

REPORT ON INFLATION

11 May 2026

Base effect drove inflation to 2.1% in April, underlying processes remained modest. The strong HUF could keep inflation at the target next year

- Hungary's headline inflation increased from 1.8% year-on-year in March, to 2.1% in April. The published data was somewhat higher than the consensus (2.0%) but matched with our forecast (2.1%). Food inflation accelerated significantly as the margin cap' effect fell out from the basis.
- Underlying indicators remained favourable in April. The MNB's constant tax core inflation increased from 1.9% to 2.2% YoY, while the sticky price inflation decreased from 4.2% to 4.0% 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 stagnated at 2.6%. Our "super trend" indicator was 2.6% in the average of the first four months of 2026, which is half of the average of the last four months of 2025 (5.3%). So, 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 significant change in the re-pricing behaviour at the beginning of the year.
- The most significant change compared to the previous month is that, following Tisza's two-thirds election victory, the forint's strength has become permanent, so we expect the exchange rate to be significantly stronger – by approximately 8% – over the forecast horizon. This alone will lower the price level at the end of next year by about 1.5 percentage points.
- With regards to the effects of the war in Iran, it can be said that natural gas and electricity prices have so far developed more favourably than was assumed in the baseline scenario; however, oil prices have developed less favourably, despite the HUF having strengthened significantly in the meantime (Chart 11). It is important to note, however, that since households' energy prices – and currently fuel prices as well – are regulated in Hungary, the direct inflationary effects of rising energy prices are minimal. The new government has announced that it intends to maintain "protected prices" on fuel; however, to avoid supply issues, it plans to do so through a VAT reduction rather than the current simple price cap measure. According to our calculations, the current "protected fuel price" is consistent with an oil price of approximately \$82–84, a level to which the oil price could return before the end of the year based on the forward oil price curve. However, despite the price cap for households, the impact of rising oil prices will still pass-through into consumer prices via the production chains. According to our calculations, the rise in oil prices measured in HUF compared to the pre-Iran war situation could increase this year's inflation by approximately 0.2 percentage points through these second-round effects. However, there is a significant risk that if a satisfying agreement is not reached soon regarding the Strait of Hormuz, oil prices could rise well above current forward prices. In that case, the sustainability of protected fuel prices would be seriously questioned, which would significantly amplify the inflationary impact of the war in Iran.

Analyst

Győző Eppich
EppichGyo@otpbank.hu

Institutional Sales Desk

Attila Preisz
Head of Department
+36 1 288 7526
Attila.Preisz@otpbank.hu

Zoltán Ballai
+36 1 288 7545
Zoltan.Ballai@otpbank.hu

Csinszka Kis-Böndi
+36 1 288 7574
Kis-BondiCs@otpbank.hu

Péter Nagy
+36 1 288 7551
Peter.Nagy.4@otpbank.hu

Lilla Mohos
+36 1 288 7548
Lilla.Mohos@otpbank.hu

Corporate Sales Desk

János Imrei
Head of Department
+36 1 288 7544
Janos.Imrei@otpbank.hu

Orsolya Edit Kovács Gyimóti
+36 1 288 7542
KovacsGyE@otpbank.hu

Nóra Ilona Gordos
+36 1 288 7549
Nora.Ilona.Gordos@otpbank.hu

Borbála André
+36 1 288 7541
Borbala.Sarolta.Andre@otpbank.hu

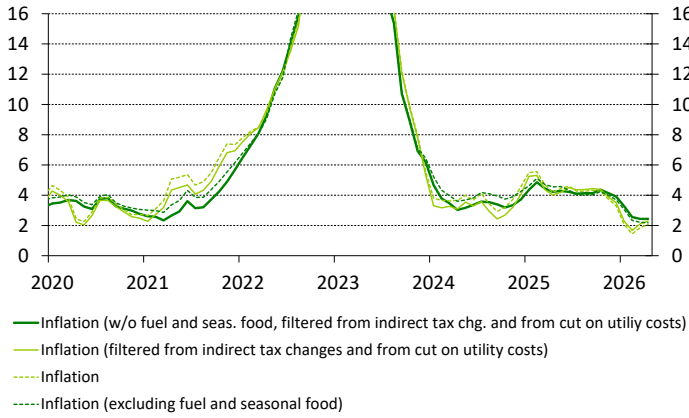
István Fodor
+36 1 288 7555
Istvan.Fodor.1@otpbank.hu

