



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

JULY

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/elemzesek-tanulmanyok-statisztikak/az-mnb-inflacios-alapmutatoi>

ASSESSMENT OF INFLATION DATA FOR JULY 2022

In July 2022, annual inflation was 13.7 percent. Core inflation stood at 16.7 percent and core inflation excluding indirect tax effects at 16.6 percent (Chart 1). Inflation rose by 2.0 percentage points relative to the previous month. This mainly reflected increases in the price indices for food and industrial goods, alcoholic beverages and tobacco products. Core inflation rose by 2.9 percentage points on the previous month. The increase in core inflation was mainly driven by processed food prices.

The Bank's measures of underlying inflation developments capturing persistent inflationary trends rose relative to the previous month (Chart 2). Increases in food prices were a major factor contributing to the pick-up in inflation, in addition to the rise in underlying inflation (Chart 3).

Rises in global commodity and energy prices affected a wide range of products. For example, the monthly change in prices in the basket calculated excluding fuel and regulated product prices was 2.3 percent, which significantly exceeded the 0.1 value seen in the month of July in recent years and a level of 0.3 percent recorded in July 2021 (Chart 4).

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

Industrial goods prices rose by 2.4 percent on the previous month, in contrast with a price change of around 0 percent historically observable in July (Chart 5). As a result, annual inflation of industrial goods increased to 14.5 percent. Within this product group, the price indices for both durables and non-durables rose. The increase in durables prices mainly reflected rises in the prices of new passenger cars. The rise in the price index of non-alcoholic beverages also reflected the increase in the public health product tax. The monthly increase in industrial goods' prices was in line with international developments.

Market services prices rose by 1.4 percent on the previous month. The increase in prices was higher than the price rises seen in the month of July in recent years, affecting a wide range of services. Services inflation linked to foods (restaurant and dining, as well as buffet goods prices), continued to pick up; however, there were increases across a wide range of services. The annual price index for services stood at 10.0 percent (Chart 6).

Food price inflation rose to 29.3 percent. Within this product group, the prices of both processed and unprocessed foods rose significantly (Chart 7). Compared to June, food prices rose by 4.4 percent, while food prices followed a downward trend at this time in recent years (Chart 8). The price-increasing effect of the public health product tax partially appeared in the July data, which affected the price development of processed foods, has also contributed to the rise in prices. Prices generally rose across a wide range of products within the group of processed and unprocessed foods.

The price of *alcohol and tobacco products* increased by 3.7 percent compared to June, due to the excise tax increase in July. In the case of alcohol, the increase in excise duty offset the effect of the product group being removed from the range of products subject to public health product tax.

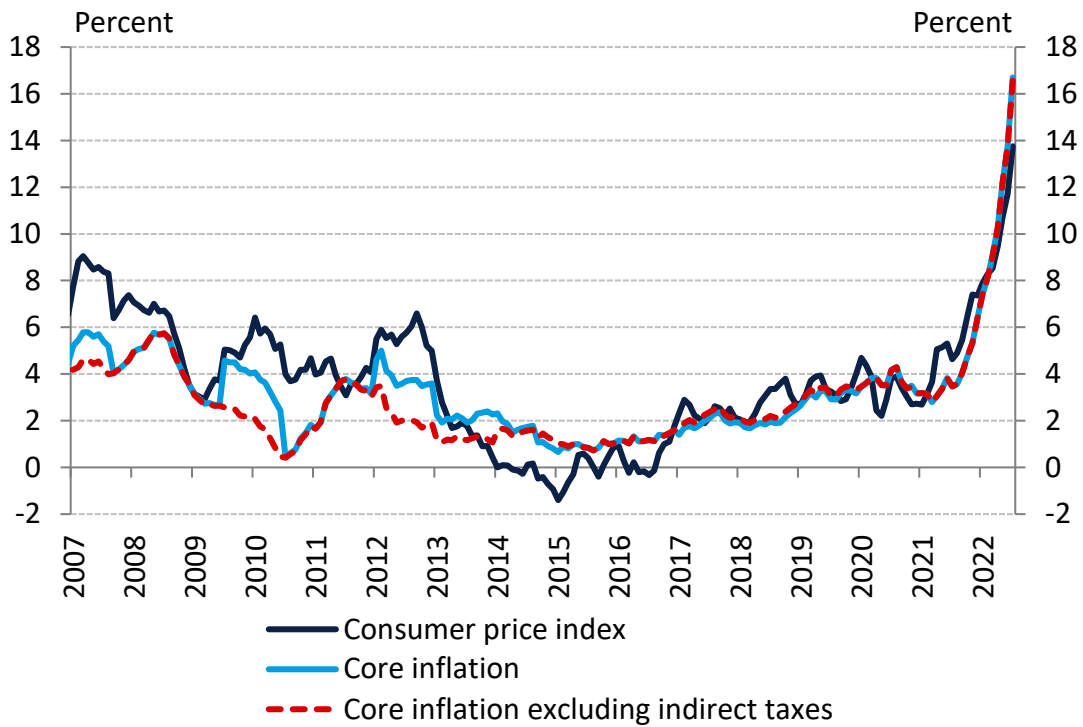
Prices of *regulated products* rose by 0.4 percent relative to June, primarily reflecting increases in the prices of postal services, and entry fees to sporting facilities and museums.

