MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

JUNE

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_statisztikai_idosorok/mnben_elv_prices/underlying_inflation_indicators_MNB

ASSESSMENT OF INFLATION DATA FOR JUNE 2021

In June 2021, annual *inflation* stood at 5.3 percent while core inflation and core inflation excluding indirect tax effects was 3.8 percent (Chart 1). Headline inflation rose by 0.2 percentage points and core inflation by 0.4 percentage points compared to the previous month. The rise in inflation was mainly driven by a price growth of regulated products and services and market services.

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 2).

In June 2021, the contribution of demand-sensitive products, food and government measures to inflation rose. Fuel prices continued to make a significant contribution of 1.4 percentage points to inflation (Chart 3).

Pricing decisions showed higher volatility and an unusual seasonal pattern after the onset of coronavirus. In the first months of 2021, repricing was lower than last year (Chart 4). By contrast, it was higher from April than in 2020.

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

The annual inflation of *industrial goods* rose in June. Within the product group, the price indices of both durables and non-durables rose relative to the previous month. Price increases were typical of a wide range of products for both groups.

Market services prices rose by 1.1 percent compared to the previous month (Chart 5). A higher monthly price growth, unseen in the average of recent years, was due to price changes in domestic holidays and mobile phones and Internet services.

The inflation of *foods* rose relative to May. Within the product group, a rise in the inflation of unprocessed food was caused by several product prices and a rise in the price index of processed food was mainly attributable to milk prices.

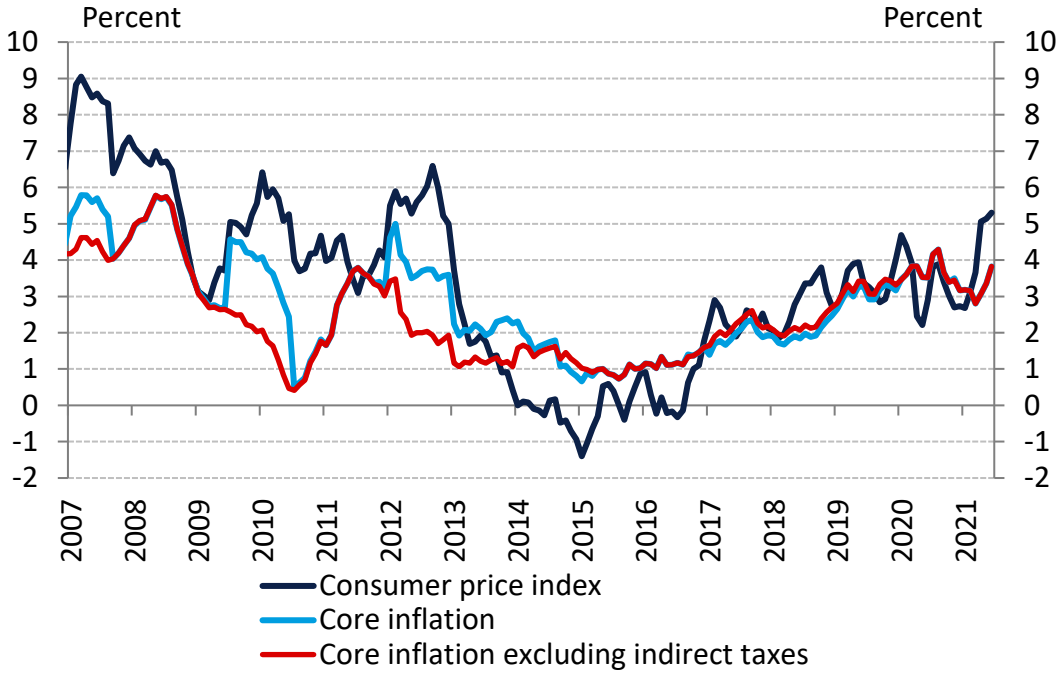
Prices of *regulated products* rose by 1.9 percent relative to May, which was attributable to the effect of cancelling the free parking system in public areas, implemented in November 2020 due to the coronavirus pandemic.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility, similarly to the consumer price index. In June, the indicators were broadly unchanged relative to the previous month (Chart 6).

