Mihály Varga
Governor | Magyar Nemzeti Bank

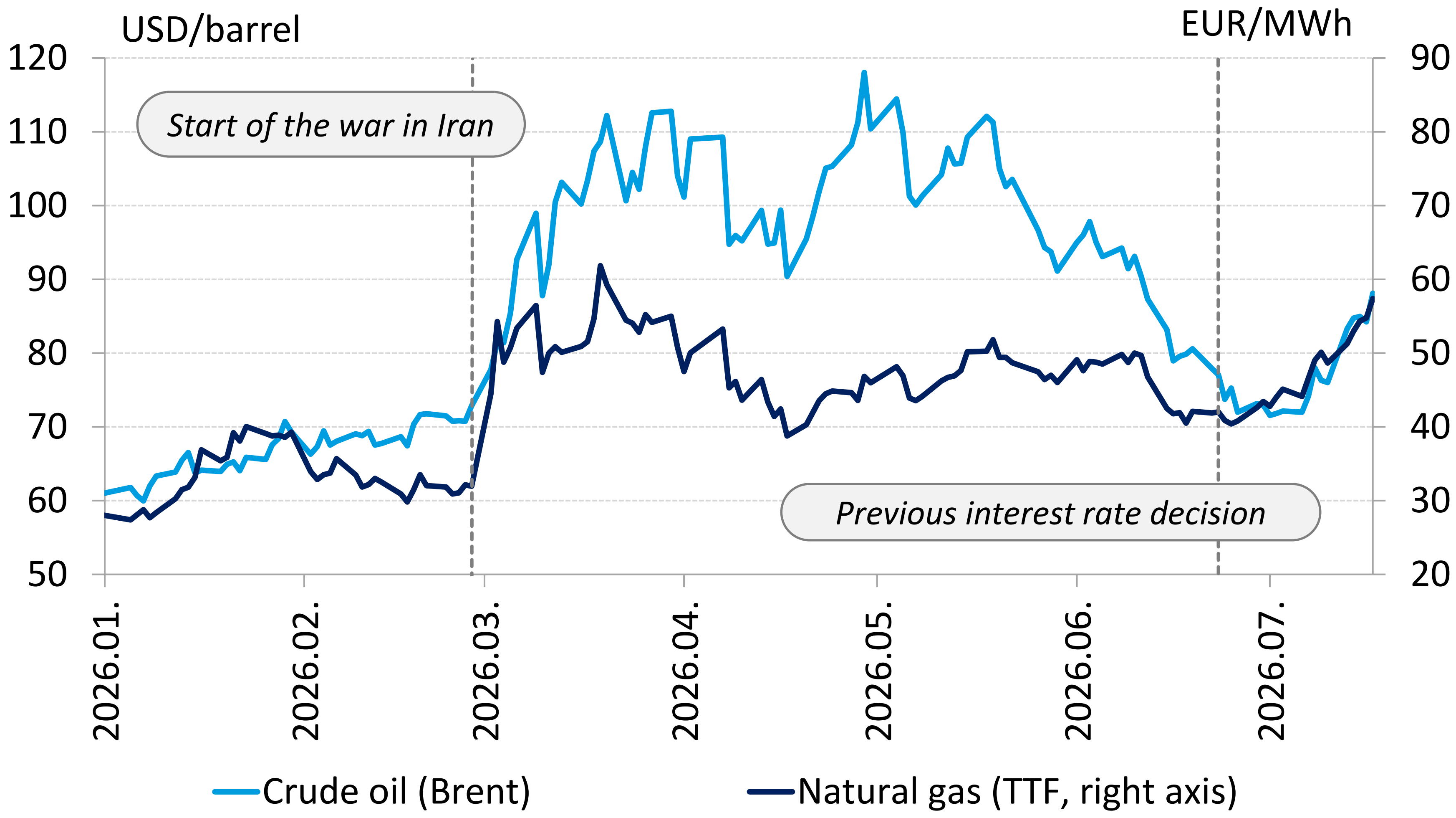
PRESS CONFERENCE FOLLOWING THE MONETARY COUNCIL’S DECISION ON 21 JULY 2026

KEY MESSAGES: THE MONETARY COUNCIL'S ASSESSMENT AND DECISION IN JULY

- **The Monetary Council is committed to achieving the 3 percent inflation target in a sustainable manner.**
- Inflation developments were **more favourable than the baseline scenario projected in June**, while the **lower risk premium** on domestic assets **persisted.**
- **The Council reduced the base rate to 5.75 percent** at today's meeting.
- Looking ahead, Hungary's risk assessment will be influenced by **expectations regarding the fiscal path and the adoption of the euro, as well as the developments in the conflict in the Middle East.**
- **If favourable developments persist, the Council** – while maintaining a positive real interest rate – **sees room to further decrease the base rate throughout the summer.**
- We will decide **on the continuation of the interest rate cuts based on the September Inflation Report.**

