



MACROECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

BACKGROUND MATERIAL
TO THE ABRIDGED MINUTES
OF THE MONETARY COUNCIL MEETING
OF 24 MARCH 2026

MARCH
2026

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The background material ‘Macroeconomic and financial market developments’ is based on information available until 17 March 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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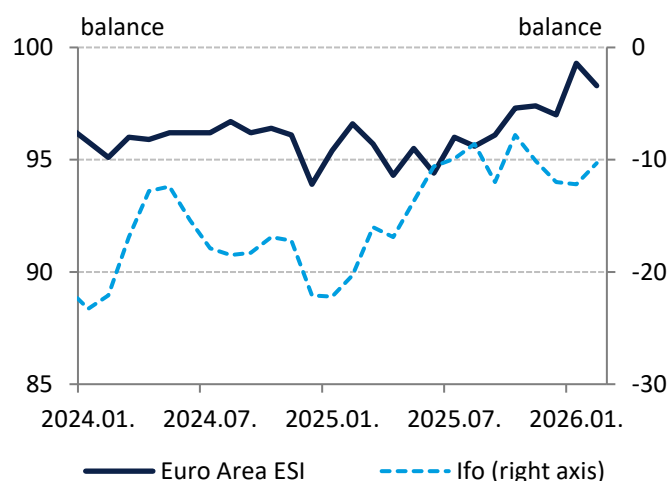
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1. Macroeconomic developments

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, 2.2 percent growth was registered. In the euro area, inflation rose to 1.9 percent in February and core inflation to 2.4 percent, somewhat above expectations. In the United States, price dynamics were 2.4 percent in February, 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.

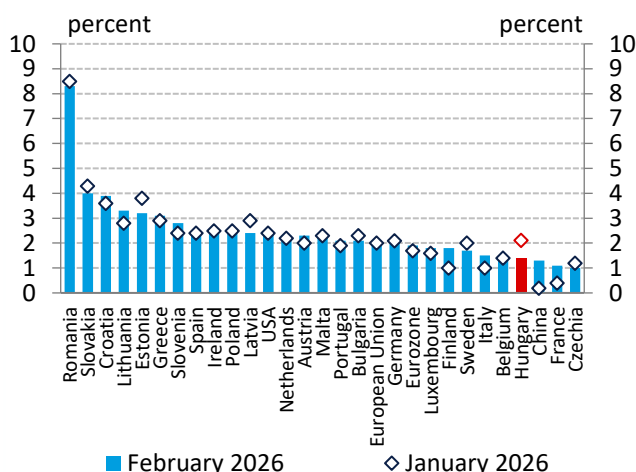
The GDP of Germany, Hungary's main trading partner, increased by 0.4 percent year-on-year. In the fourth quarter, 2.2 percent growth was registered in the United States.

In January 2026, industrial production fell by 1.2 percent in the euro area year-on-year. In the United States, industrial output increased by 1.4 percent year-on-year in February. Retail sales rose by 2.0 percent in the euro area and by 3.2 percent in the United States in January.

Manufacturing Purchasing Managers' Indices (PMI) rose in February. In the euro area, the PMI rose to 50.8 points, thus being above the growth threshold. By contrast, the Economic Sentiment Indicator (ESI) for the euro area declined by 1.0 points in February (Chart 1). The PMI for the manufacturing industry in the United States declined but still continued to show expansion (51.6 points) in February.

The unemployment rate in the euro area was 6.2 percent in December, unchanged from November. In the United States, the unemployment rate fell from 4.4 percent in December to 4.3 percent in January. The number of non-farm payrolls increased by 130,000 in January, more than expected.

Chart 2: Developments in the international inflation environment



Note: HICP, CPI inflation rates in Hungary, China and the USA.

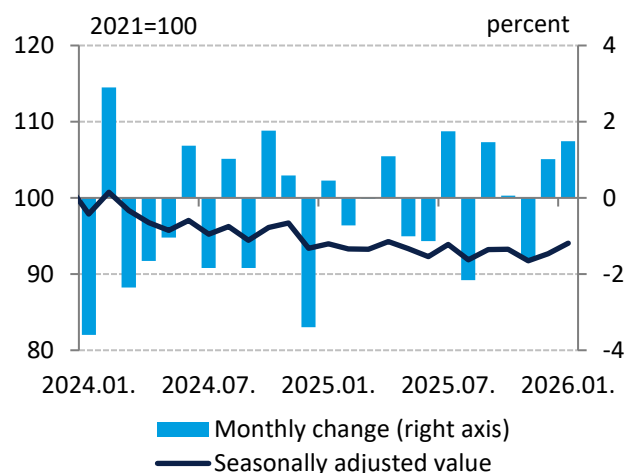
Source: Eurostat, HCSO, Trading Economics

In the euro area, inflation rose to 1.9 percent and core inflation to 2.4 percent in February. Inflation and core inflation were 0.2 percentage point above expectations. In the United States, price dynamics were 2.4 percent in February, in line with the expectations. Among the CEE region countries, inflation moderated in the Czech Republic, Slovakia and Romania, while it stagnated in Poland (Chart 2).

