MINUTES
OF THE MONETARY COUNCIL MEETING
22 JULY 2025

Time of publication: 2 p.m. on 13 August 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. In the Council members’ assessment, the global economic environment continued to be uncertain. Several Council members pointed out that it was necessary to follow the developments regarding the tariffs between the United States and the European Union from the perspective of both the global and the domestic outlook. Regarding the global inflation outlook, some Council members highlighted the upward risks. Certain Council members pointed out that downside risks to growth could be identified in certain regions of the global economy, while the positive impact and timing of the economic stimulus programmes announced in the European Union and the United States was uncertain.

Several decision makers noted that the external interest rate environment was still surrounded by uncertainty. Based on market pricing, two 25-basis-point rate cuts were expected from the Federal Reserve and a single one from the European Central Bank until the end of the year. Among the regional central banks, the Polish central bank had reduced its interest rate by 25 basis points while the Czech and Romanian central banks had left their interest rates unchanged over the past month.

When assessing domestic inflation data, several Council members pointed out that incoming data had been consistent with the projection in the June Inflation Report. Certain Council members called attention to the fact that inflation remained outside of the tolerance band. It was noted by several members that in June, the mandatory and voluntary price restriction measures had reduced inflation by 1.5 percentage points overall. 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. Underlying inflation remained strong in the economy.

Regarding the outlook for inflation, several Council members noted that the previously identified upward risks still persisted. The Council members agreed that given such risks, the inflation target could be reached by ensuring tight monetary conditions. Certain Council members called attention to the fact that household inflation expectations – identified as a key risk factor in the June Inflation Report – remained at a level significantly higher than what would be 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 high frequency data indicated subdued performance for Q2 as well. Certain Council members remarked that labour market tightness had eased significantly compared to previous levels. In parallel, the pace of wage increases had continued to slow in May. However, the growth of real wages was still significant. Several decision makers highlighted that following the surpluses of the previous months, the current account balance had recorded a slight deficit in May, in large part due to one-off items. Some members pointed out that the projections of the June Inflation Report had forecasted a temporary decrease in the balance. The Council agreed that to assess the persistence of the effects that resulted the decrease in the balance, the developments in external balance had to be monitored with special attention. Decision makers agreed that the Bank could still make the greatest contribution to the easing of the precaution and to sustainable economic growth by maintaining price stability and financial market stability.

Several Council members pointed out that the domestic financial markets that are important in terms of monetary transmission had remained stable even in an uncertain external environment. Certain Council members highlighted that short-term interest rates developed consistently with the level of interest rates determined by the Monetary Council. Several members emphasized that the end-of-quarter use by banks of the MNB's swap tenders – which provide daily foreign exchange liquidity – had contributed to maintaining financial market stability. Decision makers highlighted that the stability of the foreign exchange market was 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 July 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 July meeting.

In line with the gradual decline of the banking system’s excess liquidity achieved in 2025 H1, based on the Monetary Council’s decision, the required reserve ratio would decrease from 10 percent to 8 percent effective from 1 August. The non-interest bearing part of required reserves would remain at 2.5 percent of the reserve base. This technical step did not imply any change in the continued tight stance of monetary policy.

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:

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:	9	Éva Búza, József Dancsó, Péter Gottfried, Csaba Kandrács, Zoltán Kovács, Zoltán Kurali, Andrea Mager, Mihály Varga, Barnabás Virág

The following members of the Council were present at the meeting:

Éva Búza

József Dancsó

Péter Gottfried

Csaba Kandrács

Zoltán Kovács

Zoltán Kurali

Andrea Mager

Mihály Varga

Barnabás Virág

The Council will hold its next policy meeting on 26 August 2025. The minutes of that meeting will be published at 2 p.m. on 10 September 2025.