



MONTHLY ANALYSIS OF INFLATION DEVELOPMENTS

FEBRUARY

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@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 FEBRUARY 2023

The rise in annual inflation has stopped in February. Following the 25.7 percent in January, consumer prices rose by 25.4 percent in February 2023. Core inflation was 25.2 percent and core inflation excluding indirect tax effects stood at 25.1 percent (Chart 1 and Chart 2).

Inflation slowed down by 0.3 percentage point compared with the previous month. This slowdown was largely driven by fuel prices (by -0.5 percentage point) and processed food prices (by -0.2 percentage point). Year-on-year core inflation fell by 0.2 percentage points relative to the previous month. Changes in processed food prices contributed 0.4 percentage point to the decline in core inflation. The Bank's measures of underlying inflation developments capturing persistent inflationary trends, calculated on a year-on-year basis, such as sticky price inflation and core inflation excluding processed food, both rose by 0.2 percentage points relative to the previous month (Chart 3).

The basket calculated excluding fuel and regulated product prices were up by 1.3 percent relative to the previous month (Chart 4). Monthly change in core inflation excluding processed food, which better reflect market developments, was 1.2 percent (Chart 5). Both indicators declined compared to January.

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

Tradables prices rose by 1.2 percent from the previous month (Chart 6). As a result, annual inflation of this product group rose to 19.2 percent.

Services prices rose by 1.1 percent on the previous month which fell short of the price changes seen in January. In February, food-related services (restaurant and catering services, buffets) and health services remained significant contributors to the monthly increase in market services prices. The annual price index of services stood at 16.8 percent (Chart 7).

According to HCSO data, *food* price inflation has been slowing for the second month, as a result, it stood at 43.3 percent. Within the product group, the annual price indices of both processed and unprocessed food decreased slightly (Chart 8). The slowdown in food price inflation was primarily explained by changes in bread and bakery product, cold cuts and cheese as well as margarine prices. Compared to January, unprocessed food prices rose by 2.3 percent and processed food prices increased by 1 percent (Chart 9).

In the group of *alcohol and tobacco* products, prices rose by 3.7 percent relative to January. According to data, the increase in excise taxes on tobacco was fully passed through to prices in January.

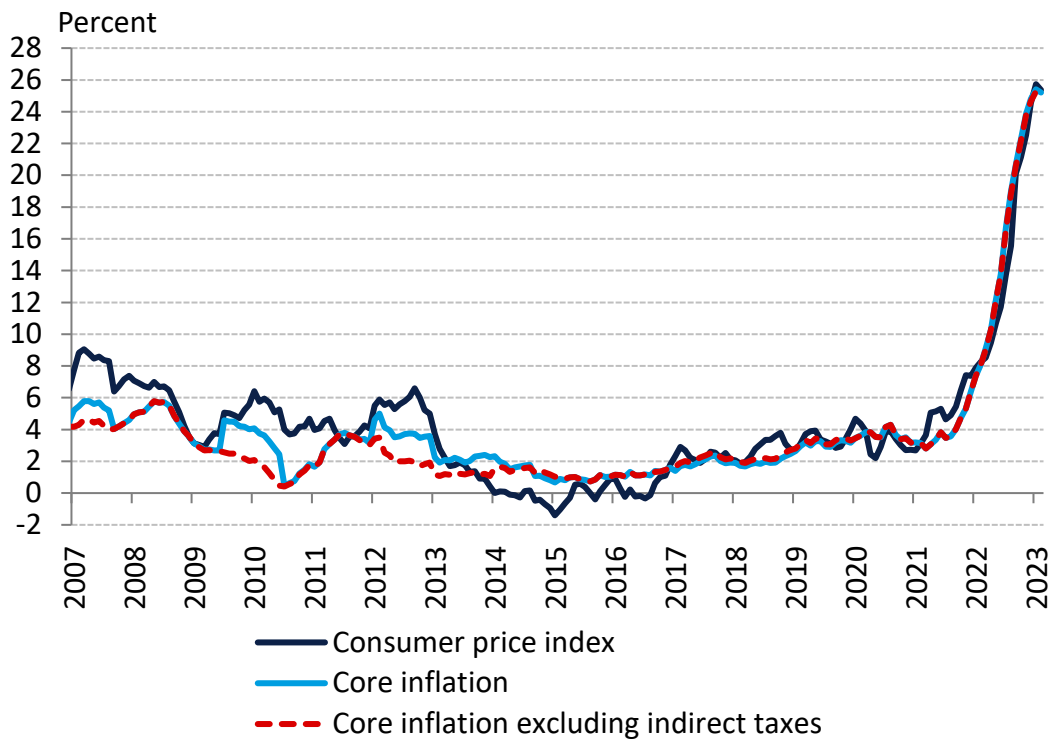
The prices of *regulated products and services* fell by 0.4 percent compared to January. Within this product group, the price of natural and manufactured gas declined relative to January. The fall in average gas prices was due to a higher share of consumers' consumption falling below the volume limit 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 declined slightly in February compared to the previous month (Chart 10). The decline in *corporate expectations for retail sales and services prices* continued (Chart 11).

