



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

OCTOBER

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 OCTOBER 2022

In October 2022, annual inflation stood at 21.1 percent. Core inflation was 22.3 percent and core inflation excluding indirect tax effects stood at 22.2 percent (Chart 1 and Chart 2).

Inflation rose by 1.0 percentage point compared with the previous month, which was mainly caused by the acceleration of food inflation. Food prices contributed 1.2 percentage points to the increase of the annual inflation, while the contribution of fuels was negative (-0.5 percentage points) due to the base effect. Core inflation rose by 1.6 percentage points relative to the previous month. Two thirds of the increase in core inflation was 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 3). The monthly change in the basket calculated excluding fuel and regulated product prices, was 2.4 percent (Chart 4).

Monthly core inflation excluding processed food, which better reflects market developments, was 1.6 percent, which is above the level of 1.1 percent in September, but below the average seen in the summer months (Chart 5).

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

Prices of tradables rose by 1.6 percent compared to the previous month, slightly higher than the October price hike last year (Chart 6). The annual inflation of tradables rose to 17.4 percent.

*Market services* prices rose by 1.2 percent compared with the previous month, which is the same as the price change observed in September. 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 13.7 percent (Chart 7).

*Food* price inflation jumped to 44.7 percent. Within this product group, the prices of both processed and unprocessed food rose significantly (Chart 8). Food prices rose by 5.0 percent relative to September (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 primarily linked to the changes in milk, dairy product and bread prices.

In the group of *alcohol and tobacco* products, prices rose by 0.6 percent relative to September due to the increase in alcohol product prices.

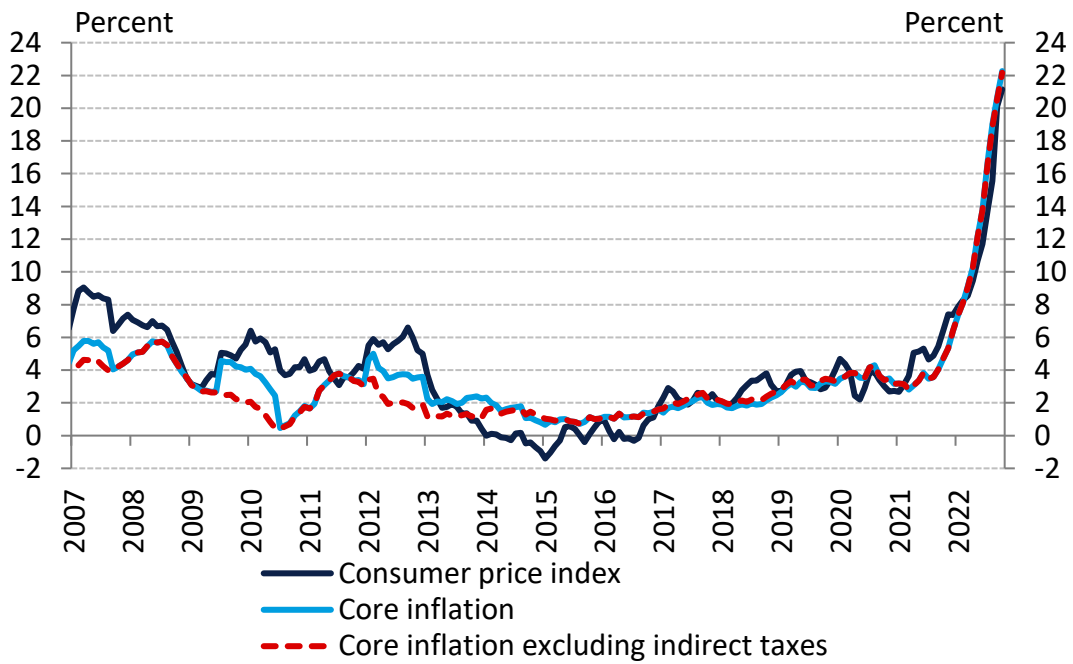
The prices of *regulated products and services* rose by 0.3 percent relative to September, which was primarily driven by an increase in entrance fees to sports events and museums.

