MACROECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL

TO THE ABRIDGED MINUTES

OF THE MONETARY COUNCIL MEETING

OF 24 JANUARY 2023

JANUARY

2023

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The background material 'Macroeconomic and financial market developments' is based on information available until 18 January 2023.

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 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:
http://www.mnb.hu/en/monetary-policy/the-monetary-council/minutes

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1. Macroeconomic developments

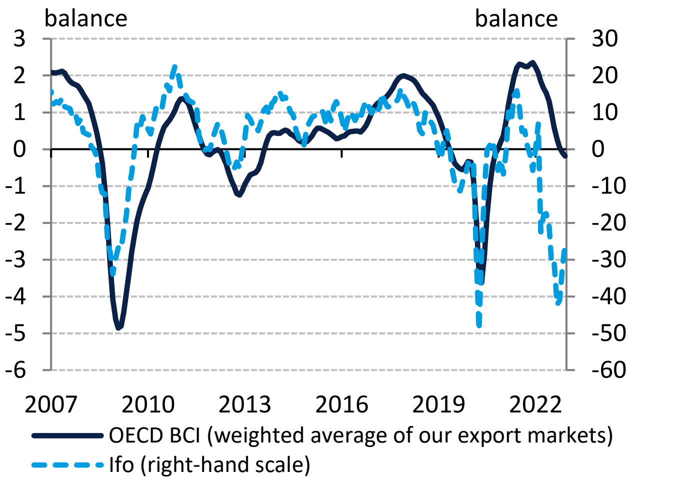
1.1. Global macroeconomic environment

International confidence indices generally registered a moderate improvement in December, but they remain at a low level. Following its historic low in recent months, consumer confidence has slightly adjusted.

In 2022 Q3, economic growth showed a mixed picture in major economies; nevertheless, growth figures mostly exceeded analysts' preliminary expectations. The EU, the euro area and China registered a year-on-year economic growth of 2.5, 2.3 and 3.9 percent, respectively. The US economy grew by 1.9 percent, while on a quarterly basis it rose by 3.2 percent, following a decline registered in the previous two quarters. In 2022 Q4, China's GDP grew by 2.9 percent, in year-on-year terms.

Monthly production indicators show a mixed picture. In November, industrial production in the US grew by 2.5 percent, the lowest since March 2021, while in China it rose by 2.2 percent. In November, the euro area registered a year-on-year growth of 2.0 percent. In November, the volume of retail sales grew by 6.5 percent in the USA and fell by 5.9 percent in China, in year-on-year terms. In the euro area, the volume of retail sales fell by 2.8 percent in November.

Chart 1 Business climate indices in Hungary's export markets



Source: OECD, Ifo

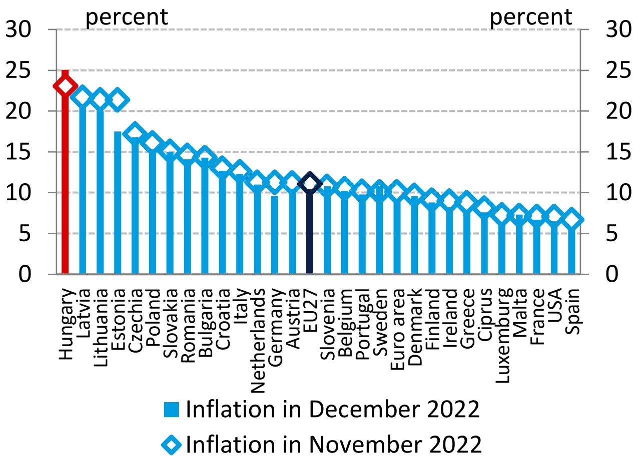
In December, forward-looking confidence indicators slightly rose in the EU, but they are still at a low level (Chart 1). Business sentiment and consumer confidence showed a slight improvement in the euro area based on both the Economic Sentiment Indicator (ESI) and the Purchasing Manager's Index (PMI). Compared with the previous month, the US Purchasing Manager Index declined slightly in December, and it is still below the threshold (50 points).

International labour market trends were unchanged. In December, unemployment rate in the United States was 3.5 percent, while in the euro area it stood at 6.5 percent in November.

Inflation in the United States decreased from 7.1 percent in November to 6.5 percent in December. By contrast, in China, it rose from 1.6 percent in November to 1.8 percent in December.

In annual terms, inflation in the euro area eased to 9.2 percent in December from 10.1 percent in the previous month with core inflation rising from 5.0 percent to 5.2 percent. The inflation figure was lower than analysts'

Chart 2 Developments in the international inflationary environment



Note: HICP (where available) and CPI inflation rates.
Source: Eurostat

expectations of 9.5 percent, while core inflation slightly exceeded the analyst' consensus. The moderation in HICP inflation was typically related to a slowdown in energy inflation in December.

Inflation declined or stagnated in 24 of the 27 EU countries, while it rose in 3 countries in December. Hungary had the highest inflation rate among the EU countries in December, while the Baltic countries also saw an annual inflation of around 20 percent. In the region, based on Eurostat data, prices rose by 15.3 percent in Poland, 14.1 percent in Romania, 16.8 percent in the Czech Republic and 15.0 percent in Slovakia compared to December 2021 (Chart 2).

