Mihály Varga
Governor | Magyar Nemzeti Bank

Press Conference
29 April 2025

PRESS CONFERENCE FOLLOWING THE MONETARY COUNCIL'S DECISION ON 29 APRIL 2025

MAIN MESSAGES:
THE APRIL MONETARY POLICY DECISION

- **The inflation rate is expected to fall further in April and then to remain near the upper bound of the central bank tolerance band in the coming months.**
- **Risks to the path of the inflation projection have increased due to the different timing and opposite direction of effects of tariff announcements.**
- **Maintenance of financial market stability** and **anchoring of inflation expectations** remain key.
- **In line with the stability-oriented approach, the Monetary Council left the base rate unchanged at 6.50 percent at today's meeting.**

MAIN MESSAGES:
THE APRIL MONETARY POLICY DECISION

- **The Council is committed to the achievement of the inflation target in a sustainable manner**, to which **restrictive monetary policy** contributes **by ensuring positive real interest rates.**
- **A careful and patient approach to monetary policy remains necessary due to risks to the inflation** environment as well as **trade policy and geopolitical tensions.**
- **Maintaining tight monetary conditions is warranted. The base rate may remain at its current level for an extended period.**

MAIN MESSAGES: MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT

GLOBAL ENVIRONMENT

- In early April, **trade policy announcements significantly increased uncertainty in international financial markets.**
- **Risk aversion towards emerging markets intensified.**
- In parallel with deteriorating global growth prospects, **energy and commodity prices declined.**

