FLASH ANALYSIS

ON INFLATION DEVELOPMENTS

2026

JULY

Article 3 (1) of the MNB Act (Act CXXXIX of 2013 on the Magyar Nemzeti Bank) defines achieving and maintaining price stability as the primary objective of the Magyar Nemzeti Bank. 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 JULY 2026

Consumer prices rose by 1.2 percent year-on-year in July 2026, making it the lowest inflation data in nearly a decade. The last time the rate of price increases was lower was in November 2016. Relative to the 1.7 percent observed in June, the annual growth rate of prices was down by 0.5 percentage points. Core inflation and core inflation excluding indirect tax effects stood at 1.9 percent (Chart 1 and Chart 2). Incoming inflation data was below the projection in the June Inflation Report and analysts' expectations.

The decrease in the annual consumer price index can be primarily linked to the decelerating price dynamics of unprocessed food and non-durable industrial goods. Within the Bank's measures of underlying inflation developments capturing persistent inflationary trends on a year-on-year basis, the inflation of sticky price products stood at 3.8 percent, and core inflation excluding processed food was 3.1 percent (Chart 3).

On a monthly basis, the price of the total consumer basket declined by 0.1 percent, while the core inflation basket rose by 0.3 percent. In July, the monthly repricing was below the 2017-2020 average in the case of the inflation basket and the core inflation basket. The last time consumer prices decreased in July was in 2016; this year's mid-summer repricing was the fourth lowest since 2001. Month-on-month core inflation excluding processed food prices, which better reflect underlying developments, was up by 0.4 percent (Chart 4). Our indicators calculated on an annualised 3-month-on-3-month comparison decreased in the case of inflation while rising slightly in the case of core inflation; they remained subdued overall (Chart 5).

The annual inflation of *tradables* declined to 0.5 percent (Chart 6). On a monthly basis, prices decreased by 0.3 percent, which is significantly below the average repricings observed between 2017-2020 (Chart 7). Within the product group, durables and non-durables prices declined by 0.4 percent and 0.3 percent, respectively. The price decrease observed across a wider range of products indicates a rapid pass-through of the exchange rate appreciation that occurred in the spring months.

The annual price index of *market services* rose to 5.6 percent (Chart 8). Month-on-month, prices were up by 1.1 percent, which is above the average repricings that occurred between 2017-2020 (Chart 9). The rise in prices following the end of voluntary price restrictions by banks and telecommunication companies account for three-quarters of the price increase. Apart from this, there was a repricing in the services sector that was in line with the period of price stability.

According to the MNB's classification, *food* inflation declined to -4.9 percent. Within the product group, unprocessed food prices and processed food prices were down by 7.7 and 3.5 percent, respectively, in annual terms (Chart 10). According to the HCSO's classification, which, unlike the MNB's classification, includes, among others, the 5.8 percent rise in restaurant meal prices, food prices decreased by 1.1 percent on a year-on-year basis. Food prices were down by 1.7 percent month-on-month, which is below the average repricings that occurred between 2017-2020 (Chart 11). Compared to June, unprocessed food prices and processed food prices declined by 4.3 percent and 0.3 percent, respectively. The decrease in unprocessed food prices was due to the significant decline in fresh vegetable and fruit prices, while in the case of processed food, a widespread – albeit more moderate – price decrease occurred, which affected the majority of products.

On a monthly basis, *fuel prices* decreased by 1.3 percent. In annual terms, fuel prices were down by 1.0 percent.

