MACROECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL

TO THE ABRIDGED MINUTES

OF THE MONETARY COUNCIL MEETING

OF 20 OCTOBER 2020

OCTOBER

2020

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The background material 'Macroeconomic and financial market developments' is based on information available until 15 October 2020.

Article 3 (1) of the MNB Act (Act CXXXIX of 2013 on the Magyar Nemzeti Bank) defines achieving and maintaining price stability as the primary objective of the Magyar Nemzeti Bank. The MNB's supreme decision-making body is the Monetary Council. The Council convenes as required by circumstances, but at least twice a month, according to a pre-announced schedule. At the second scheduled meeting each month, members consider issues relevant to decisions on interest rates. Abridged minutes of the Council's rate-setting meetings are released regularly, before the next policy meeting takes place. As a summary of the analyses prepared by staff for the Monetary Council, the background material presents economic and financial market developments, as well as new information which has become available since the previous meeting.

The abridged minutes and the background materials to the minutes are available on the MNB's website at:
http://www.mnb.hu/en/monetary-policy/the-monetary-council/minutes

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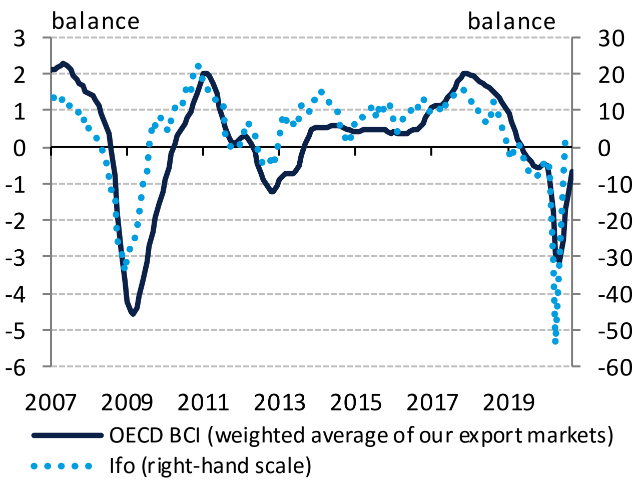
1. Macroeconomic developments

1.1. Global macroeconomic environment

The performance of large economies declined significantly in the second quarter of 2020. By contrast, the Chinese economy already showed a major rebound. As result of the gradual recovery, data are already expected to improve in the third quarter; however, the epidemic curve is rising in several countries again; therefore, the implemented additional tightening measures may cause economic recovery to drag on further.

Chart 1 Business climate indices in Hungary's export markets



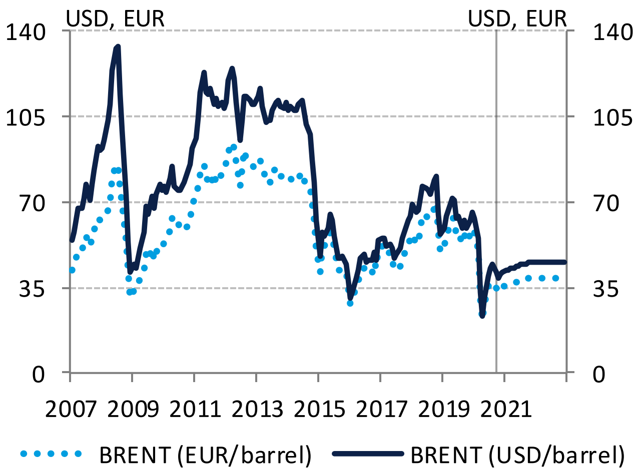
Source: OECD, Ifo

Trends in economic performance have primarily been determined by COVID-19 and the measures taken to control it in the past period as well. As a result of the negative impacts of the pandemic, economic performance substantially declined in a wide range of countries. **Following the low point of April and May, there has been a slow, but gradual adjustment in air traffic and transportation, which reflected the ongoing restart of the economies in the summer period.** However, future performance of air traffic, which has been essentially stagnating since mid-August, is surrounded by major uncertainty. The measures introduced due to the repeated strengthening of the pandemic may further deteriorate global prospects of the sector.

In the second quarter of 2020, Chinese GDP rose by 3.2 percent in annual terms, which is a major rebound following the decline of 6.8 percent, registered in the first quarter. The growth rate exceeded analysts' expectations. Business sentiment in China remained positive in September as well; Purchasing Manager Indices stood in the (growth) range of over 50 points. Industrial production has been growing since April, year-on-year: **in August industrial production rose by 5.6 percent in annual terms**, which is the highest growth rate since December 2019. The volume of retail sales and the number of motor vehicle registrations improved further after the historic low in January and February. After December 2019, in August the volume of retail sales once again rose (+0.5 percent) year-on-year. In September, new vehicle sales rose by 12.8 percent on an annual basis.

In the second quarter, US GDP fell by 9.1 percent year-on-year. The largest decline was seen in households' consumption, but investments and exports also decreased. In August, US industrial output **declined by**

Chart 2 World market prices of Brent crude oil



Source: Bloomberg

7.7 percent, year-on-year**.** In August 2020 retail sales were up by 2.6 percent **year-on-year**. Accordingly, since the onset of the coronavirus in March, this was the third month when a growth was registered. **On the week ending on 3 October, the number of initial jobless claims fell to 840,000. The unemployment rate of those over 16 years peaked at 14.7 percent in April, while after an ongoing decline it stood at 7.9 percent in August.** In the United States, the epidemic curve started to rise once again at the end of June, and it is still higher than in the period of March to June.

