

**LAPSE OF
TIME**

SM/21/88
Correction 2

June 25, 2021

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Hungary—Staff Report for the 2021 Article IV Consultation**

Board Action:

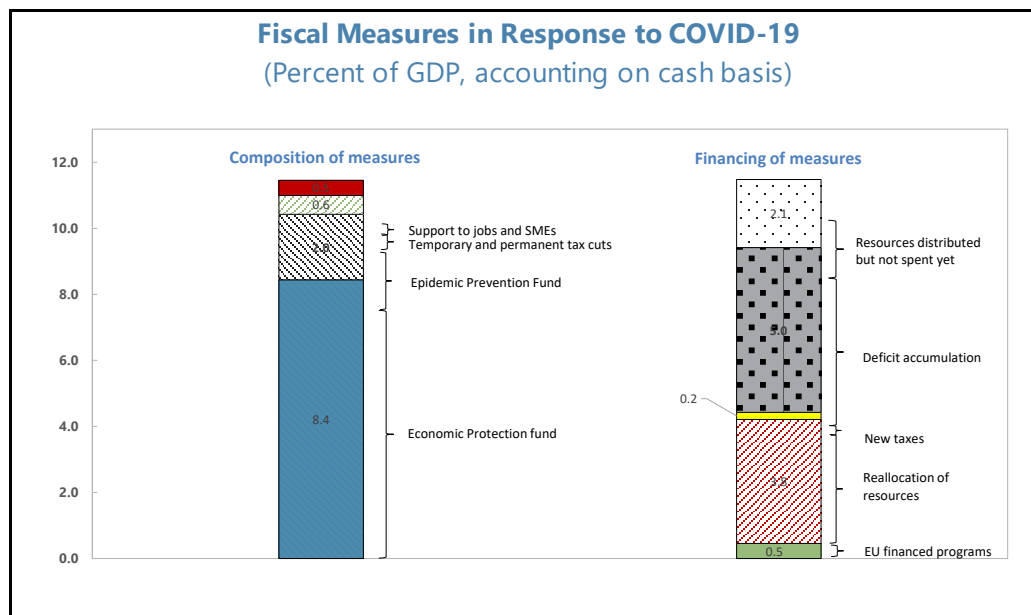
The attached correction to SM/21/88 (6/4/21) has been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

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Questions:

Mr. Dauphin, EUR (ext. 39705)
Ms. Vtyurina, EUR (ext. 38940)



7. The MNB swiftly reacted to market pressures. It provided ample liquidity through a variety of policy measures, including FX liquidity swaps, enhanced lending facility, and the expansion of its asset purchase program (APP), which includes government, corporate and mortgage bonds, and adjustment of the policy rate (Annex II). It also increased the limits under its funding facilities for large companies and SMEs. The MNB reacted to initial pressures on the forint by steering an increase in money market interest rates (Figure 3). To facilitate FX liquidity support and build a safety net should the crisis worsen, it established repo agreements with the ECB (€4 billion), the BIS (€2 billion), and the Federal Reserve (US\$1–2 billion), while a swap agreement with the People’s Bank of China (about €2.5 billion) was already in place. As conditions stabilized, the various support measures were adjusted.

8. Strong banking system buffers and timely measures allowed to temporarily relieve borrowers’ balance sheets. Banks’ capital position was strong and [assessed by the MNB](#) to be resilient to even severe shocks. Like other EU banking regulators, and in line with European Banking Authority’s (EBA) guidance, the MNB allowed a temporary easing and deferment of some capital requirements. This, together with the provision of liquidity through monetary operations, gave banks substantial space to adjust to the blanket payment moratorium (with an opt-out option) in effect since March 2020, which has benefited almost 1.6 million [families-retail](#) and [half a million companies](#) [50 thousand corporate debtors](#). The MNB also adjusted microprudential (e.g., classification of restructured loans, per EBA guidance) and macroprudential ratios (including a temporary tightening of external funding prudential requirements early in the crisis, which was subsequently reversed as market turbulences eased). Credit to non-financial corporations and households continued to grow rapidly, in part due to the moratorium.