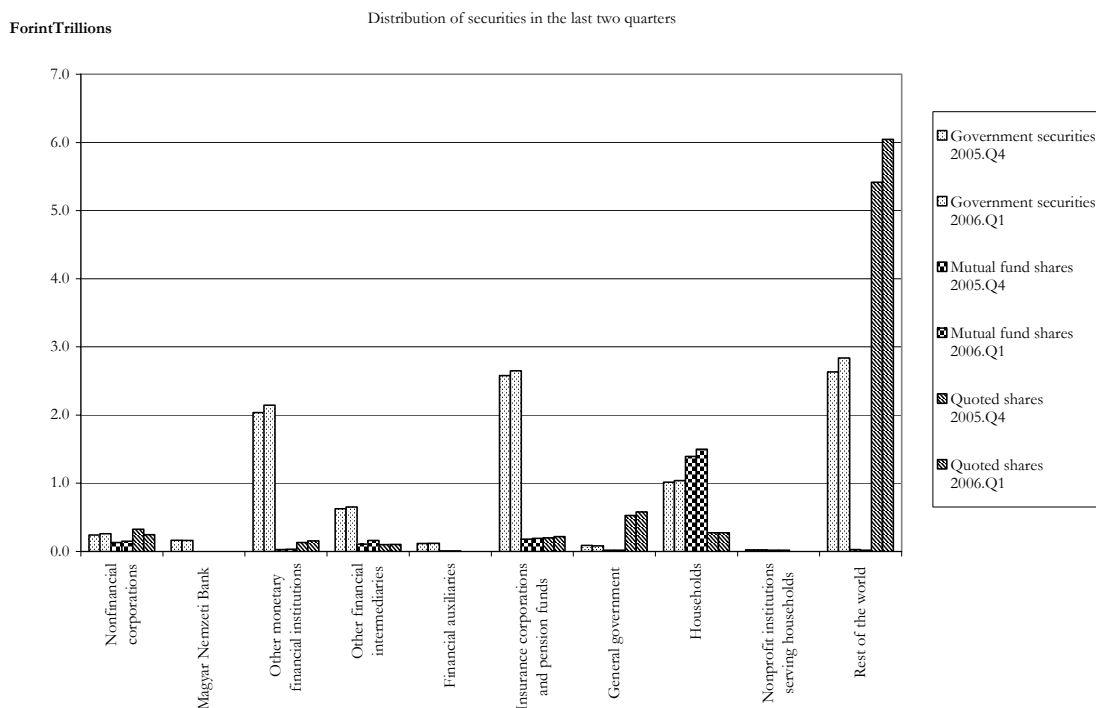


22 May 2006

PRESS RELEASE

Securities holdings by sector: 2006 Q1¹

In 2006 Q1, the most notable development in the Hungarian government securities market was the slight drop in the market shares of insurance corporations and pension funds, and households. This was in contrast with the increase in non-residents' share of the market. As has been the case in the past few years, the steady rise in insurance corporations and pension funds' government securities holdings continued in Q1; however, this rise was smaller than that in total government securities holdings, as a result of which the sector's market share fell for the first time in three years. Every major sector registered price losses on their holdings of government securities. In the market of quoted shares, the rise in share prices of leading stocks led to a significant increase in market capitalisation. Households and non-financial corporations reduced their holdings, while non-residents stepped up theirs. Holdings of financial corporations and general government also rose. Every holding sector registered price gains on their holdings of quoted shares. In the market of mutual fund shares, the household sector and other financial intermediaries purchased significant amounts. Households' holdings as a proportion of mutual fund shares outstanding in the market fell back to their 18-month earlier level.



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

Government securities

Measured at market value, Hungarian government debt securities holdings² rose by 4.6% to HUF 9,967.6 billion in 2006 Q1. This was accounted for mainly by an increase of 12.1 percentage points in treasury bill holdings. In addition, government bond holdings, calculated at market value, rose by 2.9 percentage points in the quarter. The fall in government securities prices reduced total holdings by HUF 53.9 billion. This was in contrast with the HUF 493.7 billion increase in the outstanding amount of government paper at nominal value. As a result of these contrasting developments, government securities holdings rose by HUF 439.8 billion in the period under review. The only MNB bill outstanding in the market matured in 2006 Q1.

The market value of households' government securities holdings rose by HUF 21.8 billion in Q1. This was accounted for by net purchases, as the sector registered a HUF 2.0 billion loss on its portfolio. Households' holdings of government bonds and short-term government paper, calculated at market value, rose by HUF 12.6 billion and HUF 9.1 billion respectively. Following the rise in 2005 Q4, the fall in the sector's share of the government securities market since early 2004 continued: its holdings were 10.4% of the total at end-March.

