

30 June 2006

## PRESS RELEASE

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

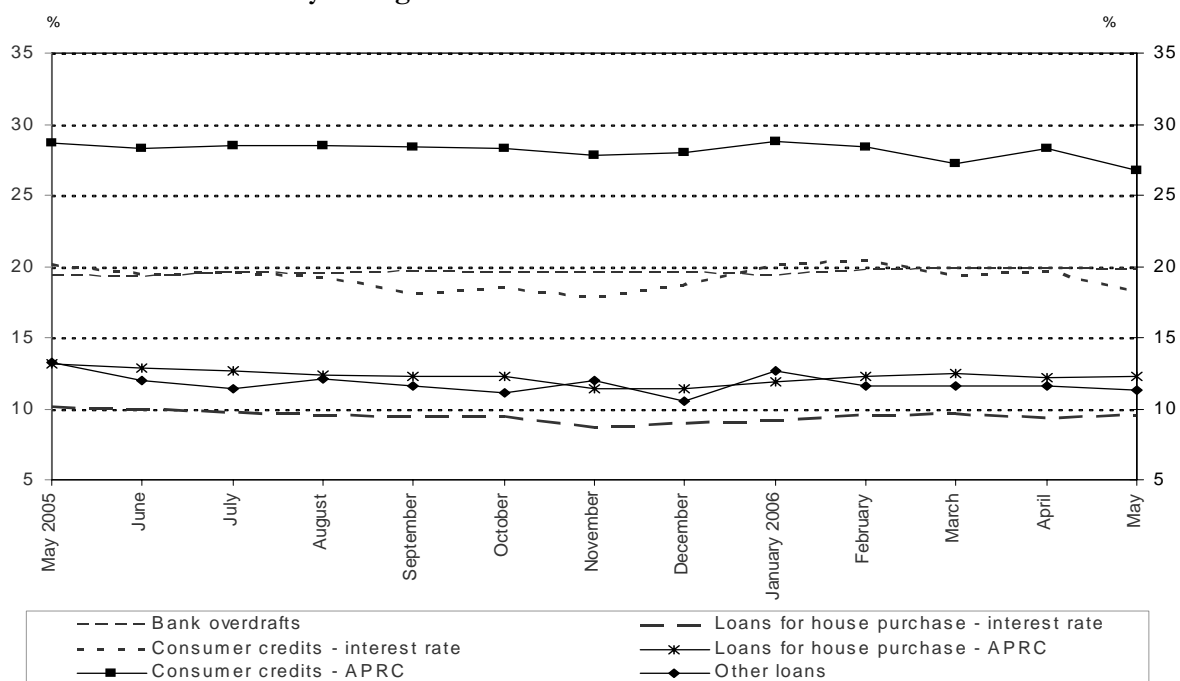
*In May 2006, the average interest rate and APR on forint consumer credit fell due to interest rate changes. The average interest rate on the household sector's short-term deposits rose a little. The average interest rate on deposits with agreed maturity over two years were slightly higher than in the preceding month. The average interest rate on overdrafts to non-financial corporations rose due to interest rate changes, while the average interest rate on forint loans, except overdrafts, fell, also as an effect of interest rate changes. The average interest rate on non-financial corporations' deposits with agreed maturity over one year fell slightly, due to interest rate changes.*

*Average interest rates on euro overdrafts and deposits with agreed maturity up to one year fell due to a composition effect. Average interest rates on housing loans and other loans were slightly lower, while the average interest rate on consumer credit was higher, due to a change in the composition of loans.*

#### 1 Households

##### 1.1 Forint loans and deposits

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



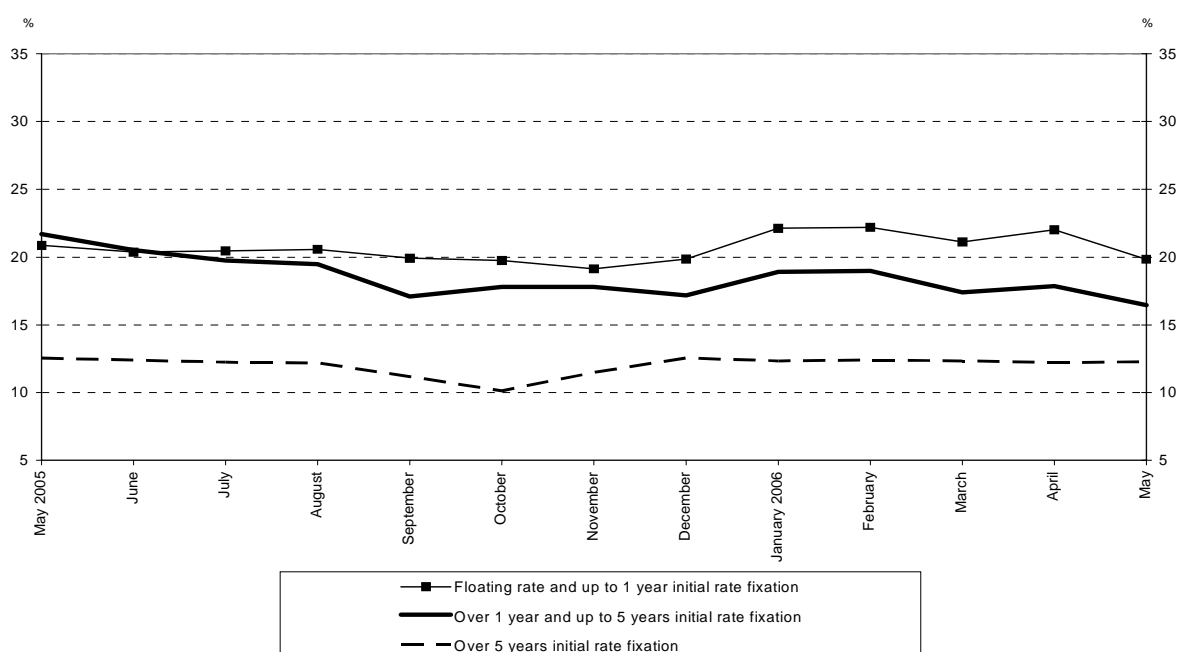
The average interest rate on the household sector's overdrafts changed by 5 basis points to 19.77%. The average interest rate and APR on bank housing loans<sup>1</sup> changed by 13 basis points to 9.54% and by 18 basis points to 12.33% respectively. The average interest rate on consumer credit was 147 basis points lower, at 18.19%, with the APR falling by 158 basis points to 26.70%. The average interest rate on other loans fell by 25 basis points to 11.30%.

