



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

JANUARY

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

ASSESSMENT OF INFLATION DATA FOR JANUARY 2025

Consumer prices rose by 5.5 percent in annual terms in January 2025. Compared to December, the annual price increase rate accelerated by 0.9 percentage points. Core inflation rose by 1.1 percentage points and stood at 5.8 percent. Core inflation excluding indirect tax effects increased to 5.6 percent (Chart 1 and Chart 2). On a monthly basis, the price of the overall consumer basket increased by 1.5 percent, while the core inflation basket rose by 1.4 percent. Inflation and core inflation was above the forecast range in the December Inflation Report.

The increase in the annual consumer price index was largely caused by the accelerating price dynamics of market services, fuels, and processed foods. The higher core inflation was primarily due to the increases in market services and processed food prices from December. From our indicators capturing more persistent inflation trends on an annual basis, the inflation of sticky-price products remained unchanged at 5.4 percent from December, while the core inflation excluding processed foods rose to 5.6 percent (Chart 3).

Our indicators, calculated in a shorter term (annualised, 3-month-on-3-month) comparison, increased (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 1.3 percent from the previous month (Chart 5). Month-on-month core inflation excluding processed food, which better reflect underlying developments, was 1.0 percent (Chart 6). The extent of the January 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 2.0 percent. On a monthly basis, the product group price increased by 0.1 percent (Chart 7). The non-durables prices decreased by 0.2 percent, while durables prices rose by 0.7 percent compared to December. The price increases in durables were primarily due to the rise in the prices of new passenger cars.

Annual price index of *market services* rose to 9.6 percent. On a monthly basis, prices increased by 2.3 percent, which exceeded the repricing seen in January 2023 as well (Chart 8). The significant monthly price growth was primarily caused by two factors. Firstly, the fall in mobile phone and Internet charges in October 2023 was offset by price rises, and secondly, in line with bank announcements, retail account charges were raised in January as the increase in the financial transaction duty was incorporated into prices. Excluding these two effects, the monthly movements in market services prices were at 1.0 percent, the same as seen last year.

According to the MNB's classification, *food* price inflation increased to 5.5 percent, with unprocessed food prices rising by 5.3 percent and processed food prices by 5.7 percent in annual terms within the product group (Chart 9). According to the HCSO data release, food prices increased by 6.0 percent, which includes a 7.9 percent rise in restaurant meal prices. Compared to December, unprocessed food prices rose by 2.3 percent, primarily due to a rise in fresh vegetables prices. Processed food prices were up by 2.1 percent on a monthly basis, mainly reflecting a rise in the prices of milk and dairy products (Chart 10).

Fuel prices rose by 2.7 percent on a monthly basis, which reflected the impact of the increase in excise taxes. Prices rose by 11.8 percent in annual terms.

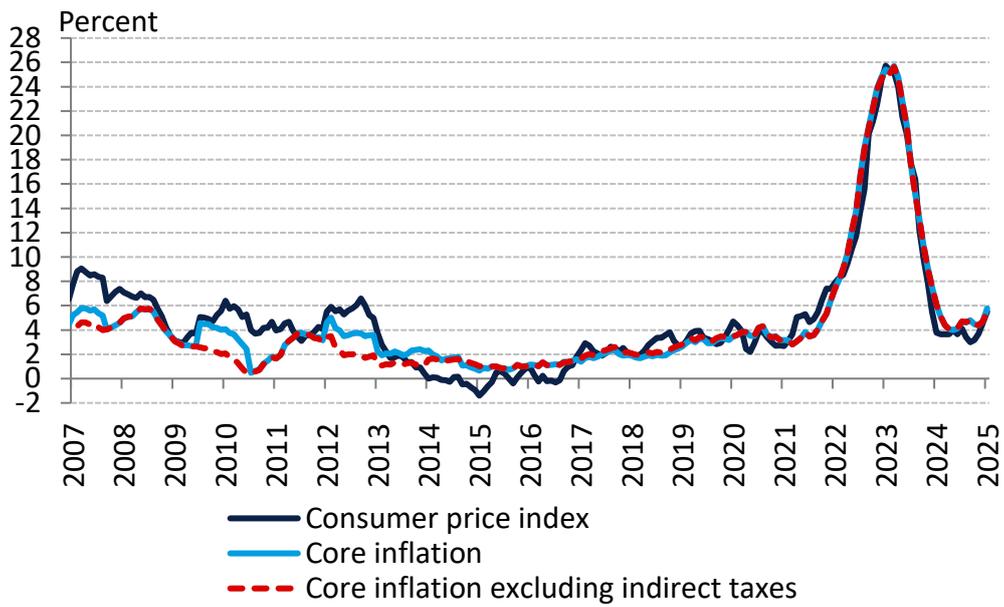
The prices of *regulated products and services* rose by 1.2 percent relative to December, mostly driven by higher piped gas prices. The average residential gas price was higher, which was caused by a pick-up in household gas consumption due to colder weather, which increased the share of consumption above the volume limit of the official price.

