



# FLASH ANALYSIS OF INFLATION DEVELOPMENTS

April

2024

*Article 3 (1) of the Central Bank Act (Act CXXXIX of 2013 on the Magyar Nemzeti Bank) defines the achievement and maintenance of price stability as the Magyar Nemzeti Bank's primary objective. Assessments of inflation developments have key importance in monetary policy decision-making. The MNB attaches a high priority to informing the general public on a continuous basis and thereby to improving the transparency and predictability of its decisions. Consistent with this principle, the Magyar Nemzeti Bank produces publicly available analyses of its assessments of inflation developments and the extent of medium-term inflationary effects on a monthly basis.*

*The analysis has been prepared by the Economic Forecasts and Analysis Directorate and approved by Gergely Baksay, Executive Director Economic and Fiscal Analysis and Statistics.*

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The publicly available analyses and the related statistical databases are accessible on the MNB's website at:

<https://www.mnb.hu/kiadvanyok/elemezsek-tanulmanyok-statisztikak/gyorselemzesek/gyorselemzes-az-inflacio-alakulasarol>

## ASSESSMENT OF INFLATION DATA FOR APRIL 2024

In April 2024, consumer prices rose by 3.7 percent in annual terms. The decline in core inflation and core inflation excluding indirect tax effects continued, both indicators fell to 4.1 percent (Chart 1 and Chart 2). On a monthly basis, total consumer basket and core inflation were up by 0.7 percent and 0.8 percent, respectively. Inflation was in the middle of the forecast range provided in the March Inflation Report with core inflation fluctuating in the lower bound of the forecast range.

Annual consumer price index rose by 0.1 percentage point compared with the previous month. Fuel (+0.3 percentage points) and food (+0.2 percentage points) prices contributed to the increases in inflation, which was partially offset by the downward effect on inflation by tradables prices (-0.3 percentage points). Annual core inflation fell by 0.3 percentage points and here tradables prices contributed to disinflation. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, also fell. The inflation of sticky-price products fell by 0.3 percentage points and the annual price rise of core inflation excluding processed food prices declined by 0.5 percentage points relative to the previous month (Chart 3).

In a shorter, annual 3-month-on-3-month, base comparison, core inflation and inflation rose in April due to rises in fuel prices and backward-looking repricings of some market services (Chart 4). The rise in prices compared to the previous month was above the historic levels seen this time of year in the case of inflation and core inflation. The price of the basket calculated excluding fuel and regulated product prices was up by 0.7 percent from March, while month-on-month core inflation excluding processed food, which better reflects underlying developments was 1.0 percent (Chart 5 and Chart 6). The degree to which repricings took place in April was below the historical average in tradables and food prices, while it was above the historical average in market services.

Below is a brief analysis of price changes across the main product categories.

The annual inflation of *tradables* fell to 1.7 percent. The prices of this product group rose by 0.3 percent compared to the previous month (Chart 7). Durables and non-durables prices rose by 0.1 percent and 0.5 percent from the previous month. The latter was largely explained by the price rises of clothes related to seasonal trends.

Annual price index of market services remained 10.2 percent; and as a result, the fall in annual price growth, started in last June, stalled. Prices rose by 1.6 percent month-on-month, which primarily reflected backward-looking repricing of banking services (Chart 8).

Annual inflation of food was -2.1 percent in April according to MNB classification, within this product group, unprocessed food and processed food prices fell by 0.7 and 2.9 percent (Chart 9). According to HCSO data release, food prices rose by 1.0 percent, which also includes the prices of restaurant meals rising by 8.4 percent. Compared to March, unprocessed food prices increased by 0.5 percent and processed food prices decreased by 0.2 percent (Chart 10). The decline in processed food prices was mainly caused by milk and dairy product prices.

Month-on-month *fuel* prices rose by 3.5 percent due to increases in global oil prices. The average price of this product group was up by 6.6 percent in annual terms.

