

27 September 2005

PRESS RELEASE

Household and non-financial corporate sector interest rates, interbank lending rates: August 2005

Beginning with this press release, the MNB will publish on its website data on the amounts of and interest rates on forint, euro and Swiss franc-denominated consumer credit to households in a breakdown by purpose.

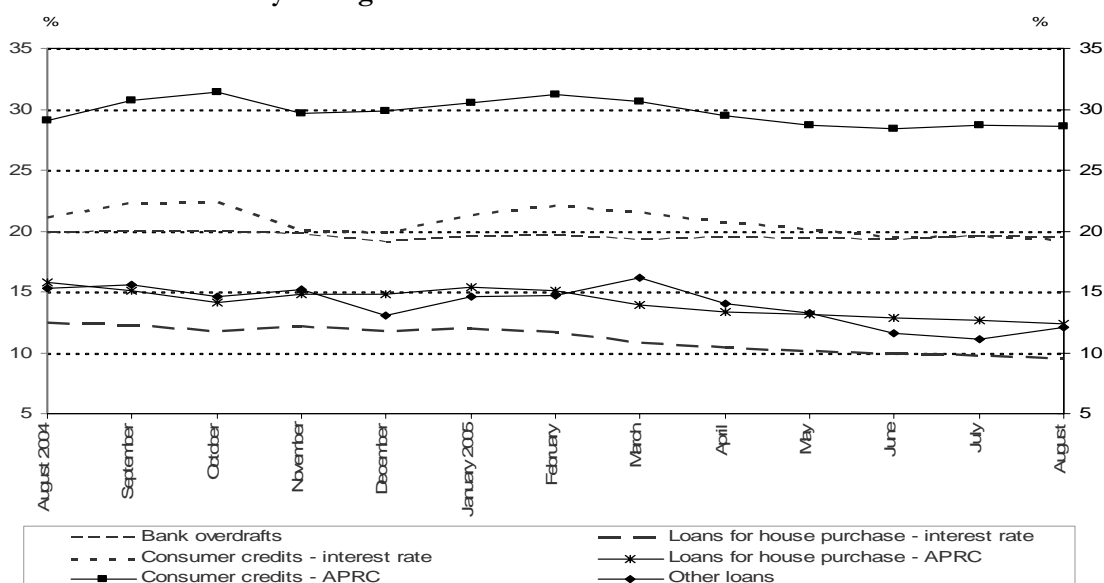
In August 2005, the averages of interest rates on forint loans to households and on the sector's forint deposits fell, accompanied by an increase in transactions in loans and deposits. The total amount of non-financial corporations' new loans and deposits also fell, with an increase in the volume of contracts. The volume of transactions in the interbank forint market was also lower than in July; and average interest rates fell.

Average interest rates on euro loans to households fell, average interest rates on the sector's euro deposits remaining unchanged. Average interest rates on euro loans to non-financial corporations rose, in contrast with those on euro deposits which fell in the month under review.

1 Households

1.1 Forint loans and deposits

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



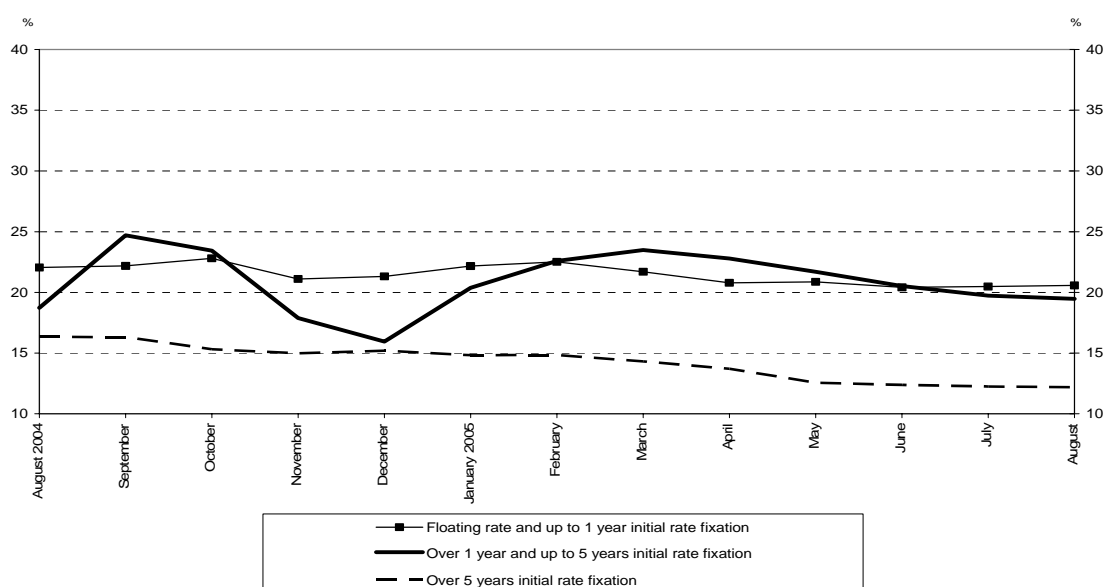
In the household sector, the average interest rate on overdrafts changed by 12 basis points to 19.46%. The average interest rate on bank housing loans¹ fell by 25 basis points to 9.54%, the APR falling by 25 basis points to 12.39%. The average interest rate on consumer credit fell by 34 basis points to 19.26%, the APR falling by 8 basis points to 28.62%. The average interest rate on other loans was up by 102 basis points to 12.10%.

