



# FLASH ANALYSIS OF INFLATION DEVELOPMENTS

September

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

## ASSESSMENT OF INFLATION DATA FOR SEPTEMBER 2024

Consumer prices rose by 3.0 percent in annual terms in September 2024. The last time when the inflation was on or below the 3 percent target of the central bank was in January 2021. The annual rate of inflation was down by 0.4 percentage points from August. Core inflation and core inflation excluding indirect tax effects increased by 0.2 percentage points on the previous month with both measures standing at 4.8 percent (Chart 1 and Chart 2). On a monthly basis, the price of the total consumer basket decreased by 0.1%, while the price of the core inflation basket remained unchanged. Inflation was at the middle of the forecast range provided in the September Inflation Report.

The decline in the annual CPI is explained by a slowdown in fuel price growth, partly due to base effects and due in part to the fall in fuel prices in September. The rise in annual core inflation was driven by the higher price dynamics of processed foods. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, fell. The inflation of sticky-price products was 5.4 percent and core inflation excluding processed food prices was 5.5 percent (Chart 3).

In a shorter-term (annualised 3-month-on-3-month) comparison, core inflation and inflation fell slightly (Chart 4). The rate of price increases from the previous month was lower 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 from the previous month (Chart 5). Month-on-month core inflation excluding processed food prices, which better reflect underlying developments, was -0.3 percent (Chart 6). The rate of repricings in September was below the historical average in tradables and market services, and above the historical average in food.

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

The annual inflation of *tradables* fell to 1.6 percent. The price of this product group was down by 0.7 percent on a monthly basis (Chart 7). Durables prices rose by 0.1 percent, while non-durables prices were down by 1.1 percent. The latter was mainly due to the seasonal downturn in the prices of holidays abroad and flights, which are generally seen in September (changes in the prices of holidays abroad, flights and tradables are usually affected by the same factors and are therefore classified in the same product group by the MNB).

Annual price index of *market services* remained at 9.6 percent. Prices increased by 0.1 percent on a monthly basis (Chart 8). The strongest contributors to the monthly price increases were rising rents and prices of food-related services, which was partially offset by the falling prices of domestic holiday services after the end of the summer season.

The growth in *food prices*, according to the MNB's classification, rose to 2.3 percent. Within this product group, unprocessed food and processed food prices rose by 3.2 percent and 2.0 percent, respectively in annual terms (Chart 9). According to HCSO data release, food prices were up by 3.7 percent, which includes the rise of 7.6 percent in restaurant meal prices. Compared to August, unprocessed food prices increased by 1.1 percent, mainly due to higher fresh fruit and vegetables prices. Processed food prices were up by 1.2 percent on a monthly basis, which was mainly attributable to increases in milk and dairy products prices (Chart 10).

*Fuel prices* fell by 3.7 percent on a monthly basis as a result of the decreases in global oil prices. Due in part to base effects, prices decreased by 9.5 percent in annual terms.

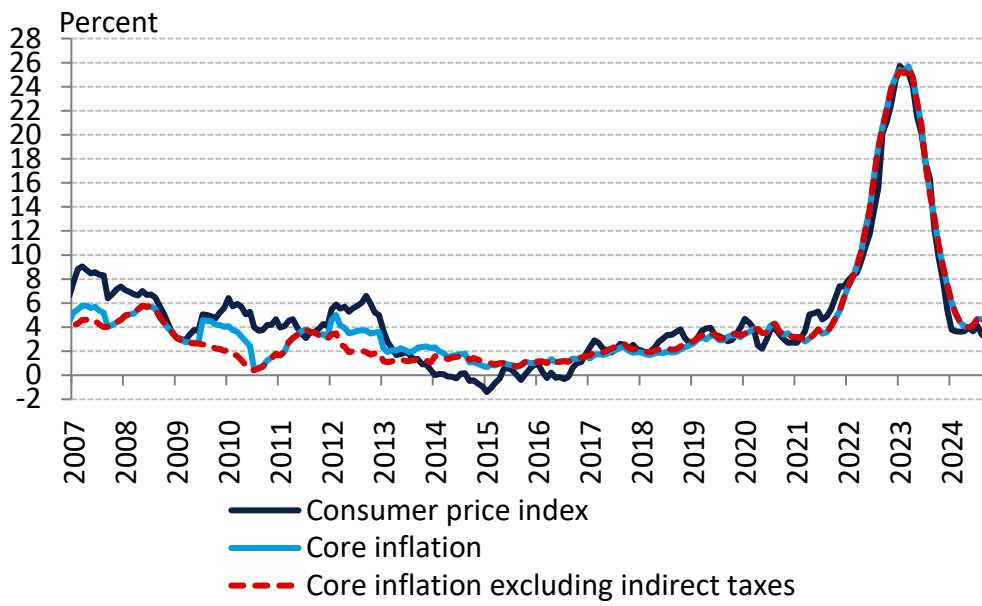
The prices of *regulated products and services* rose by 0.4 percent compared to August.

