

Don't be relaxed on Hungarian inflation, price pressures are rising

Hungary's September inflation numbers came in flat as expected, but we don't take long-term comfort in that. Price pressures are still far from the central bank's target. Looking ahead, there is some light at the end of the tunnel. A warning, though: it could be a train



The light at the end of Hungary's inflation tunnel could be a train...

4.3%

Hungary's headline inflation (YoY)

ING estimate 4.3% / Previous 4.3%

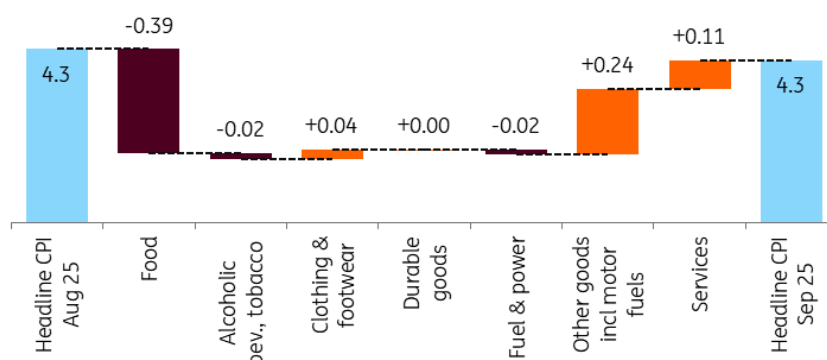
Hungary is still struggling with price stability

According to recent data released by the Hungarian Central Statistical Office (HCSO), the average price level remained unchanged in September 2025, compared to August. This was in line with market expectations and our own.

However, the annual inflation rate remains inconsistent with the central bank's price stability target of 3%, with the headline figure standing at 4.3% YoY. The yearly rate of price increases has

remained at this level for three consecutive months. Despite the Hungarian economy stagnating for three years and the government introducing measures to curb inflation (with a total impact of around 1.5ppt), Hungary is still struggling with price stability issues.

Main drivers of the change in headline CPI (%)

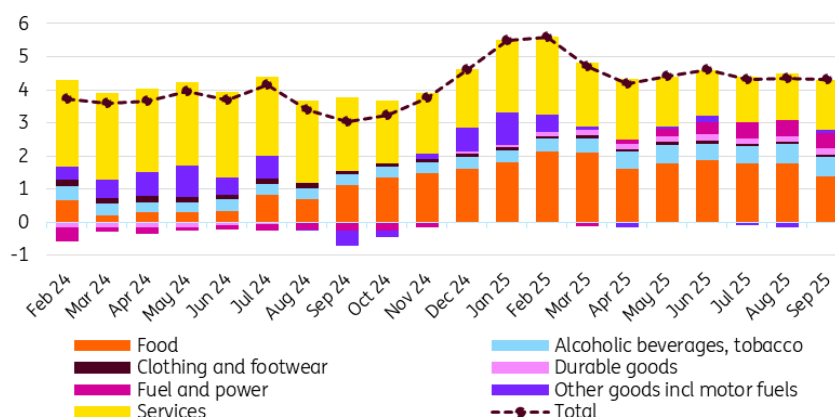


Source: HCSO, ING

The details

- Food prices decreased by 0.2% compared to the previous month. This suggests that the strengthening of the forint is beginning to push down the average price of these products, despite the upward pressure on prices exerted by the global food price cycle. As a result, year-on-year food inflation slowed significantly.
- Unlike in August, the strength of the forint is keeping the price of durable consumer goods under control. The strength of the currency and seasonality also had a significant impact on the price of air travel, which fell by nearly 12% on a monthly basis.
- Interestingly, the monthly price increase for clothing items was higher than usual for this time of year. This was driven by a price increase for clothing materials, which rose by more than 10% in September.
- As expected, due to the usual seasonal price fluctuations, prices for services decreased compared to the previous month, but the changes were smaller than anticipated. Services have now overtaken food prices to become the main contributor to inflation, with the annual indicator accelerating to almost 6%. Together, these two factors (food and services) account for around two-thirds of the headline figure of 4.3%.

The composition of headline inflation (ppt)



Source: HCSO, ING

Core inflation is stabilising, but it's still high

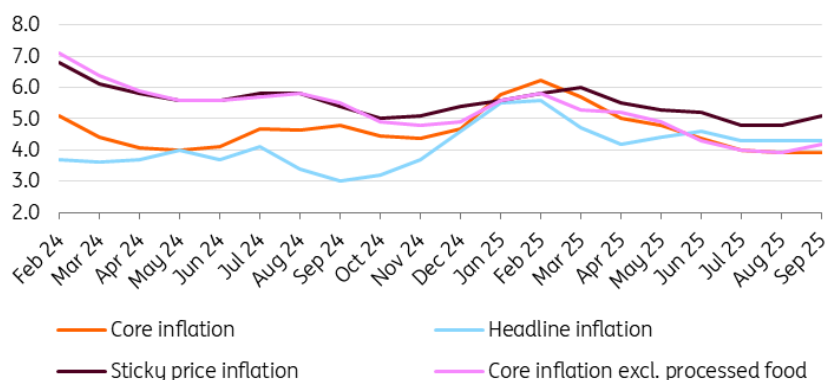
The inflation situation is not helped by the fact that annual core inflation has remained at 3.9% since August. This indicator, which captures underlying price trends, also does not align with the central bank's price stability target. Furthermore, sticky price inflation and core inflation excluding processed food have accelerated, with the former rising above 5% year-on-year again.

The inflation structure is rather hawkish

Although we correctly predicted headline inflation, its structure was different to what we anticipated. Durable goods, services and clothing inflation were higher, while non-core price pressures were weaker. Consequently, core inflation was significantly stronger than forecast (3.9% vs 3.4%). In our view, the September inflation figure has a hawkish twist.

It can still be said that the low monthly price changes seen in recent months do not significantly alter households' inflation expectations. Although there are signs of moderation, high price expectations make it difficult for the central bank to reach the 3% inflation target in the short term. High expectations are therefore inconsistent with the objective of price stability, leaving no room for manoeuvre in monetary policy.

Headline and underlying inflation measures (% YoY)



Source: HCSO, ING

A likely downward trend, but many risks remain

Looking ahead, the inflation rate may rise in the coming months due to base effects. Where exactly it will peak depends largely on the outcome of the mandatory price shield measures. Our inflation forecast of 4.6% for this year remains unchanged, based on the assumption that the measures will be phased out at the end of November (in line with the actual decree). For the next two years, we forecast that the inflation rate will average around 4%. In 2026, the average rate of price increases is likely to exceed this figure, falling below 4% in the subsequent year.

In light of this, the strict monetary policy stance and the unchanged base rate are certain to remain in place in the short term. At the same time, there is an increasing chance that the benchmark rate will remain at 6.50% for most, if not all, of 2026. This is because the Hungarian economy may experience shocks over the next one or two years that carry clear inflationary risks. Examples include government-driven demand stimulus affecting households' financial situation, the elimination of margin freezes, the end of voluntary price caps, and a double-digit increase in the minimum wage each year for the next two years.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING

does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.