Mihály Varga
Governor | Magyar Nemzeti Bank

PRESS CONFERENCE FOLLOWING THE MONETARY COUNCIL'S DECISION ON 22 SEPTEMBER 2026

KEY MESSAGES: THE MONETARY COUNCIL’S ASSESSMENT AND DECISION

- **Following the periodic review of the inflation target,** the Monetary Council decided to set the Bank’s medium-term inflation target **at a 2.5 percent rise in the consumer price index,** as published by the Hungarian Central Statistical Office, **from January 1, 2028.**
- **The Monetary Council kept the base rate unchanged at 5.50 percent at today’s meeting. The decision ensures the achievement of the inflation target in a sustainable manner over the monetary policy horizon.**
- High energy prices, as well as the uncertain global economic and financial market environments warrant **a careful approach to monetary policy.**
- Looking ahead, Hungary’s risk assessment will be primarily influenced by **expectations regarding the fiscal path and the adoption of the euro, as well as the external market environment.**
- The Council will take decisions on the level of the base rate in a **cautious and data-driven manner.**
- **From 2027 onwards, the Monetary Council will hold eight policy meetings per year,** aligned with the practice of the European Central Bank.

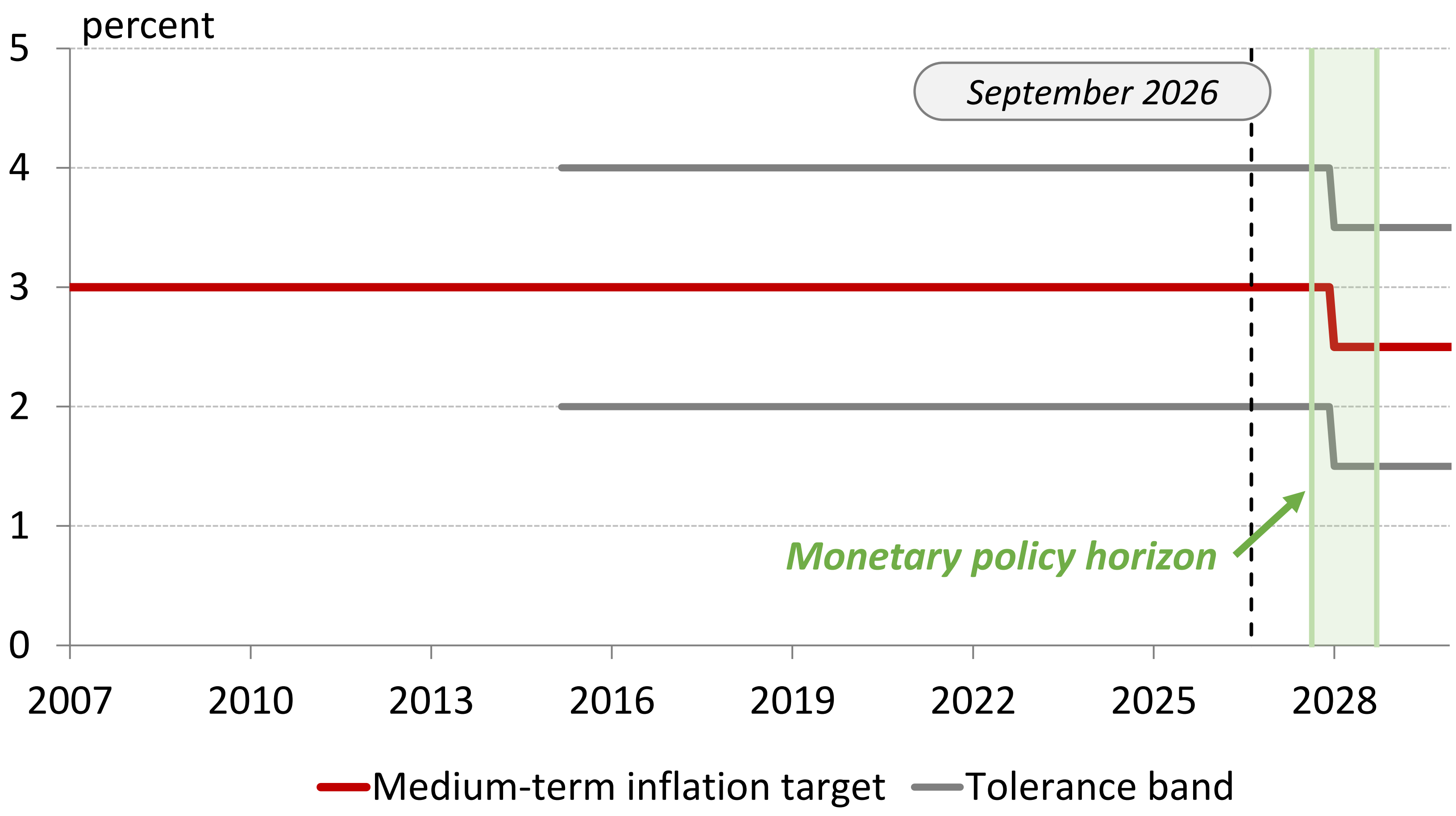
OUTCOME OF THE MONETARY POLICY FRAMEWORK REVIEW

AS A RESULT OF OUR FRAMEWORK REVIEW, THE MNB'S INFLATION TARGET WILL BE REDUCED TO 2.5 PERCENT

- **The key elements** of the MNB's monetary policy framework are **in line with international best practices.**
- **The new target is in line with regional practice and moves closer to the inflation target of the ECB.**
- **Our target of 2.5 percent reflects the level of Hungary's economic development** while also improving the probability of meeting the Maastricht criteria.
- **The new inflation target will come into effect on 1 January 2028.**
- The MNB **retains the symmetric, ±1 percentage point tolerance band around the inflation target.**
- The decrease in domestic risk premia, the continued stability of the foreign exchange market, as well as lowered inflation expectations have **provided a suitable environment for lowering the inflation target to 2.5 percent.**

THE 2.5 PERCENT INFLATION TARGET WILL COME INTO EFFECT ON 1 JANUARY 2028

THE MNB'S MEDIUM-TERM INFLATION TARGET AND THE TOLERANCE BAND



Source | MNB

THE LOWER INFLATION TARGET MEANS MORE MODERATE INFLATION OVER THE MONETARY POLICY HORIZON

THE MEDIUM-TERM INFLATION TARGET OF 2.5 PERCENT…

- **preserves purchasing power** and increases **the real value of savings;**
- **is consistent with a lower nominal interest rate in the long term,** thereby **supporting consumption and investment growth;**
- reduces Hungary's structural vulnerabilities overall, supporting the **stability of financial markets, especially that of the foreign exchange market;**
- **achieves more favourable financing conditions for households, companies and the state budget** due to lower nominal interest rates.