1.2. Real economic trends in Hungary

Gross domestic product grew by 0.8 percent in 2025 Q4 compared to the same period of the previous year. In January 2026, the volume of retail trade rose by 3.5 percent, while construction output fell by 11.4 percent and, industrial output by 2.5 percent. On average between November 2025 and January 2026, employment fell by 68,000 on an annual basis. The unemployment rate is 4.6 percent, which is low both historically and in an international comparison.

Chart 3: Developments in industrial production



Note: From January 2024, the seasonally adjusted value is based on the monthly average of 2021.

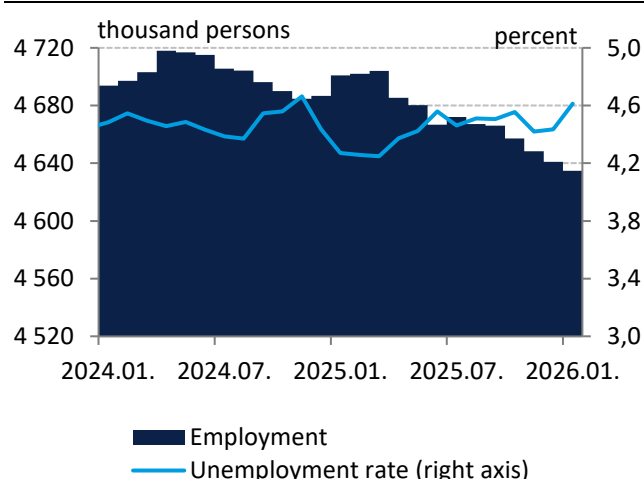
Source: MNB calculation based on HCSO data

1.2.1. Economic growth

Gross domestic product grew by 0.8 percent in 2025 Q4 compared to the same period of the previous year, according to unadjusted data, based on the detailed data disclosure of the HCSO. Adjusted for seasonal and calendar effects, GDP grew by 0.6 percent year-on-year and 0.2 percent quarter-on-quarter. Among the main economic sectors, services and construction increased GDP on an annual basis, while the industrial sector reduced it. Among consumption items, household consumption and changes in inventories supported annual growth, while net exports and investment held it back. Overall, the HCSO measured 0.4 percent growth for 2025 as a whole.

In January 2026, industrial production volume decreased by 2.5 percent on an annual basis but increased by 0.1 percent according to seasonally and working-day-adjusted data. Industrial output rose by 1.5 percent compared to the previous month (Chart 3). In the computer, electronic and optical product manufacturing and the production of electrical equipment sectors, double-digit growth was measured, while the volume of production in the manufacture of transport equipment decreased somewhat compared to the same month of the previous year.

Chart 4: Number of persons employed and the unemployment rate

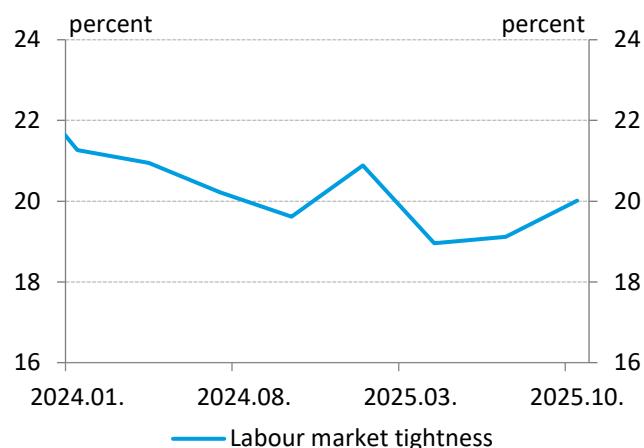


Note: Data based on the HCSO's 3-month moving average methodology. Seasonally and calendar adjusted data.

Source: HCSO, MNB

The volume of construction output decreased by 11.4 percent year-on-year in January 2026. The output of the construction of buildings decreased by 9.6 percent, while that of other construction fell by 14.5 percent. In a monthly comparison, construction output fell by 8.8 percent based on seasonally and calendar-adjusted data, partly due to adverse weather conditions. The volume of new contracts concluded was 6.0 percent lower than a year earlier. The volume of construction companies' contracts at the end of January was 18.8 percent higher than in January last year.

