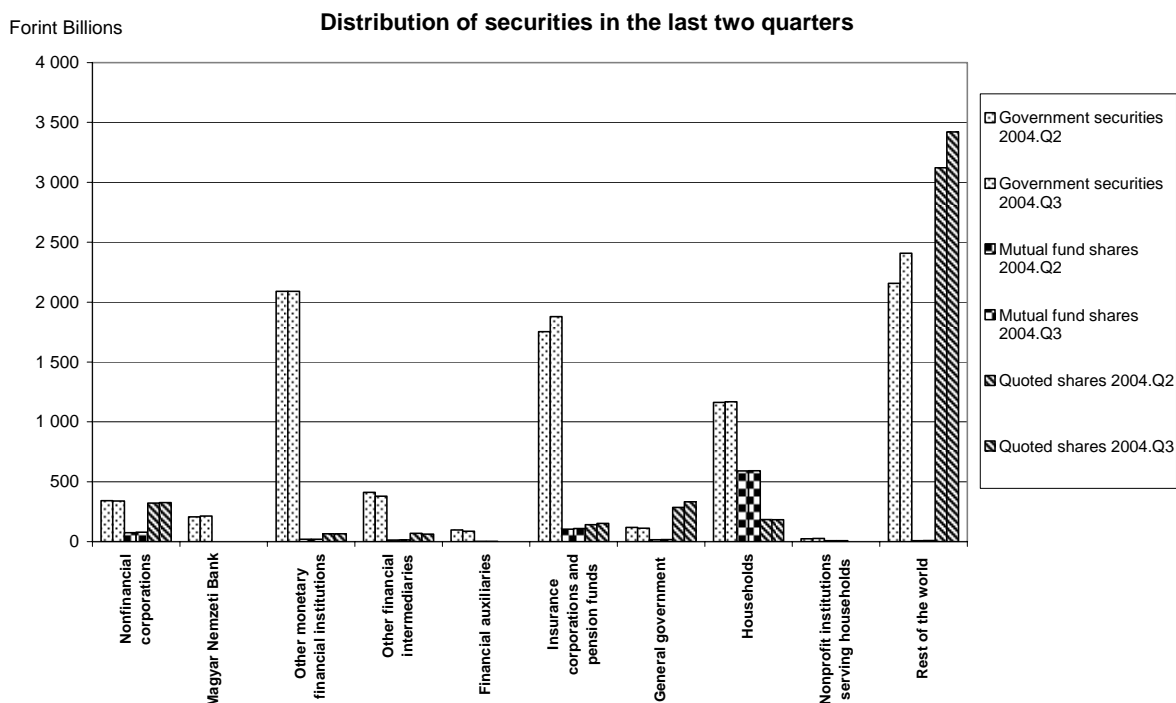


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## PRESS RELEASE

### Securities holdings by sector: 2004 Q3<sup>1</sup>

*Movements in the Hungarian government securities market were more modest in 2004 Q2 than in the previous quarter. Non-residents stepped up their holdings of government paper the most strongly. Insurance corporations and pension funds have been increasing their holdings for a couple of years now, with their share of the market rising continuously. By contrast, the share of other monetary financial institutions fell back to its level a year earlier. After the loss in Q2, every sector registered holding gains on their government securities portfolios in the period under review. Non-residents purchased significant amounts of quoted shares. Non-financial corporations and households, in contrast, were net sellers. There were no significant changes in the market in a breakdown by sector. Every major sector registered holding gains on quoted shares held, as seen in the previous quarter. Market holdings of mutual fund shares, calculated at market value, continued to increase. Sales by the central government were in contrast with purchases by households, insurance corporations and pension funds as well as other financial intermediaries. Households, and insurance corporations and pension funds registered the greatest holding loss on their holdings of mutual fund 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 4.1% to HUF 8,702.0 billion in 2004 Q3. This was due to an increase of 6.9 percentage points in government bond holdings, as treasury bill holdings fell by 2.6 percentage point, calculated at market value. Most of the increase in total holdings was accounted for by net issuance, adding HUF 270.7 billion to the outstanding amount of government paper. In addition, the rises in government securities prices contributed HUF 69.6 billion to government securities holdings.

The market value of households' government securities holdings increased modestly, by HUF 4.4 billion in Q3. This was equally accounted for by purchases and holding gains. The sector's holdings of government bonds, calculated at market value, increased by HUF 18.6 billion, in contrast with those of short-term government paper, which fell by HUF 14.1 billion.

