



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

2022

DECEMBER

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 Géza Rippel (e-mail: rippelg@mnbb.hu)

The publicly available analyses and the related statistical databases are accessible on the MNB's website at:

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

ASSESSMENT OF INFLATION DATA FOR DECEMBER 2022

In December 2022, annual inflation was 24.5 percent. Core inflation was 24.8 percent and core inflation excluding indirect tax effects stood at 24.7 percent (Chart 1 and Chart 2). In 2022, average annual inflation was 14.5 percent, and annual core inflation was 15.7 percent.

Inflation rose by 2.0 percentage points relative to the previous month which was entirely due to a pick-up in fuel prices. Prices in this product group rose by 27 percent compared with December 2022, as a result of scraping the cap on fuel prices on 7 December, which contributed 2.0 percentage points to a rise in inflation.

Core inflation rose by 0.6 percentage points relative to the previous month. Half of the increase in core inflation was caused by processed food prices (0.3 percentage points). The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, rose relative to the previous month (Chart 3).

The monthly change in the basket calculated excluding fuel and regulated product prices was down 1.2 percent, the lowest level seen since March (Chart 4). Monthly change in core inflation excluding processed food, which better reflect market developments, slowed to 1.1 percent (Chart 5), however, it was still above the average of recent years.

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

Prices of *tradables* rose by 0.9 percent compared to the previous month, indicating a slowdown compared to the repricing seen in November (Chart 6). The annual inflation of tradables rose to 18.8 percent.

Services prices rose by 1.2 percent on the previous month similarly to the price changes observed in the previous months. The inflation of services (restaurant, dining prices and canteen goods) linked to foods continued to pick up. The annual price index of services stood at 15.4 percent (Chart 7).

Based on the HCSO data, *food inflation* increased to 44,8 percent, with the price index for processed food rising and unprocessed food inflation declining within this product group (Figure 8). Processed food prices rose by 3.0 percent, while unprocessed food prices declined by 0.3 percent compared to November, thus rise in prices in the entire product group showed the lowest monthly rate in 2022 (Figure 9). The fall in unprocessed food prices were linked to changes in egg and fruit prices. The increase in processed food prices was continued to be linked to the changes in dairy product prices to the greatest extent.

In the group of *alcohol and tobacco* products, prices rose by 0.4 percent relative to November due to the increase in alcohol product prices.

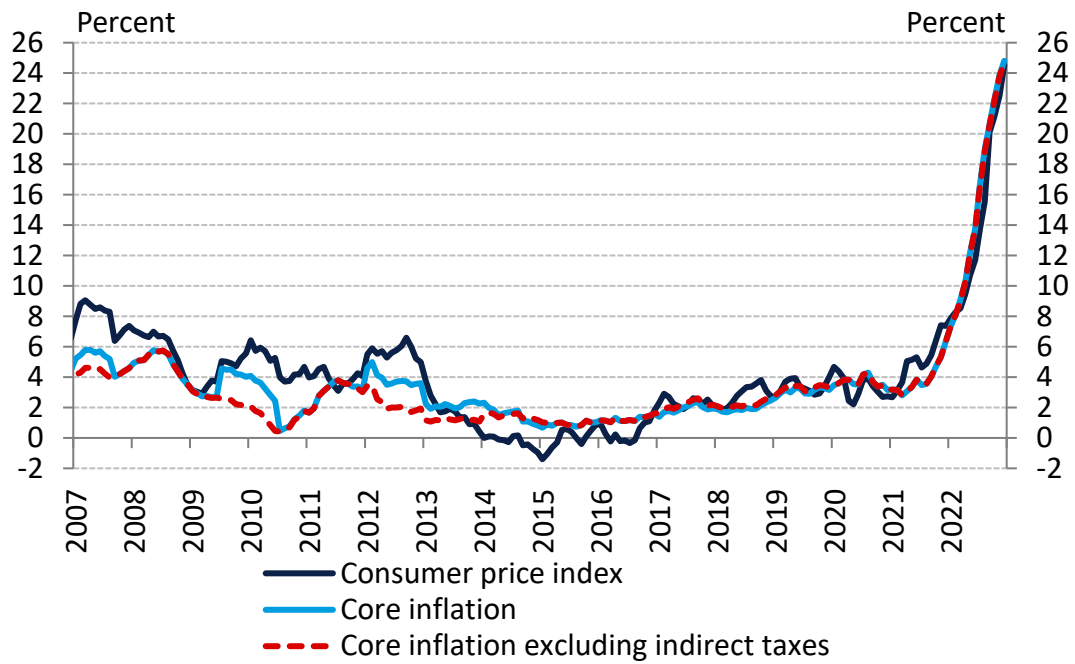
The prices of *regulated products and services* fell by 3.1 percent relative to November, explained by a decline of 11,8 percent in natural and manufactured gas prices. The fall in gas prices was due to a higher share of consumers' consumption falling below the volume limit of the lower officially regulated price, due to the adaptation of households and favourable weather conditions.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. The indicators remained broadly unchanged in December compared to the previous month (Chart 10). *Corporate expectations for retail sales and services prices* have been fluctuating below their peak in the summer for months (Chart 11).

