



## **MINUTES OF THE MONETARY COUNCIL MEETING 26 AUGUST 2025**

Time of publication: 2 p.m. on 10 September 2025

*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 interest rates. Abridged minutes of the Council's rate-setting meetings are released regularly, before the next policy meeting takes place. The minutes present the decision makers' assessment of current economic conditions and the factors they consider when deciding on the base rate. Until December 2013, the Monetary Council presented the information underlying its assessments as part of the abridged minutes. In order to provide more detailed information, background materials will henceforth appear as a separate publication with enhanced content under the title 'Macroeconomic and financial market developments', at the same time as the abridged minutes.*

The minutes are available on the MNB's website at:

<http://www.mnb.hu/en/monetary-policy/the-monetary-council/minutes>

## THE COUNCIL'S ASSESSMENT AND INTEREST RATE DECISION

The primary objective of the Magyar Nemzeti Bank (MNB) is to achieve and maintain price stability. Without prejudice to its primary objective, the Magyar Nemzeti Bank preserves financial stability and supports the Government's economic policy, as well as its policy on environmental sustainability.

Following the review of macroeconomic and financial market developments, the Monetary Council discussed the details of the monetary policy decision proposal. Several Council members pointed out that despite the easing observed in the past month, ongoing trade and geopolitical tensions continued to cause an uncertain global economic environment. Regarding the global inflation outlook, Council members emphasised that inflation remained above central bank targets in several countries. Certain Council members pointed out that Hungary's most important foreign trade partner, Germany's – even in an EU comparison – moderate economic performance played a decisive role in the domestic growth outlook. Several decision makers noted that financial markets continued to react sensitively to trade and geopolitical developments.

When assessing domestic inflation data, several Council members pointed out that July data had been consistent with the projection in the June Inflation Report and remained above the tolerance band. Core inflation had fallen to 4 percent, however, underlying inflation remained strong. In connection with this, several Council members remarked that the mandatory and voluntary price restriction measures had reduced inflation by 1.5 percentage points overall in July, just as they had in June. Several Council members stressed that in the case of the range of products falling outside of the scope of these measures, strong repricings could still be observed. They stressed that when it came to inflation developments, the key question was how companies adjusted their pricing behaviour going forward. The decision makers considered it a positive development that the annual inflation of tradables had decreased; at the same time, however, they stressed that the price dynamics of market services had remained high. The MNB would comprehensively evaluate the effects of data and information incoming since June that could potentially affect the inflation path in its September forecast.

Regarding the outlook for inflation, the Council members agreed that upward risks persisted, and therefore tight monetary conditions must have been ensured to reach the inflation target in a sustainable manner. Household inflation expectations – identified as a key risk factor in the June

Inflation Report – remained significantly higher than the level being consistent with price stability. The anchoring of expectations was key to reaching price stability.

When assessing real economic developments, it was noted at the meeting that the Hungarian economy had remained subdued in 2025 Q2. Certain Council members remarked that the decline in investment was prolonged, while the export of tradables was generally constrained by the uncertain global environment. At the same time, the consumer confidence index improved slightly over the past period. Several decision makers pointed out that the current account balance had shown a slight deficit in June, just as it had in May; meanwhile, others highlighted that in a regional comparison, the balance remained at a favourable level. The Council was unanimous in its view that special attention had to be paid to the development of the external balance and that the findings of the June forecast were to be reviewed in the September Inflation Report. Several members called attention to the necessity of the continuous monitoring of the budgetary effects of the announced government measures.

In the Council members' view, the Bank can still make the most effective contribution to the easing of economic agents' increased precaution and to sustainable economic growth by achieving price stability and maintaining financial market stability. Certain Council members highlighted that short-term yields were in line with the interest rates determined by the Monetary Council. The decision makers called attention to the fact that the stability of the foreign exchange market is of particular importance for achieving the inflation target and maintaining financial market stability.

The Council was unanimous in its view that maintaining a tight monetary policy stance remained necessary. In the context of the August decision, the Monetary Council discussed one option for decision, i.e. leaving the base rate unchanged. In line with its stability-oriented approach, the Council decided unanimously to leave the base rate unchanged at its August meeting.

In the decision makers' assessment, changing the forward guidance was not warranted. The Council agreed that in a dynamically changing environment, a careful and patient approach to monetary policy remained necessary. In the Council members' assessment, maintaining tight monetary conditions was warranted.

**Votes cast by individual members of the Council:**

<b>In favour of maintaining the base rate at 6.50 percent, maintaining the overnight collateralised lending rate at 7.50 percent and maintaining the interest rate on the overnight central bank deposit at 5.50 percent:</b>	10	Éva Búza, József Dancsó, Péter Gottfried, Csaba Kandrács, Kolos Kardkovács, Zoltán Kovács, Zoltán Kurali, Andrea Mager, Mihály Varga, Barnabás Virág
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**The following members of the Council were present at the meeting:**

Éva Búza

József Dancsó

Péter Gottfried

Csaba Kandrács

Kolos Kardkovács

Zoltán Kovács

Zoltán Kurali

Andrea Mager

Mihály Varga

Barnabás Virág

**The Council will hold its next policy meeting on 23 September 2025. The minutes of that meeting will be published at 2 p.m. on 8 October 2025.**