

## PRESS RELEASE

### Household and non-financial corporate sector interest rates, interbank lending rates: January 2006

*In January 2006, the averages of interest rates on loans to households rose, except average overdraft rates. Average interest rates on the sector's overnight deposits and on deposits with agreed maturity over 2 years fell, while the average interest rate on deposits with agreed maturity up to 1 year rose. Average interest rates on forint loans to non-financial corporations fell, while those on forint deposits from the sector rose. In the interbank forint market, the average interest rate on overnight loans rose, while that on three-month loans fell.*

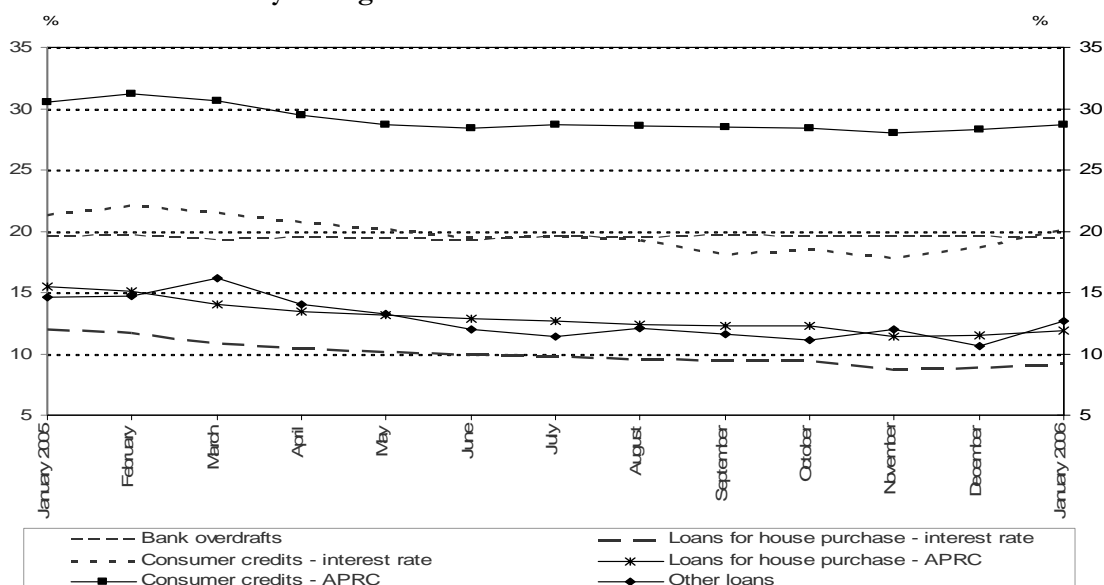
*Within euro loans to and deposits from households, only average interest rates on overdrafts and other loans changed significantly, rising due to one-off effects. The changes in average interest rates on non-financial corporations' euro loans and deposits were small in the month under review.*

*The Bank's method of selecting data providers from a population of reporting institutions has changed from January 2006. For more details, see the Notes at the end of this press release.*

#### 1 Households

##### 1.1 Forint loans and deposits

Chart 1 Monthly average interest rates and APR on forint loans to households



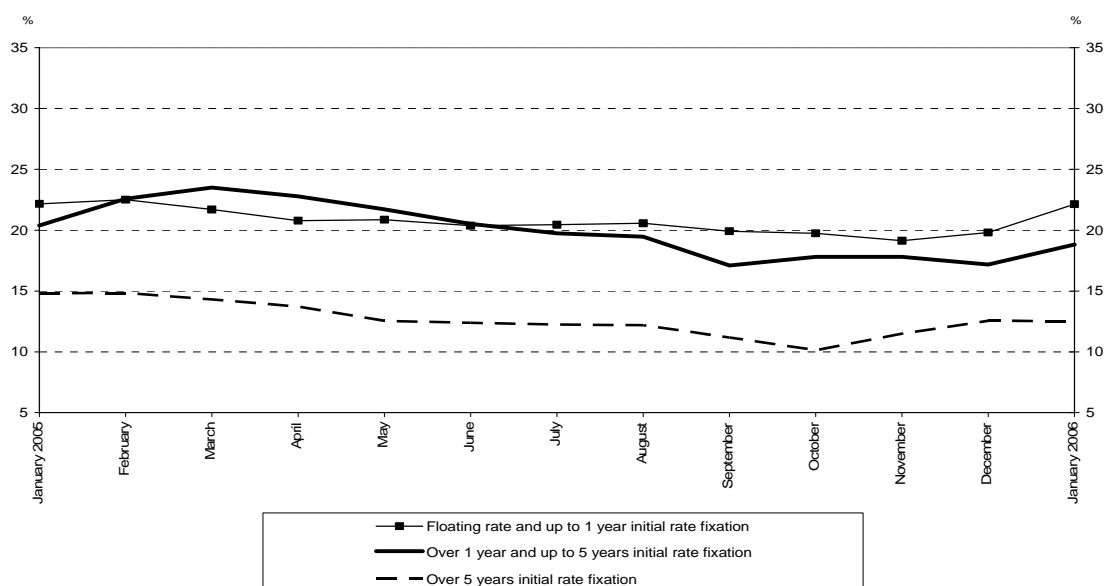
In the household sector, the average interest rate on overdrafts fell by 18 basis points to 19.37%. The average interest rate on bank housing loans<sup>1</sup> rose by 30 basis points to 9.20%, with the APR increasing by 38 basis points to 11.87%. The average interest rate on consumer credit was 151 basis points higher, at 20.16%, due to interest rate changes, and the APR rose by 46 basis points to 28.74%. The average interest rate on other loans was up 205 basis points to 12.69%, due to a combination of changes in interest rates and the composition of loans.

