Macroeconomic and financial market developments

May 2016

Background material
to the abridged minutes of the
Monetary Council meeting
of 24 May 2016

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The background material 'Macroeconomic and financial market developments' is based on information available until 20 May 2016.

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 usually twice a month, according to a pre-announced schedule. At the second scheduled meeting each month, members consider issues relevant to decisions on 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 background materials to the minutes are available on the MNB's website at:

http://www.mnb.hu/en/monetary-policy/the-monetary-council/minutes

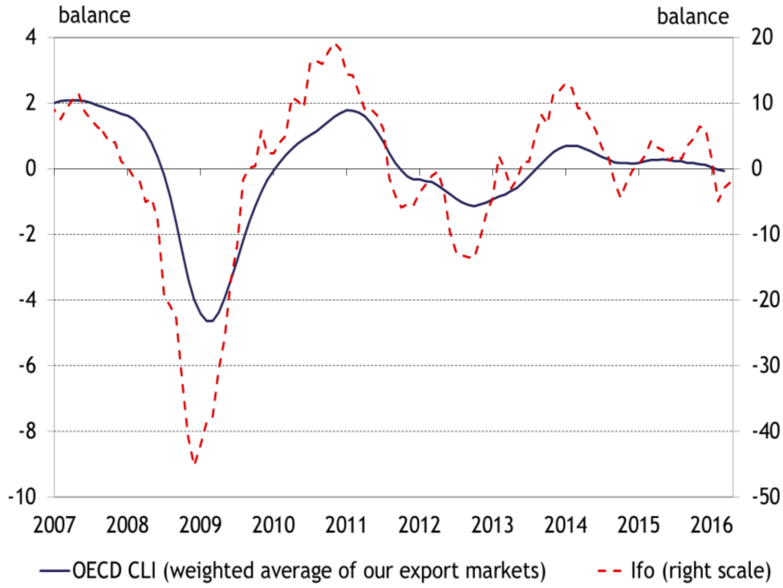
1. MACROECONOMIC DEVELOPMENTS

1.1. Global macroeconomic environment

The first quarter preliminary GDP data showed a mixed picture. The growth of the USA and the euro area was weaker than the economists' expectations, while that of Germany was more favourable. Looking ahead, global growth is expected to decelerate in the coming quarters. In its latest, April report, the IMF reduced its growth expectations forecast both for the developed and the emerging countries. **Growth remains fragile surrounded primarily by downside risks.** Large commodity exporting countries may continue to be hit by low commodity prices in the coming quarters. Persisting geopolitical tensions may continue to restrain growth in developed countries through weaker demand and economic sanctions.

The euro area economy registered a quarter-on-quarter growth rate of 0.5 per cent in the first quarter of 2016. The tense geopolitical situation has a negative impact on growth: increasing uncertainty and bilateral economic sanctions may restrain economic activity. Economic growth in Germany, Hungary’s most important export partner, continued in the first quarter as well, supported by the continued expansion of domestic demand. However, the external market activity was curbed by the slowdown in demand in Asia; in line with this, German industrial production was more moderate compared to the previous months. Expectations concerning the German economy (Ifo) have declined since last December, but the downturn came to a halt in March; nevertheless, the indicator is still in the negative domain (Chart 1).

Chart 1: Business climate indices in Hungary's export markets

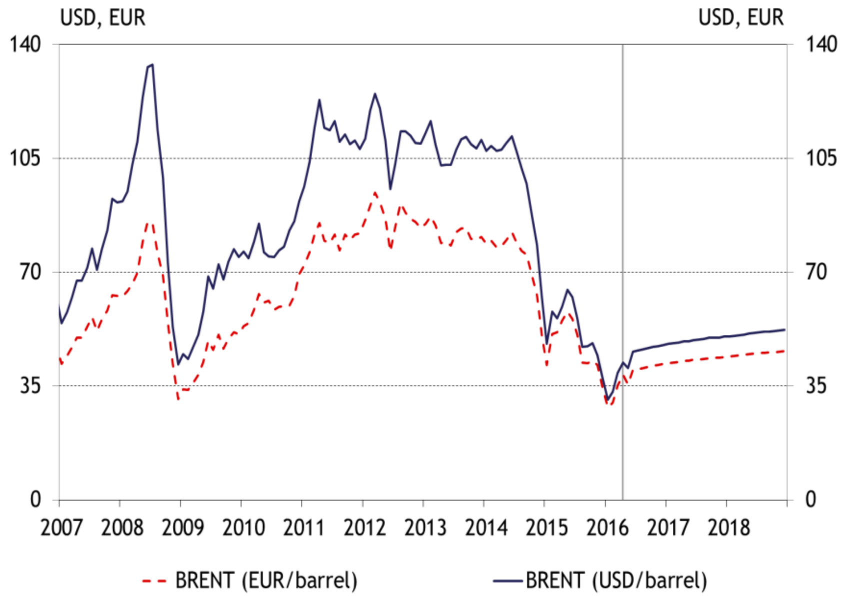


Sources: OECD, Ifo.

The region kept up its good performance in the first quarter of 2016 as well. The negative effects of the Russia–Ukraine conflict may have had only a limited impact on growth in the CEE region so far, but looking ahead, the expected significant contraction in the Ukrainian and Russian economies carry both direct and indirect risks to economic growth in the region.

Inflationary pressure from the world market remains weak. Low commodity prices combined with weak global demand reduce inflation. As a result, inflation rates remained below target in the world's major economies. Oil prices in the past period were on the rise, fluctuating around USD 45. (Chart 2; for more details see subsection 2.1).

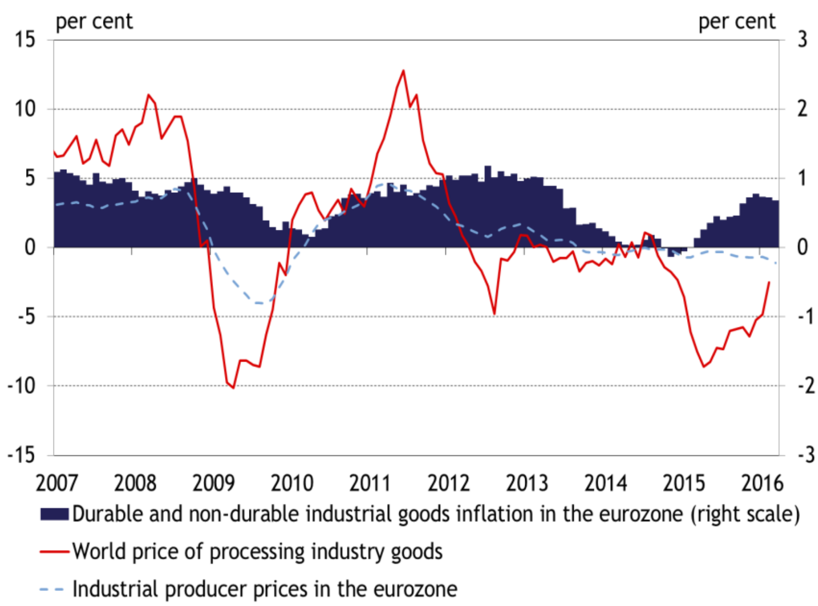
Chart 2: Monthly average world market price of the Brent crude oil



Source: Bloomberg.

