

## PRESS RELEASE

### Household and non-financial corporate sector interest rates, interbank lending rates: January 2007

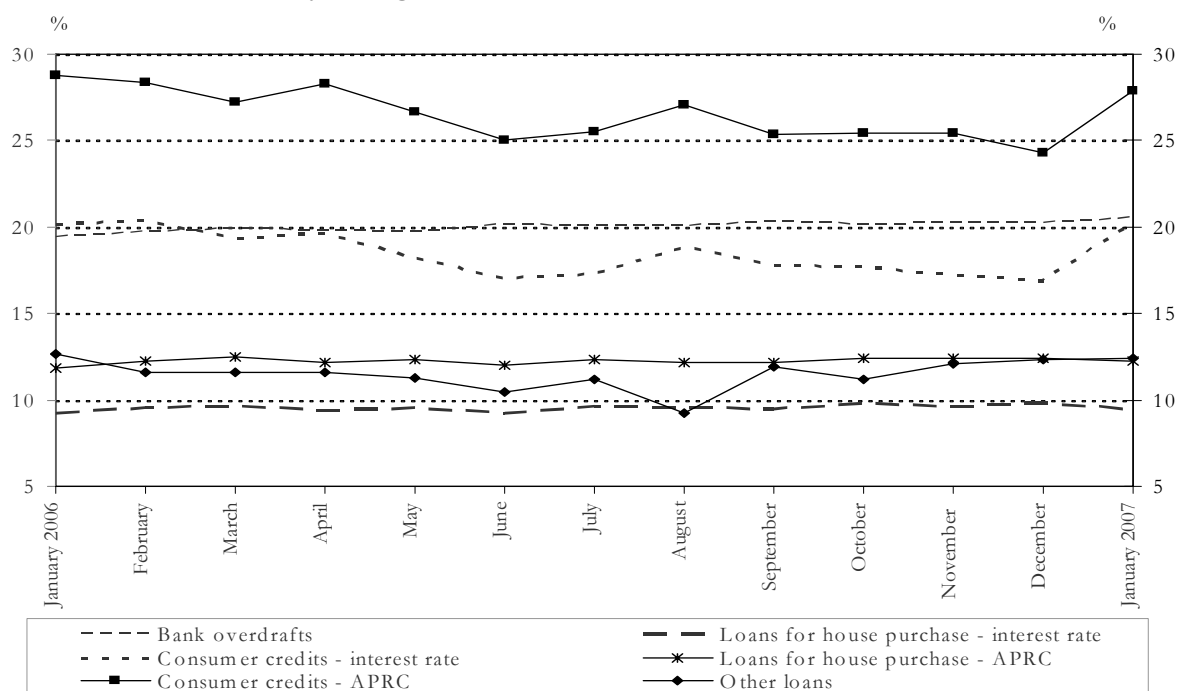
*In January 2007, average interest rates and the APR on household sector forint-denominated consumer loans returned to their higher level a year earlier, caused by a number of factors, including in particular a change in the composition of loans. By contrast, average interest rates on the sector's deposits with agreed maturity fell slightly. Average interest rates on euro-denominated loans to the sector rose, except interest rates on other loans. Deposit rates rose slightly.*

*Average interest rates on non-financial corporations' forint-denominated loans and deposits were marginally lower in the month. Average interest rates on the sector's euro-denominated loans and deposits have increased steadily over the past few months. Overnight deposit rates fell slightly in January.*

#### 1 Households

##### 1.1 Forint loans and deposits

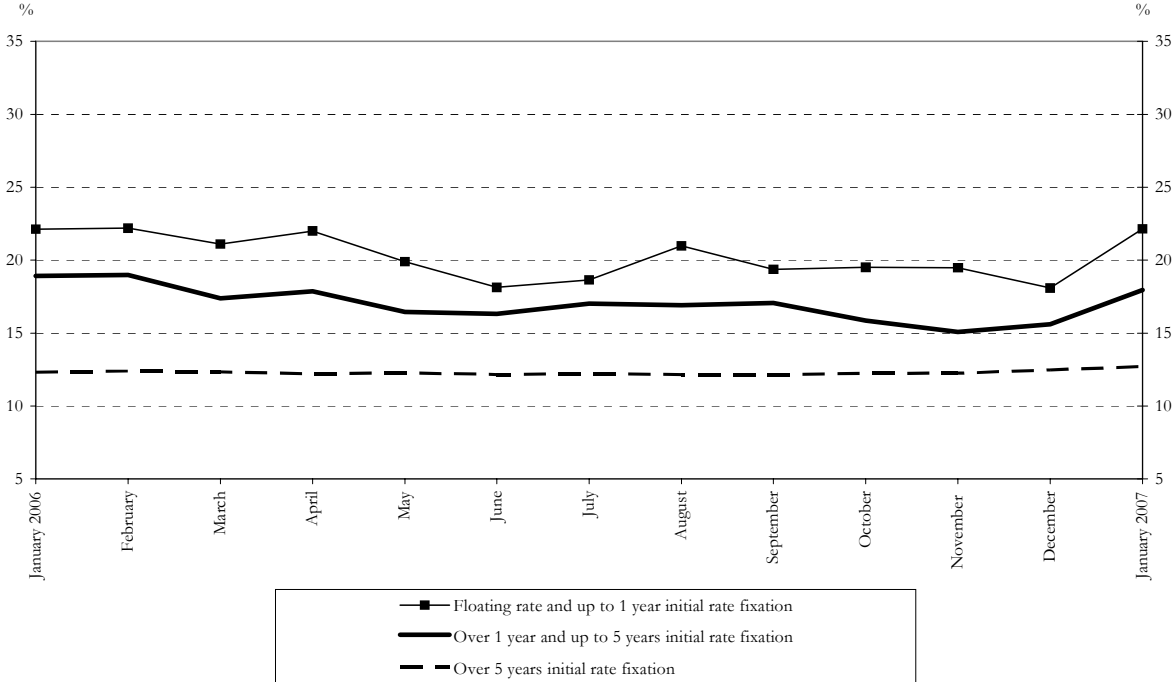
Chart 1 Monthly average interest rates and APR on forint loans to households



The average interest rate on the household sector's overdrafts has been rising slightly since November 2006. It was 20.56% in January 2007. The average interest rate on bank housing loans<sup>1</sup> has been fluctuating around 9.5% since February 2006. The average interest rate was 9.50% in January, after falling slightly in the preceding month. The APR on housing loans was 12.25% in the month, falling slightly relative to December. The average interest rate and the APR on consumer credit returned to their higher levels a year earlier. The former was 20.20% and the latter 27.89% in the review month.

