



# TRENDS IN LENDING – AUGUST 2018



# KEY MESSAGES OF THE REPORT



Total corporate and SME loans outstanding increased by 12 per cent and 16 per cent year-on-year, respectively.

Credit conditions were eased in all sub-segments by corporate size, while credit demand increased, particularly for long-term loans.

The share of long-term fixed-rate loans did not rise since the decline seen following the phasing out of the FGS, and still low in international comparison.

Household loans outstanding expanded by 4 per cent annually, and the volume of new disbursements increased by 31 per cent.

Beside the pick-up in demand, only a small share of banks eased credit conditions in the housing and consumption loan segments.

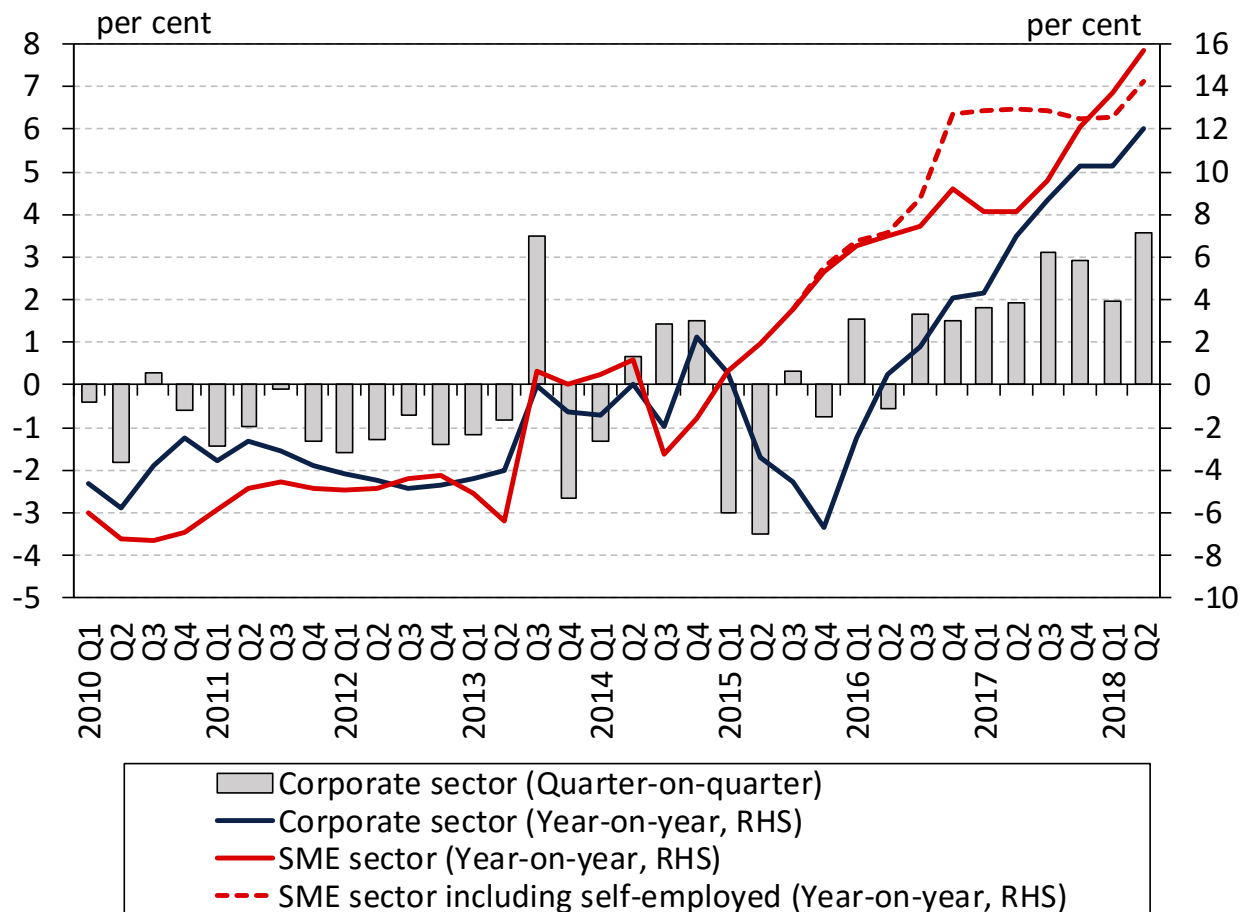
Ratio of fixed-rate loans increased to 82 per cent within new housing loans, half of which is Certified Consumer-Friendly Housing Loan.

Average spread on loans with 1-5 years of initial fixation reached the level of variable rate loans, and in case of loans with over 5 years fixation it approached that level.



