



MACROECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL
TO THE ABRIDGED MINUTES
OF THE MONETARY COUNCIL MEETING
OF 28 APRIL 2026

APRIL
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The background material ‘Macroeconomic and financial market developments’ is based on information available until 21 April 2026.

Article 3 (1) of the MNB Act (Act CXXXIX of 2013 on the Magyar Nemzeti Bank) defines achieving and maintaining price stability as the primary objective of the Magyar Nemzeti Bank. The MNB’s supreme decision-making body is the Monetary Council. The Council convenes as required by circumstances, but at least twice a month, according to a pre-announced schedule. At the second scheduled meeting each month, members consider issues relevant to decisions on central bank interest rates. Abridged minutes of the Council’s rate-setting meetings are released regularly, before the next policy meeting takes place. As a summary of the analyses prepared by staff for the Monetary Council, the background material presents economic and financial market developments, as well as new information which has become available since the previous meeting.

The abridged minutes and background material to the minutes are available on the MNB’s website at: <https://www.mnb.hu/en/monetary-policy/the-monetary-council/minutes/2026>

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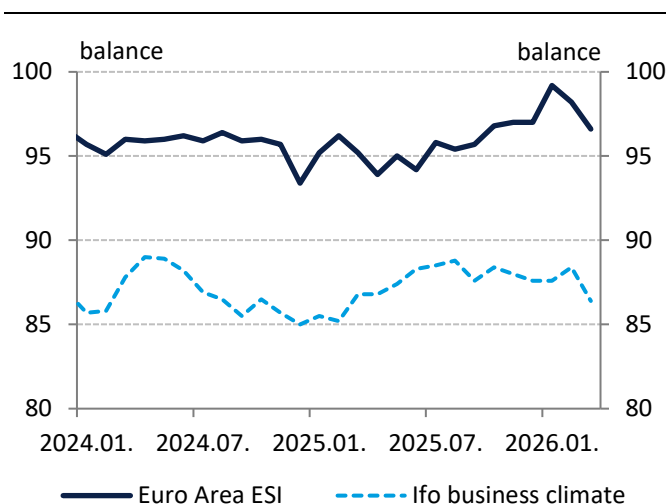
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1. Macroeconomic developments

1.1. Global macroeconomic environment

In 2025 Q4, the economy grew by 1.4 percent in the European Union and 1.2 percent in the euro area compared to the same period of the previous year. In the United States, 2.0-percent growth was registered. In the euro area, inflation rose to 2.6 percent and core inflation fell to 2.3 percent in March. Inflation was in line with expectations, while core inflation was moderately below expectations. In the United States, price dynamics rose to 3.3 percent in March, in line with expectations.

Chart 1: Business climate indices in Hungary's export markets



Source: European Commission, Ifo

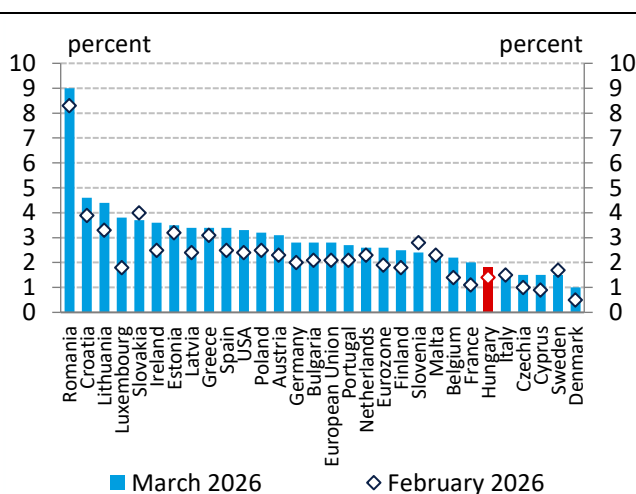
GDP increased by 1.4 percent in the European Union and 1.2 percent in the euro area in 2025 Q4. The GDP of Germany, Hungary's main trading partner, increased by 0.4 percent year on year. In the fourth quarter, 2.0-percent growth was registered in the United States.

In February 2026, industrial production fell by 0.7 percent in the euro area year on year. In the United States, industrial output increased by 0.7 percent year on year in March. Retail sales rose by 1.7 percent in the euro area in February and by 4.0 percent in the United States in March.

Manufacturing Purchasing Managers' Indices (PMI) rose in March. In the euro area, the PMI remained above the growth threshold at 51.6 points. By contrast, the Economic Sentiment Indicator (ESI) for the euro area declined by 1.6 points in March (Chart 1). The German business sentiment index (Ifo) fell by 2.0 points. The PMI in the manufacturing industry in the United States increased again and continued to show expansion (52.3 points) in March.

