



# MACROECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL  
TO THE ABRIDGED MINUTES  
OF THE MONETARY COUNCIL MEETING  
OF 22 JULY 2025

JULY  
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*The background material ‘Macroeconomic and financial market developments’ is based on information available until 17 July 2025.*

*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 background material 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

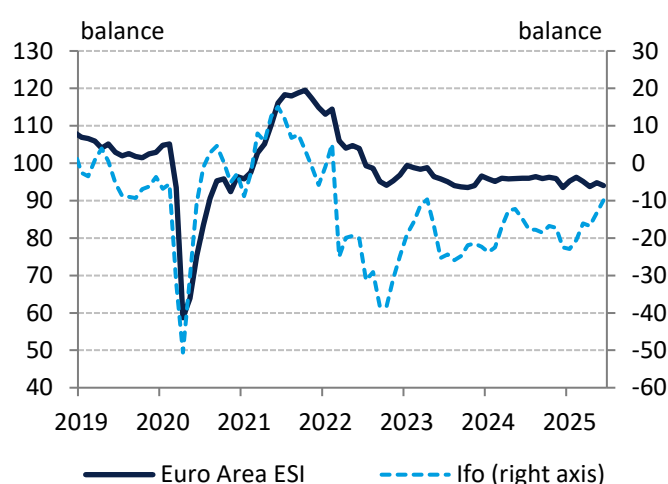
## 1.1. Global macroeconomic environment

In 2025 Q1, year-on-year economic growth was 2.0 percent in the USA, 1.6 percent in the European Union and 1.5 percent in the euro area. The Chinese economy grew at a rate of 5.2 percent in 2025 Q2. Industrial production and retail sales rose in the United States, the euro area and China. Inflation stood at 2.7 percent in the United States in June, slightly higher than market expectations. Consumer prices in China rose by 0.1 percent in June on an annual basis. Inflation in the euro area was at 2.0 percent, while core inflation came in at 2.3 percent, which was in line with analysts' expectations.

**In 2025 Q1, year-on-year economic growth amounted to 2.0 percent in the USA, 1.6 percent in the European Union and 1.5 percent in the euro area. The Chinese economy grew at a rate of 5.2 percent in 2025 Q2.** Among the EU Member States, Ireland saw the strongest growth (+18.3 percent) compared to the same period last year. GDP in Germany, Hungary's main trading partner, remained unchanged year-on-year. In most of the countries in the CEE region, GDP expanded on an annual basis in 2025 Q1, rising by 3.7 percent in Poland, 2.4 percent in Czechia and 1.0 percent in Slovakia, while Hungary saw a decrease (-0.4 percent).

**Industrial production rose 0.7 percent in the United States and 6.8 percent in China in June on an annual basis. A 3.7-percent increase was measured for the euro area in May.** Retail sales rose by 3.3 percent in the United States and 1.8 percent in the euro area in May. Growth of 4.8 percent was recorded in China in June.

Chart 1: Business climate indices in Hungary's export markets



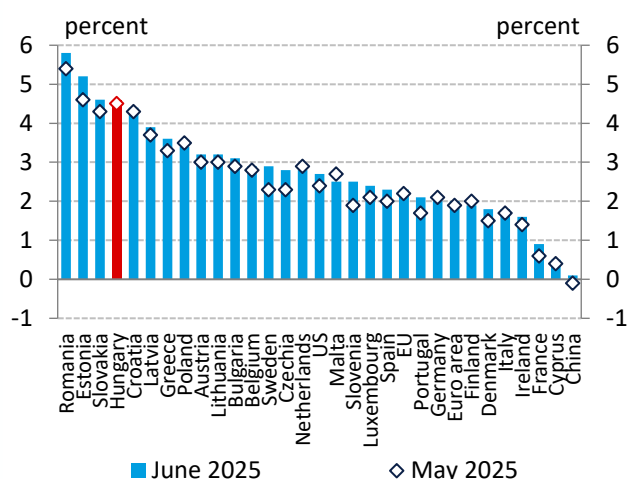
Source: European Commission, Ifo

**In June 2025, the manufacturing Purchasing Managers' Index stagnated in the euro area, but rose in the United States and China.** The index exceeded the 50-point threshold indicating expansion in the United States and China, but fell short of this in the euro area. The Economic Sentiment Indicator (ESI) for the euro area declined by 0.8 point in June 2025 (Chart 1).

**The US unemployment rate remains low.** The unemployment rate in the United States dropped to 4.1 percent in June. The number of people employed in non-agricultural jobs rose by 147,000 in June, exceeding analysts' expectations. The number of persons employed by the federal government fell by another 7,000 in June, while employment in the state and municipal sectors rose by 73,000. In the euro area, the unemployment rate was 6.3 percent in May, up 0.1 percentage point compared to April.

**Inflation in the United States stood at 2.7 percent in June,** up 0.3 percentage point from the previous month and slightly higher than market expectations. **Inflation in the euro area was 2.0 percent, while core inflation was at**

**Chart 2: Developments in the international inflation environment**



Note: HICP inflation rates for EU members, CPI inflation rate for China and the US.

Source: Eurostat, Trading Economics, Bureau of Labor Statistics

**2.3 percent.** Both indicators were in line with analysts' expectations. **Consumer prices in China rose by 0.1 percent in June on an annual basis.**

**In June, among the countries in the region, inflation rose in Romania, Slovakia and the Czech Republic, but declined in Poland.** Annual inflation amounted to 5.8 percent in Romania, 4.6 percent in Slovakia, 3.4 percent in Poland and 2.8 percent in the Czech Republic (Chart 2).

