



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**JUNE**

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

## ASSESSMENT OF INFLATION DATA FOR JUNE 2023

In June 2023, domestic inflation continued to decline for the fifth month. Consumer prices rose by 20.1 percent in annual terms. Core inflation fell to 20.8 percent and core inflation excluding indirect taxes, in turn, stood at 20.7 percent (Chart 1 and Chart 2).

Inflation slowed down by 1.4 percentage points compared to the previous month. The slowdown was almost entirely caused by changes in food (-0.9 percentage point) and tradables (-0.4 percentage point). Year-on-year core inflation fell by 2.0 percentage points relative to the previous month. All main product groups contributed to the fall in core inflation. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, also fell. The annual price of sticky-price products fell by 1.2 percentage point and core inflation excluding processed food declined by 1.1 percentage point relative to the previous month (Chart 3).

The basket calculated excluding fuel and regulated product prices was up by 0.2 percent on a monthly basis (Chart 4). Monthly change in core inflation excluding processed food, which better reflect underlying developments, was down to 0.6 percent (Chart 5).

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

The annual inflation of *tradables* fell to 15.7 percent. The prices of this product group rose by 0.5 percent compared to the previous month (Chart 6). Non-durables prices rose, which was only partially offset by the decline in durables prices. The fall in the prices of second-hand cars was the largest contributing factor to the decline in durables prices.

*Market services* prices rose at a slowing pace by 0.6 percent on a monthly basis relative to the previous months (Chart 7). The annual price growth of this product group moderated for the first time since July 2021, with the annual price index of market services falling to 18.4 percent.

According to HCSO data, *food* price inflation has been slowing for the sixth month, as a result, it stood at 29.3 percent in June. 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 primarily due to changes in milk and dairy products prices as well as bread and bakery products prices. Compared to May, unprocessed food prices and processed food prices decreased by 1.3 percent and 0.6 percent, respectively (Chart 9).

In the group of *alcohol* and *tobacco* products, prices rose by 0.3 percent relative to May.

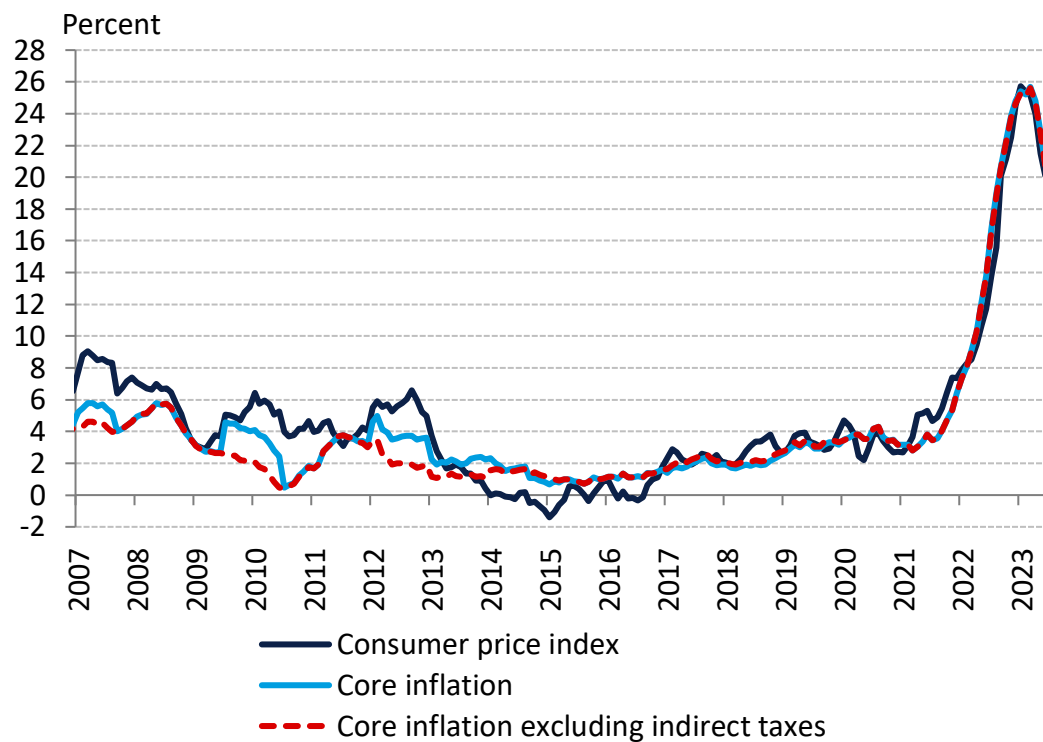
The prices of *regulated products and services* fell by 0.3 percent compared to May. Within this product group, the price of natural and manufactured gas declined relative to May. The fall in average gas prices was still due to a higher share of consumers' consumption falling below the volume limit of 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 (Chart 10). The decline in *corporate expectations for both retail sales and services prices* continued (Chart 11).

