

12 March 2007

PRESS RELEASE

Preliminary statistical balance sheet of the MNB February 2007

In February 2007, the monetary base fell by HUF 17.9 billion to HUF 2,547.8 billion. Of the components of the monetary base, the monthly average stock of currency in circulation fell by HUF 7.3 billion to HUF 1,908.9 billion, following usual seasonal patterns at the beginning of the year. This decline was also observable in movements in the monetary base, although the seasonally adjusted stock of the aggregate rose slightly (see Chart 2). The monthly average stock of other monetary financial institutions' current account balances rose by HUF 5.8 billion to HUF 629.5 billion, continuing the increase which began in January. The monthly average stock of other monetary financial institutions' overnight deposits fell by HUF 16.4 billion to HUF 9.7 billion in February.

Chart 1 Components of the monetary base

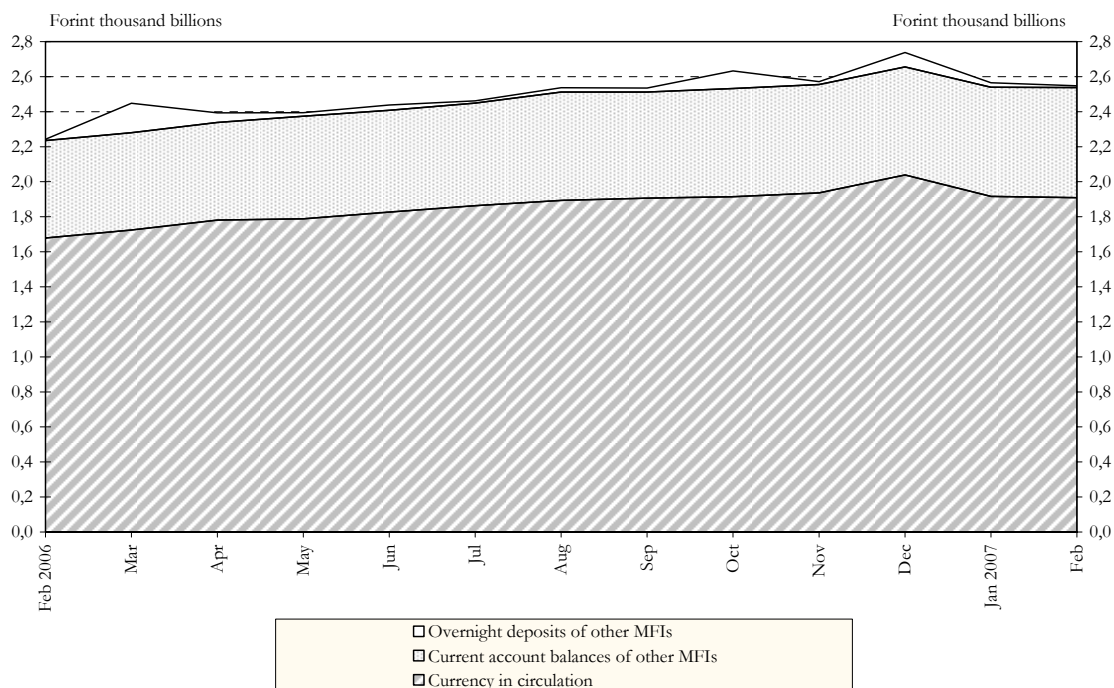
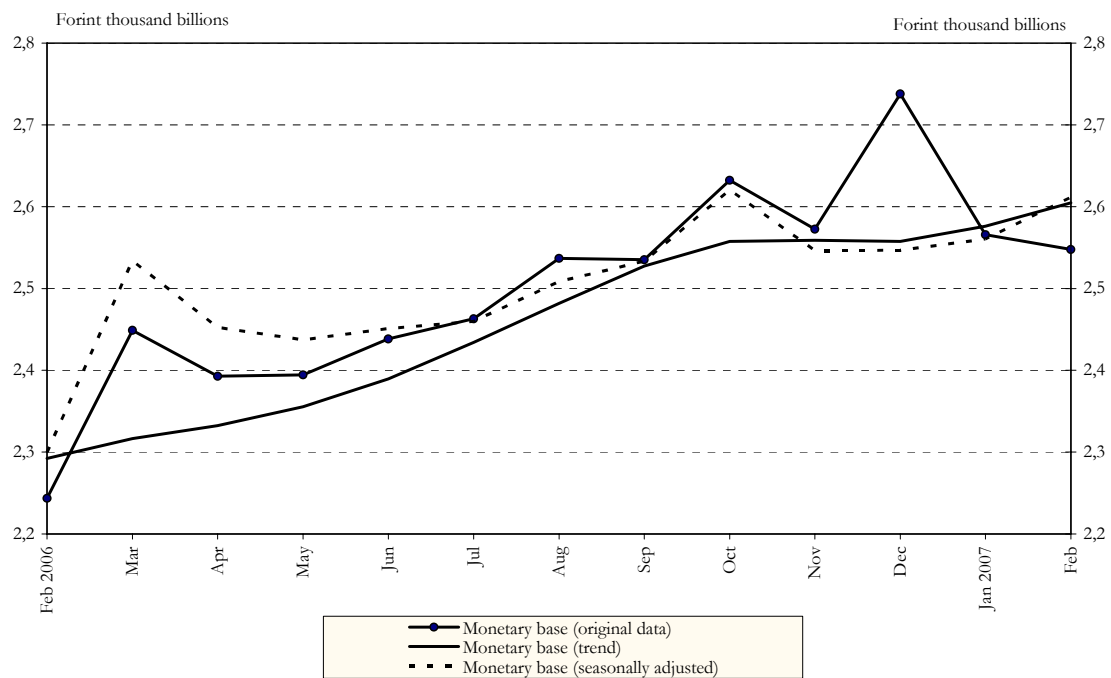
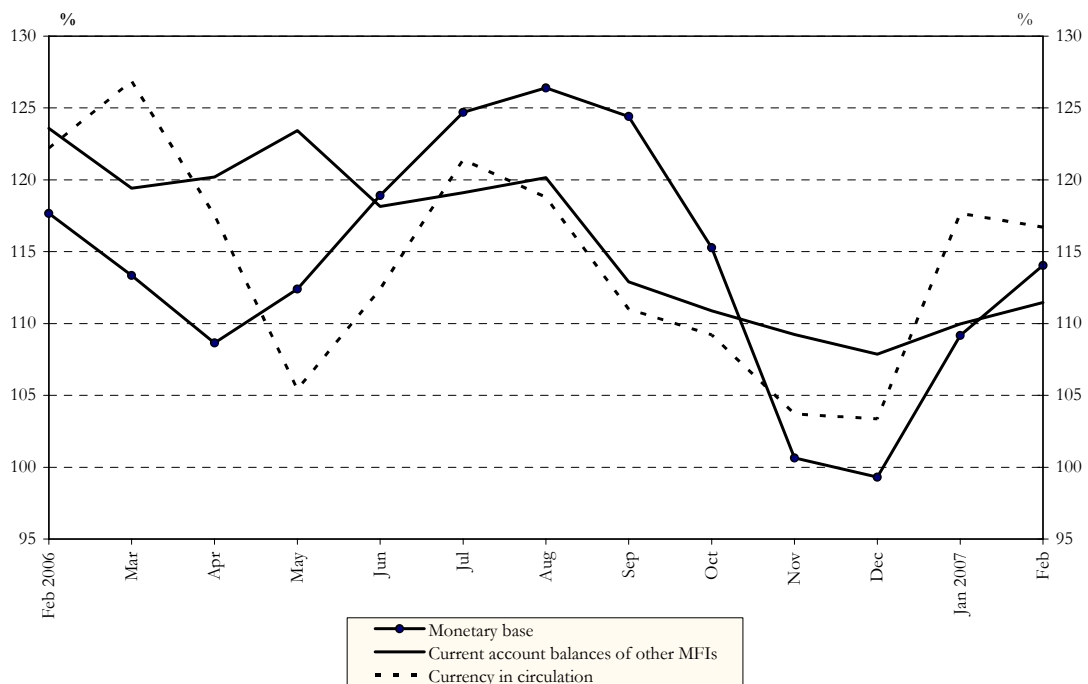


Chart 2 Changes in the monetary base



The annualised month-on-month growth index of the monetary base¹ was 114.0% in the month under review, up 4.9 percentage points on January.

