



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

July
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/en/publications/studies-publications-statistics/flash-analysis-on-inflation-developments>

ASSESSMENT OF INFLATION DATA FOR JULY 2024

Consumer prices rose by 4.1 percent in annual terms in July 2024. The annual rate of inflation was up by 0.4 percentage points from June. Core inflation and core inflation excluding indirect tax effects also rose compared to 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 0.7 percent month on month. Inflation was in the upper bound and core inflation was in the middle of the forecast range published in the June Inflation Report.

The rise in the annual consumer price index was primarily caused by an increase in food prices (+0.4 percentage points) and fuel prices (+0.2 percentage points), which was partially offset by the disinflationary impact of regulated product prices (-0.2 percentage points). The increase of 0.6 percentage points in year-on-year core inflation was primarily driven by the pick-up in the growth of processed food prices (+0.5 percentage points) partly due to base effects. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, rose slightly. The inflation of sticky-price products was 5.8 percent and the annual price rise of core inflation excluding processed food prices was 5.7 percent (Chart 3).

In a shorter-term (annualised 3-month-on-3-month) comparison, core inflation rose, while inflation fell (Chart 4). The rate of price increases from the previous month was higher in both inflation and core inflation than the historical average. The price of the basket excluding fuel and regulated product prices was up by 0.6 percent compared to the previous month (Chart 5). Month-on-month core inflation excluding processed food prices, which better reflect underlying developments, was 0.7 percent (Chart 6).

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

The annual inflation of *tradables* rose to 2.1 percent. Prices in the product group were up by 0.8 percentage points on a monthly basis, which indicates higher repricings compared to previous months (Chart 7). Non-durables prices rose by 1.1 percent while durables prices increased by 0.3 percent month on month.

Annual price index of *market services* declined to 9.4 percent. Prices rose by 0.6 percent on a monthly basis similarly to the previous month (Chart 8). Rises in accommodation, catering and educational services prices accounted for the largest share of the monthly repricings.

The growth in *food* prices, according to the MNB's classification, was 0.5 percent. Within this product group, unprocessed food and processed food prices rose by 0.3 percent and 0.5 percent in annual terms, respectively (Chart 9). According to HCSO data release, food prices were up by 2.7 percent, which includes the rise of 8.0 percent in restaurant meal prices. As a result of the increases in flour and pork prices from June, unprocessed food prices rose by 0.1 percent. Processed food prices were up by 0.9 percent month on month, which was fuelled by increasing milk, sugar and sunflower oil prices (Chart 10). Changes in food prices in July might have been influenced by the phasing out of the mandatory discounts and price caps on the purchase prices of some basic foodstuffs from 1 July.

Fuel prices rose by 3.8 percent on a monthly basis as a result of the rises in global oil prices. The annual inflation of this product group increased to 6.0 percent.

