



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

SEPTEMBER

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.

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

ASSESSMENT OF INFLATION DATA FOR SEPTEMBER 2022

In September 2022, annual inflation stood at 20.1 percent. Core inflation was 20.7 percent and core inflation excluding indirect tax effects stood at 20.6 percent (Chart 1). A rise in regulated products and services and food prices accounted for over 50 percent of inflation in September (Chart 2).

Two product groups account for almost 85% of the 4.5 percentage-point increase in inflation: regulated prices contributed by 2.8 percentage points and food prices by 1.0 percentage point to the pick-up in the consumer price index. Core inflation rose by 1.7 percentage points relative to the previous month. The increase in core inflation was largely driven by processed food prices (0.9 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 1.7 percent, down from August, but still well above the average of recent years (Chart 4).

The monthly rise in core inflation calculated excluding processed food prices, which better reflects market developments, declined to 1.1 percent following the repricing of 1.7 percent in August, i.e. a moderation in inflation developments has been seen in this product group (Chart 5).

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

Tradables prices rose by 0.9 percent relative to the previous month. As a result, the rate of increase fell to 50 percent of that observed in August (Chart 6). The last time monthly price increases in this product group were so low was in January this year. The annual inflation of tradables rose to 17.1 percent. Within this product group, the price index for durables remained broadly unchanged and the price index for non-durables increased.

Market services prices rose by 1.2 percent compared to the previous month. The rise in prices was significantly higher than the usual repricing seen in the month of September in recent years, which appeared across a wide range of services. The inflation of services linked to foods (restaurant, dining prices and canteen goods) continued to pick up further. The falls in the prices of mobile phones and internet services seen last year have not been repeated this year. The annual price index of services stood at 12.6 percent (Chart 7).

Food price inflation rose to 38.6 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 August (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 0.5 percent relative to August due to the continued pass-through of the increase in excise taxes in July.

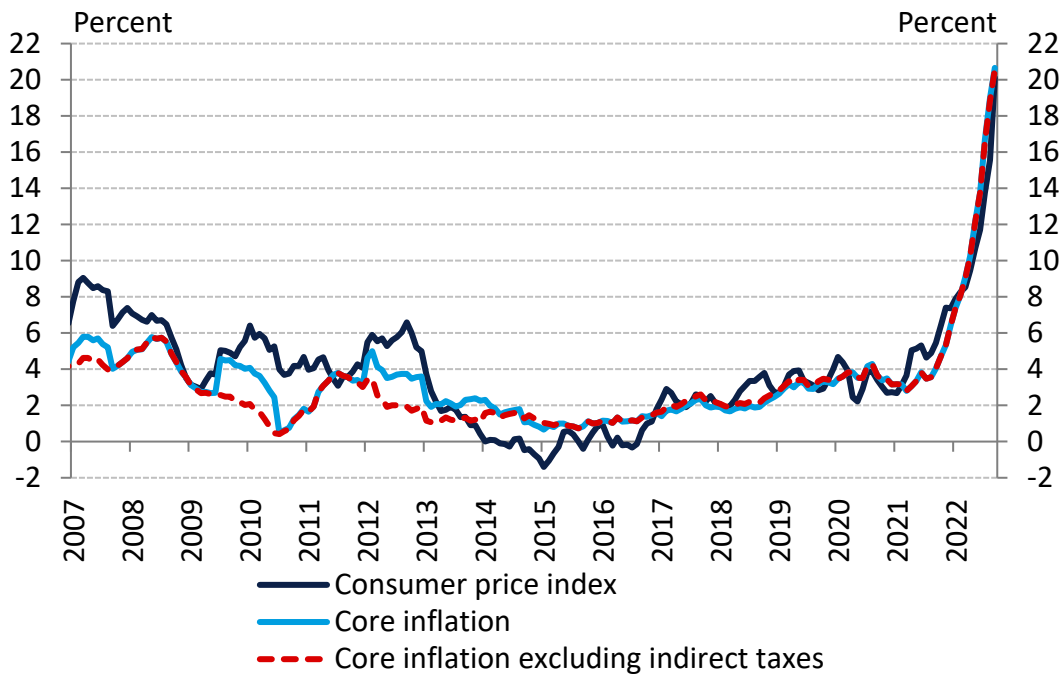
Prices of regulated products and services increased by 22.4 percent compared to August, bringing the annual change in the product group to 24.2 percent. Most of the significant increase is linked to changes in utility prices (gas and electricity prices), while the prices of textbooks, school meals, nursery and kindergarten meals as well as parking fees also increased.