# CORPORATE SEGMENT

# THE ANNUAL GROWTH RATE OF TOTAL CORPORATE AND SME LENDING STOOD AT 12 AND 16 PER CENT, RESPECTIVELY

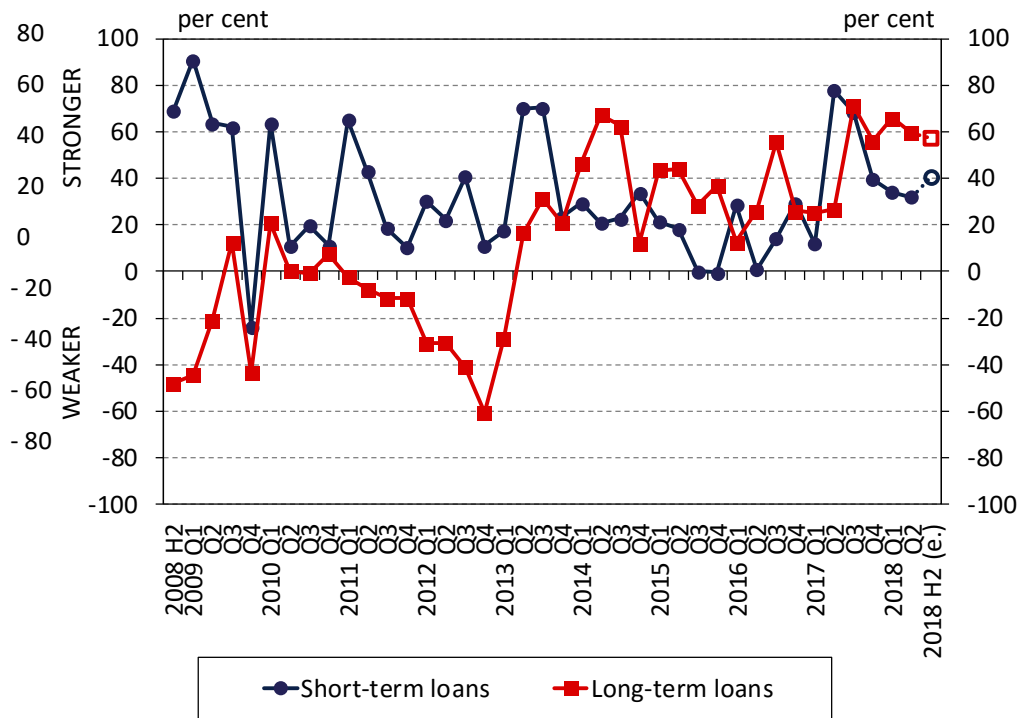
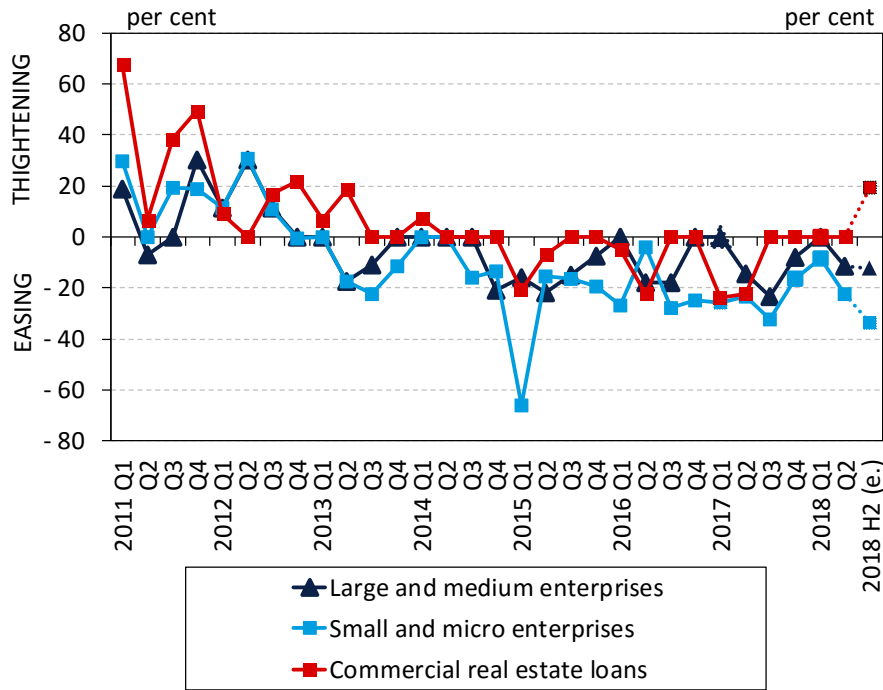


## GROWTH RATE OF LOANS OUTSTANDING OF THE TOTAL CORPORATE AND THE SME SECTOR

Note: Transaction based, prior to 2015 Q4 data for SMEs are estimated based on banking system data.



# CREDIT CONDITIONS WERE EASIED IN ALL SUB-SEGMENTS BY CORPORATE SIZE, WHILE CREDIT DEMAND INCREASED

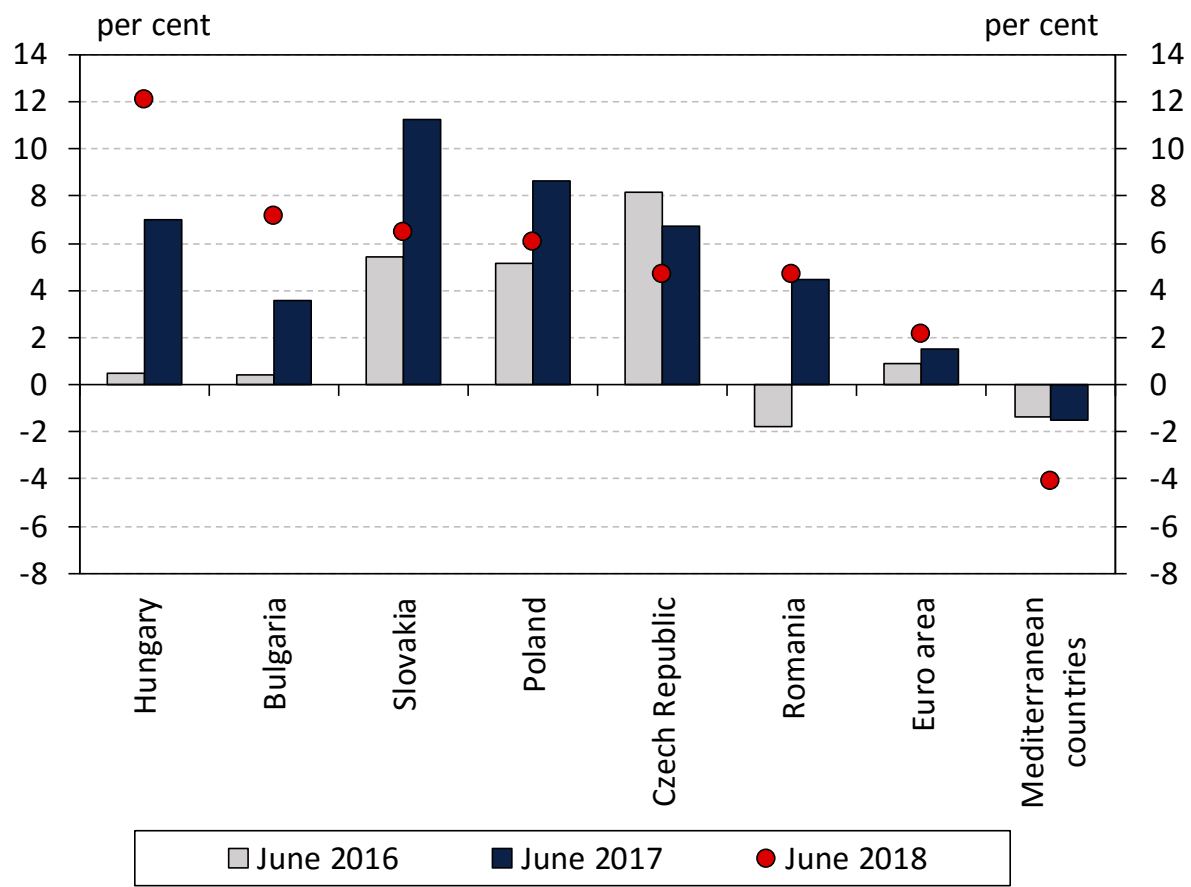


## CHANGES IN CREDIT CONDITIONS AND CREDIT DEMAND IN THE CORPORATE SEGMENT

*Note: Net percentage balance of respondent banks indicating tightening/easing credit conditions and stronger/weaker demands, weighted by market share.*



