

## The countercyclical capital buffer rate applicable to Hungarian exposures and the justification thereof

Based on the capital buffer guide, the other supplementary indicators relevant in terms of domestic financial systemic risks and credit market developments, the Financial Stability Board of the Magyar Nemzeti Bank set the countercyclical capital buffer rate for exposures to counterparties in Hungary effective from 1 July 2023 at 0.5 per cent.

Countercyclical capital buffer rate for exposures to counterparties in Hungary	
<b>From 1 July 2022 (percent)</b>	<b>0</b>
<b>From 1 July 2023 (percent)</b>	<b>0.5</b>
<i>Related information</i>	<i>31.12.2021</i>
Countercyclical capital buffer rate based on the additional credit-to-GDP gap (per cent) – <i>buffer guide</i>	0
Countercyclical capital buffer rate based on the standardised credit-to-GDP gap (per cent)	0
Additional credit-to-GDP ratio (per cent)	45.2
Additional credit-to-GDP gap (percentage point)	0.2
Standardised credit-to-GDP ratio (per cent)	95.2
Standardised credit-to-GDP gap (percentage point)	-5.5

### Justification

Although the benchmark additional credit-to-GDP gap and the additional supplementary risk indicators examined do not point to the need for immediate macroprudential intervention, because of the historically high level of housing market overvaluation and to address the associated credit risks, the Financial Stability Board raises the current rate of the countercyclical capital buffer applicable to Hungarian exposures to 0.5 per cent as of 1 July 2023.

In order to maintain banks' adequate shock absorbing capacity, the measure is justified by the historically high domestic housing market overvaluation, potential credit market risks arising from the financing of overvalued properties, the near-equilibrium stock of credit and the warning of the European Systemic Risk Board regarding increased Hungarian housing market risks.

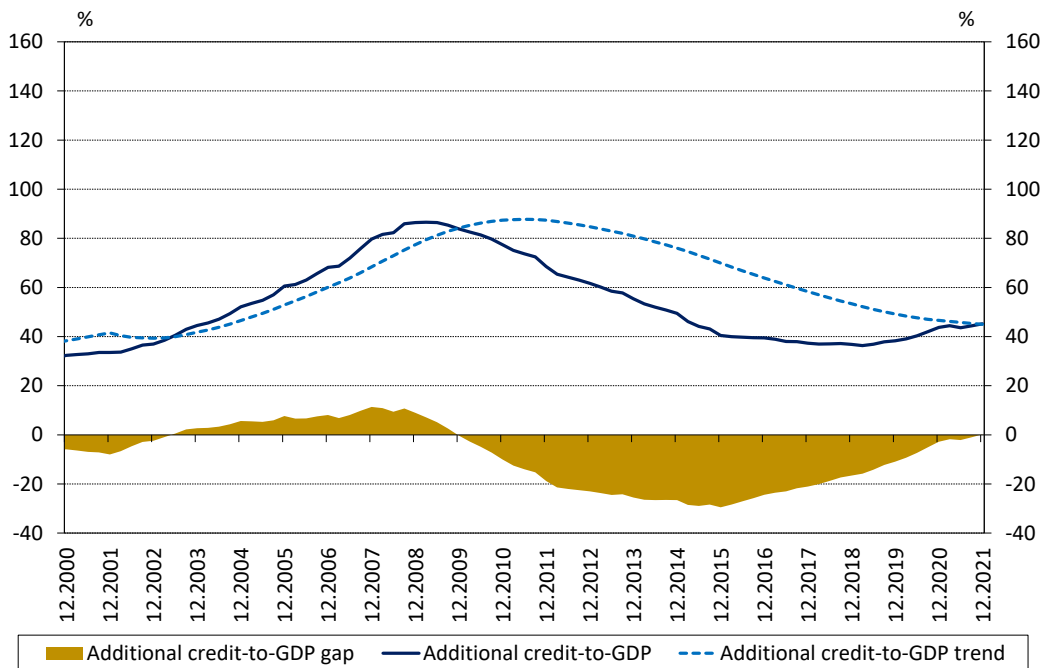
The closing of the additional credit-to-GDP gap, which serves as a guide for determining the countercyclical capital buffer rate, continued in the fourth quarter of 2021, and was minimally in the positive range, indicating a close-to-equilibrium level of credit. Overall, on the basis of the level and dynamics of the supplementary indicators and the underlying fundamentals, neither overheating nor vulnerability risks would justify a rule-based intervention. However, the evolution of risks, and in particular the historically high level of housing overvaluation and the related credit risks in recent quarters point to the expected increase in cyclical systemic risk in the medium to long term.

The activation of the countercyclical capital buffer rate will increase the resilience of the financial system on the side of credit institutions and the investment firms concerned without excessive adjustment, maintaining lending capacities.

*For more details on the method of defining the countercyclical capital buffer guide and other monitored indicators, see the methodological notes and the indicators of the cyclical systemic risk map underlying the current decision.*

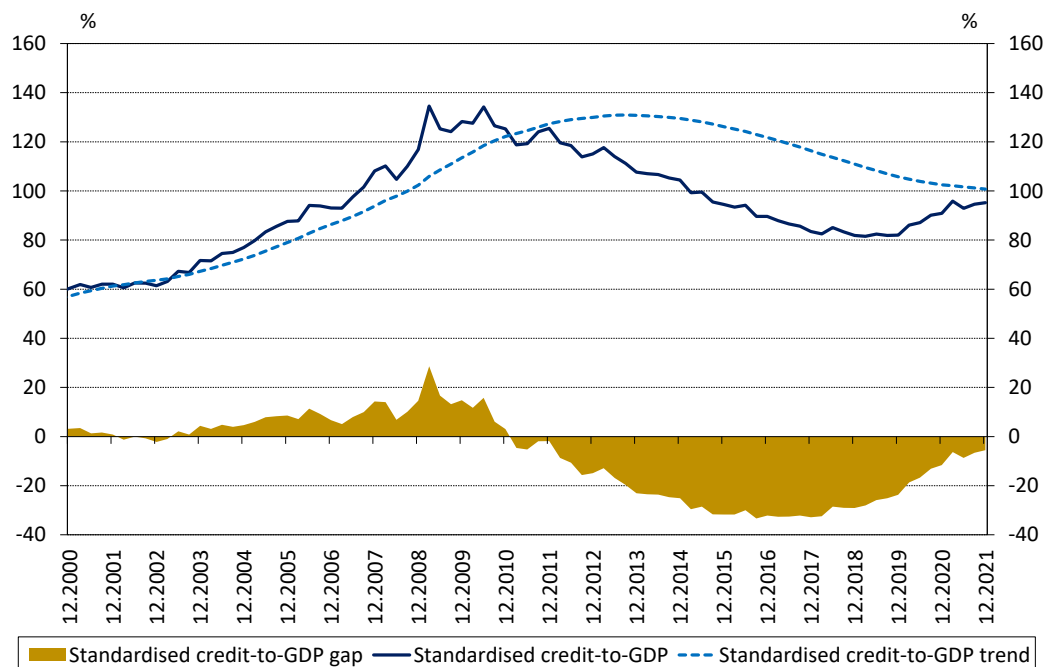
Appendix

**Chart 1 – Development of the benchmark additional credit-to-GDP gap**



Source: MNB. Note: benchmark additional credit-to-GDP gap based on country-specific methodology calculated on 31 December 2021 data.

**Chart 2 – Development of the standardised credit-to-GDP gap**



Source: MNB. Note: standardised credit-to-GDP gap based on the European Systemic Risk Board's recommendation calculated on 31 December 2021 data.