



PRESS CONFERENCE FOLLOWING THE MONETARY COUNCIL'S DECISION ON 22 JULY 2025



MAIN MESSAGES: THE DECISIONS OF THE MONETARY COUNCIL IN JULY

- The Monetary Council is committed to the achievement of the inflation target in a sustainable manner. A cautious and patient approach to monetary policy remains warranted.
- Maintaining financial market stability and anchoring 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.
- The Council reduced the required reserve ratio from 10 percent to 8 percent as of August 1, 2025. This technical adjustment does not imply any change in the continued tight stance of monetary policy.
- The Monetary Council's forward guidance did not change.



MAIN MESSAGES: MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT

GLOBAL ENVIRONMENT

- In international financial markets, **risk appetite is mainly driven by developments related to tariff announcements and geopolitical conflicts.**
- **The volatility of energy prices decreased** since the previous interest rate decision.
- **Trade and geopolitical tensions are creating an uncertain global economic environment.** Expenditure-increasing programmes in the European Union and the United States could stimulate growth from the next year onwards.

DOMESTIC MACROECONOMIC DEVELOPMENTS

- **In June 2025, inflation rose to 4.6 percent.** Price restriction measures had a significant diminishing effect on inflation, however, **strong repricings can still be observed** outside their scope.
- **Household inflation expectations remain at a high level, while corporate price expectations decreased in June.**
- **High-frequency data for the second quarter continue to indicate subdued performance.**

