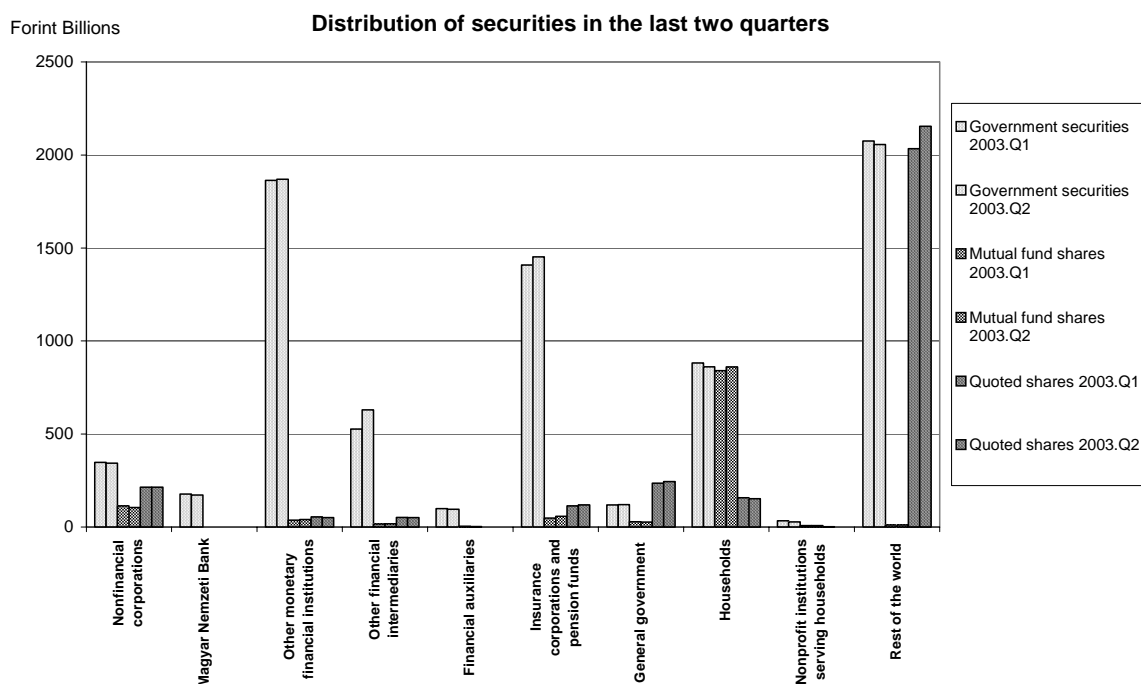


22 August 2003

PRESS RELEASE

Securities holdings by sector: 2003 Q2¹

The second quarter of 2003 saw no major shifts across sectors in any of the securities market segments reviewed by the Bank. The robust increase in non-residents' percentage share of the government securities market which started more than a year ago was interrupted in Q2. By contrast, after a one-year break, non-residents were once again net buyers of quoted shares. As in the previous quarters, insurers and pension funds also acted as net buyers, but financial corporations were on the whole sellers in the quoted shares market. Households continued to reduce their holdings of quoted shares, leaving the downward trend seen for over two years uninterrupted. The sector's holdings of mutual funds shares rose at a slower pace than in Q1.



¹ Stock data always refer to the end of the quarter.

Government securities

Measured on the basis of market value, Hungarian government debt securities holdings² rose by 1.3%, from Ft 7,532.1 billion to Ft 7,630.2 billion, in 2003 Q2. This was due exclusively to an increase in outstanding government bonds, as treasury bill holdings, calculated at market value, fell slightly.

The market value of households' government securities holdings fell by Ft 21.2 billion, due exclusively to a drop in treasury bill holdings. As a result, the sector's share of the government securities market fell to 11.3%, the lowest level since December 1997.

