



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

June

2023

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@mnb.hu)

The publicly available analyses and the related statistical databases are accessible on the MNB's website at:

<https://www.mnb.hu/kiadvanyok/elemezsek-tanulmanyok-statisztikak/gyorselemezsek/gyorselemzes-az-inflacio-alakulasarol>

ASSESSMENT OF INFLATION DATA FOR JUNE 2024

In June 2024, consumer prices rose by 3.7 percent in annual terms. The annual rate of inflation declined by 0.3 percentage points compared to May and it was within the central bank's tolerance band again. Core inflation and core inflation excluding indirect tax effects rose from May to 4.1 percent (Chart 1 and Chart 2). In monthly comparison, the price of total consumer basket remained unchanged, while prices rose by 0.5 percent regarding core inflation. Both inflation and core inflation were in the middle of the forecast range provided in the June Inflation Report.

The decline in annual consumer price index was caused by a fall in fuel prices (contribution of -0.4 percentage points). Due to the rise in processed food prices, year-on-year core inflation was up by 0.1 percentage points. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, remained unchanged. The inflation of sticky-price products and the annual price increase of core inflation excluding processed food prices were 5.6 percent (Chart 3).

In a shorter-term comparison, annualised 3 month-on-3-month core inflation rose, while inflation declined (Chart 4). The rate of price change compared to the previous month was lower for inflation and was higher for core inflation than the historic average. The price of the basket calculated excluding fuel and regulated product prices was up by 0.3 percent from the previous month (Chart 5). Month-on-month core inflation excluding processed food, which better reflect underlying developments, was 0.6 percent (Chart 6). The repricings in June did not reach the historic average for food prices, whereas it was higher than the historic average for market services and tradables.

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

Annual inflation of tradables was 1.7 percent, similar to the level seen last month. The prices of this product group rose by 0.5 percent compared to the previous month (Chart 7). Non-durables prices rose by 0.8 percent reflecting a rise in the prices of holidays spent abroad and volatile air fares prices. On the level of the whole product group, this effect was only partially offset by the falling prices of durables by 0.1 percent.

The year-on-year price index of *market services* was 9.7 percent, similarly to the previous month. Prices rose by 0.6 percent on a monthly basis (Chart 8). The majority of monthly repricings were explained by a rise in accommodation services and restaurants as well as health services prices.

According to the MNB's classification, food inflation was -1.8 percent. Within the product group, unprocessed food and processed food prices fell by 1.9 percent and 1.8 percent in annual terms, respectively (Chart 9). According to HCSO data release, food prices were up by 1.1 percent including the price increase by 8.1 percent in restaurant meals. Compared to May, unprocessed food prices fell by 2.0 percent due to the seasonal downward drift in potatoes and vegetables prices while processed food prices remained unchanged (Chart 10).

Fuels prices fell by 3.4 percent on a monthly basis due to the decline in global oil prices and price margins. The decline in the annual inflation of this product group was also supported by base effects thereby bringing it down to 3.2 percent.

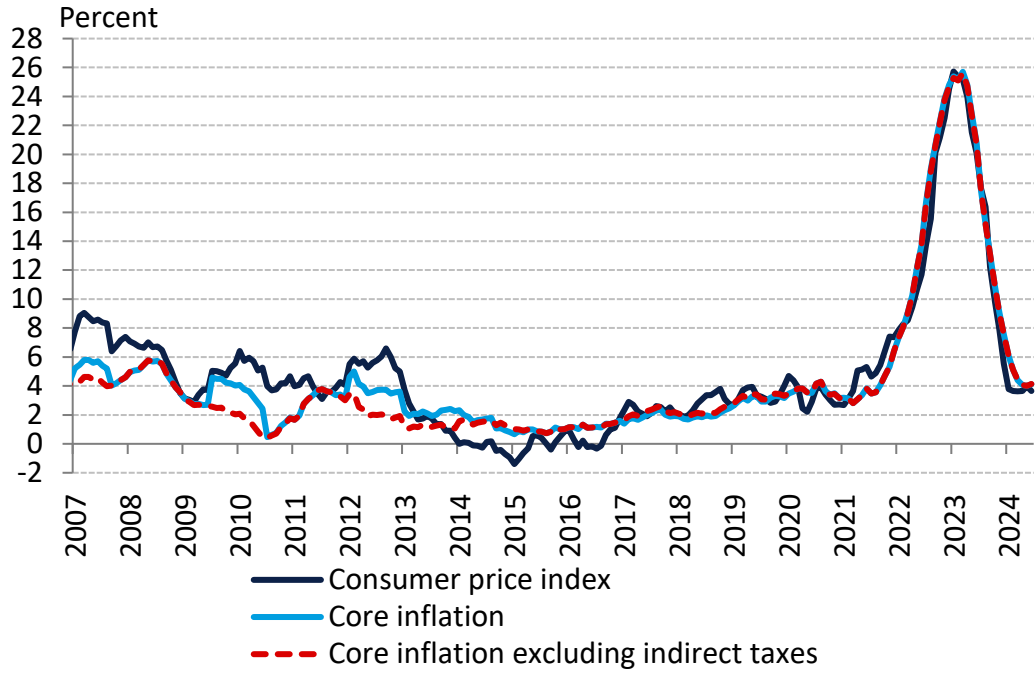
The prices of *regulated products and services* fell by 0.5 percent relative to May, explained by a decline in natural and manufactured gas prices. The latter is the result of a larger share of household consumption falling below the volume limit of the lower officially regulated price threshold.

