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Warsaw | 7 November 2025

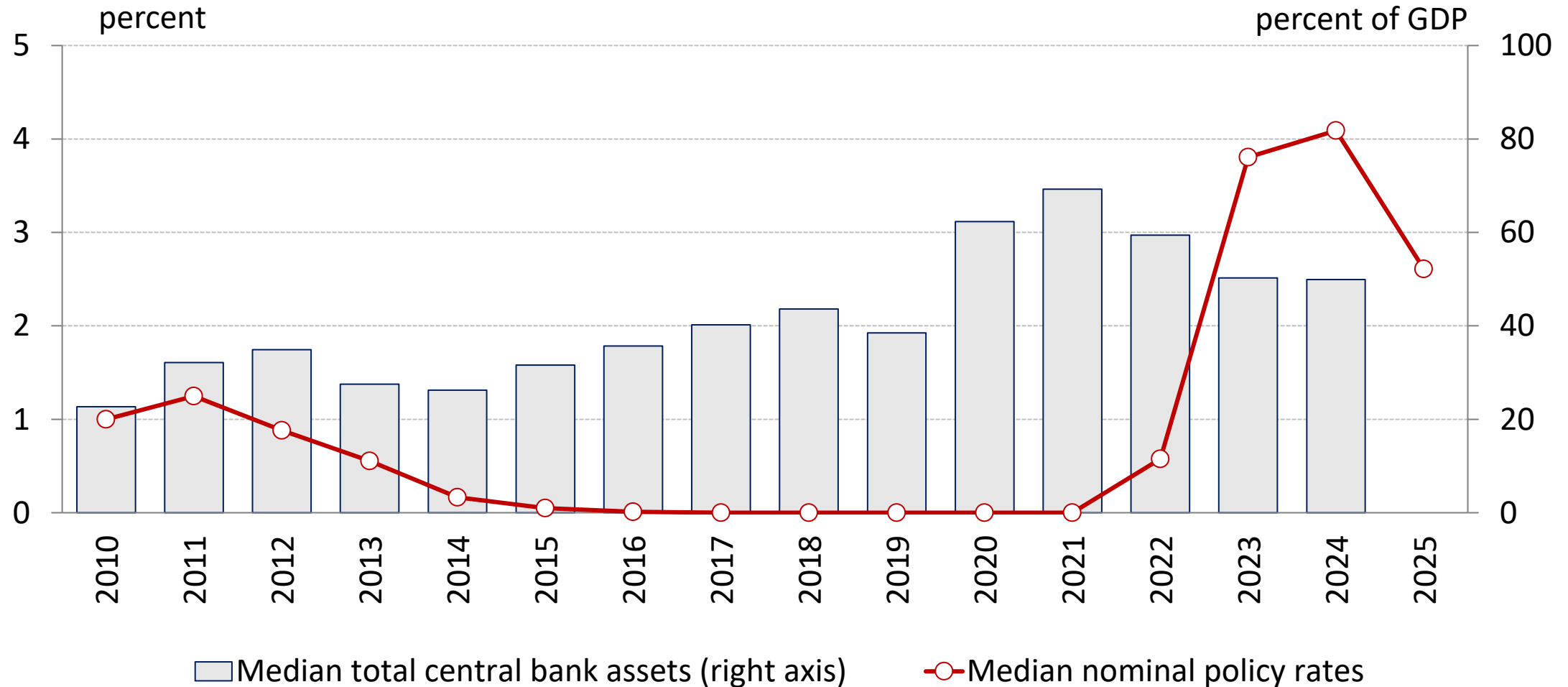
MONETARY POLICY: STABILITY IN A TURBULENT GLOBAL ECONOMIC ENVIRONMENT



CENTRAL BANKS TOOK DECISIVE ACTION IN RESPONSE TO THE INFLATION SURGE



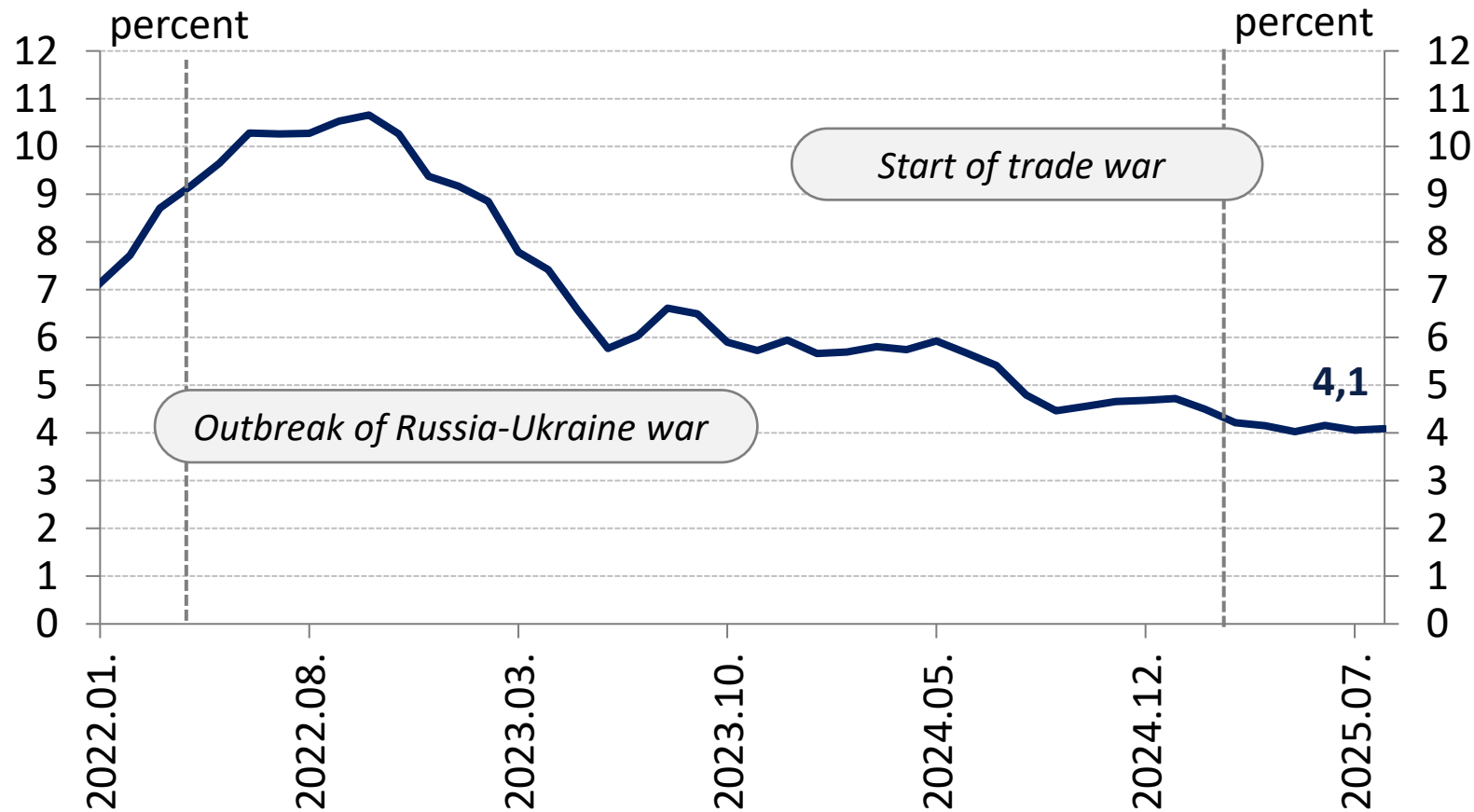
CENTRAL BANK BALANCE SHEETS AND NOMINAL POLICY RATES AMONG ADVANCED ECONOMIES



GLOBAL DISINFLATION HAS SLOWED, AND THE PACE OF PRICE INCREASES IS STUCK ABOVE THE CENTRAL BANK TARGET IN SEVERAL COUNTRIES



INFLATION IN OECD COUNTRIES (AVERAGE)



Inflation

Above target

20 countries

Close to target

11 countries

Below target

6 countries

Note | On the right, information is based on data from August 2025. In the case of Australia: Q2 2025 data. In the OECD database, inflation data is not available for New Zealand.

