



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**JULY**

2019

*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 Barnabás Virág, Executive Director responsible for monetary policy, financial stability and credit incentives.*

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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\\_statistikai\\_idosorok/mnben\\_elv\\_prices/underlying\\_inflation\\_indicators\\_MNB](http://english.mnb.hu/Statisztika/data-and-information/mnben_statistikai_idosorok/mnben_elv_prices/underlying_inflation_indicators_MNB)

## ASSESSMENT OF INFLATION DATA FOR JULY 2019

In July 2019, annual *inflation* was 3.3 percent. *Core inflation* was 3.7 percent and *core inflation adjusted for the effects of indirect taxes* was 3.2 percent (Chart 1). Headline inflation and core inflation fell by 0.1 percentage point and core inflation excluding taxes fell by 0.3 percentage points relative to the previous month. The decrease in headline inflation primarily reflected the decline in fuel prices, while the drop in core inflation was due to a fall in the price index of industrial goods.

The Bank's measures of underlying inflation developments capturing persistent inflationary trends (i.e. inflation rates of demand-sensitive and sticky-price products and services) also fell relative to the previous month (Chart 2).

In July 2019, the contribution to inflation of items with greater sensitivity to cost changes, i.e. food and fuel, remained unchanged and that of demand-sensitive products fell relative to the previous month (Chart 3).

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

The annual inflation of *industrial goods* fell significantly compared to the previous month (Chart 4). Within this product group, the inflation of both *durables* and *non-durables* fell. Within the group of durables, the decline was attributable to the price dynamics of new and used passenger cars, while in the case of non-durables it was caused by the jointly moderating price dynamics of several products.

*Services* prices rose by 0.4 percent on a monthly basis (Chart 5). The price dynamics, slightly lower than the average of recent years, was primarily due to domestic holiday services (Chart 6).

Seasonally and tax-adjusted *processed food* prices rose in July, due to increases in the prices of several product groups.

The prices of *alcohol and tobacco products* rose compared to June, which was attributable to the excise-duty increase on tobacco products.

Seasonally and tax-adjusted *unprocessed food* prices rose relative to the previous month, which mainly reflected an increase in fresh vegetable, fruit and potato prices.

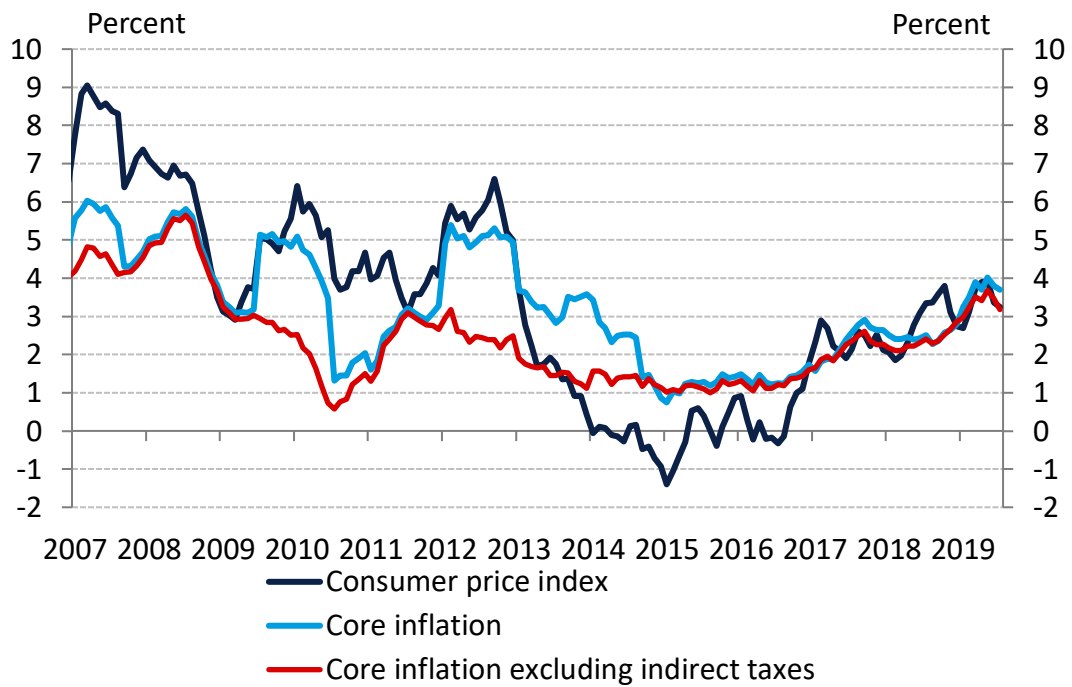
Prices of *regulated products* were largely unchanged relative to June.

*Households' inflation expectations* remained at moderate levels in the month, consistent with the 3 percent inflation target (Chart 7).

