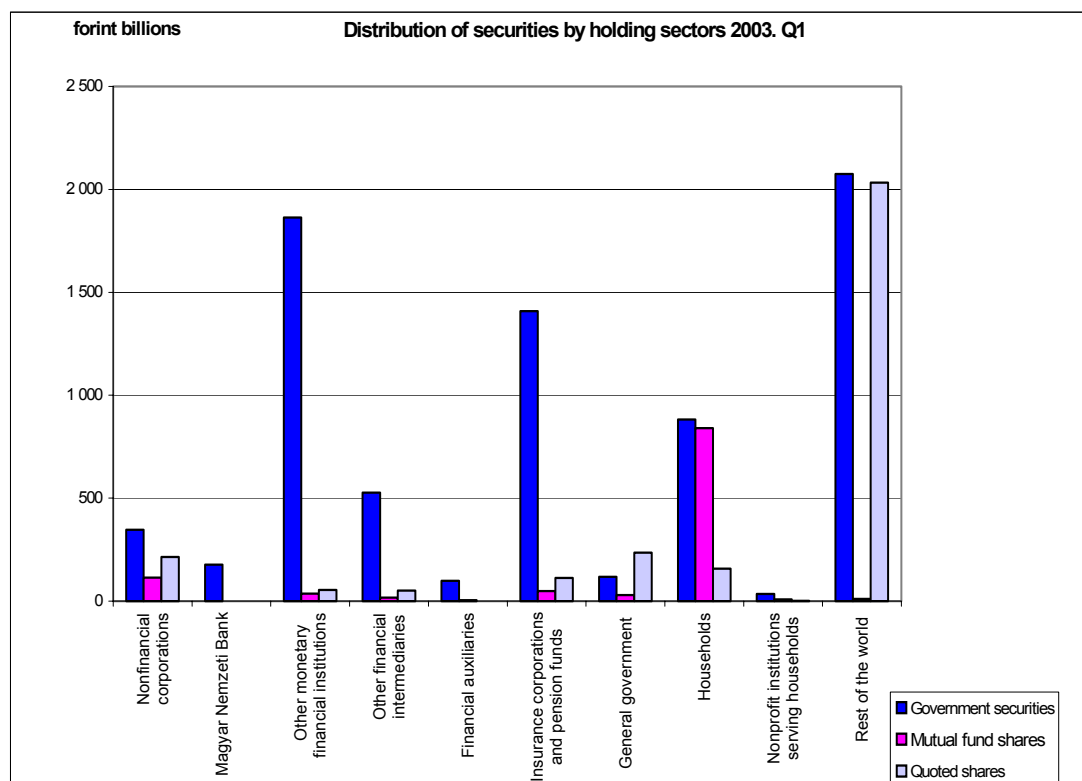


22 May 2003

## PRESS RELEASE

### Securities holdings by sector: 2003 Q1<sup>1</sup>

*The robust increase in non-residents' percentage share of the government securities market which started more than a year ago continued uninterrupted in 2003 Q1. As a result, the sector's holdings of government securities rose above Ft 2,000 billion for the first time. Households' government securities holdings fell significantly. However, there was a considerable rise in the sector's holdings of mutual funds shares, indicating that households used financial intermediaries in their investments. Non-residents and households were once again net sellers of quoted shares, as in the previous quarter. By contrast, financial corporations purchased large amounts, purchases by non-financial corporations being more modest. There were only insignificant changes in the proportions accounted for by the various sectors within total holdings of quoted shares.*



<sup>1</sup> Stock data always refer to the end of the quarter.

## Government securities

Measured on the basis of market value, Hungarian government debt securities holdings<sup>2</sup> rose by 8.7%, from Ft 6,928.3 billion to Ft 7,532.1 billion, in 2003 Q1. This was due mainly to a significant increase of 10.9% in outstanding government bonds, as treasury bill holdings, calculated at market value, rose only slightly, by 3.9%.

The market value households' government securities holdings fell by Ft 53 billion, due mainly to a large drop in treasury bill holdings. As a result, the sector's share of the government securities market fell to 11.7%, the lowest level since December 1997.

Continuing the earlier trend, non-residents' holdings of government debt securities rose strongly, by Ft 201.5 billion. Consequently, the sector's percentage share of total holdings increased from 27% at the end of December 2002 to 27.5% at end-March.

