



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

August

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/en/publications/studies-publications-statistics/flash-analysis-on-inflation-developments>

ASSESSMENT OF INFLATION DATA FOR AUGUST 2024

In August 2024, inflation returned to the tolerance band, consumer prices rose by 3.4 percent in annual terms. The annual rate of inflation was down by 0.7 percentage points from July. Core inflation and core inflation excluding indirect tax effects declined by 0.1 percentage point compared to the previous month with both measures standing at 4.6 percent (Chart 1 and Chart 2). The price of the total consumer basket remained unchanged on a monthly basis, while the price of the core inflation basket rose by 0.2 percent. Both inflation and core inflation were in the middle of the forecast range provided in the June Inflation Report.

The fall in the annual consumer price index was largely due to the decrease in the price dynamics of fuels, by 0.5 percentage points, which mainly resulted from base effect. The fall in annual core inflation was driven by the decline in the price dynamics of processed foods. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, remained broadly unchanged. The inflation of sticky-price products and core inflation excluding processed food prices stood at 5.8 percent (Chart 3).

In a shorter-term (annualised 3-month-on-3-month) comparison, core inflation and inflation fell (Chart 4). The rate of price increases from the previous month was higher than the historical average in both inflation and core inflation. The price of the basket calculated excluding fuel and regulated product prices was up by 0.1 percent compared to the previous month (Chart 5). Month-on-month core inflation excluding processed food prices, which better reflect underlying developments, was 0.2 percent (Chart 6). The repricings in August was below the historical average in the case of tradables, while they were slightly above the historical average for food and market services prices.

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

The annual inflation of *tradables* fell to 2.0 percent. The price of this product group was down by 0.2 percent on a monthly basis (Chart 7). Durables prices rose by 0.1 percent, while non-durables prices were down by 0.3 percent. The latter was primarily explained by the changes in the prices of clothing and non-alcoholic beverages.

Annual price index of *market services* rose to 9.6 percent. Prices increased by 0.5 percent on a monthly basis (Chart 8). Rises in accommodation and catering services, as well as rents accounted for the largest share of the monthly repricing.

The growth in *food prices*, according to the MNB's classification, was 0.3 percent. Within this product group, unprocessed food and processed food prices rose by 0.7 percent and 0.1 percent, respectively in annual terms (Chart 9). According to HCSO data release, food prices were up by 2.4 percent, which includes the rise of 8.0 percent in restaurant meal prices. As a result of the decreases in potatoes and fresh vegetables prices since July, unprocessed food prices fell by 0.6 percent, while processed food prices were up by 0.2 percent, which was primarily fuelled by pastry prices (Chart 10).

Fuel prices fell by 0.8 percent on a monthly basis as a result of the decreases in global oil prices. Due in part to favourable base effects, prices decreased by 2.9 percent on a yearly basis.

