



# MONETARY POLICY INSTRUMENTS OF THE CENTRAL BANK OF HUNGARY (MNB) DURING THE COVID-19 CRISIS





**As a response to the covid crisis, the MNB expanded its monetary policy instruments to provide liquidity and insure favourable financing conditions**

**As a result of the programmes, balance sheet of the MNB and liquidity surplus in the banking system expanded substantially from initially low levels**

**Most of the programmes are still continuing, while some of them is ceased but going to be relaunched with different aims**



## Main monetary policy goals

**Stable short-term rates with the required room for manoeuvre**

**Liquidity provision for all sectors**

**Lower long-term rates to ensure favourable financial conditions**

1) Activating 1-week deposit facility

2) Wider and symmetric interest rate corridor

1) Expansion of eligible collaterals (loans to large corporates)

2) Expansion of counterparties (investment funds)

1) Funding for Growth Scheme Go! (SME)

2) Long-term loans

3) Corporate bond purchase program

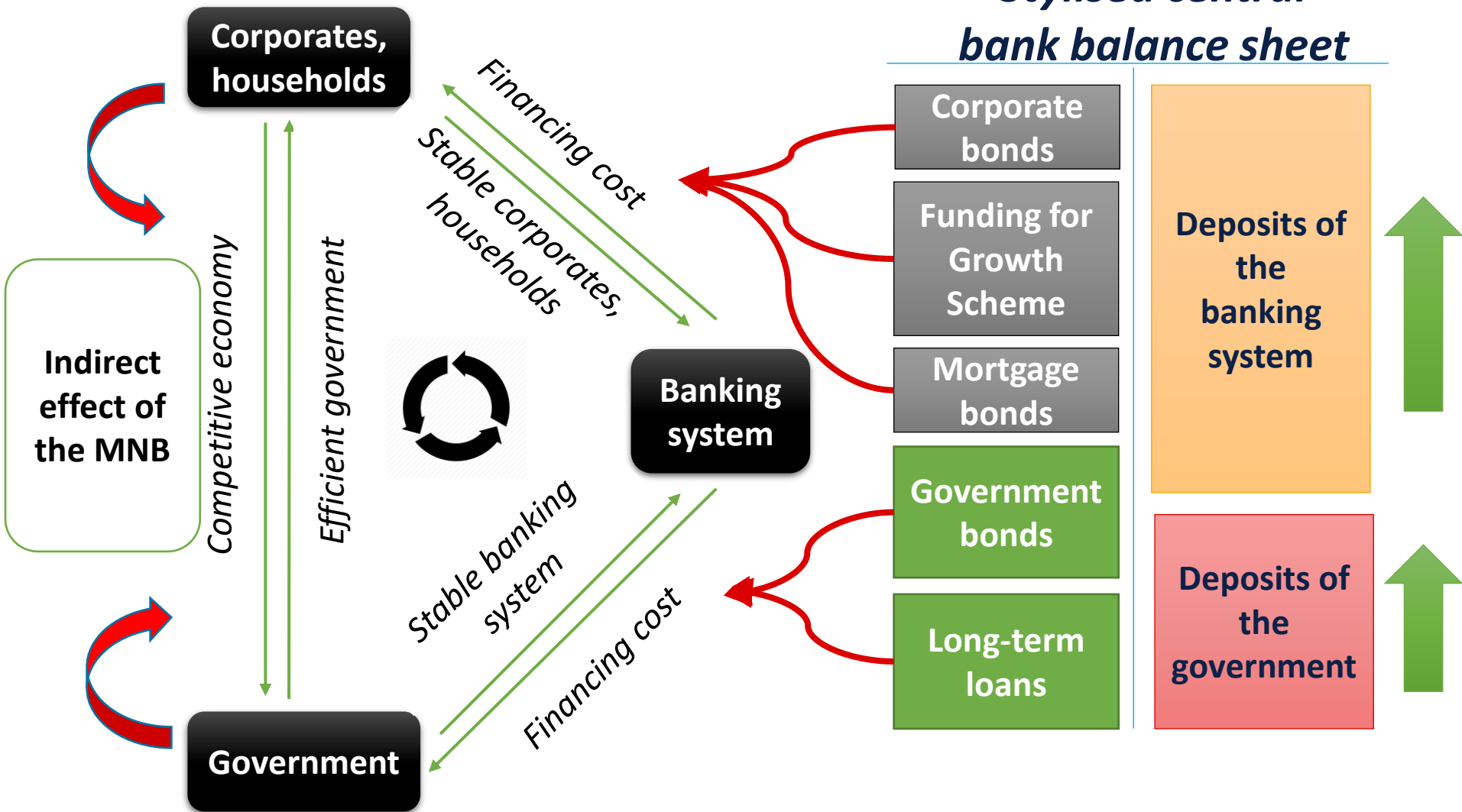
4) Government securities purchase program