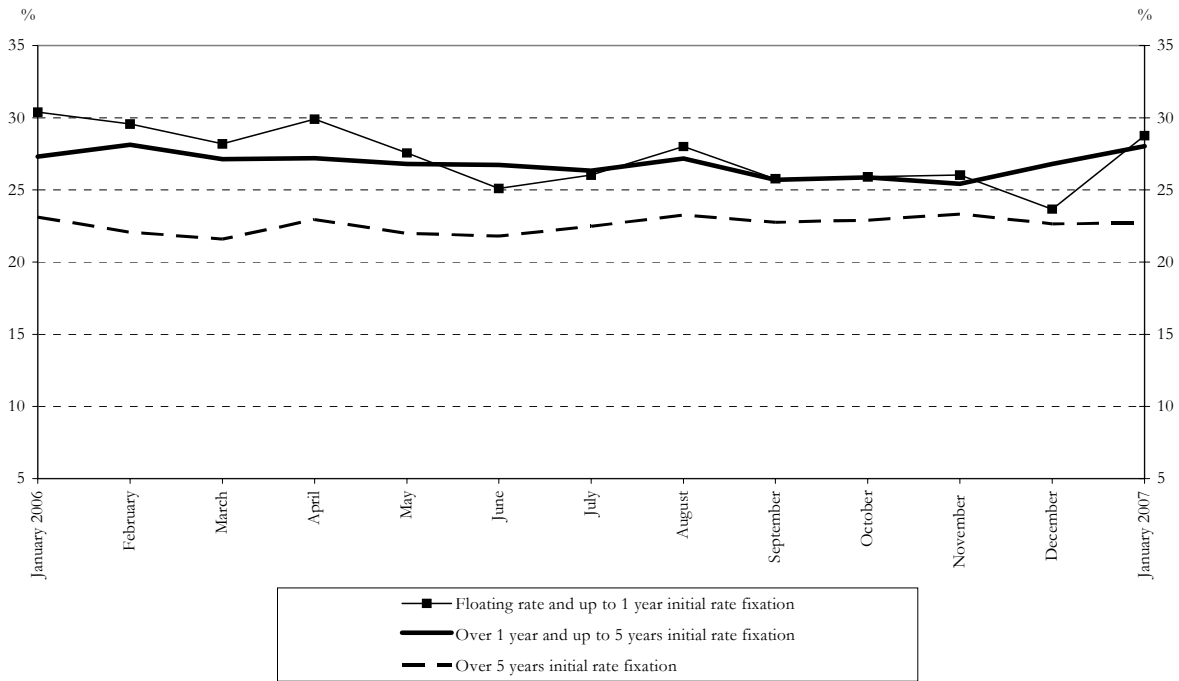
The monthly amounts of new consumer credit and other loans rose in January. The value of new housing loans was HUF 15.4 billion. The values of forint-denominated consumer credit, and housing and other loans provided in January were HUF 10.1 billion and HUF 4.9 billion, respectively.

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



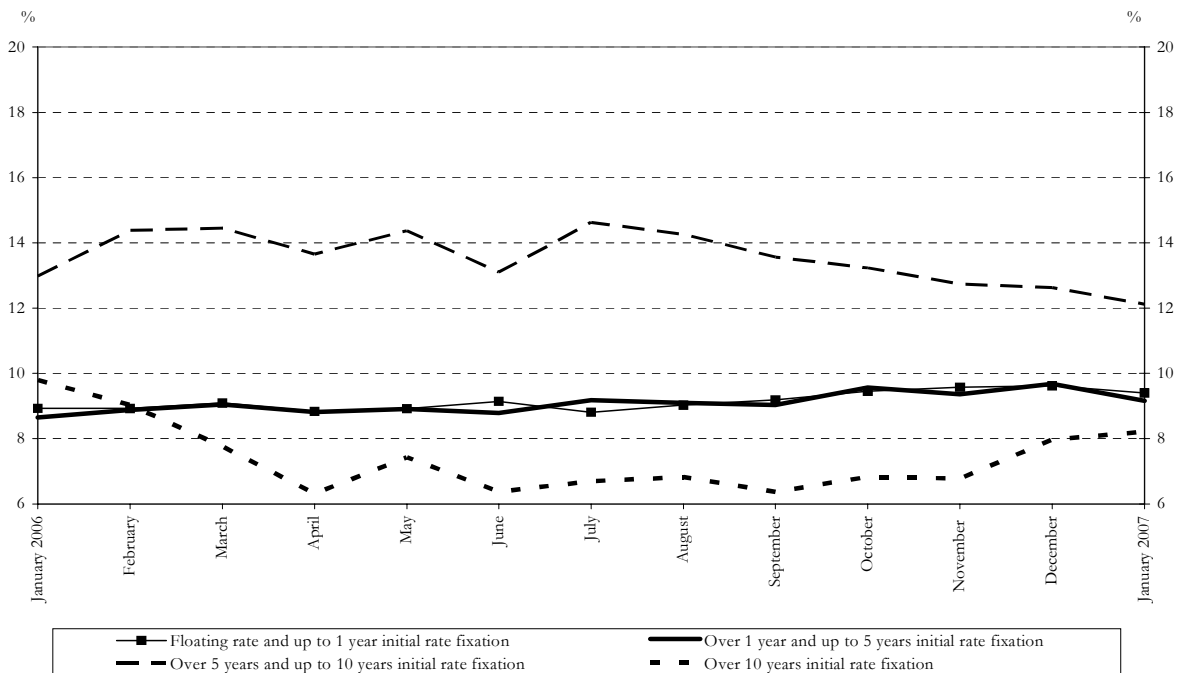
<sup>1</sup> This press release contains market interest rates and APR on bank loans for house purchase. In the case of subsidised housing loans, average interest rates and the APR include interest rates after adjusting for the amount of government subsidy.

**Chart 3 Monthly average APR on forint consumer credit**

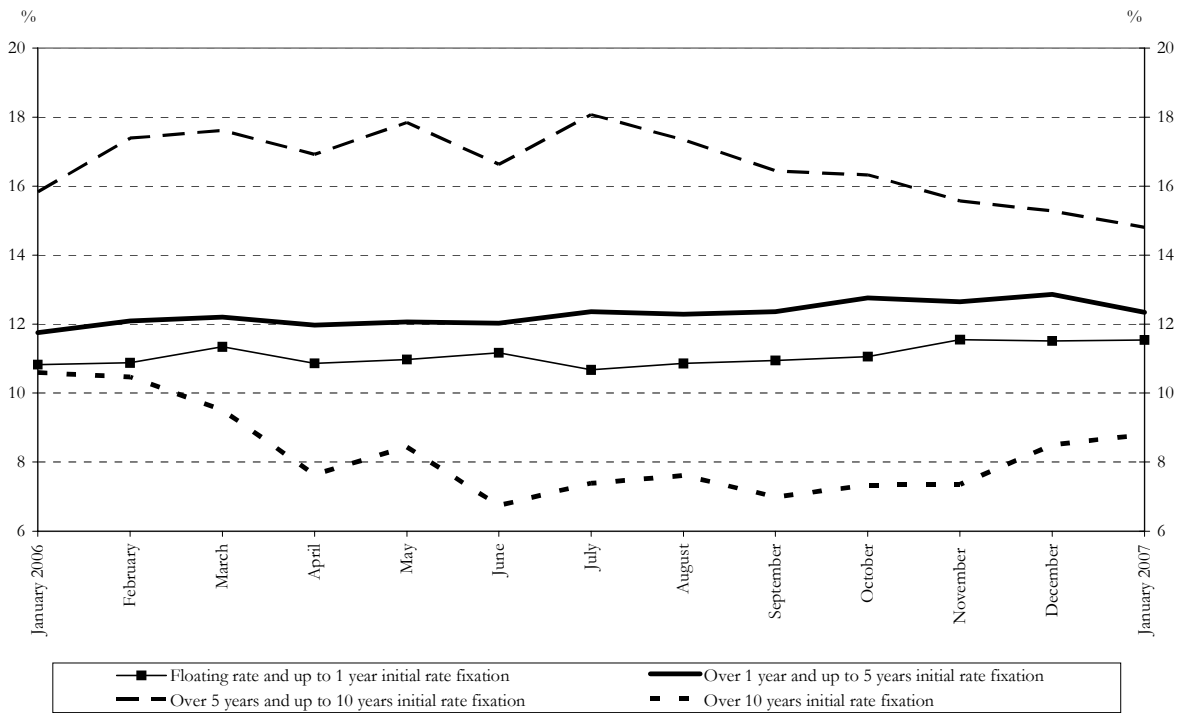


The average interest rate on consumer loans with a floating interest rate or with up to one year initial rate fixation rose to 22.15%, after fluctuating below 20% since September 2006. The APR was 28.76%, returning to close to 29% characteristic of 2006 Q1. The average interest rate on consumer credit with over 1 and up to 5 years initial rate fixation rose to 17.96%, a level seen in early 2006. The APR was 28.03%, rising slightly less strongly than the interest rate. The average interest rate on consumer credit with over 5 years initial rate fixation rose to 12.71%, continuing the slight upward trend which began in December. However, the APR remained broadly unchanged at 22.71%.

