

## PRESS RELEASE

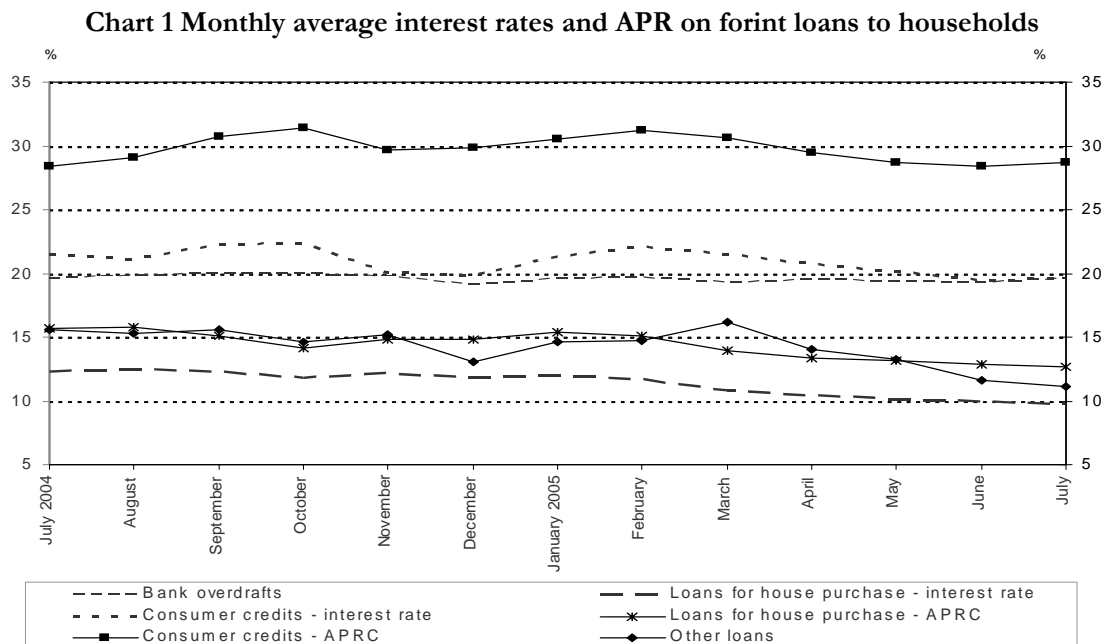
### Household and non-financial corporate sector interest rates, interbank lending rates: July 2005

*In July 2005, the averages of interest rates on forint loans to households and on the sector's forint deposits changed slightly, accompanied by a fall in transactions in loans and deposits. The total amount of non-financial corporations' new loans and deposits fell. Average interest rates on the sector's forint loans and deposits were slightly lower than in the preceding month. The volume of transactions in the interbank forint market also fell; and average interest rates on overnight unsecured loans rose.*

*Average interest rates on euro loans to households fell, average interest rates on the sector's euro deposits remaining unchanged. Average interest rates on euro loans to non-financial corporations rose, in contrast with those on euro deposits which fell in the month under review.*

#### 1 Households

##### 1.1 Forint loans and deposits



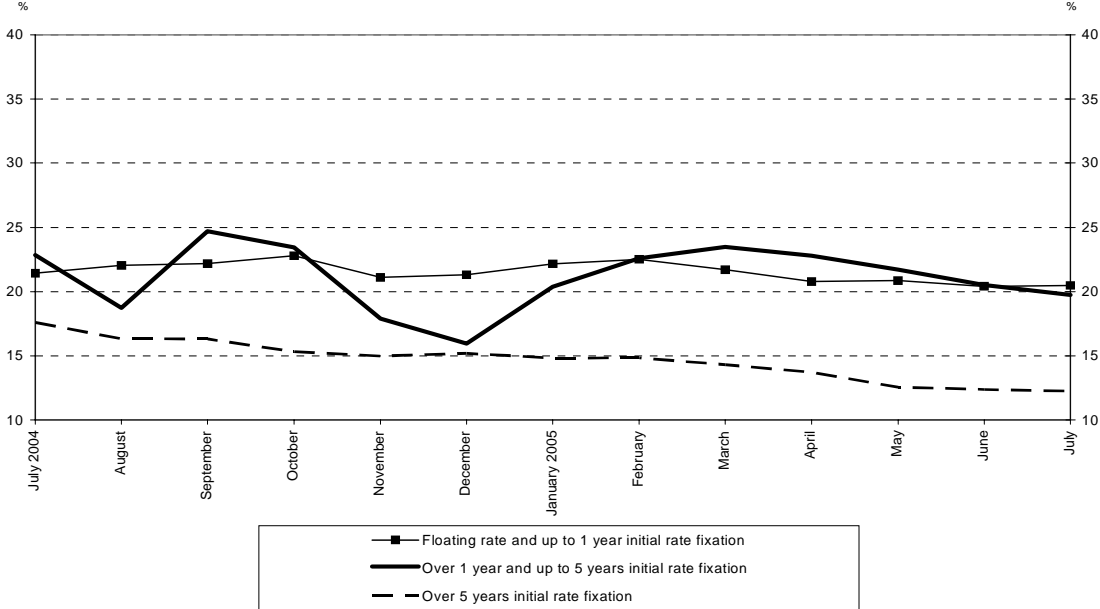
In the household sector, the average interest rate on overdrafts rose by 33 basis points, from 19.25% in June to 19.58% in July. The average interest rate on bank housing loans<sup>1</sup> fell by 18 basis points, from 9.92% to 9.74%, the APR falling by 23 basis points, from 12.86% to 12.64%. The average interest rate on consumer credit saw an increase of 11 basis points, from 19.50% to 19.60%, the APR rising by 29 basis points, from 28.41% to 28.69%. The average interest rate on other loans was down by 56 basis points, from 11.64% to 11.08%.