The world market prices of industrial commodities and unprocessed food were moderate, while the prices of manufactured goods adjusted after a considerable fall (Chart 3).

Chart 3: Industrial producer prices and tradables inflation in the euro area and world market prices of manufactured goods



Sources: Centraal Planbureau (www.cpb.nl), Eurostat, ECB.

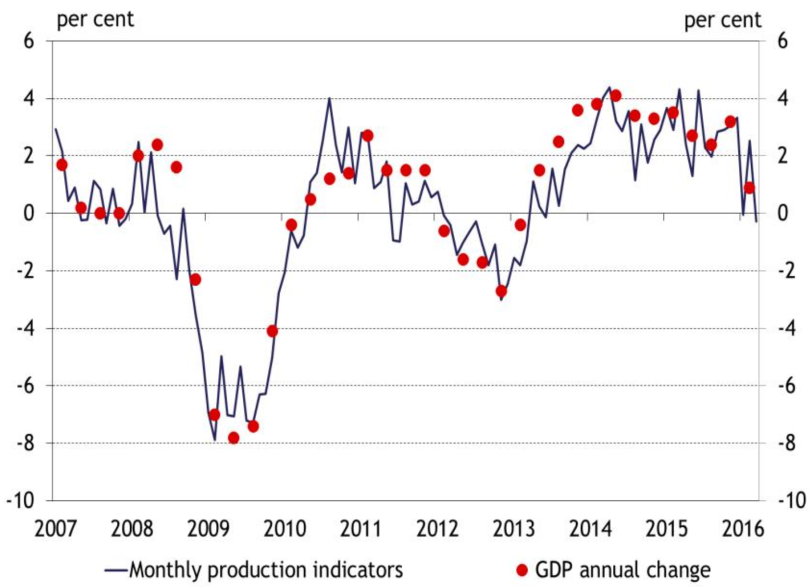
1.2. Domestic real economy developments

1.2.1. Economic growth

In the first quarter of 2016 Hungary's GDP was up 0.9 per cent year on year, while compared to the fourth quarter of 2015 it fell by 0.8 per cent, which was attributable to strong one-off effects (Chart 4). These effects may adjust in the remaining part of the year, resulting once again in the pick-up of growth.

The materially slower drawdown of the EU funds relative to the high base of last year considerably curbed construction output, while industrial production was restrained by temporary factory stoppages. By contrast, the growth in retail sales volume continued in the first quarter of 2016.

Chart 4: Changes in monthly production indicators and GDP*

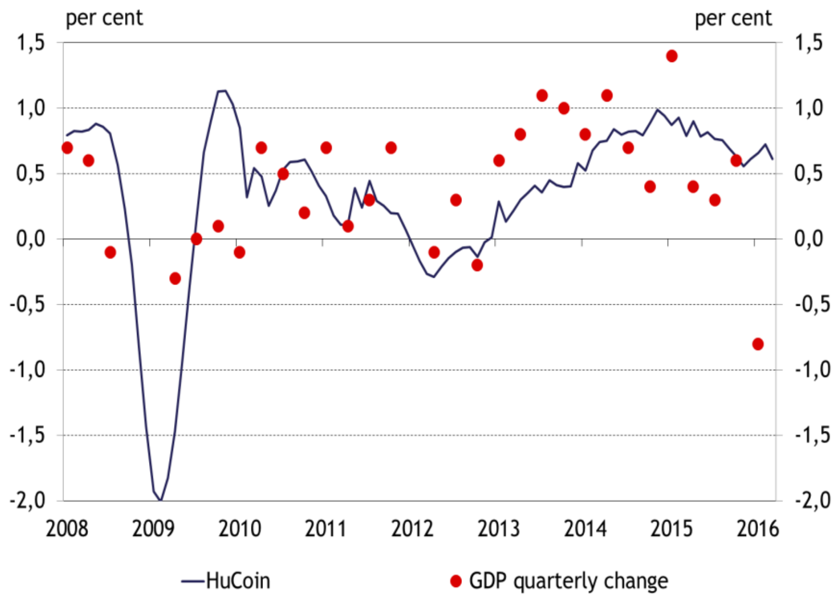


* Weighted average of monthly production indicators (industrial output, construction output and retail sales). The weights are derived from regression explaining GDP growth. Source: MNB calculations based on HCSO data.

On the expenditure side, the recovery of domestic demand may have continued. Retail data reflect continued growth in household consumption in the first quarter, while housing market figures indicate that household investment activity may have slowed down relative to the previous quarter. Corporate investment activity may have further declined as the spill-over effects of previous large investments faded. Our goods export increased to a lesser degree compared to the previous quarters, in line with the substantial deceleration of industrial output, while imports – as result of the significant import-intensiveness of exports and in parallel with the downturn of investments – showed a more moderate dynamics than earlier.

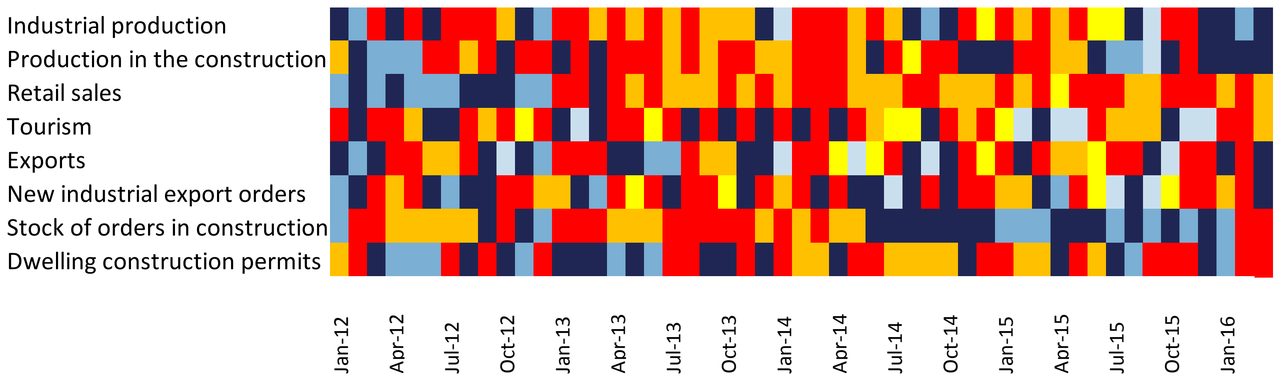
The HuCoin indicator, which captures the medium-term prospects of Hungarian economic activity, suggests that the less intensive expansion of economic performance was attributable to temporary, one-off effects. The underlying processes show more dynamic growth; with the one-off effects wearing off these underlying processes will gain ground (Chart 5).

