

The evolution of inflation rate in November 2013

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 4.9 percent in November 2013, by 0.2 percentage points higher versus the previous month, remaining close to the inflation target of 5.0 percent.

Inflation development in the last two months reveals prerequisites for the inflation to exceed slightly in the fourth quarter of 2013 the value projected in the Inflation Report published in November 2013, due to higher than expected food prices in October 2013.

The inflationary risks balance continues to be influenced both by internal and external factors, with the prevalence of the disinflationary ones. Disinflationary pressures are determined in particular by the stagnation of aggregate demand, the slowdown in consumption, reflected by lower imports, and the depreciation of currencies of main trade partners. Factors that could offset disinflation are: the gradual economic recovery in the European Union, the increasing international oil prices amid the ongoing tensions in the Middle East and the domestic demand stimulation.

The annual rate of inflation in November was 4.9 percent, by 0.2 percentage points higher than in the previous month, mainly due to higher contribution from regulated services tariffs, while the contribution from food prices remained at the previous month level (2.5 percentage points).

The monthly inflation rate recorded an increase of 0.8 percent, determined by the seasonal effect, the increased tariffs for interurban transportation, and the depreciation of the national currency. These developments were influenced by the increase in food prices by 0.8 percent, non-food prices by 0.5 percent and tariffs for public services by 1.0 percent.

The annual core inflation¹ recorded a level of 4.7 percent in November 2013, increasing only by 0.1 percentage points compared to the previous month, signaling for the lack of significant inflationary pressures from aggregate demand.

In November 2013, the monthly core inflation rate was 0.5 percent, by 0.3 percentage points less than in October. The most significant price increases related to core inflation were recorded by knitwear, clothing, education and training, sanitary, hygiene and cosmetics items and detergents.

¹ The core inflation is calculated by the NBS by excluding the prices that are outside the influence area of monetary policy measures promoted by the NBM, such as food and beverages, fuel, products and services with regulated prices. From January 2012, the published data are calculated by the NBS according to the changes made to the Annex no.2 of the "Methodology for the calculation of core inflation index", approved by joint order N8-07-01203/6 of January 19, 2012 of National Bank of Moldova and the National Bureau of Statistics (the change regards the inclusion of prices for remote communication services and medicines into regulated prices).

Excluding seasonal factors, core inflation increased by 0.4 percent during the reporting period compared to October 2013.

Foodstuff prices increased by 0.8 percent during the analyzed period compared to the previous month. This increase was mainly determined by higher prices of potatoes by 7.2 percent, fresh vegetables by 5.5 percent, milk and milk products by 1.0 percent, rice by 1.0 percent, and fats by 0.5 percent, and was partially offset by the reduction in prices of fresh fruits by 4.1 percent, eggs by 3.2 percent, fish and canned fish by 0.5 percent, and sugar by 0.4 percent.

The annual growth rate of food prices was 6.8 percent, by 0.1 percentage points less compared to October 2013.

The above normal average daily air temperatures recorded in November created favorable conditions for the preservation and marketing of fresh fruits and vegetables. Thus, the prices dynamics of these products negatively influenced the monthly food prices. After excluding seasonal factors, food prices have seen a decrease of 0.1 percent.

In November 2013, fuel prices have increased by 0.7 percent compared to the previous month, as a result of higher prices for firewood by 1.8 percent, bottled gas by 1.4 percent, and earth coal by 0.4 percent. At the same time, liquid fuel prices decreased by 0.8 percent.

The annual growth rate in fuel prices was 3.3 percent, by 0.1 percentage points higher than in the previous month.

In November 2013, regulated prices recorded an increase of 1.0 percent as compared to the previous month, as a result of higher tariffs for transport services, determined by increased tariffs for interurban bus transportation services by 26.3 percent, costs for house maintenance by 1.3 percent, and medicines prices by 0.2 percent. The annual growth rate of regulated prices was 3.0 percent, increasing by 0.8 percent compared to the previous month.

The National Bank of Moldova will continue to monitor the developments in the domestic and international economic environment, including changing foreign trade conditions, so that by the flexibility of the specific inflation targeting strategy operational framework to ensure price stability in the medium term.