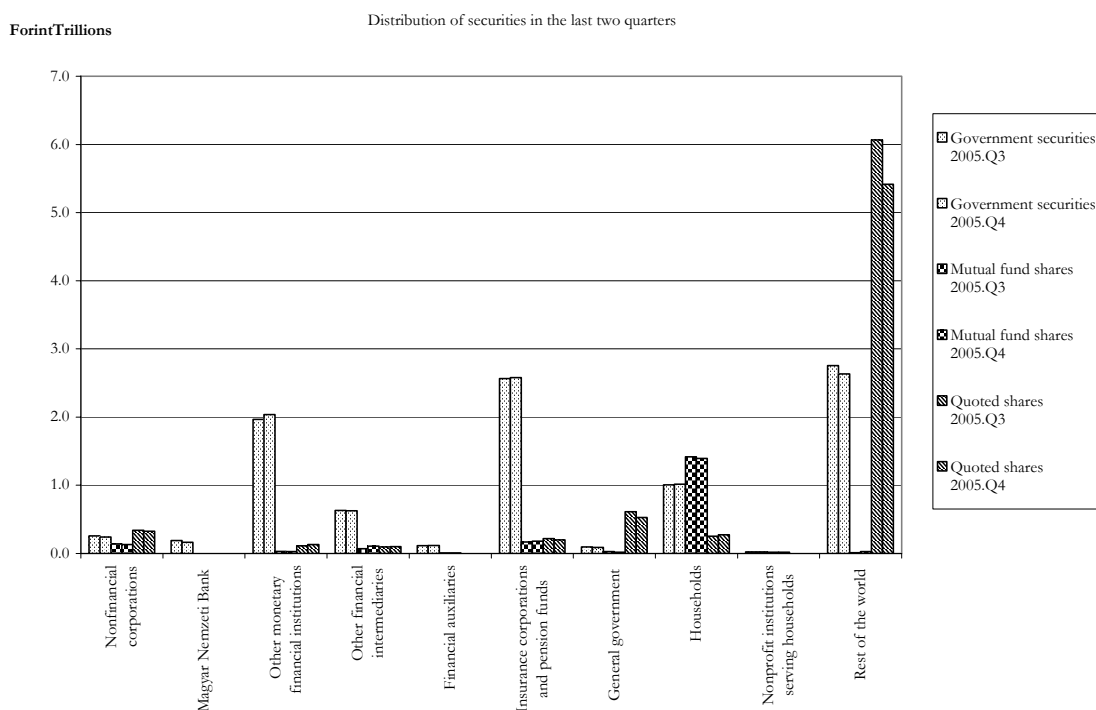


22 February 2006

PRESS RELEASE

Securities holdings by sector: 2005 Q4¹

In 2005 Q4, the most notable development in the Hungarian government securities market was the fall in non-residents' holdings and percentage share of the market. In contrast with this, other monetary financial institutions, i.e. credit institutions collectively, increased both their holdings and percentage share of the market. As has been the case in the past few years, the rise in insurance corporations and pension funds' government securities holdings continued uninterrupted in 2005 Q4. And, if this upward trend were to continue, the sector might soon become the most important participant of the market. In the market of quoted shares, the undisturbed increase in the outstanding total, observed since mid-2003, was reversed and, as a consequence of declines in the prices of leading stocks, market capitalisation fell. Households stepped up their holdings. Financial and non-financial corporations were also net buyers. Non-residents sold considerable amounts of quoted shares. The general government sector was also a net seller, due to the disposal of the state's equity participation in one firm. Every major sector registered holding gains on their holdings of government securities and shares. Households were net sellers of mutual fund shares in Q4, in contrast with other financial intermediaries, which were net buyers. On balance, households' holdings as a percentage of mutual fund shares outstanding in the market fell back to the previous year's level.



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

Government securities

Measured at market value, Hungarian government debt securities holdings² fell by 0.8% to HUF 9,525.5 billion in 2005 Q4. This was accounted for by a decline of 3.8 percentage points in the market value of treasury bill holdings, as government bond holdings, calculated at market value, were little changed on the quarter. The fall in government securities prices reduced total holdings by HUF 205.0 billion. This was in contrast with the HUF 127.4 billion increase in the outstanding amount of government paper at nominal value. As a result of these contrasting developments, government securities holdings fell by HUF 77.5 billion in the period under review.

The market value of households' government securities holdings rose by HUF 9.4 billion in Q4. This was accounted for by net purchases, as the sector registered a HUF 4.6 billion loss on its existing holdings. While households' holdings of government bonds fell by HUF 5.7 billion, their holdings of short-term government paper, calculated at market value, rose by HUF 15.1 billion by the end of the year. The gradual decline in the sector's share of the government securities market since early 2004 was reversed, with a slight increase of 0.2 percentage points.

