



BACKGROUND DISCUSSION FOLLOWING THE MONETARY COUNCIL'S 25 FEBRUARY 2025 DECISION





MAIN MESSAGES: MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT

- **Global disinflation has come to a halt since last September.**
- **In January, domestic inflation and core inflation rose at rates exceeding analysts' expectations.** This was mainly driven by accelerating price dynamics in fuels and food in addition to strong repricings in market services at the beginning of the year.
- Incoming data suggest **the risk of a higher inflation path this year has increased further.**
- **Strong repricings in the services sector and the high level of inflation expectations are not consistent with achieving price stability in a sustainable manner.**
- **In 2024 Q4, Hungary's economic output increased by 0.4 percent year-on-year.** Growth this year is based on increasingly broad foundations.
- **The fundamentals of Hungary's economy are generally improving. Disinflation is expected to resume in the first quarter.**
- **Global investor sentiment has improved overall** since the decision in January, amid high volatility. The forint has strengthened in parallel with a depreciation of the dollar.
- **Further divergence is expected in the monetary policies of the Fed and the ECB in 2025 H1,** which could lead to increased risk aversion towards emerging markets.



MAIN MESSAGES: THE MONETARY POLICY DECISION IN FEBRUARY

- **Monetary policy is aimed at relaunching disinflation as quickly as possible and achieving price stability in a sustainable manner.**
- **A stable, predictable economic environment fundamentally defines the entire macroeconomic trajectory through strengthening confidence.**
- **The Monetary Council has kept the base rate at 6.50 percent at today's meeting.**
- **Maintaining the effectiveness of monetary policy transmission is warranted in order to reach the inflation target again and to maintain financial market stability.**
- **Restrictive monetary policy** contributes to the maintenance of financial market stability and the achievement of the inflation target in a sustainable manner by ensuring positive real interest rates.
- **A careful and patient, stability-oriented approach remains necessary.**
- **In the Council's assessment, the uncertain international environment and the outlook for inflation warrant the maintenance of tight monetary conditions.**



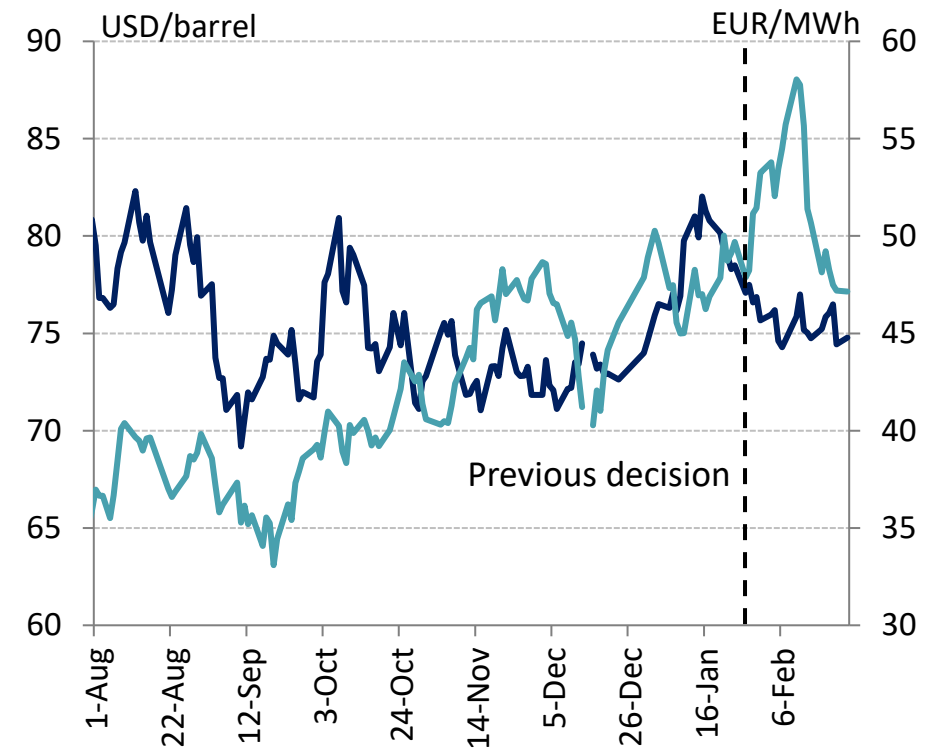
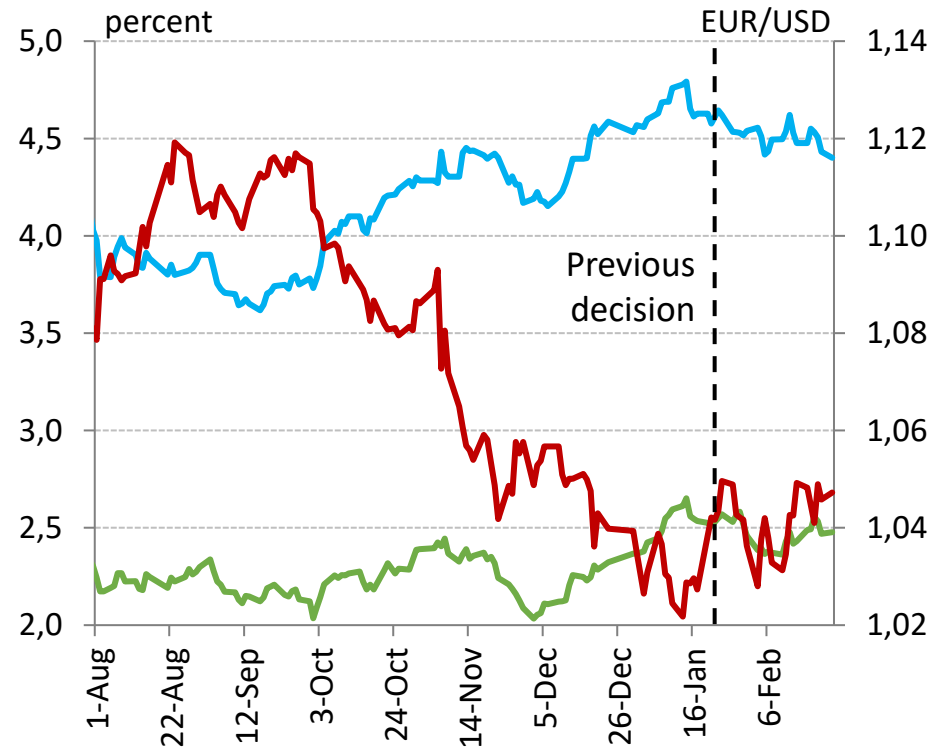
MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT AND OUTLOOK



