



MACROECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL
TO THE ABRIDGED MINUTES
OF THE MONETARY COUNCIL MEETING
OF 27 AUGUST 2024

AUGUST
2024

Time of publication: 2 p.m. on 11 September 2024

The background material ‘Macroeconomic and financial market developments’ is based on information available until 22 August 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	4
1.1. Global macroeconomic environment.....	4
1.2. Real economic trends in Hungary	6
1.2.1. Economic growth.....	6
1.2.2. Employment	8
1.3. Inflation and wages	9
1.3.1. Wages	9
1.3.2. Inflation developments.....	9
1.4. Fiscal and external balance trends	11
1.4.1. Fiscal trends	11
1.4.2. External balance developments	11
2. Financial markets.....	13
2.1. International financial markets	13
2.2. Developments in domestic money market indicators	15
3. Trends in lending	16

1. Macroeconomic developments

1.1. Global macroeconomic environment

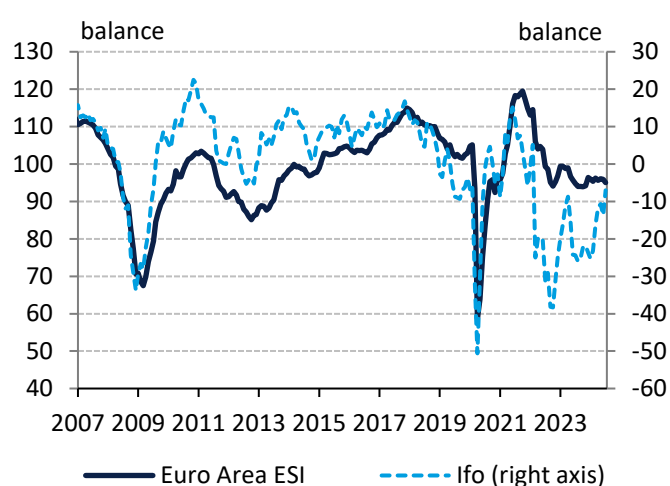
In 2024 Q2, GDP grew slower year on year in the European Union, whereas it increased at a faster pace in the United States and China. In June, industrial production and retail sales volumes rose in the US and China, while they fell in the euro area. In July, the Purchasing Managers' Index for manufacturing deteriorated in the United States, China and the euro area alike. The unemployment rate was up in the United States, as the increase in the number of employed persons in July was more subdued than expected. The US labour market data, which was below analysts' expectations, may predict a slowdown in economic activity. Standing at 2.9 percent in July, annualised inflation in the United States was 0.1 percentage points lower compared to the previous month. In China, consumer prices rose by 0.5 percent on an annual basis. Inflation in the euro area rose to 2.6 percent year on year, while core inflation was 2.9 percent in July, with both data exceeding analysts' expectations by 0.1 percent.

In 2024 Q2, GDP grew slower year on year in the European Union, whereas it increased at a faster pace in the United States and China. In China, growth in the second quarter was slower than expected (5.1 percent) at 4.7 percent. In the United States, following an increase of 2.9 percent in the first quarter of the year, the economy grew by 3.1 percent in the second quarter. The 0.6 percent growth in the EU in the previous quarter was followed by a 0.8 percent expansion in the euro area, while GDP in the euro area rose by 0.6 percent on a seasonally and calendar-adjusted basis. Based on available data, the largest year-on-year growth in the EU was registered in Poland (+4.0 percent), Cyprus (+3.7 percent) and Spain (+2.9 percent) compared to the same period of the previous year. Five Member States registered a decline year on year, with the gross domestic product decreasing most sharply in Estonia (-1.7 percent), Ireland (-1.4 percent) and Finland (-0.7 percent). Among the other countries in the region, the economy expanded in the Czech Republic (+0.4 percent), Romania (+0.8 percent) and Slovakia (+2.1 percent) compared to the same period a year earlier. The GDP of Germany, Hungary's main trading partner, showed a minor decrease (-0.1 percent) year on year.

In June, industrial production and retail sales volumes rose in the US and China, while they fell in the euro area. In annual terms, industrial production expanded by 5.3 percent in China and 1.6 percent in the US, while it fell by 3.9 percent in the euro area. Retail sales rose by 2.3 percent in the USA and 2.0 percent in China, while a 0.3 percent decline was registered in the euro area in June.

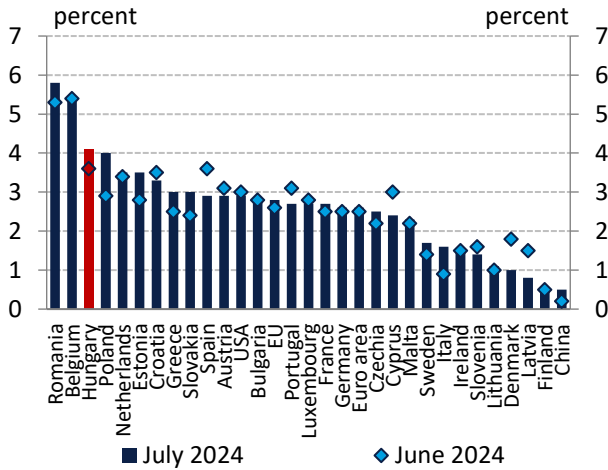
In July, the Purchasing Managers' Index for manufacturing deteriorated in the United States, China and the euro area alike. In the USA, China and the euro area, the index fell short of the expansion threshold. The euro area's Economic

Chart 1 Business climate indices in Hungary's export markets



Source: European Commission, Ifo

Chart 2 Developments in the international inflation environment



Note: HICP inflation rates for EU Member States.

