



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

MARCH

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 MARCH 2022

In March 2022, annual inflation was 8.5 percent. Core inflation and core inflation excluding indirect tax effects stood at 9.1 percent (Chart 1). Inflation rose by 0.2 percentage points relative to February, which reflected the fact that the increase in core inflation items was only partly offset by the decline in the price index for fuel. Compared to February, core inflation rose by 1.0 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 inflationary trends rose relative to the previous month (Chart 2).

In March 2022, the contribution of fuel prices to annual inflation, at 1.2 percentage points, continued to be strong (Chart 3). The rise in global commodity and energy prices affected a wide range of products, which was reflected in the monthly change of 1.2 percent in prices in the basket calculated excluding fuel and regulated product prices. This was three times the values seen in the month of March in recent years (Chart 4).

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

Industrial goods prices rose by 1.2 percent compared to the previous month, which was three times the rise seen in recent years (Chart 5), as a result, the annual inflation of industrial goods increased to 8.4 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 0.8 percent compared with the previous month. The rise in prices was significantly higher than the usual repricing in March, 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 7.2 percent (Chart 6).

Food price inflation rose by 13.9 percent. Within this product group, the prices of processed and unprocessed food rose (Chart 7). Compared to February, food prices were up by 2.2 percent, reflecting a rise twice or three times higher than the values seen in the month of March in recent years. Unprocessed food prices were mainly raised by a pick-up in fresh vegetables and fruit prices. By contrast, within the group of processed food, prices generally rose in a wide range of products.

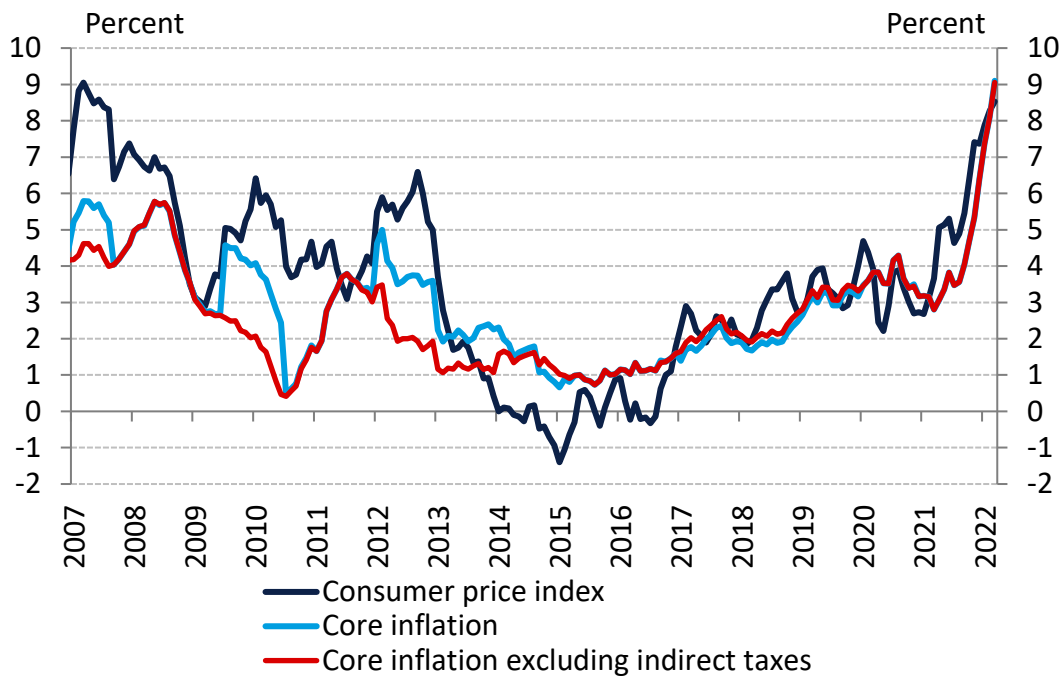
Prices of *regulated products* were unchanged relative to February.

