

Snap | 9 September 2025

HUNGARY

Hungarian inflation stagnates at elevated level

Inflation in Hungary in August came in as expected, but offered little relief. The rate has stagnated and remains far from the central bank's target. Looking ahead to the next six months, we expect huge fluctuations in inflation due to base effects



In Hungary, rent increases have become more pronounced within the services sector, alcohol prices are up, and household energy bills have jumped

4.3%

Headline inflation (YoY)

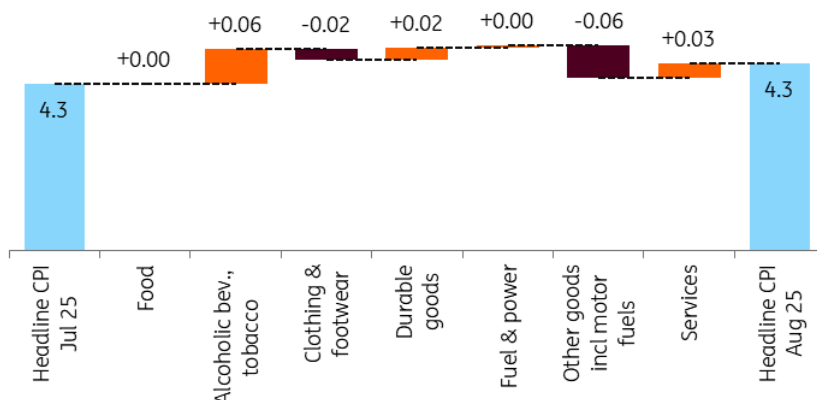
ING estimate 4.3% / Previous 4.3%

Inflation stagnated, yet far from optimal

According to recent data released by the Hungarian Central Statistical Office (HCSO), the average price level remained unchanged in August compared to July, which was in line with expectations. The latest data also indicates that, following stronger repricing in July, repricing has returned to a lower monthly level.

The year-on-year inflation rate of 4.3% remains above the central bank's price stability target of 3%. The August figure was a ray of sunshine in that it was in line with the inflation rate seen in July. However, despite the economy's three-year stagnation and the government's price shield measures, Hungary continues to struggle with an inflation problem.

Main drivers of the change in headline CPI (%)



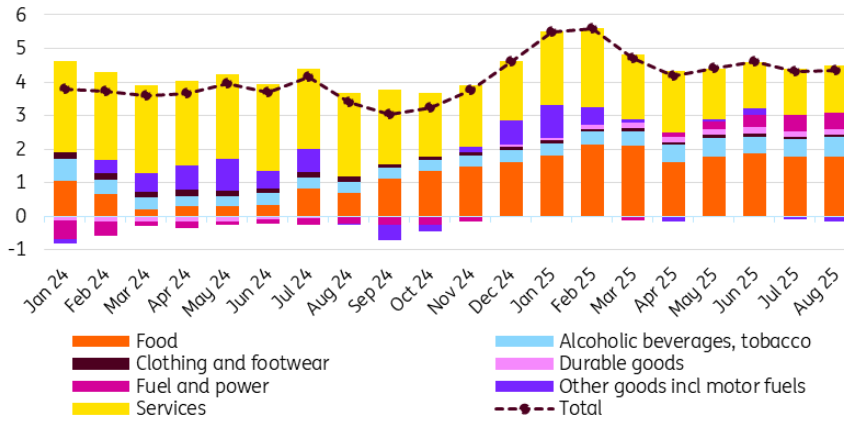
Source: HCSO, ING

The details

- Food prices remained unchanged compared to the previous month, so the yearly inflation rate remained high at 5.9%. In the case of alcoholic beverages and tobacco products, a significant monthly price increase was observed, despite the strong fall in the “Other alcoholic beverages” category.
- One interesting detail is that, despite the stable forint and relatively low external inflation, the price of durable consumer goods increased by 0.4% on a monthly basis. This accelerated the annual rate of price increases in this product category.
- The price change of household energy remained one of the most important inflation drivers, showing an 11% YoY increase. This means that the average energy bill was much higher in August 2025 compared to the same period of the previous year. The 0.8% decline in fuel prices between July and August was in line with expectations and pushed down the overall price index on an annual basis.
- Rent increases have become more pronounced within the services sector, with a double-digit yearly reading (10.2%) once again. Seasonal spikes in demand were the main driver of price increases, though rising real estate prices may have also contributed, in our view.
- Looking at services, the 0.5% monthly price increase in August this year does not represent an extreme change. Services inflation has been between 5.3-5.4% for the last three months, making services another important factor driving inflation alongside food

prices.

The composition of headline inflation (ppt)



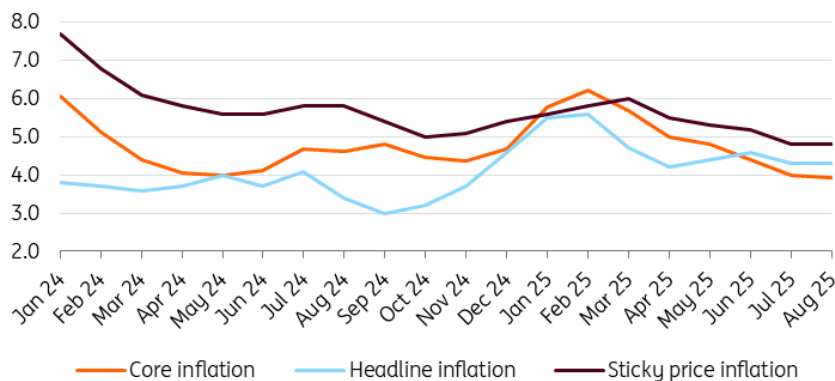
Source: HCSO, ING

Core inflation finally moved under 4%, but there is a long way to go

Despite the fact that year-on-year core inflation fell below 4% for the first time since August 2021, the overall picture has not improved much, as the indicator remains uncomfortably high and does not align with the desired level of price stability. Furthermore, the National Bank of Hungary's calculation of 'sticky price inflation' (or super core) remained at 4.8% in August, way above the upper limit of the inflation tolerance band.

It can still be said that the low monthly repricing seen in recent months has not drastically altered households' inflation expectations. These expectations remain high, making it difficult for the central bank to reach the 3% inflation target in the short term. We believe that consumers are well aware that the various price protection measures are only temporary and will probably anticipate price increases once they are removed, which is why these interventions are not significantly impacting inflation expectations.

Headline and underlying inflation measures (% YoY)



Source: HCSO, NBH, ING

An upswing in autumn and a big drop in winter but 4% remains an anchor

Looking ahead, we expect the inflation rate to rise significantly in the coming months due to base effects, potentially peaking at 4.9% in October. This will be followed by temporary relief in January and February, when inflation could fall to 3% or below, before settling back to around 4%. As the August figures were in line with our expectations, we have not revised our current average inflation forecast of 4.6% for this year. According to our analysis, inflation is also likely to remain around 4% over the next two years, with the average rate of price increase in 2026 potentially being slightly higher than this and slightly lower the following year.

Our baseline forecast was based on the assumption that the mandatory price shield measures would be phased out by the end of November. Given our view on inflation, we believe that a hawkish monetary policy stance and an unchanged base rate will certainly remain in place in the short term. However, we are becoming less convinced about our 2026 baseline rate path (a total of 100bp of easing). An alternative scenario would be for the base rate to remain at 6.50% for most, if not all, of 2026.

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