GLOBAL INVESTOR SENTIMENT CONTINUES TO BE SHAPED BY GEOPOLITICAL DEVELOPMENTS IN THE MIDDLE EAST

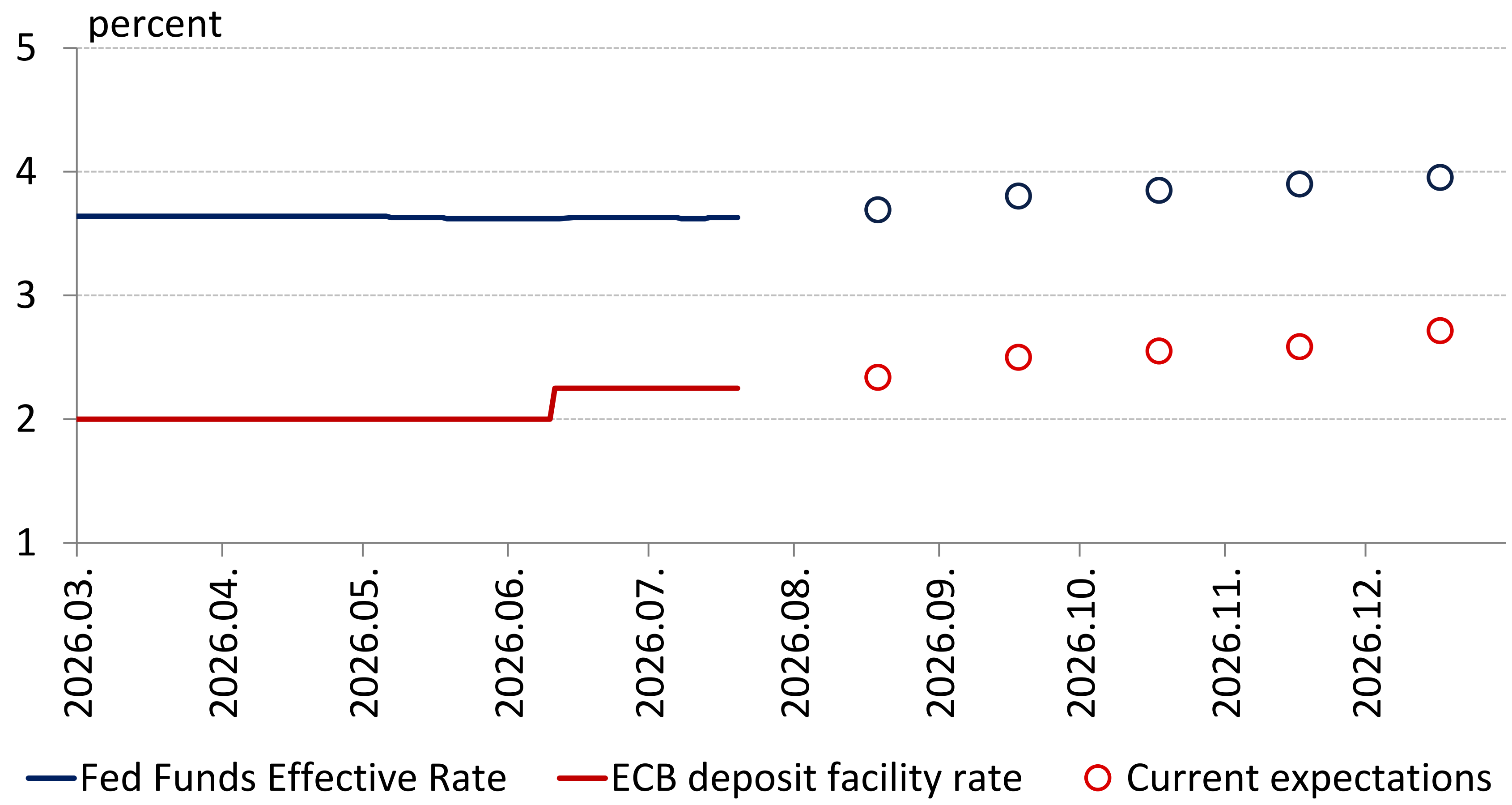
OIL AND GAS PRICES



Source | Bloomberg

MARKETS CONTINUE TO PRICE IN RISING INTEREST RATES FROM BOTH THE ECB AND THE FED

THE EXPECTED INTEREST RATE PATH OF THE FEDERAL RESERVE AND