Prepared by Géza Rippel

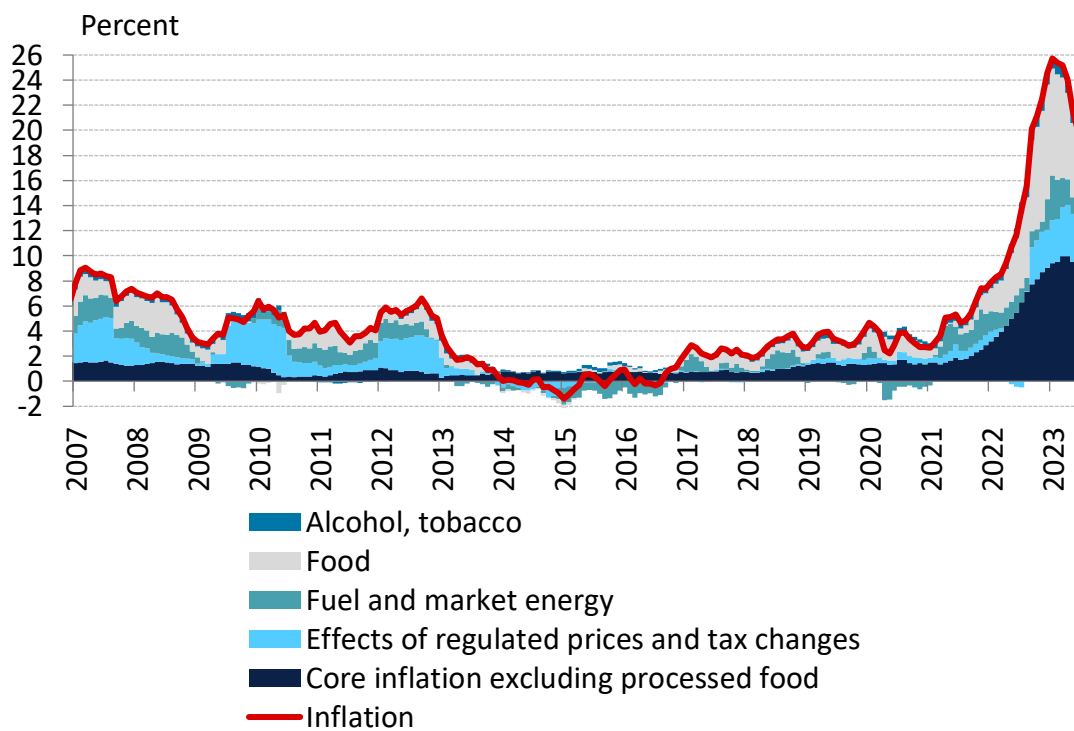
Budapest, 7 July 2023

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

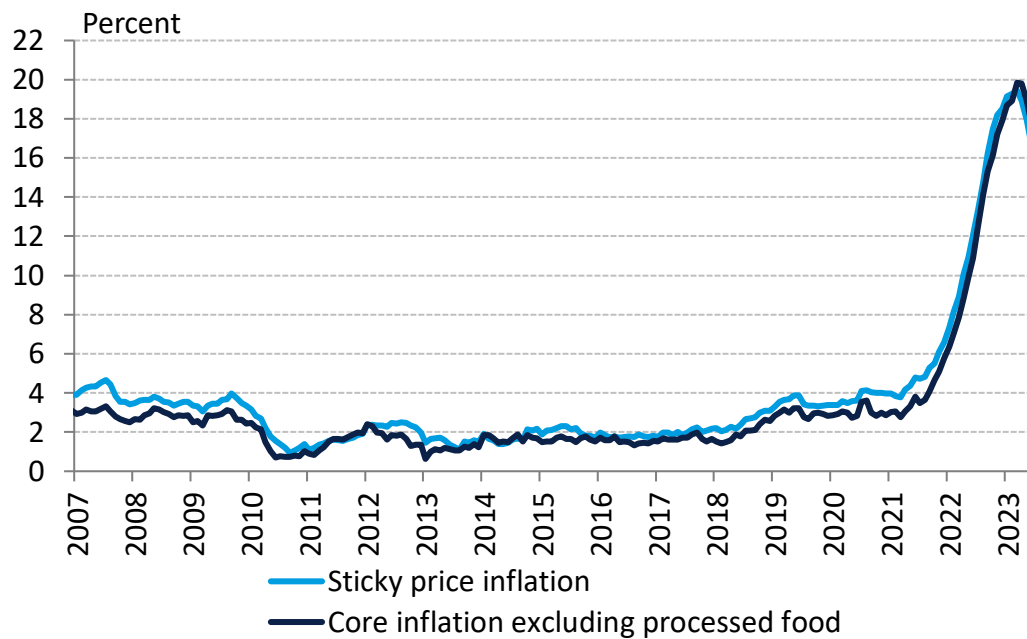


*Note: Seasonally unadjusted core inflation.*

**Chart 2 Inflation decomposition**  
annual change