5) Mortgage bond purchase program

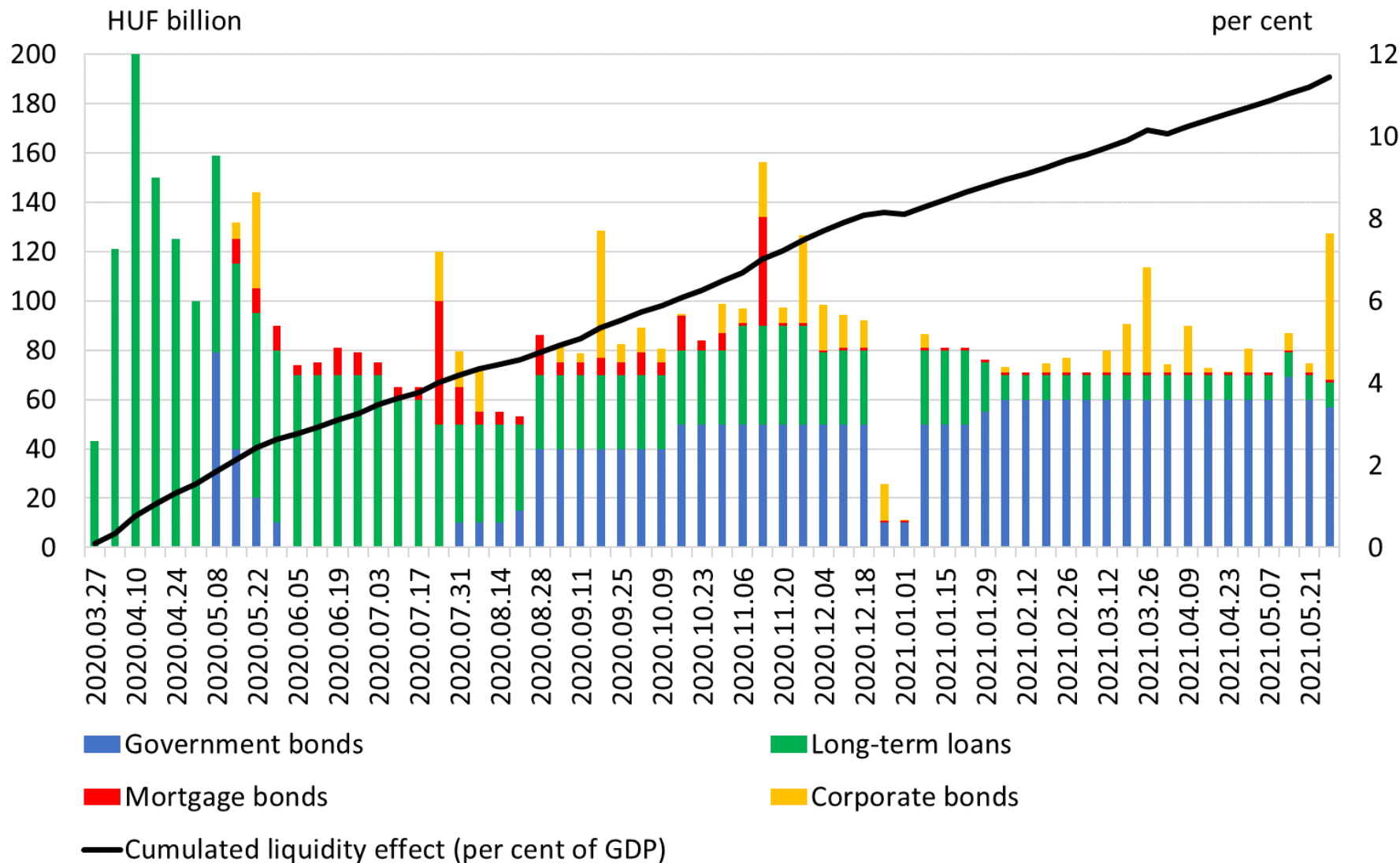
# EFFECTS OF MNB PROGRAMMES ON REAL ECONOMY AGENTS CAN BE REINFORCING



## Stylised central bank balance sheet



# THE MNB USED ITS PROGRAMMES WITH CHANGING INTENSITY



Note | Weekly liquidity provided by some programmes of the MNB.