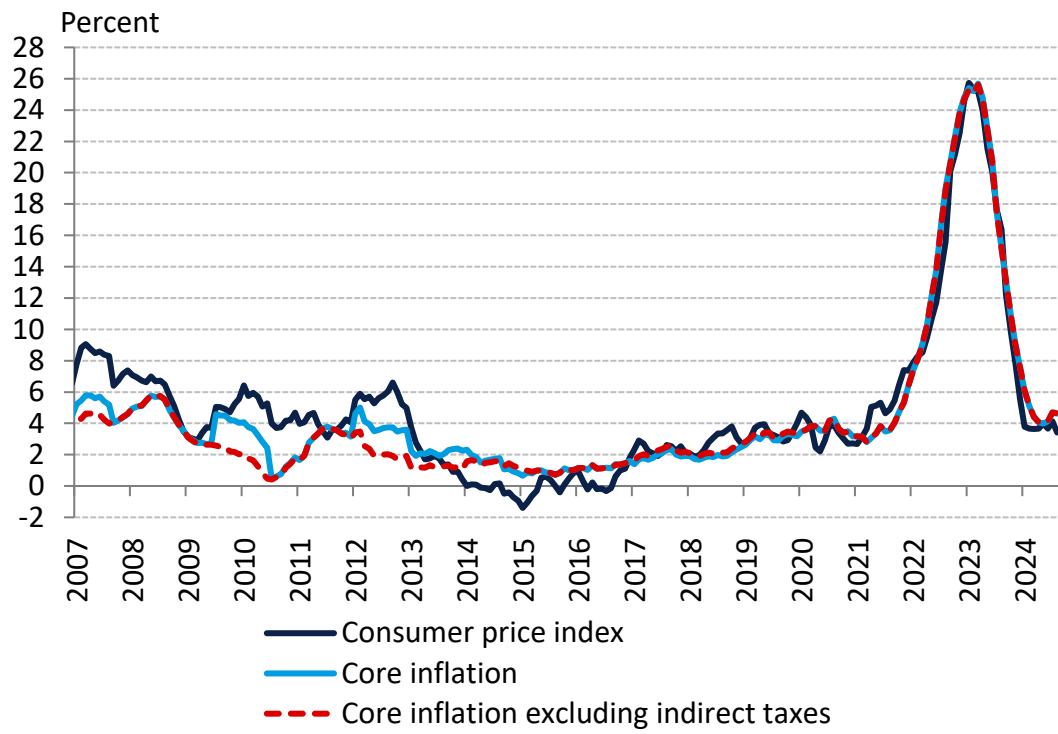
The prices of *regulated products and services* rose by 0.1 percent compared to July.

Households' inflation expectations have been following a declining trend since the beginning of last year showing a more increased volatility than usual (Chart 11). *Corporate expectations for services prices* moderated as corporate expectations for *retail sales prices* were slightly up in August, but both indicators remain significantly below the levels seen in 2022 (Chart 12).

