

28 April 2006

PRESS RELEASE

Household and non-financial corporate sector interest rates, interbank lending rates: March 2006

In March 2006, only the average interest rate on consumer credit changed significantly, falling due to change in the composition of outstanding credit and individual interest rate actions. Average interest rates on the sector's deposits were barely changed.

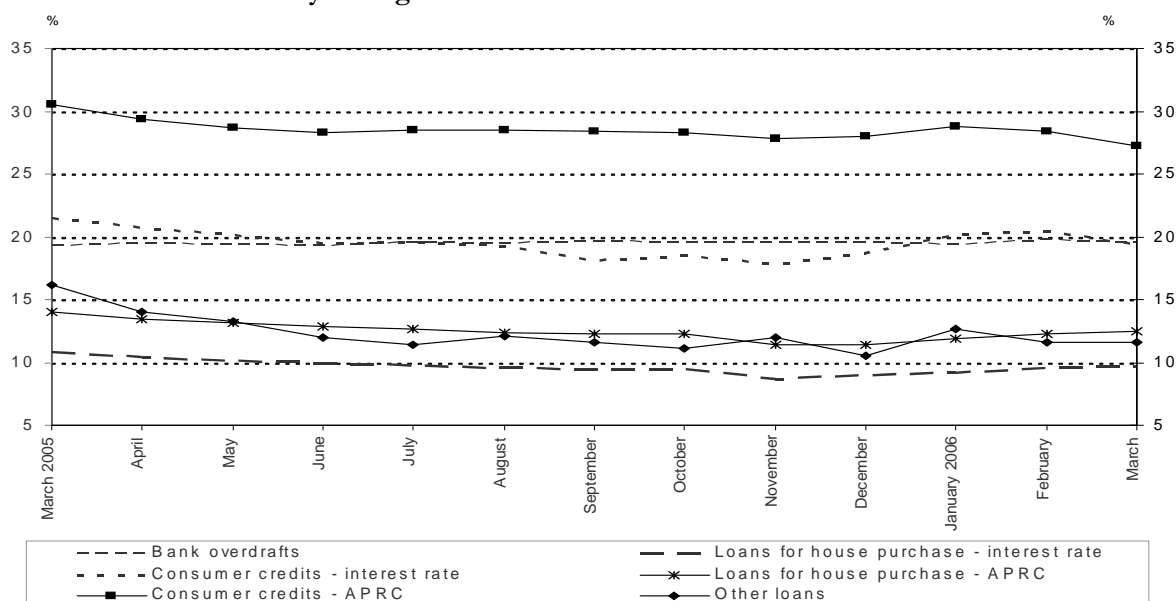
The changes in average interest rates on non-financial corporations' loans and deposits were small in the month under review. In the interbank forint market, average interest rates on overnight loans fell.

The average of interest rate on euro overdrafts to households fell due to a composition effect. The average interest rate on the sector's euro consumer credit rose lightly, while the averages of interest rates on housing loans and other loans remained broadly unchanged. Average interest rates on euro loans to non-financial corporations rose a little. Average interest rates on the sector's overnight deposits rose due to a one-off effect. Time deposit rates also rose, due to an increase in the total amount of new deposits.

1 Households

1.1 Forint loans and deposits

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



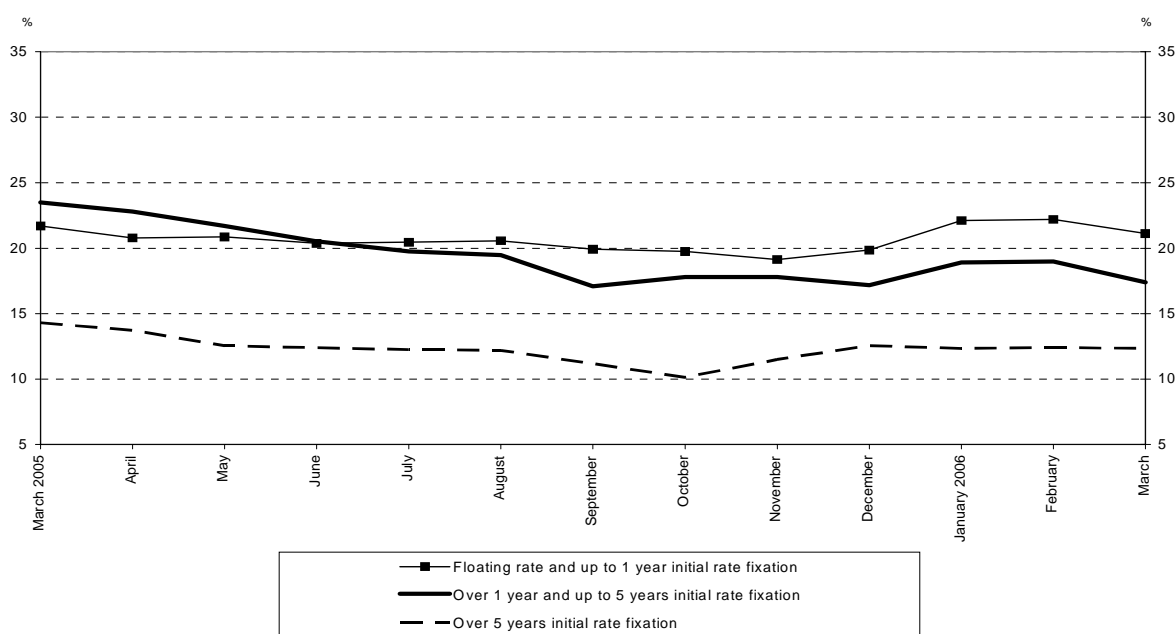
In the household sector, the average interest rate on overdrafts changed by 15 basis points to 19.60%. The average interest rate on bank housing loans¹ changed by 10 basis points to 9.66%, with the APR changing by 20 basis points to 12.48%. The average interest rate on consumer credit was 106 basis points lower, at 19.37%, due to a change in the composition of loans and individual changes in interest rate conditions, and the APR fell by 118 basis points to 27.22%. The average interest rate on other loans changed by 3 basis points to 11.59%.

The amount of consumer credit extended was HUF 21.1 billion in March. That was HUF 2.6 billion higher than in the preceding month. Excluding overdrafts, consumer credit as a proportion of new loans fell from 51.4% in February to 48.9% in the month under review.

The amount of loans provided for house purchase was HUF 11.9 billion, up HUF 1.4 billion on February. Excluding overdrafts, housing loans as a proportion of new loans fell from 29.2% to 27.5% in one month.

