MNI NBH Preview: January 2026

Details:

Monetary policy decision: 1300GMT, 1400CET, 0800ET, Tuesday 27th January 2026

MNI Point of View:

No change to the 6.50% base rate is expected given that Hungary's latest CPI inflation data came in ahead of the Bank's forecast. The strong services reading was notable and bolsters expectations that the January meeting comes too soon for a rate cut. Instead, February is seen as a more likely start point given that the NBH will have by then been able to assess the extent of repricing effects on consumer prices, increasing the significance of the January CPI reading next month. Among sell-side, the prevailing view is that the outlook appears favourable for a rate cut in both February and March.

The December MPC meeting offered no surprises in terms of the rate decision itself, however, there was a notable tweak in the central bank's guidance. Officials highlighted the importance of market stability and repricing effects on the inflation outlook which, together with incoming macro data, will be key for influencing upcoming decisions on the base rate:

> *"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. The Council is constantly assessing incoming macroeconomic data and factors influencing the inflation outlook, in particular repricings at the start of the year and the stability of financial markets, based on which it will take decisions on the level of the base rate in a cautious and data-driven manner from meeting to meeting."*

While the changes to the month's statement and guidance were not massively dovish in isolation, the new additions were notable as until then the guidance paragraph had been left unchanged for all of 2025. The forint sold off sharply, prompting central bank officials to push back against market expectations of an immediate policy shift. Vice Governor Zoltan Kurali said it is too early to discuss timetable for interest cuts and that central bank will not rush monetary easing. Later in January, he said the central bank needs more conviction on economic data before deciding on its next move in rates, citing "stubborn" inflation in the services sector.

Headline inflation slows substantially, but services strong

Since then, headline CPI inflation slowed substantially to +3.3% Y/Y in December from +3.8% Y/Y in November, though the figure was a above analyst estimates of +3.3% and substantially above the Bank's own projection. Prices rose 0.1% on a monthly basis (Est: 0.0% M/M) while core edged lower to +3.8% Y/Y nsa from a prior +4.0%.

The slowdown in both food and fuel inflation drove the bulk of the decline in the annual figure in December, but this was anticipated due to strong and favourable base effects and an extension of the government's profit curb measures late last year. The biggest surprise instead came from the services component, with prices in this segment up from +6.5% Y/Y in November to +6.8% Y/Y in December. Given Kurali's comments on the significance of the services sector only a day prior to the release, the data prompted a spike across HUF FRAs as markets reassessed the likelihood of a January rate cut.

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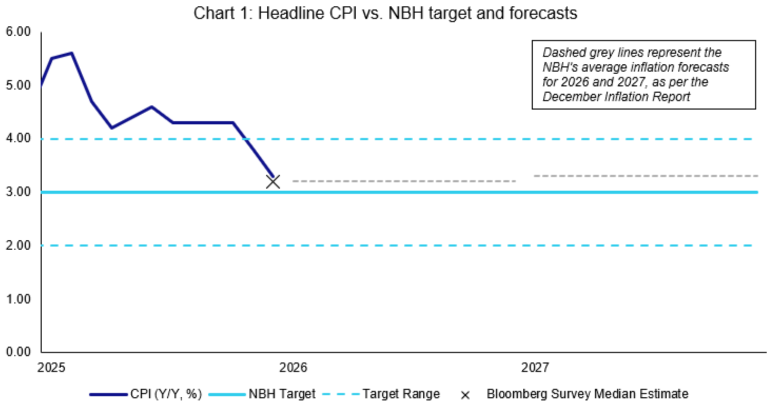
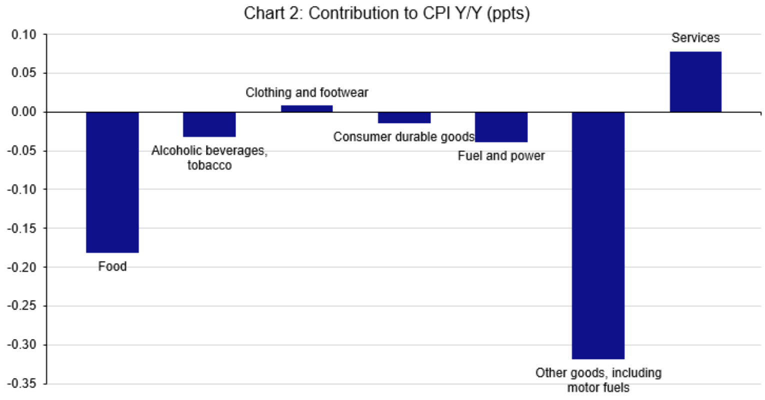


