



# PRESS CONFERENCE FOLLOWING THE MONETARY COUNCIL'S DECISION ON 24 JUNE 2025

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## MAIN MESSAGES: THE JUNE MONETARY POLICY DECISION

- The Monetary Council is committed to the achievement of the inflation target in a sustainable manner.
- Inflation may reach the central bank's 3 percent target in a sustainable manner in 2027.
- Accordingly, a **careful and patient** approach to monetary policy remains warranted.
- **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.
- The Monetary Council's forward guidance did not change.



# MAIN MESSAGES: MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT

## GLOBAL ENVIRONMENT

- **Global investor sentiment remains volatile.** International financial markets are sensitive to incoming news.
- **The volatility of energy prices** has risen as the conflict in the Middle East escalates.
- **Global growth outlook has deteriorated**, but in Europe, fiscal spending may help offset the negative effects.

## DOMESTIC MACROECONOMIC DEVELOPMENTS

- Despite **vigorous growth** in household consumption, the **decline in investment is prolonged**.
- **Employment remains high** in historical comparison.
- **In May 2025, inflation rose to 4.4 percent.** In the short-term, price restriction measures have a strong diminishing effect on inflation, however **strong repricings** can be observed in the **pricing behaviors of companies**.
- **The current account shows a stable surplus**, while the **primary balance is close to balanced budget levels**.



## MAIN MESSAGES: MACROECONOMIC AND INFLATION FORECAST

### MACROECONOMY

- A gradual economic recovery is expected in the second half of this year. **In 2025, the performance of the Hungarian economy is expected to increase by 0.8 percent.**
- From next year onwards, both internal and external factors will **contribute to further economic recovery.** The Hungarian GDP may increase by 2.8 percent in 2026 and by 3.2 percent in 2027.
- **Wage dynamics** are expected to **remain strong** despite the **decline** in demand for new labour **in the private sector.**

### INFLATION

- **For the rest of the year, inflation** is expected to **stay above the tolerance band.**
- **Inflation is expected to average 4.7 percent this year,** and the consumer price index could be 3.7 percent in 2026 and 3.0 percent in 2027.
- **The inflation outlook is surrounded by mostly upside risks.**

