



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

NOVEMBER

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 NOVEMBER 2022

In November 2022, annual inflation was 22.5 percent. Core inflation was 23.9 percent and core inflation excluding indirect tax effects stood at 23.8 percent (Chart 1 and Chart 2).

Inflation rose by 1.4 percentage points relative to the previous month which was essentially driven by a pick-up in food price inflation. Food prices contributed 0.8 percentage points to rises in annual inflation, while the contribution of fuels was negative (-0.1 percentage points) due to the base effect. Core inflation rose by 1.6 percentage points relative to the previous month. Half of the increase in core inflation was largely fuelled by processed food prices (0.8 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 2.1 percent (Chart 4).

Monthly core inflation excluding processed food, which better reflect market developments, was 1.6 percent. This is equivalent to the repricing in October (Chart 5).

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

Prices of *industrial goods* rose by 1.5 percent compared to the previous month, virtually unchanged from the repricing last month (Chart 6). The annual inflation of industrial goods rose to 18.5 percent.

Services prices rose by 1.3 percent on the previous month slightly exceeding the price change observed in October. The inflation of services (restaurant, dining prices and canteen goods) linked to foods continued to picked up further. The annual price index of services stood at 14.5 percent (Chart 7).

Food price inflation rose to 48.7 percent. Within this product group, the prices of both processed and unprocessed food rose significantly (Chart 8). Food prices rose by 3.8 percent relative to October (Chart 9). Unprocessed food prices generally rose in a wide range of products which might have been in part attributable to the drought in Europe. The increase in processed food prices was linked to the changes in dairy product prices to the greatest extent.

In the group of *alcohol and tobacco* products, prices rose by 1 percent relative to October due to the increase in alcohol product prices.

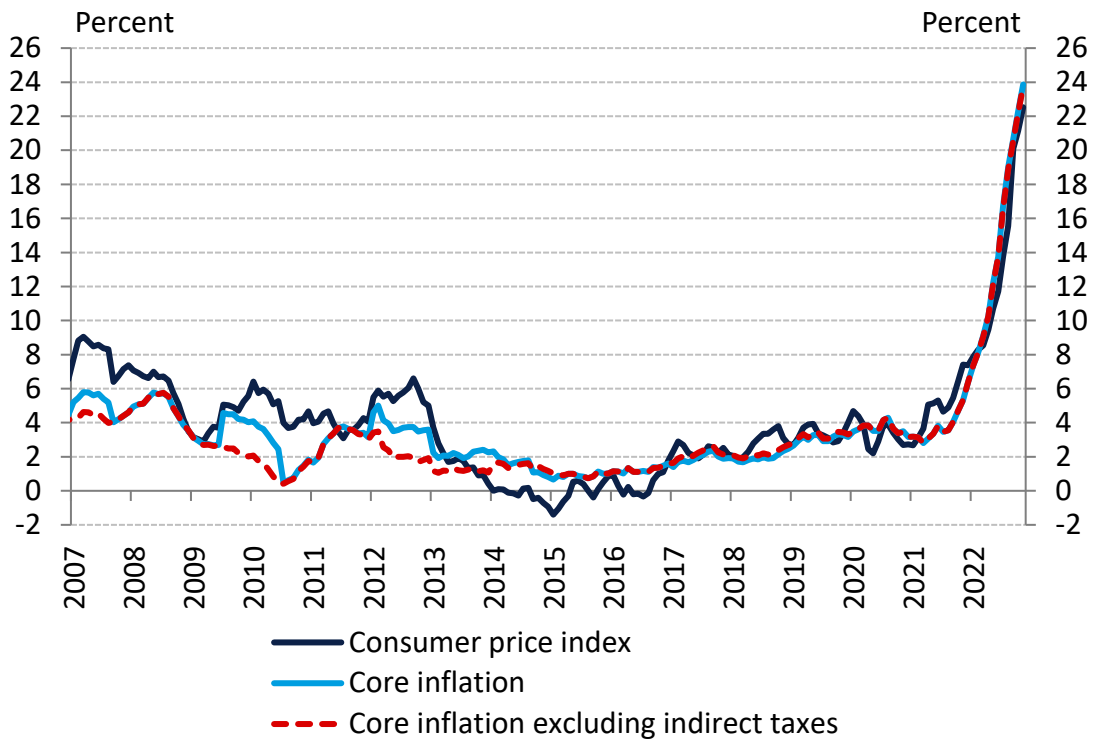
The prices of *regulated products and services* rose by 1 percent relative to October, which was driven by an increase in the prices of the gambling product group to the greatest extent.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. The indicators rose in October compared to the previous month (Chart 10). However, *corporate expectations for retail sales and services prices* have been fluctuating below their peak in the summer for month (Chart 11).

