MACROECONOMIC AND

FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL

TO THE ABRIDGED MINUTES

OF THE MONETARY COUNCIL MEETING

OF 22 OCTOBER 2024

OCTOBER

2024

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The background material 'Macroeconomic and financial market developments' is based on information available until 17 October 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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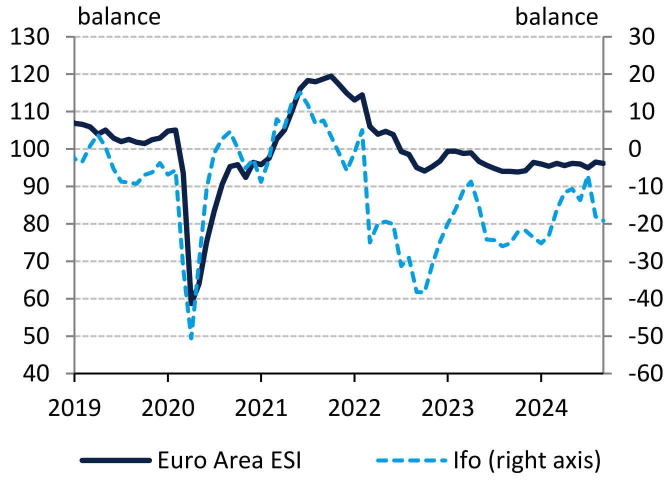
1. Macroeconomic developments

1.1. Global macroeconomic environment

In 2024 Q2, GDP grew slower in annual terms in the European Union, whereas it increased at a faster pace in the United States and China. Industrial production rose by 4.5 percent in China and 0.1 percent in the euro area, while in the US it stagnated on an annual basis in August. In September, the Purchasing Managers' Index for manufacturing fell in China, the United States and also the euro area. Year-on-year inflation in the United States was 0.1 percentage points lower in September compared with the previous month at 2.4 percent, while consumer prices in China rose by 0.4 percent on an annual basis. Euro area inflation moderated to 1.7 percent year on year and core inflation to 2.7 percent in September. In September, inflation rose in the Czech Republic and Poland among the countries of the region, while it fell in Slovakia and Romania.

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 3.0 percent in the second quarter on an annual basis. The European Union economy grew by 0.8 percent and the euro area by 0.6 percent, on a seasonally and calendar-adjusted basis. Only five Member States recorded a decline on an annual basis. Among the countries in the region, the economy expanded in Poland (+4.0 percent), the Czech Republic (+0.6 percent), Romania (+0.8 percent) and Slovakia (+2.1 percent) compared to the same period a year earlier. GDP in Germany, our main trading partner, stagnated on an annual basis, based on seasonally and calendar-adjusted data.

Chart 1 Business climate indices in Hungary’s export markets



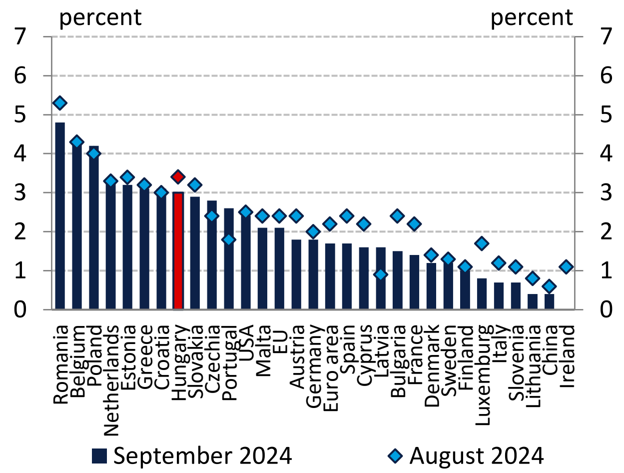
Source: European Commission, Ifo

Industrial production rose by 4.5 percent in China and 0.1 percent in the euro area, while in the US it stagnated on an annual basis in August. Retail sales expanded by 2.1 percent in the US and China and by 0.8 percent in the euro area in August.

In September, the Purchasing Managers' Index for manufacturing fell in China, the United States and in the euro area as well. The index fell below the expansion threshold in China, while it remained below the threshold in the United States and the euro area. The euro area’s Economic Sentiment Indicator (ESI) decreased by 0.3 points in September (Chart 1).

The unemployment rate in the United States remained low. In the United States, the unemployment rate eased slightly to 4.1 percent in September, from the 4.2 percent seen in August. Non-farm payrolls increased by 254,000, exceeding the average increase of 203,000 over the past year and analysts' expectations. The unemployment rate in the euro area was 6.4 percent in August, the same as in July.

Chart 2 Developments in the international inflation environment



Note: HICP inflation rates for EU Member States.

Source: Eurostat

Annualised inflation in the United States was higher than expected at 2.4 percent in September, but was down 0.1 percentage point compared with the previous month. **In China, consumer prices rose by 0.4 percent on an annual basis. Euro area inflation moderated to 1.7 percent year on year and core inflation to 2.7 percent in September**. The inflation figure was 0.1 percentage point lower than analysts' expectations and core inflation was in line with them.

In September, inflation rose in the Czech Republic and Poland among the countries of the region, while it fell in Slovakia and Romania. Prices rose by 4.8 percent in Romania, 4.2 percent in Poland, 2.9 percent in Slovakia and 2.8 percent in the Czech Republic over a year in September, according to Eurostat HICP data (Chart 2).

