



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**JANUARY**

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.*

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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 JANUARY 2023

In January 2023, annual inflation was 25.7 percent. Core inflation was 25.4 percent and core inflation excluding indirect tax effects stood at 25.3 percent (Chart 1 and Chart 2).

Inflation increased by 1.2 percentage points compared to the previous month, more than half of the increase in inflation was driven by higher fuel prices. Prices in this product group rose by 35.9 percent compared with January 2022, this item contributed 0.7 percentage points to a rise in inflation.

Year-on-year core inflation rose by 0.6 percentage points relative to the previous month. Market services accounted for almost all the increase in core inflation (0.5 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 basket calculated excluding fuel and regulated product prices were up by 1.9 percent relative to the previous month (Chart 4). The monthly rise in core inflation calculated excluding processed food prices, which better reflects market developments, picked up to 1.6 percent (Chart 5).

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

Prices of *tradables* rose by 1 percent compared to the previous month, indicating repricing similar to what was seen in December (Chart 6). The annual inflation of tradables rose to 19 percent.

*Services prices* rose significantly, by 2.2 percent on the previous month which was substantially above the price changes seen in the previous months. The inflation of services (restaurant, dining prices and canteen goods) linked to foods continued to make a significant contribution to a rise in market services prices. The annual price index of services stood at 16.6 percent (Chart 7).

Based on the January data, the rise in food inflation has stopped. According to HCSO data, *food price* inflation was 44.0 percent in January this year. Within the product group, the annual price indices of both processed and unprocessed food decreased slightly (Chart 8). Compared to December, unprocessed food prices rose by 3.1 percent and processed food prices increased by 2.4 percent (Chart 9). The increase in unprocessed food prices was primarily due to higher fruit prices. The increase in processed food prices was continued to be linked to the changes in dairy product prices to the greatest extent.

In the group of *alcohol and tobacco* products, prices rose by 3.0 percent relative to December due to the increase in alcohol product prices.

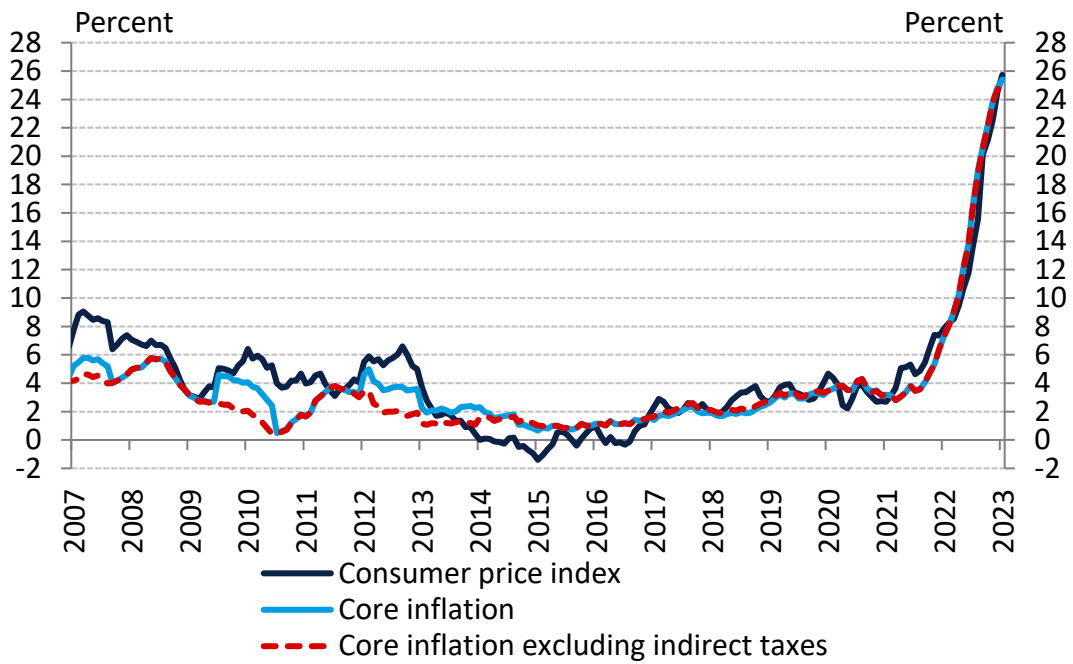
The prices of *regulated products and services* rose by 0.9 percent compared to December. Price growth picked up across a wide range of goods and services, which was not offset by a decline in the price of natural and manufactured gas. The fall in gas prices was due to a higher share of consumers' consumption 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 rose in January compared to the previous month (Chart 10). *Corporate expectations for retail sales and services prices* have been fluctuating below their peak in the summer for months (Chart 11).