The amount of consumer credit extended was HUF 15.3 billion in January. That was HUF 11.0 billion lower than in the preceding month. Excluding overdrafts, consumer credit as a proportion of new loans fell from 53.5% in December to 52.8% in the month under review.

The amount of loans provided for house purchase was HUF 10.8 billion, down HUF 3.8 billion on December. Excluding overdrafts, housing loans as a proportion of new loans rose from 29.6% to 37.2% in one month.

The amount of other loans granted was HUF 2.9 billion in January. This amount accounted for 9.9% of total new loans, excluding overdrafts. The amount of new other loans extended to households fell by HUF 5.5 billion and their percentage share of the total by 7.0 percentage points.

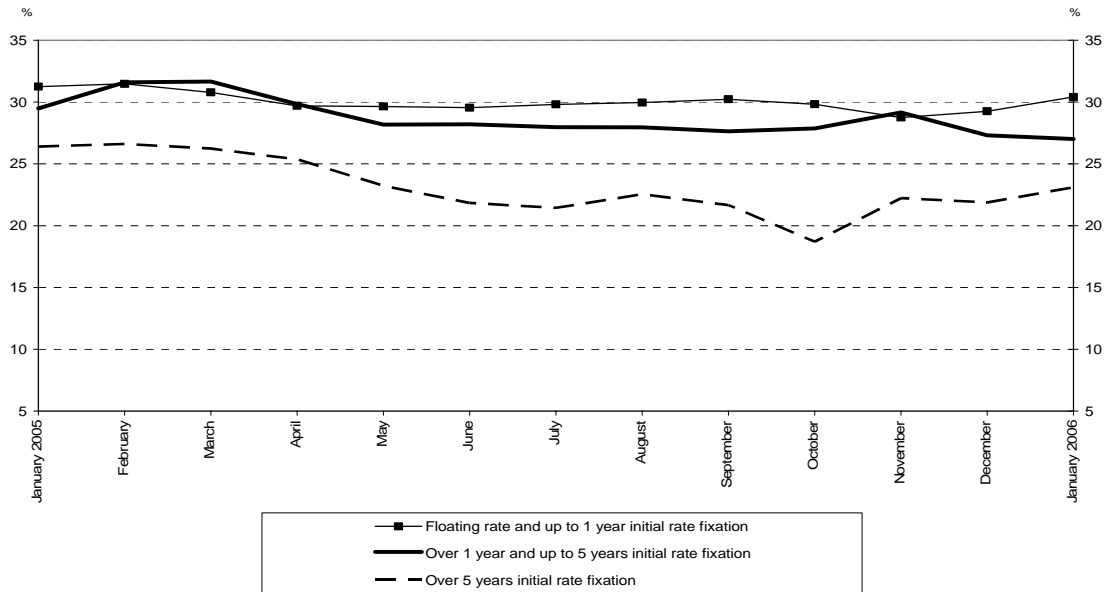
**Chart 2 Monthly average interest rates on forint consumer credit**



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 rose by 233 basis points to 22.14% and that on consumer credit with over 1 and up to 5 years initial rate fixation by 165 basis points to 18.83%. The average interest rate on consumer credit with over 5 years initial rate fixation changed by 3 basis points to 12.53%. These movements in average interest rates on consumer credit were caused primarily by rises in interest rates, in addition to changes in the composition of outstanding credit.

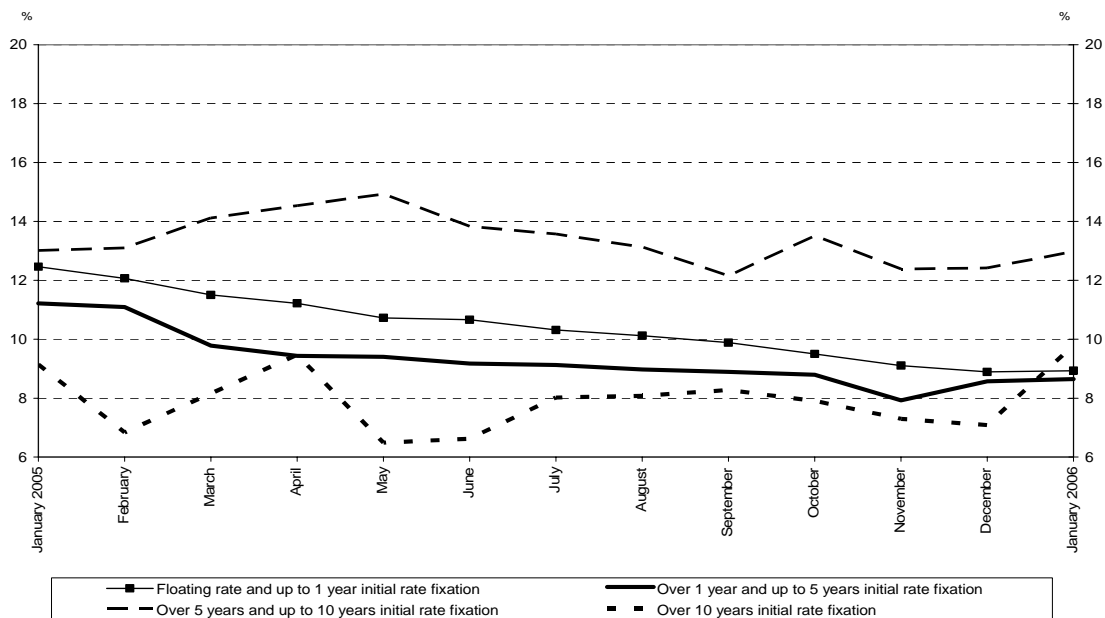
<sup>1</sup> This press release contains market interest rates and APR on bank loans for house purchase. In the case of subsidised housing loans, average interest rates and the APR include interest rates after adjusting for the amount of government subsidy.

