

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 left the countercyclical capital buffer rate for exposures to counterparties in Hungary effective from 1 October 2023 unchanged at 0.5 per cent.

Countercyclical capital buffer rate for exposures to counterparties in Hungary	
From 1 October 2022 (percent)	0
From 1 July 2023 (percent)	0.5
<i>Related information</i>	<i>31.03.2022</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)	43.9
Additional credit-to-GDP gap (percentage point)	-0,8
Standardised credit-to-GDP ratio (per cent)	95.5
Standardised credit-to-GDP gap (percentage point)	-4.7

Justification

Although the benchmark additional credit-to-GDP gap and the additional supplementary risk indicators examined do not require immediate 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 at 0.5 per cent as of 1 October 2023.

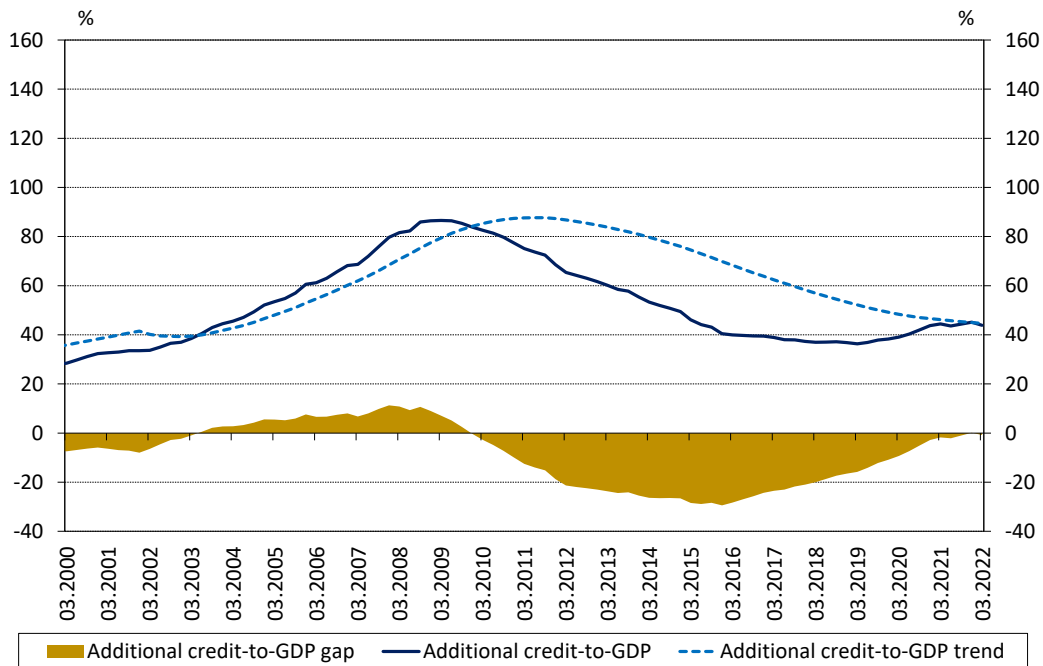
To ensure banks' adequate shock absorbing capacity, maintaining the rate is justified by the historically high and persistent domestic housing market overvaluation, potential credit market risks arising from the financing of overvalued properties, the near-equilibrium stock of credit and the warning of the European Systemic Risk Board regarding increased Hungarian housing market risks.

Based on data from the first quarter of 2022, the additional credit-to-GDP gap, which serves as a guide for determining the countercyclical capital buffer rate, has become negative again, i.e., it has moved away from the level that would justify macroprudential intervention on a rule-basis. Overall, the level and dynamics of the supplementary indicators and the underlying fundamentals point to a slight reduction of overheating and vulnerability risks. At the same time, the housing market overvaluation, which has risen to a historically high level, and the related credit risks remain high. Although the development of real estate market risks points to increasing the countercyclical capital buffer rate, this is currently not justified based on the unfavourable, war-related growth prospects and on the expected easing of cyclical risks in the near future in parallel with these and with monetary policy tightening.

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.

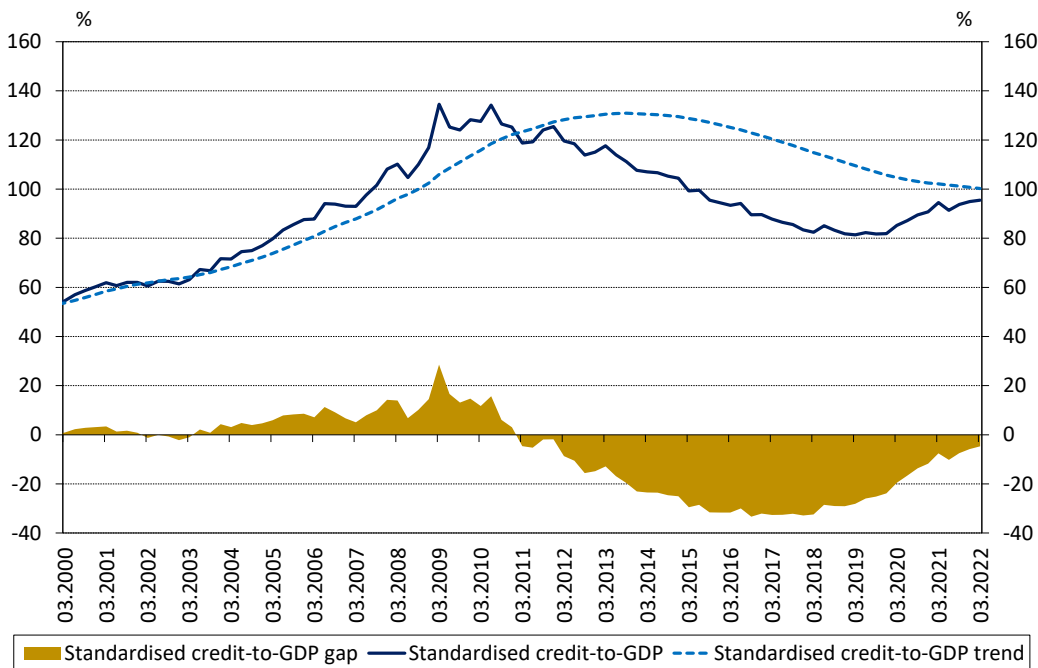
Appendix

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 31 March 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 March 2022 data.