



# TRENDS IN LENDING, SEPTEMBER 2019



# KEY MESSAGES OF THE REPORT



Total corporate and SME loans outstanding increased by 16 per cent and 13 per cent year-on-year, respectively.

The mitigation of the interest rate risk of the SME-sector is supported by the Funding for Growth Scheme *Fix*.

Household loans outstanding expanded by 8 per cent annually, and the volume of new disbursements increased by 26 per cent.

Beside the pick-up in demand, banks did not change credit conditions neither in the corporate, nor in the household loan segment.

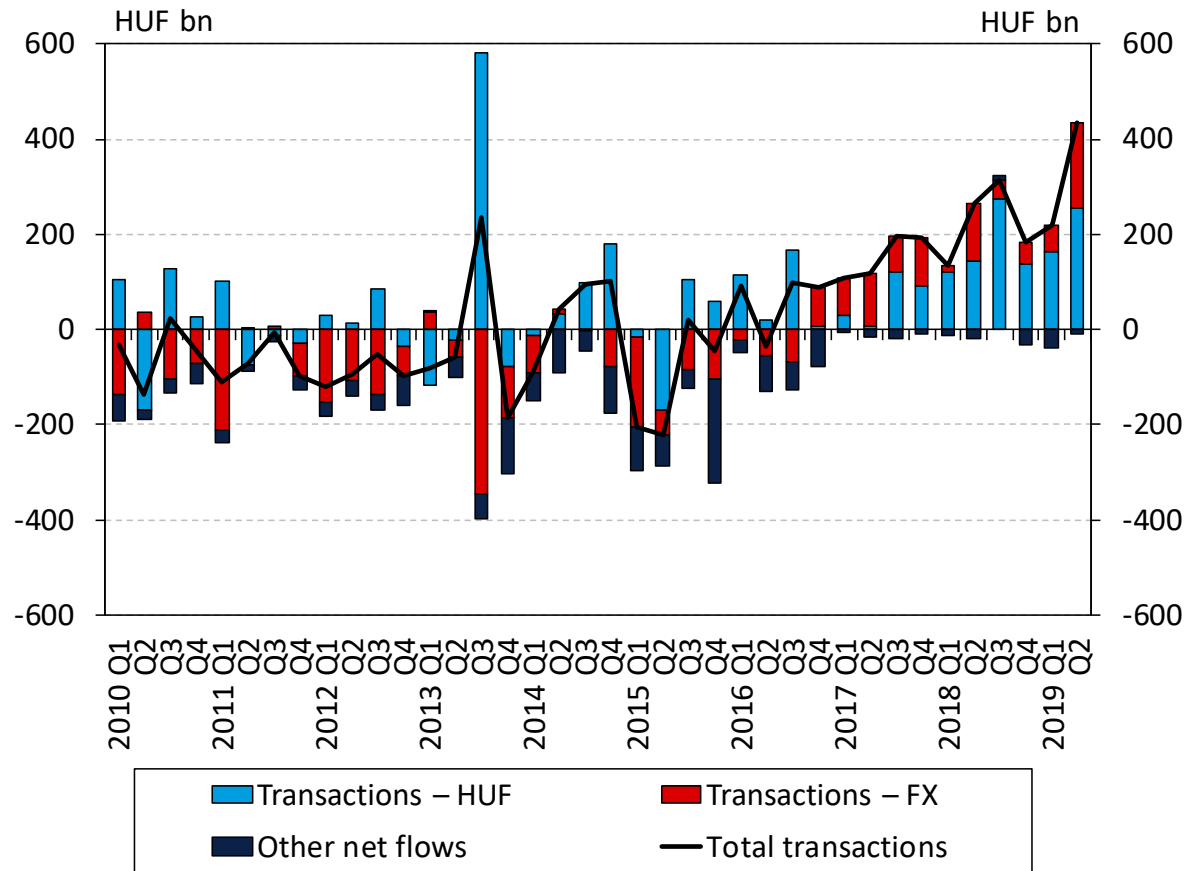
Share of fixed-rate loans increased to 97 per cent within new housing loans, and loans with a 10-year interest rate fixation has doubled during the last one year.

Overall, the MNB does not consider the current dynamics of credit expansion to be overheated neither in terms of structure nor in terms of volume.



# CORPORATE SEGMENT

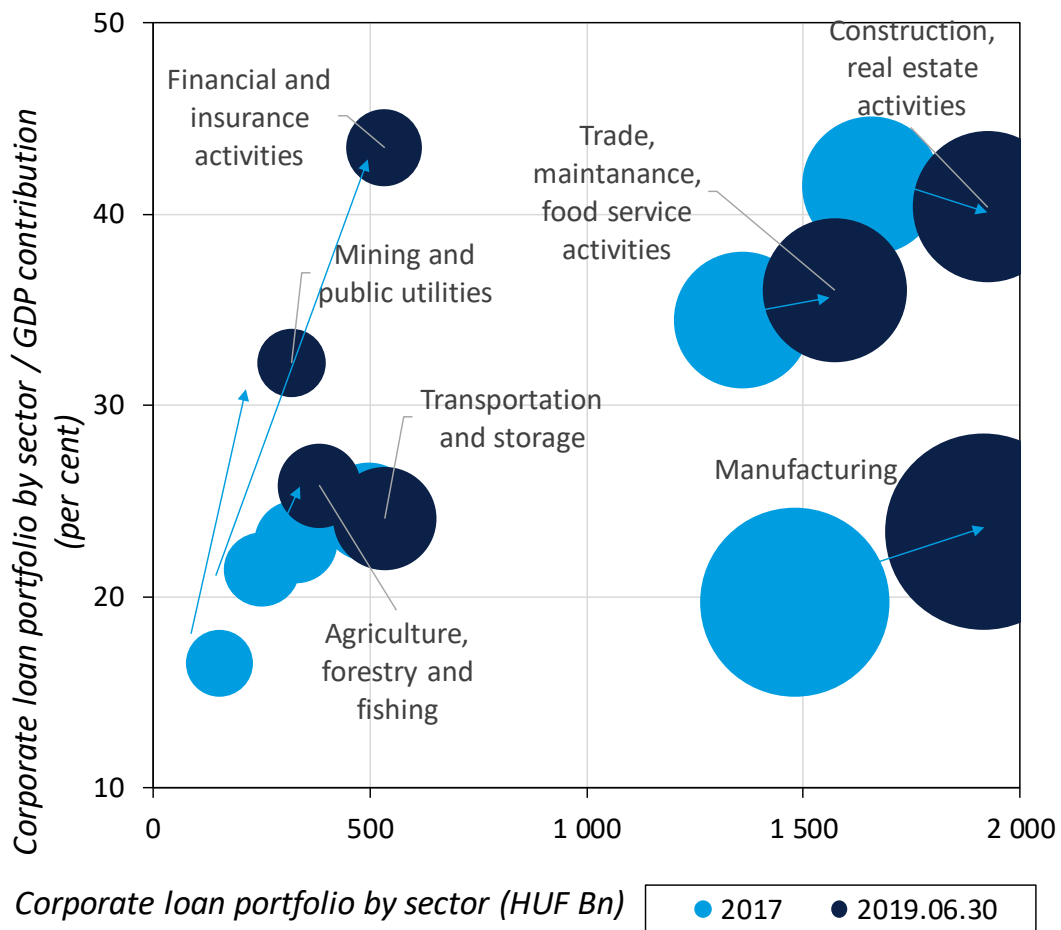
# 2019 Q2 WAS CHARACTERISED BY AN EXCEPTIONAL EXPANSION IN TRANSACTIONS IN THE CORPORATE SECTOR



## NET QUARTERLY CHANGES IN THE CORPORATE LOAN PORTFOLIO BY CURRENCY

*Note: Loans granted by credit institutions to domestic non-financial corporations. Seasonally unadjusted net change in outstanding amounts, with rolling exchange rate adjustment, excluding individual institutional effects. Adjusted for the impact of the change in some banks' accounting standards at the beginning of 2017.*

