

MNI NBH Preview: September 2025

Details:

Monetary policy decision: 1300BST, 1400CET, 0800ET, Tuesday 23rd September 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 is expected to remain above the upper bound of the central bank's tolerance range in the coming months. Among sell-side, analysts expect the base rate to remain at current levels for the remainder of the year.

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 July. Rhetoric regarding the inflation outlook was also 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 Bank noted that strong corporate repricings can still be observed outside of their scope.

At this month's meeting, the NBH will have an updated set of macroeconomic projections to inform its decision. However, no significant revisions are expected to either the CPI or GDP projections for this year, with both expected to edge lower from their annual averages of +4.7% and +0.8%, respectively.

Headline CPI inflation unchanged in August, remains above tolerance band

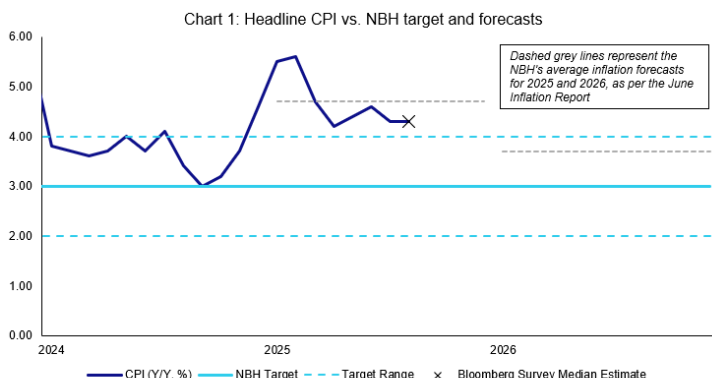
As was expected, headline CPI remained unchanged at +4.3% Y/Y in August, while monthly inflation was flat (Prior: +0.4%). The positive contributions to the change in year-on-year CPI came from the 'Alcoholic beverages and tobacco' (+0.06ppts to the headline figure), 'Consumer durable goods' (+0.02ppts) and 'Services' (+0.03ppts) subcategories. However, these were offset by the negative contributions from the 'Clothing and footwear' and 'Other goods, including motor fuels' subcategories (-0.02ppts and -0.06ppts, respectively).

Looking at monthly CPI, the highest price rise of 0.6% was measured for alcoholic beverages and tobacco. Food prices were flat on a month-on-month basis (and unchanged on an annual basis at +5.9%). Meanwhile, core CPI ticked lower to +3.9% Y/Y from +4.0%, placing the annual series at its lowest level since September 2021.

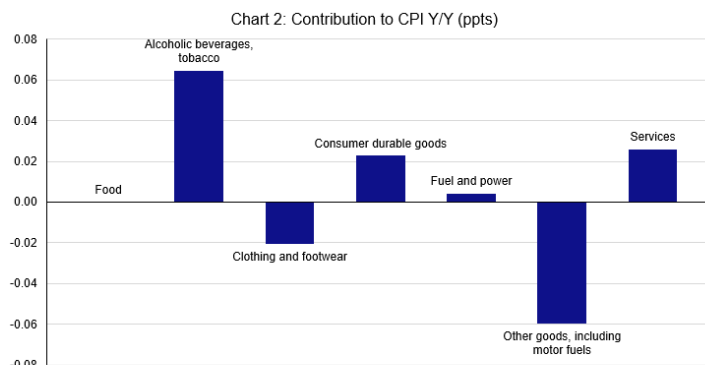
Inter-meeting communication remains hawkish

Comments from Governor Mihaly Varga since the previous meeting have remained hawkish. The Governor has repeatedly stated that a "stability-oriented" monetary policy is needed to reach price stability, and that strengthening trust and recovery in the European economy were crucial to accelerate growth. His most notable comments have been on the forint – Varga said the forint's gains reflect Hungary's economic stability, which has begun to feed into the price of purchased goods. Given the importance of HUF stability in leaning against elevated inflation pressures, it is unsurprising that official communication has been so cautious.

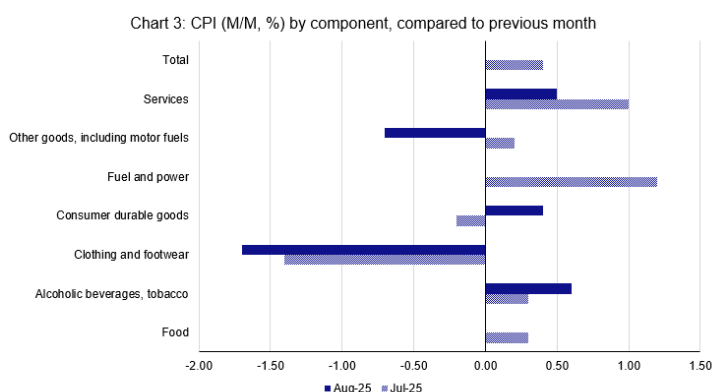
Indeed, the attractiveness of the forint from a carry point of view has contributed significantly to its outperformance this month. EUR/HUF is trading at 16-month lows, and it is likely that policymakers will be willing to tolerate a prolonged period of high rates to avoid the unwinding of carry trade positions that support the forint, and therefore, disinflation.



