MINUTES
OF THE MONETARY COUNCIL MEETING
25 AUGUST 2026

Time of publication: 2 p.m. on 9 September 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 interest rates. Abridged minutes of the Council's rate-setting meetings are released regularly, before the next policy meeting takes place. From May 2026 onwards, the minutes of the Monetary Council meetings are divided into two parts. The first part presents the Monetary Council's assessments and the considerations behind their decision. The second part contains several pieces of background information related to the macroeconomy and financial markets in the form of charts; these served as the basis for the decision makers' assessment.

The minutes are available on the MNB's website at:
https://www.mnb.hu/en/monetary-policy/the-monetary-council/minutes/2026

1. 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 MNB 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 interest rate decision proposal. The decision makers agreed that geopolitical developments in the Middle East, as well as international trade tensions continue to create an uncertain global economic environment. It was said that in recent months, the inflation in the euro area had been significantly above the central bank's target. Several Council members called attention to the fact that global oil and European gas prices were high and volatile, which represented an inflation risk on a global scale. Certain decision makers highlighted that on the part of the world's leading central banks, a slightly rising interest rate path was likely.

Several Council members remarked that the receipt of EU funds and the general decline in yields observed in recent months may improve Hungary's outlook for economic activity. However, they also indicated that there still were downside risks to growth.

Regarding inflation developments, the Council determined that they were below the baseline scenario projected in June. It was said that since the start of the year, the rate of price increases had been continuously either close to or below the lower bound of the tolerance band, while core inflation declined to below 2 percent. Certain members highlighted that the price dynamics of market services would need to be monitored in the future as well, following the repricings that occurred in the banking and telecommunication sectors in July. Several Council members pointed out that households' inflation expectations were lower than at the beginning of the year, while companies' price expectations were moderate.

Certain Council members called attention to the fact that even though the inflation data were moderate in both a historical and EU comparison, the medium-term inflation outlook was decisive for monetary policy. Regarding this, several decision makers highlighted that the effects of the developments that had occurred since June – such as the drought in Hungary and the developments affecting the energy market, among others – would be comprehensively assessed in the central bank's September forecast. Certain Council members pointed out that the result of the ongoing review of the inflation target would affect the framework of future monetary policy decisions.

The Council determined that the risk premium on domestic assets was still stable. The decision makers highlighted that the foreign exchange rate had remained in the stronger range, just as it had in recent months, and continued to have a disinflationary effect. However, they also stressed that the volatility of the forint exchange rate being higher than that of the region still warranted special attention. The decision makers agreed that looking ahead, Hungary's risk assessment would be primarily influenced by expectations regarding the fiscal path and the adoption of the euro, as well as the external market environment.

The Council determined that moderate inflation developments and the stable risk premium on domestic assets had preserved the Monetary Council's room to manoeuvre despite external risks. In the decision makers' view, these factors had made the third interest rate cut of the series of measures announced in June feasible.

In the context of the August decision, the Monetary Council discussed one option for decision, i.e. reducing the base rate by 25 basis points to 5.50 percent, which all Council members were in favour of.

Several decision makers highlighted that in addition to ensuring a positive real interest rate, which was high in a regional comparison, maintaining the stability of financial markets, especially that of the foreign exchange market, supported the anchoring of inflation expectations, thereby contributing to the achievement of the target of price stability. The members of the Monetary Council were constantly assessing the inflation outlook, global developments, and Hungary's risk premium. The decision makers agreed that the decision would be made on the future path of the base rate based on the September Inflation Report.

