



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

DECEMBER

2021

*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 Gergely Baksay, Executive Director for Economic Analysis and Competitiveness.*

*For further information, please contact Judit Várhegyi (e-mail: [varhegyij@mnb.hu](mailto:varhegyij@mnb.hu))*

The publicly available analyses and the related statistical databases are accessible on the MNB's website at:

[http://www.mnb.hu/Statisztika/statisztikai-adatok-informaciok/adatok-idosorok/vi-arak/inflacios\\_alapmutatok](http://www.mnb.hu/Statisztika/statisztikai-adatok-informaciok/adatok-idosorok/vi-arak/inflacios_alapmutatok)

## ASSESSMENT OF INFLATION DATA FOR DECEMBER 2021

In December 2021, annual inflation was 7.4 percent. Core inflation and core inflation excluding indirect tax effects stood at 6.4 percent (Chart 1). Compared to the previous month, inflation did not change, so Hungary is one of the European countries where the typical acceleration of inflation in 2021 stopped at the end of the year. At the same time, core inflation rose by 1.1 percentage points. The increase in core inflation was offset in the consumer price index by a decline in fuel, alcohol and tobacco price inflation.

With the release of December data, the annual average inflation in 2021 was 5.1 percent, core inflation and core inflation excluding indirect tax effects was 3.9 percent.

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

In December 2021, the contribution of demand-sensitive products and food increased. Fuels continued to make a significant contribution of 1.7 percentage points to annual inflation (Chart 3). The monthly change in prices in the basket calculated excluding fuel prices amounted to 0.7 percent. This was higher than December levels seen in recent years (Chart 4). The faster pace of repricing is generally observed.

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

*Industrial goods* prices rose by 0.6 percent from the previous month, more strongly than the average of previous years (Chart 5). As a result, annual inflation of industrial goods rose to 5.9 percent in December. Within this product group, the price indices for both durables and non-durables increased. A rise in global commodity and energy prices is gradually shown in consumer prices across an increasingly broad group of products.

*Services* prices rose by 0.4 percent compared with the previous month, which was stronger than usually seen in December. The annual price index for services stood at 5.6 percent (Chart 6).

*Food* price inflation rose to over 8 percent. Within this product group, the prices of processed and unprocessed food rose (Chart 7). The increase in the prices of unprocessed food was primarily due to poultry and seasonal goods prices. A rise in processed food price inflation was driven by a wide range of products.

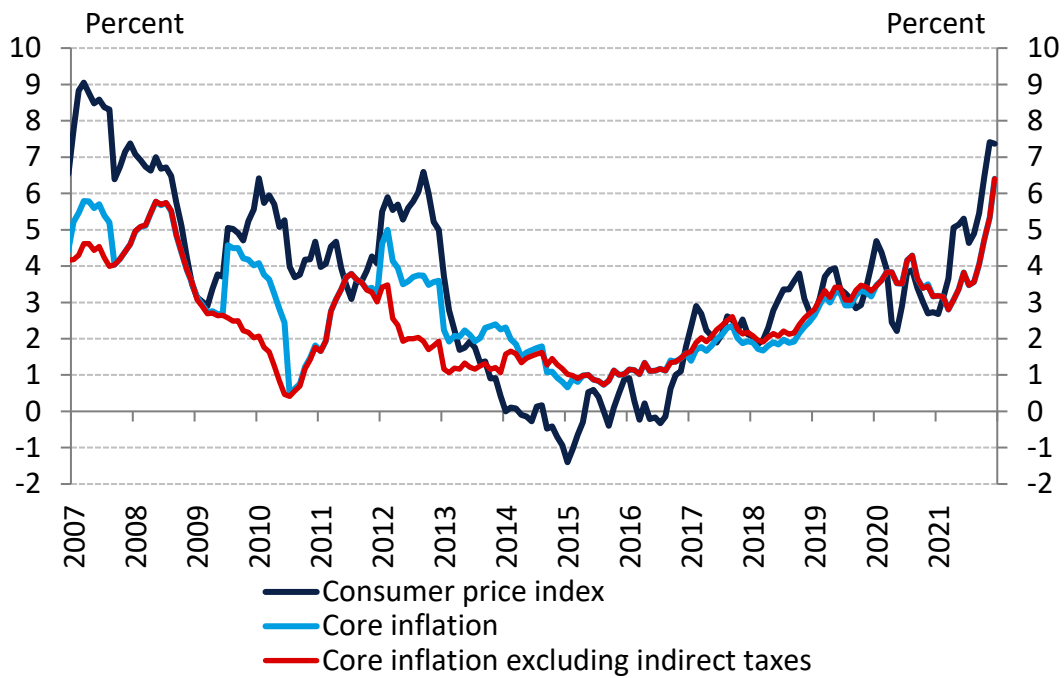
The prices of *regulated products* remained broadly unchanged relative to November.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. In December, the indicators fell compared to the previous month, with their value standing above the central bank tolerance band (Chart 8).

