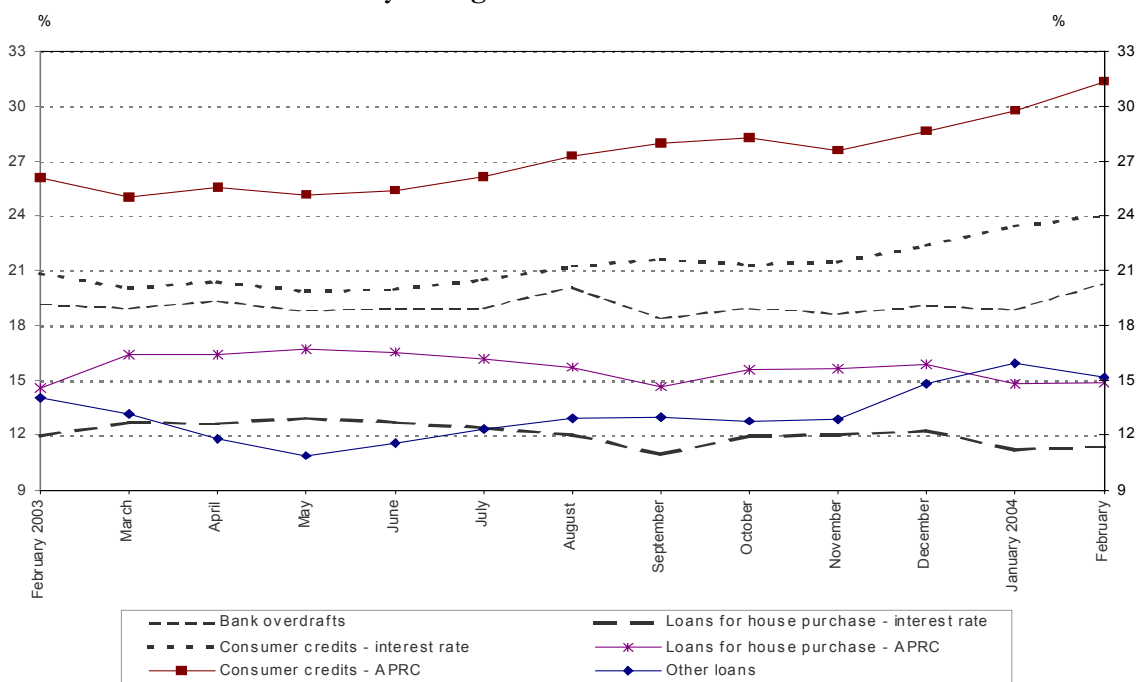


## PRESS RELEASE

### Household and non-financial corporate sector forint interest rates, interbank lending rates: February 2004<sup>1</sup>

Household sector average borrowing rates, except other loan rates, rose in February 2004. By contrast, the average rates on the sector's deposits with agreed maturity of less than one year and over two years increased. Forint deposit and borrowing rates of non-financial corporations changed only slightly, except average rates on deposits with agreed maturity of over one year. Interest rates remained broadly stable in the interbank forint market in the month under review.

Chart 1 Monthly average interest rates on loans to households



<sup>1</sup> The data underlying this press release do not include those on foreign currency-based forint loans granted by credit institutions, irrespective of the fact that the loans were granted and repaid in forints.

