

MNI NBH Preview: December 2025

Details:

Monetary policy decision: 1300GMT, 1400CET, 0800ET, Tuesday 16th December 2025

MNI Point of View:

The final NBH meeting of the year could present the central bank with an opportunity to lay the groundwork for a rate cut in Q1/Q2 next year. While the overwhelming likelihood is that the base rate will remain unchanged at 6.50% until after the elections next year, the December Inflation Report may present the case for a dovish shift in language. Among sell-side, the base rate is unanimously expected to be unchanged, but the prospect of a communication tweak is being considered.

Last month's rate decisions offered no surprises for either rates or guidance. The statement retained a cautious tone, reiterating that a "careful and patient" approach to monetary policy remains necessary – guidance which has been unchanged for all of 2025. The central bank noted that mandatory and voluntary price restriction measures have had a significant inflation-reducing effect, while it also highlighted the strength of the forint since the beginning of the year. In his post-decision press conference, Governor Mihaly Varga explicitly stated that the monetary council's forward guidance had not changed.

December Inflation Report could provide opportunity for a dovish shift

But, in the minutes from that meeting, the NBH stated that "The Council was in agreement that the projection in the December issue of the Inflation Report was going to be crucial from the perspective of next year's monetary policy stance." We note that by pinning the stance of monetary policy for 2026 on its December Inflation Report, the NBH have opened up the possibility of a dovish shift before year-end. While this is still unlikely to translate into a rate cut before the Spring 2026 elections, the evolution of NBH communication will certainly be worth watching.

At the same time, the bar for a shift in communication remains unclear. The central bank have already acknowledged that inflation will decline in late-2025 and into 2026, with some sell-side analysts noting that inflation could even fall to around 2% Y/Y by February. Therefore, it remains to be seen whether the NBH will assess the likely downward revisions to inflation forecasts vs. the September projections as a fundamental improvement, or if it will look through the headline forecasts given much of the decline will be on the back of strong and favourable base effects.

Strong and favourable base effects drive decline in headline CPI

On the data front, inflation figures paint a more benign picture at the surface level. Annual inflation slowed to +3.8% Y/Y in November from +4.3% in October – a touch below analyst estimates of +3.9% – with the bulk of the decline led by more benign food and fuel prices. This marks the first reading for the headline series below the upper bound of the central bank's tolerance range since November last year. Prices rose just 0.1% on a monthly basis (Est: +0.1%; Prior: unchanged), while core edged lower to +4.0% Y/Y from +4.2%.

Looking at the details, the 'Food' and 'Other goods, including motor fuels' subcomponents drove much of the decline, each contributing around -0.2ppts to the change in the annual figure. On a month-on-month basis, both food and services prices were tame at just +0.2% and -0.1% respectively, while electricity, gas and other fuel prices lessened by 0.4%. Meanwhile, the +3.2% Y/Y reading for food marks the lowest for that individual component since September 2024.

Chart 1: Headline CPI vs. NBH target and forecasts

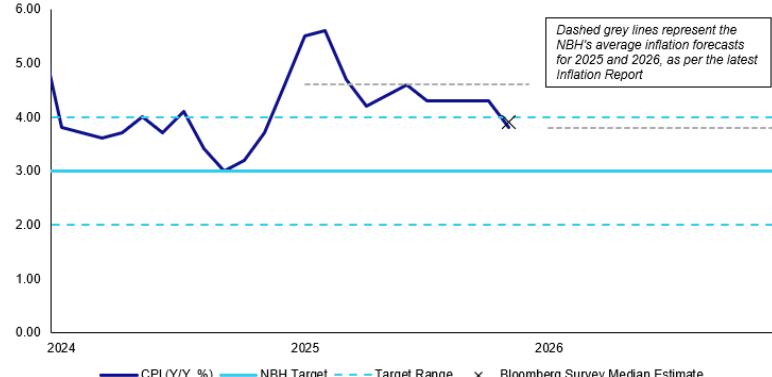
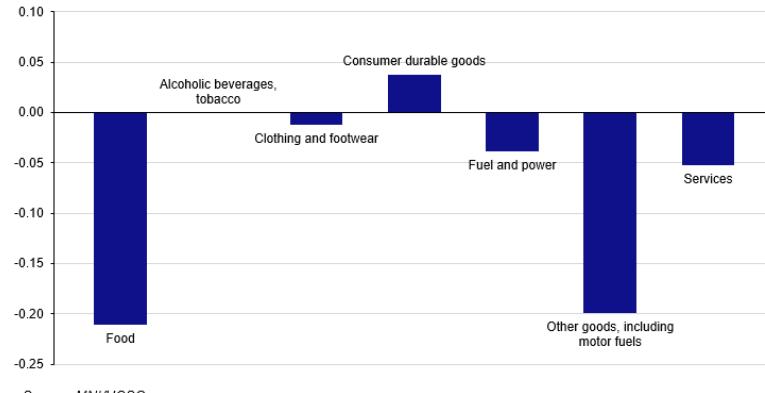