Chart 5: Evolution of HuCoin indicator



Due to the GDP data revision, the historic values of the HuCoin indicator may have also changed.
Source: HCSO, MNB calculations.

*Chart 6: Growth heat map**



* The growth heat map shows the three-month moving averages of the seasonally adjusted monthly growth rates of the most important monthly indicators of activity, using the following colour code: red = grows above the five-year average, at an accelerating rate; orange = grows above the average, at a slowing rate; yellow = grows below the average, at an accelerating rate; light blue = grows below the average, at a slowing rate; blue = falls at a slowing rate; dark blue = falls at an accelerating rate. Source: MNB calculations based on HCSO data.

In March 2016 **industrial output was down 4.6 per cent year on year and 1.2 percent compared to the previous month.** The performance of manufacturing subsectors compared to the previous month showed a mixed picture. The output of vehicle manufacturing, the subsector representing the highest weight, declined and the performance of food industry and metal industry also decreased. The output of chemical industry, the sector representing the second largest weight, and of light industry stagnated. **The forward-looking indicators reflect an unfavourable picture for the short-term outlooks of the domestic industry.** The EuroCoin indicator, which marks the underlying trends of the euro area's economic activity, fell in the last four months, while Hungarian export orders declined in March. The significantly more moderate than expected performance of the German industry, which is signalled by the Ifo indicator, may represent further risk.

Expressed in euro terms, according to the preliminary data, in March 2016 goods exports and goods imports decreased by 3.4 and 3.3 per cent, respectively, year on year. Balance of trade surplus was down EUR 44 million from March 2015.

In March 2016, **the volume of construction output decreased by 33.9 per cent year on year**, while the seasonally and working-day adjusted figure **was down 6.3 per cent compared to the previous month**. In March , the output volume of both main construction groups fell year on year. The continued March decline is still primarily attributable to the completion of the works funded by EU resources at the end of 2015 and to last year's high base.

The volume of new construction contracts shows further increase due to the rise in the number of contracts for the construction of buildings and other superstructures.

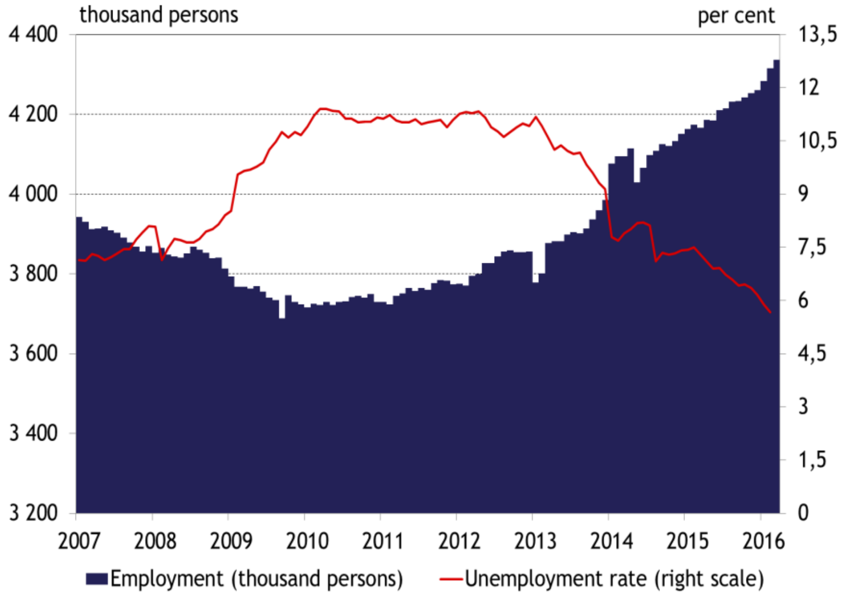
The pick-up in consumption demand continued in the beginning of the year as well. This may be explained by the improving labour market situation and by the increase in real wages as a result of low inflation, as well as by the upswing in retail sales volumes. **In March, according to preliminary data, (working-day adjusted) retail sales volumes increased by 4.2 per cent** year on year, while the **increase in turnover was 0.3 per cent compared to the previous month**. As regards the structure of sales, turnover may have increased in March in a wide range of products. Rising fuel sales contributed to the growth in retail sales volume to a lesser degree than before, while the pick-up in the turnover of non-food consumer goods continued. Based on the raw data, the volume of food sales also substantially increased, however, due to the Easter effect, the dynamics of the working-day and seasonally adjusted turnover slightly decelerated.

1.2.2. Employment

According to Labour Force Survey data, **in the first quarter of 2016 the number of employees in the national economy increased by 3.5 per cent year on year**. The labour force participation rate slightly decreased compared to the previous quarter. According to the HCSO data, the unemployment rate stood at 6 per cent in the first quarter (Chart 7).

In the first quarter of 2016 the number of employees in the national economy increased further to a small degree. The number of employees in the general government slightly increased quarter on quarter, albeit the number of public workers declined in the first quarter. Within the private sector the number of employees stagnated after the dynamic growth in employment experienced in the previous year. Within private sector employment no material change was observed either in the manufacturing sector or in the market services sector.

