



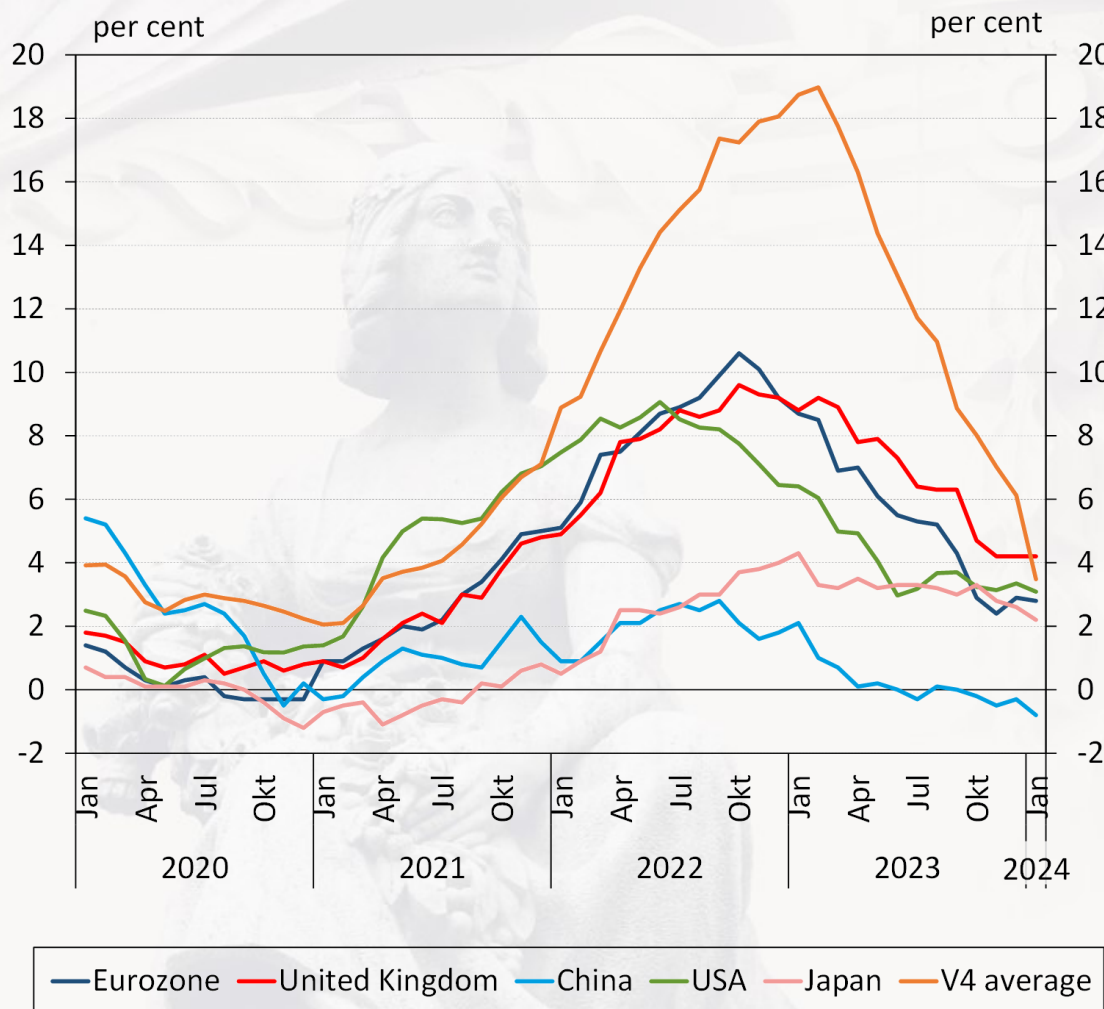
**Barnabás Virág**

Deputy Governor

# MACROPRUDENTIAL STRATEGIES FOR INFLATIONARY EPISODES AND MONETARY POLICY NORMALISATION

---

# WITH DISINFLATION AND IMPROVING GLOBAL GROWTH, HAS THE LIKELIHOOD OF A HARD LANDING RECEDED?



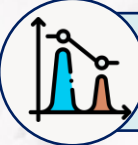
*Inflation in major countries and regions*



