



Monthly analysis of inflation developments

January 2015



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 Dániel Palotai, Executive Director responsible for monetary policy.

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 JANUARY 2015

In January 2015, the consumer price index stood at -1.4 per cent. *Core inflation* and *core inflation adjusted for the effects of indirect taxes* were 0.7 per cent and 1.0 per cent, respectively. Consumer price inflation fell by 0.5 percentage points and core inflation by 0.2 percentage points relative to the previous month. The fall in consumer price inflation was mainly accounted for by the decline in the price index for *fuel*. The easing in core inflation largely reflected the fall in the price index for *market services* in the month (Chart 1).

The Bank's measures of *underlying inflation developments* (annual inflation rates of demand-sensitive and sticky-price products) fell *relative to the previous month* but remained in a range between 1.5–2.0 per cent characterising a period of nearly two years. The levels of the measures continue to indicate a moderate inflation environment (Chart 2).

Below is a brief analysis of changes in the prices of items determining medium-term inflation developments in January 2015.

Tradables prices were broadly unchanged relative to the same period a year earlier. Durable prices fell and inflation in *non-durable goods* rose in the month.

Re-pricing decisions at the start of the year generally tend to determine changes services prices. Up 0.3 percentage points in January relative to December, prices in this product group rose by less than a year earlier (Chart 3). This was driven mainly by the change in mobile phone and internet fees showing more moderate dynamics than in previous years. Beyond this effect, price changes were generally modest within this product group.

The seasonally adjusted level of *processed food* prices was largely unchanged relative to the previous month.

Budapest, 11 February 2015

Chart 1: The consumer price index and core inflation excluding indirect taxes
(annual percentage changes, January 2007 – January 2015)

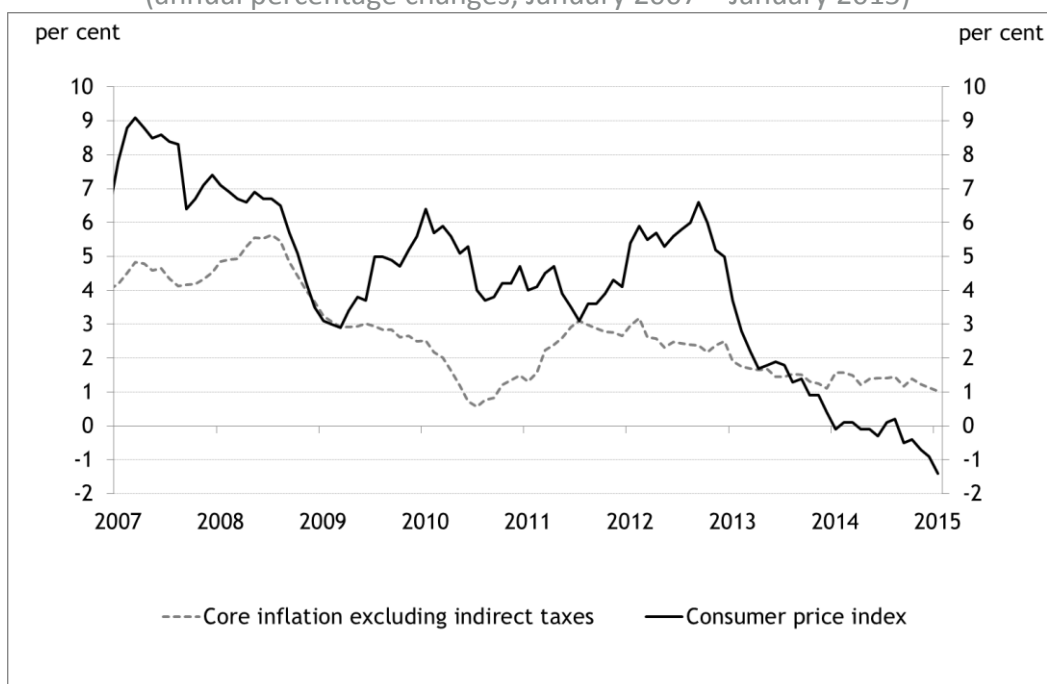
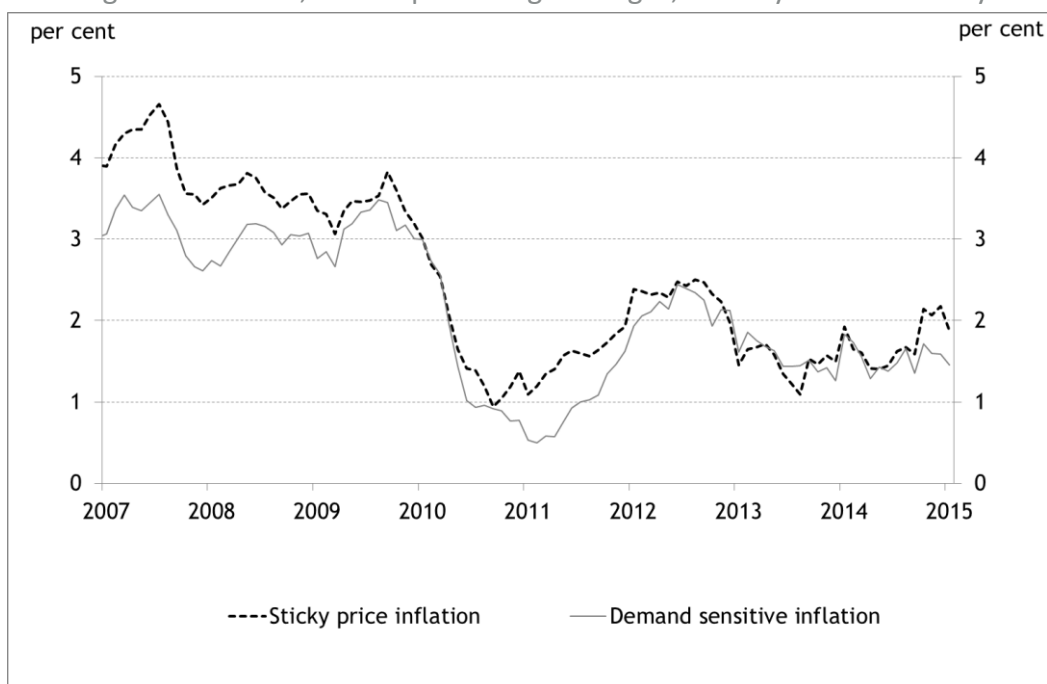


