



# MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

**MARCH**

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 MARCH 2023

In March 2023, for the second month, domestic inflation declined, consumer prices rose by 25.2 percent. However, core inflation rose to 25.7 percent and core inflation excluding indirect tax effects, in turn, stood at 25.6 percent (Chart 1 and Chart 2).

Inflation slowed down by 0.2 percentage point compared with the previous month. This slowdown was largely driven by fuel prices (by -0.3 percentage point) and processed food prices (by -0.2 percentage point). By contrast, year-on-year core inflation rose by 0.5 percentage points from the previous month. The rise in core inflation was primarily driven by a pick-up in the services price inflation. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, rose, the price index for sticky price inflation increased by 0.1 percentage points and for core inflation excluding processed food by 0.9 percentage points relative to the previous month (Chart 3).

The basket calculated excluding fuel and regulated product prices were up by 1.5 percent relative to the previous month (Chart 4). Monthly change in core inflation excluding processed food, which better reflect underlying developments, was 1.8 percent (Chart 5). Both indicators rose relative to the levels seen in February, which first and foremost was explained by price rises in services prices inflation.

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

*Tradables* prices rose by 1.3 percent from the previous month (Chart 6). As a result, annual inflation of this product group rose to 19.4 percent. However, durables prices fell by -0.3 percent on a monthly basis, which was primarily a result of the fall in new and second-hand car prices.

*Services prices* rose by 2.3 percent on the previous month, which was caused by a rise in telecommunications services prices, seen in January. The annual price index of services rose to 18.5 percent (Chart 7).

According to HCSO data, *food* price inflation has been slowing for the third month, as a result, it stood at 42.6 percent. Within the product group, the annual price indices of both processed and unprocessed food decreased slightly (Chart 8). The slowdown in food prices was primarily explained by the changes in the prices of dairy products, bread and bakery products, as well as margarine. Compared to February, unprocessed food prices rose by 2.5 percent and processed food prices increased by 0.3 percent (Chart 9).

In the group of alcohol and tobacco products, prices rose by 0.9 percent relative to February.

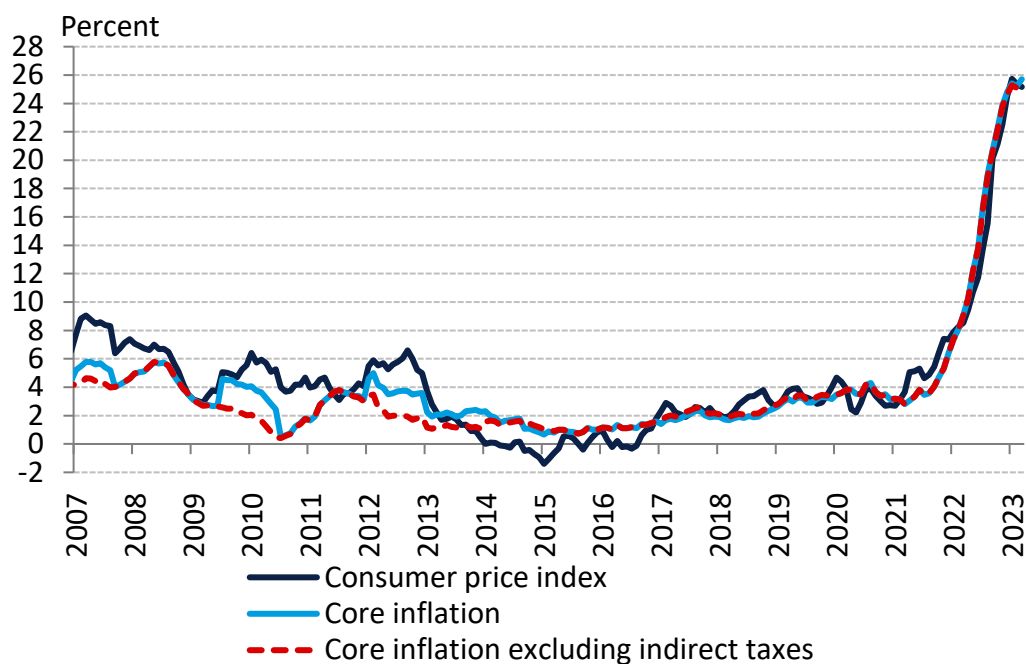
The prices of *regulated products and services* fell by 1.1 percent compared to February. Within this product group, the price of natural and manufactured gas declined relative to February. The fall in average gas prices was due to a higher share of consumers' consumption falling below the volume limit 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 in March fell further (Chart 10). The decline in *corporate expectations for both retail sales and services prices* continued (Chart 11).