*Households' inflation expectations* have been following a declining trend since the beginning of last year showing a more increased volatility than historically seen (Chart 11). *Corporate expectations for services prices* and *retail sales prices* moderated with both indicators remaining significantly below the levels seen in 2022 (Chart 12).

Prepared by Géza Rippel

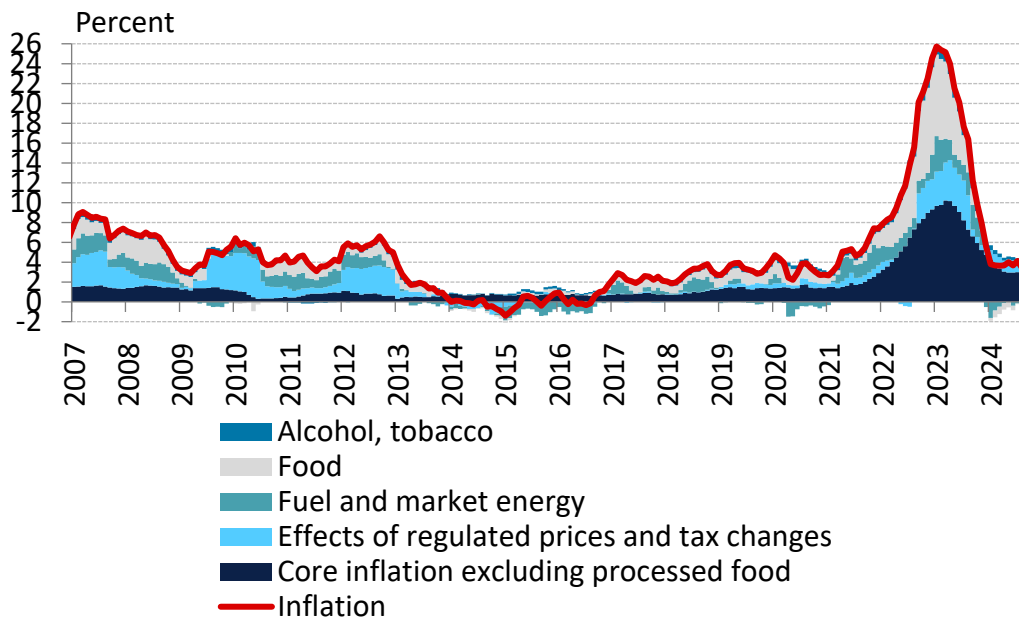
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**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
annual change

