



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

NOVEMBER

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

ASSESSMENT OF INFLATION DATA FOR NOVEMBER 2019

In November 2019, annual *inflation* was 3.4 percent. *Core inflation* was 4.0 percent and *core inflation adjusted for the effects of indirect taxes* was 3.6 percent (Chart 1). Headline inflation rose by 0.5 percentage points and core inflation was unchanged compared with the previous month. The rise in inflation primarily reflected the base effect of a decrease in fuel prices at the end of 2018.

The Bank's measures of underlying inflation developments capturing persistent inflationary trends (the inflation of demand-sensitive products and that of sticky-price products and services) remained broadly unchanged relative to the previous month (Chart 2).

In November 2019, items with greater sensitivity to cost changes, i.e. food and fuel, pointed to a rise in inflation and the contribution of demand-sensitive products to inflation was unchanged relative to the previous month (Chart 3).

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

Annual inflation of *industrial goods* prices declined relative to the previous month (Chart 4). Within this product group, the inflation of *durables* rose and those of *non-durables* declined.

Services prices remained broadly unchanged on a monthly basis in November, there was a slight change in prices across a broad range of services (Charts 5 and 6).

Seasonally and tax-adjusted *processed food* prices rose in November, due to increases in several other product prices.

Seasonally and tax-adjusted *unprocessed food* prices rose relative to the previous month, mainly reflecting increases in the prices of pork and fresh fruits.

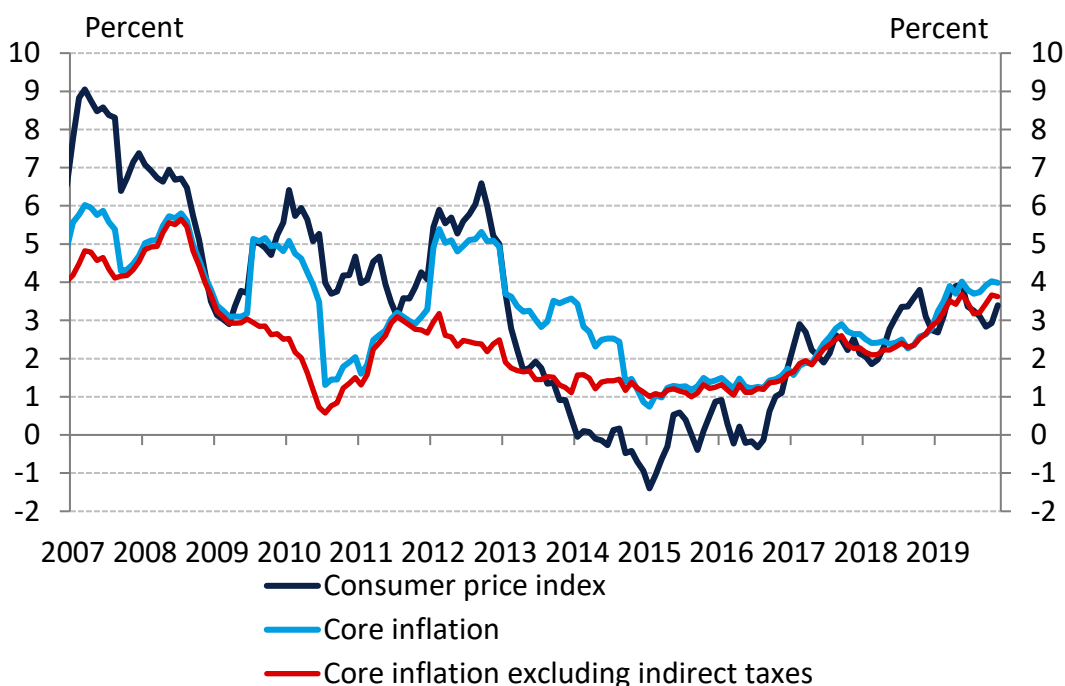
Prices of *regulated products* were unchanged relative to October.

Households' inflation expectations continued to be moderate in the month, at a level consistent with the 3 percent inflation target (Chart 7).

