MACROECONOMIC AND

FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL

TO THE ABRIDGED MINUTES

OF THE MONETARY COUNCIL MEETING

OF 17 DECEMBER 2024

DECEMBER

2024

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The background material 'Macroeconomic and financial market developments' is based on information available until 10 December 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

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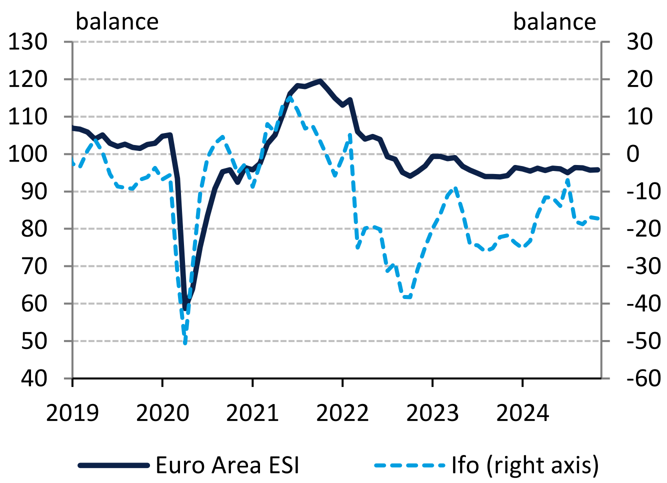
1. Macroeconomic developments

1.1. Global macroeconomic environment

In 2024 Q3, GDP grew slower year-on-year in the European Union, whereas it increased at a greater pace in China and the United States. In October, industrial production rose in China, while it fell in the US, and the euro area also saw a decline in September on an annual basis. Retail sales also increased in the US, China and the euro area in October. At 2.7 percent, annualised inflation in the United States was 0.1 percentage points higher in November compared to the previous month. In China, consumer prices rose by 0.2 percent in annual terms. Euro area inflation rose to 2.3 percent year-on-year, while core inflation was unchanged at 2.7 percent in November, according to preliminary data. The inflation figure was in line with analysts' expectations and core inflation was somewhat below expectations.

In 2024 Q3, GDP grew slower year-on-year in the European Union, whereas it increased at a greater pace in China and the United States. In China, the economy expanded by 4.6 percent in the third quarter, and in the United States, the economy grew by 2.7 percent on an annual basis in the third quarter, after growing by 3.0 percent in the second quarter. In the European Union, GDP for 2024 Q3 grew by 1.0 percent on an annual basis, while in the euro area it increased by 0.9 percent. 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 (+1.3 percent) also expanded compared to the same period in the previous 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



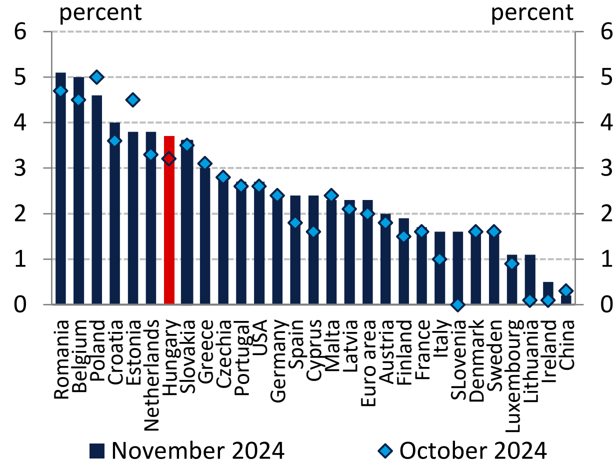
Source: European Commission, Ifo

Industrial production in China rose by 5.3 percent, while in the US it fell by 0.3 percent on an annual basis in October. Industrial output in the euro area fell by 2.8 percent in September. Retail sales expanded by 2.8 percent in the United States, 4.8 percent in China and 1.9 percent in the euro area in October.

In November, the Purchasing Managers' Index for manufacturing rose in the United States and China and fell in the euro area. The index rose above the expansion threshold in China, while it remained below the threshold in the United States and the euro area. The Economic Sentiment Indicator (ESI) of the euro area improved by 0.1 point in November (Chart 1).

The unemployment rate in the United States remains low. In the United States, the unemployment rate rose from 4.1 percent in October to 4.2 percent in November. Non-farm

Chart 2 Developments in the international inflation environment



Note: Data from national statistical offices for Hungary, Czech Republic, Poland, Romania, Denmark and Sweden. Preliminary data for Poland and Sweden. Preliminary HICP inflation rates for other EU countries.

Source: Eurostat, national statistical offices

payrolls increased by 227,000, significantly exceeding analysts' expectations of 200,000. In the euro area, the unemployment rate in October was 6.3 percent, the same as in September.

Annualised inflation in the United States was at 2.7 percent in November, in line with expectations and up 0.1 percentage point on the previous month. **In China, consumer prices rose by 0.2 percent on an annual basis. Euro area inflation rose to 2.3 percent year-on-year**, while core inflation was unchanged at 2.7 percent in November, according to preliminary data. The inflation figure was in line with analysts' expectations and core inflation was somewhat below expectations.

Among the countries of the region, inflation rose in Romania and Slovakia, fell in Poland and remained unchanged in the Czech Republic in November. Prices rose by 5.1 percent in Romania, 4.6 percent in Poland and 2.8 percent in the Czech Republic over a year, according to the data of the national statistical offices. Inflation in Slovakia rose to 3.6 percent in November, according to Eurostat's preliminary HICP data (Chart 2).