Households' inflation expectations remain at a high level, following an increase seen in the second half of last year. In January, from the countries in the CEE region, the percentage of respondents who expect prices to rise faster than currently, looking ahead, fell in Hungary and Slovakia (Chart 11). *Corporate expectations for retail sales and services prices* rose: corporate expectations have been following a rising trend since October (Chart 12).

Prepared by Géza Rippel

Budapest, 11 February 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

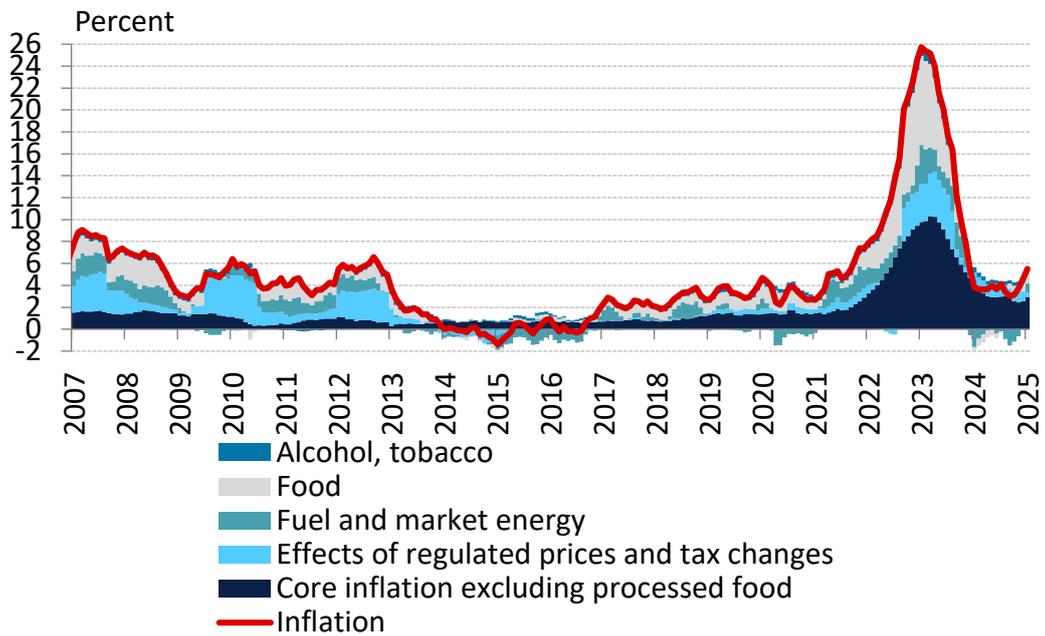
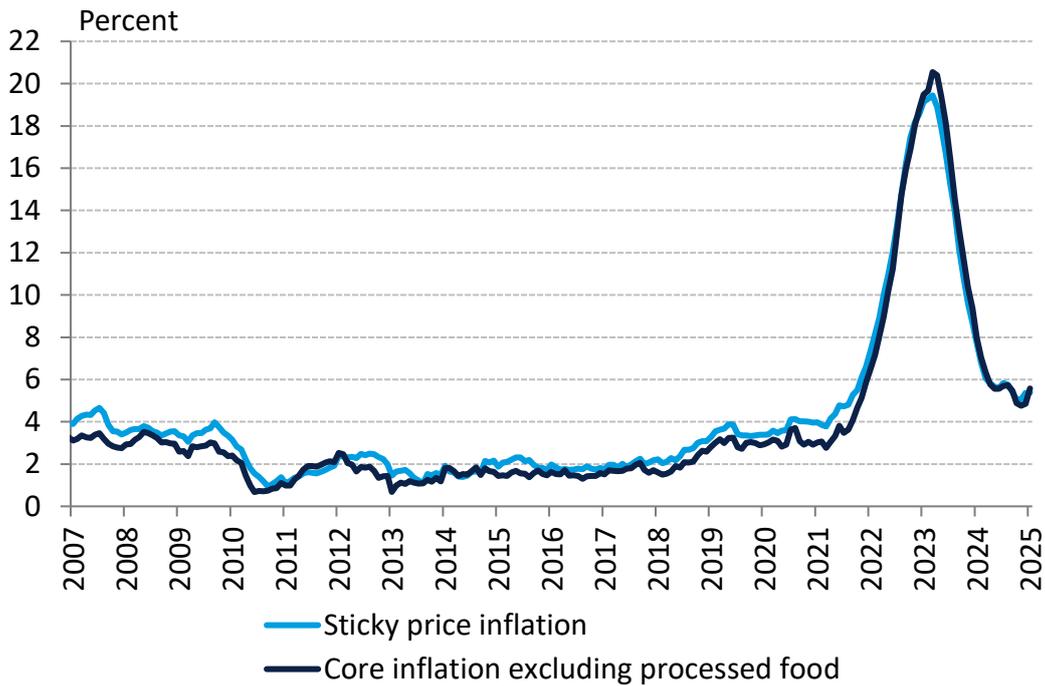


