



# FLASH ANALYSIS OF INFLATION DEVELOPMENTS

December

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 for 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 DECEMBER 2024

Consumer prices rose by 4.6 percent in annual terms in December 2024. Compared to November, the annual growth rate of prices picked up by 0.9 percentage points. Core inflation and core inflation excluding indirect tax effects increased by 0.3 percentage points on the previous month with both measures standing at 4.7 percent (Chart 1 and Chart 2). The prices of the total consumer basket and the core inflation basket rose by 0.5 percent month-on-month. Inflation and core inflation was on the upper edge of the December Inflation Report forecast band. In 2024, annual average inflation and core inflation were 3.7 and 4.6 percent, respectively.

The rise in annual consumer price index was largely caused by the accelerating price dynamics of fuel and processed food prices. The higher core inflation compared to November reflected the price increases in processed food and durables. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, rose. The inflation of sticky-price products was 5.4 percent and core inflation excluding processed food prices stood at 4.9 percent (Chart 3).

In a shorter-term (annualised 3-month-on-3-month) comparison, core inflation fell while inflation accelerated (Chart 4). The rate of price changes 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 0.4 percent from the previous month (Chart 5). Month-on-month core inflation excluding processed food, which better reflects underlying developments, was also 0.4 percent (Chart 6). The extent of repricings in December was above the historical average in the case of tradables, market services and food prices, too.

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

The annual inflation of *tradables* rose to 1.6 percent. The price of this product group was up by 0.4 percent on a monthly basis (Chart 7). Non-durables and durables prices rose by 0.3 percent and 0.6 percent, respectively, compared to November. Rises in non-durables prices was primarily caused by increases in air travel prices, while the increase in durables prices reflected the inflation of consumer electronics (movements in air travel and tradables prices are typically shaped by the same factors; therefore, they belong to the same product group for analytic purposes according to the MNB's classification).

The annual price index of *market services* remained 8.2 percent. Prices rose by 0.4 percent month-on-month, which was primarily driven by rises in rents and insurance fees (Chart 8).

*Food prices*, according to the MNB's classification, rose to 4.7 percent. Within this product group, unprocessed food and processed food prices rose by 6 percent and 4 percent, respectively, in annual terms (Chart 9). According to HCSO data release, food prices were up by 5.4 percent, which includes the rise of 7.8 percent in restaurant meal prices. Unprocessed food prices declined by 0.2 percent compared to November as a result of a fall in fresh domestic and tropical fruit prices. Processed food prices rose by 0.8 percent on a monthly basis, which mainly reflected the inflation of milk and dairy product as well as fruit juices prices (Chart 10).

*Fuel prices* were up by 2.2 percent month on month, which might also reflect the appreciation of the dollar against emerging market currencies. Prices rose by 8.3 percent in annual terms.