The monthly amount of consumer credit was HUF 22.3 billion in May. That was HUF 2.1 billion higher than in the preceding month. Excluding overdrafts, consumer credit as a proportion of new loans rose from 51.1% in April to 53.4% in the month under review.

The monthly amount of loans provided for house purchase was HUF 13.7 billion, up HUF 1.8 billion from April. Excluding overdrafts, housing loans as a proportion of new loans rose from 30.1% to 32.8% in one month.

The monthly amount of other loans was HUF 5.8 billion in May. This accounted for 13.8% of total new loans, excluding overdrafts. The amount of new other loans extended to households fell by HUF 1.7 billion and their percentage share of the total by 5.0 percentage points.

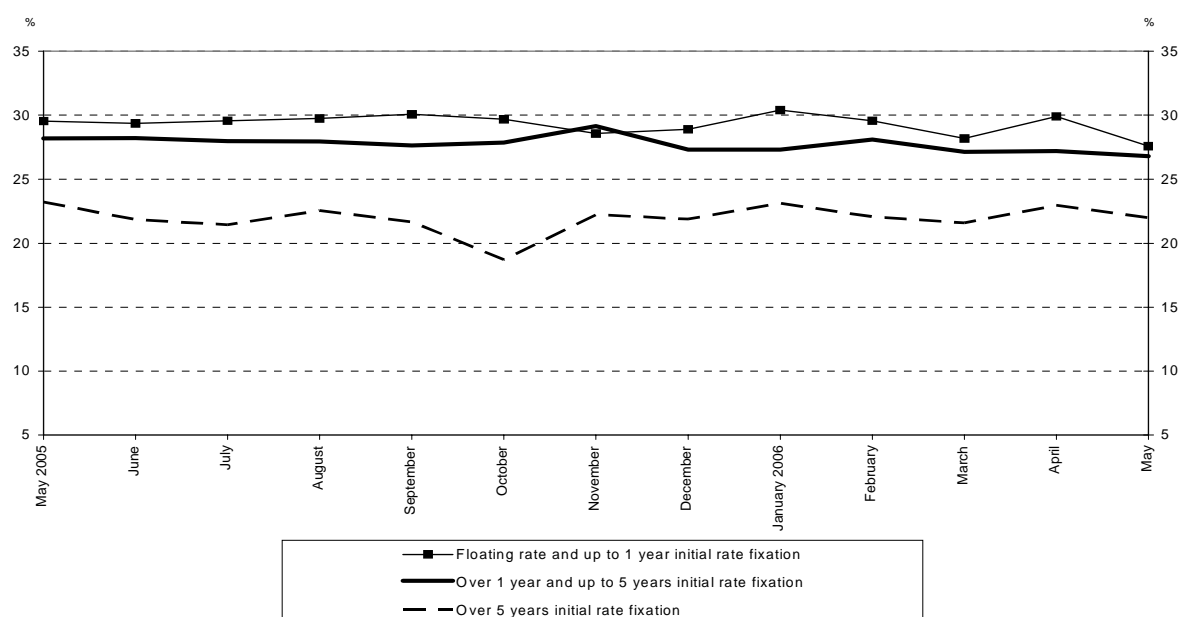
**Chart 2 Monthly average interest rates on forint consumer credit**



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 218 basis points to 19.83%, due to interest rate changes, and that on consumer credit with over 1 and up to 5 years initial rate fixation fell by 142 basis points to 16.45%, due to a composition effect. The average interest rate on consumer credit with over 5 years initial rate fixation changed by 4 basis points to 12.27%.

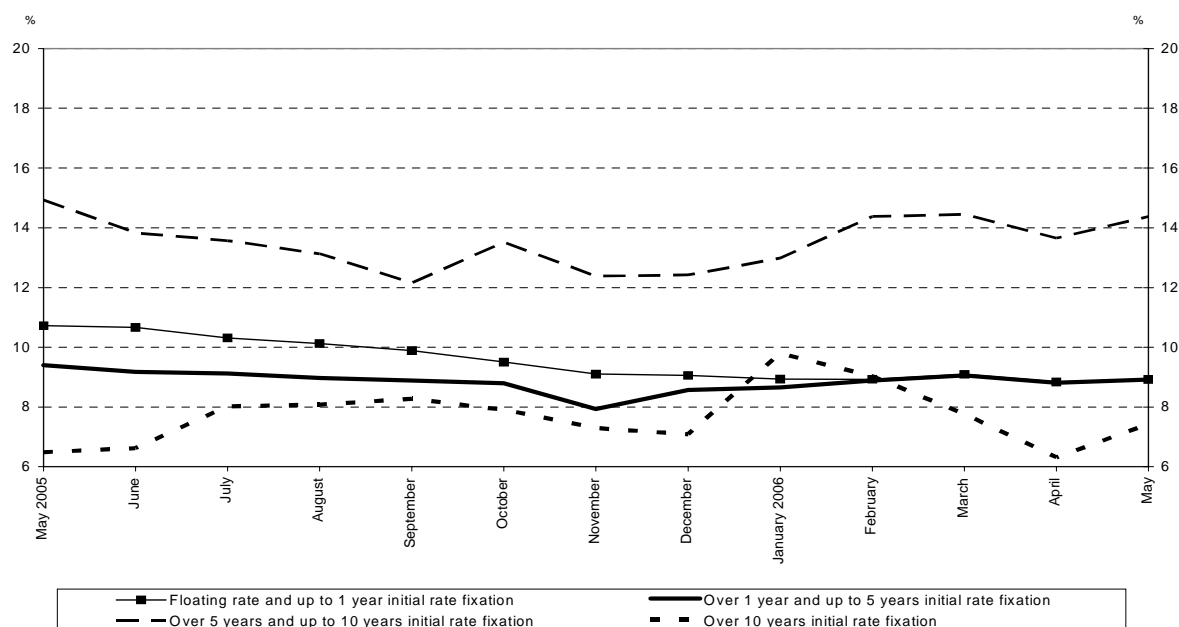
<sup>1</sup> This press release contains market interest rates and APR on bank loans for house purchase. In the case of subsidised housing loans, average interest rates and the APR include interest rates after adjusting for the amount of government subsidy.

**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 233 basis points to 27.58%, due to declines in individual APRs. That on consumer credit with over 1 and up to 5 years initial rate fixation fell by 41 basis points to 26.80%; and that on consumer credit with over 5 years initial rate fixation fell by 96 basis points to 21.99%, due to declines in individual APRs.