Non-residents' were net sellers of government debt securities to the tune of HUF 221.3 billion in Q3. The sector registered a holding gain of HUF 30.0 billion on its existing holdings. Consequently, non-residents' holdings increased significantly, by HUF 251.3 billion, following the decline in the previous quarter. The sector's percentage share of total government securities holdings rose from 25.8% at end-June to 27.7% at end-September.

Financial corporations' existing holdings of government securities increased by HUF 93.8 billion in the review period. Their holdings rose mainly on account of net purchases to the tune of HUF 58.0 billion. In addition, The sector registered a considerable holding gain of HUF 35.7 billion. Despite all these, financial corporations' share of the government securities market fell from 54.5% to 53.4% in Q3. Government securities holdings of insurance corporations and pension funds rose by HUF 126.8 billion, resulting in a 0.6 percentage point increase in their share of the market. Purchases by other monetary financial institutions were nearly equal to those in the previous quarter, as a result of which their market share fell by 1.0 percentage point. After increasing in the previous quarter, other financial intermediaries continued to reduce their holdings (by HUF 31.2 billion). As a consequence, their share of the market fell from 4.9% to 4.4%.

Non-financial corporations' holdings of government securities fell by HUF 3.0 billion to the end of Q3. They were net sellers to the tune of HUF 4.2 billion in the period, in addition to registering a total holding gain of HUF 1.1 billion. Consequently, the sector's share of outstanding government securities fell by 0.2 percentage points.

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

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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	Q3		
<b>Nonfinancial corporations (S. 11)</b>	4.6	4.5	4.3	4.7	4.8	4.1	3.9		
Magyar Nemzeti Bank (S. 121)	2.4	2.3	2.2	2.7	2.6	2.5	2.4		
Other monetary financial institutions (S. 122)	24.7	24.5	23.5	24.0	23.4	25.0	24.0		
Other financial intermediaries (S. 123)	7.0	8.3	7.4	5.6	3.8	4.9	4.4		
Financial auxiliaries (S. 124)	1.3	1.3	1.2	1.2	1.2	1.2	1.0		
Insurance corporations and pension funds (S. 125)	18.7	19.0	19.4	20.0	20.0	21.0	21.6		
<b>Financial corporations (S. 12)</b>	54.1	55.3	53.7	53.4	51.0	54.5	53.4		
Central government (S. 1311)	0.4	0.4	0.4	0.4	0.4	0.5	0.5		
Local government (S. 1313)	1.2	1.2	0.8	0.7	0.9	0.9	0.8		
Social security funds (S. 1314)	0.0	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	1.3		
<b>Households (S. 14)</b>	11.7	11.3	11.6	13.0	13.9	13.9	13.4		
<b>Nonprofit institutions serving households (S. 15)</b>	0.5	0.4	0.4	0.4	0.3	0.3	0.3		
<b>Rest of the world (S. 2)</b>	27.5	27.0	28.8	27.3	28.7	25.8	27.7		
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0		

## Quoted shares

Following a HUF 122.4 billion increase in Q2, the market value of quoted share holdings rose further by HUF 352.6 billion (by 8.4%) in Q3, to a total HUF 4,545.3 billion at end-September. The bulk (99.2%) of this increase in capitalisation in holdings was due to price rises, amounting to HUF 349.8 billion. The introduction of a firm's shares to the market accounted for another HUF 2.7 billion.

Unlike in the previous quarter, sales of shares by households exceeded purchases (by HUF 17.4 billion). The sector registered a HUF 13.6 billion gain on its holdings of quoted shares. In addition, the introduction of a firm's previously unquoted shares to the market contributed another HUF 2.6 billion. On balance, the sector's holdings fell by HUF 1.2 billion in the period under review. At the end of September, households directly held 4.0% of all quoted shares. That was 0.4 percentage points lower than three months previously.

Non-resident investors were net buyers in Q3 in the amount of HUF 58.8 billion. In addition, the sector registered a HUF 240.9 billion holding gain. As a combined effect of these, non-residents' holdings of quoted shares rose by HUF 299.7 billion, their percentage share of total holdings rising by 0.9 percentage points to 75.3% at end-September.

Financial corporations continued to be net sellers to the tune of HUF 19.1 billion in Q3. Although their holdings rose by HUF 4.1 billion due to a holding gain of HUF 23.2 billion, their percentage share of the total market fell by 0.4 percentage points to 6.2% at end-Q3.

Non-financial corporations were net sellers in the amount of HUF 21.6 billion (following net purchases of HUF 23.4 billion in Q2). Simultaneously with this, they registered a HUF 24.2 billion gain on their existing holdings. Consequently, their total holdings rose by HUF 2.7 billion. Non-financial corporations' share of the market fell by 0.5 percentage points to 7.2% at end-September.

