



FLASH ANALYSIS OF INFLATION DEVELOPMENTS

2025
MAY

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 MAY 2025

In May 2025, consumer prices rose by 4.4 percent in annual terms. Compared to the 4.2 percent registered in April, the rate of annual price rises rose by 0.2 percentage points. Core inflation fell by 0.2 percentage points and stood at 4.8 percent. Core inflation excluding indirect tax effects fell to 4.5 percent (Chart 1 and Chart 2). On a monthly basis, the average price of the overall consumer basket and the core inflation basket prices rose by 0.2 percent and 0.3 percent, respectively. Inflation was within the forecast range of the March Inflation Report, while core inflation was lower than the forecast.

The increase in the annual consumer price index was primarily due to the fact that fuel prices, although still decreasing compared to the corresponding period of the previous year, fell to a lesser extent than in the previous month. The fall in core inflation was caused by a decrease in the price dynamics of market services. 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 core inflation excluding processed food stood at 5.3 percent and 4.9 percent, respectively in May (Chart 3).

In May, mandatory and voluntary price restriction measures had a significant inflation-reducing effect. The greatest effect can be tied to the price margin cap on foods, accompanied by the strengthening effect of voluntary price restrictions by banks and telecommunication companies. The effect of the price margin cap on household goods, which came into effect in May, also partly appeared.

In a shorter term (annualised, 3-month-on-3-month) comparison, our calculated indicators showed a deceleration in inflation and core inflation, in which the effect of margin and price restriction measures also plays a role (Chart 4). Price changes on the previous month were more moderate than historical averages in inflation, while it was in line with the historical average in core inflation. The price of the basket calculated excluding fuel and regulated product prices was up by 0.4 percent from the previous month (Chart 5). Month-on-month core inflation excluding processed food, which better reflect underlying developments, was 0.2 percent (Chart 6). The extent of the May repricings regarding tradables was slightly above the historical average, while in the case of food and market services 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 3.5 percent. In monthly comparison, the product group price increased by 0.3 percent (Chart 7). Durables prices remained unchanged compared to April, and those of non-durables rose by 0.5 percent. A wide range of products contributed to price rises within non-durables.

The annual price index of *market services* eased to 6.8 percent, which was largely attributable to the partial unwinding of the inflation-raising effect of last year's backward-looking repricings. On a monthly basis, prices increased by 0.1 percent (Chart 8). The repricings were moderate by historical standards, which reflects the voluntary price restrictions of banks and telecommunication companies. The price of mobile phone and internet subscriptions decreased by 2.2 percent compared to April. The price of market prices increased month-on-month despite this, primarily due to the rise of domestic holiday prices.

According to the MNB's classification, *food* inflation was 3.6 percent, with unprocessed food prices rising by 5.0 percent and processed food prices by 3.0 percent in annual terms within the product group (Chart 9). According to the HCSO data release, food prices increased by 5.9 percent, which includes, among others, the 8.3 percent rise in restaurant meal prices. Prices within the product group were restrained by the price margin cap introduced in mid-March. Food prices rose by 0.5 percent month-on-month (Chart 10). Compared to April, unprocessed food prices rose by 0.8 percent, largely driven by the seasonal price increase of potatoes and fresh fruit. Processed food prices rose by 0.4 percent month-on-month.

