



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

November

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/elemlzesek-tanulmanyok-statisztikak/gyorselemzesek/gyorselemzes-az-inflacio-alakulasarol>

ASSESSMENT OF INFLATION DATA FOR NOVEMBER 2024

Consumer prices rose by 3.7 percent in annual terms in November 2024. Relative to October, the annual growth rate of prices grew by 0.5 percentage points. Core inflation and core inflation excluding indirect tax effects moderated by 0.1 percentage point on the previous month with both measures standing at 4.4 percent (Chart 1 and Chart 2). Month-on-month, the price of the total consumer basket and the price of the basket based on core inflation rose by 0.5 percent and 0.3 percent, respectively. The inflation rate is in line with the projection in the September Inflation Report with core inflation fluctuating below the projection.

The rise in the annual consumer price index largely reflected an accelerating growth rate in fuel prices, while the slowdown in core inflation was caused by the continued disinflation in market services prices. 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 5.1 percent and 4.8 percent, respectively (Chart 3).

In a shorter-term (annualised 3-month-on-3-month) comparison, core inflation fell while inflation rose slightly (Chart 4). The rate of price increases from the previous month was significantly higher than the historical average in inflation and moderately elevated in 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 prices, which better reflect underlying developments, was 0.2 percent (Chart 6). The change in the forint's exchange rate observed since September has not reflected in the pricing of tradables. The degree to which repricings took place in November was below the historical average in the case of tradables. By contrast, it was above the historical average in market services and food prices.

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

The annual inflation of *tradables* rose to 1.5 percent. The price of this product group was up by 0.1 percent on a monthly basis (Chart 7). Non-durables prices rose by 0.2 percent, while durables prices were down by 0.3 percent.

The annual price index of *market services* declined to 8.2 percent. Prices increased by 0.4 percent on a monthly basis. The price rises were explained by the inflation of healthcare services prices (Chart 8).

The growth in *food prices*, according to the MNB's classification, increased to 3.8 percent. Within this product group, unprocessed food and processed food prices rose by 6 percent and 2.7 percent, respectively in annual terms (Chart 9). According to HCSO data release, food prices were up by 4.9 percent, which includes the rise of 7.9 percent in restaurant meal prices. Unprocessed food prices were up by 2.1 percent relative to October primarily due to the increases in fresh vegetables and egg prices. Processed food prices rose by 0.3 percent on a monthly basis, which was largely driven by the rises in the prices of milk and dairy products, as well as fruit juice (Chart 10).

Fuel prices were up by 2.3 percent on a monthly basis, which may have been driven by an increase in margins. Prices rose by 0.7 percent in annual terms.

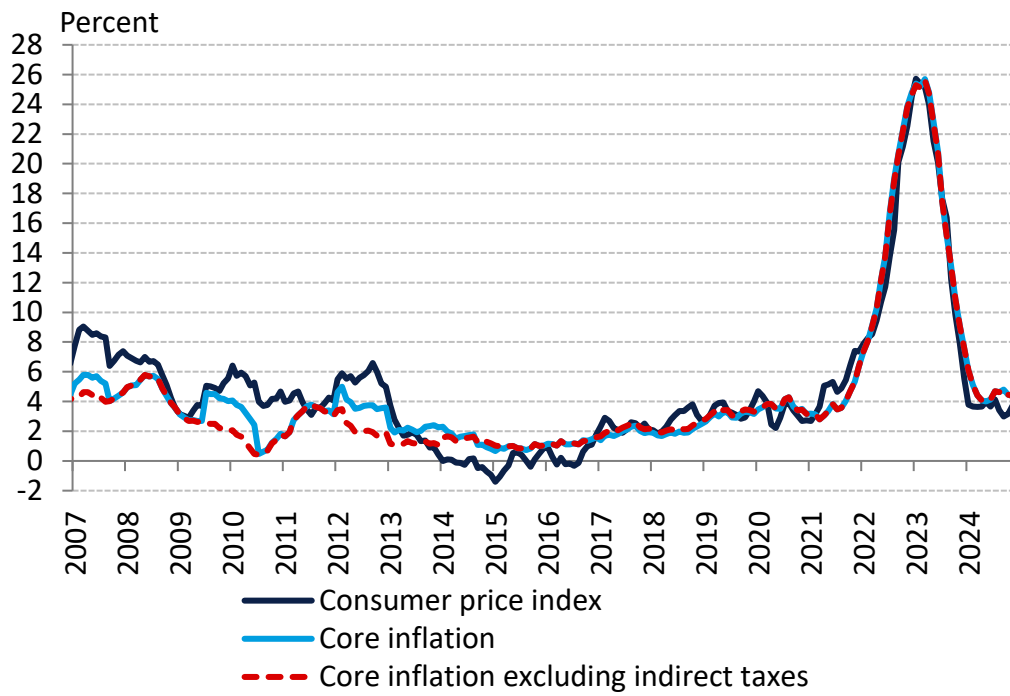
The prices of *regulated products and services* were up by 0.4 percent relative to October, which was primarily caused by an increase in piped gas prices. The latter was the result of a decrease in the share of household consumption falling below the volume limit of the lower officially regulated price.

