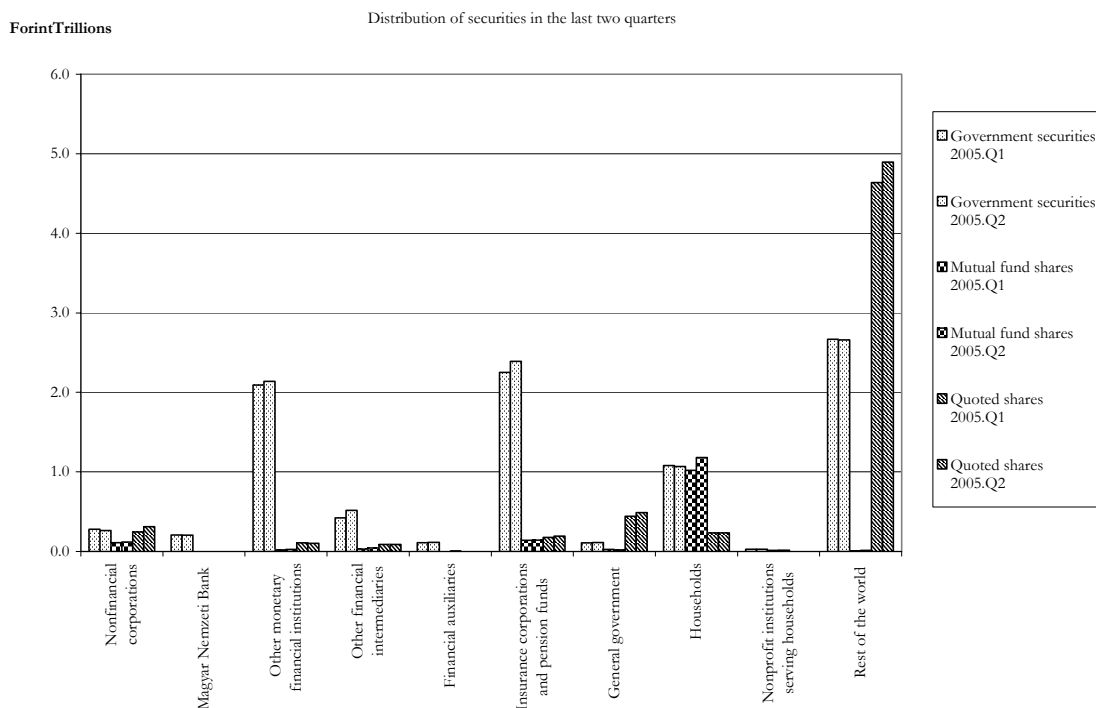


22 August 2005

## PRESS RELEASE

### Securities holdings by sector: 2005 Q2<sup>1</sup>

*The increase in insurance corporations' and pension funds' government securities holdings, observed over the past several years, continued in 2005 Q2. As a result, government securities held by the sector rose to more than one-fourth of the outstanding total. By contrast, non-residents reduced their holdings of government paper. Consequently, their share of the market fell. Similarly, the market share and holdings of households also fell, continuing recent trends. The share of other financial intermediaries in the government securities market rose the most strongly. As seen in the previous two quarters, every major sector registered holding gains on their government securities portfolios in the period under review. NFCs sold government paper and purchased relatively significant amounts of quoted shares. Other sectors were net sellers of quoted shares. As was seen in the case of government securities, every sector registered holding gains, similarly to the previous quarter. Calculated at market value, holdings of mutual fund shares increased less strongly than in Q1. Households, NPISHs, and insurance corporations and pension funds registered the greatest price gains on their holdings of mutual fund shares. NFCs, in contrast, registered the largest loss on their holdings.*



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

## Government securities

Measured at market value, Hungarian government debt securities holdings<sup>2</sup> rose by 2.7% to HUF 9,480.5 billion in 2005 Q2. This was due to increases of 1.1 percentage points and 7.6 percentage points respectively in the market value government bond and treasury bill holdings. Price gains accounted for HUF 112.9 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 132.9 billion). As a result of these developments, government securities holdings increased by HUF 245.8 billion in the period under review.

The market value of households' government securities holdings fell by HUF 13.1 billion in Q2. This was accounted for by sales, as the sector registered a HUF 5.2 billion gain on its existing holdings. Calculated at market value, households' holdings of short-term government paper fell by HUF 11.9 billion, their holdings of government bonds remaining unchanged. The sector's share of the government securities market has been falling slowly but steadily since early 2004.