Votes cast by individual members of the Council:

In favour of reducing the base rate to 5.50 percent, reducing the overnight collateralised lending rate to 6.50 percent and reducing the interest rate on the overnight central bank deposit to 4.50 percent:	11	Péter Benő Banai, Éva Búza, József Dancsó, Péter Gottfried, Kolos Kardkovács, Zoltán Kovács, Zoltán Kurali, Andrea Mager, Dániel Palotai, Levente Sipos-Tompa, Mihály Varga

<u>The following members of the Council were present at the meeting:</u>

Péter Benő Banai

Éva Búza

József Dancsó

Péter Gottfried

Kolos Kardkovács

Zoltán Kovács

Zoltán Kurali

Andrea Mager

Dániel Palotai

Levente Sipos-Tompa

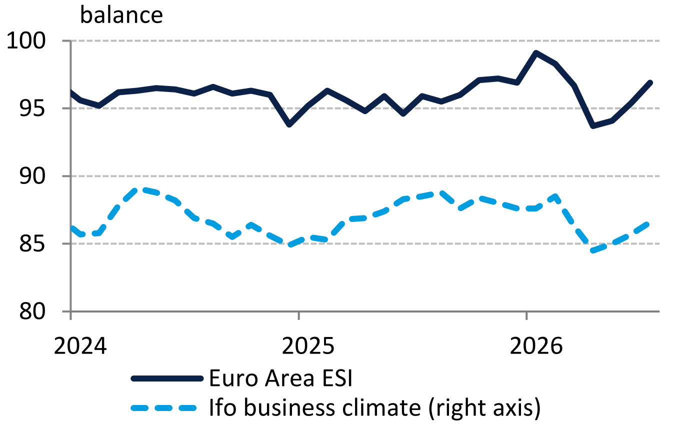
Mihály Varga

The Monetary Council will hold its next policy meeting on 22 September 2026. The minutes of that meeting will be published at 2 p.m. on 7 October 2026.

2. MACROECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

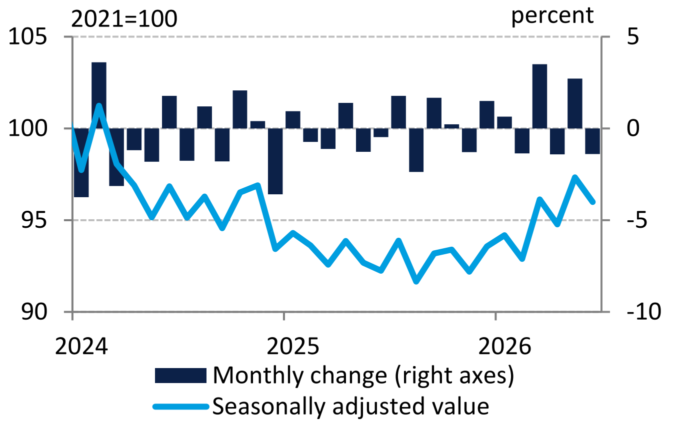
Macroeconomic developments

Chart 1: Business climate in Hungary's export markets



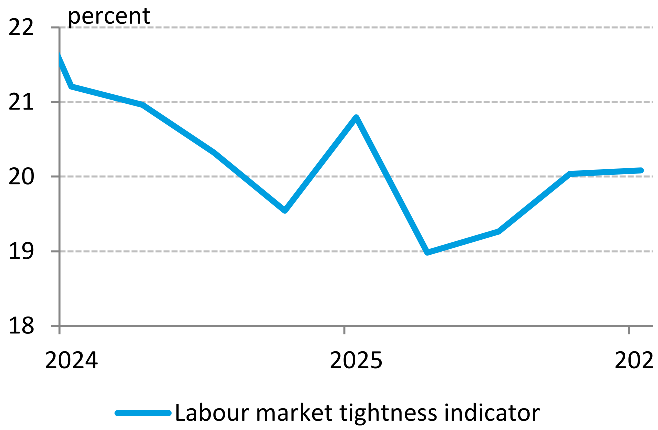
Source: European Commission, Ifo

Chart 2: Domestic industrial production



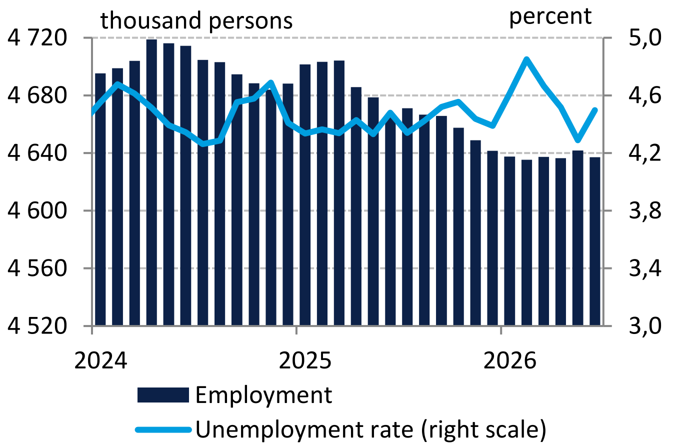
Source: HCSO

Chart 3: Labour market tightness



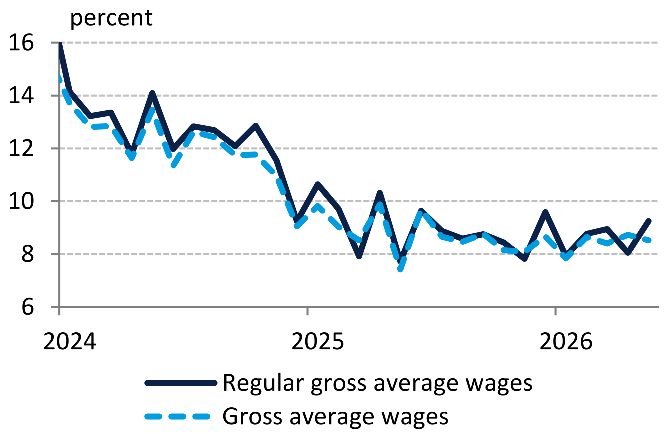
Note: The number of vacancies in the private sector as a percentage of the unemployed. Seasonally adjusted quarterly data. Source: HCSO, MNB calculation

Chart 4: Employment and the unemployment rate



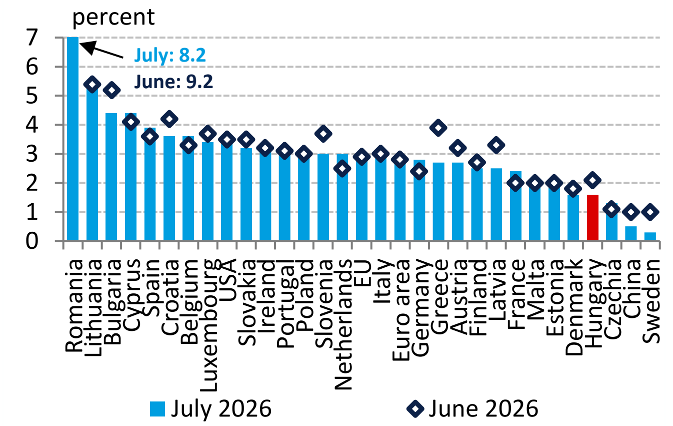
Note: Data based on the HCSO's 3-month moving average methodology. In the case of employment, seasonally and calendar adjusted data. Source: HCSO, MNB

Chart 5: Wage dynamics in the private sector



Source: HCSO

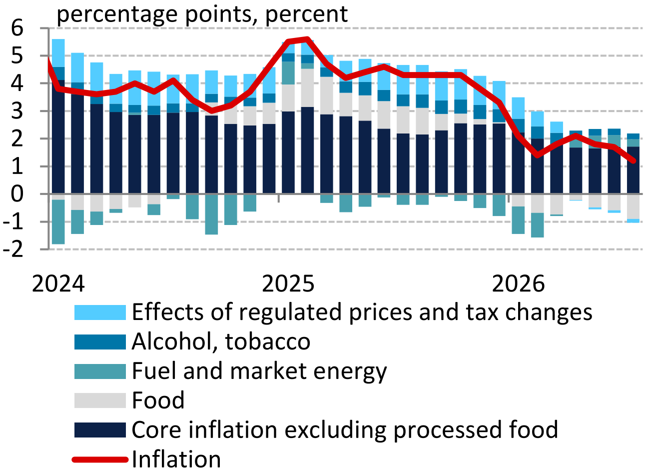
Chart 6: International inflation environment



Note: HICP data for EU member states, CPI data for the US and China.

