

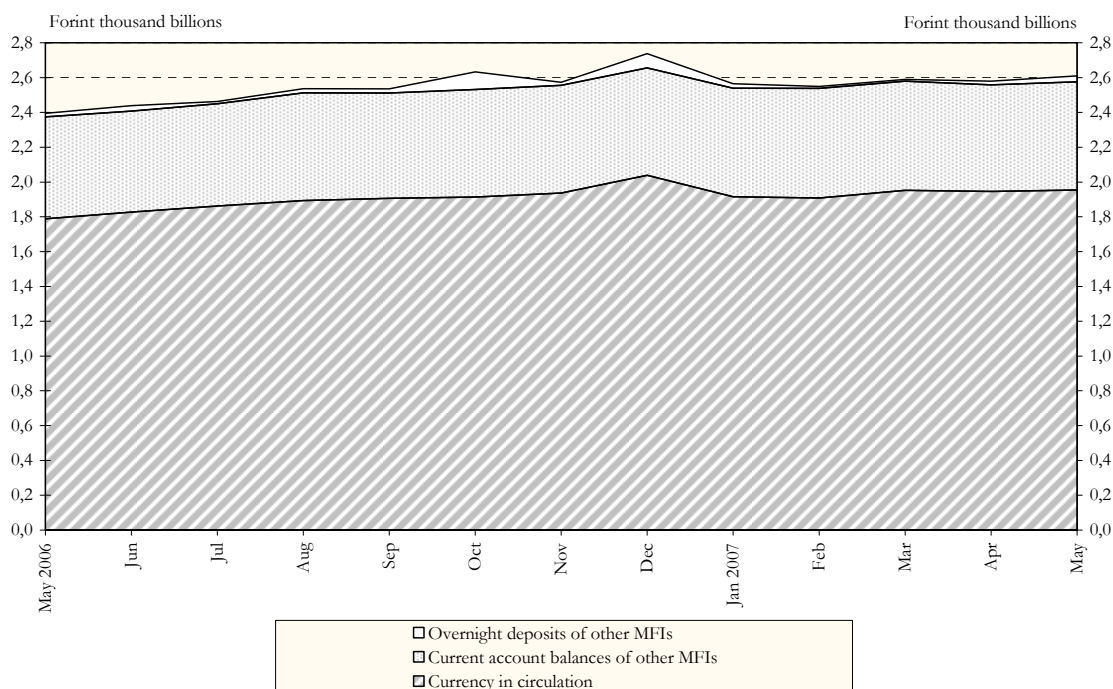
12 June 2007

## PRESS RELEASE

### Preliminary statistical balance sheet of the MNB May 2007

In May 2007, the monetary base rose by HUF 30.7 billion to HUF 2,610.5 billion. Of the components of the monetary base, the monthly average stock of currency in circulation rose by HUF 8.7 billion to HUF 1,954.3 billion. The monthly average stock of other monetary financial institutions' current account balances increased by HUF 9.3 billion to HUF 622.3 billion. And the monthly average stock of other monetary financial institutions' overnight deposits rose by HUF 12.7 billion to HUF 33.9 billion.