Economic performance of the euro area fell by 14.7 percent year-on-year in the second quarter. The structure of the downturn varied by countries; in the major economies households' consumption contributed to the decline to the largest degree. In August, industrial output declined by 7.2 percent year-on-year; at the same time, the monthly dynamics indicate moderate, gradual recovery.

The economy of Germany – Hungary's main trading partner – **shrank by 11.3 percent in the second quarter.** In August, industrial production of Germany fell by 9.6 percent on an annual basis; however, based on the industrial orders and monthly dynamics, the gradual recovery of the German economy has continued. German retail sales volume grew by 3.7 percent in August year-on-year. **German business sentiment** (Ifo Business Climate Index) **improved further in September**, but still slightly falls short of the levels observed at the end of last year and at the beginning of 2020 (Chart 1).

The United Kingdom experienced one of the greatest declines of its history in the second quarter: **British GDP fell by 21.7 percent in year-on-year terms** and – based on the monthly GDP, published uniquely in Europe (along with Norway), by the Office for National Statistics – in August it still fell short of the data registered one year earlier by 9.3 percent. In August, industrial production fell – exceeding analysts' expectations – by 6.4 percent; while the volume of retail sales was up by 2.8 percent compared to August 2019.

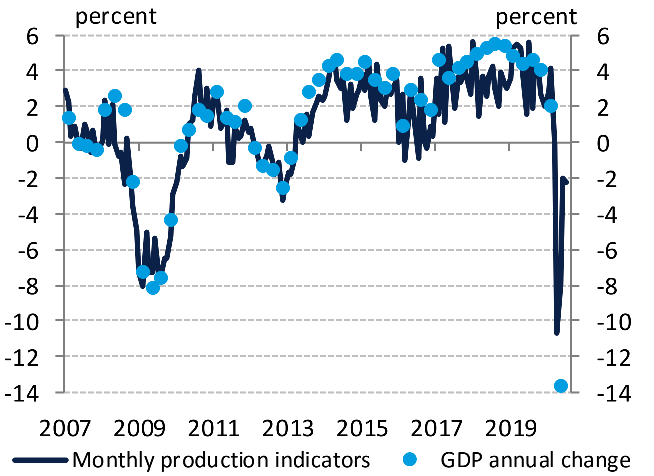
In September, euro area inflation – falling short of analysts' expectations of -0.2 **– declined further and**

stood at -0.3 percent. Core inflation was 0.2 percent, which also falls short of analysts' expectations of 0.4 percent. **The world market price of Brent crude oil has been around USD 41/barrel** (Chart 2). Due to the declining demand resulting from the coronavirus pandemic, in order to support oil prices, the cartel imposes sanctions on countries with production exceeding the OPEC+ quotas. Analysts believe that due to the poor world market demand resulting from the second wave of the coronavirus pandemic, looking ahead there is not much room for a rise oil prices in the fourth quarter. **The world market price of both industrial commodities and unprocessed food increased in September.**

1.2. Domestic real economy developments

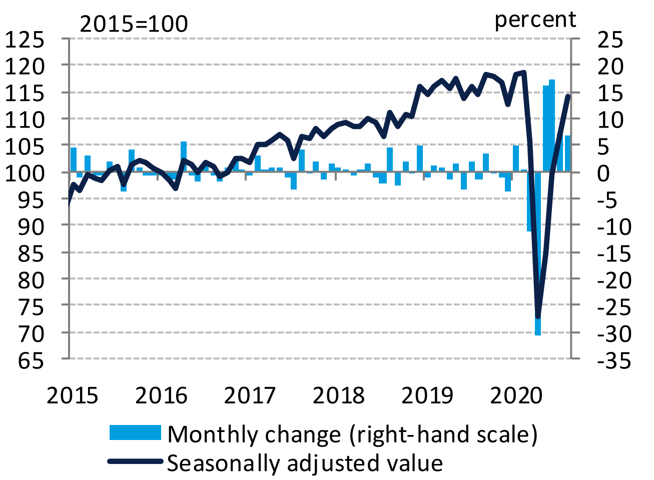
In the second quarter of 2020, Hungary's gross domestic product declined by 13.6 percent year-on-year. Changes in the third quarter's production indicators project slow and protracted economic recovery. To date, labour market adjustment has been moderate in Hungary. In August total employment fell by 0.4 percent year-on-year. At 185,400, the number of unemployed was 28,000 persons over the level seen a year earlier. Unemployment rate stood at 3.9 percent.

Chart 3 Monthly production indicators and GDP growth



Note: Weighted average of monthly production indicators (industrial output, construction output and retail sales). The weights are derived from regression explaining GDP growth.
Source: MNB calculation based on HCSO data

Chart 4 Development in industrial production



Source: MNB calculation based on HCSO data

1.2.1. Economic growth

According to the HCSO's detailed data release, based on raw data, in the second quarter of 2020 Hungary's gross domestic product declined by 13.6 percent year-on-year (Chart 3). The economy contracted by 14.5 percent quarter-on-quarter. According to the seasonally and calendar adjusted data, in the first six months the national economy performance fell by 5.8 percent.

Available data confirm that recovery will be slow and protracted. According to the HCSO's second estimate, **industrial output** was down by **2.1 percent** year-on-year in August 2020. Production (based on seasonally and working-day adjusted data) **rose by 6.8 percent** on a monthly basis (Chart 4). The automotive industry, **representing the largest share among the manufacturing subsection, grew by 6.2 percent** year-on-year. Production of computers, electronic and optical products as well as food, beverage and tobacco products increased to a smaller, while that of electrical equipments to a larger degree. On the other hand, the chemical, rubber, plastic and metal industries registered a decline. **Following the favourable data registered for two months, Hungarian manufacturing PMI declined to 48.8 points in September from 52.8 points of August.**

Based on preliminary data, **exports and imports fell by 2.5 percent and 5.4 percent, respectively, in euro terms, year-on-year in August 2020** according to the HCSO's data release. On the whole, goods balance improved by EUR 236 million compared to last August.