## 1.2. Real economic trends in Hungary

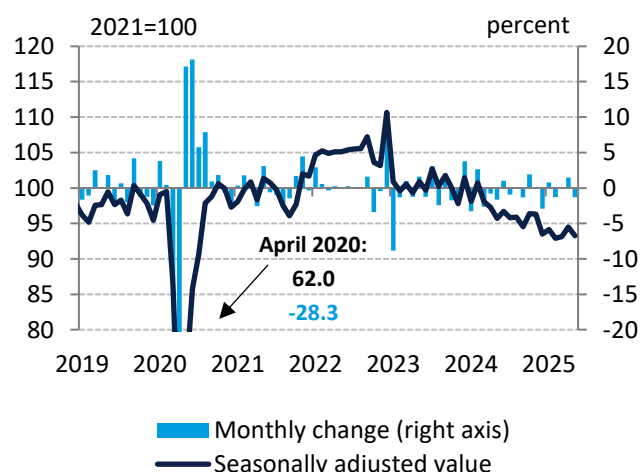
In 2025 Q1, Hungarian GDP stagnated compared to the previous year. With regard to the monthly indicators, industrial production dropped by 2.6 percent, while construction output increased by 3.6 percent and retail sales rose by 2.1 percent on an annual basis in May. The external trade balance in goods showed a surplus of EUR 739 million. The number of employed persons aged 15–74 averaged 4.673 million between March and May, which is 4,000 lower than the previous period in seasonally adjusted terms. The unemployment rate stood at 4.3 percent in the period between March and May.

### 1.2.1. Economic growth

**In 2025 Q1, Hungarian GDP stagnated compared to the previous year.** Based on the balanced data adjusted for seasonal and calendar effects used for international comparison, domestic economic output contracted at a year-on-year rate of 0.4 percent and showed a decrease of 0.2 percent versus the previous quarter. The performance of the national economy in 2025 Q1 was mainly supported by services, while construction and industry were restraining factors. On the consumption side, in addition to household consumption, public consumption also supported annual growth, while investments and net exports hindered expansion.

**Raw data indicate that the volume of industrial production fell by 2.6 percent in May 2025 compared to the same prior-year period.** Based on seasonally and working-day adjusted data, output contracted by 2.5 percent on an annual basis. Industrial output decreased by 1.3 percent on a monthly basis, according to seasonally and working-day adjusted data (Chart 3). Industrial production has been trending lower since July 2023. The volume of industrial exports increased by 0.7 percent, while domestic industrial sales decreased by 8.0 percent versus the same month of the previous year. In year-on-year terms, production fell in most sub-sectors in manufacturing. Although the manufacturing of electrical equipment was 4.8 percent lower than a year before, production rose by 10.3 percent compared to the previous month. The output of the vehicle manufacturing sector, which has the highest weighting, grew by 6.0 percent in year-on-year terms. New domestic orders contracted by 4.3 percent, while new export orders increased by 1.6 percent. At the end of May, total orders were 11.0 percent lower than a year earlier.

Chart 3: Developments in industrial production



Note: From January 2024, the seasonally adjusted value is based on the monthly averages of 2021.

Source: MNB calculation based on HCSO data

of contracts for other construction increased by 51.0 percent. The volume of construction companies' contracts at the end of May was 11.5 percent higher than a year earlier. Within this, the volume of contracts for the construction of buildings was 9.4 percent lower, while the volume of contracts for other construction work was 29.3 percent higher than in May 2024.

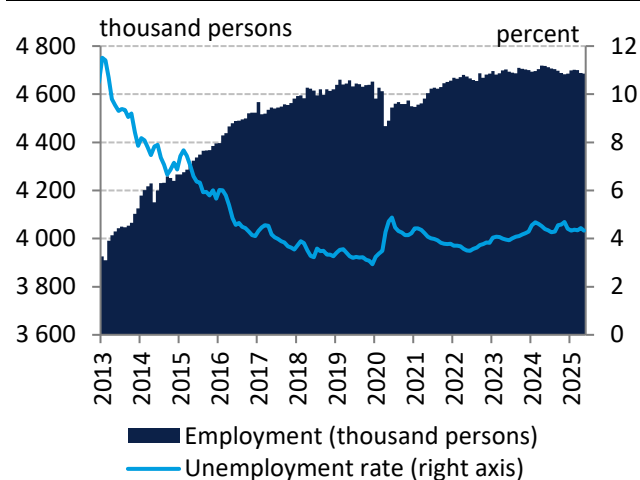
**Retail sales volume rose by 2.1 percent year-on-year in May 2025, according to data adjusted for calendar effects.** Retail sales excluding fuel sales expanded by 2.7 percent. Sales in food and food-related retail trade grew by 0.5 percent year-on-year. Sales increased in the case of miscellaneous manufactured articles (+9.1 percent), furniture, appliances and hardware (+7.2 percent), online stores (+4.8 percent), pharmaceutical goods, cosmetic and toilet articles (+3.6 percent), textiles, clothing and footwear (+1.0 percent), and books and computers (+0.4 percent), while sales of used articles decreased.

**The external trade balance in goods showed a surplus of EUR 739 million in May 2025.** Compared to the previous month, the balance improved by EUR 601 million, while compared to the same period of the previous year, it decreased by EUR 281 million. The balance adjusted for VAT residents showed a surplus of EUR 65 million, which was EUR 378 million lower than a year earlier. In May, based on raw data, the volume of goods exports increased by 3.2 percent, while goods imports increased by 5.4 percent compared to the same period last year.

