



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

APRIL

2021

*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 APRIL 2021

In April 2021, annual *inflation* stood at 5.1 percent while core inflation and core inflation excluding indirect tax effects was 3.1 percent (Chart 1). Inflation rose by 1.4 percentage points and core inflation by 0.3 percentage points relative to the previous month. The rise in inflation primarily reflected an increase in fuel prices.

In line with the Central Statistical Office's press release published on 4 May 2021, the methodology of core inflation calculation has been modified.<sup>1</sup> According to the HCSO's publication on consumer price index data in April 2021 (published on 11 May 2021), alcoholic beverages and tobacco products were excluded from the group of products to be considered on calculating core inflation. This modification causes no significant changes in the core inflation excluding indirect tax effects and in the inflation of demand-sensitive products calculated by the MNB, and in the assessing of the trends, as the effects of changes in the tax rates had already been excluded (Chart 2 and 3).

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 relative to the previous month (Chart 4).

In April 2021, the contribution of demand-sensitive products to inflation slightly rose. Fuel prices contributed to inflation by 2.3 percentage points (Chart 5).

Pricing decisions showed higher volatility and an unusual seasonal pattern after the onset of the coronavirus pandemic. With disinflationary effects strengthening since September 2020, there was generally a weaker price growth in the last months of 2020. In the first months of 2021, repricing was below the level seen last year (Chart 6), but in April it was higher than 2020. The comparison continues to be distorted by statistical effects i.e. difficulties in price collection in April 2020. Currently, changes in inflation are mainly determined by increases in fuel price index.

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

The annual inflation of *industrial goods* rose in April. Within the product group, durables price index remained broadly unchanged relative to the previous month, and non-durables price index rose. A combination of several products contributed to an increase in the prices of non-durables.

*Market services* prices rose by 0.4 percent compared with the previous month (Chart 7). There was a price growth, largely identical with the average seen in recent years, in a wide range of services.

The inflation of *foods* continued to decline in April. Within the product group, the unprocessed food price index was mainly reduced by a fall in fresh vegetables and fruit prices, and a rise in the inflation of processed food was primarily caused by dairy product prices.

Prices of *regulated products* were unchanged relative to March.

As a result of a reduction in excise duties, fuel prices fell relative to the previous month. The base effect of last year's decline in prices played a key role in a double-digit rise in the inflation of fuel.

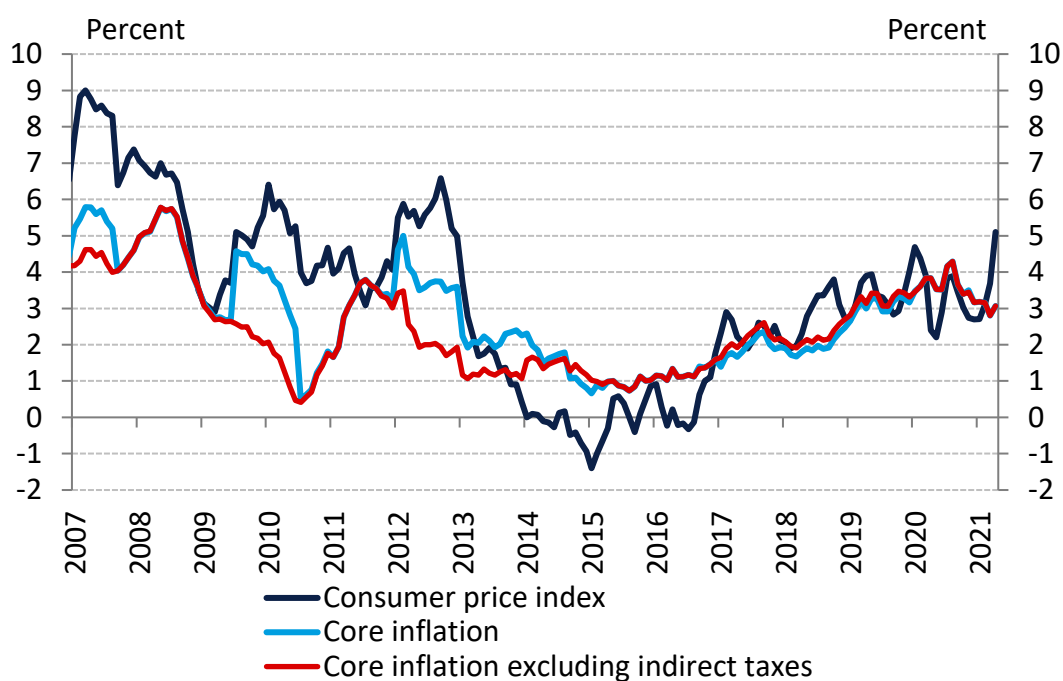
The indicators, measuring *households' inflation expectations*, showed unusually high volatility, similarly to the consumer price index. The indicator increased in April compared to earlier months (Chart 8).

