



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

FEBRUARY

2025

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.

For further information, please contact Géza Rippel (e-mail: rippelg@mnbb.hu)

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 FEBRUARY 2025

In February 2025, consumer prices rose by 5.6 percent in annual terms. Compared to January, the rate of annual price increase accelerated by 0.1 percentage point. Core inflation rose by 0.4 percentage points reaching 6.2 percent. Core inflation excluding indirect tax effects rose to 6.0 percent (Chart 1 and Chart 2). On a monthly basis, the overall consumer basket increased by 0.8 percent, while the core inflation basket rose by 0.6 percent. Inflation and core inflation fluctuated above the forecast band in the December Inflation Report.

Most product groups were contributing to the rise in the annualised consumer price index and core inflation, which was offset in part by disinflation in fuels for the consumer price index. 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 and core inflation excluding processed foods stood at 5.8 percent (Chart 3).

In a shorter term (annualised, 3-month-on-3-month) comparison, our calculated indicators also showed the acceleration in inflation (Chart 4). Price changes on the previous month were above historical averages in both inflation and core inflation. The price of the basket calculated excluding fuel and regulated product prices was up by 0.7 percent from the previous month (Chart 5). Month-on-month core inflation excluding processed food, which better reflect underlying developments, was 0.5 percent (Chart 6). The extent of the February repricing regarding industrial goods, market services, and food was also above the historical average.

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

The annual inflation of *tradables* rose to 2.4 percent. On a monthly basis, the product group price increased by 0.3 percent (Chart 7). Non-durables and durables prices increased by 0.3 percent compared to January. Price increases were driven by second-hand car prices within the product group of durables while prices also rose in the product group of non-durables which was attributable to the inflation of coffee and non-alcoholic drinks.

The annual price index of *market services* rose to 9.9 percent. Prices rose by 0.9 percent on a monthly basis (Chart 8). The sharp increases in monthly prices were mainly due to higher restaurant and health care prices, as well as rising rents.

According to the MNB's classification, *food* price inflation increased to 6.7 percent, with unprocessed food prices rising by 7.0 percent and processed food prices by 6.6 percent in annual terms within this product group (Chart 9). According to HCSO data release, food prices increased by 7.1 percent, which includes restaurant meal prices rising by 8.3 percent. Compared to January, unprocessed food prices rose by 1.7 percent, primarily due to a rise in fresh vegetables prices. Processed food prices were up by 0.8 percent compared to previous month (Chart 10).

Month-on-month fuel prices were down by 0.9 percent, which was consistent with the fall in global oil prices and the appreciation of forint's exchange rate. The annual price increase rate of this product group decelerated to 3.8 percent, which was explained by the unwinding of last year's increase in excise duties.

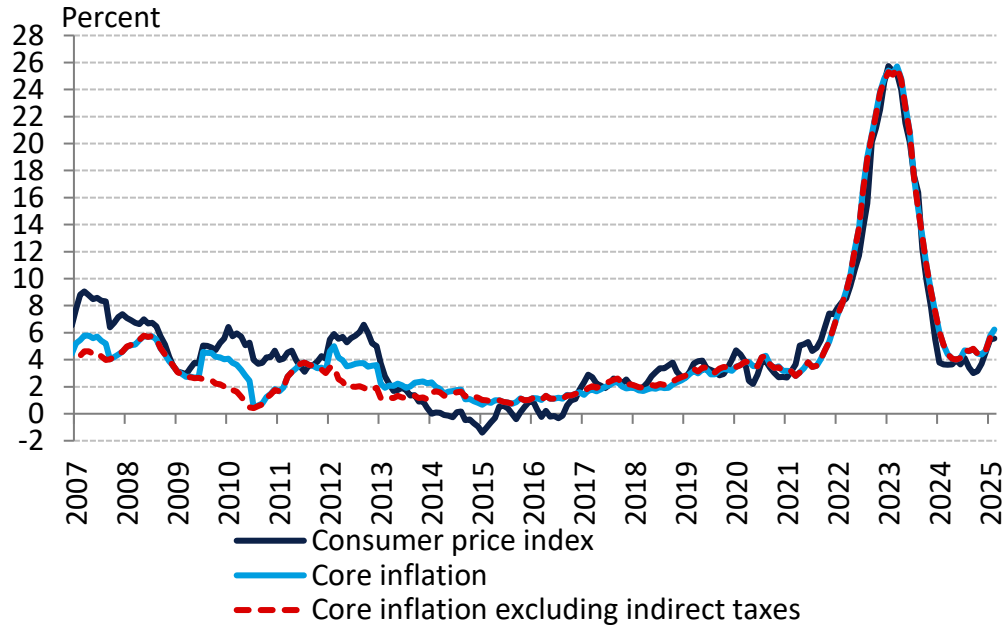
Regulated goods and services prices went up by 1.6 percent compared to January, fuelled by an increase in personal document charges.

