Mihály Varga
Governor | Magyar Nemzeti Bank

PRESS CONFERENCE AFTER THE MONETARY COUNCIL’S DECISION ON 25 MARCH 2025

MAIN MESSAGES:
THE MONETARY POLICY DECISION IN MARCH

- **The inflation path this year is likely to be higher than earlier expected, and achieving the inflation target has been delayed.**

- **The Bank** can make the most effective contribution **to the easing of** economic agents' **increased precaution and to the restart of economic growth by achieving price stability and maintaining financial market stability.**

- **In line with the stability-oriented approach, the Council left the base rate unchanged at 6.50 percent at today's meeting.**

MAIN MESSAGES:
THE MONETARY POLICY DECISION IN MARCH

- **Restrictive monetary policy contributes** to the achievement of the inflation target in a sustainable manner **by ensuring positive real interest rates.**

- The **maintenance of** financial **market stability** and the **anchoring of inflation expectations** remain key.

- **The Council is committed to the achievement of the inflation target in a sustainable manner. A careful and patient approach to monetary policy remains necessary** due to upside **risks** to inflation as well as trade policy and geopolitical tensions.

- **Maintenance of tight monetary conditions is warranted. The base rate may remain at its current level for an extended period.**

MAIN MESSAGES:
MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT

Global environment

- **The decline in global inflation came to a halt in the autumn of 2024.** The effects of increases in trade tariffs, further rises in global food prices and continued high price dynamics in market services pose **upside risks to inflation.**
- In the volatile global investor sentiment, **the depreciation of the US dollar improved the assessment of emerging market assets.**
- **The growth outlook has improved in the European Union.**