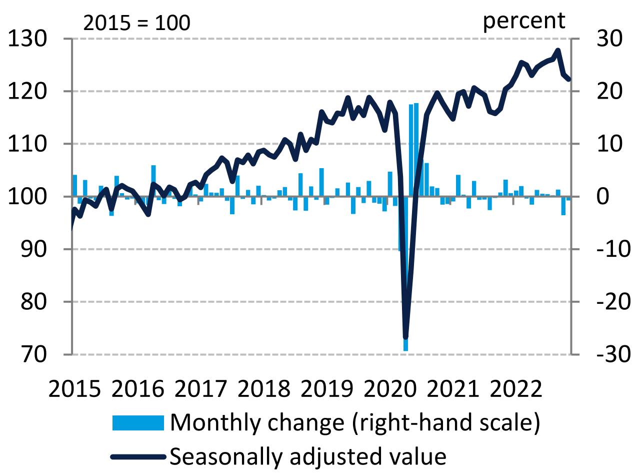
1.2. Real economic developments in Hungary

For 2022 Q4, a further moderation in economic growth is projected in real-time data. In November 2022, the average number of employees in the 15–74 age group was 4,706,000. In the period of September–November, 26,000 more people worked in Hungary than in the same period last year. Unemployment rate stood at 3.8 percent in November.

1.2.1. Economic growth

In 2022 Q3, Hungary's gross domestic product expanded by 4.1 percent year-on-year, according to seasonally and calendar-adjusted data. GDP declined by 0.4 percent quarter-on-quarter.

Chart 3 Developments in industrial production



Source: MNB calculation based on HCSO data

In November 2022, the volume of industrial production rose by 0.5 percent year-on-year. Based on seasonally and calendar-adjusted data, the volume of production decreased by 0.7 percent on a monthly basis (Chart 3). Production levels fell in most of the manufacturing subsectors but rose in the automotive industry and battery manufacture. The output of the automotive industry, representing the largest share, increased by 23.3 percent year-on-year. Production of electrical equipment grew strongly (+54.5 percent), to which the continued growth in battery production and the production of electric motors also contributed significantly. Manufacture of computers and electronic products fell by 3.7 percent, following an increase in recent months. Among the manufacturing subsectors, the volume of coke production (-49.9 percent), chemical substances production (-32.7 percent), energy production (-19.6 percent), metal industry production (-16.4 percent) and rubber, plastic and non-metal production (-12.4 percent) declined to the largest degree compared to November 2021.

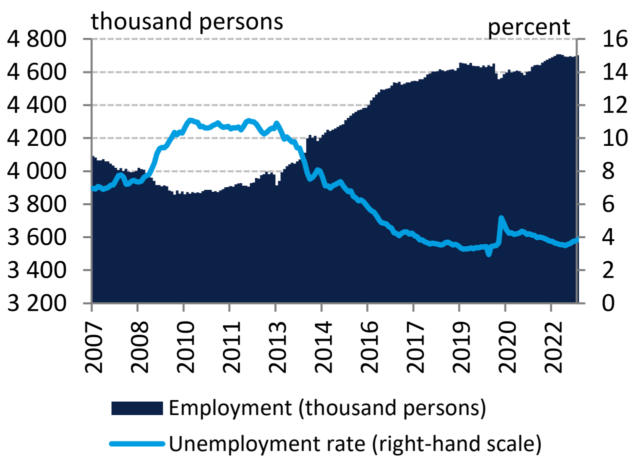
In November 2022, the volume of construction output was up by 7.0 percent year-on-year. The construction of buildings increased by 18.6 percent, while construction of other structures decreased by 6.9 percent, in year-on-year terms. Based on seasonally and working-day adjusted data, the volume of output increased by 6.9 percent compared to the previous month. The volume of new contracts was 3.8 percent higher than the November 2021 base. Within this, new contracts for the construction of buildings rose by 9.6 percent, while new contracts for the construction of other structures decreased by 4.2 percent year-on-year.

In November 2022, the volume of retail sales rose by 0.6 percent year-on-year; however, excluding fuel trade, turnover declined by 4.6 percent based on calendar adjusted data. Among the individual product groups, the volume of retail sales in food stores and groceries, representing the largest weight, fell by 6.7 percent. Turnover of online stores fell to the largest degree (-9.8 percent). Sales of motor vehicle and vehicle parts stores, not belonging to retail sales, fell by 6.5 percent. Based on calendar adjusted data, the volume of retail sales increased in annual terms only at fuel stations (+27.7 percent), in textile, clothing and footwear stores (+13.1 percent) and in book, computer and other industrial goods stores (+4.1 percent).

Based on preliminary data, the trade balance showed a deficit of EUR 1.3 billion in November 2022. The balance deteriorated by EUR 1.2 billion, compared to the same period of the previous year. The balance, adjusted for VAT residents, remained negative, with a deficit of EUR 1,988 million in November. In November, goods exports and imports rose by 17.8 percent and 28.8 percent year-on-year, respectively, in euro terms. In November 2022, terms of trade deteriorated by 5.9 percent in an annual comparison, which is primarily contributed by mineral fuels.

Following the favourable economic trends in 2022 H1, slowdown in economic growth continued in 2022 Q4. Based on online cash register data, real turnover in November grew slightly by 0.2 percent year-on-year. In December, air passenger traffic fell short of its level registered in the same period last year by 23.8 percent, according to data received so far. Catering turnover rose by almost 34.1 percent in annual terms in December, owing to a low base in 2021. Cinema attendance in December fell by 6.5 percent year-on-year. In December, road passenger traffic rose by 1.8 percent, while goods traffic remained broadly unchanged, in year-on-year terms. In December, electricity load data were 8.1 percent below its 2021 level. In December, the number of housing market transactions decreased by 46.4 percent year-on-year, according to data received so far. Google searches for the term “unemployment benefit” rose in the second half of last year and exceeds slightly the level seen before the coronavirus pandemic.

