MACROECONOMIC AND

FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL

TO THE ABRIDGED MINUTES

OF THE MONETARY COUNCIL MEETING

OF 27 FEBRUARY 2024

FEBRUARY

2024

Time of publication: 2 p.m. on 13 March 2024

The background material 'Macroeconomic and financial market developments' is based on information available until 22 February 2024.

Article 3 (1) of the MNB Act (Act CXXXIX of 2013 on the Magyar Nemzeti Bank) defines achieving and maintaining price stability as the primary objective of the Magyar Nemzeti Bank. The MNB's supreme decision-making body is the Monetary Council. The Council convenes as required by circumstances, but at least twice a month, according to a pre-announced schedule. At the second scheduled meeting each month, members consider issues relevant to decisions on central bank interest rates. Abridged minutes of the Council's rate-setting meetings are released regularly, before the next policy meeting takes place. As a summary of the analyses prepared by staff for the Monetary Council, the background material presents economic and financial market developments, as well as new information which has become available since the previous meeting.

The abridged minutes and the background materials to the minutes are available on the MNB's website at:
https://www.mnb.hu/en/monetary-policy/the-monetary-council/minutes

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1. Macroeconomic developments

1.1. Global macroeconomic environment

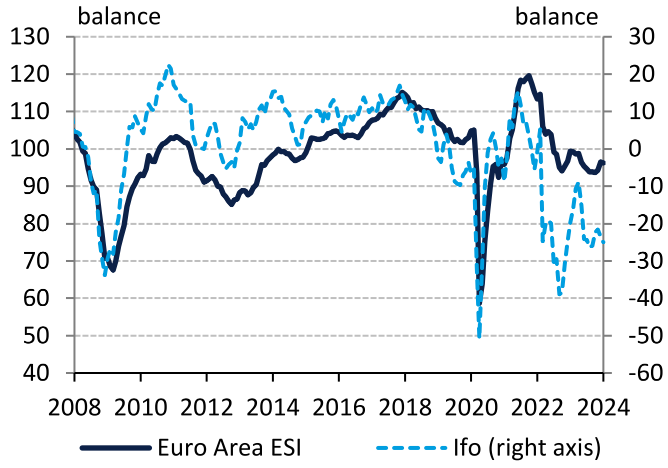
In 2023 Q4, the economies of the United States and China showed robust growth, while the economy of the euro area stagnated on a quarterly basis. In all three economies, the volume of monthly industrial production increased in December 2023, and the Purchasing Managers' Index for manufacturing increased in January 2024. Retail trade in the euro area fell in December year on year. Although to a lesser extent than expected, annual inflation in the US decelerated to 3.1 percent in January 2024 from 3.4 percent seen in December 2023. Consumer prices in China fell by 0.8 percent year on year in January, following a 0.3 percent decline in December. Year-on-year inflation in the euro area was 2.8 percent, while core inflation stood at 3.3 percent in January. The former data practically matched analysts' expectations, while core inflation was moderately above them. Disinflation slowed across a wide range of countries, while inflation rose in 11 EU Member States again in January, following a similar trend in December.

In 2023 Q4, economic growth accelerated in the United States, China and the European Union: GDP grew in the US, China, the European Union and in the euro area by 3.1 percent, 5.2 percent, 0.3 percent and 0.1 percent on an annual basis, respectively. Based on currently available data, the largest year-on-year growth of gross domestic product was registered in Slovenia (+2.6 percent), Cyprus (+2.3 percent), Portugal (+2.2 percent) and Spain (+2.0 percent) in annual terms. Eight Member States reported a year-on-year downturn, with output decreasing most sharply in Ireland (–4.8 percent), Estonia (–3.0 percent), Finland (–1.3 percent) and Austria (–1.3 percent). Among the countries in the region, the economy of the Czech Republic contracted (–0.2 percent), while the Romanian (+1.0 percent), Slovakian (+1.2 percent) and Polish (+1.7 percent) economies expanded compared to the same period a year earlier. The output of Germany, Hungary's main trading partner, declined (–0.2 percent) year on year.

The volume of industrial production in December also increased in the euro area, the US and China, while retail sales volume in the euro area decreased last December year on year. In December 2023, annual industrial production in China, the euro area and the US was up by 6.8 percent, 1.2 percent and 1.0 percent, respectively. In January 2024, industrial production stagnated in the US. Retail sales rose by 7.4 percent in China and 5.6 percent in the US, while a 0.8 percent decline was perceived in the euro area in December 2023. In January 2024, retail sales rose by 0.7 percent in the United States.

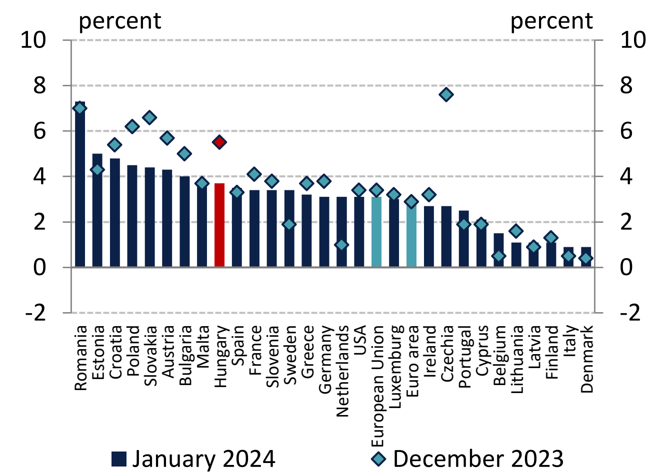
In January, the Purchasing Managers' Index for manufacturing improved in the United States, the euro area and China. In the euro area, the index was below the expansion threshold, while in China and the US it was above

Chart 1 Business climate indices in Hungary's export markets



Source: European Commission, Ifo

Chart 2 Developments in the international inflation environment



Note: HICP rates.
Source: Eurostat

this measure. The Economic Sentiment Indicator (ESI) fell by 0.3 points in the euro area in January (Chart 1).