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

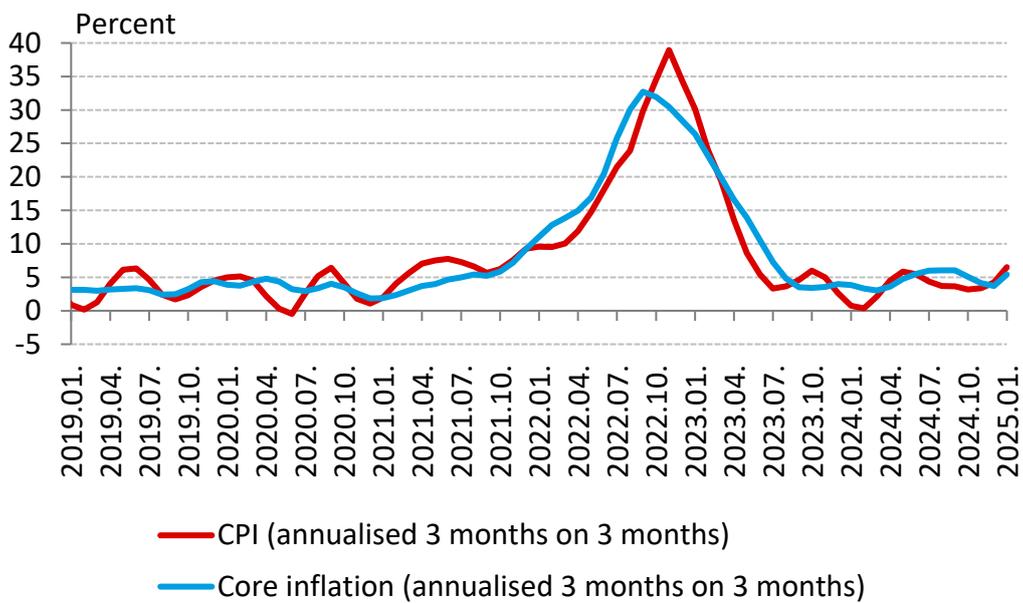


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
 tax-adjusted, seasonally unadjusted monthly percentage changes