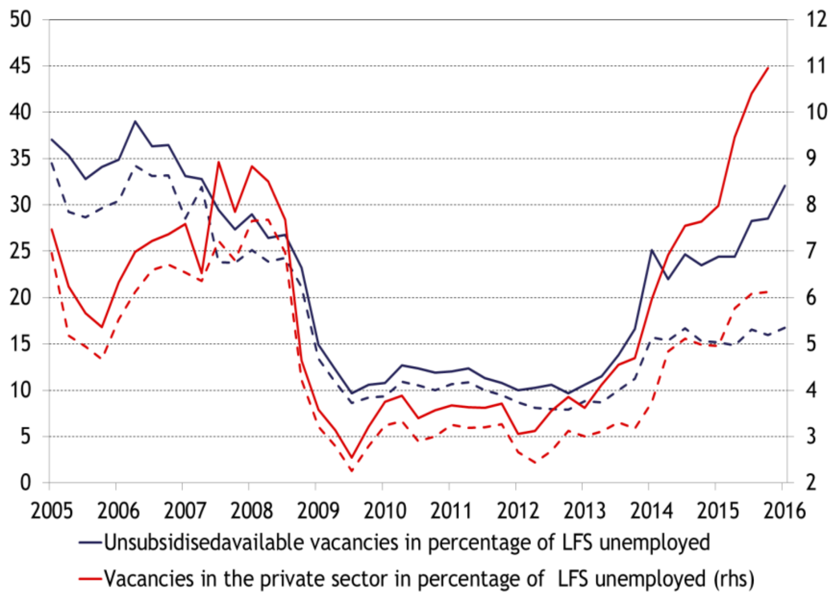
Chart 7: Number of persons employed and the seasonally adjusted unemployment rate



Source: HCSO.

In the first quarter of 2016, no material change was observed either in **the number of newly announced non-subsidised jobs** or in the **number of vacant non-subsidised jobs at the end of the month**. The gradual tightening of the labour market, observed since 2013, has continued according to the tightness indicators calculated from the various statistics (Chart 8).

Chart 8: Indicators of labour market tightness



The dotted line marks labour market tightness indicators adjusted for public workers.

Sources: National Employment Service, HCSO

1.3. Inflation and wages

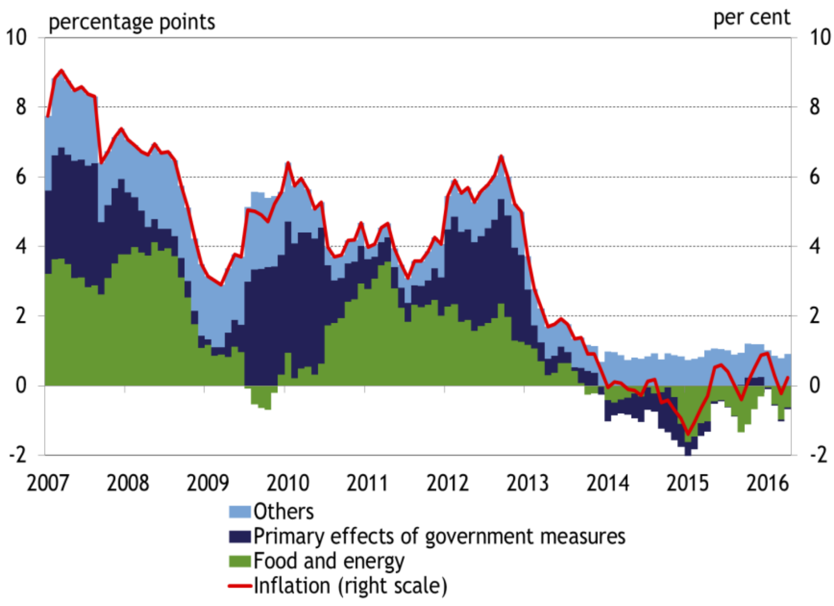
1.3.1. Wages

In the first quarter of 2016 the annual wage dynamics in the private sector accelerated compared to that observed in the previous year. According to the seasonally adjusted data, in March gross average wage in the private sector increased by 5.9 per cent year on year. The bonus payments in March were slightly higher than the rate seen in the previous year. Within the private sector the annual dynamics of the gross average wage in the market service sector outstripped that of the manufacturing sector in March.

1.3.2. Inflation developments

In April 2016, inflation was 0.2 per cent, while core inflation was 1.5 per cent and core inflation excluding indirect taxes stood at 1.3 per cent (Chart 9). The increase in inflation was essentially due to the increase in the fuel price index.

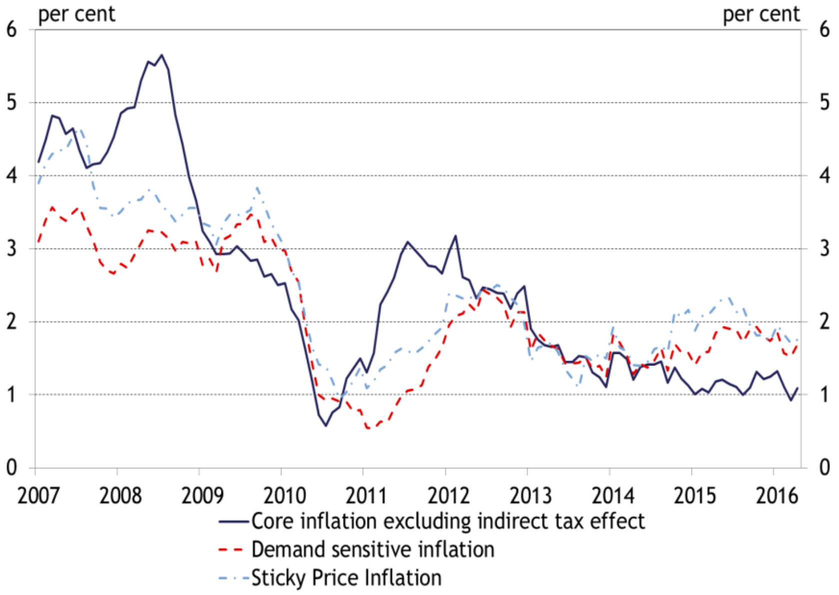
Chart 9: Decomposition of the consumer price index



Source: MNB calculations based on HCSO data.

Underlying inflation indicators continue to point to a subdued inflation environment, which may be attributable to the low level of imported inflation, low oil prices and the magnitude of unutilised capacities(Chart 10). In March 2016, agricultural producer prices rose by 2.0 per cent in annual terms, while the domestic sales prices of the consumer goods sectors increased by 0.4 per cent.

