



EUROPEAN CENTRAL BANK

10 December 2003

PRESS RELEASE

INAUGURAL RELEASE OF EURO AREA MFI INTEREST RATE STATISTICS¹

Today, the European Central Bank (ECB) launches a new set of harmonised statistics on interest rates. Starting with the reference month January 2003, these statistics, both on new business and on outstanding amounts, are collected every month from a representative sample of approximately 1,800 credit institutions throughout the euro area. The new statistics cover the interest rates that euro area MFIs apply to all important categories of deposits and loans in euro vis-à-vis euro area households and non-financial corporations, and as well the related business volumes. They are released for the euro area as a whole and for each Member State (via the website of the national central bank concerned).

This new set of harmonised statistics marks an important improvement in the data that are available for analysing monetary developments, the transmission of changes in monetary policy to the euro area economies and financial stability issues. The interest rates on lending also provide information on financing conditions, whereas the spreads between lending and deposit rates provide information on banking conditions. Furthermore, deposit and lending volumes may shed light on financial developments, complementing the statistics on MFI balance sheets that are regularly published by the ECB. Finally, for the first time, these new, harmonised statistics enable the banking community and the general public to compare MFI interest rates across the euro area in a meaningful manner.

The new interest rate statistics replace the ten non-harmonised euro area retail interest rates that have been published by the ECB since January 1999. The coverage and definition of the new statistics differ substantially from those of the previously published retail interest rates. Therefore, a direct comparison of the new and old rates is not possible.

¹ More detailed information on MFI interest rate statistics is available on the “Euro area MFI interest rate statistics” page in the “Statistics” section of the ECB’s website (<http://www.ecb.int>). MFIs consist of credit institutions and similar financial institutions. The reporting population for the interest rate statistics consists almost exclusively of credit institutions.

For the time being, the MFI interest rate statistics will be released on the 30th working day after the end of the reference period. The next press release is scheduled for 15 January 2004. The data will also be published on the ECB's website, in the ECB Monthly Bulletin and in the ECB Statistics Pocket Book.

MFI INTEREST RATE DEVELOPMENTS (JANUARY 2003 TO SEPTEMBER 2003)

The new statistics indicate that the average euro area levels of MFI interest rates differ for deposits and loans and also depend on the maturity, the type of customer, the purpose of the loan, etc. For example, in September 2003, the interest rate on overnight deposits from non-financial corporations stood at 0.87%, while the interest rate on overnight deposits from households amounted to 0.68%. The average interest rate for deposits from households redeemable at up to 3 months' notice amounted to 1.93%. Longer-term deposits, such as those from non-financial corporations with an agreed maturity over 2 years, were remunerated at 3.64%. On the lending side, the interest rate on loans to households for consumption purposes with a floating rate and up to 1 year initial rate fixation was 7.37%, while the rate on loans over EUR 1 million to non-financial corporations with a floating rate and up to 1 year initial rate fixation stood at 3.11%. The interest rate on loans to households for house purchase, with an initial rate fixation of over one year and up to five years, stood at 4.10%.

As regards developments in the course of this year, the statistics on **new business** confirm the decline in MFI interest rates on deposits between January and September 2003. With regard to short-term deposits, this decline was in the order of 20 to 35 basis points for overnight deposits (from both households and non-financial corporations) and deposits from households redeemable at up to three months' notice (see Chart 1). At longer maturities, interest rates on deposits with an agreed maturity over two years from households and from non-financial corporations fell by around 75 and 60 basis points, respectively (see Chart 2).

Average MFI interest rates on loans also declined for most categories between January and September 2003. However, these developments were not identical for loans to non-financial corporations and loans to households (see Chart 3). As regards the former, the interest rate on bank overdrafts and loans over EUR 1 million with a floating rate and up to 1 year initial rate fixation fell by around 75 and 60 basis points, respectively. By contrast, the interest rate on bank overdrafts to households declined by only 13 basis points. The interest rate on consumer loans with a floating rate and up to 1 year initial rate fixation even increased by around 15 basis points.

With regard to long-term interest rates, however, the decline was more pronounced for households than for non-financial corporations (see Chart 4). The interest rate on loans to households for house purchase with over 5 and up to 10 years' initial rate fixation fell by around 60 basis points between January and September 2003, whereas the interest rate on loans to non-financial corporations over EUR 1 million with over 5 years initial rate fixation fell by around 35 basis points during the same period. These differences may to some extent mirror shifts in MFIs' perceptions of credit risk associated with the various forms of loan.

