

28 December 2007

PRESS RELEASE

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

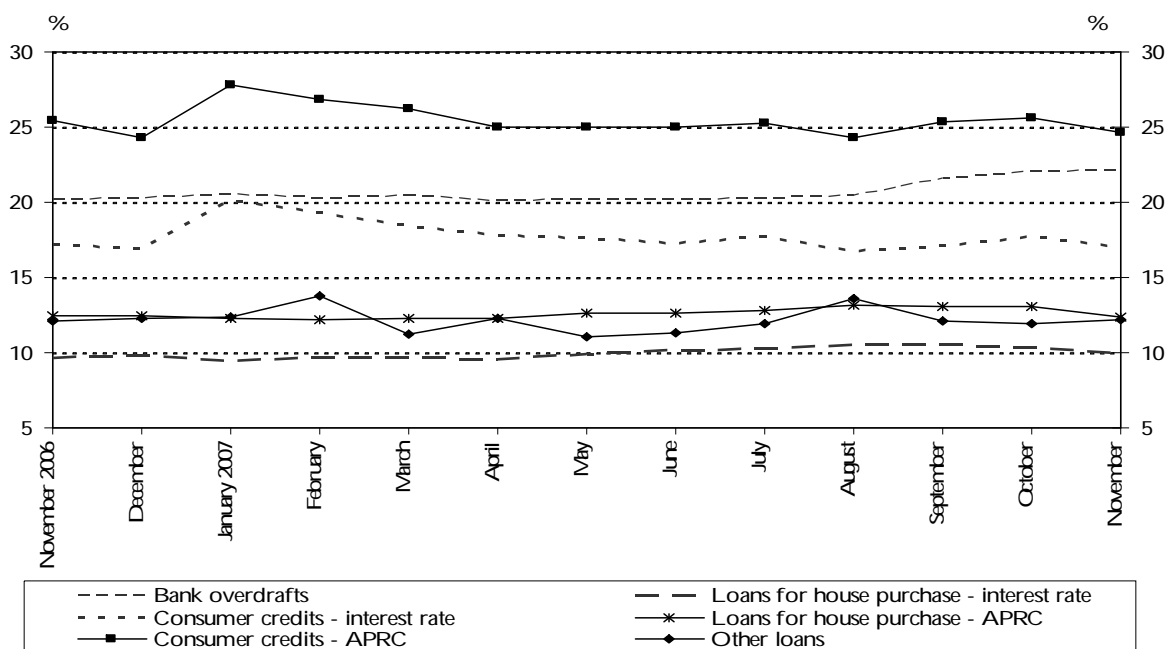
The average interest rate and average APR on forint-denominated consumer credit and loans for house purchase to the household sector declined. Of the average interest rates on forint time deposits those on deposits with agreed maturities up to one year and over two years increased. The amount of new Swiss franc-denominated consumer credit and loans for house purchase declined.

Average interest rates on non-financial corporations' forint-denominated loans, other than overdrafts, and on deposits with an agreed maturity of over one year increased, while those on overnight deposits and deposits with an agreed maturity of up to one year declined.

1. Households

1.1. Forint loans and deposits

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

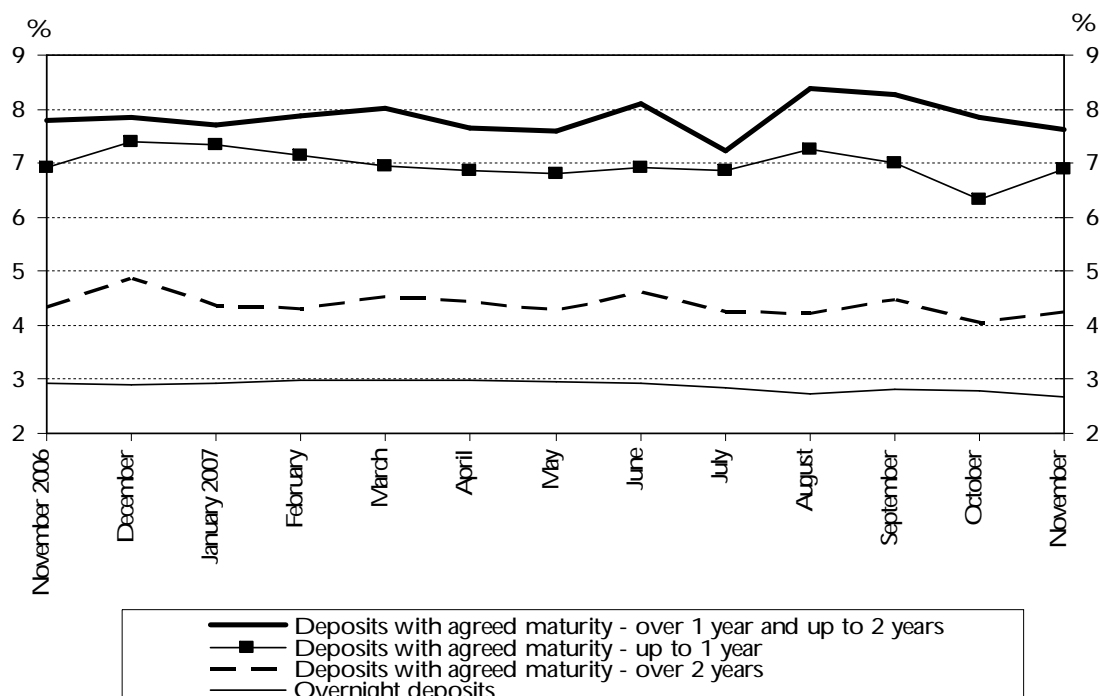


The average interest rate on bank overdrafts for the household sector barely changed; it increased by 15 basis points to 22.13%. The average interest rate on consumer credit rose by 76 basis points to 16.98%, with the average APR declining by 95 basis points to 24.68%. In November, the average market rate on housing loans¹ declined by 49 basis points to 9.87%, and the average APR on housing loans was down by 63 basis points to 12.40%. The average interest rate on other loans was 12.23%.