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* fluctuated below their peak in the summer for months (Chart 12).

Prepared by Géza Rippel

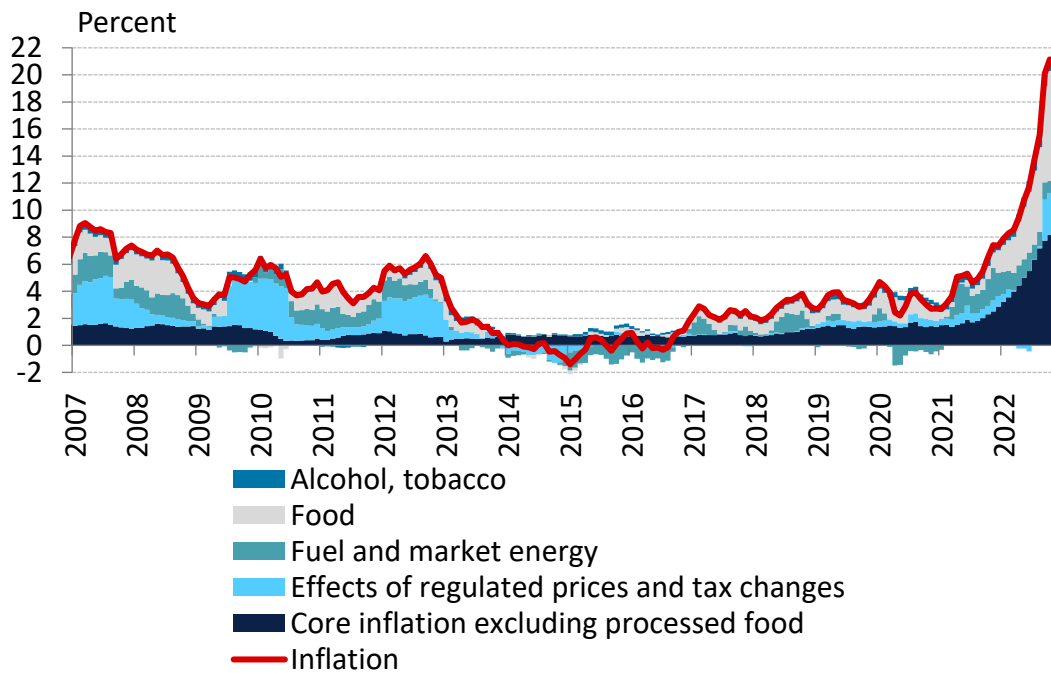
Budapest, 9 November 2022

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



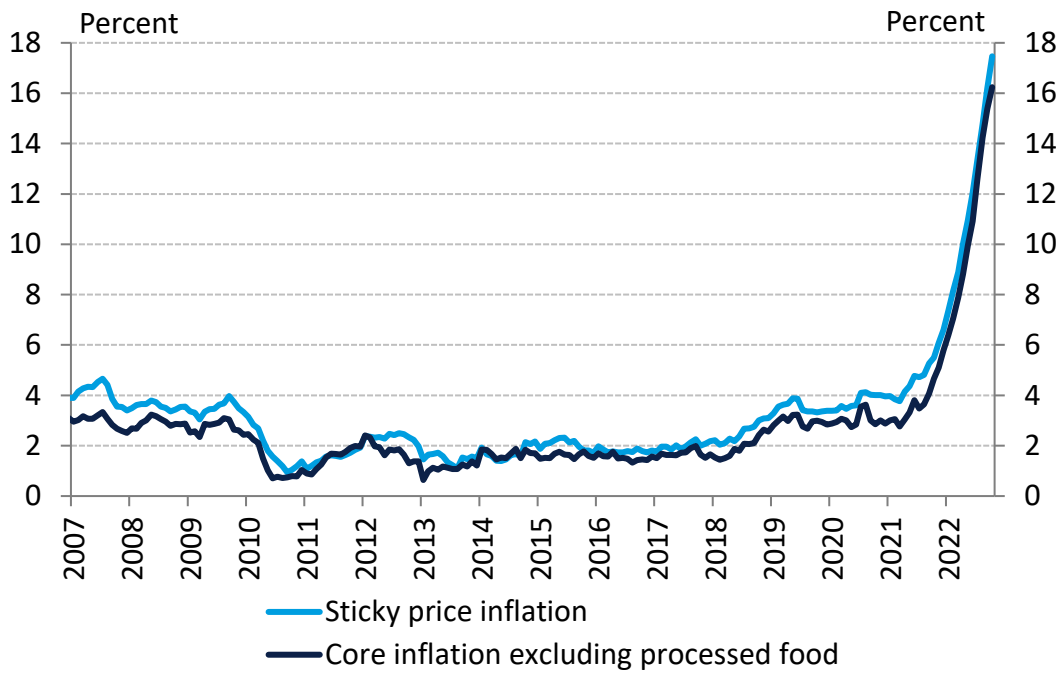
Note: Seasonally unadjusted core inflation.

