



## Summary notes

### Corporate lending expected to rebound in 2024 following the pick-up in the household credit market towards the end of 2023

- The stocks of corporate and household loans from banks increased by 6 per cent and 2,7 per cent, respectively, in 2023.
- The volumes of new lending to the corporate sector as a whole and SMEs fell by 9 per cent and 2 per cent, respectively, in 2023 Q4 relative to the same period a year earlier.
- The total volume of bank lending to households rose by 10 per cent in Q4. Within this, the volume of housing loans grew by 21 per cent.
- Based on the results of the [Lending Survey](#), the respondent banks did not yet experience a significant change in demand for corporate loans. By contrast, they reported a pick-up in demand for housing loans and consumer loans. The majority of banks expect further strengthening of demand for retail loans, and they also expect recovery in the market of investment loans in 2024 H1.

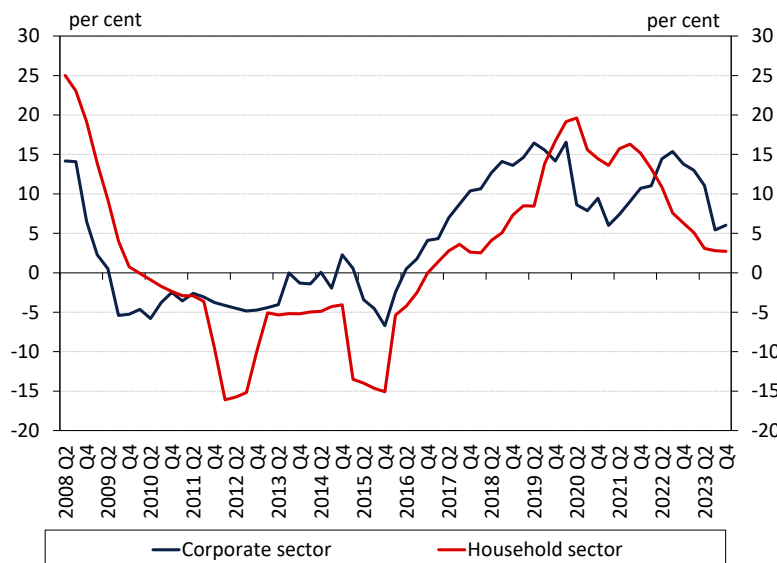


Chart 1: Annual growth rate of outstanding corporate and household loans



| Indicator                                                                                                                               | 2023 Q4 | 2022 Q4 | Change   |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------|---------|----------|
| <b>Corporates</b>                                                                                                                       |         |         |          |
| Annual growth rate of corporate loans outstanding (per cent)                                                                            | 6.0     | 13.8    | -7.8 pp. |
| Volume of new corporate loans (HUF bn)                                                                                                  | 879     | 967     | -88      |
| <b>SME</b>                                                                                                                              |         |         |          |
| Share of subsidised loans in total loans to SMEs (per cent)                                                                             | 40.6    | 43.9    | -3.3 pp. |
| Average interest rate of new small amount HUF loans (per cent)<br>(Loans with variable rate or maximum one year interest rate fixation) | 13.6    | 15.5    | -1.9 pp. |
| <b>Households</b>                                                                                                                       |         |         |          |
| Annual growth rate of household loans outstanding (per cent)                                                                            | 2.7     | 6.3     | -3.6 pp. |
| Volume of new household loans (HUF bn)                                                                                                  | 483.0   | 440.0   | +43      |
| <b>Housing loans</b>                                                                                                                    |         |         |          |
| Share of subsidised loans in total loans for house purchase (per cent)                                                                  | 21.7    | 26.8    | -5.1 pp. |
| Average interest rate for new housing loans (per cent)                                                                                  | 8.7     | 10.9    | -2.2 pp. |

Table 1: Main indicators of corporate and household lending



## Corporate lending

**Credit institutions' total outstanding loan portfolio vis-à-vis non-financial corporations grew by HUF 376 billion in 2023 Q4.** As a result, annual growth of corporate loans outstanding stood at 6 per cent, reflecting a slowdown relative to the end of the previous year, in line with international trends. Based on preliminary data, the rates of credit growth to large companies and SMEs were 9 per cent and 4 per cent, respectively, in 2023. The growth rate of corporate loans outstanding in Hungary was the seventh highest in the European Union and exceeded average credit growth in the Visegrad countries (3.1 per cent).

