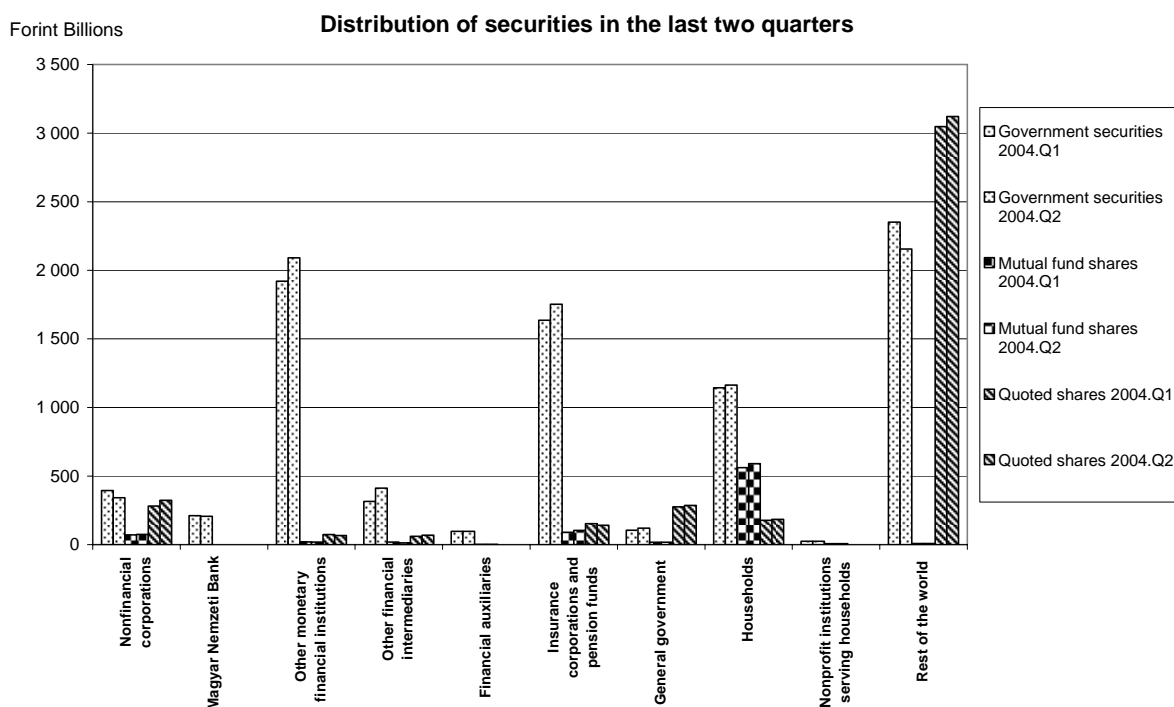


23 August 2004

## PRESS RELEASE

### Securities holdings by sector: 2004 Q2<sup>1</sup>

*The Hungarian government securities market saw more marked changes in 2004 Q2 than in earlier quarters. Financial corporations' holdings as a percentage of total government securities holdings rose more strongly than those of the other sectors. By contrast, non-residents reduced significantly their holdings of government paper, as a result of which the sector's market share fell back to its level two years previously. Almost every sector registered holding losses on their government securities portfolios. Non-financial corporations stepped up their purchases of quoted shares. Financial corporations, in contrast, were net sellers. There were no significant changes in the market in a breakdown by sector. Unlike in the government securities market, every important sector registered holding gains on their holdings of quoted shares. Market holdings of mutual fund shares, calculated at market value, increased in the period under review. Sales by other financial intermediaries were in contrast with purchases by households as well as insurance corporations and pension funds.*



<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 2.0% to Ft 8,361.6 billion in 2004 Q2. This was due to an increase of 10.0 percentage points in treasury bill holdings, as government bond holdings fell by 1.0 percentage point, calculated at market value. Most of the increase in total holdings was accounted for by net issuance, adding Ft 264.5 billion to the outstanding amount of government paper. By contrast, the decline in government securities prices reduced government securities holdings by Ft 99.5 billion. As a balance of these two opposing effects, the outstanding total of government securities rose by Ft 165 billion in Q2.

The market value of households' government securities holdings increased by nearly Ft 20 billion in Q2. This was accounted for by purchases in the amount of Ft 20.6 billion. Households' holdings of government bonds fell by Ft 4.4 billion, in contrast with those of short-term government paper, which rose by Ft 24.3 billion.

Non-residents' were net sellers of government debt securities to the tune of Ft 154.9 billion in Q2. The sector registered a holding loss of Ft 40.2 billion on its existing holdings. Consequently, non-residents' holdings fell significantly, by Ft 195.1 billion, following the increase in the previous quarter. The sector's percentage share of total government securities holdings fell back from 28.7% at end-March to 25.8% at end-June.