Source: Eurostat

Sentiment Indicator (ESI) worsened by 0.1 points in July (Chart 1).

US labour market data were weaker than expected in July.

The unemployment rate in the United States rose to 4.3 percent from 4.1 percent in June, the highest value registered since October 2021. The number of US non-agricultural employees increased by 114,000 in July, falling short of both the average increase of 215,000 for the past year and analysts' expectations for July (175,000). In the euro area, the unemployment rate was 6.5 percent in June, an uptick of 0.1 percent compared to May.

In July, annualised inflation in the United States was 0.1 percentage points lower at 2.9 percent compared with the previous month. **In China, consumer prices rose by 0.5 percent on an annual basis. Eurozone inflation rose to 2.6 percent year on year**, while core inflation was 2.9 percent in July. The inflation and core inflation figures exceeded analysts' expectations by 0.1 percentage points.

In July, inflation rose in all countries of the region. Prices rose by 5.8 percent in Romania, 4.0 percent in Poland, 3.0 percent in Slovakia and 2.5 percent in the Czech Republic over a year, based on HICP data (Chart 2).

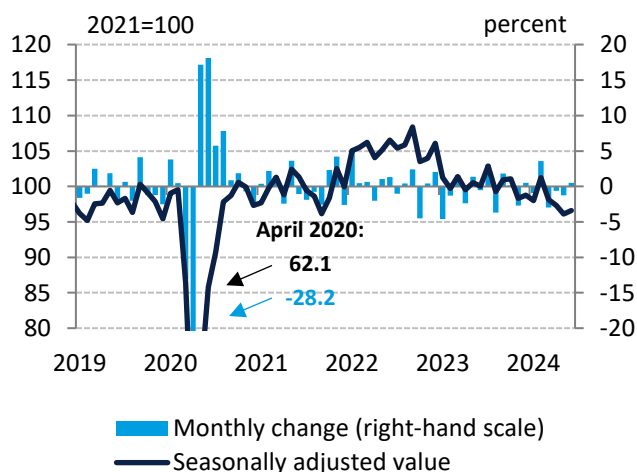
1.2. Real economic trends in Hungary

Based on preliminary data, in 2024 Q2, the GDP grew by 1.5 percent in annual terms, but it was down by 0.2 percent compared to the previous quarter. The number of projects in the second quarter was significantly lower than in the same period a year earlier. In June 2024, the volume of retail sales grew by 2.6 percent, while construction output and industrial production declined by 1.4 percent and 8.2 percent, respectively, year on year. Based on preliminary data, the trade balance showed a surplus of EUR 1.1 billion in June. The average number of employees aged between 15 and 74 amounted to 4 million 768 thousand in the month, which, seasonally adjusted, was 16 thousand less than the same figure in May. The unemployment rate stood at 4.2 percent in June.

1.2.1. Economic growth

Based on preliminary data, in 2024 Q2, the GDP grew by 1.5 percent in year-on-year comparison, but the economy's output was down by 0.2 percent compared to the previous quarter. According to data adjusted and balanced with seasonal and calendar effects, output increased by 1.3 percent on an annual basis. According to the HCSO, among the main economic sectors, the largest contributors to the growth in economic output were constructions and real estate transactions, supported by positive changes in the balance of product taxes and subsidies. At the same time, economic growth was held back by a decline in the value added in industry, which is a major contributor to the national economy as a whole. Seasonally adjusted data show that the volume of projects in the second quarter fell short of the value registered in the same period a year earlier by 14.5 percent.

Chart 3 Developments in industrial production



Note: From January 2024, seasonally adjusted value is based on the monthly averages of 2021.

Source: MNB calculation based on HCSO data

Compared with the same period last year, the volume of industrial production fell by 8.2 percent in June (Chart 3). Based on seasonally and working-day adjusted data, output fell by 3.8 percent on an annual basis. Industrial output was up 0.5 percent in June compared to May, according to seasonally and working-day adjusted data. Thus the monthly volume of industrial output was close to the level registered in September 2021. In June, both industrial exports and domestic sales showed a decline. The output of industrial export dropped by 8.1 percent and the output of domestic industrial sales dropped by 5.1 percent compared to the same month a year earlier. Production fell in most manufacturing subsectors in June. The output of the automotive industry, which represents the largest share, contracted by 11.8 percent, while the production of electrical equipment declined by 22.6 percent year on year, the largest such figure recorded in any sector. The manufacture of food, beverages and tobacco decreased by 1.3 percent compared to the same period of the previous year. Growth continued in the manufacture of chemicals and chemical products, with output increasing by 14.8 percent in June compared to the low level recorded a year earlier.

In June 2024, the volume of construction output fell by 1.4 percent year on year. The construction of buildings fell by 4.2

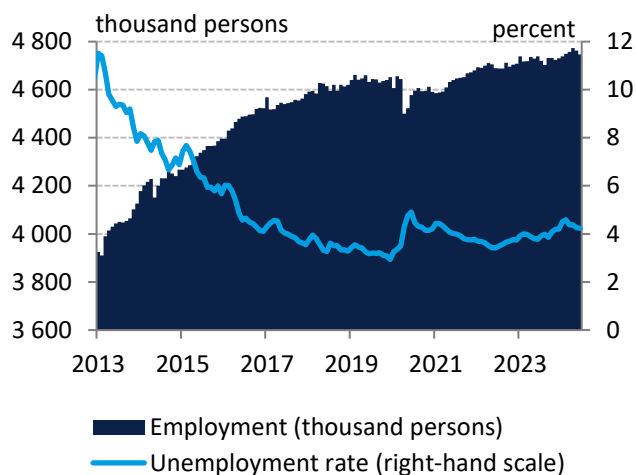
percent, while the construction of other structures rose by 4.3 percent on an annual basis. Based on seasonally and workday-adjusted data, total construction output decreased by 6.4 percent compared to May 2024. The volume of new contracts fell by 34.9 percent in June. In particular, on an annual basis, the volume of contracts for the construction of buildings decreased by 41.6 percent and those for the construction of other structures by 22.8 percent. The volume of contracts in the construction sector at the end of June was up by 1.5 percent compared to the same period last year, with contracts for the construction of buildings down by 7.9 percent and those for other construction up by 10.9 percent.