THE EUROPEAN CENTRAL BANK, BASED ON MARKET PRICING

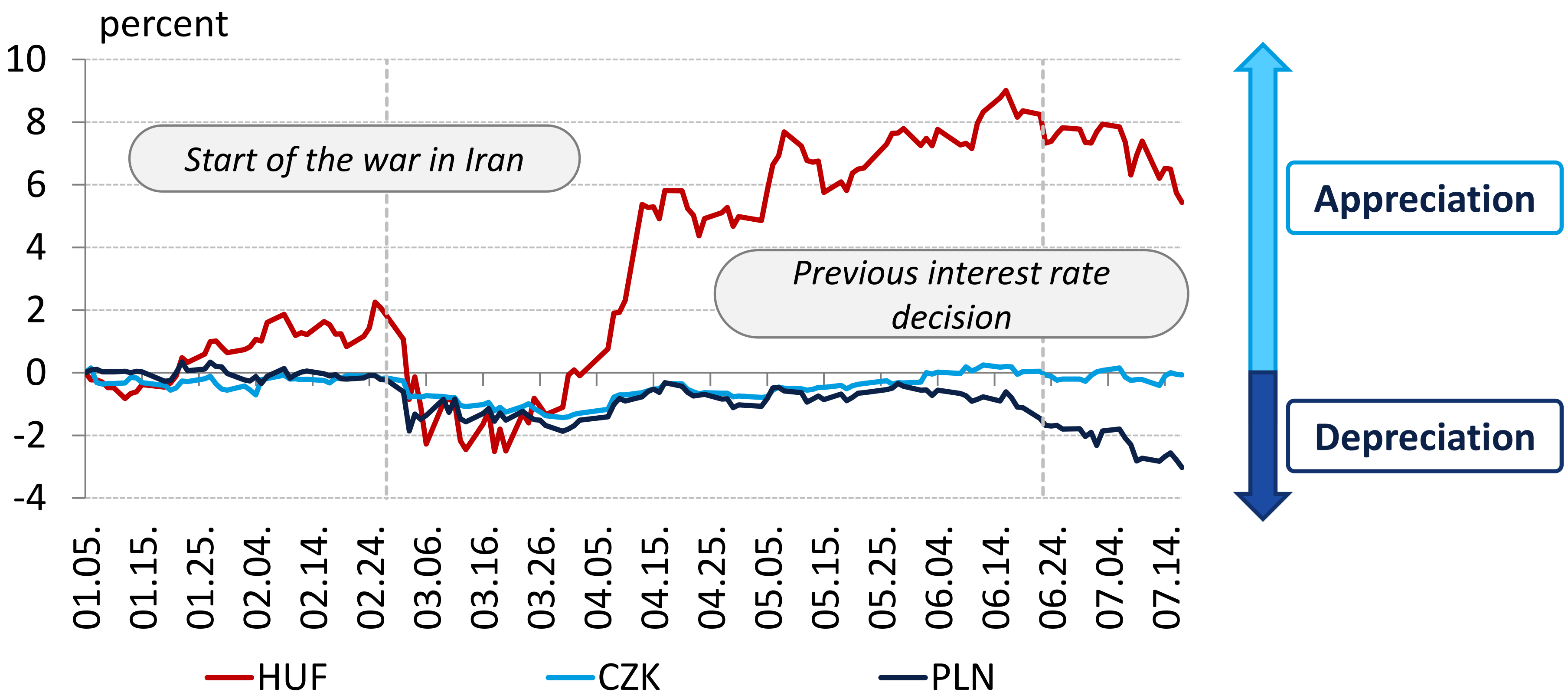


Source | Bloomberg

THE STRONGER EXCHANGE RATE OBSERVED IN RECENT MONTHS HAS HELD UP

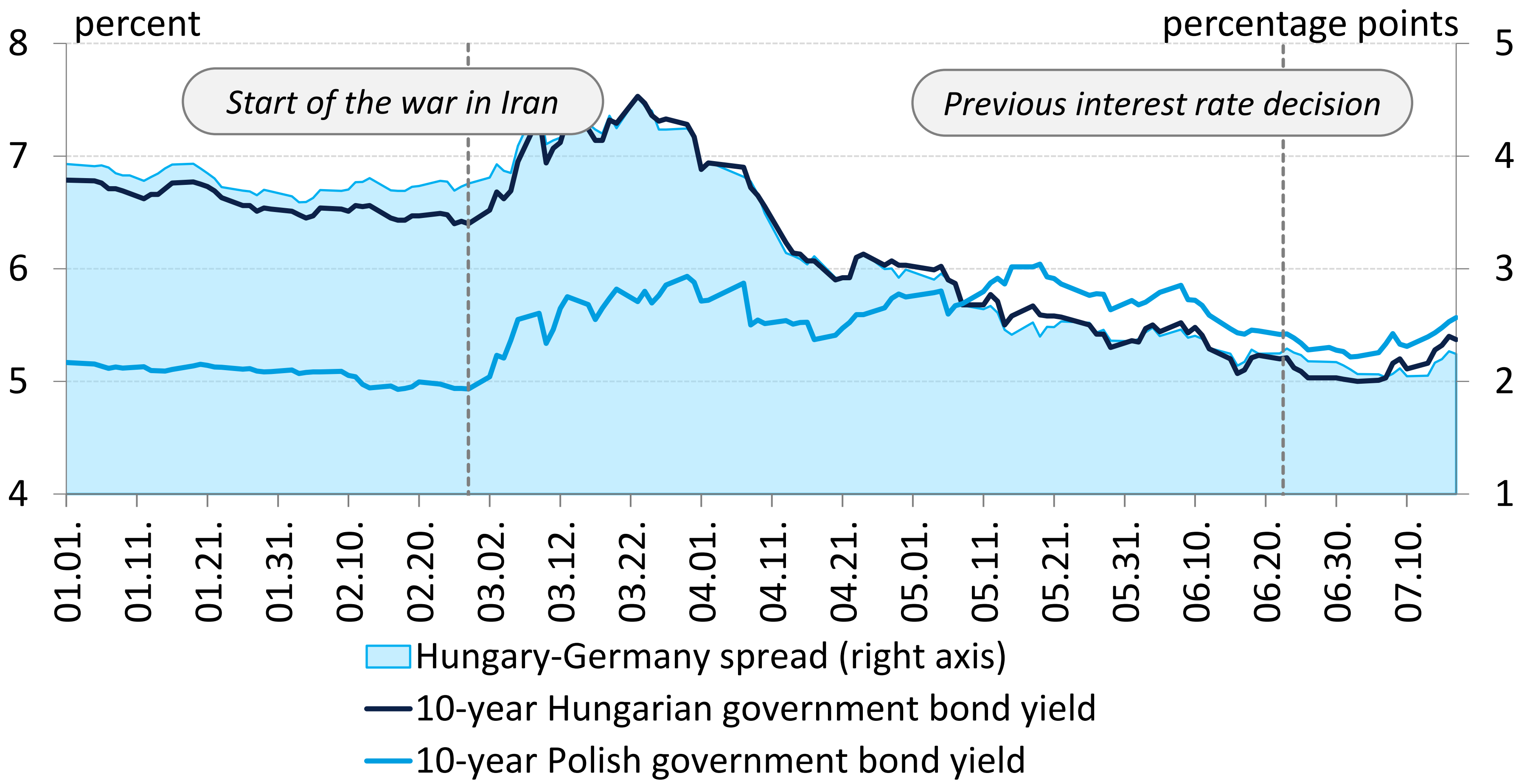
A stronger forint anchors inflation expectations and thus contributes to achieving price stability.

