

PRESS RELEASE

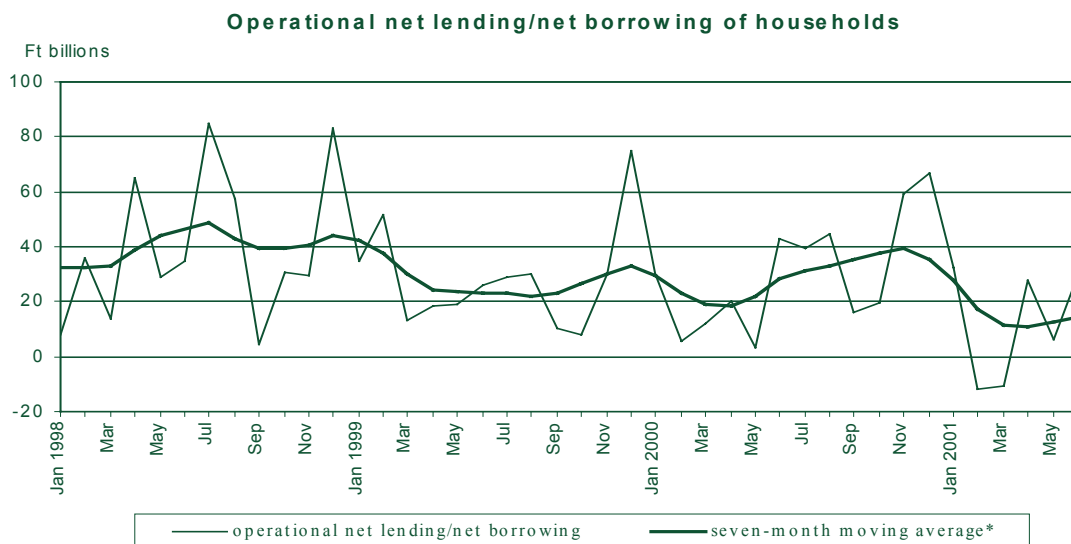
Net lending of households

June 2001 (preliminary)

Starting from this release, sectorisation will change and households' financial assets will be complemented by a new instrument. The changes are discussed in the Appendix.

In June, the value of households' operational net lending,¹ or inflation-adjusted savings, was significantly higher than the monthly average of 2001 and broadly comparable with the previous year's average. Flows into forint deposits, cash holdings, pension funds and insurance schemes accounted for a significant part of operational transactions affecting holdings of financial assets. The increase in household sector debt continued to be higher in comparison with the monthly averages of 2000 and 2001, as in the preceding month.

According to the preliminary data, household sector operational net lending was Ft 29.2 billion in June. Taking account of compensation for inflation, which contributed Ft 29.5 billion, the value of net lending was Ft 58.7 billion. After adjusting for the accounting effect of a Ft 41.4 billion holding loss due to price and exchange rate movements, net financial wealth of the sector, measured at market value, increased by Ft 17.3 billion.



* 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 currency deposits with credit institutions rose by Ft 23.3 billion, largely comparably with the year's monthly average increase. Here, operational transactions amounted to Ft 7.9 billion, compensation for inflation contributing Ft 15.4 billion.

Withdrawals, characterising earlier months of the year, picked up in June. The value of operational transactions was Ft –13.3 billion in the month under review. Contributing to the decline in foreign currency deposits was a significant holding loss of Ft 29.3 billion incurred by the sector due to the appreciation of the forint.

The sector's holdings of cash were Ft 27.6 billion higher at end-June than at the end of the preceding month. The retroactive increase in June in old-age pensions was a contributing factor.

Holdings of non-bank securities continued to fall. The value of operational transactions was Ft –2.6 billion (Ft 1.7 billion for investment funds certificates and Ft –4.3 billion for government securities). Measured at market value, securities holdings fell by Ft 3.5 billion in the month (taking account of the Ft 11.2 billion compensation for inflation and the Ft 12.1 billion holding loss due to price changes).

As seen in the preceding month, outstanding borrowings of the household sector rose strongly, by Ft 31.3 billion in June. Inflation-adjusted transactions in home-building loans and consumer credit amounted to Ft 9.7 billion and Ft 15.4 billion respectively, the latter being the highest recorded so far.

Changes to the Net lending of households press release

- 1 The definition of sectors has changed. The Bank has so far treated unincorporated businesses as a constituent part of the household sector. In the future, unincorporated businesses will be recorded within the corporate sector. Accordingly, only sole proprietors (small-scale agricultural producers, self-employed craftsmen, sole traders) from among unincorporated businesses will constitute a part within the household sector. With this change, the Bank's and the CSO's sector definitions have been harmonised.

Sole proprietors' deposits (accounting for around 30% of unincorporated business deposits) will be shown monthly, together with household deposits. Their outstanding borrowings (making up some 45% of unincorporated business debt) will be recorded among consumer credit and other loans.

- 2 'Unpaid wages' will be added to households' financial assets as a new instrument. Earlier, wages were built into the accounts when they were paid out. However, a part of wages, due in the early days of the month, is paid out in the final days of the preceding month on account of the calendar effect (the first days of a month may fall on weekends or holidays), which has caused a considerable distortion to the monthly data on households' financial savings. In the cash based accounting system, two-month wages are included in household income and recorded among liquid assets (sight deposits and cash), although this increase does not actually reflect households' propensity to save. In the future, wages will be recorded on an accrual basis, which means that the amount of households' unpaid wages will be included in the sector's assets. In this way, the distorting effect caused by variations in the date of wage payment will be eliminated.
- 3 Unlike the earlier practice, claims on home savings associations, and outstanding deposits and borrowings of sole proprietors will not be recorded separately, due to the relatively small amounts. However, a table including the entire breakdown by sector and financial instrument will be published quarterly, in addition to the details mentioned earlier.

The table showing data for the current month will include a column which will summarise transactions, meeting users' requirements.

- 4 The new tables have been backdated to January 2000. The time series including data for pre-2000 periods will be published simultaneously with the September 2001 press release.