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The evolution of inflation rate in August 2014

According to the data published by the National Bureau of Statistics (NBS), in August 2014, the consumer prices index (CPI) for the last 12 months constituted 5.1 percent, decreasing by 0.2 percentage points versus the previous month, being maintained within the range of variation of ± 1.5 percentage points from 5.0 percent inflation target.

The balance of risks to inflation in the medium term continues to be influenced by a complex number of internal and external factors with the predominance of disinflationary factors. Disinflationary pressures are determined in particular by the depreciation of currencies of main trade partners and by the reduction of domestic aggregate demand. The intensification of geopolitical tension in the region could induce inflationary pressures.

The annual rate of inflation in August was 5.1 percent, by 0.2 percentage points lower than the previous month and by 1.4 percentage points higher than in August 2013. This evolution was mainly due to the higher contribution from food prices of 2.5 percentage points. The core inflation, the regulated prices and fuels contributed to annual inflation by 1.7, 0.6 and, respectively, 0.3 percentage points.

The monthly inflation rate recorded a decrease of 0.4 percent, mainly determined by the decrease in food prices by 1.5 percent. At the same time, the non-food prices increased by 0.5 percent and the tariffs for public services remained at the previous month level.

The annual core inflation recorded a level of 5.3 percent in August 2014, decreasing by 0.1 percentage points compared to the previous month.

In August 2014, the monthly core inflation rate was 0.2 percent. The most significant price increases related to core inflation were recorded by catering, cigarettes, construction materials, clothing and household items.

Food prices in the reporting month decreased by 1.5 percent compared to the previous month level. Thus, there were decreases in the prices of potatoes by 13.6 percent, fresh vegetables by 13.4 percent, fresh fruits by 4.5 percent and sugar by 2.1 percent. In August 2014, there were increases in prices of eggs by 2.5 percent, milk and dairy products by 0.7 percent, alcoholic drinks by 0.5 percent and non-alcoholic drinks by 0.3 percent.

Excluding seasonal factors, food prices decreased by 0.2 percent compared to July. This dynamics was driven by the rich supply of vegetables and potatoes.

The annual growth rate of food prices was 6.6 percent, by 0.5 percentage points lower compared to July and by 2.4 percentage points higher than in August 2013.

In August 2014, fuel prices increased by 1.7 percent compared to the previous month. This increase was mainly due to the increase in earth coal prices by 13.8 percent in the context of the tense situation in the

region that has affected its extraction. At the same time, liquid fuel prices increased by 0.8 percent, bottled gas prices by 0.6 percent and firewood by 0.1 percent. Fuel prices decreased by 0.3 percent, producing a minor negative contribution to the growth in fuel prices.

The annual growth rate in fuel prices was 4.9 percent, by 1.3 percentage points higher compared to the value recorded in July and by 1.0 percentage points lower than in August 2013.

In the analyzed period, the prices for regulated services increased by 0.1 percent compared to July, as a result of the increase in the medicines prices by 0.2 percent and health services by 0.3 percent. The increase in prices of international rail transport and the decrease in tariffs of international air transport have recorded positive contributions, less important, in the monthly evolution of regulated prices.

The annual growth rate in prices of products and regulated services was 2.6 percent, by 0.2 percentage points lower compared to the previous month level and by 0.6 percentage points higher than in August 2013.

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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