



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

NOVEMBER  
**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.*

*For further information, please contact Judit Várhegyi (e-mail: [varhegyij@mnb.hu](mailto:varhegyij@mnb.hu))*

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 NOVEMBER 2018

In November 2018, annual *inflation* was 3.1 percent. *Core inflation* stood at 2.6 percent and *core inflation adjusted for the effects of indirect taxes* at 2.7 percent (Chart 1). Headline inflation fell by 0.7 percentage points and core inflation was unchanged compared with the previous month. The moderation in inflation reflected a decline in the prices of fuel.

The Bank's measures of *underlying inflation developments* (annual inflation rates of demand-sensitive and sticky-price products and services) rose slightly compared with October (Chart 2).

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

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

Seasonally adjusted *tradables* prices rose compared with the previous month (Chart 4). Within this product group, the prices of *durables* were largely unchanged and those of *non-durables* increased.

*Services* prices edged down by 0.1 percent in November compared with the previous month. This reflected declines in the prices of domestic holiday prices as well as in mobile phone and Internet charges (Chart 5). The increase in the annual index of services prices was due primarily to the lower increase in the prices of domestic holiday prices and in mobile phone and Internet charges compared with the previous year (Chart 6).

Seasonally and tax-adjusted *processed food* prices rose slightly in November compared with the previous month, mainly reflecting rises in the prices of dairy products as well as in bread and bakery prices.

Seasonally and tax-adjusted *unprocessed food* were broadly unchanged in November.

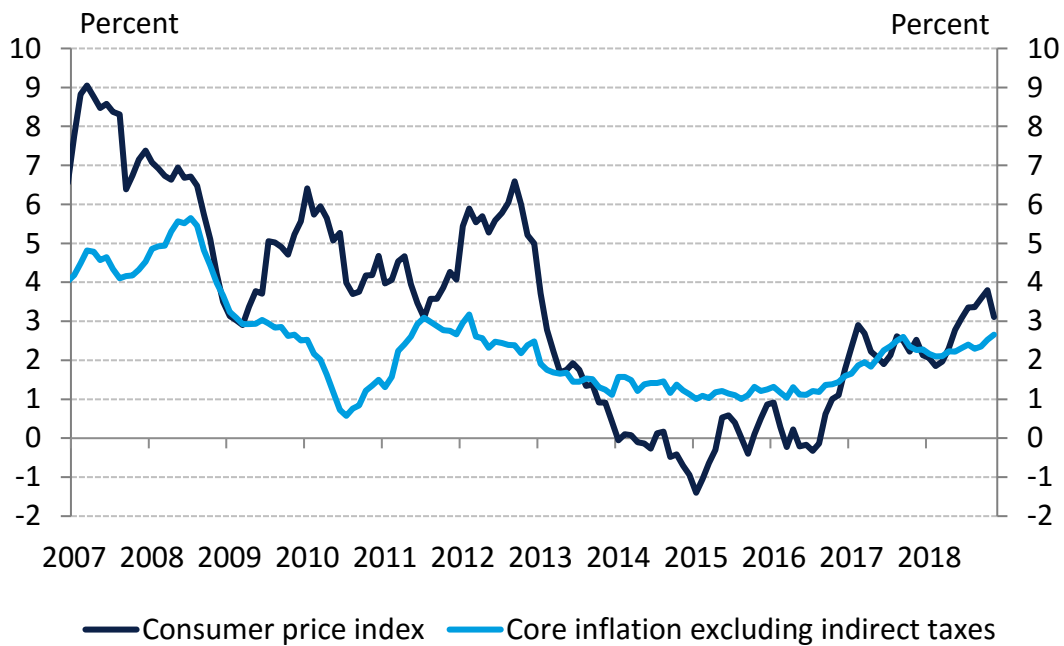
Prices of *regulated products* did not change compared with October.