Construction output was down by 13.6 percent year-on-year and rose by 1.9 percent relative to the previous month in August 2020 (based on the seasonally and working-day adjusted data). The volume of new contracts increased by 6 percent year-on-year. The number of new contracts concluded for construction of buildings rose by 16.5 percent and for other construction works the volume fell by 5.5 percent. The month-end volume of construction companies' contract portfolio fell short of the value registered at end of August 2019 by 18.4 percent. The volume of contracts for the construction of buildings rose by 11.4 percent, while it declined by 30.4 percent for other construction.

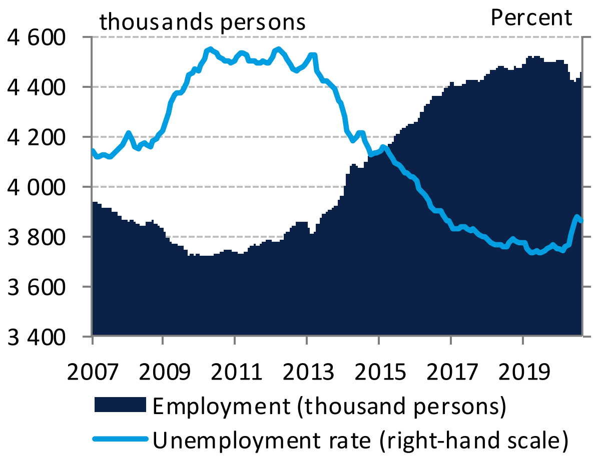
In August, the volume of retail sales (including fuel sales) was down by 0.7 percent year-on-year after accounting for calendar effects. The volume of retail sales recovers slowly; the pandemic situation continued to impact the turnover of all shop types. The retail sales volume of mail order shops and web shops, accounting for 6.6 percent of the total retail turnover, rose by 28 percent; general stores selling industrial goods (1.9 percent) and medicine, therapeutic and perfume shops (2.4 percent) also registered a growth. At the same time, the volume of retail sales declined in the second-hand shops (-17 percent), textile, clothing and footwear shops (-8.4 percent) and in the furniture and appliances shops (-6.9 percent) on an annual basis. The volume of fuel retail sales fell by 4.5 percent compared to the level of last year. Vehicle and components sales, not belonging to the retail figures, fell by 6.9 percent in August.

In August, the number of nights spent at tourist accommodations slightly increased compared to July; however in year-on-year terms a decline of 33.2 percent was observed.

1.2.2. Employment

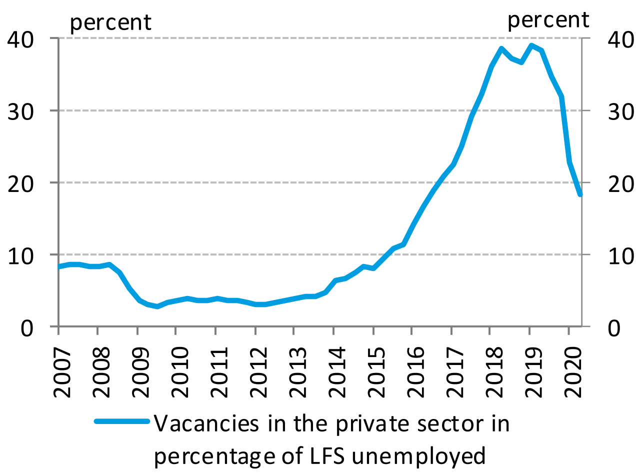
Based on the data of the Labour Force Survey (LFS), **in August 2020 total employment fell by 18,100 persons (by 0.4 percent) to 4,514,000 persons year-on-year** (Chart 5). Since August 2019, the number of employees in the private sector increased by 8,000 persons, while the number of public employees declined by 4,500 and the number of those working abroad by 21,600 persons. In August, the number of the unemployed was 185,400, exceeding the number of unemployed persons by 28,000 persons year-on-year, thus on the whole **the unemployment rate stood at 3.9 percent**. Compared to the previous month, the number of the unemployed declined further. Based on the data

Chart 5 Number of persons employed and the unemployment rate



Source: HCSO

Chart 6 Development of labour market tightness indicator



Note: Quarterly data.
Source: National Employment Service, HCSO

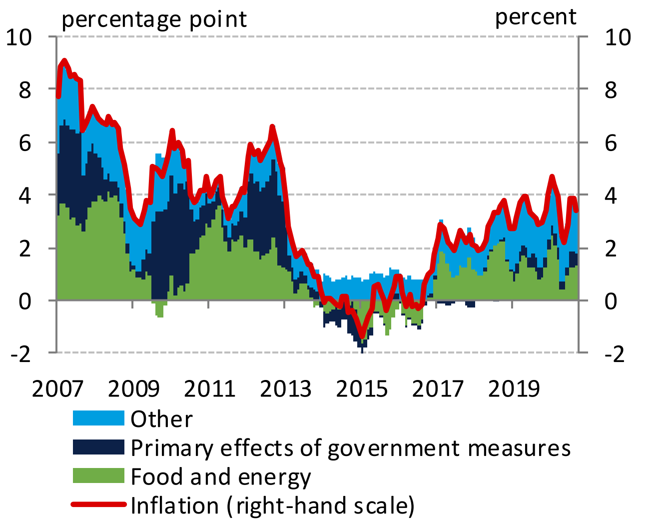
published by the National Employment Service (Nemzeti Foglalkoztatási Szolgálat – NFSZ) in August and September the number of registered jobseekers in Hungary was 344,700 (+ 99,600 on an annual basis) and 323,400 (+ 80,000 on an annual basis), respectively.

