

# REPORT ON INFLATION

10 April 2026

## *Lower-than-expected inflation for the third month in a row. Rates could remain on hold for a while due to energy price and political risks*

- Hungary's headline inflation increased from 1.4% year-on-year in February, to 1.8% in March. The published data came as a surprise as it was lower than both the consensus (2.2%) and our forecast (2%). The downward surprise mostly came from lower-than-expected inflation of non-durable goods and processed food, while fuel prices rose slightly faster-than-foreseen. Core inflation edged down from 2.1 to 1.9%. The March data do not yet reflect the impact of the war in Iran. Even before the sharp increase in energy prices, we expected inflation to reach its annual low in February, followed by a gradual acceleration, driven by fuel prices and the waning disinflationary effect of food prices, although prices in both categories are still declining on a year-on-year basis.
- Underlying indicators improved further in March. The MNB's constant tax core inflation declined from 2.1% to 1.9% YoY, and the sticky price inflation decreased from 4.6% to 4.2% YoY. We should highlight that the MNB's constant tax core inflation contains some items that were affected by the margin cap measures and it also contains the mainly backward-looking pricing of telecom and financial services, which are also affected by the "voluntary" price freezes proposed by the government. Hence, we think our "super trend" inflation (Chart 9) indicator is the better underlying gauge in the current environment as it does not contain telecommunication or financial services, and it is filtered from the margin cap's effect, therefore it is not affected by any administrative measures. The annualized MoM change of our trend inflation indicator increased from 1.8% to 2.6%, and the repricing of market services, which is closely watched by the central bank, remained subdued in March. As our "super trend" indicator remained favourable in the first three months of 2026, we can now say with increasing certainty that the inflation risks linked to the 11% minimum wage hike and to the government's consumption-stimulating measures did not materialize, and the strong exchange rate and weak economic growth appear to have brought lower re-pricing at the beginning of the year.
- The March inflation data reinforce the view that the effects of the war in Iran are hitting the economy at a point when the inflation situation is relatively favourable. It is important to emphasize that energy prices have the strongest and fastest impact on inflation through fuel and energy prices. In Hungary, household energy prices are regulated, and we assumed that the government would not raise them. Furthermore, the Hungarian government has also capped fuel prices so rising oil prices will have only a limited impact on this product group as well. As a result, the effects of rising energy prices are reflected in inflation in a much less direct and slower manner (rising transport costs, corporate energy prices, etc.). As a consequence, we expect 2.9% inflation in 2026 and the effect of the Iranian war can be around only 0.5ppts in our baseline scenario (with oil prices following the forward price curve). It is also important to note that fertilizers for spring agricultural work are typically purchased in early stages; moreover, the introduction of EU carbon tariffs this year led to increased stockpiling. Furthermore, the European food market is characterized by oversupply in several segments (milk, meat), and grain silos are also at very high levels of capacity. For these reasons, we do not currently expect a drastic price increase similar to that of 2022 in the agricultural products market, which also mitigates the inflationary effects of the war in Iran.
- Although March's inflation data was lower both than the market consensus and the MNB' short-term forecast (1.9%) and there has also been positive news regarding the war in Iran, the central

