

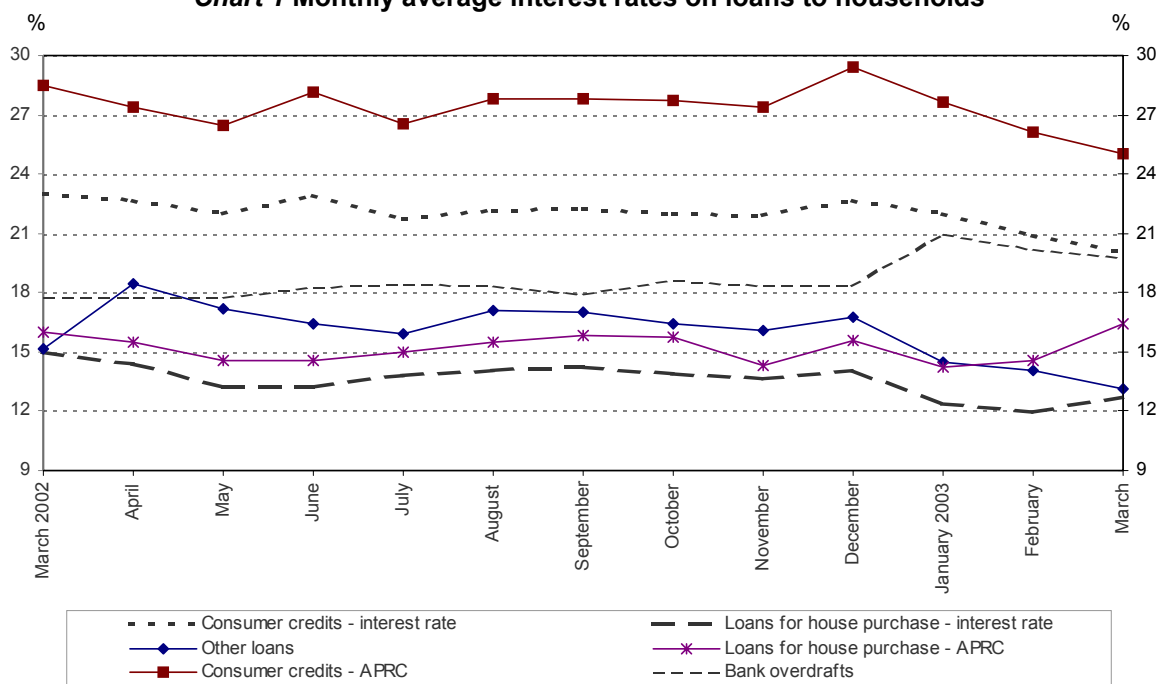
29 April 2003

## PRESS RELEASE

### Household and non-financial corporate sector forint interest rates, interbank lending rates: March 2003

*In March 2003, there was a general increase in average interest rates of each of the three sectors, influenced by the policy measures taken by the MNB on 25 February.<sup>1</sup> By contrast, interest rates on long-term loans of non-financial corporations and those on a few categories of household sector loans fell.*