The amount of other loans granted was HUF 10.2 billion in March. This amount accounted for 23.6% of total new loans, excluding overdrafts. The amount of new other loans extended to households rose by HUF 3.2 billion and their percentage share of the total by 4.2 percentage points.

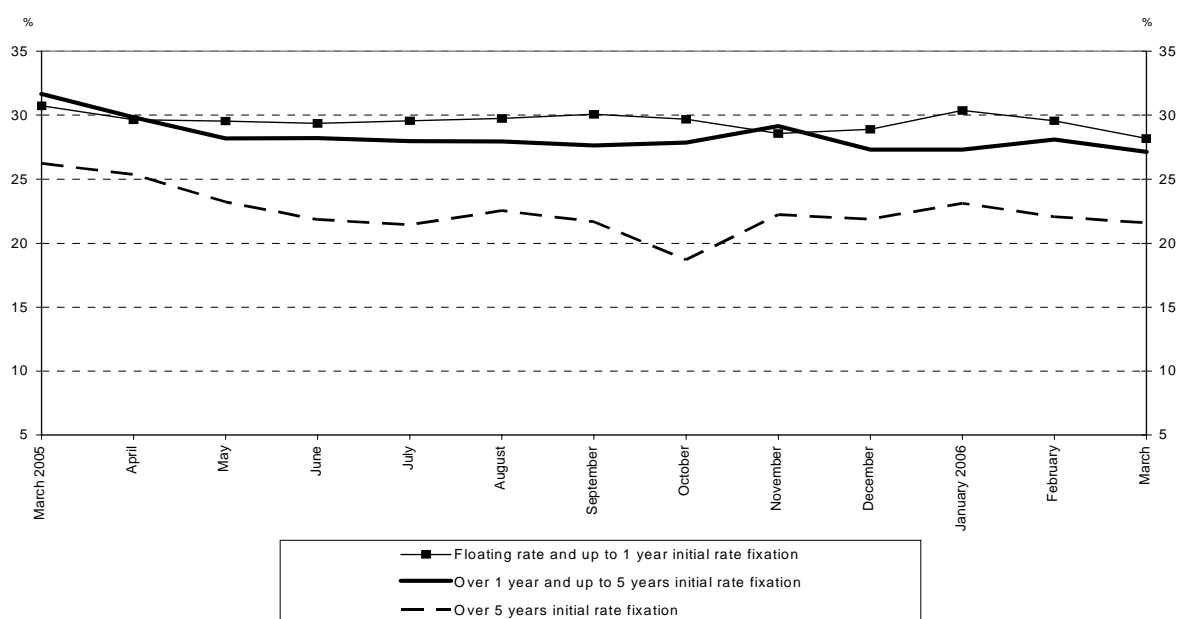
Chart 2 Monthly average interest rates on forint consumer credit



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 fell by 109 basis points to 21.11% and that on consumer credit with over 1 and up to 5 years initial rate fixation by 160 basis points to 17.39%. The average interest rate on consumer credit with over 5 years initial rate fixation changed by 6 basis points to 12.34%.

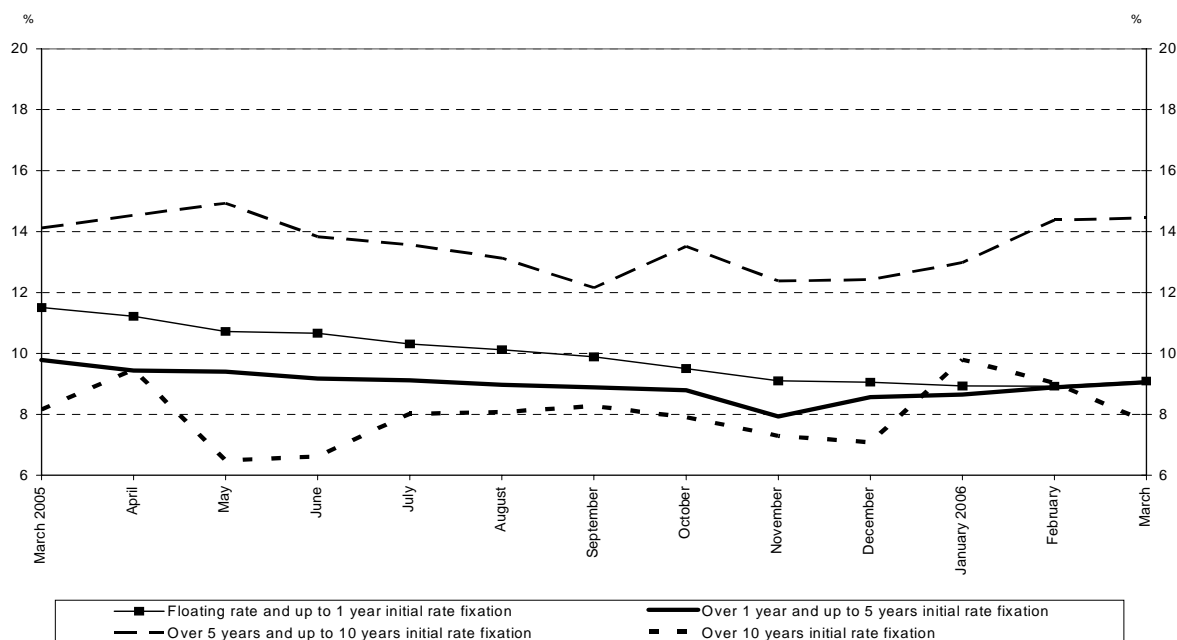
¹ This press release contains market interest rates and APR on bank loans for house purchase. In the case of subsidised housing loans, average interest rates and the APR include interest rates after adjusting for the amount of government subsidy.

