MACROECONOMIC AND

FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL

TO THE ABRIDGED MINUTES

OF THE MONETARY COUNCIL MEETING

OF 30 JANUARY 2024

JANUARY

2024

Time of publication: 2 p.m. on 14 February 2024

The background material 'Macroeconomic and financial market developments' is based on information available until 25 January 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

Table of contents

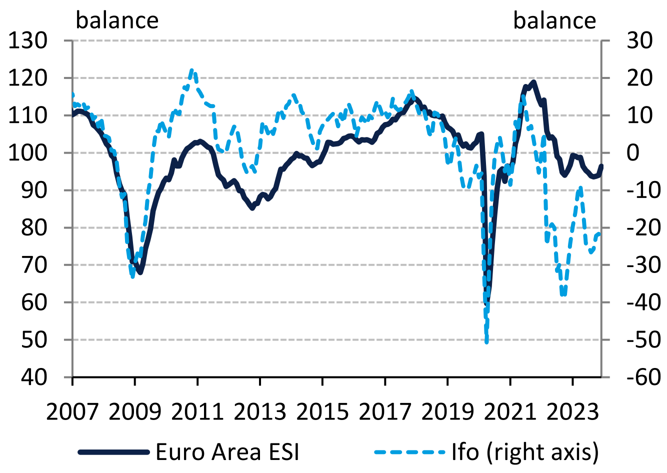
1. Macroeconomic developments

1.1. Global macroeconomic environment

In 2023 Q4, economic growth accelerated in the United States and China, while in the European Union business confidence indices suggest stagnation. As monthly production indicators declined in the euro area in November, they rose in the US and China in December. At the end of 2023, the Purchasing Managers' Index for manufacturing rose in the US, stagnated in the euro area and deteriorated in China. Annualised inflation rose to 3.4 percent in December from 3.1 percent in November in the United States, while consumer prices in China fell by 0.3 percent year-on-year in December, following a 0.5 percent decline in November. Year-on-year inflation in the euro area was 2.9 percent, while core inflation stood at 3.4 percent in December. Both figures were consistent with analysts' expectations. Disinflation slowed across a wide range of countries, inflation rose in 11 EU Member States in December.

In 2023 Q4, economic growth accelerated in the United States and China, while in the European Union business confidence indices suggest stagnation. In the United States, GDP grew by 3.1 percent in the fourth quarter of the year. In China, the 4.9 percent increase perceived in the third quarter was followed by a 5.2 percent expansion at the end of 2023. Economic performance stagnated year-on-year (0.0 percent) both in the euro area and the EU-27 in the third quarter. Within the Member States, the economies of Malta (+7.1 percent) and Croatia (+3.0 percent) grew the most compared to the same period of the previous year. 11 Member States saw a decline year-on-year, with output decreasing most sharply in Ireland (-5.6 percent) and Estonia (-4.0 percent). Among the other countries in the region, the economy of the Czech Republic contracted (-0.8 percent), while the Polish (+0.6 percent), Slovakian (+1.1 percent) and Slovenian (+1.6 percent) economies expanded compared to the same period of the previous year. The output of Germany, Hungary's main trading partner, declined (-0.4 percent) year-on-year.

Chart 1 Business climate indices in Hungary's export markets



Source: European Commission, Ifo

Monthly production indicators declined in the euro area in November, while they rose in the US and China in December on an annual basis. In December, annual industrial production in China and the United States was up by 6.8 percent and by 1.0 percent, respectively, while in the euro area a 6.8 percent decline was registered in November. Retail sales rose by 7.4 percent in China and 5.6 percent in the US in December, while a 1.1 percent decline was registered in the euro area in November.

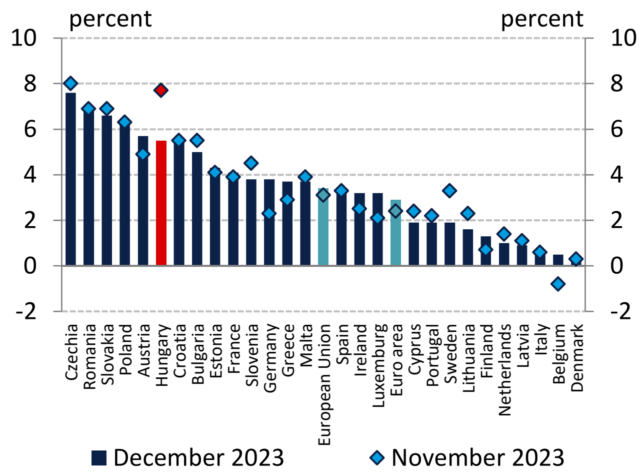
In December, the Purchasing Managers' Index for manufacturing rose in the US, stagnated in the euro area and deteriorated in China. In the euro area the index was below, and in China and the US it was above the expansion threshold. The Economic Sentiment Indicator (ESI) of the euro area improved by 2.4 points in December 2023 (Chart 1).

There is still no sign of a significant deceleration in international labour market developments. As seen in November, unemployment rate continued to be at the historically low rate of 3.7 percent in the United States in December. The number of non-agricultural employees grew at a greater rate than expected (+216,000 persons), which indicates an acceleration relative to the growth seen in the previous two months. The euro area unemployment rate stood at 6.4 percent in November.