Non-residents were net sellers of government debt securities to the tune of HUF 43.0 billion, following net purchases in the previous quarter. The sector registered a HUF 78.7 billion holding loss. As a result, non-residents' holdings fell by HUF 121.7 billion, so their percentage share of total government securities holdings declined to 27.7% by end-December 2005. As a noteworthy development, non-resident investors reduced their short-term treasury bill holdings nearly to one-third, in addition to scaling back their longer-term government bond holdings by HUF 102.4 billion.

Financial corporations' holdings of government securities increased by another HUF 60.0 billion at market value in the review period. Their holdings rose mainly on account of net purchases to the tune of HUF 179.3 billion. In addition, holding losses in the amount of HUF 119.2 billion reduced the market value of government paper held by the sector. On balance, financial corporations' share of the government securities market increased from 56.9% to 58.0%. Government securities holdings of insurance corporations and pension funds rose by HUF 14.1 billion, continuing the upward trend over the past few years. This resulted in a 0.4 percentage point increase in their share of the market. As a consequence of the rise in importance of insurance corporations and pension funds, at end-2005 their market share was nearly comparable with that of non-residents, being the most important sector of the government securities market. Other monetary financial institutions' holdings increased by HUF 72.1 billion, as a result of which their market share edged up by 0.9 percentage points.

Non-financial corporations' holdings of government securities declined further by HUF 14.7 billion in Q4, extending the fall over the previous period of more than one year. This fall was mainly accounted for the sector's net sales. In consequence, non-financial corporations' share of government securities outstanding in the market fell by another 0.2 percentage points. 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 10.0 billion. This by sales of government securities by the local government sub-sector to the tune of HUF 1.3 billion.

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						percent
	2004		2005				
	Q3	Q4	Q1	Q2	Q3	Q4	
Nonfinancial corporations (S. 11)	3.9	3.3	3.0	2.8	2.7	2.5	
Magyar Nemzeti Bank (S. 121)	2.4	2.4	2.2	2.1	2.0	1.7	
Other monetary financial institutions (S. 122)	24.0	22.5	22.6	22.5	20.5	21.4	
Other financial intermediaries (S. 123)	4.4	4.1	4.6	5.4	6.6	6.6	
Financial auxiliaries (S. 124)	1.0	1.1	1.2	1.2	1.2	1.2	
Insurance corporations and pension funds (S. 125)	21.6	23.7	24.3	25.2	26.7	27.1	
Financial corporations (S. 12)	53.4	53.8	55.0	56.5	56.9	58.0	
Central government (S. 1311)	0.5	0.4	0.4	0.4	0.3	0.4	
Local government (S. 1313)	0.8	0.8	0.8	0.8	0.7	0.5	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
General government (S. 13)	1.3	1.2	1.2	1.2	1.0	0.9	
Households (S. 14)	13.4	12.8	11.7	11.2	10.5	10.7	
Nonprofit institutions serving households (S. 15)	0.3	0.3	0.3	0.3	0.2	0.2	
Rest of the world (S. 2)	27.7	28.6	28.9	28.0	28.7	27.7	
Total	100.0	100.0	100.0	100.0	100.0	100.0	

Quoted shares

The market value of quoted share holdings fell by HUF 723.1 billion (by 9.4%) in Q4, to a total HUF 6,972.0 billion at end-December.³ This followed an increase of HUF 1,387.4 billion in Q3. The fall in market capitalisation of shares was accounted for by price declines, the effect of which amounted to HUF 725.8 billion. One issue of stock was made on the BSE in the review period, its capitalisation amounting to HUF 8.4 billion; and there was one capital increase, which contributed some HUF 0.1 billion.

After continuous sales for a year, households were net buyers to the tune of HUF 44.3 billion in the quarter. Drawings under employee stock ownership programmes, introduced by some firms, accounted for most of this increase. Simultaneously with this, the sector registered a HUF 23.6 billion loss on its holdings of quoted shares, the issue of one stock causing an increase of HUF 1.0 billion. On balance, the sector's holdings rose by HUF 21.7 billion in the period under review. At end-December, households directly held only 3.9% of all quoted shares.

Unlike in the previous quarter, non-resident investors were net sellers in Q4, in the amount of HUF 64.3 billion. In addition, the sector registered a HUF 584.8 billion holding loss. As a combined effect of these, non-residents' holdings of quoted shares fell by HUF 648.1 billion, with their percentage share of total holdings falling by 1.1 percentage points to 78.8%.

Financial corporations were net buyers to the tune of HUF 50.4 billion in Q4. However, they registered a holding loss of HUF 46.9 billion. Their holdings rose by HUF 0.6 billion, due to the stock issue, discussed above. As a result, the amount of quoted shares held by the sector rose by HUF 4.1 billion; and its percentage share of the market increased by 0.7 percentage points to 6.2% in the period under review.

Unlike in the previous period, non-financial corporations were net buyers in Q4, in the amount of HUF 15.4 billion. The fall in prices reduced their holdings by HUF 31.0 billion. As a result, the sector's total holdings fell by HUF 15.6 billion; however, its share of the market rose by 0.3 percentage points to 4.7%.