Prepared by Judit Várhegyi

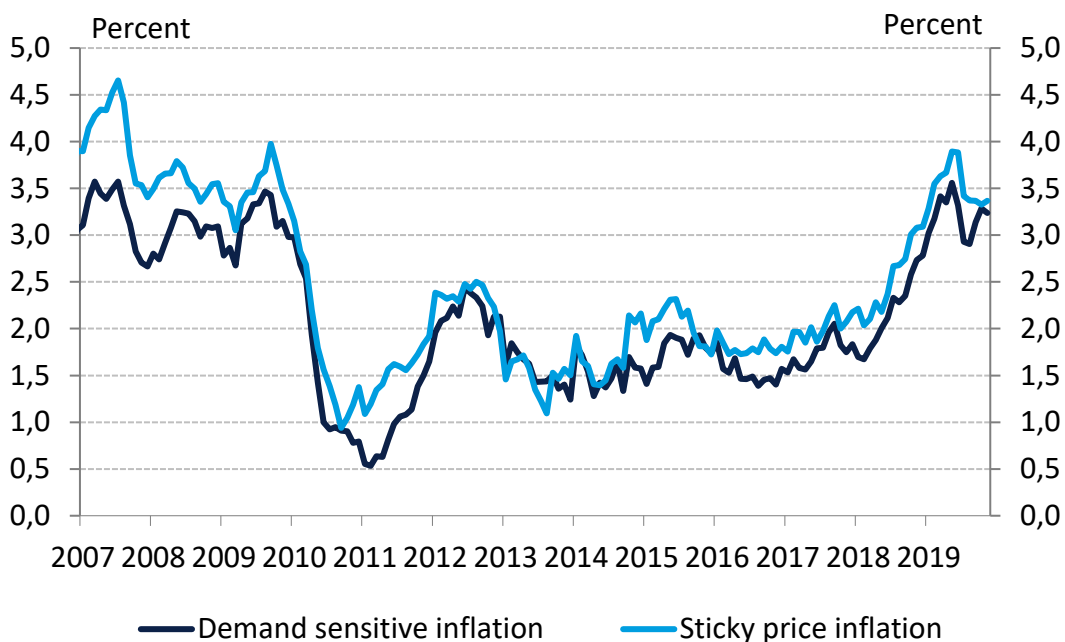
Budapest, 10 December 2019

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



Note: Seasonally unadjusted core inflation.

Chart 2 Underlying inflation indicators
(excluding indirect taxes, annual percentage changes, January 2007 – November 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 percent of elementary prices change monthly on average. MNB calculation based on data released by the CSO.

Chart 2 Inflation decomposition

(annual percentage changes, January 2007 – November 2019)

