



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

APRIL

2023

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@mnb.hu)

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 APRIL 2023

In April 2023, for the third month, domestic inflation declined at a faster pace than in previous months. Consumer prices rose by 24.0 percent in annual terms. Core inflation fell to 24.8 percent and core inflation excluding indirect tax effects, in turn, stood at 24.7 percent (Chart 1 and Chart 2).

Inflation slowed down by 1.2 percentage point compared with the previous month. This slowdown was caused entirely by food prices (by -1.3 percentage point). Year-on-year core inflation fell by 0.9 percentage points relative to the previous month. The fall in core inflation was primarily fuelled by a decline in processed food price inflation. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, fell or stagnated. The indicator of sticky-price products fell by 0.5 percentage points and core inflation excluding processed food prices was unchanged relative to the previous month (Chart 3).

The monthly change in the basket calculated excluding fuel and regulated product prices was up by 1.5 percent, as seen in March (Chart 4). Monthly change in core inflation excluding processed food, which better reflect underlying developments, was down to 1.6 percent (Chart 5).

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

Tradables prices rose by 1.5 percent from the previous month (Chart 6). Annual inflation of this product group fell to 19.0 percent. Durables prices were unchanged on a monthly basis; however, non-durables prices rose significantly (+2.2 percent). Price rises in air travel was the main contributing factor to the increase in non-durables prices.

Market services prices rose by 1.6 percent compared with the previous month, which was largely driven by repricing of banking services, indexed to the inflation in 2022. The annual price index of services rose to 18.9 percent (Chart 7).

According to HCSO data, food price inflation has been slowing for the fourth month, as a result, it stood at 37.9 percent in April. Within the product group, the annual price indices of both processed and unprocessed food decreased significantly (Chart 8). The slowdown in food price inflation was essentially caused by changes in the prices of fresh vegetables. Compared to March, unprocessed food prices and processed food prices decreased by 0.8 percent and 0.7 percent, respectively (Chart 9).

In the group of *alcohol* and *tobacco* products, prices rose by 1.1 percent relative to March.

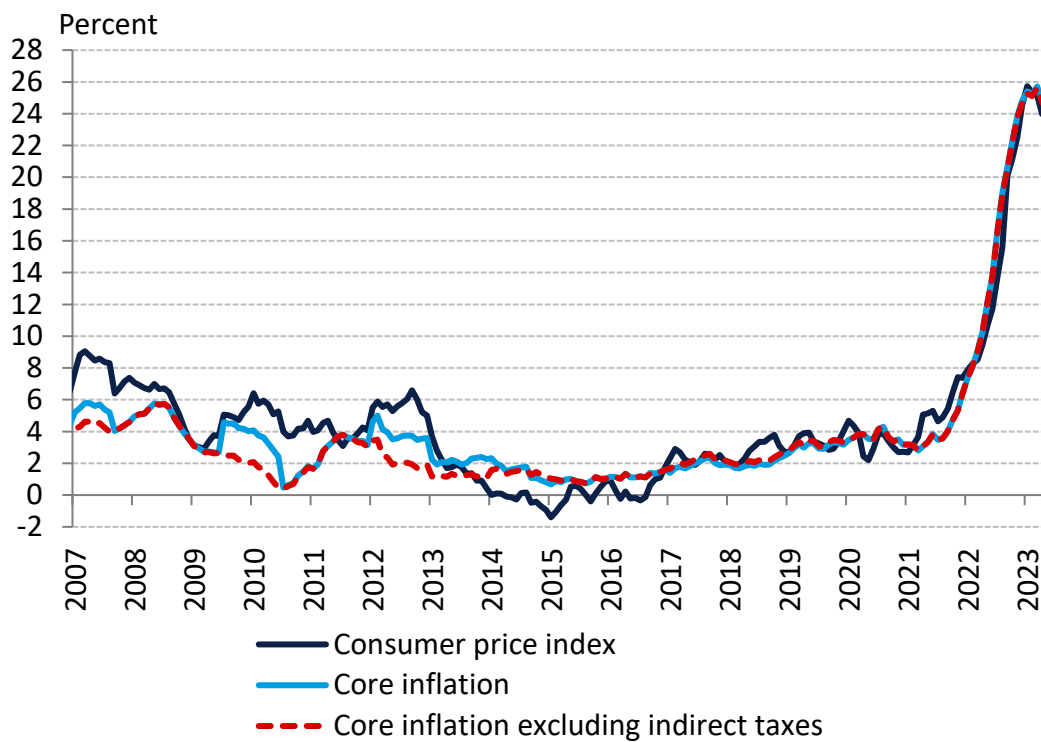
Prices of *regulated products and services* were unchanged compared to March. Within this product group, the price of natural and manufactured gas declined on the previous month, which was offset by a rise in the prices of a wide range of products and services belonging to the product group. The fall in average gas prices was invariably due to a higher share of consumers' consumption falling below the volume limit of the lower officially regulated price, due to the adaptation of households and favourable weather conditions.

