



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

NOVEMBER

2020

*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 Gergely Baksay, Executive Director for Economic Analysis and Competitiveness.*

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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 NOVEMBER 2020

In November 2020, annual *inflation* stood at 2.7 percent and core inflation at 3.9 percent. Core inflation adjusted for the effects of indirect taxes, was 3.3 percent (Chart 1). Inflation fell by 0.3 percentage points relative to the previous month, primarily reflecting a decline in fuel and regulated product prices.

The Bank's measures of underlying inflation developments capturing persistent inflationary trends, i.e. the price index for demand-sensitive products and the inflation of sticky-price products and services, rose slightly overall relative to the previous month (Chart 2).

In November 2020, items with greater sensitivity to cost changes, and the contribution of regulated products had a downward effect on inflation (Chart 4).

Pricing decisions have shown higher volatility and an unusual seasonal pattern following the outbreak of the coronavirus. After the higher repricings in the summer months, disinflationary effects strengthened from September. In line with this, the autumn months were generally characterized by a weaker price growth (Chart 3).

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

Annual inflation of *industrial goods* remained broadly unchanged in November. Within the product group, durables price index slightly fell relative to the previous month, and non-durables price index rose slightly.

Services prices rose by 0.2 percent compared to the previous month (Chart 5). A higher monthly price growth, unseen in the average of recent years, was mainly due to a rise in the prices of mobile phones, Internet charges and insurance fees.

The inflation of *food* decreased relative to the previous month. Within the product group, a fall in the inflation of pork and poultry meat and a decline in the inflation of fresh fruits reduced the unprocessed food price index. Changes in the prices of processed meat products, milk and dairy products had a major downward effect on the inflation of processed food.

Prices of *regulated goods* fell by 1.2 percent relative to October, which was attributable to the effect of the free parking system implemented again, due to the coronavirus pandemic.

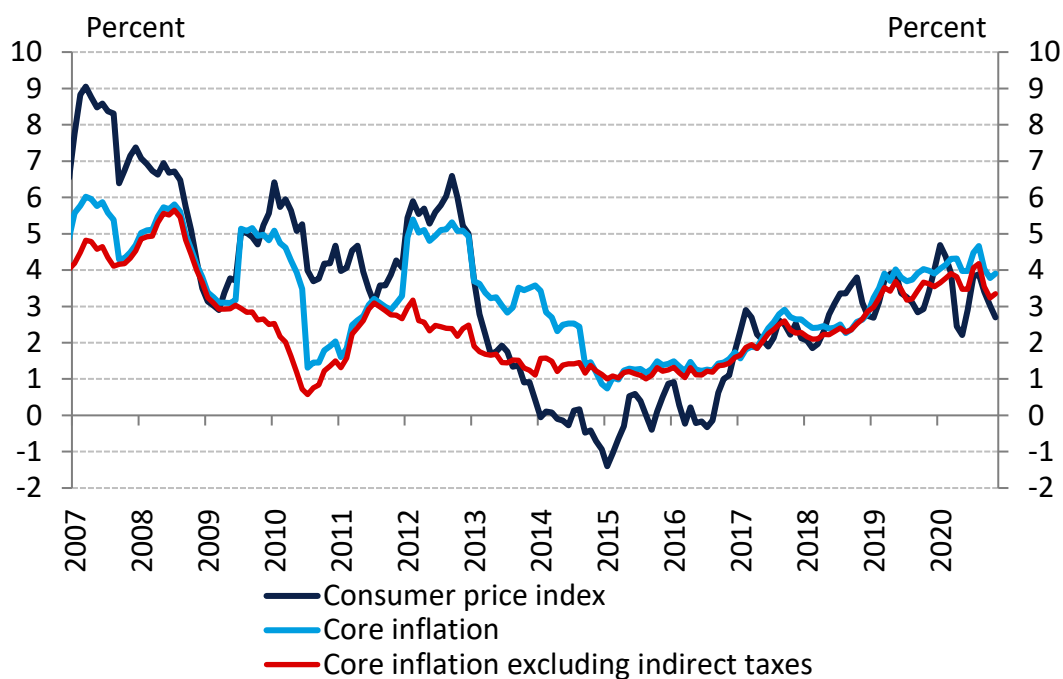
Fuel prices fell as the world market price of oil declined relative to the previous month.