The amount of consumer credit provided was HUF 24.1 billion in August. That was HUF 3.2 billion higher than in the preceding month. Excluding overdrafts, consumer credit as a proportion of new loans rose from 46.5% in July to 49.3% in the month under review.

The amount of loans granted for house purchase was HUF 19.6 billion, up HUF 1.2 billion on the preceding month. Excluding overdrafts, housing loans as a proportion of new loans fell from 40.7% to 40.0% in one month.

The amount of other loans granted was HUF 5.2 billion in August, accounting for 10.7% of the total amount of new loans, excluding overdrafts. The amount of new other loans fell by HUF 0.5 billion, their percentage share of the total falling by 2.0 percentage points in one month.

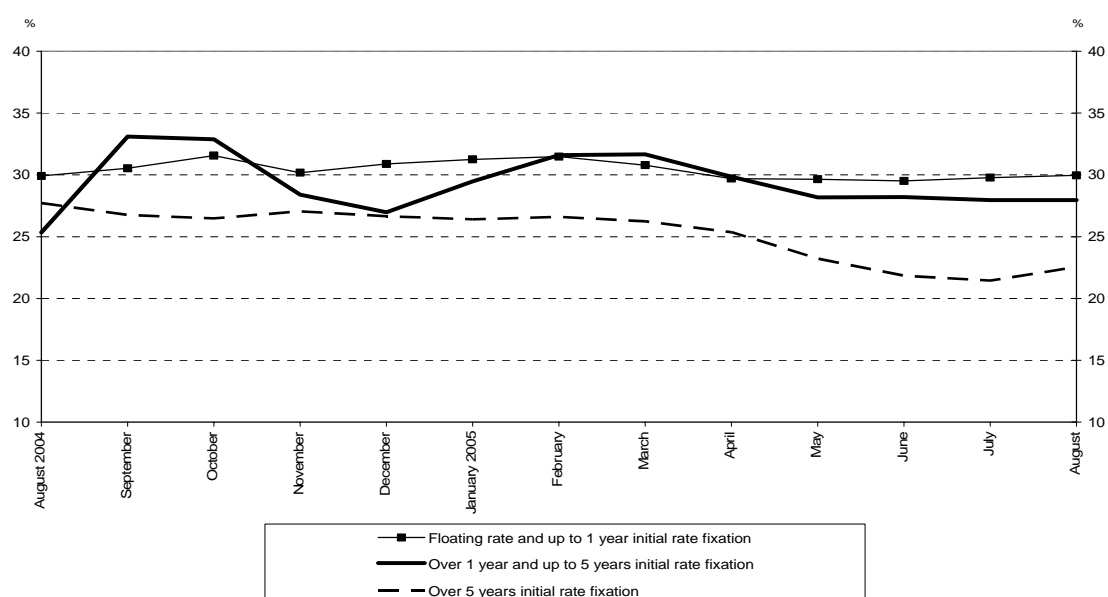
Chart 2 Monthly average interest rates on forint consumer credit



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 changed by 9 basis points to 20.56%; that on consumer credit with over 1 and up to 5 years initial rate fixation fell by 28 basis points 19.46%; and that on consumer credit with over 5 years initial rate fixation changed by 6 basis points to 12.19%.

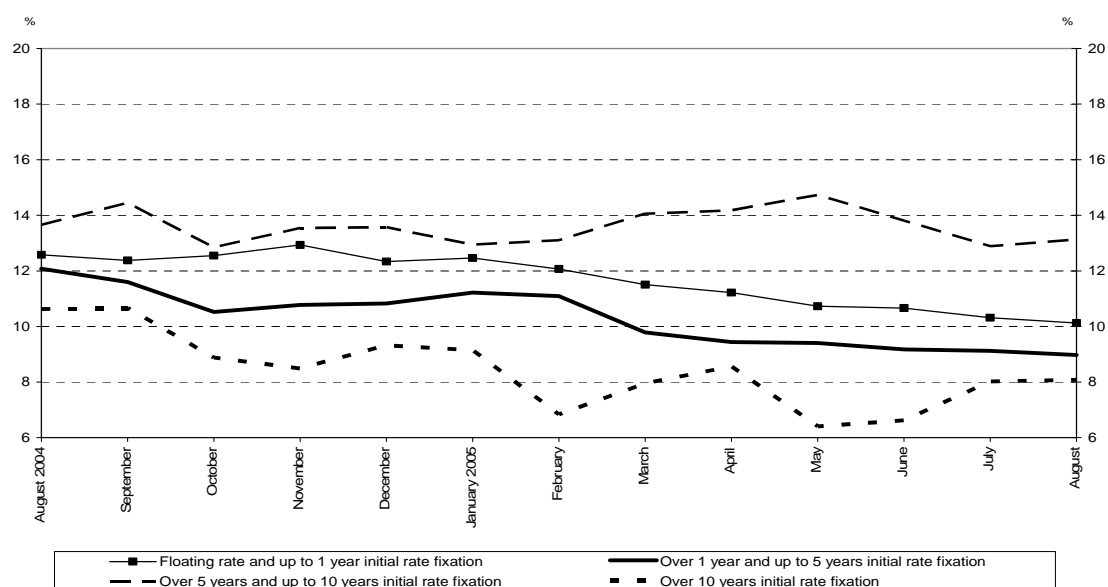
¹ This press release contains market interest rates and APR on bank loans for house purchase. In the case of subsidised housing loans, average interest rates and the APR include interest rates after adjusting for the amount of government subsidy.