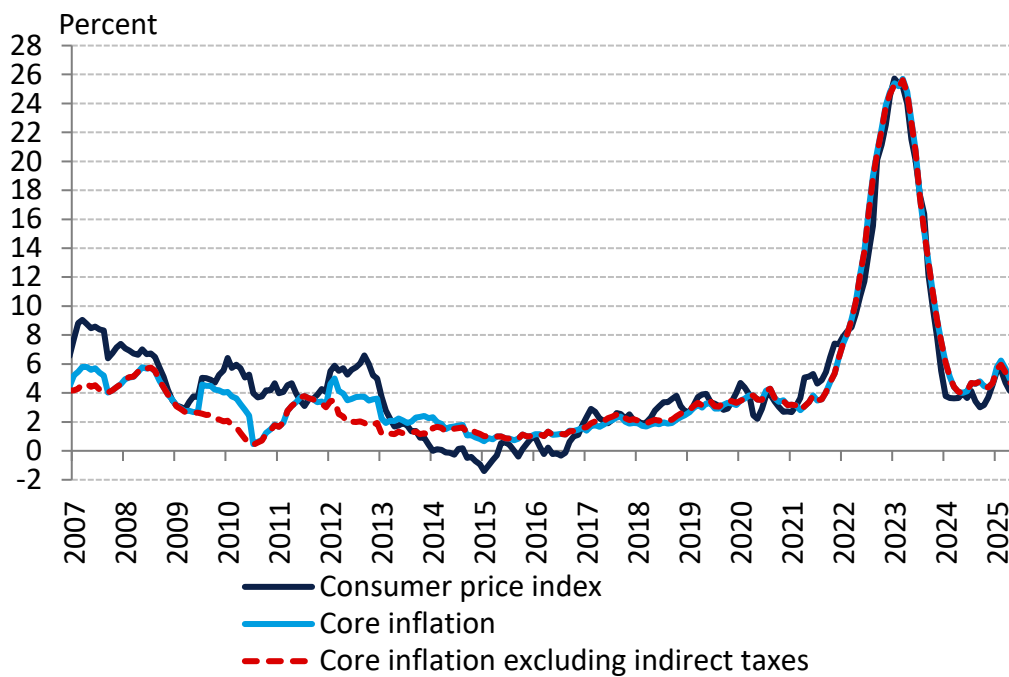
Fuel prices fell by 1.9 percent on a monthly basis, slightly less than in May last year. The price of this product group was down by 4.8 percent in annual terms. The falling global oil prices arising from the tariff war, made a significant contribution to the fall in fuel prices.

The prices of *regulated products and services* rose by 0.4 percent relative to April, mostly driven by higher piped gas prices. The average residential gas price was higher, which was caused by an increase in household gas consumption due to colder winter weather, which increased the share of consumption above the volume limit of the official price.

Households' inflation expectations decreased but remain at a high level. In Hungary, the percentage of respondents expecting prices to increase at a faster rate, looking ahead, fell in May relative to the previous month. (Chart 11). *Corporate expectations for services and retail sales price changes* also fell in May (Chart 12).