Prepared by Géza Rippel

Budapest, 13 January 2023

Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes
annual change



Note: Seasonally unadjusted core inflation.

Chart 2 Inflation decomposition
annual change

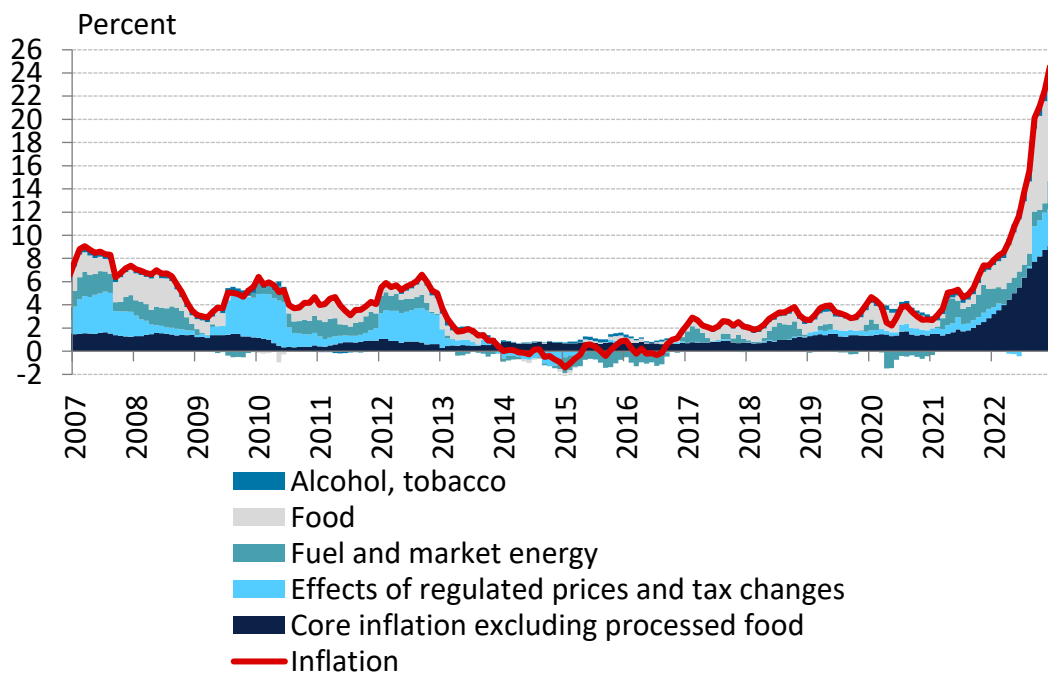
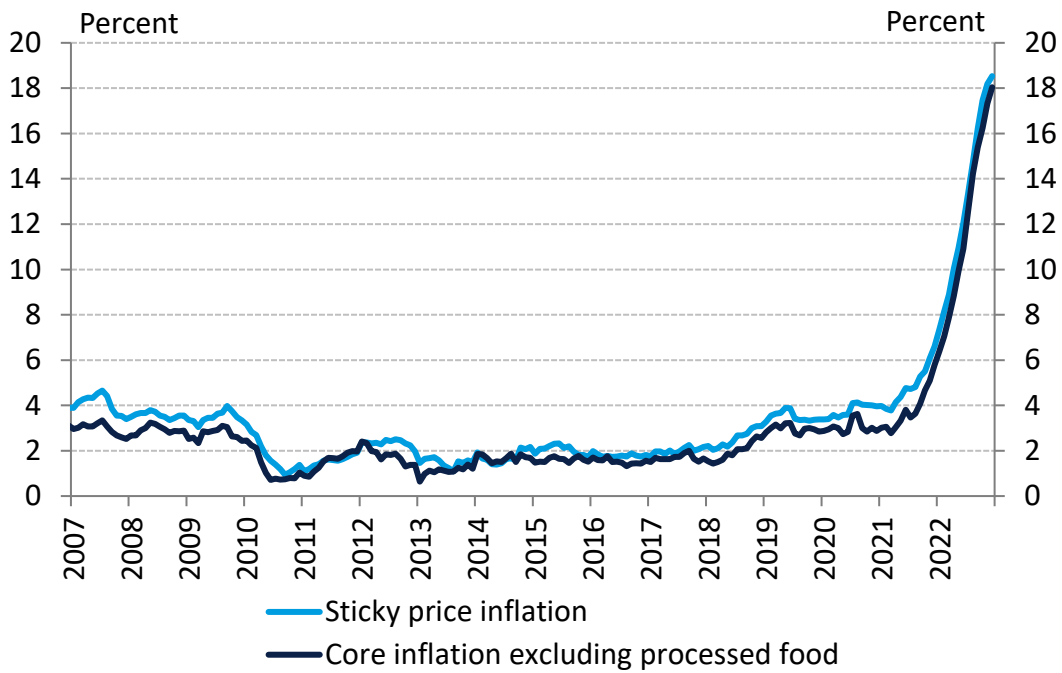