Prepared by Géza Rippel

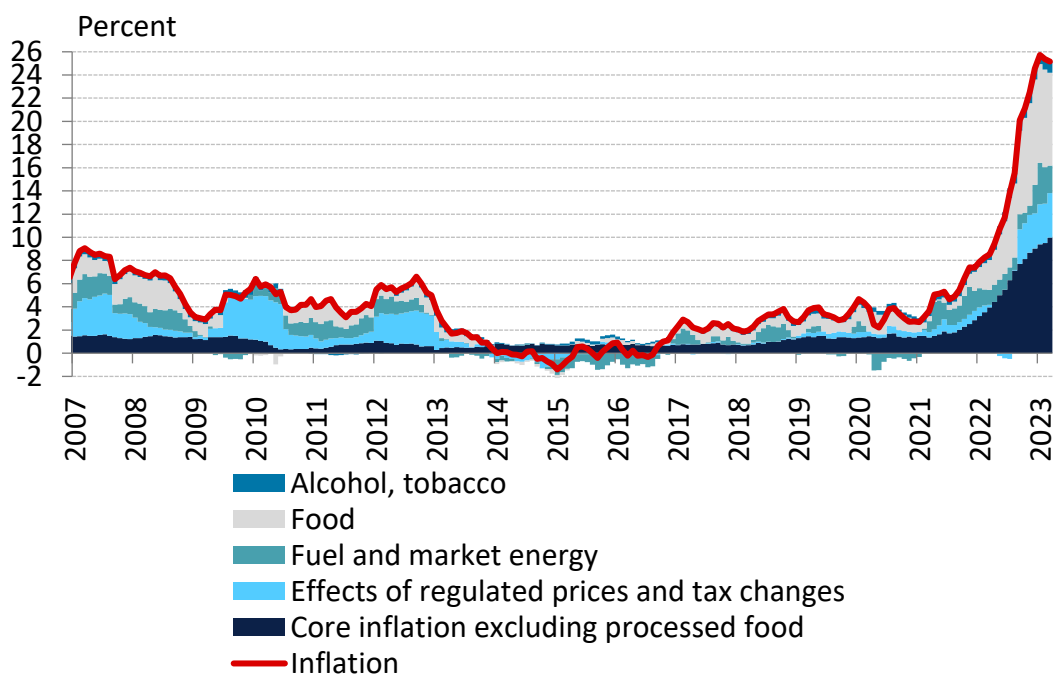
Budapest, 12 April 2023

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

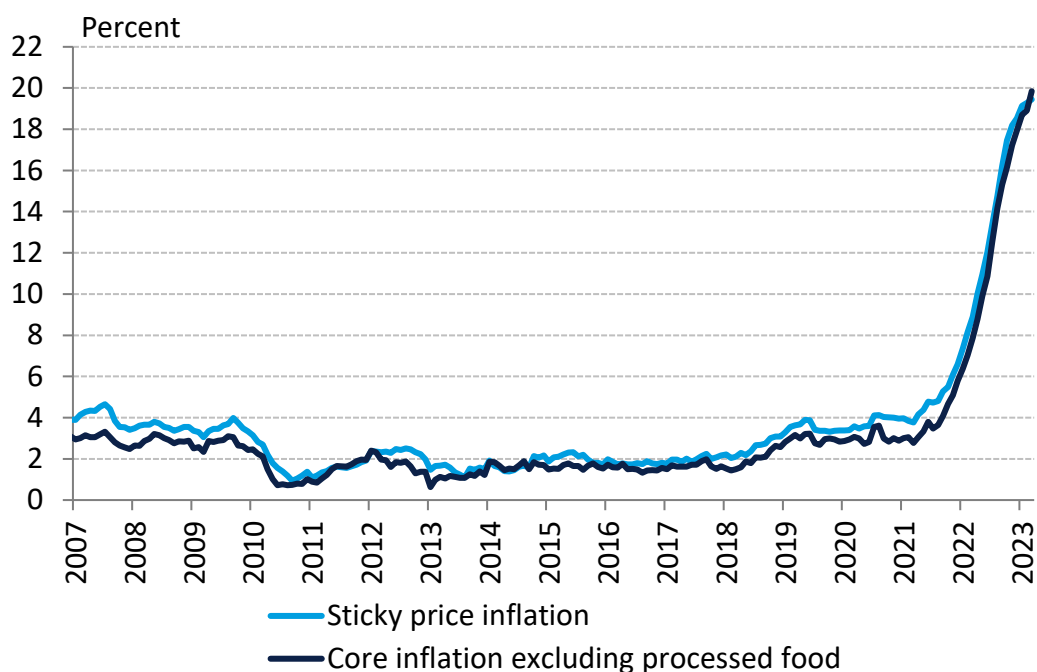


*Note: Seasonally unadjusted core inflation.*

**Chart 2 Inflation decomposition**  
annual change

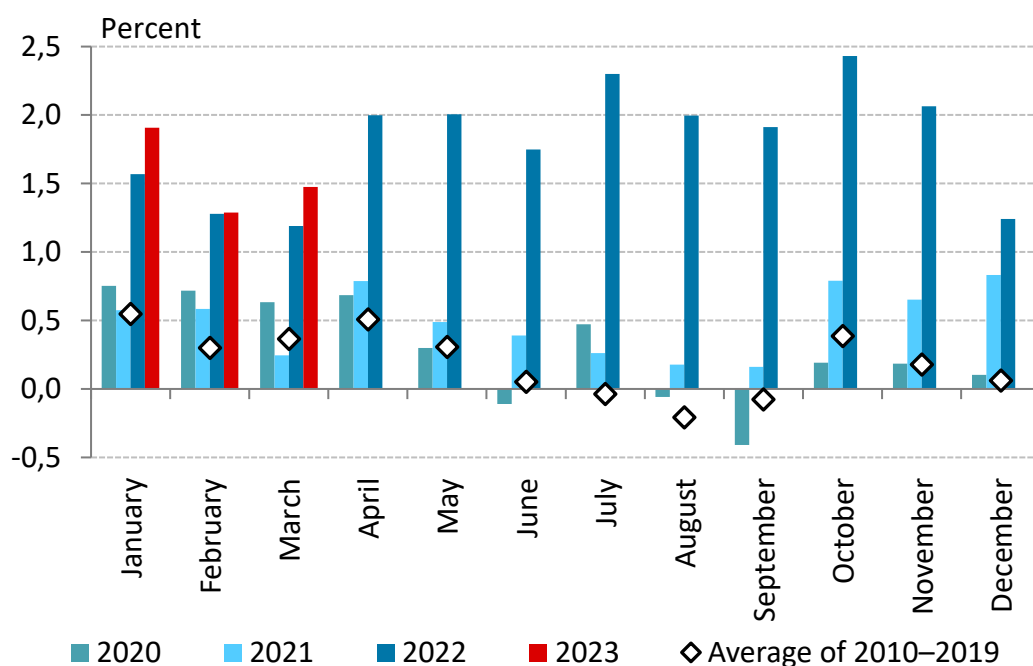