Annualised inflation accelerated to 3.4 percent in December from 3.1 percent in November in the United States, while consumer prices in China fell by 0.3 percent year-on-year in December, following a 0.5 percent decline in November. Year-on-year inflation in the euro area was 2.9 percent in December, while core inflation stood at 3.4 percent. Both figures were consistent with analysts' expectations.

Among the Visegrad countries, Hungary had the lowest inflation in December, primarily because of the fading impact of fuel price increases in previous December. According to the Harmonised Index of Consumer Prices, inflation was 7.6 percent in the Czech Republic, 7.0 percent in Romania, 6.6 percent in Slovakia and 6.2 percent in Poland. Austria (5.7 percent) also outpaced the price level increase recorded in Hungary. Disinflation slowed across a wide range of countries, inflation rose in 11 EU Member States in December (Chart 2).

Chart 2 Developments in the international inflation environment



Note: HICP rates.

Source: Eurostat

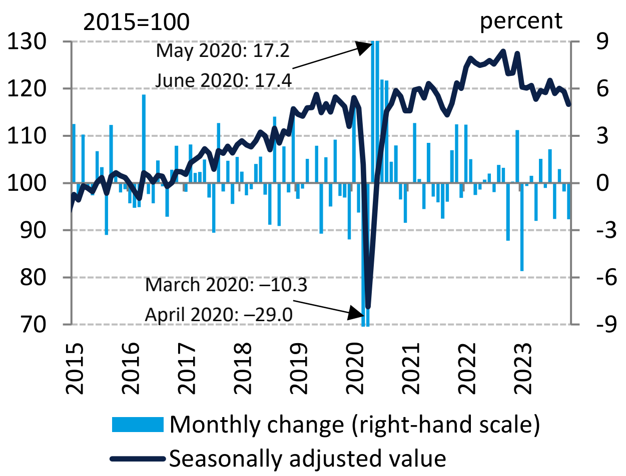
1.2. Real economic developments in Hungary

In November 2023, industrial output, retail sales volume and construction output fell by 5.8 percent, 5.4 percent and 12.8 percent, respectively, year-on-year. In November 2023, the average number of employees aged 15–74 was 4,736,000. In the period of September-November 2023, 42,000 more people were in employment in Hungary on average than in the same period in 2023. The unemployment rate stood at 4.2 percent in November.

1.2.1. Economic growth

In 2023 Q3, GDP was down by 0.4 percent year-on-year, while economic performance rose by 0.9 percent quarter-on-quarter. Compared to the low base following last year's drought, agriculture's value added rose by 88.2 percent year-on-year, dampening the economic downturn by 3.4 percentage points. Compared to the same period of the previous year, industry's and manufacturing's value added fell by 5.4 percent and 4.1 percent, respectively. Value added in the construction sector was 1.6 percent lower than in the same period of the previous year. Overall, the value added in the services sector decreased by 3.1 percent, while services linked to the government (public administration, defence; compulsory social security, education, human health and social work activities) increased by 1.6 percent overall. On the consumption side, the fall in domestic demand was mitigated by net exports. Household consumption expenditure dropped by 2.7 percent, while gross fixed capital formation fell by 15.1 percent compared to the same period of the previous year. Net exports mitigated the economic downturn by 5.0 percentage points.

Chart 3 Developments in industrial production



Source: MNB calculation based on HCSO data

In November 2023, the volume of industrial output fell by 5.8 percent bringing the annual rate of decline to eleven months. Compared to the previous month, the level of production contracted by 2.3 percent and accordingly, it fell below the figure seen at the beginning of the year (Chart 3). The HCSO measured a decline in most manufacturing subsectors, except for two subsectors (petroleum refining and chemicals) where the volume of production increased. The output of the automotive industry, representing the largest share, contracted by 1.7 percent and the production of electrical equipment fell by 12.2 percent compared to the level recorded in November 2022. The manufacture of computer, electronic and optical products decreased by 0.8 percent.

In November 2023, construction output fell by 12.8 percent year-on-year. The construction of buildings and other construction decreased by 18.3 percent and 3.5 percent, respectively, compared to the November 2022 base. Based on data adjusted for seasonal and calendar effects, total construction output fell by 2.6 percent relative to October. The volume of new contracts rose by 60.3 percent. In particular, the number of new contracts related to the construction of buildings decreased by 19.5 percent, while contracts for other construction work rose by 186.0 percent year-on-year. The increase reflects one major contract for the development of transport infrastructure. The end-November volume of the contract portfolio of construction companies fell by 21.2 percent on an annual basis. Within this, contracts for the construction of buildings contracted by 15.6 percent, while contracts for other construction works decreased by 25.3 percent compared to the same period of the previous year.

In November 2023, the volume of retail turnover contracted by 5.4 percent, marking twelve month of year-on-year contraction. In the first eleven months of 2023, turnover declined by 8.6 percent on average, mainly due to the fall in fuel sales. Excluding fuel trade, turnover shrank by 2.2 percent in November, according to calendar-adjusted data. On a month-on-month basis, the volume of retail sales was up by 0.8 percent. Retail sales declined in all product groups, except pharmaceuticals and perfume. The largest contraction was registered in the sales of fuels (-21.4 percent), textiles and clothing (-9.9 percent) and industrial goods (-9.2 percent).

Based on preliminary data, the trade balance showed a surplus of EUR 1.7 billion in November 2023. The balance improved by EUR 715 million compared to the previous month and by EUR 3.2 billion in annual terms. Expressed in euro, exports declined by 3.8 percent in November year-on-year. As energy prices fell and domestic demand moderated, the nominal value of imports shrank by 24.7 percent in euro terms in the span of a year.

