18 April	308.5	30.6	1.7	11.0	8.8	0.8	361.3
19–25 April	283.2	34.3	9.6	4.2	4.5	0.6	336.5
25 April–2 May	268.4	12.0	11.5	1.7	3.4	0.4	298.0
April 1999*	1,084.2	106.3	29.8	26.6	26.5	2.6	1,275.9
February 2000							
28 February–5 March	267.2	8.2	17.4	2.5	8.8	1.0	305.1
6–12 March	280.8	28.1	42.9	0.2	7.2	–	359.2
13–19 March	187.0	21.4	23.8	0.3	4.5	0.5	237.4
20–26 March	177.0	36.8	19.7	4.8	6.5	–	244.7
27 March–2 April	209.2	27.9	52.8	0.4	2.6	1.4	294.5
March 2000*	1,030.1	120.4	156.6	7.2	28.6	2.9	1,345.8
April 2000							
3–9 April	369.3	25.6	15.1	3.3	8.5	–	421.7
10–16 April	317.0	32.5	19.1	–	5.3	0.3	374.3
17–2 April	245.9	21.8	14.8	1.0	1.6	0.4	285.4
24–30 April	211.7	32.9	8.0	2.0	2.4	1.8	258.8
April 2000*	1,143.9	112.8	57.0	6.3	17.8	2.5	1,340.2

* As the first and last days of weeks do not always coincide with the first and last days of a given month, the sum of weekly turnover figures do not always add up to the month's total.

11.04%. The three-month BUBOR rate rose slightly, by 4 basis points to 10.94%. At six months, the BUBOR was 5 basis points lower, finishing at 10.65%. The differential between the two shortest-term rates had narrowed from 40 basis points to 10 basis points by the end of the month. The gap between the two longest-term instruments remained unchanged at March's 30 basis points.

Government securities yields

The direction of Hungarian government securities yields continued to be upwards in the early days of April. Subsequently, the market entered a phase of narrow fluctuations, followed by stabilisation towards month-end. The Bank's 25 basis point reduction in its dealing rates on the 25 April left their closing level broadly unaffected.

At the end of April, the value of Hungarian domestic currency-denominated government securities held by non-residents was Ft 570.9 billion, at par, down Ft 12.1 billion on March.

The Bank's estimate of three, six and twelve-month zero-coupon yields,¹ derived on a compounded basis from the most competitive secondary market prices,

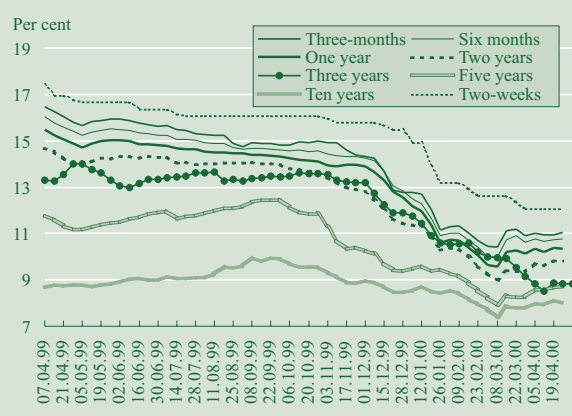
rose 18 basis points, 13 basis points and 12 basis points in the month. The rise in yields at the longer end of the curve was a little more marked. Accordingly, at two, three, five and ten years, yields were higher by 26 basis points, 34 basis points, 28 basis points and 7 basis points respectively.

In April, implied forward rates² in one, two, and three years' time were significantly higher, rising by 30–50 basis points throughout the whole period. The one-year implied forward rate in four years' time rose much more modestly, by 8 basis points. In contrast, one-year implied forward rate in nine years' time fell 18 basis points.

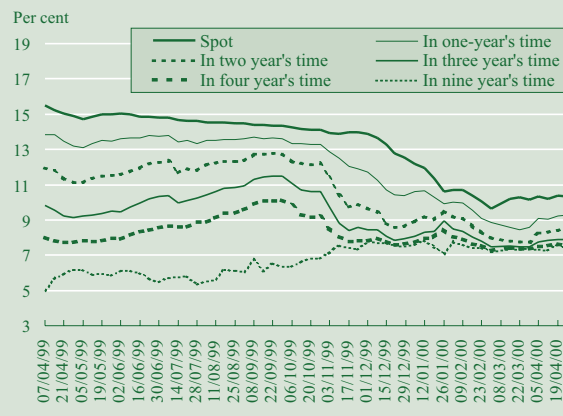
¹ The National Bank of Hungary calculates zero-coupon yields using the Svensson method. The estimates rely on the Debt Management Agency's release of the most favourable secondary market prices of discount treasury bills and fixed-rate government bonds with residual maturity of more than three months.