International labour market developments continue to show no signs of significant deceleration. At 3.7 percent, the unemployment rate was still considered historically low in the United States in December, just as in November. In December, the number of non-agricultural employees grew at a greater rate than expected (+216,000 persons), indicating a pick-up in pace from the growth recorded in the previous two months. Unemployment rate in the euro area stood at 6.4 percent in December.

Although to a lesser extent than expected, annual inflation in the United States decelerated to 3.1 percent in January 2024 from the 3.4 percent in December 2023. Consumer prices in China fell by 0.8 percent year on year in January, following a 0.3 percent decline in December 2023. According to preliminary data, year-on-year inflation in the euro area was 2.8 percent, while core inflation was 3.3 percent in January. The former data were basically in line with analysts' expectations, while core inflation was moderately above expectations.

Among the countries in the region, some of the lowest inflation rates were seen in Hungary in January. According to the Harmonised Index of Consumer Prices, inflation was 7.3 percent in Romania, 4.5 percent in Poland, 4.4 percent in Slovakia and 2.7 percent in the Czech Republic. Disinflation slowed across a wide range of countries, while inflation rose in 11 EU Member States in January (Chart 2).

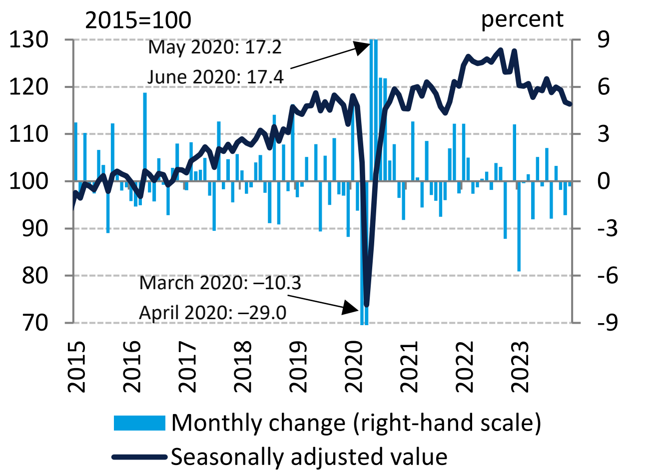
1.2. Real economic developments in Hungary

In December 2023, the volume of industrial production, retail sales and construction output fell by 13.7 percent, 0.2 percent and 4.3 percent, respectively, year on year. In December 2023, the average number of employees aged 15–74 was 4,723,000, which is slightly higher than in November based on seasonally adjusted data. In the period of October to December 2023, there were 38,000 more persons in employment in Hungary on average compared to the same period a year earlier. The unemployment rate stood at 4.2 percent in December.

1.2.1. Economic growth

Preliminary data released by HCSO indicate that, in 2023 Q4, Hungary's gross domestic product stagnated (0.0 percent), year on year. According to data adjusted and balanced for seasonal and calendar effects, output increased by 0.4 percent on an annual basis. Economic performance remained unchanged compared to the previous quarter of the year. Based on raw data, GDP was 0.9 percent lower in 2023 as a whole compared to the previous year; based on data adjusted and balanced for seasonal and calendar effects, GDP was 0.8 percent lower. According to the HCSO, economic performance increased in Q4 mainly in agriculture, healthcare, social care, information and communication, while industry, construction and certain market services, mainly trade, declined. Domestic growth was 0.1 percentage points higher than the EU average in annual terms at the end of last year, meaning that the difference in domestic growth turned positive again after four quarters.

Chart 3 Developments in industrial production



Source: MNB calculation based on HCSO data

In December 2023, the volume of industrial production fell by 13.7 percent, whereby the annual decline entered into its twelfth month. Adjusted seasonally and with calendar effects removed, data suggested that production had fallen by 8.8 percent relative to December 2022. Compared to the previous month, the level of production fell by 0.3 percent (Chart 3). In 2023, the volume of industrial production was 5.5 percent lower than in 2022. Both domestic industrial sales and export sales decreased in December. The volume of industrial export dropped by 12.0 percent and the domestic industrial sales declined by 11.7 percent compared to the same month a year earlier. Production fell in the vast majority of the manufacturing sub-sectors, with the output increasing in only three sub-sectors (petroleum refining, chemical production, other). The output of the automotive industry, representing the largest share, contracted by 9.0 percent compared to the level recorded in December 2022.

In December 2023, construction output fell by 4.3 percent year on year. Construction of buildings and other constructions decreased by 6.0 percent and 0.5 percent, respectively, compared to the base of December 2022. Based on data adjusted seasonally where calendar effects were also removed, total construction output contracted by 5.0 percent compared to November 2023. In December 2023, the monthly volume of production was near the annual average for 2021–2022. In 2023, construction industry production was 5.0 percent lower than in 2022. The volume of new contracts rose by 0.6 percent in December. In particular, the number of new contracts related to the construction of buildings decreased by 0.1 percent, while contracts for other construction work increased by 2.0 percent, year on year. The end-December volume of the contract portfolio of construction companies fell by 23.5 percent. In particular, contracts for the construction of buildings and other construction declined by 20.2 percent and by 26.0 percent, respectively, year on year.