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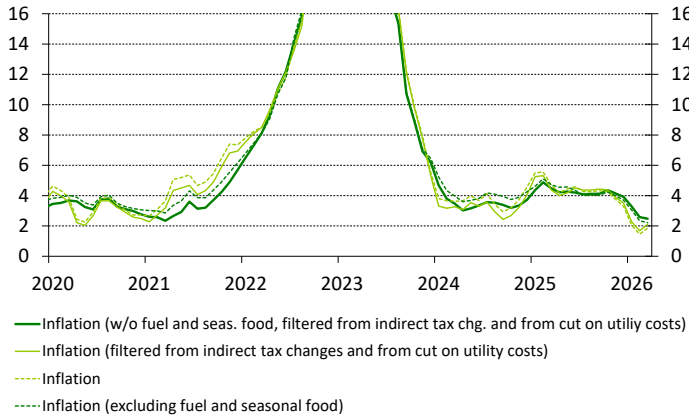
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bank will almost certainly wait to make its next interest rate adjustment until it has a clearer picture of the current "risk landscape." A half-hearted ceasefire aside, the extent of the shock to the energy market will depend on how quickly shipping traffic in the Strait of Hormuz can return to normal—which, in addition to the "reopening" of the strait, also depends on the extent of damage to the energy infrastructure of the Gulf states. Furthermore, the central bank will likely wait until it becomes clear how risk premiums will develop following the elections before adjusting the interest rate in either direction. Since we believe that inflation trends are developing favorably, we expect that the central bank will have the opportunity to cut interest rates in the last third to quarter of the year. However, we do not expect more than one rate cut, because, on the one hand, food inflation is contributing very strongly to disinflation this year, but in 2027 we expect this to come to an end, and food inflation will exceed the overall inflation rate; on the other hand, the spillover of second-round inflationary effects will impact 2027 inflation at least as much as it did this year. Risks are huge, further escalation on the Middle East could force the central bank to hike rates, while a fast normalisation on energy markets especially with a market-friendly shift in domestic economic policies could pave the way for more rate cuts.

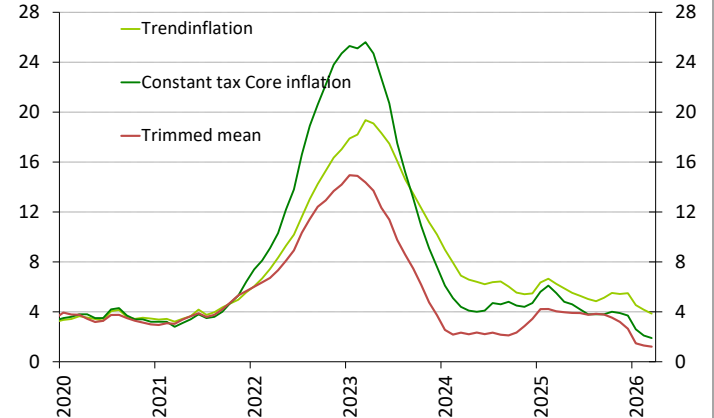
**Chart 1: Summary chart of inflationary processes\***  
(annual changes, %)



Sources: KSH, OTP Research

\*: our filtered inflation indicator corrected with the price-cap effects on certain food items

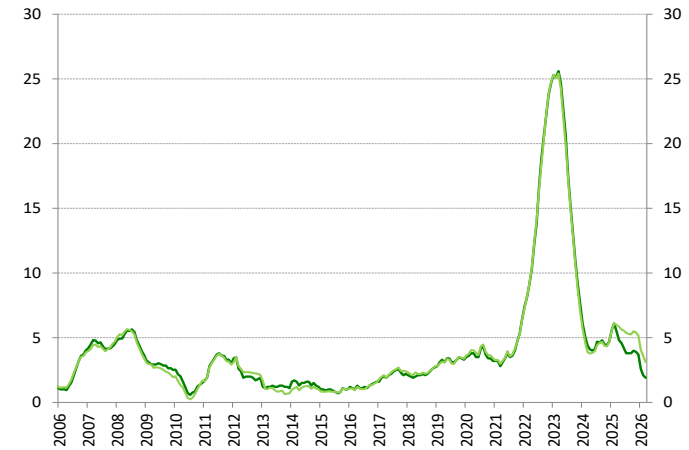
**Chart 2: Core, trend\* and trimmed mean inflation**  
(annual changes, %)



Sources: KSH, OTP Research

\*Filtered from indirect tax and visit fee changes, and one-off items and w/o second-hand car prices

