

**PRESS RELEASE**

*Household, non-financial corporate and interbank interest rates: June 2005*

*Beginning with this Press Release, in addition to credit institutions' forint interest rates applied vis-à-vis the household and non-financial corporate sector, the MNB also publishes the interest rates of euro-denominated loans and deposits.<sup>1</sup>*

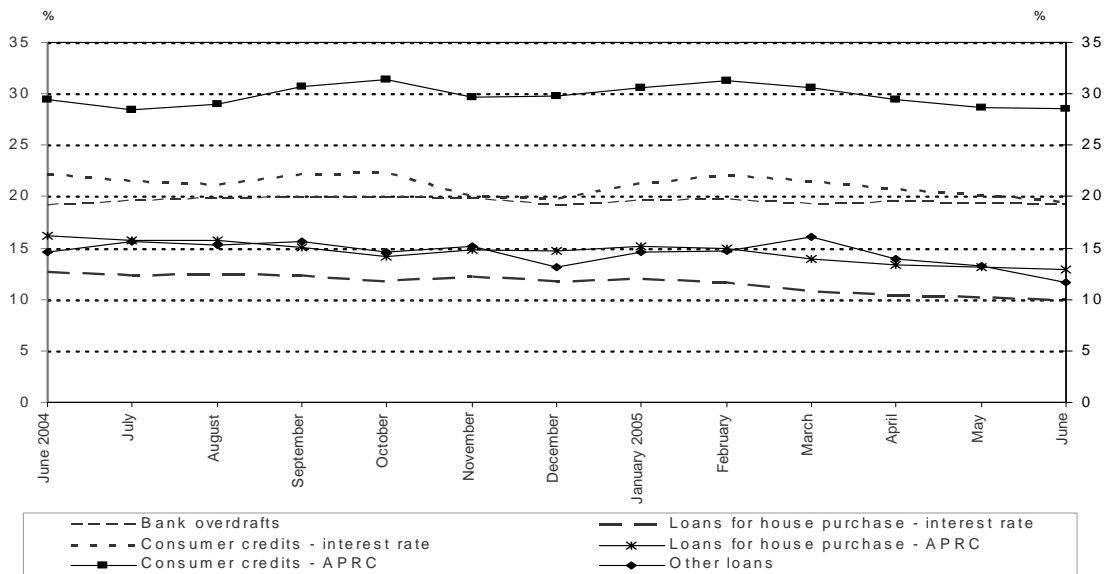
*In June 2005, average interest rates on forint-denominated loans to the household sector fell in all categories. So did average interest rates on the sector's forint-denominated deposits, except for those with agreed maturity over one year but up to 2 years. The interest rates on the forint-denominated current account loans of non-financial corporations slightly increased, while those of other forint-denominated loans fell. In this sector average interest rates on forint deposits with agreed maturity up to one year decreased, while those of overnight deposits and forint-denominated deposits with a maturity over 2 years increased. Average interest rates on overnight interbank unsecured forint loans grew, while those on loans with agreed maturity of one month, decreased.*

*On the whole, average interest rates on households' euro-denominated loans and deposits decreased. Average interest rates on non-financial corporations' euro-denominated deposits and other loans remained unchanged, while those on current account loans increased to a slight extent.*

**1. Households**

**1.1. Data on forint-denominated loans and deposits**

**Chart 1 Monthly average interest rates and APR on household forint-denominated loans**



<sup>1</sup> The data on euro-denominated loans and deposits are available from January 2005.

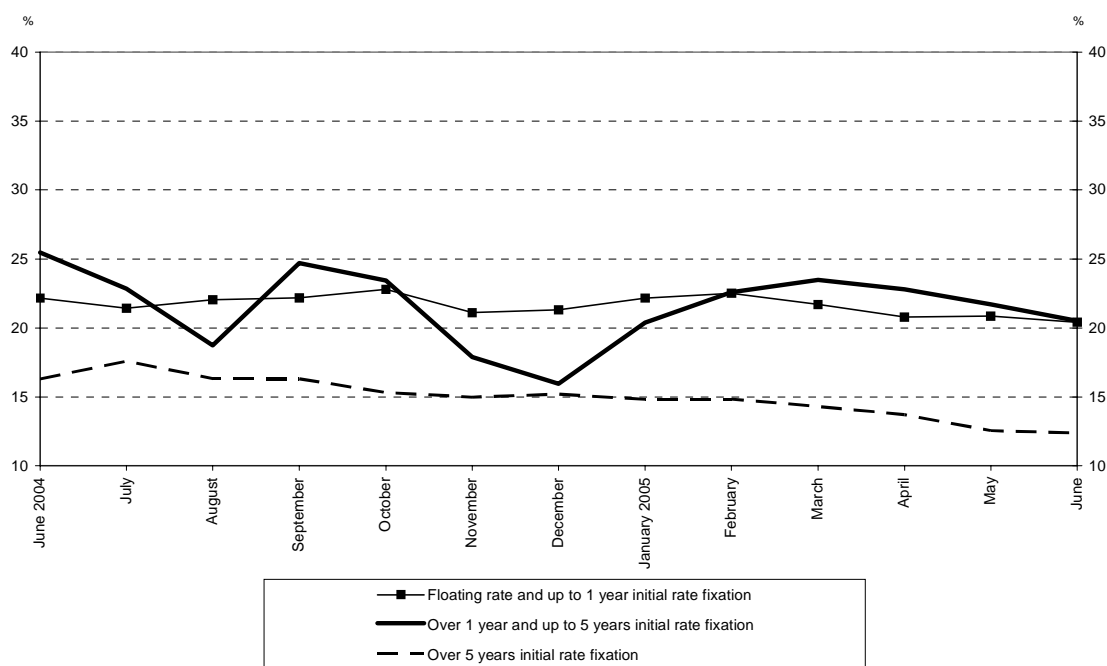
In the **household sector**, the interest rate on overdrafts fell by 12 basis points from 19.37 per cent in May to 19.25 per cent in June 2005. A 25 basis point decrease was recorded in the average market<sup>2</sup> interest rate on housing loans, from 10.17 to 9.92 per cent, while the APRC dropped by 29 basis points, from 13.15 to 12.86 per cent. In terms of consumer credit, the average interest rate fell 64 basis points on the 20.13 per cent measured in May to 19.50 per cent, and the APRC was down 13 basis points on the May 28.71 to 28.58 per cent. As a result of changes in their composition, the average interest rate of other loans fell by 157 basis points from 13.21 to 11.64 per cent.