**According to data adjusted for calendar effects, the inflation-adjusted turnover of NTCA online cash registers increased by 1.6 percent in May compared to the same period last year.** In June, road passenger traffic increased (+42.6 percent), while freight traffic decreased (-2.2 percent). Electricity consumption decreased by 9.6 percent in June. Cinema attendance rose by 30.1 percent in the first three weeks of June, while turnover in hospitality increased by 10.8 percent in June. The number of Google searches for the term 'unemployment benefits' rose slightly in June 2025 on a monthly basis.

#### 1.2.2. Employment

**According to the Labour Force Survey, the average number of employed persons aged 15–74 was 4.673 million in the period from March to May 2025, which is 4,000 lower than in the previous period in seasonally adjusted terms.** The level of employment dropped by 38,000 compared to the same period last year. On average, between March and May, the number of people working in the primary labour market decreased by 44,000 and the number of people working

**Chart 4: Number of persons employed and the unemployment rate**

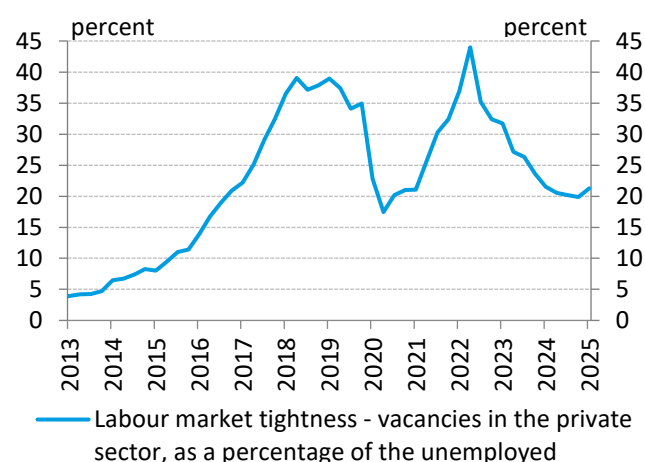
Note: Employment based on seasonally adjusted data.

Source: HCSO

abroad stagnated, while the number of people working in public employment increased by 7,000.

**The number of unemployed persons was 212,000 between March and May, which is 5,000 less than in the same period of the previous year. Overall, the unemployment rate stood at 4.3 percent** (Chart 4). According to raw data from the National Employment Service (NFSZ), there were 223,000 registered job seekers in Hungary in May 2025 and 220,000 in June. In each case, this is a decrease of 3,000 compared to the same period last year. Based on seasonally adjusted data, the number of registered job seekers remained the same in June 2025 compared to a month earlier.

**Labour market tightness eased significantly from the high levels seen in mid-2022** (Chart 5). In 2025 Q1, there were 43,000 unfilled vacancies in the private sector, down 7 percent on the same prior-year period. However, in seasonally adjusted terms, this represents a 3.4-percent increase versus the previous quarter. Labour demand increased slightly in both manufacturing and market services compared to the previous quarter. There were 13,300 job vacancies in the manufacturing industry and 25,800 in the market services sector in 2025 Q1. Among the sub-sectors of the public sector, the number of job vacancies increased in healthcare and education compared to the previous quarter.

**Chart 5: Labour market tightness indicator**

Note: Seasonally adjusted quarterly data.

Source: HCSO, MNB calculation



### 1.3. Inflation and wages

In June 2025, consumer prices rose by 4.6 percent in a year-on-year comparison. Compared to May, the annual rate of price increase accelerated by 0.2 percentage point. Core inflation fell by 0.4 percentage point to 4.4 percent. Core inflation excluding indirect taxes fell to 4.1 percent. Inflation and core inflation were both within the forecast range of the June Inflation Report. Wages have also begun to adjust to the looser labour market conditions. Wage growth continued to slow at the beginning of the year, with wages in the private sector rising by an average of 8.9 percent in the first five months of this year.

#### 1.3.1. Wages

Wages have also begun to adjust to the looser labour market conditions. Wage growth continued to slow at the beginning of the year. The most recent data indicate that gross average earnings rose by 7.8 percent in the national economy and by 7.4 percent in the private sector in May 2025 as compared to the same period last year. Regular average earnings (excluding bonuses) increased by 8.6 percent in the national economy and by 8.1 percent in the private sector in annual terms. Regular earnings grew by 0.5 percent on a monthly basis, a rate which is lower than seen in previous years. Bonus payments amounted to 8.2 percent of regular earnings, which is lower than the two previous years.

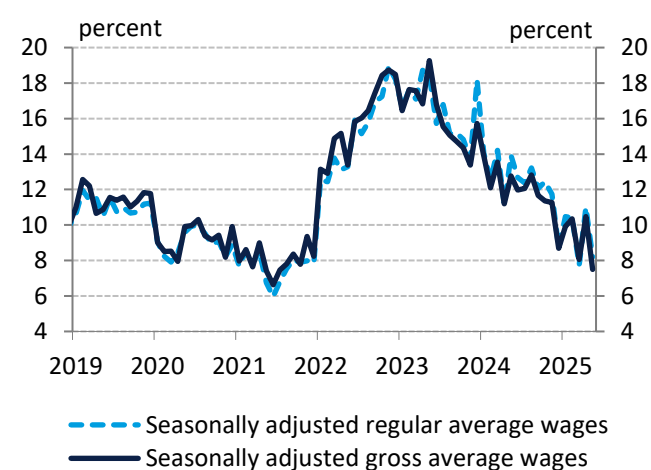
According to seasonally adjusted data, the annual growth rate of both gross average earnings and regular average earnings slowed in the private sector (Chart 6). In the private sector, wage growth in market services exceeded the rate in manufacturing on the basis of raw data. Wages in the manufacturing industry were 5.8 percent higher in May than in the same period last year. With regard to market services, the HCSO registered an increase of 7.9 percent. Among the sectors of the national economy, wages increased by 9.0 percent in construction, 8.3 percent in trade and 7.0 percent in accommodation and catering, compared to the same period of the previous year.

