



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

March

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

ASSESSMENT OF INFLATION DATA FOR MARCH 2024

In March 2024, inflation continued to fall, and consumer prices rose by 3.6 percent in annual terms. Core inflation and core inflation excluding indirect tax effects fell to 4.4 percent (Chart 1 and Chart 2). On a monthly basis, core inflation and the price of entire consumer basket rose by 0.8 percent. In March both inflation and core inflation were in the middle of the forecast range of the March Inflation Report.

Annual consumer price index fell by 0.1 percentage points compared to the previous month. The contribution to disinflation by tradables (-0.3 percentage points) food (-0.2 percentage points) and market services (-0.1 percentage points) prices was largely offset by the upward effect on inflation by fuel (+0.3 percentage points) and regulated products and services prices (+0.2 percentage points). Annual core inflation fell by 0.7 percentage points; here, disinflation was general. 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 and the annual price rise of core inflation excluding processed food products both fell by 0.7 percentage points relative to the previous month (Chart 3). The strong slowdown in inflation in the past 14 months was caused by the combined effect of tight monetary policy, the Government's measures to strengthen competition, subdued demand, base effects and the significantly lower external cost environment than earlier.

In a shorter-term comparison (annualised three months on three months), core inflation and inflation rose in March, but both indicators were below 4 percent due to retrospective repricings in certain market services (Chart 4). The price rises relative to last month were lower in the entire consumer basket and the core inflation than perceived in March 2023, but they were over the historic average usually seen this time of year. The price of the basket excluding fuel and regulated product prices rose by 0.7 percent relative to the previous month, while month-on-month core inflation excluding processed food, which better reflect underlying developments, was 1.1 percent (Charts 5 and 6). The degree to which repricings took place in March was in line with the historic average as regards tradables, while they were higher in market services prices and lower in food prices.

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

The annual inflation of *tradables* fell to 2.9 percent. The prices of this product group rose by 0.4 percent compared to the previous month (Chart 7). Within the product group, non-durables prices rose by 0.6 percent on a monthly basis, which was mainly explained by volatile air fares. Durables prices remained unchanged in March.

Annual price index of *market services* declined to 10.2 percent; and as a result, the fall in annual price growth, started in June 2023, continued. Prices rose by 1.9 percent on a monthly basis, which was primarily explained by retrospective repricings by telecommunications and banking services (Chart 8).

Annual *food* price inflation fell to 0.7 percent in March according to HCSO data. Within this product group, unprocessed food and processed food prices fell by 2.0 percent and 3.4 percent, respectively, while restaurant meals prices, classified as food by the HCSO, rose by 8.7 percent in annual terms (Chart 9). Compared to February, unprocessed food prices increased by 0.3 percent and processed food prices decreased by 0.4 percent (Chart 10). The price decrease of processed food was mainly caused by milk and dairy product prices.

Fuels prices rose by 2.1 percent on a monthly basis as a result of the increase in global oil prices. The average price of this product group rose by 2.3 percent in annual terms.

