



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

FEBRUARY

2022

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:

<https://www.mnb.hu/kiadvanyok/elemzesek-tanulmanyok-statisztikak/az-mnb-inflacios-alapmutatoi>

ASSESSMENT OF INFLATION DATA FOR FEBRUARY 2022

In February 2022, annual inflation was 8.3 percent. Core inflation and core inflation excluding indirect tax effects stood at 8.1 percent (Chart 1). Inflation rose by 0.4 percentage points relative to the previous month which was mainly driven by an increase in food and industrial goods prices. Compared to January, core inflation rose by 0.7 percentage point, fuelled by a pick-up in the price rise of all three product groups (processed food, industrial goods and services).

The Bank's measures of underlying inflation developments capturing persistent rose relative to the previous month (Chart 2).

In February 2022, the contribution of fuel prices to annual inflation, at 1.3 percentage points, continued to be strong (Chart 3). The monthly change in prices in the basket calculated excluding fuel and regulated product prices, amounted to 1.3 percent which was over double the levels seen in the month of February in recent years (Chart 4). The higher pace of repricing is generally observable, which is due to the fact that the rise in global commodity and energy prices is manifested quickly and across a wide range of product groups.

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

Instead of the decline in prices in recent years, *industrial goods* prices rose by 1.0 percent from the previous month (Chart 5). As a result, annual inflation of industrial goods rose to 7.4 percent. The rise in industrial goods prices was in line with international developments. Within this product group, the price indices for both durables and non-durables increased. For this product group, the global shortage of semiconductors and the rise in commodity prices pointed to an increase in consumer prices.

Market services prices rose by 0.9 percent compared with the previous month. The rise in prices was significantly higher than the usual repricing in February, which appeared across a wide range of services. Prices of services linked to foods continued to rise. The annual price index for services stood at 6.5 percent (Chart 6).

Food price inflation rose by 11.9 percent. Within this product group, the prices of processed and unprocessed food rose (Chart 7). Food prices rose by 2-3 percent relative to January which is slightly above the levels in the month of February in recent years. Products prices, affected by the price cap implemented for basic foods (sugar, wheat white flour, sunflower oil, pork hind legs, 2.8 percent UHT milk, chicken breast), declined relative to January, which overall restrained the increase in food prices.

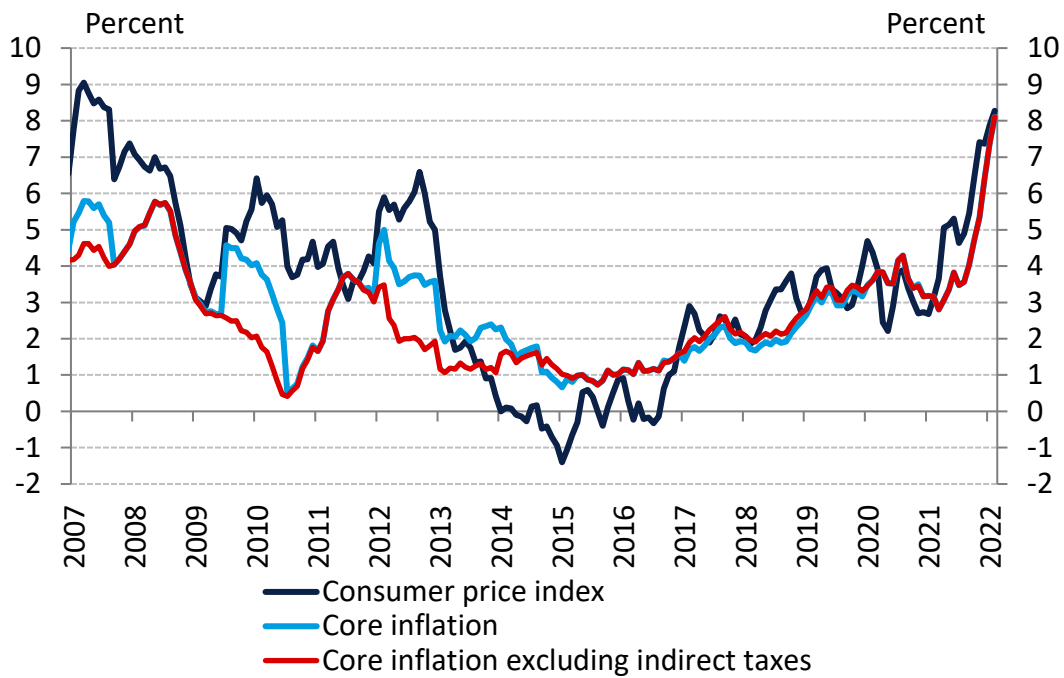
The prices of *regulated products* remained broadly unchanged relative to January.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. In January, the indicators remained broadly unchanged compared to the previous month, with their value standing above the central bank target range (Chart 9).

