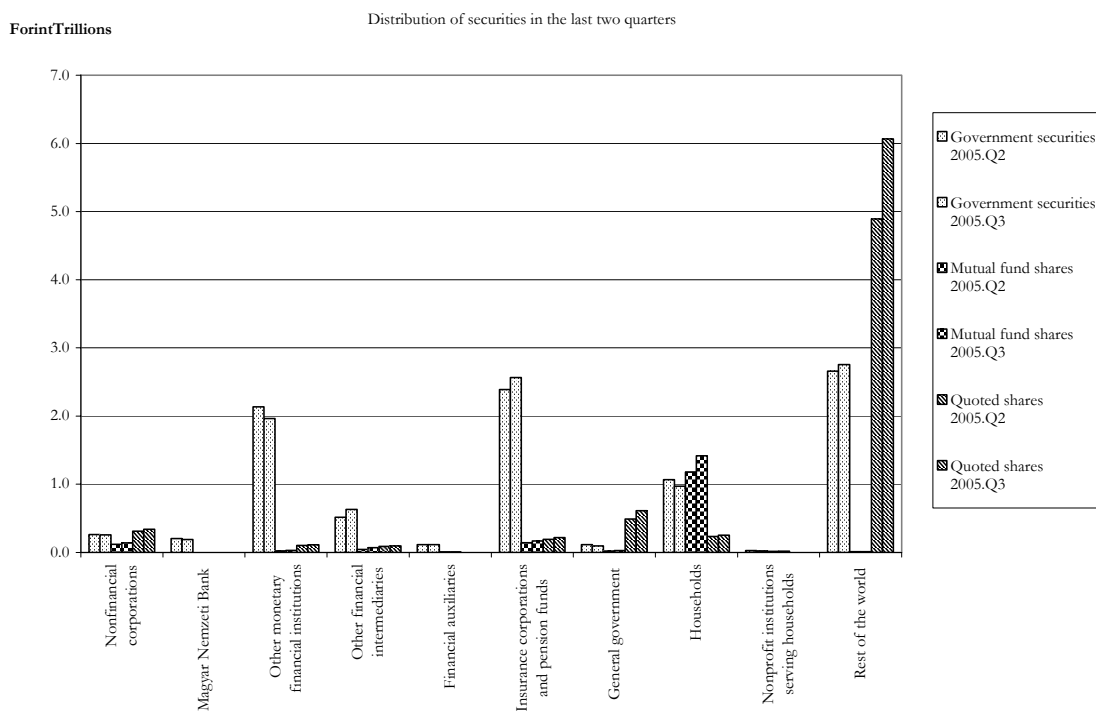


22 November 2005

PRESS RELEASE

Securities holdings by sector: 2005 Q3¹

The increase in insurance corporations and pension funds' government securities holdings, observed over the past several years, continued in 2005 Q3. The uninterrupted rise in non-residents' holdings for over a year also continued in the period under review, with a resulting increase in their market share. By contrast, household holdings and share of the market fell further, in line with earlier trends. Except the local government sub-sector, every major sector registered holding gains on their government securities portfolios. Purchases of quoted shares by non-residents were the highest in Q3 for over a year. Other sectors were net sellers. At more than 22% on average, every sector registered holding gains, similarly to the previous quarter. Calculated at market value, holdings of mutual fund shares outstanding in the market increased more strongly than in Q2. Households, and insurance corporations and pension funds registered the greatest price gains on their holdings of mutual fund shares. However, the increase in market holdings was accounted for mainly by an increase in the number of mutual fund 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 0.8% to HUF 9,566.1 billion in 2005 Q3. This was accounted for by an increase of 3.6 percentage points in the market value government bond holdings, as treasury bill holdings, calculated at market value, fell by 7.4 percentage points. Price gains accounted for HUF 108.4 billion of the increase in total holdings. By contrast, the outstanding amount of government paper fell by HUF 32.8 billion at nominal value. As a result of these developments, government securities holdings increased by HUF 75.8 billion in the period under review.

The market value of households' government securities holdings fell by HUF 94.6 billion in Q3. This was accounted for by net sales, as the sector registered a HUF 1.1 billion gain on its existing holdings. Calculated at market value, households' holdings of short-term government paper fell by HUF 93.6 billion, their holdings of government bonds remaining nearly unchanged (down HUF 1.0 billion). The sector's share of the government securities market has been falling slowly but steadily since early 2004.

