



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

DECEMBER  
**2018**

*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 Barnabás Virág, Executive Director responsible for monetary policy, financial stability and credit incentives.*

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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/Statisztika/data-and-information/mnben\\_statistikai\\_idosorok/mnben\\_elv\\_prices/underlying\\_inflation\\_indicators\\_MNB](http://english.mnb.hu/Statisztika/data-and-information/mnben_statistikai_idosorok/mnben_elv_prices/underlying_inflation_indicators_MNB)

## ASSESSMENT OF INFLATION DATA FOR DECEMBER 2018

In December 2018, annual *inflation* was 2.7 percent. *Core inflation* stood at 2.8 percent and *core inflation adjusted for the effects of indirect taxes* at 2.9 percent (Chart 1). Headline inflation fell by 0.4 percentage points, reflecting a decline in the prices of fuel.

With the release of December data, the consumer price index stood at 2.8 percent, core inflation at 2.5 percent and core inflation adjusted for the effects of indirect taxes at 2.4 percent in 2018 as a whole.

Inflation adjusted for the effects of indirect taxes rose slightly in December, which was mainly due to an increase in the price index for processed food. The Bank's other measures of underlying inflation developments capturing persistent inflationary trends (i.e. annual inflation rates of demand-sensitive and sticky-price products and services) were broadly unchanged compared with the previous month (Chart 2).

In December 2018, the contribution to inflation of demand-sensitive products was largely unchanged compared with the previous month and that of more volatile items with greater sensitivity to cost changes fell (Chart 3).

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

Seasonally adjusted *tradables* prices fell compared with the previous month (Chart 4). Within this product group, there were declines in the prices of both *durables* and *non-durables*. The drop in *non-durables* prices mainly reflected changes in volatile air fares. Within *durables*, it was primarily the price index for technical goods which fell in the month.

*Services* prices were 0.4 percent higher in December compared with the previous month. This mainly reflected increases in mobile phone and Internet charges as well as in the prices of services n.e.c. (Chart 5).

Seasonally and tax-adjusted *processed food* prices rose in December, reflecting a combination of increases in the prices of several products.

Seasonally and tax-adjusted *unprocessed food* prices rose slightly compared with November.

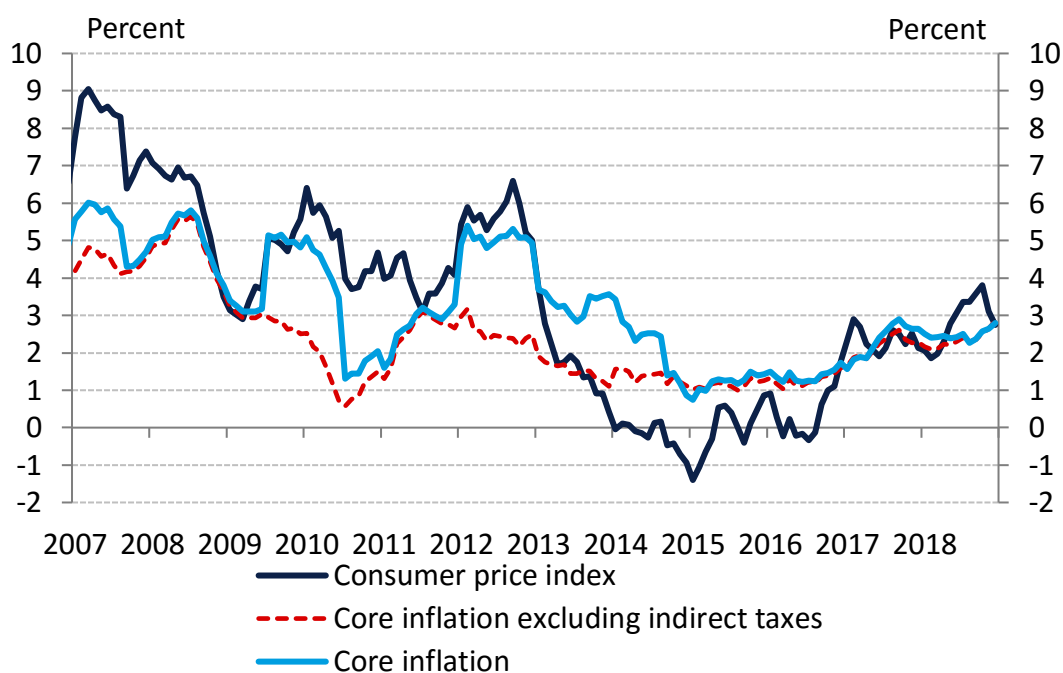
Prices of *regulated products* were unchanged compared with November.