The inflation-adjusted turnover of online cash registers had declined since January 2023, but the pace of the decline slowed further in December. Based on online cash register data, nominal turnover increased by 5.3 percent, while inflation-adjusted real turnover fell by 0.2 percent year-on-year. In December, freight traffic (-1.0 percent), passenger flights (-7.0 percent) and road passenger traffic (-23.0 percent) all decreased. Electricity load increased by 8.0 percent. Cinema attendance was down by 6.0 percent, while catering turnover rose by 16.0 percent. The number of Google searches for the term ‘unemployment benefit’ increased in December.

1.2.2. Employment

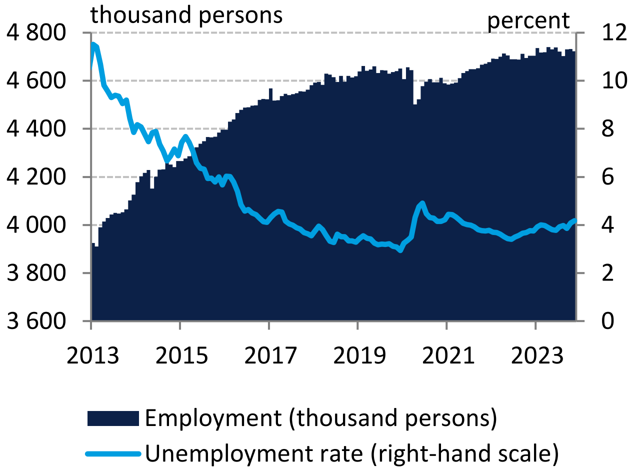
According to the Labour Force Survey, the average number of employees aged 15–74 was 4,736,000 in November 2023. In the period of September–November 2023, the average number of employees was 4,755,000, which is 42,000 more than in the same period of the previous year. On average in

September–November, the number of persons employed in the primary labour market and the number of persons working abroad increased by 34 thousand and 13 thousand, respectively, while the number of fostered workers decreased by 6 thousand compared to the same period of the previous year.

In November, the number of the unemployed was 207,000, reflecting an increase by 22,000 persons year-on-year and accordingly, the unemployment rate stood at 4.2 percent (Chart 4). Based on seasonally adjusted data, the number of unemployed persons in November rose by 3,000 compared to October. Based on data published by the National Employment Service (NES), there were 226,000 registered jobseekers in Hungary in November and 225,000 in December 2023, which is a decline of 7,000 and 5,000, respectively compared to the same period of the previous year. Based on seasonally adjusted data, the number of registered jobseekers in December 2023 remained essentially unchanged compared to November, and it is still below the number measured in the months before the outbreak of the coronavirus pandemic.

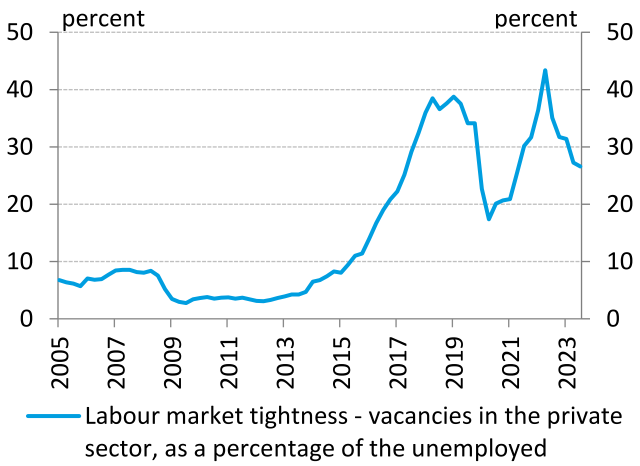
The labour market remains historically tight, while demand for labour is on the decline (Chart 5). In 2023 Q3, non-subsidised job vacancies amounted to 54,000 in the private sector, representing a 15.0 percent annual decline and a 1.6 percent contraction compared to the previous quarter. Demand for labour fell in manufacturing and was essentially unchanged from the previous quarter in market services. In manufacturing, there were 1.5 thousand fewer job vacancies than in the second quarter of the year. In the market services sector, there were 32 thousand 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 second 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



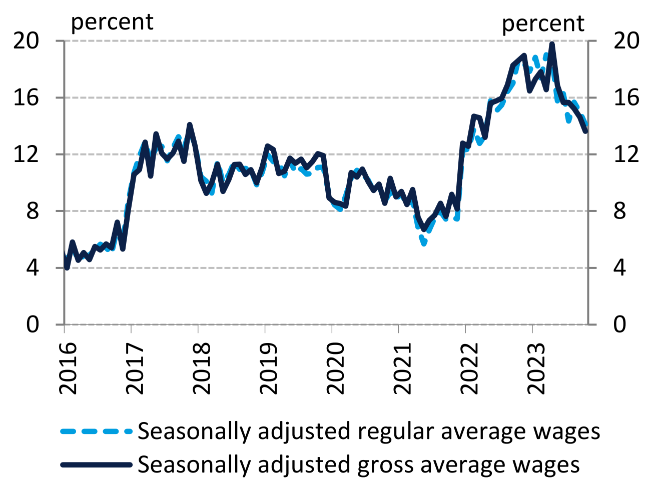
Note: Seasonally adjusted quarterly data.
Source: HCSO, MNB calculation

1.3. Inflation and wages

In December 2023, inflation in Hungary continued to decline rapidly. Consumer prices rose by 5.5 percent in annual terms. Both core inflation and core inflation excluding indirect tax effects dropped to 7.6 percent. Incoming data came slightly below analysts' expectations. In November 2023, average wages (excluding bonuses) rose by 14.3 percent in the national economy and by 14.2 percent in the private sector in annual terms.