**Chart 2 Inflation decomposition**  
(annual percentage changes, January 2007 – October 2022)



**Chart 3 Underlying inflation indicators**

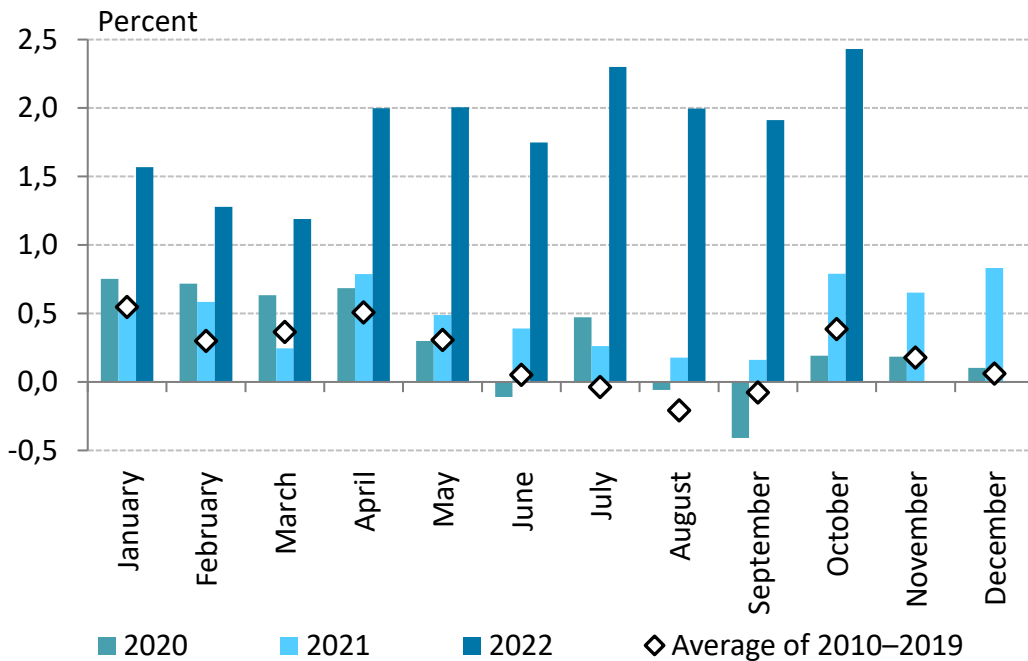
(excluding indirect taxes, annual percentage changes, January 2007 – October 2022)