Households' inflation expectations have been following a declining trend since the beginning of last year showing more increased volatility than historic levels (Chart 11). *Companies' expectations for services and retail prices* rose in November, the data for the coming months will provide a full picture of the durability of the rise (Chart 12). Corporate expectations for services prices remain at the low levels seen during the period of price stability.

Prepared by Géza Rippel

Budapest, 10 December 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

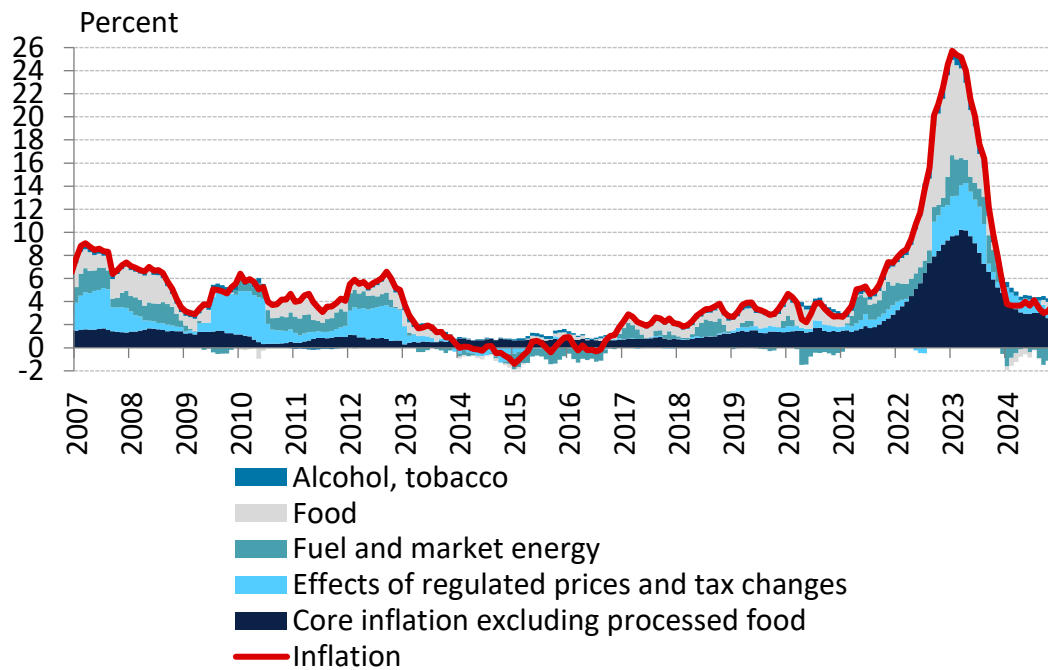
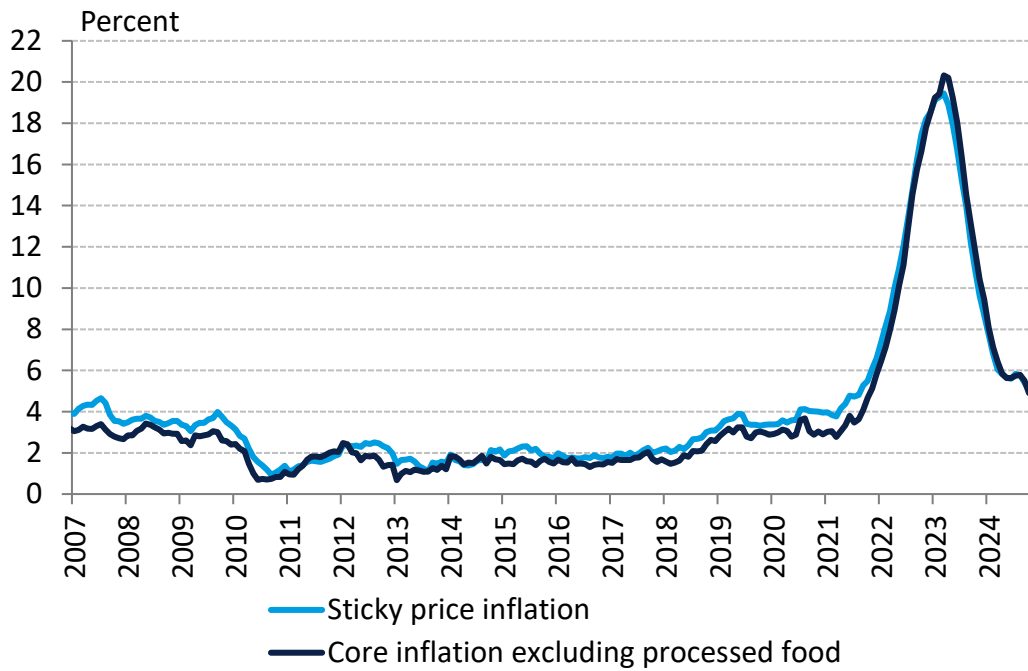