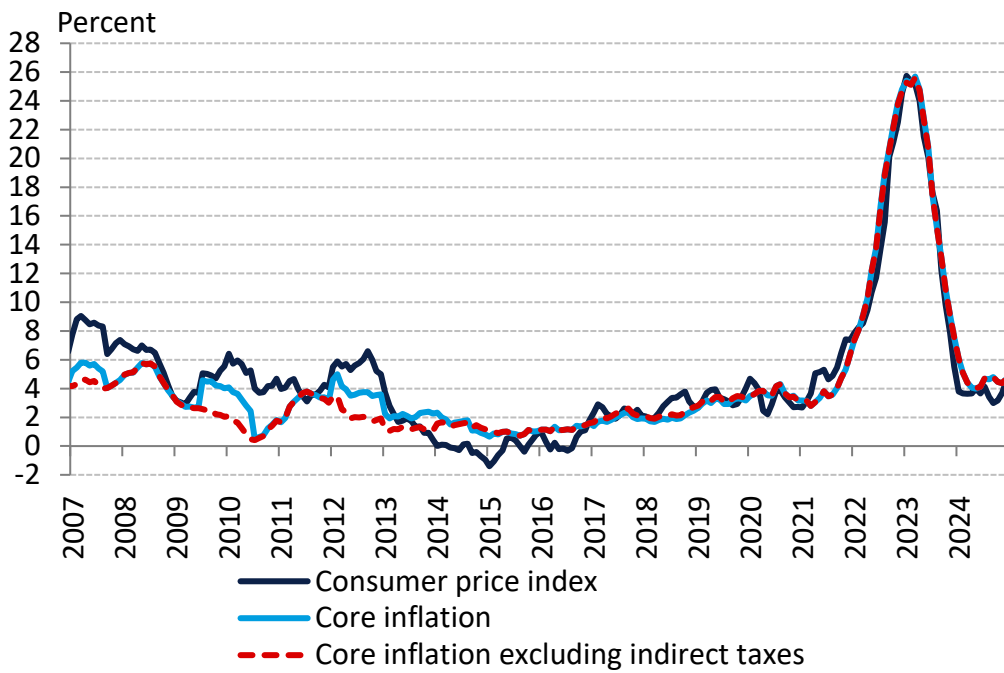
The prices of *regulated products and services* rose by 0.6 percent relative to November, mainly due to an increase in natural and manufactured gas prices. The higher average retail gas prices were caused by the rising rate of household consumption because of cold weather. As a result, the share of consumption falling above the volume limit of the lower officially regulated price increased.

Starting in July, the pick-up in *households' inflation expectations* continued in December. From the CEE region, in Hungary and Slovakia, the share of respondents rose, who expected prices to increase faster than the pace seen currently, looking ahead (Chart 11). *Corporate expectations for retail sales and services prices* rose in December: corporate expectations have been following a rising trend since October (Chart 12).

