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Government to ease burden of Hungarian banking sector

In order to increase the profitability and lending capacity of the Hungarian banking sector, the Government of Hungary concluded a Memorandum of Understanding (MoU) with the European Bank for Reconstruction and Development (EBRD). The document was signed on 9 February by EBRD President Sir Suma Chakrabarti and Hungarian Prime Minister Viktor Orbán in Budapest. Under the MoU, the Government will not only ease the burden of the banking sector but it also committed to create a framework that ensures the long-term sustainability of a stable and predictable economic policy.

The rate of bank tax is set to be gradually reduced in 2016-2019 in order to reinvigorate the Hungarian financial sector. In the first period, the tax rate is to fall to 31 basis points in 2016 and to 21 basis points by the beginning of 2017, calculated on the basis of 2014 balance sheet total. Thanks to the measure, bank tax liabilities will drop by HUF 60bn next year.

The Government also expressed commitment that – except for the fulfilment of EU requirements – it does not intend to implement measures that may have a negative impact on the profitability of the banking sector. The parties also agreed that banks will be treated equally regardless of the ownership structure or size, and thus they facilitate and safeguard competition and ensure the stability of the Hungarian banking sector.

Sir Suma Chakrabarti welcomed the measures of the Hungarian Government which aim to restore confidence in the financial sector. As the EBRD President stressed, improving business environment will bring even more investment to Hungary and the EBRD is planning to forge closer cooperation with Hungary in the near future.

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The best example for the role assumed by the EBRD within the Hungarian financial sector is the agreement concluded with Erste Bank. According to the tripartite MoU signed by the EBRD, the State of Hungary and Erste Bank Hungary, the state and the EBRD will each acquire a 15 percent share in Erste Bank Hungary. Technical details are currently being elaborated. The latest bank ownership acquisition by the state assists the Government to realize its objective and create a stable banking sector majority owned by Hungarians

Growth rates of GDP in volume, 2014 Q4

Percentage change compared with the same quarter of the previous year	
Hungary	**3,4**
Poland	3,1
UK	2,7
Estonia	2,6
Romania	2,5
Lithuania	2,4
Slovakia	2,4
Spain	2
Latvia	1,9
Greece	1,7
Germany	1,5
EU28	1,3
Czech Rep.	1,3
Bulgaria	1,2
Netherlands	1
EA19	0,9
Belgium	0,9
Portugal	0,7
France	0,2
Austria	0
Finland	-0,1
Italy	-0,3
Cyprus	-1,9
Table does not include countries without available data	

According to the latest data by the Hungarian Central Statistical Office (KSH), Hungary's GDP grew by 3.4 percent in Q4 2014. This is the best growth figure within the European Union. While economic growth in the Euro-zone averaged 0.9 percent in the last quarter of 2014, it was 1.3 percent in the entire EU. The Hungarian growth figure is outstanding not only in comparison to the average performance within the EU, but also in comparison to individual member states. Only Poland has managed to post growth almost as high as Hungary's: Poland's economy expanded by 3.1 percent year-on-year in the observed period.

With a view of stepping up support for the Hungarian economy, Erste Bank Hungary will introduce loan programmes with preferential interest rates to disburse EUR 250 million for public sector employees, EUR 200 million for primary agricultural producers and EUR 100 million for energy efficiency projects. Details of these programmes are under consideration.