



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

May
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.

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 MAY 2024

Consumer prices rose by 4.0 percent in annual terms in May 2024. Core inflation and core inflation excluding indirect tax effects continued to fall. Both indicators declined to 4.0 percent (Chart 1 and Chart 2). In the month-on-month basis, prices of total consumer basket were down by 0.1 percent as prices rose by 0.5 percent regarding core inflation. Inflation and core inflation fluctuated at the bottom of the forecast range in the March Inflation Report.

The year-on-year consumer price index rose by 0.3 percentage points compared with the previous month. The rise in inflation was caused by increases in fuel and regulated products prices by +0.2 percentage points, each, due to base effects. This was partially offset by a contribution of -0.1-percentage point change in market services prices which pointed to a decline in inflation. As a result of this, year-on-year core inflation fell by 0.1 percentage points. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, also fell. The inflation of sticky-price products fell by 0.2 percentage points and the annual price rise of core inflation excluding processed food prices declined by 0.3 percentage points relative to the previous month (Chart 3).

In a shorter, annualised 3-month-on-3-month, base comparison, core inflation and inflation rose in May due to backward-looking repricing of some market services (Chart 4). In the case of inflation, price increases from last month were below the historic average usually seen in this time of the year, while it was above the historical average in the case of core inflation. The price of the consumer basket excluding fuel and regulated product prices was up by 0.3 percent from the previous month, while month-on-month core inflation excluding processed food price effects, which better reflect underlying developments, stood at 0.5 percent (Chart 5 and Chart 6). The degree to which repricings took place in May in tradables and food prices was below the historical average while in the case of market services it was above it.

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

Annual inflation of tradables stood at 1.7 percent, similar to the level in April. The prices of the product group remained unchanged compared with the previous month (Chart 7). Monthly durables prices fell by 0.2 percent, which was offset at the level of the total product group by a 0.1 percent rise in non-durables prices.

The year-on-year price index of *market services* fell to 9.7 percent. Prices increased by 1.0 percent on a monthly basis, primarily due to backward-looking repricing by telecommunications and banking services (Chart 8).

Food price inflation, according to the MNB's classification, was -1.9 percent. Within the product group, unprocessed and processed food prices fell by 1.2 percent and 2.4 percent in annual terms, respectively (Chart 9). According to HCSO data release, food prices rose by 1.0 percent, including an increase of 8.1 percent in restaurant meals. Compared to April, unprocessed food prices decreased by 0.3 percent and processed food prices increased by 0.2 percent (Chart 10).

Month-on-month *fuels* prices were down by 4.4 percent as a result of decreases in global oil prices and price margins. Average prices in this product group were up by 9.2 percent on a year-on-year basis.