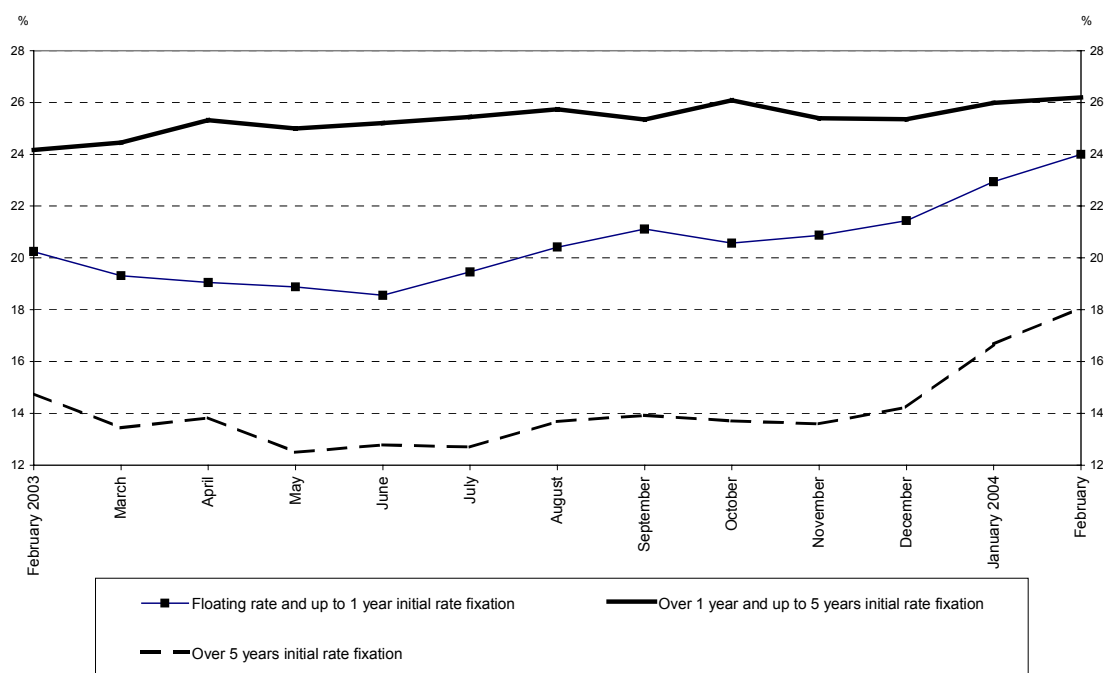
In the household sector, the interest rate on overdrafts rose by 143 basis points, from 18.88% in January to 20.31% in February. The average interest rate on housing loans changed by 15 basis points, from 11.21% to 11.36%, the APRC changing by 9 basis points, from 14.83% to 14.92%. The average interest rate on consumer credit was 64 basis points higher, up from 23.38% to 24.02%, the APRC rising by 156 basis points, from 29.75% to 31.31%. The interest rate on other loans fell by 73 basis points, from the preceding month's 15.94% to 15.21%.

The amount of consumer credit contracts, concluded in February, was Ft 10.5 billion. This was Ft 0.1 billion higher than in the preceding month. Excluding overdrafts, consumer credit as a proportion of the amount of new contracts fell from 16.4% in January to 14.8% in the month under review.

The total amount of new housing loan contracts was Ft 52.4 billion in February, up Ft 4.7 billion on the preceding month. Excluding overdrafts, housing loans as a proportion of the value of new contracts fell from 75.1% to 74.1%.

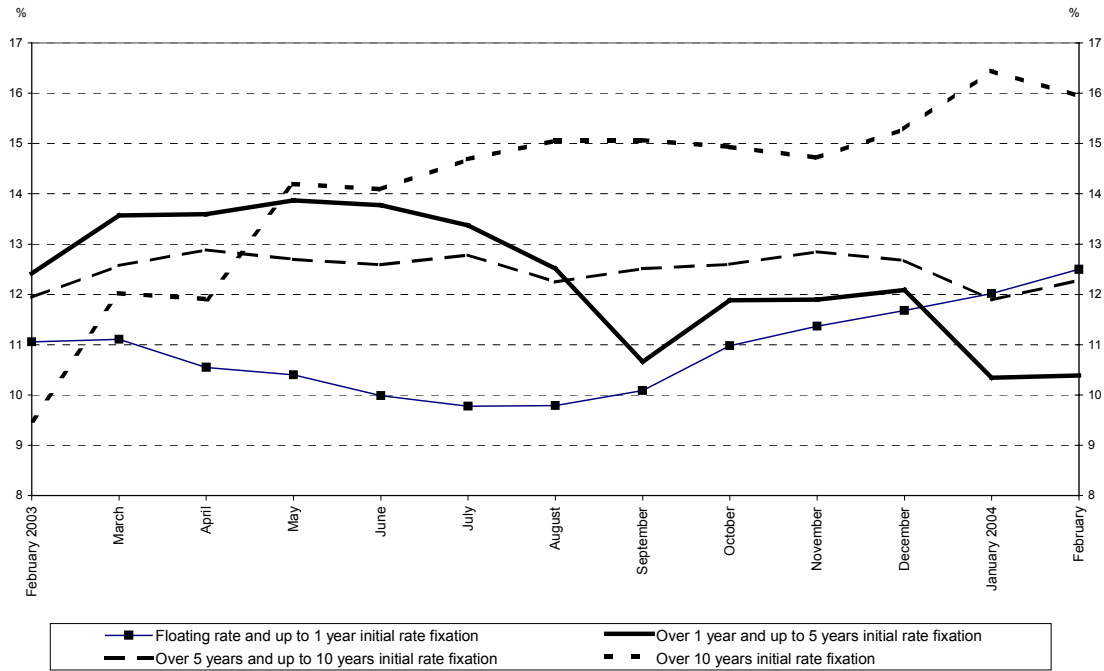
The amount of new other loan contracts was Ft 7.9 billion in February, accounting for 11.2% of the total amount of loans. The amount of new contracts rose by Ft 2.5 billion and their percentage share of the total by 2.7 percentage points in one month.