In June 2024, the volume of retail sales increased by 2.6 percent year on year, continuing the growth that started in January. Retail trade excluding fuel sales rose by 3.3 percent on a calendar-adjusted basis. The annual volume of sales at filling stations increased by 0.5 percent, but remained stagnant on a monthly basis. Compared to May, retail sales decreased somewhat – by 0.1 percent – in June. Sales volumes were close to year-end 2022 levels, based on seasonally and calendar-adjusted data. In June, retail food trade rose by 3.2 percent on an annual basis. In addition, sales also increased in parcel delivery services (+14.0 percent), pharmaceuticals, medicinal products and perfumes (+7.3 percent), furniture, hardware and ironware (+2.9 percent), as well as textiles, clothing and footwear (+1.4 percent). In June, sales declined in books, computers (-3.5 percent) and mixed industrial goods (-4.7 percent).

Based on preliminary data, trade balance showed a surplus of EUR 1.1 billion in June 2024. The balance improved by EUR 94 million compared to the previous month, while deteriorating by EUR 472 million compared to the same period of the previous year. The balance adjusted for VAT residents increased by EUR 472 million, amounting to a decrease of EUR 366 million compared to a year earlier. In June, the value of goods exports in euro fell by 10.4 percent on an annual basis, in line with the expected decline in industrial production. The nominal value of goods imports in euro terms shrank by 7.8 percent over a year. On a seasonally and calendar-adjusted basis, exports were up by 2.6 percent and imports by 4.8 percent in June compared to May.

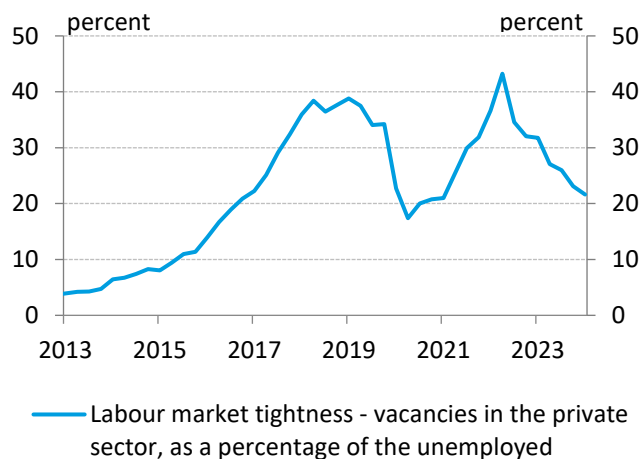
Based on the NAV's (National Tax and Customs Administration) online cash register data, inflation-adjusted turnover was 1.1 percent higher in July compared to the same period last year, putting turnover into positive territory since February. The nominal turnover of online cash registers increased by 5.3 percent year on year. In July, freight traffic increased (+20.3 percent), while passenger road traffic decreased (-22.5 percent). Electricity load increased by 5.1

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

percent. Cinema attendance increased by 31.4 percent and catering turnover by 9.3 percent. The number of Google searches for the term “unemployment benefit” rose in July.

1.2.2. Employment

According to the Labour Force Survey, in June 2024, the average number of employees aged between 15 and 74 amounted to 4 million 768 thousand, which, adjusted seasonally, was 16 thousand less than the same figure in May. In the period April–June 2024, the average number of employed persons was 4,745,000, which was 21,000 higher than in the same period of the previous year. On average in April–June, the number of people employed in the primary labour market and the number of people working abroad increased by 29 thousand and 4 thousand, respectively, while the number of public workers decreased by 12 thousand compared to the same period of the previous year.

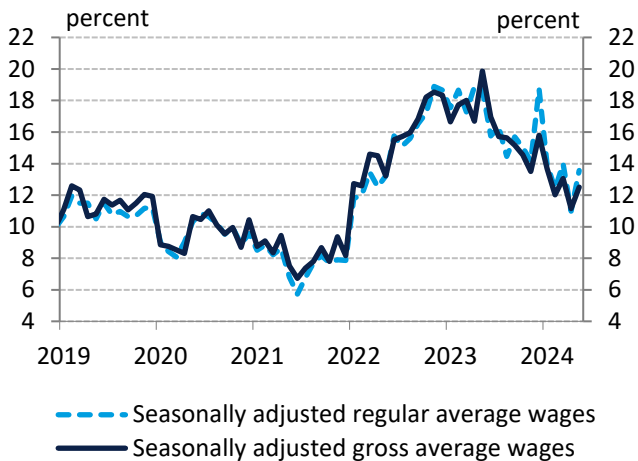
The number of unemployed persons amounted to 210 thousand in June, which was 23 thousand more than in the same period of the year before. Overall, the unemployment rate was 4.2 percent (Chart 4). Based on seasonally adjusted data, the number of unemployed persons in June decreased by 2 thousand compared to May. According to raw data from the National Employment Service (NFSZ), there were 223,000 registered jobseekers in Hungary in June 2024 and 224,000 in July 2024. This represents a decline of 1 thousand and 3 thousand, respectively, relative to the same period of the previous year. Seasonally adjusted data show practically no change in the number of registered jobseekers in July 2024 compared to June, and this figure continues to be lower than in the months before the outbreak of the coronavirus pandemic.

