

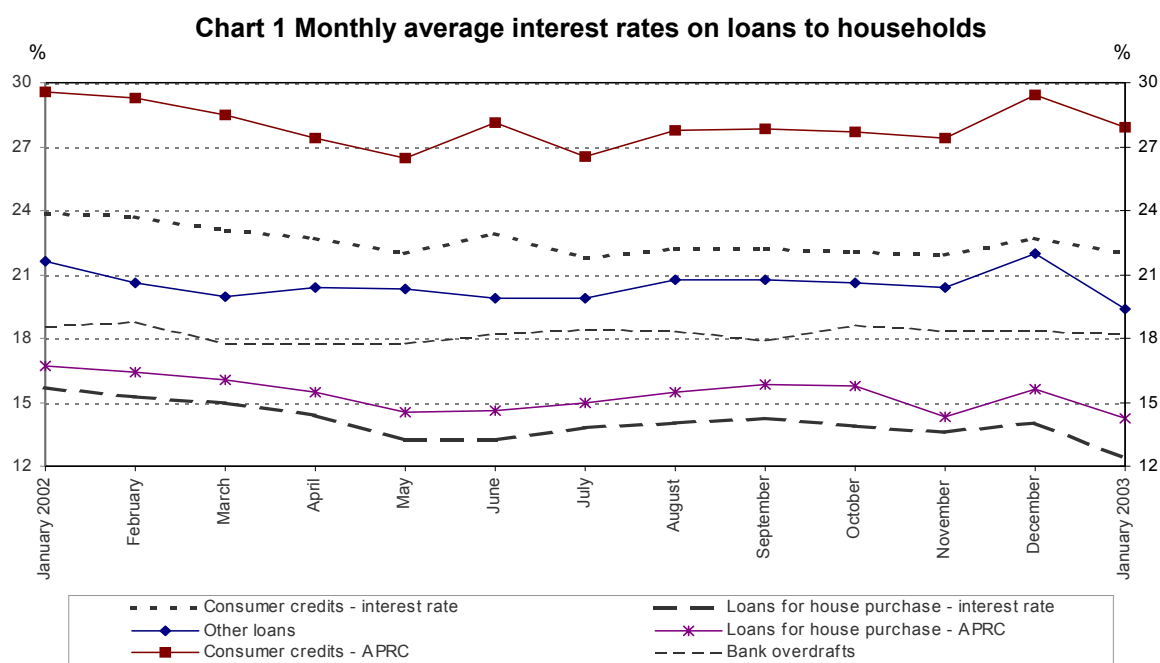
28 February 2003

## PRESS RELEASE

### Non-financial corporate and household sector forint interest rates, interbank lending rates: January 2003

*In line with the methodology of the European Central Bank, from January 2003 the MNB has changed its method of collecting data on household and non-financial corporate sector interest rates. A short description of the changes can be found in the Appendices.*

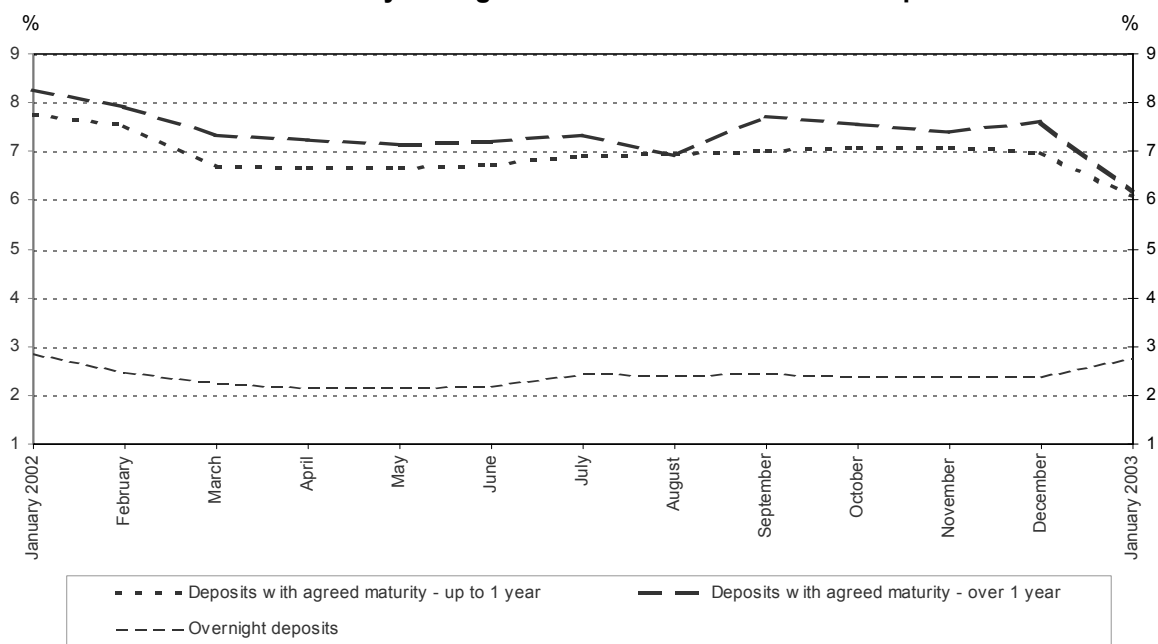
*In January 2003, developments in interest rates were shaped mainly by the measures taken by the MNB, such as the reduction in the key policy rate and the change in the width of the interest rate corridor.*