Flóra Zsófia Margaritisz
+36 1 288 7558
Flora.Zsofia.Margaritisz@otpbank.hu

Péter Huck
OTP Trader
+36 1 288 7543
Peter.Huck.2@otpbank.hu

- However, the general disinflationary effect come from the stronger exchange rate will be much stronger than the second-round effects of the higher oil prices and the incoming data are also favourable, so we are lowering our inflation forecast for this year to 2.5% from the previous 2.9%. The inflation will gradually accelerate in the remaining part of the year but it remains just below the 3% at the end of 2026. In 2027 it could accelerate further and it can be 3.1% on the average of the year, mainly due to temporary factors. The reason for this is that, following favourable agricultural prices last year, we expect prices to rise this year, which may be further bolstered by the impact of the war in Iran (e.g., fertilizer shortages). However, the impact on consumer food prices will be slower to materialize and will affect next year much more strongly. We also expect that, following the phase-out of the protected fuel price, the excise duty increase – originally scheduled for July – will take effect, which will also primarily affect 2027. In addition, we expect that price increases postponed this year for certain government-regulated services will take place in 2027. Although inflation will temporarily rise above 3% in 2027 – peaking at somewhere between 3% and 3.5% in late spring – it could fall back below 3% by the end of 2027.
- It is important to note, that our current forecast does not yet account for a significant improvement in inflation expectations. Various business confidence surveys currently show that expectations regarding price developments are rising (presumably due to the war in Iran), so we remain cautious on this front for now. But we should highlight as a positive risk, if the new government is able to strengthen further the euro adoption expectations in the remainder of the year, domestic inflation expectations could also decline significantly.
- In April, inflation was 0.4 percentage points lower than the central bank had forecast in its latest inflation report. This gap could widen even further in May, as it currently appears most likely that the protected fuel price will not be phased out this month. Given all this, as well as the much stronger exchange rate, we expect the central bank to significantly lower its inflation forecast in the next inflation report in June. If there is no drastic deterioration in Hungary's risk assessment by the June meeting, the Monetary Council may decide, based on a three-month period, that there has been a sustained improvement in the risk assessment. Nevertheless, the Iranian war situation remains a significant risk, as the inflationary effects of the war are not linear. If a satisfying solution to the Strait of Hormuz issue can be found by the June meeting, the central bank will most likely begin cutting interest rates at that time. Otherwise, however, it may continue to maintain the current interest rate level until the situation in the oil market stabilizes. If interest rates are cut at the June meeting, it is likely that there will be an opportunity for (at least) one more rate cut this year.

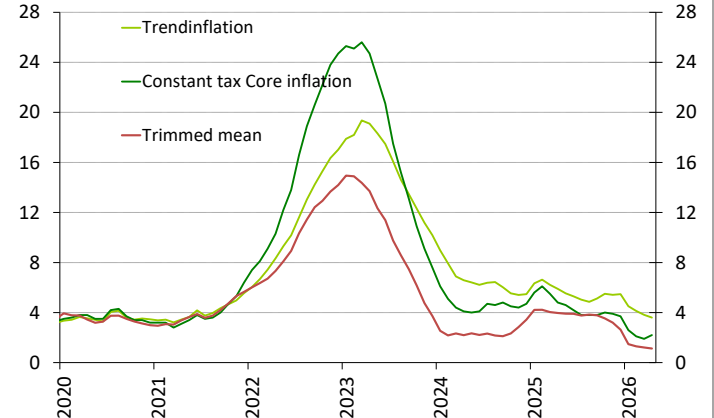
Chart 1: Summary chart of inflationary processes*
(annual changes, %)



