



# FLASH ANALYSIS OF INFLATION DEVELOPMENTS

NOVEMBER

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 for Economic Analysis and Competitiveness.*

*For further information, please contact Géza Rippel (e-mail: [rippelg@mnbb.hu](mailto: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/elemezések-tanulmányok-statisztikák/gyorselemezések/gyorselemezés-az-infláció-alakulásáról>

## ASSESSMENT OF INFLATION DATA FOR NOVEMBER 2023

The rapid decline in domestic inflation continued in November 2023. Consumer prices rose by 7.9 percent in annual terms. Core inflation and core inflation excluding indirect taxes both fell to the single-digit range, declining to 9.1 percent (Chart 1 and Chart 2). The price of the total consumer basket was unchanged on a month-on-month basis and core inflation edged up by 0.3 percent, as seen in the previous month.

The slowdown in inflation continued to be broad-based, reflecting a combination of disciplined monetary policy, the Government's measures to encourage competition, a subdued demand environment, base effects and a significantly lower external cost environment than last year. Overall, inflation was lower than in the projection in the September Inflation Report, explained in large part by the decline in volatile fuel prices.

Inflation slowed down by 2.0 percentage points from the previous month. Disinflation was general, with food prices (-0.6 percentage points), fuel prices (-0.4 percentage point) and industrial goods prices (-0.4 percentage point) being the main contributing factors. Core inflation slowed down by 1.8 percentage points from the previous month. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, also fell. Inflation of sticky-price products fell by 1.3 percentage points and the annual increase in core inflation excluding processed food prices declined by 1.4 percentage points relative to the previous month (Chart 3).

The continued slowdown in underlying inflation is indicated by the fact that core inflation stood below 3 percent on a shorter-term (3month/3month) basis in November (Chart 4). The consumer basket calculated excluding fuel and regulated product prices rose by 0.4 percent from the previous month (Chart 5). Month-on-month core inflation excluding processed food prices, which better reflect underlying developments, also rose by 0.4 percent in November (Chart 6).

The trend in pricing patterns, seen in the previous months, continued. The annual growth rate of prices of all product and service categories moderated in November. The rate of price change compared to the previous month was consistent with the historical average seen around this time of the year.

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

Annual inflation of *tradables* fell to 7.2 percent. Prices in this product group were unchanged compared to the previous month (Chart 7). Within this product group, durables prices fell by 0.3 percent on the previous month and non-durables prices rose by 0.2 percent.

Annual *services* inflation fell to 13.5 percent, continuing the decline in the rate of annual price increases which started in June. Prices rose by 0.7 percent relative to the previous month, mainly reflecting increases in the prices of mobile phone and internet services.

The slowdown in annual *food* price inflation continued, and, as a result, it stood at 7.1 percent in November, according to the data release by the HCSO. Within this product group, the annual price indices of both processed and unprocessed food fell (Chart 9). The decline in inflation of unprocessed food prices mainly reflected the fall in poultry and egg prices, while the slowdown in processed food prices mainly reflected the decline in milk and dairy product prices. Unprocessed and processed food prices rose by 1.8 percent and 0.3 percent, respectively, relative to October (Chart 10). Rises in fresh vegetable and fruit prices, and fruit juice prices, were the main factors contributing to the increase in the prices of unprocessed and processed food prices, respectively.

*Fuel* prices fell by 3.6 percent from the previous month, bringing the product group's annual inflation rate to 25.4 percent.

In the group of *alcohol* and *tobacco* products, prices were broadly unchanged relative to October.

