MNI NBH Preview: November 2025

Details:

Monetary policy decision: 1300GMT, 1400CET, 0800ET, Tuesday 18th November 2025

MNI Point of View:

The National Bank of Hungary is expected to keep the base rate on hold at 6.50% for the 14th consecutive month, sticking to its 'cautious and patient' approach to monetary policy as headline inflation continues to run above target. Additionally, inflationary government measures and the possibility of sovereign ratings downgrades pose hawkish risks. All 20 analysts surveyed by Bloomberg expect the base rate to be left unchanged.

Last month's policy statement retained a cautious tone, offering no surprises in terms of new guidance: "A careful and patient approach to monetary policy remains necessary due to risks to the inflation environment […] In the Council's assessment, maintaining tight monetary conditions is warranted." Governor Mihaly Varga reflected the hawkish tone of the policy statement in his post-meeting press conference. He said the central bank needed to support the HUF and use the exchange rate channel to rein in consumer price growth, adding that ensuring financial stability was the central bank's contribution to economic expansion and that it would continue to take decisions independently.

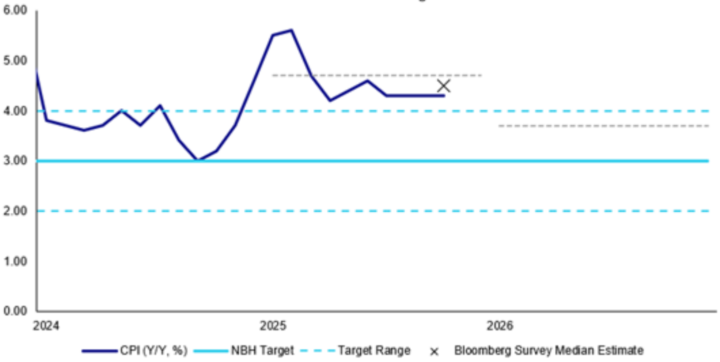
Headline CPI inflation steady in October, remains above tolerance band

On the data front, the headline CPI inflation figure was below the Bloomberg consensus and unchanged in October (+4.3% Y/Y vs. +4.5% expected). Prices were unchanged again on a monthly basis compared to expectations of +0.2%, while seasonally unadjusted core rose to +4.2% Y/Y.

The 'Services' component of CPI contributed the most to the change in the headline figure (+0.21ppts), but this was offset by negative contributions from the 'Food' and 'Other goods, including motor fuels' subcategories (-0.24ppts and -0.08ppts, respectively). The 'Clothing and footwear' component recorded the highest monthly increase, up 2.3% M/M, while 'Food' was tame at -0.1% M/M. The Hungarian Statistics Office noted that this was predominantly due to a 2.1% decrease in the price of seasonal food items.

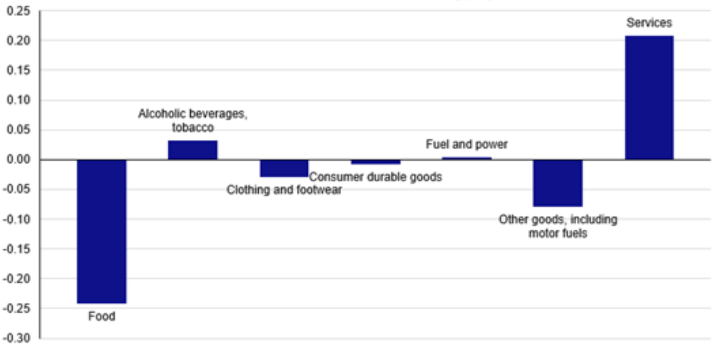
Overall, the October print did not materially alter the inflation picture in Hungary. Year-to-date appreciation of the HUF, disinflationary base effects in fuel prices and softer food prices on a global scale had all been expected to limit upward price pressures.

Chart 1: Headline CPI vs. NBH target and forecasts



Source: MNI/HCSO

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



Source: MNI/HCSO

Profit margin caps add another layer of uncertainty to monetary policy

The government announced recently that it will extend the retail profit margin cap until the end of February next year and broaden its scope to include 14 additional food items. The extension was expected but nonetheless adds an additional layer of uncertainty to NBH policymaking.