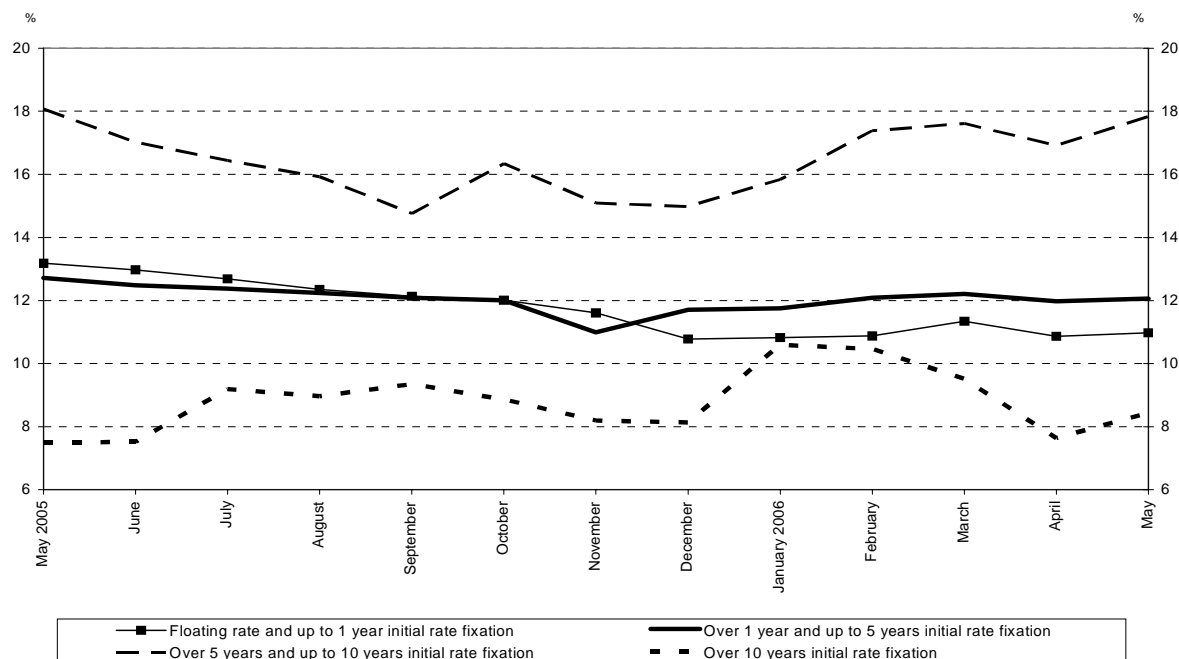
**Chart 4 Monthly average interest rates on forint housing loans**



The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 8 basis point to 8.92%; and that on loans with over 1 year and up to 5 years initial rate fixation by 10 basis points to 8.92%. That on loans with over 5 years and up to 10 years initial rate fixation rose by 72 basis points to 14.37% and that on loans for house

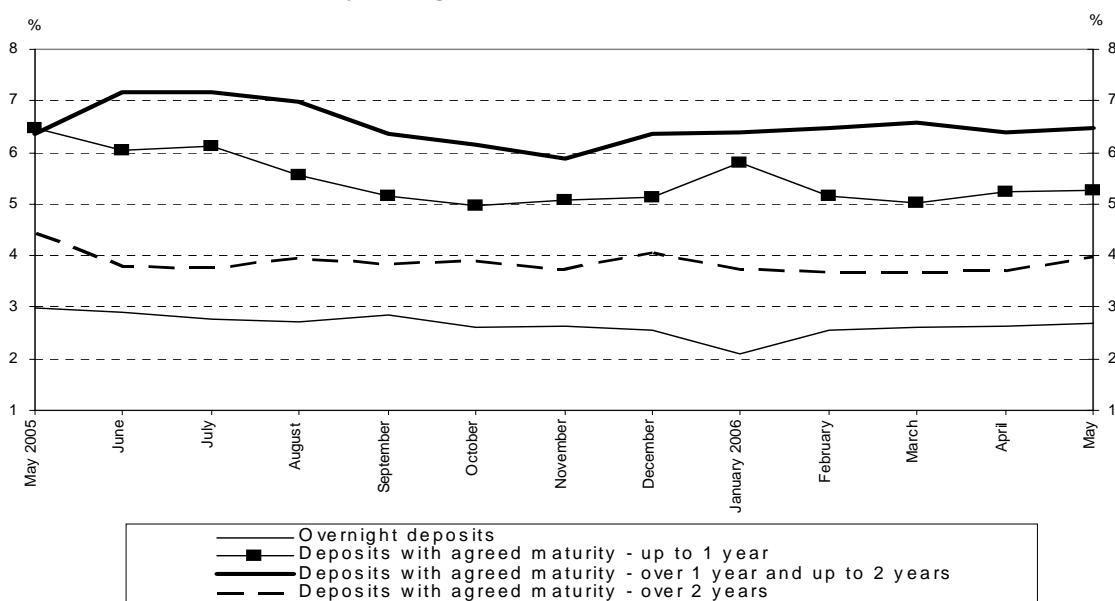
purchase with over 10 years initial rate fixation fell by 111 basis points to 6.32%, both due to a change in the composition of outstanding credit.

**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 changed by 11 basis points to 10.97%; that on loans with over 1 year and up to 5 years initial rate fixation by 9 basis points to 12.06%. That on loans with over 5 years and up to 10 years initial rate fixation rose by 92 basis points to 17.84% and that on loans for house purchase with over 10 years initial rate fixation by 80 basis points to 8.44%. The rise in the average APR on loans for house purchase with over 5 years initial rate fixation was caused by a change in the composition of outstanding loans.