#### 1.3.2. Inflation developments

In June 2025, consumer prices rose by 4.6 percent year-on-year (Chart 7). Core inflation fell by 0.4 percentage point to 4.4 percent. Core inflation excluding indirect taxes declined to 4.1 percent. In monthly terms, both the price of the overall consumer basket and the core inflation basket rose by 0.1 percent. Compared to May, the annual rate of price increase accelerated by 0.2 percentage point.

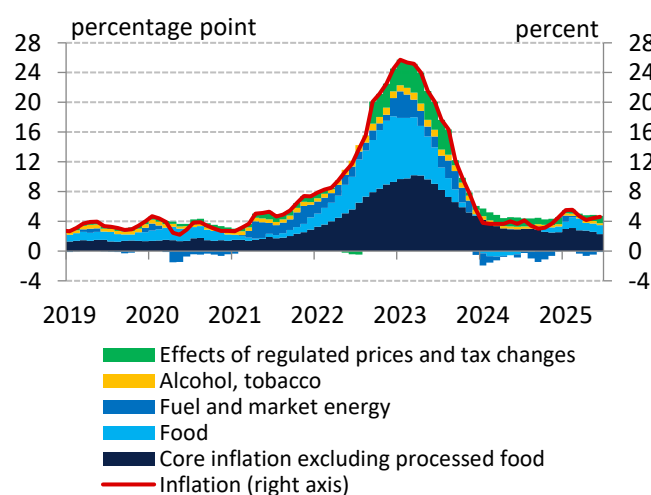
The rise in the annual consumer price index was influenced by the fact that, compared to the same period last year, fuel prices fell less than in the previous month. The decline in core inflation was caused by lower inflation in industrial goods as a result of restrictions on the prices

Chart 6: Dynamics of average earnings in the private sector



Source: MNB calculation based on HCSO data

Chart 7: Decomposition of inflation



Source: MNB calculation based on HCSO data

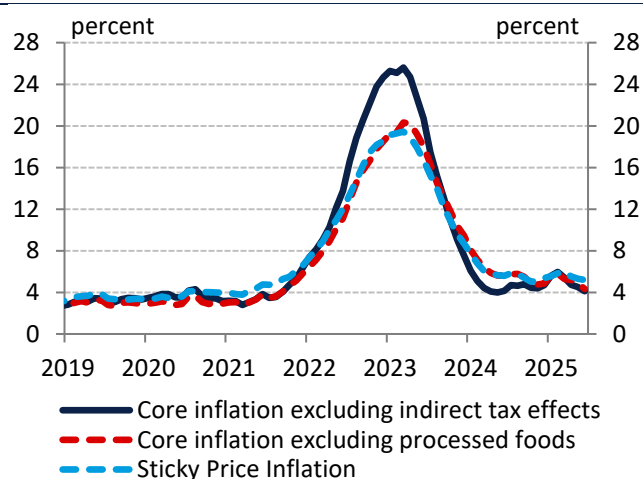
of household goods. Annual inflation for industrial goods rose to 2.5 percent. At 6.7 percent, the annual inflation rate for market services was essentially the same as in May. In a monthly comparison, the 0.4-percent rise in inflation surpassed the historical average. The increase in the price of products is primarily due to price increases in services related to tourism and hospitality. Unprocessed food prices and processed food prices rose by 6.7 percent and 3.2 percent, respectively, in year-on-year terms. Compared to May, unprocessed foods were 0.4 percent cheaper, explained by prices of seasonal food products. The price of processed food rose by 0.2 percent on a monthly basis. Fuel prices grew by 0.5 percent in month-on-month terms, but dropped by 1.0 percent in an annual comparison. The monthly increase in prices is explained by rising global oil prices fuelled by escalating geopolitical conflicts. Household inflation expectations remain at high levels. Corporate price expectations pertaining to services and retail sales prices decreased in June. The rate of price changes in June was above the historical average for foods and market services. In the case of industrial goods, the price change in June was lower than the historical average due to the impact of restrictions on the prices of household goods.

**Price and margin restriction measures had a significant disinflationary effect, reducing inflation by a total of 1.5 percentage points in June.** The strongest impact can be attributed to margin restrictions on foods, which were accompanied by margin restrictions on household goods that came into effect in May. The voluntary price restrictions of bank and telecommunications companies also reined in inflation.

**Inflation and core inflation were both within the forecast range of the June Inflation Report.** The actual data matched the June consensus of analysts' expectations. The median forecast was 4.6 percent, with expectations ranging between 4.2 percent and 4.8 percent.

**Our indicators capturing more persistent inflation trends, calculated on an annual basis, decreased.** Inflation for products with relatively stable prices stood at 5.2 percent, while core inflation excluding processed food stood at 4.3 percent in June (Chart 8).