The interest rate on overdrafts of the household sector fell 12 basis points, from 18.34% in December to 18.22%. The average interest rate on loans for house purchase fell 171 basis points, from 14.05% to 12.34%. Of this, the Bank estimates the change in interest rates to have accounted for 107 basis points and the methodological change another 64 basis points.<sup>1</sup> The average cost of credit indicator fell 137 basis points, from 15.61% to 14.24%.<sup>1</sup> The average interest rate on consumer credit fell 70 basis points, from 22.70% to 22.00%, the average cost of credit indicator falling 156 basis points, from 29.44% to 27.88%. The interest rate on other loans fell 264 basis points, from 22.00% in December 2002 to 19.36% in January 2003.

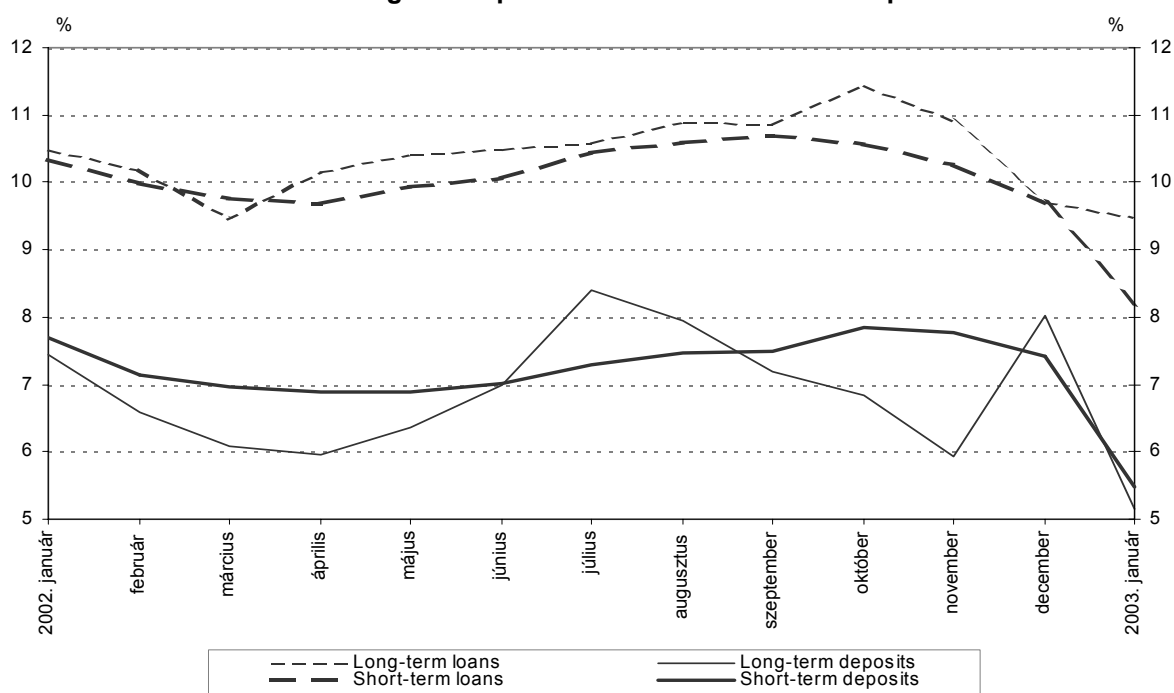
<sup>1</sup> The fall in the interest rate on loans for house purchase was connected with the methodological change discussed in point 4 of Appendix 1.