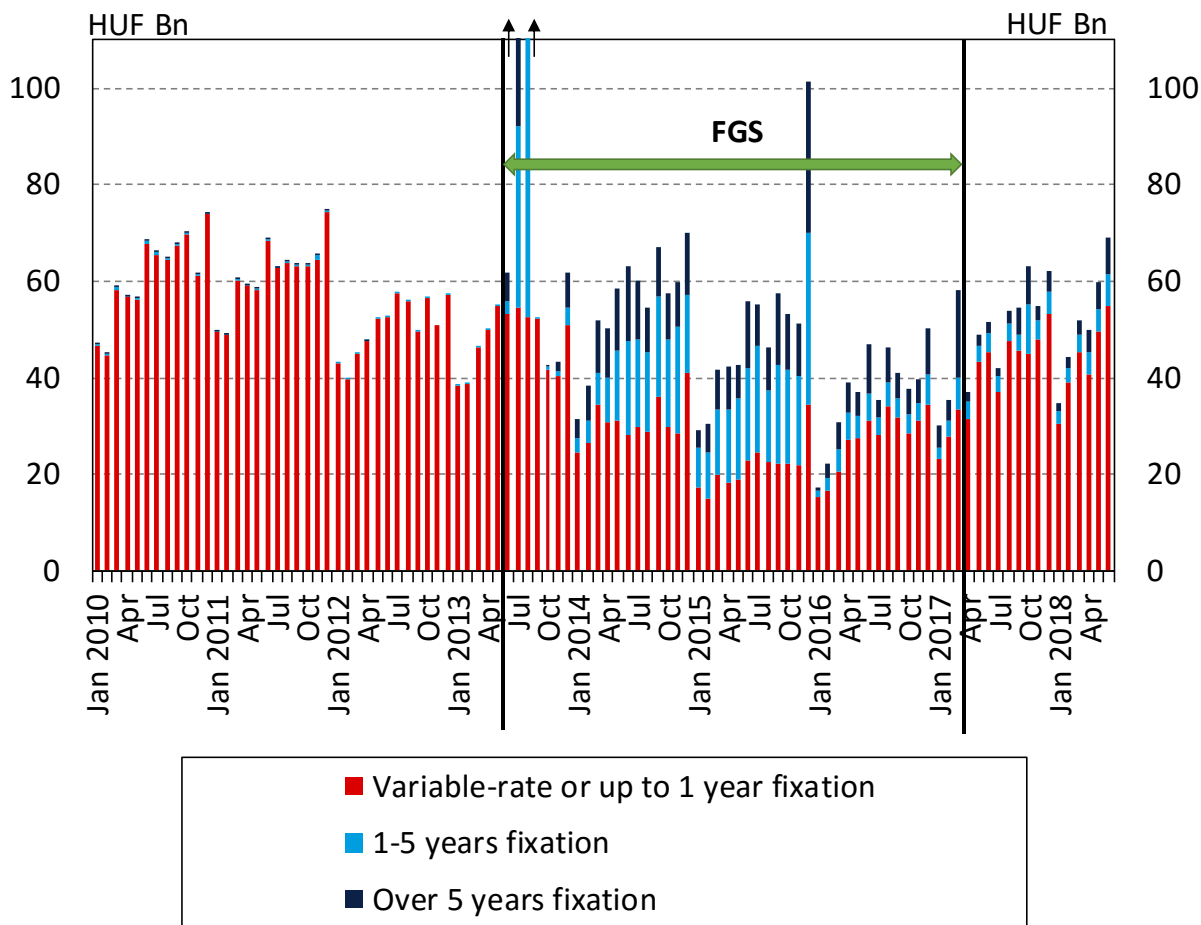
# IN THE CEE REGION, THE HIGHEST CORPORATE CREDIT EXPANSION WAS OBSERVED IN HUNGARY LAST YEAR



## ANNUAL TRANSACTION-BASED GROWTH RATE OF CORPORATE LOANS IN AN INTERNATIONAL COMPARISON

Note: Mediterranean countries are Greece, Italy, Portugal and Spain.

