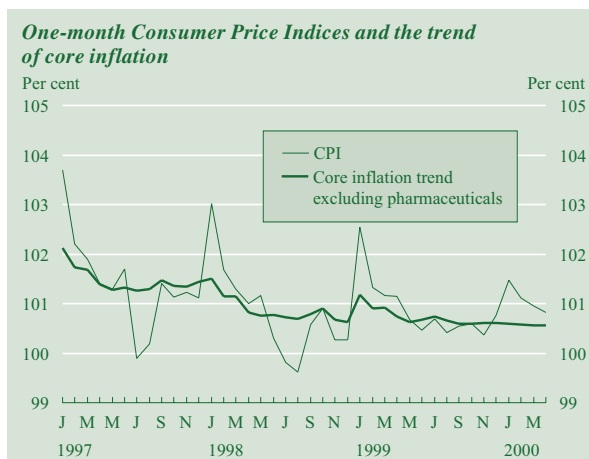
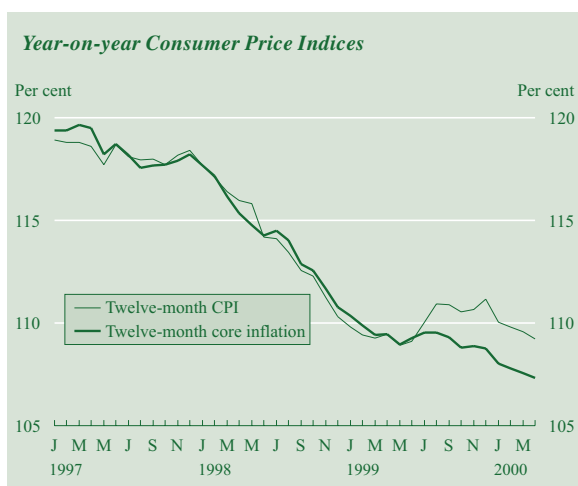


II. PRICES AND EXCHANGE RATES

Consumer prices

The year-on-year rate of core consumer price inflation¹ was 7.32% in April 2000, showing a decline of 0.22 of a percentage point relative to the preceding month. The not seasonally adjusted measure of core inflation showed a one-month increase of 0.73%.



The trend value of core consumer price inflation was 0.55% in April. As seen in the preceding months, services prices remained the major contributor to the monthly core inflation outcome. However, the upward

Core inflation rates in the twelve months to April 2000

	Twelve-month core inflation	Annualised trend of core inflation
April 1999	109.46	109.23
May	108.94	107.87
June	109.25	108.43
July	109.52	109.24
August	109.55	108.26
September	109.31	107.27
October	108.81	107.46
November	108.80	107.66
December	108.75	107.52
January 2000	108.02	107.35
February	107.78	107.09
March	107.54	106.94
April	107.32	106.94

Note:

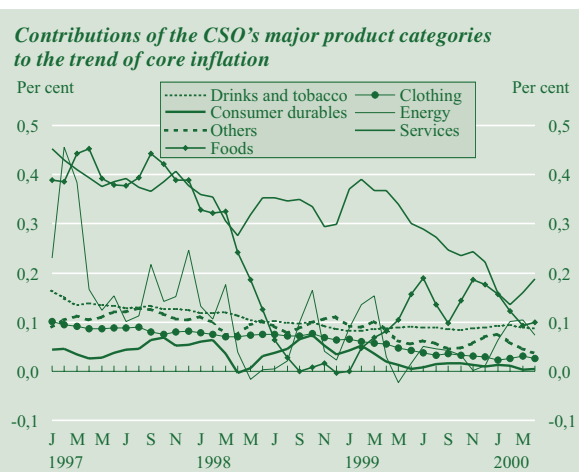
Trend values are derived from a model applied to fixed-base indices. The trend has been calculated for the time series beginning in January 1994. The model is imposed on the January 1994–January 2000 sample, so the values have remained constant despite the inclusion of new outcomes. The model is revised every six months.

effect of changes in services prices, at 0.19 of a percentage point, was much more moderate, by about 0.2 of a percentage point, than a year earlier. In a diminishing order of magnitude, the impact of services prices was followed by individual contributions from the prices of foodstuffs (0.11%), alcoholic drinks and tobacco (0.1%), household energy (0.07%), and other consumer goods (0.04%). The core inflation indicators for clothing articles and consumer durable goods, at 0.03% and 0% respectively, were the lowest in the month.

The monthly Consumer Price Index, released by the CSO for April, was 0.8%, showing a fall of 0.4 of a percentage point on its outcome for twelve months previously. Consequently, the twelve-month Consumer Price Index fell to 9.2% in the month under review.

