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Factsheet for case **HU-2020-12/652**

## Suspension on loan payments for companies

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|              |  |
|--------------|--|
| Country      | Hungary, applies nationwide  |
| Time period  | Temporary, 18 March 2020 - 31 December 2020                                  |
| Type         | Legislation or other statutory regulation                                    |
| Category     | Supporting businesses to stay afloat<br>– Direct subsidies (full or partial) |
| Case created | 15 April 2020 (updated 01 May 2020)  |

### Background information

Under Section 1 of the 47/2020 government decree and 62/2020 providing details to it, the reason for this measure is to alleviate the adverse effects of the coronavirus pandemic during the period Hungary is in an 'emergency situation' announced by the government. Another goal is to keep lending activities afloat despite the crisis. The payment moratorium for companies was one of the first measures announced by the Hungarian government, at the proposal of the central bank.

### Content of measure

Every commercial loan or financial lease under a loan contract signed before 2020 March 18 will receive a freeze on loan repayments, capital repayment and any related fees until at least 31 December 2020 (can be extended). The length of the loan will be extended with the period of the freeze. The Banking Association said the deferred loan payments would amount to about HUF 450 billion in the 9-month period, but our estimations based on partner interviews suggest it would be at most half of that amount. After the freeze period the loan is extended to the period necessary to keep loan payments to their pre-COVID levels and banks cannot charge compound interest either. These rules apply to any fees related to the loan, too. Based on central bank data, the measure could affect up to HUF 8,300 billion worth of bank loans at 33,000 companies.

## Use of measure

In a preliminary statement, the central bank estimated that 80% of clients would opt for the payment suspension, but later this estimation was lowered to 30-50%. In an online survey by bank360.hu it appeared that only about 30% of clients choose to extend their loans in this way, most of whom were individuals, so uptake by businesses seem even lower up to now. The measure could have an indirect effect on employment, as companies with long-term loans employ about 1.25 million people. Sectors that are indebted to a higher rate include: agriculture commerce, accommodation and catering, and processing.

## Actors, target groups and funding

| Actors                                     | Target groups | Funding                     |
|--|---------------|-----------------------------|
| National government<br>Company / Companies | All companies | No special funding required |

## Social partners

|                         |                     |
|-------------------------|---------------------|
| Role of social partners | Consulted           |
| Form of involvement     | Direct consultation |

The Banking Association was involved in talks.

## Sectors and occupations

This case is not sector-specific.

This case is not occupation-specific.

## Sources

- 18 March 2020: Government decree 47/2020 (EN)
- 23 March 2020: How does the loan payment moratorium affect each sector ([piacesprofit.hu](https://piacesprofit.hu))
- 24 March 2020: Government Decree 62/2020 (EN)