The amount of consumer credit provided was HUF 20.9 billion in July. That was HUF 1.7 billion lower than in the preceding month. Excluding overdrafts, consumer credit as a proportion of new loans rose from 45.1% in June to 46.5% in the month under review.

The amount of loans granted for house purchase was HUF 18.3 billion, down HUF 3.3 billion on the preceding month. Excluding overdrafts, housing loans as a proportion of new loans fell from 43.2% to 40.7% in one month.

The amount of other loans granted was HUF 5.7 billion in July, accounting for 12.8% of the total amount of new loans, excluding overdrafts. The amount of new other loans fell by HUF 0.1 billion, their percentage share of the total rising by 1.1 percentage points in one month.

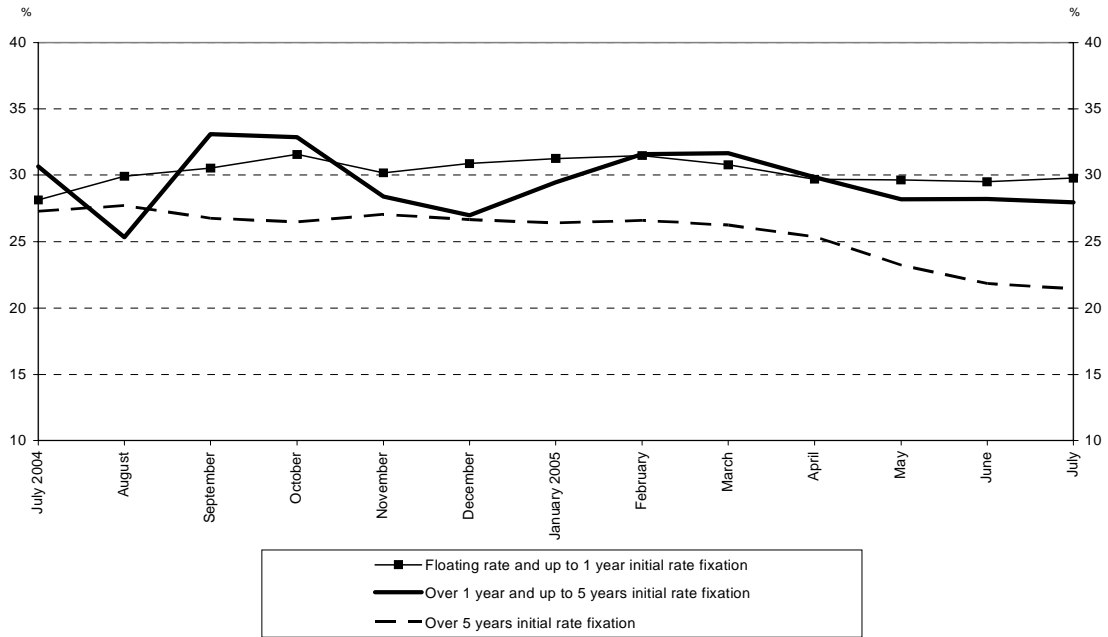
**Chart 2 Monthly average interest rates on forint consumer credit**



The average interest rate on consumer credit provided to the household sector with a floating interest rate or with up to 1 year initial rate fixation edged up by 7 basis points, from 20.40% to 20.47%; that on consumer credit with over 1 and up to 5 years initial rate fixation fell by 78 basis points, from 20.52% to 19.73%; and that on consumer credit with over 5 years initial rate fixation fell by 13 basis points, from 12.39% to 12.25%.

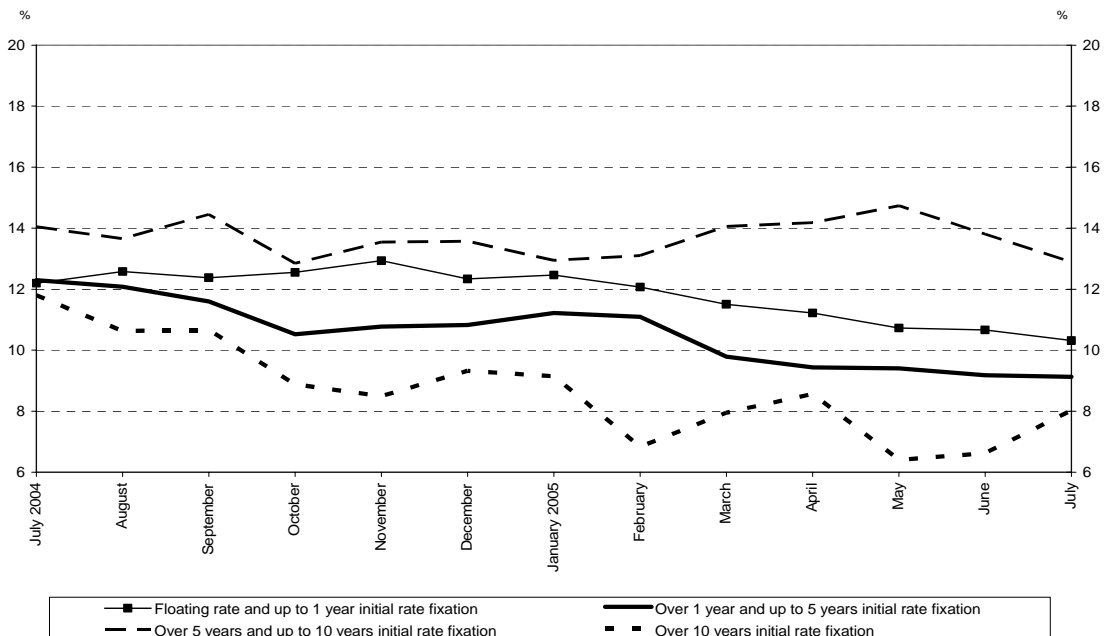
<sup>1</sup> This press release contains market interest rates and APR on bank loans for house purchase. In the case of subsidised housing loans, average interest rates and the APR include interest rates after adjusting for the amount of government subsidy.