Chart 4 Number of persons employed and the unemployment rate



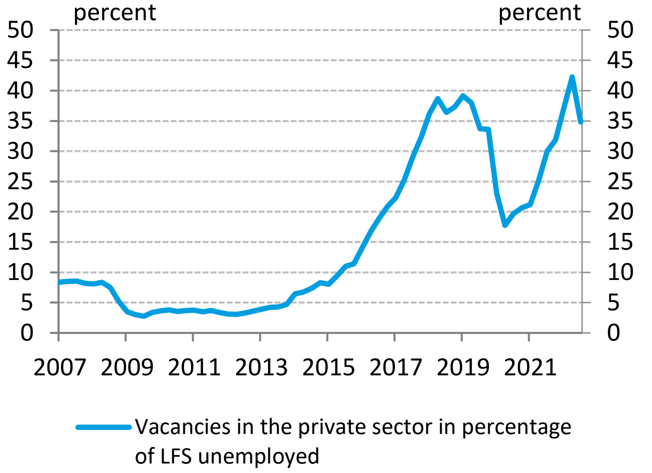
Note: The graph shows seasonally adjusted moving averages.
Source: HCSO

1.2.2. Employment

Based on Labour Force Survey (LFS) data, the average number of employees in the 15–74 age group was 4,706,000 in November 2022. In the period of between September and November 2022, the average number of employees was 4,713,000, exceeding the year-on-year figure by 26,000 (Chart 4). In September-November, on average, the number of employees in the primary labour market and of those working abroad rose by 26,000 and 16,000, respectively, while the number of fostered employees fell by 16,000, compared to the same period of the previous year.

In November, the number of the unemployed was 187,000, which was above the year-on-year figure by 7,000 persons; and as a result, the unemployment rate stood at 3.8 percent, overall. Based on seasonally adjusted data, in November the number of the unemployed showed a slight increase compared to October. Based on the data published by the National Employment Service and the number of registered jobseekers in Hungary was 234,000 (-9,000 on an annual basis) in November 2022 and 230,000 (-8,000 on an annual basis) in December 2022. Based on seasonally adjusted data, the number of the registered jobseekers in December 2022 moderately declined compared to November, and it is still below the number measured in the months before the outbreak of the coronavirus pandemic.

Chart 5 Developments in labour market tightness indicator



Note: Quarterly data.
Source: National Employment Service, HCSO

Labour market remains historically tight (Chart 5). In 2022 Q3, unsubsidised available vacancies amounted to 63,000 in the private sector, representing an increase of 8 percent year-on-year and a decrease of 10 percent on the previous quarter. Labour demand declined quarter-on-quarter both in market services and manufacturing. Manufacturing job vacancies fell short of the figure registered in Q2 by 1,400. In 2022 Q3, job vacancies amounted to 37,400 in the services sector, down by 3,300 compared to the previous quarter. Within the services sector, job vacancies in the information and communication sector and in professional and scientific activities declined by 1,400 and 1,000 respectively. Labour demand slightly declined quarter on quarter in tourism. Within the public sector job vacancies remained practically unchanged in healthcare, education and public administration compared to the second quarter.

1.3. Inflation and wages

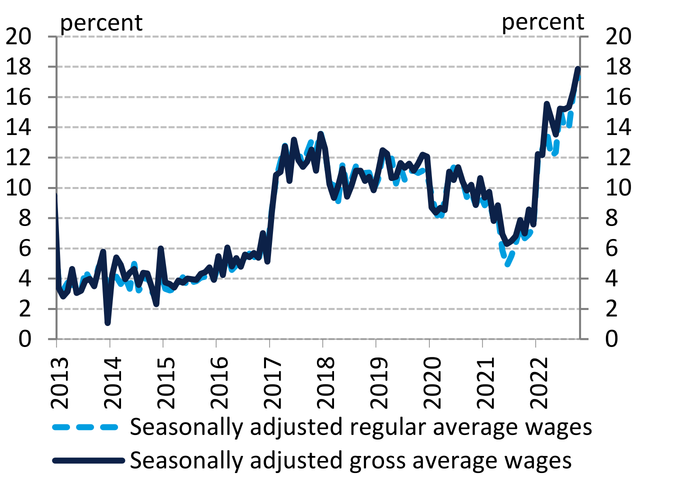
In December 2022, annual inflation was 24.5 percent. Core inflation stood at 24.8 percent, while core inflation excluding indirect taxes was 24.7 percent. Average annual inflation in 2022 was 14.5 percent, and core inflation was 15.7 percent and core inflation excluding indirect taxes stood at 15.6 percent. In annual terms, average regular wages (excluding bonuses) rose by 18.5 percent in the national economy, and by 17.6 percent in the private sector, respectively, in October 2022.

1.3.1. Wages

In October 2022, gross average wages in the private sector rose by 18.2 percent year-on-year. The degree of bonus payments exceeded the historical average of October. Average regular earnings (excluding bonuses) rose by 18.5 percent in annual terms in the overall economy, and by 17.6 percent in the private sector, respectively.

According to seasonally adjusted data, growth in both gross average wages and regular average wages accelerated in the private sector compared to the previous month (Chart 6). In the private sector wage dynamics in manufacturing outstripped that in market services. Annual wage dynamics were over 10.0 percent in most sectors. In October, based on raw data, wages in manufacturing were higher by 18.9 percent year-on-year. In market services, HCSO registered a growth of 18 percent. Gross wages in construction and trade rose by 17.9 percent and 16.5 percent, respectively, in year-on-year terms.