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

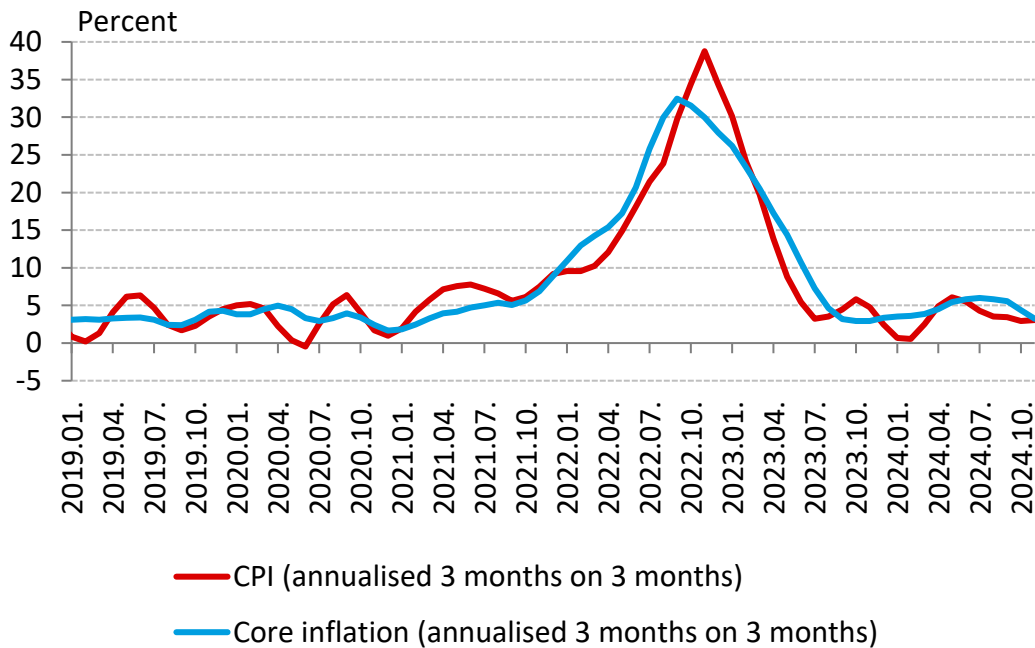


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

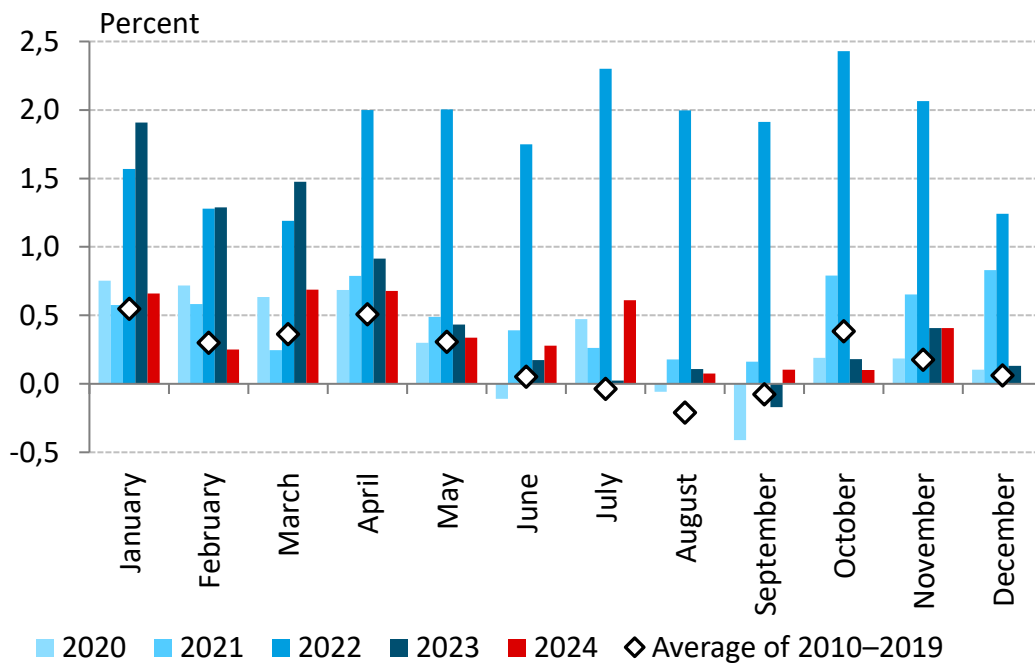


