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Directorate Financial System Analysis



Press conference | 17 September 2020

# TRENDS IN LENDING SEPTEMBER 2020

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**Big picture**

Corporate lending

Household lending

In focus: results of the survey about  
prenatal baby support loans



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## BIG PICTURE: TIGHTENING CONDITIONS VS STATE IMPETUS

***„Market conditions deteriorated,  
and credit conditions tightened.”***



***„New lending is  
maintained by state  
and central bank  
programs.”***



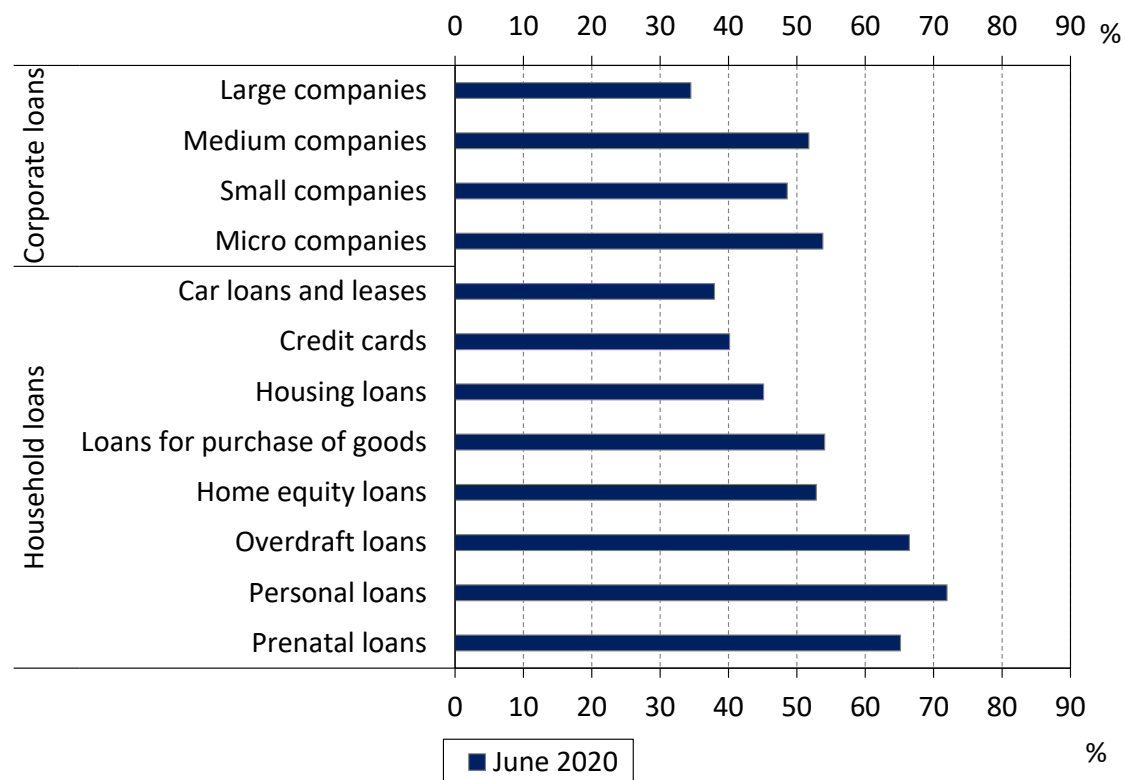
***„The moratorium  
slows down the  
amortisation.”***



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# THE MORATORIUM HAS GREATLY CONTRIBUTED TO IMPROVING THE LIQUIDITY OF HOUSEHOLDS AND CORPORATIONS

The MNB is closely monitoring the loan portfolio of customers under moratorium



- **Moratorium on corporate loans: 40-50%**
- **Moratorium on household loans: 40-50%**

PARTICIPATION IN THE MORATORIUM AS A SHARE OF TOTAL STOCK BY TYPE OF LOAN (JUNE 2020)

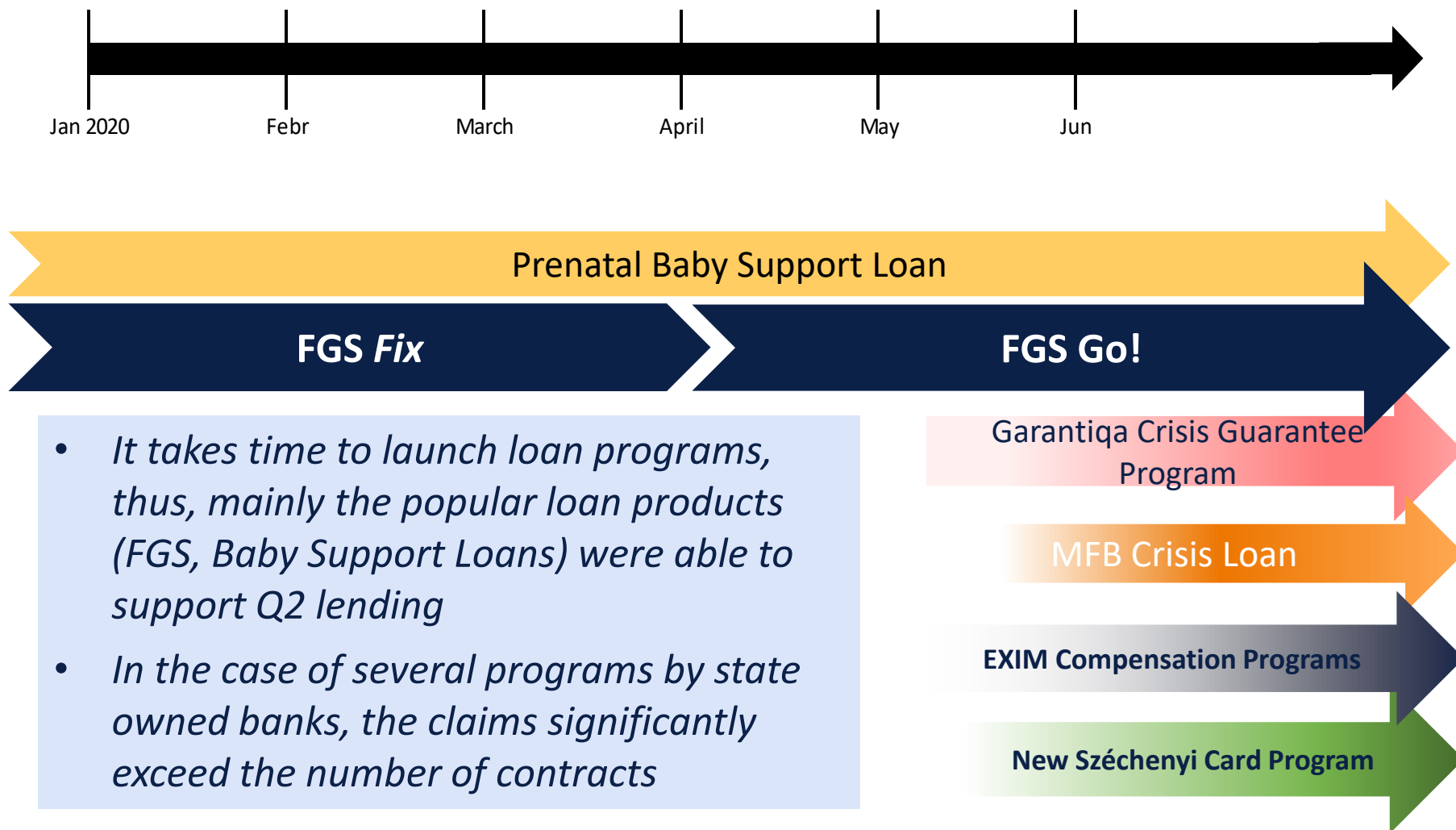
Note: Credit institution loans disbursed until 18 March 2020. Estimation based on central bank credit register data. In the case of prenatal baby support loans, the moratorium participation rate also includes a normal suspension of repayments due to having children.

Source: MNB.