In January 2026, the external trade balance in goods was EUR 292 million, while the 12-month rolling balance showed a surplus of EUR 7.9 billion. Compared to the previous month, the balance of goods fell by EUR 126 million, while compared to the same period of the previous year, it deteriorated by EUR 476 million. In January, based on unadjusted data, the volume of goods exports decreased by 9.6 percent, while that of goods imports increased by 2.5 percent compared to the same period in the previous year. The decrease in goods exports on an annual basis is mainly

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

explained by the decrease in the exports of processed products, machinery and transport equipment.

The volume of retail trade rose by 3.5 percent year-on-year in January 2026, according to calendar-adjusted data. Retail trade excluding fuel sales increased by 3.1 percent. Compared to the previous month, trade increased by 0.5 percent according to seasonally and calendar-adjusted data.

1.2.2. Employment

Based on the data from the Labour Force Survey, **on average between November 2025 and January 2026, the number of persons employed aged 15–74 decreased by 68,000 compared to the same period of the previous year, representing a 1.5-percent decline on an annual basis.** The seasonally and calendar-adjusted level of employment was 6,000 lower than in the October – December period. The number of persons employed in the domestic primary labour market decreased by 81,000, and the number of persons working at a site abroad decreased by 2,000, while the number of participants of the public work programme increased by 11,000 compared to the same period of the previous year.

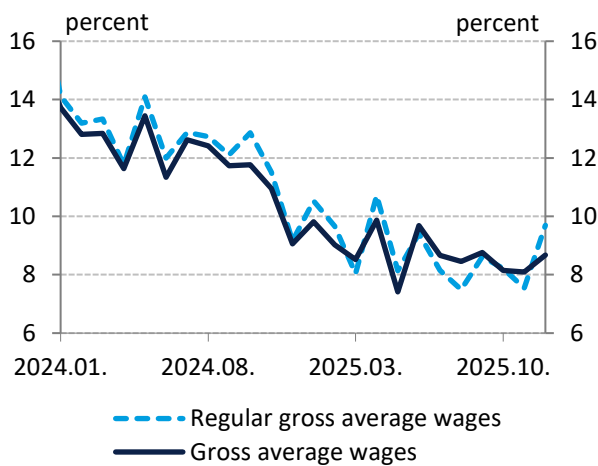
The average number of unemployed persons was 224,000, representing an increase of 11,000 on an annual basis. The seasonally and calendar-adjusted level of unemployment was 11,000 higher than in the October – December period. **The unemployment rate stood at 4.6 percent** (Chart 4). This rate is low, both historically and in an international comparison. According to data from the National Employment Service (NES), the number of registered jobseekers was 226,000 in February, which represents a decrease of 6,000 on an annual basis.

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 February 2026, consumer prices rose by 1.4 percent year-on-year. Compared to January, the annual rate of price increases slowed by 0.7 percentage point. Core inflation moderated by 0.6 percentage point compared to the previous month, falling to 2.1 percent. The actual inflation figure was lower than the December Inflation Report forecast. In December, gross average earnings rose by 8.5 percent in the national economy and by 8.7 percent in the private sector compared to the same period last year. Real earnings increased by 5.1 percent in the national economy and by 5.2 percent in the private sector on an annual basis.

Chart 6: Wage dynamics in the private sector



Source: HCSO

1.3.1. Wages

In December 2025, gross average earnings in the national economy rose by 8.5 percent compared to the same period of the previous year, including an 8.7 percent increase in the private sector and a 7.3-percent increase in the public sector (Chart 6). The annual growth in gross average earnings in the private sector was 8.8 percent in 2025, compared to the wage growth of 12 percent in 2024. In December, real earnings calculated on the basis of gross average earnings increased by 5.1 percent in the national economy and by 5.2 percent in the private sector on an annual basis.

Regular gross average earnings (excluding bonuses) increased by 9.4 percent in the national economy in annual terms. Within this, the increase was 9.7 percent in the private sector and 9.2 percent in the public sector. Regular gross average earnings in the private sector increased at a significantly higher rate than the usual December seasonality on a monthly basis. Bonus payments in December amounted to 16.6 percent of regular gross average earnings in the private sector, which is lower than in previous years.

