

MNI NBH Review: June 2025

Executive Summary:

- The National Bank of Hungary kept its base rate unchanged at 6.50% for the ninth consecutive meeting.
- Guidance was unchanged and hawkish, while the latest economic projections included an upward revision to the Bank's inflation estimates.
- [Click here to see the policy statement.](#)

MNI Point of View:

The National Bank of Hungary kept its base rate unchanged at 6.50% while maintaining a hawkish tilt to its communication amid an uncertain geopolitical environment. Policymakers indicated that there are upside risks to inflation and downside risks to growth, evident in its latest economic projections, which warrants the Bank's ongoing cautious approach to 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 May. Inflation is still expected to remain "above" the upper bound of the central bank's tolerance band in the coming months, while the central bank acknowledged the downward effect of profit caps on consumer price growth.

The most notable part of the meeting came with the Bank's presentation of its key economic projections – which will be released in full on June 26 as part of the latest Inflation Report. Average annual inflation is seen at 4.7% for 2025 and 3.7% for 2026, which compares to a range of 4.5 - 5.1% and 2.9 - 3.9%, respectively, foreseen as part of the March Inflation report. Meanwhile, economic growth projections were cut sharply to 0.8% for this year (from a range of 1.9 - 2.9% seen in March) and is expected to accelerate to 2.8% in 2026 (down considerably from prior estimates of 3.7 - 4.7%).

May CPI surprised to the upside and so there was little expectation that the NBH would tone down its hawkish language. That was the case in Governor Mihaly Varga's post-decision press briefing, as he reiterated that Hungary needs to continue a "cautious, patient" and "tight" monetary policy due to mostly upward-pointing inflation risks and a volatile market environment. The Council's forward guidance remains unchanged, he added. On the government's steps to curb retail prices, Varga said the measures may "significantly" reduce the headline inflation rate in the short-term, though not sufficiently enough to return the headline measure to within the central bank's tolerance band. He added that companies continued to "strongly" raise prices.

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 particular uncertainty stemming from US tariff policy and tensions in the Middle East, albeit the return to relative stability regarding the latter assisted the forint during Tuesday's session. Among sell-side, views are mixed over whether inflation dynamics will accommodate rate cuts before year-end, with any views on the NBH's rate path made with relatively low conviction.

Key Upcoming Dates:

- **June inflation data:** July 08
- **Next rate-setting meeting:** July 22

Analyst Views (Alphabetical):

Commerzbank: Varga Comments Imply Rates Will Stay Higher for Longer

- Commerzbank note that the NBH followed up with an encouragingly conservative assessment of the economy and of monetary policy – with no tendency to over-hype achievements or minimise upcoming challenges.
- Governor Mihaly Varga mentioned that inflation was running above the tolerance range at present – but, in this instance, Varga cited the year-on-year inflation rate, which Commerzbank say may be misleading. The underlying inflation rate based on seasonally-adjusted month-on-month price increases is slower, but this, too, is not convincingly within target range.
- Varga cited the margin caps on food as strongly disinflationary at present, and implied that monetary policy would ultimately need to control inflation without the help of these caps. Commerzbank say this implies that rates will stay high for longer.

Goldman Sachs: Believe the NBH Will Open Door to Rate Cut, Potentially at the July Meeting

- Goldman Sachs believe the NBH will open the door to a rate cut before year-end, potentially softening its guidance already at the July meeting if the HUF continues to exhibit somewhat lower volatility and activity data continues to disappoint.
- Goldman Sachs note that, in the press release, 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 NBH Governor Mihaly Varga also emphasised in his presentation after the MPC. Furthermore, Varga explicitly stated that "the Monetary Council's forward guidance did not change".

ING: Believe Base Rate Will Remain on Hold for the Rest of the Year

- ING believe it is safest to assume that the policy rate will remain at 6.50% for the rest of the year. While they do not completely rule out the possibility of a deviation from this towards the end of the year, it is unlikely given the inflation risks. Furthermore, another geopolitical sell-off could cause major central banks to postpone their easing agenda, which would further restrict the scope for monetary easing in Hungary.
- ING note that the market corrected expectations recently and, since the beginning of May, has erased about 50bps of easing. Still, the market is pricing in roughly 100bp of cuts in total, with one cut this year and the rest next. ING say 100bps still seems like too much in the current context, but at the same time, global and local conditions are changing very quickly, so it's hard to challenge this view from current levels.