The unemployment rate in the euro area was 6.2 percent in February, somewhat higher than in January. In the United States, the unemployment rate fell from 4.4 percent in February to 4.3 percent in March.

Chart 2: Developments in the international inflation environment



Note: HICP for European Union countries, CPI inflation rates for Hungary and the USA.

Source: Eurostat, Trading Economics, HSCO

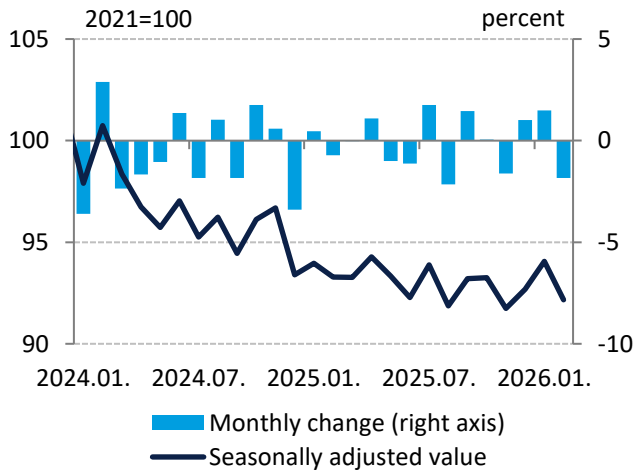
In the euro area, in March, inflation rose by 0.7 percentage point to 2.6 percent, and core inflation fell by 0.1 percentage point to 2.3 percent. Inflation was in line with expectations, while core inflation was 0.1 percentage point below expectations. In the United States, price dynamics rose to 3.3 percent in March, in line with expectations.

In March, among the countries in the region, inflation moderated in Slovakia, while it rose in Romania, Poland and the Czech Republic. Annual inflation stood at 9.0 percent in Romania, 3.2 percent in Poland and 1.5 percent in the Czech Republic (Chart 2).

1.2. Real economic trends in Hungary

In February 2026, the volume of retail trade rose by 3.8 percent, while construction output fell by 0.4 percent, and industrial output by 1.5 percent. Employment has moderated in recent quarters, with the unemployment rate rising from 4.4 percent at the end of 2025 to 4.7 percent by March 2026.

Chart 3: Developments in industrial production



Source: HCSO

1.2.1. Economic growth

In February 2026, the volume of industrial production moderated by 1.5 percent on an annual basis according to both unadjusted and seasonally and working-day-adjusted data. Industrial output fell by 1.8 percent compared to the previous month (Chart 3).

The volume of construction output decreased by 0.4 percent year on year in February 2026 according to unadjusted data. The output of the construction of buildings increased by 2.2 percent, while that of other construction fell by 6.3 percent. On a monthly basis, construction output rose by 4.9 percent compared to January 2026, which was affected by adverse weather conditions, based on seasonally and calendar-adjusted data.

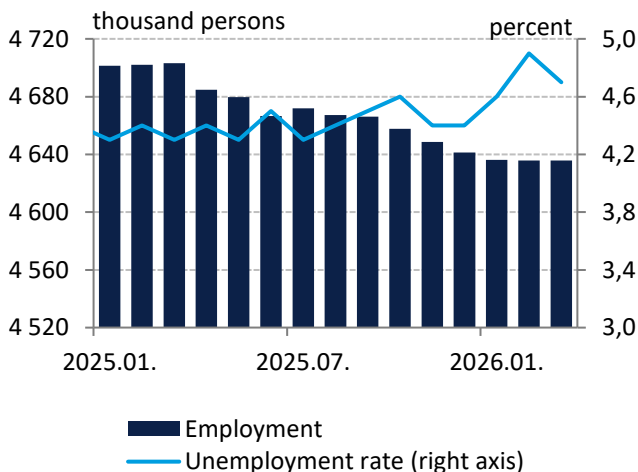
In February 2026, the external trade balance in goods showed a surplus of EUR 993 million, while the surplus of the 12-month rolling balance was EUR 7.8 billion. Compared to the previous month, the balance of goods improved by EUR 701 million; however, compared to the same period of the previous year, it deteriorated by EUR 13 million. In February, according to unadjusted data, the volume of goods exports increased by 0.2 percent, and goods imports rose by 8.2 percent compared to the same period last year.

The volume of retail trade rose by 3.8 percent year on year in February 2026, according to calendar-adjusted data. Retail trade excluding fuel sales increased by 3.3 percent. Compared to the previous month, trade increased by 0.4 percent according to seasonally and calendar-adjusted data.