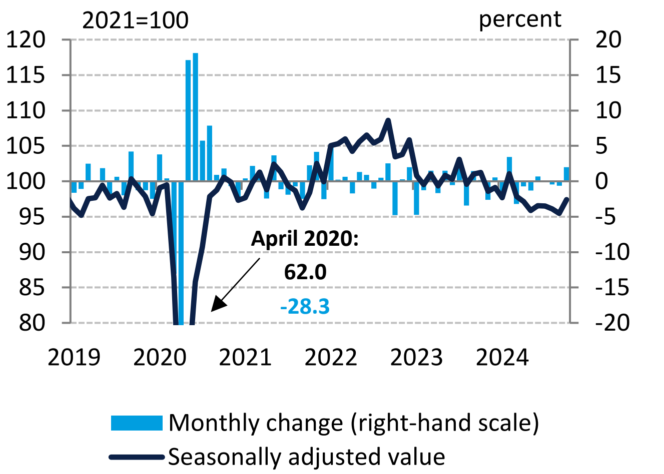
1.2. Real economic trends in Hungary

Gross domestic product fell by 0.8 percent in 2024 Q3 based on raw data and by 0.7 percent on the basis of data adjusted for seasonal and calendar effects, compared with the same period of the previous year. Based on a quarterly comparison, economic performance also fell by 0.7 percent. In October, the volume of retail sales increased by 3.6 percent, while industrial production fell by 0.2 percent year-on-year. In September, construction output fell by 8.2 percent on an annual basis. In October 2024, preliminary data showed a surplus of EUR 965 million in trade in goods. The average number of people aged 15 to 74 in employment amounted to 4,699,000 in October which, seasonally adjusted, is 2,000 higher than in September. In the period of August–October 2024, 14,000 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 balanced data adjusted for seasonal and calendar effects, 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. Consumption continued to increase in line with rising real wages. Household consumption increased by 4.5 percent year-on-year in the third quarter of the year, supporting GDP growth by 2.0 percentage points. A sharp fall in investment held back economic growth by 4.0 percentage points. Investment fell in sectors producing for the domestic and export markets, in the public sector and in sectors indirectly linked to the government, and the decline was only partly offset by an increase in household investment. With exports falling by 1.9 percent and imports by 0.9 percent, net exports restrained growth by 0.9 percentage points in the third quarter.

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 0.2 percent in October 2024, compared with the same period in the previous year. Based on seasonally and working-day adjusted data, output declined by 3.4 percent on an annual basis, while quarter-on-quarter output rose by 2.0 percent (Chart 3). According to the HCSO, output expanded in the vast majority of the main manufacturing sub-sectors in October, offset by declines in a few key sectors. Among the most important sub-sectors, the manufacture of transport equipment and electrical equipment declined, while the manufacture of computer, electronic and optical products and food, beverages and tobacco products increased.

In September 2024, the volume of construction output fell by 8.2 percent year-on-year. Construction of buildings fell by 2.0 percent and that of other construction by 17.0 percent on an annual basis. In September, the volume of new contracts signed increased by 2.7 percent. In particular, the volume of contracts for the construction of buildings was 17.8 percent lower and that for the construction of other structures 24.9 percent higher than a year earlier. The volume of contracts in the construction sector at the end of September increased by

36.0 percent on an annual basis, with contracts for the construction of buildings up by 1.5 percent and those for other construction up by 71.0 percent. The contract portfolio of other construction at the end of September 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 3.6 percent year-on-year in October. Retail trade excluding fuel sales rose by 4.2 percent on a calendar-adjusted basis. The annual volume of filling station sales stagnated in October. On a monthly basis, turnover increased by 1.2 percent. Retail food trade rose by 4.8 percent on an annual basis. In addition, sales also increased in pharmaceuticals, medicinal products and perfumes (+9.4 percent), furniture, appliances and hardware (+4.8 percent), mixed industrial goods (+1.7 percent), and online (+1.3 percent). In the other product groups, sales were essentially unchanged.

In October, preliminary data show a surplus of EUR 965 million in trade in goods. The balance improved by EUR 16 million compared to the previous month, while deteriorating by EUR 127 million compared to the same period of the previous year. The balance adjusted for VAT residents showed a surplus of EUR 198 million. The 12-month rolling balance of external trade in goods fell short of its historic peak in April, showing a surplus of EUR 11.5 billion in October. The rolling balance adjusted for VAT residents continued to fall moderately to EUR 3.3 billion. In October, the value of exports in euros fell by 0.8 percent on an annual basis. The nominal value of imports of goods in EUR terms increased by 0.2 percent over a year. Compared with September, the value of exports fell by 1.2 percent and imports by 2.1 percent in October, according to seasonally adjusted data.

The NTCSA’s (National Tax and Customs Administration) inflation-adjusted turnover of online cash registers was 4.9 percent higher in October year-on-year. The nominal turnover of online cash registers increased by 8.2 percent year-on-year. Freight traffic increased (+20.0 percent), while passenger road traffic declined (-11.9 percent). Electricity load decreased by 4.3 percent. Cinema attendance increased by 9.7 percent and catering turnover by 13.9 percent. The number of Google searches for “unemployment benefits” increased in October.