**The volumes of new lending to the corporate sector as a whole and SMEs fell by 9 per cent and 2 per cent, respectively, in 2023 Q4 relative to the same period a year earlier.**

Overall, the volumes of new lending to the corporate sector and SMEs fell by 3 per cent and 17 per cent, respectively, in 2023 on the previous year's aggregate volume of contracts. The ratio of subsidised corporate loans to new loans excluding overdrafts was 27 per cent in 2023 Q4, remaining broadly unchanged from the previous quarter. This, however, masked a sharp decline from 46 per cent recorded in the first half of 2023. There was a similar decline in the SME segment, where the ratio of subsidised loans was 41 per cent in Q4, down from 56 per cent in 2023 H1. Overall, the average interest rate on market-based corporate loans followed the general downward trend of interest rates during the quarter. As a result, average interest rates on largely new market-based small and large, variable-rate short-term corporate forint loans stood at 13.6 per cent and 12.3 per cent, respectively, at the end of 2023.

**Overall, the banks participating in the Lending Survey left their corporate credit conditions broadly unchanged in 2023 Q4, and they do not intend to change them in 2024 H1 either.** A small number of banks, around a net 6 per cent, reported a decline in demand for corporate loans in Q4. Here, 2 per cent of the banks reported a drop in demand for long-term loans. By contrast, 24 per cent of them reported rising demand for foreign currency loans. Looking ahead to the next six months, 23 per cent of the respondents expect a recovery in corporate demand for credit, and a net 44 per cent of the banks expect demand for long-term loans to pick up.

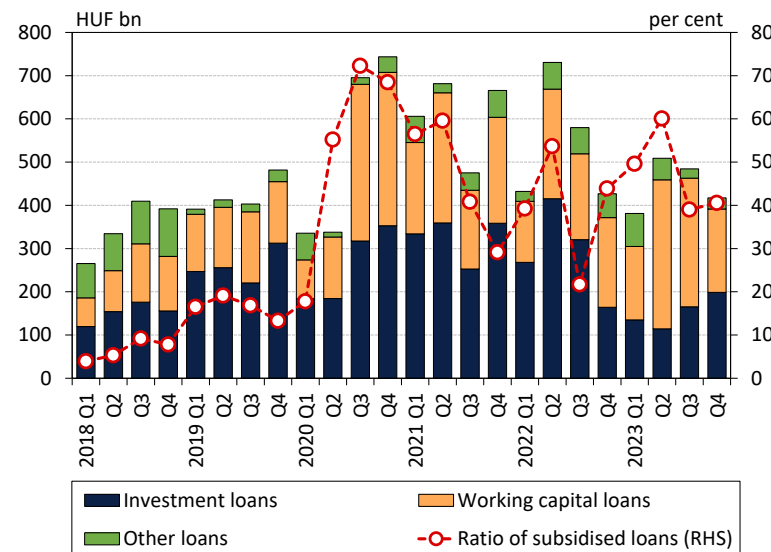


Chart 2: New disbursements of SME loans by loan purpose and the ratio of subsidised loans

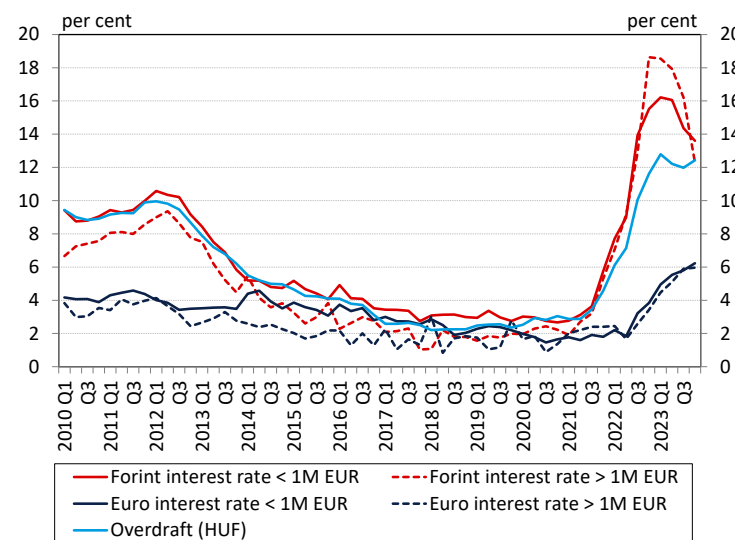


Chart 3: Interest rates on new corporate loans



## Household lending

**As a result of disbursements and repayments, banks' household loans outstanding increased by HUF 96 billion in 2023 Q4.** The annual growth rate of household loans thus was 2.7 per cent, continuing the gradual slowdown in the annual growth rate. The slowdown in 2023 was driven by the uncertain economic outlook, declining real wages and a fall in credit disbursements as a result of tight monetary conditions aimed at bringing down inflation. The rate of domestic credit growth is in the middle of the EU average and developed in line with the average growth rate observed in the Visegrad countries (2.6 per cent).