In December 2023, retail sales volume fell by 0.2 percent year on year; as a result, the annual decline had been seen for thirteen months. In 2023, total turnover was 7.9 percent lower than in the previous year. Excluding fuel trade, turnover shrank by 0.4 percent in December, according to data adjusted for the calendar effects. Due to the base effect resulting from lifting the cap on fuel prices, the volume of traffic at fuel stations rose again after one year, increasing by 3.8 percent year on year. After a year and a half, food retail expanded again on an annual basis (+1.3 percent), while the volume of sales also increased in automobile and vehicle parts stores (+9.4 percent), as well as in pharmaceutical, medical product and perfume stores (+6.5 percent) in the last month of 2023. At the same time, turnover decreased in stores selling books, computer technology, other manufactured goods (–2.5 percent), mixed manufactured goods (–4.7 percent), textiles, clothing and footwear (–6.0 percent), as well as furniture and technical goods (–8.9 percent). On a month-on-month basis, the volume of retail sales was up by 1.4 percent in December.

According to preliminary data, the external trade balance – after the surplus of the previous 10 months was in a deficit of EUR 188 million in December 2023. The balance deteriorated by EUR 1.8 billion compared to the previous month and improved by EUR 110 million in annual terms. The balance adjusted for VAT residents increased by EUR 205 million compared to a year ago, while the deficit was EUR 720 million. In December, exports and imports of goods expressed in euro declined by 7.8 and 8.6 percent, respectively, year on year. According to the HCSO, the negative turn of the foreign trade balance for domestic products resulted from the deteriorating energy balance compared to the previous month on the import side and the annual and monthly decrease in the export of machinery products on the export side, which had previously generated a significant surplus. Machinery imports did not change significantly compared to November 2023 or December 2022.

The inflation-adjusted turnover of online cash registers had declined since January 2023, but the pace of the decline

slowed further in January 2024. Based on online cash register data, nominal turnover increased by 3.3 percent, while inflation-adjusted real turnover fell by 0.5 percent in January, year on year. Freight traffic and passenger flights rose by 4.5 and 9.2 percent, respectively, while road passenger traffic fell by 20.4 percent. Electricity load increased by 3.5 percent. Cinema attendance rose by 29.4 percent, while catering turnover increased by 7.6 percent. The number of Google searches for the term 'unemployment benefit' increased in January.

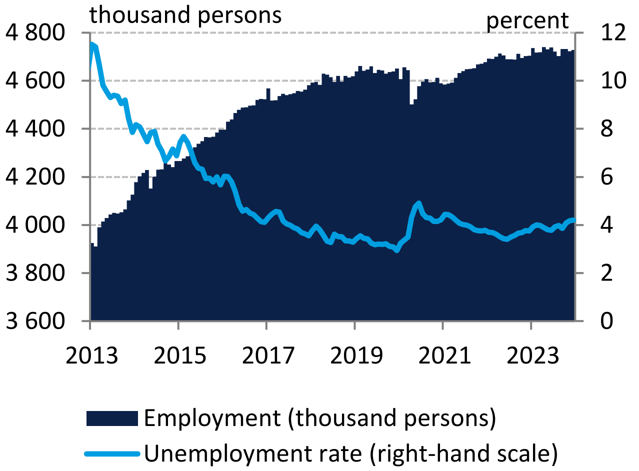
1.2.2. Employment

According to the Labour Force Survey, the average number of employees aged 15–74 was 4,723,000 in December 2023. In the period of October–December 2023, the average number of employees was 4,740,000, which is 38,000 more than in the same period of the previous year. In October–December, the average number of employees in the primary labour market and of those employed at local units abroad rose by 37,000 and 8,000, respectively, while the number of public workers fell by 7,000, compared to the same period of the previous year.

In December, the number of the unemployed was 207,000, increasing the year-on-year figure by 24,000 persons. Thus, the overall unemployment rate stood at 4.2 percent (Chart 4). Based on seasonally adjusted data, the number of unemployed persons in December rose by 2,000 compared to November. Based on data published by the National Employment Service (NES), there were 225,000 registered jobseekers in Hungary in December 2023 and 233,000 in January 2024. This translates to a decrease of 5,000 and 11,000 people compared to the same period of the previous year. Based on seasonally adjusted data, the number of registered jobseekers in January 2024 moderately fell compared to December last year, and it is still below the number measured in the months before the outbreak of the coronavirus pandemic.

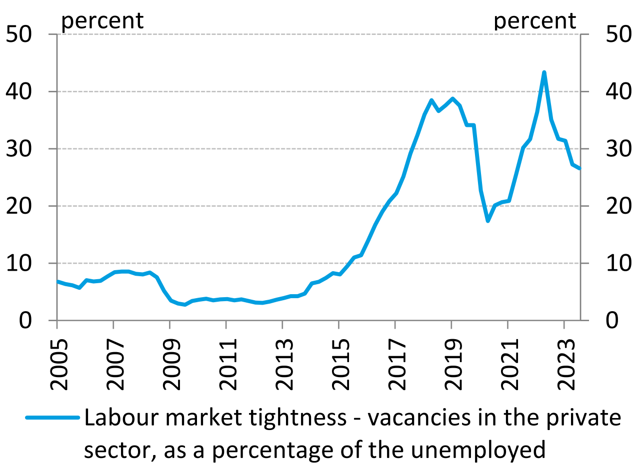
In recent months, the strong tightness of the labour market has eased, and demand for labour is on the decline (Chart 5). In 2023 Q3, non-subsidised job vacancies amounted to 54,000 in the private sector, representing a 15.0 percent annual decline and a 1.6 percent contraction compared to the previous quarter. Demand for labour fell in manufacturing and was essentially unchanged from the previous quarter in market services. In manufacturing, there were 15,00 fewer job vacancies than in the second quarter of the year. In the market services sector, there were 32,000 job vacancies in 2023 Q3, the same as in the previous quarter. In the public sector, there was no significant change in demand for labour compared to the first quarter of the year.