The developments in short-term MFI interest rates between January and September 2003 compare with a decline in the three-month money market interest rate of around 70 basis points during the same period (see also Charts 1 and 3). The new statistics thereby confirm the pattern observed on the basis of the previous statistics, namely that interest rates on overnight deposits and on typical savings deposits (i.e. deposits from households redeemable at up to 3 months' notice) adjust particularly slowly to changes in money market interest rates. Short-term lending rates seem to have been stickier for households than for non-financial corporations.

Comparable long-term market interest rates, for example those on five-year government bonds, fluctuated in the course of 2003; they fell initially, rose again after June, and reached in September levels close to those observed in January (see also Charts 2 and 4). MFI interest rates typically react to movements in market rates with some delay. In particular, rates on long-term deposits from households seemed to have reacted rather sluggishly to the recent rise in long-term market interest rates.

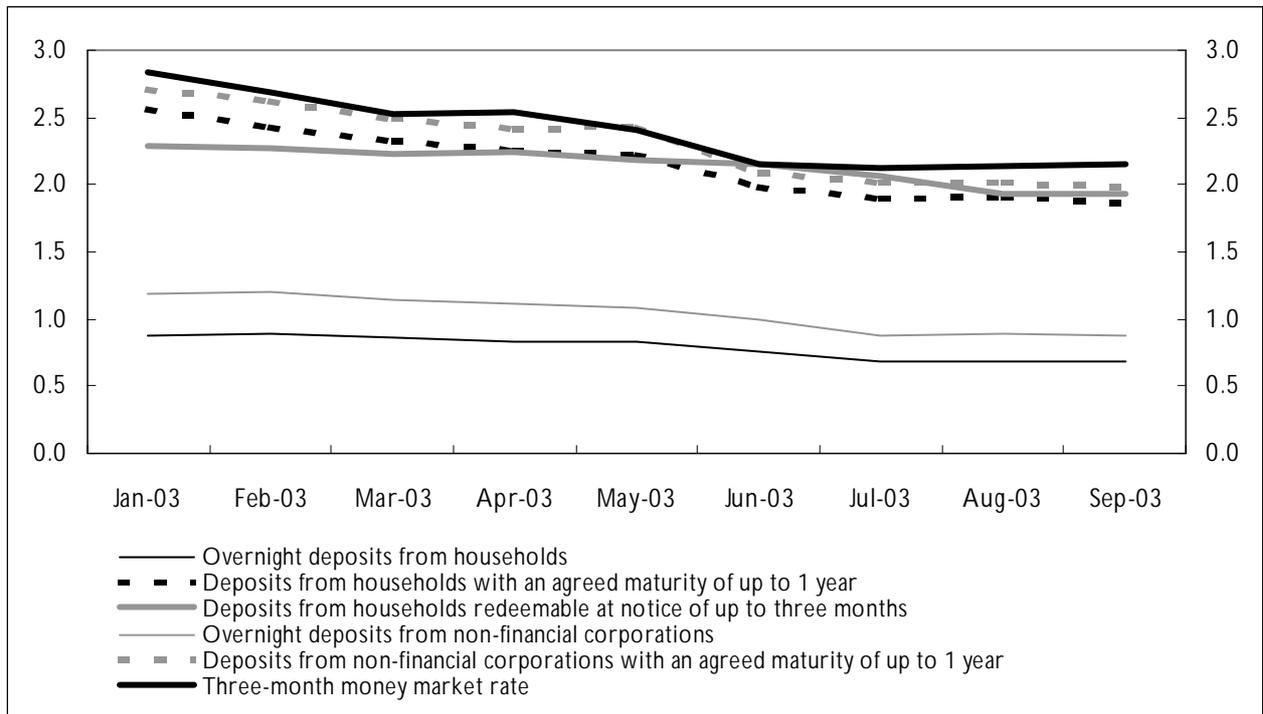
Turning to a different feature of the new statistics, insights are also provided into the total cost of taking a credit for two categories of loans. This total cost, as measured by the **annual percentage rate of charge**, comprises not only the interest rate but also the charges for related costs, such as the cost of inquiries, administration, preparation of documents, guarantees and credit insurance. The available data show that these charges have been higher for consumer loans than for house purchase loans (see Chart 5). On average, the difference between the percentage rate of charge and the weighted average of the interest rates amounted to 65 and 20 basis points between January and September 2003, for consumer and house purchase loans respectively.