Households' inflation expectations fell in June compared to the previous month (Chart 11). Corporate expectations for *retail sales and services prices* rose in June, but both indicators fluctuating significantly below the levels seen in 2022 (Chart 12).

Prepared by Géza Rippel

Budapest, 9 July 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

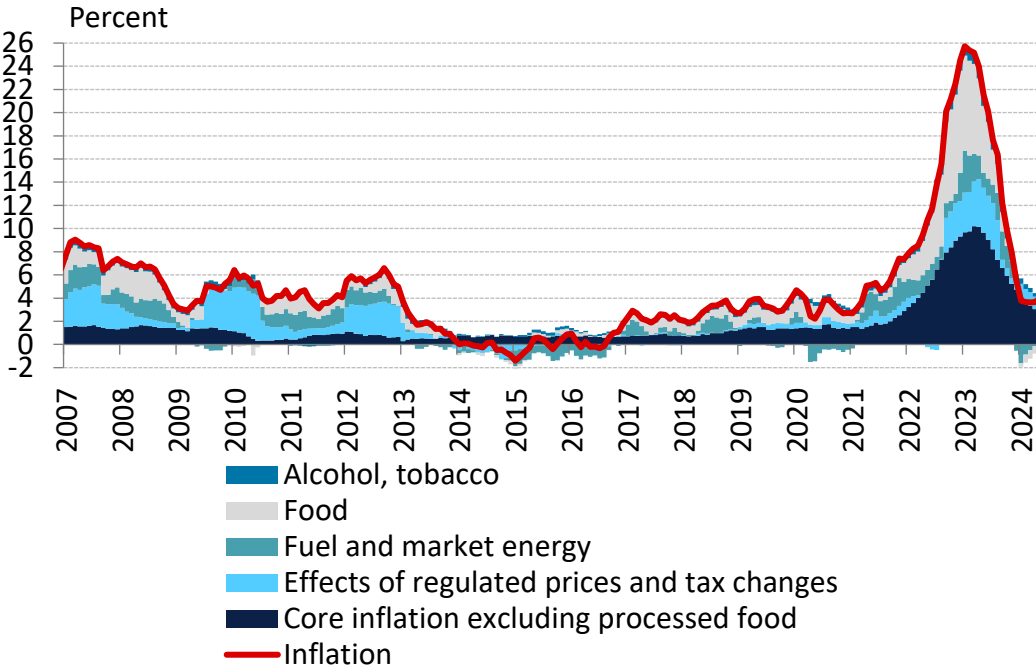
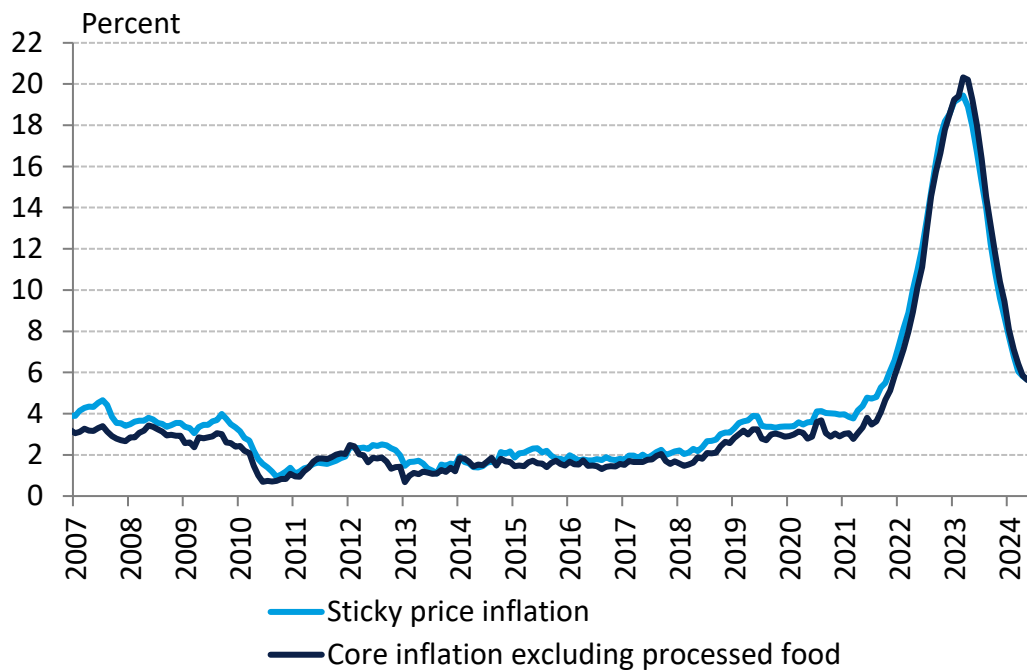