GLOBAL INVESTOR SENTIMENT HAS IMPROVED OVERALL SINCE THE PREVIOUS INTEREST RATE DECISION

The dollar weakened as advanced market yields remained stable in the most recent period.

European gas prices are still at historically high levels.



— 10-year US Treasury yield — 10-year German Bund yield
— EUR/USD (right-hand scale)

— Crude oil (Brent)
— Natural gas (Dutch TTF, right-hand scale)

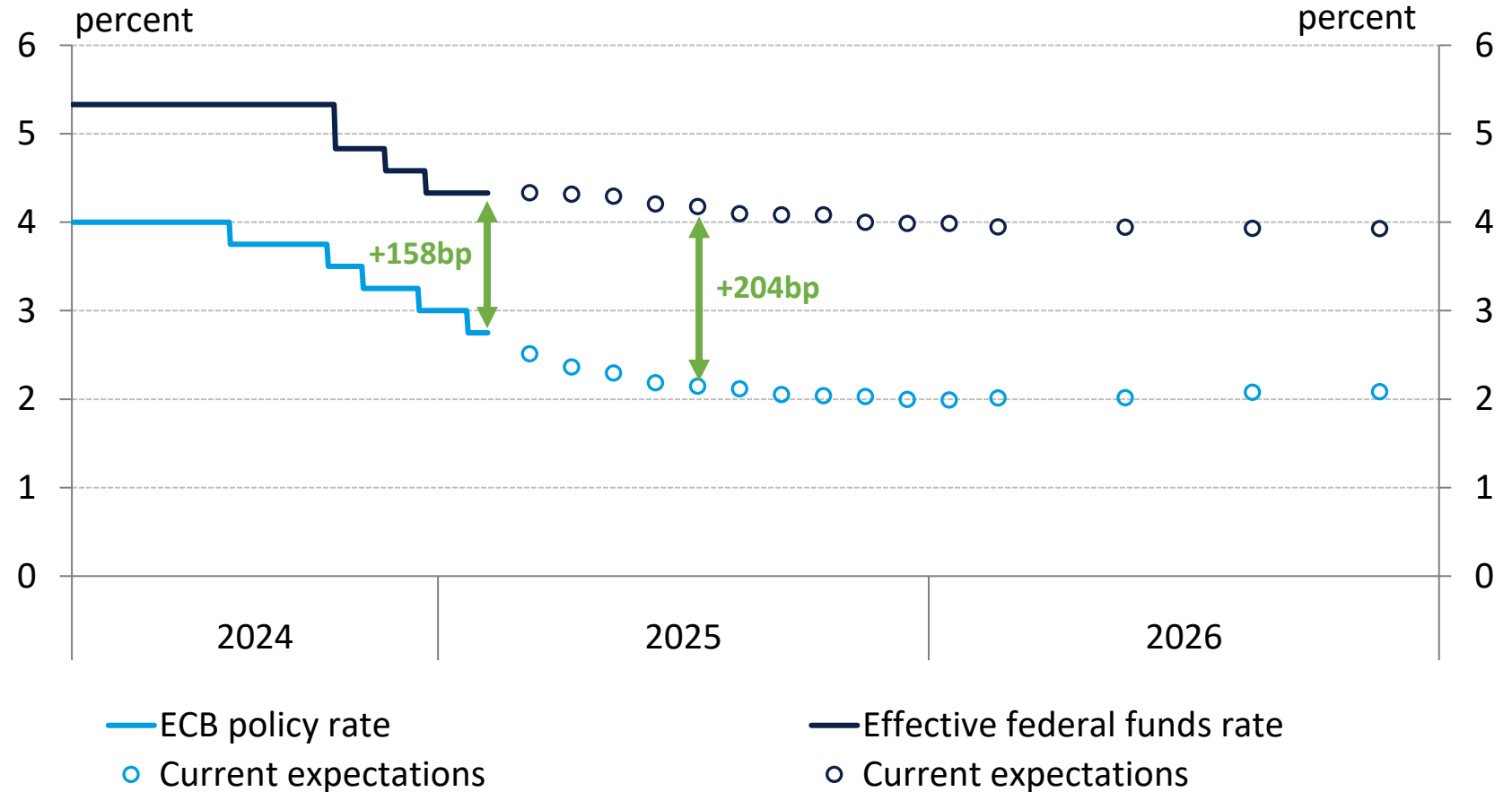
ADVANCED MARKET 10-YEAR GOVERNMENT BOND YIELDS AND THE EUR/USD (LEFT PANEL); OIL AND GAS PRICES (RIGHT PANEL)

Source | Bloomberg



FURTHER DIVERGENCE IS EXPECTED IN THE MONETARY POLICIES OF THE FED AND THE ECB IN 2025 H1...

... which could lead to increased risk aversion towards emerging markets.