Prepared by Géza Rippel

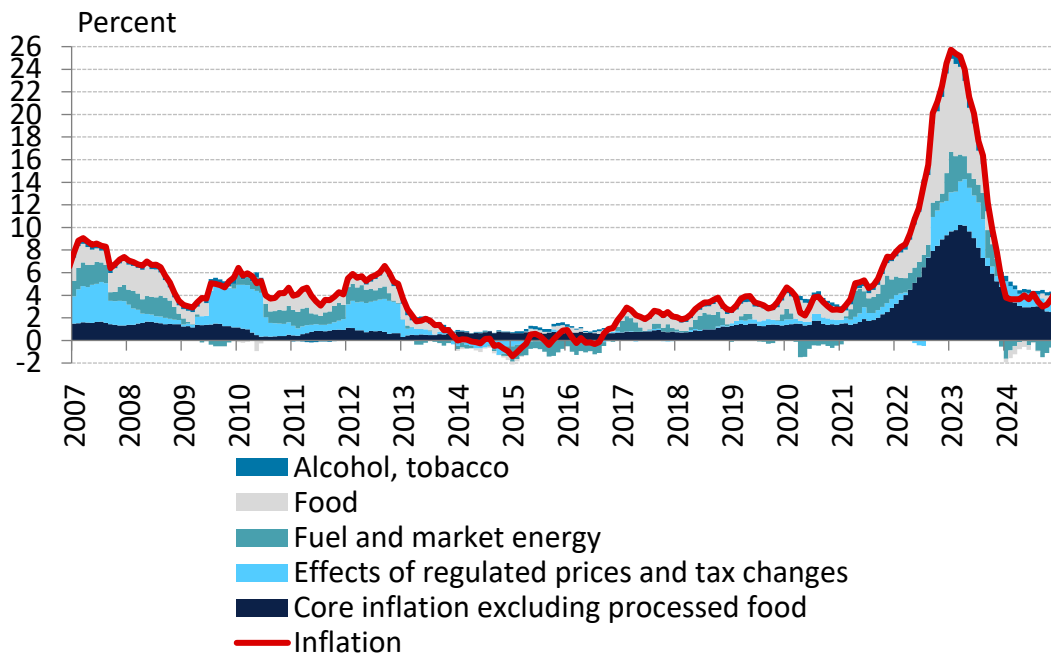
Budapest, 14 January 2024

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

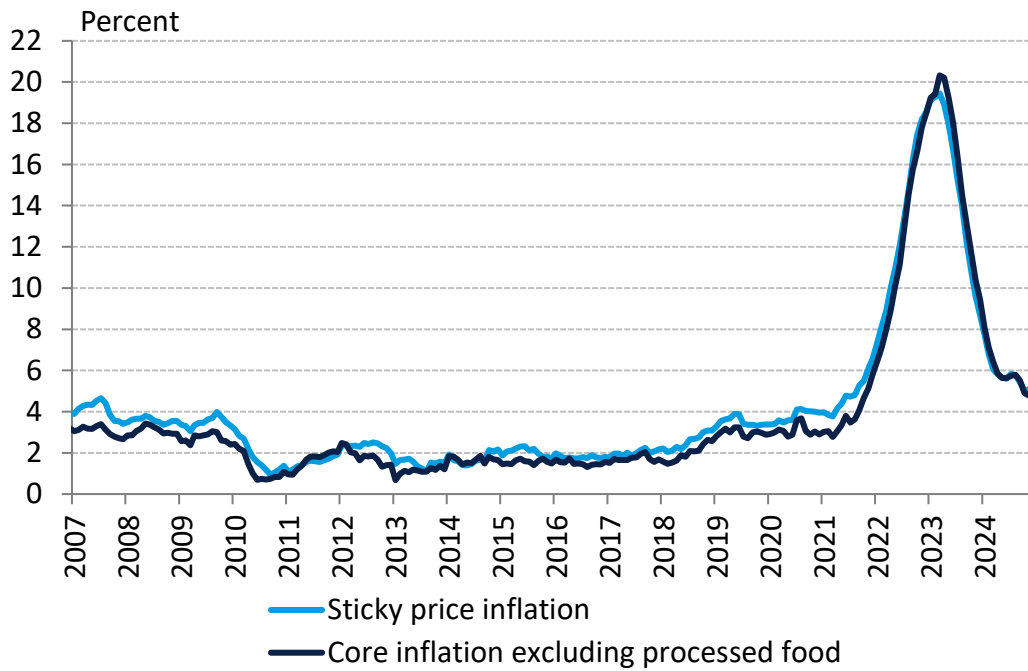


Note: Seasonally unadjusted core inflation.

