

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 maintained the countercyclical capital buffer rate set at 0.5 percent from 1 July 2024 for exposures to counterparties in Hungary, from 1 January 2025 as well.

Countercyclical capital buffer rate for exposures to counterparties in Hungary	
From 1 January 2024 (percent)	0
From 1 July 2024 (percent)	0.5
<i>Related information</i>	<i>30.06.2023</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)	39.0
Additional credit-to-GDP gap (percentage point)	-3.2
Standardised credit-to-GDP ratio (percent)	93.5
Standardised credit-to-GDP gap (percentage point)	-7.5

Justification

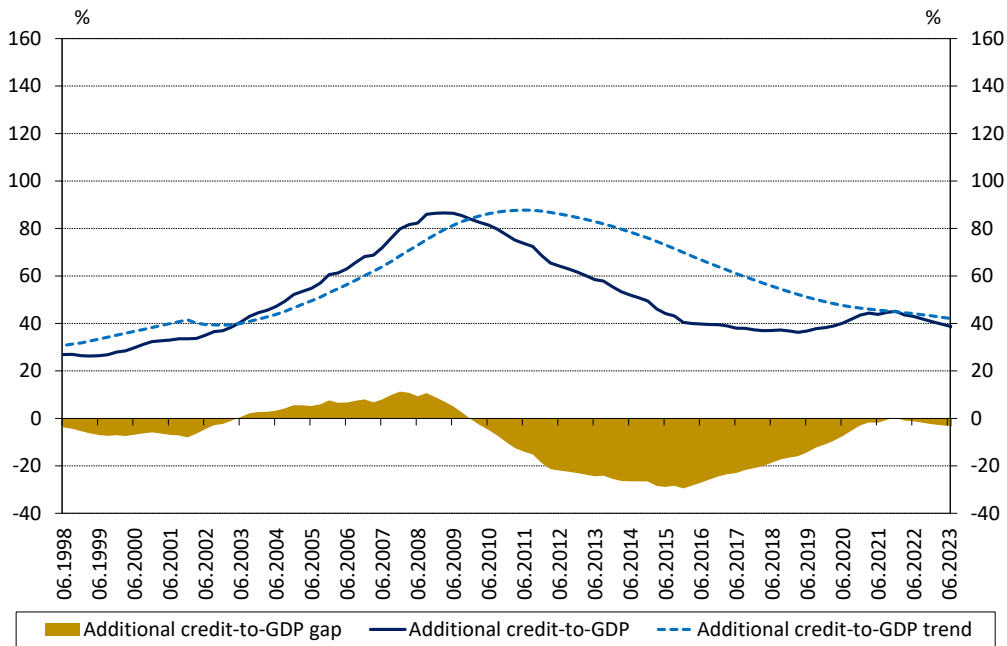
Regarding the additional credit-to-GDP gap and the signalling of the additional risk indicators that do not require macroprudential intervention, as well as the macroeconomic outlook uncertainty and the short term mitigation of systemic risks associated with the residential real estate market, the Financial Stability Board (FSB) maintains the applicable 0 percent countercyclical capital buffer rate effective from 1 January 2024, and the rate effective from 1 July 2024 at 0.5 percent from 1 January 2025, as well.

Based on data from the second quarter of 2023, the additional credit-to-GDP gap serving as a guide for determining the countercyclical capital buffer rate has continued to move away from the level justifying rule-based macroprudential intervention. The development of the supplementary indicators, as well as the underlying fundamentals behind their changes, indicate overall a decreasing level of overheating and vulnerability risks, which does not justify cyclical macroprudential intervention. The high inflation environment, the consequentially pertaining strict monetary conditions, as well as the still restrained real estate market activity and housing loan disbursement signal the easing of cyclical systemic risks. In the medium term, however, the recovery of the economic activity and the return of the real wage growth might point to the return of rising cyclical risks. Therefore, a change in the build-up of the countercyclical capital buffer is not justified for the time being. The FSB will continue to decide on the activation and the level of the rate in its quarterly decisions, depending on the development of risks.

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.

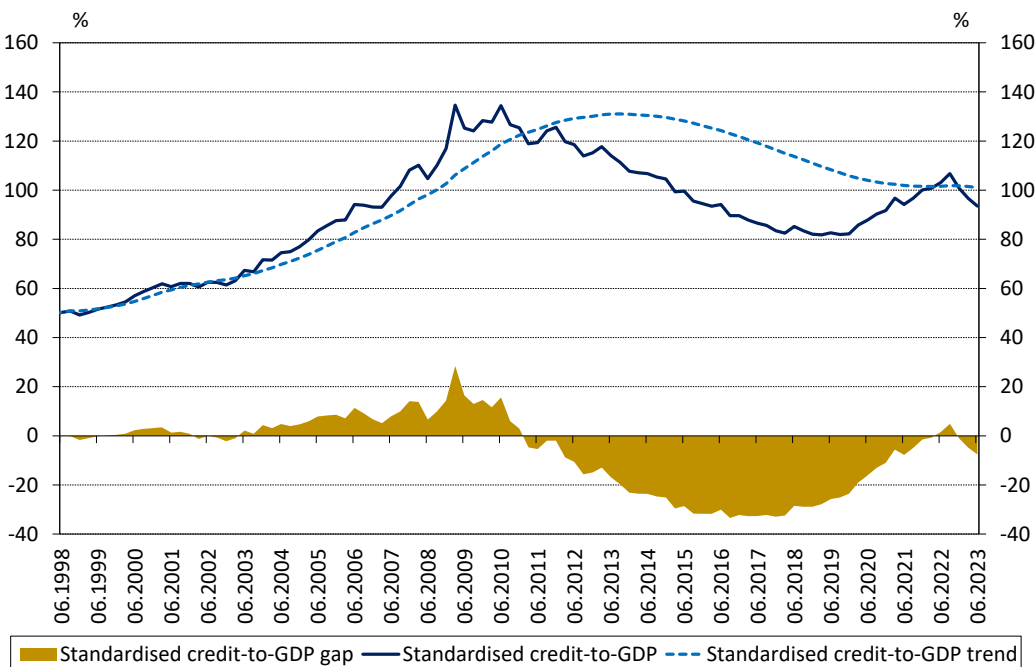
Appendix

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 30 June 2023 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 2023 data.