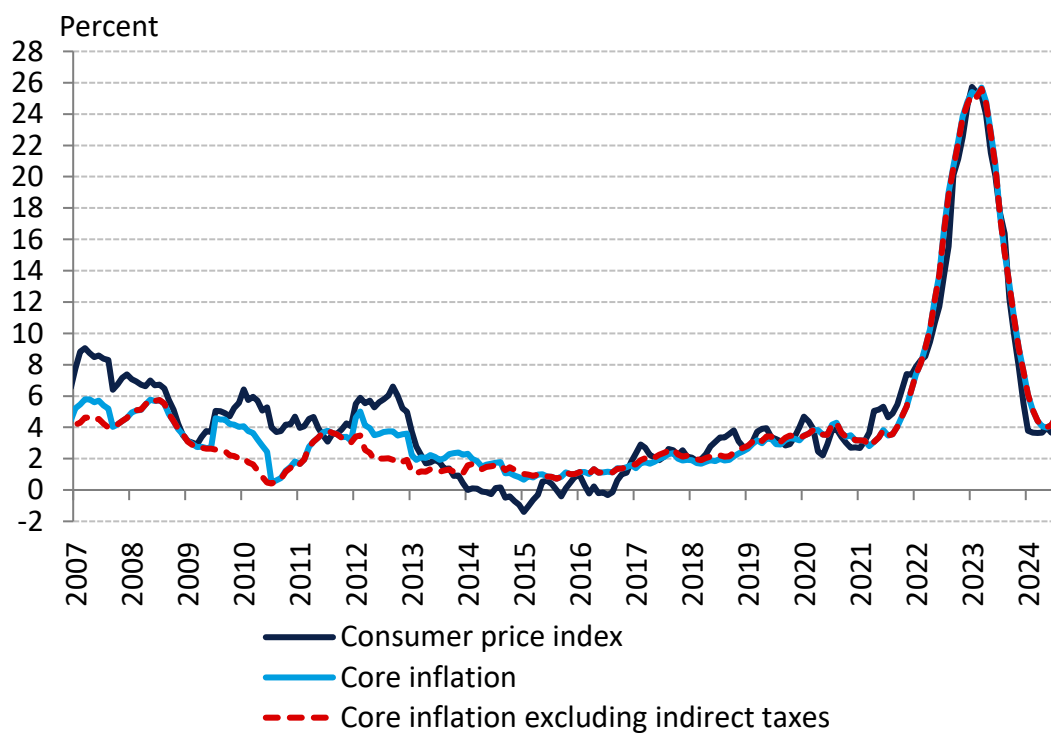
The prices of *regulated products and services* fell by 0.1 percent compared to June.

Households' inflation expectations fell slightly in July compared to the previous month (Chart 11). *Corporate expectations for retail sales and services prices* declined in July, with both indicators remaining significantly below the levels seen in 2022 (Chart 12).