Budapest, 11 June 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

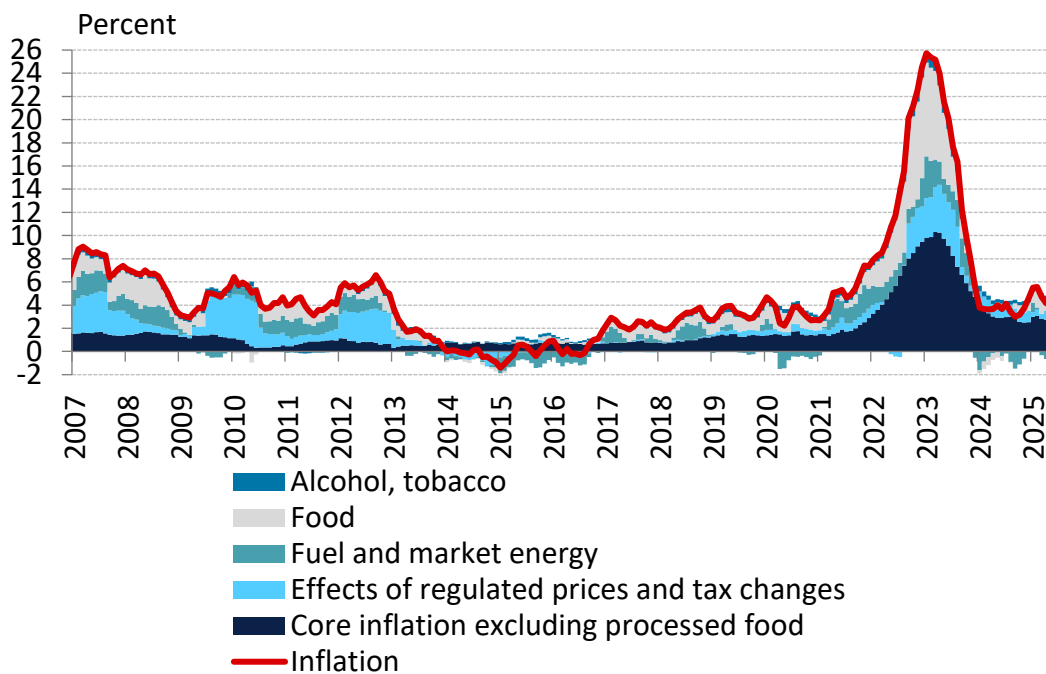
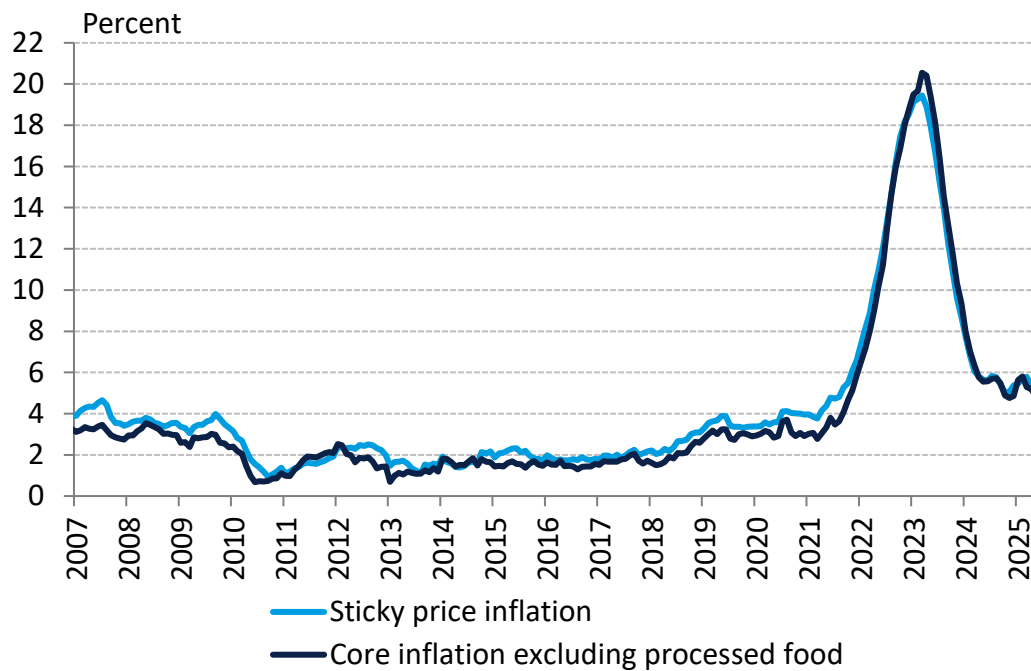