The indicators, measuring households' inflation expectations, are characterized by unusually high volatility, similarly to the consumer price index. The indicator slightly decreased in November compared to earlier months (Chart 6).

Prepared by Judit Várhegyi

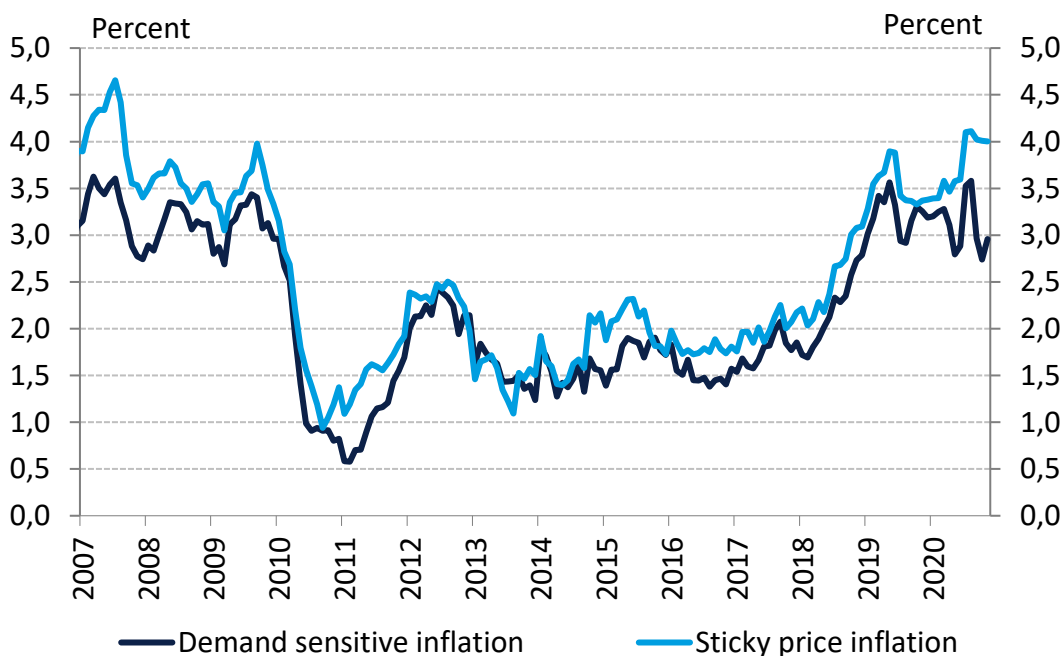
Budapest, 8 December 2020

**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – November 2020)



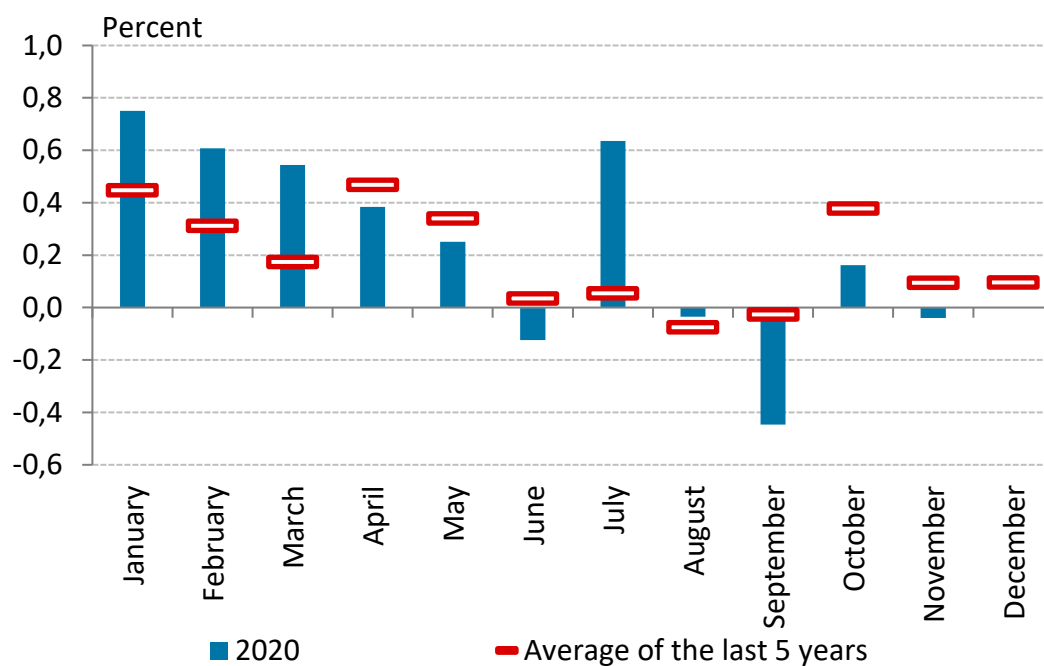
Note: Seasonally unadjusted core inflation.