Chart 3 Monthly average APR on forint consumer credit



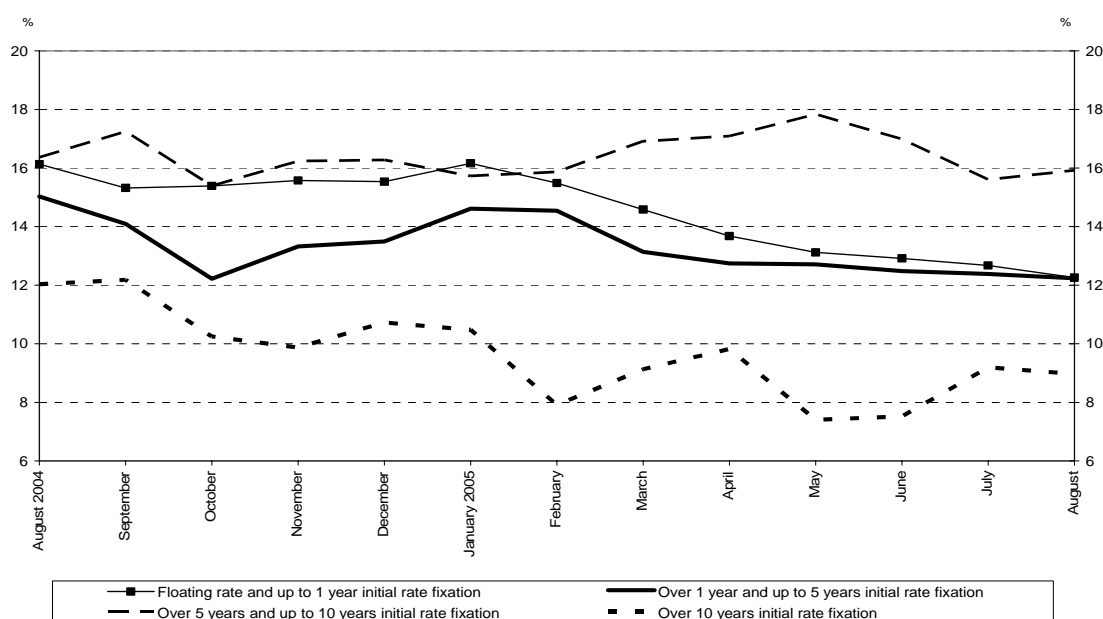
The average APR on consumer credit provided to the household sector with a floating interest rate or with up to 1 year initial rate fixation changed by 18 basis points to 29.96%; that on consumer credit with over 1 and up to 5 years initial rate fixation remained unchanged at 27.96%; and that on consumer credit with over 5 years initial rate fixation rose by 109 basis points 22.54%.

Chart 4 Monthly average interest rates on forint housing loans



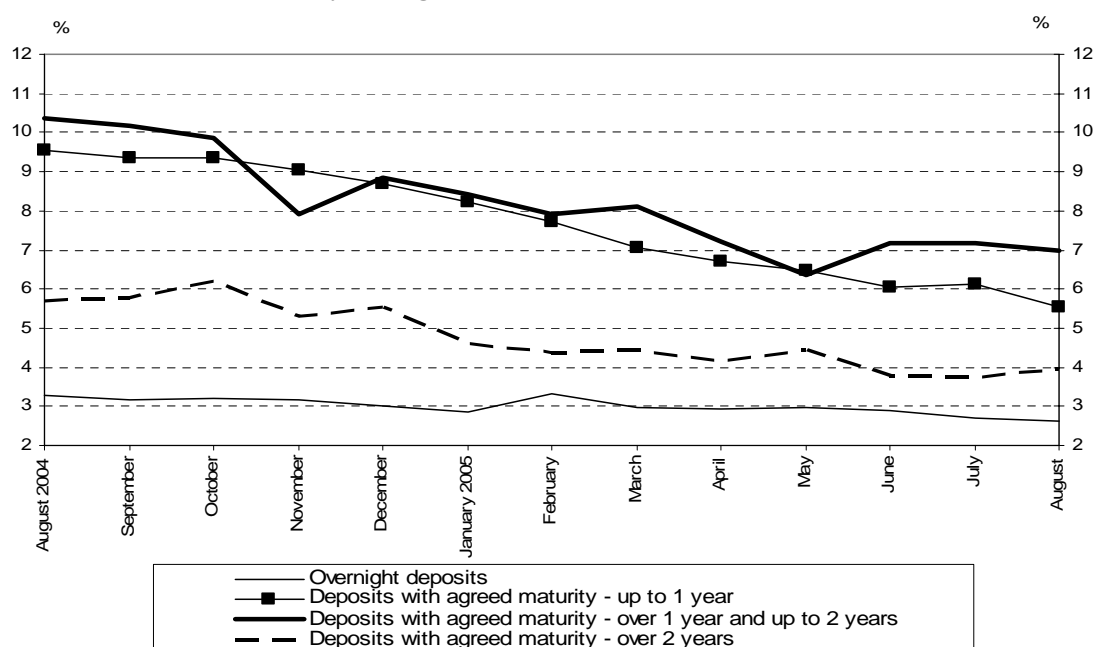
The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 19 basis points to 10.12%; that on loans with over 1 year and up to 5 years initial rate fixation by 15 basis points to 8.97%; that on loans with over 5 years and up to 10 years initial rate fixation rose by 25 basis points to 13.13%; and that on loans for house purchase with over 10 years initial rate fixation changed by 6 basis points 8.08%.