EXCHANGE RATE OF CEE CURRENCIES AGAINST THE EURO



THE LOWER RISK PREMIUM ON DOMESTIC ASSETS PERSISTED

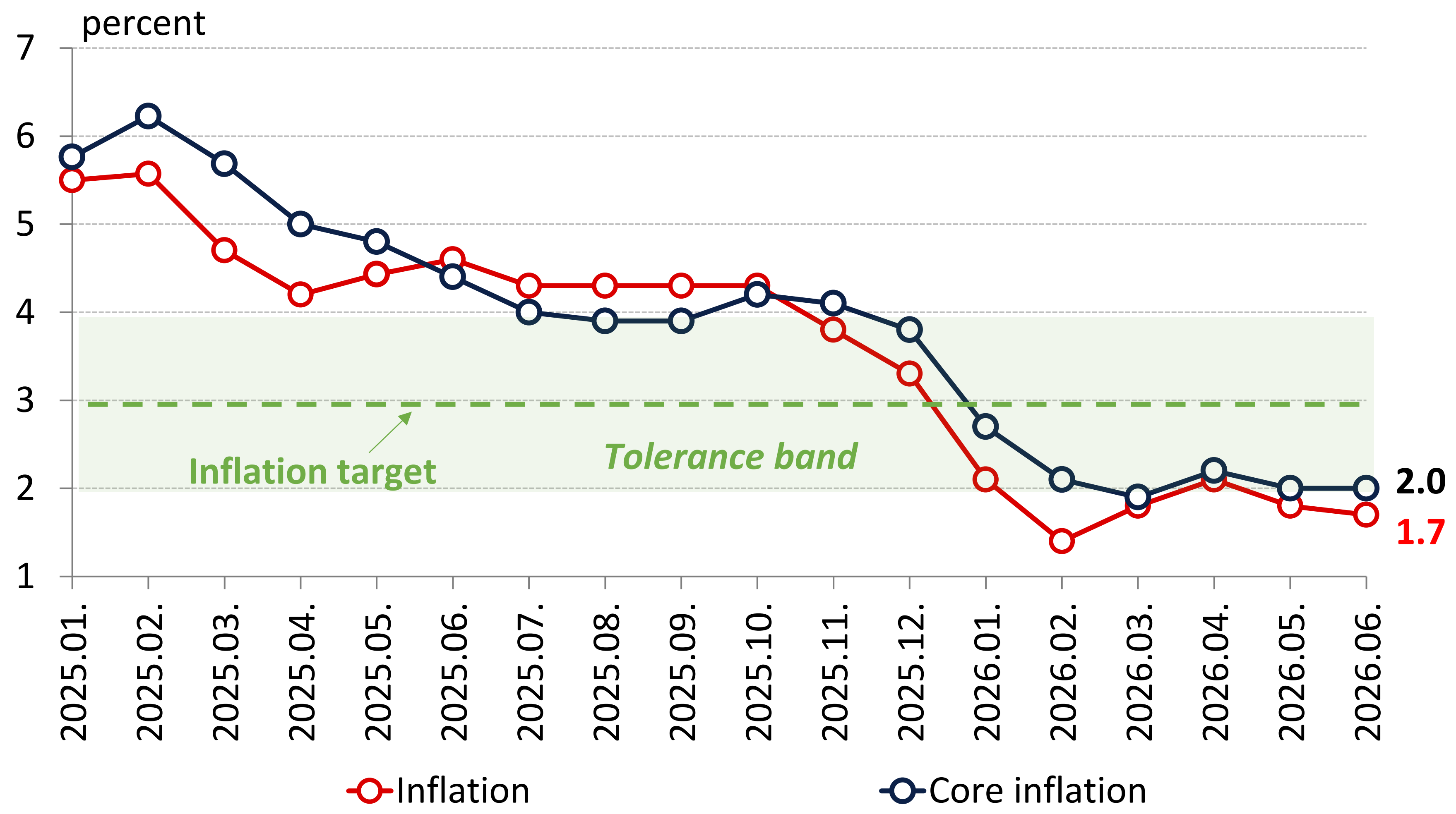
10-YEAR GOVERNMENT BOND YIELD IN POLAND AND HUNGARY AND HUNGARY'S YIELD SPREAD AGAINST GERMANY