Source | OECD

THERE ARE MANY REASONS FOR THE HALT IN DISINFLATION

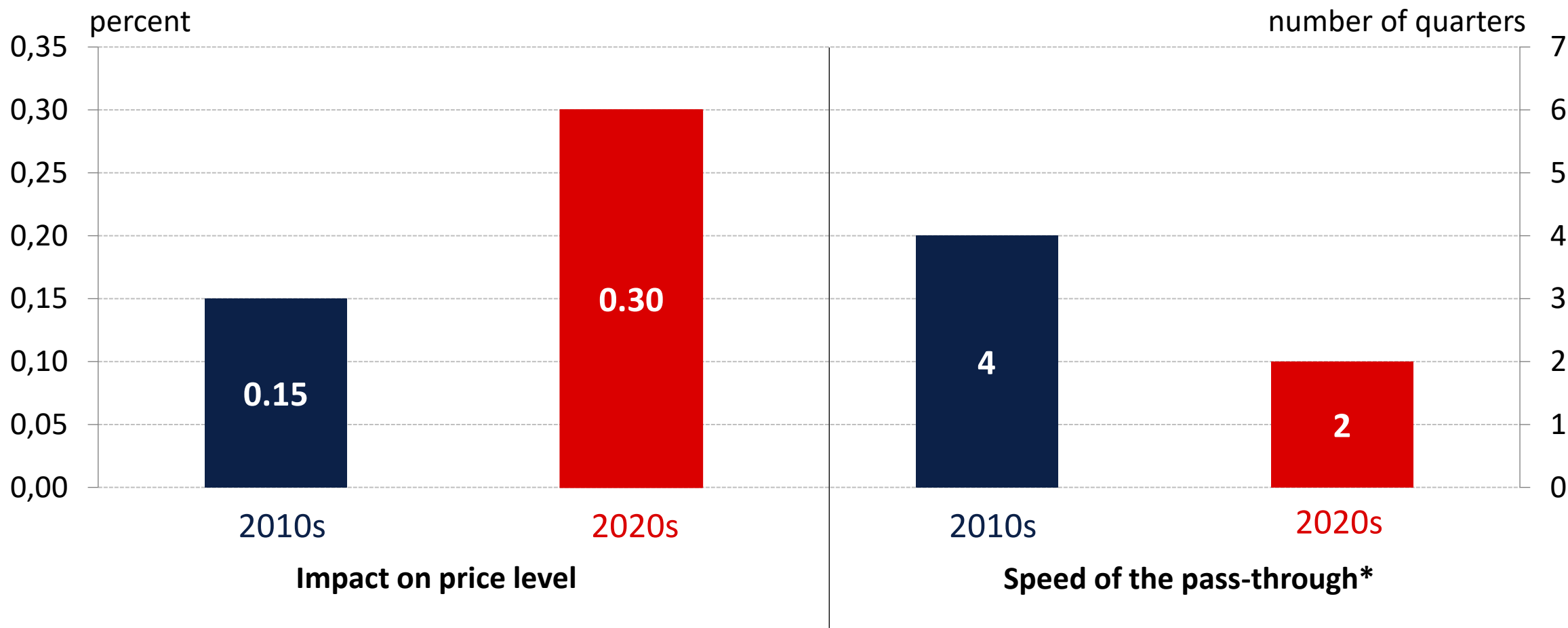


- **Price dynamics of market services** remain **high**.
- Further **rise in global food prices**.
- **Wage catch-up** after inflation shocks.
- **Stronger exchange rate pass-through** in small, open economies.
- **Fiscal pressure:** growing government debts and high budget deficits.
- **Inflation expectations remained high** in many countries.

FX MARKET STABILITY HAS ALSO COME TO THE FORE, ESPECIALLY IN THE CASE OF SMALL, OPEN ECONOMIES



IN HUNGARY: PRICE LEVEL CHANGE AND THE SPEED OF PASS-THROUGH IN THE 2010S AND 2020S DUE TO A 1 PERCENT PERMANENT EXCHANGE RATE DEPRECIATION