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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 4 Monthly changes in consumer prices excluding fuel and regulated products prices
tax-adjusted, seasonally unadjusted monthly percentage changes

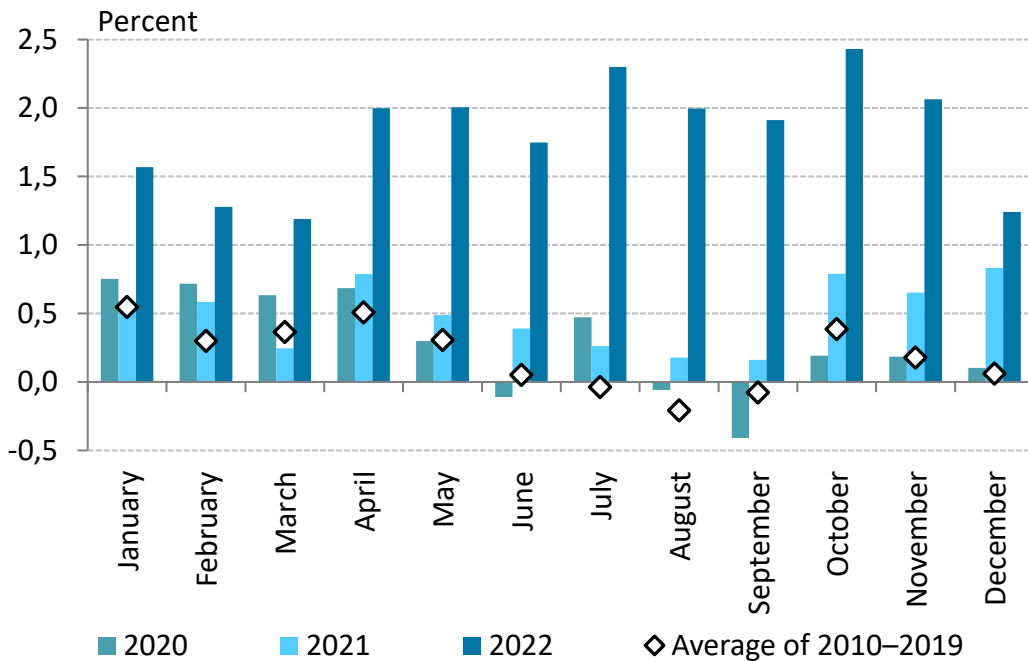


Chart 5 Monthly change in core inflation excluding processed food
 tax-adjusted, seasonally unadjusted monthly percentage changes