Prepared by Géza Rippel

Budapest, 8 August 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

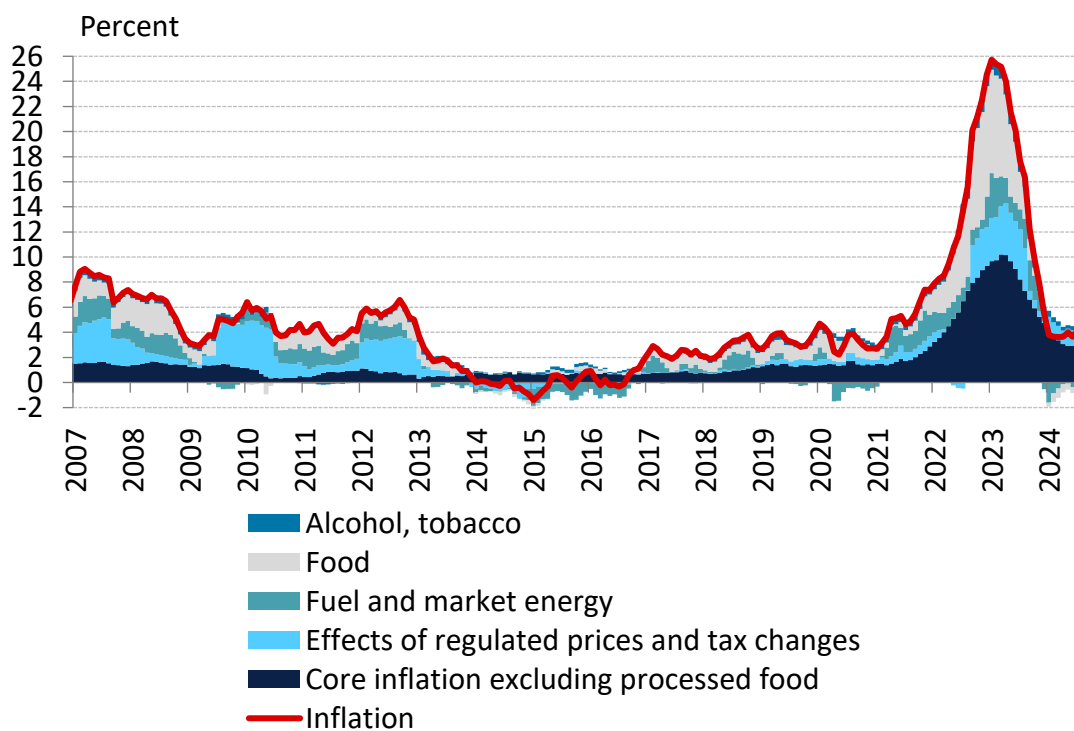
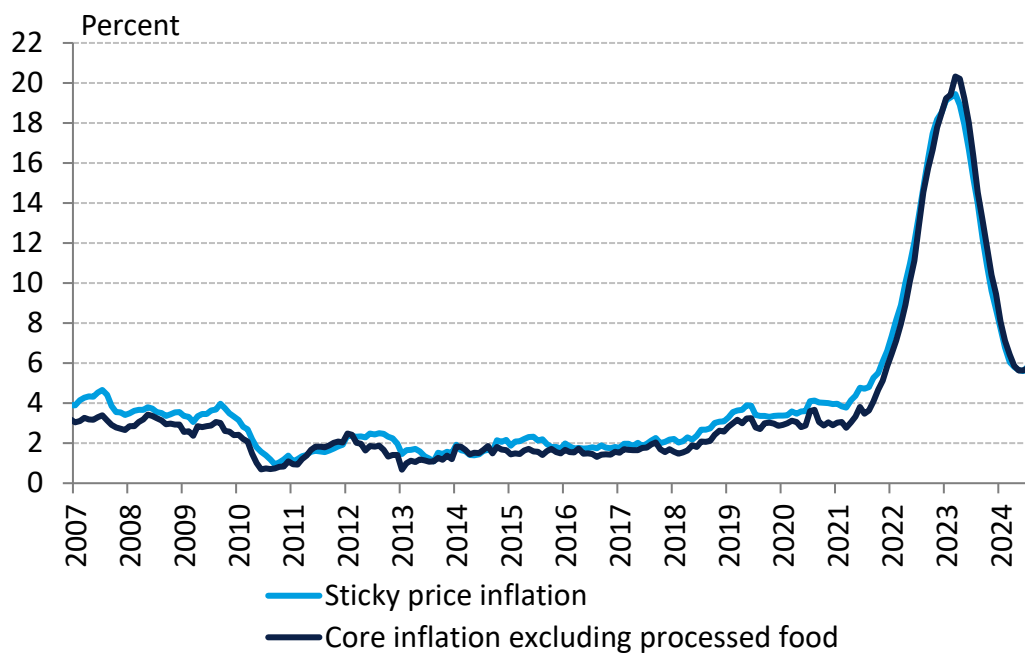


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 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