# THE GROWTH WAS BROAD-BASED IN A BREAKDOWN BY SECTORS AND BANKS AS WELL

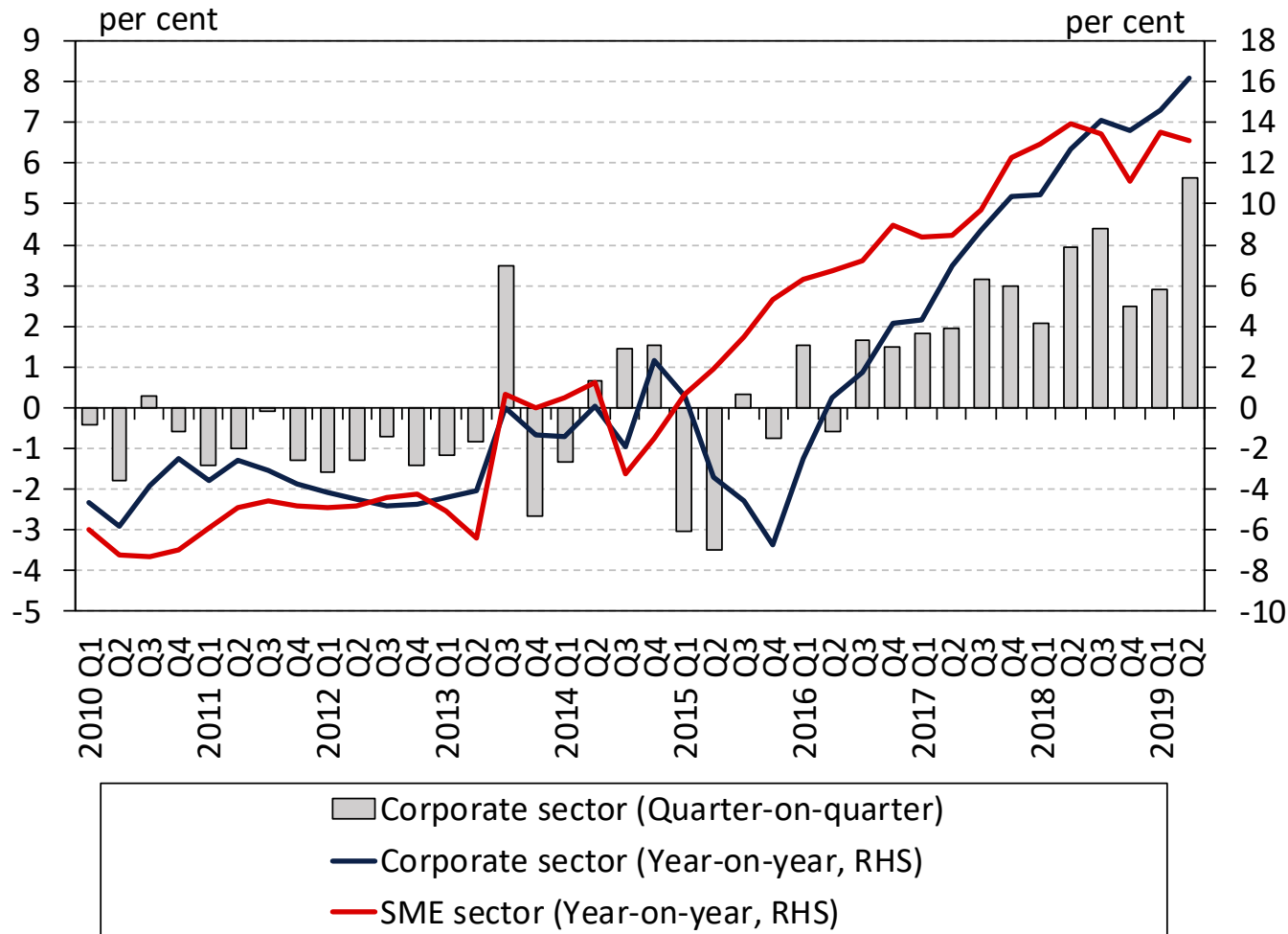


## CORPORATE LOAN PORTFOLIO AND ITS GDP-CONTRIBUTION BY SECTOR

Note: Bubble sizes on the basis of the value added by sectors.



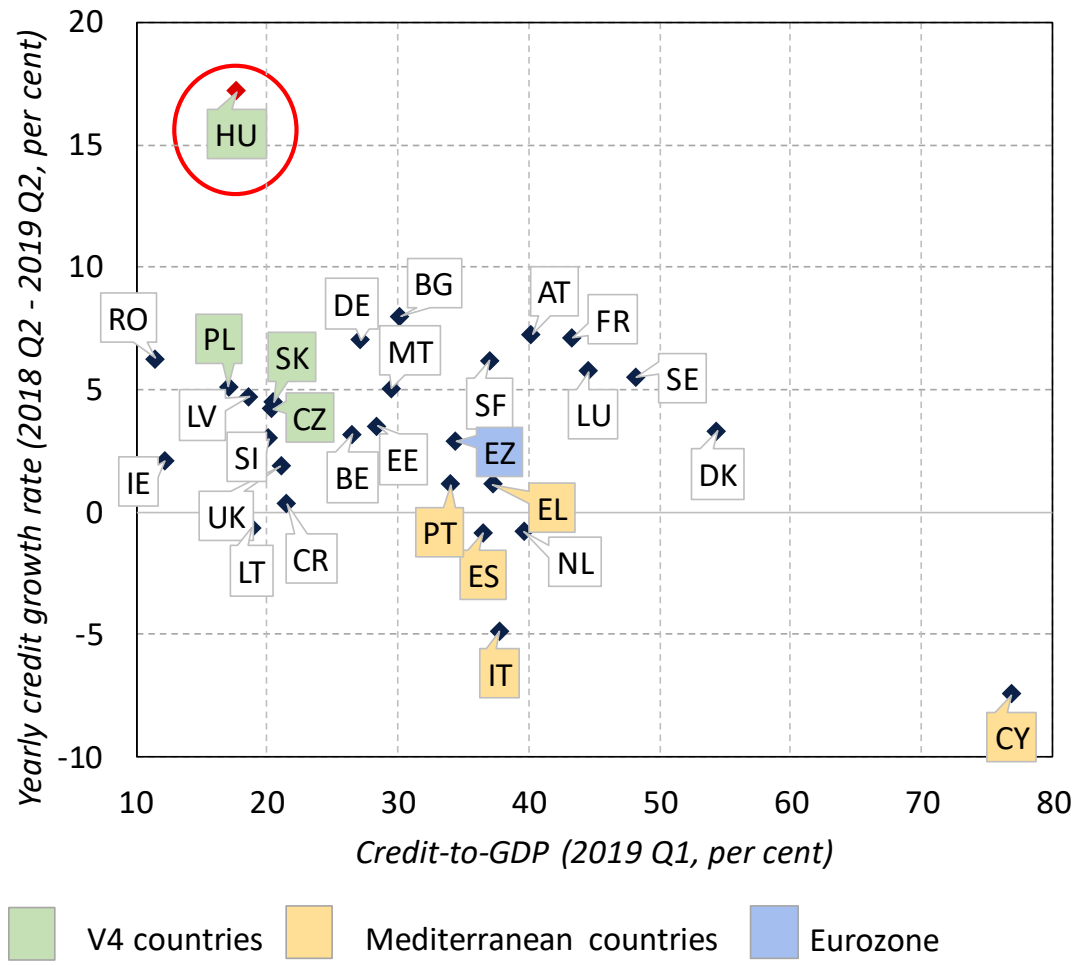
# THE ANNUAL GROWTH RATE OF TOTAL CORPORATE AND SME LENDING STOOD AT 16 AND 13 PER CENT, RESPECTIVELY