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



The average APR on consumer credit provided to the household sector with a floating interest rate or with up to 1 year initial rate fixation was higher by 26 basis points, from 29.52% to 29.78%; that on consumer credit with over 1 and up to 5 years initial rate fixation fell by 25 basis points, from 28.21% to 27.96%; and that on consumer credit with over 5 years initial rate fixation fell by 39 basis points, from 21.84% to 21.45%.

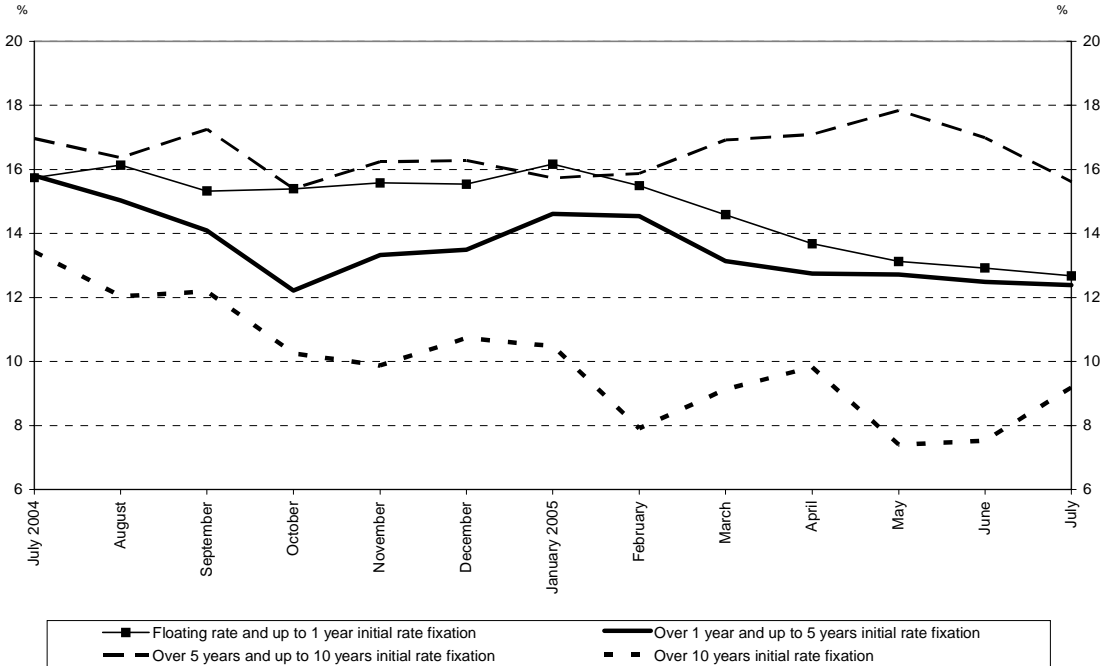
**Chart 4 Monthly average interest rates on forint housing loans**



The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation was down by 35 basis points, from 10.66% to 10.31%; that on loans with over 1 year and up to 5 years initial rate fixation edged down by 5 basis points, from 9.18% to 9.12%; and that on loans with over 5 years and up to 10 years initial rate fixation fell by 92 basis

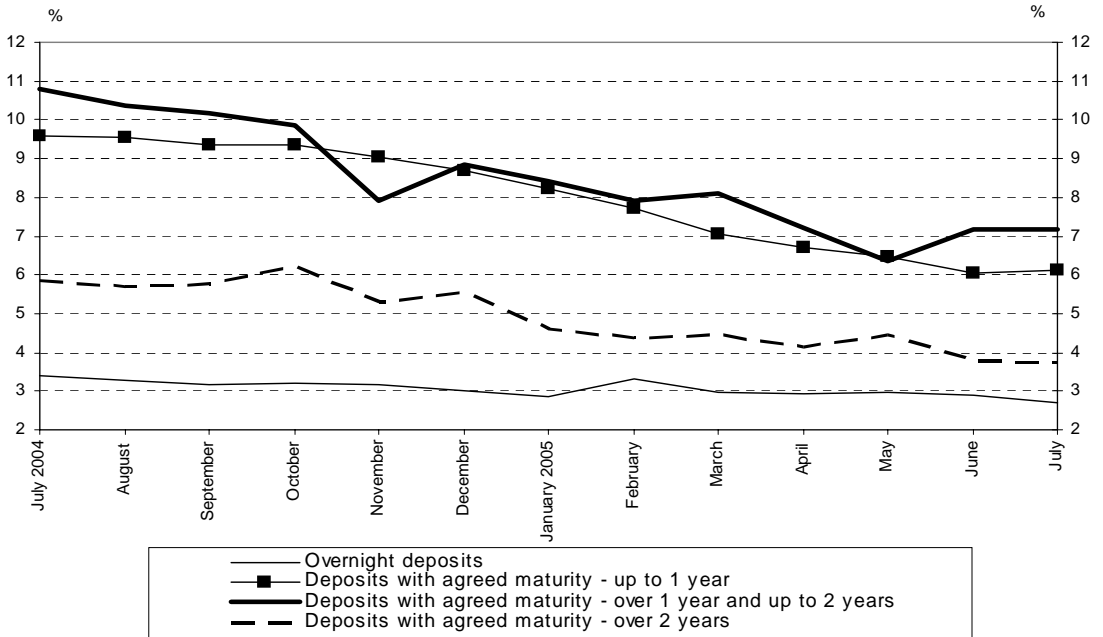
points, from 13.80% to 12.89%. The average interest rate on loans for house purchase with over 10 years initial rate fixation rose by 140 basis points, from 6.62% to 8.02%.