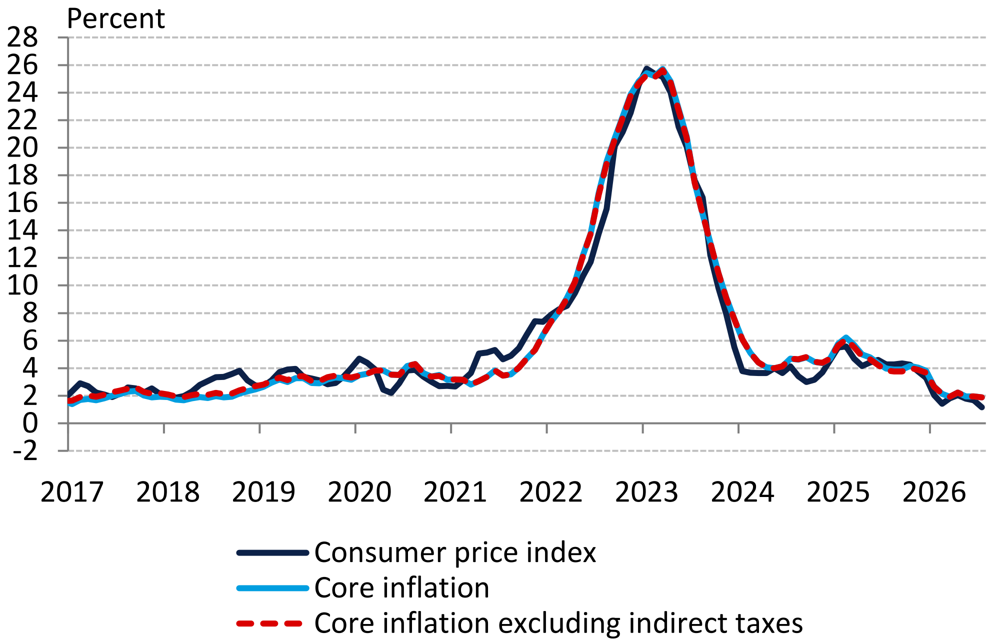
In annual terms, the inflation of *regulated products* and services declined to 1.5 percent, with piped gas inflation decreasing to -10.9 percent year-on-year. Compared to the previous month, the average consumer price of piped gas was down by 1.5 percent.

Households' inflation expectations have declined since the start of the year (Chart 12). *Companies' expectations for retail