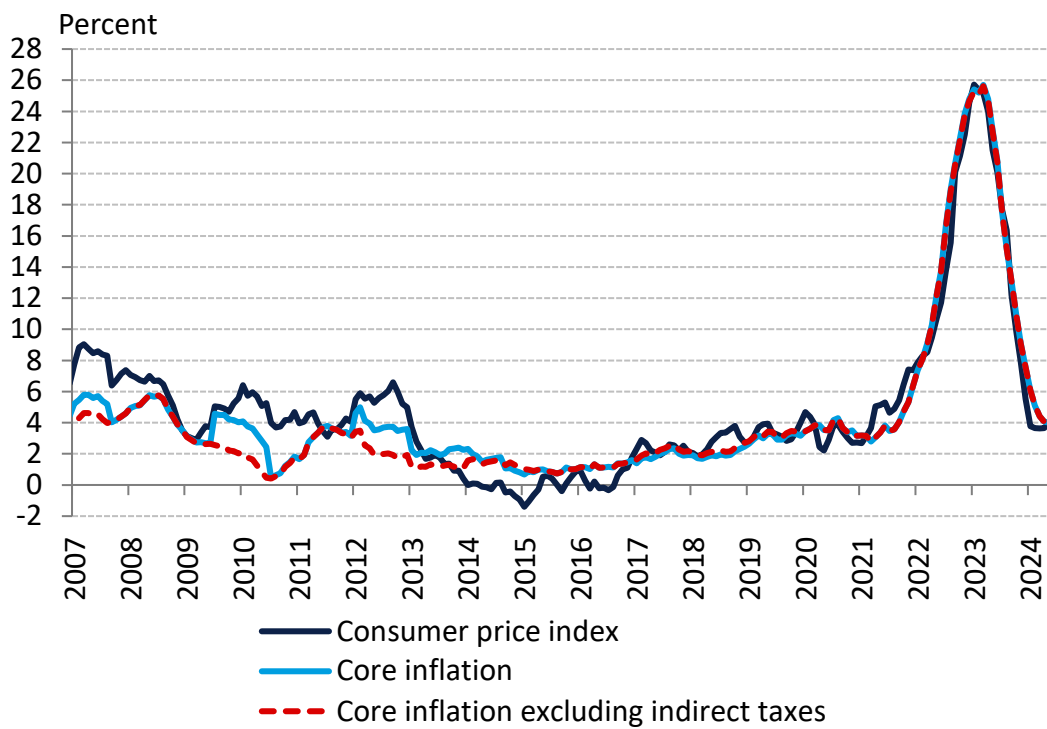
The prices of *regulated products and services* fell by 0.3 percent relative to April, caused by a decline in natural and manufactured gas prices. This was explained by a higher share of consumers' consumption falling below the volume limit of the lower officially regulated price.

Households' inflation expectations picked up in May relative to the previous month (Chart 11). *Corporate expectations for both retail sales prices and services prices* declined in May with both indicators remaining significantly below the levels seen in 2022 (Chart 12).