The indicators, measuring households' inflation expectations, showed unusually high volatility. The indicators rose in September compared to the previous month (Chart 10). However, expectations for retail sales prices declined sharply, while business price expectations for services fell slightly (Chart 11).

Prepared by Géza Rippel

Budapest, 11 October 2022

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



Note: Seasonally unadjusted core inflation.

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

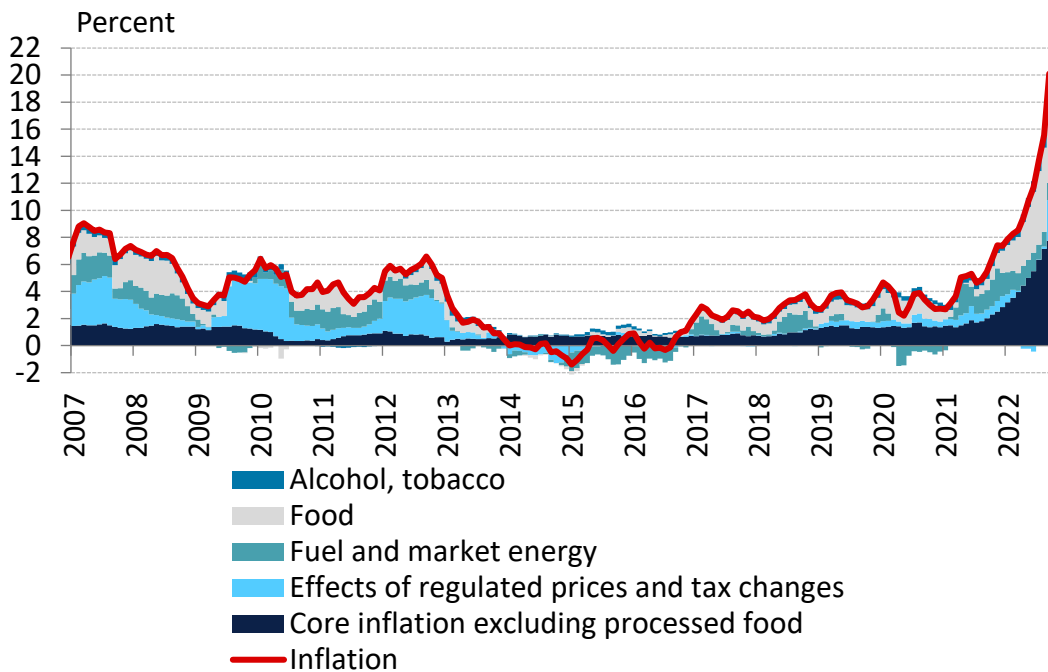
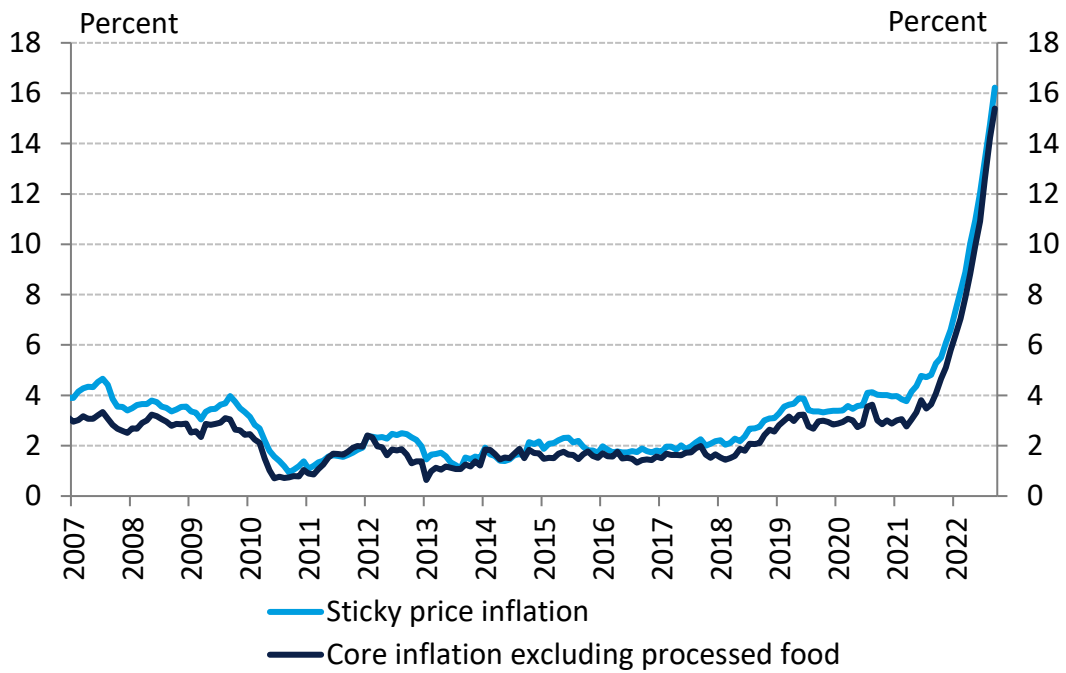