Prepared by Géza Rippel

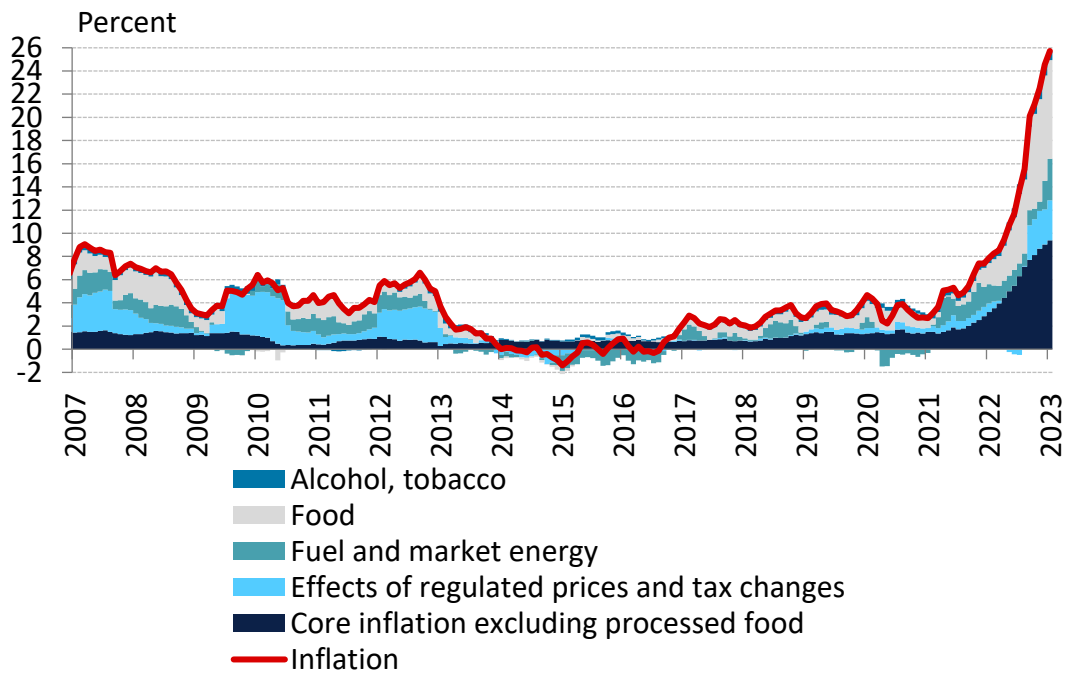
Budapest, 10 February 2023

Chart 1 Consumer price index, core inflation and core inflation excluding indirect taxes  
annual change

