



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**JANUARY**

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.*

*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 JANUARY 2021

In January 2021, annual *inflation* stood at 2.7 percent and core inflation at 4.2 percent. Core inflation adjusted for the effects of indirect taxes was 3.5 percent (Chart 1). Headline inflation was unchanged and core inflation rose by 0.2 percentage points relative to the previous month. This was primarily driven by a stronger price growth of alcohol and tobacco products, which was caused by a rise in excise taxes in January.

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, remained broadly unchanged relative to the previous month (Chart 2).

In January 2021, the inflation contribution of demand-sensitive products and fuel rose, which was offset by a decline in the inflation contribution of foods. As a result, overall, inflation remained unchanged relative to the previous month (Chart 4).

Pricing decisions have shown higher volatility and an unusual seasonal pattern after the onset of coronavirus. With disinflationary effects strengthening since September 2020, there was generally a weaker price growth in the last months of 2020. In January 2021, the repricing was lower than the one seen in 2020 (Chart 3).

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

The annual inflation of *industrial goods* rose slightly in January. Within the product group, durables price index slightly rose relative to the previous month, and non-durables price index remained unchanged. The rise in durables prices primarily reflected a growth in the price index of new passenger cars.

*Market services* prices rose by 0.8 percent compared with the previous month (Chart 5). A higher monthly price growth, unseen in the average of recent years, was due to a rise in the prices of mobile phones and Internet charges. The changes in other services prices corresponded to the historical average.

The inflation of *food* continued to decline in January. Within the product group, the unprocessed food price index was mainly reduced by a fall in fresh vegetables and fruit prices, and a decline in a wide range of product prices reduced the inflation of processed food.

Prices of *regulated products* rose slightly relative to December.

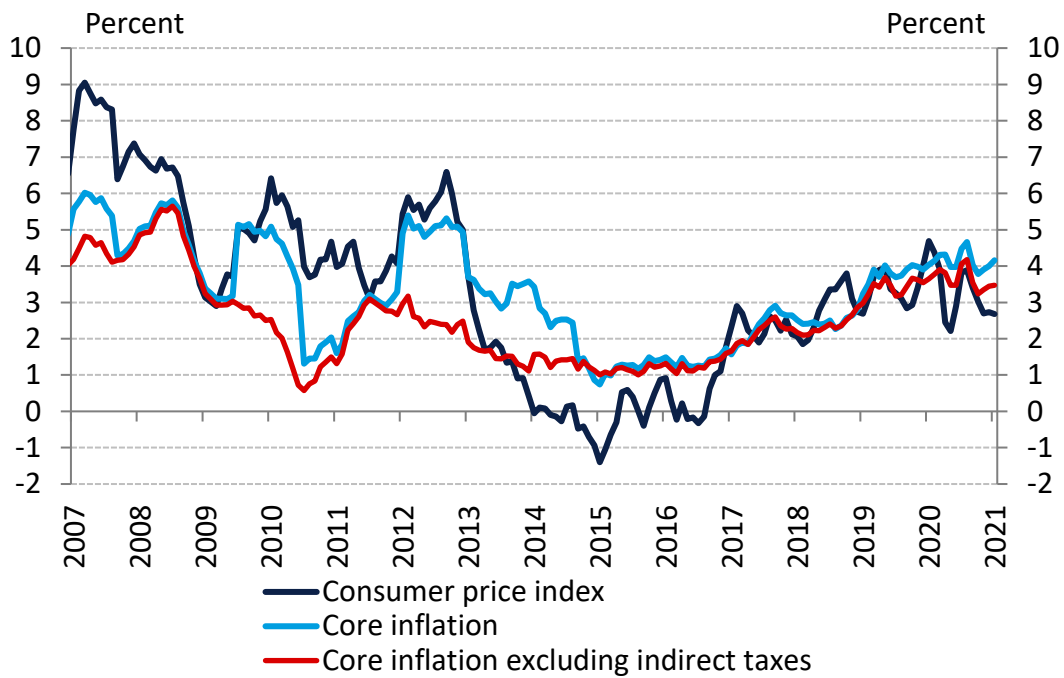
*Fuel prices* rose as the world market price of oil grew relative to the previous month.