## GROWTH RATE OF OUTSTANDING LOANS OF THE CORPORATE SECTOR OVERALL AND THE SME SECTOR

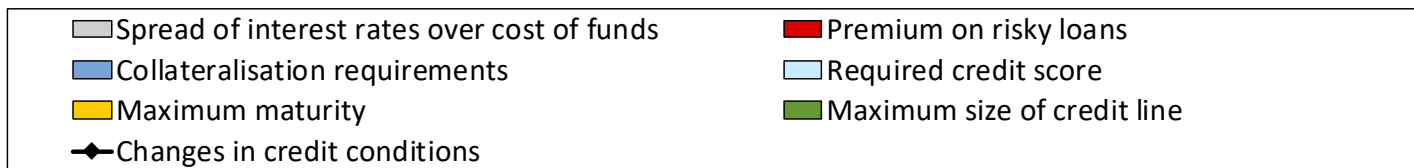
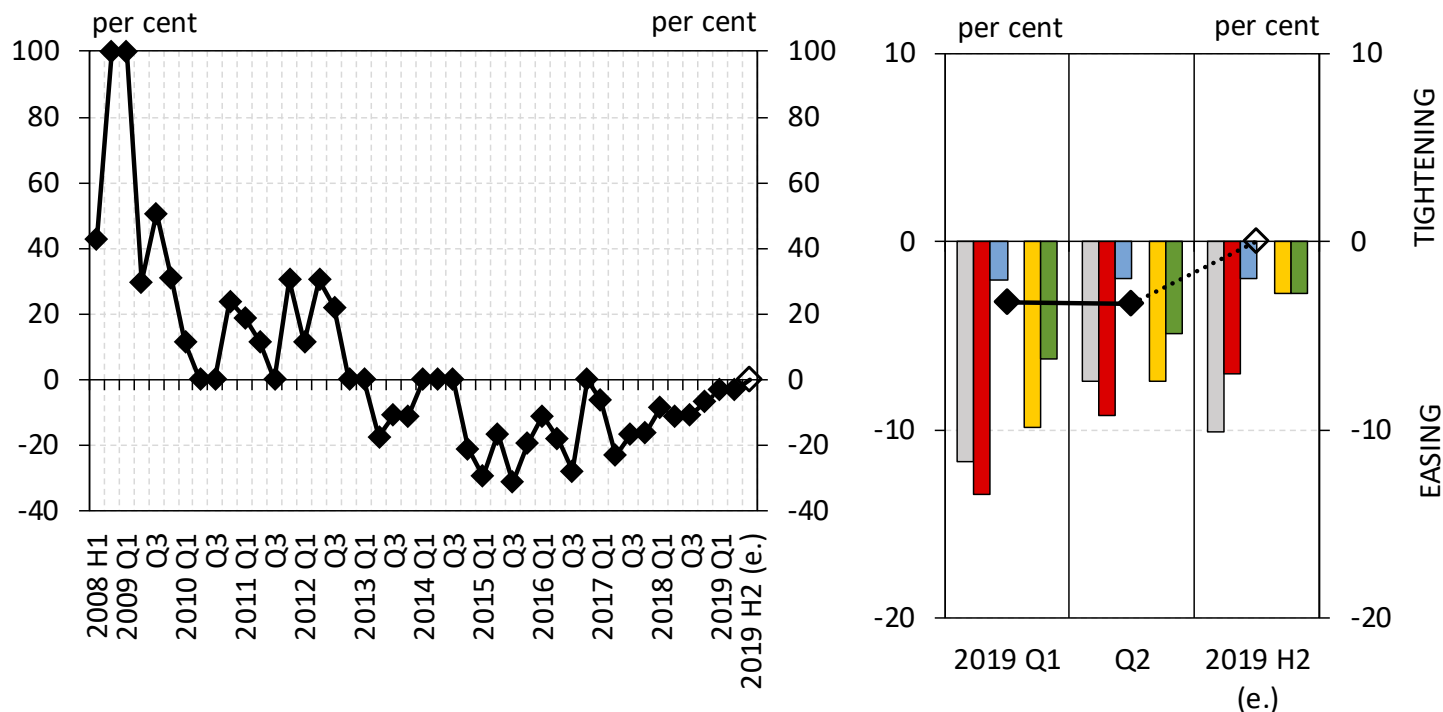
Note: Transaction based, prior to 2015 Q4 data for SMEs are estimated based on banking system data.

# THE INTERNATIONALLY OUTSTANDING CREDIT EXPANSION IS COUPLED WITH A RELATIVELY LOW FINANCIAL DEPTH



**YEARLY CREDIT GROWTH RATE AND CREDIT-TO-GDP RATIO IN THE CORPORATE SECTOR IN INTERNATIONAL COMPARISON**

# CORPORATE LENDING CONDITIONS DID NOT CHANGE SUBSTANTIALLY

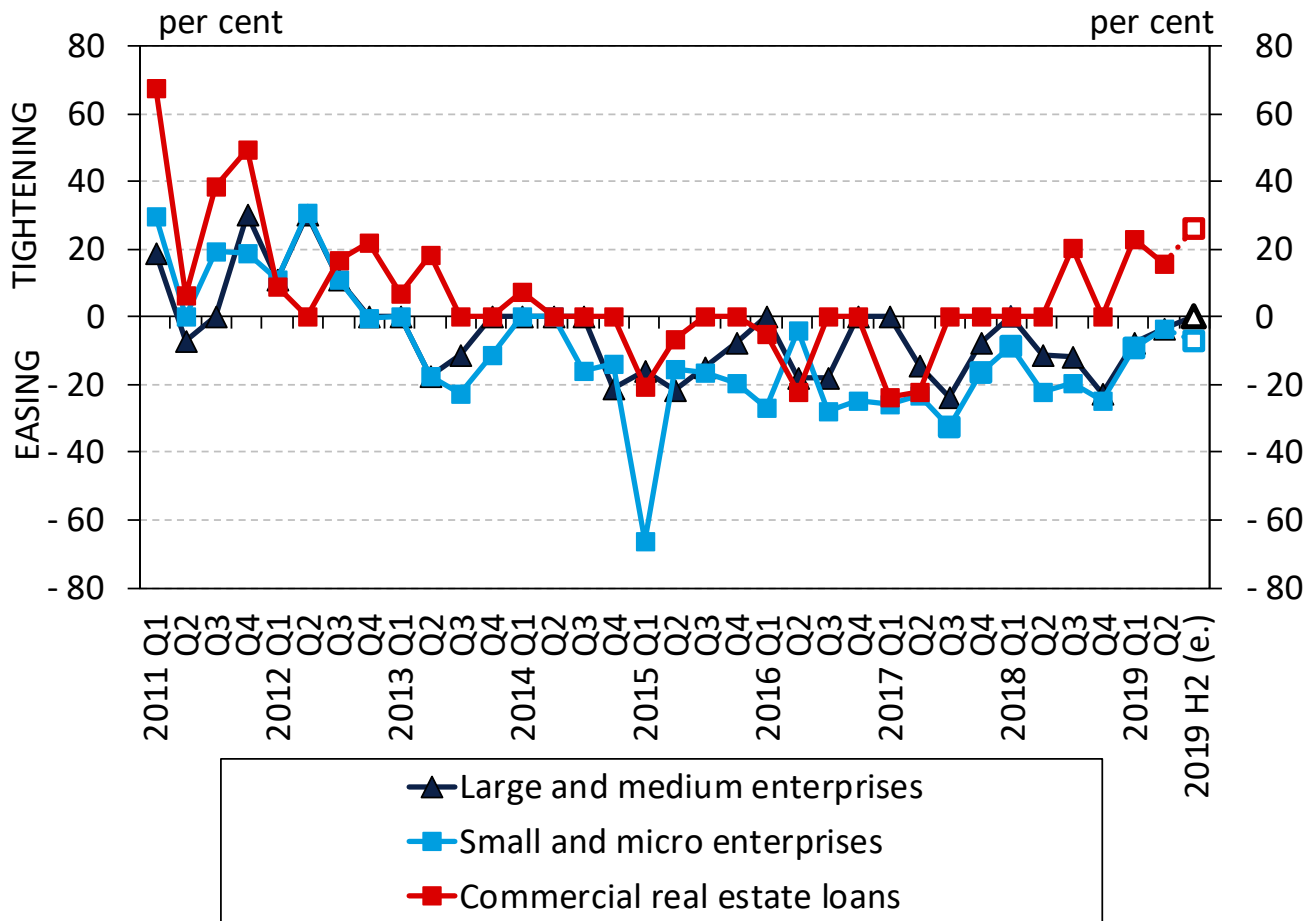


## CHANGES IN CREDIT CONDITIONS IN THE CORPORATE SEGMENT

Note: Net percentage of respondents tightening/easing credit conditions weighted by market share.



