

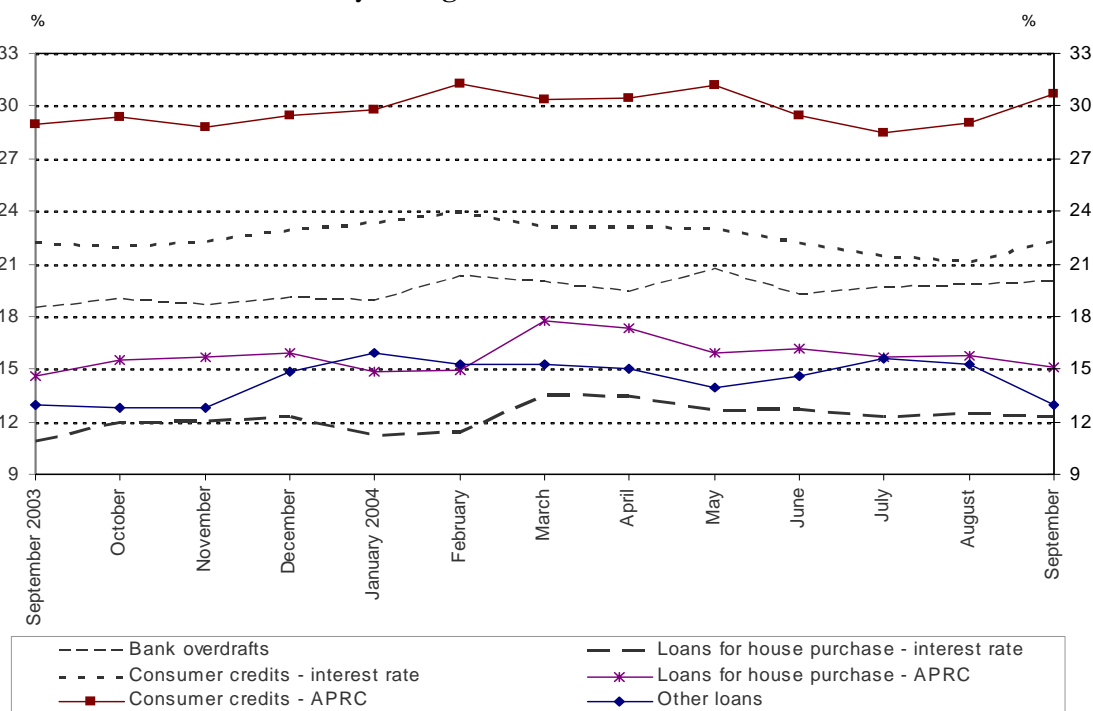
26 October 2004

## PRESS RELEASE

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

*In September, average interest rates on overdrafts and consumer credit for the household sector rose, in contrast with those on housing loans and other loans, which fell. The average interest rates on the sector's overnight deposits and deposits with agreed maturity up to two years were lower, the average interest rate on deposits with agreed maturity over two years being higher. The averages of interest rates on non-financial corporations' loans fell slightly, except those on overdrafts, which rose. The sector's deposit rates were down a little from August. In the interbank forint market, average interest rates on 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.