The consumer credit contracts concluded in June 2005 amounted to HUF 22.6 billion, HUF 0.1 billion lower than in the preceding month. Excluding overdrafts, the rate of consumer credit in new contracts fell from 51.0 per cent in May to 45.1 per cent in June 2005.

The total amount of new housing loan contracts was HUF 21.6 billion in June, up HUF 4 billion on the preceding month. Excluding overdrafts, the rate of housing loans within new contracts increased from 39.6 per cent in May to 43.2 per cent in June 2005.

The new contracts concluded for other loans amounted to HUF 5.8 billion in June, accounting for 11.7 per cent of the total amount of loans excluding overdrafts. The amount of new contracts rose by HUF 1.7 billion and their percentage share of the total by 2.3 percentage points from May to June.

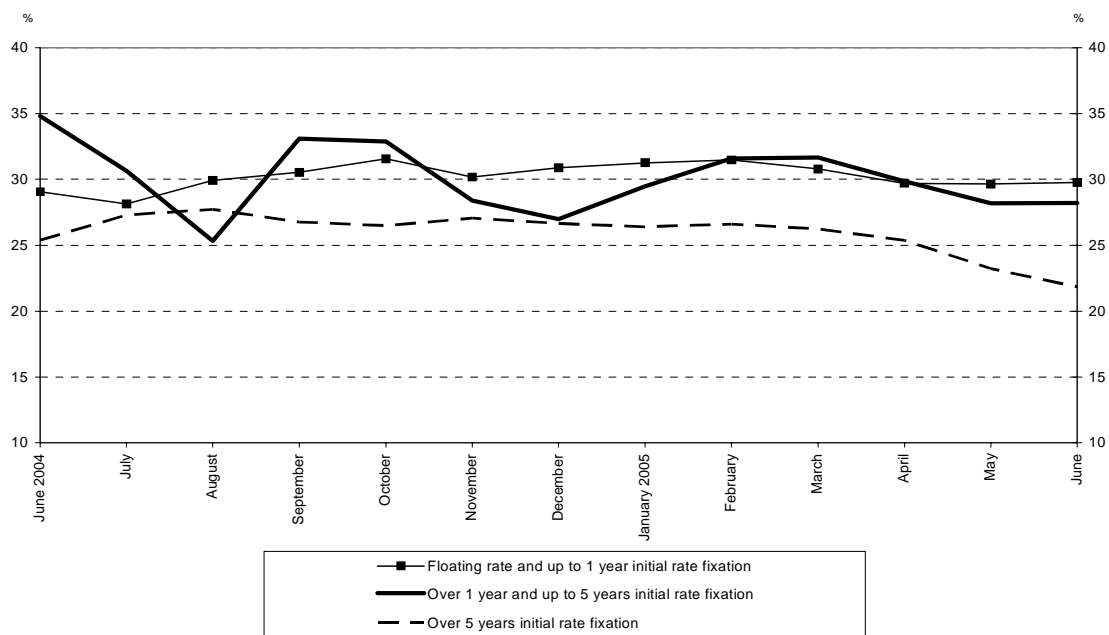
**Chart 2 Monthly average interest rates on forint-denominated consumer credit**



With regard to **consumer credit**, in June the average APRC fell by 45 basis points on loans with a floating rate or a rate fixed for up to one year (from 20.85 to 20.40 per cent); 119 basis points on loans with a rate fixed for up to 5 years (from 21.70 to 20.52 per cent); and 17 basis points on loans with a rate fixed for over 5 years (from 12.55 to 12.39 per cent).

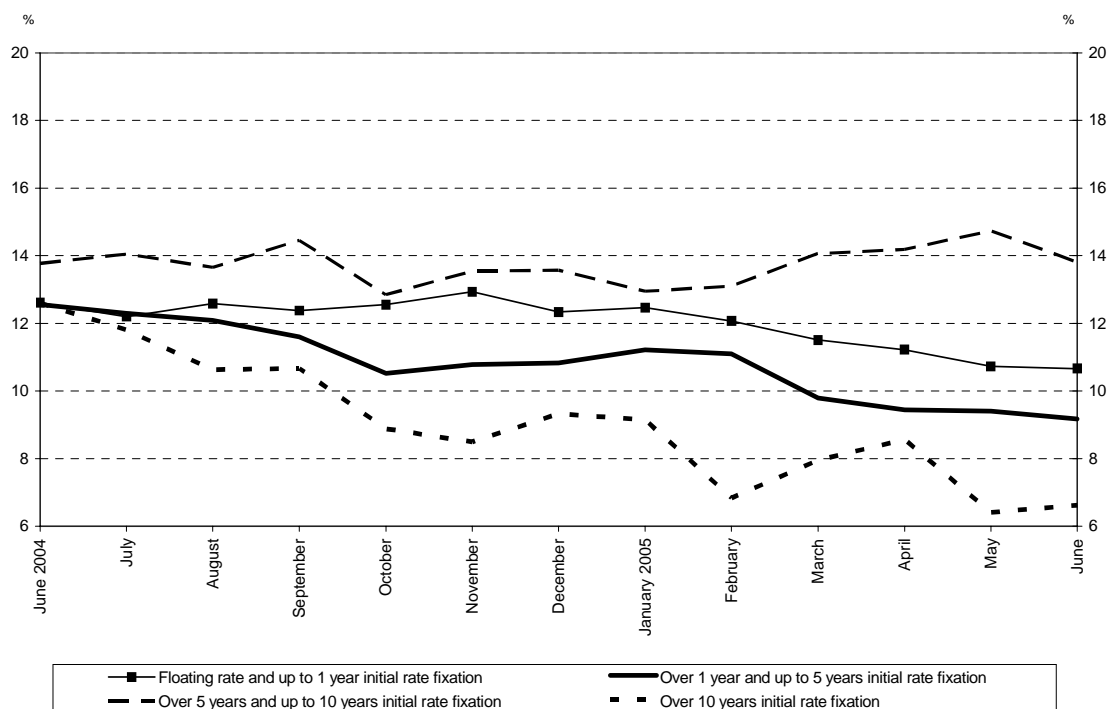
<sup>2</sup> This press release discloses market interest rates and APR on housing loans. In the case of subsidised housing loans, average interest rates and APR denote the interest rate adjusted by the rate of subsidy.