Sources: KSH, OTP Research

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

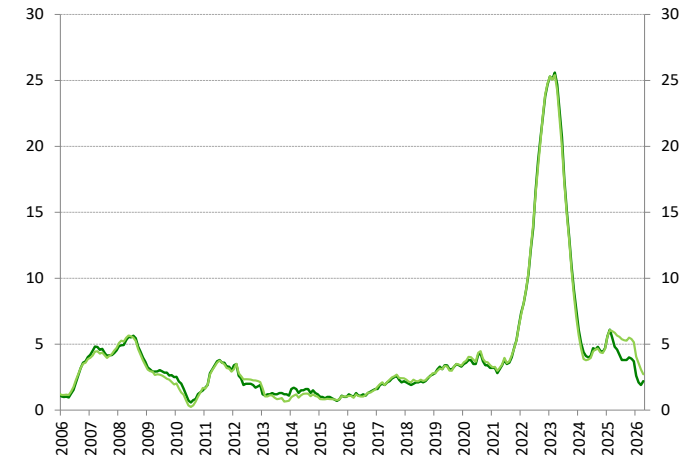
Chart 2: Core, trend* and trimmed mean inflation
(annual changes, %)



Sources: KSH, OTP Research

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

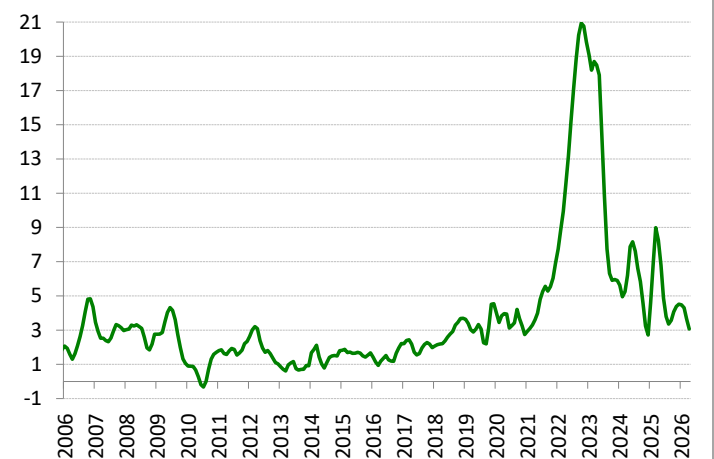
Chart 3: Constant tax core inflation and our proxy*
(annual changes, %)



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

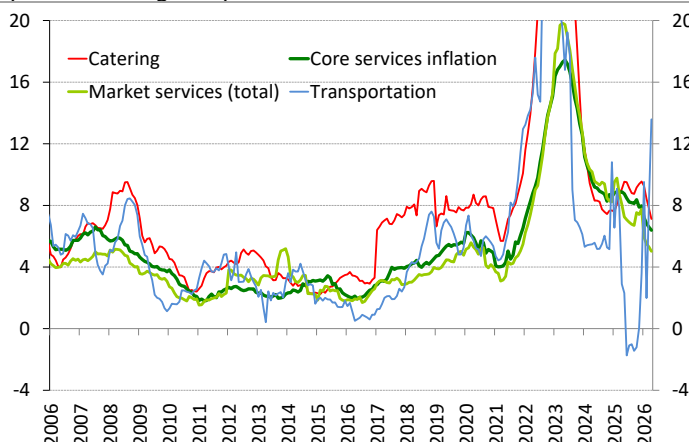
Chart 4: Trend inflation*
(3M/3M annualized change, %)