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



The average APR on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation fell by 25 basis points, from 12.92% to 12.67%; that on loans with over 1 year and up to 5 years initial rate fixation by 10 basis points, from 12.48% to 12.38%; and that on loans with over 5 years and up to 10 years initial rate fixation by 138 basis points, from 16.98% to 15.61%. The average APR on loans for house purchase with over 10 years initial rate fixation rose by 168 basis points, from 7.52% to 9.19%.

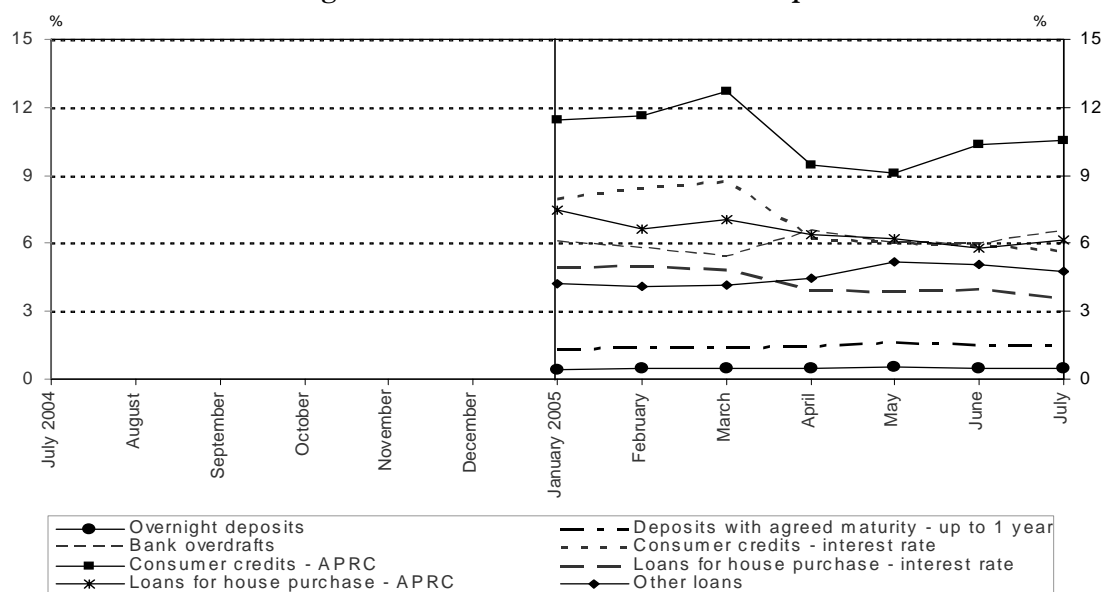
**Chart 6 Monthly average interest rates on household forint deposits**



The average of interest rates on households' overnight deposits fell by 23 basis points, from 2.91% to 2.69% in one month. The average interest rate on deposits with agreed maturity up to one year edged up by 11 basis points, from 6.03% to 6.13%. The averages of interest rates on deposits with agreed maturity over 1 year and up to 2 years and on deposits with agreed maturity over 2 years remained unchanged. The amount of new time deposits from households was HUF 512.1 billion in July, down HUF 57.9 billion on the preceding month.

## 1.2 Euro loans and deposits

**Chart 7 Monthly average interest rates and APR on euro loans to households and monthly average interest rates on household euro deposits<sup>2</sup>**



The average interest rate on euro overdrafts provided to households rose by 55 basis points, from 5.99% to 6.54%. The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation was down by 39 basis points, from 3.96% to 3.57%, the APR rising by 38 basis points, from 5.77% to 6.15%. The average interest rate on consumer credit with floating interest rates or with up to 1 year initial rate fixation fell by 29 basis points, from 5.93% to 5.64%. The average interest rate on other loans with floating interest rates or with up to 1 year initial rate fixation was down by 29 basis points, from 5.04% to 4.75%. The amount of consumer credit with floating interest rates or with up to 1 year initial rate fixation rose by HUF 1.8 billion to HUF 4 billion; that of housing loans fell by HUF 0.6 billion to HUF 2.1 billion, and that of other loans remained unchanged at June's HUF 1.4 billion.