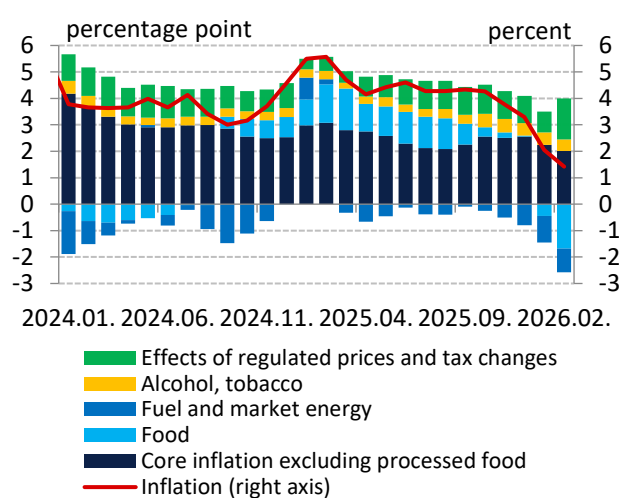
1.3.2. Inflation developments

In February 2026, consumer prices rose by 1.4 percent year-on-year (Chart 7). Compared to the 2.1 percent measured in January, the annual rate of price increase decreased by 0.7 percentage point. Core inflation fell by 0.6 percentage point to 2.1 percent. Core inflation, excluding indirect taxes, also fell to 2.1 percent. On a monthly basis, both the price of the total consumer basket and the core inflation basket rose by 0.1 percent.

The inflation figure was lower than the December Inflation Report forecast, which was explained by more favourable price developments for food and market services. The median of analysts' expectations was 1.7 percent, with expectations ranging from 1.5 to 2.1 percent.

Overall, the rate of repricing in February was below the 2017–2020 average for food and market services, while it was similar for industrial goods. The annual price index of market services reduced to 5.2 percent. The moderation was significantly supported by the exceptionally high repricing in February last year becoming the base. On a monthly basis,

Chart 7: Decomposition of inflation



Source: MNB calculation based on HCSO data

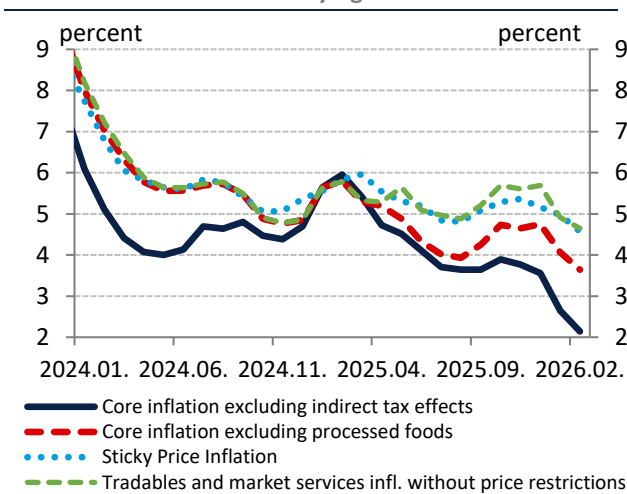
prices increased by 0.4 percent. The February repricing of this product group was mainly driven by increases in the prices of catering and healthcare services. Annual inflation for industrial goods decreased to 2.1 percent. On a monthly basis, prices decreased by 0.1 percent in this product group. Food inflation according to the MNB’s classification amounted to -4.2 percent. Within this product group, unprocessed food prices fell by 3.7 percent, while processed food prices fell by 4.4 percent year-on-year. Food prices decreased by 0.2 percent in a month-on-month comparison.

Fuel prices fell by 11.1 percent year-on-year. On a monthly basis, fuel prices rose by 0.6 percent. The annual inflation for regulated products and services fell to 4.4 percent on an annual basis, with the inflation of the price of piped gas falling to 10.8 percent. The effect on the prices of the January cold weather and the utility price cap measure applied as a response may only appear in the March price index due to the accounting methodology of the HCSO.

Household inflation expectations fell lower. The latest data from the MNB survey for 2026 Q1 was 7.2 percent, while the January data published by GKI was 18.4 percent. Corporate price expectations for retail sales prices and price expectations for services did not change significantly. Overall, price expectations in both sectors remained subdued in February.

Indicators capturing more persistent inflation trends, calculated on an annual basis, moderated. Inflation for sticky-price goods declined to 4.6 percent. Core inflation, calculated excluding processed food, declined to 3.6 percent (Chart 8).

