

## PRESS RELEASE

### Household and non-financial corporate sector interest rates, interbank lending rates: September 2007

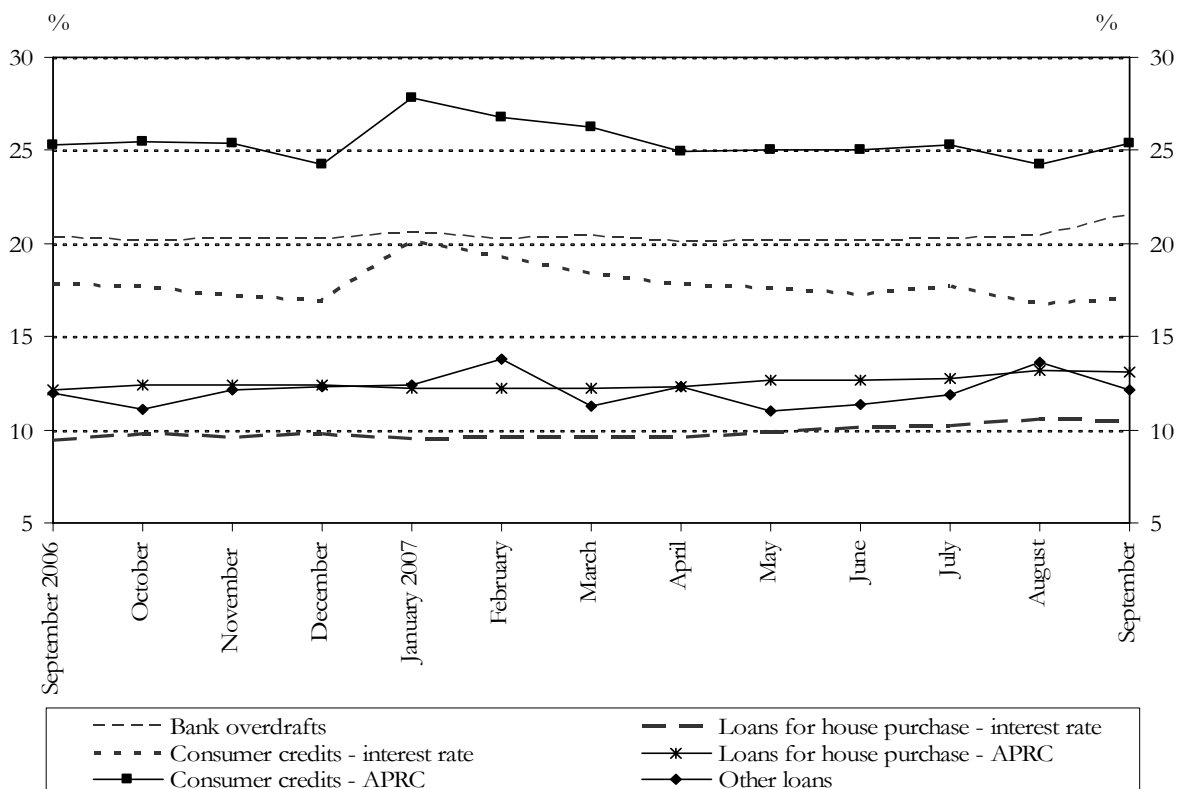
*In September, average interest rates on forint-denominated overdrafts and consumer credit to the household sector rose slightly. By contrast, average interest rates other loans fell. The average interest rate on forint deposits with an agreed maturity of over two years rose. At other maturities average rates on deposits fell. As seen in August, the value of the sector's new Swiss franc-denominated consumer credit and loans for house purchase fell.*

*Average interest rates on non-financial corporations' forint-denominated overdrafts and deposits with an agreed maturity of over one year fell. Average interest rates on non-financial corporations' euro-denominated short-term loans rose.*

#### 1 Households

##### 1.1 Forint loans and deposits

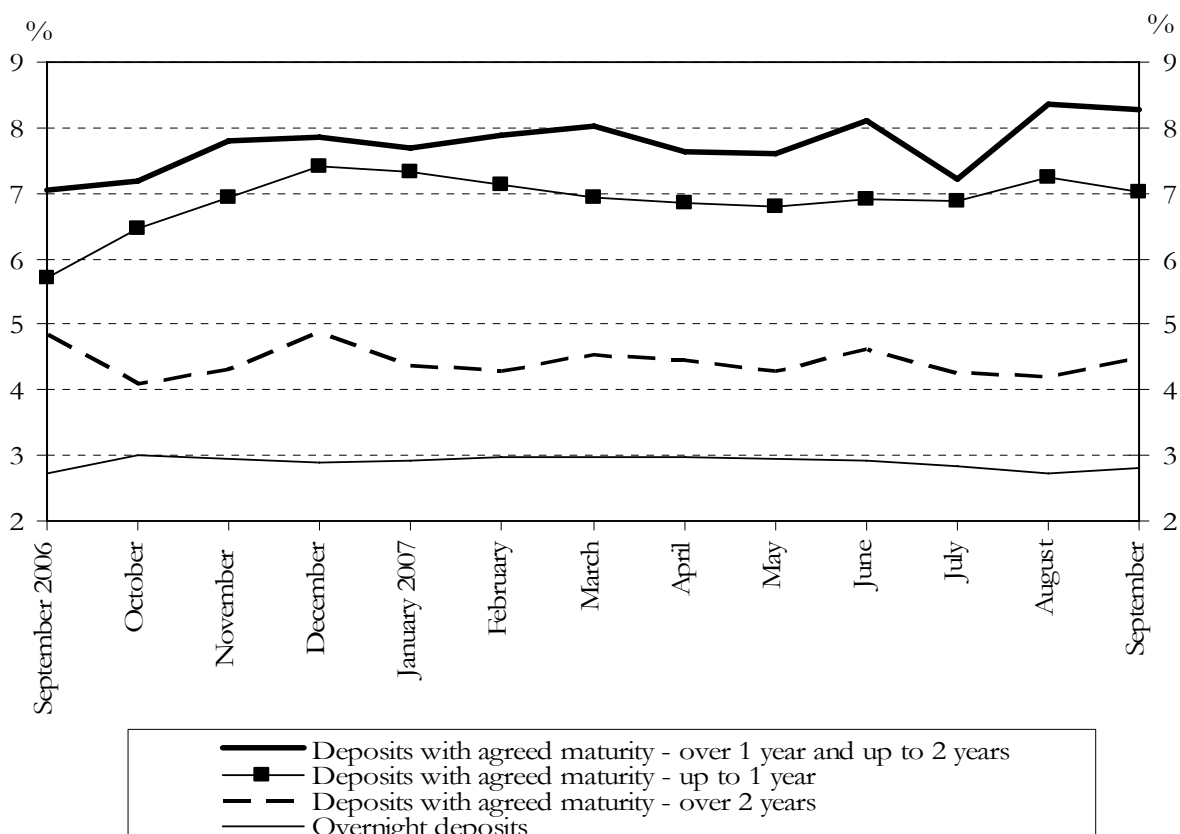
Chart 1 Monthly average interest rates and APR on forint loans to households



The average interest rate and average APR on consumer credit both rose, while the average interest rate on other loans fell. The average interest rate on overdrafts rose by 113 basis points to 21.54%. The average market rate and average APR on bank housing loans<sup>1</sup> were 10.50% and 13.09%, respectively, unchanged from August. The average interest rate and average APR on consumer credit rose, after falling in the preceding month. The former was 17.07% and the latter was 25.37%. The average interest rate on other loans fell to 12.14%, due to a change in the composition of loans.