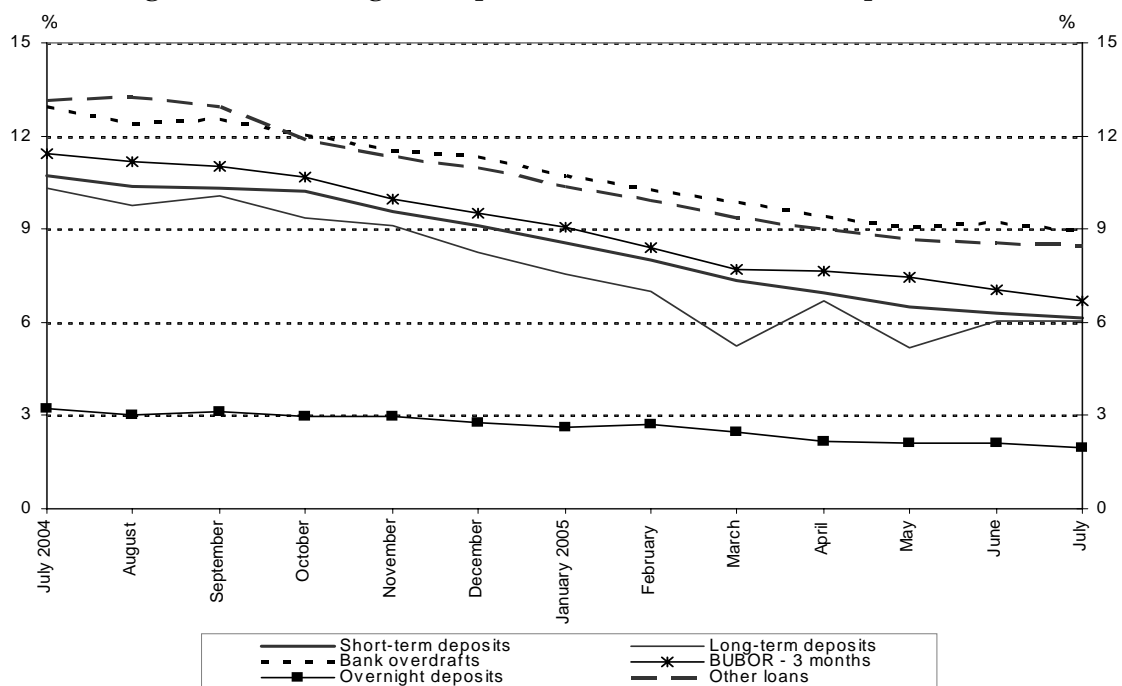
The average interest rate on euro deposits with agreed maturity up to one year edged up by 2 basis points, from 1.49% to 1.51%; and that on overnight and current account deposits remained unchanged at 0.51%. The amount of deposits with agreed maturity up to one year rose by HUF 5.3 billion to HUF 53.2 billion.

<sup>2</sup> The Chart plots data on consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

## 2 Non-financial corporations

### 2.1 Forint loans and deposits

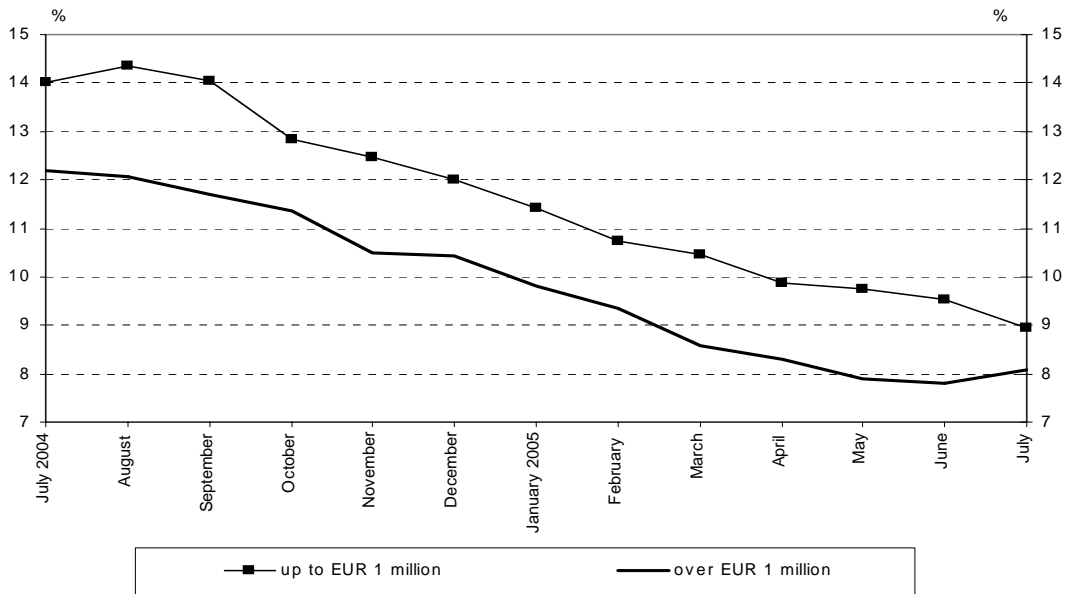
Chart 8 Average forint borrowing and deposits rates of non-financial corporations and BUBOR



The average interest rate on overdrafts provided to non-financial corporations fell by 28 basis points, from 9.21% to 8.93%; and that of interest rates on loans other than overdrafts saw a change of 8 basis points downwards, from 8.55% to 8.47%. The amount of loans granted, excluding overdrafts, was HUF 173.8 billion in July, after falling by HUF 7 billion relative to the preceding month.

The average of interest rates on deposits with agreed maturity up to one year fell by 13 basis points, from 6.28% to 6.15%; and that of interest rates on deposits with agreed maturity over one year rose edged down by 2 basis points, from 6.05% to 6.03%. The amount of new time deposits from non-financial corporations was HUF 1,192.3 billion in July. That meant a fall of HUF 89.4 billion relative to June. The average interest rate on overnight and current account deposits fell by 13 basis points, from 2.12% to 1.98%.