**Chart 2 Inflation decomposition**  
annual change

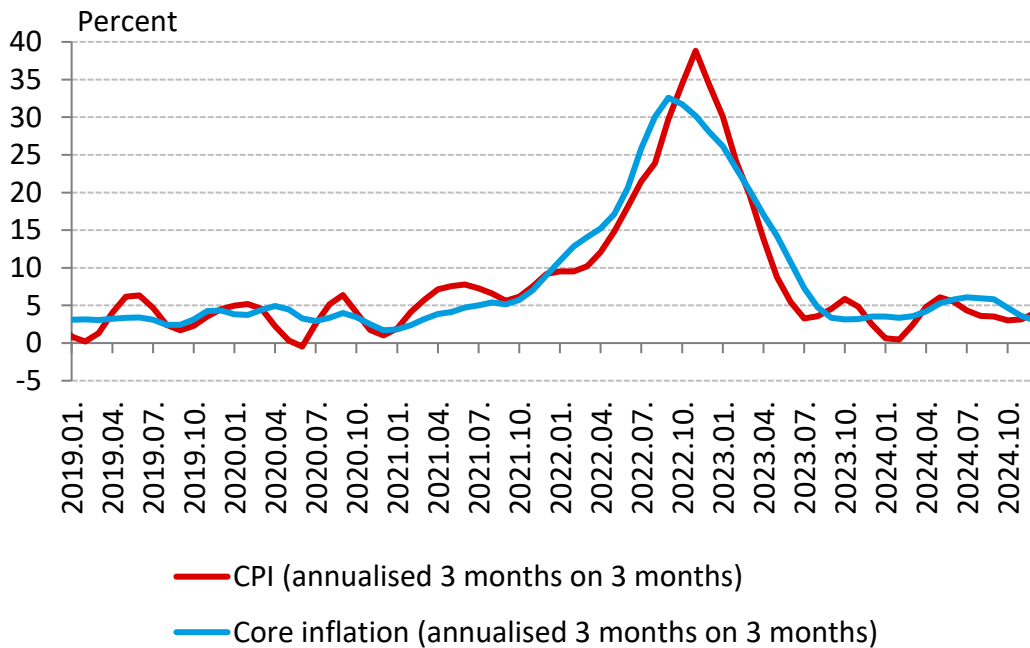


**Chart 3 Underlying inflation indicators**  
annual percentage changes excluding indirect taxes

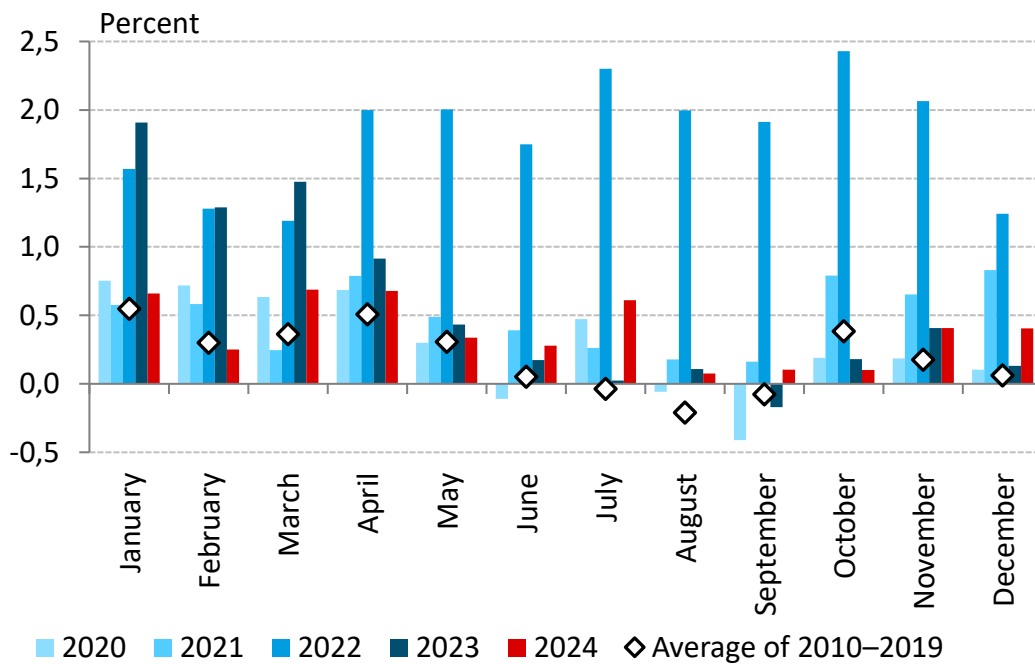


*Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 per cent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the 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.*