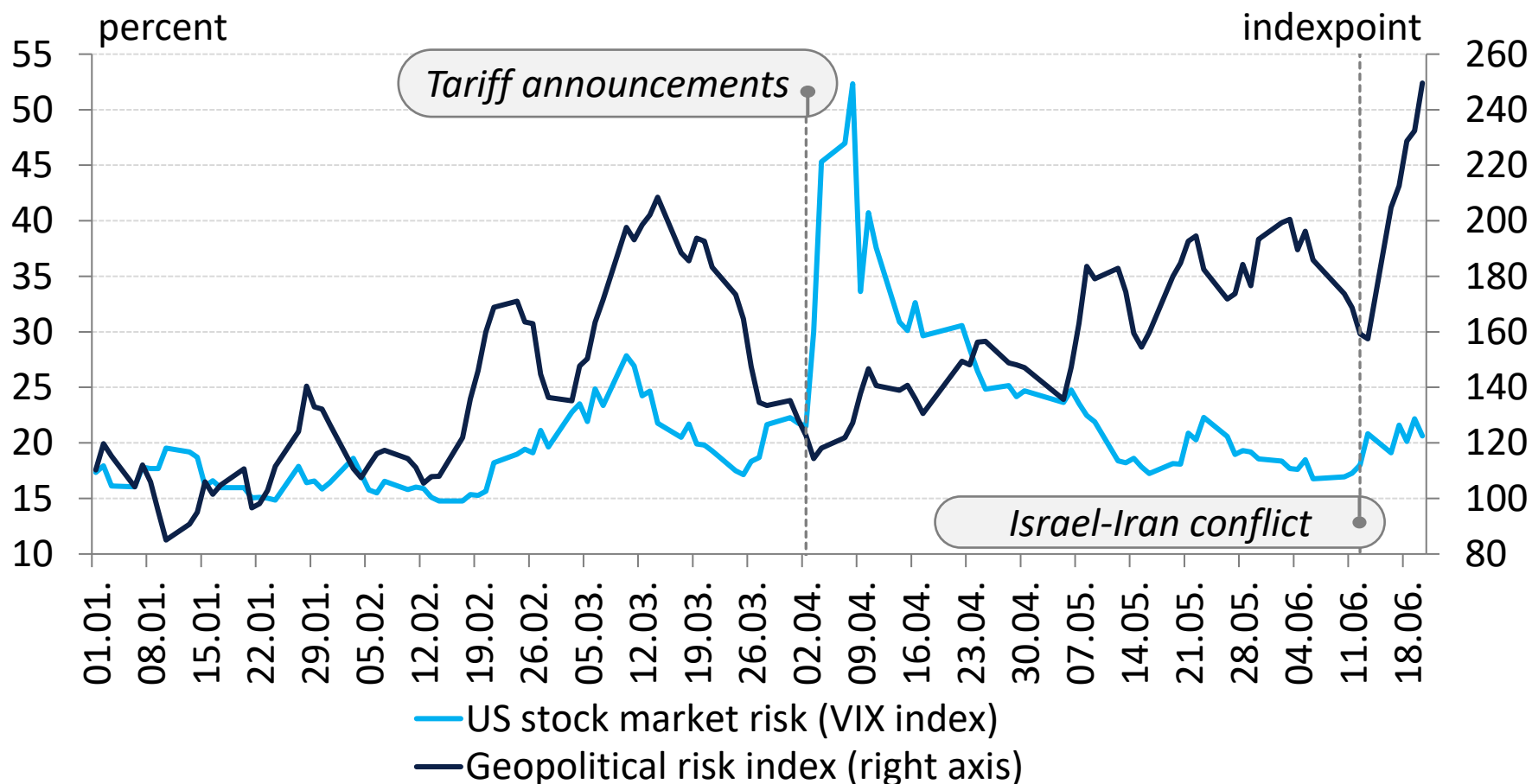


# MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT AND OUTLOOK



# INTERNATIONAL FINANCIAL MARKETS ARE SENSITIVE TO INCOMING NEWS

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



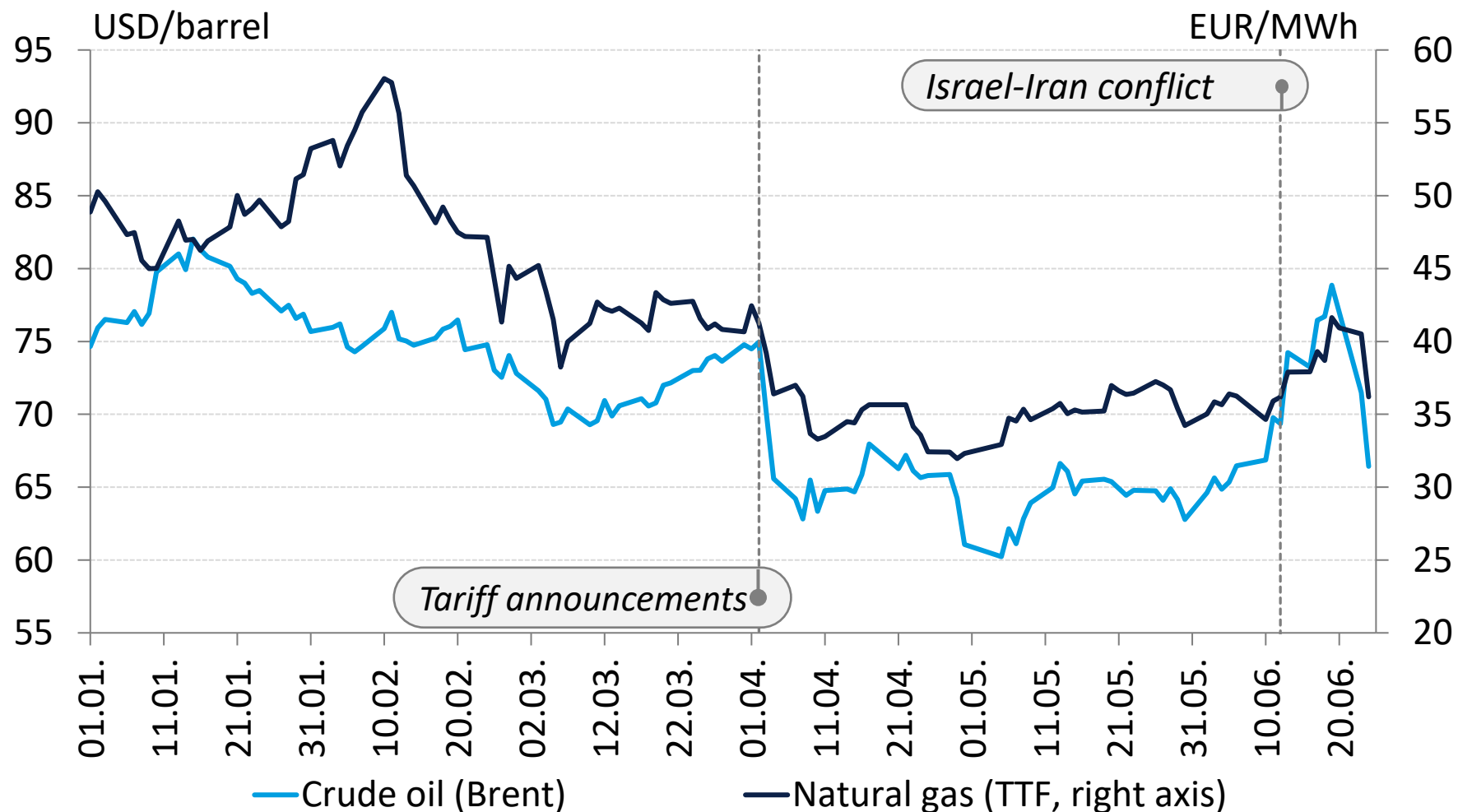
Note | 7-day moving average of the daily geopolitical risk index.