Chart 4 Number of persons employed and the unemployment rate



Note: Employment based on seasonally adjusted data.
Source: HCSO

Chart 5 Labour market tightness indicator



Note: Seasonally adjusted quarterly data.
Source: HCSO, MNB calculation

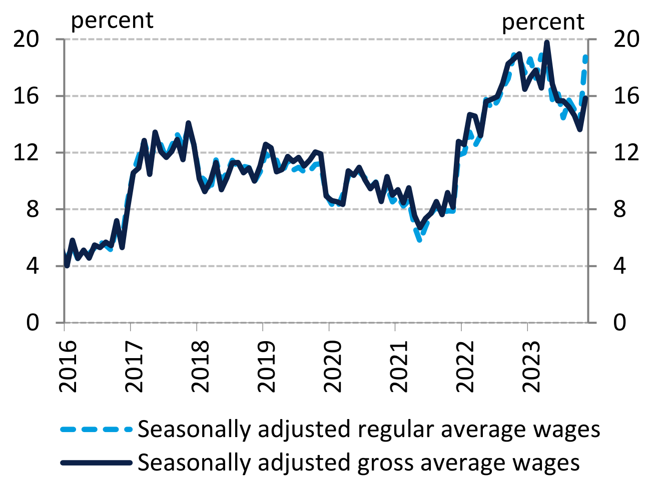
1.3. Inflation and wages

Domestic inflation continued to fall at a fast pace in January 2024. Consumer prices rose by 3.8 percent year on year. As a result, after 34 months, the price index returned to the central bank tolerance band. Both core inflation and core inflation excluding indirect tax effects declined to 6.1 percent. Incoming inflation data were somewhat below analysts' expectations. In December 2023, average wages (excluding bonuses) rose by 17.3 percent in the national economy and by 18.1 percent in the private sector in annual terms.

1.3.1. Wages

In December 2023, gross average wages in the private sector were up 15.6 percent year on year. Regular pay rose by 4.2 percent on a monthly basis, significantly exceeding the increase in previous years. This development may have been fuelled by the increase in the minimum wage in December. Premium payments were, however, somewhat lower than in the previous few years. Average regular earnings (excluding bonuses) rose by 17.3 percent in annual terms in the national economy and by 18.1 percent in the private sector.

Chart 6 Dynamics of average earnings in the private sector

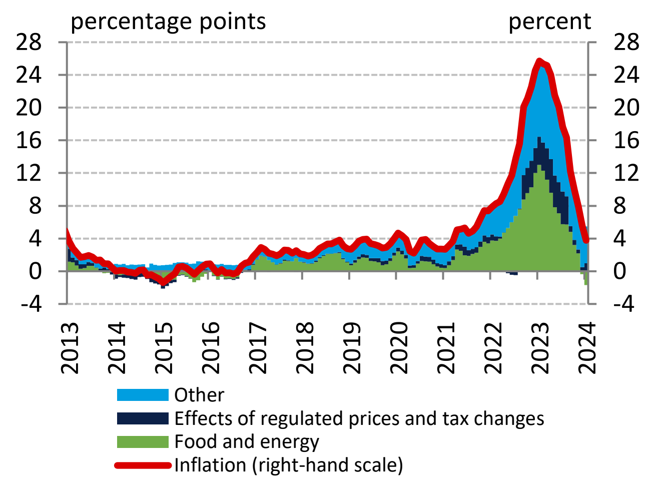


Source: MNB calculation based on HCSO data

Based on seasonally adjusted data, both the dynamics of gross average wages and regular average wages accelerated in the private sector compared to the previous month (Chart 6). Within the private sector, wage dynamics in market services exceeded the dynamics observed in manufacturing. Based on raw data, manufacturing wages were 13.0 percent higher in December than in the same period of the previous year. In market services, HCSO registered a growth of 16.1 percent. As regards the sectors of the national economy, wages increased in construction by 21.8 percent, in tourism by 22.7 percent and in trade by 14.8 percent compared to the same period of the previous year.

1.3.2. Inflation developments

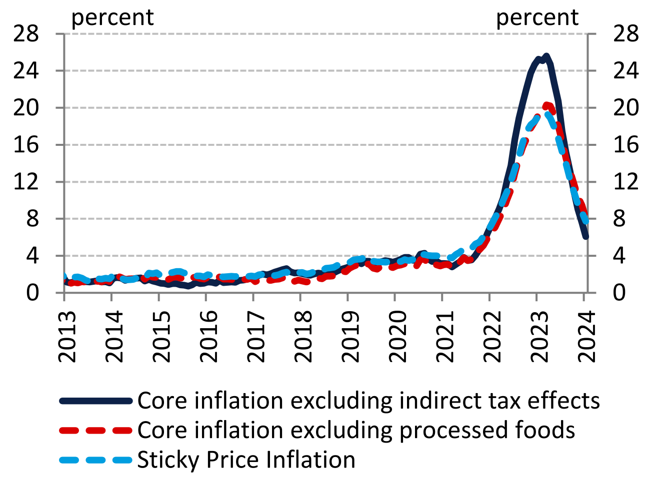
Chart 7 Decomposition of inflation



Source: MNB calculation based on HCSO data

Domestic inflation continued to fall at a fast pace in January 2024, with consumer prices rising by 3.8 percent year on year (Chart 7). **With this, 34 months after March 2021, the price index was again within the tolerance band of the central bank.** Both core inflation and core inflation excluding indirect tax effects eased to 6.1 percent. The price of the representative consumer basket was up 0.7 percent on a monthly basis, whereas, similar to the previous month, core inflation was up 0.4 percent. Inflation slowed by 1.7 percentage points compared to the previous month, which can be mainly attributed to the decline in fuel prices (–0.5 percentage points), market services and non-durable goods (–0.3 percentage points each). Core inflation eased by 1.5 percentage points on an annual basis, with disinflation being widespread. The annual inflation rate for industrial goods dropped to 5.2 percent, while the annual average price index for market services shrank to 11.2 percent.