# DURING FUNDING FOR GROWTH SCHEME, FIXED-RATE CORPORATE LOANS GAINED SPACE

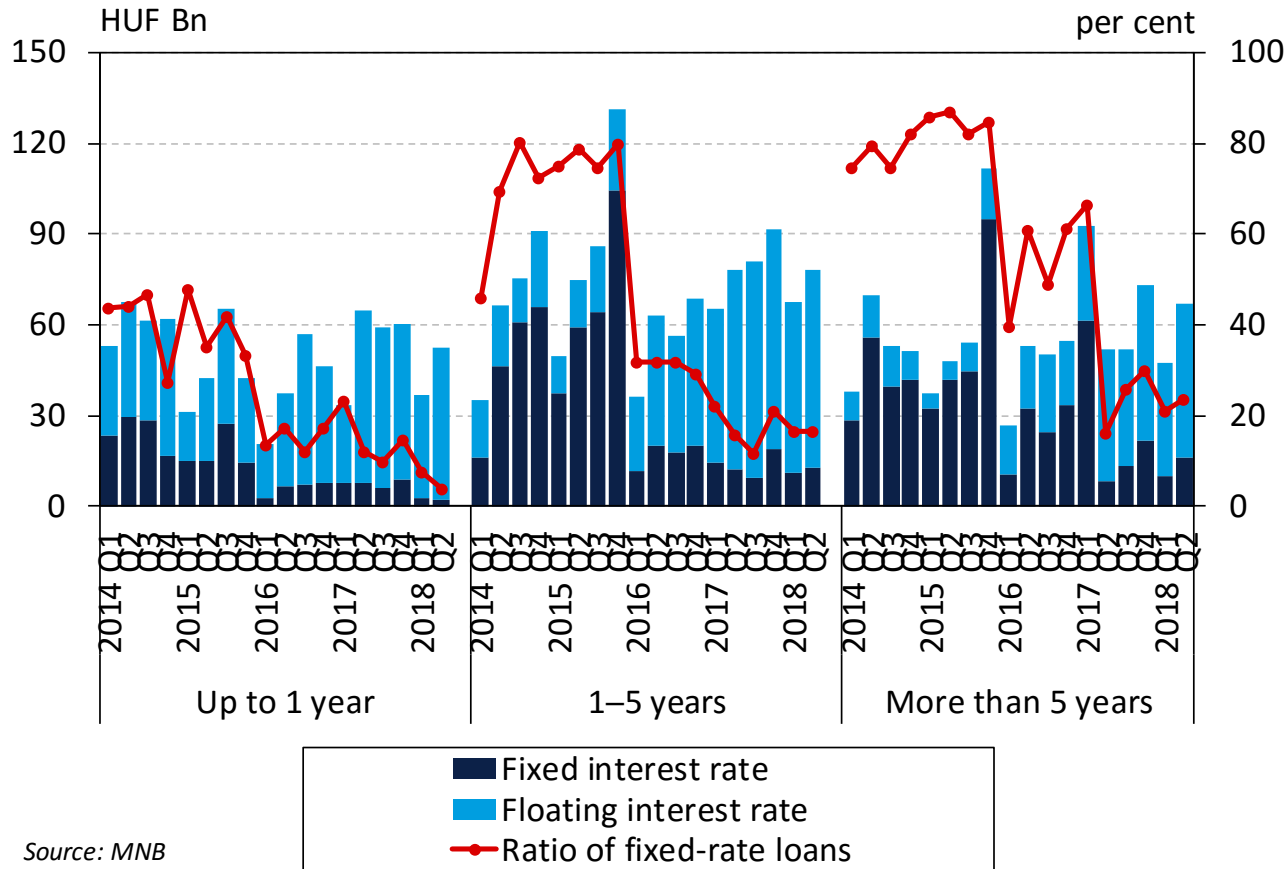


*NEW CORPORATE FORINT LOANS UP TO EUR 1 MILLION BY INTEREST RATE FIXATION*



# THE SHARE OF LONG-TERM FIXED-RATE LOANS HAVE NOT RISEN SINCE THE DECLINE SEEN FOLLOWING THE PHASING OUT OF THE FGS

*New SME forint loans by interest rate fixation and maturity*

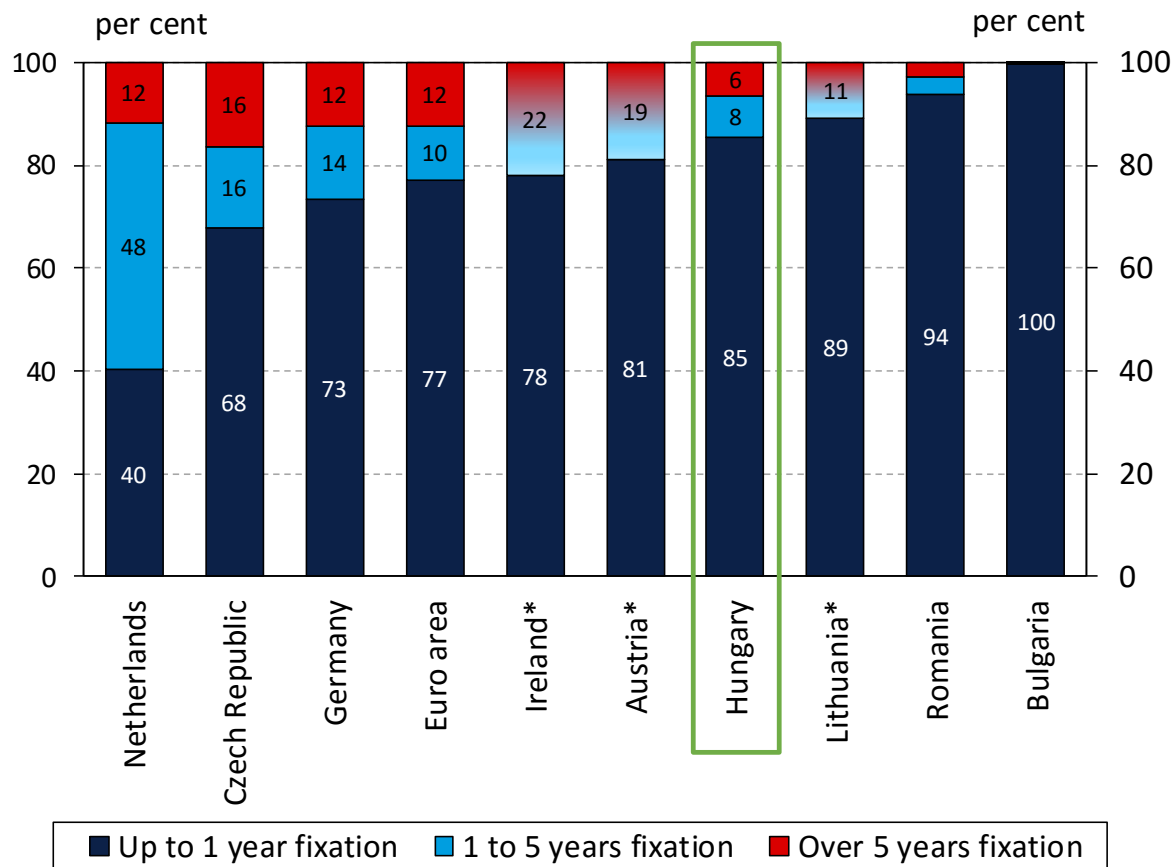


Source: MNB

## NEW SME FORINT LOANS BY INTEREST RATE FIXATION AND MATURITY



# SHARE OF FIXED-RATE LOANS IS LOW IN AN INTERNATIONAL COMPARISON



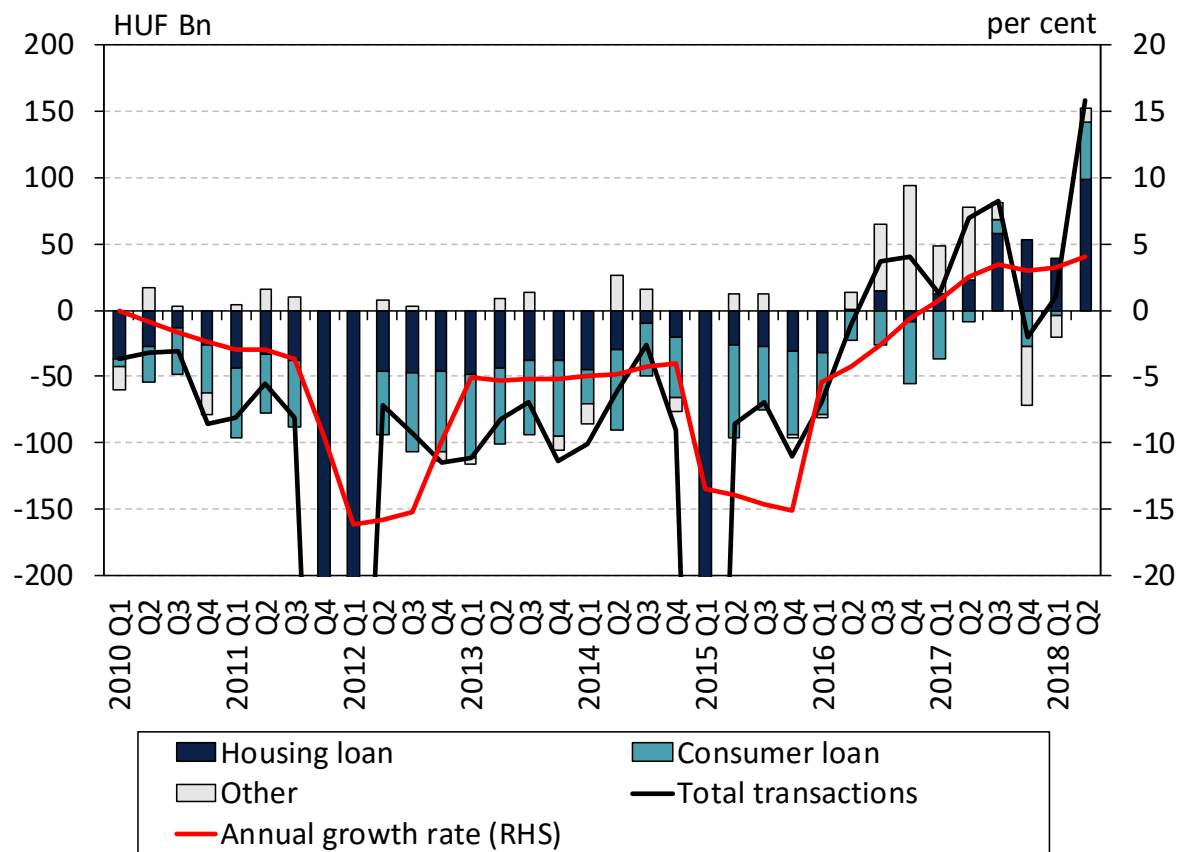