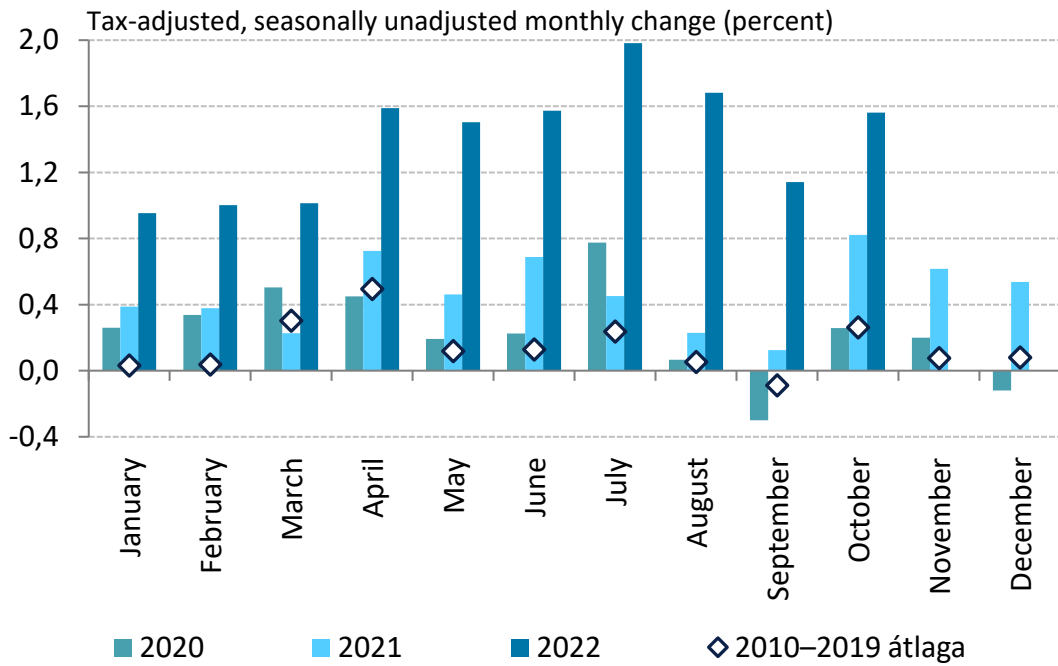
Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 per cent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the 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 4 Monthly changes in consumer prices excluding fuel and regulated products prices**

(tax-adjusted, seasonally unadjusted monthly percentage changes)

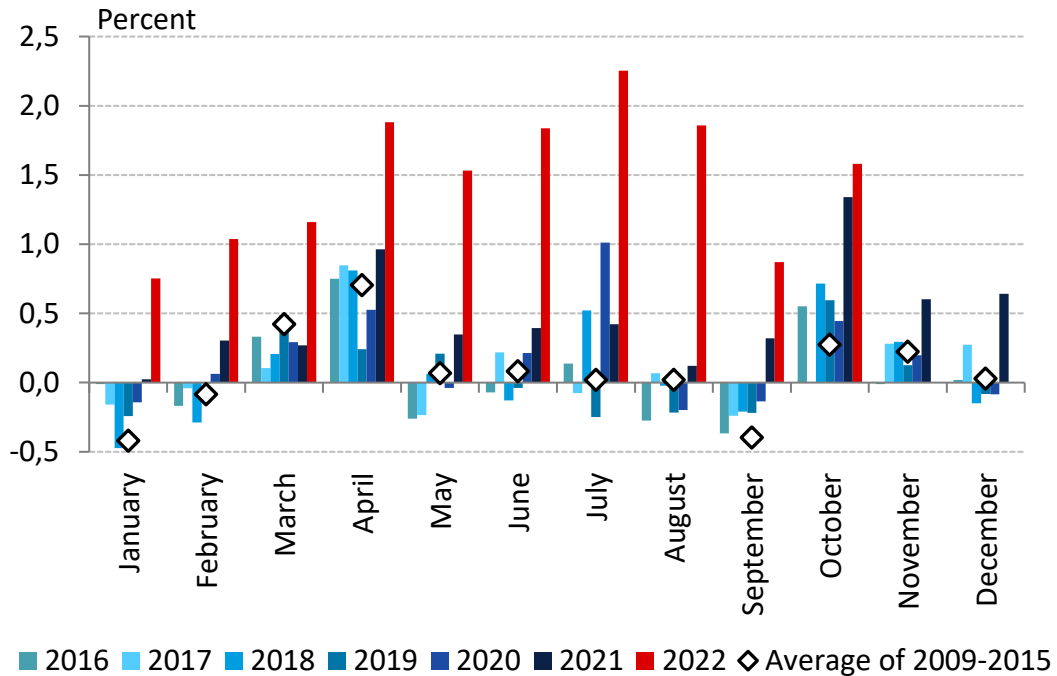


**Chart 5 Monthly change in core inflation excluding processed food**  
(tax-adjusted, seasonally unadjusted monthly percentage changes)



