

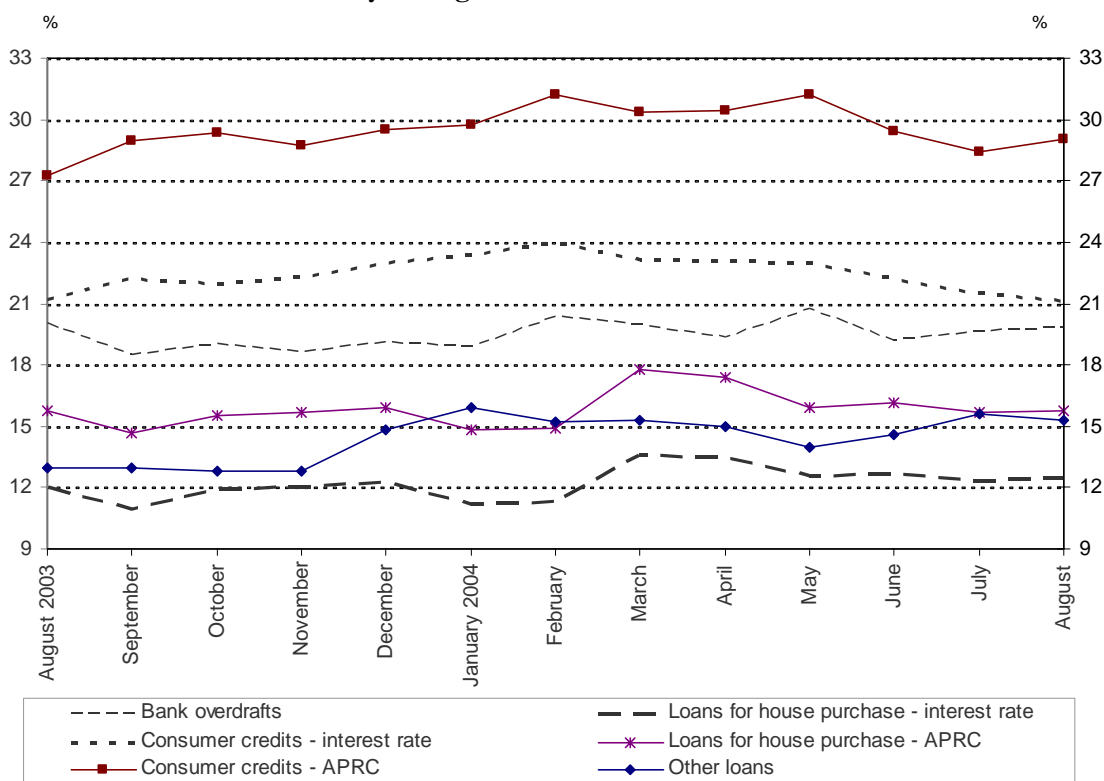
24 September 2004

## PRESS RELEASE

### Household and non-financial corporate sector forint interest rates, interbank lending rates: August 2004<sup>1</sup>

*In August, average interest rates on consumer credit and other loans of the household sector fell, in contrast with those on overdrafts and housing loans, which rose slightly. The average interest rate on the sector's overnight deposits was lower, coupled with falls in average interest rates on longer-term deposits at every maturity. The averages of interest rates on non-financial corporations' loans, excluding overdrafts, rose slightly, except those on overdrafts, which fell. The sector's deposit rates were down from July. In the interbank forint market, average interest rates on overnight and one-month loans fell.*

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



<sup>1</sup> The data underlying this press release do not include those on foreign currency-based forint loans granted by credit institutions, irrespective of the fact that such loans are granted and repaid in forints.