Prepared by Géza Rippel

Budapest, 10 September 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

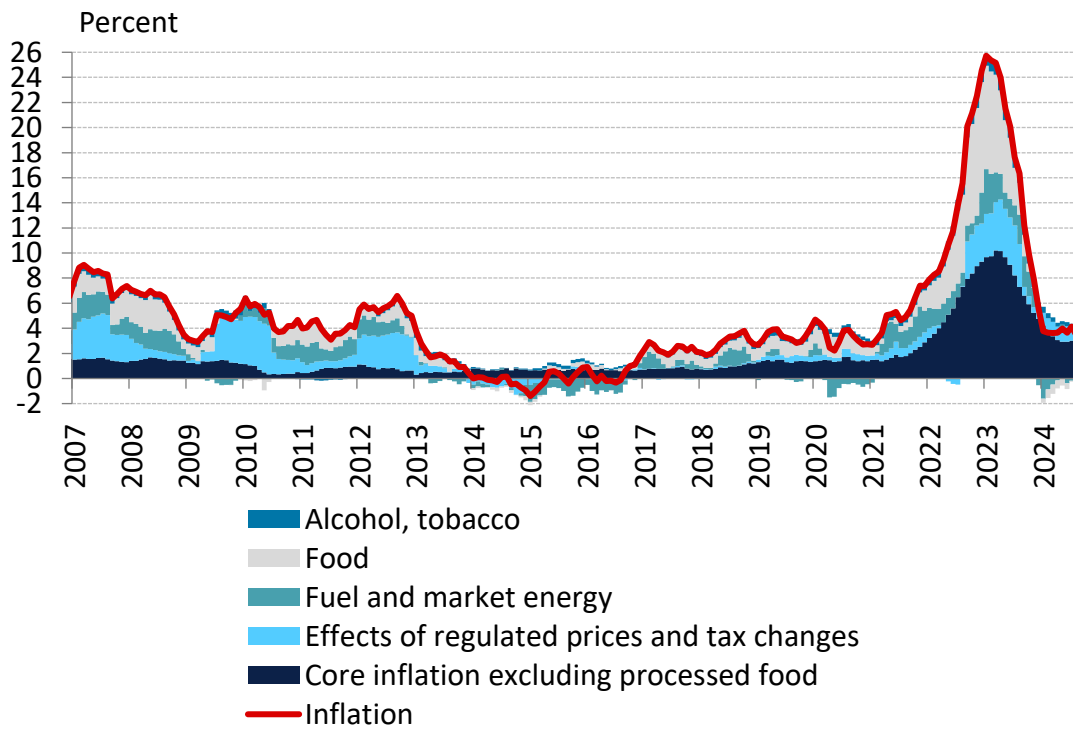
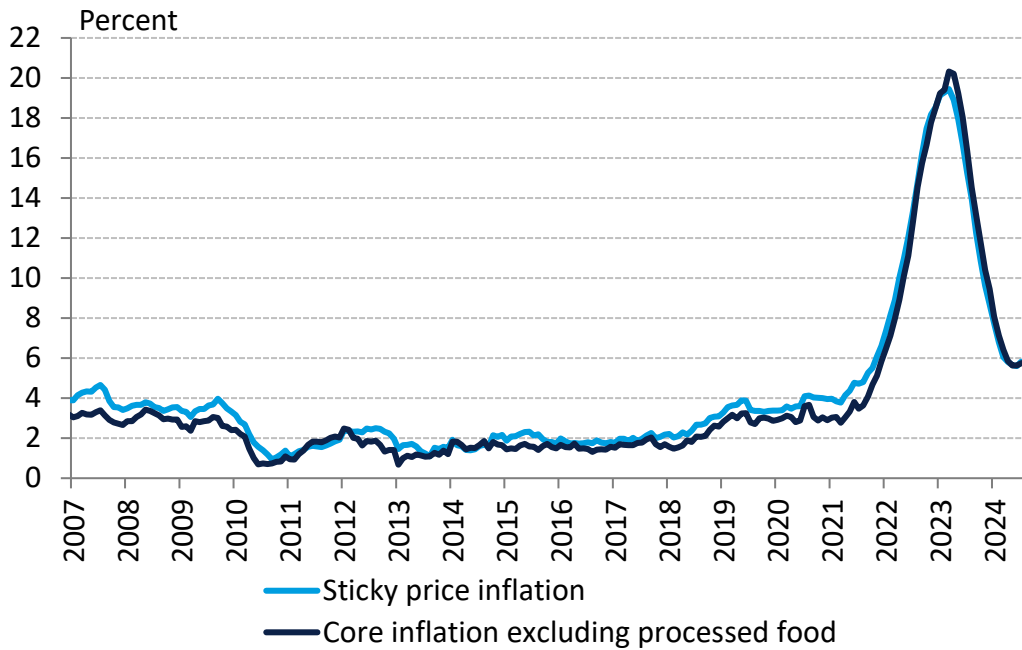


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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 Annualised 3-month change in inflation and core inflation
Based on seasonally adjusted data