Prepared by Judit Várhegyi

Budapest, 9 March 2022

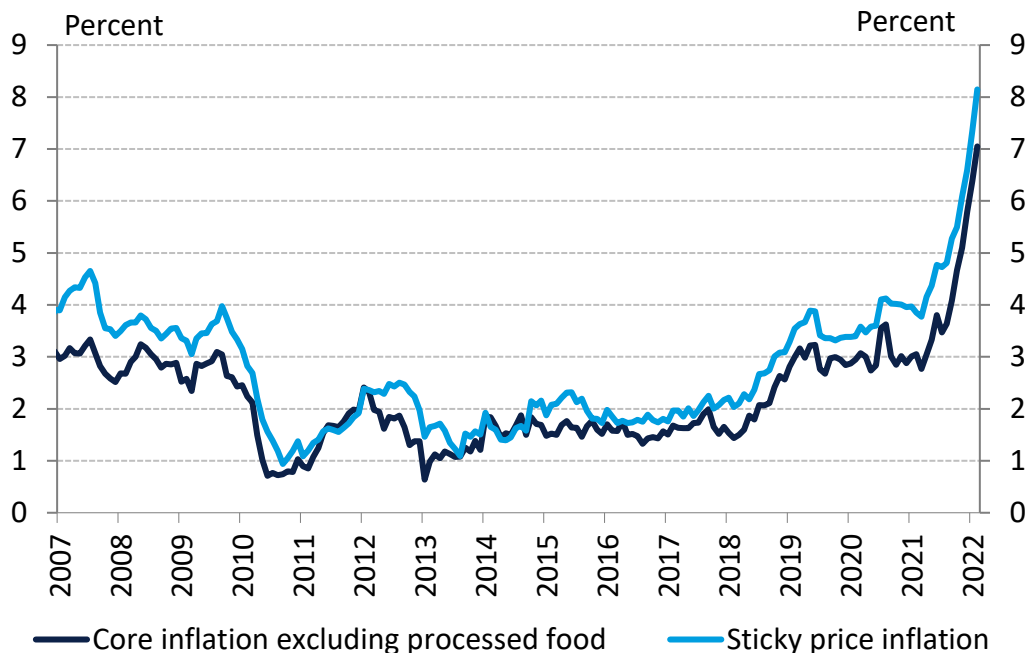
Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes
(annual percentage changes, January 2007 – February 2022)



Note: Seasonally unadjusted core inflation.

Chart 2 Underlying inflation indicators

(excluding indirect taxes, annual percentage changes, January 2007 – February 2022)



Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 per cent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the earlier demand sensitive inflation. The new name is justified by the fact that the previous name might be ambiguous in a period of significant cost shocks with general effects.

Chart 3 Inflation decomposition

(annual percentage changes, January 2007 – February 2022)