Prepared by Géza Rippel

Budapest, 8 December 2022

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

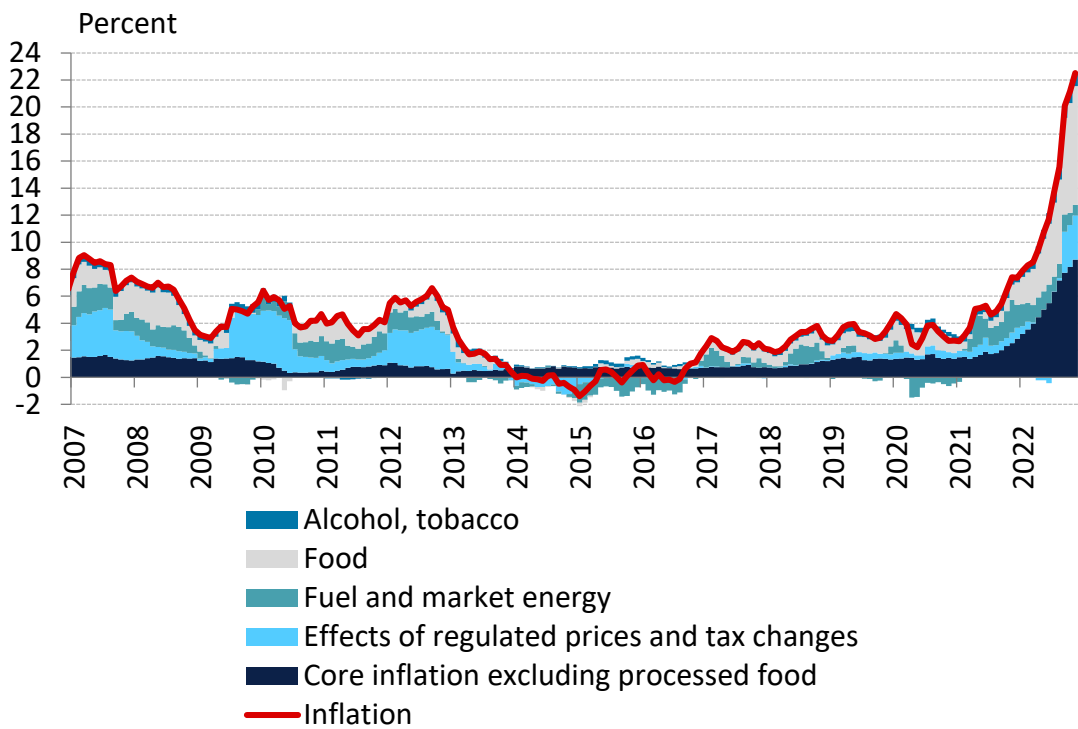
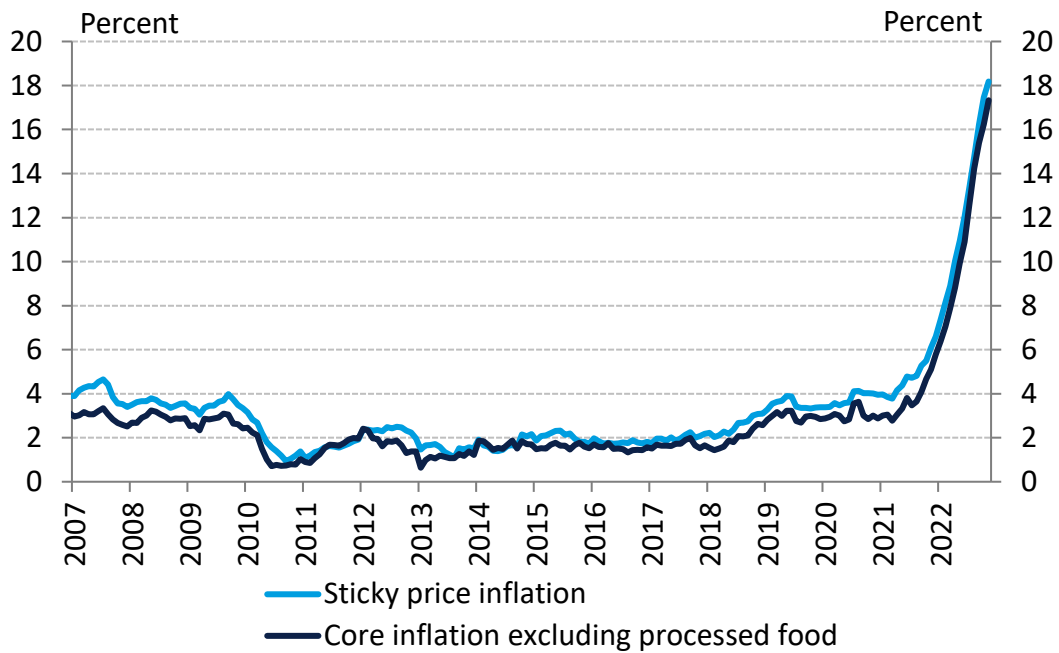