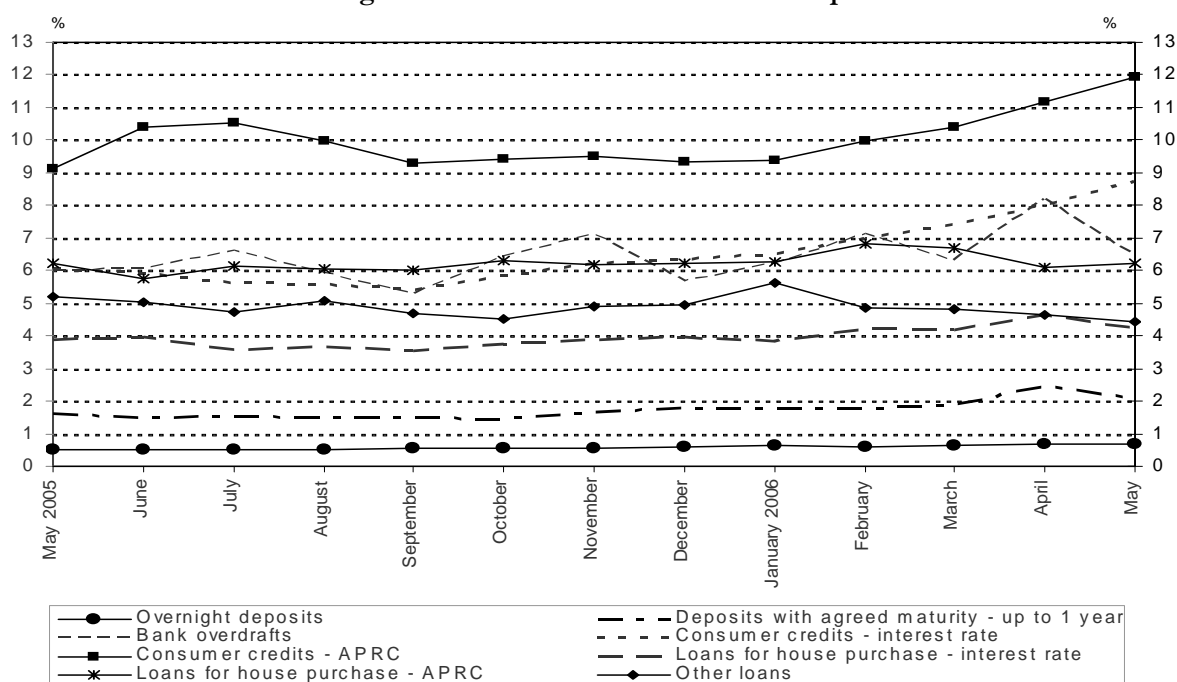
**Chart 6 Monthly average interest rates on household forint deposits**



The average of interest rates on households' overnight deposits changed by 6 basis points to 2.70%. The average interest rate on deposits with agreed maturity up to one year changed by 3 basis points to 5.26%; that on deposits with agreed maturity over 1 year and up to 2 years changed by 6 basis points to 6.47% and that on deposits with agreed maturity over 2 years rose by 26 basis points to 3.97%. The amount of new time deposits from households was HUF 627.3 billion in May, up HUF 32.1 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 deposits<sup>2</sup>**



The average interest rate on euro overdrafts fell by 173 basis points to 6.45%, due to a composition effect.<sup>3</sup> The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation fell by 44 basis points to 4.22%, with the APR changing by 12 basis points to 6.22%. The average interest rate on consumer credit with floating interest rates or with up to 1 year initial rate fixation rose by 74 basis points to 8.73%, due to a change in the composition of loans, with the APR rising by 77 basis points to 11.94%. The average interest rate on other loans with floating interest rates or with up to 1 year initial rate fixation fell by 20 basis points to 4.45%. The amount of consumer credit extended to households with floating interest rates or with up to 1 year initial rate fixation remained unchanged at HUF 1.0 billion; that of housing loans fell by HUF 0.4 billion to HUF 0.6 billion; and that of other loans rose by HUF 0.5 billion to HUF 1.5 billion.

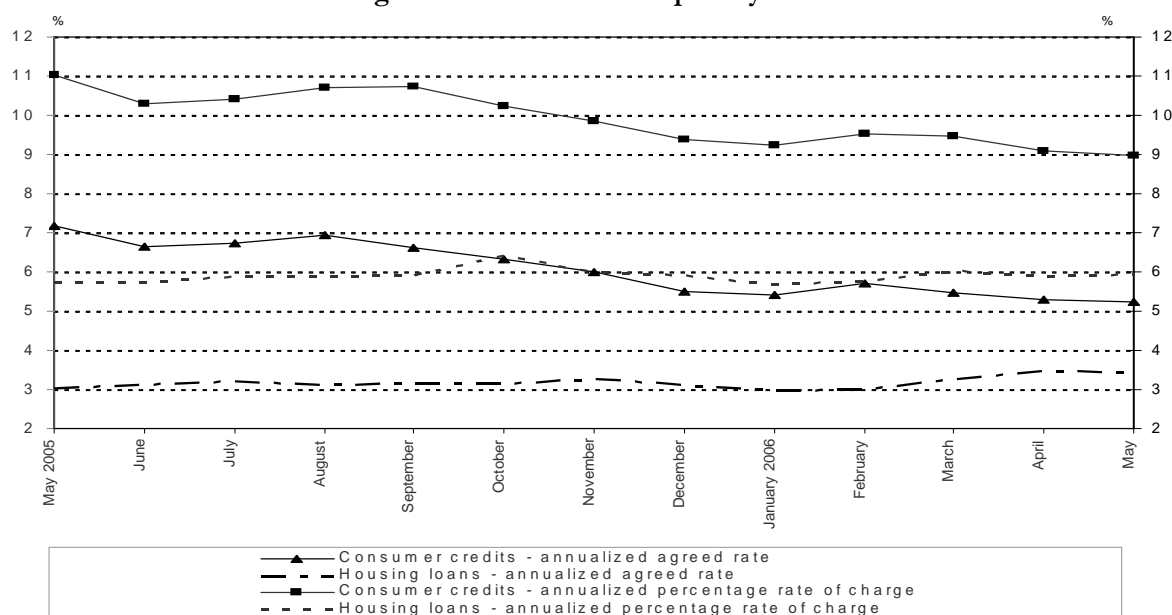
<sup>2</sup> Chart 7 plots data on consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

<sup>3</sup> Average interest rates on overdrafts shows a significant degree of fluctuation, due to the fact that they also include credit card loans ensuring interest-free periods. Consequently, the percentage share of card loans with a 0% interest rate within the interest-free period influences the average interest rate. In May, the composition of overdrafts outstanding changed, with a lower share of loans with higher rates of interest within total transactions.

The average interest rate on euro deposits with agreed maturity up to one year fell by 37 basis points to 2.08%, due to a composition effect,<sup>4</sup> and that on overnight deposits changed by 2 basis points to 0.70%. The amount of deposits from households with agreed maturity up to one year rose by HUF 7.8 billion to HUF 80.3 billion.

