

MNI NBH Review: May 2025

Executive Summary:

- The National Bank of Hungary kept its base rate unchanged at 6.50% for the eighth consecutive meeting.
- Guidance continues to indicate that rates will likely be held at current levels for a prolonged period.
- [Click here to see the full policy statement.](#)

MNI Point of View:

The National Bank of Hungary decided to keep its base rate unchanged at 6.50%, maintaining a hawkish tilt to its communication despite the slowdown in headline inflation in April. Guidance from Governor Mihaly Varga continues to indicate that rates will likely remain on hold for an “extended period”, as was expected prior to the meeting. Among sell-side, views are mixed over whether the NBH will have room to restart rate cuts 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 April. Inflation is still expected to remain near the upper bound of the central bank's tolerance band in the coming months, while the central bank acknowledged the effects of profit caps on moderating food prices. Meanwhile, high price dynamics in market services are still seen as posing upside risks to inflation, alongside the upward effect of tariffs on inflation expectations, while lower energy and commodity prices pose downside risks.

April CPI surprised moderately 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 the base rate may need to be kept at its current level for “an extended period”. Maintaining financial market stability and anchoring inflation expectations are “key”, he said, adding that the Council's forward guidance had not changed. Addressing the global environment, Varga said sentiment on international financial markets had improved as the first trade agreements reached with the US were more favourable than expected.

Given both the policy statement and press briefing came and went without any significant surprises, EUR/HUF traded within a narrow range throughout Tuesday's session, however, ongoing hawkish rhetoric could clear the way for further HUF gains given its relatively attractive carry profile compared to that of its regional peers. 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. 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:

- **May Inflation Data:** June 11
- **May MPC Meeting Minutes:** June 11
- **Next Rate-Setting Meeting:** June 24

Analyst Views (Alphabetical):

Commerzbank: Silence on Possibility of Rate Hikes Remains a Key Concern

- Commerzbank note that while the NBH may repeat its cautious message of 'steady rate for longer', in their view the silence on the possibility of rate hikes – in the event HUF weakens in a risk-off market environment – remains a key concern and could tempt the FX market to test the CB's reaction function.
- They flag that Governor Mihaly Varga has repeatedly emphasised "patient and careful" policy, and on this basis, the markets anticipate unchanged rates into the autumn, in contrast with peers such as the Czech Republic and Poland. The NBH also emphasises that tight monetary conditions, meaning sustained positive real interest rates, are necessary to achieve price stability and to anchor inflation expectations.
- This gives rise to market expectations that there may be room for some limited rate cuts by the end of the year (because inflation would have fallen further by then). Forwards are pricing in some 33bps of rate cuts by end-2025, Commerzbank note.

Goldman Sachs: Base Case Remains for Cautious Cutting Cycle to Recommenence in Q3

- The guidance out of the NBH was broadly unchanged, Goldman Sachs note. The press release continued to include language 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" and that "maintaining tight monetary policy conditions is warranted". Goldman Sachs's base case is that the NBH will recommence a cautious cutting cycle in Q3.

ING: Emphasis on Strong Capitalisation of Hungarian Banks a Nuanced Hawkish Message

- ING say the Monetary Council statement and Varga's press conference are hawkish, but neither offers anything new or shocking. However, the emphasis on the strong capitalisation of Hungarian banks and their abundant liquidity despite expiring central bank programmes can be seen as a nuanced hawkish message added to the communication mix. The NBH may be trying to cut short speculation about unconventional monetary policy measures related to the ongoing reduction in interbank liquidity, ING add.
- The governor reiterated what we have been hearing lately: that the central bank is prepared to keep interest rates at their current level for the foreseeable future. The forward guidance in the press release remained totally unchanged from the previous month.
- EUR/HUF may retest local lows at 402, ING say. On the other hand, the medium-term outlook is more complicated. The economy keeps surprising to the downside, while fiscal slippage risk is rising and the market may see more chances for rate cuts later this year, undermining HUF strength. For the second half of the year, ING expect EUR/HUF to go back to the 410-420 range.