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



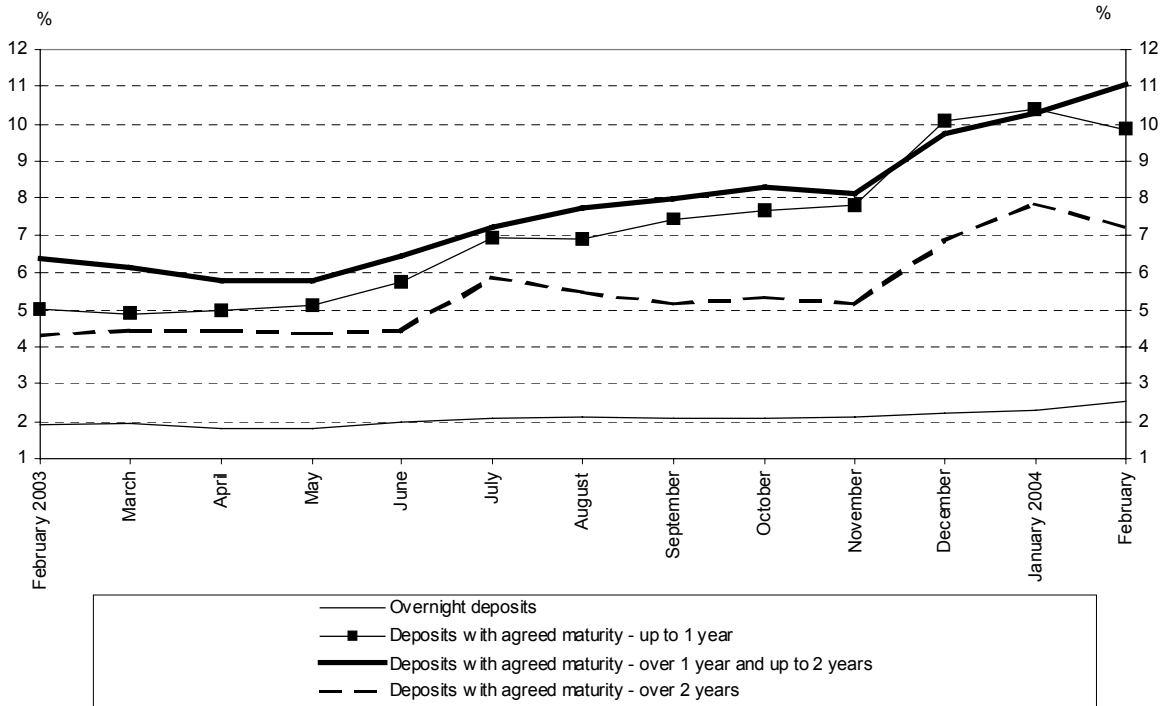
In the case of consumer credit to the household sector, the averages of floating interest rates and of those up to 1 year initial fixation increased by 105 basis points, from 22.94% to 23.99%, of those up to 5 years initial fixation by 21 basis points, from 25.98% to 26.19%, and of those over 5 years initial fixation by 140 basis points, from 16.67% to 18.07%.

