

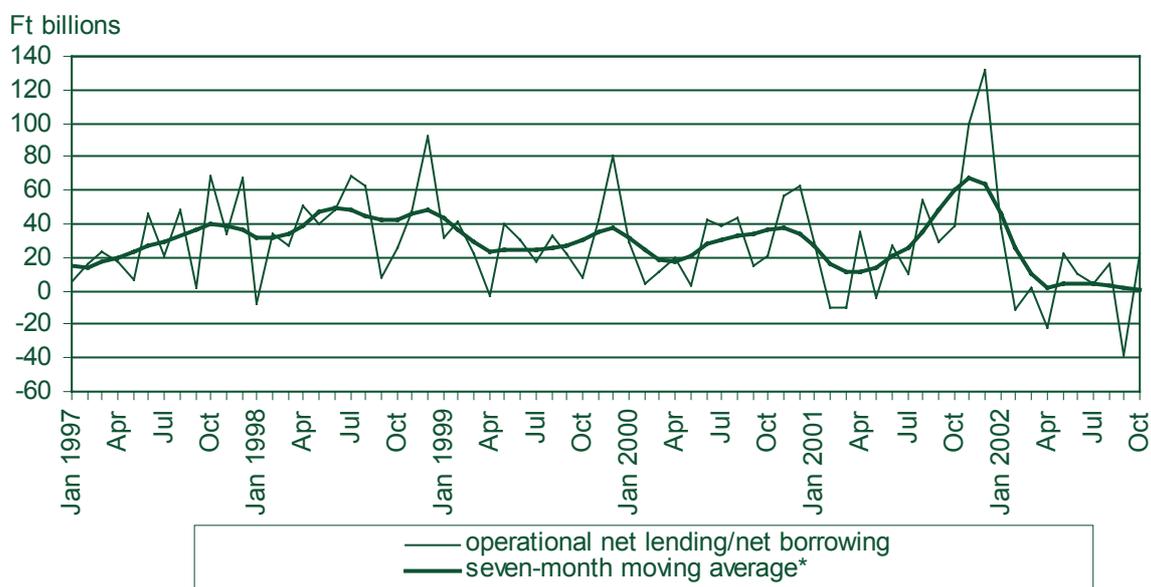
PRESS RELEASE

Net lending of households October 2002 (preliminary)

In October, the value of households' operational net lending¹ was higher than in the preceding months, but the trend continued to show a low level of financial savings. Forint deposits accounted for the majority of the increase in savings. In addition, households' holdings of securities also increased. The robust build-up in the sector's outstanding property loans, seen in earlier months, continued in October.

According to the preliminary data, the value of household sector operational net lending was Ft 22.3 billion in October. Including compensation for inflation, which contributed Ft 17.7 billion, the value of net lending amounted to Ft 40 billion. Taking account of the Ft 3.1 billion holding gain due to price and exchange rate movements, the sector's net financial wealth increased by Ft 43.1 billion, measured at market prices.

Operational net lending/net borrowing of households



* The moving average is calculated by assigning symmetrically declining weights to the values around the current month. The moving average values for the last 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 October, households' forint assets held with credit institutions rose by Ft 76.8 billion, the largest one-month increase to date in 2002. Here, inflation compensation, incorporated in interest, accounted for Ft 11.2 billion and operational transactions for Ft 65.6 billion. Playing a role in the salient increase in deposit holdings, wages due in the early days of November were paid in late October, due to the national holiday, which resulted in a larger increase in current account holdings relative to earlier months of the year. This effect was also reflected in the fall in the end-of-month stock of unpaid wages. On balance, the early payment of wages did not affect the monthly change in net lending.

Households' continued to reduce their foreign currency deposits. The end-October stock of foreign currency deposits was Ft 8 billion lower than at end-September. Here, transactions accounted for Ft –2 billion and the holding loss due to appreciation of the forint for Ft –6 billion.

Holdings of forint cash by households increased by Ft 14.3 billion in October relative to September.

The sector's securities holdings rose by Ft 27.8 billion, measured at market value, in the month under review. In contrast with holding losses in earlier months of the year, households registered a Ft 9.3 billion holding gain in October. Inflation compensation and operational transactions accounted for Ft 6.2 billion and Ft 12.3 billion respectively. Reversing the trends of the preceding few months, net purchases of investment units regained their dominance, although the sector's holdings of government securities and shares increased as well.

Outstanding household debt increased by Ft 63.1 billion in October. The strong build-up in property loans, characterising 2002, continued, in contrast with that in consumer credit and other loans, which faltered. The outstanding total of property loans was Ft 55.4 billion higher at the end of the review month than at preceding month's end, that of consumer credit and other loans being Ft 2.4 billion higher. Most of the Ft 5.3 billion rise in non-bank borrowing was accounted for by use of student loans.