In September, the amounts of new consumer credit and housing loans fell, while that of other loans rose. The value of new consumer credit was HUF 21.0 billion, that of housing loans was HUF 9.1 billion and that of other loans was HUF 6.5 billion.

**Chart 2 Monthly average interest rates on household forint deposits**



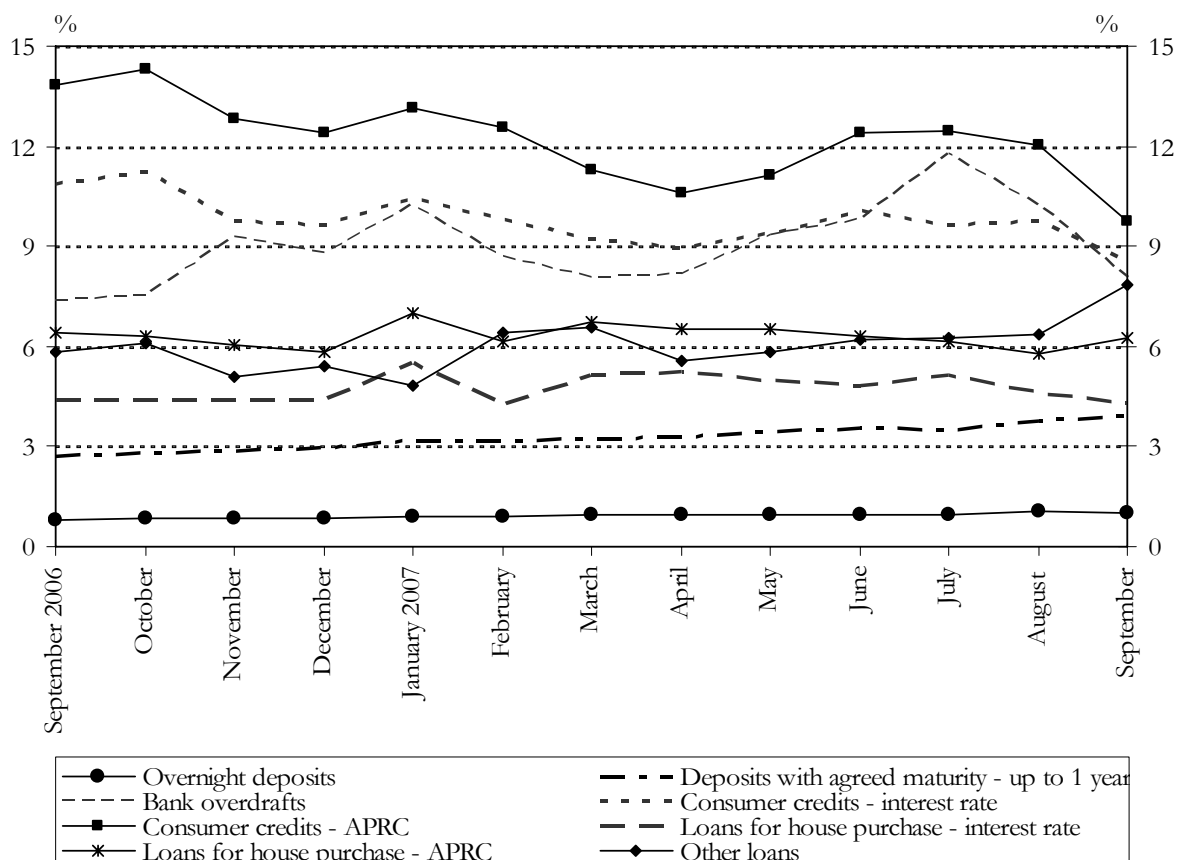
The average interest rate on households' overnight deposits was 2.81% in September.

Average interest rates on forint deposits with an agreed maturity of up to two years fell, while those on forint deposits with an agreed maturity of over two years increased. The average interest rate on deposits with an agreed maturity of up to one year was 7.01% in September. The average interest rate on deposits with an agreed maturity of over one year and up to two years was 8.27%. The average interest rate on deposits with an agreed maturity of over two years was 4.48%. In April, the amount of new time deposits fell by HUF 355.7 billion to HUF 610.4 billion, returning to its earlier level. An explanation for this is that in August the value of new deposits was 50% higher than the highest level over the period from September 2006, the reason being that individuals rolled over their one-year deposits maturing in August, in anticipation of the introduction of the withholding tax on interest in September 2006.

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

## 1.2 Euro loans and deposits

**Chart 3 Monthly average interest rates and APR on euro loans to households and monthly average interest rates on household euro deposits<sup>2</sup>**



The amount of new euro-denominated loans<sup>3</sup> was by HUF 1.0 billion in September. The average interest rate on overdrafts fell to 8.04%, due to a change in the composition of loans. The average interest rate and average APR on consumer loans and the average interest rate on housing loans fell in September. The average interest rate on other loans and the average APR on housing loans rose.