In the second quarter of 2020, **based on the number of vacancies, corporate labour demand continued to decline in a wide range of the sectors**. In addition to manufacturing, the decline is primarily linked to the trade, real estate transactions, professional sectors, and to the sectors supporting administrative and services activity. In the education sector the number of vacancies increased in annual terms, which offset the declining number of jobs in the rest of the sectors connected to the state (public administration, healthcare). **The labour market tightness indicator** calculated from the ratio of job vacancies and unemployed persons, **slackened further – similarly to the previous quarters** – and thus fell to the level registered at mid-2016 (Chart 6).

1.3. Inflation and wages

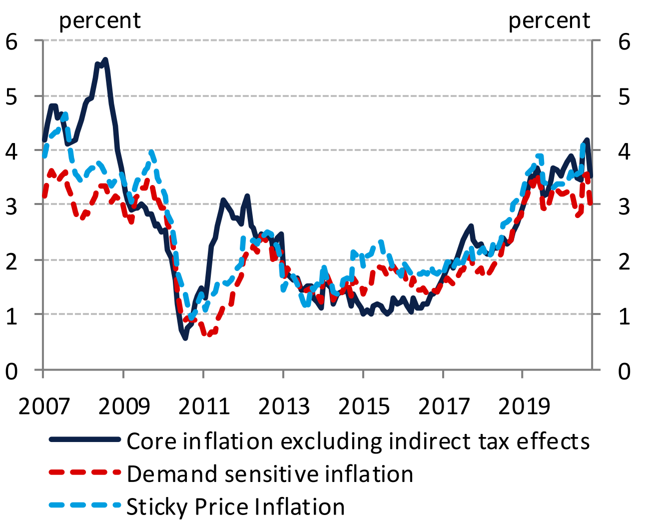
In September 2020, inflation calculated on a year-on-year basis was 3.4 percent, while core inflation and core inflation excluding indirect tax effects fell to 4.0 and 3.5 percent, respectively. Underlying inflation indicators capturing persistent trends (price index of demand sensitive and inflation of sticky price products and services) decreased relative to the previous month. In July 2020, gross average wages in the private sector rose by 11.5 percent year-on-year partly due to statistical effects.

Chart 7 Decomposition of inflation



Source: MNB calculation based on HCSO data

Chart 8 Measures of underlying inflation indicators



Source: MNB calculation based on HCSO data

1.3.1. Wage setting

In July 2020, gross average wages in the private sector rose by 11.5 percent year-on-year. Based on the detailed analysis of the sectors, at present the gross average wage related to full-time employees shows an inaccurate picture of the wage setting trends. However, the wage index published by HCSO does not include part-time workers, the ratio of which has substantially increased in the past months. In addition, in the changed economic situation, companies primarily dismissed low-wage workers, which also distorts the official wage index upwards. Regular average wages declined on a monthly basis, while bonus payments were higher than in previous years. **Within the private sector, the wage dynamics of market services exceed that in manufacturing.** Manufacturing wage dynamics accelerated compared to June; wages were higher by 10.6 percent year-on-year. Wages in the automotive industry – representing the largest share – increased by 7.5 percent in annual terms. In market services, HCSO registered a growth of 12.4 percent. **In addition to the market service sector, construction wage index also showed double-digit growth** (+14.4 percent)**.**

1.3.2. Inflation developments

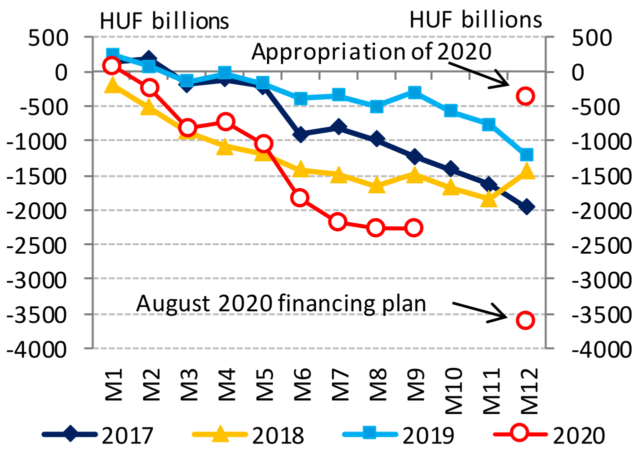
In September 2020, inflation calculated on a year-on-year basis was 3.4 percent, core inflation and core inflation excluding indirect taxes stood at 4.0 and 3.5 percent, respectively (Chart 7)**.** Compared to the previous month, inflation decreased by 0.5 percentage point and core inflation by 0.7 percentage point, primarily caused by the fall in the price of market services.

Underlying inflation indicators capturing persistent trends (inflation of demand sensitive and sticky price products and services) **increased compared to the previous month** (Chart 8). In August 2020, agricultural producer prices increased by 6.7 percent in annual terms, while domestic sales prices in sectors of consumer goods increased by 4.6 percent.