² Implied forward rates may be equal to expected future interest rates only if certain conditions are met. However, movements in derived rates may help anticipate shifts in the market's expectations of future interest rates. At present, only one single ten-year bond trades in the market, and turnover volumes in the secondary market are relatively thin. Therefore, the estimate of the ten-year zero-coupon rate, and particularly the forward rate derived from the zero-coupon rate, which is substituted by the one-year rate in nine years' time, cannot reflect the rapid turns in the market's judgement.

Zero-coupon yields, and the annual return on central bank two-week and one-month deposit rates
(Short-term yields on a compounded basis; weekly averages)



One-year spot and implied forward rates derived from the Bank's zero-coupon yields
(On a compounded basis; weekly averages)



Supply and demand at discount treasury bill tenders and average annual bond equivalent yields

	3 months		6 months		12 months		Average bond equivalent yields		
	Announced amount	Total bids	Announced amount	Total bids	Announced amount	Total bids	3	6	12
							Months		
							Ft billions		
05–09 April 1999	5.0	9.9	–	–	–	–	15.59	–	–
02–16 April	5.0	17.5	22.0	45.6	20.0	59.8	15.19	15.23	15.11
19–23 April	5.0	12.5	–	–	–	–	15.14	–	–
26–30 April	5.0	16.0	22.0	58.5	22.0	61.3	14.96	14.76	14.70
28 Feb.–3 March 2000	10.0	25.8	20.0	45.6	21.0	39.6	10.19	10.04	9.71
06–10 March	10.0	30.5	–	–	–	–	10.00	–	–
13–17 March	10.0	25.6	20.0	48.1	21.0	50.8	10.88	10.73	10.62
20–24 March	10.0	20.3	–	–	–	–	10.91	–	–
27–31 March	10.0	34.3	20.0	46.0	21.0	57.8	10.78	10.56	10.38
03–07 April	10.0	35.9	–	–	–	–	10.80	–	–
10–14 April	10.0	24.1	20.0	52.3	21.0	51.2	10.80	10.55	10.31
17–21 April	10.0	27.8	–	–	–	–	10.82	–	–
24–28 April	10.0	22.0	20.0	27.8	21.0	34.4	10.82	10.56	10.46

Quoted on a weekly basis, the yield-to-maturity on the fourth series of the Treasury Savings Bond,³ with maturity in 2003, rose from an initial 8.21% to 8.46% towards the last week of the month. The subscribed amount was Ft 1.3 billion.

The National Bank of Hungary decided to issue a non interest-bearing bill with maturity of three months from 22 March 2000. The inaugural series of the bill was launched at the auction conducted on 20 March. The Bank offers a new series of the bill at auction every Monday. No indications for bidders, whether in terms of

quantity or quality, are given in advance. The upper ceiling of the amount to be allocated is limited to the amount on offer, with no floor being established.

Five auctions of NBH bills were held in April. Yields were mostly static. Investors' appetite for the paper was strong, although demand fell from Ft 100 billion to Ft 30 billion to the end of the month. The average yield, weighted by the subscribed amount, was 10.87% in the month.

Accompanied by static yields, demand at the government securities auctions, held by the Debt Management Agency, was moderate at the short end. Yields on longer-dated securities rose. The total amount of bids was higher than in the preceding month.

The value of the Hungarian Government Bond Index, the MAX,⁴ which reflects movements in the prices of publicly-issued, fixed-coupon government bonds with a residual maturity of more than one year, stood at 186.067 on 28 April. The annual return achievable on a

³ The three-year government bond pays graduated interest, and is sold via subscription only. The bond redeemable before maturity, with the whole amount of interest paid on maturity or on redemption.

⁴ Average prices of bonds in the index, based on the secondary market prices, are weighted by the total of accepted bids submitted for tender. Reflecting the actual composition of the basket, interest is reinvested in the index. The starting base of the MAX was 100 on 31 January 1996.

