



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

MARCH

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 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 2025

In March 2025, consumer prices rose by 4.7 percent in annual terms. Compared to February, the annual price increase rate decelerated by 0.9 percentage points. Core inflation fell by 0.5 percentage points and stood at 5.7 percent. Core inflation excluding indirect tax effects fell to 5.4 percent (Chart 1 and Chart 2). On a monthly basis, the average price of the overall consumer basket remained unchanged, while the core inflation basket prices rose by 0.3 percent. Inflation and core inflation were within the forecast range of the March Inflation Report.

Most product groups contributed to the decline in the annual consumer price index, which was partly offset by the accelerating price increases of tradables, alcohol and tobacco products. The fall in annual core inflation was caused by the slowdown in market services and processed food price dynamics. From our indicators capturing more persistent inflation trends on an annual basis, the inflation of sticky-price products rose slightly to 5.9 percent, while core inflation excluding processed foods moderated to 5.3 percent (Chart 3).

In a shorter term (annualised, 3-month-on-3-month) comparison, our indicators showed a deceleration in inflation, and a pick-up in core inflation (Chart 4). Price changes on the previous month were more moderate than historical averages for both inflation and core inflation. 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 reflects underlying developments, was 0.6 percent (Chart 6). The extent of the March repricing regarding tradables and market services was above the historical average, while in the case of food prices it was below the historical average.

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

The annual inflation of *tradables* rose to 2.6 percent. In a monthly comparison, the product group price increased by 0.6 percent (Chart 7). Non-durables and durables prices increased by 0.7 percent and 0.4 percent, respectively, compared to February. Price increases in non-durables were attributable to a seasonal increase in clothing prices, while the rise in durables prices is explained by the inflation of second-hand cars and furniture.

The annual price index of *market services* eased to 8.6 percent, which was largely attributable to the unwinding of the effect of last year's backward-looking repricings. Prices rose by 0.6 percent on a monthly basis (Chart 8). Monthly price increases primarily reflected the inflation of accommodation and catering services. Banking and telecommunications services fees remained broadly unchanged from February.

According to the MNB's classification, food price inflation decreased to 6.2 percent, with unprocessed food prices rising by 6.8 percent and processed food prices by 6.0 percent in annual terms within the product group (Chart 9). According to the HCSO data release, food prices increased by 7.0 percent, which includes a 8.8 percent rise in restaurant meal prices. Price movements within the product group were also influenced by the profit margin cap introduced in mid-March. The impact of the margin cap was only partly reflected in food inflation in March because of the date of its introduction. Monthly food prices were down by 0.7 percent (Chart 10). Unprocessed food prices remained unchanged from February: the inflation of fresh fruits was offset by the fall in pork prices. Processed food prices fell by 1 percent month on month, primarily due to decreases in milk and dairy product prices.