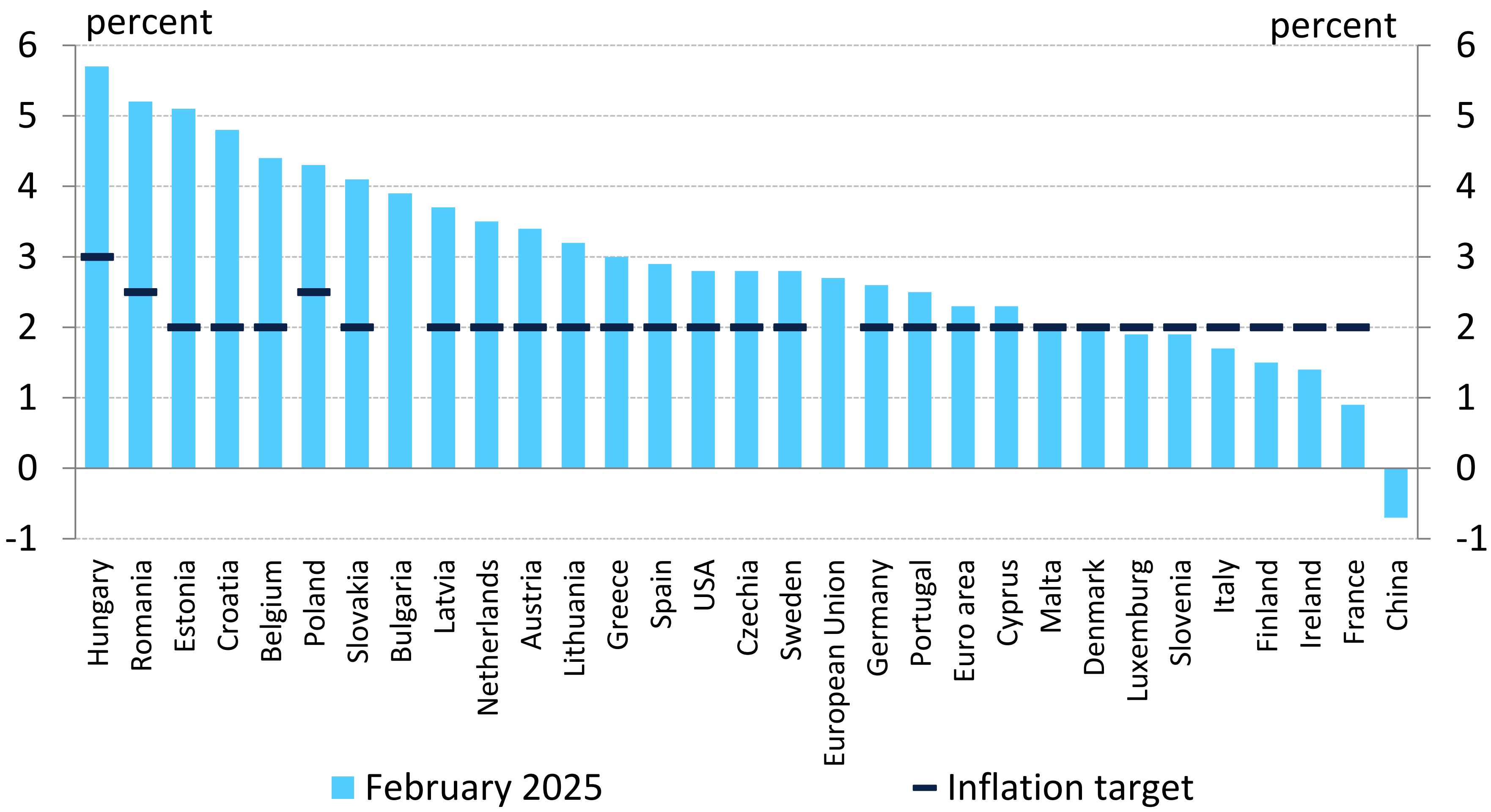
Domestic macroeconomic developments

- The extent of repricings at the beginning of the year was **above expectations. The inflation path this year is likely to be higher than earlier expected.**
- **Domestic economic activity is expected to pick up over the forecast horizon.** Looking ahead, consumption and the improving export activity are expected to be the drivers of growth.
- According to our forecast, **the current account surplus will be persistent,** and the **government debt ratio will decrease.**

MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT AND OUTLOOK

IN SEVERAL COUNTRIES INFLATION HAS REMAINED SIGNIFICANTLY ABOVE THE CENTRAL BANK TARGETS

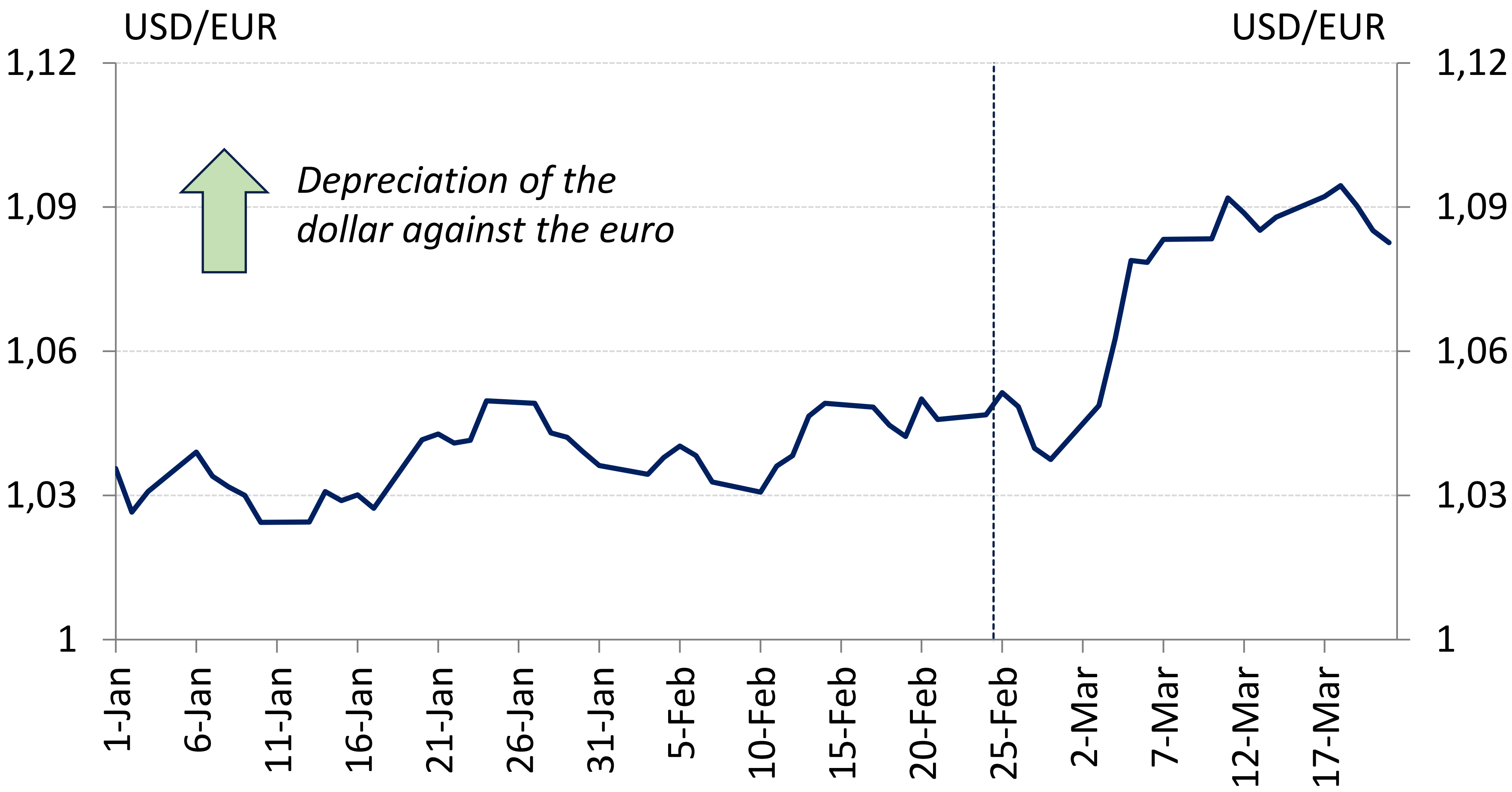
DEVELOPMENTS IN THE INTERNATIONAL INFLATION ENVIRONMENT



Note | HICP inflation rates for EU-member states.