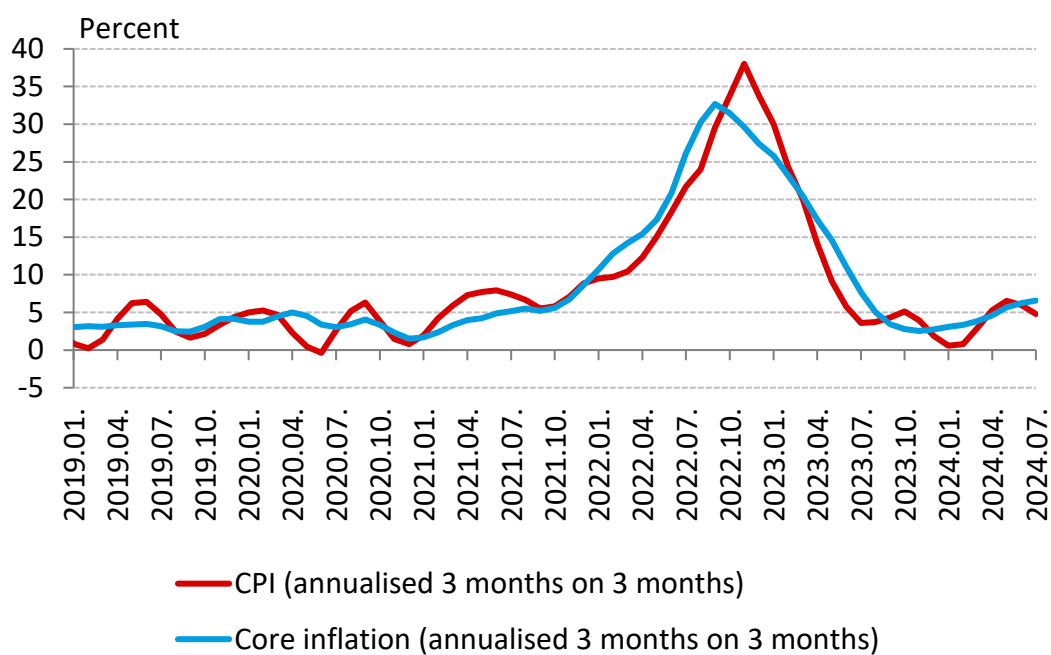


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

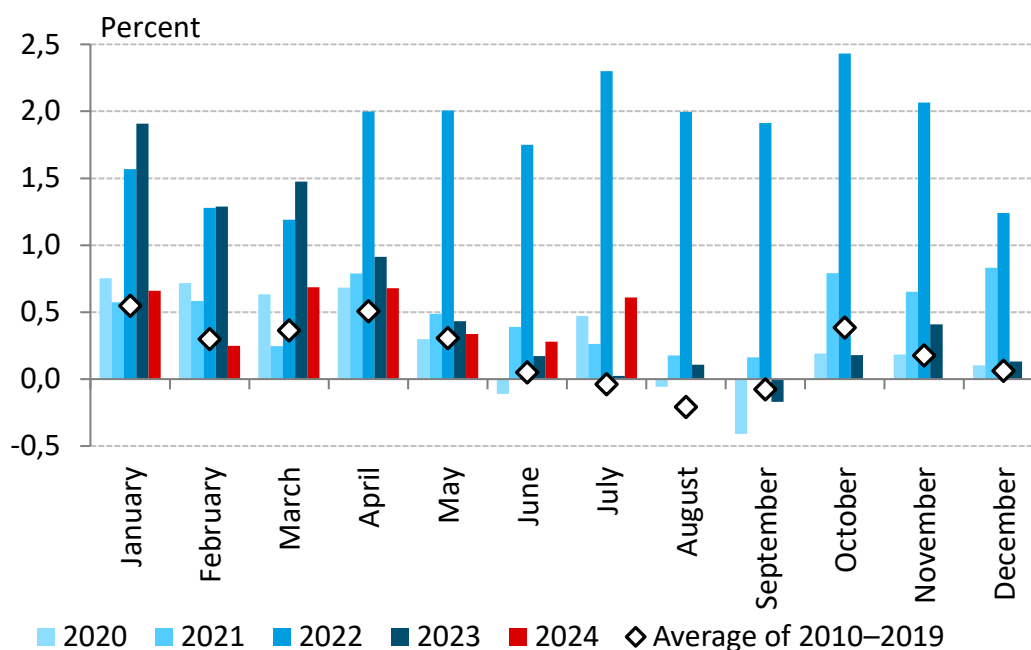