Prepared by Géza Rippel

Budapest, 10 June 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

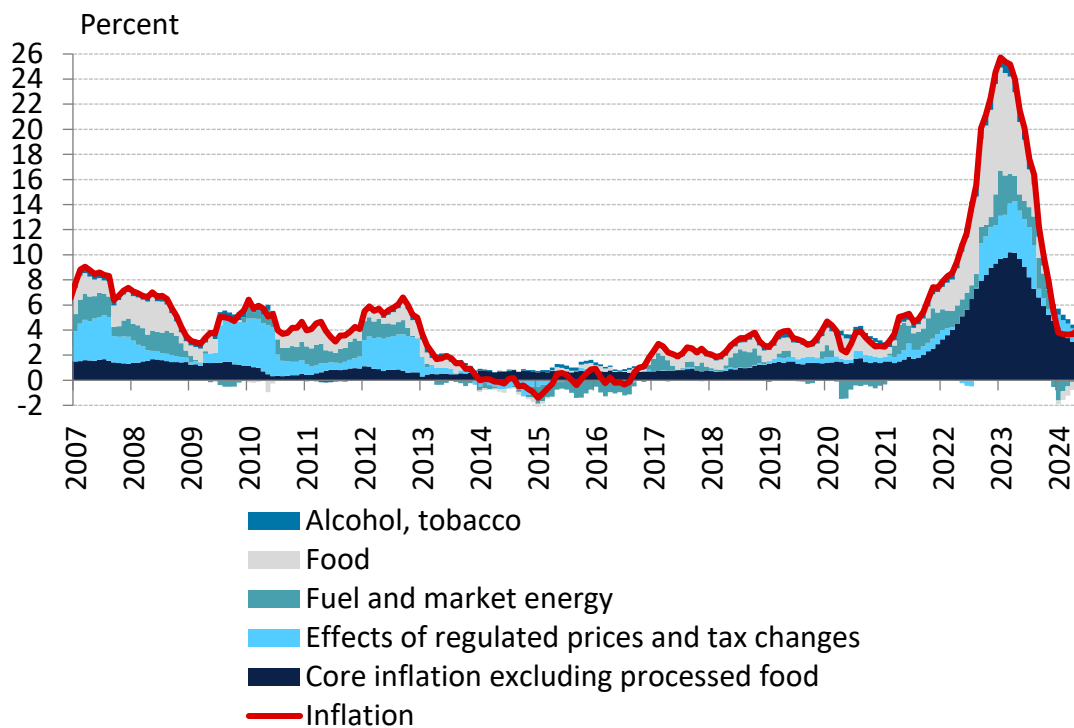
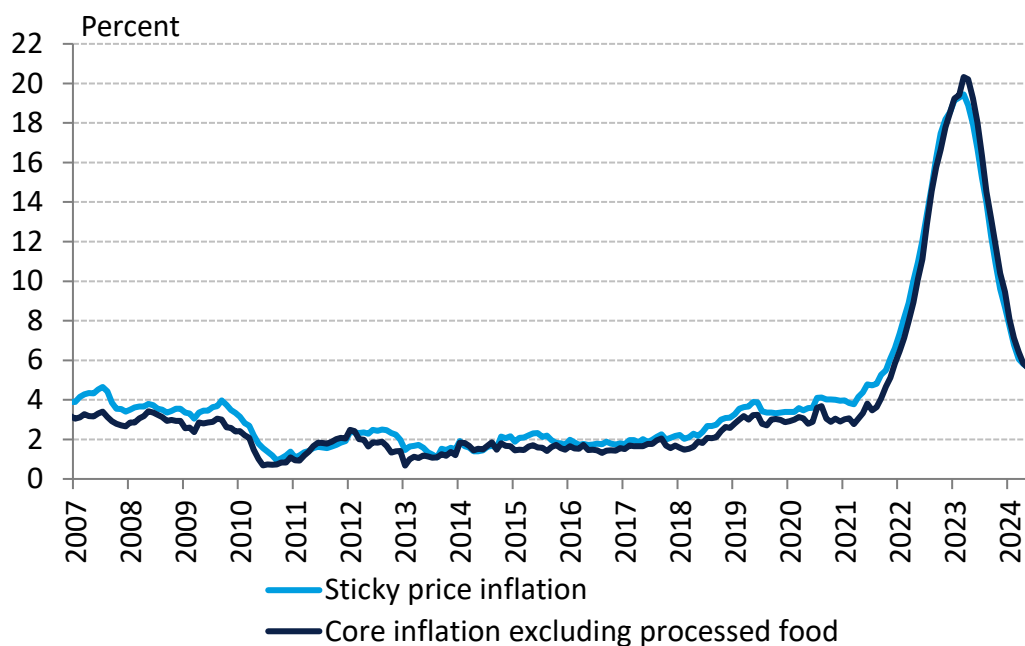