sales price changes* and *price expectations for services* decreased compared to the previous month (Chart 13).

Budapest, 7 August 2026

Chart 1 Consumer price index, core inflation and core inflation excluding indirect tax effects

annual change



Note: Seasonally unadjusted core inflation.

Chart 2 Inflation decomposition

annual change

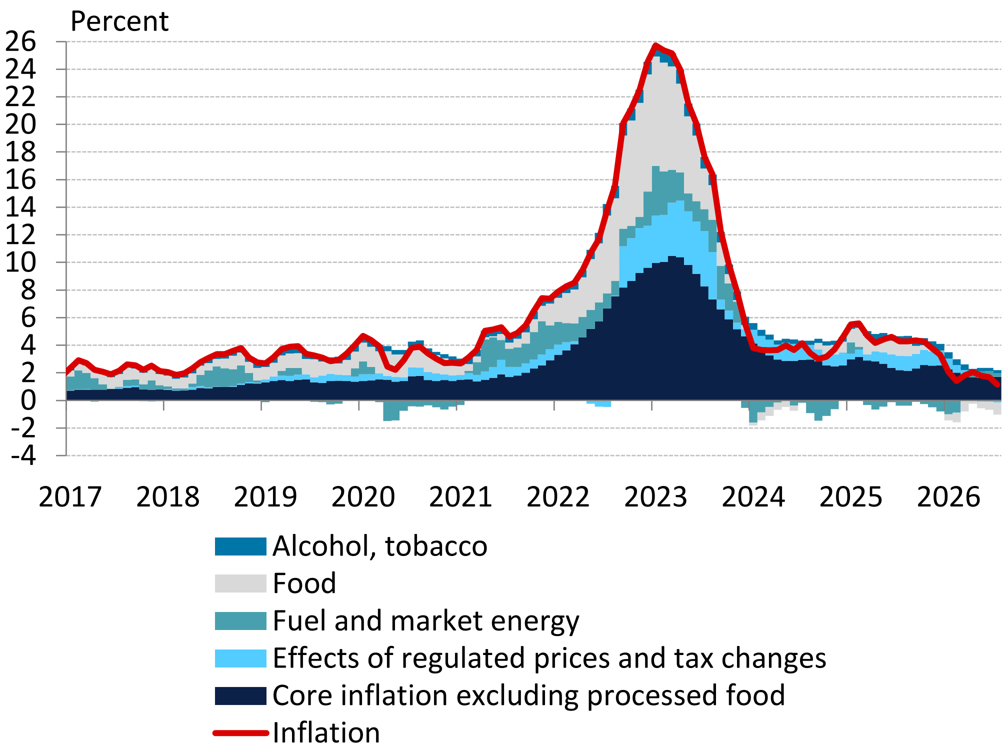
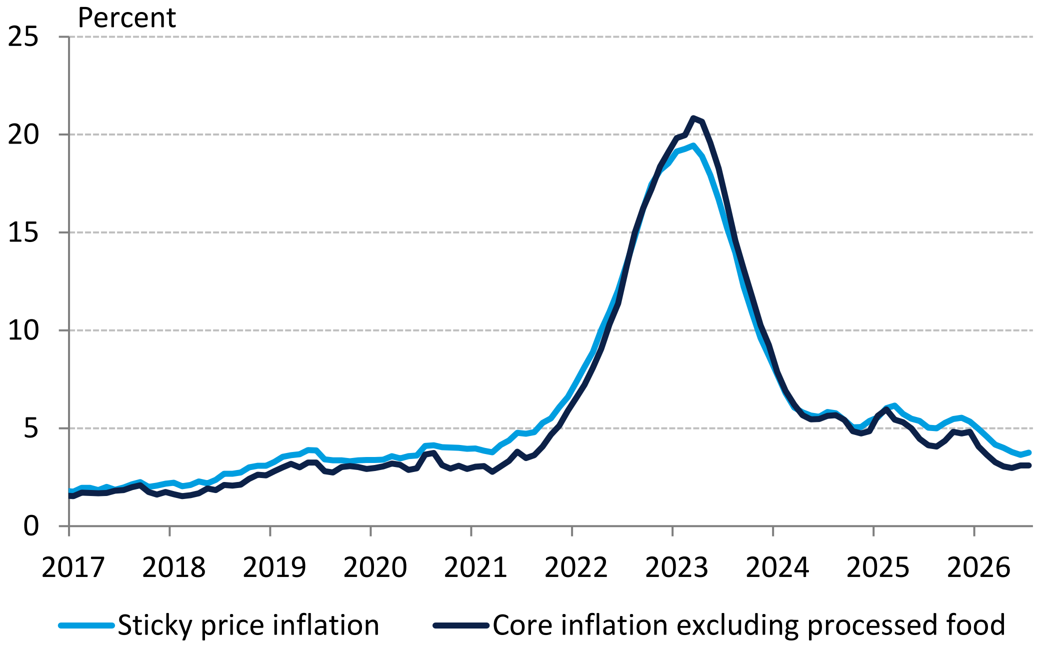


