



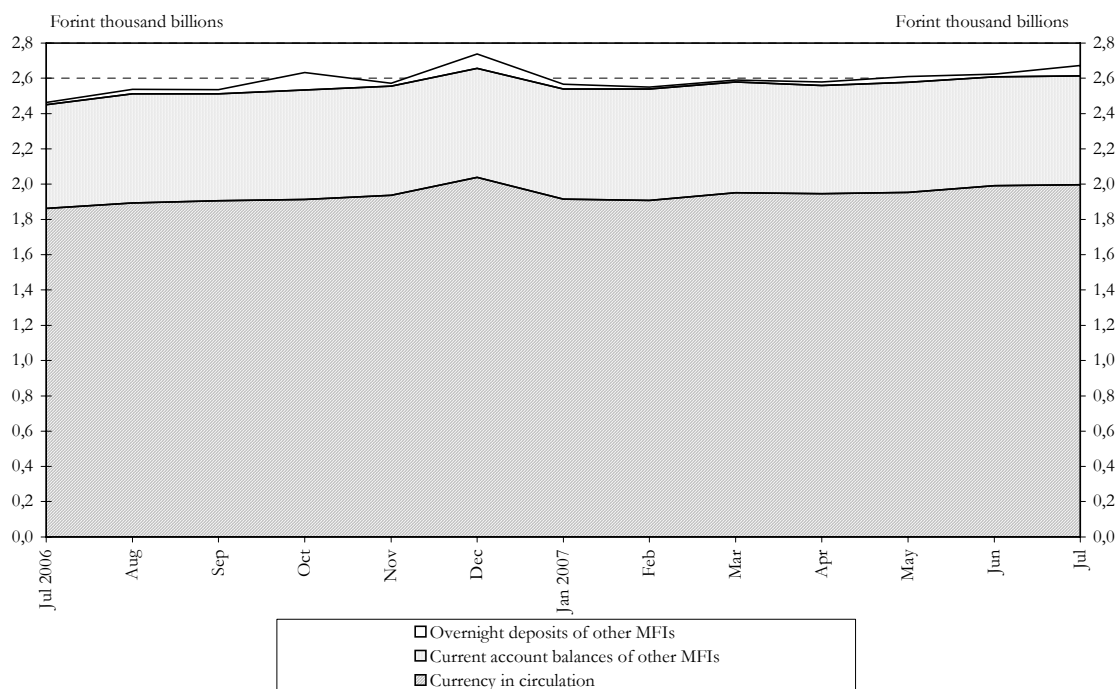
## PRESS RELEASE

*on the statistical balance of the MNB, based on preliminary July data*

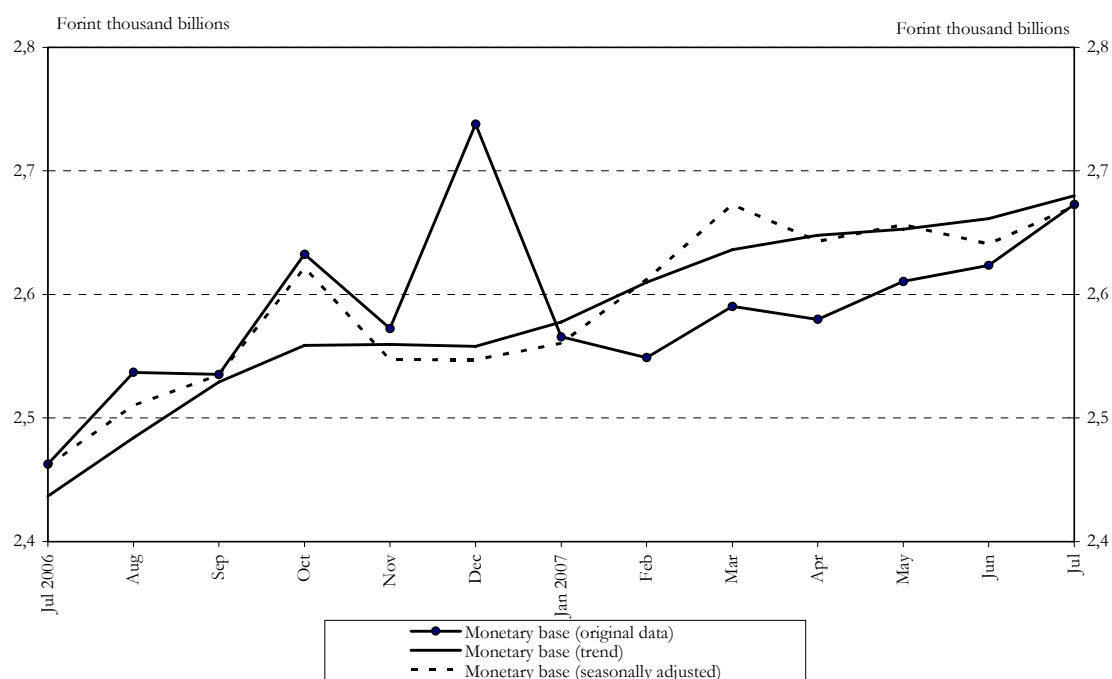
In July 2007, the value of the **monetary base** increased by HUF 49.3 billion, to HUF 2672.9 billion. Of the components of the monetary base, the average monthly value of currency in circulation increased by HUF 4.2 billion to HUF 1995.8 billion, the average monthly balances of current accounts of other monetary financial institutions increased by HUF 0.9 billion to HUF 616.1 billion, while the average monthly value of the overnight deposits of other monetary financial institutions increased by HUF 44.2 billion to HUF 61.0 billion.

