



Summary notes

Retail lending expanded amid strong competition, while corporate lending stagnated in 2024 Q2

- Credit institutions' household loans outstanding increased by 6.0 per cent and corporate loans by 3.9 per cent on an annual basis in 2024 Q2.
- The value of banks' loan contracts with households increased by 76 per cent in the second quarter compared with a year earlier, when issuance was subdued, with the value of housing loan contracts more than doubling.
- The volume of new corporate lending in the second quarter, at HUF 1,072 billion, was essentially stagnant compared to the same period of the previous year.
- According to the [Lending Survey](#), in the retail segment, banks eased pricing conditions for both housing and consumer loans as a result of increased competition, but they expect a further pick-up in loan demand only for unsecured loans. With unchanged corporate credit conditions, banks reported buoyant demand for foreign currency loans and short-term loans, which they expect to pick up further.

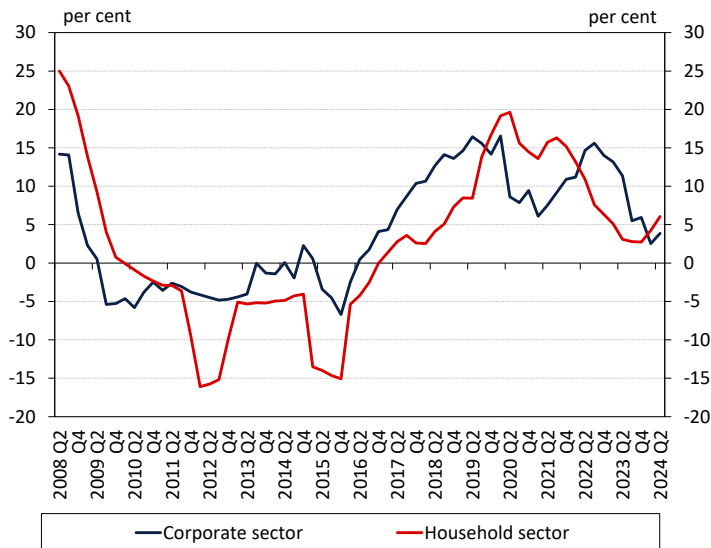


Chart 1: Annual growth rate of outstanding corporate and household loans



Indicator	2024 Q2	2023 Q2	Change
Corporates			
Annual growth rate of corporate loans outstanding (per cent)	3.9	11.4	-7.5 pp.
Volume of new corporate loans (HUF bn)	1072	1074	-2
SME			
Share of subsidised loans in total loans to SMEs (per cent)	36.8	63.9	-27.1 pp.
Average interest rate of new small amount HUF loans (per cent) (Loans with variable rate or maximum one year interest rate fixation)	10.2	16.1	-5.9 pp.
Households			
Annual growth rate of household loans outstanding (per cent)	6.0	3.1	+3.0 pp.
Volume of new household loans (HUF bn)	731	414	+317
Housing loans			
Share of subsidised loans in total loans for house purchase (per cent)	23.8	19.7	+4.2 pp.
Average interest rate for new housing loans (per cent)	6.9	10.1	-3.2 pp.

Table 1: Main indicators of corporate and household lending



Household lending

Outstanding household loans from the credit institutions sector grew by around HUF 281 billion in 2024 Q2, as a result of disbursements and repayments, accelerating the annual growth rate of household loans to 6.0 per cent from 4.2 per cent at the end of the previous quarter. Domestic credit dynamics are in the first quarter of the EU range, and above the average growth rate perceived in the countries of the Visegrad region (4.2 per cent).