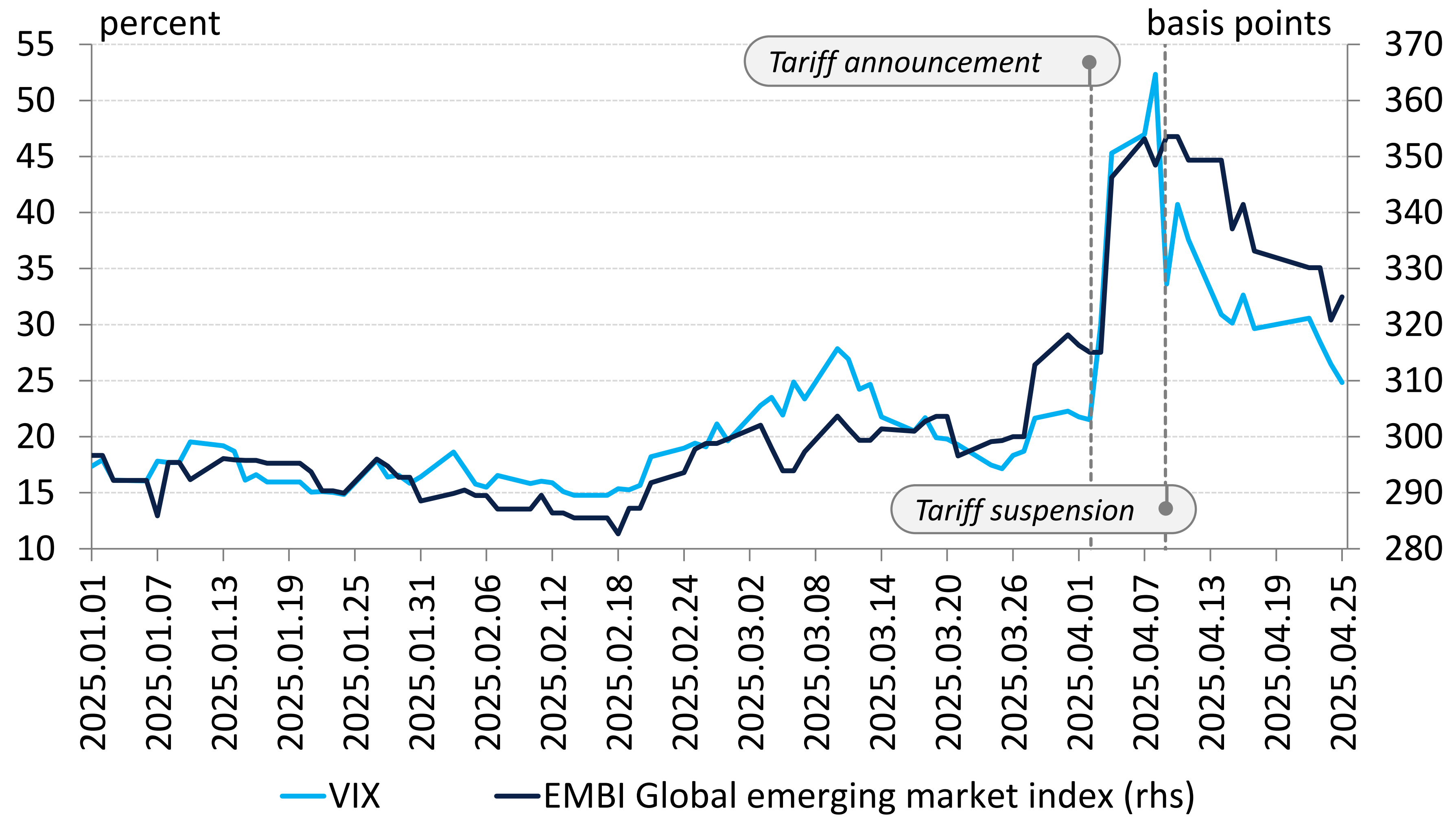
DOMESTIC MACROECONOMIC DEVELOPMENTS

- As a result of international trade policy announcements, **growth and inflation risks in the domestic economy have further strengthened.**
- Following the peak in February, the March inflation data was **within the Bank's forecast range.**
- **Price dynamics of market services and food have slowed but remain strong.** Inflation expectations remain at a high level.
- **The country's financial and capital market perception is stable, supported by improving fundamentals as well.**

MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT AND OUTLOOK

UNCERTAINTY IN FINANCIAL MARKETS HAS INCREASED SIGNIFICANTLY

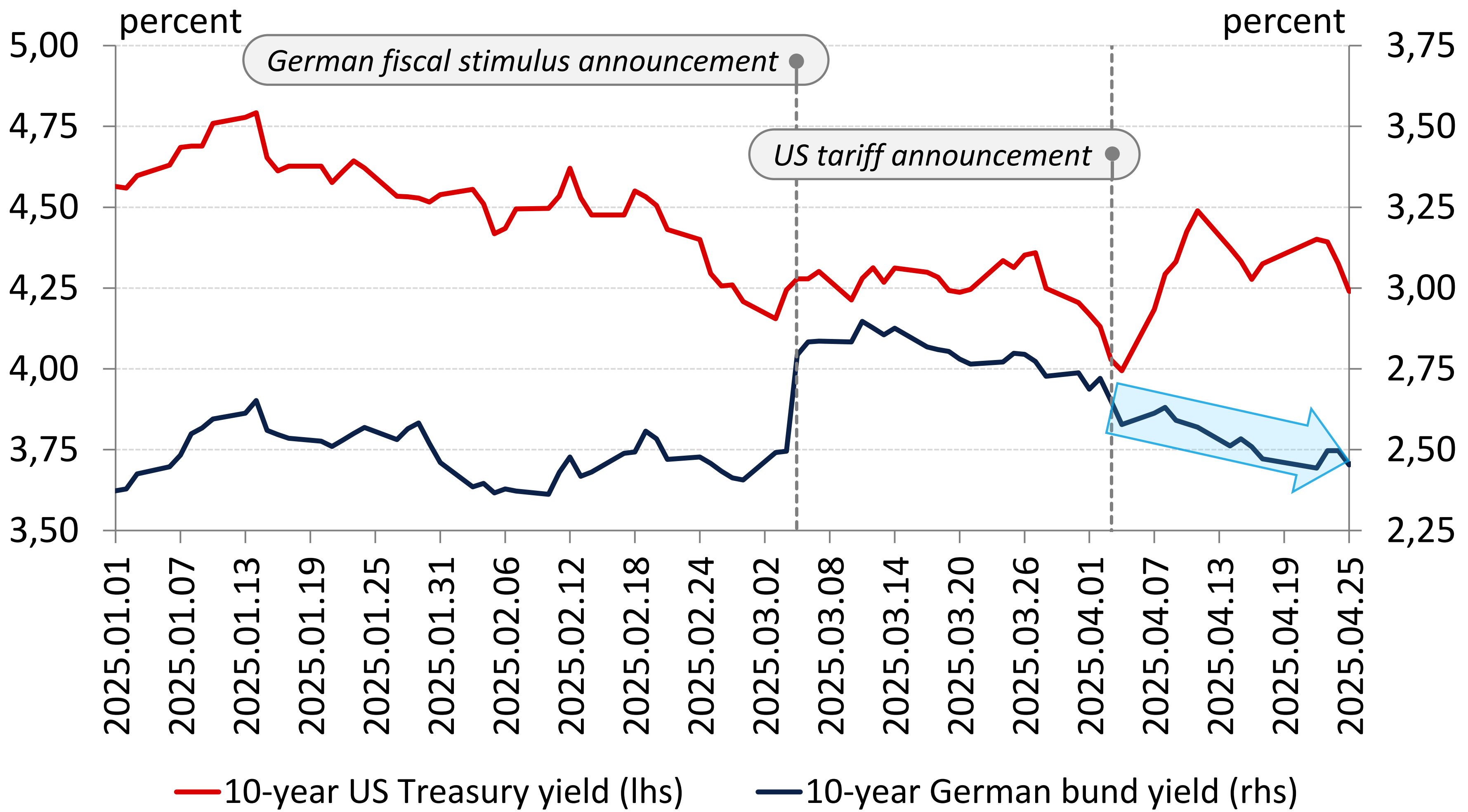
US STOCK MARKET VOLATILITY AND EMERGING MARKET BOND INDEX



Source | Bloomberg