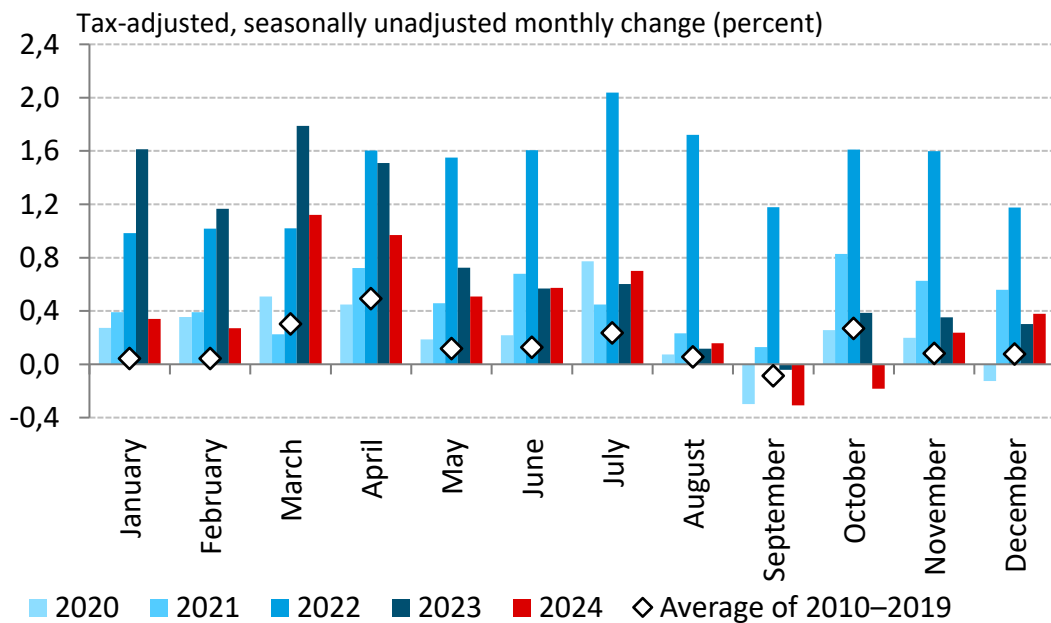
**Chart 4 Annualised 3-month change in inflation and core inflation**  
Based on seasonally adjusted data



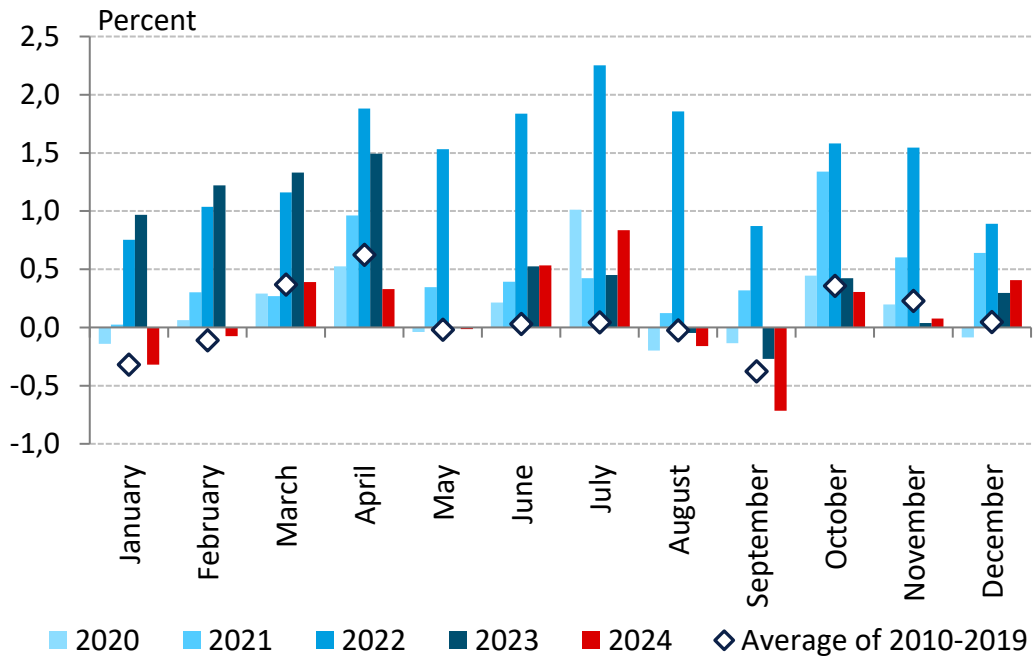
**Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices**  
tax-adjusted, seasonally unadjusted monthly percentage changes