The volume of new retail loan contracts amounted to HUF 731 billion in the second quarter, up by 76 per cent from the low level of the same period a year earlier. The increase was mainly due to a 167 per cent increase in housing loans, but personal loans also grew by 55 per cent. The number of housing loan contracts signed in the second quarter increased at a more moderate pace (57 per cent) year on year, when compared to the volume. That is, the significant increase in volume was supported by the increased loan amounts: while in June 2023 the average contracted amount of housing loans was HUF 11.3 million, in June 2024, it was HUF 18.4 million, which was also due to the increased maximum loan amount of the HPS Plus programme. In 2024 Q2, the share of state-subsidised loans within newly signed housing loans was 24 per cent, up from 20 per cent a year earlier. In June 2024, banks offered market-based housing loans at an average interest rate of 6.4 per cent (APR: 6.7 per cent), and taking into account low-interest state-subsidised schemes, the average interest rate paid by customers in the overall housing loan market was 5.6 per cent. Banks provided 96 per cent of the market-based housing loans signed in the second quarter with an annual percentage rate below the voluntary APR ceiling of 7.3 per cent.

Based on the responses to the Lending Survey, in 2024 Q2, credit institutions relaxed pricing conditions for both housing loans and consumer loans as a result of increased competition. The increase in demand seen during the quarter is expected to continue to strengthen in unsecured lending, but banks do not expect further growth in housing loans.

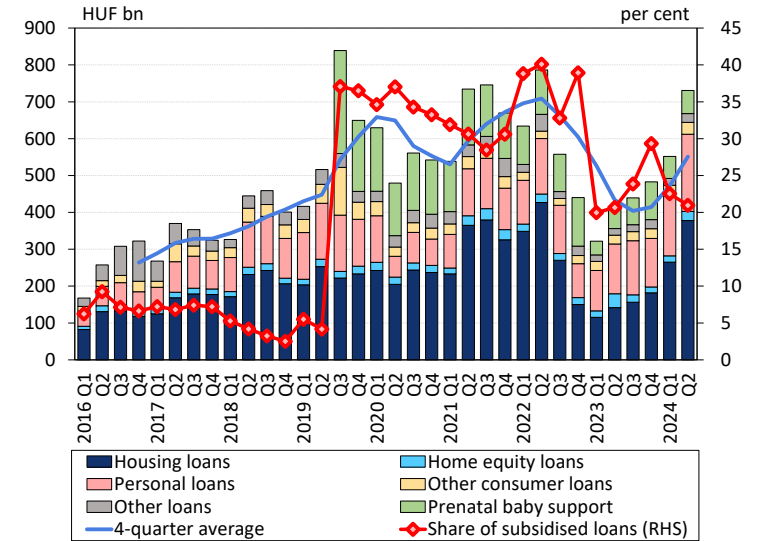


Chart 2: Volume of new household loans

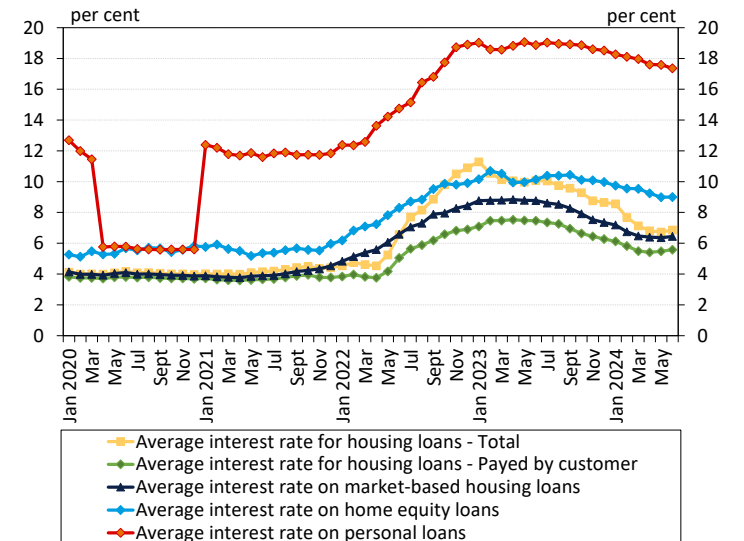


Chart 3: Average interest rates on new household loans



Corporate lending

Credit institutions' outstanding loans to non-financial corporations increased by HUF 313 billion in 2024 Q2, with the annual growth rate thus accelerating from 2.5 per cent at the end of the previous quarter to 3.9 per cent by the end of June. According to preliminary data, loans outstanding to the large corporate sector grew by 9 per cent, while loans outstanding to the SME sector stagnated. The growth rate of domestic corporate loans is in the middle of the EU range and above the average growth rate observed in the Visegrad countries (1.7 per cent).

