



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**AUGUST**

2022

*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:

<https://www.mnb.hu/kiadvanyok/elemezsek-tanulmanyok-statisztikak/az-mnb-inflacios-alapmutatoi>

## ASSESSMENT OF INFLATION DATA FOR AUGUST 2022

In August 2022, annual inflation was 15.6 percent. Core inflation was 19.0 percent and core inflation excluding indirect tax effects stood at 18.9 percent (Chart 1). Inflation rose by 1.9 percentage points relative to the previous month which was mainly driven by an increase in food prices. Core inflation rose by 2.3 percentage points relative to the previous month. The increase in core inflation was largely driven by processed food prices (1.1 percentage points).

The Bank's measures of underlying inflation developments capturing persistent inflationary trends rose relative to the previous month (Chart 2). A pick-up in inflation was fuelled by a rise in food prices to the greatest extent in addition to an increase in underlying inflation (Chart 3).

The rise in global commodity and energy prices affected a wide range of products, resulting in the monthly change of 2.0 percent in prices in the basket calculated excluding fuel and regulated product prices. This is still significantly above the values seen in recent years (Chart 4).

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

*Industrial goods* prices rose by 1.9 percent compared to the previous month, in contrast to the price change of around 0 percent which is historically seen in the month of August (Chart 5). As a result, the annual inflation of industrial goods increased to 16.4 percent. Within this product group, the price indices for both durables and non-durables increased. The increase in durables prices was mainly linked to rises in the prices of new passenger cars, and a pick-up in the prices of non-durables was general.

*Market services* prices rose by 1.3 percent compared with the previous month. The rise in prices was significantly higher than the usual repricing seen in the month of August in recent years, which appeared across a wide range of services. The inflation of services (restaurant, dining prices and canteen goods) linked to foods continued to pick up further. The annual price index of services stood at 11.1 percent (Chart 6).

*Food* price inflation rose to 33.6 percent. Within this product group, the prices of both processed and unprocessed food rose significantly (Chart 7). Food prices rose by 3.4 percent relative to July, while prices declined in this product group in the month of August in recent years (Chart 8). Within the group of unprocessed and processed foods, prices generally rose in a wide range of products.

In the group of alcohol and tobacco products, prices rose by 1.9 percent relative to July. The rise in prices reflected the continued pass-through of the increase in excise taxes in July.

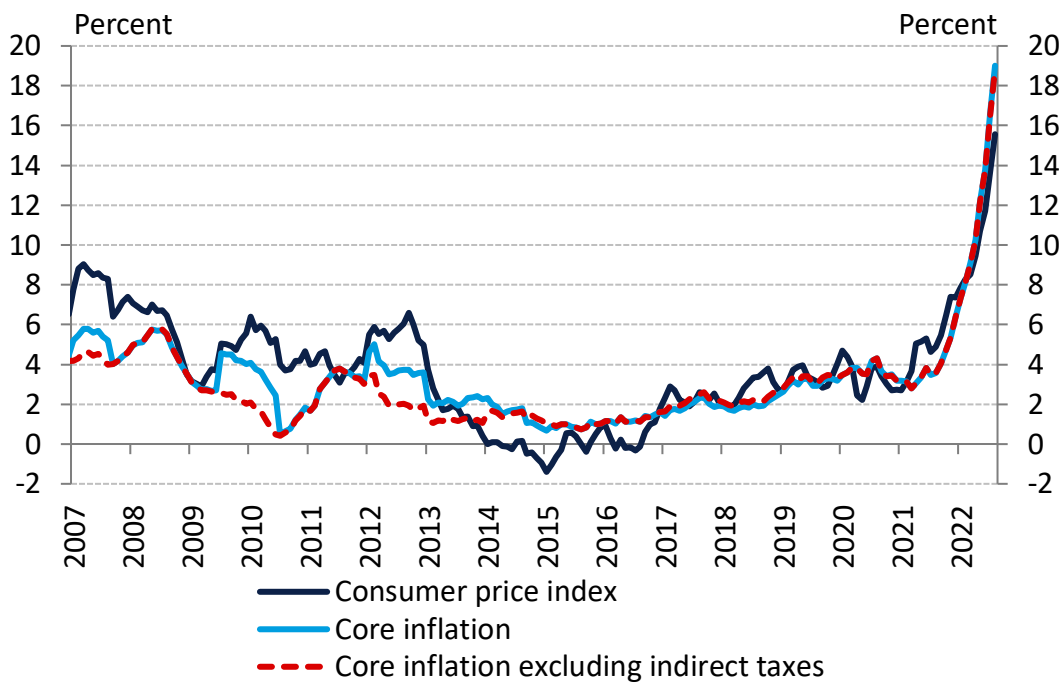
Prices of *regulated goods* rose by 0.2 percent relative to July.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. The indicators rose in August compared to the previous month (Chart 9).