**Disinflation continues apace and a recession is avoided?  
Emerging markets in better or worse shape?**



**The global credit cycle has started to turn as borrowers' debt  
service capacity weakens and credit growth slows**



**While acute stress in the banking system has subsided, a  
weak tail of banks remains in some countries**



**Risks to global growth are therefore skewed to the  
downside**

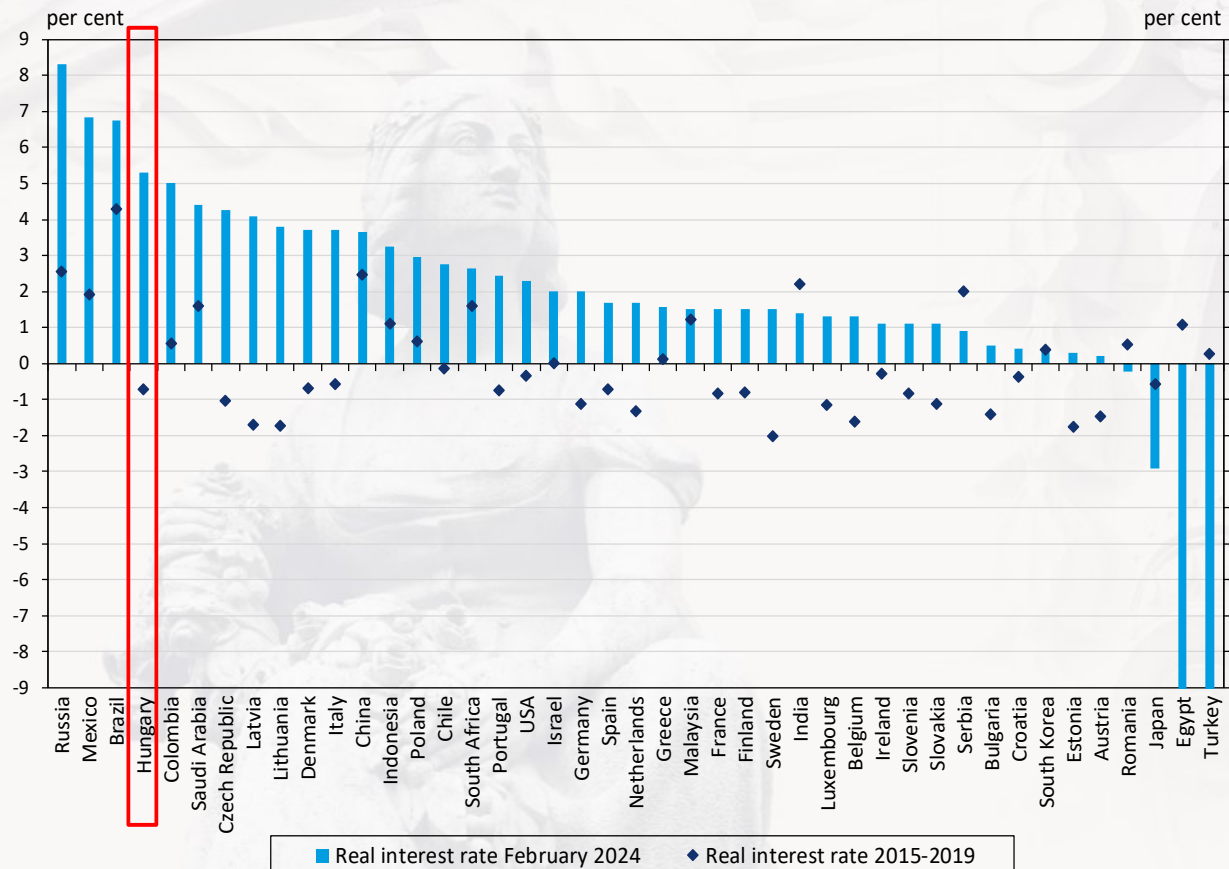


**Sudden inflation hikes could lead to an abrupt monetary  
policy reassessment, which might challenge these narratives**



**Geopolitical risks could deteriorate macroeconomic prospects and  
could lead to unexpected materialisation of stability risks**

# FINANCIAL CONDITIONS ARE EASING AND THE GLOBAL CREDIT CYCLE POINTS TO A PRONOUNCED DOWNTURN



The still elevated inflation puts pressure on credit and asset prices



Tight credit conditions make it harder for borrowers to uptake loans



Sluggish macroeconomic demand also cools the credit market



Could structural risks hinder recovery? → CRE risks; high debt environment in several sectors, etc.