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## NEW GOVERNMENT LOAN AND GUARANTEE PROGRAMS HAVE BEEN LAUNCHED, BUT IT TAKES TIME TO UPLIFT



- *It takes time to launch loan programs, thus, mainly the popular loan products (FGS, Baby Support Loans) were able to support Q2 lending*
- *In the case of several programs by state owned banks, the claims significantly exceed the number of contracts*



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Big picture

**Corporate lending**

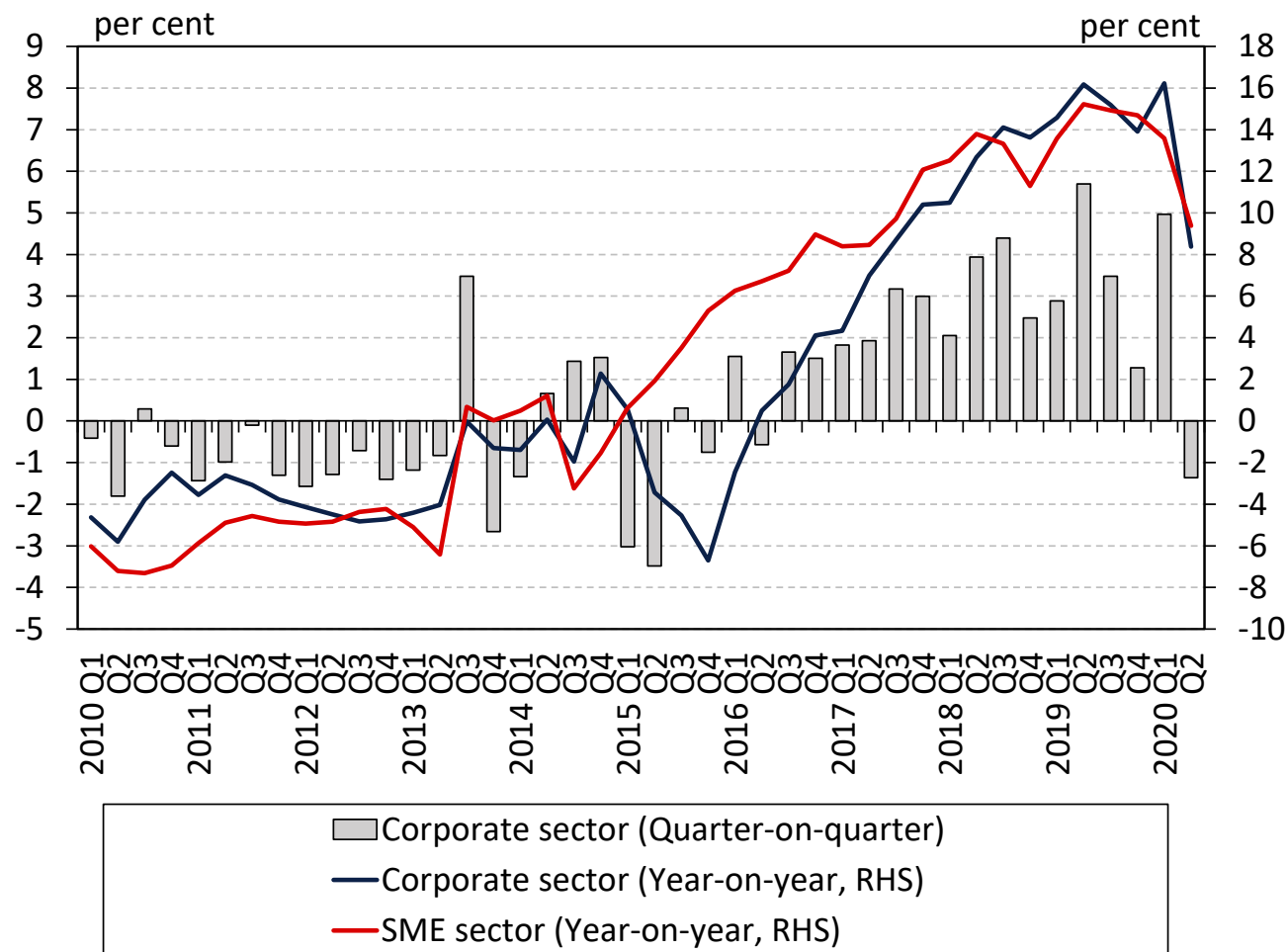
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## DUE TO THE CORONAVIRUS, CORPORATE LENDING GROWTH RATE DECELERATED TO 8.4 PER CENT



Quarterly growth rate: -1.4%

Annual growth rate: 8.4%

SME annual growth rate: 9.3%

The loan portfolio decreased by HUF 126 billion in the quarter

On a quarterly basis, foreign currency loans declined significantly

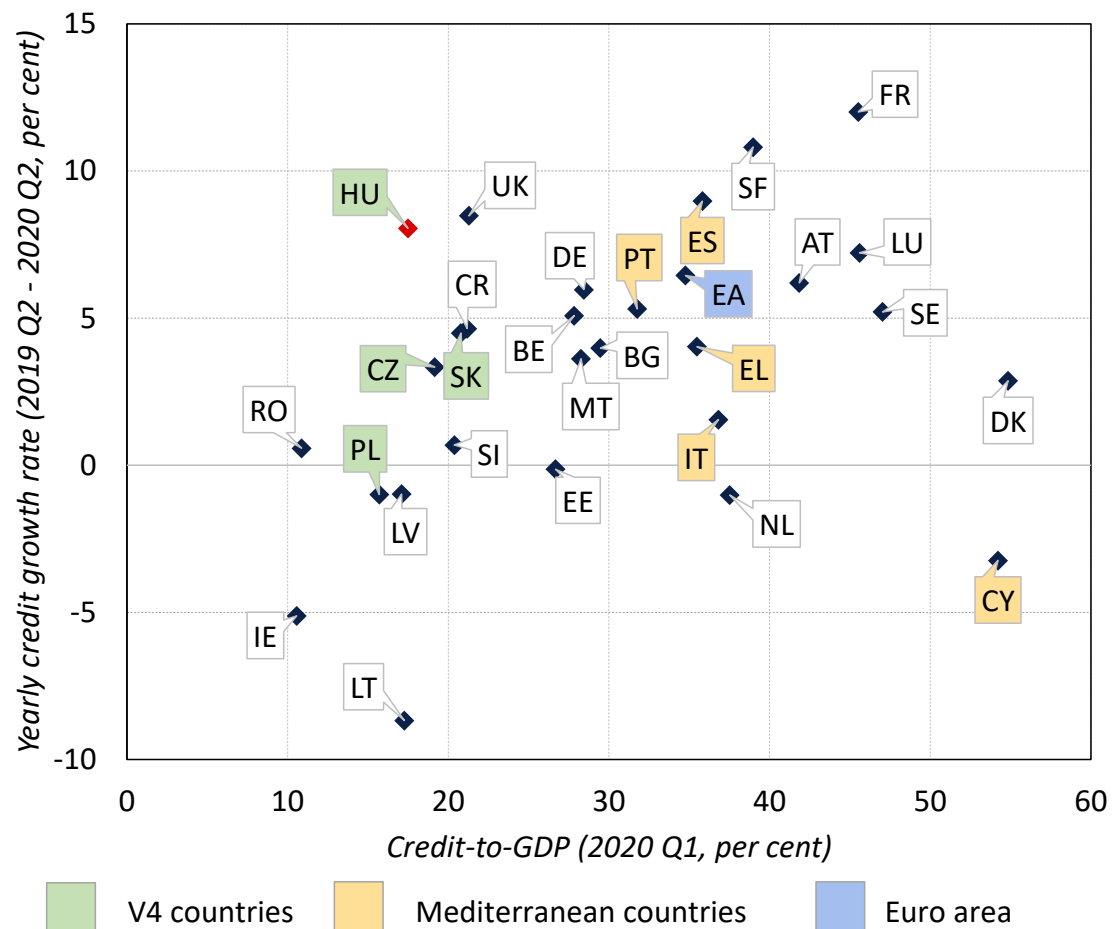
GROWTH RATE OF LOANS OUTSTANDING OF THE OVERALL CORPORATE SECTOR AND THE SME SECTOR

Source: MNB.



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## CORPORATE LENDING GROWTH IS IN LINE WITH THE EU AVERAGE



Half a year ago, the growth rate was still 12 percentage points above the eurozone average, now it is only 1.5 percentage points higher