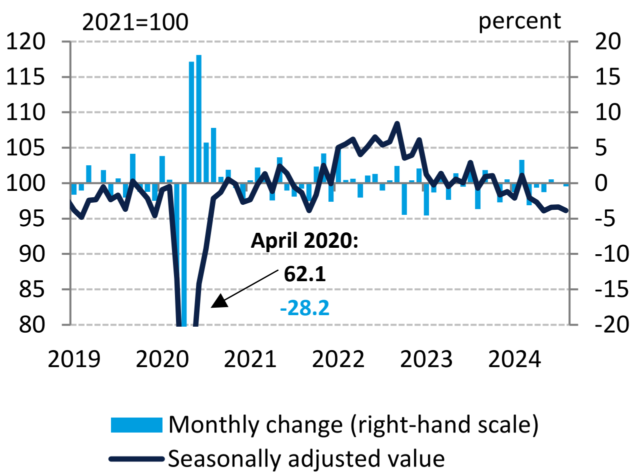
1.2. Real economic trends in Hungary

Based on raw data, gross domestic product increased by 1.5 percent year on year in 2024 Q2, while it decreased by 0.1 percent quarter on quarter according to adjusted data. In August 2024, the volume of industrial production fell by 9.5 percent and the volume of construction output by 6.0 percent compared to the same period a year earlier. The volume of retail sales grew by 4.1 percent year on year. Preliminary data showed a surplus of EUR 671 million in trade in goods. The number of unemployed persons stood at 210,000 in August indicating a 15,000 increase year on year. The tightness of the labour market has eased in recent months and the unemployment rate reached 4.2 percent.

1.2.1. Economic growth

Based on raw data, the gross domestic product increased by 1.5 percent year on year in 2024 Q2, while quarter on quarter it decreased by 0.1 percent according to adjusted data. Based on balanced data adjusted for seasonal and calendar effects, added value rose by 1.4 percent on an annual basis. According to the HCSO, services and construction increased GDP, while industry and agriculture reduced it. Among consumption items, in addition to household consumption and net exports, change in inventories supported annual growth, while investment curbed it. Year on year, gross fixed capital formation fell sharply by 15.4 percent, slowing annual economic growth by 4.2 percentage points.

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 9.5 percent in August 2024, compared to the same period last year. Based on data adjusted for seasonal and working-day effects, output fell by 3.6 percent on an annual basis. The significant difference compared to the raw data is due to the fact that there were two working days less in August this year than in August 2023. Industrial output was 0.5 percent lower than in the previous month, according to data adjusted for seasonal and working-day effects (Chart 3). The monthly volume of industrial output has been following a downward trend since September 2022 and moved close to the September 2021 level in August this year.

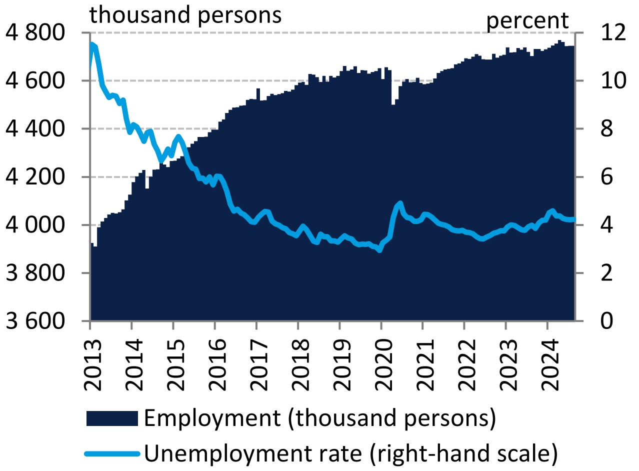
Both industrial exports and domestic sales showed a decline in August. Both the output of industrial export and that of domestic industrial sales dropped by 6.3 percent and 7.3 percent, respectively, compared to the same month a year earlier. The output of the automotive industry, representing the largest share, contracted by 12.4 percent on an annual basis. The production of electrical equipment fell by 15.7 percent year on year. The manufacture of food, beverages and tobacco products decreased by 0.2 percent compared to the same period of the previous year, driven by a rise in domestic sales and a fall in exports. Output in pharmaceuticals rose by 3.5 percent in August, after a sharp decline in the previous month, while output in the manufacture of chemicals and chemical products increased by 5.3 percent on an annual basis.

In August 2024, the volume of construction output fell by 6.0 percent year on year. Construction of buildings and other construction decreased by 3.2 percent and 10.2 percent, respectively, year on year. Based on seasonally and calendar-adjusted data, total construction output was less by 2.1 per cent relative to July 2024. The volume of new contracts signed fell by 19.6 percent in August. In particular, the volume of contracts for the construction of buildings decreased by 27.1 percent and those for the construction of other structures by 11.1 percent in annual terms. The number of contracts in the construction sector at the end of August was 22.8 percent higher than in the same period a year earlier. Within this, contracts for the construction of buildings decreased by 5.8 percent, while contracts for other construction increased by 51.4 percent. The latter is due to an upturn in public orders in July (as a result of high-value contracts for road construction and the Mohács Danube bridge construction).

