

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%

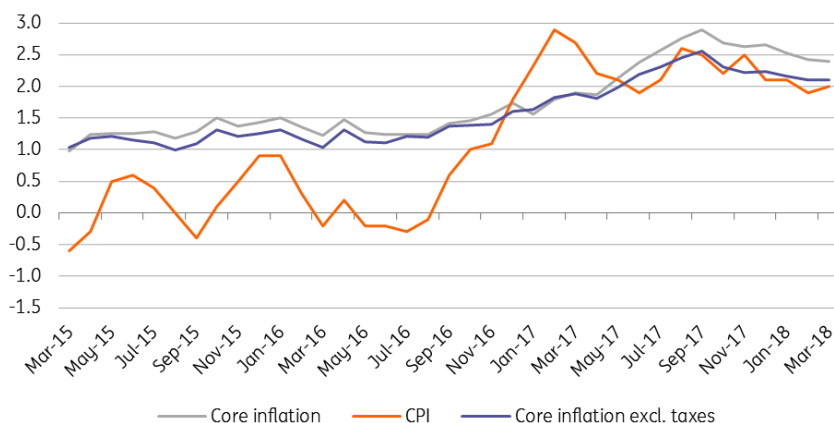
Inflation (YoY)

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)

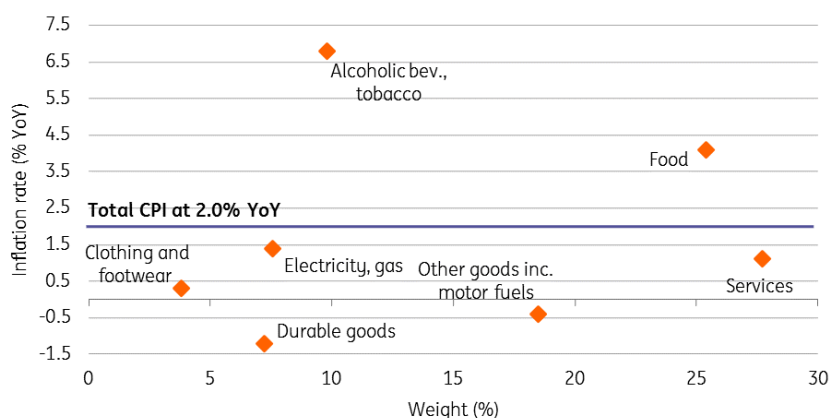


Source: HCSO, NBH

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

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