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

Prepared by: Judit Várhegyi

Budapest, 08 April 2022

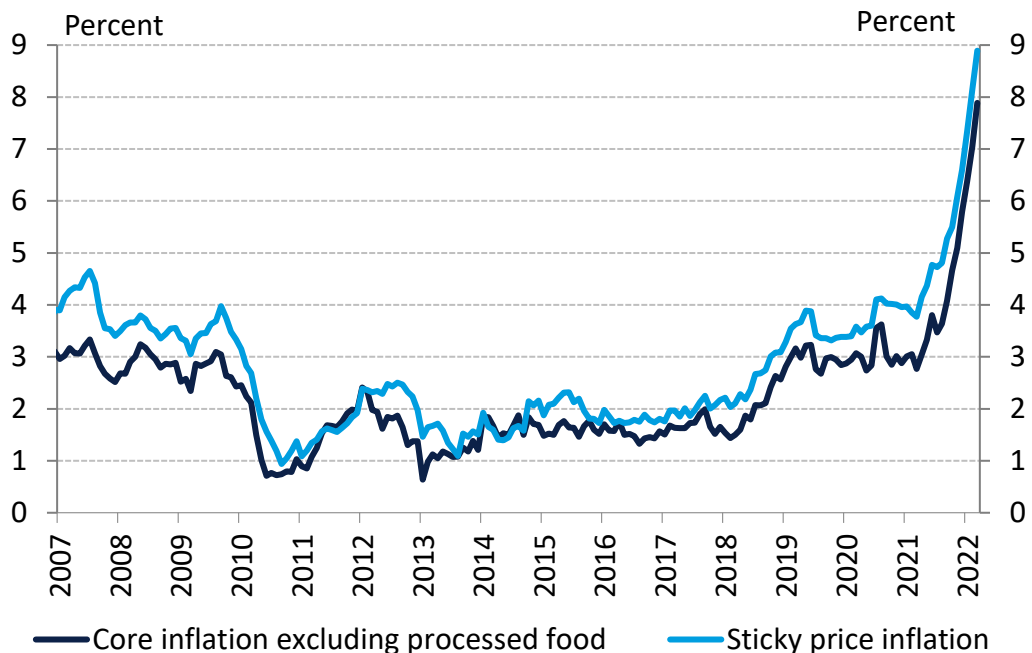
Chart 1: Consumer price index, core inflation and core inflation excluding indirect taxes
(annual percentage changes, January 2007 – March 2022)



Note: Seasonally unadjusted core inflation.