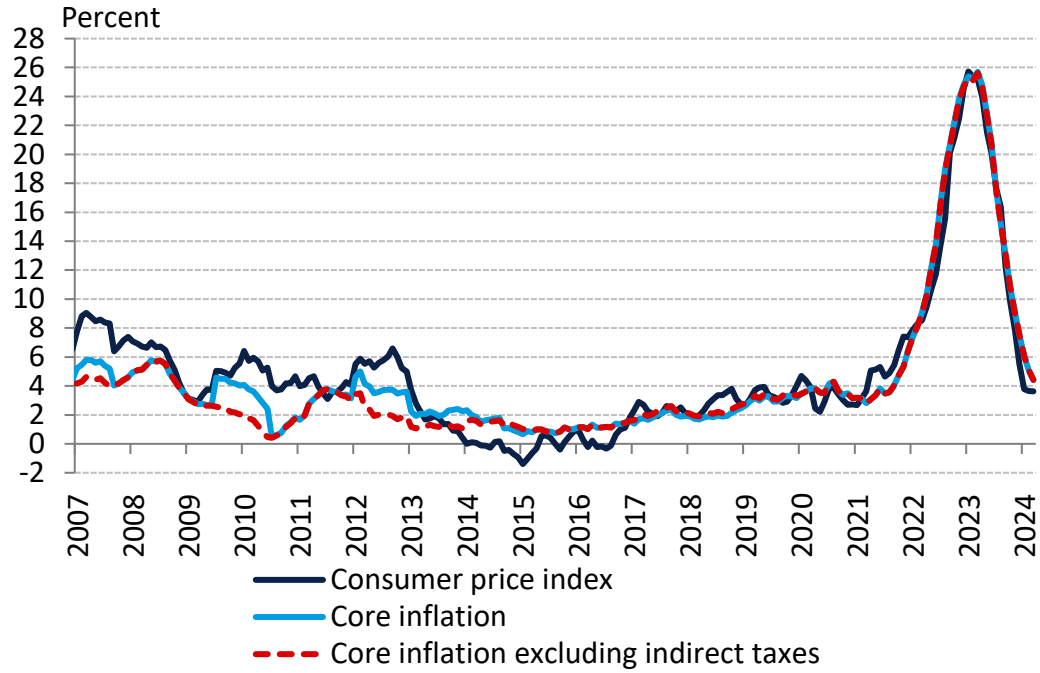
The prices of *regulated products and services* rose by 0.8 percent relative to February, reflecting an increase in natural and manufactured gas prices. This indicated a fall in the share of consumption falling below the volume limit of the lower officially regulated price.

Households' inflation expectations have fallen in recent months, with measures showing unusually high volatility (Chart 11). *Corporate expectations for retail sales and services prices* declined in March and remained well below the levels seen in 2022 (Chart 12).

