Summary notes

Buoyant household and subdued corporate lending in 2024 Q3

- Credit institutions' household loans outstanding increased by 7.9 per cent and corporate loans by 3.2 per cent on an annual basis in 2024 Q3.
- The volume of new loan contracts signed by banks with households increased by 72 per cent in Q3 relative to a year earlier, within the value of housing loan contracts more than doubled.
- The volume of new corporate lending in the third quarter, at HUF 798 billion, decreased by 19 per cent compared to the same period of the previous year.
- According to the Lending Survey, in the retail segment, banks left standards on housing loans unchanged and 40 per cent of them eased standards on consumer loans. Looking ahead, demand for unsecured loans is not expected to continue to pick up, but demand for housing loans may pick up again.

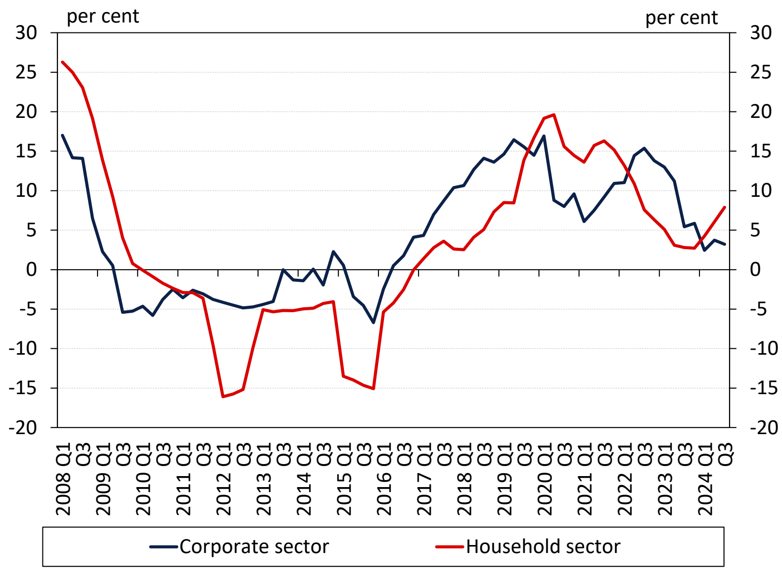

Chart 1: Annual growth rate of outstanding corporate and household loans

Indicator	2024 Q3	2023 Q3	Change
Corporates			
Annual growth rate of corporate loans outstanding (per cent)	3,2	5,4	-2.2 pp.
Volume of new corporate loans (HUF bn)	798	988	-190
SME			
Share of subsidised loans in total loans to SMEs (per cent)	22,2	39,7	-17.5 pp.
Average interes rate of new small amount HUF loans (per cent) (Loans with variable rate or maximum one year interest rate fixation)	9,9	14,4	-4.4 pp.
Households			
Annual growth rate of household loans outstanding (per cent)	7,9	2,8	+5.1 pp.
Volume of new household loans (HUF bn)	755	439	+316
Housing loans			
Share of subsidised loans in total loans for house purchase (per cent)	25,2	20,8	+4.4 pp.
Average interest rate for new housing loans (per cent)	7,1	9,6	-2.5 pp.

Table 1: Main indicators of corporate and household lending

Household lending

Household loans outstanding of credit institutions sector increased by HUF 300 billion in 2024 Q3, as a result of loan disbursements and repayments, with the annual growth rate of lending picking up from 6.0 per cent in the previous quarter to 7.9 per cent. The growth rate of domestic household loans ranks fifth compared with other EU countries and is significantly higher than the average growth rate of the Visegrad countries (5.1 per cent).

The volume of new lending to households was HUF 755 billion in the third quarter, exceeding the volume of lending a year earlier by 72 per cent. This mainly reflected a 130 per cent rise in the volume of housing loans and partly a 57 per cent increase in personal loans. The number of housing loan contracts concluded in the third quarter rose by 40 per cent relative to 2023 Q3, with the average value of contracts rising significantly. From HUF 11.3 million in September 2023, the average contractual amount of housing loans rose to HUF 19.2 million in September 2024, to which the higher loan amounts available in the HPS Plus program also contributed. In 2024 Q3, government-subsidised loans accounted for 25 per cent of the volume of new housing loans, a year earlier this share was 21 per cent. In September 2024, banks provided market-based housing loans at an average 6.6 per cent interest rate (APR: 6.8 per cent). Taking into account government-subsidised facilities, the average interest rate to be paid by new customers in the entire housing market was 5.5 per cent. Overall, no material change took place in interest rates compared with the end of June when the voluntary APR ceiling was phased out: interest rates on housing loans rose by 0.2 percentage points, with the APR and the average interest rate to be paid by customers both increased by 0.1 percentage point.