Chart 3 Underlying inflation indicators

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



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)

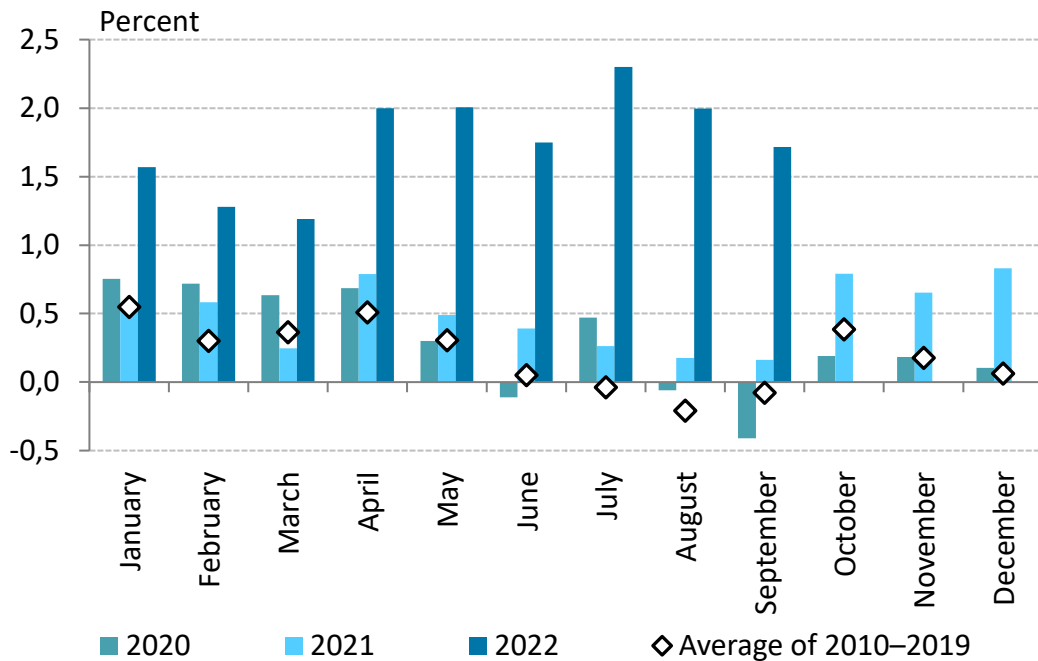


Chart 5 Monthly change in core inflation excluding processed food
(tax-adjusted, seasonally unadjusted monthly percentage changes)