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



**Chart 5 Monthly average APR on forint housing loans**



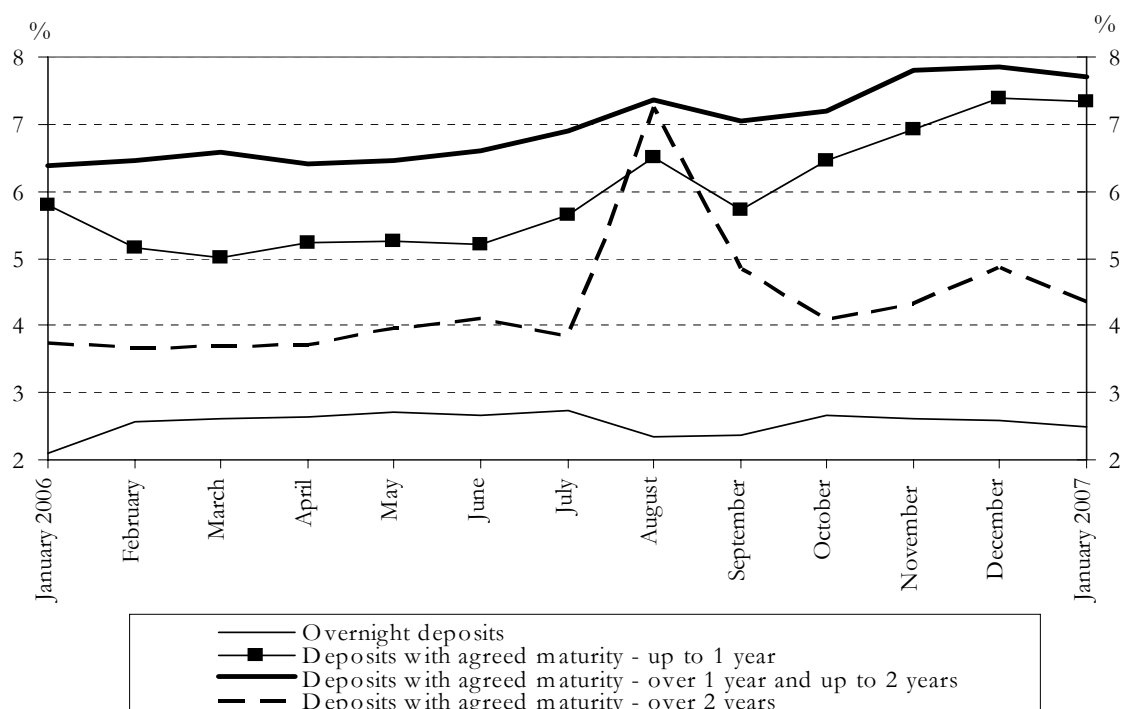
The average interest rate on loans with floating interest rates or with up to one year initial rate fixation was 9.40%, returning to the level in October. The APR on loans remained unchanged at 11.54%.

The average interest rate and the APR on loans with over 1 year and up to 5 years initial rate fixation also fell, and so they returned to their levels at the end of the summer of 2006. The former was 9.16% and the latter 12.34% in the month.

The average interest rate and the APR on loans with over 5 years and up to 10 years initial rate fixation fell to their lowest level in the past one year, continuing the downward trend since August 2006. In January, the interest rate was 12.12% and the APR 14.80%.

The average interest rate and the APR on loans for house purchase with over 10 years initial rate fixation have been rising for the fourth consecutive months. The interest rate was 8.22% the APR 8.80% in January.

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

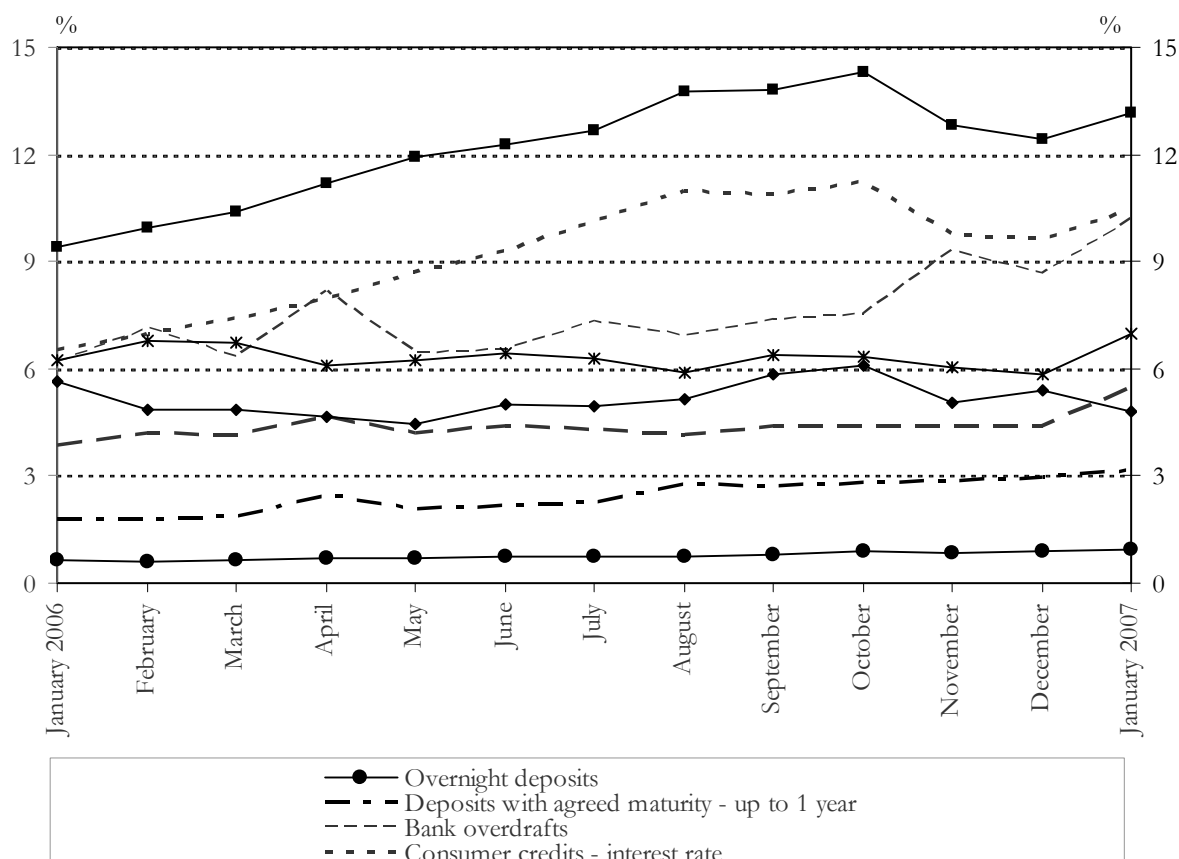


The average of interest rates on households' overnight deposits was 2.50% in January. The rise in the average interest rate on the sector's, seen in the past few months, came to a halt. The average interest rate on deposits with an agreed maturity of up to one year fell to 7.34%, and that on deposits with an agreed maturity of up to two years to 7.70%. The average interest rate on deposits with an agreed maturity of over two years was down at 4.36%. Changes in the composition of deposits explained the declines in average interest rates.

The amount of new deposits with agreed maturity from households rose to HUF 643.9 billion in the month under review.

## 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-denominated overdrafts was 10.21% in January, the highest level in twelve months. This rise was explained by the strong increase in overdrafts bearing higher rates. The average interest rate on loans for house purchase with floating interest rates or with up to one year initial rate fixation was 5.51%, rising by more than 100 basis points, due to a change in the composition of loans. The APR on loans was 6.98% in the month.

