



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

SEPTEMBER

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 SEPTEMBER 2021

In September 2021, annual *inflation* stood at 5.5 percent while core inflation and core inflation excluding indirect tax effects was 4.0 percent (Chart 1). Headline inflation rose by 0.6 percentage points and core inflation by 0.4 percentage points compared with the previous month. A rise in inflation was driven by rising prices for 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 September 2021, the contribution of demand-sensitive products, and foods rose slightly. Fuel prices continued to make a significant contribution of 1.4 percentage points to inflation (Chart 3).

In the first months of 2021, repricing was lower than last year (Chart 4). By contrast, in parallel with the reopening of the economy, it was higher from April than in 2020. In September, the price growth surpassing levels seen in recent years, was primarily attributed to foods and industrial goods.

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

The annual inflation of *industrial goods* rose further in September. Within this product group, the price indices of both durables and non-durables rose. The annual price growth in industrial goods is above the average of recent years which reflected the fact that a rise in global commodity prices is gradually reflected in consumer prices across an increasingly broad group of products.

Services prices fell by 0.1 percent compared with the previous month (Chart 5). The decline was attributable to a fall in prices of mobile phones, Internet services and domestic holidays services.

The inflation of *foods* rose relative to August. Within the product group, the price growth in unprocessed food was mainly due to seasonal goods. Conversely, a price rise in processed food was driven by several items.

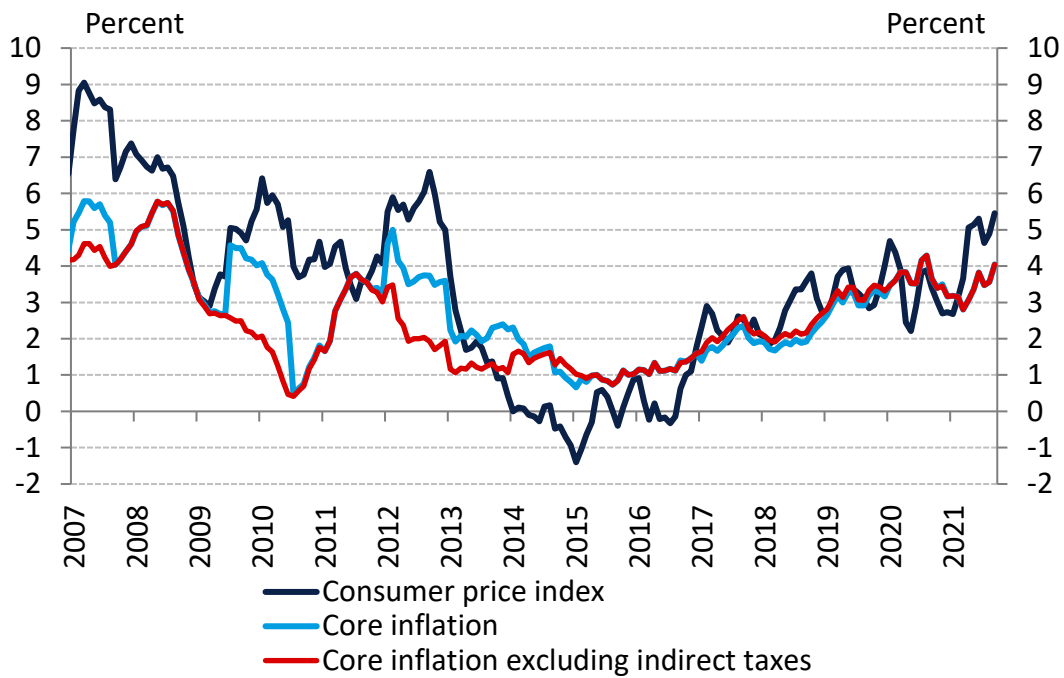
Prices of *regulated products* remained unchanged relative to August.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. In September, the indicators were broadly unchanged relative to the previous month (Chart 6).

