Methodological notes to the press release

Starting with the Press release containing data for May 2009, Table 1 has been expanded. On the assets side of the balance sheet, the average stocks of credit institutions’ two-week and six-month loans have been omitted from other assets. On the liabilities side, outstanding FX swaps vis-à-vis credit institutions have been omitted from other liabilities, and are shown on a separate row in the average balance sheet. This change has been backdated to the time series containing average balance items on the Bank’s website.

Chart 8 plots recourse to selected central bank instruments, including the total stock of two-week forint-denominated MNB bills. The MNB has been issuing two-week forint-denominated bills since 9 January 2007, replacing the two-week central bank deposit as a key policy instrument, in order to facilitate credit institutions’ efficient liquidity management and the development of financial markets. The new two-week MNB bill is a negotiable instrument, i.e. credit institutions may sell the security they hold both to other residents and non-residents prior to maturity.

Monthly changes in stock data are calculated from data before rounding. Consequently, such differences between monthly data, derived using this method, may be different from those calculated from rounded data.

They also present seasonally adjusted time series data for the monetary base and its components in order to ensure the comparability of time series data released by the MNB and data indicated by the charts in the chart-pack. Trend data are computed from the seasonally adjusted series by eliminating outliers relating to deterministic effects identified in the seasonal adjustment process and irregular components not explained by the model.

In addition to changes in conditions in the money market and other economic effects, the prevailing level of the reserve ratio also significantly influences developments in the monetary base and current account balances. The reserve ratio, which is determined by the MNB, has been reduced by the MNB several times. It currently stands at 2%, down from 5% between 1 August 2002 and 23 November 2008, and from 12% in 1999.
Starting with the press release presenting monthly data for June 2009, the trend data published by the MNB have better reflected the phenomena associated with the financial crisis. In the period ending in December 2008 the trend plotted on Chart 4 continued to be consistent with actual data. The chart clearly indicates a sudden increase in the monetary base in October 2008, which was triggered by two factors: an increase in the average stocks of currency in circulation on the one hand, and on the other hand, credit institutions’ decision to increase their overnight deposit holdings significantly in response to the financial crisis. The trend also indicates the liquidity providing impact of the reserve ratio’s reduction in December 2008, in the form of a significant decline in the monetary base in January 2009. In December 2008 the increase in overnight deposits was still able to offset the decline in current account balances. (See Charts 3, 4 and 6). In line with our previous practice, the time series of the month-on-month growth index of the monetary base exclude the one-off effects of administrative reserve ratio reductions (up to the measure announced in August 2002).