Source | Bloomberg

INFLATION WAS AT THE LOWER END OF THE TOLERANCE BAND IN JUNE

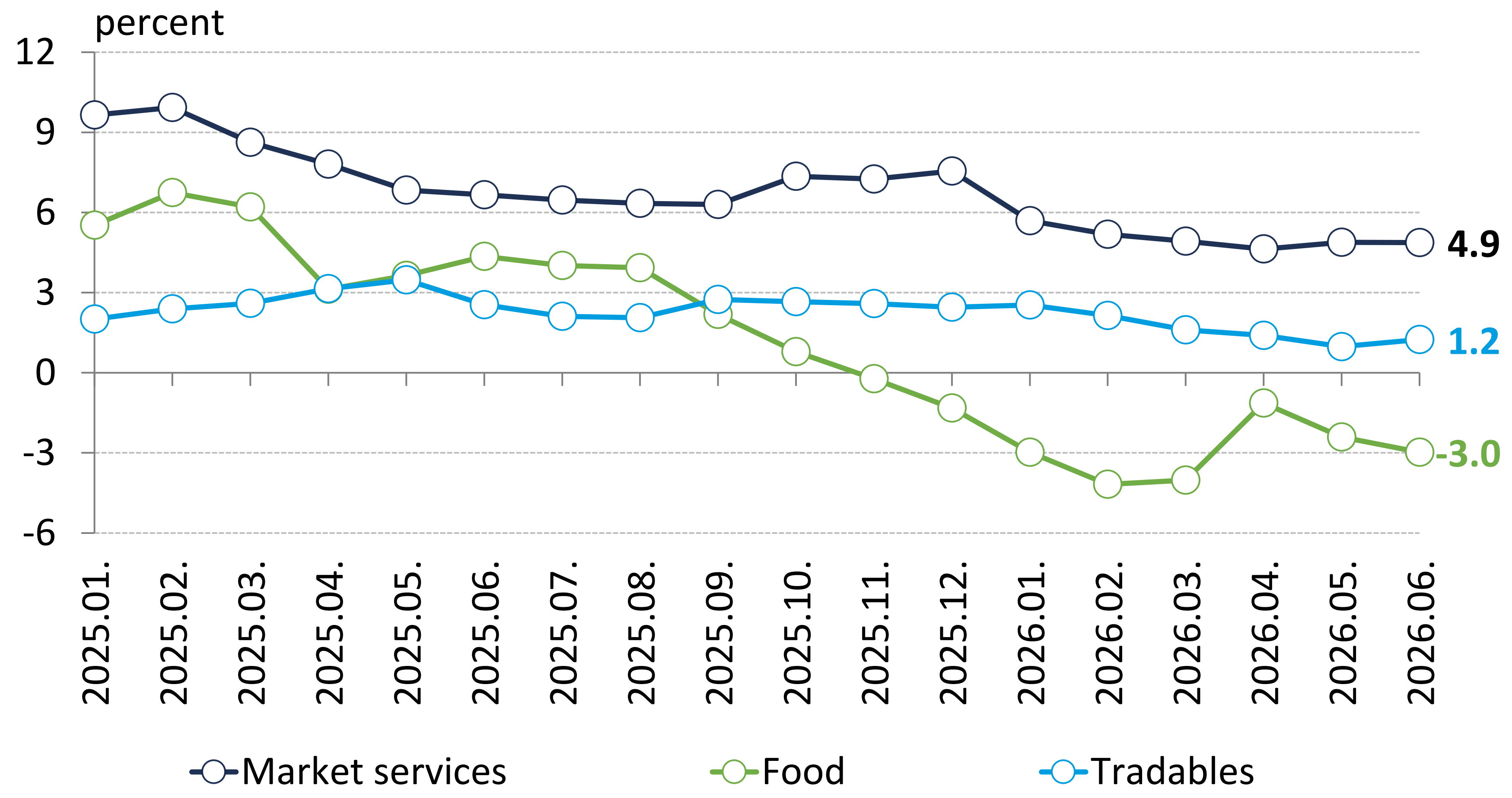
INFLATION AND CORE INFLATION



Source | HCSO

THE DECLINE IN THE RATE OF PRICE INCREASES CAN BE ATTRIBUTED TO THE SLOWING PRICE DYNAMICS OF FOOD

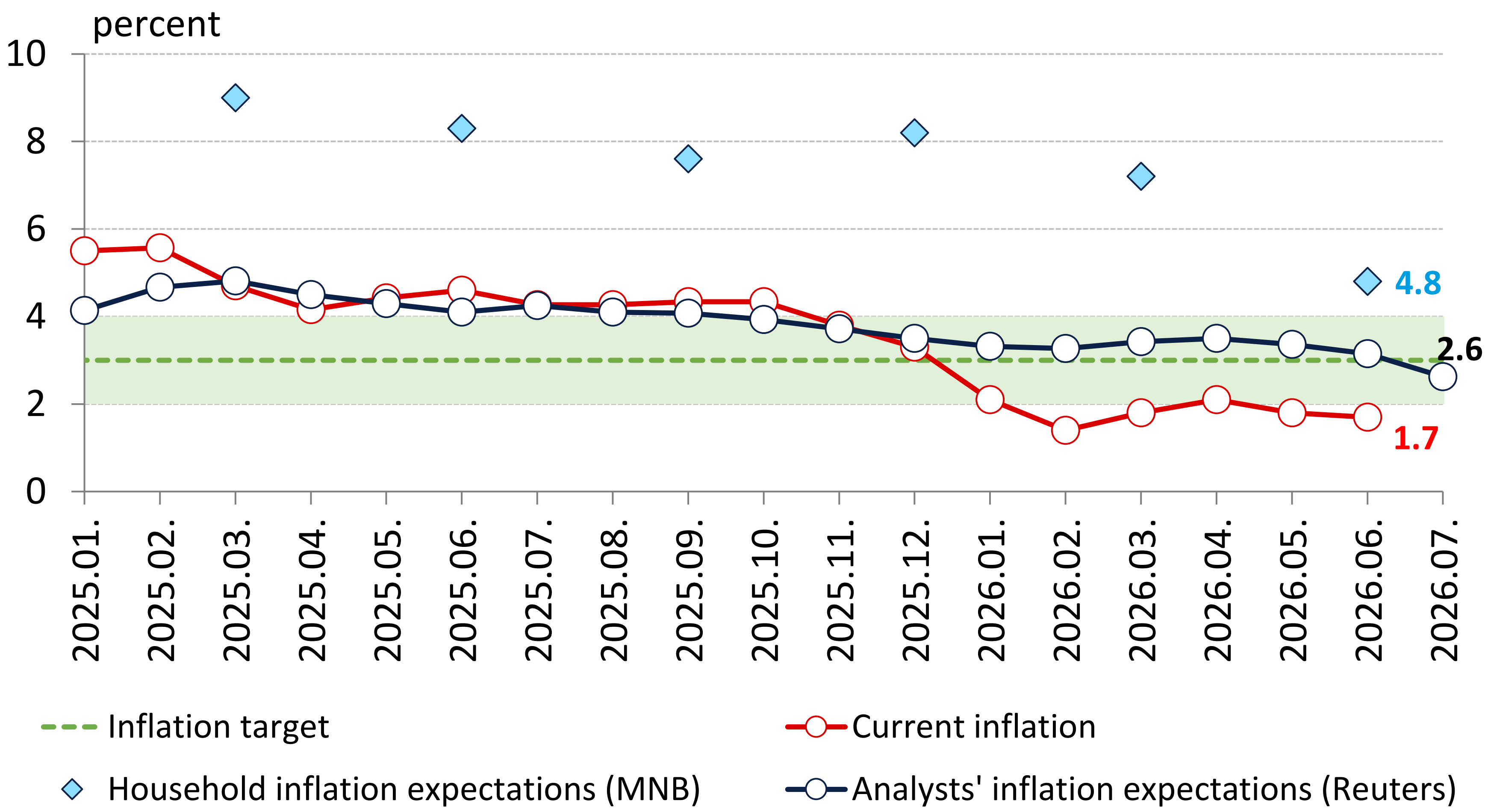
ANNUAL PRICE CHANGES OF MAIN INFLATION GROUPS