Financial corporations stepped up their holdings of government securities by Ft 394.3 billion in Q1. The sector's share of the government securities market rose from 53.1% to 54.1%. Other financial intermediaries' holdings rose the most strongly, by Ft 181.8 billion.<sup>3</sup> Insurers and pension funds saw their share falling slightly, by 0.2 percentage points relative to last December, despite the continued rise in the sector's holdings since December 1997 to nearly Ft 1,409 billion in 2003 Q1.

Non-financial corporations' holdings of government securities rose by Ft 30.3 billion towards the end of Q1.

The general government sector's holdings as a share of the market rose slightly. In addition to an increase of Ft 12.9 billion in local authorities' holdings, there was a notable, Ft 13.8 billion, rise in those of the central government.

**Distribution of Government Securities Holdings by Sector**

	Government Securities Total					per cent
	2002				2003	
	Q1	Q2	Q3	Q4	Q1	
<b>Nonfinancial corporations (S. 11)</b>	5.4	5.4	5.7	4.6	4.6	
Magyar Nemzeti Bank (S. 121)	2.9	2.9	2.8	2.6	2.4	
Other monetary financial institutions (S. 122)	25.5	24.5	22.0	21.8	24.7	
Other financial intermediaries (S. 123)	9.2	9.5	9.0	8.5	7.0	
Financial auxiliaries (S. 124)	1.3	1.3	1.3	1.3	1.3	
Insurance corporations and pension funds (S. 125)	18.8	19.5	19.3	18.9	18.7	
<b>Financial corporations (S. 12)</b>	57.7	57.7	54.4	53.1	54.1	
Central government (S. 1311)	0.1	0.1	0.1	0.2	0.4	
Local government (S. 1313)	2.2	2.0	1.7	1.1	1.2	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	2.3	2.1	1.8	1.3	1.6	
<b>Households (S. 14)</b>	13.6	13.9	14.3	13.5	11.7	
<b>Nonprofit institutions serving households (S. 15)</b>	0.5	0.4	0.5	0.4	0.5	
<b>Rest of the world (S. 2)</b>	20.4	20.5	23.4	27.0	27.5	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	

## Quoted shares

<sup>2</sup> In this press release, government securities comprise domestically issued forint-denominated government bonds, treasury bills and forint-denominated bills issued by the MNB.

<sup>3</sup> The reclassification of money market funds from other financial intermediaries into other monetary financial institutions caused a Ft 168.5 billion decrease and an identical increase for the two sectors.

Following a Ft 199.3 billion rise in 2002 Q4, holdings of quoted shares fell by Ft 84.0 billion (by 2.9%) at market value in 2003 Q1, to amount to a total Ft 2,863.1 billion at end-March. Most of this drop in holdings was due to the decline in share prices, which accounted for Ft 76.2 billion. The withdrawal of one company from the market added Ft 7.5 billion to the decline (recorded as other volume change); and market capitalisation fell by Ft 0.4 billion as a result of a capital reduction.

The largest fall, at Ft 81.6 billion, occurred to non-resident investors' holdings of quoted shares. Those of the general government fell by Ft 5.2 billion, while those of financial corporations rose by Ft 5.2 billion.

Sales of shares by households exceeded purchases by more than Ft 4.3 billion, slightly less than in the previous quarter. This meant that the sustained period of continued sales by the sector which started two years ago continued in Q1. Households registered a small, Ft 0.9 billion holding gain, de-listings causing a Ft 0.3 billion decrease. As a result, the sector's holdings of quoted shares fell by Ft 3.7 billion in the period under review. At the end of March, households directly held 5.5% of all quoted shares. This was unchanged in comparison with three months previously.

Non-resident investors' holdings of quoted shares rose by nearly Ft 81.6 billion, due mainly to a nearly Ft 69 billion holding loss. The sector continued to be a net seller to the tune of Ft 5.7 billion in the period under review. This compared with net sales of a combined Ft 83 billion in the previous three quarters. The value of the sector's holdings fell by another Ft 7.1 billion due to de-listings. Non-residents' percentage share of total holdings fell by 0.8 of a percentage point, to 71.0%, towards end-March.

Net purchases by financial corporations amounted to Ft 7.4 billion. This was broadly comparable with the more than Ft 8 billion increase in the previous quarter. (Here, insurers and pension funds were net buyers to the tune of Ft 7.1 billion. As financial corporations registered a total holding loss of Ft 2.1 billion, their holdings rose less strongly, by Ft 5.2 billion. The sector's proportion of the total market increased to 7.7% at end-March. This was 0.4% higher than at end-December 2002.