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



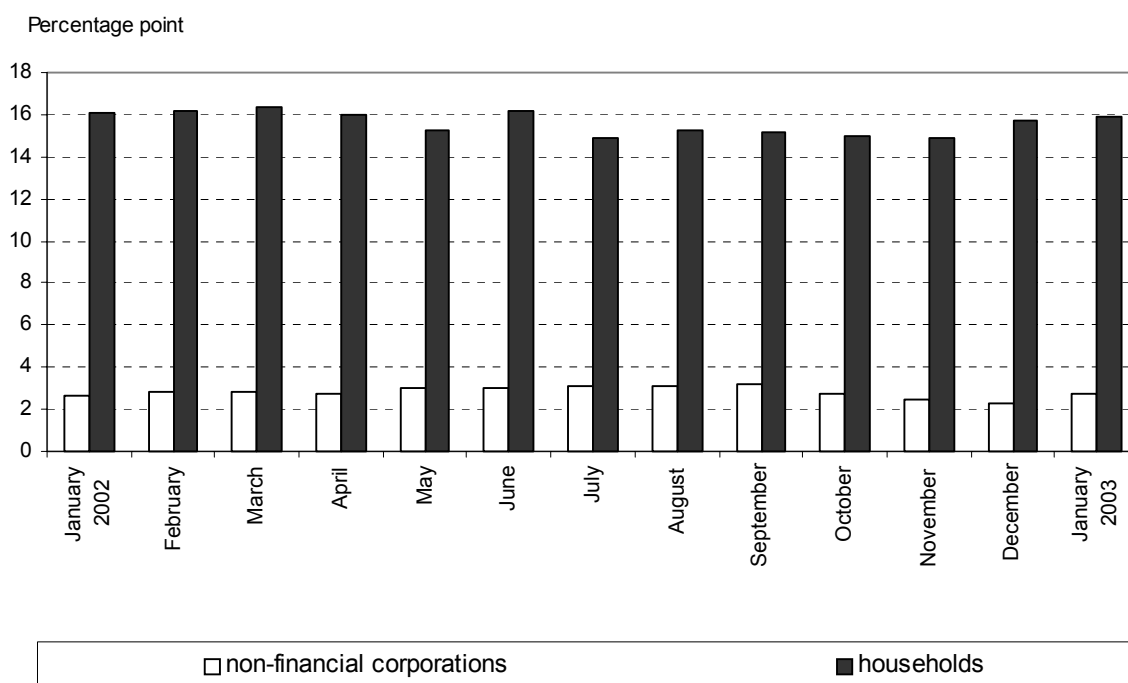
The average of interest rate on overnight deposits rose 37 basis points, from 2.38% to 2.75%. The average of interest rates on deposits with agreed maturities of up to one year fell 91 basis points, from 6.97% to 6.06%, that of interest rates on deposits with agreed maturity of over one year falling 144 basis points, from 7.61% to 6.17%.