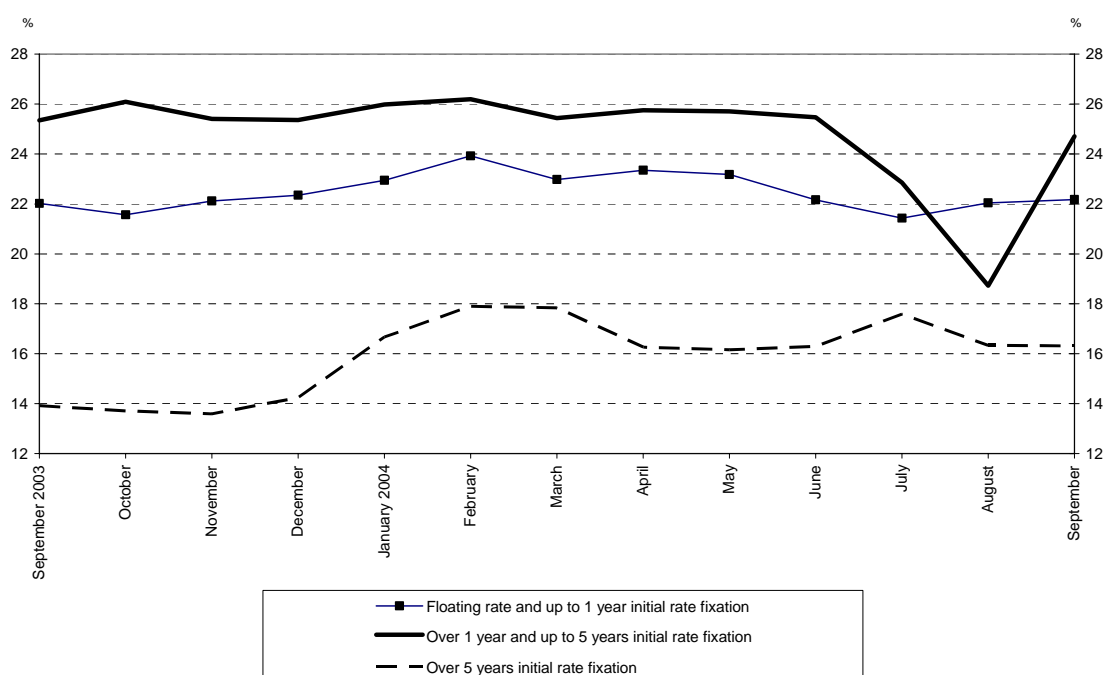
In the household sector, the average interest rate on overdrafts rose by 16 basis points, from 19.82% in August to 19.98% in September. The average interest rate on housing loans was down by 17 basis points, from 12.46% to 12.29%, the APRC changing by 65 basis points, from 15.74% to 15.09%. The average interest rate on consumer credit rose by 109 basis points, from August's 21.15% to 22.24%, the APRC rising by 168 basis points, from 29.03% to 30.71%. The average interest rate on other loans was down by 233 basis points, from the preceding month's 15.28% to 12.95% in September.<sup>2</sup>

The total amount of consumer credit provided was HUF 22.6 billion in September. That was HUF 2 billion lower than in the preceding month. Excluding overdrafts, consumer credit as a proportion of the total volume of new consumer credit fell from 54.4% in August to 38.9% in the month under review.

The total amount of loans granted for house purchase was HUF 20.2 billion, up HUF 5 billion on the preceding month. Excluding overdrafts, housing loans as a proportion of the total amount of new loans edged up from 33.6% to 34.7% in one month.

The amount of other loans granted was HUF 15.3 billion in September, accounting for 26.3% of the total amount of loans granted. The amount of new other loans rose by HUF 9.8 billion, their percentage share of the total rising by 14.3 percentage points.

