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The evolution of inflation rate in April 2015

According to the data published by the National Bureau of Statistics (NBS), in April 2015, the consumer prices index (CPI) for the last 12 months constituted 7.6 percent, increasing by 0.5 percentage points compared to the previous month and for the second month, after a period of three years, exceeded the upper limit of the range of variation of ± 1.5 percentage points from the 5.0 percent target.

The balance of risks to inflation in the medium term is affected by a complex number of internal and external factors, with prevalence of the inflationary risks. The weak economic activity in the euro area countries and the recession in the Russian Federation – the major trading partners of the Republic of Moldova, lead to risks of lower household and domestic exporters income on short-term through the external trade channel and remittances. This may further influence the dynamics of the national currency exchange rate and, subsequently, the inflation dynamics. The intensification of geopolitical tension in the region may generate additional inflationary pressures.

The depreciation of the national currency from the beginning of this year accentuates the inflationary pressures, which in the next periods, determine CPI to leave temporarily the upper limit of the range of variation of ± 1.5 percentage points from the 5.0 percent target, through the prices of imported goods and tariffs for regulated services, and subsequently through the second-round effects.

The annual rate of inflation in April was 7.6 percent, increasing by 0.5 percentage points compared to the previous month and by 1.8 percentage points higher than in April 2014. This dynamics was mainly due to the contribution from core inflation and food prices, of 3.7 and 2.7 percentage points, respectively. The regulated prices and those of fuels contributed to annual inflation by 0.9 and 0.4 percentage points, respectively.

The monthly inflation rate recorded the level of 1.0 percent, being mainly determined by the increase in food prices by 1.7 percent, non-food prices by 0.7 percent and tariffs for public services by 0.7 percent.

The annual core inflation recorded a level of 10.8 percent in April 2015, increasing by 0.2 percentage points compared to the previous month.

In April 2015, the monthly core inflation rate was 0.8 percent. The most significant price increases related to core inflation were recorded by sanitary and hygiene articles, footwear, detergents and clothing.

Food prices in the reporting month increased by 1.7 percent compared to the previous month, due to the increase in the prices of potatoes by 16.8 percent fresh vegetables by 6.4 percent, non-alcoholic drinks by 1.8 percent, sugar by 1.6 percent, eggs by 1.3 percent, fish and canned fish by 1.0 percent and fats by 0.8 percent.

Excluding seasonal factors, food prices increased by 1.1 percent compared to March. The increase in prices of these products may be considered to be inertia, caused by the depreciation of the MDL/USD exchange rate in the first months of 2015.

The annual growth rate of food prices was 7.8 percent, by 0.8 percentage points higher compared to March 2015 and by 0.9 percentage points lower than in April 2014.

In April 2015, fuel prices decreased by 0.1 percent compared to the previous month. This dynamics was mainly due to the decrease in firewood by 0.4 percent. The prices of earth coal evolved in opposite direction, increasing by 0.5 percent. At the same time, the prices of bottled gas, fuels and fuel oil remained at the previous month level.

The annual growth rate in fuel prices was 5.3 percent, maintaining the level recorded in March 2015 and by 2.2 percentage points higher than in April 2014.

In the analyzed period, the prices for regulated services increased by 0.8 percent compared to March 2015, as a result of the increases recorded in the components “drinking water and sanitation” (6.8 percent), “medicines” (1.1 percent), “remote communication services” (0.8 percent) and “transport services” (1.4 percent). The positive contribution from the component “drinking water and sanitation” was determined by the increase in tariff related to these services in the Cahul city. The increase in prices of remote communication services was influenced by the decision of “Moldtelecom” company to increase the tariffs for Internet services and digital television starting with April 1, 2015. At the same time, there were also implemented new tariffs for rail transport, which increased by 34.8 percent. The decisions to adjust the prices of the services and goods mentioned were determined by the depreciation of the national currency against the U.S. dollar during the last months.

The annual growth rate in prices of products and regulated services was 3.8 percent, by 0.8 percentage points higher to the previous month and by 1.3 percentage points higher to the value recorded in April 2014.

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

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