



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**OCTOBER**

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

## ASSESSMENT OF INFLATION DATA FOR OCTOBER 2021

In October 2021, annual inflation stood at 6.5 percent. Core inflation and core inflation excluding indirect tax effects was 4.7 percent (Chart 1). Headline inflation rose by 1.0 percentage points and core inflation by 0.7 percentage point compared with the previous month. This rise in inflation was primarily fuelled by an increase in fuel, industrial goods and food prices.

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 October 2021, the contribution of demand-sensitive products, and foods rose. Fuel prices continued to make a significant contribution of 1.9 percentage points to inflation (Chart 3). Monthly price changes in the basket calculated excluding fuel prices, amounted to 0.7 percent which is above the levels seen in October in recent years and previous months (Chart 4). The faster pace of repricing was mainly related to food and industrial goods prices.

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

*Industrial goods* prices rose by 1.3 percent relative to the previous month which was stronger than the average in recent years (Chart 5). The annual inflation of industrial goods rose further in October. Within this product group, the price indices of both durables and non-durables rose. A rise in global commodity prices is gradually shown in consumer prices across an increasingly broad group of products. In addition, a rise in the prices of non-durables largely reflected an expansion of over 25 percent in air traffic as opposed to the decline in prices seen in recent years.

*Services* prices rose by 0.2 percent in October compared with the previous month. There was a price growth, identical with the average seen in recent years, in a wide range of services (Chart 6).

The inflation of *foods* rose relative to September (Chart 7). Within this product group, the price growth of unprocessed food was mainly due to flour and certain seasonal goods (potatoes, fresh fruits). The rise in processed food price inflation was driven by a wide range of products.

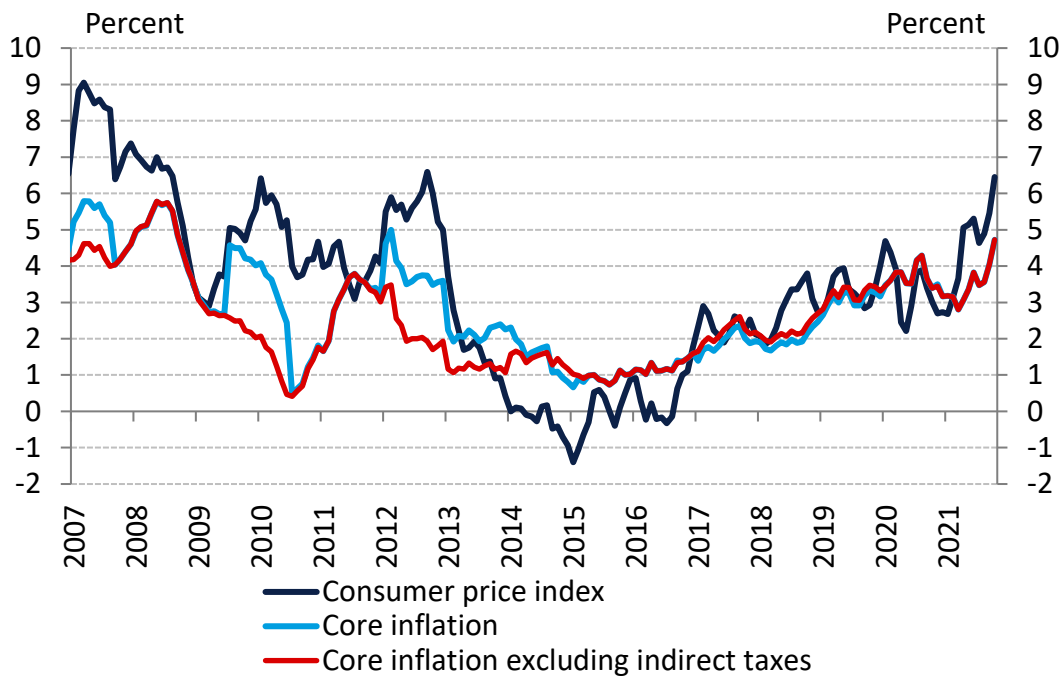
Prices of *regulated products* remained unchanged relative to September.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. In October, the indicators were unchanged relative to the previous month although their value is above the central bank's tolerance band (Chart 8).