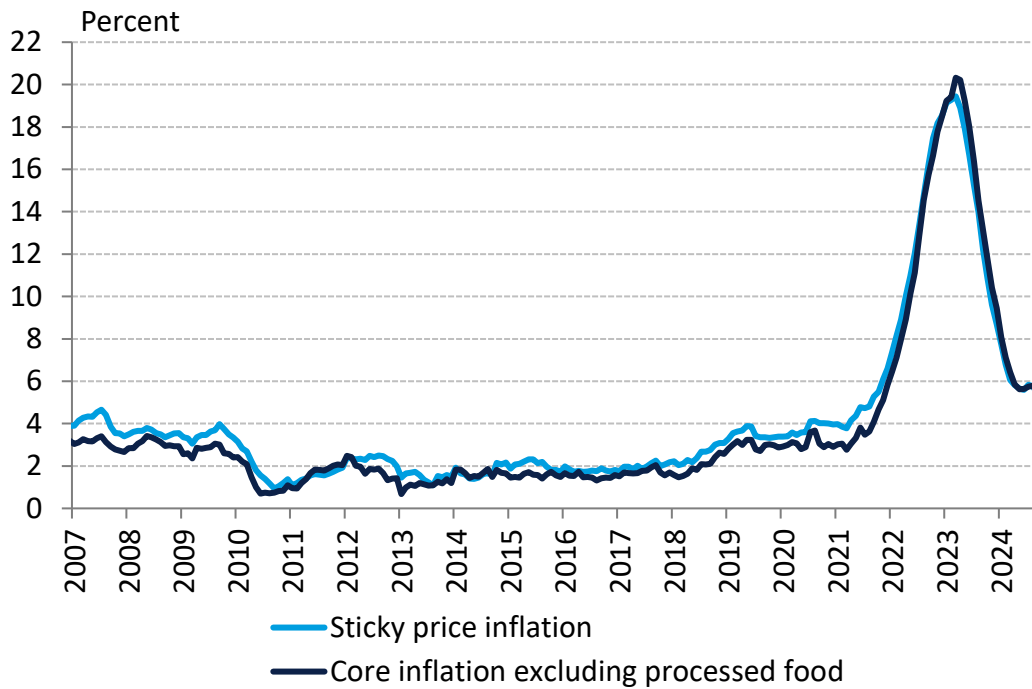


Note: Seasonally unadjusted core inflation.