Source | Eurostat

THE DOLLAR DEPRECIATED SIGNIFICANTLY AGAINST THE MAJOR CURRENCIES; THE ASSESSMENT OF EMERGING MARKETS IMPROVED

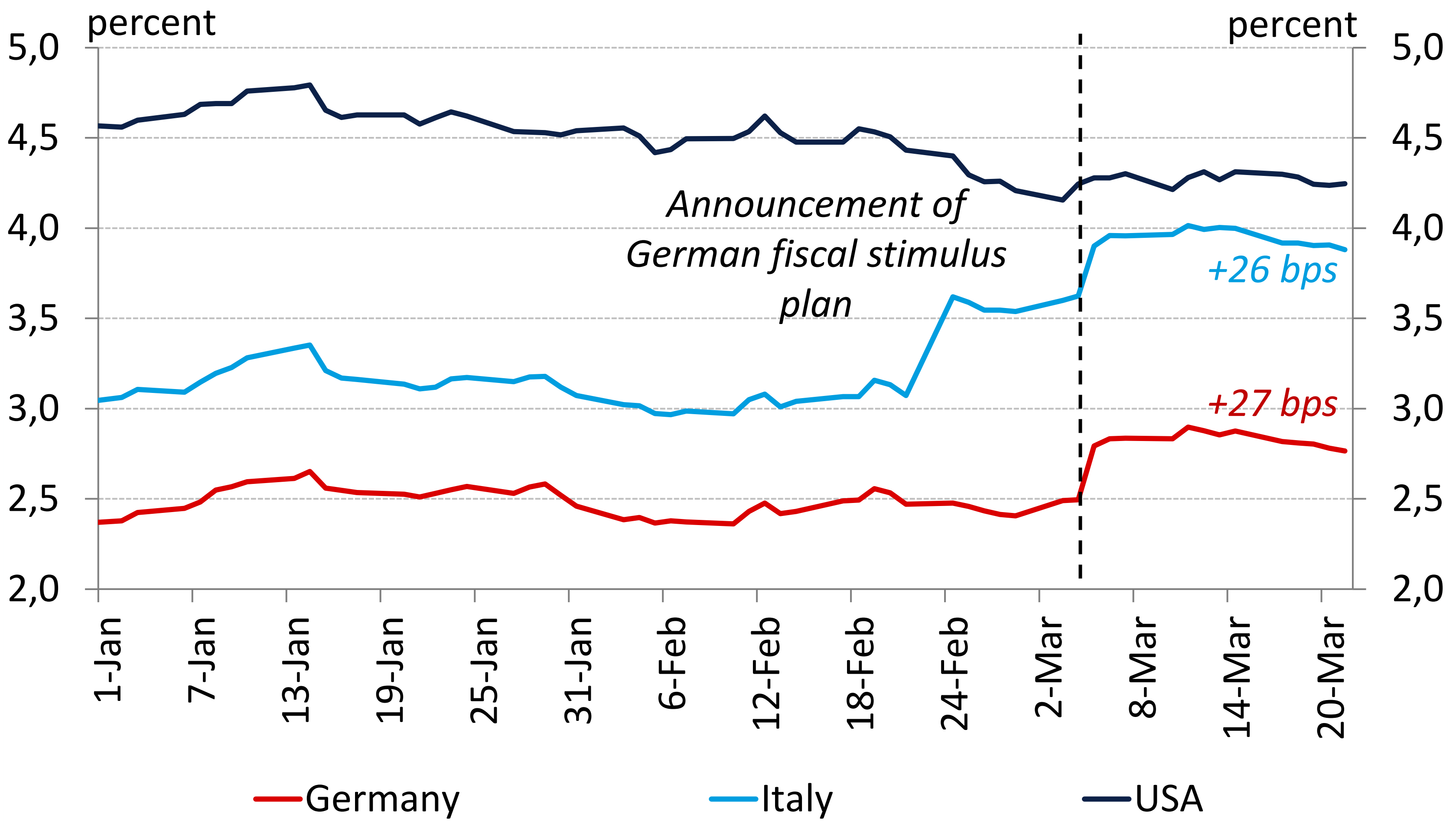
DEVELOPMENTS IN THE EURUSD EXCHANGE RATE SINCE THE BEGINNING OF 2025



Source | Bloomberg