The labour market has become less tight in the first quarter (Chart 5). There were 46.2 thousand vacancies in the private sector in this period, 21.6 percent fewer than in the same quarter of the previous year and 5.6 percent fewer compared to the previous quarter. Labour demand in both manufacturing and market services fell compared to the previous quarter. In manufacturing, there were 1.5 thousand fewer job vacancies than in 2023 Q4. In the market services sector, there were 28.2 thousand job vacancies in 2024 Q1, 2.5 thousand fewer than in the previous quarter. In the public sector, the number of job vacancies fell by 1.0 thousand compared to the previous quarter.

1.3. Inflation and wages

In July 2024, consumer prices rose by 4.1 percent year on year. Core inflation and core inflation excluding indirect tax effects rose to 4.7 percent. Incoming data were above the median of analysts' expectations. In May 2024, average wages in the national economy (excluding bonuses) rose by 15.1 percent, while wages in the private sector increased by 14.1 percent in annual terms.

Chart 6 Dynamics of average earnings in the private sector



Source: MNB calculation based on HCSO data

1.3.1. Wages

In May 2024, average gross earnings rose by 14.8 percent in the national economy and by 13.5 percent in the private sector compared to the same period of the previous year.

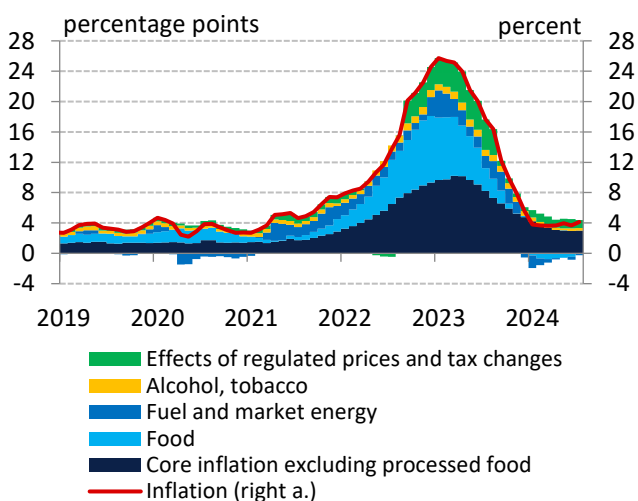
In annual terms, average regular earnings (excluding bonuses) rose by 15.1 percent in the national economy and by 14.1 percent in the private sector. Regular earnings rose by 2.8 percent on a monthly basis, a historically high value. At 9.0 percent of regular earnings, premium payments were below the previous year's level, but still historically high.

Based on seasonally adjusted data, the dynamics of both gross average wages and regular average wages accelerated in the private sector compared to the previous month (Chart 6). In the private sector, wage dynamics in manufacturing exceeded the dynamics observed in market services. In manufacturing, wages were 15.3 percent higher in May compared to the same period last year, based on raw data. With regard to market services, the Hungarian Central Statistical Office registered an increase of 12.8 percent. As for the sectors of the national economy, wages in construction grew by 14.4 percent, by 12.3 percent in trade and by 12.2 percent in tourism compared to the same period of the previous year.

1.3.2. Inflation developments

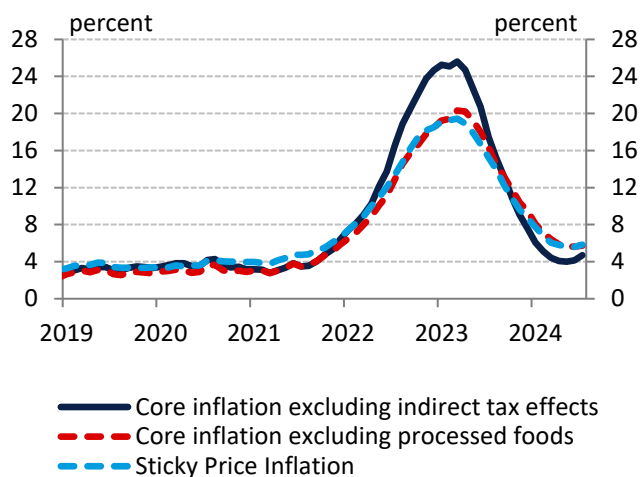
In July 2024, consumer prices rose by 4.1 percent year on year (Chart 7). Core inflation and core inflation net of indirect taxes rose to 4.7 percent. In monthly terms, the price of the representative consumer basket and the core inflation basket both rose by 0.7 percent. The annualised consumer price index increased by 0.4 percentage points relative to the previous month. The increase in inflation was primarily driven by the acceleration in the price dynamics of food (+0.4 percentage points) and fuels (+0.2 percentage points), partly offset by the disinflationary effect of regulated prices (-0.2 percentage points). The 0.6 percentage-points increase in year-on-year core inflation was primarily driven by an increase in the price dynamics of processed food (+0.5 percentage points), which was partly due to base effects. The annual inflation rate for industrial goods rose to 2.1 percent, while the annual price index for market services dropped to 9.4 percent. Year on year, unprocessed food prices and processed food prices increased by 0.3 percent and 0.5 percent, respectively. Fuel

Chart 7 Decomposition of inflation



Source: MNB calculation based on HCSO data

Chart 8 Measures of underlying inflation indicators



Source: MNB calculation based on HCSO data

inflation rose to 6.0 percent on an annual basis. The annual price index for goods and services with regulated prices was 2.9 percent.