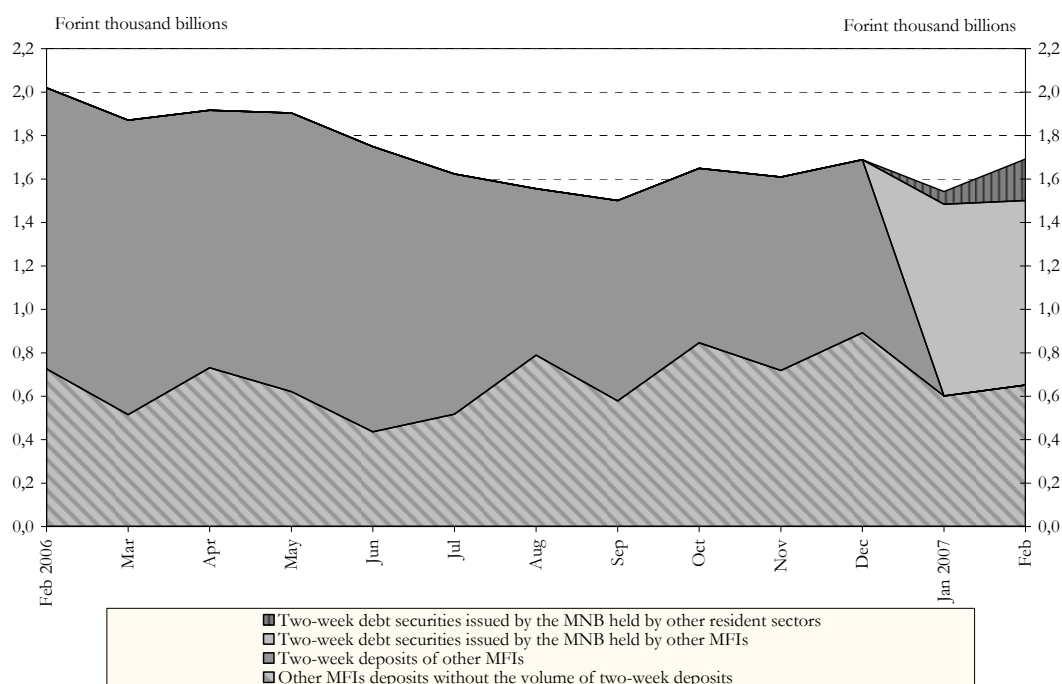
Chart 3 Annualised growth indices of the monetary base and its components



¹ See the note at the end of this press release.

In February, other monetary financial institutions' combined end-of-month holdings of deposits with the MNB and two-week forint-denominated central bank bills² rose by HUF 17.1 billion to HUF 1,501.5 billion, and thus returned from a twelve-month low in January to their level in September 2006. Here, the end-of-month stock of deposits rose by HUF 50.2 billion to HUF 651.7 billion in one month. In February, total holdings of two-week forint-denominated bills issued by the MNB rose by HUF 98.7 billion to HUF 1,039.9 billion. Here, other MFIs' end-of-month holdings of bills amounted to HUF 849.8 billion, with the remaining HUF 190.1 billion of bills being sold by credit institutions to other domestic sectors in the secondary market. The stock of loans granted by the MNB to other monetary financial institutions was HUF 0.3 billion in February, remaining unchanged since December 2006.

Chart 4 End-of-month stocks of other MFIs' deposits and two-week forint bills issued by the MNB³



The month-end stock of loans outstanding to the central government fell by HUF 1.6 billion to HUF 82.7 billion, and deposits of the sub-sector increased by HUF 90.1 billion to HUF 657.6 billion.