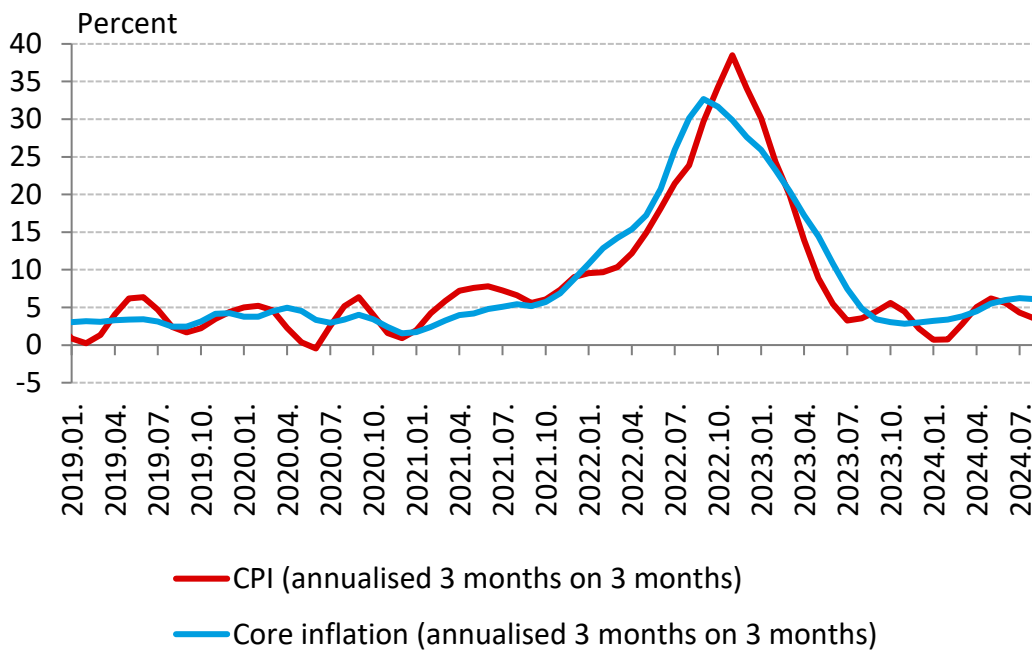


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

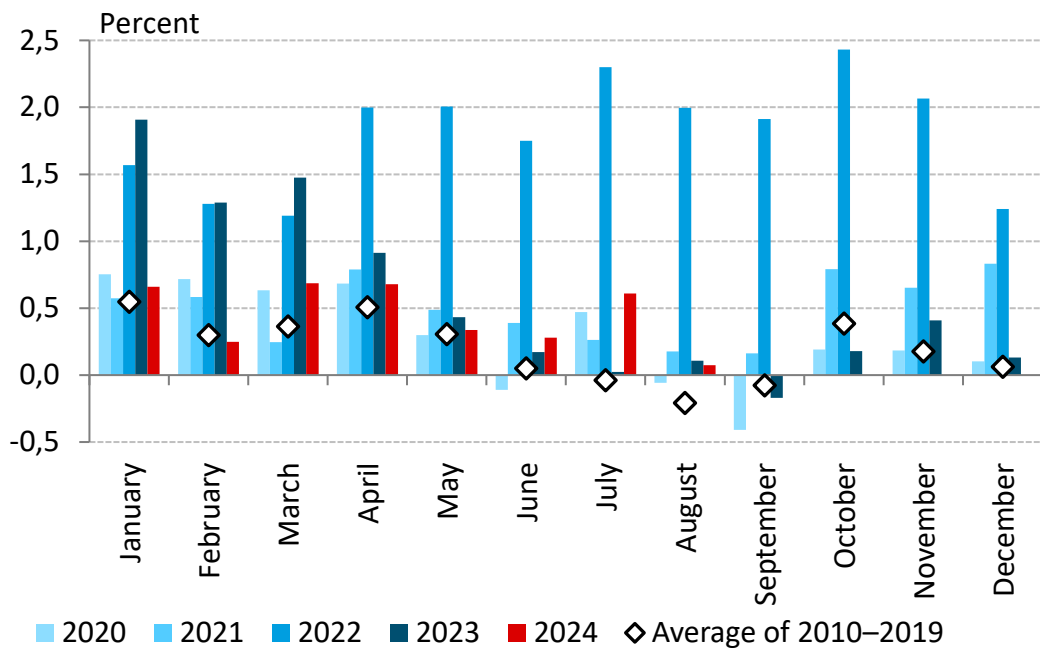