*Households' inflation expectations* remained at moderate levels in December (Chart 7).

Prepared by Judit Várhegyi

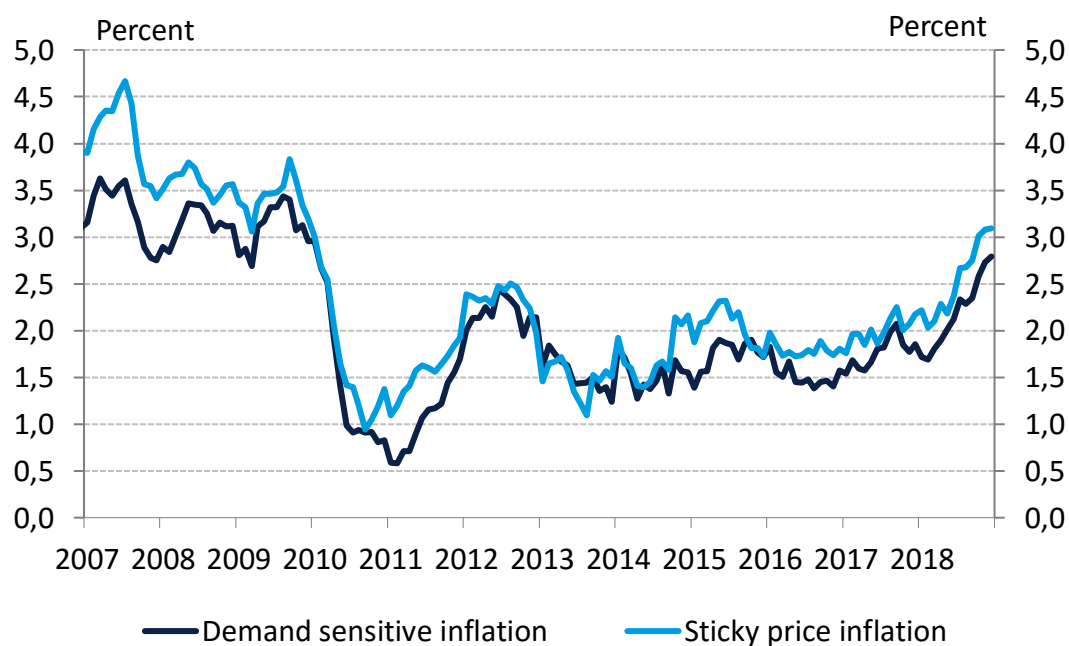
Budapest, 15 January 2019

**Chart 1: The consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – December 2018)



**Chart 2: Underlying inflation indicators**

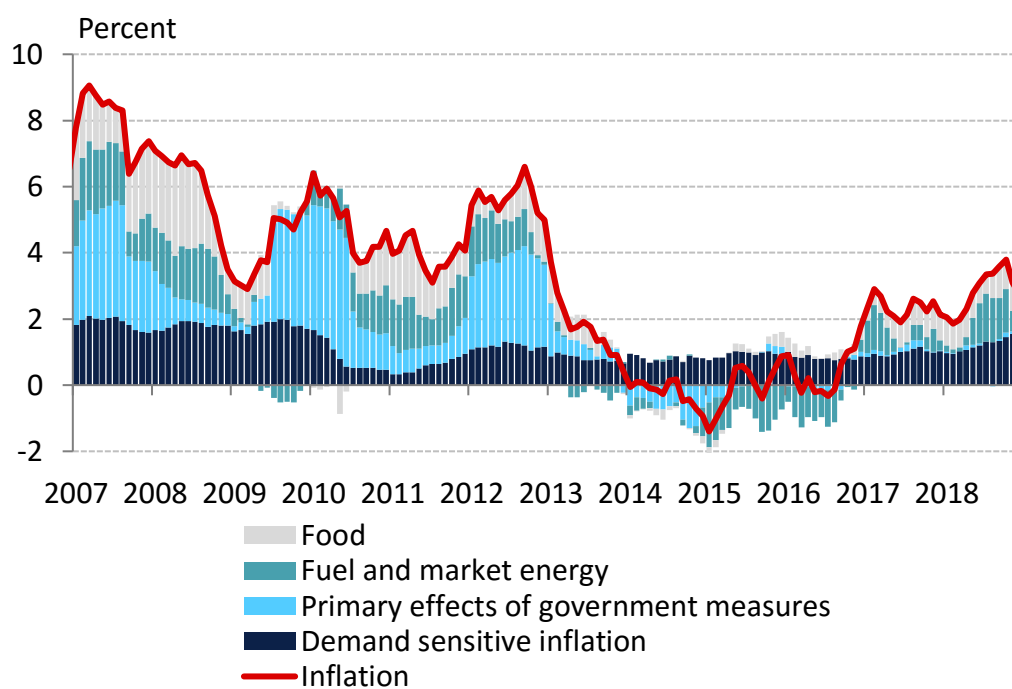