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

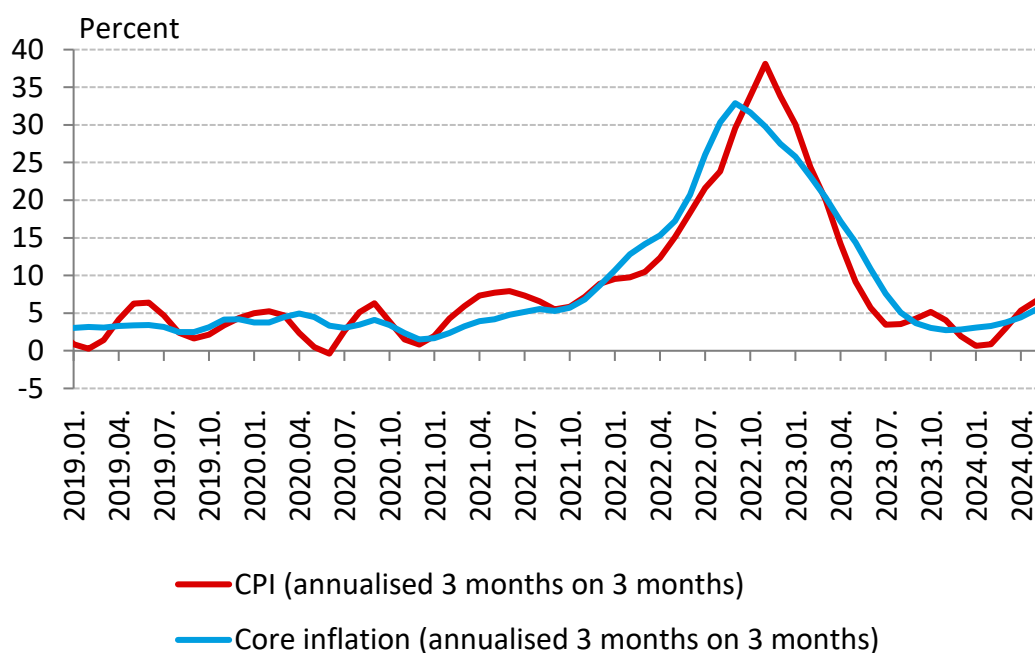


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

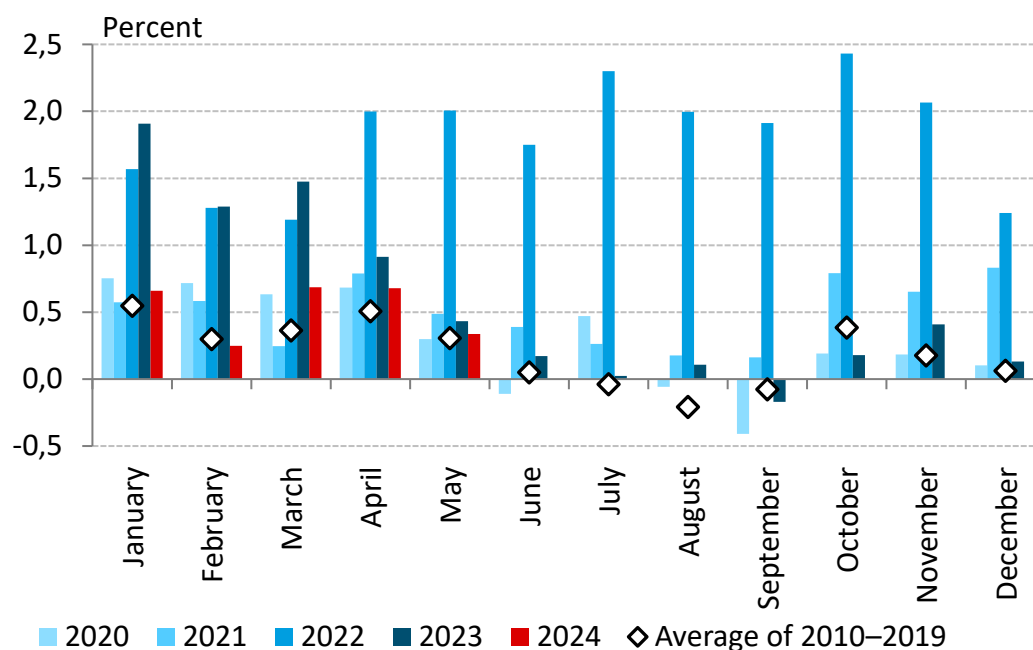