Strong and favourable base effects are expected to drive headline CPI below the 4% target in the coming months, however, inflation is expected to surge thereafter, and the rise will potentially be exacerbated by the expiry of these measures next year. The central bank will have to focus on the underlying picture and is therefore generally expected to keep rates unchanged until at least after the April elections when it will have more clarity on the government's fiscal plans.

Government lifts 2025 and 2026 deficit forecasts

The most notable development since the last meeting came with the upward revisions to the government's budget deficit targets to accommodate pre-election spending, which prompted a notable drop across Hungarian assets. The target for 2025 was raised to 5% of GDP from a previous 4.1%, while the target for 2026 was also raised to 5% compared to a forecast of 3.7% which had been used in next year's budget. The National Economy Ministry stated that FX bonds to be issued at the start of 2026 and higher banking taxes would fund the shortfall.

While the revisions merely put the official forecasts more in line with market expectations, the significance here is mainly in the shift in communication from the government and what this means regarding its commitment to fiscal consolidation and avoiding sovereign rating downgrades. Markets and economists already had a more pessimistic view of Hungary's fiscal situation compared to the official government forecasts, but the formal revision is notable given that it comes just ahead of key ratings updates from Moody's (November 28) and Fitch (December 5), with the sell-off in the HUF clearly indicative of investor unease.

For its part, the NBH had noted in last month's policy statement that "Public debt reduction in 2025 is impeded by the cash deficit, which is expected to be higher than the appropriation, and subdued economic growth" – any comments on the target tweaks will be closely watched this month.

Budapest secures agreement with Washington on "financial shield"

Another notable development is that Hungary secured an agreement with Washington on a "financial shield" to protect its economy and public finances. "Should there be any external attacks against Hungary or its financial system, the Americans gave their word that in such a case they would defend Hungary's financial stability," Prime Minister Orban said.

Orban said Hungary "could use one of the four or five internationally known, transparent and visible facilities" which could be worth $10-20bn. He noted that a currency swap line or a flexible credit line are among the possible options which could be tapped depending on the situation, though Budapest would need to seek Trump's approval before concluding any such arrangement.

NBH Data Watch:

mni Central Bank Watch - NBH

November 17, 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	4.3	4.3	→	4.2	↑					-0.04
Import Prices	% y/y	-1.4	-1.0	↓	3.9	↓					-0.66
PPI	% y/y	2.4	5.1	↓	7.3	↓					-1.34
Demand Sensitive Inflation	% y/y	4.7	4.0	↑	5.2	↓					0.25
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
PMI Manufacturing	Index	51.0	50.5	↑	50.2	↑					0.49
GDP (Q)	% q/q	0.0	0.5	↓	-0.2	↑					-0.12
Industrial Production	% y/y	-1.5	-5.0	↑	-5.0	↑					1.03
Economic Sentiment	Index	-13.5	-19.2	↑	-15.7	↑					1.68
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	-4.62	-1.44	↓	-5.50	↑					-0.58
M3 Money Supply	% y/y	8.76	6.09	↑	7.99	↑					0.92
Consumer Credit	HFBn	5257	5110	↑	4973	↑					1.45
Non-Fin Corp Credit	EURmn	33525	32454	↑	31639	↑					1.65
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	3.0	3.0	→	0.8	↑					0.40
Consumer Confidence	Index	-25.6	-31.6	↑	-28.1	↑					1.61
Unemployment Rate	%	4.5	4.5	→	4.3	↑					1.35
Average Gross Wages	% y/y	8.7	7.7	↑	9.2	↓					-0.45
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Budapest Stock Index	Index	107821	101245	↑	92196	↑					1.83
Hungary 10-Year Yield	%	6.99	7.18	↓	6.79	↑					-1.02
HUF Yield Curve (2s-10s)	bps	65.4	88.2	↓	57.2	↑					-1.13

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: No Change in Rates Expected With Very Limited Room for Manoeuvring

- BNY note that no changes are expected in the NBH rate, but they expect markets to remain nervous about the monetary outlook as fiscal pressure continues to grow. Recent changes to deficit targets have materially shifted the demand outlook, warranting a strong monetary offset.
- Such tensions are not new for Hungary, and BNY note that we have seen similar challenges globally. However, there is very limited tolerance for fiscal dominance risks at present, and markets could trade more defensively as a result. With CPI still running at well above 4% and wages in the high single digits, there is very limited room for manoeuvring.