Prepared by Judit Várhegyi

Budapest, 9 November 2021

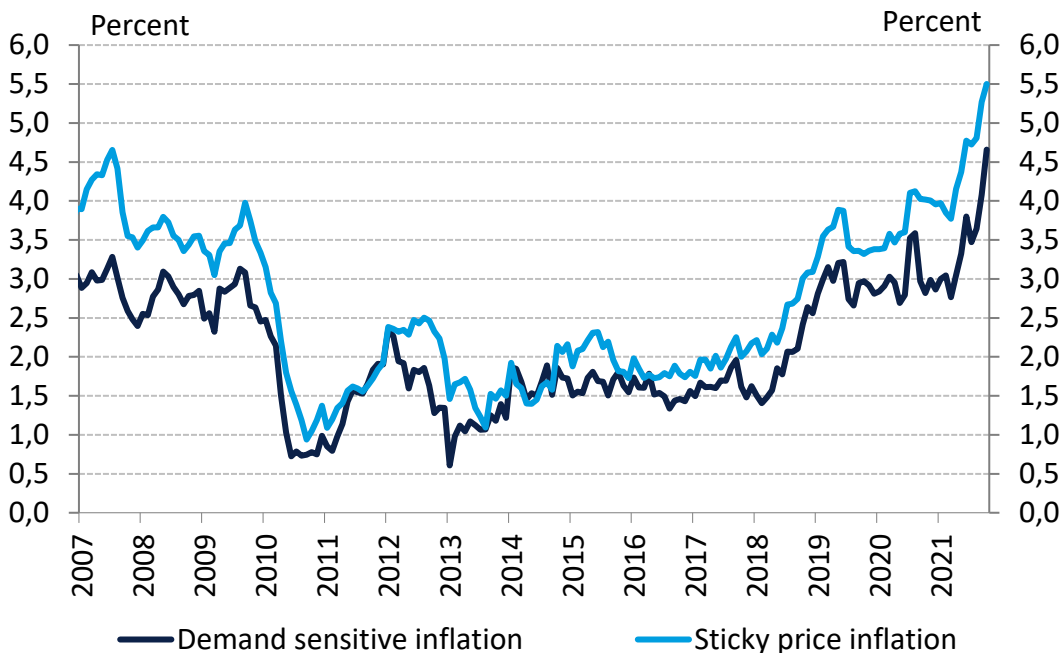
**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – October 2021)



Note: Seasonally unadjusted core inflation.

**Chart 2 Underlying inflation indicators**

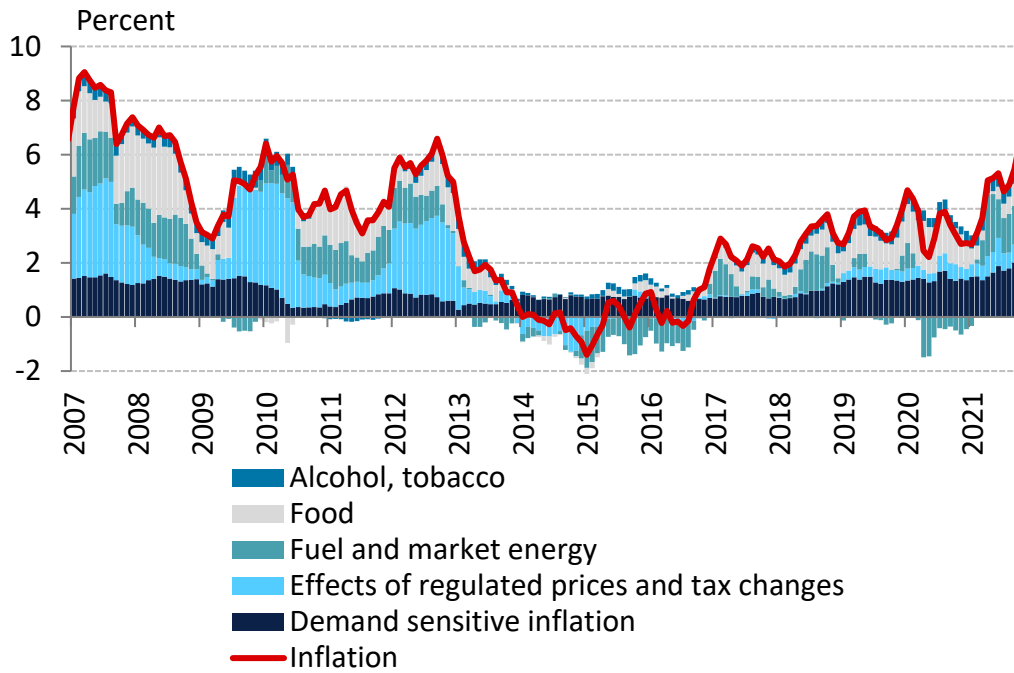
(excluding indirect taxes, annual percentage changes, January 2007 – October 2021)



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.

