

12 September 2008

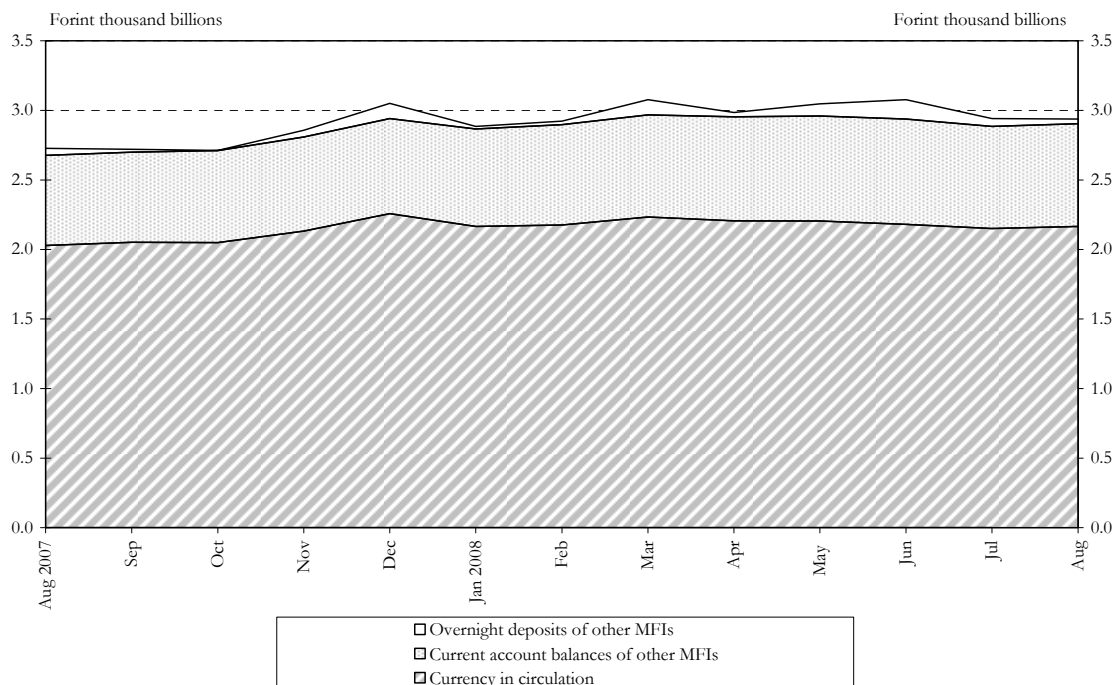
## PRESS RELEASE

### Preliminary statistical balance sheet of the MNB: August 2008

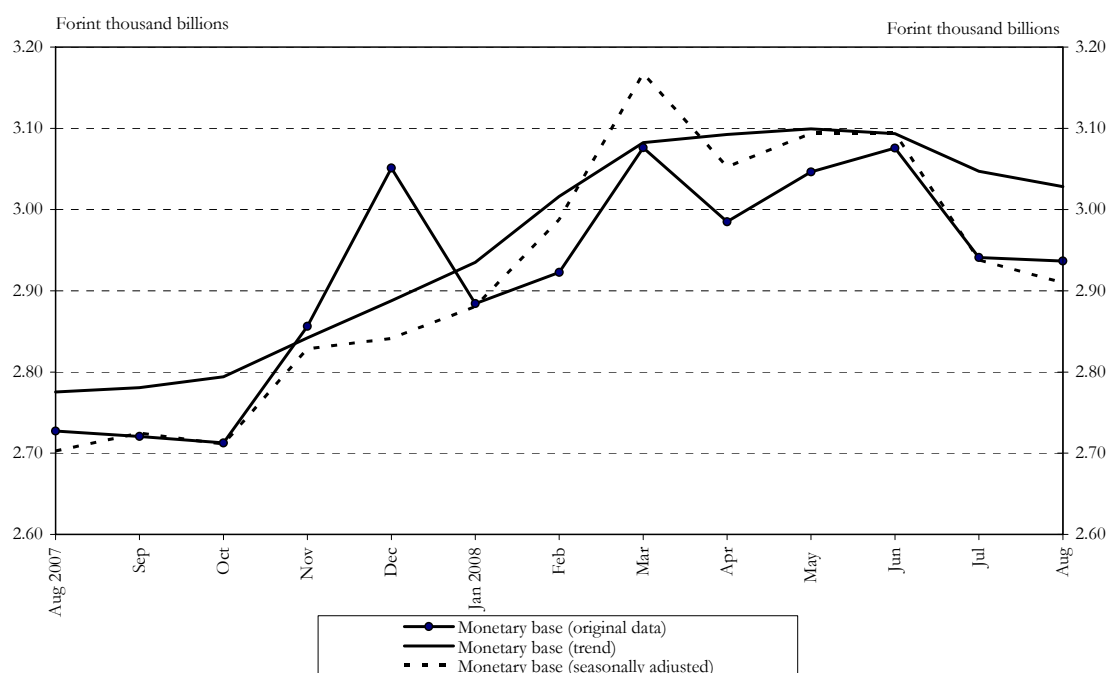
In August 2008, the monetary base fell by HUF 4.4 billion to HUF 2,936.5 billion. Of the components of the monetary base, the monthly average stock of currency in circulation rose by HUF 14.6 billion to HUF 2,165.1 billion and that of other monetary financial institutions' current account balances by HUF 5.3 billion to HUF 739.0 billion. The monthly average stock of other monetary financial institutions' overnight deposits fell by HUF 24.3 billion to HUF 32.4 billion.