Prepared by Judit Várhegyi

Budapest, 8 October 2021

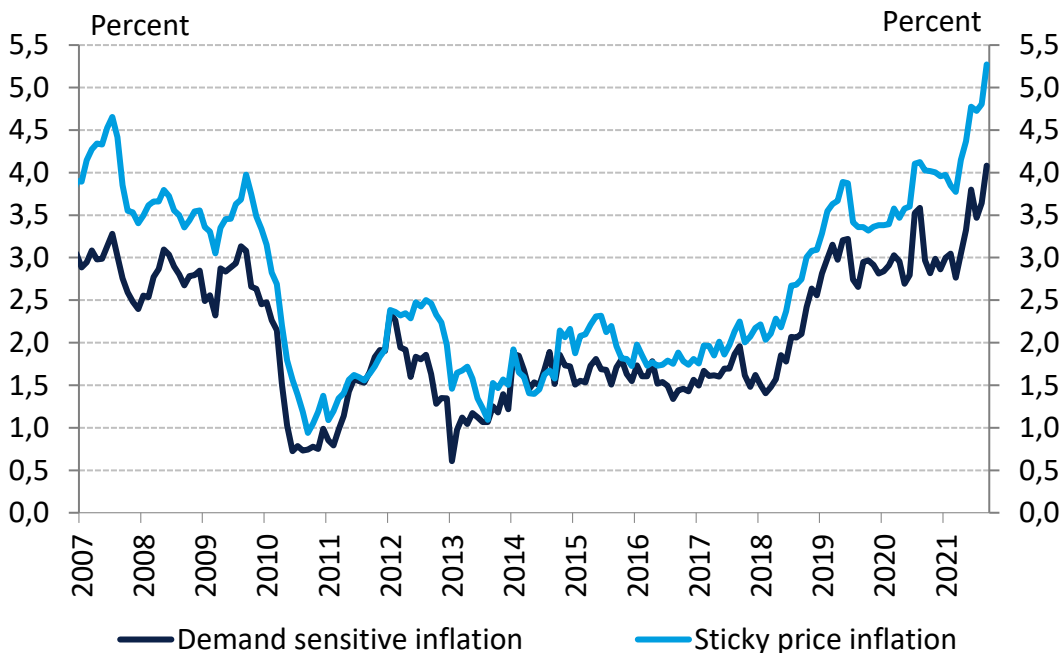
Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes
(annual percentage changes, January 2007 – September 2021)



Note: Seasonally unadjusted core inflation.

