

## Hungary: Inflation slows on temporary factors

Both headline and core CPI decelerated further in February. We expect inflation to bottom out at these levels with a slow, gradual pick-up during the rest of the year



Source: Shutterstock

# 1.9%

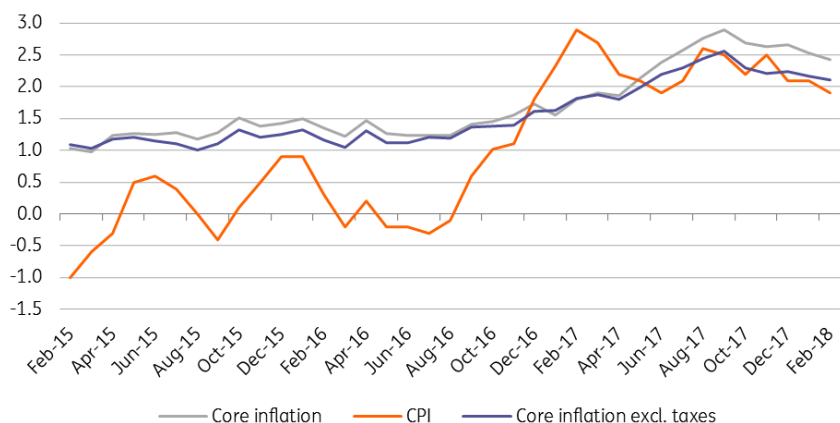
## Headline inflation (YoY)

Consensus (2.0%) / Previous (2.1%)

Lower than expected

Headline CPI came in at 1.9% year-on-year, down from both the previous data and the market consensus. Despite the minor surprise, the downward move was expected and so we hardly see this as a game changer. Core inflation also slowed 0.1ppt to 2.4% YoY, moving away from the 3% inflation target.

## Headline and core inflation measures (% YoY) heading south

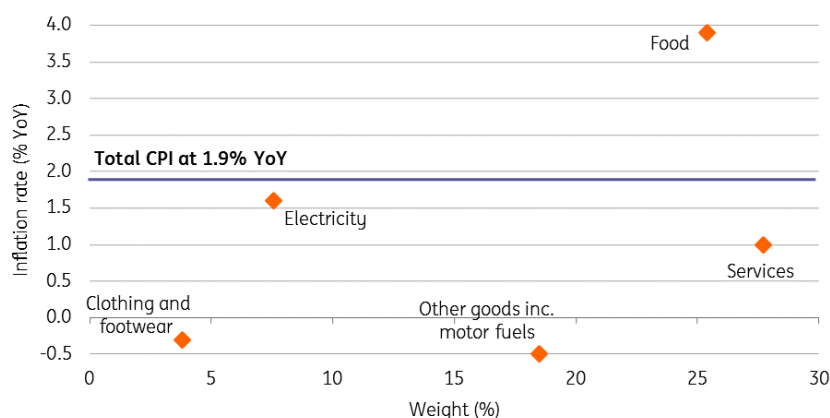


Source: HCSO, NBH

The slowdown was quite widespread. Annual inflation moderated in food and clothing mainly due to high base effects and seasonal factors. We saw falling prices in clothing as well as in durables. Fuel prices also dragged down the headline CPI due to base effects. One significant area in the consumer basket which showed strengthening prices was in services: inflation increased by 0.2ppt to 1.0% YoY.

The highest – above average – inflation rate was measured in food, and beverages and tobacco products, with higher excise duties driving up prices in the latter product group.

## CPI by main groups in Feb-18



Source: HCSO

## Looking forward

We expect inflation to bottom out in February, with a slow but gradual increase during the year, reaching 2.8% YoY by end-2018. On average, we expect inflation to come in at 2.6% in 2018. The risks lie to the downside, however, and we hardly expect any change in monetary policy.

## Author

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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>.