

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 amended the countercyclical capital buffer rate for exposures to counterparties in Hungary from 0.5 percent to 0 percent effective from 1 July 2023, and set the capital buffer rate effective from 1 July 2024 at 0.5 percent.

Countercyclical capital buffer rate for exposures to counterparties in Hungary	
From 1 July 2023 (percent)	0
From 1 July 2024 (percent)	0.5
<i>Related information</i>	<i>31.12.2022</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)	40.6
Additional credit-to-GDP gap (percentage point)	-2.6
Standardised credit-to-GDP ratio (percent)	98.5
Standardised credit-to-GDP gap (percentage point)	-2.8

Justification

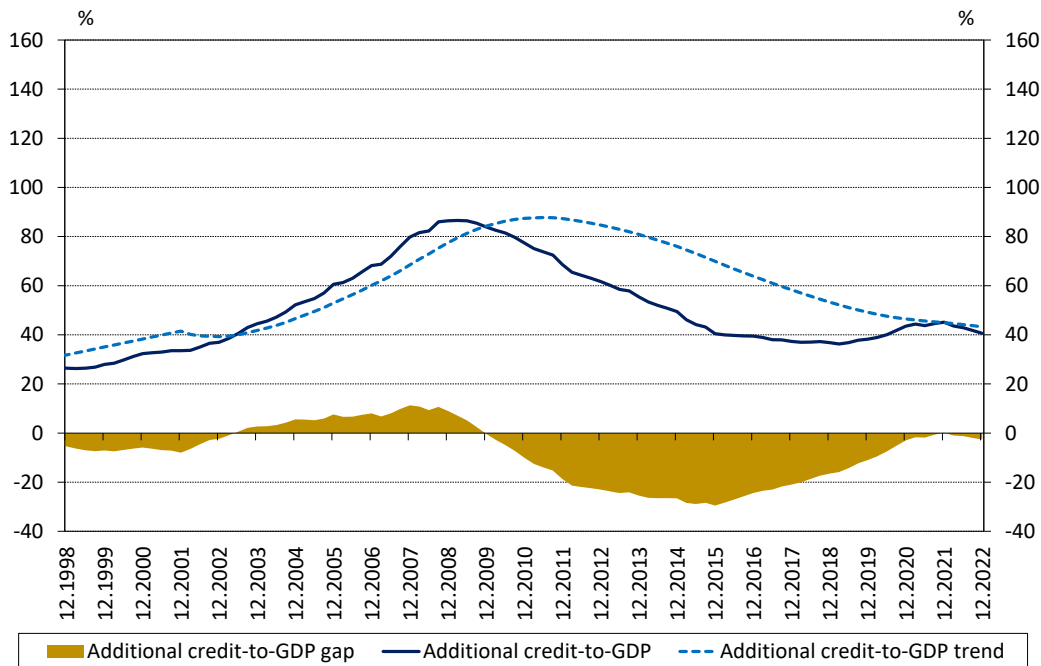
Regarding the additional credit-to-GDP gap, as well as the risk signal of the additional risk indicators that do not require macroprudential intervention, the decreasing housing market transaction numbers, the housing market overvaluation decreasing from its historically high level and the significant drop in housing loan disbursement, the Financial Stability Board (FSB) decided to postpone the activation of the countercyclical capital buffer rate applicable from 1 July 2023 by one year. Accordingly, the FSB decreased the countercyclical capital buffer rate applicable to Hungarian exposures to 0 percent effective from 1 July 2023, and set the rate effective from 1 July 2024 at 0.5 percent.

Based on data from the fourth quarter of 2022, 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, overall indicate a decreasing level of overheating and vulnerability risks, which does not justify cyclical macroprudential intervention. The high inflation environment, the strict monetary conditions, as well as the slowing down of the real estate market and the fallback of housing loan disbursement dynamics already point to the easing of cyclical systemic risks. Therefore, starting the build-up of the countercyclical capital buffer with a one-year postponement is justified.

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.

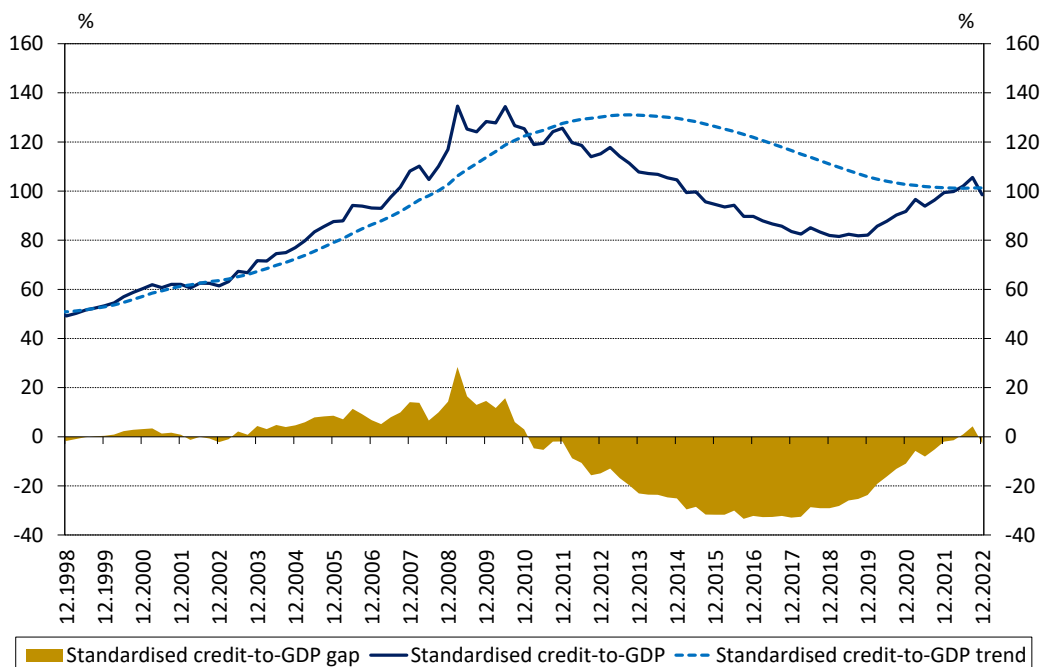
Appendix

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 December 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 31 December 2022 data.