1.4. Fiscal developments

The central sub-sector of the general government closed with a deficit of HUF 9 billion in September 2020, representing an accumulated deficit of HUF 2,270 billion in the first three quarters. In the third quarter, growth in the budget deficit slowed down; the moderate deficit registered in September is both attributable one-off revenues, as well to the relatively low expenditures of the central budgetary organisations in the reference month.

Chart 9 Intra-year cumulative cash balance of the central government budget



Source: Budget Act of 2020, Hungarian State Treasury, 26 August financing plan of ÁKK

The **central sub-sector of general government** closed with a deficit of HUF **9 billion in** September 2020, representing an accumulated deficit of HUF 2,270 billion in the first three quarters (Chart 9).

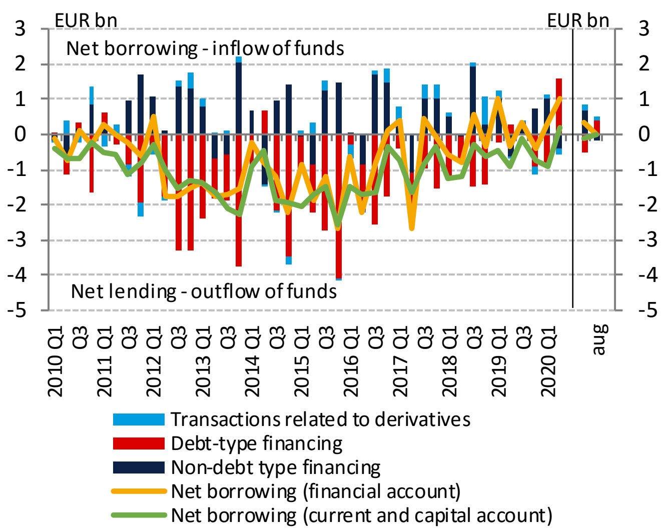
In September, revenues of the central sub-sector fell short of the revenues registered in the ninth month of last year by more than HUF 200 billion; however, this is mostly attributable to the low monthly realisation of the revenues related to EU transfers. By contrast, tax and contribution revenues exceeded those received in September 2019 by more than HUF 114 billion, mostly due to the surplus in payments by enterprises, as the deadline for the submission of tax returns for certain tax types has been postponed from May to September due to the coronavirus pandemic.

Last month, expenditures almost corresponded to those registered last September. Net own expenditures of the central budgetary organisations fell short of those recorded in last September; at the same time, expenditures related to national asset management were higher than in September 2019. In September, expenditures related to EU programmes amounted to HUF 127 billion, and thus the accumulated expenditures of the first nine months reached HUF 1,500 billion, exceeding those registered in the first three quarters of last year by HUF 420 billion.

1.5. External balance developments

In August, current account deficit amounted to EUR 214 billion, and net lending of the economy showed a deficit of EUR 44 million. The fall in net lending was primarily due to a decline in the inflow of EU transfers. On the financing side, foreign direct investments did not change significantly, and the economy's net external debt increased.

Chart 10 Structure of net lending (unadjusted transactions)



Note: Positive values indicate net borrowing (inflow of funds), while negative values indicate net lending (outflow of funds).
Source: MNB

In August, the current account deficit amounted to EUR 214 billion, and in parallel with this net lending of the economy declined further, turning into a net borrowing of EUR 44 million (Chart 10). The declining current account deficit is primarily attributable to the decreasing income balance deficit resulting from the falling profit of non-resident companies. The improving industrial production has not yet appeared in exports, and thus exports continued to decline in August as well. In parallel with this, imports also declined, and thus the goods balance deficit has not changed materially, while the services surplus also developed similarly as in July. The absorption of EU transfers considerable decreased compared to previous month, which resulted in a declining capital account surplus. As a combined result of the foregoing, the economy's external position turned into a moderate net borrowing.

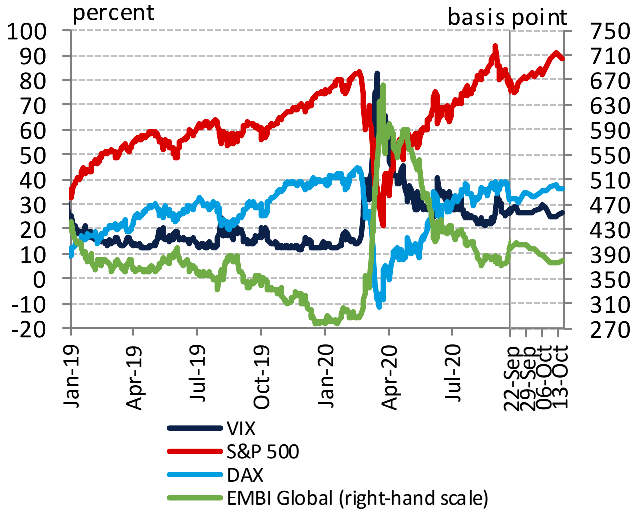
Based on the financial account data, net foreign direct investments were around zero in August, while debt liabilities increased. The major growth in reinvestments was mostly offset by the decline in inter-company loans, and thus foreign direct investments have not changed substantially. The growth in the economy's net external debt was contributed to by the banking and corporate sectors, while the general government's indicator – primarily due to the absorption of EU transfers – declined.

2. Financial markets

2.1. International financial markets

Since the last interest rate decision, financial market sentiment was mixed. The VIX index, the key measure of equity market volatility, remained unchanged throughout the entire period still fluctuating around 26 percent. Conversely, the MOVE index, measuring volatility in the developed bond market, rose by 14 basis points to 53 basis points, while the EMBI index of emerging bond markets declined. Developed and emerging stock market indices rose in the period. Of the developed market bond yields, the European ones fell, while the US and Japanese long-term yields moderately increased. Developed currencies changed only moderately relative to each other, except for the British pound, which depreciated against the euro. Of the emerging market currencies, the Central and Eastern European currencies and several key emerging currencies depreciated against the dollar. Oil prices declined at the beginning of the period, followed by a moderate rise in the midst of a more favourable sentiment.

