MACROECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL

TO THE ABRIDGED MINUTES

OF THE MONETARY COUNCIL MEETING

OF 28 JANUARY 2025

JANUARY

2025

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The background material 'Macroeconomic and financial market developments' is based on information available until 22 January 2025.

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

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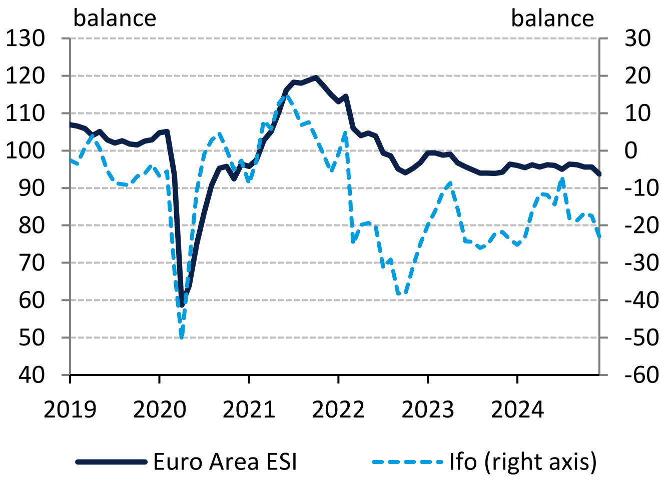
1. Macroeconomic developments

1.1. Global macroeconomic environment

In 2024 Q3, GDP grew slower year-on-year in the European Union, while it increased at a greater pace in China and the United States. In December, industrial production rose in China and the US, while in the euro area it fell on an annual basis in November. Retail sales rose in the US and China in December and also in the euro area in November. Annualised inflation in the United States was 2.9 percent in December, up 0.2 percentage points from the previous month. In China, consumer prices rose by 0.1 percent on an annual basis. Eurozone inflation rose to 2.4 percent year-on-year, while core inflation was invariably 2.7 percent. Both the inflation and core inflation data were in line with analysts' expectations.

In 2024 Q3, GDP grew by 1.0 percent year-on-year in the European Union, whereas it increased by 2.7 percent in the United States. China recorded a 5.4 percent expansion in Q4. GDP for 2024 Q3 grew in the euro area by 0.9 percent on an annual basis. Malta (+5.4 percent) recorded the highest increase among the European Union Member States compared to the same period of the previous year. Six Member States registered a year-on-year decline, with the gross domestic product decreasing most sharply in Latvia (-1.0 percent), Austria (-0.8 percent) and Hungary (-0.7 percent). Among the countries in the region, the economies of Slovakia (+1.7 percent), Poland (+1.7 percent) and the Czech Republic (+1.4 percent) also expanded compared to the same period last year. The GDP of Germany, Hungary's main trading partner, fell slightly (-0.3 percent) on an annual basis.

Chart 1 Business climate indices in Hungary's export markets



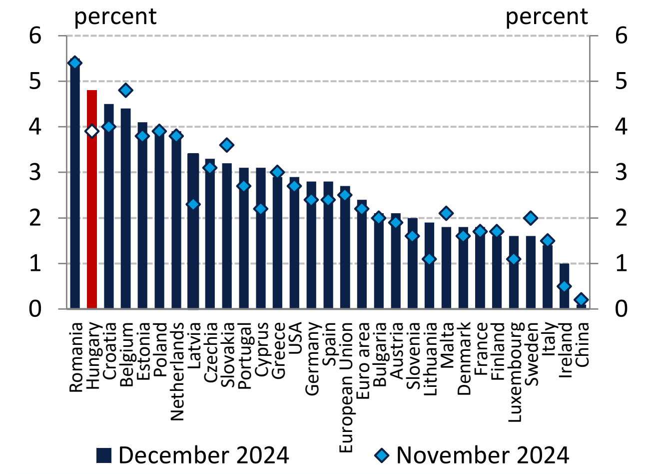
Source: European Commission, Ifo

Industrial production rose by 6.2 percent in China and 0.5 percent in the United States on an annual basis in December 2024. Industrial production in the euro area fell by 1.9 percent on an annual basis in November 2024. Retail sales rose by 3.9 percent in the USA and 3.7 percent in China in December, while in the euro area they increased by 1.2 percent in November.

In December 2024, the Purchasing Managers' Index for manufacturing fell in China, the United States and also the euro area. The index remained above the expansion threshold in China and below the threshold in the United States and the euro area. The Economic Sentiment Indicator (ESI) of the euro area worsened by 1.9 points in December 2024 (Chart 1).

The unemployment rate in the United States remains low. In the United States, the unemployment rate fell to 4.1 percent in December from 4.2 percent in November. Non-farm payrolls increased by 256,000, significantly exceeding analysts' expectations of around 160,000. The unemployment rate in the euro area was 6.3 percent in November, the same as in October.

Chart 2 Developments in the international inflation environment



Note: HICP inflation rates.

Source: Eurostat

Annualised inflation in the United States was at 2.9 percent in December, in line with expectations and up 0.2 percentage point on the previous month. **In China, consumer prices rose by 0.1 percent on an annual basis.** Eurozone inflation rose to 2.4 percent year-on-year, while core inflation was invariably 2.7 percent in December. Both the inflation and core inflation data were in line with analysts' expectations.