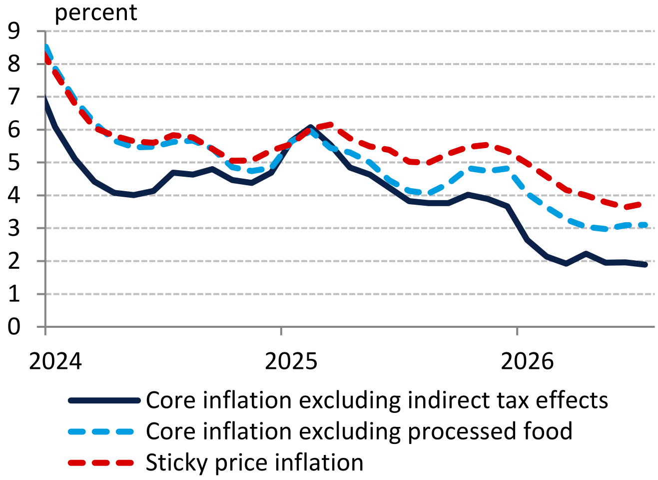
Source: Eurostat, Trading Economics, HCSO

Chart 7: Decomposition of inflation



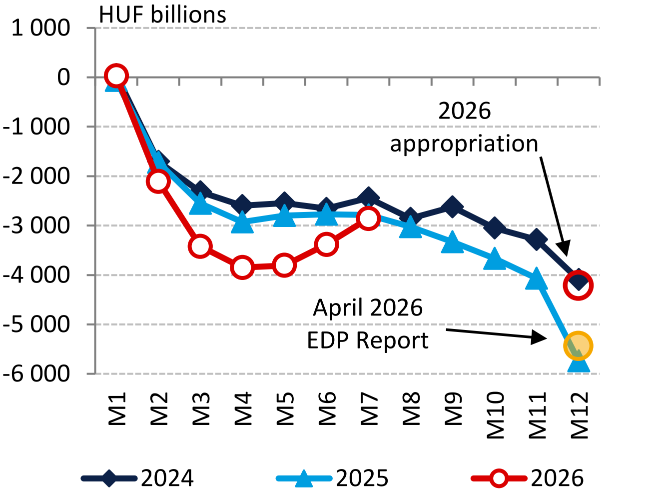
Source: MNB calculation based on HCSO data

Chart 8: Measures of underlying inflation



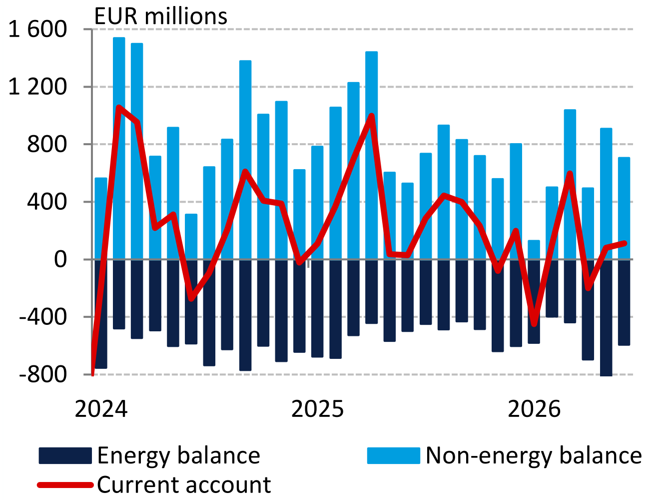
Source: MNB calculation based on HCSO data