Sources: KSH, OTP Research

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

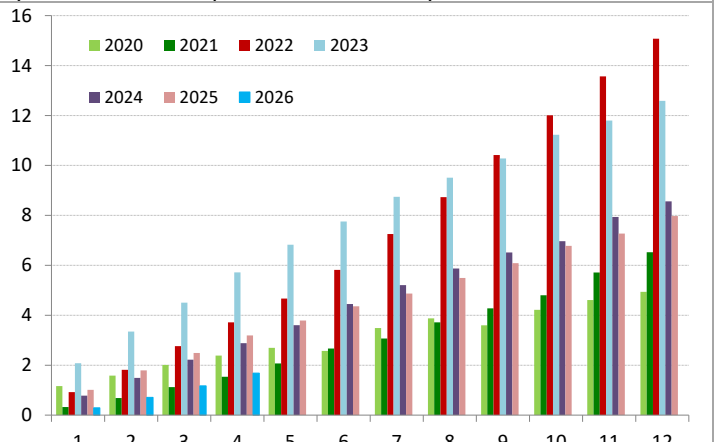
Chart 5: Services inflation*
(annual changes, %)



Sources: KSH, OTP Research

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

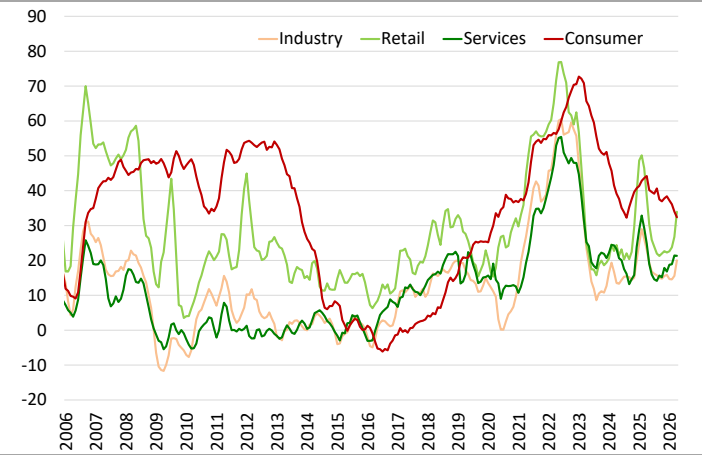
Chart 6: Intra-year price setting in core services*
(cumulated, over previous Dec, %, SA)



Sources: KSH, OTP Research

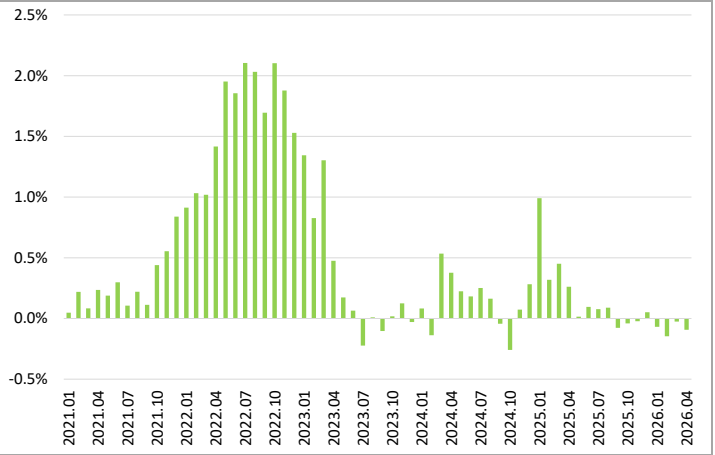
* Aggregation of the most demand-sensitive and labour-intensive services, filtered from indirect tax and visit fee changes

Chart 7: Inflation expectations
(balance indicator)