The composition of the monetary base changed by less than 1 percentage point in August compared with the previous month. The percentage share of currency in circulation fell to 73.7% and that of other monetary financial institutions' current account balances to 25.2%. And other monetary financial institutions' overnight deposits fell to 1.1% as a percentage of the monetary base.

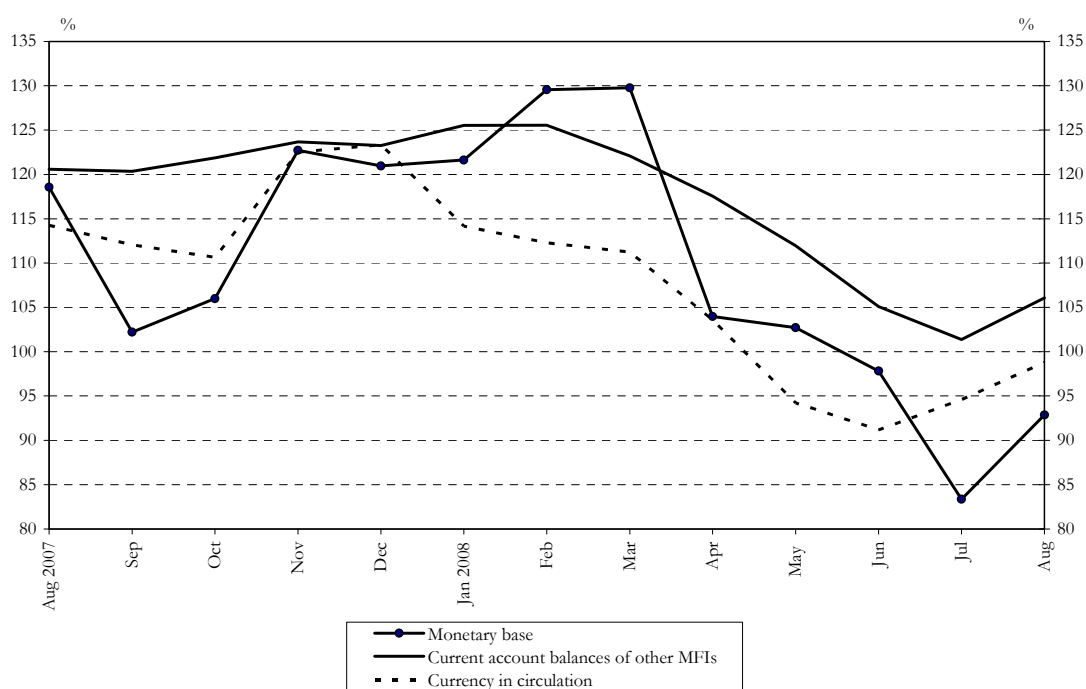
**Chart 1 Components of the monetary base**



### Chart 2 Changes in the monetary base



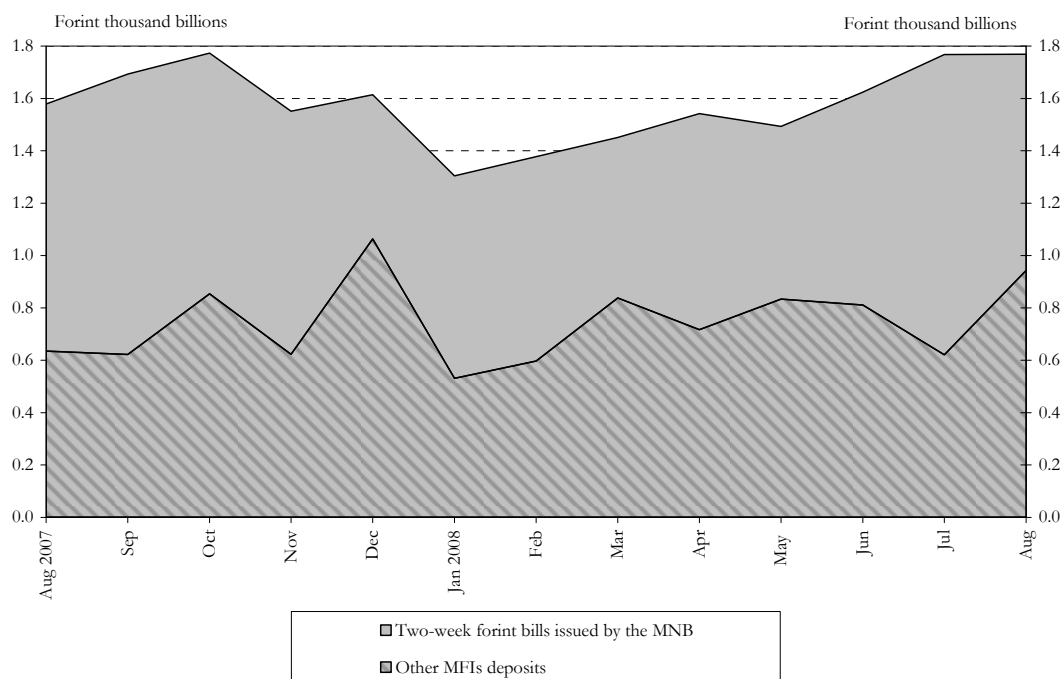
### Chart 3 Annual growth rates of the monetary base<sup>1</sup>