Chart 9: Year-to-date cumulative cash balance



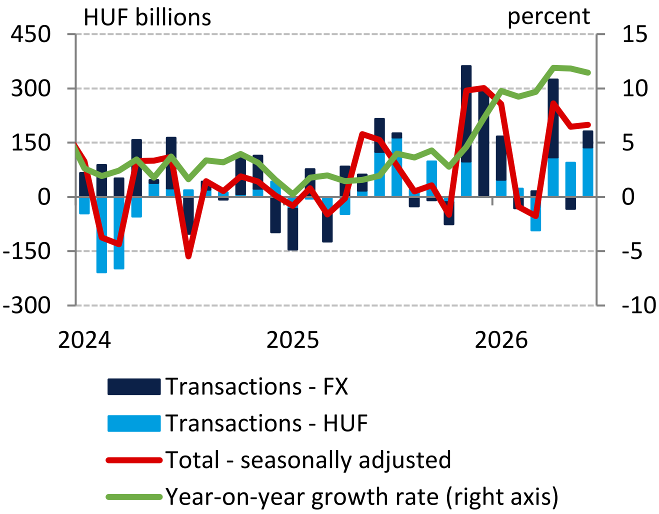
Source: 2026 Budget Act, Hungarian State Treasury, April 2026 EDP Report