**Chart 3 Monthly average interest rates on housing loans**



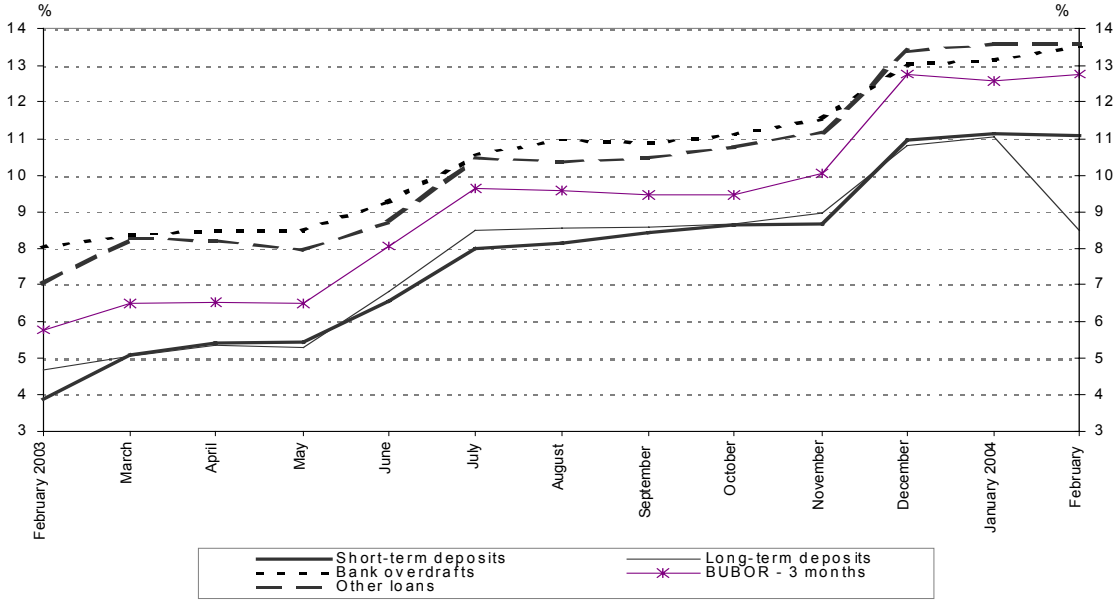
In the case of housing loans, the average of floating interest rates and up to 1 year initial fixation rose by 48 basis points, from 12.02% to 12.50%. The averages of interest rates over 1 year and up to 5 years initial fixation rose by 4 basis points from 10.35% to 10.39%, of those over 5 years initial fixation by 40 basis points, from 11.89% to 12.29%, while of those over 10 years initial fixation fell by 50 basis points, from 16.44% to 15.94%.

**Chart 4 Monthly average interest rates on households' deposit contracts**



The average of interest rates on households' overnight deposits changed by 21 basis points, from 2.29% in January to 2.5% in the month under review. The average interest rate on deposits with agreed maturity up to one year fell by 55 basis points, from 10.4% to 9.85%. The average interest rate on deposits with agreed maturity over one year and up to 2 years was 72 basis points higher, up from 10.32% to 11.04%, and that on deposits with agreed maturity over 2 years was 64 basis points lower, down from 7.84% to 7.2%. The amount of new deposit contracts in February was Ft 580.8 billion, down Ft 7.8 billion on the preceding month.

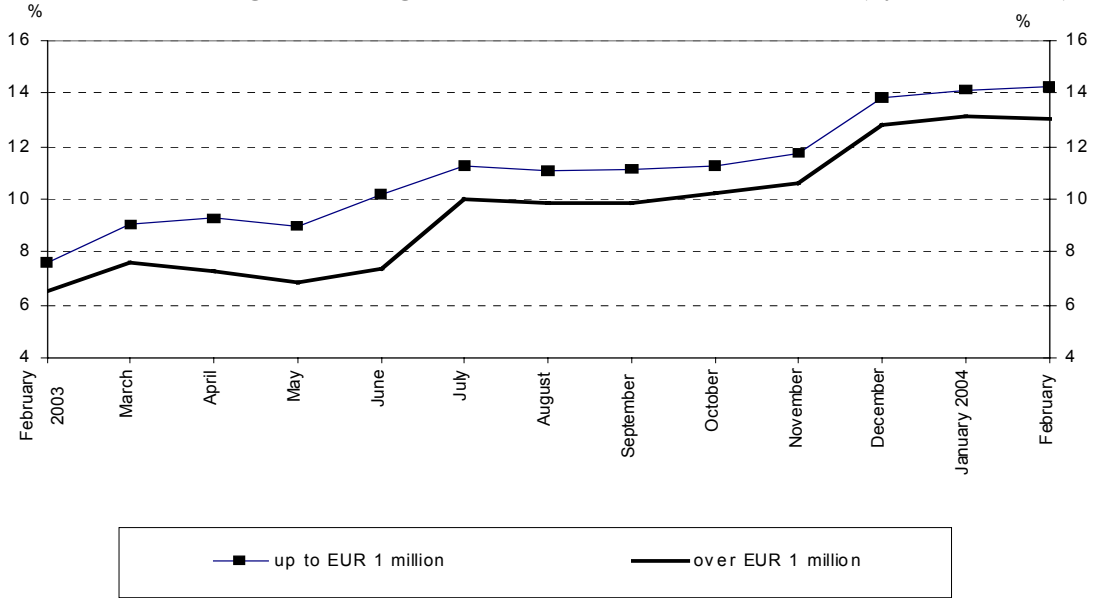
**Chart 5 Monthly average interest rates on non-financial corporations' loan and deposit contracts and the BUBOR**