Prepared by Géza Rippel

Budapest, 8 March 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

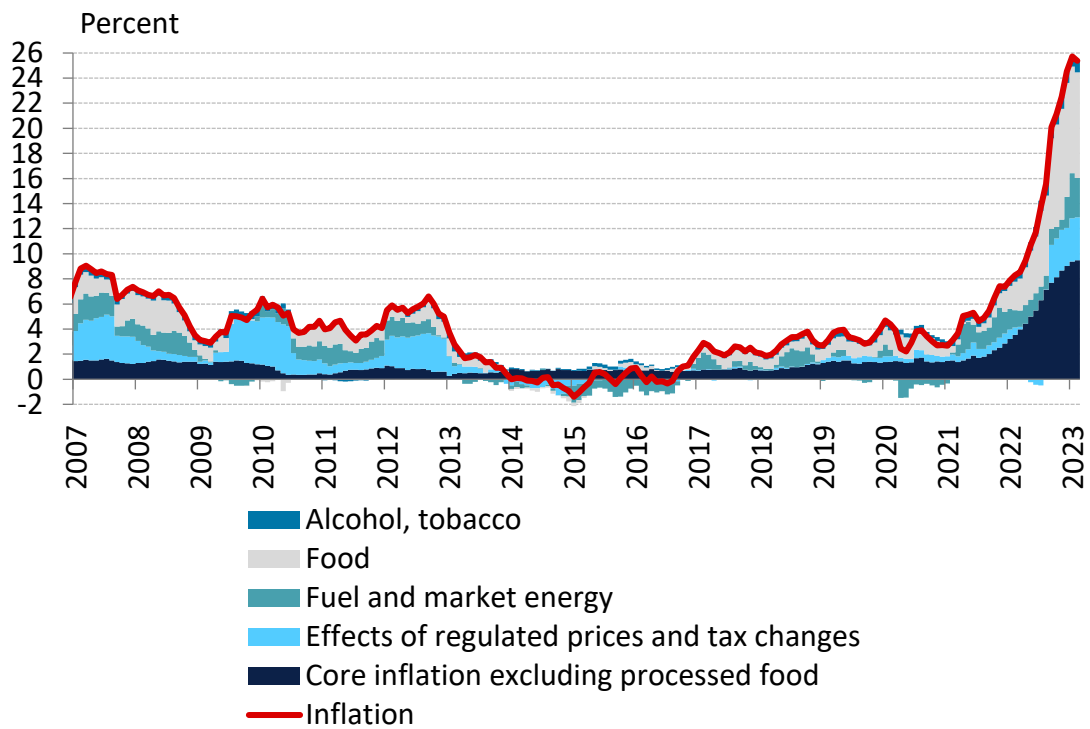
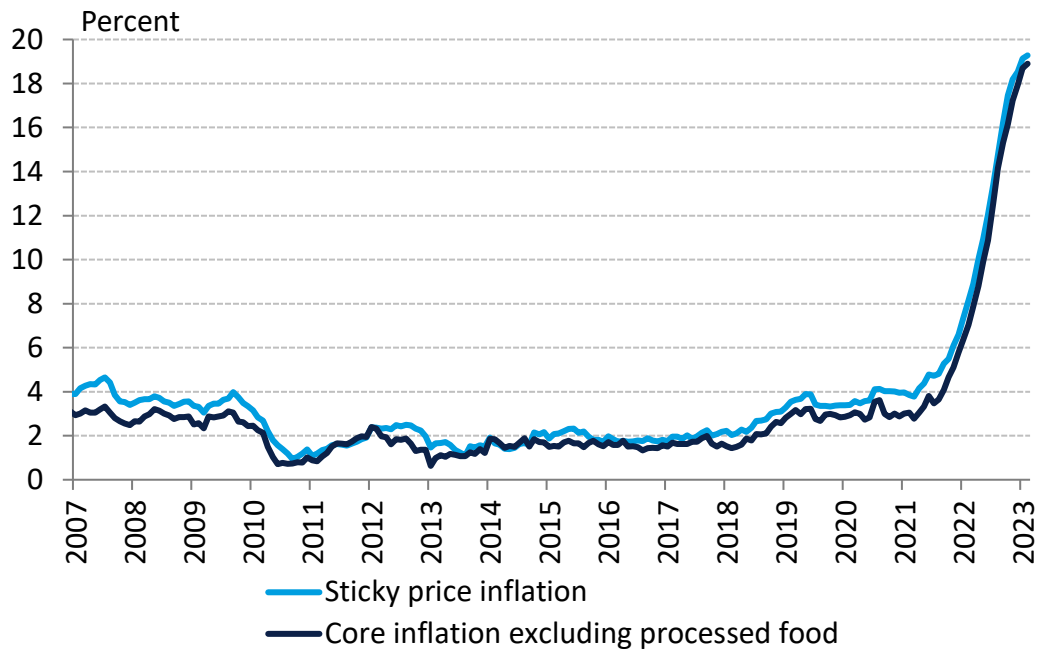