Chart 5 Monthly average APR on forint housing loans



The average APR on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation fell by 41 basis points to 12.26%; that on loans with over 1 year and up to 5 years initial rate fixation changed by 15 basis points to 12.24%; and that on loans with over 5 years and up to 10 years initial rate fixation rose by 31 basis points to 15.92%. By contrast, the average APR on loans for house purchase with over 10 years initial rate fixation fell by 23 basis points to 8.97%.

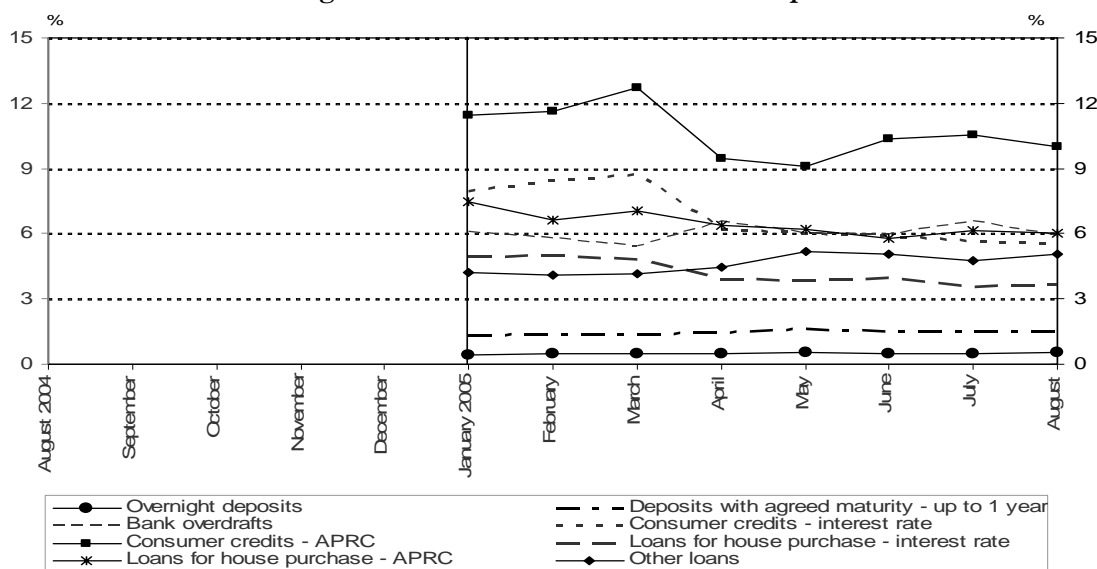
Chart 6 Monthly average interest rates on household forint deposits



The average of interest rates on households' overnight deposits changed by 5 basis points to 2.64% in one month. The average interest rate on deposits with agreed maturity up to one year fell by 59 basis points to 5.55%; that on deposits with agreed maturity over 1 year and up to 2 years changed by 18 basis points to 6.99%; and on deposits with agreed maturity over 2 years by 17 basis points to 3.94%. The amount of new time deposits from households was HUF 521.5 billion in August, up HUF 9.4 billion on the preceding month.

1.2 Euro loans and deposits

Chart 7 Monthly average interest rates and APR on euro loans to households and monthly average interest rates on household euro deposits²



The average interest rate on euro overdrafts provided to households fell by 65 basis points to 5.89%. The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation saw a change of 8 basis points to 3.65%, the APR changing by 11 basis points to 6.04%. The average interest rate on consumer credit with floating interest rates or with up to 1 year initial rate fixation changed by 7 basis points to 5.57%, the APR falling 55 basis points to 9.98%. The average interest rate on other loans with floating interest rates or with up to 1 year initial rate fixation was up by 33 basis points to 5.07%. The amount of consumer credit with floating interest rates or with up to 1 year initial rate fixation fell by HUF 0.2 billion to HUF 3.8 billion; that of housing loans rose by HUF 0.2 billion to HUF 2.3 billion; and that of other loans fell by HUF 0.5 billion to HUF 0.9 billion.