In August 2024, the volume of retail sales increased by 4.1 percent year on year. Retail trade excluding fuel sales rose by 5.6 percent on a calendar-adjusted basis. The annual volume of sales at filling stations decreased by 1.2 percent. On a monthly basis, turnover increased by 0.8 percent. Sales volumes were close to year-end 2022 levels, based on seasonally and calendar-adjusted data. Retail food trade rose by 7.5 percent on an annual basis. In addition, sales also increased in pharmaceuticals, medicinal products and perfumes (+7.4 percent), online (+6.1 percent), furniture, hardware and ironware (+4.9 percent), as well as books and computers (+1.2 percent). In August, in addition to fuel, sales also declined in the product groups of textiles, clothing and footwear (-2.2 percent) and mixed industrial goods (-2.8 percent).

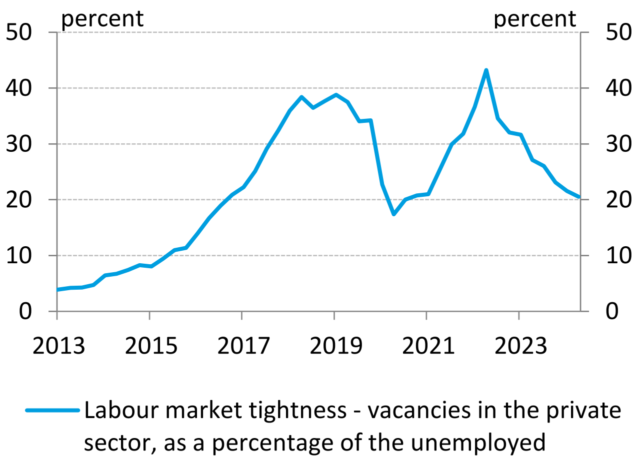
Preliminary data show a surplus of EUR 671 million in trade in goods in August 2024. The balance improved by EUR 504 million compared to the previous month, while deteriorating by EUR 10 million compared to the same period of the previous year. The balance adjusted for VAT residents showed a deficit of EUR 173 million, amounting to a decrease of EUR 264 million compared to a year earlier. The 12-month rolling balance of external trade in goods fell short of its historic peak in April, showing a surplus of EUR 12.3 billion, similar to July. The rolling balance adjusted for VAT residents continued to fall moderately to EUR 4.3 billion. In August, the value of goods exports in euro terms fell by 4.1 percent on an annual basis, while the nominal value of goods imports in euro terms declined by 4.2 percent over a year. Compared to July, the value of exports rose by 2.7 percent and imports fell by 0.3 percent.

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

The NTCSA's (National Tax and Customs Administration) inflation-adjusted turnover of online cash registers was 6.4 percent higher in August year on year. The nominal turnover of online cash registers increased by 9.6 percent year on year. In September, freight traffic increased (+19.3 percent), while passenger road traffic declined (-16.2 percent). Electricity load increased by 10.7 percent. Cinema admissions fell by 2.3 percent, while catering turnover increased by 6.2 percent. The number of Google searches for the term "unemployment benefits" rose in August.

1.2.2. Employment

According to the Labour Force Survey data, the number of persons aged 15 to 74 in employment amounted to 4,748,000 in August 2024 which, in seasonally adjusted terms, is 1,000 higher than in July. In the period of June–August 2024, the average number of persons in employment was 4,752,000, signalling a 31,000-increase year on year. In the same period, the average number of persons employed in the primary labour market increased by 43,000 and the number of persons working at a business unit abroad rose by 2,000, while the number of persons in fostered employment decreased by 10,000 relative to the same period in 2023.

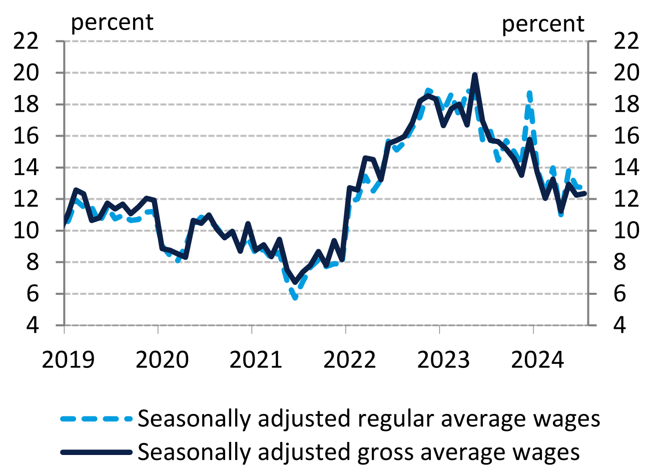
The number of unemployed persons stood at 210,000 in August, a 15,000-increase year on year. Overall, the unemployment rate was 4.2 percent (Chart 4). Based on seasonally adjusted data, the number of unemployed persons increased by 1,000 compared to July. According to raw data from the National Employment Service (NES), there were 225,000 registered jobseekers in Hungary in August 2024 and 228,000 in September 2024. This is not a significant change compared to the same period last year. Based on seasonally adjusted data, the number of registered jobseekers in September 2024 increased by 1,000 compared to August and still remains lower than in the months before the outbreak of the coronavirus pandemic.

The labour market has become less tight in recent quarters (Chart 5). There were 46,400 vacancies in the private sector in 2024 Q2, 15.6 percent fewer year on year and 5.0 percent less compared to the previous quarter. Labour demand in both manufacturing and market services fell compared to the previous quarter. In manufacturing, there were 0.3 thousand fewer job vacancies than in 2024 Q1. In the market services sector, 28,300 job vacancies opened up in 2024 Q2, which was 1,300 fewer than in the previous quarter. In the public sector, the number of job vacancies remained broadly unchanged compared to the previous quarter.