In contrast to an 18-month upward trend, non-residents' holdings of government debt securities fell by Ft 18.7 billion. Consequently, the sector's percentage share of total holdings decreased from 27.5% to 27% at end-June. This was the result of a large drop (of Ft 30 billion) in government bonds holdings and an increase of Ft 12 billion in treasury bills held by the sector.

Financial corporations stepped up their holdings of government securities by Ft 144.9 billion in Q2. The sector's share of the government securities market rose from 54.1% to 55.3%. Other financial intermediaries' holdings rose the most strongly, by Ft 103.3 billion. Insurers and pension funds saw their share rise by 0.3 percentage points, while that of other monetary financial institutions fell by 0.2 percentage points relative to the previous quarter.

Even though non-financial corporations' holdings of government securities rose by Ft 3.6 billion at end-Q2, the sector's share in the government securities in circulation fell by a further 0.1 percentage point.

The general government sector's holdings as a share of the market remained virtually unchanged at end-June. In contrast, there was substantial reallocation in local government portfolio in favour of shorter-term government securities, with treasury bills holdings up by Ft 12.6 billion and bonds down by Ft 13.3 billion.

Distribution of Government Securities Holdings by Sector

	Government Securities Total							per cent
	2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2		
Nonfinancial corporations (S. 11)	5.4	5.4	5.7	4.6	4.6	4.5		
Magyar Nemzeti Bank (S. 121)	2.9	2.9	2.8	2.6	2.4	2.3		
Other monetary financial institutions (S. 122)	25.5	24.5	22.0	21.8	24.7	24.5		
Other financial intermediaries (S. 123)	9.2	9.5	9.0	8.5	7.0	8.3		
Financial auxiliaries (S. 124)	1.3	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	19.0		
Financial corporations (S. 12)	57.7	57.7	54.4	53.1	54.1	55.3		
Central government (S. 1311)	0.1	0.1	0.1	0.2	0.4	0.4		
Local government (S. 1313)	2.2	2.0	1.7	1.1	1.2	1.2		
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0		
General government (S. 13)	2.3	2.1	1.8	1.3	1.6	1.6		
Households (S. 14)	13.6	13.9	14.3	13.5	11.7	11.3		
Nonprofit institutions serving households (S. 15)	0.5	0.4	0.5	0.4	0.5	0.4		
Rest of the world (S. 2)	20.4	20.5	23.4	27.0	27.5	27.0		
Total	100.0	100.0	100.0	100.0	100.0	100.0		

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

Quoted shares

Following a Ft 84.0 billion drop in Q1, holdings of quoted shares rose by Ft 123.3 billion (by 4.3%) at market value in 2003 Q2, to amount to a total Ft 2,986.4 billion at end-June. Most of this rise in holdings was due to an increase in share prices, which accounted for Ft 123.1 billion. Market capitalisation also increased slightly, by Ft 0.2 billion as a result of raising additional capital.

Sales of shares by households exceeded purchases by Ft 8.1 billion, by a larger amount than in the previous quarter. This meant that the sustained period of continued sales by the sector which started two years ago continued in Q2. Households registered a Ft 3.2 billion holding gain. As a result, the sector's holdings of quoted shares fell by Ft 4.9 billion in the period under review. At the end of June, households directly held 5.1% of all quoted shares. This was 0.4 percentage points lower than three months previously.

Non-resident investors' holdings of quoted shares rose by Ft 120.9 billion, due mainly to a nearly Ft 106 billion holding gain. The sector was this time a net buyer to the tune of Ft 14.9 billion in the period under review. This was a considerable change from the previous one year, when it was net seller of Ft 89 billion. Non-residents' percentage share of total holdings rose by 1.1 percentage points to 72.1%, towards end-June.

After one year, financial corporations were again net sellers with a total of Ft 5.0 billion. (Here, insurers and pension funds continued to be net buyers to the tune of Ft 2.7 billion.) As financial corporations registered a total holding gain of Ft 5.3 billion, their holdings rose by Ft 0.2 billion, despite the sales. By contrast, the sector's proportion of the total market fell by 0.3 percentage points to 7.4% at end-June.