Goldman Sachs: Expect Softening in Guidance to Allow for December Cut

- Goldman Sachs think the NBH meeting will be important to watch. They note that the central bank is widely forecast to be on hold, but their economists expect a softening in forward guidance that would allow for a December cut, driven by the softer inflation data and the stronger HUF.
- Rates markets are pricing the policy rate to remain unchanged this year and around 2-3 cuts in the first half of next year. Therefore, a more significant dovish shift would push EUR/HUF higher in their view, especially as positioning remains long. However, further out, and more so if the NBH maintains a more hawkish stance, Goldman think EUR/HUF can continue to trend lower as we head into the 2026 April elections.

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- They think that the FX market can look through some of the pre-election fiscal loosening as long as monetary policy is relatively less impacted and the potential for a wider distribution of election outcomes remains in play.

ING: Expect Base Rate to Remain Unchanged Throughout 1H-2026

- Taking everything into account, ING still can't see any clear-cut reason for the NBH to ease monetary policy in November. Looking further ahead, they still do not anticipate any interest rate cuts this year or in the first half of next year, given that the Monetary Council remains focused on addressing high inflation expectations. Furthermore, there are new developments which look to be pro-inflationary over the monetary policy horizon (new fiscal targets, extended price shield measures).
- Therefore, ING stand by their hawkish base case scenario. They expect the interest rate to remain at 6.50% throughout the first half of next year. Then, in the second half of 2026, a backloaded easing of a total of only 50bp will come into play rather than 100bp of easing which was anticipated earlier.
- ING note that the risks are balanced. On the one hand, a growing risk of a global dovish tilt among major and regional central banks would increase the relative room for an earlier (or stronger) easing. On the other hand, the pro-inflationary nature of the government measures and the possibility of sovereign credit downgrades pose hawkish risks.

JP Morgan: No Space to Consider Easing Policy ion Near Term

- JP Morgan expect the NBH to keep the policy rate unchanged at 6.50%, as stubbornly high inflation, strong consumption and fiscal risks leave no space for the central bank to consider easing policy near term.

UniCredit: On Hold Again After Governor Ruled Out Rate Cuts in the Near Future

- UniCredit note that the NBH is likely to stay on hold again, as the governor has ruled out rate cuts in the near future, citing upside inflation risks related to regulatory price caps, still elevated inflation expectations and the central bank's focus on HUF stability.
- They note that the sustained high carry continues to support the HUF, which has also been boosted by election speculation, a significant rise in non-resident holdings of local bonds and Hungary's widening trade surplus. Based on the heavy net long HUF positioning by leveraged investors indicated by the NBH's monthly chart, fiscal and political risks could stall the HUF rally in the run up to elections, UniCredit add.

MNI Policy Team Insights

MNI INTERVIEW: US-Hungary Swap Deal Sign Limits Will Be Tested

By Luke Heighton
Nov 14, 2025

MNI (London) Hungary's government will push fiscal policy to its limit by expanding giveaways ahead of April's hotly-contested general election, leaving the central bank facing a "nearly impossible" decision of whether or not to respond with rate hikes, a former senior European Commission and policy advisor official told MNI,

Prime Minister Viktor Orban's readiness to spend his way to electoral success likely underpinned the announcement this week of an agreement with the U.S. of a currency swap line or flexible credit line believed to be worth up to USD 20 billion, said Izstvan Szekely, formerly principal advisor in the Directorate General for Economic and Financial Affairs of the European Commission.

"The government can continue to pursue targeted fiscal policies ahead of the next election unless and until the market moves against them. They clearly intend to maintain this stance until there is a significant market reaction, drawing on lessons from past experience," he said in an interview.

"The government appears to have consciously chosen to push policy limits up to the market's tolerance, as shifting course before that point would force them into politically difficult choices."

Current polling numbers - which consistently show challenger Peter Magyar's Tisza Party ahead of Orban's ruling Fisdesz - are "fundamentally different" from those in any previous election in the past decade, Szekely said.

Recent spending decisions - including tax breaks for families, pension top-ups and large public-sector pay rises - are "clearly driven by election politics," Szekely said, with the exchange rate and bond markets the only significant sources of fiscal restraint.

Government-subsidised loans risk further exacerbating already-existing distortions in corporate credit, Szekely said.