**Chart 3 Monthly average APR on forint-denominated consumer credit**



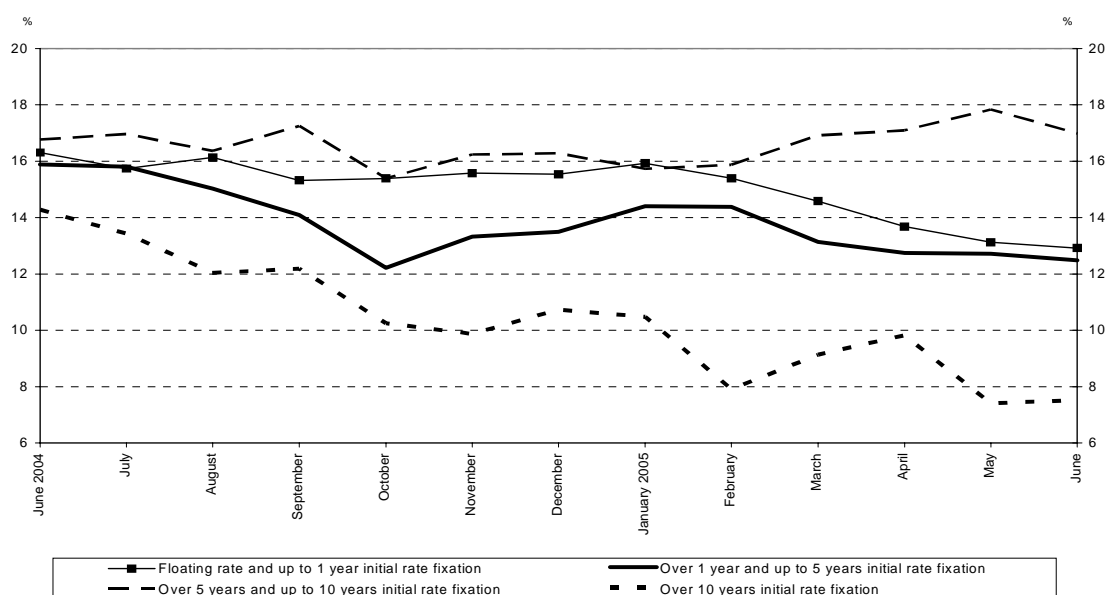
With regard to **consumer credit**, in June the average APRC increased by 12 basis points on loans with a floating rate or a rate fixed for up to one year (from 29.64 to 29.76 per cent); and 2 basis points on loans with a rate fixed for up to 5 years (from 28.19 to 28.21 per cent); while it fell by 139 basis points on loans with a rate fixed for over 5 years (from 23.22 to 21.84 per cent).

**Chart 4 Monthly average interest rates on forint-denominated housing loans**



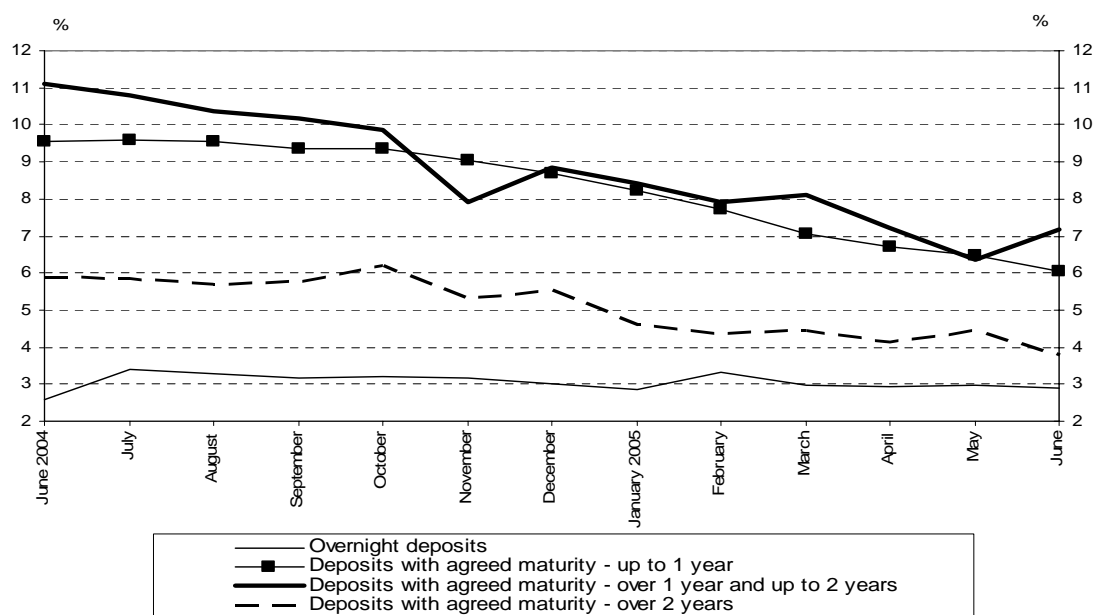
In the case of **housing loans**, in June 2005 the average interest rate on loans with a floating rate or a rate fixed for up to one year fell by 7 basis points (from 10.73 to 10.66 per cent); by 22 basis points on loans with a rate fixed for over one year and up to 5 years (from 9.40 to 9.18 per cent); the average interest rate on loans with a rate fixed for over 5 years and up to 10 years fell by 93 basis points (from 14.73 to 13.80 per cent), while it rose by 21 basis points on loans with a rate fixed for over 10 years (from 6.41 to 6.62 per cent).