Sources: European Commission, OTP Research

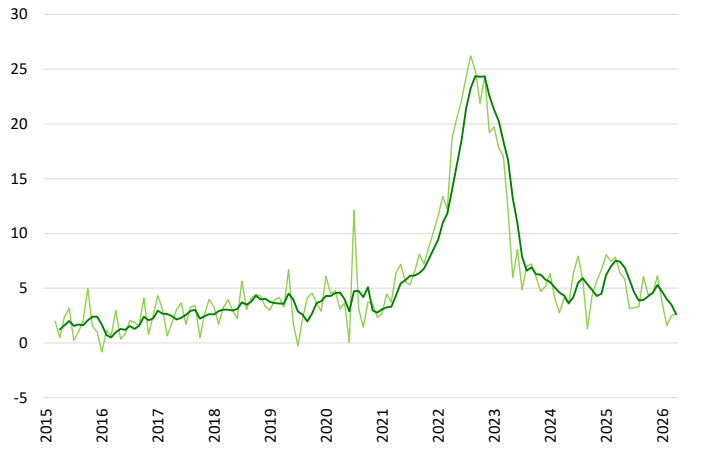
Chart 8: Extra re-pricing* in the constant tax core inflation
(%point)



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

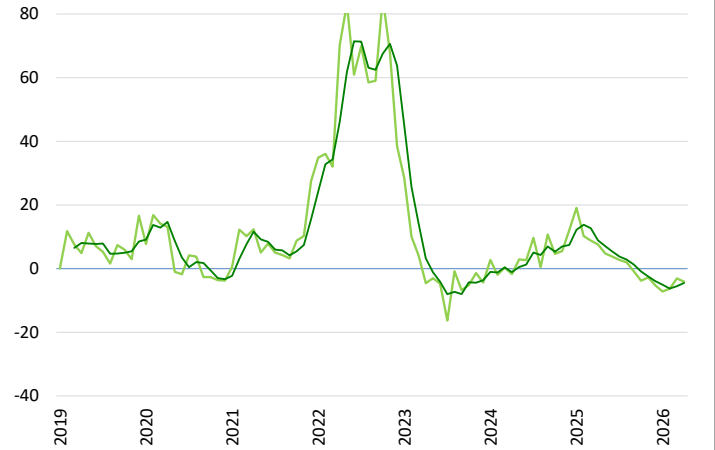
Chart 9: Trend inflation w/o backward-looking pricing items* (annualized MoM changes, and its 4M rolling avg, %)



Sources: KSH, OTP Research

*: telecom, financial fees

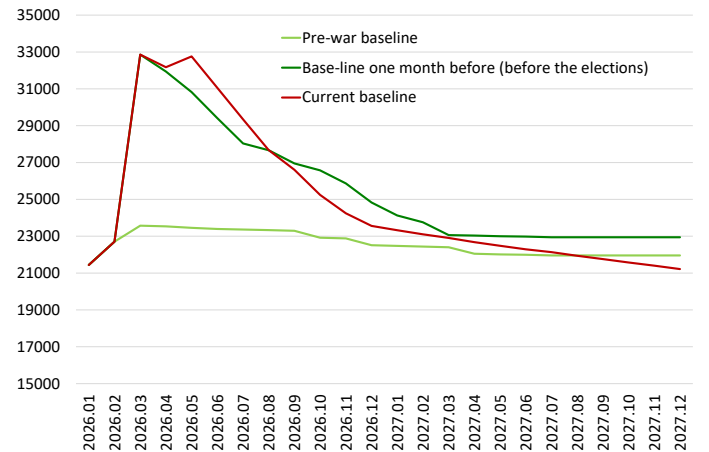
Chart 10: Food inflation* (annualized MoM changes, and its 3M rolling avg, %)



Sources: KSH, OTP Research

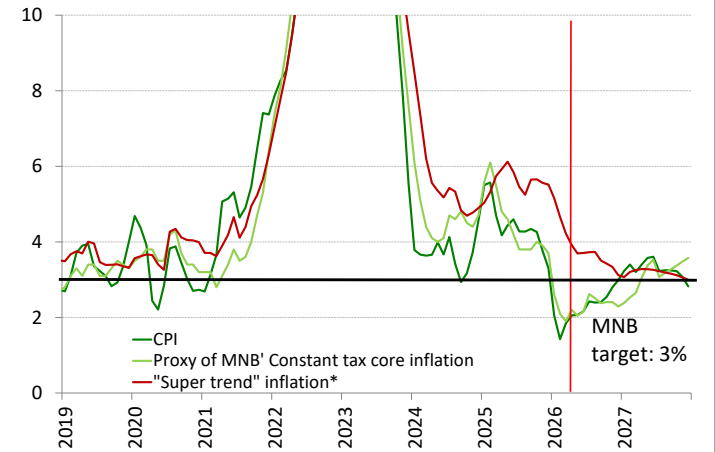
*: w/o seasonal foods; filtered from price cap, and margin cap measures