1.2.2. Employment

Employment has moderated in recent quarters, with the unemployment rate rising from 4.4 percent at the end of 2025 to 4.7 percent by 2026 Q1 (Chart 4). Based on the data from the Labour Force Survey, on average between January–March 2026, the number of persons employed aged 15–74 decreased by 65,000 compared to the same period of the previous year, representing a 1.4-percent decline on an annual basis. The seasonally and calendar-adjusted level of employment did not change significantly compared to the December–February period. The average number of unemployed persons was 226,000, representing an increase of 14,000 on an annual basis. The seasonally and calendar-adjusted level of unemployment was 5,000 lower than in the December–February period.

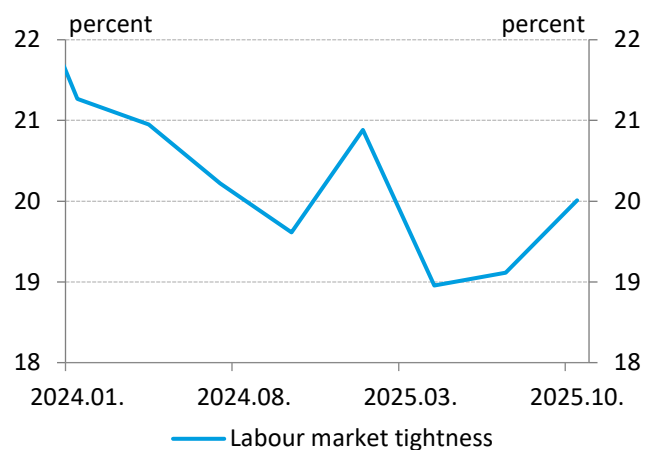
Chart 4: Number of persons employed and the unemployment rate



Note: Data based on the HCSO's 3-month moving average methodology. In the case of employment, seasonally and calendar adjusted data.

Source: HCSO, MNB

Chart 5: Labour market tightness indicator



Note: The tightness indicator is the number of vacancies in the private sector as a percentage of the unemployed. Seasonally adjusted quarterly data.

Source: HCSO, MNB calculation

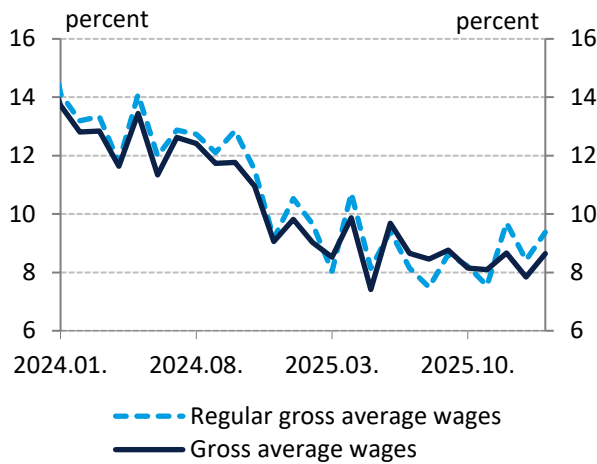
Labour market tightness has eased in recent years (Chart 5).

In 2025 Q4, the number of job vacancies in the private sector increased by 1.1 percent compared to the same period in the previous year, while seasonally adjusted data showed a 2.2-percent increase over the previous quarter. There were 41,100 vacancies in the private sector in the fourth quarter.

1.3. Inflation and wages

In March 2026, consumer prices rose by 1.8 percent year on year. Core inflation was 1.9 percent. The data received was in line with the forecast in the March Inflation Report. In February, gross average earnings rose by 9.7 percent in the national economy and by 8.6 percent in the private sector compared to the same period last year.

Chart 6: Wage dynamics in the private sector



Source: HCSO

1.3.1. Wages

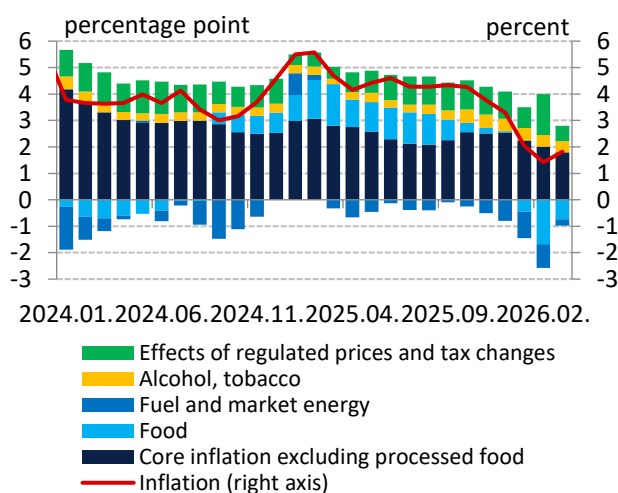
In February 2026, gross average earnings in the national economy rose by 9.7 percent compared to the same period of the previous year, including an 8.6-percent increase in the private sector and a 13.4-percent increase in the public sector (Chart 6). In February, real earnings calculated on the basis of gross average earnings increased by 8.2 percent in the national economy and by 7.1 percent in the private sector on an annual basis.