1.2.2. Employment

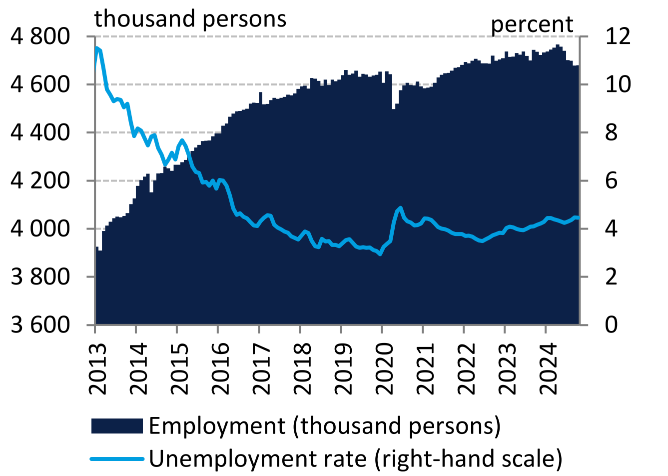
According to the Labour Force Survey data, the number of persons aged 15 to 74 in employment amounted to

4,699,000 in October 2024 which, seasonally adjusted, is 2,000 higher than in September. In the period August-October 2024, the average number of persons employed was 4,703,000, which represents a decline of 14,000, compared to the same period of the previous year. On average, the number of persons in the primary labour market decreased by 9,000 between August and October, while the number of people working abroad remained stable and the number of persons in fostered employment decreased by 6,000.

The number of unemployed persons was 219,000 in October, which is 14,000 more than in the same period of the previous year. Overall, the unemployment rate was 4.5 percent (Chart 4). Based on seasonally adjusted data, the number of unemployed persons in October decreased by 2,000 compared to September. According to the raw data of the National Employment Service (NES), there were 226,000 registered jobseekers in Hungary in October 2024 and 224,000 in November 2024. Thus there was no significant change compared to the same period in the previous year. Based on seasonally adjusted data, in November 2024 the number of registered jobseekers was essentially the same as in October, so it is still at lower levels than in the months before the outbreak of the coronavirus pandemic.

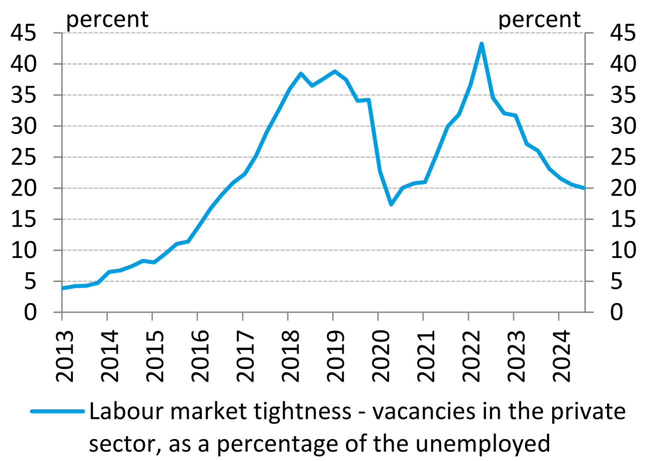
The labour market has become less tight in recent months (Chart 5). There were 46,700 vacancies in the private sector in 2024 Q3, 13.1 percent fewer year-on-year and, seasonally adjusted, 0.3 percent fewer compared to the previous quarter. Labour demand fell slightly in manufacturing and increased slightly in market services compared with the previous quarter. In manufacturing, there were 0.3 thousand fewer job vacancies than in 2024 Q2. In the market services sector, there were 28,800 job vacancies in 2024 Q2, 0.8 thousand higher than in the previous quarter. In the public sector, the number of job vacancies fell by 1.3 percent compared to the previous quarter.

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



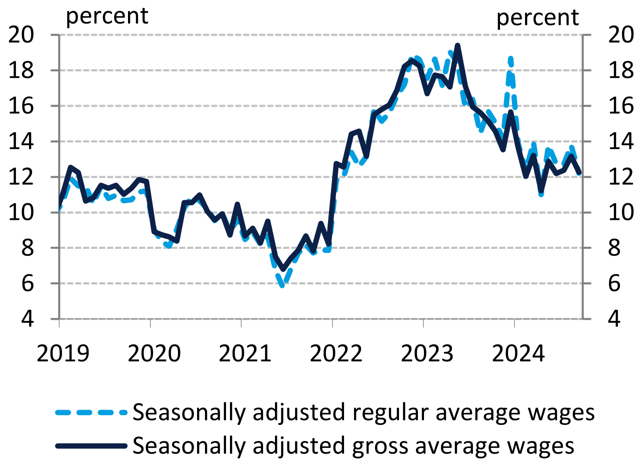
Note: Seasonally adjusted quarterly data.
Source: HCSO, MNB calculation

1.3. Inflation and wages

In November 2024, consumer prices rose by 3.7 percent year-on-year. Both core inflation and core inflation excluding indirect tax effects fell to 4.4 percent. The incoming figures matched the September Inflation Report projection and the consensus of analysts' expectations. In September 2024, average wages (excluding bonuses) rose by 12.7 percent in the national economy and by 12.2 percent in the private sector in annual terms.