Households' inflation expectations remain at a high level, following an increase seen in the second half of last year. The percentage of respondents who expect prices to rise faster than currently in the future rose (Chart 11). *Corporate expectations for services and retail sales prices* continued to rise in February, with expectations by the same sector showing an upward trend since October (Chart 12).

Prepared by Géza Rippel

Budapest, 11 March 2025

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

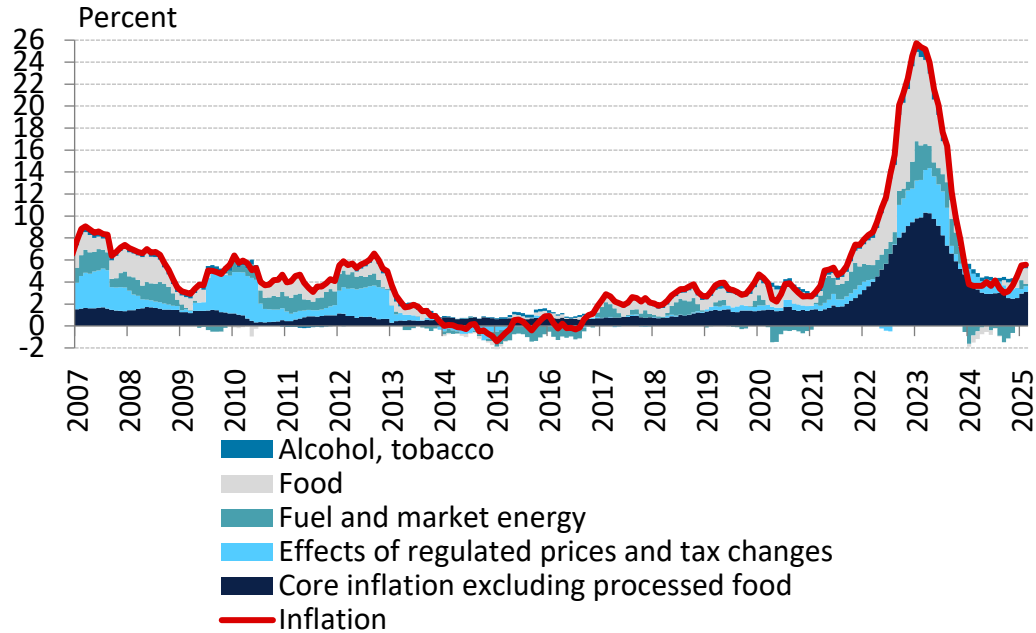
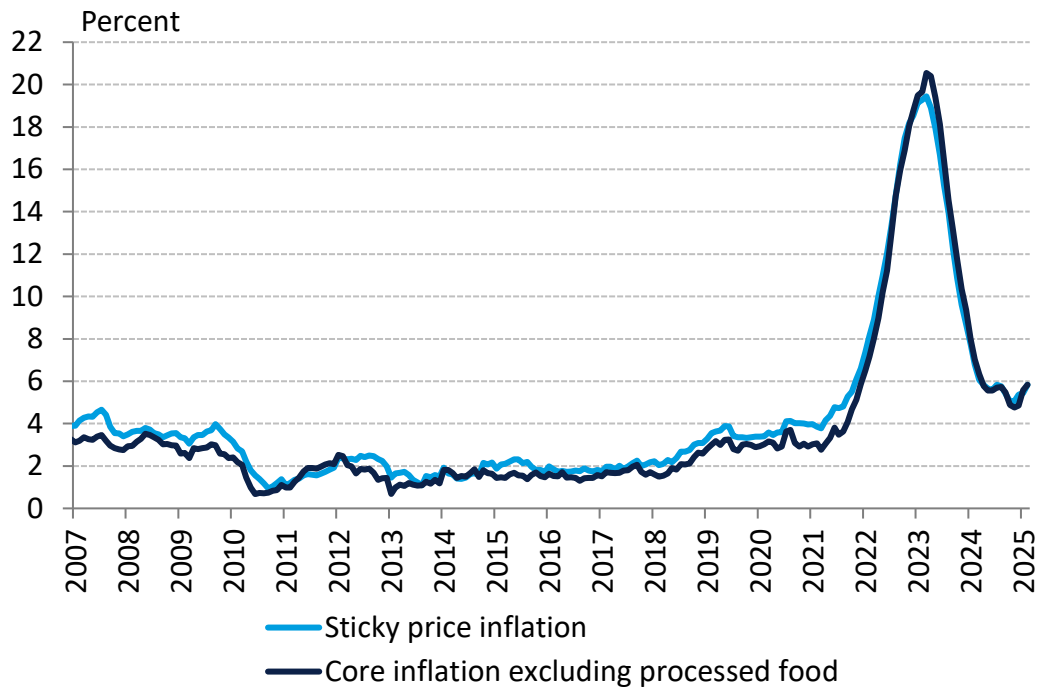