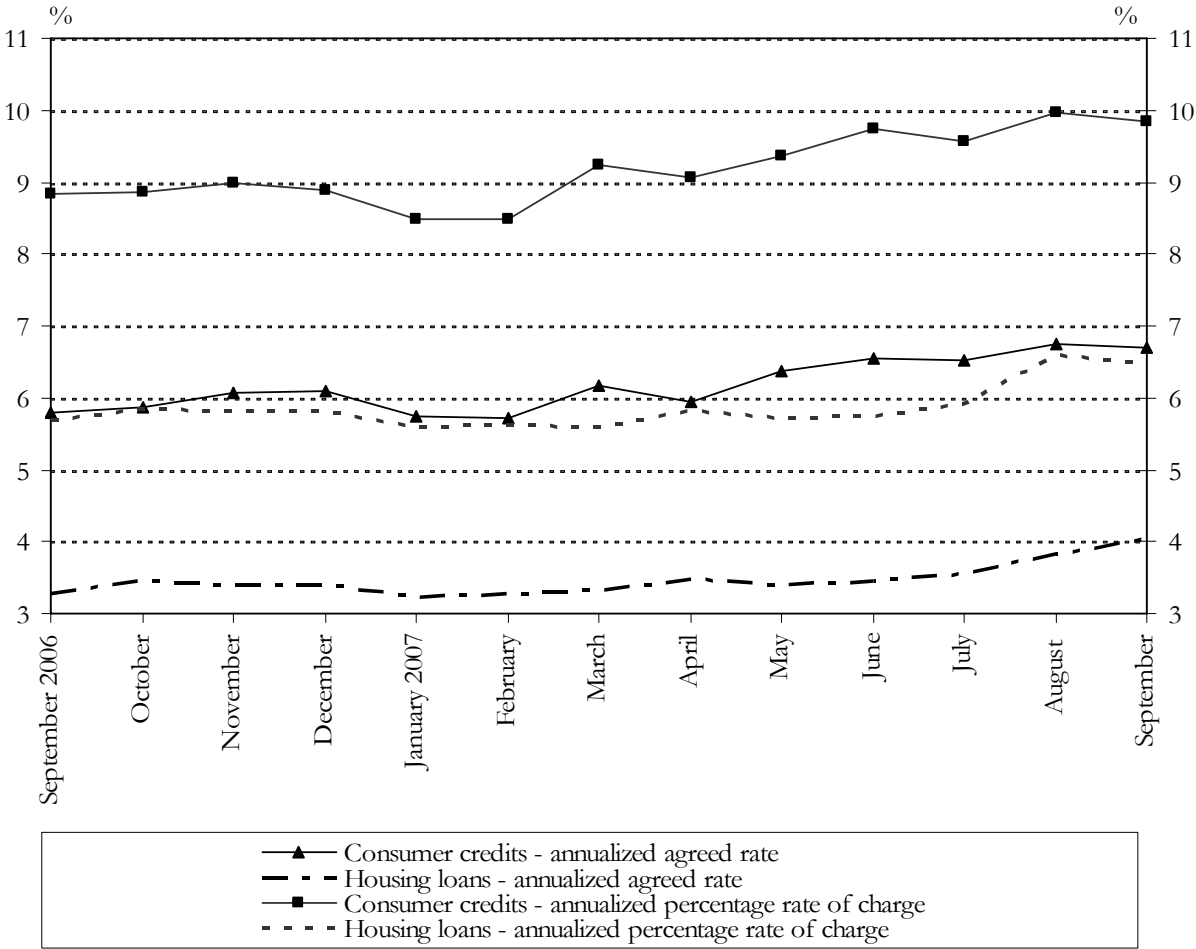
The average interest rate on euro-denominated overnight deposits was 1.00%. The average interest rate on euro deposits with a maturity of up to one year rose by 11 basis points to 3.90%, its highest level to date. The monthly amount of households' new euro deposits with an agreed maturity of up to one year fell by HUF 37.3 billion to HUF 133.9 billion.

<sup>2</sup> Chart 3 plots data on consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

<sup>3</sup> The amount of consumer, housing and other loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts.

1.3 Swiss franc-denominated consumer credit and housing loan rates

Chart 4 Average annualised agreed rates and APR on Swiss franc consumer credit and housing loans with floating interest rates or with up to one year initial rate fixation<sup>4</sup>

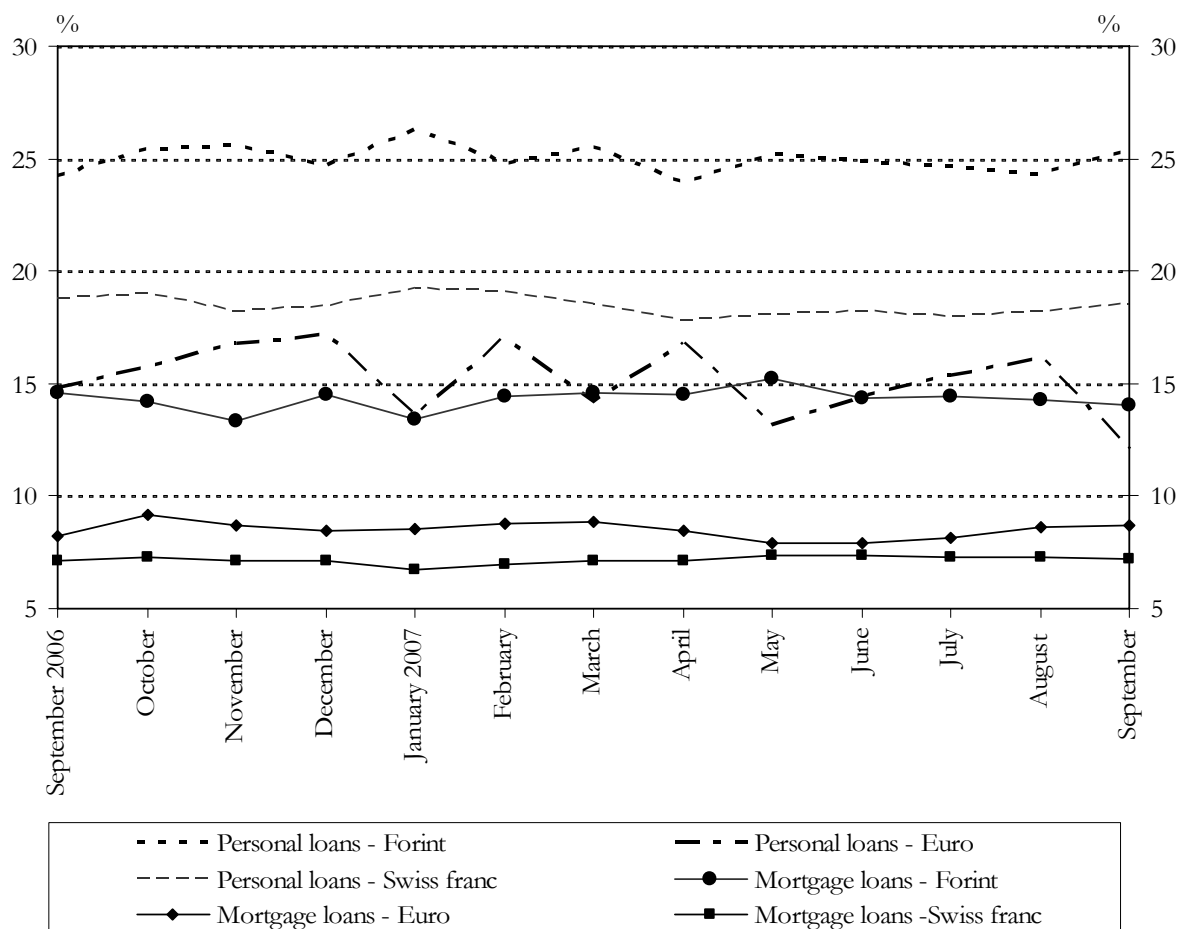


The average interest rate on Swiss franc-denominated consumer loans with floating interest rates or with up to one year initial rate fixation was 6.69% and the average APR was 9.85%. The annualised average interest rate and average APR on Swiss franc-denominated housing loans stood at 4.02% and 6.48% respectively.

<sup>4</sup> Swiss franc-denominated consumer credit includes only personal loans and mortgage loans for consumption. Data on auto loans are not included, given that figures from few data providers are available. The Bank does not collect statistics on other loans denominated in Swiss francs (e.g. hire purchases).