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

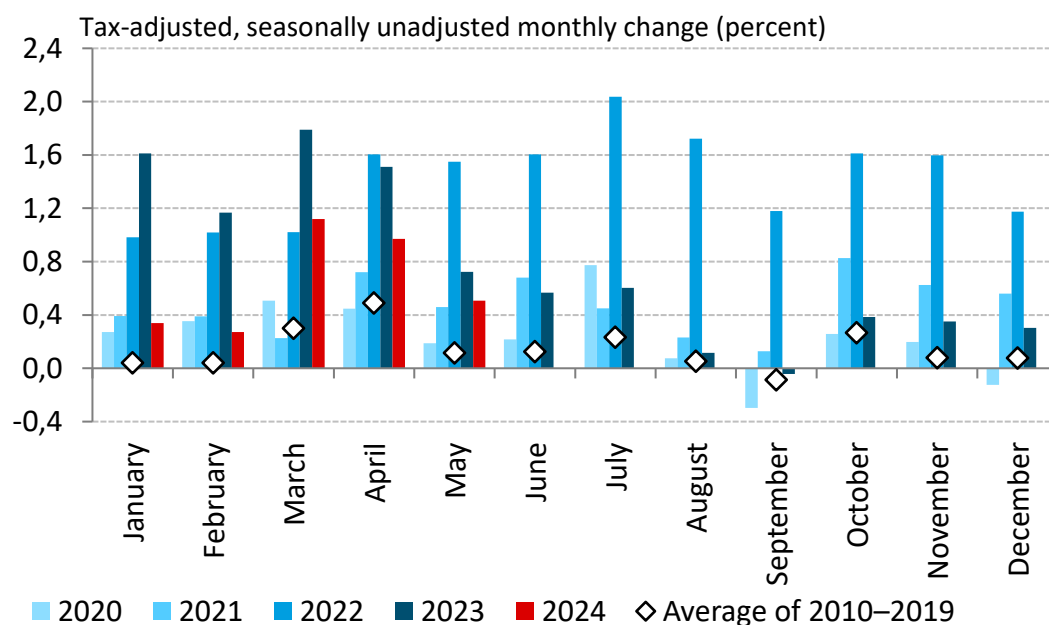


Chart 7 Inflation of tradable goods
seasonally unadjusted, tax-adjusted monthly change