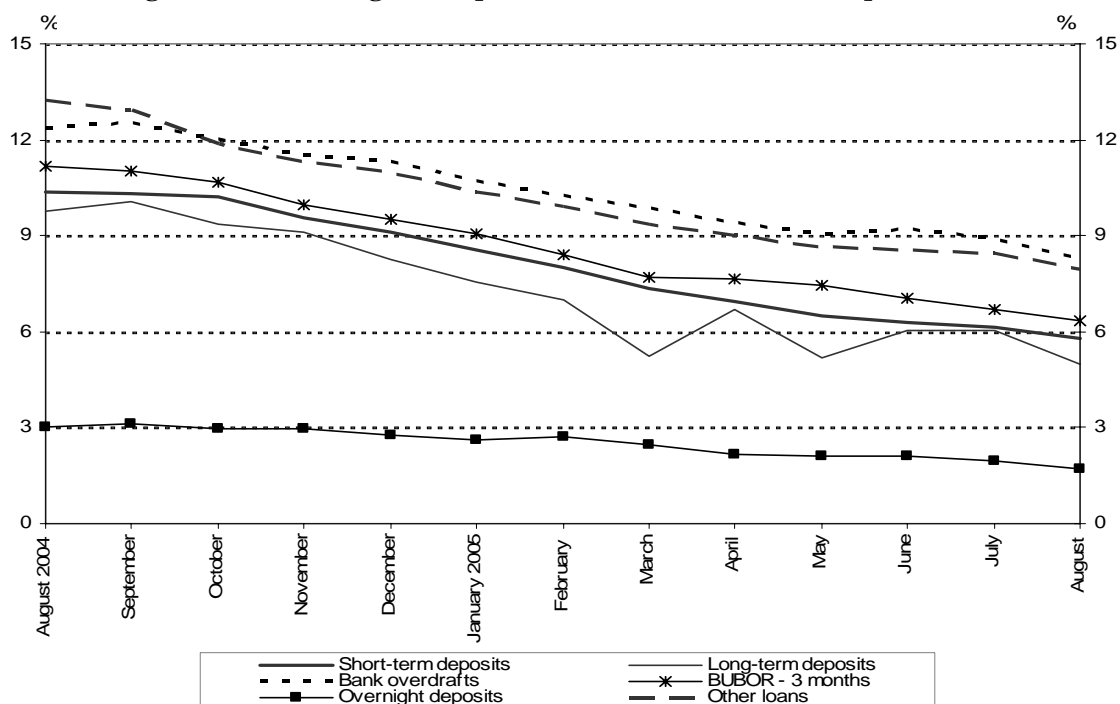
The average interest rate on euro deposits with agreed maturity up to one year changed by 4 basis points to 1.48%; and that on overnight and current account deposits remained unchanged at 0.52%. The amount of deposits with agreed maturity up to one year rose by HUF 3.3 billion to HUF 56.5 billion.

² The 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.

2 Non-financial corporations

2.1 Forint loans and deposits

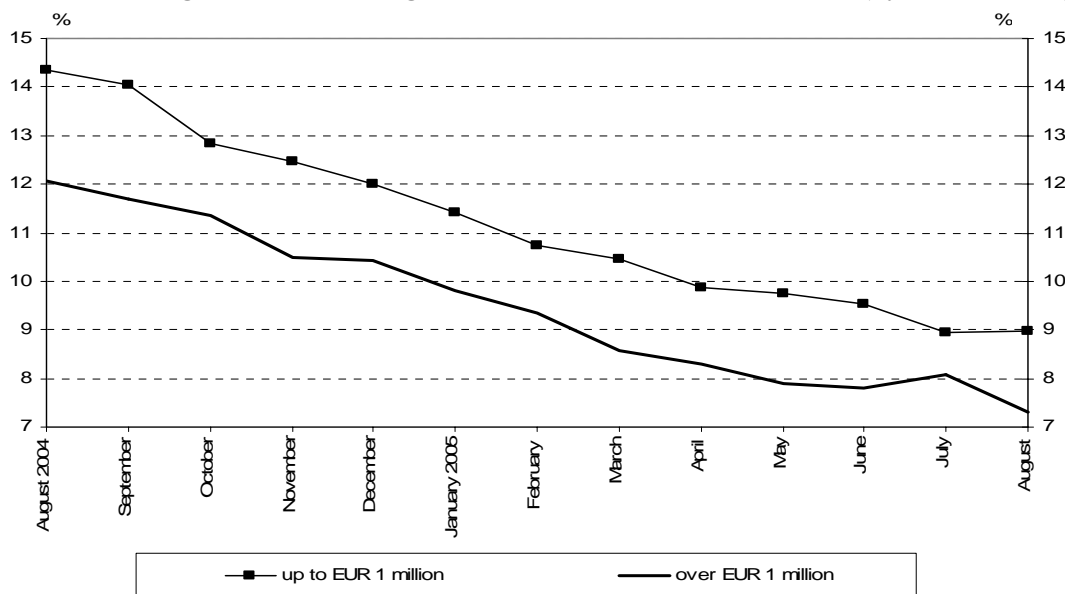
Chart 8 Average forint borrowing and deposits rates of non-financial corporations and BUBOR



The average interest rate on overdrafts provided to non-financial corporations fell by 60 basis points to 8.32%; and that of interest rates on loans other than overdrafts by 50 basis points to 7.97%. The amount of loans granted, excluding overdrafts, was HUF 188.7 billion in August, after rising by HUF 15.0 billion relative to the preceding month.

