



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**AUGUST**

2019

*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/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 AUGUST 2019

In August 2019, annual *inflation* stood at 3.1 percent. *Core inflation* was 3.7 percent and *core inflation adjusted for the effects of indirect taxes* was 3.2 percent (Chart 1). Headline inflation fell by 0.2 percentage points and core inflation was unchanged relative to the previous month. The decline in inflation mainly reflected a drop in the price index for unprocessed food.

The Bank's measures of underlying inflation developments capturing persistent inflationary trends (i.e. inflation rates of demand-sensitive and sticky-price products and services) were unchanged relative to the previous month (Chart 2).

In August 2019, the contribution to inflation of items with greater sensitivity to cost changes, i.e. food and fuel, fell and that of demand-sensitive products was broadly unchanged relative to the previous month (Chart 3).

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

Annual inflation of *tradables* prices fell relative to the previous month (Chart 4). Within this product group, the prices of *durables* were unchanged and those of *non-durables* fell. The drop in non-durables inflation reflected the simultaneously slowing price dynamics of several products.

In August 2019, *services* prices rose by 0.2 percent on a monthly basis, broadly corresponding to the price dynamics of previous years (Chart 5). There were moderate price changes in a broad range of services prices (Chart 6).

Seasonally and tax-adjusted *processed food* prices rose in August, reflecting price increases in several product groups.

Seasonally and tax-adjusted *unprocessed food* prices rose slightly relative to the previous month, mainly due to increases in the prices of fresh vegetables and fruits. The decline in the annual index of this product group reflected a base effect related to last year's price increase.

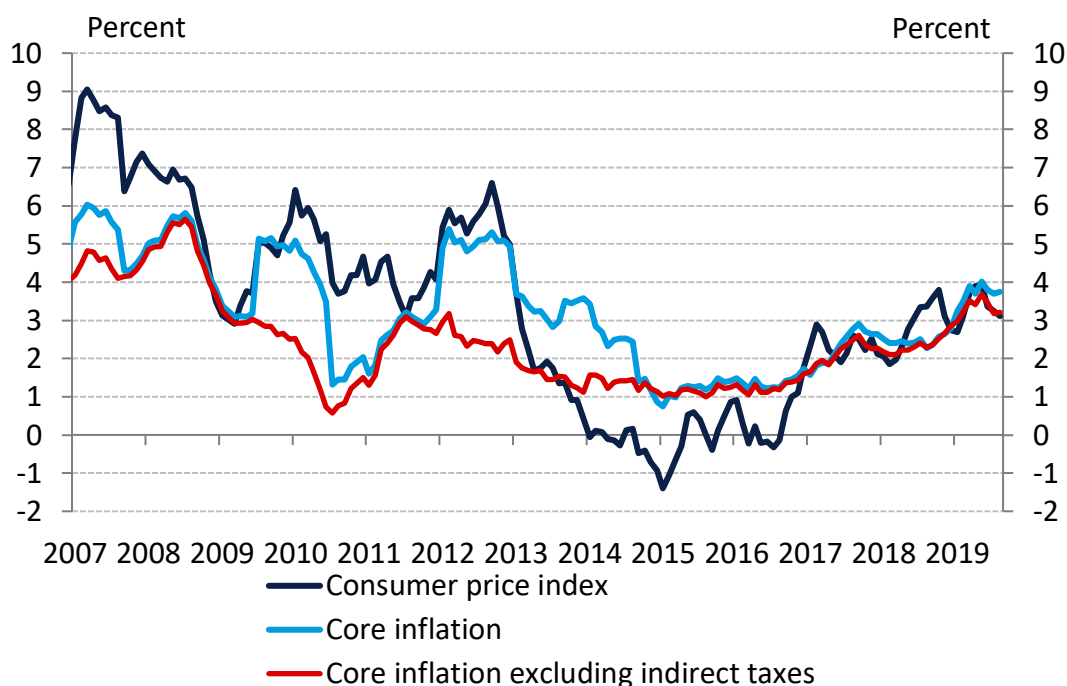
Prices of *regulated products* were largely unchanged relative to July.

*Households' inflation expectations* remained moderate in the month, at a level consistent with the 3 per cent inflation target (Chart 7).

