

Countercyclical capital buffer rate applicable to the Hungarian exposures from 1 July 2016 and the justification thereof

In view of the 0 per cent capital buffer guide and the other supplementary indicators relevant in terms of the domestic financial systemic risks, the rate of the countercyclical capital buffer to be applied to exposures to counterparties in Hungary as of 1 July 2016 is 0 per cent.

	Current data (31 December 2015)
Countercyclical capital buffer rate applicable to exposures to counterparties in Hungary (per cent)	0
Countercyclical capital buffer rate based on the additional credit-to-GDP gap (per cent) – <i>buffer guide</i>	0
Countercyclical capital buffer rate based on the standardised credit-to-GDP gap (per cent)	0
Additional credit-to-GDP ratio (per cent)	42.6
Additional credit-to-GDP gap (percentage point)	-28.9
Standardised credit-to-GDP ratio (per cent)	110.8
Standardised credit-to-GDP gap (percentage point)	-27.7

Justification

The current status of the credit cycle continues to signal the absence of a systemic overheating and low probability of its build-up. The additional credit-to-GDP gap, governing the determination of the countercyclical capital buffer rate, is -28.9 per cent, i.e. the indicator is below the long-term trend. Therefore, prescribing a capital buffer is not justified.

While the standardised credit-to-GDP gap has declined somewhat, the value of the additional credit-to-GDP gap has increased slightly. The processes anticipated in 2016 may result in the increase of the credit-to-GDP ratio, due mainly to the pick-up in household demand for credit. The level and dynamics of the indicators measuring the lending boom and the vulnerability of the financial system still signal low cyclical systemic risk.

On the whole, the degree of the cyclical systemic risk still does not justify the raising of the countercyclical buffer rate.

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 of the cyclical systemic risk map underlying the current decision on the rate.