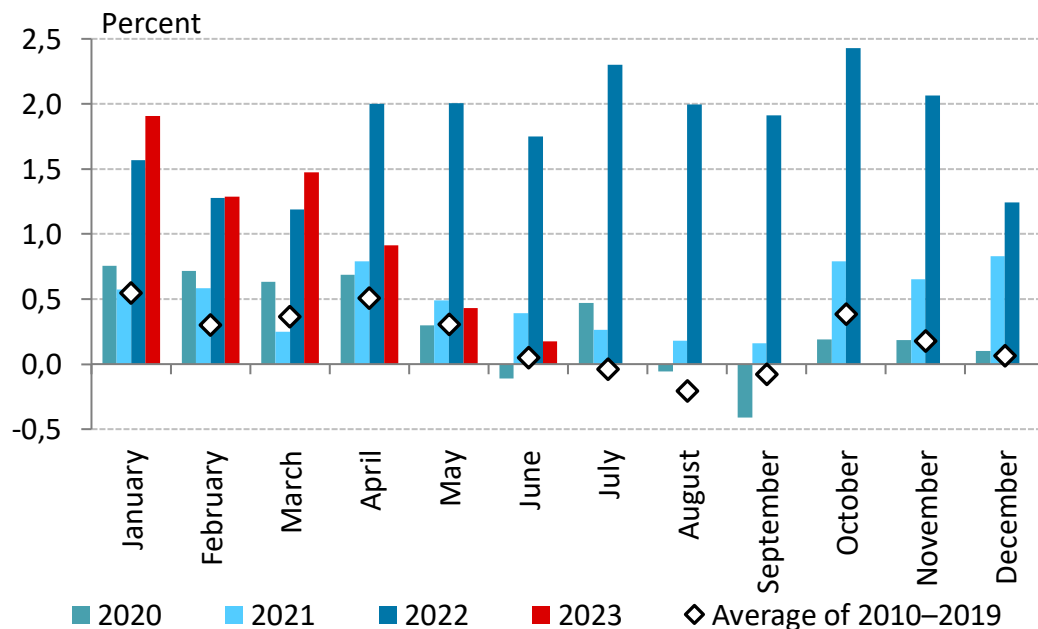


**Chart 3 Underlying inflation indicators**  
annual percentage changes excluding indirect taxes

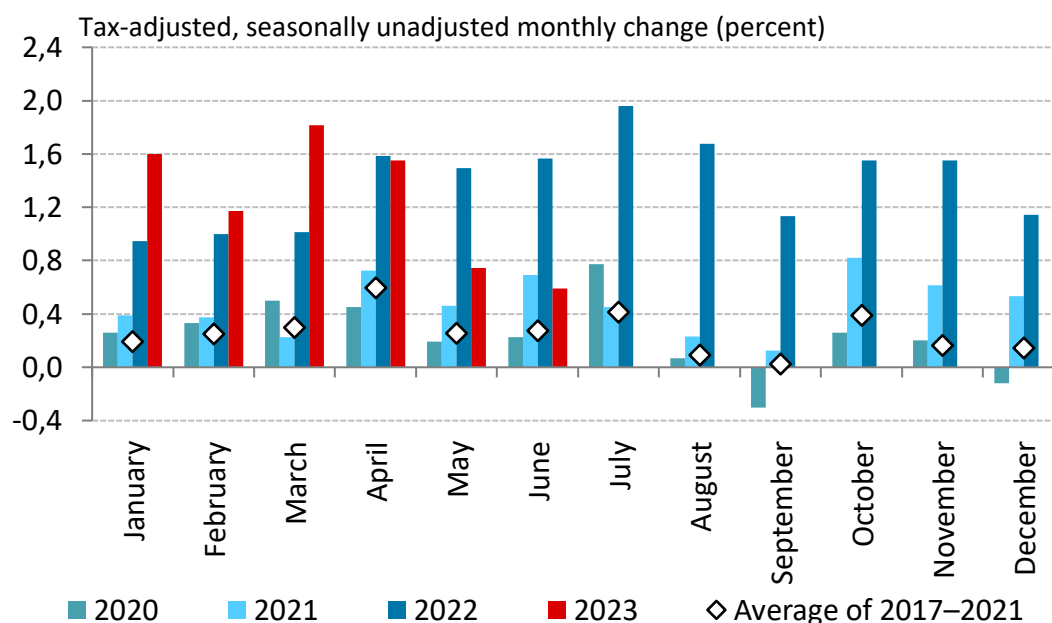


*Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 