Prepared by Judit Várhegyi

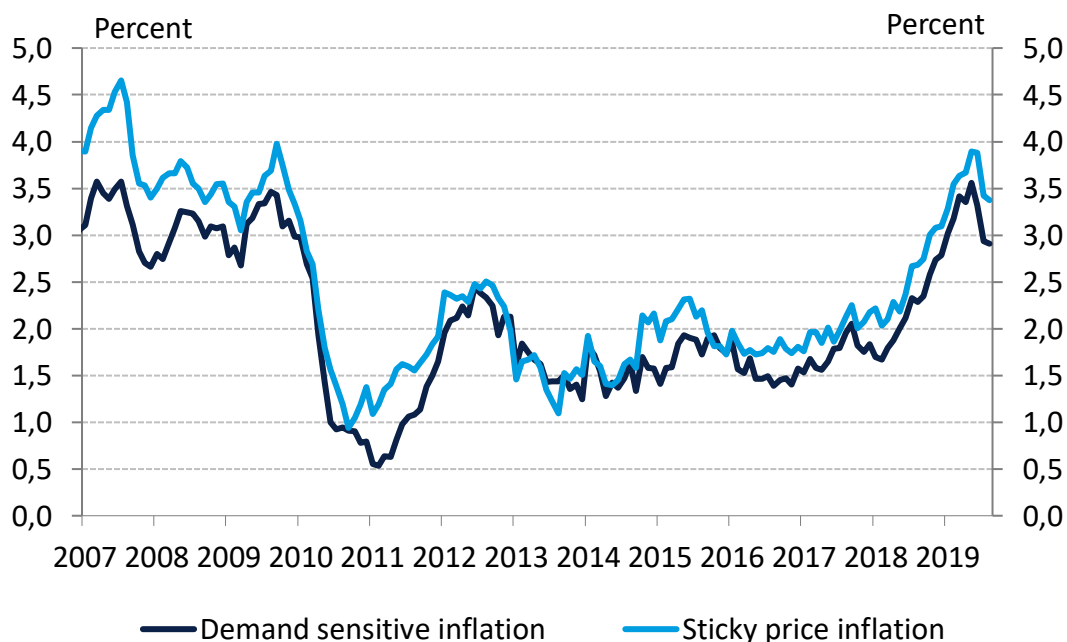
Budapest, 10 September 2019

**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – August 2019)



*Note: Seasonally unadjusted core inflation.*

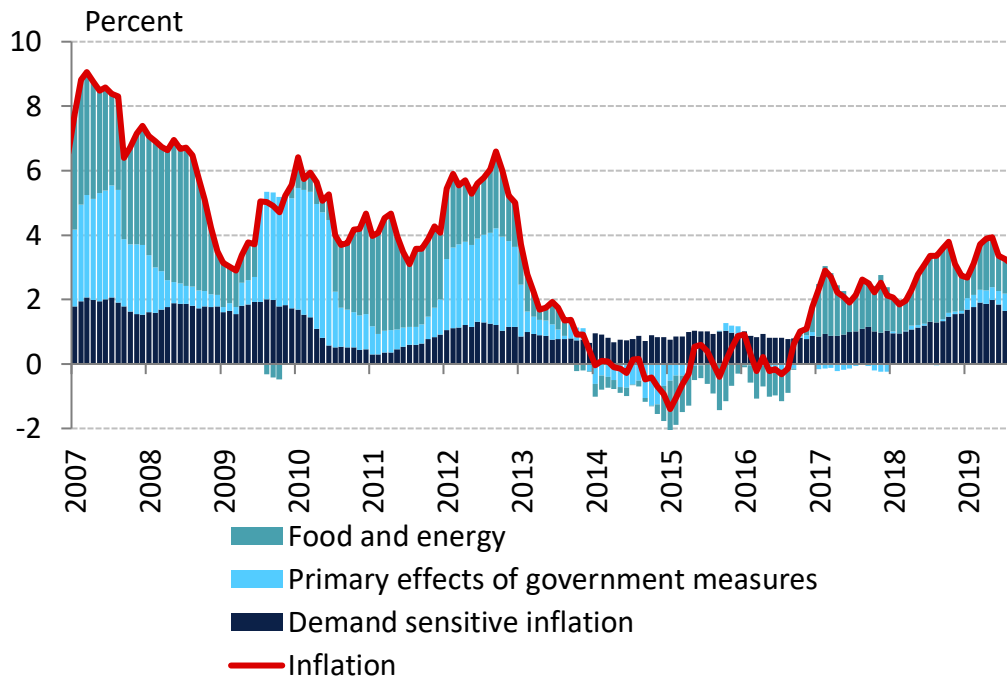
**Chart 2 Underlying inflation indicators**  
(excluding indirect taxes, annual percentage changes, January 2007 – August 2019)