**Chart 3 Borrowing and deposit rates of non-financial corporations**



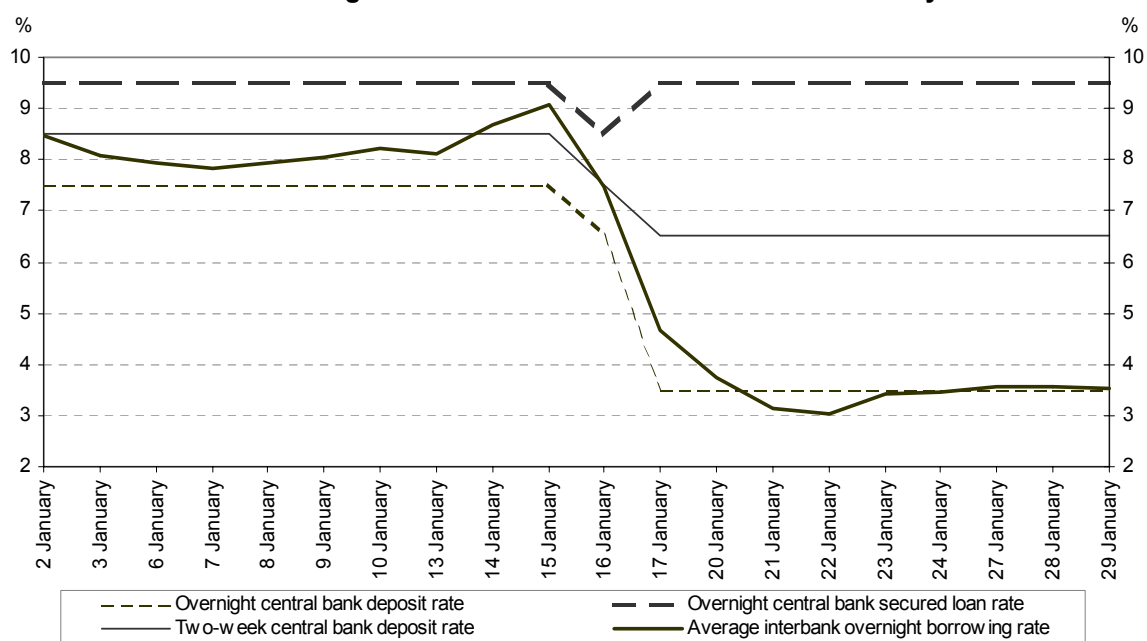
The average interest rate on short-term loans provided to non-financial corporations fell 149 basis points, from 9.69% to 8.20%, and that of interest rates on long-term loans fell 22 basis points, from 9.71% to 9.49%. The average of short-term deposit rates fell 194 basis points, from 7.41% to 5.47%, and that of long-term deposit rates fell 288 basis points, from 8.02% to 5.14%.

