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## PRESS RELEASE

### Distribution of securities holdings by sector 2001 Q1

*In 2001 Q1, non-residents stopped maintaining their net selling position in exchange-traded shares which lasted for the previous three quarters. There were no significant shifts in the percentage shares accounted for by the various institutional sectors during the period under review. Holdings of government securities by credit institutions grew considerably, but those of non-financial corporations experienced only a moderate increase, with a further rise in the percentage share that non-residents accounted for. The role of the National Bank of Hungary in the government securities market fell significantly.*

#### Government securities

The outstanding total of Hungarian government debt securities,<sup>1</sup> measured at market value, rose by 7.4% in 2001 Q1 relative to the previous quarter. That increase was mostly accounted for by the 43.2% surge in the outstanding total of NBH bonds; however, market holdings of government debt securities and treasury bills both rose significantly as well, by 3.2% and 5% respectively.

The market value households' government securities holdings rose by Ft 52.5 billion. The sector's share of the government securities market, however, remained around 16% in the period under review.

Non-resident holdings of government debt securities rose by Ft 88.1 billion, so the sector's percentage share of total holdings rose near to 16%.

Financial corporations increased their holdings of government paper by Ft 151.5 billion. Here, the percentage share of the NBH fell significantly, by 4.6 percentage points, in contrast with that of credit institutions, which rose by a considerable 3.4 percentage points. This was due primarily to credit institutions selling government securities to absorb the ample supply of liquidity caused by the Bank's move to lower the reserve ratio during the first quarter. The percentage shares of insurance companies, pension funds, investment funds and other financial corporations were little changed in comparison with the previous quarter.

Non-financial corporations' holdings of government securities resumed rising after the pause in 2000 Q4. The increase during the period amounted to Ft 48.4 billion, so the sector's percentage share of total holdings stood at 6.8%.

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<sup>1</sup> Government securities comprise domestically issued forint denominated government bonds, treasury bills and domestic currency bonds issued by the NBH.

The share of general government as a percentage of total market holdings rose from 2.3% to 2.7% in Q1, mainly on account of an increase in local authorities' holdings of government securities.

Non-profit institutions serving households continued to account for a stable percentage share 0.8% for several quarters.

#### Distribution of Government Securities Holdings by Sector

per cent

	Government Securities Total									
	1998	1999				2000				2001
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March
<b>Non-financial corporations</b>	8.2	8.5	8.7	10.0	7.9	6.6	7.3	7.8	6.3	6.8
Central bank	10.8	11.8	11.6	10.8	10.7	9.4	8.7	7.9	8.0	3.4
Credit institutions	33.4	28.4	26.8	24.2	22.9	22.1	22.6	22.8	23.1	26.5
Investment funds	7.3	8.4	8.4	9.1	8.6	9.4	9.6	9.9	9.3	9.4
Insurance companies, pension funds	11.1	12.3	13.4	14.1	15.5	15.5	15.8	15.8	16.6	16.5
Other financial corporations	2.2	2.9	2.4	2.0	1.9	2.3	2.2	2.5	2.3	2.2
<b>Total financial corporations</b>	64.8	63.8	62.6	60.2	59.5	58.7	58.9	58.9	59.3	58.0
Local government	2.7	3.2	3.0	3.1	2.7	3.0	2.9	2.9	2.2	2.6
Other general government	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
<b>Total general government</b>	2.9	3.2	3.1	3.2	2.8	3.1	2.9	2.9	2.3	2.7
<b>Households</b>	14.9	15.6	15.9	16.8	17.5	16.4	16.6	15.7	16.1	15.9
NPIs serving households	1.3	0.6	1.1	1.1	1.1	1.0	0.7	0.8	0.7	0.8
<b>Rest of the world</b>	8.0	8.3	8.6	8.7	11.2	14.2	13.6	13.9	15.3	15.8
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

#### Exchange-traded shares

Following a decline of Ft 284 billion in the previous quarter, market capitalisation of shares fell by another Ft 645 billion in the period under review, to Ft 2,750 billion.<sup>2</sup> That drop was partly attributable to the fall in share prices, given that holding losses amounted to Ft 645 billion, while the net contribution to market capitalisation of capital enlargements and de-listings on the BSE did not change materially the value of total holdings.