1.3. Inflation and wages

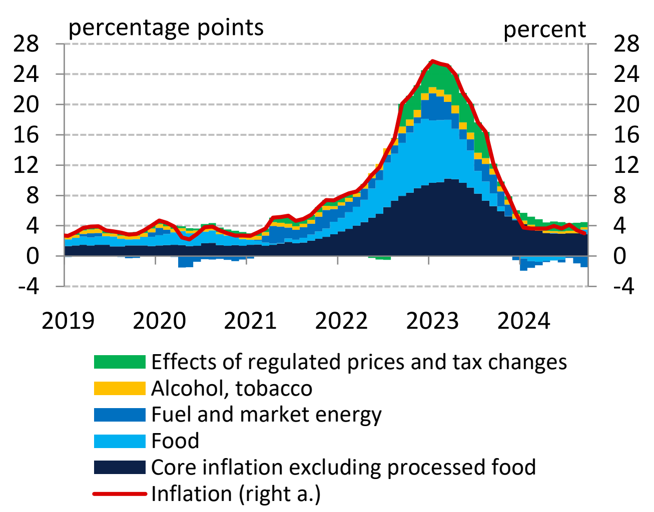
In September 2024, consumer prices rose by 3.0 percent year on year. Beforehand, the last time inflation was at a level consistent with the central bank's 3 percent target was in early 2021. Both core inflation and core inflation excluding indirect tax effects increased to 4.8 percent. Incoming inflation data were in line with the forecast of the MNB's September Inflation Report, but somewhat below the median of market analysts' expectations. In July 2024, regular wages (excluding bonuses) rose by 14.3 percent in the national economy, and by 13.2 percent in the private sector in annual terms.

Chart 6 Dynamics of average earnings in the private sector



Source: MNB calculation based on HCSO data

Chart 7 Decomposition of inflation



Source: MNB calculation based on HCSO data

1.3.1. Wages

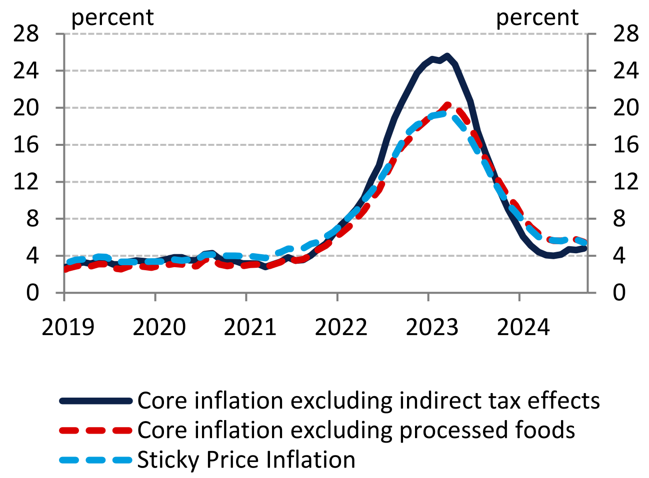
In July 2024, average gross earnings rose by 13.9 percent in the national economy and by 12.7 percent in the private sector year on year. In annual terms, average regular earnings (excluding bonuses) rose by 14.3 percent in the national economy and by 13.2 percent in the private sector. Regular earnings increased by 0.6 percent on a monthly basis. At 6.7 percent of regular earnings, premium payments were below the previous years' values, but still historically high.

Based on seasonally adjusted data, the dynamics of both gross average wages and regular average wages remained broadly unchanged in the private sector when compared with the previous month (Chart 6). In the private sector, wage dynamics in manufacturing exceeded the dynamics observed in market services on the basis of raw data. In manufacturing, wages were 13.1 percent higher in July compared with the same period last year. With regard to market services, the Hungarian Central Statistical Office registered an increase of 12.1 percent. As for the sectors of the national economy, wages in construction grew by 16.9 percent, by 14.0 percent in tourism and by 11.7 percent in trade compared with the same period of the previous year.

1.3.2. Inflation developments

In September 2024, consumer prices rose by 3.0 percent year on year (Chart 7). Before that, the last time inflation was at a level consistent with the central bank's 3 percent target was in early 2021. Core inflation and core inflation net of indirect taxes both rose to 4.8 percent. On a monthly basis, the price of the representative consumer basket decreased by 0.1 percent, while the price of the core inflation basket remained unchanged. The annualised consumer price index decreased by 0.4 percentage points relative to the previous month. The decline in the annualised CPI is explained by slowing fuel price dynamics, partly due to base effects and partly due to the fall in fuel prices in September. The increase in year-on-year core inflation was driven by higher price dynamics of processed food. The annual inflation rate for industrial goods fell to 1.6 percent, while the annual basis price index for market services remained unchanged at 9.6 percent. Unprocessed food prices rose by 3.2 percent and processed food prices

Chart 8 Measures of underlying inflation indicators



Source: MNB calculation based on HCSO data

by 2.0 percent year on year. Fuel prices fell by 9.5 percent on an annual basis, partly due to favourable base effects. The annual price index for goods and services with regulated prices was 1.5 percent.