"Interest rates are meant to ensure only viable projects proceed. The government seems to overlook this market mechanism and the associated risks."

FISCAL TARGETS

The announcement earlier this week that the government had raised fiscal deficit targets for 2025 and 2026 to 5% of GDP, up from 3.7% and 4.5% respectively, means the likelihood of a ratings downgrade of Hungarian debt - currently one notch above junk with S&P - is increasing by the day, Szekely said.

Hungary's debt management agency, the AKK, had already built up reserves in anticipation of the fiscal target revision and potential market turbulence, Szekeley said, noting that this year it has issued more forex bonds than have matured.

The extent of the increase in debt-to-GDP will depend heavily on the exchange rate, since a significant portion of government debt is denominated in foreign currency, he said, adding that any increase in the risk premium attached to Hungarian assets will leave the central bank facing difficult choices, with the question of central bank losses - totalling some USD 7 billion in 2023 and 2024 - "the elephant in the room."

Hungary's 1.5% of GDP output gap means overall policy support is warranted, Szekely said. Yet with a structural deficit little changed at around 4% of GDP, fiscal policy settings are negative or neutral, while monetary policy is "massively restrictive."

NBH Governor Mihaly Varga is a "disciplined policymaker," said Szekely, who was the central bank's research director and advisor to the governor from 1996-1999. However "soon the choice will be to raise rates or not—an especially difficult call as elections approach. The decision is nearly impossible."

"And keep in mind that we currently have a central bank and a government that are on the same political side. After the election, the situation may be different; the two sides may cooperate less well. And that is never an easy position to be in."

ELECTIONS

Should Tisza succeed at the ballot box, markets may not initially respond positively, Szekely said. He expressed confidence in the personalities likely to be involved in setting Hungary's new economy policy direction for any Tisza government, but noted that restoring public trust "requires offering more than what is taken back, as the trade-off is asymmetric.

"The core challenge is not the situation itself, but rather the politics involved. While unwinding these measures is necessary, doing so politically will be highly challenging. Initially, however, a new government faces even bigger priorities—corruption, the court system, and resetting relations with Brussels —each of which demands difficult reforms."

MNI INTERVIEW: Hungary Deficit to Exceed 4% GDP in 2026 - Loga

By Luke Heighton
Nov 7, 2025

MNI (London) Hungary's fiscal deficit may reach 4.5% of GDP in 2026 rather than the previously projected 4%, though tax breaks, price caps on key goods and mortgages and big public-sector wage increases will have only limited impact on public finances, a senior government official told MNI.

"It is possible that the 2026 deficit will settle nearer 4.4-4.5% rather than the previously projected 4%," State Secretary for Economic Strategy, Financial Resources, Industry and Macroeconomic Analysis Mate Loga said in an interview. "Hungary is pursuing a relatively tight fiscal stance with the objective of maintaining a sustainable debt trajectory. We have sought to avoid further debt accumulation, and our debt dynamics compare favourably with several regional peers."

Budapest wants to preserve its investment grade rating following downgrades earlier this year, Loga said, and is committed to a "firm, disciplined fiscal approach" ahead of a hotly contested general election in the spring.

Interest rate expenditure remains the central challenge in Hungary's public finances, he said, adding that one option would be to raise the foreign-currency share of debt to lower average funding costs – but only if that aligns with the longer-term risk strategy.

"On market funding, our plan is flexible. Should conditions warrant – or attractive windows open – we could increase borrowing next year. At present, additional issuance is not strictly necessary."

CREDIT RATING

The government is engaged in “regular and substantive” exchanges with ratings agencies with no significant rating developments expected before April’s poll.

“Agencies are understandably seeking more frequent dialogue to assess Hungary’s fiscal and monetary position. We respect their independence, our only caution is that market narratives around the timing and magnitude of EU funds are sometimes weighted more heavily than our base-case assumptions. Our aim is to preserve our current investment-grade standing.”

The government’s announcement in February that mothers of two or three children will be exempt from income tax is part of the ruling Fidesz party’s long-standing plan to make Hungarian society work-based rather than welfare-based, Loga said.

“We have been steadily reducing taxes on labour to support workers and enterprises alike, and we have now reached the point where we must consider how best to further facilitate and incentivise employment. An implementation plan is already in place, and thanks to the gradual introduction of each measure the annual budgetary impact is very limited.”