## 1.4 Comparison of households' forint, euro and Swiss franc-denominated loans

**Chart 5 APR on forint, euro and Swiss franc personal loans and mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation**

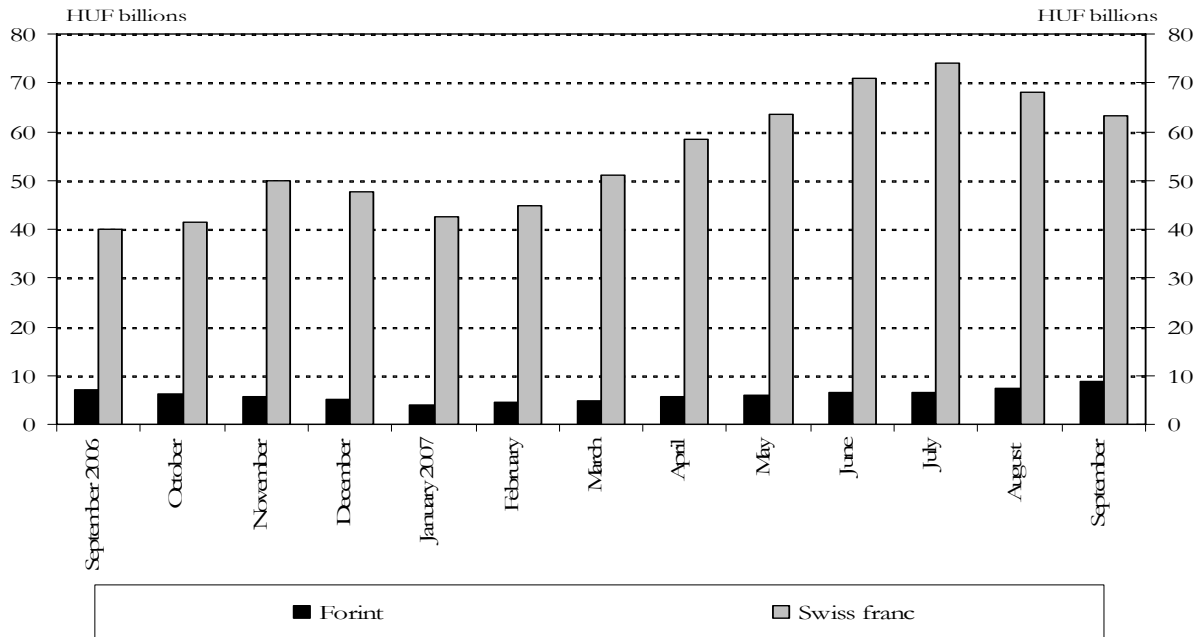


In September, the average APR on euro personal loans changed significantly. The average APR on euro personal loans fell by 410 basis points to 12.08%, due to a change in the composition of loans.

The average APR on forint-denominated personal loans with floating interest rates or with up to one year initial rate fixation was 25.38% and the average APR on Swiss franc personal loans was 18.48%.

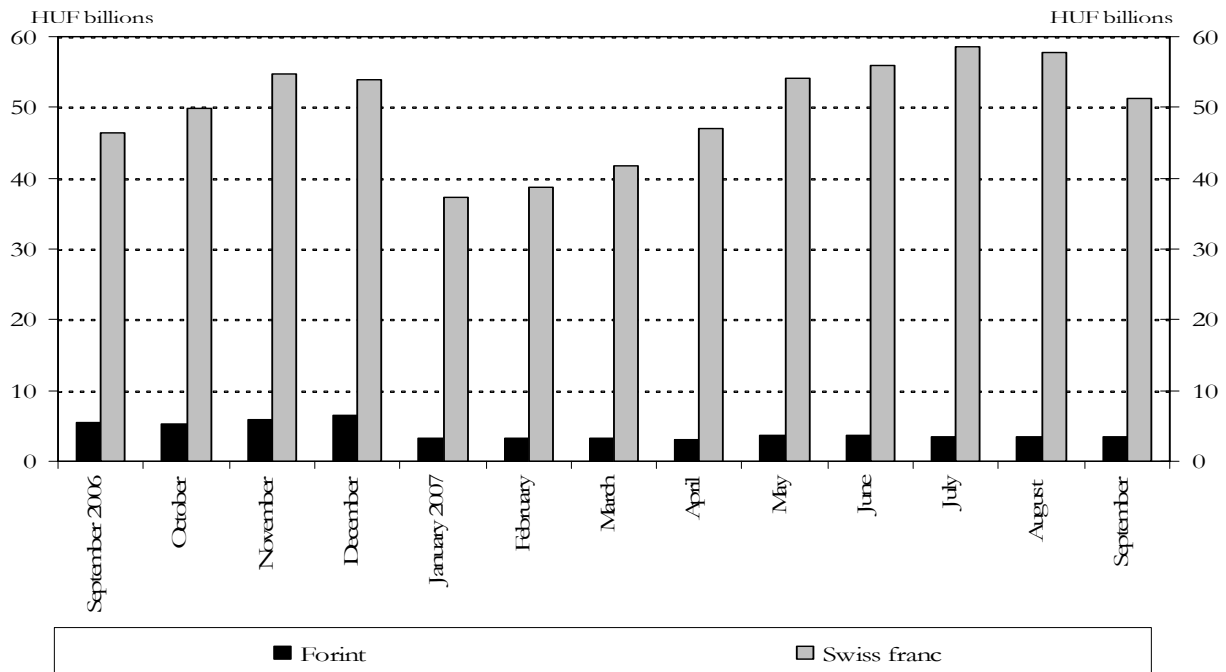
The average APR on forint mortgage loans with floating interest rates or with up to one year initial rate fixation was 14.06%, that on euro loans was 8.70% and that on Swiss franc loans was 7.18%.

**Chart 6 New forint and Swiss franc-denominated personal loans and mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation**



As seen in August, the value of new Swiss franc-denominated consumer loans<sup>5</sup> fell in September. The value of new Swiss franc-denominated consumer credit was HUF 63.4 billion, down HUF 4.6 billion on the preceding month.