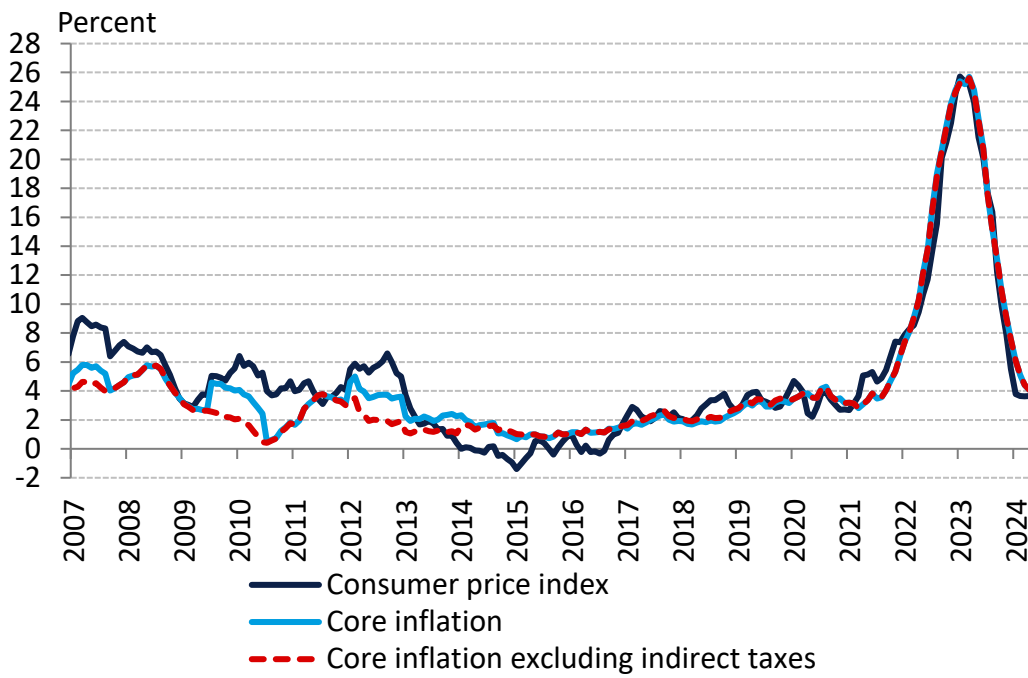
The prices of *regulated products and services* fell by 0.5 percent relative to March, caused by a decline in piped gas prices. The latter reflects the increase in the share household consumption falling below the volume limit of the lower officially regulated price.

*Households' inflation expectations* remained broadly unchanged in April from March (Chart 11). *Corporate expectations for retail sales* increased and for *services prices* fell in April with both indicators fluctuating mainly below the levels seen in 2022 (Chart 12).