Chart 10: Measures of underlying inflation



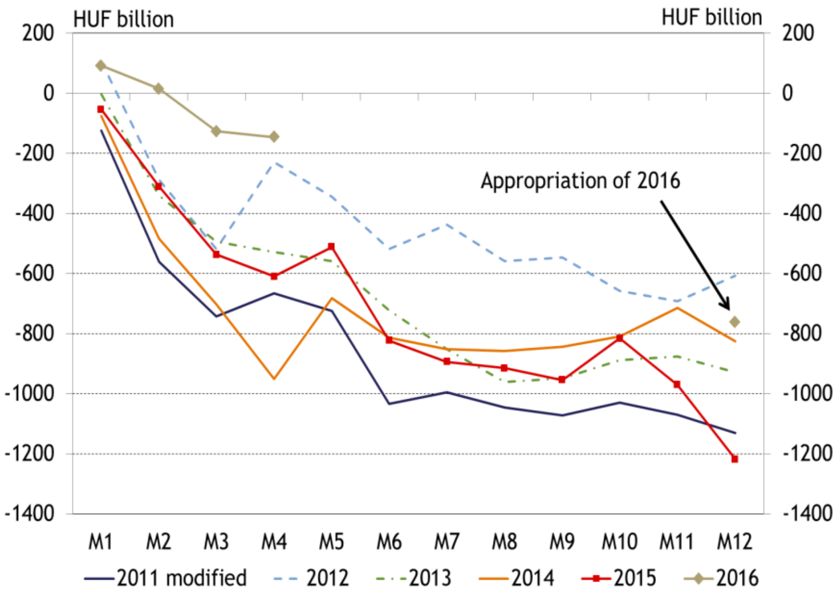
Source: MNB calculations based on HCSO data.

The data received for April were practically in line with the expectations described in the March Inflation Report. Looking ahead, inflation may significantly fall short of the 3 per cent target and may approximate it only by the end of the forecast horizon. Inflation may be close to 0 per cent in the short run.

1.4. Fiscal developments

The deficit of the central subsystem of the general government stood at HUF 19 billion in April 2016, representing a favourable balance relative to the same period of the previous years (Chart 11) and it is lower by HUF 54 billion compared to that of last April. On the revenue side the departure from last year's value is mainly attributable to the surplus in contributions, while on the expenditure side to the higher level of normative and individual support, and to the lower level of the central spending unit's and EU expenditures. In the first four months of the year the state budget's cumulated cash-based deficit was HUF 145 billion, which is the lowest value in recent years.

Chart 11: Intra-year cumulative cash balance of the state budget



Sources: Budget Act of 2016, Hungarian State Treasury.

The **tax and contribution revenues of the central subsystem** in April 2016 outstripped the revenues of April 2015 by HUF 33 billion. Wage-related revenues were up 4.6 per cent year on year. The nominal value of personal income tax revenues this April was the same as last year due to the decrease in the tax rate by one percentage point.

The **expenditures of the central subsystem** in April 2016 fell short of the expenditures in April 2015 by HUF 22 billion. Net expenditures of the central spending units and budget chapters fell short of last year's value by HUF 35 billion. The net expenditures of the central spending units related to EU programmes were lower by HUF 30 billion compared to last year's value.

1.5. External balance

According to the March data release, the seasonally unadjusted external financing capacity amounted to EUR 988 million, with surpluses of EUR 781 million and EUR 207 million in the current and capital accounts, respectively.

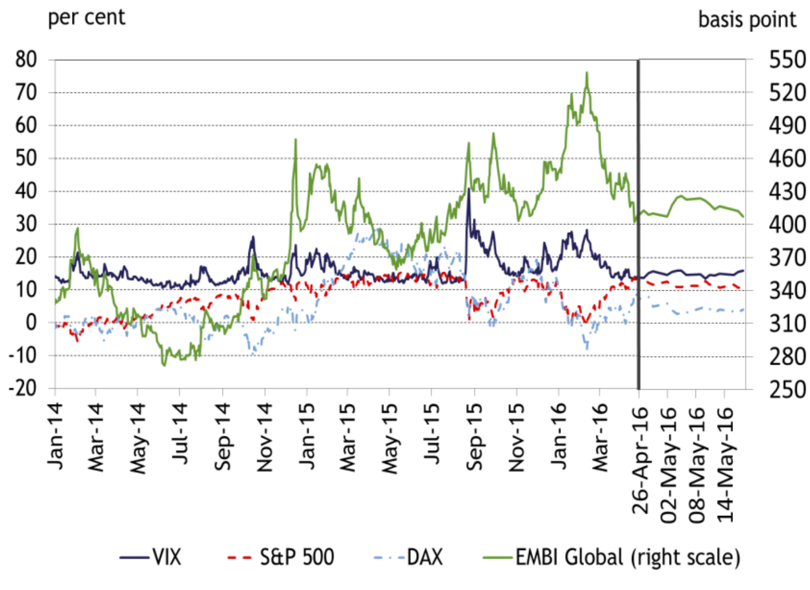
Financing data indicate a financing capacity of almost HUF 280 million in March, that is, according to the financing side processes as well, there was an outflow of funds, mainly attributable to the closing of the derivative position, accompanied by a minor FDI inflow. The net inflows of foreign direct investment is attributable to a larger growth in investments in Hungary and particularly to the reinvestment of earnings. The outflow of funds essentially related to the closing of the derivative positions. Net external debt increased minimally, by EUR 60 million, under substantial decrease in foreign exchange reserves and gross external debt. The net external debt of the state increased by EUR 2.5 billion due to the fall in reserves. At the same time this lags behind the EUR 3.8 billion decrease in foreign exchange reserves, which was primarily attributable to the maturity of the foreign exchange swaps related to the conversion to forint, while a foreign exchange bond also expired in March. In the same month the net external debt of banks decreased by more than EUR 3.1 billion, which reflects the combined effect of the EUR 2 billion rise in receivables – connected to the fall in the MNB's reserves – and the more than EUR 1 billion decrease in debts. In addition to the general government, the corporate sector also increased its net external debt by almost EUR 0.6 billion.

2. FINANCIAL MARKETS

2.1. International financial markets

Market sentiments since the last interest rate decision were moderately negative. By the middle of the period aversion to risk increased, which was attributable to the political uncertainties related to the emerging markets and global growth concerns; however, by the second half of the period the negative sentiments somewhat eased (Chart 12). **The focus of the market participant was still on the monetary policy of developed central banks: the decision of Bank of Japan contrary to the easing expectations resulted in a strong appreciation of the Japanese yen, while as a result of the worse-than-expected US macroeconomic data chance for a potential interest rate increase in June were first removed from the market expectations, then – after the publication of the minutes of Fed's April meeting – the probability of an interest rate increase next month once again substantially rose. In the emerging region the domestic political crisis in Brazil and Turkey, and the recurring concerns around China's growth deteriorated the sentiments.**

Chart 12: Developed market equity indices, the VIX index (left scale) and the EMBI Global Index (right scale)



Source: Bloomberg.