AS A RESULT OF THE REVIEW, THE NUMBER OF POLICY MEETINGS WILL ALSO BE REDUCED

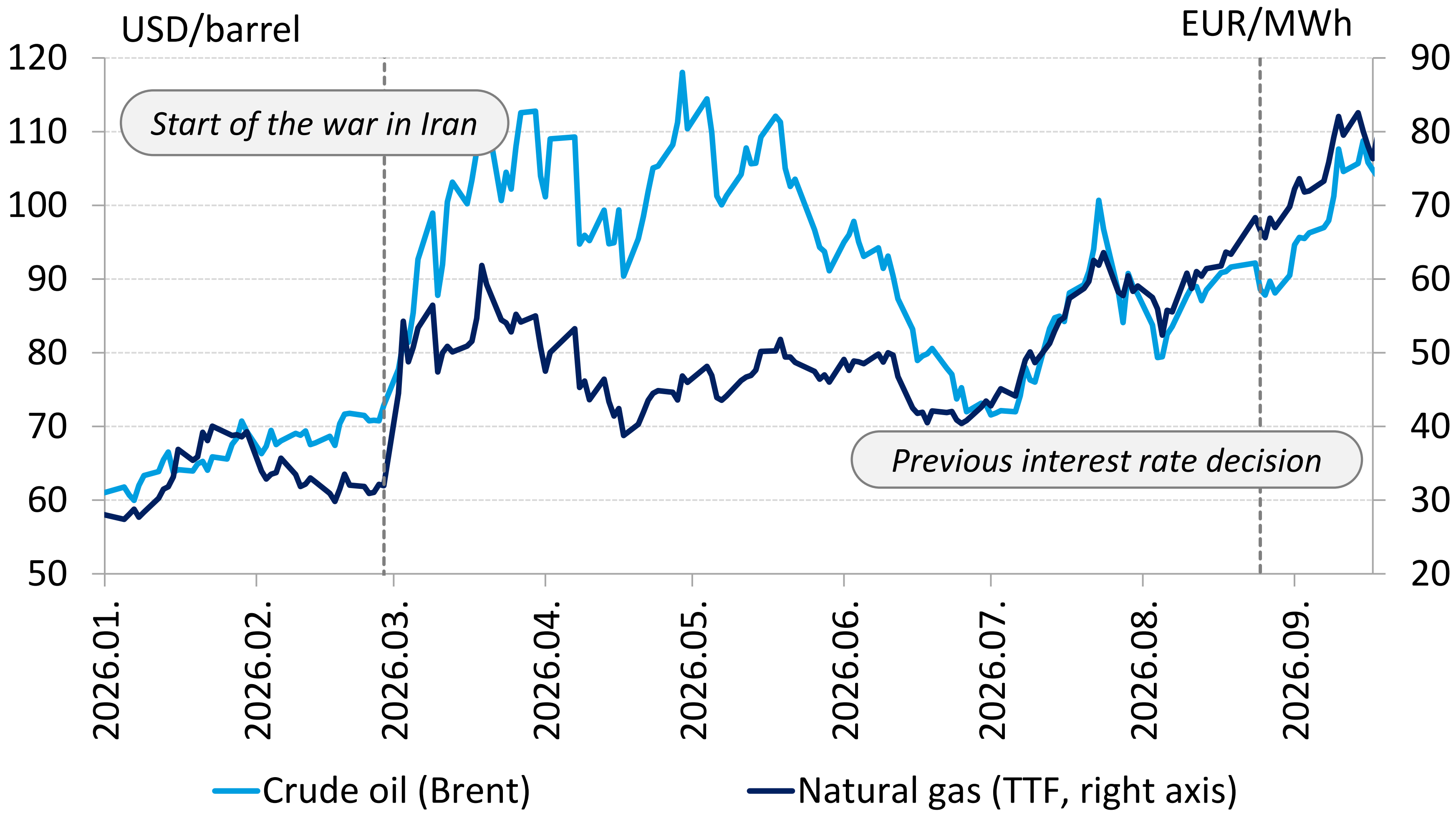
THE MONETARY COUNCIL WILL HOLD 8 POLICY MEETINGS PER YEAR FROM 2027 ONWARDS

- Decreasing the frequency of meetings provides scope for **more robust assessments of underlying economic developments and more thorough discussion of policy strategy.**
- With less policy meetings, decision-making can be **based on the assessment of persistent developments to a greater extent.**
- **The change represents further alignment with the practice of the world's leading central banks, as well as central banks in the CEE region.**
- **The publication schedule of the Inflation Report remains unchanged.**