The credit-to-GDP ratio remains low

### Credit-to-GDP:

 35%

 17%

ANNUAL GROWTH RATE OF CORPORATE LOANS AND THE CREDIT-TO-GDP RATIO IN AN INTERNATIONAL COMPARISON

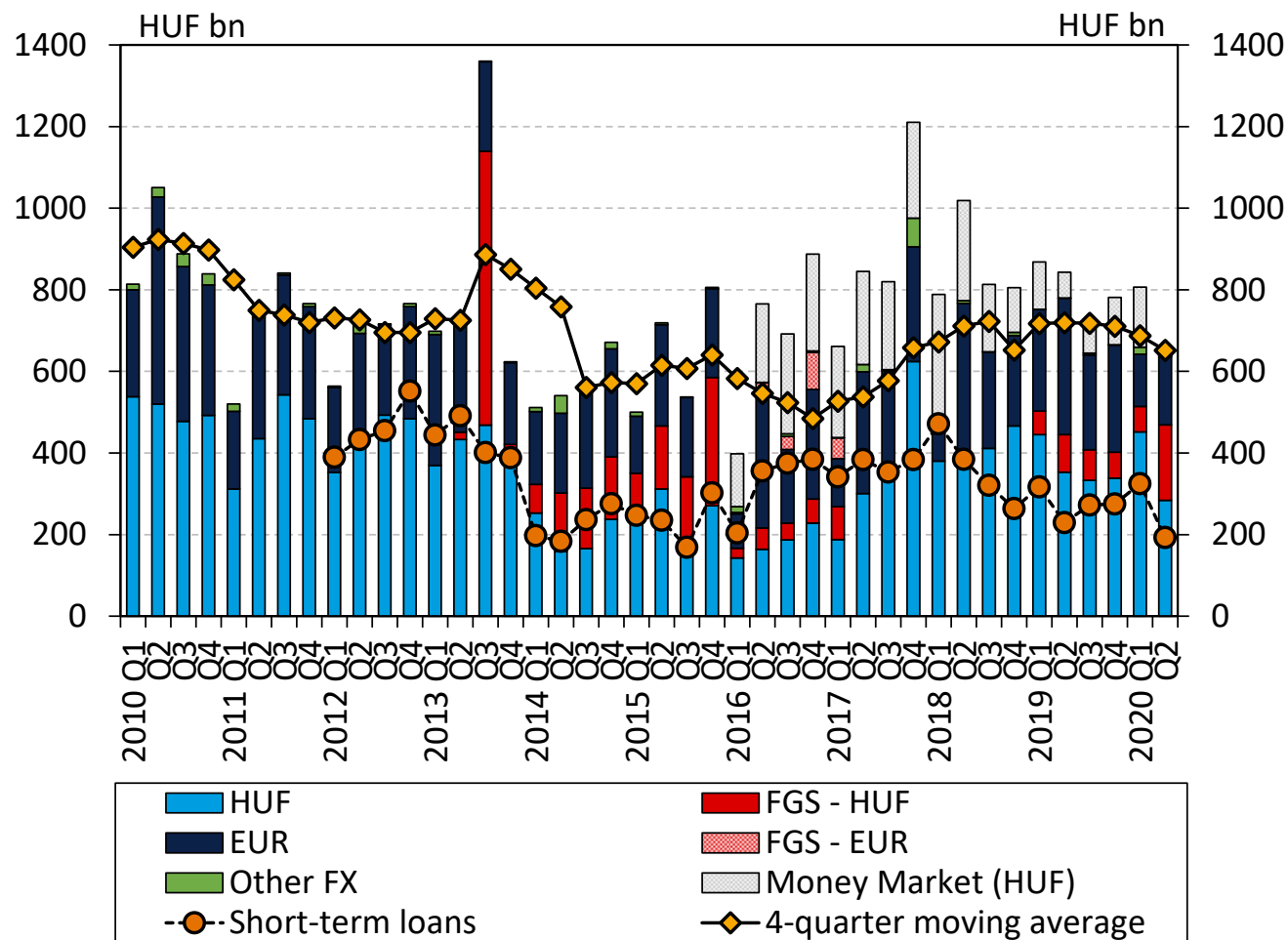
Source: ECB, MNB.





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## DISBURSEMENTS OF CORPORATE LOANS FELL SHORT OF THE YEAR-ON-YEAR LEVEL BY 18 PER CENT



NEW CORPORATE LOANS IN THE CREDIT INSTITUTION SECTOR

In April, disbursements were 40 per cent lower than the average monthly volume, but demand picked up from May

30 per cent of new disbursements and 60 per cent of the SME contracts were disbursed under the FGS scheme in the quarter



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# WITHIN THE FRAMEWORK OF THE FGS GO!, MORE THAN HUF 450 BILLION WORTH OF CONTRACTS WERE CONCLUDED

NHP **HAJRÁ!**

Most kell nagyot lépni!

2020 Q2

- Nearly 2 400 contracts
- **Volume of contracts in HUF 160 billion**

11 September 2020

- 7 658 companies
- 9 549 contracts
- **Volume of contracts in HUF 548 billion**
- Disbursement of HUF 459 billion



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## THE MNB'S CORPORATE LOAN MAP HELPS TO NAVIGATE BETWEEN LOAN PROGRAMS

*Available online*



*Constantly updated, easy-to-use interface*



*After 2 clicks, we can filter for programs relevant to our company*

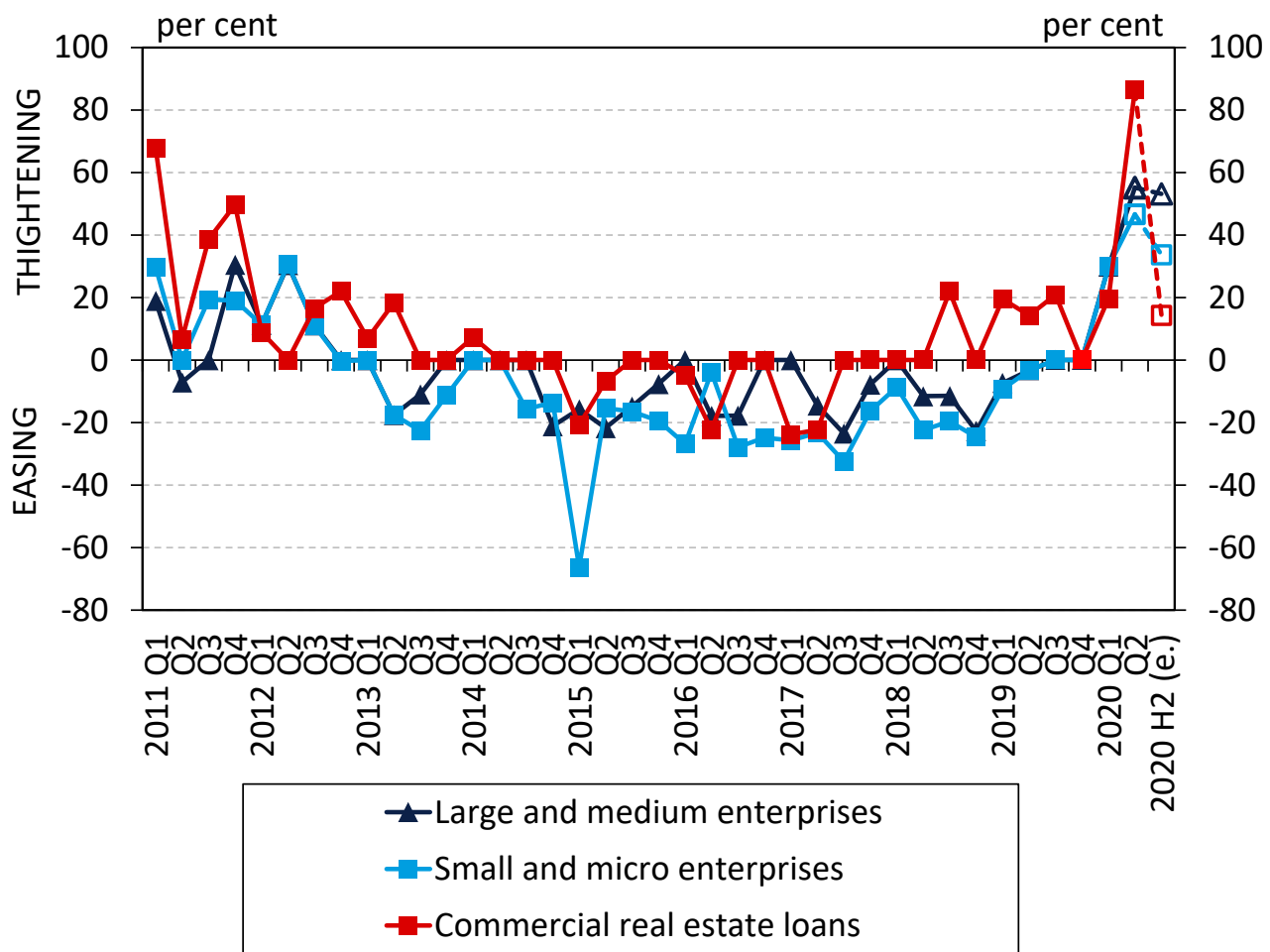


<https://www.mnb.hu/nhphajra#Ut>



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# CREDIT CONDITIONS HAVE TIGHTENED SIGNIFICANTLY IN ALL SUBSEGMENTS



**55 per cent of banks tightened credit conditions on large and medium-sized enterprises in the quarter under review, 47 per cent of them for small and micro enterprises.**

**53 per cent of banks indicated further tightening for large and medium-sized enterprises and 38 per cent for small and micro enterprises in the second half of the year**

*Banks anticipated further tightening, but are already predicting a pick-up in demand*

## CHANGES IN CREDIT CONDITIONS IN THE CORPORATE SUBSEGMENTS

Source: MNB, based on banks' responses.

Note: Net ratio is the difference between tightening and easing banks weighted by market share.