Within the monetary base, the average monthly ratios of currency in circulation and the current account balances and overnight deposits of other monetary financial institutions were respectively 74.7 percent, 23.0 percent and 2.3 percent in July.

**Figure 1: The components of the monetary base**



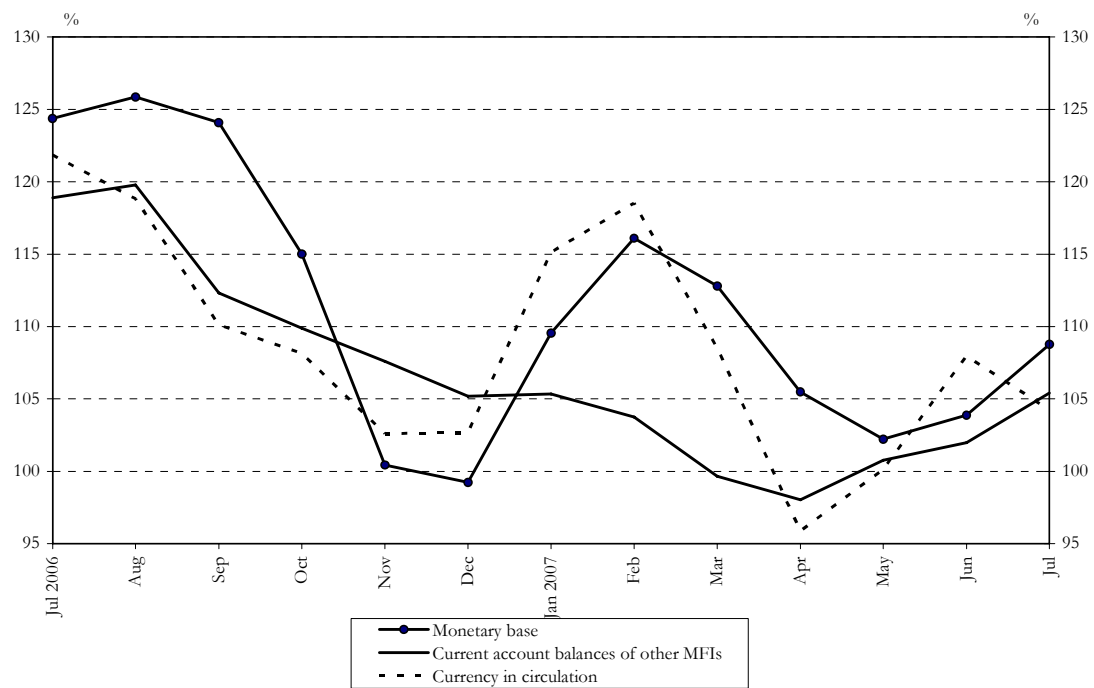
**Figure 2: Change in the monetary base**



In July, the short-base annualised growth index <sup>1</sup> of the monetary base was 108.8 percent, 4.9 percentage points higher than in the previous month.