Chart 3 Monthly average APR on forint consumer credit



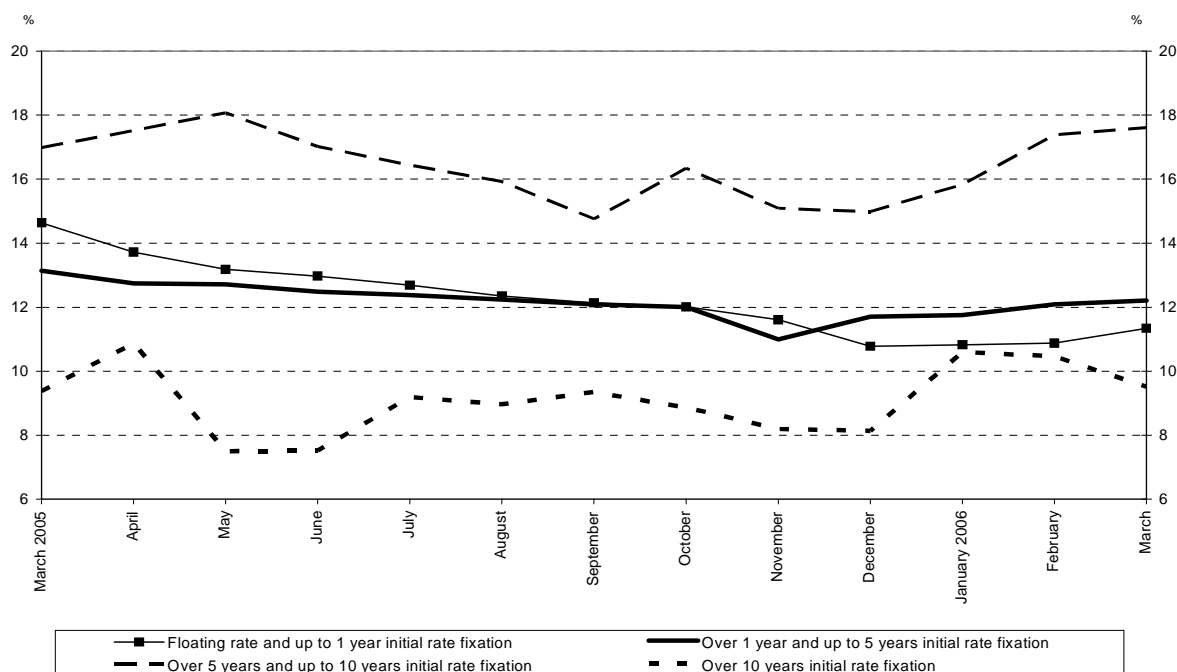
The average APR on consumer credit extended to the household sector with a floating interest rate or with up to 1 year initial rate fixation fell by 138 basis points to 28.18%; that on consumer credit with over 1 and up to 5 years initial rate fixation by 99 basis points 27.13%; and that on consumer credit with over 5 years initial rate fixation by 48 basis points 21.59%.

Chart 4 Monthly average interest rates on forint housing loans



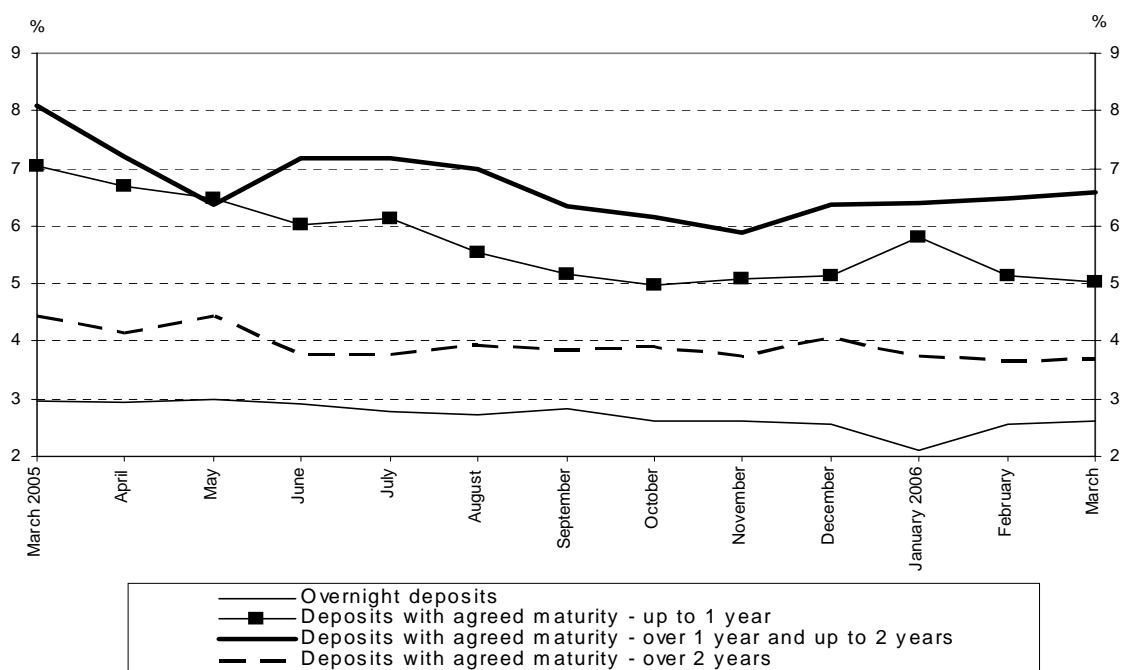
The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 17 basis point to 9.09%; that on loans with over 1 year and up to 5 years initial rate fixation by 17 basis points to 9.05%; that on loans with over 5 years and up to 10 years initial rate fixation by 7 basis points to 14.45%. The average interest rate on loans for house purchase with over 10 years initial rate fixation fell by 127 basis points to 7.76%, due to a change in the composition of outstanding credit.

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 rose by 46 basis points to 11.34%. The average APR on loans with over 1 year and up to 5 years initial rate fixation changed by 12 basis points to 12.21% and that on loans with over 5 years and up to 10 years initial rate fixation by 22 basis points to 17.61%. The average APR on loans for house purchase with over 10 years initial rate fixation fell by 96 basis points to 9.51%.

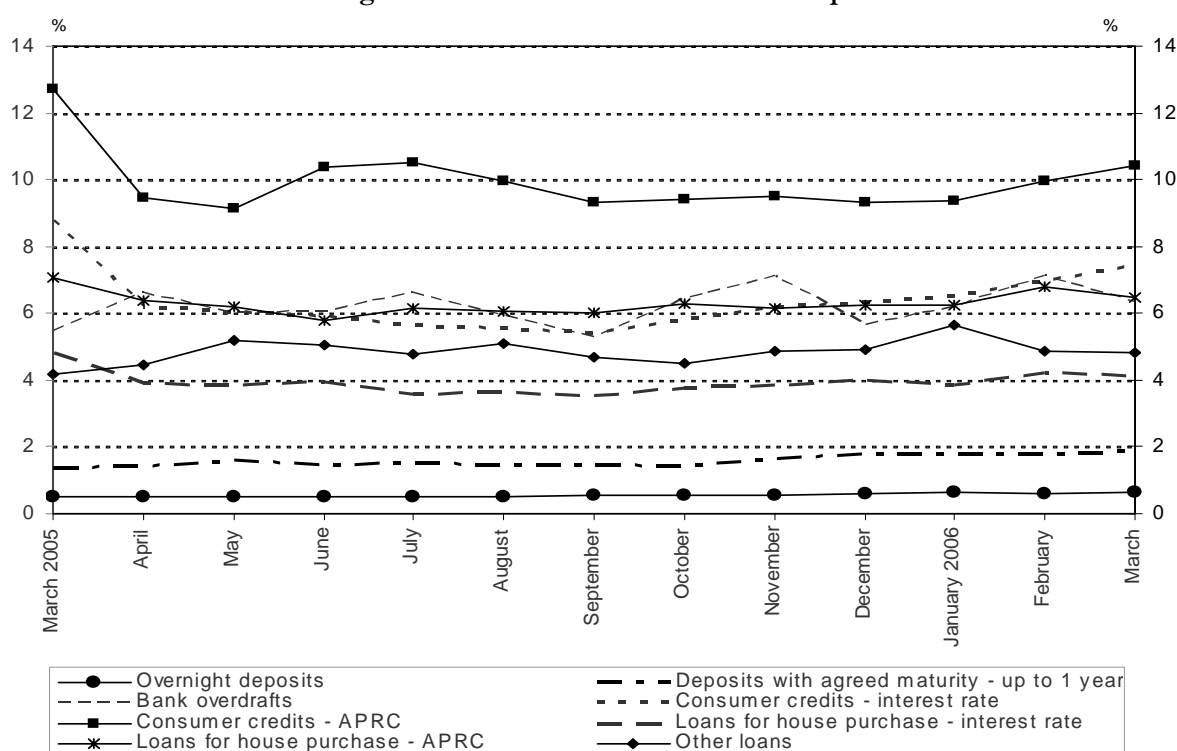
Chart 6 Monthly average interest rates on household forint deposits