## CORPORATE LOANS UP TO EUR 1 MILLION BY INTEREST RATE FIXATION PERIOD

*Note: Contracts concluded between April 2017 and March 2018 \*More detailed breakdown for loans with interest rate fixation over one year was not available.*



# HOUSEHOLD SEGMENT

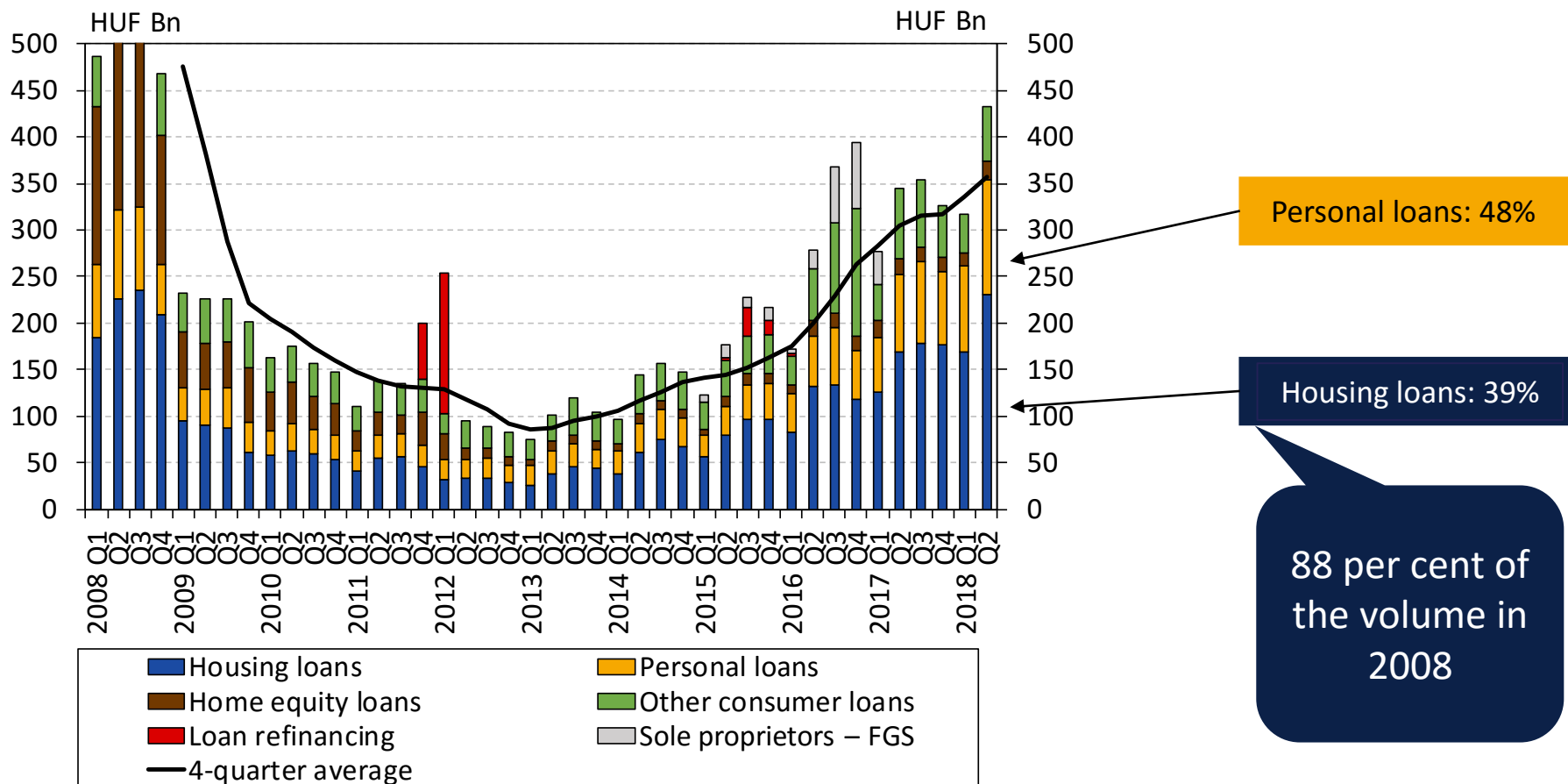
# LENDING TO HOUSEHOLDS GREW BY 4 PER CENT



## NET QUARTERLY CHANGES IN THE HOUSEHOLD LOAN PORTFOLIO BY LOAN PURPOSE

Note: Seasonally unadjusted net change in outstanding amounts, with rolling exchange rate adjustment. The annual change in the outstanding amount reflects the effect of the settlement.