# CREDIT CONDITIONS ON COMMERCIAL REAL ESTATE LOANS WERE TIGHTENED

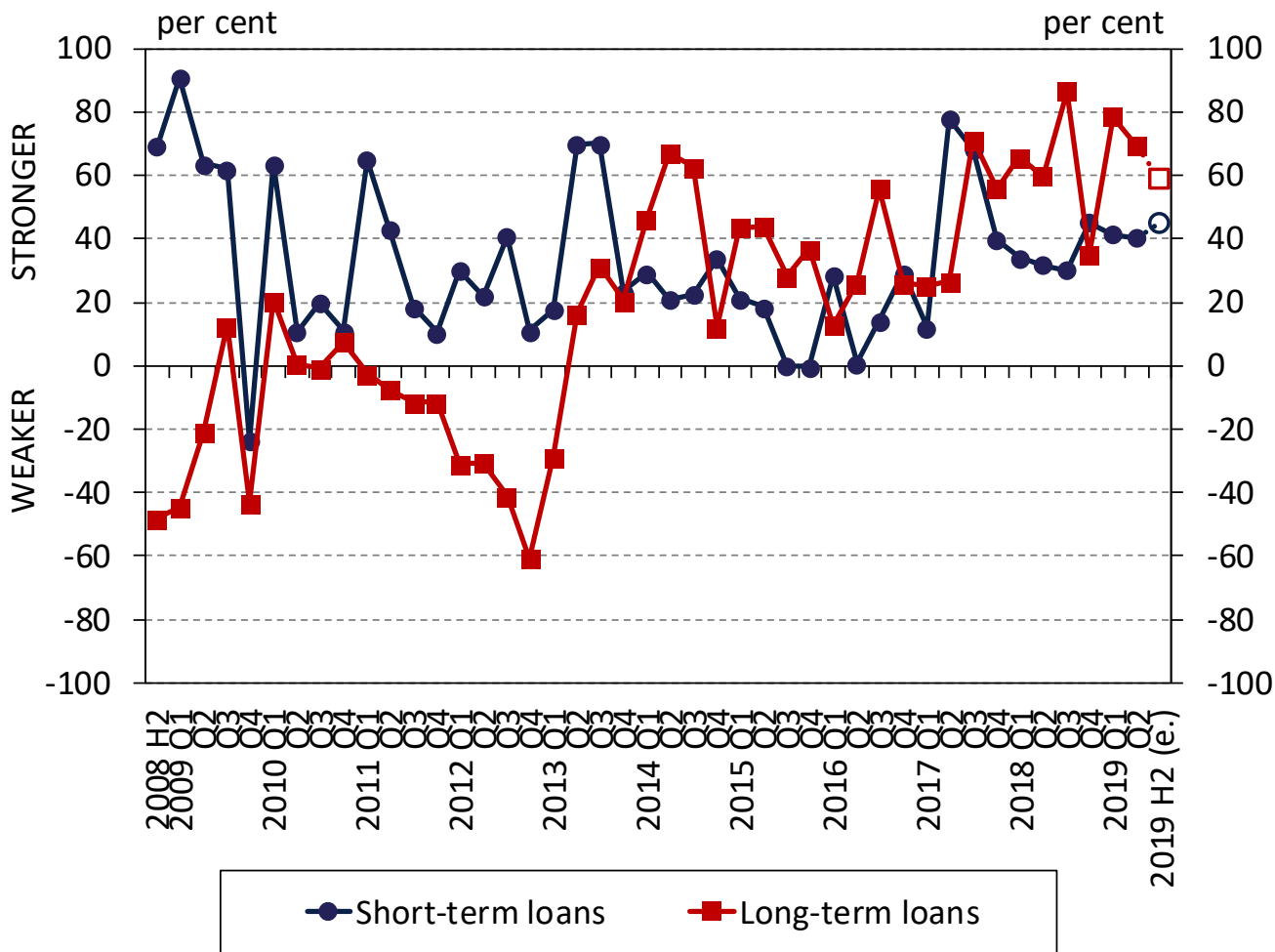


## CHANGES IN CREDIT CONDITIONS IN THE CORPORATE SUB-SEGMENTS

Note: Net percentage of respondents tightening/easing credit conditions weighted by market share.

Source | MNB, based on banks' responses

# CORPORATE CREDIT DEMAND INCREASED, ESPECIALLY FOR LONGER-TERM LOANS

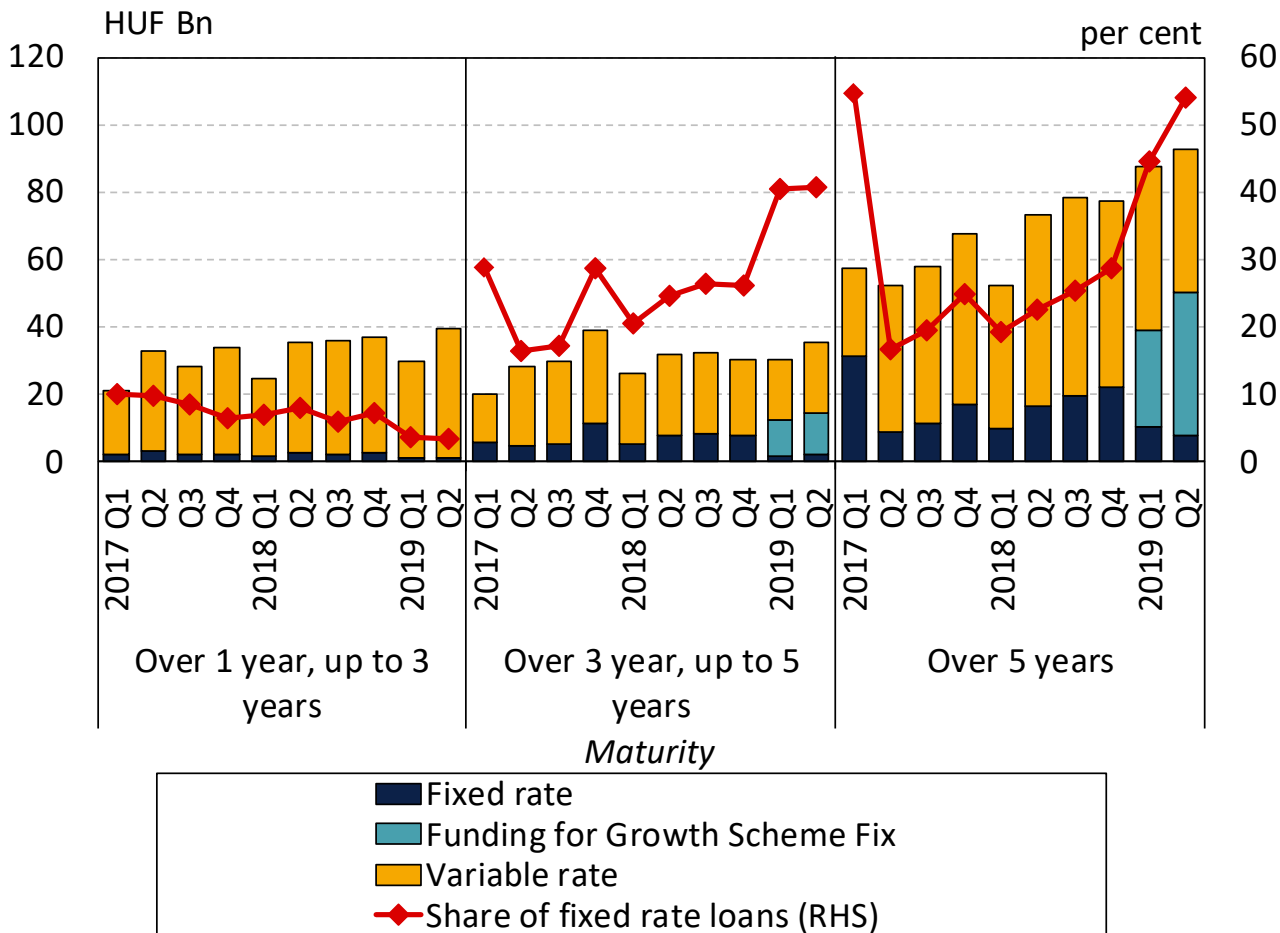


**CHANGE IN CREDIT DEMAND BY MATURITY**

*Note: Net percentage of respondent banks indicating stronger/weaker demand, weighted by market share.*

Source | MNB, based on banks' responses.