1.3.1. Wages

Chart 6 Dynamics of average earnings in the private sector



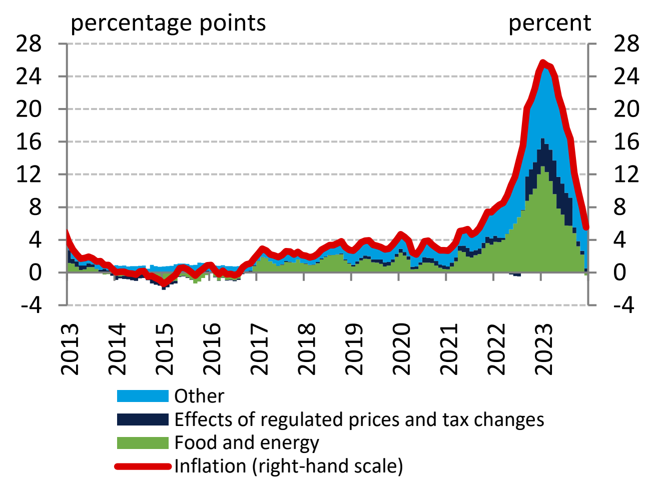
Source: MNB calculation based on HCSO data

In November 2023, gross average wages in the private sector were up by 13.3 percent year-on-year. Premium payments were lower than in the previous two years. Average regular earnings (excluding bonuses) rose by 14.3 percent in annual terms in the national economy and by 14.2 percent in the private sector.

Based on seasonally adjusted data, both the dynamics of gross average wages and regular average wages decelerated in the private sector compared to the previous month (Chart 6). Within the private sector, wage dynamics in manufacturing exceeded the dynamics observed in market services. Based on raw data, manufacturing wages were 13.1 percent higher in November than in the same period of the previous year. In market services, the growth registered by the HCSO was 12.9 percent. As regards the sectors of the national economy, wages increased in construction by 17.8 percent, in tourism by 16.7 percent and in trade by 12.5 percent compared to the same period of the previous year.

1.3.2. Inflation developments

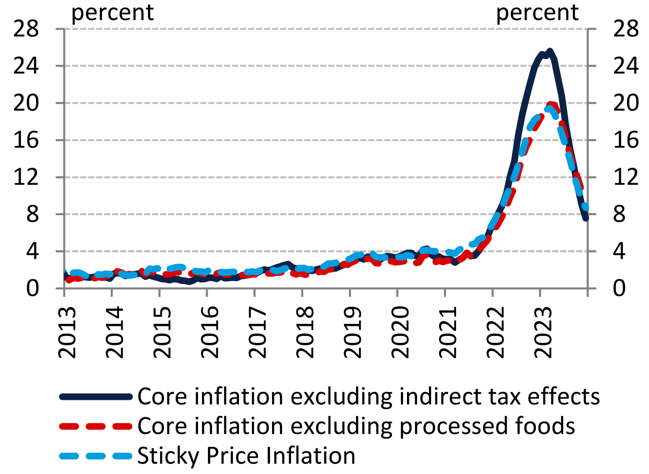
Chart 7 Decomposition of inflation



Source: MNB calculation based on HCSO data

In December 2023, inflation in Hungary continued to fall rapidly, with consumer prices rising by 5.5 percent year-on-year (Chart 7). Both core inflation and core inflation excluding indirect tax effects moderated to 7.6 percent. The price of the representative consumer basket was down by 0.3 percent on a monthly basis, whereas, similar to the previous month, core inflation was up by 0.2 percent. Inflation slowed by 2.4 percentage points compared to the previous month, which can be mainly attributed to the decline in fuel prices (-2.4 percentage points). 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 6.6 percent, while the annual average price index for market services declined to 12.6 percent. Among food products, the annual price index for processed food fell sharply to 0.2 percent, while the index for unprocessed food rose slightly to 2.5 percent, reflecting the change in the bases. Fuel inflation eased to -4.2 percent as the significant impact of the December 2022 price cap phase-out faded, while the price index for products and services with regulated prices stood

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

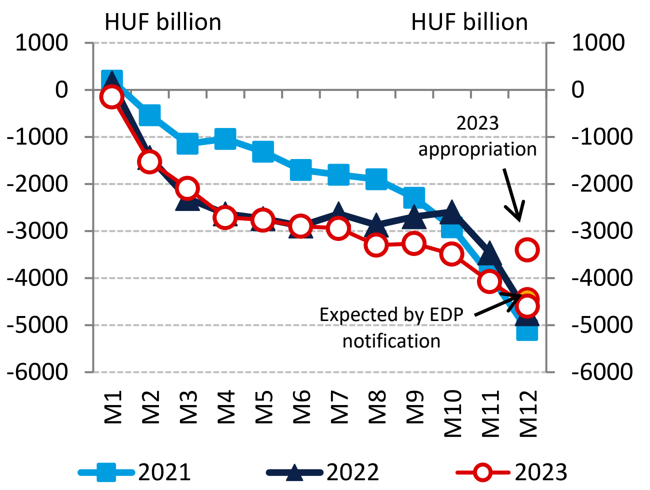
at 0.7 percent. Incoming data came slightly below the median of analysts' expectations. Expectations ranged between 5.5 and 7.1 percent and the median was 5.9 percent.