PLANS FOR FISCAL STIMULUS INCREASED THE EUROPEAN LONG-TERM YIELDS

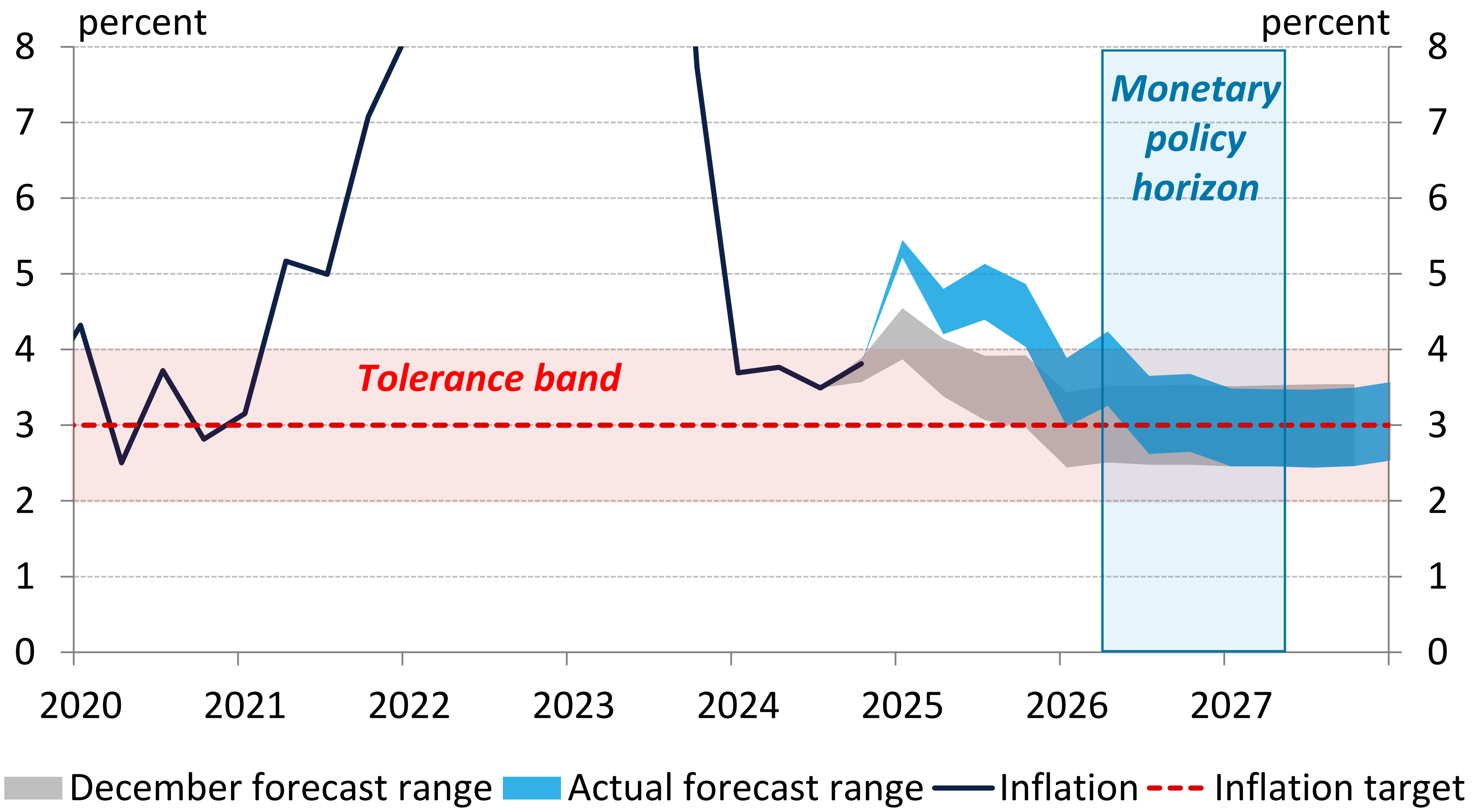
DEVELOPMENTS IN 10-YEAR BOND YIELDS



Source | Bloomberg

DOMESTIC INFLATION WILL RETURN TO THE CENTRAL BANK TOLERANCE BAND AT THE BEGINNING OF 2026, APPROACHING THE 3 PERCENT INFLATION TARGET AT THE END OF THE YEAR