**Chart 7 New forint and Swiss franc-denominated housing loans with floating interest rates or with up to one year initial rate fixation**



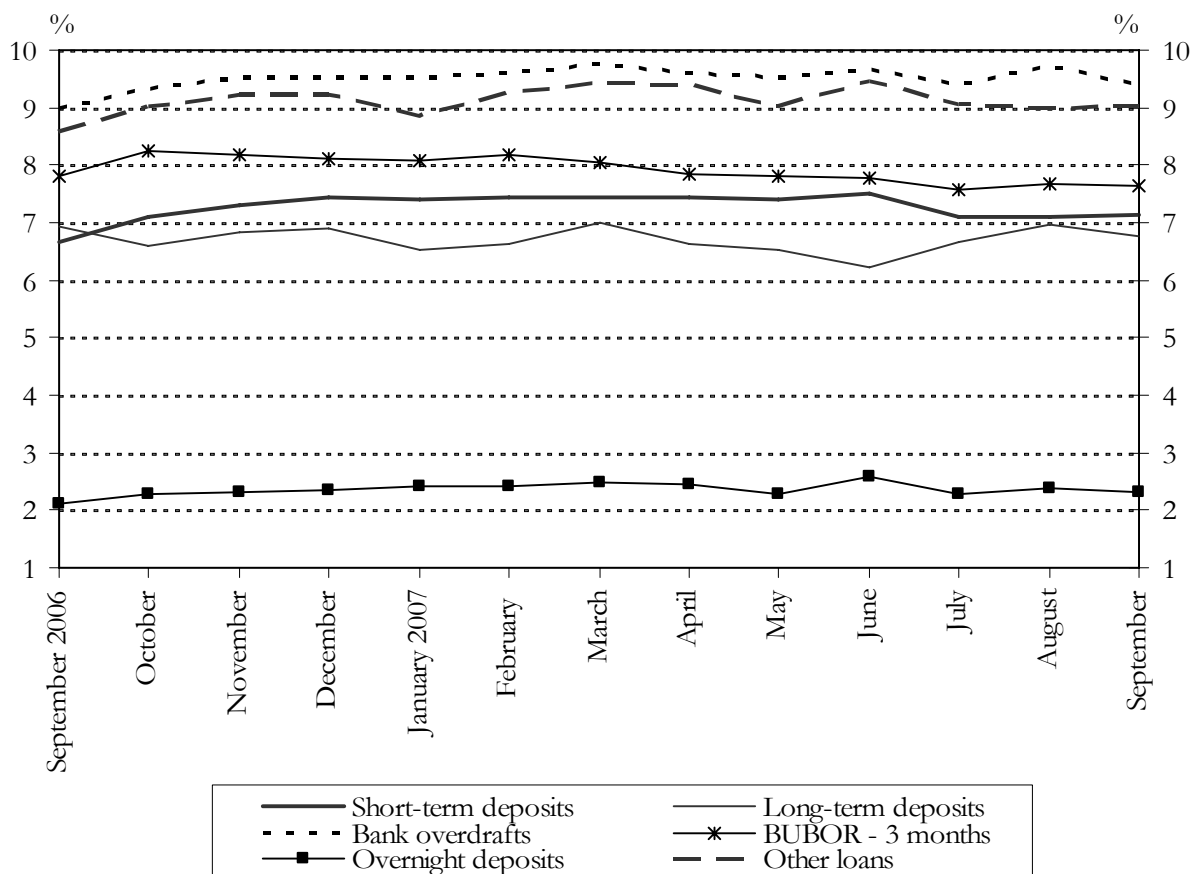
<sup>5</sup> Swiss franc-denominated consumer credit includes only personal loans and mortgage loans for consumption.

Within housing loans, the value of new Swiss franc-denominated loans fell, as seen in the preceding month. In September, their value was HUF 51.3 billion, down HUF 6.5 billion of their value in August.

## 2 Non-financial corporations

### 2.1 Forint loans and deposits

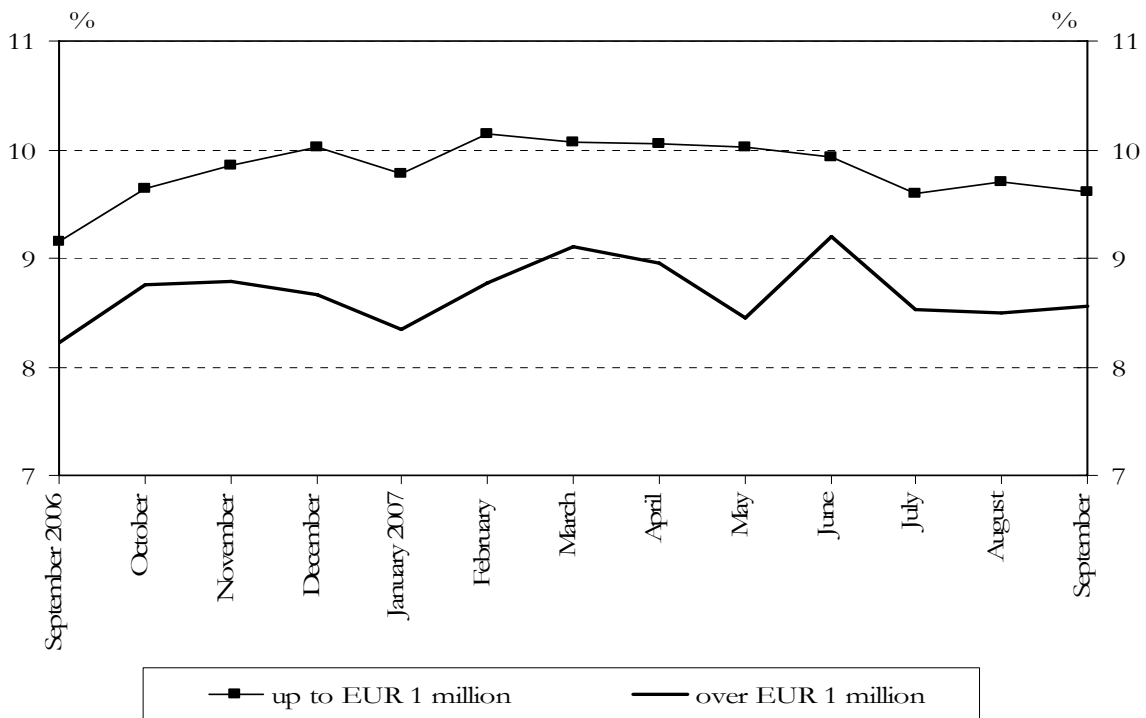
**Chart 8 Monthly average forint borrowing and deposit rates of non-financial corporations and BUBOR**



The average interest rates on non-financial corporations' forint-denominated loans fell by 35 basis points to 9.38%. Average borrowing rates, other than overdraft rates, remained unchanged at 9.02%. The value of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, fell by HUF 15.1 billion to HUF 182.4 billion.

The average interest rate on overnight deposits was 2.30% in September. The average interest rate on deposits with an agreed maturity of up to one year was unchanged at 7.13%. The average interest rate on deposits with an agreed maturity of over one year fell by 20 basis points to 6.77%. The amount of new deposits with agreed maturity from non-financial corporations was HUF 1,720.4 billion.