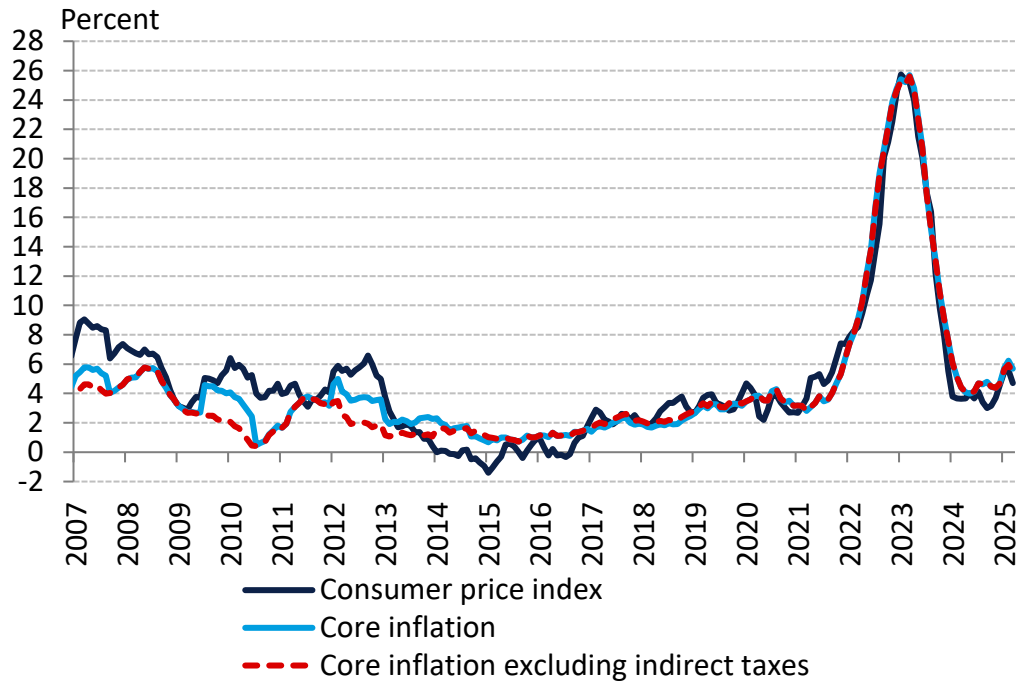
Monthly fuel prices were down by 4.1 percent, which was consistent with the fall in global oil prices and the appreciation of the forint exchange rate. The price of this product group was down by 2.5 percent in annual terms.

The prices of *regulated products and services* rose by 0.1 percent compared to February.

Households' inflation expectations remain at a high level, following the increase in the second half of last year. In March, the percentage of respondents, who expect prices to rise at a slower pace, rose compared to February. (Chart 11). Corporate expectations for *services and retail price changes* fell in March. The rising trend in corporate expectations, which started in October, has stalled (Chart 12).

Budapest, 8 April 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

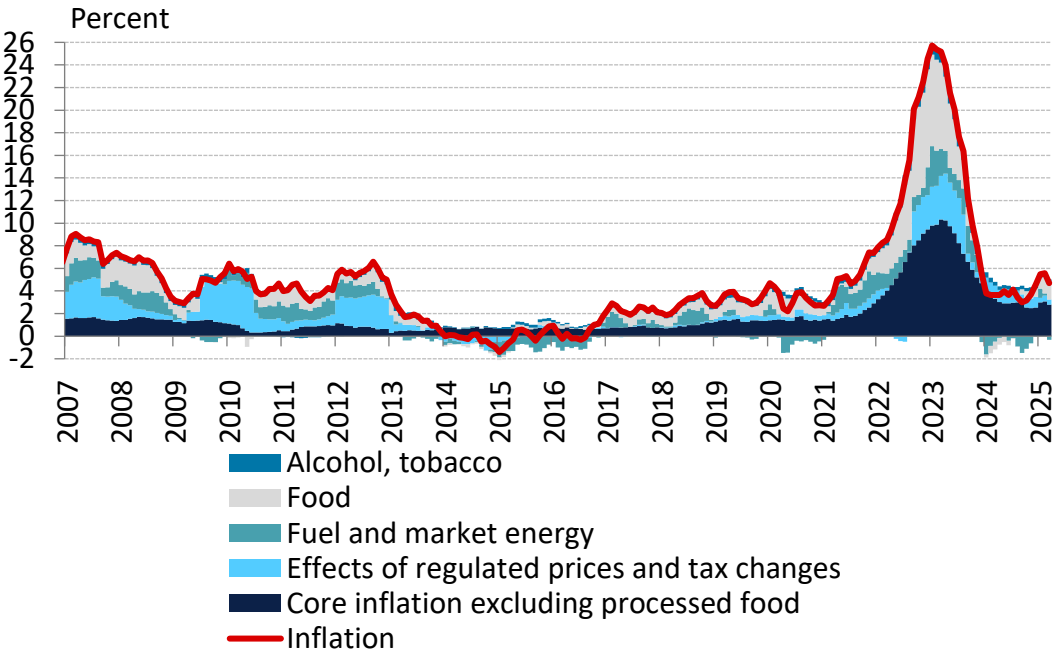
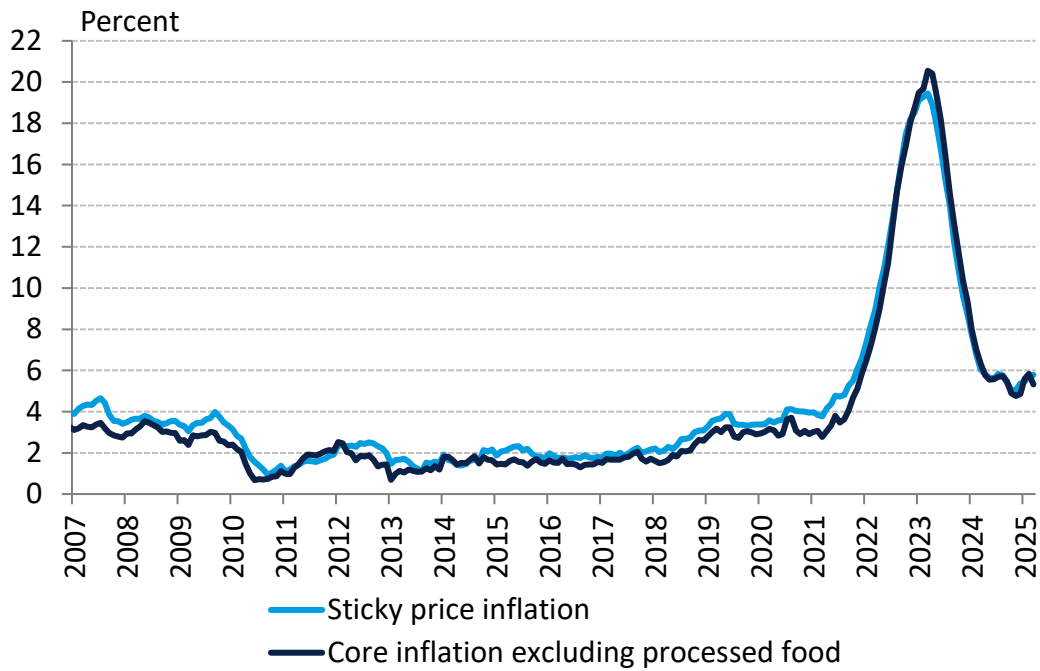