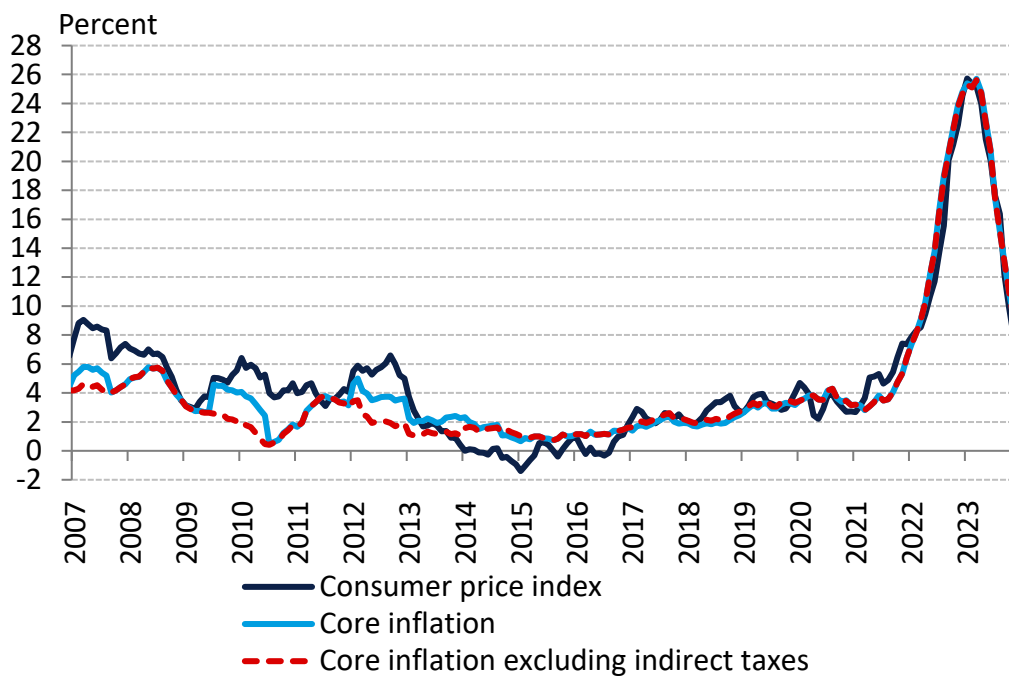
The prices of *regulated products and services* fell by 0.3 percent compared to October. The decline in prices primarily reflected the fall in the price of piped gas, in the case of which the ratio of household consumption subject to the quantity limit of lower regulated prices increased.

The indicators measuring *households' inflation expectations* showed higher-than-usual volatility (Chart 11). *Corporate expectations for retail sales and services prices* were around pre-Covid levels in November (Chart 12).