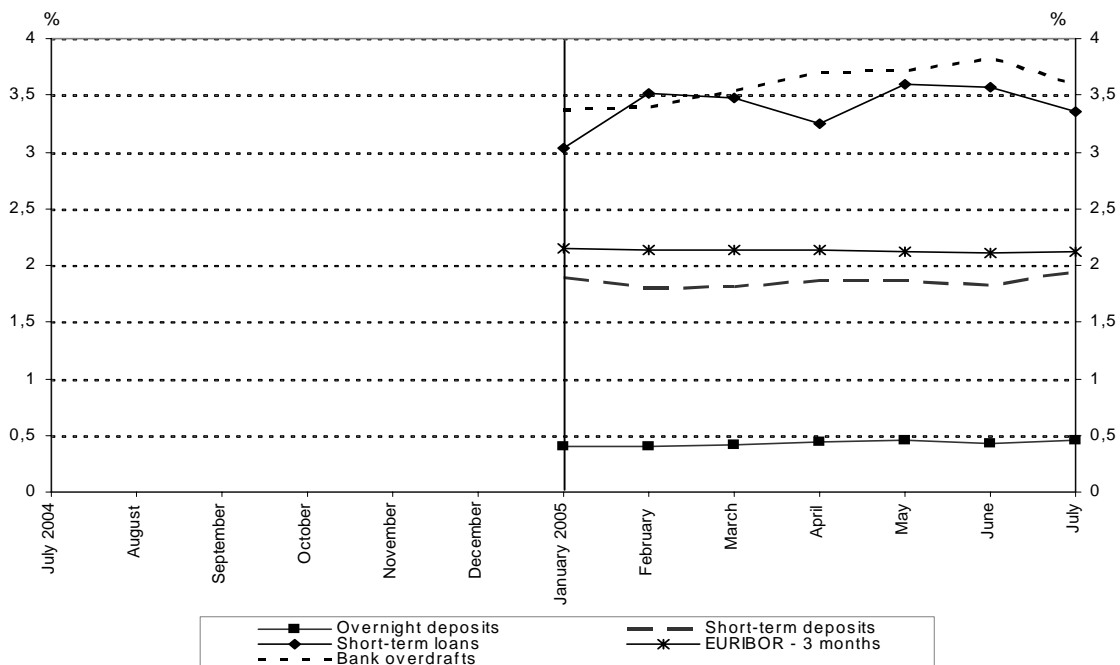
**Chart 9 Average forint borrowing rates of non-financial corporations (by loan amount)**



The average interest rate on loans provided to non-financial corporations up to EUR 1 million,<sup>3</sup> excluding bank overdrafts, fell by 60 basis points, from 9.54% to 8.94%; and that of loans over EUR 1 million rose by 28 basis points, from 7.80% to 8.08%.

## 2.2 Euro loans and deposits

**Chart 10 Monthly average forint borrowing and deposit rates of non-financial corporations and EURIBOR**



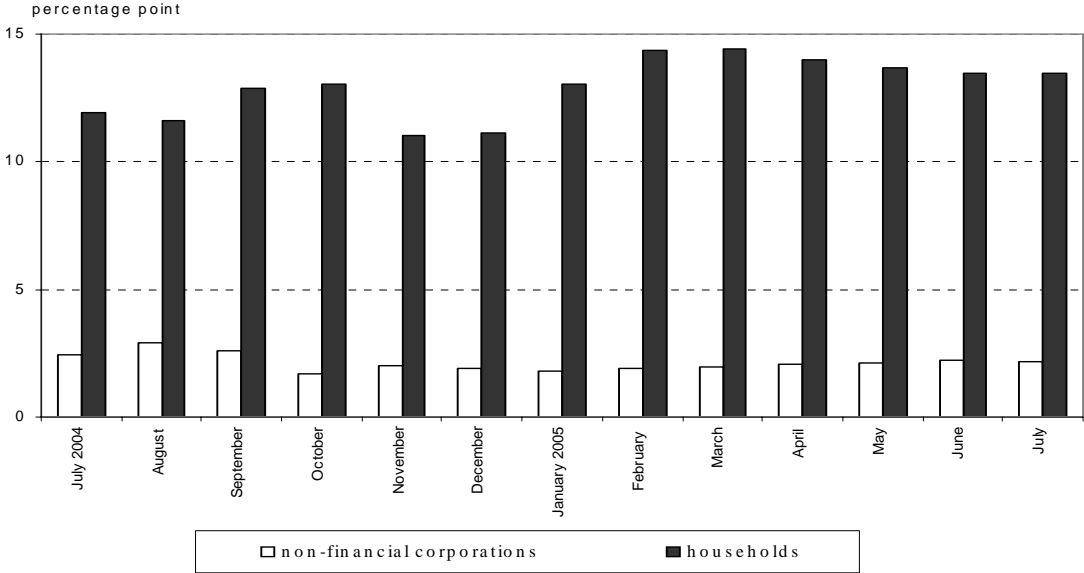
<sup>3</sup> Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

The average interest rate on euro overdrafts provided to non-financial corporations fell by 22 basis points, from 3.83% to 3.60%; and that on loans with floating interest rates or with up to 1 year initial rate fixation, other than overdrafts, fell by 21 basis points, from 3.57% to 3.36%. The amount of loans with floating interest rates or with up to 1 year initial rate fixation, excluding overdrafts, was HUF 72.8 billion in July, after falling by HUF 42.2 billion relative to the preceding month.

The average of interest rates on NFCs’ overnight and current account deposits edged up by 3 basis points, from 0.43% to 0.46%. The average of interest rates on deposits with agreed maturity up to one year rose by 11 basis points, from 1.83% to 1.94%. The amount of new time deposits from non-financial corporations rose by HUF 23.5 billion, from HUF 356.0 billion to HUF 379.6 billion.