The **adjustment of the stock market indices observed in April halted in May, that is, the key developed stock price indices once again plunged below their end-of-March levels.** Since the previous interest rate decision the US stock market indices and the European stock exchanges fell roughly by 2-2.5 and 2-3 per cents, respectively. The Japanese equity market dropped by 4 per cent, while the Chinese stock exchanges fell below their level observed in the beginning of the period by 3-7 per cents. In the emerging equity markets the MSCI composite stock price index also signalled a decline, which was in line with the less favourable perception of the emerging region. The concerns about the growth of the developing countries, the downgrading of a few countries in the Middle East, as well as the domestic political crisis in Turkey and Brazil heightened uncertainties related to the emerging region. Contrary to the expectations, Moody's after all has not changed Poland's credit rating (albeit the credit rating agency downgraded the outlook to negative from stable), as a result of which the Polish zloty slightly appreciated against the euro.

The development of the risk indices also signalled a slight increase in aversion to risk. In parallel with the decline of the stock exchange the VIX index was on the rise until the middle of the period, and then, after a temporary adjustment, it once again increased, thus it closed slightly higher than its start-of-period opening value. The emerging bond market EMBI Global premium also increased by some 20 basis points in the first half of the period, thereafter dropping below its start-of-period opening value after a slow decline.

Amidst the moderately unfavourable sentiments the yields of the developed market long-term bonds, considered to be safe-haven assets, dropped. The 10-year euro and dollar yields declined by 5-10 basis point, sterling yield was down 22 basis points, while the yen yield continues to fluctuate in the slightly negative domain. The long-term yields of the euro area periphery countries also fell slightly during the period under review; however, looking ahead, the conflicts arising between Greece and its creditors in connection with the negotiation of the third bailout package may generate additional swings in the Greek yields.

Similarly to the previous month, the **oil price** was volatile, with 4-5 per cent intraday shifts being quite common. On the one hand, the price was driven by news related to the supply side (expectations with regard to stoppages in the production of Canada, Nigeria and Venezuela, gradually decreasing oil extraction by the USA), while the slight depreciation of the dollar exchange rate in the first half of the period also pointed to increasing oil prices. In its latest, May report the U.S. Energy Information Administration also performed a material upward adjustment, to USD 41 and USD 51, of its average oil price expectation for this year and next year, respectively (in the case of the Brent crude oil it expects an average price in 2016 and 2017 that exceeds its April forecast by 6 and 10 dollars). On the whole, since the last interest rate decision, the price of the Brent crude oil and the US WTI increased by roughly 5-8 per cent, coming close to USD 50. However, on the supply side the fact that the production of OPEC was is still extremely high – over 33 million barrels per day – in April, may slow down the adjustment of the oil market, and due to the failure of the Doha negotiations no substantial progress may be expected in the agreement between the OPEC and non-OPEC producers on curbing the production levels. Similarly, no change is expected in the market in respect of the official OPEC meeting in the beginning of June, since Iran still has opposing interest as regards the reduction of the production level.

Of the major currencies, the 3 per cent depreciation of the dollar against euro in the first half of the period was fully adjusted in the second half, while after the decision of the Japanese central bank the yen exchange rate substantially appreciated against the major currencies. On the whole, the dollar was able to appreciate against the euro from the start-of-period level of 1.13 close to 1.12 by the end of the period.

In the past period there was a substantial shift in the market expectations related to the next interest rate increase by Fed and by the end of the period the chances for a potential interest rate increase in June increased. In accordance with the expectations, at its end of April meeting the Fed decided to leave the level of interest rates unchanged and it kept emphasising in respect of the future interest rate path that it would decide on the future increase of the interest rate level depending on the incoming data. The press release, contrary to that of the previous months, did not emphasise the perceived risks from the global markets. In the middle of the period under review, as a result of the worse-than-expected US macroeconomic data, the market priced the interest rate increase at the December meeting of Fed with a probability of 50 per cent, while the probability of an interest rate increase in June fell close to zero, with the cumulated probability of an interest rate increase in September dropping from 50 to 34 per cent. At the end of the period, first the inflation data and then the publication of the detailed minutes of the April Fed meeting caused a material change in this. The minutes reflect that the majority of the policymakers deemed an interest rate increase possible already in June – if this is supported by the continued strengthening of the US economic processes –, thus the chances of an interest rate increase in June increased materially from the former close to zero bottom to 32 per cent in the market pricing, and in parallel with this the cumulated probability of an interest rate increase in December went up to 74 per cent.

The **Bank of Japan** at its end-of-April meeting – surprising the markets – **decided to maintain the monetary conditions**, while it revised its inflation and growth forecast downward for next years. The **yen responded to the decision with an immediate appreciation**; the exchange rate against dollar appreciated from the level of 111.5 to 106 in the first few days after the decision, and then – as result of the appreciation of the dollar – it adjusted to 110.

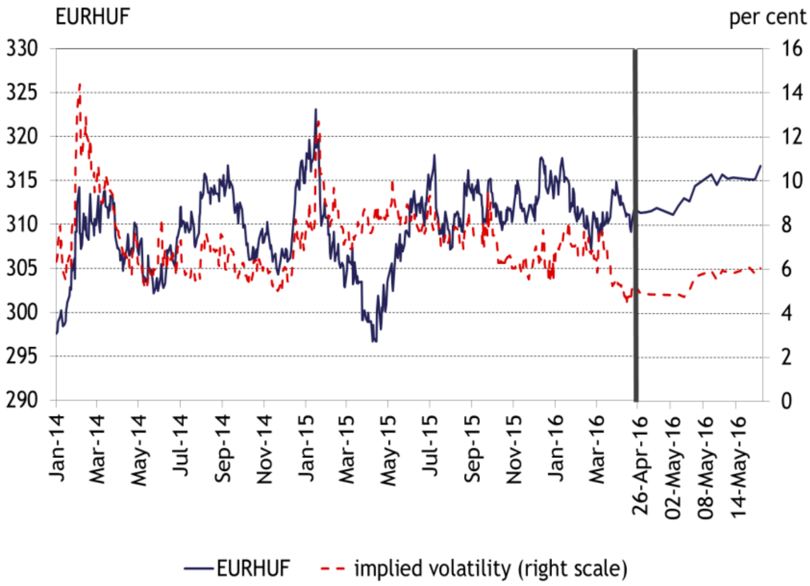
In the **euro area** the first quarter revised GDP data was slightly worse than the preliminary estimate, but it still suggests a stable growth. **There is still no material growth in the inflation processes;** the long-term inflation expectations continue to be at a low level. The market expects that the ECB may announce additional measures in the coming months; however, opinions diverge as to whether this will involve the further reduction of the deposit rate, or the extension/amendment of the unconventional instruments or perhaps the combination of these.