Prepared by Judit Várhegyi

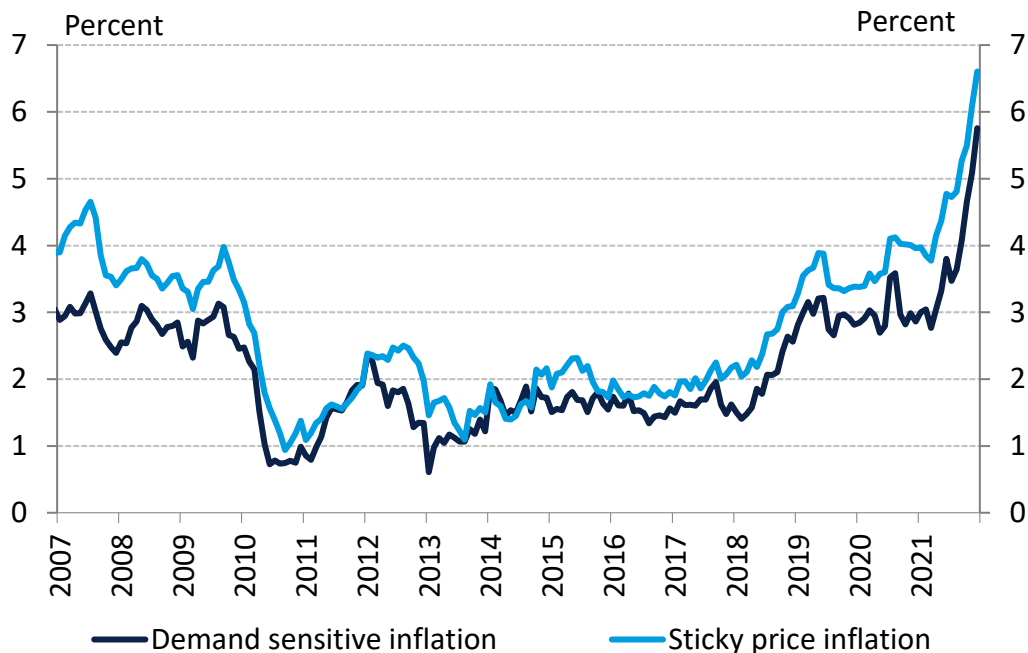
Budapest, 14 January 2022

**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – December 2021)



Note: Seasonally unadjusted core inflation.

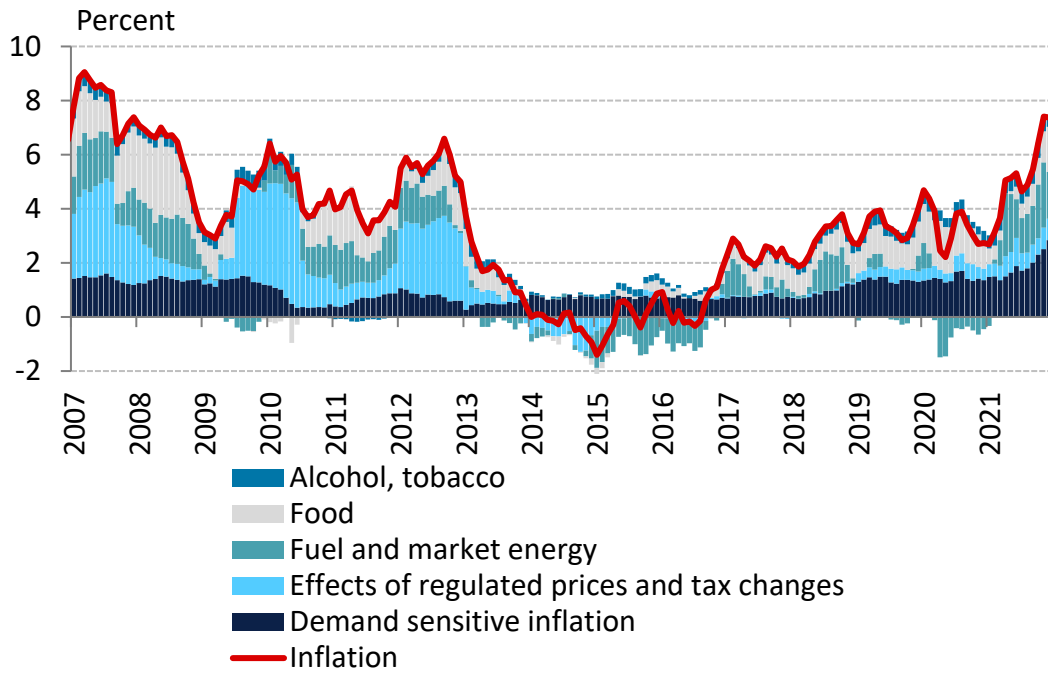
**Chart 2 Underlying inflation indicators**  
(excluding indirect taxes, annual percentage changes, January 2007 – December 2021)



