



PRESS CONFERENCE FOLLOWING THE MONETARY COUNCIL'S DECISION ON 27 MAY 2025



MAIN MESSAGES: THE MAY MONETARY POLICY DECISION

- **The inflation rate is expected to remain near the upper bound of the central bank tolerance band in the coming months.**
- **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.**
- **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 improved**, partly due to the first trade agreements being more favourable than expected by market analyses.
- **Energy and commodity prices** increased slightly but **remain below pre-tariff announcement levels**.
- **In the continued uncertain environment the interest rate path expected from the world's leading central banks shifted upward.**

DOMESTIC MACROECONOMIC DEVELOPMENTS

- **In Q1, Hungarian economy stagnated.** Wage dynamics have generally slowed down in the beginning of 2025.
- **Inflation remained within the MNB's forecast range in April.** Food prices decreased on a monthly basis; however, the monthly repricings of market services and industrial goods were above the historical average. **The inflation outlook remains surrounded by substantial risks.**
- The country's **financial and capital market perception is supported by improving fundamentals.**
- **The capitalisation of domestic banks is strong, and their liquidity level remains abundant** despite expiring central bank programs.



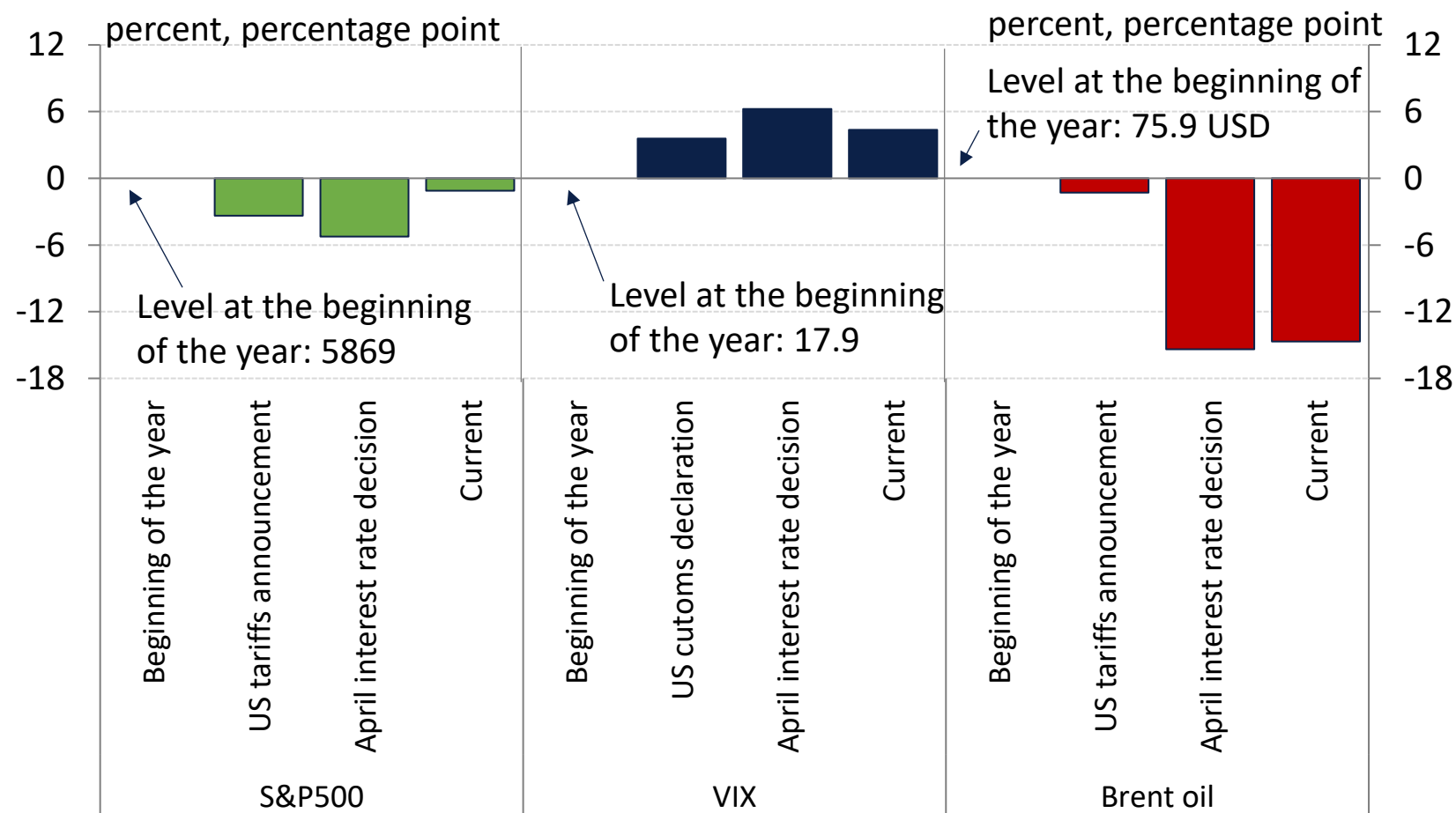
MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT AND OUTLOOK