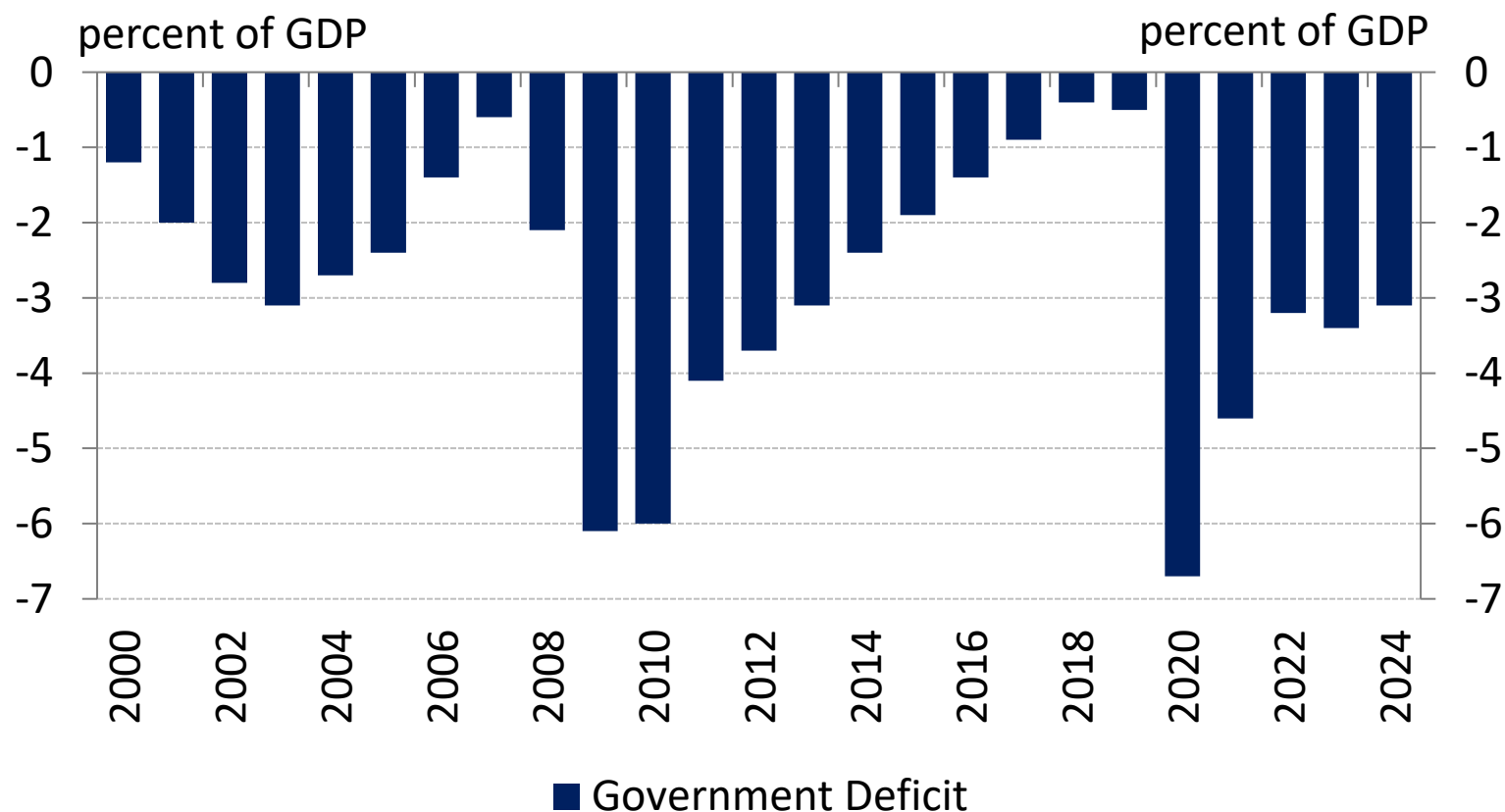
Note | * The speed of the pass-through illustrates that while in the 2010s the maximum impact of the shock occurred by the fourth quarter, in the 2020s the same impact (0.15 percent) is realized over two quarters.

