



Monthly analysis of inflation developments

May 2015



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 Dániel Palotai, Executive Director responsible for monetary policy.

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

http://english.mnb.hu/Statisztika/data-and-information/mnben_statiztikai_idosorok/mnben_elv_prices/underlying_inflation_indicators_MNB

ASSESSMENT OF INFLATION DATA FOR MAY 2015

In May 2015, the consumer price index stood at 0.5 per cent, *core inflation* at 1.3 per cent and *core inflation adjusted for the effects of indirect taxes* at 1.2 per cent. *Consumer price inflation* rose by 0.8 percentage points and *core inflation* by 0.1 percentage point relative to the previous month. The rise in *consumer price inflation* in May mainly reflected the dropping out of last year's sharp decline in administered prices and increases in the prices of unprocessed food and fuel (Chart 1).

The Bank's measures of *underlying inflation developments* (annual inflation rates of demand-sensitive and sticky-price products) rose slightly *relative to the previous month*. The levels of the measures continue to indicate a moderate inflation environment (Chart 2).

Below is a brief analysis of changes in the prices of items determining medium-term inflation developments in May 2015.

Tradables prices rose modestly relative to the same period a year earlier. Here, the prices of both *durables* and *non-durables* rose.

Services prices were up 0.1 percentage point on the previous month. Here, the prices of financial services not elsewhere classified fell. Excluding this, price changes were generally modest within this product group.

The seasonally adjusted level of *processed food* prices was broadly unchanged relative to the previous month.

Budapest, 9 June 2015

Chart 1: The consumer price index and core inflation excluding indirect taxes
(annual percentage changes, January 2007 – May 2015)

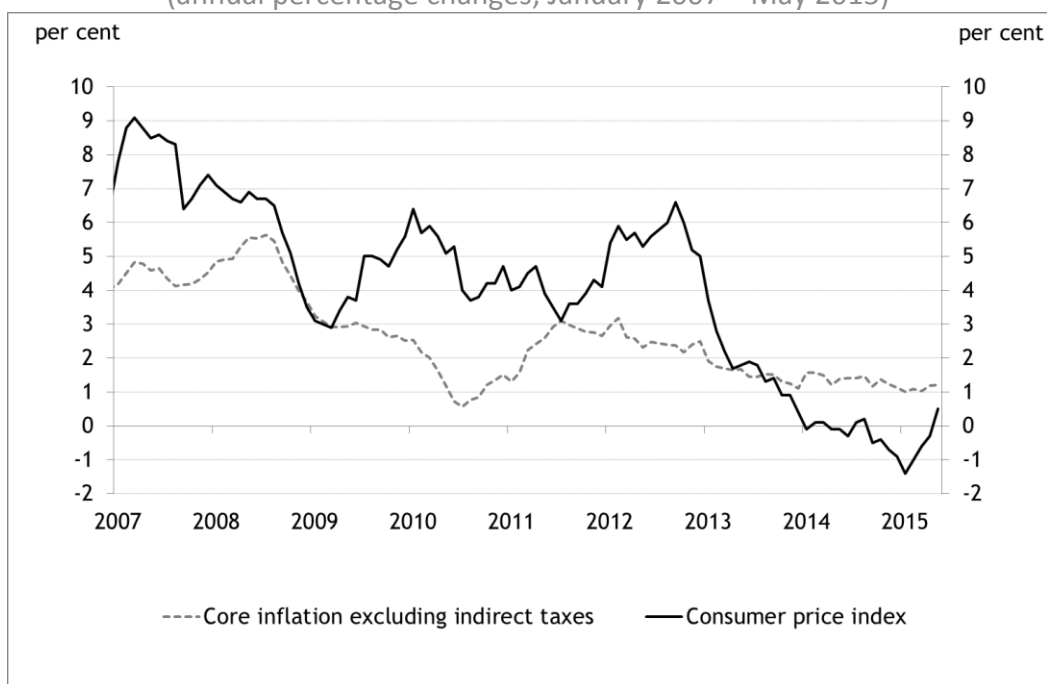
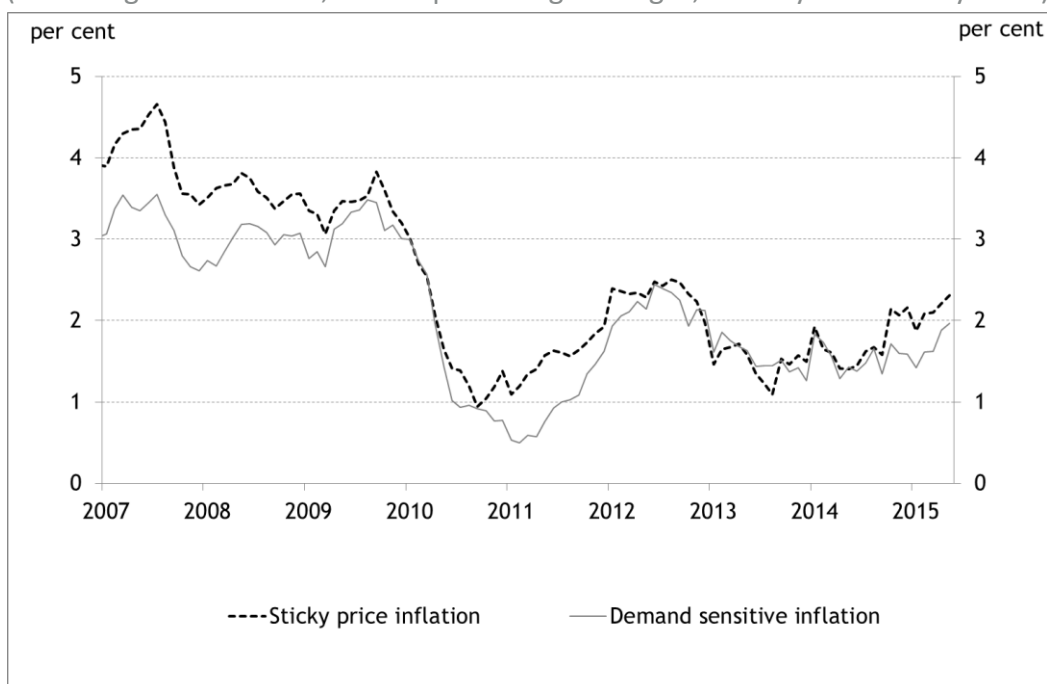


Chart 2: Underlying inflation indicators
(excluding indirect taxes, annual percentage changes, January 2007 – May 2015)



Note: Demand-sensitive inflation is derived by eliminating processed food prices from core inflation. 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 CSO.

Table 1: Annual change in the consumer price index and contribution of the measures of underlying inflation

| Consumer price index, May 2015 (HCSO) | | | | | |
|--------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------|------------|-------------------------------------------------------------------------------------------------|------------|
| 0.5% (annual change) | | | | | |
| MNB underlying inflation indicators (MNB calculation) | | | | | |
| Contribution of sticky price inflation (percentage point), weight 32.1% | 0.7 | Contribution of demand sensitive inflation (percentage point), weight 53.6% | 1.1 | Contribution of core inflation excluding indirect taxes (percentage point), weight 66.8% | 0.8 |
| Contribution of other items (percentage point) | -0.2 | Contribution of other items (percentage point) | -0.5 | Contribution of other items (percentage point) | -0.3 |

Sources: CSO and the MNB's own calculations.

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