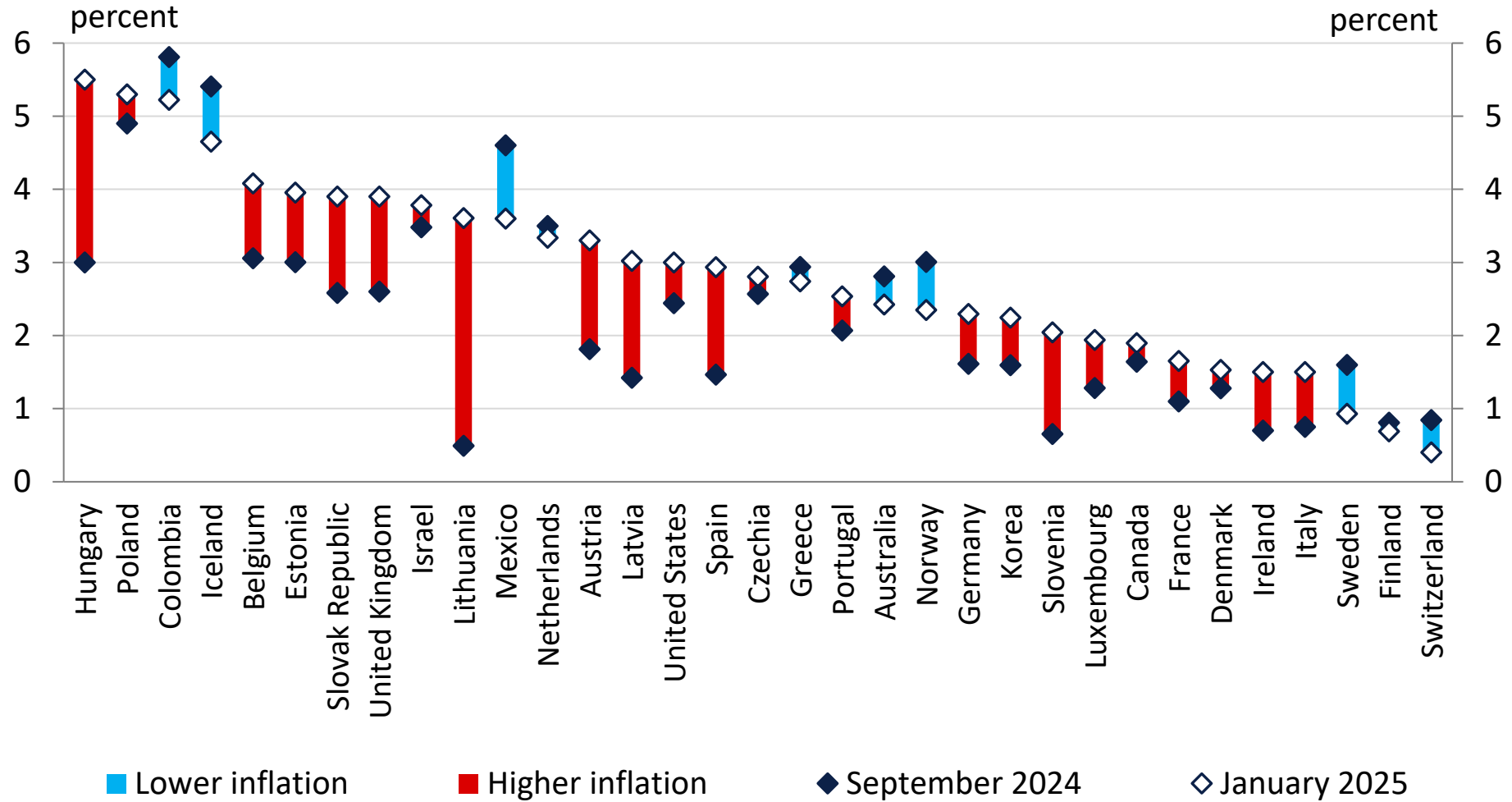


EXPECTED INTEREST RATE PATHS OF THE FED AND THE ECB BASED ON MARKET PRICINGS

Source | Bloomberg



GLOBAL DISINFLATION HAS COME TO A HALT SINCE LAST SEPTEMBER



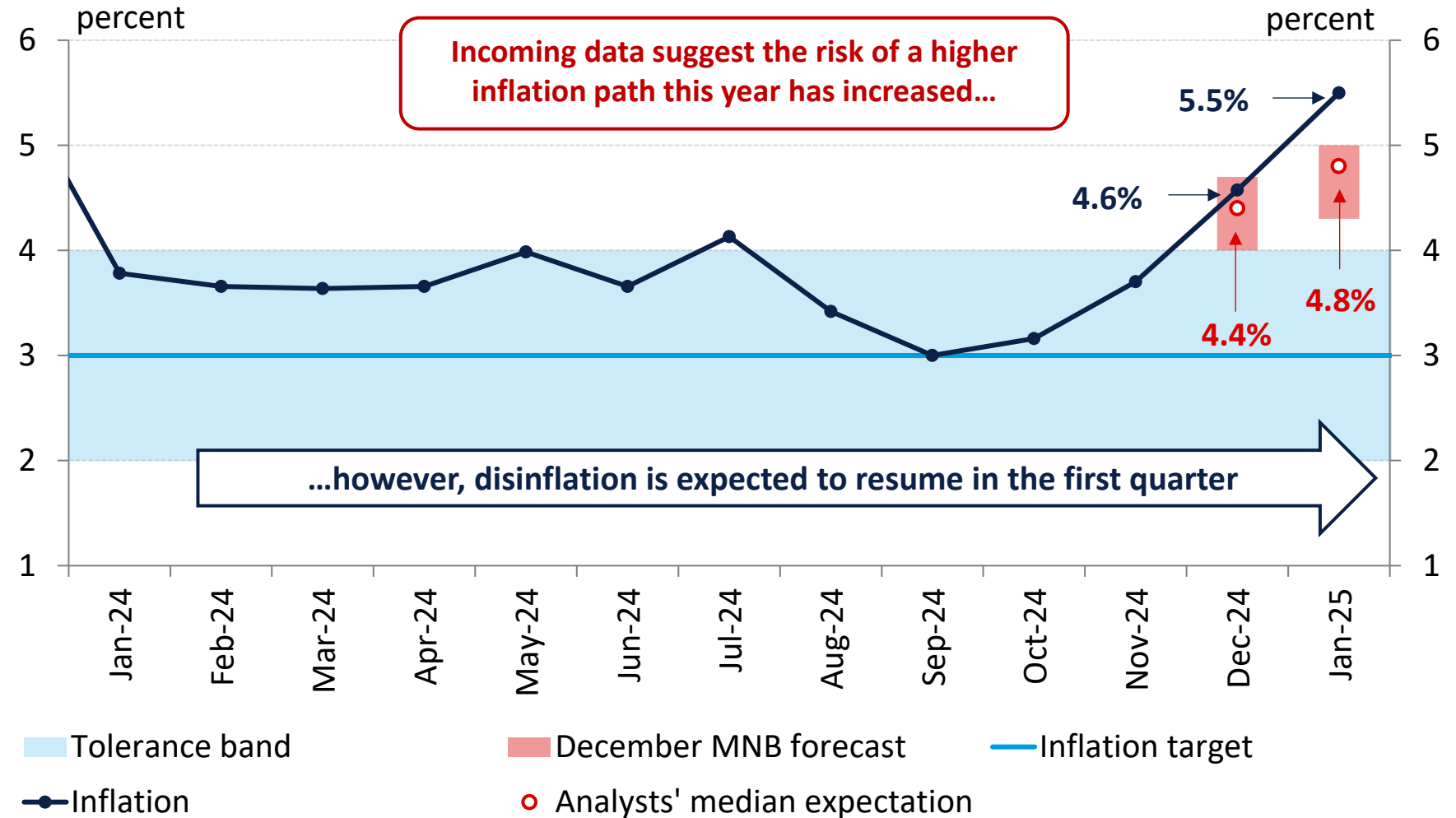
INFLATION BETWEEN SEPTEMBER 2024 AND JANUARY 2025 IN SELECTED OECD MEMBERS

Note | 2024 Q3 and Q4 figures available for Australia.