The average of interest rates on households' overnight deposits changed by 4 basis points to 2.61%. The average interest rate on deposits with agreed maturity up to one year changed by 13 basis points to 5.02%; that on deposits with agreed maturity over 1 year and up to 2 years by 12 basis points to 6.58%; and that on deposits with agreed maturity over 2 years by 2 basis points to 3.69%. The amount of new time deposits from households was HUF 585.3 billion in March, up HUF 23.5 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



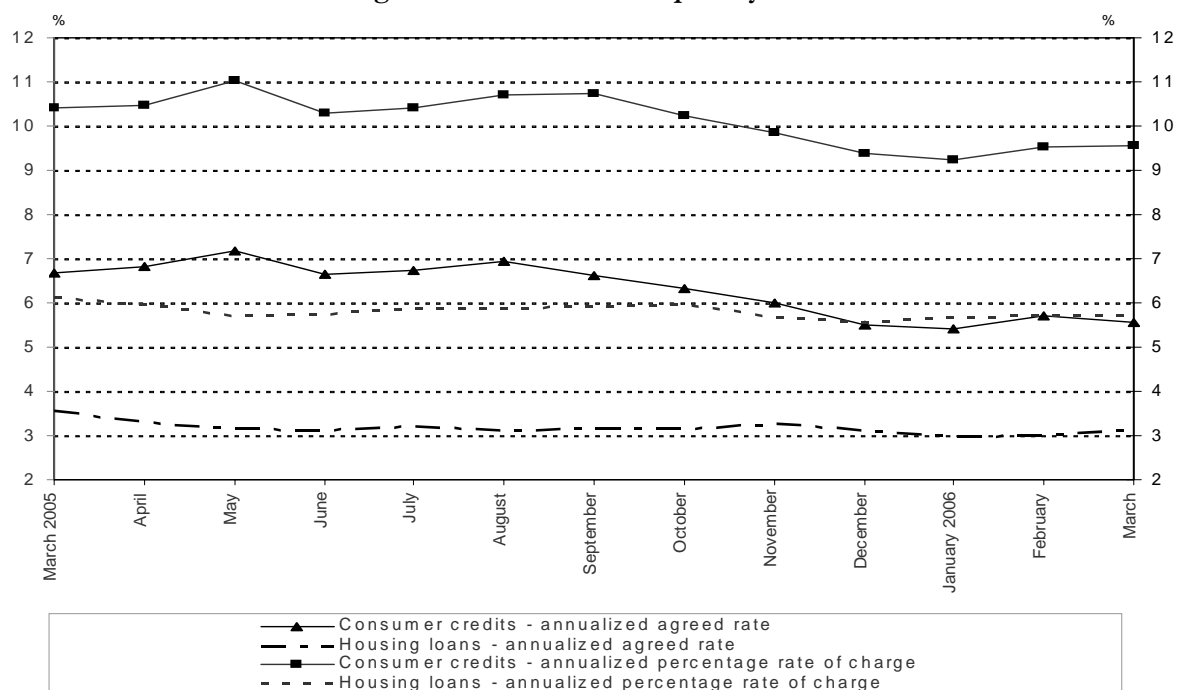
The average interest rate on euro overdrafts fell by 80 basis points to 6.33%, due to a one-off effect. The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 7 basis points to 4.14%, with the APR falling by 34 basis points to 6.46%. The average interest rate on consumer credit with floating interest rates or with up to 1 year initial rate fixation rose by 44 basis points to 7.43%, with the APR rising by 47 basis points to 10.43%. The average interest rate on other loans with floating interest rates or with up to 1 year initial rate fixation changed by 2 basis points to 4.84%. The amount of consumer credit extended to households with floating interest rates or with up to 1 year initial rate fixation fell by HUF 0.1 billion to HUF 1.3 billion. That of housing loans rose by HUF 0.3 billion to HUF 0.7 billion and that of other loans by HUF 1.9 billion to HUF 3.1 billion.

The average interest rate on euro deposits with agreed maturity up to one year changed by 11 basis points to 1.89% and that on overnight deposits by 3 basis point to 0.65%. The amount of deposits from households with agreed maturity up to one year rose by HUF 6.1 billion to HUF 63.9 billion.

² Chart 7 plots data on consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

1.3 Swiss franc-denominated consumer credit and housing loan rates

Chart 8 Average annualised agreed rates and APR on Swiss franc consumer credit and housing loans with floating interest rates or with up to 1 year initial rate fixation³



