Article | 28 April 2026

FX HUNGARY

National Bank of Hungary review: Uncertainty is a shackle

Amidst the looming uncertainty surrounding the macroeconomic impact of the war in the Middle East, it is hardly surprising that the National Bank of Hungary decided to keep rates on hold. We project that the key rate will remain unchanged this year, although there are two-sided tail risks

The National Bank of Hungary kept the base rate unchanged at 6.25% and we expect no changes for the rest of 2026

6.25%

Key interest rate

no change

As expected

ING's view: We update our base case, seeing no room for a rate cut in 2026

In line with our expectations, the Monetary Council voted to maintain the base rate at 6.25%

on 28 April. The ever-changing challenges created by the war in the Middle East have shackled the National Bank of Hungary. While financial market developments tied to the election outcome are helping to mitigate risk, they are far from enough to justify an easing of monetary conditions. Conversely, pipeline price pressure is clearly not yet at a level that would prompt a hawkish move.

As headline inflation came in lower than expected in March and our short-term forecasts suggest that price-shield measures will ease imminent price pressure, the National Bank of Hungary has time to remain on the sidelines. Using our updated base case for energy prices, we predict that inflation will stabilise at around 4.0–4.5% in the second half of the year after a brief period of acceleration.

However, this assumes that Hungary will remain favoured within emerging markets, which would result in the forint slowly but surely strengthening. According to our baseline scenario, the EUR/HUF exchange rate will decrease to 350 this year, which will mitigate some of the energy- and supply chain-related price pressures. In this scenario, we expect the base rate to remain at 6.25% throughout the year.

Talking of tail risks, a stronger-than-expected forint, combined with a quick resolution to the situation in the Middle East could pave the way for easing towards the end of the year. Conversely, if the situation in the Middle East worsens and the Strait of Hormuz crisis intensifies, we could witness a global shift towards hawkish policies, leaving the National Bank of Hungary with limited options other than to follow the ECB's lead.

ING’s market views

From the market perspective, today's NBH meeting brought everything the market wanted to hear, in our view. The focus on FX stability remains, and the central bank will not rush into any quick steps. At the same time, we did not see any signs of conflict with the incoming government. We also heard some talk about euro adoption and although it is not exactly on the table, it remains an important catalyst for the market after the elections.

In addition, NBH Governor Varga mentioned the prospect of a lower risk premium, in other words, possible rate cuts in the future. On the other hand, the market headlines probably indicate a more dovish tone from the NBH than the governor intended, and we do not want to overthink the governor's words here.

The market reaction to the NBH press conference is a bit hazy with the current global headlines. All of CEE saw some relief after the morning sell-off. However, the market did not have too high expectations from today's meeting due to geopolitical uncertainty and waiting for the official inauguration of the new government in Hungary. However, EUR/HUF is touching 364 after the end of the press conference and, in particular, the front of the IRS curve closed almost unchanged compared to the CEE region, which is still elevated at the end of day.

The market remains convinced that the NBH is in no hurry to cut rates in the next nine months, which is in line with our forecast. This, together with the steps of the new government (especially the unlocking of EU funds), should support further FX gains with 350 EUR/HUF in the middle of the year in our forecast. At the same time, we see more of a story at the long end of the curve, where we expect further compression of the country premium vs core and CEE markets, which we heard mentioned during today's NBH press conference, and further bull flattening.

The rate decision in April

The outcome of the rate setting meeting in April 2026 was in line with expectations. On 28 April, the National Bank of Hungary kept its key interest rate at 6.25%. The interest rate corridor (+/- 100bp) also remained unchanged. The Monetary Council seems ready to consider all options, as Governor Varga emphasised during the press conference.

Our main takeaways from the presser

The central bank welcomed the recent developments in the financial markets, which have resulted in lower Hungarian yields and a stronger forint. While its durability remains in question – especially with the still high volatility – the Monetary Council recognises the importance of maintaining the improvement in risk premia.

Both during the press conference and in the statement, the central bank emphasised that a stronger forint helps to moderate the rate of price increases. It was also emphasised again that FX market stability is key to lowering and anchoring inflation expectations.

Speaking of stability, Varga emphasised once again that, in the current uncertain global economic environment, a cautious and patient approach orientated towards stability is essential. He added that a positive real interest rate would help to reach the inflation target.

Based on the main messages and the general tone of the press conference, including the Q&A session, we think that the NBH is ready to keep rates on hold in the foreseeable future. In our view, a news agency headline stating that NBH considered whether the time was ripe for a rate cut was taken out of context. Today’s decision was unanimous, especially since there was only one option on the table: to keep the rates on hold.

Author

Peter Virovacz
Chief Economist, Hungary
peter.virovacz@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Zoltán Homolya
Economic research trainee
zoltan.homolya@ing.com

Disclaimer