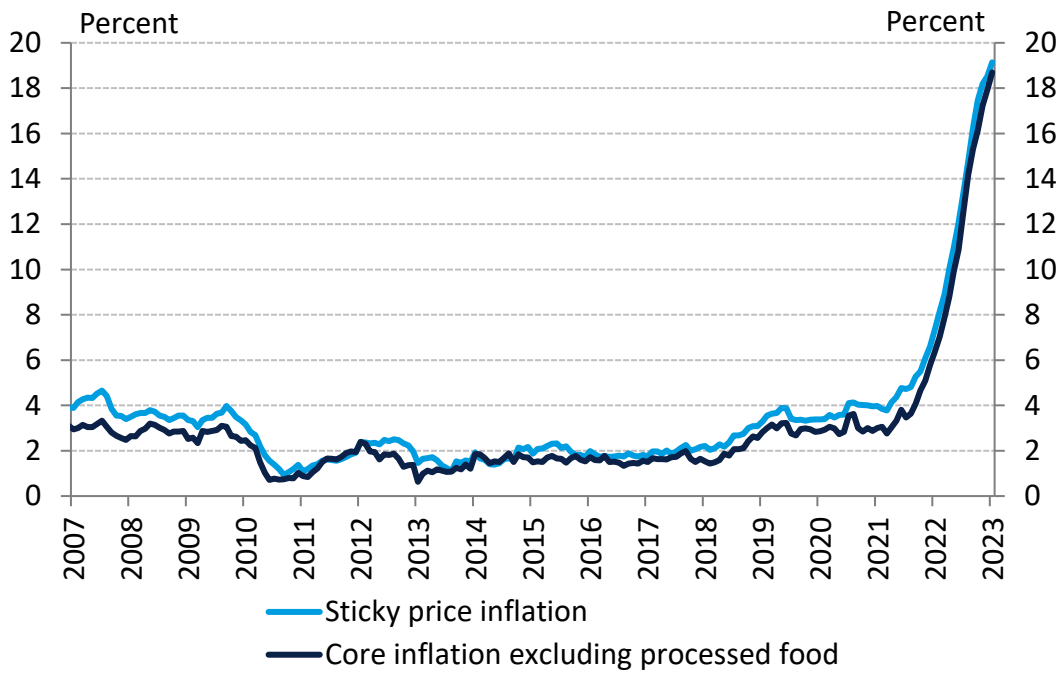


Note: Seasonally unadjusted core inflation.

