



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**JANUARY**

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/en/publications/studies-publications-statistics/underlying-inflation-indicators>

## ASSESSMENT OF INFLATION DATA FOR JANUARY 2022

In January 2022, annual inflation was 7.9 percent. Core inflation and core inflation excluding indirect tax effects stood at 7.4 percent (Chart 1). Inflation rose by 0.5 percentage points relative to December 2021 which was mainly driven by food prices and to a lesser extent, by the increase in tradables and market services prices. Compared to December, core inflation rose by 1.0 percentage point, fuelled by a pick-up in the price rise of all three product groups (processed food, industrial goods and services).

The Bank's measures of underlying inflation developments capturing persistent inflationary trends rose relative to the previous month (Chart 2).

In January 2022, the contribution of fuel prices to annual inflation, at 1.6 percentage points, continued to be strong (Chart 3). The monthly change in prices in the basket calculated excluding fuel prices amounted to 1.4 percent; as a result, the extent of repricing at the beginning of the year was significantly higher than levels seen recent years (Chart 4). The higher pace of repricing is generally observable, which is due to the fact that the rise in global commodity and energy prices is manifested quickly and across a wide range of product groups.

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

Instead of the decline seen in January of recent years, *industrial goods* prices rose by 0.8 percent from the previous month (Chart 5). As a result, annual inflation of tradables rose to 6.7 percent in January. The rise in industrial goods prices was in line with international developments. Within this product group, the price indices for both durables and non-durables increased. For this product group, the global shortage of semiconductors and the rise in commodity prices pointed to an increase in consumer prices.

*Market services* prices rose by 1.2 percent compared with the previous month. The rise in prices was significantly higher than the usual repricing in January, which appeared across a wide range of services. Similarly to the changes in December, prices of services linked to foods continued to rise. The annual price index for services stood at 5.9 percent (Chart 6).

*Food* price inflation rose by 10.8 percent. Within this product group, the prices of processed and unprocessed food rose (Chart 7). Compared to December, food prices rose by 3.4 percent signalling more than one and a half times price rise compared to the Januaries of recent years. The increase in the prices of unprocessed food was primarily due to poultry and seasonal goods prices. A rise in processed food price inflation was driven by a wide spectrum of products.

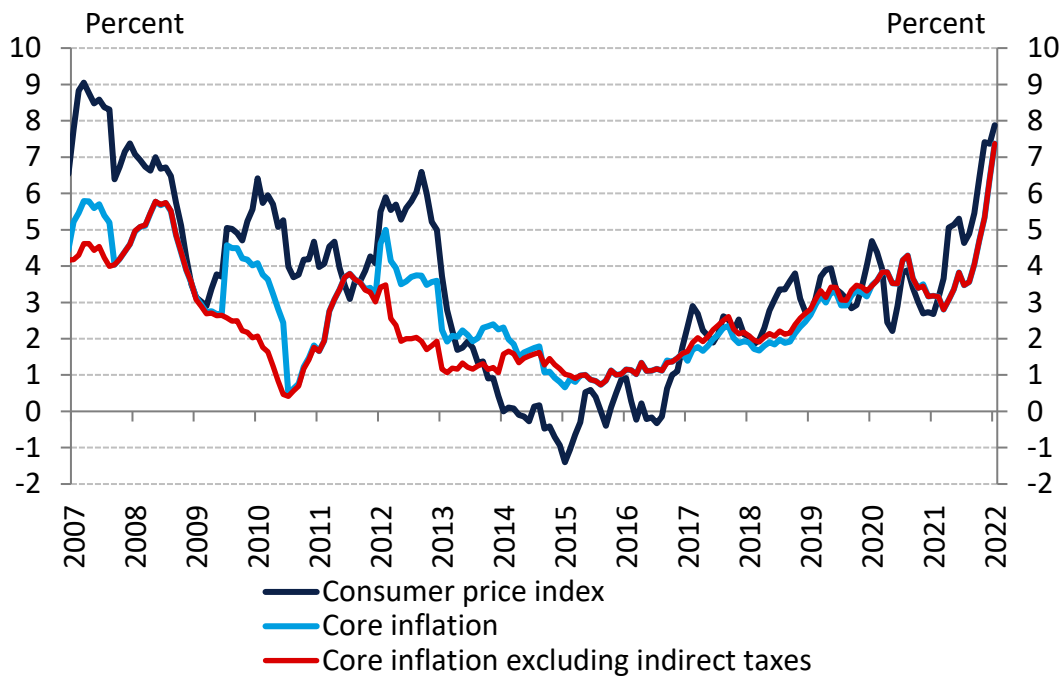
The prices of *regulated products* remained broadly unchanged relative to December.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. In January, the indicators remained broadly unchanged compared to the previous month, with their value standing above the central bank target range (Chart 8).

