

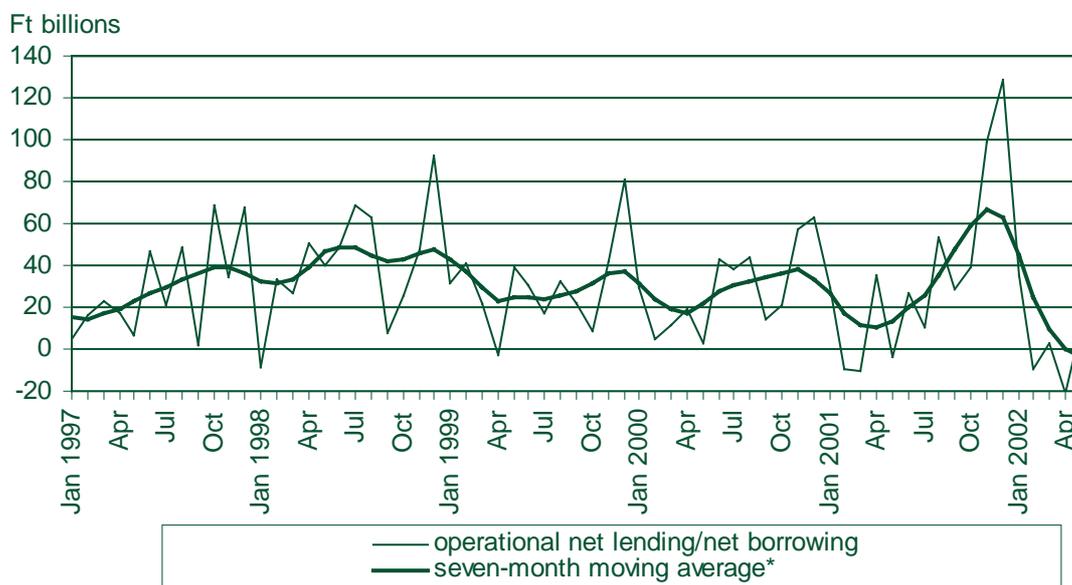
## PRESS RELEASE

### Net lending of households May 2002 (preliminary)

The value of households' operational net lending<sup>1</sup> was low in May, in line with the trends of the preceding months. Within the various financial instruments, increases in cash holdings, deposits and pension fund assets were dominant in the month. In contrast, the sector's securities holdings fell. Outstanding household debt continued to rise robustly in the month under review.

According to the preliminary data, the value of household sector operational net lending was Ft 11.1 billion in May. Including compensation for inflation, which contributed Ft 20.3 billion, the value of net lending was Ft 31.4 billion. Households registered a significant holding loss of Ft 32.8 billion due to exchange rate changes, so net financial wealth, measured at market value, fell by Ft 1.4 billion in the month.

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.

<sup>1</sup> 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.

Up Ft 46 billion relative to end-April, domestic currency cash holdings of the sector rose more strongly than those of any other financial instrument. The lump-sum payment of the retrospective increase in pensions played a definitive role in this.

Following withdrawals in the preceding months, households increased their existing claims on other monetary financial institutions (credit institutions) in May. Forint deposits and bank securities holdings rose by Ft 25.2 billion. The value of transactions, excluding the Ft 11.6 billion compensation-for-inflation component, was Ft 13.6 billion.

Households' foreign currency deposits fell slightly in May. In addition, they registered a massive holding loss due to the decline in the US dollar exchange rate. As a result, the forint equivalent of foreign currency deposits was Ft 17.1 billion lower than in April. Operational transactions, the revaluation effect and compensation for inflation incorporated in interest amounted to Ft –4.6 billion, Ft –13.7 billion and Ft 1.2 billion respectively in the month under review.

Households' securities holdings fell by Ft 17.9 billion at market prices in May. This was due mainly to a Ft 18.4 billion holding loss registered on securities holdings on account of the decline in share prices and the rise in government securities yields. The sector continued to reduce its holdings of government securities and shares in the month; and growth in wealth managed by investment funds slowed. Operational transactions in investment units, government securities and shares respectively amounted to Ft 5.5 billion, Ft –9.8 billion and Ft –2 billion.

Household sector outstanding debt continued to rise strongly in May, its stock being Ft 51.8 billion higher than in the preceding month. Property loans rose by Ft 36.9 billion and consumer credit by Ft 13.5 billion relative to the preceding month's end.