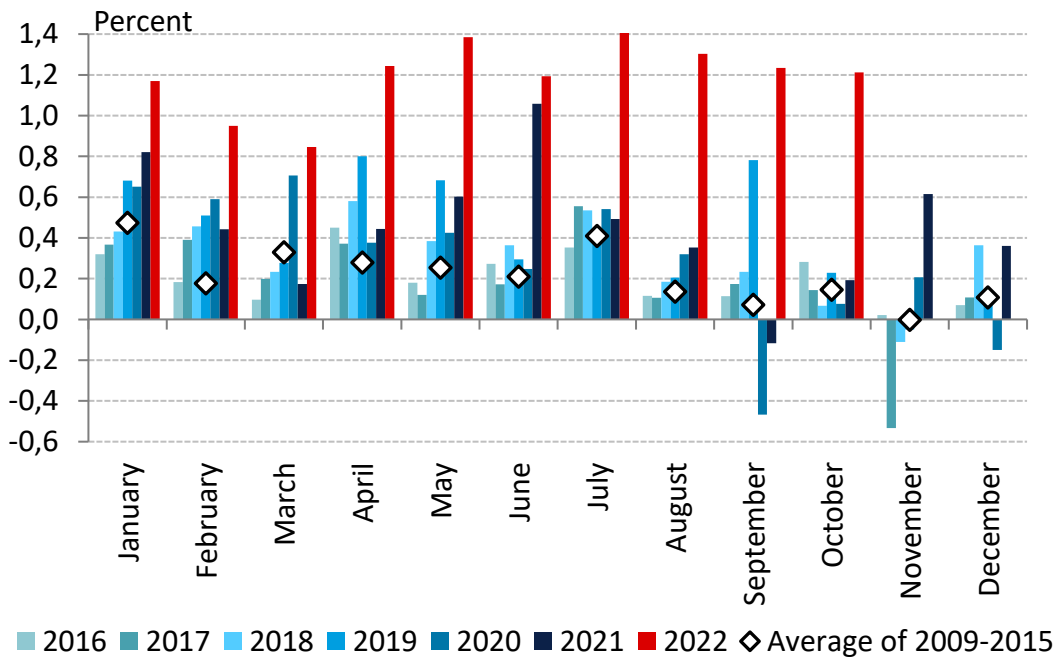
**Chart 6 Inflation of tradable goods**

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



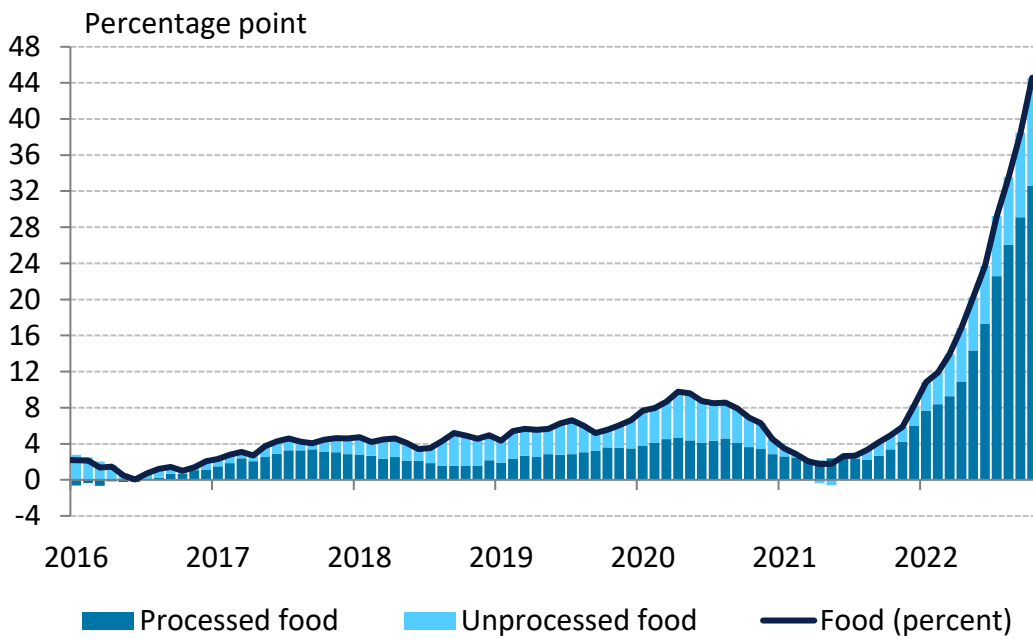