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

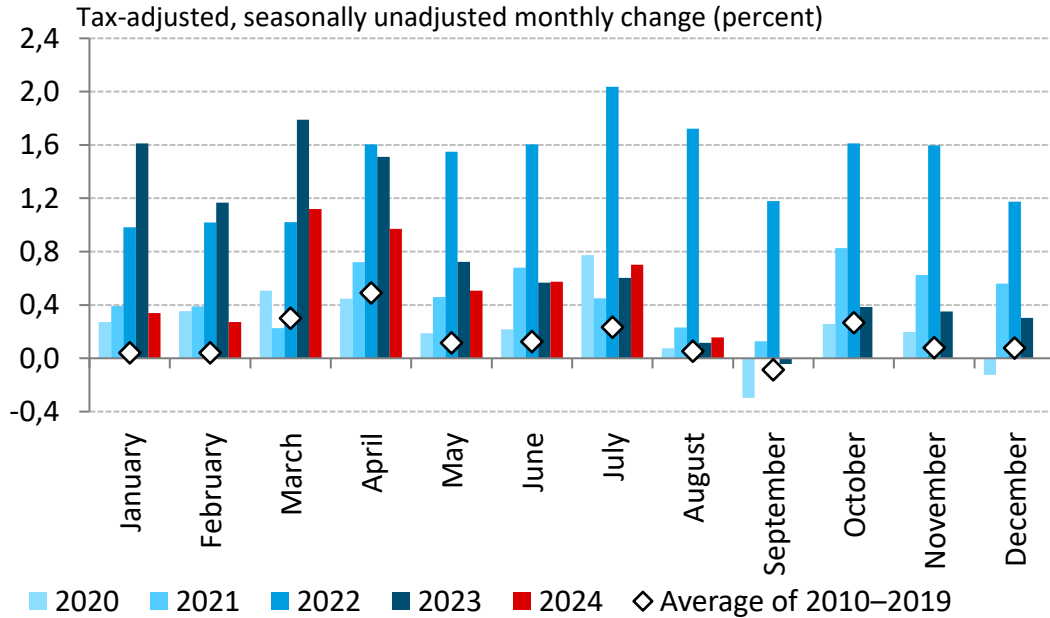


Chart 7 Inflation of tradable goods
seasonally unadjusted, tax-adjusted monthly change