Chart 8: Measures of underlying inflation indicators

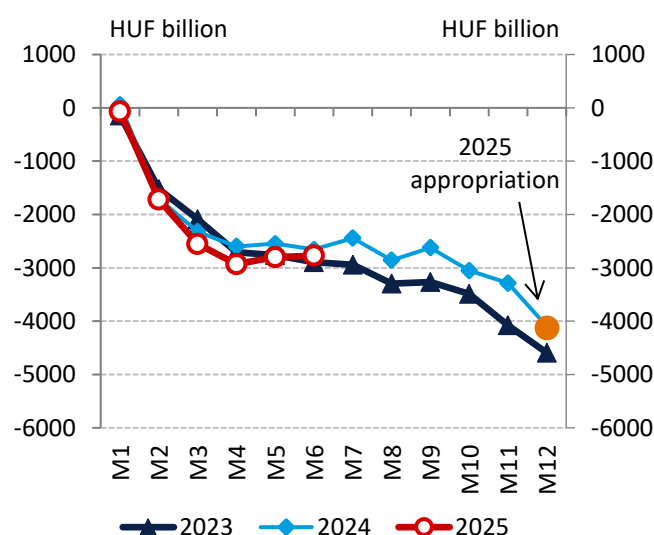


Source: MNB calculation based on HCSO data

## 1.4. Fiscal and external balance trends

The central sub-sector of the government budget closed June with a surplus of HUF 27 billion. The cumulated deficit from the beginning of the year dropped to HUF 2,774 billion, equivalent to 67 percent of the HUF 4,123 billion annual appropriation. The central sub-sector's revenues increased by HUF 520 billion, while budgetary expenditures grew by HUF 385 billion on an annual basis. In May 2025, the current account balance turned into a slight deficit after significant surpluses up to that point.

Chart 9: Cumulative cash balance of the central government budget from the beginning of the year



Source: 2025 Budget Act, Hungarian State Treasury

### 1.4.1. Fiscal trends

**The central sub-sector of the government budget closed June with a surplus of HUF 27 billion**, which marks the second consecutive monthly surplus. The cumulated deficit from the beginning of the year dropped to HUF 2,774 billion by the end of June 2025, equivalent to 67 percent of the HUF 4,123 billion annual appropriation (Chart 9). The surplus was partly due to high revenues from public property and the technical effect of corporation tax revenues being pushed back to June.

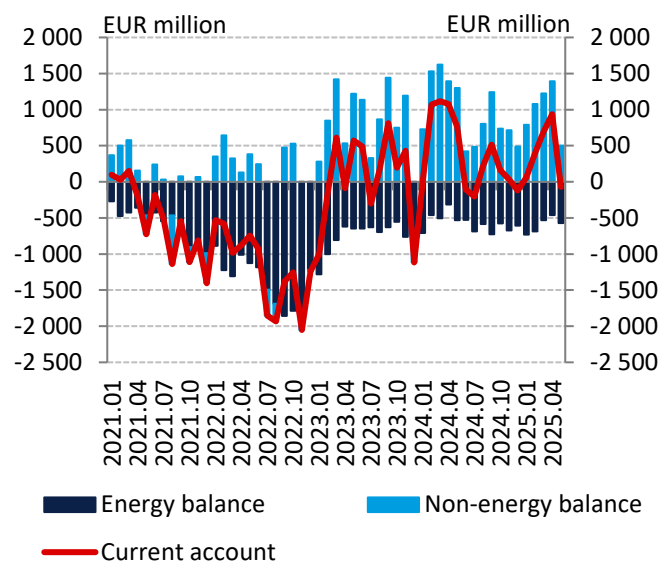
**The central sub-sector's revenues increased by HUF 520 billion in June on an annual basis.** Within revenues, tax and contribution revenues rose by 18 percent (HUF 398 billion), while EU revenues fell by HUF 23 billion. Taxes and contributions on labour rose by 7 percent (HUF 67 billion), while taxes related to consumption increased by 11 percent (HUF 100 billion). Payments by business organisations increased by HUF 229 billion compared to June last year, as the 31 May payment deadline fell on a weekend, causing tax payments for several corporate taxes to be postponed until June. Revenues related to public property increased by nearly HUF 166 billion on an annual basis.

**Budgetary expenditures in June were HUF 385 billion higher than in the same period last year.** The increase is primarily due to the increase of more than HUF 250 billion in EU programme expenditures and the increase of nearly HUF 200 billion in state transport and utility services. The high expenditures were partially offset by the fact that the expenditures of budgetary institutions and chapters were nearly HUF 140 billion lower than in June last year.

### 1.4.2. External balance developments

**In May 2025, the deficit on the current account amounted to EUR 69 million, while net lending amounted to EUR 60 million.** The current account balance fell significantly, dropping by EUR 837 million on an annual basis in May, mainly due to a significant decline in the trade balance. With subdued external demand, annual growth in goods exports only amounted to around 2 percent, while imports rose by around 8 percent due to a slight increase in retail sales and one-off effects. The service balance surplus grew by 7 percent during the month, thanks to the upturn in

**Chart 10: Developments in current account and energy balance**



Note: The last monthly value of the energy balance is an estimate.

Source: MNB, HCSO

tourism. The income balance deficit expanded, partly for methodological reasons, while the transfer balance remained around its equilibrium level (Chart 10).