**Chart 2 Inflation decomposition**  
annual change

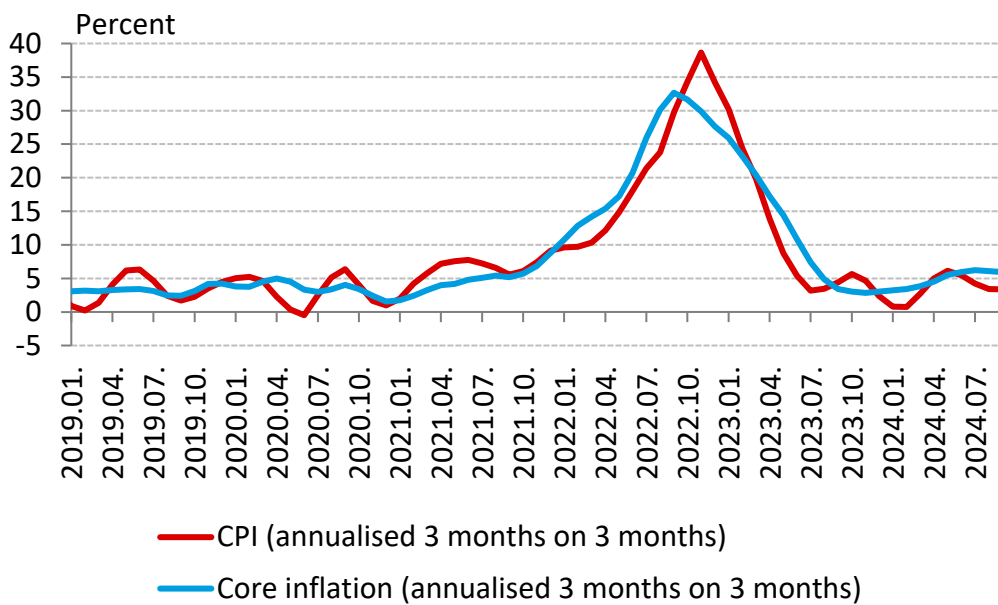


**Chart 3 Underlying inflation indicators**  
annual percentage changes excluding indirect taxes

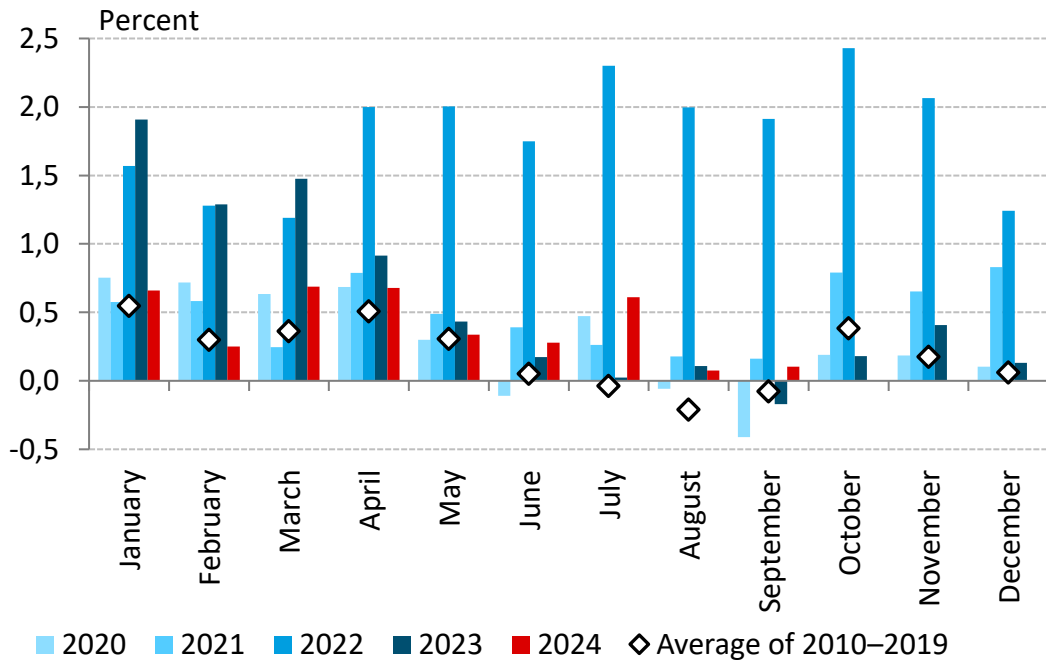


*Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 percent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the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

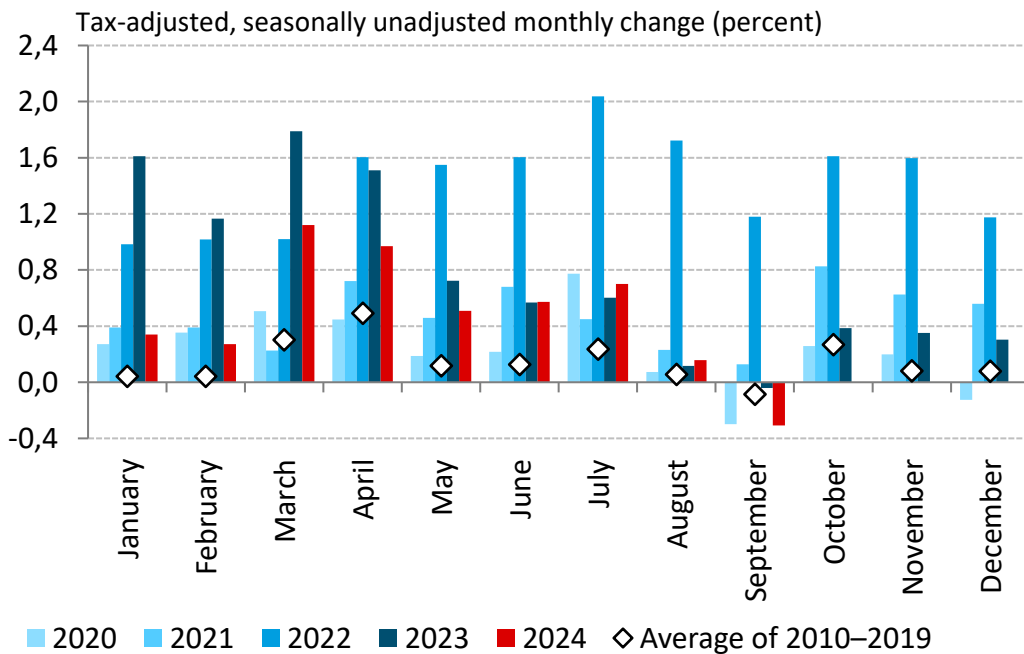
**Chart 4 Annualised 3-month change in inflation and core inflation**  
Based on seasonally adjusted data