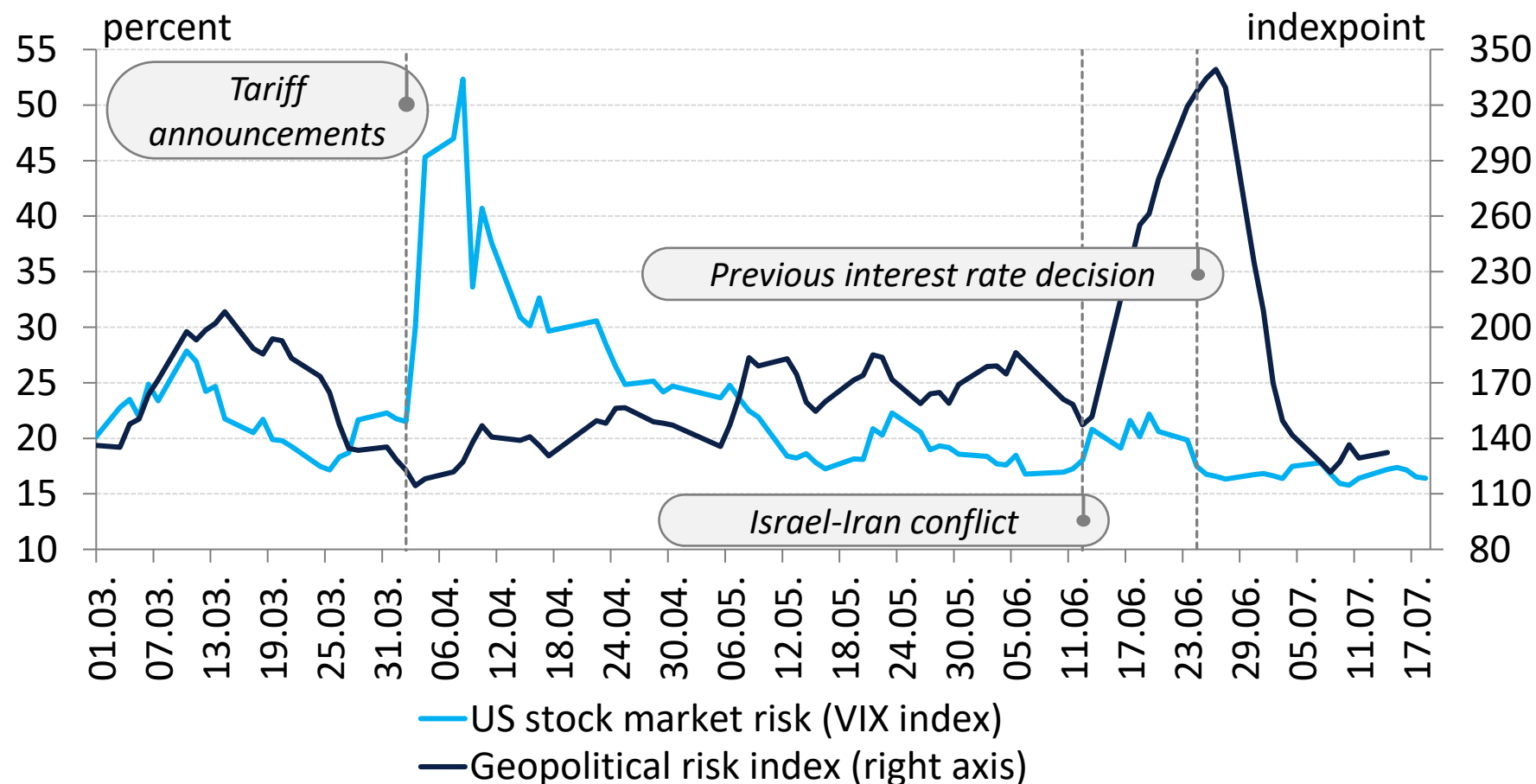


MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT AND OUTLOOK



RISK APPETITE IS MAINLY INFLUENCED BY TARIFF ANNOUNCEMENTS AND GEOPOLITICAL CONFLICTS

DEVELOPMENTS IN THE US EQUITY MARKET VOLATILITY INDEX AND THE GEOPOLITICAL RISK INDEX SINCE THE BEGINNING OF MARCH 2025



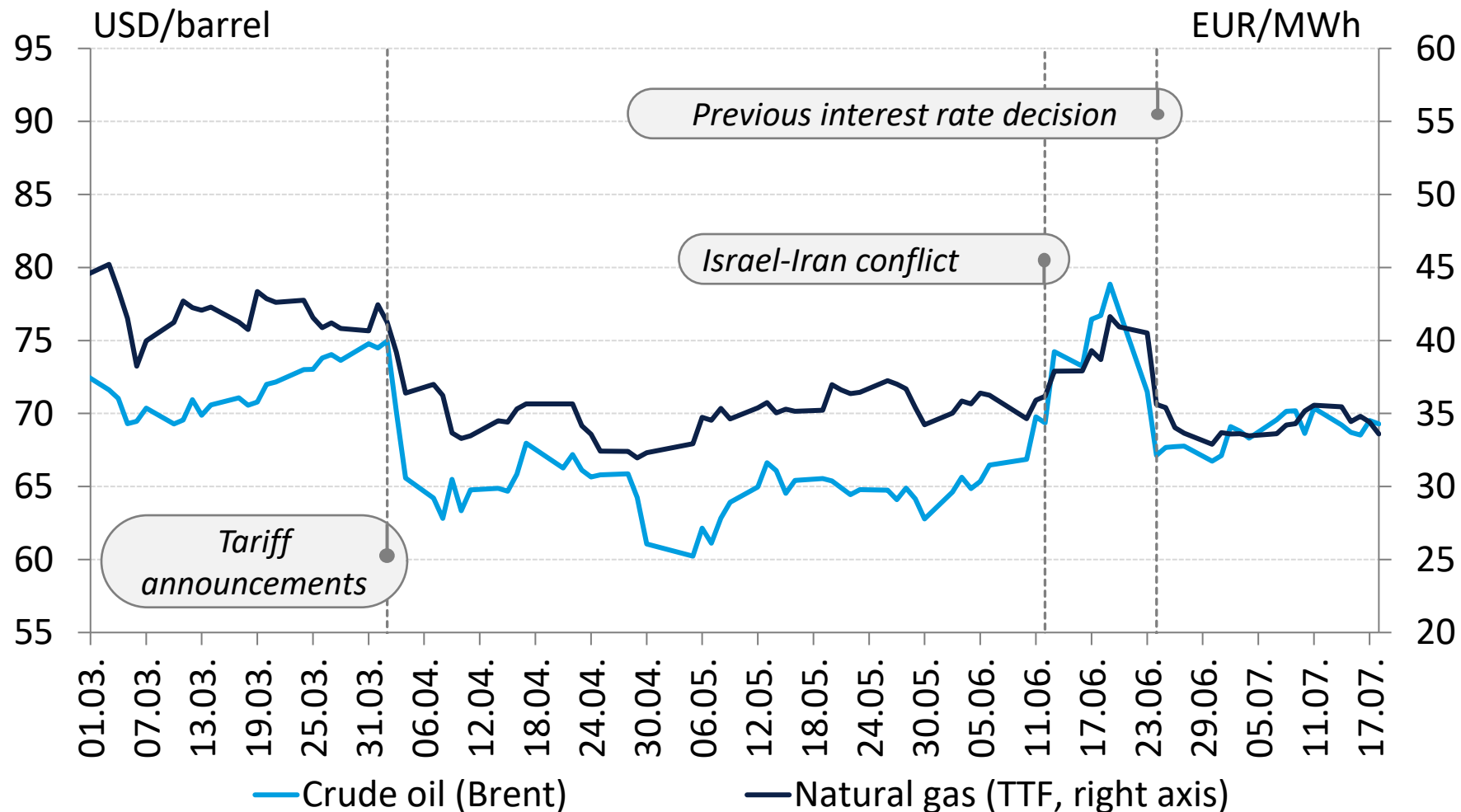
Note | 7-day moving average of the daily geopolitical risk index.

Source | Bloomberg, Matteo Iacovello



THE VOLATILITY OF ENERGY PRICES DECREASED

DEVELOPMENTS IN OIL AND GAS PRICES SINCE THE BEGINNING OF MARCH 2025





EXPENDITURE-INCREASING PROGRAMMES COULD STIMULATE GROWTH IN THE EU AND THE US FROM THE NEXT YEAR ONWARDS



The expenditure-increasing budget package approved by Congress entered into force on July 4, 2025, with the signature of the US President.

The package will increase the federal budget deficit by **\$3.300 billion** over the next 10 years.

According to estimates the program could increase the USA's GDP by **0.5 percent annually between 2025 and 2034.**

Source | Congressional Budget Office



Increase in EU defense spending: EUR 800 billion. The details of the program adopted by European decision-makers are being worked out and could start next year at the earliest.

Germany to increase economic development spending by EUR 500 billion over 10 years. The budget for the program has been approved, and some of the projects are expected to start this year.