The indicators, measuring *households' inflation expectations*, showed unusually high volatility. The indicators in April fell further (Chart 10). The decline in *corporate expectations for both retail sales and services prices* continued (Chart 11).

Prepared by Géza Rippel

Budapest, 10 May 2023

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

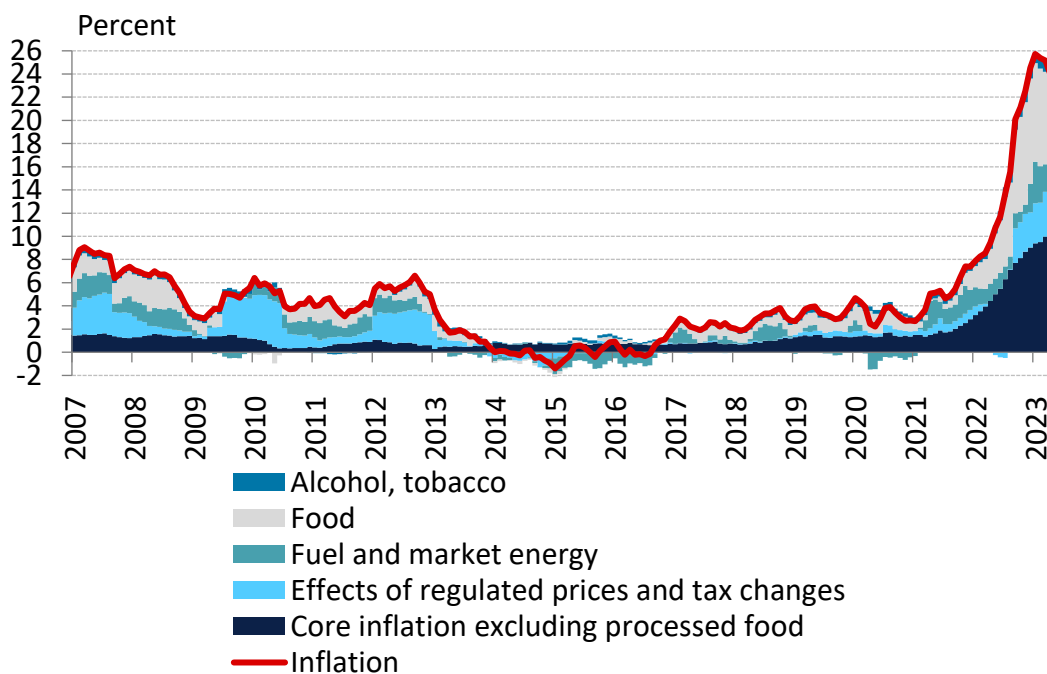
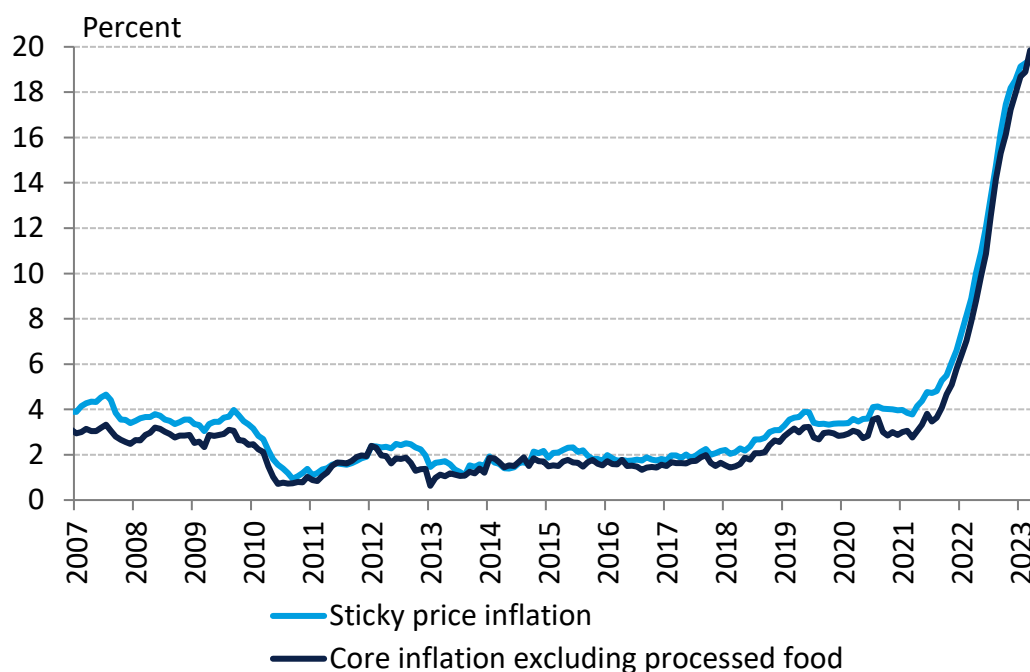