(excluding indirect taxes, annual percentage changes, January 2007 – December 2018)



*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.*

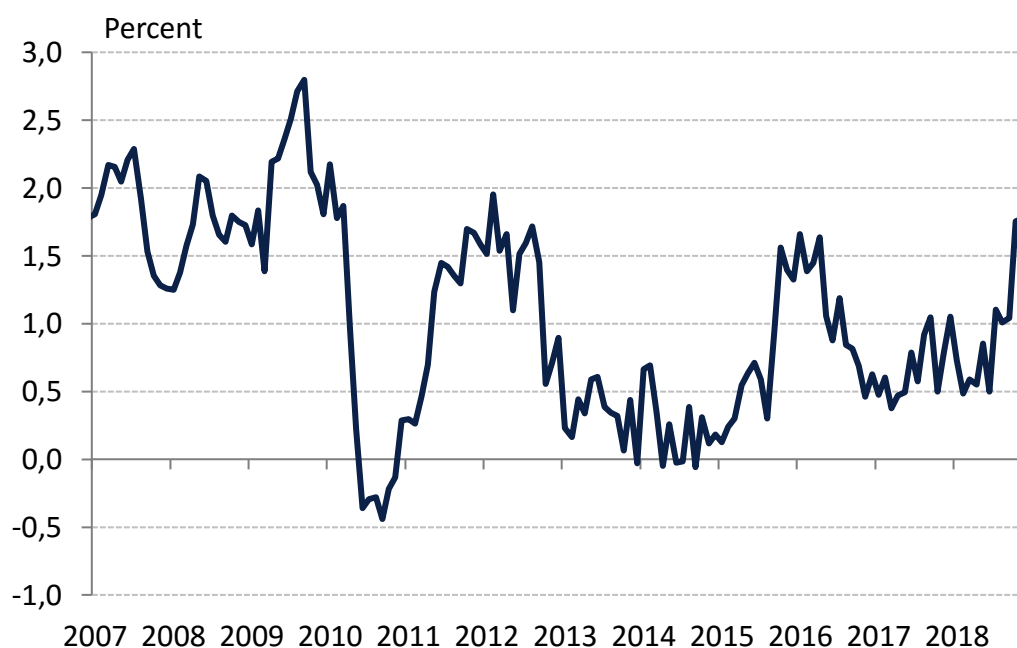
**Chart 3: Inflation decomposition**

(annual percentage changes, January 2007 – December 2018)