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

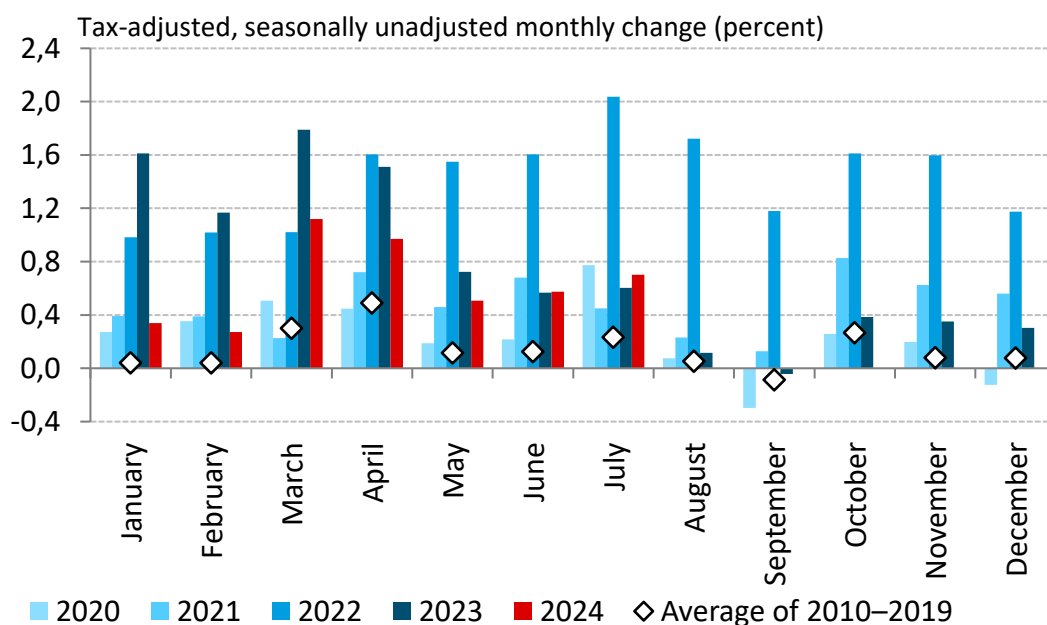


Chart 7 Inflation of tradable goods
seasonally unadjusted, tax-adjusted monthly change

