Expected effects of the credit moratorium's expiration on Hungarian households

GKI Economic Research Co. identified the effects of the credit moratorium's expiration on Hungarian households, based on a representative survey conducted with thousand respondents. The credit repayment moratorium was introduced in order to mitigate the effects of the economic downturn caused by the COVID-19 pandemic in 2020, and it was extended until June 30, 2021. The moratorium covered 57 per cent of the amount of household loans the end 2020. **11 per cent of households in the survey were involved in the moratorium in April and the monthly repayments of these loans would take up more than a third** (37 per cent) **of their net income on the average.** Those with net incomes under HUF 150 thousand per month are in the most vulnerable position, more than 72 per cent of their income would be spent on monthly repayments after the expiration of the moratorium.

Distribution of households involved in the moratorium based on the development of their financial situations and the share of monthly loan repayments in their total net income (percentage)

Development of the financial situation:	Deteriorating	Unchanging	Improving
Distribution	37%	44%	19%
Share of monthly instalments	42%	31%	44%

Source: GKI survey

The situation is alarming if we look at households anticipating their expected financial situation withing a year. 37 per cent of households participating in the moratorium said that their financial situation will likely deteriorate in the coming year, according to 44 per cent it will not change and 19 per cent answered that it will improve. **In the case of households with a deteriorating financial situation, 42 per cent of their current income would be spent on the repayment of the loans.**

The distribution of households participating in the moratorium based on settlement categories and the expected development of their financial situation within a year (per cent)

Settlement category	Deteriorating	Unchanging	Improving
Budapest	44	37	19
Cities with county rights	21	54	25
Towns	38	44	18
Villages	43	48	9
Nationwide	**37**	**44**	**19**

Source: GKI survey

Discrepancy can be observed among **households participating in the moratorium** according to their place of residence. Only a fifth of these households living in cities with county rights expect their incomes to decrease in the coming year, whereas 44 per cent of those living in the capital and 38 per cent in towns are expecting this. **The residents of villages are in the most vulnerable position**, 43 per cent of them expect their financial situation to deteriorate, 48 per cent to remain un-changed and only 9 per cent to improve in the foreseeable future. **In reality, those who report their financial situations unchanging will be in a bad situation too**, **since they are already not paying the repayments.** The expiration of the moratorium will place those individuals and households in a vulnerable position who are already in a bad financial situation due to the economic crisis. **Based on the share of households with a deteriorating financial situation, up to 15 and 20 per cent of all loans could become problematic after the expiration of the moratorium.**

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