Looking at the CSO breakdown of the price index by components, prices in three categories, clothing articles,

¹ The Bank's estimate of core inflation. It is derived by removing price shocks, believed to have only short-run effects, which do not directly influence the underlying trend of inflation (shocks caused by price changes of seasonal foods, solid and liquid fuels, motor fuels, pharmaceuticals and medical equipment). The gauge currently used by the Bank covers goods whose price changes, whether resulting from administrative measures or from autonomous market price-setting, can be anticipated with relative certainty in the Hungarian inflationary environment.



household energy and services, rose at rates above the average 0.8% increase in consumer prices. In addition to the influences of seasonal factors, affecting mostly clothing articles, holiday recreation and seasonal goods, housing costs rose strongly in March. The average of motor fuel prices remained unchanged in April, but, despite the decision to increase the production of crude oil, towards month-end the price of North Sea Brent broke above the range that the OPEC considered as a benchmark. A price of \$24–26 per barrel, coupled with a potential further depreciation of the euro against the US dollar, may put upward pressure on domestic motor fuel prices in the coming months.

A cross-section of changes in the year-on-year indices for the major expenditure items shows that the index of consumer durables, at 2.1%, marked the lowest extreme of the vertical scale in the month. At 17.2%, the other goods and motor fuel price index was at the highest extreme of the spectrum, followed by the price index for alcoholic beverages and tobacco (11.5%), the services price index (9.2%), the household energy index (7.5%), the food price index (6.1%) and clothing price index (5.7%).

Producer prices

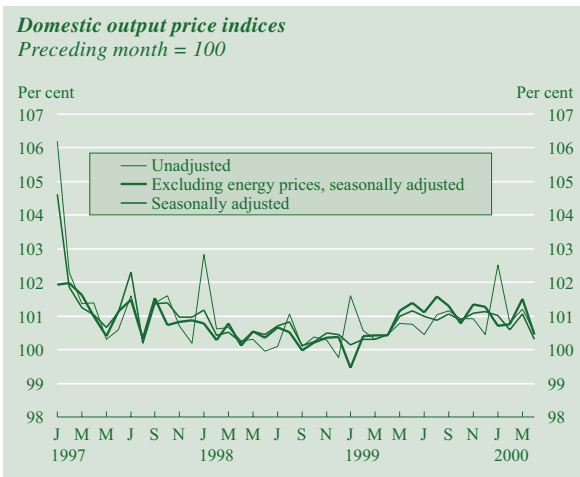
Seasonally adjusted domestic industrial output prices excluding energy prices, a reliable gauge of fluctuations in producer price levels, increased by 0.44% in April 2000 relative to the preceding month.²

The CSO release of domestic sales prices showed a rise of 0.5% in the month relative to March, the April-to-April increase measuring 14.4%. The twelve-month price index of domestic sales was significantly

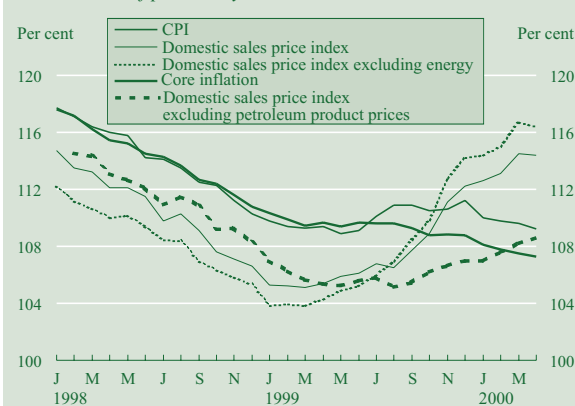
higher than the month's Consumer Price Index (9.2%), by 5.2 percentage points.

The combined, one-month change in domestic and export sales prices was an increase of 0.6% and one of 11.6% year on year.

Manufacturing industry prices, which are a dominant factor influencing movements in domestic sales prices, stood 0.6% higher in April than in the preceding month. Among the branches of manufacturing with the most significant weights, the increase in chemical industry export prices, at 0.8%, was above average. However, due to the slight drop in the domestic currency equivalent of crude oil prices, it was not petroleum product prices but those of basic chemical materials that rose the most strongly, by 4% in the month. In addition, there was a marked increase since January in the prices of non-metallic mineral products, which comprise mostly building materials. Here, prices grew by 7.8% in the first four months and by 1.8% in April. Food prices increased by 0.5% in one month. The monthly outcomes for price indices in other manufacturing sectors varied between 0% and 0.5%.



Domestic output price index excluding petroleum in relation to other price indices
Same month of previous year = 100



² The index eliminates the effects of changes in the prices of electricity, gas, steam and hot water supply as well as of production, treatment and distribution of water.

