

# MFI INTEREST RATE STATISTICS: GENERAL DESCRIPTION

## 1. Purpose of MFI interest rate statistics

Statistics on monetary financial institutions' (MFIs) interest rates are key to assessing the impact of monetary policy on the economy. They facilitate the analysis of the transmission mechanism of monetary policy, in particular the extent and speed of the pass-through of official rates and market interest rates to the lending and deposit rates offered to households and non-financial corporations. Furthermore, changes in interest rates affect the cost of capital, influencing investment and saving decisions. Moreover, the interest rates on the various categories of liquid deposits form the own rate of return on components of monetary aggregates and thus help to explain their development and that of their counterparts. Finally, MFI interest rates, in combination with data on volumes of lending and borrowing, shed light on structural developments in the banking and financial system and provide important information for the analysis of financial stability and financial integration.

## 2. Scope of MFI interest rate statistics

MFI interest rate statistics cover all interest rates that MFIs except central banks and money market funds resident in the euro area apply to the euro-denominated deposits held by, and the loans extended to, households and non-financial corporations of any size that are resident in the countries of the euro area.<sup>1</sup> The household sector also includes non-profit institutions serving households. Non-financial corporations include all enterprises excluding insurance companies, banks and other financial institutions.<sup>2</sup> MFI interest rate statistics are used to produce a set of aggregate euro area interest rates on deposit and lending business that gives a comprehensive, detailed and harmonised statistical picture of the level of interest rates applied by MFIs, and their changes over time.

The statistical requirements for these statistics are laid down in Regulation (EU) No 1072/2013 of the ECB concerning statistics on interest rates applied by monetary financial institutions (ECB/2013/34), amended by Regulation (EU) No 756/2014 (ECB/2014/30). Together with Guideline ECB/2014/15 on monetary and financial statistics, the Regulation defines the statistical standards according to which MFI interest rates should be collected and produced. It specifies the actual reporting population covered by these statistics and the statistical reporting requirements that reporting agents must fulfil. The Regulation and Guideline are complemented by the “Manual on MFI interest rate statistics” which further clarifies and illustrates the statistical requirements.

---

<sup>1</sup> MFI interest rate statistics also include information on interest rates applied by monetary financial institutions resident in non-euro area countries. These statistics cover interest rates on the local currency-denominated deposits and loans of households and non-financial corporations resident in the reporting country.

<sup>2</sup> See Chapter 2 of the European System of Accounts 2010 (ESA 2010) for a detailed description of the sectors.

MFI interest rate statistics, gathered on a monthly basis, provide 117 indicators covering all essential instrument categories for euro-denominated deposits and loans. There are breakdowns by original and residual maturity, period of notice and next interest rate reset, as well as initial period of interest rate fixation. Loans to households are further broken down by the purpose of the loan, while new loans to non-financial corporations are categorised according to the size of the loan. In addition, information on loans with collateral and/or guarantees is collected. The statistics are produced for the euro area as a whole and individually for each EU Member State. The euro area MFI interest rate statistics are calculated for each of the 117 instrument categories as a weighted average of interest rates in individual countries. The statistics originally set out in line with Regulation ECB/2001/18 are available as of January 2003, while the amended data reported in accordance with Regulation ECB/2009/7 are available as of June 2010. The new statistical reporting requirements set out in Regulation ECB/2013/34 are applicable to statistics available as of December 2014.<sup>3</sup>

### 3. Underlying methodology for MFI interest rate statistics

MFI interest rate statistics refer to the interest rates that are individually agreed between a bank and its customers. They can therefore be different from the advertised rates, as households and non-financial corporations may be able to negotiate better terms and conditions than those advertised. MFI interest rates are converted to an annual basis and quoted in percentages per annum.

MFI interest rate statistics for the euro area refer to instrument categories rather than to individual products. The instrument categories are largely consistent with those of the MFI balance sheet statistics. The coverage of the various instrument categories in the MFI balance sheet statistics is defined in Regulation (EU) No 1071/2013 of the ECB concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33).<sup>4</sup>

In the case of deposits, banks pay interest to their customers, but they may also charge fees. By analogy, for a loan, the customer has to pay an amount comprising an interest rate component and a component made up of other related charges. All but two MFI interest rate indicators exclude these charges. The two exceptions are the series collected for consumer credit and lending to households for house purchase, where – in addition to a rate without charges – the annual percentage rate of charge (APRC) is also computed. The APRC is the effective lending rate that covers the total costs of the credit to the consumer.

Of the 117 indicators referred to above, 91 relate to new business and 26 to outstanding amounts.