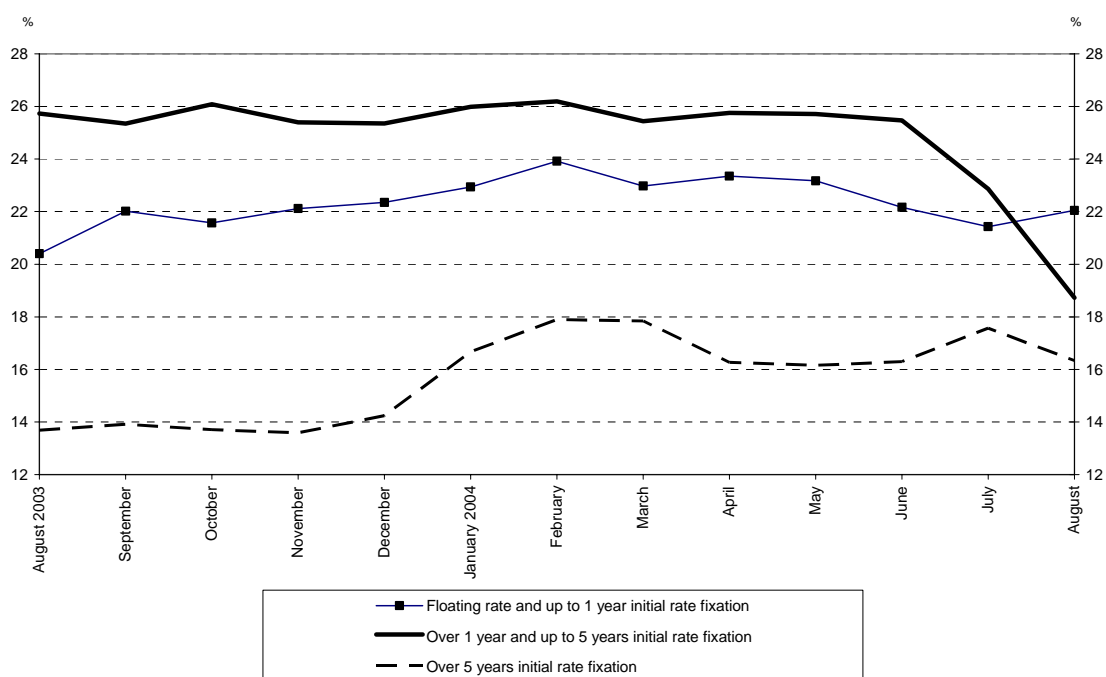
In the household sector, the average interest rate on overdrafts rose by 22 basis points, from 19.6% in July to 19.82% in August. The average interest rate on housing loans was up by 14 basis points, from 12.32% to 12.46%, the APRC changing by 10 basis points, from 15.64% to 15.74%. The average interest rate on consumer credit fell by 33 basis points, from July's 21.48% to 21.15%, the APRC rising by 59 basis points, from 28.44% to 29.03%. The average interest rate on other loans was down by 31 basis points, from the preceding month's 15.59% to 15.28% in August.

The total amount of consumer credit provided was HUF 24.6 billion in August. That was HUF 0.7 billion lower than in the preceding month. Excluding overdrafts, consumer credit as a proportion of the total volume of new consumer credit rose from 52% in July to 54.4% in the month under review.

The total amount of loans granted for house purchase was HUF 15.2 billion, down HUF 1.9 billion on the preceding month. Excluding overdrafts, housing loans as a proportion of the total amount of new loans fell from 35% to 33.6% in one month.