**Chart 5 Monthly average APR on forint-denominated housing loans**



In the case of **housing loans**, the average APR on loans with a floating rate or up to 1 year initial rate fixation fell by 20 basis points (from 13.12 in May to 12.92 per cent in June) and 23 basis points on loans with a rate fixed for over one year and up to 5 years (from 12.71 to 12.48 per cent); the average APR on loans with a rate fixed for over 5 years and up to 10 years decreased by 85 basis points (from 17.83 to 16.98 per cent), while the same on loans with a rate fixed for over 10 years rose by 12 basis points (from 7.40 to 7.52 per cent).

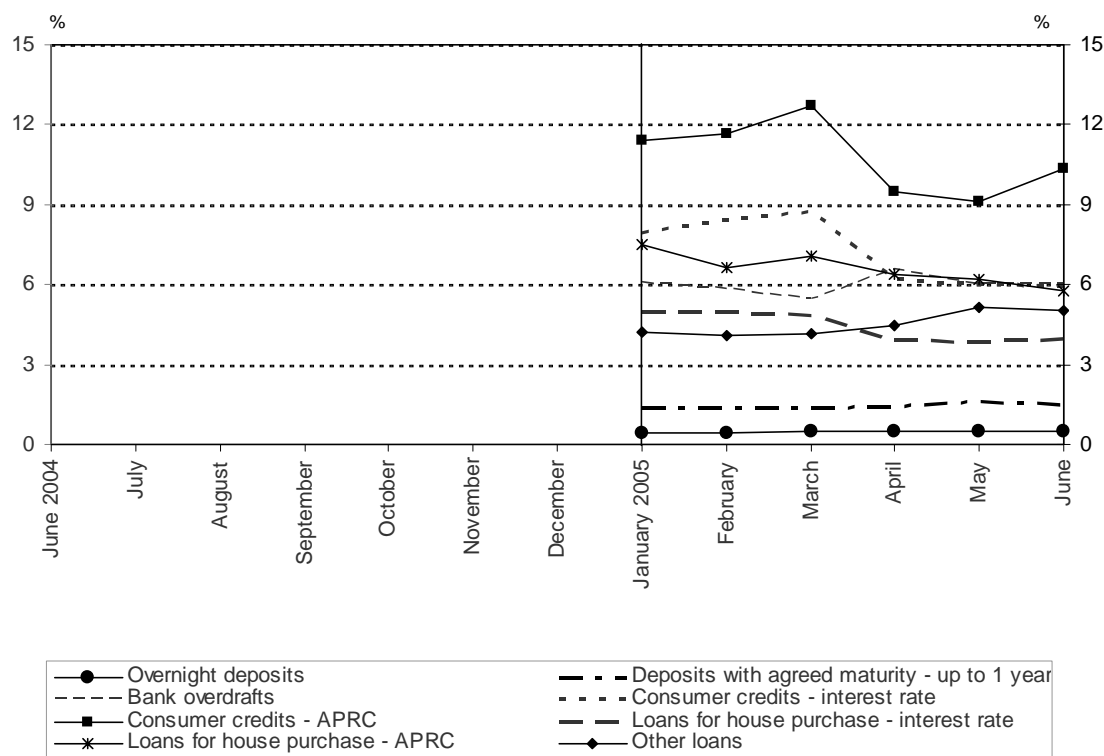
**Chart 6 Monthly average interest rates on forint-denominated household deposits**



In June, the average interest rate on overnight deposits fell by 7 basis points from 2.98 per cent in May to 2.91 per cent. The average interest rate on deposits with agreed maturity up to one year fell by 45 basis points, from 6.48% to 6.03%. The average interest rate on deposits with agreed maturity over one year and up to 2 years was 80 basis points higher, up from 6.37% to 7.17%, and that on deposits with agreed maturity over 2 years was 66 basis points lower, down from 4.44% to 3.78%. In June the amount of deposits with an agreed maturity within new contracts fell by HUF 47.2 billion to HUF 570.0 billion.

## 1.2. Data on euro-denominated loans and deposits

**Chart 7 Monthly average interest rates and APR on household euro-denominated loans and the monthly average interest rates on household euro-denominated deposits<sup>3</sup>**



In June 2005 the average interest rate of euro-denominated overdrafts amounted to 5.99 per cent. The average interest rate on housing loans with a floating rate or a rate fixed for up to one year increased by 6 basis points from 3.87 to 3.96 per cent, while their APR fell by 44 basis points from 6.21 to 5.77 per cent. The average interest rate on consumer credit with a floating rate or a rate fixed for up to one year fell by 11 basis points from 6.04 per cent in May to 5.93 per cent, while their APR increased by 127 basis points from 9.11 to 10.38 per cent. The average interest rate of other loans with a floating rate or a rate fixed for up to one year decreased by 13 basis points from 5.17 to 5.04 per cent.

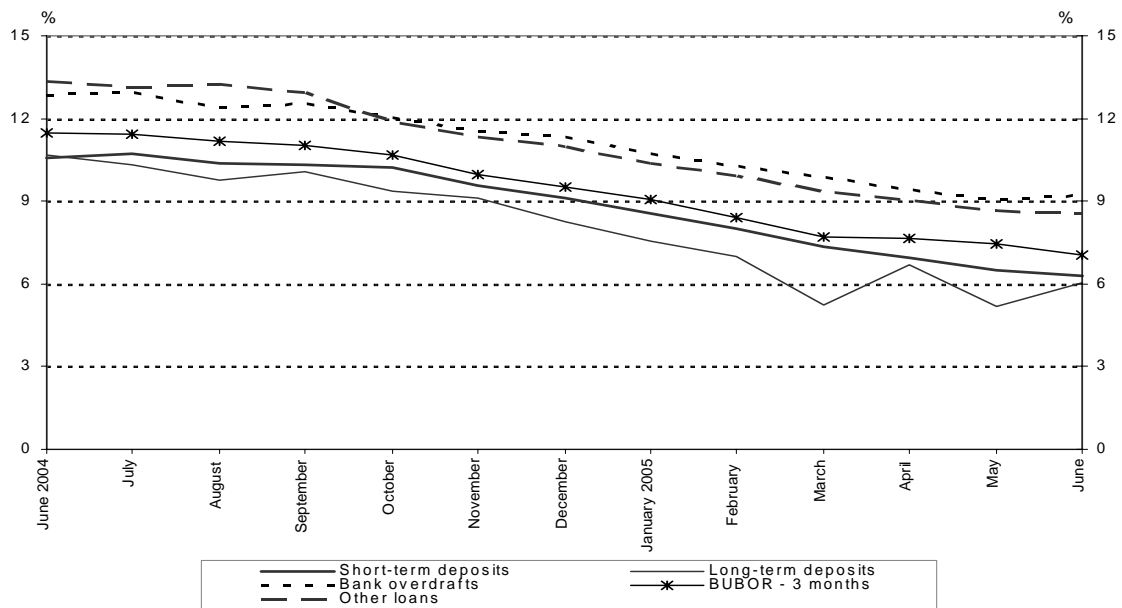
The average interest rate on euro-denominated household deposits with up to 1 year initial rate fixation fell by 14 basis points from 1.63 to 1.49 per cent, while that on overnight deposits decreased by 2 basis points from 0.52 to 0.50 per cent.