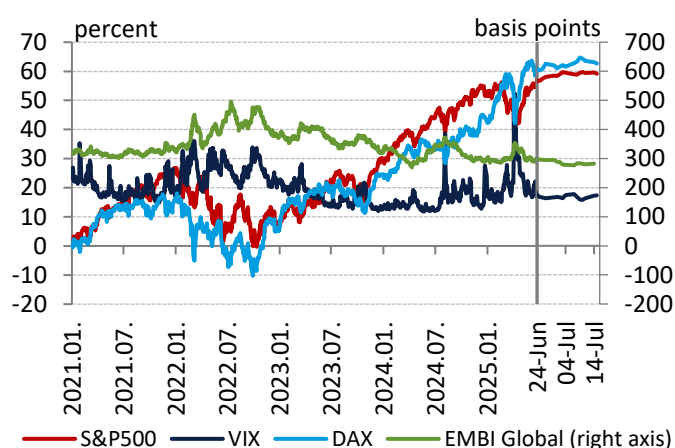
**Based on the financial account data, net foreign direct investment (FDI) showed an outflow in May, while net external debt increased significantly.** The EUR 0.9 billion net outflow in direct capital was mainly due to dividend payments, which are customary at this time of year. The growth of approximately EUR 1.6 billion in net external debt was mainly linked to the banking system and corporations, while the indicator for the consolidated government sector decreased.

## 2. Financial markets

### 2.1. International financial markets

Since the previous interest rate decision, international investor sentiment has been dominated by developments in US trade policy. Investor risk appetite remained stable during the period. Stock exchange indices typically increased, with rising long-term yields in advanced and emerging markets. The USD exchange rate basically stagnated. Raw material sub-indices showed mixed developments, while energy prices remained stable.

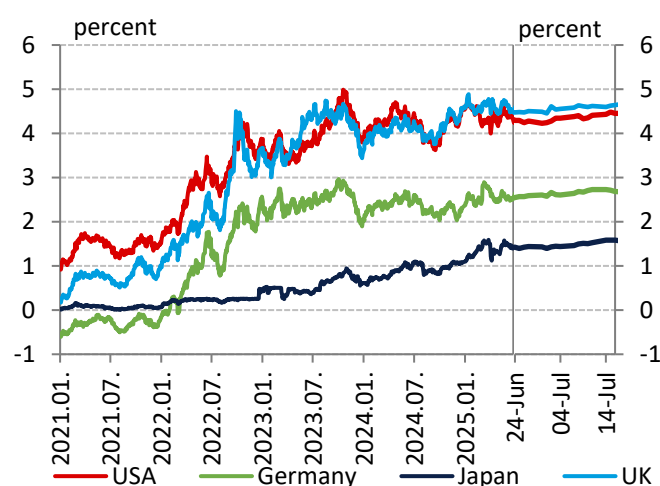
**Chart 11: Developed market equity indices, the VIX index and the EMBI Global Index**



Note: Stock indices (S&P500 and DAX) normalised to the beginning of 2021.

Source: Bloomberg

**Chart 12: Yields on developed market long-term bonds**



Source: Bloomberg

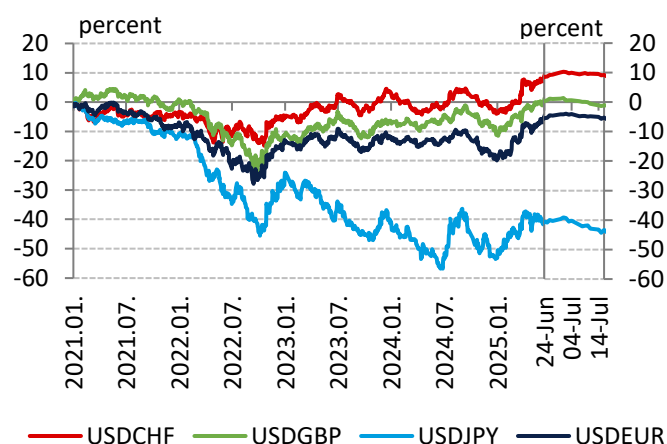
**Risk indicators have not shown any substantial changes over the past month.** The VIX index, which measures US stock market volatility, was around 17 percent, while the European VSTOXX index was around 19 percent at the end of the period. The EMBI Global Index, which tracks emerging market bond spreads, and the MOVE index, which measures volatility in developed bond markets, both fell. **Stock market indices generally rose**, with the exception of the Brazilian index among the major markets, which fell by 1.4 percent during the period. The stock market composite index for developed markets rose by 2 percent, while that for emerging markets rose by 2.5 percent. US indices typically rose more, while European indices only posted moderate gains (Chart 11).

**Long-term yields in advanced and emerging markets have also increased since the previous interest rate decision** (Chart 12). The US 10-year yield rose by 20 basis points, the German by 19 basis points and the Japanese by 16 basis points. 10-year government bond yields in the CEE region were mixed, falling by 12 basis points in Hungary and 25 basis points in Romania, while increasing by 6 basis points in the Czech Republic and remaining unchanged in Poland.

**The USD exchange rate has basically stagnated since the last interest hike** (Chart 13). The EUR/USD exchange rate remained essentially unchanged during the period, continuing to hover around 1.16. The Swiss franc and the Australian dollar appreciated against the US dollar, while USD strengthened against the Norwegian and Swedish krona, the British pound and the Japanese yen. Emerging market currencies also typically weakened against the US dollar.