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



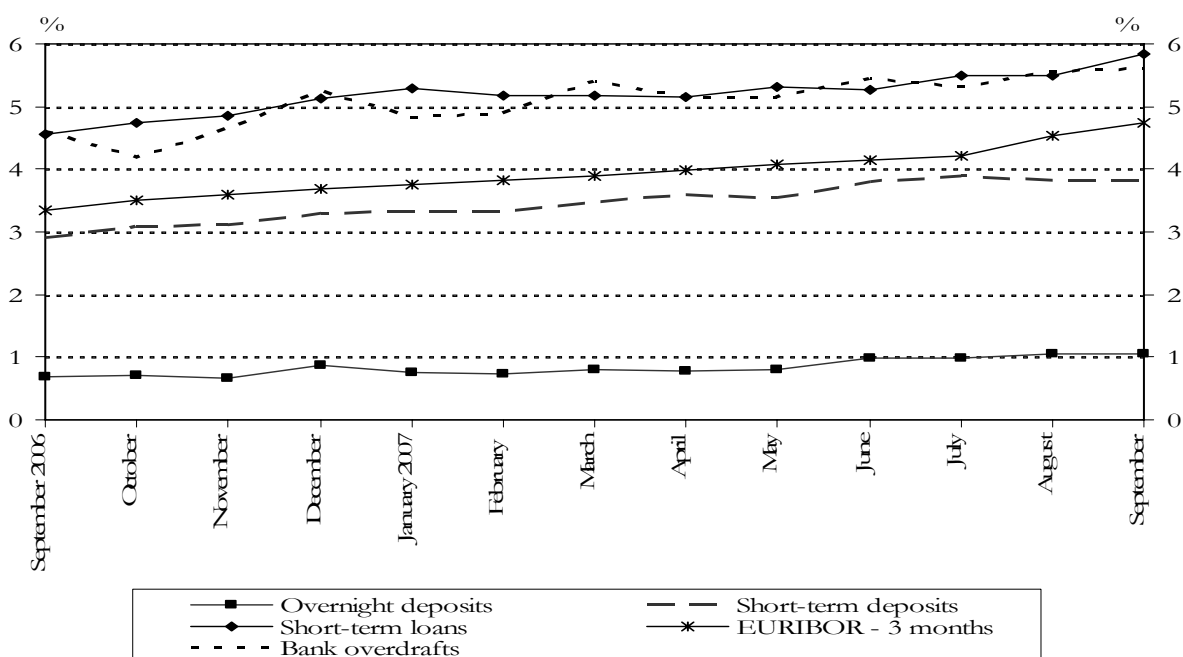
Average interest rates on other loans in a breakdown by loan amount, excluding overdraft rates, was barely changed in September. The average interest rate on loans to non-financial corporations up to the equivalent of EUR 1 million,<sup>6</sup> excluding overdrafts, was 9.60%. The average interest rate on loans over the equivalent of EUR 1 million was 8.56%.

<sup>6</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.



## 2.2 Euro loans and deposits

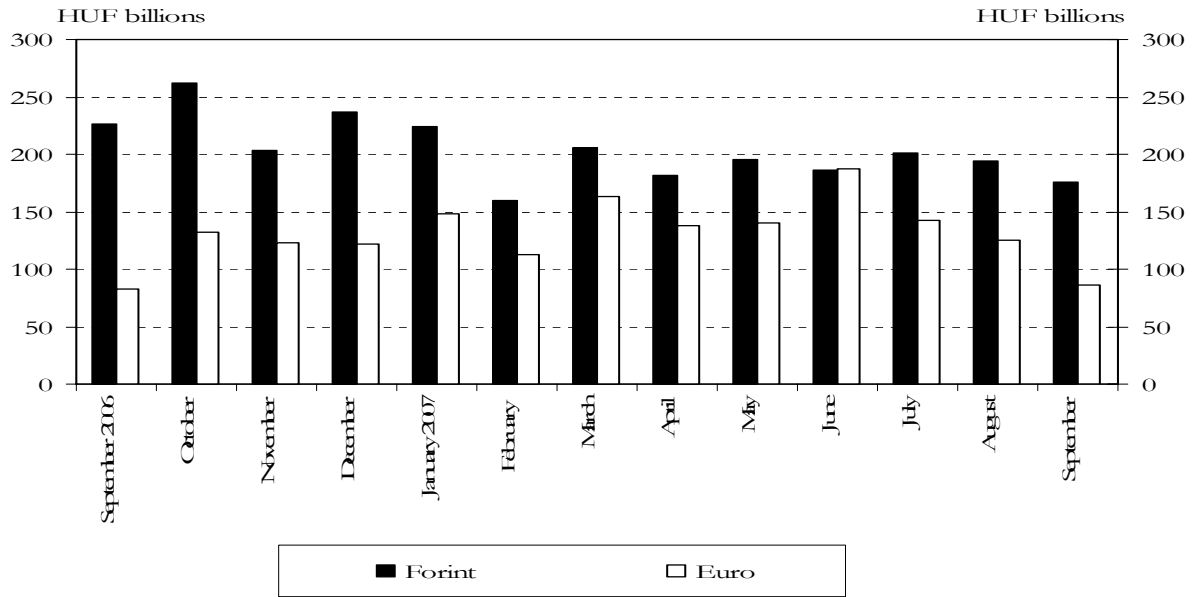
**Chart 10 Monthly average forint borrowing and deposit rates of non-financial corporations and EURIBOR**



The average interest rate on NFCs' euro-denominated overnight deposits remained unchanged at 5.60%. The average interest rate on loans with floating interest rates or with up to one year initial rate fixation, other than overdrafts, rose by 34 basis points to 5.84%. Average interest rates on euro deposits remained unchanged relative to August. The average interest rate on overnight deposits was 1.06%, and that on deposits with an agreed maturity of up to one year was 3.81%.

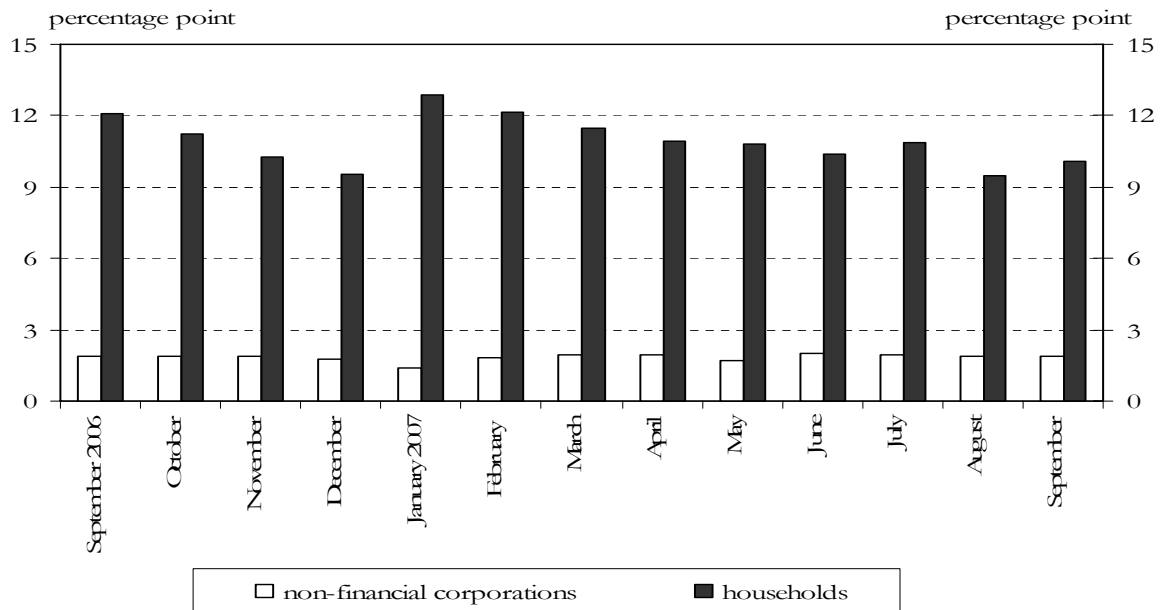
The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, has been falling for the third consecutive month. In September, it fell by HUF 39.1 billion to HUF 86.3 billion. The amount of new deposits with an agreed maturity of up to one year was HUF 626.4 billion.