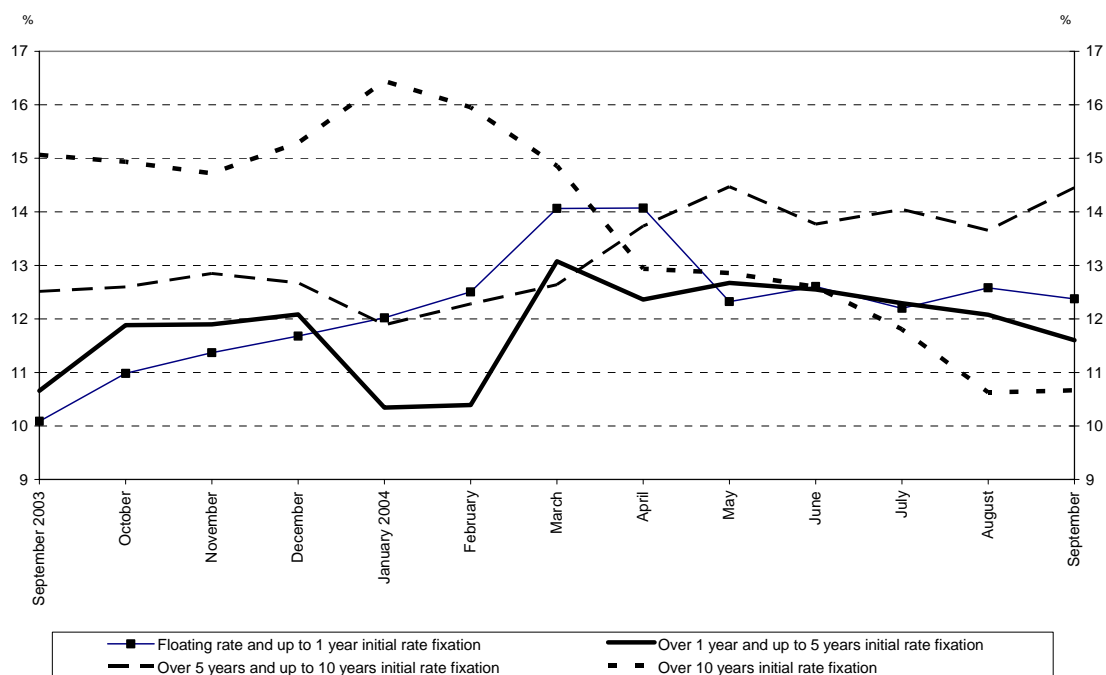
**Chart 2 Monthly average interest rates on consumer credit**



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 14 basis points, from 22.04% to 22.18%, and that with over 1 and up to 5 years initial rate fixation by 598 basis points, from 18.73% to 24.71%. The average interest rate on consumer credit with over 5 years initial rate fixation saw a 2 basis point change downwards, from 16.33% to 16.31%. The substantial change in the average interest rate on consumer credit with over 1 and up to 5 years initial rate fixation was caused by a large low-price campaign coming to an end. In September, the interest rate returned to its longer-term trend value.

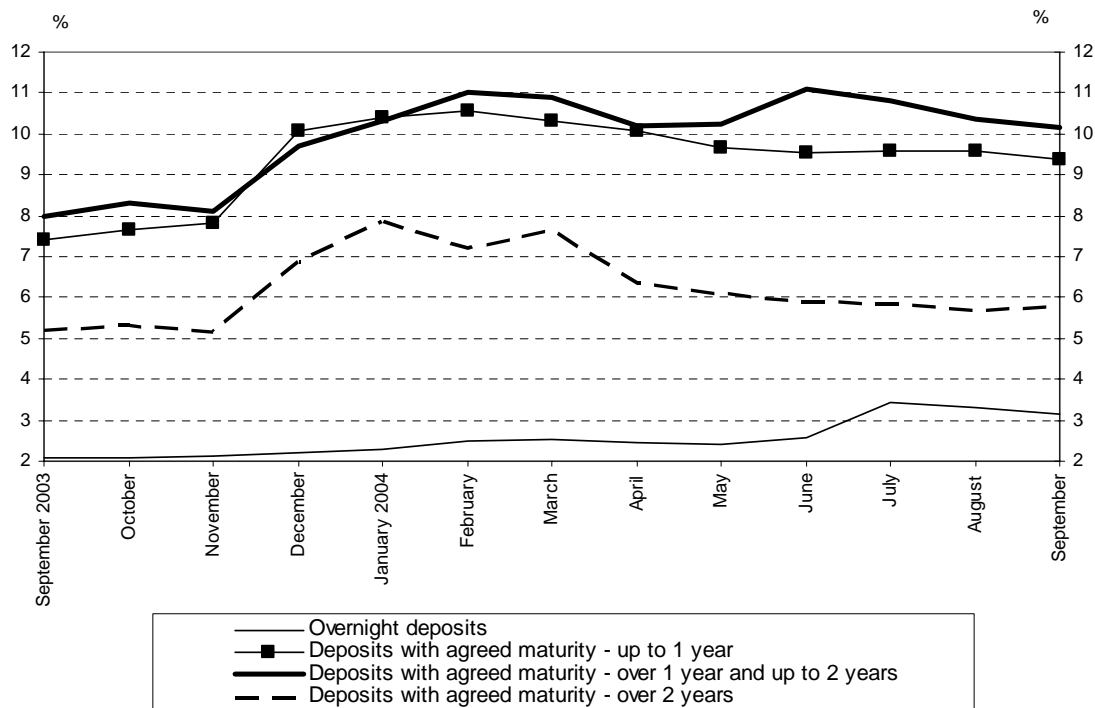
<sup>2</sup> The large drop in interest rates on other loans was caused by a one-off factor.