Prepared by Judit Várhegyi

Budapest, 11 February 2022

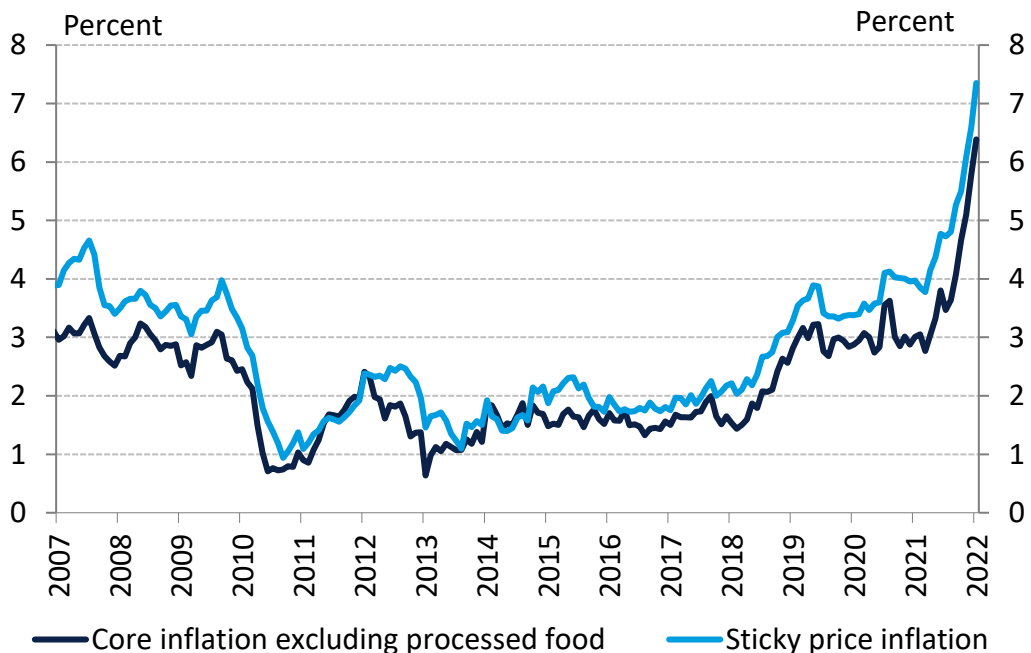
**Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes**  
(annual percentage changes, January 2007 – January 2022)



Note: Seasonally unadjusted core inflation.

**Chart 2 Underlying inflation indicators**

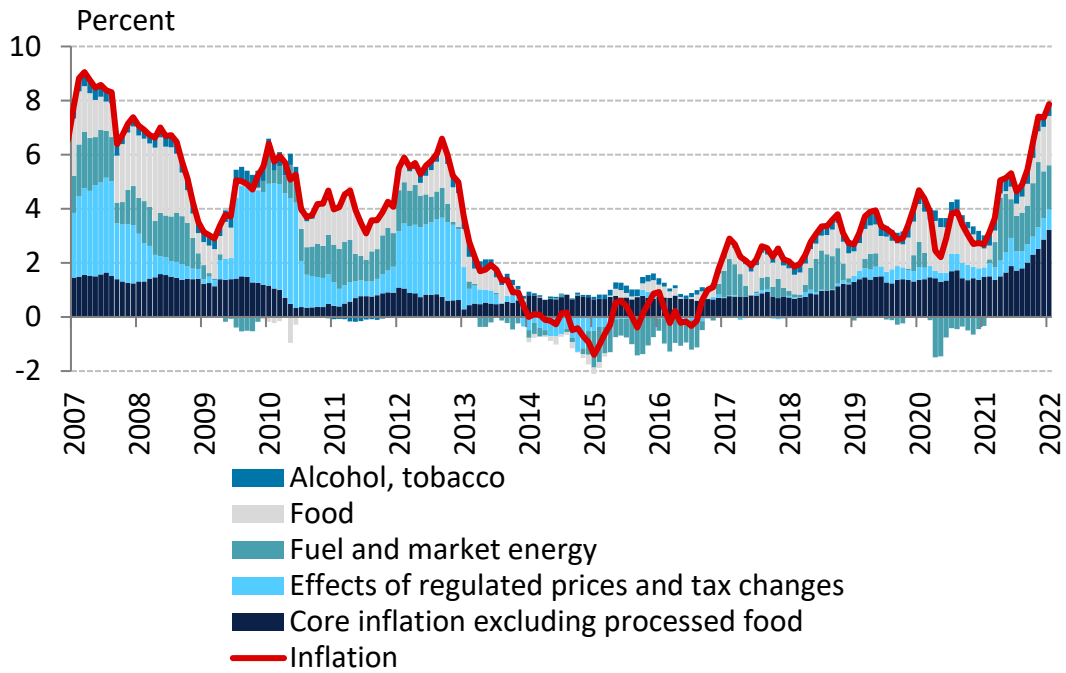
(excluding indirect taxes, annual percentage changes, January 2007 – January 2022)



