



PRESS RELEASE

Preliminary statistical balance sheet of the MNB: July 2008

In July 2008, the **monetary base** fell by HUF 134.7 billion to HUF 2940.9 billion. Of the components of the monetary base, the monthly average stock of currency in circulation fell by HUF 29.2 billion to HUF 2150.5 billion; that of other monetary financial institutions' current account balances fell by HUF 23.5 billion to HUF 733.7 billion; and that of other monetary financial institutions' overnight deposits fell by HUF 82.0 billion to HUF 56.7 billion.

The composition of the monetary base changed compared with the previous month, due to a decline of 2.6 percentage points in the percentage share of overnight deposits. The percentage share of currency in circulation and that of other monetary financial institutions' current account balances rose to 73.1% and 24.9%, respectively, while the percentage share of other monetary financial institutions' overnight deposits fell by 1.9%.

Chart 1 Components of the monetary base

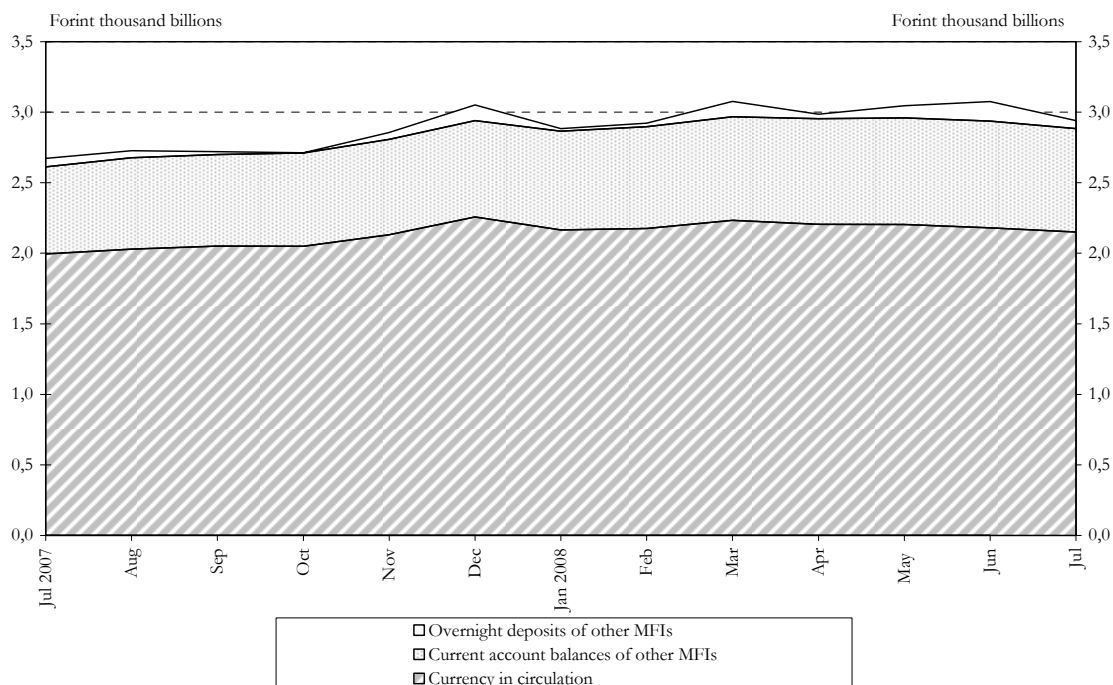
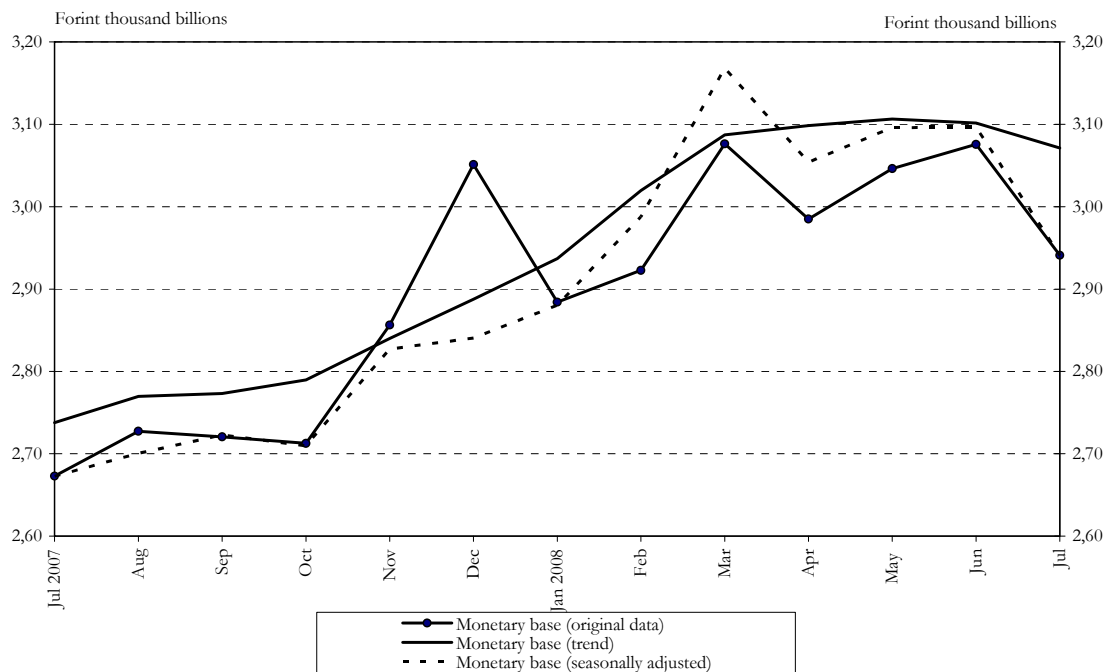
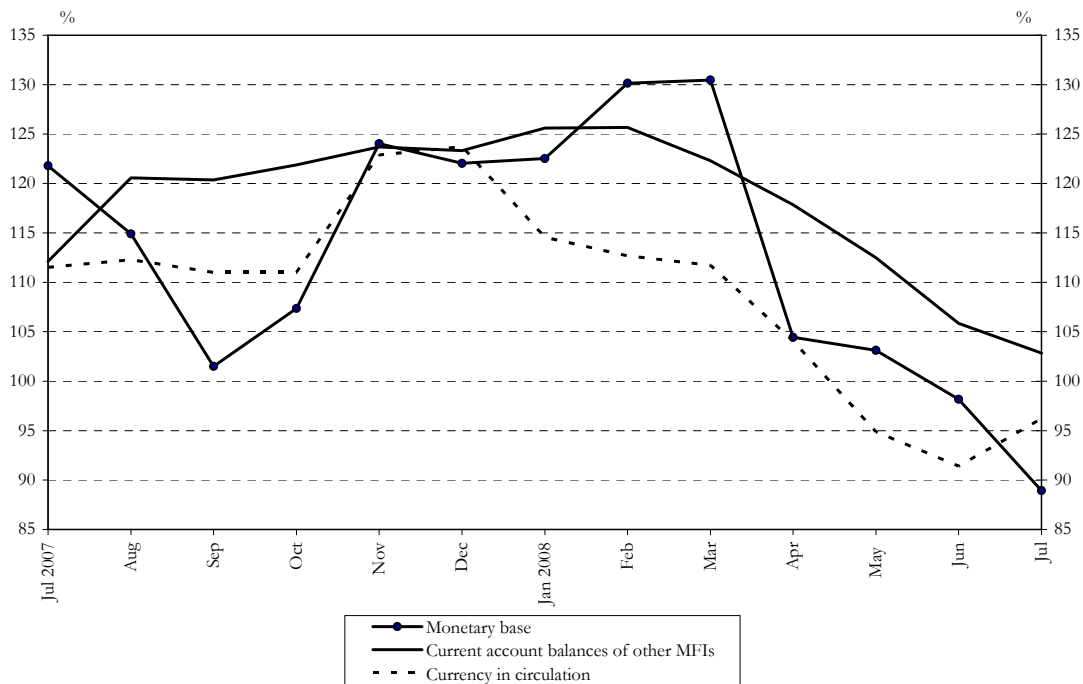


