

## Countercyclical capital buffer rate applicable to Hungarian exposures from 1 January 2016 with justification

*The rate of the countercyclical capital buffer applied to exposures to counterparties in Hungary as of 1 January 2016 will be set at 0 per cent. This decision has been made by taking into consideration both the benchmark capital buffer rate chosen as buffer guide, which is currently at 0 per cent, as well as other supplementary indicators relevant in terms of domestic financial systemic risk.*

	Last data (30 June 2015)
<b>Countercyclical capital buffer rate applicable to exposures to counterparties in Hungary (per cent)</b>	<b>0</b>
Standardised credit-to-GDP ratio (per cent)	113.8
Standardised credit-to-GDP gap (percentage point)	-27.8
Additional credit-to-GDP ratio (per cent)	46.3
Additional credit-to-GDP gap (percentage point)	-27.3
Buffer guide - benchmark countercyclical capital buffer rate based on the additional credit-to-GDP (per cent)	0

### Justification

The current status of the credit cycle signals the absence of systemic overheating and a low risk of its potential build-up. Despite the trend reversal in the development of an additional credit-to-GDP gap, credit growth from a low base does not pose a threat of potential overheating in the foreseeable future.

The additional credit-to-GDP gap in the second quarter of 2015 was well below the signalling range, i.e. it stood at – 28 percentage points, which, similarly to the standardised credit-to-GDP gap, shows no systemic risk arising from a credit boom. The additional credit-to-GDP gap derivable on the basis of a qualitative methodology justifies a 0 per cent countercyclical benchmark capital buffer rate (buffer guide).

At present, almost all indicators that signal overheating are in the low-risk range. Furthermore, the analysis of the vulnerability factors reveals that the level of the risk reflected by most of the indicators is also low. Although the debt-to-GDP ratio and the level of the debt service burdens show vulnerability, their trend is improving. Bearing in mind that most of the non-risk signalling indicators are also improving or they are far from the vulnerability threshold, as well as the vulnerability risks also being negligible, the degree of the cyclical systemic risk may be deemed low on the whole and no change may be expected in this respect on the next one-year time horizon either.

*With regard to the method of defining the benchmark capital buffer rate used as buffer guide and the other indicators monitored, see the MNB publication entitled "Methodology underlying the determination of the benchmark countercyclical capital buffer rate and the supplementary indicators signalling the build-up of cyclical systemic financial risk".*