Source | OECD, MNB



CONSUMER PRICES ROSE AT A RATE ABOVE EXPECTATIONS IN JANUARY

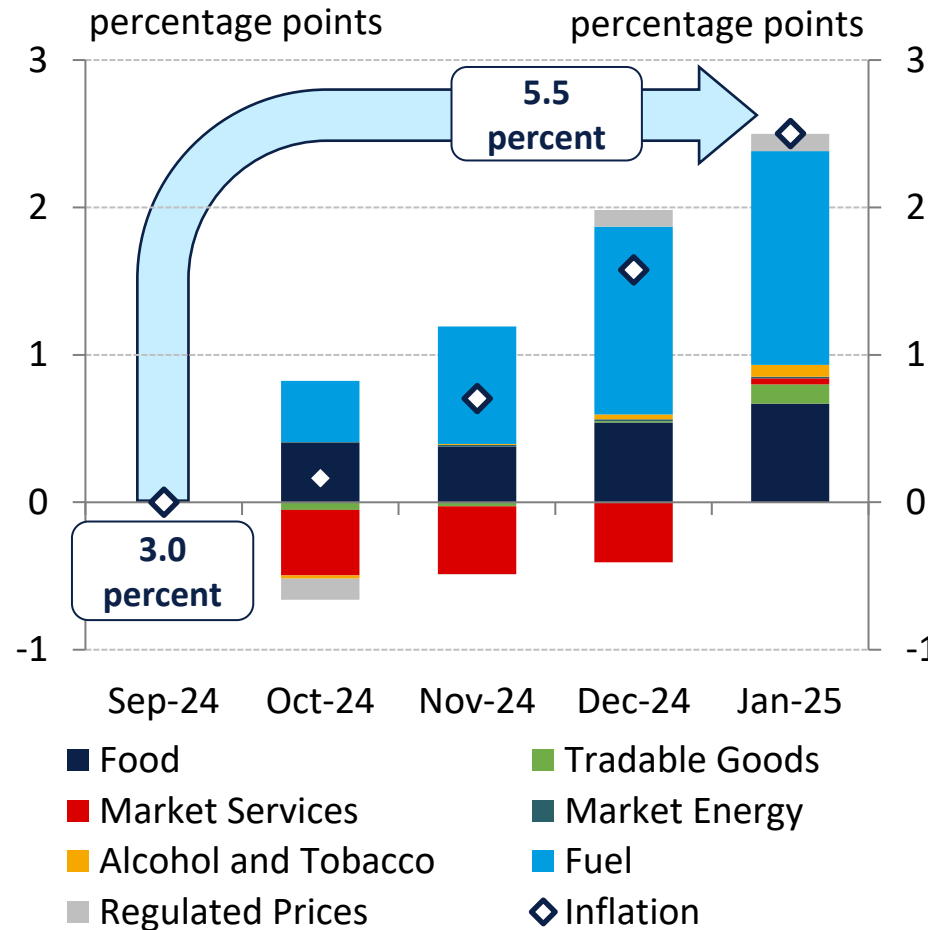


DEVELOPMENTS IN INFLATION

Source | HCSO, MNB

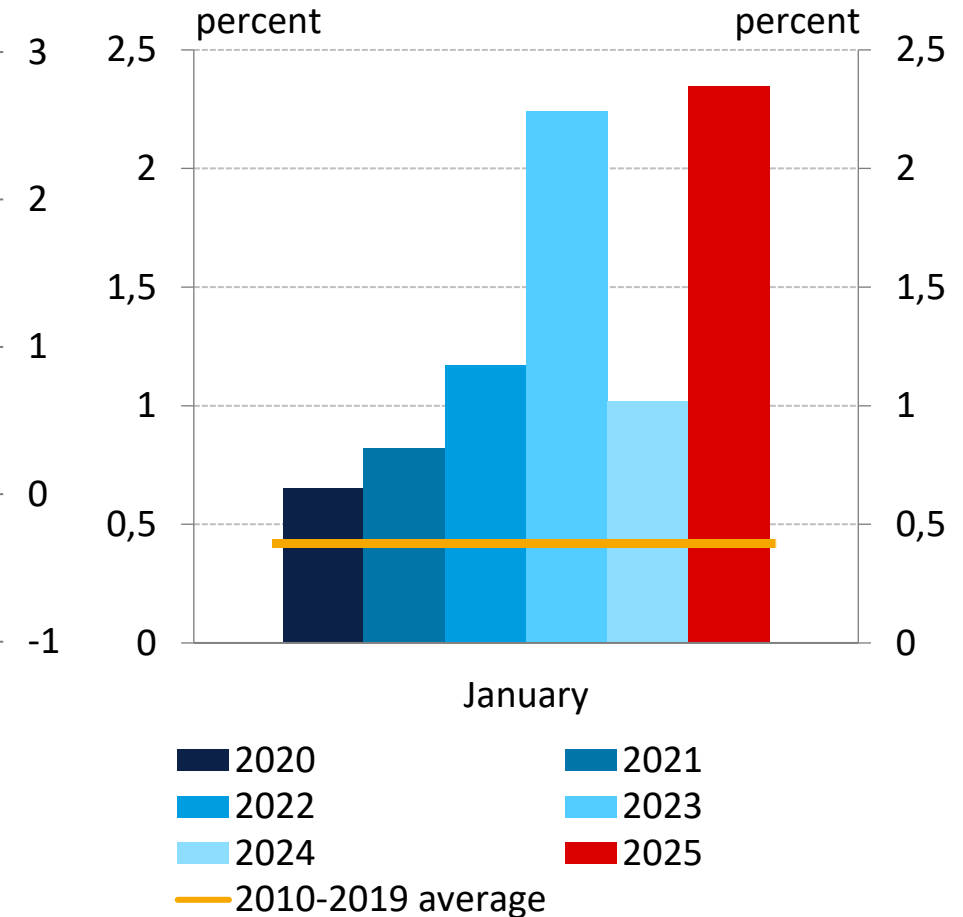


STRONG REPRICING SEEN IN THE SERVICES SECTOR POSES AN INFLATIONARY RISK IN THE MEDIUM TERM AS WELL