Note: 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. Core inflation excluding processed food, is unchanged from previous demand-sensitive inflation. The reason for the new name is that, during periods of significant cost shocks that are generally effective, the previous name may be misleading.

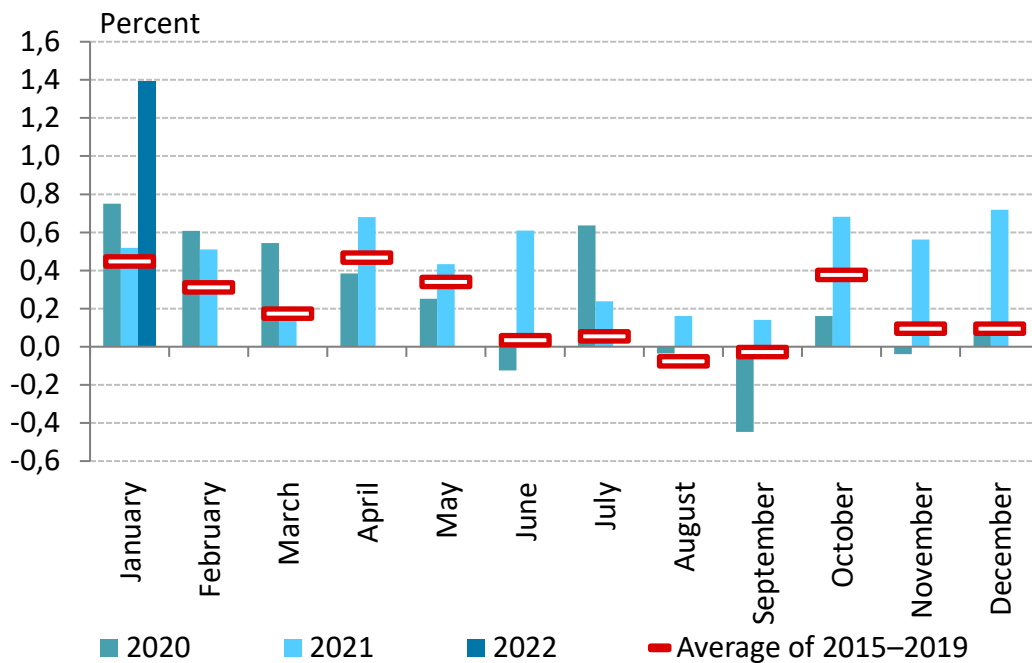
**Chart 3 Inflation decomposition**

(annual percentage changes, January 2007 – January 2022)