The average interest rate on overdrafts, provided to non-financial corporations, rose by 35 basis points, from 13.15% to 13.5%, and that of interest rates on loans other than overdrafts rose by 2 basis points, from 13.57% to 13.59%. The amount of new contracts, excluding overdrafts, was Ft 132.5 billion in February. That was Ft 10.4 billion lower than in the preceding month. The average of interest rates on deposits with agreed maturity up to one year fell by 9 basis points, from 11.16% to 11.07%, and that of interest rates on deposits with agreed maturity over one year fell by 256 basis points, from 11.05% to 8.49%, due to a single transaction.<sup>2</sup> The amount of new time deposit contracts was Ft 1,041.7 billion in February. The average interest rate on overnight and current account deposits rose by 17 basis points, from 2.99% to 3.16%.

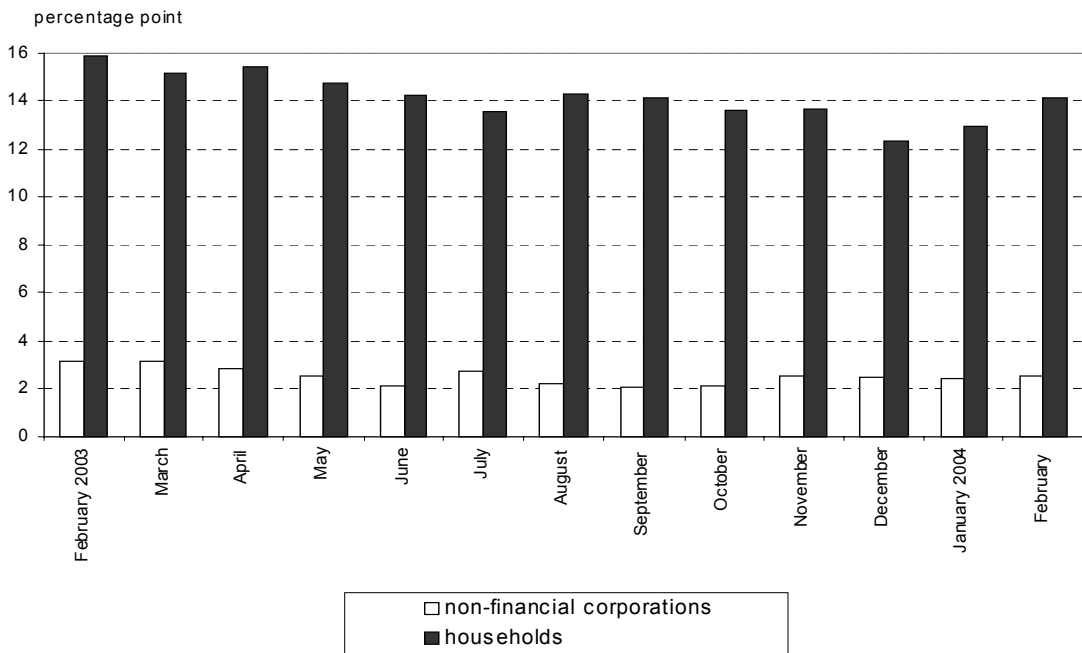
<sup>2</sup> Due to the low amount of outstanding contracts, the average interest rate on long-term deposits may change significantly, caused by a single market transaction. For example, the amount of deposit contracts with agreed maturity of over one year was Ft 28.9 billion, while the amount of new deposit contracts, with agreed maturity off less than a year, concluded for the same period, was Ft 1,012.8 billion.

**Chart 6 Average 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, rose by 15 basis points, from 14.13% to 14.28%, and that of loans over EUR 1 million fell by 5 basis points, from 13.12% to 13.07%.