Chart 3 Underlying inflation indicators

annual percentage changes excluding indirect tax effects



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 Monthly change in core inflation excluding processed food

tax-adjusted, seasonally unadjusted monthly percentage changes

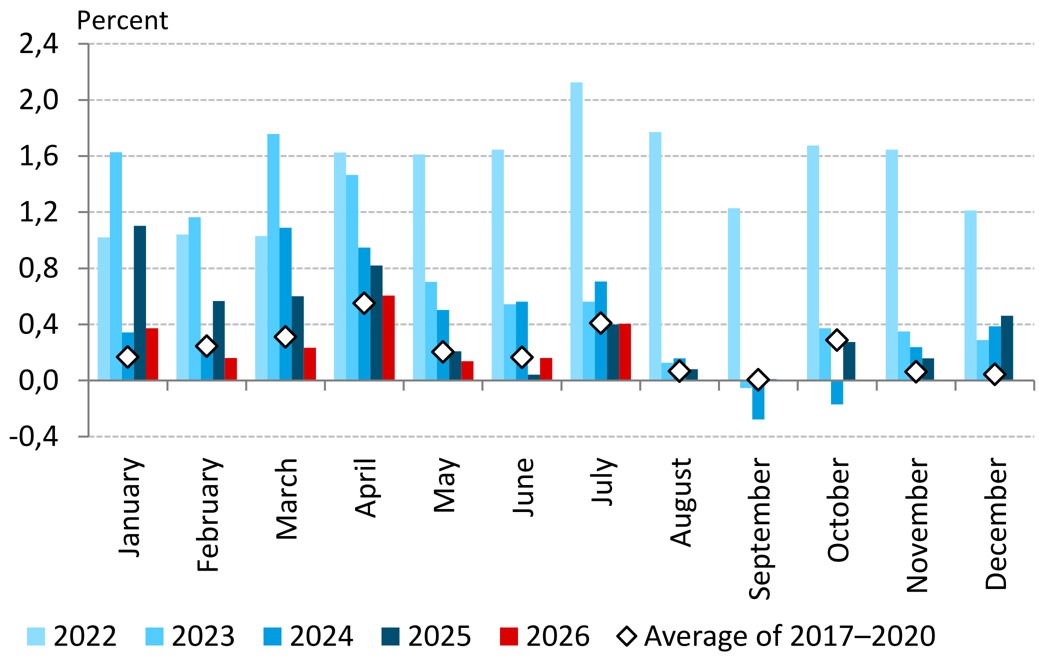