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

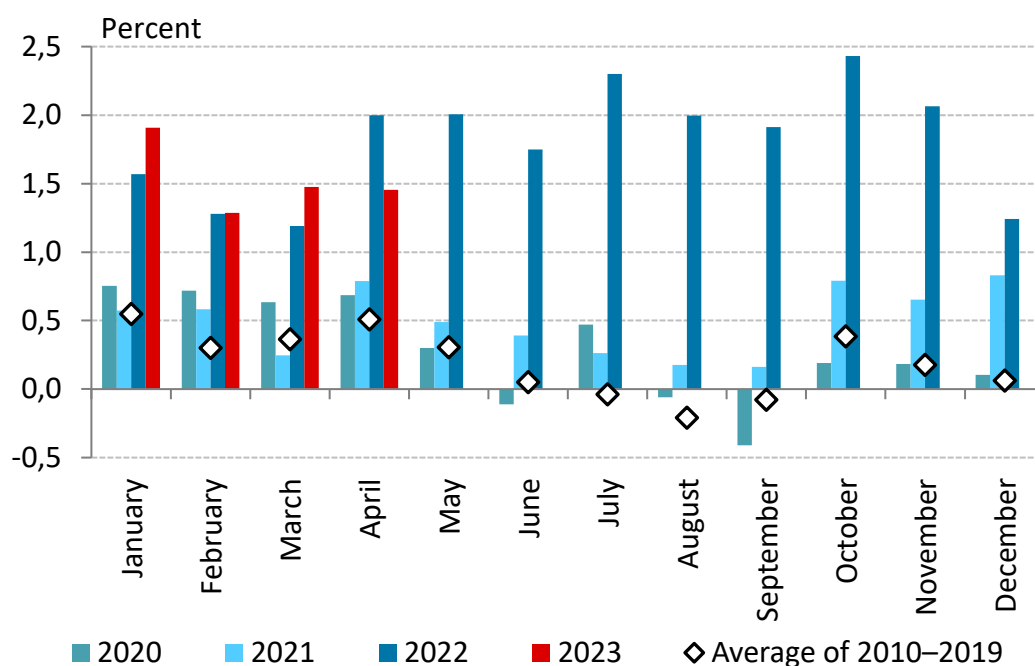