DECOMPOSITION OF THE CHANGE IN INFLATION BETWEEN SEPTEMBER 2024 AND JANUARY 2025

Source | HCSO, MNB-calculation



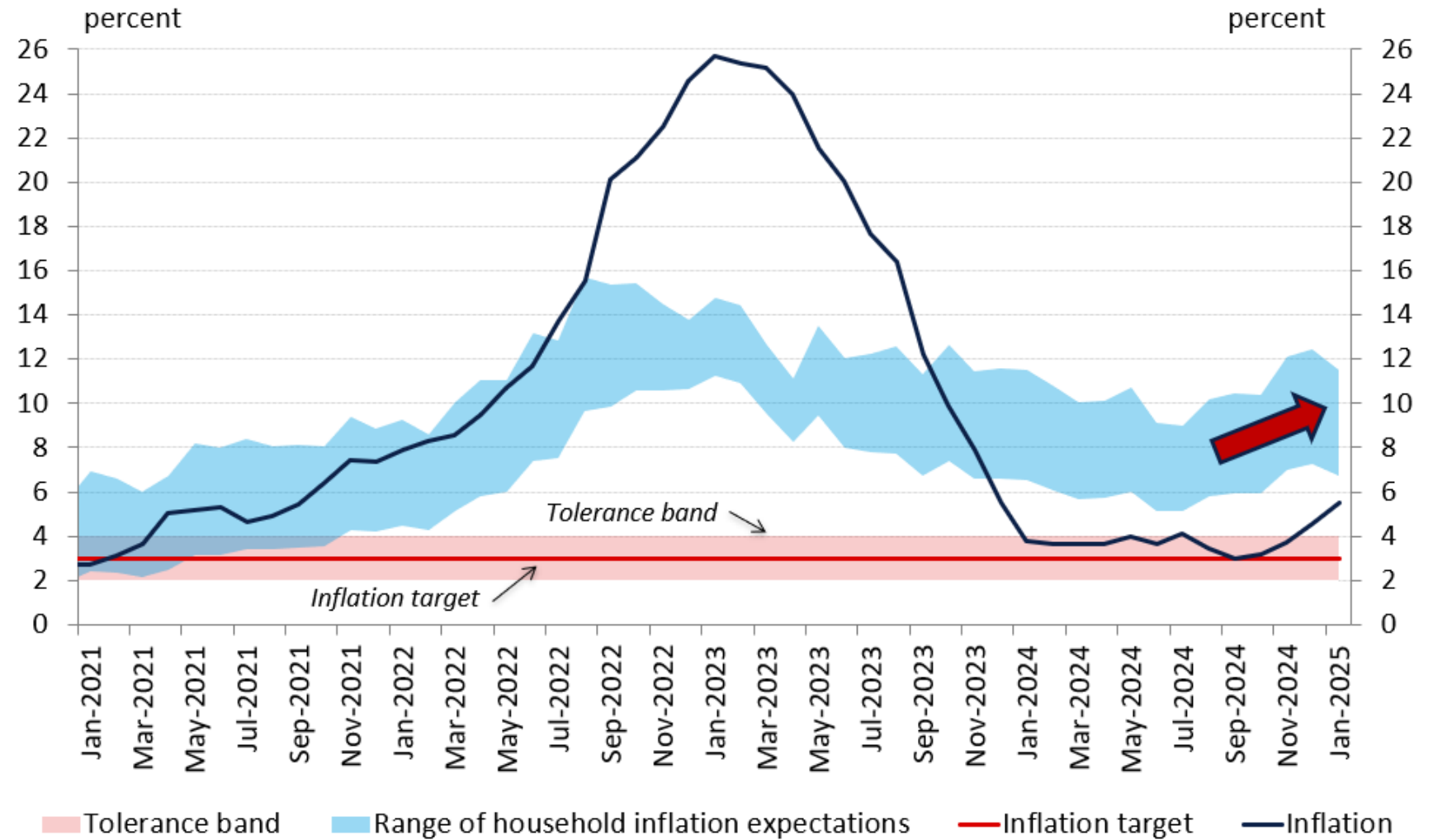
JANUARY INCREASES IN MARKET SERVICES PRICES

Note | Tax-adjusted, seasonally not adjusted monthly change.

Source | HCSO, MNB



HOUSEHOLD INFLATION EXPECTATIONS ARE STILL AT HIGH LEVELS