Prepared by Géza Rippel

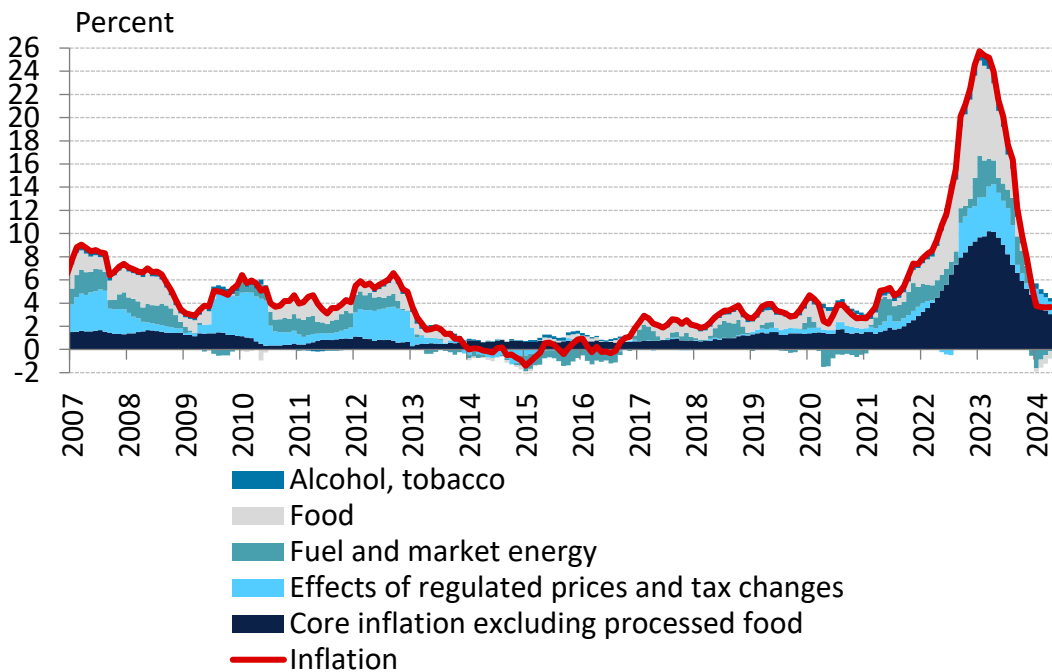
Budapest, 10 May 2024

**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
annual change

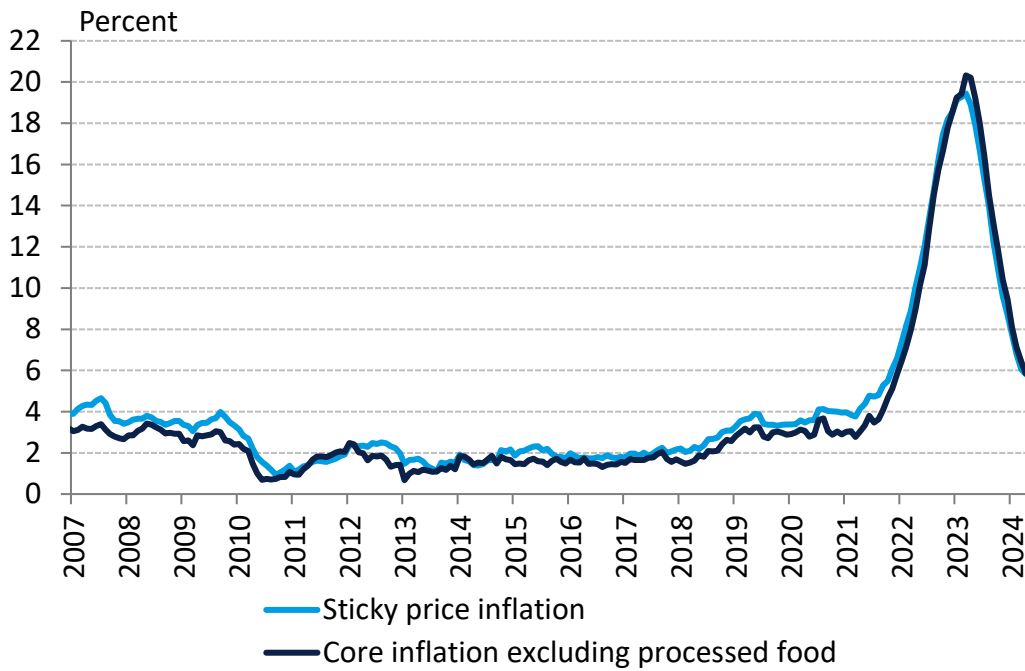


Note: Seasonally unadjusted core inflation.