Chart 5 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

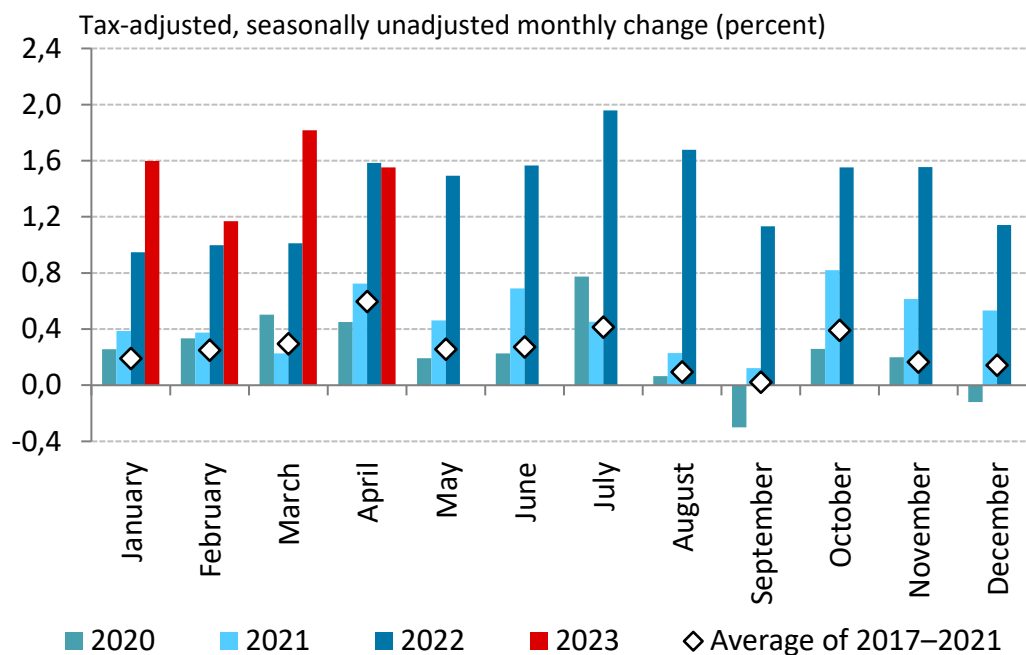