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Big picture

Corporate lending

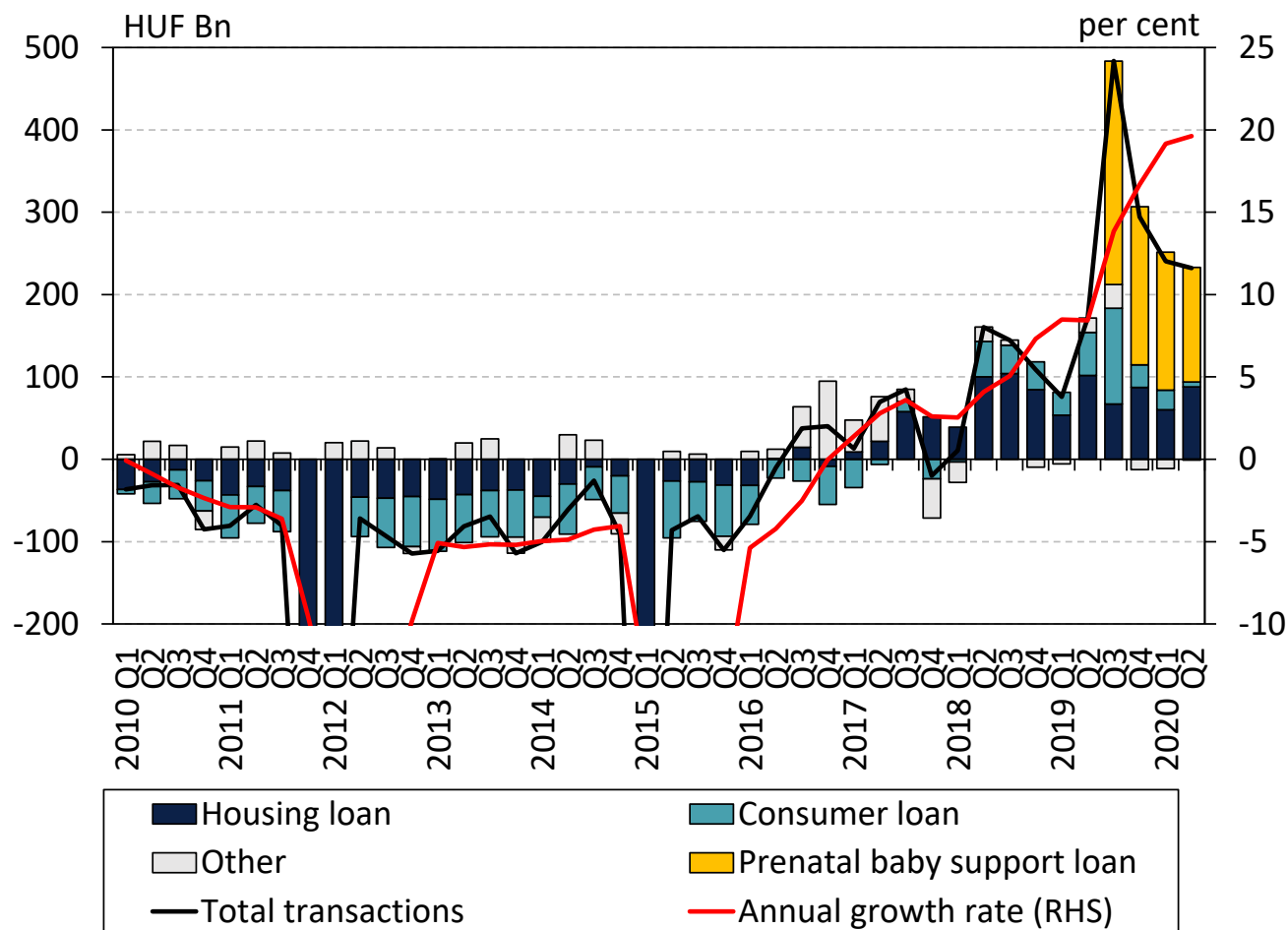
**Household lending**

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## THE MORATORIUM AND PRENATAL BABY SUPPORT LOANS MAINTAINED CREDIT DYNAMICS OF NEARLY 20 PER CENT



**2020 Q2**  
 Total household loans:  
*HUF +232 billion*  
 Prenatal baby support loan:  
*HUF +140 billion*  
 Housing loan:  
*HUF +88 billion*  
 Other consumer:  
*HUF +6 billion*

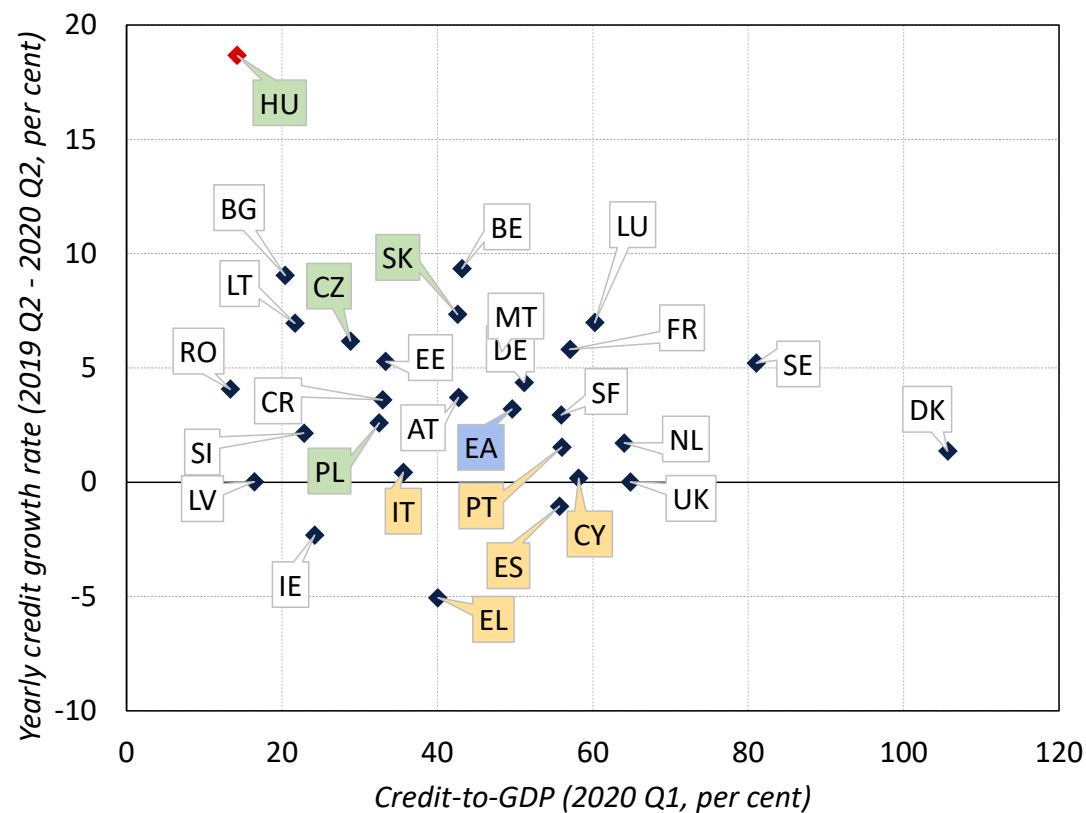
QUARTERLY TRANSACTIONS OF THE HOUSEHOLD LOAN PORTFOLIO BY LOAN PURPOSE

Note: The transactions reflect the effect of the settlement.








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## DESPITE THE OUTSTANDING CREDIT DYNAMICS, THERE IS STILL ROOM FOR CATCHING UP