Chart 6 Dynamics of average earnings in the private sector

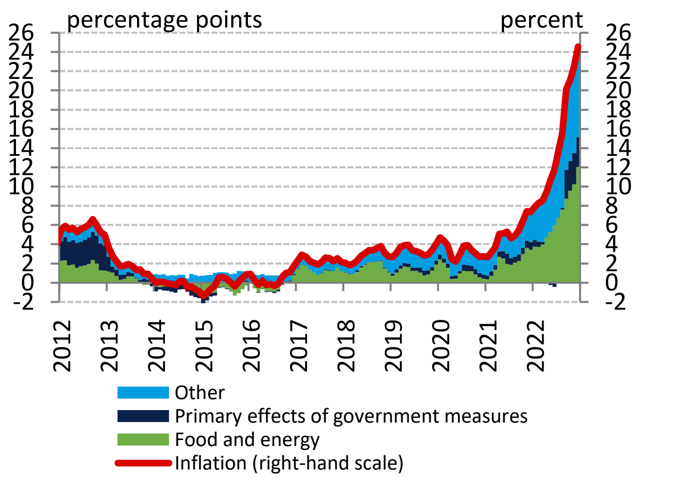


Source: MNB calculation based on HCSO data

1.3.2. Inflation developments

In December 2022, annual inflation was 24.5 percent. Core inflation stood at 24.8 percent, and core inflation excluding indirect taxes was 24.7 percent. Average annual inflation in 2022 was 14.5 percent, core inflation was 15.7 percent and core inflation excluding indirect taxes was 15.6 percent (Chart 7). Compared to the previous month, inflation increased by 2.0 percentage point, which essentially was fully attributable to the rise in fuel prices. Compared to the previous month, core inflation increased by 0.9 percentage point. Within core inflation, inflation of processed food rose to 53.3 percent, contributing 0.3 percentage point to the increase. Inflation of market services was 15.4 percent, while the annual price increase of industrial goods was 18.8 percent.

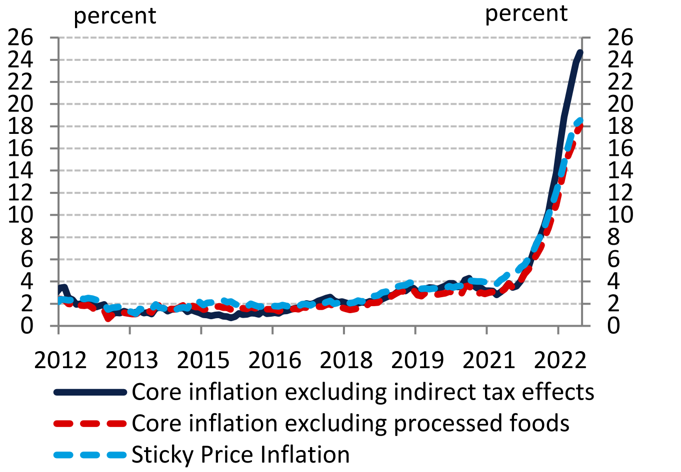
Chart 7 Decomposition of inflation



Source: MNB calculation based on HCSO data

The monthly increase in core inflation, which better reflects market developments and excludes processed food, declined to 1.1 percent; this is lower than observed in previous months, but still exceeds the average of recent years. Underlying inflation indicators capturing persistent trends – core inflation excluding processed

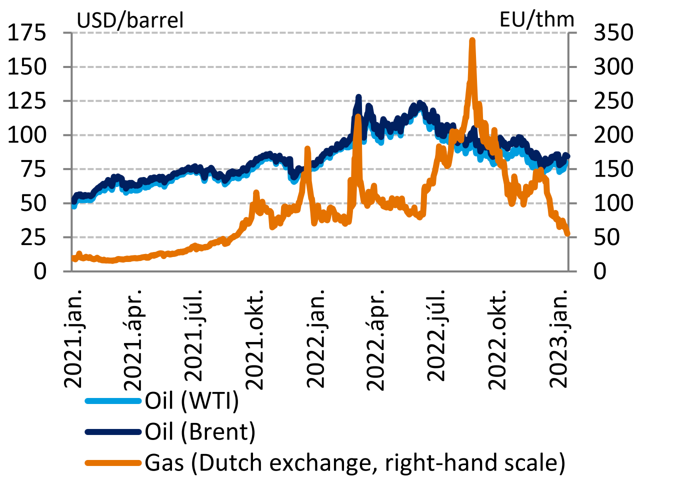
Chart 8 Measures of underlying inflation indicators



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

Source: MNB calculation based on HCSO data

Chart 9 Developments in oil and gas prices since January 2021



Source: Bloomberg

food and inflation of sticky price products and services – increased compared to the previous month (Chart 8).

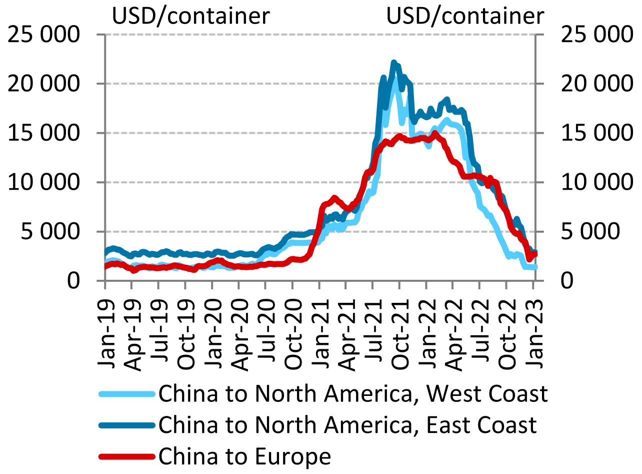
1.3.3. Inflation risks

Since the beginning of this year, slowdown in inflation is supported by both external and internal factors. Global recession fears have intensified recently, leading to a turnaround in inflation. The Russia- Ukraine war, a potential new wave of the coronavirus pandemic, high commodity prices of the recent period, supply chain frictions and the tightening of global monetary conditions have collectively increased the risk of recession. The impact of a slowdown of the global economy can be also felt in commodity markets. A fall in commodity prices and food industry base material prices, declining transportation costs, easing supply chain tensions and the slowdown in the global economy project a turn in inflation, accelerating disinflation. Of the internal factors, the base effect of tax measures fading and the price-disciplining effect of falling domestic demand both support the decline in Hungary's inflation.