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

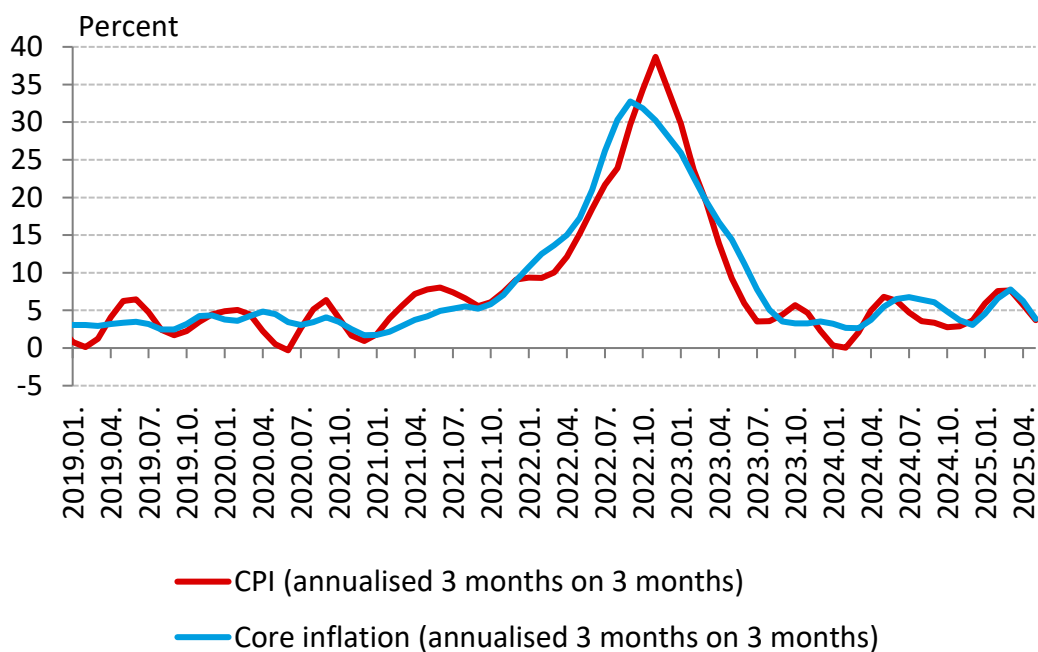


Chart 5 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

