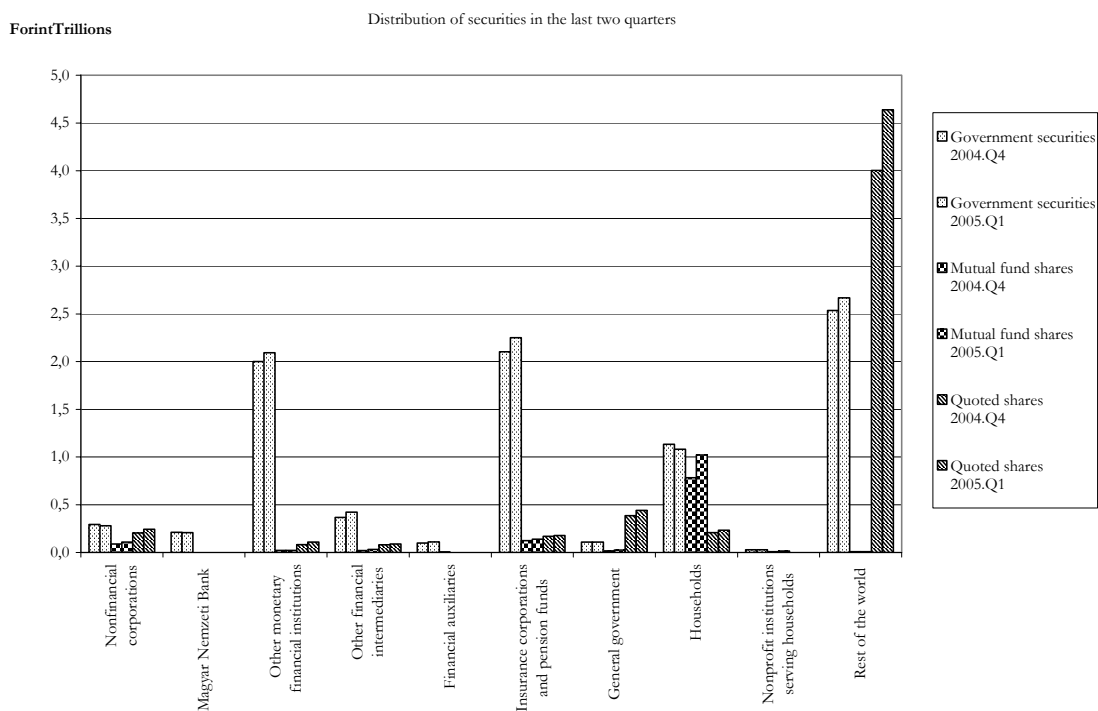


23 May 2005

PRESS RELEASE

Securities holdings by sector: 2005 Q1¹

The increase in insurance corporations' and pension funds' government securities holdings, observed over the past several years, continued in 2005 Q1. As a result, the sector's holdings of government securities outstanding in the market rose to one-fourth of the total. Non-residents stepped up strongly their holdings of government paper; and, maintaining their leading position, they raised their market share as well. By contrast, the market share and holdings of households both fell. As seen in the previous two quarters, every major sector registered holding gains on their government securities portfolios in the period under review. Non-residents and NFCs purchased significant amounts of quoted shares. Other sectors were net sellers. Holdings in a breakdown by institutional sector were little changed. Every sector registered holding gains on quoted shares held. Calculated at market value, holdings of mutual fund shares increased more strongly than in the previous quarter. Households, and insurance corporations and pension funds registered the greatest price gains on their holdings of mutual fund shares. Total holdings rose mainly on account of an increase in the number of shares outstanding in the market.



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

Government securities

Measured at market value, Hungarian government debt securities holdings² rose by 4.2% to HUF 9,244.8 billion in 2005 Q1. This was due to increases of 4.8 percentage points and 2.5 percentage points respectively in government bond and treasury bill holdings, calculated at market value. Price gains accounted for HUF 86.5 billion of the increase in total holdings. The outstanding amount of government paper rose significantly at nominal value (the effect of net issuance was HUF 286.1 billion). As a result of these developments, government securities holdings increased by HUF 372.6 billion in the period under review.

The market value of households' government securities holdings fell by HUF 53.1 billion in Q1. This was accounted for by sales, as the sector registered a HUF 10.1 billion gain on its existing holdings. Calculated at market value, households' holdings of short-term government paper fell by HUF 61.3 billion, in contrast with those of government bonds, which rose by HUF 8.2 billion.

Non-residents continued to be net buyers of government debt securities to the tune of HUF 96.7 billion in Q1. In addition, the sector registered a HUF 36.1 billion holding gain on its existing holdings. As a result, non-residents' holdings rose by HUF 132.8 billion, following a comparable increase in the previous quarter. In a longer-term comparison, the sector's percentage share of total government securities holdings rose from 8.0% at end-1998 and 15.3% at end-2000 to 28.9% at end-March 2005.