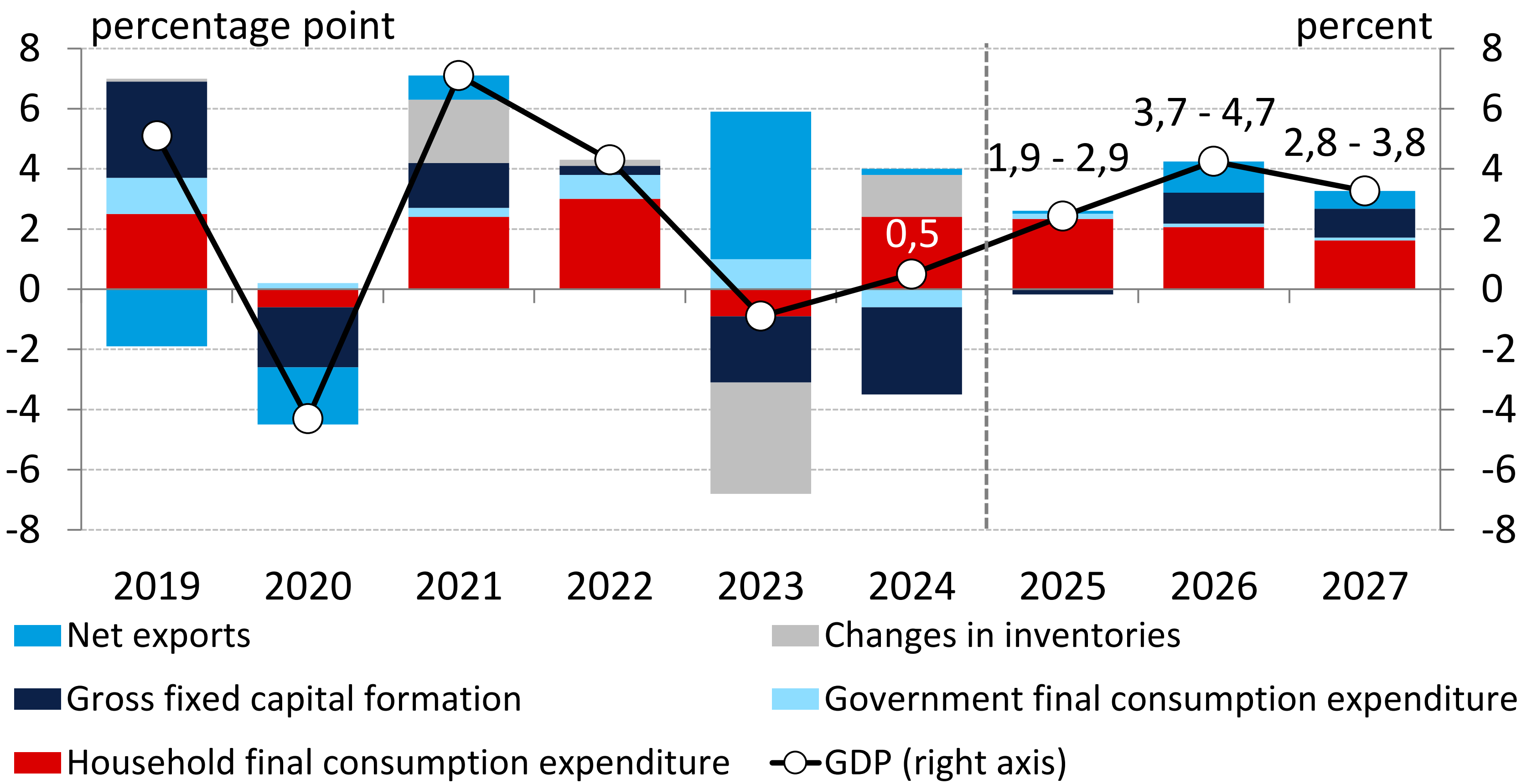
INFLATION FORECAST



Source | MNB forecast

ECONOMIC GROWTH IS PICKING UP IN AN INCREASINGLY BALANCED STRUCTURE

EXPENDITURE SIDE DECOMPOSITION AND FORECAST OF GDP GROWTH