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



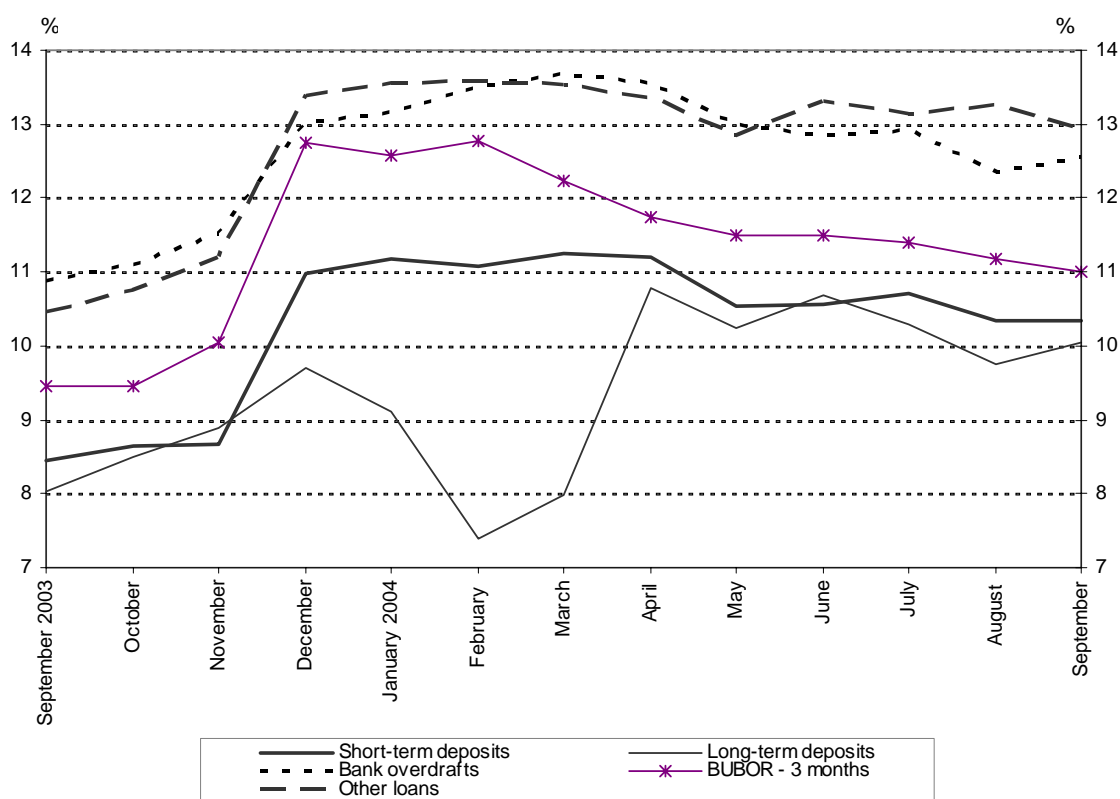
The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation was down by 21 basis points, from 12.58% to 12.37%. The average of interest rates on loans with over 1 year and up to 5 years initial rate fixation fell by 48 basis points, from 12.08% to 11.6%. That on loans with over 5 years and up to 10 years initial rate fixation rose by 79 basis points, from 13.66% to 14.45%, and that on loans with over 10 years initial rate fixation by 3 basis points, from 10.63% to 10.66%.