Prepared by Géza Rippel

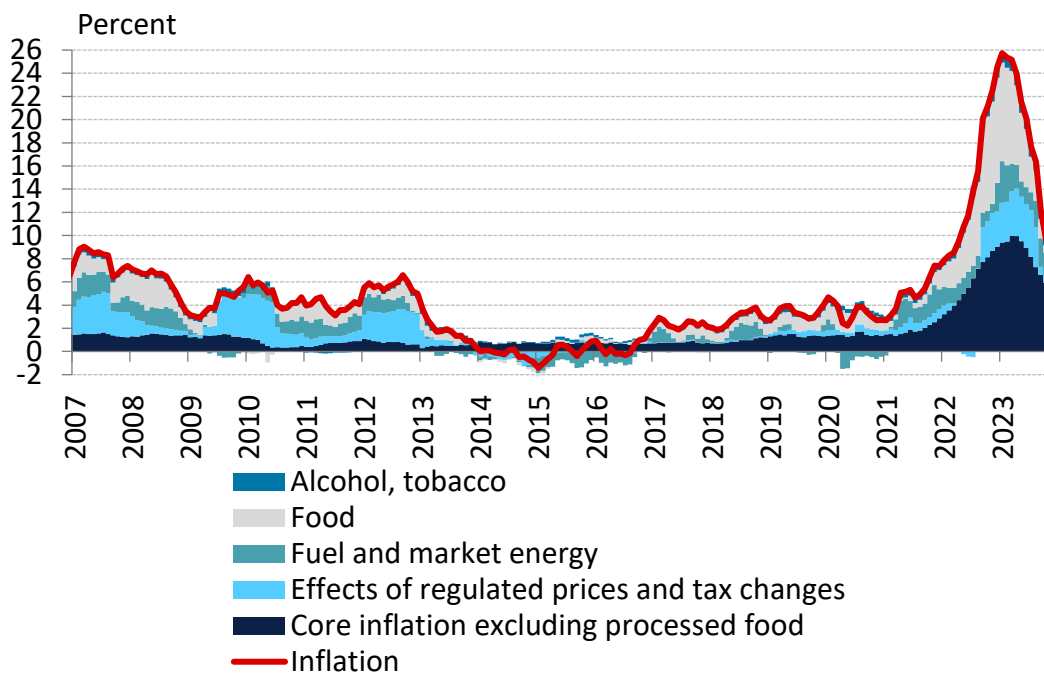
Budapest, 8 December 2023

**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
annual change

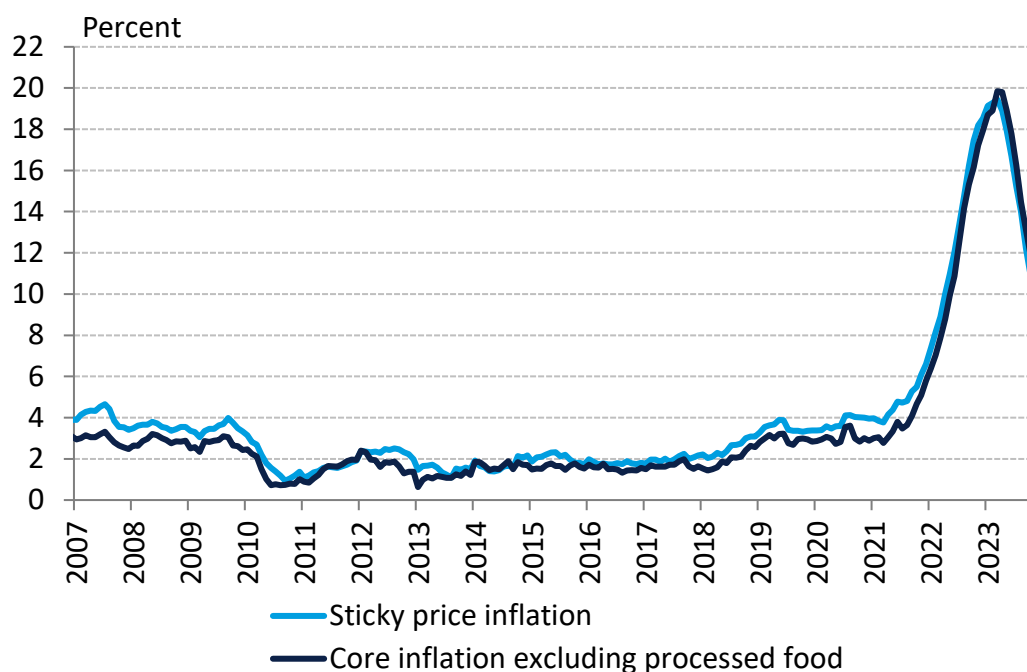


*Note: Seasonally unadjusted core inflation.*

**Chart 2 Inflation decomposition**  
annual change

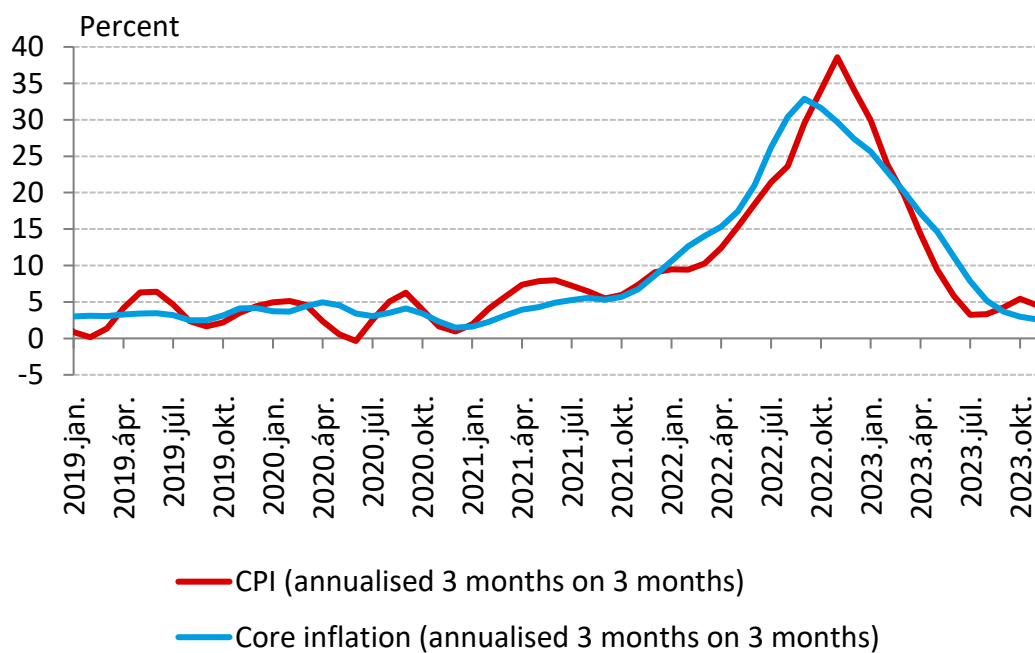