1.3.1. Wages

Chart 6 Dynamics of average earnings in the private sector



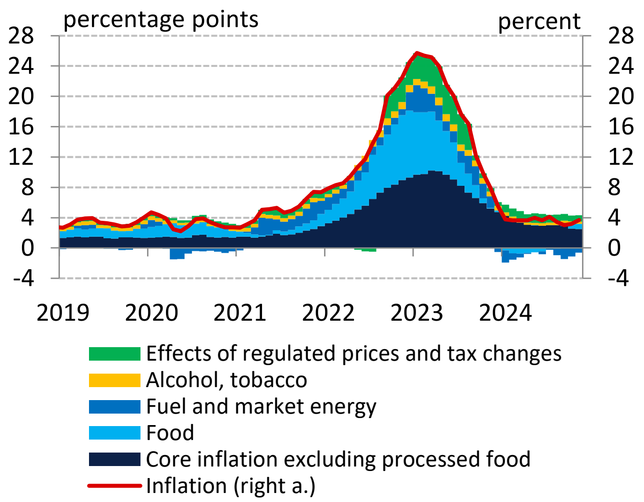
Source: MNB calculation based on HCSO data

In September 2024, average gross earnings rose by 12.5 percent in the national economy and by 11.9 percent in the private sector year-on-year. In annual terms, average regular earnings (excluding bonuses) rose by 12.7 percent in the national economy and by 12.2 percent in the private sector. Regular earnings increased by 0.9 percent on a monthly basis. Premium payments were 4.1 percent of regular earnings, slightly below the level of previous years.

Based on seasonally adjusted data, the dynamics of both gross average wages and regular average wages decelerated in the private sector (Chart 6). In the private sector, the wage dynamics of market services exceeded those of manufacturing on the basis of raw data. In manufacturing, wages were 11.3 percent higher in September compared with the same period in the previous year. With regard to market services, the Hungarian Central Statistical Office registered an increase of 11.9 percent. As for the sectors of the national economy, wages in tourism grew by 13.3 percent, by 13.1 percent in construction and by 12.3 percent in trade relative to the same period of the previous year.

1.3.2. Inflation developments

Chart 7 Decomposition of inflation

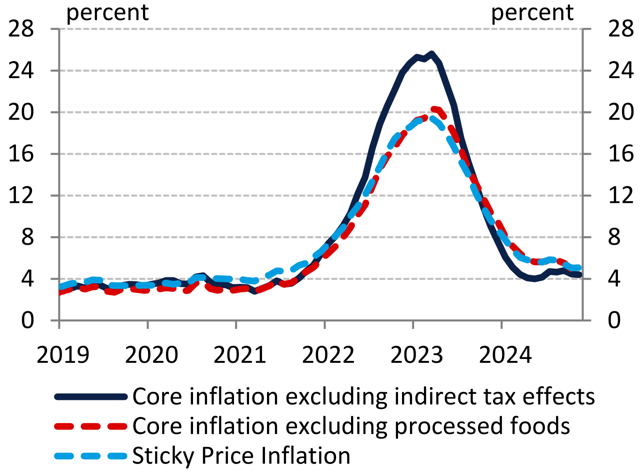


Source: MNB calculation based on HCSO data

In November 2024, consumer prices rose by 3.7 percent year-on-year (Chart 7). Both core inflation and core inflation net of indirect taxes fell to 4.4 percent. In monthly terms, the price of the total consumer basket increased by 0.5 percent, while the price of the core inflation basket increased by 0.3 percent. Compared with October, the annual rate of price increases rose by 0.5 percentage points.

The rise in the annualised CPI is largely explained by accelerating fuel price dynamics, while the slowdown in core inflation is due to continued disinflation in market services. The annual inflation rate for industrial goods increased to 1.5 percent and the annual average price index for market services fell to 8.2 percent. Unprocessed food prices rose by 6 percent and processed food prices by 2.7 percent year-on-year. Fuel prices increased by 0.7 percent on an annual basis. The annual price index for goods and services with regulated prices was 1.5 percent. In the case of industrial goods, the ratio of repricing in November was below the historical average, while in the case of market services and food it was higher than the historical average.

Chart 8 Measures of underlying inflation indicators



Source: MNB calculation based on HCSO data

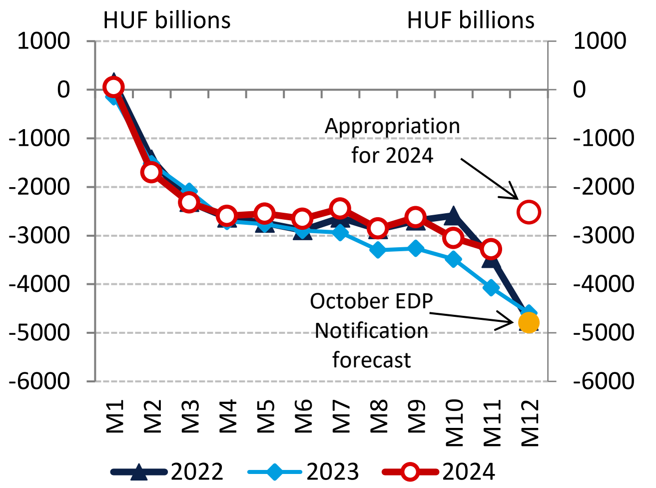
The depreciation of the forint exchange rate since September has not had a noticeable impact on the prices of industrial goods.