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 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 3-month annualised change in inflation and core inflation
Based on seasonally adjusted data

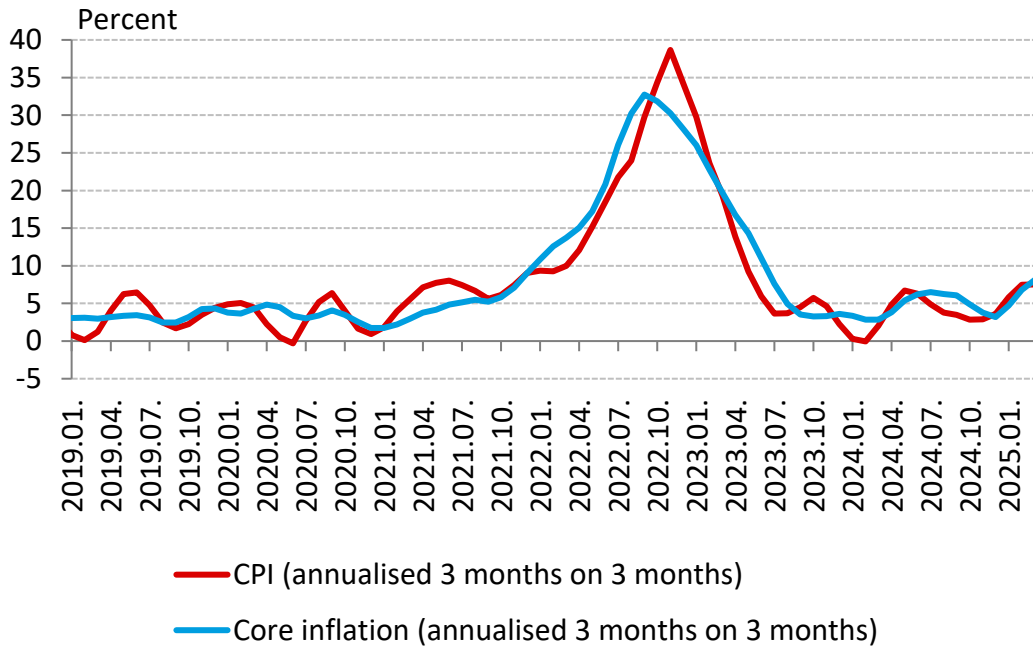


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

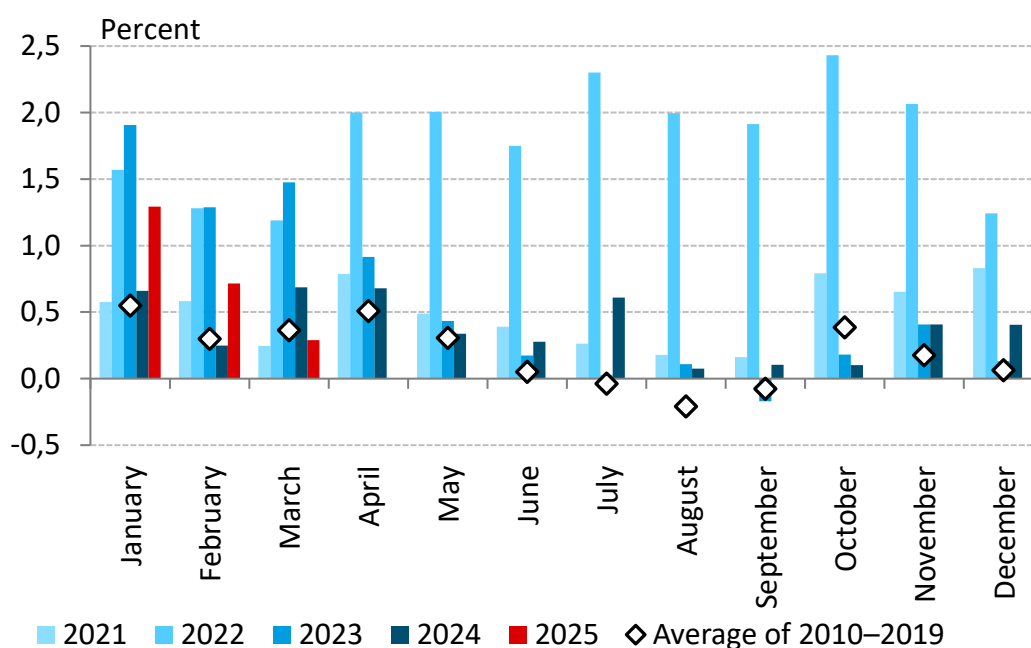


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