<sup>3</sup> The Chart includes data in the case of consumer credit, housing and other loans with a floating interest rate or with up to 1 year initial rate fixation.

## 2. Non-financial corporations

### 2.1. Data on forint-denominated loans and deposits

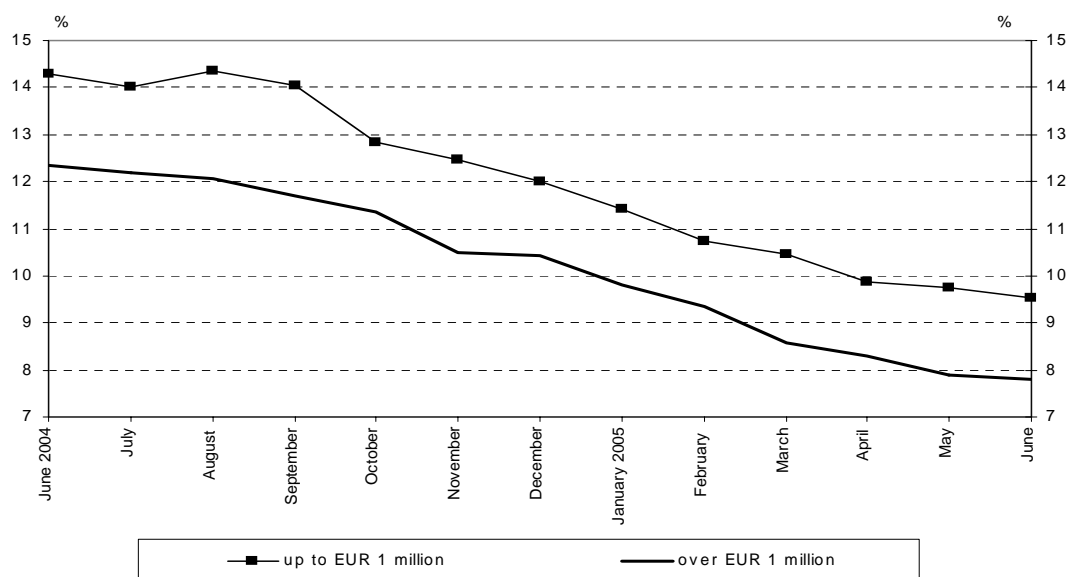
**Chart 8 Monthly average interest rates on non-financial corporations' forint-denominated loans and deposits and the BUBOR**



In June 2005, the average interest rate on overdrafts to **non-financial corporations** rose by 16 basis points, from 9.05 to 9.21 per cent, while on loans other than overdrafts fell by 9 basis points, from 8.64 to 8.55 per cent. Excluding overdrafts, new loans were granted in an amount of HUF 180.8 billion in June, up HUF 12.5 billion on the previous month.

The average rate of interest on **deposits** with up to 1 year initial rate fixation decreased by 22 basis points from 6.50 to 6.28 per cent, while that on forint-denominated deposits, as a result of changes in their composition, rose by 84 basis points from 5.21 to 6.05 per cent. The value of new time deposits made in June was HUF 1281.7 billion, up HUF 53.2 billion on the previous month. The average interest rate on overnights deposits increased by 2 basis points, from 2.10 to 2.12 per cent.

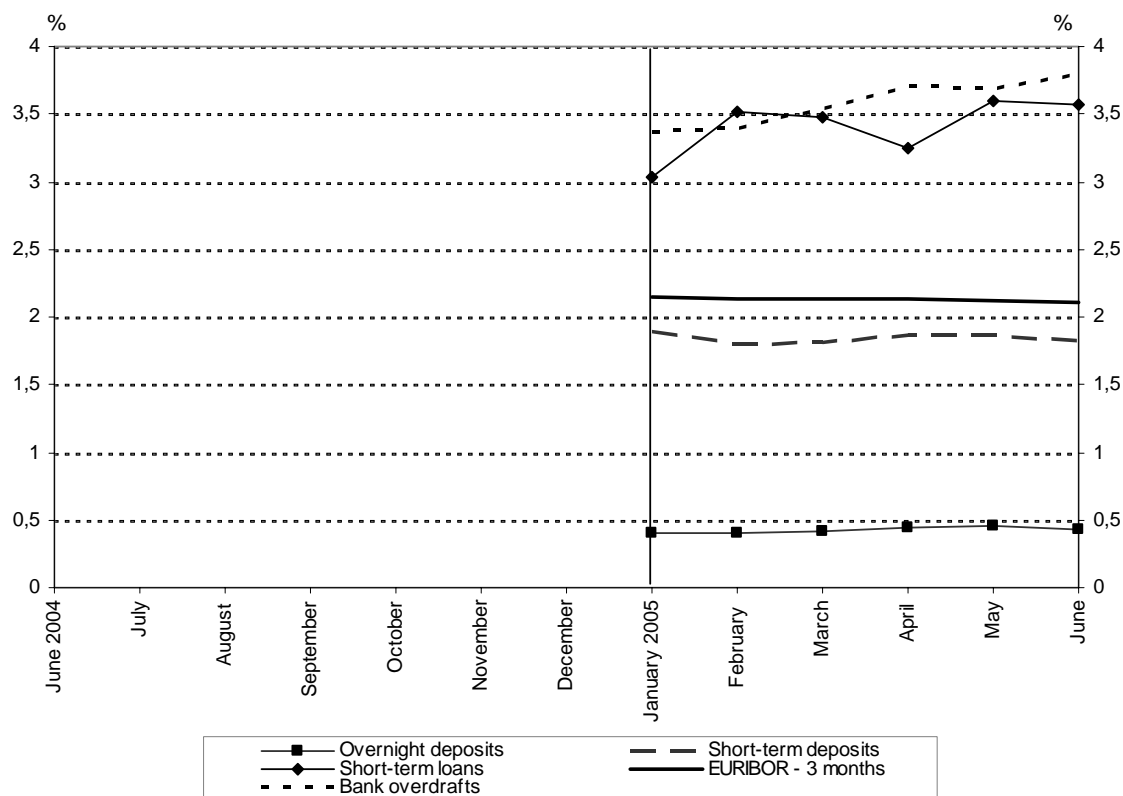
**Chart 9 Average forint-denominated borrowing rates of non-financial corporations (by loan amount)**