Prepared by Judit Várhegyi

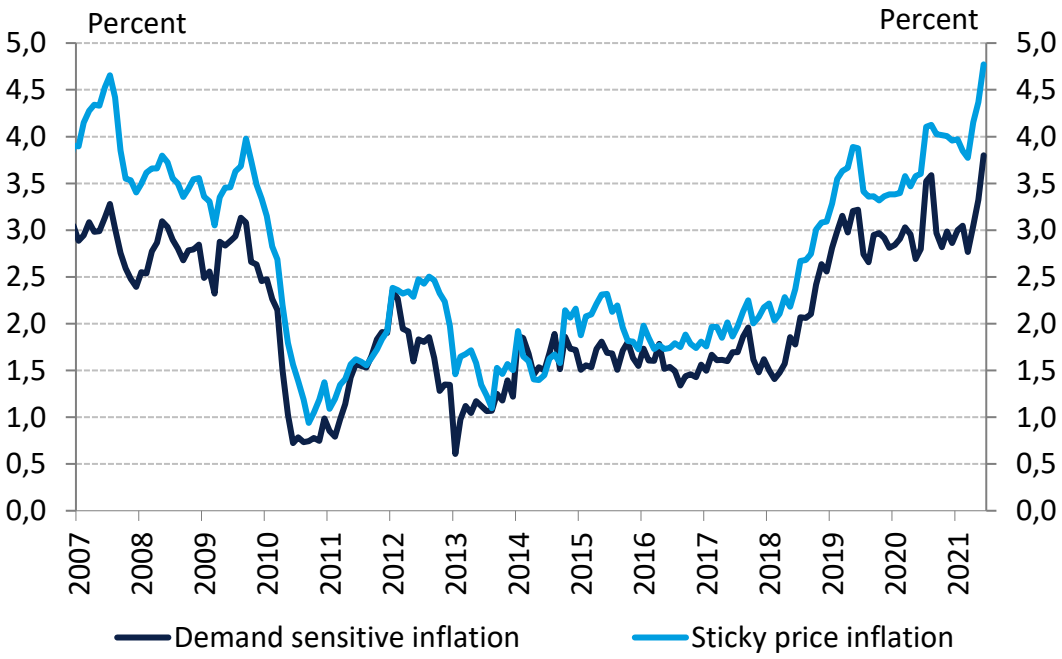
Budapest, 8 July 2021

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



Note: Seasonally unadjusted core inflation.

Chart 2 Underlying inflation indicators
(excluding indirect taxes, annual percentage changes, January 2007 – June 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 percent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO.

Chart 3 Inflation decomposition

(annual percentage changes, January 2007 – June 2021)

