

The countercyclical capital buffer rate applicable to Hungarian exposures and the justification thereof

Based on the capital buffer guide, additional indicators relevant in terms of domestic financial system risks and credit market developments, the Financial Stability Board of the Magyar Nemzeti Bank maintains the countercyclical capital buffer rate set at 0.5 percent from 1 July 2024 for exposures to counterparties in Hungary, from 1 October 2024 as well.

Countercyclical capital buffer rate for exposures to counterparties in Hungary	
From 1 October 2023 (percent)	0
From 1 July 2024 (percent)	0.5
<i>Related information</i>	<i>31.03.2023</i>
Countercyclical capital buffer rate based on the additional credit-to-GDP gap (percent) – <i>buffer guide</i>	0
Countercyclical capital buffer rate based on the standardised credit-to-GDP gap (percent)	0
Additional credit-to-GDP ratio (percent)	39.7
Additional credit-to-GDP gap (percentage point)	-3.1
Standardised credit-to-GDP ratio (percent)	95.7
Standardised credit-to-GDP gap (percentage point)	-5.4

Justification

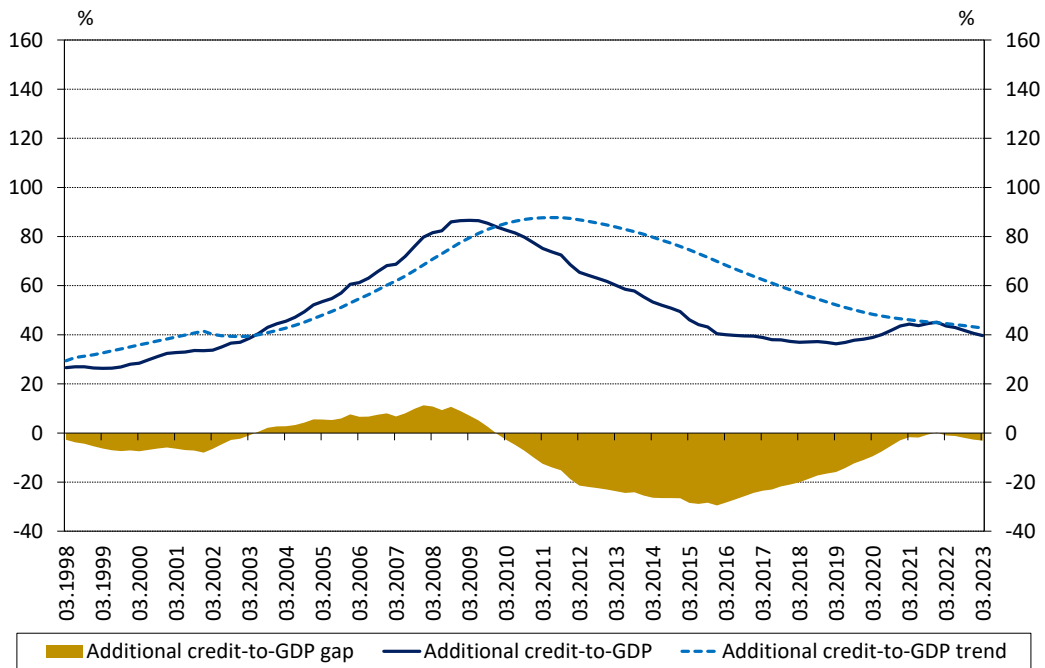
Regarding the additional credit-to-GDP gap, as well as the risk signalling of the additional risk indicators that do not require macroprudential intervention, and with regard to the potentially temporary mitigation of systemic risks associated with the residential real estate market in the short term, the Financial Stability Board (FSB) has not amended the activation of the countercyclical capital buffer rate planned from 1 July 2024. The FSB maintains the countercyclical capital buffer rate applicable to Hungarian exposures at 0 percent effective from 1 October 2023, and maintains the rate effective from 1 July 2024 at 0.5 percent from 1 October 2024, as well.

Based on data from the first quarter of 2023, the additional credit-to-GDP gap, which serves as a guide for determining the countercyclical capital buffer rate, has continued to widen slightly in a negative direction, i.e., it has moved away from the level justifying rule-based macroprudential intervention. The development of the supplementary indicators, as well as the underlying fundamentals behind their changes, indicate overall a decreasing level of overheating and vulnerability risks, which does not justify cyclical macroprudential intervention. The high inflation environment, the consequentially pertaining strict monetary conditions, as well as the slowing down of the real estate market and the fallback of housing loan disbursement dynamics signal the easing of cyclical systemic risks. In the medium term, however, the recovery of the economic activity and the return of the real wage growth might point to the return of rising cyclical risks. Therefore, no amendment is currently justified in commencing the build-up of the countercyclical capital buffer. The FSB will continue to decide on the activation and the level of the rate in its quarterly decisions, depending on the development of risks.

For more details on the method of defining the capital buffer guide and other monitored indicators, see the methodological notes, as well as the indicators supporting the cyclical systemic risk map underlying the current decision.

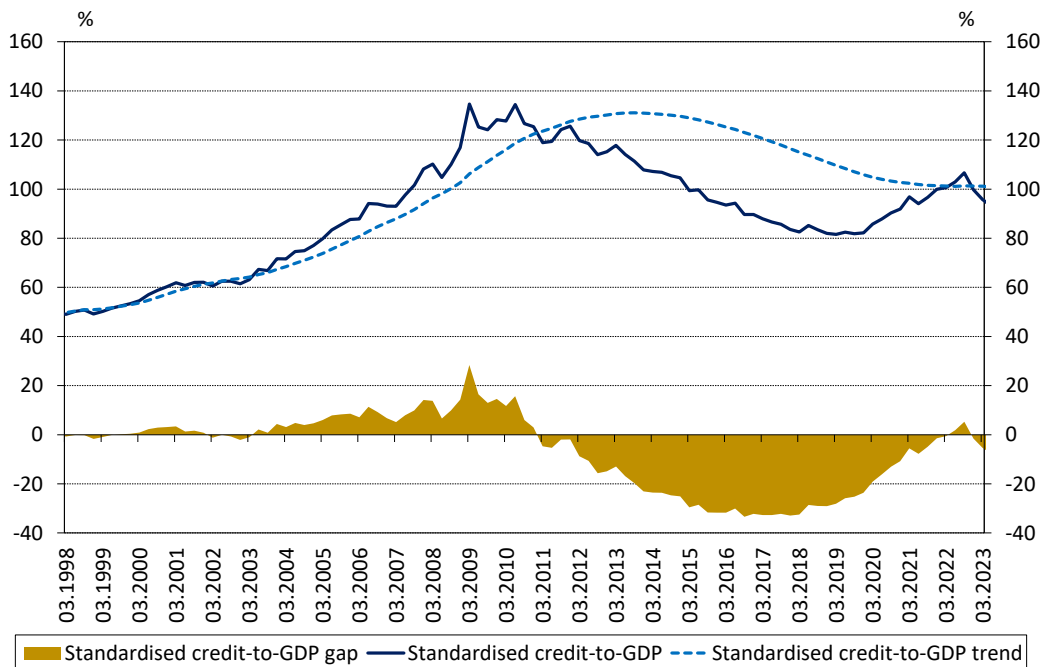
Appendix

Chart 1 – Development of the benchmark additional credit-to-GDP gap



Source: MNB. Note: benchmark additional credit-to-GDP gap based on country-specific methodology calculated on 31 March 2023 data.

Chart 2 – Development of the standardised credit-to-GDP gap



Source: MNB. Note: standardised credit-to-GDP gap based on the European Systemic Risk Board's recommendation calculated on 31 March 2023 data.