The average interest rate fell by 22 basis points from 9.76 to 9.54 per cent on loans granted to non-financial corporations up to EUR 1 million<sup>4</sup>, excluding bank overdrafts, and by 10 basis points, from 7.89 to 7.80 per cent, on loans over EUR 1 million.

## 2.2. Data on euro-denominated loans and deposits

**Chart 10 Monthly average interest rates on non-financial corporations' euro-denominated loans and deposits and the BUBOR**



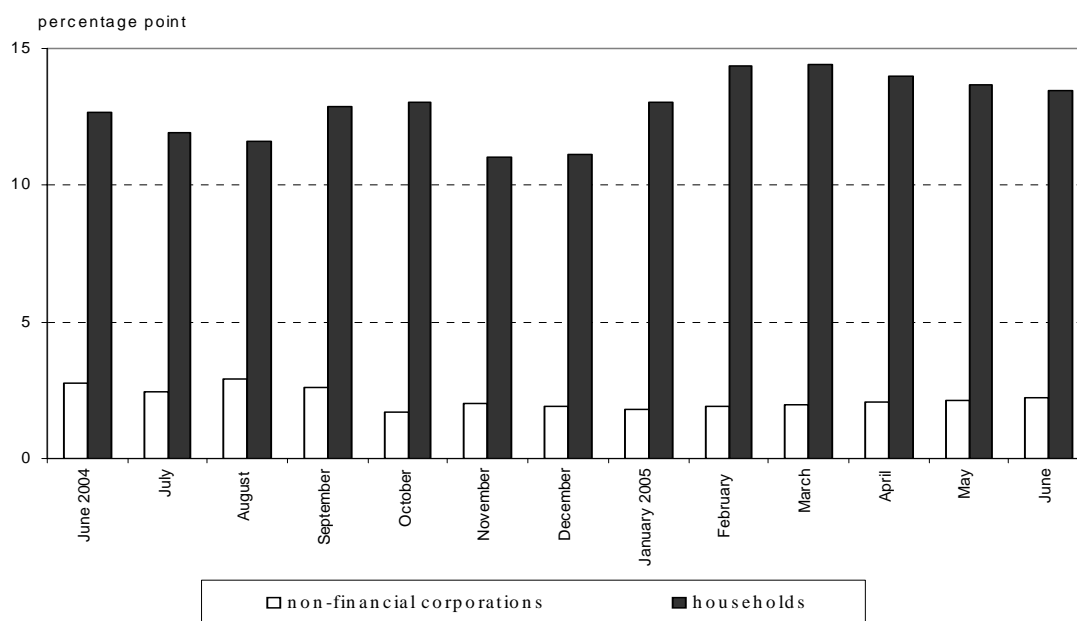
In June 2005, the average interest rate on euro-denominated overdrafts to **non-financial corporations** rose by 10 basis points from 3.70 to 3.80 per cent, while that on loans excluding overdrafts with floating interest rates or with up to 1 year initial rate fixation fell by 3 basis points from 3.60 to 3.57 per cent.

In June 2005, the average interest rate on overnight deposits of non-financial corporations decreased by 3 basis point from 0.46 per cent in May to 0.43 per cent. In June, the average interest rate on euro-denominated loans with up to 1 year initial rate fixation fell by 4 basis point from 1.87 to 1.83 per cent.

<sup>4</sup> The euro equivalent of individual forint-denominated loans is calculated with the help of the MNB's central rate effective on the last day of the month. The published interest rates refer exclusively to forint-denominated loans. For this reason, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

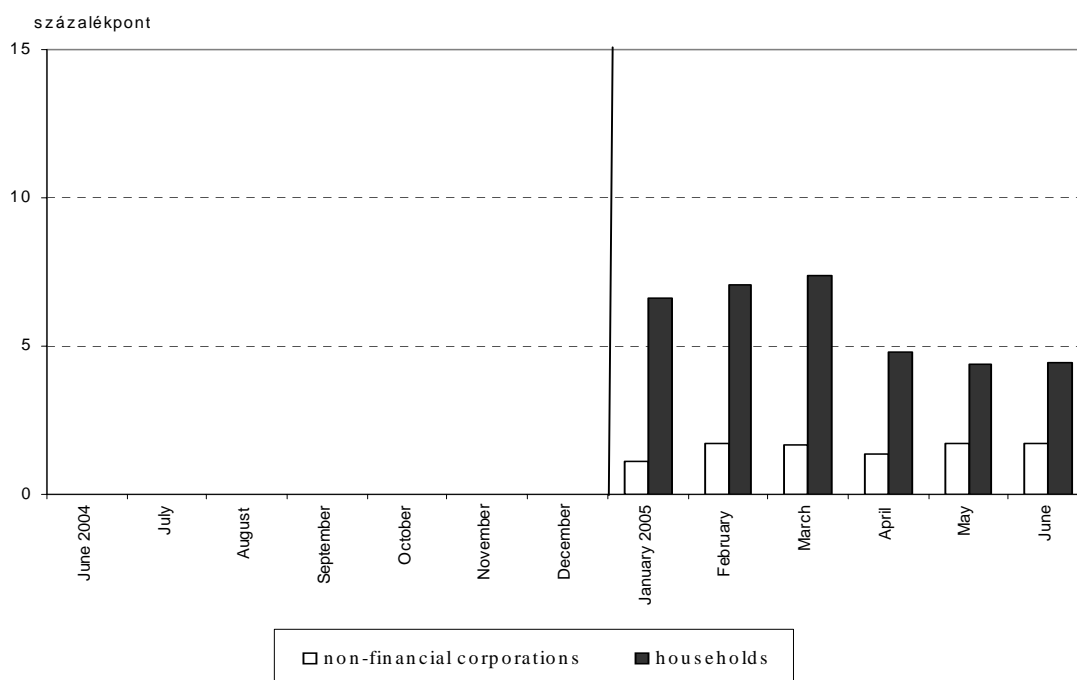
### 3. Differential between borrowing and deposit rates