In 2005 Q2, non-residents were net sellers of government debt securities to the tune of HUF 44.3 billion, following net purchases over a period of one year. The sector registered a HUF 36.8 billion holding gain. As a result all these, non-residents' holdings fell by HUF 7.5 billion. On balance, their percentage share of total government securities holdings rose fell to 28.0% at end-June 2005.

Financial corporations' existing holdings of government securities increased by HUF 278.8 billion at market value in the review period. Their holdings rose by another HUF 66.1 billion on account of holding gains. The major factor behind the significant increase in the sector's holdings was net purchases of government paper in the amount of HUF 212.8 billion in the period. On balance, financial corporations' share of the government securities market increased from 55.0% to 56.5%. Government securities holdings of insurance corporations and pension funds rose by HUF 139.4 billion, continuing the upward trend observed over the past several years. This resulted in a 0.8 percentage point increase in their share of the market. Other monetary financial institutions' holdings rose by HUF 45.4 billion, as a result of which their market share edged down by 0.1 percentage point. Other financial intermediaries increased their holdings by HUF 93.4 billion, their share of the market climbing up to 5.4%.

Non-financial corporations' holdings of government securities declined further by HUF 18.3 billion to the end of Q2, extending the fall over the previous period of more than one year. The sector was a net seller to the tune of HUF 21.9 billion in Q2. Non-financial corporations registered a total holding gain of HUF 3.6 billion. As a result, their share of government securities outstanding in the market fell by another 0.3 percentage points. The sector's share of the government securities market has shrunk to one-third as a result of a gradual decline since 1997.

The general government sector's holdings of government securities, calculated at market value, rose slightly in the period under review, due to net sales in the amount of HUF 5.5 billion. This rise was mainly accounted for by an increase in government securities holdings of the local government sub-sector.

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<sup>2</sup> In this press release, government securities include 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
	2004				2005		
	Q1	Q2	Q3	Q4	Q1	Q2	
Nonfinancial corporations (S. 11)	4.8	4.1	3.9	3.3	3.0		2.8
Magyar Nemzeti Bank (S. 121)	2.6	2.5	2.4	2.4	2.2		2.1
Other monetary financial institutions (S. 122)	23.4	25.0	24.0	22.5	22.6		22.5
Other financial intermediaries (S. 123)	3.8	4.9	4.4	4.1	4.6		5.4
Financial auxiliaries (S. 124)	1.2	1.2	1.0	1.1	1.2		1.2
Insurance corporations and pension funds (S. 125)	20.0	21.0	21.6	23.7	24.3		25.2
Financial corporations (S. 12)	51.0	54.5	53.4	53.8	55.0		56.5
Central government (S. 1311)	0.4	0.5	0.5	0.4	0.4		0.4
Local government (S. 1313)	0.9	0.9	0.8	0.8	0.8		0.8
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0		0.0
General government (S. 13)	1.3	1.4	1.3	1.2	1.2		1.2
Households (S. 14)	13.9	13.9	13.4	12.8	11.7		11.2
Nonprofit institutions serving households (S. 15)	0.3	0.3	0.3	0.3	0.3		0.3
Rest of the world (S. 2)	28.7	25.8	27.7	28.6	28.9		28.0
Total	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 380.9 billion (by 6.4%) in Q2, to a total HUF 6,307.7 billion at end-June. This followed an increase of HUF 797.7 billion in the first quarter. Quoted share holdings rose to their historical maximum in the review period. All of this increase in market capitalisation was due to price rises, amounting to HUF 795.9 billion.

As seen in the previous quarter, sales of shares by households exceeded purchases (by HUF 12.6 billion). The sector registered a HUF 13.2 billion gain on its holdings of quoted shares. On balance, the sector's holdings rose, although only slightly, by HUF 0.6 billion in the period under review. At the end of June, households directly held 3.7% of all quoted shares.

Unlike in the previous quarter, non-resident investors were net sellers in Q2, in the amount of HUF 15.0 billion. The sector registered a HUF 270.3 billion holding gain in the period. As a combined effect of these, non-residents' holdings of quoted shares rose by HUF 255.3 billion, their percentage share of total holdings falling by 0.7 percentage points to 77.6% at end-June.

Financial corporations continued to be net sellers to the tune of HUF 13.9 billion in Q2. This was comparable with net sales in Q1. Simultaneously, they registered a holding gain of HUF 23.1 billion, so their holdings rose by HUF 9.2 billion. Their percentage share of the total market edged down by 0.3 percentage point to 6.0% at end-Q2.