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

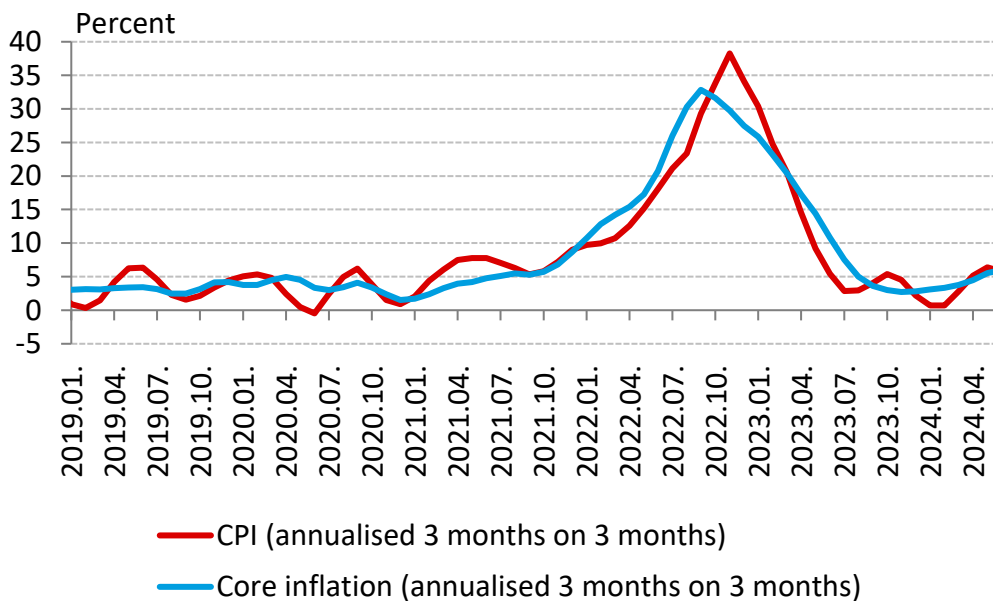


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

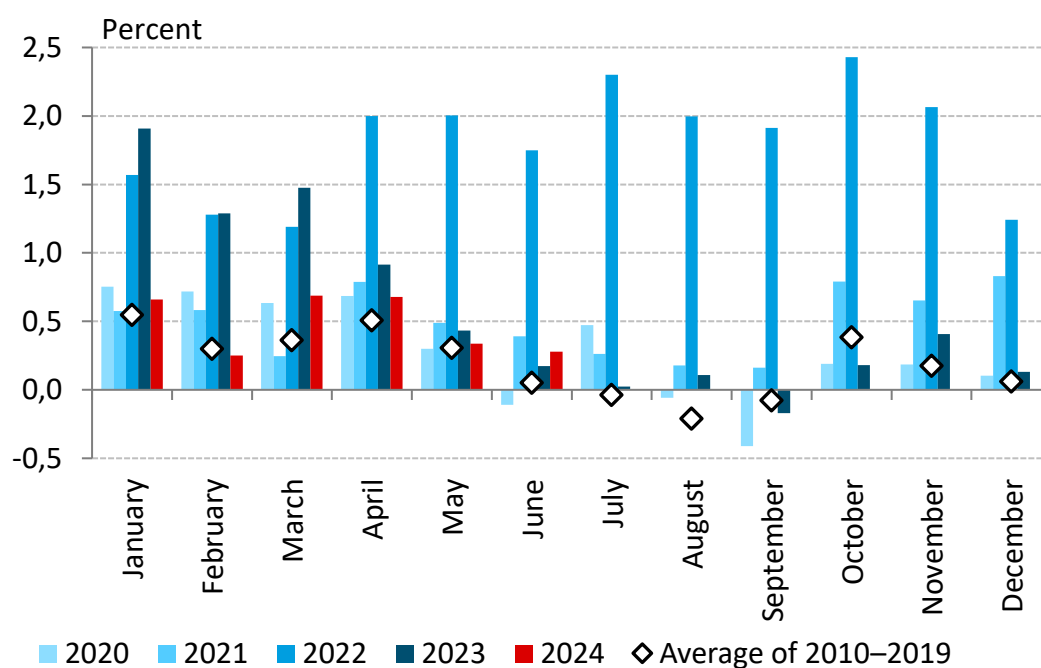