The MNB's annualised indicators, which capture more persistent inflation trends, remained broadly unchanged in November. In annual terms, the inflation of sticky-price goods was 5.1 percent, while core inflation excluding processed food was at 4.8 percent (Chart 8).

1.4. Fiscal and external balance trends

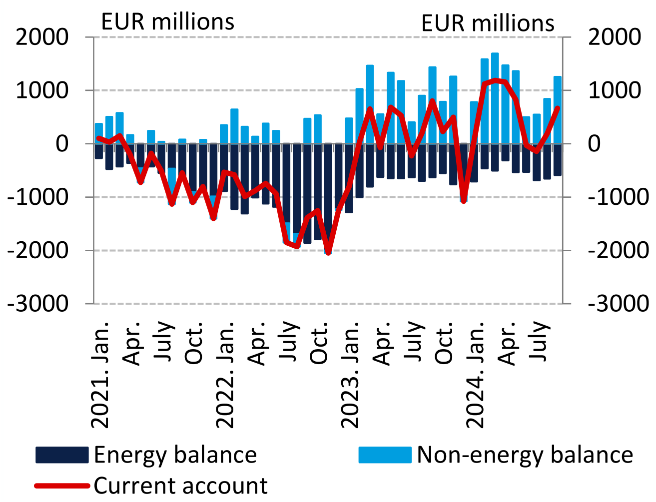
In November 2024, the central sub-sector of the general government registered a deficit of HUF 234 billion, increasing the cumulative deficit to HUF 3,284 billion since the beginning of the year. This is around HUF 790 billion lower than the cumulative figure in November 2023 and 69 percent of the annual cash deficit target, which was raised to nearly HUF 4,800 billion in the autumn 2024 EDP notification. In the first nine months of the year, the current account registered a surplus of more than EUR 5 billion, with the monthly surplus rising to EUR 0.7 billion in September.

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

Chart 10 Developments in current account and energy balance



Source: MNB, HCSO

1.4.1. Fiscal trends

The **central sub-sector of the general government** registered a deficit of HUF 234 billion in November 2024, which represents a near HUF 350 billion improvement compared to the deficit in November 2023. The cumulative deficit from the start of the year rose to HUF 3,284 billion by the end of the month (Chart 9). This is around HUF 790 billion lower than the cumulative figure in November 2023 and almost 69 percent of the annual cash deficit target, which was raised to nearly HUF 4,800 billion in the autumn 2024 EDP notification.

Revenues of the central sub-sector increased by HUF 24 billion on an annual basis in November 2024. Tax and contribution revenues increased by HUF 212 billion (12 percent), while EU revenues decreased by HUF 37 billion. Labour taxes and contributions increased by HUF 102 billion (11 percent), while financial transaction levy revenues rose by HUF 20 billion. Net VAT receipts increased by HUF 65 billion, or 17 percent, while gross VAT receipts grew by 2.1 percent on an annual basis. Corporate surtax revenues decreased by HUF 67 billion compared to November 2023, as the payment deadlines for the special tax on pharmaceutical manufacturers and the carbon dioxide quota tax were changed, resulting in a significantly lower payment obligation in November 2024 in these headings.

Budgetary expenditures in November 2024 were HUF 329 billion lower than in the same period of the previous year. The decrease is mainly explained by a fall in spending on EU programmes and pension expenditure of HUF 105-105 billion, as well as a drop in spending on public assets. The decline in pension expenditure in November 2024 is due to the high base caused by the retroactive additional increase disbursed in November 2023. Net interest expenditure was HUF 68 billion lower than in November 2023. The decrease in expenditure was partly offset by a HUF 127 billion increase in net expenditure of budgetary institutions and chapters.

1.4.2. External balance developments

In September 2024, the current account surplus amounted to almost EUR 0.7 billion, bringing the total surplus to over EUR 5 billion in the first nine months of the year (Chart 10). In September, the income balance deficit narrowed significantly on a year-on-year basis, while the transfer balance also decreased, reflecting the decline in the EU balance. The October foreign trade in goods data suggest that the current account surplus in October may be somewhat lower than the EUR 667 million value recorded in September.

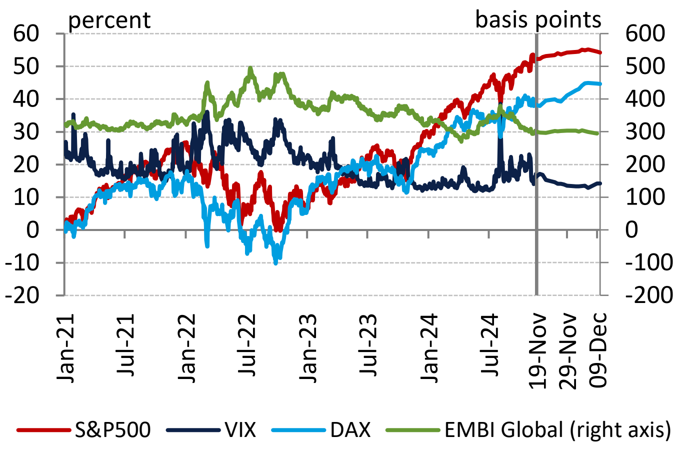
Financial account data show that net direct investment (FDI) fell to a small extent in September, while net external debt also declined due to transactions. The net outflow of EUR 0.2 billion of FDI was driven by dividend payments by foreign companies and investment outflows by domestic firms. The decrease of EUR 0.3 billion in September in net external debt resulting from transactions was mainly linked to the banking system, while the government's indicator increased.