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

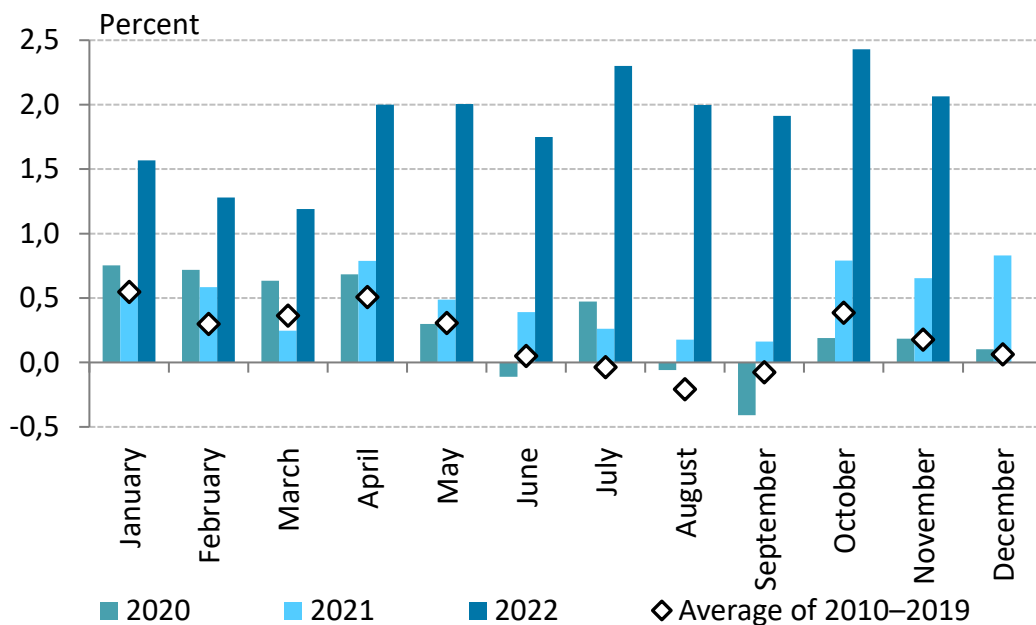


Chart 5 Monthly change in core inflation excluding processed food
 tax-adjusted, seasonally unadjusted monthly percentage changes