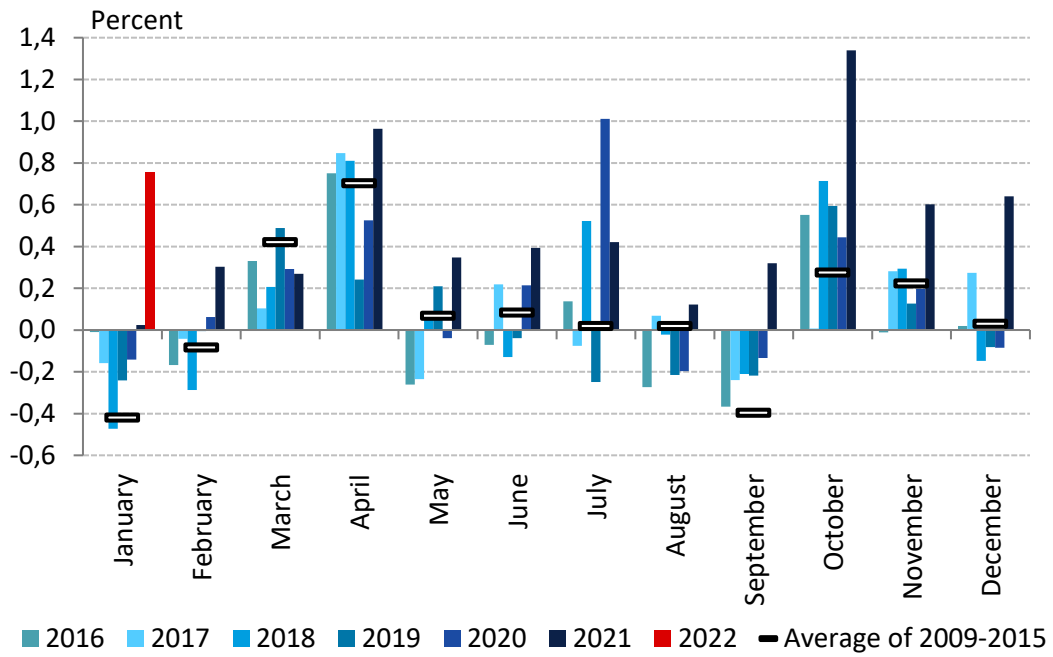
**Chart 4 Monthly changes in consumer prices excluding fuel prices**

(tax-adjusted, seasonally unadjusted monthly percentage changes)