**3 Differentials between loan and deposit rates**

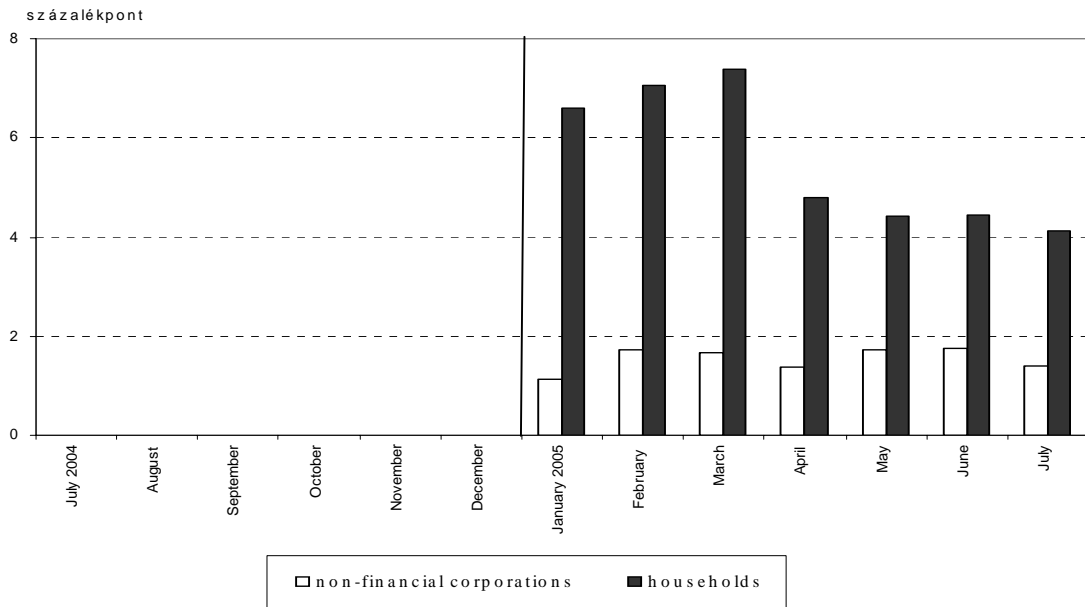
**Chart 11 Differential between non-financial corporate and household sector forint borrowing and deposit rates**



In the household sector, the differential between average interest rates on consumer credit and on deposits with agreed maturity up to one year remained unchanged at June’s 13.47 percentage points. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates narrowed from 2.24 percentage points to 2.17 percentage points.



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



In the household sector, the difference between average interest rates on consumer credit with floating interest rates or with up to 1 year initial rate fixation and on euro deposits with agreed maturity up to one year narrowed from 4.44 percentage points to 4.12 percentage points. The difference between average interest rates on non-financial corporations' loans with floating interest rates or with up to 1 year initial rate fixation and euro deposits with agreed maturity up to one year narrowed from 1.74 percentage points to 1.41 percentage points.

#### 4 Interbank unsecured forint loans

**Chart 13 Average official and forint interbank rates in July 2005**

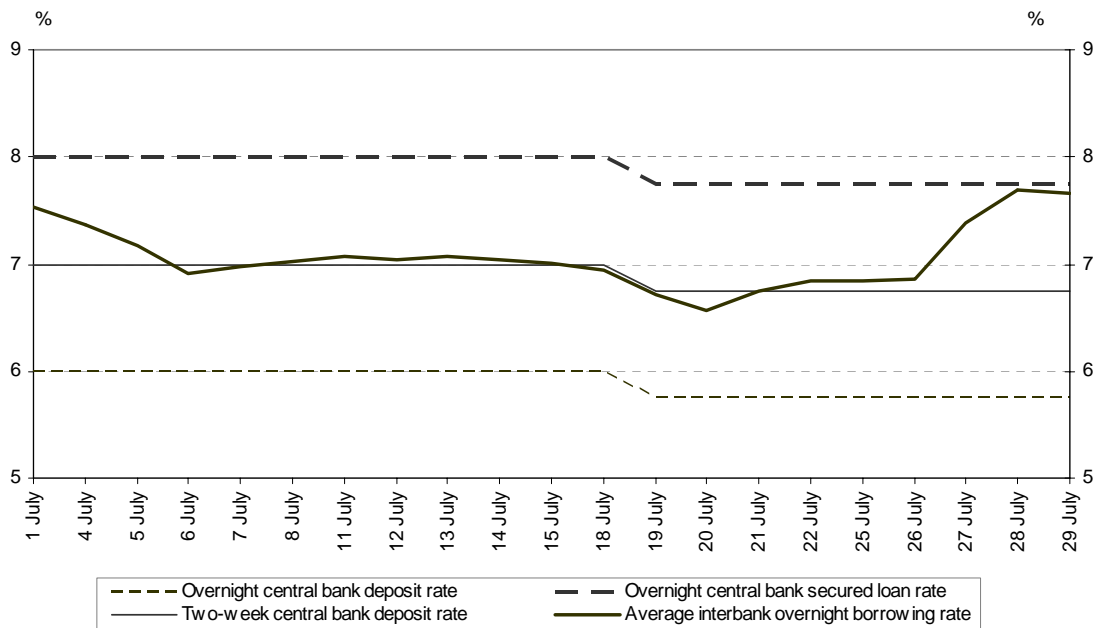
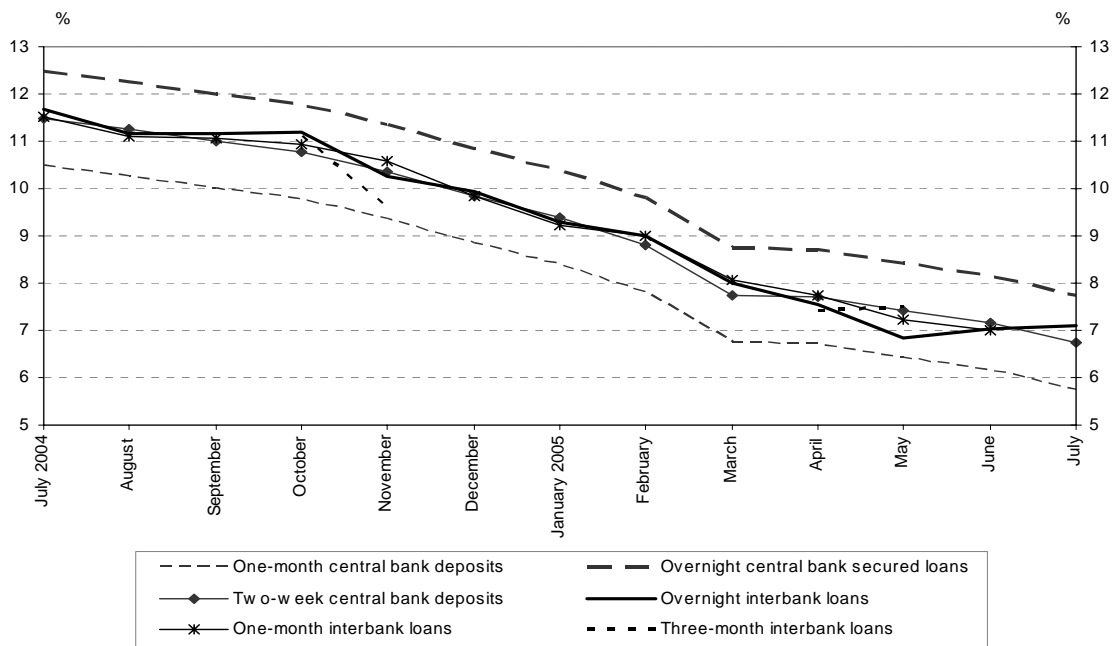