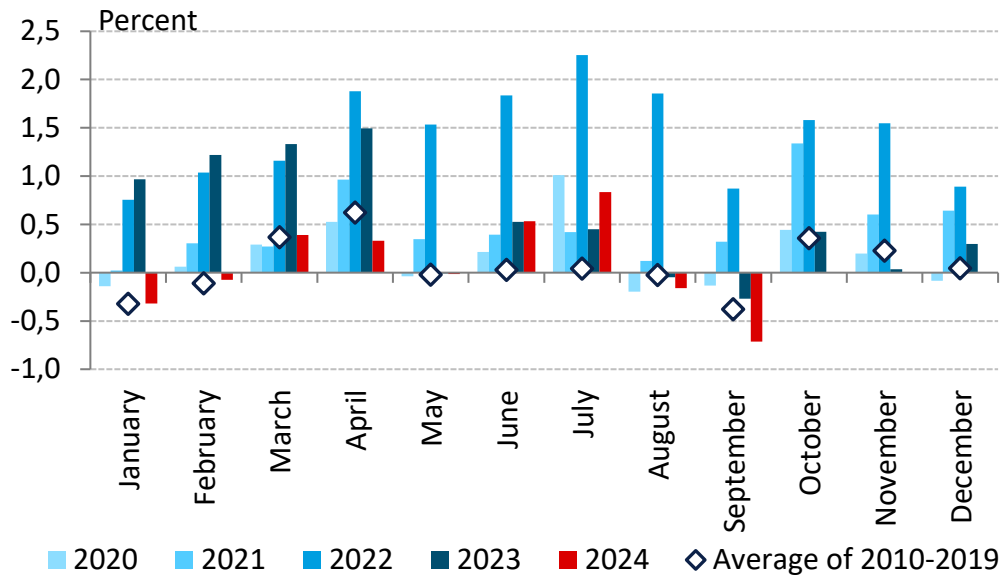
**Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices**  
 tax-adjusted, seasonally unadjusted monthly percentage changes



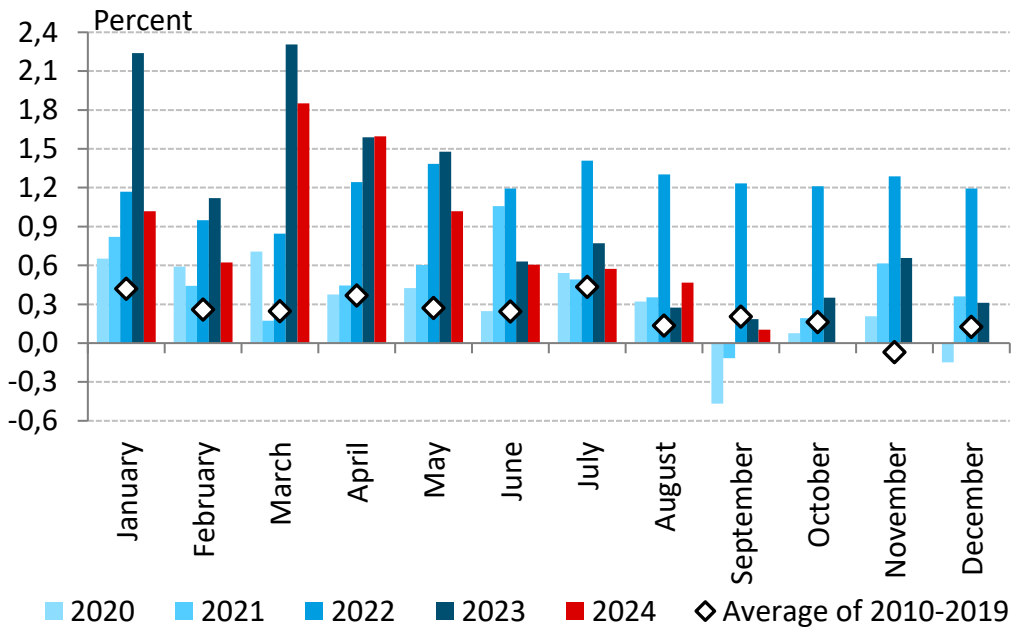
**Chart 6 Monthly change in core inflation excluding processed food**  
 tax-adjusted, seasonally unadjusted monthly percentage changes