Source | MNB calculation

BUDGET DEFICITS ARE HIGHER THAN PREVIOUSLY EXPERIENCED



BUDGET BALANCE AS A PERCENTAGE OF GDP IN THE EU27



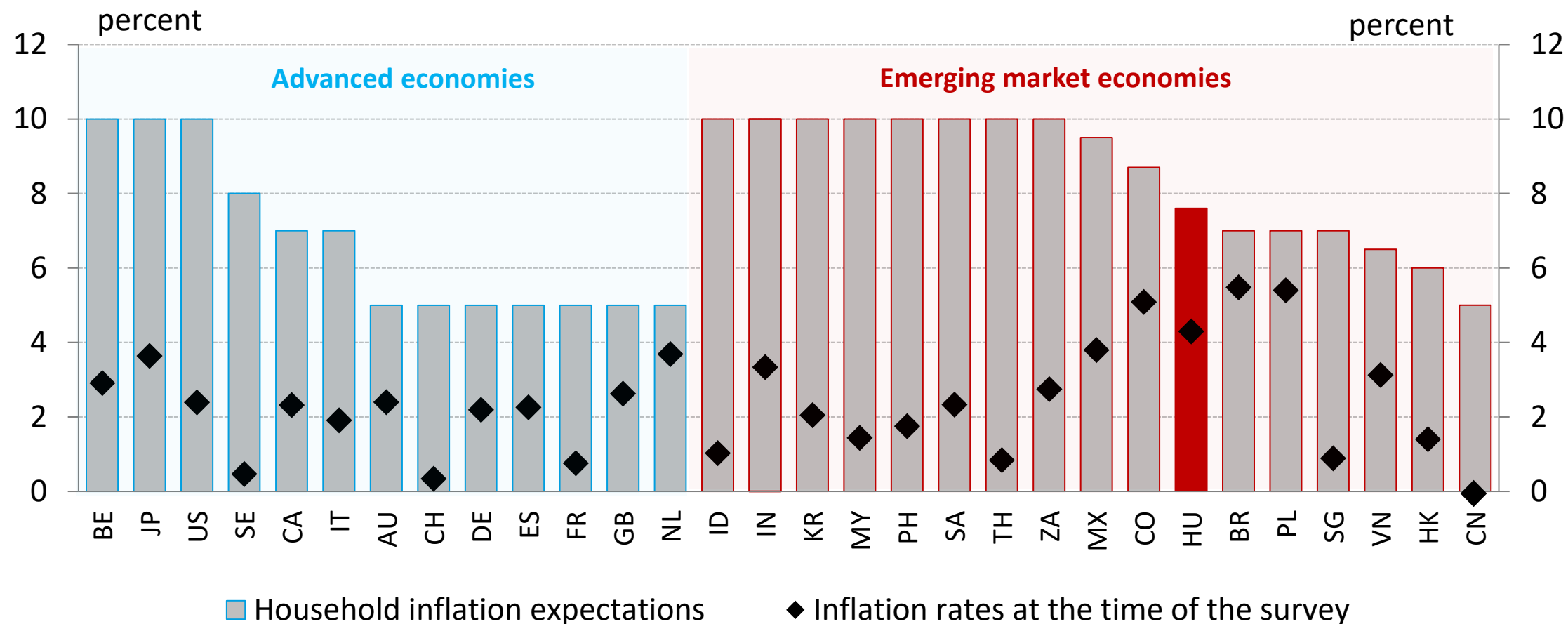
- Fiscal imbalances contribute to the persistence of inflation.
- Inevitable revenue-increasing fiscal adjustments are expected to have upward inflationary and downward growth effects (e.g. the Romanian 2025-2026 adjustment).