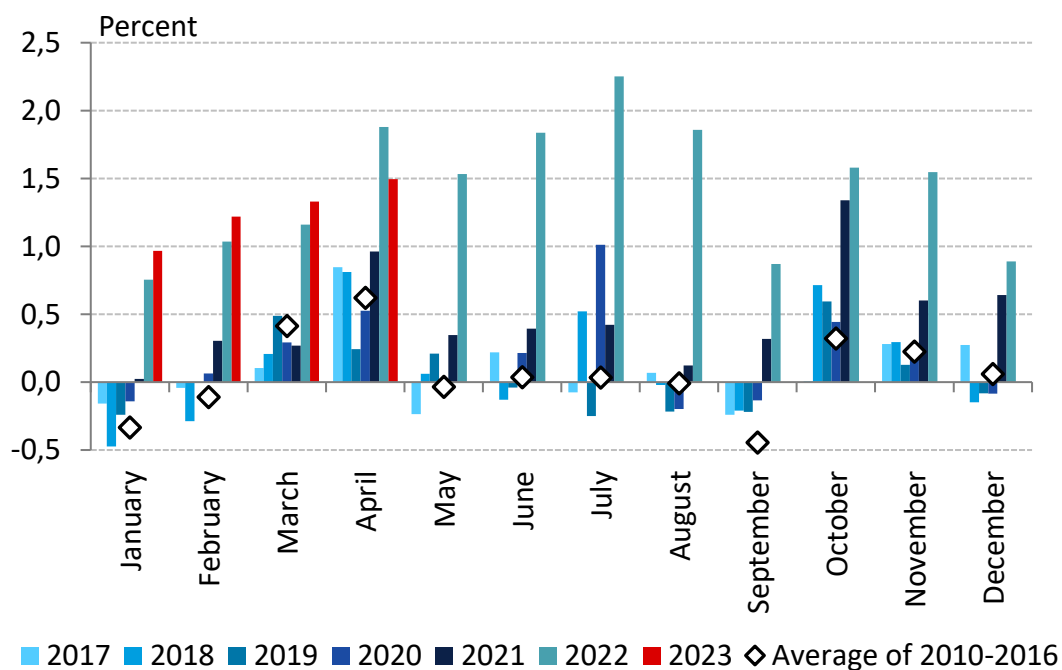
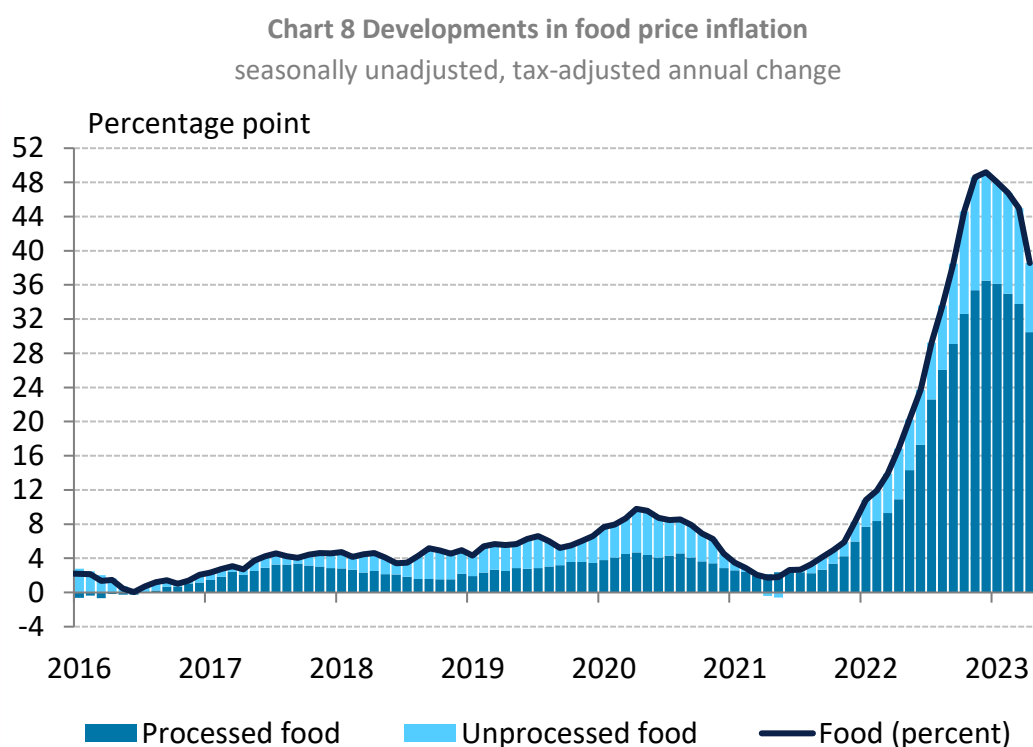
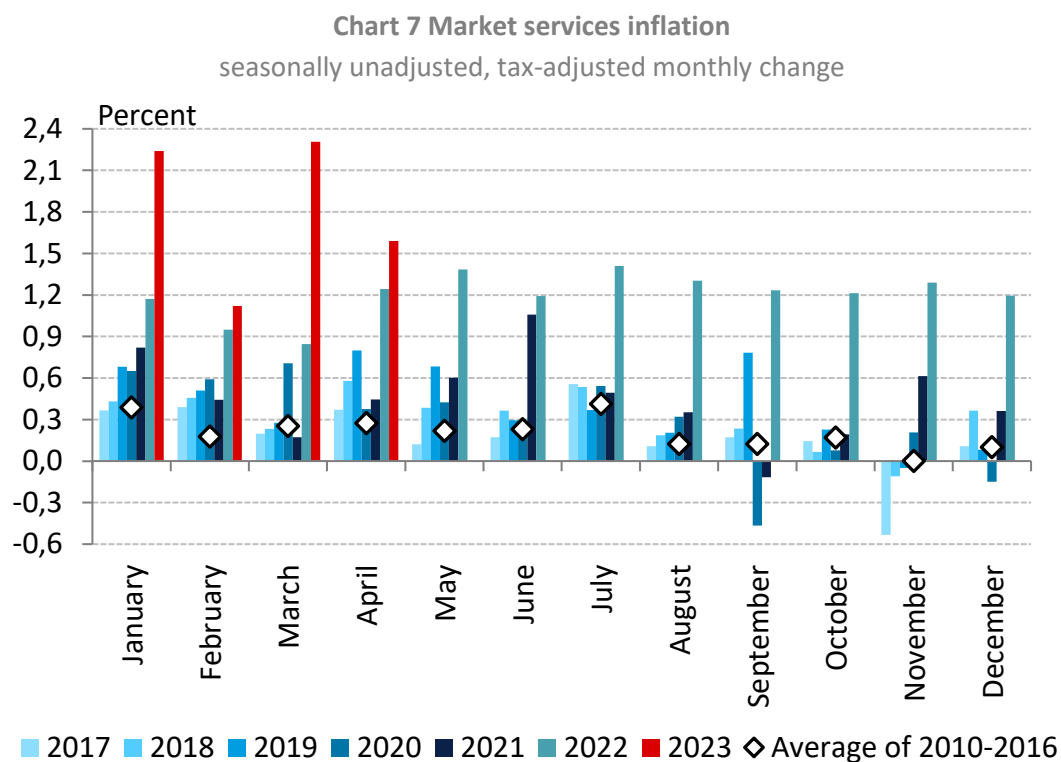