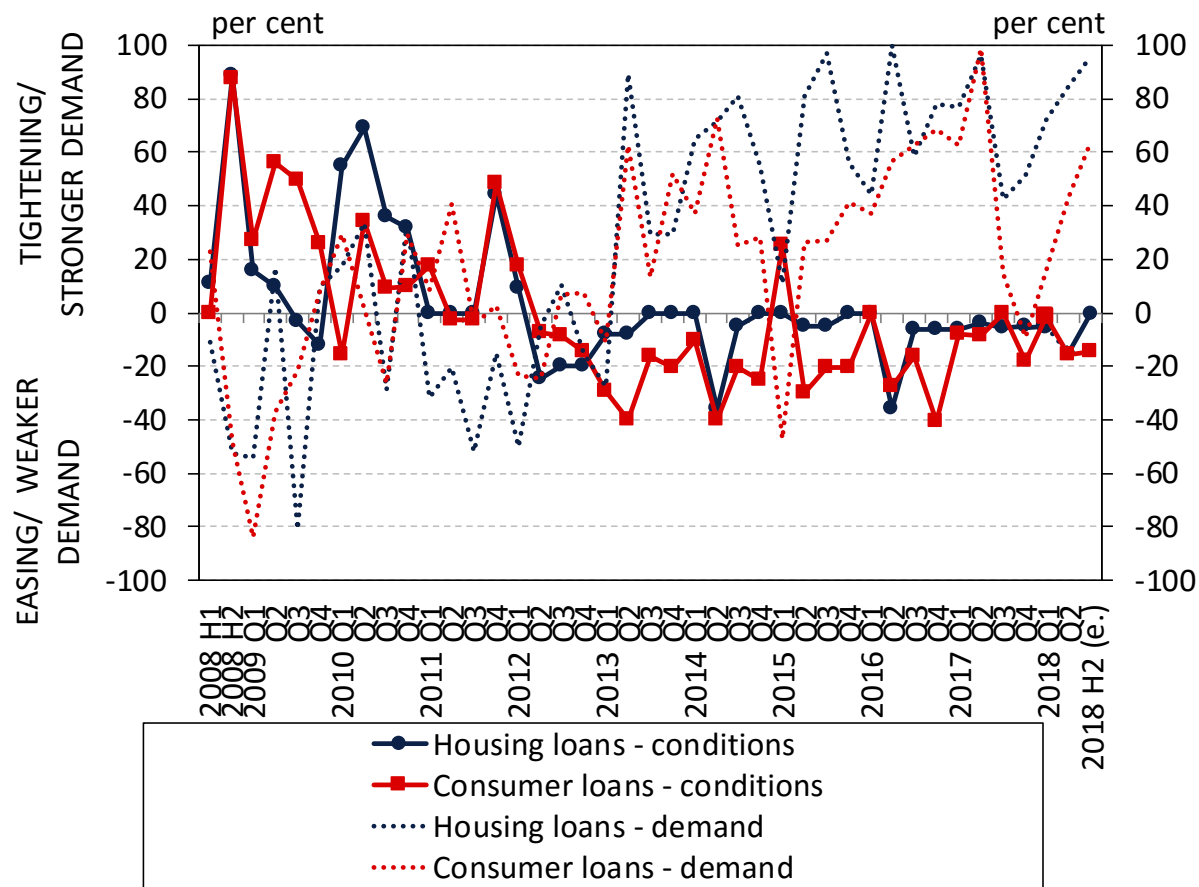
# NEW DISBURSEMENTS OF HOUSING AND PERSONAL LOANS CONTINUED TO INCREASE



## NEW HOUSEHOLD LOANS IN THE CREDIT INSTITUTION SECTOR

*Note: Loan refinancing indicates only refinancing related to the early repayment scheme and the FX-conversion. Other consumer loans include vehicle, hire purchase and other loans.*