Among the countries of the region, inflation rose in the Czech Republic and Romania, fell in Slovakia and remained unchanged in Poland in December. Prices rose by 5.5 percent in Romania, 3.9 percent in Poland and 3.3 percent in the Czech Republic over a year, while inflation in Slovakia fell to 3.2 percent in December, according to Eurostat HICP data (Chart 2).

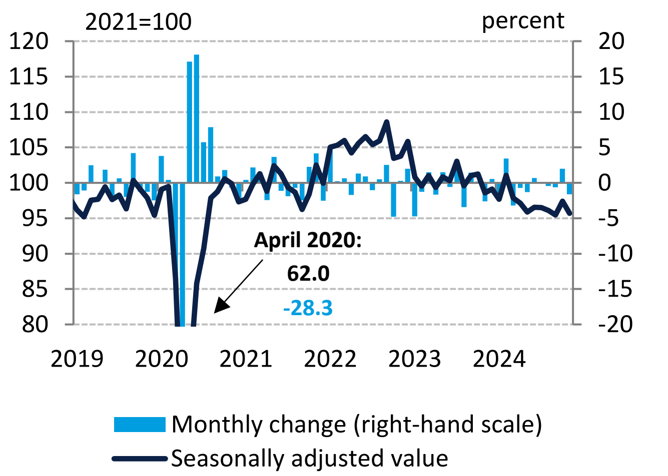
1.2. Real economic trends in Hungary

Gross domestic product fell by 0.7 percent in 2024 Q3 based on seasonally and calendar-adjusted data, compared to the same period of the previous year. Based on a quarterly comparison, economic performance also fell by 0.7 percent. In November, the volume of retail sales grew by 4.1 percent. Industrial output fell by 4.2 percent and construction output by 1.7 percent year-on-year. The external trade balance in goods showed a surplus of 742 million euros in November, according to preliminary data. The number of employed persons aged between 15 and 74 was 4,679,000, which is 10,000 lower than in October 2024 in seasonally adjusted terms. In the period of September–November 2024, 36,000 less people worked in Hungary on average than in the same period of the previous year. The unemployment rate stood at 4.5 percent.

1.2.1. Economic growth

Based on raw data, in 2024 Q3 Hungary's gross domestic product decreased by 0.8 percent on an annual basis. Based on seasonally and calendar-adjusted data, GDP declined by 0.7 percent on both an annual and quarterly basis. The deceleration was attributable to the poor performance of industry, construction and agriculture, while the value added of services increased. Household consumption increased by 4.5 percent year-on-year in 2024 Q3, supporting GDP growth by 2.0 percentage points. A sharp fall in investment held back economic growth by 4.0 percentage points. With exports falling by 1.9 percent and imports by 0.9 percent, net exports restrained growth by 0.9 percentage points in Q3.

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

The volume of industrial production fell by 4.2 percent in November 2024 compared to the same period of the previous year (Chart 3)**.** Based on seasonally and working-day adjusted data, output fell by 2.9 percent on an annual basis and by 1.6 percent on a monthly basis. The volume of industrial exports (-2.5 percent) and domestic sales (-1.7 percent) also fell in November. Output declined in most manufacturing sub-sectors. In the manufacture of transport equipment (-13.5 percent) and electrical equipment (-8.4 percent), output continued to fall on an annual basis. The total volume of new orders in the observed manufacturing sectors fell by 3.6 percent on an annual basis. New domestic orders fell by 6.4 percent and new export orders by 3.2 percent. Total order books at the end of November were down 17.6 percent from a year earlier.

In November 2024, the volume of construction output declined by 1.7 per cent year-on-year, according to raw data. Among the main construction groups, the output of construction of buildings fell by 9.0 percent, while that of other construction increased by 8.2 percent on an annual basis. The volume of new contracts signed fell by 51.1 percent. Of this, contracts for the construction of buildings decreased by 34.9 percent and contracts for the construction of other structures by 57.0 percent compared to the same period of the previous year. The volume of contracts in the construction sector at the end of November was up by 14.4 percent, with contracts for the construction of buildings down by 2.1 percent and those for other construction up by

26.7 percent on an annual basis. The contract portfolio of other construction increased significantly in July 2024, mainly due to the high-value contract concluded for the construction of the Danube bridge at Mohács. In addition, the low base in the same period of the previous year contributed to a significant year-on-year increase in the stock of other construction.

The **volume of retail sales grew by 4.1 percent year-on-year in November 2024**, while on a monthly basis, the Hungarian Central Statistical Office registered an increase of 0.6 percent. Retail trade excluding fuel sales rose by 4.8 percent on a calendar-adjusted basis. The annual volume of petrol station sales increased by 1.3 percent in November. Food retail grew by 5.3 percent on an annual basis. In addition, turnover increased in furniture, technical goods and hardware (+13.4 percent), pharmaceuticals, medical goods and perfumes (+7.7 percent), textiles, clothing and footwear (+7.5 percent), consumer goods-like miscellaneous products (+4.3 percent) and books and computers (+1.1 percent). Sales in online stores declined (-1.3 percent).

In November 2024, the external trade balance in goods showed a surplus of 742 million euros, according to preliminary data. The balance deteriorated by EUR 297 million compared to the previous month and by EUR 716 million relative to the same period of the previous year. The balance adjusted for VAT residents increased by EUR 23 million, amounting to a decrease of EUR 695 million compared to a year earlier. The 12-month rolling balance of external trade in goods continued its decline since its historic peak in April, showing a surplus of EUR 10.8 billion in November 2024. The rolling balance adjusted for VAT residents also fell moderately to EUR 2.7 billion. Expressed in euro, exports declined by 3.5 percent in November year-on-year. The nominal value of imports of goods in EUR terms increased by 2.3 percent over a year. The level of external trade in goods rose by 0.6 percent on the export side and by 2.8 percent on the import side in November compared to the previous month, according to seasonally adjusted data.