Chart 3 Underlying inflation indicators
annual percentage changes excluding indirect taxes



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

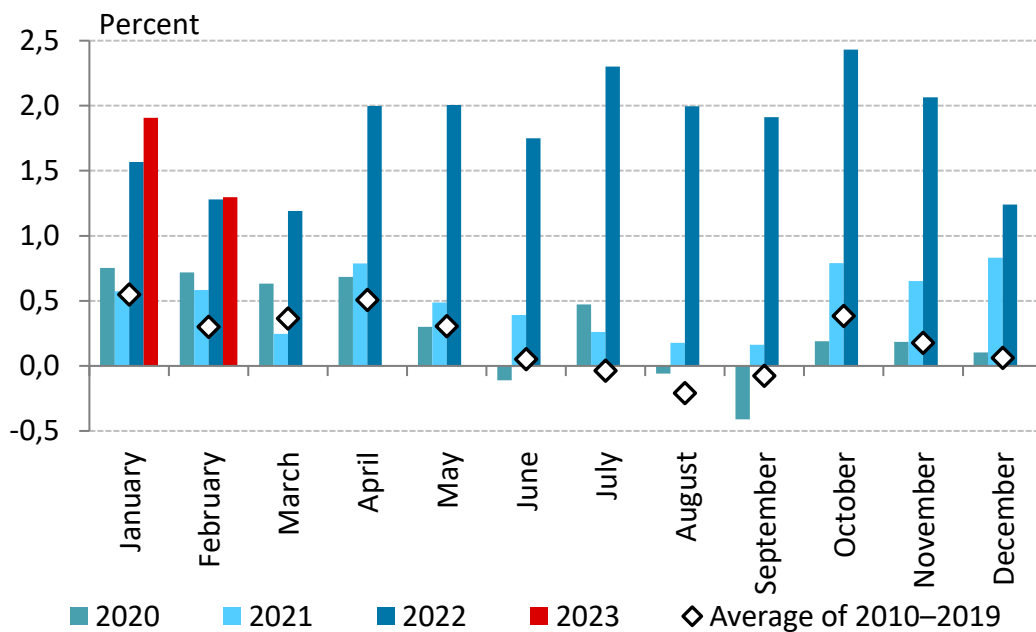


Chart 5 Monthly change in core inflation excluding processed food
tax-adjusted, seasonally unadjusted monthly percentage changes