INVESTOR SENTIMENT IN FINANCIAL MARKETS HAS IMPROVED IN RECENT WEEKS

Energy prices continue to be below pre-tariff announcement levels.

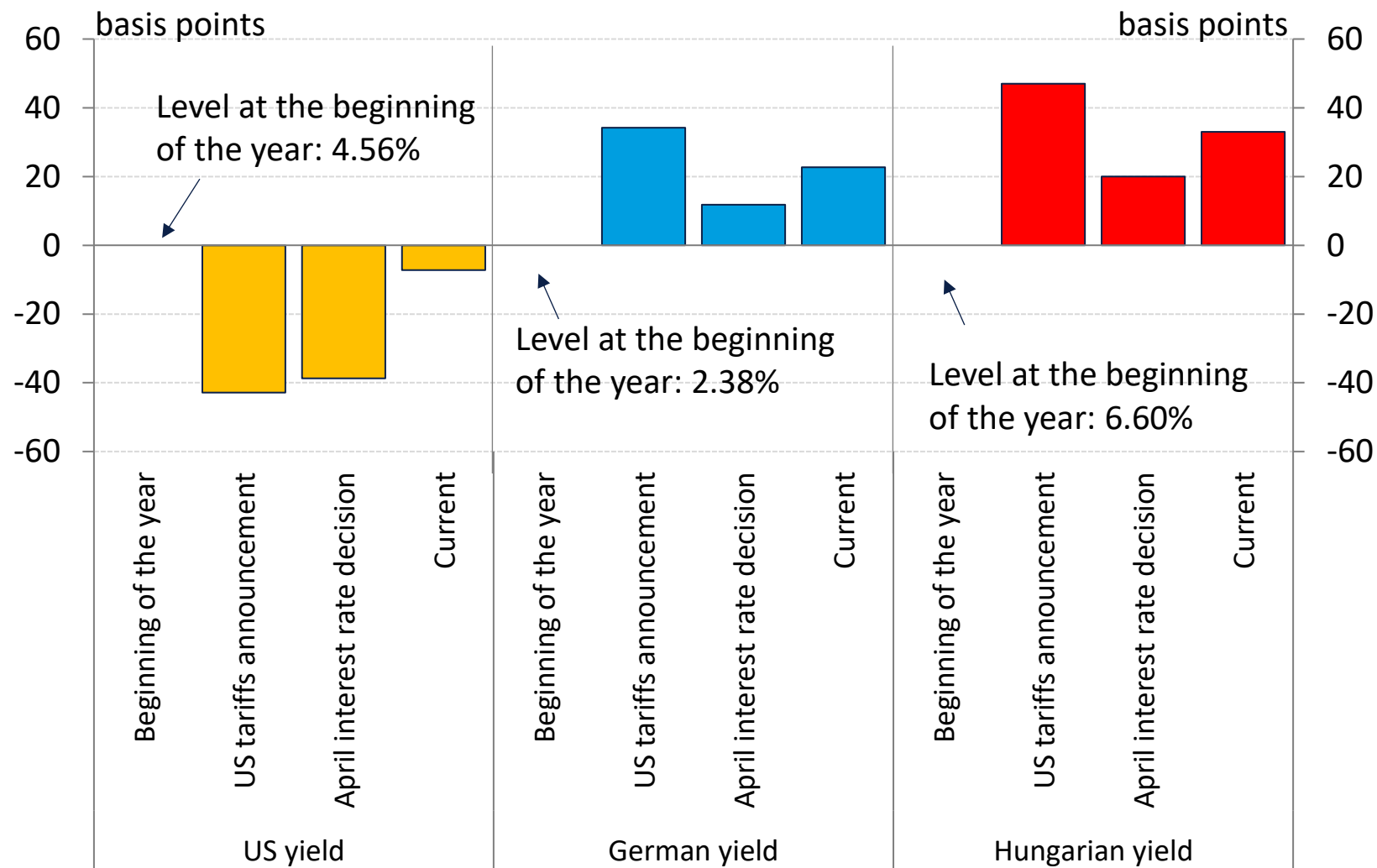