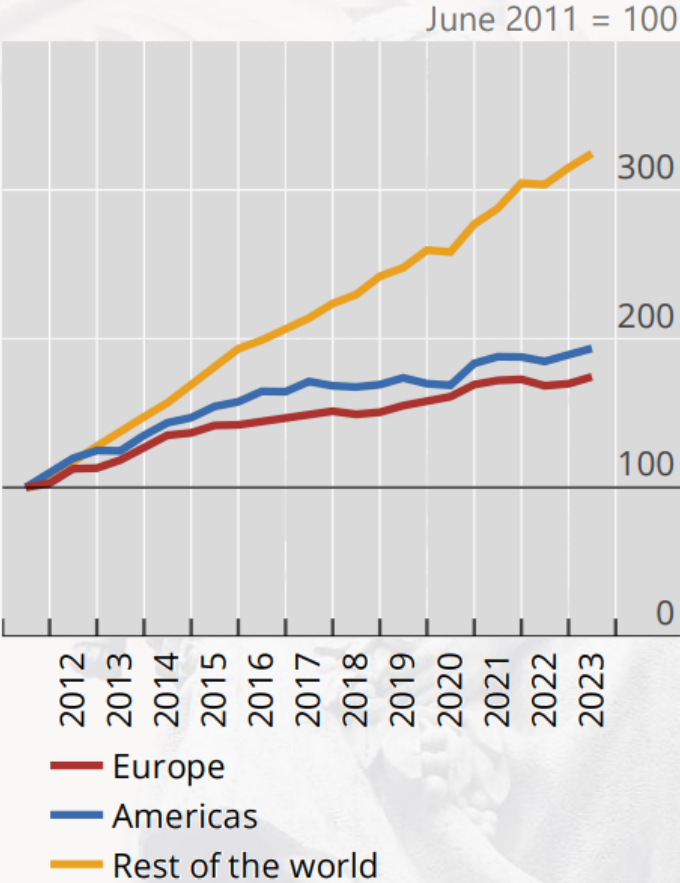
*Change in real interest rates between 2015-2019 and February 2024*

However, with the normalisation of the inflationary and interest rate environment, could the macroeconomic performance and the credit market quickly recover?

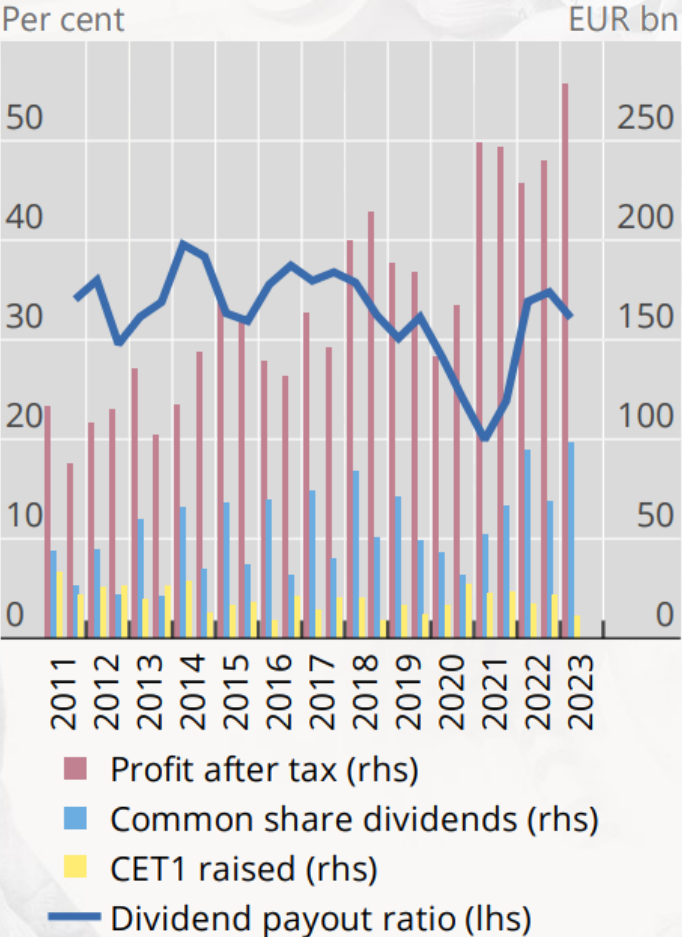
# PROFITS IN THE BANKING SETOR REACHED NEW RECORD HIGH, WHILE DIVIDEND PAYOUT HAS REMAINED AT PRE-PANDEMIC LEVELS SO FAR



Change in CET1 by region



Profits, dividends and CET1 capital raised externally<sup>1</sup>



Over H1 2023, CET1 capital increased slightly in all regions.



The increase in Europe and the Americas has been more limited.



Profits after tax have increased to a record high mainly on NII.



