What influences the amount of installments on variable-rate mortgage loans in Poland?

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1. WIBOR

WIBOR (Warsaw Interbank Offered Rate) is currently the most popular reference loan interest rate in Poland. Its amount depends on the situation on the banking market and on the reference interest rate set by the National Bank of Poland. In practice, it is the interest rate on loans granted to banks by other banks. In addition to the WIBOR indicator, the bank's margin also influences the amount of the mortgage installment. The most popular WIBOR indices on which mortgage loan interest rates are based are WIBOR 1M, WIBOR 3M and WIBOR 6M. They take into account different periods - for WIBOR 1M it will be 1 month, for WIBOR 3M - 3 months, for WIBOR 6M - 6 months. Since the amounts of these three indicators do not differ significantly from each other (Fig 1., Fig 2.), for simplicity we will take into account the most popular indicator - WIBOR 3M.

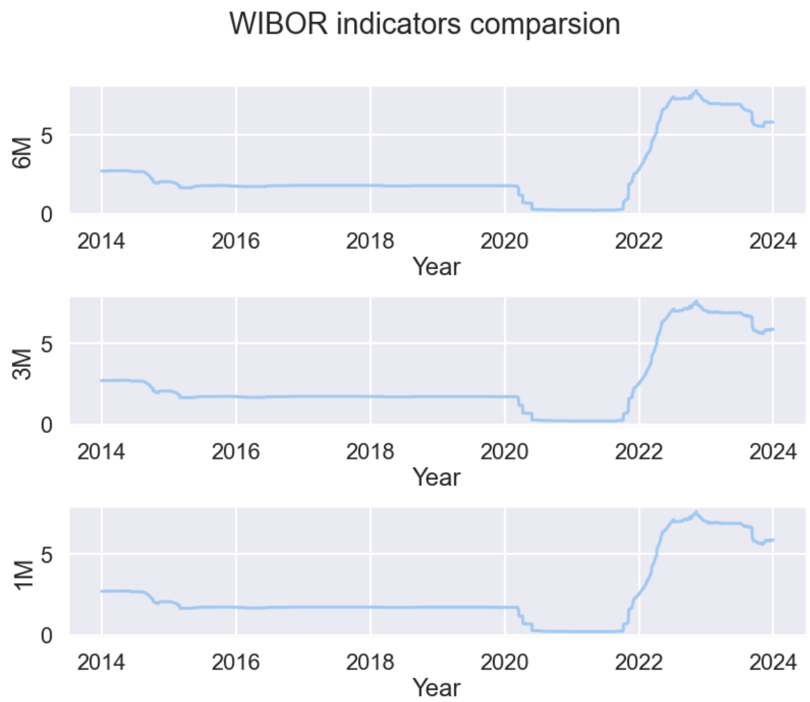

Fig 1.

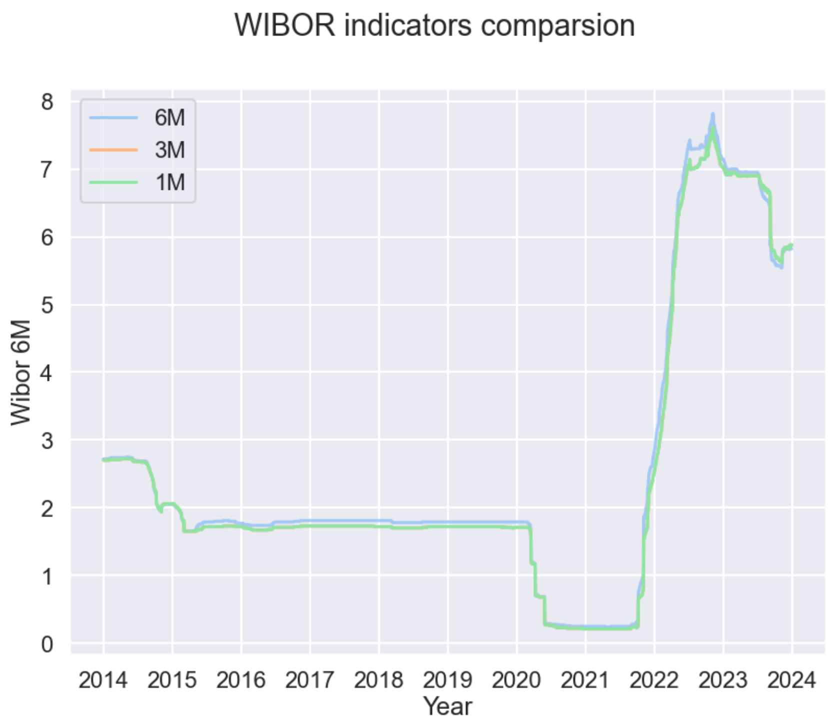

Fig 2.

