



**MINUTES
OF THE MONETARY COUNCIL MEETING
24 JUNE 2025**

Time of publication: 2 p.m. on 9 July 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 as well as the projection of the June Inflation Report, the Monetary Council discussed the details of the monetary policy decision proposal. In the Council members' assessment, the global economic environment had continued to be uncertain due to prolonged geopolitical conflicts and tariff announcements. The Council pointed out that global investor sentiment had been volatile during the period. Some decision makers highlighted that the volatility of financial markets had risen temporarily as a result of the escalation of the war conflict in the Middle East. However, this had been typically followed by rapid market corrections. Some Council members pointed out that the dollar had weakened significantly in the recent period, in addition to the general loss of confidence towards dollar assets.

Regarding the global outlook for inflation, some decision makers pointed out that elevated global food prices had posed an upside risk. Certain Council members called attention to that the volatility of oil prices had increased significantly as a result of the conflict between Israel and Iran.

Several decision makers noted that the external interest rate environment was still surrounded by uncertainty. The Federal Reserve had left the target range for the federal funds rate unchanged in June. The European Central Bank had continued to lower interest rates; however, according to communications, the current monetary policy cycle was nearing its end. Among the regional central banks, the Polish central bank had held an interest rate decision meeting in June and had left its key rate unchanged.

When assessing domestic inflation data, some Council members pointed out that although the rate of price increases had decelerated in the recent months in comparison to the level observed in February, mandatory and voluntary price restriction measures had contributed significantly to it. The underlying inflation had remained strong in the economy.

Regarding the outlook for inflation, it was stated at the meeting that according to the June Inflation Report's projection, the expected rate of price increases for the current year had not changed significantly; however, next year's inflation path had shifted upwards compared to March

expectations. In the short-term, the price restriction measures had a strong diminishing effect on inflation, while strong repricings could be still observed in the pricing behaviors of companies. The gradual acceleration of the price dynamics of tradables from the end of 2024 onwards had appeared prominently in the assessment of certain decision makers, while excluding one-off factors, price increases had been strong in the case of market services as well. The Council members emphasised that a disciplined monetary policy was indispensable for underlying inflation to decline to a level consistent with price stability.

The decision makers emphasized that for the rest of the year, inflation was expected to stay above the central bank tolerance band. The rate of price increases was expected to reach the 3 percent inflation target in early 2027, later than expected in March. Certain Council members pointed out that inflation expectations had declined but remained at a level significantly higher than what would be consistent with price stability. The anchoring of expectations was key to achieving price stability.

In the Council members' assessment, real economic developments in the first half of the year in Hungary were characterised by duality: beside the strong growth in household consumption, investments had showed a prolonged decline in the uncertain economic environment. Decision makers highlighted that the June Inflation Report's growth projection had shifted downwards compared to the March forecast. Some Council members noted that wage dynamics were expected to remain strong despite the declining demand for new labour in the private sector. The duality of real economic performance was also reflected in the domestic credit market: household lending was strong, while corporate credit dynamics were subdued despite the banking system's abundant lending capacity. 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.

The decision makers agreed that maintaining financial market stability remained key to achieving price stability. Several Council members pointed out that domestic financial markets had remained relatively stable even in a temporarily more volatile global financial market environment due to the conflict in the Middle East. In relation to this, several 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.

According to the Monetary Council's risk assessment, the baseline scenario in the June projection was surrounded by mostly upside risks to inflation and downside risks to growth. The alternative scenarios highlighted by the Council assume escalating geopolitical tensions, a slower decline in inflation expectations, as well as a faster easing of labour market tightness. Moreover, certain decision makers noted that given the domestic outlook, it was necessary to follow closely the developments related to the US tariffs on the European Union, which were previously suspended for 90 days, as well as the counter tariffs in response.

The general view among Council members was that maintaining a tight monetary policy stance remained necessary. Several decision makers pointed out the importance of ensuring a positive real interest rate in order to achieve the inflation target and to maintain financial market stability. In the context of the June 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 June meeting.

In the decision makers' assessment, changing the forward guidance had been 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:	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 22 July 2025. The minutes of that meeting will be published at 2 p.m. on 13 August 2025.