



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

NOVEMBER

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.

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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/Statiztika/data-and-information/mnben_statiztikai_idosorok/mnben_elv_prices/underlying_inflation_indicators_MNB

ASSESSMENT OF INFLATION DATA FOR NOVEMBER 2021

In November 2021, annual inflation was 7.4 percent. Core inflation and core inflation excluding indirect tax effects stood at 5.3 percent (Chart 1). Headline inflation rose by 0.9 percentage points and core inflation by 0.6 percentage points from the previous month. The rise in inflation has been reflected in a wide range of goods and services.

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 November 2021, the contribution of demand-sensitive products and food increased. Fuels continued to make a significant contribution of 2.4 percentage points to annual inflation (Chart 3). The monthly change in prices in the basket calculated excluding fuel prices amounted to 0.6 percent. This was lower than the level seen in October, but higher than November 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 to a greater extent than the average of previous years (Chart 5). Annual inflation of industrial goods rose above 5 percent in November. Within this product group, the price indices for both durables and non-durables increased. A rise in global commodity prices is gradually shown in consumer prices across an increasingly broad group of products. In addition, the global shortage of semiconductors may also have played a role in the rise in the prices of technical goods.

Services prices rose by 0.6 percent in November compared with the previous month, affecting a wide range of services. The annual price index for services stood at 5.0 percent (Chart 6).

Food price inflation rose to 5.9 percent, reflecting increases in the prices of processed food, but continued to be below the entire consumer basket (Chart 7). Within this product group, the increase in the prices of unprocessed food mainly reflected rises in the prices of flour, pork and certain seasonal goods (e.g. fresh fruits). The rise in processed food price inflation was primarily driven by increases in the prices of dairy and cereal grain products (bread and bakery products).

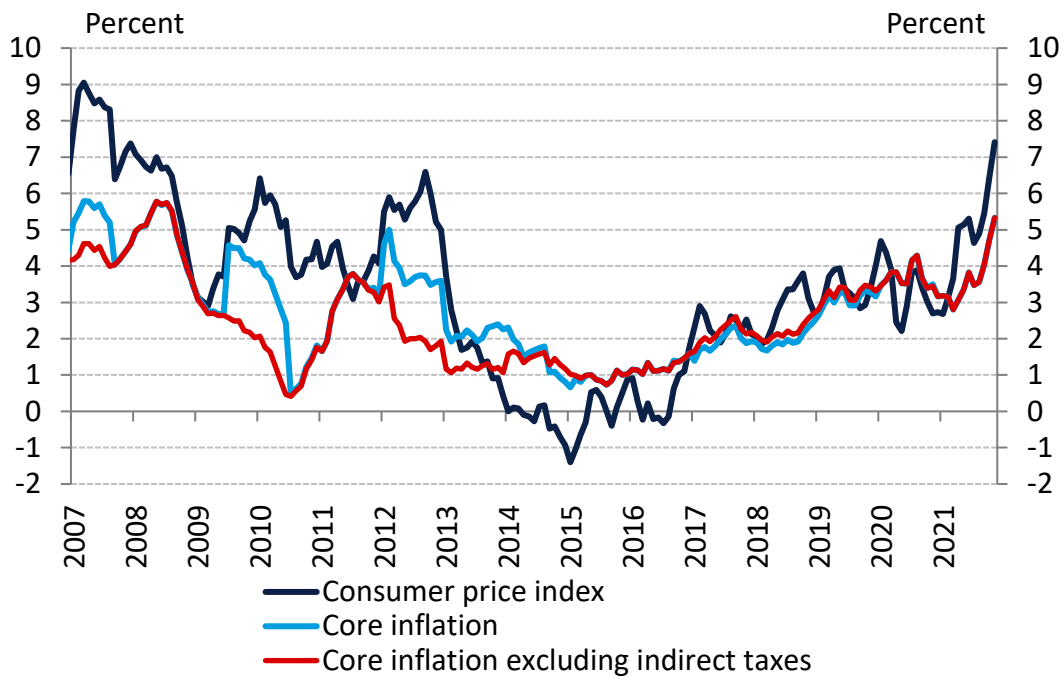
The prices of *regulated products* remained broadly unchanged relative to October. The rise in inflation of regulated products was mainly due to the base effect of free parking in public spaces introduced last November in response to the coronavirus pandemic.