**Chart 11 New loans to NFCs' with floating interest rates or with up to one year initial interest rate fixation**



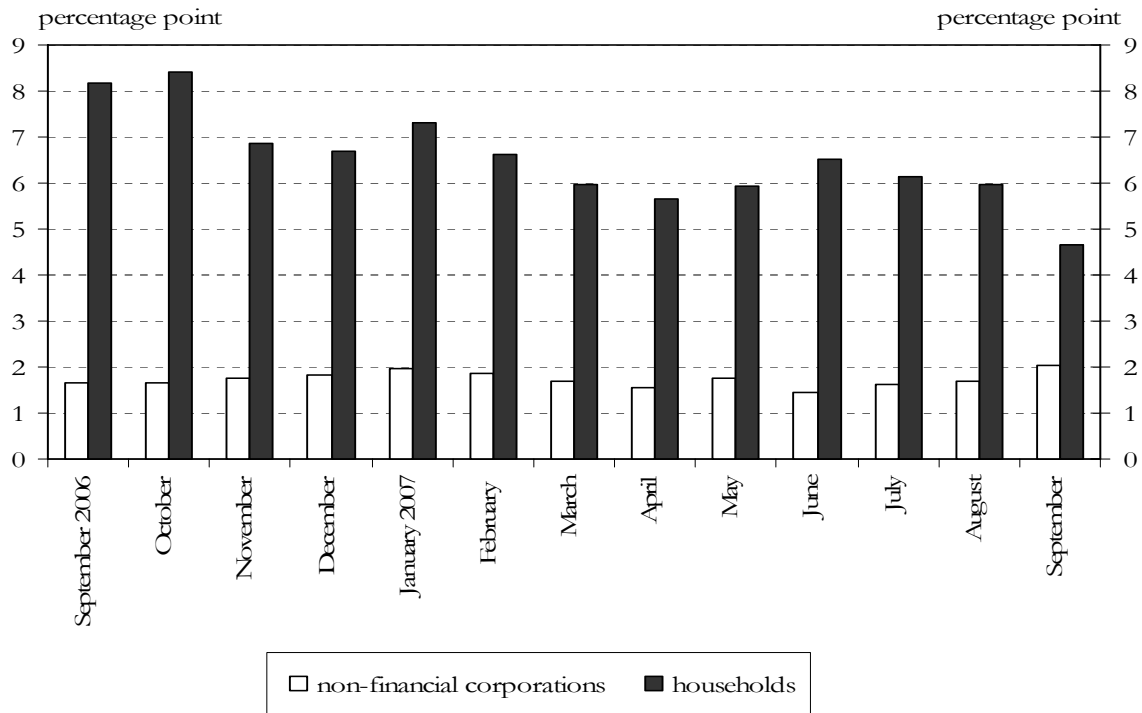
### 3 Differentials between loan and deposit rates

**Chart 12 Differential between forint borrowing and deposit rates**



In the household market, the differential between average interest rates on consumer credit and on deposits with an agreed maturity of up to one year rose to 10.06 percentage points. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates was 1.90 percentage points.

**Chart 13 Differential between euro borrowing and deposit rates**



In the household market, the difference between average interest rates on euro-denominated consumer credit with floating interest rates or with up to one year initial rate fixation and on deposits with an agreed maturity of up to one year fell further to 4.66 percentage points in September. The difference between average interest rates on non-financial corporations' euro-denominated loans with floating interest rates or with up to one year initial rate fixation and on deposits with an agreed maturity of up to one year widened to 2.03 percentage points, continuing the increase which began two months before. Compared with forint and Swiss franc-denominated loans, the value of new euro-denominated loans is insignificant within household sector loans.

#### 4 Interbank unsecured forint loans

Chart 14 Average official and forint interbank rates in September 2007

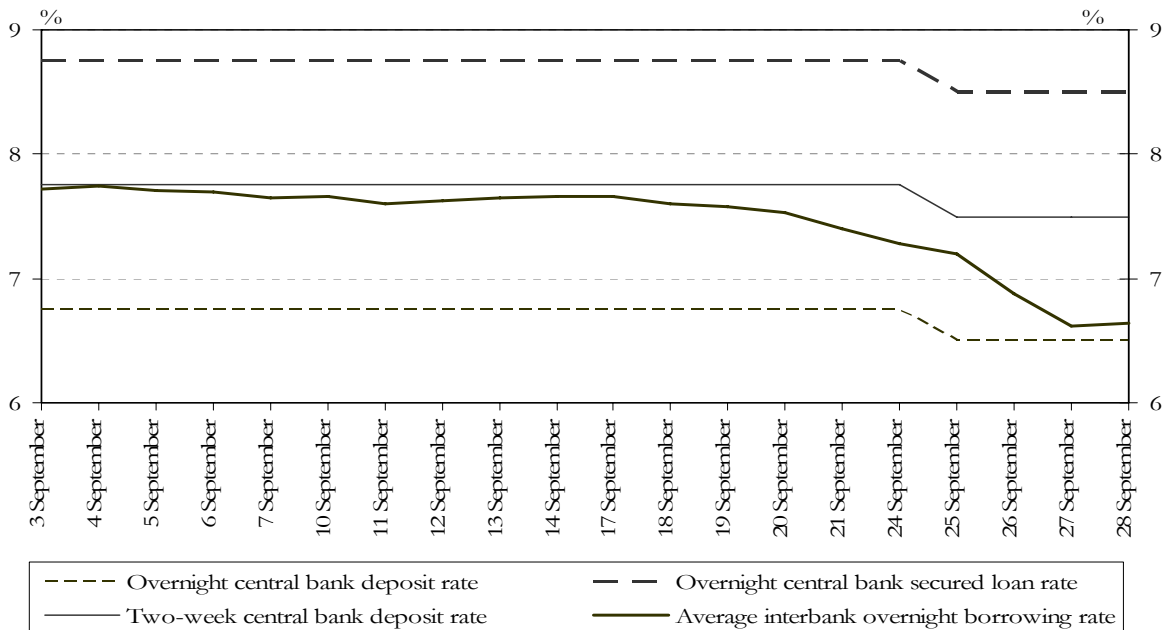
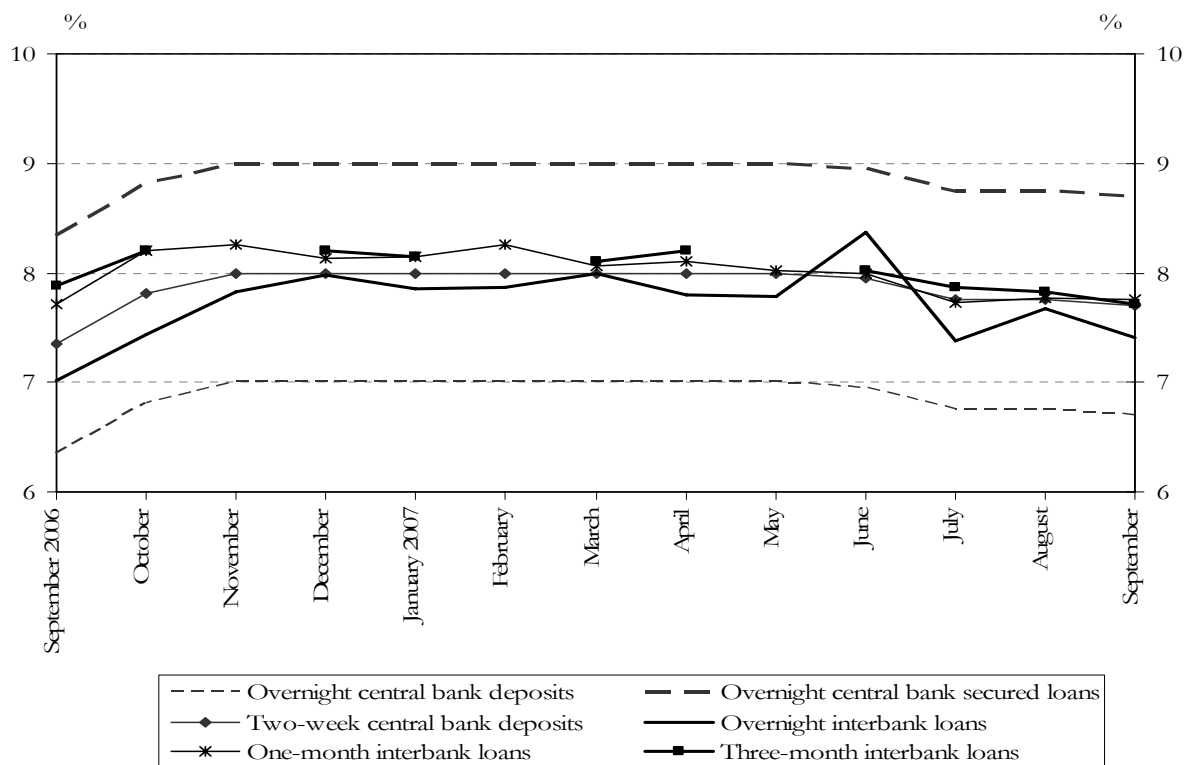


