# Hungary: Central Bank still confident

Hungary's central bank has kept monetary policy unchanged again and emphasised that loose monetary conditions are still necessary.

It comes as no surprise that November's MPC meeting was a non-event. The base rate has been at 0.90% for 30 months while the O/N deposit rate is -0.05% and the O/N collateralised loan rate is 0.90%.

We've known since September that the central bank wouldn't alter its monetary policy without first changing its forecast. The surprisingly strong CPI and GDP readings recently might have an impact in December, the next opportunity for the NBH to review forecasts in its Inflation Report.

In its November press release, the NBH emphasised that the recent uptick in inflation has been driven by temporary factors (fuel, unprocessed food and excise duty hike on tobacco products). As for the outlook, the NBH pointed out that "inflation is expected to decrease but remain slightly above 3% in the final two months of the year". Inflation expectations are seen to be anchored and the central bank is still expecting "that inflation meets the 3% target in a sustainable structure from mid-2019."

The press release again emphasised that "in the Council's assessment, maintaining loose monetary conditions is necessary". The central bank is prepared for the gradual and cautious normalisation of monetary policy, just not yet. The European Central Bank continues to be an important factor going forward, as the press release highlighted that "the ECB's decisions may have a significant influence on (Hungary's) monetary policy".

> The last three paragraphs of the press release remained unchanged. Thus according to the forward guidance, "the inflation target is still expected to be achieved in a sustainable manner from mid-2019. To ensure this (...), maintaining the base rate and loose monetary conditions is necessary." Up next is the December MPC meeting and a new Inflation Report, where the NBH will have an opportunity to react to the recent macro developments such as the higher-than-expected CPI and GDP growth.

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