The new statistics also include information on the average interest rates on **outstanding amounts** of euro-denominated deposits and loans (see Chart 6). These statistics refer to the average interest rates on all business that was agreed in the past. As a consequence, the interest rates on outstanding amounts fluctuate less than the interest rates on new business.

Notes

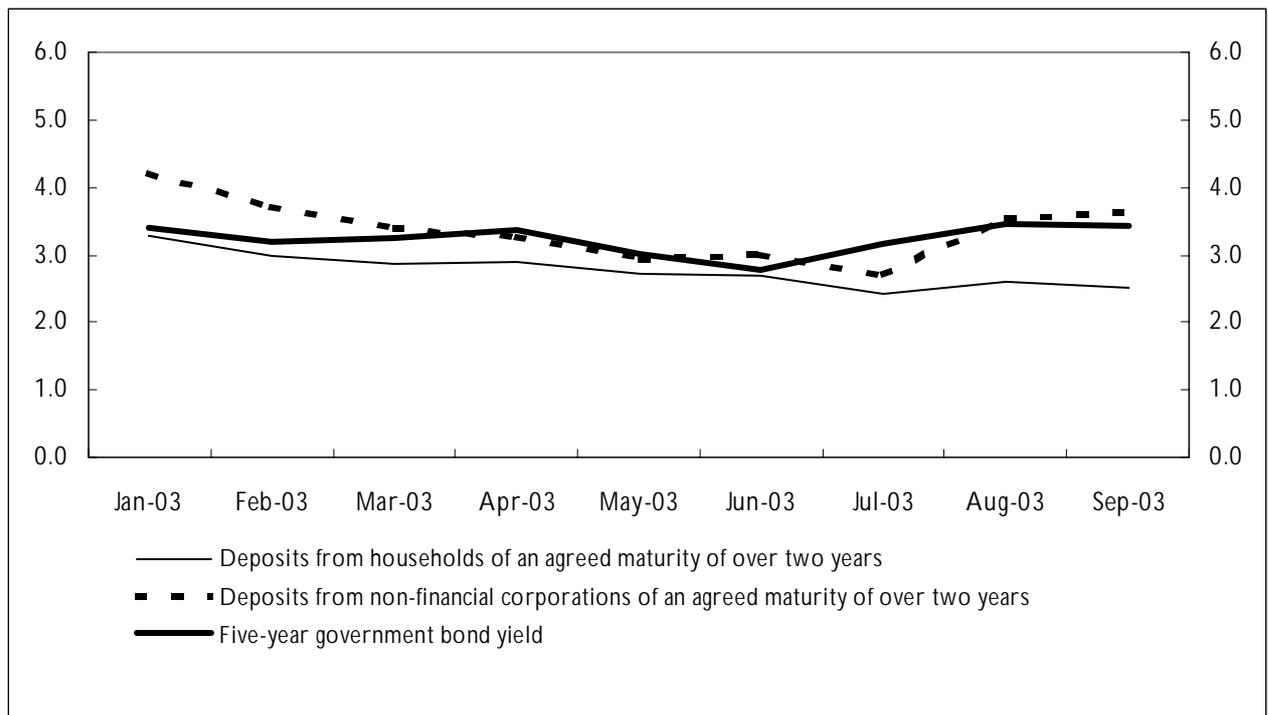
- *More detailed information on MFI interest rate statistics is made available on the "Euro area MFI interest rate statistics" page in the "Statistics" section on the ECB's website (<http://www.ecb.int>).*
- *The corresponding business volumes for each of the MFI interest rate categories are made available in Tables 2 and 4 of the annex.*

Chart 1: Short-term MFI deposit interest rates and a comparable market interest rate
(percentages per annum; rates on new business)