Prepared by Géza Rippel

Budapest, 11 April 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

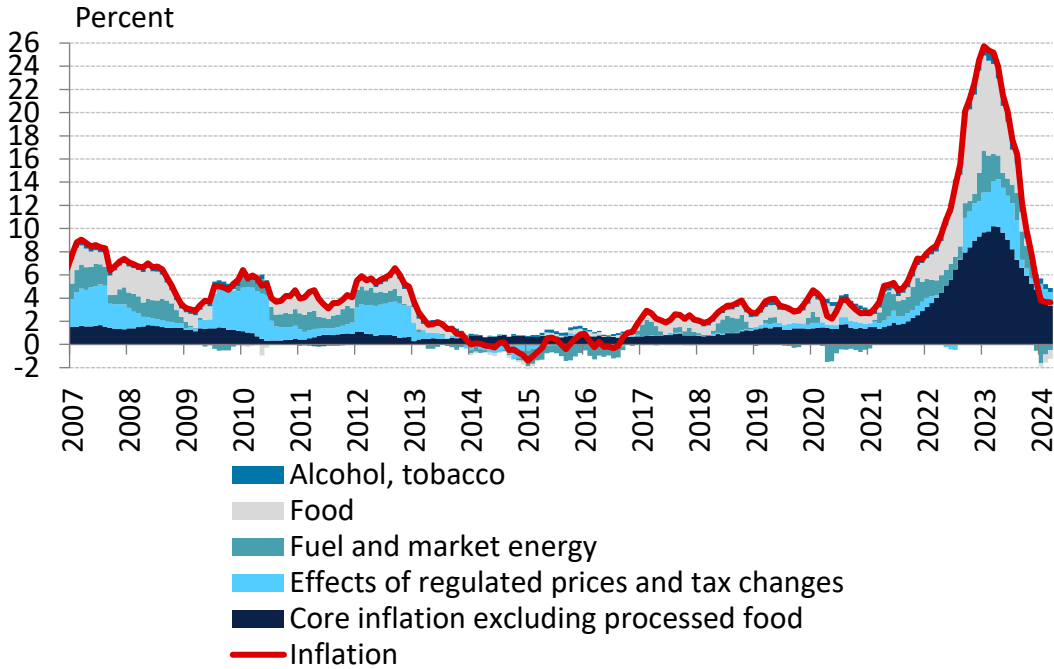
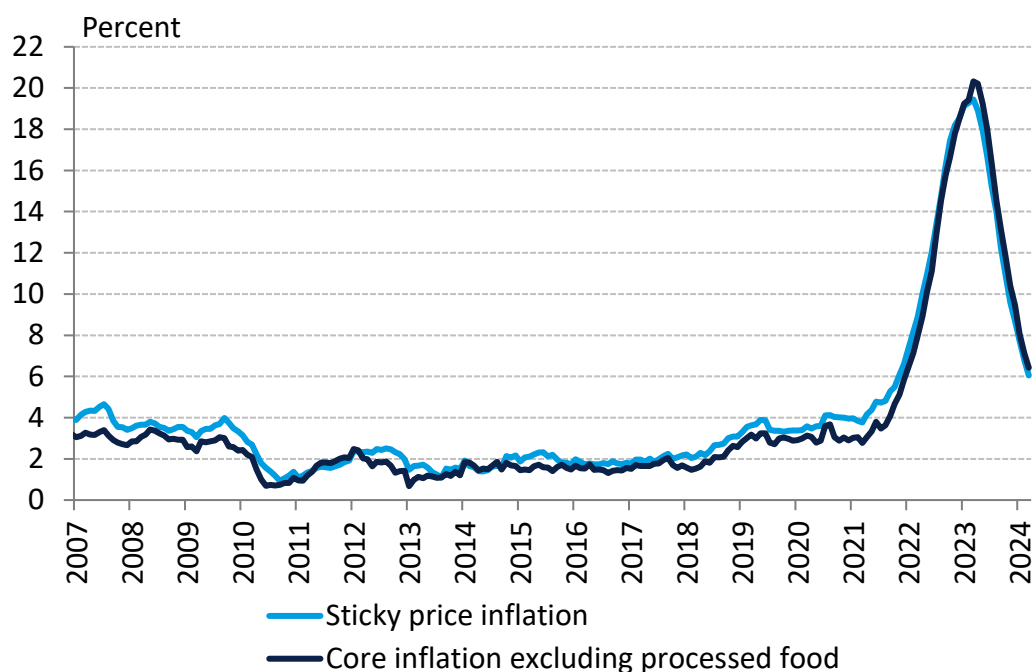


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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 changes in inflation and core inflation
Based on seasonally adjusted data