**Chart 3 Underlying inflation indicators**  
annual percentage changes excluding indirect taxes

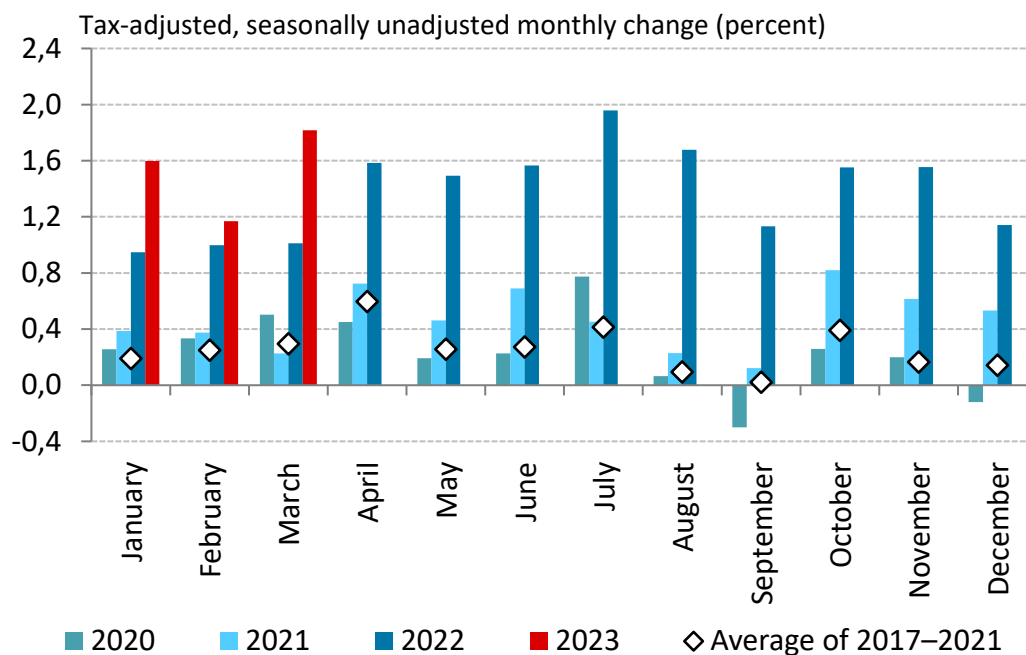


*Note: Inflation of sticky-price products is composed of items of the consumer price index where maximum 15 percent of elementary prices change monthly on average. MNB calculation based on data released by the