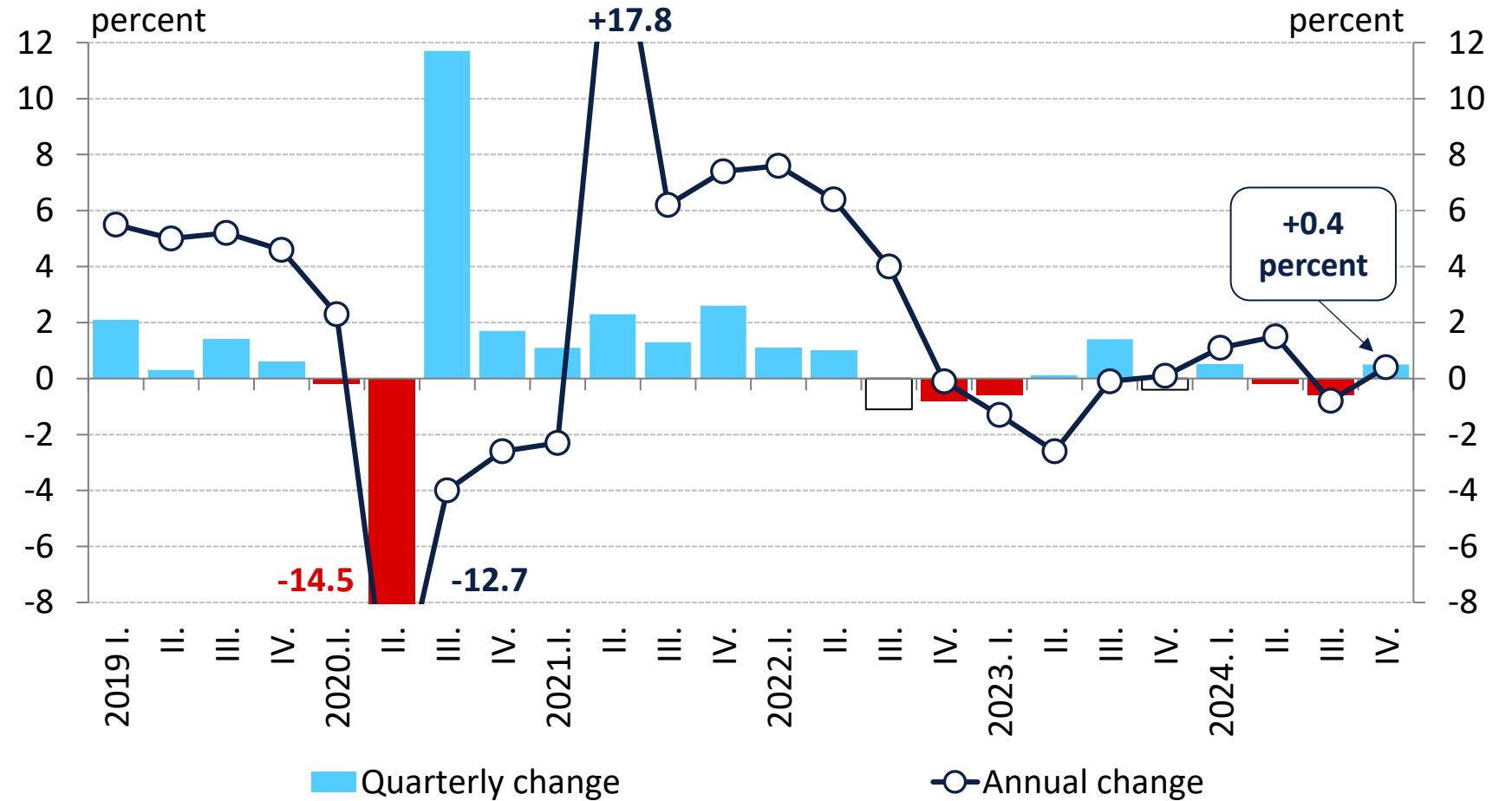


EVOLUTION OF HOUSEHOLD INFLATION EXPECTATIONS

Source | MNB, HCSO, European Commission



HUNGARY'S ECONOMY EXPANDED IN 2024 Q4



EVOLUTION OF GDP IN ANNUAL AND QUARTERLY TERMS

Note | Quarterly change is based on seasonally and calendar adjusted data.