Note | Breakdown according to the MNB's classification.
Source | HCSO, MNB

HOUSEHOLDS' INFLATION EXPECTATIONS HAVE DECLINED SINCE THE BEGINNING OF THE YEAR

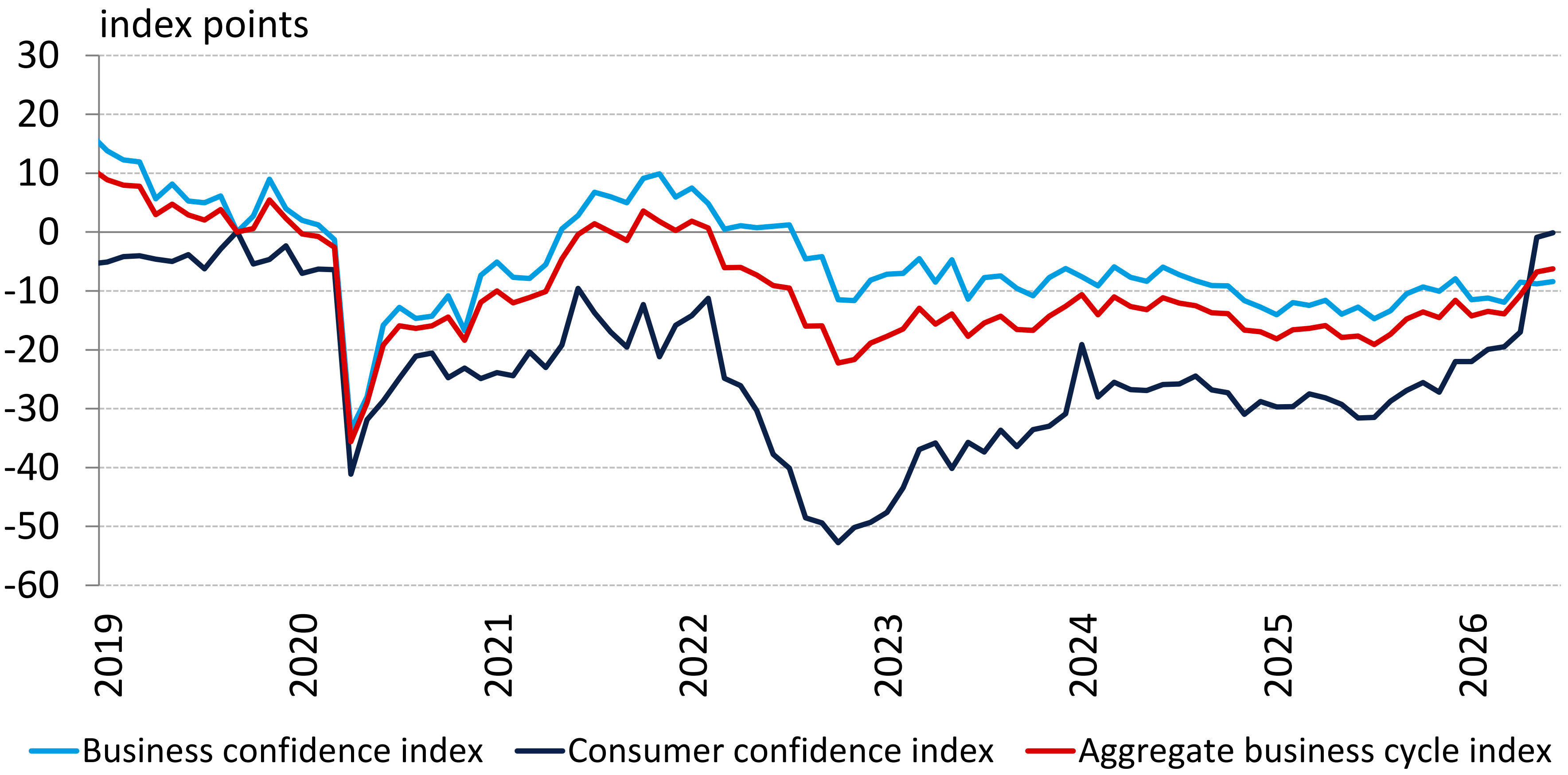
HOUSEHOLDS' AND ANALYSTS' EXPECTATIONS FOR INFLATION ONE YEAR AHEAD



Source | MNB, HCSO, Reuters

DEVELOPMENTS IN INFLATION EXPECTATIONS ALSO REFLECT IMPROVING CONSUMER CONFIDENCE

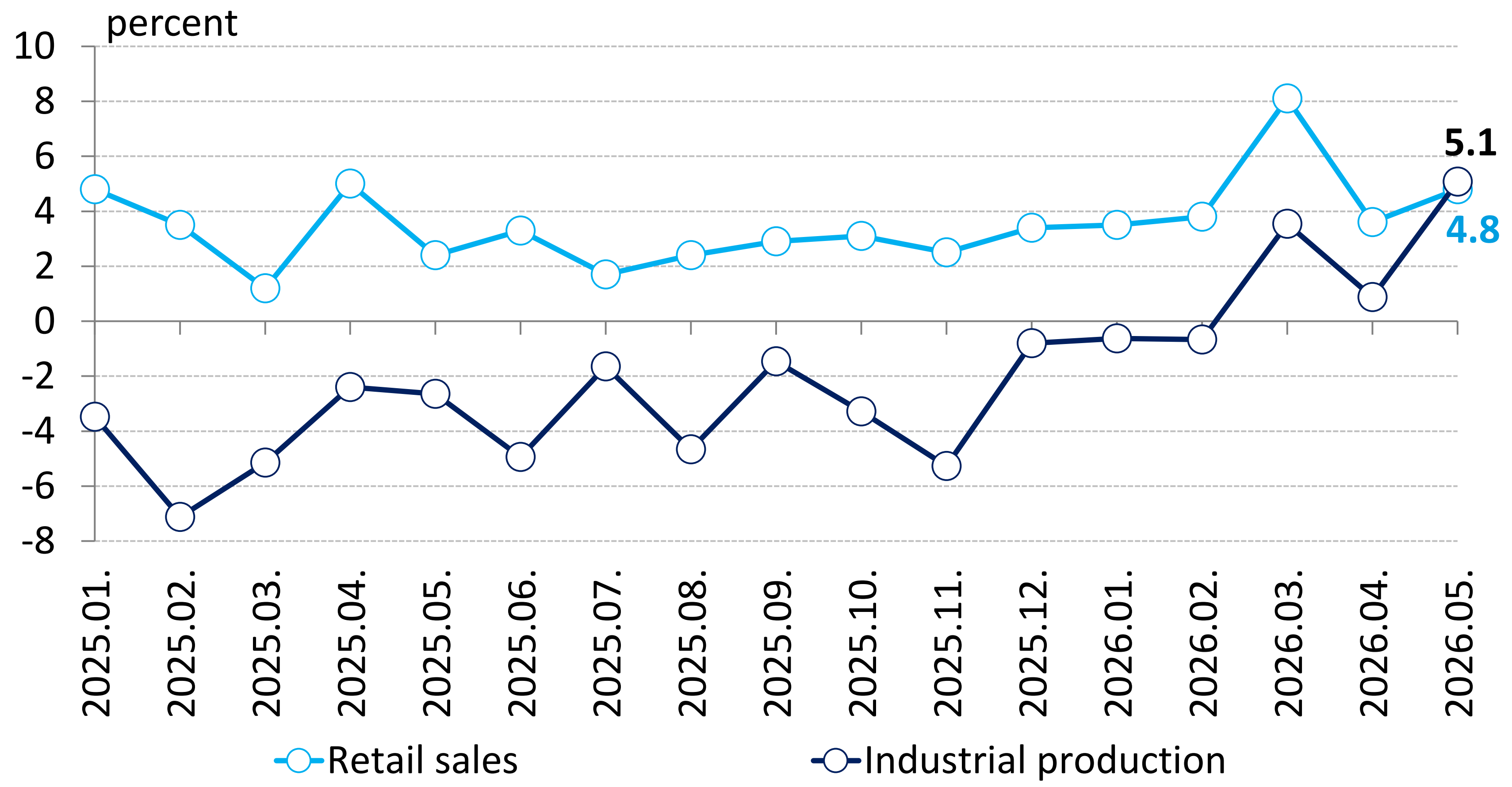