**Chart 2 Inflation decomposition**  
annual change

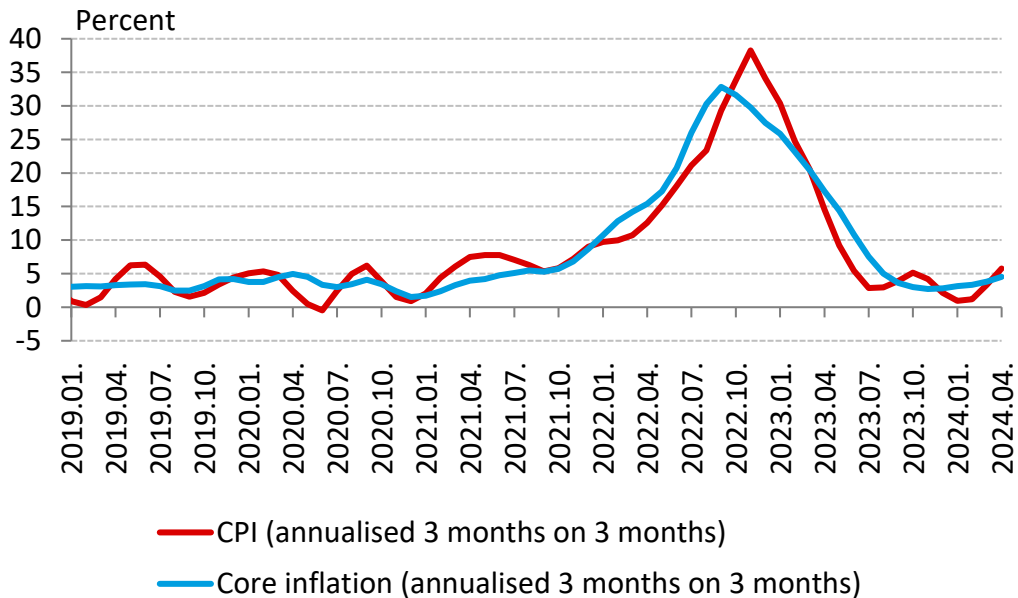


**Chart 3 Underlying inflation indicators**  
annual percentage changes excluding indirect taxes

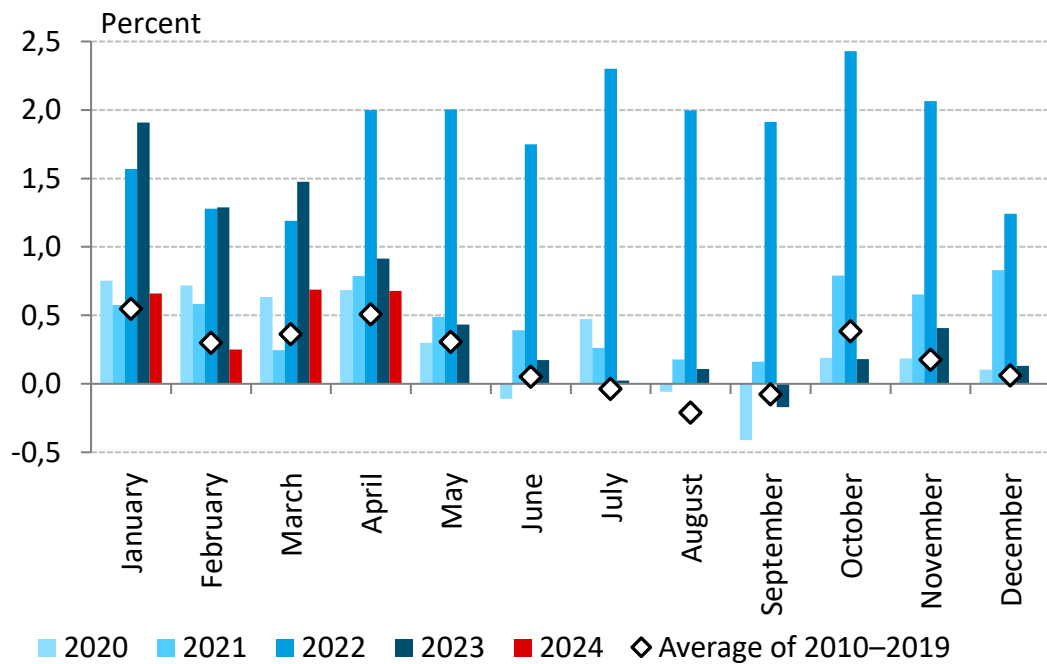


*Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 percent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the earlier demand sensitive inflation. The new name is justified by the fact that the previous name might be ambiguous in a period of significant cost shocks with general effects.*