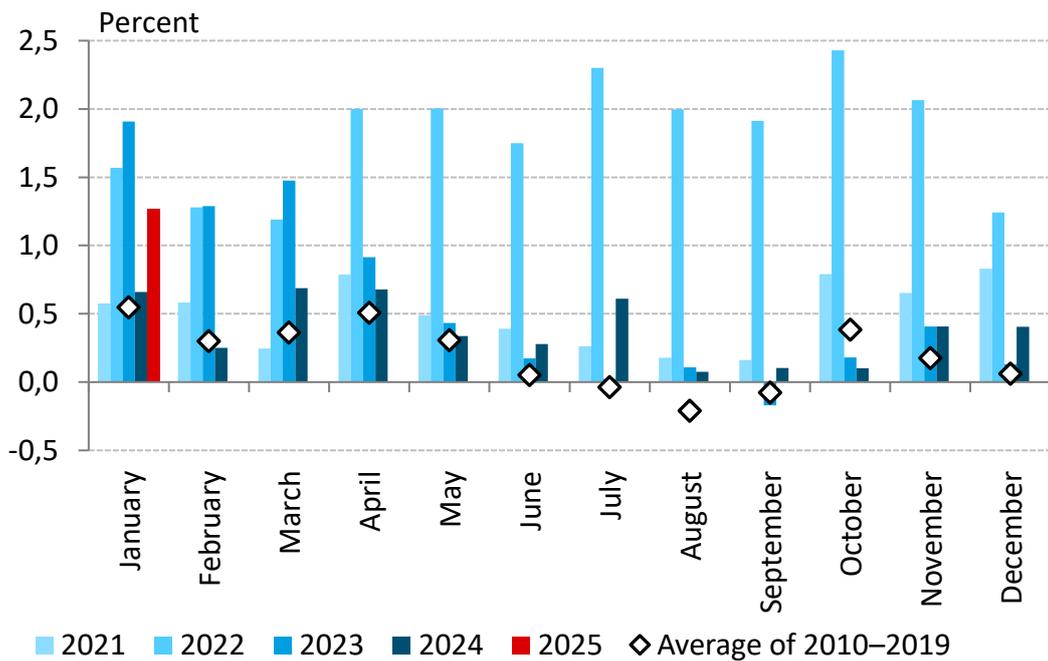


Chart 6 Monthly change in core inflation excluding processed food
 tax-adjusted, seasonally unadjusted monthly percentage changes

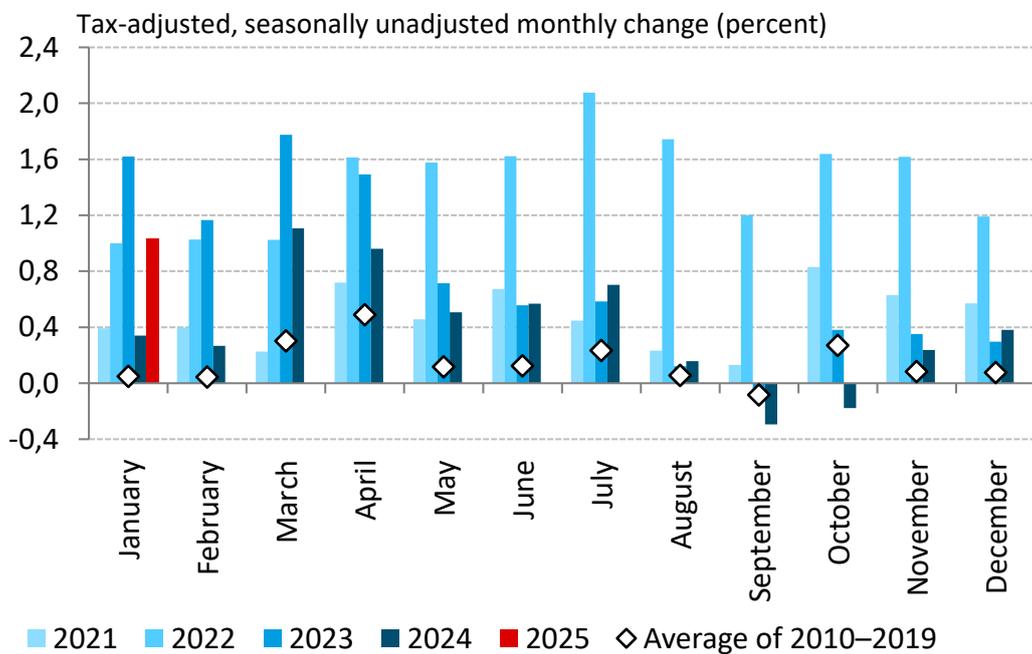


Chart 7 Inflation of tradable goods
 seasonally unadjusted, tax-adjusted monthly change