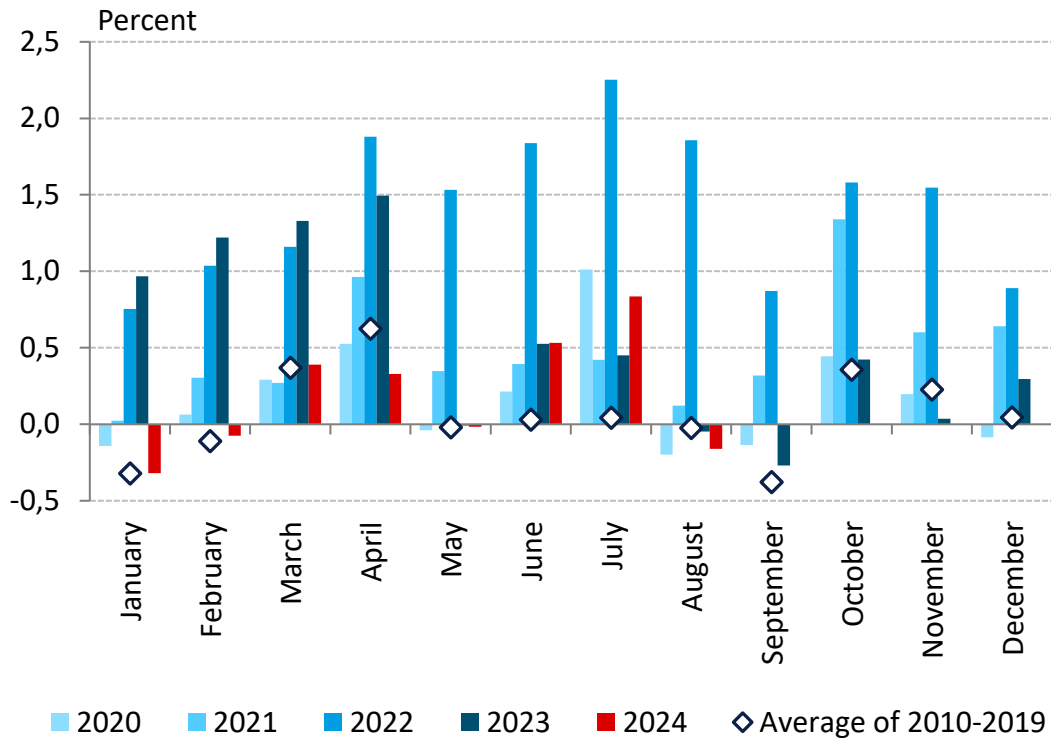


Chart 8 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