2.2. Developments in domestic money market indicators

In the past period Hungarian asset prices were driven by domestic data releases, in addition to the international factors.

During the period the EUR/HUF rate moved within the band of 310-317, and on the whole the forint depreciated against the euro by 1.5 per cent (Chart 13). In the beginning of the period the magnitude of the move corresponded to that of the zloty, and was in line with depreciation trend of the emerging market currencies observed in the period of deteriorating risk appetite. The domestic data releases typically had temporary effects on the exchange rate. A substantial change was generated by the better-than-expected inflation data, when the forint appreciated half per cent. In addition, after the period-end communication of the – substantially lower than expected – GDP data, the forint exchange rate slightly broke away from the region and depreciated altogether 1.5 per cent. On the other hand, the Polish zloty – partially due to the fact that the expected downgrading did not take place – adjusted itself and showed a depreciation of merely 0.5 per cent in the period, while the Romanian leu depreciated 0.8 per cent. Against the dollar it was also the forint that depreciated the most in the region, losing 2.3 per cent from its value. On the whole, within the broader emerging universe the forint performed moderately against both the euro and the dollar.

Chart 13: EUR/HUF exchange rate and the implied volatility of exchange rate expectations



Source: Bloomberg.

In the beginning of May the European Commission published its latest spring economic forecast, in which it raised its forecast for the Hungarian GDP growth. It upwardly revised its expectations for 2016 by 0.4 percentage point (to 2.5 per cent) and for 2017 by 0.3 percentage point (to 2.8 per cent). On the other hand, as regards the unemployment rate it consistently worsened its forecast by 0.4 and 0.9 percentage point for two years, and it also expects a slower approximation of the inflation target. The OECD also published in the period its latest forecast on the Hungarian macroeconomy, where it calculates with the same growth rate for 2016 as the Commission and with a slightly higher one for 2017.

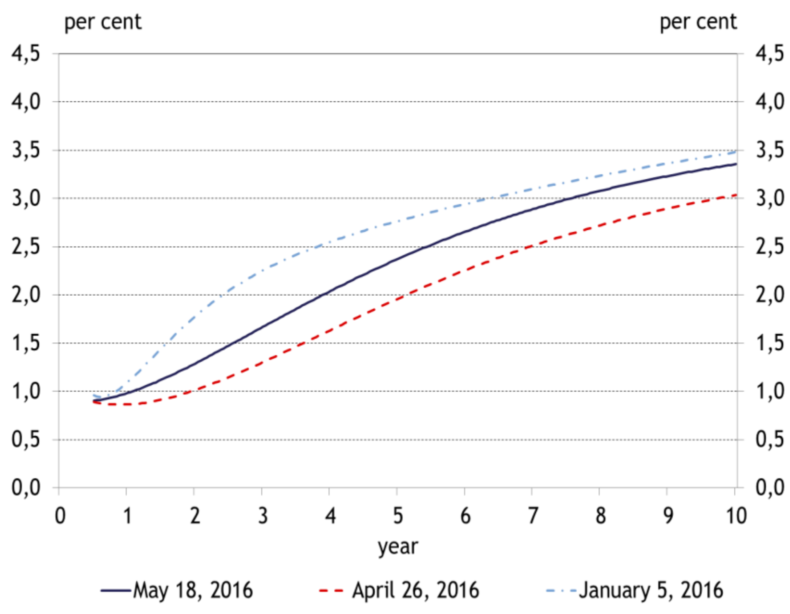
In addition, the government announced during the period that it intended to tie the fuel excise duty to the world market price of oil, which would be implemented in the form of quarterly revised tiered oil price limits. The government also announced the raise of the excise duty on tobacco products, as part of which it would implement an increase of 29 per cent by the end of 2017. However, the reports of the international institutions and the announced tax changes had no material effect on the forint exchange rate.

The new BUBOR quotation system was launched on 2 May and in the first weeks the interest rate on 3-year maturities increased slightly – roughly by 5 basis points – above the base rate. While in the last 6 years transactions for 3-month maturity were concluded in the total amount of HUF 1.5 billion, in the two weeks since the reform of the quotation system the value of the transactions was already close to HUF 2 billion. Transactions for the 1-month maturity were concluded for HUF 3 billion in the last 4 years, which increased since the beginning of May more than twofold, to HUF 8 billion.

There was no substantial movement in short end of the yield curve of the government securities market, while the middle and long sections made a substantial, 25-40 basis points upward shift compared to the day of the last interest rate decision, which may have been attributable to the messages related to fiscal easing and the MNB interest rate path (Chart 14).

The benchmark yield in the market of short-term government securities stagnated around its initial level of 0.9 per cent. On the other hand, there was an increase in the middle and longer sections of the yield curve, with the 10-year benchmark yield rising to 3.39 per cent in the period from 3.07 per cent.

Chart 14: Shifts in the spot government bond yield curve



Sources: MNB, Reuters.

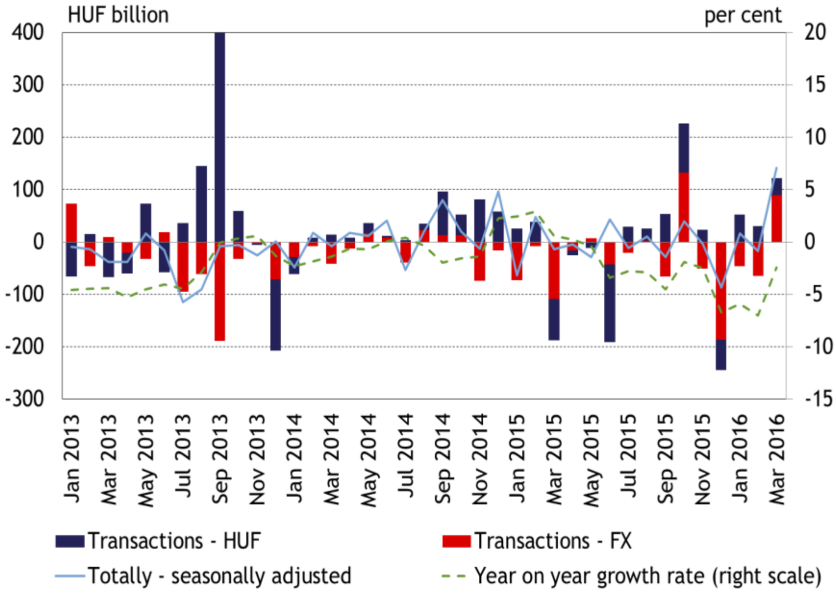
During the period the government bond auctions were mostly characterised by sound demand. The sale of the 3-month discount Treasury bills was strong, with twofold overbidding on the announced volume and the Government Debt Management Agency had to raise the offered volume on three occasions. Average yields stagnated at 0.97-0.99 per cent at the auctions. At the 5 May auction of the 12-month papers the sum of the submitted bids fell short of the volume offered, hence the Government Debt Management Agency issued only half of the anticipated volume. On the other hand, demands for the fixed-rate long-term government securities were strong. Nevertheless, the yields of the 3-, 5- and 10-year bonds increased by 30-40 basis points, in line with the secondary market yields.