Prepared by Judit Várhegyi  
Budapest, 11 May 2021

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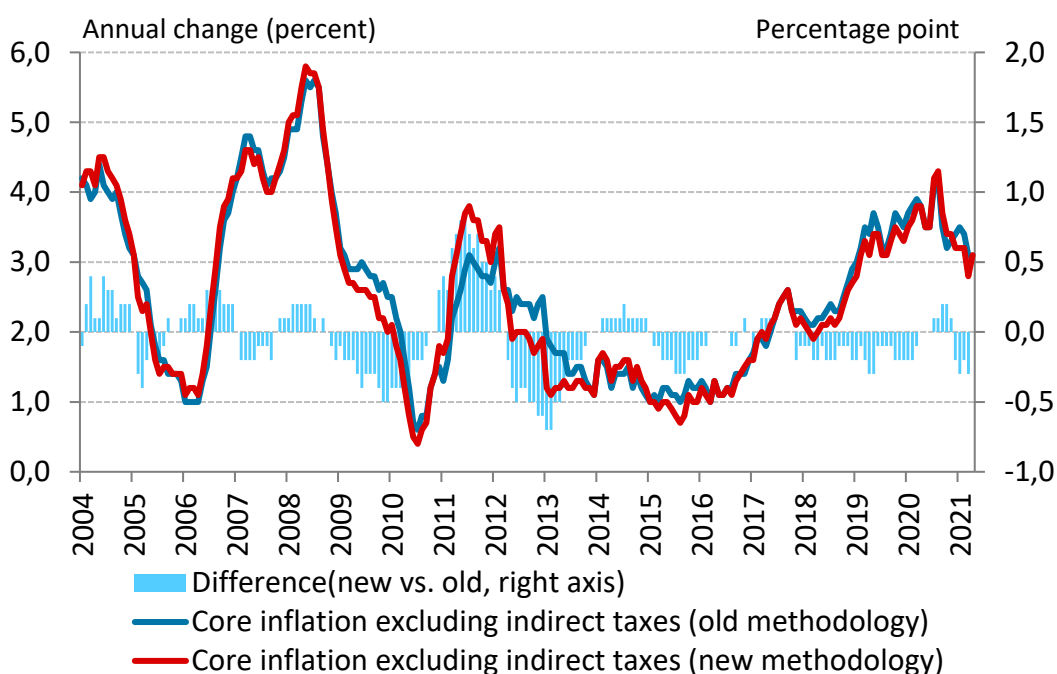
<sup>1</sup> The press release is only available in Hungarian [here](#).

**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – April 2021)



*Note: Seasonally unadjusted core inflation.*

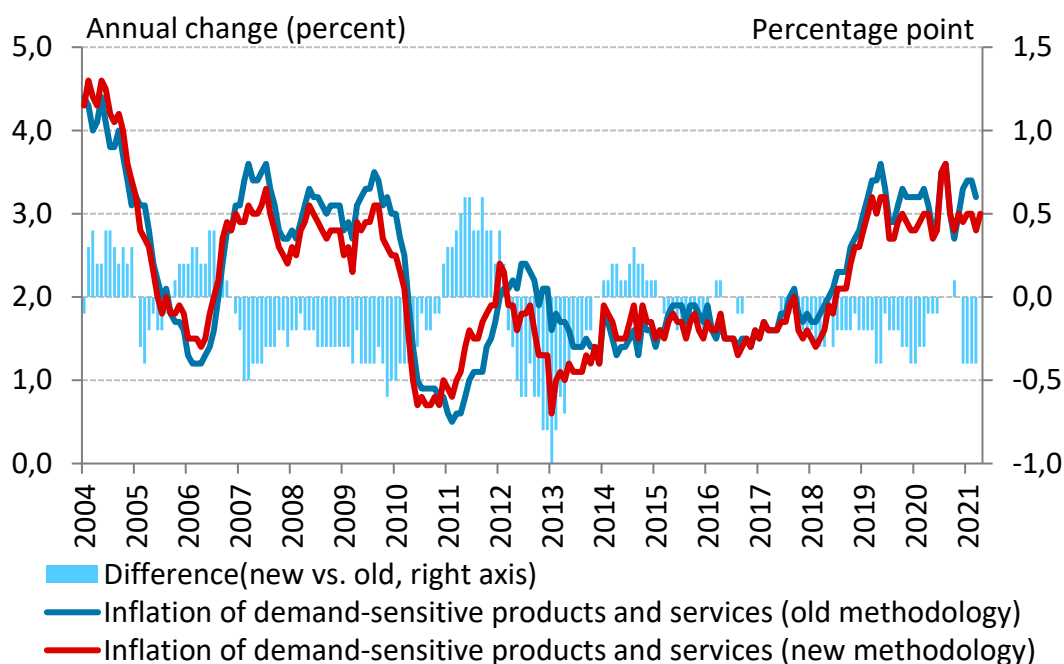
**Chart 2 Core inflation excluding indirect tax effects calculated using the old and the new methodology**  
(annual percentage changes, January 2004 – April 2021)