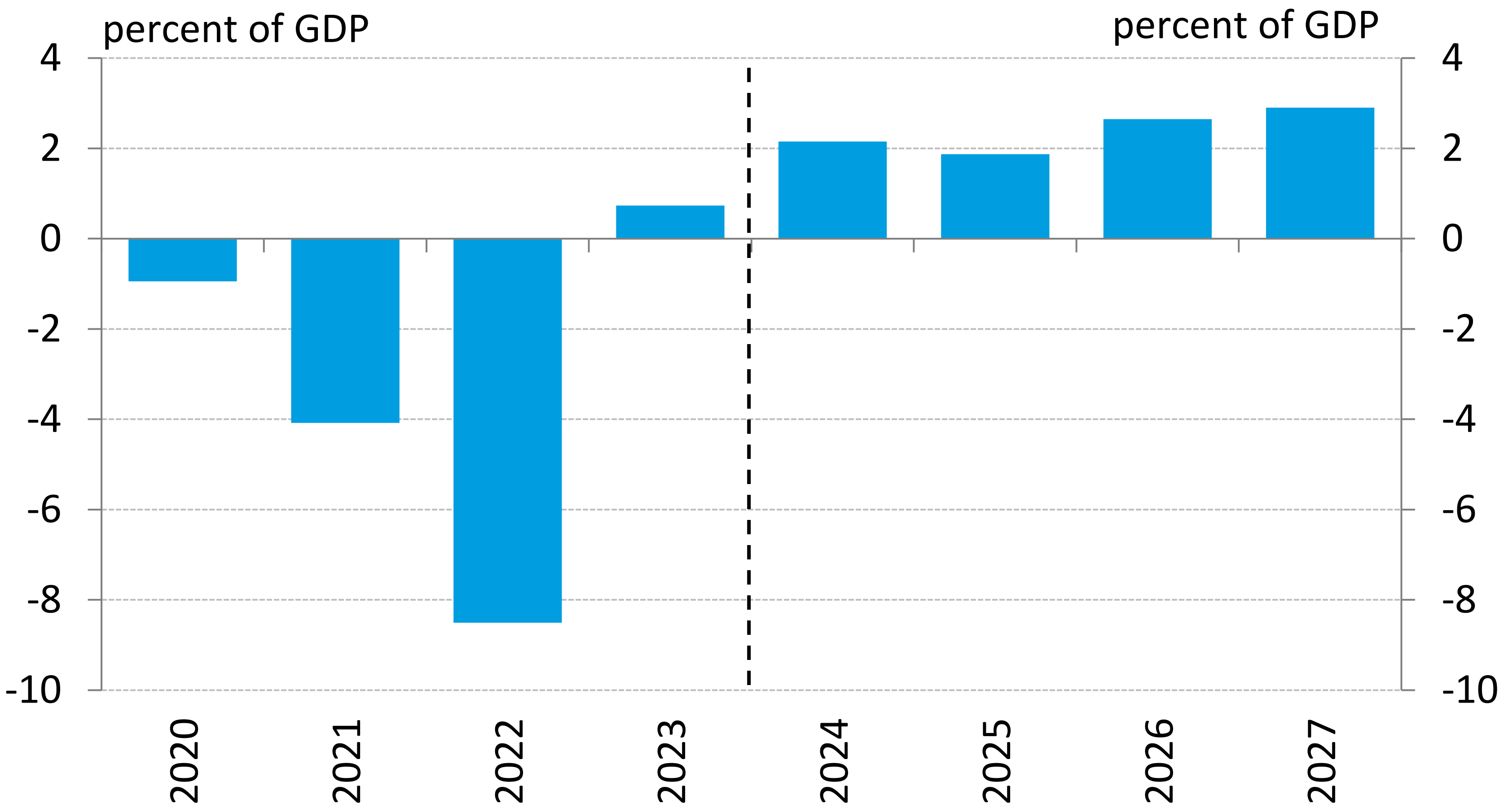


Note | Government final consumption expenditure includes final consumption expenditure, as well as the transfers of the general government and nonprofit institutions.