Based on the responses to the Lending Survey, banks left standards on housing loans unchanged and 40 per cent of them eased standards on consumer loans in 2024 Q3. Looking ahead, credit standards for both household segments are expected to remain broadly unchanged. Banks do not expect the increase in demand for unsecured loans to continue. Demand for housing loans is expected to pick up again over the next six months.

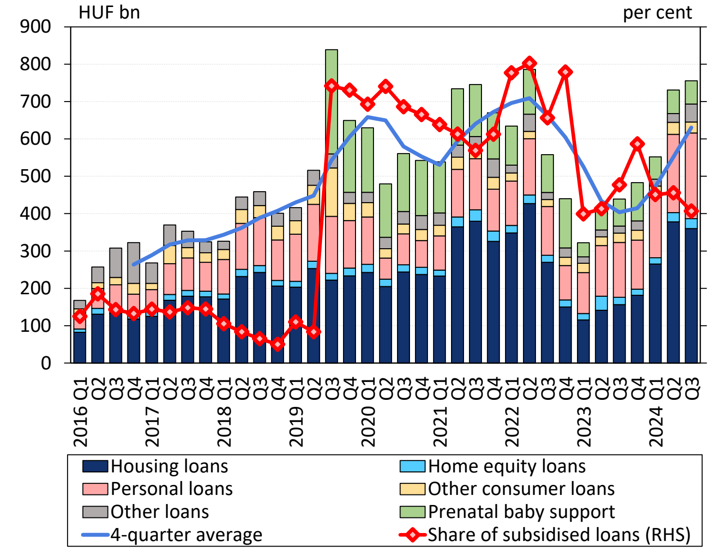

Chart 2: Volume of new household loans

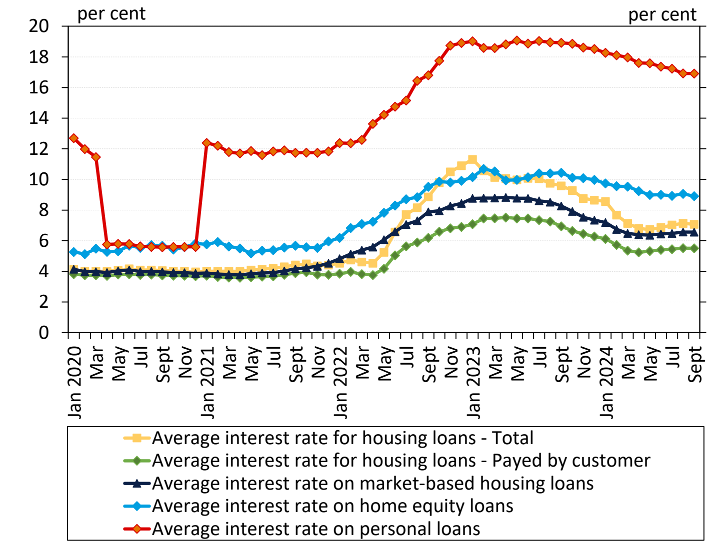

Chart 3: Average interest rates on new household loans

Corporate lending

Credit institutions' outstanding loans to non-financial corporations fell by HUF 37 billion in 2024 Q3, with the annual growth rate of lending slowing from 3.7 per cent in the previous quarter to 3.2 per cent at the end of September. Based on preliminary data, the loans outstanding of large corporations increased by 8 per cent and that of lending to SMEs stagnated. The growth rate of domestic corporate credit lies in the middle-range of EU countries and is not materially different from average growth rate of the Visegrad countries (3.1 per cent).