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 HCSO.

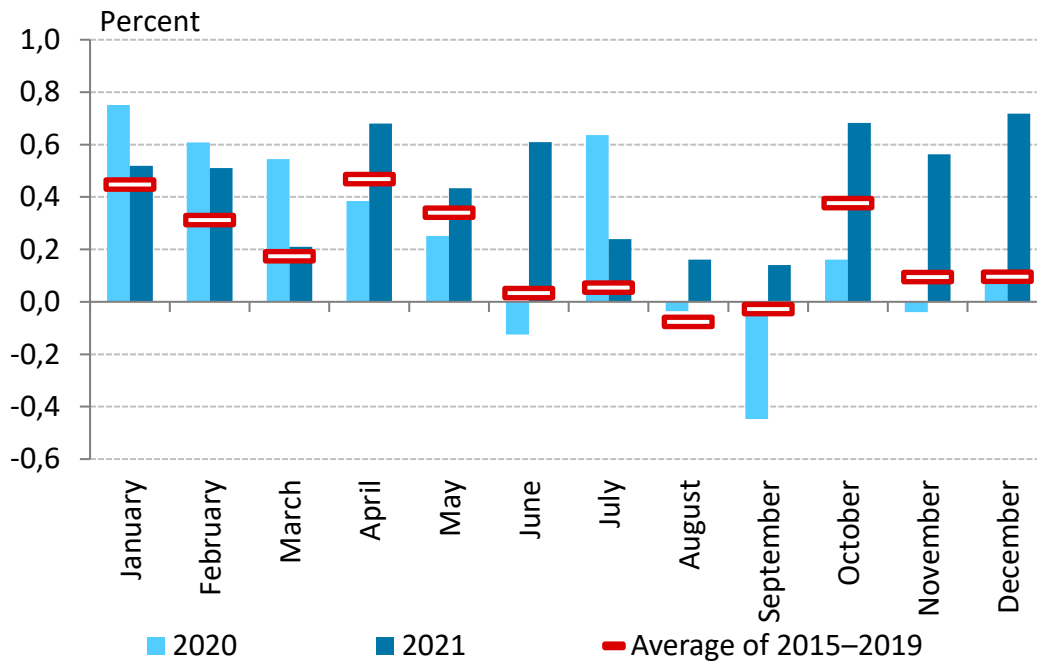
**Chart 3 Inflation decomposition**

(annual percentage changes, January 2007 – December 2021)