Chart 2: Underlying inflation indicators

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

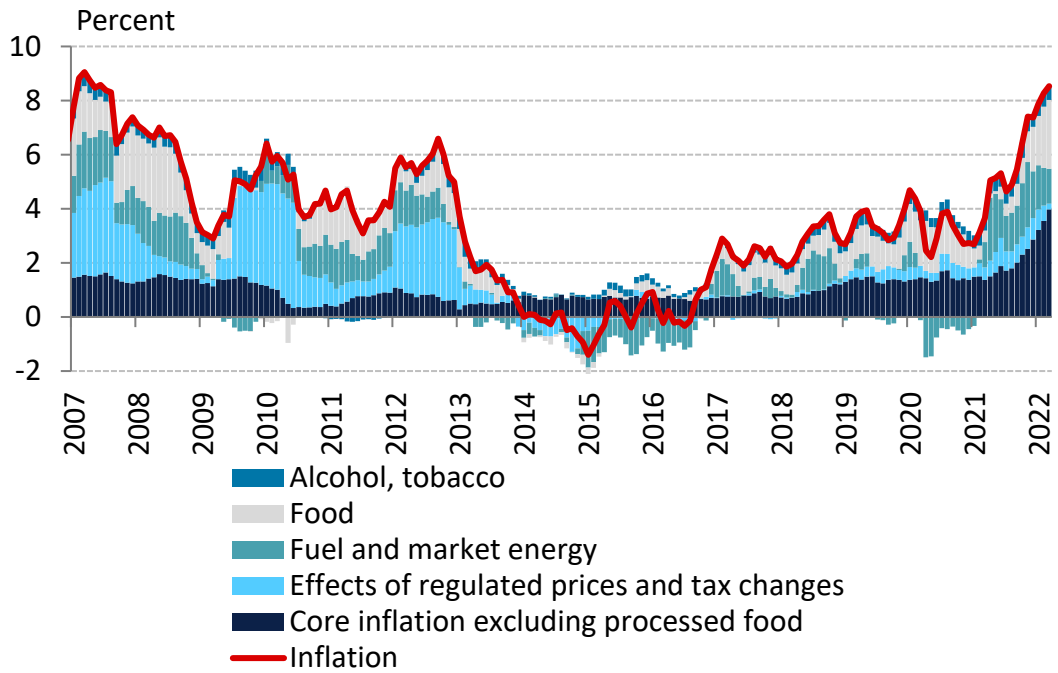


Chart 4: Monthly changes in consumer prices excluding fuel and regulated products prices

(tax-adjusted, seasonally unadjusted monthly percentage changes)