Note | EU27 average.
Source | Eurostat

IN THIS ENVIRONMENT, ANCHORING EXPECTATIONS IS OF PARAMOUNT IMPORTANCE FOR MONETARY POLICY



ONE-YEAR-AHEAD HOUSEHOLD INFLATION EXPECTATIONS AND PREVAILING INFLATION RATES

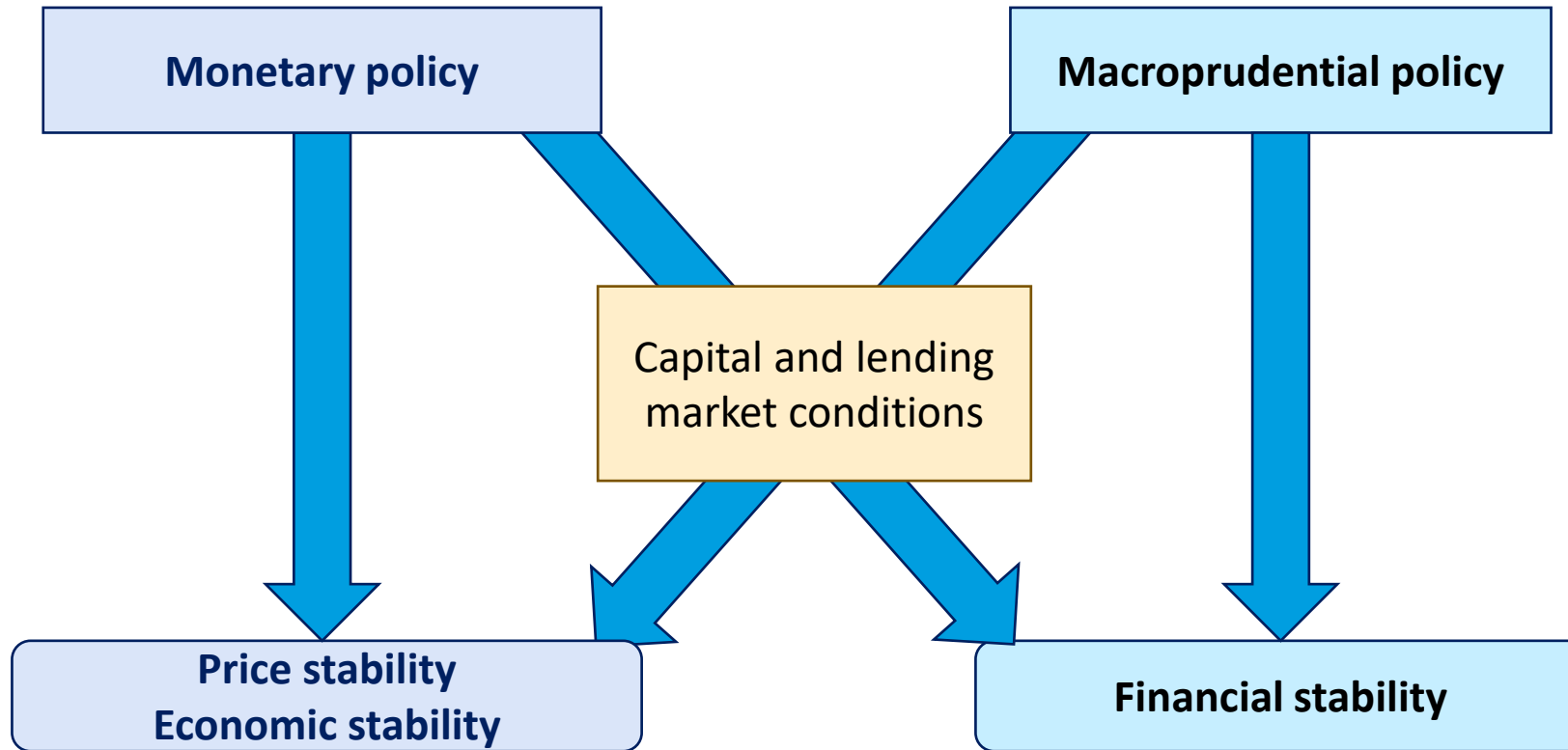


2025, while the source of Hungarian data is the MNB's Quarterly Survey of Households.

China inflation rate at the time of survey was -0,1 percent.