Source | HCSO, MNB



THIS YEAR'S GROWTH IS BASED ON INCREASINGLY BROAD FOUNDATIONS



Incomes

9.7%

real wage growth
(2024)

2X

increase in family
tax allowance
(from 2025/2026)

**HUF
950
billion**

interest on Premium
Government Bonds
(2025 Q1)



Credit

**13.5-
15%**

household credit
expansion (2025)

**3.7
percentage
point**

boost from the
Worker's Credit
Programme (2025)

**8.3-
9.7%**

corporate credit
expansion (2025)



Construction

15.7%

growth in the stock
of contracts
(December 2024)



Housing

28%

rise in housing
market turnover
(2024)

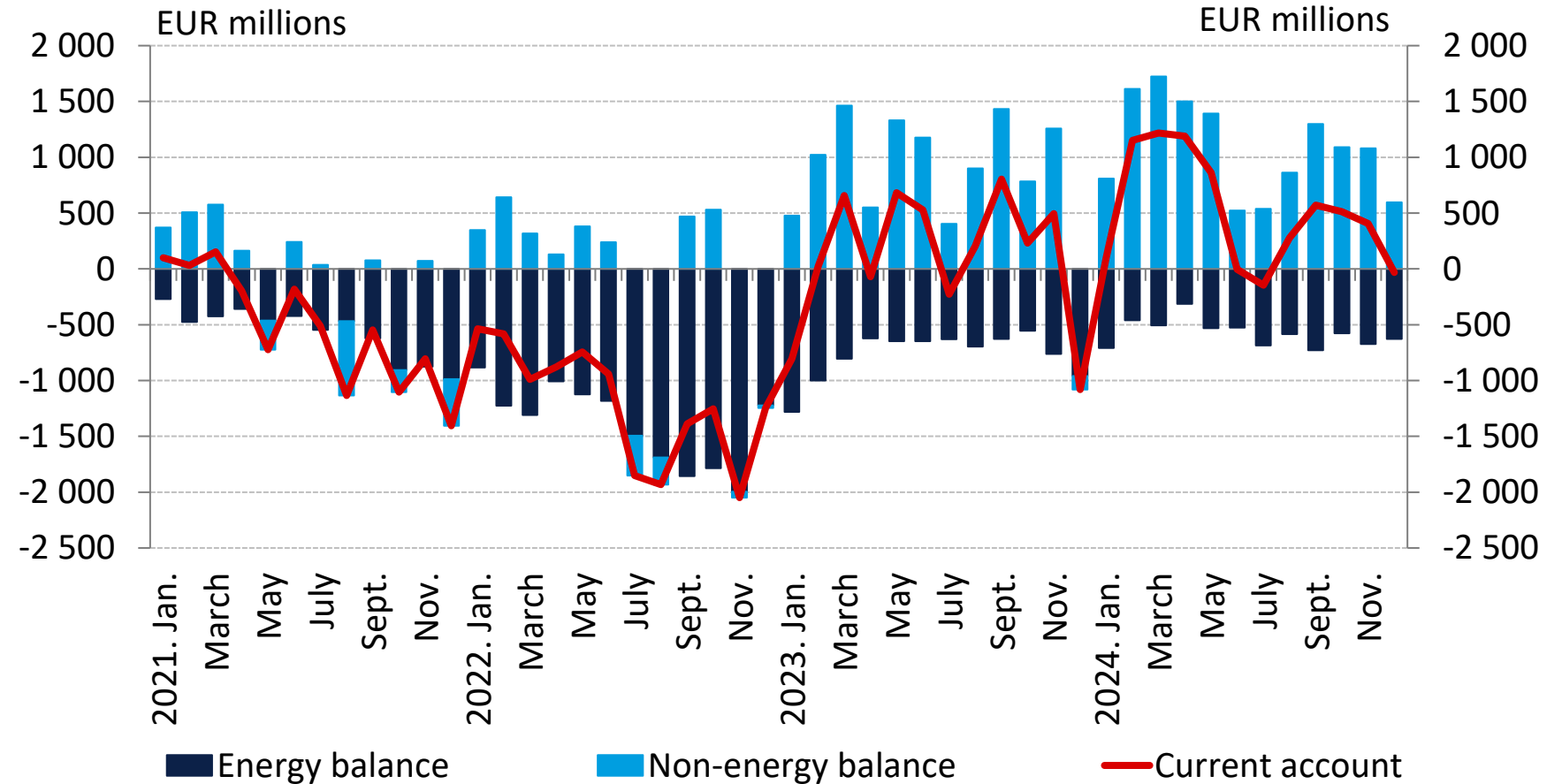


In the current macroeconomic environment, the Bank's most effective contribution to restarting economic growth is strengthening confidence by maintaining price stability and financial market stability.



THE CURRENT ACCOUNT REGISTERED A SURPLUS OF APPROXIMATELY 6.1 BILLION EUROS IN 2024

December's balance exceeded last year's figure by EUR 1 billion.