Chart 11: Change of our assumptions to oil prices
(HUF/barrel)



Sources: OTP Research

Chart 12: Inflation forecast
(annual changes, %)



Sources: KSH, MNB, OTP Research

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

Disclaimer

1. **The statements in this document shall not be considered as an objective or independent explanation of the matters. Please note that this document (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and (b) is not subject to any prohibition on dealing ahead of the dissemination or publication of investment research.**
2. This communication does not contain a comprehensive analysis of the described issues. No part, chapter, or the entirety of this information shall be considered as investment recommendation, an offer or solicitation for the purchase or sale of any financial instrument, inducement to invest, financial or investment analysis, investment research or marketing communication, not even if any part of this document contains a description of a certain financial instrument in terms of its possible price or yield development, and the related investment options; the data herein are for informational purposes only. This document shall not be considered as investment recommendation falling under Directive 596/2014/EU of the European Parliament and of the Council. This document does not take into account investors' individual interests, circumstances, or objectives; therefore, in the absence of personal recommendation, it shall not be considered as investment advice. OTP Bank intends to make this document available to its clients or to the public, or to make it accessible to other persons in such a way that allows this document to be disseminated to the public.
3. Information herein reflects the market situation at the time of writing. However, it provides only momentary information and may change as market conditions and circumstances develop. You may request more information from OTP Bank. Although the information in this document has been prepared in good faith from sources that OTP Bank believes to be reliable, we do not represent or warrant its accuracy or completeness. This document was prepared using data, facts and information from the following essential sources: Bloomberg, Reuters, KSH (Hungarian Central Statistical Office), Eurostat, Magyar Nemzeti Bank (Hungary's central bank) ÁKK (Hungary's Government Debt Management Agency), and European Central Bank (ECB). The opinions and estimates in this document are based on the opinion of OTP Research's analyst(s) at the time when the document was prepared, and they may be subject to change at any time in the future without further notice. You may receive different recommendation from the staff of OTP Bank, in particular if you are provided investment advice based on an investment advice agreement.
4. This publication contains generic presentation of information and knowledge, thus it does not take into account the individual clients' unique and special interests, financial condition, or their ability and willingness to take risks. Therefore please contact our staff or contact your banking consultant for advice before you make an investment decision. The assessment and the consideration of the individual circumstances is provided by the suitability and appropriateness tests that assess clients' financial knowledge, experience, risk-taking abilities, as well as the examination of the target market.
5. Before making an informed decision to invest and to use the services, please carefully read through all documents, including the documentation, prospectus, regulations, terms and conditions, announcements and key information documents for that product/service, and carefully consider the subject, the risk, the fees and costs of your investment, the possibility of any loss, and seek information about the tax regulations regarding the product and the investment. The prices of financial instruments and securities are changing, outright sales are realized at then current market prices, which may involve losses. The information and opinions in this document do not substitute or take the place of the issuance documentation for the given financial assets (e.g. prospectus, fund management rules), or their brochures or announcements.
6. You assume total responsibility and risk for any specific decision or investment; OTP Bank shall not be held responsible for the effectiveness of investment decisions or for reaching your purpose, nor for the individual investment decision made based on this document or any part thereof, or for their consequences.
Investments in financial instruments carry a certain degree of risk, which may affect the effectiveness of the investment decision, and investors may not receive the whole amount they expected the investment to yield in their investment targets; they may not preserve even the invested amount, therefore the invested capital might even decrease, be wholly lost, or even lead to additional payment obligation.