The indicators measuring *households' inflation expectations* showed higher-than-usual volatility. In July, the indicators continued to rise compared to the previous month (Chart 9).

Prepared by Géza Rippel

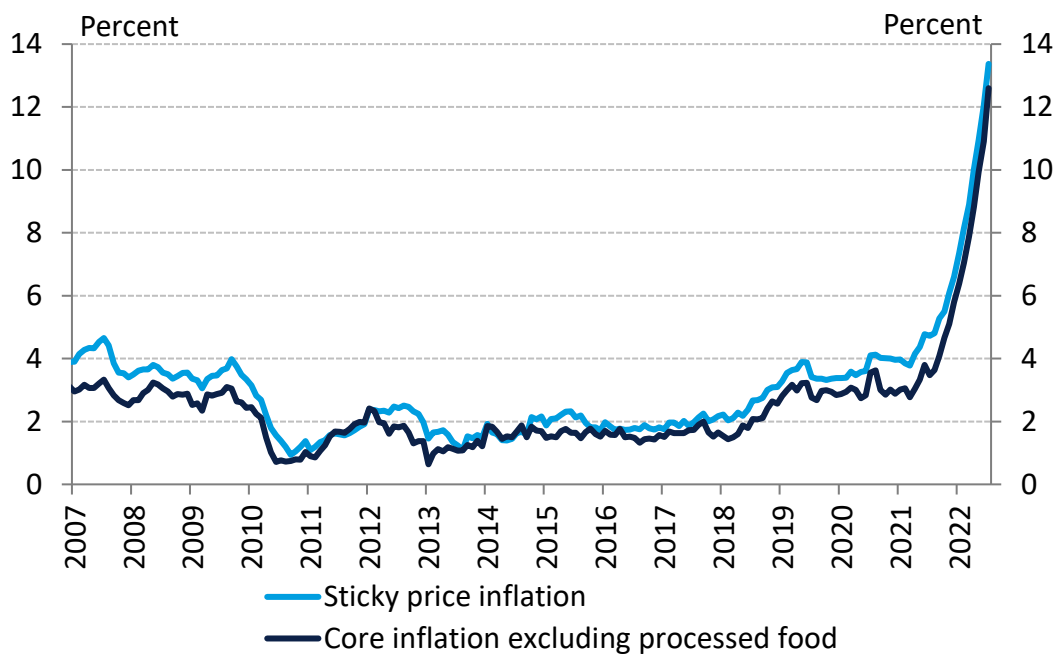
Budapest, 9 August 2022

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



Note: Seasonally unadjusted core inflation.

Chart 2 Underlying inflation indicators
(excluding indirect taxes, annual percentage changes, January 2007 – July 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 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 – July 2022)