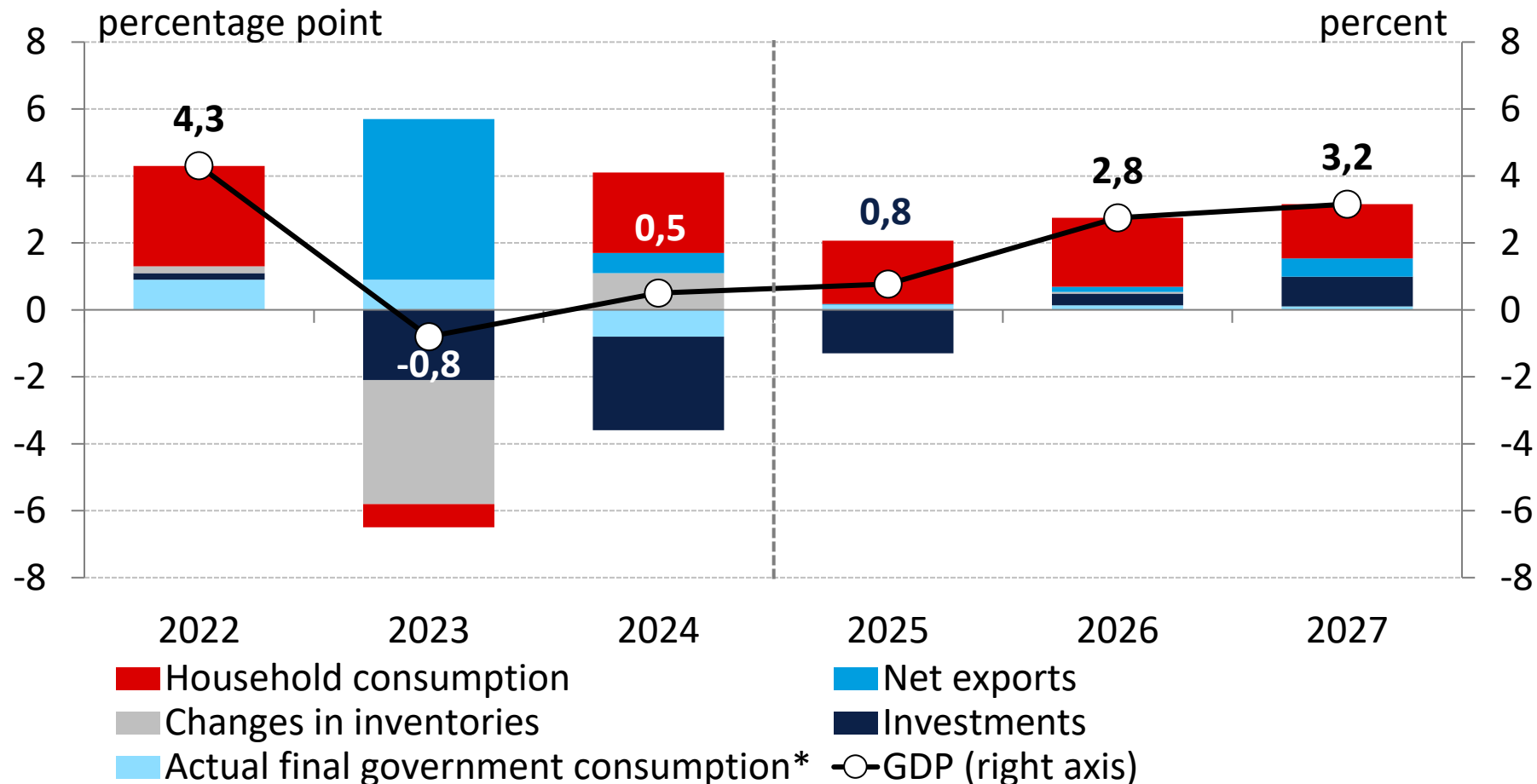
According to estimates, the programs could increase the EU's GDP by **0.3–0.5 percent annually between 2027 and 2030.**

Source | European Commission, MNB | 7



STARTING NEXT YEAR, BOTH INTERNAL AND EXTERNAL FACTORS WILL SUPPORT THE ACCELERATION OF GROWTH

EXPENDITURE SIDE DECOMPOSITION AND FORECAST OF GDP GROWTH



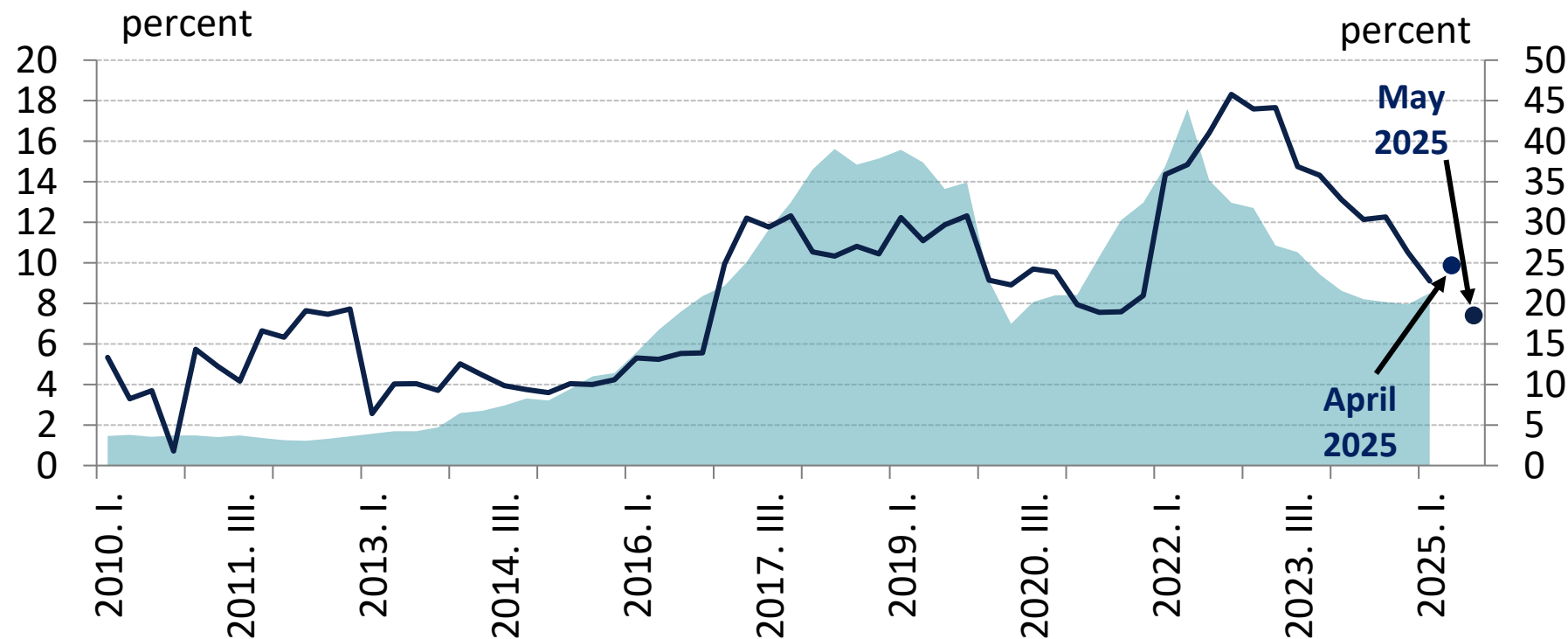
Note | *Government final consumption expenditure includes final consumption expenditure, as well as the transfers of the general government and nonprofit institutions.