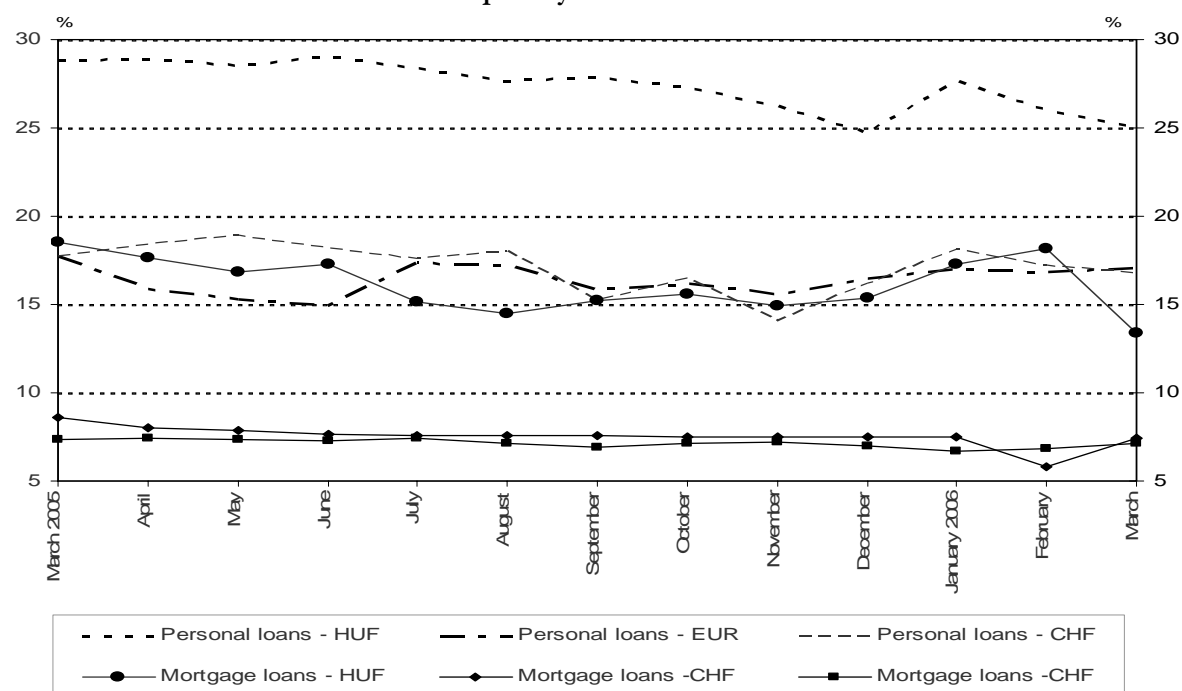
In March, the average annualised interest rate on Swiss franc-denominated consumer credit with floating interest rates or with up to 1 year initial rate fixation changed by 15 basis points to 5.55%, with the APR changing by 4 basis points to 9.57%.

The average annualised interest rate on Swiss franc-denominated loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 17 basis points to 3.16%, with the APR changing by 1 basis point to 5.72%.

³ Swiss franc-denominated consumer credit includes only personal loans and equity loans. Data on auto loans are not included, given that figures from few data providers are available. The Bank does not collect statistics on other loans denominated in Swiss francs (e.g. instalment loans).

1.4 APR on forint, euro and Swiss franc-denominated personal and equity loans

Chart 9 APR on forint, euro and Swiss franc personal and equity loans with floating interest rates or with up to 1 year initial rate fixation



In March, the average APR on forint loans with floating interest rates or with up to 1 year initial rate fixation fell by 103 basis points to 24.99%, that on euro loans changed by 20 basis points to 17.06% and that on Swiss franc loans fell by 44 basis points to 16.80%.

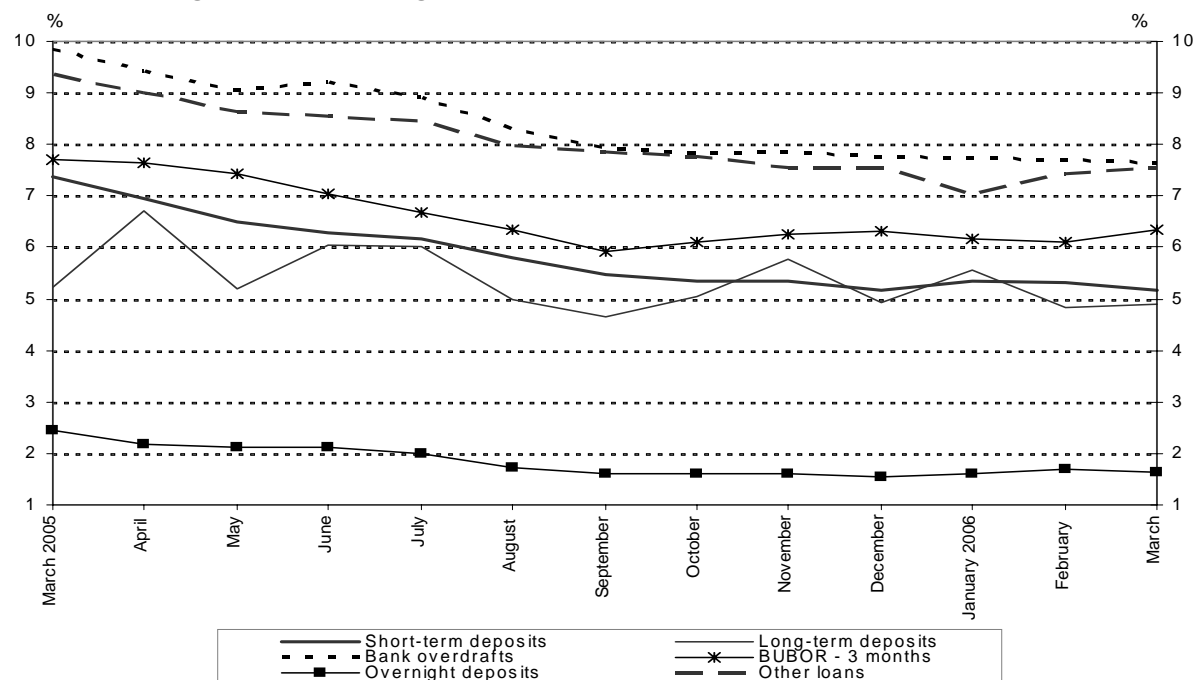
The average APR on forint loans for house purchase with floating interest rates or with up to 1 year initial rate fixation fell by 475 basis points to 13.38% due to a one-off effect,⁴ that on euro loans rose by 165 basis points to 7.44% and that on Swiss franc loans by 27 basis points to 7.12%.

⁴ The monthly amount of equity loans with floating interest rates or with up to 1 year initial rate fixation fluctuates around HUF 200–300 million; however, in March 2006 such loans originated by one credit institutions surged, as an effect of which the amount of new loan contracts rose to HUF 581 million.