**Chart 2 Underlying inflation indicators**  
(excluding indirect taxes, annual percentage changes, January 2007 – November 2020)



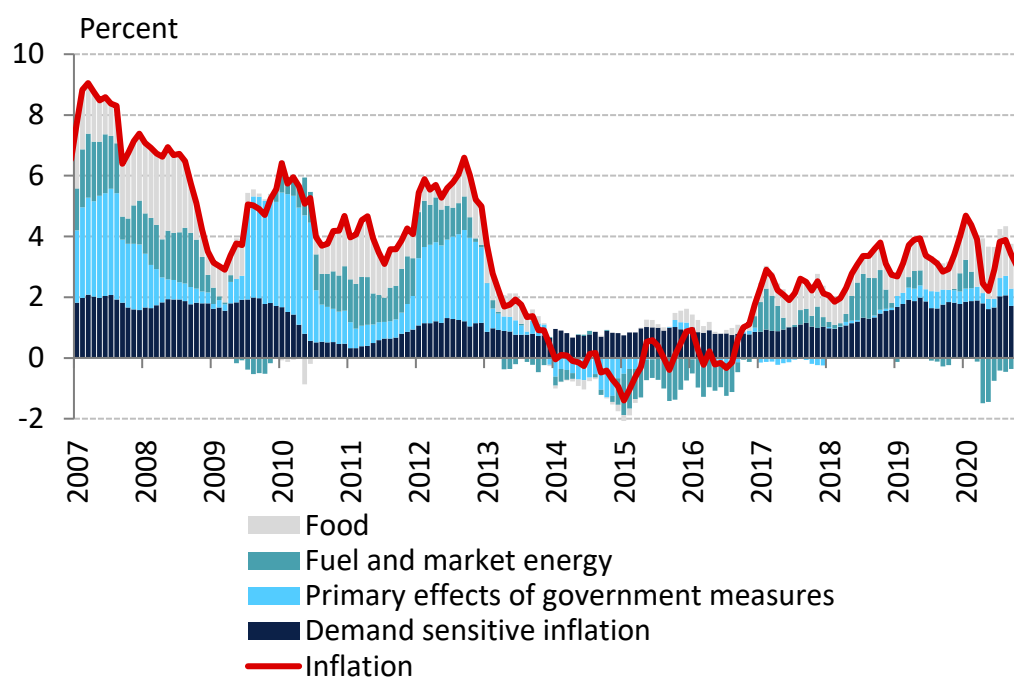
Note: Demand-sensitive inflation is derived by eliminating processed food prices from core inflation. Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 percent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO.

**Chart 3 Monthly changes in consumer prices excluding fuel prices**  
(tax-adjusted, seasonally unadjusted monthly percentage changes)