Non-residents' holding of government securities has slightly decreased since the last interest rate decision; their portfolio fell from HUF 3,628 to HUF 3,573 million, during the period, thereby their share within the total forint government bond portfolio dropped below 26 per cent. In slightly deteriorating international sentiment, the 5-year CDS premium rose to 147 basis points by the end of the period.

3. TRENDS IN LENDING

In March, **outstanding loans to enterprises** increased by HUF 122 billion in total as a result of transactions, equivalent to an increase of HUF 142 billion after seasonal adjustment (Chart 15). Forint loans and foreign currency loans increased by HUF 33 billion and HUF 89 billion, respectively. In March, a higher-volume one-off item was removed from the base, which resulted in a material improvement in the annual rate of change in the portfolio. The annual decrease in outstanding loans fell to 2.4 per cent from 7 per cent measured in February.

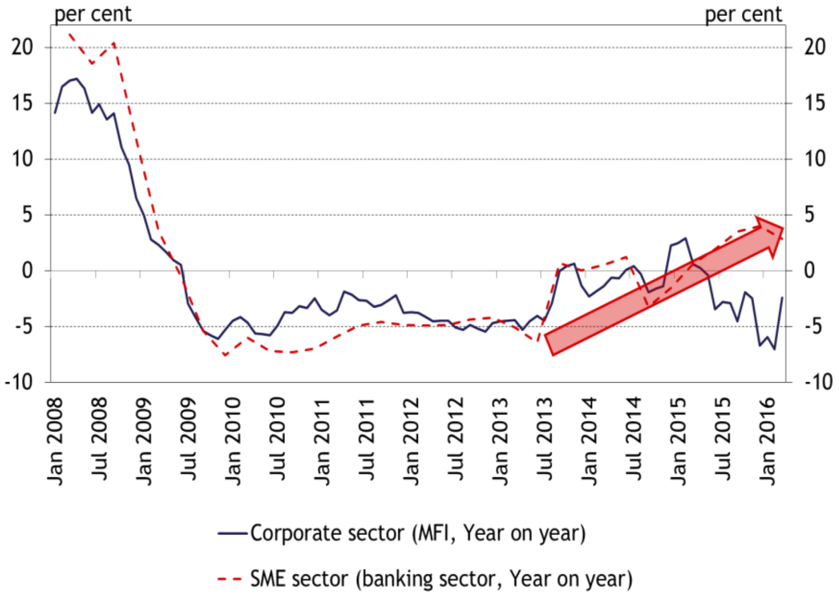
Chart 15: Net borrowing by non-financial corporations



Source: MNB.

By contrast, estimate based on preliminary data suggested an annual increase of 2.8 per cent in the **loan portfolio of the SME segment** in March (Chart 16). The loans concluded in Phase 3 of the Funding for Growth Scheme contributed to the increase in the outstanding forint and foreign currency loan portfolio by HUF 9 billion and HUF 1 billion, respectively.

Chart 16: Growth rate of loans outstanding of the whole corporate sector and the SME sector

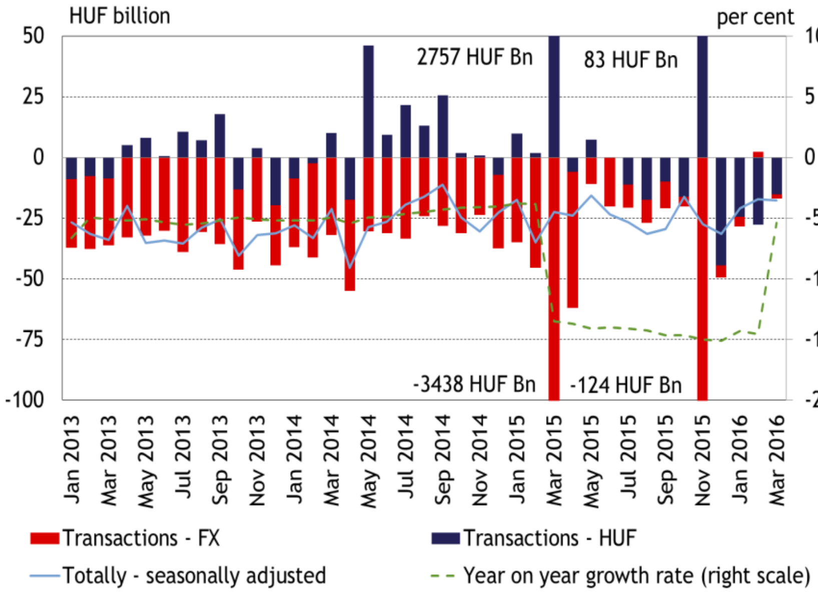


Source: MNB.

In March, in the case of **newly granted corporate loans**, the average annualised interest rate on small-value forint loans increased by 0.21 percentage points to 4.91 per cent from February, while the average interest rate on higher-value forint loans increased by 0.38 percentage points to 1.89 per cent.

Outstanding **loans of the household segment** vis-à-vis the credit institutions sector declined by HUF 17 billion. Forint loans outstanding and total foreign currency loans fell by HUF 15 billion and HUF 2 billion, respectively (Chart 17). In March the annual decrease in loans outstanding amounted to 5.4 per cent; without the impact of the settlement in 2015 this equals to a decrease of 4.5 per cent. The decrease, which is materially smaller than before, is attributable to the removal of the settlement and the conversion into forint from the base effects.

Chart 17: Net borrowing by households



Source: MNB.

In March, interest rates on **new household loans** increased slightly. The annual percentage rate of charge on forint housing loans increased by 0.05 percentage point to 5.84 per cent, while that on general purpose forint loans rose by 0.23 percentage points to 7.53 per cent.