**Chart 11 Differential between non-financial corporate and household sector forint-denominated borrowing and deposit rates**



In the household sector, the differential between the average interest rates on consumer credit and deposits with agreed maturity up to one year decreased from 13.65 percentage points in May to 13.47 percentage points in June. At short maturities, which account for a significant proportion of non-financial corporate loans and deposits, the gap between average interest rates increased from 2.13 to 2.24 percentage points.

**Chart 12 Differential between non-financial corporate and household sector euro-denominated borrowing and deposit rates**



In the household sector, the differential between the average interest rates on consumer credit with a floating rate or up to 1 year initial rate fixation and deposits with agreed maturity up to one year rose from 4.41 percentage points to 4.44 . The differential between the average interest rates on loans to non-financial corporations with a floating rate or up



to 1 year initial rate fixation and euro-denominated deposits with agreed maturity up to one year remained unchanged in June with 1.74 percentage points.

#### 4. Interbank unsecured forint-denominated loans

Chart 13 Average of the central bank and forint interbank rates in June 2005

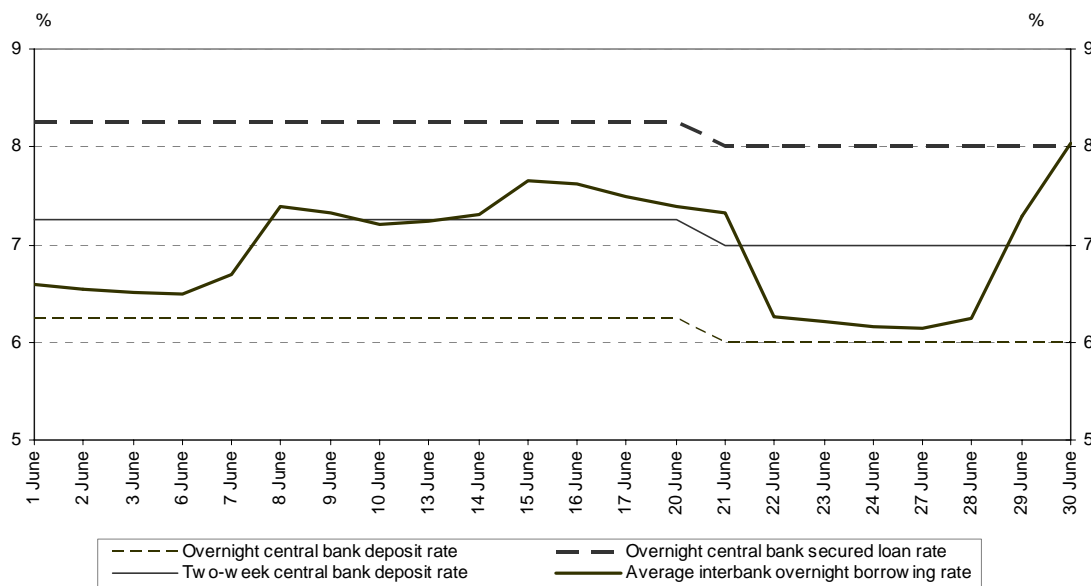
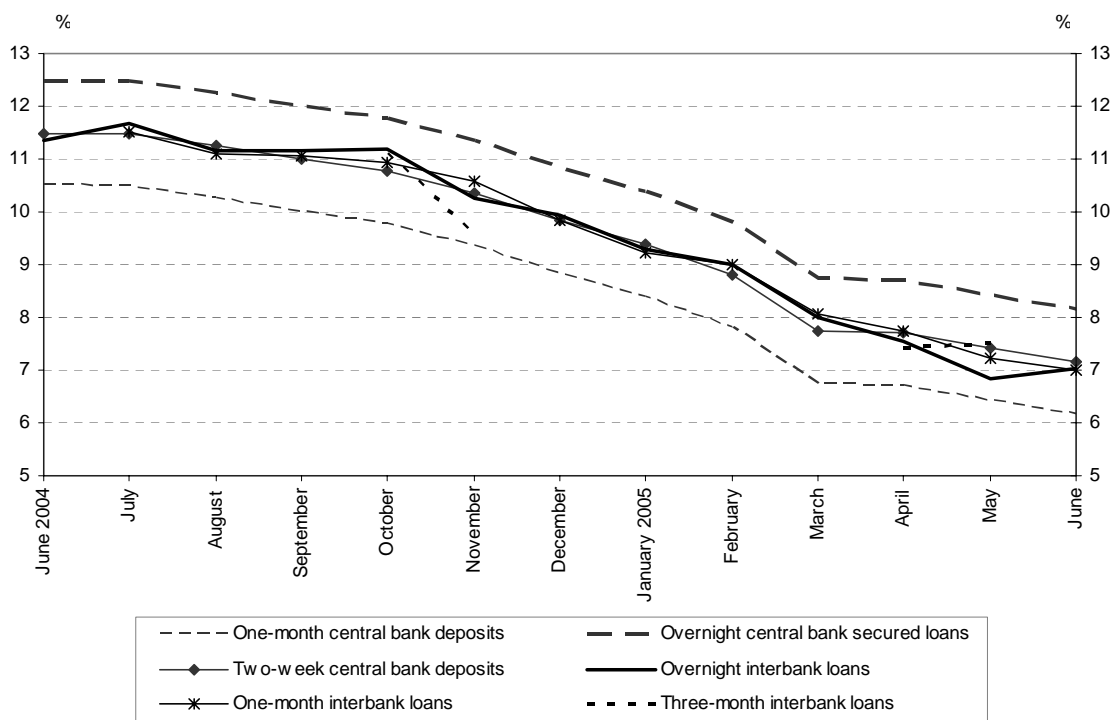