The average of interest rates on deposits with agreed maturity up to one year fell by 34 basis points to 5.81%; and that of interest rates on deposits with agreed maturity over one year by 105 basis points to 4.97%. The amount of new time deposits from non-financial corporations was HUF 1,367.6 billion in August. That meant an increase of HUF 175.3 billion relative to July. The average interest rate on overnight and current account deposits fell by 26 basis points to 1.73%.

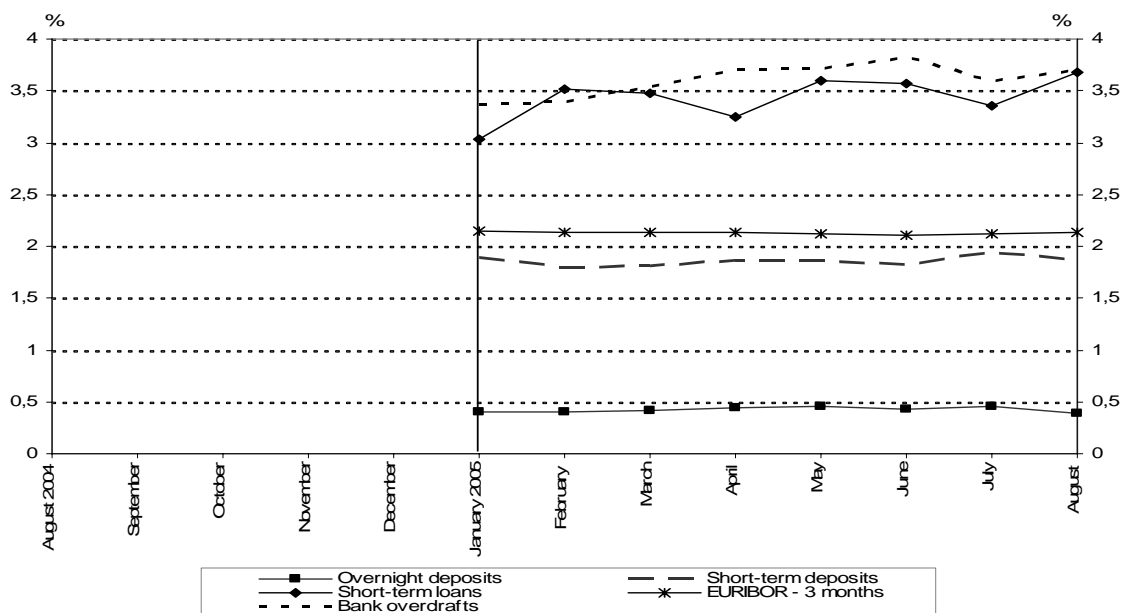
Chart 9 Average forint borrowing rates of non-financial corporations (by loan amount)



The average interest rate on loans provided to non-financial corporations up to EUR 1 million,³ excluding bank overdrafts, changed by 2 basis points to 8.96%; and that of loans over EUR 1 million fell by 78 basis points to 7.30%.

2.2 Euro loans and deposits

Chart 10 Monthly average forint borrowing and deposit rates of non-financial corporations and EURIBOR



The average interest rate on euro overdrafts provided to non-financial corporations changed by 10 basis points to 3.71%; and that on loans with floating interest rates or with up to 1 year initial

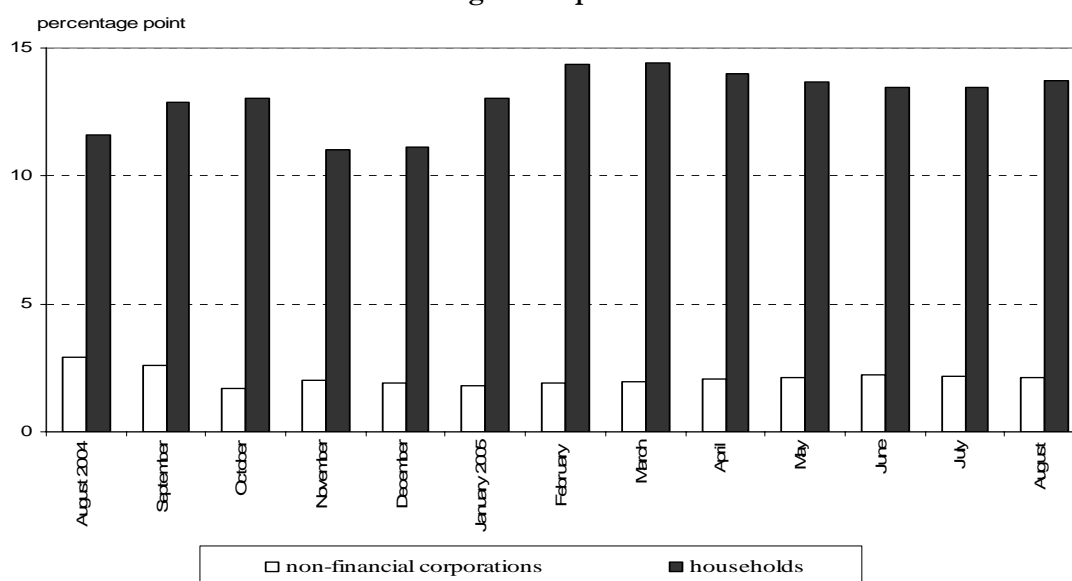
³ Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

rate fixation, other than overdrafts, rose by 33 basis points to 3.68%. The amount of loans with floating interest rates or with up to 1 year initial rate fixation, excluding overdrafts, was HUF 59.6 billion in August, after falling by HUF 13.1 billion relative to the preceding month.