As seen in the previous period, non-financial corporations were net buyers in Q2, in the amount of HUF 41.7 billion. In addition, the sector registered a price gain of HUF 25.3 billion, so its total holdings rose by HUF 67.0 billion. Its share of the market increased by 0.8 percentage points to 4.9%.

General government sold quoted shares in the amount of HUF 0.1 billion. The sector registered a HUF 48.8 billion gain on its holdings. As a consequence, its holdings increased by HUF 48.7 billion. The sector's percentage share of the market was up by 0.4 percentage point in the period: its holdings of quoted shares amounted to 7.8% of the total at the end of Q2.

### Quoted shares held by institutional sectors

	Quoted shares						per cent
	2004				2005		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	6.9	7.7	7.2	4.0	4.1	4.9	
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	1.6	1.5	1.6	1.8	1.6	
Other financial intermediaries (S. 123)	1.5	1.6	1.4	1.6	1.5	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)	3.8	3.4	3.3	3.3	3.0	3.0	
<b>Financial corporations (S. 12)</b>	7.1	6.6	6.2	6.4	6.3	6.0	
Central government (S. 1311)	6.1	6.2	6.7	6.8	6.8	7.2	
Local government (S. 1313)	0.7	0.6	0.7	0.7	0.6	0.6	
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>	6.8	6.8	7.3	7.5	7.4	7.8	
<b>Households (S. 14)</b>	4.3	4.4	4.0	4.1	3.9	3.7	
<b>Nonprofit institutions serving households (S. 15)</b>	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Rest of the world (S. 2)</b>	74.9	74.4	75.3	78.0	78.3	77.6	
<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 13.7%, from HUF 1,367.2 billion to HUF 1,554.3 billion, in 2005 Q2. 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 142.5 billion. Rises in prices added HUF 44.6 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 187.1 billion in the period.

Measured at market value, households' holdings of mutual fund shares rose by HUF 158.5 billion in one quarter. The sector was a gross buyer to the tune of HUF 121.2 billion. Households registered a HUF 37.2 billion gain on their holdings. As a result, their percentage share of the market rose by HUF 1.2 percentage points.

Non-residents' existing holdings were up by HUF 2.7 billion, their share of total market holdings rising by 0.1 percentage point.

The financial corporate sector increased its holdings of mutual fund shares by HUF 20.7 billion. Each sub-sector saw its holdings rise. Other financial intermediaries' holdings increased the most strongly, by HUF 12.5 billion. As a result, their share of the market rose by 0.6 percentage points. Insurance corporations and pension funds were net sellers in the amount of HUF 1.8 billion. However, their holdings increased by HUF 3.8 billion as a result of their HUF 5.7 billion holding gain. Despite this, their share of the market of mutual fund shares fell by 0.9 percentage points.

Mutual fund shares held by non-financial corporations rose by HUF 19.5 billion to the end of June. However, their market share fell by 0.4 percentage points, due to their HUF 10.6 billion holding loss.

The general government sector's holdings of mutual fund shares were down by HUF 4.0 billion in Q2 relative to the previous quarter. This was accounted for mainly by a comparable fall in the local government sub-sector's holdings.

# Net asset value of mutual fund shares by holding sector

	Mutual fund shares						per cent
	2004				2005		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	9.0	9.0	9.3	8.2	8.0	7.6	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	2.5	2.3	2.3	1.9	1.5	1.6	
Other financial intermediaries (S. 123)	2.4	1.6	1.7	1.8	2.2	2.8	
Financial auxiliaries (S. 124)	0.1	0.2	0.2	0.1	0.1	0.1	
Insurance corporations and pension funds (S. 125)	11.2	12.4	12.7	11.4	10.1	9.2	
<b>Financial corporations (S. 12)</b>	16.2	16.5	17.0	15.3	14.0	13.6	
Central government (S. 1311)	0.1	0.1	0.1	0.1	0.1	0.1	
Local government (S. 1313)	2.0	1.9	2.0	1.6	1.7	1.2	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	2.1	2.0	2.1	1.6	1.8	1.3	
<b>Households (S. 14)</b>	70.7	70.6	69.5	73.2	74.7	75.9	
<b>Nonprofit institutions serving households (S. 15)</b>	0.9	0.9	1.0	0.8	1.0	0.9	
<b>Rest of the world (S. 2)</b>	1.1	1.0	1.1	0.9	0.6	0.7	
<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 institutional sectors) and 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](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 data before rounding. The sums of sub-totals may not add to total due to rounding.

**MAGYAR NEMZETI BANK**  
STATISTICS DEPARTMENT