Since the previous interest rate decision oil prices have increased: the price of Brent crude oil is around USD 87 per barrel, while the US benchmark WTI oil price stand at around USD 81 per barrel. (Chart 9) **Gas prices have fallen significantly** since the previous interest rate decision. In the United States the much milder than usual winter and surging US production led to lower prices, while in Europe, this was attributable to the mild weather and the high filling level of gas storage facilities. Filling level of storage facilities may remain over 50 percent even by the end of the winter, which facilitates the full refilling of the storage facilities before the next winter season. Storage facilities in China also reported high filling levels, and thus it may have also contributed to the fall in prices that the Asian market did not absorb the existing LNG consignments. Electricity prices steadily declined over the period under review, albeit they remained volatile. Among the industrial metals, the price of platinum, tin and iron continued to rise, while the price of agricultural products slightly decreased. **The Bloomberg commodity price index, covering the entire commodity market, declined by 0.7 percent over the period.**

Frictions in global value chains has eased in recent months from the historic highs seen at the end of 2021. Following the record high figures seen in 2021-22, the cost of shipments from China to Europe showed a correction, having declined by 83 percent by the beginning of January compared to January 2022 (Chart 10). Following the onset

Chart 10 Developments in the Freightos Baltic Index for shipments from China



Source: Bloomberg

of the coronavirus, global value chains have become fragmented. There were stoppages in international forwarding, which repeatedly increased temporarily after the outbreak of the Russia-Ukraine war. However, in recent months supply chain problems have been gradually resolved, which may have a positive impact also on production and pricing trends.

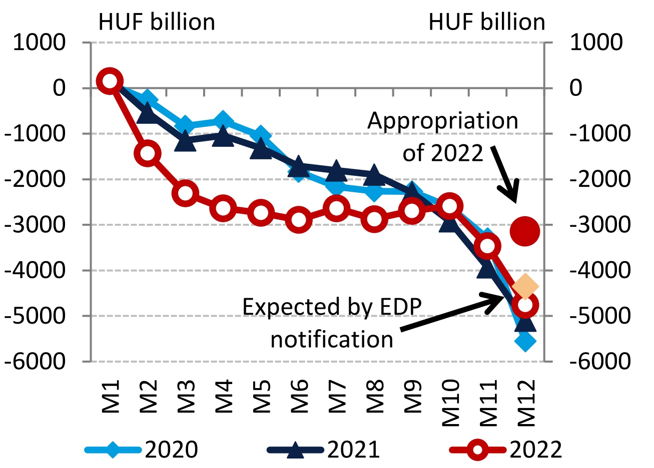
Repricing patterns have changed and, unlike in the past, they may persist for a longer time within the year. The monthly price change of the basket excluding fuels and administered prices decreased to 1.2 percent from 2.1 percent in the previous month.

In the past months, rising inflation rates has been explained by a sharp rise in food prices, which has been becoming increasingly clear. Inflation of food rose to 49.3 percent in Hungary, and within this product group the price index of processed food increased, while inflation of unprocessed food declined. Compared to November, prices of processed food rose by 3.0 percent, while those of unprocessed food declined by 0.3 percent, and thus the price increase of the entire product group showed the lowest monthly dynamics of 2022. Within processed food, the largest growth was still registered in the prices of dairy products. In the case of unprocessed food, eggs and fruit saw declining prices. Global factors such as skyrocketing energy prices and high transportation costs continue to push up prices.

1.4. Fiscal developments

The balance of the central sub-sector of the general government showed a deficit of HUF 1,287 billion in December 2022, bringing the cumulated cash deficit of 2022 to HUF 4,753 billion. In December, revenues of the central sub-sector exceeded the previous year's figures by HUF 120 billion. Expenditures in December were above the December 2021 levels by HUF 237 billion, which is mostly attributable to the excess expenditures generated by high energy prices.

Chart 11 Intra-year cumulative cash balance of the central government budget



Source: Budget Act of 2022, Hungarian State Treasury, EDP notification

In December 2022, **the balance of the central sub-sector of the general government** registered a deficit of HUF 1,287 billion, exceeding the deficit of December 2021 by HUF 117 billion. Thus, the cumulated cash deficit in 2022 reached HUF 4,753 billion (Chart 11).

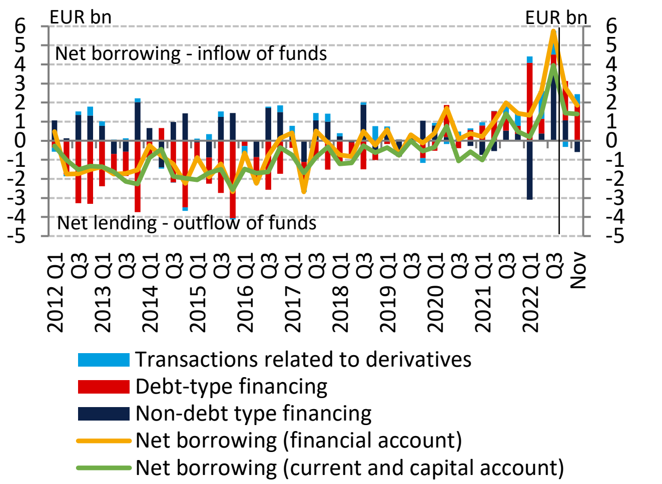
In December, **revenues of the central sub-sector** exceeded the previous year's value by HUF 120 billion. Tax and contribution revenues rose by HUF 452 billion, mostly due to a significant increase in payments by corporations and in consumption taxes. Tax and contribution revenues of the central sub-sector rose by 17.9 percent compared to 2021, despite the permanent and temporary tax cuts. In addition to the growth in nominal tax bases, taxes levied on windfall profits also increased the amount of revenues received.