Regulators face the issue of balancing out dividends and capital accumulation (i.e. building up buffers)

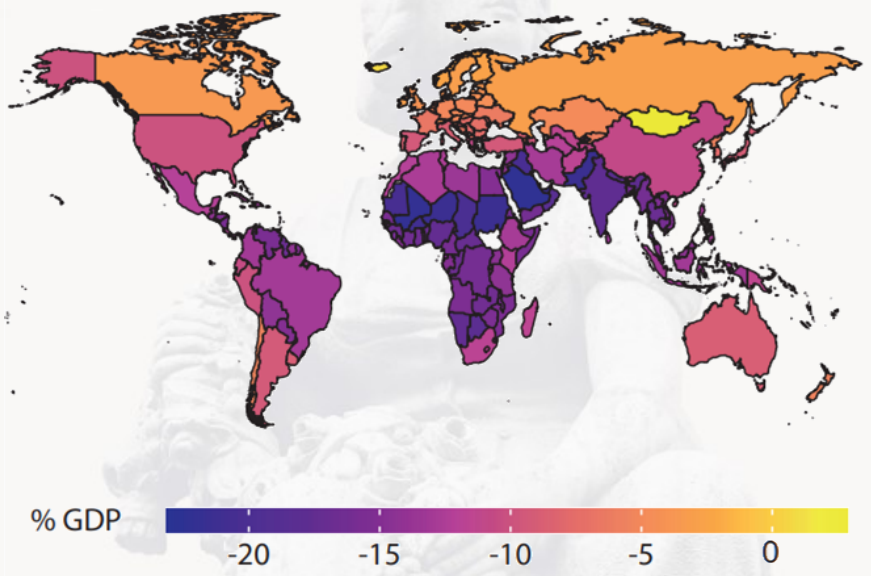


Historically high profits and macroeconomic uncertainty have led to new taxes and other fiscal burdens



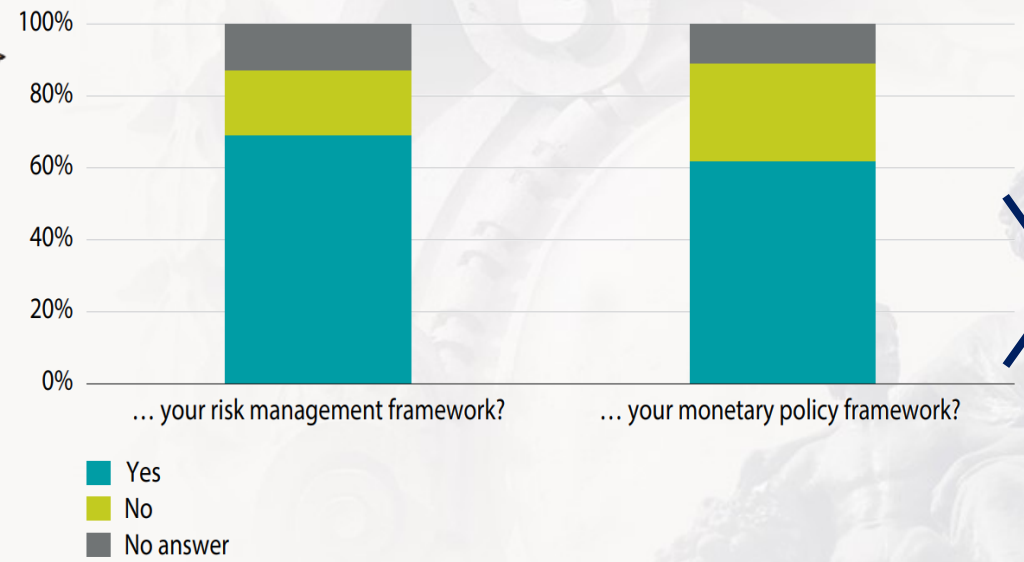
# HOW FAR CAN/SHOULD MACROPRUDENTIAL POLICY GO IN COMBATTING CLIMATE CHANGE RELATED FINANCIAL RISKS?

Current policies (95<sup>th</sup> percentile damages)  
Per cent GDP loss relative to prior trends



*Physical risk GDP losses by country*

In your interpretation of your current mandate, is there scope to adjust your central bank's operational framework to incorporate climate-related issues more explicitly into...



*Scope for adjusting central banks' operational frameworks to integrate climate-related issues*

**Macroprudential capital buffers**  
(Green capital requirement discount / brown surcharges)

**Liquidity and funding regulations**  
(enhancing green funding sources)

**Borrower-based measures**  
(green hypothesis → more beneficial regulatory caps)



**THANK YOU FOR YOUR  
ATTENTION!**

---

[mnb.hu](https://mnb.hu)