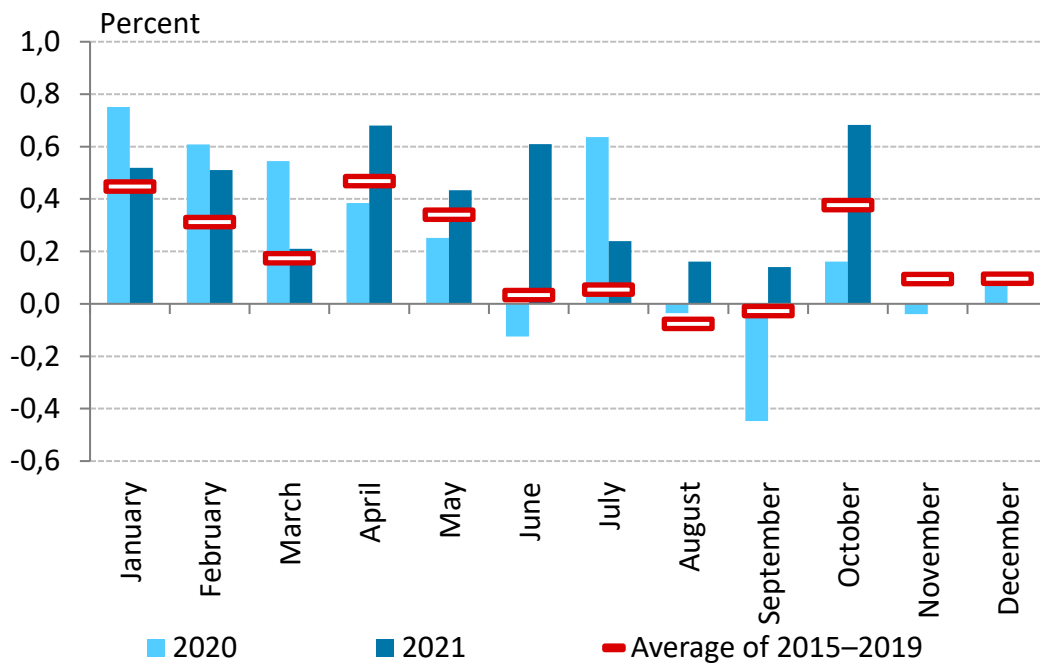
**Chart 3 Inflation decomposition**

(annual percentage changes, January 2007 – October 2021)



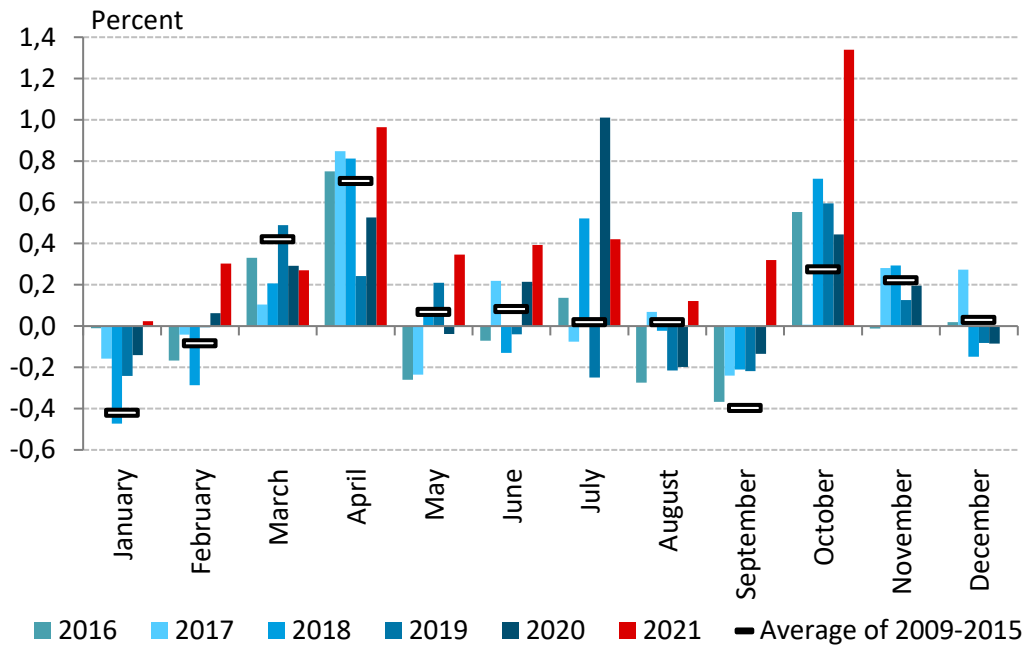
**Chart 4 Monthly changes in consumer prices excluding fuel prices**