**Chart 1 Monthly average interest rates on loans to households**

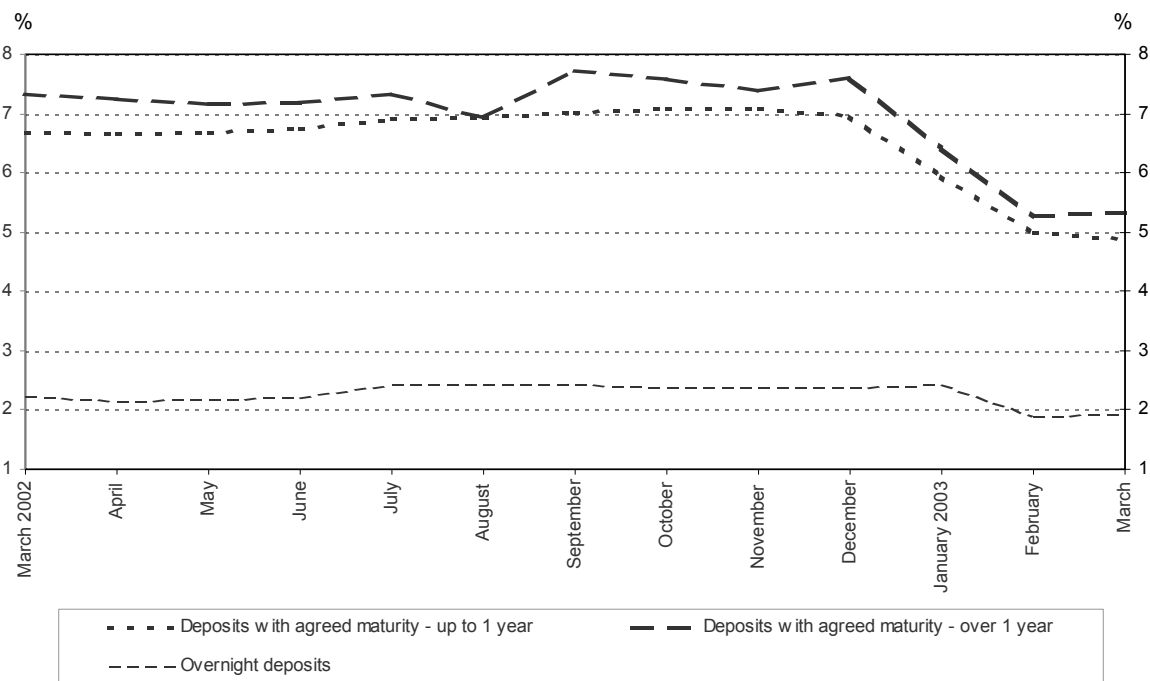


The interest rate on overdrafts of the household sector fell 45 basis points, from 20.26% in February to 19.81% in March. The average interest rate on loans for house purchase rose 77 basis points, from 11.93% to 12.70%, the APRC rising 188 basis points, from 14.54% to 16.42%.<sup>2</sup> The average interest rate on consumer credit fell 86 basis points, from 20.88% to 20.02%, the APRC falling 108 basis points, from 26.09% to 25.01%. The interest rate on other loans was 92 basis points lower, falling from 14.08% to 13.16%.

<sup>1</sup> On 25 February 2003, the Bank narrowed the interest rate corridor from 6.5%  $\pm$ 300 basis points to 6.5%  $\pm$ 100 basis points, i.e. to 5.50%–7.50%. Simultaneously, banks were given unlimited access to the two-week deposit facility.

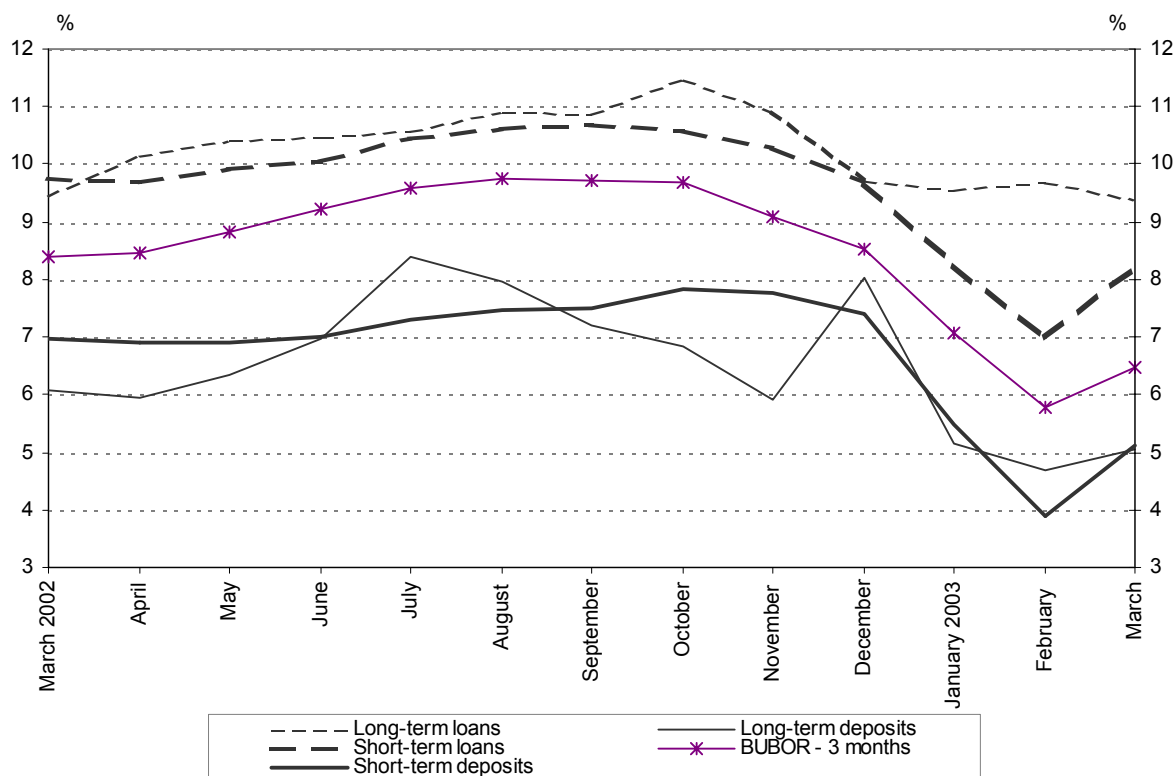
<sup>2</sup> The increase in the average rate can be traced to methodological causes. On the calculation of market rates on house loans, see point c) of the notes to *Chart 1* in the Appendix.