*Note: Seasonally unadjusted data. Core inflation measure excluding indirect tax effects calculated using the old methodology is shown in the chart until March 2021.*

**Chart 3 Inflation of demand-sensitive products and services calculated using the old and the new methodology**

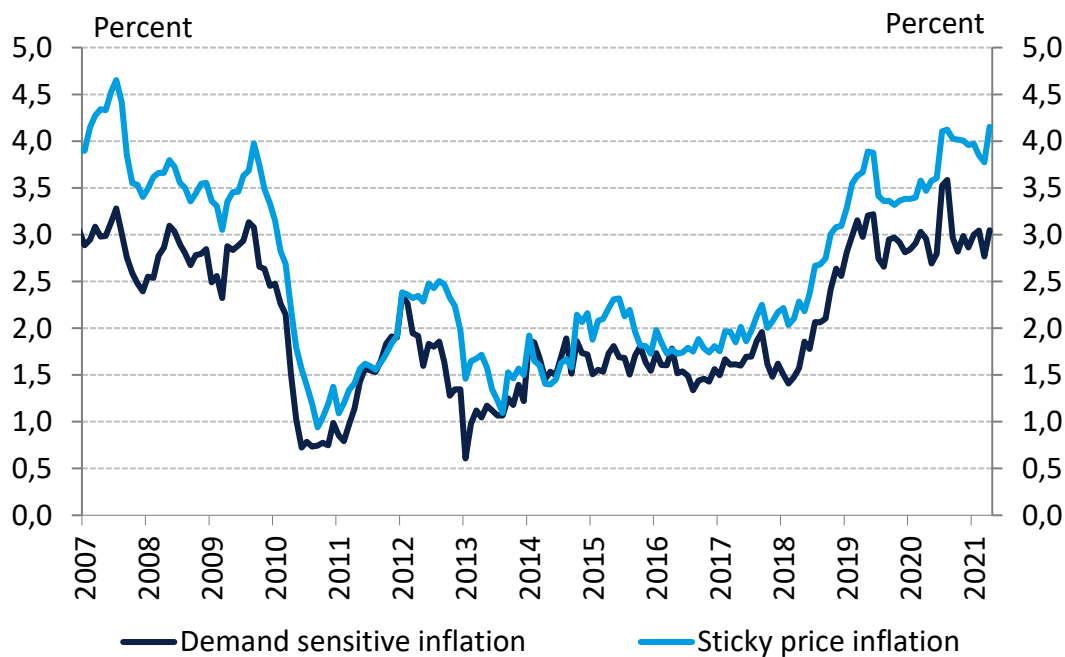
(annual percentage changes, January 2004 – April 2021)



*Note: Seasonally unadjusted data. Demand-sensitive measure calculated using the old methodology is shown in the chart until March 2021.*