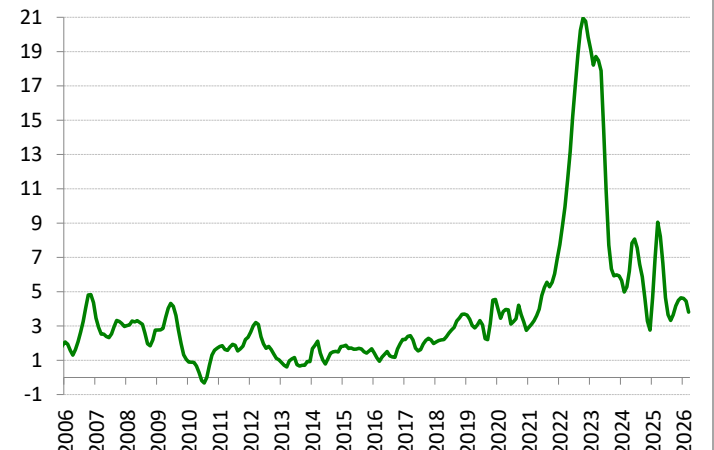
**Chart 3: Constant tax core inflation and our proxy\***  
(annual changes, %)



Sources: KSH, OTP Research

\* We cannot reproduce exactly the constant tax core inflation because (1) the MNB has its own methodology for the calculation of tax changes, (2) In addition, core inflation cannot be calculated exactly from the KSH's 160 CPI items. So, our calculation tries to proxy the MNB's core vai indicator. Our Core VAI indicator filters out the margin cap's effect

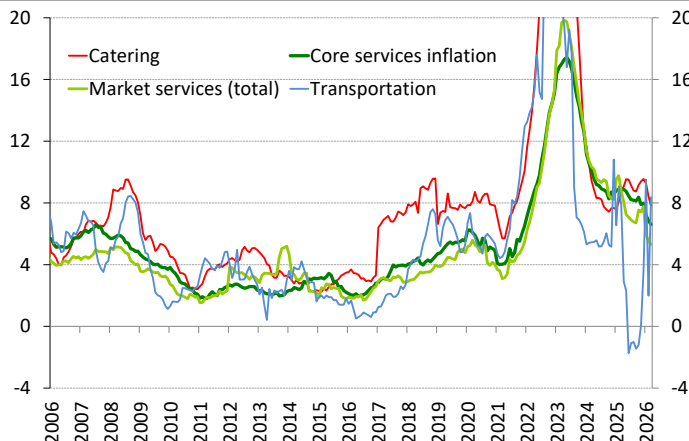
**Chart 4: Trend inflation\***  
(3M/3M annualized change, %)



Sources: KSH, OTP Research

\* Filtered from indirect tax (including the financial transaction tax) and visit fee changes

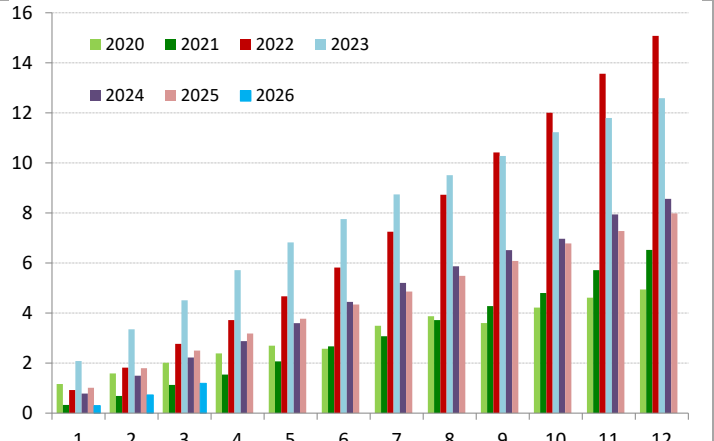
**Chart 5: Services inflation\***  
(annual changes, %)



Sources: KSH, OTP Research

\* Filtered from indirect tax (including the financial transaction tax) and visit fee changes