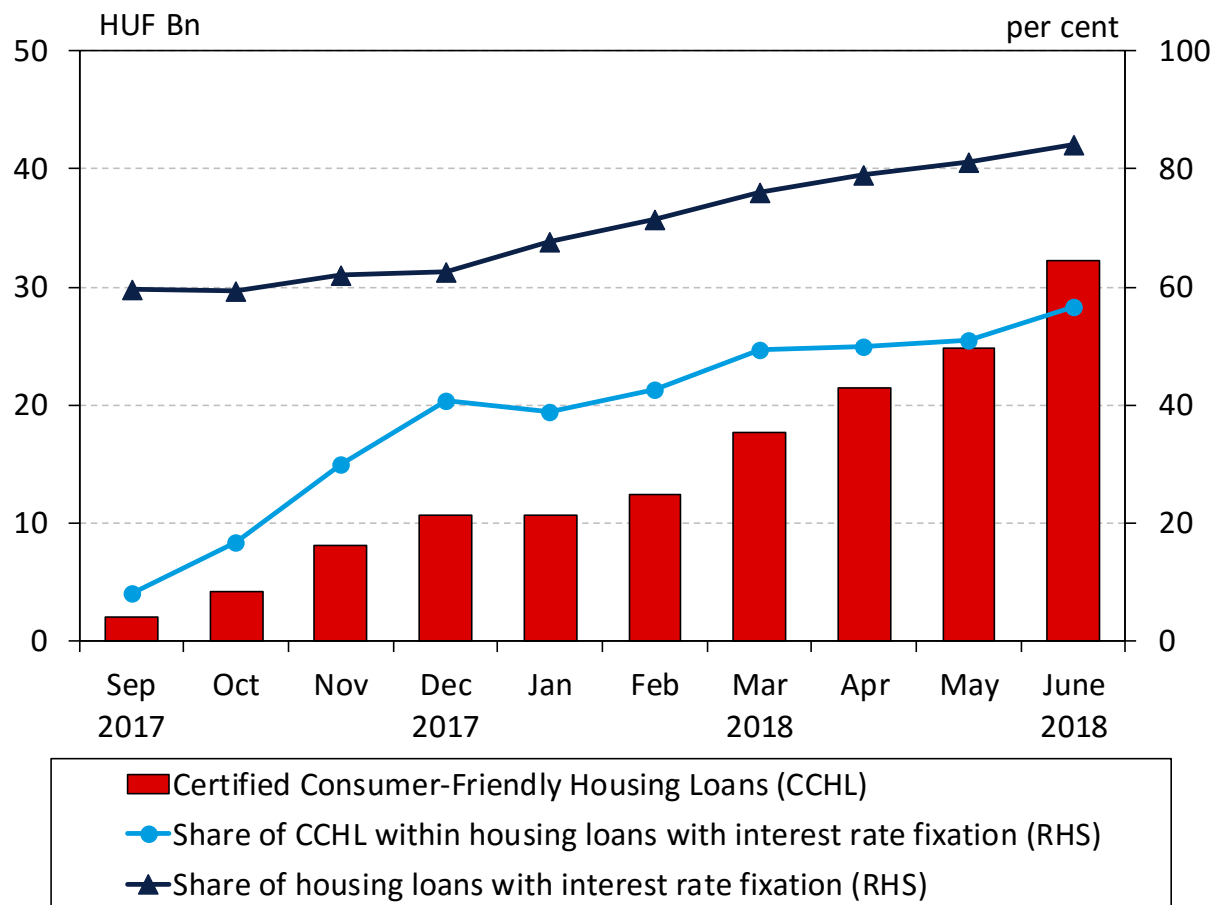
# MARKET EXPANSION IS ATTRIBUTABLE TO DEMAND FACTORS IN BOTH SEGMENTS



## CHANGES IN CREDIT CONDITIONS AND CREDIT DEMAND IN THE HOUSEHOLD SEGMENT

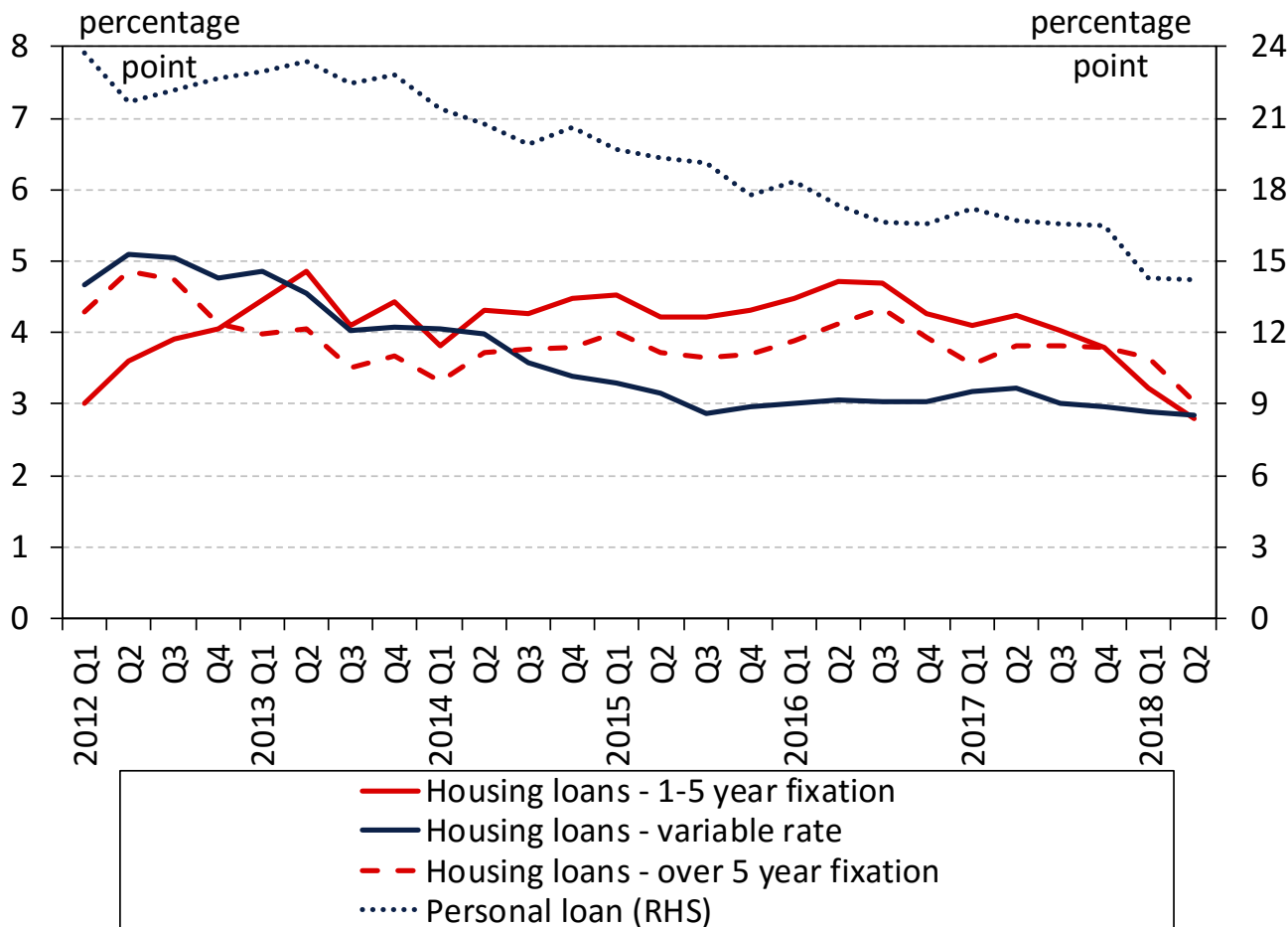
Note: Net percentage balance of respondent banks indicating tightening/easing credit conditions and stronger/weaker demands, weighted by market share.

# THE SHARE OF FIXED-RATE LOANS ROSE TO 82 PER CENT



## ISSUE OF CERTIFIED CONSUMER-FRIENDLY HOUSING LOANS AND LOANS WITH INTEREST RATE FIXATION

# AVERAGE SPREAD ON FIXED-RATE HOUSING LOANS APPROACHED THE LEVEL OF VARIABLE RATE LOANS

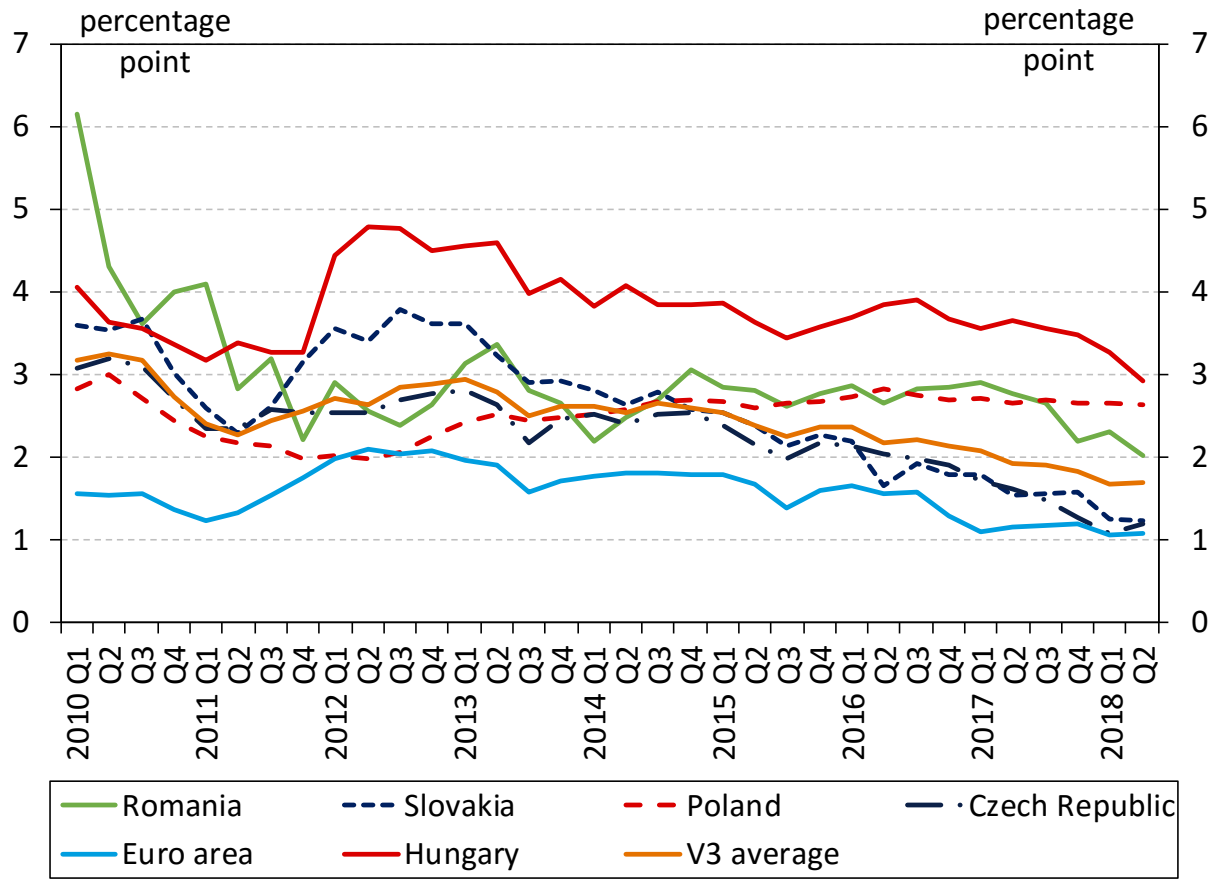


Since September 2017, the average spread on loans with 1-5 years of initial fixation has fallen by 1.2 percentage points, while spread on loans with fixation of over 5 years has decreased by 0.8 percentage points

