

PRESS RELEASE

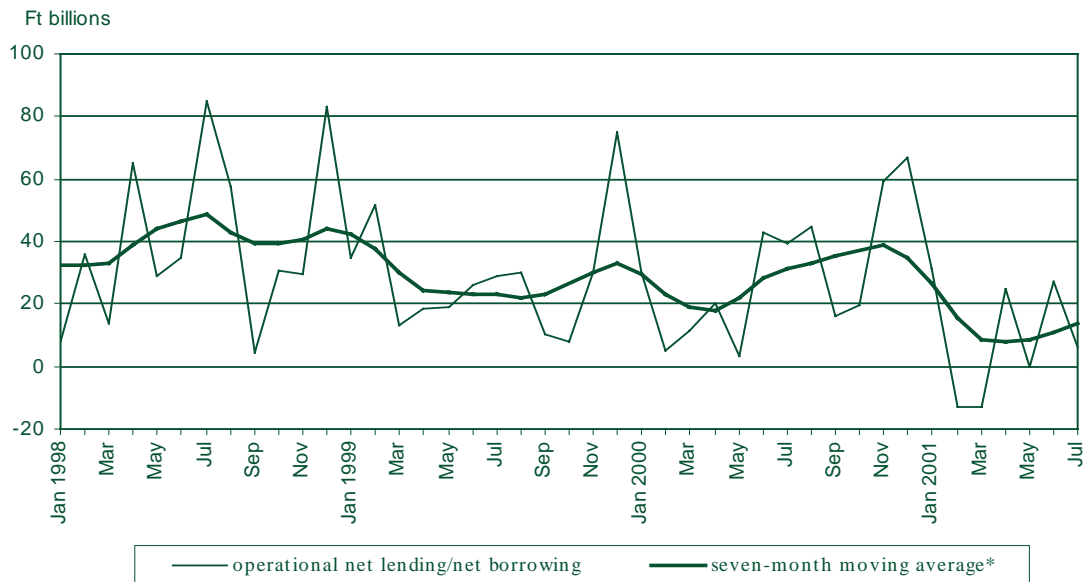
Net lending of households

July 2001 (preliminary)

In July and the first seven months of 2001, the value of households' operational net lending,¹ or inflation-adjusted savings, was considerably lower than in the comparable periods of the previous year. This resulted from a weaker increase in assets and a stronger increase in liabilities relative to 2000. Holdings of government securities and shares fell. Transactions contributed slightly to existing holdings of other financial instruments. As seen in the preceding two months of the year, household sector debt rose strongly in July.

According to the preliminary data, household sector operational net lending was Ft 6.1 billion in July. Taking account of compensation for inflation, which contributed Ft 28.5 billion, the value of net lending was Ft 34.6 billion. Owing to the negative contribution of price and exchange rate movements, household wealth has been falling continuously since February. This effect accounted for Ft -6.4 billion in July. As a result, net financial wealth of the sector, measured at market value, increased by Ft 28.2 billion.

Operational net lending/net borrowing 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 currency deposits with credit institutions rose by Ft 20.4 billion, the larger part of the increase, at Ft 15.9 billion, stemming from compensation for inflation. Operational transactions contributed Ft 4.5 billion.

Following strong withdrawals in the preceding three months, households increased their foreign currency deposits in the month. The value of operational transactions was Ft 3.1 billion.

Securities holdings were broadly stagnant, but there was some shift observable in the securities portfolio – holdings of investment fund units rose, those of government paper and shares falling. The value of operational transactions was Ft 0.6 billion (Ft 9.2 billion accounted for by investment fund units, Ft –6.6 billion by government securities and Ft –2 billion by shares). Taking account of the Ft 10 billion compensation for inflation and the Ft 5.8 billion holding loss due to price changes, the market value of securities holdings rose by Ft 4.8 billion in the month.

The modest increase relative to a year earlier in claims on pension funds and life insurance reserves resulted from a decline in returns.

At Ft 31 billion, the increase in outstanding borrowings of the household sector was salient in July, as seen in the preceding two months. Property loans rose the most strongly; and the increase in consumer credit was significantly higher compared with the monthly average of the year. Inflation-adjusted transactions in both property loans and consumer credit amounted to Ft 12.5 billion.