2. Financial markets

2.1. International financial markets

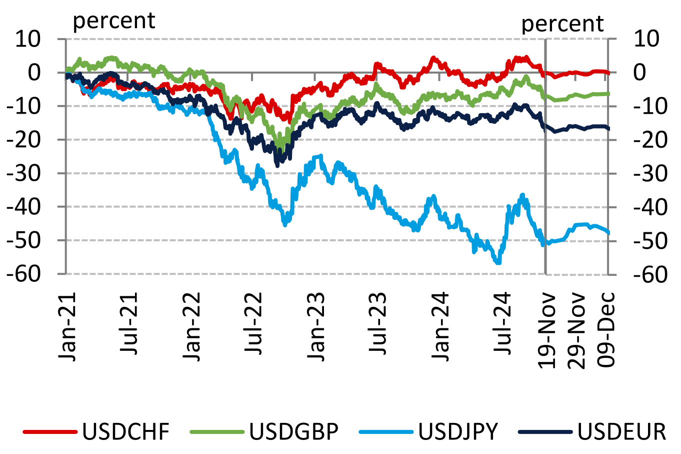
Global investor sentiment has been volatile since the November interest rate decision. This has mainly been driven by expectations for the future interest rate paths of the world's leading central banks, an expected intensification of global trade disputes and risks related to geopolitical conflicts. Risk indicators were mixed: while developed stock exchange indices rose and long bond yields moderated, the dollar appreciated and emerging currencies weakened on average.

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



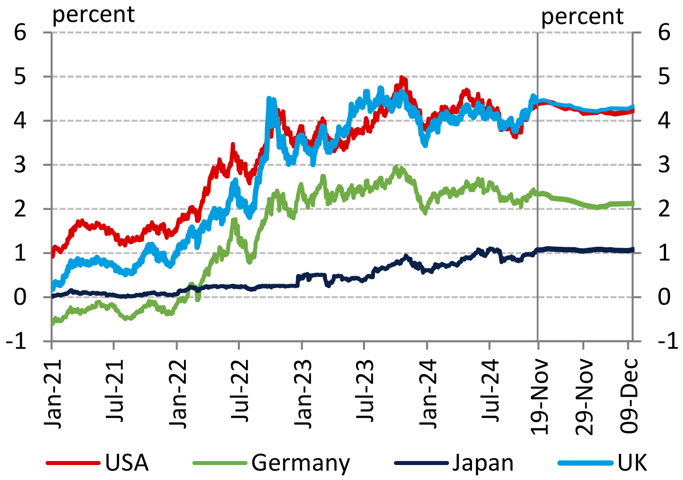
Note: Positive values indicate the strengthening of the variable (second) currency.
Source: Bloomberg

In the period since the last interest rate decision, the main factors influencing international money and capital markets have been interest rate expectations for central banks of developed markets, news on the next US president's tariff policy and geopolitical tensions. Based on emerging macroeconomic data and the minutes of the Fed's November meeting, expectations were raised in relation to the 25 basis point interest rate cut by the US central bank at the end of the year. For the ECB, the market is confident of an interest rate cut, but there are differing views on its extent. Donald Trump's statements on raising tariffs have reinforced concerns in Asian and European markets. International financial market sentiment deteriorated at the beginning of the period as a result of renewed missile attacks in the Russian-Ukrainian war, but the missile attacks eased in the second half of the period, improving the investor environment.

Risk indicators have been mixed over the past month. The VIX index, which measures US stock market volatility, was thus around 14 percent, while the Vstoxx index, which measures European stock market volatility, was around 15 percent at the end of the period. The EMBI Global index, which captures emerging market bond spreads, fell below 300 basis points and the MOVE index, which measures developed bond market volatility, declined by 15 basis points since the previous interest rate decision (Chart 11). Emerging market currencies, on average, weakened against the dollar.

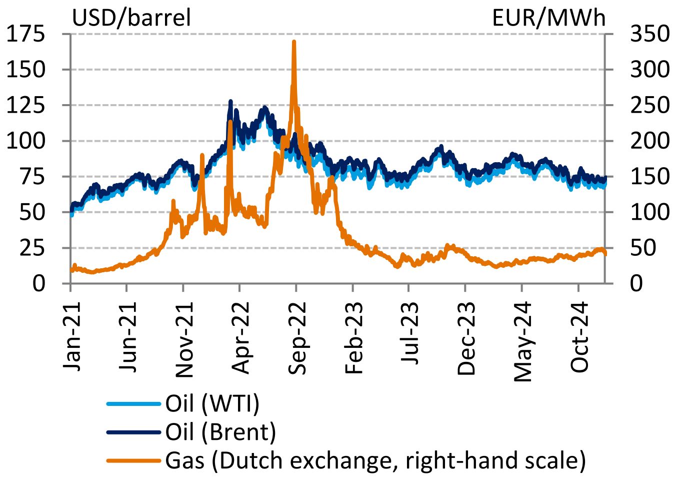
Both US and European stock market indices rose over the period. The US benchmark stock market indices rose steadily over the period until the first weekend in December, when they corrected slightly, rising by 2-3.3 percent overall. Meanwhile, the leading European stock market indices rose between 2.2 and 6.7 percent, with the German DAX index being the best performer, up 6.7 percent. Asian indices typically rose by 2.5 percent over the period, with the exception of the Korean index, which fell by 1.2 percent. The MSCI index, which tracks

Chart 13 Yields on developed market long-term bonds



Source: Bloomberg

Chart 14 Developments in oil and gas prices



Source: Bloomberg

emerging market stock exchanges, rose by 1.5 percent overall.