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

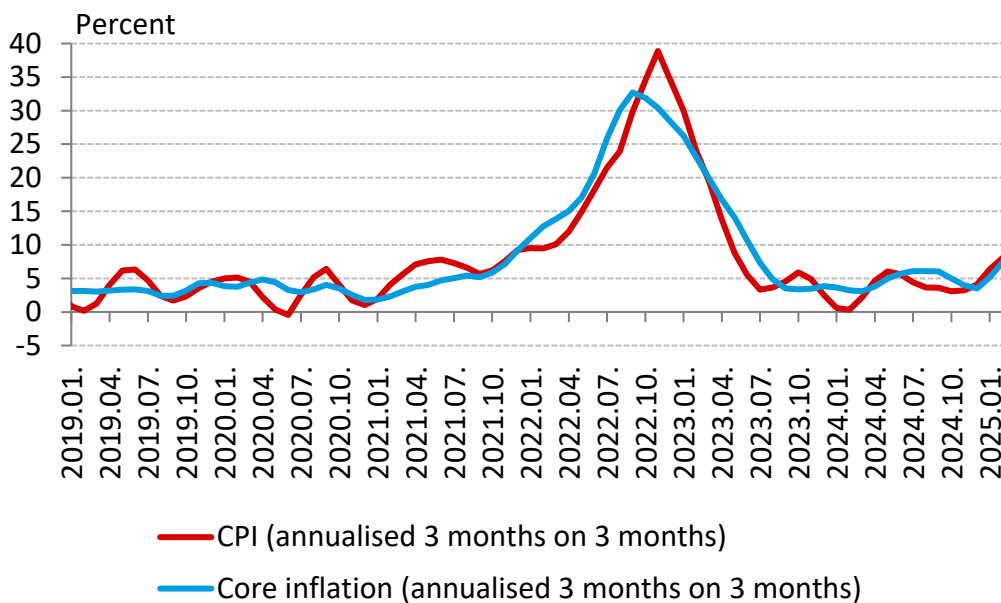


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

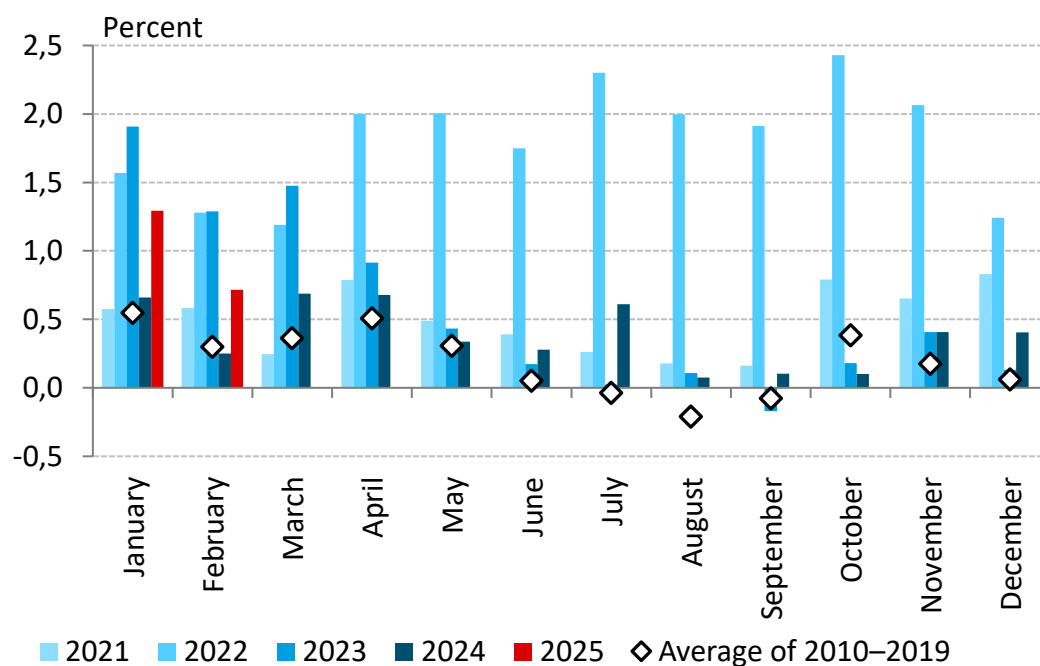