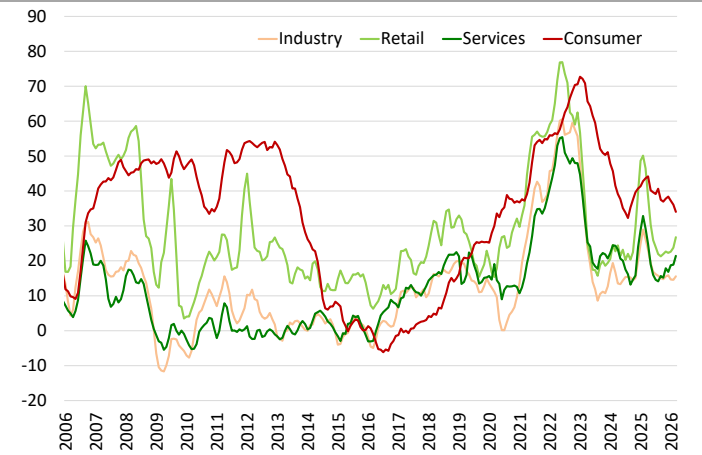
**Chart 6: Intra-year price setting in core services\***  
(cumulated, over previous Dec, %, SA)



Sources: KSH, OTP Research

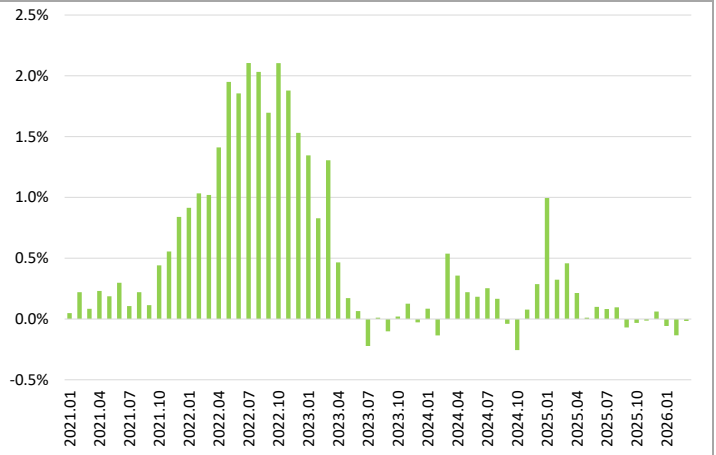
\* Aggregation of the most demand-sensitive and labour-intensive services, filtered from indirect tax and visit fee changes

**Chart 7: Inflation expectations**  
(balance indicator)



Sources: European Commission, OTP Research

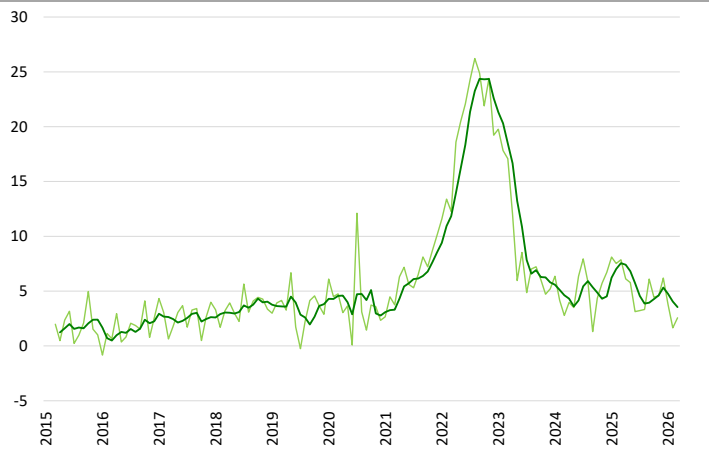
**Chart 8: Extra re-pricing\* in the constant tax core inflation**  
(%point)



Sources: KSH, OTP Research

\*: %point difference of MoM changes compared to the average MoM rate of given month in the 2017-2019 period; data are adjusted by the effect of the price and margin caps on certain food and drugstore items