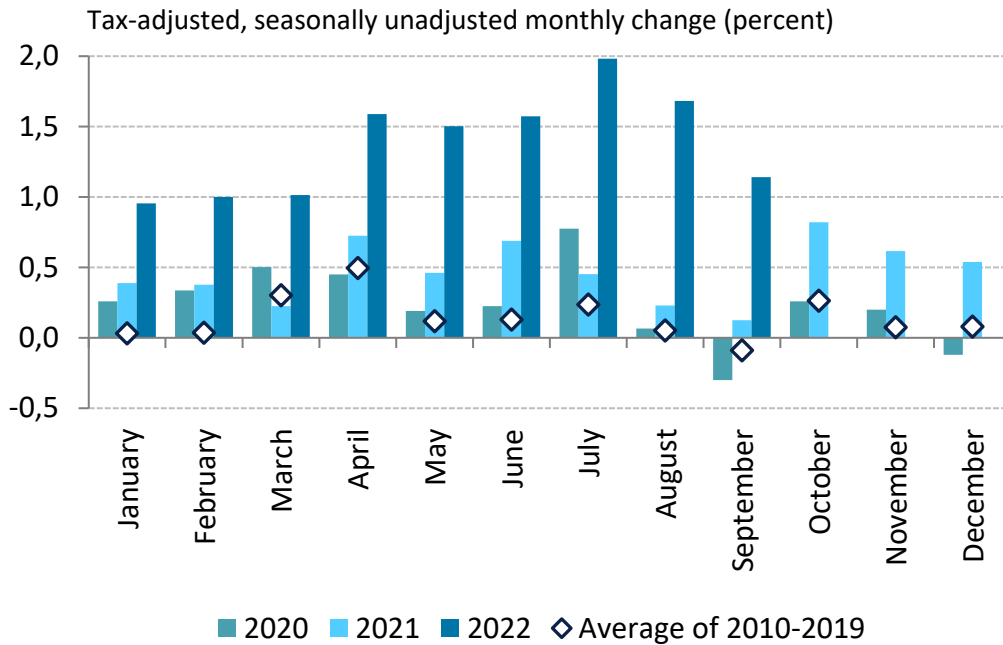


Chart 6 Inflation of industrial goods

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

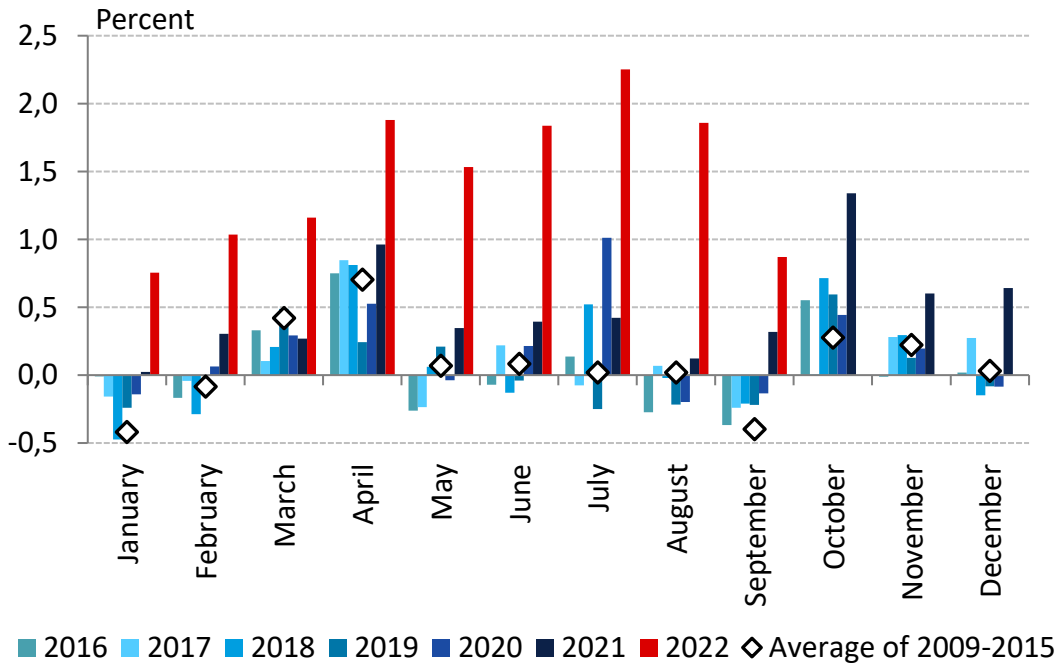


Chart 7 Market services inflation