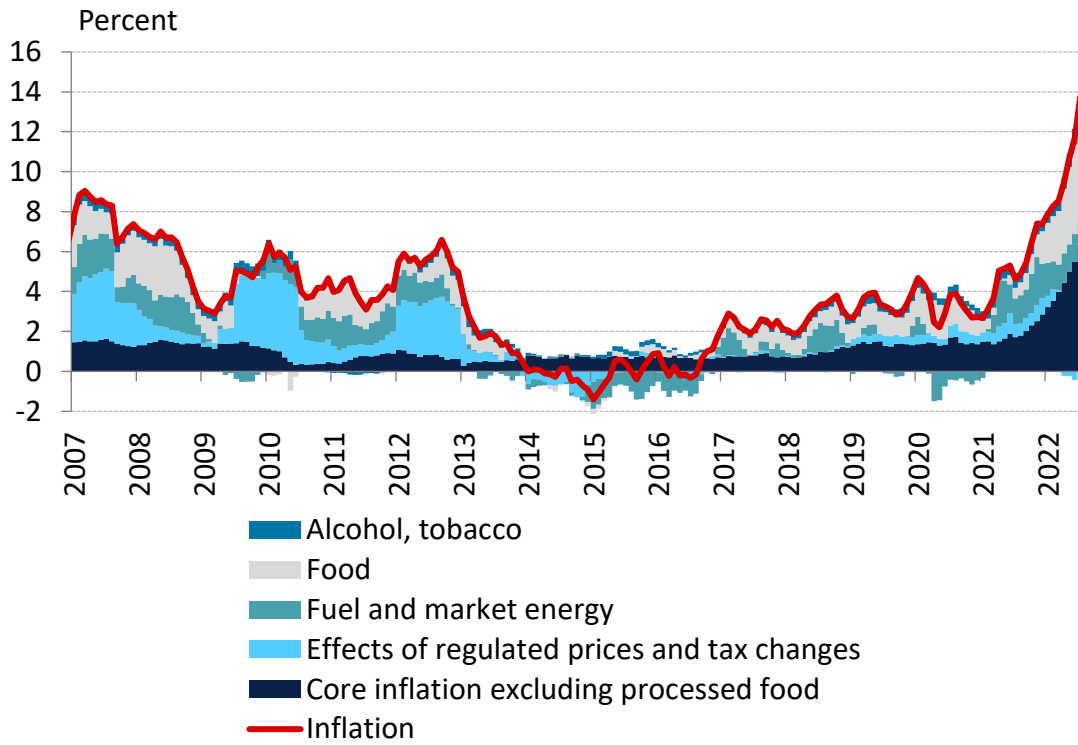


Chart 4 Monthly changes in consumer prices excluding fuel and regulated products prices

(tax-adjusted, seasonally unadjusted monthly percentage changes)