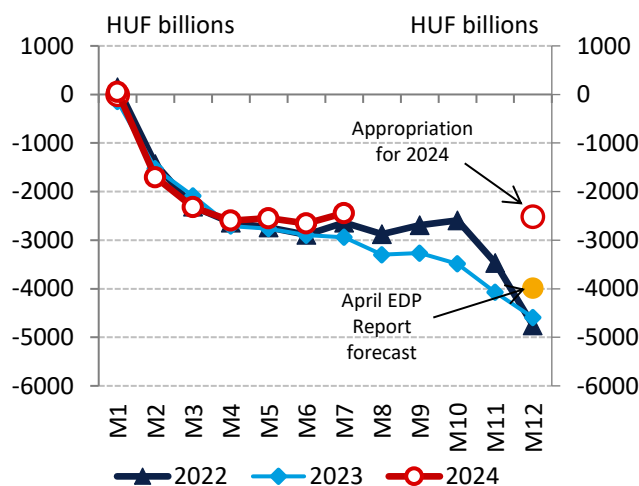
Incoming inflation data were above the consensus of analysts' expectations. The median was 3.9 percent, with expectations ranging from 3.4 to 4.2 percent.

The MNB's annualised indicators, which capture more persistent inflation trends, rose somewhat in July. In annual terms, the inflation of sticky-price goods was up by 5.8 percent, while core inflation excluding processed food rose by 5.7 percent (Chart 8).

1.4. Fiscal and external balance trends

The central sub-sector of the general government showed a surplus of HUF 213 billion in July, meaning that the deficit cumulated from the start of the year declined to HUF 2,443 billion by the end of the month. The central sub-sector's revenues rose by HUF 302 billion on an annual basis in July, while budget expenditures were HUF 45 billion higher than in the same period of the previous year. In 2024 H1, the current account balance indicated a surplus of close to EUR 3.7 billion. After the significant surpluses of the previous months, the balance decreased in June, partly due to temporary factors. Financial account data show that net FDI inflows decreased in June, while net external debt increased.

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



Source: 2024 Budget Act, Hungarian State Treasury, HCSO

1.4.1. Fiscal trends

The central sub-sector of the general government showed a surplus of HUF 213 billion in July, which represents a HUF 257 billion improvement compared to July last year. The cumulative deficit from the start of the year fell to HUF 2,443 billion at the end of July (Chart 9). This was HUF 497 billion lower than the cumulative value last year and represented 61 percent of the annual cash deficit target in the EDP notification. The significant budget surplus in July was caused, in addition to the high labour tax, VAT and excise duty revenues, by the low monthly utility protection and EU expenditure.

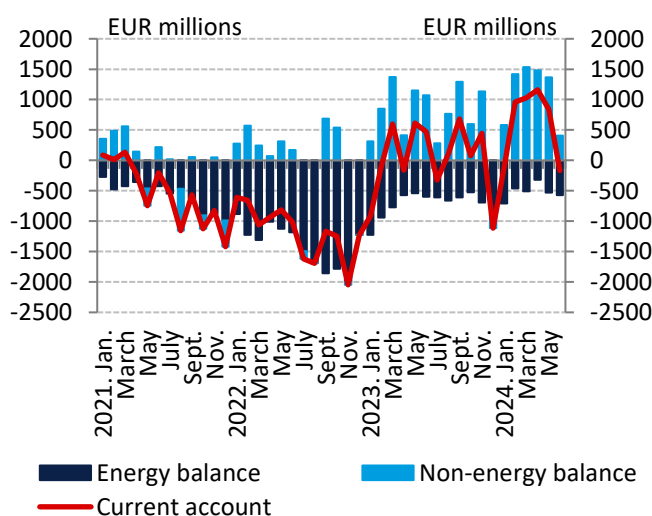
In July, the central sub-sector's revenues increased by HUF 302 billion on an annual basis, with tax and contribution revenues up by HUF 306 billion and EU revenues down by HUF 38 billion. Labour taxes and contributions increased by 16 percent (HUF 156 billion), net VAT revenues by 10 percent (HUF 72 billion) and excise duty revenues by 67 percent (HUF 73 billion), while payments by economic organisations decreased by 6 percent (HUF 22 billion) on an annual basis.

Budget expenditures in July were HUF 45 billion higher than in the same period of the previous year. This growth was, primarily, due to the HUF 73 billion increase in net interest expenditures and the HUF 48 billion increase in pension expenditures for the month. This was partly offset by a HUF 95 billion lower spending on EU programmes and a HUF 82 billion lower spending on public transport, utilities and public media services, which was related to the decreased expenditure on utility protection.

1.4.2. External balance developments

In 2024 H1, the current account balance indicated a surplus of close to EUR 3.7 billion (Chart 10). After the significant surplus registered in the previous months, the monthly current account balance declined, mainly due to the deterioration of the income balance and current transfers, a phenomenon that may be considered, in part, temporary. The goods balance decreased only moderately compared to May, while falling short of last June's level by around EUR 300 million. This was due to the fact that exports fell by 11

Chart 10 Developments in current account and energy balance



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

percent year on year, which may be traced back to the weak external demand and the continued annual decline in industrial production. The value of imports decreased by 9 percent on an annual basis, mainly due to declining exports, while the growth in retail sales somewhat curbed the reduction of imports. The surplus of the services balance was also around the same level as in May, but somewhat below last June's value. Since the increase in the income balance deficit was mainly linked to dividend payments, it might be regarded as a seasonal effect. The decrease in the transfer balance may also be traced back to individual factors, such as the payment of the domestic contribution to the common budget or the recording of the penalty by the European Court of Justice.