**Chart 4 Underlying inflation indicators**

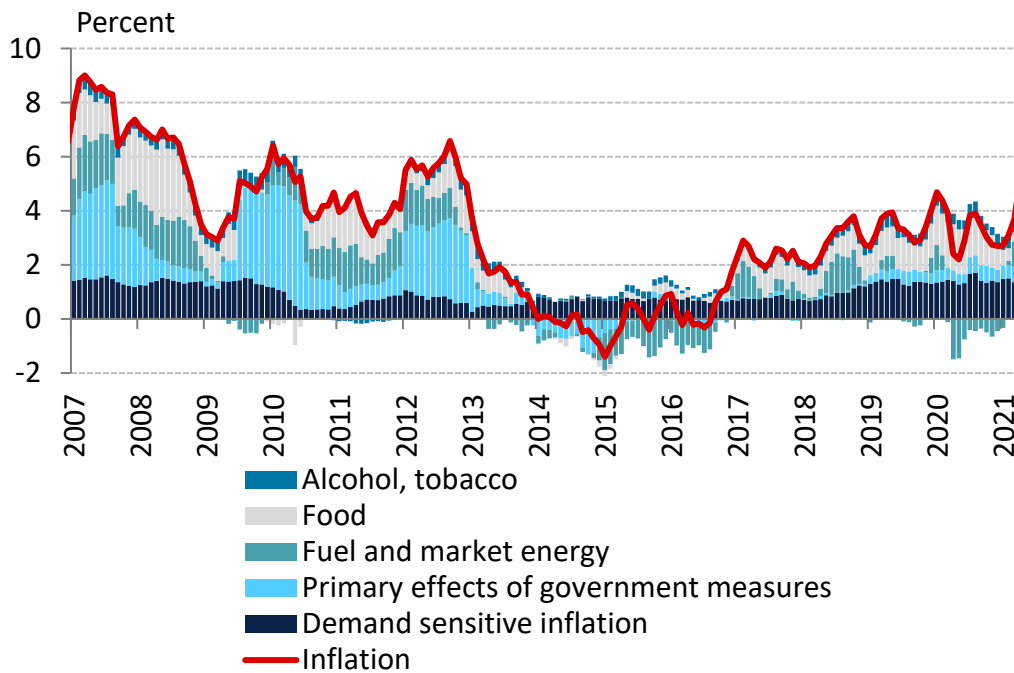
(excluding indirect taxes, annual percentage changes, January 2007 – April 2021)



*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 HCSO.*

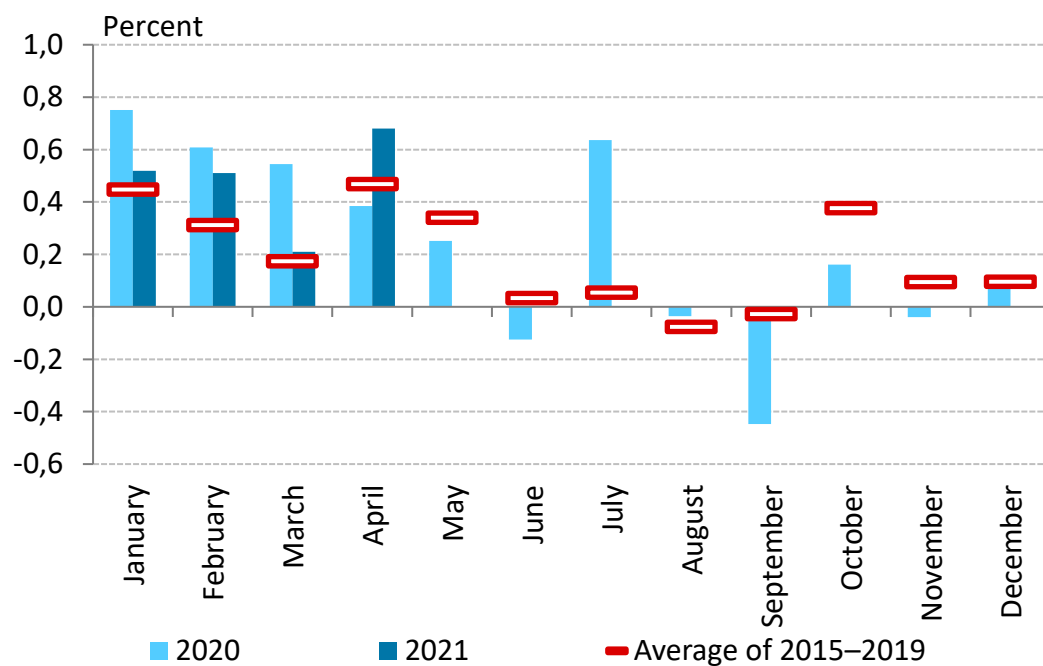
**Chart 5 Inflation decomposition**

(annual percentage changes, January 2007 – April 2021)