Prepared by Géza Rippel

Budapest, 8 September 2022

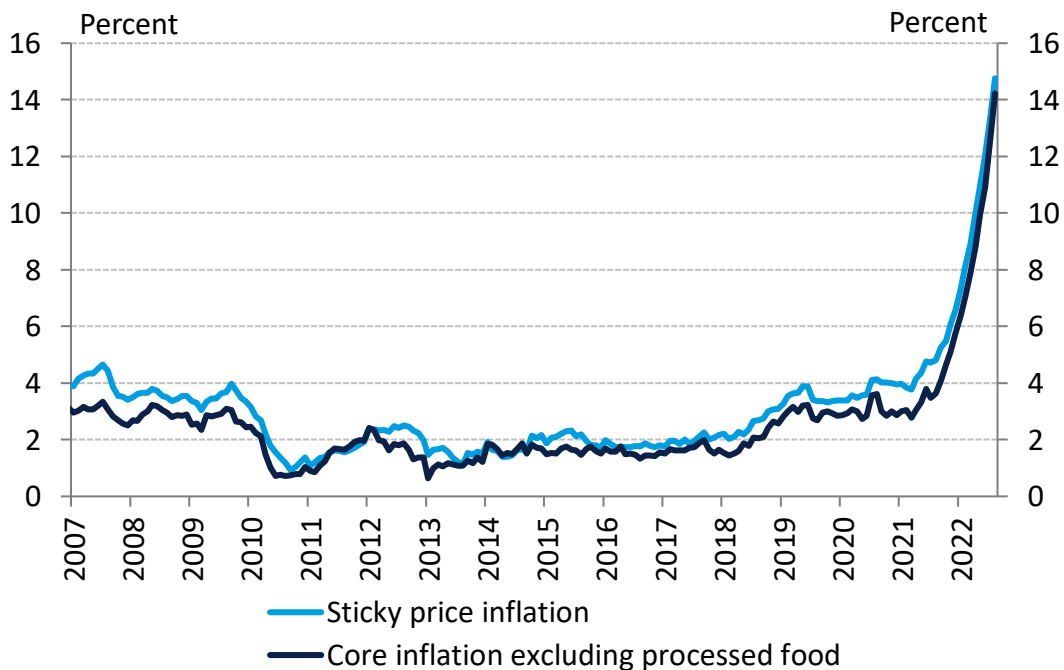
**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – August 2022)



Note: Seasonally unadjusted core inflation.