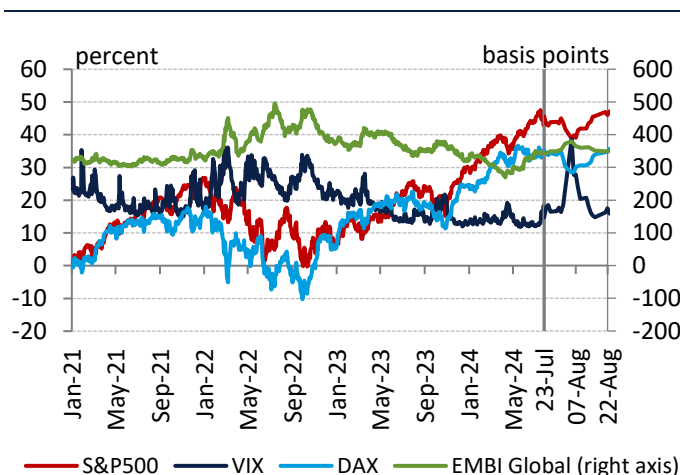
Financial account data show that net direct investment decreased significantly, while net external debt increased substantially. In June, net FDI inflows fell by EUR 2.9 billion, mainly related to the repurchase of Budapest Airport. At the same time, the net external debt of the country increased significantly, mainly due to the deterioration of the external position of the general government sector including MNB.

2. Financial markets

2.1. International financial markets

Recently, global financial markets have been highly volatile. The global risk environment was primarily determined by fears of a slowdown in the US economy, developments in the Japanese financial market, and geopolitical tensions in the Middle East. After the publication of the US labour market data, a temporary sharp rise was seen in risk indicators, before suddenly falling. The dollar depreciated against the major currencies, while the US 10-year yield fell sharply.

Chart 11 Developed market equity indices, the VIX index and the EMBI Global Index



Note: Stock indices (S&P500 and DAX) normalised to the beginning of 2021.

Source: Bloomberg

Since the last interest rate decision, global financial markets have been characterised by high volatility. The global risk environment was primarily determined by fears of a recession in the American economy, developments in the Japanese financial market, and geopolitical tensions in the Middle East. Of the risk indicators, the VIX index, which measures US stock market volatility, suddenly and temporarily rose close to 40 percent after the publication of the American labour market data. Following a rapid decline; however, it increased by only 2 percentage points overall in the period. The EMBI index, which captures emerging market bond spreads, showed similar volatility, increasing overall by 7 basis points (Chart 11).

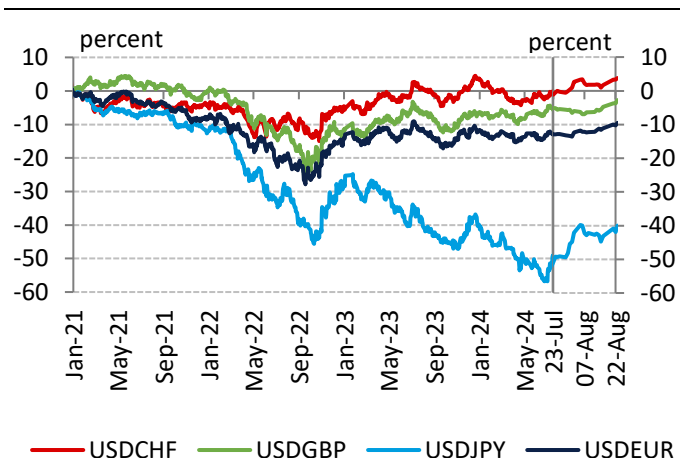
During this volatile period, US and emerging market stock indexes rose. The main US stock market indices were up by 1–1.5 percent. However, the European and Chinese indices decreased somewhat, by 1–2 percent. Among the Asian indices, the Japanese Nikkei decreased to a greater extent, by 3.5 percent, since the volatility of the market had the largest impact on the Japanese markets. The MSCI index, which tracks emerging market stock exchanges, rose by 1.3 percent.

The dollar generally depreciated against the major currencies: it weakened by 4.4 percent against the Swiss franc, by 2.5 percent against the euro and by 1 percent against the British pound. However, it experienced the greatest weakening, 6.6 percent, against the volatile Japanese yen (Chart 12).

Developed market long yields were down significantly since the last interest rate decision (Chart 13). The US, the German and the Japanese 10-year yields fell by 45, 25 and 19 basis points, respectively. Ten-year government bond yields in the region fell by 5–30 basis points, with the largest decline in the Polish yields.

Commodity prices have moderated in the previous month. The Bloomberg commodity price index fell by 1.7 percent, driven mostly by the decline in the cereals (6.5 percent) and livestock (4.5 percent) subindices. In the energy market, oil prices were down somewhat, with

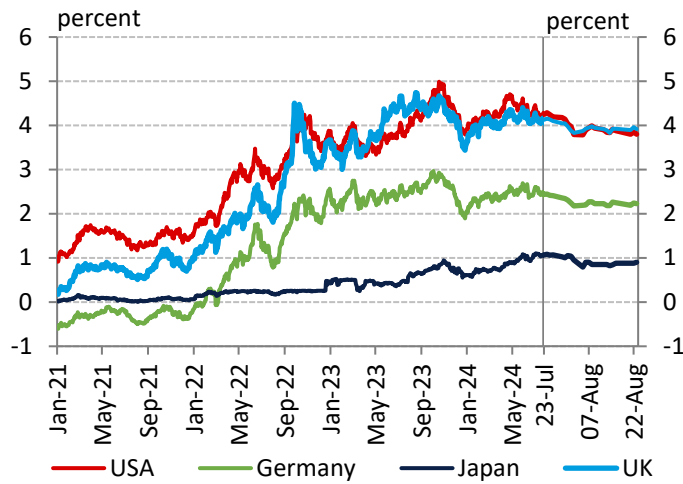
Chart 12 Evolution of developed market foreign exchange rates compared to the first trading day of January 2021



Note: Positive values indicate the strengthening of the variable (second) currency.