Source | Bloomberg, Matteo Iacovello



## GEOPOLITICAL EVENTS HAVE DRIVEN THE OIL AND GAS MARKETS IN RECENT MONTHS

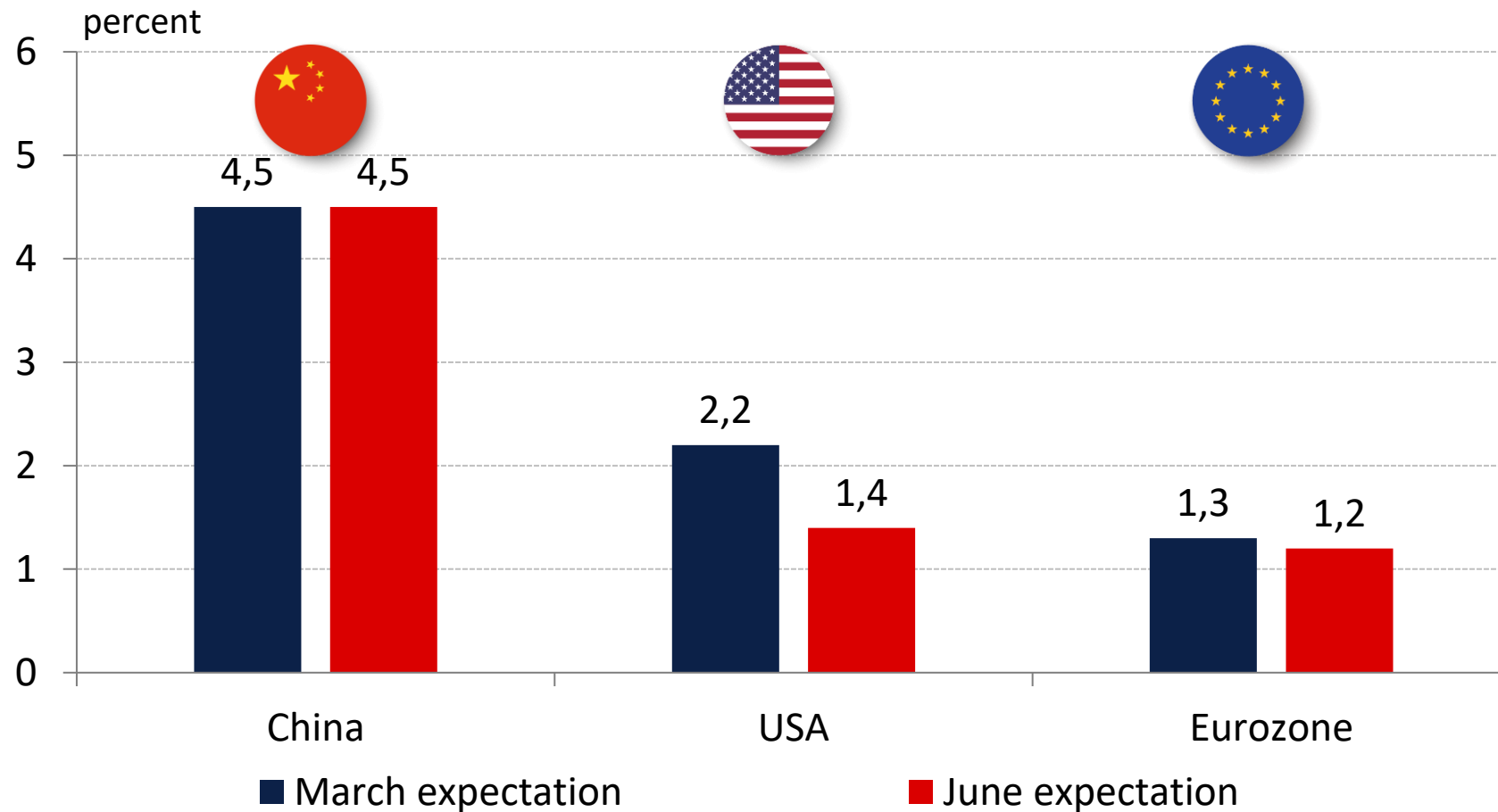
### DEVELOPMENTS IN OIL AND GAS PRICES SINCE THE BEGINNING OF 2025





## SINCE MARCH, GROWTH EXPECTATIONS FOR MAJOR ECONOMIC REGIONS HAVE TYPICALLY BEEN REVISED DOWNWARDS

### CHANGES IN GROWTH EXPECTATIONS FOR MAJOR ECONOMIES FOR 2025

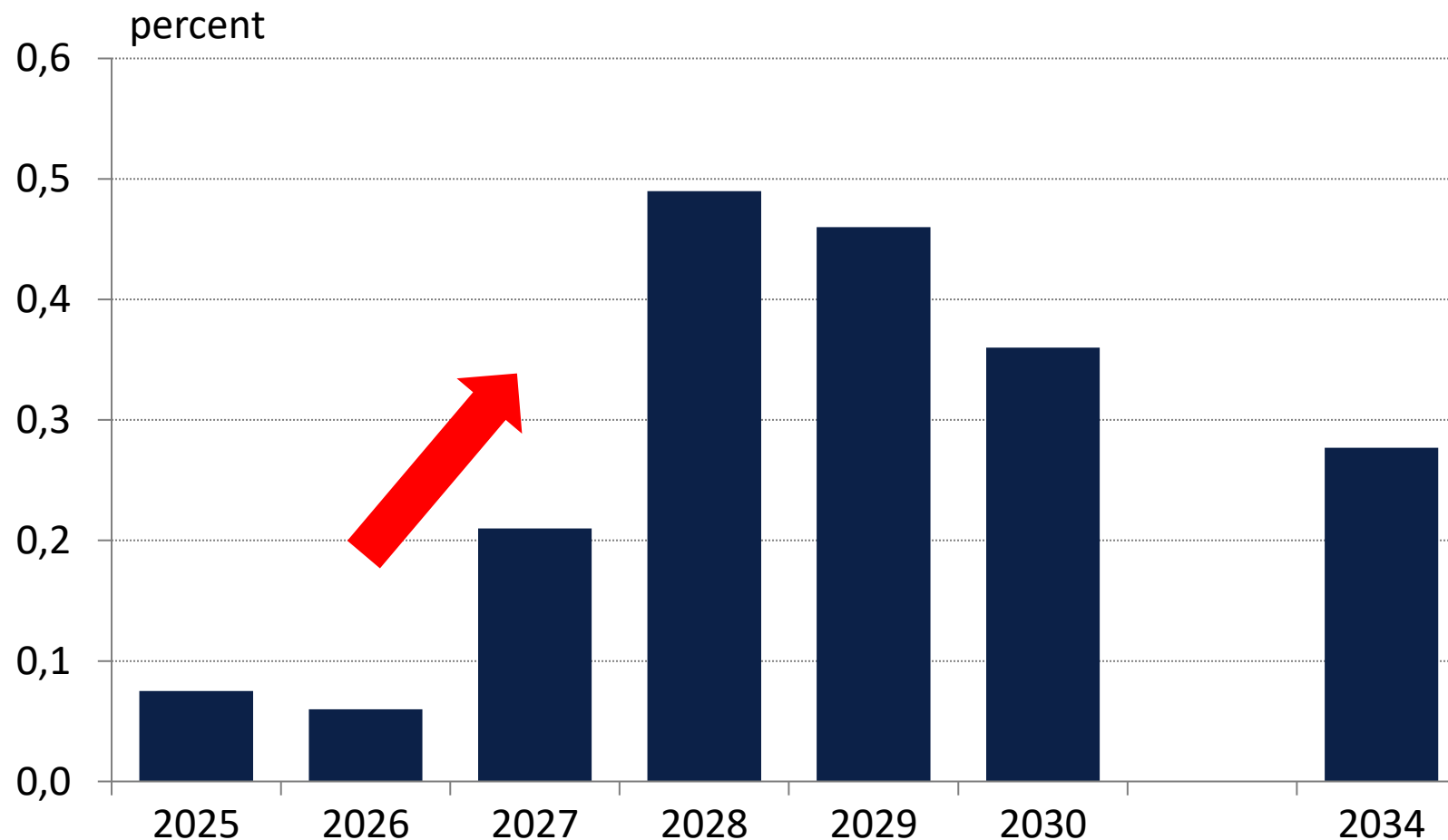






## EUROPEAN FISCAL SPENDING COULD HELP OFFSET THE NEGATIVE EFFECTS OF THE TARIFF WAR

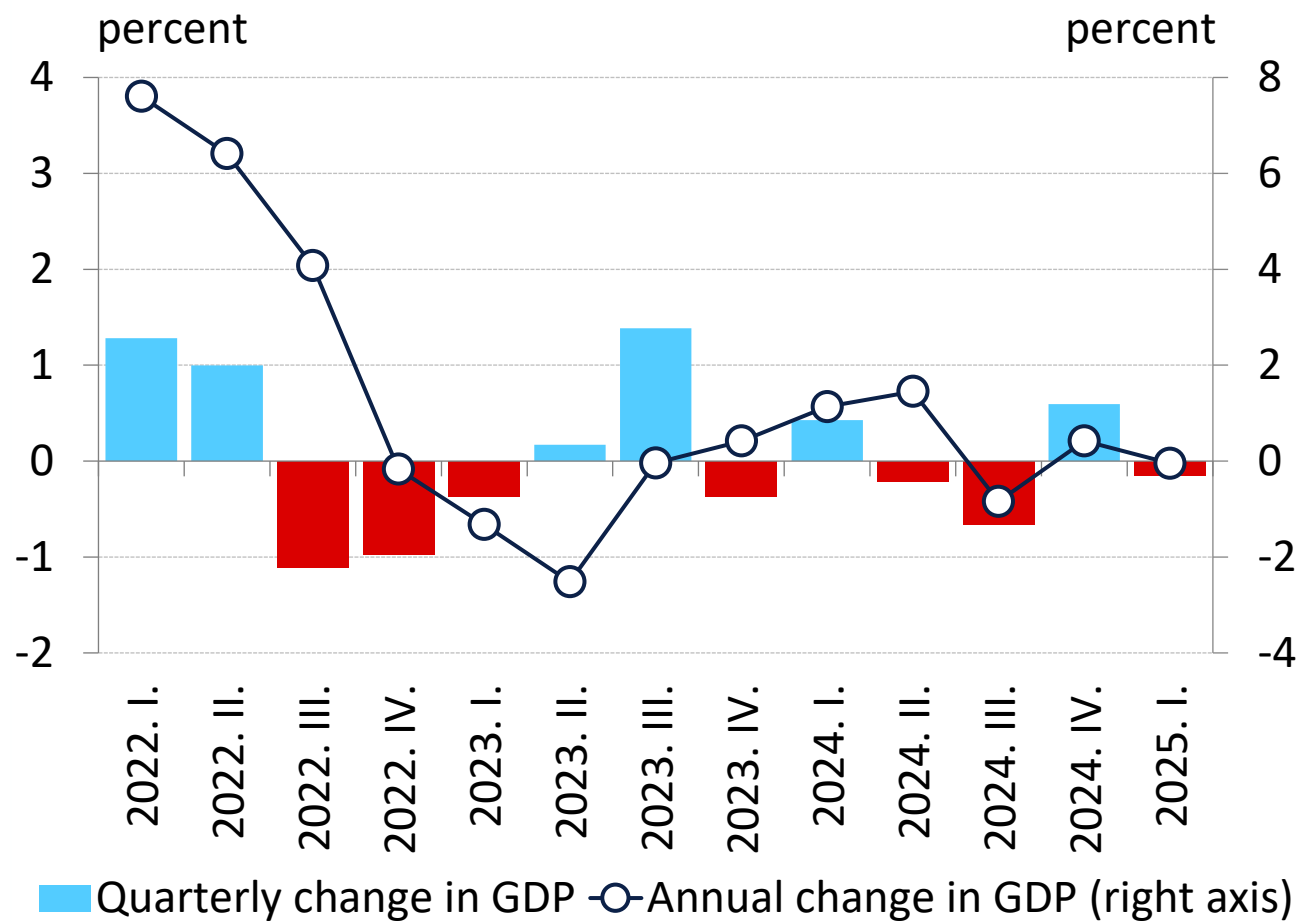