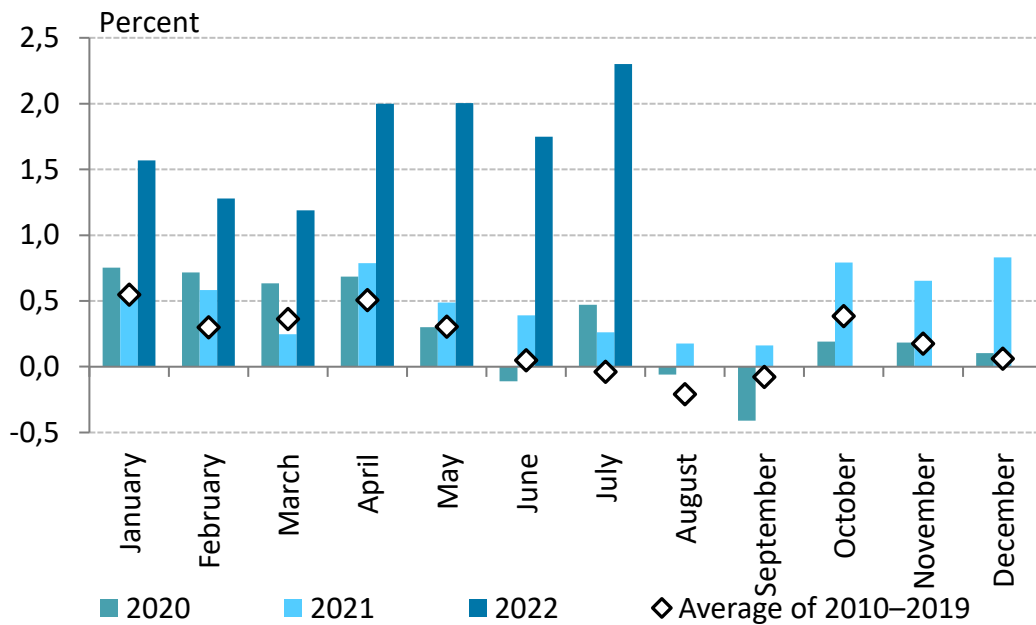


Chart 5 Inflation of tradable goods

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

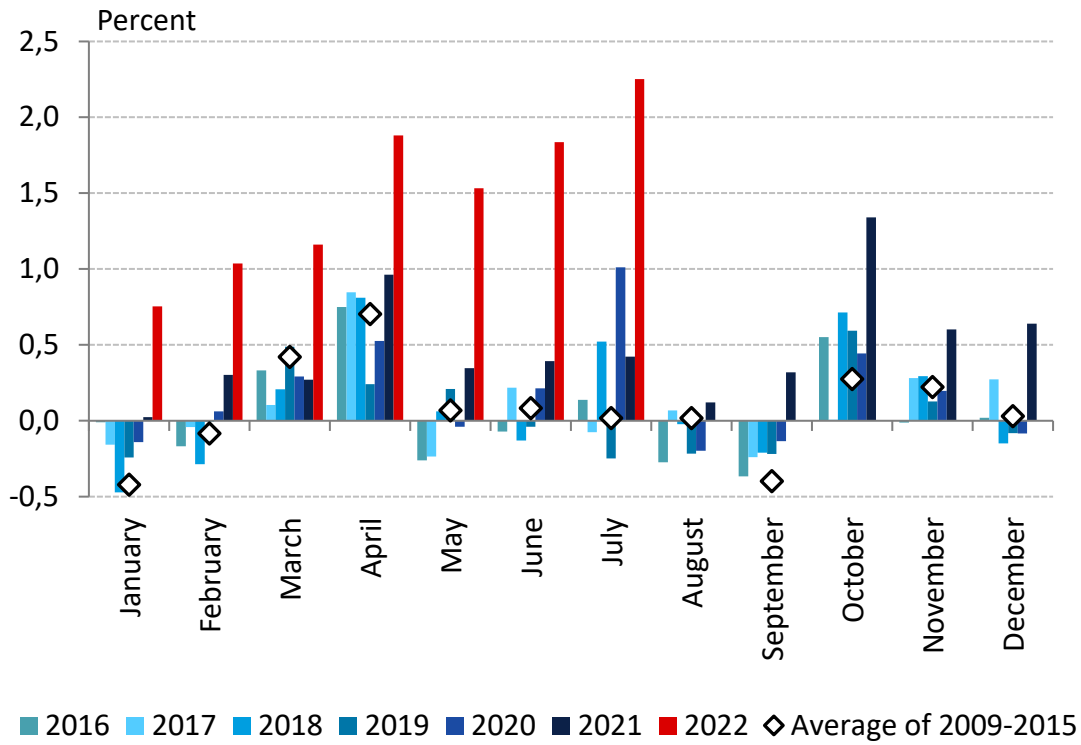


Chart 6 Market services inflation

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

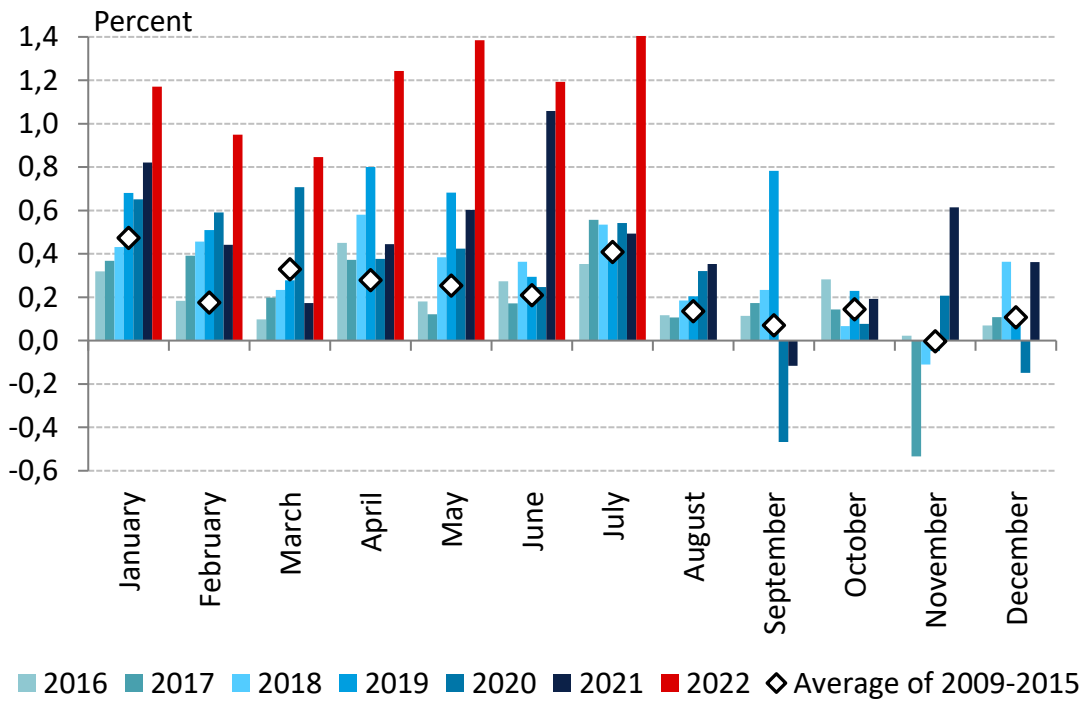


Chart 7 Developments in food price inflation

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

