Snap | 10 March 2026 HUNGARY

Extremely low Hungarian inflation proves a bittersweet victory

Inflation in Hungary came even lower than the most optimistic forecast. The base effect and the positive trend in monthly repricing pushed the headline number to a level not seen in 10 years. However, this may not be enough to keep the rate-cutting door open

We can't completely rule out a rate cut in Hungary, but if current challenges persist, the central bank is likely to remain cautious

1.4% **Headline inflation (YoY)**

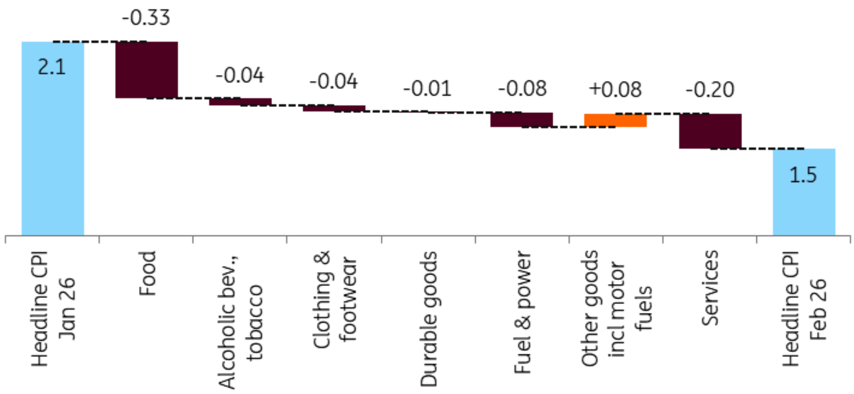
ING estimate 1.5% / Previous 2.1%

Inflation reached its local nadir

Hungarian inflation continued to fall in February 2026, according to recent data released by the Hungarian Central Statistical Office (HCSO). However, given the current market turbulence, this seems like a bittersweet victory. At just 1.4%, the annual rate of inflation was below market consensus and even slightly better than the market's most optimistic forecast (which was made by us).

On a monthly basis, prices rose by just 0.1%, historically a fairly low rate of change for February. The 0.6ppt slowdown in the year-on-year indicator compared to January is due to both the low monthly rate of change and the base effect.

Main drivers of the change in headline CPI (%)

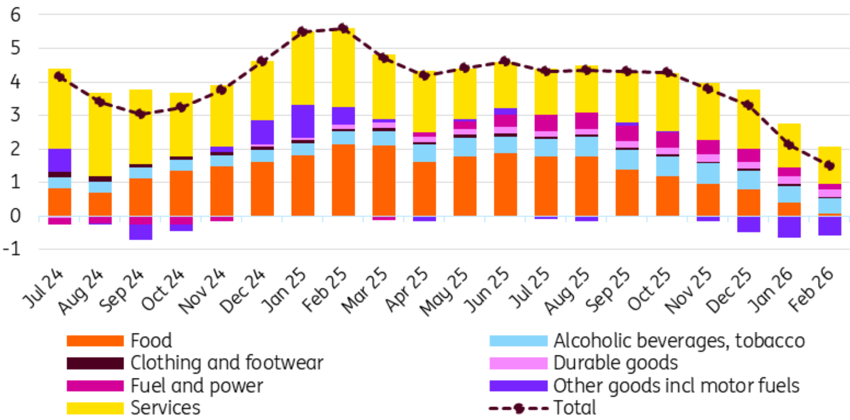


Source: HCSO, ING

The details

- In line with global food price trends, monthly food inflation in February was moderate at 0.1% on a monthly basis, partly due to the price cap. Hence, the year-on-year print dropped to close to stagnation as well.
- Strong deflation continued as usual in the case of clothing and footwear, while monthly inflation for consumer durable goods also remained low. The latter is probably due to the fundamentally strong forint in February.
- In line with the HCSO's methodological characteristics, household energy prices fell significantly on a monthly basis, primarily due to district heating and piped gas. The 0.6% monthly increase in fuel prices was in line with expectations.
- Inflation in the services sector continued to develop favourably in February, with the HCSO measuring a 0.4% monthly price increase, similar to that seen in January. We have witnessed strong repricing in those items, where the minimum wage increase is a real burden.

The composition of headline inflation (ppt)



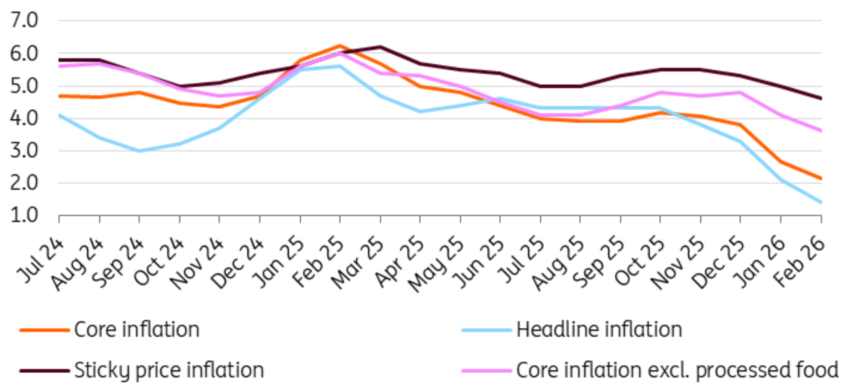
Source: HCSO, ING

Core inflation dipped

The core inflation rate, adjusted for volatile items, also developed extremely favourably, falling to 2.1% on an annual basis. The headline inflation rate was last this low in 2016, while core inflation was this low in 2018. The figures show that the latest energy price shock, caused by the outbreak of war in the Middle East, could not have come at a worse time.

With inflation indicators like these, household inflation expectations could have finally started to decline significantly. At the same time, rising fuel prices (even though an official price cap has been introduced) and increasing energy costs are putting further pressure on prices. Furthermore, the weakening of the forint is not helping inflation expectations either.

Headline and underlying inflation measures (% YoY)



Source: HCSO, ING

Plenty of uncertainty emerged around the rate cut decision in March

According to our latest flash estimate, the year-on-year inflation rate could rise above 3% again by the end of the first half of the year, reaching 4% by the end of the year. While the timing is unfortunate in terms of inflation expectations, the shock has come at the 'best' time in terms of the year-on-year inflation print. In essence, inflation can now start to rise from a 10-year low. Therefore, if supply disruptions ease and markets calm down in the coming weeks, there is a real chance that inflation will average 3% for the year as a whole.

The extremely low inflation figures for February and the favourable development of service inflation would almost certainly have been accompanied by a central bank interest rate cut in March. However, given the volatility of energy prices and the forint, and the fact that these are currently causing excess inflation, it is difficult to define monetary policy direction clearly at this point.

For now, we cannot completely rule out the possibility of an interest rate cut. However, if market volatility, a weak forint and high energy prices persist, based on previous experience, the National Bank of Hungary is likely to adopt a cautious approach and leave interest rates unchanged. The interest rate decision meeting is due in exactly two weeks on 24 March; a lot could happen in that time.

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