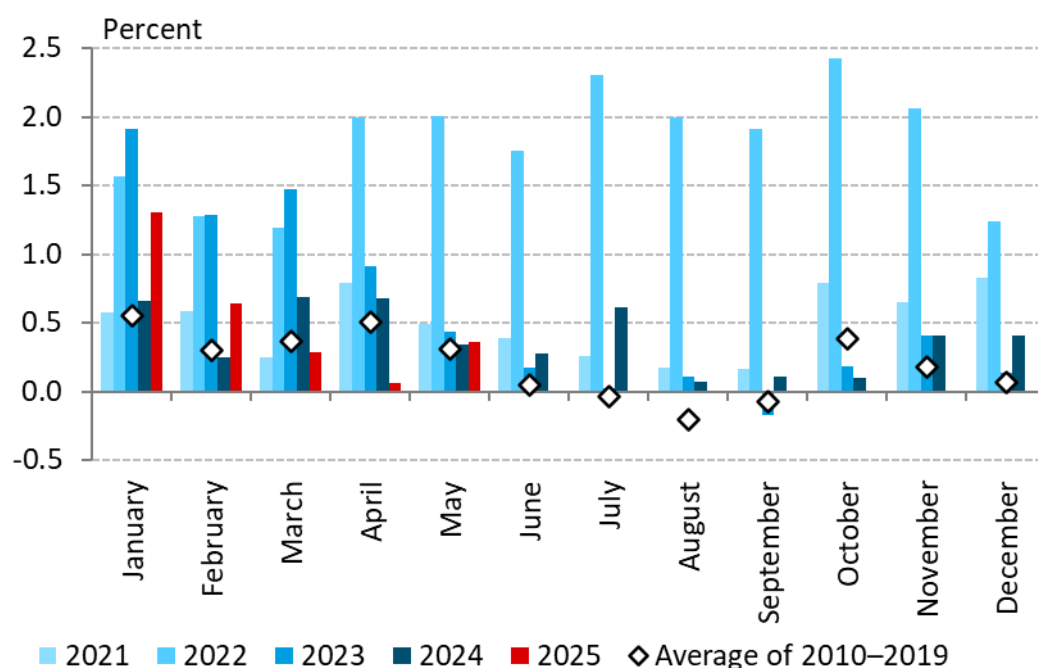


Chart 6 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

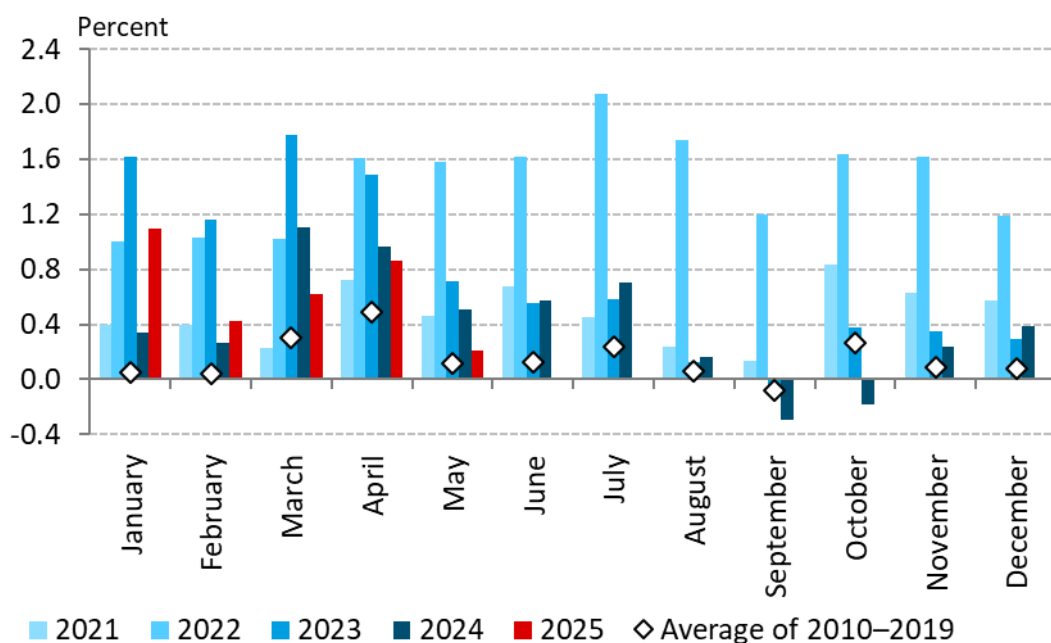