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

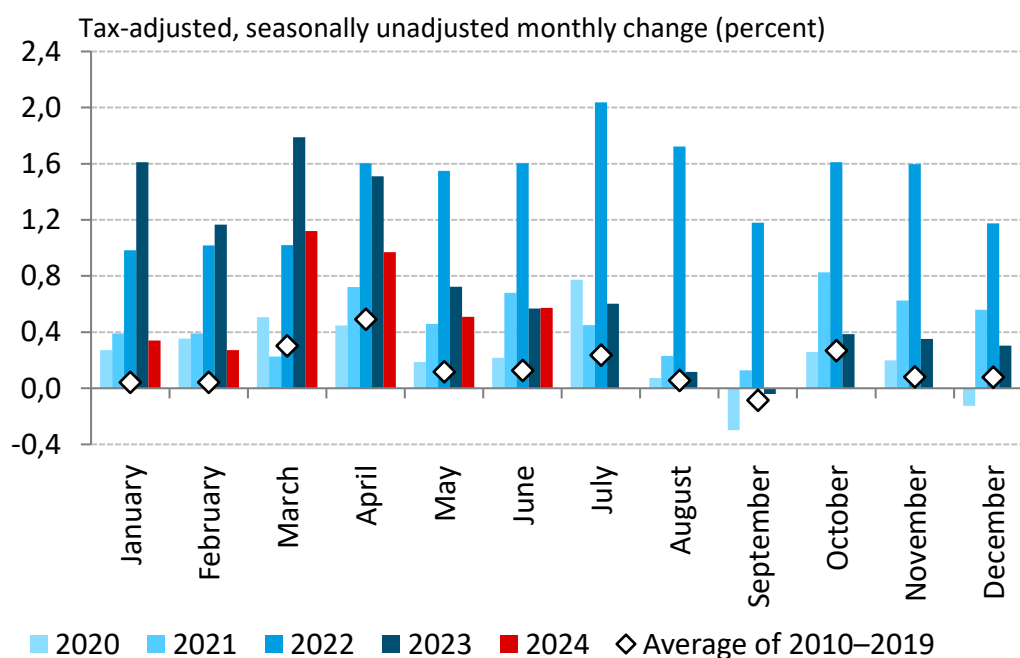


Chart 7 Inflation of tradable goods
seasonally unadjusted, tax-adjusted monthly change