### 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 fixation<sup>5</sup>**



In May, 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 8 basis points to 5.23%, with the APR changing by 10 basis points to 8.97%.

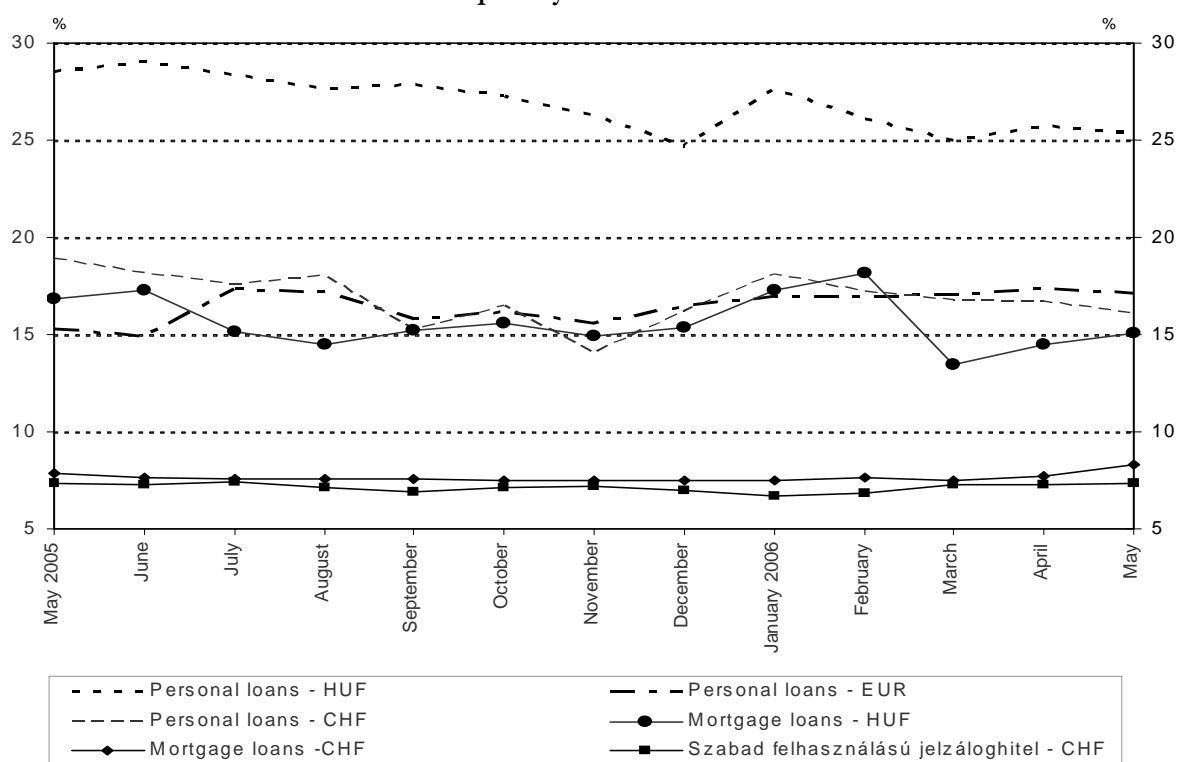
The average annualised interest rate on Swiss franc-denominated loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 3 basis points to 3.45%, with the APR changing by 5 basis point to 5.94%.

<sup>4</sup> In April, large amounts of deposits flowed into a special, high-yielding facility offered by one data provider, this causing a higher average interest rate in April than the trend.

<sup>5</sup> 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. hire purchases).

## 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**



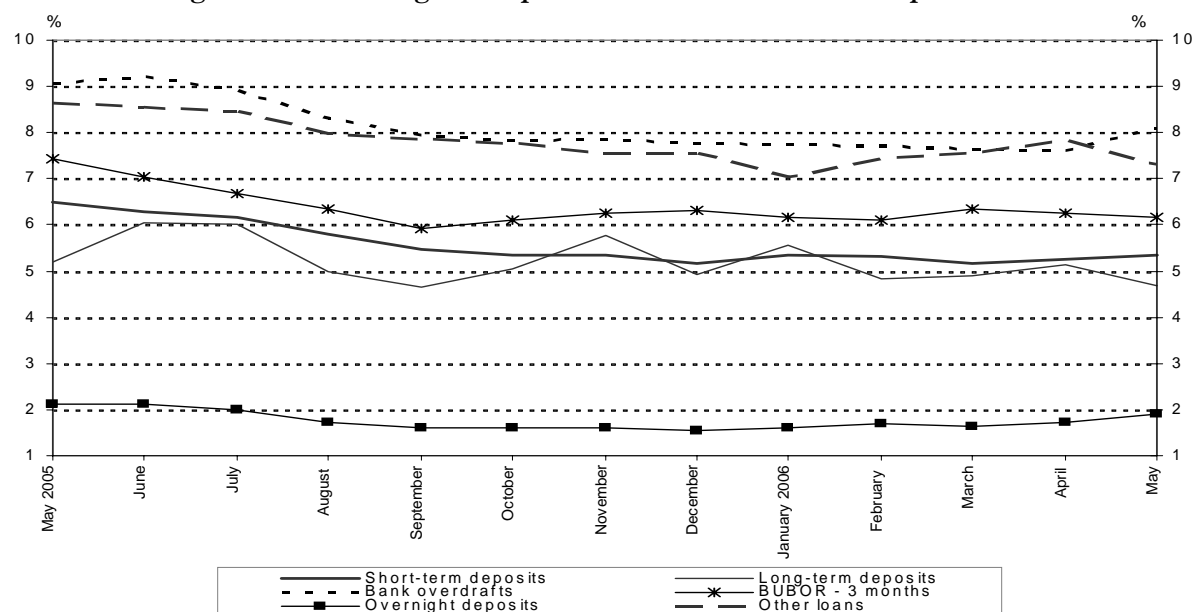
In May, the average APR on forint loans with floating interest rates or with up to 1 year initial rate fixation fell by 32 basis points to 25.40% and that on euro loans changed by 17 basis points to 17.16%. The average APR on Swiss franc loans fell by 55 basis points to 16.14% in the month, due to changes in individual APRs.

The average APR on forint loans for house purchase with floating interest rates or with up to 1 year initial rate fixation rose by 61 basis points to 15.07% and that on euro loans by 59 basis points to 8.32%. The average APR on Swiss franc loans changed by 8 basis points to 7.36% in the month.