**Chart 4 Differential between non-financial corporate and household sector borrowing and deposit rates**

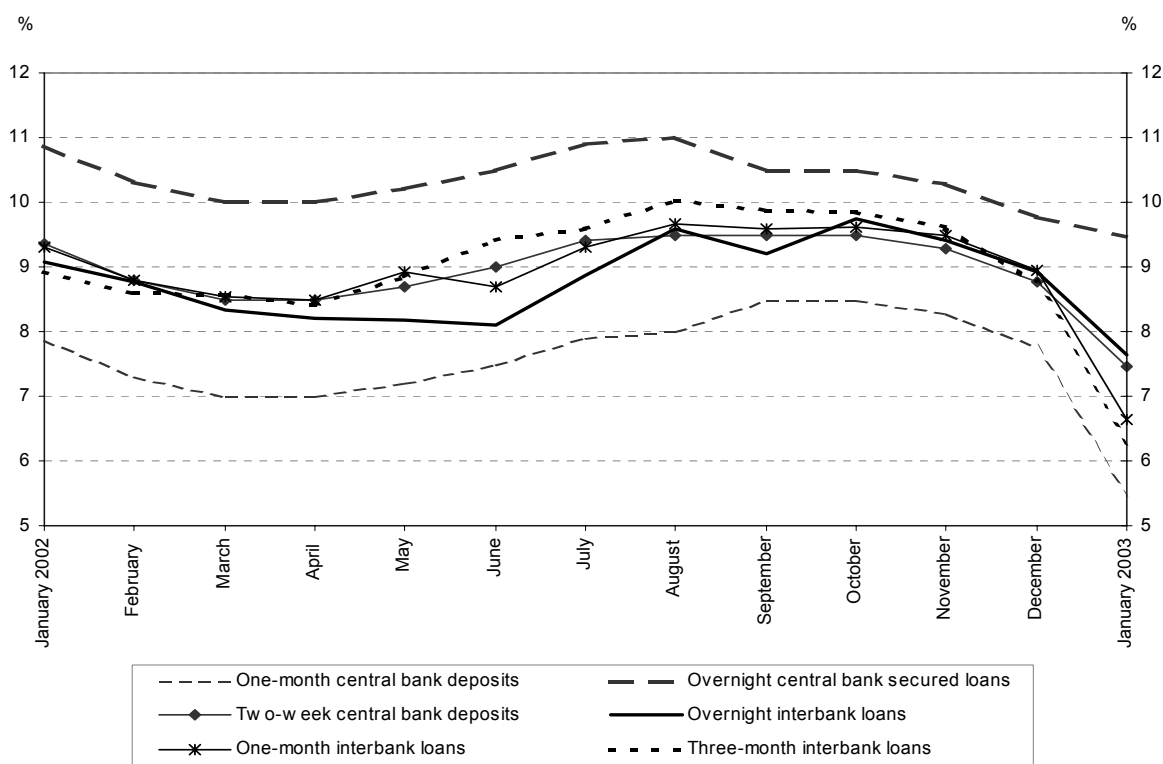


The differential between the average interest rates on consumer credit and deposits with agreed maturity of up to one year amounted to 15.93 percentage points in January. In the case of short maturities, playing a significant role in non-financial corporate sector loans and deposits, the differential between average interest rates rose from 2.28 percentage points in December to 2.73 percentage points in January.

**Chart 5 Average official and forint interbank rates in January 2003**



**Chart 6 Average official and forint interbank rates**



On 16 January, the MNB lowered the two-week deposit rate by 100 basis points, from 8.50% to 7.50%. Then, on 17 January it reduced the two-week deposit rate by another 100 basis points, to 6.50%. Simultaneously, the Bank increased the width of the interest rate corridor from  $\pm 100$  basis points to  $\pm 300$  basis points (3.5%–9.5%). Forint interbank turnover amounted to Ft 1,180.6 billion in January, Ft 714.3 billion less than in the preceding month. The daily average of interest rates on overnight loans fluctuated around the two-week deposit rate in the first part of the month. In the second part of the month, it moved near the bottom of the interest rate corridor which the Bank meanwhile widened, and it fell below the lower edge of the interest rate corridor on a few occasions. The average overnight lending rate, weighted by turnover, fell 128 basis points, from 8.91% to 7.63%. The one-month average lending rate fell 230 basis points, from 8.94% to 6.64%. At three months, the average interest rate was 250 basis points lower, after falling from 8.77% to 6.27%.

Daily interbank rates are available on request at the Bank's Communications and Information Department. In addition, details of interest rates are available on the MNB's website at:

Non-financial corporations:

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

### Changes in the methodology of data collection

As part of legal harmonisation in preparation for accession to the European Union, the MNB has amended its interest rate statistics collection framework as of January 2003 in order to create consistency with the requirements of the European Central Bank. The main changes which also have an effect on the Bank's press release on interest rates are as follows:

1. With regard to the sectors of households and non-financial corporations, observation of new loans and deposits has been replaced by observation of *new contracts* concluded during the reference month.
2. The interest rate statistics for the household sector (S.14) now also include data for non-profit institutions serving households (S.15).
3. In accordance with the regulatory framework of the European Central Bank, **household** interest rate statistics comprise interest rate data for the following instruments, also recorded in the balance sheet.
 

**Overnight deposit**, which is the positive balance registered on current account on the final day of the reference month. This category includes sight deposits other than overnight deposits, as well as deposits with an agreed maturity of one business day.

**Deposits with agreed maturity** comprise deposits with a maturity of over one business day.

**Liabilities arising from repos** are created when a counterparty sells securities to a credit institution and receives cash in exchange, and when the credit institution undertakes the obligation to repurchase the securities at a later date and at a price fixed in advance. Interest rate statistics only cover data for repo transactions of the collateralised type.

**Overdraft loans** are the negative balance on current account.

**Consumer credit** refers to loans taken out by customers to cover the purchase and repairs of everyday items and the use of services (such as goods purchase and car purchase credit, for instance).

**Loans for housing purposes** comprise loans taken out for housing-related purposes (such as home building, renovation and extension and flat purchases) and other construction loans (for holiday home and garage construction).