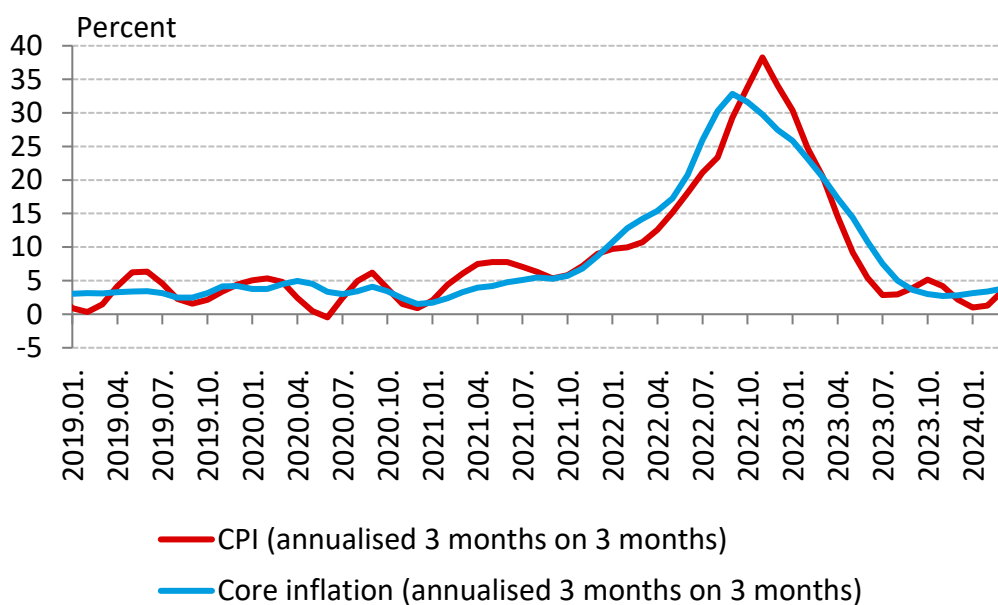


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

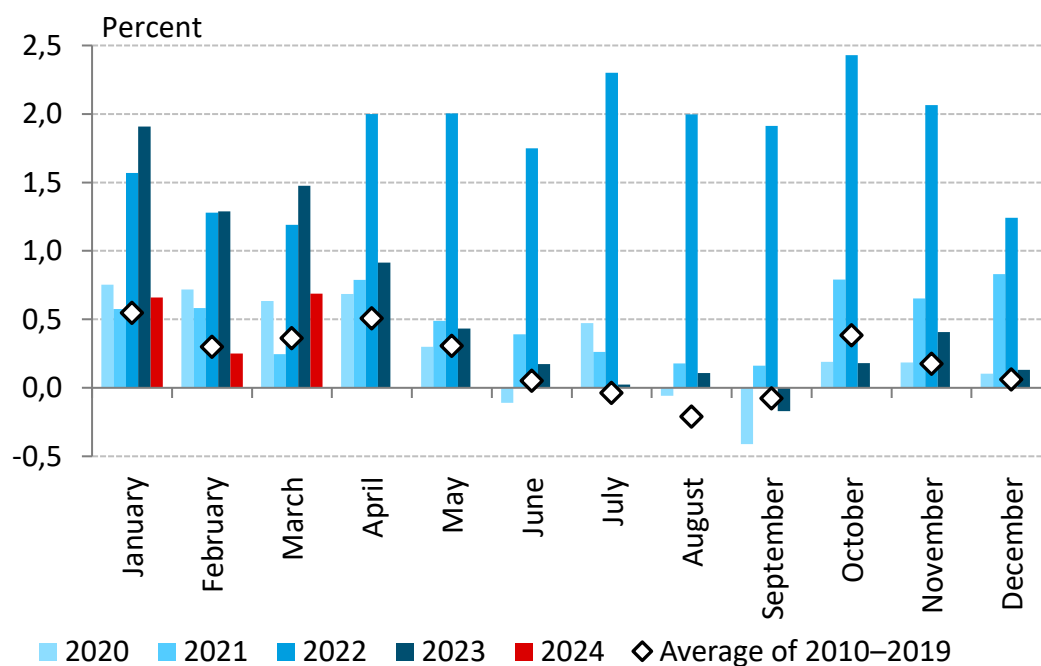


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

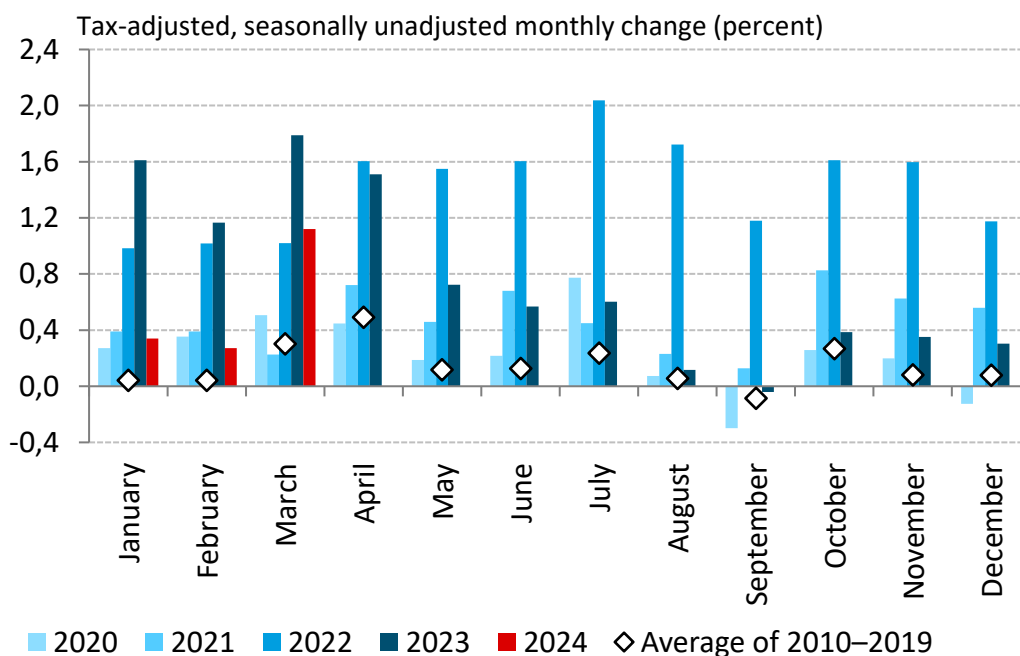


Chart 7 Inflation of tradable goods
seasonally unadjusted, tax-adjusted monthly change