CONSIDERATIONS BEHIND THE SEPTEMBER INTEREST RATE DECISION

GLOBAL OIL AND GAS PRICES INCREASED IN THE PREVIOUS MONTH

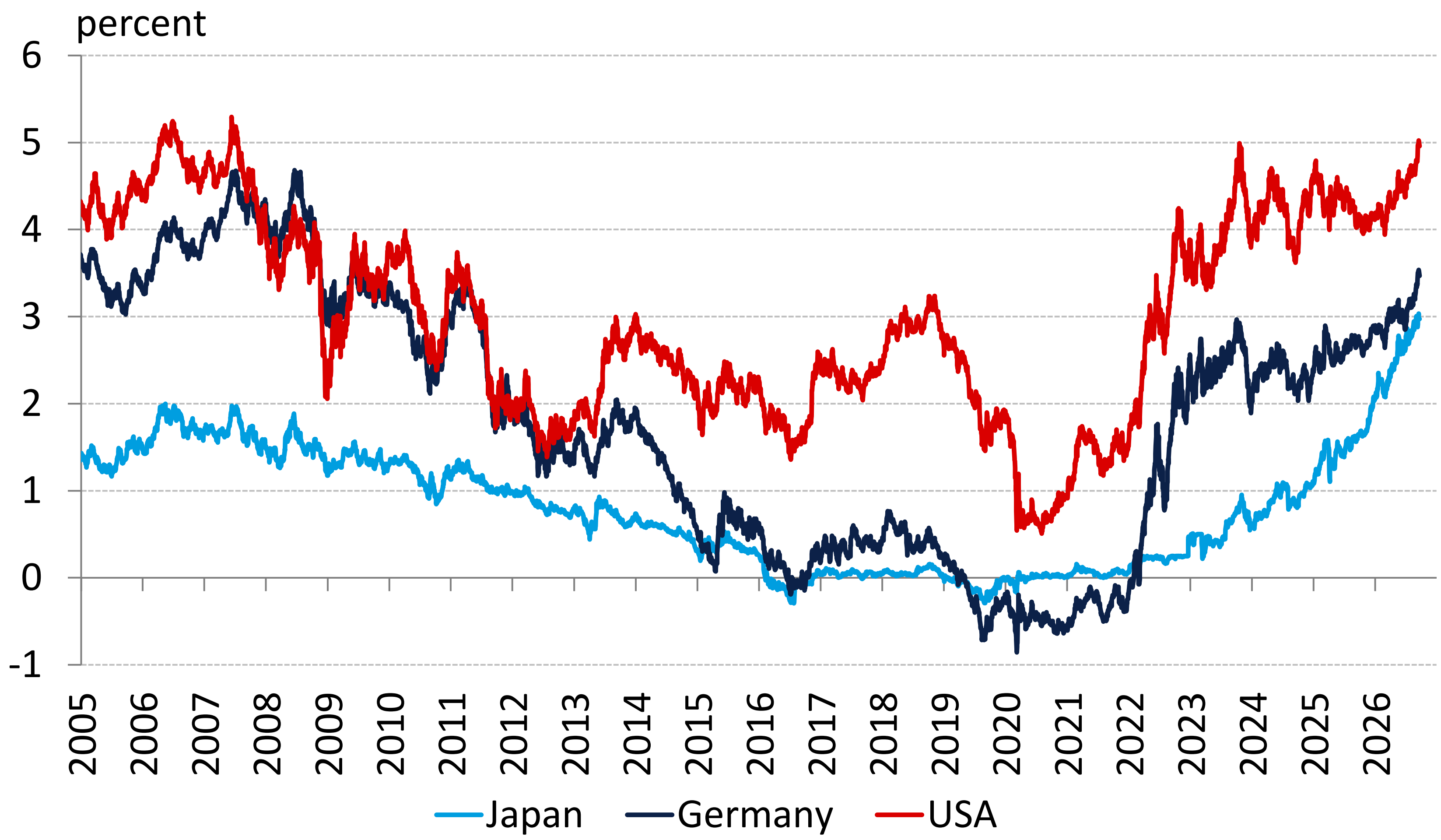
OIL AND GAS PRICES



Source | Bloomberg

LONG-TERM YIELDS ARE CLOSE TO MULTI-DECADE HIGHS

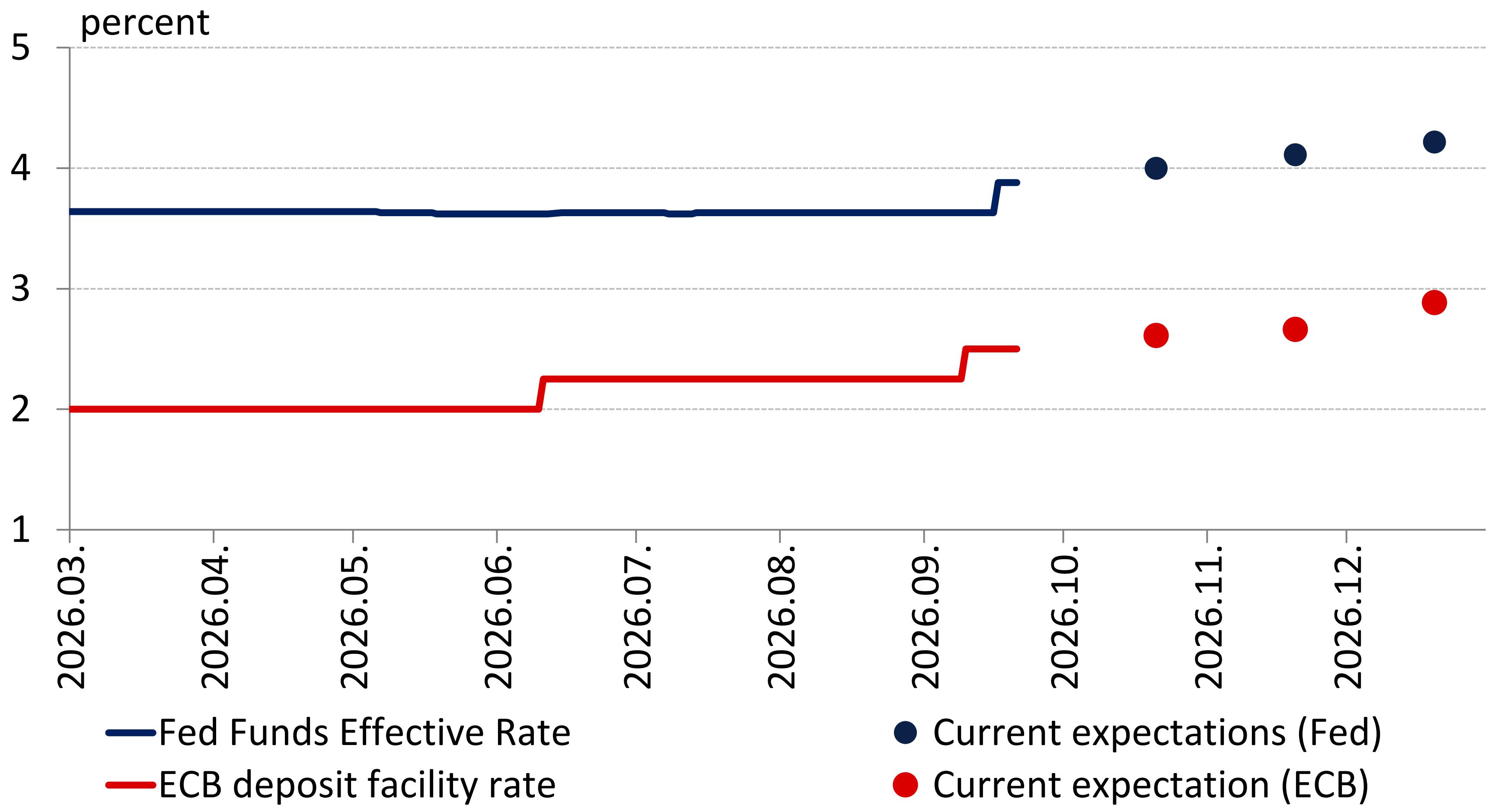
LONG-TERM YIELDS IN DEVELOPED MARKETS



Source | Bloomberg

MARKETS PRICE IN INCREASING INTEREST RATES FROM BOTH THE ECB AND THE FED

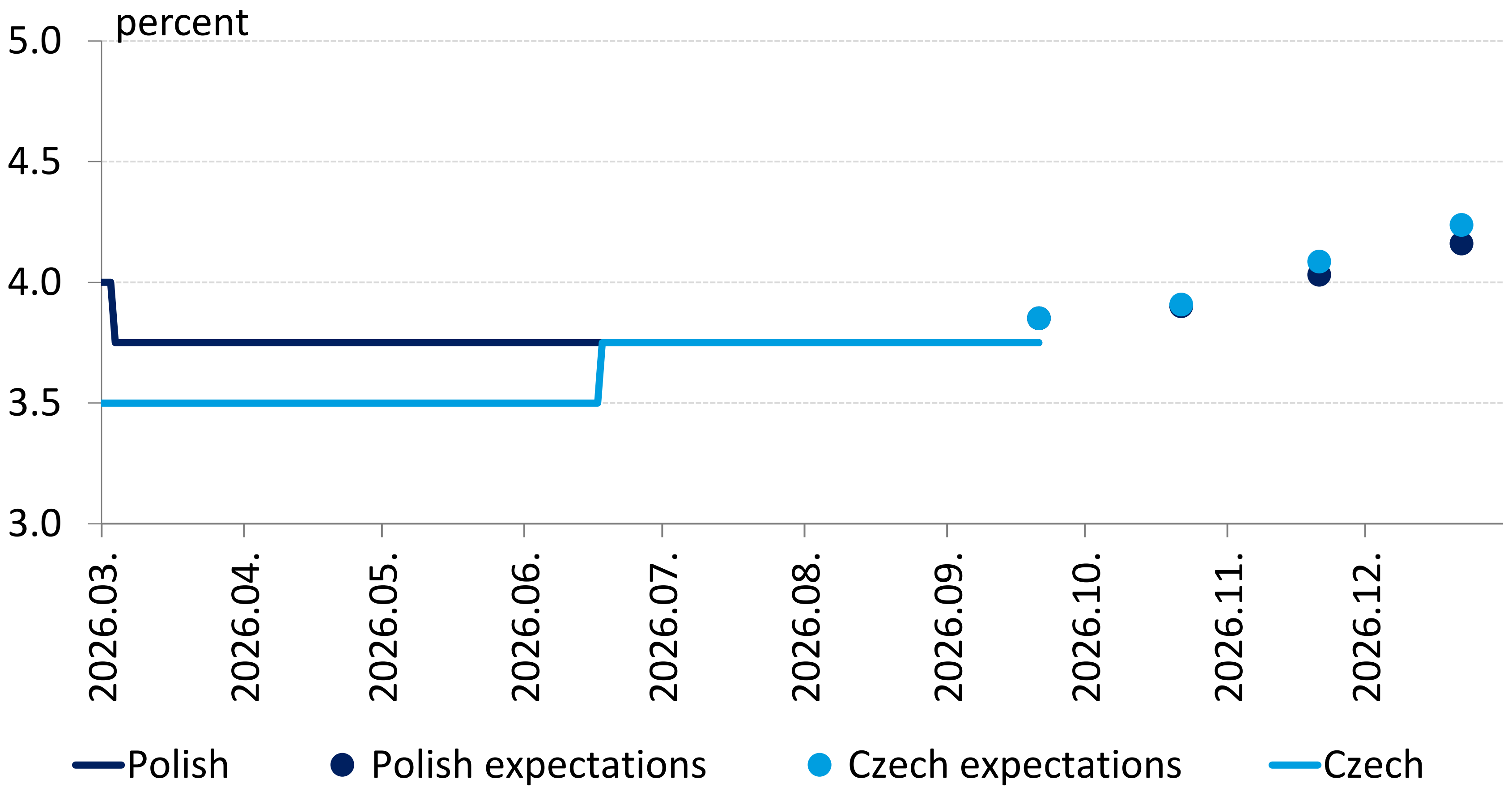
THE EXPECTED INTEREST RATE PATH OF THE FEDERAL RESERVE AND THE EUROPEAN CENTRAL BANK, BASED ON MARKET PRICING