The NTCSA's (National Tax and Customs Administration) inflation-adjusted turnover of online cash registers was 1.6 percent higher in December 2024 year-on-year. The nominal turnover of online cash registers increased by 6.2 percent year-on-year. Freight traffic (+12.8 per cent) and road passenger traffic (+3.7 per cent) expanded as well. Electricity load increased by 1.6 percent. Cinema attendance increased by 66.0 percent and catering turnover by 15.4 percent. The number of Google searches for "unemployment benefits" increased in December 2024 on an annual basis.

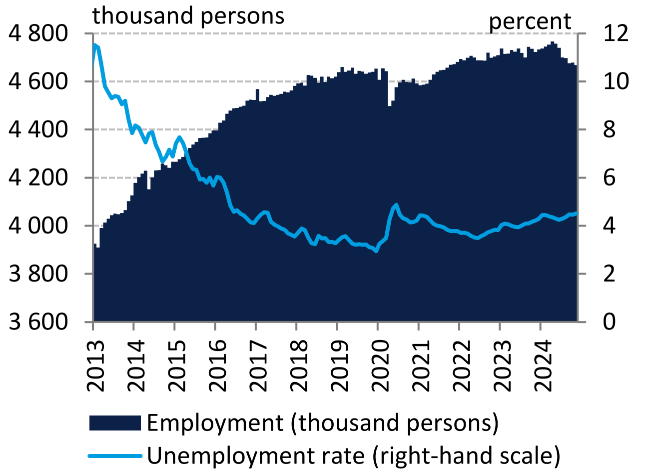
1.2.2. Employment

According to the Labour Force Survey, in November 2024, the average number of employees aged between 15 and 74 amounted to 4,679,000, which, adjusted seasonally, was 10,000 less than in October. In the period September–November 2024, the average number of persons employed was 4,691,000, which represents a decline of 36,000, compared to the same period of the previous year. On average, the number of persons in the primary labour market decreased by 39,000 between September and November, while the number of people working abroad increased by 3,000 and the number of persons in fostered employment remained stable.

The number of unemployed persons was 221,000 in November, which is 13,000 more than in the same period of the previous year. Overall, the unemployment rate was 4.5 percent (Chart 4). In November, based on seasonally adjusted data, the number of unemployed persons increased by 1,000 compared to October. According to the raw data of the National Employment Service (NES), there were 225,000 registered jobseekers in Hungary in November 2024 and 221,000 in December 2024. This represents a decline of 1,000 and 4,000, respectively, relative to the same period of the previous year. Based on seasonally adjusted data, the number of registered jobseekers in December 2024 decreased by 2,000 compared to November and remains lower than in the months before the outbreak of the coronavirus pandemic.

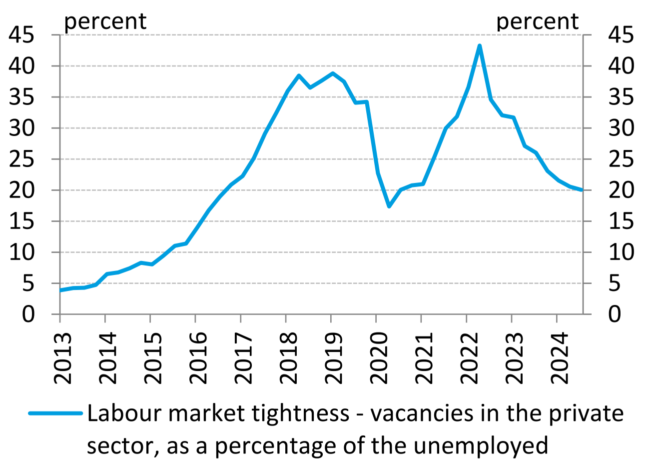
The labour market has become less tight in recent months (Chart 5). There were 46,700 vacancies in the private sector in 2024 Q3, 13.1 percent fewer year-on-year and 0.3 percent fewer compared to the previous quarter on a seasonally adjusted basis. Quarter on quarter, there were no significant changes in labour demand in either manufacturing or market services. There were 13,100 vacancies in manufacturing and 28,800 in the market services sector in 2024 Q3. In the public sector, vacancies increased in public administration and health, and decreased in education compared to the previous quarter, with no overall change compared to Q2.

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

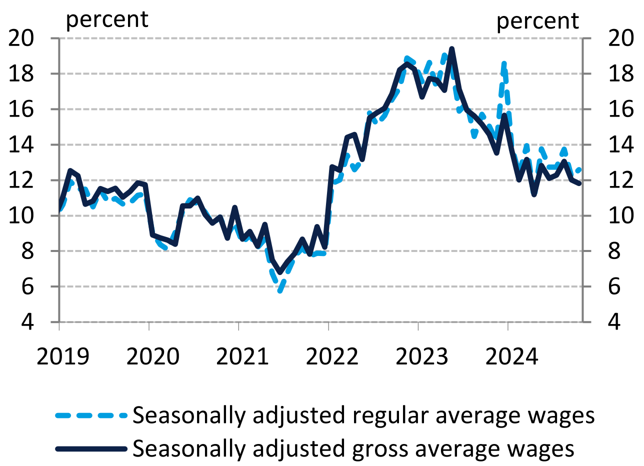
1.3. Inflation and wages

In December 2024, consumer prices rose by 4.6 percent year-on-year. Both core inflation and core inflation excluding indirect tax effects were 4.7 percent in December. The incoming figure was below the upper end of the forecast range in the December Inflation Report and above the consensus of analysts' expectations. Average annual inflation was 3.7 percent in 2024. In October 2024, average wages (excluding bonuses) rose by 13.5 percent in the national economy and by 12.9 percent in the private sector in annual terms.