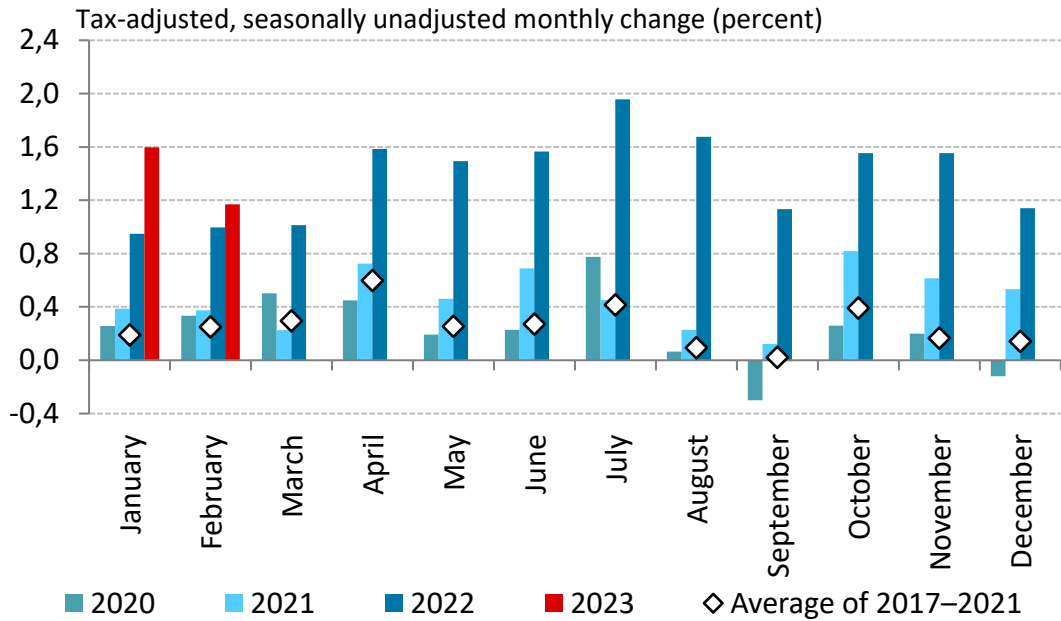


Chart 6 Inflation of tradable goods
seasonally unadjusted, tax-adjusted monthly change

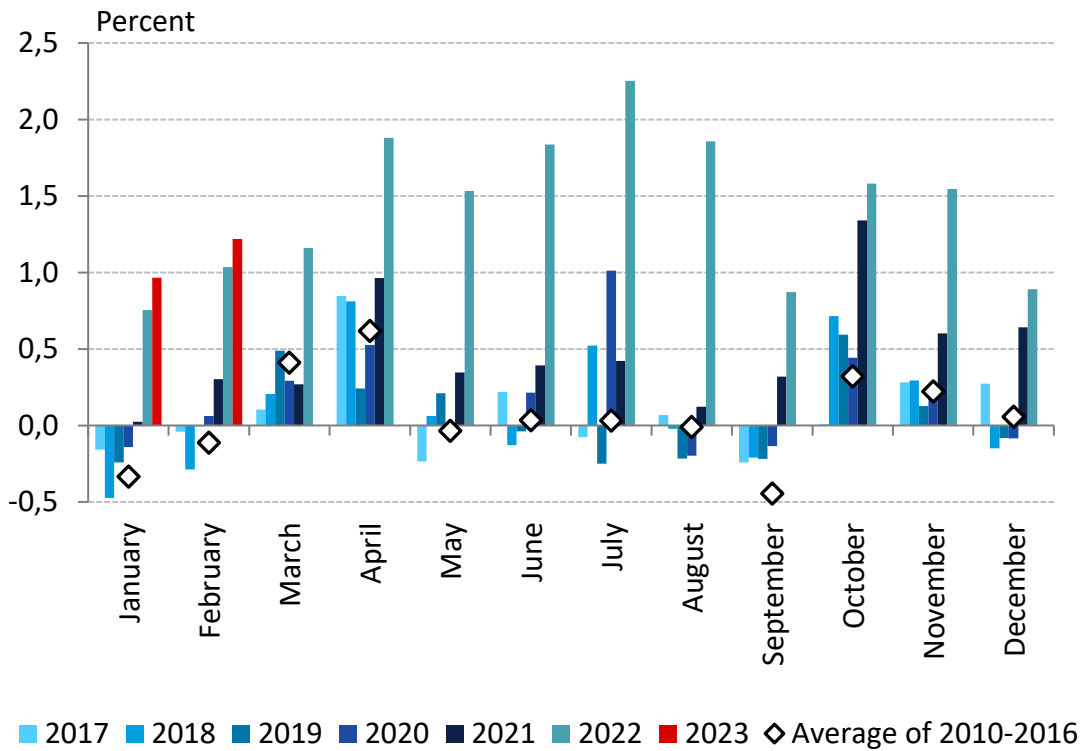


Chart 7 Market services inflation
seasonally unadjusted, tax-adjusted monthly change