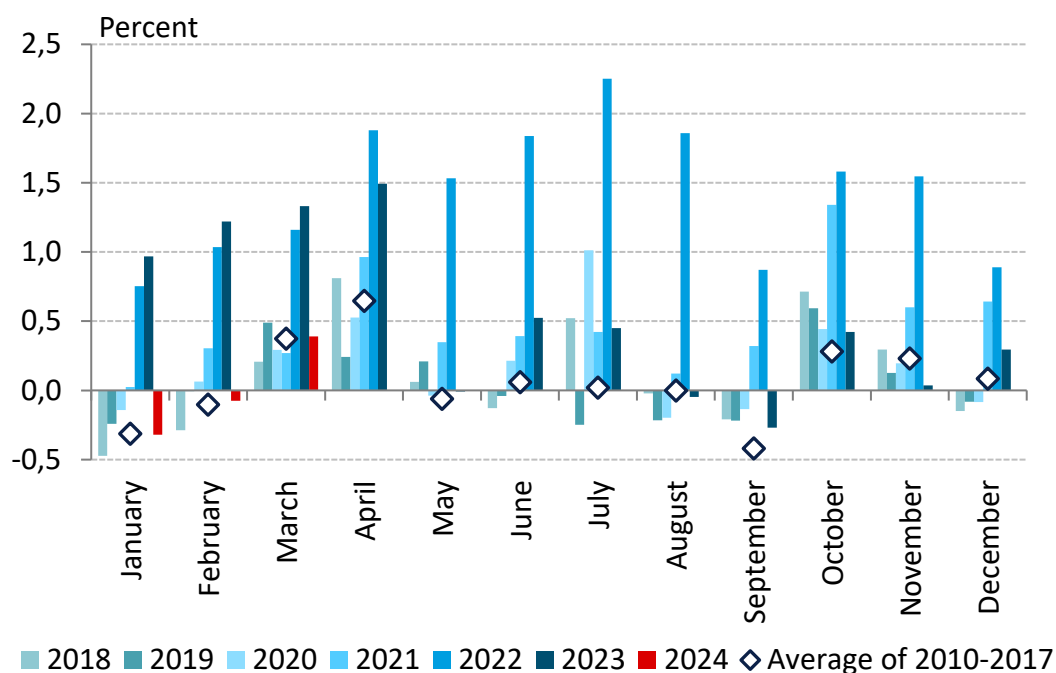


Chart 8 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