Chart 8 Measures of underlying inflation indicators



Note: Core inflation excluding processed food corresponds, with unchanged content, to the former demand sensitive inflation measure.

Source: MNB calculation based on HCSO data

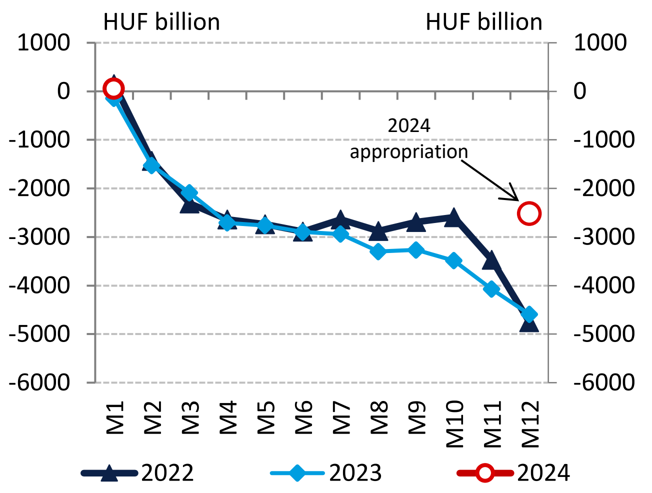
Among food products, the annual price index for processed food fell to –1.7 percent, while the index for unprocessed food fell to 2.4 percent. Fuel inflation decreased to –11.9 percent. The decrease was also supported by the fact that the effect of the January VAT increase has not yet exercised its full effect on consumer prices. The annual price index for regulated goods and services was 0.9 percent. Incoming data were somewhat below the median of analysts' expectations. Expectations ranged between 3.7 and 4.7 percent and the median was 4.3 percent.

The MNB's annualised indicators, which capture more persistent inflation trends, also declined in January. Inflation for sticky-price goods fell by 1.0 percentage points, and annual core inflation excluding processed food decreased by 1.5 percentage points compared to the previous month (Chart 8).

1.4. Fiscal and external balance developments

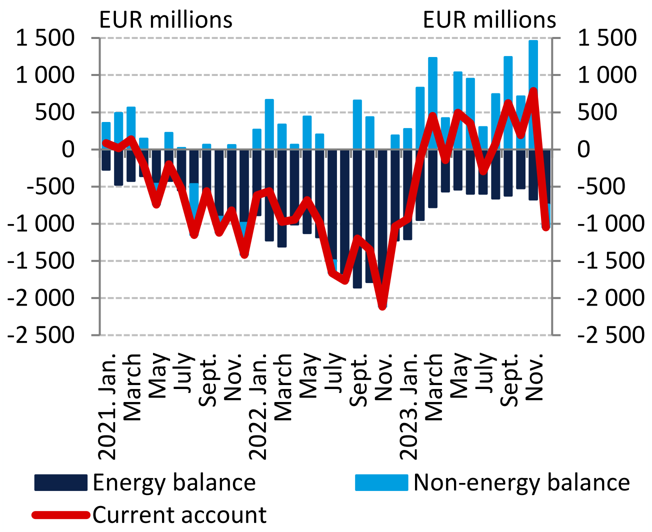
The central sub-sector of the general government had a surplus of HUF 54 billion in January. This is significantly more favourable than the deficit in the first month of last year. The current account balance improved significantly in 2023 and turned into a small surplus after a deficit of more than 8 percent of GDP in 2022. In December, the current account balance was roughly at the same level as a year earlier, but it decreased significantly on a monthly basis and showed a deficit of EUR 1,049 million.

Chart 9 The cumulative cash balance of the central government budget from the beginning of the year



Source: 2024 Budget Act, Hungarian State Treasury

Chart 10 Developments in current account and energy balance



Note: The last monthly value of the energy balance is an estimate.
Source: MNB, HCSO

1.4.1. Fiscal developments

The central sub-sector of the general government closed in January with a surplus of HUF 54 billion (Chart 9). This is significantly more favourable than the HUF 144 billion deficit in the first month of last year.

In January, **the revenues of the central sub-sector** were HUF 405 billion higher than a year earlier, mainly due to the higher EU transfers, as well as the increase in the taxes and contributions on labour. In January, EU cash revenues exceeded the amount recorded in the first month of 2023 by HUF 190 billion, totalling HUF 228 billion. A considerable share of this came from the new cyclical cohesion funds received at the beginning of the year. Tax revenues rose by HUF 138 billion, largely related to an increase in labour taxes and contributions, while net VAT revenues decreased by approximately 5 percent year on year.

Budgetary expenditures in January were HUF 207 billion higher than in the same period of the previous year. The increase was related to the expenses of budgetary organisation and chapters, pension expenses and the increase in net interest expenses.

1.4.2. External balance developments

Even though the current account balance showed a deficit of EUR 1,049 million in December 2023, the overall annual balance improved significantly and turned into a surplus corresponding to 0.2 percent of GDP (Chart 10). In December, the current account balance was roughly at the same level as a year earlier, but it decreased significantly on a monthly basis due to the change in the balance of trade in goods. After surpluses registered in the previous three months, the goods balance showed a sizable deficit in December as a result of the weak export performance and the lower rate decrease in imports than before. In December, the surplus of the balance of services remained close to the level seen in the previous month. The income balance deficit increased somewhat, while the transfer balance contracted amid an increase in EU transfers.