<sup>1</sup> Calculated on the basis of annualised month-on-month growth rates. For more details, see the methodological notes at the end of this press release.

In August, other monetary financial institutions' end-of-month holdings of deposits with the central bank rose by HUF 322.4 billion to HUF 943.2 billion. Forint deposits rose by HUF 322.4 billion to HUF 942.1 billion. Foreign currency deposits amounted to HUF 1.1 billion. Holdings of two-week forint-denominated central bank bills<sup>2</sup> at the end of the month amounted to HUF 825.9 billion, down HUF 320.9 billion on July. The combined stock of other monetary financial institutions' deposits and market holdings of two-week forint-denominated central bank bills rose by HUF 1.6 billion to HUF 1,769.1 billion. Other MFIs' outstanding liabilities vis-à-vis the central bank amounted to HUF 3.1 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 MNB<sup>3</sup>**



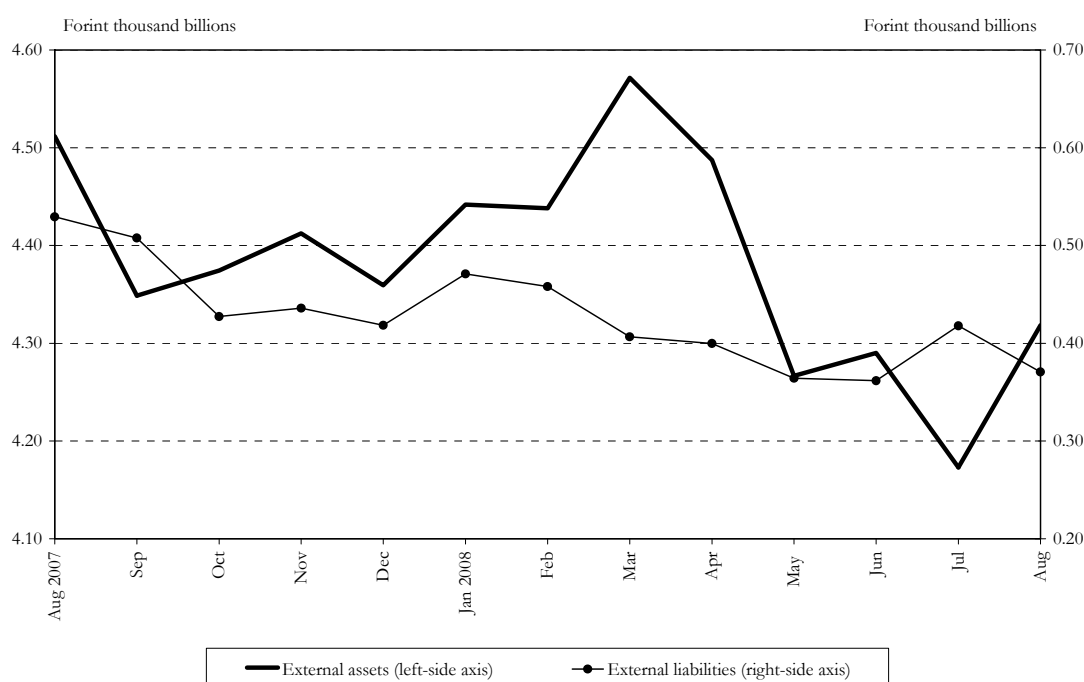
Deposits of the central government with other monetary financial institutions fell by HUF 49.1 billion to HUF 405.9 billion.

Net external assets of the Magyar Nemzeti Bank were HUF 192.4 billion higher than in July. Transactions and exchange rate changes, respectively, increased the value of net external assets by HUF 55.4 billion and HUF 137.4 billion. The end-of-month total of assets vis-à-vis non-residents, at HUF 4,318.5 billion, was HUF 145.3 billion higher than at the end of the previous month. The value of net external assets fell by HUF 12.2 billion due to transactions and rose by HUF 157.5 billion due to foreign exchange revaluation. The end-of-month total of external liabilities fell by HUF 47.1 billion to HUF 370.7 billion. Transactions reduced the value of external liabilities by HUF 67.6 billion and exchange rate changes increased it by HUF 20.5 billion.

<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=mnbfiler&resourcename=0708\\_monstatpubl\\_enxls](http://english.mnb.hu/Resource.aspx?ResourceID=mnbfiler&resourcename=0708_monstatpubl_enxls).*

**MAGYAR NEMZETI BANK**  
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