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



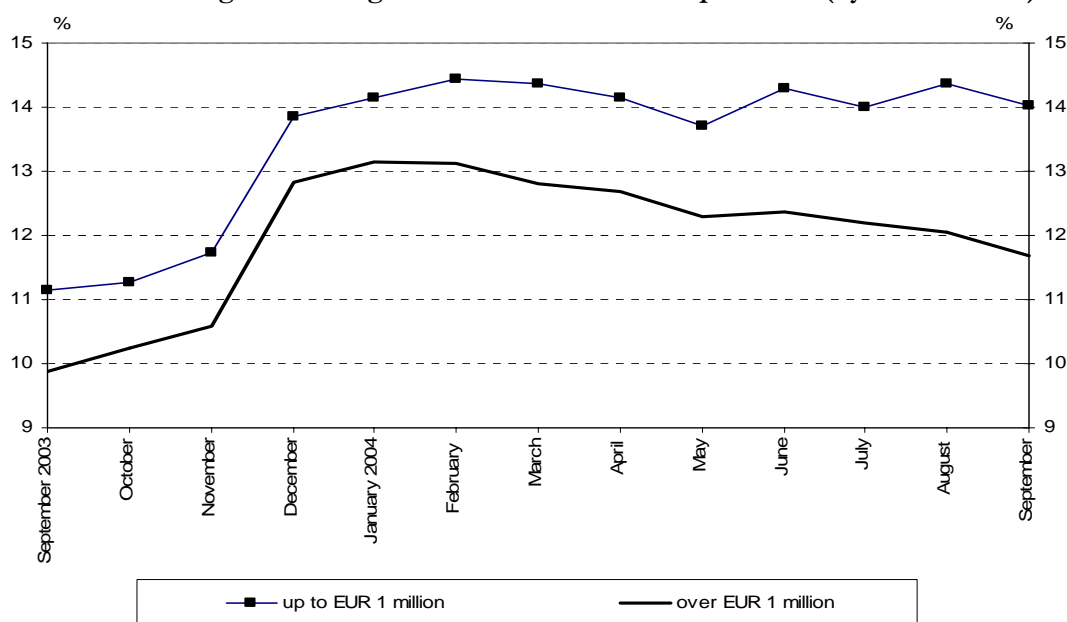
The average of interest rates on households' overnight deposits fell by 16 basis points, from 3.31% to 3.15% in one month. The average interest rate on deposits with agreed maturity up to one year fell by 21 basis points, from 9.57% to 9.36%, and that on deposits with agreed maturity over 1 year and up to 2 years by 21 basis points, from 10.36% to 10.15%. By contrast, the average interest rate on deposits with agreed maturity over 2 years rose by 8 basis points, from 5.69% to 5.77%. The amount of new time deposits from households was HUF 408.6 billion in September, down HUF 26 billion on the preceding month.