Chart 2 Underlying inflation indicators

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

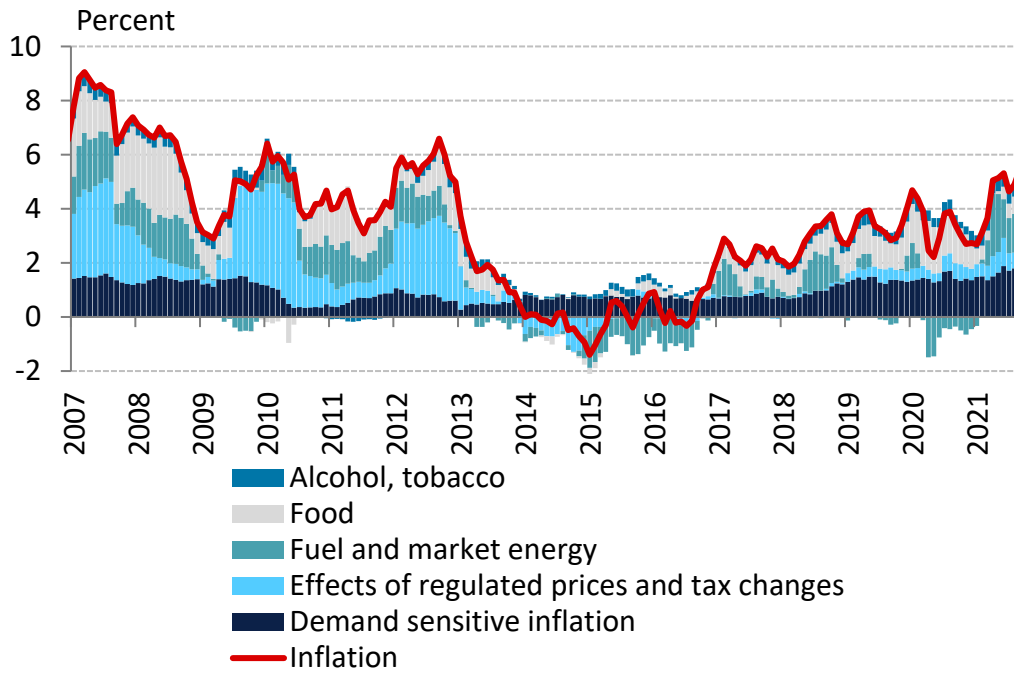


Chart 4 Monthly changes in consumer prices excluding fuel prices

(tax-adjusted, seasonally unadjusted monthly percentage changes)