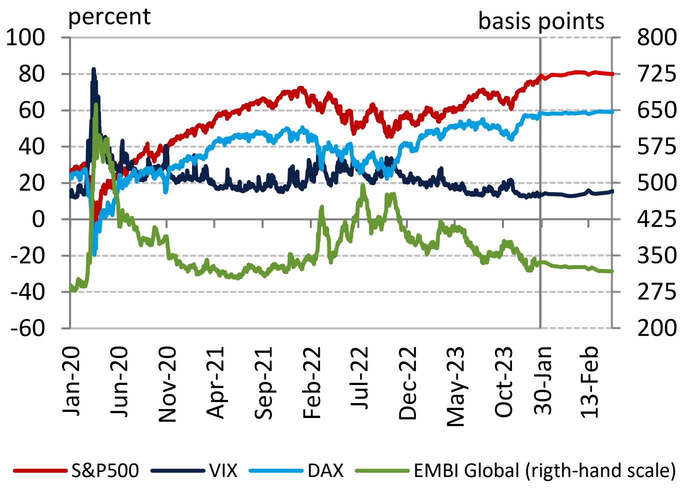
Based on financial accounts data, net direct investment inflows amounted to EUR 1.2 billion in December, mainly reflecting an increase in equity investment in Hungary. The EUR 0.4 billion increase in net external debt resulting from transactions can be linked to the public sector, while the indicators for the banking system and corporations dropped.

2. Financial markets

2.1. International financial markets

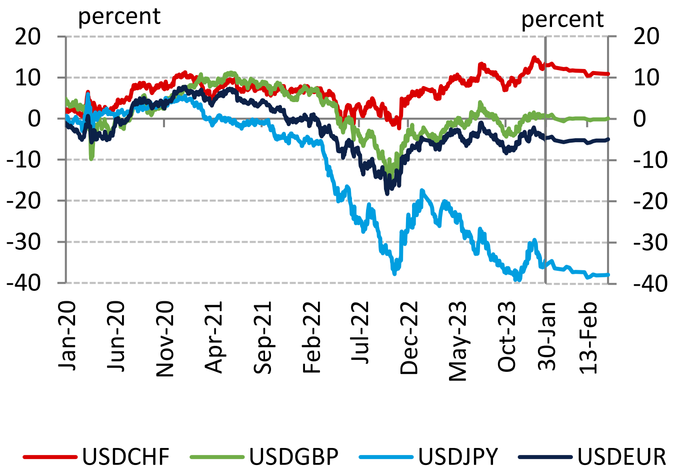
Risk appetite has recently not changed significantly. Market participants focused on expectations regarding the interest rate policy by the world's leading central banks, incoming macroeconomic data, US inflation in particular, concerns about the Chinese economy and the escalating geopolitical tensions in the Red Sea and the Gaza Strip.

Chart 11 Developed market equity indices, the VIX index and the EMBI Global Index



Source: Bloomberg

Chart 12 Evolution of developed market FX exchange rates from January 1, 2019



Note: Positive values indicate the strengthening of the variable (second) currency.
Source: Bloomberg

Risk appetite has not changed significantly in the past period. Of the risk indicators, the VIX index, the key measure of US equity market volatility, stands at 15.4 percent, which is a 2 percentage point increase from the level registered on 30 January, while the emerging market EMBI Global bond market premium dropped by 19 basis points to 317 basis points (Chart 11).

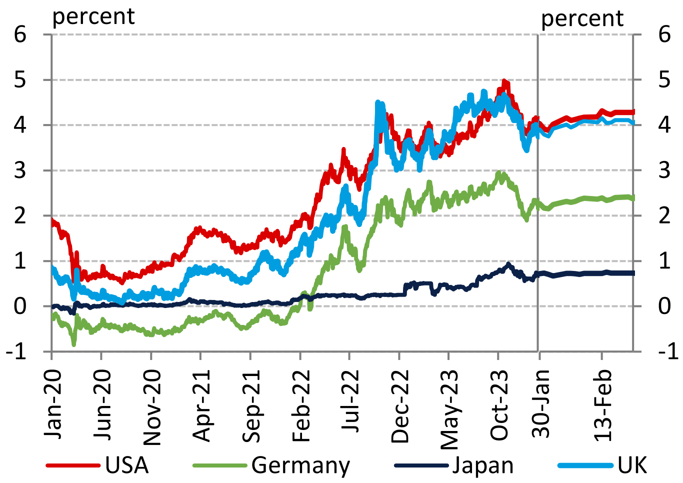
Developed market stock indices rose during the period. The US Dow Jones index rose by 0.3 percent, the S&P 500 by 1.0 percent and the Nasdaq 100 by 0.4 percent. Among leading European stock market indices, the German DAX and the French CAC40 increased by 0.6 and 1.5 percent, respectively. Of the Asian indices, the Shanghai and the Hang Seng stock market indices have grown by 4.3 and 5.5 percent, respectively, while the Japanese Nikkei has increased by 6.1 percent since the last interest rate decision. The developed market MSCI composite index rose by 1.2 percent, overall, while the emerging market index was down 3.9 percent.

The dollar strengthened against the major currencies (Chart 12), appreciating by 0.3 percent against the euro (to around 1.081), 0.6 percent against the pound sterling, 2.2 percent against the Swiss franc and 1.7 percent against the Japanese yen.

Long-term yields in developed markets have increased since the previous interest rate decision (Chart 13). The US ten-year yield has risen by 25 basis points since the previous interest rate decision, to 4.28 percent. The German long-term yield rose by 11 basis points to 2.37 percent, while yields across the Mediterranean rose by 5–20 basis points. The Japanese 10-year yield rose by 1 basis points to 0.72 percent. In the region, 10-year government bond yields increased by 8, 5 and 1 basis points in Romania, Poland and Hungary, respectively, while the yield in the Czech Republic fell by 23 basis points.