(tax-adjusted, seasonally unadjusted monthly percentage changes)



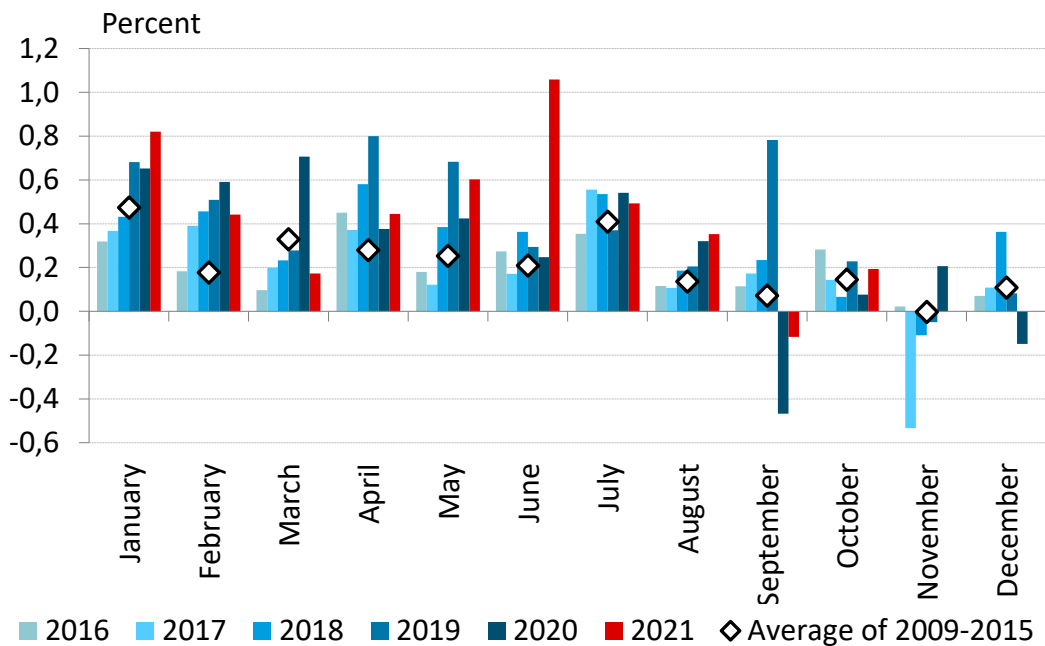
**Chart 5 Inflation of industrial goods**

