

PRESS RELEASE

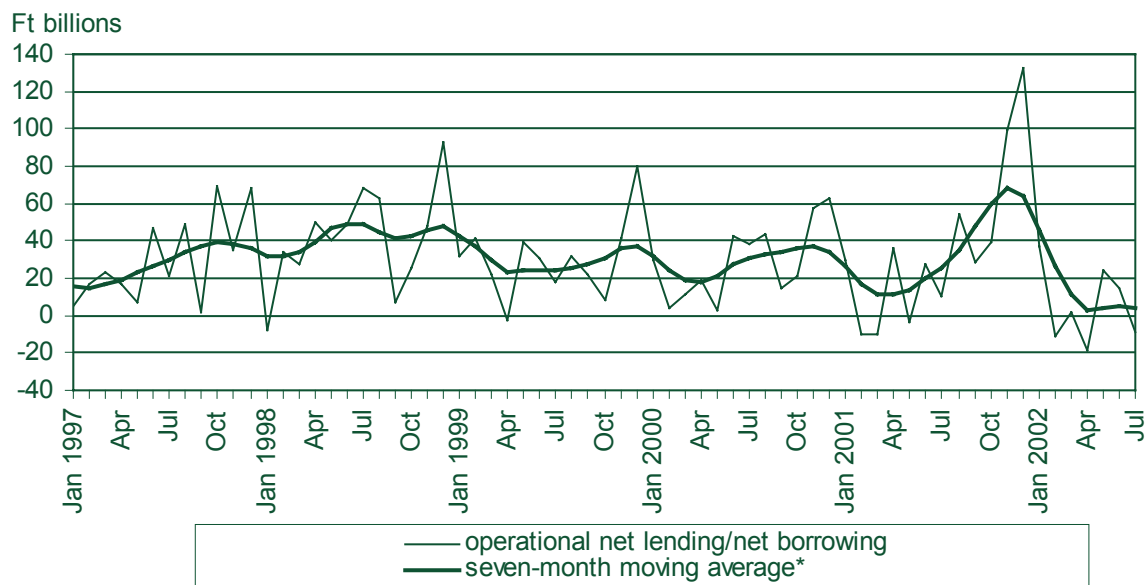
Net lending of households

July 2002 (preliminary)

In July, the value of households' operational net lending¹ remained low similar to the past few months. Household borrowing grew buoyantly, mostly accounted for by property loans. Within the various financial assets, cash holdings and bank deposits increased at a marked pace.

According to the preliminary data, the value of household sector operational net lending was Ft –8.7 billion in July. Including compensation for inflation, which contributed Ft 16.6 billion, the value of net lending was Ft 7.9 billion. Households registered a loss of Ft 1.3 billion due to exchange rate changes, so net financial wealth, measured at market value, increased by Ft 6.6 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 strongly within financial asset holdings, by Ft 35.1 billion.

Households increased their existing claims on other monetary financial institutions (credit institutions) by Ft 31.8 billion in July. The compensation-for-inflation component accounted for Ft 10.1 billion of the increase and the value of operational transactions for Ft 21.7 billion. The factors behind the increase in cash balances and deposits included the lump-sum pension payment of approximately Ft 60 billion in July.

Households' foreign currency deposits continued the slow downward trend seen throughout the year. Households reduced their foreign currency deposits by Ft 7.3 billion, which was only partially offset by the translation gain of Ft 5.8 billion due to exchange rate changes. The forint equivalent of foreign currency deposits was Ft 1.5 billion lower in July than in June.

As in June, holdings of government securities and shares rose, whereas investment unit holdings fell. Operational transactions relating to investment units amounted to Ft –7.5 billion, those for government securities to Ft 7.4 billion and for shares to Ft 2 billion. The change in wealth was dominated by a holding loss registered on securities holdings on account of the continued decline in share prices. The sector's securities holdings fell by Ft 3.9 billion at market prices as a result of a holding loss of –7.4 billion and compensation for inflation incorporated into interest rates of Ft 5.6 billion.

The robust increase in outstanding debt of the household sector continued in July – its stock up by Ft 73.1 billion on the preceding month. Property loans, which have doubled over the past twelve months, accounted for most of the increase with Ft 52.6 billion. Consumer credit rose by Ft 20.3 billion relative to the end of June, rising at a slower, but steady, pace relative to property loans.