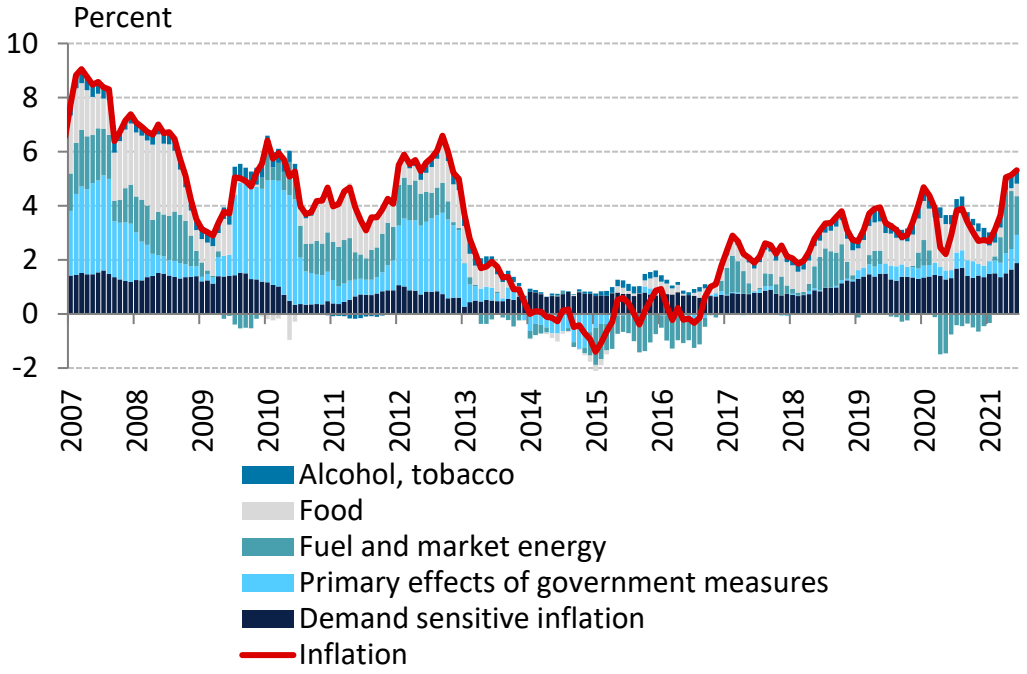


Chart 4 Monthly changes in consumer prices excluding fuel prices

(tax-adjusted, seasonally unadjusted monthly percentage changes)