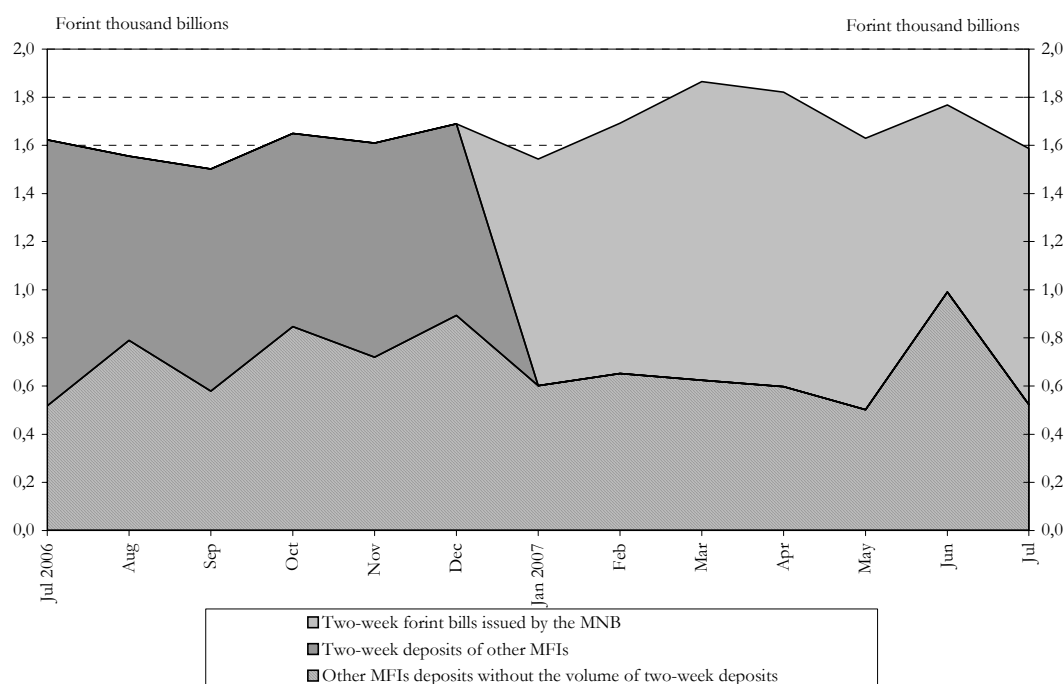
**Figure 3: The short-base annualised growth indices of the monetary base and its components<sup>1</sup>**

<sup>1</sup> See: Notes on methodology



Mainly as a result of transactions, the end-of-the-month balance of the deposits of **other (non-central bank) monetary financial institutions** decreased by HUF 466.6 billion to HUF 523.4 billion, around the level of two months before. The end-of-the-month balance of forint deposits decreased to HUF 494.0 billion, a level lower than the HUF 500 billion in May. The value of foreign exchange deposits decreased by HUF 70.3 billion to HUF 29.5 billion. In July, the total end-of-the-month value of two-week forint bills<sup>2</sup> issued by the MNB increased by HUF 286.1 billion to HUF 1063.5 billion from the lower level of the previous month. The end-of-the-month balance of credits to other monetary financial institutions was HUF 0.1 billion in July. No change has occurred in its level for the past four months.

**Figure 4: End-of-the-month balances of the deposits of other monetary financial institutions and the two-week forint bills issued by the MNB<sup>3</sup>**



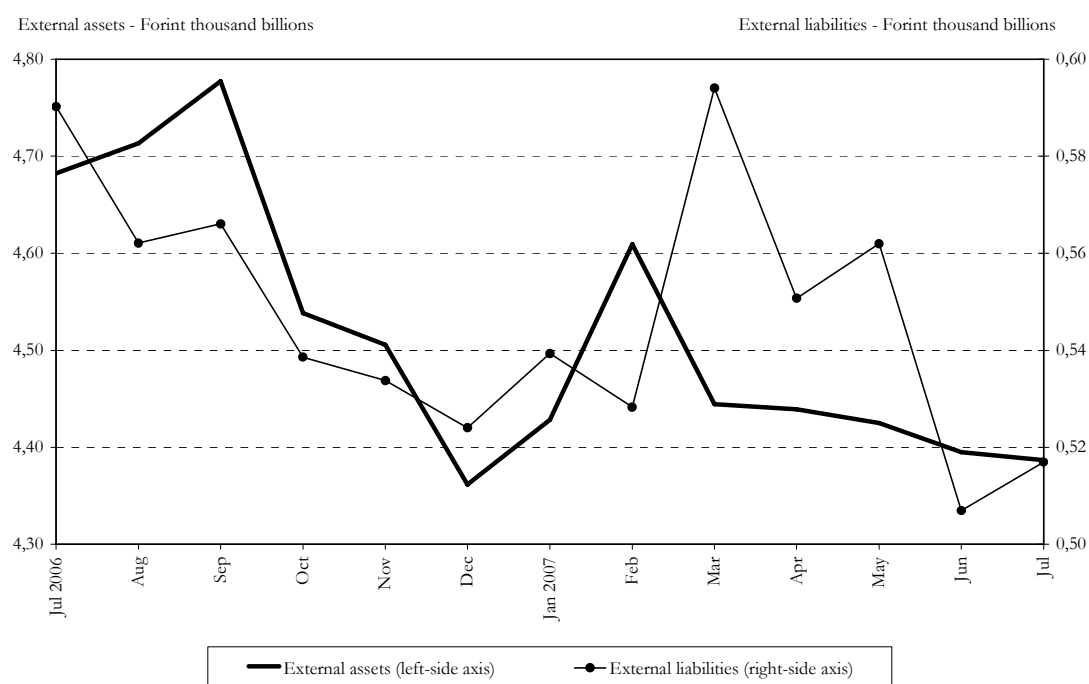
The end-of-the-month balance of loans to the **central government** increased by HUF 1.5 billion to HUF 78.0 billion, while that of the deposits of the central government increased by HUF 97.6 billion to HUF 554.4 billion.