HCSO. Core inflation excluding processed foods with unchanged content is equivalent with the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

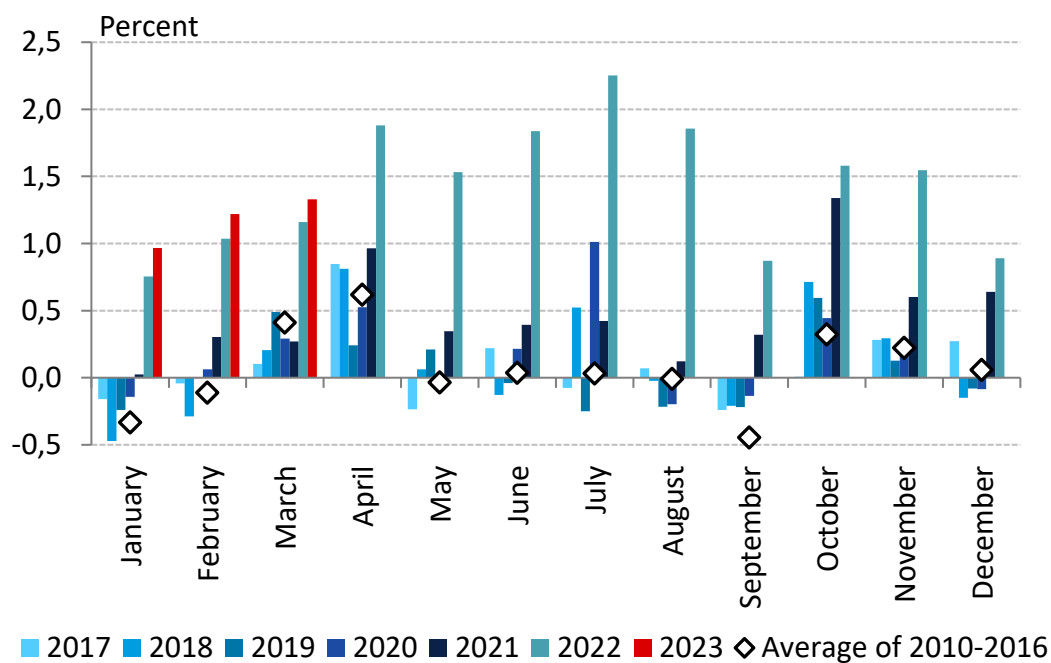
**Chart 4 Monthly changes in consumer prices excluding fuel and regulated products prices**  
tax-adjusted, seasonally unadjusted monthly percentage changes