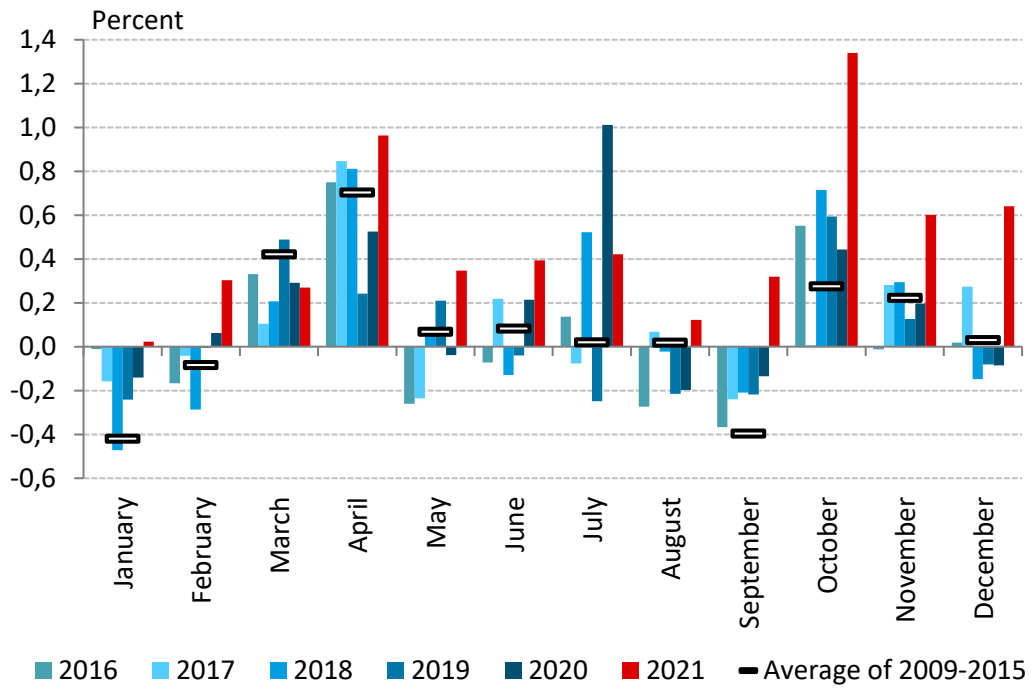
**Chart 4 Monthly changes in consumer prices excluding fuel prices**

(tax-adjusted, seasonally unadjusted monthly percentage changes)



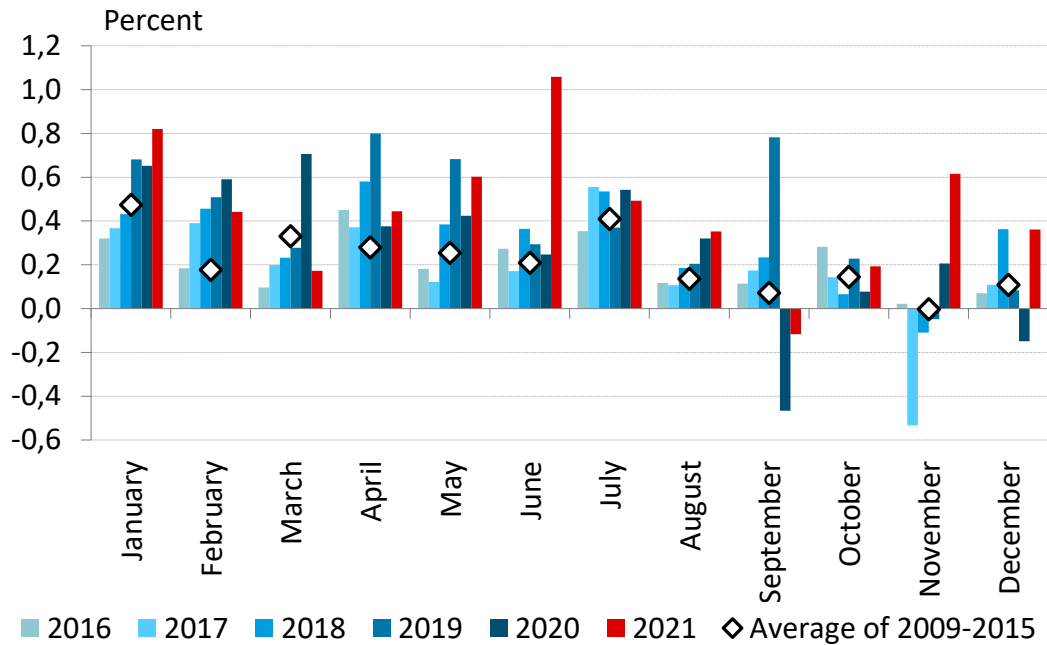
**Chart 5 Inflation of industrial goods**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – December 2021)