The average interest rate and the APR on consumer credit with floating interest rates or with up to one year initial rate fixation, at 10.46% and 13.15% respectively, both rising due to an increase in the share of loans bearing higher rates. The average interest rate on other loans with floating interest rates or with up to one year initial rate fixation fell to 4.82%.

The average interest rate on euro deposits with an agreed maturity of up to one year rise to above 3% to reach 3.16% in the month. The average rate on overnight deposits has been rising slightly over the past year: it increased from 0.6% a year earlier to 0.92% in January.

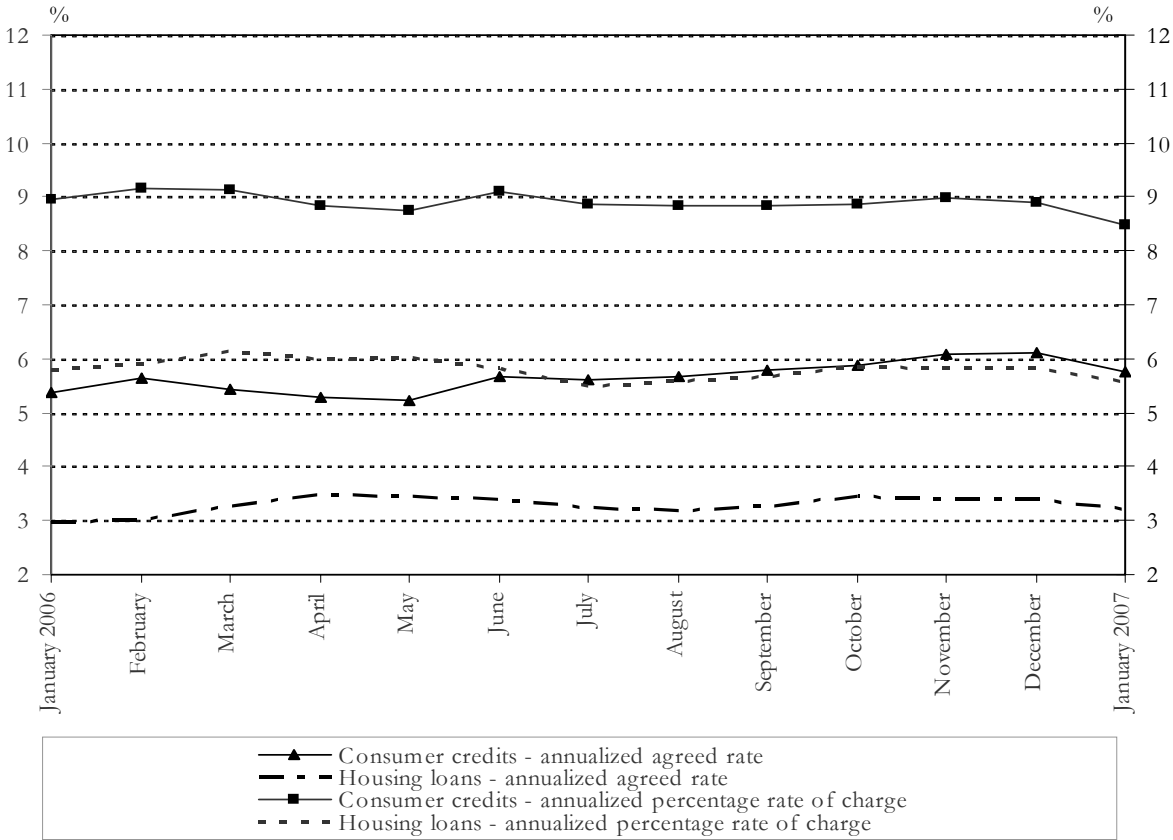
The monthly amount of households' euro deposits with an agreed maturity of up to one year was HUF 126.2 billion. Within euro-denominated loans,<sup>3</sup> only the amount of other loans rose. The total value of euro-denominated loans was HUF 5.7 billion.

<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> The amounts of consumer, housing and other loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts.

### 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 one year initial rate fixation<sup>4</sup>**



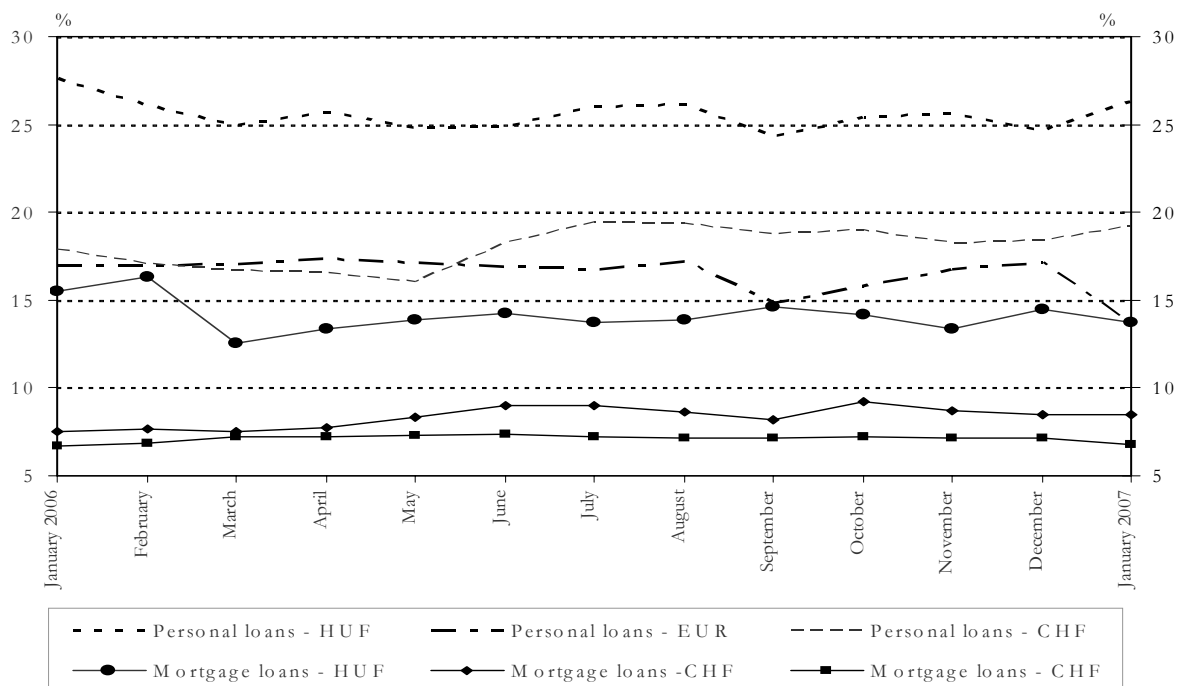
The average interest rate on Swiss franc-denominated consumer credit with floating interest rates or with up to one year initial rate fixation was 5.75% in January, returning to the level in October after rising in the preceding two months. The APR on consumer credit was 8.48%.

The average annualised interest rate and APR on Swiss franc-denominated loans for house purchase with floating interest rates or with up to one year initial rate fixation fell slightly: the former was 3.22% and the latter 5.59%.