Chart 7 Inflation of tradable goods
seasonally unadjusted monthly change

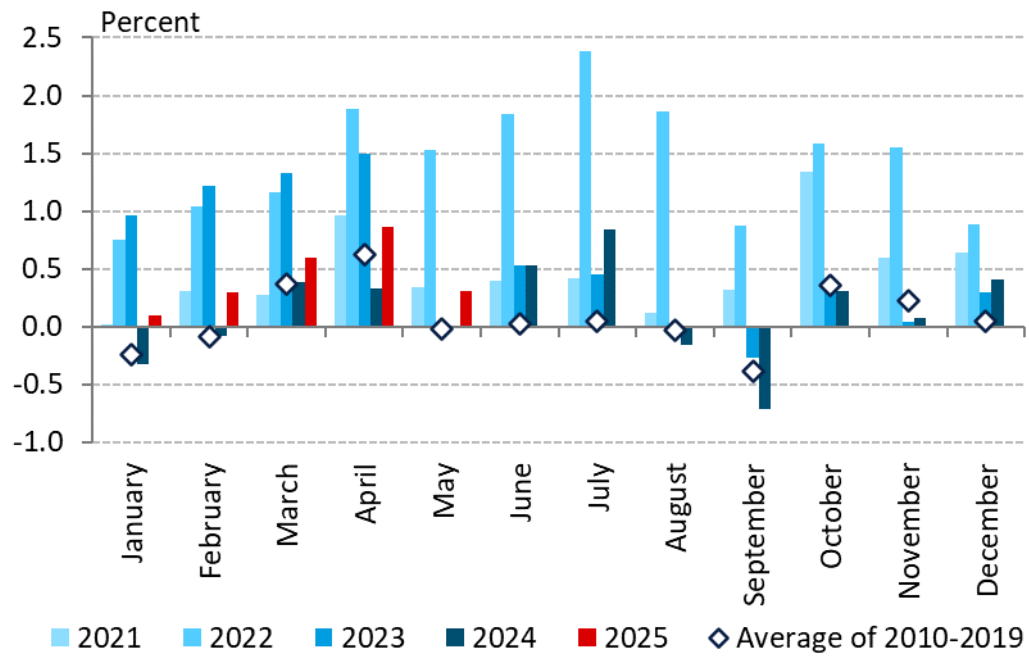


Chart 8 Market services inflation