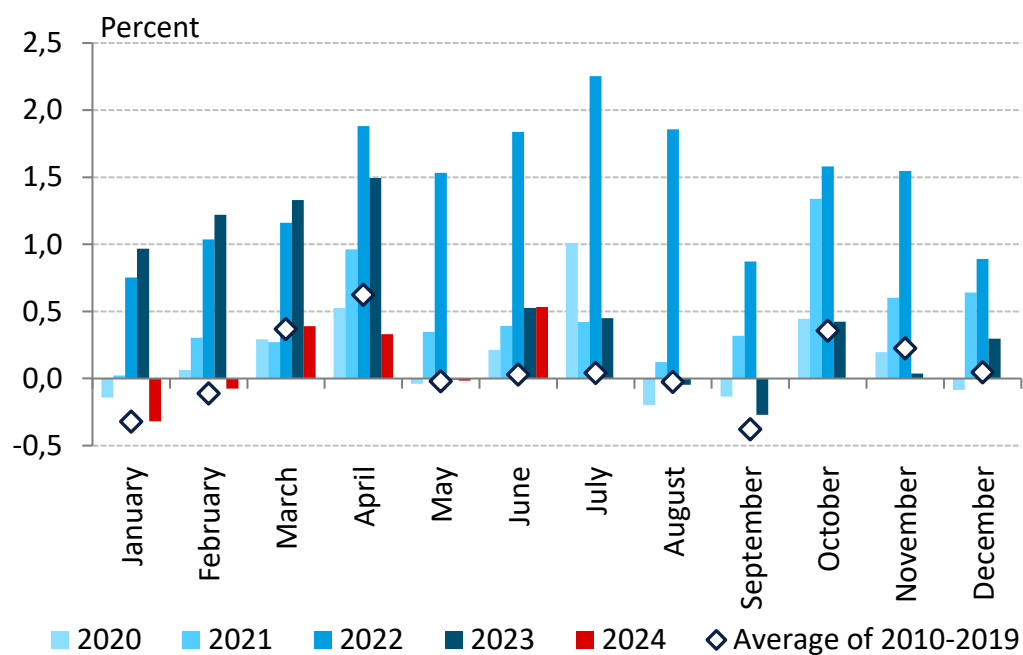


Chart 8 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