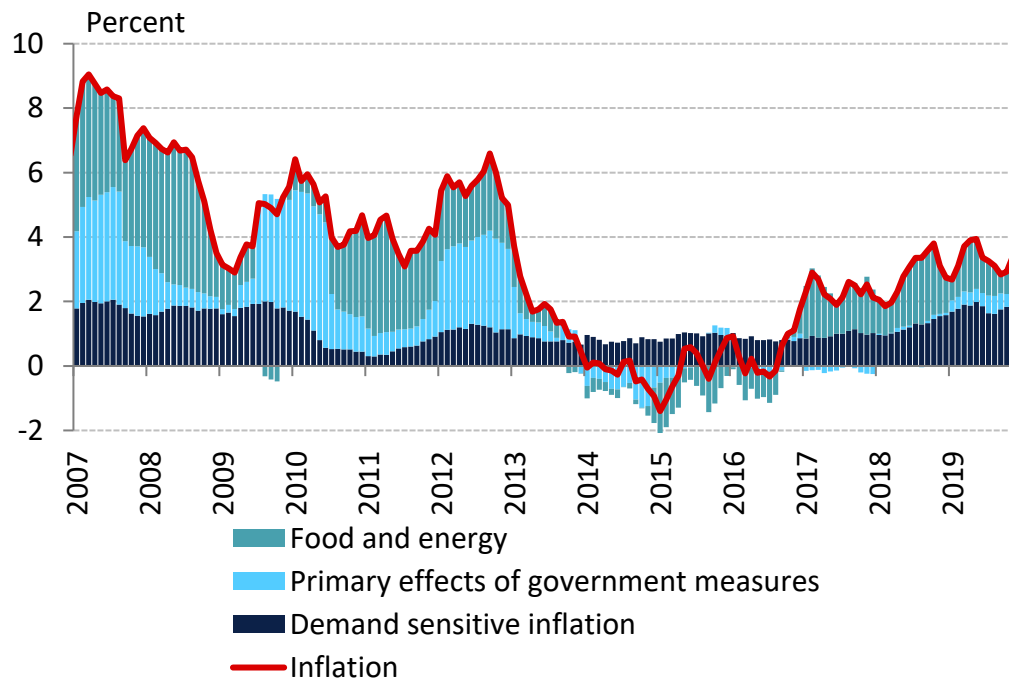


Chart 4 Inflation of tradable goods

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

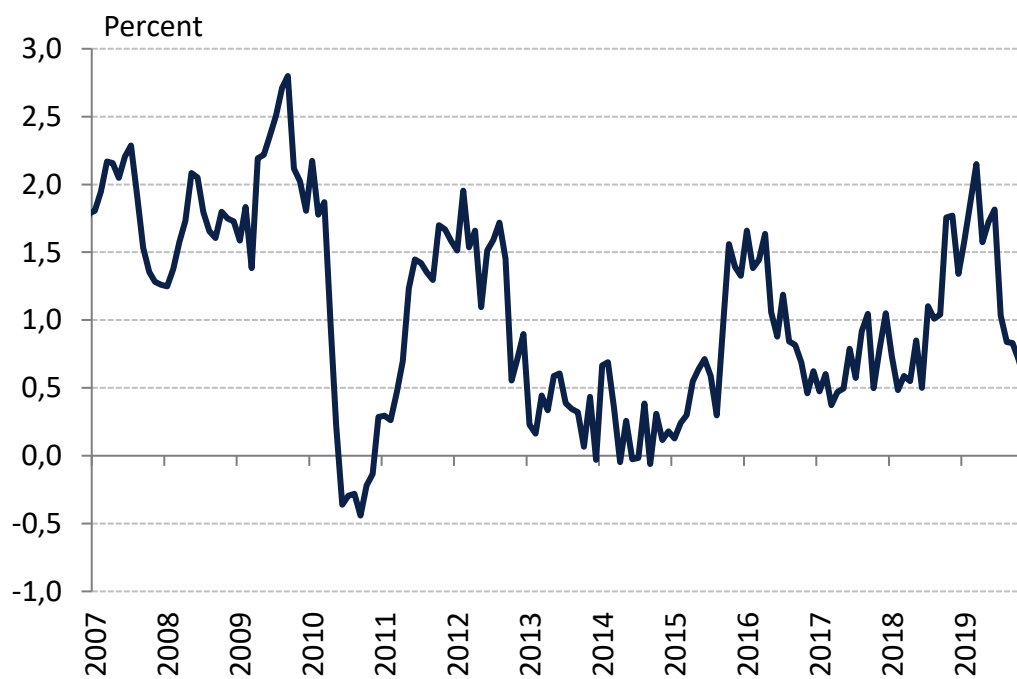


Chart 5 Market services inflation

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

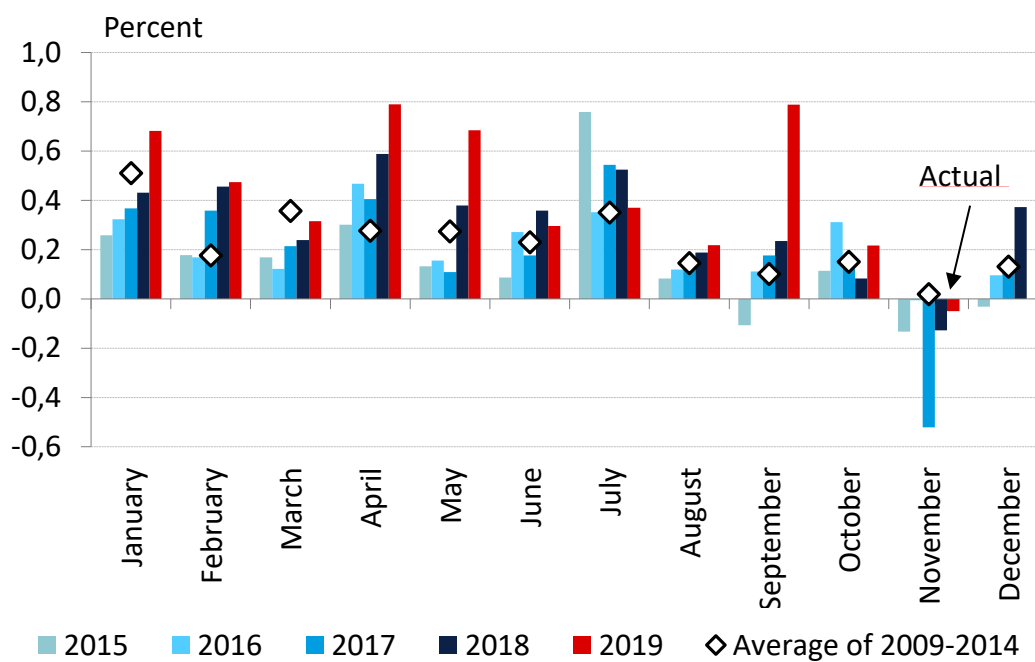
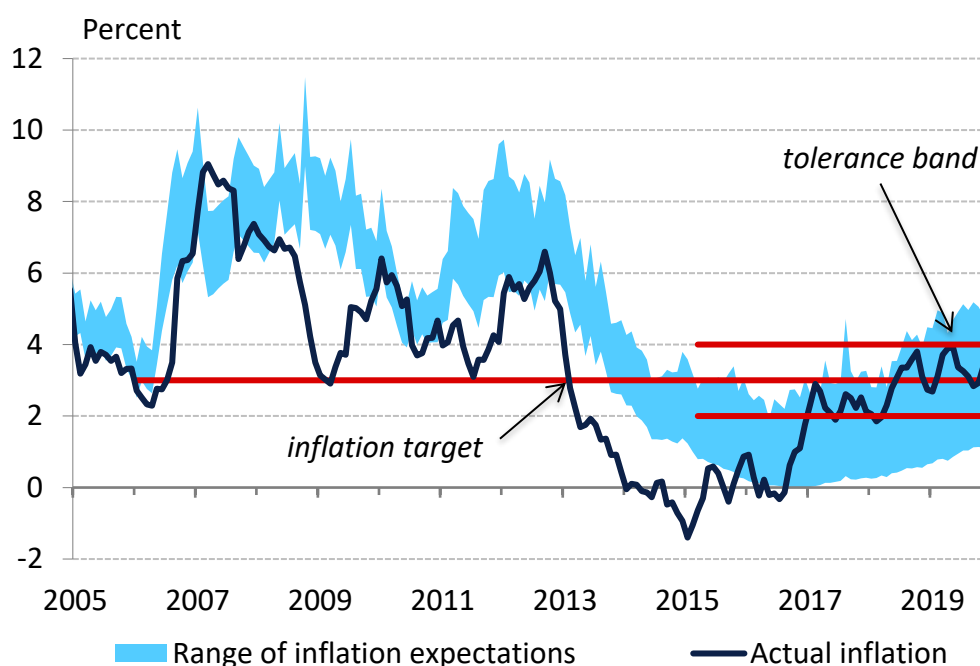


Chart 6 Market services inflation

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



Chart 7 Households' inflation expectations
(January 2005 – November 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, November 2019 (HCSO)					
3.4% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 33.4%	1.1	Contribution of demand sensitive inflation (percentage points), weight 55.9%	1.8	Contribution of core inflation excluding taxes (percentage points), weight 69.0%	2.5
Contribution of other items (percentage points), weight 66.6%	2.3	Contribution of other items (percentage points), weight 44.1%	1.6	Contribution of other items (percentage points), weight 31.0%	0.9

Sources: CSO and the MNB's own calculations.

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