

Snap | 7 October 2026

HUNGARY

Inflation shock still a no-show in Hungary

Inflation accelerated by much less than expected in September, as subdued underlying price pressures offset the surge in fuel prices. While the data supports further monetary easing, external risks may still keep the central bank cautious



Hungarian inflation was remarkably subdued in September

1.6%

Headline inflation (YoY)

ING estimate 2.0% / Previous 1.3%

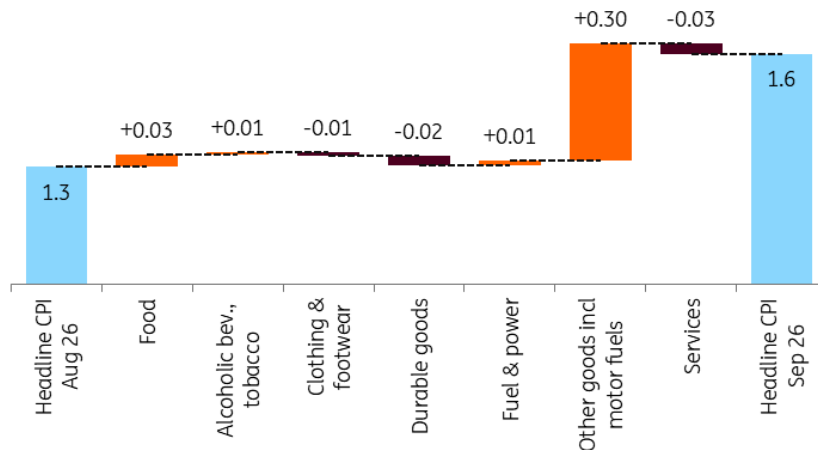
Inflation delivered a dovish surprise

According to the latest data released by the Hungarian Central Statistical Office (HCSO), inflation accelerated by much less than expected in September. Consumer prices rose by just 0.2% month-on-month, while the headline inflation rate increased to 1.6% year-on-year. The latest figures continue to point to remarkably subdued underlying pricing dynamics. Core inflation was essentially flat on a monthly basis, with prices even declining marginally, pushing

the annual core inflation rate down further.

September's inflation data reinforces our view that domestic price pressures should allow for further monetary easing. However, the timing of the next rate cut continues to depend primarily on the external market environment.

Main drivers of the change in headline CPI (%)

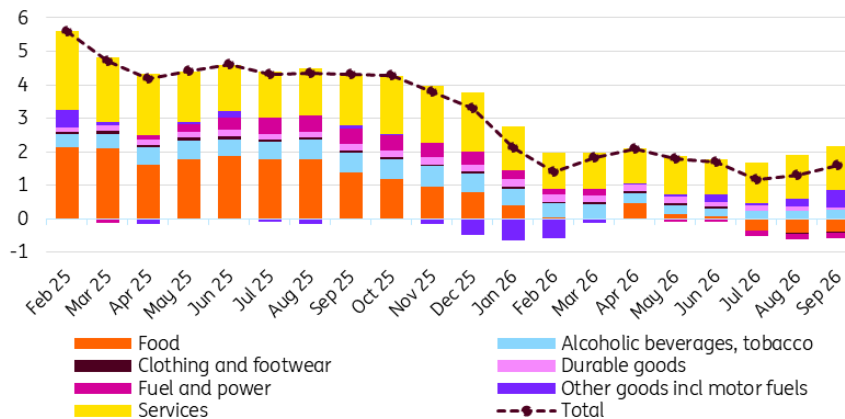


Source: HCSO, ING

The details

- The acceleration in headline inflation in September was primarily driven by fuel prices. Motor fuel prices jumped by 5.9% MoM, adding around 0.4ppt to monthly inflation. Given that the overall consumer price index increased by only 0.2% MoM, this means that significant offsetting forces were at work elsewhere in the inflation basket.
- Food prices surprisingly declined on a monthly basis, but the real surprise came from services, where prices fell by 0.5% MoM. A monthly decline in service prices is not unusual at this time of the year due to seasonal effects. However, the magnitude of the fall is noteworthy given the still significant cost pressures facing companies. Taken together, these developments were sufficient to offset a large part of the surge in fuel prices.
- In line with seasonal patterns, clothing and footwear prices increased compared with the previous month. Meanwhile, the weakening of the forint has yet to make a meaningful impact on either food or service prices, while durable consumer goods even became cheaper on a monthly basis.