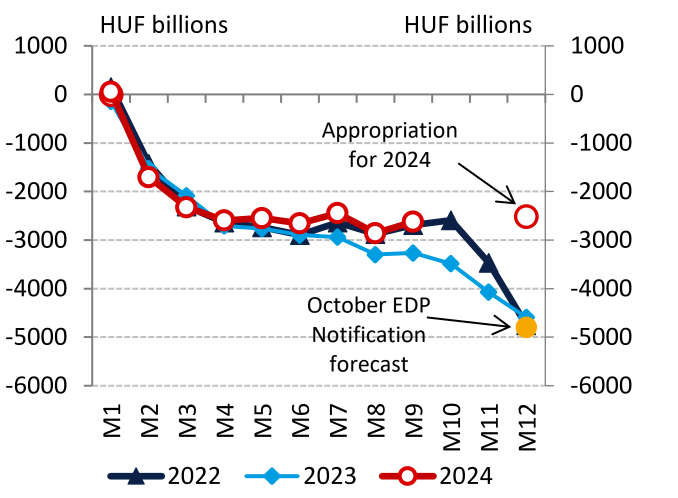
Incoming data were in line with the forecast in the September Inflation Report and somewhat below the consensus of market analysts' expectations. The median was 3.1 percent, with expectations ranging from 2.8 to 3.4 percent.

The MNB's annualised indicators, which capture more persistent inflation trends, declined in September. In annual terms, the inflation of sticky-price goods was 5.4 percent, while core inflation excluding processed food was at 5.5 percent (Chart 8).

1.4. Fiscal and external balance trends

The general government's central sub-sector showed a surplus of HUF 234 billion in September, reducing the cumulative deficit from the start of the year to HUF 2,624 billion by the end of the month. This is around HUF 640 billion lower than last year's cumulative figure, while accounting for 55 percent of the annual cash deficit target, which was raised to nearly HUF 4,800 billion in the October EDP Notification. In the first eight months of the year, the current account balance showed a surplus of nearly EUR 4.4 billion, with the monthly balance turning into surplus again in August.

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

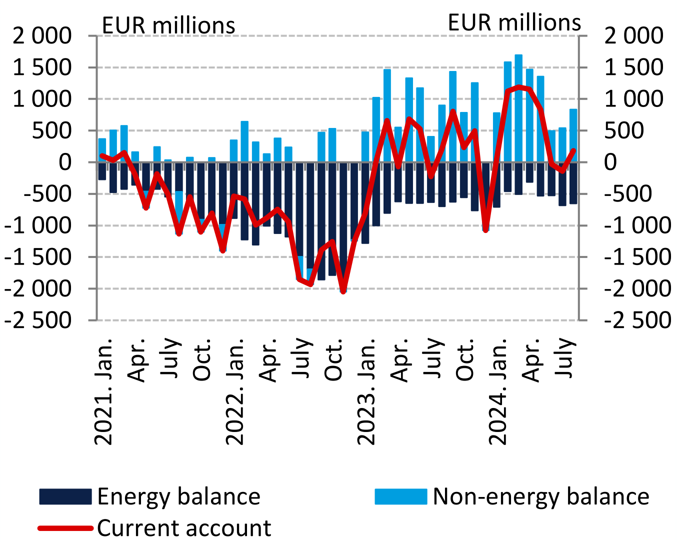
1.4.1. Fiscal trends

The **general government's central sub-sector** registered a surplus of HUF 234 billion in September, which represents a HUF 200 billion improvement compared to the figure perceived in September 2023. The cumulative deficit from the start of the year narrowed to HUF 2,624 billion by the end of the month (Chart 9). This is around HUF 640 billion lower than last year's cumulative figure and 55 percent of the annual cash deficit target, which was raised to nearly HUF 4,800 billion in the October EDP Notification.

In September, **central sub-sector revenues** increased by HUF 197 billion on an annual basis, of which tax and contribution revenues went up by HUF 85 billion (4 percent), while EU revenues rose by HUF 124 billion. Labour taxes and contributions increased by HUF 111 billion (13 percent), excise tax revenues by HUF 16 billion (13 percent) and financial transaction levy revenues by HUF 18 billion (69 percent). In contrast, net VAT revenues fell by 5 percent (HUF 33 billion in nominal terms) and gross VAT receipts by 2 percent on an annual basis.

Budget expenditures slightly decreased in September by HUF 4 billion compared to the same period of the previous year. The decrease was mainly due to lower monthly spending on EU programmes, down by HUF 113 billion, and lower spending on public assets, down by HUF 141 billion. In contrast, interest expenditures increased by HUF 61 billion and pension expenditures by HUF 48 billion compared to September 2023.

Chart 10 Developments in current account and energy balance



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

1.4.2. External balance developments

In the first eight months of 2024, the current account balance indicated a surplus of nearly EUR 4.4 billion. The surplus in August was EUR 184 million, an improvement of EUR 326 million compared with the previous month and only moderately below the level of a year earlier (Chart 10). The year-on-year decline was mainly driven by a narrowing in the trade surplus, while the income balance and the balance of current transfers improved. The fall in the trade balance is driven by the change in the balance of goods. The year-on-year fall in the value of exports of goods of more than 7 percent occurred against a background of a decline in industrial production, but this was partly due to the fewer working days. The 6 percent fall in imports of goods was due to a fall in exports and the working day effect, while a pick-up in retail sales had the opposite effect. In August, the income balance deficit significantly narrowed year on year, while the transfer balance also improved, reflecting the rise in the EU balance.