**Chart 3 Underlying inflation indicators**  
annual percentage changes excluding indirect taxes

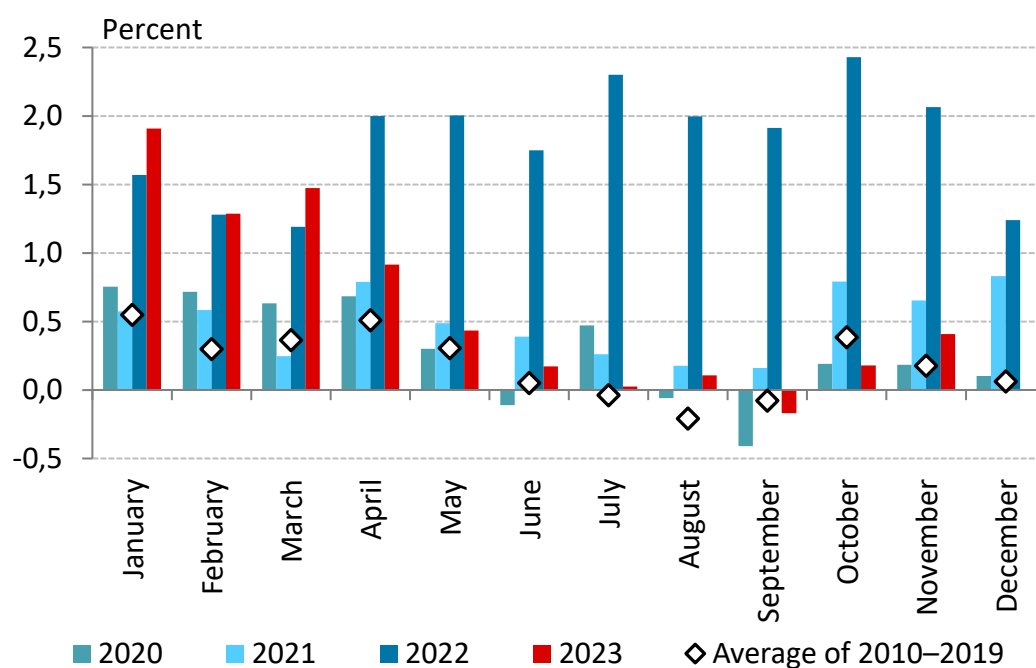


*Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 percent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the 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.*