Source | BIS, MNB

MACROPRUDENTIAL AND MONETARY POLICIES CAN PROVIDE SIGNIFICANT SYNERGIES



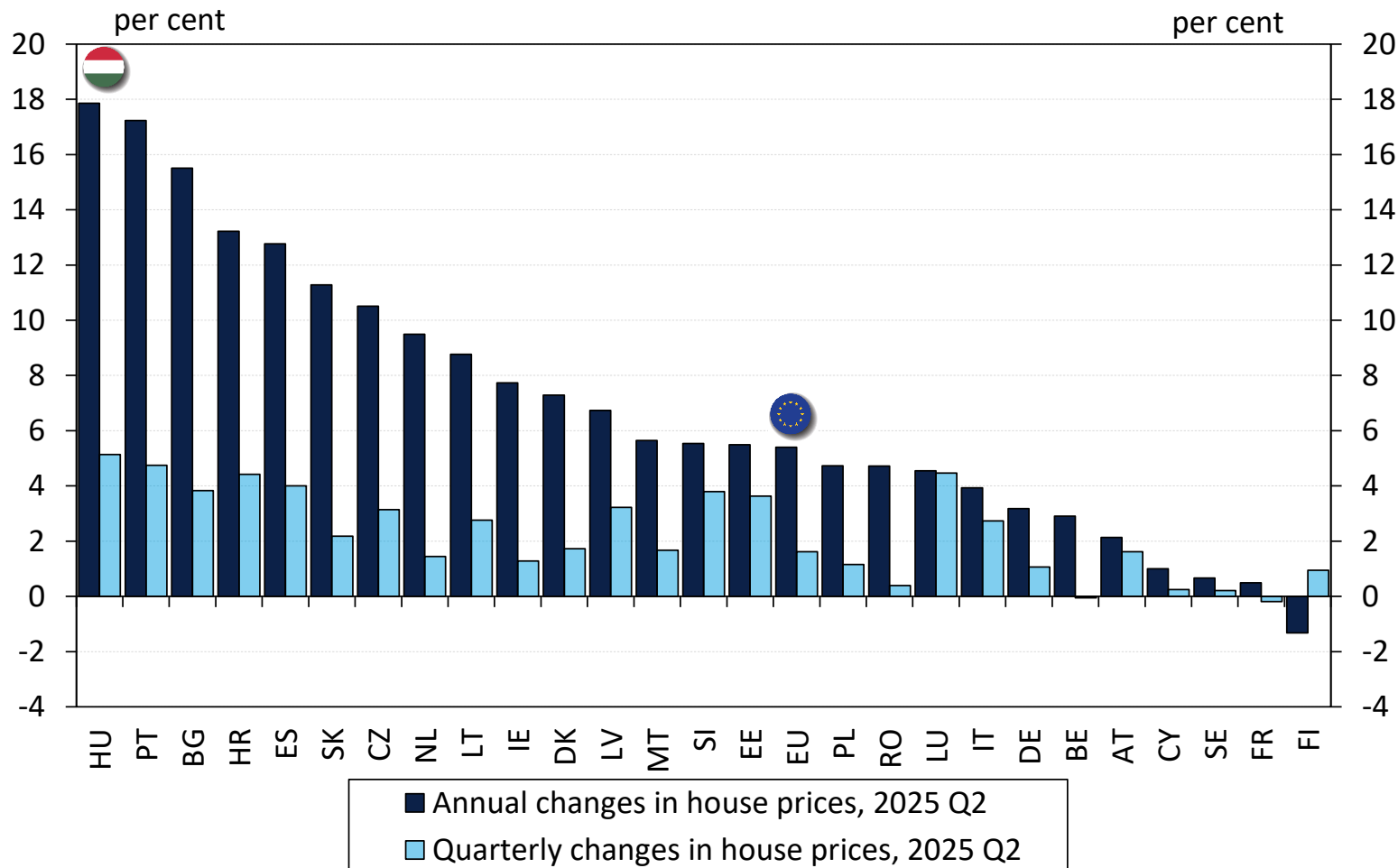
- Monetary and macroprudential policies pursue different objectives, but their transmission channels overlap.
- Monetary policy is a less targeted, but powerful, whereas macroprudential policy is more targeted (e.g. can address the risks of asset price bubbles).

A strong and independent macroprudential framework is essential for monetary policy independence as well, as it can shield monetary policy from having to compromise its inflation target due to financial stability concerns (more headroom).

HOUSING PRICES ARE RISING RAPIDLY AGAIN IN SEVERAL EU MEMBER STATES...



DEVELOPMENTS IN NOMINAL HOUSE PRICES IN THE EU MEMBER STATES



...and they might affect consumer prices through:

- Owner-occupied housing (only if included in CPI)
- An increase in rents
- Shaping inflation expectations

THE RECENT REGULATORY PACKAGE OF THE MNB IS A GOOD EXAMPLE OF MACROPRUDENTIAL POLICY SUPPORTING MONETARY POLICY OBJECTIVES

