

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

Based on the capital buffer guide, the other supplementary indicators relevant in terms of domestic financial systemic risks and credit market developments, the Financial Stability Board of the Magyar Nemzeti Bank has left the countercyclical capital buffer rate for exposures to counterparties in Hungary effective from 1 April 2024 unchanged at 0.5 per cent.

Countercyclical capital buffer rate for exposures to counterparties in Hungary	
From 1 April 2023 (percent)	0
From 1 July 2023 (percent)	0.5
<i>Related information</i>	<i>30.09.2022</i>
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)	41.9
Additional credit-to-GDP gap (percentage point)	-1.8
Standardised credit-to-GDP ratio (per cent)	105.9
Standardised credit-to-GDP gap (percentage point)	4.6

Justification

Although the benchmark additional credit-to-GDP gap and the additional supplementary risk indicators examined do not require macroprudential intervention on a rule-basis, due to the historically high level of housing market overvaluation and to address the associated credit risks, the Financial Stability Board leaves the countercyclical capital buffer rate applicable to Hungarian exposures unchanged as of 1 April 2024, at the 0.5 per cent applicable from 1 July 2023.

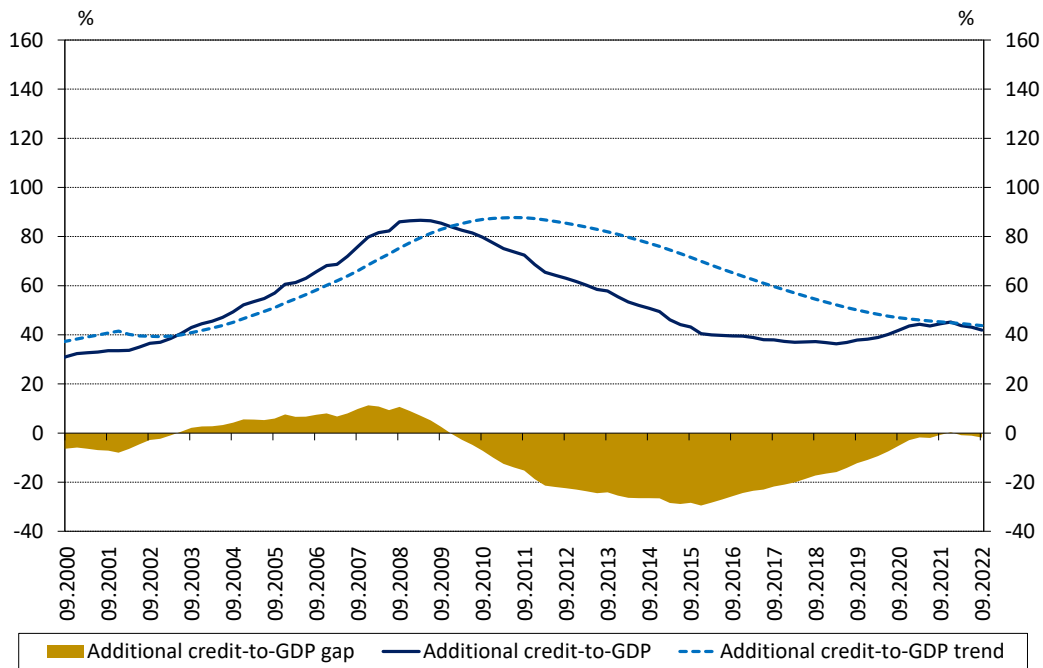
To ensure banks' adequate shock absorbing capacity, maintaining the rate is justified by the still historically high domestic housing market overvaluation, potential credit market risks arising from the financing of overvalued properties, the near-equilibrium stock of credit, the warning of the European Systemic Risk Board regarding increased Hungarian housing market risks as well as the growing importance of bank shock resistance in connection with international bank failures.

Based on data from the third quarter of 2022, the additional credit-to-GDP gap, which serves as a guide for determining the countercyclical capital buffer rate, has slightly expanded in the negative direction again, i.e., it has moved away from the level that would justify macroprudential intervention on a rule-basis. Overall, the level of the supplementary indicators and their underlying fundamentals indicate a level and dynamics of overheating and vulnerability risks that do not justify cyclical macroprudential intervention. Despite the historically high level of housing market overvaluation, the deteriorating growth prospects due to war developments, the high inflation and interest rate environment, as well as the slowing lending dynamics already point to the easing of cyclical systemic risks. Therefore, a further increase of the countercyclical capital buffer is not justified.

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

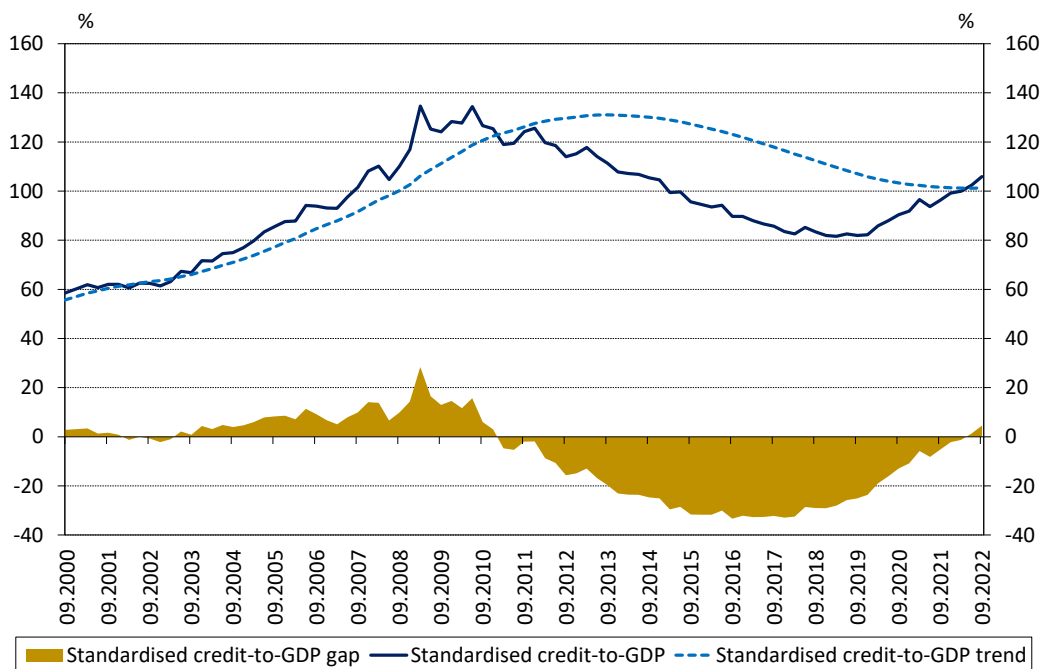
Appendix

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 30 September 2022 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 30 September 2022 data.