

Hungary: Inflation remains subdued

In line with what we've seen all across Europe, headline CPI only increased mildly. As core inflation remains flat, the central bank can sit back and relax



Source: Shutterstock

2.0%

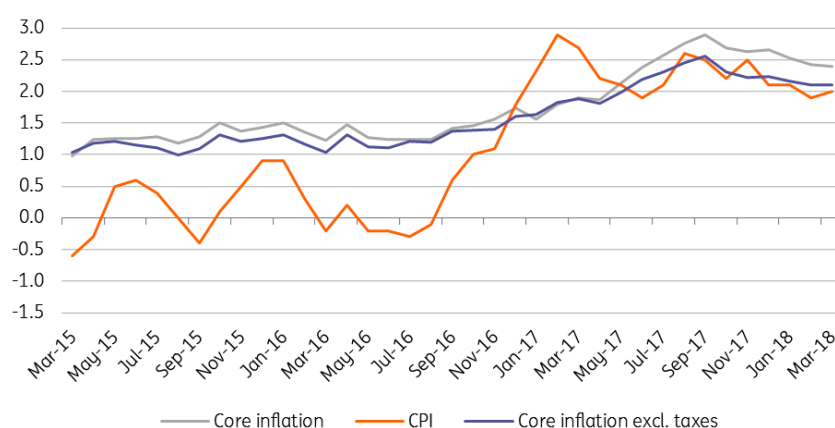
Inflation (YoY)

Consensus (2.1%) / Previous (1.9%)

Lower than expected

Headline CPI came in at 2.0% year-on-year in March, broadly in line with expectations which were rather skewed on the upside. The mild acceleration fits the European inflation picture. Core inflation remained unchanged at 2.4% YoY, so the National Bank of Hungary can sit back and relax as all of the main indicators are materially below the 3% inflation target.

Headline and core inflation measures (% YoY)

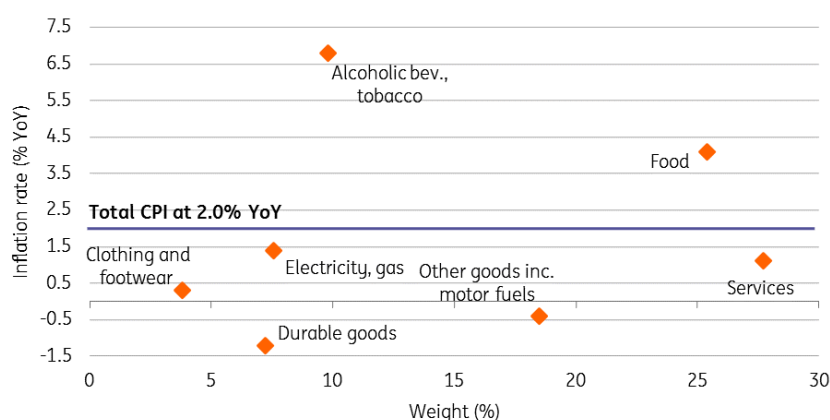


Source: HCSO, NBH

The slight upward movement of inflation was driven mainly by taxation changes in alcoholic beverages and tobacco products. Food prices also increased with an above average rate, whereas egg, butter and dairy products were the key ingredients.

The yearly-based energy inflation also accelerated on non-administered priced products including firewood, and butane and propane gas. We have seen dropping prices in durables for the fifth month in a row. Fuel prices also dragged down the headline CPI, while inflation in services is increasing slowly but surely.

CPI by main groups in March 2018



Source: HCSO

What's next?

We see a slowly accelerating inflation rate in the coming months, with the headline CPI reaching 2.8% YoY by the end of the year.

On average, we see inflation at 2.6% YoY in 2018. Thus our forecast remains unchanged.

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>.