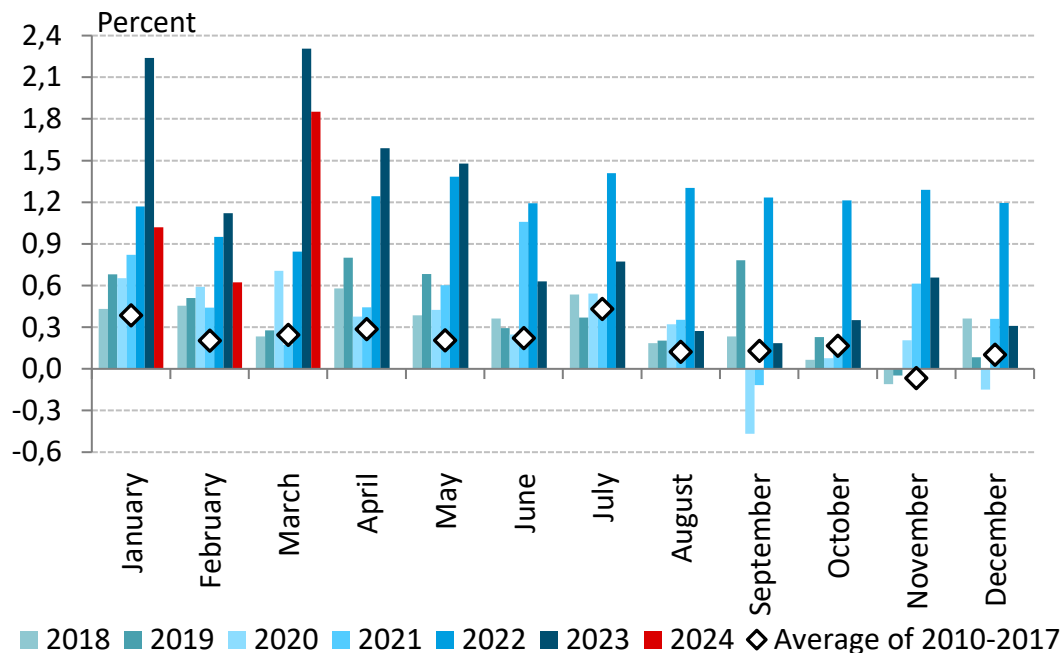
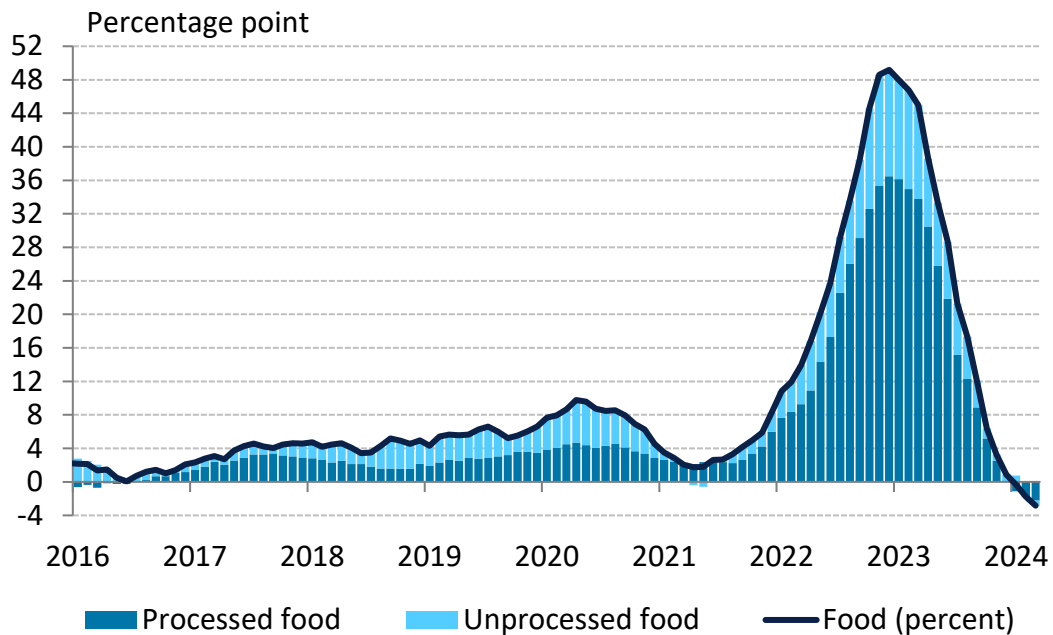
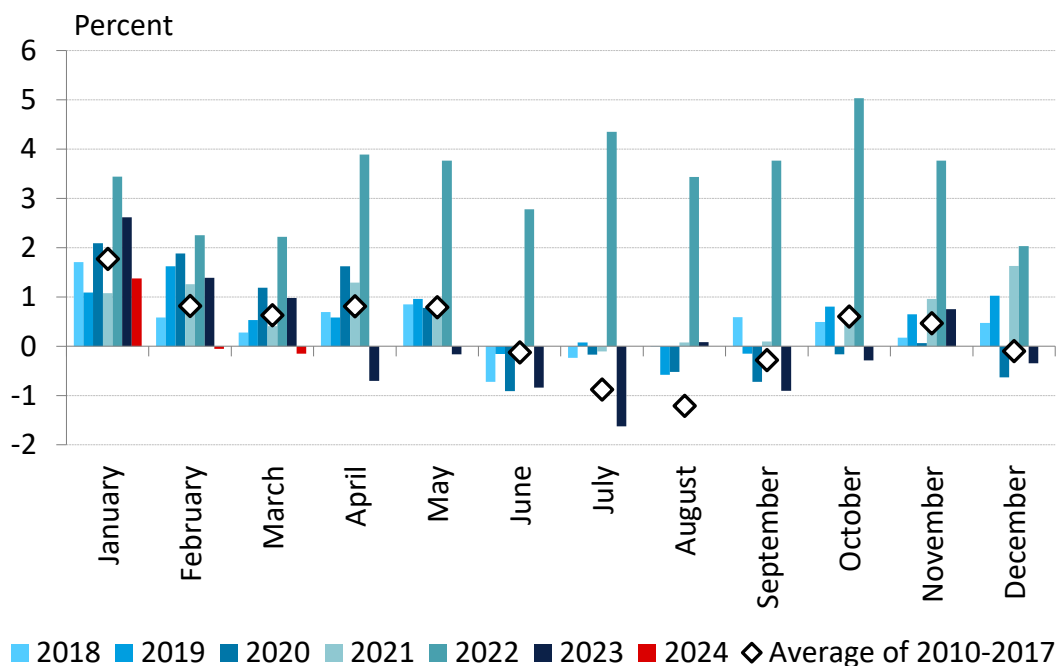