CHANGES IN THE S&P500, VIX AND BRENT OIL SINCE THE BEGINNING OF 2025





BOTH AMERICAN AND EUROPEAN LONG-TERM YIELDS INCREASED

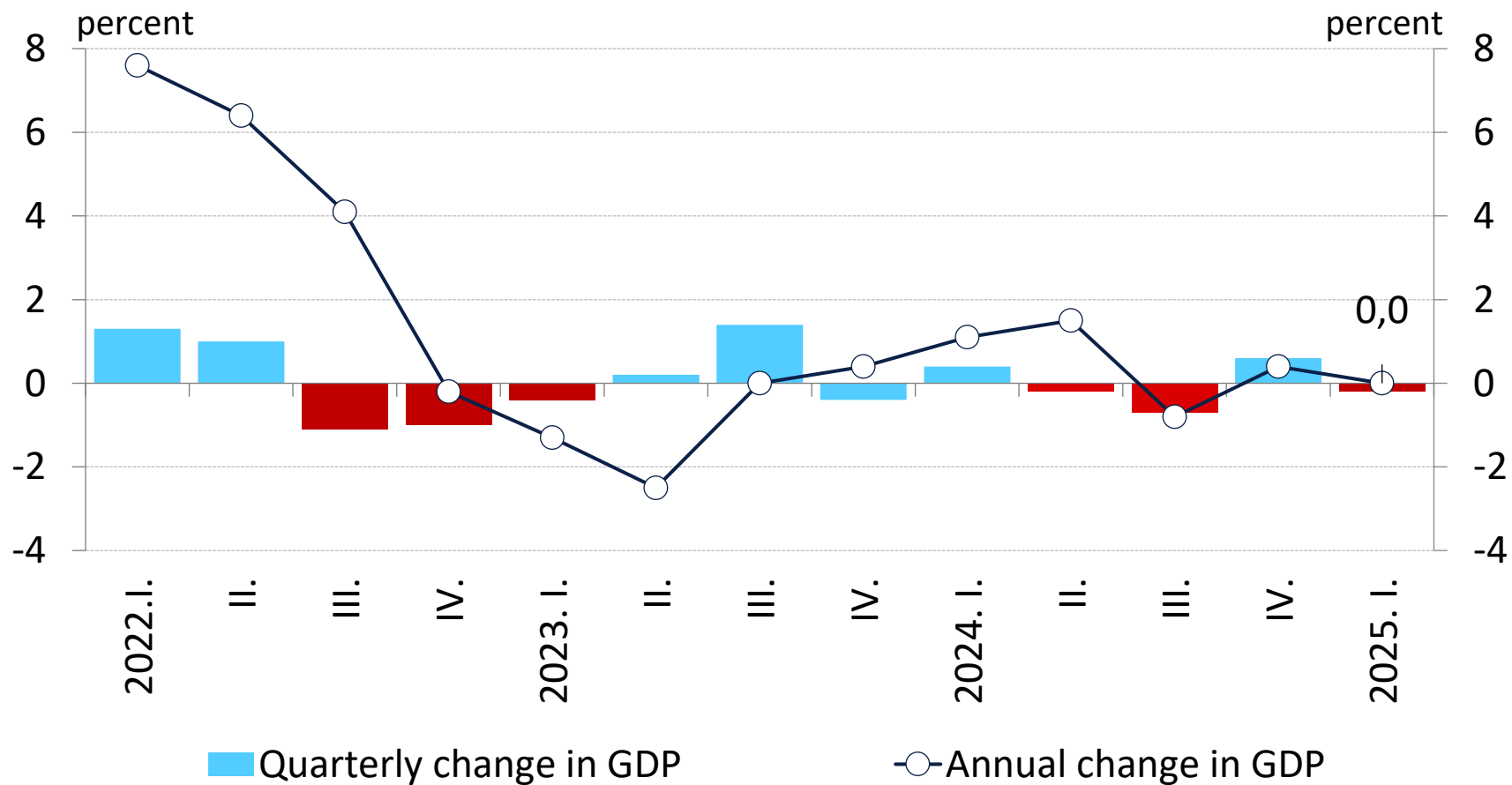
CHANGES IN INTERNATIONAL LONG-TERM YIELDS SINCE THE BEGINNING OF 2025