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

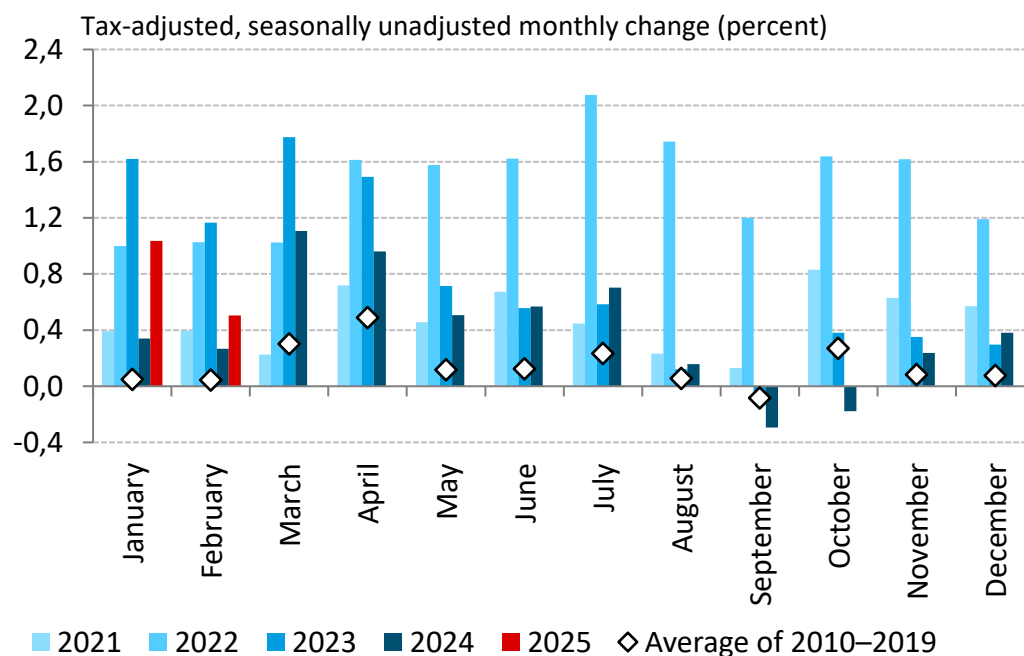


Chart 7 Inflation of tradable goods
seasonally unadjusted, tax-adjusted monthly change