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

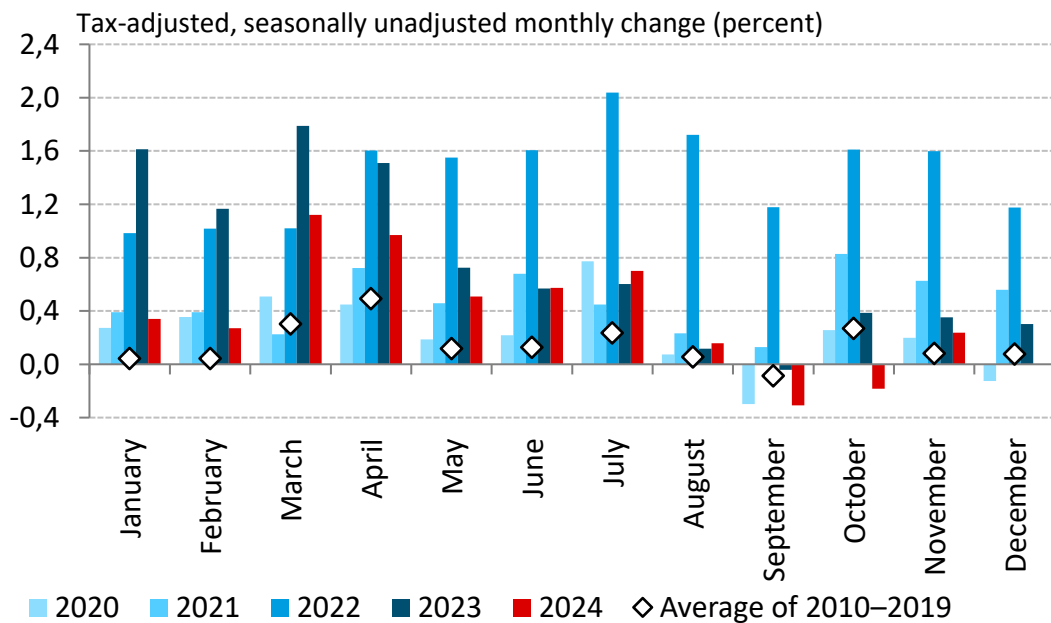


Chart 7 Inflation of tradable goods
 seasonally unadjusted, tax-adjusted monthly change