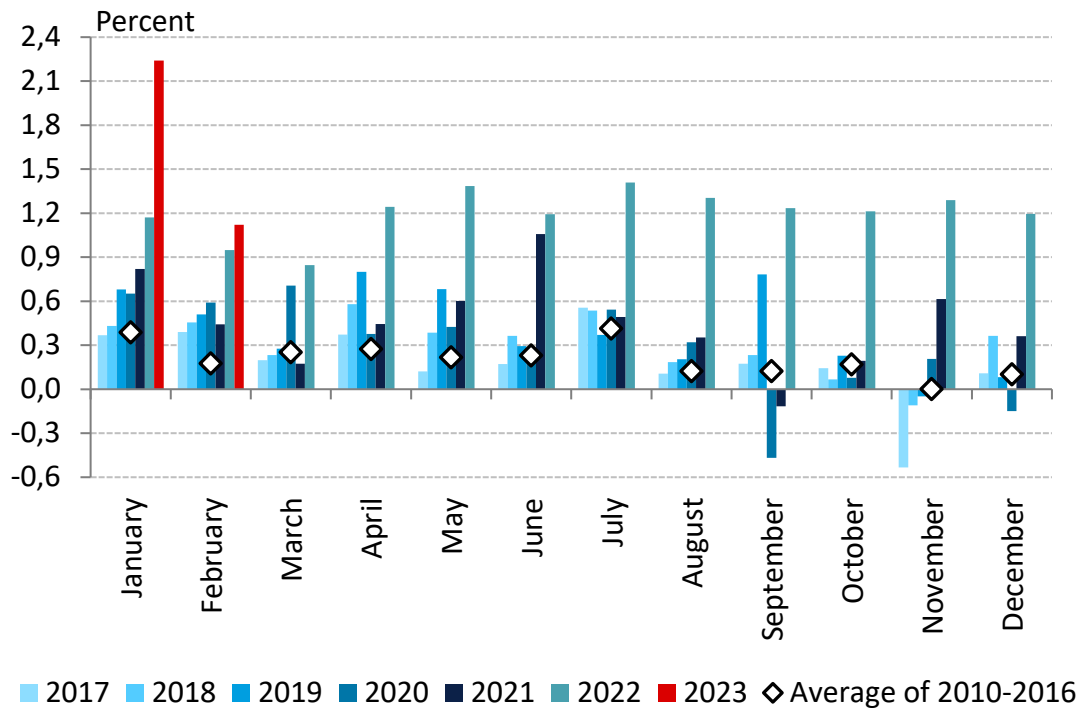
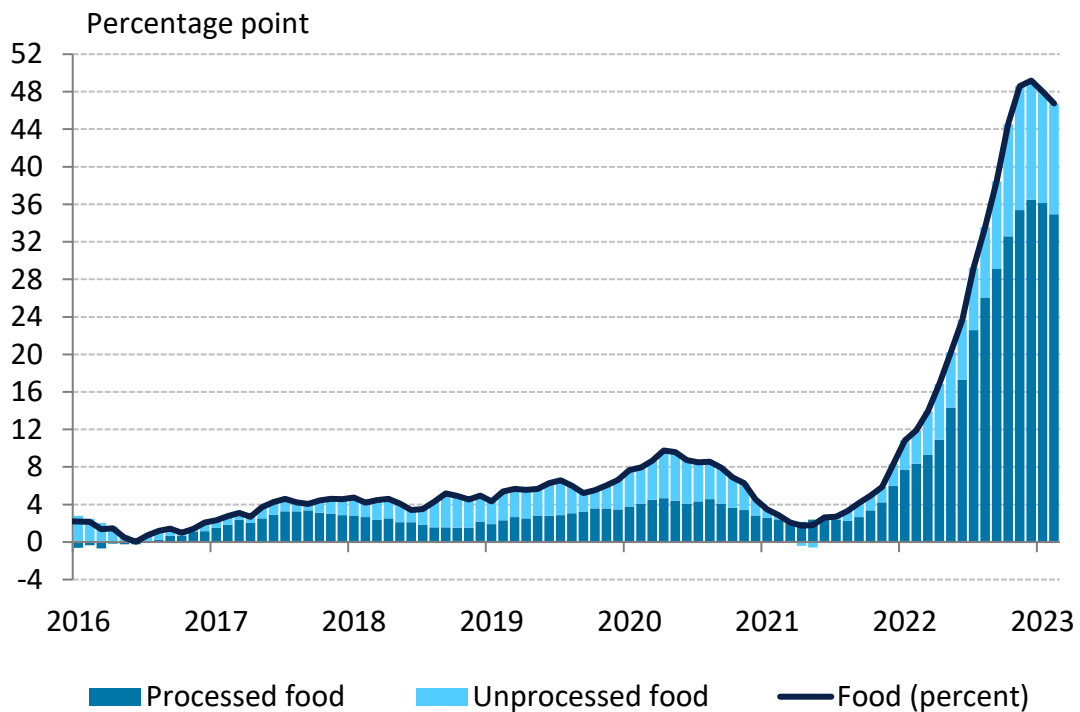