Chart 2 Inflation decomposition  
annual change

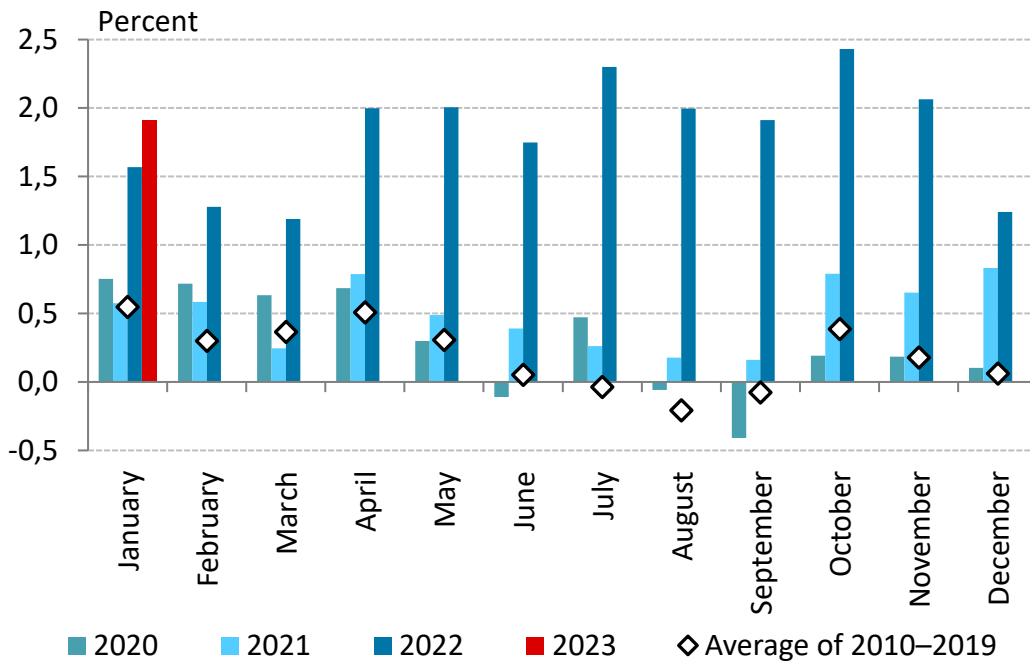


**Chart 3 Underlying inflation indicators**  
annual percentage changes excluding indirect taxes

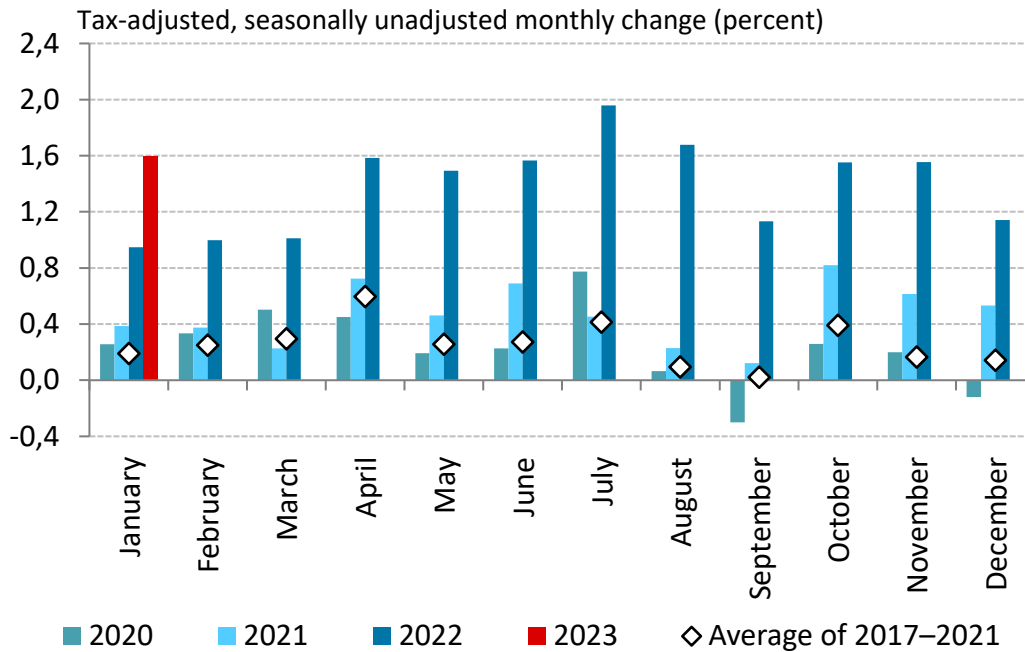


Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 percent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the 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.

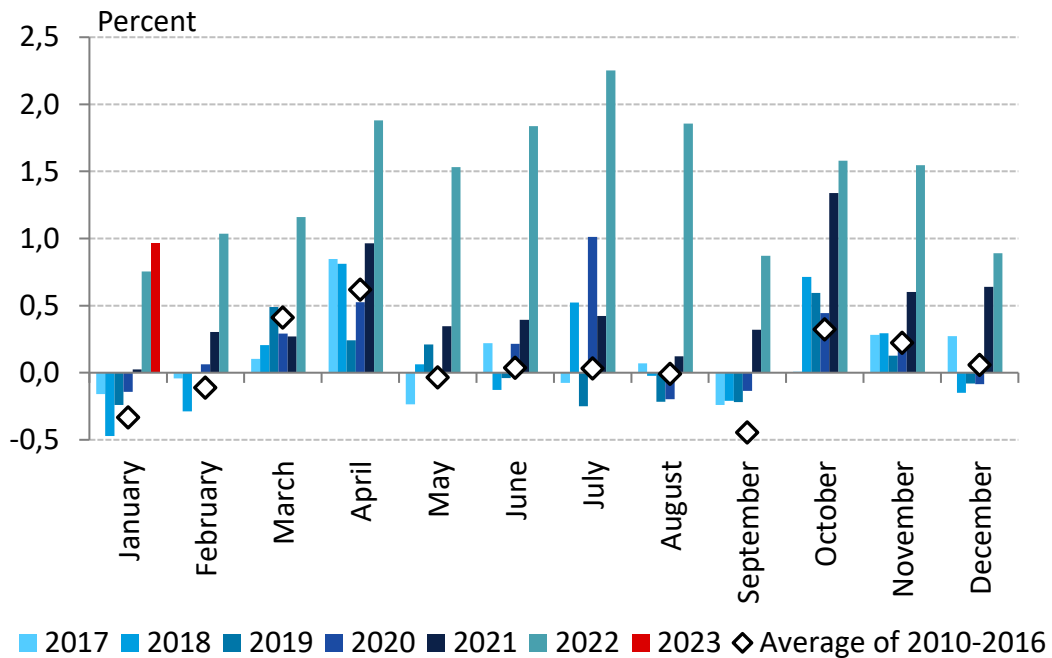
**Chart 4 Monthly changes in consumer prices excluding fuel and regulated products prices**  
tax-adjusted, seasonally unadjusted monthly percentage changes