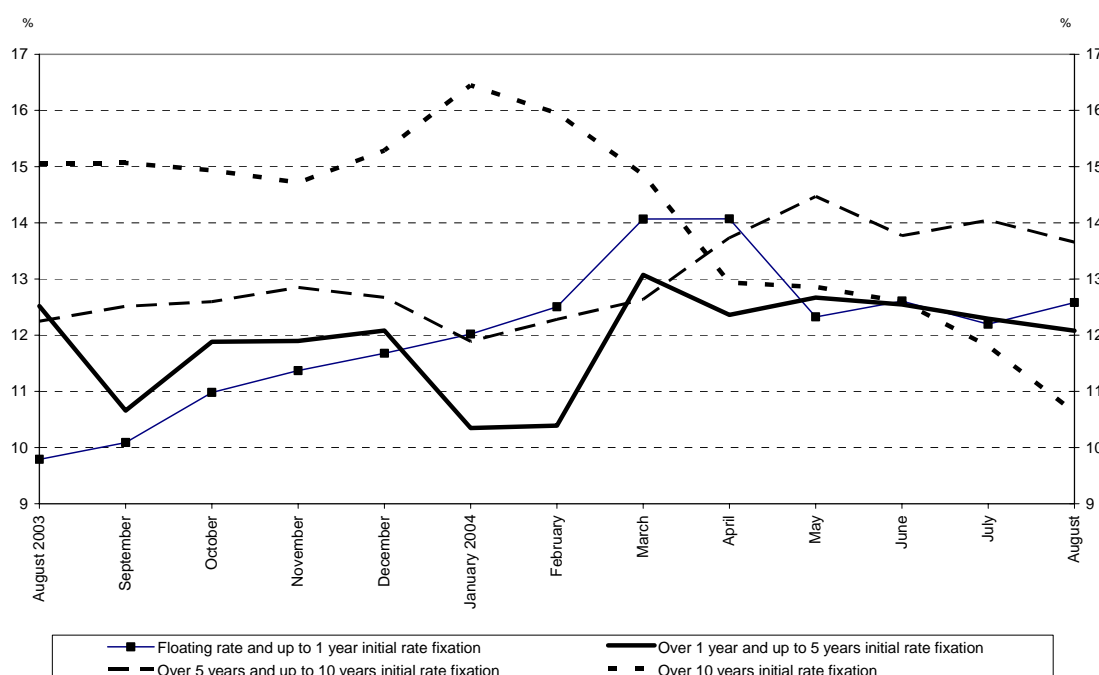
The amount of other loans granted was HUF 5.4 billion in August, accounting for 12% of the total amount of loans granted. The amount of new other loans fell by HUF 0.9 billion, their percentage share of the total edging down by 1 percentage point.

**Chart 2 Monthly average interest rates on consumer credit**



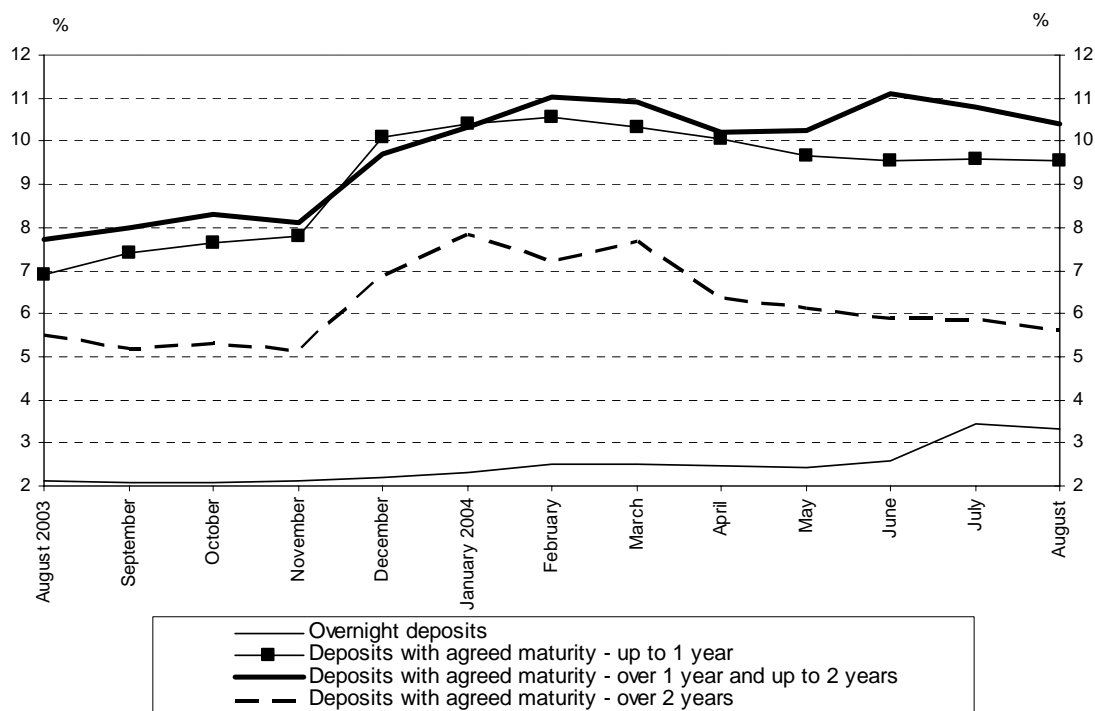
The average interest rate on consumer credit provided to the household sector with a floating interest rate or with up to 1 year initial rate fixation rose by 61 basis points, from 21.43% to 22.04%. That with over 1 and up to 5 years initial rate fixation fell by 413 basis points, from 22.86% to 18.73%, and that with over 5 years initial rate fixation by 124 basis points, from 17.57% to 16.33%.