## 2 Non-financial corporations

### 2.1 Forint loans and deposits

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

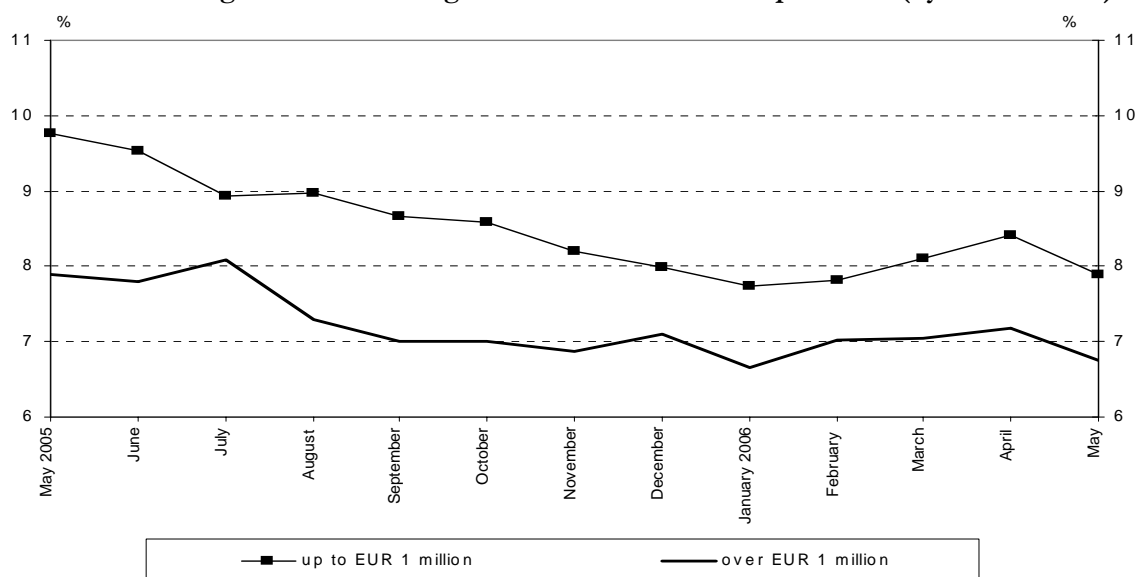


The average interest rate on overdrafts provided to non-financial corporations rose by 48 basis points to 8.10%, due to interest rate changes, and that of interest rates on loans other than overdrafts fell by 50 basis points to 7.32%, due mainly to interest rate changes. The amount of loans granted, excluding overdrafts, was HUF 186.2 billion in May, rising by HUF 17.7 billion relative to the preceding month.

The average of interest rates on deposits with agreed maturity up to one year changed by 9 basis points to 5.35% and that of interest rates on deposits with agreed maturity over one year fell by 46 basis points to 4.67%. The amount of new time deposits from non-financial corporations was HUF 1,437.2 billion in May, HUF 78.3 billion lower than in April. The average interest rate on overnight deposits changed by 16 basis points to 1.89%.



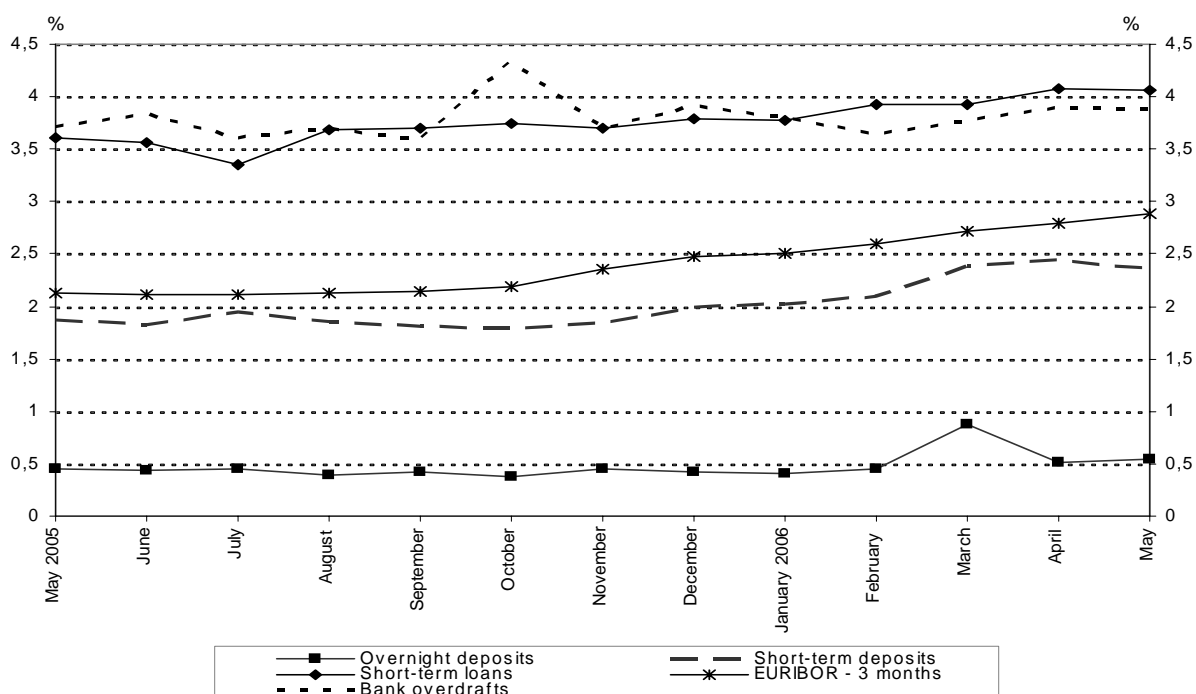
**Chart 11 Average forint borrowing rates of non-financial corporations (by loan amount)**



The average interest rate on forint loans provided to non-financial corporations up to the equivalent of EUR 1 million,<sup>6</sup> excluding bank overdrafts, fell by 52 basis points to 7.89% and that of forint loans over the equivalent of EUR 1 million by 44 basis points to 6.75%.