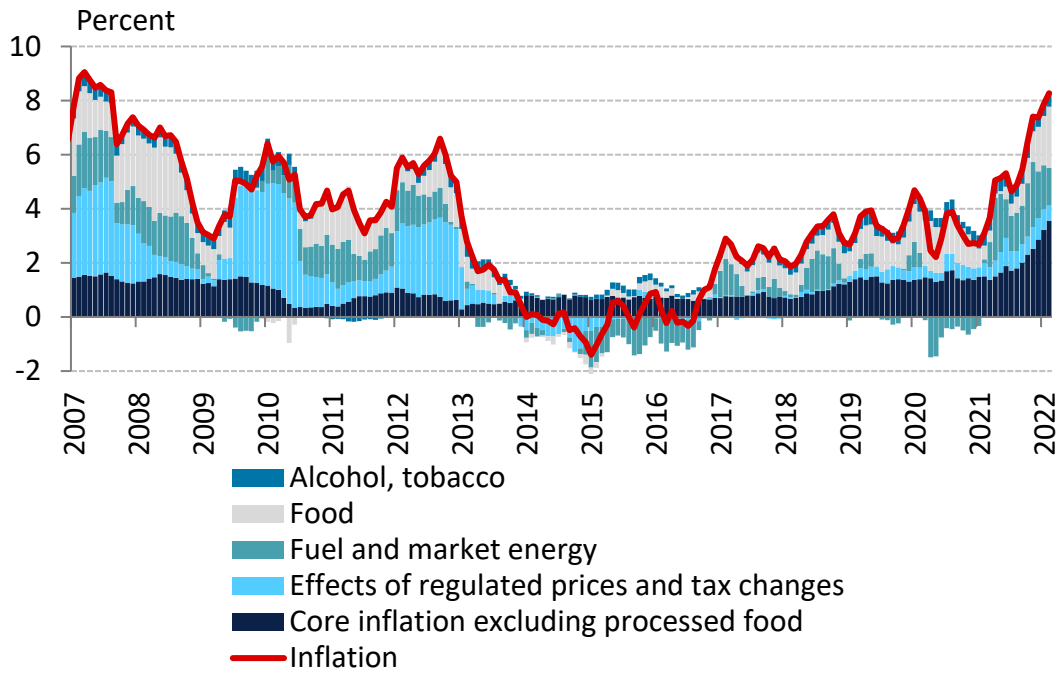


Chart 4 Monthly changes in consumer prices excluding fuel and regulated products prices

(tax-adjusted, seasonally unadjusted monthly percentage changes)

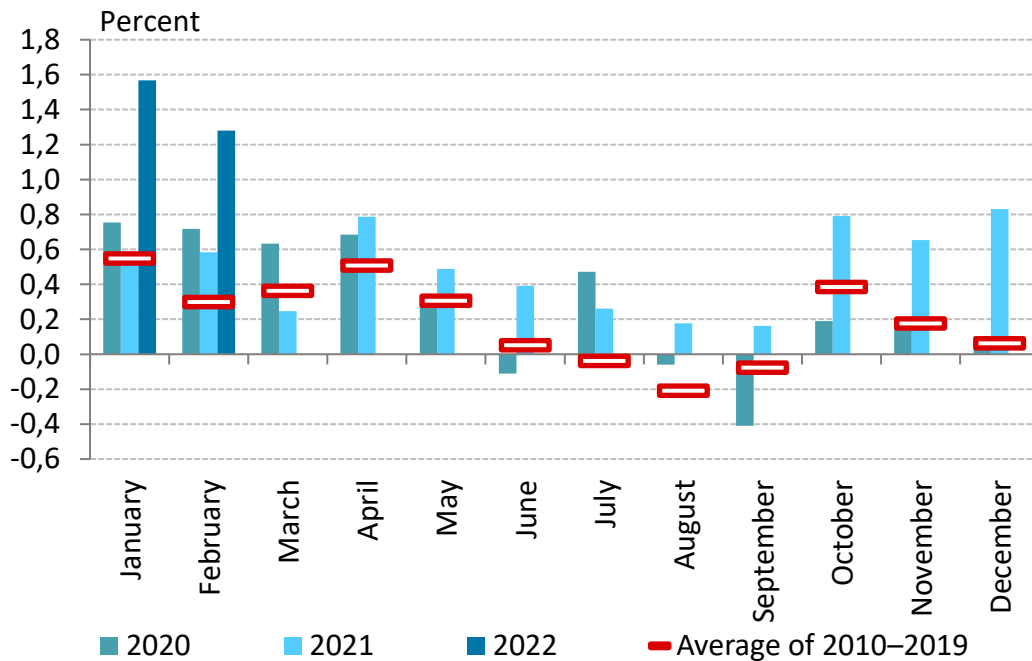


Chart 5 Inflation of tradable goods

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – February 2022)