# ANNOUNCEMENTS RELATED TO THE GOVERNMENT BOND PURCHASE PROGRAMME STABILISED ASSET PRICES

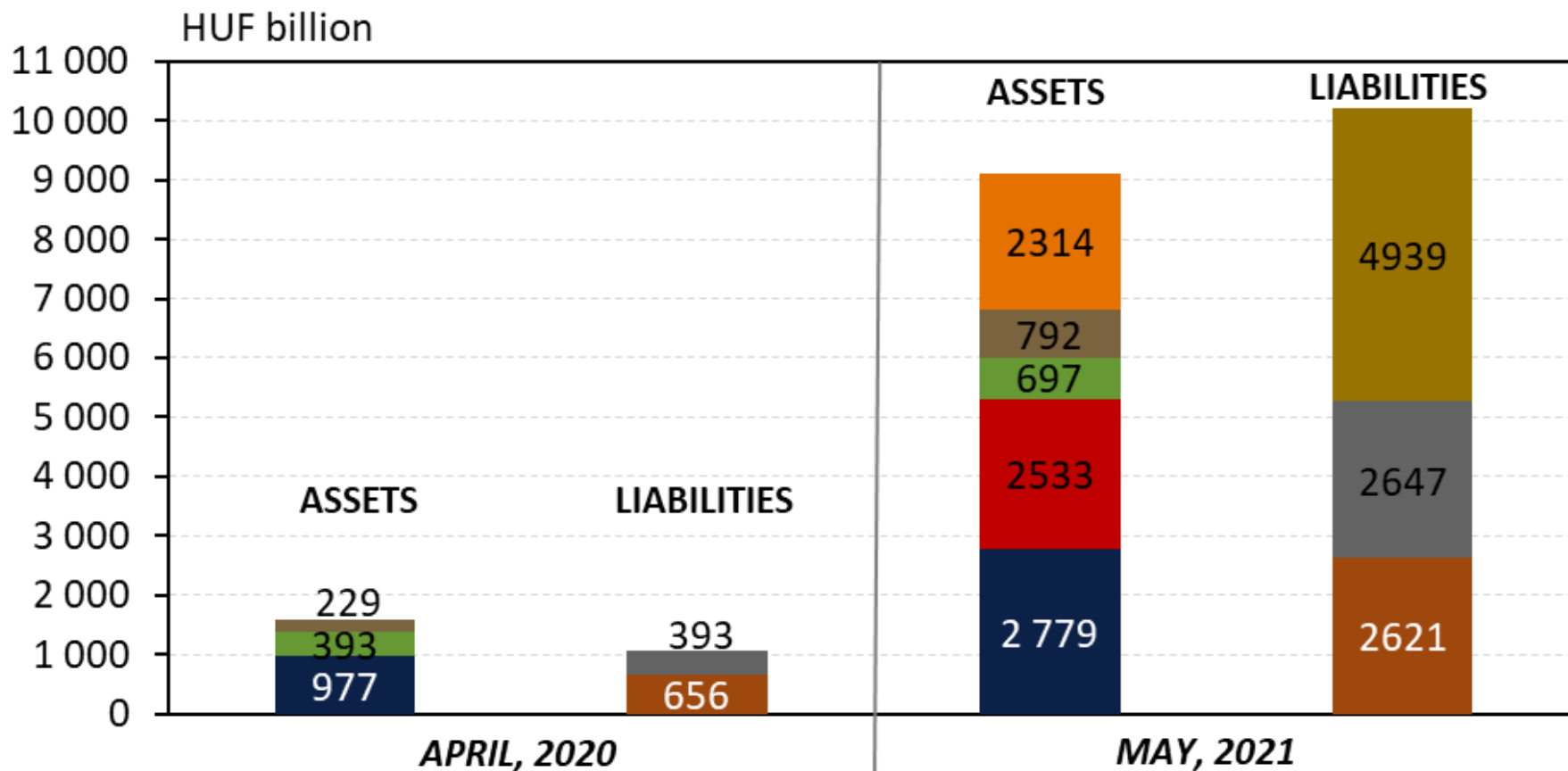


## 1, 2, and 3-day Effect on the 10-year Bond Yield and on the Nominal Exchange Rate following APP Announcement Dates

Country	Announce Date	10-year Govt Bond Yield (%)			FX (LCU/USD)		
		1-day	2-day	3-day	1-day	2-day	3-day
Hungary ①	7-Apr-20	0.02	-0.1	-0.14	-7.96***	-6.71***	-14.01***
Hungary ②	28-Apr-20	0.01	-0.41***	-0.44***	2.38	-1.96	-5.97*
Hungary ③	21-Jul-20	-0.02	-0.14	-0.15	-4.29**	-6.74***	-8.98***

- ① First announcement on launching government bond purchase programme
- ② Announcing some details of the programme
- ③ Announcement about relaunching the programme after temporary break