Non-residents were net buyers of government debt securities to the tune of HUF 50.9 billion, following net selling in the previous quarter. The sector registered a HUF 45.0 billion holding gain. As a result of all these, non-residents' holdings rose by HUF 95.9 billion, so their percentage share of total government securities holdings increased to 28.8% at end-September 2005. As a noteworthy development, non-resident investors halved their short-term treasury bill holdings, and they mainly purchased longer-term government bonds.

Financial corporations' existing holdings of government securities increased by HUF 99.6 billion at market value in the review period. Their holdings rose mainly on account of holding gains to the tune of HUF 62.2 billion, although they also purchased a net purchased government paper in the amount of HUF 37.3 billion in the period. On balance, financial corporations' share of the government securities market increased from 56.5% to 57.1%. Government securities holdings of insurance corporations and pension funds rose by HUF 175.0 billion, continuing the upward trend observed over the past several years. This resulted in a 1.6 percentage point increase in their share of the market. Other monetary financial institutions' holdings fell by HUF 173.0 billion, as a result of which their market share edged down by 2.0 percentage points. Other financial intermediaries stepped up their holdings of government paper by HUF 114.1 billion, so their share of the market rose to 6.6%. The sector has increased its government securities holdings gradually over the past year, from HUF 365.1 billion in December 2004 to HUF 630.4 billion in September 2005.

Non-financial corporations' holdings of government securities declined further by HUF 4.6 billion to the end of Q3, extending the fall over the previous period of more than one year. This fall was explained by the sector's net sales. In consequence, non-financial corporations' share of government securities outstanding in the market fell by another 0.1 percentage point. The sector's share of the government securities market has shrunk to one-third since 1997.

The general government sector's holdings of government securities, calculated at market value, fell slightly in the period under review, due to net sales in the amount of HUF 16.1 billion. This was mainly accounted for by sales of government securities by the local government sub-sector.

² 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	Q3		
Nonfinancial corporations (S. 11)	4.8	4.1	3.9	3.3	3.0	2.8	2.7		
Magyar Nemzeti Bank (S. 121)	2.6	2.5	2.4	2.4	2.2	2.1	2.0		
Other monetary financial institutions (S. 122)	23.4	25.0	24.0	22.5	22.6	22.5	20.5		
Other financial intermediaries (S. 123)	3.8	4.9	4.4	4.1	4.6	5.4	6.6		
Financial auxiliaries (S. 124)	1.2	1.2	1.0	1.1	1.2	1.2	1.2		
Insurance corporations and pension funds (S. 125)	20.0	21.0	21.6	23.7	24.3	25.2	26.8		
Financial corporations (S. 12)	51.0	54.5	53.4	53.8	55.0	56.5	57.1		
Central government (S. 1311)	0.4	0.5	0.5	0.4	0.4	0.4	0.3		
Local government (S. 1313)	0.9	0.9	0.8	0.8	0.8	0.8	0.7		
Social security funds (S. 1314)	0.0	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	1.0		
Households (S. 14)	13.9	13.9	13.4	12.8	11.7	11.2	10.2		
Nonprofit institutions serving households (S. 15)	0.3	0.3	0.3	0.3	0.3	0.3	0.2		
Rest of the world (S. 2)	28.7	25.8	27.7	28.6	28.9	28.0	28.8		
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 1,387.4 billion (by 22.0%) in Q3, to a total HUF 7,695.1 billion at end-September. Market capitalisation of shares rose to a peak level in the period. As seen in the previous quarter, all of this increase in market capitalisation was due to price rises, amounting to HUF 1,400.6 billion. Two stocks were withdrawn³ from the BSE in the review period (their combined capitalisation amounted to HUF 21.3 billion); there were three capital increases and one capital reduction (which meant an increase of HUF 8.2 billion).

Sales of shares by households exceeded purchases by HUF 21.5 billion. Simultaneously with this, the sector registered a HUF 41.6 billion gain on its holdings of quoted shares, withdrawals from the market causing a decline of HUF 0.6 billion. On balance, the sector's holdings rose by HUF 19.5 billion in the period under review. Despite the increase, however, households directly held only 3.3% of all quoted shares.

Unlike in the previous quarter, non-resident investors were net buyers in Q3, in a significant amount of HUF 72.6 billion. In addition, the sector registered a HUF 1,099.6 billion holding gain in the period. As a combined effect of these, non-residents' holdings of quoted shares rose by HUF 1,171.5 billion, their percentage share of total holdings rising by 1.2 percentage points to 78.8% at end-September.

Financial corporations continued to be net sellers to the tune of HUF 36.2 billion in Q3. However, they registered a holding gain of HUF 81.7 billion, so their holdings rose by a total HUF 45.3 billion. The sector's percentage share of the total market edged down by 0.5 percentage point to 5.5% at end-Q3.