*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.*

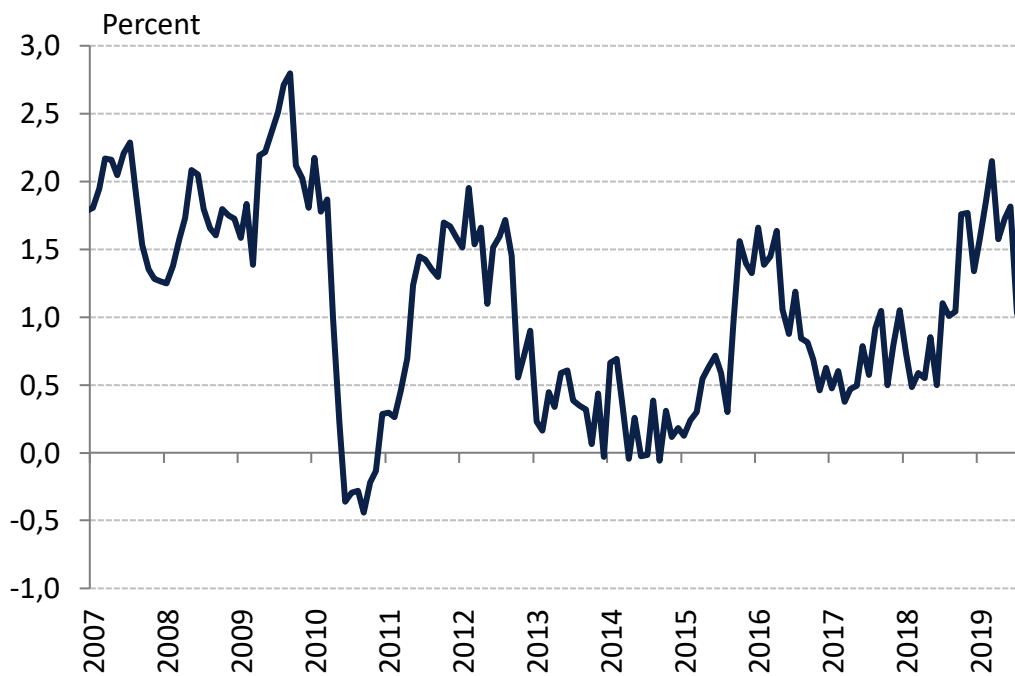
**Chart 3 Inflation decomposition**

(annual percentage changes, January 2007 – August 2019)