**Chart 3 Monthly average interest rates on housing loans**



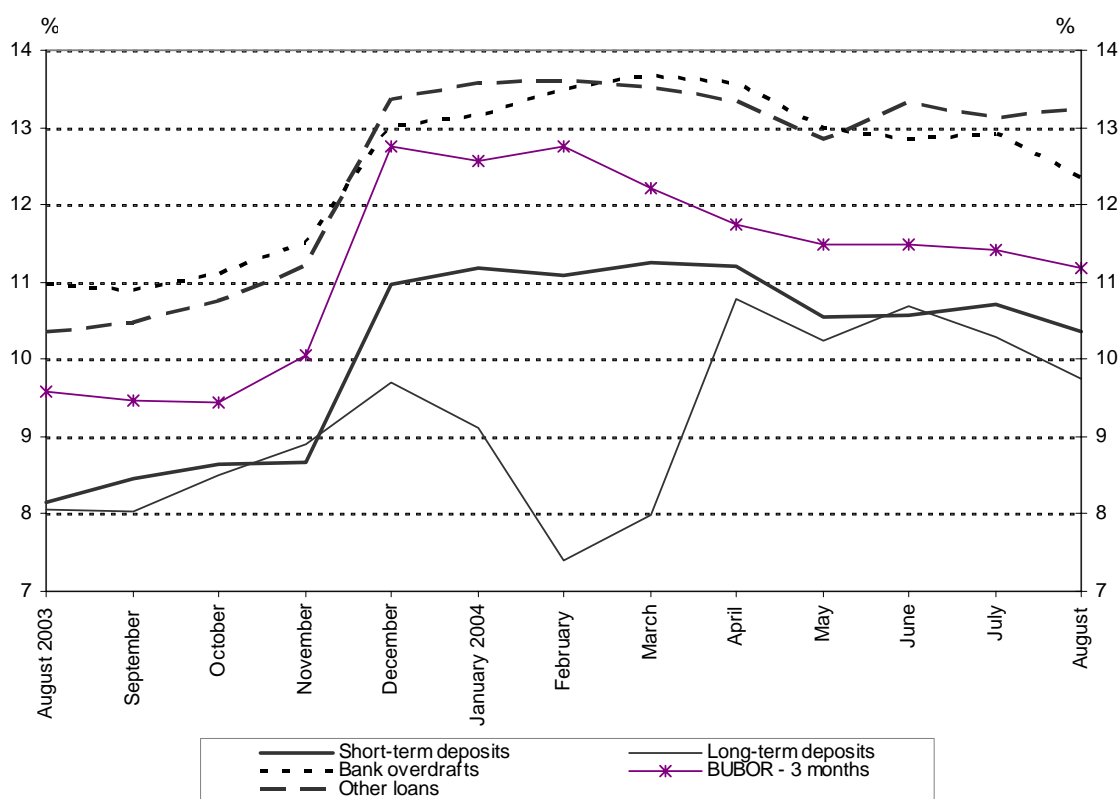
The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation was up by 38 basis points, from 12.2% to 12.58%. The average of interest rates on loans with over 1 year and up to 5 years initial rate fixation fell by 21 basis points, from 12.29% to 12.08%, that on loans with over 5 years and up to 10 years initial rate fixation by 39 basis points, from 14.05% to 13.66%, and that on loans with over 10 years initial rate fixation by 117 basis points, from 11.8% to 10.63%.