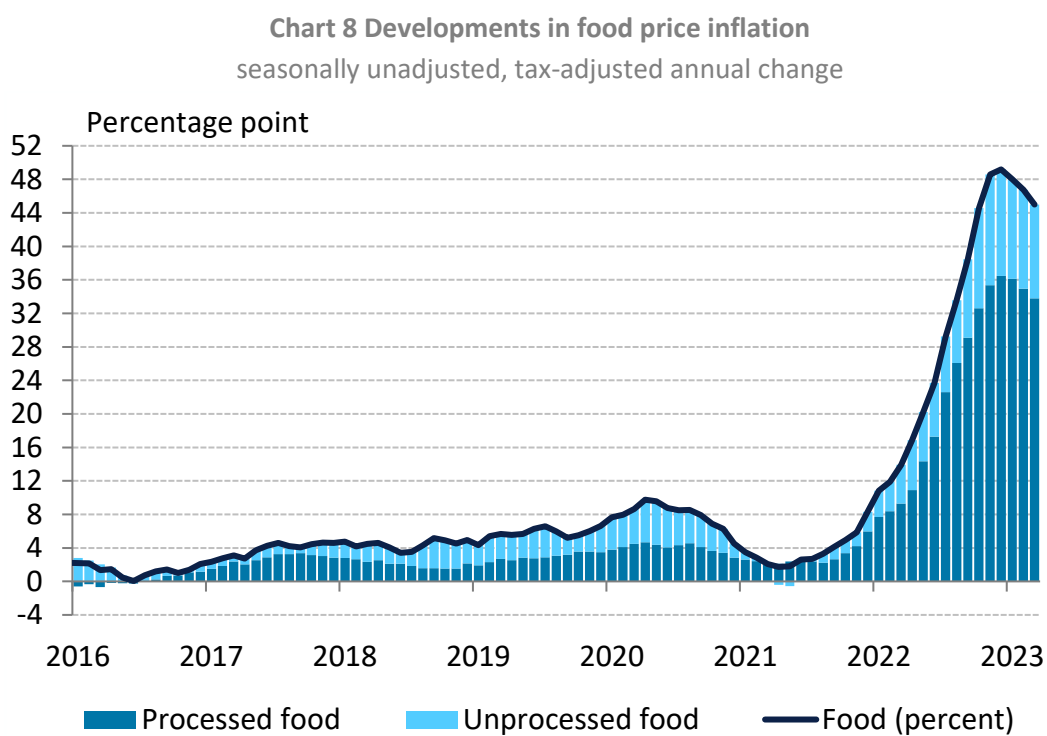
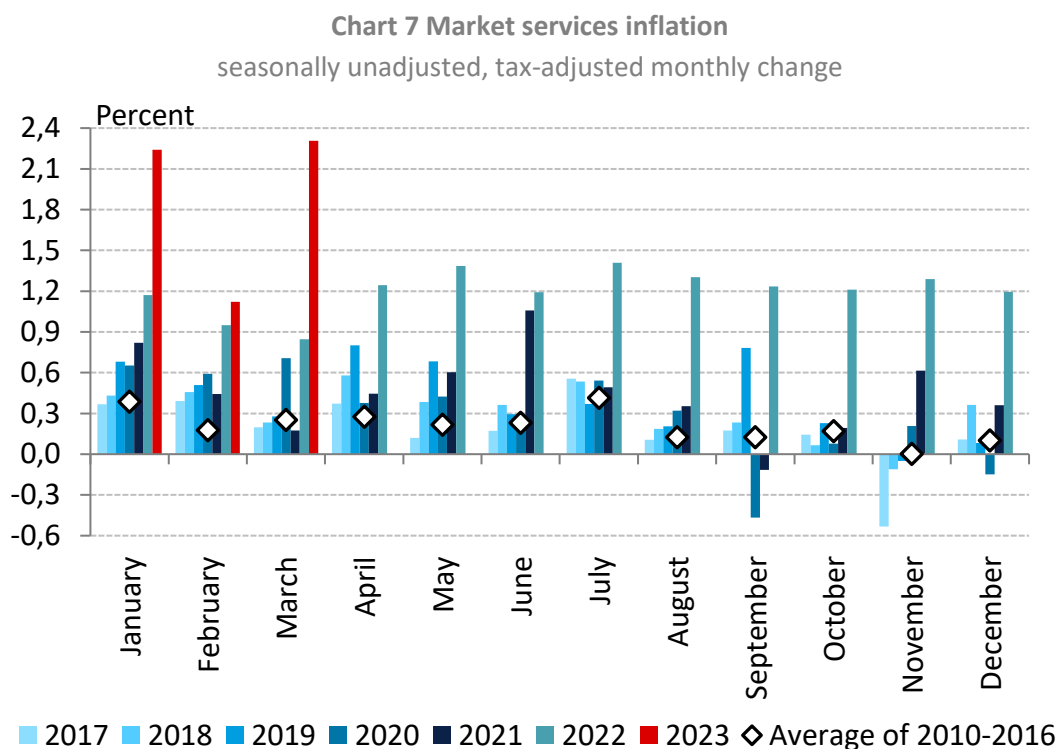