**Chart 2 Underlying inflation indicators**

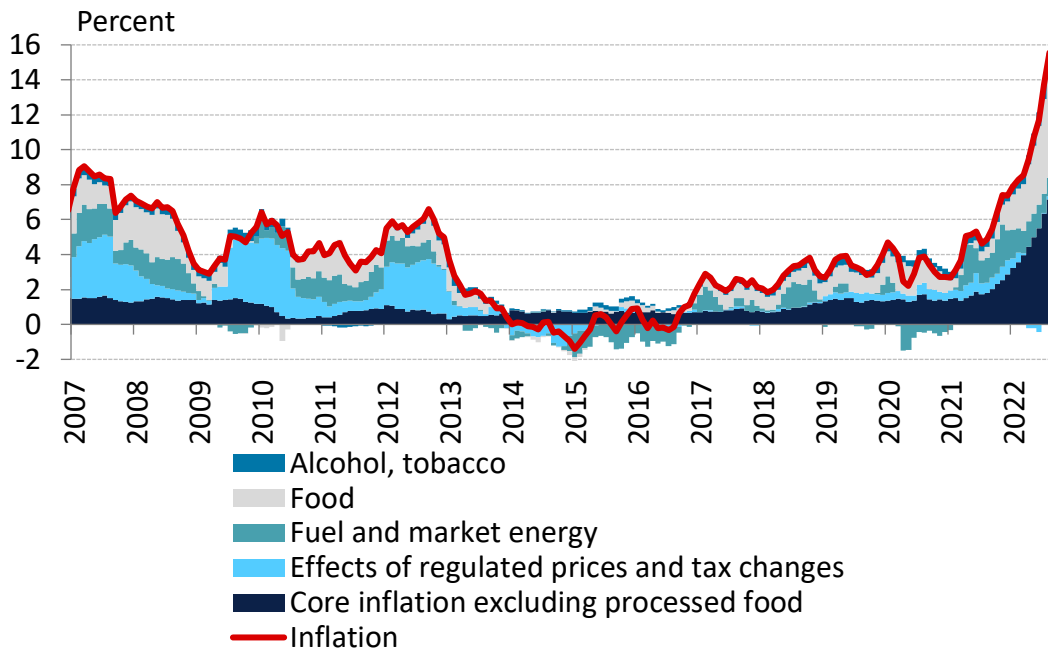
(excluding indirect taxes, annual percentage changes, January 2007 – August 2022)



Note: 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. Core inflation excluding processed foods with unchanged content is equivalent with the earlier demand sensitive inflation. The new name is justified by the fact that the previous name might be ambiguous in a period of significant cost shocks with general effects.

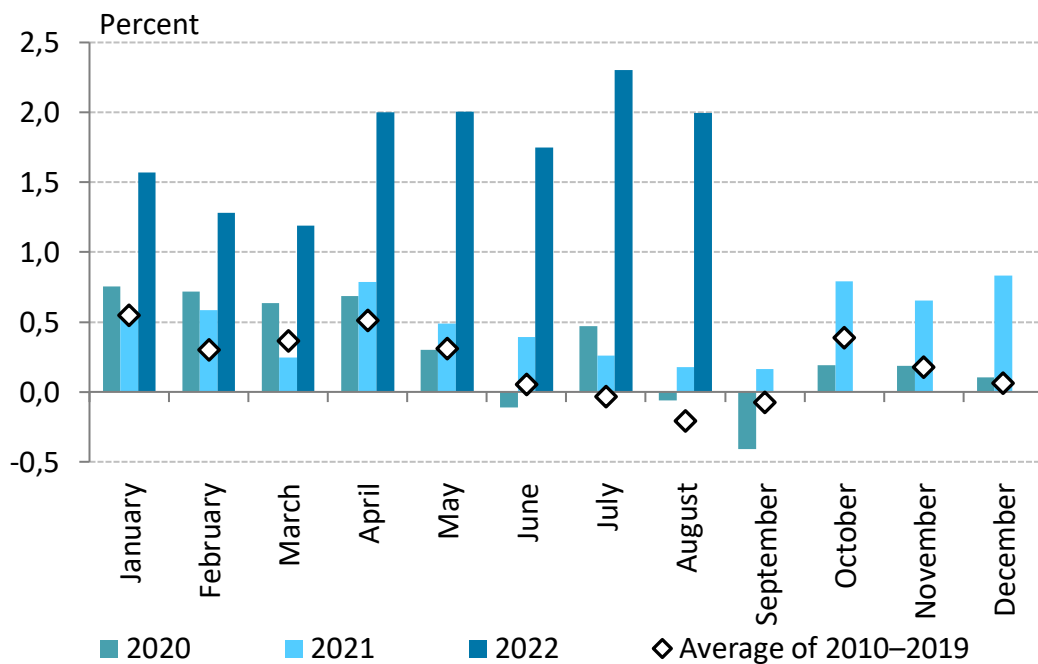
**Chart 3 Inflation decomposition**

(annual percentage changes, January 2007 – August 2022)