**Chart 4 Monthly average interest rates on households' deposit contracts**



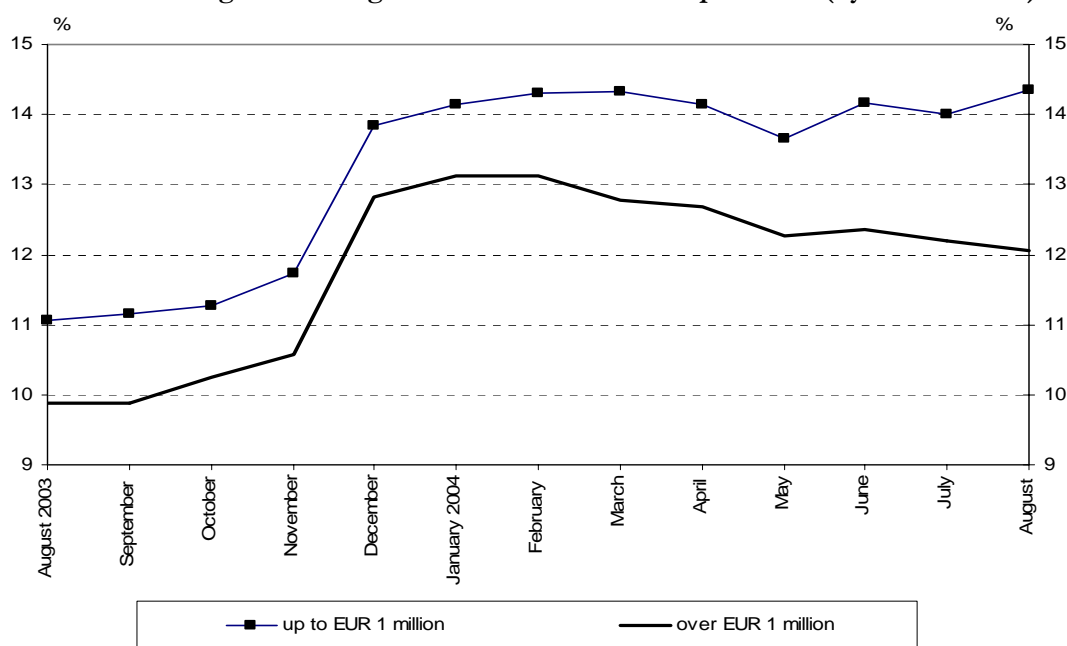
The average of interest rates on households' overnight deposits fell by 12 basis points, from 3.43% to 3.31% in one month. The average interest rate on deposits with agreed maturity up to one year remained unchanged. The average interest rate on deposits with agreed maturity over 1 year and up to 2 years fell by 39 basis points, from 10.79% to 10.4%, and that on deposits with agreed maturity over 2 years by 21 basis points, from 5.83% to 5.62%. The amount of new time deposits from households was HUF 434.6 billion in August, down HUF 4.6 billion on the preceding month.