In November 2007, the amount of new consumer credits and housing loans declined slightly, while that of other loans fell to a greater extent. The amount of new consumer loans, housing loans and other loans was HUF 19.7 billion, HUF 9.3 billion and HUF 5.3 billion, respectively.

¹ 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.

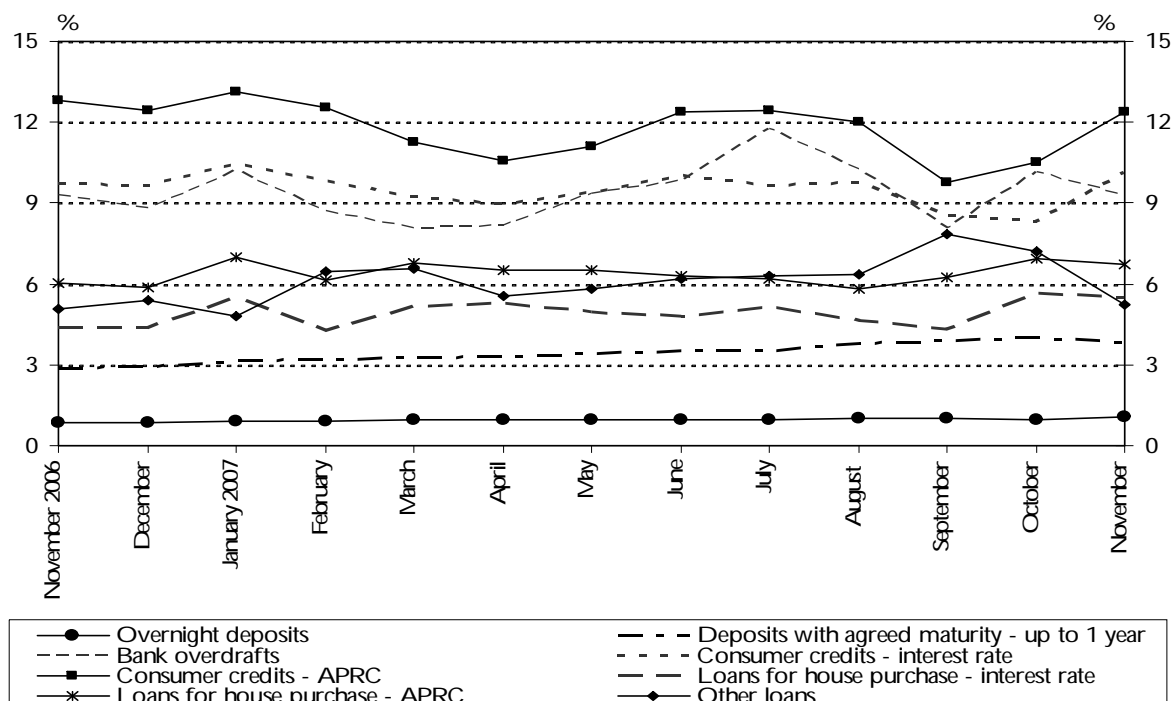
Chart 2: Monthly average interest rates on household forint deposits



The average interest rate on the household sector's overnight deposits amounted to 2.68%. The average interest rate on deposits with agreed maturity up to one year rose by 56 basis points to 6.90%, that on deposits with agreed maturity over one year and up to two years declined by 22 basis points to 7.63%, while that on deposits with agreed maturity over two years rose by 18 basis points to 4.24%. In November, the total amount of new time deposits was HUF 721.0 billion.

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 deposits²



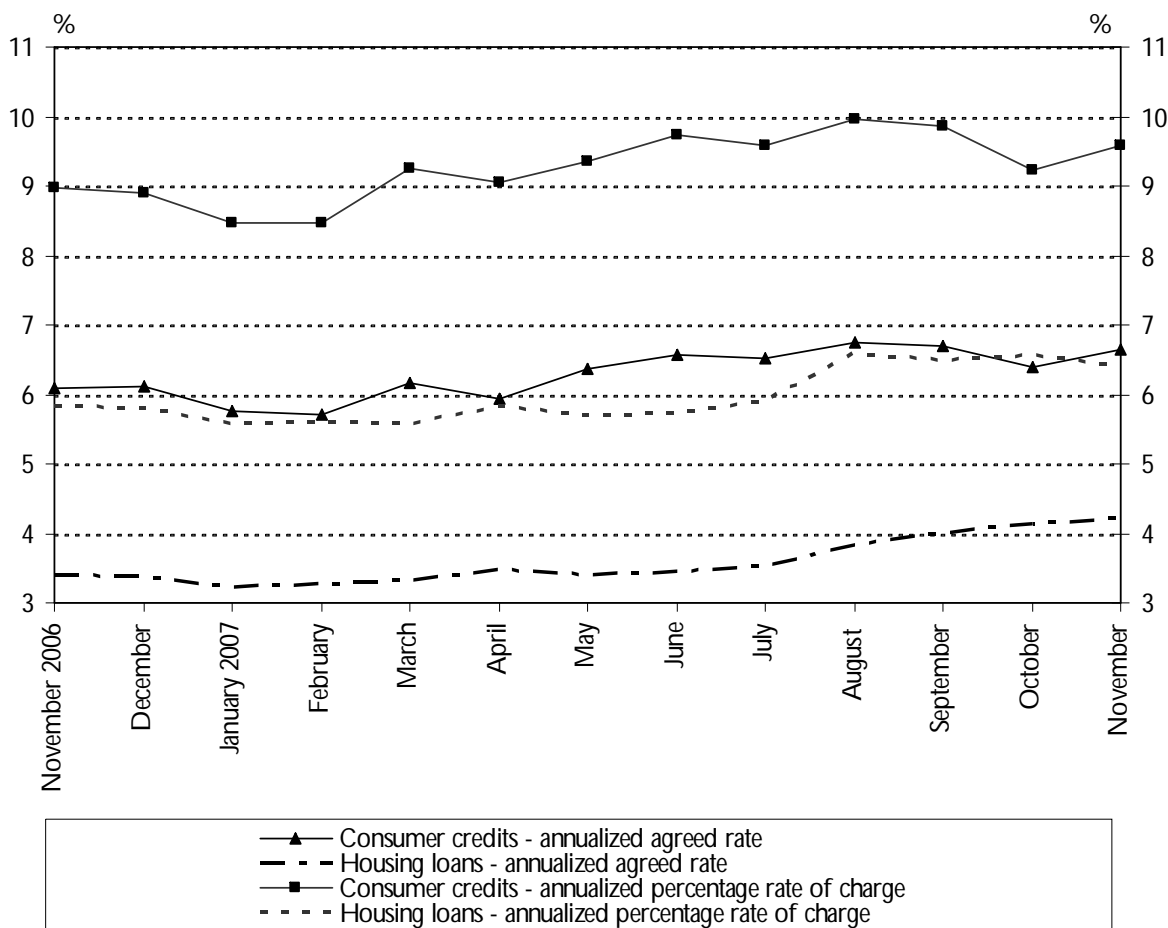
² This chart plots data on consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