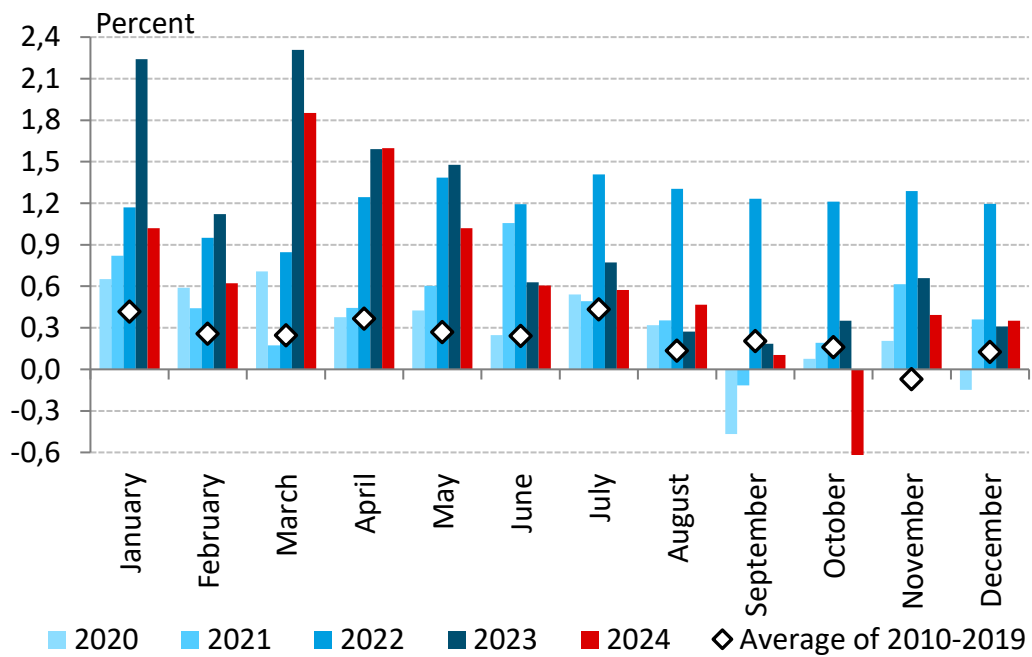
**Chart 6 Monthly change in core inflation excluding processed food**  
tax-adjusted, seasonally unadjusted monthly percentage changes



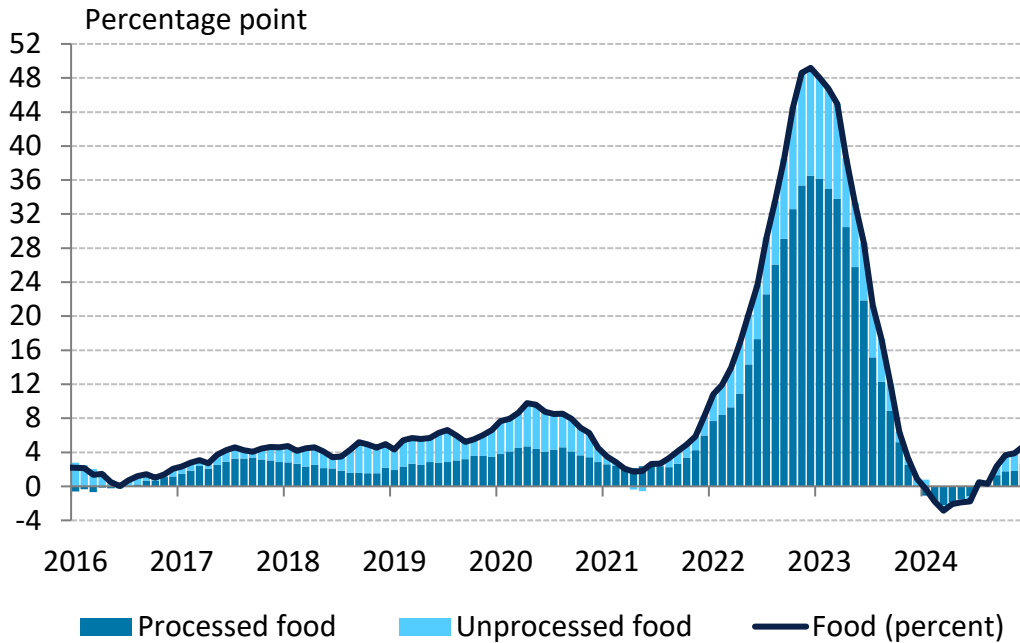
**Chart 7 Inflation of tradable goods**  
 seasonally unadjusted, tax-adjusted monthly change



