

# MNI NBH Preview: August 2025

## Details:

**Monetary policy decision:** 1300BST, 1400CET, 0800ET, Tuesday 26<sup>th</sup> August 2025

## MNI Point of View:

**The National Bank of Hungary is expected to keep the base rate on hold at 6.50% again this month, sticking to its 'cautious and patient' approach to monetary policy. Officials are likely to strike a hawkish tone and reiterate their commitment to achieving and maintaining price stability given that headline inflation expected to remain above the upper bound of the central bank's tolerance range in the coming months.**

Last month's policy statement retained a cautious tone, reiterating that a "careful and patient" approach to monetary policy remains necessary, and was for the most part unchanged from June. The most notable part of the meeting came with the announcement of the tweak to the required reserve ratio for commercial lenders – which was cut to 8% from 10%, effective August 1 – although policymakers stressed that the change does not imply a shift in its tight stance on monetary policy, which subdued any market reaction.

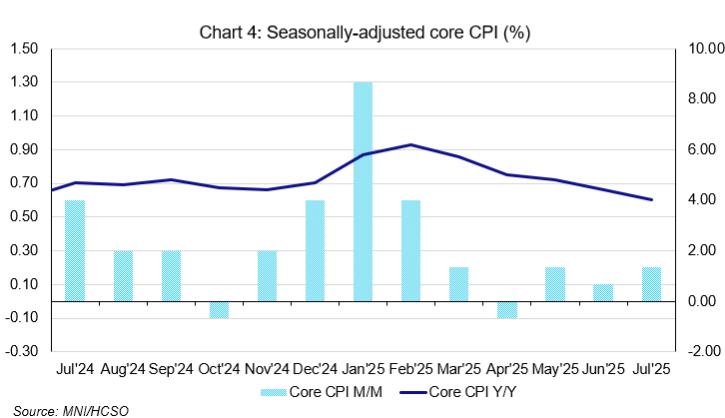
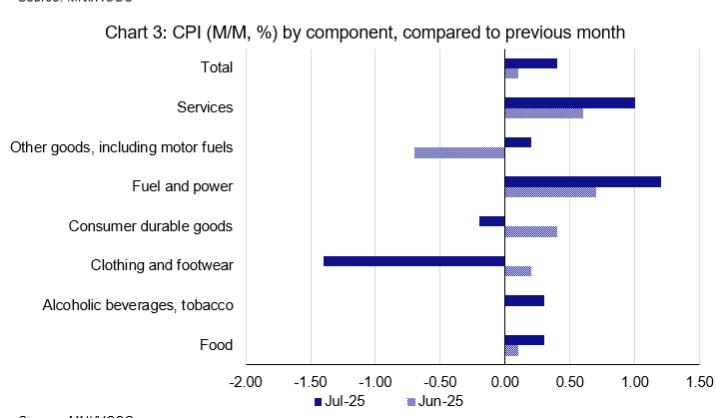
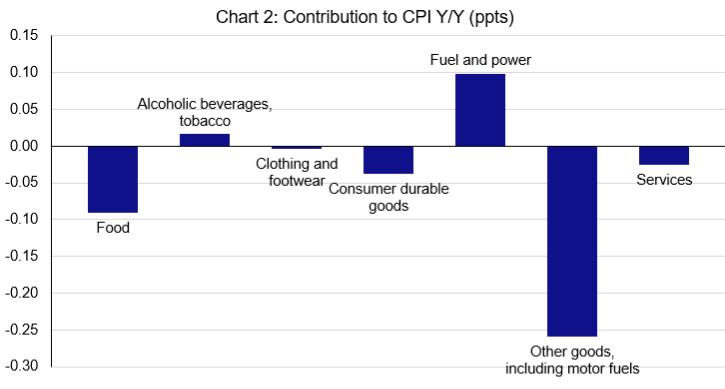
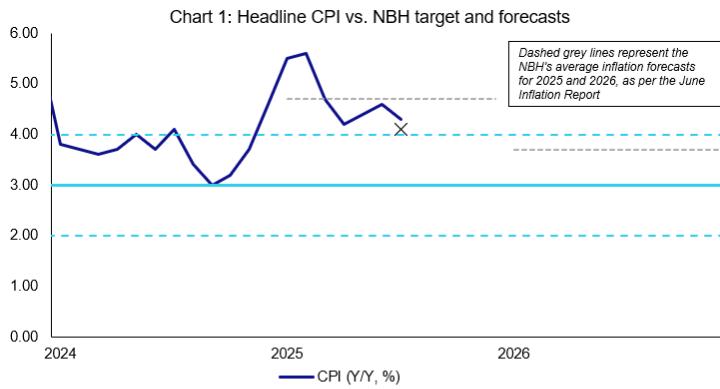
Rhetoric regarding the inflation outlook was little changed. For the rest of the year, inflation is expected to stay above the tolerance band and consumer inflation expectations were noted to have remained at a high level. While mandatory and voluntary price restriction measures had a significant restraining effect – the NBH estimate that government interventions cut CPI by 1.5pppts in June – strong corporate repricings can still be observed outside of their scope.