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

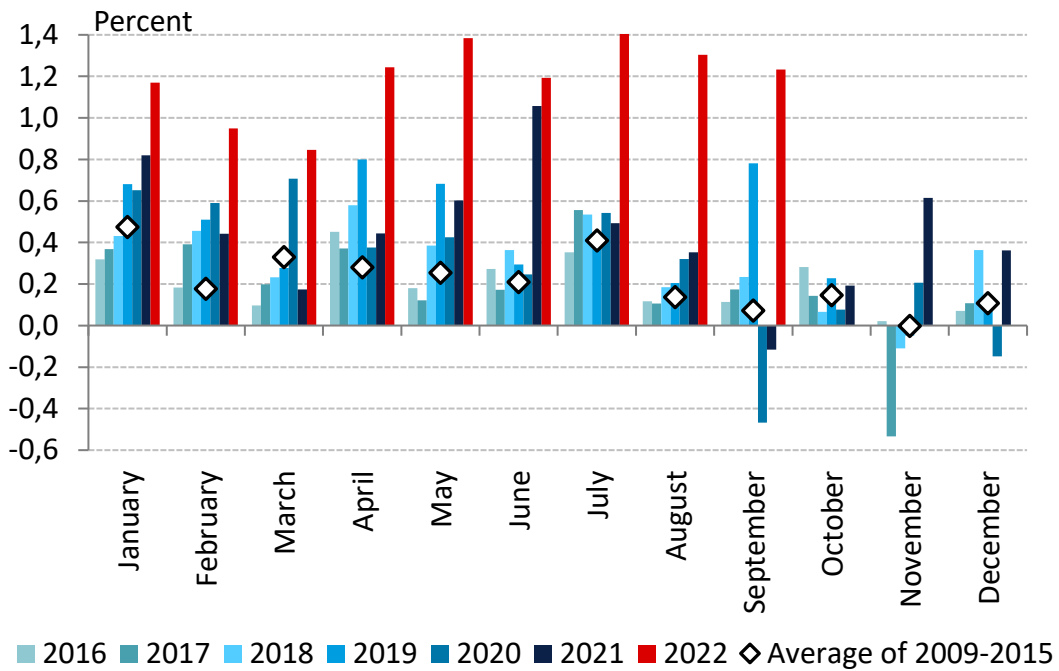


Chart 8 Developments in food price inflation

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