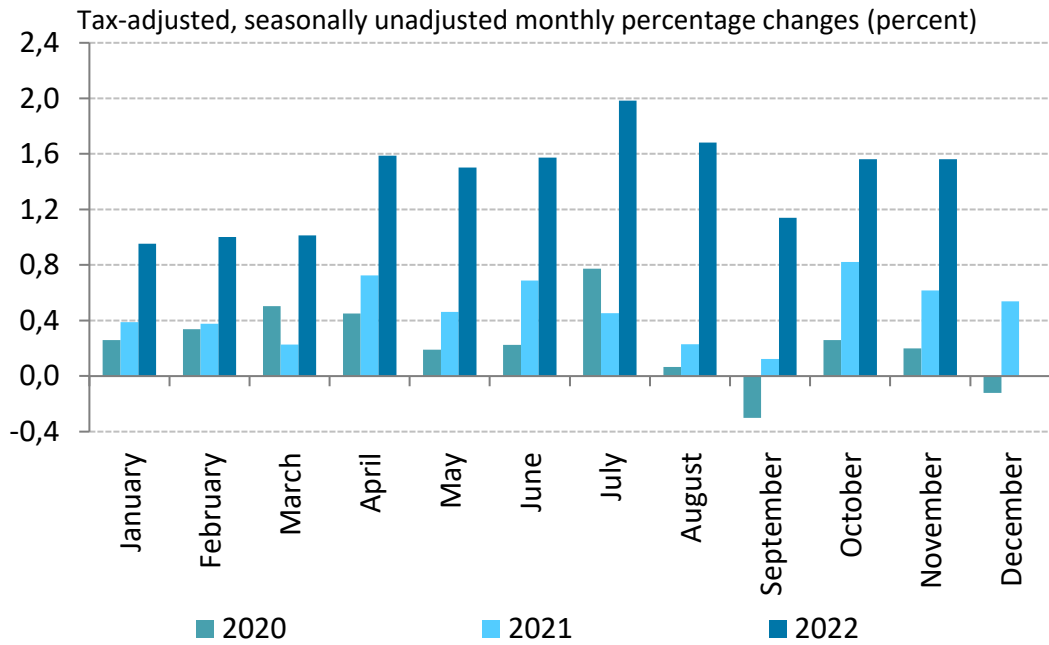


Chart 6 Inflation of industrial goods
 seasonally unadjusted, tax-adjusted monthly change