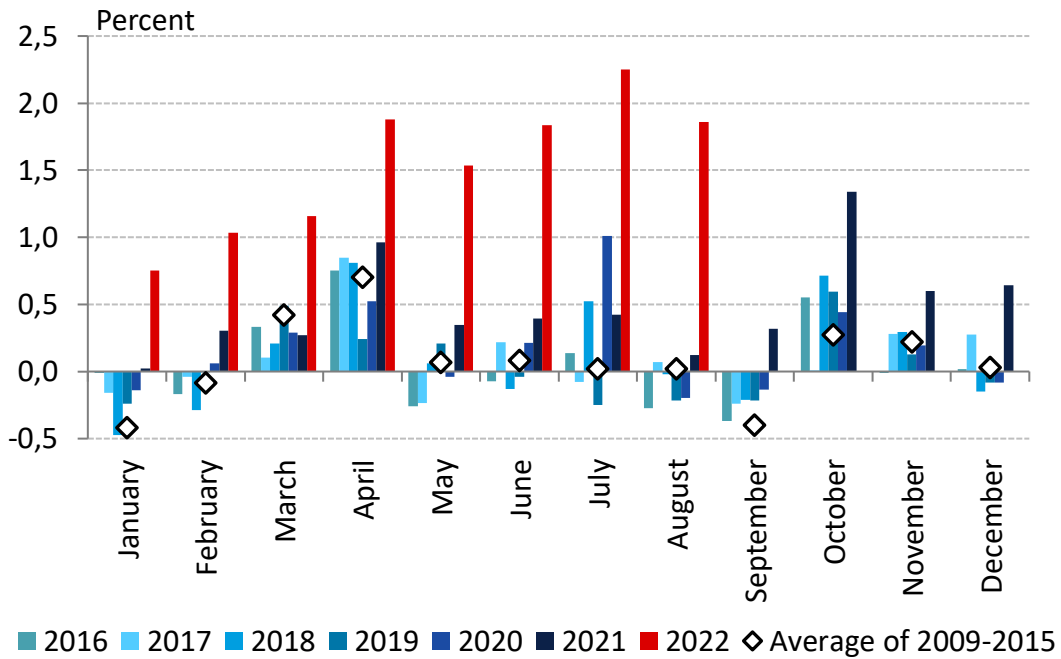
**Chart 4 Monthly changes in consumer prices excluding fuel and regulated products prices**

(tax-adjusted, seasonally unadjusted monthly percentage changes)



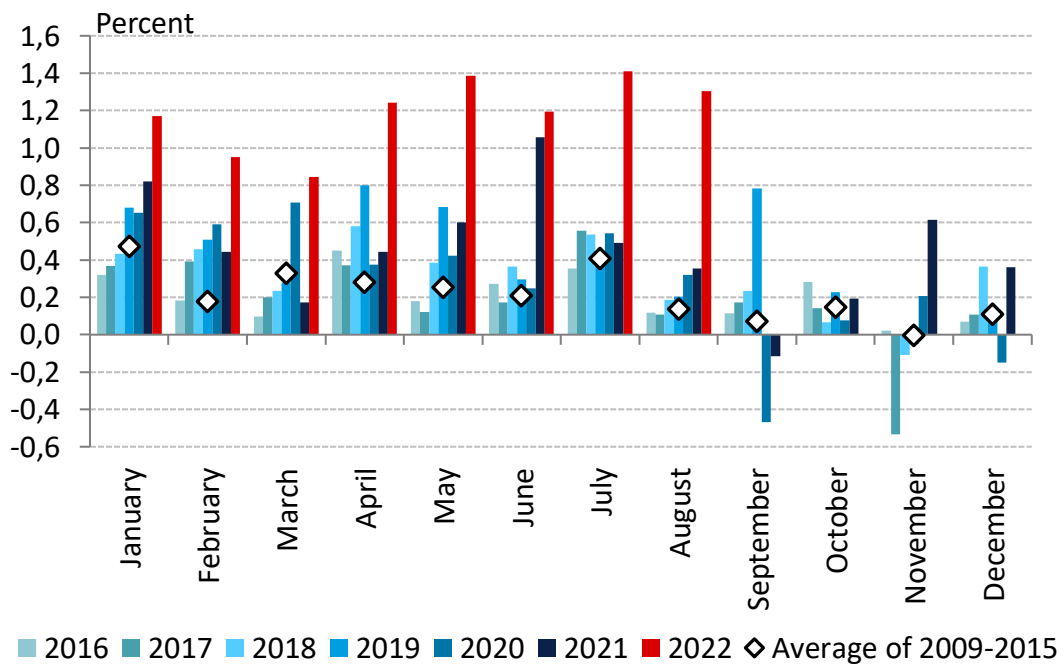
**Chart 5 Inflation of industrial goods**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – August 2022)