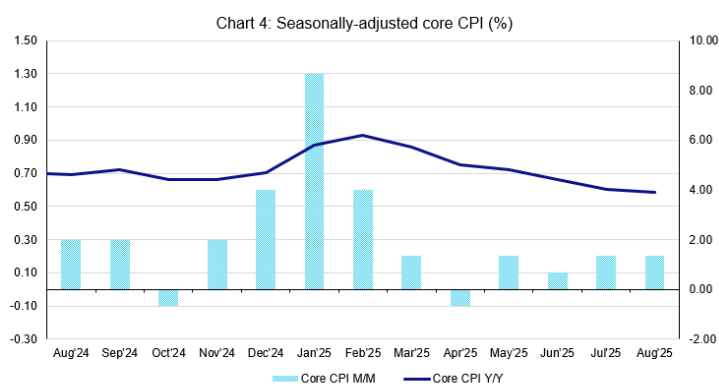
Source: MNI/HCSO



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NBH Data Watch

September 22, 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	4.4	↓	5.6	↓					-0.28
Import Prices	% y/y	-2.7	4.0	↓	7.9	↓					-1.41
PPI	% y/y	4.5	7.9	↓	9.1	↓					-1.62
Demand Sensitive Inflation	% y/y	3.9	4.9	↓	5.8	↓					-1.34
Economic Activity		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
PMI Manufacturing	Index	48.9	49.8	↓	51.1	↓					-0.90
GDP (Q)	% q/q	0.4	-0.1	↑	0.6	↓					0.34
Industrial Production	% y/y	-1.0	-2.3	↑	-3.5	↑					1.33
Economic Sentiment	Index	-17.0	-17.8	↑	-16.6	↓					0.32
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	-2.23	-5.16	↑	0.09	↓					-0.35
M3 Money Supply	% y/y	6.68	7.32	↓	9.20	↓					-0.90
Consumer Credit	HFBn	5166	5011	↑	4903	↑					1.60
Non-Fin Corp Credit	EURmn	32868	31662	↑	31751	↑					1.92
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	1.7	4.9	↓	4.7	↓					0.17
Consumer Confidence	Index	-28.8	-29.3	↑	-29.6	↑					0.78
Unemployment Rate	%	4.3	4.4	↓	4.3	↓					-0.84
Average Gross Wages	% y/y	8.9	9.8	↓	10.0	↓					-0.43
Markets		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Budapest Stock Index	Index	99639	95698	↑	87147	↑					1.81
Hungary 10-Year Yield	%	6.87	6.96	↓	6.63	↑					0.64
HUF Yield Curve (2s-10s)	bps	63.7	61.2	↑	51.5	↑					0.85

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):

All analysts surveyed below expect no change to the 6.50% base rate, with minimal (if any) changes to forward guidance expected. The vast majority also anticipate that the base rate will remain unchanged for the remainder of the year.

BNY: Cuts Unlikely Until Inflation Shows Clear and Sustained Return to Tolerance Band

- BNY say the NBH is expected to keep rates unchanged at its upcoming meeting. They note that despite progress compared with the double-digit inflation of 2023, the inflation rate remains above the NBH's 2–4% target band. The base rate stands at 6.5%, where it has been since late 2024, and policymakers recently reiterated that tight conditions must remain until disinflation proves durable.
- They highlight risks from volatile energy markets, wage growth and food prices, which could reignite price pressures. The NBH has also noted that although growth momentum is weak, premature easing would risk undermining inflation credibility.
- As such, BNY say the central bank is widely expected to hold rates steady through September, with cuts unlikely until inflation shows a clear and sustained return to the tolerance band supported by credible forecasts.

Goldman Sachs: Expect Governor to Explicitly State That Guidance Has Not Changed

- Goldman Sachs expect the NBH to keep its base rate on hold at 6.50%. They note that, since April, the forint has steadily appreciated from 410 against the euro to around 390, all while exhibiting lower volatility than earlier this year. Meanwhile, inflation has remained somewhat above the NBH's +3.00 +/- 1ppt target range.
- They say the NBH has largely welcomed FX strength and signalled that it needs to continue to lean against elevated inflation pressures and has therefore maintained its relatively hawkish stance and not signalled any willingness to restart a cutting cycle in the near-term. Goldman do not expect this to change and believe that Governor Mihaly Varga will continue to explicitly state that the monetary council's forward guidance has not changed.
- Goldman Sachs expect that a stronger exchange rate – combined with milder external inflationary forces – will weigh on Hungarian (and broader CEE-4) inflation during the remainder of 2025 and into 2026, which eventually should give the NBH space to continue its cutting cycle to a neutral rate of 4.00%.
- They do not expect to see any major revisions to the central bank's projections, with the NBH likely to edge down both its CPI and GDP projections for this year (from annual averages of +4.7% and +0.8% respectively).