### EXPECTED IMPACT OF INCREASING DEFENSE SPENDING ON EU GDP





# THE HUNGARIAN ECONOMY CONTINUES TO INDICATE A SUBDUED PERFORMANCE

## ANNUAL AND QUARTERLY CHANGES IN DOMESTIC GDP



## CHANGES COMPARED TO Q4 2021

### Household consumption

HU: +8.9%	EU: +4.3%
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### Export

HU: +7.5%	EU: +6.9%
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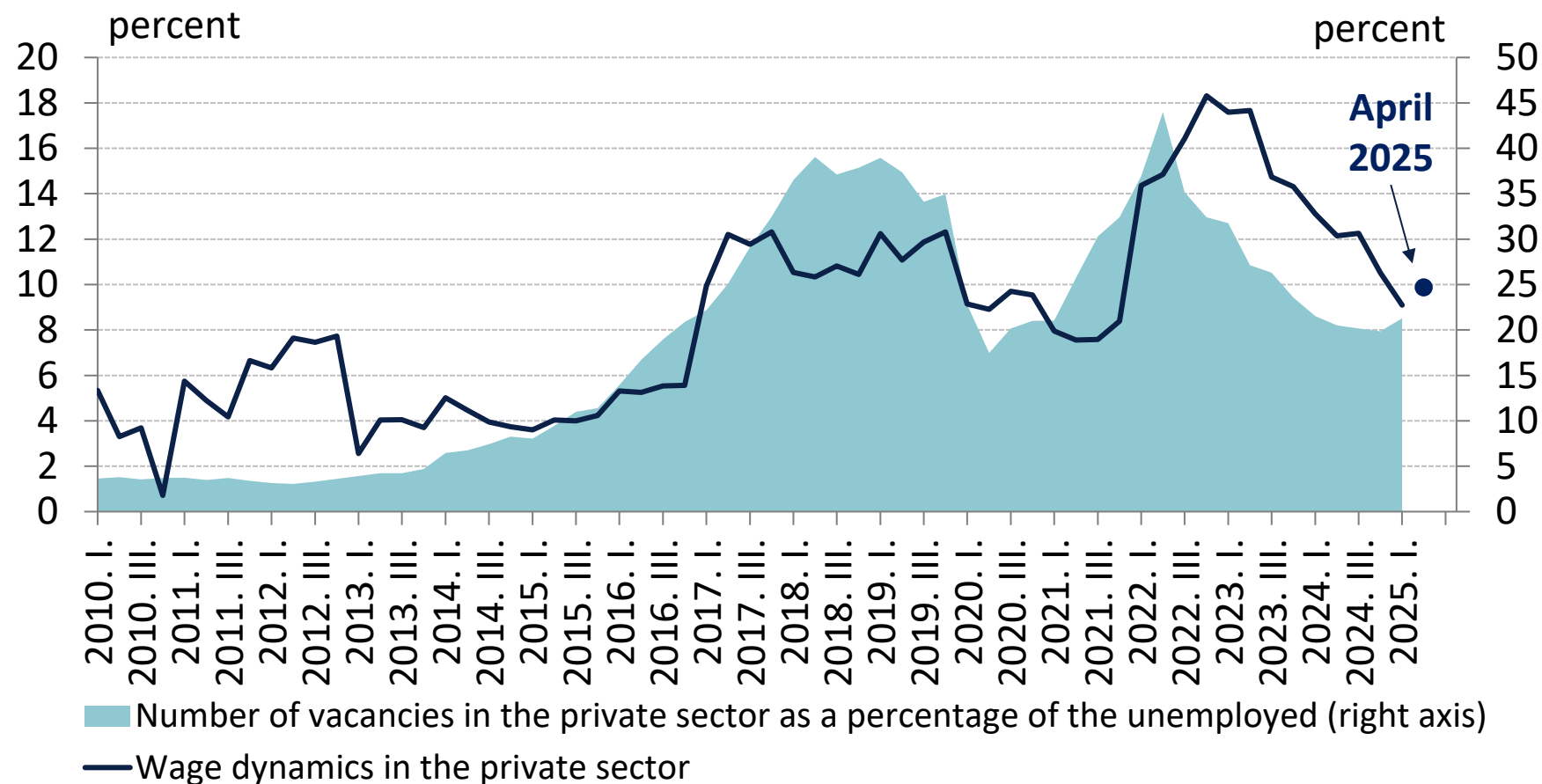
### Investment