# THE SHARE OF FIXED-RATE LOANS HAS INCREASED SINCE THE LAUNCH OF FGS *FIX*



In the first half of 2019, the volume of credit institutions' FGS *fix* loans amounted to HUF 135 Bn vis-a-vis affiliated companies

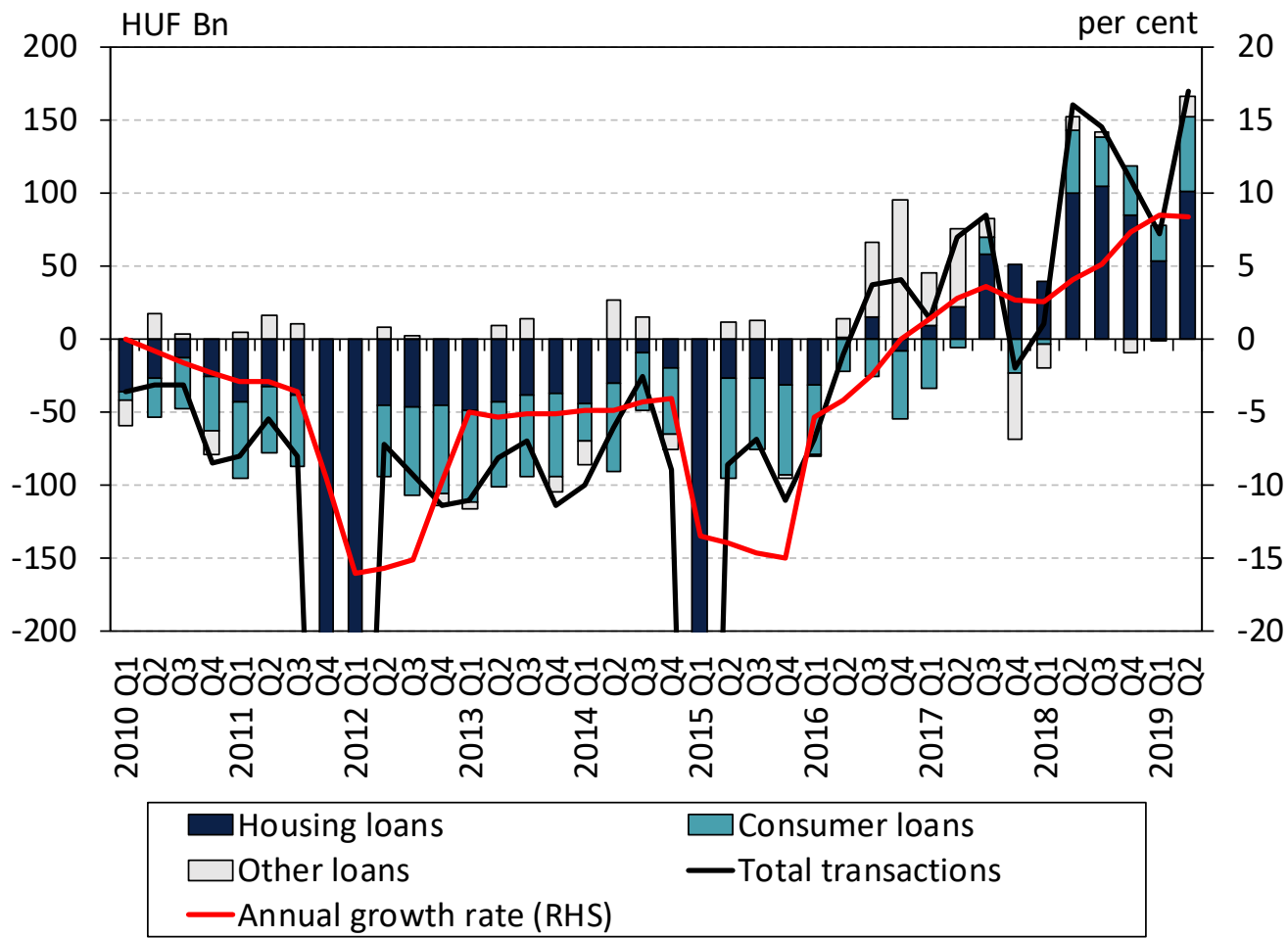
## NEW DISBURSEMENTS OF LOW-AMOUNT CORPORATE HUF LOANS BY INTEREST RATE FIXATION AND MATURITY



# HOUSEHOLD SEGMENT



# ANNUAL GROWTH RATE OF HOUSEHOLD LENDING INCREASED TO 8 PER CENT AS A RESULT OF TRANSACTIONS

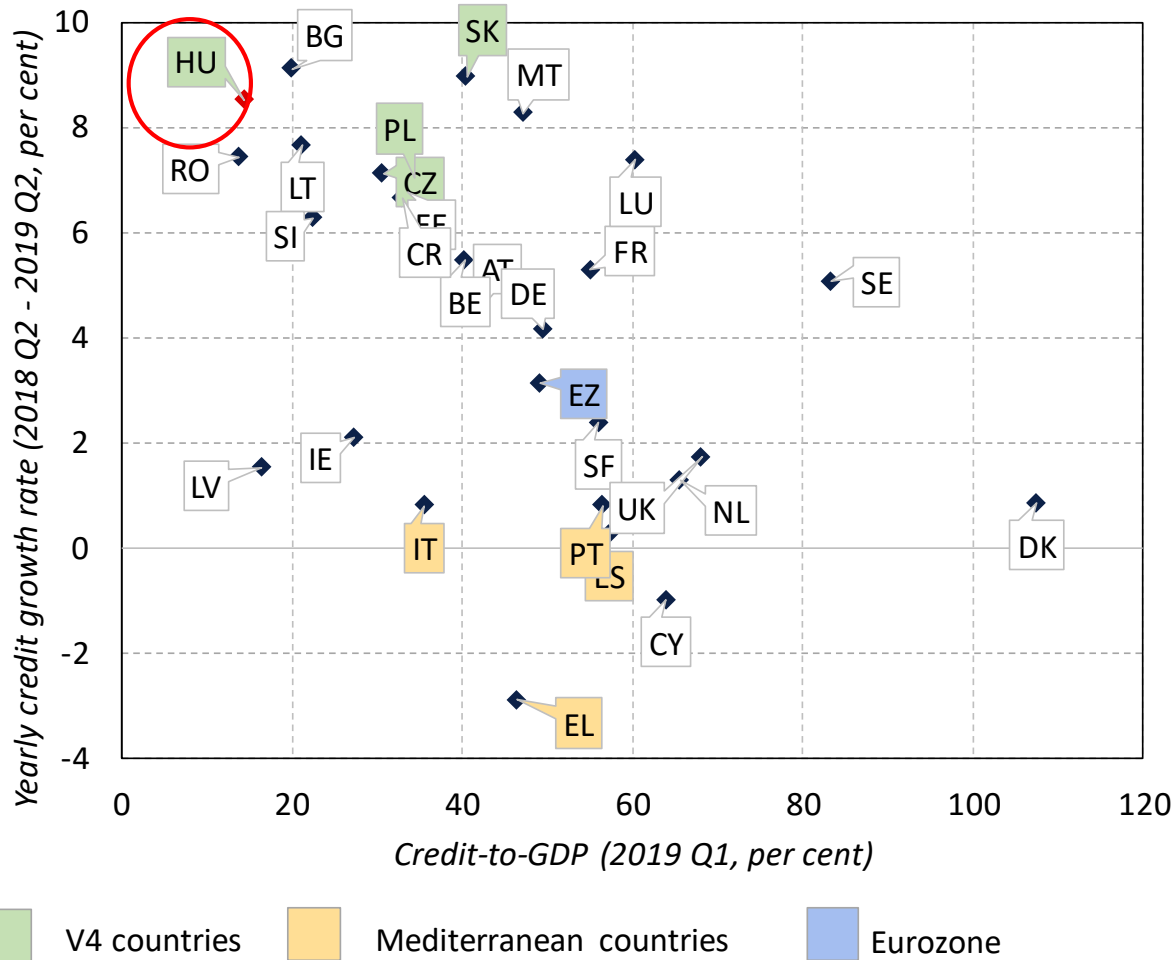


QUARTERLY TRANSACTIONS OF THE HOUSEHOLD LOAN PORTFOLIO BY LOAN PURPOSE

Note: The transactions reflect the effect of the settlement.