Regular gross average earnings (excluding bonuses) increased by 10.0 percent in the national economy in annual terms. Within this, the increase was 9.4 percent in the private sector and 11.4 percent in the public sector.

1.3.2. Inflation developments

In March 2026, consumer prices rose by 1.8 percent year on year (Chart 7). Compared to February, the pace of the annual rate of price increases accelerated by 0.4 percentage point. Core inflation moderated by 0.2 percentage point compared to the previous month, reaching 1.9 percent. Core inflation, excluding indirect taxes, also fell to 1.9 percent. In monthly terms, the price of the total consumer basket increased by 0.4 percent and the price of the core inflation basket rose by 0.1 percent.

Chart 7: Decomposition of inflation

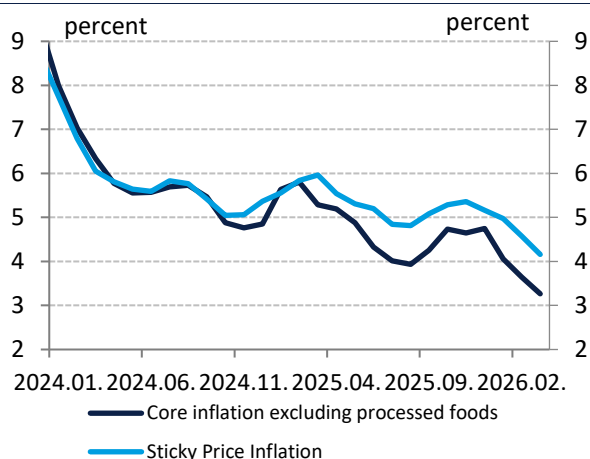


Source: MNB calculation based on HCSO data

The data received was in line with the forecast in the March Inflation Report. The median of analysts' expectations was 2.2 percent, with expectations ranging from 1.9 to 2.4 percent.

Overall, the rate of repricing in March was below the 2017–2020 average for food and industrial goods, while it was similar for market services. The annual price index of market services reduced to 4.9 percent. On a monthly basis, prices rose by 0.4 percent, which is in line with the average March repricing observed between 2017 and 2020, though lower than the average repricing seen in recent years. Annual inflation for industrial goods decreased to 1.6 percent. On a monthly basis, prices rose by 0.1 percent within this product group. Food inflation according to the MNB's classification amounted to -4.0 percent. Within this product group, unprocessed food prices fell by 4.2 percent and processed food prices by 4.0 percent year on year. Food prices decreased by 0.5 percent in a month-on-month comparison. Fuel prices fell by 3.0 percent year on year and rose by 4.6 percent on a monthly basis. The price increase, calculated on a monthly basis, is a consequence of

Chart 8: Measures of underlying inflation



Source: MNB calculation based on HCSO data

higher oil prices due to the conflict in Iran, though this is mitigated by the effect of the price cap in effect since 10 March.

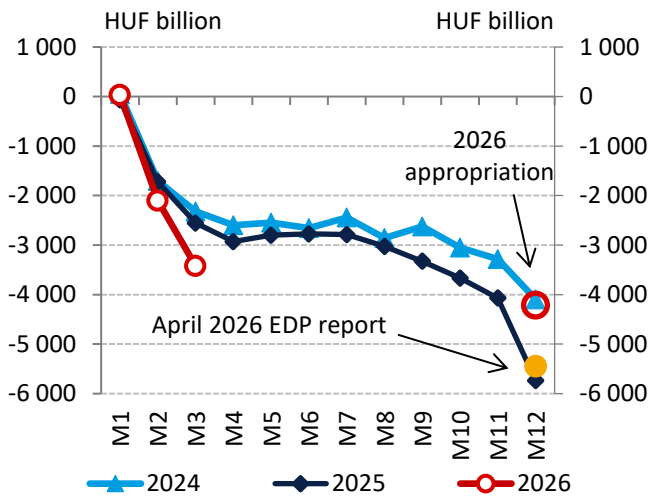
Household inflation expectations moderated. The data published by GKI stood at 18.4 percent in February, 14.4 percent in March and 15.7 percent in April. Corporate price expectations for retail trade prices rose, while price expectations for services did not change significantly.