**Raw material sub-indices showed mixed developments in the period.** The sub-index representing the agricultural sector and the grain sub-index fell by 2 percent, while the sub-index for prices of live animals remained unchanged. The sub-index for industrial metals increased by 4.7 percent and the energy sub-index rose by 2.1 percent since the previous interest rate decision. Overall, the

**Chart 13: Evolution of developed market foreign exchange rates compared to the first trading day of January 2021**



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

Source: Bloomberg

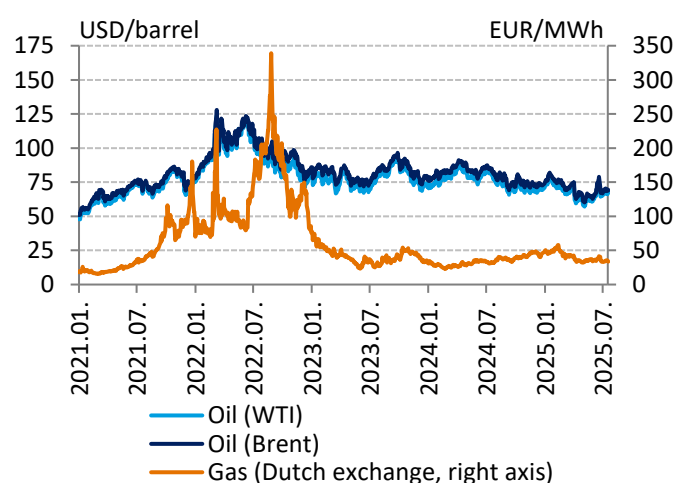
Bloomberg commodity price index, which covers the entire raw materials market, rose by 1 percent.

**The price of a barrel of North Sea Brent oil has increased by nearly 2 percent, from USD 67 at the time of the previous interest rate decision to USD 68.5 (Chart 14).**

The price of a barrel of the US benchmark WTI rose 3.3 percent, from USD 64.3 to USD 66.5. Oil prices moved within a narrow range during the period, with news on tariffs and growth prospects only having a limited impact on prices.

**European gas prices have fallen by 2.5 percent since the previous interest rate decision.** The Dutch TTF exchange price fell from 35.6 euro/MWh to 34.5 euro/MWh. The price of gold remained essentially unchanged during the period, continuing to hover around the level of USD 3,400/ounce.

**Chart 14: Developments in oil and gas prices**

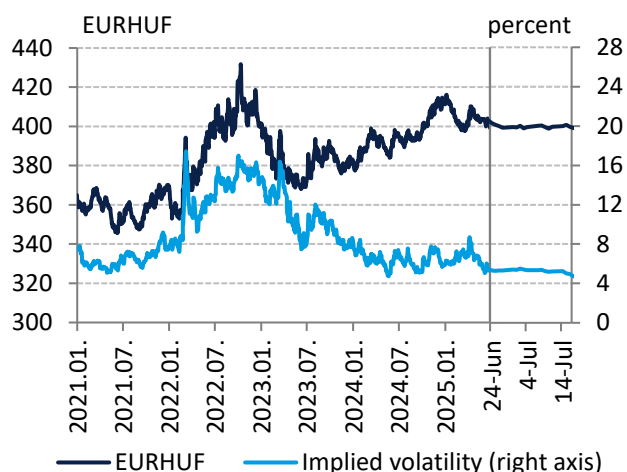


Source: Bloomberg

## 2.2. Developments in domestic money market indicators

The exchange rate of the forint against the euro strengthened slightly since the June interest rate decision. The government bond yield curve shifted mildly downwards. During the period under review, demand at ÁKK auctions was adequate. The 3-month BUBOR stood at 6.5 percent at the end of the period.

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



Source: Bloomberg

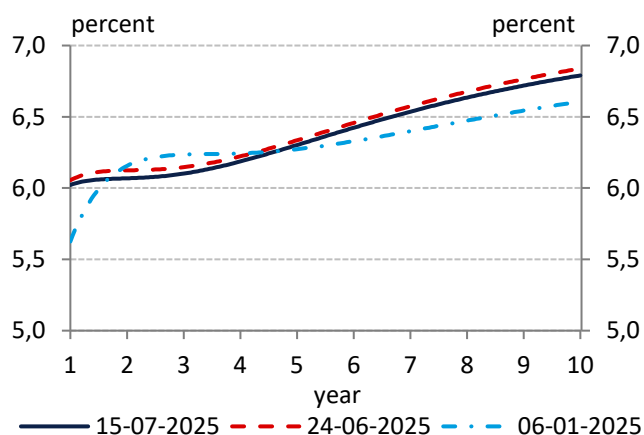
The exchange rate of the forint against the euro strengthened slightly since the June interest rate decision (Chart 15). Following the interest rate decision, HUF strengthened against EUR, due to USD depreciation and easing tensions in the Middle East, and then remained stable throughout the period, typically trading in a range between 398.5 and 400.5. The Hungarian forint slightly outperformed the Polish zloty.

The 3-month BUBOR, which is relevant for monetary transmission, has not changed since the previous interest rate decision, and it stood at 6.5 percent.

The government bond yield curve shifted mildly downwards (Chart 16). The short end of the yield curve shifted down only slightly, while yields on the middle and long ends declined by an average of 10 basis points.

During the period under review, the majority of ÁKK auctions enjoyed adequate demand. As the volume of bids submitted for government bonds typically exceeded the amount offered in advance, the Government Debt Management Agency accepted larger volumes than announced in almost all cases. Bond and DKJ auctions were characterised by an average demand three times higher than the announced quantities.