1.3.1. Wages

In October 2024, gross average wages in the national economy increased by 12.9 percent and in the private sector by 12.0 percent compared to the same period last year. Average wages (excluding bonuses) rose by 13.5 percent in the national economy and by 12.9 percent in the private sector in annual terms. Regular earnings increased by 1.5 percent on a monthly basis. Premium payments were 4.4 percent of regular earnings, below the level of previous years.

Chart 6 Dynamics of average earnings in the private sector



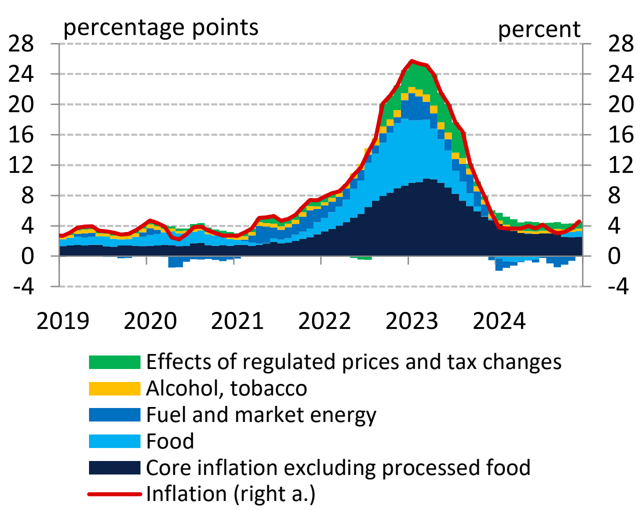
Source: MNB calculation based on HCSO data

According to seasonally adjusted data, gross average wage dynamics decelerated, while regular average wages accelerated in the private sector (Chart 6). In the private sector, wage dynamics in manufacturing exceeded the dynamics observed in market services based on raw data. In manufacturing, wages were 11.9 percent higher in October compared to the same period last year. With regard to market services, the Hungarian Central Statistical Office registered an increase of 11.4 percent. As for the sectors of the national economy, wages in construction grew by 15.9 percent, by 13.8 percent in tourism and by 11.9 percent in trade compared to the same period of the previous year.

1.3.2. Inflation developments

In December 2024, consumer prices rose by 4.6 percent year-on-year (Chart 7). Average annual inflation was 3.7 percent in 2024. Both core inflation and core inflation excluding indirect tax effects were 4.7 percent in December. In monthly terms, the price of the representative consumer basket and the core inflation basket rose by 0.5 percent. Compared to November, the annual rate of price increases accelerated by 0.9 percentage points. Inflation expectations have risen in general.

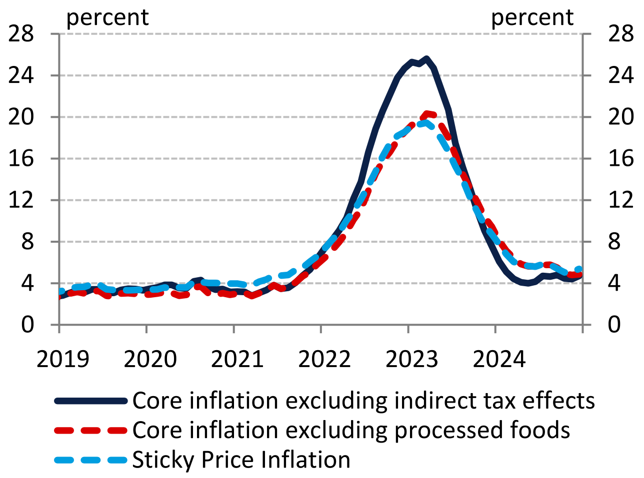
Chart 7 Decomposition of inflation



Source: MNB calculation based on HCSO data

The rise in the annualised CPI is largely explained by accelerating price dynamics for fuels and processed food. Higher core inflation compared to November was driven by higher prices for processed food and durable industrial goods. The annual inflation rate for industrial goods increased to 1.6 percent and the annual average price index for market services was invariably at 8.2 percent. Unprocessed food prices rose by 6 percent and processed food prices by 4 percent year-on-year. Fuel prices increased by 8.3 percent on an annual basis. The annual price index

Chart 8 Measures of underlying inflation indicators



Source: MNB calculation based on HCSO data

for goods and services with regulated prices was 2.2 percent. December's repricing rates were also above the historical average for industrial goods, market services and food.

The incoming figure was at the upper edge of the December Inflation Report's forecast range and above the consensus of analysts' expectations. The analysts' median was 4.4 percent, with expectations ranging from 4.2 to 5.2 percent.