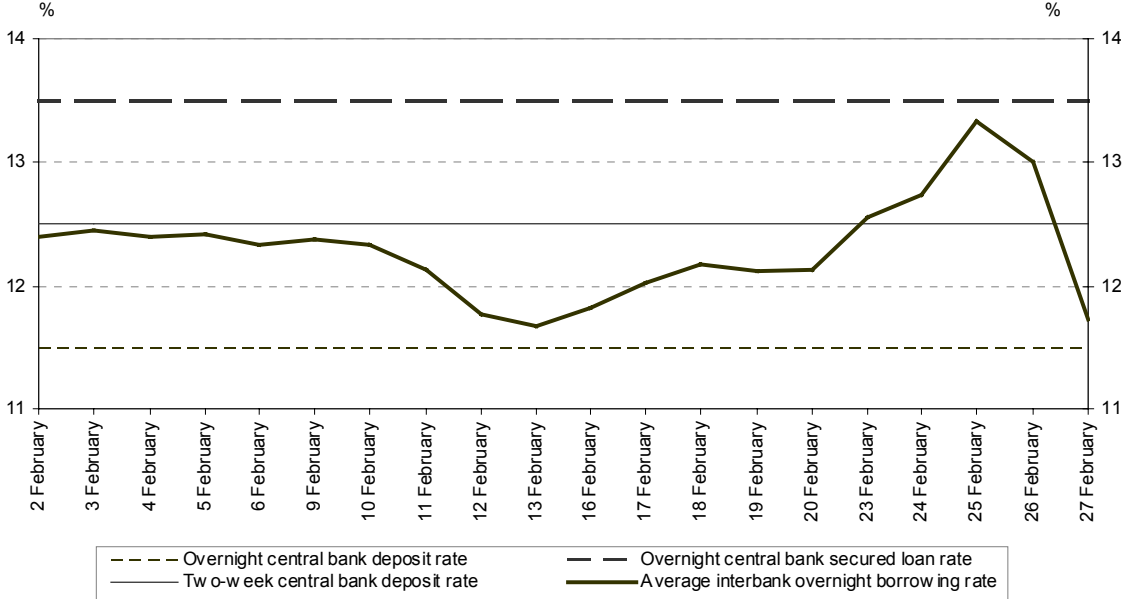
**Chart 7 Differential between non-financial corporate and household sector borrowing and deposit rates**



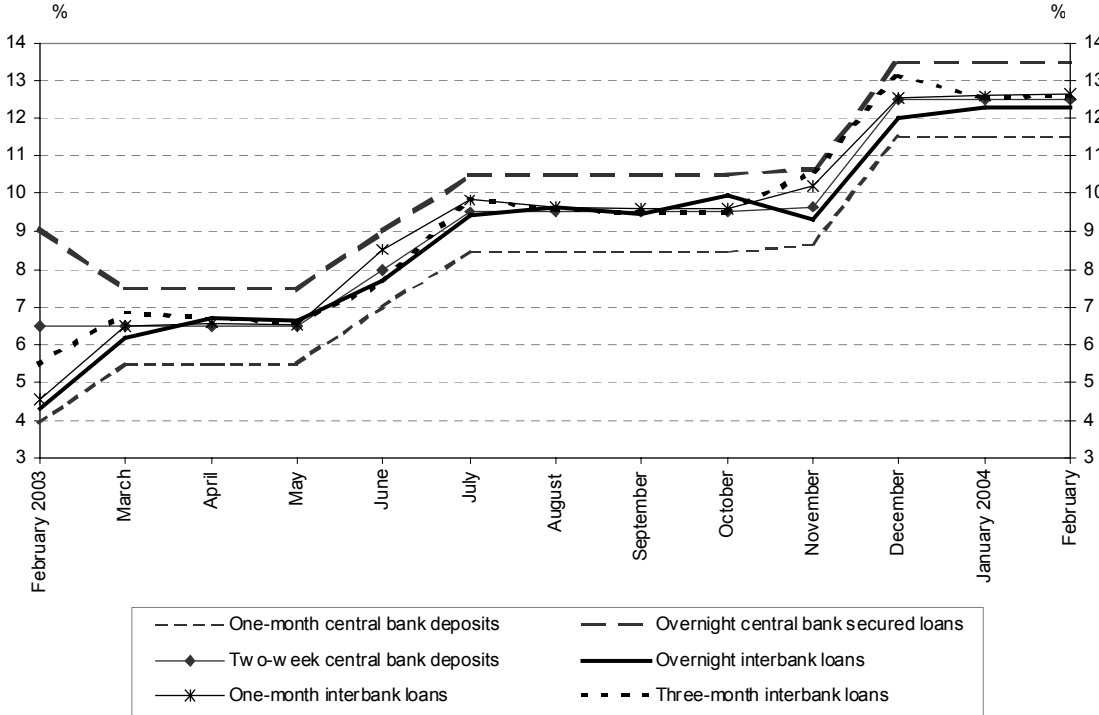
<sup>3</sup> Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Converting is important to make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