Chart 11 Developed market equity indices, the VIX index (left-hand scale) and the EMBI Global Index (right-hand scale)

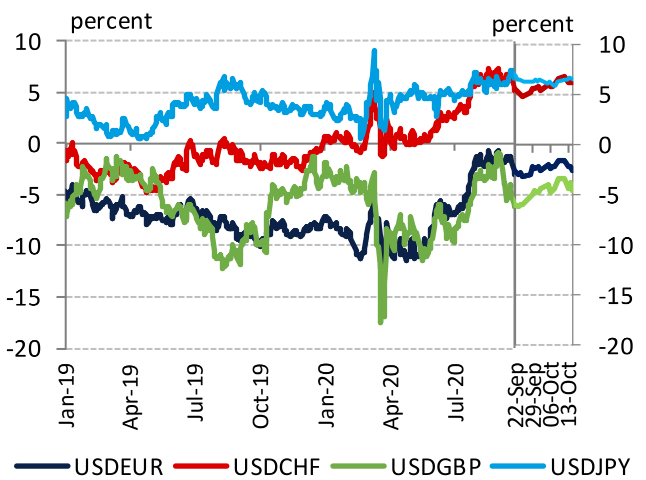


Source: Bloomberg

In the period since the last interest rate decision financial market sentiment varied. In the past month, the focus of market participants was on the US fiscal package, the presidential election campaign, the communication of the ECB's decision-makers related to asset purchases and the effects of the coronavirus pandemic.

The VIX index, the key measure of equity market volatility – although temporarily declined – **still stands at 26 percent**, while the developed bond market MOVE index rose by 14 basis points to 53 percentage points and the emerging bond market EMBI Global spread decreased by 20 basis points to 378 basis points (Chart 11). **Last month the developed market MSCI composite stock market index was up by 4 percent, which was mostly attributable to the strong performance of the US indices.** Of the European indices, the German DAX and the French CAC40 were up by 3 percent, while the British FTSE rose by 1 percent. Of the leading Asian stock market indices, the Japanese one essentially remained unchanged, while the Chinese one rose by 2 percent. **The emerging MSCI composite indices rose by 5 percent during the period under review.** In the developed foreign exchange markets the dollar appreciated against the euro and the Japanese yen by 0.2 and 0.3 percent, respectively (Chart 12). On the other hand, due to the increasing uncertainty surrounding the Brexit, the British pound depreciated against the euro by 1.7 percent. **Several of the key**

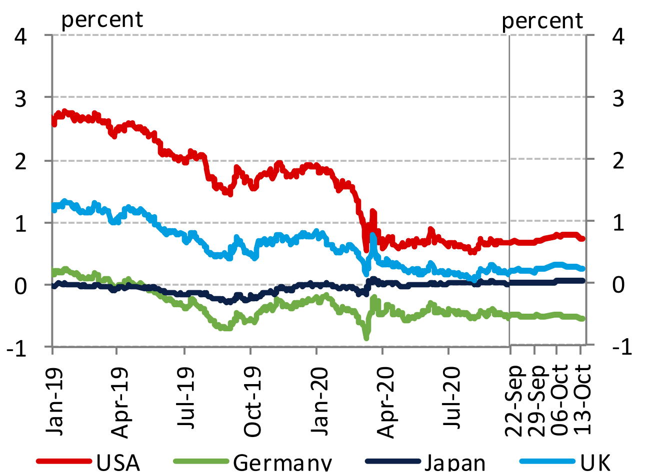
Chart 12 Developed market FX exchange rates



Note: Positive values indicate the strengthening of the variable (second) currency.

Source: Reuters

Chart 13 Yields on developed market long-term bonds



Source: Bloomberg

emerging currencies (Brazilian real, Turkish lira, Russian rouble) **depreciated against the dollar** by 2-3 percent, while the rest of the currencies appreciated by roughly one percent. **The currencies of the region also depreciated both against the euro and the dollar.**

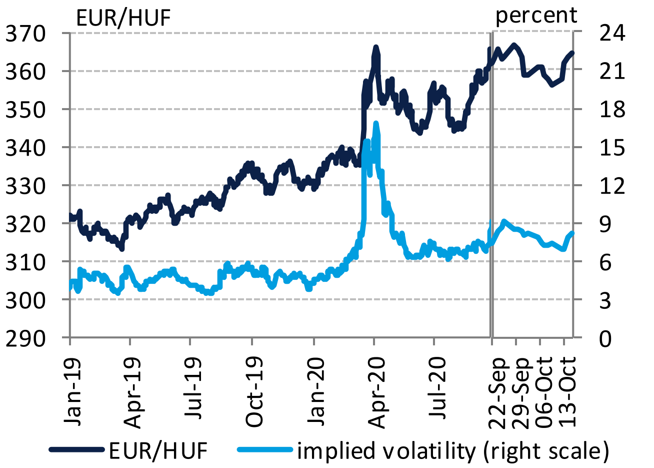
Developed bond yields varied since the last interest rate decision: yields on the European countries' long-term bonds mostly declined, while US and Japanese yields moderately grew (Chart 13). The US and Japanese 10-year yield rose by 3 and 1 basis points, to 0.7 and 0.02 percent, respectively. At the same time, the German 10-year yield fell by 10 basis points to -0.6 percent, while the Swiss yield declined by 4 basis points, to -0.55 percent. **Emerging countries' bond yields showed a mixed picture.** The Brazilian ten-year yield rose by almost 50 basis points, while the Mexican and Chinese bond yields were up by 12-14 basis points; on the other hand, Russian and Indian long-term yields fell by 26 and 10 basis points, respectively, during the period under review. Yields in the region also shifted differently: while long-term Hungarian yields significantly declined, the Polish and Romanian ones fell to a smaller degree, and the Czech ten-year yield rose by almost 15 basis points.