Source: MNI/HCSO



Source: MNI/HCSO

January inflation data key for rate cut prospects

Nonetheless, a rate cut next month remains a possibility given the importance officials have placed on the January inflation reading (to be released on February 12, ahead of the NBH meeting on February 24). The NBH have explicitly and repeatedly highlighted repricing effects at the start of the year as a crucial factor for monetary policy. Furthermore, the new minimum wage increase (11%) and the new excise taxes on alcohol and tobacco will have filtered through to consumer prices.

Volatile period for inflation and election uncertainty could delay cuts

The broader slowdown in headline inflation 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 (as is widely expected), artificially subdued price pressures will have to be factored into decision making for a longer period.

Of the sell-side views we have seen, most analysts are looking for a February rate cut, with most anticipating another cut in March as well (which would mean a total of 50bps of easing ahead of the parliamentary election on April 12). However, the spread between the 3-month BUBOR and front-end HUF FRAs suggests that market pricing for rate cuts before the election remains far from convictive. The uncertainty surrounded by the election itself (and what a potential win for the opposition would mean for Hungarian assets) as well as government policy ahead of the vote (i.e. profit margin caps and pre-election handouts) could prompt the central bank to err on the side of caution. Former Governor Andras Simor is of this view, and his full comments can be found in our exclusive interview further in this document.

NBH Data Watch:

Central Bank Watch - NBH

January 26, 2026

MNI National Bank of Hungary Data Watch List

Inflation		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
CPI	% y/y	3.3	4.3	↓	4.6	↓					-1.20
Import Prices	% y/y	-5.9	-3.9	↓	2.8	↓					-1.19
PPI	% y/y	-2.7	2.2	↓	6.8	↓					-1.85
Demand Sensitive Inflation	% y/y	4.7	4.2	↑	4.3	↑					0.79
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
PMI Manufacturing	Index	53.7	51.6	↑	49.0	↑					2.01
GDP (Q)	% q/q	0.0	0.5	↓	-0.2	↑					-0.08
Industrial Production	% y/y	-5.4	-4.8	↓	-2.4	↓					-1.35
Economic Sentiment	Index	-11.7	-14.8	↑	-17.6	↑					1.59
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	-2.35	-1.17	↓	-2.37	↑					-0.08
M3 Money Supply	% y/y	6.87	7.97	↓	6.96	↓					-0.29
Consumer Credit	HFBn	5328	5200	↑	5063	↑					1.30
Non-Fin Corp Credit	EURmn	34765	33025	↑	31832	↑					1.80
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	2.5	2.4	↑	2.1	↑					-0.11
Consumer Confidence	Index	-22.0	-27.0	↑	-31.6	↑					1.84
Unemployment Rate	%	4.4	4.5	↓	4.5	↓					-0.24
Average Gross Wages	% y/y	8.9	8.7	↑	7.7	↑					-0.13
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Budapest Stock Index	Index	125645	98872	↑	97667	↑					1.72
Hungary 10-Year Yield	%	6.63	6.80	↓	7.04	↓					-1.14
HUF Yield Curve (2s-10s)	bps	55.5	54.6	↑	81.5	↓					-0.49

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):

BNY: Continue to see upside risks to inflation

- BNY say the NBH is expected to keep rates unchanged at 6.50%, and they see little capacity for additional easing in the near term, though the central bank is unlikely to fully discount such a step.
- For now, markets are still not too concerned about risks of a sharp decline in real rates because headline rates are holding up, but BNY continue to see upside risks to inflation with strong fiscal impulse. The latest wage figures point to real wage growth of close to 6% Y/Y, which by any measure, would typically require far more restrictive conditions.

Goldman Sachs: Likelihood of March cut instead of February has increased

- Goldman Sachs expect the Monetary Council to keep its base rate on hold at 6.50%. The main focus of the meeting will be the guidance from Governor Varga in the post-MPC press conference, especially in light of the December CPI print, which surprised the NBH's forecast materially to the upside.
- Goldman expect the guidance to continue to emphasise data dependence and not explicitly close the door to a Q1 cut. They continue to expect a cut in Q1, though the likelihood that the NBH will choose to move in March instead of February has increased following the December CPI print. That said, Goldman see the January CPI as the most important bellwether of the timing of the next cut and think a sufficiently weak print would still allow the NBH to move in February, especially if the Forint continues to strengthen.