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

Prepared by Judit Várhegyi

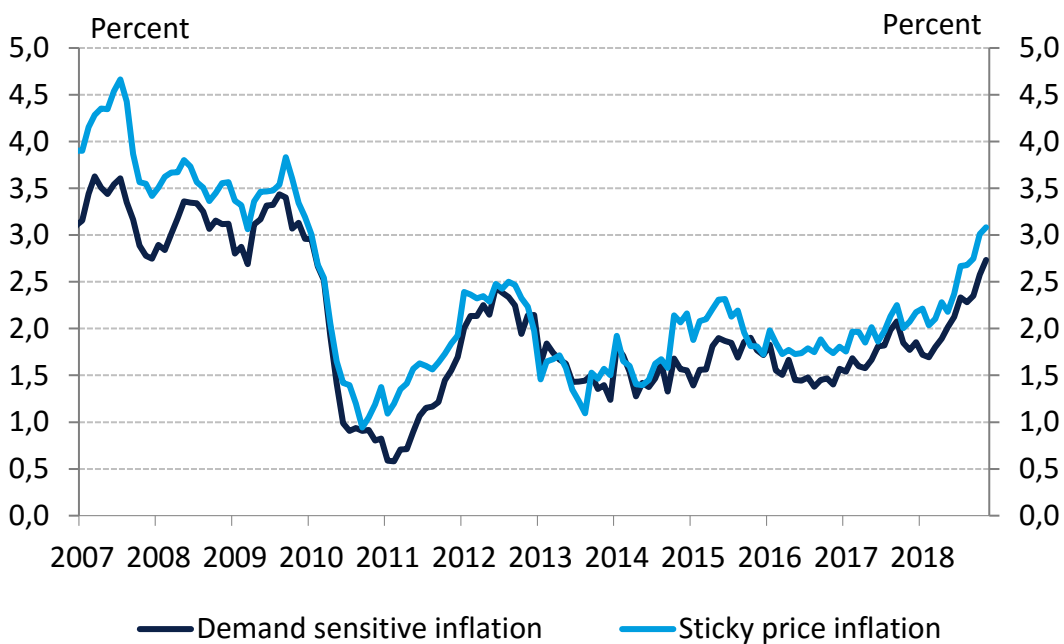
Budapest, 11 December 2018

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



**Chart 2: Underlying inflation indicators**

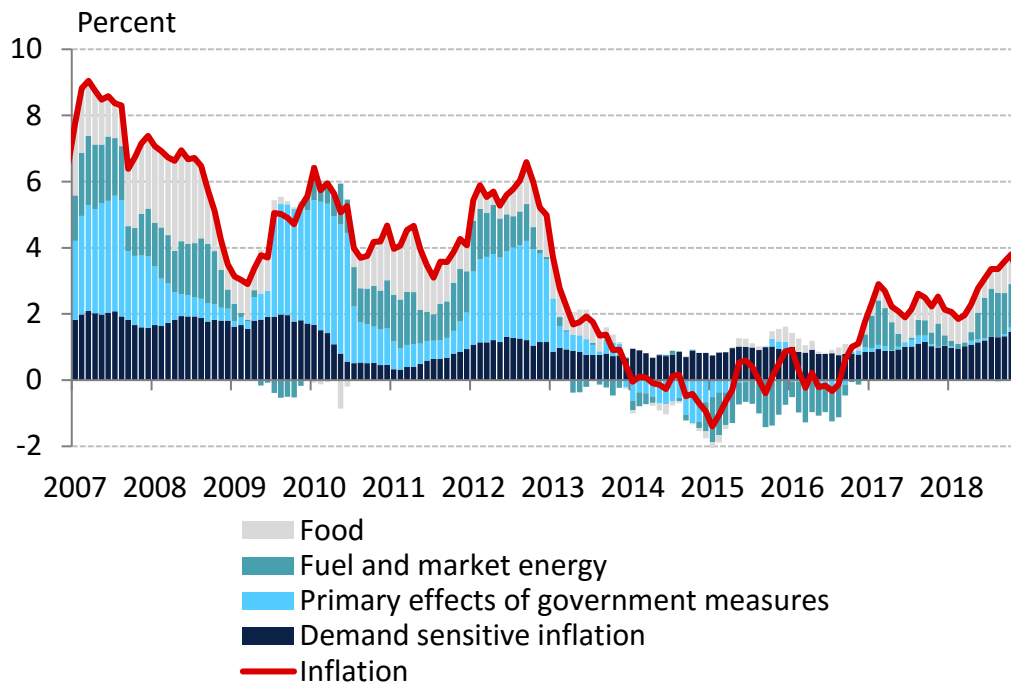
(excluding indirect taxes, annual percentage changes, January 2007 – November 2018)