2 Non-financial corporations

2.1 Forint loans and deposits

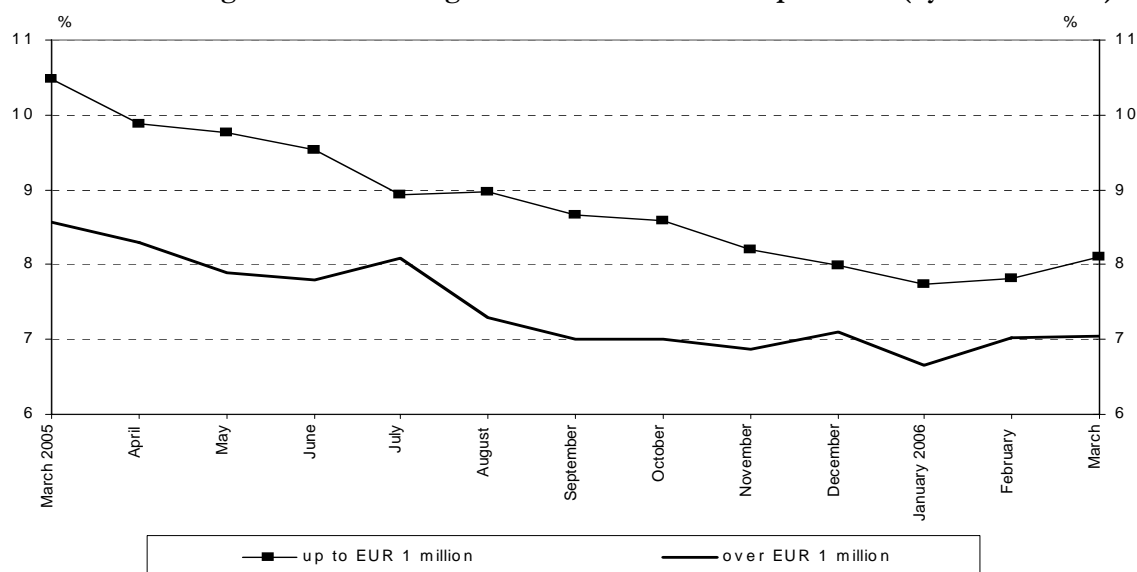
Chart 10 Average forint borrowing and deposits rates of non-financial corporations and BUBOR



The average interest rate on overdrafts provided to non-financial corporations changed by 5 basis points to 7.65% and that of interest rates on loans other than overdrafts by 13 basis points to 7.55%. The amount of loans granted, excluding overdrafts, was HUF 167.7 billion in March, rising by HUF 17.6 billion relative to the preceding month.

The average of interest rates on deposits with agreed maturity up to one year changed by 16 basis points to 5.16% and that of interest rates on deposits with agreed maturity over one year by 6 basis points to 4.89%. The amount of new time deposits from non-financial corporations was HUF 1,414.4 billion in March, HUF 289.4 billion higher than in February. The average interest rate on overnight deposits changed by 6 basis points to 1.63%.

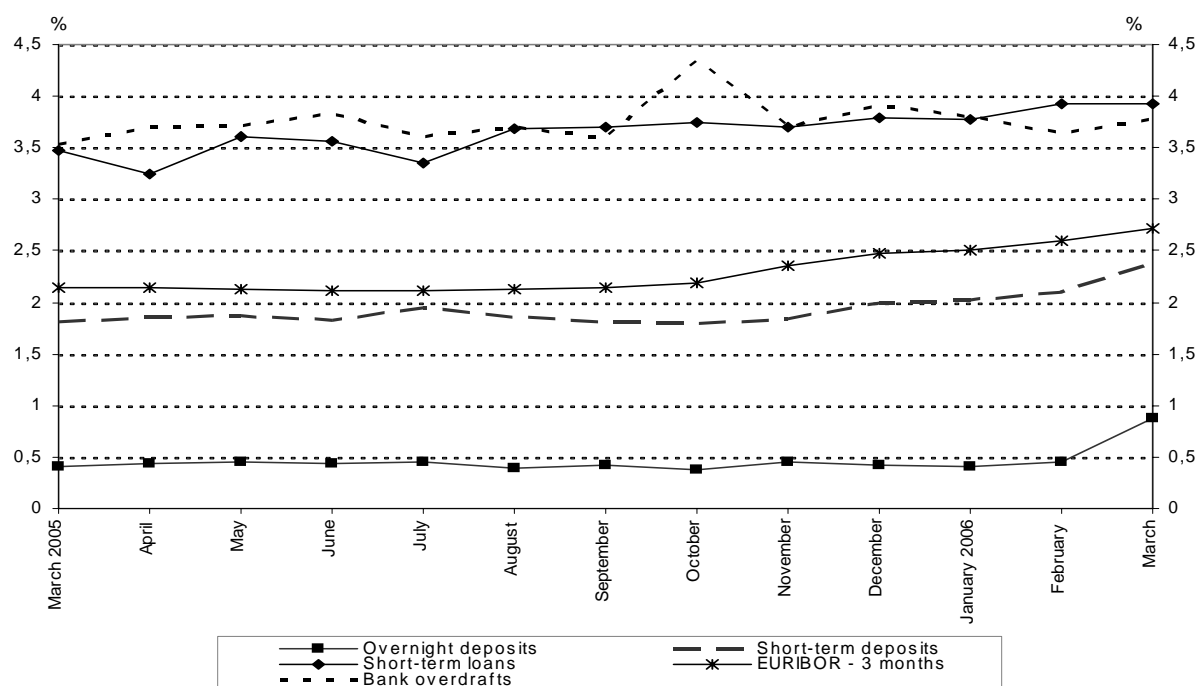
Chart 11 Average forint borrowing rates of non-financial corporations (by loan amount)



The average interest rate on forint loans provided to non-financial corporations up to the equivalent of EUR 1 million,⁵ excluding bank overdrafts, rose by 29 basis points to 8.10%, while that of forint loans over the equivalent of EUR 1 million remained unchanged at 7.03%.

2.2 Euro loans and deposits

Chart 12 Monthly average forint borrowing and deposit rates of non-financial corporations and EURIBOR