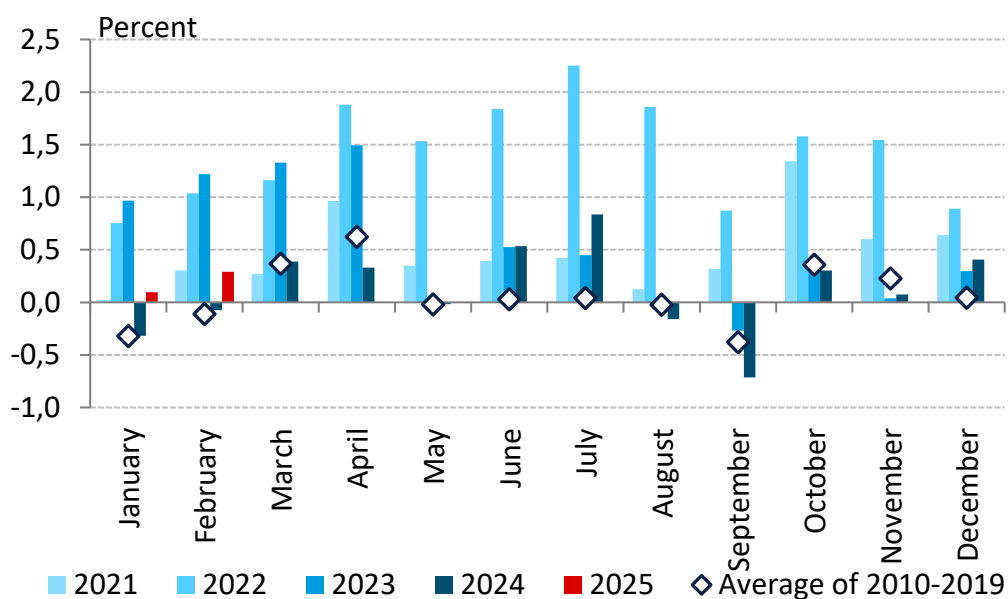


Chart 8 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