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



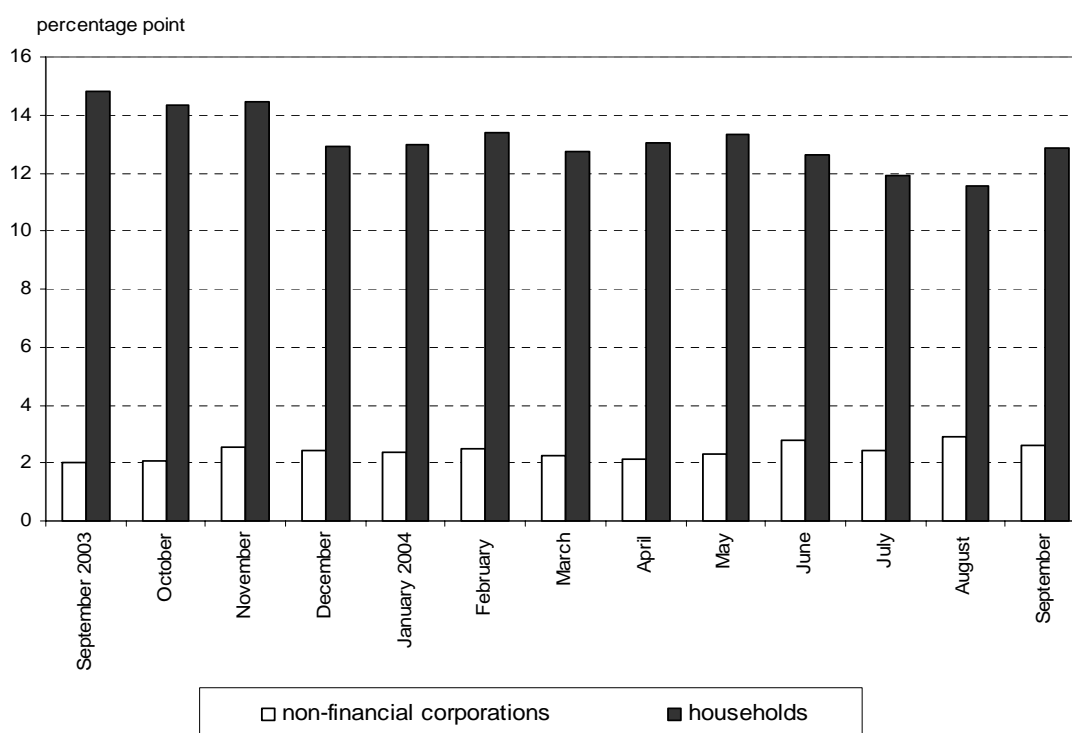
The average interest rate on overdrafts provided to non-financial corporations rose by 19 basis points, from 12.36% to 12.55%, and that of interest rates on loans other than overdrafts fell by 31 basis points, from 13.25% to 12.94%. The amount of loans granted, excluding overdrafts, was HUF 257.4 billion in September, after rising by HUF 19.6 billion relative to the preceding month. The average of interest rate on deposits with agreed maturity up to one year changed by 1 basis point, from 10.35% to 10.34%, and that of interest rates on deposits with agreed maturity over one year increased by 28 basis points, from 9.76% to 10.04%. The amount of new time deposits from non-financial corporations was HUF 1,348.9 billion in September. That meant a HUF 124 billion increase relative to August. The average interest rate on overnight and current account deposits saw a change of 11 basis points upwards, from 3% to 3.11%.

**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>3</sup> excluding bank overdrafts, changed by 33 basis points, from 14.36% to 14.03%, and that of loans over EUR 1 million by 37 basis points, from 12.06% to 11.69%.

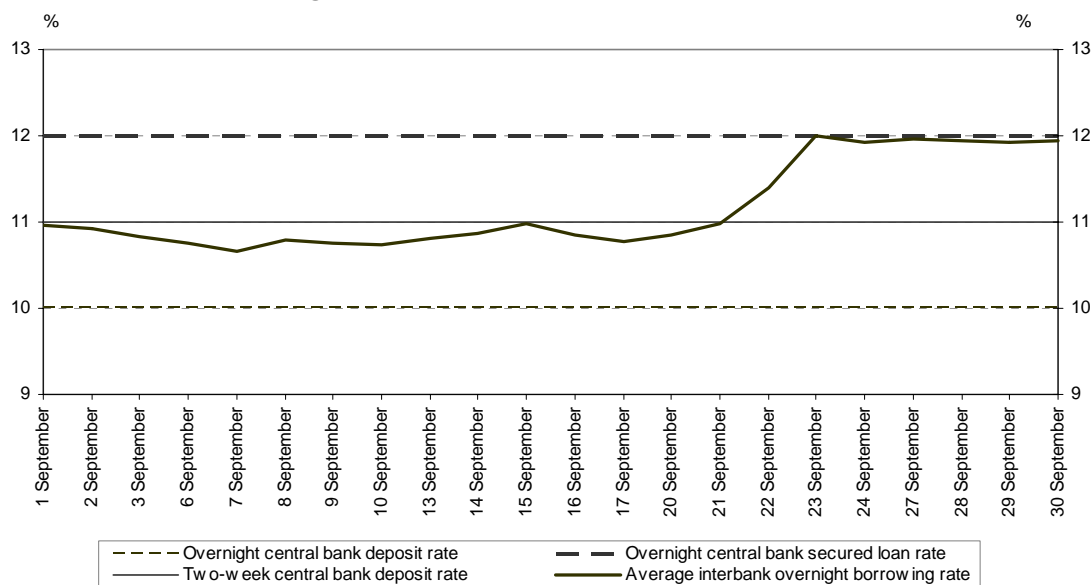
**Chart 7 Differential between non-financial corporate and household sector borrowing and deposit rates**



