

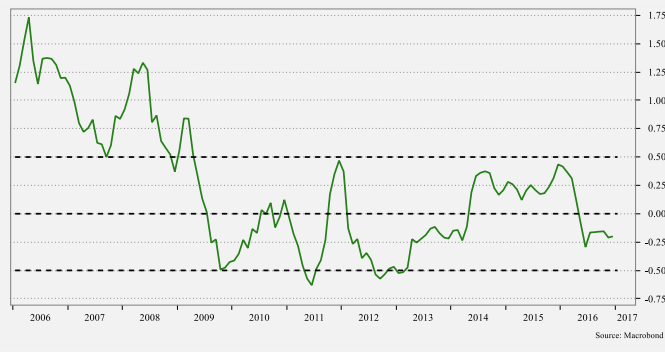


# National Bank of Hungary

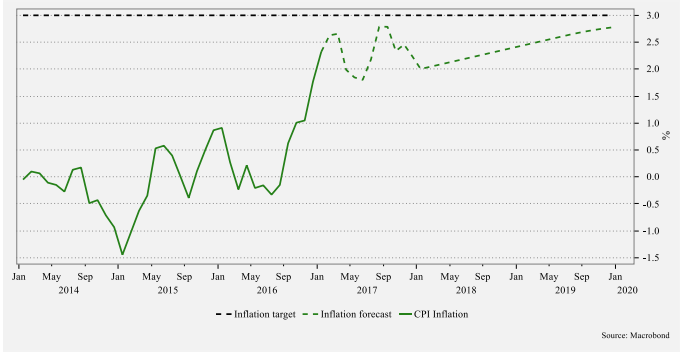
## Inflation set to (nearly) return to target

- While facing considerable political turmoil in recent years – including uncertainty about its own independence – the Hungarian central bank (MNB) has basically delivered in terms of ensuring nominal stability.
- With our composite indicator for monetary conditions hovering slightly below zero, we would expect Hungarian inflation to (nearly) return to the MNB’s 3% target within the next 2-3 years.
- However, soft nominal GDP growth and a fairly strong appreciation of the Hungarian forint over the past year mean that risks to the inflation target are skewed to the downside. Our composite indicator also dropped a bit over this period, suggesting some tightening of monetary conditions.
- We forecast Hungarian inflation at 2.3%, 2.2% and 2.6% in 2017, 2018 and 2019 respective given present monetary conditions.

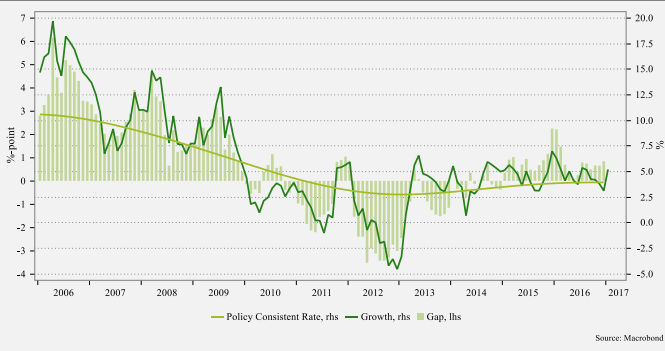
**Composite Indicator**



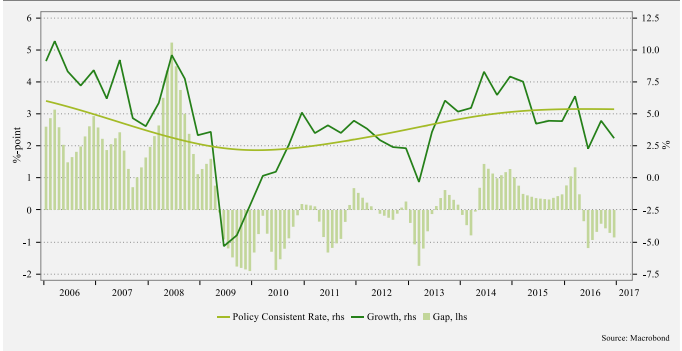
**Inflation (%/y)**



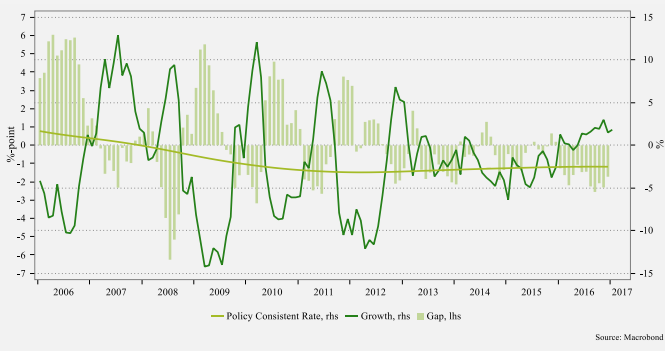
**Broad Money Supply (%/y)**



**Nominal GDP (%/y)**



**Exchange Rate Development (%/y)**



**Key Policy Rate (%)**