Source | Bloomberg

THE CZECH AND POLISH INTEREST RATE PATHS ARE ALSO INCREASING

INTEREST RATES OF CEE CENTRAL BANKS AND INTERBANK INTEREST RATE EXPECTATIONS BASED ON MARKET PRICING

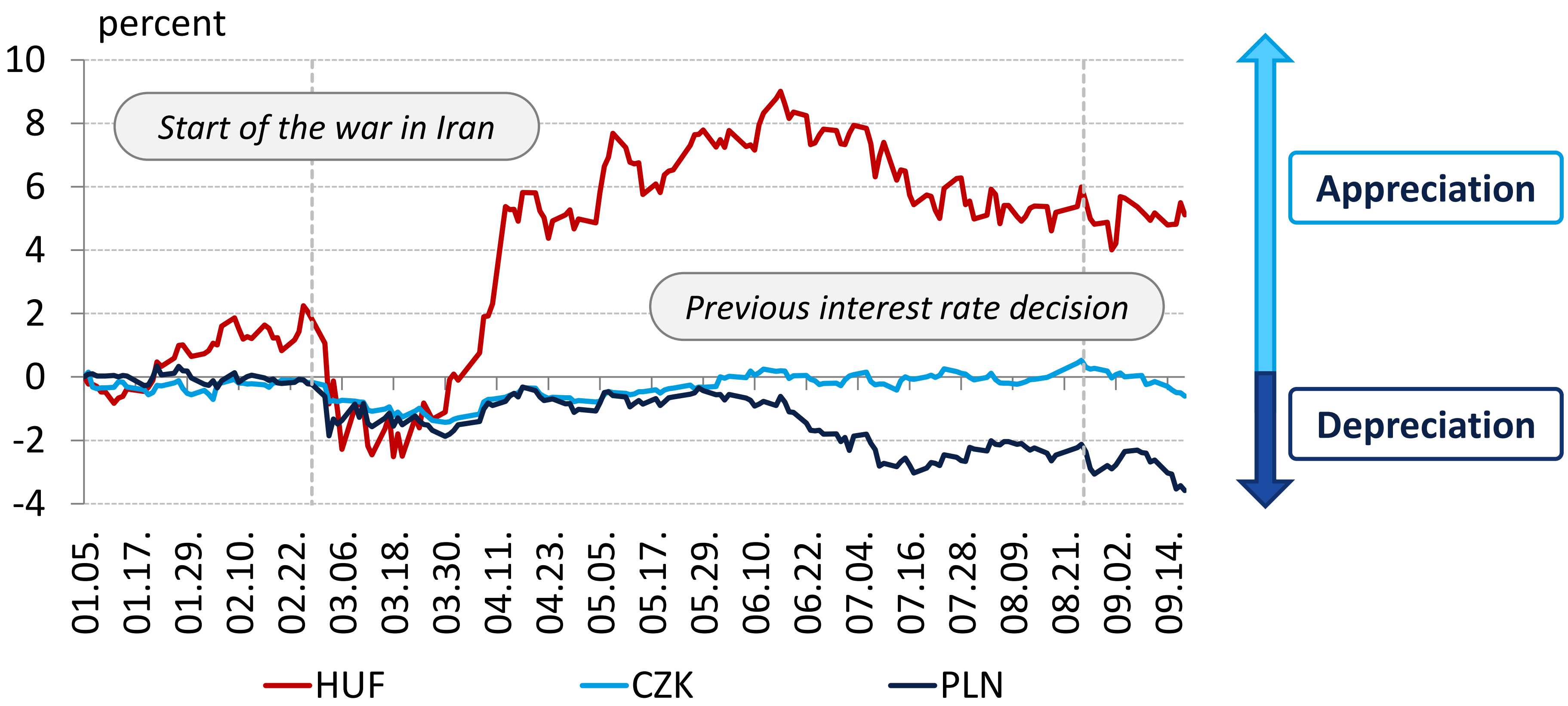


Source | Bloomberg

THE EXCHANGE RATE REMAINED IN THE STRONGER RANGE OBSERVED IN RECENT MONTHS

Maintaining the stability of the foreign exchange market supports the anchoring of inflation expectations and thus contributes to the achievement of price stability.

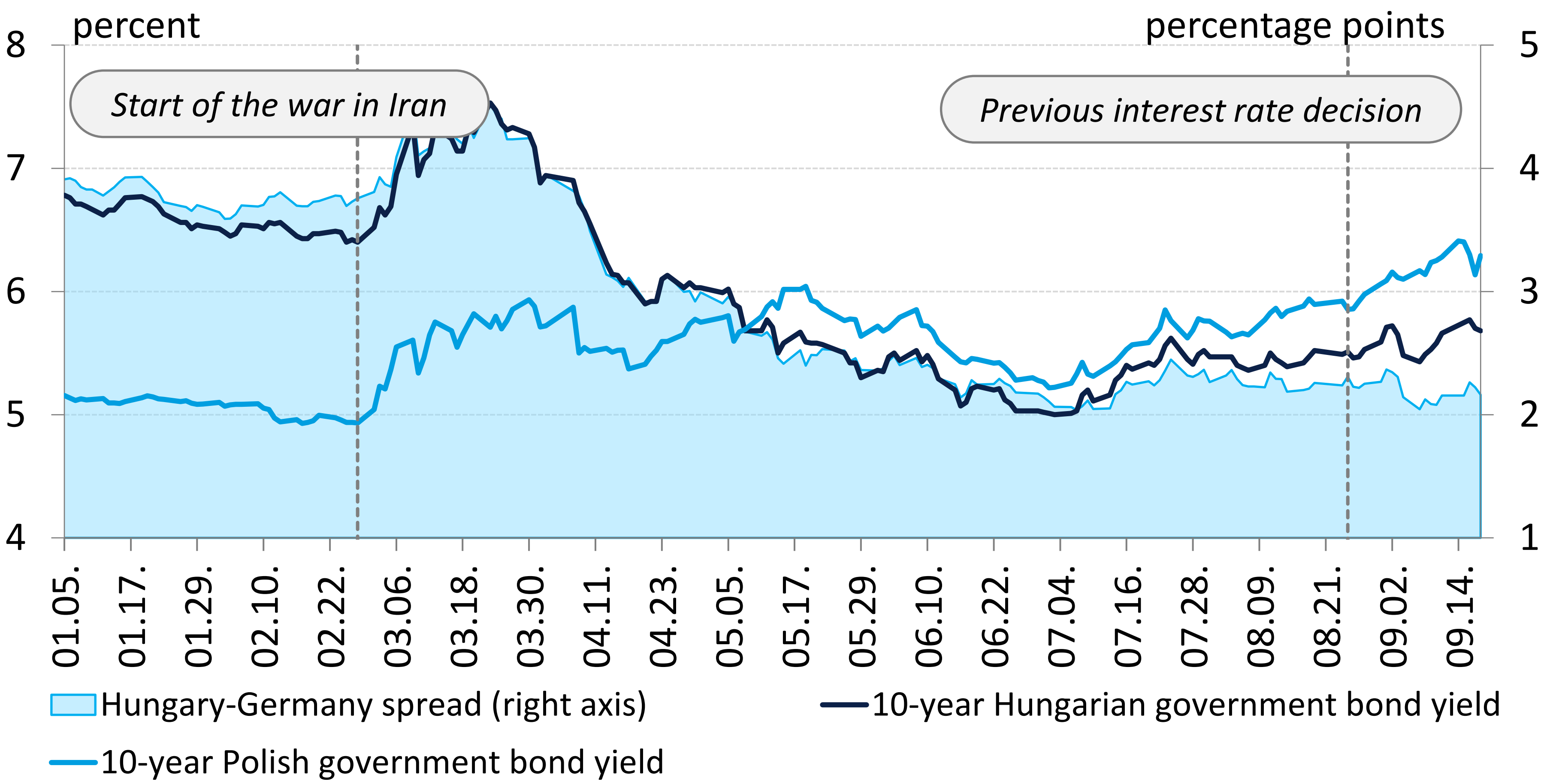
EXCHANGE RATE OF CEE CURRENCIES AGAINST THE EURO



Source | Bloomberg

THE RISK PREMIUM ON DOMESTIC ASSETS HAS STABILISED AT LOWER LEVELS OVER THE PAST MONTHS

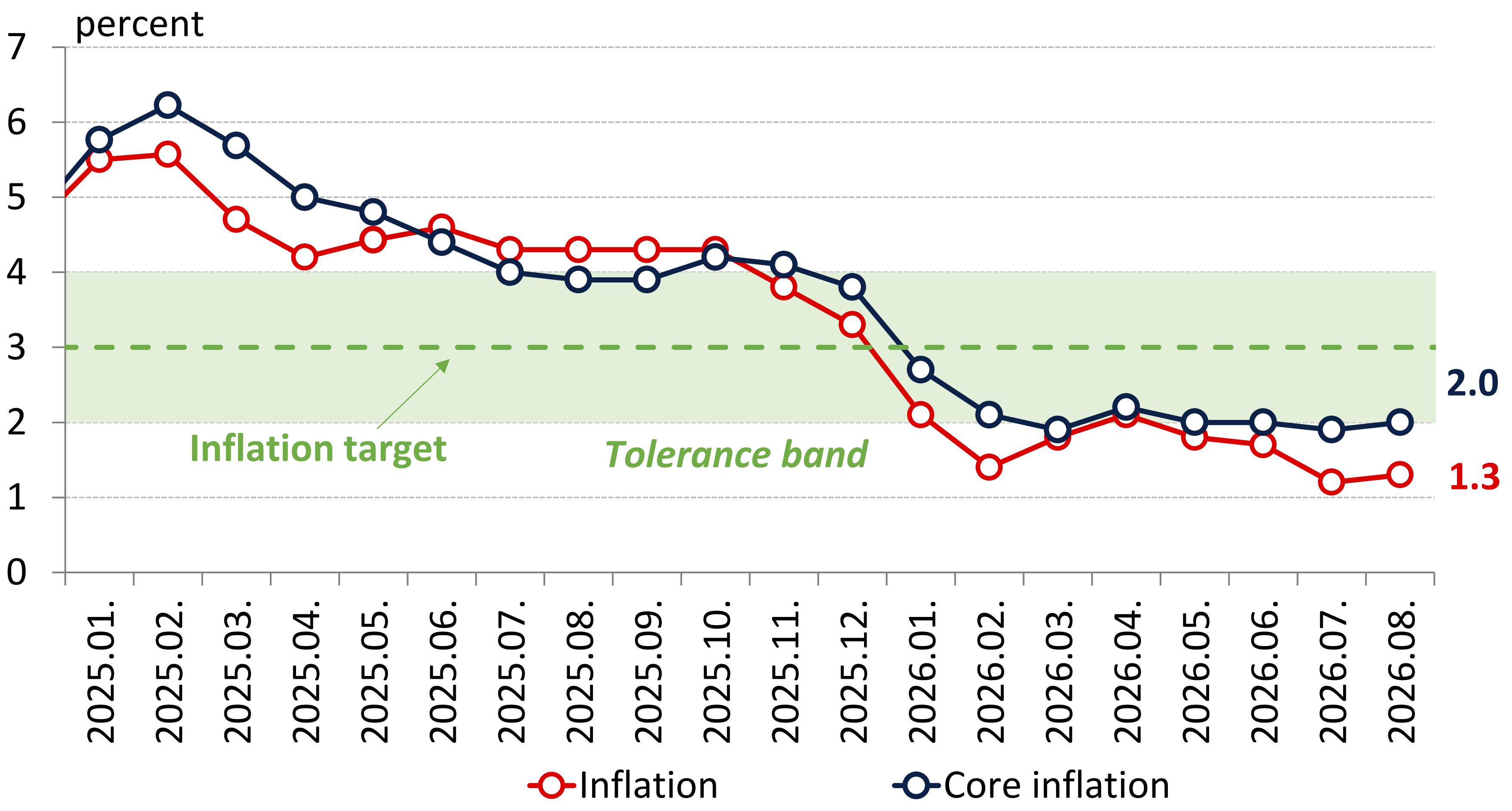
10-YEAR GOVERNMENT BOND YIELD IN POLAND AND HUNGARY AND HUNGARY'S YIELD SPREAD AGAINST GERMANY