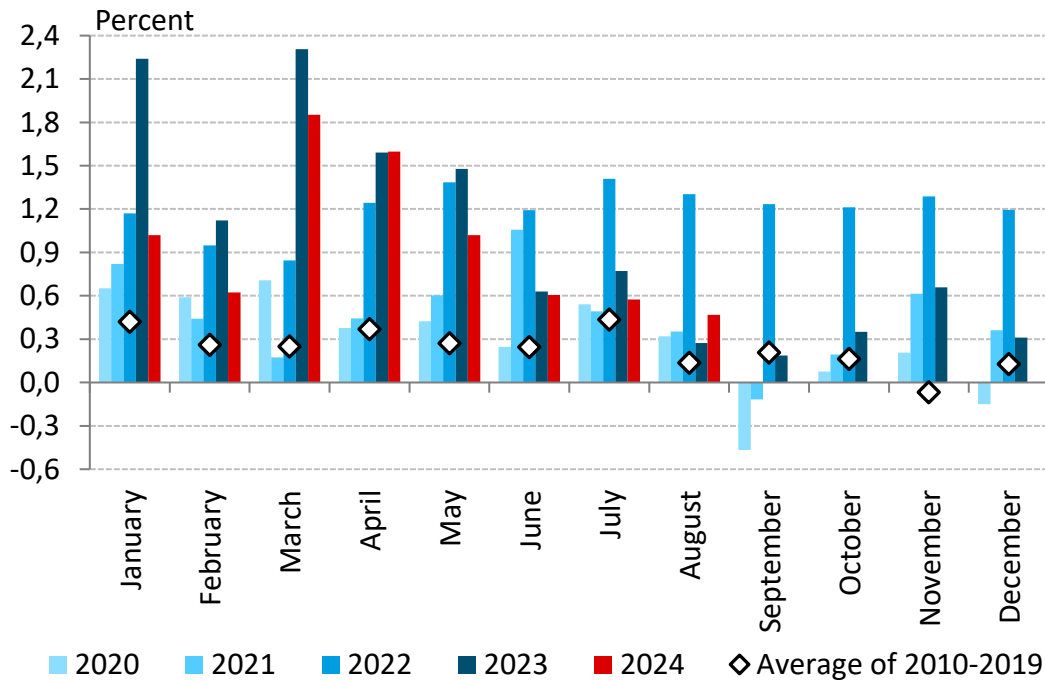
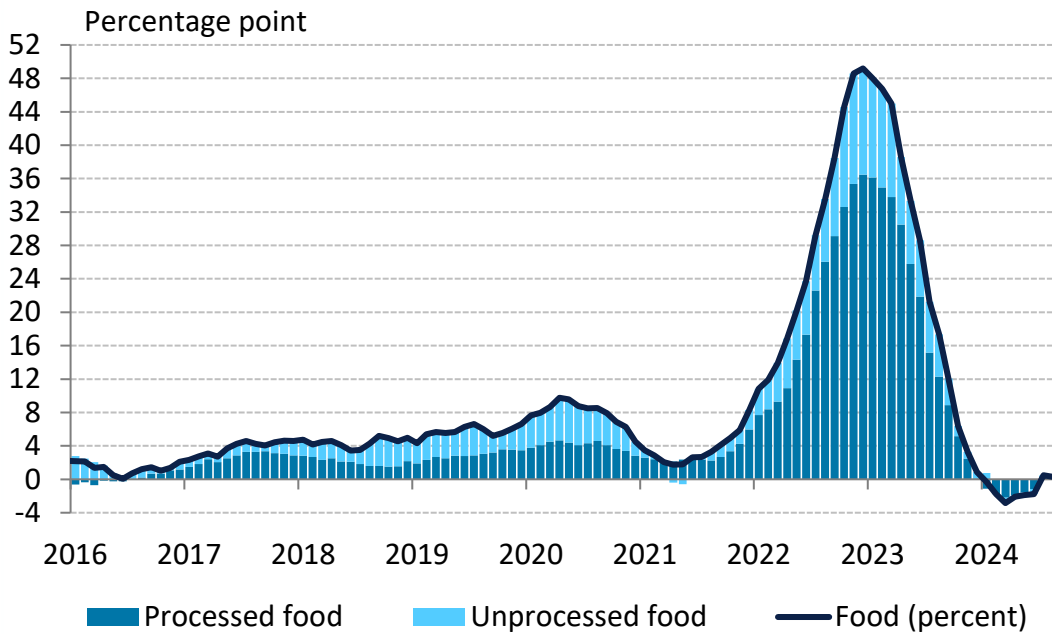
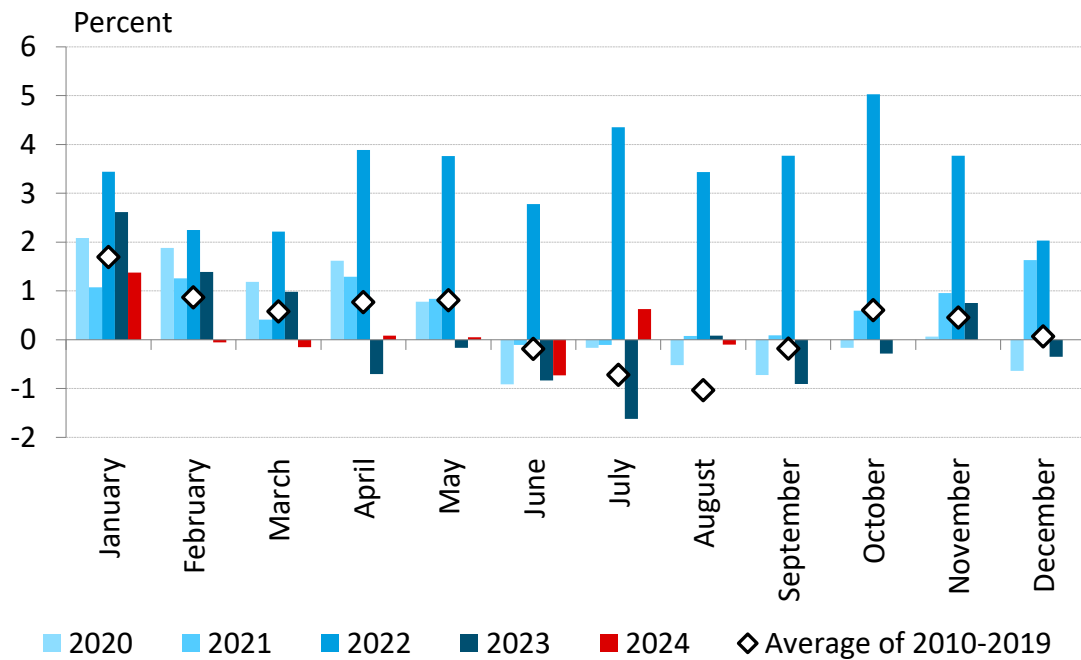