The MNB's annualised indicators, which capture more persistent inflation trends, also declined. Both the inflation of sticky-price goods and the annual increase in core inflation excluding processed food decelerated by 0.9 percentage points compared to the previous month (Chart 8).

1.4. Fiscal developments

In December, the central sub-sector of the general government had a deficit of HUF 519 billion, bringing the cumulative cash-based deficit for 2023 to HUF 4,593 billion. The annual deficit is more than HUF 140 billion higher than that expected in the autumn EDP notification, and nearly HUF 1,200 billion above the deficit target set in the amended Budget Act. However, the deficit of the central sub-sector was HUF 160 billion lower in 2023 than in 2022.

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



Source: Budget Act of 2023, HCSO, Hungarian State Treasury, EDP notification

In December, the central sub-sector of the general government closed with a deficit of HUF 519 billion, bringing the cumulative cash-based deficit for 2023 to HUF 4,593 billion. The annual deficit is more than HUF 140 billion higher than the deficit of HUF 4,450 billion expected in the autumn EDP notification, and nearly HUF 1,200 billion above the HUF 3,400 billion deficit target set in the amended Budget Act. However, the deficit of the central sub-sector was HUF 160 billion lower in 2023 than in 2022 (Chart 9).

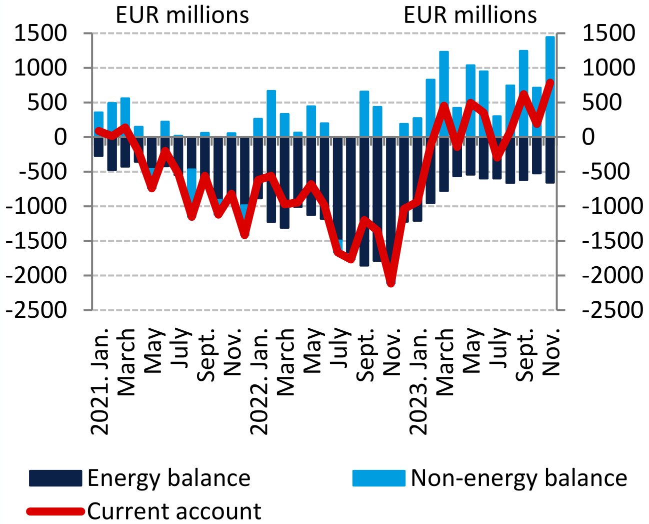
In December, **the revenues of the central sub-sector** were HUF 1,016 billion higher than a year earlier, mainly due to the substantial amount of EU transfers. In December, EU cash revenues exceeded the amount recorded in the last month of 2022 by HUF 750 billion, totalling HUF 966 billion. Tax revenues rose by HUF 218 billion, largely related to an increase in labour taxes and contributions, while net VAT revenues increased by 11 percent year-on-year in December.

Budgetary expenditures in December were HUF 248 billion higher than in the same period of the previous year. The increase can be attributed to higher spending by budgetary institutions and chapters, increased expenditures related to EU programmes, pension expenditures and expenditures on public asset management, while normative and special subsidies, housing subsidies and net interest expenditures contracted in December compared to the last month of 2022.

1.5. External balance developments

In November 2023, the current account surplus amounted to EUR 786 million, representing an increase of EUR 2.9 billion compared to the level recorded a year earlier. The monthly rise in the current account balance reflects an unprecedented increase in the surplus of trade in goods, driven by the continued decline in imports. Based on financial accounts data, net foreign direct investments rose by EUR 1.5 billion in November, mainly due to an increase in reinvested earnings and inter-company loans.

Chart 10 Developments in current account and energy balance



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

In November 2023, the current account surplus amounted to EUR 786 million and net lending to EUR 968 million (Chart 10). Both values represent a significant, EUR 2.9 billion increase compared to the level recorded a year earlier. The monthly rise in the current account balance reflects the increase to an unprecedented level of the goods trade surplus, driven by the continued decline in imports amid moderating energy bills, waning internal demand and contracting exports. In November, the surplus of the balance of services remained close to the level seen in the previous month. The income balance deficit increased slightly, while the transfer balance expanded amid an increase in EU transfers.

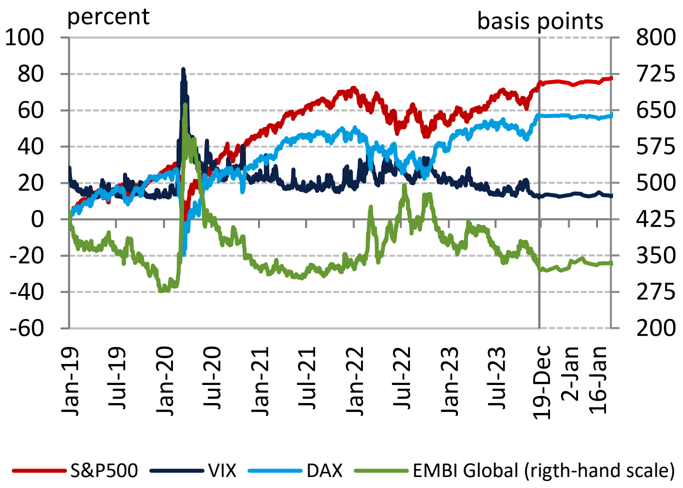
Based on financial accounts data, net direct investments rose by EUR 1.5 billion in November, mainly reflecting an increase in earnings reinvested in Hungary and inter-company loans. The EUR 0.2 billion increase in net external debt resulting from transactions can be linked to the banking sector as indeed, the growing debt of the sector more than offset the decline of the public sector and corporate indicators.

