

Flash Comment

Hungary: MNB cuts by another 25bp

- Today the Hungarian central bank (MNB) cut its key policy rate by another 25 basis points – in line with both our and consensus expectations – bringing its key policy rate to 5.75%.
- Market reaction was fairly muted as the rate cut was expected.

Details

The decision to continue the monetary easing cycle has to be seen in light of the continued weakness of the Hungarian economy and the intention of the MNB to stimulate economic recovery. Nonetheless, some uncertainty about the decision was in place given the higher-than-expected inflation in January combined with a continued red alert on Greek-related risk aversion.

Assessment and outlook

Looking ahead we see further monetary easing as fairly limited given the fact that interest rates are already at an all-time low and further rate cuts could undermine financial stability. Also market sentiment is clearly less supportive compared with last year, given the high event-risks arising from Greek jitters.

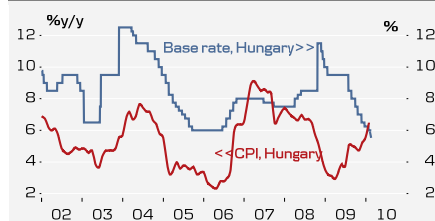
We therefore see the room for further monetary easing in Hungary as being very limited.

Key figure (Hungarian base rate)

	Act	Con	DB	Last
Base rate	5.75%	5.75%	5.75%	6.00%

Source: Reuters Ecowin

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Source: Reuters Ecowin

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