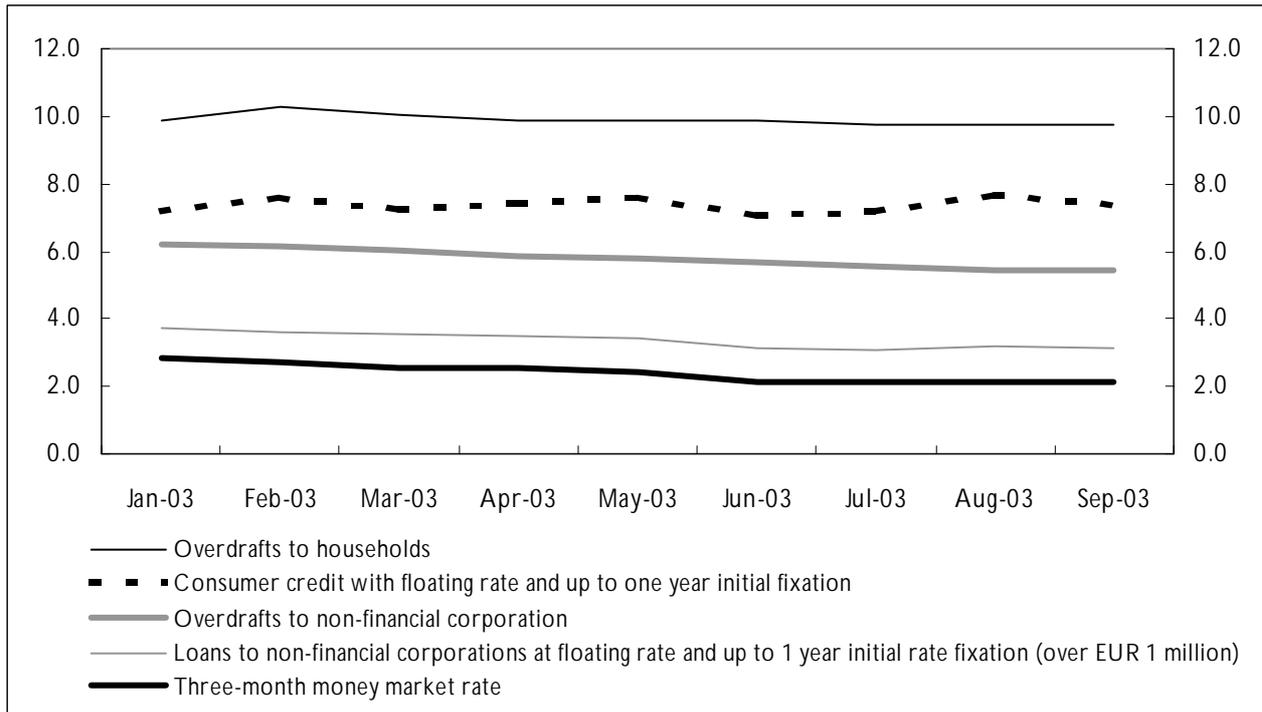
Source: ECB MFI interest rate statistics.

Chart 2: Long-term MFI deposit interest rates and a comparable market interest rate
(percentages per annum; rates on new business)



Source: ECB MFI interest rate statistics.

Chart 3: Short-term MFI lending interest rates and a comparable market interest rate