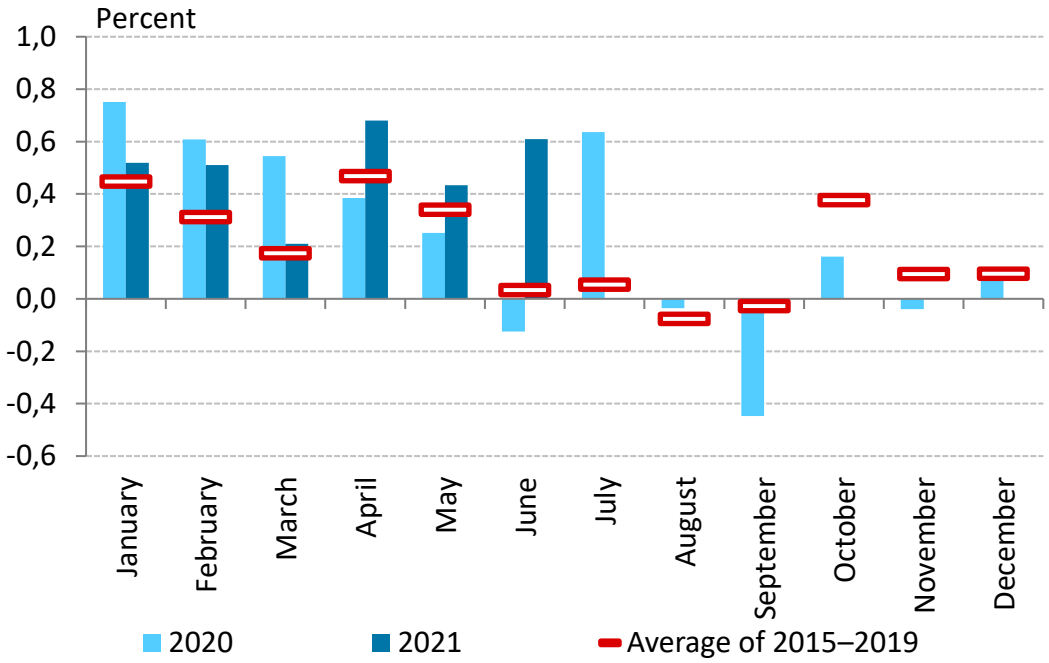


Chart 5 Market services inflation

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

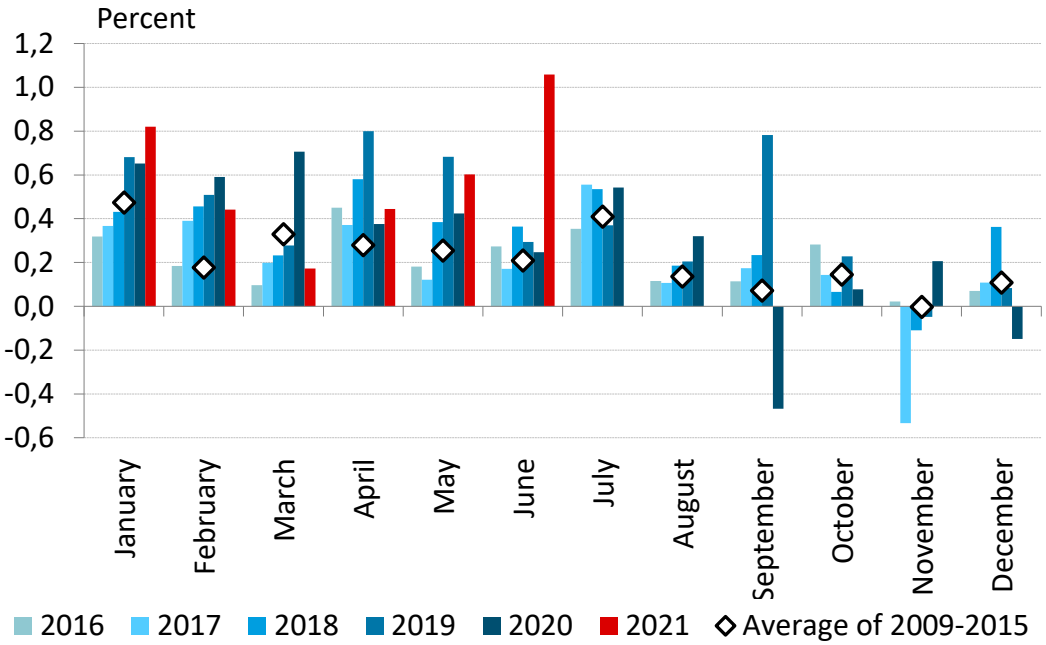
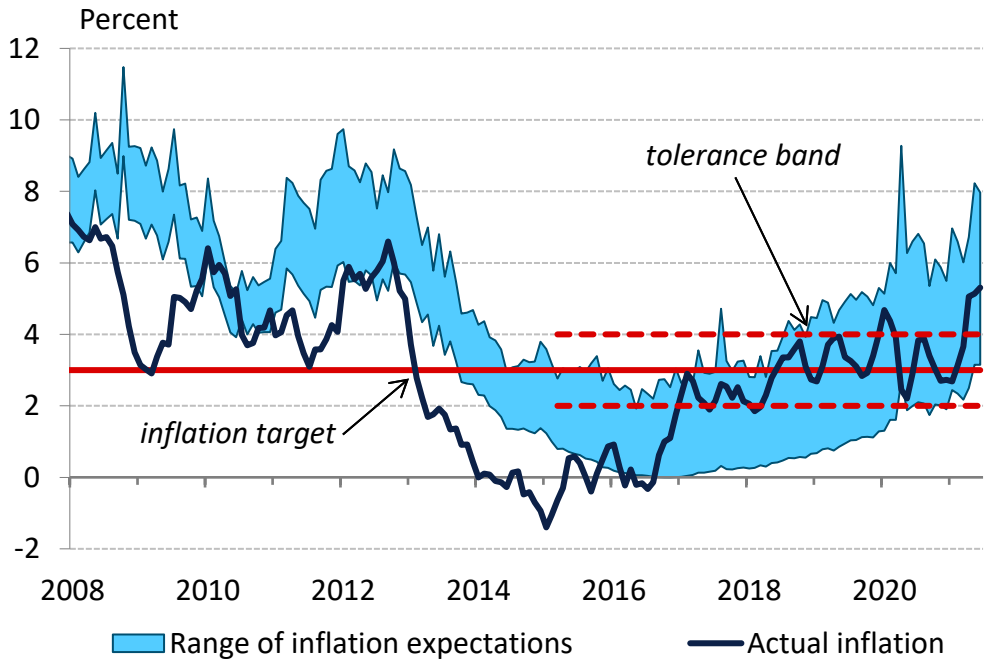


Chart 6 Households' inflation expectations

(January 2008 – June 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, June 2021 (HCSO)					
5.3% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 36.7%	**1.8**	**Contribution of demand sensitive inflation (percentage points), weight 49.4%**	**1.9**	**Contribution of core inflation excluding taxes (percentage points), weight 63.2%**	**2.4**
Contribution of other items (percentage points), weight 63.3%	3.6	Contribution of other items (percentage points), weight 50.6%	3.4	Contribution of other items (percentage points), weight 36.8%	2.9

Sources: HCSO and the MNB's own calculations.
The sum of contributions may differ from the official figures due to rounding.