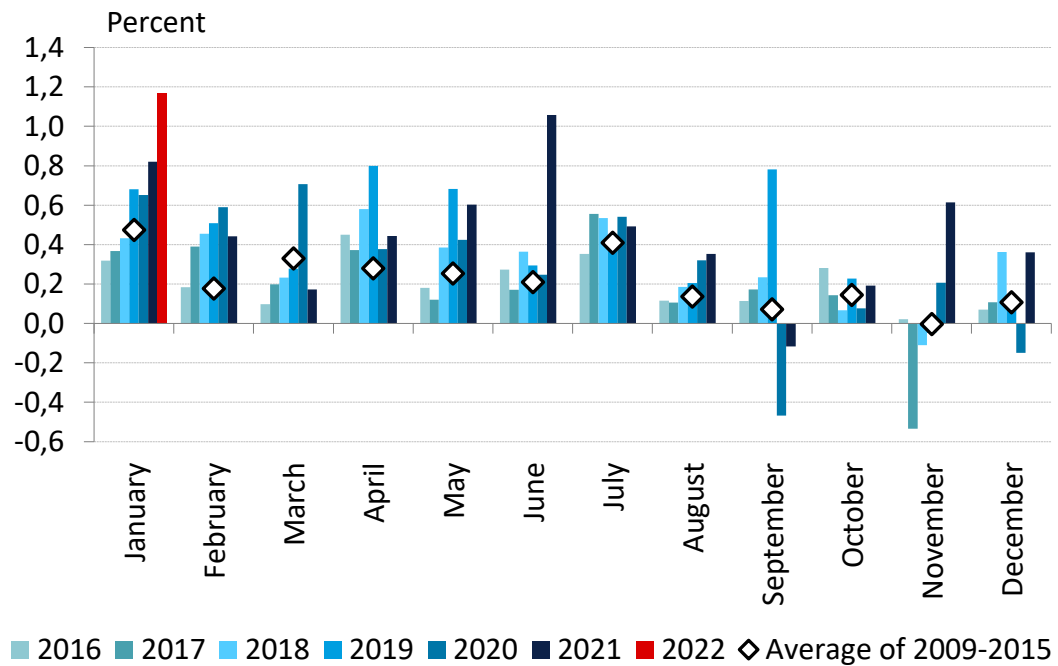
**Chart 5 Inflation of tradable goods**

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



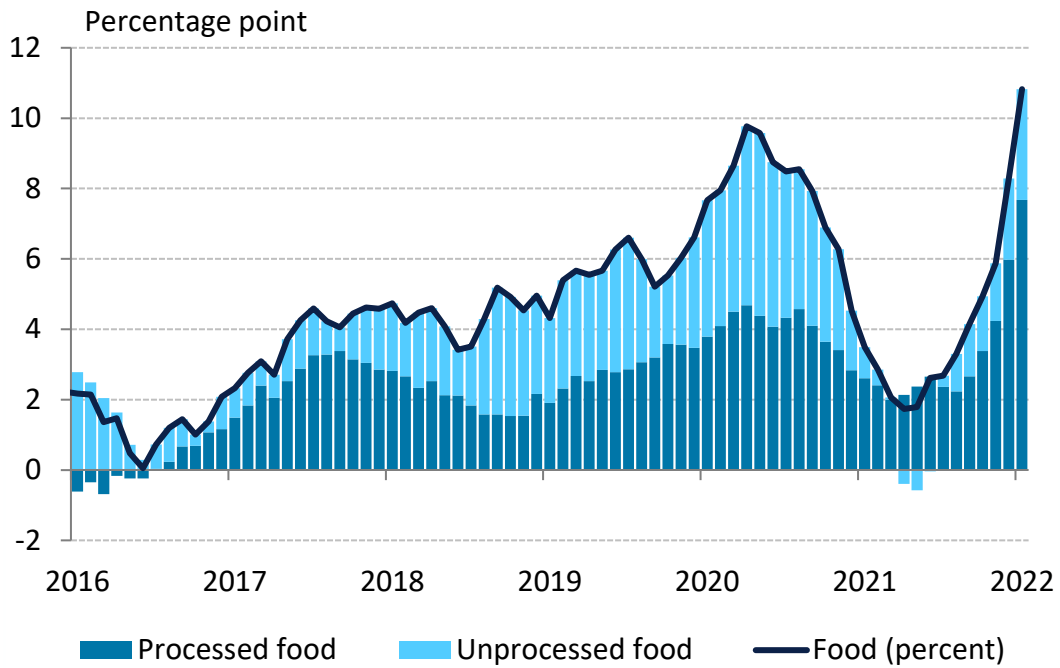
**Chart 6 Market services inflation**

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



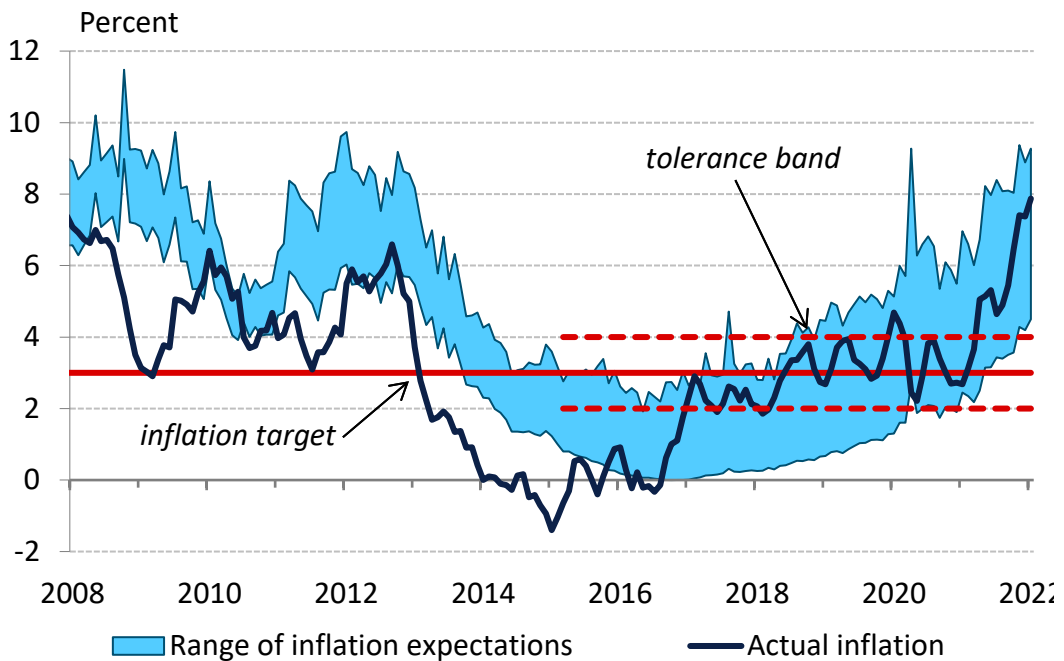
**Chart 7 Developments in food price inflation**

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



**Chart 8 Households' inflation expectations**

(January 2008 – January 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, January 2022 (HCSO)					
7.9% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price products to inflation (percentage points), weight 38.6%</b>	<b>2.8</b>	<b>Contribution of core inflation excluding processed food (percentage points), weight 50.3%</b>	<b>3.2</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 63.6%</b>	<b>4.7</b>
Contribution of other items (percentage points), weight 61.4%	5.0	Contribution of other items (percentage points), weight 49.7%	4.7	Contribution of other items (percentage points), weight 36.4%	3.2

Sources: HCSO and the MNB's own calculations.

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