

## Hungary: Inflation accelerates but misses forecast

Headline CPI increased to 2.5% year-on-year but as all indicators are lower than the 3% target, we don't see the central bank changing its monetary stance anytime soon



Source: istock

# 2.5%

Headline inflation (YoY)

Consensus (2.6%) / Previous (2.2%)

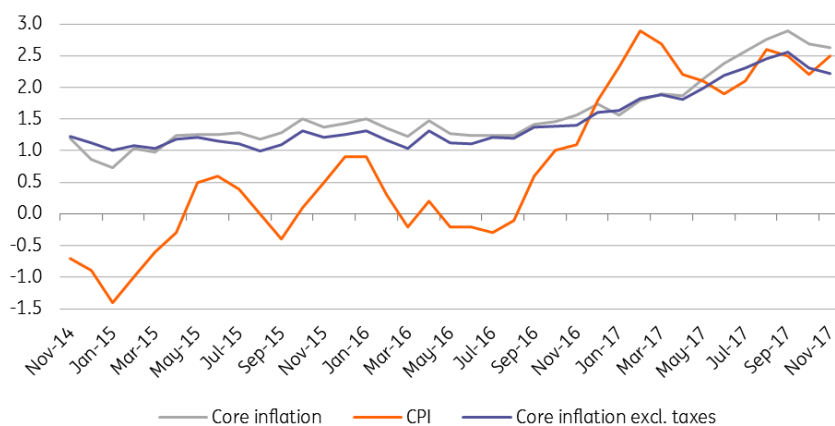
Worse than expected

Headline CPI climbed to 2.5% year-on-year in November, roughly matching the expectations (consensus: 2.6% YoY) It would be really hard to interpret this as a surprise, as the forecasts were in an unusually tight range. Core inflation came in flat at 2.7% YoY in November.

*All of the indicators are lower than the 3% target*

Bottom line is, all of the indicators are lower than the 3% target and both we and the NBH sees the recent uptick in inflation driven by temporary factors, thus we don't expect any change in monetary stance triggered by recent data.

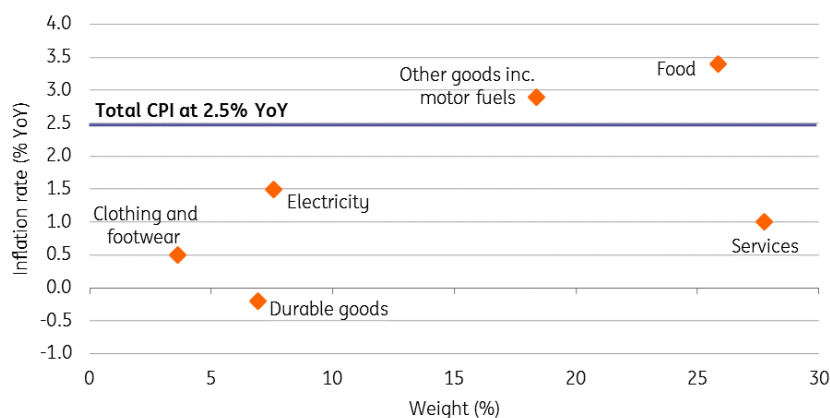
### Headline and core inflation measures



Source: HCSO, NBH

The detailed data show that tobacco prices increased by 8.8 % YoY due to the previous increase of excise duty due to the obligatory tax harmonisation with the EU. Prices of food posted an above average 3.1% YoY increase on the back of the price increase of processed food (mainly milk and dairy products). Prices of coffee jumped by 7% YoY and meals at restaurants also increased by 4% YoY. Services inflation has remained at a below-average level of 1.8% YoY for the third month in a row. As regards fuel, prices jumped by 2.5% MoM, and 5.2% YoY, showing a significant base effect and the recent oil price increase.

### CPI by main groups in November



Source: HCSO

Looking forward, inflation might decelerate further in October on the back of base effect stemming from the energy price changes in 2016. We keep our call of 2.4% YoY inflation on average in 2017.

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