HU: -24.0%	EU: +2.8%
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## ADAPTATION TO THE LOOSER LABOR MARKET CONDITIONS HAS ALSO BEGUN IN WAGES

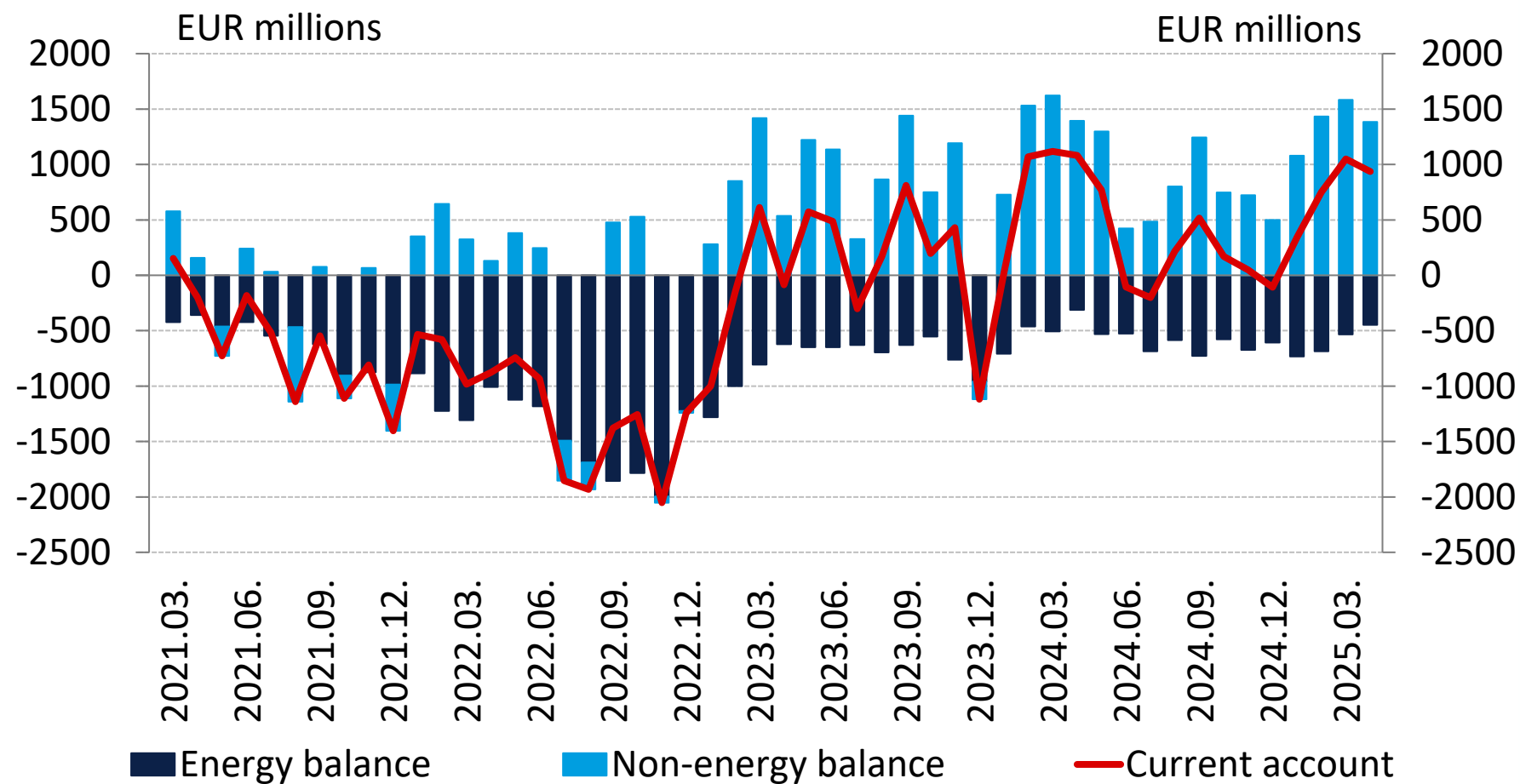
### WAGE DYNAMICS AND AVAILABLE VACANCIES AS A PROPORTION OF THE UNEMPLOYED IN THE PRIVATE SECTOR





## THE CURRENT ACCOUNT SURPLUS REMAINED SIGNIFICANT IN APRIL

### DEVELOPMENTS IN THE CURRENT ACCOUNT AND ENERGY BALANCE



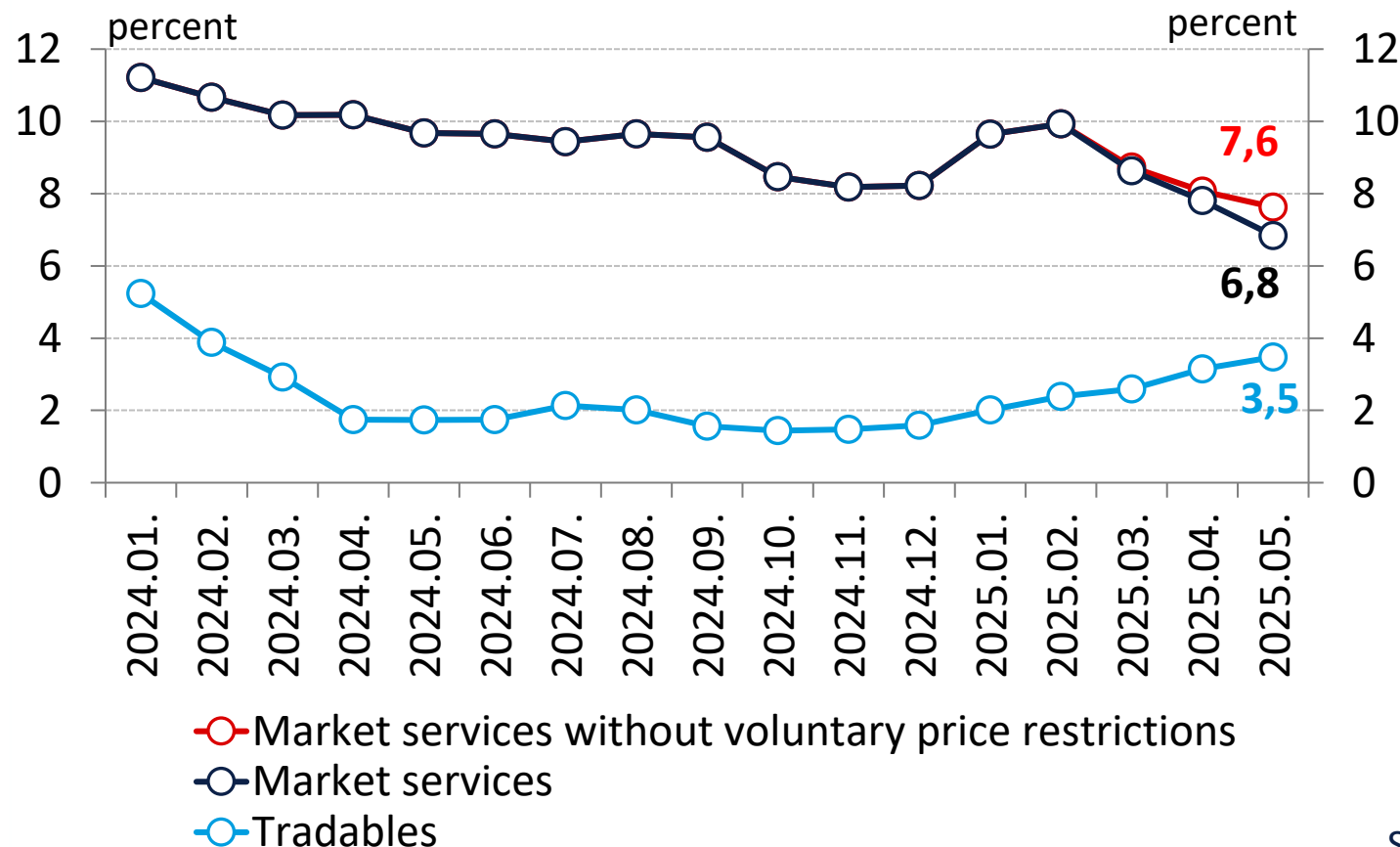
Note | The last monthly value of the energy balance is estimated.  
Source | MNB | 12