<sup>4</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 one year initial rate fixation**

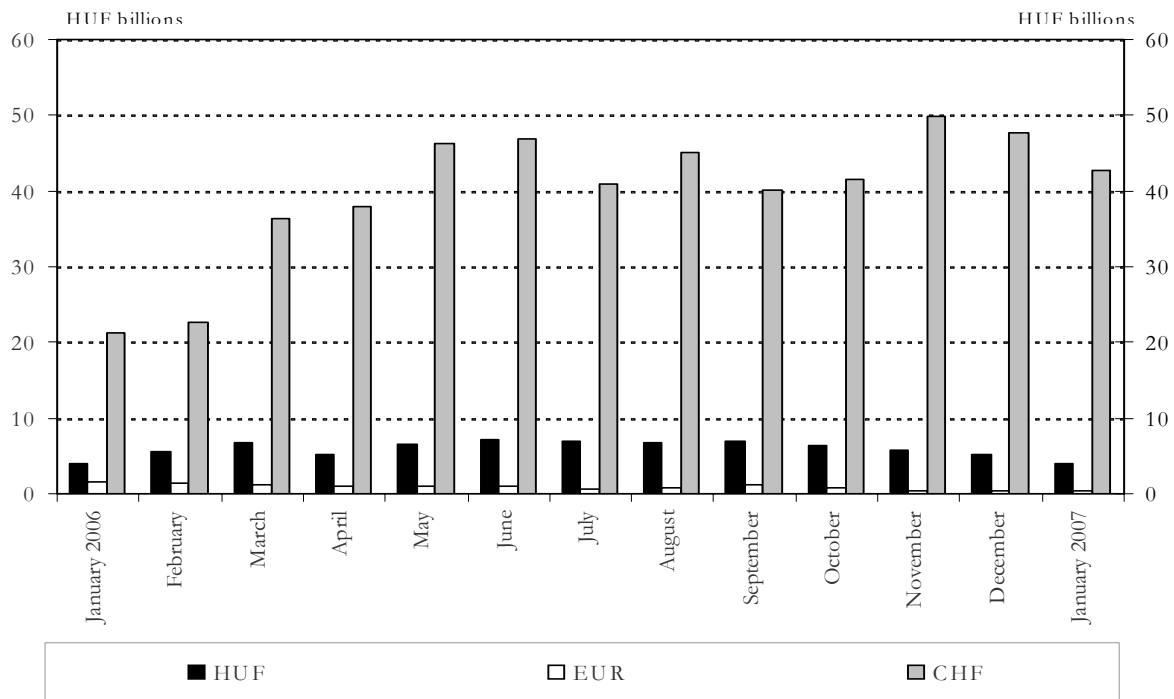


The average APR on forint personal loans with floating interest rates or with up to one year initial rate fixation rose to 26.32%, due to the expiry of bank's offers containing attractive conditions. The APR on euro loans fell to 13.56%, due to a significant change in the composition of loans. At 19.19%, the average APR on Swiss franc personal loans was higher than in the preceding few months.

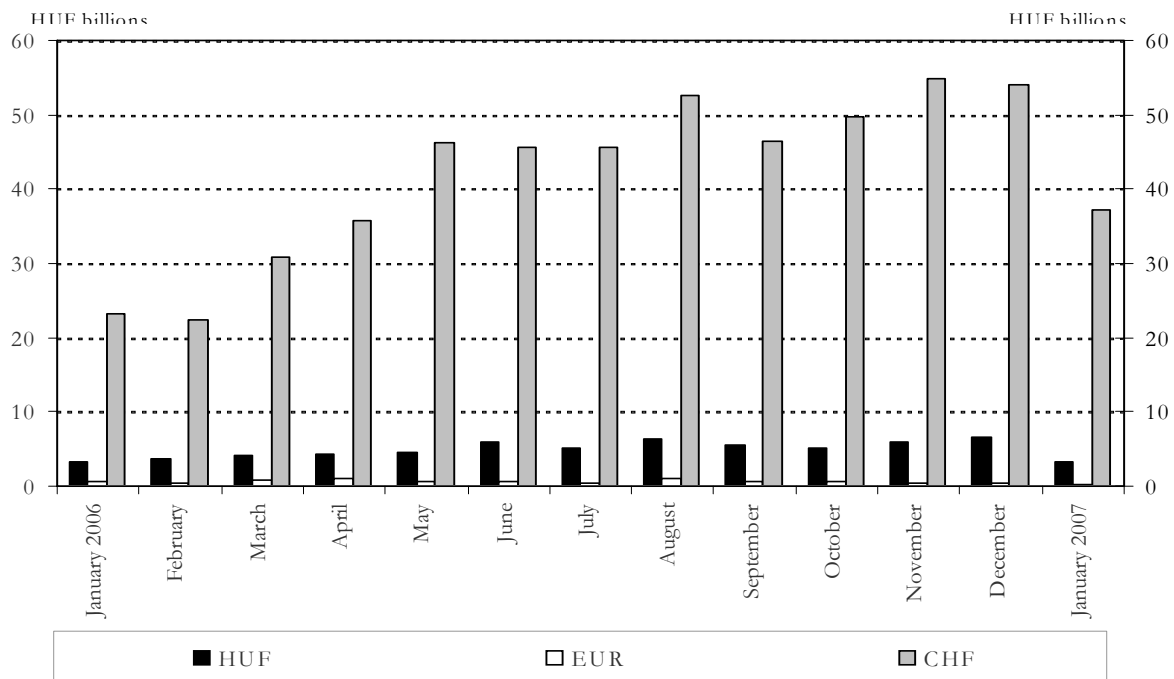
The average APR on forint equity loans with floating interest rates or with up to one year initial rate fixation fell to 13.73%. The APR on euro equity loans remained unchanged at the preceding month's 8.51%. The APR on Swiss franc equity loans was 6.77%, falling slightly from its level in December.



**Chart 10 New forint, euro and Swiss franc-denominated personal and equity loans with floating interest rates or with up to one year initial rate fixation**



**Chart 11 New forint, euro and Swiss franc-denominated housing loans with floating interest rates or with up to one year initial rate fixation**

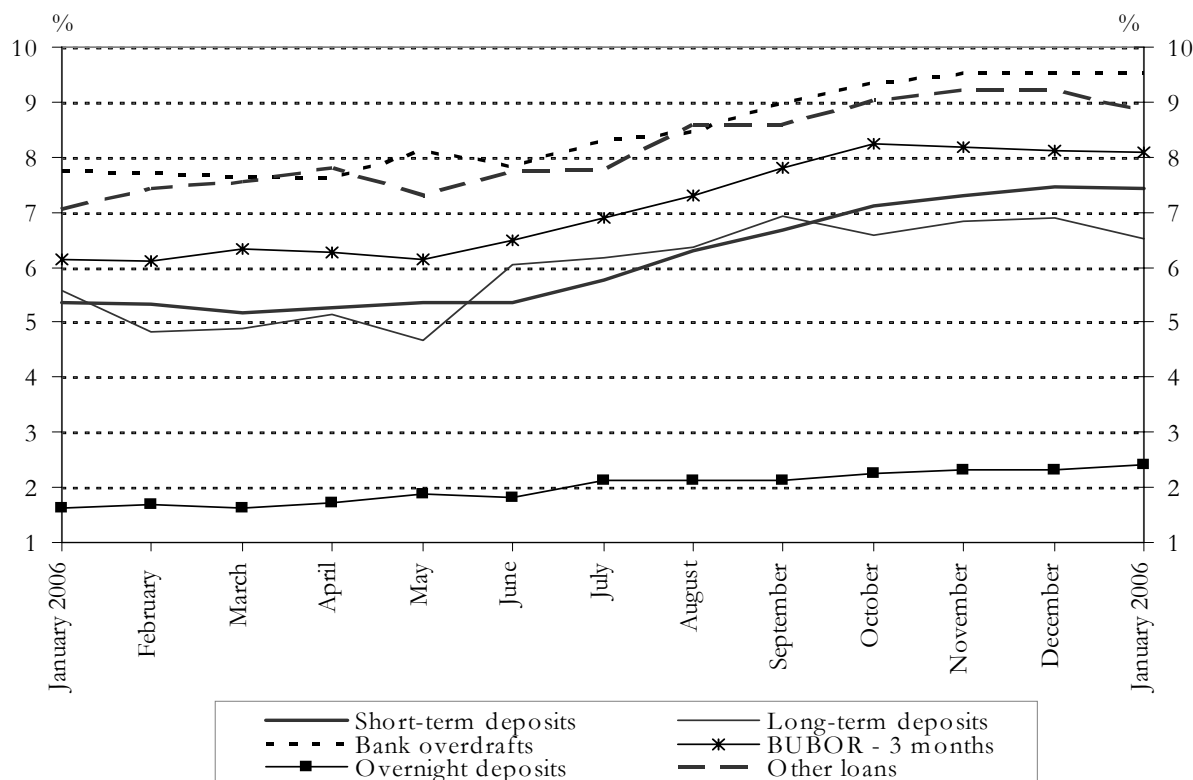


Swiss franc-denominated loans account for a dominant share within new contracts. In January, the value of new Swiss franc-denominated consumer credit fell slightly to HUF 42.6 billion from its higher levels in November-December. The value of new Swiss franc-denominated housing loans was HUF 37.2 billion, falling to below HUF 40.0 billion for the first time since May 2006.