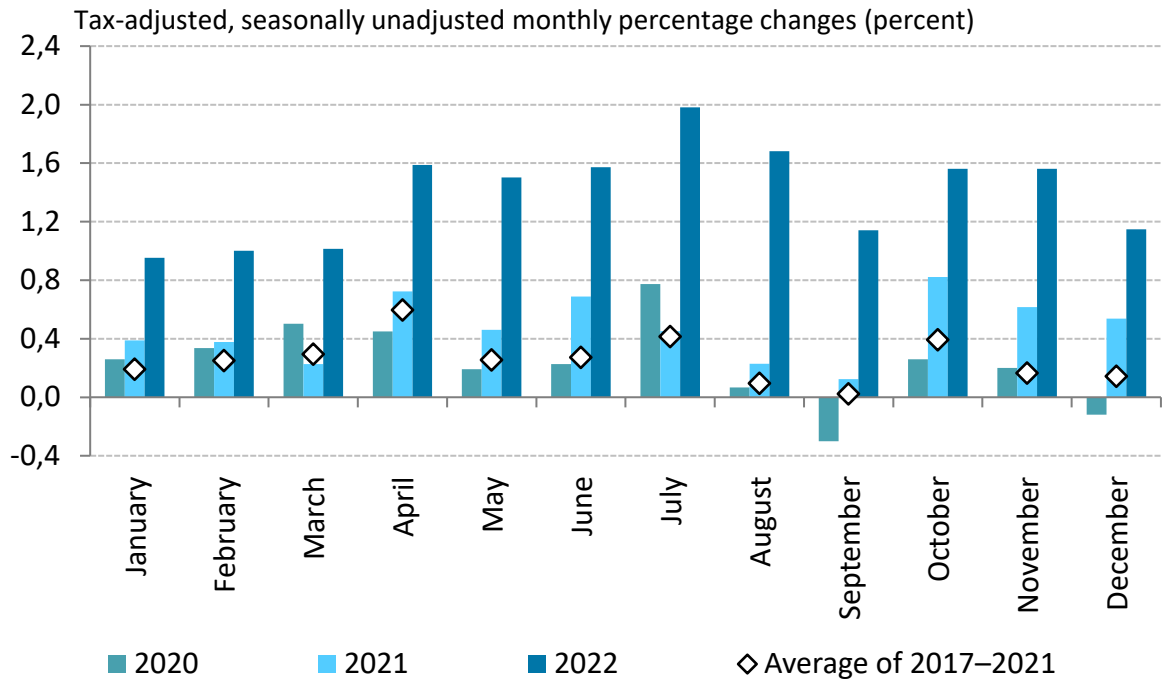


Chart 6 Inflation of tradable goods
 seasonally unadjusted, tax-adjusted monthly change