Among our indicators capturing more persistent inflation trends calculated on an annual basis, sticky price inflation fell to 4.2 percent. Core inflation, calculated excluding processed food, declined to 3.3 percent (Chart 8).

1.4. Fiscal and external balance trends

The central sub-sector of general government registered a significant deficit of HUF 1,314 billion in March, which is HUF 482 billion higher than the deficit a year earlier. In March, the revenues of the central sub-sector were HUF 71 billion higher and its expenditures HUF 554 billion higher than a year earlier. The monthly current account balance showed a surplus of EUR 125 million in February 2026.

Chart 9: Cumulative cash balance of the central government budget from the beginning of the year 1.4.1. Fiscal trends

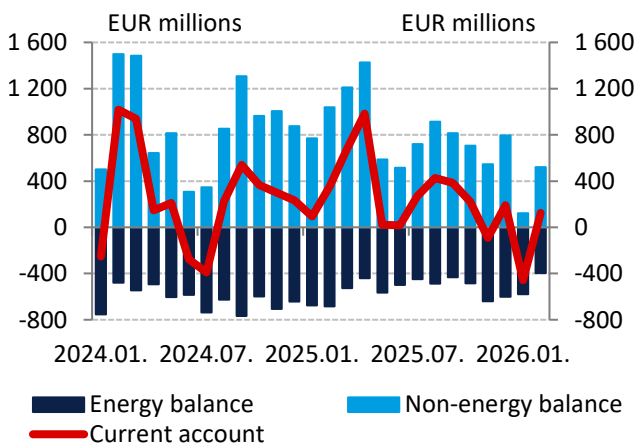


Source: 2026 Budget Act, Hungarian State Treasury, HCSO

The central sub-sector of general government registered a significant deficit of HUF 1,314 billion in March, which is HUF 482 billion higher than the deficit a year earlier (Chart 9). The cumulative deficit from the beginning of the year increased to HUF 3,420 billion, representing 81 percent of the annual appropriation and 63 percent of the expectation contained in the April 2026 EDP notification. The March deficit was largely caused by high expenditures of central budgetary institutions and chapters.

The central sub-sector revenues increased by HUF 71 billion on an annual basis in March, of which HUF 143 billion was due to a 7-percent increase in tax and contribution revenues. This was partly offset by a decline in other revenues exceeding HUF 70 billion. Payments by economic organisations increased by 8 percent (HUF 18 billion), while taxes and contributions on wages increased by approximately 10 percent (HUF 97 billion) year on year. Revenues from value added tax amounted to HUF 698 billion in March, 5 percent (HUF 32 billion) higher year on year.

Chart 10: Developments in current account and energy balance



Note: The last monthly value of the energy balance is estimated.
Source: MNB, HCSO

Budget expenditures in the third month of the year were HUF 554 billion higher than in March last year. The increase was primarily caused by the rise in net own expenditures of central budgetary institutions and chapters.

1.4.2. External balance developments

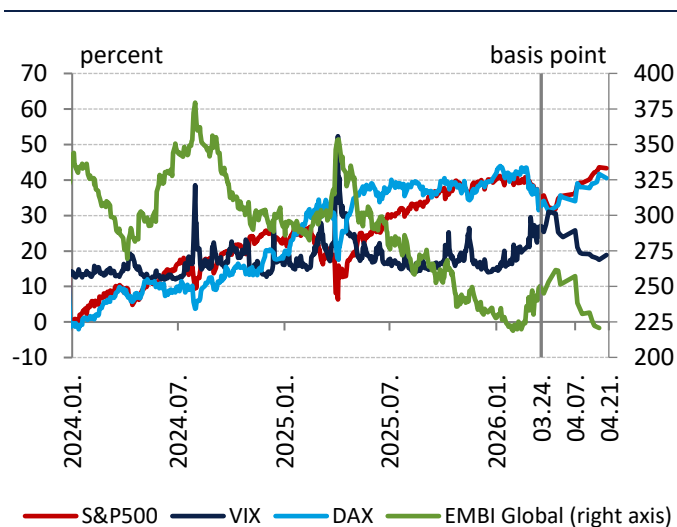
In February 2026, the current account showed a surplus of EUR 125 million, and net lending amounted to EUR 317 million (Chart 10). The current account was EUR 230 million lower than last year, mainly due to a higher balance of goods deficit. The balance of services and the transfer balance developed more favourably than in February last year, while the income balance deficit increased. Based on the financial account data, there was a net FDI outflow recorded in February, accompanied by an increase in net external debt.