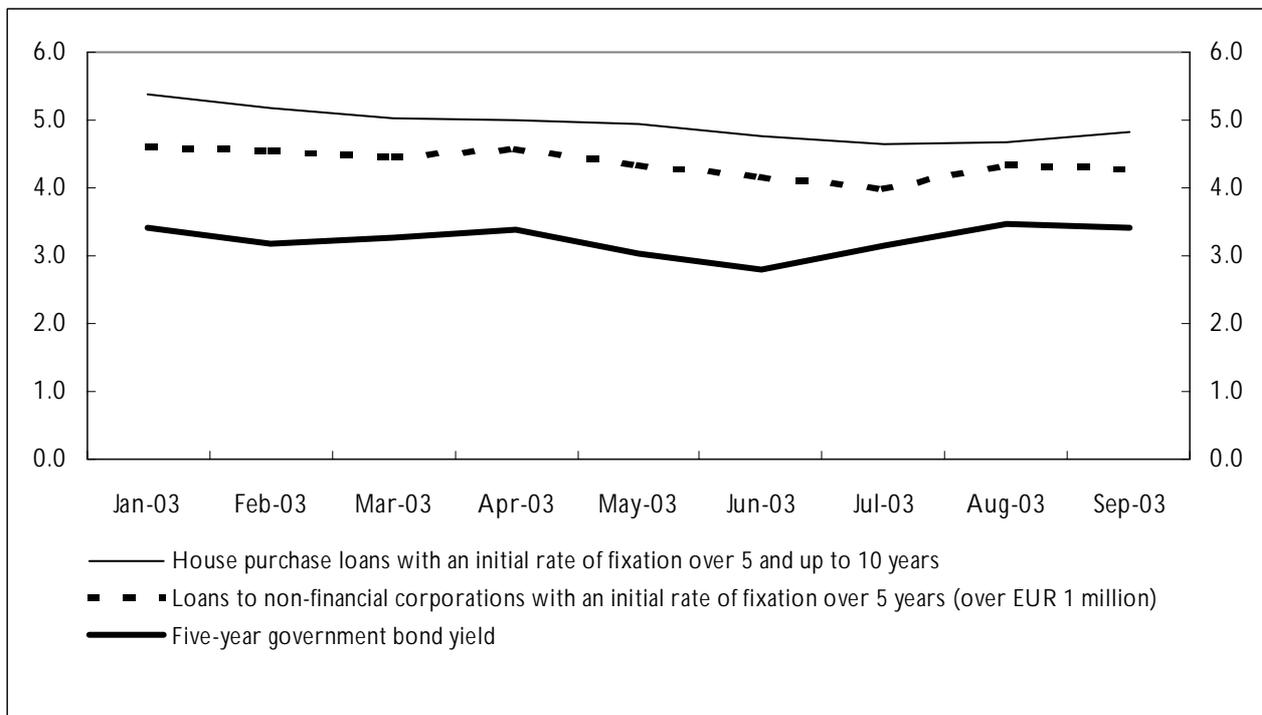


(percentages per annum; rates on new business)

Source: ECB MFI interest rate statistics.

Chart 4: Long-term MFI lending interest rates and a comparable market interest rate

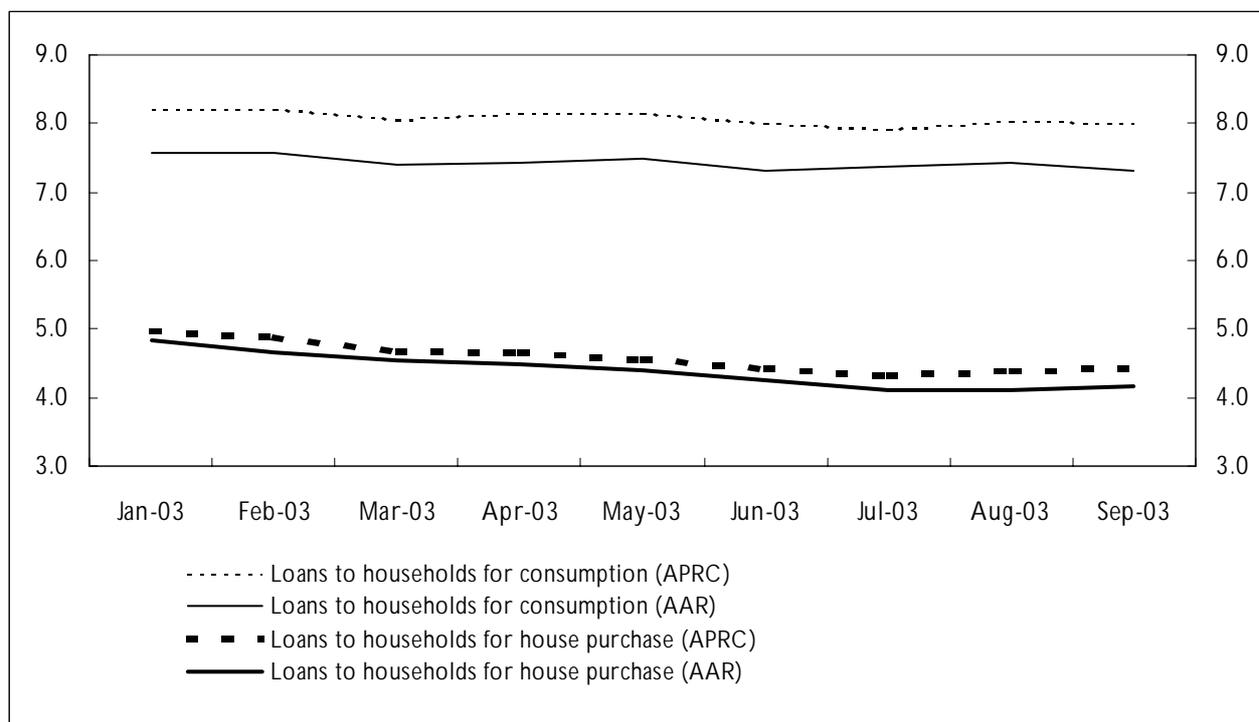
(percentages per annum; rates on new business)



Source: ECB MFI interest rate statistics.