percent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the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

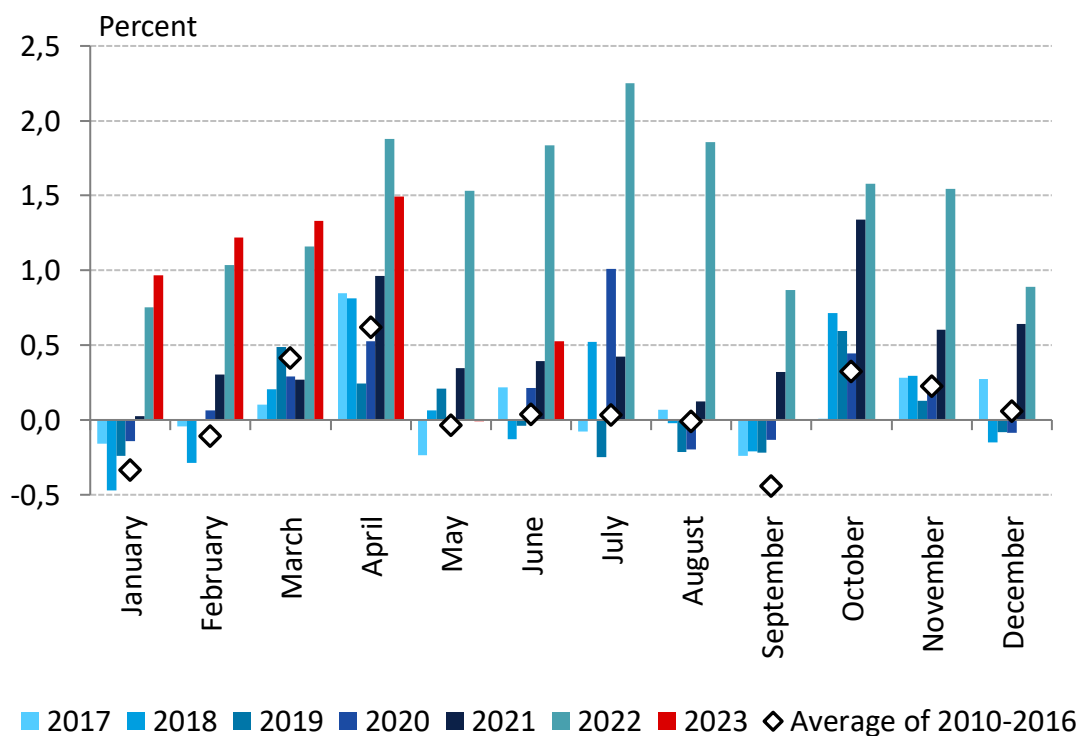
**Chart 4 Monthly changes in consumer prices excluding fuel and regulated products prices**  
tax-adjusted, seasonally unadjusted monthly percentage changes