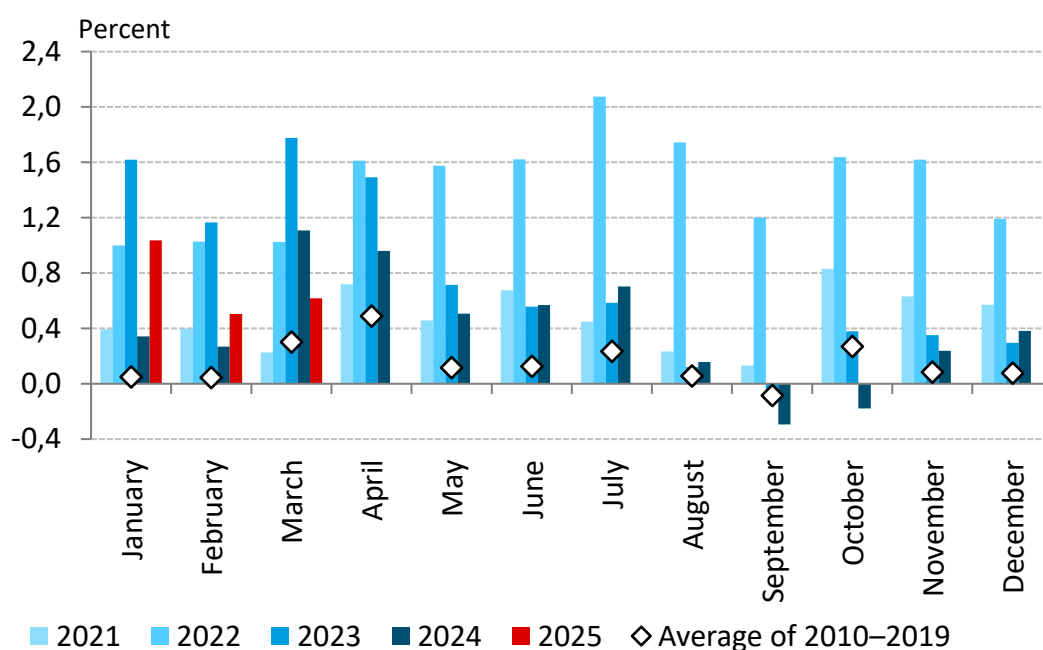


Chart 7 Inflation of tradable goods
seasonally unadjusted monthly change

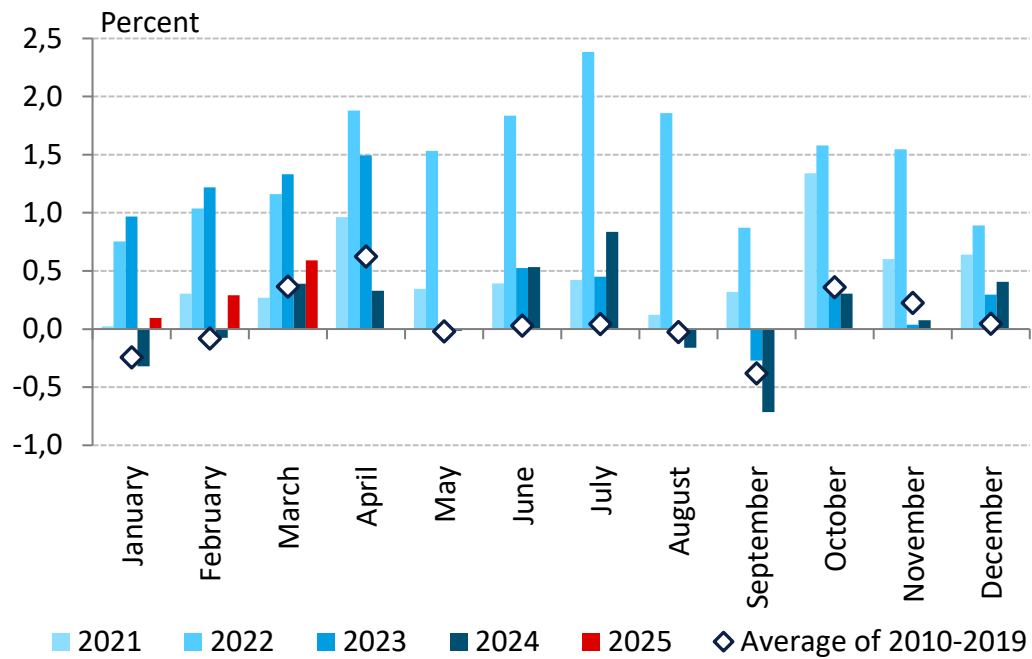