The amount of new euro-denominated loans³ was a total HUF 4.2 billion in November, exceeding the value for the previous month by HUF 2.9 billion. The average interest rate on euro-denominated overdrafts declined by 88 basis points to 9.27%. The average interest rate and APR on consumer loans increased. The average interest rate and APR on housing loans declined. The average interest rate on other loans also decreased.

The average interest rate on overnight deposits amounted to 1.05%, while that on euro deposits with an agreed maturity of up to one year was 3.83%. The amount of households' new euro deposits with an agreed maturity of up to one year fell by HUF 19.2 billion to HUF 129.9 billion.

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 1 year initial rate fixation⁴



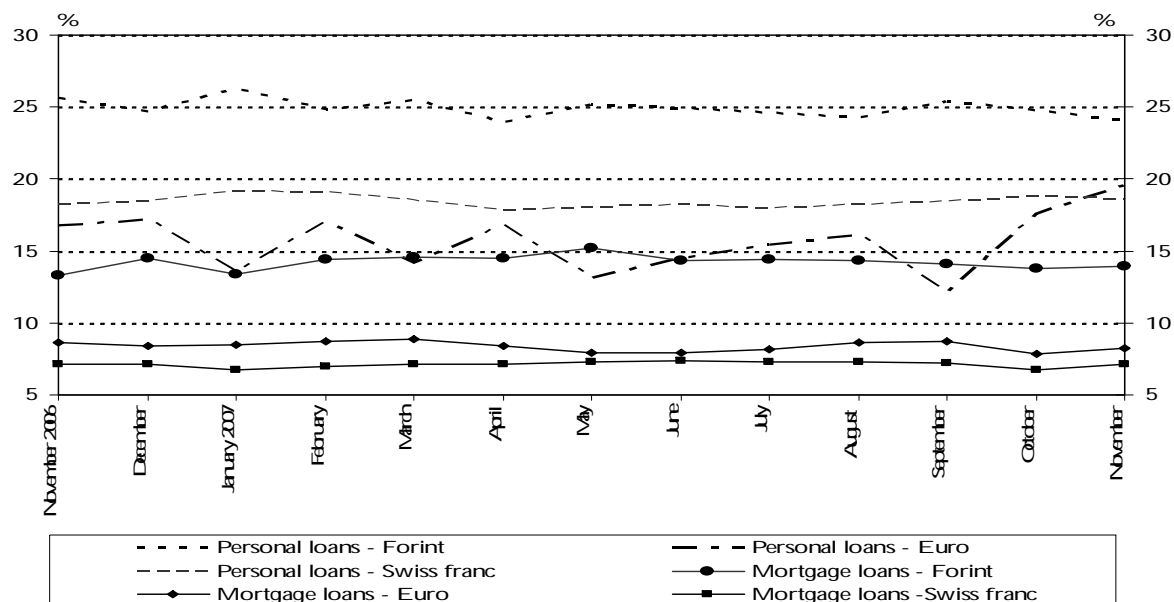
Both the average annualised interest rate and APR on Swiss franc-denominated consumer loans with floating interest rates or with up to one year initial rate fixation increased. The annualised interest rate and the average APR stood at 6.65% and 9.58%, respectively. The average annualised interest rate and the average APR on housing loans amounted to 4.22% and 6.43%, respectively.

³ New loans are: consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

⁴ 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 the household sector's forint, euro and Swiss franc loans

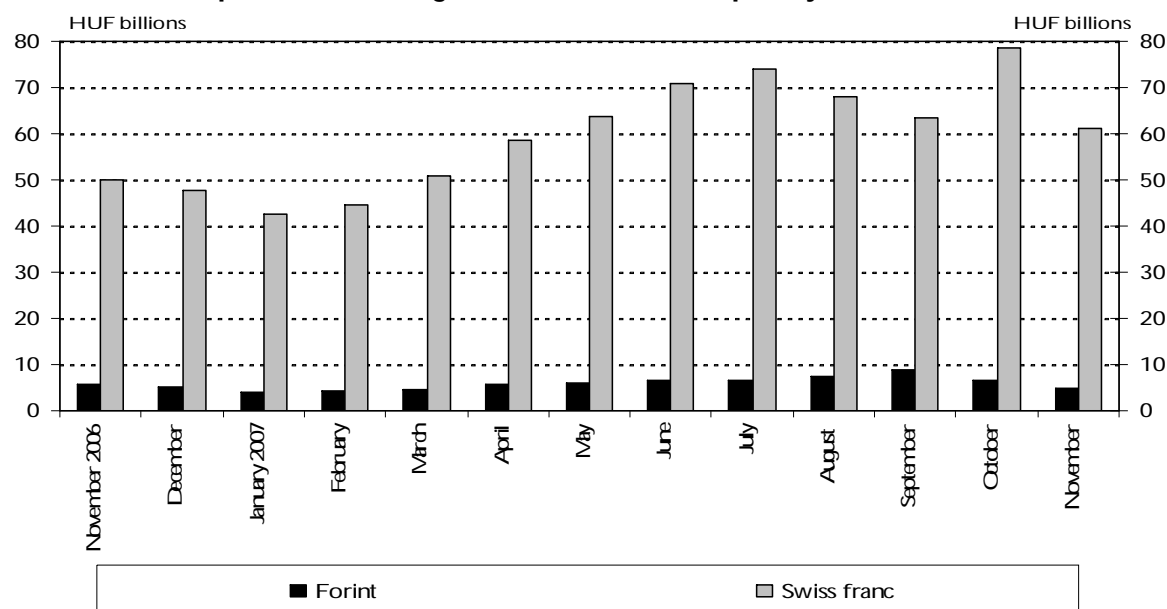
Chart 5: APR on forint, euro and Swiss franc personal loans and mortgage loans for consumption with floating interest rates or with up to 1 year initial rate fixation