2. Financial markets

2.1. International financial markets

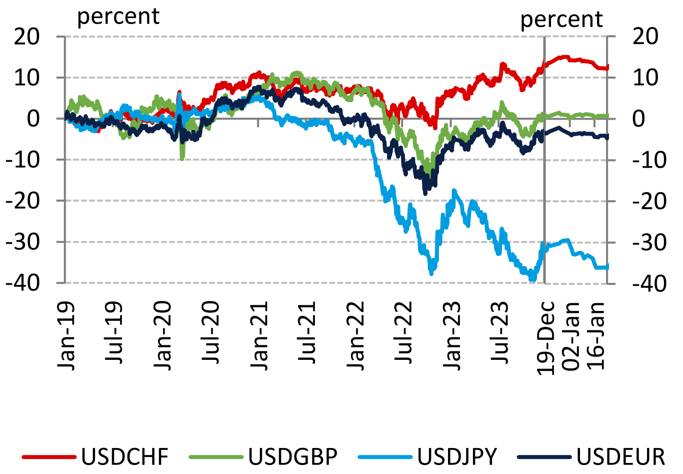
Investor sentiment in emerging markets deteriorated in the two weeks leading up to the January interest rate decision. Market participants continued to focus on expectations regarding the interest rate policies by the world's leading central banks, recent macroeconomic data releases and the escalating geopolitical tensions in the Red Sea.

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

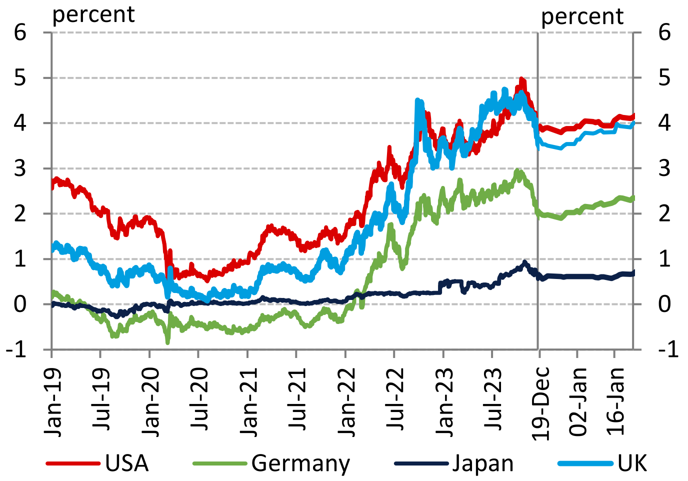
The primary focus of market participants continued to be expectations regarding the interest rate policies of leading central banks – including the statements of the Davos World Economic Forum –, recent macroeconomic data releases and the escalating geopolitical tensions in the Red Sea. International risk appetite has been volatile and deteriorated in emerging markets. Of the risk indicators, the VIX index, the key measure of US equity market volatility, stands at 12.6 percent, i.e. it did not change perceivably from the level registered on 19 December, while the emerging market EMBI Global bond market premium rose by 15 basis points to 334 basis points (Chart 11).

Developed market stock indices were mixed, with emerging market indices typically falling. The US Dow Jones index rose by 0.9 percent, the S&P 500 by 2.0 percent and the Nasdaq 100 by 3.5 percent. Among leading European stock market indices, the German DAX and the French CAC40 declined by 0.7 and 2.5 percent, respectively. Of the Asian indices, the Shanghai and the Hang Seng stock market indices have dropped by 5.5 and 7.0 percent, respectively, while the Japanese Nikkei has increased by 9.9 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 by 2.9 percent.

The dollar strengthened against the major currencies (Chart 12), appreciating by 1.2 percent against the euro (to around 1.085), 0.4 percent against the pound sterling, 1.1 percent against the Swiss franc and 3.1 percent against the Japanese yen.

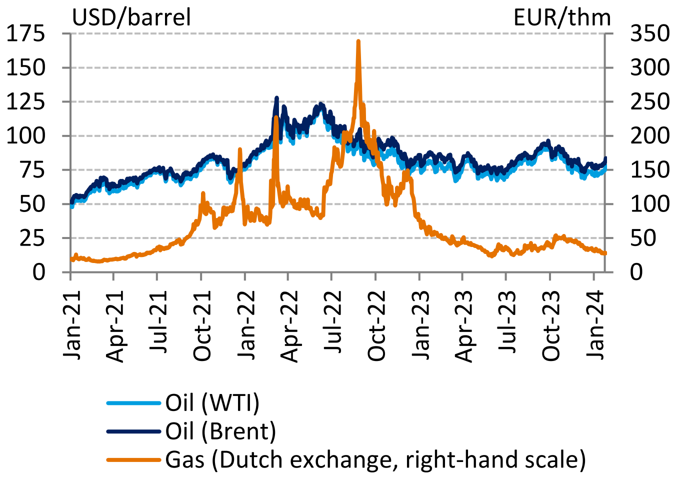
Long-term yields have increased since the previous interest rate decision (Chart 13). The US ten-year yield has risen by 20 basis points since the previous interest rate decision to 4.13 percent. The German long-term yield rose by 34 basis points to 2.35 percent, while yields across the Mediterranean rose by 25-60 basis points. The Japanese 10-year yield rose by 4 basis points to 0.67 percent. In the region, 10-year government bond yields increased by 29, 14 and 4 basis points in Poland, the Czech Republic and Romania, respectively. The