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



The average APR on consumer credit extended to the household sector with a floating interest rate or with up to 1 year initial rate fixation rose by 116 basis points to 30.42%; that on consumer credit with over 1 and up to 5 years initial rate fixation fell by 30 basis points to 27.01%; and that on consumer credit with over 5 years initial rate fixation rose by 123 basis points to 23.11%. These movements in APRs were caused primarily by rises in interest rates, in addition to changes in the composition of outstanding credit.

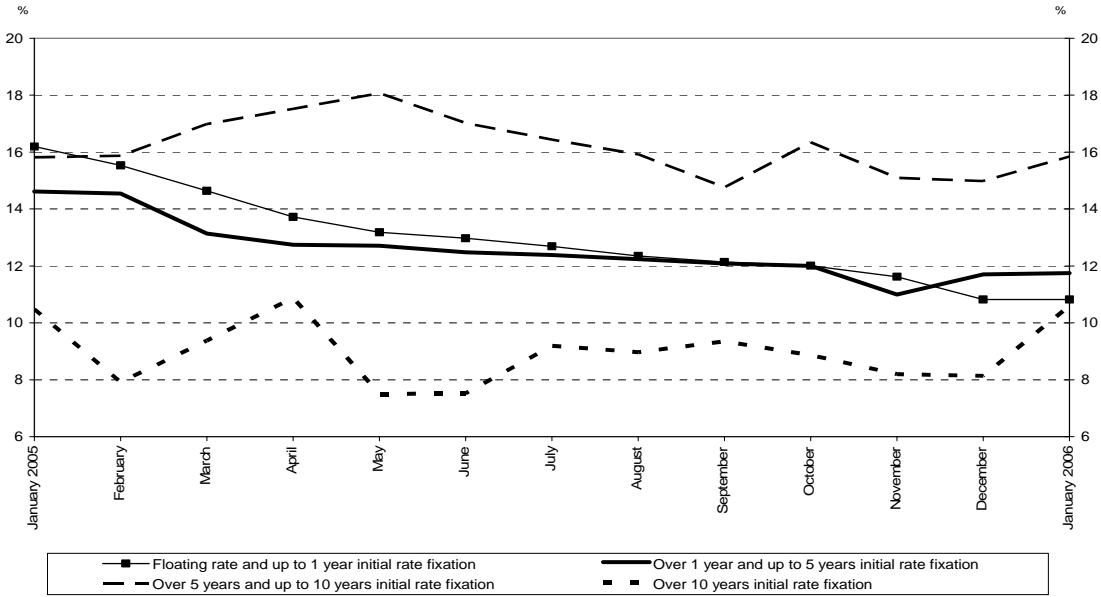
**Chart 4 Monthly average interest rates on forint housing loans**



The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 4 basis points to 8.93%; that on loans with over 1 year and up to 5 years initial rate fixation by 8 basis points to 8.65%; that on loans with over 5 years and up to 10 years initial rate fixation rose by 56 basis points to 12.98%; and that on loans for house purchase with over 10 years initial rate fixation by 271 basis points to 9.79%. These movements

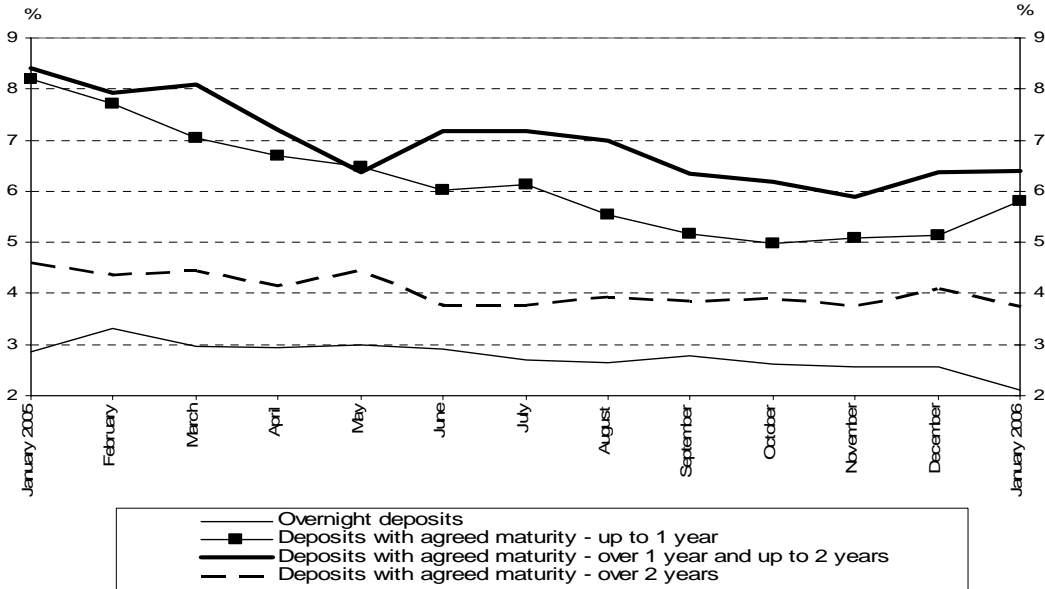
in average interest rates on housing loans were caused by changes in the composition of outstanding credit.<sup>2</sup>