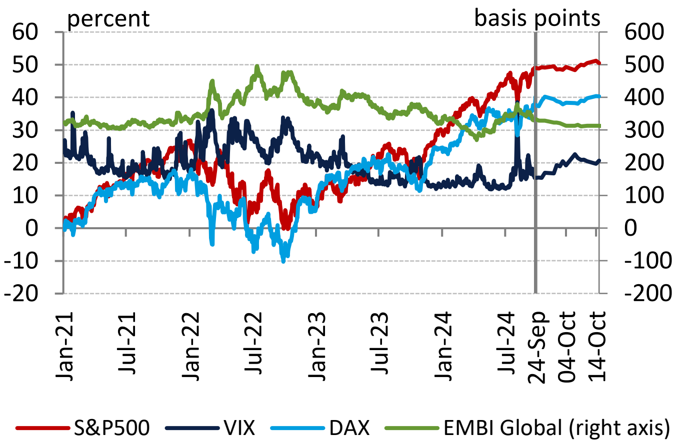
According to financial accounts data, net direct investments increased by around EUR 0.5 billion in August, driven by the high levels of foreign investment in Hungary. The increase of EUR 0.8 billion in net external debt resulting from transactions was mainly attributable to the banking system, while the corporate sector's indicator declined slightly.

2. Financial markets

2.1. International financial markets

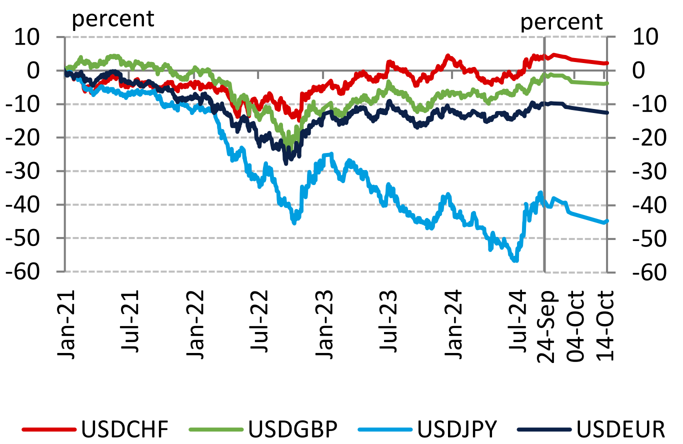
In recent times, sentiment has been unfavourable in international financial markets. Market participants' focus was mainly on the conflict in the Middle East, information on the US economy, expectations on the Federal Reserve's interest rate path and developments relating to the Chinese economic stimulus programme. Overall, risk indicators deteriorated, with gas prices peaking at an annual high as oil prices rose sharply before a correction, while stock market indices and long-term bond yields rose.

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



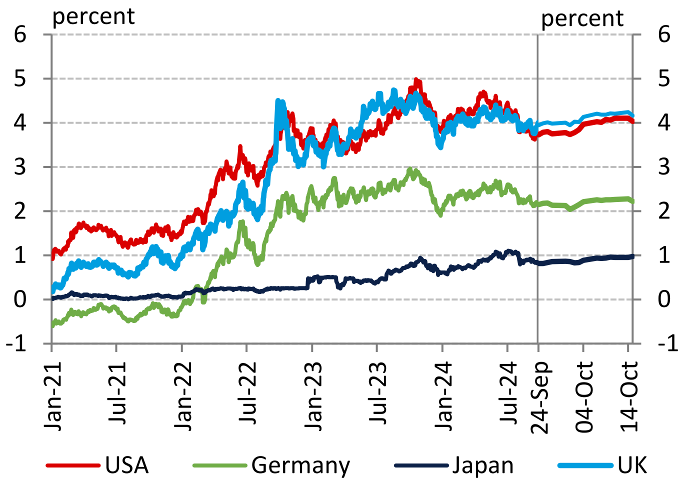
Note: Positive values indicate the strengthening of the variable (second) currency.
Source: Bloomberg

For much of the period since the previous interest rate decision, investor sentiment in international money and capital markets has been negative, mainly due to the escalation of the conflict in the Middle East. Market participants also focused on information on the performance of the US economy, expectations for the Fed's interest rate policy and developments in China's economic stimulus programme. **Out of the risk indicators, the VIX index, the key measure of US equity market volatility, increased significantly, standing at around 20 percent at the end of the period.** The EMBI Global index, which captures emerging market bond spreads, fell by around 20 basis points (Chart 11).

Leading stock market indices typically rose over the period, with Chinese indices up over 10 percent. The main US stock market indices rose by around 1.5 percent on positive news about the US economic performance. Among the Asian indices, the Chinese rose sharply last month on the announcement of economic stimulus measures by the Chinese government. In comparison, the Japanese stock index rose only moderately over the period. Among the European indices, only the CAC40 fell, while the other indices were somewhat higher on a monthly basis. The MSCI index, which tracks emerging market stock exchanges, rose by 3.5 percent.