Composition of headline inflation (ppt)



Source: HCSO, ING

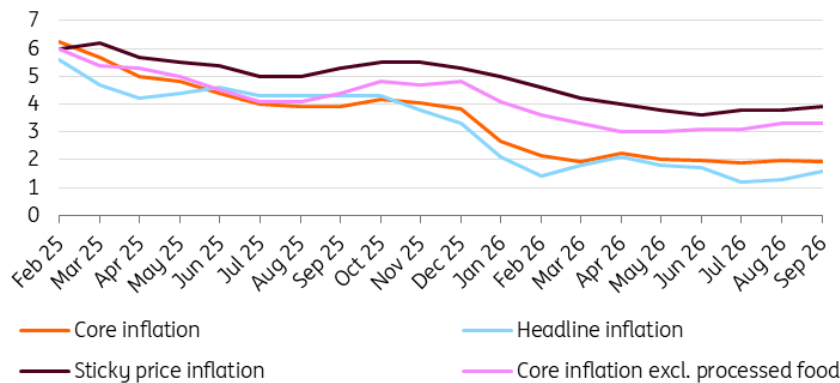
Core inflation continues to paint a favourable picture

The most important message from the September data is that fuel prices were not the surprise; everything else was. Despite a weaker forint, elevated wage costs and rising energy and other input prices, there is still no sign of a broad-based wave of price increases.

This does not mean that these cost pressures will not eventually feed through into prices, particularly during the usual repricing period at the beginning of next year. For now, however, companies appear to be pursuing a much more patient pricing strategy than in previous years.

The 0.3ppt acceleration in headline inflation on an annual basis was primarily driven by fuel prices. Services inflation stood at 4.9% YoY and therefore remains the most important source of inflationary pressure. Against this backdrop, it is hardly surprising that core inflation continues to run above the headline rate. Nevertheless, the 1.9% YoY core inflation reading in September remains favourable overall. The central bank's underlying inflation measures also paint a fairly solid picture, with sticky price inflation inching up to 3.9% year-on-year in September, a 0.1ppt acceleration compared to last month.

Headline and underlying inflation measures (% YoY)



Source: HCSO, NBH, ING

More downside inflation surprises could be in store

Looking ahead, further positive inflation surprises are possible if companies' short-term inflation expectations remain well anchored and the new 2.5% inflation target (effective from 2028) increasingly becomes a reference point for price-setting decisions. Despite wage pressures, rising energy prices and the weakening of the forint amid global risk aversion, September's data points to surprisingly subdued underlying pricing dynamics.

However, companies could still pass on some of the cost increases accumulated during the second half of this year when they reprice at the beginning of 2027. As a result, headline inflation could gradually rise towards 3.5% by next summer.

According to our latest flash estimate, inflation is likely to remain on a slowly rising trajectory until the end of the year, reaching 2.4% YoY in December. Meanwhile, we expect core inflation to continue fluctuating around 2% over the coming months. We forecast average headline inflation of 1.8% in 2026, followed by an average inflation rate of around 2.9-3.0% in 2027.

Inflation supports a rate cut, but markets may not

September's inflation data would, in isolation, clearly support further monetary easing. However, the vulnerability of the forint amid global risk aversion, the elevated yield environment, and high energy prices could prompt the National Bank of Hungary to remain cautious for now.

A positive country-specific development could nevertheless outweigh the generally negative global investor sentiment and reduce the risk premium on Hungarian assets. Such a positive shock could come from the presentation of a credible medium-term fiscal path and the first steps towards joining Exchange Rate Mechanism II.

We therefore expect the base rate to reach 5.25% by the end of the year. September's inflation data reinforces our view that domestic price developments are consistent with further

monetary easing. The key question remains whether the external market environment will provide the NBH with sufficient room to act.

Author

Peter Virovacz

Chief Economist, Hungary

peter.virovacz@ing.com

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