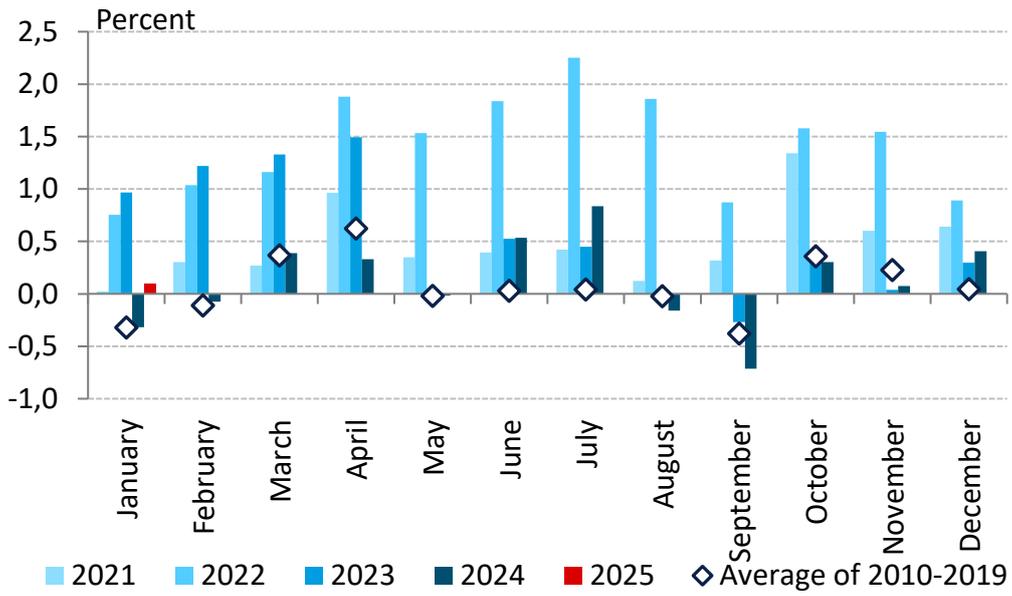


Chart 8 Market services inflation
 seasonally unadjusted, tax-adjusted monthly change