The 1,072 billion forints of new corporate loan volume disbursed in 2024 Q2 was only 0.2 per cent below the high base of the same period last year, which was characterised by a surge in lending programmes. The high volume of loans in the quarter was also supported by individual transactions larger than HUF 5 billion, which increased their share within new issuance to 48 per cent from 38 per cent in the first quarter. In the second quarter, the share of subsidised corporate loans was only 20 per cent of new non-current account contracts, down 29 percentage points year-on-year. In the SME segment, the share of subsidised loans was 37 per cent at the end of the period under review, compared to 64 per cent in 2023 Q2. Average interest rate on newly contracted, largely market-based corporate HUF loans with variable interest rates within a year was 10.2 per cent for small loans and 9.8 per cent for large loans at the end of 2024 Q2.

Banks participating in the Lending Survey left overall corporate lending conditions unchanged in 2024 Q2, with no changes planned in the next six months either. In 2024 Q2, 38 and 19 per cent of banks respectively perceived a pick-up in demand for foreign currency loans and short-term loans due to rising inventory financing needs, while a net 14 and 15 per cent saw a decline in demand for HUF loans and long-term loans as investment targets fell. Looking ahead to 2024 Q2, a third of banks expect demand for foreign currency loans and short-term loans to continue to pick up, and around a quarter of them also expect demand for HUF loans to pick up as the overall interest rate environment becomes more favourable.

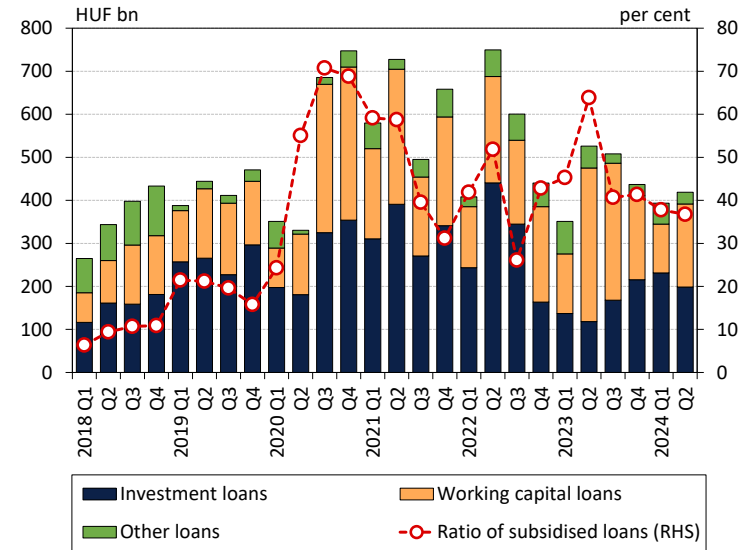


Chart 4: New disbursements of SME loans by loan purpose and the ratio of subsidised loans