Expenditures in December exceeded the December 2021 figure by HUF 237 billion, which is mostly attributable to excess expenditures generated by high energy prices. The related normative and special subsidies were materially higher than a year ago both in December and in the entire year. In 2022, expenditures rose by 12.2 percent, due to – in addition to the higher normative and special subsidies resulting from the energy expenses – the rise in housing subsidies, EU expenditures, pension and healthcare benefits, and in interest expenditures.

1.5. External balance developments

In November 2022, the current account deficit was EUR 1,699 million, and net borrowing amounted to EUR 1,398 million. According to financial account data, net foreign direct investments fell, as net external debt increased significantly in November.

Chart 12 Structure of net lending (unadjusted transactions)



Note: Positive values indicate net borrowing (inflow of funds), while negative values indicate net lending (outflow of funds). The fundamental development of the debt from an economic viewpoint is not influenced by the conversion between unallocated and bullion balances, thus this effect has been excluded.
Source: MNB

In November 2022, the current account deficit was EUR 1,699 million, while net borrowing amounted to EUR 1,398 million (Chart 12). While the current account deficit deteriorated, net borrowing improved compared to the previous month owing to the rising transfer balance. The rise in deficit was attributable to the increase in goods deficit resulting from the soar in imports, while growth in exports also remained high. In parallel with this, services balance surplus rose materially, while income deficit slightly increased.

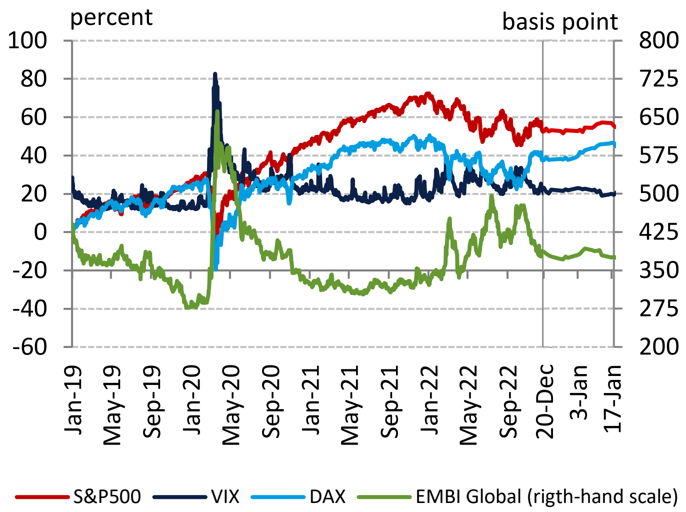
According to financial account data, net foreign direct investments fell as net external debt increased significantly in November. Net foreign direct investments declined by EUR 0.6 billion, which is mainly attributable to an outward investment by a domestic company. Net external debt due to transactions rose by EUR 1.9 billion, with major contribution by corporations and the government, with the latter partly relating to purchases of forint government bonds by non-residents.

2. Financial markets

2.1. International financial markets

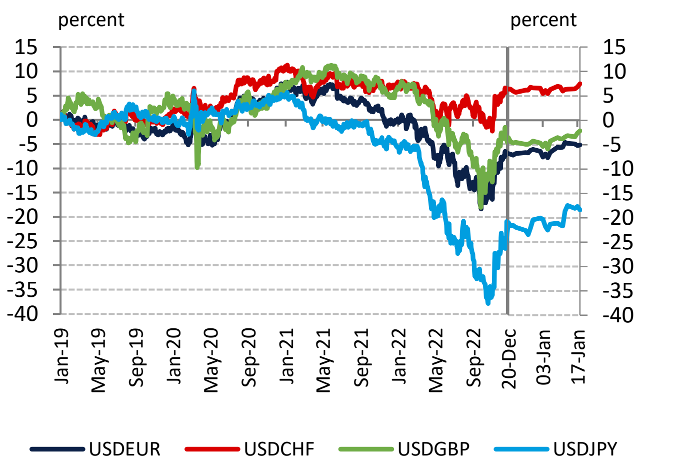
Since the previous interest rate decision, global investor sentiment has primarily been shaped by expectations related to the Federal Reserve's and other major central banks' monetary policy, recession fears and the energy crisis in Europe. Long-term yields generally declined in developed markets and in the CEE region. Leading stock indices rose slightly.

Chart 13 Developed market equity indices, the VIX index and the EMBI Global Index



Source: Bloomberg

Chart 14 Evolution of developed market FX exchange rates from January 2019



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

Since the previous interest rate decision, global investor sentiment has primarily been shaped by expectations related to the Federal Reserve's and other major central banks' monetary policy, recession fears and the energy crisis in Europe.

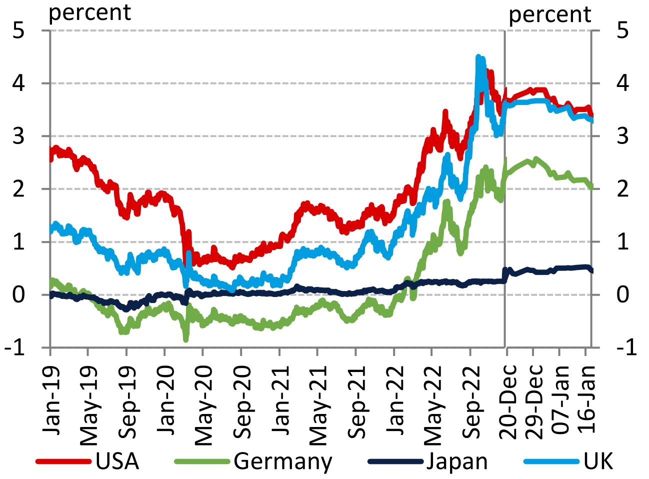
Overall, financial market sentiment has become favourable since the previous interest rate decision. Of the risk indicators, the VIX index, the key measure of equity market volatility, decreased compared to the level registered at the previous interest rate decision by 2.1 percentage points to 19.4 percent, while in emerging markets the EMBI Global bond market premium decreased by 11 basis points. On the other hand, the MOVE index (measure of the developed bond market volatility) rose by 2 basis points to 122 basis points (Chart 13).