With low volatility, the US dollar strengthened slightly against most developed market currencies over the period (Chart 12). The dollar traded between 1.04 and 1.06 against the euro and strengthened by less than 1 percent overall over the period. The Japanese yen strengthened by nearly 2 percent against the dollar, much of which came after a higher-than-expected Tokyo CPI data publication. The dollar weakened by 0.4 percent against the pound sterling, while it appreciated by 0.3-2.8 percent against other developed market currencies.

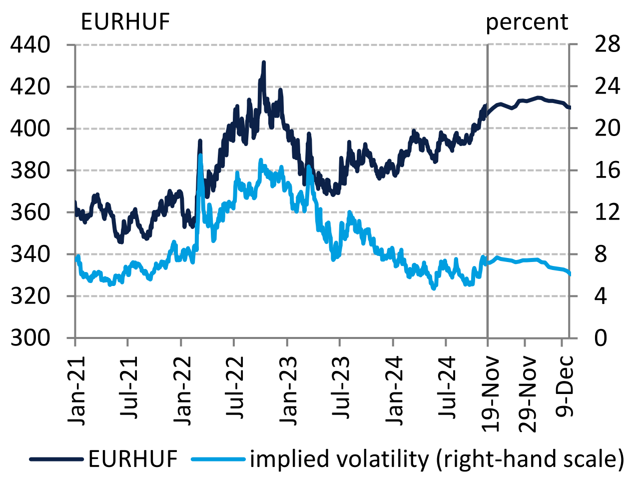
Developed and emerging market long yields typically saw a decrease in yields since the last interest rate decision. The US 10-year yield fell by 17 basis points since the previous interest rate decision and is back around 4.2 percent (Chart 13). The German long-term yield declined by 22 basis points to 2.1 percent, while the Japanese long-term yield rose by 1 basis point to remain above 1.0 percent. **Ten-year government bond yields in the region have been stable.**

Commodity prices have risen moderately since the previous interest rate decision. The Bloomberg commodity price index rose by 0.6 percent over the period. The small increase was mainly due to increases in the other raw materials sub-index (7.2 percent) and the livestock sub-index (1.1 percent). In the energy market, oil prices have been relatively stable, with only minor movements over the period. World oil prices fell in late November and the first week of December after OPEC cut its forecast for global oil demand. In response, OPEC+ member states decided to cut oil extraction, which may have contributed to a supported and slightly higher oil price. At the same time, the internal political crisis that unfolded in Syria may have also had an upward impact. The price of Brent oil remained broadly unchanged since the last interest rate decision, remaining close to USD 73. Similarly, there was no major movement in the price of WTI oil, which is currently close to USD 69 (Chart 14). At the same time, gas prices in Europe have fallen by 3 percent since the previous interest rate decision.

2.2. Developments in domestic money market indicators

The forint has depreciated by half a percent against the euro since the November interest rate decision, while the exchange rate has been highly volatile over the period. Government bond market yields fell slightly. Since the previous interest rate decision, demand has been generally strong in government bonds auctions. The 3-month BUBOR remains unchanged at 6.5 percent.

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

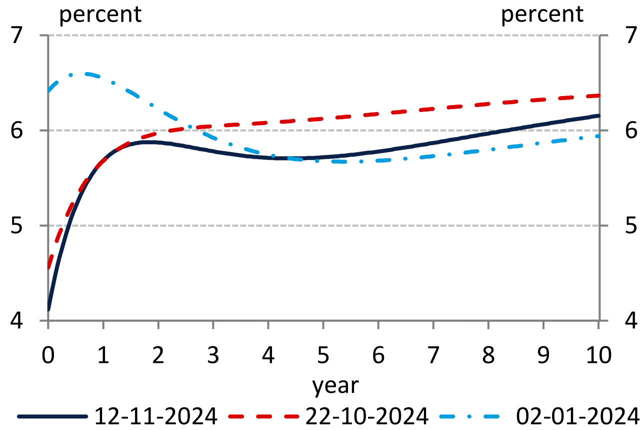


Source: Bloomberg

The forint weakened by half a percent against the euro since the November interest rate decision (Chart 15). The exchange rate weakened by around one and a half percent in the first half of the period, a two-year low against the euro, and then strengthened by around one percent at the end of the period. The weakening was driven by both international and domestic factors, while the strengthening was mainly due to the Fitch rating decision and inflation in line with expectations. At the same time, regional currencies strengthened: the Polish zloty appreciated by 1.7 percent, the Czech koruna by 0.8 percent and the Romanian leu by 0.1 percent against the euro over the past month. As the exchange rate strengthened towards the end of the period, the implied volatility of the forint also declined.

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.