Government bond yields at issue

	Bond	Term to maturity	Amounts offered	Bids	Accepted bids	Average bond yields			
						2	3	5	10
						Years			
		Year	Ft billions		Per cent				
08 April 1999	2002/H	2.8	20.0	41.6	20.0	—	13.84	—	—
08 April	2009/B	9.8	8.0	27.8	10.0	—	—	—	9.80
22 April	2001/G	1.8	25.0	68.9	25.0	14.03	—	—	—
22 April	2004/H	4.8	12.0	27.7	15.0	—	—	11.09	—
09 March 2000	2003/J	2.9	26.0	50.4	27.0	—	8.20	—	—
09 March	2009/B	8.9	10.0	14.6	9.0	—	—	—	7.67
23 March	2002/J	1.9	25.0	48.2	25.0	9.32	—	—	—
23 March	2005/E	4.9	12.0	22.8	12.0	—	—	8.10	—
06 April	2003/J	2.8	25.0	48.3	25.0	—	9.65	—	—
06 April	2005/F	4.9	8.0	8.1	6.0	—	—	*	—
20 April	2002/J	1.8	30.0	61.2	30.0	10.00	—	—	—
20 April	2005/E	4.8	12.0	28.1	12.0	—	—	8.78	—

Note: The 2005/D indexed bond, the 2005/F bond pays variable rate of interest.
 * = Variable rate bond or non-competitive sale.

portfolio equal to the composition of the index basket was 18.97%, the annualised value of total return on the index for 2000 being 16.85%.

Interest rates

In April, as in March, the averages of corporate and household sector interest rates fell. The month's developments in market conditions caused the gap between average corporate sector borrowing and deposit rates to widen by 30 basis points, to 350 basis points. As regards the household sector, average home-building and property loan rates experienced the largest drop in the month, falling by 200 basis points. The average level of consumer loan rates was lower by about the same measure as in the preceding month.

The gap between corporate and household sector average borrowing rates narrowed by 30 basis points to 870 basis points. Corporate sector average short-term deposit rates enjoyed a margin of 30 basis points over the corresponding average of household sector deposit rates.

Looking at the developments in the market of corporate finance, the averages both of the sector's short-term borrowing and of deposit rates fell further in the month, but, unlike in the preceding month, the drop mainly affected the latter.

The average price for corporate customers of short-term loans, negotiated at market conditions, fell 10 basis points to 12.5%. Deposit rates, at 9%, showed a drop of 40 basis points. As a result of movements in interest rate conditions, the banking spread widened from

320 basis points to 350 basis points. Generally playing a somewhat less significant role, the average of corporate sector long-term borrowing fell from 13.1% to 12.8%. Interest rates paid by banks on deposits fixed for terms of over one year were on average 50 basis points lower, standing at 9.5%.

The cost of funds for companies raised via discounting bills was 12.3%, falling from 12.7% in March. The floor and ceiling for rates remunerated on current account deposits were 1% and 14% respectively.

Household sector average deposit and borrowing rates continued to fall. The change was more marked in the case of home-building and property loan rates.

Household sector average deposit rates were lower across every maturity. The largest drop, following stagnation in the preceding month, occurred to long-term deposit rates, the average level falling from 10.1% to 9.1%. Short-term deposit rates fell 60 basis points to 8.7%. As a result of these interest rate movements, the

Corporate and household sector interest rates



gap between long and short-term average deposit rates halved, to 40 basis points. Continuing the pattern seen in March, sight deposit rates dropped by another 30 basis points, to 3.8%.

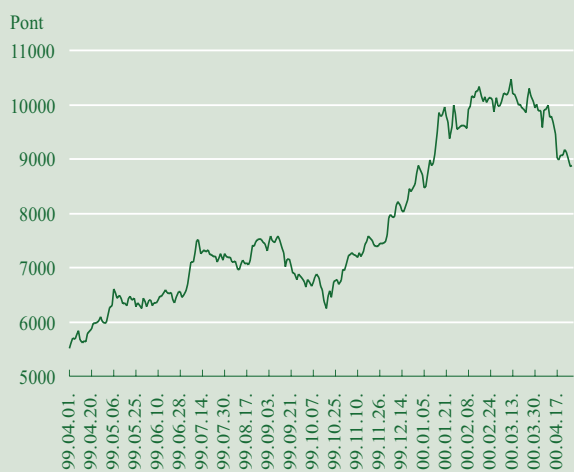
The banking sector average of household sector forint borrowing rates fell 40 basis points, to 21.3%, in line with the changes in the preceding few months. Interest rates on personal home-building and real property loans saw a marked fall from 19.3% to 17.3%. The average rate on consumer and other loan facilities, including Lombard, personal, hire purchase loans, overdrafts and car purchase finance fell to 21.7%, a drop of 20 basis points, similar to the change seen in March. On aggregate, the differential between home-building and property loan rates, and consumer and other loan rates widened again, by some 20 basis points to 440 basis points.