**Other loans** comprise all kinds of credit not included under the above categories, such as business loans to sole proprietors, student loans, etc.
4. As a significant change to the practice of previous years, the MNB now reports the interest rates actually earned by credit institutions on housing loans receiving central interest rate subsidies. Accordingly, in addition to the interest rate charged to customers, the reported lending rates also include the rates of direct or indirect government subsidies. The interest rates adjusted to equal the market rates are still lower in respect of housing loans than the interest rates charged on the housing credits provided by credit institutions from their own resources, which were previously reported in the MNB's publications.
5. The publication also includes preferential credit (e.g. employee loans) extended from credit institutions' own funds at an interest rate defined by such credit institutions.
6. In the case of **non-financial corporations**, data on the following categories are observed:

**Sight deposits and current account deposits:** Current account deposits are positive balances accumulated on current accounts on the last day of the reporting period. Non-current account-linked deposits redeemable at notice as well as deposits with an agreed maturity of one business day are also included in this category.

**Deposits with agreed maturity:** Deposits with an agreed maturity of over one business day.

**Liabilities arising from repurchase agreements:** Liabilities from repurchase agreements arise when customers sell credit institutions securities and receives cash in return, and credit institutions assume liabilities to re-purchase such securities at a pre-set price at a later date. Only data on repurchase agreement transactions of collateral nature are obtained for the purposes of interest rate statistics.

**Bank overdrafts:** Negative balances on current accounts.

**Other credit:** Any credit not included in any of the above categories.

7. As of January 2003, interest rate fixing replaces breakdown by original maturity as the basis for credit classification in the case of new credit facility agreements. The term **interest rate fixing** means a period of time for which interest rates are fixed under the relevant agreement. The term **variable interest rates** means that credit institutions reserve the right to change interest rates unilaterally, and in a manner undisclosed prior to such changes.
8. Besides annualised interest rates, **the cost of credit indicator** disclosing the total cost of credit, is also published in the case of consumer and housing loans. The rules for its computation are practically identical to those of APRC, the only difference being that the cost of credit indicator includes all types of consumer and housing loans regardless of their respective maturity.
9. In compliance with international practice, as well as interest rates specified in agreements, what is called **annualised interest rates** is also disclosed in the time series published on the Internet. The reason for doing so is rendering the interest rates of credit facilities with differing maturity comparable. The formula for the computation of annualised interest rates is identical to that of the cost of credit indicator. In the former case, however, additional costs need not be included.
10. As of January 2003, data on all kinds of facilities included in data collection are disclosed in the time series published on the Internet. The revision of the data on the facilities under the new definitions has been taken back to January 2000.
11. Appendix 2 attached hereto includes further remarks on methodology.

## Methodological notes to the charts

### Chart 1

- a) In the case of bank overdrafts, interest rates weighted by lending are reported for 2002 and those weighted by end-of-month stocks for 2003.
- b) Consumer credit includes personal, hire purchase and car loans in 2002, and loans classified as consumer credit by data providers in 2003.
- c) Loans for house purchase include loans provided for housing purposes in 2003. In 2003, the weighted average interest rate on loans for house purchase include data on loans provided under market conditions and subsidised loans as well. By contrast, data for 2002 include only loans provided under market conditions. State-subsidised loans include Lombard and non-housing mortgages and facilities reported under other loans.
- d) Other loans include, among others, sole proprietors' entrepreneurial loans, and non-consumer and non-housing loans. 2002 data on other loans include Lombard and non-housing mortgages and facilities reported under other loans.
- e) In 2002, the Bank observed only consumer credit, loans for house purchase and, in the case of other loans, new lending. From January 2003, data on new contracts concluded in a given month are observed.

### Chart 2

- a) In the case of overnight deposits, data on interest rates weighted by lending in 2002 and those on interest rates weighted by end-of-month stocks are published. From January 2003, overnight deposits also include deposits fixed for one day.
- b) Deposits with an agreed maturity are those fixed for periods of more than one day. Average interest rates weighted by new deposits are published for 2002, and those weighted by the total amount of new deposit contracts for 2003.

### Chart 3

- a) From January 2003, short and long-term interest rate fixings are used instead of a breakdown of borrowings into short and long-term loans.
- b) In 2002, new lending and deposits were observed. From January 2003, data on new contracts concluded with non-financial corporations are observed.

### Chart 4

- a) From 2003, variable interest rate loans or at least those fixed for maximum one year are available, instead of the short maturity, in the case of loans to non-financial corporations.