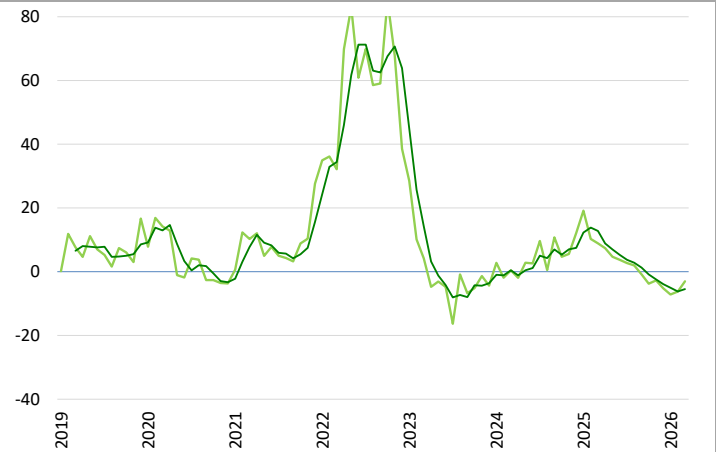
**Chart 9: Trend inflation w/o backward-looking pricing items\*** (annualized MoM changes, and its 4M rolling avg, %)



Sources: KSH, OTP Research

\*: telecom, financial fees

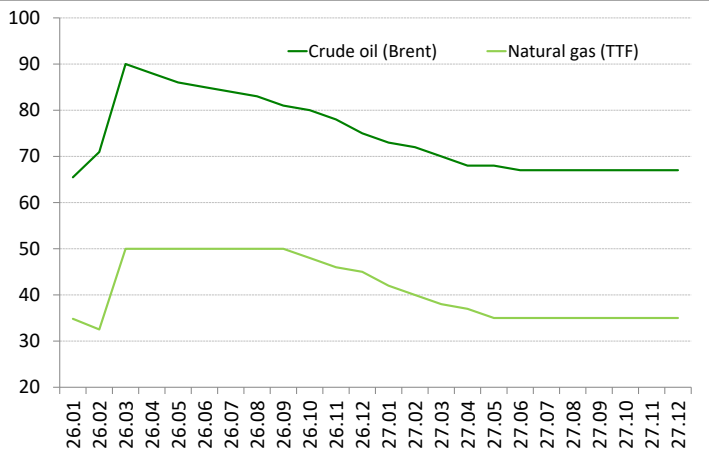
**Chart 10: Food inflation\*** (annualized MoM changes, and its 3M rolling avg, %)



Sources: KSH, OTP Research

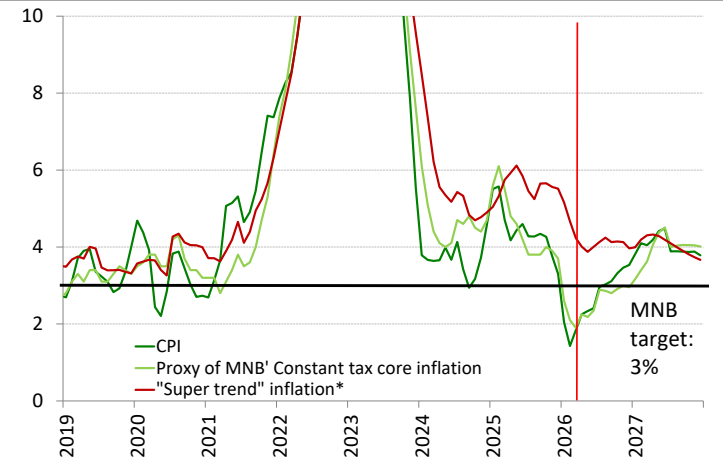
\*: w/o seasonal foods; filtered from price cap, and margin cap measures

**Chart 11: Our assumptions to the natural gas and oil prices**  
(EUR/MWh and USD/barrel)



Sources: OTP Research

**Chart 12: Inflation forecast**  
(annual changes, %)



Sources: KSH, MNB, OTP Research

\*: Trend inflation w/o backward-looking pricing items

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