The BUX index

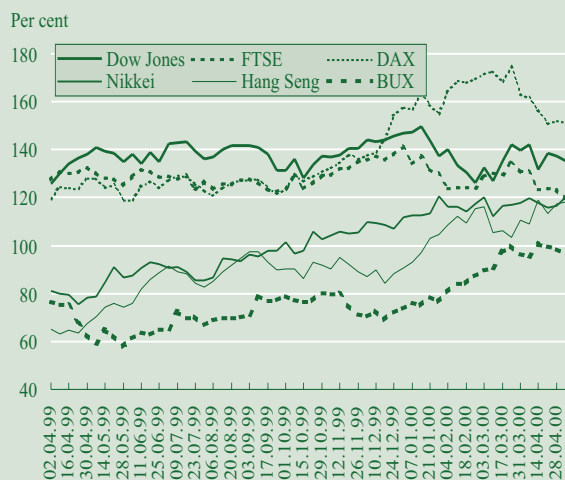
Following a cumulative gain of 45.5% in the period November 1999–February 2000 and a fall of 1.22% in March, the share index of the Budapest Stock Exchange declined by 11.28% in April. The index started the month with a rapid downward movement which took it 4.3% lower. However, it rose in the subsequent days by largely about the same measure, coming once more close to the 10,000-point mark. But within the space of just a week the BUX lost nearly 10% of its value, and spent the remainder of the month fluctuating narrowly around 9,000 points. The index finished the month at 8,872.49, nearly 50% higher than a year earlier.

Of the dominant companies, MATÁV performed the most poorly, losing nearly 18% extending a fall of 4.4% in March. OTP, too, experienced a large drop, closing 13.4% lower. This followed declines of 6.6% in February and 4.4% in the preceding month. Richter extended its loss of more than 5% by another 11.3%. In

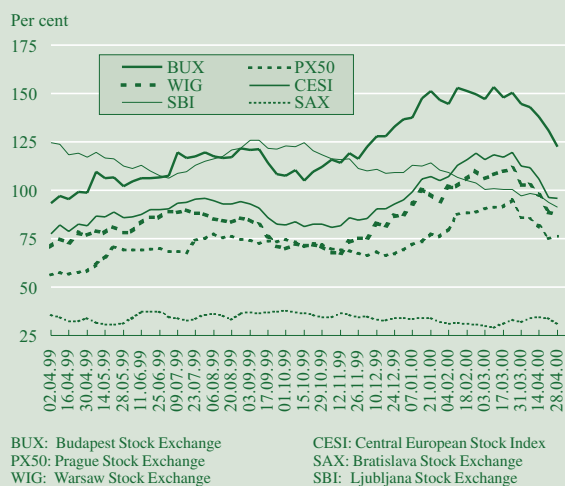
The BUX (2 January 1991 = 100)



*The world's leading exchanges and the BUX
5 September 1997 = 100; on a dollar basis*



*Selected central European exchanges and CESI
31 December 1996 = 100; on a dollar basis*



March–April MOL performed better than any other paper. Its price, having risen by 3.2% in March, suffered a relatively small drop of 4%.

Measured on a dollar basis, the official index of the Budapest Stock Exchange plummeted by 15.3% in April, following a fall of 2.7% in the preceding month. Whereas prices on the Budapest Stock Exchange performed much better in the first two months of the year than on the major international exchanges, the trend reversed in March–April. Although prices on the large exchanges also fell in April, the extent of this fall was not nearly as dramatic as that of the BUX, except in the Far East. For example, the Dow Jones Industrial Average lost only 1.7%, the FTSE 5.7% and the DAX around 7%. The Nikkei index, in contrast, declined by 16% following a rise of more than 9% in the preceding month. The Hang Seng Index of Hong Kong fell by 11% on a dollar basis.

The Central European Stock Index (CESI), which is a composite of the Budapest, Prague, Warsaw, Ljubljana and Bratislava exchanges, following an increase of nearly 38% in December–February and a fall of 2.37% in the preceding month, declined by 14.92% in April. Movements in the index were similar to those in the

Hungarian share index. Of the exchanges in the region, the Warsaw and Prague markets registered falls of nearly 15% and more than 11%, respectively, measured in dollar terms. As regards the other, less important markets, prices fell by 6% on the Ljubljana exchange and by nearly 5% on the Bratislava market.