Both developed and emerging stock market indices rose typically. Both the US S&P 500 and the Dow Jones advanced by 4.4 percent over the period. Among leading European stock market indices, the German DAX and the French CAC40 rose by 9.3 and 9.7 percent, respectively. Of the Asian indices, the Japanese Nikkei fell by 1.6 percent, while the Shanghai stock market index rose by 4.9 percent compared to the level seen at the previous interest rate decision. Overall, the developed and emerging market MSCI composite indices increased by 5.5 and 8 percent, respectively.

The dollar depreciated against major currencies (Chart 14). The dollar exchange rate depreciated against the Japanese yen by 2.8 percent, against the euro by 1.5 percent, against the British pound by 0.8 percent, against the Swiss franc by 0.5 percent and against the Chinese renminbi by 2.8 percent. The euro-dollar exchange rate gradually moved away from parity during the period under review, and by the end of the period it was close to 1.09.

Developed market government bond yields moderated (Chart 15)**.** Ten-year US and German yields fell by 13 and 21 basis points, respectively, and thus the US yield closed

Chart 15 Yields on developed market long-term bonds



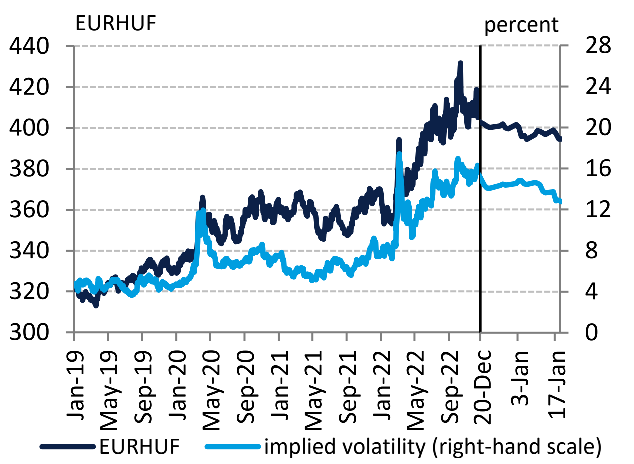
Source: Bloomberg

the period at 3.54 percent, while the German one at 2.09 percent. Yields in the Mediterranean countries also dropped: Portuguese and Spanish yields were down by 37 and 34 basis points, and Italian and Greek yields by 33 and 58 basis points, respectively. Yields on 10-year government bonds in the countries of the CEE region generally fell: Polish, Romanian and Czech yields were down by 75, 76 and 70 basis points, respectively, while the Hungarian yields are 107 basis points lower than at the December rate decision.

2.2. Developments in domestic money market indicators

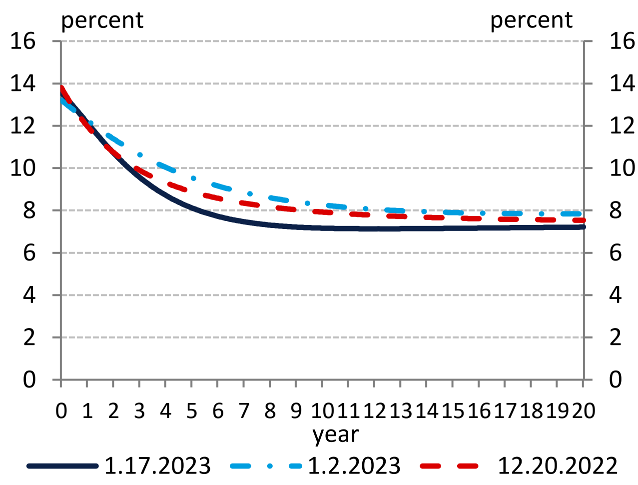
Since the interest rate decision in December, the forint has appreciated against the euro. The government securities market's yield curve shifted downwards. The 3-month BUBOR fell by 18 basis points to 16.03 percent. In the past month, there was adequate demand at government bond auctions. Average auction yields generally declined both on Treasury bills and government bonds.

Chart 16 EUR/HUF exchange rate and the implied volatility of exchange rate expectations



Source: Bloomberg

Chart 17 Shifts in the spot government yield curve



Source: MNB, Reuters

Since the interest rate decision in December, the forint strengthened against the euro by 1.6 percent (Chart 16). Of the currencies of the CEE region, the Czech koruna and the Polish zloty appreciated against the euro by 0.9 percent and 0.7 percent, respectively, while the Romanian leu depreciated by 0.5 percent.

The 3-month BUBOR, relevant for monetary policy transmission, decreased by 18 basis points to 16.03 percent since the last interest rate decision.

The government securities market's yield curve shifted downwards (Chart 17). At the 1-year section of the yield curve a fall of 16 basis points was registered, while on the medium and longer maturities yields declined by an average of 70 and 120 basis points respectively.