**Chart 5 Monthly average interest rates on non-financial corporations' loan and deposit contracts and the BUBOR**



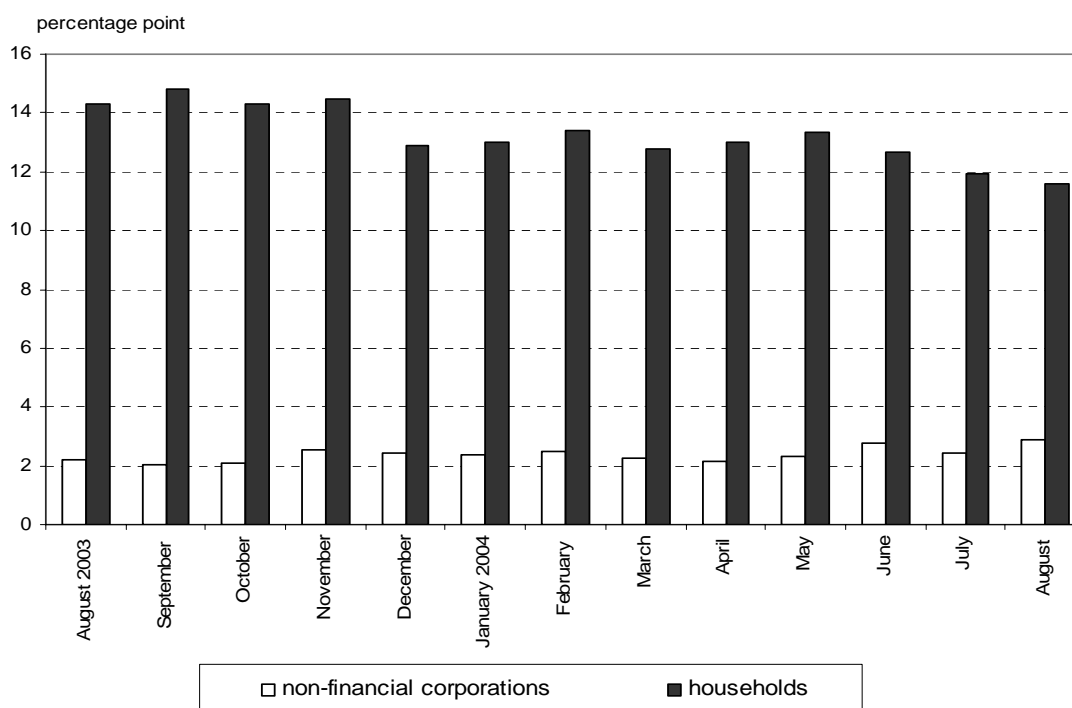
The average interest rate on overdrafts provided to non-financial corporations changed by 56 basis points, from 12.92% to 12.36%, and that of interest rates on loans other than overdrafts by 11 basis points, from 13.14% to 13.25%. The amount of loans granted, excluding overdrafts, was HUF 237.8 billion in August, after falling by HUF 17.4 billion relative to the preceding month. The average of interest rate on deposits with agreed maturity up to one year changed by 35 basis points, from 10.7% to 10.35%, and that of interest rates on deposits with agreed maturity over one year dropped by 54 basis points, from 10.3% to 9.76%. The amount of new time deposits from non-financial corporations was HUF 1,224.9 billion in August. That meant a HUF 125.9 billion decline relative to July. The average interest rate on overnight and current account deposits saw a change of 22 basis points downwards, from 3.22% to 3%.

**Chart 6 Average borrowing rates of non-financial corporations (by loan amount)**



The average interest rate on loans provided to non-financial corporations up to EUR 1 million,<sup>2</sup> excluding bank overdrafts, changed by 36 basis points, from 14% to 14.36%, and that of loans over EUR 1 million by 14 basis points, from 12.2% to 12.06%.