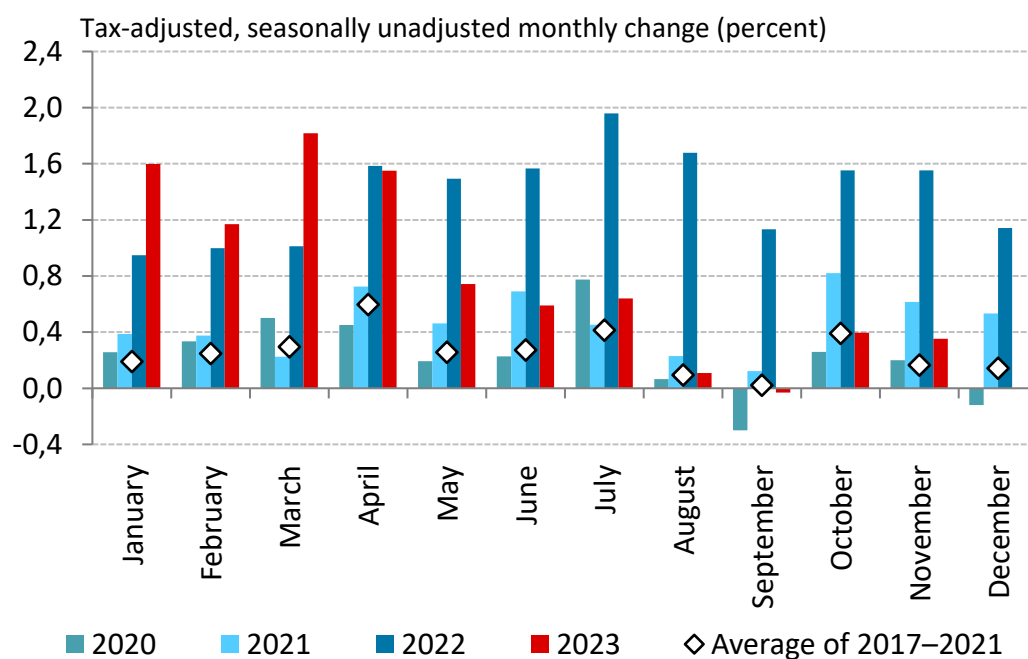
**Chart 4 Three-month annualised change in inflation and core inflation**  
based on seasonally adjusted data



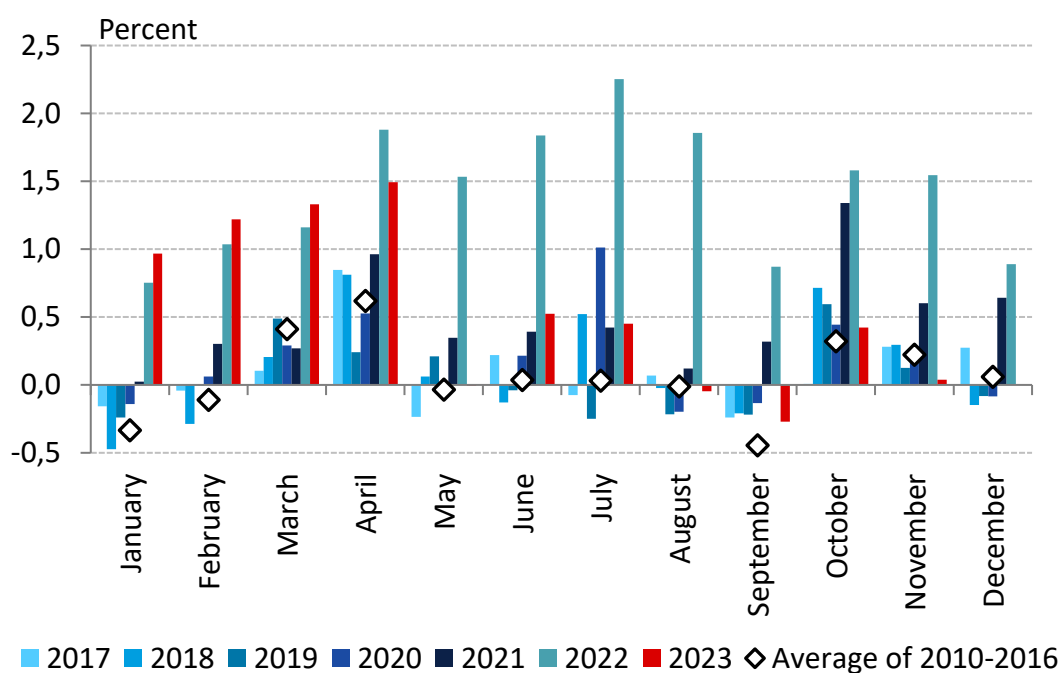
**Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices**  
tax-adjusted, seasonally unadjusted monthly percentage changes