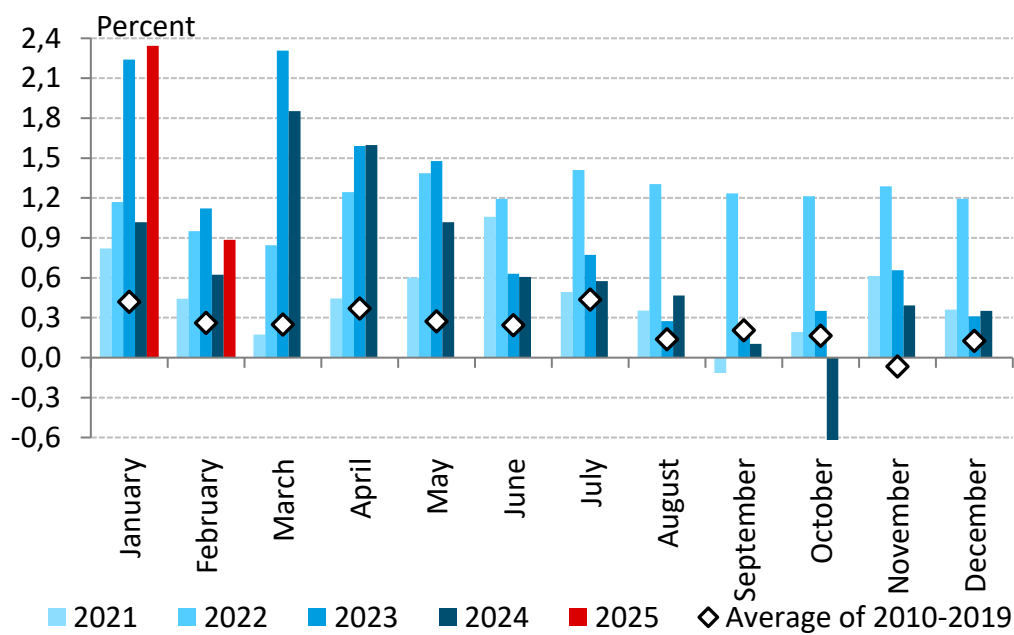
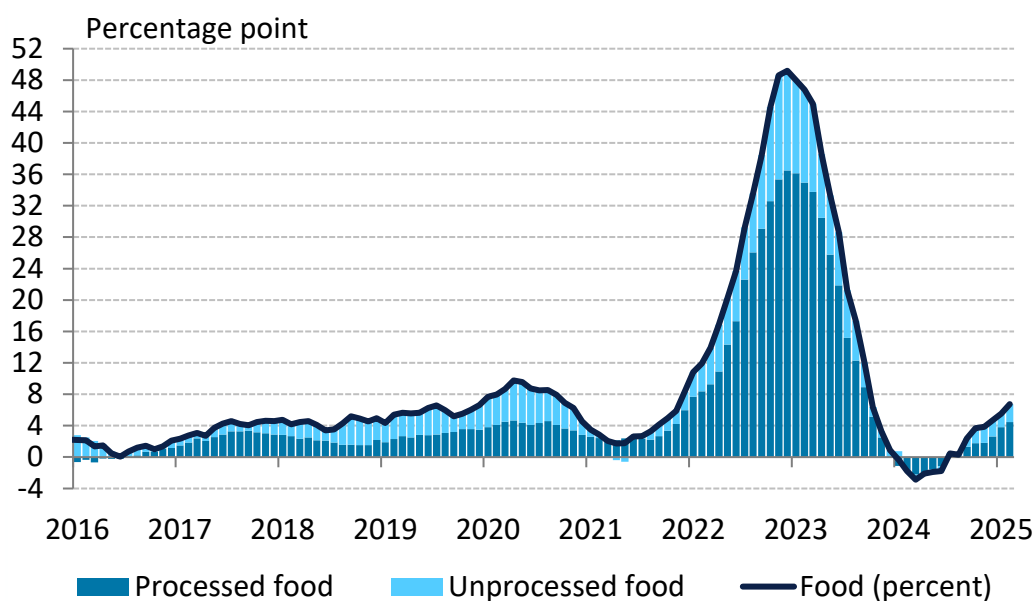
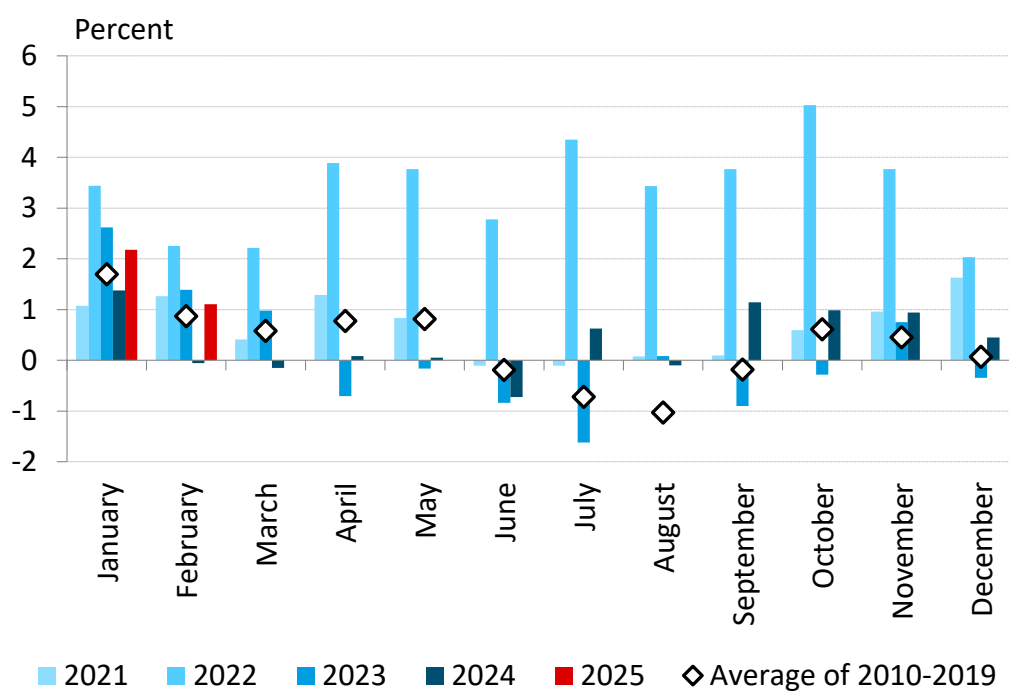