Following net sales in the previous quarter, non-residents were net buyers of government debt securities to the tune of HUF 222.3 billion. The sector registered a HUF 18.8 billion holding loss on its portfolio. As a result, its holdings increased by HUF 203.4 billion, with its percentage share of total government securities holdings rising by 0.8 percentage points to 28.5% by end-March. Non-resident investors continued to reduce their short-term treasury bill holdings, the value of which thus falling to less than one-third of its three quarters earlier level.

Financial corporations' holdings of government securities increased by HUF 201.4 billion at market value. Their holdings rose mainly on account of net purchases worth HUF 233.6 billion. Holding losses in the amount of HUF 32.2 billion reduced the market value of government paper held by the sector. Despite the purchases, financial corporations' share of the government securities market dropped back from 58.0% to 57.4%. Government securities holdings of insurance corporations and pension funds rose by HUF 70.8 billion, continuing the upward trend over the past several years. However, for the first time in three years, their share of the market fell by 0.5 percentage points. Other monetary financial institutions' holdings increased by HUF 103.0 billion, as a result of which their market share edged up by 0.1 percentage point.

Non-financial corporations' holdings of government securities rose by HUF 16.7 billion in Q1, reversing the fall over the previous period of more than one year. This was mainly accounted for by the sector's net purchases. In consequence, non-financial corporations' share of government securities outstanding in the market rose by 0.1 percentage point.

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 4.4 billion. This was the result of sales of government securities by the local and central government sub-sectors to the tune of HUF 3.5 billion and HUF 1.0 billion respectively.

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				2006	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Nonfinancial corporations (S. 11)	3.9	3.3	3.0	2.8	2.7	2.5	2.6	
Magyar Nemzeti Bank (S. 121)	2.4	2.4	2.2	2.1	2.0	1.7	1.6	
Other monetary financial institutions (S. 122)	24.0	22.5	22.6	22.5	20.5	21.4	21.5	
Other financial intermediaries (S. 123)	4.4	4.1	4.6	5.4	6.6	6.6	6.5	
Financial auxiliaries (S. 124)	1.0	1.1	1.2	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	26.6	
Financial corporations (S. 12)	53.4	53.8	55.0	56.5	56.9	58.0	57.4	
Central government (S. 1311)	0.5	0.4	0.4	0.4	0.3	0.4	0.3	
Local government (S. 1313)	0.8	0.8	0.8	0.8	0.7	0.5	0.5	
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	1.2	1.2	1.2	1.0	0.9	0.8	
Households (S. 14)	13.4	12.8	11.7	11.2	10.5	10.7	10.4	
Nonprofit institutions serving households (S. 15)	0.3	0.3	0.3	0.3	0.2	0.2	0.2	
Rest of the world (S. 2)	27.7	28.6	28.9	28.0	28.7	27.7	28.5	
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 by HUF 646.4 billion (by some 9.3%) in Q1, to a total HUF 7,618.4 billion at end-March.³ This followed a decline of HUF 723.1 billion in 2005 Q4. The increase in market capitalisation of shares was accounted for by price rises, the effect of which amounted to HUF 708.8 billion. One stock was delisted on the BSE in the amount of HUF 61.6 billion; and two capital reductions were implemented, with a combined negative contribution of HUF 0.2 billion.

Households were net sellers to the tune of HUF 26.4 billion in the quarter. Simultaneously with this, the sector registered a HUF 29.4 billion gain on its holdings of quoted shares, the deslisting of one stock causing a decrease of HUF 1.9 billion. On balance, the sector's holdings rose by some HUF 1.1 billion in the period under review. At end-March, households directly held 3.6% of all quoted shares. That figure was down 0.3 percentage points on 2005 Q4.

Non-resident investors were net buyers in the amount of HUF 128.9 billion. In addition, they registered a HUF 545.4 billion holding gain. Taking account of the HUF 47.2 billion fall caused by the delisting of one stock, non-residents' holdings of quoted shares rose by HUF 627.0 billion. Here, the sales of its own shares by a non-financial company (MOL Rt.) accounted for HUF 134.2 billion. On balance, the sector's percentage share of total holdings rose by 1.6 percentage points to 79.3% in Q1.

Financial corporations were net buyers to the tune of HUF 0.4 billion in Q1. They registered a HUF 45.2 billion holding gain. The value of their holdings fell by HUF 1.1 billion, due to the delisting of stock, discussed above. As a result, the amount of quoted shares held by the sector rose by HUF 44.5 billion; and its percentage share of the market remained unchanged at 6.2%.

Unlike in the previous period, non-financial corporations purchased a net HUF 103.1 billion in Q1. Price gains added HUF 24.2 billion to the value of their holdings. Eliminating the effect of the transaction by MOL, noted earlier, all other firms comprising the sector were net buyers. The delisting caused a decrease of HUF 11.4 billion. As a combined result, the sector's total holdings fell by HUF 90.3 billion, and its share of the market fell by 1.6 percentage points to 3.1%.