**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 remained unchanged at 10.82%; that on loans with over 1 year and up to 5 years initial rate fixation changed by 5 basis points to 11.75%; that on loans with over 5 years and up to 10 years initial rate fixation rose by 86 basis points to 15.84%; and that on loans for house purchase with over 10 years initial rate fixation by 246 basis points to 10.60%.

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

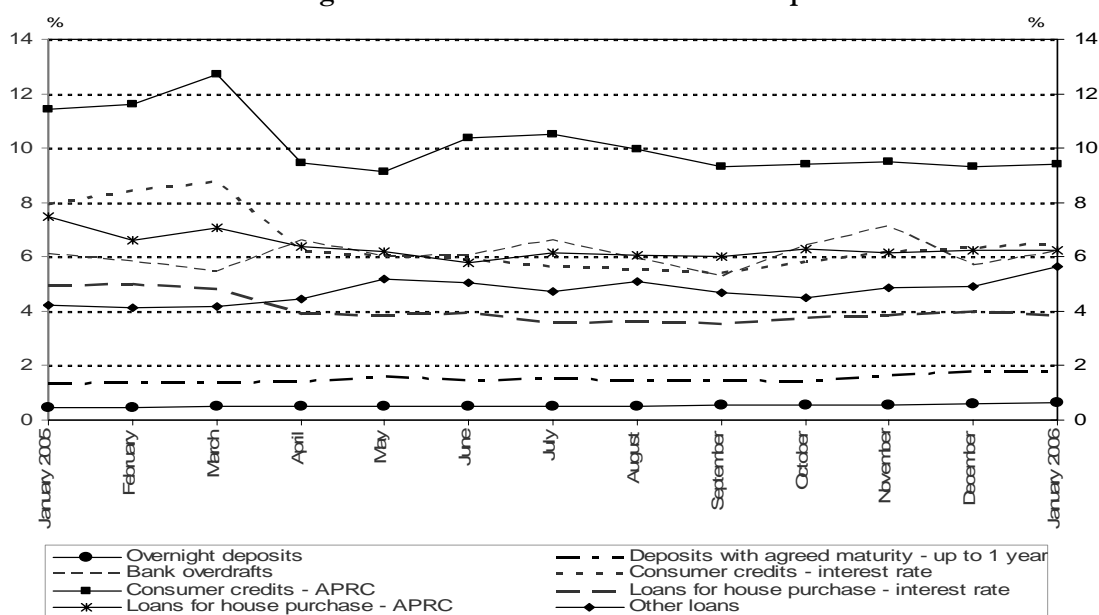


<sup>2</sup> In the case of loans for house purchase with over 10 years initial rate fixation, the change to the method of selecting data providers significantly influenced both the average interest rate and the APR. As a consequence of this change, the weight of building societies fell considerably, given that relatively few banks provide loans at this maturity. The average interest rate in this press release better reflects market conditions, as loans from building societies at 6% is more difficult to access, than commercial banks' more expensive loans.

The average of interest rates on households' overnight deposits fell by 45 basis points to 2.11%, due to a one-off effect. The average interest rate on deposits with agreed maturity up to one year rose by 66 basis points to 5.80%, due to a one-off effect; that on deposits with agreed maturity over 1 year and up to 2 years changed by 2 basis points to 6.39%; and that on deposits with agreed maturity over 2 years fell by 33 basis points to 3.75%. The amount of new time deposits from households was HUF 845.6 billion in January, up HUF 161.2 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>3</sup>**



The average interest rate on euro overdrafts rose by 54 basis points to 6.21%, due to interest rate changes. The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation fell by 12 basis points to 3.85%, with the APR changing by 3 basis points to 6.26%. The average interest rate on consumer credit with floating interest rates or with up to 1 year initial rate fixation rose by 18 basis points to 6.52%, with the APR changing by 5 basis points to 9.39%. The average interest rate on other loans with floating interest rates or with up to 1 year initial rate fixation rose by 71 basis points to 5.63%. The amount of consumer credit extended to households with floating interest rates or with up to 1 year initial rate fixation fell by HUF 1.2 billion to HUF 1.5 billion; that of housing loans by HUF 0.1 billion to HUF 0.6 billion; and that of other loans by HUF 2.6 billion to HUF 0.4 billion.