The average APR on personal loans changed to the greatest extent in case of the euro denomination. The average APR on euro-denominated personal loans increased by 201 basis points to 19.58%, reaching its highest value to date. The average APR on forint-denominated personal loans with floating interest rates or with up to one year initial rate fixation declined to 24.07%, while that on Swiss franc-denominated personal loans fell to 18.59%.

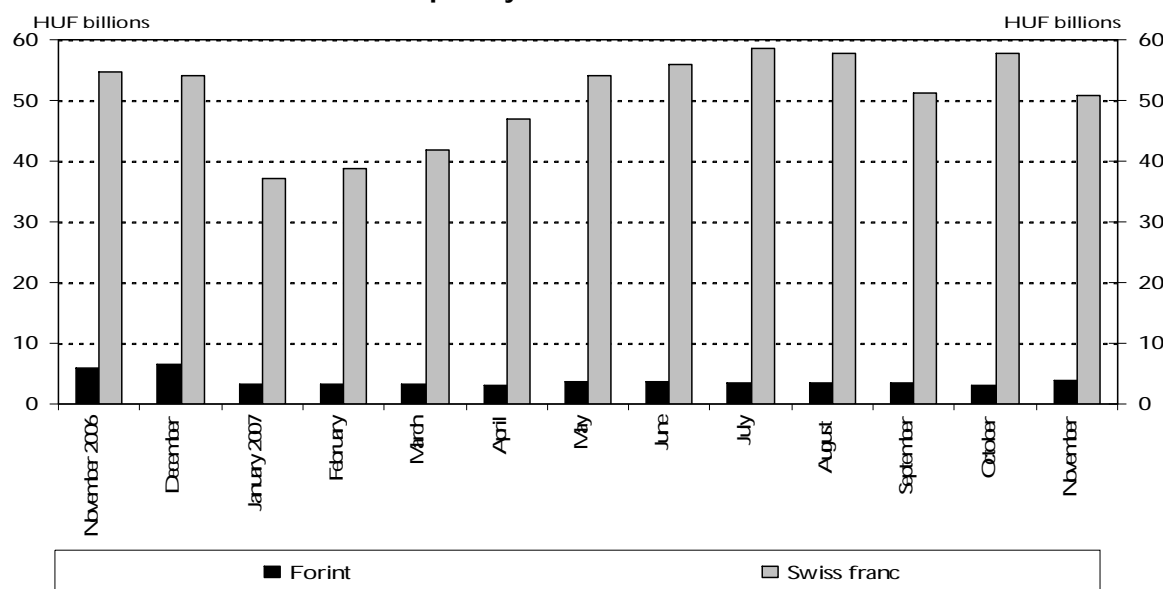
The average APR on forint-denominated mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation was 13.90%, while that on euro-denominated and Swiss franc-denominated mortgage loans for consumption amounted to 8.25% and 7.14%, respectively.

Chart 6: Amount of new forint and Swiss franc personal loans and mortgage loans for consumption with floating interest rates or with up to 1 year initial rate fixation



The value of new Swiss franc-denominated consumer loans⁵ declined by HUF 17.4 billion, amounting to HUF 61.2 billion.

Chart 7: Amount of new forint and Swiss franc housing loans with floating interest rates or with up to 1 year initial rate fixation

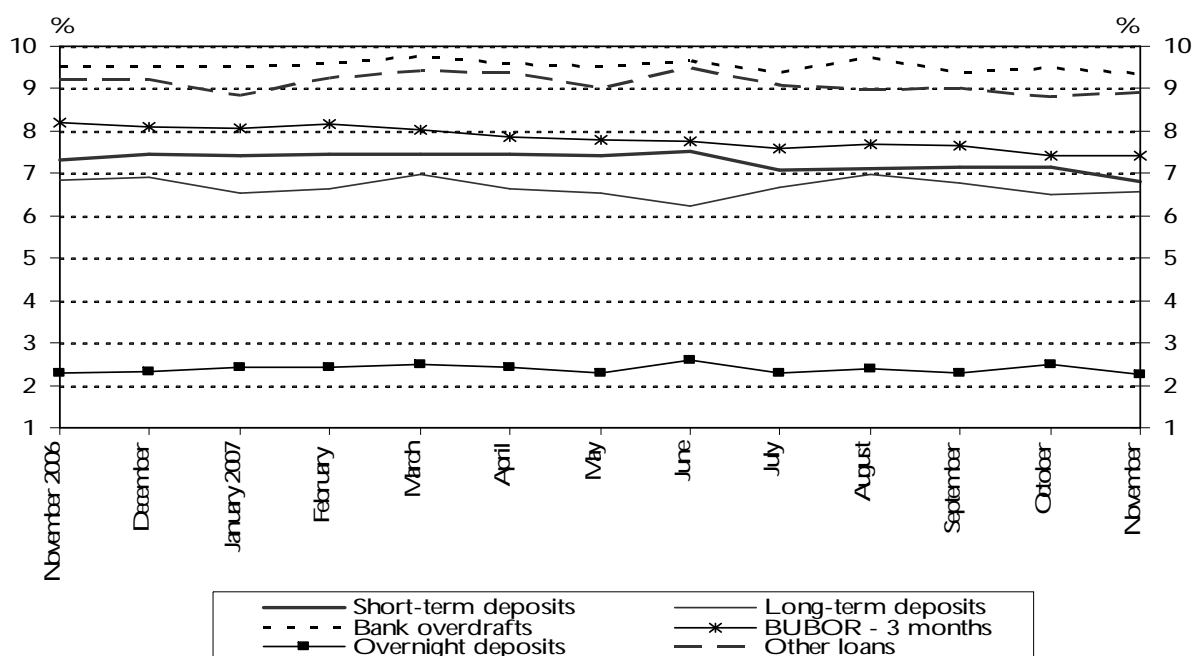


Compared to the previous month, the amount of new Swiss franc-denominated housing loans declined. The amount of new loans was HUF 50.8 billion, i.e. HUF 7.0 billion below the value for the previous month.