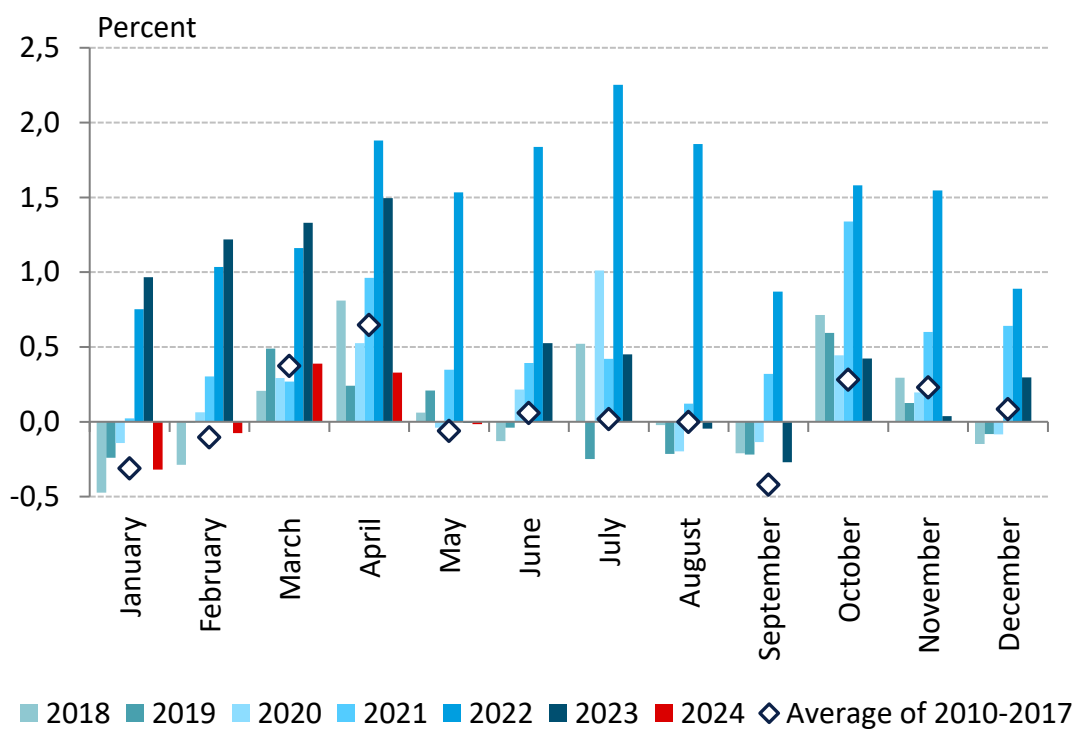


Chart 8 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