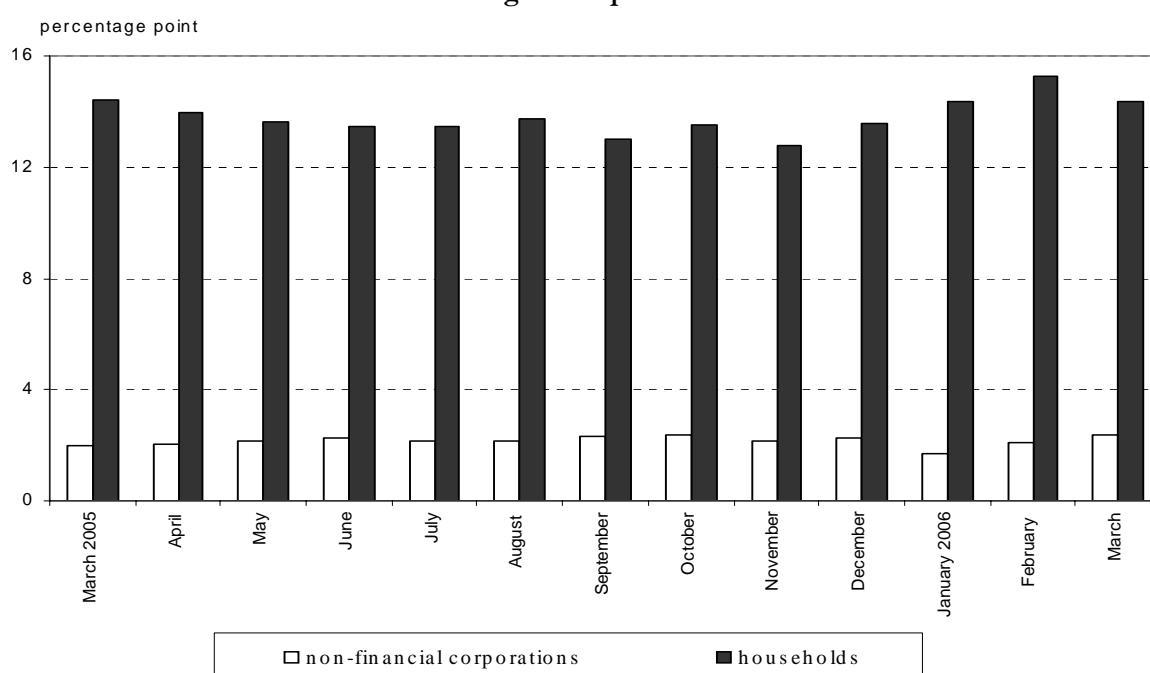
⁵ Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

In March, the average interest rate on euro overdrafts provided to non-financial corporations changed by 14 basis points to 3.77% and that on loans with floating interest rates or with up to 1 year initial rate fixation, other than overdrafts, by 1 basis point to 3.92%. The amount of new loans with floating interest rates or with up to 1 year initial rate fixation, excluding overdrafts, was HUF 148.8 billion, rising by HUF 39.1 billion relative to the preceding month.

The average of interest rates on NFCs' overnight deposits rose by 42 basis points to 0.87%, due to a one-off effect, and that of interest rates on deposits with agreed maturity up to one year rose by 28 basis point to 2.38%. The amount of new time deposits from non-financial corporations was higher by HUF 289.4 billion, at HUF 727.3 billion.

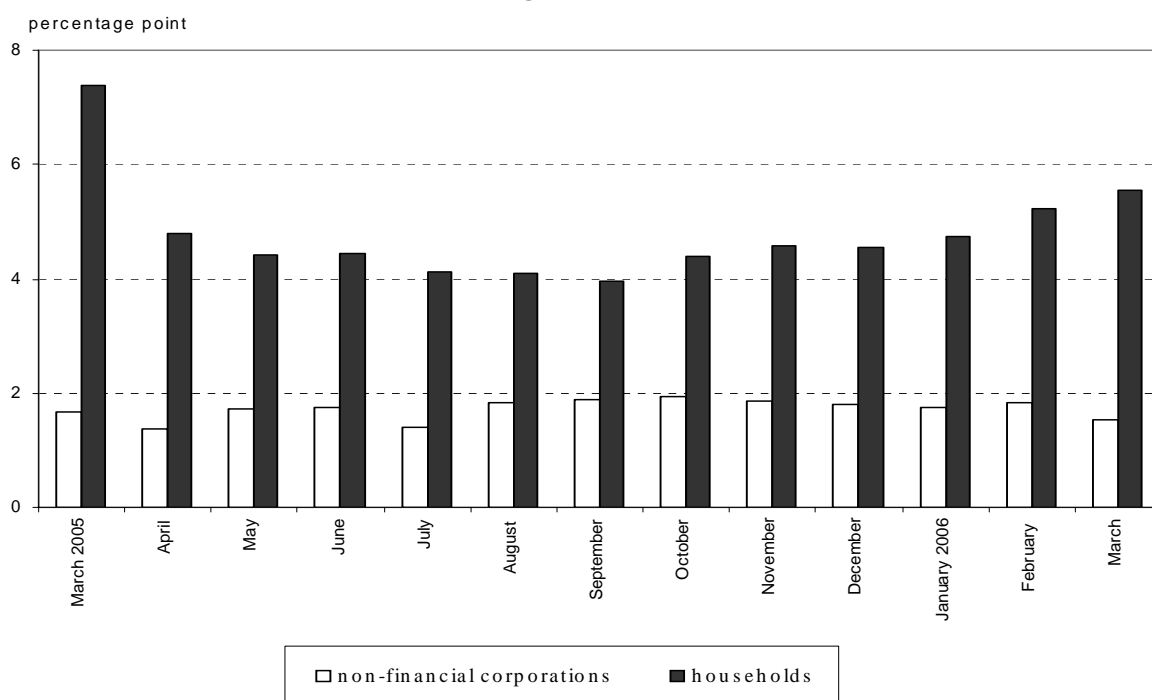
3 Differentials between loan and deposit rates

Chart 13 Differential between non-financial corporate and household sector forint borrowing and deposit rates



In the household market, the differential between average interest rates on consumer credit and on deposits with agreed maturity up to one year narrowed from 15.28 percentage points to 14.35 percentage points. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates increased from 2.09 percentage points to 2.35 percentage points.

Chart 14 Differential between non-financial corporate and household sector euro borrowing and deposit rates



In the household market, 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 increased from 5.22 percentage points to 5.55 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 fell from 1.82 percentage points to 1.54 percentage points.