EUROPEAN LONG-TERM YIELDS DECREASED FOLLOWING TRADE POLICY ANNOUNCEMENTS

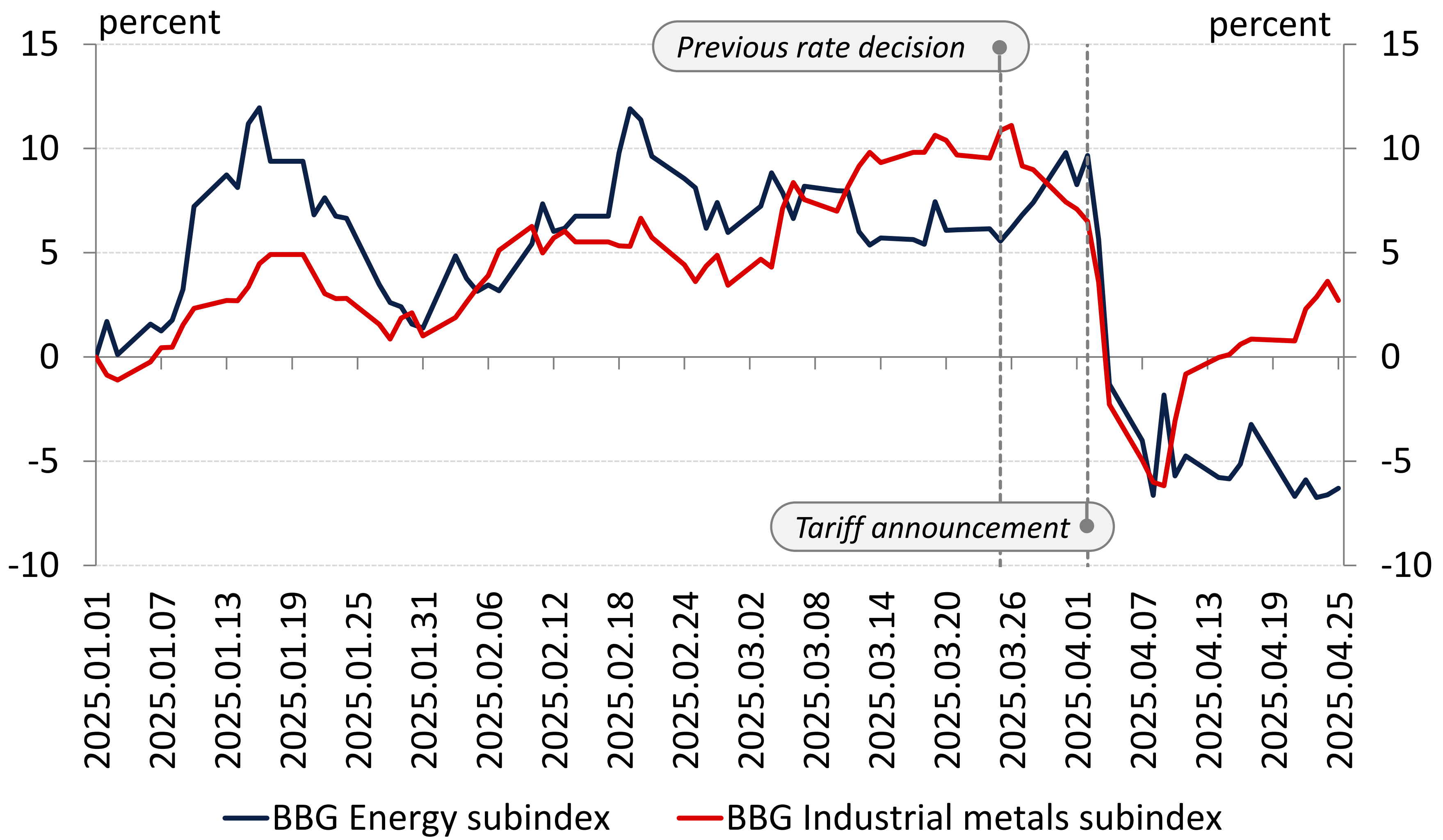
DEVELOPMENTS IN 10-YEAR GOVERNMENT BOND YIELDS



Source | Bloomberg

ALONG WITH ENERGY PRICES, COMMODITY PRICES ALSO DECLINED BEFORE A PARTIAL RECOVERY