<sup>2</sup> The press release on the rules of application for and the floating of two-week MNB bills can be viewed at [http://www.mnb.hu/Engine.aspx?page=mnbhu\\_mnbkozlem&ContentID=9165](http://www.mnb.hu/Engine.aspx?page=mnbhu_mnbkozlem&ContentID=9165) on the MNB website. Information on the volume of the two-week central-bank instrument is available at [http://www.mnb.hu/engine.aspx?page=mnbhu\\_jegybanki\\_betet](http://www.mnb.hu/engine.aspx?page=mnbhu_jegybanki_betet) on the MNB website.

<sup>3</sup> See: Notes on methodology

The net external assets of the central bank decreased by HUF 18.4 billion. The net external assets were reduced by HUF 83.8 billion by transactions, which was balanced by a growth of HUF 65.4 billion because of revaluations due to exchange rate fluctuations. The end-of-the-month balance of external assets has slightly decreased since March. In July, its amount decreased by HUF 8.4 billion to HUF 4386.7 billion. The value of external assets decreased by HUF 84 billion due to transactions, which was balanced by a growth of HUF 75.6 billion as a result of revaluations. The end-of-the-month balance of external liabilities increased by HUF 10.0 billion to HUF 516.9 billion due to revaluations.

**Figure 5: End-of-the-month balances of the external assets and liabilities of the central bank**



### Notes on methodology

Since in order to ensure the comparability of data, seasonal fluctuations and any distorting factors must be eliminated, a seasonal adjustment is applied to the time series of the monetary base (M0). Trend data are derived at from the seasonally adjusted figures by eliminating the peak values pertaining to the individual impacts identified during the seasonal adjustment and the random components that are not justified by the model. The growth indices included in the document are generated from the trend data by dividing the data for the period under review with the relevant data of the previous month and raising the quotient to the twelfth power in order to arrive at the annualised figure. The short-base annualised monthly indices generated by this method better reflect the changes during the most recent period than the straightforward annual (12-month base) indices. Figure 3 shows the growth indices of the monetary base and its components. No index is published for overnight deposits, as it is highly volatile, often assuming 0 value. The change of the balance of overnight deposits is, however, taken into consideration for the calculation of the growth index of the monetary base.

Figure 4 shows the balances of the deposits of other monetary financial institutions and the two-week forint bills issued by the MNB. In order to encourage the efficient liquidity management of credit institutions and the development of financial markets, the MNB has since January 9<sup>th</sup> 2007 issued MNB bills of a two-week maturity, replacing the former standard instrument, i.e. two-week central bank deposits. Within their maturity, the new two-week MNB bills can be freely negotiated, i.e. credit institutions are allowed to sell the bills they have purchased to Hungarian residents or foreigners.

Since the differences of the balance data are calculated on the basis of unrounded data, the differences so calculated may differ from the differences calculated from rounded data.

*The basic data used for this document are available on the MNB's website [http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=0708\\_monstatpubl\\_buxls](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=0708_monstatpubl_buxls).*

Budapest, August 13<sup>th</sup> 2007

**THE NATIONAL BANK OF  
HUNGARY  
STATISTICS**