## 2.2 Euro loans and deposits

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



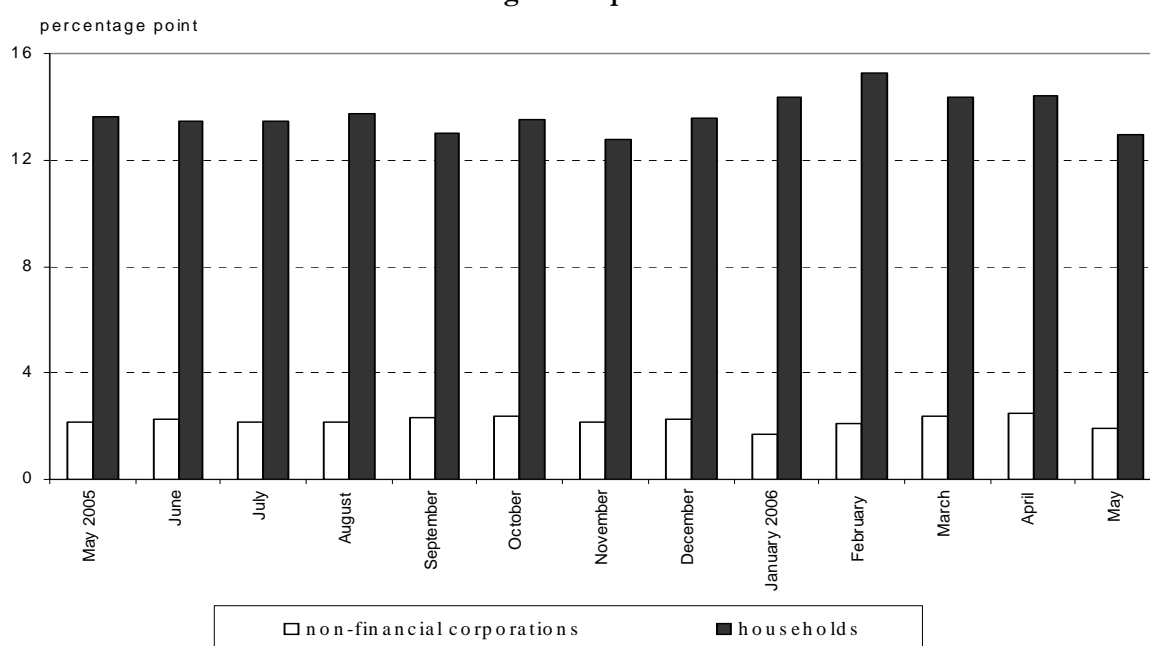
<sup>6</sup> Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

In May, the average interest rate on euro overdrafts provided to non-financial corporations changed by 2 basis points to 3.88% and that on loans with floating interest rates or with up to 1 year initial rate fixation, other than overdrafts, by 2 basis points to 4.05%. The amount of new loans with floating interest rates or with up to 1 year initial rate fixation, excluding overdrafts, was HUF 123.0 billion, rising by HUF 2.7 billion relative to the preceding month.

The average of interest rates on NFCs' overnight deposits changed by 3 basis points to 0.55% and that of interest rates on deposits with agreed maturity up to one year by 9 basis point to 2.36%. The amount of new time deposits from non-financial corporations was lower by HUF 283.8 billion, at HUF 539.5 billion.

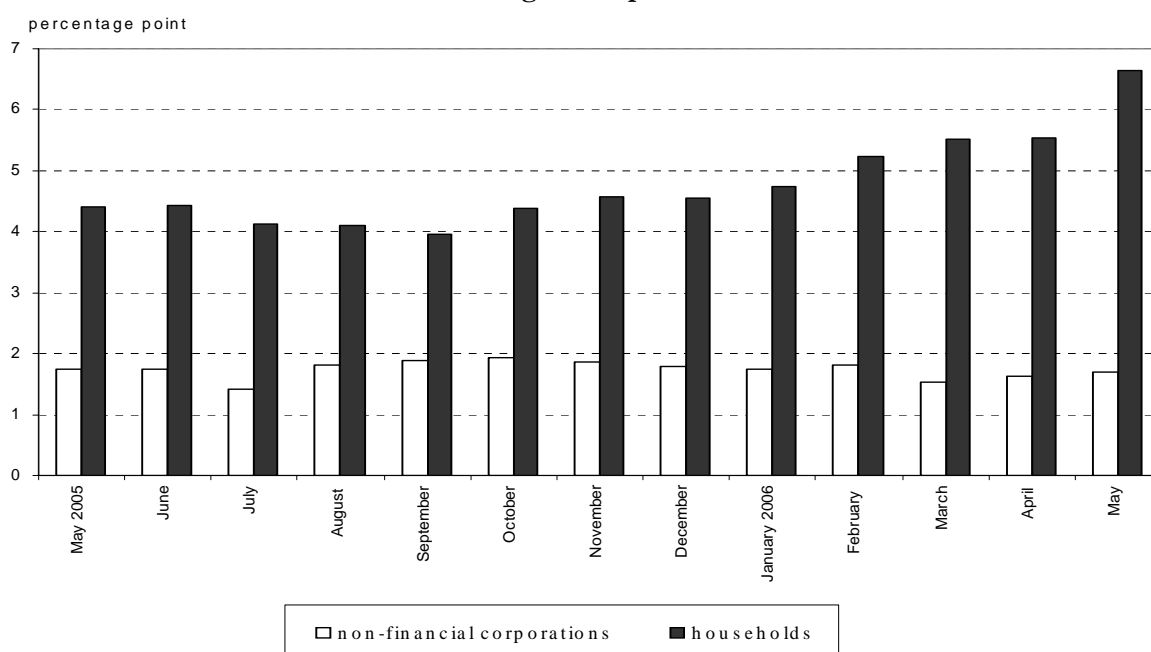
### 3 Differentials between loan and deposit rates

**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 14.42 percentage points to 12.93 percentage points. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates fell from 2.49 percentage points to 1.91 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 5.54 percentage points to 6.65 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 1.63 percentage points to 1.70 percentage points.