### **Headline CPI inflation above expectations in July, core pressures ease further**

Headline CPI came in at +4.3% Y/Y, +0.4% M/M in July, with both measures ahead of expectations. A strong contribution from fuel and power prices (+0.10ppt contribution to Y/Y) partially countered the deflationary impact of food prices (-0.09ppt contribution to Y/Y) and other goods including motor fuels (-0.26ppt contribution to Y/Y). Contrary to expectations, inflation in services decelerated at a slower pace, mainly due to a significant increase in the price of transportation services. That left headline CPI above the top-end of the NBH's target range, but below the average inflation forecast for 2025 as per the June inflation report.

Developments in core CPI were perhaps more favourable, slowing to +4.0% Y/Y for the joint-lowest level post-COVID, albeit the 0.4ppt slowdown was largely due to last year's high base. Overall, the figures added to the complicated data picture: while recent wages, industrial production and retail sales numbers have been softer-than-expected, poor inflation outturns continue to limit the speed at which the NBH can return to rate cuts.

It is also notable that supply-side shocks caused significant price increases in some goods which are particularly relevant for perceived inflation – such as for meat, fruit, and vegetables prices. At present, the government plans to phase out its price shield measures at the end of this month, but the latest developments will bolster expectations that such measures will be extended.



## NBH Governor reiterates need for discipline

The only comments we have had from the NBH since the July meeting have come from Governor Mihaly Varga, who spoke ahead of the annual Jackson Hole Symposium. Varga reiterated that Hungary's central bank is focused on a "careful and patient" monetary policy to anchor inflation expectations amid upward price pressures, and that "disciplined" monetary policy is needed to maintain market stability.

## HUF reaches new cycle highs as focus turns back to carry

EM currencies have fared well in August since the US payrolls report, with high-yielders generally the top performers. Given there have been few idiosyncratic drivers domestically, low levels of volatility across global currency markets has drawn focus back to the carry trade. The forint has been a key beneficiary from this, rallying around 3% against the dollar month-to-date and reaching an 11-month high against the euro.

Further HUF strength may open the door to a rate cut later in the year given that HUF stability is implicitly a prerequisite for easing. And if the Federal Reserve presents a dovish statement at its meeting in September, then the NBH could find it can deliver its own rate cut without exerting significant pressure on the forint. However, it is more likely that policymakers will be willing to tolerate a prolonged period of high rates to avoid the unwinding of carry trade positions that support forint. Accordingly, some analysts anticipate that adjustments to the base rate will come no sooner than 2026.

## NBH Data Watch

MNI National Bank of Hungary Data Watch List							2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
<b>Inflation</b>	Current	3m ago	3m Chg	6m ago	6m Chg						
CPI	% y/y	4.3	4.2	▲	5.5	▼					-0.35
Import Prices	% y/y	-1.3	1.3	▼	10.1	▼					-1.61
PPI	% y/y	5.1	7.3	▼	8.9	▼					-1.98
Demand Sensitive Inflation	% y/y	4.0	5.2	▼	5.6	▼					-1.63
<b>Economic Activity</b>	Current	3m ago	3m Chg	6m ago	6m Chg		2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
PMI Manufacturing	Index	50.7	50.2	▲	50.0	▲					0.34
GDP (Q)	% q/q	0.4	-0.1	▲	0.6	▼					0.34
Industrial Production	% y/y	-4.9	-5.0	▲	-8.1	▲					-0.23
Economic Sentiment	Index	-19.2	-15.7	▼	-18.0	▼					-1.74
<b>Monetary Analysis</b>	Current	3m ago	3m Chg	6m ago	6m Chg		2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
M0 Money Supply	% y/y	-1.44	-5.50	▲	-0.09	▼					-0.38
M3 Money Supply	% y/y	5.82	7.73	▼	9.00	▼					-1.60
Consumer Credit	HFBn	5110	4973	▲	4892	▲					1.64
Non-Fin Corp Credit	EURmn	32454	31639	▲	31923	▲					1.79
<b>Consumer / Labour Market</b>	Current	3m ago	3m Chg	6m ago	6m Chg		2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Retail Sales	% y/y	3.0	0.8	▲	0.0	▲					0.56
Consumer Confidence	Index	-31.6	-28.1	▼	-29.6	▼					-1.48
Unemployment Rate	%	4.5	4.3	▲	4.4	▲					0.65
Average Gross Wages	% y/y	7.7	9.2	▼	11.6	▼					-1.42
<b>Markets</b>	Current	3m ago	3m Chg	6m ago	6m Chg		2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Budapest Stock Index	Index	106155	92196	▲	85493	▲					1.93
Hungary 10-Year Yield	%	7.03	6.79	▲	6.60	▲					1.17
HUF Yield Curve (2s-10s)	bps	77.3	57.2	▲	56.4	▲					1.70

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.

Source: MNI, Bloomberg