

MNI NBH Review: July 2025

Executive Summary:

- The National Bank of Hungary kept its base rate unchanged at 6.50% for the tenth consecutive meeting.
- Guidance was unchanged and hawkish, while the most notable part of the meeting came in the form of a tweak to the required reserve ratio.
- [Click here to see the policy statement.](#)

MNI Point of View:

The National Bank of Hungary kept the base rate unchanged at 6.50% while maintaining a hawkish tilt to its communication, as was unanimously expected. Policymakers continue to point towards the upside risks to inflation and the downside risks to growth, with Governor Mihaly Varga reiterating in his press conference that households' inflation expectations are not in line with price stability. The Monetary Council also decided to cut the RRR from 10% to 8%, with effect from August 1, but said that this does not imply a change in its tight stance on monetary policy.

Among sell-side, views remain mixed over whether the NBH will have room to start a rate-cut cycle later in the year.

This 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 June. The most notable part of the meeting came with the announcement of the tweak to the required reserve ratio for commercial lenders – which was cut to 8% from 10%, effective August 1 – although policymakers stressed that the change does not imply a shift in its tight stance on monetary policy, subduing market reaction.

Rhetoric regarding the inflation outlook was little changed. For the rest of the year, inflation is expected to stay above the tolerance band, while inflation expectations are noted to have remained at a high level. While mandatory and voluntary price restriction measures had a significant restraining effect (the NBH estimate that government interventions cut CPI by 1.5ppts in June), strong corporate repricings can still be observed outside their scope, the NBH said. However, the statement also highlighted the low unemployment rate and slowdown in the rate of wage growth in May – the latter of which may facilitate the start of rate cut discussions after the summer months.

But looking ahead, the forint's acute sensitivity to global risk sentiment and the NBH's prioritisation of currency stability will likely mean any easing cycle this year will be shallow – if at all – with US tariff policy and the government's measures to rein in inflation (due to expire in August, but likely to be extended) each adding additional layers of uncertainty. Among sell-side, views are mixed over whether the tentative signs of improvements in underlying inflation metrics could open the door to a rate cut before year-end, with any view on the NBH's rate path made with relatively low conviction.

Key Upcoming Dates:

- **July inflation data:** August 8
- **Next rate-setting meeting:** August 26

Analyst Views (Alphabetical):

Commerzbank: Policy Stance Largely Unchanged

- Commerzbank view the policy stance as largely unchanged – the EUR/HUF exchange rate also reflected this in the aftermath of the decision.
- As widely anticipated, Governor Mihaly Varga reiterated that his policy message remains unchanged – that a “careful and patient” approach is necessary amid lingering inflation risks and geopolitical uncertainty. The decision reinforced the NBH's commitment to positive real rates for the coming medium-term – a policy message which Commerzbank say has become increasingly credible as we have observed NBH dismissing near-term inflation improvements and take the conservative view that the fight against inflation has not been won yet.

Goldman Sachs: Continue to Believe NBH Will Open Door to Rate Cut Before Year-End

- Goldman Sachs note that in line with last month's MPC meeting, the NBH reiterated that “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”, a message Governor Mihaly Varga also emphasised in his presentation after the MPC.
- Once again, Governor Varga explicitly stated that the monetary council's forward guidance has not changed. Goldman Sachs continue to believe that the NBH will open the door to a rate cut before year-end, given the somewhat stronger (and less volatile) HUF, the weakness of H1 activity data and signs of a slowdown in wage growth.

ING: Safest to Assume Policy Rate Will Remain at 6.50% for Rest of the Year

- ING's long-standing view is that underlying inflation in Hungary is too high. While the mandatory and voluntary price shield measures are helping in the short term, underlying price dynamics remain an issue from a monetary policy point of view.
- They say the most telling moment came during the Q&A session when Varga reminded everyone that the NBH's latest inflation forecast for this year is 4.7% on average. This should be convincing enough to show what the NBH intends to do for the rest of the year. In ING's view, this suggests no policy change until the end of the year.
- Against this backdrop, ING believe it is safest to assume that the policy rate will remain at 6.50% for the rest of the year. Although they do not rule out the possibility of a deviation from this towards the end of the year, it is unlikely given the inflation risks.

OTP Bank: Maintain View That Base Rate Will Remain at Current Level Next 12-18 Months

- OTP's CPI forecast is 4.5% for 2025, which implies that the headline rate will remain above 4% for the rest of the year. Taking into account that (1) price cuts/freezes by banks, insurance companies, and telecom providers are expected to remain in place until next spring, (2) they believe that the margin caps imposed on retail chains and drugstores will cause excess inflation in the longer term, and (3) major fiscal stimulus measures will take effect in 2026, OTP continue to believe that inflation next year could be similar to that of 2025 and especially H2 2026 could be challenging.
- However, a downside risk to the inflation path is related to weak GDP growth, in particular, because consumption's QoQ growth rate showed a significant slowdown in Q1.
- Based on the hawkish tone of the press conference following the Monetary Council meeting, the volatile external environment, and our inflation expectations, OTP maintain their view that the base rate will remain at the current level over the next 12-18 months, which is stricter than the market expectation.