The indicators, measuring households' inflation expectations, showed unusually high volatility, similarly to the consumer price index. The indicator increased in January compared to earlier months (Chart 6).

Prepared by Judit Várhegyi

Budapest, 12 February 2021

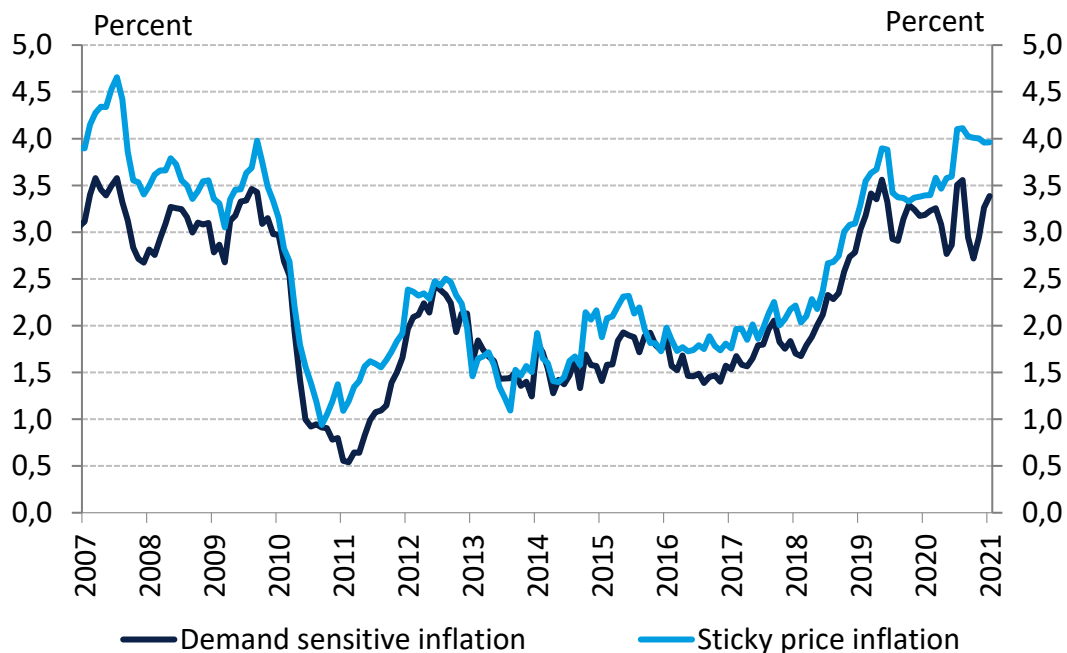
**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – January 2021)



Note: Seasonally unadjusted core inflation.

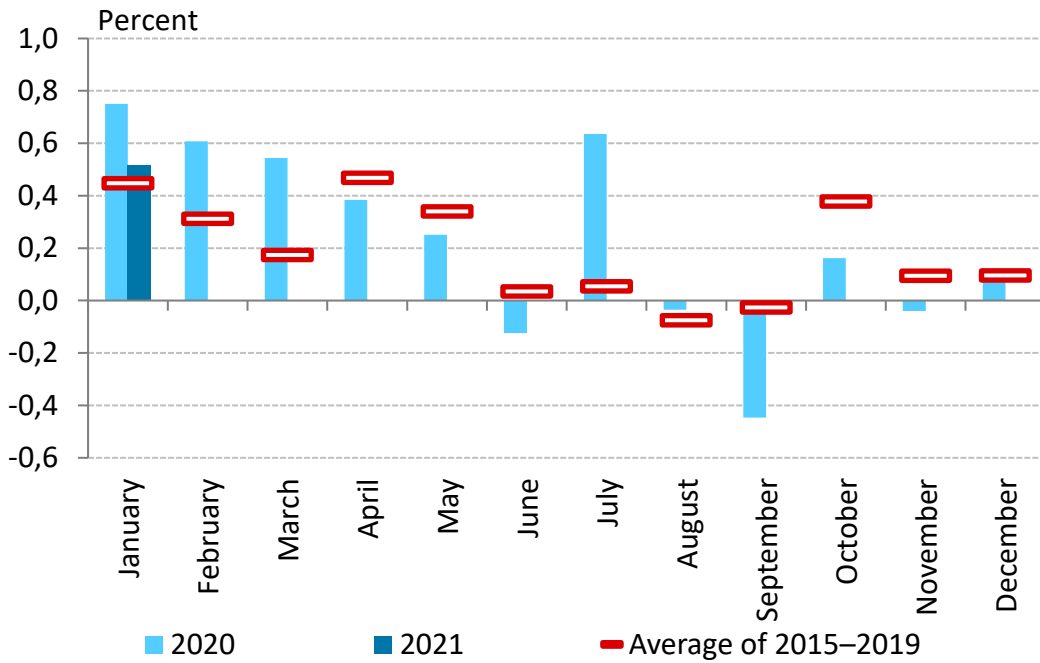
**Chart 2 Underlying inflation indicators**

