

**The countercyclical capital buffer rate applicable to Hungarian exposures from 1 January 2021 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 2021 at 0 percent.*

	<b>Current data (30 June 2020)</b>
<b>Countercyclical capital buffer rate applicable to exposures to counterparties in Hungary (per cent)</b>	<b>0</b>
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)	40.6
Additional credit-to-GDP gap (percentage point)	-7.6
Standardised credit-to-GDP ratio (per cent)	86.8
Standardised credit-to-GDP gap (percentage point)	-19.4

**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 domestic 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 2020. Lending to the economy still remained below the level anticipated by the long-term trend of credit-to-GDP, even given the dynamic credit growth observed so far, real estate market processes and the close-to-equilibrium level of corporate credit. Based on the level and dynamics of the supplementary indicators, both the overheating and vulnerability risks are low.

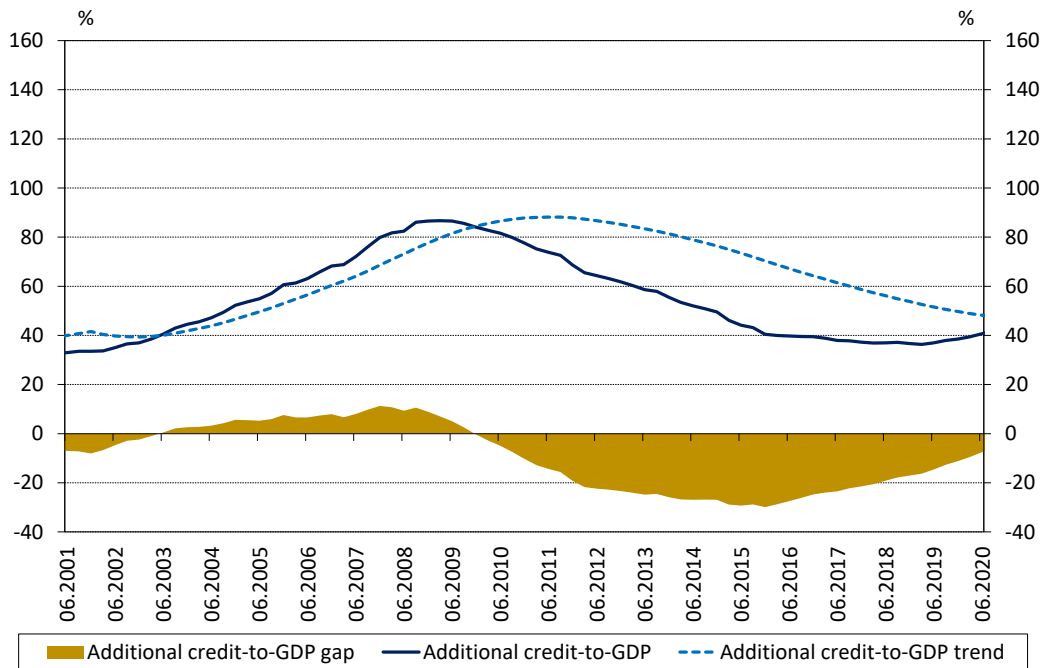
The perception of the cyclical situation is significantly influenced by the complex economic situation in the context of the coronavirus pandemic. Due to the already realised and the expected financial and economic effects, the development of the cyclical level justifying the prescription of the capital buffer is being delayed.

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, also taking into account the expected consequences of the economic shock associated with the coronavirus pandemic, regulatory intervention related to overheating of lending or general cyclical vulnerability is of low probability.

*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.*

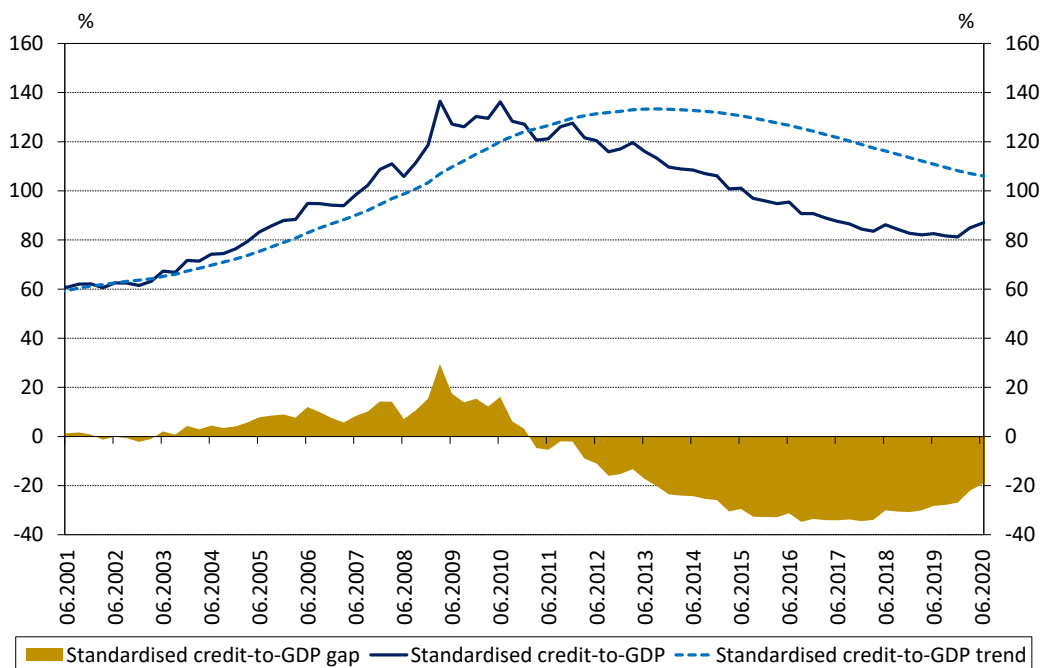
## Appendix

### 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 June 2020 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 2020 data.