# ASSET PURCHASES AND LONG-TERM LOANS INCREASED LIQUIDITY SURPLUS SUBSTANTIALLY



■ FGS

■ Mortgage bonds

■ Government bonds

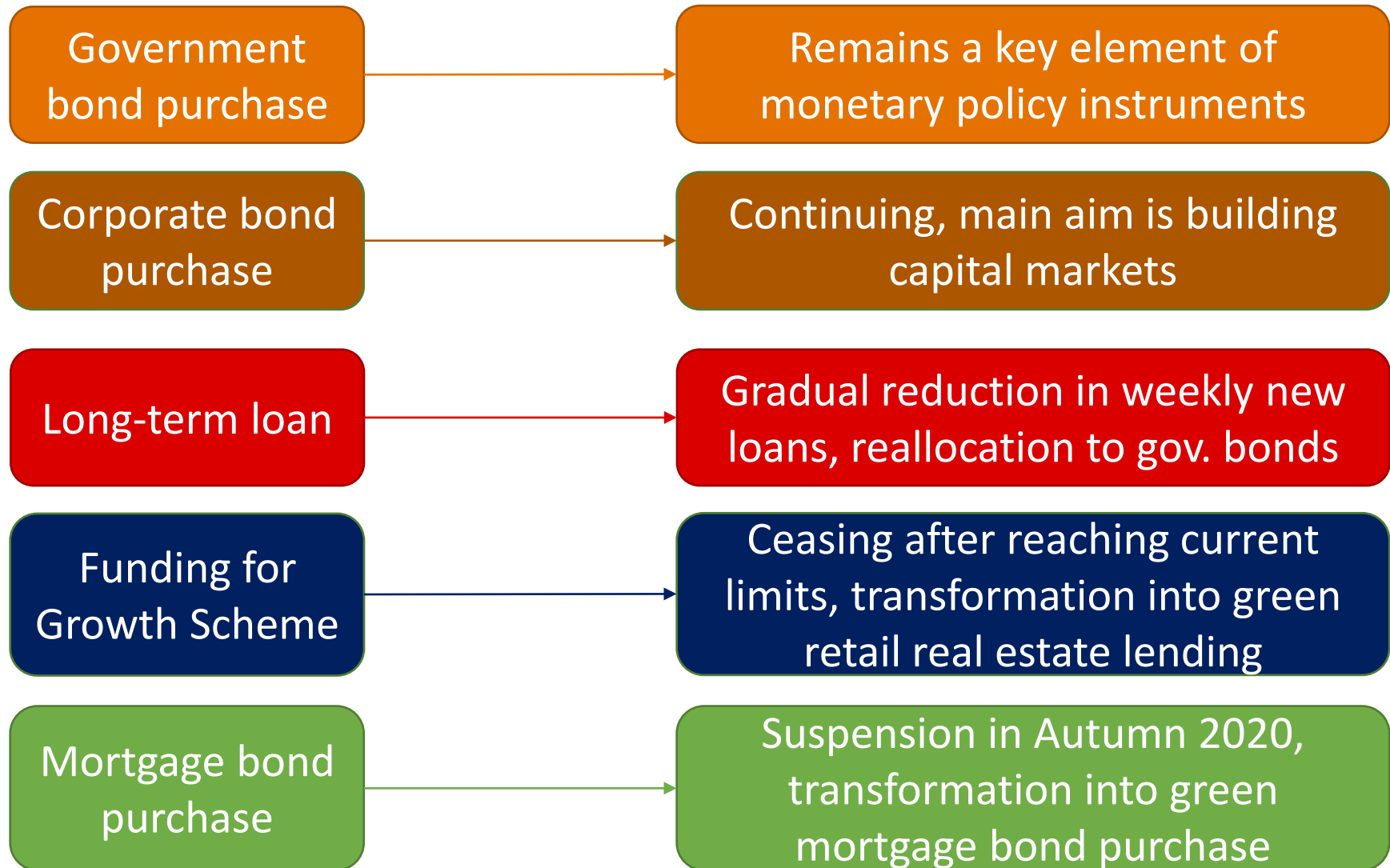
■ Treasury account

■ Long-term loan

■ Corporate bonds

■ Reserves & Preferential deposit

■ 1W DEPOSIT





# THE APPLICATION OF GOVERNMENT BOND PURCHASE PROGRAM IS AFFECTED BY THE ATTACHED AIMS



Date	Communication about government bond purchase programme
April 2020	<ul style="list-style-type: none"><li>• MNB ensures the proper functioning of the <u>monetary transmission</u></li><li>• To restore the <u>stable liquidity position</u> of the government securities market</li></ul>
July 2020	<ul style="list-style-type: none"><li>• The effect of the base rate reduction should have its <u>effect on the longer segment</u> of the yield curve</li><li>• Government securities purchases in the segment of over 15-year, to <u>improve the maturity structure</u> of government debt</li></ul>
January 2021	<ul style="list-style-type: none"><li>• Extend purchases to include government papers with maturities of less than 10 years, ensuring <u>continuous liquidity</u> over the middle segment of the yield curve</li></ul>
June 2021	<ul style="list-style-type: none"><li>• Maintaining a <u>lasting presence in the market</u></li><li>• <u>Flexible</u> approach to changing the quantity and structure of purchases, to the extent and for the time necessary</li></ul>



**THANK YOU FOR YOUR  
ATTENTION!**