Chart 9 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



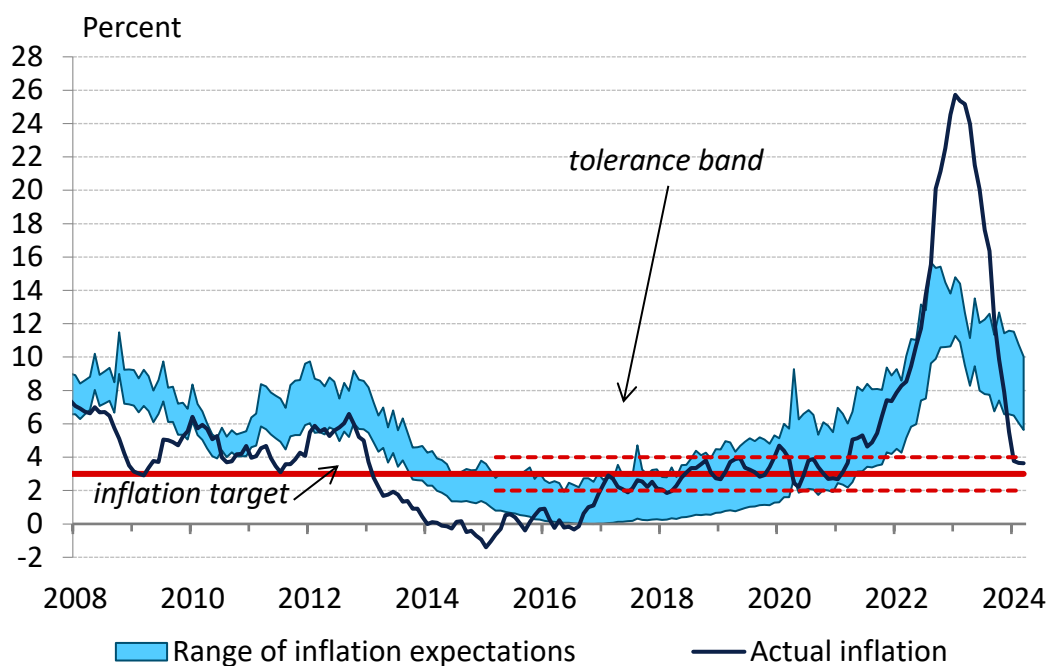
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