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



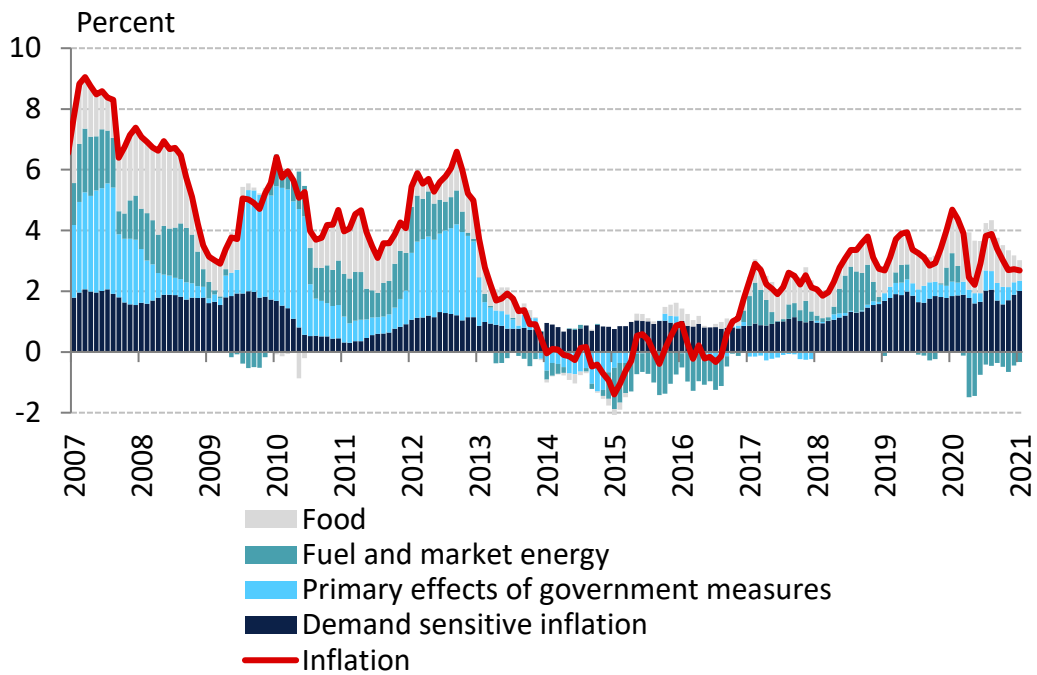
Note: Demand-sensitive inflation is derived by eliminating processed food prices from core inflation. Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 per cent of elementary prices change monthly on average. MNB calculation based on data released by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