³ In this press release, the value of market capitalisation differs from the data provided by the Budapest Stock Exchange, due to the delays in the listing of shares of one firm and in the delisting of those of another.

General government purchased quoted shares in the net amount of HUF 0.2 billion. The sector registered a HUF 63.7 billion price gain on its holdings. As a consequence, its total holdings rose by HUF 63.9 billion; and its percentage share of the market was 3.6% at end-March.

Quoted shares held by institutional sectors

	Quoted shares							percent
	2004		2005				2006	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Nonfinancial corporations (S. 11)	7.2	4.0	4.1	4.9	4.4	4.7	3.1	
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)	1.5	1.6	1.8	1.6	1.5	1.9	2.0	
Other financial intermediaries (S. 123)	1.4	1.6	1.5	1.4	1.2	1.4	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)	3.3	3.3	3.0	3.0	2.8	2.8	2.9	
Financial corporations (S. 12)	6.2	6.4	6.3	6.0	5.5	6.2	6.2	
Central government (S. 1311)	6.7	6.8	6.8	7.2	7.4	6.9	7.1	
Local government (S. 1313)	0.7	0.7	0.6	0.6	0.6	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)	7.3	7.5	7.4	7.8	7.9	7.5	7.7	
Households (S. 14)	4.0	4.1	3.9	3.7	3.3	3.9	3.6	
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)	75.3	78.0	78.3	77.6	78.8	77.7	79.3	
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 10.5%, from HUF 1,889.5 billion in to HUF 2,087.2 billion in 2006 Q1. 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 worth HUF 187.8 billion. Price rises added HUF 9.9 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 197.7 billion.

Measured at market value, households' holdings of mutual fund shares rose by HUF 105.4 billion in Q1, compared with a HUF 25.8 billion fall in 2005 Q4. Nevertheless, the increase in the review period remained below the average of 2005 (HUF 152.5 billion). Households were net buyers to the tune of HUF 106.2 billion. In addition, they registered a HUF 1.0 billion gain on their holdings. As a combined effect, their percentage share of the market fell by 1.9 percentage points relative to 2005 Q4.

Non-residents' existing holdings rose slightly, by HUF 1.7 billion in the quarter. However, their share of total market holdings remained unchanged.

The financial corporate sector increased its holdings of mutual fund shares by HUF 69.6 billion, the largest quarterly increase over the period since the launch of releases on mutual fund share statistics. The sector's share of total market holdings increased by 1.7 percentage points, reaching 18.5%. Each sub-sector stepped up its holdings, except financial auxiliaries. Similarly to earlier periods, other financial intermediaries stepped up their purchases the most, by HUF 54.1 billion, with their share of the total rising by 2 percentage points. Most of this increase was accounted for by transactions. Insurance corporations and pension funds increased their holdings by HUF 12.8 billion, as a result of a HUF 8.4 billion holding gain and a HUF 4.3 billion rise in their portfolio. Nevertheless, their share of the market fell by 0.3 percentage points.

Mutual fund shares held by non-financial corporations rose to HUF 149.1 billion in the period, the highest amount to date. The sub-sector doubled its holdings over a period of 18 months. This change in holdings was explained by transactions and negative revaluations worth HUF 20.5 billion and HUF 1.3 billion respectively. Non-financial corporations' market share rose by 0.3 percentage points to 7.1% in the period.

The general government sector's holdings of mutual fund shares were up by HUF 1.7 billion in Q1 relative to the previous quarter. This was accounted for mainly by a rise in the local government sub-sector's holdings due to transactions.

Net asset value of mutual fund shares by holding sector

	Mutual fund shares							percent
	2004		2005				2006	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Nonfinancial corporations (S. 11)	8.2	8.2	8.0	7.6	7.4	6.9	7.1	
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)	2.1	1.9	1.5	1.6	1.5	1.5	1.5	
Other financial intermediaries (S. 123)	1.9	1.8	2.2	2.8	3.7	5.7	7.7	
Financial auxiliaries (S. 124)	0.2	0.1	0.1	0.1	0.1	0.2	0.1	
Insurance corporations and pension funds (S. 125)	12.3	11.4	10.1	9.2	8.9	9.5	9.2	
Financial corporations (S. 12)	16.5	15.3	14.0	13.6	14.2	16.8	18.5	
Central government (S. 1311)	0.1	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	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)	1.8	1.6	1.8	1.3	1.4	0.9	0.9	
Households (S. 14)	71.5	73.2	74.7	75.9	75.4	73.7	71.8	
Nonprofit institutions serving households (S. 15)	0.9	0.8	1.0	0.9	0.9	0.9	0.8	
Rest of the world (S. 2)	1.1	0.9	0.6	0.7	0.7	0.9	0.9	
Total	100.0	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 amount 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.
- 5 In line with the revisions policy of securities statistics, data on mutual fund shares for 2005 have been revised.

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