DOMESTIC ECONOMY STAGNATED IN THE FIRST QUARTER

ANNUAL AND QUARTERLY CHANGES IN GDP



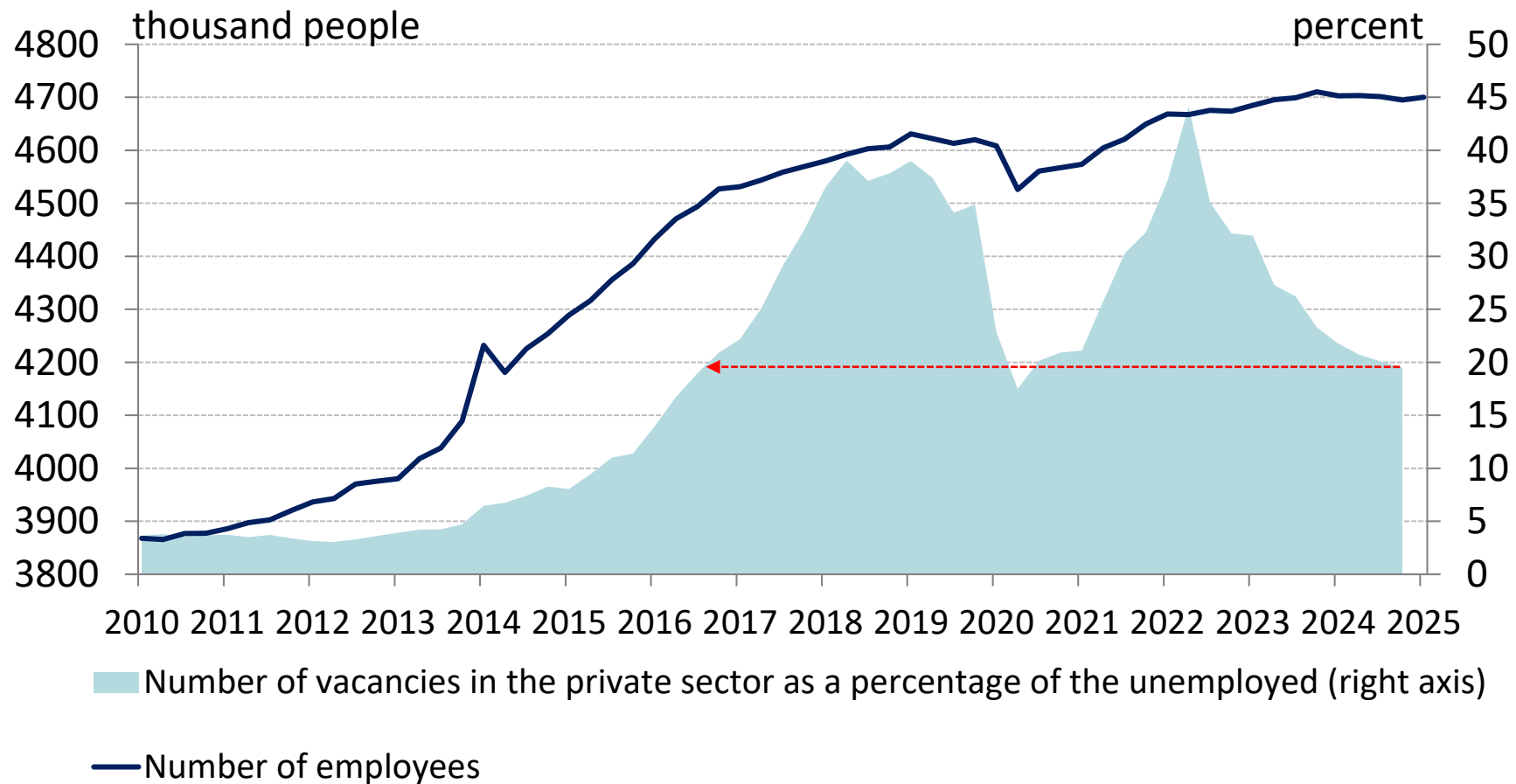
Note | Quarterly change based on seasonally and calendar adjusted data.