## 2 Non-financial corporations

### 2.1 Forint loans and deposits

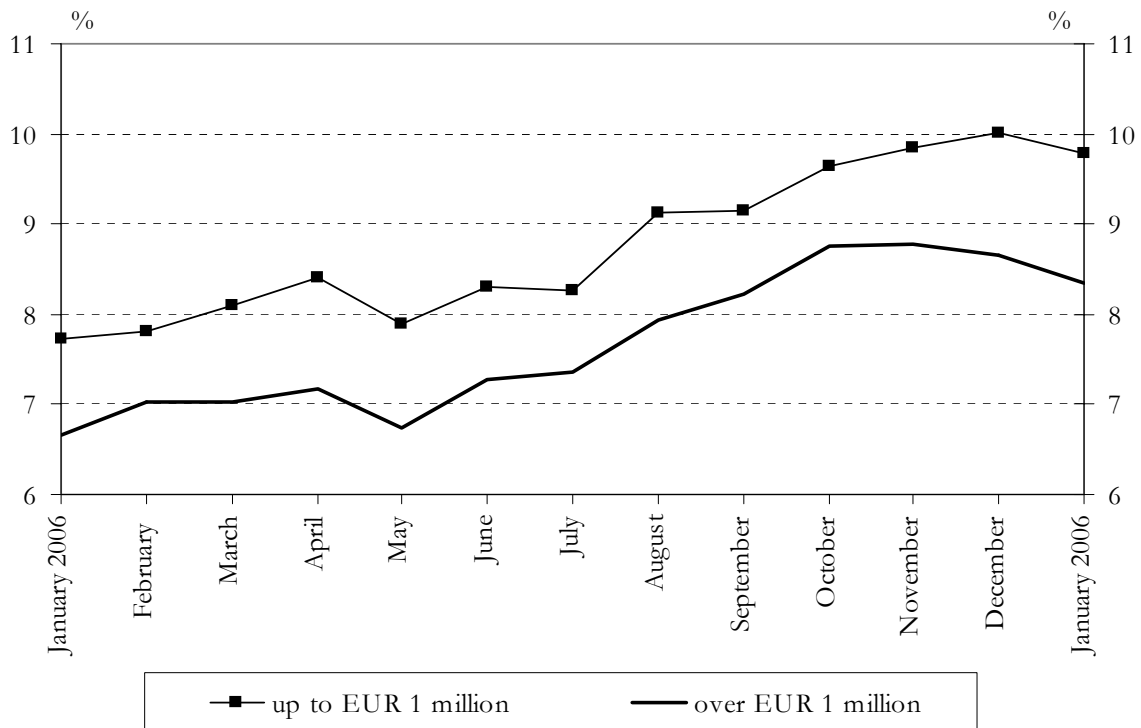
Chart 12 Average forint borrowing and deposits rates of non-financial corporations and BUBOR



The average interest rate on non-financial corporations' forint-denominated overdrafts was 9.53% in January, remaining broadly unchanged at the level of the preceding three months. The average interest rate on loans other than overdrafts fell from above 9% in the preceding three months to 8.84%. The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 224.1 billion.

The average interest rate on overnight deposits was 2.41% in the month; and that on deposits with an agreed maturity of up to one year was 7.42%. Within longer-term deposits, it was only the average interest rate on deposits with an agreed maturity of over one year which changed, falling to 6.52%. The amount of new deposits with agreed maturity from non-financial corporations rose to HUF 1,478.3 billion.

**Chart 13 Average forint borrowing rates of non-financial corporations by loan amount**

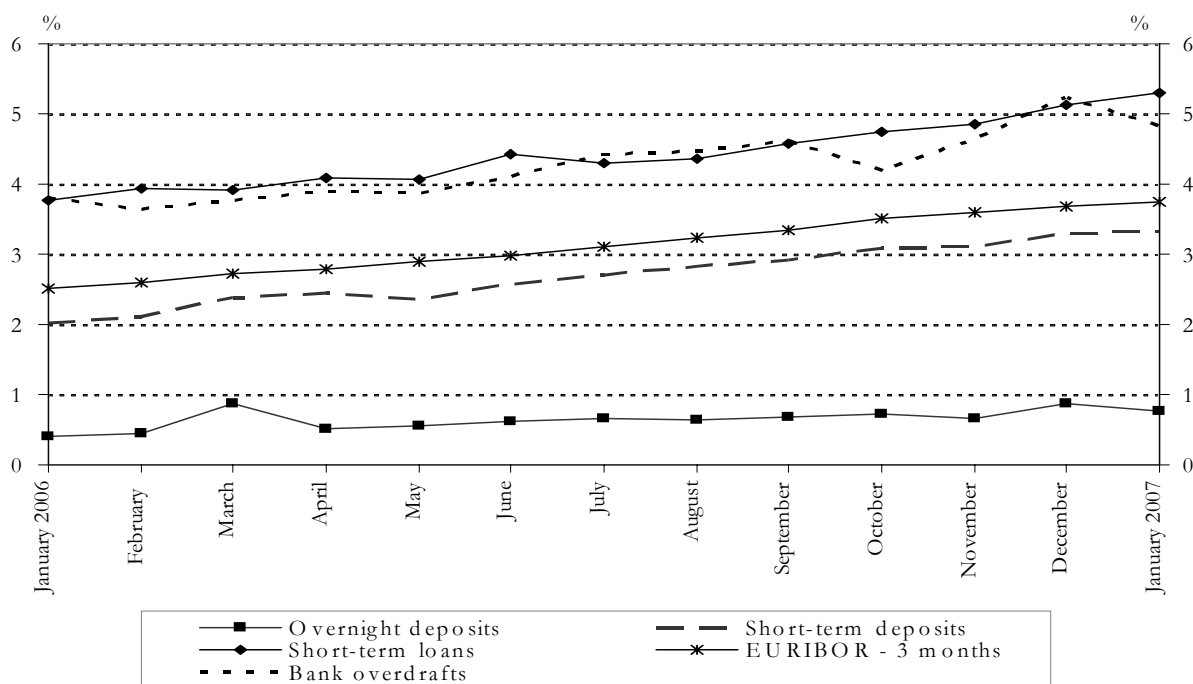


The rise in the average interest rate on loans to non-financial corporations up to the equivalent of EUR 1 million,<sup>5</sup> excluding overdrafts, which began in October, stopped in January: its value fell to 9.78%. The average interest rate on loans over the equivalent of EUR 1 million fell further slightly, to 8.34%.

<sup>5</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.