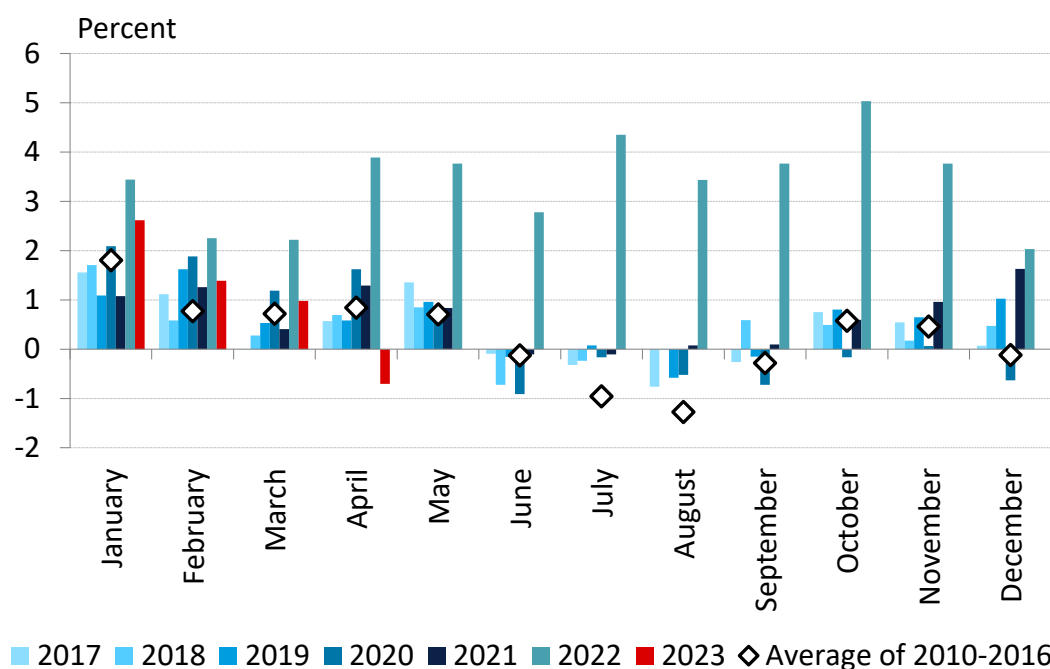
Chart 6 Inflation of tradable goods
seasonally unadjusted, tax-adjusted monthly change