Chart 5 Annualized 3-month change in inflation and core inflation

based on seasonally adjusted data

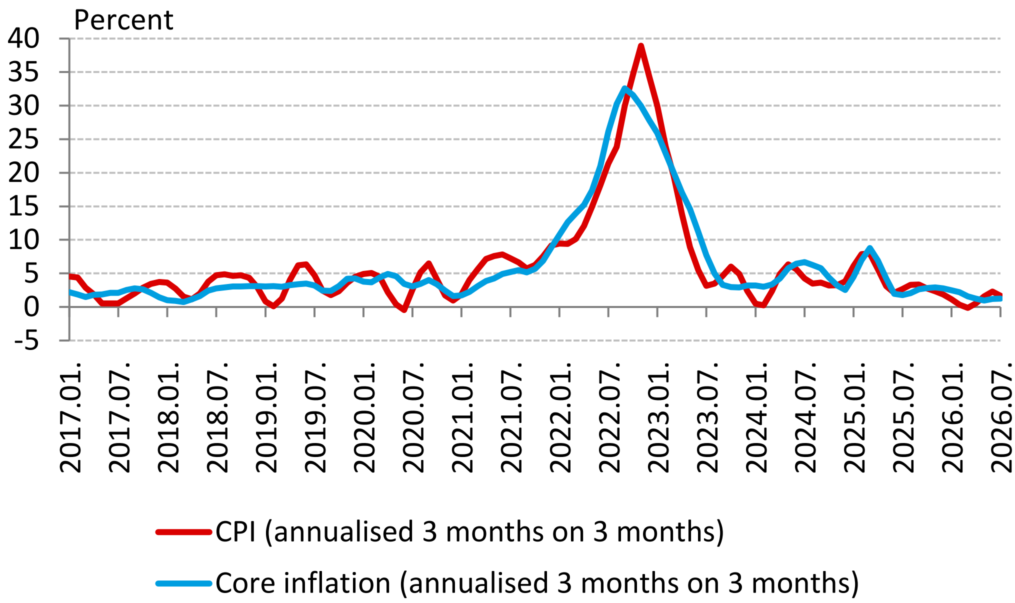


Chart 6 Tradables inflation

seasonally unadjusted annual change

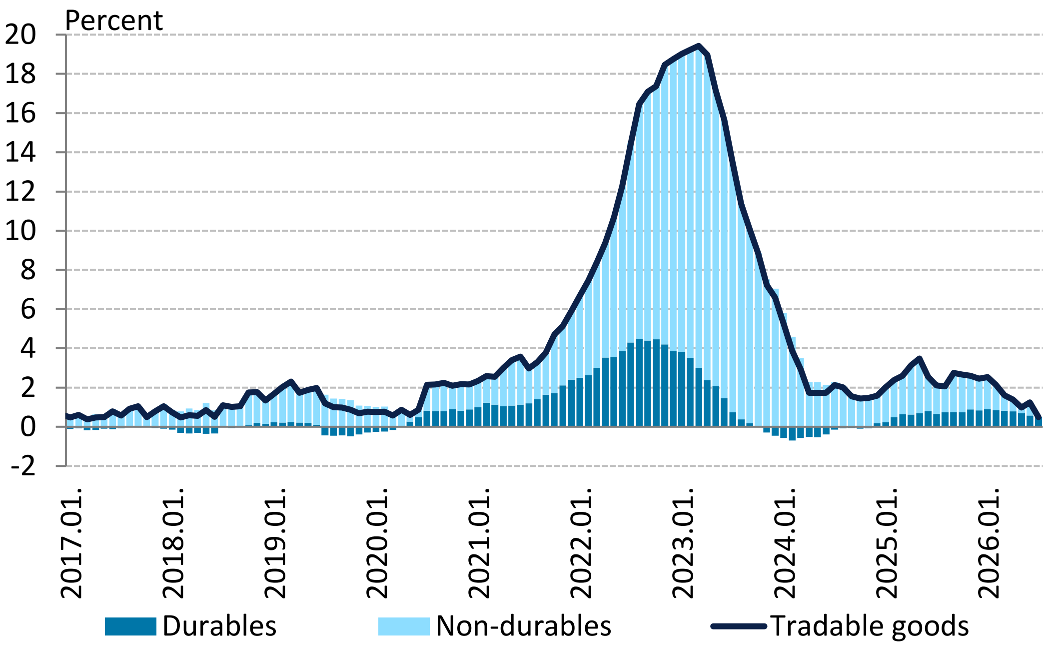


Chart 7 Monthly changes in tradables prices

seasonally unadjusted monthly change