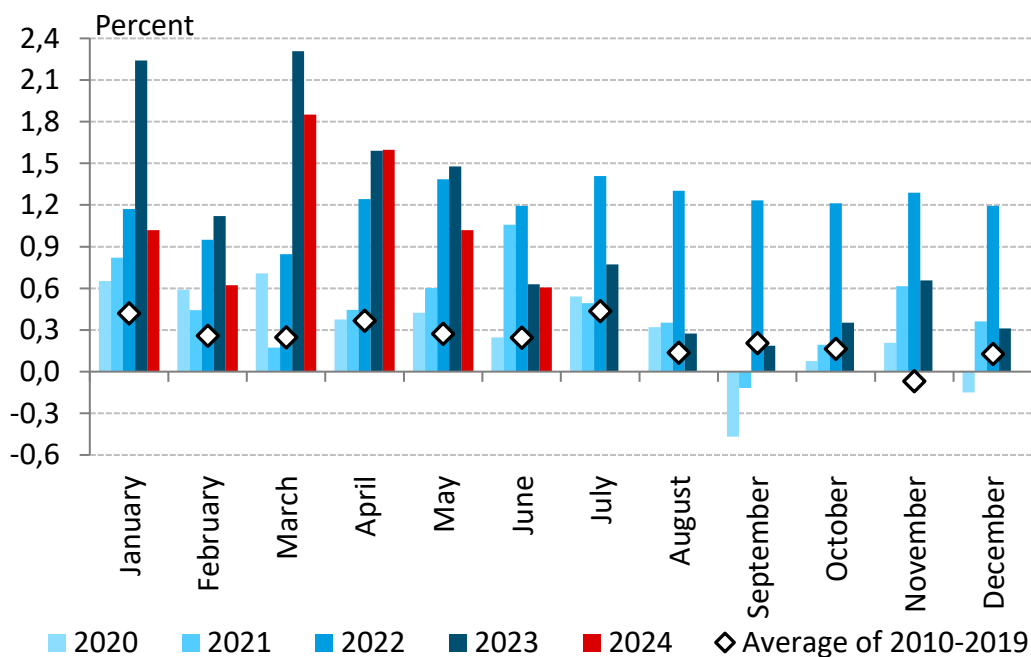
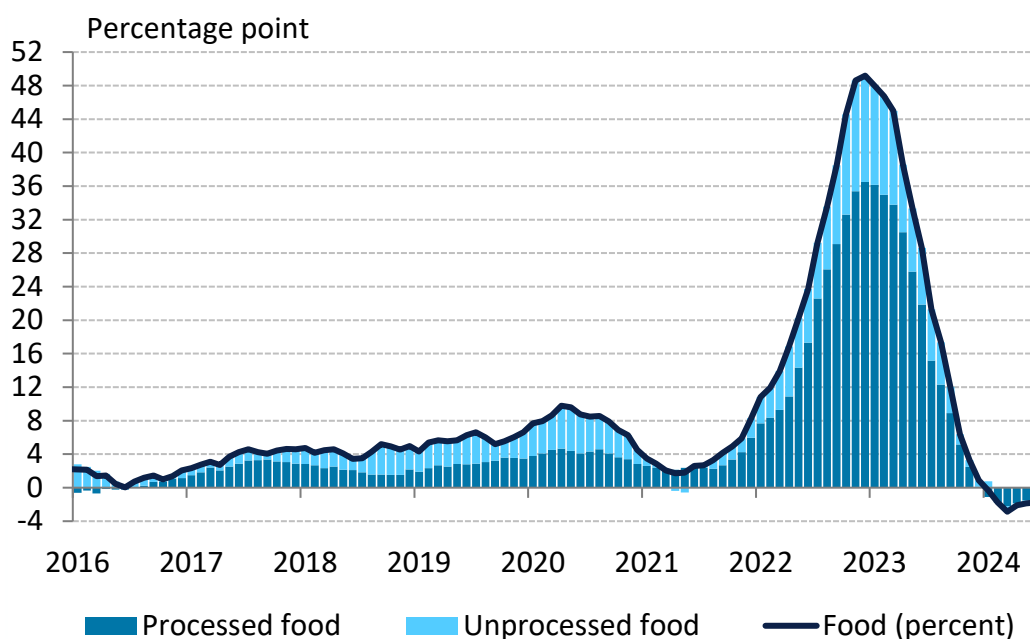
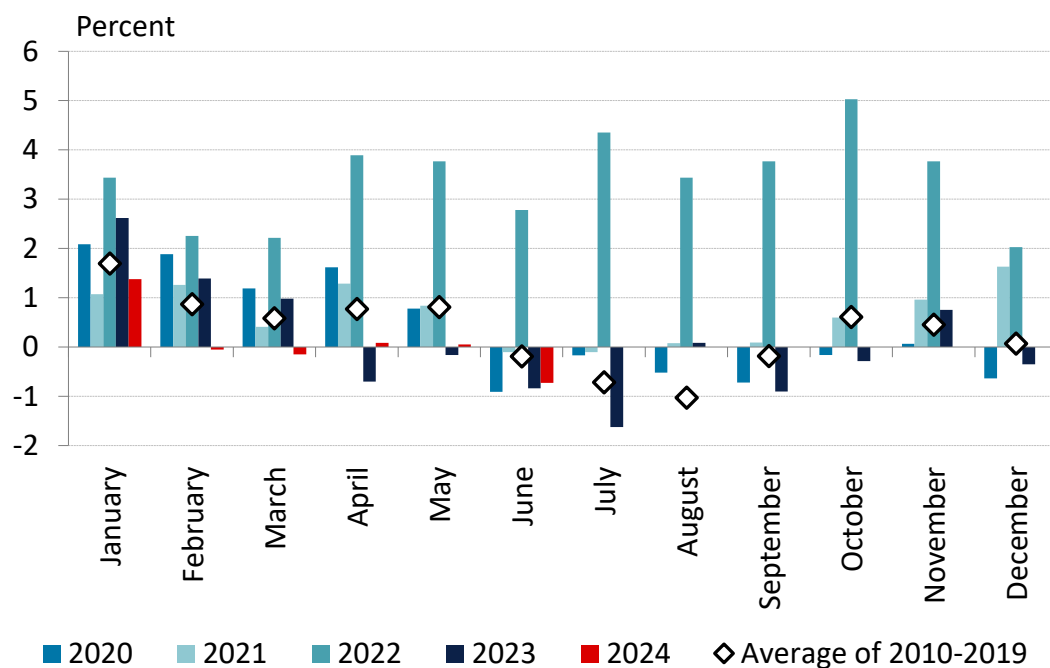