Net sales of shares by households amounted to Ft 6 billion, following Ft 1 billion in the previous quarter. The sector's holdings of shares fell by Ft 72 billion in the period, mainly due to a more than Ft 50 billion holding loss, in addition to the correction of misreported data, which has been recorded as other change in volume.<sup>3</sup> At the end of the first quarter, total holdings by the households sector amounted to Ft 7.3% as a percentage of market holdings.

Non-resident investors' holdings fell by Ft 467 billion in 2001 Q1, to 70.3% at the end of March, the decline in their percentage share of total holdings which started in 2000 Q2 continuing. The Ft 471 billion holding loss and the Ft 5 billion fall in holdings due to de-listing of shares was only slightly offset by the fact that, for the first time since 1999 Q4, non-residents took a net buying position – they purchased Ft 9 billion more shares than they sold.

<sup>2</sup> The value of shares, not introduced to the market during the period despite the capital enlargement, was nearly Ft 4 billion. So the value of total holdings, as shown in this press release, is higher by the same amount than that reported by the BSE.

<sup>3</sup> The counterpart of this volume change has affected the value of holdings by non-financial corporations.

Holdings of exchange-traded shares by the financial corporations sector fell by Ft 13 billion, as a result of net purchases in the amount of Ft 22 billion and a Ft 36 billion holding loss. The sector's proportion to total holdings rose from 6.1% at end-2000 to 7.1% at the end of March 2001. The percentage shares of insurance companies and funds increased further in the period, to stand more than 3% higher at the end of the quarter.

The stable increase in NFCs' holdings stalled in the first quarter of 2001, their holdings as a percentage of the total being 6.6% towards the end of the period.

Existing holdings of the general government sector rose from to 8.3% to 8.6%.

#### Exchange-traded shares held by institutional sectors

	Exchange-traded shares										per cent
	1998	1999				2000				2001	
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	
<b>Non-financial corporations</b>	2.7	2.9	3.1	3.2	3.8	4.1	5.0	5.7	6.7	6.6	
<b>Credit institutions</b>	0.6	0.8	0.8	0.7	0.6	0.6	0.8	1.1	1.2	2.1	
<b>Investment funds</b>	1.0	0.8	0.6	0.6	0.5	0.5	0.6	0.8	1.1	1.0	
<b>Insurance companies, pension funds</b>	1.7	1.6	1.3	1.1	1.3	1.2	1.6	2.1	2.6	3.1	
<b>Other financial corporations</b>	1.4	1.7	1.6	1.3	1.5	0.7	0.8	1.0	1.2	0.8	
<b>Total financial corporations</b>	4.7	5.0	4.4	3.8	3.9	3.0	3.8	5.0	6.1	7.1	
<b>Local government</b>	0.9	1.0	1.1	0.9	0.8	0.6	0.7	0.6	0.7	0.8	
<b>Other general government</b>	10.6	11.3	9.1	8.1	6.3	6.8	6.0	7.0	7.5	7.8	
<b>Total general government</b>	11.5	12.3	10.2	9.0	7.1	7.4	6.6	7.6	8.3	8.6	
<b>Households</b>	10.2	8.8	7.4	6.9	5.9	5.4	6.7	7.9	8.0	7.3	
<b>NPIs serving households</b>	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	
<b>Rest of the world</b>	70.9	70.9	74.9	77.0	79.2	80.0	77.7	73.7	70.7	70.3	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

#### Investment fund certificates

The outstanding total of investment fund certificates, measured at net asset value, rose by 3.1% in 2001 Q1.

There continued to be only modest changes in the percentage shares of the individual institutional sectors – a slight decrease in that of households contrasted with a moderate rise in that of the other sectors.