#### 4 Interbank unsecured forint loans

**Chart 15 Average official and forint interbank rates**

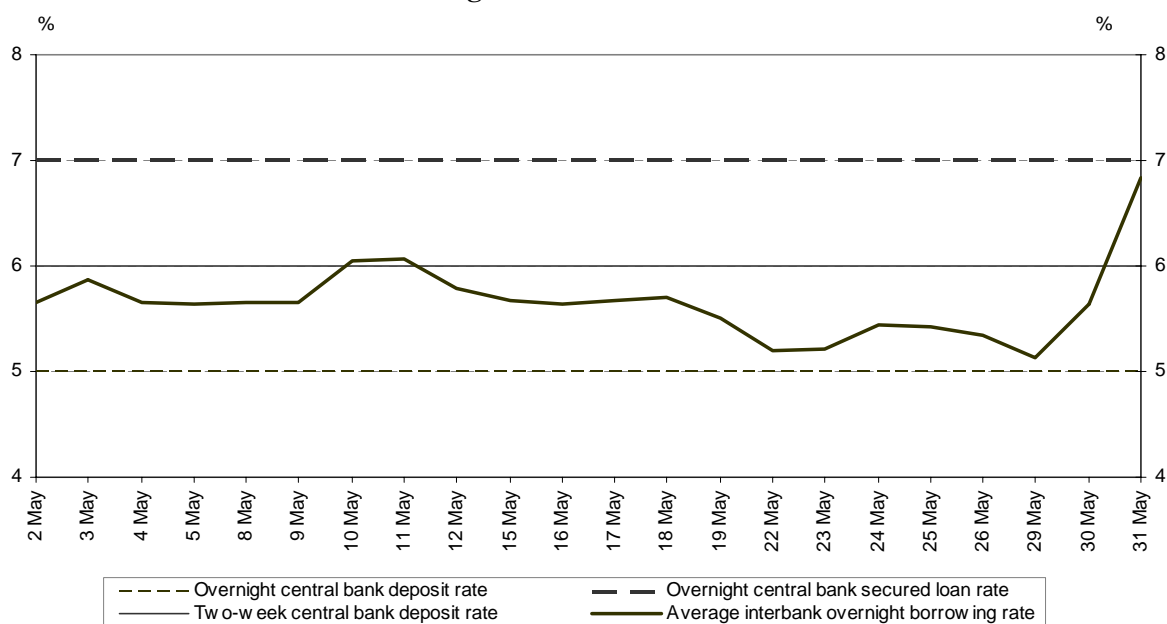
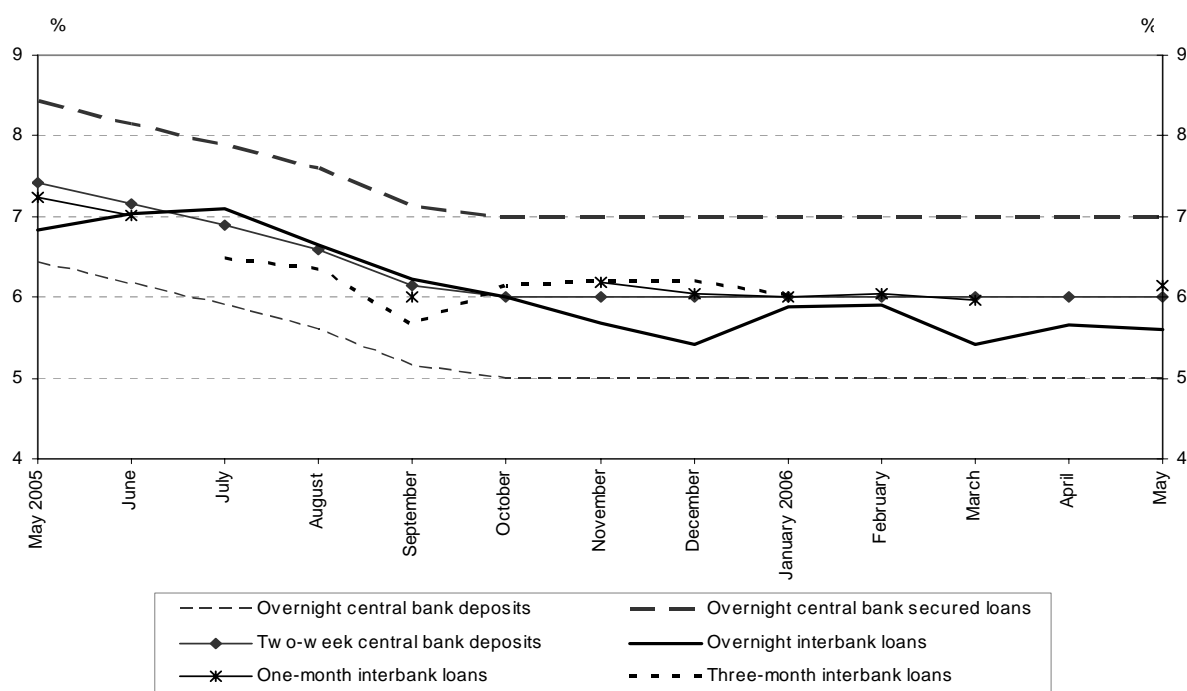


Chart 16 Average official and forint interbank rates



Turnover in the forint interbank market amounted to HUF 2,990.1 billion in May. That was up HUF 566.0 billion on the preceding month. The average overnight lending rate, weighted by the total value of transactions, changed by 6 basis points to 5.60%. The average interest rate on loans provided for one month was 6.15%. No interbank loan was made at three months in May.

\* \* \* \* \*

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](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.

The average interest rates, published in the press release, are calculated in a multi-stage process. The different levels of aggregation are illustrated by the table below:

Levels of aggregation (i.e. of calculating averages)	Stages of aggregation (calculation of averages)	Who aggregates?
4	Average interest rate calculated for data providers	Magyar Nemzeti Bank
3	Average interest rate on all products of data provider (e.g. consumer credit)	Data provider
2	Average interest rate on one product (e.g. hire purchase)	Data provider
1	Interest rate agreed in contract	Data provider

A change in the average interest rate may be caused by a combination of a change in individual interest rates and the composition of loans. In the press release, mention is made of the effect which has more weight in changes in average interest rates (interest rate change or composition effect).

The table also shows that interest rates reported to the MNB are averages and, therefore, the MNB is only able to segregate the effects of interest rate changes or composition changes for average interest rates by data providers individually. Consequently, an interest rate change derived at the highest level of aggregation only means that (provided that there is no supplementary information available for the MNB) a change in the banking sector's average interest rate has been caused by a change in average interest rates at data providers individually. However, individual data providers' average interest rates may also change as a result of composition

effects, i.e. because there has been a shift in the percentage shares accounted for by the various facilities and/or within the individual facilities. Generally, the MNB has no information on the size of a composition effect or actual interest rate change occurring at individual data providers.

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,<sup>7</sup>
- Loans for purchase of goods or other<sup>8</sup>

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.

### **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

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<sup>7</sup> The Bank has been collecting data on forint, euro and Swiss franc equity loans since January 2005.

<sup>8</sup> The Bank collects data only on forint instalment loans and other consumer credit.

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.