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



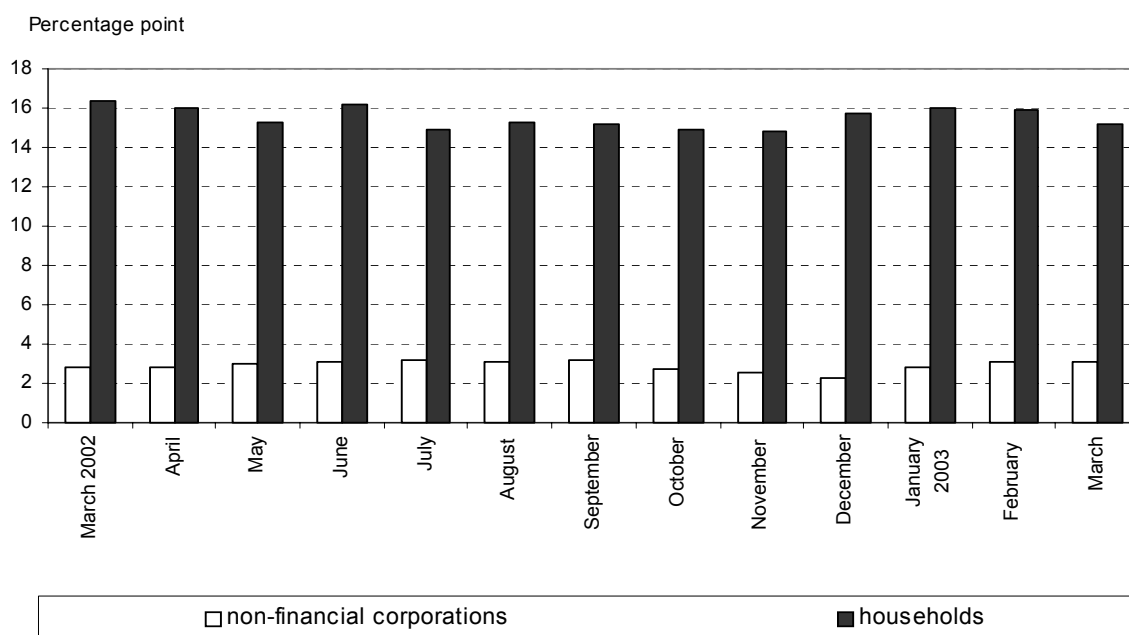
The average of interest rates on households' overnight deposits edged up 4 basis points, from 1.90% to 1.94%. The average of interest rates on deposits with agreed maturity up to one year dropped 12 basis points, from 4.99% to 4.87%, that of interest rates on deposits with agreed maturity over one year rising 6 basis points, from 5.28% to 5.34%.