Chart 5: The total rate of charge (APRC*) and interest rates (AAR) for consumer and house purchase loans**

(percentages per annum, rates on new business; all periods of initial rate fixation combined)

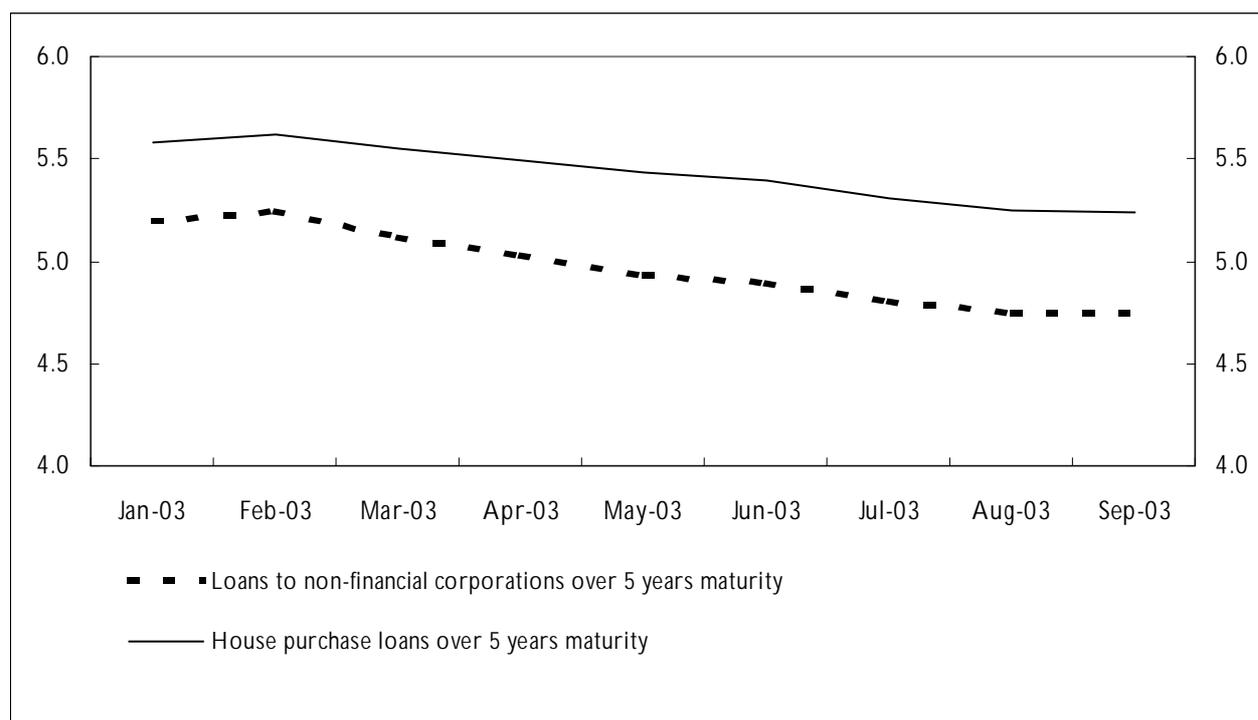


Source: ECB MFI interest rate statistics.

Note: *) The annual percentage rate of charge (APRC) covers the total costs of the credit to the consumer and comprises an interest rate component as well as a component of other related charges. It refers to all periods of initial rate fixation combined; **) The annualised agreed rate (AAR) only covers the interest rate. It refers to the average rate across periods of initial rate fixation, weighted by the corresponding new business volumes.

Chart 6: Long-term MFI lending interest rates on outstanding amounts

(percentages per annum)



Source: ECB MFI interest rate statistics.