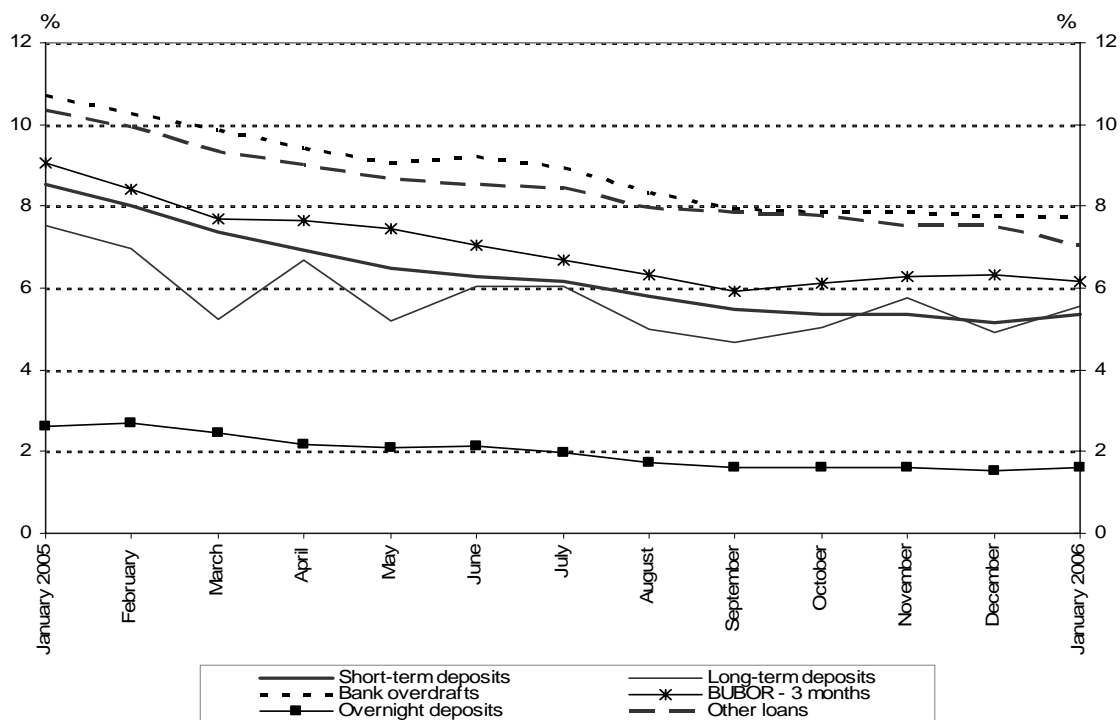
The average interest rate on euro deposits with agreed maturity up to one year changed by 1 basis point to 1.78% and that on overnight deposits by 3 basis points to 0.63%. The amount of deposits from households with agreed maturity up to one year rose by HUF 3.3 billion to HUF 64.0 billion.

<sup>3</sup> Chart 7 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

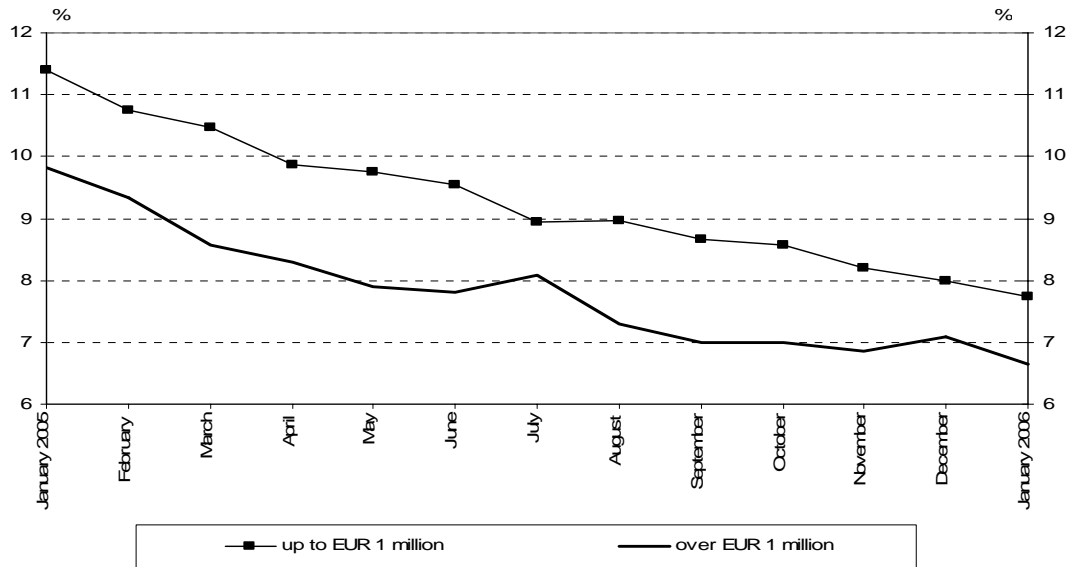
Chart 8 Average forint borrowing and deposits rates of non-financial corporations and BUBOR



The average interest rate on overdrafts provided to non-financial corporations changed by 3 basis points to 7.73% and that of interest rates on loans other than overdrafts fell by 51 basis points to 7.04%. The amount of loans granted, excluding overdrafts, was HUF 236.0 billion in January, after falling by HUF 8.5 billion relative to the preceding month.