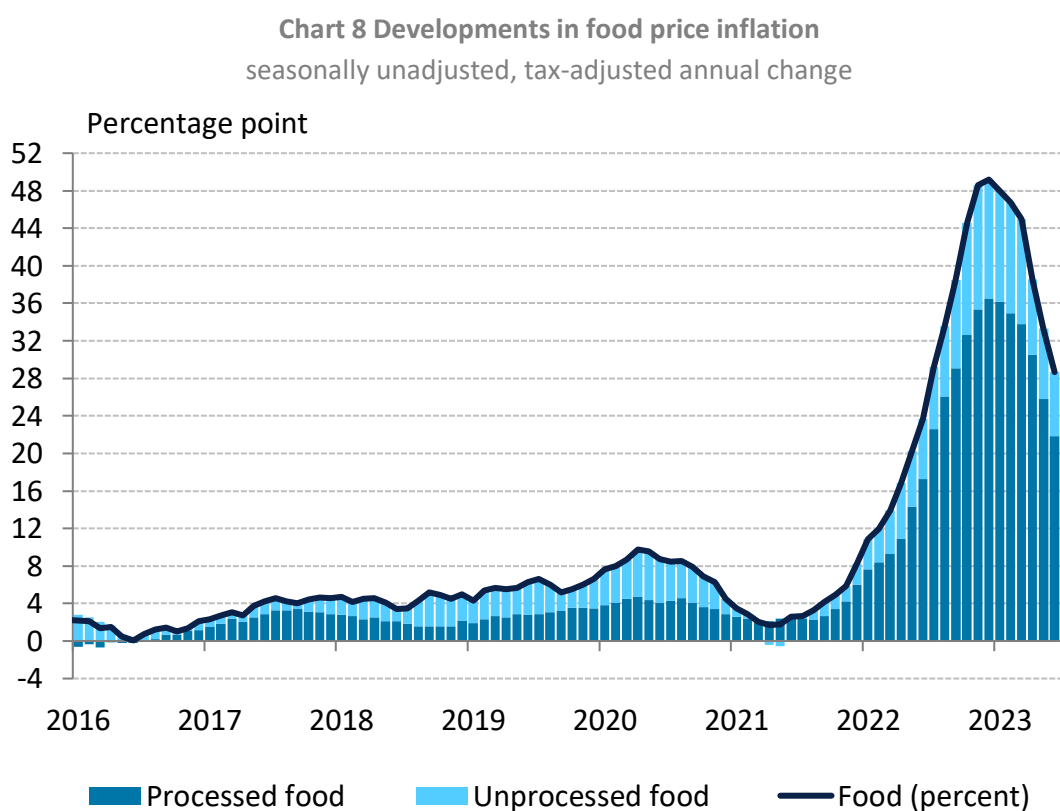
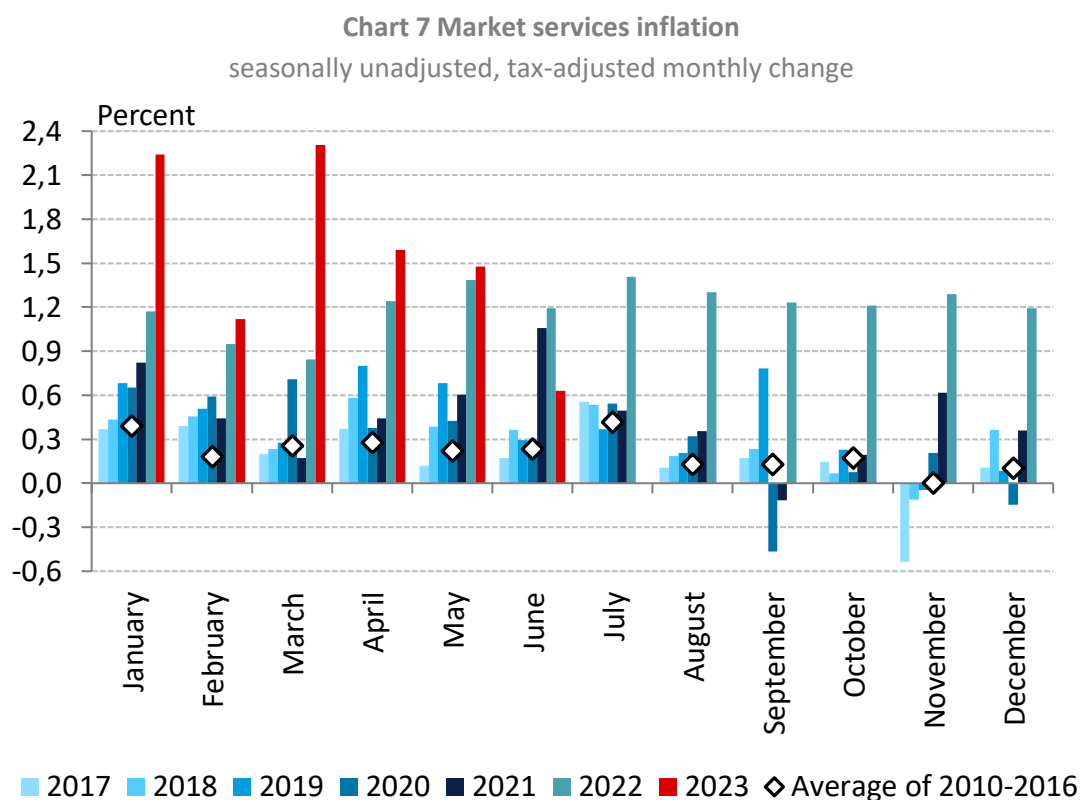