Chart 2: Contribution to CPI Y/Y (ppts)



Hungarian inflation entering a more volatile period

However, the slowdown in headline inflation was anticipated by the NBH and merely marks the beginning of what is expected to be a more volatile period for Hungarian inflation. That is largely due to the government-imposed profit caps on certain food items and basic goods, with inflation expected to surge following the expiry of these measures in February 2026. Should these measures be extended further, artificially subdued price pressures will have to be factored into decision making for a longer period.

Prospect of an Orban presidency could become a HUF headwind

Perhaps the most notable development since the last meeting – albeit not necessarily a consideration for near-term policy – was a report from Bloomberg which stated that Prime Minister Viktor Orban is toying with the idea of assuming the presidency and rewriting laws to make it into the most powerful office in the country. Orban is said to have raised the prospect of a presidential system after a meeting at the White House last month with President Donald Trump, saying the plan was “always on the table.”

Our view is that the possibility of pushing through the reform to a more dominant presidential system could be politically damaging – and as the Bloomberg piece notes: “That path would be risky, though, if it was seen as going against the popular will.” Furthermore, Orban would need to use Fidesz’s current supermajority in parliament before April’s election to push through the change.

It is also worth noting that at least some of Bloomberg’s sources are in some way affiliated to the Tisza party – “The possibility of Orban pushing through an overhaul of the presidency is one of many scenarios Tisza hasn’t ruled out, according to a person familiar with the thinking of the party’s leadership” – and therefore it would not be surprising to see Orban dismiss the report as political gamesmanship.

Regardless, HUF fell sharply on the report, and should speculation of an Orban presidency continue to gain traction, the bias for a stronger HUF before the parliamentary elections could reverse. Given the NBH’s acute sensitivity to the strength of the currency, a significantly weaker HUF may prompt central bank officials to err on the side of caution and double down in its hawkish stance.

NBH Data Watch:

MNI National Bank of Hungary Data Watch List							2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI	% y/y	3.8	4.3	⬇️	4.4	⬇️	2Y History	Hit / Miss	Vs Trend	Surprise Index	-0.54
Import Prices	% y/y	-4.3	-2.9	⬇️	4.2	⬇️	2Y History	Hit / Miss	Vs Trend	Surprise Index	-1.17
PPI	% y/y	1.8	4.5	⬇️	7.9	⬇️	2Y History	Hit / Miss	Vs Trend	Surprise Index	-1.21
Demand Sensitive Inflation	% y/y	4.6	3.9	⬆️	4.9	⬇️	2Y History	Hit / Miss	Vs Trend	Surprise Index	0.28
Economic Activity		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
PMI Manufacturing	Index	53.4	49.1	⬆️	49.8	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	2.12
GDP (Q)	% q/q	0.0	0.5	⬇️	-0.2	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	-0.08
Industrial Production	% y/y	-2.7	-1.2	⬇️	-2.3	⬇️	2Y History	Hit / Miss	Vs Trend	Surprise Index	0.26
Economic Sentiment	Index	-14.4	-17.0	⬆️	-17.8	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	0.94
Monetary Analysis		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
M0 Money Supply	% y/y	-5.09	-2.23	⬇️	-5.16	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	-0.59
M3 Money Supply	% y/y	6.37	6.68	⬇️	7.32	⬇️	2Y History	Hit / Miss	Vs Trend	Surprise Index	-0.98
Consumer Credit	HFBn	5303	5166	⬆️	5011	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	1.43
Non-Fin Corp Credit	EURmn	33436	32868	⬆️	31662	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	1.13
Consumer / Labour Market		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Retail Sales	% y/y	3.1	1.7	⬆️	4.9	⬇️	2Y History	Hit / Miss	Vs Trend	Surprise Index	0.36
Consumer Confidence	Index	-27.2	-28.8	⬆️	-29.3	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	0.68
Unemployment Rate	%	4.6	4.3	⬆️	4.4	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	1.67
Average Gross Wages	% y/y	9.5	9.7	⬇️	8.4	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	0.72
Markets		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Budapest Stock Index	Index	109863	102555	⬆️	95698	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	1.79
Hungary 10-Year Yield	%	6.98	7.09	⬇️	6.96	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	0.16
HUF Yield Curve (2s-10s)	bps	65.8	79.9	⬇️	61.2	⬆️	2Y History	Hit / Miss	Vs Trend	Surprise Index	0.01

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

Analyst Views (Alphabetical):

BofA: Inflation Report May Present the Case for a Dovish Shift

- BofA note that the NBH will likely hold the base rate at 6.50%, but they add that the Inflation Report may present a case for some dovish shift.
- They say the likelihood of Q1 rate cuts has probably been strengthened by recent inflation developments, but for rate cuts to materialise in a credible way, there needs to be some disinflation progress in services, continued HUF stability, and no additional major fiscal spending ahead of elections.
- If conditions allow, BofA could see the NBH carrying out small 25bp easing steps in February/March. For now, they keep their base case of unchanged rates before elections.

Commerzbank: Underlying Inflation Indicators Point to an Improving Picture for Hungary

- Commerzbank note that underlying inflation indicators point to an improving picture for Hungary's inflation landscape. On their preferred seasonally-adjusted month-on-month basis, Commerzbank note that most inflation measures are now annualising to within target, and others are moving gradually in that direction.
- However, they add that this still represents a somewhat fragile picture and hence the NBH is right to be cautious.

ING: Believe Easing Cycle Will Begin in H2-2026

- ING still can't see any clear-cut reasons for the NBH to ease monetary policy in December. Looking further ahead, they still do not anticipate any interest rate cuts in the first half of next year given that the MPC is focused on addressing high inflation expectations.
- ING believe that the easing cycle will begin in the second half of next year. However, if the NBH intends to lower the base rate in the first half of 2026, they say it must lay the groundwork for this in the December forward guidance.

JP Morgan: See 25bps of Cuts Happening From June at the Earliest

- JP Morgan think that despite this week's downside CPI surprise, there is no reason for the NBH to consider easing policy near-term. They expect the central bank to keep rates unchanged until after the elections when it can have more clarity about policy.
- JPM see the next 25bps cut happening in June only, but with risks skewed to later and less.

SocGen: No Longer Forecast a Rate Cut in March 2026

- SocGen expect rates to remain unchanged. They note that despite ongoing improvements in the inflation outlook, the central bank is likely to maintain a cautious approach to monetary policy. It will also publish the December Inflation Report, which, according to recent remarks by officials, will be crucial in shaping the monetary policy stance for 2026.
- SocGen expect the report to present a more favourable inflation profile compared to the previous one; however, the overall hawkish stance is unlikely to be decisively reversed.
- They also say recent political developments have forced them to revise their NBH rate forecast and no longer forecast a rate cut in March 2026. SocGen had anticipated a strengthening of the HUF ahead of the parliamentary elections.
- However, the recent news that Orban may be considering becoming president in order to retain power has probably put a dent in the 'election trade'. This also means a lower probability of further gains for the currency and a higher chance of a correction towards weaker HUF levels instead. In this environment, SocGen say the NBH is likely to double down on its cautious stance.