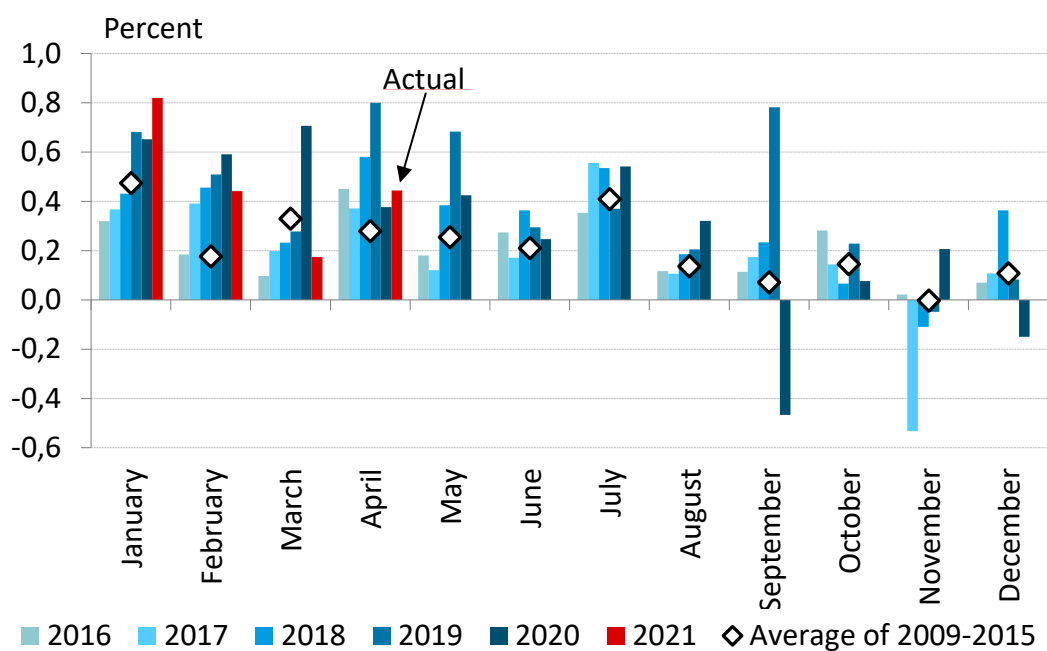
**Chart 6 Monthly changes in consumer prices excluding fuel prices**

(tax-adjusted, seasonally unadjusted monthly percentage changes)



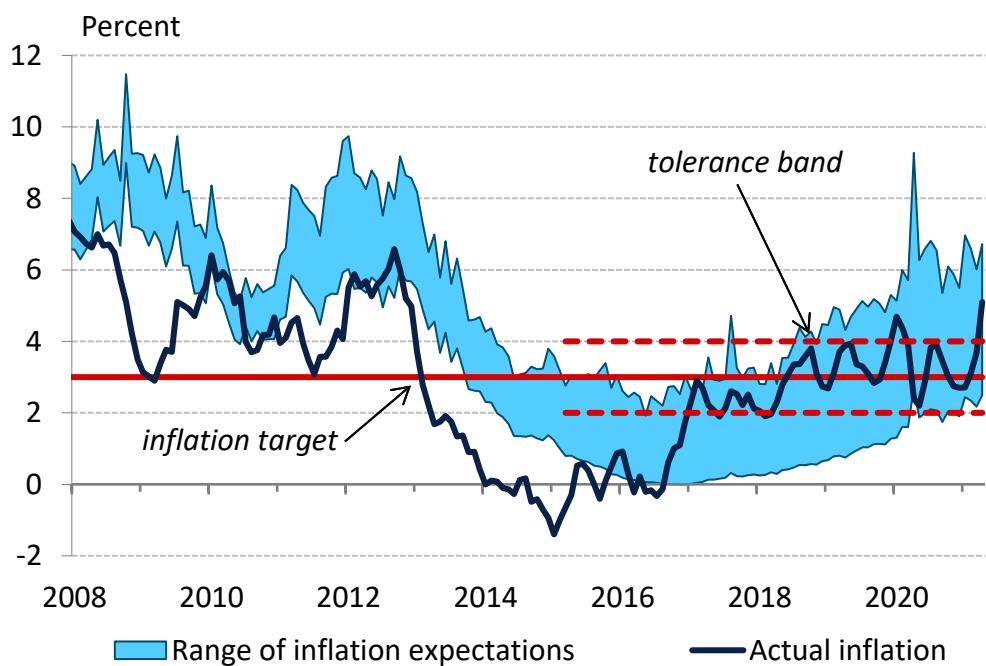
**Chart 7 Market services inflation**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – April 2021)



**Chart 8 Households' inflation expectations**

(January 2008 – April 2021)



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, April 2021 (HCSO)					
5.1% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 36.7%</b>	<b>1.5</b>	<b>Contribution of demand sensitive inflation (percentage points), weight 49.4%</b>	<b>1.5</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 63.2%</b>	<b>1.9</b>
Contribution of other items (percentage points), weight 63.3%	3.6	Contribution of other items (percentage points), weight 50.6%	3.6	Contribution of other items (percentage points), weight 36.8%	3.2

Sources: HCSO and the MNB's own calculations.

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