seasonally unadjusted monthly change

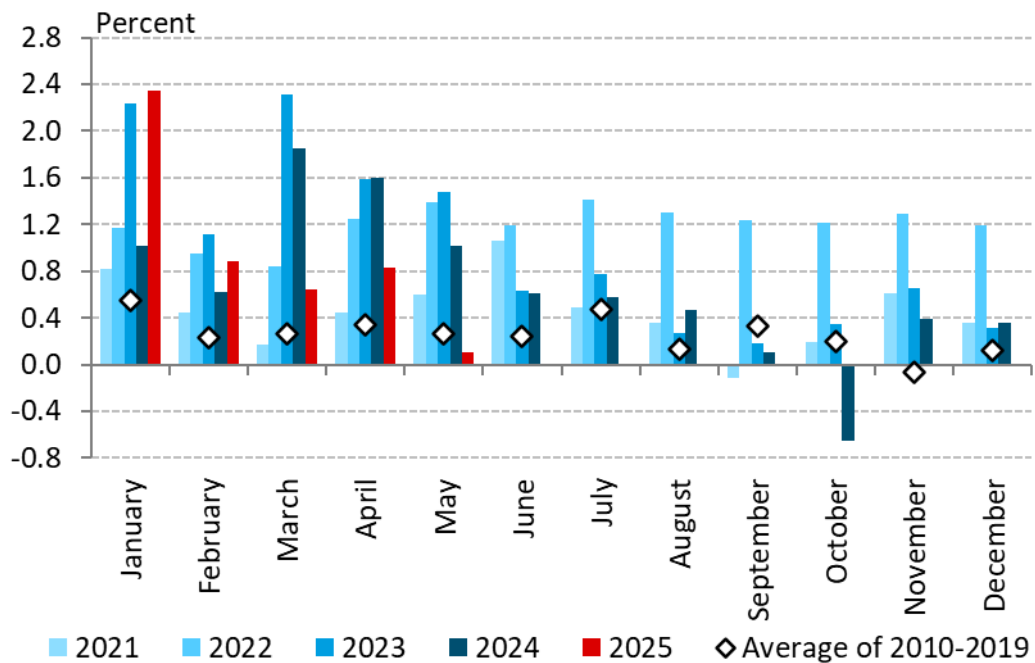
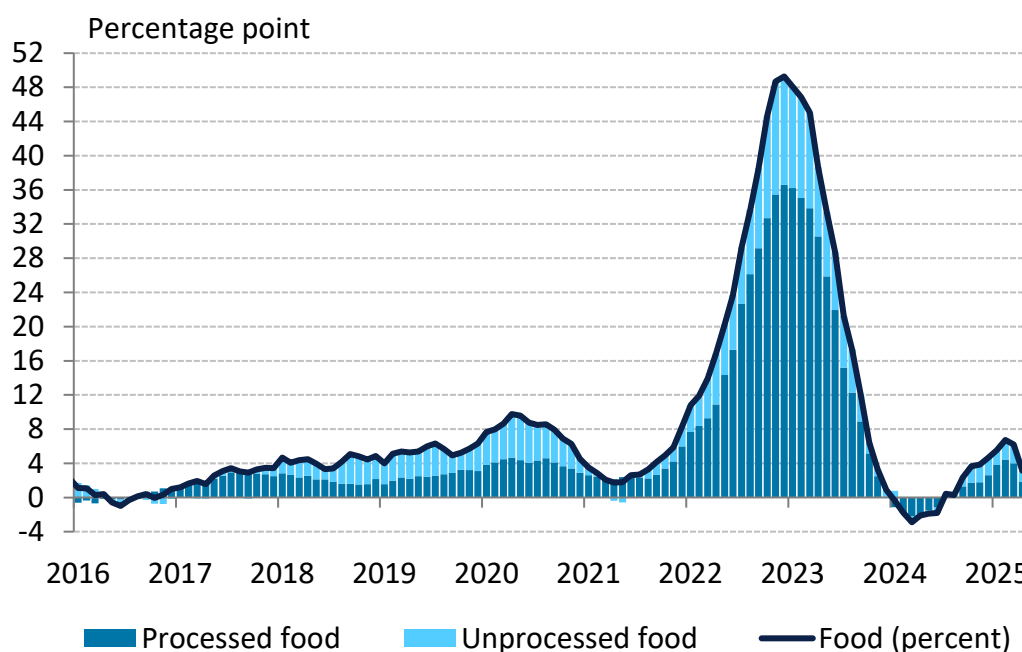
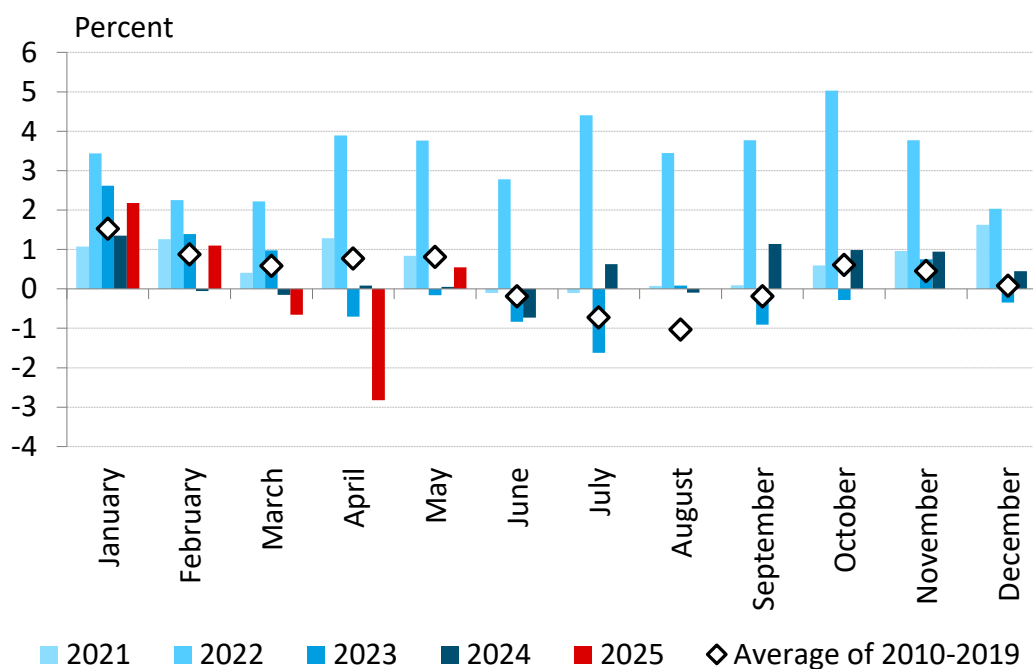