Source | HCSO | 7



EMPLOYMENT LEVELS ARE HISTORICALLY HIGH, BUT TIGHTNESS IS EASING

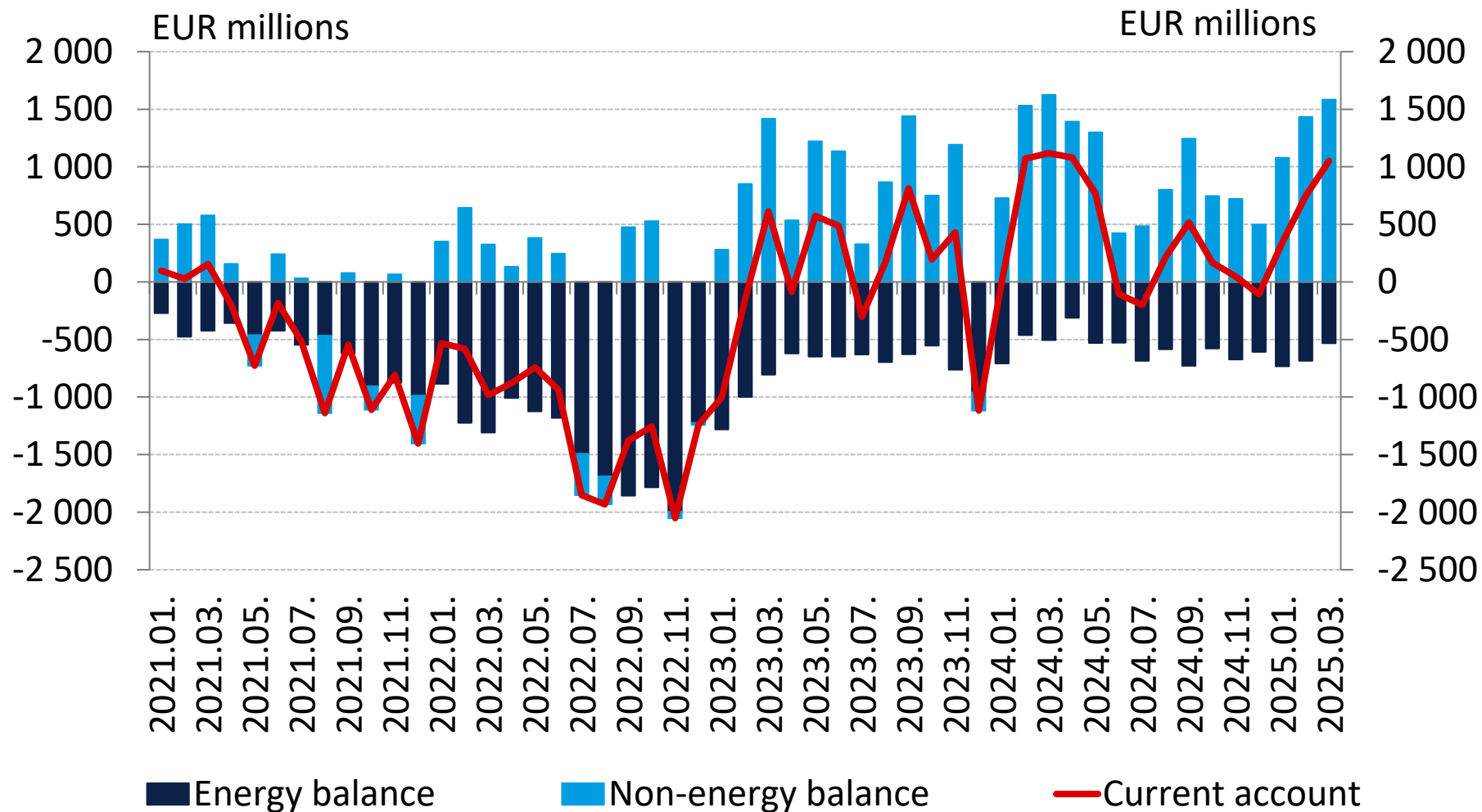
EMPLOYMENT AND VACANCIES IN THE PRIVATE SECTOR AS A PERCENTAGE OF THE UNEMPLOYED