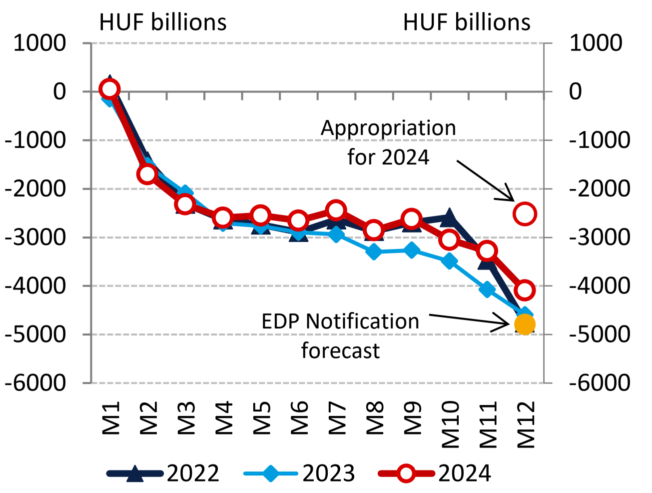
The MNB's annualised indicators, which capture more persistent inflation trends, increased in December. In annual terms, the inflation of sticky-price goods was 5.4 percent, while core inflation excluding processed food was at 4.9 percent (Chart 8).

1.4. Fiscal and external balance trends

In December 2024, the central sub-sector of general government registered a deficit of HUF 812 billion, bringing the cumulative deficit since the beginning of the year to HUF 4,096 billion. The deficit was almost HUF 700 billion lower than expected in the October EDP notification. In the first eleven months of the year, the current account registered a surplus of more than EUR 6.1 billion, with the monthly surplus totaling EUR 0.4 billion in November.

1.4.1. Fiscal trends

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

The December deficit of **the central sub-sector of general government** was HUF 812 billion, resulting in a cash deficit of HUF 4096 billion in 2024 (Chart 9). Last year's deficit of the central sub-sector exceeded the statutory target by approx. HUF 1,580 billion but was almost HUF 700 billion lower than expected in the October EDP notification and almost HUF 500 billion lower than the cash deficit in 2023. Last year's deficit was significantly lower than in 2023, despite the fact that the December deficit was more than HUF 290 billion higher than a year earlier.

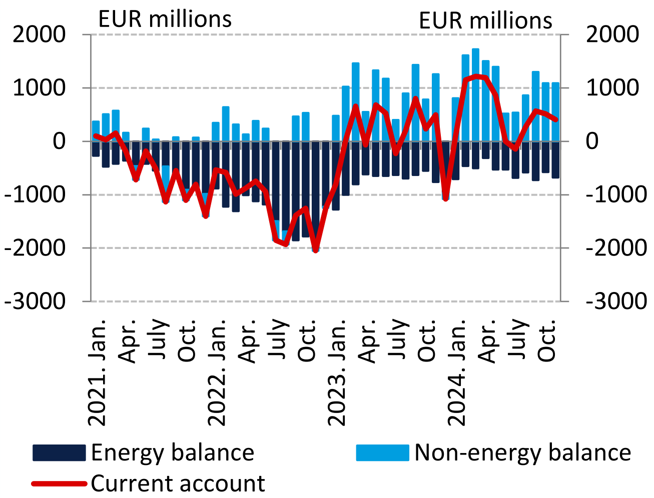
In December, **central sub-sector revenues** fell by HUF 618 billion on an annual basis, mainly due to the shortfall in EU revenues. Tax and contribution revenues increased by a total of HUF 49 billion (2 percent), while EU revenues decreased by HUF 734 billion compared to the high outlier in December 2023. Payments by economic organisations decreased by HUF 32 billion (9 percent), while net VAT revenues fell by HUF 67 billion (8 percent) and gross VAT revenues by almost 4 percent on an annual basis. In contrast, taxes and contributions on labour increased by HUF 98 billion (9 percent).

Budgetary expenditures in December were approx. HUF 325 billion lower than in the same period of the previous year. The decrease is mainly due to lower spending on EU programmes and, in the case of net interest expenditure, high interest revenues in December. Higher costs of government transport and utility services than at the end of 2023 as well as higher central budgetary institutions expenditure, pension expenditure and expenditure on medical and preventive care, contributed to the increase in fiscal expenditure in December 2024.

1.4.2. External balance developments

In November 2024, the current account surplus was EUR 0.4 billion, bringing the total surplus for the first eleven months of the year to around €6.1 billion. The surplus in November amounted to EUR 407 million, down EUR 105 million on the previous month and down EUR 89 million on a year earlier (Chart 10). The year-on-year decline was driven by a fall in the trade balance, on the back of subdued industrial production and buoyant domestic retail sales, partly offset by a rise in the services balance. The income

Chart 10 Developments in current account and energy balance



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

balance deficit narrowed year-on-year, while the surplus on the transfer balance increased.

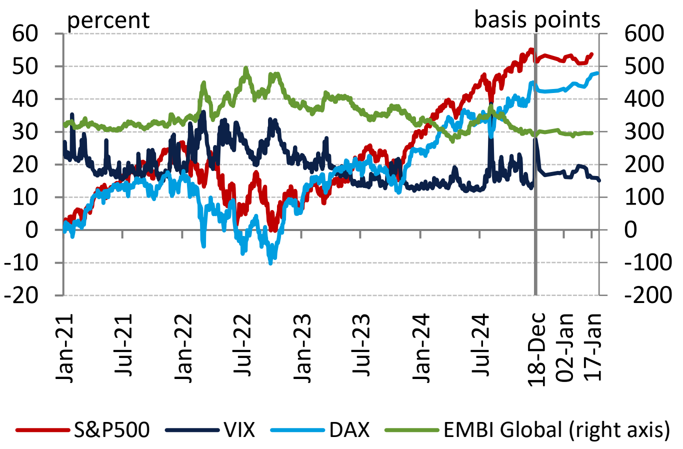
Financial account data show that in parallel with the increase in net foreign direct investment (FDI), net external debt increased slightly in November. The net inflow of EUR 0.4 billion of direct investment is mainly driven by reinvested earnings in Hungary. The November increase of EUR 0.1 billion in net external debt resulting from transactions was mainly linked to the banking system, while the government indicator increased as well but the corporate indicator declined.