The average of interest rates on deposits with agreed maturity up to one year rose by 19 basis points to 5.35% and that of interest rates on deposits with agreed maturity over one year by 64 basis points to 5.57%. The amount of new time deposits from non-financial corporations was HUF 1,284.1 billion in January, HUF 58.3 billion higher than in December. The average interest rate on overnight deposits changed by 8 basis points to 1.62%.

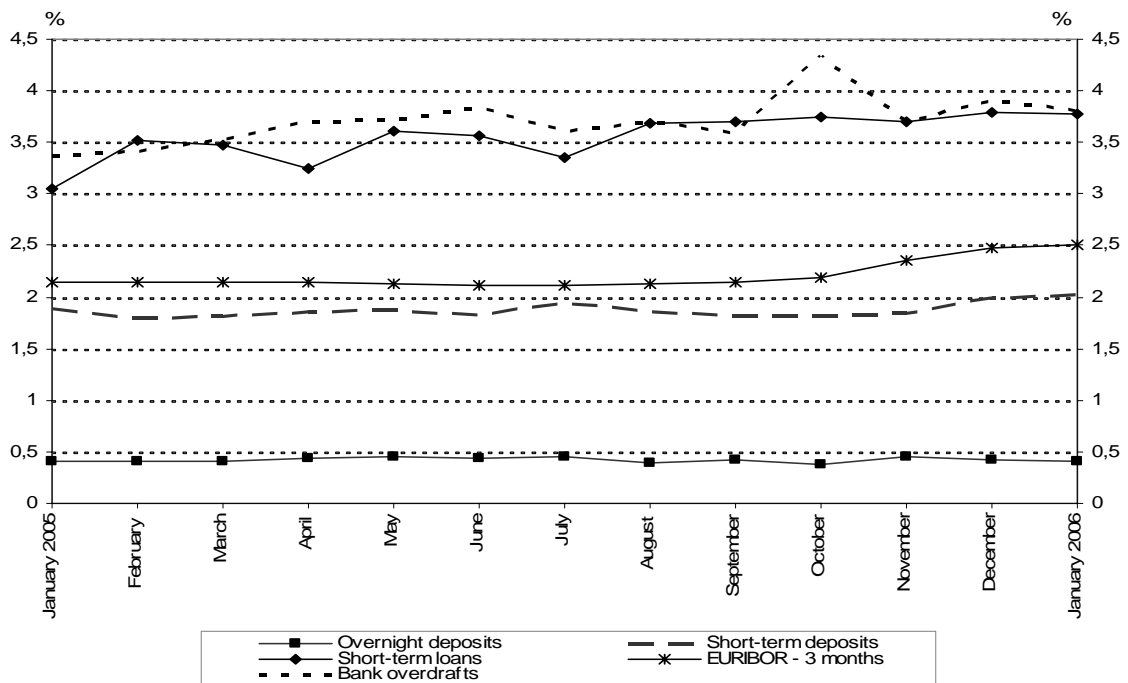
**Chart 9 Average forint borrowing rates of non-financial corporations (by loan amount)**



The average interest rate on forint loans provided to non-financial corporations up to the equivalent of EUR 1 million,<sup>4</sup> excluding bank overdrafts, fell by 26 basis points to 7.73% and that of forint loans over the equivalent of EUR 1 million by 45 basis points to 6.65%.

## 2.2 Euro loans and deposits

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



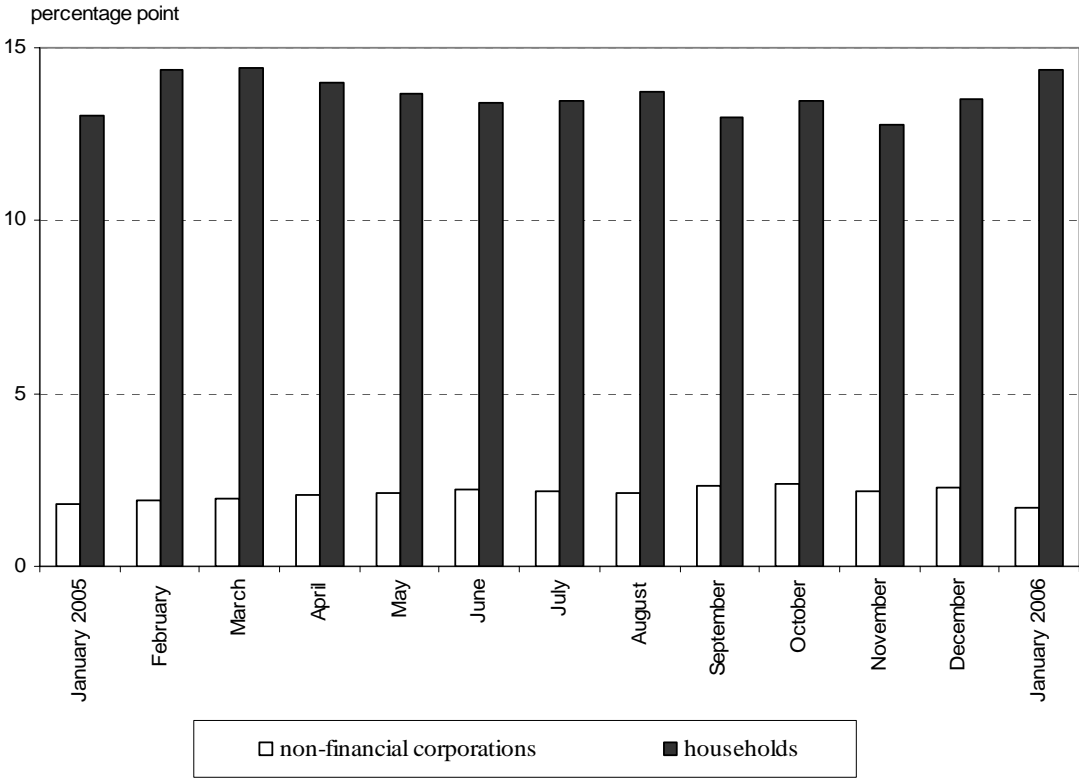
<sup>4</sup> Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