Chart 14 Average official and forint interbank rates



Turnover in the forint interbank market amounted to HUF 1,911.5 billion in July. That was HUF 294.5 billion lower than in the preceding month. The average overnight lending rate, weighted by the total amount of transactions, rose by 5 basis points, from 7.04% to 7.09%. The average interest rate on loans provided for one month was 6.50%. The average interest rate on loans provided for three months was 7.43% in the month under review. No interbank loan was made at one month in July 2005.

Daily interbank rates are available on request at the MNB's Communications Department. In addition, details of average interest rates and the amounts of new loans and deposits in the reference month which the MNB uses to calculate average interest rates as well as interest rates, weighted by month-end stocks, are available on the Bank's website at:

**NFC data:**

Data on forint loan and deposit rates:

[http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0901\\_vallalkozoi\\_HUF](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0901_vallalkozoi_HUF)

Data on euro loan and deposit rates:

[http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0901\\_vallalkozoi\\_EUR](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0901_vallalkozoi_EUR)

**Household data:**

Data on forint loan and deposit rates:

[http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0902\\_lakossagi\\_HUF](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0902_lakossagi_HUF)

Data on euro loan and deposit rates:

[http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0902\\_lakossagi\\_EUR](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0902_lakossagi_EUR)

**Interbank market data:**

[http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0903\\_bankkozi](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0903_bankkozi)

### Notes to the press release charts

This press release includes, in addition to data on transactions in the forint interbank market, credit institutions' lending and deposit rates applied in their loan and deposit transactions with Non-financial corporations (S.11) and Households (S.14), as well as the aggregate amounts of new loans provided to and deposits accepted from the two sectors. The interest rate statistics also include data on Non-profit institutions serving households (S.15), in addition to households. Furthermore, credit institutions also include building societies whose business is to accept deposits from households and non-financial corporations at low interest rates and to provide loans – mainly for house purchase – at below-market interest rates.

The differences between interest rates in this press release are calculated from data before rounding. Consequently, the differences may differ from those derived from rounded interest rates published.

#### Chart 1

- a) Average interest rates on consumer credit, housing loans and other loans refer to new contracts. By contrast, interest rates on overdrafts refer 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 interest rates do not include those on non-performing loans.
- b) Other loans include, among others, sole proprietors' entrepreneurial loans as well as non-consumer 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 those fixed interest loans, for which 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 home loans whether they are provided under market conditions or subsidised. Data providers adjust the averages of assets-side subsidised interest rates by adding the amount of government subsidy to the interest rate charged to customers. In the case of liabilities-side subsidised loans, 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 is added to the interest rate charged to customers. 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 a loan contract. All floating rate loans and those fixed interest loans, for which 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 6 and 7**

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. Time deposits are classified into the various categories on the basis of original maturity.

#### **Charts 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, loans excluding overdrafts are weighted by the amounts of new loans, while overdrafts are weighted by end-of-month stocks to calculate average interest rates. Average interest rates do not include interest rates on non-performing loans.

#### **Chart 9**

The euro equivalent of forint-denominated loans is calculated using the MNB's central exchange rate for the last day of the month. The interest rates refer exclusively to forint-denominated loans. For this reason, loans denominated and recorded in forints are converted into euros retrospectively.