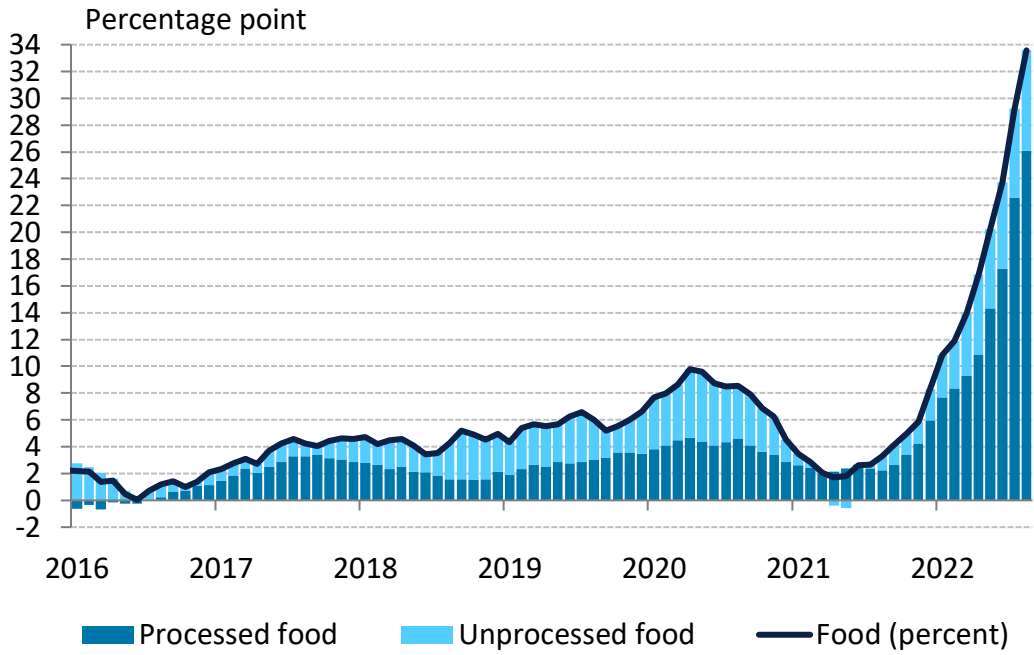
**Chart 6 Market services inflation**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – August 2022)



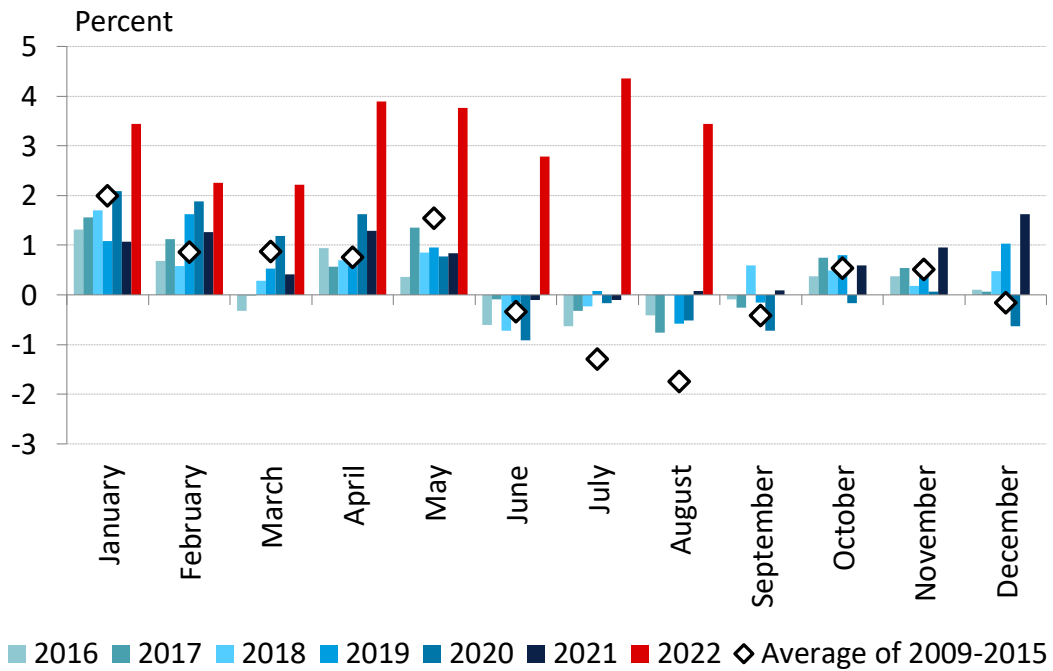
**Chart 7 Developments in food price inflation**