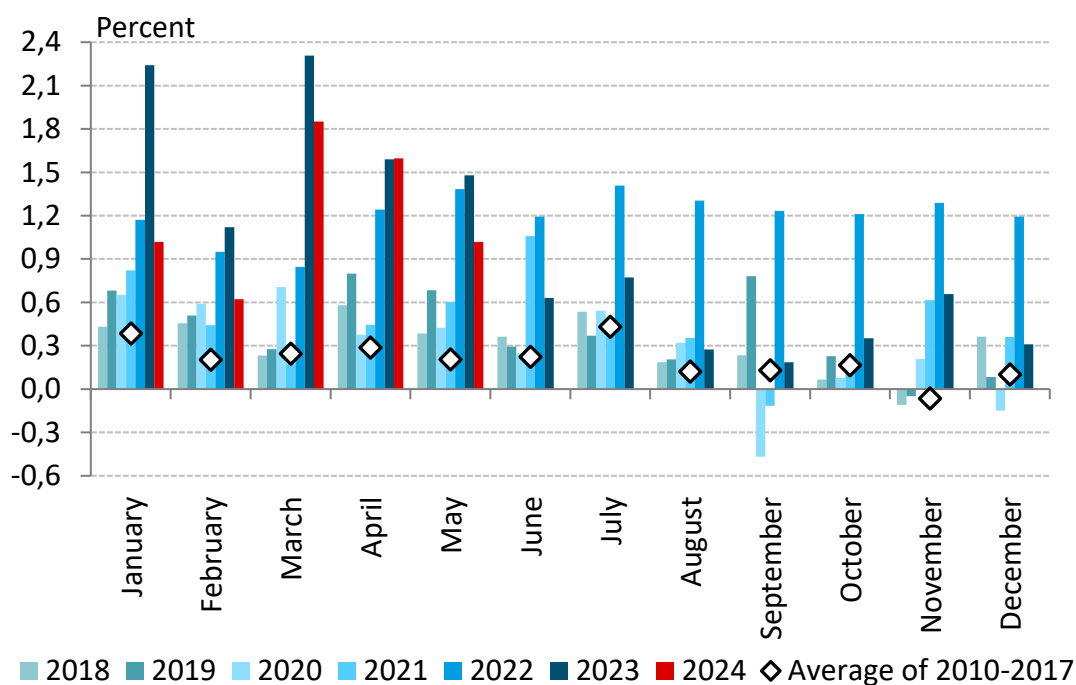
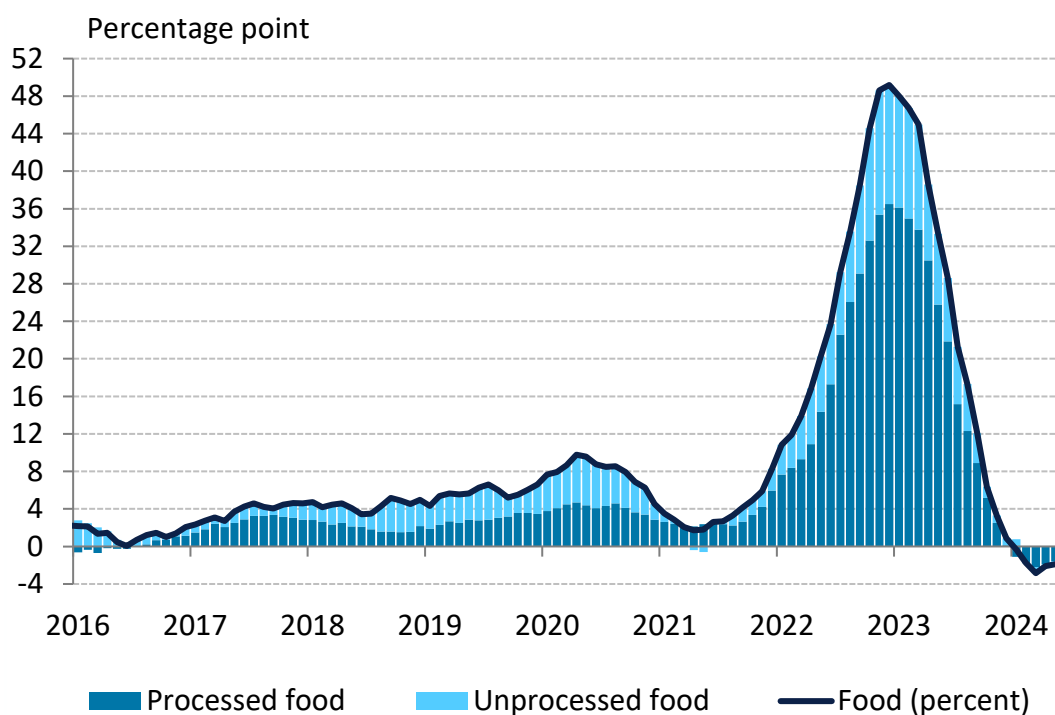
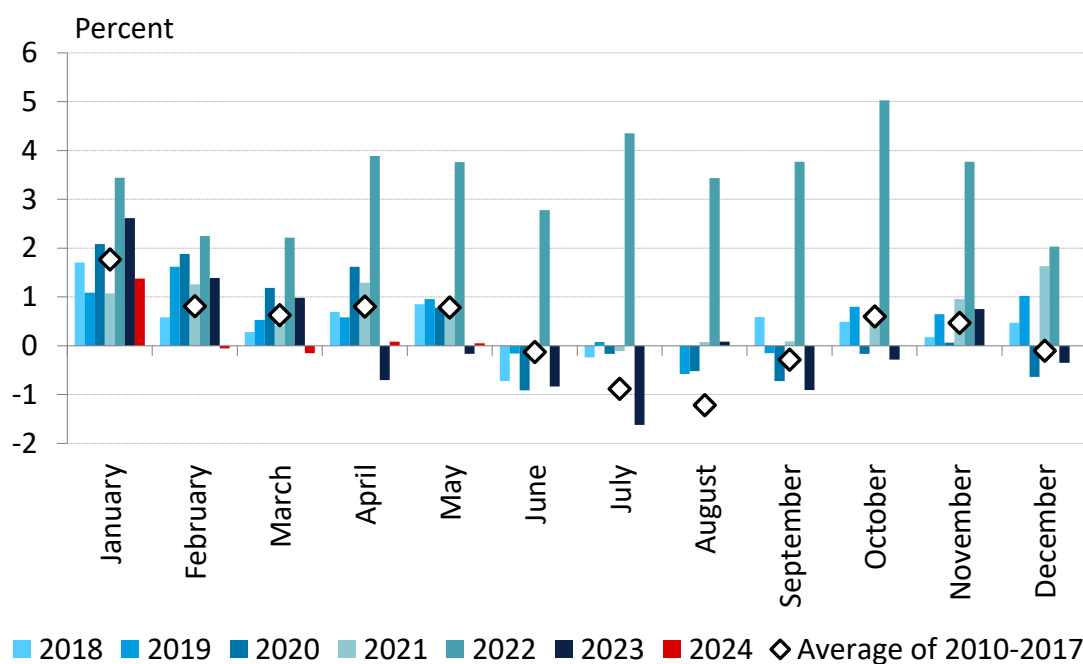