Chart 16 Shifts in the spot government yield curve



Source: Bloomberg

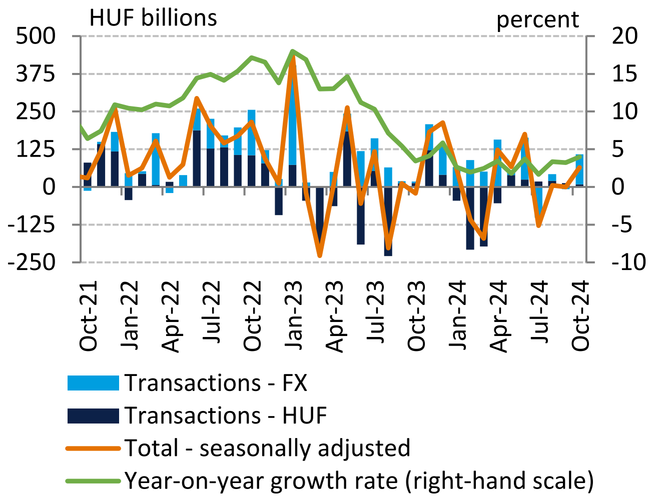
The government securities market's yield curve shifted downwards (Chart 16). The section of the yield curve around 1 year moved up 2-6 basis points, the middle section was down 24 basis points on average, and the long section was down 30-40 basis points.

Government bond auctions held by the Government Debt Management Agency were characterised by an adequate demand in the first half of the period, and by a strong demand in the second half of the period. 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. Coverage was particularly high for 5-year and 7-year securities, while in the case of discount treasury bill auctions, interest was mixed.

3. Trends in lending

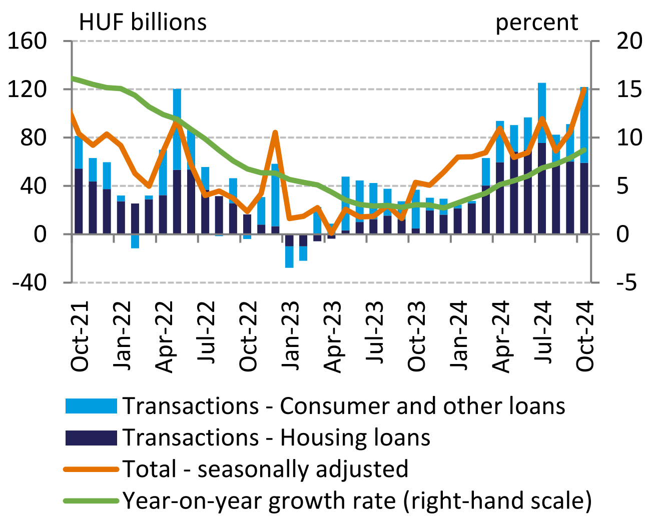
Corporate loans outstanding increased by HUF 108 billion in October 2024, accelerating the annual growth rate of loans from 3.2 percent in September to 4.0 percent. In addition, household lending increased by HUF 122 billion due to transactions, bringing the annual growth rate to 8.7 percent, up 0.8 percentage points from September.

Chart 17 Net borrowing by non-financial corporations



Source: MNB

Chart 18 Net borrowing by households



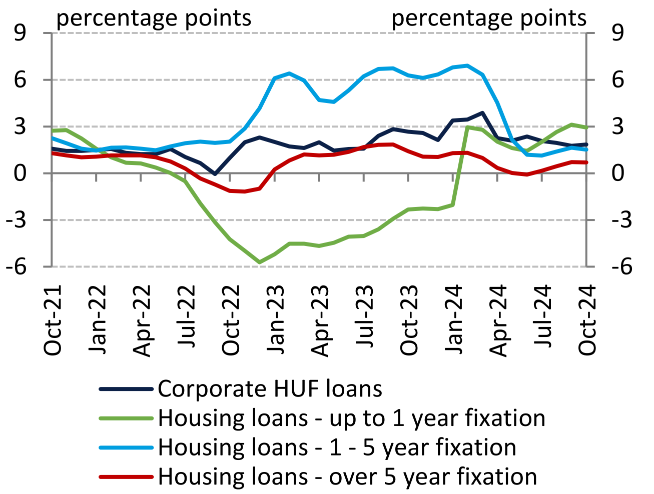
Source: MNB

The corporate loan portfolio increased by HUF 108 billion in October 2024, due to a HUF 8 billion increase in forint lending and a HUF 100 billion growth in foreign currency loans. **Accordingly, the annual growth rate of loans accelerated to 4.0 percent** from the 3.2 percent recorded in September (Chart 17). Credit institutions contracted new non-overdraft loans in an amount of HUF 249 billion during the month, which is 8 percent lower than in the same period of the previous year. Significant contributors to new issuance were large individual transactions (loans above a contractual amount of HUF 5 billion), which accounted for HUF 108 billion of new loans issued.

In October, household lending increased by HUF 122 billion due to transactions, bringing the annual growth rate to 8.7 percent, up 0.8 percentage points from September (Chart 18). Due to the low base, the HUF 254 billion volume of new household loan contracts was 70 percent higher than in the same period of the previous year. In this context, the value of newly contracted housing loans rose by 130 percent year on year. More than 1,000 contracts were signed in October under the HPS Plus programme, available since January, worth HUF 27 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 8 basis points from the previous month, and equalled 1.85 percentage points in October 2024 (Chart 19). As for housing loans, the spread on products with a fixed interest rate beyond 5 years decreased by 3 basis points to 0.68 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