**Chart 1 Components of the monetary base**

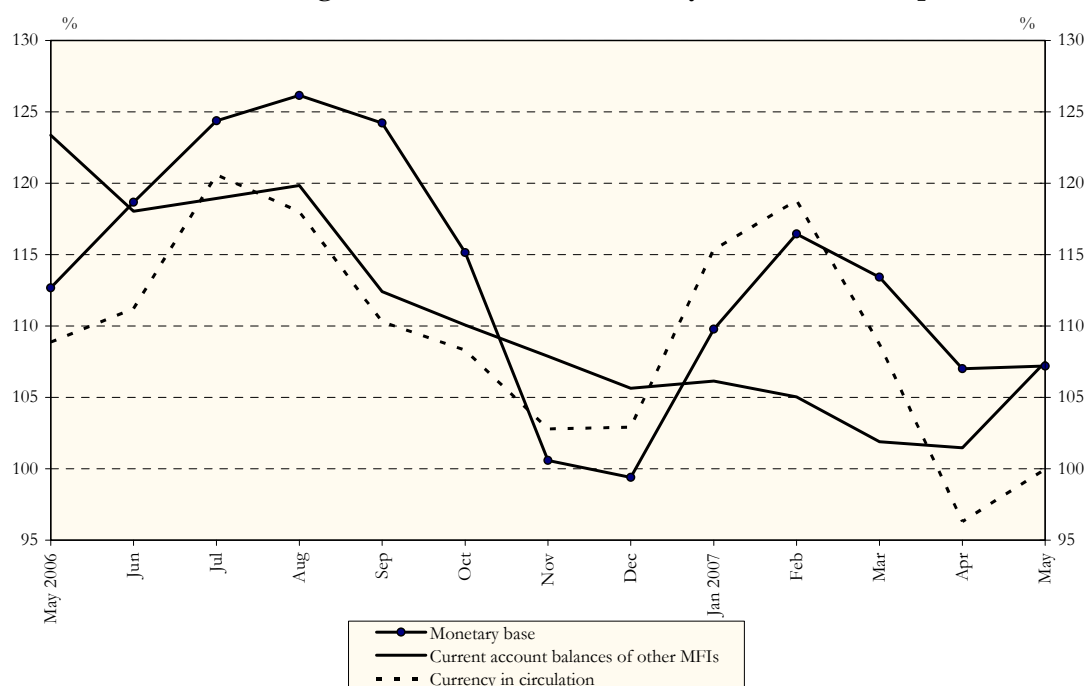


**Chart 2 Movements in the monetary base**



The annualised month-on-month growth index of the monetary base<sup>1</sup> was 107.2% in May, unchanged from April.

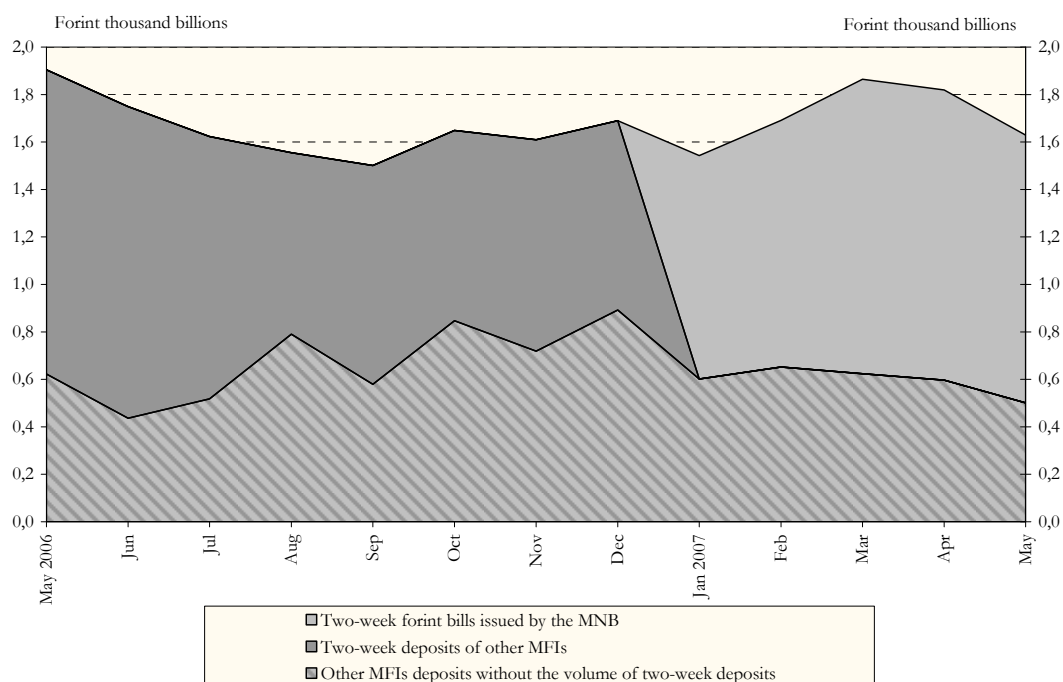
**Chart 3 Annualised growth indices of the monetary base and its components<sup>1</sup>**



<sup>1</sup> For an explanation, see the methodological notes at the end of this press release.

In May, other monetary financial institutions' end-of-month holdings of deposits with the MNB fell by HUF 95.3 billion to HUF 501.5 billion. The stock of other MFIs' deposits exhibited much lower volatility in the past four months than that observed in the past three years (see Chart 4). The outstanding end-of-month total of two-week forint-denominated central bank bills<sup>2</sup> declined by HUF 94.7 billion to HUF 1,128.1 billion. The end-of-month stock of loans granted to other MFIs amounted to HUF 0.2 billion, remaining unchanged relative to the previous month.