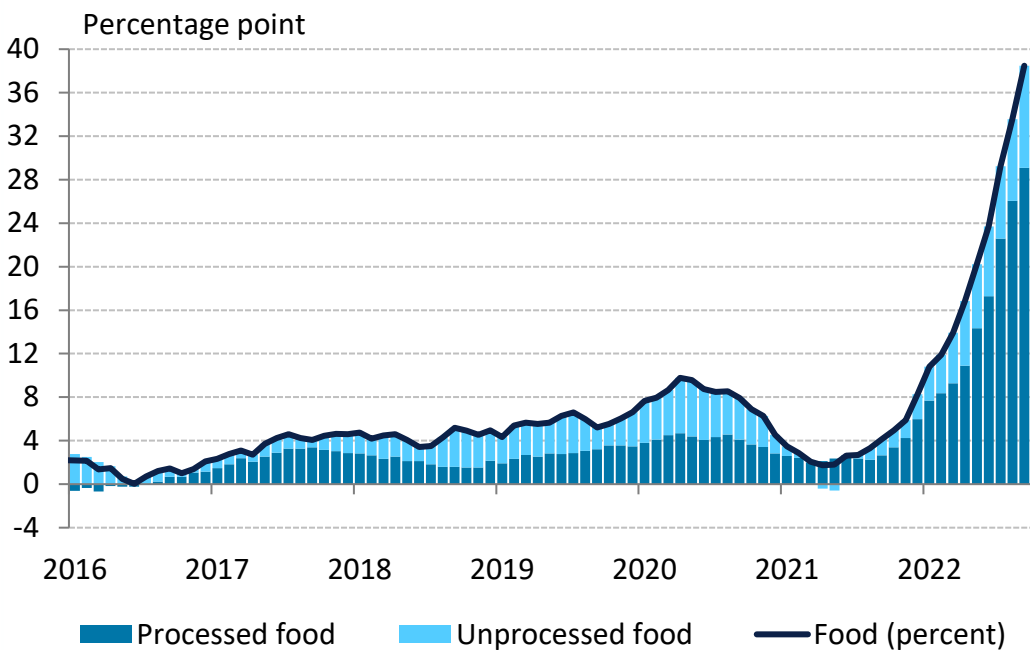


Chart 9 Monthly changes in food prices

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

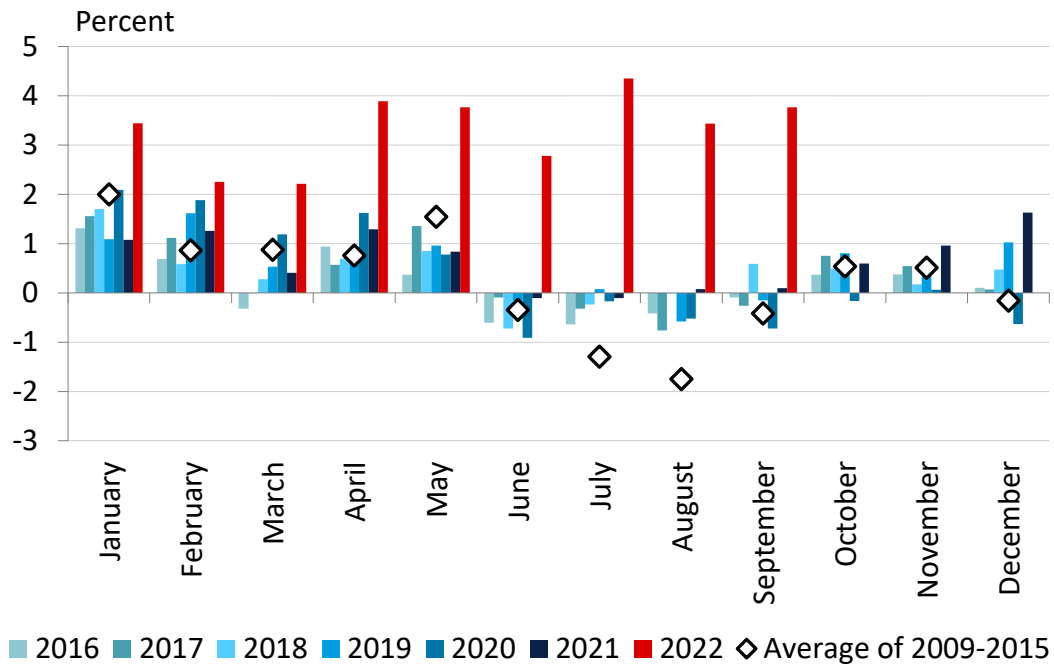
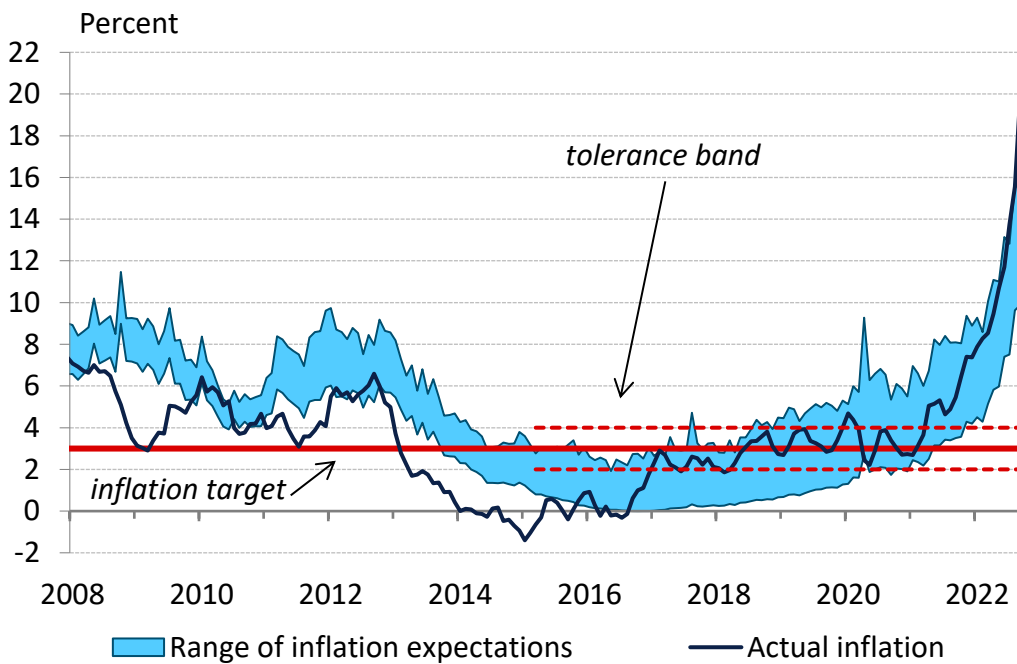