Chart 8: Measures of underlying inflation

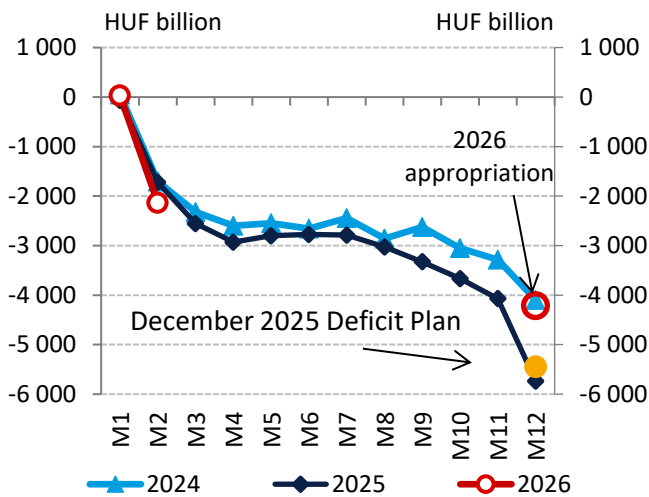


Source: MNB calculation based on HCSO data

1.4. Fiscal and external balance trends

The central sub-sector of general government registered a significant deficit of HUF 2,139 billion in February. The revenues of the central sub-sector increased by HUF 214 billion in February and its expenditures by HUF 698 billion compared to last February. The monthly current account balance amounted to a deficit of EUR 458 million in January 2026.

Chart 9: Cumulative cash balance of the central government budget from the beginning of the year



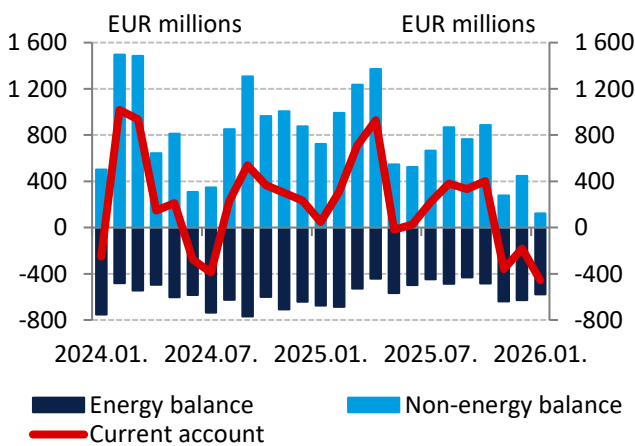
Source: 2026 Budget Act, Hungarian State Treasury, Government Debt Management Agency

1.4.1. Fiscal trends

The central sub-sector of general government registered a significant deficit of HUF 2,139 billion in February, which is HUF 484 billion higher than the deficit a year earlier (Chart 9). The cumulative deficit from the beginning of the year increased to HUF 2,107 billion, which is almost 50 percent of the 2026 appropriation and 39 percent of the planned December 2025 deficit. The factors that contributed to the February deficit included an increase in pension expenditure, government wage related measures and housing support expenditures, which were partly offset by this year's lower rate of interest expense.

The central sub-sector revenues increased by HUF 214 billion on an annual basis in February, of which HUF 157 billion was due to an 8 percent increase in tax and contribution revenues. Payments by economic operators increased by 3 percent (HUF 7 billion), while taxes and contributions on wages increased by approximately 16 percent (HUF 173 billion) year-on-year. Revenue from value added tax amounted to HUF 297 billion in February, 7 percent (HUF 22 billion) lower 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 second month of the year were HUF 698 billion higher than in February last year. The increase is mainly explained by the increase in government wage measures and housing support expenditures as well as pension expenditures, which were partly offset by the decrease in interest expenses.

1.4.2. External balance developments

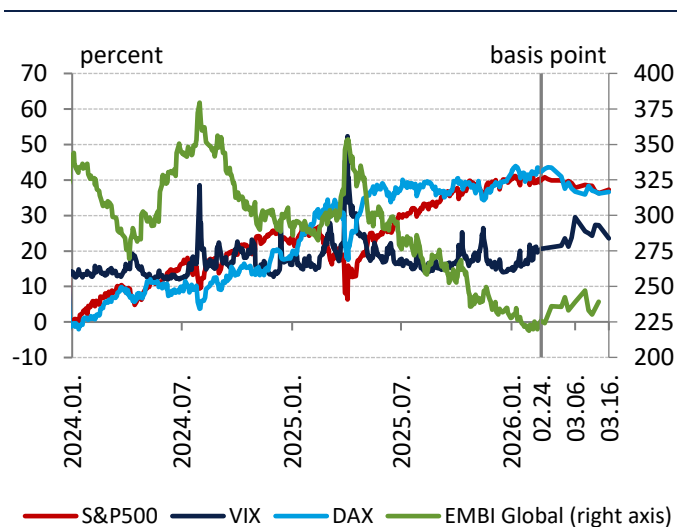
In January 2026, the current account deficit was EUR 458 million (Chart 10). Net external borrowing amounted to EUR 145 million. The current account balance in January was EUR 506 million lower than last year, mainly due to a higher balance of goods deficit. The service balance and the transfer balance developed more favourably than in January last year, while the income balance deficit increased. Based on the financial account data, net FDI increased in January, parallel to an increase in net foreign debt.