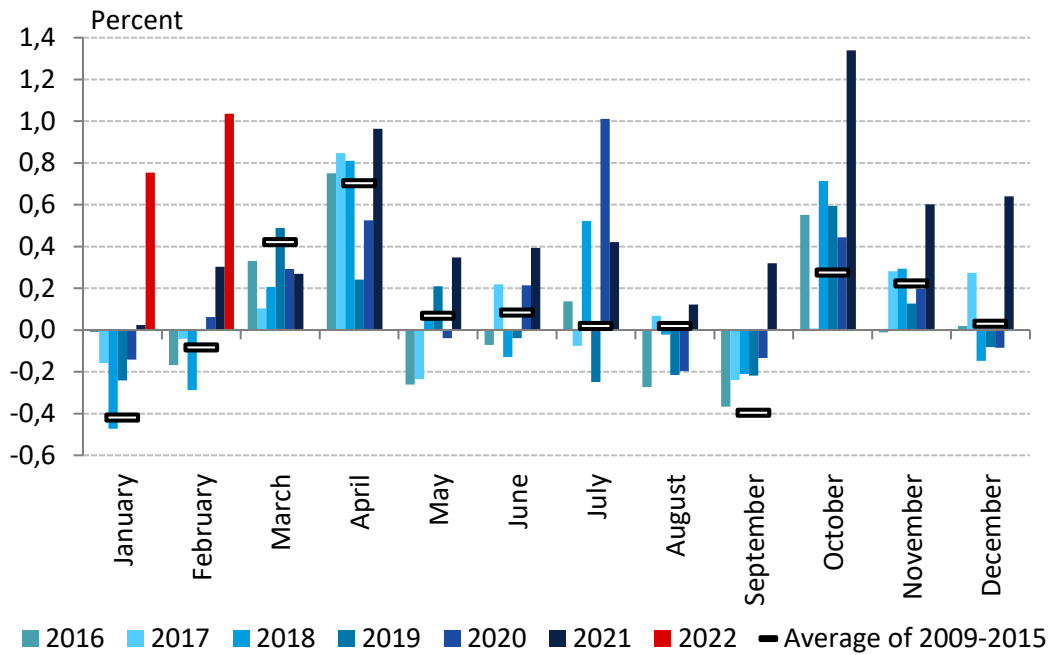


Chart 6 Market services inflation

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – February 2022)