## 2.2 Euro loans and deposits

**Chart 14 Monthly average forint borrowing and deposit rates of non-financial corporations and EURIBOR**

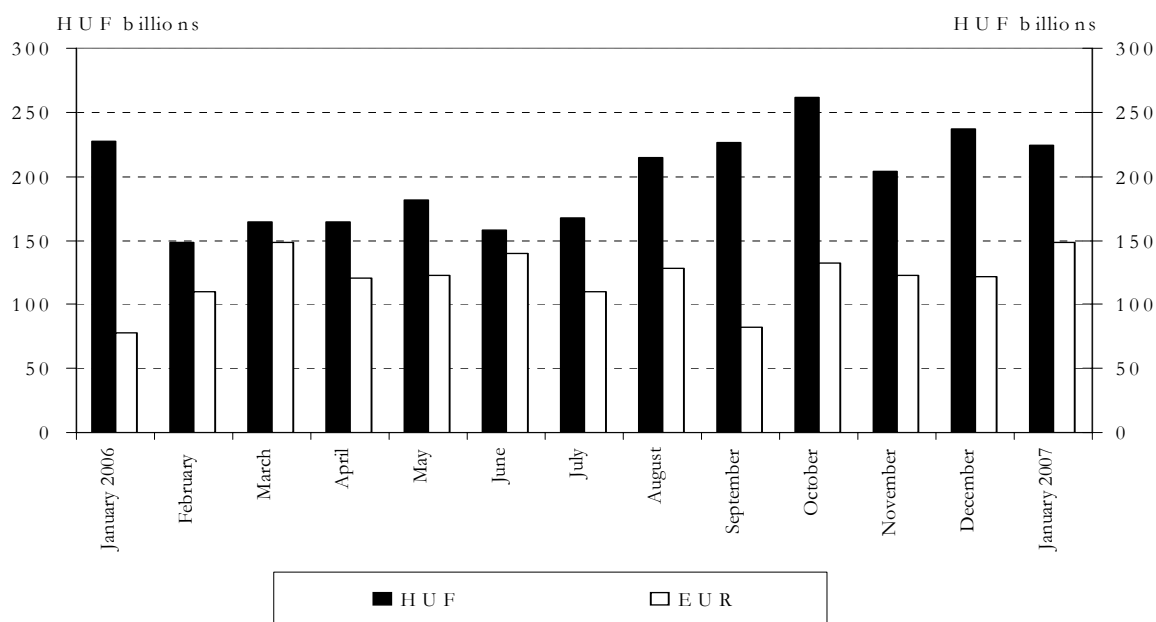


The average interest rate on loans with floating interest rates or with up to one year initial rate fixation, other than overdrafts, has been rising steadily since August 2006. The value of the indicator was 5.29% in January. The average interest rate on overdrafts was 4.84%, down on its level in December.

The average interest rate on NFCs' euro-denominated overnight deposits was 0.76%. The average interest rate on deposits with an agreed maturity of up to one year remained unchanged at December's 3.33%.

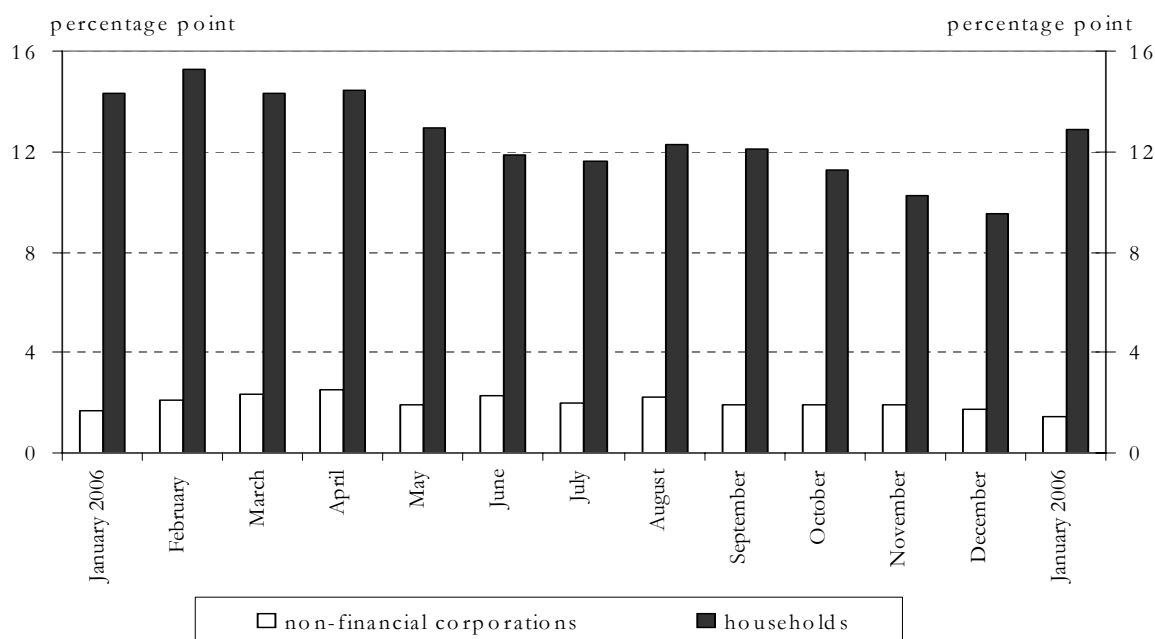
The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 148.7 billion, and that of deposits with an agreed maturity of up to one year was HUF 801.4 billion.

**Chart 15 New forint and euro-denominated loans to NFCs' with floating interest rates or with up to one year initial interest rate fixation**



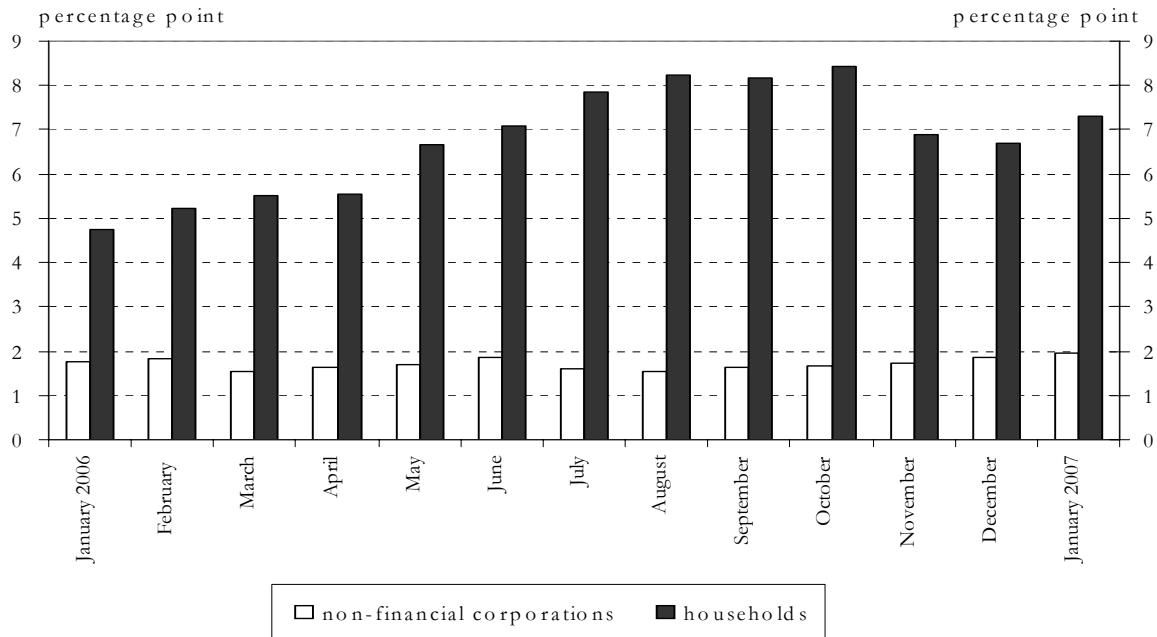
### 3 Differentials between loan and deposit rates

**Chart 16 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 an agreed maturity of up to one year rose to above 12 percentage points, close to its level in 2006, due to the strong rise in consumer credit rates and the slight fall in deposit rates. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates fell to 1.41 percentage points.