GKI'S BUSINESS CYCLE INDEX FOR HUNGARY AND ITS COMPONENTS



Note | Seasonally adjusted data.
Source | GKI

DOMESTIC INDUSTRIAL PRODUCTION AND RETAIL SALES CONTINUED TO INCREASE

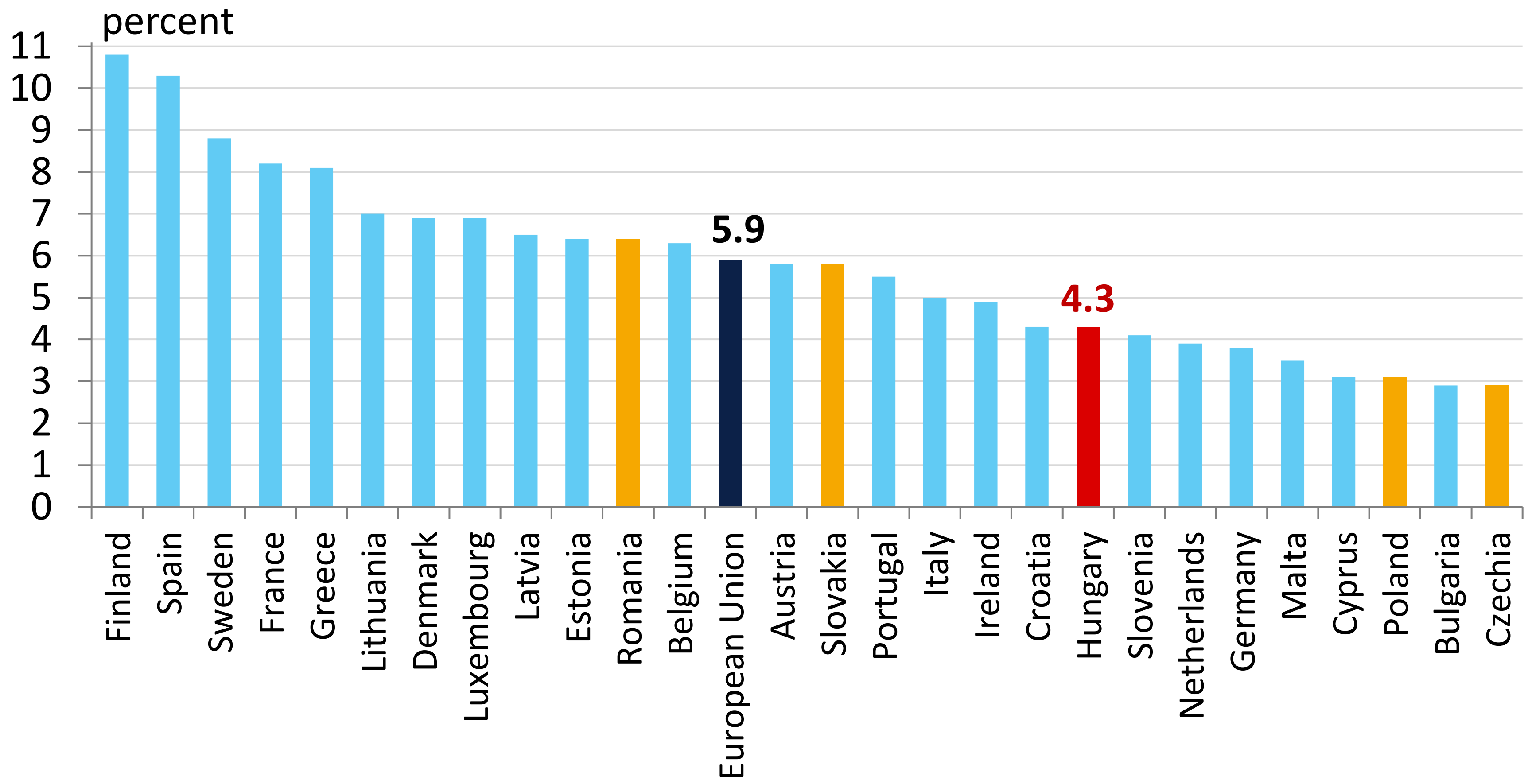
ANNUAL GROWTH RATE OF RETAIL SALES AND INDUSTRIAL PRODUCTION



Note | Retail sales data adjusted for workday effects, industrial production data adjusted for seasonal and workday effects.
Source | HCSO, MNB