THE CURRENT ACCOUNT BALANCE SHOWED A SIGNIFICANT SURPLUS IN MARCH

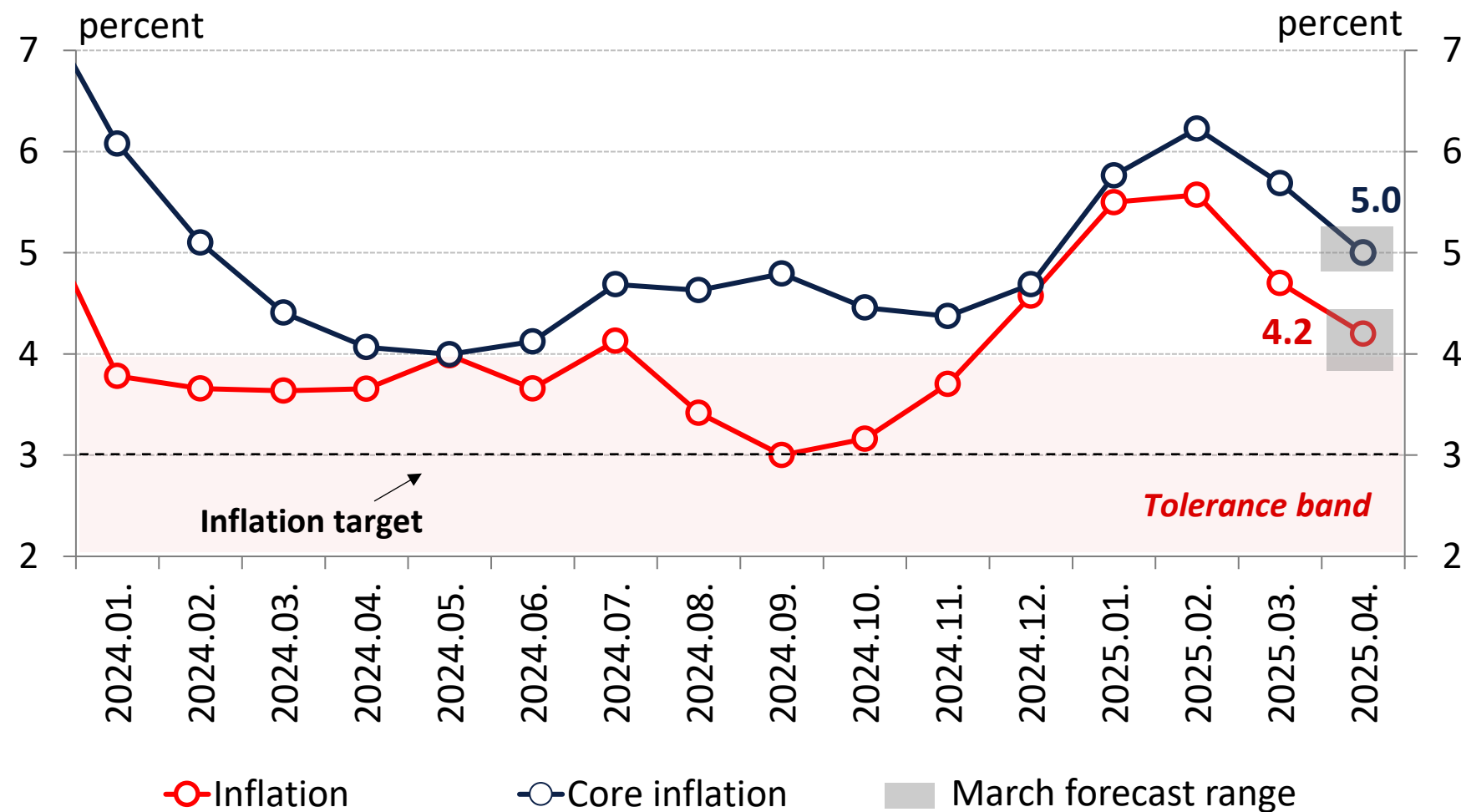
DEVELOPMENTS IN THE CURRENT ACCOUNT AND ENERGY BALANCE





INFLATION AND CORE INFLATION WERE IN LINE WITH OUR EXPECTATIONS IN APRIL