# PRICE RESTRICTIONS ARE SIGNIFICANTLY REDUCING INFLATION, MARKET REPRICINGS REMAIN STRONG IN SEVERAL AREAS

Price restriction measures have a strong diminishing effect on inflation.

## DEVELOPMENTS IN INFLATION OF MARKET SERVICES AND TRADABLES



### Inflationary effect May 2025

Price margin cap  
on food  
-1.0 pp.

Price margin cap on  
household goods  
-0.1 pp.

Voluntary price  
restriction  
-0.2 pp.

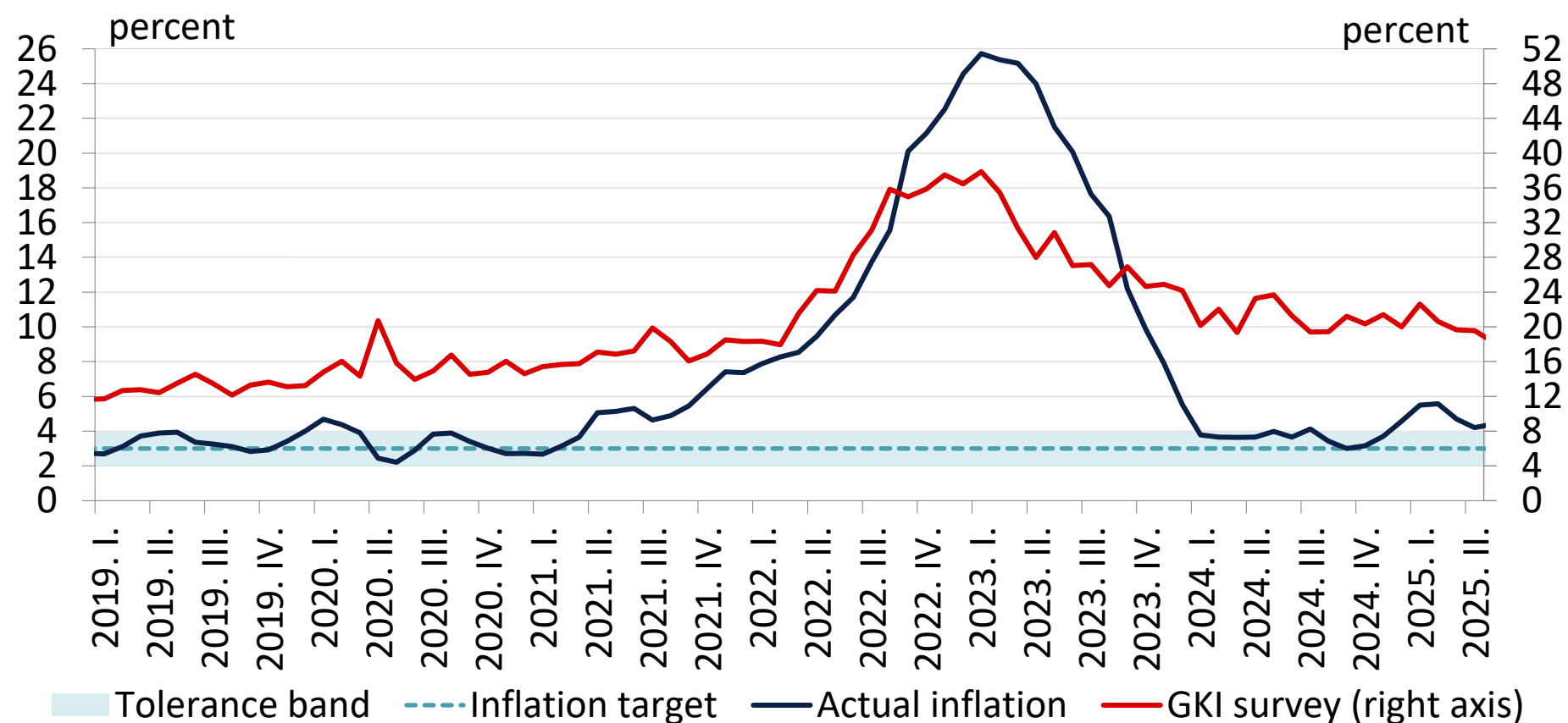
**Overall**  
**-1.3 pp.**



## HOUSEHOLD INFLATION EXPECTATIONS HAVE DECREASED, BUT REMAIN AT HIGH LEVEL

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