Chart 9 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



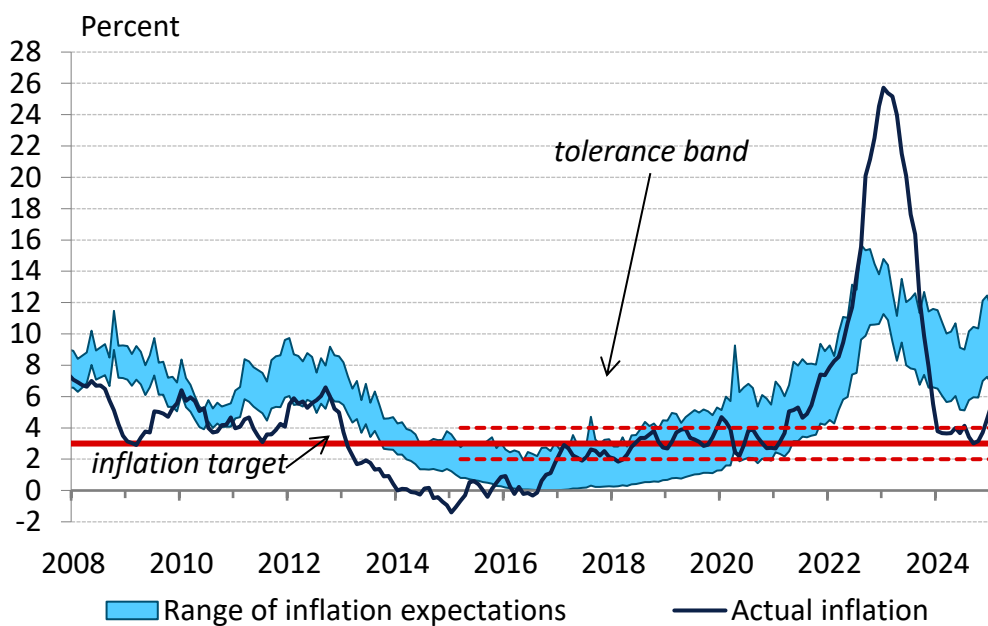
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



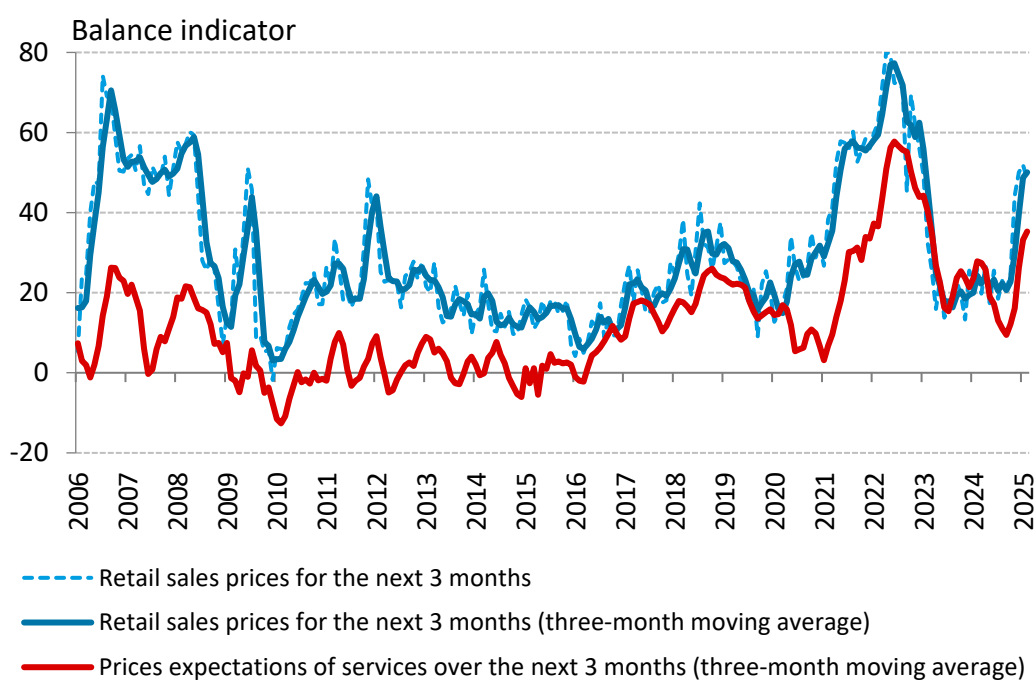
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Chart 11 Households' inflation expectations



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, February 2025 (HCSO)					
5.6% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 40.8%	2.4	Contribution of core inflation excluding processed foods (percentage points), weight 52.9%	3.0	Contribution of core inflation excluding taxes (percentage points), weight 65.3%	3.9
Contribution of other items (percentage points), weight 59.2%	3.2	Contribution of other items (percentage points), weight 47.1%	2.5	Contribution of other items (percentage points), weight 34.7%	1.6

Sources: HCSO and the MNB's own calculations.

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