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

Prepared by Judit Várhegyi

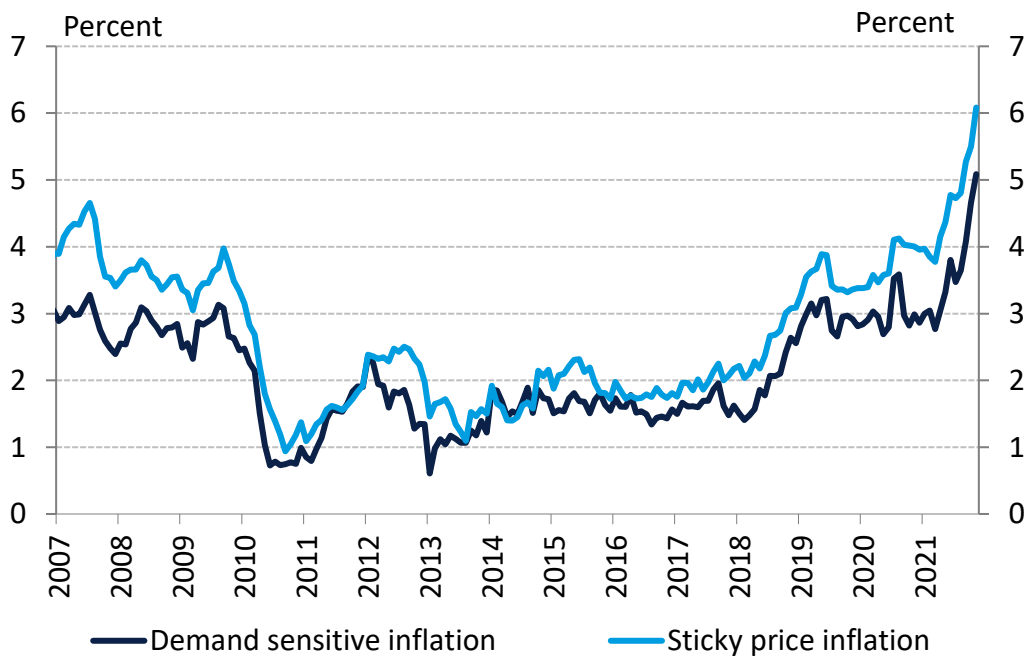
Budapest, 8 December 2021

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



Note: Seasonally unadjusted core inflation.