Source | HCSO, MNB forecast



UNEMPLOYMENT RATE REMAINS LOW, WAGE GROWTH SLOWS IN MAY

WAGE DYNAMICS AND AVAILABLE VACANCIES AS A PROPORTION OF THE UNEMPLOYED IN THE PRIVATE SECTOR



- Number of vacancies in the private sector as a percentage of the unemployed (right axis)
- Wage dynamics in the private sector

Note | Seasonally adjusted data for job vacancies.

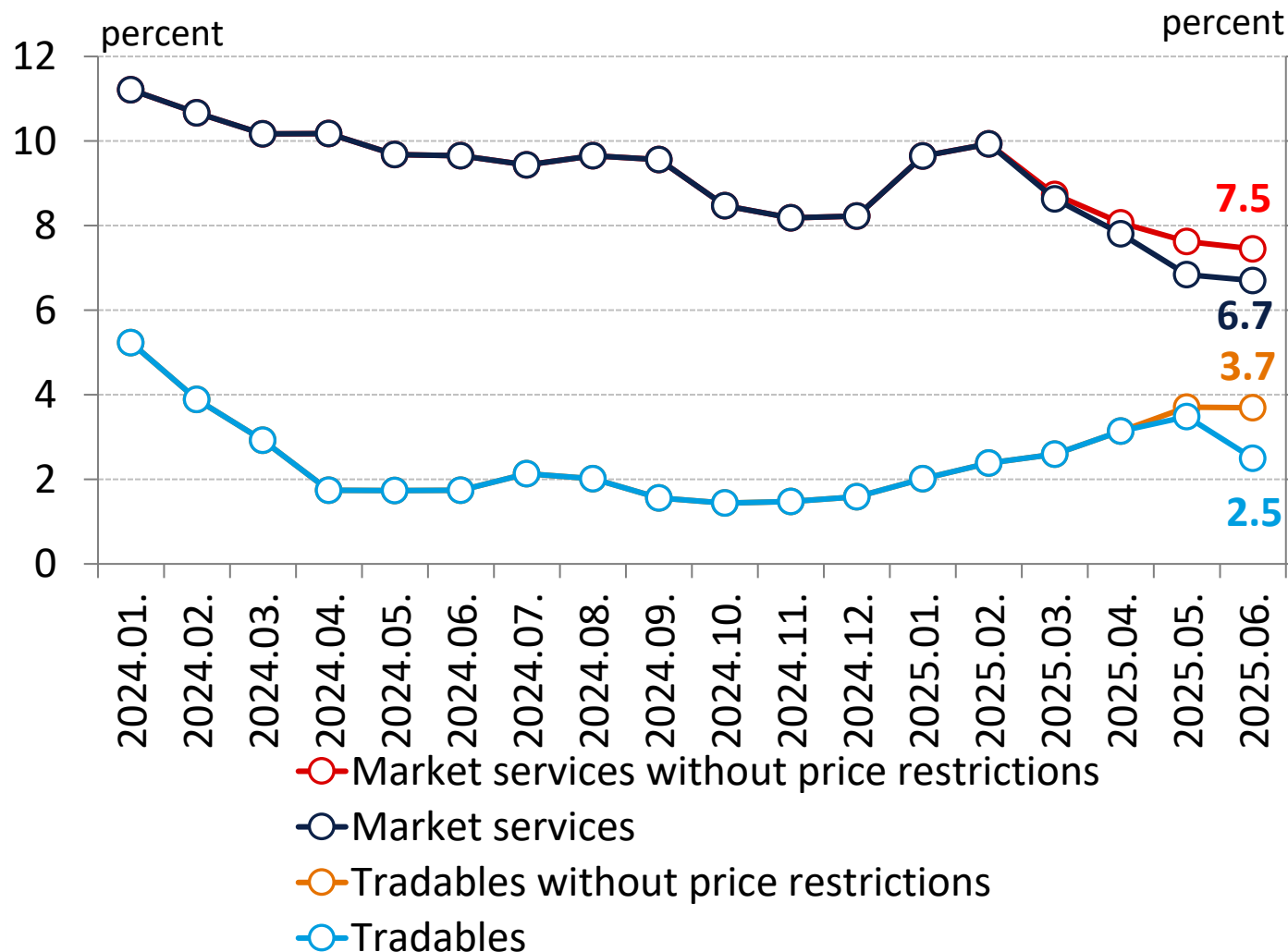
Source | HCSO, MNB | 9



PRICE RESTRICTIONS SIGNIFICANTLY REDUCE INFLATION

However, strong corporate repricing continues to be observed.