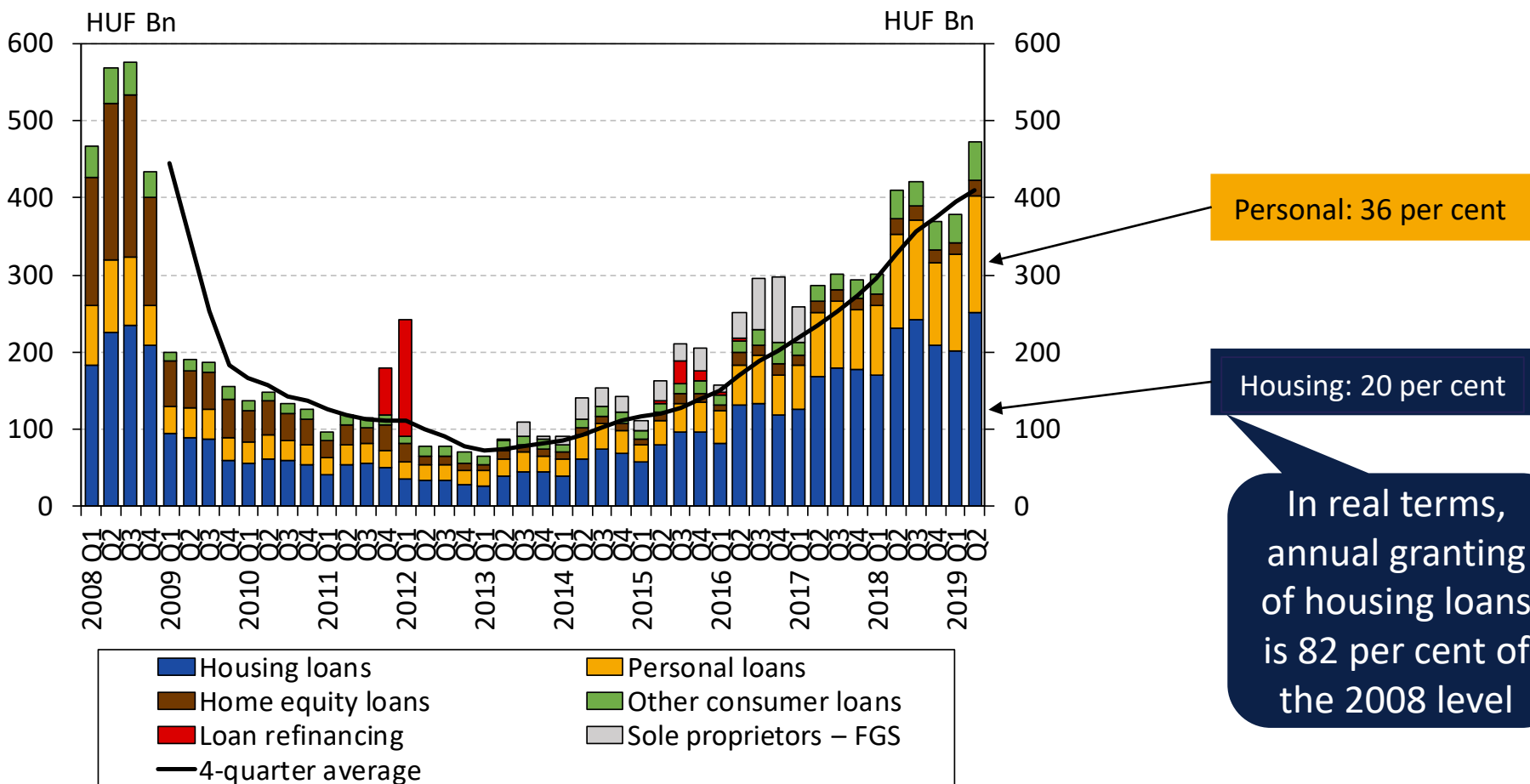
Source | MNB

# HOUSEHOLD CREDIT PENETRATION IN HUNGARY IS ONE OF THE LOWEST IN EUROPE



YEARLY HOUSEHOLD CREDIT GROWTH RATE AND CREDIT-TO-GDP RATIO IN INTERNATIONAL COMPARISON

# ANNUAL VOLUME OF NEW HOUSEHOLD LENDING INCREASED BY 26 PER CENT

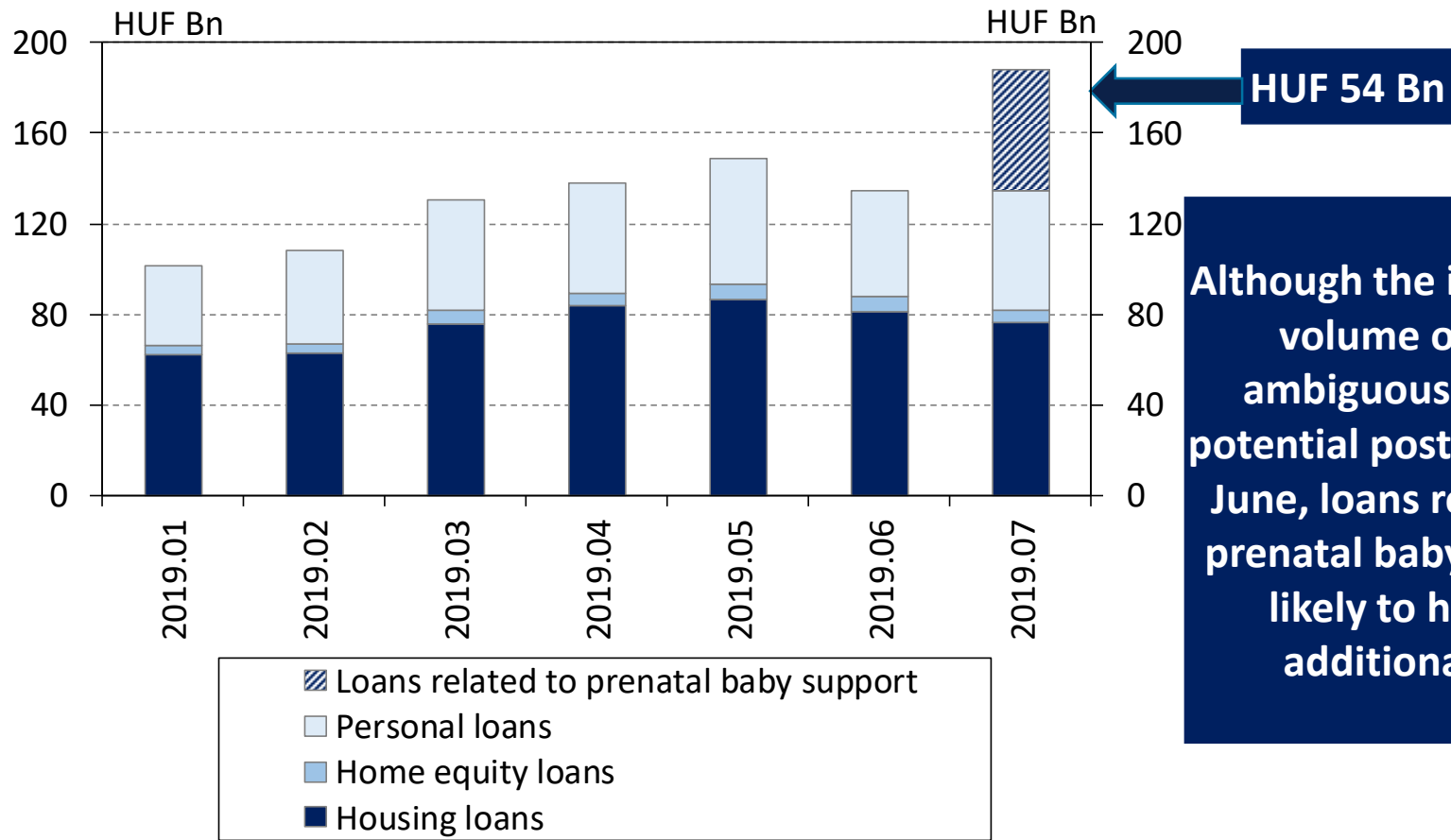


## NEW HOUSEHOLD LOANS IN THE CREDIT INSTITUTION SECTOR

Note: Loan refinancing indicates only refinancing related to the early repayment scheme and the FX-conversion. Other consumer loans include vehicle loans, hire purchase and other loans.