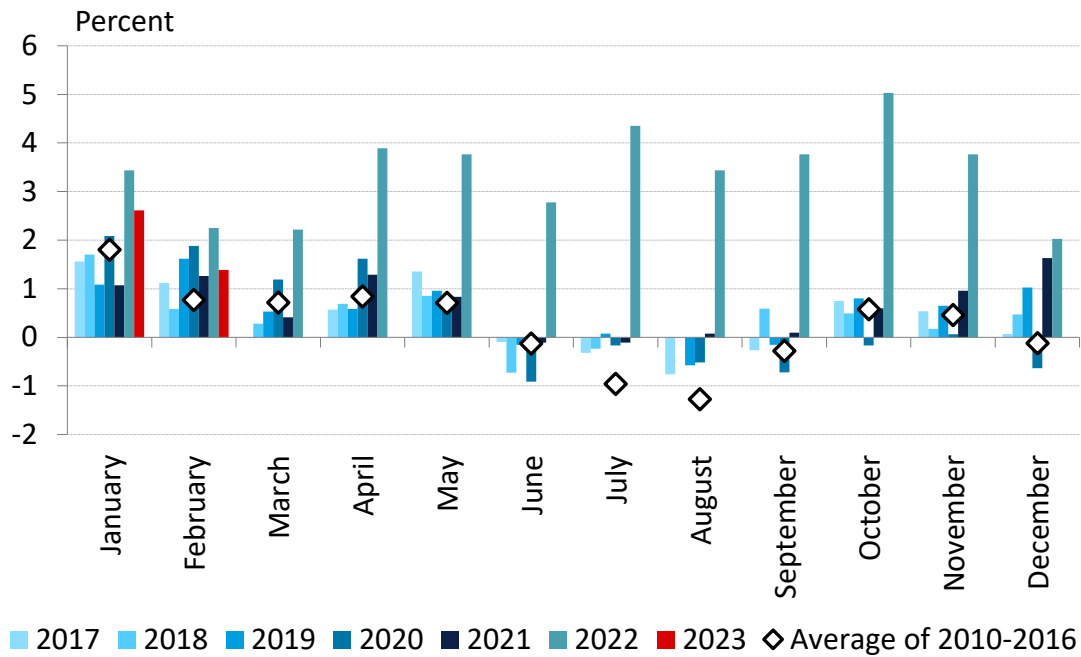