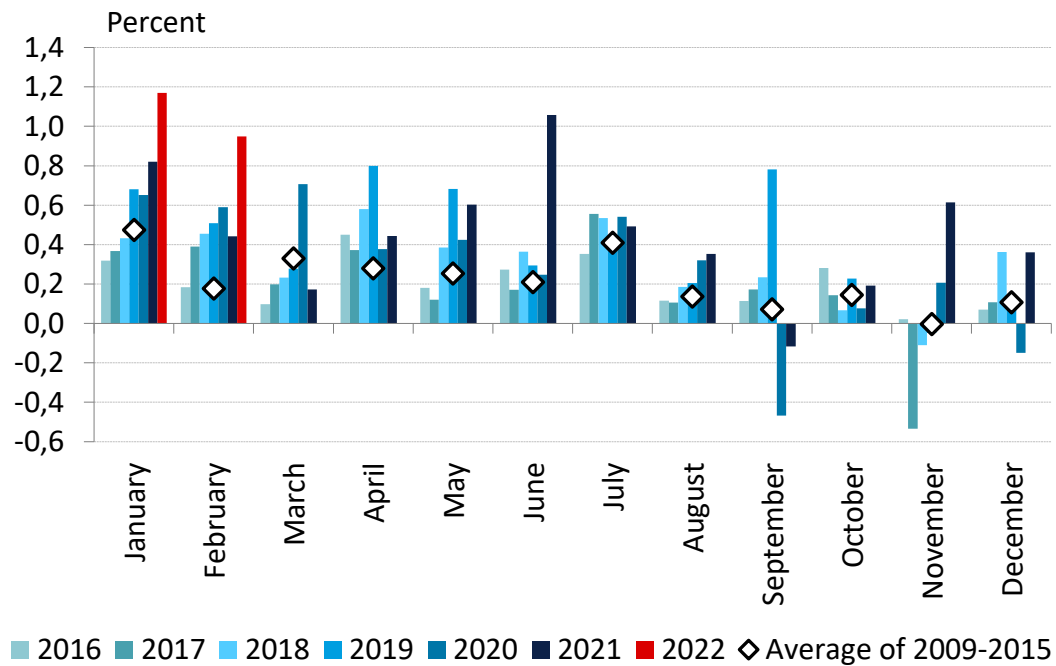


Chart 7 Developments in food price inflation

(seasonally unadjusted, tax-adjusted annual percentage changes, January 2016 – February 2022)

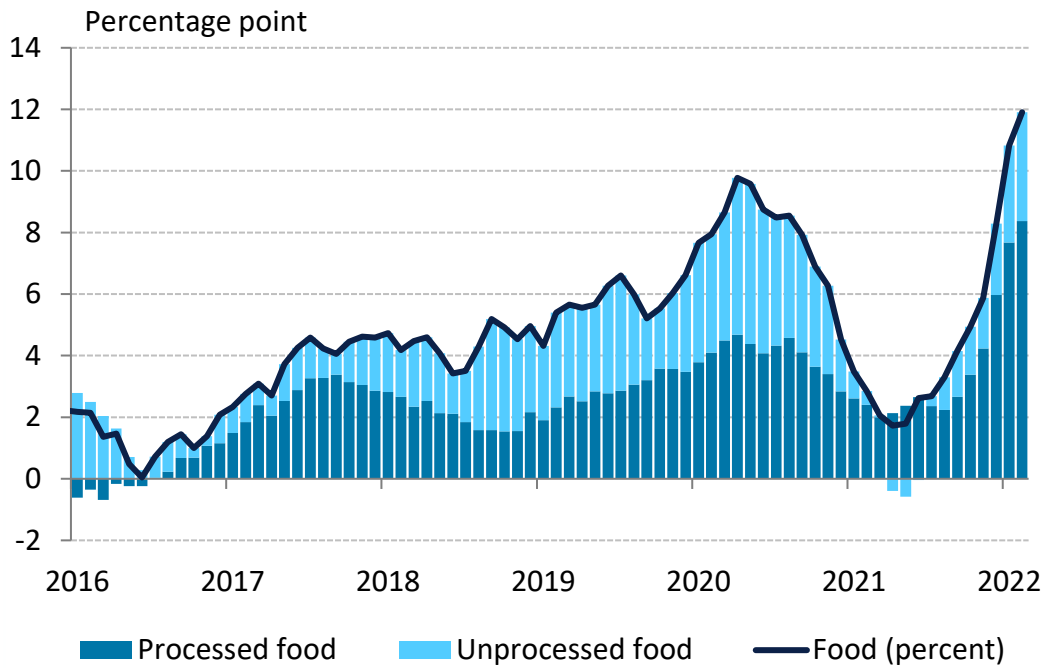


Chart 8 Monthly changes in food prices

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – February 2022)