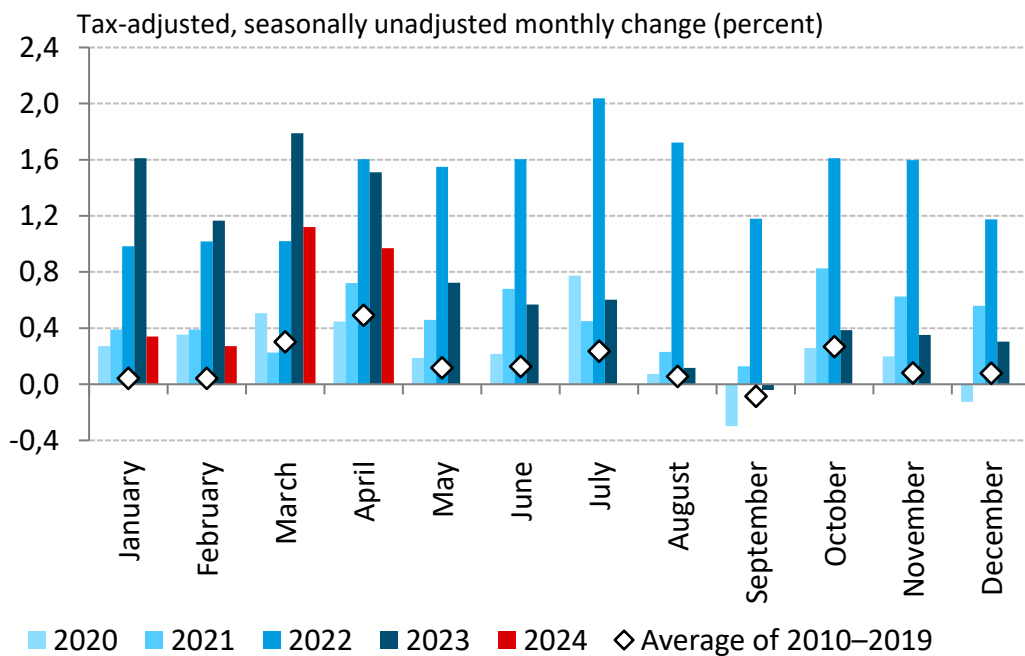
**Chart 4 The three-month annualised change in inflation and core inflation**  
Based on seasonally adjusted data



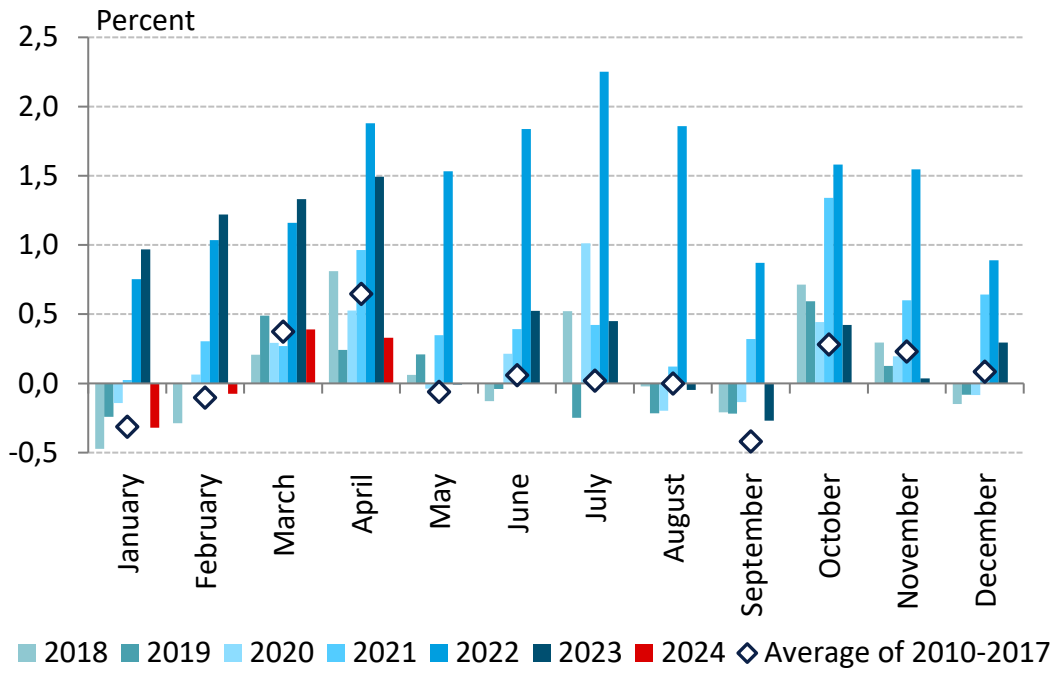
**Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices**  
tax-adjusted, seasonally unadjusted monthly percentage changes