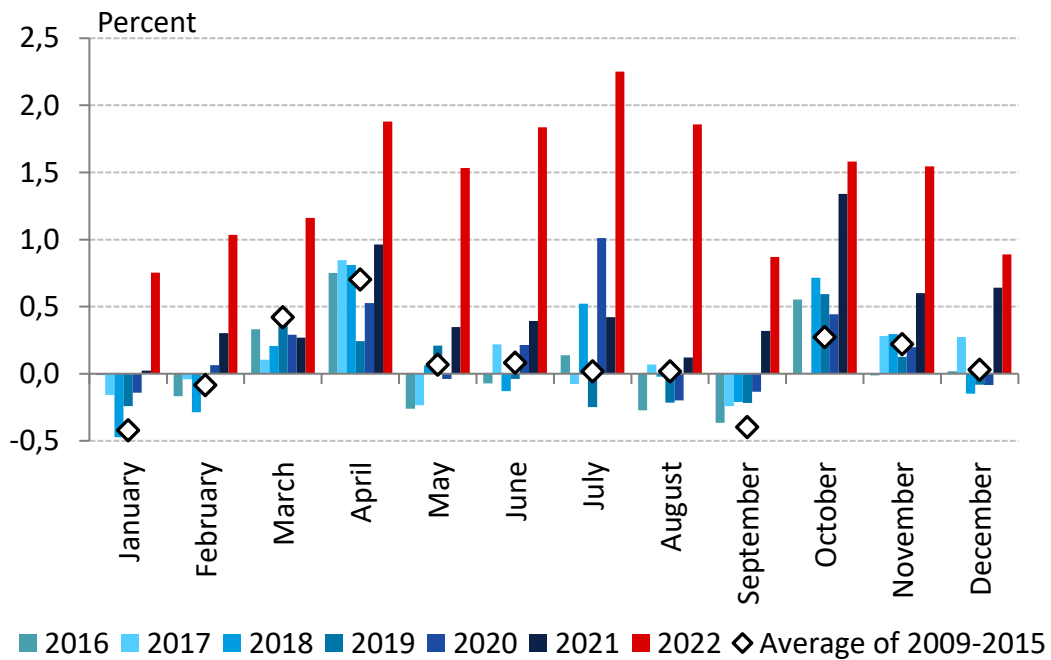


Chart 7 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

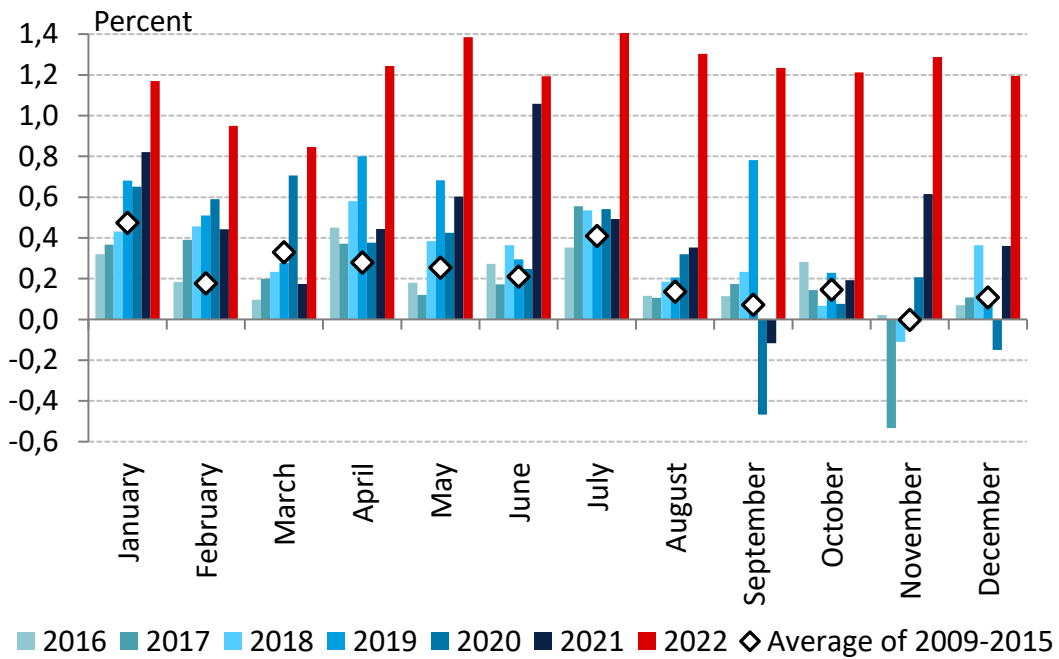
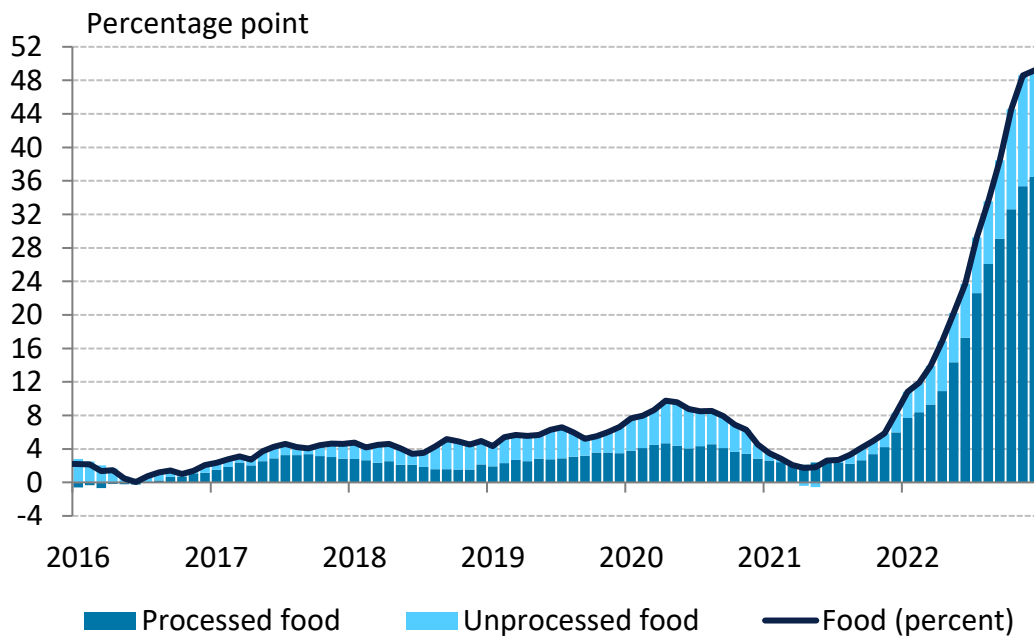