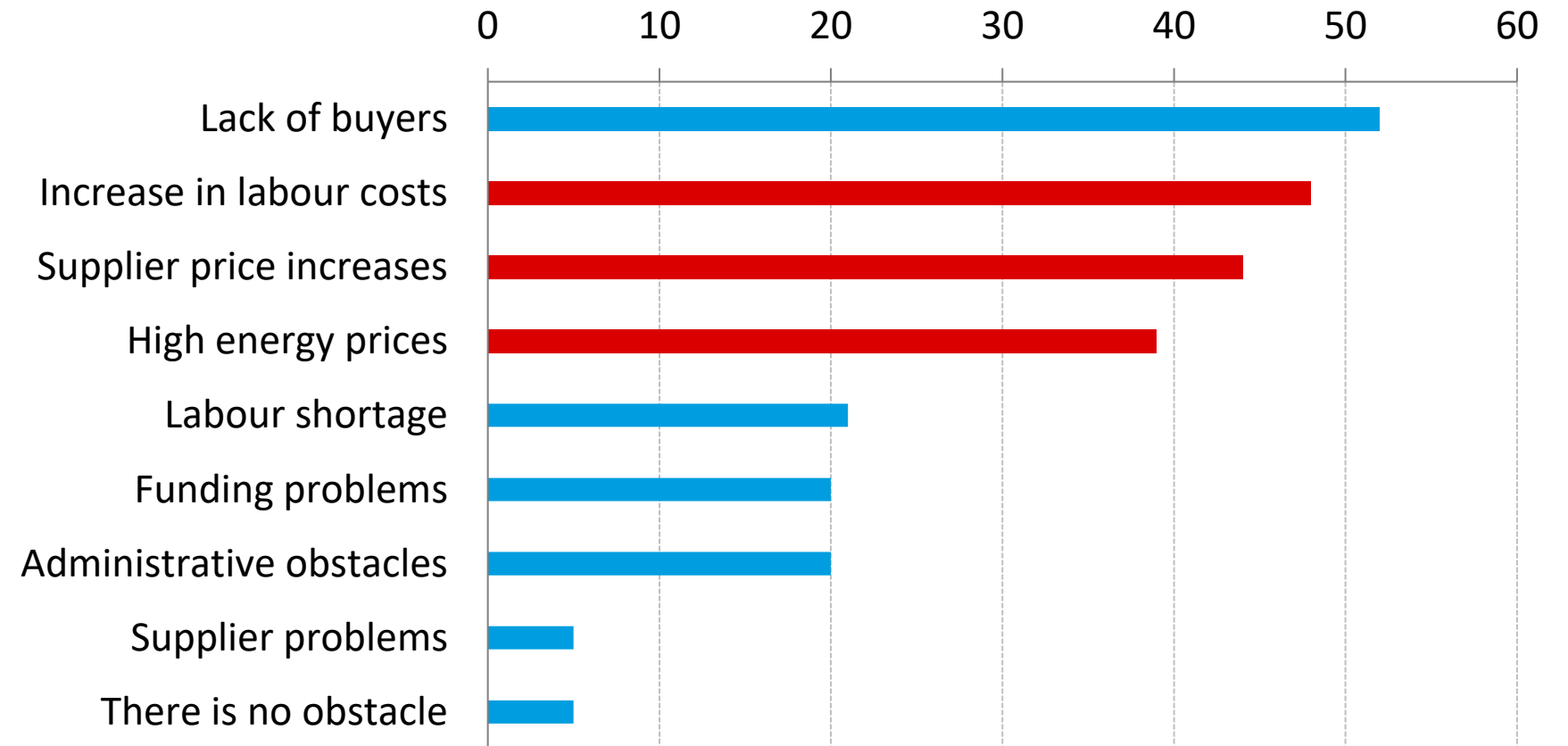
DEVELOPMENTS IN THE CURRENT ACCOUNT AND THE ENERGY BALANCE

Note | Energy trade balance for the latest month is an estimate.

Source | HCSO, MNB



THE CENTRAL BANK CAN BEST CONTRIBUTE TO GROWTH BY RESTORING SUSTAINED PRICE STABILITY



FACTORS COMPLICATING THE ACTIVITIES OF COMPANIES ACCORDING TO THE MNB'S JANUARY 2025 SURVEY



MONETARY POLICY



TIGHT MONETARY CONDITIONS REMAIN WARRANTED



In January, domestic inflation and core inflation rose at rates exceeding analysts' expectations.



Based on incoming data, the risk of a higher inflation path this year has increased further.



There is significant uncertainty in global investor sentiment, so caution remains warranted.



Financial market stability is crucial to achieve price stability and anchor expectations.



To reach the inflation target again and to maintain financial market stability, tight monetary conditions remain warranted.



THE MONETARY COUNCIL'S DECISION IN FEBRUARY

Central bank instrument	Interest rate	Previous interest rate (percent)	New interest rate (percent)
Central bank base rate		6.50	6.50
O/N deposit rate	Central bank base rate minus 1.00 percentage point	5.50	5.50
O/N collateralised lending rate	Central bank base rate plus 1.00 percentage point	7.50	7.50



THE MONETARY COUNCIL IS COMMITTED TO ACHIEVING THE INFLATION TARGET IN A SUSTAINABLE MANNER



Trade policy and geopolitical tensions pose an upside risk to inflation, while domestic factors also point in that direction.

Due to inflation risks and uncertainty surrounding the interest rate paths of major central banks, the base rate may remain at its current level for an extended period.



We are closely monitoring the factors that affect the room for manoeuvre in monetary policy:



Inflation outlook

- Changes in inflation expectations
- Pass-through of exchange rate movements
- Evolution of commodity prices
- Impact of trade policy developments



Risk perception

- Developments in the external balance
- Fulfilment of fiscal targets



Financial market stability

- Evolution of country-specific risks
- Global interest rate environment and investor sentiment



Looking ahead, a careful and patient, stability-oriented approach and tight monetary conditions remain warranted.



THE MONETARY COUNCIL'S FORWARD GUIDANCE

*„A careful and patient approach to monetary policy remains **warranted** due to trade policy and geopolitical tensions, upside risks to inflation as well as to uncertainty surrounding the future interest rate paths of the world’s leading central banks. In the Council’s assessment, the uncertain international environment and the outlook for inflation **warrant the maintenance of tight monetary conditions.**”*



THANK YOU FOR YOUR KIND
ATTENTION!