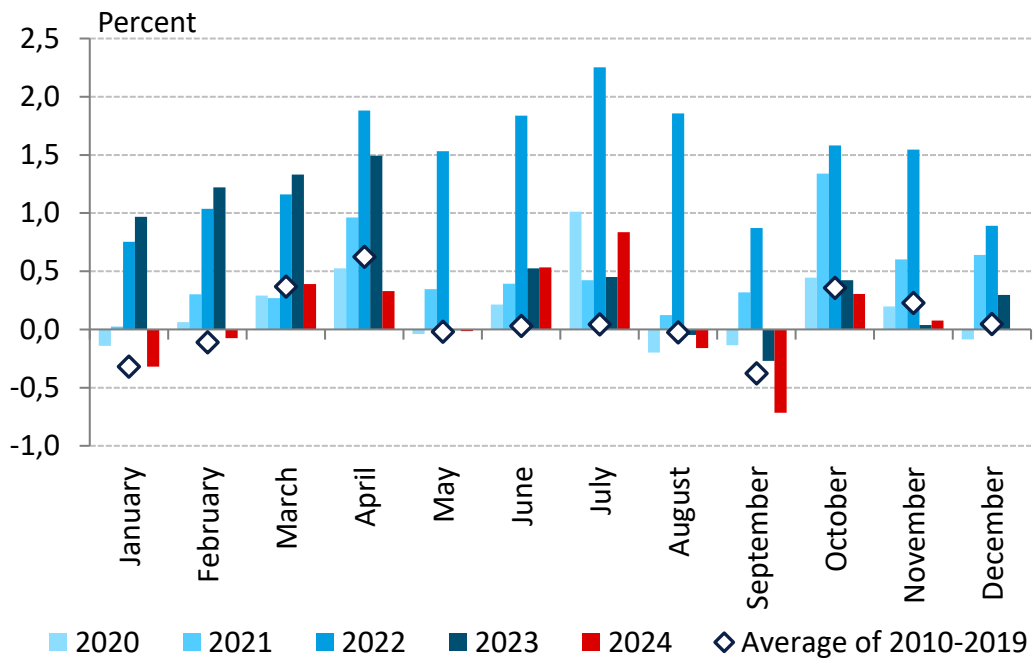


Chart 8 Market services inflation
 seasonally unadjusted, tax-adjusted monthly change