Source: Bloomberg

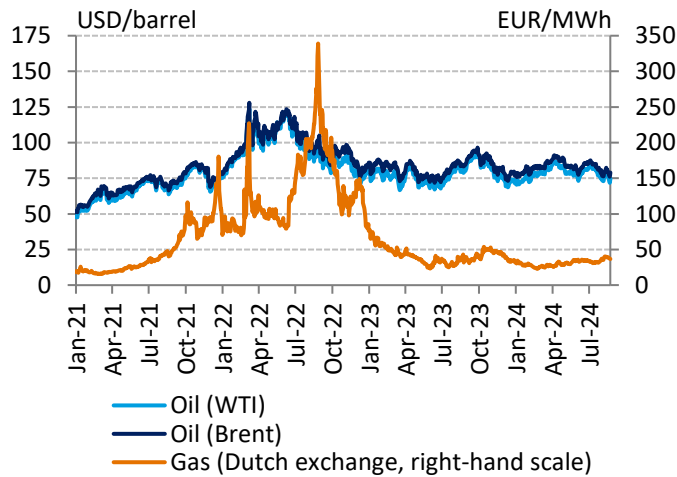
Chart 13 Yields on developed market long-term bonds



Source: Bloomberg

Brent oil prices falling by 6.1 percent to USD 76 and WTI prices falling by 6.5 percent to close to USD 72 (Chart 14). On the other hand, European gas prices have risen by 17 percent since the previous interest rate decision, which was mainly due to the fact that the Russian-Ukrainian war spread to the remaining areas affecting European gas supplies.

Chart 14 Developments in oil and gas prices

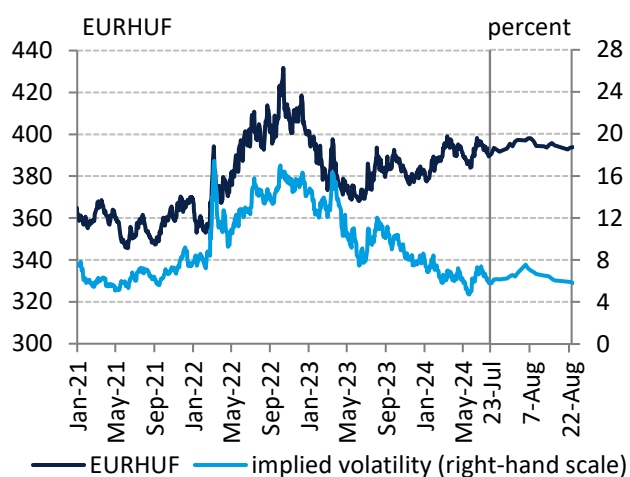


Source: Bloomberg

2.2. Developments in domestic money market indicators

Overall, the forint has weakened against the euro in recent times. The government securities market's yield curve shifted downwards. Since the previous interest rate decision, demand has been typically strong in government securities auctions. The 3-month BUBOR fell by 23 basis points to 6.54 percent.

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

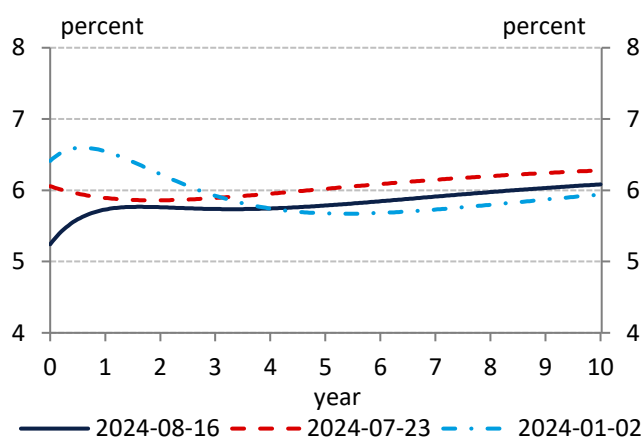


Source: Bloomberg

Overall, the forint has weakened against the euro since the June interest rate decision (Chart 15). In the two weeks following the interest rate decision in July, the exchange rate weakened to 398 in an unfavourable international atmosphere, before partially bouncing back, in parallel with the moderation of global risks. As a result of the weakening of the dollar experienced in recent weeks, the exchange rate bounced back – although to a lesser extent than the regional currencies strengthened –, bringing the EUR/HUF quote to around 394, which amounts to a 0.9-percent weakening over the entire period. Regional currencies developed variably over the period, with the Czech koruna strengthening by 1.3 percent, while the exchange rate of the Polish zloty is close to the level at the beginning of the period. The Romanian leu weakened by 0.1 percent against the euro.

The 3-month BUBOR, which is relevant to monetary transmission, has fallen by 23 basis points to 6.54 percent since the previous interest rate decision.

