

MNI NBH Preview: June 2025

Details:

Monetary policy decision: 1300BST, 1400CET, 0900ET, Tuesday 24th June 2025

MNI Point of View:

The National Bank of Hungary is expected to keep its base rate on hold at 6.50% again this month, sticking to its 'cautious and patient' approach to monetary policy. Comments from central bank officials continue to indicate that it is unlikely that any changes will be made to the Bank's hawkish guidance either, with officials committed to achieving and maintaining price stability amid an uncertain geopolitical backdrop. Among sell-side, views remain mixed over whether an easing cycle will commence before year-end. Note that the central bank will also be publishing its latest Inflation Report this month.

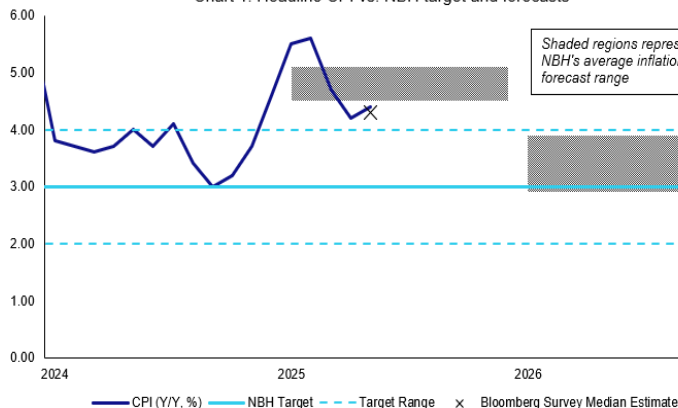
Last month's decision to keep the base rate unchanged at 6.50% was in line with expectations. The policy statement reiterated that a "careful and patient" approach to monetary policy remains necessary and was for the most part unchanged from April, while Governor Mihaly Varga indicated again that rates will likely remain on hold for an "extended period".

Headline CPI inflation edges higher in April

Since that decision, headline consumer price growth came in a touch above expectations at +4.4% Y/Y in May (Est: +4.3%; Prior: +4.2%), with most components of the CPI basket contributing positively to the year-on-year figure. Consumer prices rose 0.2% on a month-on-month basis (Est: 0%; Prior: +0.2%) while seasonally-adjusted core inflation stood at +4.8% Y/Y, down from +5.0% in April.

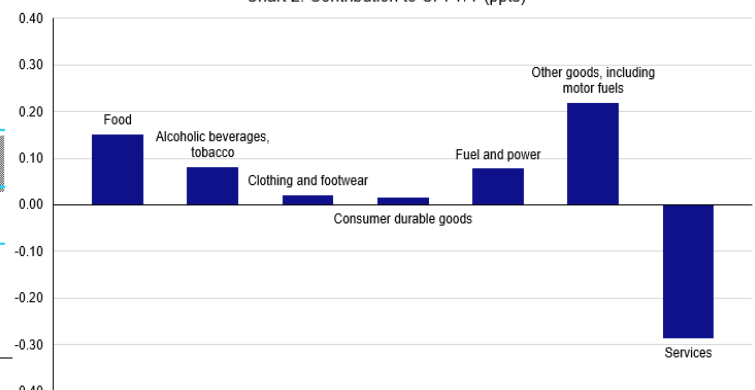
Among the subcategories, food prices contributed around 0.15ppts to the headline inflation figure, which was somewhat surprising given some analysts had expected the recently introduced profit margin caps to have some residual effects on the May print, while the services component weighed around 0.3ppts on year-over-year price growth. Overall, the data is still broadly in-line with the central bank's expectation that inflation will hover around the 4% top end of its inflation tolerance band in the coming months, but an upward revision to the Bank's inflation forecasts may be on the cards when the Inflation Report is published this month.

Chart 1: Headline CPI vs. NBH target and forecasts



Source: MNI/HCSO/BBG

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



Source: MNI/HCSO

Comments from new Deputy Governor strike a familiar tone

The most recent comments on monetary policy have come from the NBH's newest Deputy Governor, Daniel Palotai, who is set to be in charge of international relations (note that Jozsef Dancso has also been confirmed as a non-executive member of the MPC as the rate-setting committee expands to 11 members from 9). In his confirmation hearing, Palotai reiterated comments which we have become accustomed to, noting that the central bank's priority is to "break" inflation and anchor it at its 3% medium-term target, meaning policy needs to be "data-driven" and "stability-oriented." He added that while the central bank is "mindful" of the level of the forint in its rate decisions, it doesn't need an exchange-rate goal.