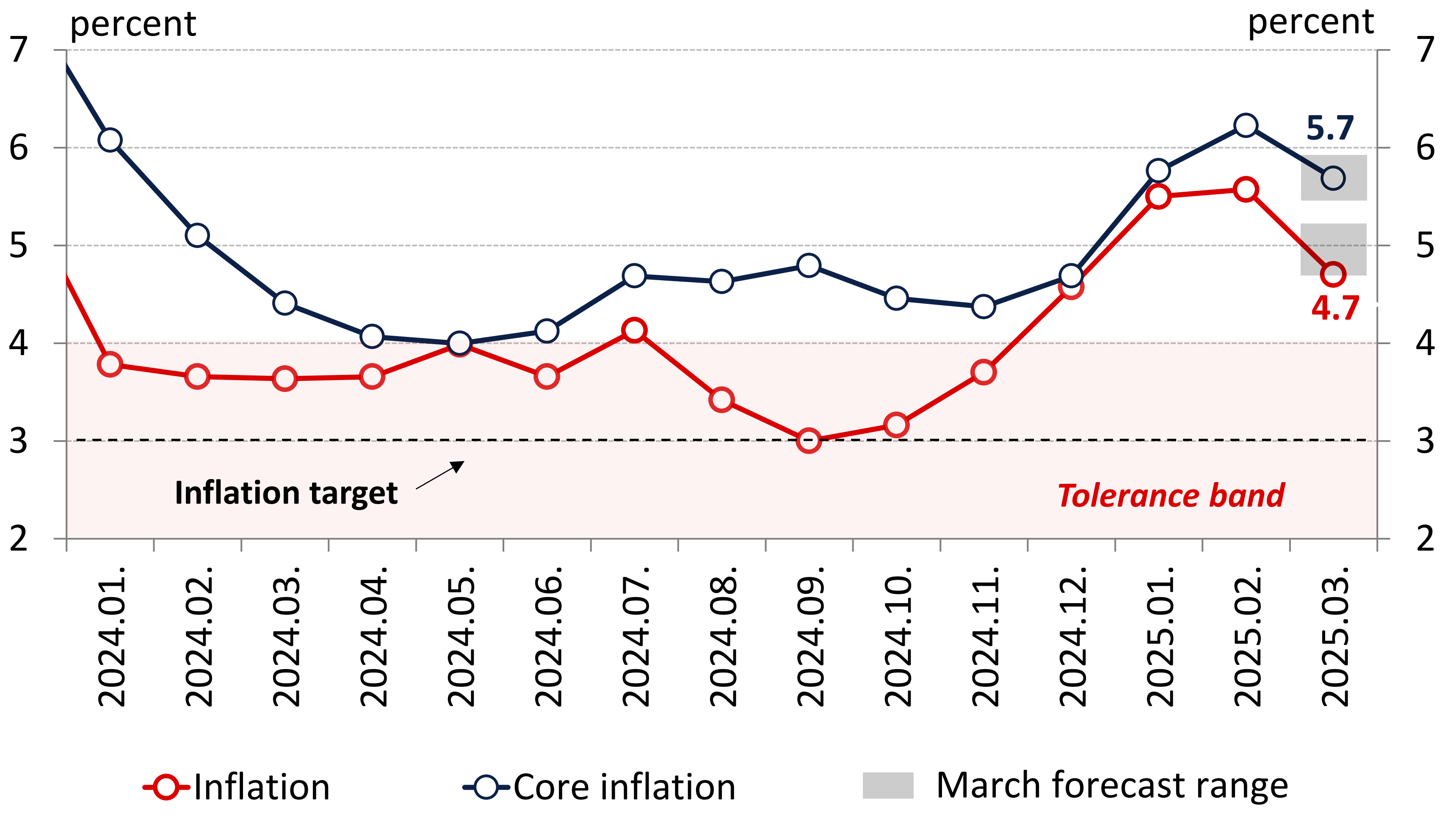
YEAR-TO-DATE CHANGES IN ENERGY AND COMMODITY PRICES



Source | Bloomberg

HEADLINE AND CORE INFLATION WERE BOTH WITHIN THE FORECAST RANGE OF THE MARCH INFLATION REPORT