³ In this press release, the value of market capitalisation differs from the data provided by the Budapest Stock Exchange, due to the delay in the listing of shares of one firm quoted on the market.

General government sold quoted shares in the net amount of HUF 45.7 billion (mostly the stocks of one company). The sector registered a HUF 39.5 billion loss on its holdings. As a consequence, its total holdings fell by HUF 85.2 billion; and its percentage share of the market was down by 0.4 percentage point to 7.5% at the end of 2005.

Quoted shares held by institutional sectors

	Quoted shares						percent
	2004		2005				
	Q3	Q4	Q1	Q2	Q3	Q4	
Nonfinancial corporations (S. 11)	7.2	4.0	4.1	4.9	4.4	4.7	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	1.5	1.6	1.8	1.6	1.5	1.9	
Other financial intermediaries (S. 123)	1.4	1.6	1.5	1.4	1.2	1.4	
Financial auxiliaries (S. 124)	0.0	0.0	0.0	0.0	0.0	0.0	
Insurance corporations and pension funds (S. 125)	3.3	3.3	3.0	3.0	2.8	2.8	
Financial corporations (S. 12)	6.2	6.4	6.3	6.0	5.5	6.2	
Central government (S. 1311)	6.7	6.8	6.8	7.2	7.4	6.9	
Local government (S. 1313)	0.7	0.7	0.6	0.6	0.6	0.7	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
General government (S. 13)	7.3	7.5	7.4	7.8	7.9	7.5	
Households (S. 14)	4.0	4.1	3.9	3.7	3.3	3.9	
Nonprofit institutions serving households (S. 15)	0.0	0.0	0.0	0.0	0.0	0.0	
Rest of the world (S. 2)	75.3	78.0	78.3	77.6	78.8	77.7	
Total	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 1.1%, from HUF 1,880.8 billion in Q3 to HUF 1,902.0 billion in Q4. 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 19.5 billion. Price rises added HUF 1.7 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 21.2 billion in the period.

Measured at market value, households' holdings of mutual fund shares fell by HUF 23.4 billion in one quarter. The sector's investments fell for the first time since 2004 Q1. Households were net sellers to the tune of HUF 22.4 billion. In addition, they registered a HUF 1.0 billion loss on their holdings. As a combined effect, their percentage share of the market fell by 2.1 percentage points relative to Q3.

Non-residents' existing holdings doubled in the quarter, rising to HUF 27.2 billion. Consequently, their share of total market holdings rose by 0.7 percentage points.

The financial corporate sector increased its holdings of mutual fund shares by HUF 49.1 billion. Each sub-sector stepped up its holdings, except other MFIs, i.e. credit institutions collectively. Other financial intermediaries' holdings increased the most strongly, by HUF 37.5 billion. Insurance corporations and pension funds increased their holdings by HUF 11.1 billion, as a result of a HUF 10.6 billion holding gain and a HUF 0.5 billion rise in their portfolio. On balance, their share of the market of mutual fund shares rose by 0.5 percentage points.

Mutual fund shares held by non-financial corporations fell by HUF 10.1 billion in the period, due exclusively to transactions. As a result of this change in holdings, their market share fell by 0.6 percentage points, even though the total amount of mutual fund shares held by the sector had been rising continuously since 2004 Q2.

The general government sector's holdings of mutual fund shares were down by HUF 9.2 billion in Q4 relative to the previous quarter. This was accounted for mainly by a fall in the local government sub-sector's holdings due to transactions.

Net asset value of mutual fund shares by holding sector

percent

	Mutual fund shares					
	2004		2005			
	Q3	Q4	Q1	Q2	Q3	Q4
Nonfinancial corporations (S. 11)	8.2	8.2	8.0	7.6	7.4	6.8
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0
Other monetary financial institutions (S. 122)	2.1	1.9	1.5	1.6	1.5	1.4
Other financial intermediaries (S. 123)	1.9	1.8	2.2	2.8	3.7	5.6
Financial auxiliaries (S. 124)	0.2	0.1	0.1	0.1	0.1	0.2
Insurance corporations and pension funds (S. 125)	12.3	11.4	10.1	9.2	8.9	9.4
Financial corporations (S. 12)	16.5	15.3	14.0	13.6	14.2	16.7
Central government (S. 1311)	0.1	0.1	0.1	0.1	0.1	0.1
Local government (S. 1313)	1.7	1.6	1.7	1.2	1.3	0.8
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0
General government (S. 13)	1.8	1.6	1.8	1.3	1.4	0.9
Households (S. 14)	71.5	73.2	74.7	75.9	75.4	73.3
Nonprofit institutions serving households (S. 15)	0.9	0.8	1.0	0.9	0.9	0.9
Rest of the world (S. 2)	1.1	0.9	0.6	0.7	0.7	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

* * * * *

Methodological notes to the press release and tables:

- 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 stock 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.

MAGYAR NEMZETI BANK
STATISTICS DEPARTMENT