2. Non-financial corporations

2.1. Forint loans and deposits

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

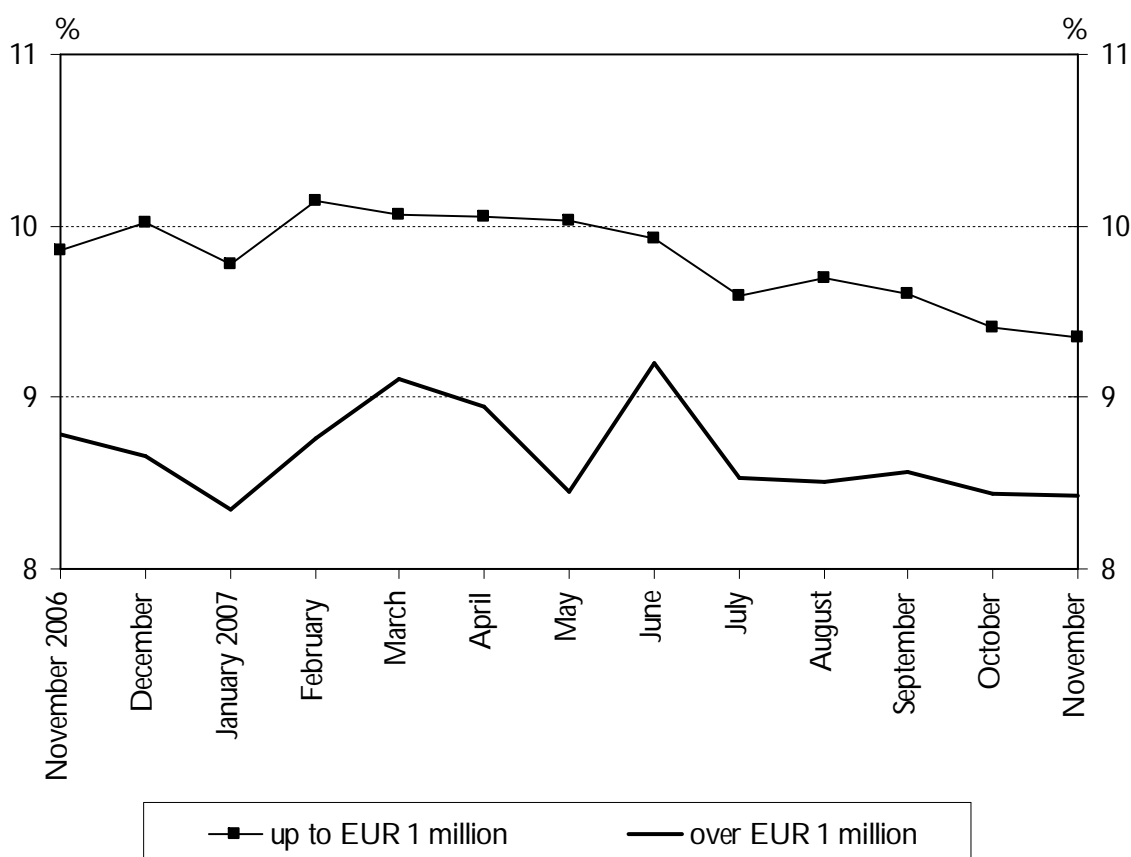


⁵ Swiss franc-denominated consumer credit includes only personal loans and mortgage loans for consumption.

In November, the average interest rate on non-financial corporations' forint-denominated overdrafts changed only slightly, and stood at 9.35%. Average borrowing rates, other than overdraft rates, also hardly changed, and amounted to 8.91%. In November, the amount of other new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, declined by HUF 90.8 billion to HUF 156.5 billion.

The average interest rate on overnight deposits declined by 22 basis points to 2.26%. The average interest rate on deposits with an agreed maturity of up to one year fell by 32 basis points to 6.81%. Compared to the previous month, the average interest rate on deposits with an agreed maturity of over one year changed only slightly, amounting to 6.58%. The value of new time deposits was HUF 1,797.9 billion.