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

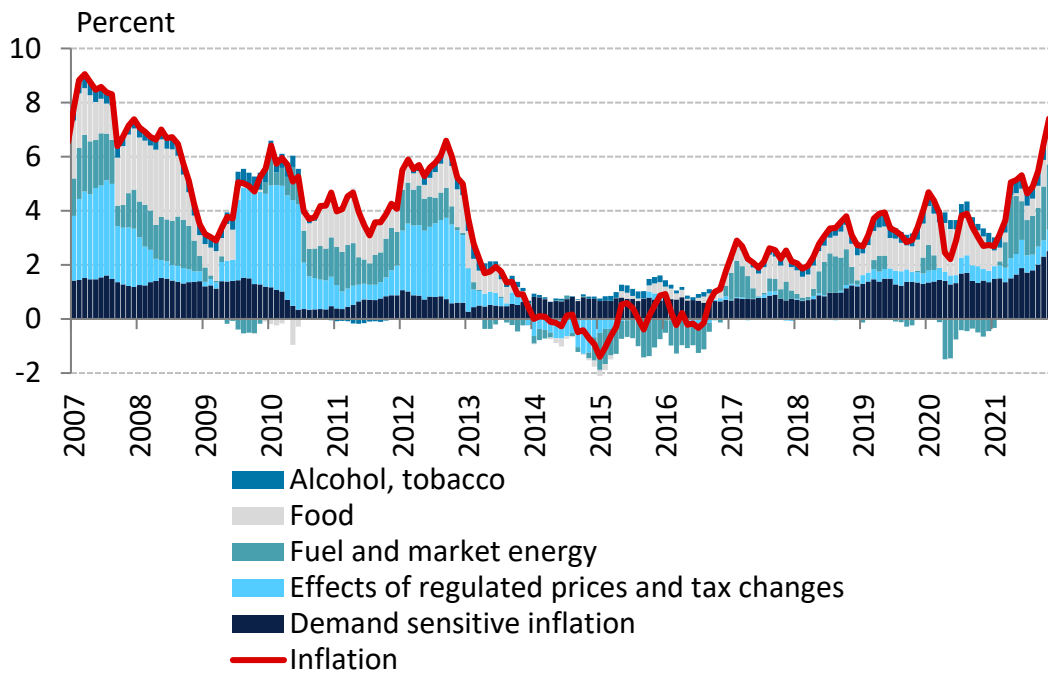


Chart 4 Monthly changes in consumer prices excluding fuel

(tax-adjusted, seasonally unadjusted monthly percentage changes)