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

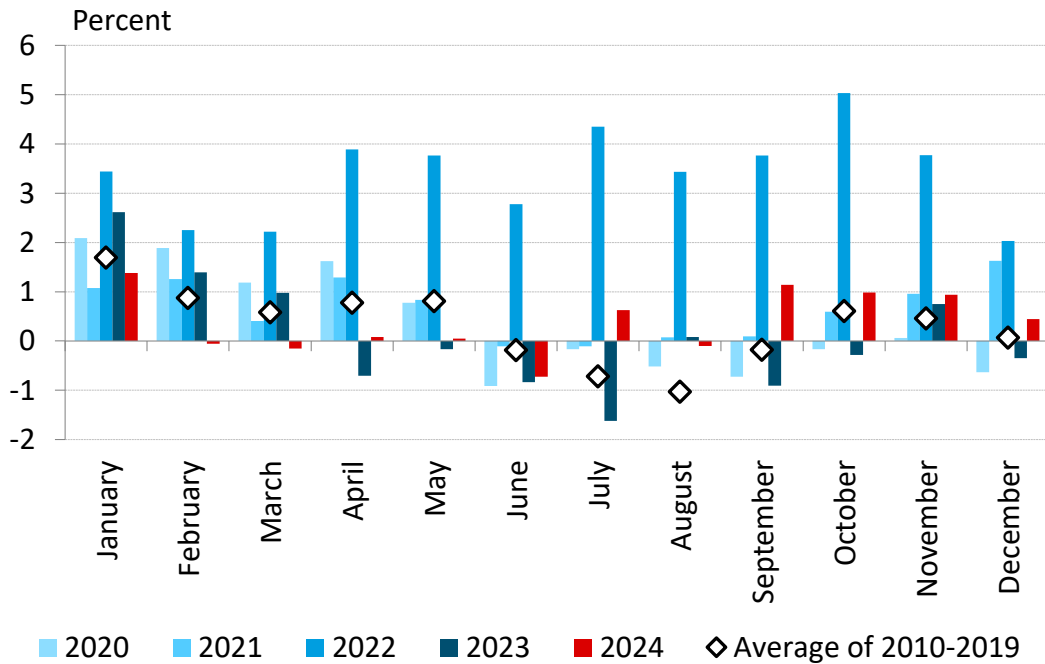


**Chart 9 Developments in food price inflation**  
seasonally unadjusted, tax-adjusted annual change



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).