2. Factors infuencing WIBOR

The main factor influencing WIBOR is the reference interest rate. Fig 3. shows how these two indicators have changed over time. A change in the reference interest rate always entails a linear correlated change in the WIBOR rate. An exceptional situation occurred in 2020, when rates were significantly reduced and then fluctuated in response to the uncertain market situation due to the COVID-19 pandemic.

When rates were kept at a constant level in the second half of 2022, WIBOR reacted with a significant increase, and then began to gradually decline.

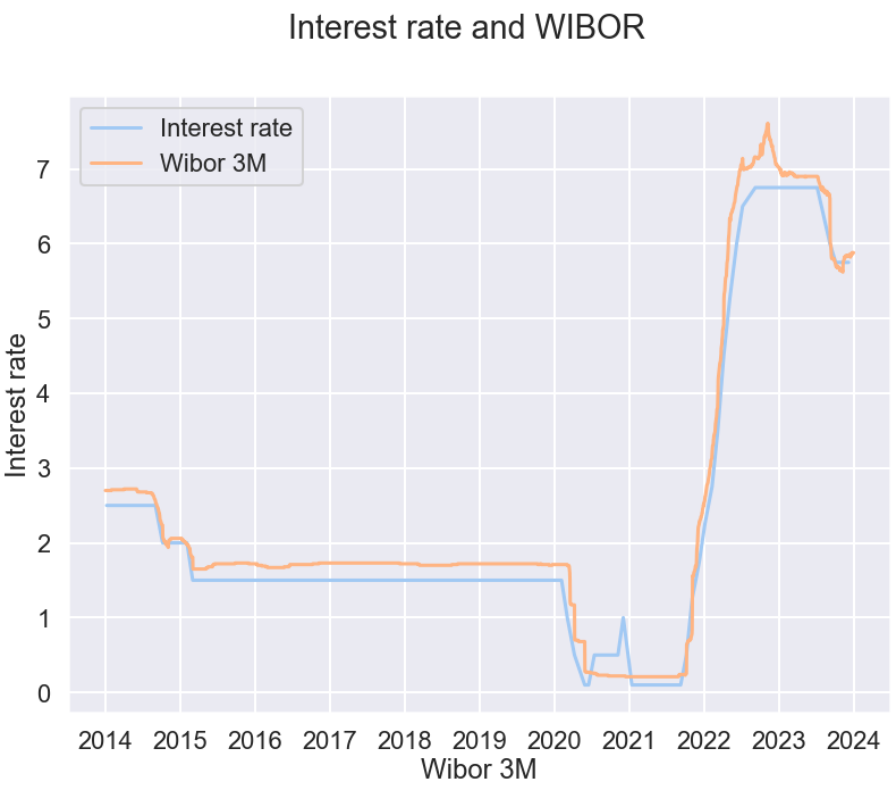

Fig 3.

3. WIBOR and inflation

The Monetary Policy Council increases the interest rate in order to regulate the economic situation. In practice, interest rates are most often raised to reduce inflation, as was the case from October 2022 to July 2023. When inflation falls, the interest rate is lowered. The change in inflation and the reference interest rate over time is presented in Fig 4. Fig 5. shows the linear correlation between the above-mentioned indicators.