In the past month the price of the two benchmark oil types increased. Despite the uncertainties surrounding the recovery of demand, oil prices rose, supported by the loss of production in Norway and in the Gulf of Mexico as well as by the optimistic statement of OPEC and the growth in China's oil imports.

2.2. Developments in domestic money market indicators

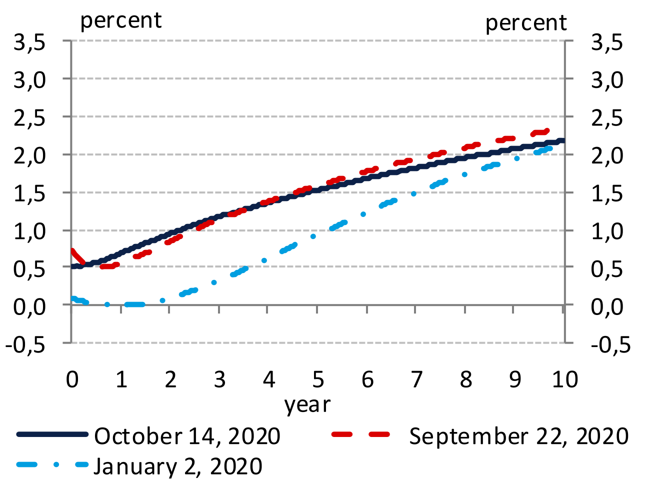
The forint weakened against the euro by 0.4 percent in the period. The currencies of the region depreciated to a larger degree, i.e. by roughly 1.5 percent, than the forint; the largest depreciation was registered in the exchange rate of the Czech koruna. The central bank's programmes contributed to the flattening of the government securities market's yield curve: yields rose in the mid-section of the curve, while they declined in the 10-20 year sections. In the last month, there was poor demand at discount Treasury bill auctions. By contrast, the demand at government bond auctions was stronger with average auction yields mostly declining.

Chart 14 EUR/HUF exchange rate and the implied volatility of exchange rate expectations



Source: Bloomberg

Chart 15 Shifts in the spot government yield curve



Source: MNB, Reuters

Since the interest rate decision in September, the forint exchange rate weakened against the euro by 0.4 percent from 363 to over 364 (Chart 14). In most of the period the forint appreciated, reaching the level of HUF/EUR 356; before depreciating to close to 365 as a result of a change in investor sentiment and a worsening pandemic situation. The exchange rate of the currencies of the region showed similar trends, but overall they depreciated against the euro to a greater extent than the forint in the period: the Czech koruna by 1.5 percent and the Polish zloty by 1.4 percent.

The long section of the government securities market's yield curve shifted downwards (Chart 15). The shortest section of the yield curve declined by 10-20 basis points, while the 1-year section of the curve rose by 10-14 basis points. The 4-5 year and the 5-10 year sections of the curve registered a decrease of 2-5 basis points and 6-16 basis points, respectively, while in the 10-20-year section a decrease of 16-22 was observed.

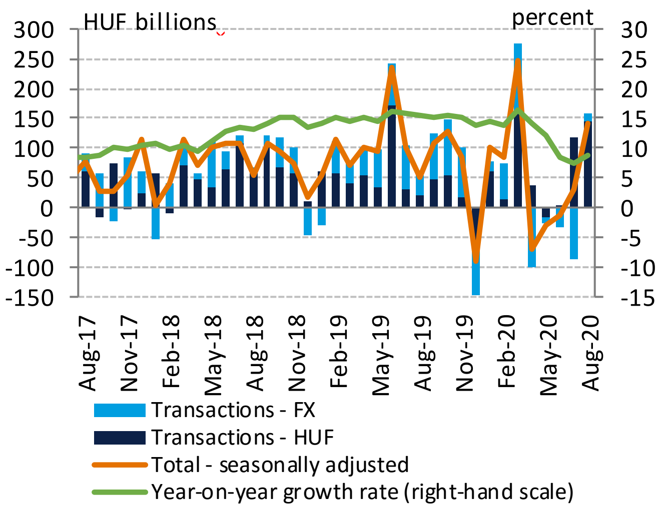
In the past month, there was poor demand at discount Treasury bill auctions. By contrast, the demand was strong at government bond auctions. At 3-month Treasury bill auctions, except for the latest auction, the Government Debt Management Agency accepted bids in lower volume than the announced amount of HUF 15 billion by HUF 2-8.5 billion, while at the 12-month auctions it sold the announced volume. Since the last interest rate decision, the average yield at the 3-month auctions rose from 0.32 percent to 0.49 percent, while the average auction yield at the 12-month Treasury bill auctions dropped from 0.79 percent to 0.74 percent. **Government bond auctions were characterised almost without exception by strong demand**; therefore the Government Debt Management Agency accepted bids in higher volume than announced on all occasions, with the exception of one 3-year auction at the end of September and a 15-year auction in early October. **At the latest auction, the average yield of the 10-year securities was 2.27 percent, representing a decline of 33 basis points compared to the last average auction yield of the previous period.** The average auction yield on the 5-year and 3-year government securities fell by 14 basis points and 5 basis points to 1.73 percent and 1.27 percent, respectively, while on the 15-year securities it rose by 10 basis points to 2.85 percent. The Hungarian 5-year CDS spread fell by 2 basis point during the period under review, thus at present it stands at 65 basis points.