Chart 8 Market services inflation
seasonally unadjusted monthly change

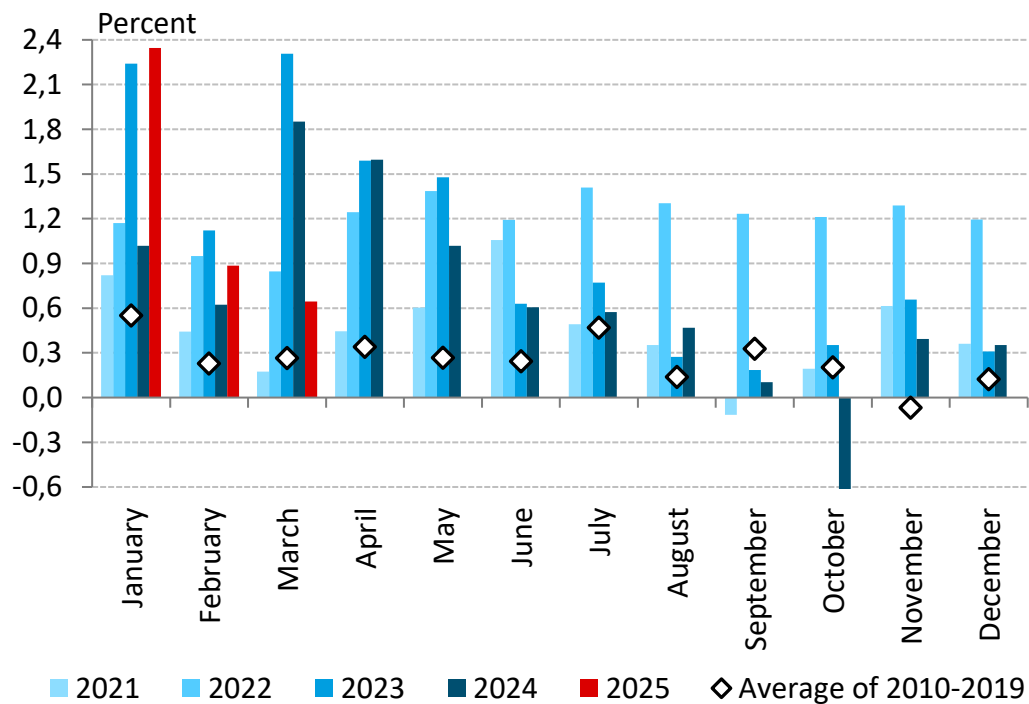
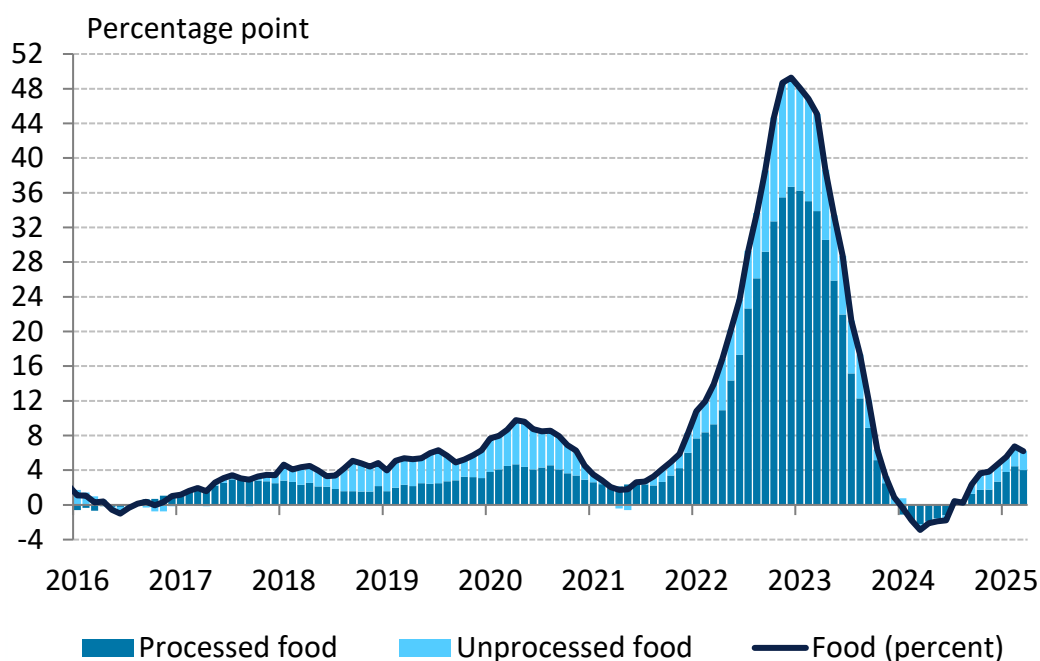
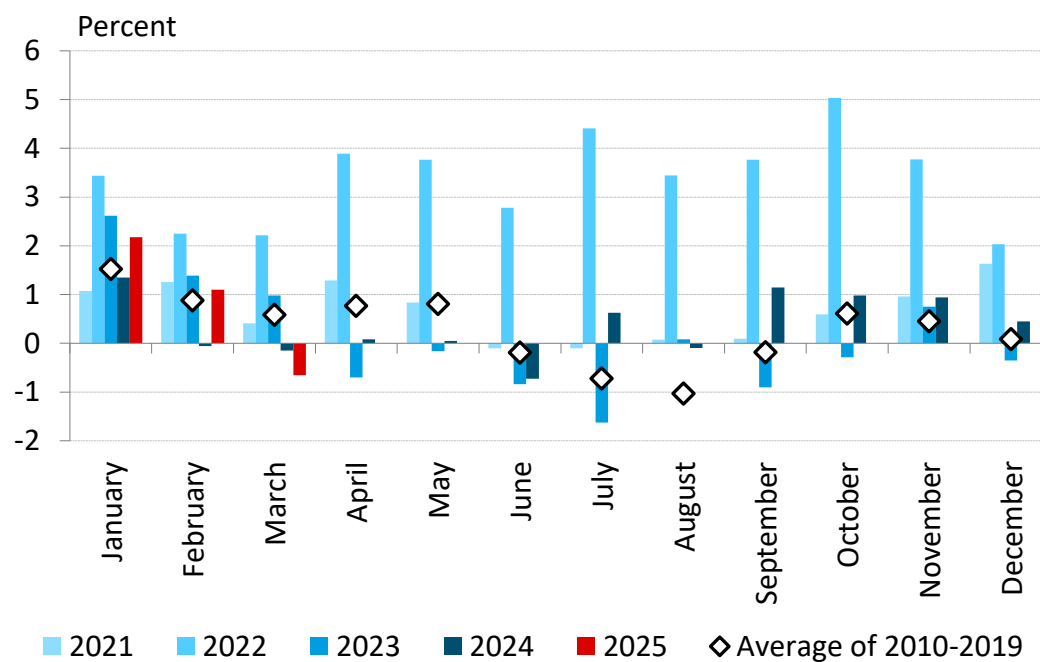