**Chart 7 Market services inflation**

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



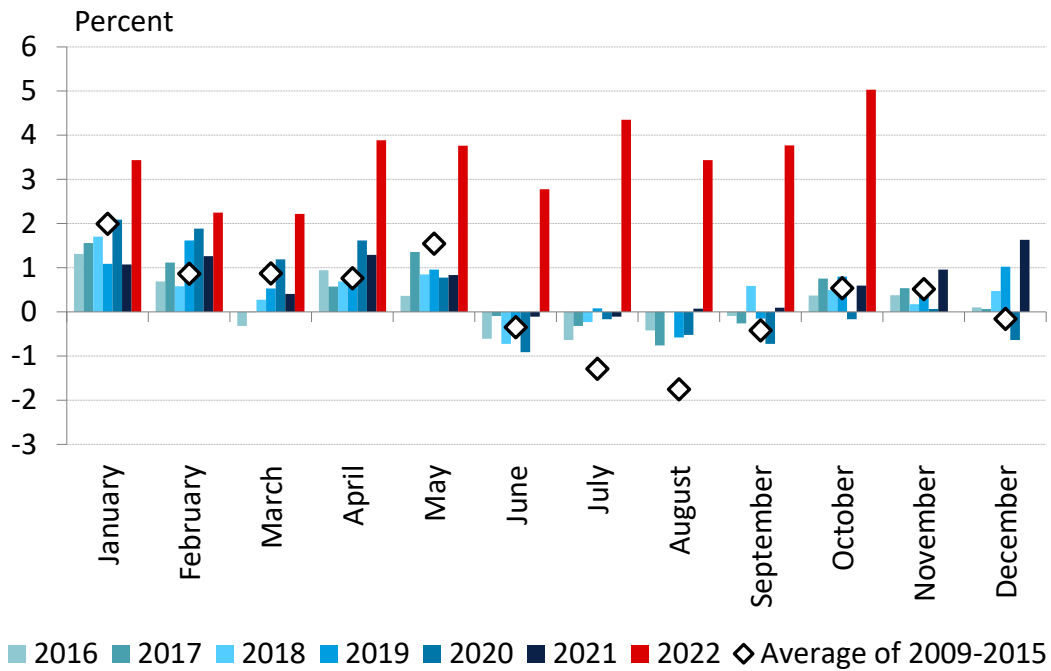
**Chart 8 Developments in food price inflation**