Chart 10: Current account and energy balance



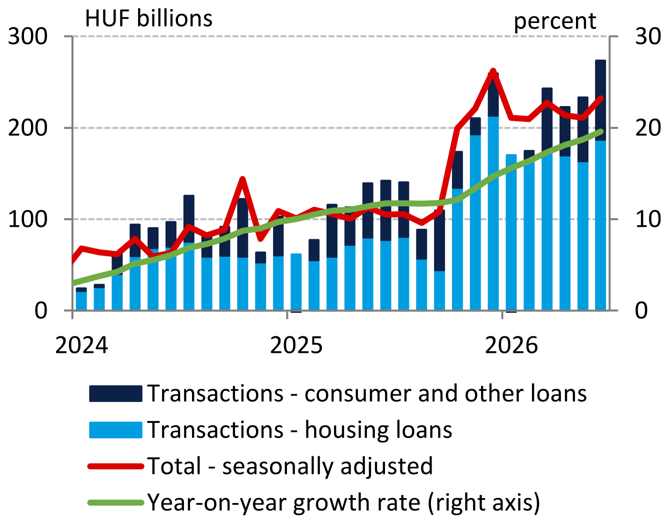
Source: MNB, HCSO

Chart 11: Net borrowing by non-financial corporations



Source: MNB

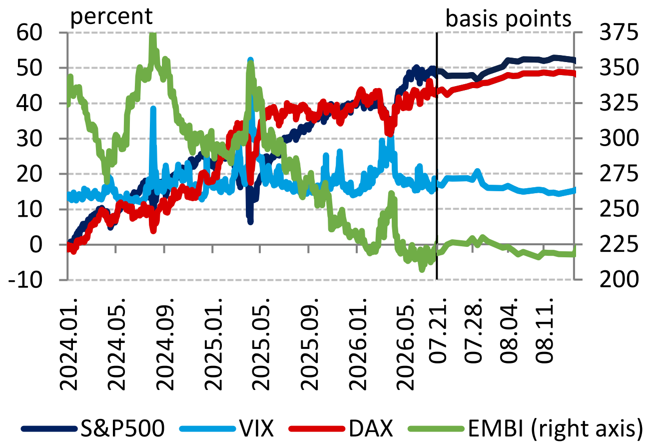
Chart 12: Net borrowing by households



Source: MNB

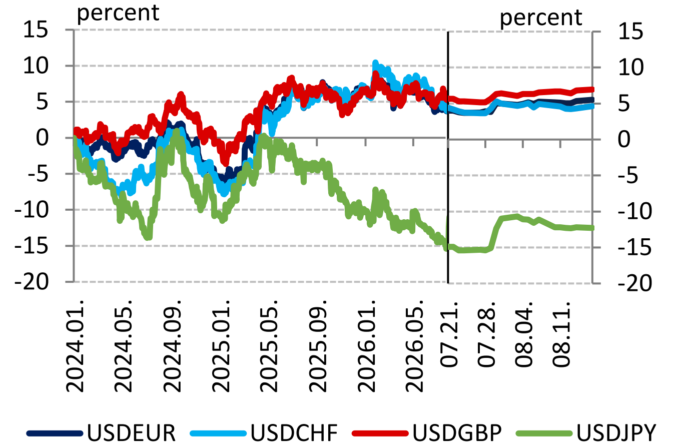
Financial market developments

Chart 13: Stock indices and risk indicators



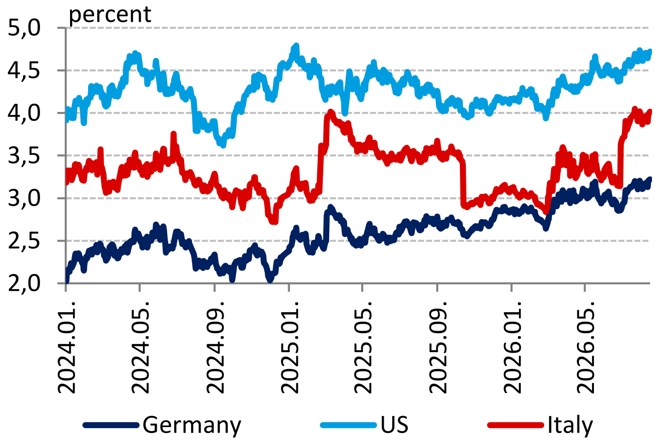
Note: Stock indices (S&P500 and DAX) normalised to the beginning of 2024. Source: Bloomberg

Chart 14: Developed market foreign exchange rates



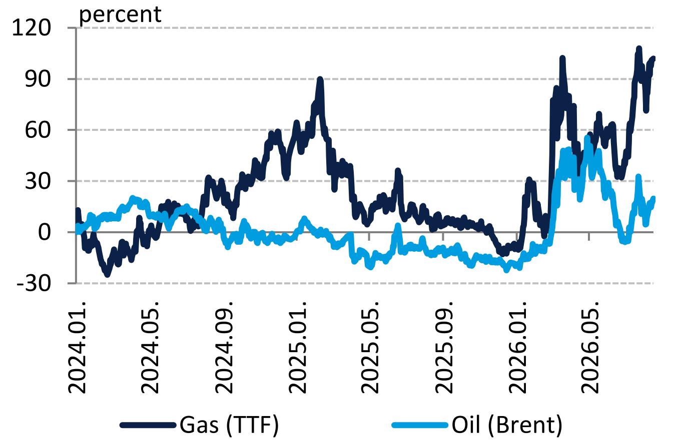
Note: Positive values indicate the appreciation of the variable (second) currency. Source: Bloomberg