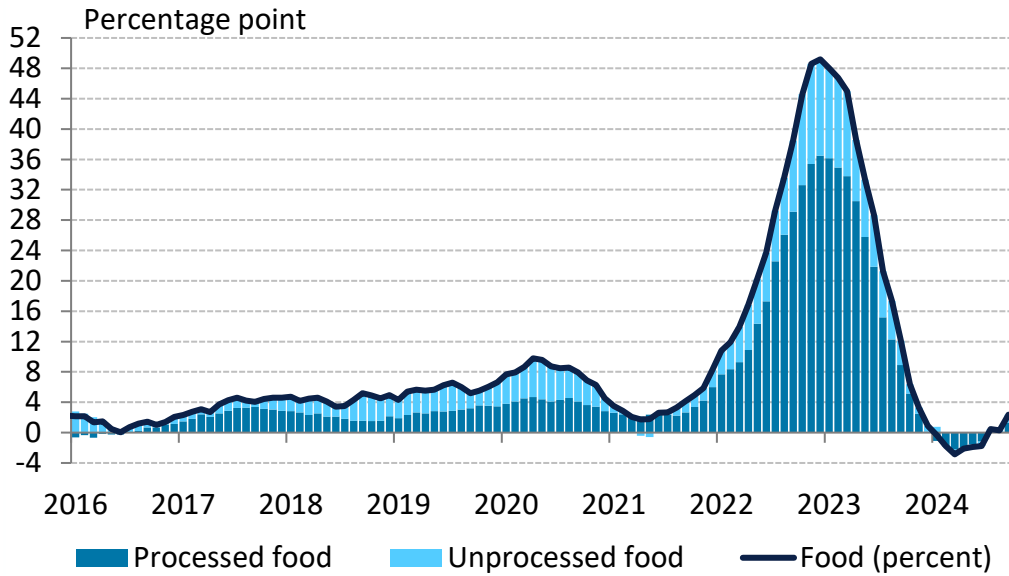
**Chart 7 Inflation of tradable goods**  
 seasonally unadjusted, tax-adjusted monthly change



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

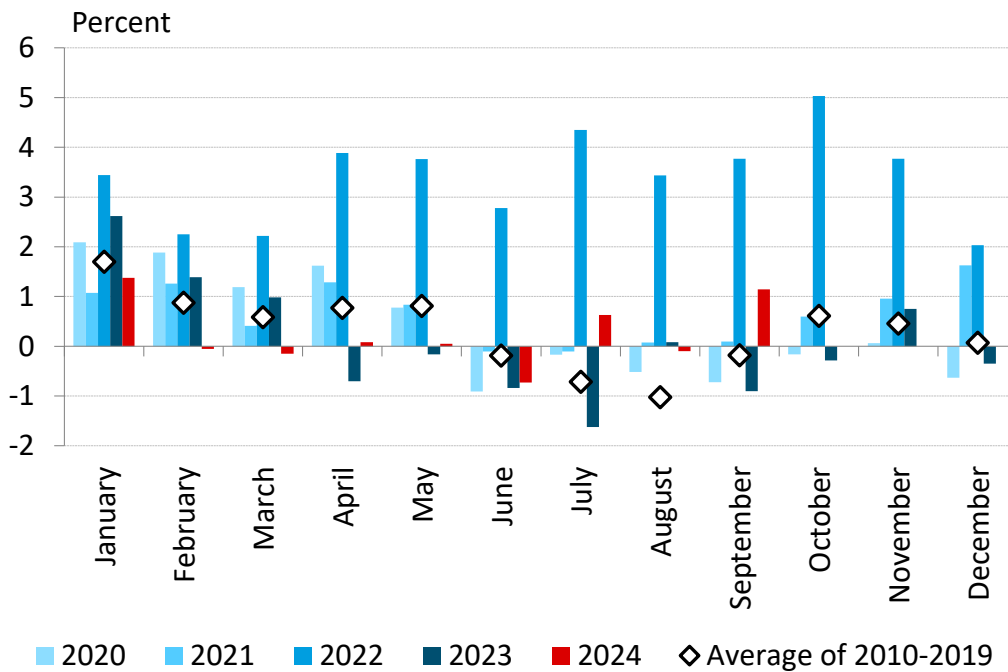


**Chart 9 Developments in food price inflation**  
seasonally unadjusted, tax-adjusted annual change



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).