Public sector wages are set to increase by 15% from January, with the minimum wage expected to rise by around 13%.

Such moves - identified by the central bank as a potential source of higher inflation and labour market adjustment – will take Hungarian wages closer to Western Europe’s, Loga said, while encouraging domestic firms to enhance competitiveness and increase productivity.

“The government is consistently supporting firms by reducing tax and administrative burdens, making it easier for them to adjust to rising wages. In essence, we are providing a counterbalance to reach an equilibrium that works for all parties.”

PRICE CAPS

In March the government announced mandatory and voluntary caps on price margins for certain goods, and their scope has since been expanded and their duration extended to the end of February 2026.

The policy, credited by the National Bank of Hungary with having a “significant” diminishing effect on inflation, albeit at the cost of strong corporate repricings elsewhere, has helped to reinforce and anchor lower inflation expectations, Loga said, who stressed that the measures are temporary.

“An explicit exit strategy is required. Hungary is neither the first nor the only country to apply price caps, however, maintaining them for too long can generate wider market turbulence.”

Saving rates are amongst Europe’s highest, yet household consumption as a share of GDP is relatively low, with analysts citing weak consumer confidence to help explain the economy’s sluggish performance.

Loga said households are exercising their right to decide what they do with their disposable income. “Instead of buying that third hamburger they don’t really want to, so to speak, they’re saving a lot of money, they're buying mortgaged properties, they're buying government bonds, and so on. There's an upward trend in consumption, but it's at an equilibrium level. Meanwhile, the external position of Hungary is also in positive territory, which means the economy is not overheated.”

MNI INTERVIEW: Europe Needs Cheap Energy - Hungary Official

By Luke Heighton
Nov 7, 2025

MNI (London) European industry will continue to fall behind its competitors unless policymakers take measures to cut bureaucracy, boost investment and provide a cheap, readily available alternative to Russian gas and oil, Hungary's State Secretary for Economic Strategy, Financial Resources, Industry and Macroeconomic Analysis told MNI.

"For Europe to regain momentum – vis-a-vis the United States and other peers – it must tackle high input costs and regulatory drag head-on: ensuring affordable energy, reducing administrative burdens, accelerating permitting, and crowding in private capital. Without such a focus, the risk is that we expend substantial effort in procedural working groups while competitiveness continues to erode," Mate Loga said in an interview.

Hungary's status as a land-locked economy with a historical dependence on Russian oil and gas means an abrupt severance is not feasible without creating material risks to security of supply and competitiveness, he said.

"If the European Union wishes to accelerate strategic diversification away from Russian hydrocarbons, the most effective path is to mobilise investment. That means engaging systematically with energy enterprises to identify the capital expenditure required to retool supply chains – across pipelines, storage, refineries, LNG access and related technologies – and then structuring targeted, commercially disciplined financing to deliver it."

CROSS-BORDER ASSETS

Hungary's current purchases of Russian oil and gas are "modest" in global terms, Loga said. "Nevertheless, we recognise the broader European objective to diminish Russia's energy revenues over time. Achieving this responsibly requires predictable, non-discriminatory access to regional infrastructure.

"Where cross-border assets – such as pipeline corridors – are vulnerable to ad hoc political leverage, concerns arise about fair dealing and, ultimately, sovereignty. Workarounds that rely on large-scale trucking from neighbouring refineries are neither efficient nor aligned with ESG commitments. A rules-based, transparent framework for tariff setting, capacity allocation and dispute resolution at EU level is therefore essential."

Hungary has bet on turning itself into a leading producer of batteries and electric vehicles in recent years, attracting significant investment from South Korean, Japanese and Chinese companies, while Germany's Mercedes has increased electric vehicle production in the country even as demand has slowed.

Loga conceded that the pace of EV and battery production has moderated, but said that the direction of travel was "clear," as Asian investors seek closer integration into European supply chains and markets.

"We look forward to the launch of BYD's new plant and to drawing on market and sales feedback once production ramps up. As a government, we will remain data-led and prepared to adjust policy as needed to safeguard competitiveness and jobs. Our objective is to position Hungary as a leading European hub for automotive electrification, supporting industry through predictable, rules-based frameworks and targeted, technology-neutral investment in skills and infrastructure," he said.