**Chart 17 Differential between non-financial corporate and household sector euro borrowing and deposit rates**



In the household market, the difference between average interest rates on euro-denominated consumer credit with floating interest rates or with up to one year initial rate fixation and on deposits with an agreed maturity of up to one year rose to 7.31 percentage points in January, from its lower levels in the preceding two months. The difference between average interest rates on non-financial corporations' euro-denominated loans with floating interest rates or with up to one year initial rate fixation and on deposits with an agreed maturity of up to one year was 1.97 percentage points.

#### 4 Interbank unsecured forint loans

Chart 18 Average official and forint interbank rates in July 2006

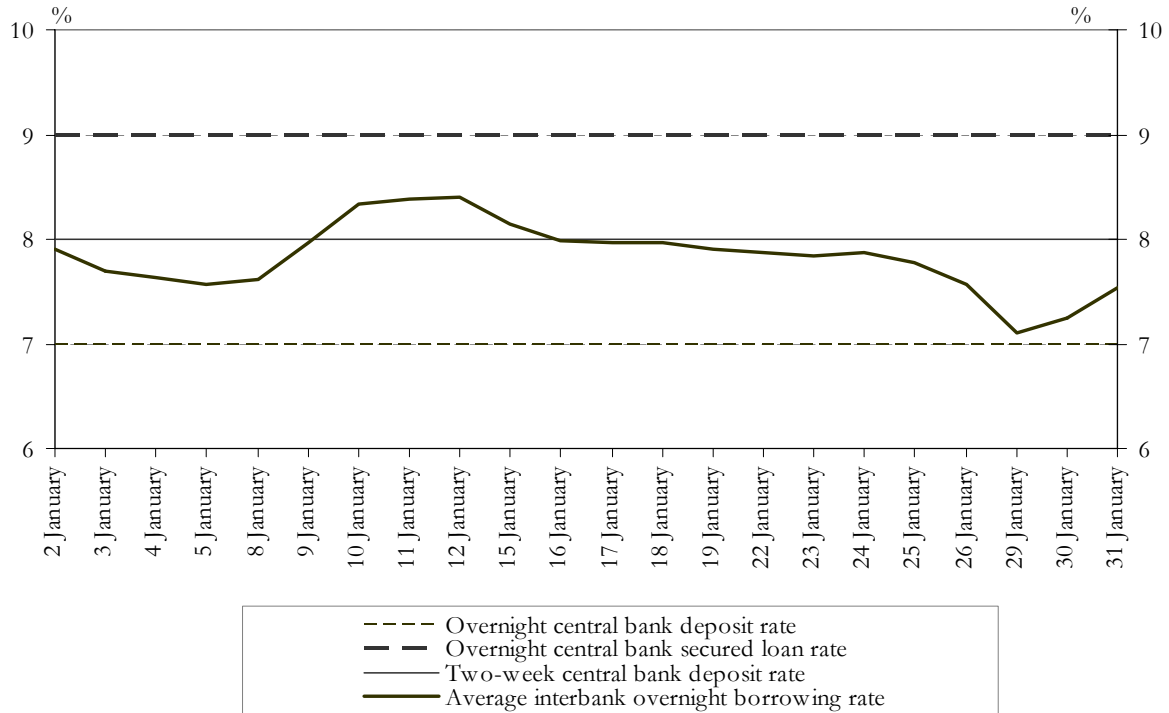
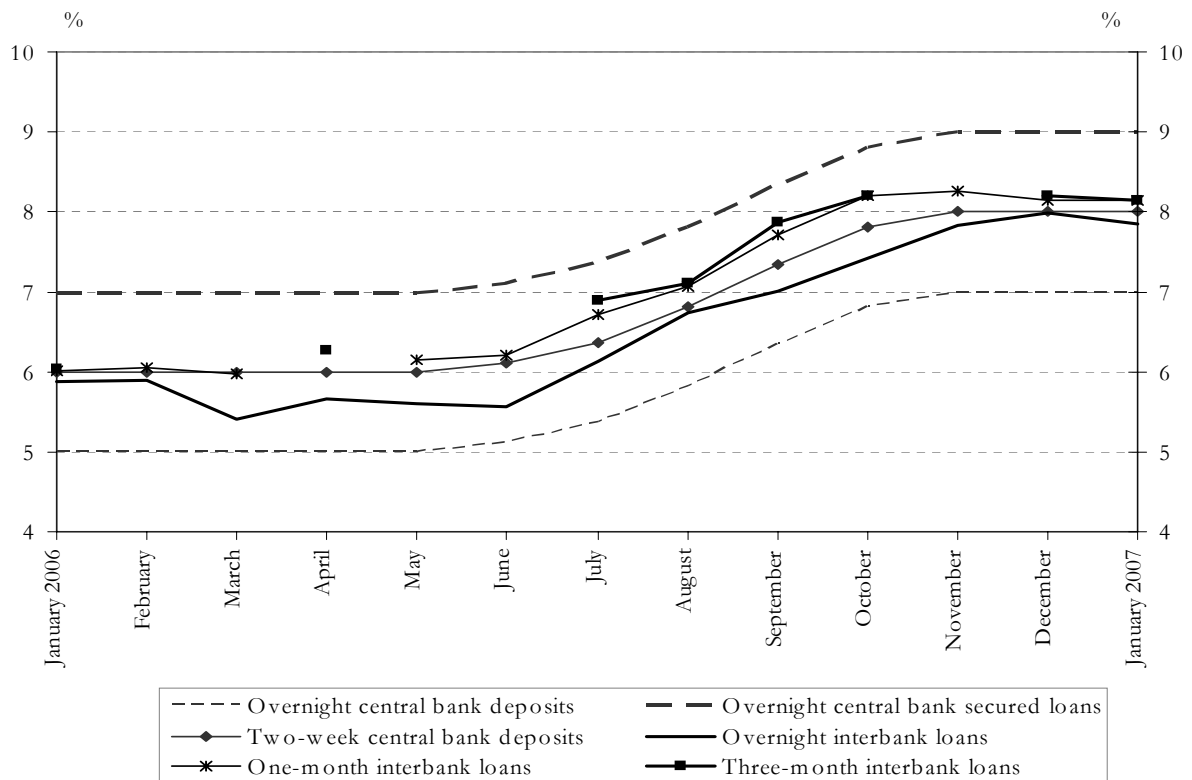


Chart 19 Average official and forint interbank rates



Turnover in the forint interbank market fell to HUF 2,598.2 billion in January. The average overnight lending rate, weighted by the total value of transactions, was 7.86%, slightly lower than in December. The average interest rate on loans provided for one month remained unchanged at 8.14%; and that on loans provided for three months was 8.15%, a little lower than in the preceding month.

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=mnb\\_en\\_statistikai\\_idosorok](http://english.mnb.hu/engine.aspx?page=mnb_en_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>6</sup>
- Loans for purchase of goods or other<sup>7</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 one year in the original contracts, are classified in to the category 'Floating rate or up to one 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>6</sup> The Bank has been collecting data on forint, euro and Swiss franc equity loans since January 2005.

<sup>7</sup> The Bank collects data only on forint instalment loans and other consumer credit.

interest rate is fixed for up to one year in the original contracts, are classified in to the category 'Floating rate or up to one year initial rate fixation'.

#### **Charts 6 and 7**

Average interest rates on deposits with agreed maturity 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. Deposits with agreed maturity 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 deposits with agreed maturity 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.