## INTEREST RATE SPREADS ON NEW HOUSEHOLD LOANS

Note: In the case of variable-rate housing loans or ones with up to 1-year rate fixation, APR-based smoothed spread over the 3-month BUBOR, while in the case of housing loans fixed for a period longer than one year, the APR-based smoothed spread over the corresponding IRS. For personal loans, APR-based smoothed spread over the 3-month BUBOR.

# DOMESTIC LEVEL OF INTEREST SPREADS APPROACHES BUT CONTINUES TO EXCEED THE REGIONAL AVERAGE



## INTERNATIONAL COMPARISON OF SPREADS ON HOUSING LOANS EXTENDED IN DOMESTIC CURRENCY

Note: In the case of variable-rate housing loans or ones with up to 1-year rate fixation, APR-based smoothed spread over the 3-month interbank rate, in the case of housing loans fixed for a period between 1-5 years over the 3-year IRS, in the case of a 5-10-year fixation over the 7-year IRS, in the case of a longer than 10-year fixation over the 15-year IRS, APR-based smoothed spread

Source | MNB, ECB, EMF, Datastream, national central banks

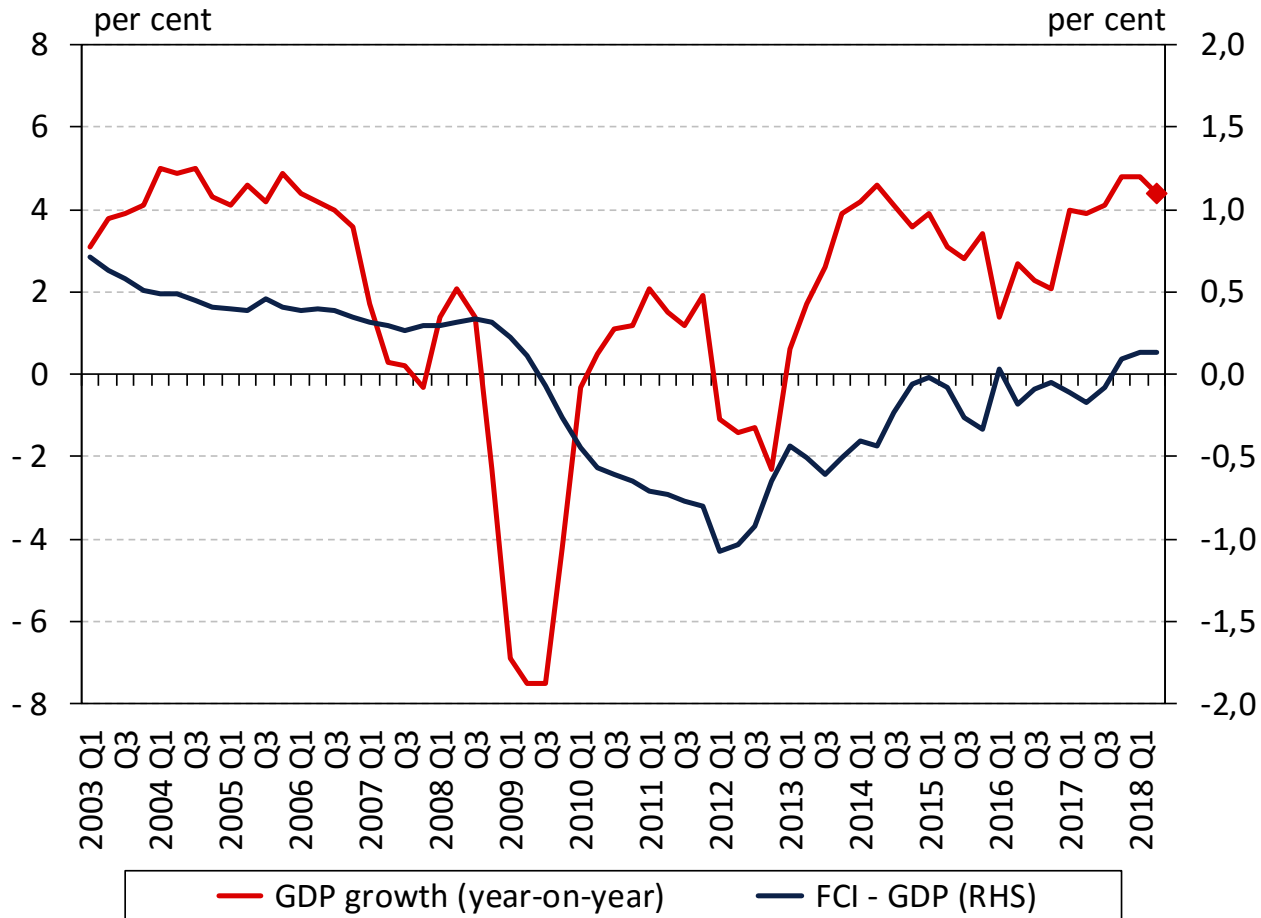


# RESULTS OF THE INTERVIEWS WITH SENIOR LOAN OFFICERS



- 1. The volume of new loan disbursements exceeded preliminary plans in all loan segments.
- 2. Potential for further price competition is not seen – as spreads are considered too low compared to the expected risks –, but there might be still room for easing the collateral requirements
- 3. In commercial real estate lending, willingness to take risks started to strengthen from a low level, but it can be characterized more by price competition, not risk competition.
- 4. The tightening of the payment-to-income ratio planned for October will not significantly hinder lending, it will only divert demand towards loans with longer interest rate fixation.
- 5. Personal loans represent a competitive alternative to housing loans in parallel with easing price conditions and shorter time for credit scoring.
- 6. Significant developments are in progress in online sales platforms, but the whole process of borrowing usually cannot be conducted online at present.

# CYCLICAL IMPACT OF THE BANKING SECTOR'S LENDING ACTIVITY ON ECONOMIC GROWTH IS NEUTRAL



## The Financial Conditions Index (FCI) and annual real GDP growth

Note: The FCI quantifies the banking sector's contribution through lending to the annual GDP growth rate. The 2018 Q2 data for the annual real GDP growth rate is the seasonally and calendar adjusted first estimate of the HCSO.

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**THANK YOU FOR YOUR  
ATTENTION!**