Chart 15: 10-year zero-coupon government bond yields



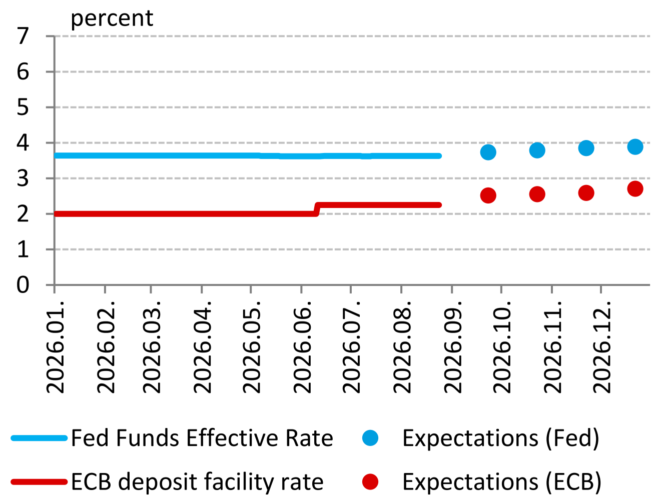
Source: Bloomberg

Chart 16: Global energy prices



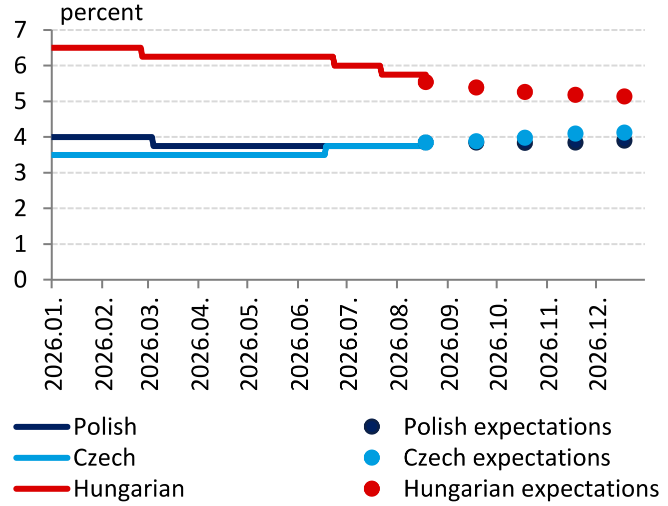
Note: The indicators are normalised to the beginning of January 2024. Source: Bloomberg

Chart 17: Market pricing for the Fed and ECB interest rates



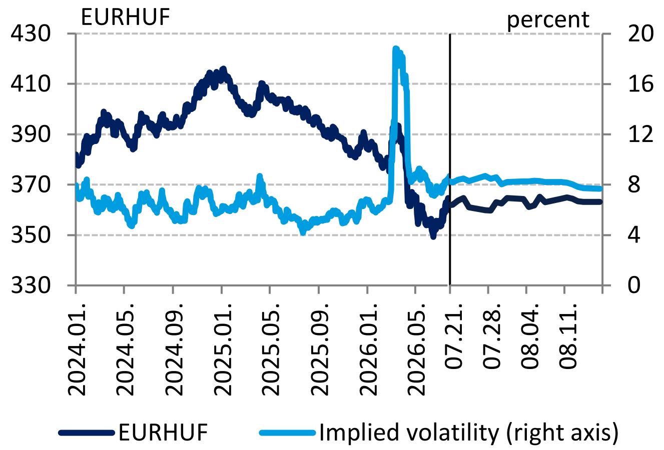
Source: Bloomberg

Chart 18: Market pricing for regional interest rates



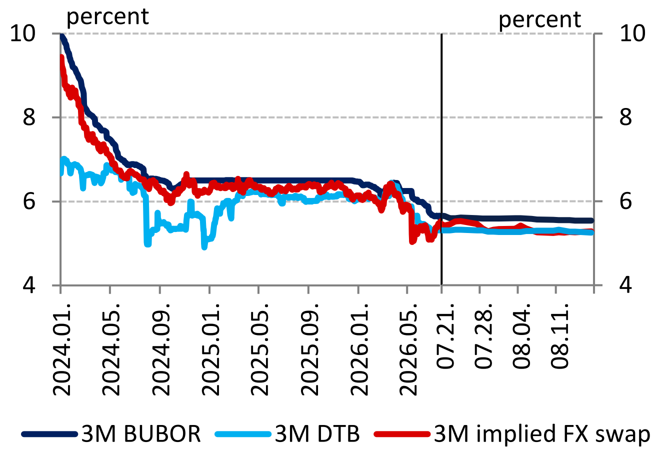
Note: Based on forward pricing. Source: Bloomberg

Chart 19: EUR/HUF exchange rate and implied volatility



Source: Bloomberg

Chart 20: 3-month forint yields



Source: MNB, Reuters