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



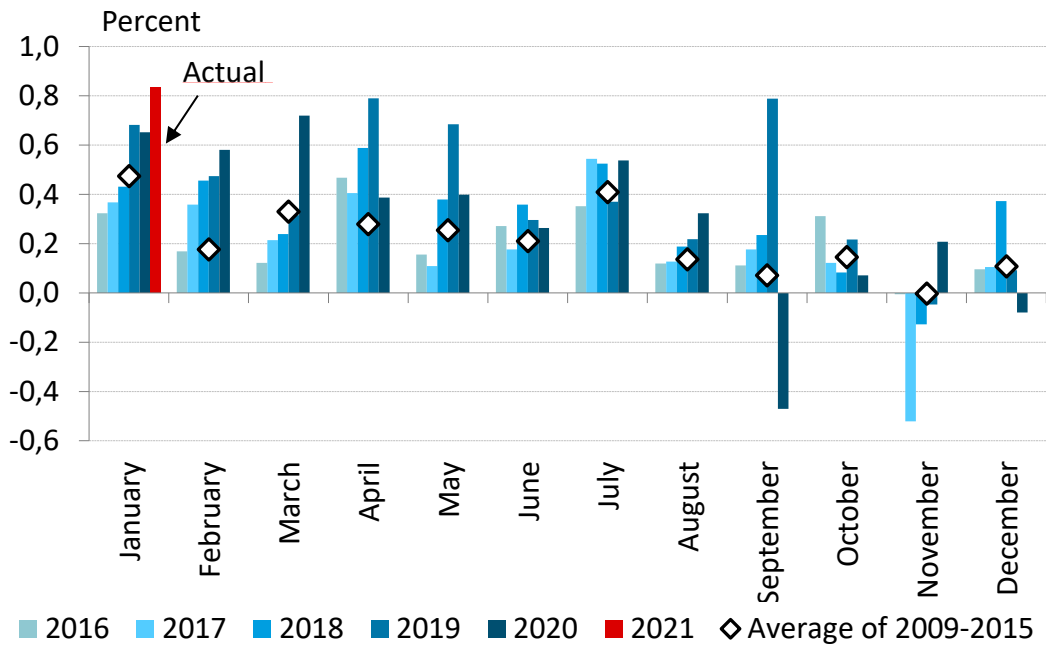
**Chart 4 Inflation decomposition**

(annual percentage changes, January 2007 – January 2021)



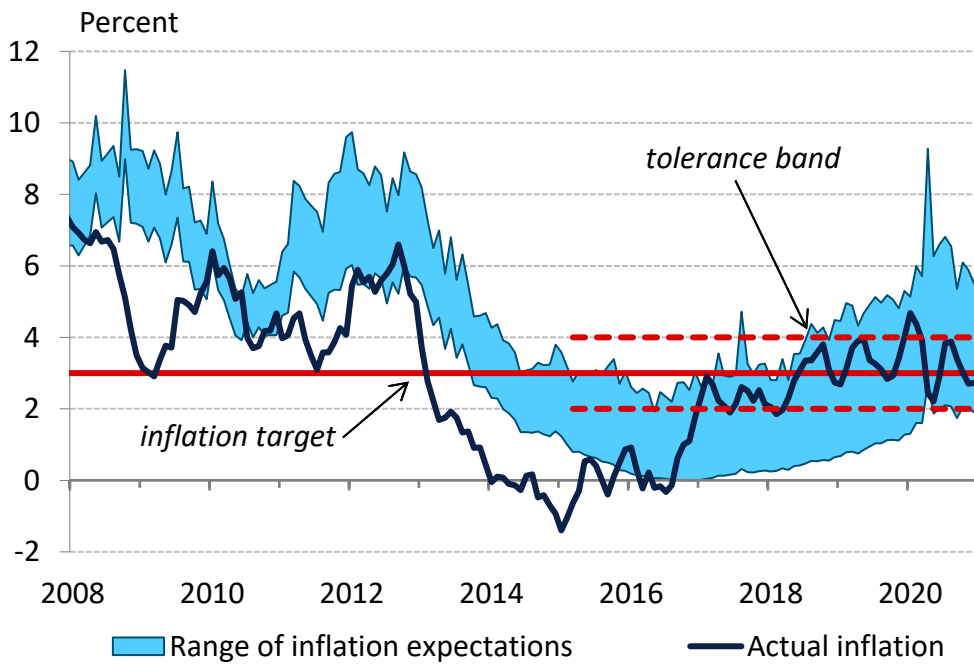
**Chart 5 Market services inflation**

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



**Chart 6 Households' inflation expectations**

(January 2008 – January 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, January 2021 (HCSO)					
2.7% (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 59.2%</b>	<b>2.0</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 73.0%</b>	<b>2.5</b>
Contribution of other items (percentage points), weight 63.3%	1.2	Contribution of other items (percentage points), weight 40.8%	0.7	Contribution of other items (percentage points), weight 27.0%	0.1

Sources: HCSO and the MNB's own calculations.

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