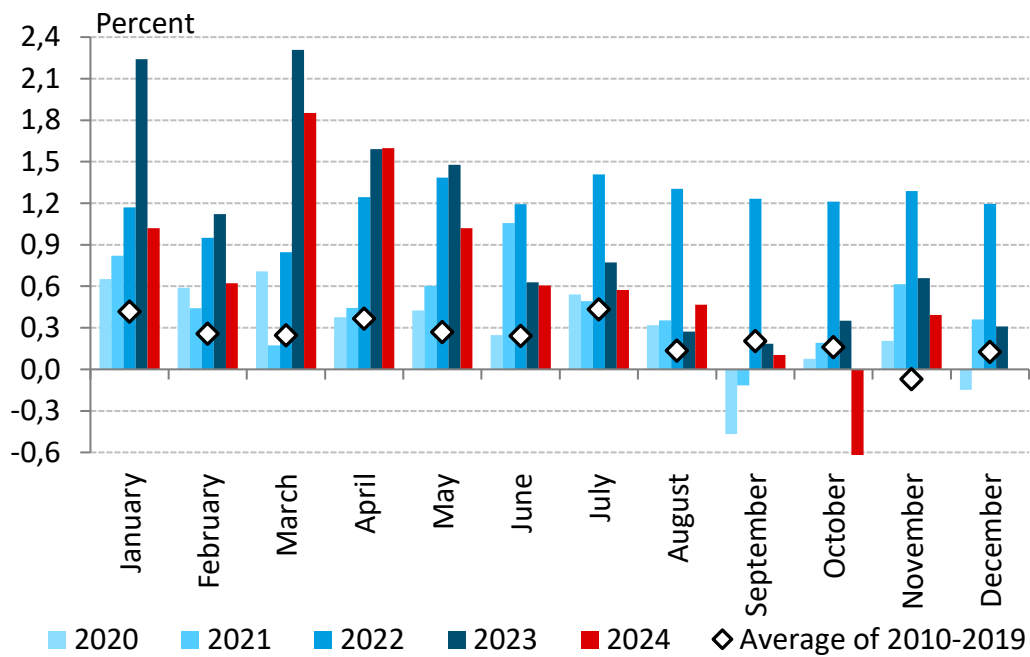
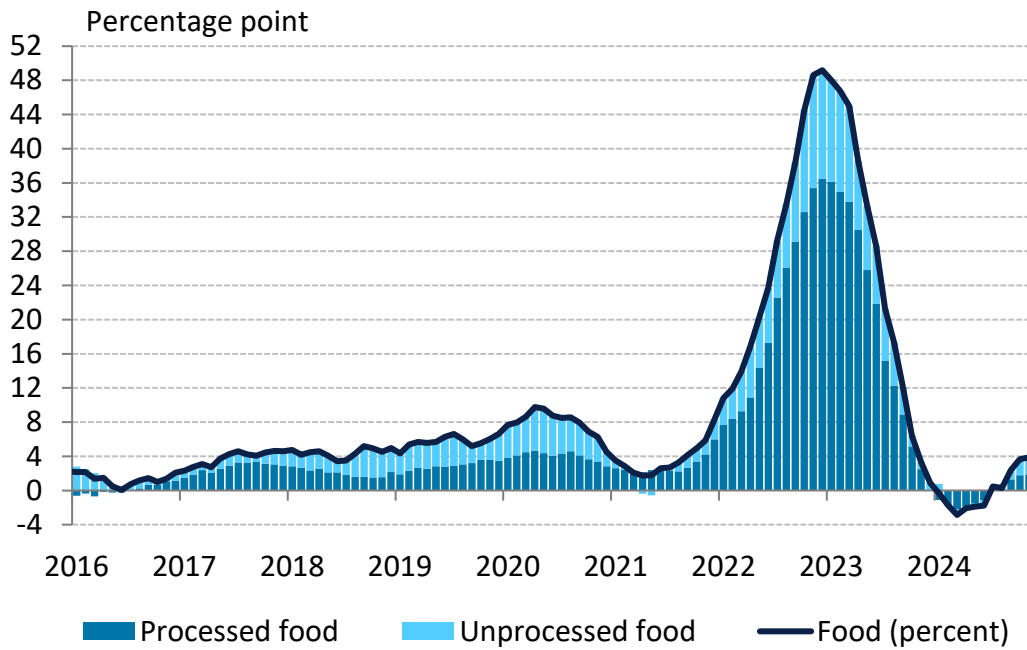
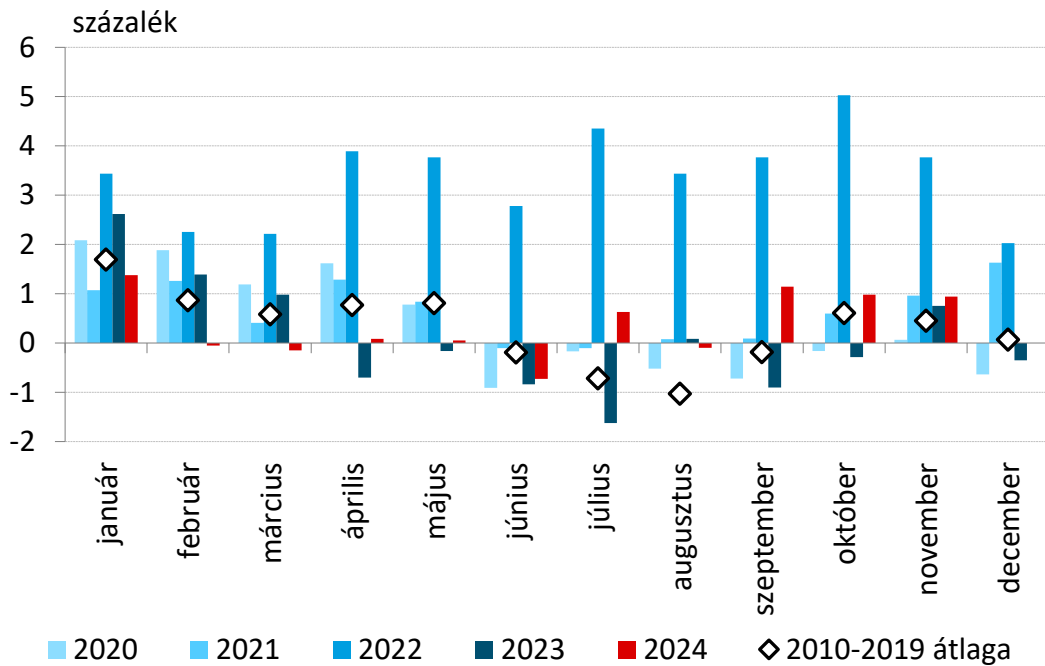