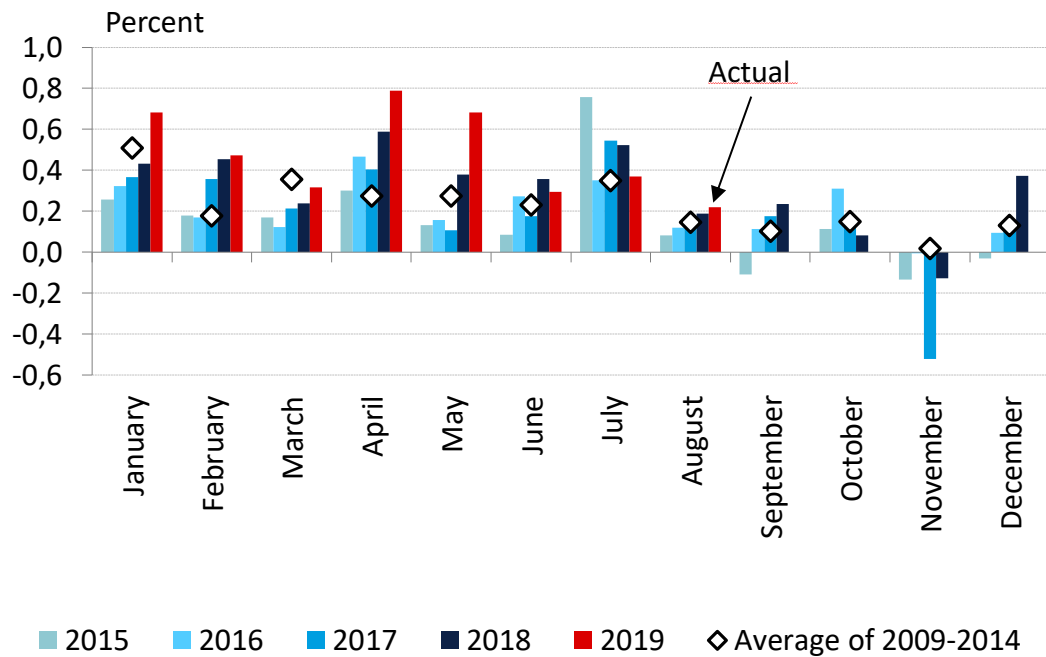
**Chart 4 Inflation of tradable goods**

(excluding taxes, annual percentage changes, January 2007 – August 2019)



**Chart 5 Market services inflation**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2015 – August 2019)

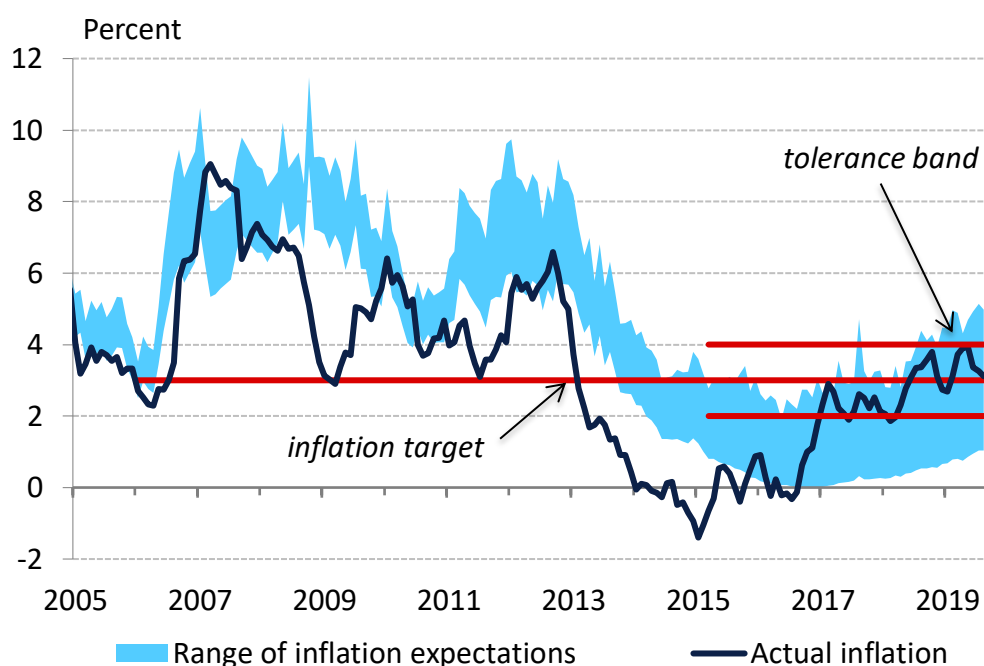


**Chart 6 Market services inflation**

(excluding taxes, annual percentage changes, January 2007 – August 2019)



**Chart 7 Households' inflation expectations**  
(January 2005 – August 2019)



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, August 2019 (HCSO)					
3.1% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 33.4%</b>	<b>1.1</b>	<b>Contribution of demand sensitive inflation (percentage points), weight 55.9%</b>	<b>1.6</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 69.0%</b>	<b>2.2</b>
Contribution of other items (percentage points), weight 66.6%	2.0	Contribution of other items (percentage points), weight 44.1%	1.5	Contribution of other items (percentage points), weight 31.0%	0.9

Sources: CSO and the MNB's own calculations.

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