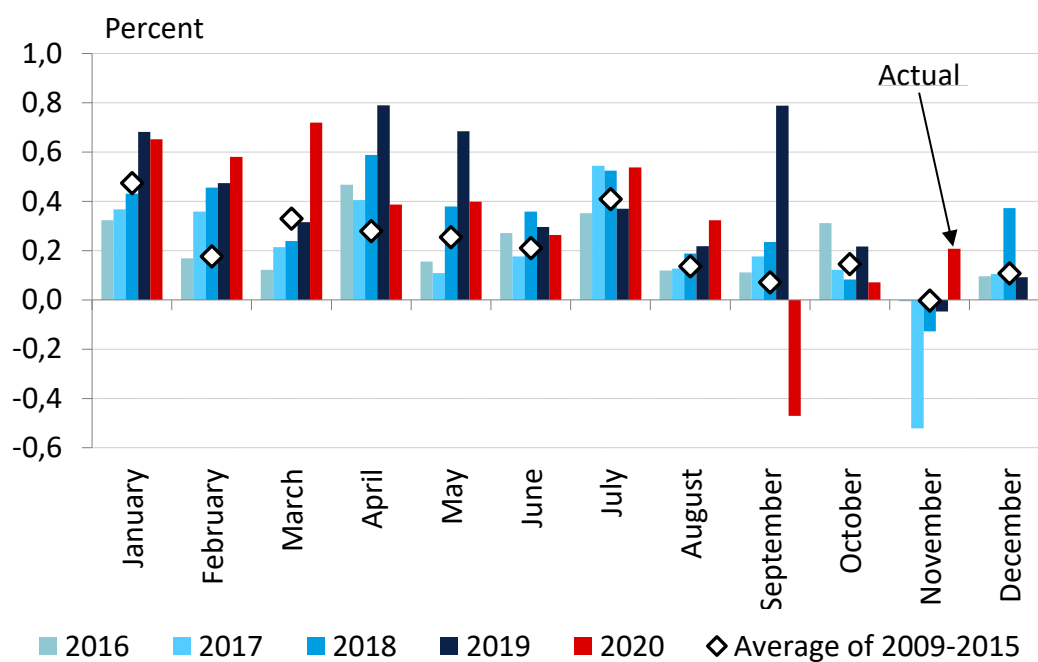
**Chart 4 Inflation decomposition**

(annual percentage changes, January 2007 – November 2020)



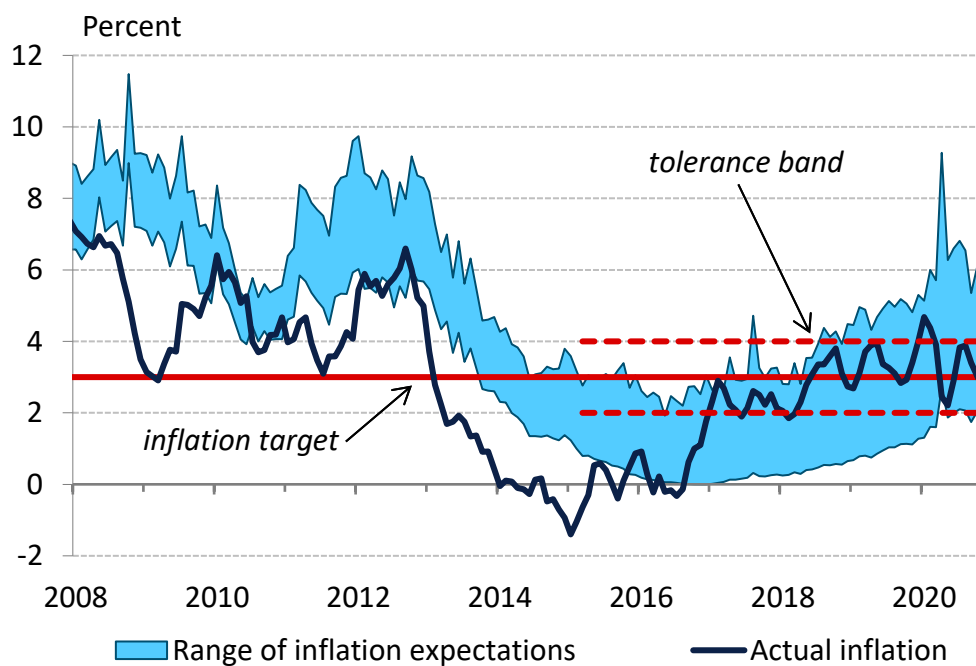
**Chart 5 Market services inflation**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – November 2020)



**Chart 6 Households' inflation expectations**

(January 2005 – November 2020)



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

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

Consumer price index, November 2020 (HCSO)					
2.7% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 34.8%</b>	<b>1.3</b>	<b>Contribution of demand sensitive inflation (percentage points), weight 57.7%</b>	<b>1.6</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 70.6%</b>	<b>2.3</b>
Contribution of other items (percentage points), weight 65.2%	1.4	Contribution of other items (percentage points), weight 42.3%	1.1	Contribution of other items (percentage points), weight 29.4%	0.4

Sources: HCSO and the MNB's own calculations.

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