**New business** is defined as any new agreement between a customer and a bank. *New agreements* are:

- all financial contracts, terms and conditions that specify, for the first time, the interest rate on a deposit or loan; and
- all *new negotiations* of existing deposits and loans.

---

<sup>3</sup> The new breakdowns introduced in Regulation ECB/2013/34 and Guideline ECB/2014/15 will be published later in 2015.

<sup>4</sup> Amended by Regulation (EU) No 1375/2014 (ECB/2014/51).

Existing deposit and loan contracts that are prolonged *automatically*, i.e. without the active involvement of the customer, and do not involve any renegotiation of the terms and conditions of the contract, including the interest rate, are not considered new business. MFI interest rate statistics on **new business** thus reflect the demand and supply conditions in the deposit and loan markets at the time of the agreement, including competition with other types of financial institutions and products. Interest rates on *bad loans* and *loans for debt restructuring* granted at rates below market conditions are excluded from these statistics.

MFI interest rates on new *deposits with agreed maturities* are broken down by the *original maturity* of the deposit, while interest rates on *deposits redeemable at notice* are divided into separate categories according to the *period of notice*. MFI interest rates on new *loans* are, in turn, broken down by *initial period of interest rate fixation*. Separate information is collected on interest rates on loans to non-financial corporations with a period of initial rate fixation of up to one year and original maturity of over one year.

As of reference period December 2014, additional information is collected on **renegotiated loans**. In particular, new indicators were introduced in Regulation ECB/2013/34 and in Guideline ECB/2014/15 referring to new negotiation of loans to households, broken down by purpose of loan, and new negotiation of loans to non-financial corporations. Both interest rates and corresponding business volumes are available.

**Outstanding amounts** are defined as the stock of all deposits held by customers, i.e. households and non-financial corporations, with banks and the stock of all loans extended by banks to their customers. An interest rate on outstanding amounts reflects the weighted average interest rate applied to the stock of deposits or loans in the relevant instrument category in the reference period:

- Interest rates on outstanding deposits cover all deposits held and not yet withdrawn by customers in all the periods up to and including the reporting date.
- Interest rates on outstanding loans cover all loans extended to and not yet repaid by customers in all the periods up to and including the reporting date, excluding bad loans and loans for debt restructuring at rates below market conditions.

MFI interest rates on outstanding amounts are hence statistics on the interest rates *actually applied* to all “open” deposits and loans. Interest rates on outstanding amounts are provided with a breakdown according to the *original maturity* of the deposit or loan. Further breakdowns by *residual maturity* and period of *next interest rate reset* are available for loans as of reference period December 2014.

#### **4. Cost-of-borrowing indicators**

Cost-of-borrowing indicators are computed for four categories of lending rates: short-term and long-term lending rates to both non-financial corporations and households for house purchase. Long-term lending rates to non-financial corporations and short and long-term rates on loans to households for house purchase are obtained directly from the MFI interest rate statistics. The short-term lending rate to non-financial corporations, by contrast, has to account for two additional technical factors: the importance of

overdrafts as a main source of financing for firms in some large euro area economies (e.g. Italy) and the computation of an estimate of the share of long-term loans issued at floating rates, which are close substitutes for short-term loans. The detailed calculation of the indicators is described in the article entitled “Assessing the retail bank interest rate pass-through in the euro area at times of financial fragmentation” in the August 2013 issue of the ECB’s Monthly Bulletin.

For further information, please refer to:

- Regulation (EU) No 1072/2013 of the ECB of 24 September 2013 concerning statistics on interest rates applied by monetary financial institutions (recast) (ECB/2013/34), OJ L 297, 7.11.2013, p. 51.
- Regulation of the ECB of 8 July 2014 amending Regulation (EU) No 1072/2013 (ECB/2013/34) concerning statistics on interest rates applied by monetary financial institutions (ECB/2014/30), OJ L 205, 12.7.2014, p. 14.
- Regulation (EU) No 1071/2013 of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2013/33), OJ L 297, 7.11.2013, p. 1.
- Regulation (EU) No 1375/2014 of the ECB of 10 December 2014 amending Regulation (EU) No 1071/2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33), (ECB/2014/51), OJ L 366, 20.12.2014, p. 77.
- Guideline of the ECB of 4 April 2014 on monetary and financial statistics (recast) (ECB/2014/15), OJ L 340, 26.11.2014, p. 1.
- Guideline of the ECB of 6 November 2014 amending Guideline ECB/2014/15 on monetary and financial statistics (ECB/2014/43), 18.11.2014.
- Manual on MFI interest rate statistics – Regulation ECB/2001/18, October 2003.