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



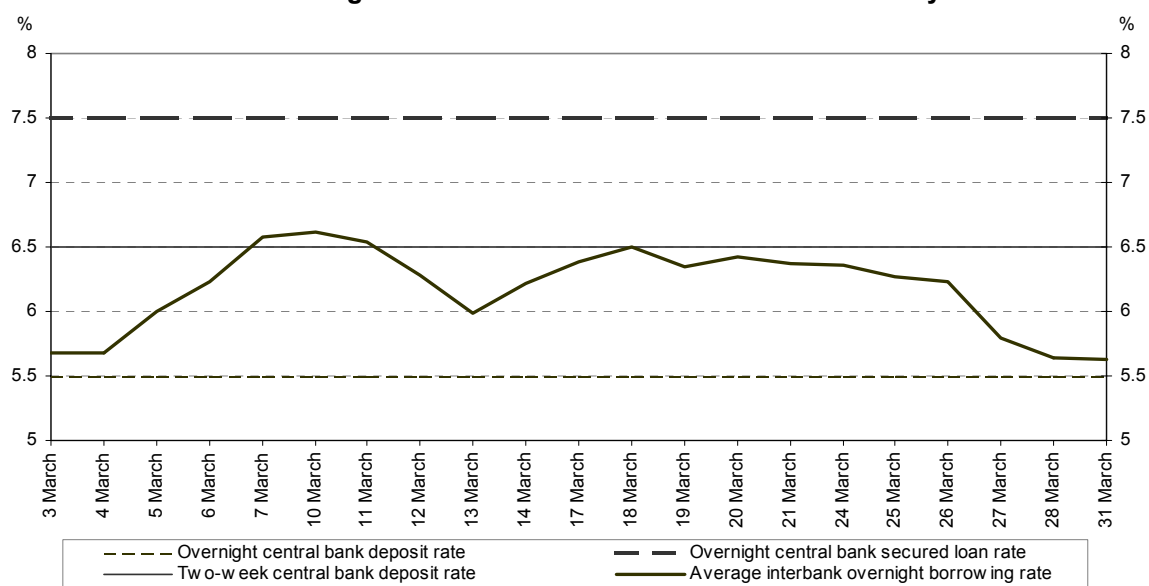
The average interest rate on short-term loans provided to non-financial corporations rose 123 basis points, from 7.00% to 8.23%, while that of interest rates on long-term loans fell 32 basis points, from 9.69% to 9.37%. The average of short-term deposit rates increased 122 basis points, from 3.89% to 5.11% and that of long-term deposit rates increased 39 basis points, from 4.67% to 5.06%.