The average of interest rates on NFCs' overnight and current account deposits changed by 6 basis points to 0.39%. The average of interest rates on deposits with agreed maturity up to one year changed by 8 basis points to 1.86%. The amount of new time deposits from non-financial corporations fell by HUF 7.9 billion to HUF 371.6 billion.

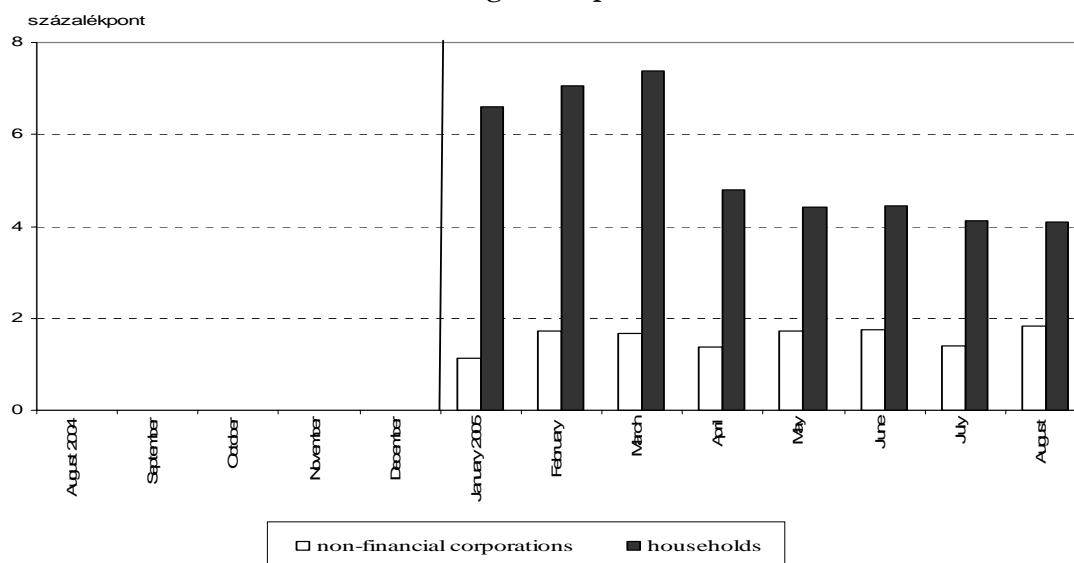
3 Differentials between loan and deposit rates

Chart 11 Differential between non-financial corporate and household sector forint borrowing and deposit rates



In the household sector, the differential between average interest rates on consumer credit and on deposits with agreed maturity up to one year remained widened from 13.47 percentage points to 13.71 percentage points. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates narrowed from 2.17 percentage points to 2.14 percentage points.

Chart 12 Differential between non-financial corporate and household sector euro borrowing and deposit rates



In the household sector, the difference between average interest rates on consumer credit with floating interest rates or with up to 1 year initial rate fixation and on euro deposits with agreed maturity up to one year narrowed from 4.12 percentage points to 4.09 percentage points. The difference between average interest rates on non-financial corporations' loans with floating interest rates or with up to 1 year initial rate fixation and euro deposits with agreed maturity up to one year widened from 1.41 percentage points to 1.82 percentage points.