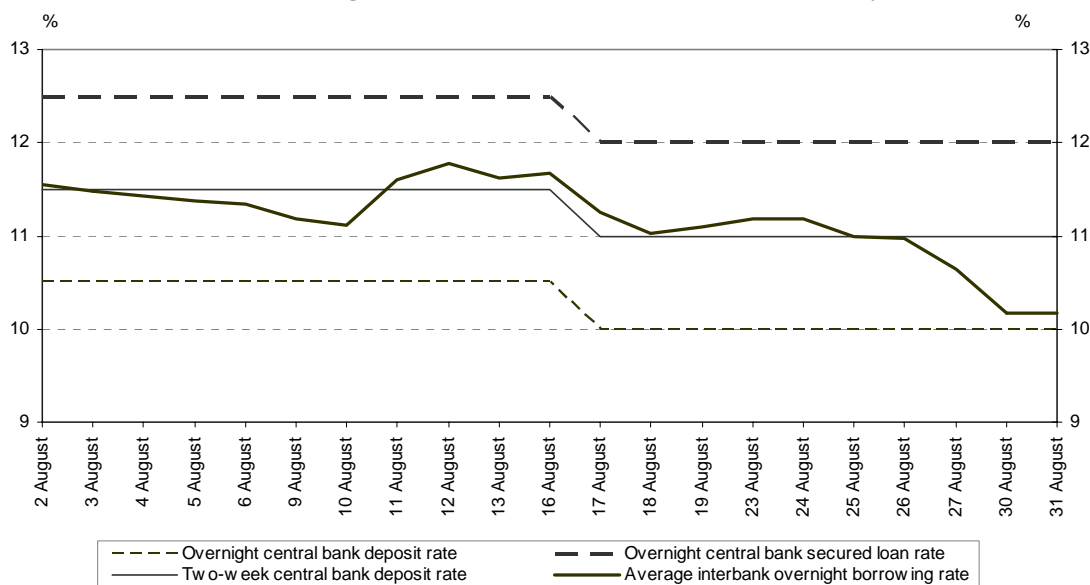
**Chart 7 Differential between non-financial corporate and household sector borrowing and deposit rates**



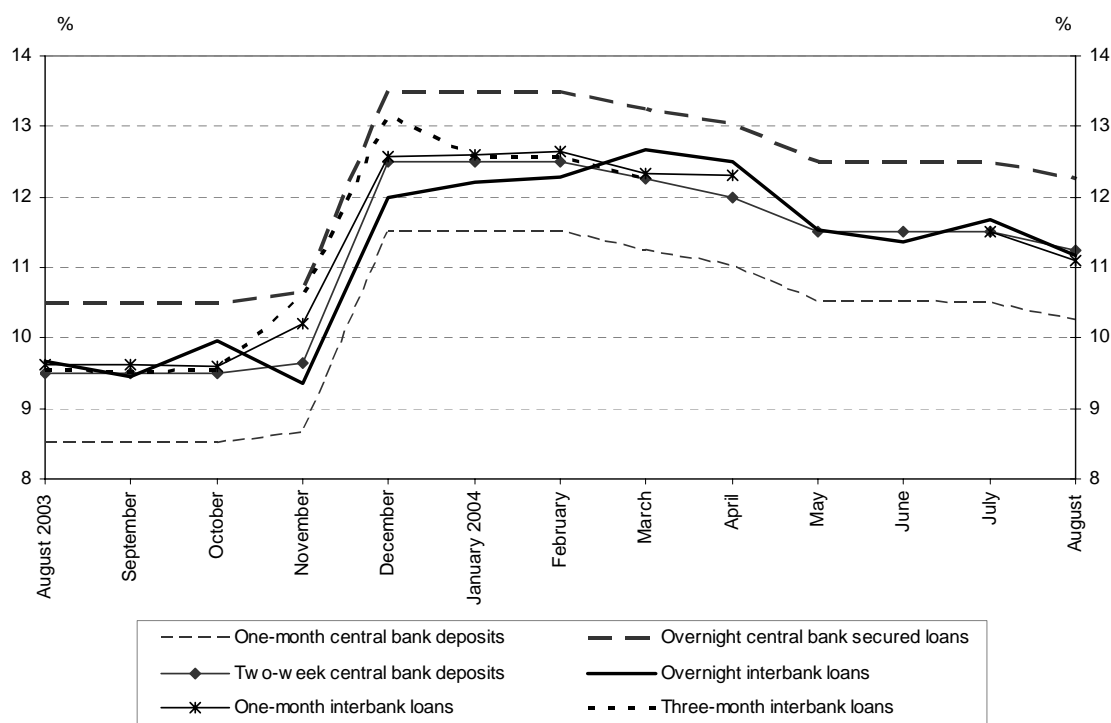
<sup>2</sup> Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