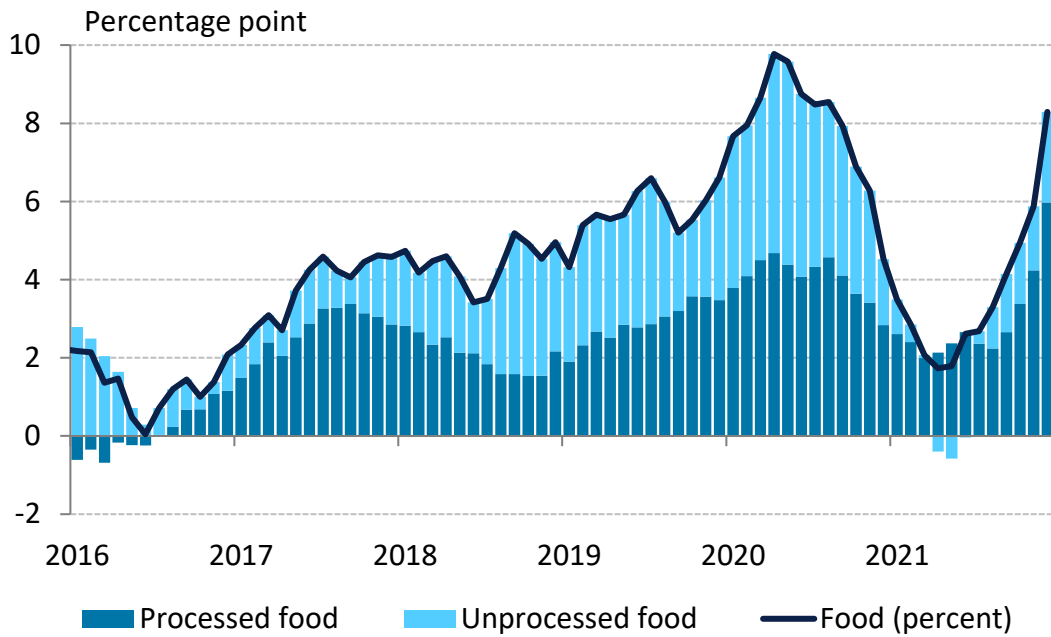
**Chart 6 Market services inflation**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – December 2021)



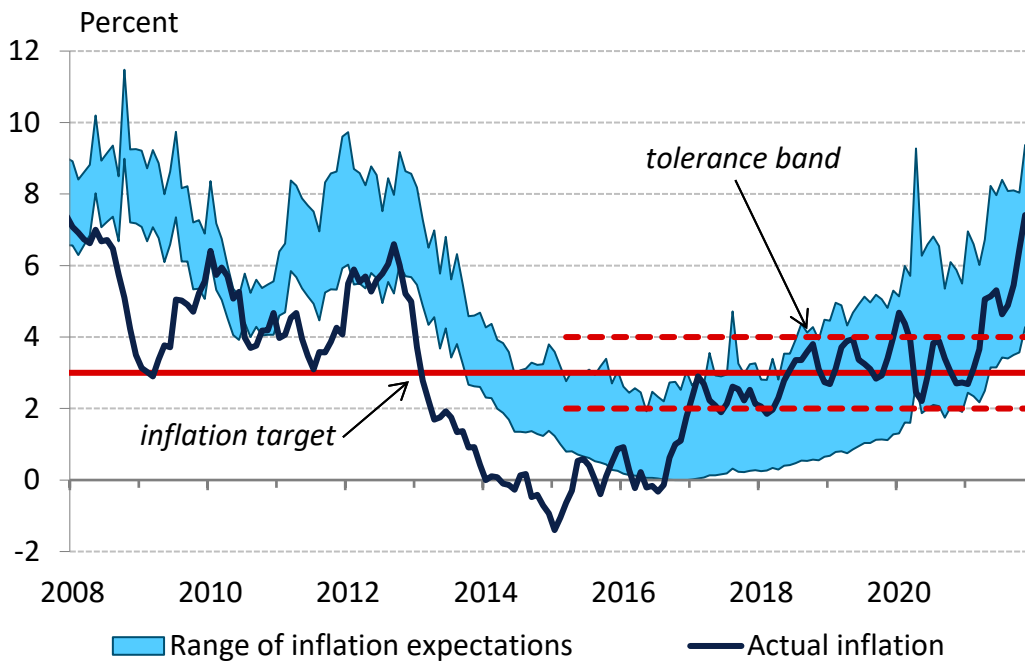
**Chart 7 Developments in food price inflation**

(seasonally unadjusted, tax-adjusted annual percentage changes, January 2016 – December 2021)



**Chart 8 Households' inflation expectations**

(January 2008 – December 2021)



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

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

Consumer price index, December 2021 (HCSO)					
7.4% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 36.7%</b>	<b>2.4</b>	<b>Contribution of demand sensitive inflation (percentage points), weight 49.4%</b>	<b>2.8</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 63.2%</b>	<b>4.0</b>
Contribution of other items (percentage points), weight 63.3%	4.9	Contribution of other items (percentage points), weight 50.6%	4.5	Contribution of other items (percentage points), weight 36.8%	3.3

Sources: HCSO and the MNB's own calculations.

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