4 Interbank unsecured forint loans

Chart 13 Average official and forint interbank rates in August 2005

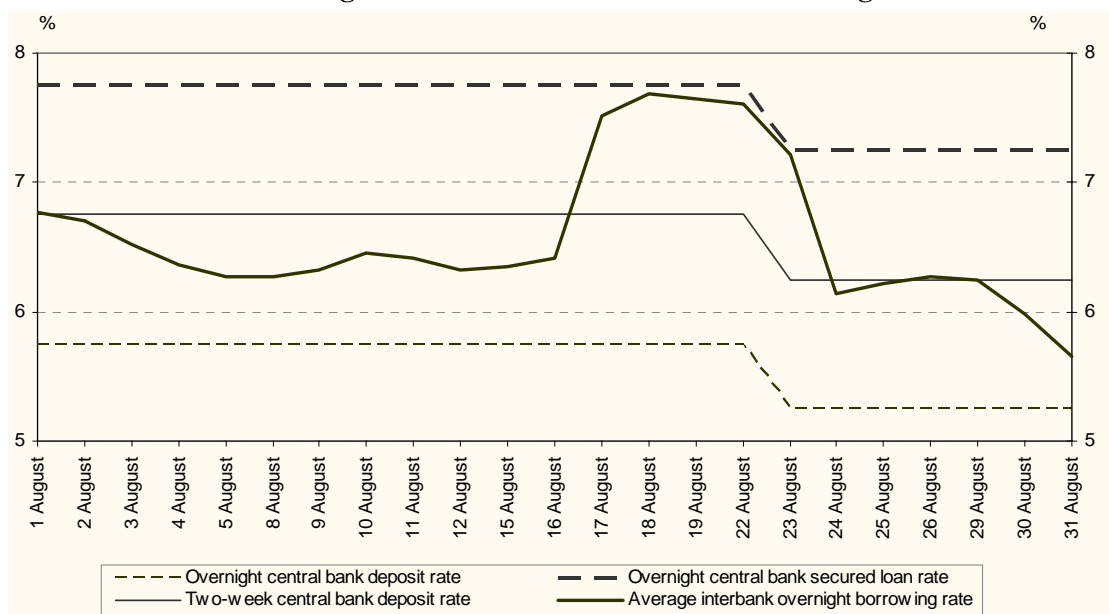
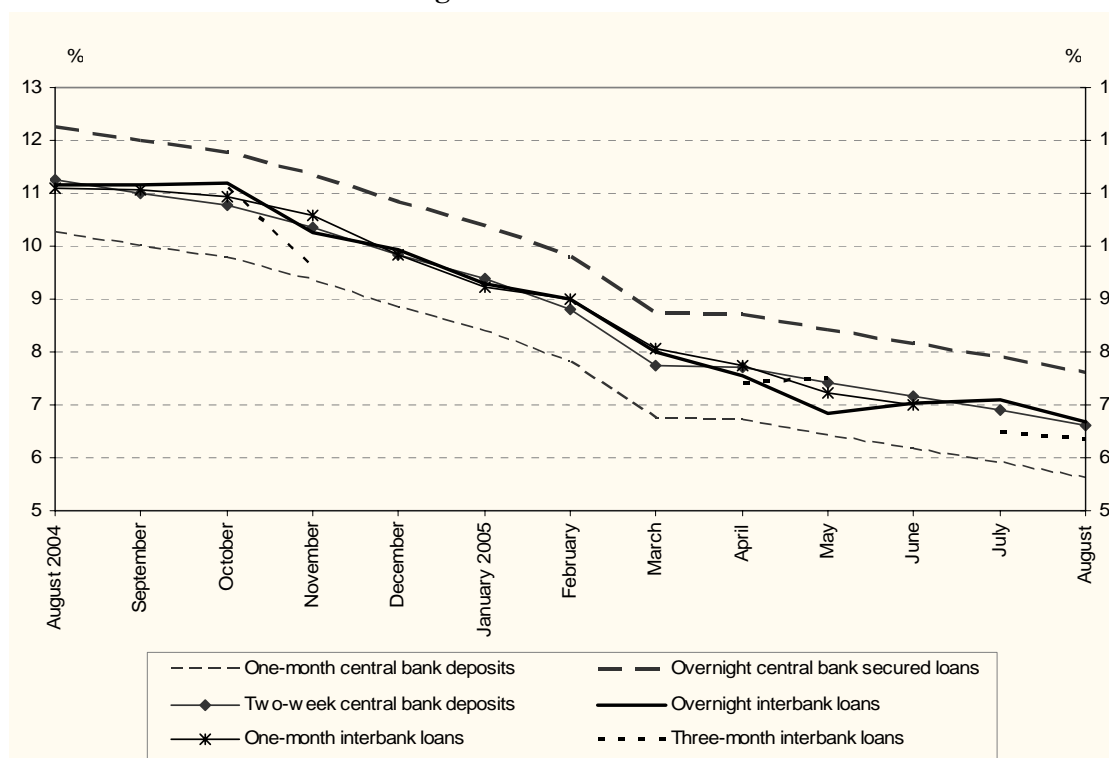


Chart 14 Average official and forint interbank rates



Turnover in the forint interbank market amounted to HUF 2,217.2 billion in August. That was HUF 305.7 billion higher than in the preceding month. The average overnight lending rate, weighted by the total amount of transactions, fell by 43 basis points to 6.66%. The average interest rate on loans provided for three months fell by 15 basis points to 6.35%. No interbank loan was made at one month in August 2005.

Daily interbank rates are available on request at the MNB's 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:

NFC data:

Data on forint loan and deposit rates:

http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0901_vallalkozoi_HUF

Data on euro loan and deposit rates:

http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0901_vallalkozoi_EUR

Household data:

Data on forint loan and deposit rates:

http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0902_lakossagi_HUF

Data on euro loan and deposit rates:

http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0902_lakossagi_EUR

Interbank market data:

http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=en0903_bankkozi

MAGYAR NEMZETI BANK
STATISTICS DEPARTMENT

Notes to the press release charts

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 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.

Chart 1

- 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 on 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.

Charts 2, 3, 4, 5 and 7

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 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 in to the category 'Floating rate or up to 1 year initial rate fixation'.

Charts 4 and 5

- a) The weighted average interest rate on housing loans include data on home loans whether they are provided under market conditions or subsidised. 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, 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.
- 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 a loan contract. 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 in to the category 'Floating rate or up to 1 year initial rate fixation'.

Charts 6 and 7

Average interest rates on time deposits are calculated using the total amount of new loans as weight, while those on overnight and current account deposits are calculated using end-of-month stocks as weights. Time deposits are classified into the various categories on the basis of original maturity.

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 and current account 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 interest rates on non-performing loans.

Chart 9

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