Unlike in the previous period, non-financial corporations were net sellers in Q3, in the amount of HUF 5.4 billion. The withdrawal of two stocks from the market caused a fall of HUF 19.8 billion. This contrasted with a price gain of HUF 54.9 billion, so the sector's total holdings rose by HUF 29.7 billion. However, its share of the market fell by 0.5 percentage points to 4.4%.

General government sold quoted shares in the net amount of HUF 1.4 billion. The sector registered a HUF 122.6 billion gain on its holdings. As a consequence, its total holdings increased by HUF 121.3 billion. The sector's percentage share of the market was up by 0.1 percentage point to 7.9% at the end of Q3.

³ The effects of delistings are not dealt with in each sector's case. However, the sum of data items in the analysis is slightly different from the exact change in a given sector's holdings.

Quoted shares held by institutional sectors

	Quoted shares per cent							
	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Nonfinancial corporations (S. 11)	6.9	7.7	7.2	4.0	4.1	4.9	4.4	
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	1.5	
Other financial intermediaries (S. 123)	1.5	1.6	1.4	1.6	1.5	1.4	1.2	
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	2.8	
Financial corporations (S. 12)	7.1	6.6	6.2	6.4	6.3	6.0	5.5	
Central government (S. 1311)	6.1	6.2	6.7	6.8	6.8	7.2	7.4	
Local government (S. 1313)	0.7	0.6	0.7	0.7	0.6	0.6	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)	6.8	6.8	7.3	7.5	7.4	7.8	7.9	
Households (S. 14)	4.3	4.4	4.0	4.1	3.9	3.7	3.3	
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)	74.9	74.4	75.3	78.0	78.3	77.6	78.8	
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 21.0%, from HUF 1,554.3 billion in Q2 to HUF 1,880.8 billion in Q3. The sectors' percentage shares continued to be 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 296.4 billion. Price rises added HUF 30.1 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 326.5 billion in the period.

Measured at market value, households' holdings of mutual fund shares rose by HUF 238.3 billion in one quarter. The sector was a net buyer to the tune of HUF 225.4 billion. In addition, households registered a HUF 12.9 billion gain on their holdings. Despite this, their percentage share of the market fell by HUF 0.5 percentage points.

Non-residents' existing holdings were up by HUF 1.2 billion; however, their share of total market holdings remained unchanged.

The financial corporate sector increased its holdings of mutual fund shares by HUF 56.4 billion. Each sub-sector saw its holdings rise. Other financial intermediaries' holdings increased the most strongly, by HUF 26.3 billion. As a result, their share of the market rose by 0.9 percentage points. Insurance corporations and pension funds increased their holdings by HUF 26.0 billion, as a result of a HUF 11.2 billion holding gain and a HUF 5.7 billion rise in their portfolio. Despite this, their share of the market of mutual fund shares fell by 0.3 percentage points.

Mutual fund shares held by non-financial corporations rose by HUF 22.0 billion to the end of September, mainly on account of purchases. In addition, they registered a HUF 0.6 billion holding gain. Despite the increase in holdings, their market share fell by 0.2 percentage points in the quarter.

The general government sector's holdings of mutual fund shares were up by HUF 6.2 billion in Q3 relative to the previous quarter. This was accounted for mainly by a HUF 5.9 billion increase in the local government sub-sector's holdings.

Net asset value of mutual fund shares by holding sector

per cent

	Mutual fund shares							
	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Nonfinancial corporations (S. 11)	9.0	9.0	9.3	8.2	8.0	7.6	7.4	
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)	2.5	2.3	2.3	1.9	1.5	1.6	1.5	
Other financial intermediaries (S. 123)	2.4	1.6	1.7	1.8	2.2	2.8	3.7	
Financial auxiliaries (S. 124)	0.1	0.2	0.2	0.1	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	8.9	
Financial corporations (S. 12)	16.2	16.5	17.0	15.3	14.0	13.6	14.2	
Central government (S. 1311)	0.1	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	1.3	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
General government (S. 13)	2.1	2.0	2.1	1.6	1.8	1.3	1.4	
Households (S. 14)	70.7	70.6	69.5	73.2	74.7	75.9	75.4	
Nonprofit institutions serving households (S. 15)	0.9	0.9	1.0	0.8	1.0	0.9	0.9	
Rest of the world (S. 2)	1.1	1.0	1.1	0.9	0.6	0.7	0.7	
Total	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 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) 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.
- 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.

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STATISTICS DEPARTMENT