DEVELOPMENTS IN INFLATION AND CORE INFLATION

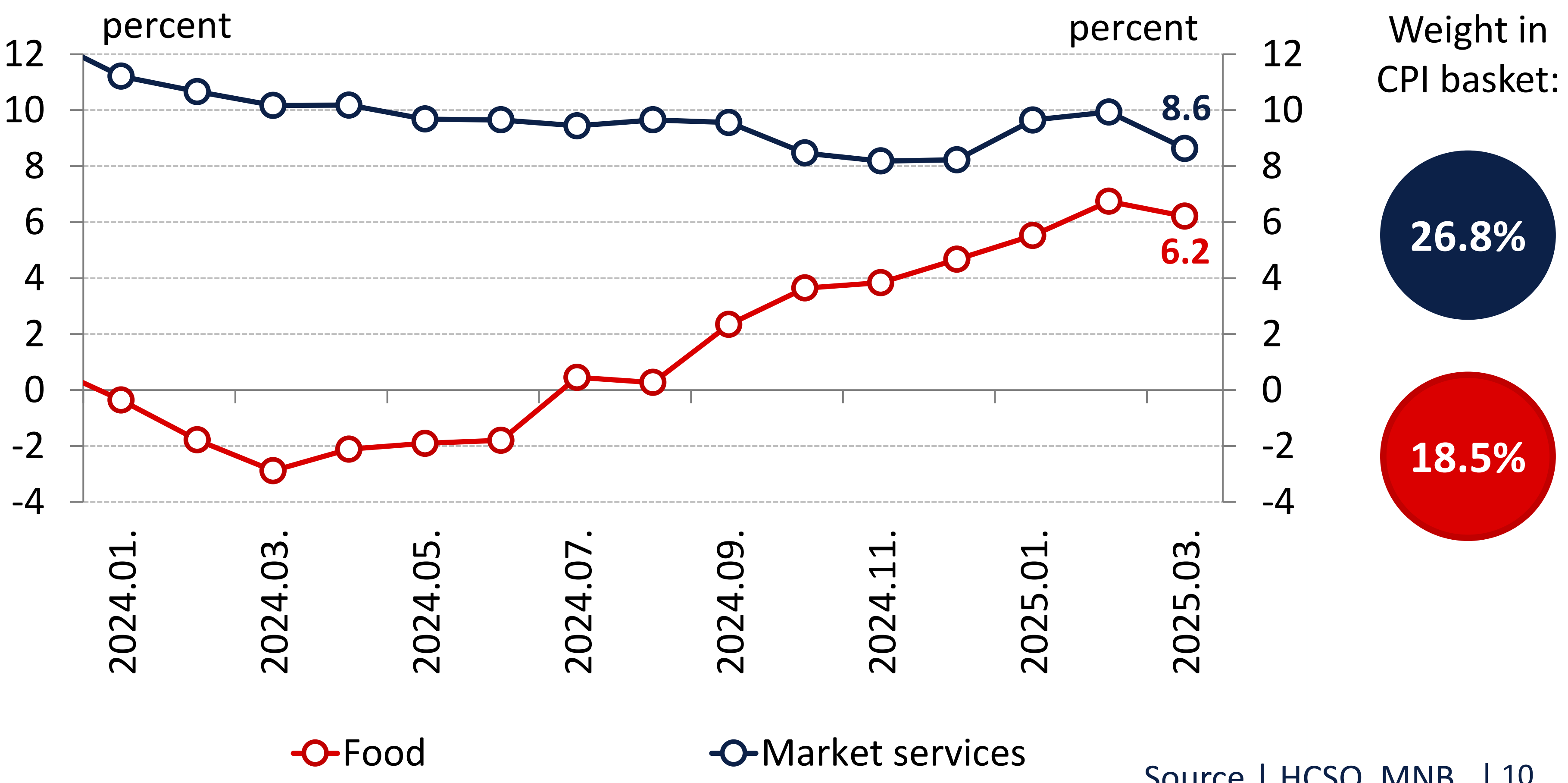


Source | HCSO

PRICE DYNAMICS IN FOOD AND MARKET SERVICES REMAIN ELEVATED

Regulations and voluntary pricing commitments are pushing down inflation in the short term.