# A SIGNIFICANT AMOUNT OF LOANS RELATED TO PRENATAL BABY SUPPORT HAS ALREADY BEEN CONTRACTED IN THE 1ST MONTH



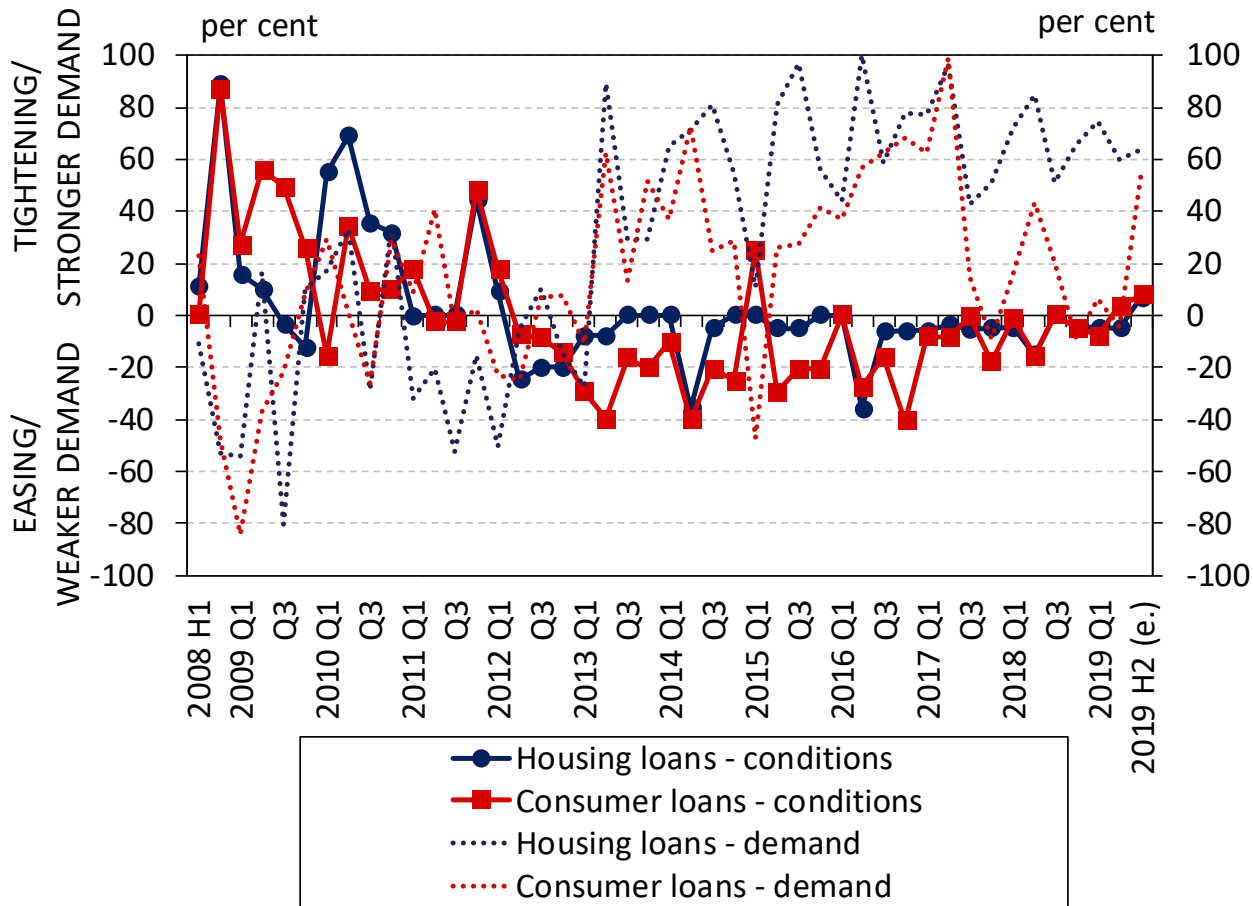
Although the impact on the volume of loans is ambiguous due to the potential postponements in June, loans related to the prenatal baby support are likely to have some additional impact

VOLUME OF NEW HOUSEHOLD LOANS BY LOAN TYPE

Note: Hire purchase and other loans are excluded.



# BANKS DO NOT SEE ANY ROOM FOR EASING IN CREDIT CONDITIONS, WHILE THEY EXPECT A PICK-UP IN DEMAND

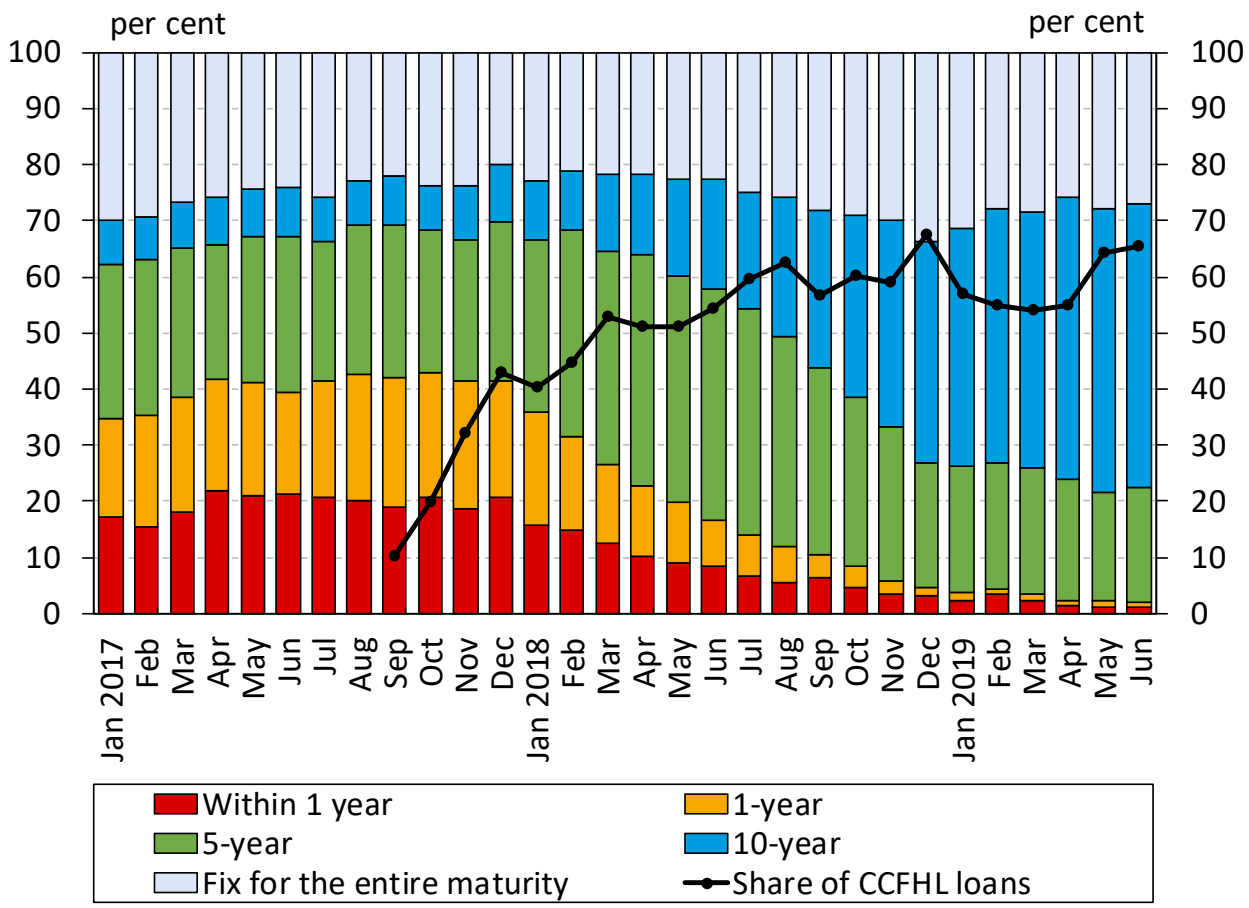


## CHANGES IN LENDING CONDITIONS AND CREDIT DEMAND IN THE HOUSEHOLD SEGMENT

Note: Net percentage of respondent banks indicating tightening/easing credit conditions and stronger/weaker demand, weighted by market share.