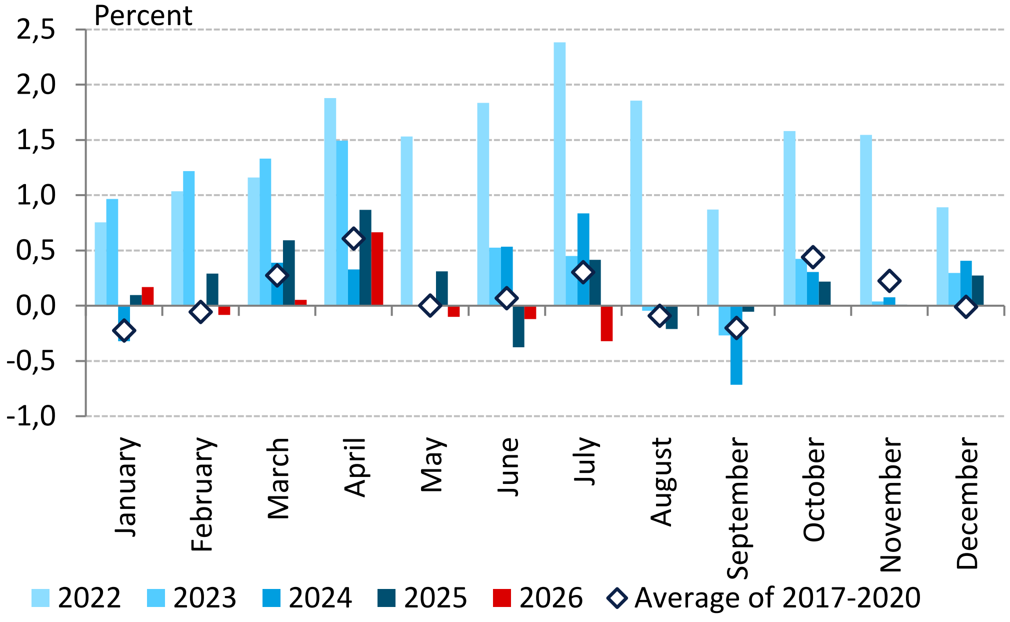


Chart 8 Market services inflation

seasonally unadjusted annual change

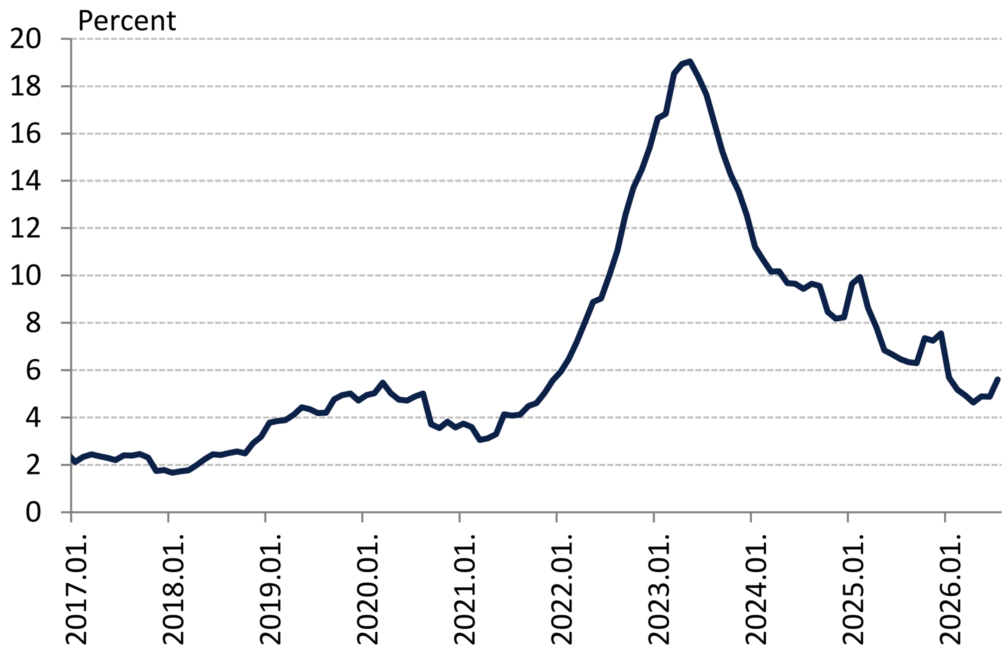


Chart 9 Monthly changes in the price of market services

seasonally unadjusted monthly change

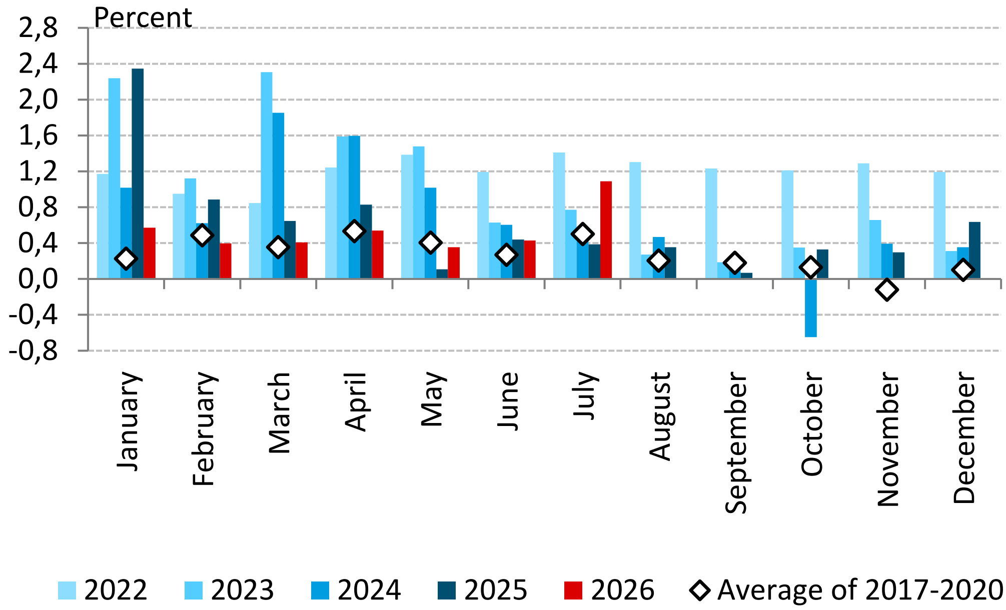
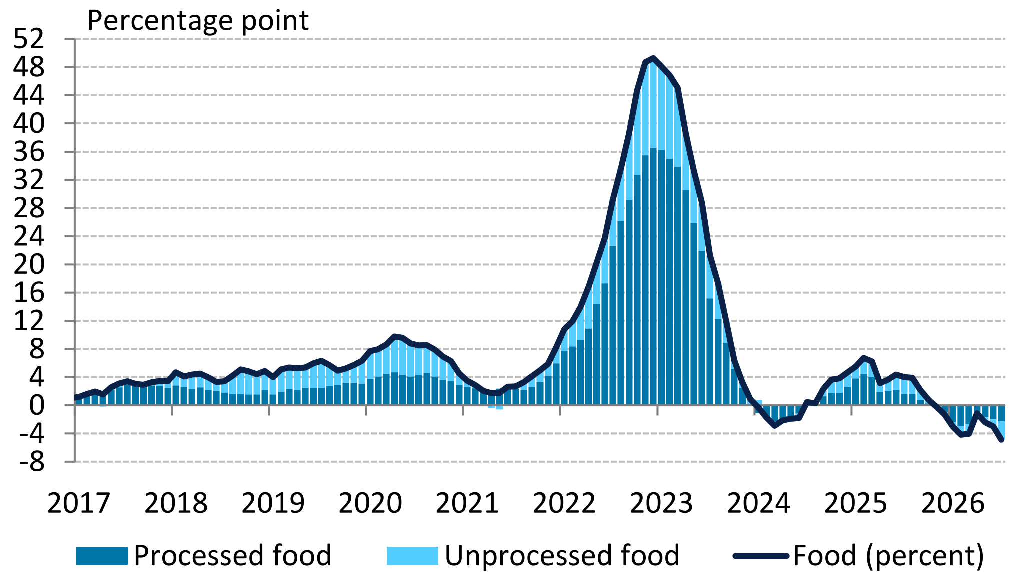