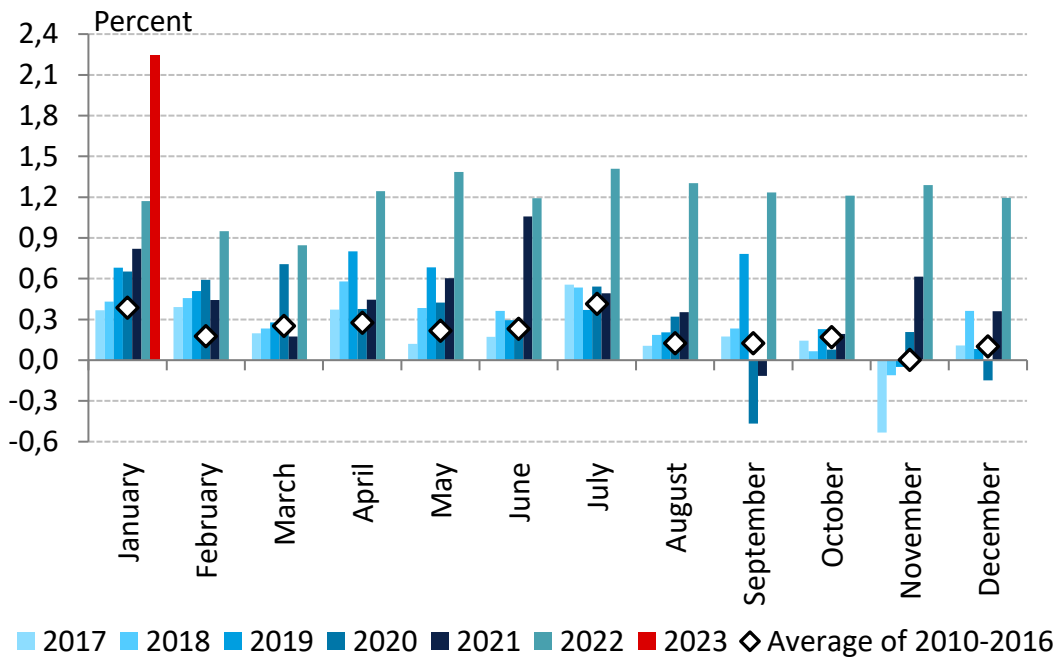
**Chart 5 Monthly change in core inflation excluding processed food**  
tax-adjusted, seasonally unadjusted monthly percentage changes



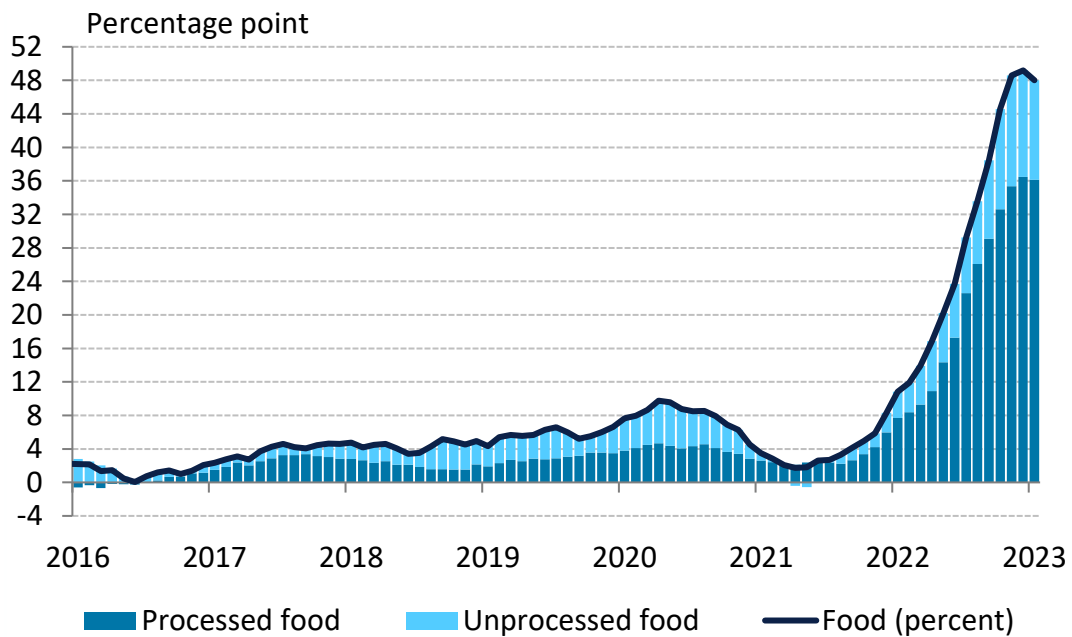
**Chart 6 Inflation of tradable goods**  
seasonally unadjusted, tax-adjusted monthly change



