

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%)

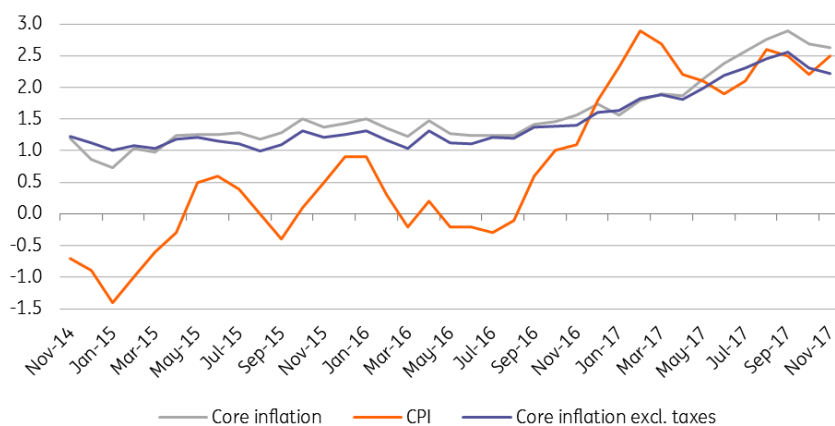
Worse than expected

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.

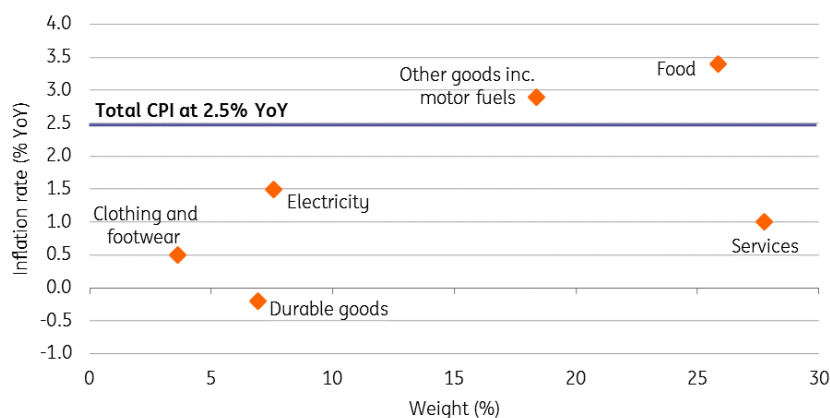
Headline and core inflation measures



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.

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@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 <http://www.ing.com>.