

PRESS RELEASE

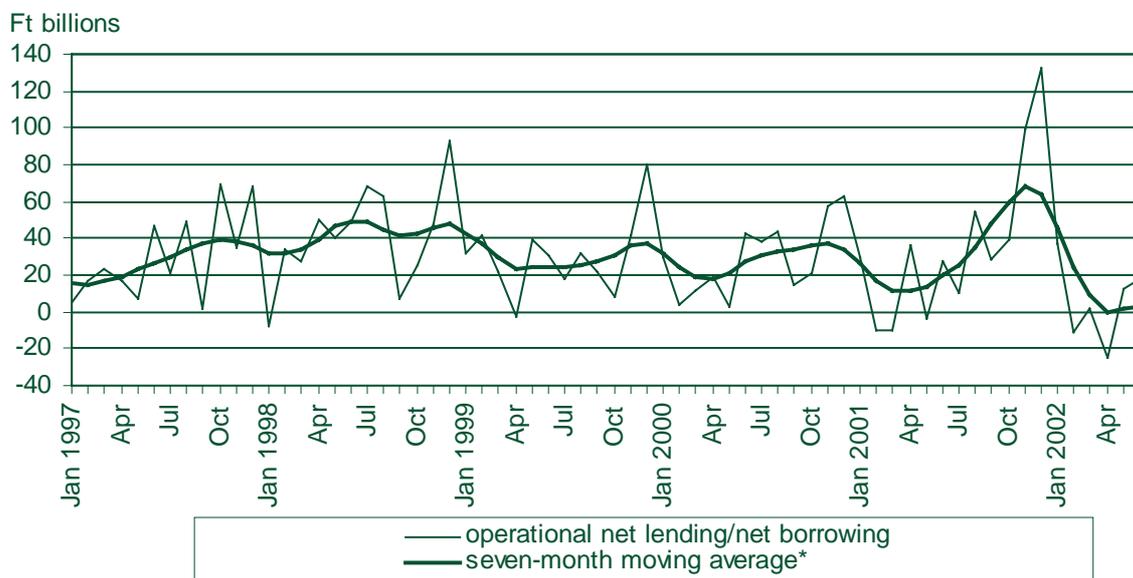
Net lending of households

June 2002 (preliminary)

In June, the value of households' operational net lending¹ was little changed in comparison with the preceding month and, unlike the trends of the second half of 2001, it stagnated at a low level. Within the various financial assets, increases in cash holdings, deposits and longer-term investments (e.g. claims on pension funds and life insurance reserves) were dominant. The strong rise in outstanding household debt continued in the month under review.

According to the preliminary data, the value of household sector operational net lending was Ft 18.3 billion in June. Including compensation for inflation, which contributed Ft 17.6 billion, the value of net lending was Ft 35.9 billion. Households continued to register significant holding losses of Ft 38.1 billion due to price and exchange rate changes, so net financial wealth, measured at market value, fell by Ft 1.4 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.

As seen in the preceding month, domestic currency cash holdings of the sector rose the most strongly within financial asset holdings, by Ft 22.2 billion.

Households increased their existing claims on other monetary financial institutions (credit institutions) by Ft 20.1 billion in June. At Ft 10.2 billion, the compensation-for-inflation component accounted for around half of the increase. The value of operational transactions was Ft 9.9 billion.

Part of wage payments due in early June was brought forward to May on account of the business holiday. This was reflected in the rise in unpaid wages. The end-May base was therefore lower than usual, while the end-June stock was broadly comparable with the broad average.

Households' foreign currency deposits fell further. In addition, they registered a significant holding loss due to the decline in the US dollar exchange rate. As a result, the forint equivalent of foreign currency deposits was Ft 17.8 billion lower in June than in May. Operational transactions, the revaluation effect and compensation for inflation incorporated in interest amounted to Ft –5.3 billion, Ft –13.6 billion and Ft 1.1 billion respectively.

Securities holdings developed differently from the trends of previous months – holdings of government securities and shares rose, whereas investment unit holdings fell. The change in wealth was dominated by a large holding loss registered on securities holdings on account of the continued decline in share prices. The sector's securities holdings fell by Ft 15.1 billion. Operational transactions, compensation for inflation incorporated in interest and the revaluation effect respectively accounted for Ft 2.7 billion, Ft 5.8 billion and Ft –23.6 billion.

The robust increase in outstanding debt of the household sector continued in June – its stock was Ft 58.1 billion higher than in the preceding month. Property loans rose by Ft 43.9 billion, and consumer credit and other loans by Ft 14.1 billion relative to the end of May.