

PRESS RELEASE

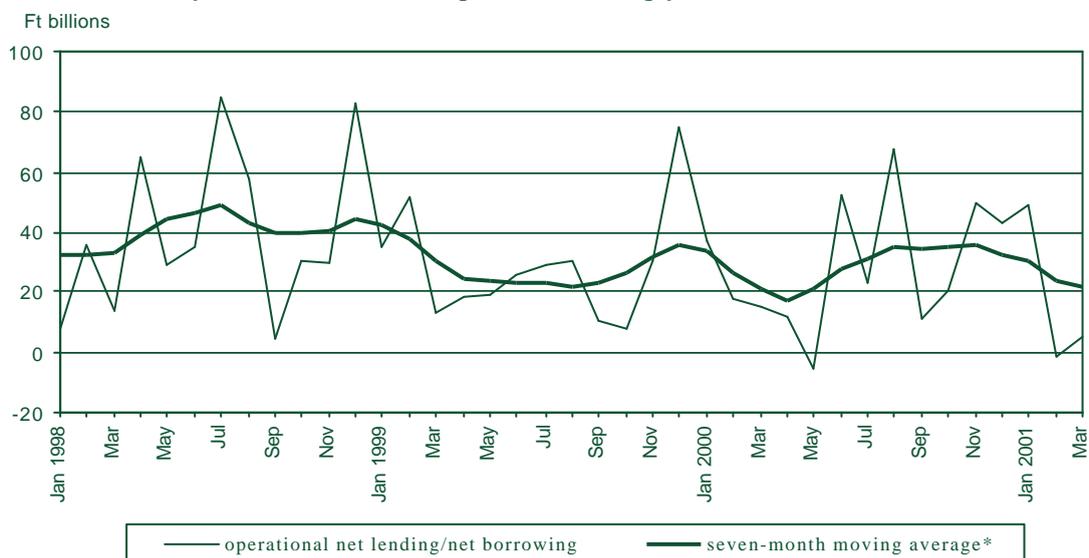
Net lending of households

March 2001 (preliminary)

In March and the first quarter of 2001, the value of households' operational net lending,¹ or inflation-adjusted savings, was lower than in the comparable periods of a year ago. The increases in holdings of cash and government securities as well as in flows into life and pension insurance schemes were significant. By contrast, the value of deposits rose only on account of compensation for inflation incorporated in interest. Net borrowing by the household sector climbed back to the broad monthly average of last year, following modest increases in borrowing demand in January–February.

According to the preliminary data, household sector operational net lending was Ft 4.8 billion in March. Taking account of compensation for inflation, which contributed Ft 30 billion, the value of net lending was Ft 34.8 billion. After adjusting for the accounting effects of a Ft 1.3 billion holding loss due to price and exchange rate movements and a Ft 13.2 billion other change in volume, net financial wealth of households, measured at market value, increased by Ft 46.7 billion.

Operational net lending/net borrowing position of households



* The moving average is calculated using symmetrically reduced weights going back in time from the current month. The moving average values for the final three months may change when the latest data become available.

¹ Operational net lending is an indicator of households' saving behaviour which eliminates the effects of compensation for inflation incorporated in interest income. Cumulative interest on financial assets and liabilities partly compensates for loss of capital incurred due to inflation. Compensation, the measure of which is determined by inflation, is treated as revaluation instead of transaction, similarly to the treatment of holding gain recorded on foreign currency deposits.

Households' domestic and foreign currency deposits with credit institutions, net of the effect of compensation for inflation, fell in March, as in the preceding month. The effects of operational transactions on domestic and foreign currency deposits were Ft –12.4 billion and Ft –6.8 billion respectively. However, the sector registered a considerable holding gain of Ft 19.6 billion on account of the appreciation of the US dollar. On balance, claims on credit institutions rose by Ft 22.2 billion in the month.

The sector's holdings of cash increased by Ft 11.7 billion.

Holdings of non-bank securities fell by Ft 3.1 billion due to the continued decline in share prices in the month. Here, the value of inflation-adjusted transactions was Ft 6.8 billion. Holdings of government securities were the only category to increase, operational transactions contributing Ft 7.4 billion.

Households' long-term investments and claims on pension funds rose the most strongly in the month. Inflation-adjusted transactions amounted to Ft 10.6 billion and Ft 7.4 billion respectively.

Outstanding borrowings of the household sector rose by Ft 9.4 billion in one month. Inflation-adjusted transactions in home-building loans and consumer credit contributed Ft 5.3 billion and Ft 6.3 billion respectively.

Household sector operational net lending totalled Ft 52.2 billion in the first quarter of 2001. That was Ft 17.2 billion lower than the outcome recorded a year earlier. Net lending of households amounted to Ft 141.3 billion in 2001 Q1, in comparison with Ft 151.4 billion in the same period of 2000.