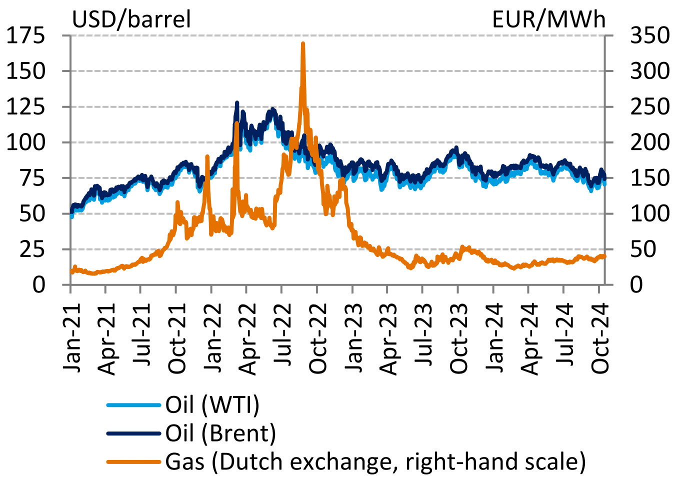
Overall, the dollar strengthened against developed and emerging market currencies as international investor sentiment deteriorated. Following the escalation of the conflict between Iran and Israel, the dollar steadily appreciated against the major currencies, which may indicate a reduction in risk appetite among market participants. The strengthening of the dollar was also supported by the Fed's expected interest rate path shifting upwards over the period. At the same time, the Bank of Japan issued looser-than-expected monetary policy messages, which caused the yen to weaken by 4 percent against the dollar and return to around the 150 level (Chart 12).

Chart 13 Yields on developed market long-term bonds



Source: Bloomberg

Chart 14 Developments in oil and gas prices



Source: Bloomberg

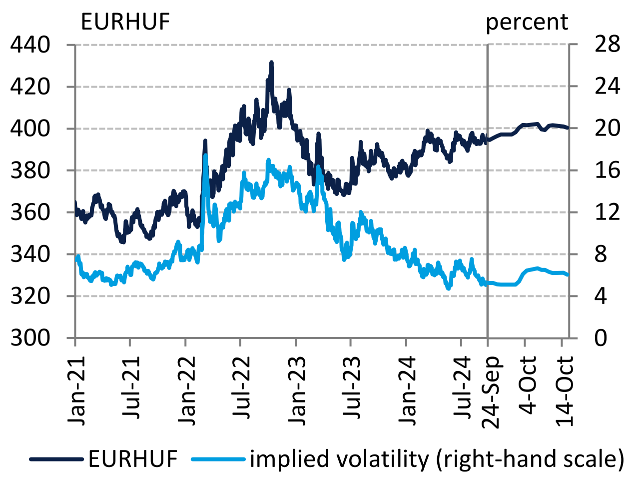
Developed market long-term yields have generally been rising since the last interest rate decision (Chart 13). The US ten-year yield rose by 25 basis points since the previous interest rate decision and is back above 4 percent, while the German long yield rose by 5 basis points and the Japanese long yield by 11 basis points. **Ten-year government bond yields in the region rose by 7 to 15 basis points.**

Commodity prices have risen since the previous interest rate decision. The Bloomberg commodity price index rose by 1.4 percent over the period. The largest contributors to the rise were the industrial metal (3.2 percent) and the livestock (1.1 percent) subindices. On the energy market, oil prices rose sharply as the conflict in the Middle East escalated, followed by a correction on the back of positive news. The price of Brent crude oil first rose into the range above USD 80, then fell, ending the period at around USD 75, only 1 percent higher compared to the previous interest rate decision. Overall, WTI rose by 0.8 percent to near USD 71 (Chart 14). At the same time, gas prices in Europe rose by 10 percent since the previous interest rate decision.

2.2. Developments in domestic money market indicators

The forint has depreciated against the euro to a greater extent than other regional currencies, by more than 1.5 percent since the September interest rate decision. Government bond market yields generally moved higher, especially at longer maturities. Since the previous interest rate decision, demand has been generally strong at both discount treasury bill auctions and government bond auctions. The 3-month BUBOR fell by 7 basis points to 6.34 percent.

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



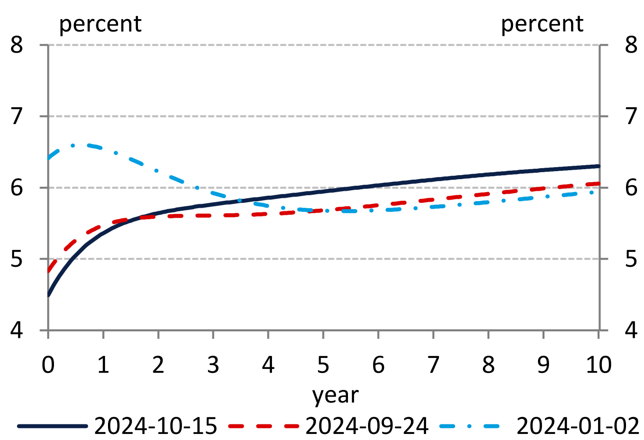
Source: Bloomberg

The forint depreciated by around 1.5 percent against the euro since the September interest rate decision (Chart 15). Following the September interest rate decision, the exchange rate was initially stable and then gradually weakened, stabilising around 400 in the second half of the period. This represented a month-on-month weakening of around 1.5 percent against the euro. The implied volatility of the forint also increased moderately at the end of the period, although it remains low by historical standards. Out of the currencies of the region, the Polish zloty and the Czech koruna also weakened, but to a lesser extent than the forint: the Czech koruna depreciated by 0.6 percent and the zloty by 0.9 percent against the euro.

The 3-month BUBOR, which is relevant to monetary transmission, fell by 7 basis points since the previous interest rate decision, to 6.34 percent.

The middle and longer sections of the government bond market yield curve shifted upwards (Chart 16). While the section of the yield curve around 1 year moved down 15 basis points, the middle section was up by 18-20 basis points, and the long section was up by 25-30 basis points.