Financial corporations' existing holdings of government securities increased by HUF 306.8 billion at market value in the review period. Their holdings also rose on account of holding gains to the tune of HUF 45.9 billion. The major factor behind the significant increase in the sector's holdings was net purchases of government paper in the amount of HUF 260.9 billion in the period. On balance, financial corporations' share of the government securities market increased from 53.8% to 55.0%. Government securities holdings of insurance corporations and pension funds rose by HUF 147.2 billion, continuing the upward trend observed over the past several years. This resulted in a 0.6 percentage point increase in their share of the market. Other monetary financial institutions' holdings rose by HUF 91.6 billion, as a result of which their market share edged up by 0.1 percentage point. Other financial intermediaries increased their holdings by HUF 57.7 billion, their share of the market climbing up to 4.6%. As a consequence of these developments, insurance corporations and pension funds had the largest share of the financial corporate sector's total holdings in both 2004 Q4 and 2005 Q1, exceeding that of other MFIs.

Non-financial corporations' holdings of government securities declined by another HUF 13.9 billion to the end of Q1, extending the fall seen in 2004. The sector was a net seller to the tune of HUF 15.0 billion in the period. Non-financial corporations' registered a total holding gain of HUF 1.2 billion, as a result of which their share of outstanding government securities fell by 0.3 percentage points. The share of NFCs of the government securities market has shrunk to one-third as a result of a gradual decline since 1997.

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.

² 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				2005	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Nonfinancial corporations (S. 11)	4.3	4.7	4.8	4.1	3.9	3.3	3.0	
Magyar Nemzeti Bank (S. 121)	2.2	2.7	2.6	2.5	2.4	2.4	2.2	
Other monetary financial institutions (S. 122)	23.5	24.0	23.4	25.0	24.0	22.5	22.6	
Other financial intermediaries (S. 123)	7.4	5.6	3.8	4.9	4.4	4.1	4.6	
Financial auxiliaries (S. 124)	1.2	1.2	1.2	1.2	1.0	1.1	1.2	
Insurance corporations and pension funds (S. 125)	19.4	20.0	20.0	21.0	21.6	23.7	24.3	
Financial corporations (S. 12)	53.7	53.4	51.0	54.5	53.4	53.8	55.0	
Central government (S. 1311)	0.4	0.4	0.4	0.5	0.5	0.4	0.4	
Local government (S. 1313)	0.8	0.7	0.9	0.9	0.8	0.8	0.8	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
General government (S. 13)	1.2	1.1	1.3	1.4	1.3	1.2	1.2	
Households (S. 14)	11.6	13.0	13.9	13.9	13.4	12.8	11.7	
Nonprofit institutions serving households (S. 15)	0.4	0.4	0.3	0.3	0.3	0.3	0.3	
Rest of the world (S. 2)	28.8	27.3	28.7	25.8	27.7	28.6	28.9	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Quoted shares

The market value of quoted share holdings rose further by HUF 797.7 billion (by 15.6%) in Q1, to a total HUF 5,926.8 billion at end-March. (In February, quoted share holdings rose to their historical maximum to date.) Almost all of this increase in capitalisation was due to price rises, amounting to HUF 795.9 billion. The introduction of a firm's shares to the market accounted for another HUF 2.0 billion. One share was de-listed in the period, at a market value of HUF 0.2 billion.

As seen in the previous quarter, sales of shares by households exceeded purchases (by HUF 9.3 billion). The sector registered a HUF 33.0 billion gain on its holdings of quoted shares. On balance, the sector's holdings rose by HUF 23.8 billion in the period under review. At the end of March, households directly held 3.9% of all quoted shares. Households' share of the market, at 3.9% in the period under review, has not been as low as it was in 1997 (9.4%), when the quarterly press releases on securities holdings was launched.

Non-resident investors were net buyers in Q1, in the amount of HUF 12.2 billion. The sector registered a HUF 624.8 billion holding gain in the period. As a combined effect of these and taking account of the HUF 0.1 billion downward effect of the withdrawal of one company, non-residents' holdings of quoted shares rose by HUF 636.8 billion, their percentage share of total holdings rising by 0.3 percentage points to 78.3% at end-March. The sector's market share was only higher five-years ago (80%).

Financial corporations continued to be net sellers to the tune of HUF 13.9 billion in Q1. They registered a holding gain of HUF 55.4 billion, so their holdings rose by HUF 41.5 billion. Their percentage share of the total market edged down by 0.1 percentage point to 6.3% at end-Q1.

In contrast with the previous period, non-financial corporations were net buyers in the amount of HUF 16.9 billion. The sector registered a gain of HUF 22.1 billion, so its total holdings rose by HUF 38.9 billion. Its share of the market remained broadly unchanged after the significant decline caused by the withdrawal of three companies from the market in 2004 Q4.

General government sold quoted shares in the amount of HUF 4.0 billion. The sector registered a HUF 60.6 billion gain on its existing holdings. As a consequence, its holdings increased by HUF 56.6 billion. The sector's percentage share of the market fell by 0.1 percentage point in the period: its holdings of quoted shares amounted to 7.4% of the total at the end of Q1.