Financial corporations' existing holdings of government securities increased by Ft 378 billion in Q2. The sector's holdings rose mainly on account of net purchases to the tune of Ft 435.5 billion. The Ft 57.5 billion holding gain slightly offset the increase in financial corporations' holdings. Their share of the government securities market rose from 51.0% to 54.5% in the period. Other monetary financial institutions stepped up their holdings by Ft 169.6 billion, as a result of which their share of the market rose by 1.6 percentage points. Other financial intermediaries increased their holdings by Ft 96.2 billion, after reducing in the previous three quarters. As a result, their share of the market rose from 3.8% to 4.9%. Government securities holdings of insurance corporations and pension funds rose by Ft 116.3 billion, with a resulting 1.0 percentage point increase in their market share.

Non-financial corporations' holdings of government securities fell by Ft 51.3 billion due to transactions and by Ft 52.3 billion including the effect of price changes. Consequently, the sector's share of outstanding government securities fell by 0.7 percentage points.

The general government sector's share of the market and holdings of government securities, calculated at market value, both rose slightly in the period under review.

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<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.

### Distribution of Government Securities Holdings by Sector

	Government Securities Total						per cent
	2003				2004		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	4.6	4.5	4.3	4.7	4.8	4.1	
Magyar Nemzeti Bank (S. 121)	2.4	2.3	2.2	2.7	2.6	2.5	
Other monetary financial institutions (S. 122)	24.7	24.5	23.5	24.0	23.4	25.0	
Other financial intermediaries (S. 123)	7.0	8.3	7.4	5.6	3.8	4.9	
Financial auxiliaries (S. 124)	1.3	1.3	1.2	1.2	1.2	1.2	
Insurance corporations and pension funds (S. 125)	18.7	19.0	19.4	20.0	20.0	21.0	
<b>Financial corporations (S. 12)</b>	54.1	55.3	53.7	53.4	51.0	54.5	
Central government (S. 1311)	0.4	0.4	0.4	0.4	0.4	0.5	
Local government (S. 1313)	1.2	1.2	0.8	0.7	0.9	0.9	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	1.6	1.6	1.2	1.1	1.3	1.4	
<b>Households (S. 14)</b>	11.7	11.3	11.6	13.0	13.9	13.9	
<b>Nonprofit institutions serving households (S. 15)</b>	0.5	0.4	0.4	0.4	0.3	0.3	
<b>Rest of the world (S. 2)</b>	27.5	27.0	28.8	27.3	28.7	25.8	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	

### Quoted shares

Following a Ft 600.3 billion increase in Q1, the market value of quoted share holdings rose further by Ft 122.4 billion (by 3.0%) in Q2, to a total Ft 4,192.8 billion at end-June. Most of this increase (Ft 76.6 billion or 93%) in holdings was due to the conversion of a firms' unquoted shares into quoted shares and their introduction to the Budapest Stock Exchange. Price rises contributed Ft 45.3 billion (37%) to market capitalisation. Listed companies increased their capital insignificantly, by a total Ft 0.6 billion.

Unlike in the previous quarter, purchases of shares by households exceeded sales, albeit by a mere Ft 1 billion. The sector registered a Ft 6.9 billion gain on its holdings of quoted shares. On balance, the sector's holdings rose by Ft 7.9 billion in the period under review. At the end of June, households directly held 4.4% of all quoted shares. That was 0.1 percentage point higher than three months previously.

Non-resident investors were net buyers in Q2, although in the slight amount of Ft 0.7 billion. The conversion of a firms' shares into quoted shares, discussed above, mainly affected the non-resident sector's holding (to the tune of Ft 67.4 billion). In addition, the sector registered a Ft 5.6 billion holding gain. As a combined effect of these, non-residents' holdings of quoted shares rose by Ft 73.6 billion; however, their percentage share of total holdings fell by 0.5 percentage points to 74.4% at end-June.

Financial corporations continued to be net sellers to the tune of Ft 23.6 billion in Q2. However, they registered a holding gain of Ft 12.5 billion. On balance, their holdings declined by Ft 11.1 billion, their percentage share of the total market falling by 0.5 percentage points to 6.6% at end-Q2.

Non-financial corporations were net buyers in the amount of Ft 23.4 billion (following net purchases of Ft 26.7 billion in Q1). Simultaneously with this, they registered a Ft 8.8 billion gain on their existing holdings. As this sector was also affected by the share conversion, noted above, (in the amount of Ft 9.2 billion) its total holdings rose by Ft 41.4 billion. Non-financial corporations' share of the market increased by 0.8 percentage points to 7.7% at end-June.

General government sold quoted shares in the amount of Ft 1 billion. However, the sector registered a Ft 11.5 billion gain on its existing holdings. As a consequence, its holdings increased

by Ft 10.5 billion in Q2. The sector's percentage share of the market was unchanged in the period: its holdings of quoted shares amounted to 6.8% of the total at the end of June.