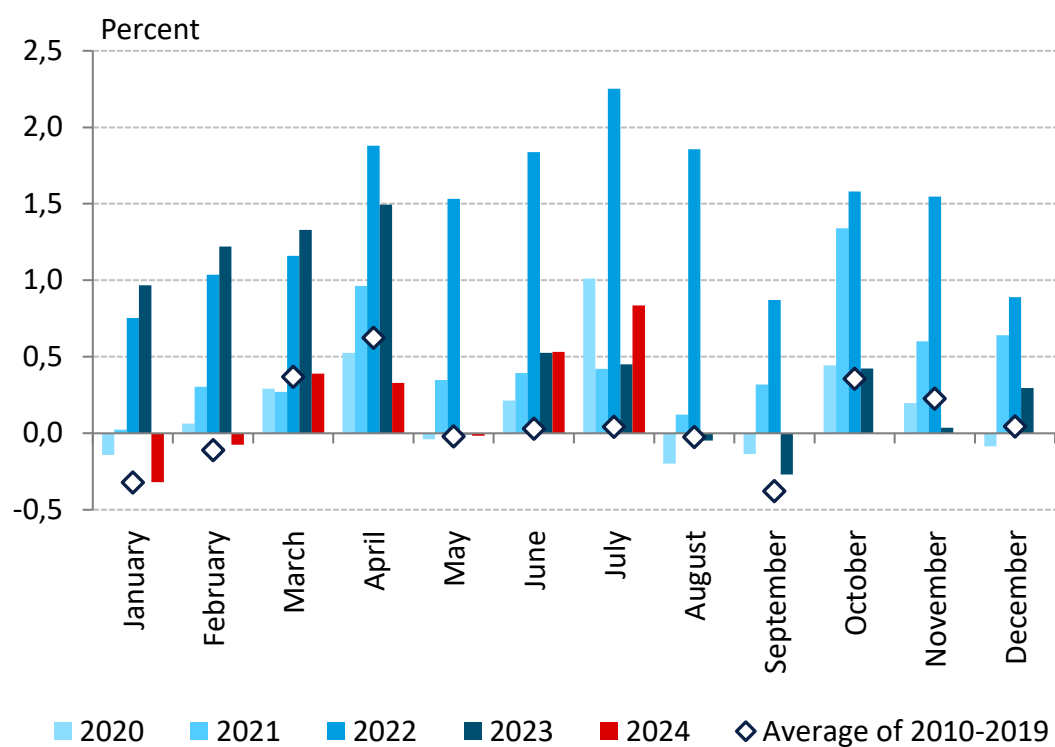


Chart 8 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