Chart 10 Food inflation

seasonally unadjusted annual data



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 Monthly changes in food prices

seasonally unadjusted monthly change

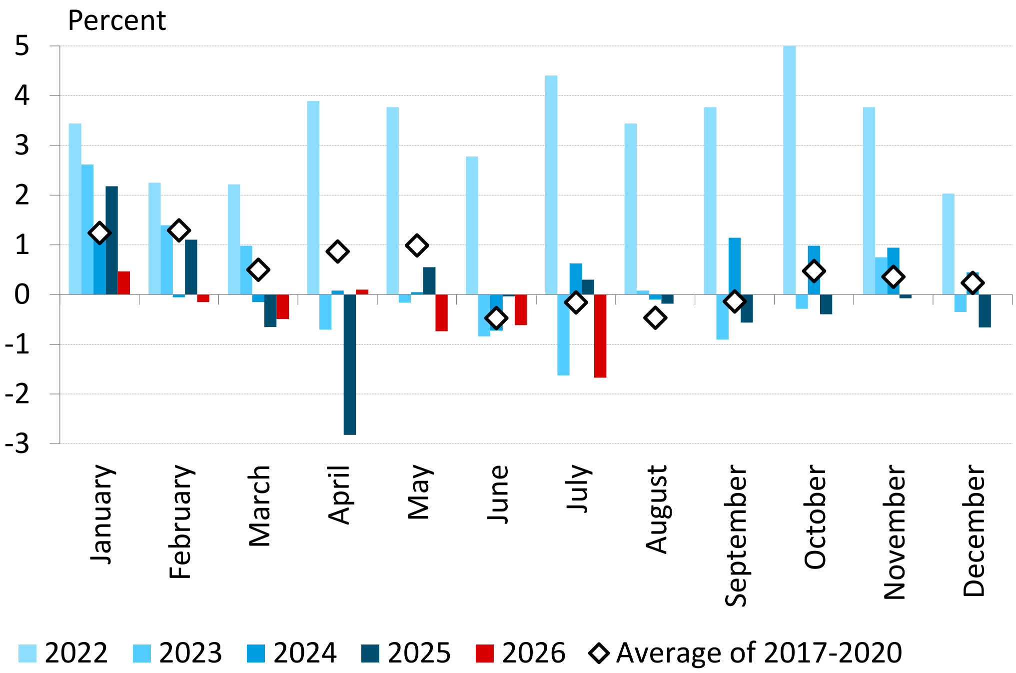


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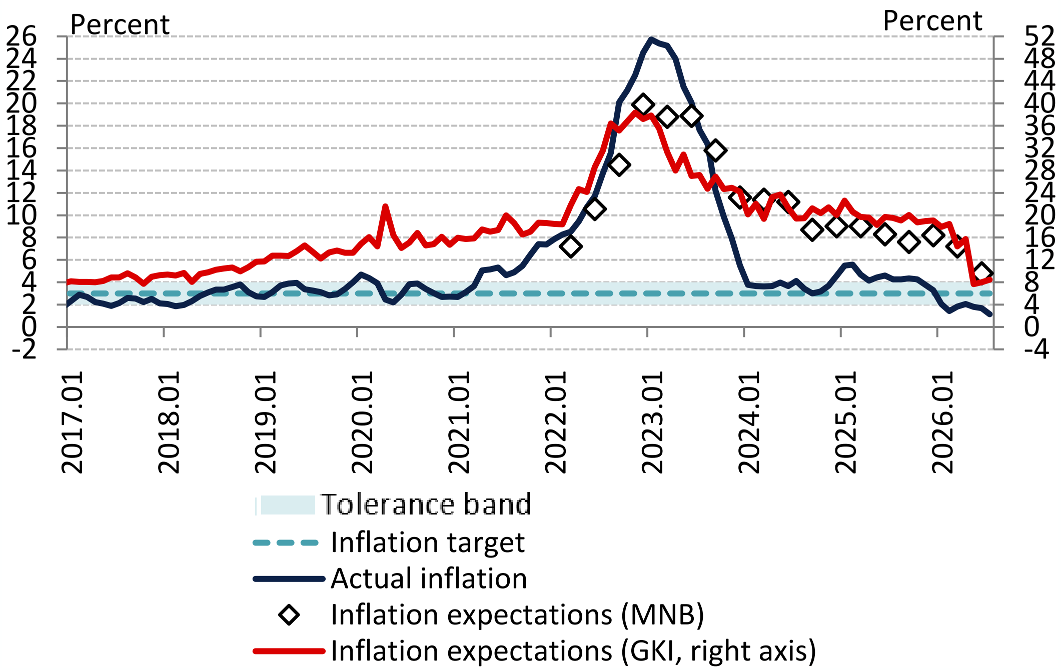
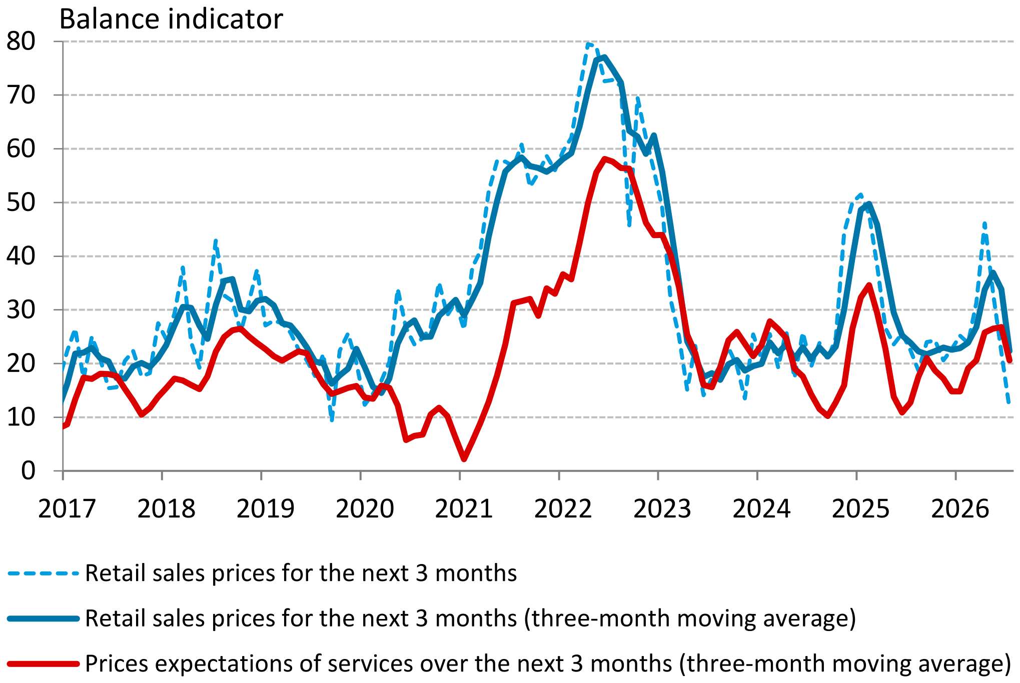
Chart 12 Households' inflation expectations



Source: HCSO, European Commission, GKI, MNB

Chart 13 Developments in expectations for retail sales price changes and services price changes in Hungary



Source: MNB calculation based on data released by the European Commission

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

<table>
<tr><td colspan="6">Consumer price index, July 2026 (HCSO)</td></tr>
<tr><td colspan="6">1.2% (annual change)</td></tr>
<tr><td colspan="6">MNB underlying inflation indicators (MNB calculation)</td></tr>
<tr><td>Contribution of sticky price inflation (percentage points), weight 43.0%</td><td>1.6</td><td>Contribution of core inflation excluding processed foods (percentage points), weight 55.1%</td><td>1.7</td><td>Contribution of core inflation excluding taxes (percentage points), weight 67.3%</td><td>1.3</td></tr>
<tr><td>Contribution of other items (percentage points), weight 57.0%</td><td>-0.5</td><td>Contribution of other items (percentage points), weight 44.9%</td><td>-0.6</td><td>Contribution of other items (percentage points), weight 32.7%</td><td>-0.1</td></tr>
</table>

Source: HCSO and the MNB's own calculations.
The sum of contributions may differ from the official figures due to rounding.