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

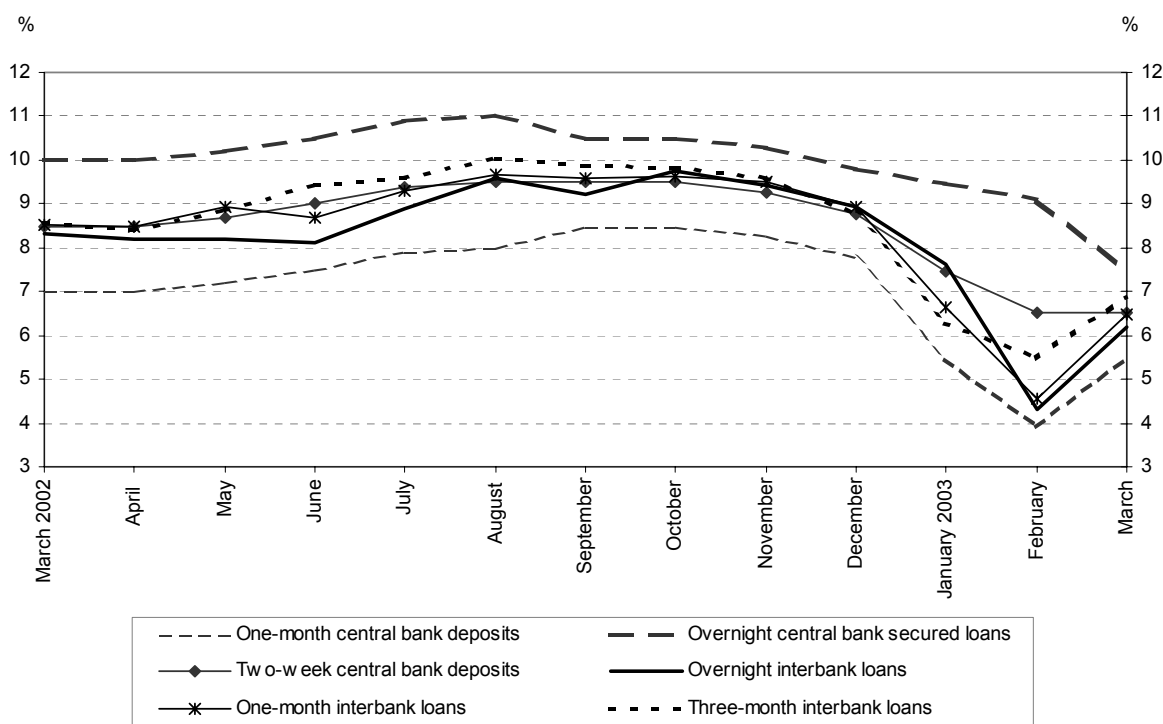


The differential between average interest rates on consumer credit and deposits with agreed maturity up to one year narrowed from 15.89 percentage points in February to 15.14 percentage points in March. In the case of short maturities which account for a significant share of non-financial corporate sector loans and deposits, the differential between average interest rates remained unchanged at 3.12 percentage points.

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



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



Forint interbank turnover amounted to Ft 1,703.7 billion in March. That was Ft 1,168.6 billion higher than in the preceding month. Movements in the daily average of interest rates on overnight loans were broadly even, daily average rates fluctuating in the lower range of the interest rate corridor. The average overnight lending rate, weighted by turnover, rose 188 basis points, from 4.31% to 6.19%, and the one-month average lending rate rose 192 basis points, from 4.55% to 6.47%. At three months, the average interest rate was 138 basis points higher, after rising from 5.49% to 6.87%.

\* \* \*

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:

NFCs: [http://www.english.mnb.hu/dokumentumok/en0901\\_vallalkozoi.xls](http://www.english.mnb.hu/dokumentumok/en0901_vallalkozoi.xls)

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

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

## Notes to the press release charts

### Chart 1

- a) In the case of bank overdrafts, interest rates weighted by lending are published for 2002 and those weighted by end-of-month stocks for 2003.
- b) Consumer credit includes personal, hire purchase and car loans provided in 2002. For 2003, loans classified as consumer credit by data providers are published.
- c) Loans for house purchase include loans provided for housing purposes in 2003. The weighted average interest rate on loans for house purchase include data on loans provided under market conditions and subsidised loans. By contrast, data for 2002 only include loans provided under market conditions. The interest rate on state-subsidised loans include the amount of state subsidy as well. Data providers adjust the averages of asset-side subsidised interest rates by adding to the interest rate charged to customers the amount of government subsidy. In the case of liabilities-side subsidised loans, they add to the interest rate charged to customers the difference between the reference yield on the government securities market and the interest rate on funds borrowed in the interbank market. Consequently, interest rates on house loans also depend on variations in money and capital market interest rates.
- d) Other loans include, among others, sole proprietors' entrepreneurial loans as well as non-consumer and non-housing loans. 2002 data on other loans include Lombard and non-housing mortgages as well as facilities published under other loans.
- e) In 2002, the Bank only published provisions of 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 published.
- f) Data on other loans also include credit card facilities in 2002. From January 2003, credit card facilities have been reclassified into overdrafts, and data providers are only obliged to report average interest rates on the month-end stocks of outstanding overdrafts. In calculating the average interest rate, loan stocks within interest-free periods are indicated at 0% interest rates, while those maturing beyond interest-free periods are indicated at high penalty interest rates. Consequently, average interest rates are lower than penalty interest rates treated as contractual interest rates.
- g) In addition to annualised interest rates, the Bank also releases the APRC expressing total costs on consumer credit and house loans of the household sector.

### Chart 2

- a) In the case of overnight deposits, data on interest rates weighted by lending are published for 2002. For 2003, data 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, the Bank published new lending and deposits. From January 2003, data on new contracts concluded with non-financial corporations are published.

### Chart 4

- a) From 2003, data on variable rate loans or loans with interest rates fixed for maximum one year are available, rather than those on short-term loans, in the case of lending to non-financial corporations.