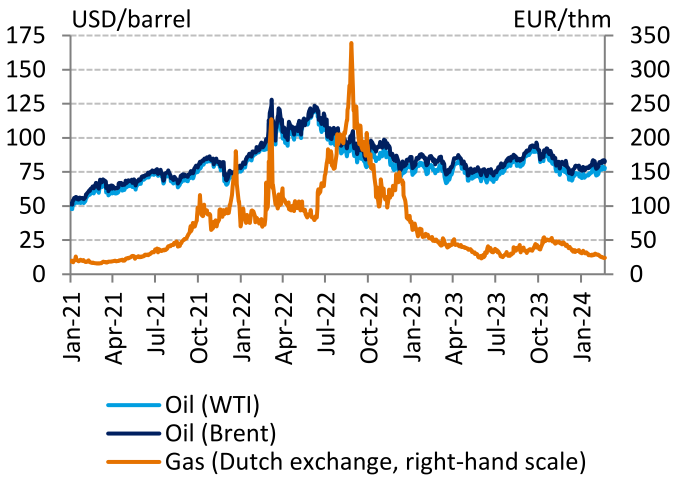
Oil prices have not changed materially since the previous interest rate decision (Chart 14). By the beginning of the period, the price of North Sea Brent crude oil fell to USD 77 per barrel, and then gradually

Chart 13 Yields on developed market long-term bonds



Source: Bloomberg

Chart 14 Developments in oil and gas prices since January 2021



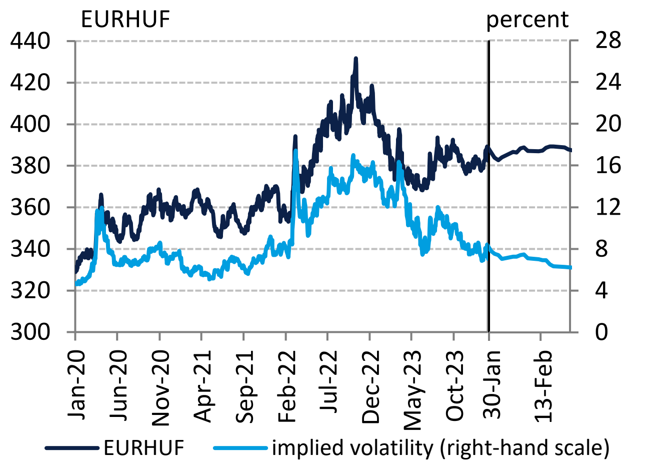
Source: Bloomberg

returned to around USD 82. The price of the US benchmark, the WTI, dropped to USD 72 per barrel, before returning to USD 77. The price-inflating effect of geopolitical risks and the downward pressure created by the strengthening dollar had an alternating effect on oil prices. By mid-February, **European gas prices have fallen** since the previous interest rate decision from EUR 29.3/MWh to EUR 24/MWh. The decrease in gas prices was supported by the high filling level of the EU gas storages, as well as the expected expansion by nearly 3 percent of global gas production this year. The Dow Jones Commodity Index, which covers a significant part of the raw materials market, also decreased.

2.2. Developments in domestic money market indicators

At the end of the period under review, the forint exchange rate against the euro was close to the level at the time of the January interest rate decision. In the government bond market, the yield curve has flattened at the horizon over one year, while yields on the shortest maturities rose. The 3-month BUBOR fell by 39 basis points to 8.87 percent.

Chart 15 EUR/HUF exchange rate and the implied volatility of exchange rate expectations



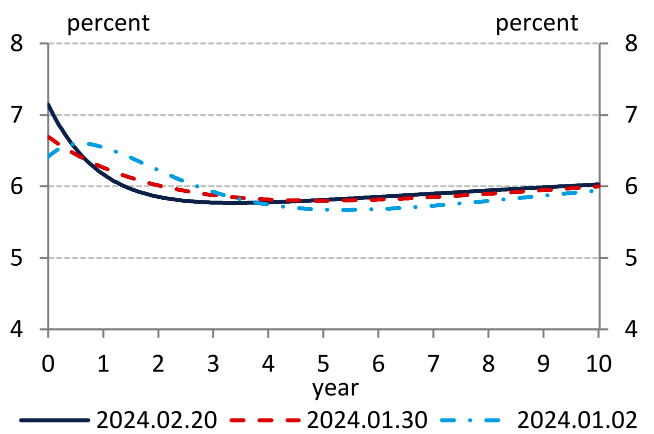
Source: Bloomberg

At the end of the period under review, the exchange rate of the forint against the euro was close to the level at the time of the previous interest rate decision (Chart 15). In the days following the January interest rate decision, the HUF appreciated. In the second half of the period, macroeconomic data from Hungary and the US, as well as news about the EU's infringement procedure, weakened the exchange rate of the forint. Overall, the exchange rate of the forint has not changed substantially against the euro. Developments of regional currencies were mixed, with the zloty appreciating by 1.24 percent, the Czech koruna depreciating by 2.2 percent and the Romanian leu remaining practically unchanged.

The 3-month BUBOR, relevant for the monetary policy transmission, has decreased by 39 basis points to 8.87 percent since the last interest rate decision.

The yield curve over one year in the government bond market has flattened since the previous interest rate decision (Chart 16). The shortest section of the yield curve moved up, while the section over one year decreased by 10–15 basis points. Yield levels in the middle section were unchanged, and there was an increase of 5–10 basis points in the long maturities.