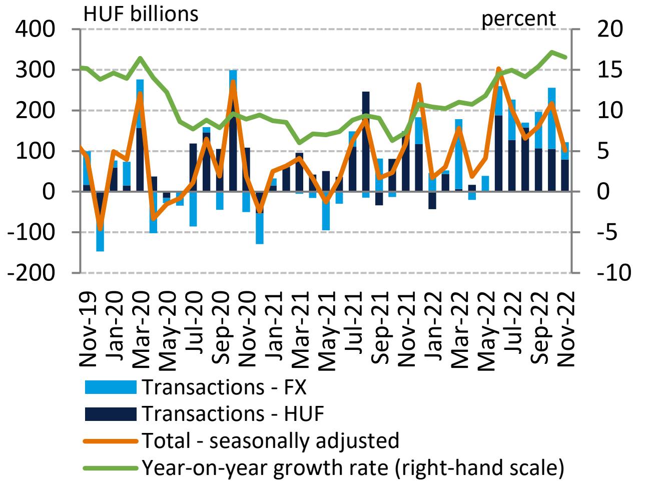
Government bond auctions held by the Government Debt Management Agency since the last interest rate decision were characterised by an adequate demand. In the period under review, discount Treasury bill and bond auctions were successful, and accordingly the Government Debt Management Agency raised a higher volume of funds overall than announced. Average yields mostly fell both on Treasury bills and on government bonds.

Non-residents' holdings of forint government securities increased. Non-residents' holdings in forint government securities increased by HUF 950 billion to HUF 6,450 billion. The market share of forint government securities held by non-residents increased to close to 21.8 percent.

3. Trends in lending

In November 2022, outstanding borrowing of non-financial corporations grew by HUF 122 billion, as a result of an increase in outstanding forint borrowing by HUF 79 billion and in foreign currency loans by HUF 43 billion combined. In November, outstanding borrowing by households increased by HUF 31 billion as a result of disbursements and repayments combined, reducing the annual growth rate to 6.4 percent from 6.8 percent last month.

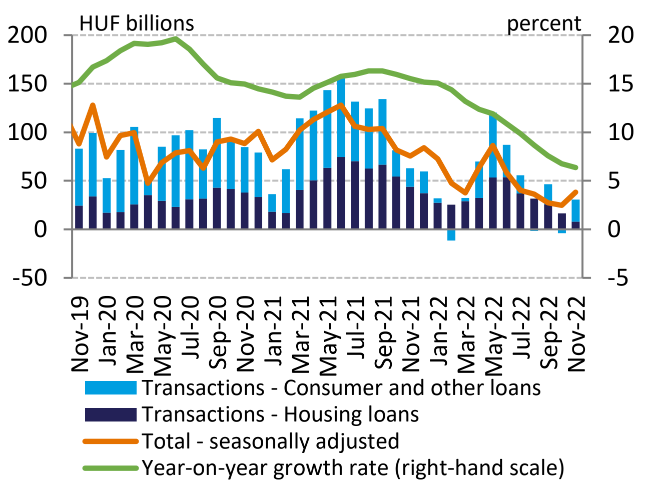
Chart 18 Net borrowing by non-financial corporations



Source: MNB

In November 2022, outstanding borrowing of non-financial corporations grew by HUF 122 billion, as a result of the increase in outstanding forint borrowing by HUF 79 billion and in foreign currency loans by HUF 43 billion combined (Chart 18). As a result, the annual growth rate slowed to 16.5 percent from 17.2 percent registered in previous month. Similar to previous months, high borrowings by companies in the energy sector made a significant contribution to the growth in outstanding borrowing by non-financial corporations also in November. Including bond transactions in the balance sheet of credit institutions, the annual growth rate in the month came to 20.6 percent. Credit institutions disbursed new loans in the amount of HUF 326 billion, which exceeds the year-on-year figure by 8 percent. The volume of the SME sector’s new contracts fell short of the disbursements registered last November by 23 percent; however, this may be also attributable to the slow pick-up in the volume of contracts concluded under the 2022 H2 phase of the Széchenyi Card Programme.

Chart 19 Net borrowing by households

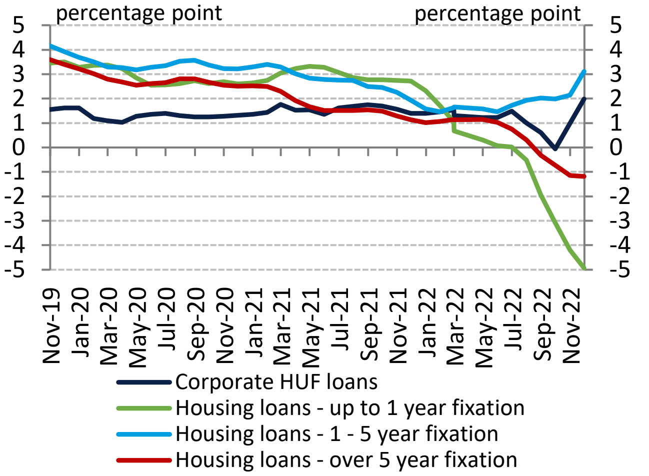


Source: MNB

In November, outstanding borrowing by households increased by HUF 31 billion as a result of disbursements and repayments combined, reducing the annual growth rate to 6.4 percent from 6.8 percent last month (Chart 19). Disbursements of new household loans amounted to HUF 137 billion during the month, which was 38 percent lower than in the same period of the previous year. The ratio of consumer loans within new loans increased compared to housing loans. In parallel with the rise in interest rate on loans, average loan amounts of housing loan contracts declined further under steady maturities.

In November 2022, the smoothed interest rate spread on forint corporate loans stood at 1.98 percent following a rise of 0.99 percentage point compared to previous month. After a rise of 0.96 percentage point, the average APR-based spread on housing loans with interest rate fixation periods longer than 1 year and up to 5 years increased to 3.11 percentage points in November, while the spread on products with interest rate fixation periods of more than 5 years fell by 0.04 percentage point and stood at -1.18 percentage points at the end of the period under review. The spread is always calculated based on the average reference rate prevailing in the month when the loan was disbursed, and thus due to the delayed nature of the repricing negative spreads may develop temporarily in certain sub-markets. (Chart 20).

Chart 20 Developments in corporate and household credit spreads



Note: In the case of corporate forint loans, the spread over the 3-month BUBOR. In the case of 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 APR-based margin above the relevant IRS.
Source: MNB