Non-financial corporations' (NFCs) holdings rose by merely Ft 0.5 billion due to transactions. However, the fall in prices caused a similar, Ft 0.5 billion loss to the sector. On balance, non-financial corporations' holdings remained virtually unchanged, with their share of the market falling slightly, to 7.2% at end-June.

General government was a net seller of quoted shares in the amount of Ft 0.3 billion. However, the sector registered a large holding gain of Ft 9.1 billion, so its existing holdings rose by Ft 8.7 billion. As in Q1, the percentage share of general government remained unchanged in the period, its holdings of quoted shares amounting to 8.2% of the market at the end of June.

Quoted shares held by institutional sectors

	Quoted shares						per cent
	2002				2003		
	Q1	Q2	Q3	Q4	Q1	Q2	
Nonfinancial corporations (S. 11)	5.4	6.1	6.9	7.3	7.5	7.2	
Magyar Nemzeti Bank (S. 121)	0.0	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	1.7	
Other financial intermediaries (S. 123)	1.1	1.6	1.5	1.7	1.8	1.7	
Financial auxiliaries (S. 124)	0.0	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	4.0	
Financial corporations (S. 12)	5.9	6.8	6.9	7.3	7.7	7.4	
Central government (S. 1311)	7.4	7.6	7.7	7.5	7.4	7.5	
Local government (S. 1313)	0.7	0.7	0.7	0.7	0.8	0.7	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
General government (S. 13)	8.1	8.3	8.3	8.2	8.2	8.2	
Households (S. 14)	5.6	5.4	5.7	5.5	5.5	5.1	
Nonprofit institutions serving households (S. 15)	0.0	0.0	0.0	0.0	0.1	0.0	
Rest of the world (S. 2)	75.0	73.4	72.1	71.8	71.0	72.1	
Total	100.0	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 moderately by 2%, from Ft 1110.2 billion to Ft 1,132.4 billion, in 2003 Q2. There were only insignificant changes in the percentage shares of the various sectors relative to the previous quarter.

Up Ft 19.7 billion measured at market value, households' holdings rose less strongly in the reviewed quarter, bringing their share of total holdings up by 0.3 percentage points.

Financial corporations increased their holdings by Ft 12.6 billion in Q2, the largest contributor being the Ft 9.25 billion rise in insurance corporations and pension funds holdings. With an increase of Ft 3.1 billion in one quarter, there was a large increase in other financial intermediaries' holdings as well.

Investments by non-financial corporations fell by Ft 8.7 billion. As a result, their share of the market declined from 10.3% to 9.3%.

Holdings of mutual funds shares by the general government sector fell by Ft 1.7 billion in Q2, due to the decline in local government investments.

Net asset value of mutual fund shares by holding sector

per cent

	Mutual fund shares					
	2002				2003	
	Q1	Q2	Q3	Q4	Q1	Q2
Nonfinancial corporations (S. 11)	7.7	7.8	7.0	8.5	10.3	9.3
Magyar Nemzeti Bank (S. 121)	0.0	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	3.5
Other financial intermediaries (S. 123)	0.6	1.3	1.1	1.3	1.5	1.6
Financial auxiliaries (S. 124)	0.1	0.2	0.3	0.3	0.4	0.3
Insurance corporations and pension funds (S. 125)	5.0	4.8	4.9	5.0	4.4	5.1
Financial corporations (S. 12)	8.3	9.2	8.9	9.3	9.6	10.5
Central government (S. 1311)	0.2	0.2	0.2	0.1	0.2	0.3
Local government (S. 1313)	3.0	2.6	2.6	1.7	2.4	2.1
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0
General government (S. 13)	3.2	2.7	2.8	1.8	2.6	2.4
Households (S. 14)	78.6	78.1	78.8	77.9	75.7	76.0
Nonprofit institutions serving households (S. 15)	1.8	1.5	1.5	1.4	0.8	0.8
Rest of the world (S. 2)	0.5	0.6	1.1	1.0	1.0	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0