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



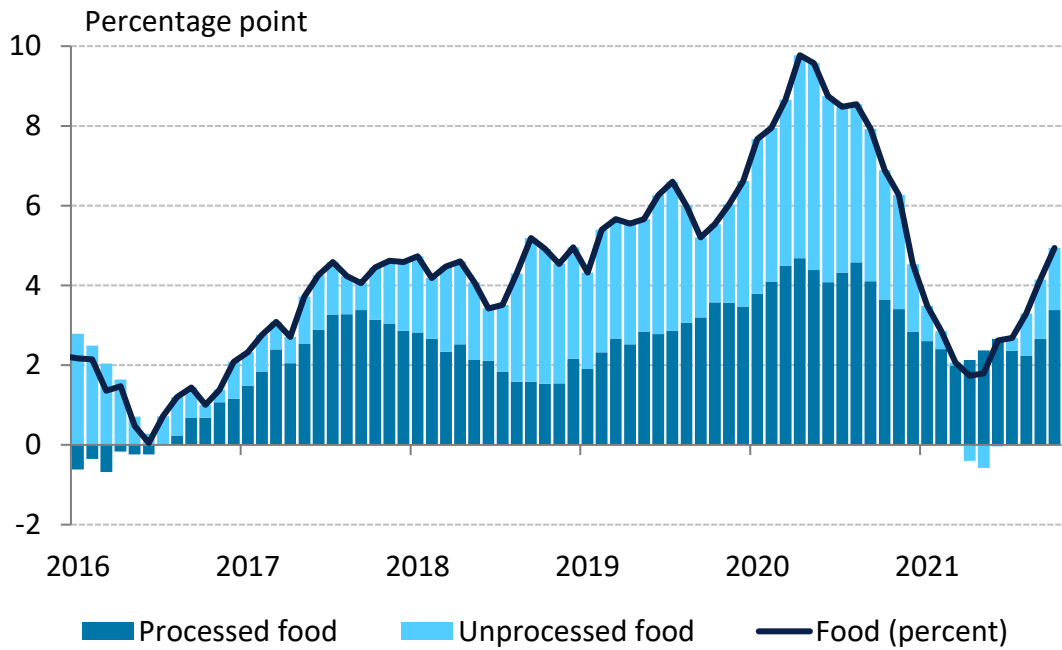
**Chart 6 Market services inflation**

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



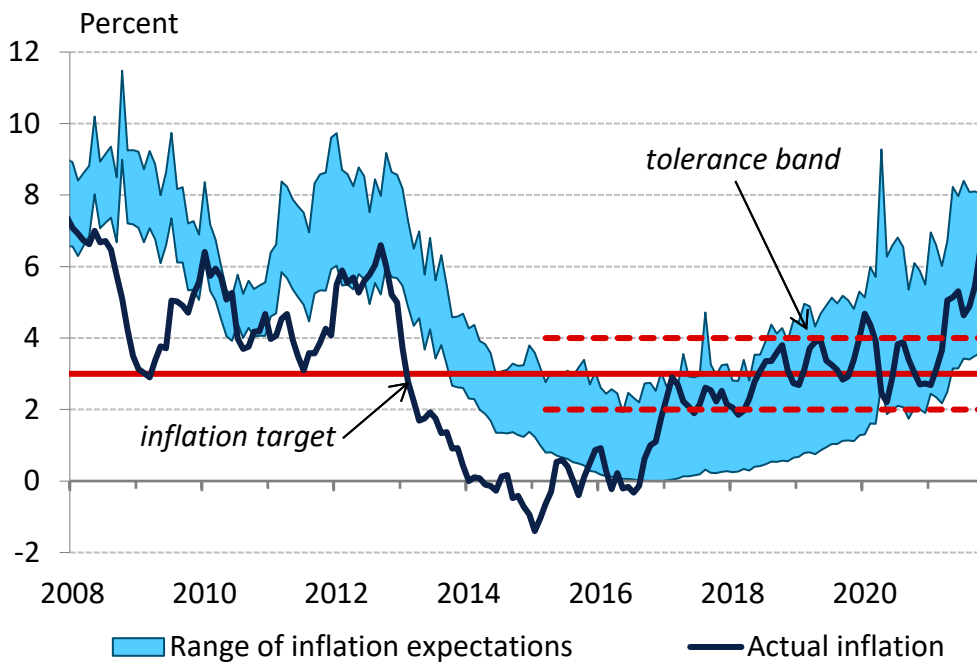
**Chart 7 Development in the inflation of foods**

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



**Chart 8 Households' inflation expectations**

(January 2008 – October 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, October 2021 (HCSO)					
6.5% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 36.7%</b>	<b>2.0</b>	<b>Contribution of demand sensitive inflation (percentage points), weight 49.4%</b>	<b>2.3</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 63.2%</b>	<b>3.0</b>
Contribution of other items (percentage points), weight 63.3%	4.4	Contribution of other items (percentage points), weight 50.6%	4.2	Contribution of other items (percentage points), weight 36.8%	3.5

Sources: HCSO and the MNB's own calculations.

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