2. Financial markets

2.1. International financial markets

In the period following the previous interest rate decision, spillover effects of the Iranian war, mainly affecting the commodity markets and inflation expectations, were reflected in the sentiment on the international money and capital markets. In a risk-averse mood, the US dollar strengthened, stock market indices fell, and long-term yields shifted upwards. Oil and gas prices rose significantly.

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.

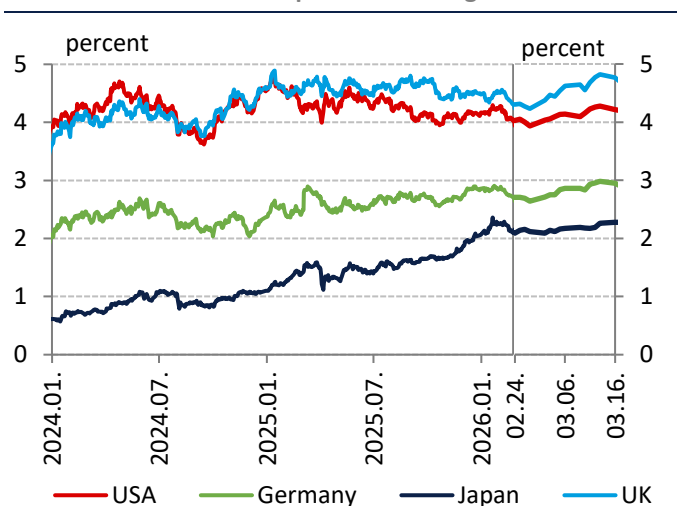
Source: Bloomberg

In the period following the previous interest rate decision, the spillover effects of the Iranian war, mainly affecting the commodity markets and inflation expectations, were reflected in the sentiment on the international money and capital markets. The VIX risk indicator rose above 24 percent during the period, while the EMBI Global Index, which tracks emerging markets, also rose (Chart 11).

The leading stock market indices fell over the period. In response to the increasing risks, a withdraw of capital was seen from the stock markets, which affected the Asian and European markets the most.

Long-term yields in developed markets generally increased (Chart 12). The US 10-year yield increased by 20 basis points to above 4.2 percent. The German long-term yield increased by a similar rate, while the Japanese long-term yield increased by 16 basis points. Long-term yields in emerging markets also typically rose: the Turkish 10-year yields showed a major increase, while Brazilian yields rose to a lesser extent. In the CEE region, yields increased by 50–100 basis points.

Chart 12: Yields on developed market long-term bonds



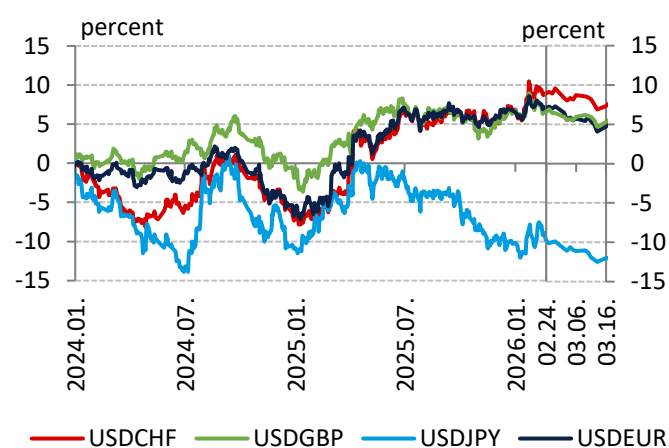
Source: Bloomberg

The US dollar generally strengthened against other major currencies in the period following the previous interest rate decision (Chart 13). In the risk-averse sentiment after the outbreak of the war with Iran, the US dollar strengthened against the euro by 2.4 percent. The dollar also appreciated against the Japanese yen and Swiss franc, which are considered classic safe-haven currencies, in the period following the previous interest rate decision.

The Bloomberg commodity price index, which covers the entire commodity market, increased during the period (Chart 14). The price of gold and silver declined overall over the period, despite a temporary rise after the outbreak of the war with Iran.