Chart 9 Developments in food price inflation
seasonally unadjusted annual change



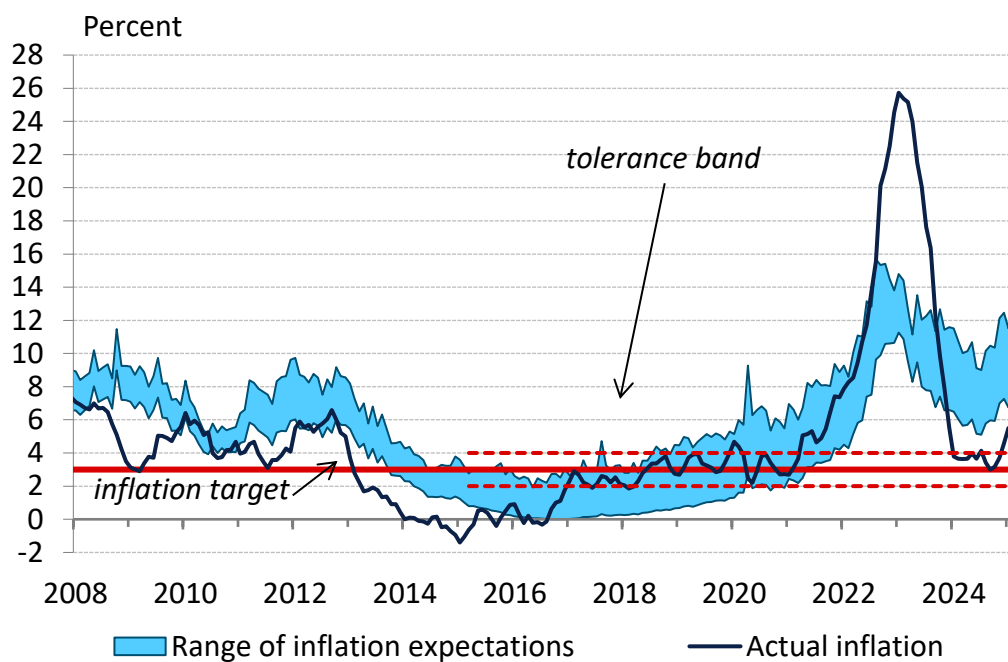
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery and kindergarten meals), and some beverages as non-durable industrial goods (coffee, tea, soft drinks).