Source | Bloomberg

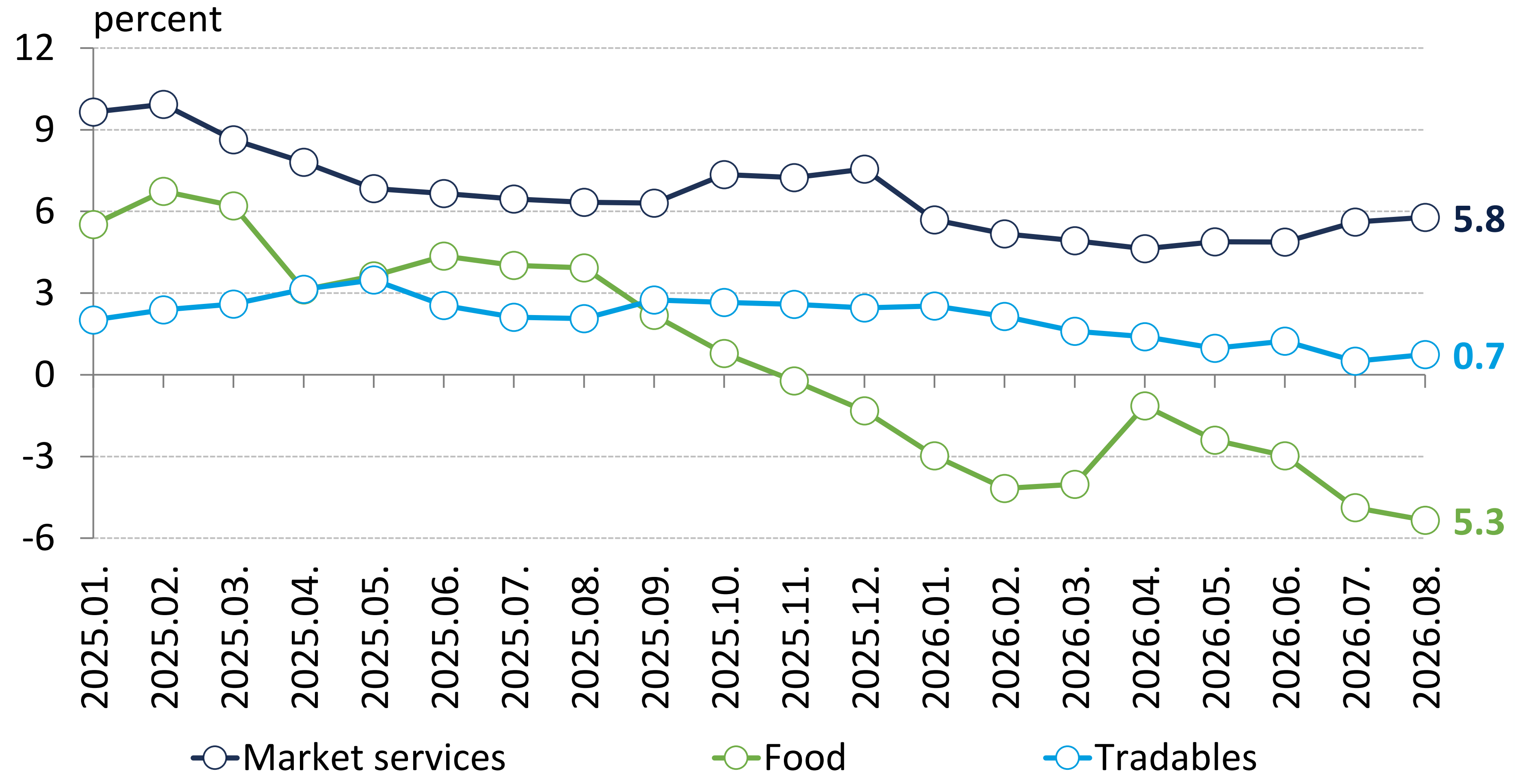
INFLATION DEVELOPMENTS WERE BELOW EXPECTATIONS

INFLATION AND CORE INFLATION



FOOD INFLATION DECLINED, WHILE THE ANNUAL PRICE INDEX OF TRADABLES AND MARKET SERVICES INCREASED

ANNUAL PRICE CHANGES OF MAIN INFLATION GROUPS

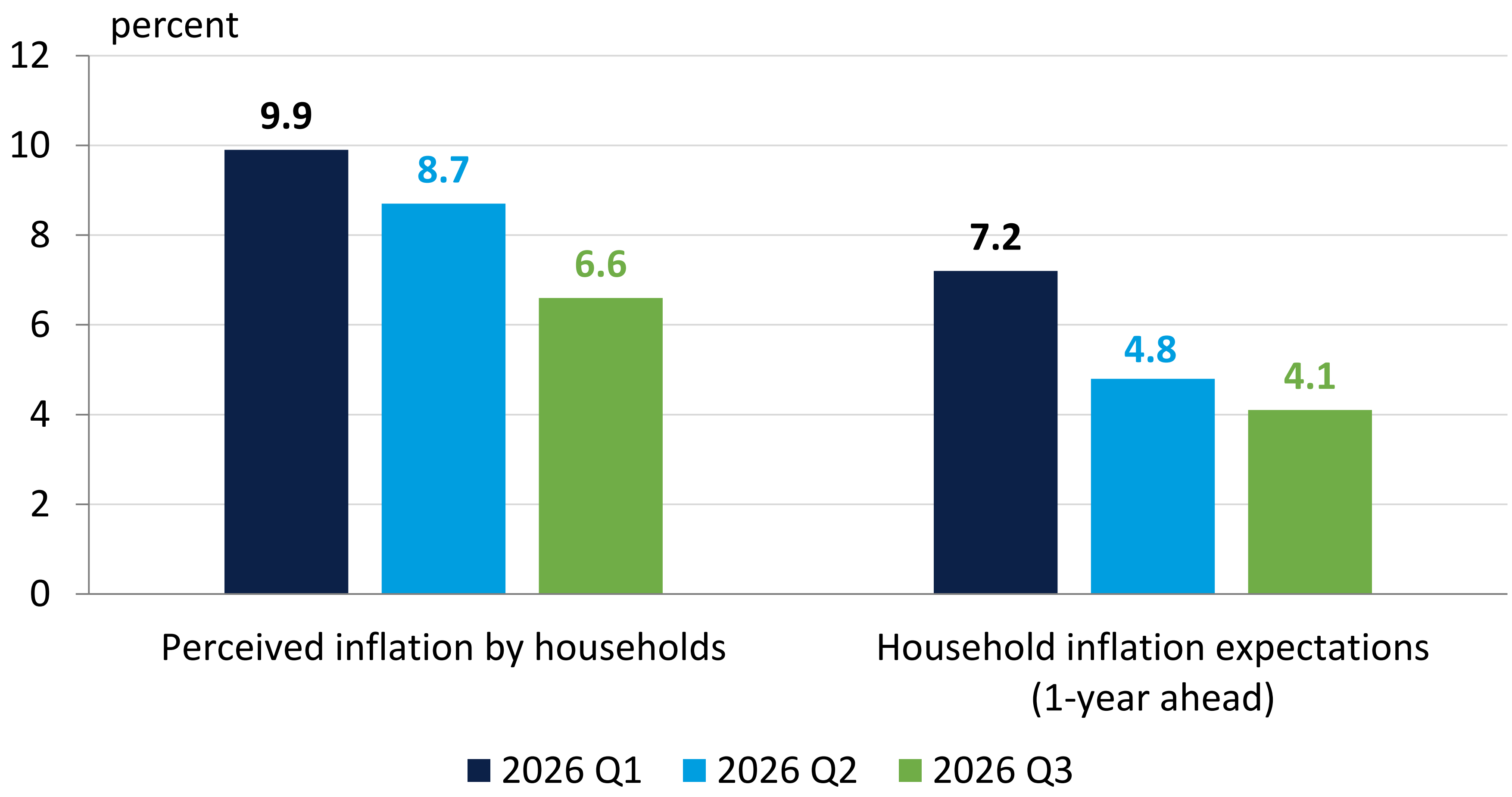


Note | Breakdown according to the MNB's classification.