**Chart 5 Monthly change in core inflation excluding processed food**  
tax-adjusted, seasonally unadjusted monthly percentage changes



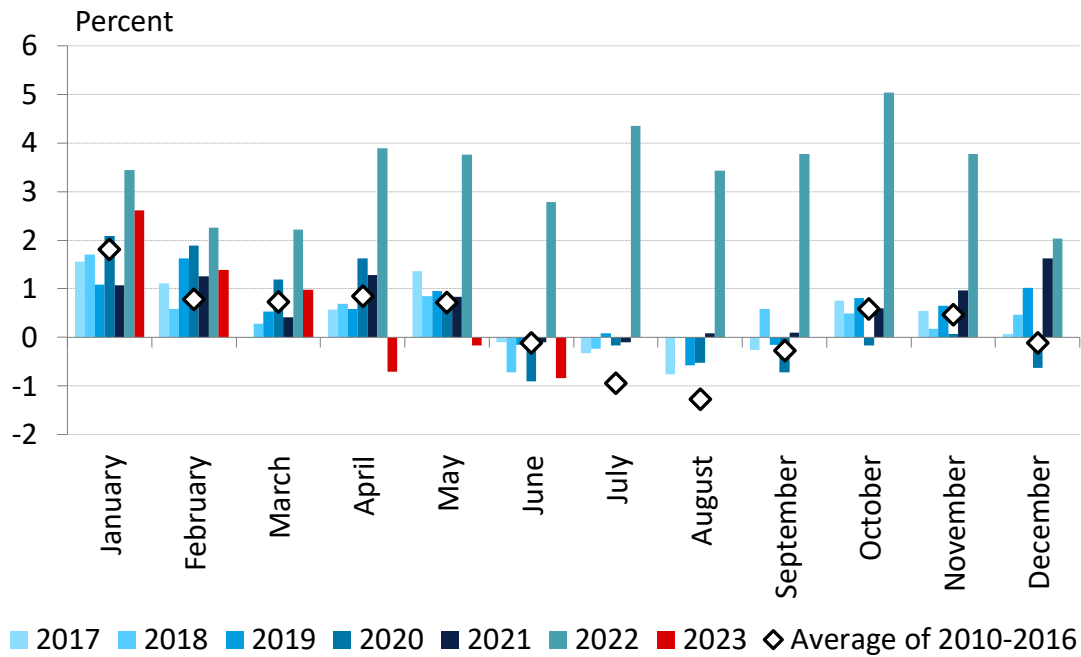
**Chart 6 Inflation of tradable goods**  
seasonally unadjusted, tax-adjusted monthly change