**Chart 4 End-of-month stocks of other MFIs' deposits and two-week forint bills issued by the MNB<sup>3</sup>**



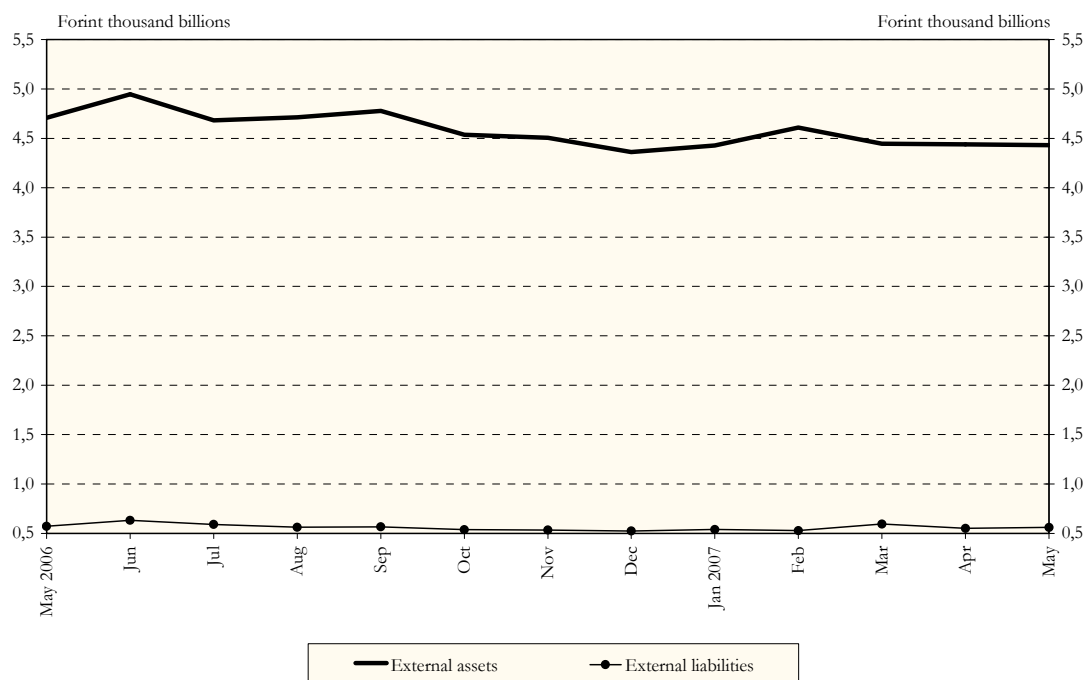
The month-end stock of loans outstanding to the central government rose by HUF 1.5 billion to HUF 78.6 billion and deposits of the sub-sector by HUF 114.7 billion to HUF 492.3 billion.

Net external assets of the MNB were down HUF 16.8 billion on April. The effect of transactions reduced net assets by HUF 82.8 billion, and revaluations contributed HUF 66.0 billion. Assets vis-à-vis non-residents fell by HUF 7.8 billion to HUF 4,431.1 billion, continuing the slight downward trend which began in March 2006. Transactions reduced the value of net external assets by HUF 81.3 billion, and revaluations added HUF 73.5 billion. End-of-month liabilities vis-à-vis non-residents remained at their low level observed since January 2004. They rose slightly by HUF 9.0 billion to HUF 559.7 billion in the month under review. Transactions and revaluations, respectively, accounted for HUF 1.5 billion and HUF 7.5 billion of the increase.

<sup>2</sup> The press release on the procedure 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](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://www.mnb.hu/engine.aspx?page=mnbbhu\\_jegybanki\\_betet](http://www.mnb.hu/engine.aspx?page=mnbbhu_jegybanki_betet).

<sup>3</sup> For an explanation, see the methodological notes at the end of this press release.

**Chart 5 Assets and liabilities of the MNB vis-à-vis non-residents at the end of the month**



#### 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 12<sup>th</sup> power. The month-on-month growth rates, calculated using this method, better reflect developments in the most recent period 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. They replace 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 may sell the securities they hold to other residents as well as 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.

*The data underlying this press release are available on the MNB's website at [http://english.mnb.hu/Resource.aspx?ResourceID=mmbfiler&resourcename=0708\\_monstatpubl\\_en.xls](http://english.mnb.hu/Resource.aspx?ResourceID=mmbfiler&resourcename=0708_monstatpubl_en.xls).*

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