2. Financial markets

2.1. International financial markets

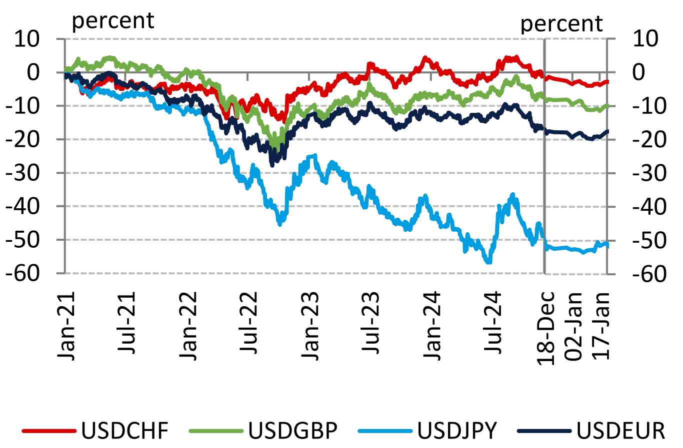
Global investor sentiment has been characterised by a high degree of uncertainty since the December interest rate decision. This was mainly driven by geopolitical developments, news on US tariff hikes and expectations on the future interest rate paths of major central banks. Risk indicators have risen over the past month. European stock indices were typically higher, while US and Asian indices were mixed. The commodity sub-indices rose over the period and the dollar appreciated slightly.

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

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

Global investor sentiment has been characterised by a high degree of uncertainty since the December interest rate decision. This was mainly driven by geopolitical developments, news on US tariff hikes and expectations on the future interest rate paths of major central banks. Expectations of the US central bank's next interest rate cut have been boosted by the release of macroeconomic data.

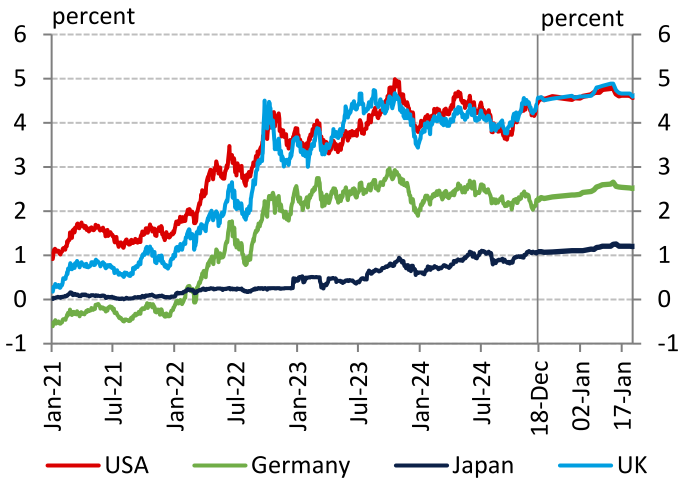
Risk indicators have risen over the past month. The VIX index, which measures US stock market volatility, was thus around 15 percent, while the European Vstoxx index was around 15.5 percent at the end of the period. The EMBI Global index, which captures emerging market bond spreads, rose above 295 basis points and the MOVE index, which measures developed bond market volatility, went up by 6 basis points since the previous interest rate decision (Chart 11). Emerging market currencies tended to weaken against the dollar.

European stock indices typically rose during the period, while US and Asian indices were mixed. Benchmark US stock market indices mostly fell in the first half of the period, before correcting from the second week of January. Meanwhile, the benchmark European stock indices rose between 3.6 and 5.6 percent, with the French CAC 40 index the best performer. In Asia, the Japanese and Chinese stock indices declined, while the Hong Kong and Korean indices rose by 1.2–1.6 percent. The MSCI index, which tracks emerging market stock markets, fell by 1.9 percent overall.

The US dollar strengthened slightly against most developed market currencies over the period (Chart 12). The dollar traded between 1.02 and 1.05 against the euro and strengthened by more than 1 percent overall, as well as against the Japanese yen. The dollar appreciated by 0.4 percent against the British pound and by 0.8 percent against the Swiss franc.

