



# Monthly analysis of inflation developments

July 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](http://english.mnb.hu/Statiztika/data-and-information/mnben_statiztikai_idosorok/mnben_elv_prices/underlying_inflation_indicators_MNB)

## ASSESSMENT OF INFLATION DATA FOR JULY 2015

In July 2015, CPI inflation stood at 0.4 per cent, *core inflation* at 1.3 per cent and *core inflation adjusted for the effects of indirect taxes* at 1.1 per cent. *Inflation* fell by 0.2 percentage points and *core inflation* was unchanged relative to the previous month. The lower rate of *inflation* mainly reflected falls in the price indices for unprocessed food and fuel relative to June (Chart 1).

The Bank's measures of *underlying inflation developments* (annual inflation rates of demand-sensitive and sticky-price products) were broadly unchanged *relative to the previous month*. 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.

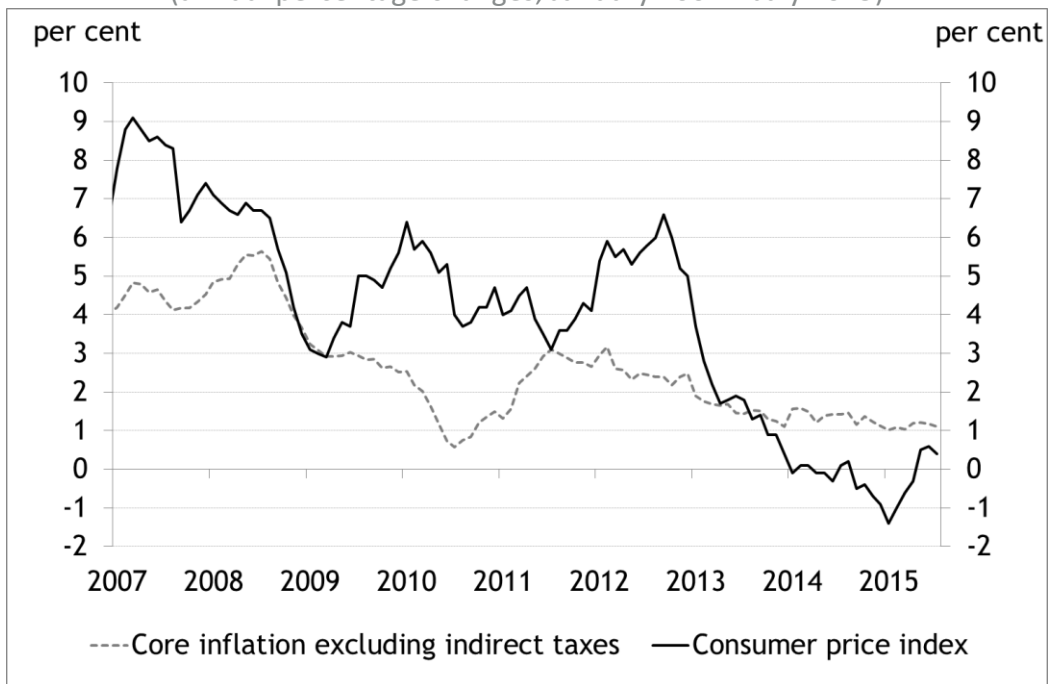
*Tradables* prices increased relative to the same period a year earlier. Here, the prices of both *durables* and *non-durables* rose.

*Services* prices were up 0.8 per cent on the previous month. Here, mobile call rates and Internet charges rose significantly. Excluding this component, price changes were generally modest.

The seasonally adjusted level of *processed food* prices fell relative to the previous month.

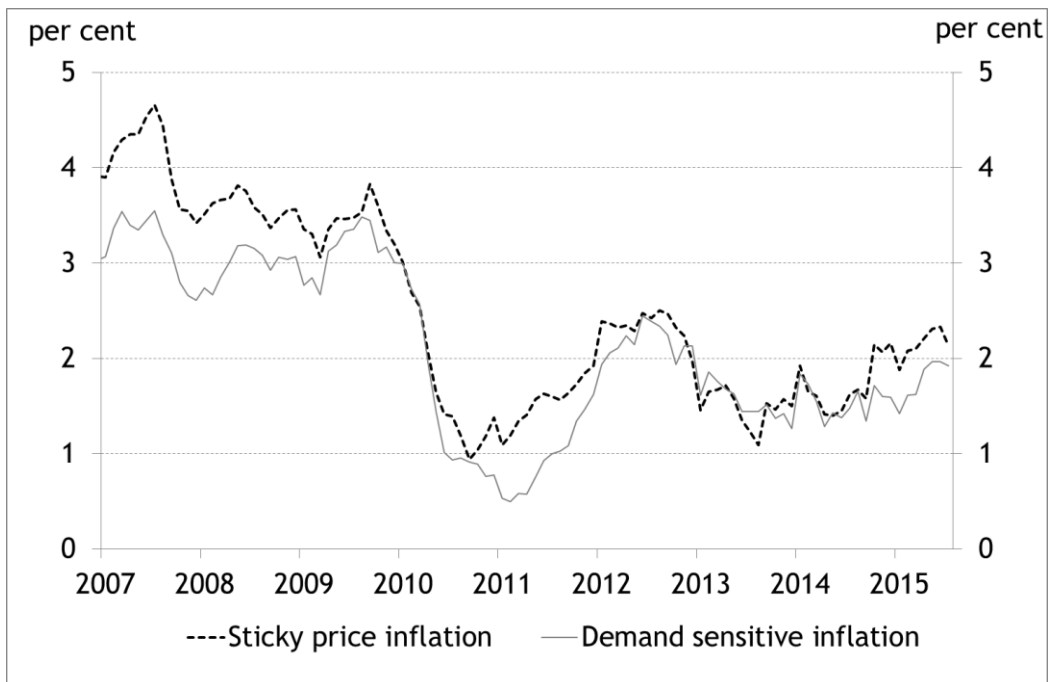
Budapest, 11 August 2015

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



**Chart 2: Underlying inflation indicators**

(excluding indirect taxes, annual percentage changes, January 2007 – July 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.*

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

Consumer price index, July 2015 (HCSO)					
0.4% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage point), weight 32.1%</b>	<b>0.7</b>	<b>Contribution of demand sensitive inflation (percentage point), weight 53.6%</b>	<b>1.0</b>	<b>Contribution of core inflation excluding indirect taxes (percentage point), weight 66.8%</b>	<b>0.7</b>
Contribution of other items (percentage point)	-0.3	Contribution of other items (percentage point)	-0.6	Contribution of other items (percentage point)	-0.3

*Sources: CSO and the MNB's own calculations.*

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