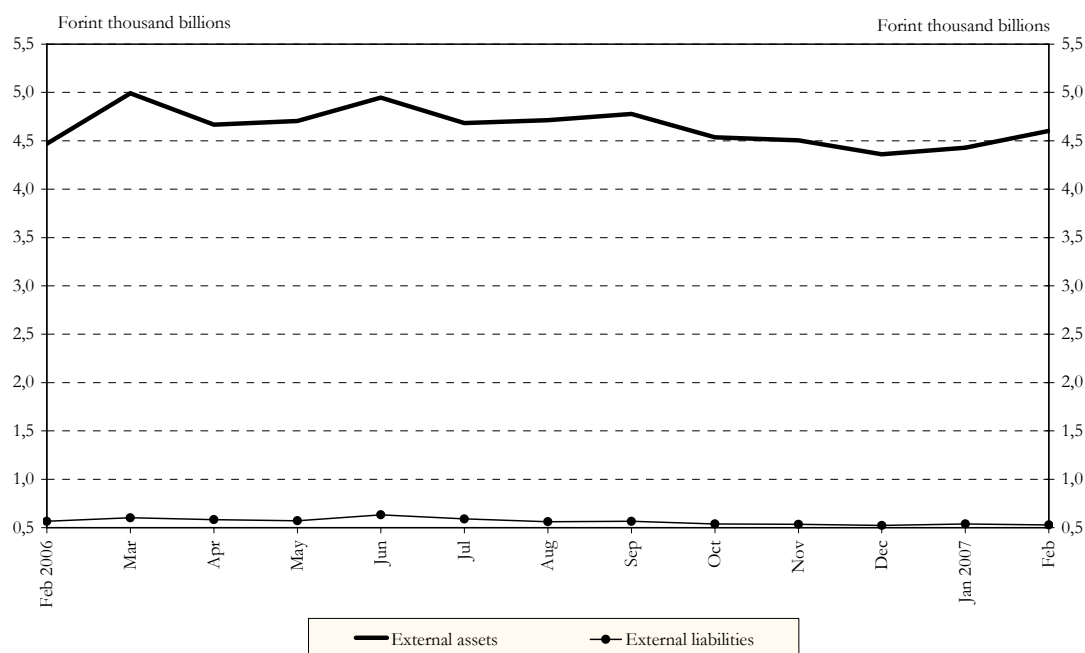
Net external assets of the MNB were HUF 185.4 billion higher than in January, with transactions accounting for HUF 242.1 billion of the increase. Assets vis-à-vis non-residents rose by 174.3 billion to HUF 4,602.7 billion. Here, transactions accounted for HUF 240.3 billion. Liabilities vis-à-vis non-residents fell by HUF 11.1 billion to HUF 528.3 billion, due mainly to exchange rate changes.

² The press release on the procedures for issuance and auctions of the two-week MNB bill can be accessed via http://www.mnb.hu/Engine.aspx?page=mnbbhu_mnbkozlem&ContentID=9165.

Further information on the two-week central bank instrument is available on the MNB's website at http://english.mnb.hu/Resource.aspx?ResourceID=mnbbfile&resourcename=kethetes_jegybanki_betet.

³ See the note at the end of this press release.

Chart 5 Assets and liabilities of the MNB vis-à-vis non-residents



Methodological notes to the press release

Ensuring comparability of data over periods requires eliminating seasonal variations and distortions from original data. Consequently, the time series for the monetary base (M0) is seasonally adjusted. Trend data are obtained from the seasonally adjusted data by eliminating outliers relating to deterministic effects and irregular components identified in the seasonal adjustment process. The growth indices in this press release are derived from trend data by dividing the base period data by data for the previous period, and by raising the quotient to the 12th power. The month-on-month growth rates, calculated using this method, better reflect developments in the most recent periods than year-on-year growth indices. Chart 3 plots the annualised month-on-month growth indices of the monetary base and its components. The Bank does not publish a separate index for overnight deposits, as they fluctuate considerably, frequently moving to zero. However, changes in the stock of overnight deposits are also taken account of in calculating the growth index of M0.

Chart 4 shows other monetary financial institutions' total holdings of deposits and two-week forint-denominated central bank bills. The MNB has been issuing two-week forint-denominated bills since 9 January 2007, in order to facilitate credit institutions' efficient liquidity management and the development of financial markets, replacing the two-week central bank deposit as a key policy instrument. The new two-week MNB bill is a negotiable instrument, i.e. credit institutions and other residents as well as non-residents may sell it to other parties 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 not add to those calculated from rounded data.

The data used for the purposes of this press release are available on the MNB's website at http://english.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=0708_monstatpubl_en.xls.

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