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

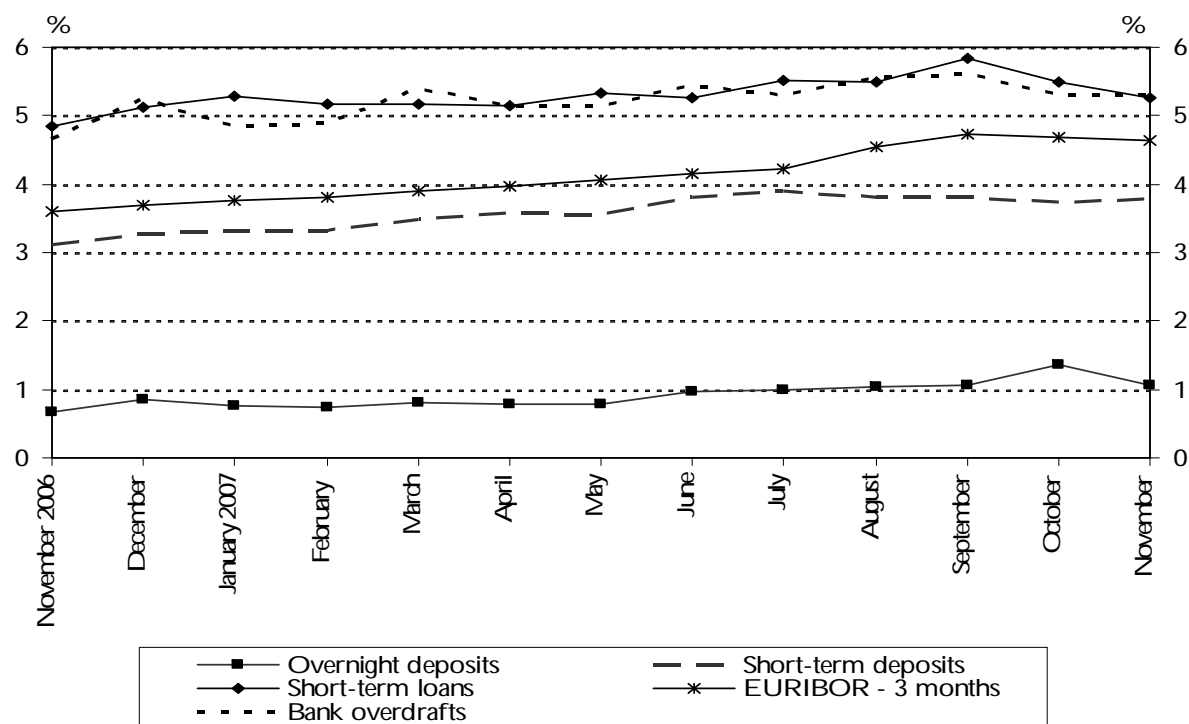


According to the breakdown by amounts of loans, the average interest rate on other loans, excluding overdrafts, hardly changed in November. The average interest rate on forint loans, other than overdrafts, provided to non-financial corporations up to the equivalent of EUR 1 million⁶ was 9.35%, while that on loans over the equivalent of EUR 1 million amounted to 8.42%.

⁶ 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

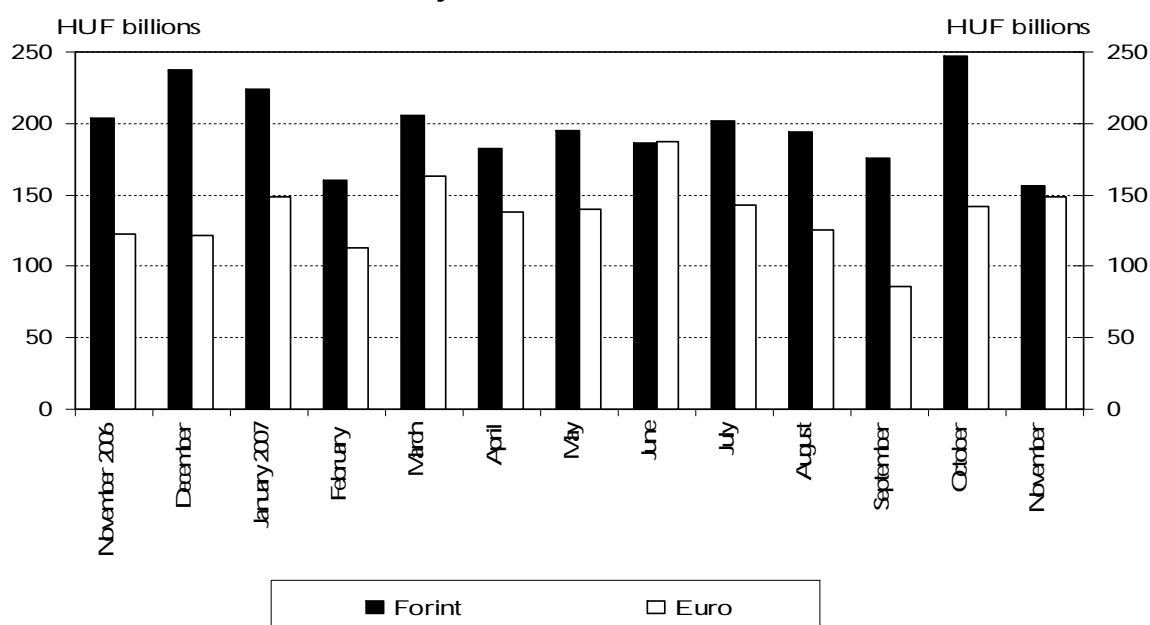
Chart 10: Monthly average euro borrowing and deposit rates of non-financial corporations and the EURIBOR



The average interest rate on euro-denominated overdrafts remained unchanged, amounting to 5.31% in November. The average interest rate on loans with floating interest rates or with up to one year initial rate fixation, other than overdrafts, declined by 22 basis points to 5.27%. From a higher value in the previous month, the average interest rate on overnight deposits returned to the earlier level, declining to 1.06%. The average interest rate on deposits with an agreed maturity of up to one year hardly changed, and stood at 3.78%.