Chart 2 Development of the monetary base



The annualised month-on-month growth index¹ of the monetary base was 88.9% in July, 9.2 percentage points lower than in the previous month.

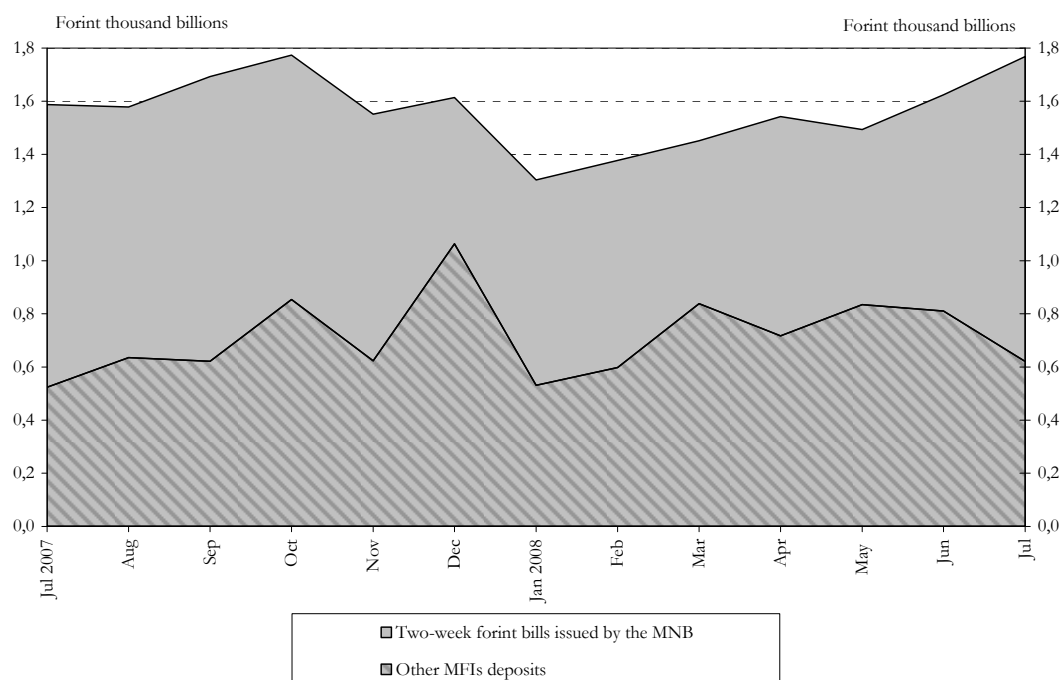
Chart 3 Annualised growth indices of the monetary base and its components¹