■ V4 countries   
 ■ Mediterranean countries   
 ■ Euro area

### Credit-to-GDP:

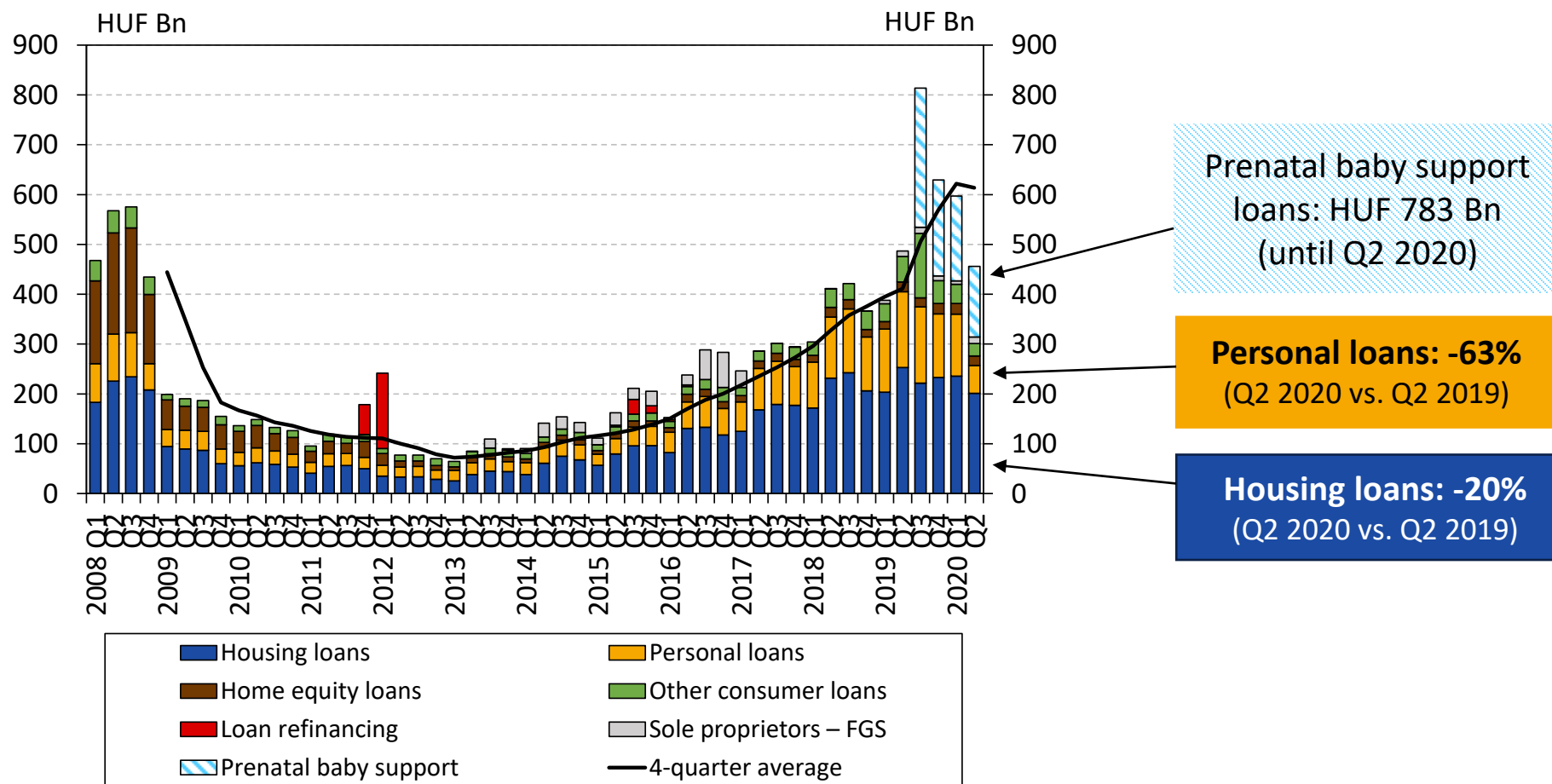
-  50%
-  43%
-  33%
-  29%
-  14%

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



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## AS A RESULT OF THE EPIDEMIC, THE DISBURSEMENT OF PERSONAL LOANS FELL THE MOST



### NEW HOUSEHOLD LOANS IN THE CREDIT INSTITUTION SECTOR

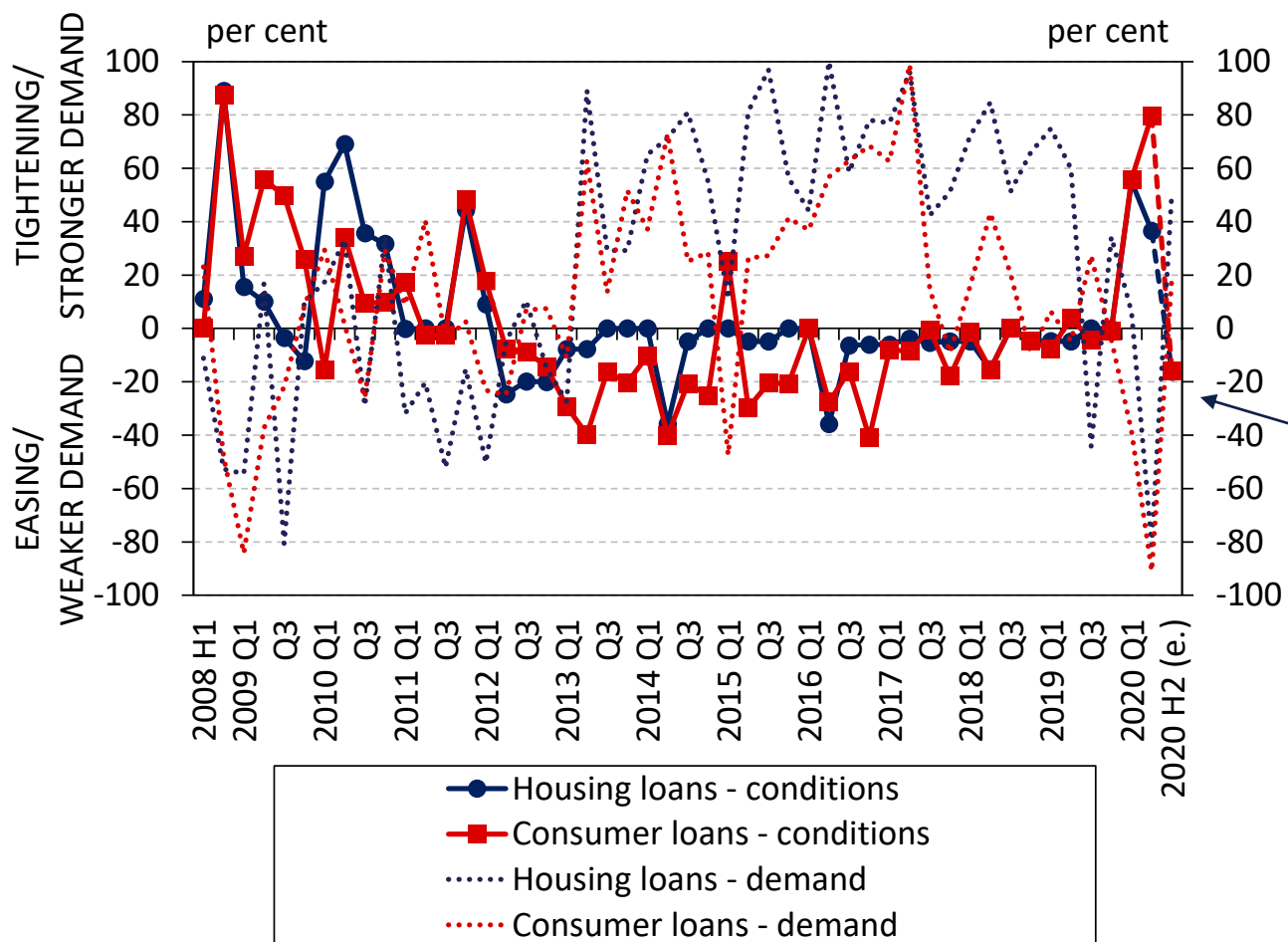
Note: Loan refinancing indicates only refinancing related to the early repayment scheme and the FX-conversion. Other consumer loans include vehicle, hire purchase and other loans.





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## BANKS TIGHTENED CREDIT CONDITIONS ON CONSUMER AND HOUSING LOANS AS WELL



*36 per cent of banks tightened credit conditions on housing loans and 80 per cent on consumer loans*

*In the second half of the year, 16 per cent of banks are already planning to ease credit conditions*

*Banks expect credit demand to strengthen in the second half of the year compared to the second quarter*

### CHANGES IN CREDIT CONDITIONS IN THE HOUSEHOLD SEGMENT

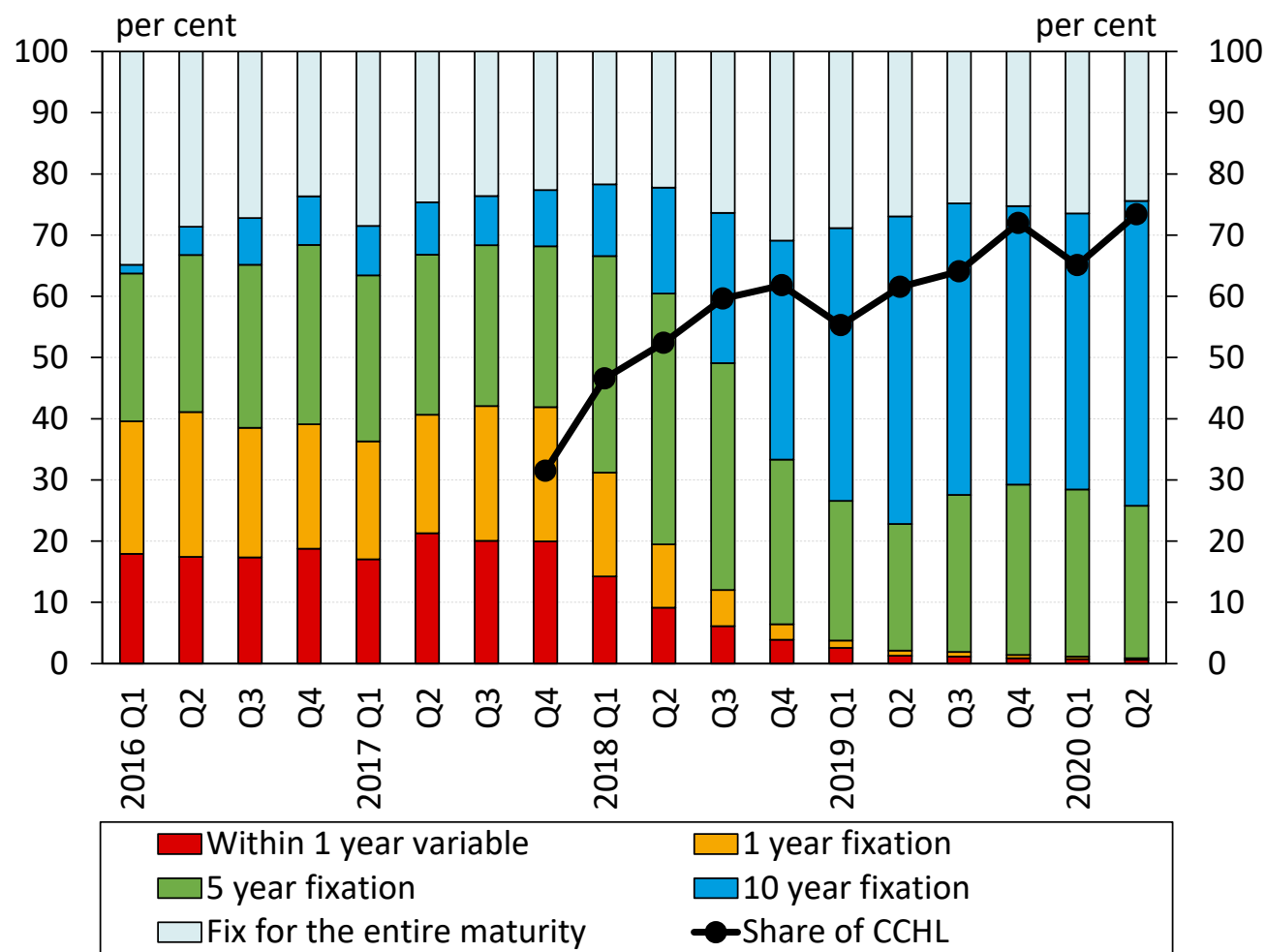
*Note: Net ratio is the difference between tightening and easing banks weighted by market share.*

Source: MNB, based on banks' responses.