2. Financial markets

2.1. International financial markets

In the period since the previous interest rate decision, developments related to the U.S.–Iran cease-fire and the partial reopening of the Strait of Hormuz influenced sentiment in international money and capital markets. Amid improving risk sentiment, the dollar weakened, stock market indices rose, and long-term yields fell. Oil and gas prices moderated but remain higher than pre-Iran conflict levels.

Chart 11: Developed market equity indices, the VIX index and the EMBI Global Index



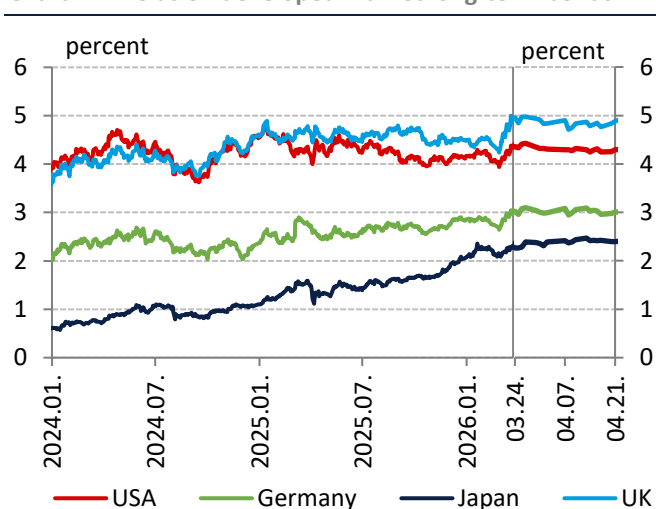
Note: Stock indices (S&P500 and DAX) normalised to the beginning of 2024.

Source: Bloomberg

In the period since the previous interest rate decision, developments related to the U.S.–Iran cease-fire and the reopening of the Strait of Hormuz influenced sentiment in international money and capital markets. The VIX risk indicator rose above the 30-percent level at the end of March, before correcting to below the 19-percent level in April. The EMBI Global index, which tracks emerging markets, followed a similar trajectory (Chart 11). The dominant stock market indices rose over the period.

Long-term yields in developed markets typically declined (Chart 12). The U.S. 10-year yield fell by 11 basis points to below 4.3 percent, while the German long-term yield dropped by 5 basis points. In contrast to the general decline in yields across developed markets, Japan saw a 13-basis-point rise in yields, in line with rising expectations of interest rate hikes. Long-term yields in emerging markets also typically declined. Across the region, excluding the outstanding 157-basis-point decline in Hungarian domestic yields, yields fell by 10–40 basis points.

Chart 12: Yields on developed market long-term bonds



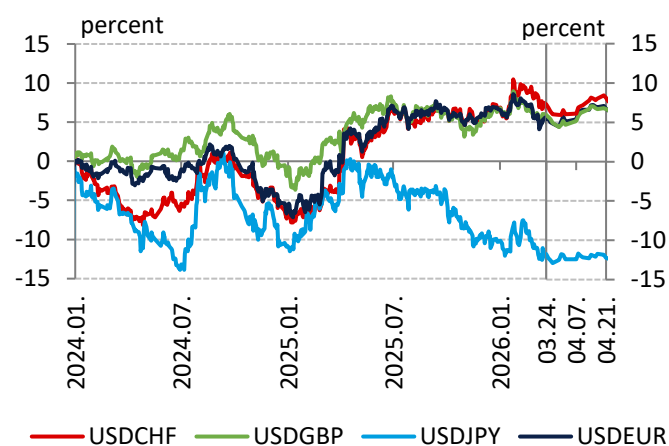
Source: Bloomberg

The US dollar generally weakened against other major currencies in the period following the previous interest rate decision (Chart 13). Amid improving risk sentiment due to the cease-fire in Iran, the dollar weakened by 1.8 percent against the euro. The dollar also depreciated against the Swiss franc, which is considered a classic safe-haven currency, since the previous interest rate decision.

The Bloomberg commodity price index, which covers the entire commodity market, moderately increased during the period (Chart 14). The price of gold and silver rose as the war in Iran continued.

The price per barrel of North Sea Brent crude oil and of the US benchmark WTI fell by a total of 3–9 percent in the period following the previous interest rate decision, with Brent standing at USD 95/barrel and WTI at USD 90/barrel at the end of the period. The decline in crude oil prices was driven by the 2-week U.S.–Iran cease-fire and news of the temporary reopening of the Strait of Hormuz.