ING: Expect a Back-Loaded Rate Cutting Cycle Starting in 2H-2026

- ING still see no reason for the NBH to ease monetary policy in September or in the near future. They do not anticipate any interest rate cuts this year given that the Monetary Council is still focused on addressing persistently high inflation expectations. The only new development is the strengthening of the forint. However, ING think policymakers would favour a stronger/stable currency over a lower interest rate environment. The risk-reward equation suggests a better reward in a 'high for longer' interest rate scenario.
- ING have adjusted their longer-term outlook on monetary policy. While they still expect a total of 100bp of easing in 2026, in line with their dovish forecasts for the region, they have updated the profile of the Hungarian rate cut cycle.
- Rather than gradual easing, ING anticipate a back-loaded cycle starting in the second half of 2026. They say this will stabilise the forint in the 380–395 range over the next five quarters, providing a better opportunity to accelerate the reduction of inflation expectations and reset corporate mindsets regarding HUF behaviour and their own pricing habits.

JP Morgan: Waiting to See if Communication Shifts More Dovish in Response to Stronger HUF

- JP Morgan say the NBH is likely to keep the policy rate unchanged at 6.50%, based on still elevated (and outside the target range) inflation, and strong consumption dynamics. They say the main interest is to see whether the message shifts more dovish in response to a strong rally in the forint.

SocGen: Expect Rates to Be Held for the Rest of the Year, Forecast a 25bp Cut in March

- SocGen expect rates to be held for the rest of the year and for there to be a 25bp reduction in March 2026. They have also revised their EUR/HUF forecast downwards and now expect the pair to reach 390 by the end of the year.

UniCredit: Stronger HUF, Slower Core Momentum May Create Space for Rate Cut Around Year-End

- UniCredit expect the MPC to confirm an unchanged neutral stance, citing that core inflation and household inflation expectations remain elevated. They say a stronger HUF and slowing core inflation momentum may create space for one cautious 25bp cut around year-end if Fed cuts continue, but the NBH may opt to refrain from cuts ahead of elections in April.

MNI EM Policy Team Exclusives

MNI INTERVIEW: NBH FinStab Move Signals Clear Concern - Ex-DG

By Luke Heighton

Sep 4, 2025

MNI (London) The decision by Hungary's central bank on Monday to tighten financial stability conditions for mortgage lenders is an attempt to contain risks arising from the government's recently announced "Otthon Start" subsidised loans scheme, a former deputy governor told MNI.

"Hungary's real estate market is already overheated," Julia Kiraly said. "The fact that the central bank is tightening financial stability conditions clearly suggests they are very concerned that the Otthon Start programme could be a problem from a financial stability perspective."

From next year banks must hold a 1% systemic risk capital buffer for both residential and commercial real estate loans.

The NBH also raised the income threshold that allows for mortgages with a debt-to-income ratio of up to 60% - last adjusted in 2023 - from HUF600,000 to HUF800,000, and increased the limit for small loans exempt from debt brake requirements from HUF450,000 to HUF550,000.

"In financial stability terms it has made the situation a lot safer," Kiraly said in an interview.

"It was clearly supported by the banks, which get to increase their capital as a result of the [Otthon Start] subsidy. But we don't know what will happen in two months' time, let alone a year. You can never know what will happen on the political scene or with the credit rating agencies' next decisions."

Age restrictions for more favourable downpayment restrictions were abolished, though these were already "hard to support and, in fact, not taken very seriously," Kiraly said.

The NBH next meets to decide on rates on Sept 23, when updated inflation projections are also due. Despite the likelihood that inflation will fall more slowly, recent forint strength means that market volatility has decreased to a stable and tolerable level, Kiraly said, making a longer-term period of wait-and-see - as signalled by the Bank - the correct policy course.

“The overall economic and political situation, which remains turbulent, and the uncertainty created by U.S. monetary and tariff policy, means not doing anything is really a good reaction at this point,” she said.

“That would imply that the central bank would be prepared to tolerate inflation edging slightly higher than it is now. I wouldn't expect higher inflation, but I'm less sure that the decline of inflation will be at the speed that was expected one year ago, let's say.”

From an economic point of view, Hungary is now a “much more solid place” she said, with developments at the FOMC likely to be of great concern to the NBH than political pressure at home.