Chart 9 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



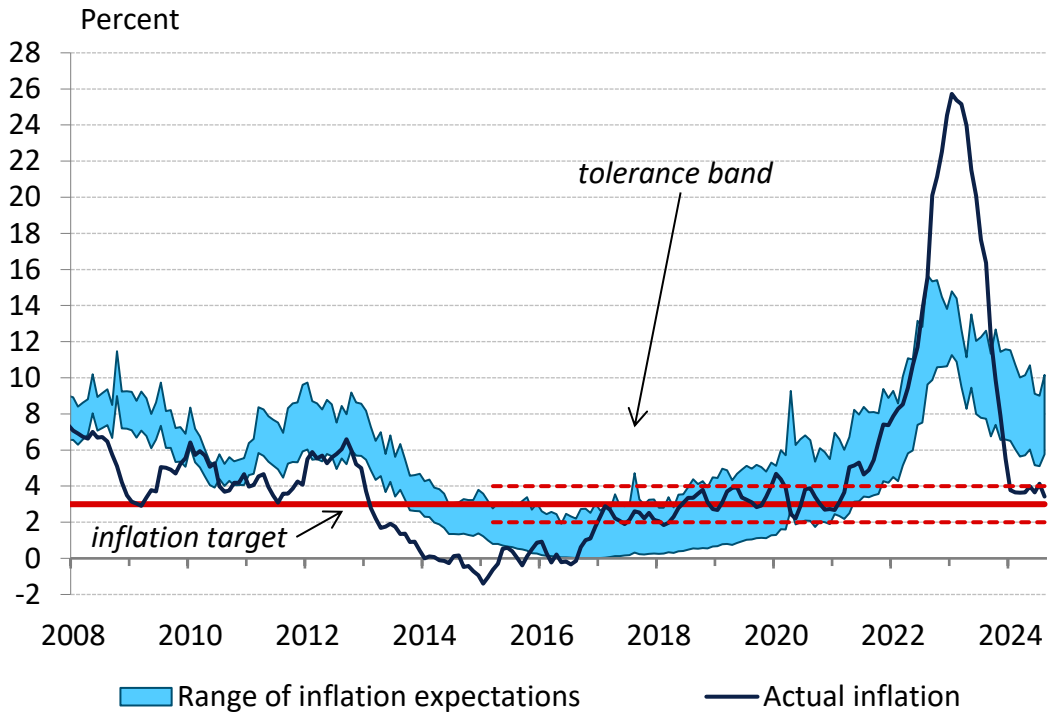
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery 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



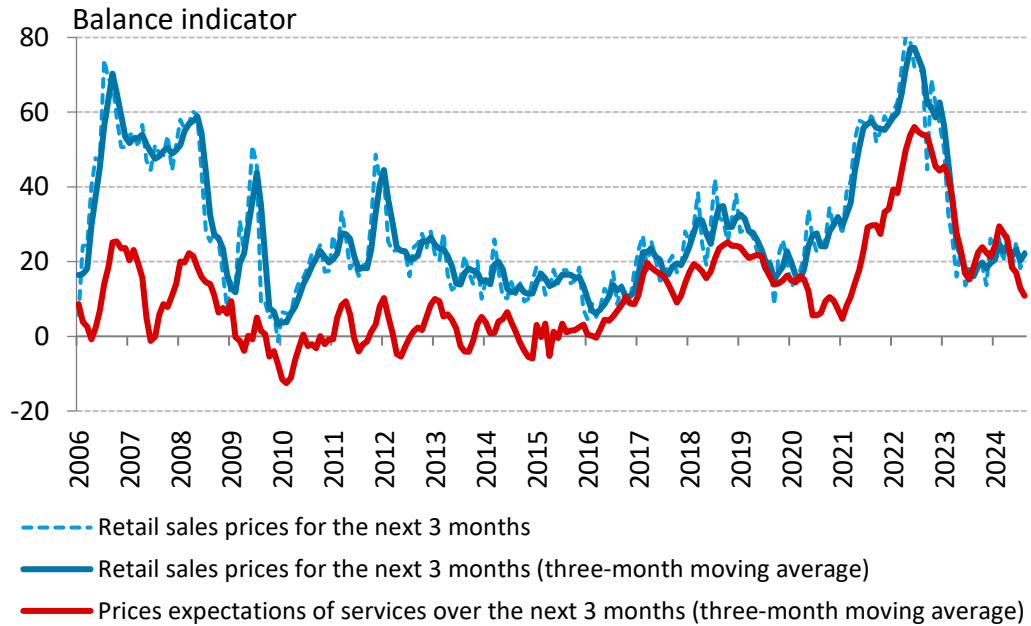
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Chart 11 Households' inflation expectations



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, August 2024 (HCSO)					
3.4% (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%	3.0	Contribution of core inflation excluding taxes (percentage points), weight 65.1%	3.0
Contribution of other items (percentage points), weight 58.9%	1.0	Contribution of other items (percentage points), weight 47.7%	0.4	Contribution of other items (percentage points), weight 34.9%	0.4

Sources: HCSO and the MNB's own calculations.

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