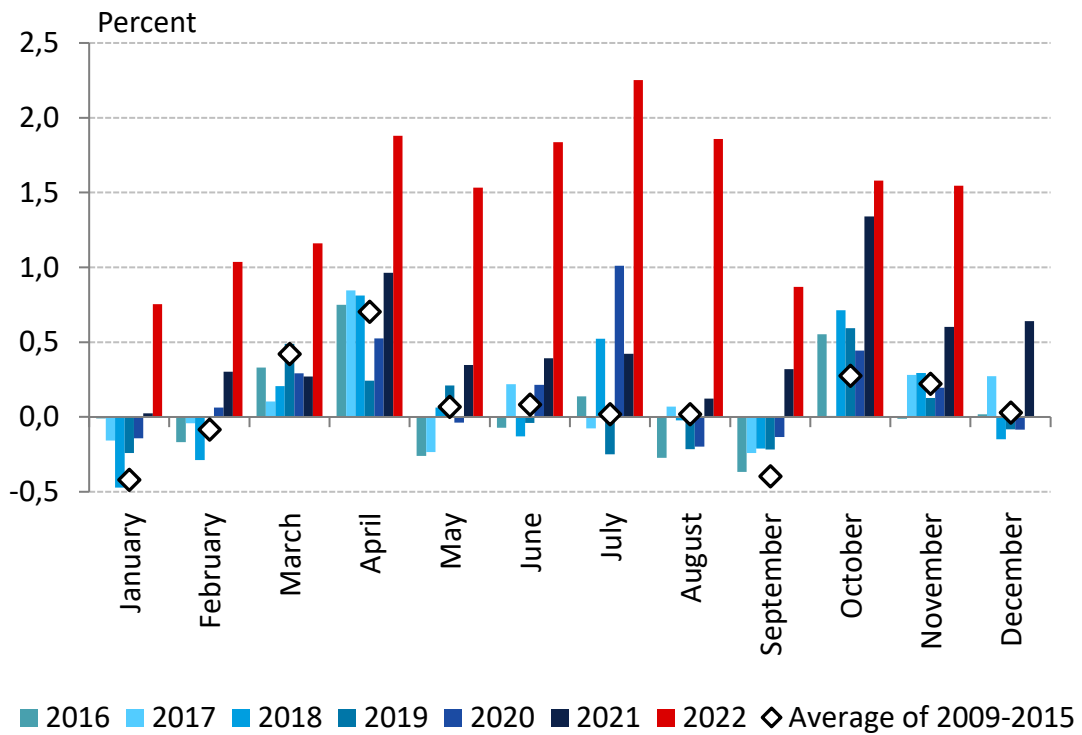


Chart 7 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

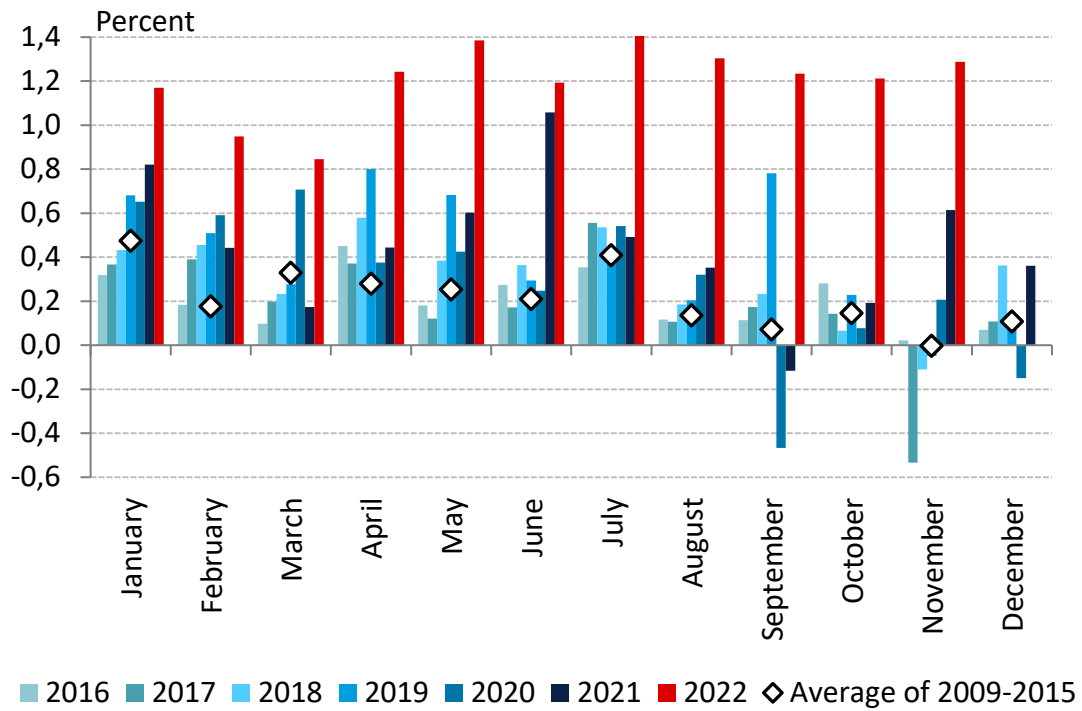


Chart 8 