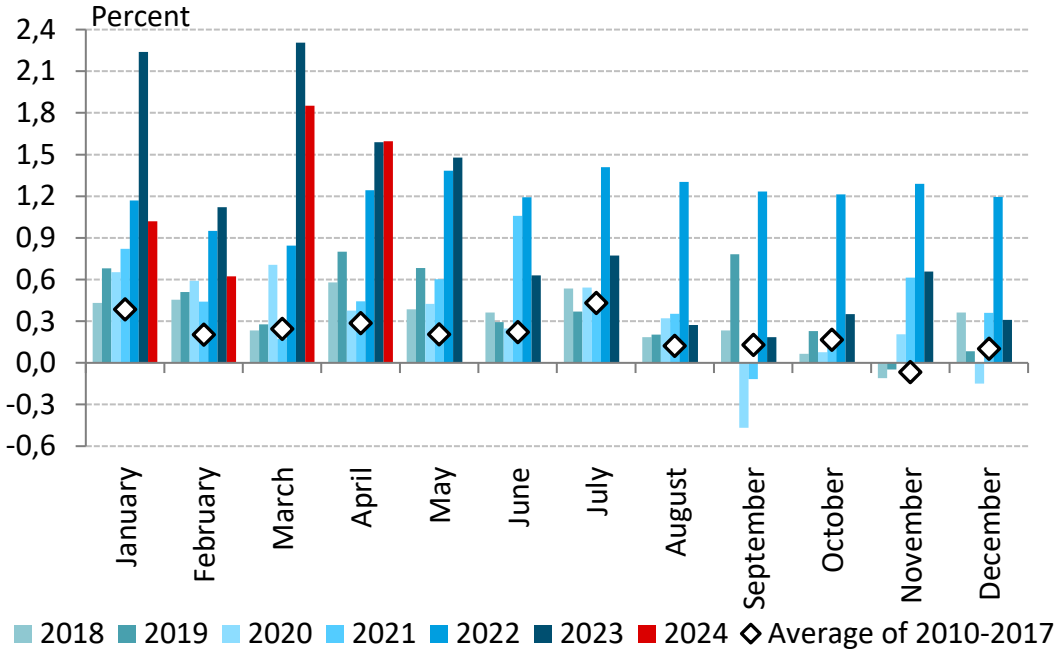
**Chart 6 Monthly change in core inflation excluding processed food**  
tax-adjusted, seasonally unadjusted monthly percentage changes



