

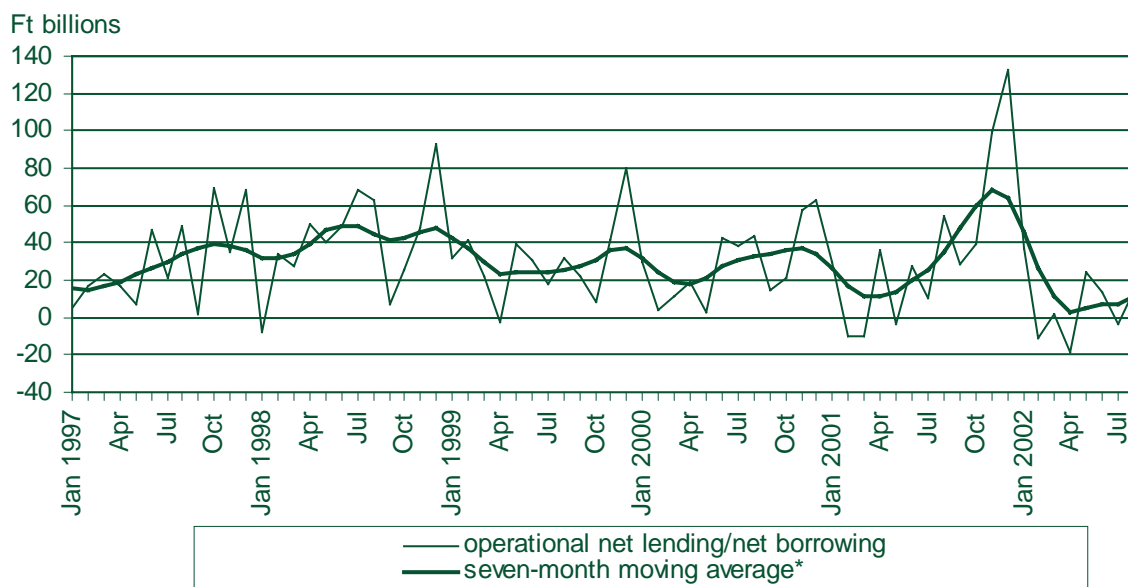
PRESS RELEASE

Net lending of households August 2002 (preliminary)

In August, the change in households' operational net lending¹ was consistent with the trends of past months. Within the various financial assets, government securities holdings rose strongly, in addition to those of deposits and cash. The strong build-up in property loans continued to dominate developments in the various categories of debt. As a result of the stronger increase in liabilities than in assets, financial savings were at a low level.

According to the preliminary data, the value of household sector operational net lending was Ft 14.7 billion in August. Including compensation for inflation, which contributed Ft 16.3 billion, the value of net lending amounted to Ft 31 billion. Mostly on account of rising share prices, Hungarian households registered a holding gain of Ft 9.8 billion, so the sector's net financial wealth increased by a total Ft 40.8 billion, measured at market prices.

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.

In August, households stepped up their cash holdings more strongly than those of any other financial instrument. Operational transactions amounted to Ft 33.9 billion, compensation for inflation contributing Ft 10 billion. As a result, deposit holdings were Ft 43.9 billion higher at end-August than at end-July.

As seen in the preceding few months, holdings of forint cash grew markedly, by Ft 27.5 billion in August.

Households' foreign currency deposits continued to fall – the forint equivalent of foreign currency deposits was Ft 6.5 billion lower than in the preceding month. Unlike in July, the sector once again registered a holding loss of Ft 1.5 billion on foreign currency deposits.

Purchases of government securities continued to be dominant within securities investments for the third consecutive month (investment units were the most sought-after instrument in the first half of the year). Operational transactions in government securities, investment units and shares amounted to Ft 18.7 billion, Ft 0.6 billion and Ft –2 billion respectively. Households registered a Ft 11.4 billion holding gain on securities in the month. Compensation for inflation amounted to Ft 5.5 billion. Consequently, total wealth of households held in securities increased by Ft 34.2 billion, measured at market prices.

The massive build-up in household debt continued in August. The outstanding total of loans rose by Ft 61.9 billion relative to the preceding month. Within this, property loans, up Ft 48.9 billion, continued to grow at a robust pace. Consumer credit and other loans outstanding increased by Ft 13.1 billion, below the monthly average of 2002.