Quoted shares held by institutional sectors

	Quoted shares								per cent
	2003		2004				2005		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
Nonfinancial corporations (S. 11)	7.1	6.9	6.9	7.7	7.2	4.0	4.1		
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)	1.8	1.9	1.8	1.6	1.5	1.6	1.8		
Other financial intermediaries (S. 123)	1.4	1.7	1.5	1.6	1.4	1.6	1.5		
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)	3.8	3.9	3.8	3.4	3.3	3.3	3.0		
Financial corporations (S. 12)	7.1	7.5	7.1	6.6	6.2	6.4	6.3		
Central government (S. 1311)	8.1	8.9	6.1	6.2	6.7	6.8	6.8		
Local government (S. 1313)	0.7	0.7	0.7	0.6	0.7	0.7	0.6		
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
General government (S. 13)	8.8	9.6	6.8	6.8	7.3	7.5	7.4		
Households (S. 14)	4.4	4.8	4.3	4.4	4.0	4.1	3.9		
Nonprofit institutions serving households (S. 15)	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Rest of the world (S. 2)	72.6	71.3	74.9	74.4	75.3	78.0	78.3		
Total	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 28.0%, from HUF 1,069.3 billion to HUF 1,367.2 billion, in 2005 Q1. The sectors' percentage shares were little changed relative to the previous quarter. Most of the increase in the outstanding total was accounted for by transactions in the amount of HUF 243.3 billion. Rises in prices added HUF 55.6 billion to the value of existing holdings. As a combined effect of these two developments, the outstanding amount of mutual fund shares, measured at the net asset value, rose by HUF 298.1 billion. Existing holdings of households, non-financial corporations and financial corporations, accounting for the largest shares of the market, rose to their highest to date.

Measured at market value, households' holdings of mutual fund shares rose by HUF 238.8 billion in one quarter. The sector was a net buyer to the tune of HUF 194.6 billion. Households registered a HUF 44.2 billion gain on their holdings. As a result, their percentage share of the market rose by HUF 1.5 percentage points.

Non-residents' existing holdings fell by HUF 0.5 billion, their share of total market holdings falling by 0.3 percentage points.

The financial corporate sector increased its holdings of mutual fund shares by HUF 27.5 billion. Except for financial auxiliaries, each sub-sector saw its holdings rise. As seen in the previous quarter, insurance corporations and pension funds stepped up their holdings the most strongly, by HUF 16.3 billion. As a result, their share of the market has nearly quadrupled since 2001. Other financial intermediaries' holdings increased by 50% to the end of March. Despite the increase in the sector's holdings, its share of the market of mutual fund shares fell by 1.3 percentage points.

Existing holdings of mutual fund shares by non-financial corporations rose by HUF 20.9 billion to the end of March, their market share falling by 0.2 percentage points.

Holdings of mutual fund shares by the general government sector were up by HUF 6.4 billion relative to the previous quarter. This was accounted for mainly by purchases by the local government sub-sector in the amount of HUF 6.0 billion.

Net asset value of mutual fund shares by holding sector

per cent

	Mutual fund shares						
	2003		2004				2005
	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Nonfinancial corporations (S. 11)	9.0	7.9	9.0	9.0	9.3	8.2	8.0
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)	3.9	4.5	2.5	2.3	2.3	1.9	1.5
Other financial intermediaries (S. 123)	1.5	1.9	2.4	1.6	1.7	1.8	2.2
Financial auxiliaries (S. 124)	0.2	0.1	0.1	0.2	0.2	0.1	0.1
Insurance corporations and pension funds (S. 125)	5.8	7.4	11.2	12.4	12.7	11.4	10.1
Financial corporations (S. 12)	11.5	13.8	16.2	16.5	17.0	15.3	14.0
Central government (S. 1311)	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Local government (S. 1313)	2.3	1.7	2.0	1.9	2.0	1.6	1.7
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government (S. 13)	2.5	1.8	2.1	2.0	2.1	1.6	1.8
Households (S. 14)	75.4	74.7	70.7	70.6	69.5	73.2	74.7
Nonprofit institutions serving households (S. 15)	0.8	0.9	0.9	0.9	1.0	0.8	1.0
Rest of the world (S. 2)	0.8	0.9	1.1	1.0	1.1	0.9	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* * * * *

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 institutional sectors) and the capitalisation of property income (interest, dividends, rents, 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) at Financial data...Statistics.
- 3 The tables containing holdings data are accessible on the Bank's website (www.mnb.hu) at Statistics...Statistical data, time series...VIII. Securities.³
- 4 The percentages and ratios have been calculated on the basis of not rounded data. The sums of subtotals may not add to total due to rounding.

MAGYAR NEMZETI BANK
STATISTICS DEPARTMENT

³ In order to create greater consistency with the Bank's other statistical data, the time series tables were revised in the period under review. The differences from earlier data may be explained by methodological changes.