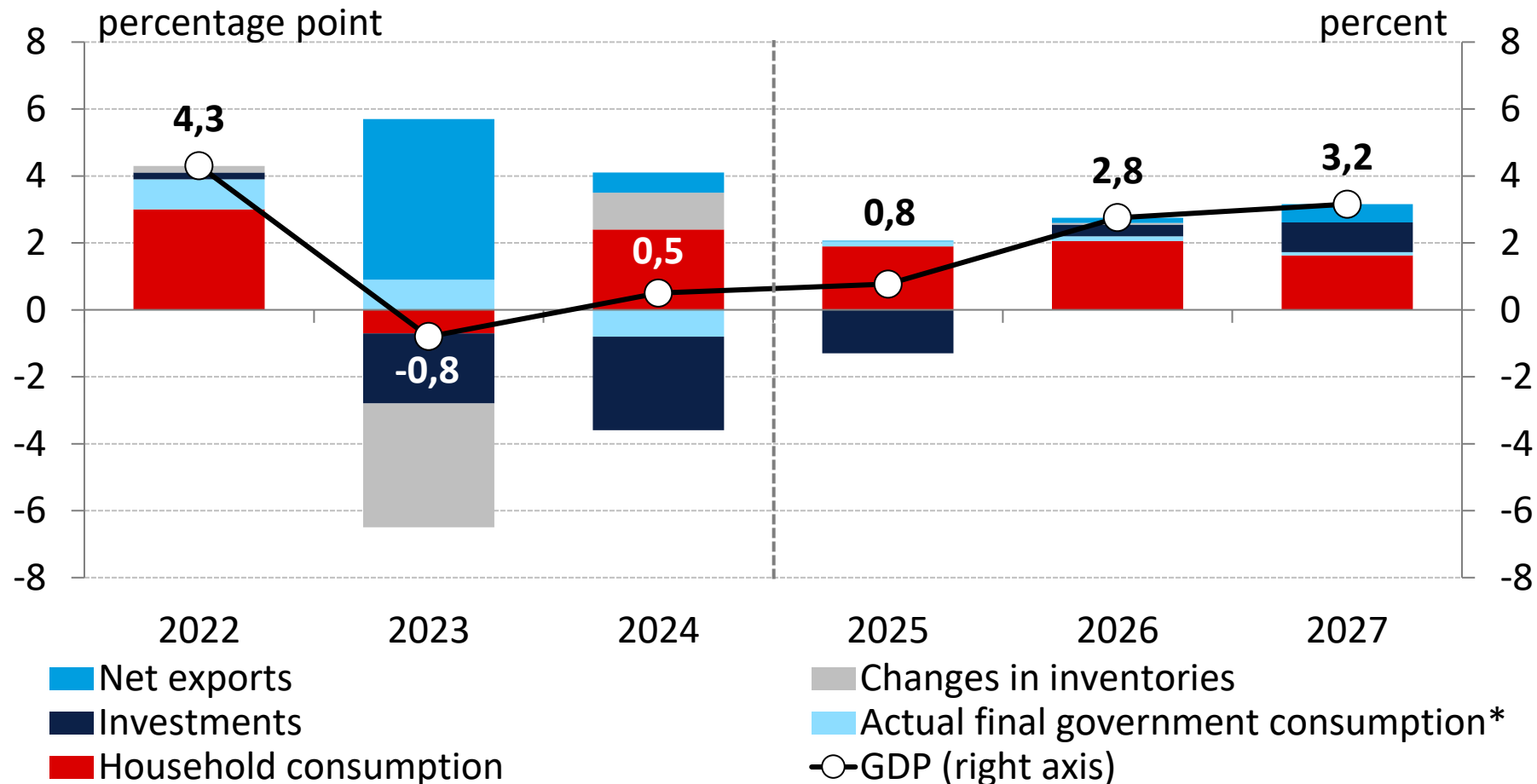
### DEVELOPMENTS IN HOUSEHOLD INFLATION EXPECTATIONS





# HOUSEHOLD CONSUMPTION SUPPORTS GDP GROWTH OVER THE ENTIRE FORECAST HORIZON

## EXPENDITURE SIDE DECOMPOSITION AND FORECAST OF GDP GROWTH



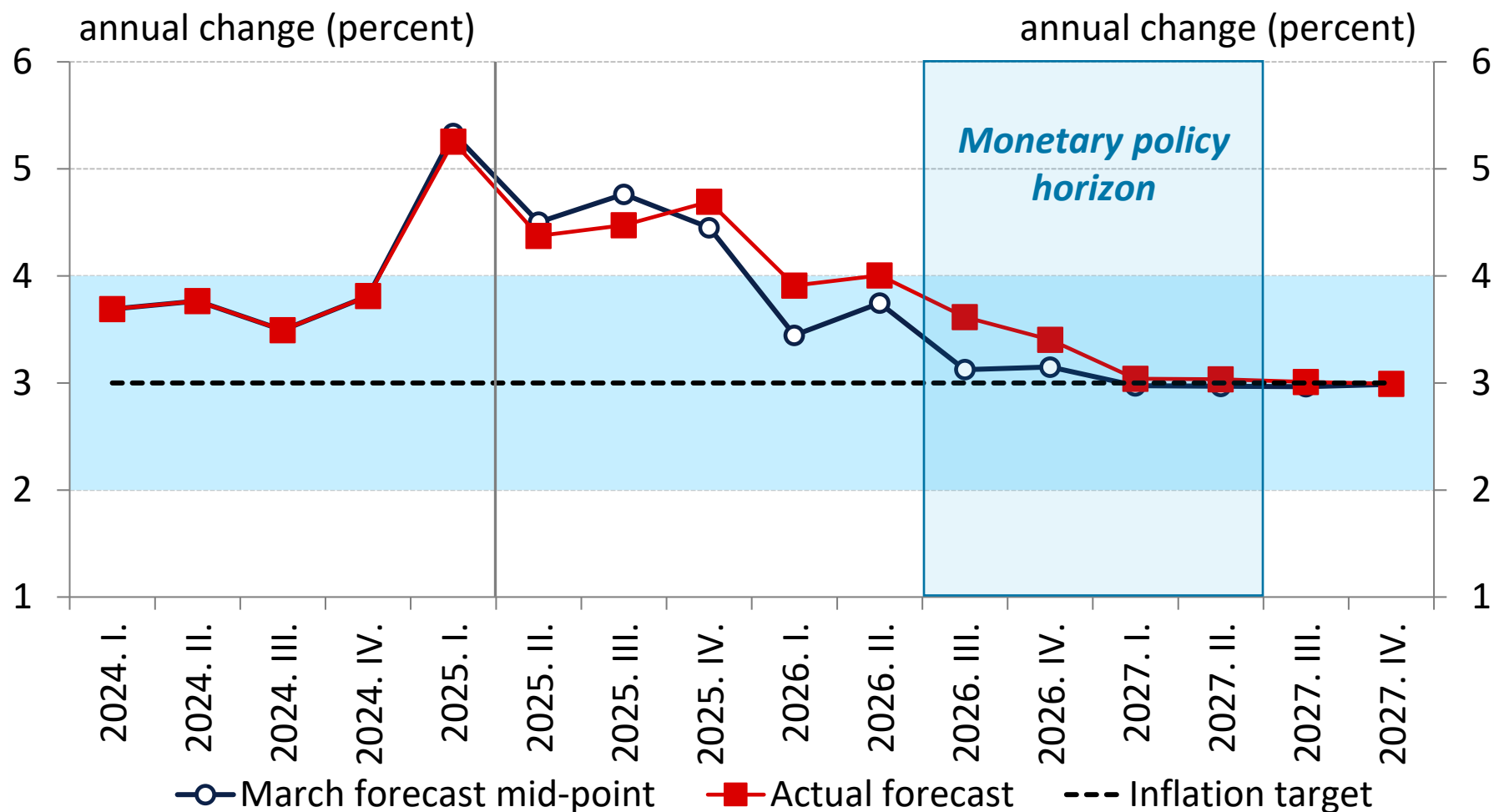
Note | \*Government final consumption expenditure includes final consumption expenditure, as well as the transfers of the general government and nonprofit institutions. | 15