**Chart 7 Inflation of tradable goods**  
 seasonally unadjusted, tax-adjusted monthly change

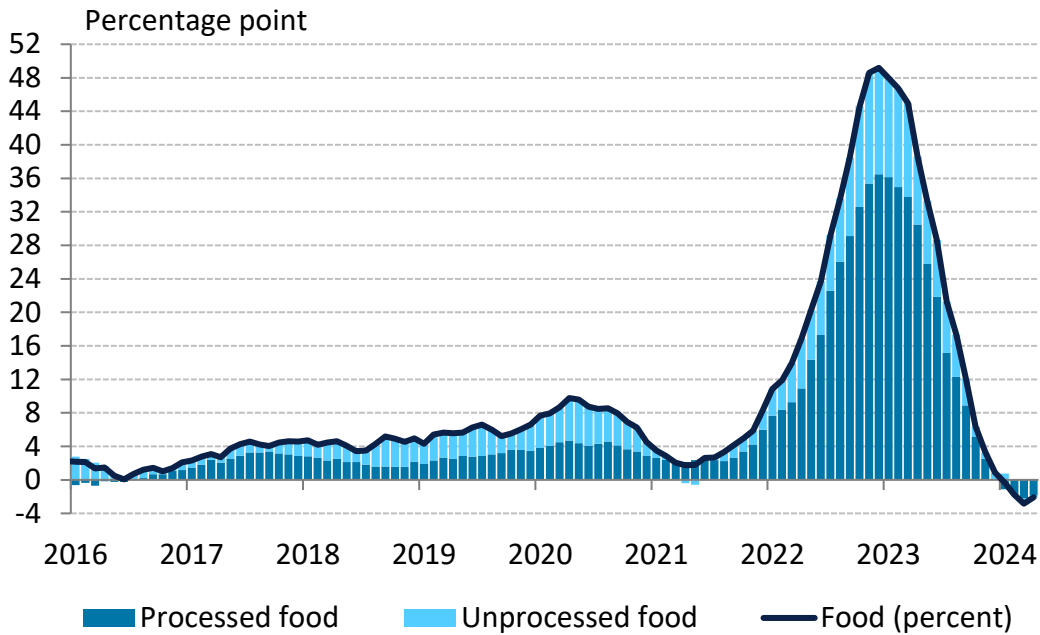


**Chart 8 Market services inflation**  
 seasonally unadjusted, tax-adjusted monthly change



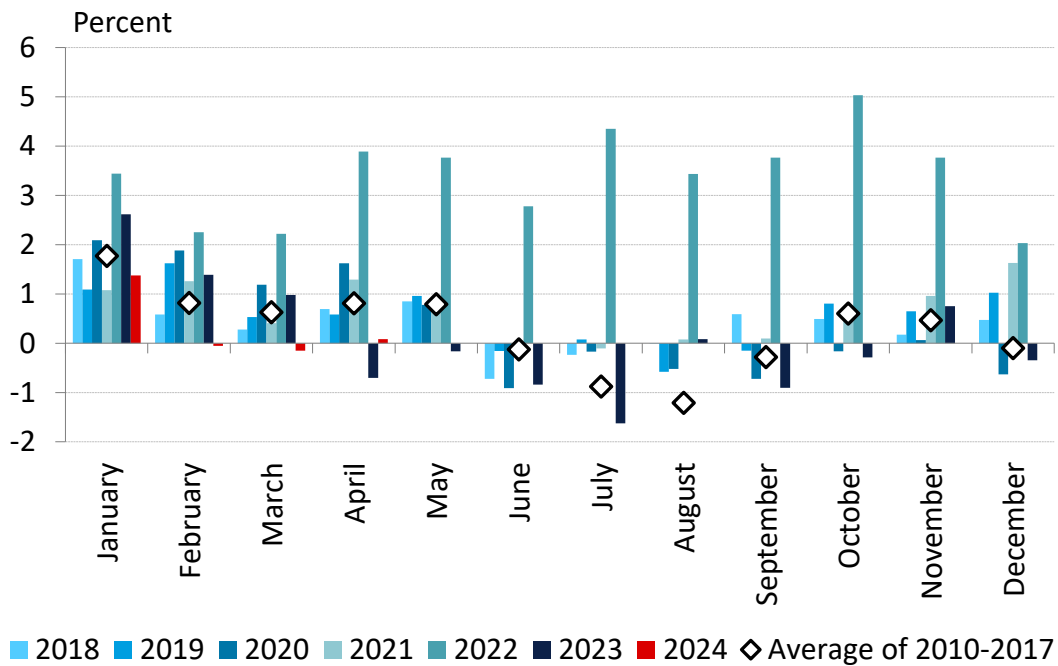


**Chart 9 Developments in food price inflation**  
seasonally unadjusted, tax-adjusted annual change



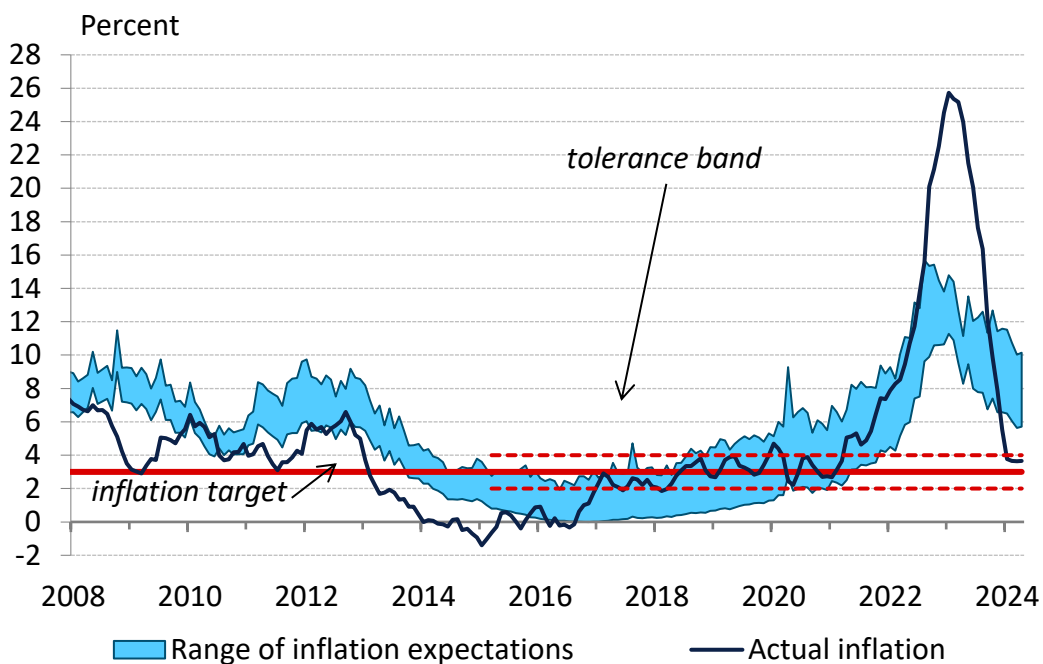
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery and kindergarten meals), and some beverages as non-durable industrial goods (coffee, tea, soft drinks).