**Chart 5 Monthly change in core inflation excluding processed food**  
tax-adjusted, seasonally unadjusted monthly percentage changes



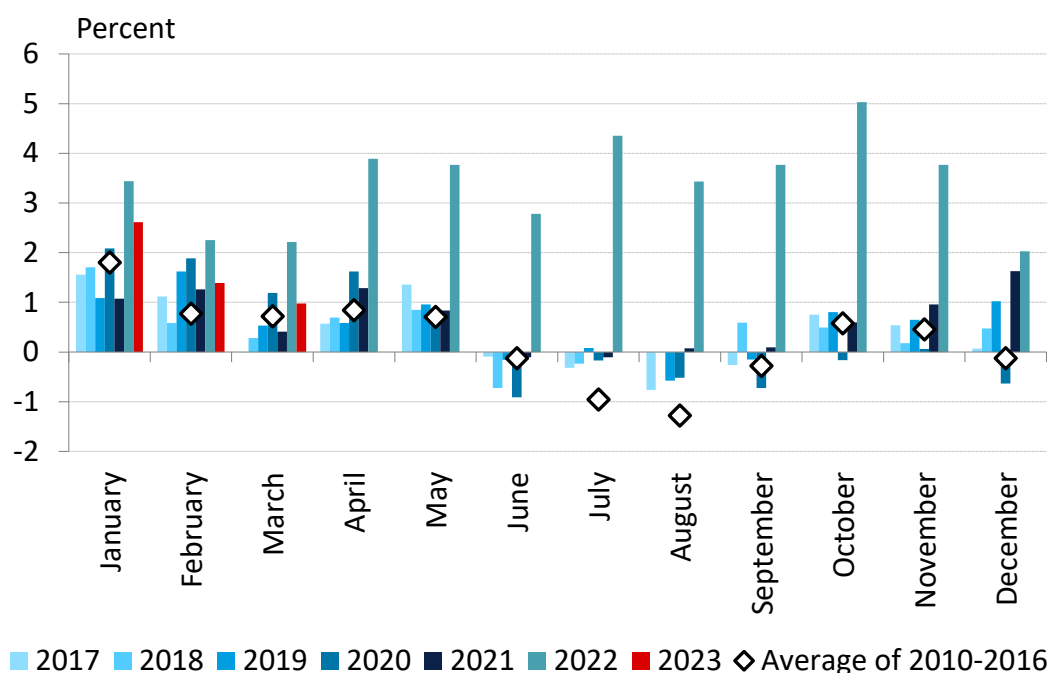
**Chart 6 Inflation of tradable goods**  
seasonally unadjusted, tax-adjusted monthly change