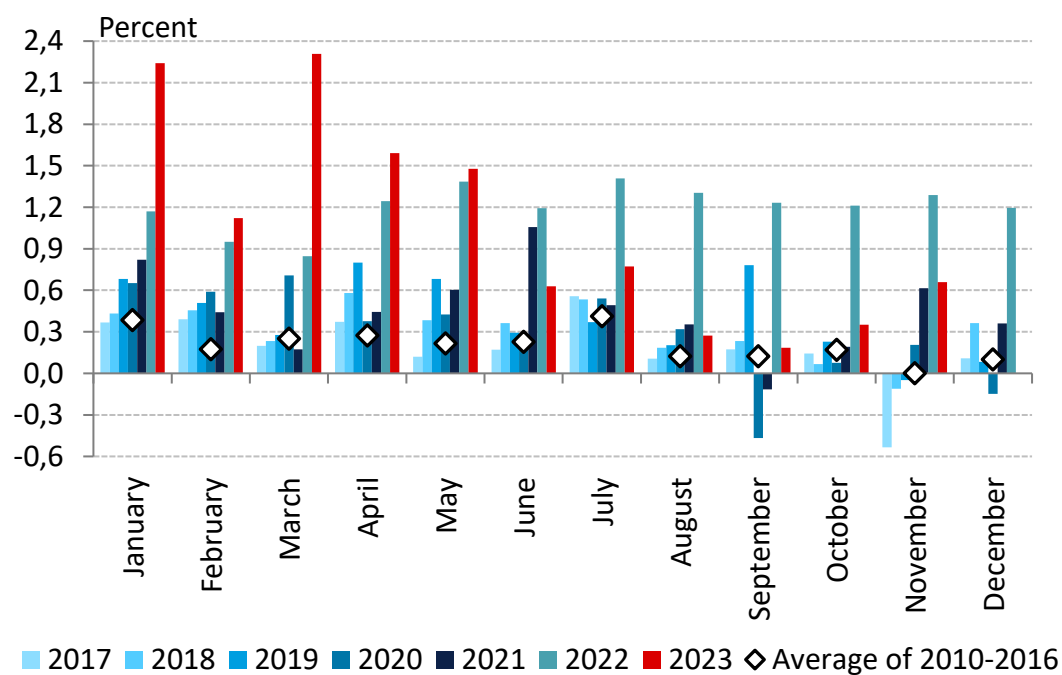
**Chart 6 Monthly change in core inflation excluding processed food**  
tax-adjusted, seasonally unadjusted monthly percentage changes



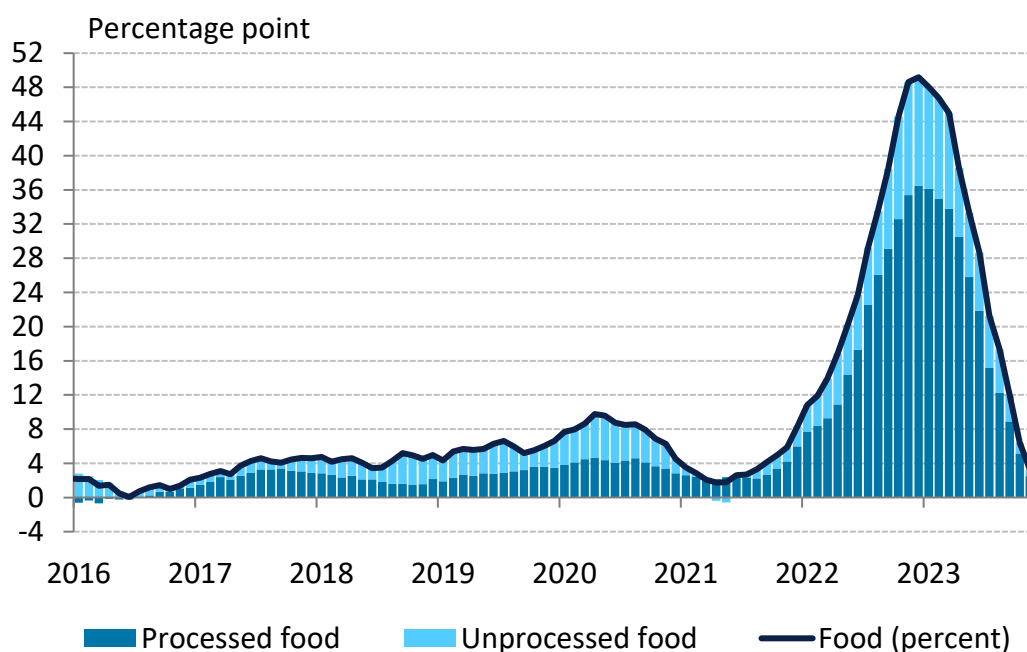
**Chart 7 Inflation of tradable goods**  
seasonally unadjusted, tax-adjusted monthly change