Source | HCSO, MNB forecast



# THE 3 PERCENT INFLATION TARGET WILL BE ACHIEVED IN A SUSTAINABLE MANNER IN 2027

## THE MNB'S LONG-TERM INFLATION FORECAST

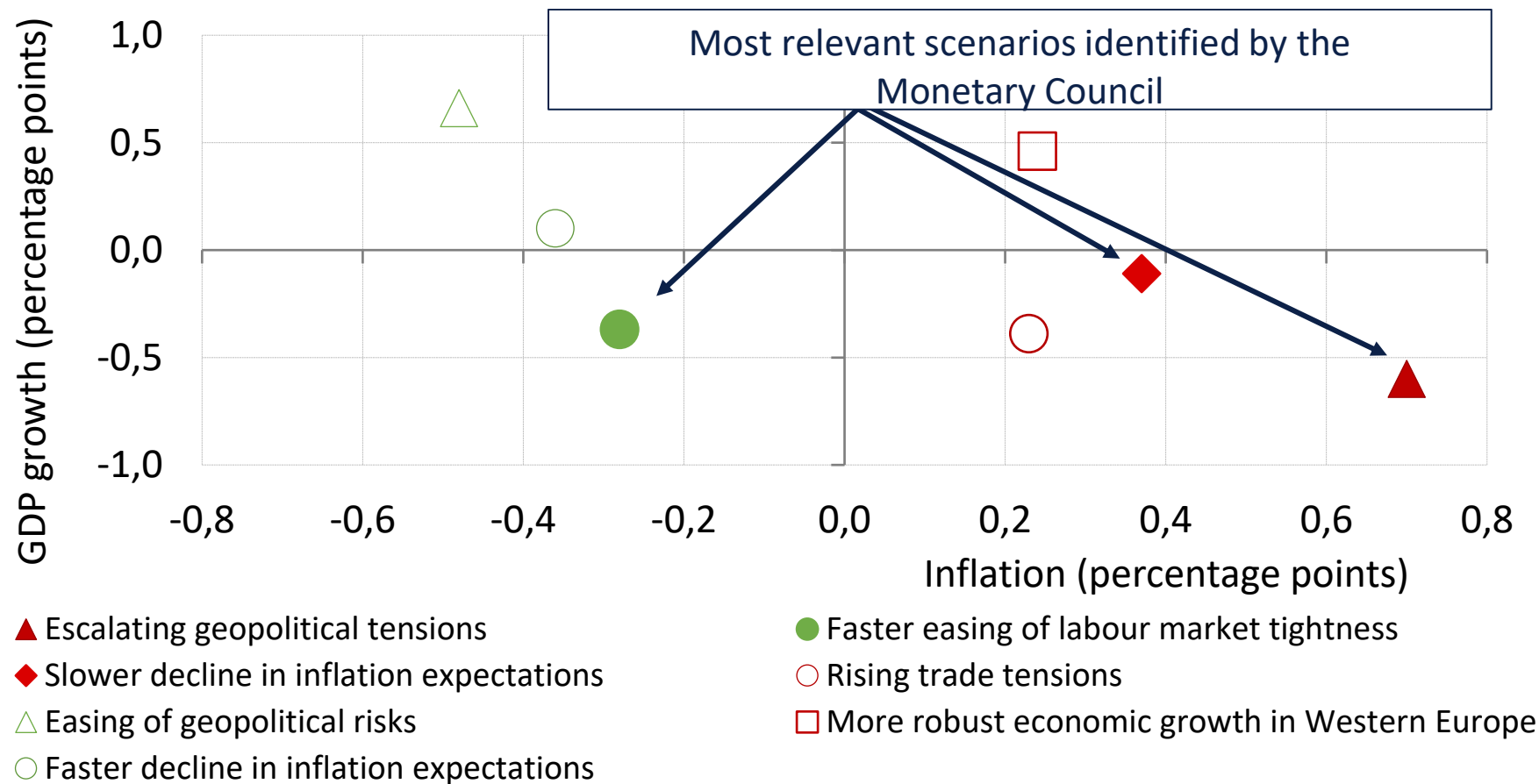






# THE BASELINE SCENARIO IN THE JUNE PROJECTION IS SURROUNDED BY MOSTLY UPSIDE RISKS TO INFLATION AND DOWNSIDE RISKS TO GROWTH

## RISK MAP: THE IMPACT OF ALTERNATIVE SCENARIOS ON OUR FORECAST



Note | The risk map presents the average difference between the inflation and growth path of the alternative scenarios and the baseline forecast over the next 8 quarters. The red markers represent tighter, and the green markers represent looser monetary policy than in the baseline forecast.



# MONETARY POLICY



# STABILITY-ORIENTED MONETARY POLICY CONTINUES TO BE WARRANTED

## Inflation assessment and outlook

- Incoming data was within the Bank's forecast range.
- Mandatory and voluntary price restriction measures played a significant role in diminishing monthly repricings.
- Inflation expectations of households decreased but remain at high level.
- For the rest of the year, inflation is expected to stay above the tolerance band, and then it may permanently decrease into that at the beginning of 2026.
- The inflation outlook is surrounded by mostly upside risks.

## Global financial market sentiment

- Risk appetite is mainly influenced by developments related to the further escalating geopolitical conflicts and tariff negotiations.
- Global investor sentiment and energy prices continue to be characterized by volatility. This affects 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 interest rate corridor also remained unchanged.

- 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 did not change.**



THANK YOU FOR YOUR  
ATTENTION!