(seasonally unadjusted, tax-adjusted annual percentage changes, January 2016 – August 2022)

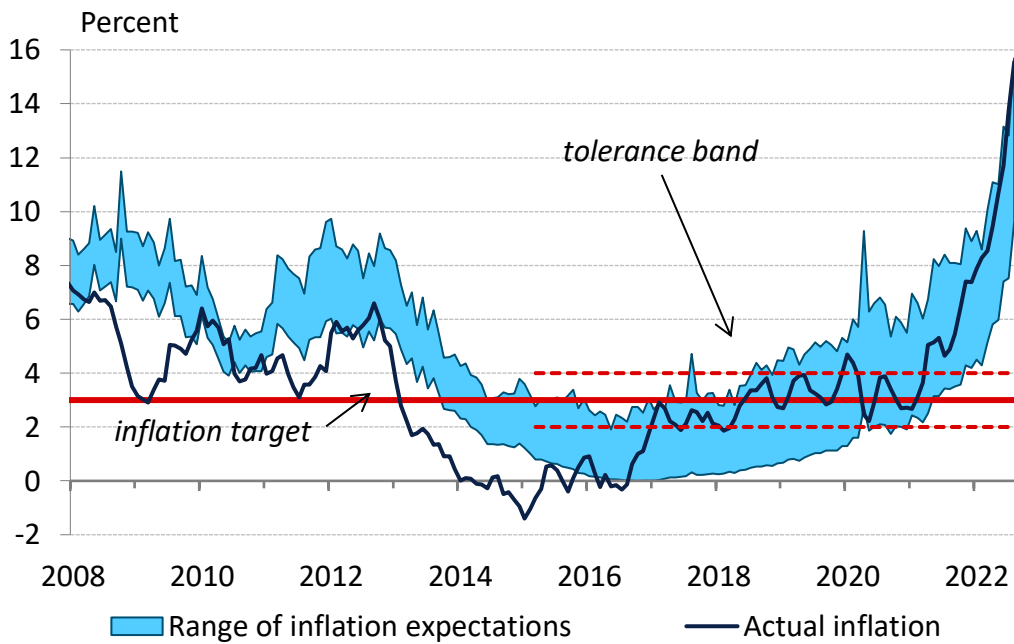


**Chart 8 Monthly changes in food prices**

(seasonally unadjusted, tax-adjusted monthly percentage changes, January 2016 – August 2022)



**Chart 9 Households' inflation expectations**  
(January 2008 – August 2022)



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, August 2022 (HCSO)					
15.6% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 38.6%</b>	<b>5.7</b>	<b>Contribution of core inflation excluding processed foods (percentage points), weight 50.3%</b>	<b>7.2</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 63.6%</b>	<b>12.0</b>
Contribution of other items (percentage points), weight 61.4%	9.9	Contribution of other items (percentage points), weight 49.7%	8.4	Contribution of other items (percentage points), weight 36.4%	3.6

Sources: HCSO and the MNB's own calculations.

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