Chart 13: Evolution of developed market foreign exchange rates compared to the first trading day of January 2024



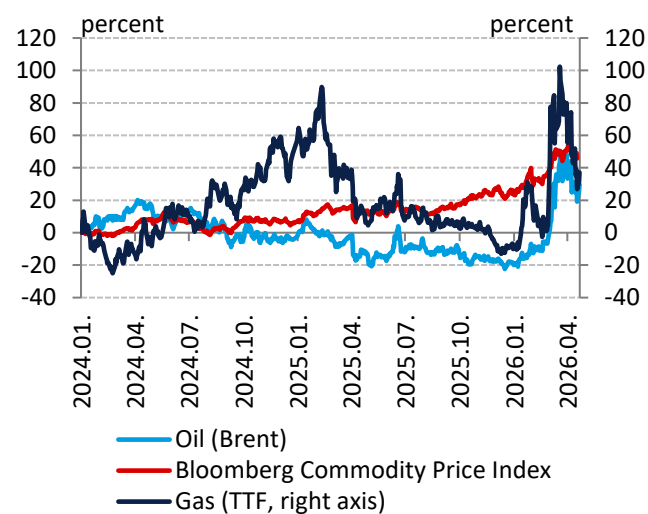
Note: Positive values indicate the strengthening of the variable (second) currency.

Source: Bloomberg

Energy prices reacted sensitively to news related to the war in the Middle East.

European gas prices fell by nearly 25 percent. The Dutch front-month TTF gas exchange price fell to the EUR 40/MWh level by the end of the period. Positive developments related to the war in Iran contributed to the decline in gas prices. Despite the decline, energy prices remained higher than they were before the outbreak of the conflict in Iran.

Chart 14: Global oil and gas prices and the Bloomberg Commodity Price Index



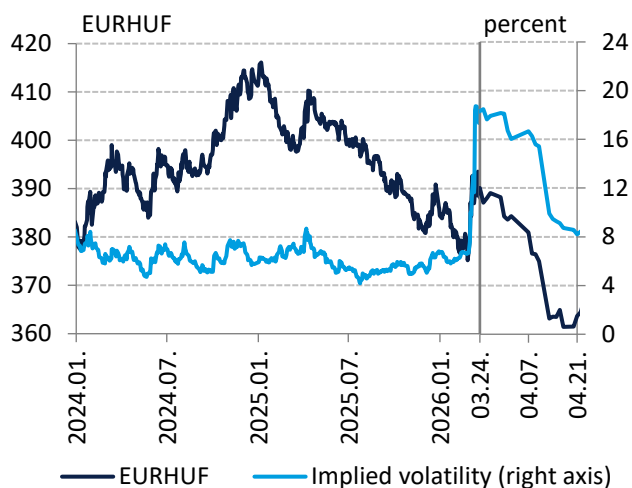
Note: The Bloomberg Composite Price Index includes energy, metals, agricultural products and live animals. The indicators are normalized to the beginning of January 2024.

Source: Bloomberg

2.2. Developments in domestic money market indicators

Since the previous interest rate decision, the forint has strengthened by nearly 7 percent against the euro, a significant increase in the region. The government securities market’s yield curve shifted downwards. GDMA bond auctions were characterised by fluctuating demand. The 3-month BUBOR fell by 16 basis points and stood at 6.25 percent at the end of the period.

Chart 15: EUR/HUF exchange rate and the implied volatility of exchange rate expectations



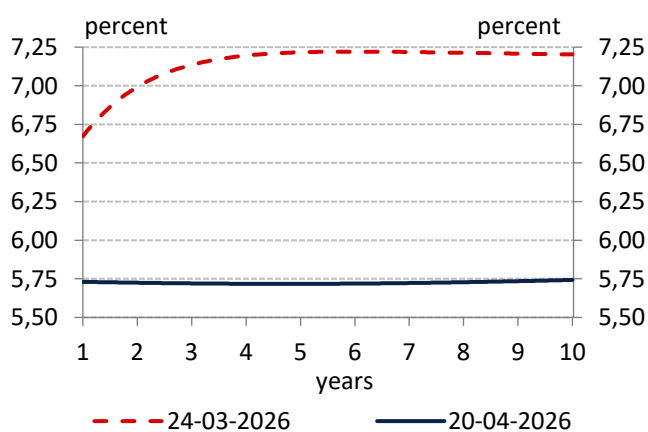
Source: Bloomberg

Since the previous interest rate decision, the forint has strengthened significantly against the euro (Chart 15). In the days following the interest rate decision, the foreign exchange rate remained stable, then appreciated by about 3 percent starting on the last day of March. Following the parliamentary elections, a further significant appreciation of over 3 percent was observed. The forint’s overall appreciation of nearly 7 percent was exceptional in the region, where the Polish zloty appreciated by 0.7 percent and the Czech koruna by 1.3 percent. During this period, the forint’s implied volatility moderated from a level above 18 percent in the period preceding the elections to close to 8 percent.