Chart 13 Yields on developed market long-term bonds



Source: Bloomberg

Chart 14 Developments in oil and gas prices since January 2021



Source: Bloomberg

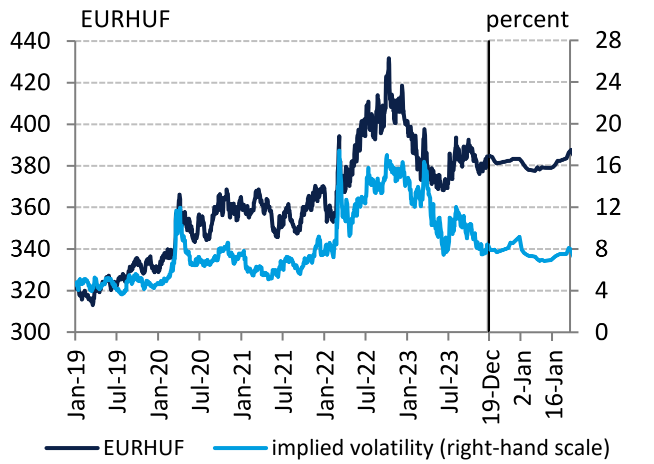
Hungarian yield has risen by 27 basis points since the December interest rate decision, although some of the rise was due to a technical reason, a benchmark switch.

Oil prices have not changed significantly since the previous interest rate decision (Chart 14). By the beginning of January, the price of North Sea Brent crude oil fell to USD 75 from around USD 80 per barrel at the end of December, and by mid-January it returned to around USD 80. By the beginning of January, the price of the US benchmark, the WTI, dropped to USD 70 from around USD 75 per barrel at the end of December, and by mid-January the price returned to around USD 75. During the period, prices were moderated by Saudi Arabia's export price cuts, high US crude oil output and concerns about rising production amid tightening demand. However, geopolitical developments had an upwards effect on prices. By mid-January, **European gas prices** dropped to below EUR 30 per MWh from around EUR 35 per MWh at the previous interest rate decision, as gas storage facilities of the European Union are close to full capacity and demand is subdued.

2.2. Developments in domestic money market indicators

The forint depreciated against the euro in the two weeks leading up to the January interest rate decision. The yield curve for government bonds flattened: short yields fell and long yields rose. The 3-month BUBOR fell by 64 basis points to 9.48 percent.

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

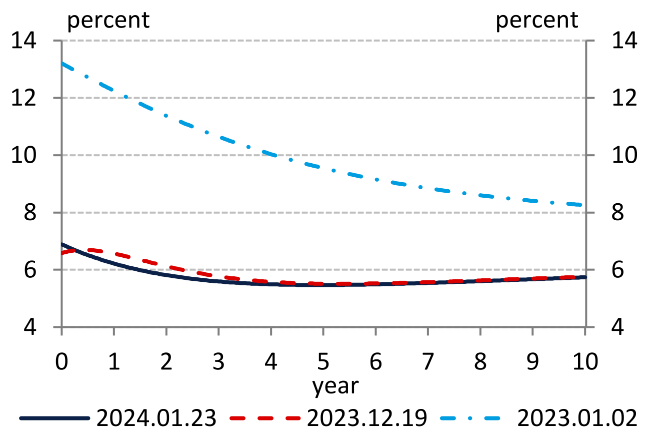


Source: Bloomberg

The forint weakened against the euro in the two weeks leading up to the January interest rate decision (Chart 15). In the days following the December interest rate decision and in the first week of 2024, the forint appreciated by 1.8 percent before starting to weaken once again. The slight depreciation in mid-January was driven by deteriorating geopolitical sentiment, the strengthening dollar and the MNB's communication pointing to larger interest rate cuts. At the end of the period, the forint weakened more sharply, by around 1 percent, following the Ministry for National Economy's proposal on money market benchmark rates. Over the period, the forint depreciated by 0.4 percent against the euro, overall. Regional currencies typically weakened: the zloty and the Czech koruna depreciated by 1.5 percent and 1.4 percent, respectively, while the exchange rate of the Romanian leu remained practically unchanged.

The 3-month BUBOR, relevant for the monetary policy transmission, has decreased by 64 basis points to 9.48 percent since the last interest rate decision.

Chart 16 Shifts in the spot government yield curve



Source: Bloomberg

The yield curve in the government bond market has flattened since the previous interest rate decision (Chart 16). The short end of the yield curve decreased by 20-40 basis points, while longer maturities showed a rise of 5-10 basis points.