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change

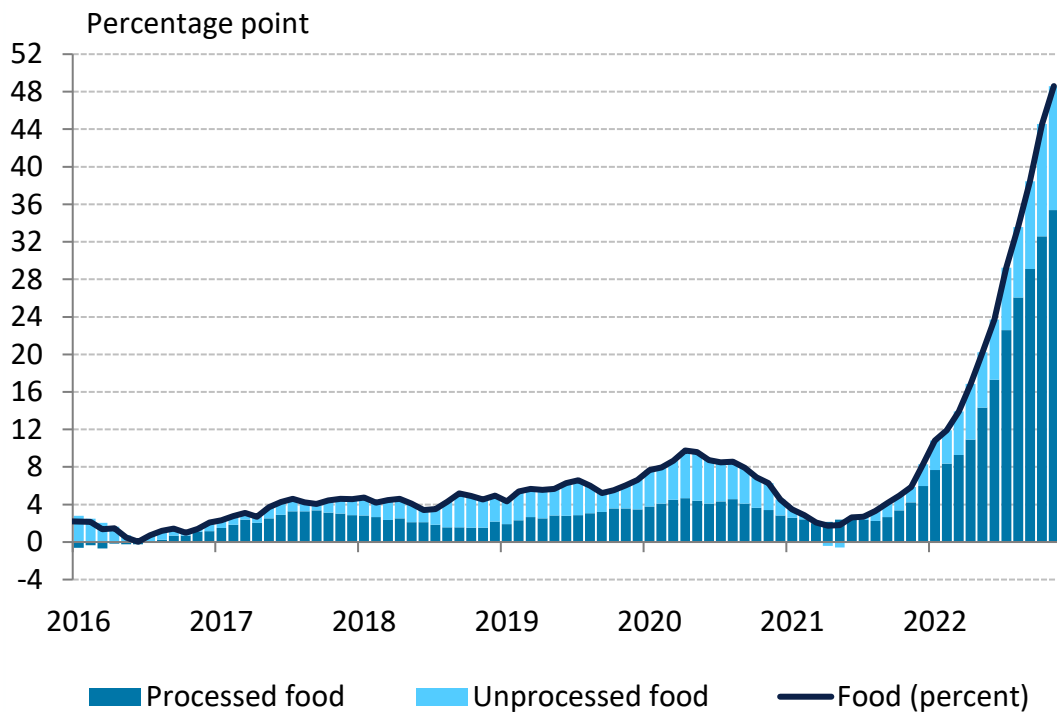


Chart 9 Monthly changes in food prices
seasonally unadjusted, tax-adjusted monthly change