7. Trading with leveraged products (such as foreign exchange contracts) or with shares and indices that have underlying products carries a considerable amount of risk, and these products are not suitable for all investors. Trading with leveraged products carries the risk of losing all capital, and it may incur losses that exceed the amount invested.
8. **The figures and information described herein refer to yields or changes in the past. Past performance is not a reliable indicator of future yields, changes, or performance.** The changes on money and capital markets, the fluctuation of prices, the development of investments and their yields are influenced by the combined effect of multiple factors; one important factor of them is the change in investors' expectations. **The development of prices, the future yield of financial assets, indices or indicators, the examination of their changes, trends, and future performance is based on estimations and forecasts, which forecasts do not allow reliable conclusions to be drawn about the future moves of prices, real future yields, changes, or performance.** For each product and service, please assess their tax accounting implications, and other tax consequences, taking into account that they cannot be precisely assessed without knowing the effective tax regulations or the client's individual circumstances; and these legislative provisions as well as the circumstances may change over time.
9. This document shall not be a basis for any further analysis in relation to the financial instruments contained therein. Any reference in this document to the future distribution of a financial instrument shall be construed as indicative, preliminary and informative, and any analysis of such financial instrument is exclusively based on publicly available information listed in the respective prospectus or announcement. The content of this document shall not imply that OTP Bank acts as an agent, a fiduciary, or an advisor to, or on behalf of, any prospective purchaser of the financial instruments discussed herein.
10. For certain persons, access to the products and/or services discussed in this document may not be granted, or it may be limited. The act of preparing this document by OTP Bank, its uploading to the website, its publication may under no circumstances be considered as OTP Bank's intention to make available the product and/or service information in the prospectus to persons whom any country or state prohibits from having or obtaining the given product and/or service, including the promotion and the advertisement thereof.
11. OTP Bank maintains a conflict of interest policy and it keeps such records, and it also has requirements that regulate the transmission of bank secrets and securities secrets, which requirements shall be considered as the effective internal organizational and management solutions as well as information barriers to prevent or manage conflicts of interest.
OTP Bank has developed appropriate internal procedures for (i) the personal transactions and trading of financial analysts and other relevant persons, (ii) the physical separation of the financial analysts involved in the production of investment research and other relevant persons; moreover, information barriers have been implemented, (iii) for accepting and managing incentives and remuneration.
Please be informed that OTP Bank is entitled to deal or trade as market maker, acting in good faith and in accordance with the usual way of market-making, with the financial instruments distributed by the issuer(s) specified in this document, as well as to provide other investment activities or ancillary (investment) services, and/or other financial or ancillary financial services to the issuer and other persons.
12. Previous documents on investing in this asset or product are available on the website of OTP Research: www.otpresearch.com
13. OTP Bank (company registration number: 01-10-041-585; registered seat: Nádor utca 16., Budapest H-1051, Hungary. Supervisory authority: Magyar Nemzeti Bank (National Bank of Hungary – H-1054 Budapest, Szabadság tér 9); financial customer services: H-1013 Budapest, Krisztina krt. 39. PSZÁF licence numbers: III/41.003-22/2002 and E-III/456/2008; further information: <https://www.otpbank.hu/portal/hu/Megtakaritas/Ertekpapir/MIFID>).
All rights reserved. This document is solely owned by OTP Bank. No part of this material can be reproduced, re-used, disseminated, made available, re-published, referenced to, or inserted in other websites or services without the prior written consent of OTP Bank.

14. If you received this document from OTP Bank Plc, then it was sent to you with your previous consent. You may withdraw this permission by sending an e-mail to research@otpbank.hu or by writing a letter to OTP Research, Hungary H-1051, Budapest, Nádor utca 16. Please refer to your name and e-mail address in both cases.

Data management registration number: NAIH-89457/2015

15. The personal data in this investment research are processed by OTP Bank. The legal basis for processing the data is the legitimate interest of OTP Bank. The detailed information about the processing of personal data and the related rights of data subjects is available [here](#).

This document was prepared on 11 May 2026.