The volume of new lending to the corporate sector in 2024 Q3, at HUF 798 billion, was down 19 per cent compared to the base of the same period a year earlier. With the expiry of loan schemes and their reduced availability, subsidised loans accounted for only 13 per cent of the volume of new, non-overdraft forms of credit, falling by 15 percentage points relative to the same period of the previous year. Subsidised loans to SMEs accounted for 22 per cent of the total at the end of the review period, down from 40 per cent in 2023 Q3. Average interest rate on newly contracted, largely market-based corporate HUF loans with variable interest rates within a year was 9.9 per cent for small-amount loans, falling by 24 basis points relative to the second quarter, while in the case of large-amount loans, it decreased by 164 basis points and amounted to 8.1 per cent at the end of 2024 Q3.

Banks participating in the Lending Survey left standards on corporate loans broadly unchanged in 2024 Q3, and they do not plan to change them over the next six months. In 2024 Q3, a net 18 per cent and 22 per cent of the banks, respectively, perceived a decline in demand for short-term loans and HUF loans. Demand for long-term loans and foreign currency loans remained unchanged in the quarter. Looking ahead to 2024 Q4 and 2025 Q1, banks do not expect demand to pick up, and around one-third of them expect demand to increase only for foreign currency loans. The respondent banks expect no material increase in demand for long-term loans, mostly for investment purposes, over the next six months.

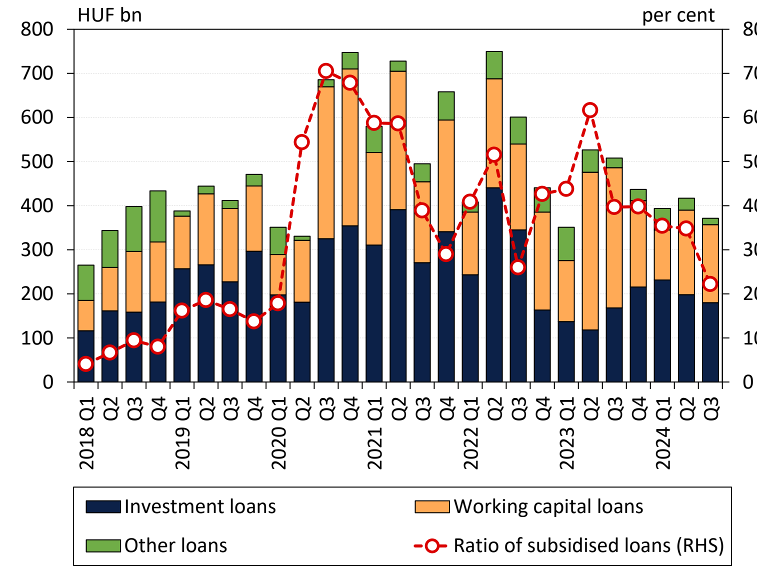

Chart 4: New disbursements of SME loans by loan purpose and the ratio of subsidised loans

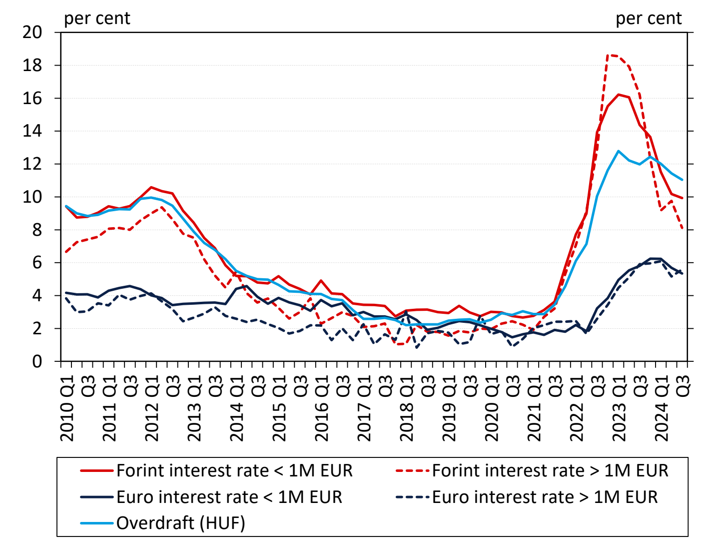

Chart 5: Interest rates on new corporate loans