Chart 9 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



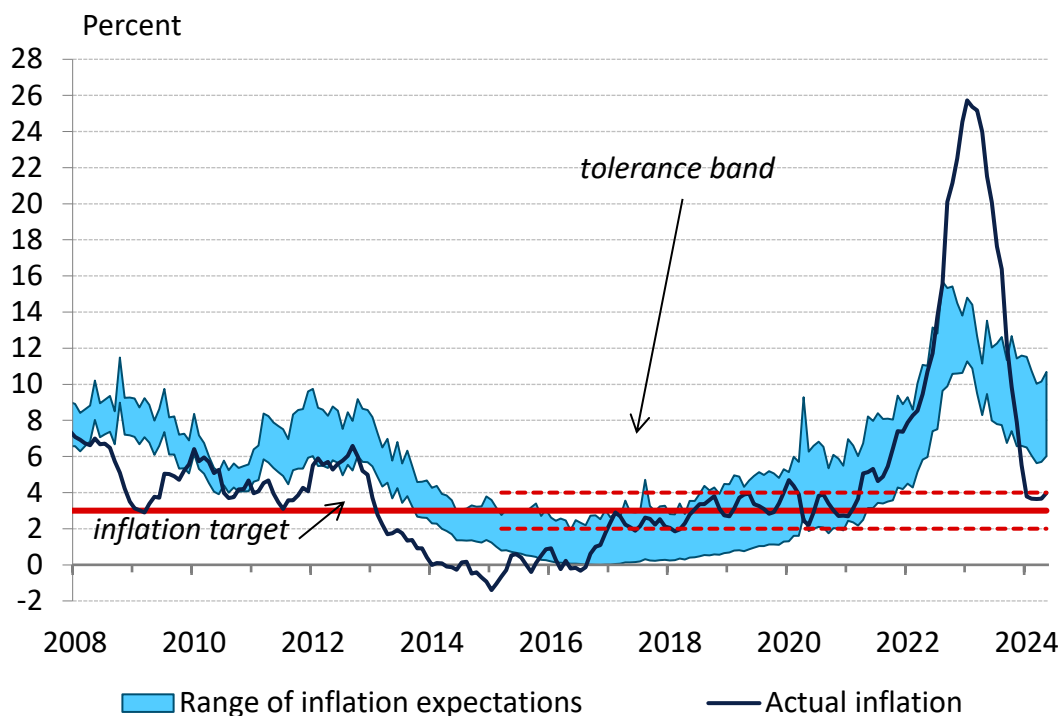
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



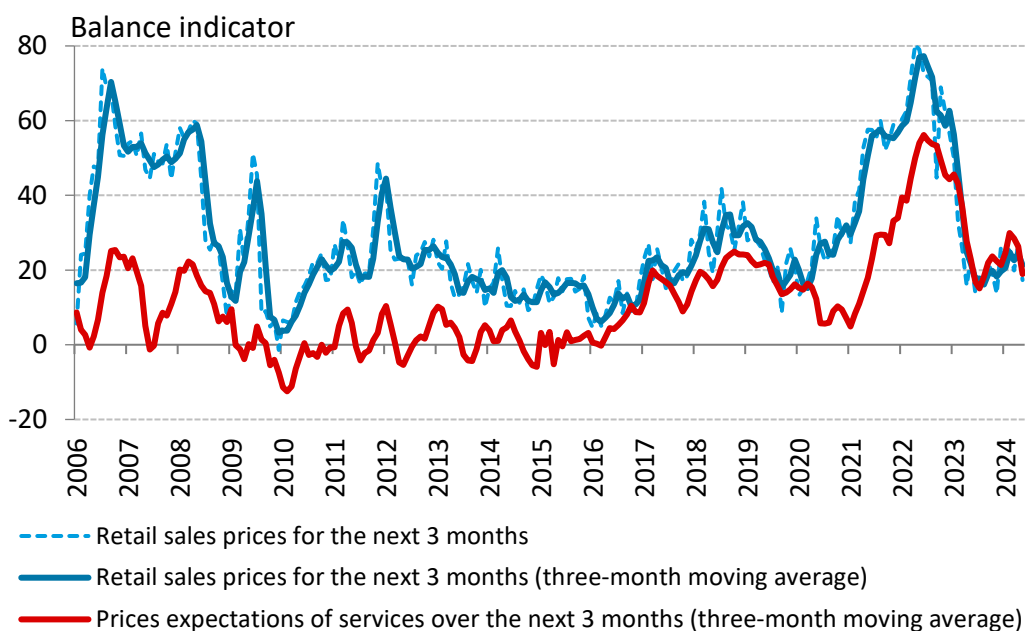
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Chart 11 Households' inflation expectations



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, May 2024 (HCSO)					
4.0% (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%	2.6
Contribution of other items (percentage points), weight 58.9%	1.7	Contribution of other items (percentage points), weight 47.7%	1.0	Contribution of other items (percentage points), weight 34.9%	1.4

Sources: HCSO and the MNB's own calculations.

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