

PRESS RELEASE

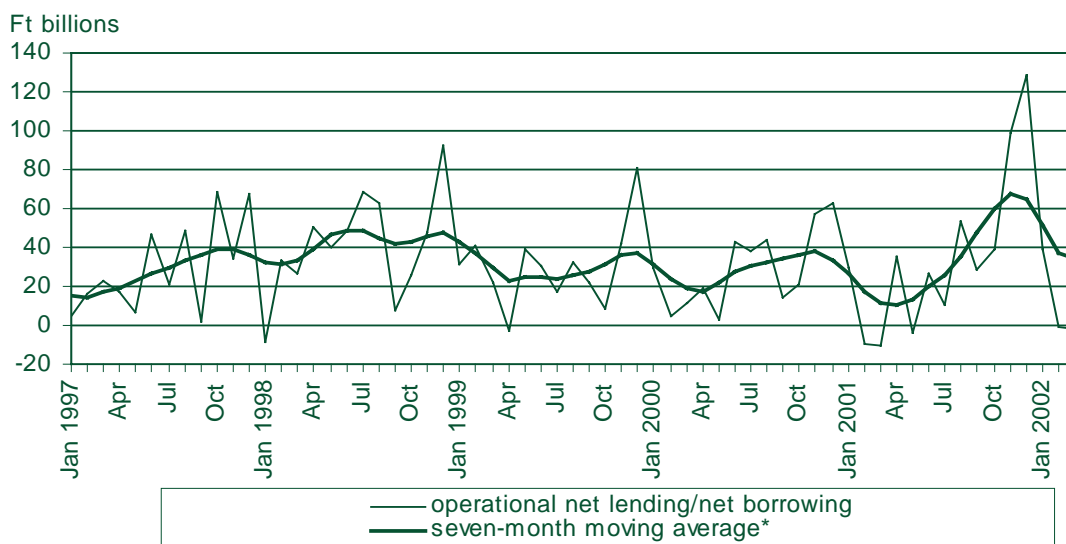
Net lending of households

March 2002 (preliminary)

In contrast with the trends seen in the second half of the previous year, the value of households' operational net lending¹ was low in March, just as in February. At the same time, it exceeded the figure for a year earlier. Investment units continued to be the favoured financial instrument in the month. In addition, cash holdings and pension fund assets also rose at a marked pace. Deposits increased due solely to interest rate changes, and the household sector reduced its government securities holdings to a large extent. There was an upsurge in household liabilities, exceeding the average monthly rate seen in 2001.

According to the preliminary data, the value of household sector operational net lending was Ft –2 billion in March. Including compensation for inflation, which contributed Ft 21.8 billion, the value of net lending was Ft 19.8 billion. Households registered a Ft –6.3 billion holding loss in March, on account of price changes (due primarily to a strengthening of the forint), so net financial wealth, measured at market value, increased by Ft 13.5 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' forint deposits rose by Ft 12 billion in March. This was fully due to the compensation for inflation incorporated in interest, contributing Ft 12.4 billion. Operational transactions, in contrast, had a negative contribution of Ft –0.4 billion.

Forint-denominated cash holdings, up by Ft 13.5 billion, were similar to those seen during the same period a year earlier.

The falling trend in households' foreign currency deposits seen over the previous two months continued in March, with the value of operational transactions being Ft –10.6 billion. One of the factors at work in the fall in foreign currency deposits was that households continued to gradually increase their foreign currency cash holdings following the temporary jump at the year-end, when a significant portion of households' EMU member currency cash holdings was placed on foreign currency deposit accounts. Due to the strengthening of the forint, March saw a holding loss of Ft –9.5 billion on foreign currency deposits, causing a total reduction of Ft 18.9 billion in the value of holdings at market value.

Investment units continued to be sought after in the month. Operational transactions in investment units amounted to Ft 19.2 billion. In contrast with investment units, holdings by the household sector of government securities fell substantially, by Ft 18.6 billion. Holding gains registered on account of price increases slightly increased the value of securities held. Total securities holdings, measured at market value, rose by Ft 9.5 billion in one month, compensation for inflation incorporated in interest and the revaluation effect accounting for Ft 7.2 billion and Ft 3.7 billion respectively.

Outstanding borrowings by the household sector rose by Ft 29.2 billion, more strongly than a year earlier. The increase in property loans (Ft 16.9 billion) continued to be higher than that in consumer credit (Ft 8.7 billion).