Domestic producer price indices, categorised by end-user, showed that the one-month price index for the sectors producing energy and intermediate goods had increased by 0.7%. The investment goods index had risen by 0.3% and that of consumer goods by 0.3%.

In a twelve-month comparison, consumer goods prices increased by 8.3% and investment goods prices by 5%. The increase in the prices of energy and intermediate goods amounted to 18.7% in the April-to-April period.

Industrial companies raised their export prices by 0.7% in the month. (The monthly average exchange rate of the forint depreciated by 0.5% vis-à-vis the official currency basket.³ The average deviation of the market rate from the central parity measured 198 basis points towards the strong edge of the exchange rate band.) Export prices of engineering industry products, weighing dominantly within industrial exports, rose by 0.1%. Chemical industry export prices were 3.5% higher than in the preceding month, explained by the change in basic material prices already discussed. Other sectors experienced price changes ranging between 0% and 1.4%.

The overall level of export prices increased by 8.6% in the twelve-months from April 1999. (The Hungarian currency lost 4.3% of its value in the period). There continued to be significant differences in the rates at which prices changed in the various sectors. Above-trend rises of 40.9% and 9.3% were recorded in chemical and food industry export prices respectively. The change in engineering industry export prices, at 2.1%, was below average.

The exchange rate

The market rate of the forint slightly weakened at the beginning of April, but returned to the strong edge of the official intervention band towards the end of the month. Consequently, the exchange rate appreciated by 0.06% against the currency basket in comparison with end-March. The National Bank of Hungary officially devalued the central rate by 0.28% in the month. (Since 1 January 2000 the currency is officially devalued against a currency basket consisting 100% of the euro. The monthly devaluation rate has fallen to 0.3% from 1 April.) The average deviation of the exchange rate from the central rate was 198 basis points toward the strong extreme of the intervention band.

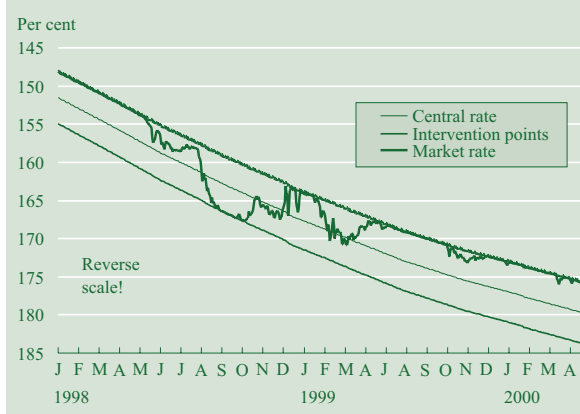
Monthly devaluation of the currency

	Per cent					
	Depreciation of the currency in the market*			Official devaluation of the central rate**		
	1998	1999	2000	1998	1999	2000
January	0.81	-1.76	0.20	0.84	0.56	0.37
February	0.81	2.60	0.52	0.84	0.56	0.39
March	0.88	1.50	0.62	0.90	0.62	0.44
April	0.99	-1.38	-0.06	0.99	0.64	0.28
May	2.62	0.09		0.87	0.58	
June	0.70	0.31		0.80	0.59	
July	-0.31	0.51		0.86	0.51	
August	4.14	0.49		0.76	0.48	
September	1.51	1.26		0.78	0.50	
October	-0.23	-0.25		0.74	0.39	
November	-0.16	0.49		0.67	0.40	
December	0.39	0.31		0.77	0.47	
January–December	12.75	4.39		10.29	6.50	

* Vis-à-vis the currency basket.

** The Bank devalues the forint for the given day and two value dates ahead using a constant percentage rounded to two decimals. Thus there may be differences between the measures of actual rate adjustments in a month and the pre-announced rate of devaluation. (The monthly rate of crawl was 1.2% between 1 January 1996 and 31 March 1997, 1.1% from April 1997, 1.0% from 15 August 1997, 0.9% from 1 January 1998, 0.8% from 15 June, 0.7% from 1 October, 0.6% from 1 January 1999, 0.5% from 1 July and 0.4% from 1 October. Since 1 April 2000 the rate has been 0.3%.) One possible cause of this gap is the fact that the daily rate is rounded and the number of calendar days vary in different months. Another source of difference may be that in the scheme of calendar-day exchange rate adjustments the currency is devalued on Thursdays or the immediately preceding day(s) rather than on Saturdays and Sundays or, possibly, holidays. Consequently, it may happen that weekends and holidays are shifted back one month statistically, although actually they fall in the following calendar month.

Exchange rate movements within the intervention band (1995. március 13. = 100)



³ The series calculated from daily depreciations has been replaced by the indicator showing depreciation of the average exchange rate, the former being less informative in terms of exchange rate movements in a given month. The new indicator shows the ratio of current month's average exchange rate to the preceding month's average.