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ING: Outlook appears favourable for rate cut in February and March

- ING see a total rate cut of 50bps in Q1, with one or two additional 25bp cuts scheduled later in the year. The risks are balanced. On the one hand, a dovish tilt among major and regional central banks would increase the scope for stronger easing. Significant downside surprises in local inflation and further strengthening of the forint could prompt the NBH to consider an outsized cut in February or March.
- ING don't expect any changes regarding the communication and tone. The central bank will probably emphasise the upside surprise in the latest inflation figures and the fact that recent geopolitical uncertainty is currently an obstacle. However, the emphasis on a data-driven stance and a month-by-month approach will also remain in place, leaving the door open for a rate cut in February.
- They note the tricky part comes with the general election and the related possibility of FX volatility, which could be too great for continued easing. In the event of a significant market response and a weaker forint, the central bank may opt for a pause.

JP Morgan: Think NBH can deliver 25bp cut this week already, risks skewed to later start

- The NBH pivoted from its very hawkish communication into a data-driven narrative, despite no obvious change in the data, suggesting the Monetary Council could be ready to cut rates soon.
- JP Morgan have penciled in 50bps worth of easing (2 x 25bps) ahead of the April parliamentary election, the main question being the exact months. In January, inflation is likely to have collapsed to the low 2%s, and core CPI will likely drop sub-3%. The upside risks posed by methodology-driven gas price increases in an unusually cold January have been eliminated after the Government announced a one-off January subsidy.
- JPM note that it's a risky and outlier call, but think the NBH can deliver 25bps already this week, and another 25bps in February. Risks are skewed for a later delivery in February and March, they add.

SocGen: Expect hold in January, 25bp cuts in February and March

- SocGen expect a hold at 6.50%. After the dovish pivot at the last meeting, expectations for early rate cuts have somewhat tempered after the unsupportive December CPI print. Despite headline inflation having moderated recently, helped by a strong forint and government policies, the services component remains at uncomfortably high levels.
- In this context, they expect the NBH to stay on hold and refrain from making any decisions until further data is released which can help clarify the inflation outlook. In particular, the January CPI print will be of utmost importance, as that is when many yearly repricings take place.
- SocGen's base case continues to see a pause next week and two 25bp rate cuts at the February and March meetings. This view is based on their bearish inflation forecast for January – they expect headline CPI to drop sharply to 2.1% Y/Y – but also on the forint remaining at strong levels. SocGen also have a positive forward-looking view on the path for services inflation.
- While SocGen's expectations of a rate cut in February could be derailed by a strong January CPI reading, they feel more confident that the March inflation projection will show a favourable enough path to convince policymakers to proceed with a cut.

UniCredit: Do not expect cuts before January CPI data is released

- Given the importance of January price setting and significant uncertainty surrounding the annual resetting of core prices, UniCredit do not expect cuts from the NBH before January CPI data is released in February.
- If incoming data confirms a moderation in core prices, UniCredit would not rule out a cut in February but see March as a more likely window for the first rate cut, provided that fiscal risks moderate closer to the elections on 12 April and regional risk sentiment remains stable.

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MNI Policy Team Insights

MNI INTERVIEW: NBH Could Hold Rates Beyond Jan - Ex-Gov Simor

By Luke Heighton
Jan 22, 2026

MNI (London) The National Bank of Hungary is unlikely to cut interest rates this month and may not do so before the spring, former governor Andras Simor told MNI.

While the Bank's move last month to a data driven, meeting-by-meeting mode initially raised speculation of a cut from 6.5% at the first meeting of 2026, Simor said December's 3.3% inflation reading and subsequent NBH comments aimed at stabilising the forint had pared back expectations, though easing may still be debated on Jan 27 after three years of sluggish economic growth.

Services inflation rose from 7.2% to 7.6% between November and December, "and service inflation is always something that central bankers look at very carefully, because it's a good indicator of the underlying inflation trends in the economy," noted Simor.

"Additionally, inflation expectations are still in double digits. The MPC also said in December that they will pay particular attention to price-setting patterns at the beginning of the year, the results of which they will not see before mid-February at the earliest."

It is "99.9% likely" that the government's cap on profit margins - described by the NBH pre-December as having a "significant diminishing effect on inflation"- will be extended beyond February, Simor said, though prices will go up "immediately, or very soon after" it is lifted.