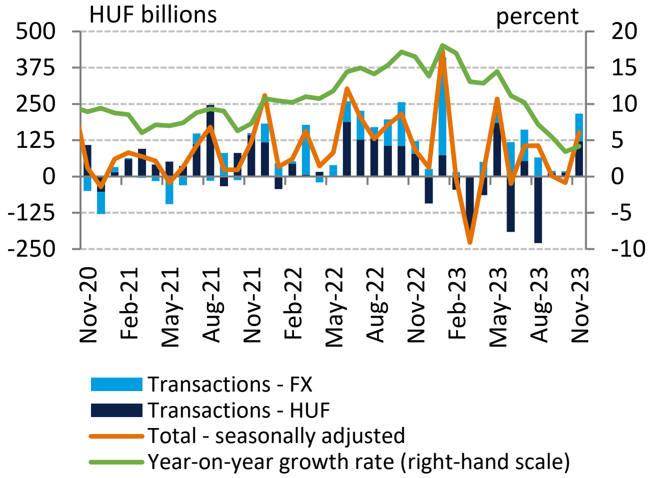
Since the previous interest rate decision, demand has been mixed at discount treasury bill auctions, and robust at government bond auctions. At the discount treasury bill auctions, the volume of bids submitted was in some cases lower than the announced volume, but the Government Debt Management Agency still accepted HUF 1.5 billion more than the total announced volume. At the same time, demand was strong at the bond auctions, with the Government Debt Management Agency accepting HUF 153 billion, more than double the HUF 66-billion announced volume.

Non-residents' holdings of forint government bonds increased. The stock held by non-residents rose by HUF 311 billion to HUF 7,147 billion, although the increase was largely driven by securities accepted as eligible collateral in securities repurchase agreements (repos). The market share of forint government securities held by non-residents was 20.6 percent.

3. Trends in lending

In November 2023, outstanding loans to non-financial corporations increased by HUF 216 billion, due to the HUF 122 billion rise in forint loans and the HUF 94 billion rise in foreign currency loans. In November, the outstanding lending to households increased by HUF 30 billion due to transactions. The annual growth rate remained unchanged from October at 3.0 percent. Compared to the previous month, the smoothed interest rate spread on forint corporate loans decreased slightly by 0.09 percentage points to 2.59 percentage points in November 2023.

Chart 17 Net borrowing by non-financial corporations

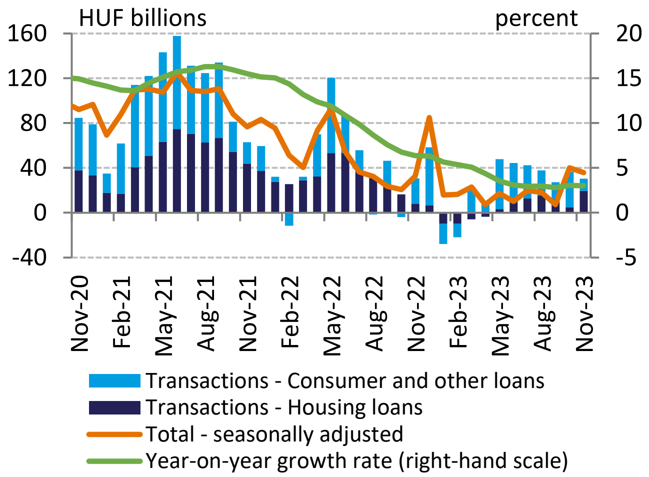


Source: MNB

In November 2023, outstanding loans to non-financial corporations increased by HUF 216 billion, due to the HUF 122 billion rise in forint loans and the HUF 94 billion rise in foreign currency loans (Chart 17). The annual growth rate rose to 4.2 percent from 3.4 percent in October. Credit institutions issued new non-overdraft corporate loans in the amount of HUF 170 billion during the month, down by 51 percent from the same period of the previous year.

In November, the retail loan portfolio increased by HUF 30 billion due to transactions. The annual growth rate remained unchanged from October at 3.0 percent. (Chart 18). The HUF 168 billion volume of new household loan contracts was 23 percent higher than loans issued in the same period of the previous year. The expansion can be attributed to an increase in personal loan issuance on the one hand, and to demand brought forward in view of the changes in prenatal baby loan conditions effective from January 2024 on the other. In addition, housing loan issuance increased substantially by 36 percent year-on-year.

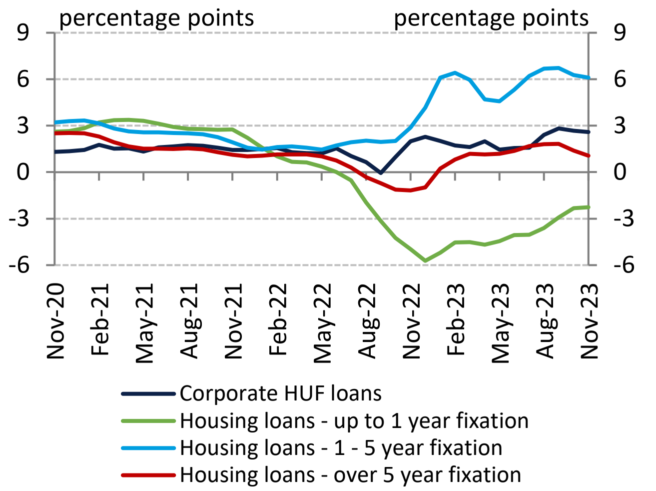
Chart 18 Net borrowing by households



Source: MNB

Compared to the previous month, the smoothed interest rate spread on forint corporate loans decreased slightly by 0.09 percentage points, and stood at 2.59 percentage points in November 2023 (Chart 19). In the case of housing loans, the spread on products with interest rate fixation for more than 5 years decreased significantly by 0.34 percentage points compared to the previous month, and stood at 1.07 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