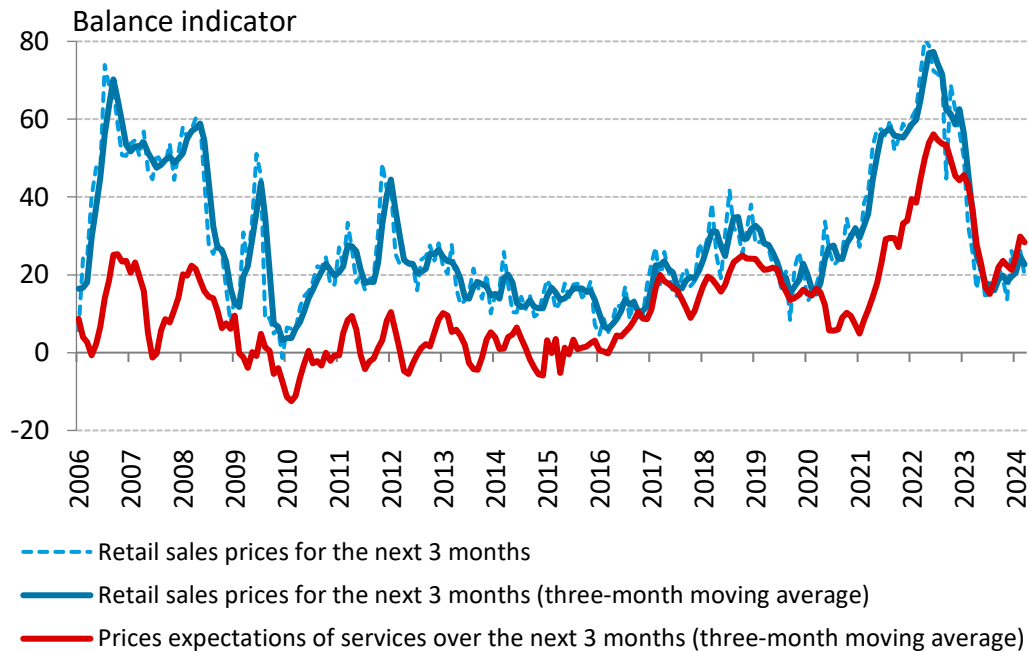
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Chart 11 Households' inflation expectations



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, March 2024 (HCSO)					
3.6% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price products inflation (percentage points), weight 41.1%	2.5	Contribution of core inflation excluding processed foods (percentage points), weight 52.3%	3.4	Contribution of core inflation excluding taxes (percentage points), weight 65.1%	2.9
Contribution of other items (percentage points), weight 58.9%	1.1	Contribution of other items (percentage points), weight 47.7%	0.3	Contribution of other items (percentage points), weight 34.9%	0.8

Sources: HCSO and the MNB's own calculations.

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