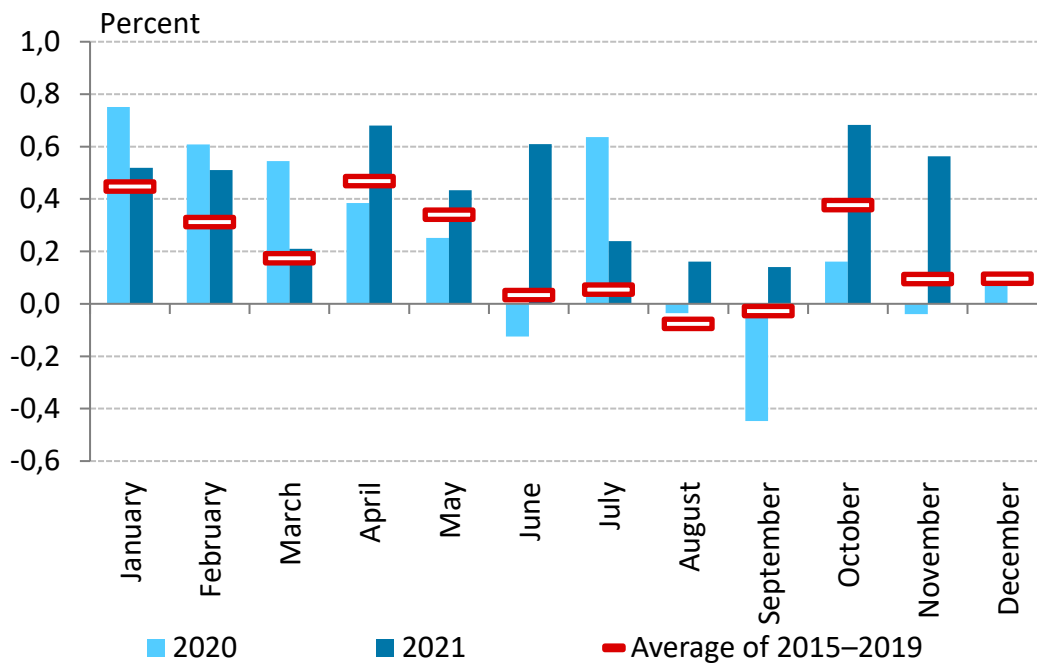


Chart 5 Inflation of industrial goods

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

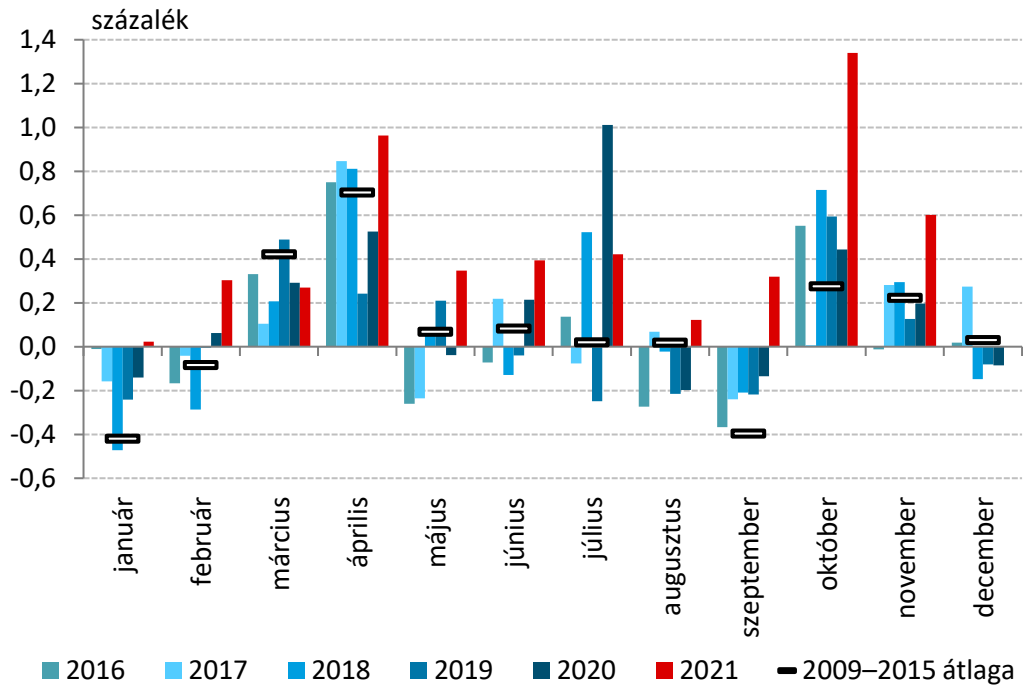


Chart 6 Market services inflation

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

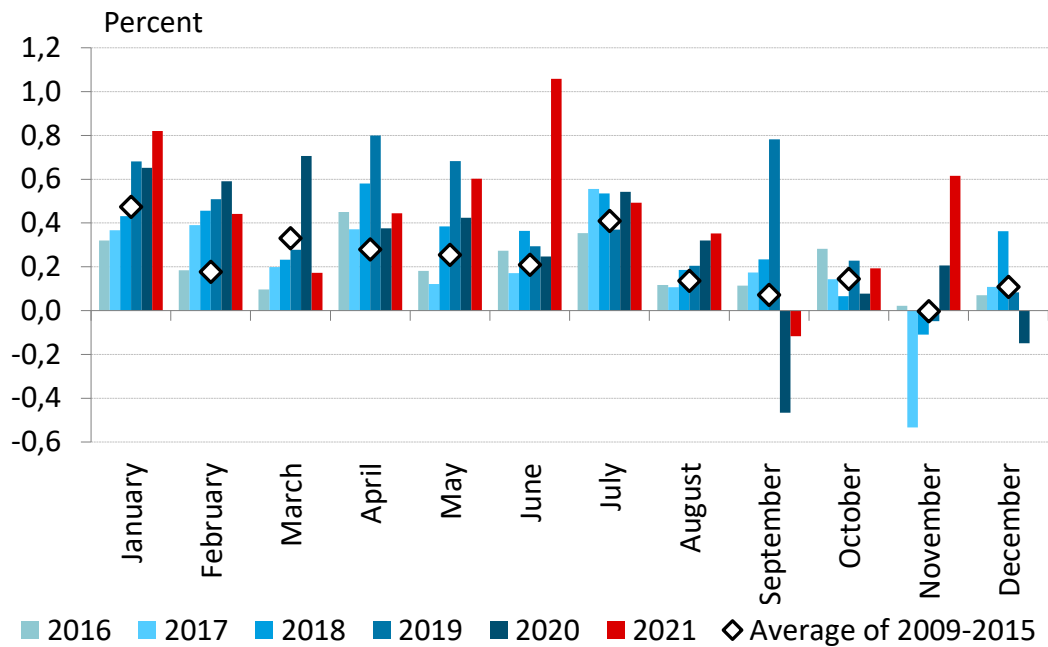


Chart 7 Developments in food price inflation

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

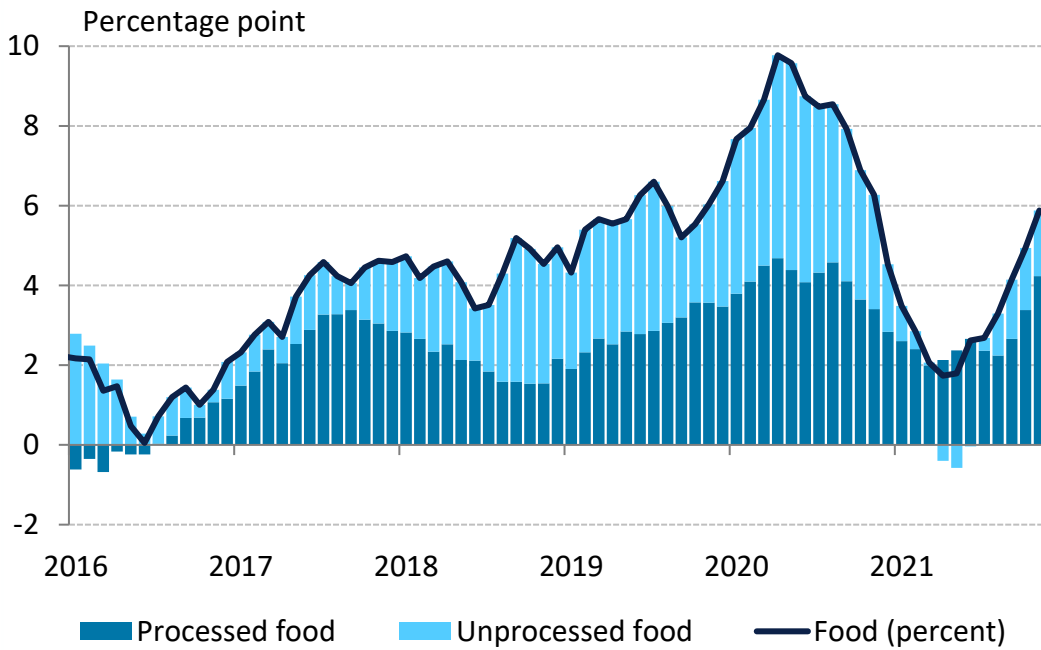
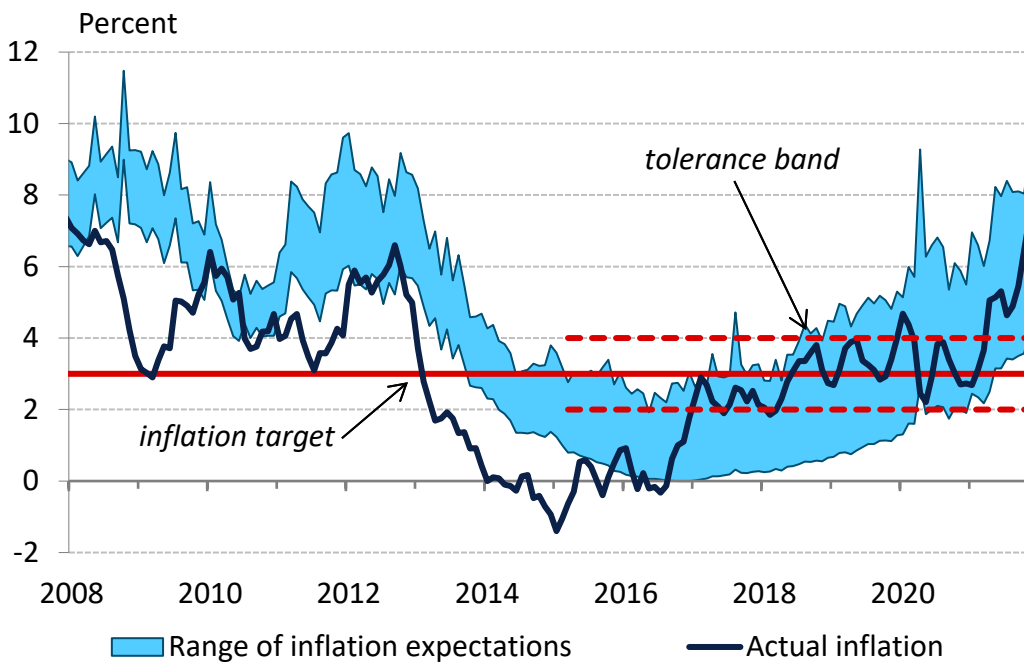


Chart 8 Households' inflation expectations

(January 2008 – November 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, November 2021 (HCSO)					
7.4% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 36.7%	2.2	Contribution of demand sensitive inflation (percentage points), weight 49.4%	2.5	Contribution of core inflation excluding taxes (percentage points), weight 63.2%	3.4
Contribution of other items (percentage points), weight 63.3%	5.2	Contribution of other items (percentage points), weight 50.6%	4.9	Contribution of other items (percentage points), weight 36.8%	4.0

Sources: HCSO and the MNB's own calculations.

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