DEVELOPMENTS IN INFLATION OF MARKET SERVICES AND TRADABLES



Inflationary effect June 2025

Price margin cap
on food
-1.0 pp.

Price margin cap on
household goods
-0.3 pp.

Voluntary price
restriction
-0.2 pp.

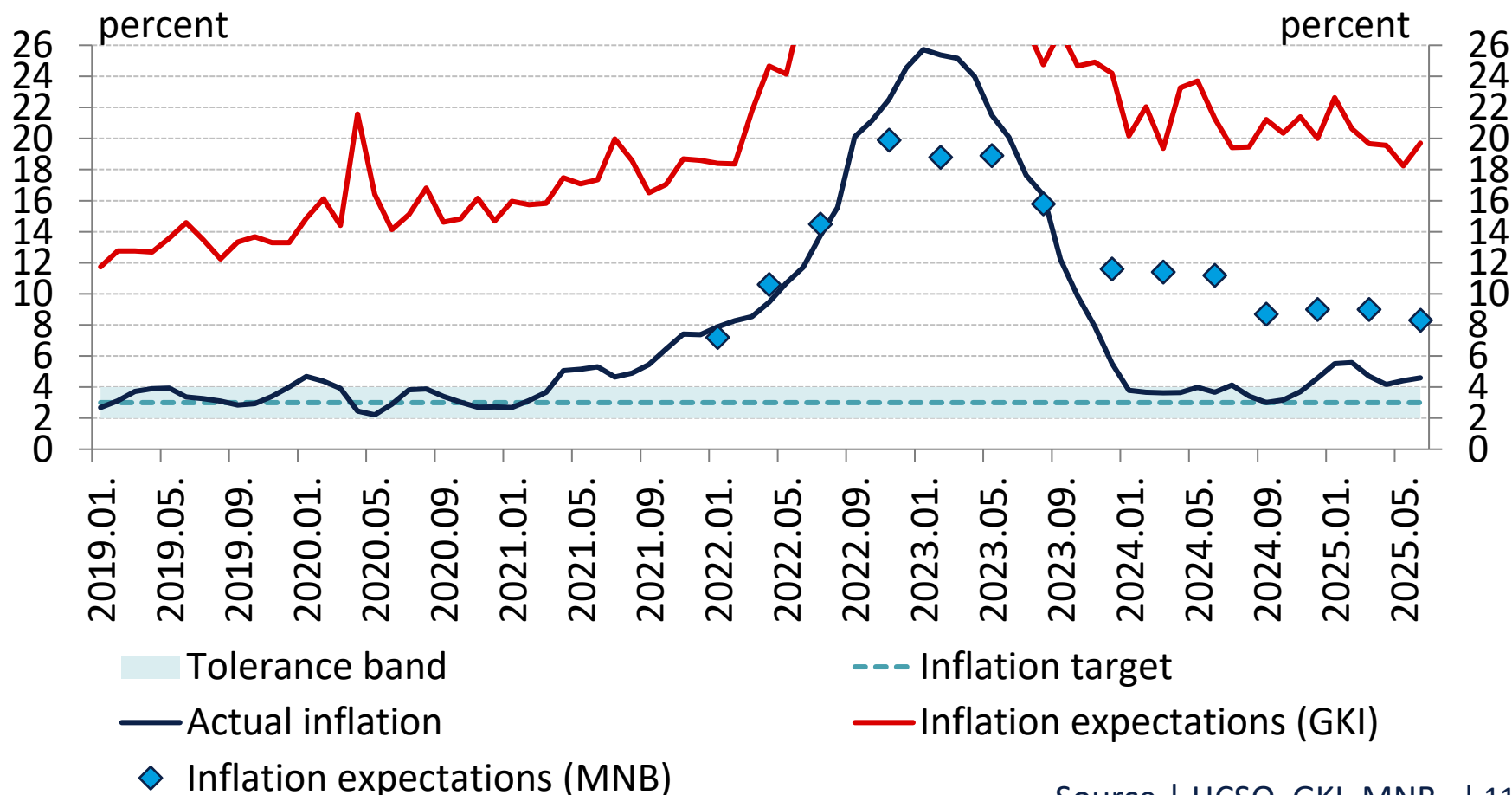
Overall
-1.5 pp.



HOUSEHOLD INFLATION EXPECTATIONS REMAIN AT HIGH LEVELS

Anchoring expectations in line with the central bank's target contributes to sustainable economic growth.