Chart 9 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



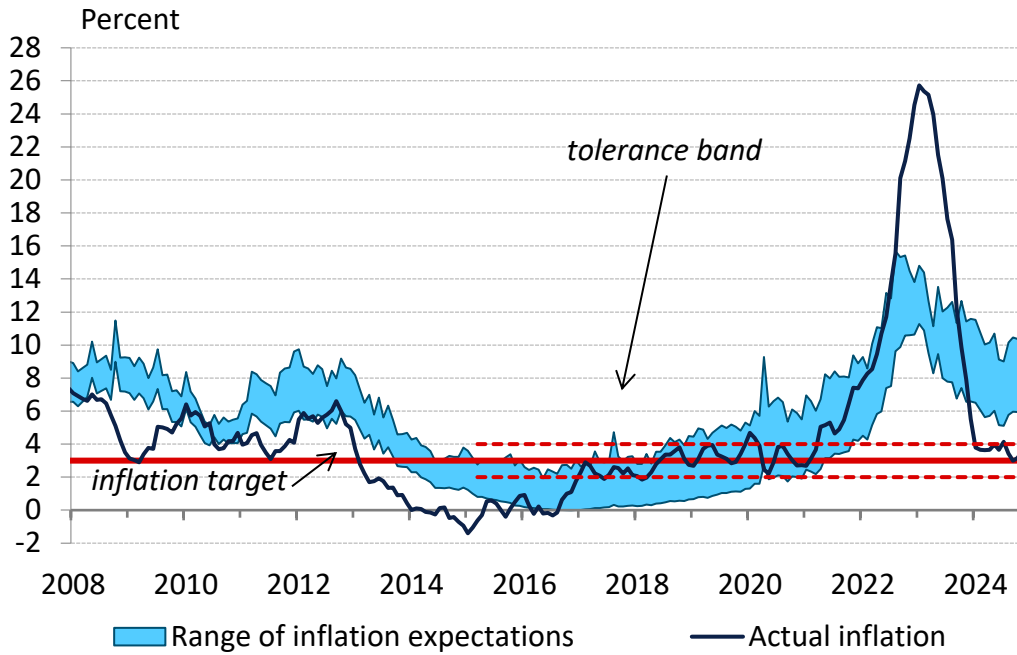
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



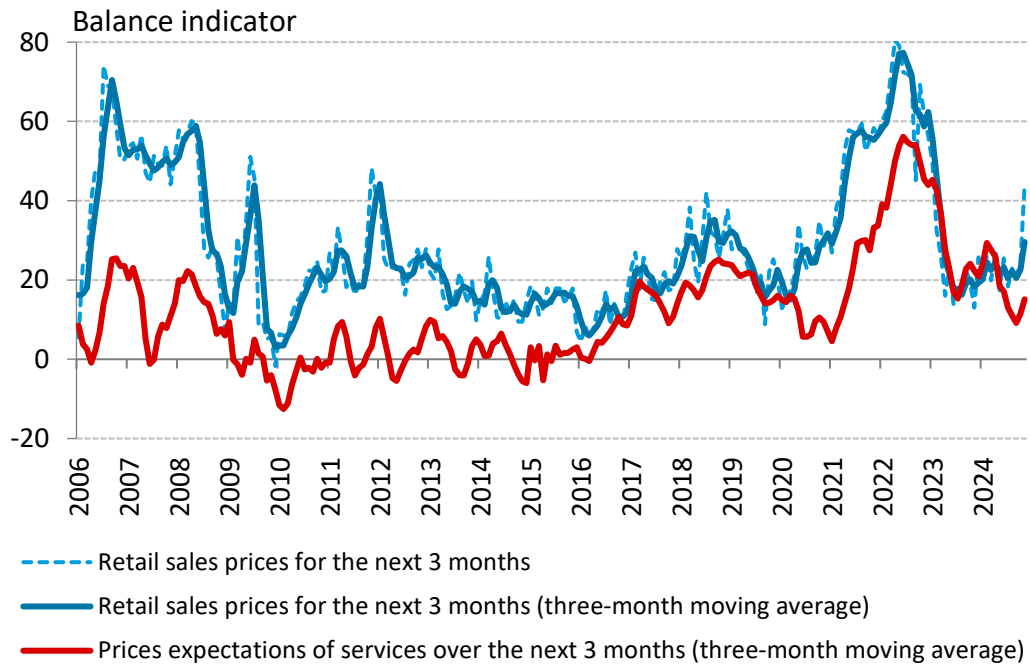
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Chart 11 Households' inflation expectations



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, November 2024 (HCSO)					
3.7% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 41.1%	2.1	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%	2.9
Contribution of other items (percentage points), weight 58.9%	1.6	Contribution of other items (percentage points), weight 47.7%	1.2	Contribution of other items (percentage points), weight 34.9%	0.9

Sources: HCSO and the MNB's own calculations.

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