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 12.98 percentage points to 14.16 percentage points in February. Explanation for this was the rise in consumer credit rates and the decline in short-term deposit rates. In the case of short maturities, which account for a significant share of non-financial corporate sector loans and deposits, the gap between average interest rates changed from 2.38 percentage points to 2.49 percentage points. This slight change was attributable to the modest increase in short-term lending rates and a fall in short-term deposits rates.

**Chart 8 Average official and forint interbank rates in February 2004**



**Chart 9 Average official and forint interbank rates**



Turnover in the forint interbank market amounted to Ft 1,941.1 billion in February 2004. That was Ft 30.3 billion lower than in the preceding month. The average overnight lending rate, weighted by turnover, changed by 3 basis points, from 12.26% to 12.29%, and the average of interest rates on loans provided for one month by 4 basis points, from 12.6% to 12.64%. At three months, the average interest rate was 1 basis points higher, up from 12.57% to 12.58%.

\* \* \* \* \*

Daily interbank rates are available on request at the MNB's External Communications Department. In addition, details of interest rates and the values of new contracts concluded 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: [http://www.english.mnb.hu/dokumentumok/en0901\\_vallalkozoi.xls](http://www.english.mnb.hu/dokumentumok/en0901_vallalkozoi.xls)

Households: [http://www.english.mnb.hu/dokumentumok/en0902\\_lakossagi.xls](http://www.english.mnb.hu/dokumentumok/en0902_lakossagi.xls)

Interbank market: [http://www.english.mnb.hu/dokumentumok/en0903\\_bankkozi.xls](http://www.english.mnb.hu/dokumentumok/en0903_bankkozi.xls)

## Notes to the press release charts

### ***Chart 1***

- 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 values of new contracts and the end-of-month stocks as weights to calculate average interest rates on the first three categories and overdrafts, respectively. Average interests rate do not include those on non-performing loans.
- b) Other loans include, among others, sole proprietors' entrepreneurial loans as well as non-consumer and non-housing loans.
- c) In addition to interest rates on consumer credit and other loans, the Bank also publishes the APRC expressing total costs of consumer credit and housing loans of the household sector. Applicable to all types of consumer credit and housing loans, irrespective of maturity, the rules of calculating credit costs are identical to those of APRC.

### ***Chart 2***

- a) Consumer credit is comprised of loans taken out for the purpose of consumption (e.g. personal loans and hire purchase loans).
- 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 the loan contract. All floating rate loans and part of fixed interest loans, where the interest rate is fixed for up to 1 year in the original contract, are classified in to the category 'Floating rate or up to 1 year initial rate fixation'.

### ***Chart 3***

- a) Housing loans comprise those provided for the purpose of house purchase.
- b) The weighted average interest rate on housing loans include data on loans provided under market conditions and subsidised loans. Data providers adjust the averages of asset-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.
- c) 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 the loan contract. All floating rate loans and part of fixed interest loans where the interest rate is fixed for up to 1 year in the original contract are classified in to the category 'Floating rate or up to 1 year initial rate fixation'.

### ***Chart 4***

Average interest rates on time deposits refer to new contracts, in contrast with those on overnight and current account deposits which refer to end-of-month stocks. Consequently, the Bank uses the values of new contracts and the end-of-month stocks as weights to calculate average interest rates on time deposits and, overdrafts and current account deposits, respectively. Time deposits are classified into the various categories on the basis of original maturity.



***Chart 5***

Average interest rates on overdrafts of non-financial corporations refer to end-of-month stocks, in contrast with those on other loans which refer to new contracts. Consequently, the Bank uses the values of new contracts and the end-of-month stocks as weights to calculate average interest rates on loans other than overdrafts and overdrafts, respectively. Average interest rates do not include those on non-performing loans.

***Chart 6***

The euro equivalent of forint-denominated loans is calculated using the MNB's middle 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.