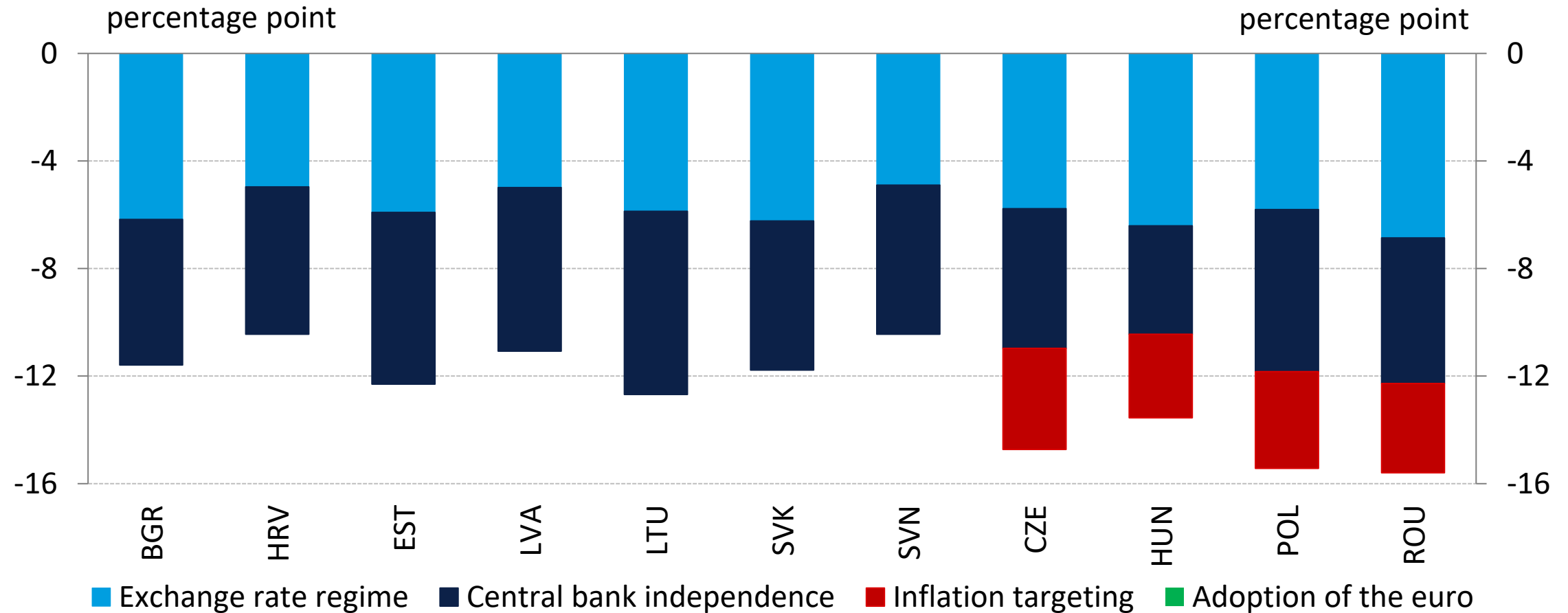


To address rising residential and commercial real estate related risks, the MNB adopted a comprehensive macroprudential package in September 2025

Measure	Steps
BBMs	<ul style="list-style-type: none"> ▪ Increase of the income threshold for higher (up to 60%) DSTI limit and the de minimis limits with regard to the rising nominal wages and inflation ▪ Tighter requirements regarding the validation of the FTB status
sSyRB	<ul style="list-style-type: none"> ▪ Implementation of a 1 percent RRE and CRE sectoral Systemic Risk Buffer (sSyRB)
MFAR*	<ul style="list-style-type: none"> ▪ Finetuning the stable funding requirements of residential mortgage loan exposures

- The strong macroprudential mandate of the MNB established in 2013 provides a sound basis for independent macroprudential policy.
- The mortgage package adopted in September 2025 reduces the real economy risks as well:
 - Strengthens borrower and lender resilience → Mitigates the risk of a costly housing bubble burst
 - Strong communication signal emphasizing the risks of prolonged house price growth and overvaluation

DECOMPOSITION OF DISINFLATIONARY CONTRIBUTIONS



Note | The effect of certain institutional factors on annual inflation between 1997 and 2019 (for Romania between 2003 and 2019).

Source | Szapáry – Vonnák (2024)



Due to the recent tight monetary policy, inflation expectations are slowly but declining, the exchange rate is steadily strengthening, and headline inflation is decreasing.

However, inflation is surrounded by mostly upside risks on account of the further rise in global food prices, the continued high price dynamics of market services, and geopolitical tensions.

In the Monetary Council's assessment, **a careful and patient approach remains warranted. Anchoring inflation expectations and financial market stability are key to achieving the inflation target sustainably.**

Price stability can be achieved in a sustainable manner by ensuring tight monetary conditions.



THANK YOU FOR YOUR
ATTENTION!