**Chart 10 Monthly changes in food prices**  
seasonally unadjusted, tax-adjusted monthly change



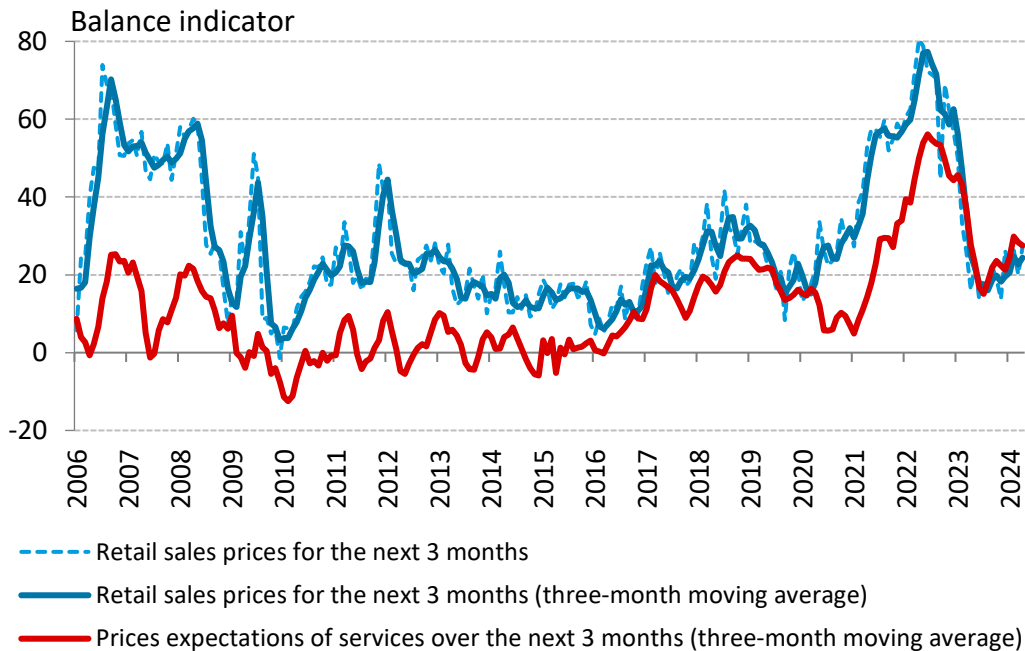
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery and kindergarten meals), and some beverages as non-durable industrial goods (coffee, tea, soft drinks).

Chart 11 Households' inflation expectations



Sources: MNB calculations based on European Commission data; and HCSO.

Chart 12 Changes in the expectations for retail sales and services prices in Hungary



Sources: MNB's own calculations based on data from the European Commission

**Table 1 Annual change in the consumer price index and contribution of the measures of underlying inflation**

Consumer price index, April 2024 (HCSO)					
3.7% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 41.1%	2.4	Contribution of core inflation excluding processed foods (percentage points), weight 52.3%	3.1	Contribution of core inflation excluding taxes (percentage points), weight 65.1%	2.7
Contribution of other items (percentage points), weight 58.9%	1.3	Contribution of other items (percentage points), weight 47.7%	0.6	Contribution of other items (percentage points), weight 34.9%	1.0

Sources: HCSO and the MNB's own calculations.

The sum of contributions may differ from the official figures due to rounding.