Chart 8 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



Note: The difference in food inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, buffet items) and regulated price products and services (school meals, kindergarten, nursery school meals), and certain beverages as non-durable industrial goods (coffee, tea, alcohol free drinks).

Chart 9 Monthly changes in food prices
seasonally unadjusted, tax-adjusted monthly change

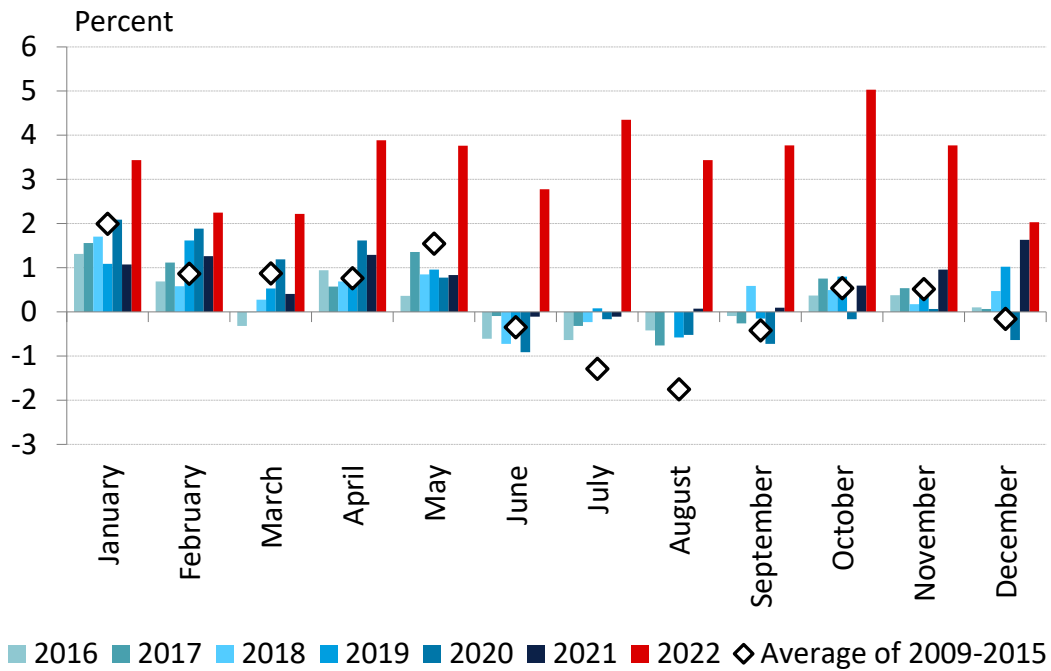
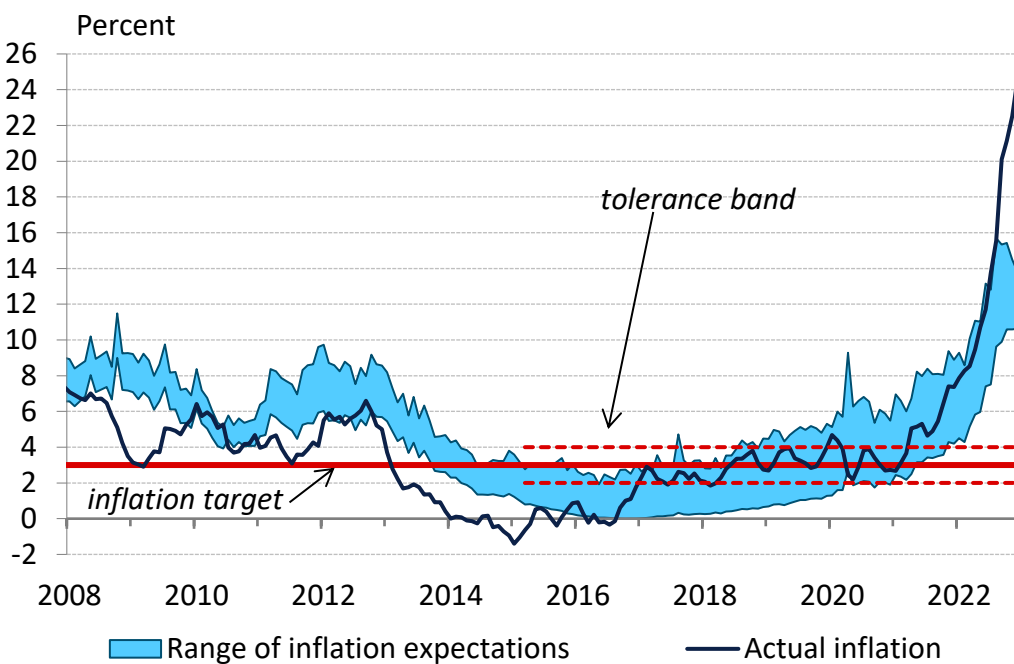
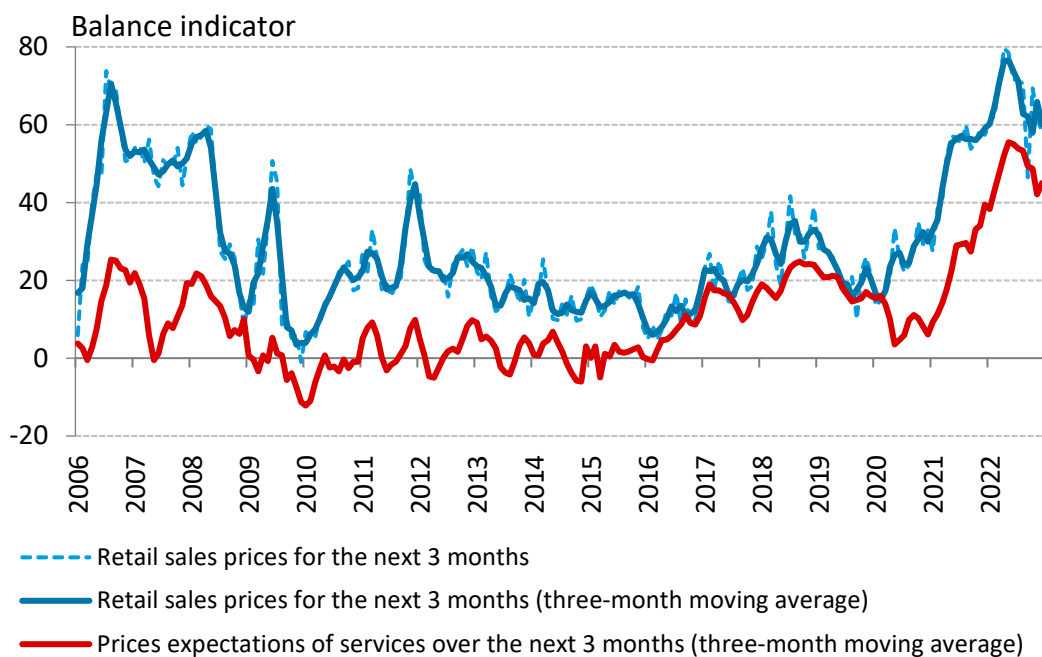


Chart 10 Households' inflation expectations



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

Chart 11 Changes in the expectations for retail sales and services prices in Hungary



Sources: MNB's own calculations based on data from the European Commission

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

Consumer price index, December 2022 (HCSO)					
24.5% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 38.6%	7.2	Contribution of core inflation excluding processed foods (percentage points), weight 50.3%	9.1	Contribution of core inflation excluding taxes (percentage points), weight 63.6%	15.7
Contribution of other items (percentage points), weight 61.4%	17.4	Contribution of other items (percentage points), weight 49.7%	15.5	Contribution of other items (percentage points), weight 36.4%	8.9

Sources: HCSO and the MNB's own calculations.

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