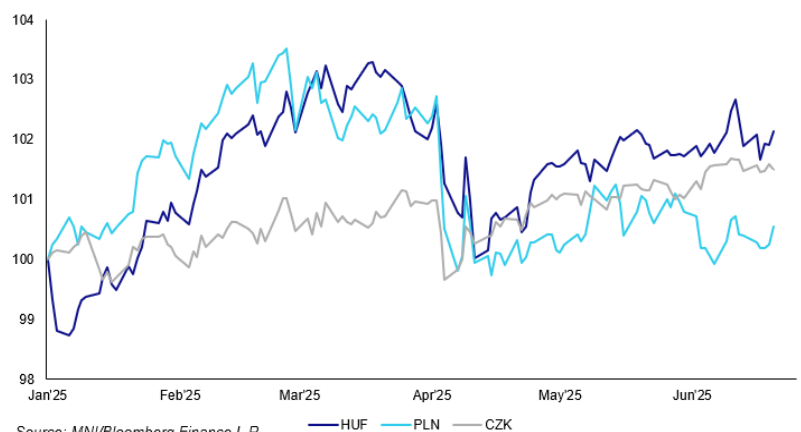
Meanwhile, minutes from the NBH's previous rate-setting meeting shed light on the internal decision making at the central bank. "Council members agreed that changing the forward guidance was not warranted" due to "risks surrounding the inflation environment as well as trade policy and geopolitical tensions." Given we have not seen notable improvements on either front – the Israel/Iran conflict has only heightened geopolitical uncertainty while the outcome of trade negotiations with the Trump administration remains unclear – policymakers are likely to arrive at the same conclusion again this month. In practice, this will mean no change to the "careful and patient" and "maintaining tight monetary conditions is warranted" guidance, while the statement is likely to add mention to an increase in oil prices as well.

Forint stable, but Middle East tensions pose a key risk

The level of the forint is implicitly a key factor behind the NBH's interest rate decisions, and policymakers will therefore welcome the relative stability of the currency over the past month.

The currency benefited from the shift in global investor focus to carry trades, prompting EUR/HUF to briefly fall below the psychological 400.00 handle. However, the escalation in the Israel-Iran conflict and the forint's high-beta to swings in global risk sentiment and will mean this month's meeting comes too soon for policymakers to consider toning down hawkish rhetoric.

Chart 3: Indexed CE3 year-to-date spot return vs. EUR



Source: MNI/Bloomberg Finance L.P

— HUF — PLN — CZK

NBH Data Watch

Central Bank Watch - NBH

June 23, 2025

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	4.4	5.6	↓	3.7	↑					-0.45
Import Prices	% y/y	4.7	7.2	↓	3.1	↑					-0.12
PPI	% y/y	7.9	9.1	↓	2.6	↑					0.42
Demand Sensitive Inflation	% y/y	4.9	5.8	↓	4.8	↑					-0.74
Economic Activity		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
PMI Manufacturing	Index	50.1	51.1	↓	50.4	↓					0.16
GDP (Q)	% q/q	-0.2	0.6	↓	-0.7	↑					-0.51
Industrial Production	% y/y	-2.3	-4.3	↑	-3.4	↑					1.04
Economic Sentiment	Index	-17.8	-16.6	↓	-16.7	↓					-0.90
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	-5.16	0.09	↓	1.58	↓					-0.61
M3 Money Supply	% y/y	7.03	9.00	↓	9.01	↓					-1.24
Consumer Credit	HFBn	5011	4903	↑	4846	↑					1.65
Non-Fin Corp Credit	EURmn	31662	31752	↓	31917	↓					-1.18
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	5.0	4.7	↑	3.5	↑					1.05
Consumer Confidence	Index	-29.3	-29.6	↑	-31.0	↑					-0.15
Unemployment Rate	%	4.4	4.3	↑	4.6	↓					-0.42
Average Gross Wages	% y/y	9.8	10.0	↓	12.6	↓					-0.54
Markets		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Budapest Stock Index	Index	97843	87147	↑	77936	↑					1.95
Hungary 10-Year Yield	%	7.13	6.63	↑	6.34	↑					0.78
HUF Yield Curve (2s-10s)	bps	82.5	51.5	↑	43.1	↑					0.34

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

Sell-Side Views

Analysts surveyed below expect no change to either the base rate or hawkish forward guidance this month.

Goldman Sachs: Guidance Will Potentially Be Softened in July

- Goldman Sachs expect the NBH to keep its base rate on hold at 6.50%. While the forint has recently re-appreciated close to 400 against the euro, they expect the NBH to continue to reiterate that "maintaining tight monetary policy conditions is warranted" and not relax its guidance, particularly following the stronger-than-expected inflation print in May.
- That said, in light of the somewhat stronger HUF, the weakness of Q1 GDP data and signs of a slowdown in wage growth, Goldman believe the NBH will open the door to a rate cut before year-end, potentially softening its guidance already at the July meeting. The NBH will also release its latest forecasts in its Inflation Report, where they expect a somewhat higher inflation forecast, but also a weaker growth forecast.

JP Morgan: Statement and Press Conference Likely to Retain a Hawkish Tone

- JP Morgan expect the NBH to keep interest rates unchanged at 6.50%, as despite weak economic activity and stable currency, inflation has remained at too elevated levels. The statement and press conference are likely to retain a hawkish tone, adding mentions of risks from heightened geopolitical uncertainty and increase in oil prices, JPM note.