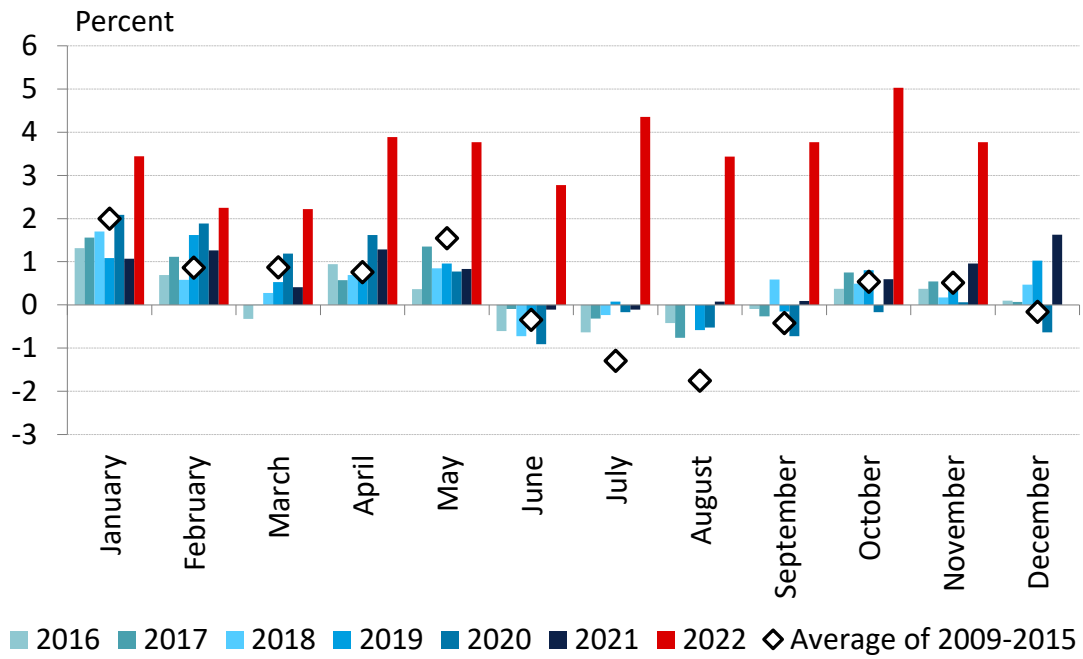
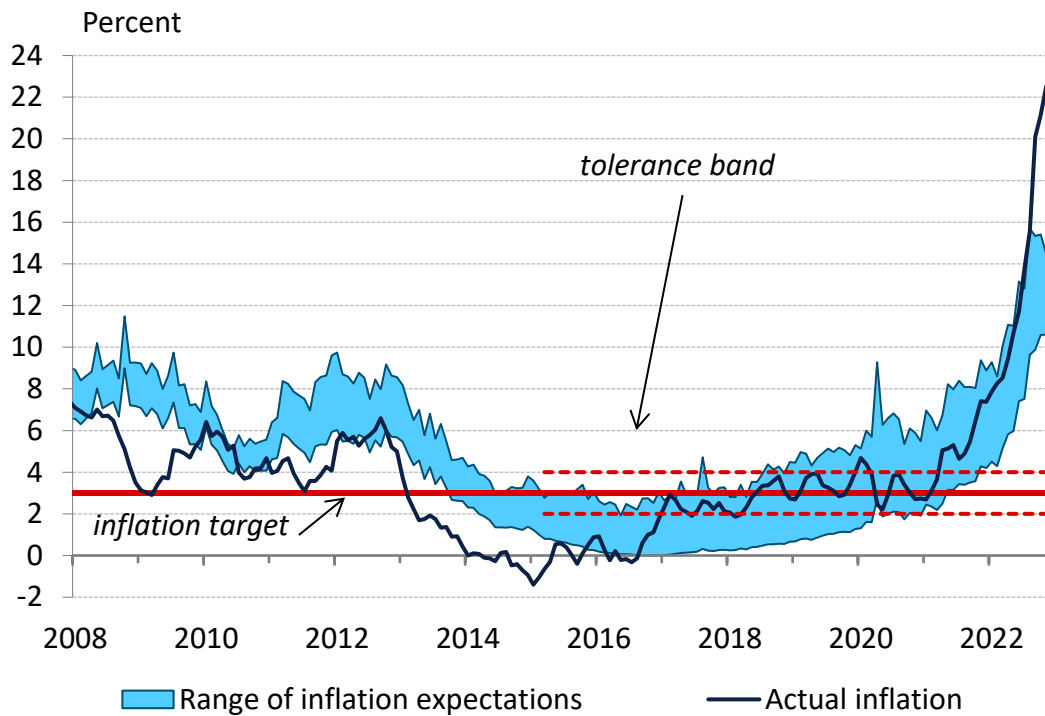
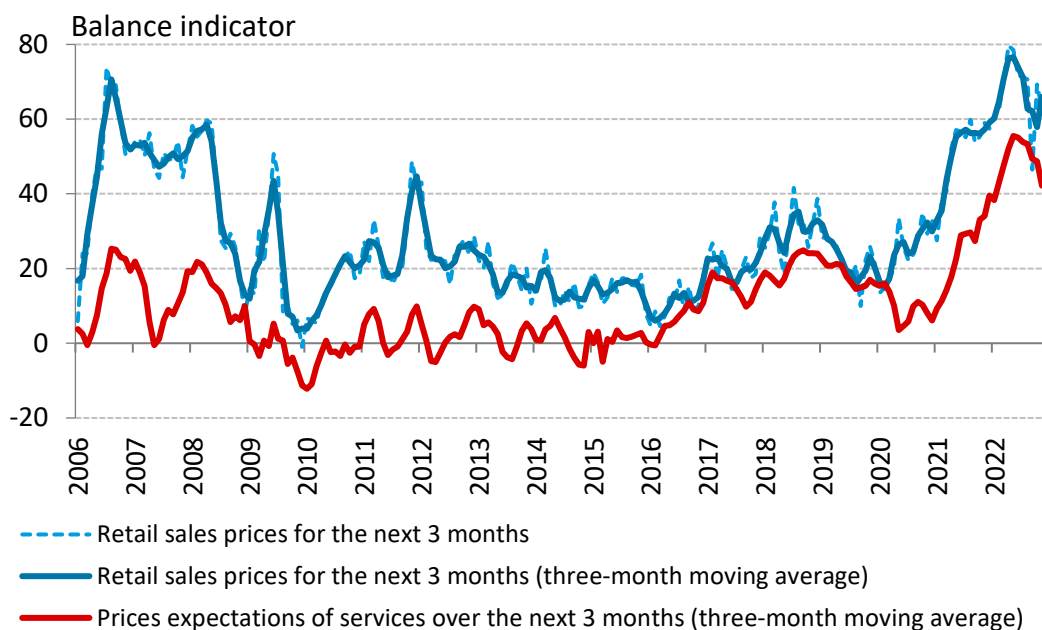


Chart 10 Households' inflation expectations



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, November 2022 (HCSO)					
22.5% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 38.6%	7.0	Contribution of core inflation excluding processed foods (percentage points), weight 50.3%	8.7	Contribution of core inflation excluding taxes (percentage points), weight 63.6%	15.1
Contribution of other items (percentage points), weight 61.4%	15.5	Contribution of other items (percentage points), weight 49.7%	13.8	Contribution of other items (percentage points), weight 36.4%	7.4

Sources: HCSO and the MNB's own calculations.

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