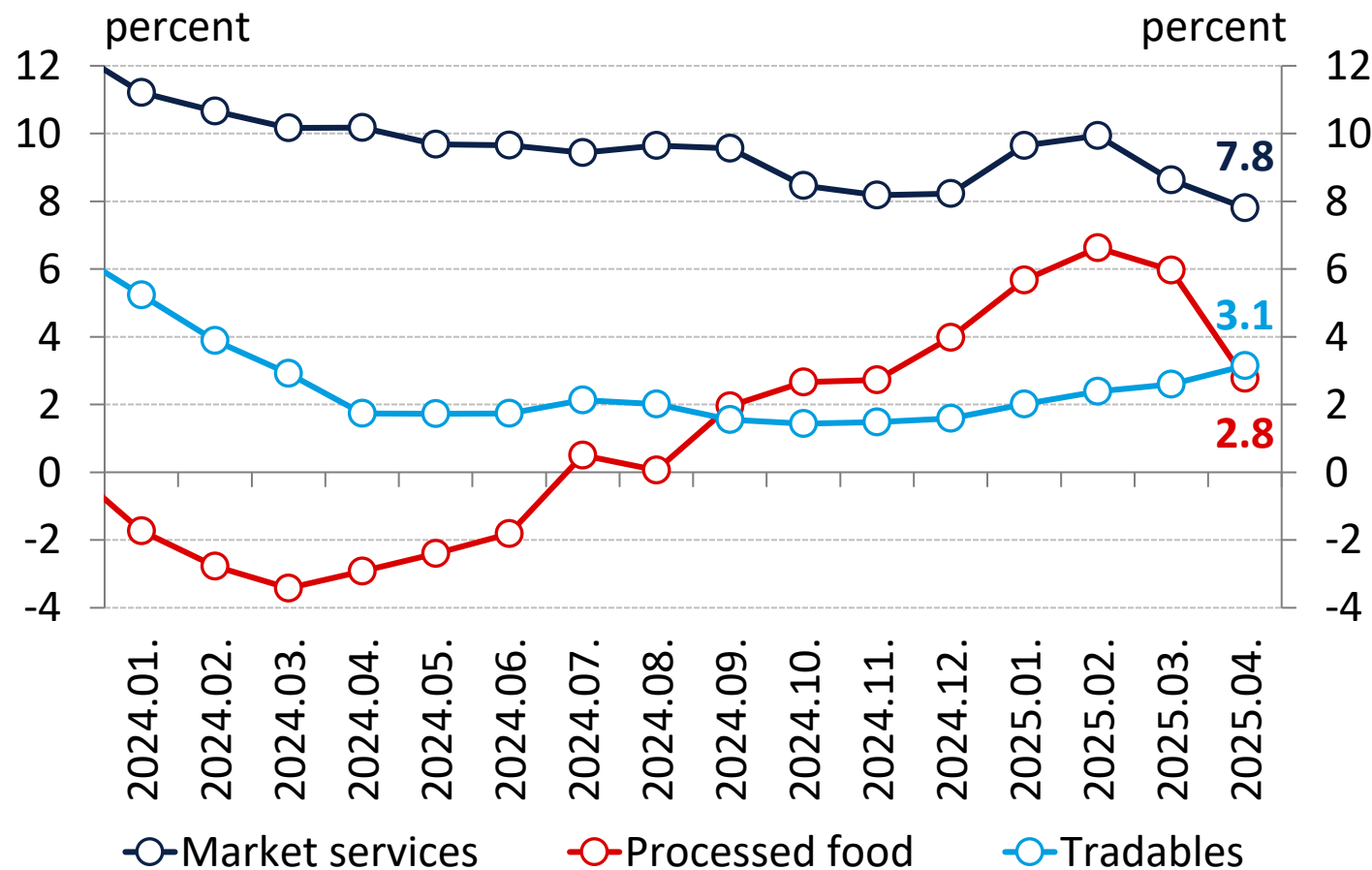
DEVELOPMENTS IN INFLATION AND CORE INFLATION





IN ADDITION TO THE SLOWDOWN IN FOOD PRICE DYNAMICS IN APRIL, THE MONTHLY PRICE INCREASE OF MARKET SERVICES AND TRADABLES WAS OUTSTANDING