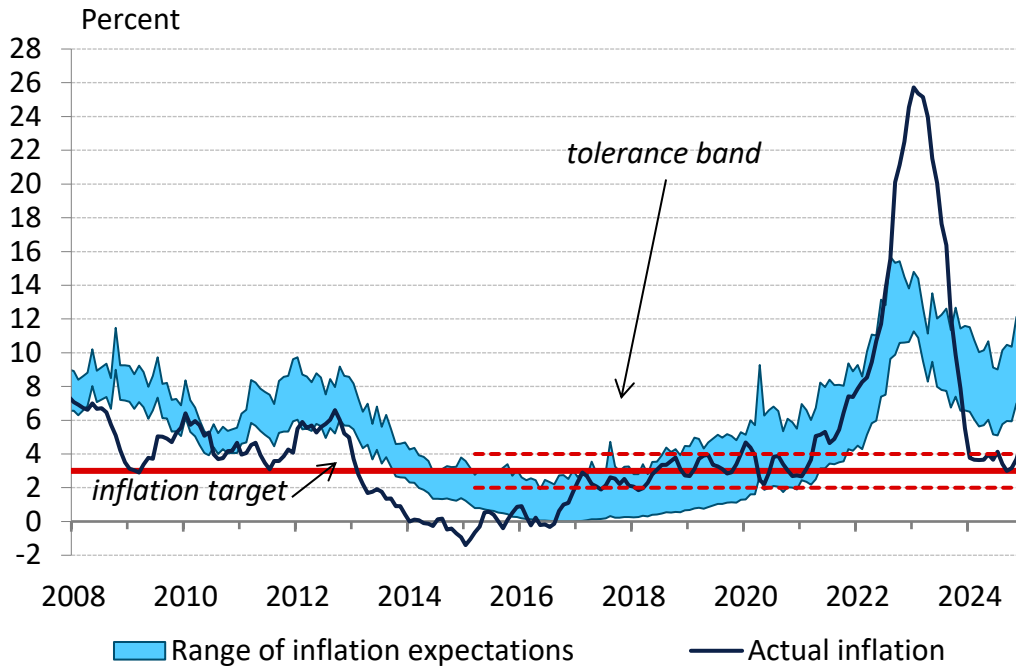
**Chart 10 Monthly changes in food prices**  
seasonally unadjusted, tax-adjusted monthly change



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).

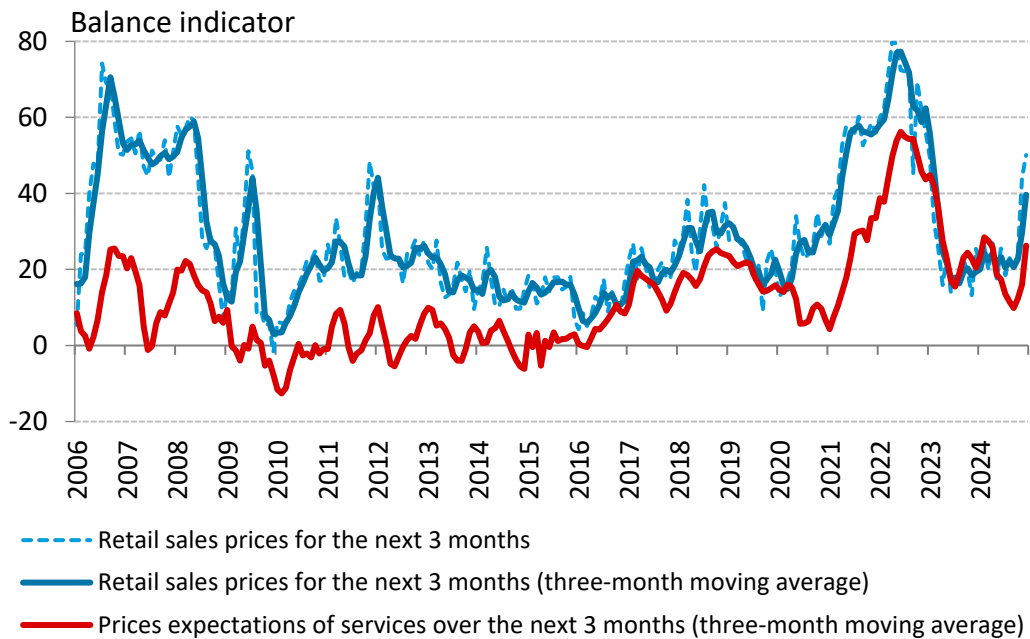


Chart 11 Households' inflation expectations



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, December 2024 (HCSO)					
4.6% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 41.1%	2.2	Contribution of core inflation excluding processed foods (percentage points), weight 52.3%	2.5	Contribution of core inflation excluding taxes (percentage points), weight 65.1%	3.1
Contribution of other items (percentage points), weight 58.9%	2.4	Contribution of other items (percentage points), weight 47.7%	2.0	Contribution of other items (percentage points), weight 34.9%	1.5

Sources: HCSO and the MNB's own calculations.

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