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

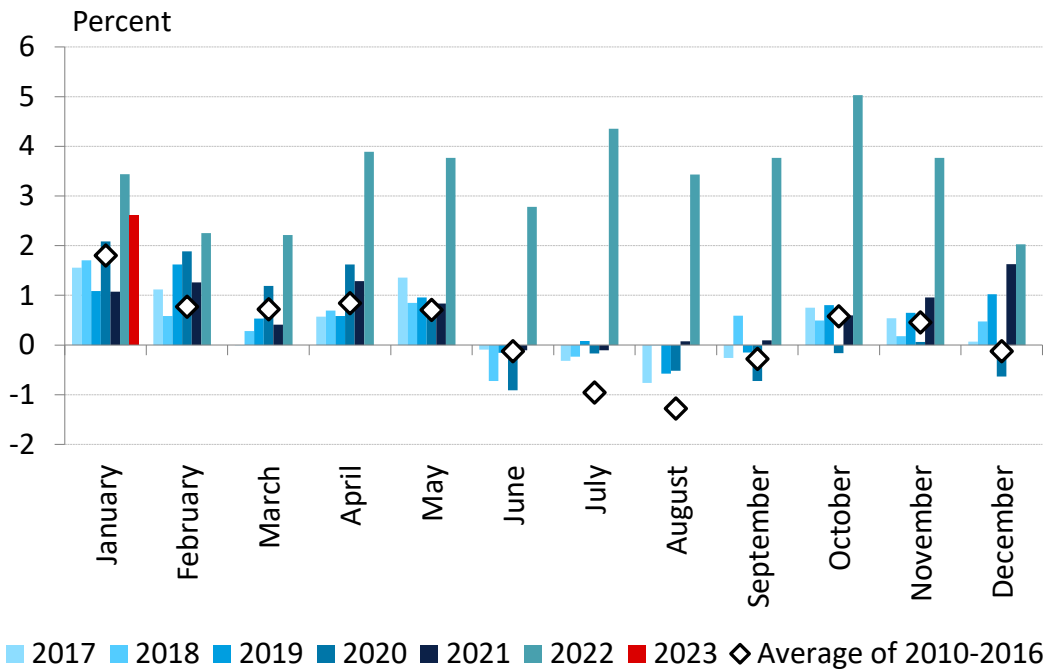


**Chart 8 Developments in food price inflation**  
seasonally unadjusted, tax-adjusted annual change



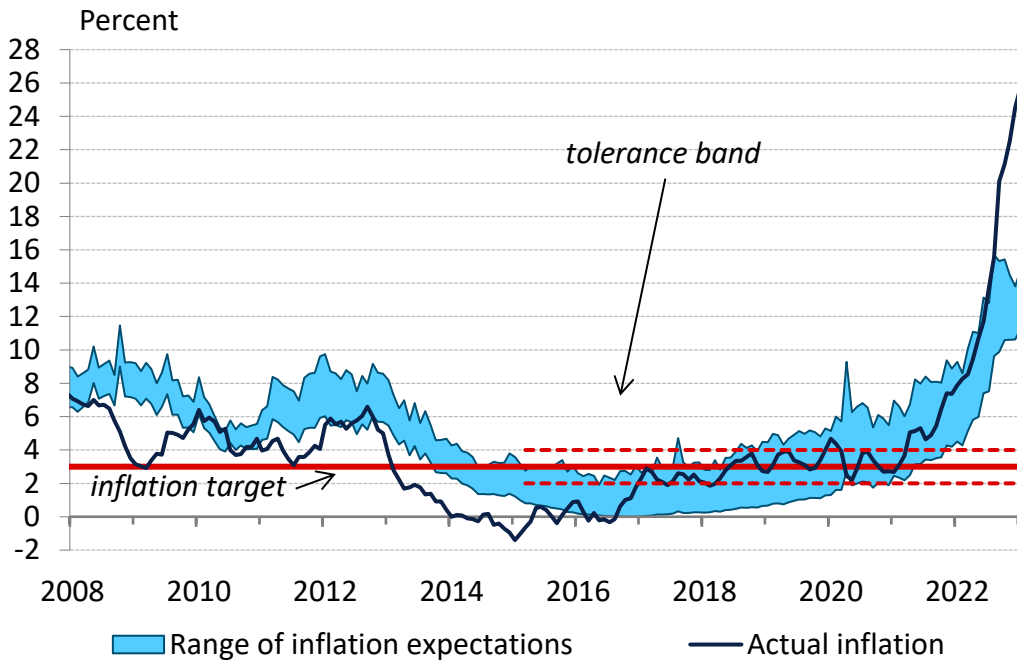
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery 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



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).

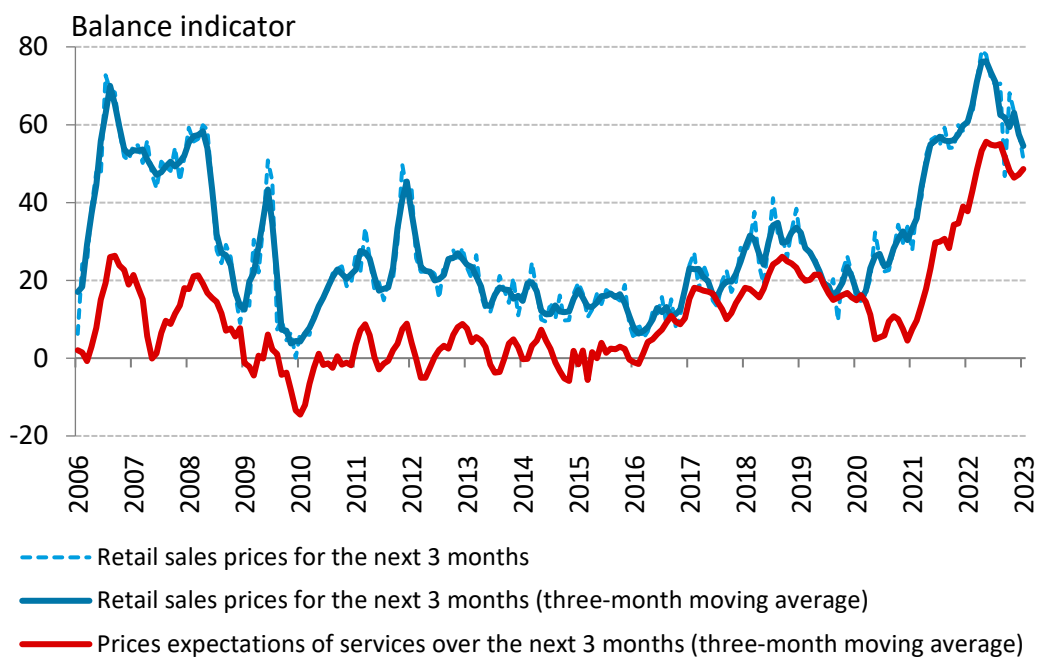
**Chart 10 Households' inflation expectations**



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, January 2023 (HCSO)					
25.7% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 39.2%</b>	<b>7.5</b>	<b>Contribution of core inflation excluding processed foods (percentage points), weight 50.2%</b>	<b>9.4</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 63.7%</b>	<b>16.1</b>
Contribution of other items (percentage points), weight 60.8%	18.2	Contribution of other items (percentage points), weight 49.8%	16.3	Contribution of other items (percentage points), weight 36.3%	9.6

Sources: HCSO and the MNB's own calculations.

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