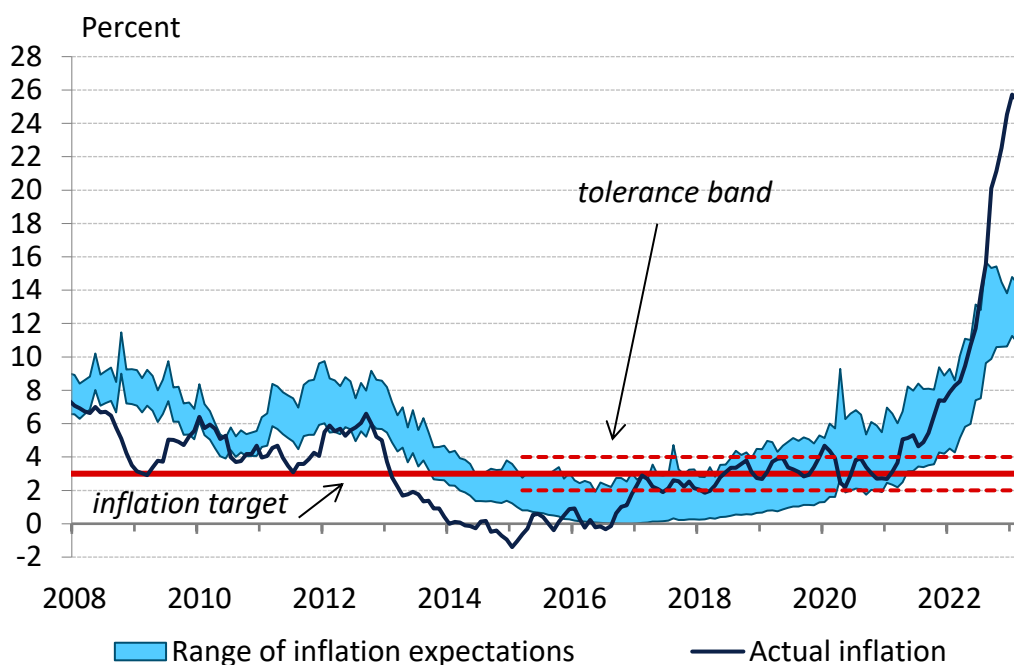
*Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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

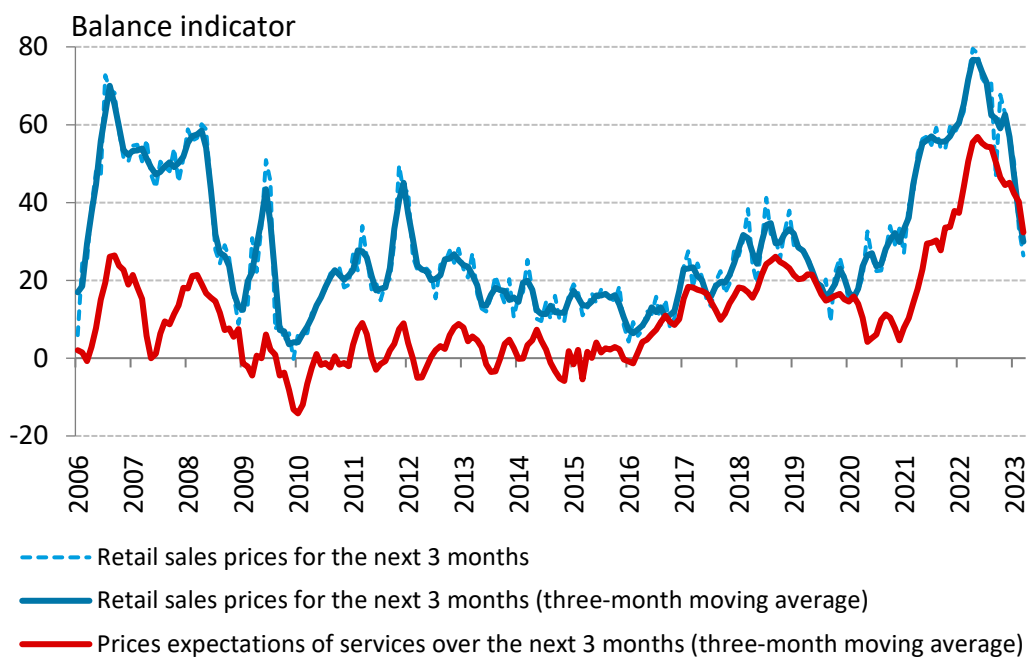
**Chart 10 Households' inflation expectations**



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, March 2023 (HCSO)					
25.2% (annual change)					
MNB underlying inflation indicators (MNB calculation)					
Contribution of sticky price inflation (percentage points), weight 39.2%	7.6	Contribution of core inflation excluding processed foods (percentage points), weight 50.2%	10.0	Contribution of core inflation excluding taxes (percentage points), weight 63.7%	16.3
Contribution of other items (percentage points), weight 60.8%	17.5	Contribution of other items (percentage points), weight 49.8%	15.2	Contribution of other items (percentage points), weight 36.3%	8.9

Sources: HCSO and the MNB's own calculations.

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