Chart 10 Monthly changes in food prices
seasonally unadjusted monthly change



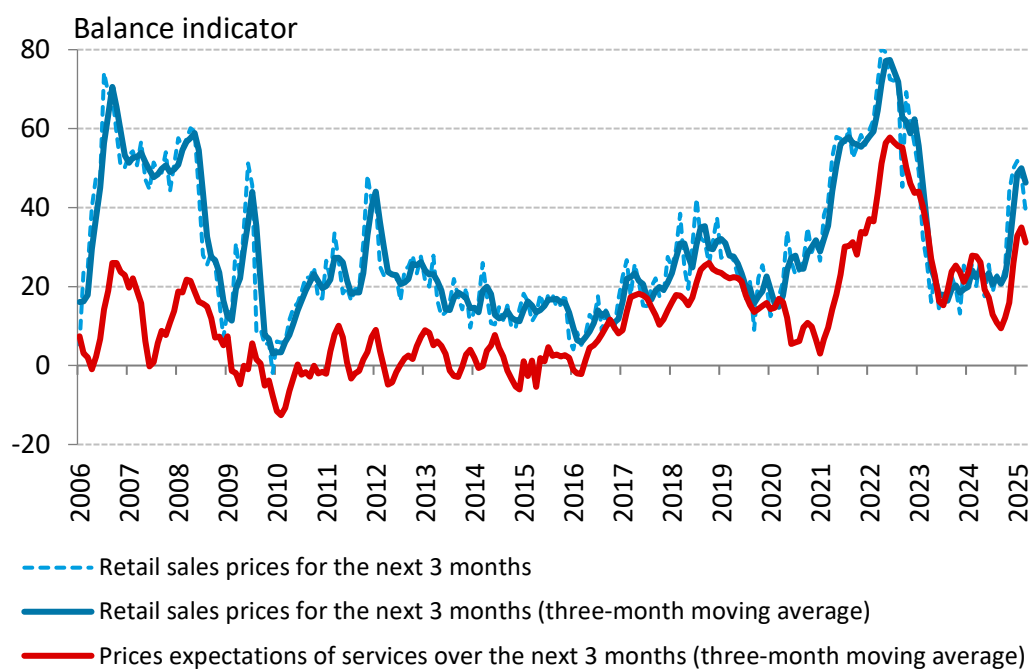
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Chart 11 Households' inflation expectations



Sources: MNB calculations based on European Commission data; and HCSO.

Chart 12 Changes in the expectations for retail 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 2025 (HCSO) | | | | | |
|--|-----|--|-----|--|-----|
| 4.7% (annual change) | | | | | |
| MNB underlying inflation indicators (MNB calculation) | | | | | |
| Contribution of sticky price inflation (percentage points), weight 40.8% | 2.4 | Contribution of core inflation excluding processed foods (percentage points), weight 52.9% | 2.8 | Contribution of core inflation excluding taxes (percentage points), weight 65.3% | 3.5 |
| Contribution of other items (percentage points), weight 59.2% | 2.3 | Contribution of other items (percentage points), weight 47.1% | 1.9 | Contribution of other items (percentage points), weight 34.7% | 1.2 |

Sources: HCSO and the MNB's own calculations.

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