Chart 16 Shifts in the spot government yield curve



Source: Bloomberg

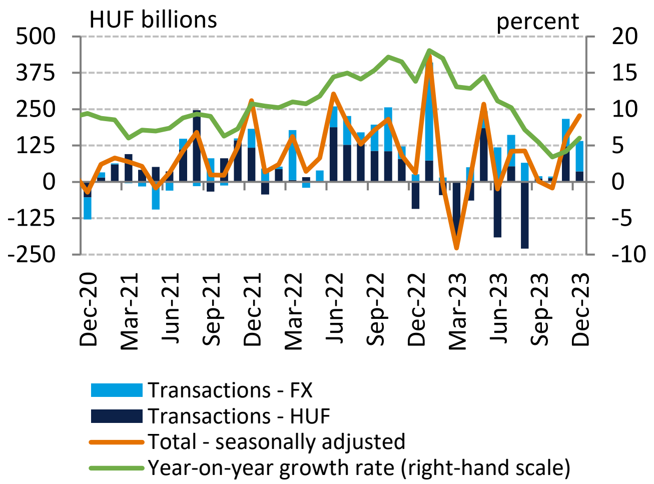
Since the previous interest rate decision, demand has been mixed at discount treasury bill auctions, and robust at government bond auctions. In the period under review, the ÁKK (Government Debt Management Agency) accepted bids below the pre-announced amount in several discount treasury bill auctions. At the bond auctions, however, demand was strong for all maturities, and therefore the ÁKK (Government Debt Management Agency) accepted more bids than announced in most auctions.

Non-residents' holdings of HUF government bonds increased. The stock held by non-residents increased by HUF 33 billion to HUF 7,308 billion. The market share of forint government securities held by non-residents was 20.9 percent.

3. Trends in lending

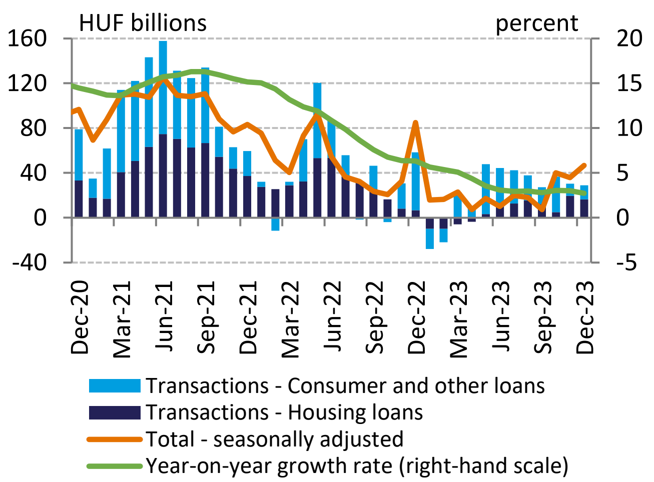
In December 2023, loans outstanding to non-financial corporations increased by HUF 141 billion, due to the rise of HUF 37 billion in forint loans and of HUF 104 billion in foreign currency loans. Outstanding borrowing by households increased by HUF 29 billion due to transactions, reducing the annual growth rate of outstanding loans by 0.4 percentage points to 2.7 percent from 3.1 percent last month. The smoothed interest rate spread on forint corporate loans decreased significantly by 0.5 percentage points to 2.1 percentage points compared to the previous month.

Chart 17 Net borrowing by non-financial corporations



Source: MNB

Chart 18 Net borrowing by households



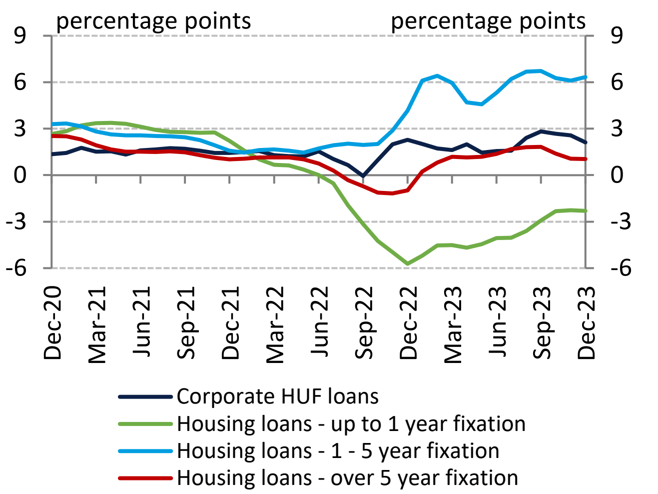
Source: MNB

In December 2023, loans outstanding to non-financial corporations increased by HUF 141 billion, due to the rise of HUF 37 billion in forint loans and of HUF 104 billion in foreign currency loans (Chart 17). As a result, the annual growth rate rose to 6.0 percent from 4.2 percent in November. Credit institutions – mostly due to large deals – issued new non-overdraft corporate loans in the amount of HUF 416 billion during the month, up 13 percent from the same period of the previous year.

In December, outstanding borrowing by households increased by HUF 29 billion due to transactions, reducing the annual growth rate to 2.7 percent compared to 3.1 percent in the previous month (Chart 18). The HUF 166 billion volume of new household loan contracts largely corresponds to the value of loans issued in the same period of the previous year. New personal and home loans also showed a significant recovery compared to the same period of the previous year, while the market for prenatal support loans declined year on year, partly attributable to the high base.

Compared to the previous month, the smoothed interest rate spread on forint corporate loans decreased significantly by 0.5 percentage points and stood at 2.1 percentage points in December 2023 (Chart 19). In the case of housing loans, the spread on products with interest rate fixation for more than 5 years has not changed substantially, and stood at 1.0 percentage points at the end of the period under review.

Chart 19 Developments in corporate and household credit spreads



Note: In the case of household loans, APR-based smoothed spreads calculated using the average reference rate for the month in which the loan was issued. In the case of forint corporate loans and housing loans with variable interest or interest fixed for 1 year at the most, the 3-month BUBOR, while in the case of housing loans fixed for over one year the margin above the relevant IRS.
Source: MNB