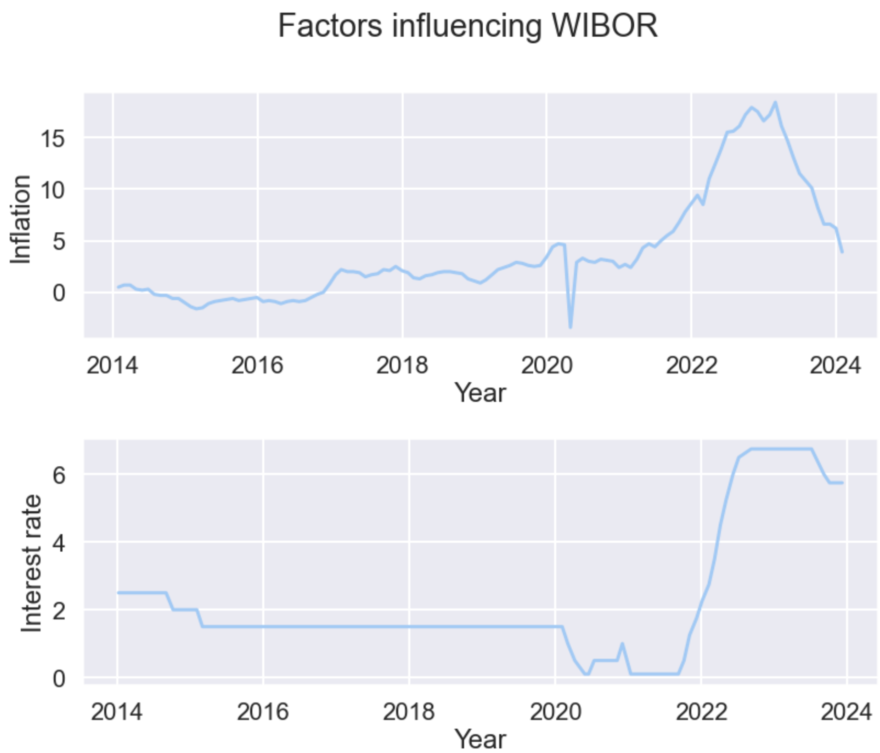

Fig 4.

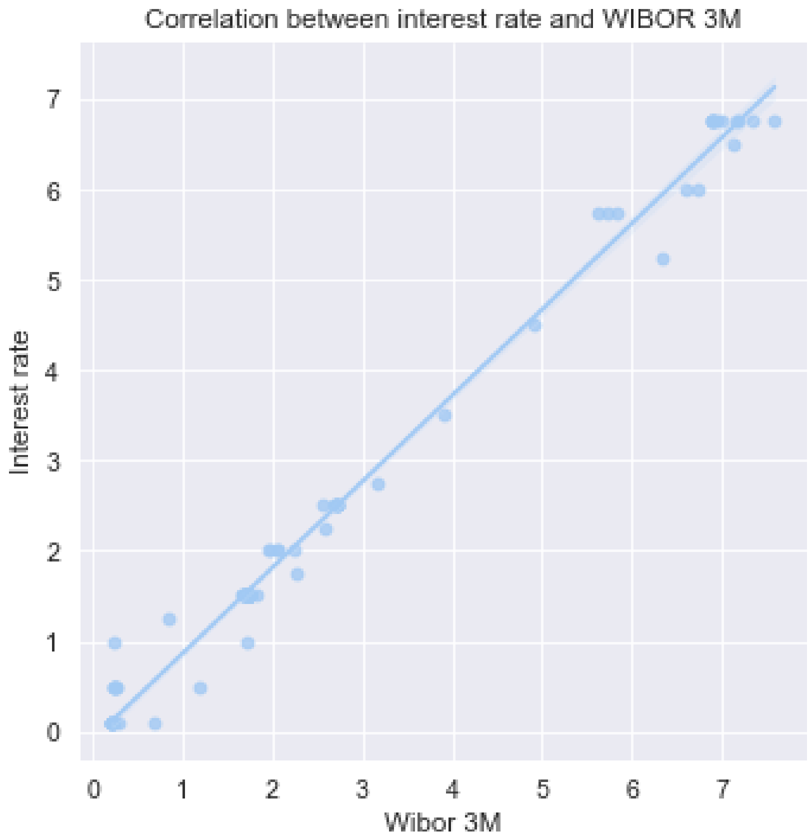

Fig 5.

Conclusions

Currently, interest rates are high, which makes mortgage loans expensive. The loan is most profitable when inflation is low.

Data source: stooq.pl
Plots made with Python.

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