Chart 2: Underlying inflation indicators

(excluding indirect taxes, annual percentage changes, January 2007 – January 2015)



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 per cent of elementary prices change monthly on average. MNB calculation based on data released by the CSO.

Chart 3: Services price inflation

(seasonally unadjusted, tax-adjusted monthly changes, January 2005 – January 2015)

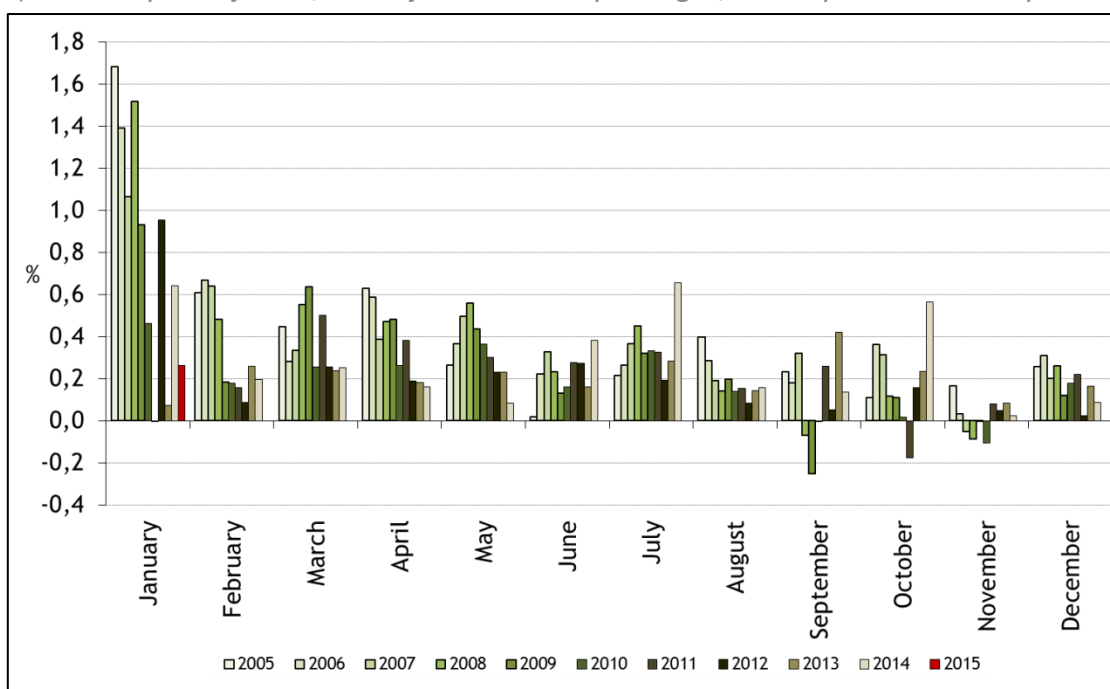


Table 1: Annual change in the consumer price index and contribution of the measures of underlying inflation

Consumer price index, January 2015 (CSO)					
-1.4% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage point), weight 32.1%	0,6	Contribution of demand sensitive inflation (percentage point), weight 53.6%	0,8	Contribution of core inflation excluding indirect taxes (percentage point), weight 66.8%	0,7
Contribution of other items (percentage point)	-2,1	Contribution of other items (percentage point)	-2,2	Contribution of other items (percentage point)	-2,1

Sources: CSO and the MNB's own calculations.

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