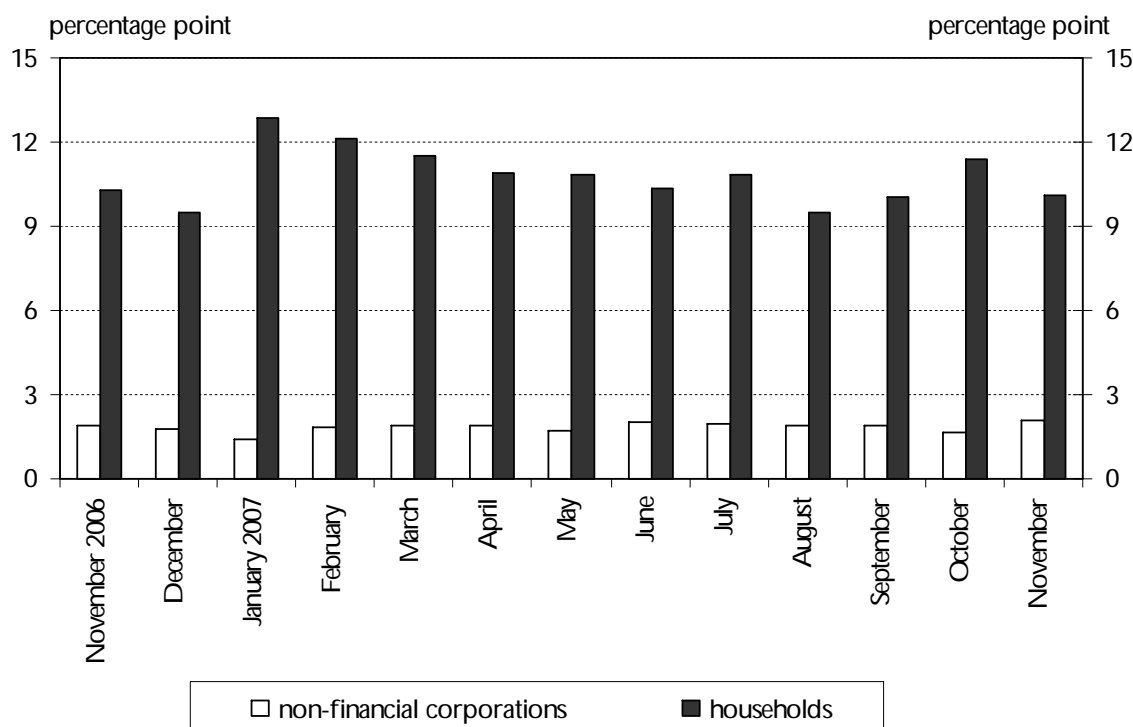
The amount of new euro loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 148.7 billion. At the same time, the amount of new euro deposits with agreed maturity up to one year was HUF 669.7 billion.

Chart 11: New loans to non-financial corporations with floating interest rates or with up to one year initial rate fixation



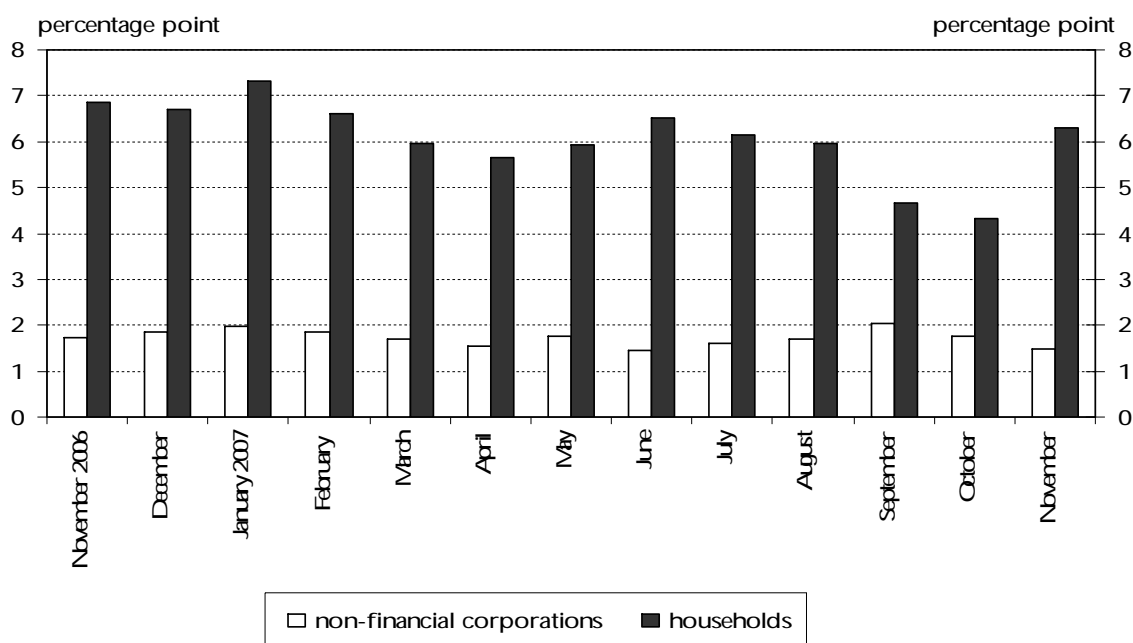
3. Differentials between loan and deposit rates

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 was 10.08 percentage points in November. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates was 2.09 percentage points.

Chart 13: Differential between euro borrowing and deposit rates



In the household market, the difference between the average interest rates on euro-denominated consumer credits with floating interest rates or with up to one year initial rate fixation and on euro deposits with agreed maturity up to one year amounted to 6.29 percentage points. 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 euro deposits with agreed maturity up to one year was 1.49 percentage points. In the household market, the amount of new euro-denominated loans is negligible compared to the forint and Swiss franc denominations.