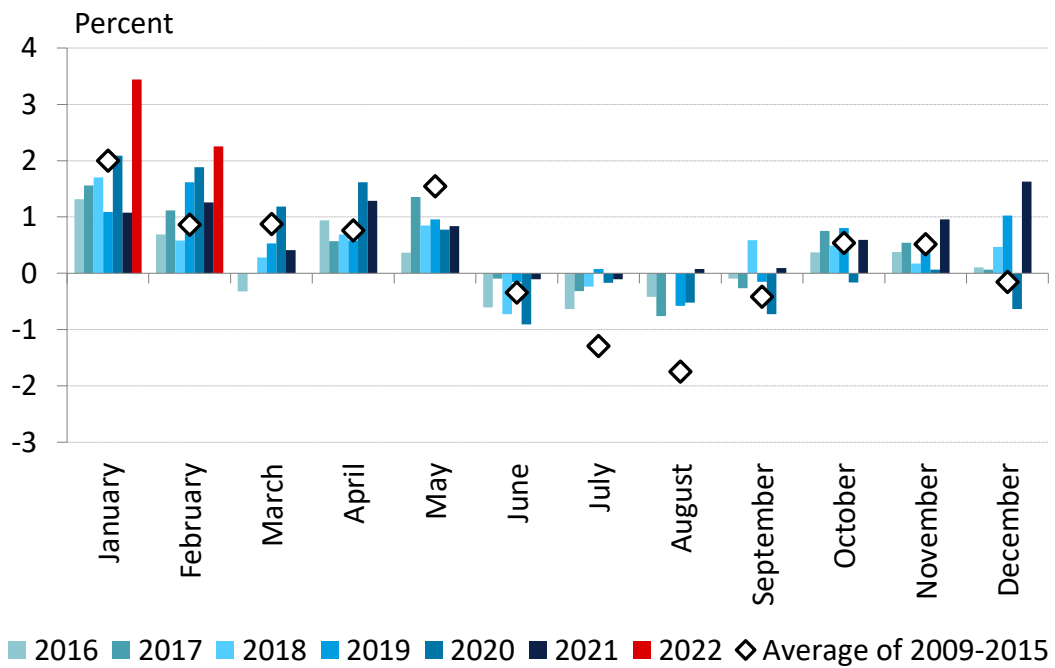
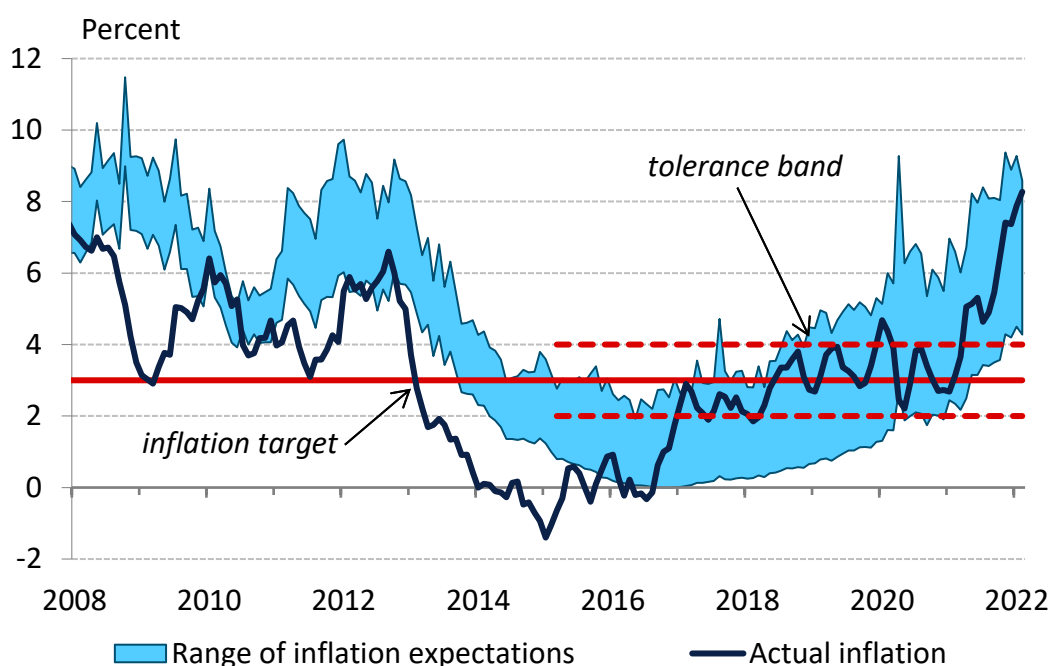


Chart 9 Households' inflation expectations
(January 2008 – February 2022)



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, February 2022 (HCSO)					
8.3% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price products to inflation (percentage points), weight 38.6%	3.1	Contribution of core inflation excluding processed foods (percentage points), weight 50.3%	3.5	Contribution of core inflation excluding taxes (percentage points), weight 63.6%	5.2
Contribution of other items (percentage points), weight 61.4%	5.1	Contribution of other items (percentage points), weight 49.7%	4.7	Contribution of other items (percentage points), weight 36.4%	3.1

Sources: HCSO and the MNB's own calculations.

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