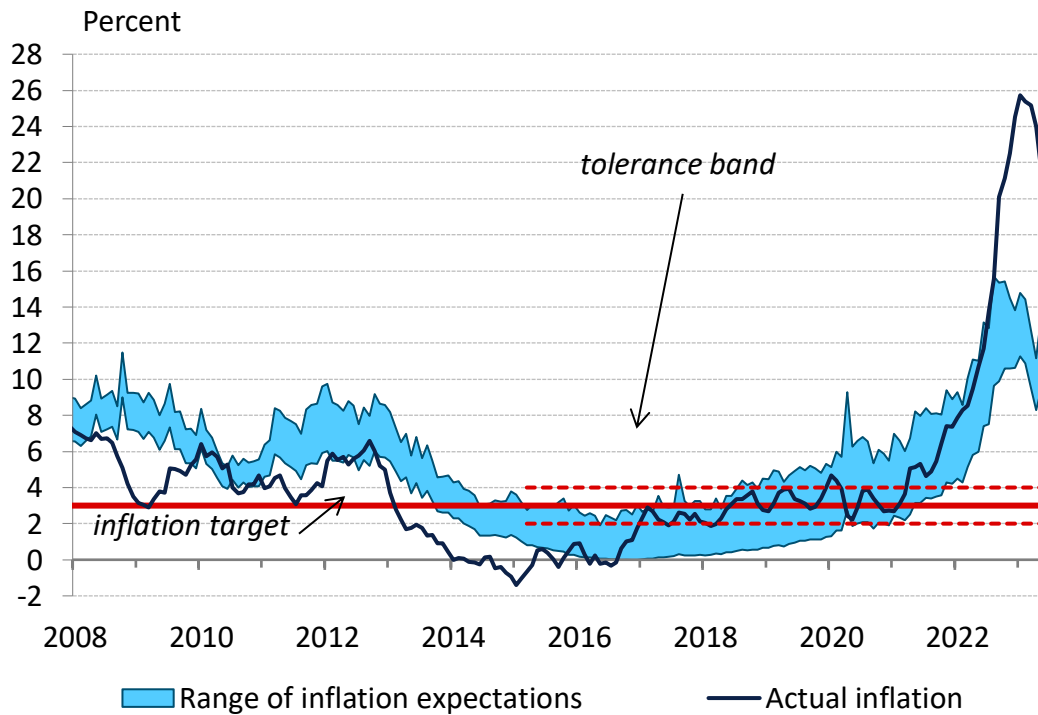
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



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).

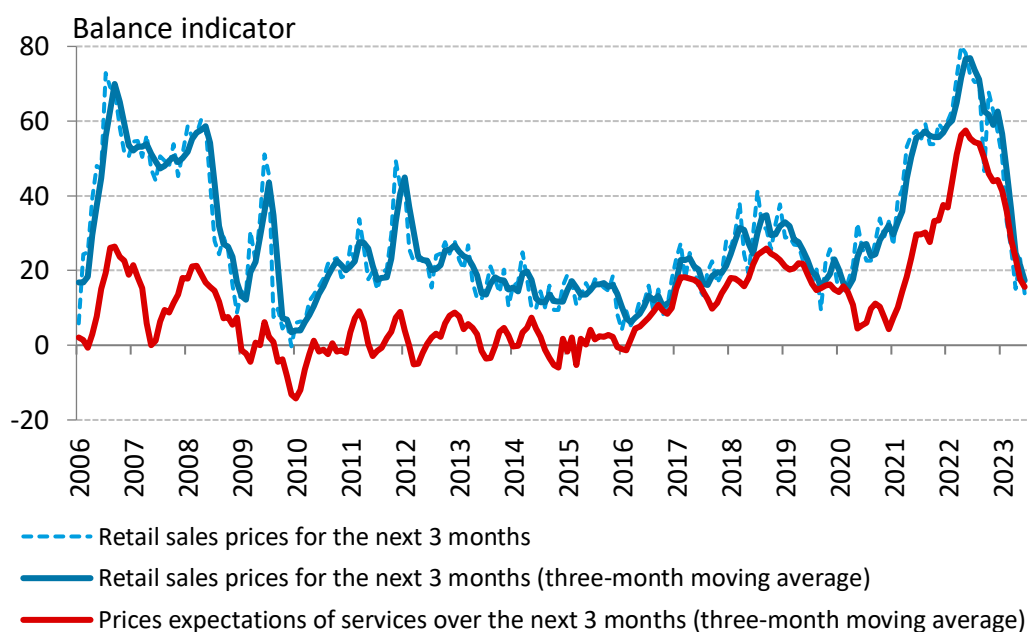
**Chart 10 Households' inflation expectations**



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, June 2023 (HCSO)					
20.1% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
<b>Contribution of sticky price inflation (percentage points), weight 39.2%</b>	<b>6.5</b>	<b>Contribution of core inflation excluding processed foods (percentage points), weight 50.2%</b>	<b>8.9</b>	<b>Contribution of core inflation excluding taxes (percentage points), weight 63.7%</b>	<b>13.2</b>
Contribution of other items (percentage points), weight 60.8%	13.5	Contribution of other items (percentage points), weight 49.8%	11.1	Contribution of other items (percentage points), weight 36.3%	6.9

Sources: HCSO and the MNB's own calculations.

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