The price per barrel of North Sea Brent crude oil and of the US benchmark WTI rose by a total of 47–48 percent in the period following the previous interest rate decision, with Brent standing at USD 104/barrel and WTI at USD 97/barrel. The price of crude oil was driven by

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



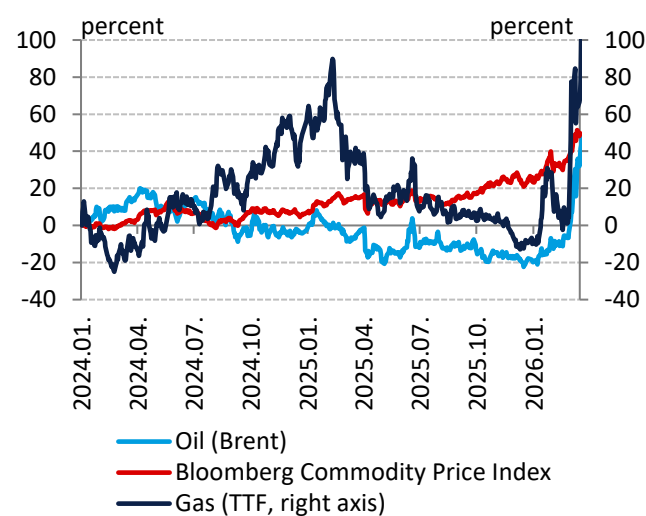
Note: Positive values indicate the strengthening of the variable (second) currency.

Source: Bloomberg

supply insecurity due to the war with Iran and the closure of the Strait of Hormuz.

European gas prices rose by nearly 70 percent. The Dutch TTF exchange price increased from around EUR 31/MWh in the period following the previous interest rate decision to around EUR 52/MWh by the end of the period. In addition to the Middle East conflict, lower than usual gas storage filling levels also contributed to the increase in gas prices. Further, the filling period of gas reservoirs will start in the near future, at higher expenses, due to the higher price levels.

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



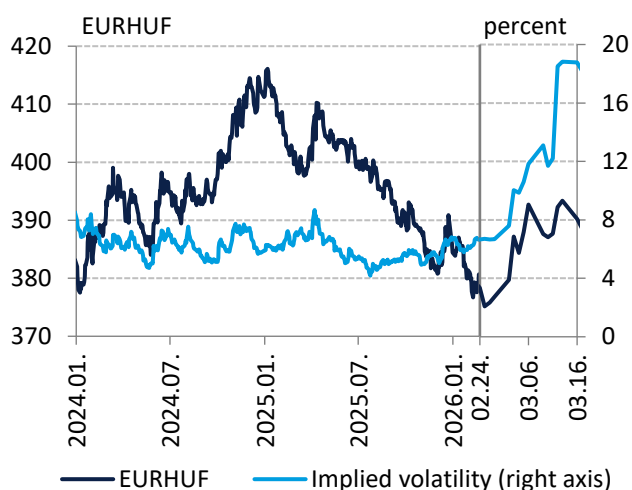
Note: The Bloomberg Composite Price Index includes energy, metals, agricultural products and live animals. The indicators are normalized to the beginning of January 2024.

Source: Bloomberg

2.2. Developments in domestic money market indicators

In the period following the previous interest rate decision, the forint fluctuated and weakened by approximately 3 percent against the euro. The yield curve on the government securities debt market shifted upwards. GDMA bond auctions showed an acceptable level of demand. The 3-month BUBOR increased by 5 basis points and currently stands at 6.3 percent.

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



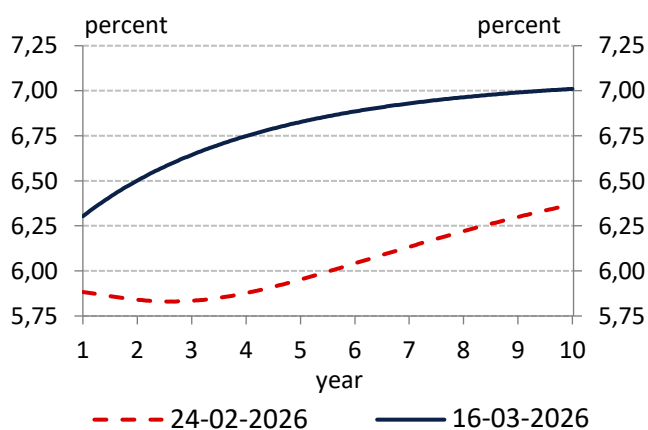
Source: Bloomberg

In the period following the previous interest rate decision, the exchange rate of the forint against the euro was volatile and weakened overall (Chart 15). In the week following the interest rate decision, the forint's exchange rate strengthened, then after the outbreak of the Iranian war weakened more than that of other CEE region currencies. At the same time, the positive news about the resolution of the conflict strengthened the forint more than other CEE currencies. In a 1-month comparison, the forint weakened by 3.1 percent against the euro, while the Polish zloty and the Czech koruna depreciated around 1 percent. The implied volatility of the forint also increased significantly during the period.

The 3-month BUBOR, which is relevant for monetary transmission, rose by 5 basis points to 6.3 percent in the period following the previous interest rate decision.

Yields on the government securities market increased, and the yield curve shifted upwards at all maturities (Chart 16).

