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The evolution of inflation rate in January 2015

According to the data published by the National Bureau of Statistics (NBS), in January 2015, the consumer prices index (CPI) for the last 12 months constituted 4.7 percent, being maintained at the previous month level 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 a gradual accentuation of the pro-inflationary risks. The increasing probability of a recession in the economies of the euro area countries and the Russian Federation – the major trading partners of the Republic of Moldova, leads to risks of lower household and domestic exporters income on short-term through the external trade channel and remittances that 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.

In the context of national currency depreciation, more significant than the value used in 2012 for setting the tariffs for regulated services, there is a high risk that these will be revised upwardly in 2015. At the same time, the dynamics of energy prices on the international market may contribute to the decrease of fuel domestic prices and to the partial mitigation of pressures on the increase in gas and electricity tariffs.

The annual rate of inflation in January was 4.7 percent, being maintained at the previous month level and by 0.4 percentage points lower than in January 2014. This dynamics was mainly due to the contribution from food pricesand core inflation, of 1.6 and 2.4 percentage points, respectively. The regulated prices and fuels contributed to annual inflation by 0.5 and 0.3 percentage points, respectively.

The monthly inflation rate recorded an increase of 0.8 percent, mainly determined by the increase by 0.9 percent in food prices and non-food prices and the increase of the tariffs for public services by 0.4 percent.

The annual core inflation recorded a level of 7.0 percent in January 2015, increasing by 0.7 percentage points compared to the previous month.

In January 2015, the monthly core inflation rate was 1.2 percent. The most significant price increases related to core inflation were recorded by transport and auto parts, household, house renting, construction materials and furniture.

Food prices in the reporting month increased by 0.9 percent compared to the previous month, due to the increase in the prices of fresh vegetables by 7.0 percent, fresh fruits by 5.0 percent, rice by 1.4 percent, fish and canned fish by 0.9 percent, being partly mitigated by the decrease in sugar prices by 1.9 percent, eggs by 1.3 percent and potatoes by 0.4 percent.

Excluding seasonal factors, food prices increased by 0.1 percent compared to December 2014, mainly due to the depreciation during the last months of the national currency against the U.S. dollar .

The annual growth rate of food prices was 4.5 percent, by 0.6 percentage points lower compared to

December 2014 and by 2.8 percentage points lower than in January 2014.

In January 2015, fuel prices decreased by 1.4 percent compared to the previous month. This dynamics was mainly due to the decrease in fuel prices by 4.4 percent, as a consequence of the decrease in December 2014 of oil and diesel prices, following the decrease in oil prices on the international market. This dynamics was also due to the decrease in bottled gas prices by 2.7 percent. At the same time, the prices of firewood and earth coal increased by 0.9 and 0.5 percent, respectively, due to their increased demand during the reporting period caused by colder temperatures. The liquid fuel prices remained at the previous month level.

The annual growth rate in fuel prices was 4.9 percent, by 1.6 percentage points lower to the value recorded in December 2014 and by 1.8 percentage points higher than in January 2014.

In the analyzed period, the prices for regulated services increased by 0.6 percent compared to December 2014, as a result of the increase in the prices of medicines by 2.0 percent and dental services by 1.6 percent. At the same time, the services of international rail and air transport increased by 3.6 and 6.3 percent, respectively.

The annual growth rate in prices of products and regulated services was 1.9 percent, by 0.4 percentage points higher compared to the previous month and by 0.9 percentage points lower to the value recorded in January 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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