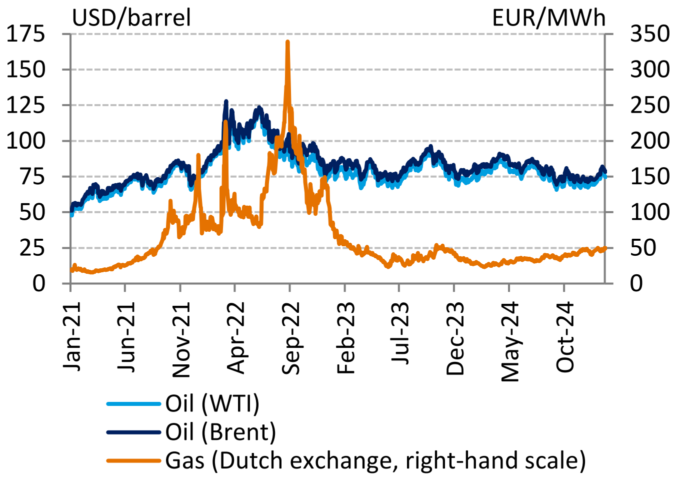
Developed and emerging market long yields have increased since the last interest rate decision. The US 10-year yield has increased by 18 basis points and is

Chart 13 Yields on developed market long-term bonds



Source: Bloomberg

Chart 14 Developments in oil and gas prices



Source: Bloomberg

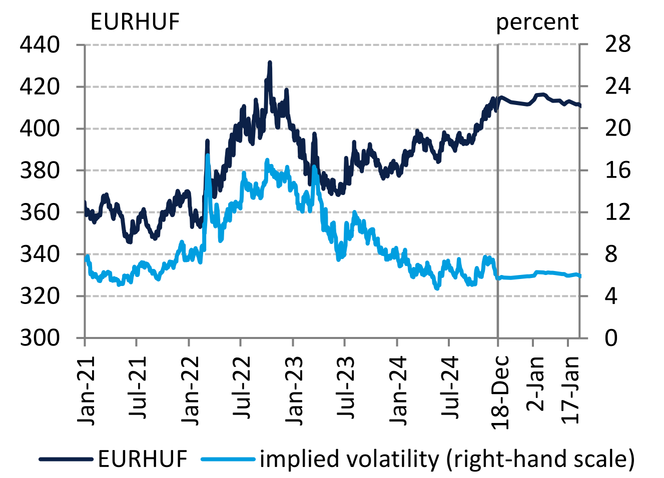
currently around 4.6 percent (Chart 13). The German long-term yield rose by 26 basis points to 2.5 percent, while the Japanese long-term yield rose by 12 basis points. **Ten-year government bond yields in the region have also typically moved higher.**

The commodity sub-indices rose almost without exception, with the energy sub-index rising the most, by 14.1 percent. The industrial metals and live animals sub-index rose by 2 percent, while the cereals index increased by 6 percent. The Bloomberg Commodity Price Index, which covers the entire commodity market, went up by 6.4 percent over the period. The price of North Sea Brent oil has risen by 9 percent per barrel since the last interest rate decision, to $80. The price of the US benchmark, WTI barrel, has moved in a similar way and is currently at the $77 level (Chart 14). The rise was mainly driven by new sanctions against Russia and restrictions on US domestic oil extraction. European gas prices have risen by 16 percent since the December rate decision, from 42.1 to 49 euros/MWh. The rise in prices is mainly due to the cancellation of the Ukrainian gas transit contract, which makes it more difficult for Russian gas to reach Central Europe.

2.2. Developments in domestic money market indicators

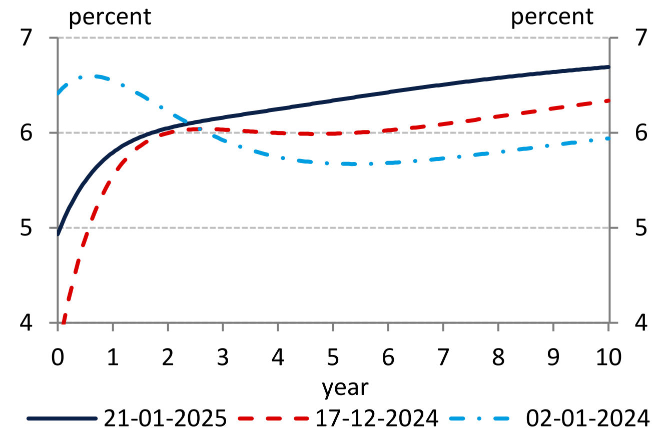
The forint has depreciated by 0.5 percent against the euro since the December interest rate decision. The longer part of the yield curve for government bonds rose. During the period under review, the volume of bids submitted for government bond auction significantly exceeded the quantity offered in advance, and the Debt Manager accepted quantities in excess of those announced in several cases. The 3-month BUBOR remained unchanged at 6.5 percent.

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



Source: Bloomberg

Chart 16 Shifts in the spot government yield curve



Source: Bloomberg

The forint weakened by 0.5 percent against the euro (Chart 15)**.** In the first period after the December interest rate decision, the forint weakened by more than 1.5 percent, reaching a new two-year low. In addition to the strengthening of the dollar, country-specific factors also contributed to the weakening. The forint subsequently stabilised in the second half of December, partly as a result of the MNB raising the implied interest rate on its FX swap instrument, which provides foreign exchange liquidity, to 6 percent on 20 December. In the first trading days of 2025, the exchange rate weakened again, but the higher-than-expected domestic inflation data published in mid-January helped the forint to strengthen, further supported by the more significant weakening of the dollar at the end of the period. Overall, this has brought the forint back to levels close to those at the time of the December rate decision. Currencies in the region were mixed, with the Polish zloty strengthening by 0.2 percent and the Czech koruna weakening by 0.5 percent over the past month.

The 3-month BUBOR, which is relevant for monetary transmission, has remained unchanged since the previous interest rate decision and continues to stand at 6.5 percent.