Chart 14 Average forint interbank and central bank rates



In June 2005, in the **forint interbank market**, turnover amounted to HUF 2206.0 billion, up HUF 201.5 billion on the previous month. The average overnight interbank lending rate weighted by the total amount of transactions fell by 20 basis points from 6.84 to 7.04 per cent relative to May, while the average interest rate on one-month interbank loans declined by 22 basis points from 7.23 to 7.02 per cent. 2005. No interbank loans were granted for three months in June 2005.

Daily interest rates are available upon request at the MNB's External Communication Department. In addition, details of the average interest rates and the amounts of new loans and deposits in a specific period, as used by the MNB to calculate the average interest rates, and the rates weighted by end-of-month stocks, are available on the Bank's website at:

**NFCs:**

*Data on forint:*

[www.mnb.hu/Statisztika/Statisztikai](http://www.mnb.hu/Statisztika/Statisztikai) adatok, idősorok/hu0901\_vallalkozoi\_HUF

*Data on euro:*

[www.mnb.hu/Statisztika/Statisztikai](http://www.mnb.hu/Statisztika/Statisztikai) adatok, idősorok/hu0901\_vallalkozoi\_EUR

**Households:**

*Data on forint:*

[www.mnb.hu/Statisztika/Statisztikai](http://www.mnb.hu/Statisztika/Statisztikai) adatok, idősorok/hu0902\_lakossagi\_HUF

*Data on euro:*

[www.mnb.hu/Statisztika/Statisztikai](http://www.mnb.hu/Statisztika/Statisztikai) adatok, idősorok/hu0902\_lakossagi\_EUR

**Data on interbank forint-denominated loans:**

[www.mnb.hu/Statisztika/Statisztikai](http://www.mnb.hu/Statisztika/Statisztikai) adatok, idősorok/hu0903\_bankkozi

Budapest, July 28, 2005

**MAGYAR NEMZETI BANK**  
STATISTICS DEPARTMENT

### Notes to the press release charts

In addition to data on interbank forint transactions, this press release also discloses the interest rates on loans and deposits charged and granted respectively by credit institutions to households and the non-financial corporate sector (S.11) as well as aggregate data on new loans granted to and new deposits accepted from these sectors. For the purposes of interest rate statistics, the term 'households' refers to both the household sector (S.14) and the non-profit sector providing assistance for households (S.15). The category of credit institutions also includes building societies, which accept deposits from the household and the non-financial corporate sector at low interest rates and also grant (housing) loans at an interest rate considerably lower than market rates.

The interest rate differential disclosed in this press release was calculated from unrounded data. Hence, differentials may differ from those computed from the rounded interest rates data published.

#### **Chart 1 and 7**

a) Average interest rates on consumer credit, housing loans and other loans refer to new contracts. By contrast, the interest rate on overdrafts refers to end-of-month stocks. Consequently, the Bank uses the total amount of new loans and the end-of-month stocks as weights to calculate average interest rates on the first three categories of loans and on overdrafts, respectively. Average interests rate do not include those on non-performing loans.

b) Other loans include, among other categories, sole proprietors' entrepreneurial loans as well as non-consumer credit and loans for purposes other than house purchase.

c) In addition to interest rates on consumer credit and other loans, the Bank also publishes the APR expressing total costs of consumer credit and housing loans of the household sector. The method underlying the calculation of the APR, published by the MNB, is identical to that defined by Government Decree No. 41/1997, and it is applicable to all types of consumer credit and housing loans, irrespective of maturity.

#### **Charts 2, 3, 4, 5 and 7**

From January 2003, contractual data on loans are broken down by initial interest rate fixation instead of original maturity. Interest rate fixation refers to the period for which the interest rate is fixed in loan contracts. All floating rate loans and part of fixed interest loans, where the interest rate is fixed for up to 1 year in the original contracts, are classified in to the category 'Floating rate or up to 1 year initial rate fixation'.

#### **Charts 4 and 5**

a) The weighted average interest rate on housing loans include data on loans provided under market conditions and on subsidised loans. The rate of subsidy is incorporated in the interest rate of subsidised loans. Data providers adjust the averages of assets-side subsidised interest rates by adding to the interest rate charged to customers the amount of government subsidy. In the case of liabilities-side subsidised loans, they add to the interest rate charged to customers the difference between the reference yield on government securities, nearest to the term of the loan, and the interest rate on funds borrowed in the interbank market. Consequently, interest rates on housing loans also depend on variations in money and capital market interest rates.

b) From January 2003, contractual data on loans are broken down by initial interest rate fixation instead of original maturity. Interest rate fixation refers to the period for which the interest rate is fixed in loan contracts. All floating rate loans and part of fixed interest loans where the interest rate is fixed for up to 1 year in the original contracts are classified in to the category 'Floating rate or up to 1 year initial rate fixation'.

#### **Chart 6 and 7**

Average interest rates on time deposits are calculated using the total amount of new loans as weight, in contrast with those on overnight and current account deposits, which are calculated using end-of-month stocks as weights. Time deposits are classified into the various categories on the basis of original maturity.

#### **Chart 8 and 10**

Average interest rates on time deposits are calculated using the total amount of new loans as weight, while those on overnight and current account deposits are calculated using end-of-month stocks as weights. Consequently, except in the case of overdrafts, the Bank uses the amounts of new loans and the end-of-month stocks of overdrafts as weights to calculate average interest rates. The average interest rate does not include interest rates on non-performing loans.

#### **Chart 9**

The euro equivalent of forint-denominated loans granted on a case-by-case basis is calculated using the MNB's central exchange rate for the last day of the month. The interest rates only refer to forint-denominated loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively.