



## Summary notes

### Corporate credit growth lags behind the recovery in household lending in 2024 Q1

- Credit institutions' loans outstanding vis-à-vis non-financial corporations and households grew by 2.5 per cent and 4.2 per cent, respectively, in the year to the end of March 2024.
- The volume of new corporate loan disbursements in 2024 Q1 was significantly below the level in 2023 Q1.
- The value of banks' loan contracts with households increased by 71 per cent year on year in the first quarter, within this, the value of housing loan contracts more than doubled (130 per cent increase).
- According to the [Lending Survey](#), the responding institutions did not experience any significant change in demand for corporate loans in Q1, while they reported a pick-up in demand for both housing loans and consumer loans. Looking ahead to 2024 Q2-Q3, half of the banks expect demand for retail loans to continue to strengthen.

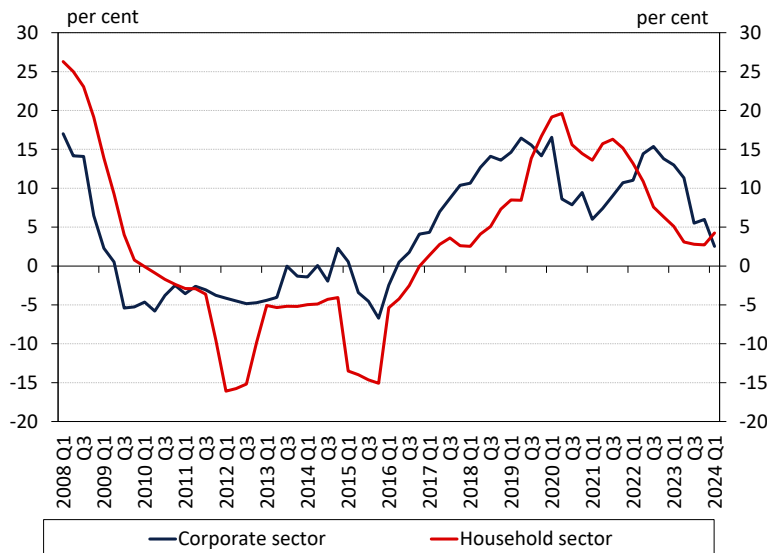


Chart 1: Annual growth rate of outstanding corporate and household loans



Indicator	2024 Q1	2023 Q1	Change
<b>Corporates</b>			
Annual growth rate of corporate loans outstanding (per cent)	2.5	13.0	-10.5 pp.
Volume of new corporate loans (HUF bn)	714	950	-236
<b>SME</b>			
Share of subsidised loans in total loans to SMEs (per cent)	39.0	44.4	-5.4 pp.
Average interest rate of new small amount HUF loans (per cent) <small>(Loans with variable rate or maximum one year interest rate fixation)</small>	11.5	16.2	-4.7 pp.
<b>Households</b>			
Annual growth rate of household loans outstanding (per cent)	4.2	5.1	-0.9 pp.
Volume of new household loans (HUF bn)	552	322	+230
<b>Housing loans</b>			
Share of subsidised loans in total loans for house purchase (per cent)	24.5	23.3	+1.1 pp.
Average interest rate for new housing loans (per cent)	7.1	10.1	-3.0 pp.

Table 1: Main indicators of corporate and household lending



## Corporate lending

**Credit institutions' loans outstanding vis-à-vis non-financial corporations fell by HUF 246 billion in 2024 Q1.** This represents an annual growth rate of 2.5 per cent in corporate loan portfolio, a slowdown in line with international trends. Based on preliminary data, the annual growth rates of loans were similar in the SME and large corporate sectors. The growth rate of domestic corporate loans outstanding is the tenth highest in the EU and is in line with the average growth rate in the Visegrad countries (2.6 per cent).

**In 2024 Q1, the volume of new corporate loans amounted to HUF 714 billion, which 25 per cent below the high disbursement of the same period a year earlier.** The share of subsidised corporate loans in the first quarter increased by 9 percentage points from the previous quarter to 36 per cent of new non-current account contracts, but remained below the 44 per cent share seen in the first half of last year. The share of subsidised loans in the SME segment fell by 1 percentage point to 39 per cent in the first quarter, compared to 55 per cent in 2023 H1. Overall, developments in the average interest rate on market-based corporate loan contracts mirrored the decline in the interest rate environment during the quarter. This brought the average interest rate on largely market-based new corporate forint loan contracts with interest rates variable within one year to 11.5 per cent for small loans and to 9.2 per cent for large loans in 2024 Q1.

**Overall, the banks participating in the Lending Survey left corporate credit conditions unchanged in 2024 Q1, and they do not plan to change them in the next six months.** A quarter of the institutions experienced a decline in demand for loans in the corporate segment in 2024 Q1, mainly affecting forint loans and long-term loans. A narrow range of banks, around a net 6 per cent, experienced a pick-up in demand for short-term loans. Fourteen per cent of the respondents expect an overall pick-up in credit demand in 2024 Q2-Q3. By contrast, there is no sign of a turnaround in long-term lending, with 7 per cent of the banks expecting a decline in demand.

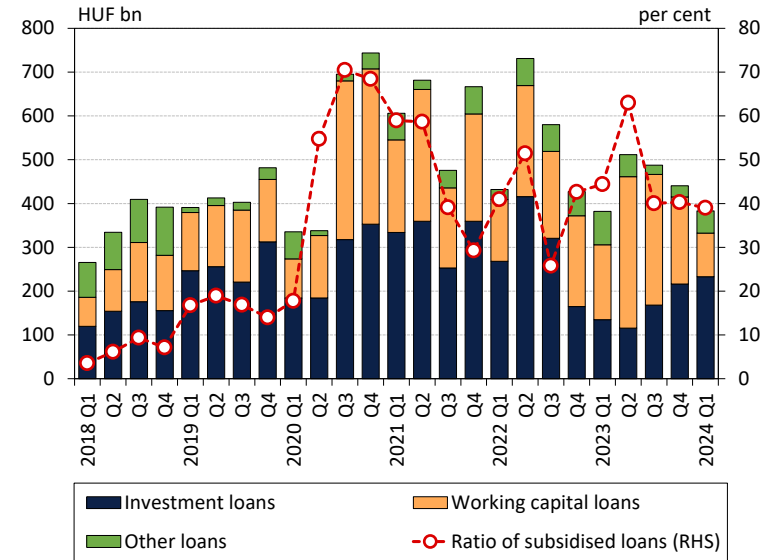


Chart 2: New disbursements of SME loans by loan purpose and the ratio of subsidised loans

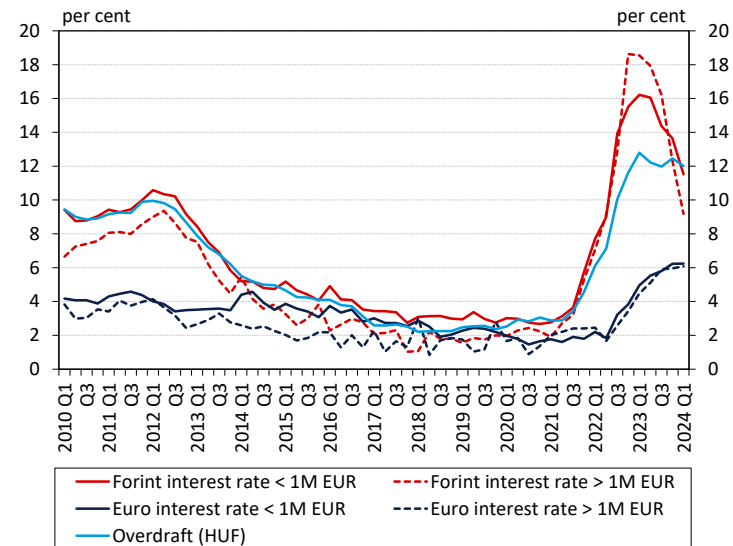


Chart 3: Interest rates on new corporate loans



## Household lending

**In 2024 Q1, household loans outstanding of credit institution sector increased by around HUF 115 billion as a result of disbursements and repayments, and thus, the annual growth rate of household loans accelerated to 4.2 per cent.** Domestic credit dynamics ranked in the top third in the EU and were in line with the average growth rate observed in the Visegrad region (4.0 per cent).