Non-residents' holdings in forint government securities increased. Non-residents' holding of forint government securities increased by HUF 114 billion to HUF 4,284 billion, and in parallel with this, the market share of forint government securities held by non-residents rose to 21.7 percent.

3. Trends in lending

In August 2020, outstanding borrowing of non-financial corporations increased by HUF 158 billion, as a result of the increase in outstanding forint borrowing by HUF 145 billion and in foreign currency loans by HUF 13 billion. Outstanding borrowing of households from the credit institution sector increased due to transactions also in August, with the annual growth rate reaching 17 percent.

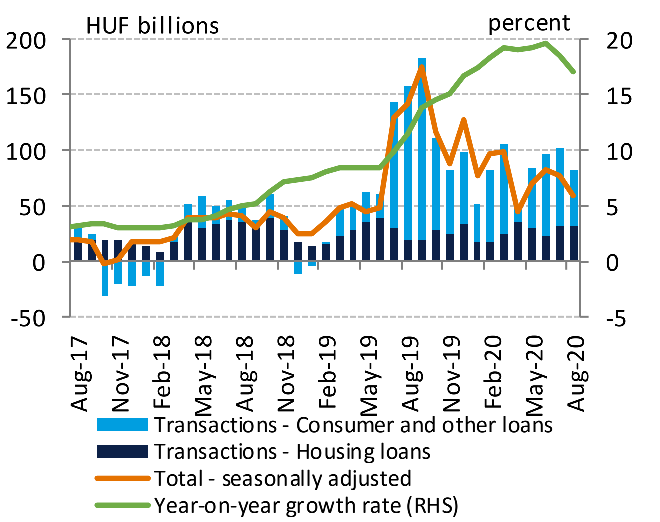
Chart 16 Net borrowing by non-financial corporations



Source: MNB

In July 2020, outstanding borrowing of non-financial corporations grew by HUF 158 billion, as a combined result of the increase in outstanding forint borrowing by HUF 145 billion and in foreign currency loans by HUF 13 billion (Chart 16). Due to the more substantial monthly increase, the annual growth rate rose by roughly 1 percentage point to 8.7 percent compared to previous month. In August, credit institutions disbursed new loans in the amount of HUF 227 billion, which exceeds the values registered last August by 18 percent.

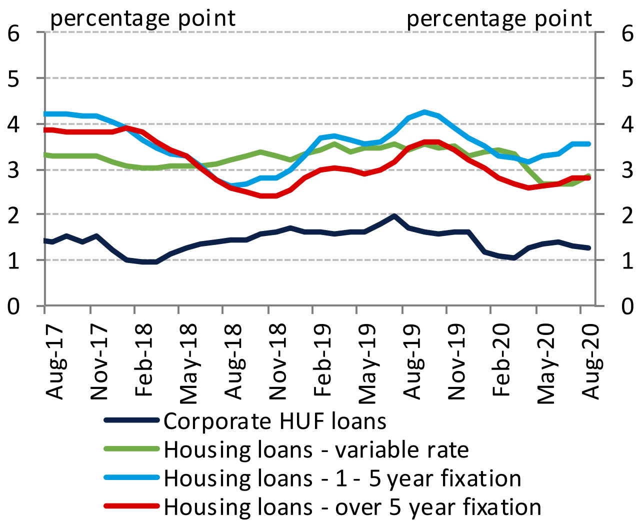
Chart 17 Net borrowing by households



Source: MNB

Outstanding borrowing of households from the credit institution sector increased due to transactions also in August, with the annual growth rate reaching 17 percent (Chart 17). The continued strong dynamics is partly due to the technical effect of the moratorium on payments, but it is also attributable to the stable high volume of the prenatal baby support loan disbursements and to their more moderate amortisation, also resulting from – in addition to the moratorium on loan instalments – the high ratio of moratorium on loans conditional upon having children. In line with the lifting of the isolation measures and the recovering housing market trends, the housing loan market has stabilised; however, the disbursements of personal loans have not yet normalised after the demand and supply shock induced by the first wave of the coronavirus. More than one third of the loans disbursed in August were linked to some kind of state subsidy, and thus the non-market-based loans continue to support lending to households.

Chart 18 Development of corporate and household credit spreads



Note: In the case of corporate forint loans, the spread over the 3-month BUBOR. In the case of housing loans with variable interest or interest fixed for 1 year at the most, the 3-month BUBOR, while in the case of housing loans fixed for over one year, the APR-based margin above the relevant IRS.
Source: MNB

The smoothed interest rate spread of forint corporate loans was 1.26 percentage points in August 2020, representing a decrease of 0.04 percentage point compared to the previous month (Chart 18). **The average smoothed interest rate spread on variable rate housing loans calculated on the basis of the annual percentage rate (APR) increased** during the month and amounted to 2.85 percentage points. **The spread on products with interest rate fixation periods longer than 1 year and up to 5 years moderately rose**, **while that on products with interest rate fixation periods of more than 5 years dropped compared** to July. **The average spread on housing loans with interest rate fixation periods longer than one year and up to 5 years reached 3.56 percentage points in August, while the spread on products with interest rate fixation periods of more than 5 years was 2.81 percentage points.**