In January, the average interest rate on euro overdrafts provided to non-financial corporations fell by 11 basis points to 3.81% and that on loans with floating interest rates or with up to 1 year initial rate fixation, other than overdrafts, changed by 1 basis point to 3.77%. The amount of new loans with floating interest rates or with up to 1 year initial rate fixation, excluding overdrafts, was HUF 77.8 billion, after falling by HUF 23.3 billion relative to the preceding month.

The average of interest rates on NFCs’ overnight deposits changed by 2 basis points to 0.40% and that of interest rates on deposits with agreed maturity up to one year by 3 basis point to 2.02%. The amount of new time deposits from non-financial corporations fell by HUF 13.0 billion to HUF 376.2 billion.

**3 Differentials between loan and deposit rates**

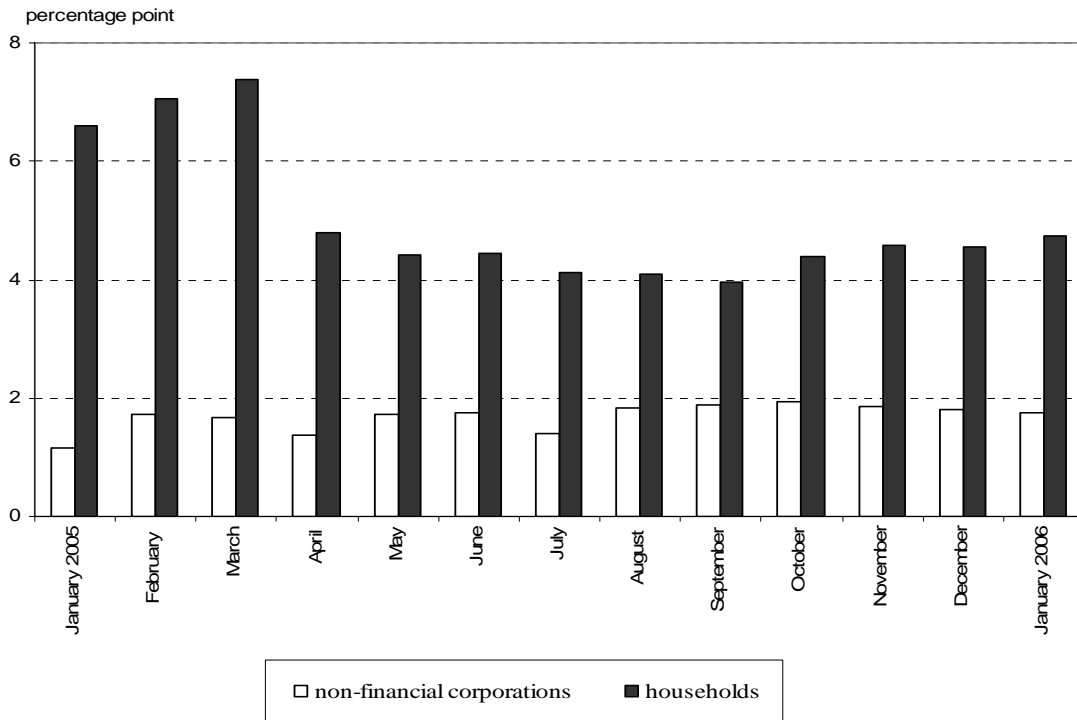
**Chart 11 Differential between non-financial corporate and household sector forint borrowing and deposit rates**



In the household sector, the differential between average interest rates on consumer credit and on deposits with agreed maturity up to one year widened from 13.51 percentage points to 14.36 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 2.28 percentage points to 1.67 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 increased from 4.54 percentage points to 4.74 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 changed from 1.80 percentage points to 1.76 percentage points.