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## THE INTEREST RATE RISK ON NEW HOUSING LOANS IS LOW



**73 per cent** of housing loans are Certified Consumer-friendly Housing Loans and the initial interest rate of **74 per cent** are fixed for at least 10 years or until the end of maturity.

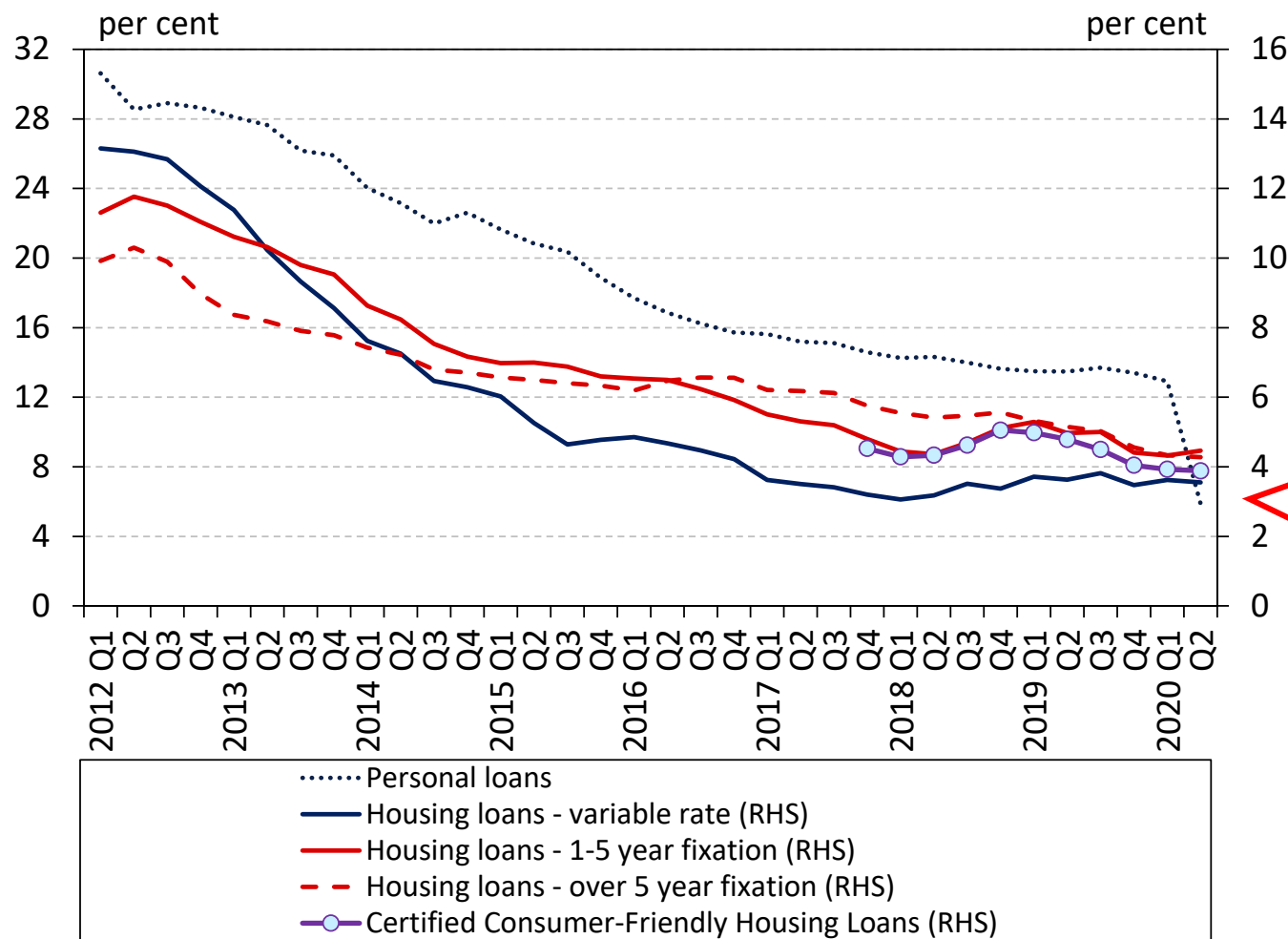
DISTRIBUTION OF THE NEW HOUSING LOAN VOLUME BY INTEREST RATE PERIOD, AND THE SHARE OF CCHL PRODUCTS

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



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## THE AVERAGE APRC OF HOUSING LOANS REMAINED UNCHANGED DURING THE QUARTER



With the introduction of the **APR cap**, the average credit cost of consumer loans fell to **5.9 per cent**

ANNUAL PERCENTAGE RATE OF CHARGE ON NEW HOUSEHOLD LOANS



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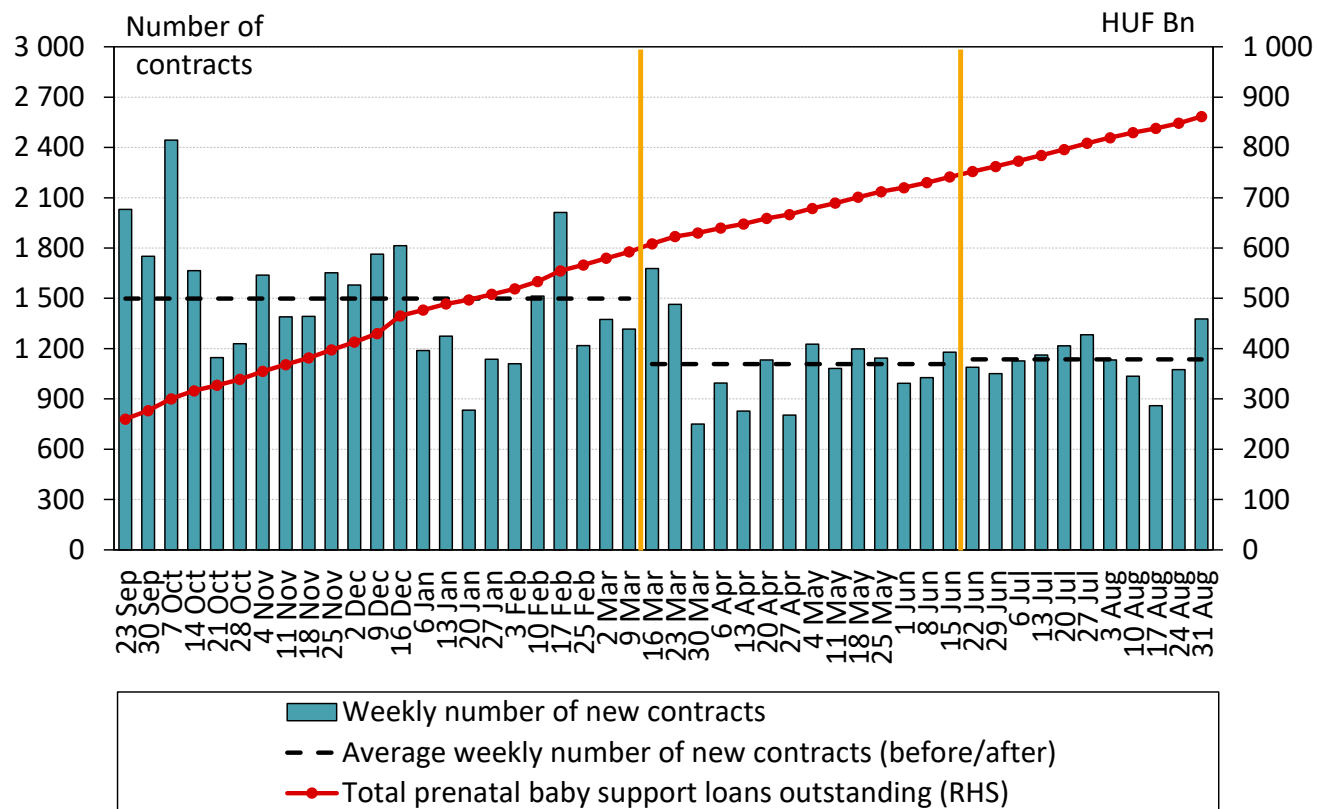
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## THE PRENATAL BABY SUPPORT LOAN PORTFOLIO ALREADY EXCEEDS 10 PER CENT OF HOUSEHOLD LOANS OUTSTANDING

The number of new prenatal baby support loan contracts has fallen since the announcement of the emergency, but an average of more than 1,000 contracts are concluded each week.