4 Interbank unsecured forint loans

Chart 15 Average official and forint interbank rates

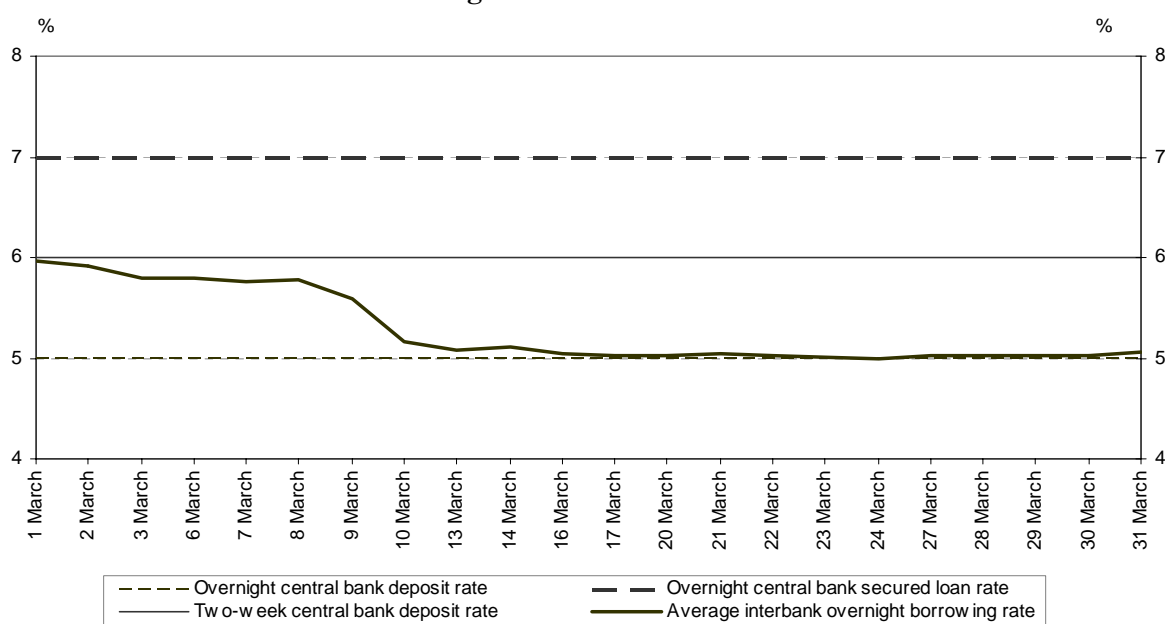
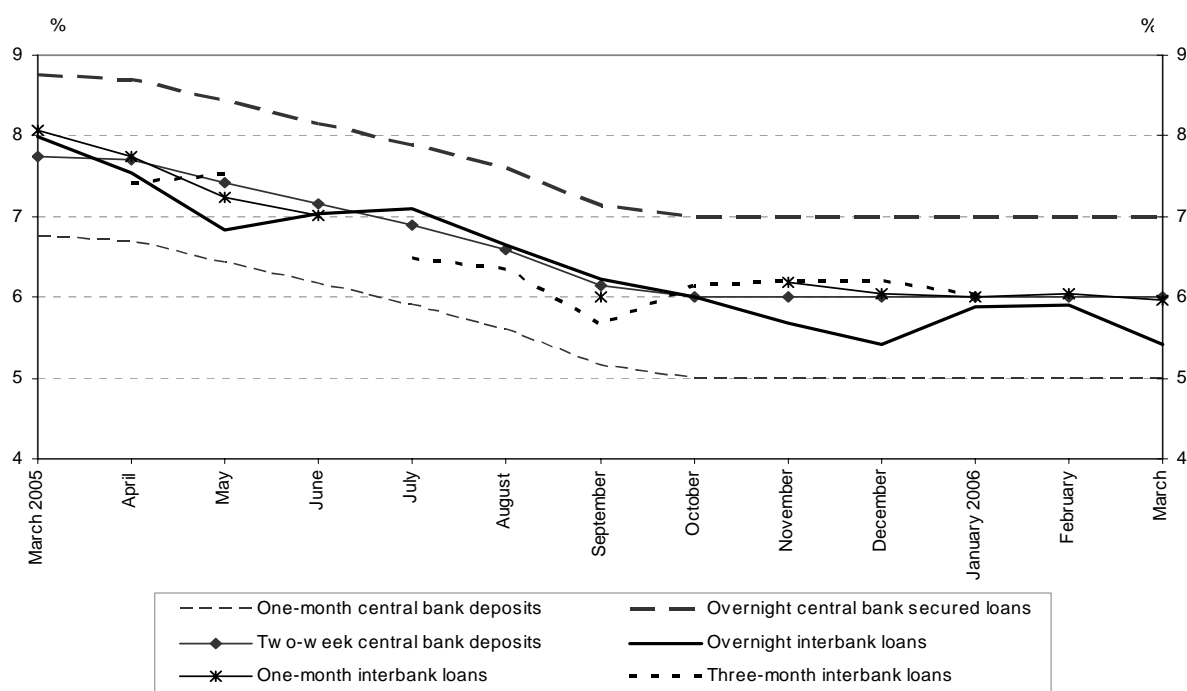


Chart 16 Average official and forint interbank rates



Turnover in the forint interbank market amounted to HUF 1,986.9 billion in March. That was down HUF 484.6 billion on the preceding month. The average overnight lending rate, weighted by the total amount of transactions, fell by 49 basis points to 5.41% and that on loans provided for one month changed by 7 basis points to 5.97%. No interbank loan was made at three months in March.

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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:

http://english.mnb.hu/engine.aspx?page=mnben_statistikai_idosorok

under IX. Money and capital markets

MAGYAR NEMZETI BANK
STATISTICS

Notes to the press release charts

From 2006, the Bank has been using a sampling technique to define the range of data providers, in order to reduce the cost burden on reporting institutions. The disaggregation of the reporting population into homogenous strata has served as a basis for setting the sample. As a result, the composition of reporting institutions has changed, with the number of data providers falling.

Generally, the change in the range of data providers has not influenced developments in average interest rates, except in the case of certain loan facilities (e.g. loans for house purchase with over 10 years initial rate fixation), where few data providers reported significantly different data in 2005. Here, the change in the range of reporting institutions has amplified the effect of changes in the composition of loans.

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.

In the time series downloadable from the MNB's website, consumer credit is further broken down by purpose:

- Personal loans,
- Car purchase loans,
- Mortgage loans for consumption,⁶
- Loans for purchase of goods or other⁷

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.

Charts 1 and 7

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.

⁶ The Bank has been collecting data on forint, euro and Swiss franc equity loans since January 2005.

⁷ The Bank collects data only on forint instalment loans and other consumer credit.

Charts 2, 3, 4, 5, 7, 8, 9, 12

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 deposits are calculated using end-of-month stocks as weights. Time deposits are classified into the various categories on the basis of original maturity.

Chart 8

Annualised interest rate is an indicator which takes into account the frequency of interest payment. If interest was paid only once a year, the annualised interest rate would be equal to the agreed interest rate. However, in the case of the majority of loan and deposit contracts, interest is paid more than once a year, so the annualised interest rate slightly exceeds the agreed interest rate. If interest was paid with a frequency of less than a year, the annualised interest rate would be lower than the agreed interest rate.

For example, assuming monthly interest payments, the annualised interest rate calculated on the basis of a 10% p.a. interest rate is 10.5%, and 10.3% assuming semi-annual interest payments.

Charts 10 and 12

Average interest rates on time deposits are calculated using the total amount of new loans as weight, while those on overnight 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 11

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