In the household sector, the differential between average interest rates on consumer credit and on deposits with agreed maturity up to one year narrowed from 11.91 percentage points in July to 11.58 percentage points in August. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates widened from 2.43 percentage points to 2.9 percentage points.

**Chart 8 Average official and forint interbank rates in May 2004**



**Chart 9 Average official and forint interbank rates<sup>3</sup>**



<sup>3</sup> No loans were made for three months in the interbank market in April, May and July. In May and June, market participants did not make loans at one and three months.

Turnover in the forint interbank market amounted to HUF 2,459.7 billion in August. That was HUF 361.1 billion higher than in the preceding month. The average overnight lending rate, weighted by the total amount of transactions, fell by 52 basis points, from 11.69% to 11.17%. The average of interest rate on loans provided for one month edged down by 43 basis points, from 11.52% to 11.09%. No interbank loan was made at three months in the month under review.

\* \* \* \* \*

Daily interbank rates are available on request at the MNB's External Communications Department. In addition, 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:

NFCs:

[http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0901\\_vallalkozoi](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0901_vallalkozoi)

Households:

[http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0902\\_lakossagi](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0902_lakossagi)

Interbank market:

[http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0903\\_bankkozi](http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0903_bankkozi)

## Notes to the press release charts

### ***Chart 1***

- a) Average interest rates on consumer credit, housing loans and other loans refer to new contracts. By contrast, the interest rate on overdrafts refers to end-of-month stocks. Consequently, the Bank uses the values of new contracts and the end-of-month stocks as weights to calculate average interest rates on the first three categories 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 non-housing loans.
- c) In addition to interest rates on consumer credit and other loans, the Bank also publishes the APRC expressing total costs of consumer credit and housing loans of the household sector. The rule underlying the calculation of the APRC, 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.

### ***Chart 2***

- a) 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 the loan contract. All floating rate loans and part of fixed interest loans, where the interest rate is fixed for up to 1 year in the original contract, are classified in to the category 'Floating rate or up to 1 year initial rate fixation'.

### ***Chart 3***

- a) The weighted average interest rate on housing loans include data on loans provided under market conditions and subsidised loans. 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 government securities, nearest to the term of the loan, and the interest rate on funds borrowed in the interbank market. 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 the loan contract. All floating rate loans and part of fixed interest loans where the interest rate is fixed for up to 1 year in the original contract are classified in to the category 'Floating rate or up to 1 year initial rate fixation'.

### ***Chart 4***

Average interest rates on time deposits are calculated using new contracts as weights, in contrast with those on overnight and current account deposits, which are calculated using end-of-month stocks as weights. Time deposits are classified into the various categories on the basis of original maturity.

### ***Chart 5***

Average interest rates time deposits are calculated using the value of new contracts as weights, while those on overnight and current account deposits are calculated using end-of-month stocks as weights. Consequently, except in the case of overdrafts, the Bank uses the values of new loan

contracts and the end-of-month stocks of overdrafts as weights to calculate average interest rates. The average interest rate does not include interest rates on non-performing loans.

***Chart 6***

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