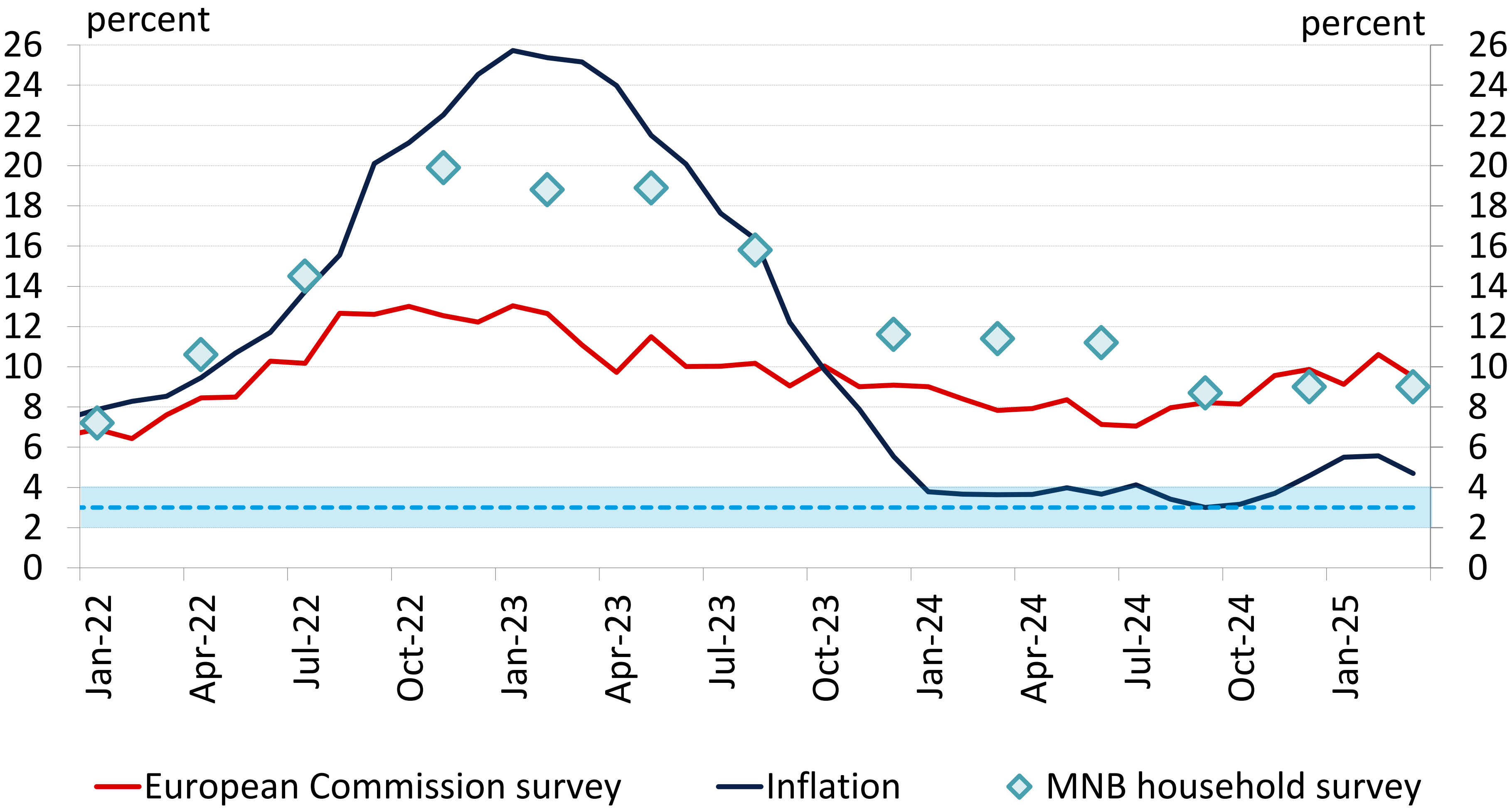
DEVELOPMENTS IN MARKET SERVICES AND FOOD INFLATION



Source | HCSO, MNB

MODERATING INFLATION EXPECTATIONS IS KEY TO REACHING THE INFLATION TARGET

DEVELOPMENTS IN HOUSEHOLD INFLATION EXPECTATIONS



Source | HCSO, MNB, European Commission

TARIFF ANNOUNCEMENTS HAVE INCREASED GROWTH AND INFLATION RISKS IN THE DOMESTIC ECONOMY

- Tariff developments pose a **downside risk to the economic outlook**.
  - Global rises in tariffs could lead to **subdued export performance**, and rising uncertainty could result in the **postponement of certain investment projects**.
- **Risks to the path of the inflation projection have increased due** to the different timing and opposite direction of **effects of tariff announcements**.
  - Falling global commodity prices point to **lower inflation in the short term**.
  - However, **upside risks to inflation** could intensify **in the medium term** in the event of increases in tariff rates.
  - Growing uncertainty in international financial markets also increases **risk aversion towards Hungarian assets**, which also poses a **risk of higher inflation**.

THE COUNTRY’S FINANCIAL AND CAPITAL MARKET PERCEPTION IS STABLE, SUPPORTED BY IMPROVING FUNDAMENTALS

	2022	2023	2024	2025*
Macroeconomy				
Real GDP growth (%)	4.3	-0.8	0.5	1.9-2.9
Inflation (%)	14.5	17.6	3.7	4.5-5.1
Current account balance (% of GDP)	-8.5	0.3	2.2	1.2-2.6
Financial stability				
Banking sector capital adequacy ratio (%)	18.9	20.1	20.4	-
Households net financial savings (% of GDP)	4.3	7.0	6.7	5.7
CDS spread (basis point)	198	139	126	136
Budget, debt				
Debt of general government (% of GDP)	73.9	73.0	73.5	73.2
Primary ESA balance (% of GDP)	-3.4	-2.0	0.1	0.1
Net external debt (% of GDP)	10.0	12.1	10.5	-

*MNB forecast or current market value

Pillars of the country's stable market perception:

- Returning growth with improving external and internal balance indicators
- Stable banking sector, households’ growing savings, strong market confidence
- Decreasing debt indicators and balanced primary balance

MONETARY POLICY

CAREFUL AND PATIENT MONETARY POLICY CONTINUES TO BE WARRANTED

Inflation assessment and outlook

- Incoming data was **within the Bank's forecast range.**
- **Price dynamics of market services** and **food remain strong** despite the slowdown.
- **Inflation expectations** remain at high levels.
- **Risks to the path of the inflation projection have increased** due to the different timing and opposite direction of effects of tariff announcements.

Uncertain global financial market sentiment

- **Uncertainty** is high in global trade policy and assessing its effects.
- **Volatile global market sentiment** is affecting emerging markets sensitively.
- **Maintaining financial market stability** is key to achieving price stability.

MAINTENANCE OF TIGHT MONETARY CONDITIONS IS WARRANTED

The Monetary Council left the base rate unchanged at 6.50 percent at today's meeting.
The O/N deposit rate and the O/N lending rate also remained unchanged, at 5.50 percent and 7.50 percent, respectively.

- In The Council's assessment, **a careful and patient approach remains warranted.**
- **Preserving financial market stability is key.**
- **By ensuring a positive real interest rate,** the Bank contributes to the anchoring of inflation expectations and to the achievement of the inflation target in a sustainable manner.
- In the Council's assessment, **maintaining tight monetary conditions is warranted.**

THE MONETARY COUNCIL'S FORWARD GUIDANCE

*„**The Monetary Council is committed to the achievement of the inflation target in a sustainable manner. A careful and patient approach to monetary policy remains necessary** due to risks to the inflation environment as well as trade policy and geopolitical tensions. In the Council's assessment, **maintaining tight monetary conditions is warranted.** "*

THANK YOU FOR YOUR KIND ATTENTION!