

Hungary: Inflation uptick on the back of fuel prices

Headline CPI increased in line with expectations in April while core inflation remained roughly flat. Don't expect any reaction by the central bank as they are busy fighting falling liquidity



Source: Shutterstock

2.3%

Inflation (YoY)

Consensus (2.3%) / Previous (2.0%)

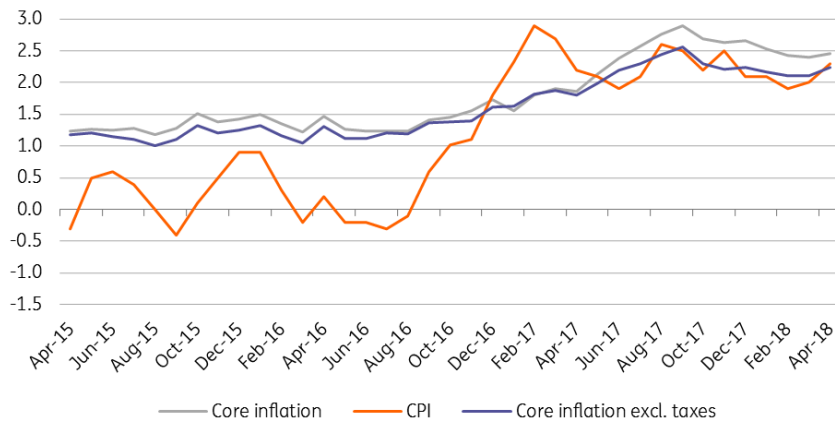
As expected

Headline inflation came in line with expectations at 2.3% year on year in April, causing no surprise at all.

The 0.3ppt acceleration stems mainly from the global oil price increase spilling over into fuel prices. Core inflation remained unchanged at 2.4% YoY, in line with the central bank's expectation. We hardly see any change in monetary policy on the recent inflation release. Anyway, the hands of

the National Bank of Hungary are now full, fighting against falling liquidity indirectly due to the government short-term financing needs.

Headline and core inflation measures (% YoY)



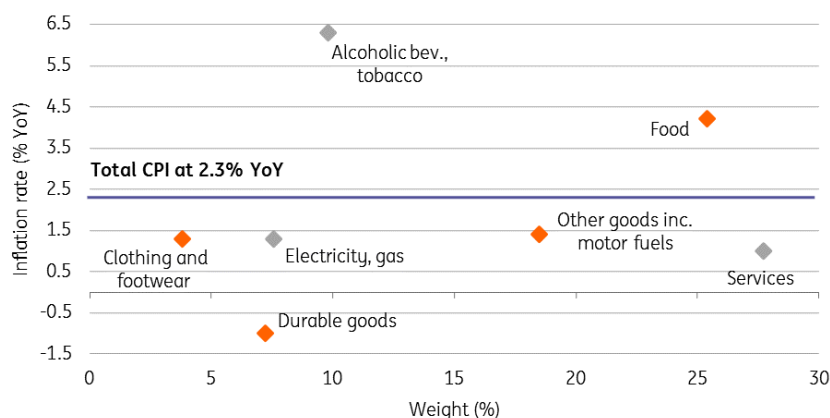
Source: HCSO, NBH, ING

No sign of wage push inflation

The upward movement of the CPI was driven mainly by the fuel price increase. Meanwhile, the inflation in food also accelerated somewhat. On the latter, eggs, pasta products, butter and dairy products are leading the price increase. The highest inflation rate still belongs to alcoholic beverages and tobacco products due to taxation changes. We have seen dropping prices in durables for the sixth month in a row. CPI in services decreased by 0.1ppt to 1% YoY, thus no sign of wage-push inflation.

CPI by main groups in April 2018

Orange marked signs point to acceleration while greys sign signify a slowdown in inflation compared to the previous month



Source: HCSO

Expect inflation to accelerate further

Looking forward, we see mildly accelerating inflation in the coming months, mainly on the back of fuel prices.

We maintain our inflation forecast of 2.5% YoY in 2018 as a whole.

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>.