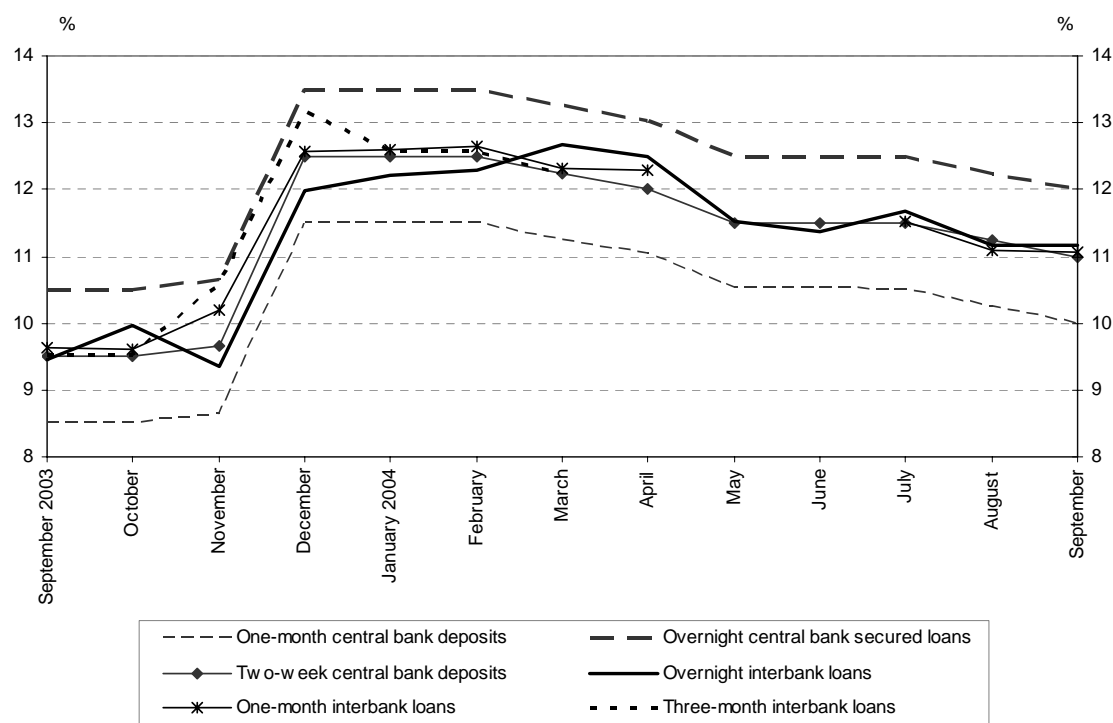
<sup>3</sup> Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make 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 widened from 11.58 percentage points in August to 12.88 percentage points in September. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates narrowed from 2.9 percentage points to 2.59 percentage points.

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



**Chart 9 Average official and forint interbank rates<sup>4</sup>**



<sup>4</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 2,516.6 billion in September. That was HUF 56.9 billion higher than in the preceding month. The average overnight lending rate, weighted by the total amount of transactions, edged down by 1 basis point, from 11.17% to 11.16%, and that on loans provided for one month by 3 basis points, from 11.09% to 11.06%. 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 assets-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.