Chart 16: Shifts in the spot government yield curve



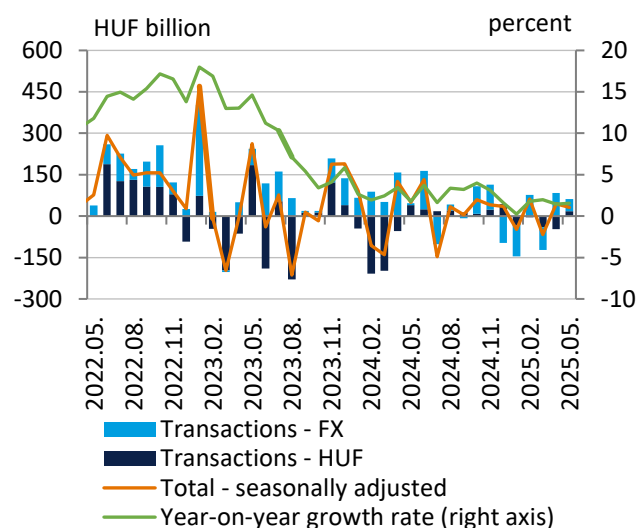
Source: Bloomberg



### 3. Trends in lending

The outstanding corporate loan portfolio increased by HUF 62 billion in May 2025, with the annual growth rate remaining the same as in April, at 1.6 percent. Household loans outstanding expanded by HUF 140 billion, lifting the annual growth rate to 11.4 percent.

Chart 17: Net borrowing by non-financial corporations

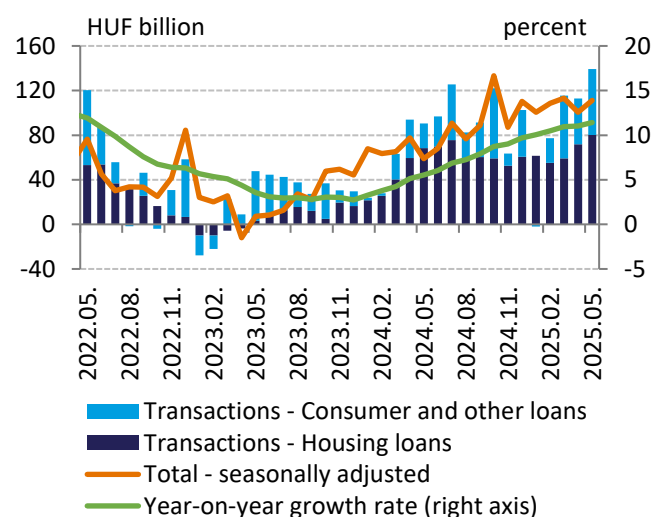


Source: MNB

**The corporate loan portfolio increased by HUF 62 billion in May 2025** as a result of a HUF 17 billion increase in forint loans and a HUF 44 billion increase in foreign currency loans. At 1.6 percent, the annual growth rate of the loan portfolio remained essentially unchanged compared to 1.5 percent in April (Chart 17). Credit institutions concluded new, non-current account loan agreements worth HUF 283 billion during the month, which is 6 percent lower compared to the same period last year.

**Household loans outstanding expanded by HUF 140 billion in May** as a result of transactions. With that, the annual growth rate of loans outstanding rose to 11.4 percent, up 0.4 percentage point from April (Chart 18). The volume of new household loan agreements amounted to a historical high of HUF 309 billion, exceeding the figure recorded in the same period of the previous year by 24 percent, with the volume of newly disbursed housing loans rising by 15 percent in year-on-year terms. Under the HPS Plus programme, which became available in January 2024, 1,020 contracts worth HUF 27 billion were signed in May, accounting for 18 percent of new housing lending during the month. Under the programme of subsidised loans of workers launched in January, applicants signed 4,400 contracts in May, worth a total of HUF 17 billion.

Chart 18: Net borrowing by households

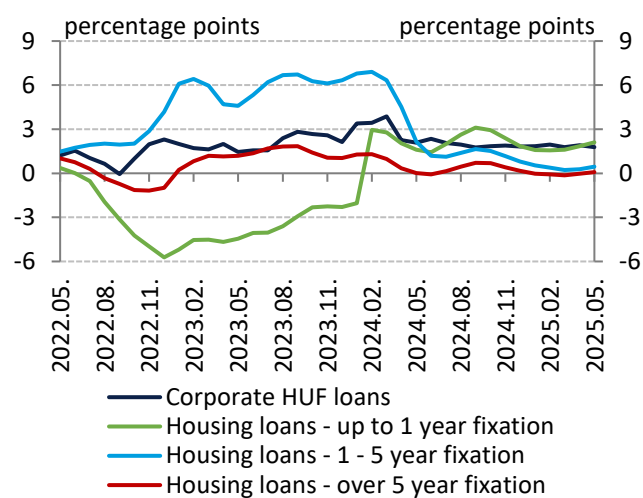


Source: MNB

**The smoothed interest rate spread on corporate forint loans decreased by 13 basis points compared to the previous month, reaching 1.78 percentage points in May** (Chart 19). As for housing loans, the spread on products with a fixed interest rate beyond five years increased by 11 basis points to reach 0.08 percentage point by the end of the period under review. In the case of corporate forint loans and variable-interest rate housing loans, we examine the 3-month BUBOR, while for housing loans with interest rates fixed for more than one year, we examine the spread above the corresponding IRS.



**Chart 19: Developments in corporate and household credit spreads**



Note: APR-based smoothed spreads on household loans, calculated using the average reference rate for the month in which the loan was issued.

Source: MNB