Source | HCSO, MNB |

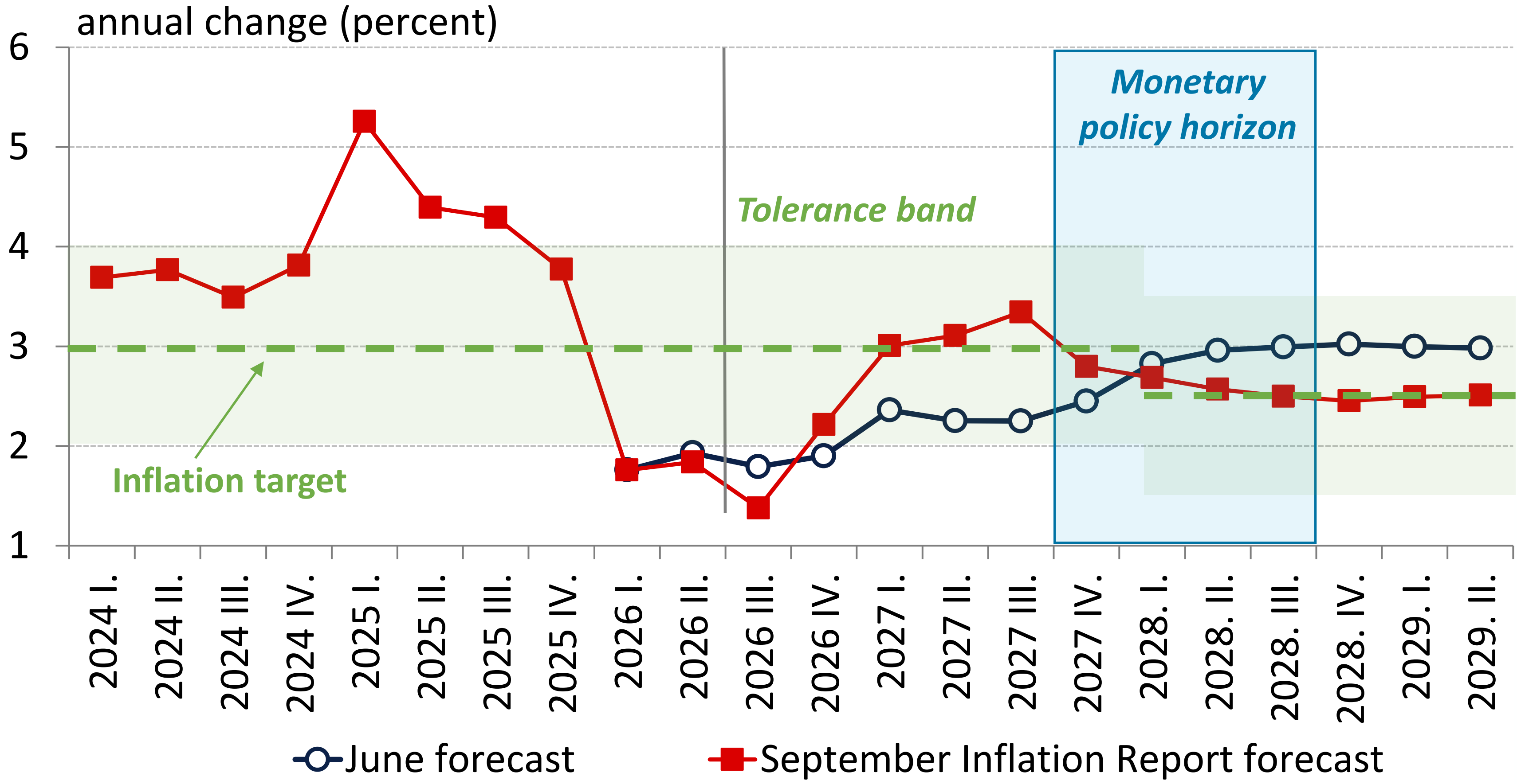
HOUSEHOLD PERCEIVED INFLATION AND INFLATION EXPECTATIONS DECREASED

HOUSEHOLD EXPECTATIONS FOR INFLATION ONE-YEAR AHEAD AND PERCEIVED INFLATION BY HOUSEHOLDS



COMPARED TO JUNE, THE INFLATION PATH SHIFTED UPWARDS FOR 2027

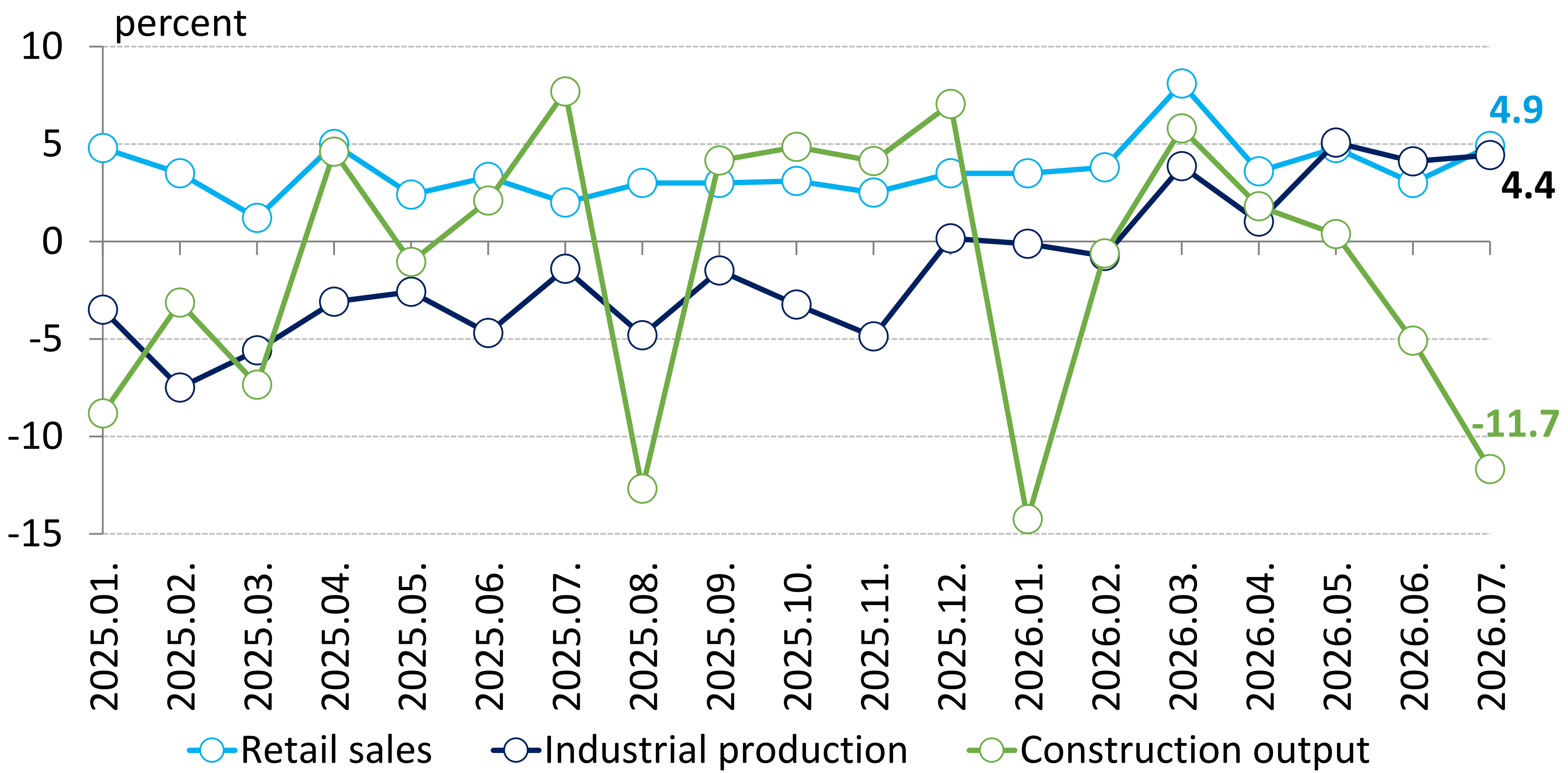
CURRENT AND JUNE MEDIUM-TERM INFLATION FORECAST



Source | HCSO, MNB forecast |

THE EXPANSION OF THE SERVICES SECTOR AND INDUSTRIAL PRODUCTION CONTINUED

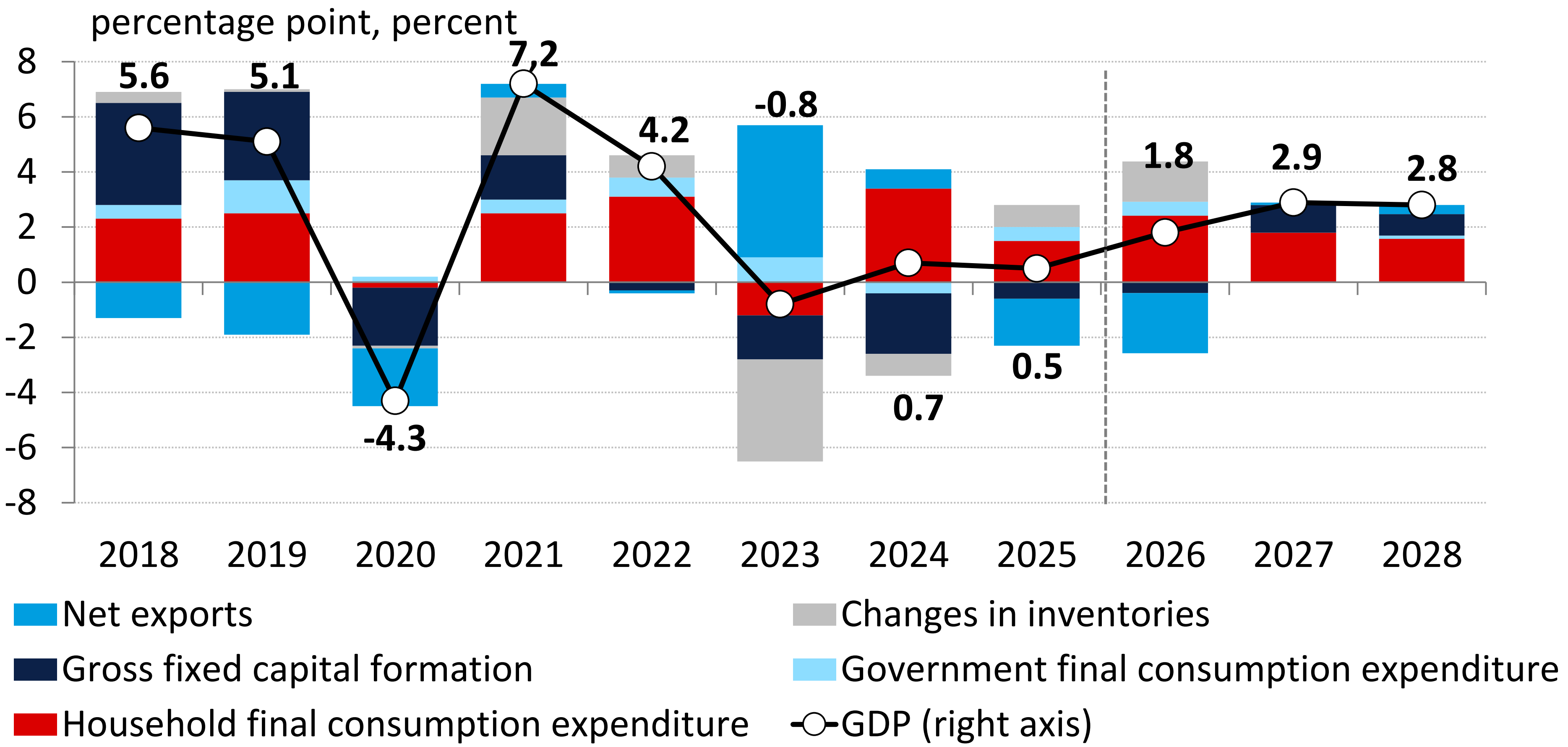