Chart 8 Developments in food price inflation
seasonally unadjusted, tax-adjusted annual change



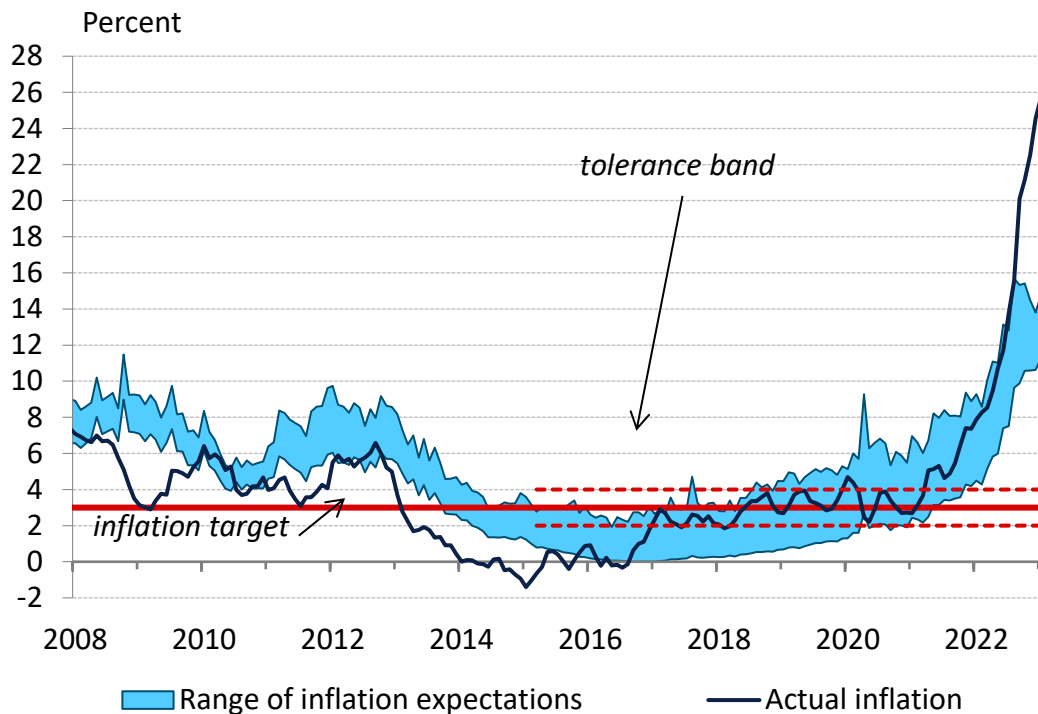
Note: The difference in food price inflation calculated by the HCSO and the MNB is explained by methodological differences. The MNB classifies food-related services as market services (restaurant meals, workplace meals, canteen goods) and the prices of regulated goods and services (school meals, nursery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



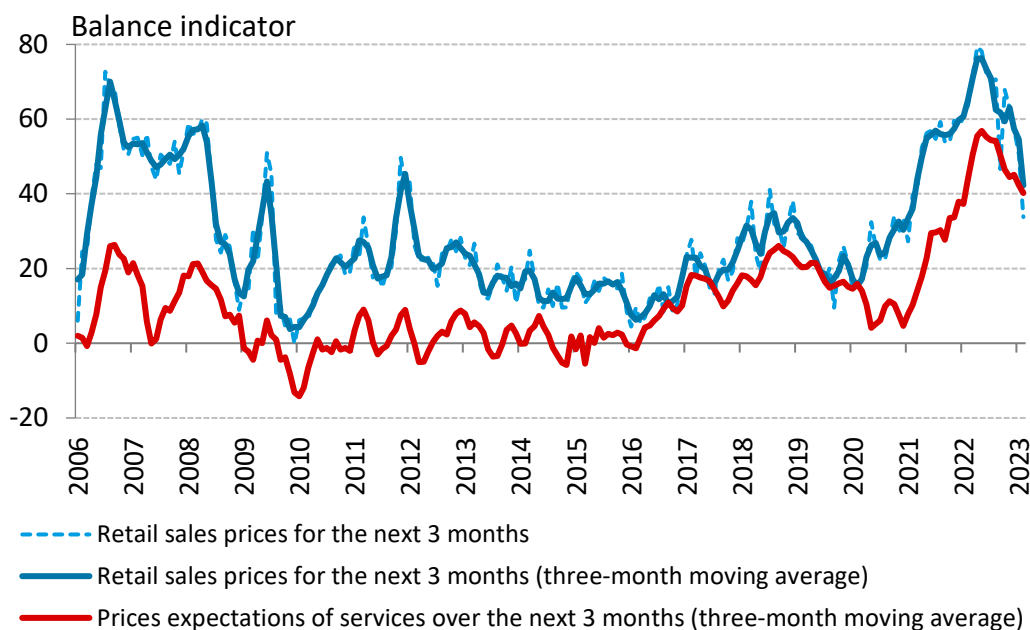
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Chart 10 Households' inflation expectations



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, February 2023 (HCSO)					
25.4% (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%	9.5	Contribution of core inflation excluding taxes (percentage points), weight 63.7%	16.0
Contribution of other items (percentage points), weight 60.8%	17.8	Contribution of other items (percentage points), weight 49.8%	15.9	Contribution of other items (percentage points), weight 36.3%	9.4

Sources: HCSO and the MNB's own calculations.

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