Chart 9 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



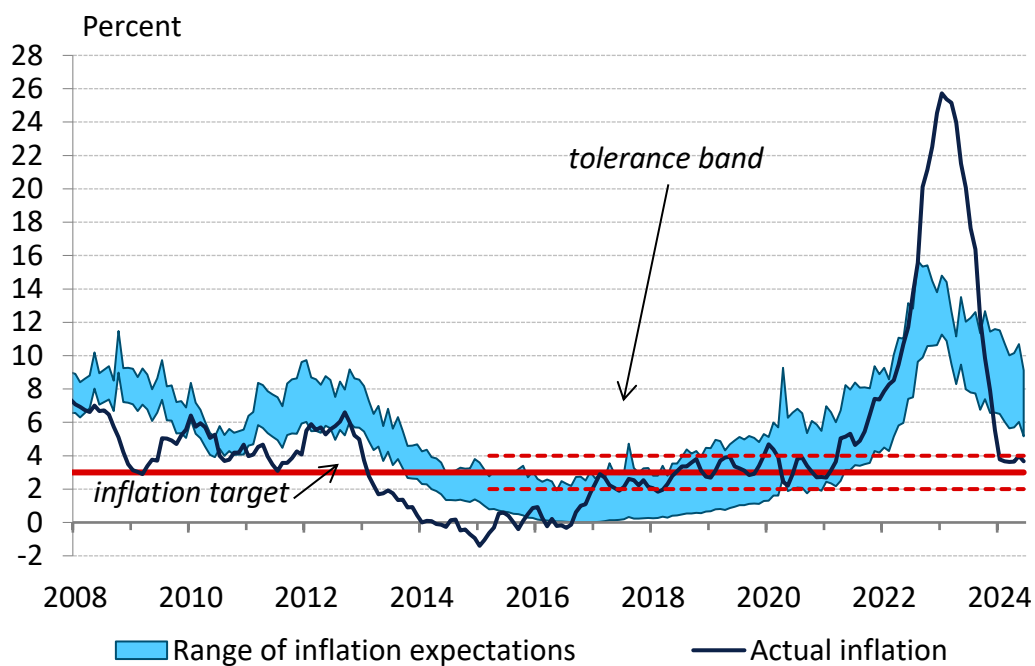
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



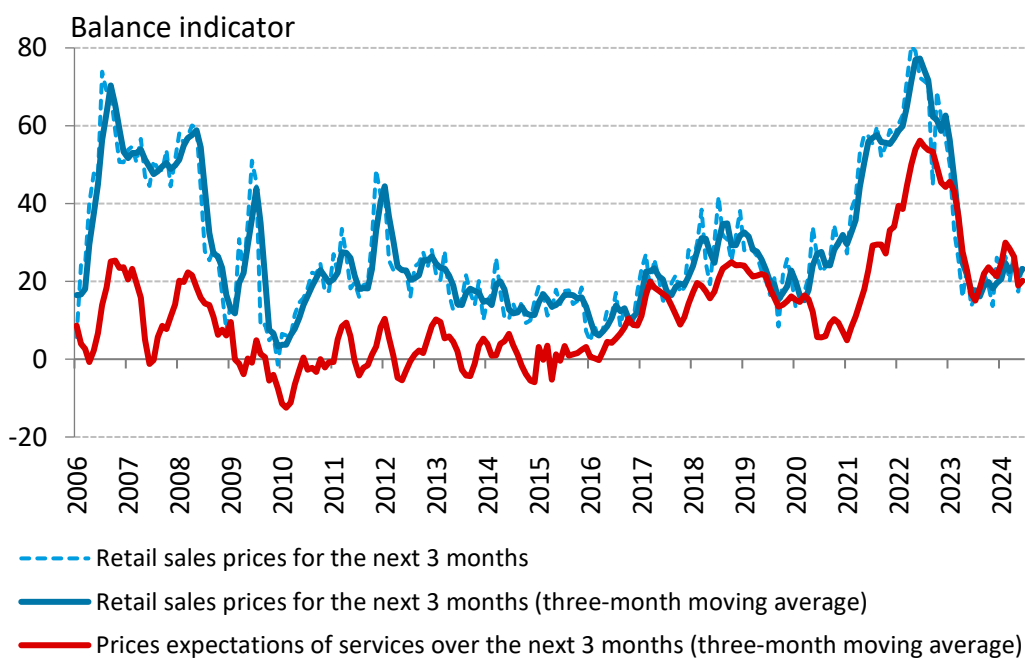
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Chart 11 Households' inflation expectations



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, June 2024 (HCSO)					
3.7% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 41.1%	2.3	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%	2.7
Contribution of other items (percentage points), weight 58.9%	1.4	Contribution of other items (percentage points), weight 47.7%	0.7	Contribution of other items (percentage points), weight 34.9%	1.0

Sources: HCSO and the MNB's own calculations.

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