ANNUAL RATE OF CHANGE OF RETAIL SAILES, INDUSTRIAL PRODUCTION AND CONSTRUCTION OUTPUT



Note | The data for retail sales is calendar adjusted, the data for industrial production and construction output are seasonally and calendar adjusted.
Source | HCSO, MNB

SIMILAR TO LAST YEAR, GROWTH WILL BE MAINLY SUPPORTED BY HOUSEHOLD CONSUMPTION IN 2026

EXPENDITURE-SIDE DECOMPOSITION OF ANNUAL GDP CHANGE

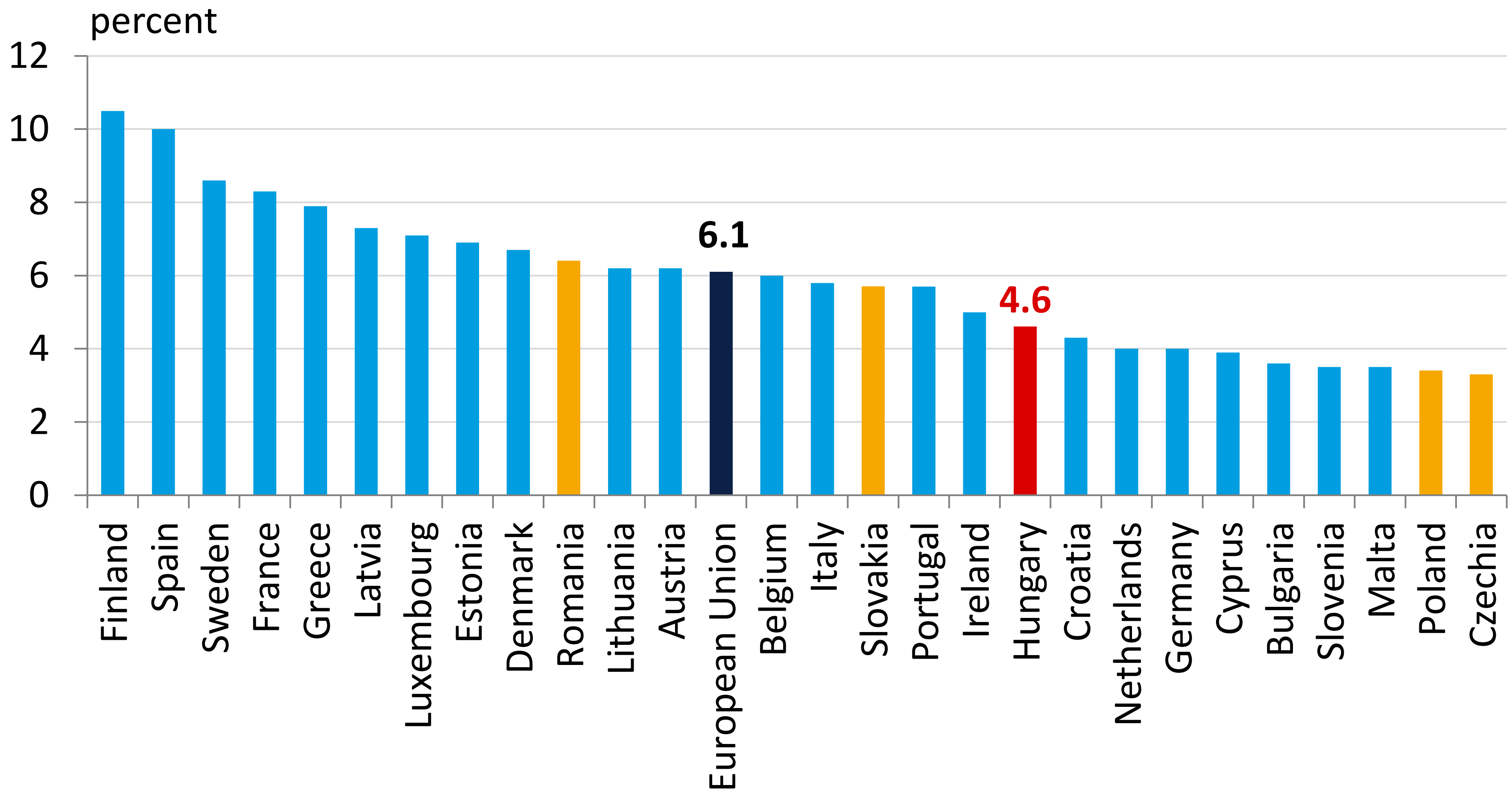


Note | *Government final consumption expenditure includes final consumption expenditure of general government and nonprofit institutions.