Source | HCSO, MNB

THE CURRENT ACCOUNT SURPLUS REMAINS PERSISTENTLY HIGH

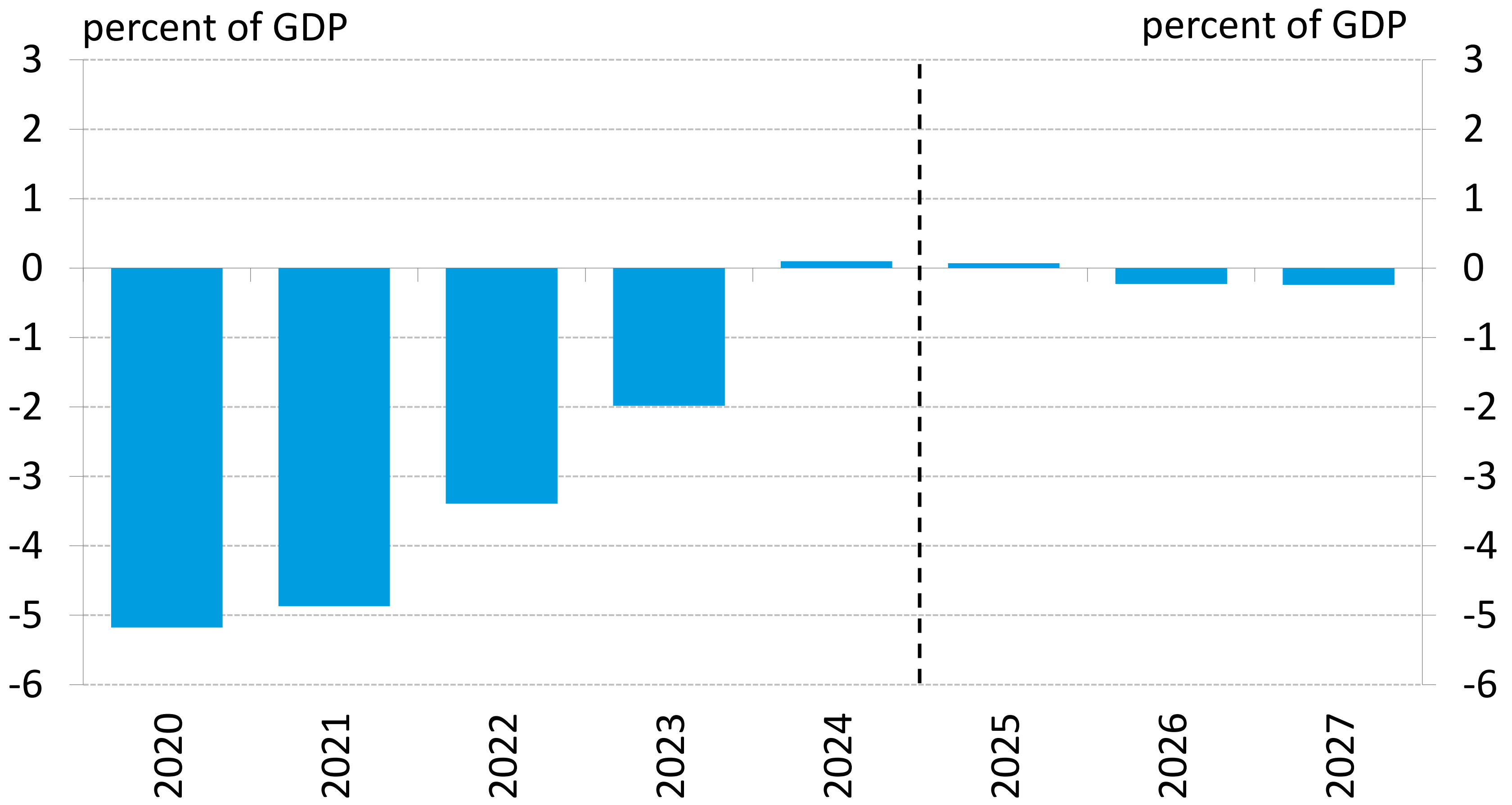
CURRENT ACCOUNT BALANCE, PERCENT OF GDP



Note | The 2024 data is an estimate based on monthly data. Starting from 2025, the mid-range values of the fresh current account forecast.
Source | MNB

THE PRIMARY BALANCE IS LIKELY TO BE AT NEAR-EQUILIBRIUM LEVELS OVER THE ENTIRE FORECAST HORIZON

THE PRIMARY ESA-BALANCE EXCLUDING INTEREST EXPENDITURES IN HUNGARY



Note | The mid-range values of the March 2025 Inflation Report's primary balance forecast.
Source | HCSO, MNB

TO ACHIEVE SUSTAINABLE GROWTH, IT IS KEY FOR HIGH INFLATION TO DECREASE AGAIN

- The number of employees continues to be high, while the unemployment rate is low.
- With rising real wages and tax cuts by the Government, consumption is likely to be the driver of growth.
- Banks’ liquidity is abundant, their capital position is strong.
- Household lending is buoyant. Corporate lending is expected to pick up looking ahead.
- Financial markets are stable.
- The current account surplus is persistent, the government debt ratio is declining.
- **Inflation rose further as upside risks increased.**

MONETARY POLICY

THE QUICK ACHIEVEMENT OF PRICE STABILITY WARRANTS TIGHT MONETARY CONDITIONS

Assessment of inflation data

- **Price dynamics** of market services and food items **are high.**
- The prices of product groups affected is moderated by **profit margin caps in the spring months.**
- **Inflation expectations** continue to be **high.**

Upside risks to inflation

- **Compared to our previous forecast**, inflation is likely to return to the tolerance band **later.**
- There are **overall upside risks to inflation** in the baseline scenario in the March projection.

THE MAINTENANCE OF TIGHT MONETARY CONDITIONS IS WARRANTED

The Monetary Council left the base rate unchanged at 6.50 percent at today's meeting.
The O/N deposit rate and the O/N collateralised lending rate also remained unchanged, at 5.50 percent and 7.50 percent, respectively.

- In The Council's assessment, **a careful and patient approach as well as the maintenance of tight monetary conditions is warranted.**

- **Maintaining financial market stability is key.**

- **Maintaining a positive real interest rate environment is warranted.** With this, the Bank contributes to **the anchoring of inflation expectations and to the achievement of the inflation target in a sustainable manner.**

THE MONETARY COUNCIL'S FORWARD GUIDANCE

*„**The Monetary Council is committed to the achievement of the inflation target in a sustainable manner.** The **inflation path** this year **is likely to be higher than earlier expected, and achieving the target has been delayed. A careful and patient approach to monetary policy remains** necessary due to upside risks to inflation as well as trade policy and geopolitical tensions. 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!