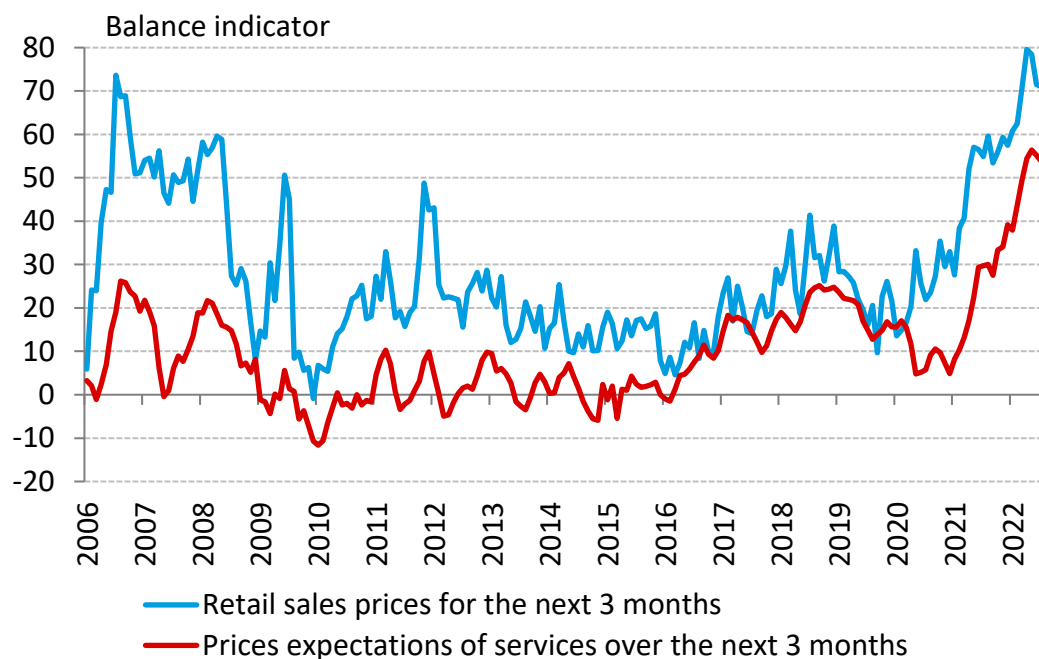
Chart 10 Households' inflation expectations

(January 2008 – September 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



Note: Three-month moving averages in the case of services prices.

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, September 2022 (HCSO)					
20.1% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 38.6%	6.3	Contribution of core inflation excluding processed foods (percentage points), weight 50.3%	7.7	Contribution of core inflation excluding taxes (percentage points), weight 63.6%	7.7
Contribution of other items (percentage points), weight 61.4%	13.8	Contribution of other items (percentage points), weight 49.7%	12.4	Contribution of other items (percentage points), weight 36.4%	12.4

Sources: HCSO and the MNB's own calculations.

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