#### Quoted shares held by institutional sectors

	Quoted shares						per cent
	2003				2004		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	7.5	7.2	7.1	6.9	6.9	7.7	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	1.9	1.7	1.8	1.9	1.8	1.6	
Other financial intermediaries (S. 123)	1.8	1.7	1.4	1.7	1.5	1.6	
Financial auxiliaries (S. 124)	0.0	0.0	0.0	0.0	0.0	0.0	
Insurance corporations and pension funds (S. 125)	4.0	4.0	3.8	3.9	3.8	3.4	
<b>Financial corporations (S. 12)</b>	7.7	7.4	7.1	7.5	7.1	6.6	
Central government (S. 1311)	7.4	7.5	8.1	8.9	6.1	6.2	
Local government (S. 1313)	0.8	0.7	0.7	0.7	0.7	0.6	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	8.2	8.2	8.8	9.6	6.8	6.8	
<b>Households (S. 14)</b>	5.5	5.1	4.4	4.8	4.3	4.4	
<b>Nonprofit institutions serving households (S. 15)</b>	0.1	0.0	0.0	0.0	0.0	0.0	
<b>Rest of the world (S. 2)</b>	71.0	72.1	72.6	71.3	74.9	74.4	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	

#### Mutual fund shares

The outstanding total of mutual fund shares, measured at net asset value, rose by 5.2%, from Ft 795.3 billion to Ft 836.6 billion, in 2004 Q2. The percentage shares of the various sectors were little changed relative to the previous quarter. The sizes of holdings slightly rose. Due to a slight drop in other financial intermediaries' holdings, their share of total holdings fell by 0.8 percentage points. Most of these changes occurred due to buying and selling transactions in shares.

Measured at market value, households' holdings of mutual fund shares rose by Ft 28.1 billion, in one quarter, following declines in the previous two quarters.

Financial corporations' holdings, at Ft 8.9 billion, continued to rise modestly in Q2. Insurance corporations and pension funds stepped up their holdings the most strongly, by Ft 14.7 billion, as a result of which their share of the market rose by 1.2 percentage points. The market value of financial auxiliaries' holdings was higher by Ft 0.6 billion in the period. By contrast, other financial intermediaries' holdings fell back by Ft 5.6 billion. The market value of other monetary financial institutions' holdings fell slightly, by Ft 0.8 billion.

Existing holdings of mutual fund shares by non-financial corporations rose by Ft 3.7 billion to the end of June.

Holdings of mutual fund shares by the general government sector were up marginally, by Ft 0.4 billion, relative to the previous quarter.

Although non-residents increased their purchases by Ft 1.1 billion in Q2, their holdings of mutual fund shares barely changed, due to a Ft 1.3 billion holding loss.

### Net asset value of mutual fund shares by holding sector

	Mutual fund shares						per cent
	2003				2004		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	10.3	9.3	9.0	7.9	9.0	9.0	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	3.3	3.5	3.9	4.5	2.5	2.3	
Other financial intermediaries (S. 123)	1.5	1.6	1.5	1.9	2.4	1.6	
Financial auxiliaries (S. 124)	0.4	0.3	0.2	0.1	0.1	0.2	
Insurance corporations and pension funds (S. 125)	4.4	5.1	5.8	7.4	11.2	12.4	
<b>Financial corporations (S. 12)</b>	9.6	10.5	11.5	13.8	16.2	16.5	
Central government (S. 1311)	0.2	0.3	0.2	0.1	0.1	0.1	
Local government (S. 1313)	2.4	2.1	2.3	1.7	2.0	1.9	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	2.6	2.4	2.5	1.8	2.1	2.0	
<b>Households (S. 14)</b>	75.7	76.0	75.4	74.7	70.7	70.6	
<b>Nonprofit institutions serving households (S. 15)</b>	0.8	0.8	0.8	0.9	0.9	0.9	
<b>Rest of the world (S. 2)</b>	1.0	1.0	0.8	0.9	1.1	1.0	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	

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Methodological notes to the press release:

- 1 In line with international accounting recommendations (ESA 1995 and SNA '93), changes in the number of outstanding mutual fund shares (i.e. their total held by the institutional sectors) and the capitalisation of property income (interest, dividends, rental, etc.) are treated as transactions.
- 2 The codes attached to the sectors and sub-sectors (for example, S.121) refer to the corresponding categories used in international sector classification. For a detailed description of the institutional sectors, see 'New sector classification from June 2001', on the MNB's website ([www.mnb.hu](http://www.mnb.hu)) at Financial data...Statistics.
- 3 The tables containing holdings data are accessible on the Bank's website ([www.mnb.hu](http://www.mnb.hu)) at Statistics...Statistical data, time series...VIII. Securities.
- 4 The percentages and ratios have been calculated on the basis of not rounded data. The sums of partial data may be different from the totals, because of rounding.