"They need to consider the effects of lifting the cap - even though, when they make projections, as they did in December, they follow a rules-based system which means they only take into consideration government decisions that have already been made."

GENERAL ELECTIONS

It is also possible that Prime Minister Viktor Orban will continue to offer handouts in a bid to sway voters before April's general elections, which Simor said could see the fiscal deficit increase above 5%.

"The rating agencies are watching this very carefully, and they might be tempted to downgrade Hungary if they see budgetary targets missed. That could lead to weakening of the forint and an increase in the Hungarian risk premium, in which case the central bank would need an interest rate cushion to defend the currency."

NBH governor Mihaly Varga has made clear that he wants to keep the forint stable, Simor said.

"I would therefore guess that they are not going to cut in January, and it will depend entirely on what happens between January and April as to whether they cut at all before the election. It's going to be a very turbulent period."

While a cut before April would be good news for the incumbent government, and cannot be ruled out given Varga is a former finance minister for the governing Fidesz party, nor can it be assumed, Simor said.

“I do think they are trying to divorce themselves from politics and instead follow purely economic and financial rationales - as reflected in the fact that they have been cautious and conservative over the past year. If they mean that, then I would think that a cut is not appropriate at this point.”

Opposition party TISZA will face substantial challenges even if it wins, Simor said, with a two-thirds parliamentary majority needed to remove Fidesz loyalists from numerous high-powered civil service and judicial roles.

“This Fiscal Council in particular has very big powers, and could veto the new government’s budget,” Simor said.

MNI INTERVIEW: NBH to Cut in Feb, Then Wait and See - Kiraly

By Luke Heighton
Jan 14, 2026

MNI (London) Hungary’s central bank could still lower interest rates once before April’s general election, former deputy governor Julia Kiraly told MNI, with a 25-basis-point cut in February most likely after December’s 3.3% inflation print exceeded the NBH’s end-of-year projections.

Kiraly said she was not surprised by December’s figure though the pickup in the pace of market services price growth, which rose from 7.2% to 7.6% (+0.6% MoM) was hard to explain. In its December Inflation Report, the NBH had anticipated that inflation would briefly decline below the 3% target at the beginning of 2026, before rising temporarily towards the upper bound of the tolerance band.

But while the possibility of a January cut has all but vanished - after the NBH amended its forward guidance last month to indicate it will move in a “cautious and data-driven manner from meeting to meeting” - the economic case remains for lowering rates by a quarter point in either February or March, Kiraly added.

“Even were politics not a consideration, a cut could be justified,” she said, citing “fear of stagnation” as a major factor in the NBH’s decision-making.

Twenty-five basis points "is only a signal," Kiraly said. "It doesn’t help the government to boost the economy. So I am more or less 100% sure about a 25bp cut in February, after which it will be a case of wait-and-see.”

DOVISH TONE

While the NBH raised its 2027 inflation forecast - from 3.0% to 3.3% - and indicated that the rate of price increases may only return sustainably to target in 2028, the overall tone of December’s report was dovish.

This was despite the assumption in the Bank’s forecast that government price shield measures - previously credited by the NBH as having exercised a “significant diminishing effect on inflation” - will be removed at the end of February as promised, Kiraly noted.

“They’ve run a number of scenarios and seem to be confident that the end of the price shield - whenever it comes - won’t lead to a surge in inflation because companies will absorb the opportunity cost of price caps, having made good profits on items outside their scope. I’m not convinced, but they appear to be.”

The only significant upside risk the central bank could face in the immediate term is global market volatility and a weaker forint, though for the moment the currency is enjoying a period of stability, Kiraly said.

"If anything happens to oil or the gas price it would immediately have a negative effect on inflation. Food price inflation is already so high that base effects will bring it down, and all the snow we are having this year will be better for agriculture. In fact, there is a possibility it will be a really good year because of all the additional water."

Election front-runner Peter Magyar's TISZA party, which hopes to unseat Fidesz Prime Minister Viktor Orban, nevertheless faces a testing time even if it wins April's hotly-contested parliamentary poll, Kiraly said.

"We don't know what will happen after the elections, but it will be a very difficult task to do anything with the country. If the opposition win, the only positive effect will be that the European funds will be announced, and this will have a positive effect on the ratings agencies and the general feeling of the market. But they will not arrive immediately."