Non-financial corporations' (NFCs) holdings by more than Ft 2.2 billion due to transactions. However, the fall in prices caused a Ft 2.1 billion loss to the sector. On balance, non-financial corporations' holdings remained practically unchanged, with their share of the market rising slightly, to 7.5% at end-March.

General government was a net seller of quoted shares in the amount of Ft 1.2 billion. In addition, the sector registered a Ft 3.9 billion holding loss, so its existing holdings fell by nearly Ft 5.2 billion. General government's percentage share barely changed in the period, its holdings of quoted shares amounting to 8.2% of the market at the end of the period.

### Quoted shares held by institutional sectors

	Quoted shares					per cent
	2002				2003	
	Q1	Q2	Q3	Q4	Q1	
<b>Nonfinancial corporations (S. 11)</b>	5.4	6.1	6.9	7.3	7.5	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	1.8	1.8	2.0	1.8	1.9	
Other financial intermediaries (S. 123)	1.1	1.6	1.5	1.7	1.8	
Financial auxiliaries (S. 124)	0.0	0.0	0.0	0.0	0.0	
Insurance corporations and pension funds (S. 125)	3.1	3.3	3.5	3.7	4.0	
<b>Financial corporations (S. 12)</b>	5.9	6.8	6.9	7.3	7.7	
Central government (S. 1311)	7.4	7.6	7.7	7.5	7.4	
Local government (S. 1313)	0.7	0.7	0.7	0.7	0.8	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	8.1	8.3	8.3	8.2	8.2	
<b>Households (S. 14)</b>	5.6	5.4	5.7	5.5	5.5	
<b>Nonprofit institutions serving households (S. 15)</b>	0.0	0.0	0.0	0.0	0.1	
<b>Rest of the world (S. 2)</b>	75.0	73.4	72.1	71.8	71.0	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	

### Mutual funds shares

The outstanding total of mutual funds shares, measured at net asset value, increased by 17.1%, from Ft 947.8 billion to Ft 1,110.2 billion, in 2003 Q1. There were only insignificant changes in the percentage shares of the various sectors relative to the previous quarter.

Up Ft 102.4 billion measured at market value, households' holdings rose the most strongly in one quarter. Nevertheless, their share of total holdings fell by 2.2 percentage points.

Financial corporations increased their holdings by Ft 18.4 billion in Q1, the largest contributor being the Ft 10.9 billion rise in other monetary financial institutions' holdings. With an increase of Ft 4.8 billion in one quarter, there was a large change in other financial intermediaries' holdings as well. The percentage share of insurers and pension funds fell by 0.6 percentage points relative to last December.

Holdings by non-financial corporations increased by Ft 32.8 billion. As a result, their share of the market rose to 10.3%, up 1.8 percentage points on three months previously.

Holdings of mutual funds shares by the general government sector rose by nearly Ft 12 billion in Q1. The local government sub-sector accounted for almost all of this increase (Ft 10.8 billion).

Holdings by non-profit institutions serving households fell from 1.4% to 0.8% as a proportion of the total.

# Net asset value of mutual fund shares by holding sector

per cent

	Mutual fund shares				
	2002				2003
	Q1	Q2	Q3	Q4	Q1
<b>Nonfinancial corporations (S. 11)</b>	7.7	7.8	7.0	8.5	10.3
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0
Other monetary financial institutions (S. 122)	2.6	2.9	2.6	2.7	3.3
Other financial intermediaries (S. 123)	0.6	1.3	1.1	1.3	1.5
Financial auxiliaries (S. 124)	0.1	0.2	0.3	0.3	0.4
Insurance corporations and pension funds (S. 125)	5.0	4.8	4.9	5.0	4.4
<b>Financial corporations (S. 12)</b>	8.3	9.2	8.9	9.3	9.6
Central government (S. 1311)	0.2	0.2	0.2	0.1	0.2
Local government (S. 1313)	3.0	2.6	2.6	1.7	2.4
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0
<b>General government (S. 13)</b>	3.2	2.7	2.8	1.8	2.6
<b>Households (S. 14)</b>	78.6	78.1	78.8	77.9	75.7
<b>Nonprofit institutions serving households (S. 15)</b>	1.8	1.5	1.5	1.4	0.8
<b>Rest of the world (S. 2)</b>	0.5	0.6	1.1	1.0	1.0
<b>Total</b>	100.0	100.0	100.0	100.0	100.0