General government sold quoted shares in the amount of HUF 0.6 billion. The sector registered a HUF 47.8 billion gain on its existing holdings. As a consequence, its holdings increased by HUF 47.2 billion in Q3. The sector's percentage share of the market rose by 0.5 percentage points in the period: its holdings of quoted shares amounted to 7.3% of the total at the end of Q3.

### Quoted shares held by institutional sectors

	Quoted shares								per cent
	2003				2004				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
<b>Nonfinancial corporations (S. 11)</b>	7.5	7.2	7.1	6.9	6.9	7.7	7.2		
Magyar Nemzeti Bank (S. 121)	0.0	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	1.5		
Other financial intermediaries (S. 123)	1.8	1.7	1.4	1.7	1.5	1.6	1.4		
Financial auxiliaries (S. 124)	0.0	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	3.3		
<b>Financial corporations (S. 12)</b>	7.7	7.4	7.1	7.5	7.1	6.6	6.2		
Central government (S. 1311)	7.4	7.5	8.1	8.9	6.1	6.2	6.7		
Local government (S. 1313)	0.8	0.7	0.7	0.7	0.7	0.6	0.7		
Social security funds (S. 1314)	0.0	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	7.3		
<b>Households (S. 14)</b>	5.5	5.1	4.4	4.8	4.3	4.4	4.0		
<b>Nonprofit institutions serving households (S. 15)</b>	0.1	0.0	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	75.3		
<b>Total</b>	100.0	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 1.7%, from HUF 836.6 billion to HUF 850.7 billion, in 2004 Q3. Most of this was accounted for by transactions, their effects amounting to a total HUF 20.3 billion. The fall in prices reduced the value of existing holdings. As a combined effect of these two opposing developments, the outstanding amount of mutual fund shares, measured at the net asset value, rose by HUF 14.1 billion. The percentage shares of the various sectors were little changed relative to the previous quarter.

Measured at market value, households' holdings of mutual fund shares rose by HUF 1.1 billion in one quarter. The sector was a net buyer to the tune of HUF 6.0 billion. Households registered a HUF 5.0 billion loss on their holdings. As a result, their share of the market fell by HUF 1.1 percentage points.

Each sub-sector within the financial corporate sector increased their holdings of mutual fund shares, by a total HUF 6.4 billion. As seen in the previous quarter, insurance corporations and pension funds stepped up their holdings the most strongly, by HUF 4.5 billion, as a result of which their share of the market rose by 0.3 percentage points. Other financial intermediaries' holdings rose by HUF 1.4 billion, consequently, their share of the market of mutual fund shares rose slightly, by 0.1 percentage point.

Existing holdings of mutual fund shares by non-financial corporations rose by HUF 4.4 billion to the end of September. As a result, their market share increased from 9.0% to 9.3%.

Holdings of mutual fund shares by the general government sector were down by HUF 0.5 billion relative to the previous quarter.

Non-residents increased their holdings of mutual fund share by HUF 1.2 billion in Q3.

# Net asset value of mutual fund shares by holding sector

per cent

	Mutual fund shares							
	2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
<b>Nonfinancial corporations (S. 11)</b>	10.3	9.3	9.0	7.9	9.0	9.0	9.3	
Magyar Nemzeti Bank (S. 121)	0.0	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	2.3	
Other financial intermediaries (S. 123)	1.5	1.6	1.5	1.9	2.4	1.6	1.7	
Financial auxiliaries (S. 124)	0.4	0.3	0.2	0.1	0.1	0.2	0.2	
Insurance corporations and pension funds (S. 125)	4.4	5.1	5.8	7.4	11.2	12.4	12.7	
<b>Financial corporations (S. 12)</b>	9.6	10.5	11.5	13.8	16.2	16.5	17.0	
Central government (S. 1311)	0.2	0.3	0.2	0.1	0.1	0.1	0.1	
Local government (S. 1313)	2.4	2.1	2.3	1.7	2.0	1.9	2.0	
Social security funds (S. 1314)	0.0	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	2.1	
<b>Households (S. 14)</b>	75.7	76.0	75.4	74.7	70.7	70.6	69.5	
<b>Nonprofit institutions serving households (S. 15)</b>	0.8	0.8	0.8	0.9	0.9	0.9	1.0	
<b>Rest of the world (S. 2)</b>	1.0	1.0	0.8	0.9	1.1	1.0	1.1	
<b>Total</b>	100.0	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.

**MAGYAR NEMZETI BANK**  
STATISTICS DEPARTMENT