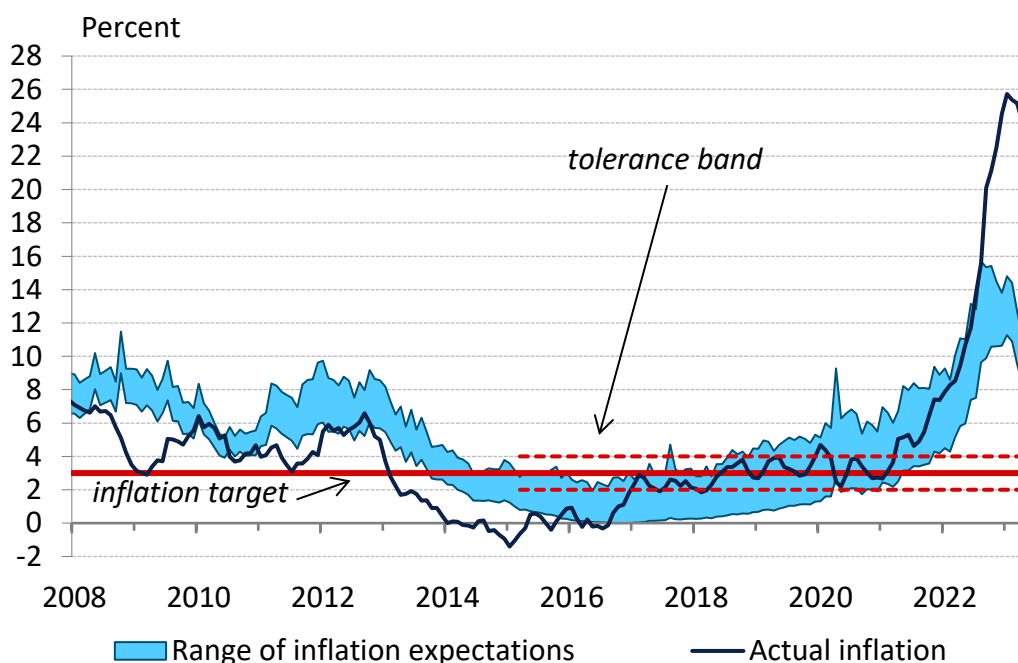
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery and kindergarten meals), and some beverages as non-durable industrial goods (coffee, tea, soft drinks).

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



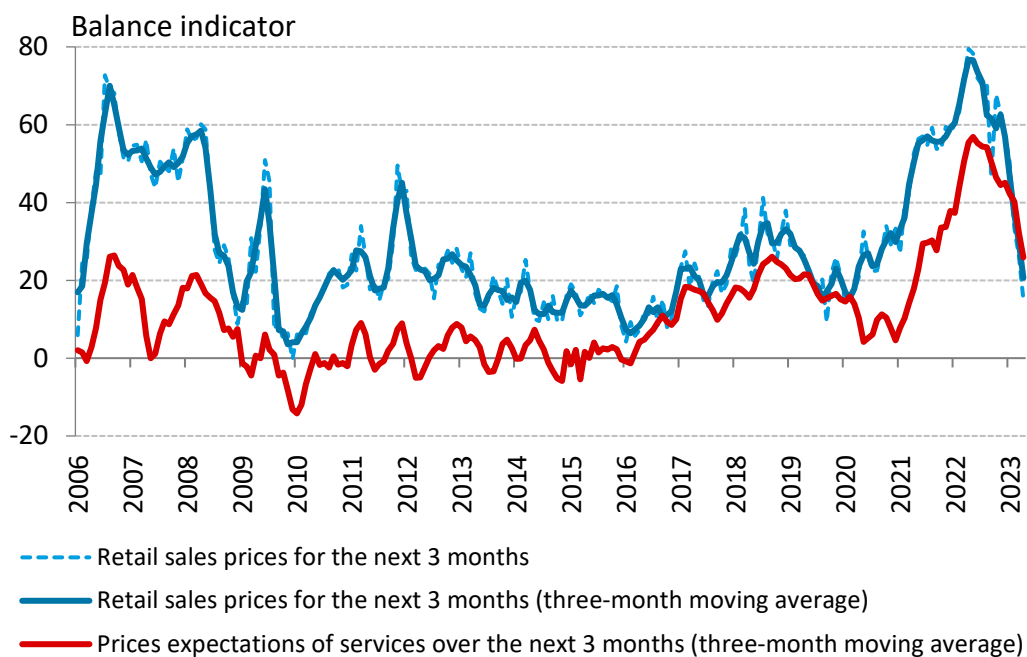
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Chart 10 Households' inflation expectations



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, April 2023 (HCSO)					
24.0% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 39.2%	7.4	Contribution of core inflation excluding processed foods (percentage points), weight 50.2%	9.9	Contribution of core inflation excluding taxes (percentage points), weight 63.7%	15.7
Contribution of other items (percentage points), weight 60.8%	16.6	Contribution of other items (percentage points), weight 49.8%	14.0	Contribution of other items (percentage points), weight 36.3%	8.2

Sources: HCSO and the MNB's own calculations.

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