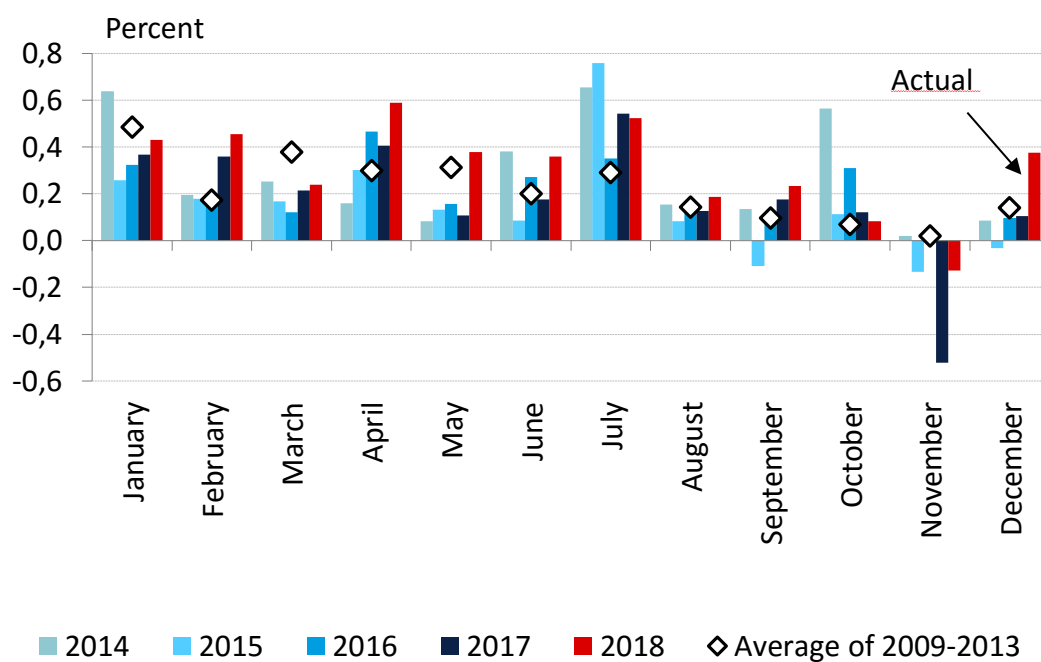
**Chart 4: Inflation of tradable goods**

(excluding taxes, annual percentage changes, January 2007 – December 2018)



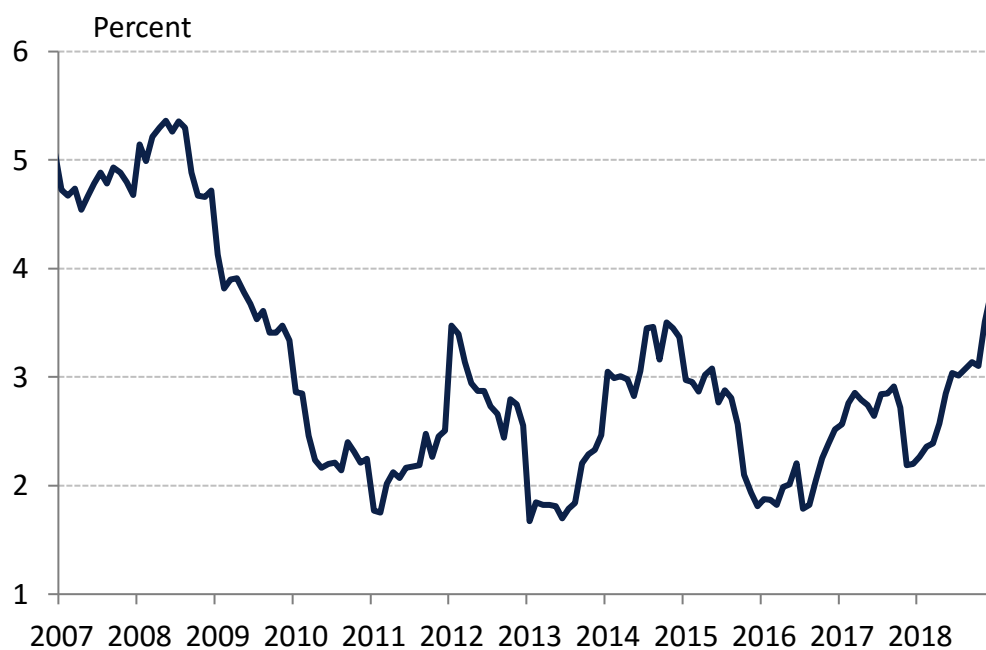
**Chart 5: Market services inflation**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2014 – December 2018)