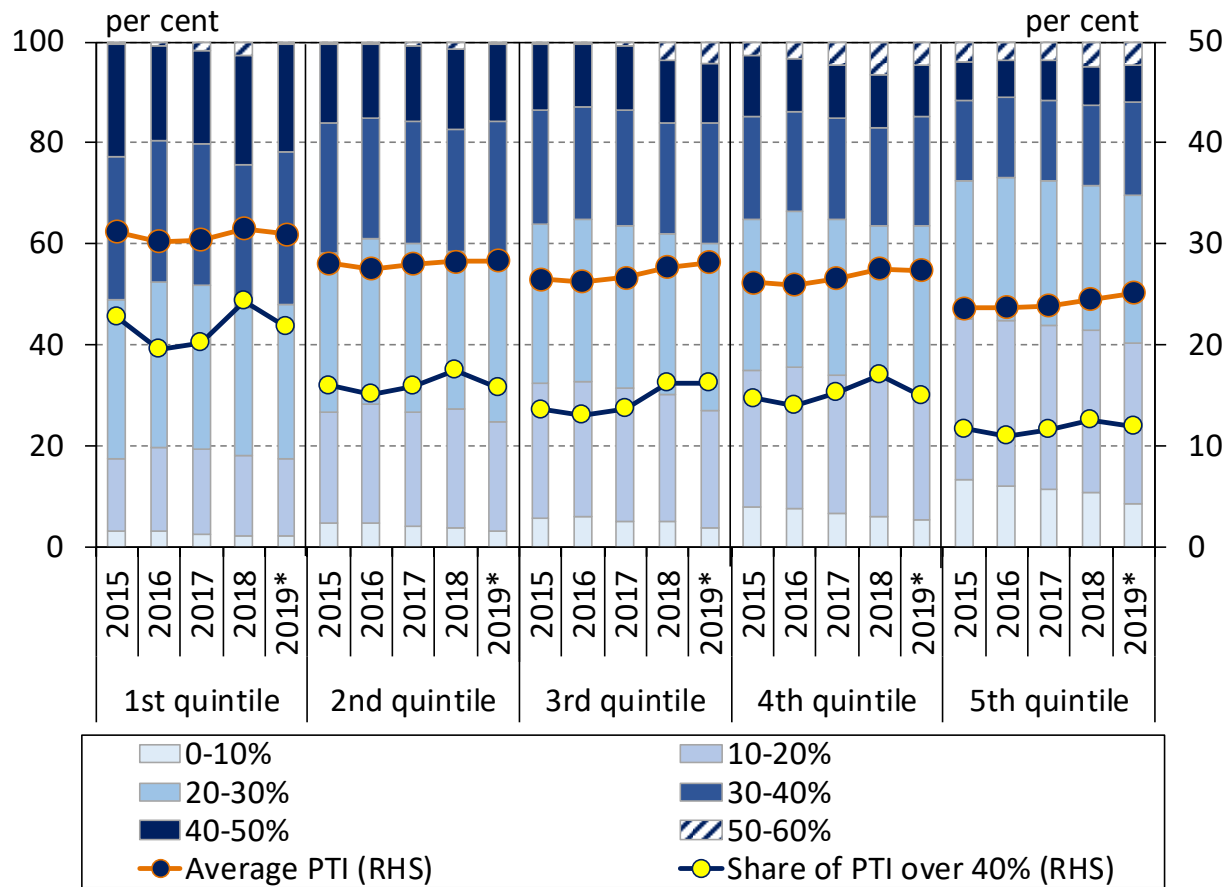
# THE SHARE OF HOUSING LOANS WITH A 10-YEAR INTEREST RATE FIXATION PERIOD WENT UP FROM 20 TO 50 PER CENT IN A YEAR



## DISTRIBUTION OF THE NEW HOUSING LOAN VOLUME BY INTEREST RATE FIXATION, AND THE SHARE OF CERTIFIED CONSUMER-FRIENDLY HOUSING LOAN PRODUCTS

Note: Share of CCFHL products compared to new issues with at least 3 years of interest rate fixation (at least 5 years since Q4 2018) excluding disbursements by building societies.

# OVER-INDEBTEDNESS IS NOT DETECTABLE, NOT EVEN AT LOWER INCOME LEVELS



## PTI DISTRIBUTION OF NEWLY DISBURSED HOUSING LOANS BY INCOME QUINTILES

*Megjegyzés: Distribution by contract number. Without taking account the effect of the 85% beneficial weight pertaining to the installments of mortgage loans with an interest rate fixation period of at least 5 years. The income quintiles were determined by the income distribution of borrowers. \* 2019 data pertains to the first half of the year.*

# RESULTS OF THE INTERVIEWS WITH SENIOR LOAN OFFICERS



- The volume of new corporate and retail loans meets or slightly exceeds preliminary plans, but credit dynamics are expected to decline in the corporate segment.
- Price competition is intense, and banks typically have to compete already in the smaller corporate size categories as well.
- The rejection rate is low, and banks do not see unsatisfied financing needs in the market.
- There is considerable interest in the Bond Funding for Growth Scheme, but banks had not experienced any postponed borrowing.
- In the household segment, expansion in income stems from an increase in the average contract size, not from the rise in the number of clients or contracts.
- Only a narrow scope of debtors is interested in the refinancing of variable-rate mortgages with fixed-rate loans in connection with the MNB recommendation.
- Demand for prenatal baby support is intense, clients – who mostly have premium credit scoring – apply for the maximum loan amount (HUF 10 million) so far.

# BANKS REPORTED STRONG INTEREST RELATED TO THE PRENATAL BABY SUPPORT



<b>Disbursed volume</b>	<ul style="list-style-type: none"><li>▪ The <b>average annual disbursements of loans with prenatal baby support can be around HUF 250-300 Bn</b>, but can be over HUF 400 Bn in 2019. This could mean 25-40 thousand transactions.</li></ul>
<b>Loan purpose</b>	<ul style="list-style-type: none"><li>▪ 10-15 per cent refinancing by customers' own bank</li><li>▪ 5-10 per cent refinancing by another bank</li><li>▪ The rest is typically related to <b>housing purposes</b>. At least 5-10 per cent of the applicants plan to take up an additional housing loan beside the loans with prenatal baby support.</li></ul>
<b>Characteristics of debtors</b>	<ul style="list-style-type: none"><li>▪ Up to now, most <b>applicants have higher education</b>, more financial literacy and <b>higher income – this is confirmed by the preliminary MNB data</b>.</li><li>▪ <b>Less qualified clients</b> with a higher need for assistance may <b>turn up later</b>.</li></ul>
<b>Other bank comments</b>	<ul style="list-style-type: none"><li>✓ Prenatal baby support <b>increases financial deepening</b>. A group of borrowers has emerged who, due to lack of own funds, previously had not been able to obtain a housing loan.</li><li>✓ Typically <b>low-amount, short term loans are refinanced</b> by loans with prenatal baby support, and this softens the negative effects on profitability.</li><li>× Nevertheless, an other group of borrowers can also be identified, which uses the possibility of arbitrage to buy investment products.</li><li>× Prenatal baby support can intensify the rise of house prices.</li></ul>

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Beside the pick-up in demand, banks did not change credit conditions neither in the corporate, nor in the household loan segment.

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Overall, the MNB does not consider the current dynamics of credit expansion to be overheated neither in terms of structure nor in terms of volume.



**THANK YOU FOR YOUR  
ATTENTION!**