Chart 16 Shifts in the spot government yield curve



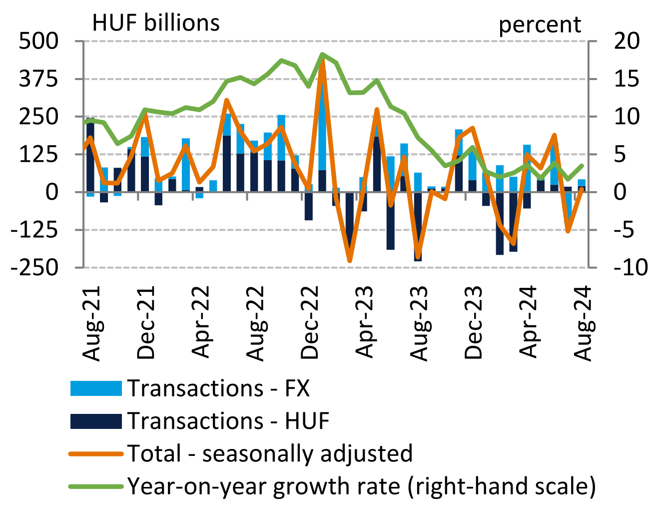
Source: Bloomberg

Since the previous interest rate decision, demand has been typically strong in both discount treasury bill auctions and government bond auctions. During the period under review, the volume of bids submitted for 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, the ratio of bids submitted to the quantity offered was typically above 2.

3. Trends in lending

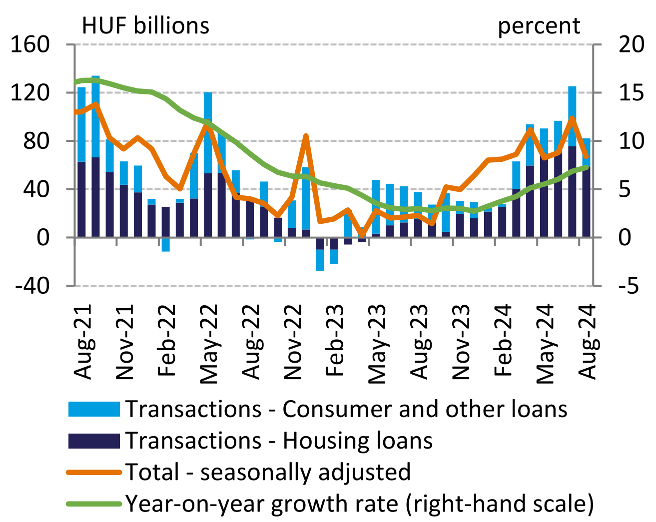
Outstanding corporate loans grew by HUF 42 billion in August 2024, and as a result, the annual growth rate of loans accelerated from 1.7 percent in July to 3.5 percent. In addition, household lending increased by HUF 82 billion due to transactions, bringing the annual growth rate of the stock to 7.3 percent, up by 0.4 percentage points from July.

Chart 17 Net borrowing by non-financial corporations



Source: MNB

Chart 18 Net borrowing by households



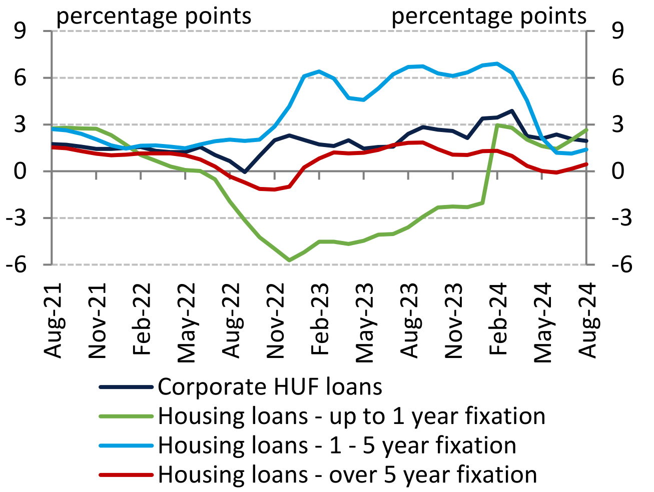
Source: MNB

Corporate loans increased by HUF 42 billion in August 2024, due to a HUF 20 billion growth in forint loans and a HUF 22 billion increase in foreign currency loans. **Accordingly, the annual growth rate of loans accelerated to 3.5 percent** from the 1.7 percent recorded in July (Chart 17). Credit institutions contracted new non-overdraft loans in an amount of HUF 228 billion during the month, which is 42 percent lower than in the same period last year. Significant contributors to new issuance were large individual transactions, which accounted for HUF 82 billion of new loans issued.

In August, household lending increased by HUF 82 billion due to transactions, bringing the annual growth rate of the stock to 7.3 percent, up by 0.4 percentage points from July (Chart 18). Due to the low base, the HUF 226 billion volume of new household loan contracts was 50 percent higher than in the same period last year. In this context, the value of newly contracted housing loans rose by 101 percent year on year compared to the low level recorded last year. More than 1,000 contracts were signed in August under the HPS Plus programme, available since January, worth HUF 26 billion and amounting to 24 percent of new home loans disbursed during that month.

The smoothed interest rate spread on corporate forint loans decreased by 11 basis points compared to the previous month and equalled 1.95 percentage points in August 2024 (Chart 19). As for housing loans, the spread on products with a fixed interest rate beyond 5 years increased by 30 basis points to 0.45 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