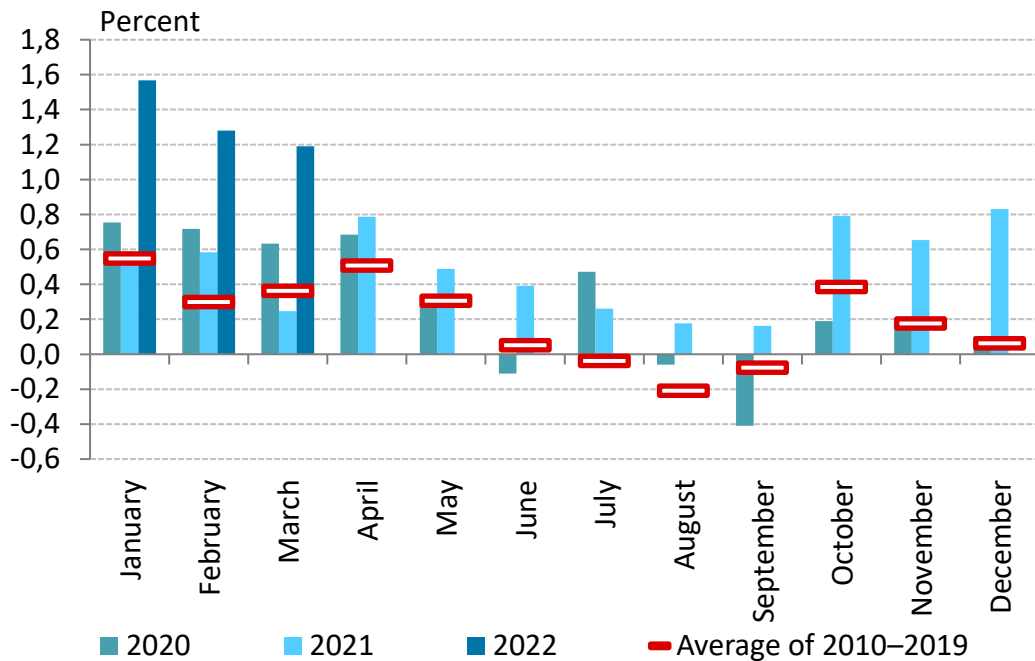


Chart 5: Inflation of tradable goods

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

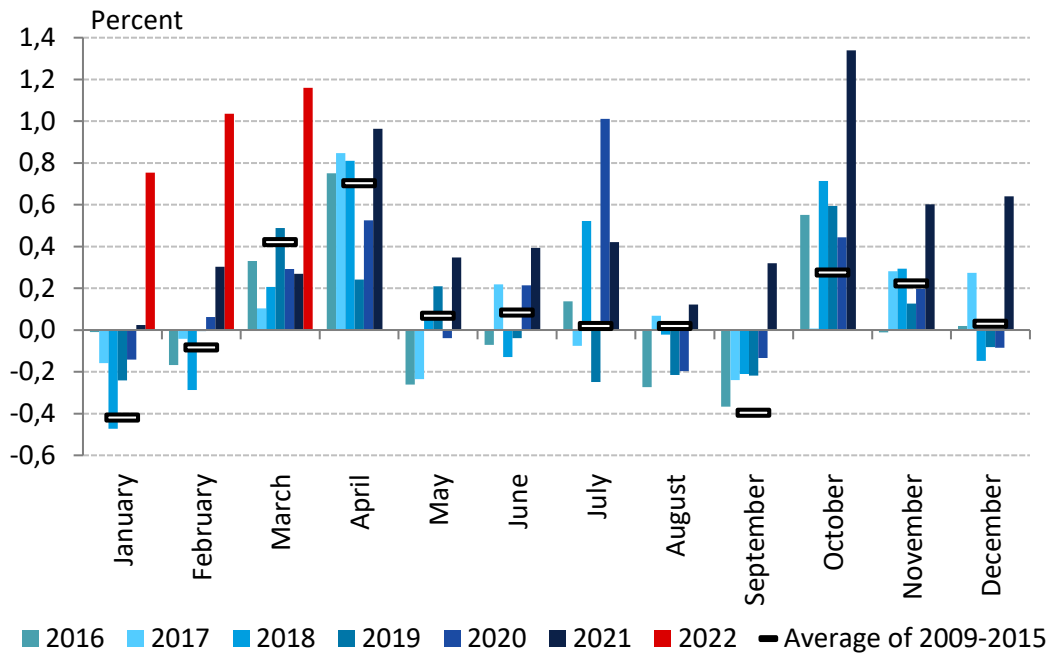


Chart 6: Market services inflation

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

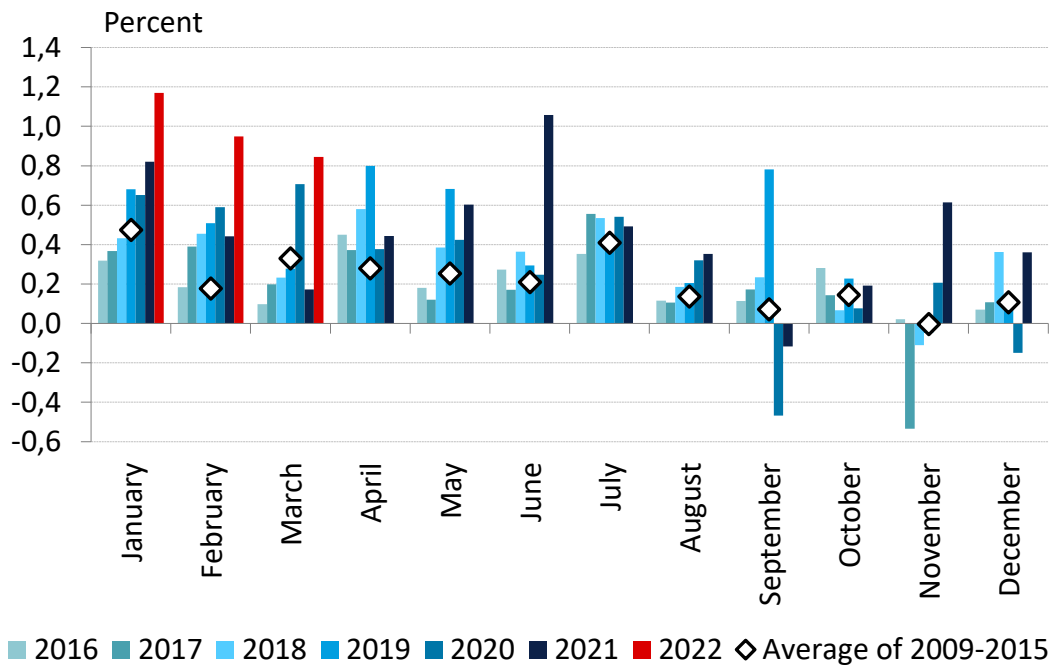


Chart 7: Developments in food price inflation

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

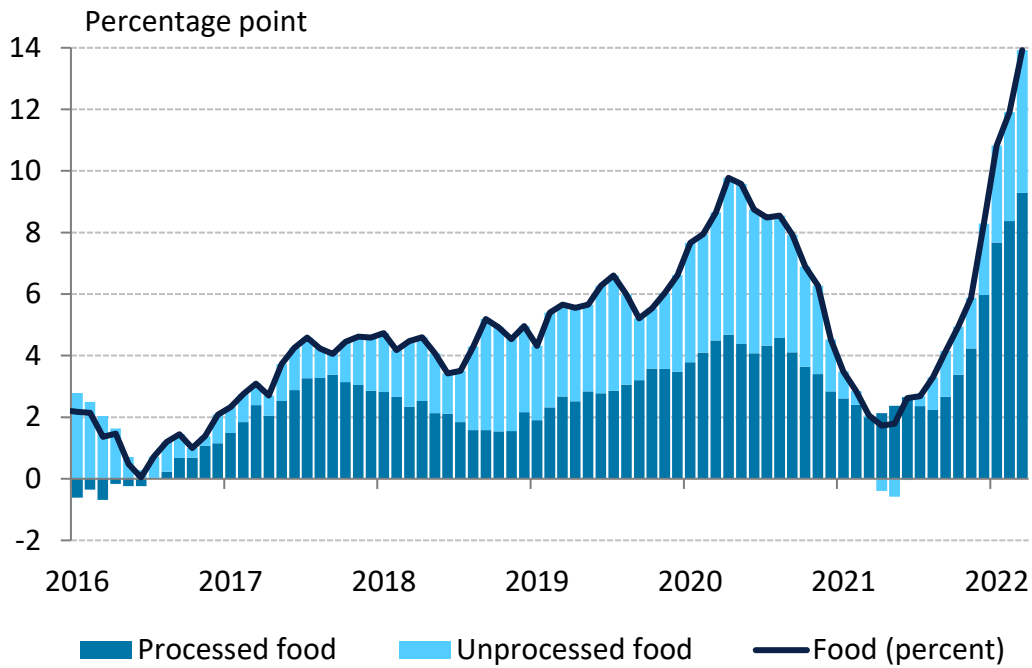