*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.*

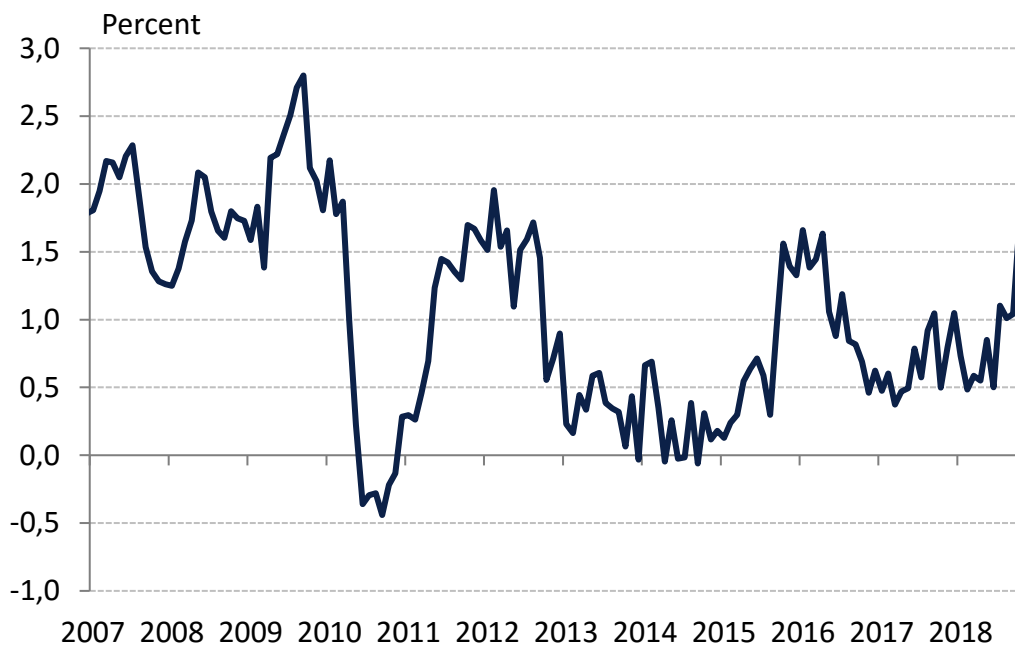
**Chart 3: Inflation decomposition**

(annual percentage changes, January 2007 – November 2018)