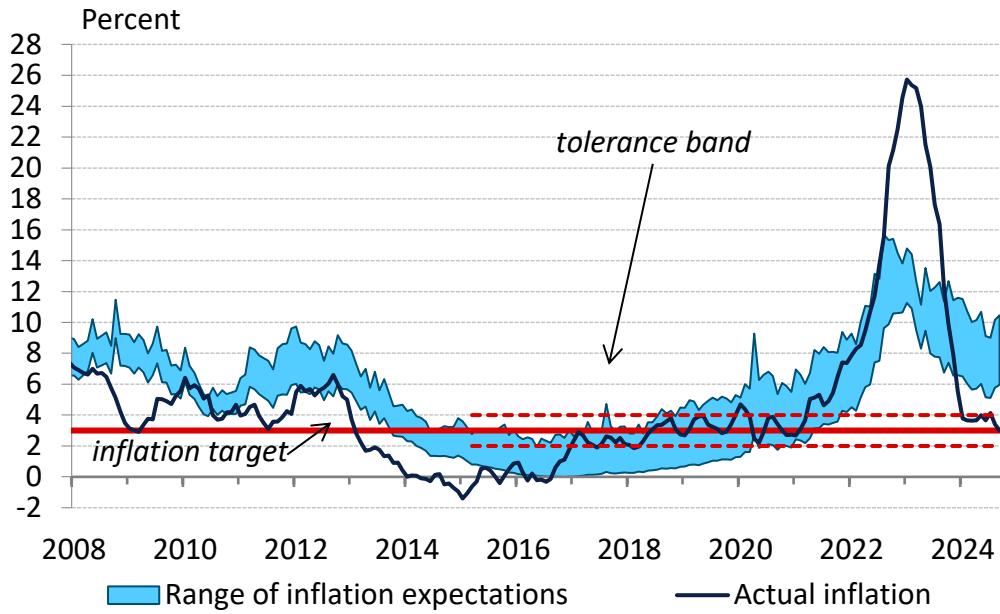
**Chart 10 Monthly changes in food prices**  
seasonally unadjusted, tax-adjusted monthly change



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).

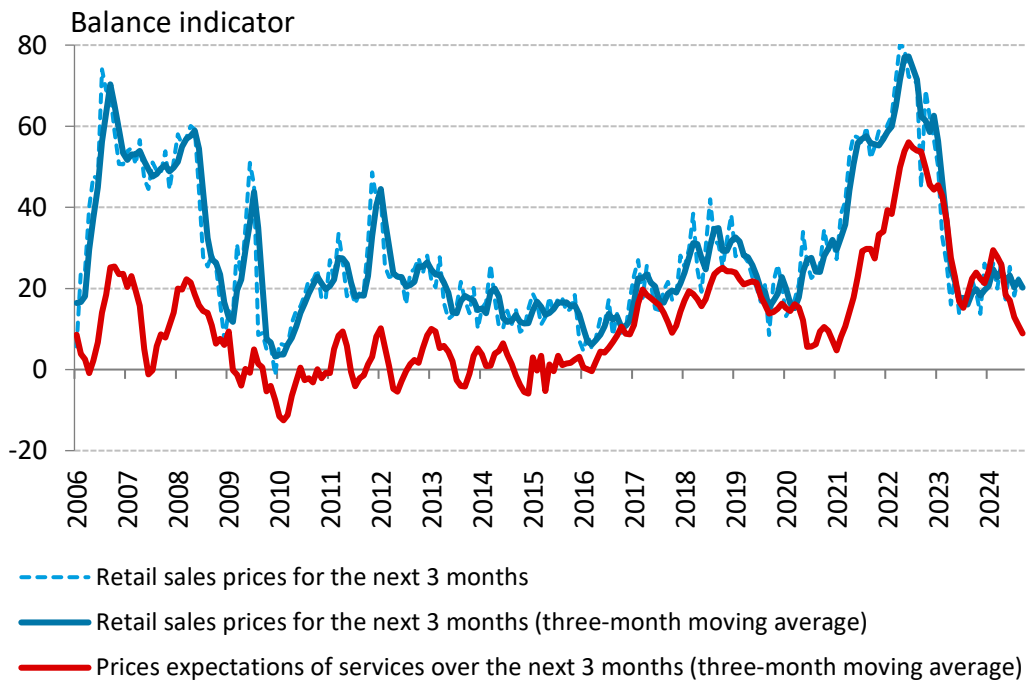


Chart 11 Households' inflation expectations



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, September 2024 (HCSO)					
3.0% (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%	2.9	Contribution of core inflation excluding taxes (percentage points), weight 65.1%	3.1
Contribution of other items (percentage points), weight 58.9%	0.8	Contribution of other items (percentage points), weight 47.7%	0.1	Contribution of other items (percentage points), weight 34.9%	-0.1

Sources: HCSO and the MNB's own calculations.

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