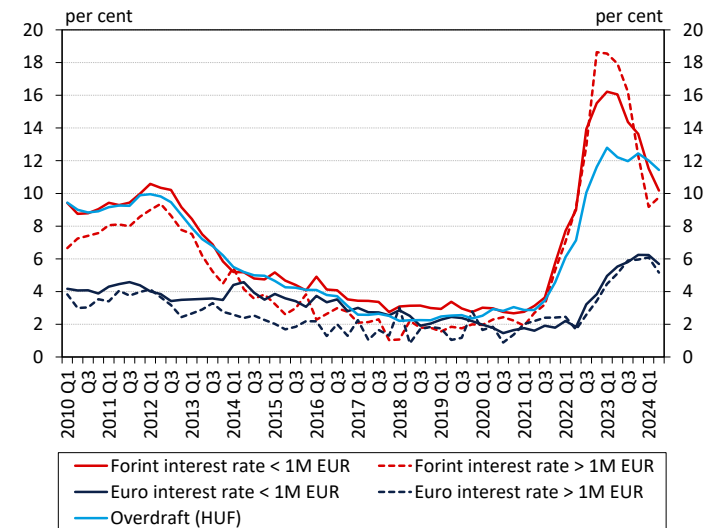


Chart 5: Interest rates on new corporate loans



Special topic: KEY TAKEAWAYS FROM INTERVIEWS WITH SENIOR LOAN OFFICERS

The quarterly Lending Survey is supplemented once a year by interviews with the senior loan officers of the largest banks in each sub-market, who reported on trends in lending in the period of 2024 H1 and shared their market expectations.



Corporate lending

Based on the assessment of banks' corporate senior loan officers, lending in 2024 H1 fell short of the planned levels. The expected turnaround in the macroeconomic environment from autumn 2023 did not take place, and interest rates also fell at a slower pace than expected, preventing market-, investment-driven lending from picking up. Last year was clearly dominated by subsidised schemes, with the availability of these programmes shrinking to subsidised financing, typically for working capital, and euro-based financing for businesses with natural hedging. The demand for investment loans was found to be negligible by bank experts. With uncertain macroeconomic outlook, firms are currently in favour of taking a wait-and-see approach, hoping for the announcement of another subsidised loan programme. Banks' holdings of corporate deposits are at an outstanding level, and experts believe that at current interest rates, companies will fully utilise their liquid assets before resorting to market borrowing. A green investment goal only arises in large companies where customers or partners enforce it or where they intend to showcase sustainability investments in their ESG report.

In the business real estate segment, only well-located, energy-efficient, high-quality properties with a reliable, well-known sponsor are preferred by the banks surveyed. Demand for financing these projects is still subdued. The office market has turned into a tenant market following the epidemic, meaning that landlords are willing to take shorter leases to retain tenants, but this does not pose a risk to debt servicing. At present, demand for office space is subdued, as market players wait to see the impact of new office space to be handed over soon on vacancy rates. Industrial logistics is still a preferred sector, but only the best projects are funded now, which also leads to increased competition.



Household lending

The banks interviewed reported that housing loan issuance for 2024 H1 is above planned levels, driven by improving consumer confidence and significantly higher loan amounts, now around HUF 20-25 million. The role of agents in the housing loan market is inescapable, which has also brought competition in individual pricing. Tight margins limit the scope for banks to offer discounts of more than 50 basis points for green housing purposes, such as buying a new home or upgrading. In many cases, the high loan amount of HPS Plus is already sufficient to buy a home without a market housing loan. The 90 per cent LTV limit for first-time home buyers is applied by all banks and has seen increasing interest but low take-up so far. Banks prefer lower down-payment requirements mainly for more liquid housing market locations, such as Budapest and the county seats, or for premium, newly built properties.

In the case of prenatal baby support loans, a fall in issuance was expected as eligibility narrowed, but new disbursements were better than expected. The vast majority of these loans were taken out by customers where pregnancy was already verifiable. Although a substantial proportion of prenatal baby support loan borrowers have not had a baby born 'on time', most banks are not concerned about payment problems, as many customers have invested the loan and would be able to repay it immediately. In personal lending, officers reported a significant increase, fuelled by rising incomes as well as by the improved availability of online loans and the possibility for rapid drawdown of pre-approved loan amounts. Several participants pointed out that the most popular demand for loans is for home renovation and energy modernisation, along with vehicle purchases and consumer durables. The quality of the retail portfolio is stable for all banks, and the NPL ratio is not expected to increase, looking ahead.