

The countercyclical capital buffer rate applicable to Hungarian exposures from 1 January 2020 and the justification thereof

In view of the capital buffer guide and the other supplementary indicators relevant in terms of domestic financial systemic risks, the Magyar Nemzeti Bank has left the rate of the countercyclical capital buffer to be applied to exposures to counterparties in Hungary as of 1 January 2020 at 0 percent.

	Current data (30 June 2019)
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)	37.6
Additional credit-to-GDP gap (percentage point)	-13.9
Standardised credit-to-GDP ratio (per cent)	82.3
Standardised credit-to-GDP gap (percentage point)	-27.2

Justification

The benchmark additional credit-to-GDP gap, the analysed supplementary indicators and other available credit market information continue to signal a low level of cyclical systemic risks that does not warrant macroprudential interventions.

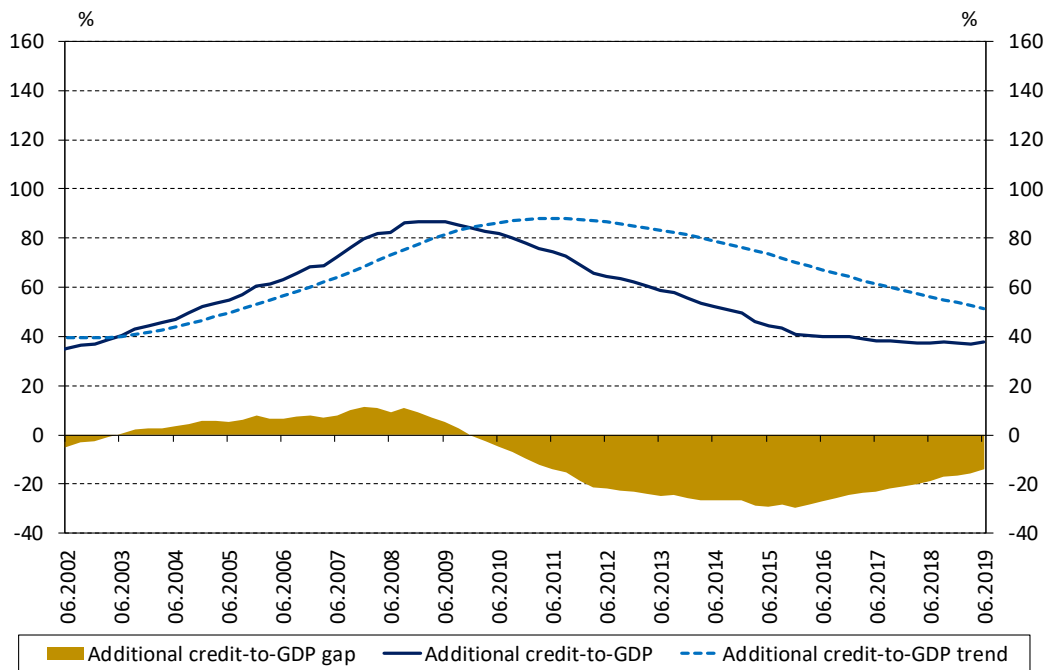
The additional credit-to-GDP gap, which serves as a guide for determining the countercyclical capital buffer rate, continued to close, but is still significantly negative based on data of the second quarter of 2019. Lending to the economy, even given the currently observable dynamic credit growth, parallel with the current real estate processes and the close-to-equilibrium corporate lending, still remains below the level anticipated by the long-term trend of credit-to-GDP. On the basis of the level and dynamics of the supplementary overheating and vulnerability indicators, actual and expected cyclical systemic risks, while overall increasing, are still low.

The degree and the evolution of cyclical systemic risks justify the maintenance of the current countercyclical capital buffer rate applicable to Hungarian exposures. In the next 12 months, regulatory intervention related to systemic overheating or general cyclical vulnerability given the current trends is of low probability. Considering the dynamics of lending, especially with regard to real estate and corporate lending processes, the MNB will continue to closely monitor credit market developments.

For more details on the method of defining the countercyclical 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.

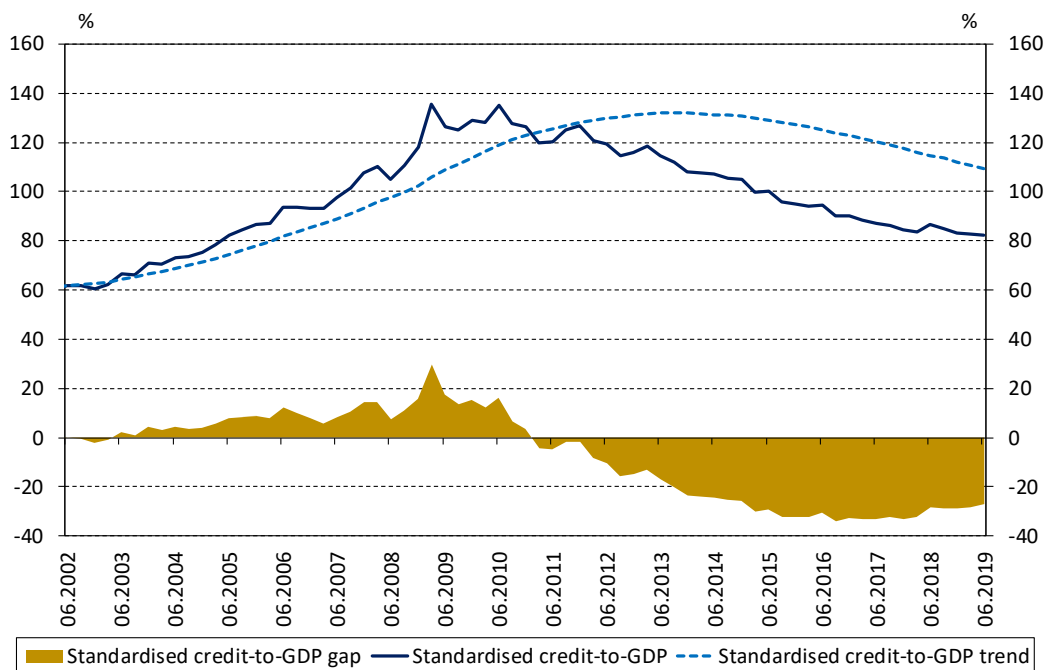
Appendix

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 June 2019 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 June 2019 data.