DEVELOPMENTS IN HOUSEHOLD INFLATION EXPECTATIONS

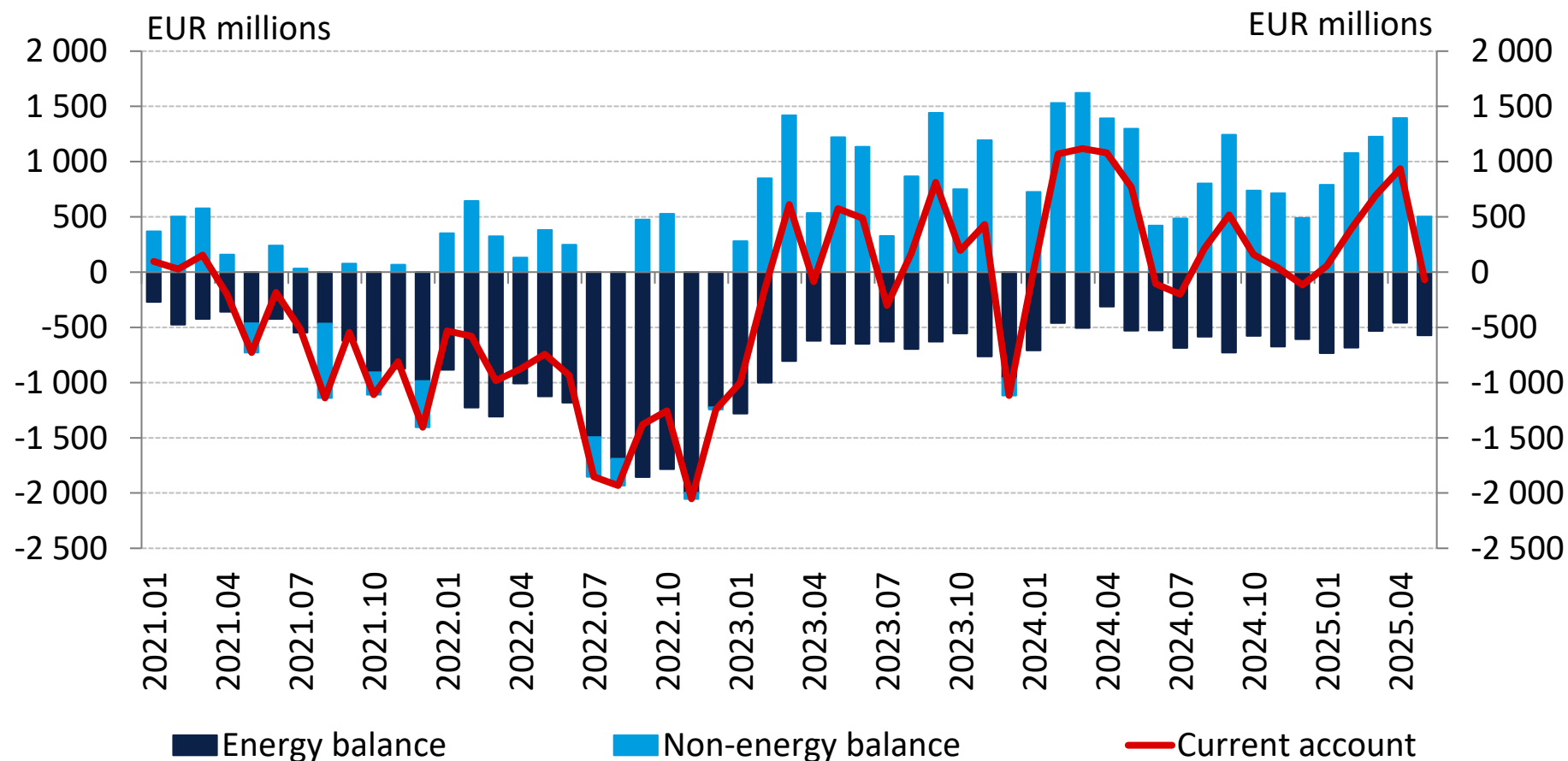




THE CURRENT ACCOUNT BALANCE REGISTERED A SMALL DEFICIT IN MAY AFTER SIGNIFICANT SURPLUSES

In addition to trend-like processes, one-off items also contributed significantly to the decrease in the balance in May.

DEVELOPMENTS IN THE CURRENT ACCOUNT AND ENERGY BALANCE



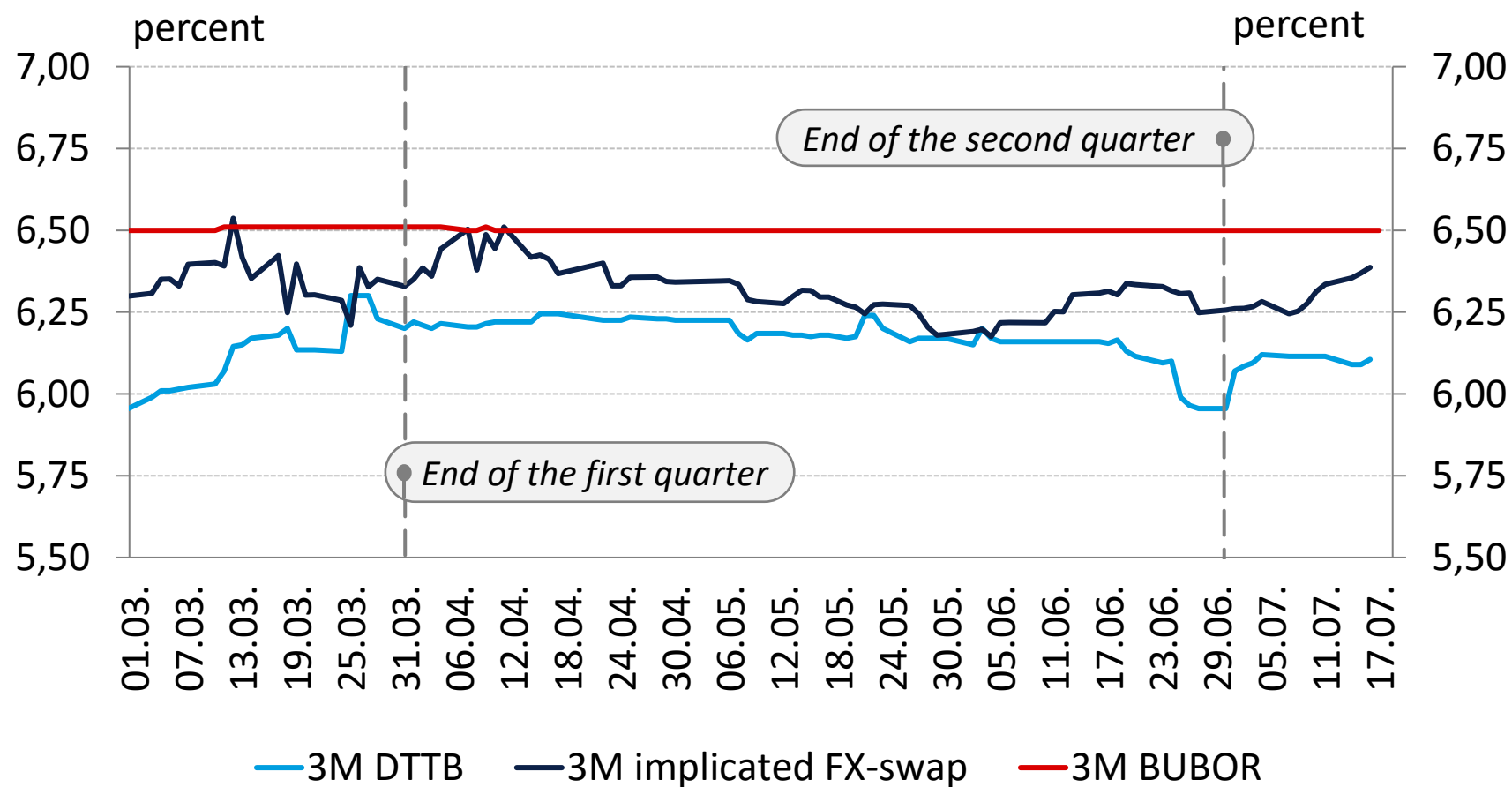
Note | The last monthly value of the energy balance is estimated.