Chart 15 Average official and forint interbank rates



In September, turnover in the forint interbank market fell by HUF 402.1 billion to HUF 2,345.9 billion. The average overnight lending rate, weighted by the total value of transactions, fell by 26 basis points to 7.41%. The average interest rate on loans provided for one month remained unchanged at 7.75%. The average interest rate on interbank loans provided for three months fell by 11 basis points to 7.72%.

Daily interbank rates are available on the Bank's REUTERS pages. Daily average interest rates on forint interbank overnight lending can be found on the Bank's website at:

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

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:

[http://english.mnb.hu/engine.aspx?page=mnben\\_statisztikai\\_idosorok](http://english.mnb.hu/engine.aspx?page=mnben_statisztikai_idosorok)

**IX. Money and capital markets**

**MAGYAR NEMZETI BANK**  
STATISTICS

## 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 average interest rates, published in the press release, are calculated in a multi-stage process. The different levels of aggregation are illustrated by the table below:

Levels of aggregation (i.e. of calculating averages)	Stages of aggregation (calculation of averages)	Who aggregates?
4	Average interest rate calculated for data providers	Magyar Nemzeti Bank
3	Average interest rate on all products of data provider (e.g. consumer credit)	Data provider
2	Average interest rate on one product (e.g. hire purchase)	Data provider
1	Interest rate agreed in contract	Data provider

A change in the average interest rate may be caused by a combination of a change in individual interest rates and the composition of loans. In the press release, mention is made of the effect which has more weight in changes in average interest rates (interest rate change or composition effect).

The table also shows that interest rates reported to the MNB are averages and, therefore, the MNB is only able to segregate the effects of interest rate changes or composition changes for average interest rates by data providers individually. Consequently, an interest rate change derived at the highest level of aggregation only means that (provided that there is no supplementary information available for the MNB) a change in the banking sector's average interest rate has been caused by a change in average interest rates at data providers individually. However, individual data providers' average interest rates may also change as a result of composition effects, i.e. because there has been a shift in the percentage shares accounted for by the various

facilities and/or within the individual facilities. Generally, the MNB has no information on the size of a composition effect or actual interest rate change occurring at individual data providers.

In the time series downloadable from the MNB's website, consumer credit is further broken down by purpose:

- Personal loans,
- Car purchase loans,
- Mortgage loans for consumption,<sup>7</sup>
- Loans for purchase of goods or other<sup>8</sup>

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, 7, 8, 9, 14**

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 one year in the original contracts, are classified in to the category 'Floating rate or up to one year initial rate fixation'.

### **Chart 5**

a) The weighted average interest rate on housing loans include data on home loans whether they are provided under market conditions or subsidised. Interest rates on loans subsidised by the government include the amount of the subsidy. 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

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<sup>7</sup> The Bank has been collecting data on forint, euro and Swiss franc equity loans since January 2005.

<sup>8</sup> The Bank collects data only on forint instalment loans and other consumer credit.

interest rate is fixed for up to one year in the original contracts, are classified in to the category 'Floating rate or up to one year initial rate fixation'.

c) In the case of housing loans with a maturity of over 10 years, the change in the method of selecting data providers, which was introduced in January 2006, had a significant impact on the average interest rate and the APR. As a result of the change in methodology, the weight of building societies decreased significantly in the case of this facility which is offered by rather few banks. The higher average interest rate published from January 2006 provides a more realistic picture of market conditions because building society loans offered at a 6% interest rate are more difficult to obtain than the more expensive facilities offered by the banks.

### **Charts 6 and 7**

Average interest rates on deposits with agreed maturity 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. Deposits with agreed maturity are classified into the various categories on the basis of original maturity.

### **Chart 8**

Annualised interest rate is an indicator which takes into account the frequency of interest payment. If interest was paid only once a year, the annualised interest rate would be equal to the agreed interest rate. However, in the case of the majority of loan and deposit contracts, interest is paid more than once a year, so the annualised interest rate slightly exceeds the agreed interest rate. If interest was paid with a frequency of less than a year, the annualised interest rate would be lower than the agreed interest rate.

For example, assuming monthly interest payments, the annualised interest rate calculated on the basis of a 10% p.a. interest rate is 10.5%, and 10.3% assuming semi-annual interest payments.

### **Charts 12 and 14**

Average interest rates on deposits with agreed maturity 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 13**

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