The 3-month BUBOR, which is relevant for monetary transmission, declined by 16 basis points since the previous interest rate decision, thus once again aligning with the Bank’s base rate of 6.25 percent.

Yields on the government securities market also moderated, with the entire yield curve shifting downward (Chart 16).

Chart 16: Shifts in the spot government yield curve



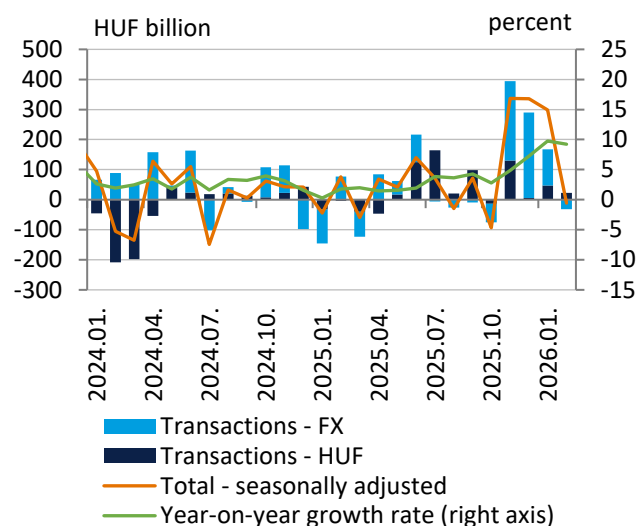
Source: Bloomberg

During the examined period, GDMA bond auctions were characterised by fluctuating demand. Prior to the elections, the volume of accepted bids at Discount Treasury Bill and government bond auctions fell short of the pre-announced volume on several occasions, while strong demand emerged following the elections. Overall, Discount Treasury Bill issuance during the examined period moderately exceeded the planned level, while bond issuance was nearly twice as high as planned.

3. Trends in lending

The corporate loan portfolio decreased by nearly HUF 9 billion in February 2026, causing its annual growth rate to slow somewhat compared to January and settle at 9.2 percent. Household loans outstanding increased by HUF 175 billion in February as a result of transactions. This means that the annual growth rate of this portfolio accelerated compared to the previous month, reaching 16.4 percent.

Chart 17: Net borrowing by non-financial corporations

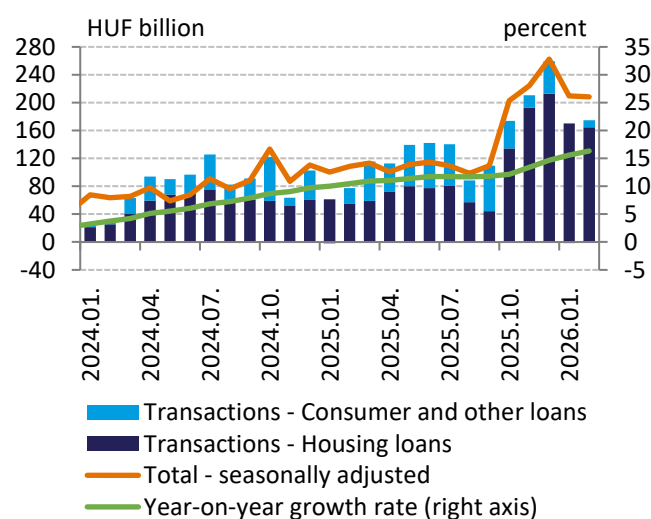


Source: MNB

In February 2026, the corporate loan portfolio decreased by nearly HUF 9 billion. Within this, forint loans increased by HUF 23 billion, and foreign currency loans fell by more than HUF 31 billion. The annual growth rate of the corporate loan portfolio declined moderately compared to January and stood at 9.2 percent (Chart 17).

Household loans outstanding increased by HUF 175 billion in February as a result of transactions. Within this, the portfolio of forint-denominated housing loans grew by HUF 165 billion and that of consumer and other loans by nearly HUF 10 billion. This means that the annual growth rate of this portfolio continued to rise compared to January, reaching 16.4 percent (Chart 18). The volume of new household loan contracts amounted to HUF 385 billion, which was 47 percent higher year on year. The substantial expansion of household loans outstanding was largely supported by the Home Start Programme launched in September, under which 5,103 contracts worth HUF 178 billion were concluded in February. Interest-rate subsidised housing loans accounted for 81 percent of new monthly housing loan disbursements during the month.

Chart 18: Net borrowing by households



Source: MNB