WEEKLY NUMBER OF NEW PRENATAL BABY  
SUPPORT LOAN CONTRACTS

Source: Ministry of Human Capacities, MNB.

The loan volume of prenatal baby support loans is **HUF 862 Bn**, which is **10 per cent** of the household loans outstanding



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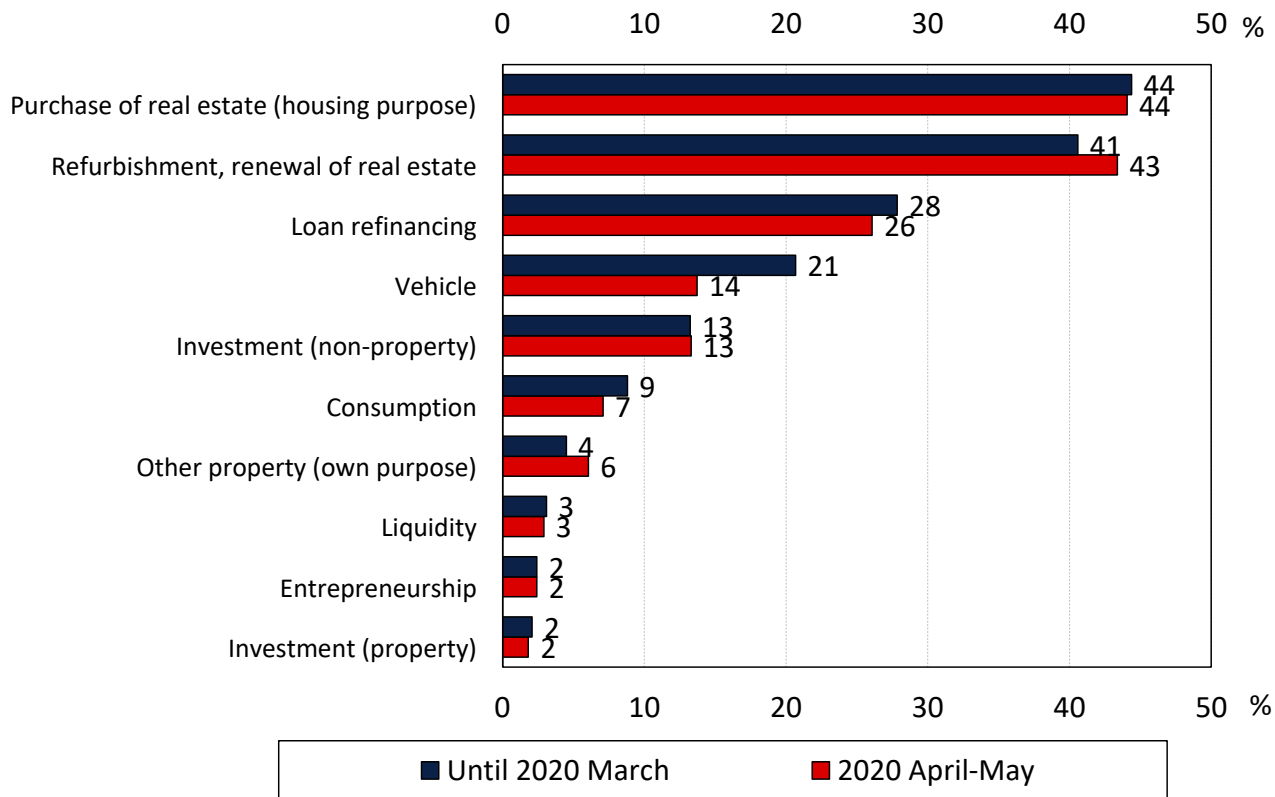
## MORE THAN 7,600 RESPONSES TO THE MNB'S SURVEY WERE RECEIVED FROM PRENATAL BABY SUPPORT LOAN DEBTORS

- Online survey conducted among prenatal baby support loan debtors with the assistance of commercial banks
- 7,655 anonymous respondents, 10 per cent of all prenatal baby support loan debtors
- Completion period: May-June 2020
- Main topics: loan purpose, other loans, impact of coronavirus, income situation
- The sample represents the total prenatal baby support loan debtor population in terms of disbursing bank and income



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## THE MAJORITY OF PRENATAL BABY SUPPORT LOANS ARE USED FOR HOUSING PURPOSES



*In the case of 75 per cent of prenatal baby support loans, one of the loan targets was a housing-related target.*

**46 per cent of prenatal baby support loans serve more than one purpose**

### PURPOSES OF THE PRENATAL BABY SUPPORT LOANS

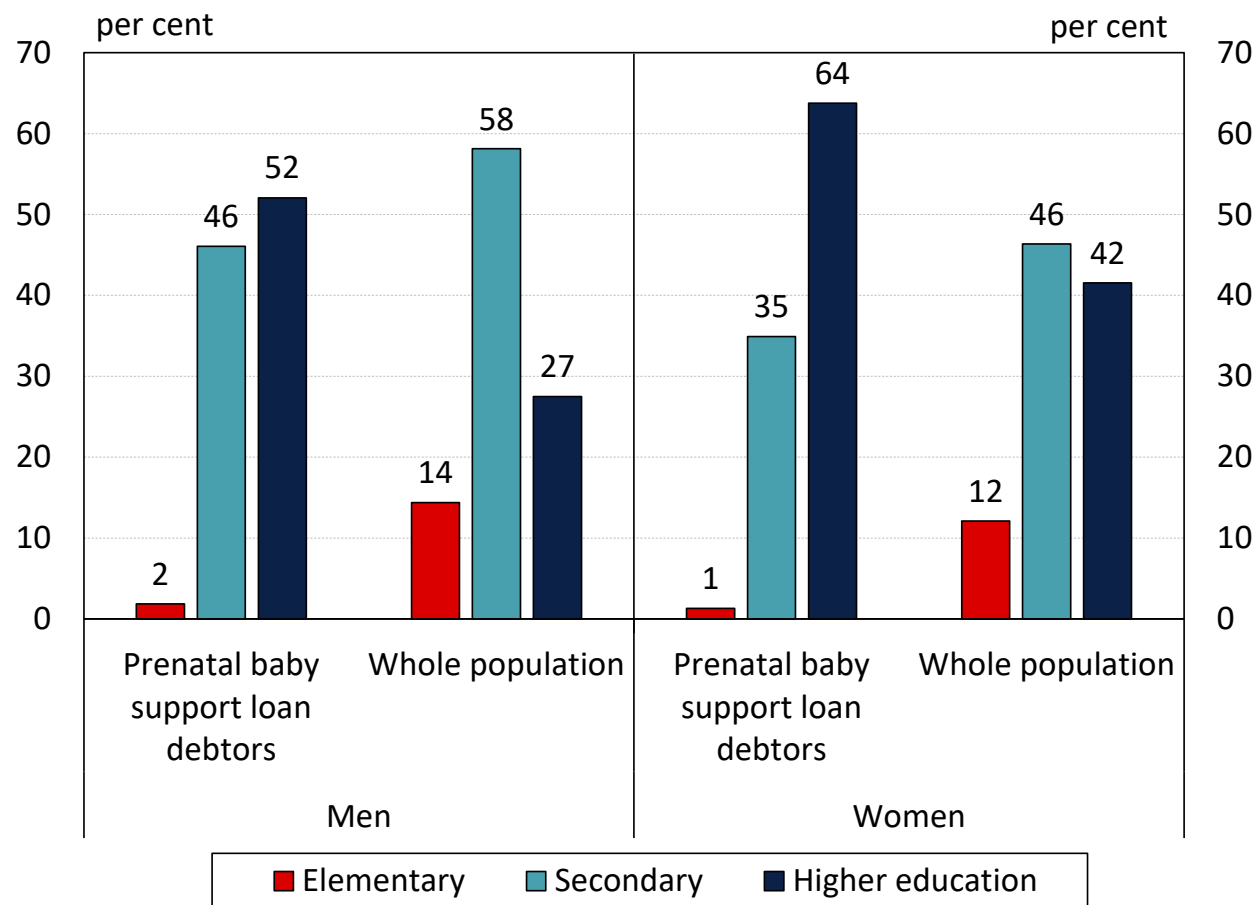
*Note: It was possible to indicate more than one answer, therefore the sum of the frequencies of the individual purposes does not equal 100 per cent.*

Source: MNB Prenatal Baby Support Loan online survey.



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## THOSE WITH HIGHER EDUCATION ARE OVER-REPRESENTED AMONG PRENATAL BABY SUPPORT LOAN DEBTORS...



### *DISTRIBUTION OF PRENATAL BABY SUPPORT LOAN DEBTORS AND WHOLE POPULATION BY EDUCATION*

Note: Data on the “total” population are from the 2016 HCSO microcensus. We considered the population aged 20–64 years for men and the population aged 20–44 years for women.