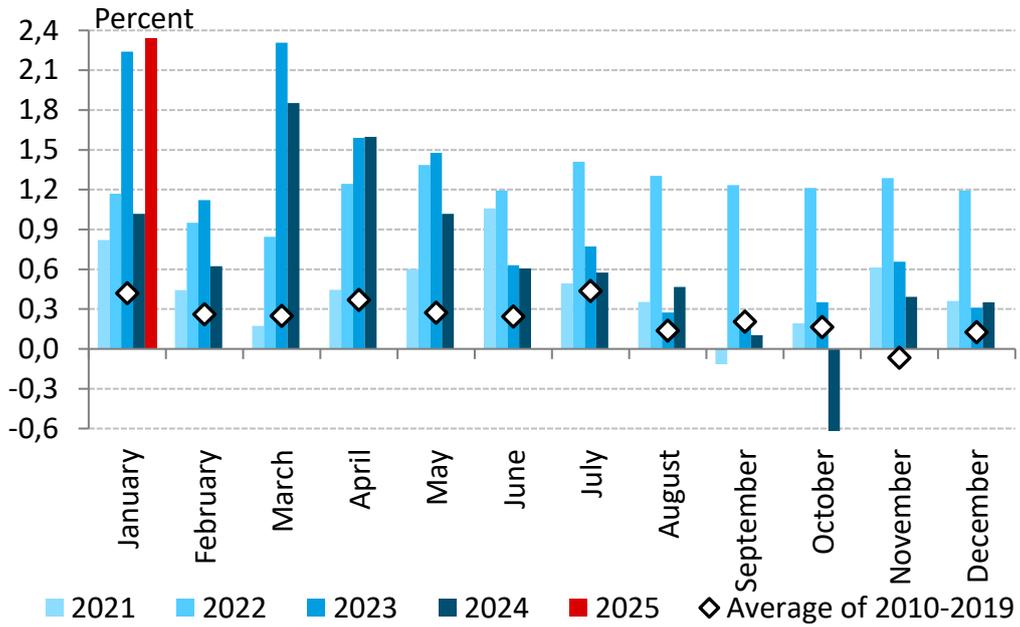
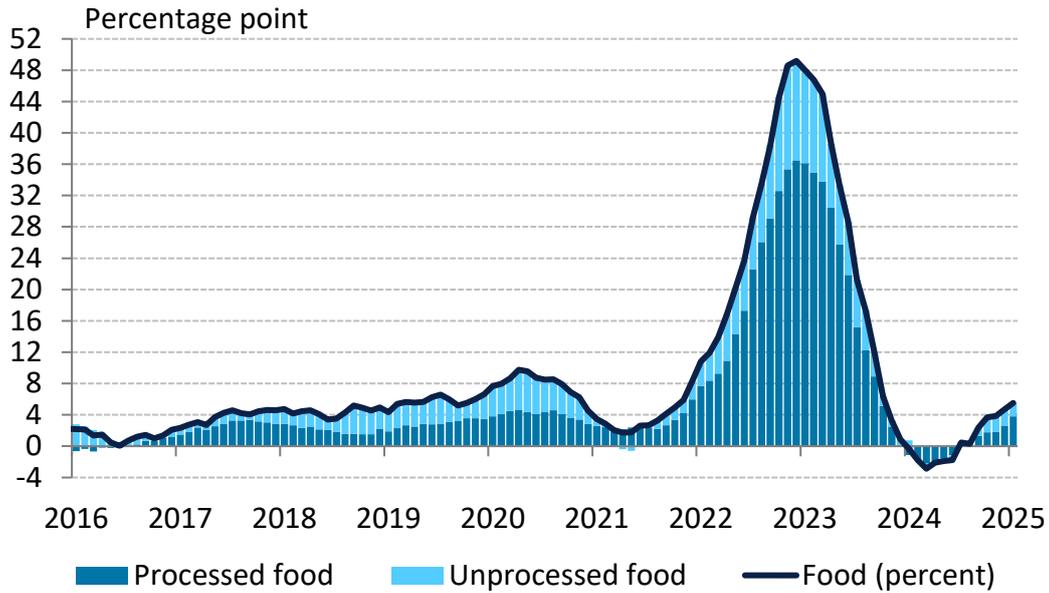
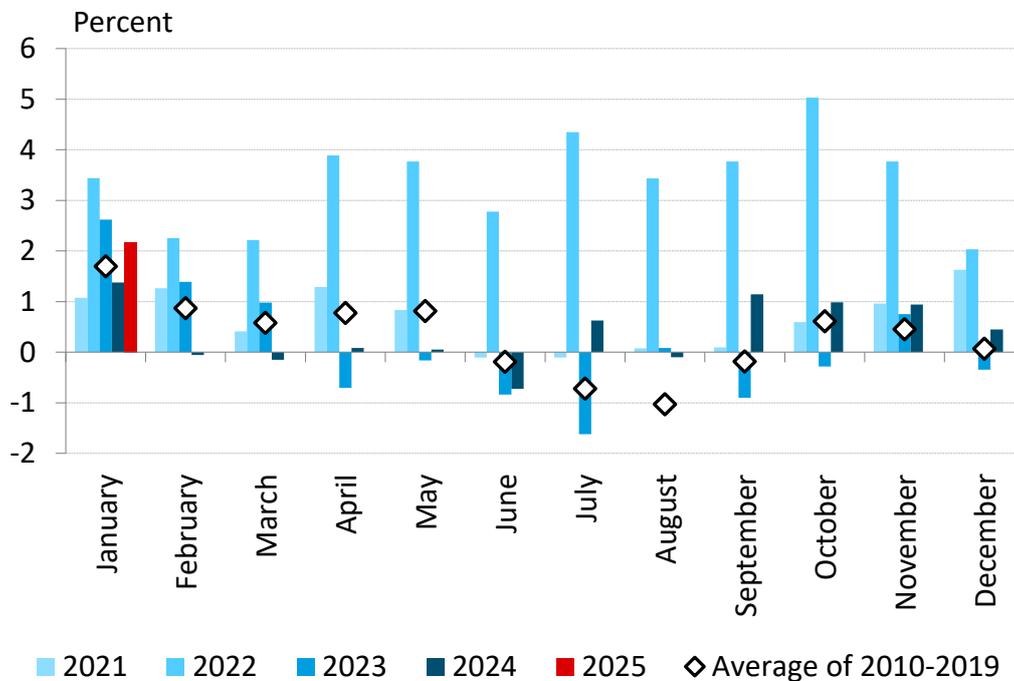