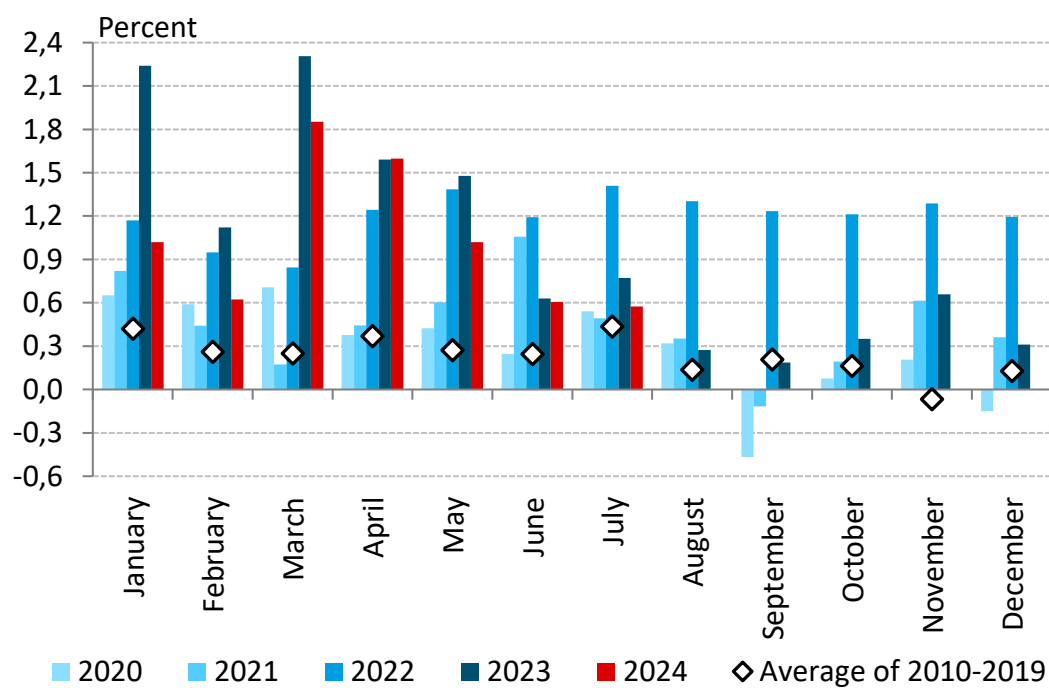
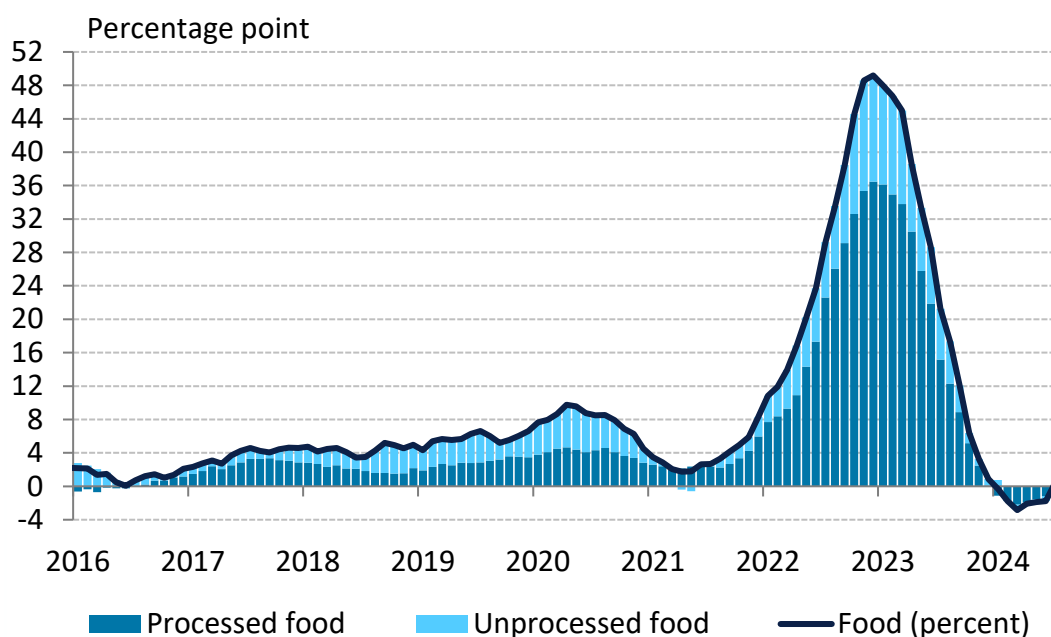
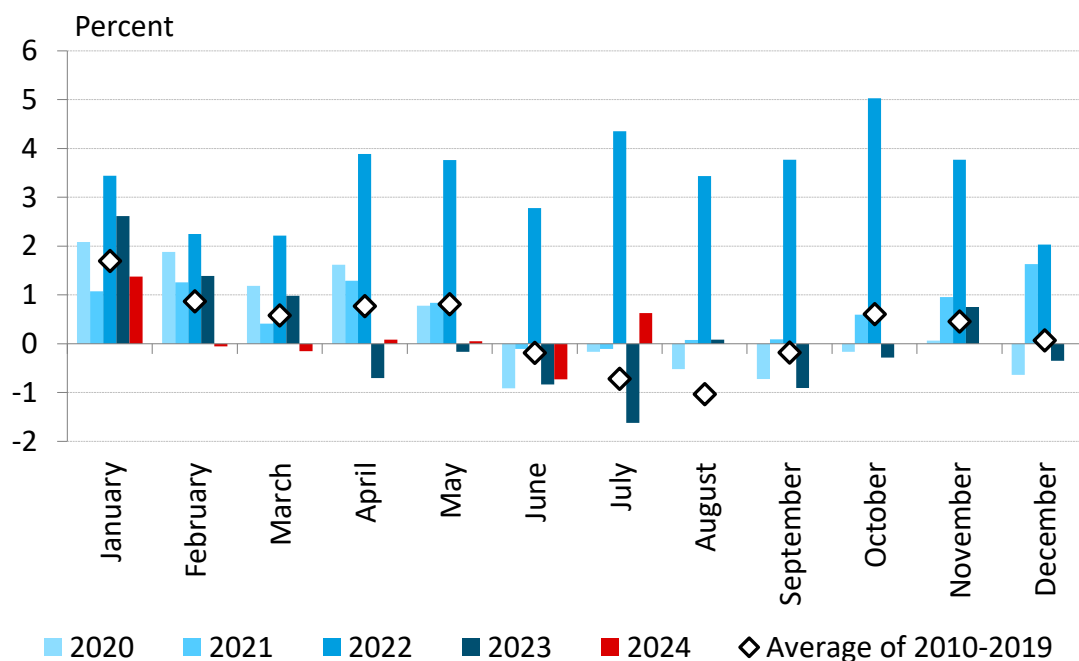