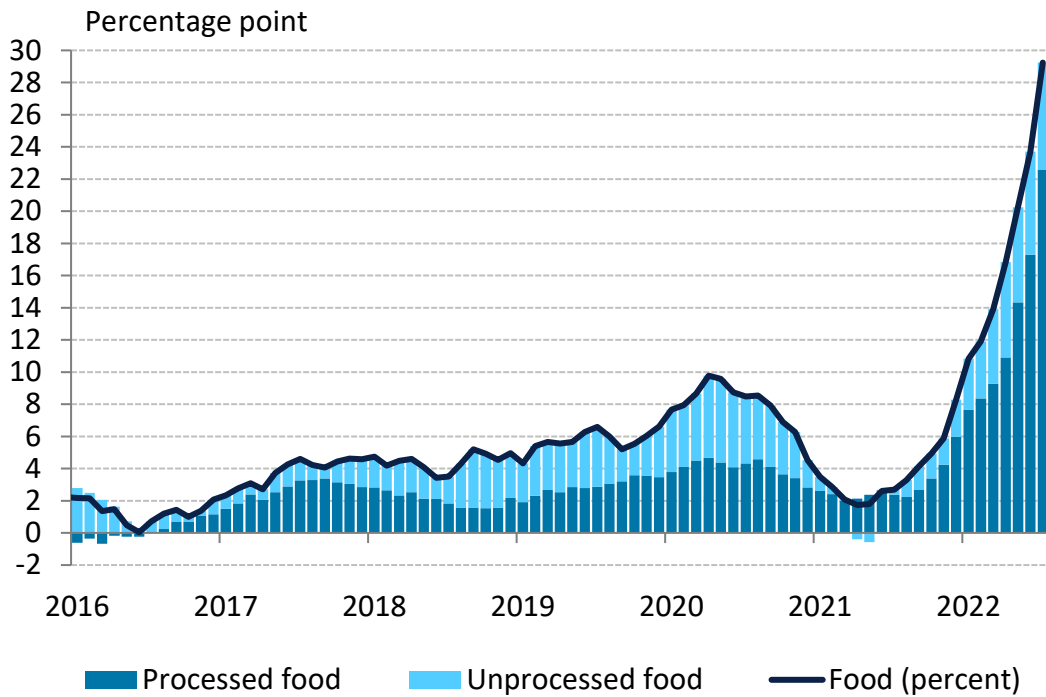


Chart 8 Monthly changes in food prices

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

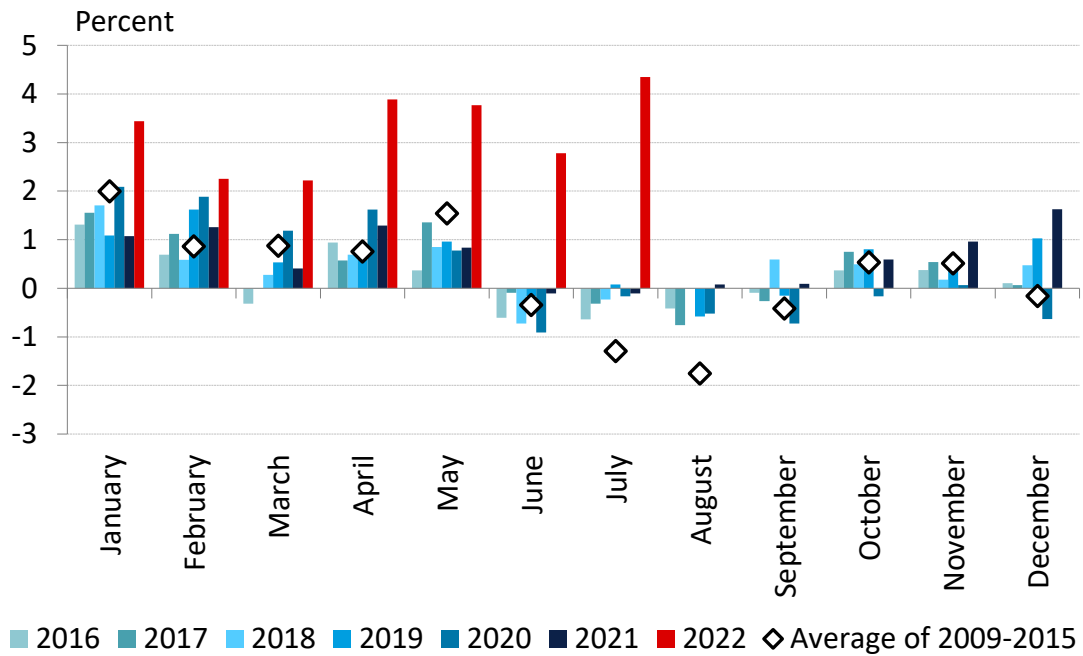
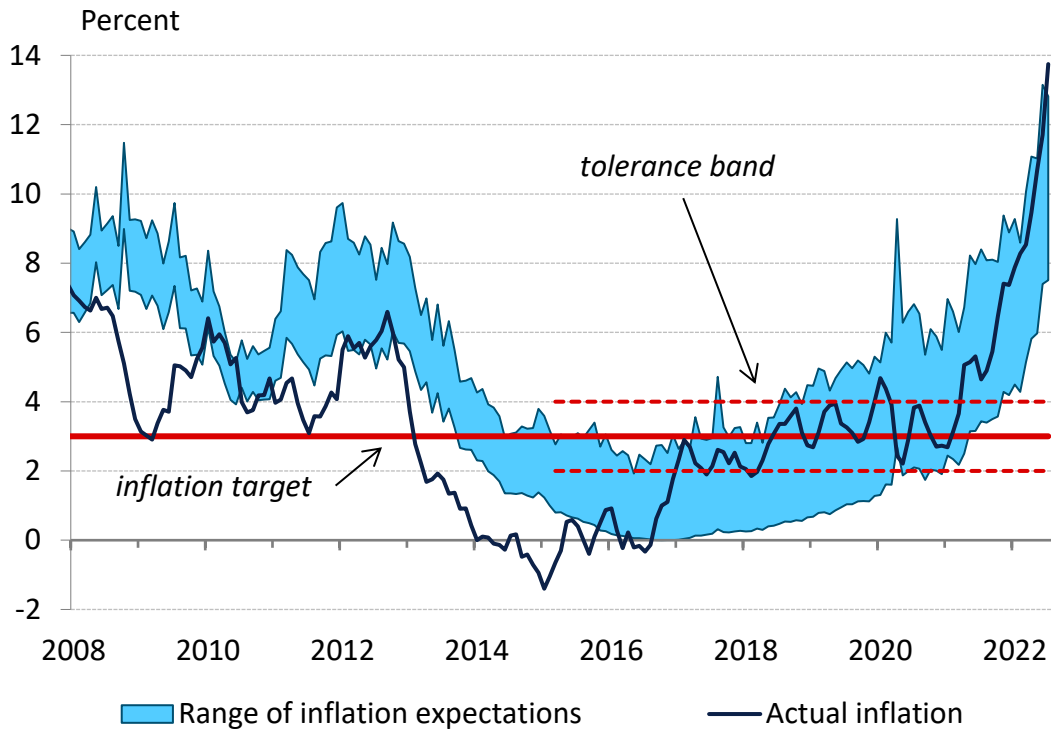


Chart 9 Households' inflation expectations
(January 2008 – July 2022)



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, July 2022 (HCSO)					
13.7% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 38.6%	5.2	Contribution of core inflation excluding processed foods (percentage points), weight 50.3%	6.3	Contribution of core inflation excluding taxes (percentage points), weight 63.6%	10.5
Contribution of other items (percentage points), weight 61.4%	8.6	Contribution of other items (percentage points), weight 49.7%	7.4	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.