Prepared by: Judit Várhegyi

Budapest, 08 August 2019

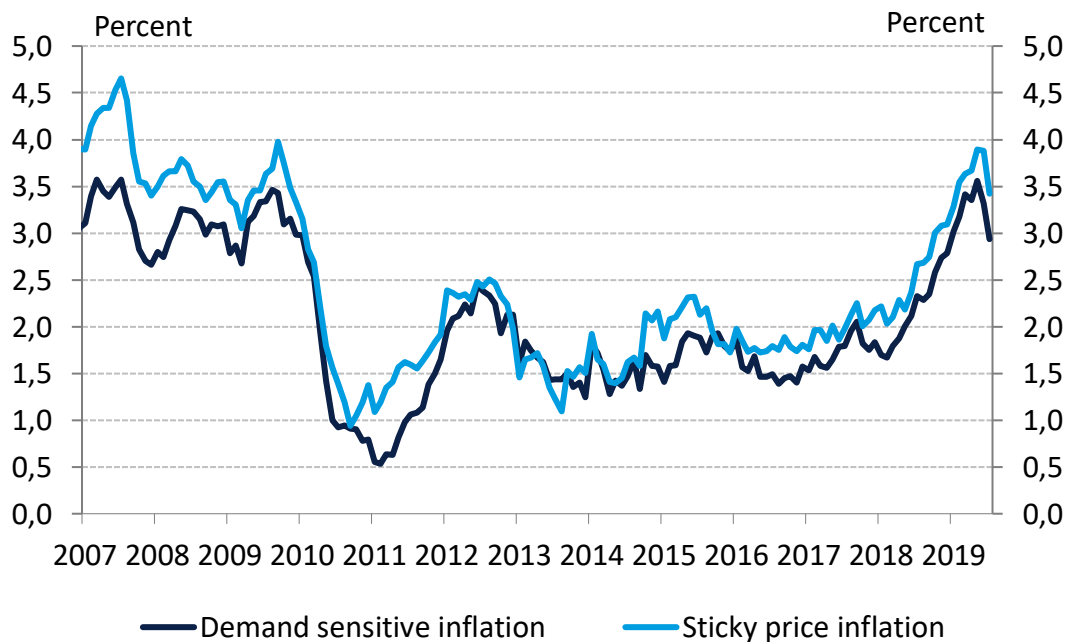
**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – July 2019)



*Note: Seasonally unadjusted core inflation.*

**Chart 2 Underlying inflation indicators**

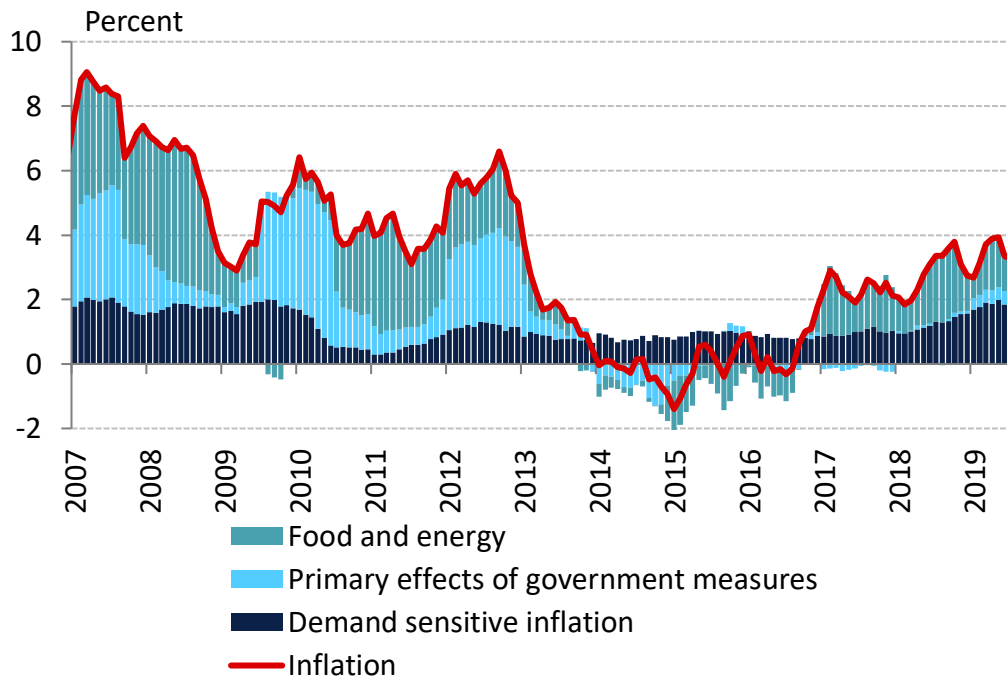
(excluding indirect taxes, annual percentage changes, January 2007 – July 2019)



*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.*

**Chart 3 Inflation decomposition**

(annual percentage changes, January 2007 – July 2019)