Chart 9 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



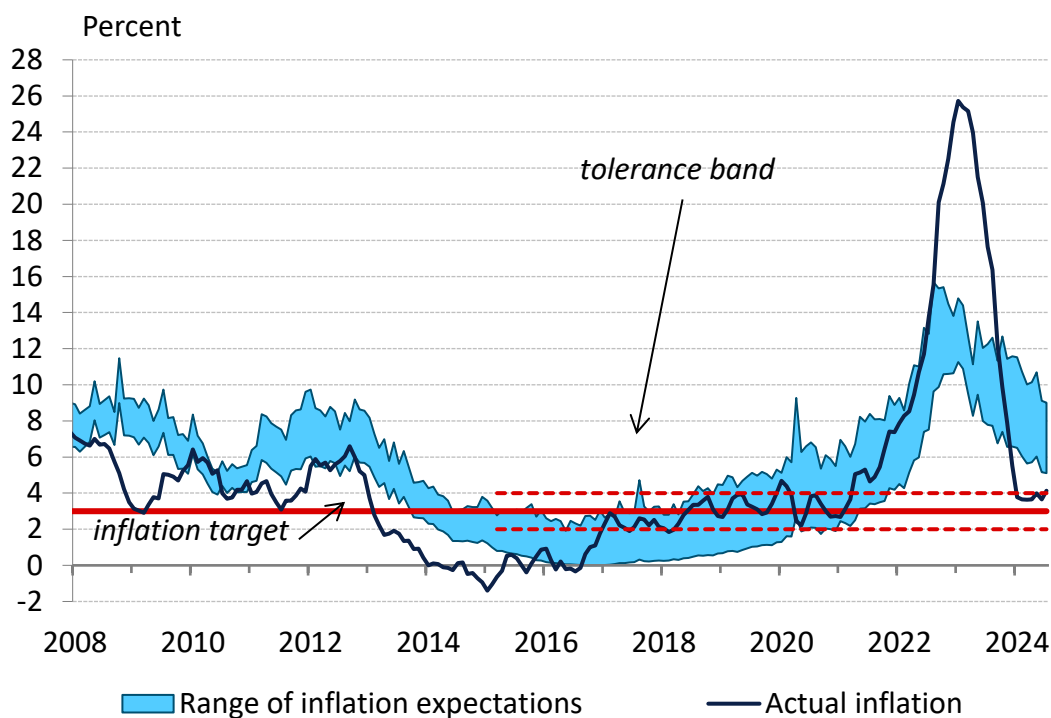
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



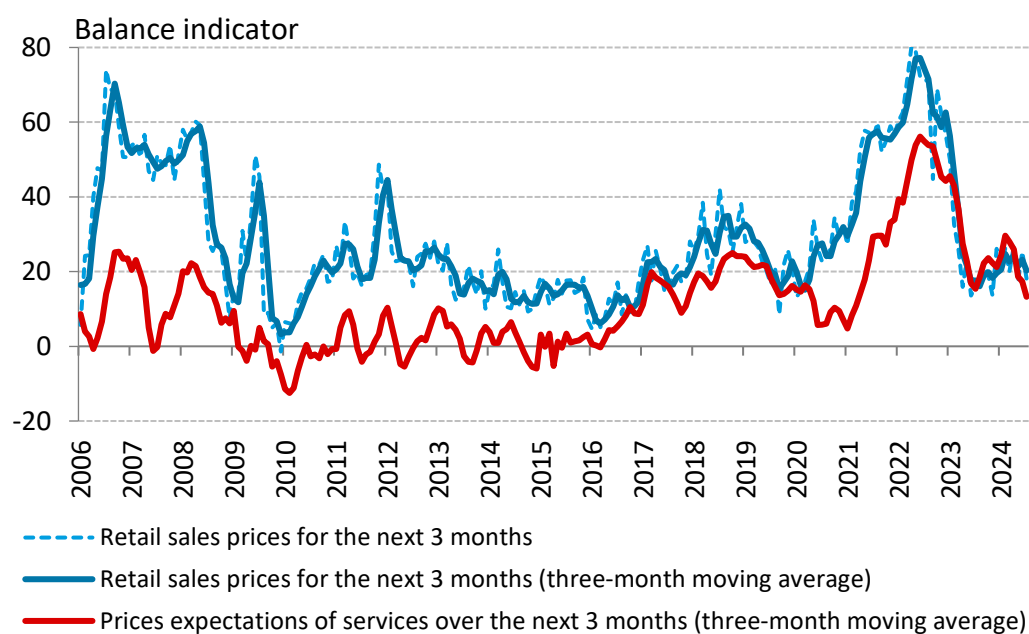
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Chart 11 Households' inflation expectations



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, July 2024 (HCSO)					
4.1% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 41.1%	2.4	Contribution of core inflation excluding processed foods (percentage points), weight 52.3%	3.0	Contribution of core inflation excluding taxes (percentage points), weight 65.1%	3.1
Contribution of other items (percentage points), weight 58.9%	1.7	Contribution of other items (percentage points), weight 47.7%	1.1	Contribution of other items (percentage points), weight 34.9%	1.1

Sources: HCSO and the MNB's own calculations.

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