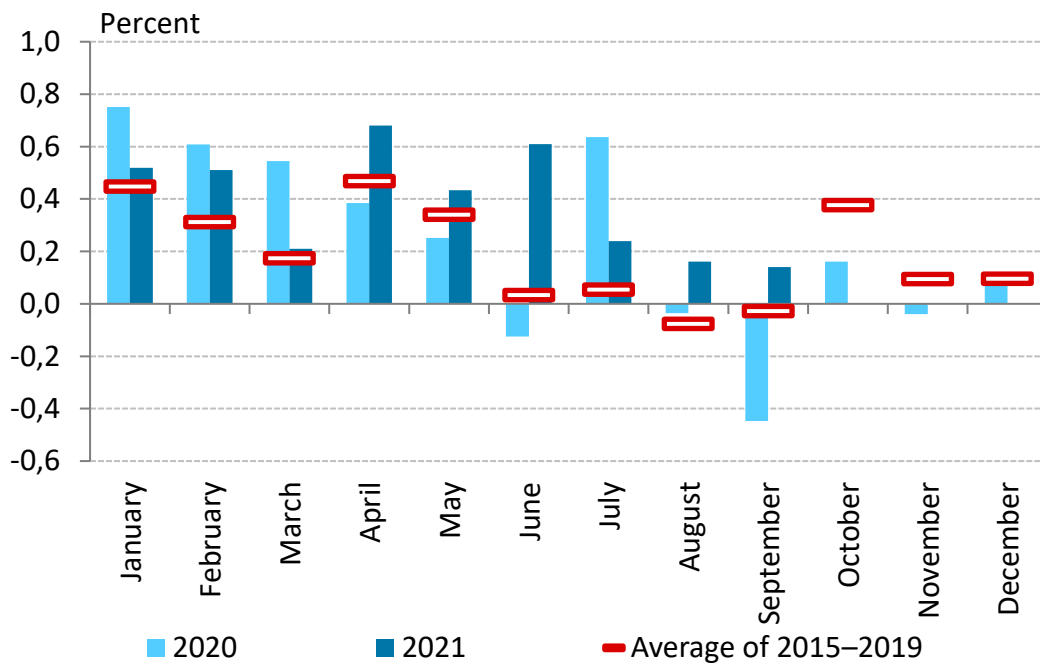


Chart 5 Market services inflation

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

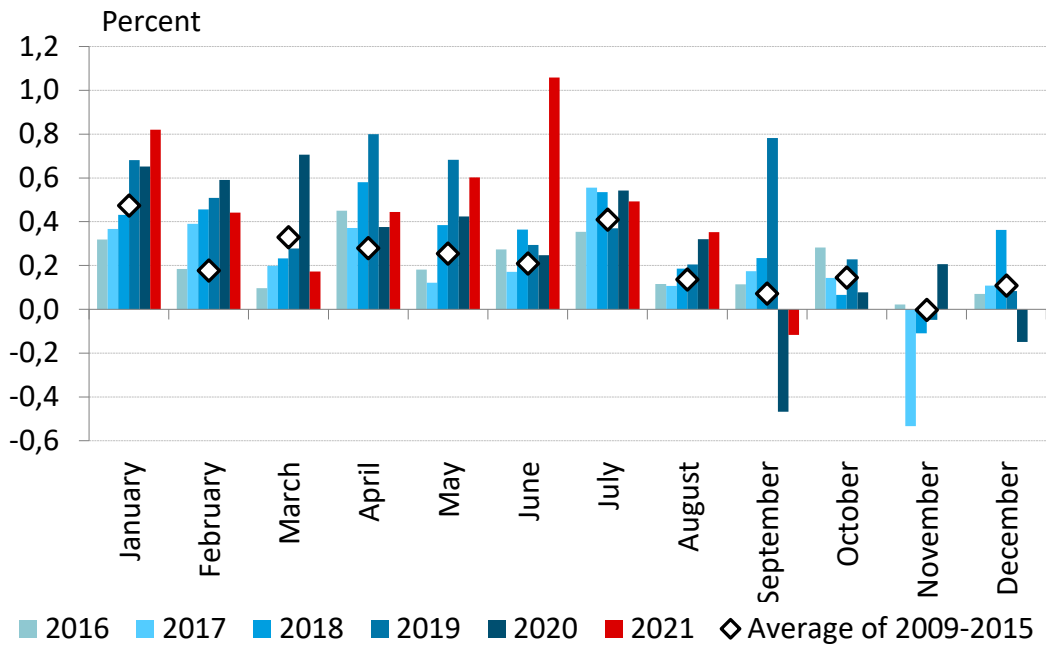
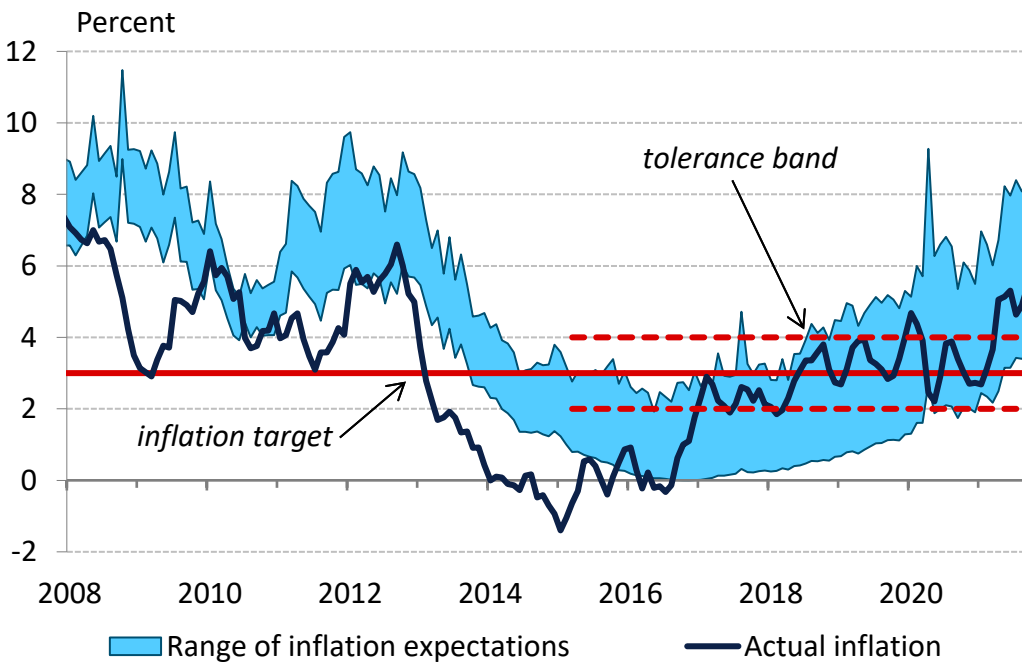


Chart 6 Households' inflation expectations

(January 2008 – September 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, September 2021 (HCSO) | | | | | |
| 5.5% (annual change) | | | | | |
| MNB underlying inflation indicators (MNB calculation) | | | | | |
| Contribution of sticky price inflation (percentage points), weight 36.7% | 1.9 | Contribution of demand sensitive inflation (percentage points), weight 49.4% | 2.0 | Contribution of core inflation excluding taxes (percentage points), weight 63.2% | 2.6 |
| Contribution of other items (percentage points), weight 63.3% | 3.5 | Contribution of other items (percentage points), weight 50.6% | 3.4 | Contribution of other items (percentage points), weight 36.8% | 2.9 |

Sources: HCSO and the MNB's own calculations.

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