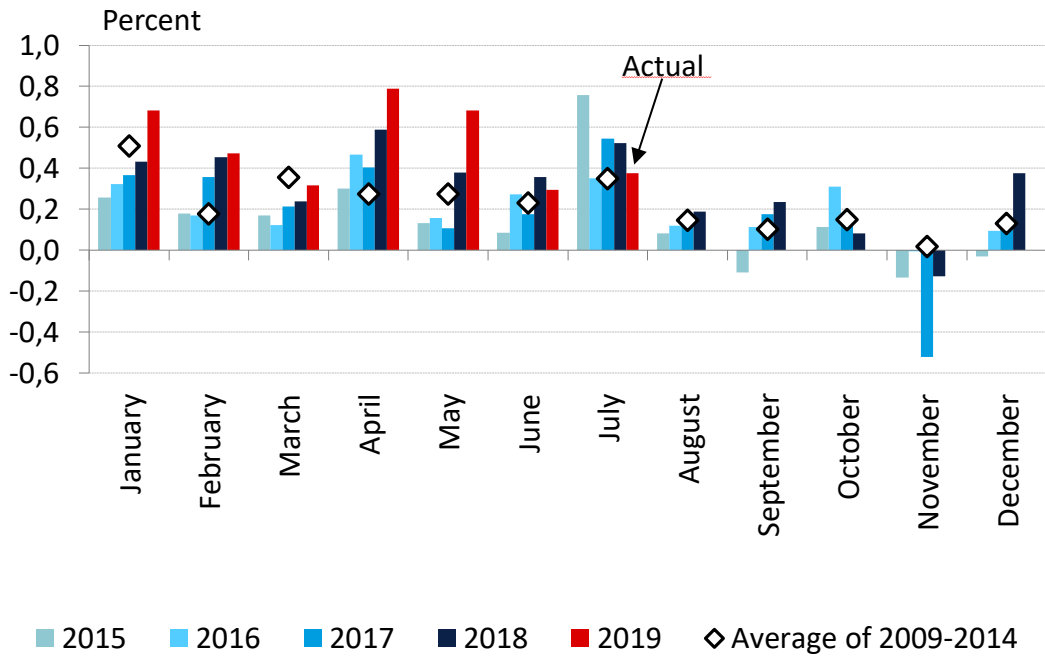
**Chart 4 Inflation of tradable goods**

(excluding taxes, annual percentage changes, January 2007 – July 2019)



**Chart 5 Market services inflation**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2015 – July 2019)

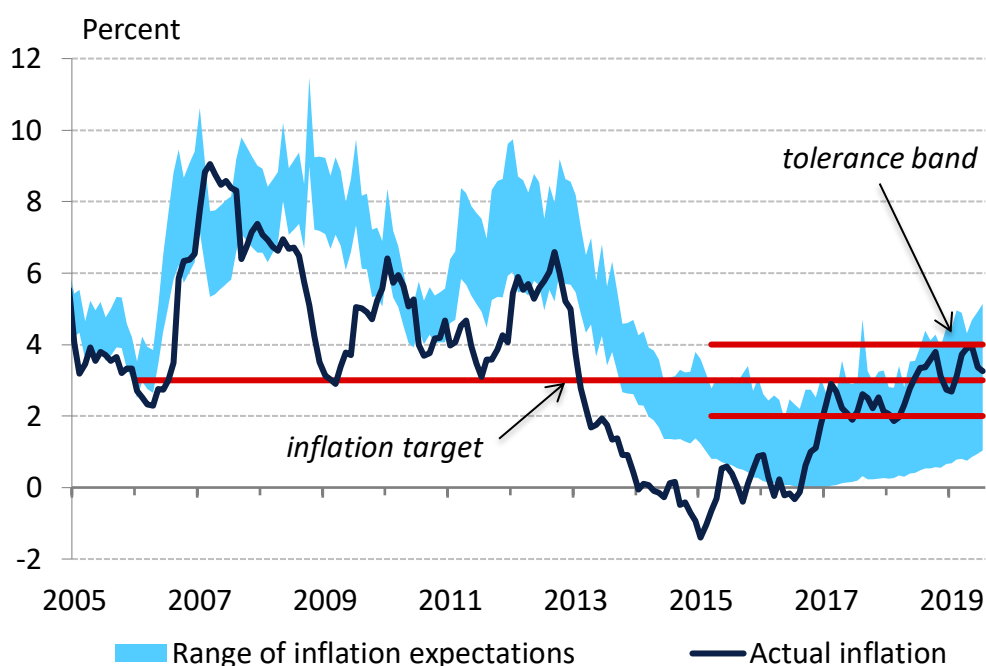


**Chart 6 Market services inflation**

(excluding taxes, annual percentage changes, January 2007 – July 2019)



**Chart 7 Households' inflation expectations**  
(January 2005 – July 2019)



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

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

Consumer price index, July 2019 (HCSO)					
3.3% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 33.4%</b>	<b>1.1</b>	<b>Contribution of demand sensitive inflation (percentage points), weight 55.9%</b>	1.6	<b>Contribution of core inflation excluding taxes (percentage points), weight 69.0%</b>	<b>2.2</b>
Contribution of other items (percentage points), weight 66.6%	2.1	Contribution of other items (percentage points), weight 44.1%	1.6	Contribution of other items (percentage points), weight 31.0%	1.1

Sources: CSO and the MNB's own calculations.

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