

17 January 2002

PRESS RELEASE

Net lending of households

December 2001 (preliminary)

Starting from this press release, foreign cash will be recorded in the statistics as a new instrument. The new instrument has been introduced to manage the significant change in foreign cash holdings due to the withdrawal of EMU member currencies. A short description of the change can be found at the end of this Press Release.

The value of households' operational net lending,¹ or inflation-adjusted savings, was at its highest level in December, reflecting the seasonal patterns. Continuing the trends of the preceding months, holdings of forint cash and claims against credit institutions increased significantly. Holdings of foreign cash fell strongly due to the changeover to the euro, and were switched into other instruments, such as foreign currency deposits, forint deposits and cash. Household sector debt continued to rise strongly.

According to the preliminary data, the value of household sector operational net lending was Ft 101.4 billion in December. Including compensation for inflation, which contributed Ft 24 billion, the value of net lending was Ft 125.4 billion. Households registered a Ft 12.1 billion holding loss on account of exchange rate movements, primarily the appreciation of the forint, so net financial wealth, measured at market value, increased by Ft 113.3 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.

Of the various financial assets, forint claims against credit institutions increased the most strongly, by Ft 89.4 billion, in December. Here, operational transactions contributed Ft 75.3 billion, the value of compensation for inflation incorporated in interest amounting to Ft 14.1 billion.

Holdings of forint cash by households continued to increase strongly in the month. Holdings of forint cash by households were Ft 41.6 billion higher than in November.

The stock of foreign cash holdings decreased significantly, by Ft 35.3 billion, due to the conversion of outgoing national currencies of the EMU member states, and were switched into other instruments, such as foreign currency deposits, forint deposits and forint cash. According to experience, the conversion of outgoing currencies was concentrated in the final two months of 2001. The amount of foreign cash holdings is estimated to have amounted to Ft 7.6 billion in November. The November data have been adjusted retrospectively with the same amount.)

The forint equivalent of households' domestic currency deposits was Ft 20.4 billion higher than at end-November, operational transactions amounting to Ft 33.2 billion. The effect of the changeover to the euro was partly reflected in the increase. However, households registered a significant holding loss of Ft 14.1 billion.

Non-bank securities holdings of households increased by Ft 17.6 billion in the month under review. Of the various securities, only demand for holdings of investment units was significant. The value of investment unit holdings was Ft 17.7 billion higher than in the preceding month.

Unpaid wages decreased by Ft 21.3 billion in December, due to the payment of wages brought forward from January to December.

Outstanding borrowings of the household sector increased by Ft 29.4 billion in December. Here, the net increase in outstanding property loans, at Ft 16 billion, continued to be higher than that in consumer credit, at Ft 11.6 billion.

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Methodological notes to the introduction of the foreign cash instrument:

Previously, foreign cash was not recorded within households' financial wealth. The new instrument is being introduced in order to manage the substantial change in foreign cash holdings caused by the withdrawal of national currencies of EMU member states. According to the experience, the conversion of outgoing currencies was concentrated in the final two months of 2001. The stock of foreign cash holdings is estimated to have been Ft 70 billion at end-October 2001. Of this amount, Ft 7.6 billion and Ft 34.4 billion was converted into other instruments or spent in November and December respectively. For the period prior to October 2001, this Ft 70 billion is shown at actual month-end exchange rates in the data adjusted retrospectively to 1997. The change in stock has been treated as a revaluation.