

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

The Financial Stability Board has decided to introduce the positive neutral framework of the countercyclical capital buffer (CCyB). In a neutral risk environment, the CCyB rate to be maintained will be 1 percent hereinafter. Accordingly, and considering the cyclical buffer guide, the supplementary risk indicators relevant for domestic financial systemic risks and to all other information concerning lending trends, the Financial Stability Board of the Magyar Nemzeti Bank increases the applicable CCyB-rate to 1 percent from 1 July 2025.

Countercyclical capital buffer rate for exposures to counterparties in Hungary	
From 1 July 2024 (percent)	0.5
From 1 July 2025 (percent)	1.0
<i>Related information</i>	
Targeted rate in a „neutral” risk environment, i.e. the <i>positive neutral CCyB-rate</i>	31.12.2023 1.0
Countercyclical capital buffer rate based on the <i>additional credit-to-GDP gap</i> and on the indicators of the <i>cyclical systemic risk map</i> (percent) – <i>buffer guide</i>	0.0
Countercyclical capital buffer rate based on the <i>standard credit-to-GDP gap</i> (percent)	0.0
Additional credit-to-GDP ratio (percent)	37.5
Additional credit-to-GDP gap (percentage point)	-3.5
Standardised credit-to-GDP ratio (percent)	91.6
Standardised credit-to-GDP gap (percentage point)	-9.3

Justification

In view of the still high geopolitical and macroeconomic uncertainty, the recommendations of international institutions regarding the build-up of capital buffers, the currently outstanding bank profitability, the robust capital position of banks, as well as the evolving practice of the countries of the European Economic Area, the MNB has decided to review the domestic CCyB framework by the application of the so-called positive neutral CCyB-rate. Accordingly, from 1 July 2025, the MNB prescribes a positive neutral CCyB rate of 1 percent to be applied in periods of the financial cycle outside of stress but not characterized by overheating risks, which can be raised above 1 percent in the presence of risks of overheating.

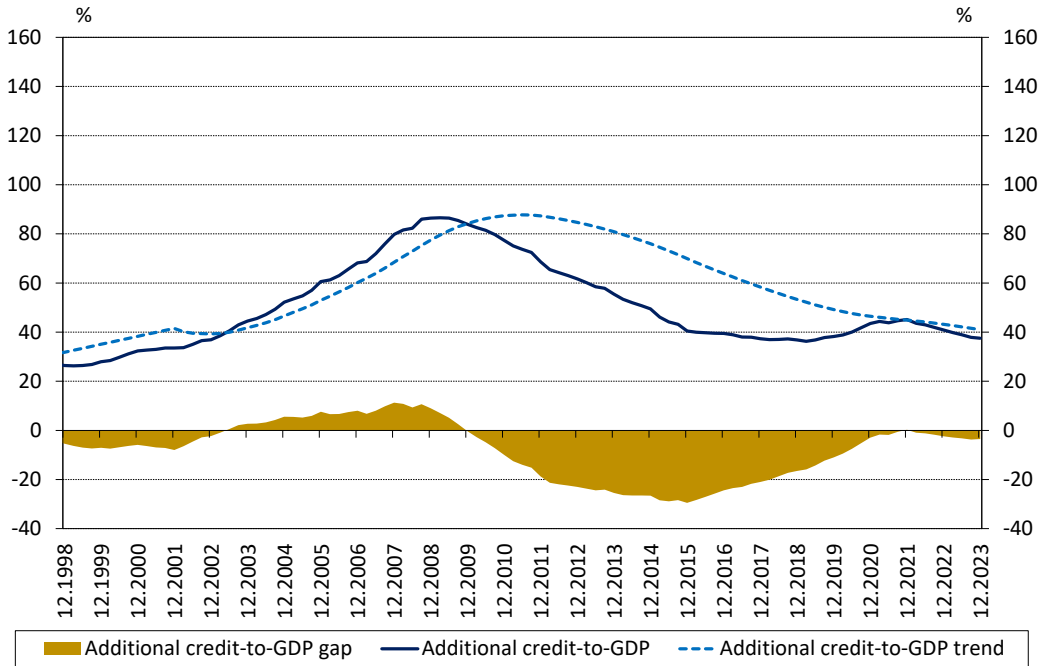
The FSB according to its previous decisions sets the applicable countercyclical capital buffer rate for domestic exposures to 0.5 percent from 1 July 2024, and with a view to the targeted rate in neutral risk environment sets the rate to 1 percent from 1 July 2025.

Based on the data of the fourth quarter of 2023, the additional credit/GDP gap, which is used to determine the cyclical component of the countercyclical capital buffer rate, slightly approached the level justifying a rule-based macroprudential intervention, but remained significantly negative. In addition, the indicators of the cyclical systemic risk map, as well as the evolution of the fundamentals behind their changes, indicate a low, essentially unchanged level of overheating and vulnerability risks, which therefore does not warrant an intervention above the positive neutral rate.

The applicable countercyclical capital buffer rate, which may differ from the targeted 1 percent in a neutral risk environment, will be keep on being decided by the FSB in its quarterly decisions, depending on the development of risks.

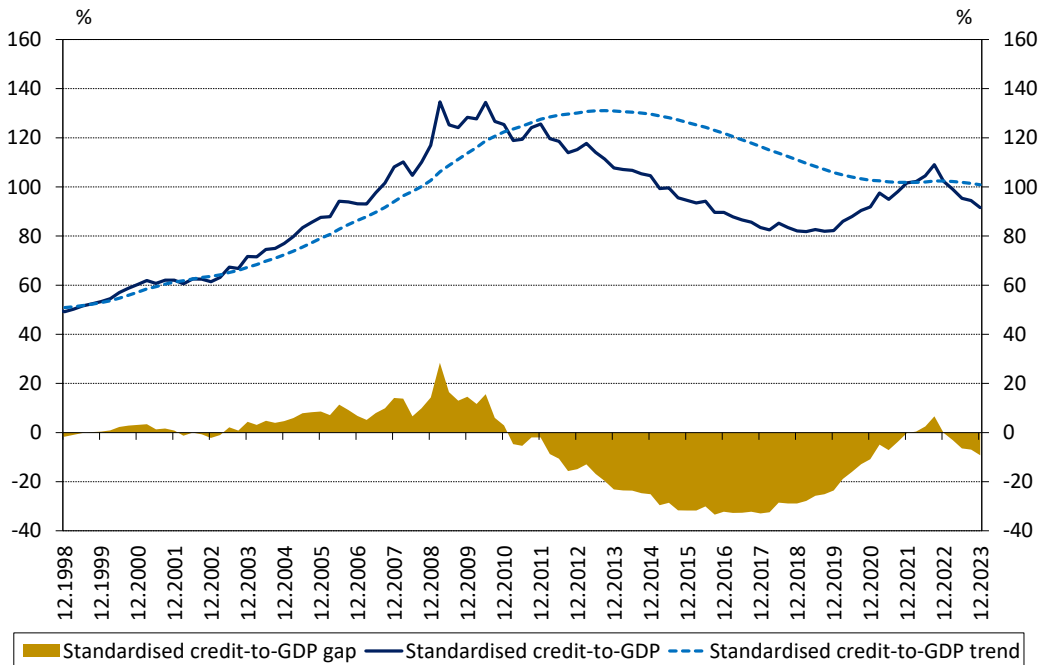
For the methodology of determining the applicable anticyclical capital buffer rate and the other monitored indicators, see the methodological information, as well as the indicators supporting the current rate decision of the cyclical system risk map on the [countercyclical capital buffer subpage](#).

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 2023 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 2023 data.