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



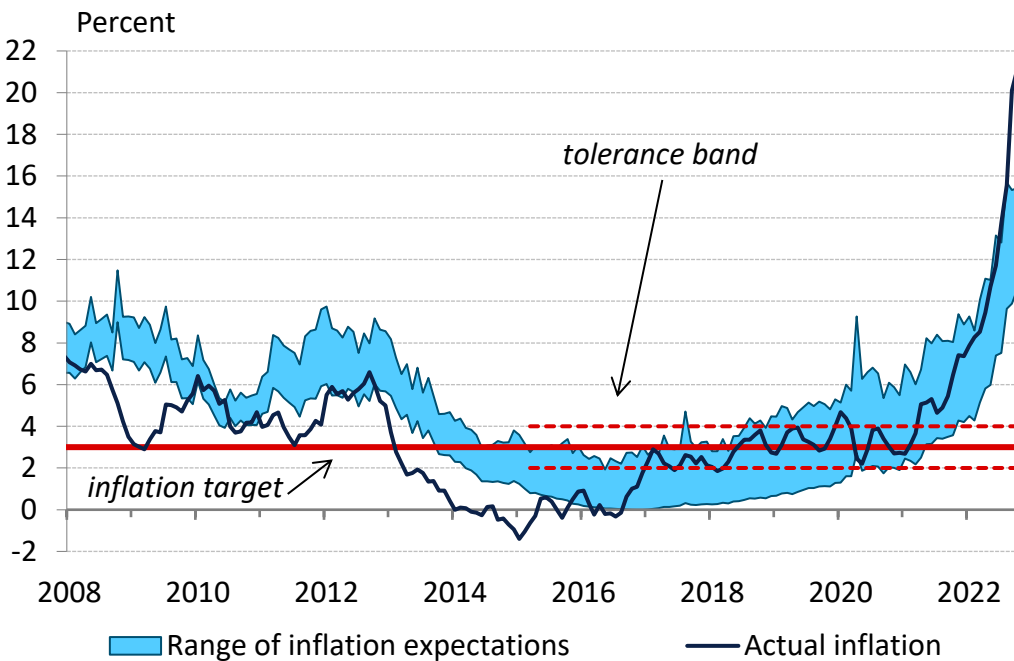
**Chart 9 Monthly changes in food prices**

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



**Chart 10 Households' inflation expectations**

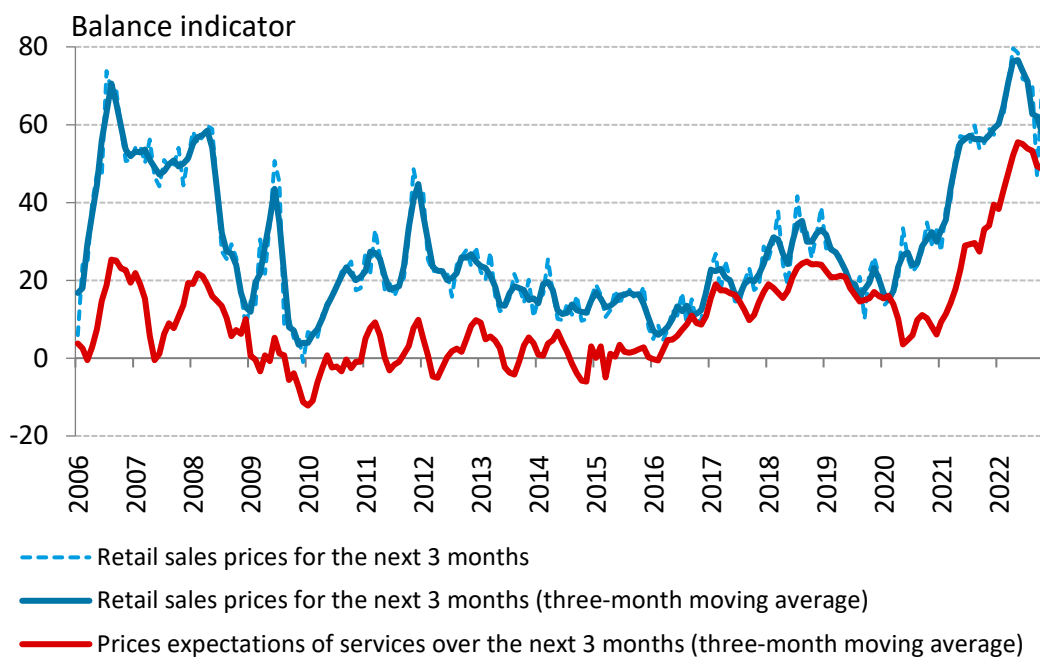
(January 2008 – October 2022)



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, October 2022 (HCSO)					
21.1% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 38.6%</b>	<b>6.7</b>	<b>Contribution of core inflation excluding processed foods (percentage points), weight 50.3%</b>	<b>8.2</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 63.6%</b>	<b>14.1</b>
Contribution of other items (percentage points), weight 61.4%	14.4	Contribution of other items (percentage points), weight 49.7%	13.0	Contribution of other items (percentage points), weight 36.4%	7.0

Sources: HCSO and the MNB's own calculations.

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