¹ See the methodological notes

In July, other monetary financial institutions' end-of-month holdings of deposits with the central bank fell by HUF 190.3 billion to HUF 620.7 billion. Forint deposits fell by HUF 190.3 billion to HUF 619.7 billion and foreign currency deposits remained unchanged at HUF 1.0 billion. Holdings of two-week forint-denominated central bank bills² at the end of July amounted to HUF 1146.7 billion, up HUF 333.6 billion on June. The combined stock of other monetary financial institutions' deposits and market holdings of two-week forint-denominated central bank bills rose by HUF 143.3 billion to HUF 1767.5 billion. Other MFIs' outstanding liabilities vis-à-vis the central bank amounted to HUF 43.6 billion at the end of the month.

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



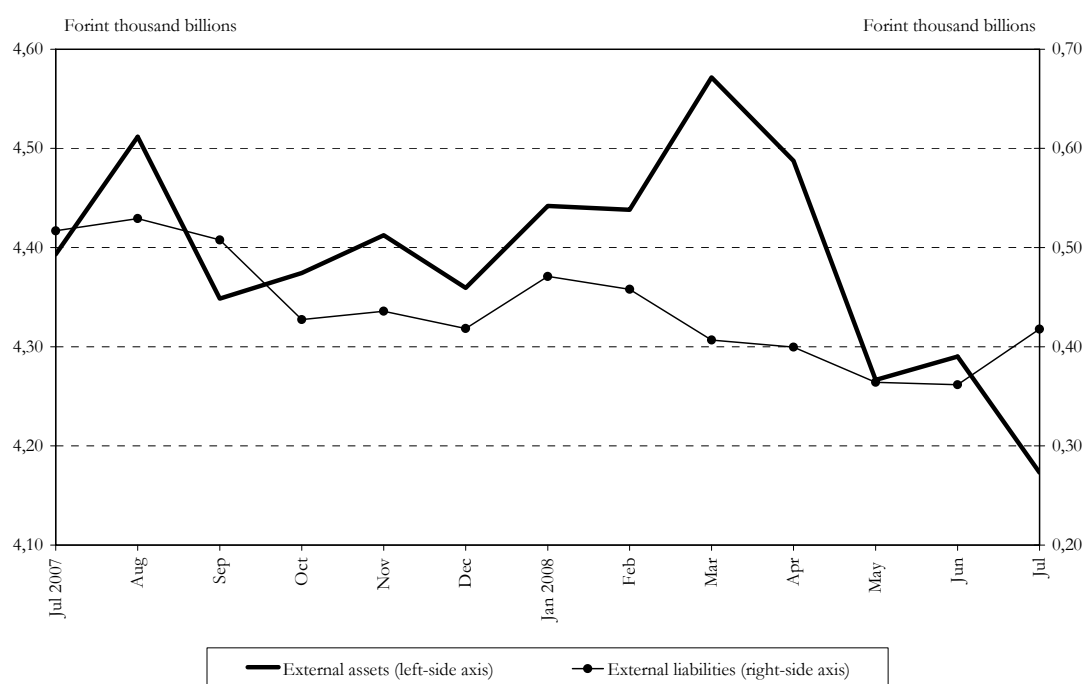
Deposits of **the central government** with other monetary financial institutions fell by HUF 107.1 billion to HUF 455.1 billion.

² 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. 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.

³ See the methodological notes

Net external assets of the Magyar Nemzeti Bank were HUF 173.0 billion lower than in June. Transactions reduced the value of net external assets by HUF 91.8 billion, while exchange rates changes reduced it by HUF 81.1 billion. In July the end-of-month total of assets vis-à-vis non-residents, at HUF 4173.1 billion, was HUF 116.9 billion lower than in June. The value of net external assets fell by HUF 29.2 billion due to transactions and fell by HUF 87.7 billion due to foreign exchange revaluation. The end-of-month total of external liabilities rose by HUF 56.1 billion to HUF 417.8 billion. Transactions increased the value of external liabilities by HUF 62.7 billion and exchange rate changes reduced it by HUF 6.6 billion.

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 12th 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.

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

Budapest, 12 August 2008

MAGYAR NEMZETI BANK
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