Source | MNB | 12



SHORT-TERM MONEY MARKET YIELDS, WHICH ARE IMPORTANT FOR TRANSMISSION, ARE STABLE

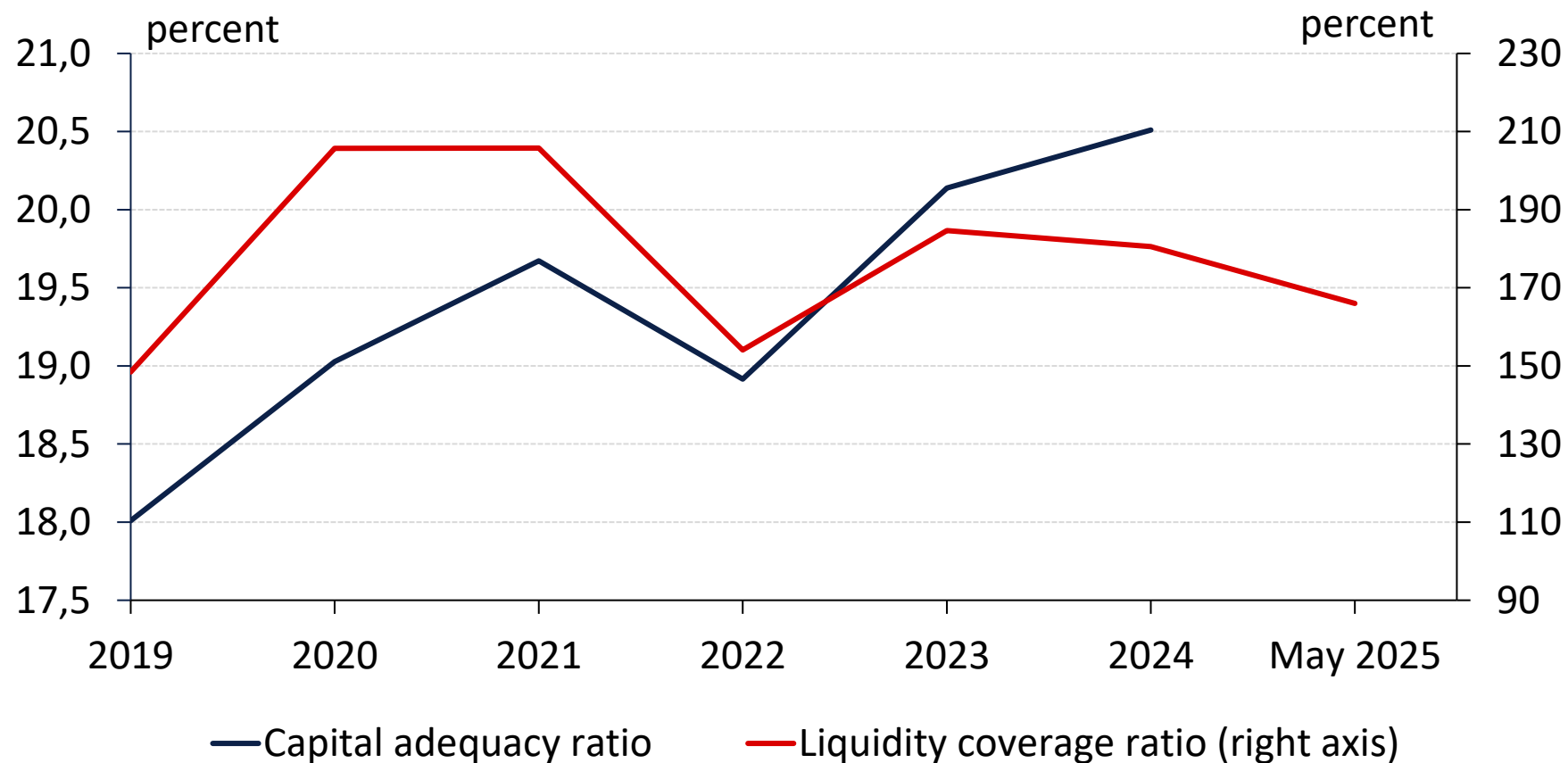
DEVELOPMENT OF 3-MONTH HUF YIELDS





THE BANKING SYSTEM'S CAPITAL AND LIQUIDITY POSITIONS ARE ROBUST

DEVELOPMENT OF CAPITAL ADEQUACY AND LIQUIDITY COVERAGE RATIOS

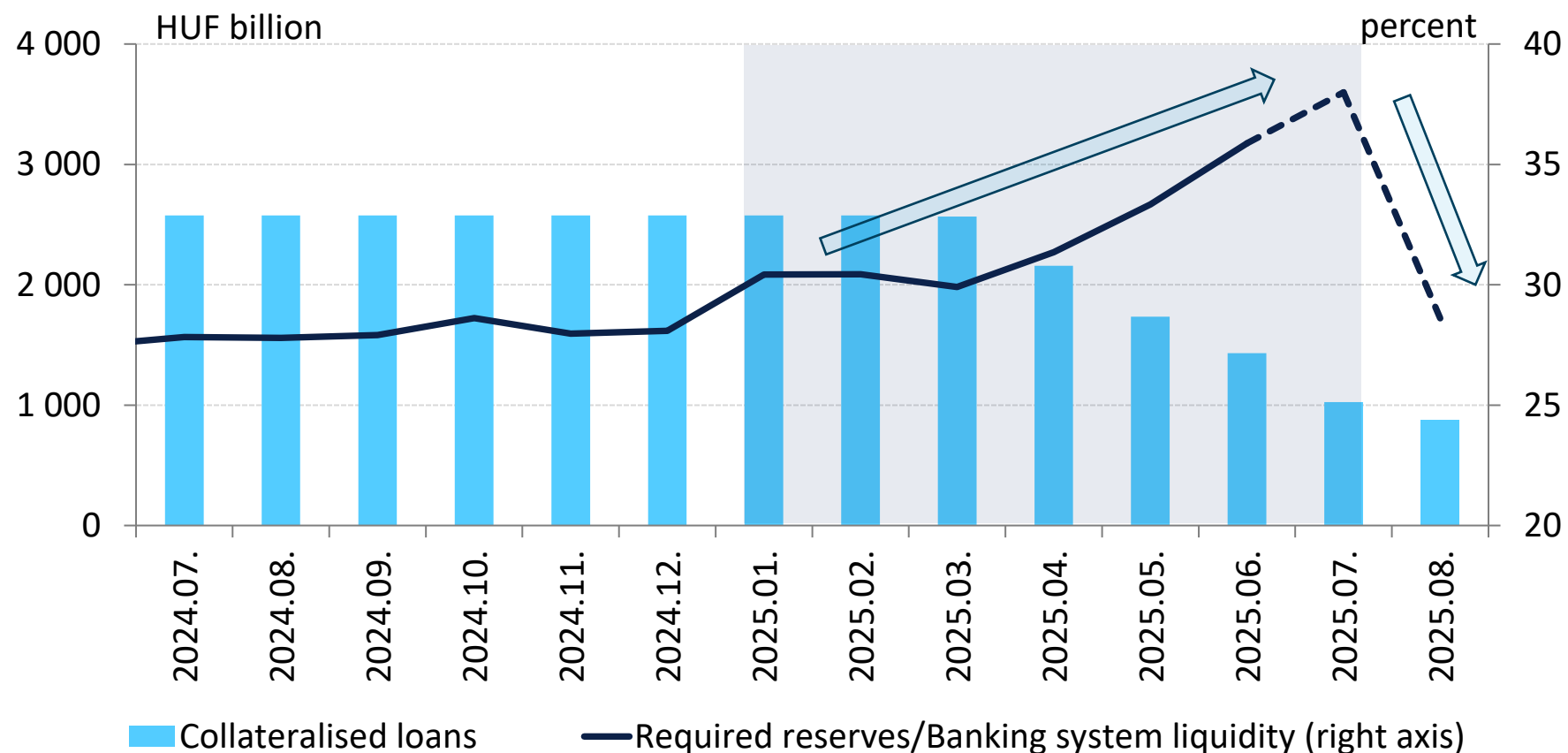




REDUCING THE RESERVE RATIO OFFSETS THE IMPACT OF EXPIRING CENTRAL BANK PROGRAMMES ON LIQUIDITY

The required reserve ratio is reduced from 10 percent to 8 percent as of August 1, 2025.

REQUIRED RESERVES AS A SHARE OF THE BANKING SYSTEM'S LIQUIDITY



Note | The forecast assumes a constant reserve base at June 2025 levels.

Source | MNB



MONETARY POLICY



STABILITY-ORIENTED MONETARY POLICY CONTINUES TO BE WARRANTED

Inflation assessment and outlook

- **Incoming data were in line with the forecast of the June Inflation Report.**
- **Excluding the effect of one-off factors, repricings remain strong in several areas.**
- **Household inflation expectations remain at high levels.** Corporate price expectations decreased in June.
- **Given the risks surrounding the inflation outlook, tight monetary conditions are needed to achieve price stability in a sustainable manner.**

Global financial market sentiment

- **Emerging markets remain sensitive** to shifts in global investor sentiment.
- **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 interest rate corridor also remained unchanged.

- In The Council's assessment, **a careful and patient approach remains warranted.**
- **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 did not change.**



THANK YOU FOR YOUR
ATTENTION!