Chart 16 Shifts in the spot government yield curve



Source: Bloomberg

The government securities market's yield curve shifted downwards (Chart 16). The section of the yield curve around 1 year moved down by 15–20 basis points and the long end shifted down by 10–25 basis points.

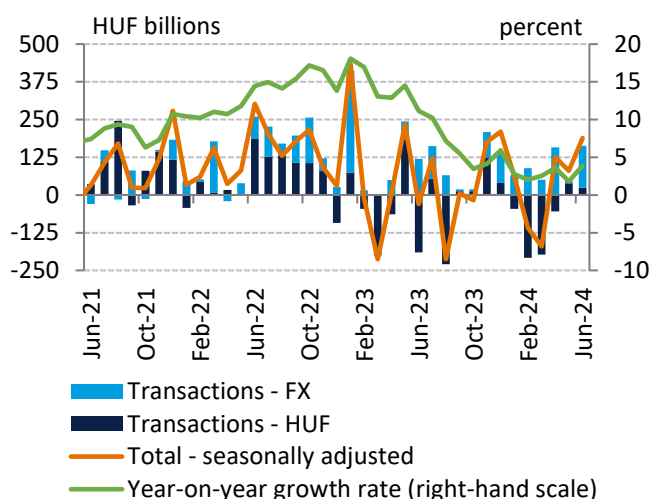
Since the previous interest rate decision, demand has been typically strong at government securities auctions. The average number of bids received by the Government Debt Management Agency in discount treasury bill auctions was almost three times higher than the pre-announced volume. In the government bond auction, the public debt management agency generally accepted bids above the announced volume, with an average coverage of more than 4.5 times.

Non-residents' holdings of forint government securities decreased. The stock held by non-residents decreased to HUF 6,393 billion, with the market share of forint government securities held by foreigners at 17.5 percent.

3. Trends in lending

In June 2024, loans to both the corporate and the household sectors grew. The smoothed interest rate spread on corporate forint loans increased by 27 basis points from the previous month, and equalled 2.35 percentage points in June 2024.

Chart 17 Net borrowing by non-financial corporations

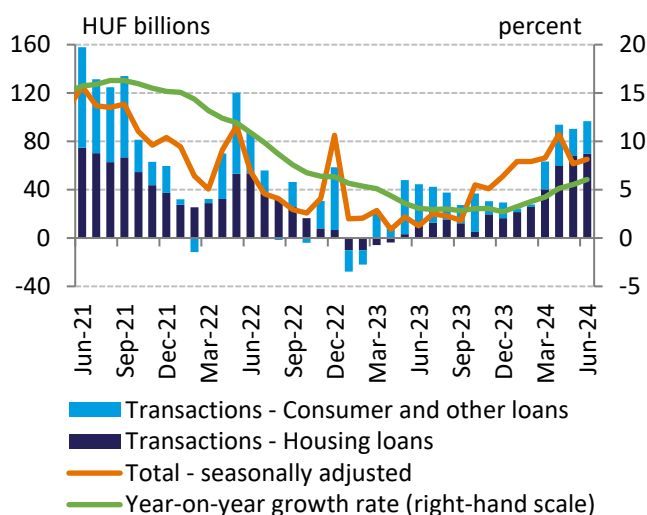


Source: MNB

The corporate loan portfolio increased by HUF 163 billion in June 2024, due to a HUF 24 billion increase in forint lending and a HUF 139 billion increase in foreign currency loans. Accordingly, the annual growth rate of loans accelerated to 3.9 percent from the 1.8 percent recorded in May (Chart 17). Credit institutions concluded new non-overdraft loans in an amount of HUF 324 billion during the month, which is 8 percent lower than in the same period last year. The main contributors to new issuance were large individual transactions, which accounted for HUF 139 billion of new loans issued.

In June, household lending increased by HUF 97 billion due to transactions, bringing the annual growth rate of the stock to 6.0 percent, up by 0.5 percentage points from May (Chart 18). Due to the low base, the HUF 243 billion volume of new household loan contracts was 60 percent higher than in the same period last year. In this context, the value of newly contracted housing loans rose by 139 percent year on year compared to the low level recorded last year. More than 1,100 contracts were signed in June under the HPS Plus programme, available since January, worth HUF 27 billion and amounting to 21 percent of new home loans disbursed during that month.

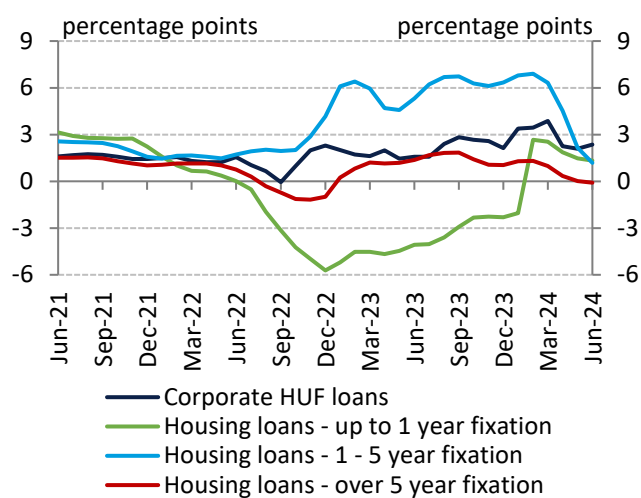
Chart 18 Net borrowing by households



Source: MNB

The smoothed interest rate spread on corporate forint loans increased by 27 basis points from the previous month, amounting to 2.35 percentage points in June 2024 (Chart 19). As for housing loans, the spread on products with a fixed interest rate beyond 5 years decreased by 10 basis points to -0.08 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