Chart 16: Shifts in the spot government yield curve



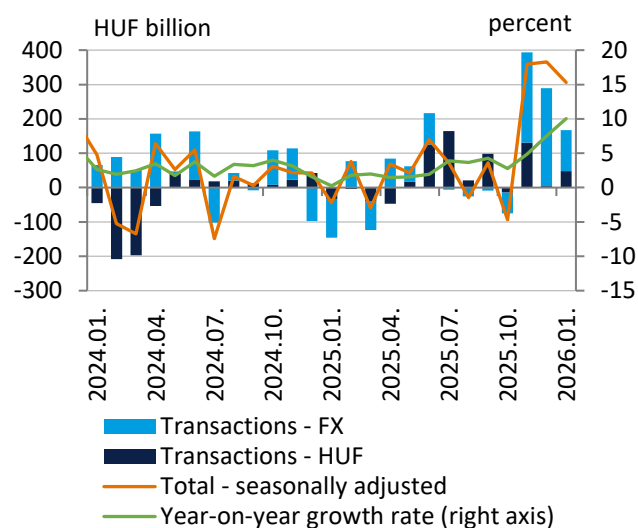
Source: Bloomberg

In the examined period, GDMA bond auctions showed an acceptable demand. The volume of bids submitted for Discount Treasury Bill auctions and government bond auctions typically exceeded the amount offered in advance, at the same time, the GDMA announced reduced volumes at the auctions last week; therefore, overall, the Discount Treasury Bill and bond issuance of the examined period fell short of the plan. In the case of the GDMA bond auctions, the previously announced quantity was accepted by the GDMA.

3. Trends in lending

The corporate loan portfolio grew by HUF 168 billion in January 2026, which means that its annual growth rate accelerated significantly compared to December and stood at 10 percent. Household loans outstanding increased by HUF 169 billion in January as a result of transactions. This means that the annual growth rate of this portfolio accelerated compared to the previous month, reaching 16 percent.

Chart 17: Net borrowing by non-financial corporations

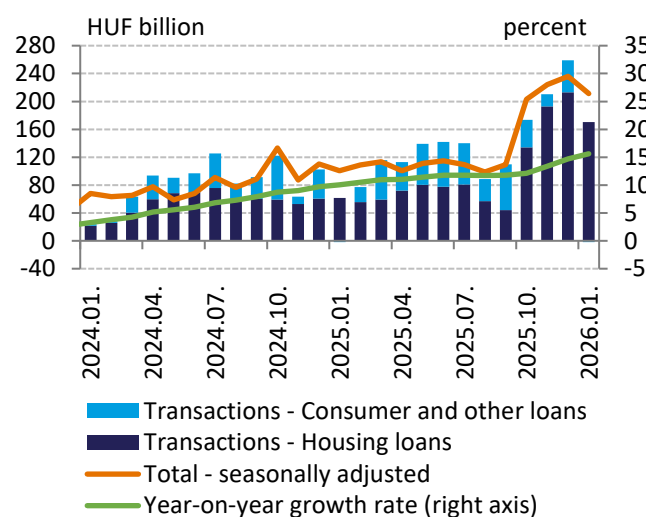


Source: MNB

The corporate loan portfolio grew by HUF 168 billion in January 2026. Within this, forint loans increased by HUF 48 billion and foreign currency loans by HUF 120 billion. **The annual growth rate of the corporate loan portfolio** further accelerated compared to December and **stood at 10.0 percent** (Chart 17). Credit institutions concluded new non-overdraft loan contracts worth HUF 278 billion during the month, which was HUF 80 billion more than in the same period of the previous year, and the increase was mainly due to large individual transactions. Within the monthly disbursement, SME loans had a 70-percent share, with a 119-percent increase in contract size year-on-year.

Household loans outstanding increased by HUF 169 billion in January as a result of transactions. Within this, the portfolio of forint-denominated housing loans grew by HUF 170 billion, while the portfolio of consumer and other loans decreased by nearly HUF 2 billion. **This means that the annual growth rate of this portfolio** accelerated compared to December, **reaching 15.6 percent** (Chart 18). The volume of new household loan contracts amounted to HUF 376 billion, which was 55 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 5,278 contracts worth HUF 183 billion were concluded in January. Interest-subsidised housing loans accounted for 81 percent of new monthly housing loan disbursements during the month.

Chart 18: Net borrowing by households



Source: MNB

The smoothed interest rate spread on corporate forint loans rose by 7 basis points compared to the previous month, reaching 1.95 percentage points in January. In the case of housing loans, the spread on fixed-interest-rate products with a maturity of over five years increased moderately, standing at 6 basis points at the end of the examined period.