HUNGARY'S UNEMPLOYMENT RATE REMAINS LOW RELATIVE TO THE EU

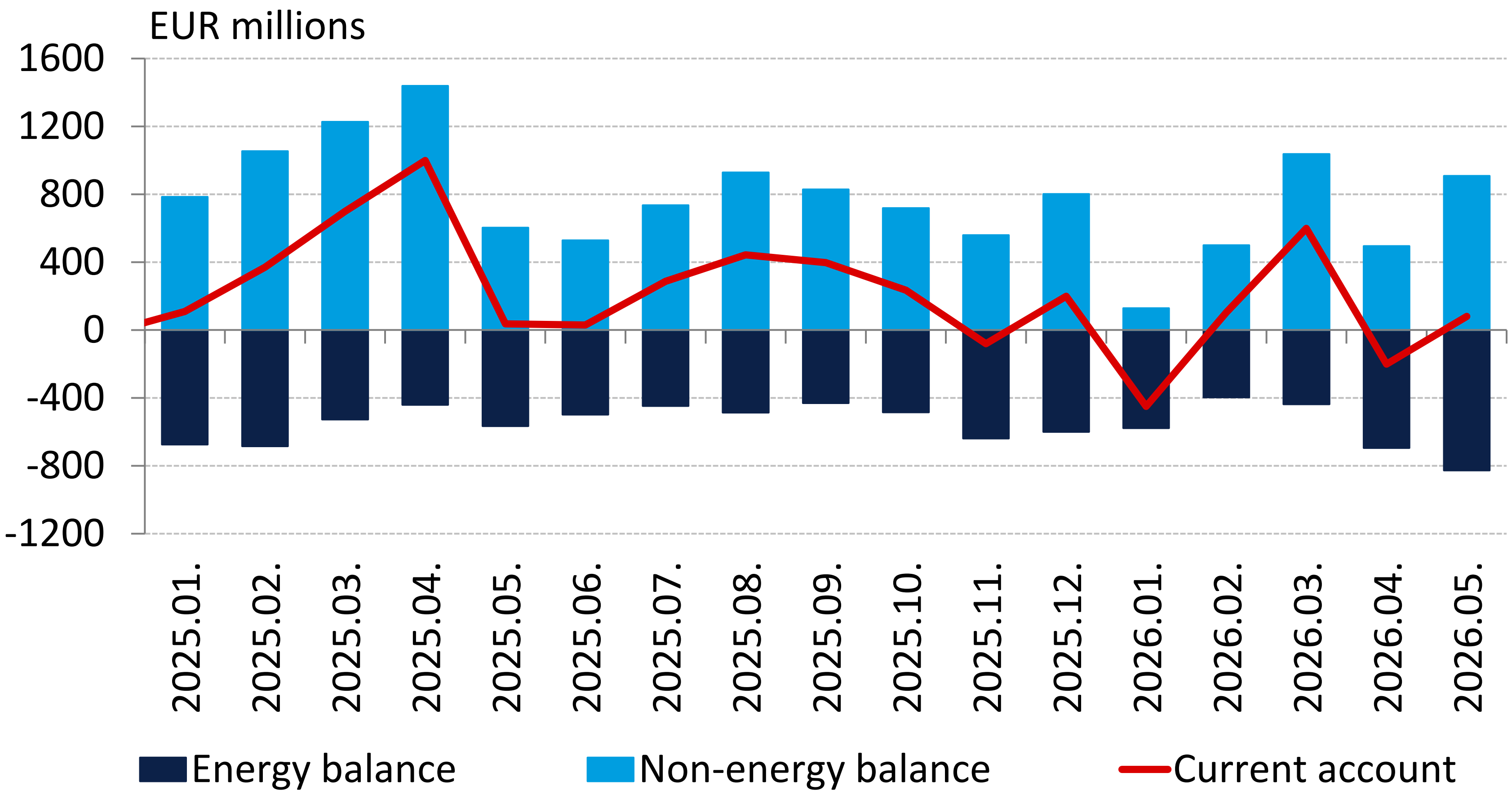
UNEMPLOYMENT RATES IN THE EUROPEAN UNION



Note | Seasonally adjusted data for May 2026. The figure for Hungary is based on the headline HCSO figure.
Source | Eurostat, HCSO

THE CURRENT ACCOUNT SHOWED A SLIGHT SURPLUS IN MAY

CURRENT ACCOUNT AND ENERGY BALANCE



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

FAVOURABLE DOMESTIC FACTORS HAVE PRESERVED THE MONETARY COUNCIL'S ROOM TO MANOEUVRE

The Council reduced the base rate to 5.75 percent at today's meeting.

- Inflation developments were **more favourable than the baseline scenario projected in June,** while the **lower risk premium** on domestic assets **persisted.**
- We continue to closely monitor **international and domestic factors shaping the inflation outlook.**
- Looking ahead, **Hungary's risk assessment will be influenced by** expectations regarding **the fiscal path and the adoption of the euro,** as well as the **developments in the conflict in the Middle East.**

THE MONETARY COUNCIL'S FORWARD GUIDANCE

*„**The Monetary Council is committed to achieving the inflation target in a sustainable manner** and constantly assesses the inflation outlook, global developments, and Hungary's risk premium. Maintaining the stability of domestic financial markets, especially that of the foreign exchange market, anchors inflation expectations and thus contributes to achieving price stability.*

Looking ahead, if favourable developments persist, the Council *– while maintaining a positive real interest rate –* ***sees room to further decrease the base rate throughout the summer, with a decision on the continuation to be made based on the September Inflation Report."***

THANK YOU FOR YOUR ATTENTION!