**New loan disbursement increased overall compared to the low volume of issuance in 2022 Q4.** Overall, issuance of household loans in 2023 Q4 was 10 per cent higher than a year earlier, with personal loans rising by 43 per cent and housing loans by 21 per cent. The volume of prenatal loans, which had previously been high, fell by one-fifth on a year earlier due to the base effect of strong demand brought forward around the end of 2022. With the fall in investment incentives, disbursement of home equity loans fell by 14 per cent year-on-year in 2023 Q4.

**In December 2023, banks provided market-based housing loans at an average interest rate of 7.3 per cent (APR: 7.6 per cent).** Taking into account state interest subsidies, the average interest rate paid by customers in the housing loan market was 6.5 per cent at the end of the year. Based on experience following the introduction of the voluntary APR cap on 9 October 2023, the majority of banks reduced interest rates in their lists of conditions; however, several institutions also reduced some of the preferences previously offered. In 2023 Q4, the proportion of state-subsidised loans within newly contracted housing loans amounted to 22 per cent.

**According to the responses to the Lending Survey, in 2023 Q4, credit institutions overall did not change the standards on housing loans,** while 15 per cent of the banks eased the terms of consumer loans. The respondent institutions reported a pick-up in demand for both housing loans and consumer loans during the fourth quarter, which they expect to strengthen further in 2024 H1.

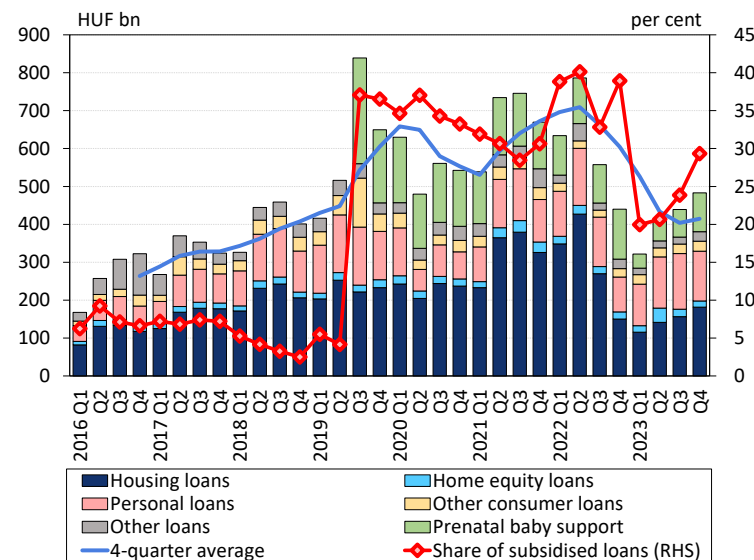


Chart 4: Volume of new household loans

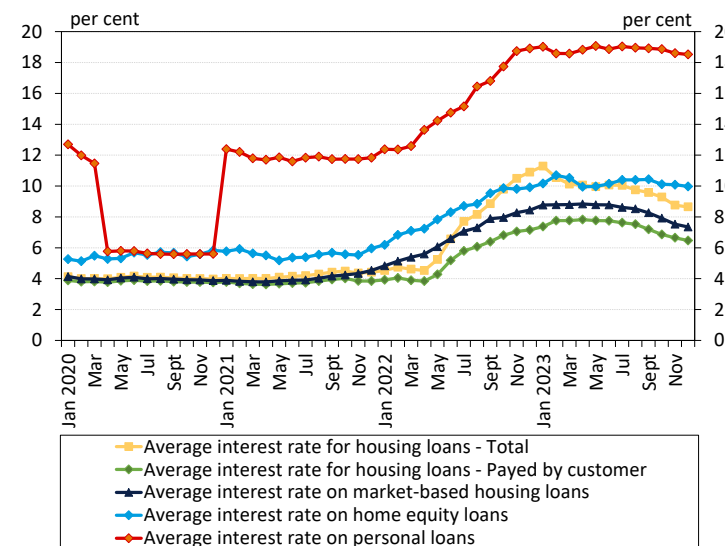


Chart 5: Average interest rates on new household loans