Source | MNB

THE UNEMPLOYMENT RATE REMAINS LOW IN AN INTERNATIONAL COMPARISON

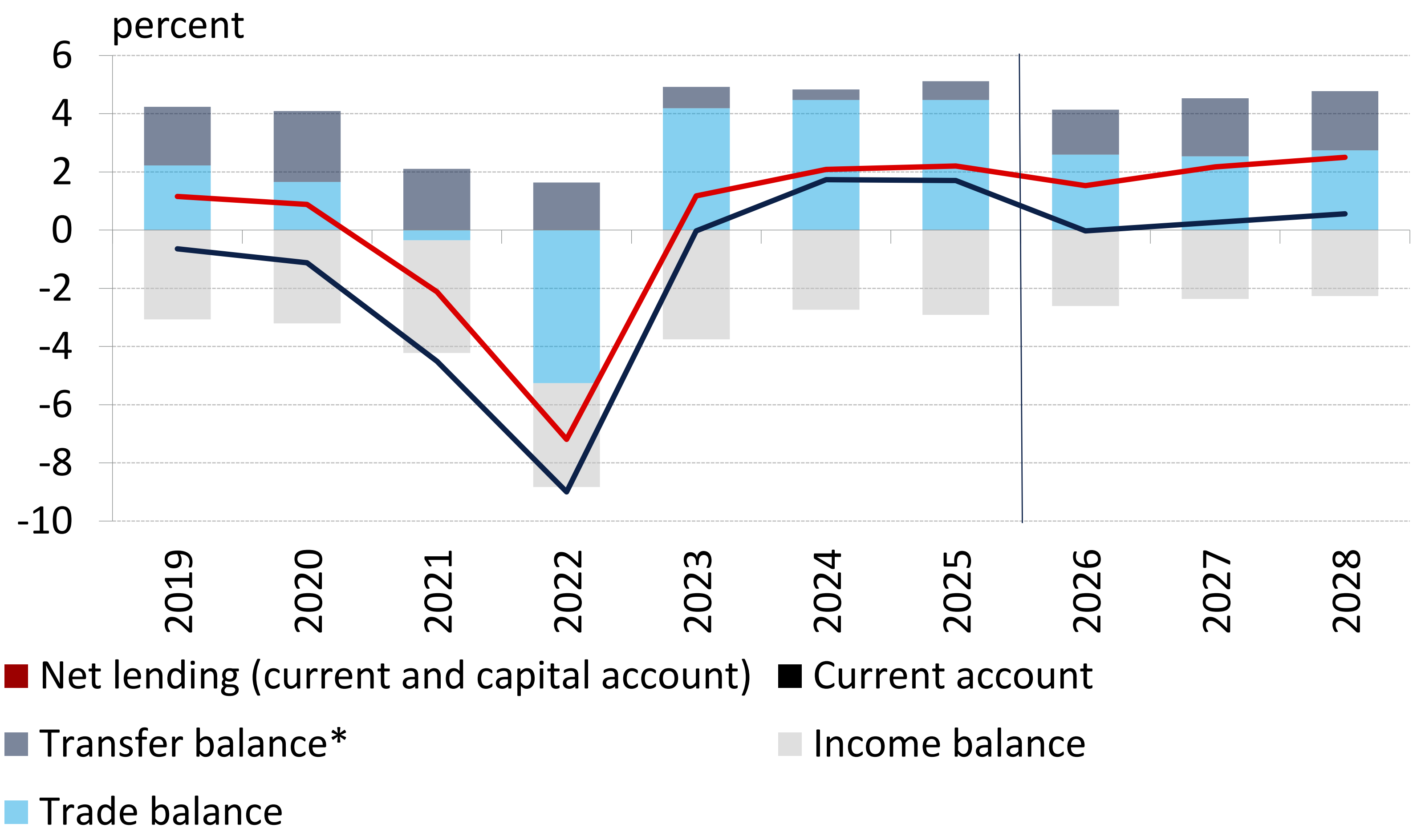
UNEMPLOYMENT RATES IN THE EUROPEAN UNION



Note | Seasonally adjusted data for July 2026. The figure for Hungary is based on the main number of HCSO.
Source | Eurostat, HCSO

THE CURRENT ACCOUNT BALANCE WILL BE CLOSE TO EQUILIBRIUM THIS YEAR

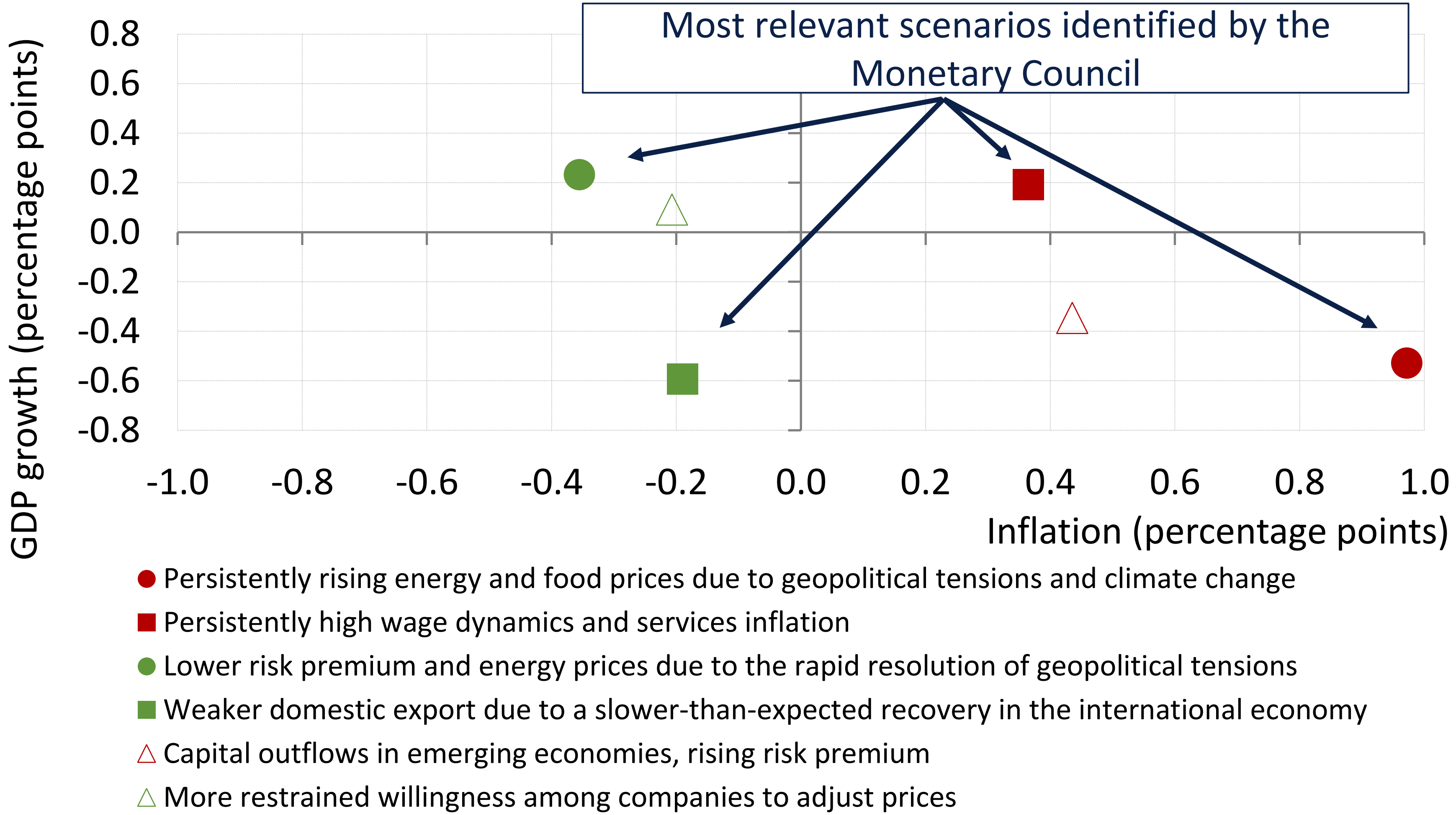
CURRENT ACCOUNT AND EXTERNAL POSITION AS A SHARE OF GDP



Note | *The sum of current transfers and the capital account balance.
Source | MNB

THE BASELINE SCENARIO IS SURROUNDED BY SYMMETRIC RISKS TO INFLATION

RISK MAP OF THE SEPTEMBER INFLATION REPORT



Note | Average deviations from the baseline over the next 8 quarters

Source | MNB

MAINTAINING THE CURRENT INTEREST RATE CONDITIONS IS NECESSARY TO ACHIEVE THE INFLATION TARGET IN A SUSTAINABLE MANNER

The Monetary Council kept the base rate unchanged at 5.50 percent at today's meeting.

- **In the long term, a lower inflation target means more moderate inflation**, a more predictable economic environment, as well as lower nominal interest rates and financing costs for the Hungarian economy.
- We continue to closely monitor **international and domestic factors shaping the inflation outlook.**
- Looking ahead, Hungary's risk assessment will be primarily influenced by expectations regarding the **fiscal path** and the **adoption of the euro**, as well as the **external market environment.**

THE MONETARY COUNCIL'S FORWARD GUIDANCE

*„**The Monetary Council is committed to achieving the inflation target in a sustainable manner.** In addition to ensuring positive real interest rates, maintaining the stability of financial markets, especially that of the foreign exchange market, supports the anchoring of inflation expectations and thus contributes to achieving price stability. The Council is constantly assessing the inflation outlook, global developments, and Hungary's risk premium, based on which it will **take decisions on the level of the base rate in a cautious and data-driven manner**."*

THANK YOU FOR YOUR ATTENTION!