

PRESS RELEASE

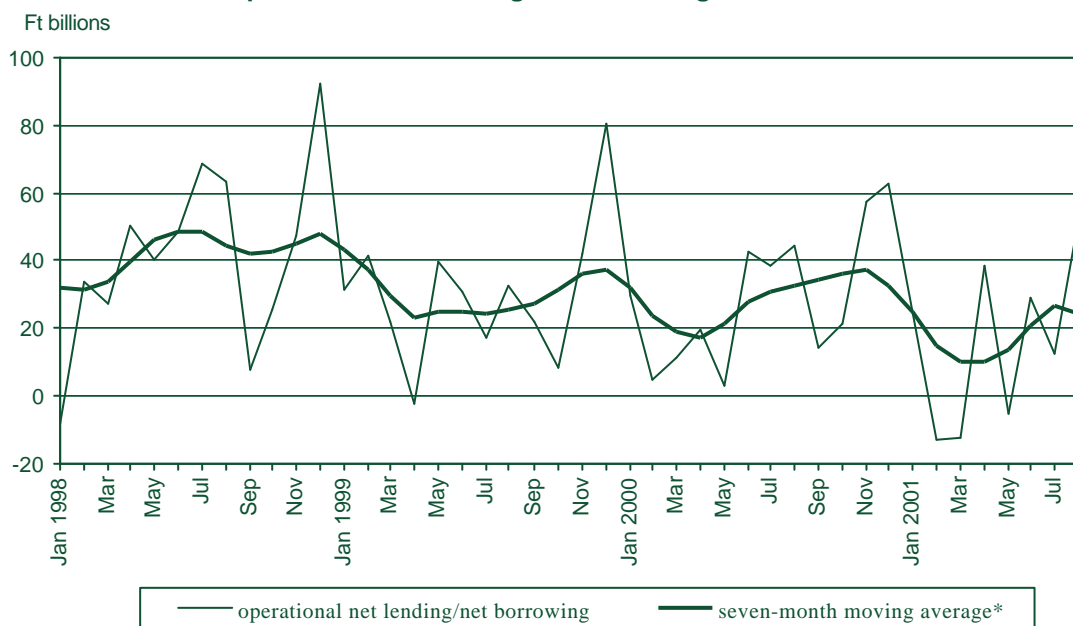
Net lending of households

August 2001 (preliminary)

In August, the value of households' operational net lending,¹ or inflation-adjusted savings, rose to its highest level in 2001 to date. Deposit and cash holdings rose strongly. By contrast, holdings of shares fell. Although a little more modest than in the preceding few months of the year, the increase in household sector debt continued to be robust in August.

According to the preliminary data, household sector operational net lending was Ft 52.1 billion in August. Including compensation for inflation, which contributed Ft 28.1 billion, the value of net lending was Ft 80.2 billion. Taking account of the effect of price and exchange rate movements, particularly the changes in share prices, which caused a Ft 11.6 billion holding loss, net financial wealth of the sector increased by Ft 68.6 billion, measured at market value.

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 60.7 billion, Ft 16 billion being accounted for by compensation for inflation. Operational transactions contributed Ft 44.7 billion. Contributing to the month's outcome was the payment in August of wages due in September. This also affected cash holdings, which rose by Ft 22.4 billion in the month under review. The payment of wages brought forward was reflected in the fall in unpaid wages, so on balance it did not affect financial savings.

Following strong withdrawals in June, linked with the Hungarian authorities' move to widen the intervention band of the forint, households increased their foreign currency deposits in August. The value of operational transactions was Ft 6.7 billion.

Securities holdings resumed rising following the fall in the second quarter of the year. The value of operational transactions was Ft 8.5 billion, investment fund units accounting for Ft 9.6 billion. Following net sales observed in the preceding few months, government securities contributed Ft 1.9 billion. Holdings of shares continued to fall. Movements in shares prices also had an effect on existing holdings. Taking account of the Ft 9.4 billion compensation for inflation and the Ft 10.8 billion holding loss due to price changes, the market value of securities holdings rose by Ft 7.1 billion in the month.

Outstanding borrowings of the household sector rose by Ft 25.9 billion in August relative to July. Although lower than the salient values recorded in the preceding months, this was higher than the monthly average of the year. Operational transactions in property loans and consumer credit amounted to Ft 12 billion and Ft 8 billion respectively.