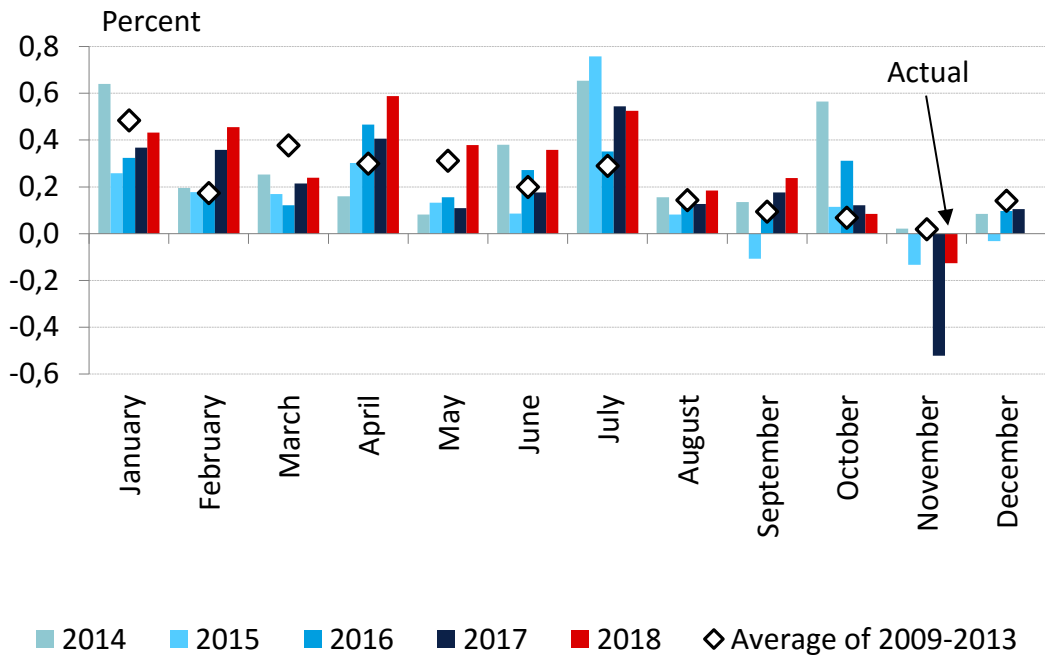
**Chart 4: Inflation of tradable goods**

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



**Chart 5: Market services inflation**

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

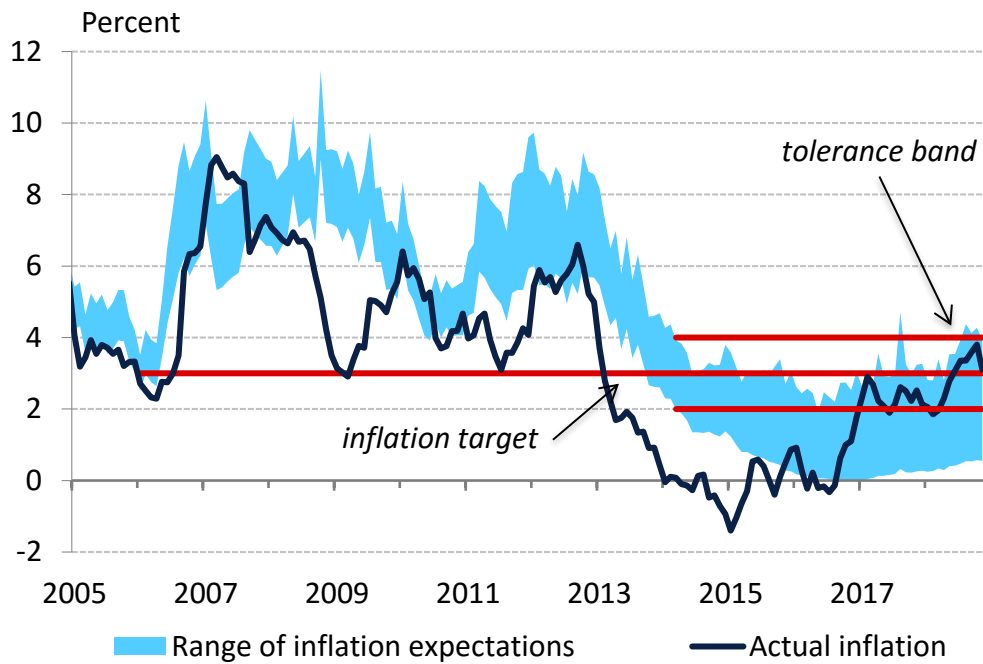


**Chart 6: Inflation of market services**

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



**Chart 7: Households' inflation expectations**  
(January 2005 – November 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, November 2018 (HCSO)					
3.1% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 33.5%	1.0	Contribution of demand sensitive inflation (percentage points), weight 56.6%	1.5	Contribution of core inflation excluding taxes (percentage points), weight 69.3%	1.8
Contribution of other items (percentage points), weight 66.5%	2.1	Contribution of other items (percentage points), weight 43.4%	1.6	Contribution of other items (percentage points), weight 30.7%	1.3

Sources: CSO and the MNB's own calculations.

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