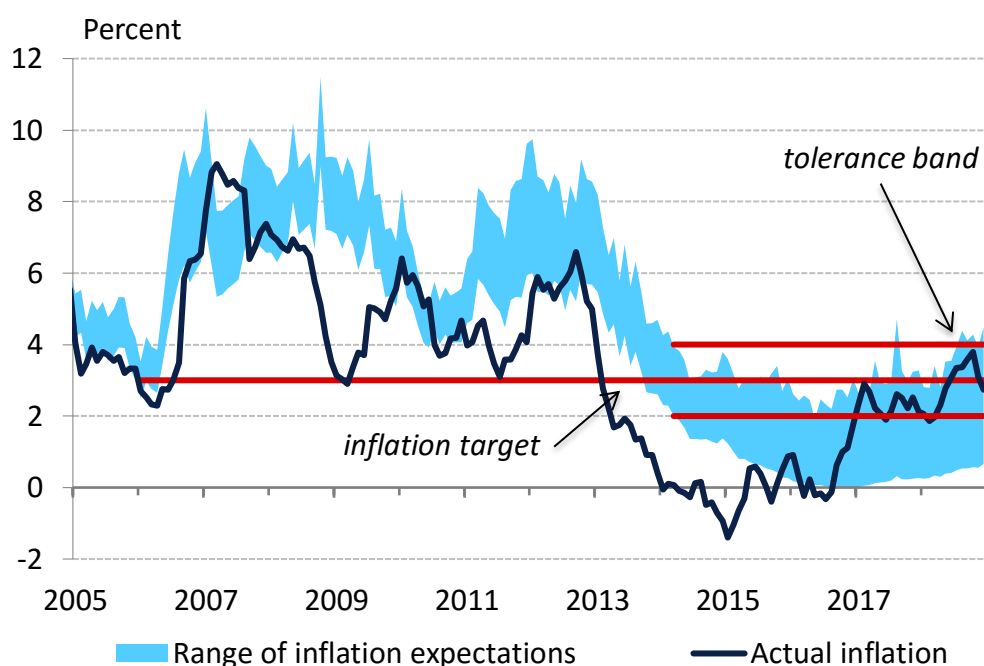


**Chart 6: Inflation of market services**

(excluding taxes, annual percentage changes, January 2007 – December 2018)



**Chart 7: Households' inflation expectations**  
(January 2005 – December 2018)



Sources: MNB calculations based on European Commission data; and CSO.

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

Consumer price index, December 2018 (HCSO)					
2.7% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 33.5%</b>	<b>1.0</b>	<b>Contribution of demand sensitive inflation (percentage points), weight 56.6%</b>	<b>1.5</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 69.3%</b>	<b>2.0</b>
Contribution of other items (percentage points), weight 66.5%	2.7	Contribution of other items (percentage points), weight 43.4%	1.2	Contribution of other items (percentage points), weight 30.7%	0.8

Sources: CSO and the MNB's own calculations.

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