DEVELOPMENTS IN MARKET SERVICES, TRADABLES AND PROCESSED FOOD INFLATION



26.8%

12.4%

26.1%

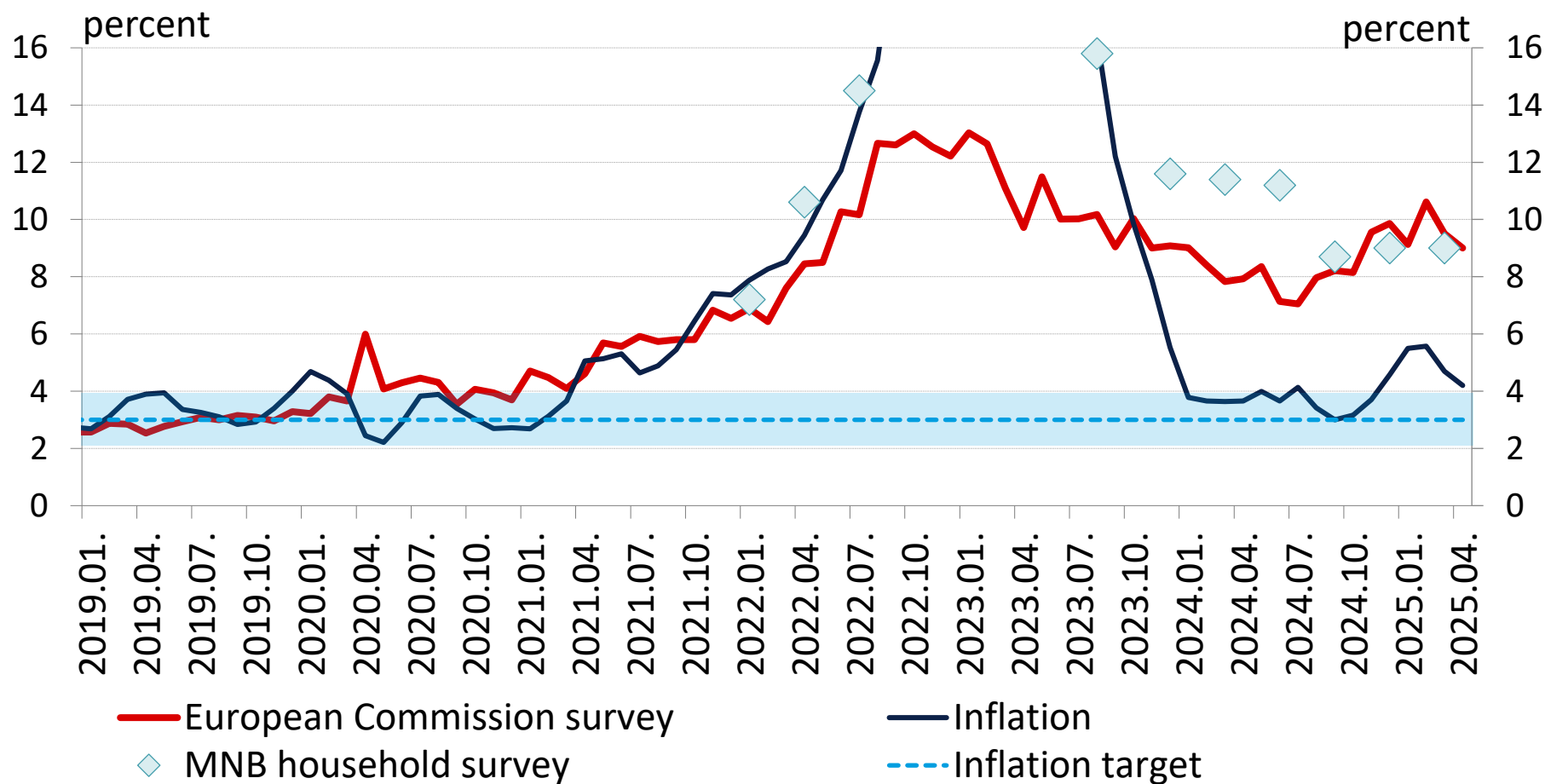
Weight in CPI
basket



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

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

DEVELOPMENTS IN HOUSEHOLD INFLATION EXPECTATIONS





MONETARY POLICY



CAREFUL AND PATIENT MONETARY POLICY CONTINUES TO BE WARRANTED

Inflation assessment and outlook

- Incoming data was within the Bank's forecast range.
- The price of food decreased on a monthly basis, while the repricing of market services and industrial goods remained above the historical average.
- Inflation expectations have decreased but remain at high levels.
- Tariff announcements have led to risks to inflation with different timings and opposite directions in the domestic economy.

Global financial market sentiment

- Uncertainty is high in the assessment of the effects of global trade policy.
- 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 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

*„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
ATTENTION!