

Hungary: Inflation pressure remains silent

Headline CPI came in at 2.1% year-on-year in January, matching the 2017 December reading while core CPI increased to 2.5%



Source: Shutterstock

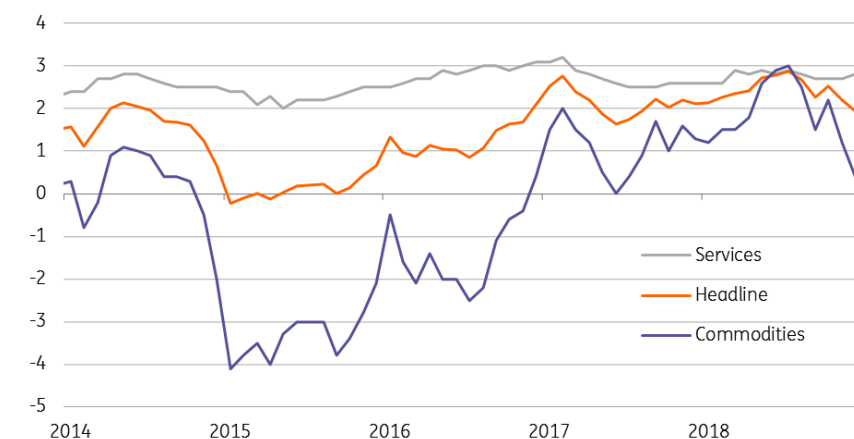
2.1%

Headline inflation YoY

Consensus (2.0%) / Previous (2.1%)

The January headline CPI remained unchanged at 2.1% year-on-year, matching the 2017 December data and showing no sign of inflation pressure. The first reading of the year roughly matches market expectations (2.0% YoY). Core inflation, excluding raw food and energy prices, grew 2.5% compared to the same period a year earlier.

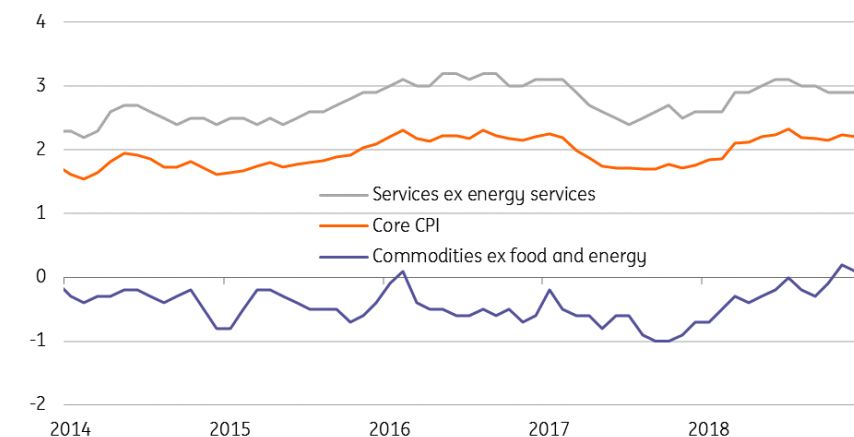
Headline and core inflation measures (% YoY)



Source: HCSO, NBH

The strongest price growth was posted in foods, alcoholic beverages and tobacco. Food prices increased by 4.4% YoY, suggesting the VAT decrease in several food types (such as fish) hasn't impacted consumer prices equally. Price of foods, alcoholic beverages and tobacco increased by 6.5%, significantly exceeding the 3.3% YoY average growth of 2017. Regarding services, VAT cuts in internet-services are visible, although the low base effect counterbalanced prices, resulting in a 0.8% YoY increase. Due to the strong base effect, prices of fuel decreased by 1.3 % YoY.

CPI by main groups in Jan-18



Source: HCSO

Bottom line

All in all, the first reading of the year silenced the hawkish voices. We still expect 2.7% inflation in 2018 as a whole, above the NBH's expectation of 2.5%, so we're unlikely to see any change in the central bank's monetary stance.

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 www.ing.com.