4. Interbank unsecured forint loans

Chart 14: Average official and forint interbank rates in November 2007

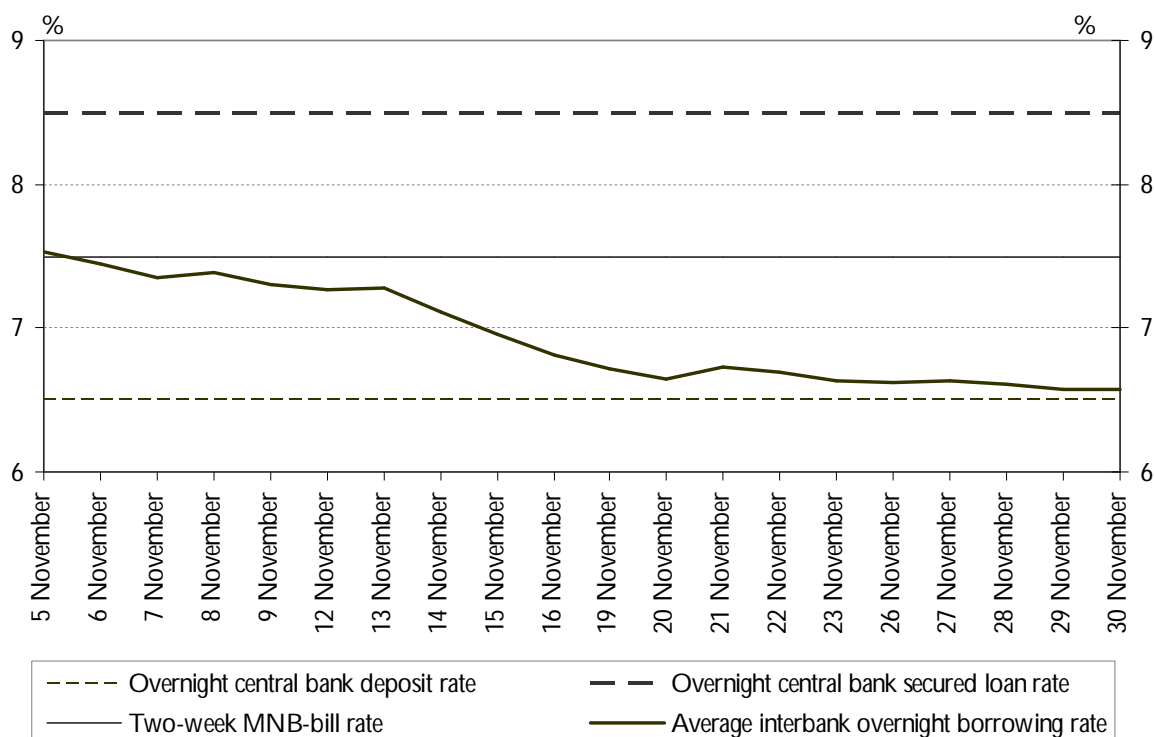
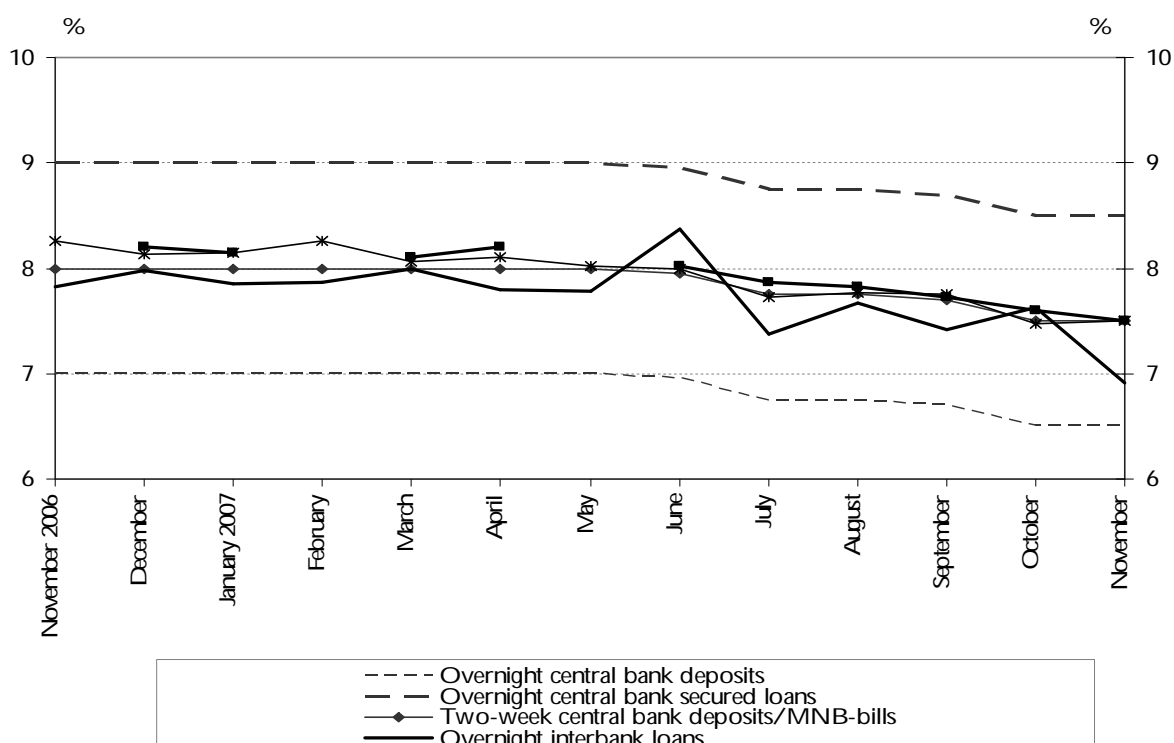


Chart 15: Average official and forint interbank rates



In November 2007, the turnover in the forint interbank market declined by HUF 326.6 billion to HUF 2,483.4 billion. The average overnight lending rate, weighted by the total value of transactions, fell by 71 basis points to 6.92%. The average interest rates on loans provided for one month and three months stood at 7.50% and 7.51%, respectively.

Interbank rates for the days of the month are published daily by the MNB on the REUTERS pages. The daily average interest rates on overnight interbank forint loans are available on the MNB's website as well:

http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=on_bankkoz_i_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://www.mnb.hu/engine.aspx?page=mnbhu_statistikai_idosorok

IX. Money and capital markets

MAGYAR NEMZETI BANK
STATISTICS

Methodological notes

From 2006, the Bank has been using a sample 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 is 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 above 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,⁷
- *Loans for purchase of goods or other.*⁸

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.

The conclusions regarding interest rate trends are based on trend data from the Demetra Tramo/Seats seasonal adjustment programme.

Charts 1 and 3

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 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.

d) The weighted average interest rate on housing loans includes data on housing loans whether they are provided under market conditions or subsidised. The interest rate on state-subsidised loans also includes the extent of state 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, 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 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.

Charts 3, 4, 5 and 10

Since January 2003, contractual data on loans have been 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 into the category 'Floating rate or up to 1 year initial rate fixation'.

Charts 2 and 3

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.

Chart 4

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

⁷ The Bank has been collecting data on forint, euro and Swiss franc mortgage loans for consumption since January 2005.

⁸ The Bank collects data only on forint instalment loans and other consumer credit.

paid more often 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 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 those on non-performing loans.

Chart 9

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.