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

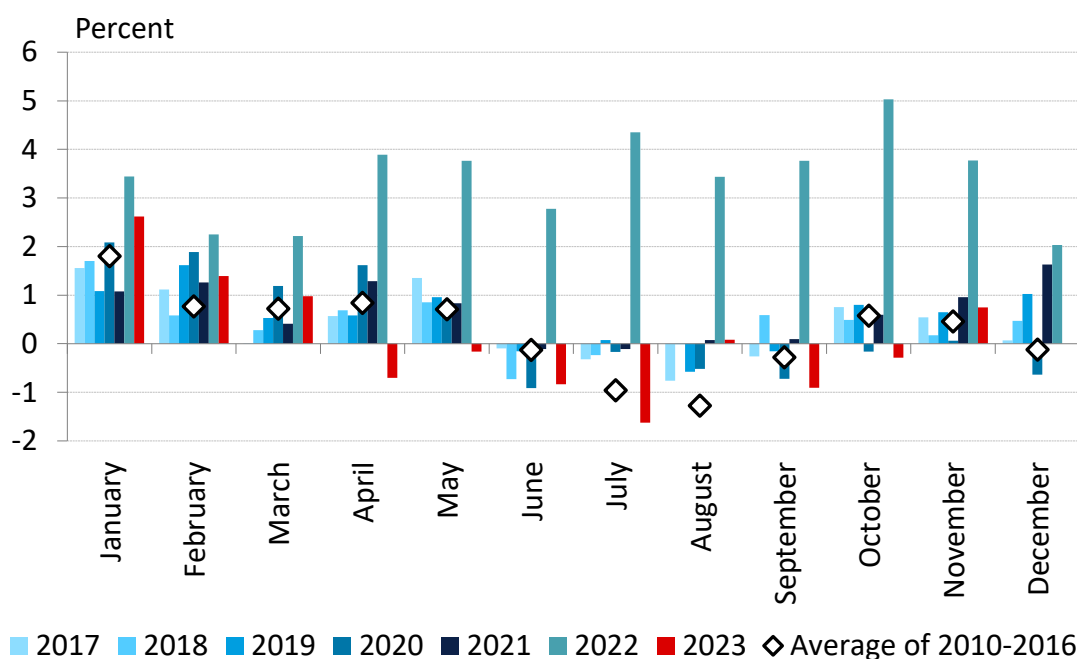


**Chart 9 Developments in food price inflation**  
seasonally unadjusted, tax-adjusted annual change



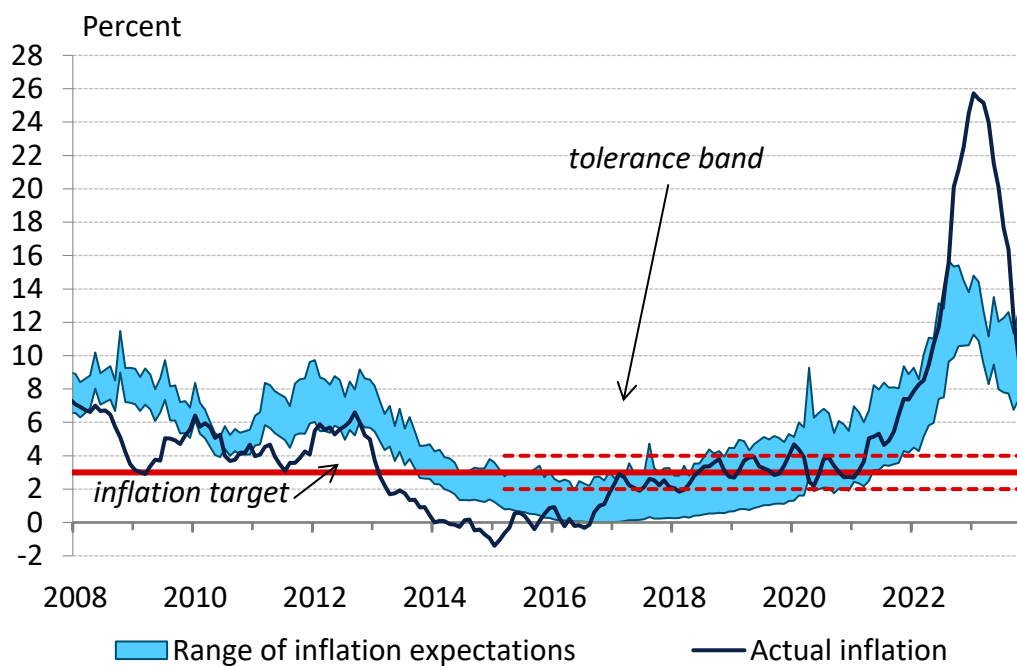
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