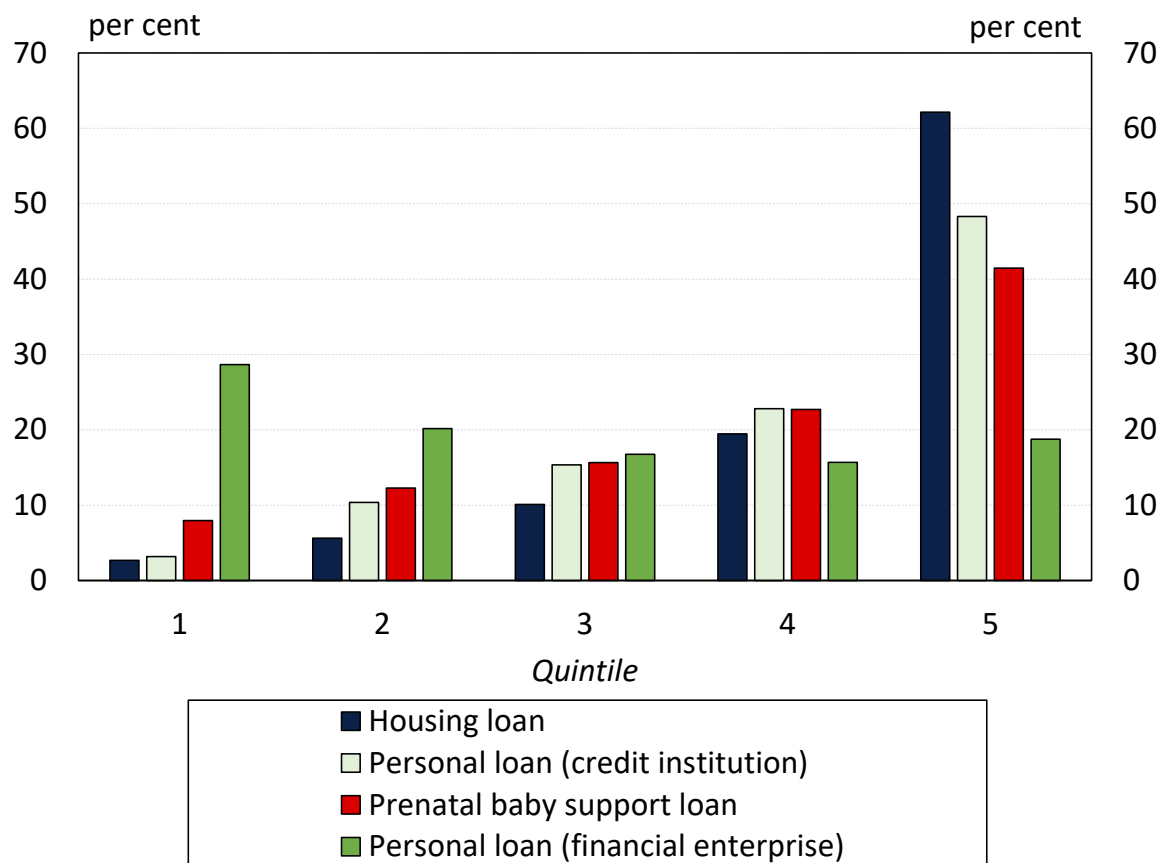
Source: MNB Prenatal Baby Support Loan online survey, HCSO.





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## ... AND HIGHER INCOME, SIMILAR TO THE PROFILE OF CREDIT INSTITUTION CUSTOMERS



**62 per cent of housing loans**  
**41 per cent of prenatal baby support loans**

**48 per cent of personal loans**  
**A 19 per cent of personal loans of financial enterprises**

**were taken out by debtors who are in the top 20 per cent of income.**

### *DISTRIBUTION OF NEW CONTRACTS BY INCOME QUINTILES*

Note: Loans issued in the first quarter of 2020. The income quintiles were formed on the basis of income per capita of the entire Hungarian population in 2019: Quintile 1: below HUF 103 thousand; 2nd quintile: HUF 103-138 thousand; 3rd quintile: HUF 138-174 thousand; 4th quintile: HUF 174-228 thousand; 5th quintile: over HUF 228 thousand.

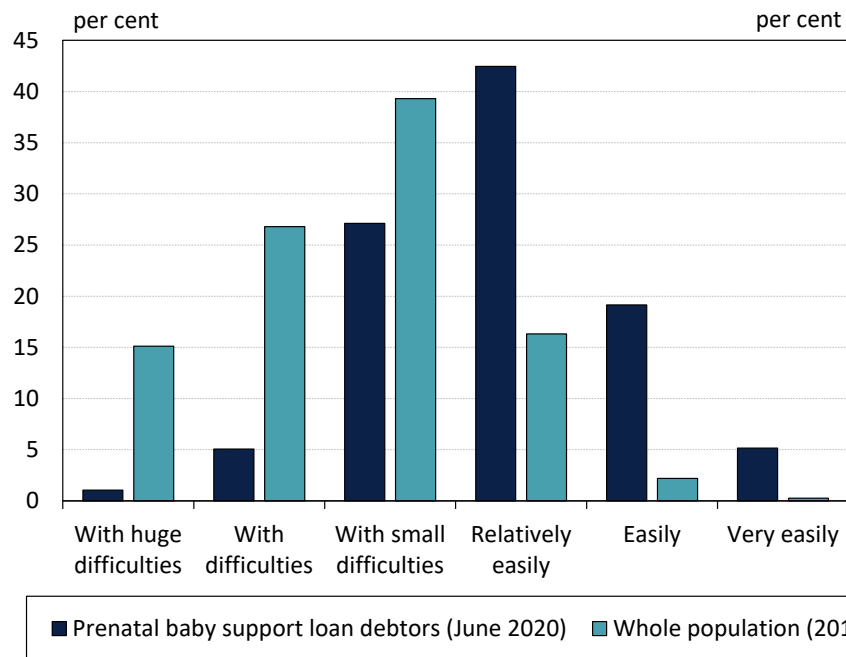
Source: MNB Prenatal Baby Support Loan online survey.



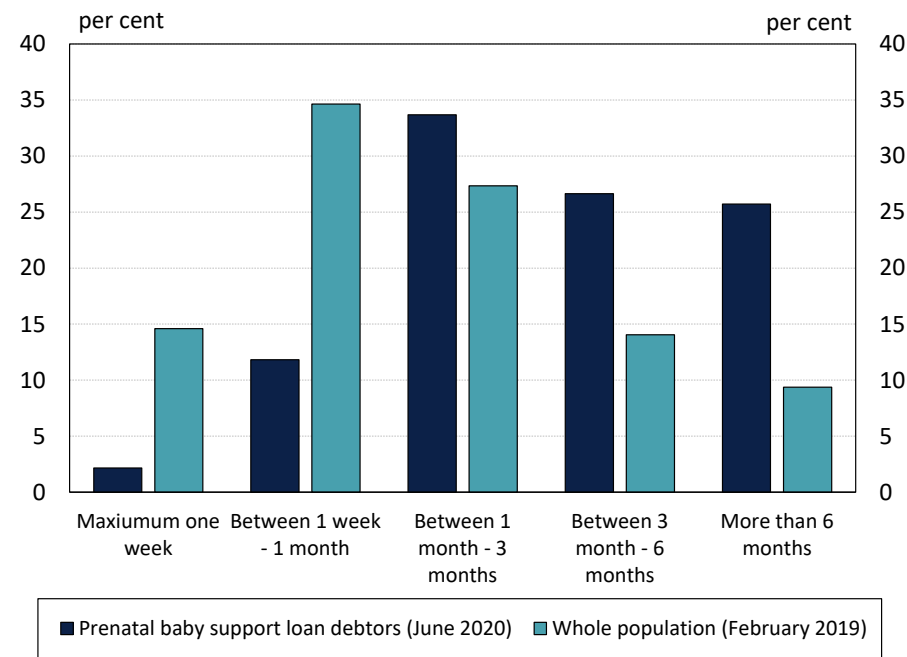
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## PRENATAL BABY SUPPORT LOAN DEBTORS ARE MORE RESILIENT THAN AVERAGE IN TERMS OF BOTH INCOME AND SAVINGS

Two-thirds of prenatal baby support loan debtors can easily cover their expenses and more than half have savings of more than three months



*HOW CAN YOUR HOUSEHOLD COVER THE USUAL MONTHLY EXPENSES?*



*IF BOTH YOU AND YOUR SPOUSE LOST YOUR JOBS, HOW LONG WOULD YOUR HOUSEHOLD BE ABLE TO MAINTAIN ITS CURRENT STANDARD OF LIVING?*



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## THE MAIN MESSAGES OF THE REPORT

- 1 The moratorium is a significant help in epidemically vulnerable sectors, with repayments suspended for about 40-50 per cent of eligible corporate and household loans.
- 2 New disbursement are significantly supported by central bank and government loan programs in both the corporate and household segments. Some government loan programs have not yet run up in the second quarter.
- 3 Due to the negative effects of the epidemic on the real economy, the annual growth rate of corporate loans slowed to 8.4 per cent and new disbursement fell 18 per cent compared to Q2 2019.
- 4 In addition to the moratorium, the nearly 20 per cent increase in loans to households was largely due to the effect of prenatal baby support loans. Volume of new contracts decreased by 7 per cent compared to last year.
- 5 A significant proportion of banks tightened on both corporate and household credit conditions.



THANK YOU FOR YOUR  
ATTENTION!