#### 4 Interbank unsecured forint loans

**Chart 13 Average official and forint interbank rates**

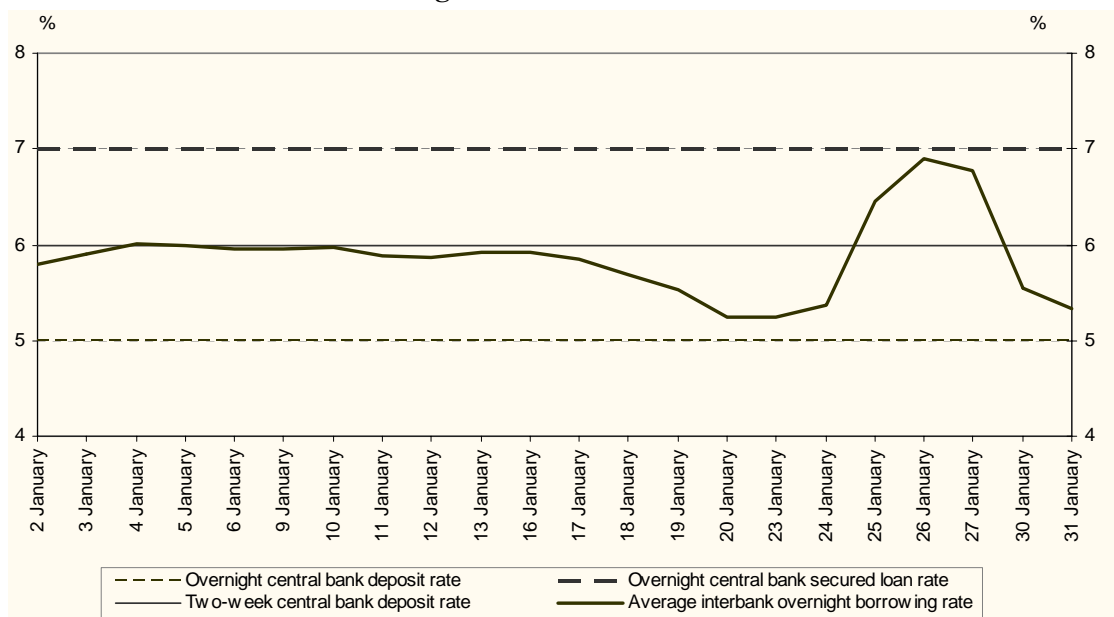
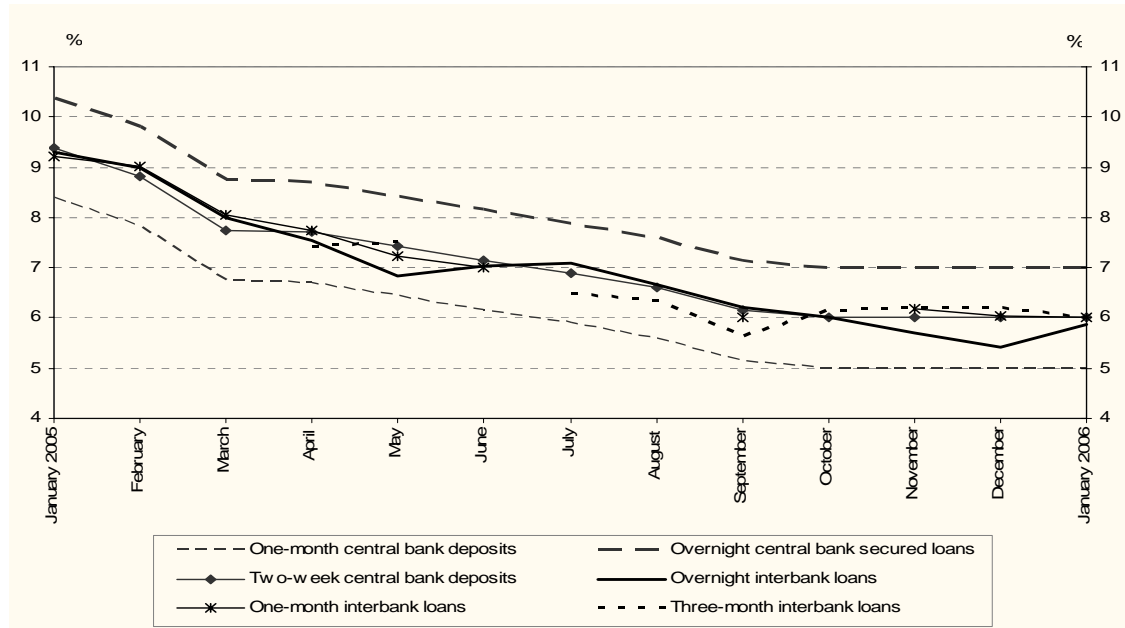


Chart 14 Average official and forint interbank rates



Turnover in the forint interbank market amounted to HUF 2,242.4 billion in January. That was down HUF 233.1 billion on the preceding month. The average overnight lending rate, weighted by the total amount of transactions, rose by 47 basis points to 5.88%. The average interest rate on loans provided for one month fell by 4 basis points to 6.01% and that of loans provided for three months by 19 basis point to 6.02%.

\* \* \* \* \*

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:

**NFCs:**

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)

**Households:**

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:**

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

**MAGYAR NEMZETI BANK**  
STATISTICS DEPARTMENT

### Notes to the press release charts

From 2006, the Bank has been using a sampling technique to define the range of data providers, in order to reduce the cost burden on reporting institutions. The disaggregation of the reporting population into homogenous strata has served as a basis for setting the sample. As a result, the composition of reporting institutions has changed, with the number of data providers falling.

Generally, the change in the range of data providers has not influenced developments in average interest rates, except in the case of certain loan facilities (e.g. loans for house purchase with over 10 years initial rate fixation), where few data providers reported significantly different data in 2005. Here, the change in the range of reporting institutions has amplified the effect of changes in the composition of loans.

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.

#### Charts 1 and 7

- 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 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 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.