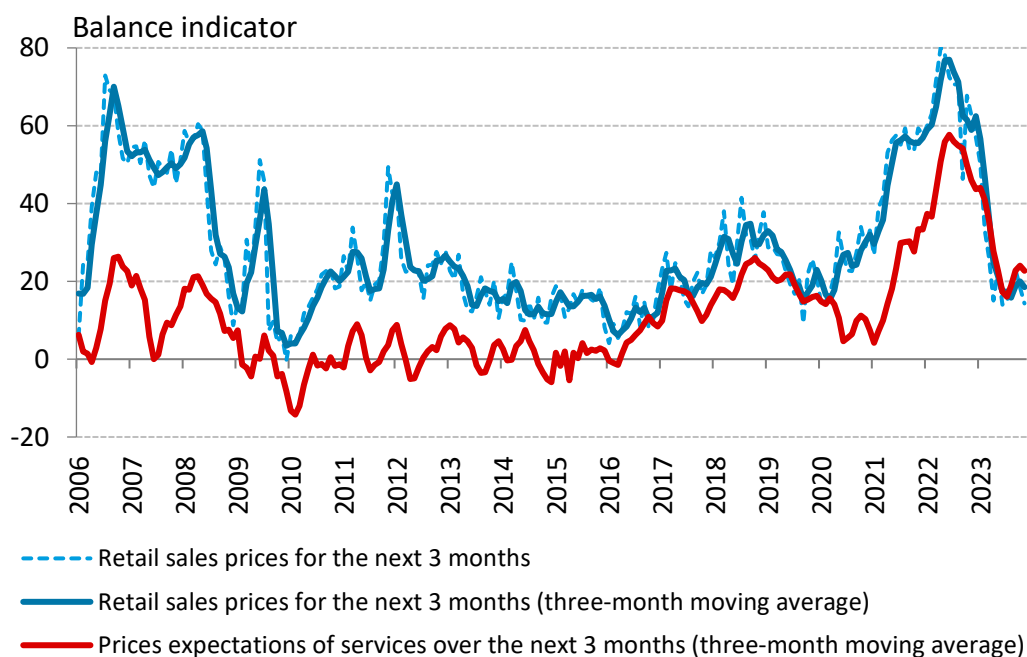
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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

Chart 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, November 2023 (HCSO)                               |     |  |     |  |     |
|--|-----|--|-----|--|-----|
| 7.9% (annual change)   |     |  |     |  |     |
| MNB underlying inflation indicators (MNB calculation)                    |     |  |     |  |     |
| Contribution of sticky price inflation (percentage points), weight 39.2% | 3.8 | Contribution of core inflation excluding processed foods (percentage points), weight 50.2% | 5.3 | Contribution of core inflation excluding taxes (percentage points), weight 63.7% | 5.8 |
| Contribution of other items (percentage points), weight 60.8%            | 4.1 | Contribution of other items (percentage points), weight 49.8%                              | 2.6 | Contribution of other items (percentage points), weight 36.3%                    | 2.1 |

Sources: HCSO and the MNB's own calculations.

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