**The volume of new household loan contracts amounted to HUF 552 billion in the first quarter, up 71 per cent from the low level of lending in the same period a year earlier.** The increase was mainly driven by annual growth of 130 per cent and 60 per cent in housing loans and prenatal baby support loans, respectively, but personal loans also increased by 48 per cent. Compared to the same period a year earlier, the number of housing loan contracts signed in the first quarter rose at a more moderate pace than the volume of lending (45 per cent), meaning that the significant increase in volume was supported by higher loan amounts. While in March 2023 the average contracted amount of housing loans was HUF 9.6 million, in March 2024 it was HUF 16.5 million, helped by the increased maximum loan amount under the HPS Plus programme.

**In March 2024, banks granted market-based housing loans at an average interest rate of 6.5 per cent (APR: 6.7 per cent),** and taking into account state interest subsidies, the average interest rate paid by customers in the overall housing loan market was 5.5 per cent at the end of the first quarter. In 2024 Q1, the share of state-subsidised loans in newly signed housing loans was 24 per cent. Banks contracted 47 per cent, 83 per cent and 91 per cent, respectively, of the volume of market-based housing loans contracted in the first three months of 2024, with a total loan cost below the voluntary APR ceiling of 7.3 per cent. The sustainability of the scheme could be challenged if the rise in the long-term interbank reference rates that determine the pricing of loans, seen in recent months, persists.

**According to the responses to the Lending Survey, in 2024 Q1, credit institutions overall did not change lending criteria on housing loans, while 18 per cent of banks eased credit conditions on consumer loans.** During the first quarter, the responding institutions experienced a pick-up in demand for both housing loans and consumer loans, with half of the banks expecting this to continue to strengthen.

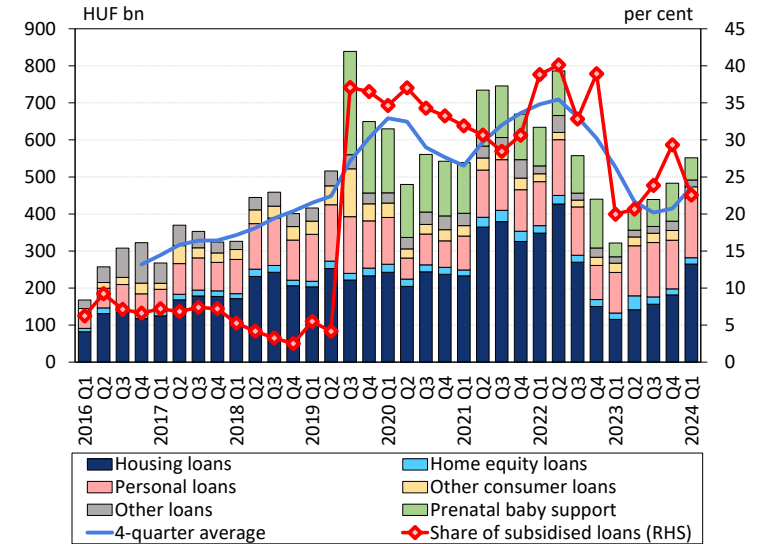


Chart 4: Volume of new household loans

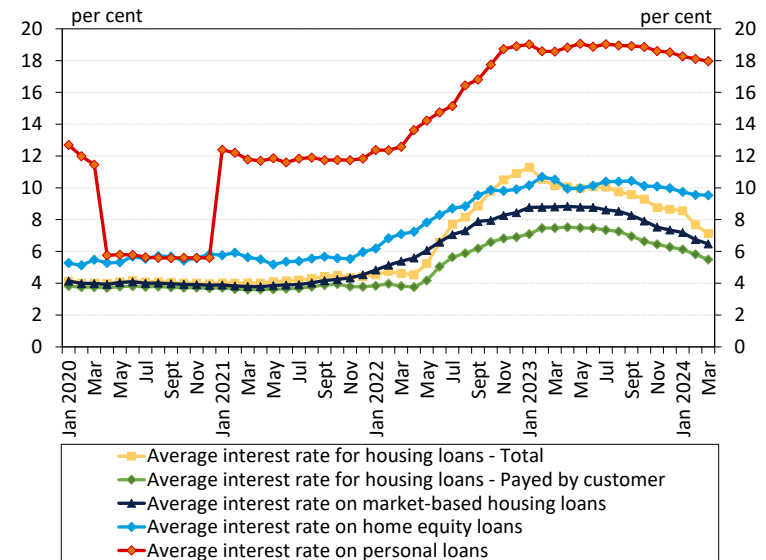


Chart 5: Average interest rates on new household loans