Chart 9 Developments in food price inflation
seasonally unadjusted annual change



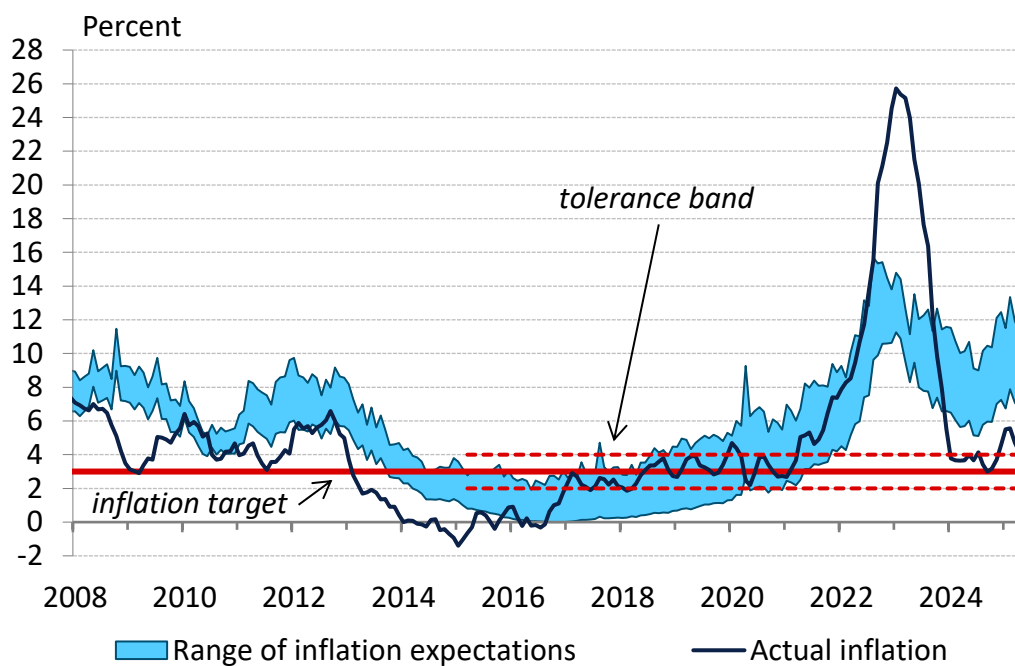
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



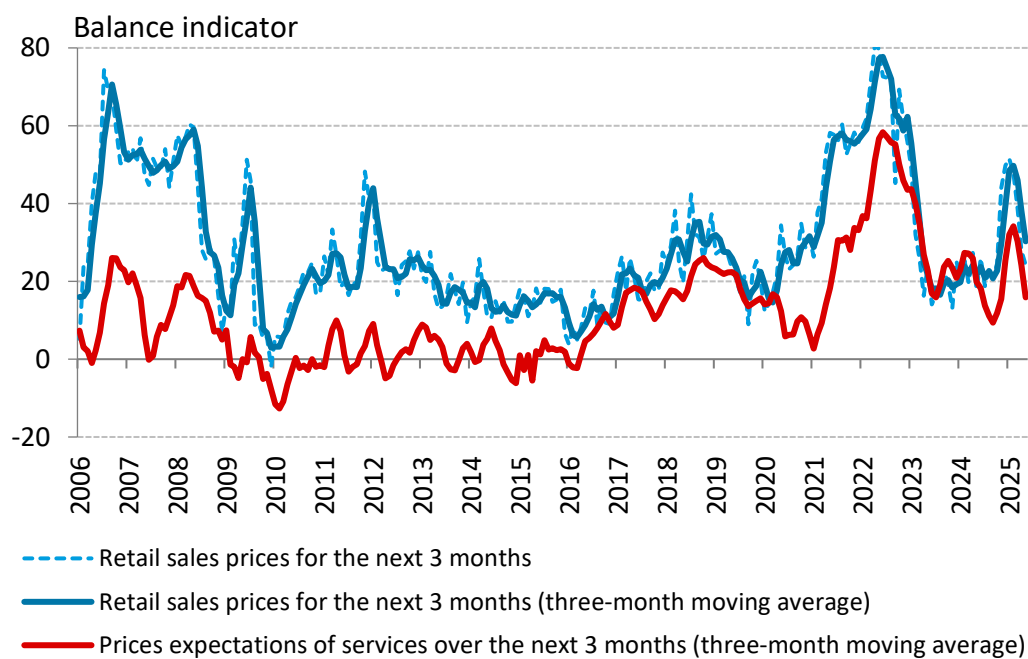
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Chart 11 Households' inflation expectations



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

Chart 12 Changes in the expectations for retail 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 2025 (HCSO)					
4.4% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 40.8%	2.1	Contribution of core inflation excluding processed foods (percentage points), weight 52.9%	2.5	Contribution of core inflation excluding taxes (percentage points), weight 65.3%	3.0
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%	1.5

Sources: HCSO and the MNB's own calculations.

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