Chart 9 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



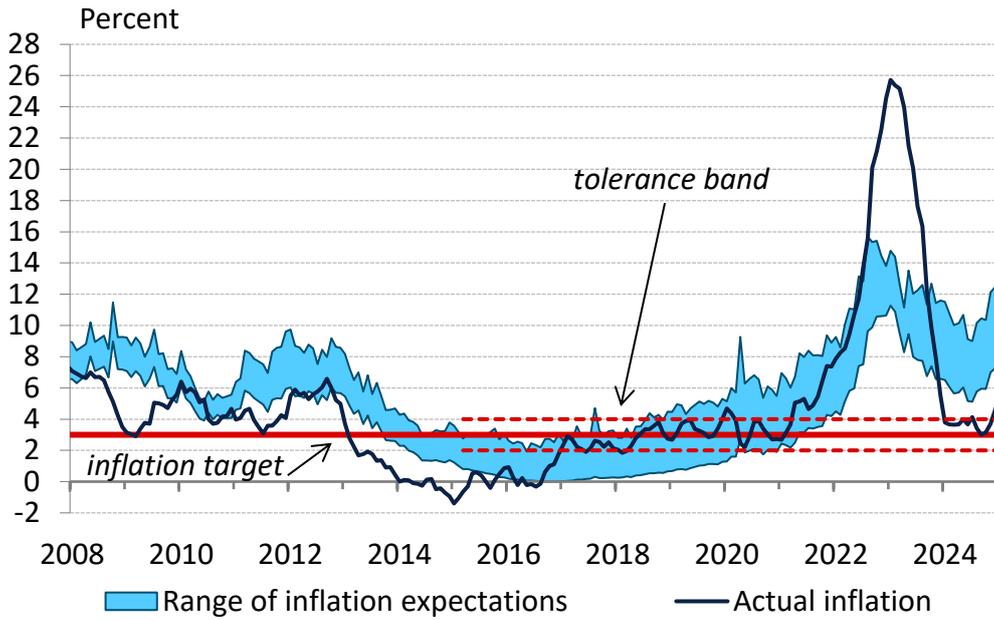
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



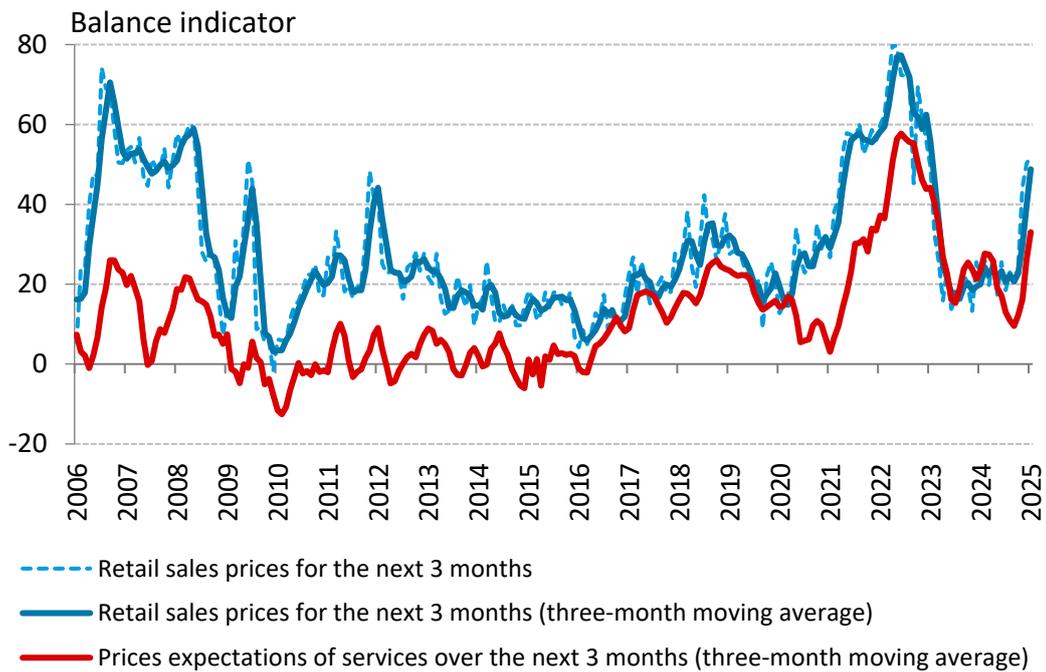
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Chart 11 Households' inflation expectations



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, January 2025 (HCSO)					
5.5% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 40.8%	2.2	Contribution of core inflation excluding processed foods (percentage points), weight 52.9%	2.9	Contribution of core inflation excluding taxes (percentage points), weight 65.3%	3.7
Contribution of other items (percentage points), weight 59.2%	3.3	Contribution of other items (percentage points), weight 47.1%	2.6	Contribution of other items (percentage points), weight 34.7%	1.8

Sources: HCSO and the MNB's own calculations.

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