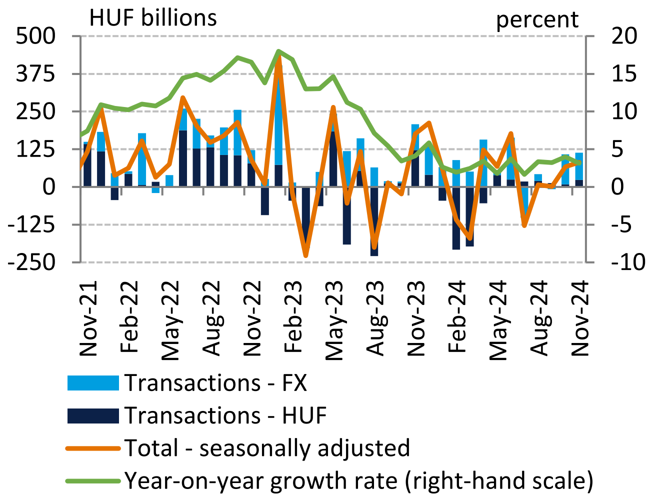
The longer part of the government bond yield curve has risen (Chart 16). The 1-year leg of the yield curve was mixed, with the middle leg up by an average of 50 basis points and the long leg up by an average of 35 basis points.

Government bond auctions held by the Government Debt Management Agency were characterised by strong demand in the first half of the period, and by mixed demand in the second half of the period. The volume of bids submitted for government bond auction significantly exceeded the quantity offered in advance, and the Debt Manager accepted quantities in excess of those announced in several cases. Coverage was particularly high for 3-year and 5-year securities, while DKJ auctions had a number of cases where the volume of bids submitted was less than announced.

3. Trends in lending

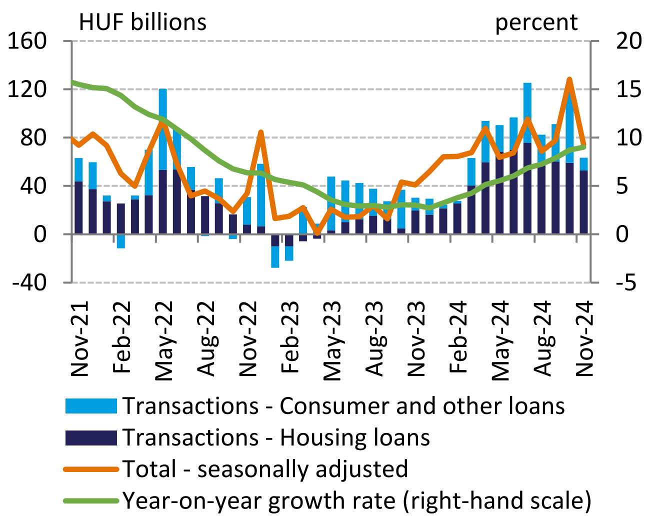
Corporate loans outstanding increased by HUF 114 billion in November 2024, slowing the annual growth rate from 4.0 percent in October to 3.2 percent. In addition, household lending increased by HUF 64 billion, bringing the annual growth rate of the stock to 9.0 percent, up 0.3 percentage points compared to October.

Chart 17 Net borrowing by non-financial corporations



Source: MNB

Chart 18 Net borrowing by households



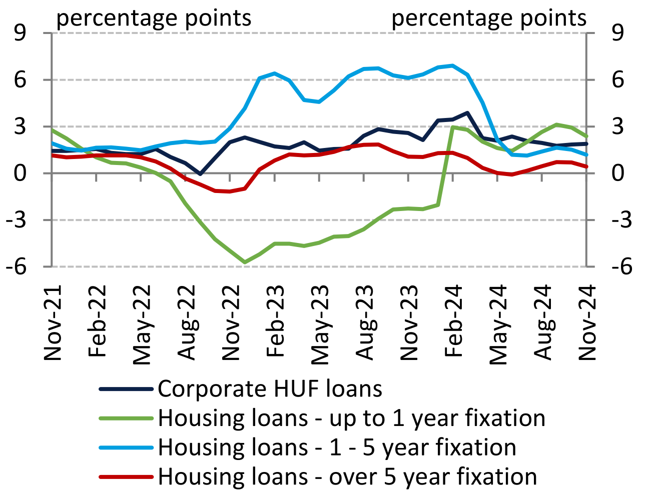
Source: MNB

Corporate loans increased by HUF 114 billion in November 2024, due to a HUF 23 billion growth in forint loans and a HUF 91 billion increase in foreign currency loans. **The annual growth rate of loans slowed** from 4.0 percent in October **to 3.2 percent** (Chart 17). Credit institutions contracted new non-overdraft loans in an amount of HUF 253 billion during the month, which is 30 percent higher than in the same period last year.

In November, household lending increased by HUF 64 billion due to transactions, bringing the annual growth rate of the stock to 9.0 percent, up 0.3 percentage points from October (Chart 18). Due to the low base, the HUF 231 billion volume of new household loan contracts was 38 percent higher than in the same period last year. In this context, the value of newly contracted housing loans rose by 69 percent year on year. Almost 1,000 contracts were signed in November under the HPS Plus programme, available since January, worth HUF 26 billion and amounting to 23 percent of new home loans disbursed during that month.

The smoothed interest rate spread on corporate forint loans increased by 3 basis points from the previous month, and equaled 1.88 percentage points in November 2024 (Chart 19). As for housing loans, the spread on products with a fixed interest rate beyond 5 years decreased by 27 basis points to 0.42 percentage points at the end of the period under review.

Chart 19 Developments in corporate and household credit spreads



Note: APR-based smoothed spreads on household loans, 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