Chart 8: Monthly changes in food prices

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

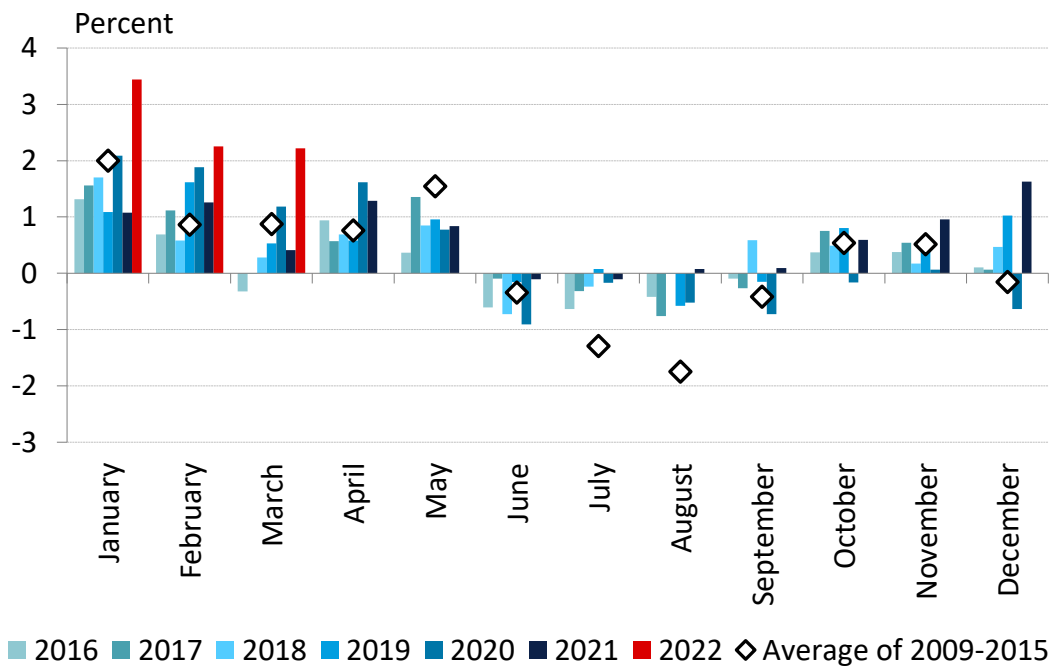
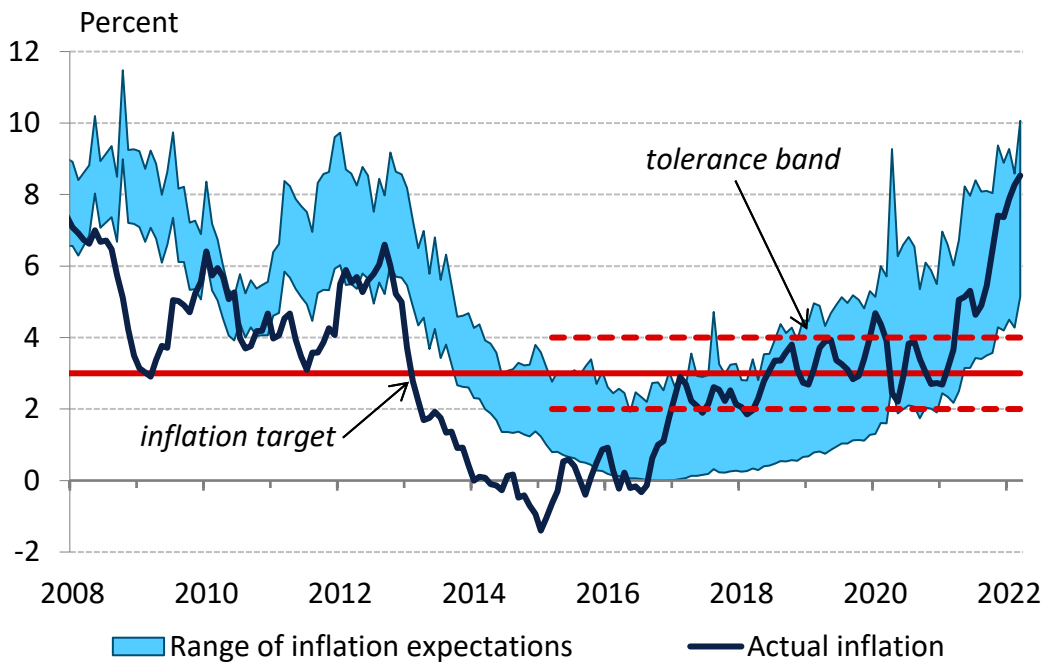


Chart 9: Households' inflation expectations
(January 2008 – March 2022)



Source: 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, March 2022 (HCSO)					
8.5% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price products to inflation (percentage points), weight 38.6%	3.4	Contribution of core inflation excluding processed foods (percentage points), weight 50.3%	4.0	Contribution of core inflation excluding taxes (percentage points), weight 63.6%	5.8
Contribution of other items (percentage points), weight 61.4%	5.1	Contribution of other items (percentage points), weight 49.7%	4.6	Contribution of other items (percentage points), weight 36.4%	2.8

Source: HCSO and the MNB's own calculations.

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