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The evolution of inflation rate in June 2015

According to the data published by the National Bureau of Statistics (NBS), in June 2015, the consumer prices index (CPI) for the last 12 months constituted 8.3 percent, increasing by 0.2 percentage points compared to the previous month, exceeding 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 emphasis on 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, will 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. It is anticipated that inflation will accelerate in the coming quarters, also due to the low base of calculation of the previous year.

The annual rate of inflation in June was 8.3 percent, increasing by 0.2 percentage points compared to the previous month and by 3.3 percentage points higher than in June 2014. Similar to the previous periods, the annual dynamics of core inflation and food prices had the greatest impact on the annual inflation rate, contributing with 3.8 and 3.2 percentage points, respectively. The regulated prices and those of fuels had contributions to annual inflation similar to those recorded in May 2015, of 0.9 and 0.4 percentage points, respectively.

The monthly inflation rate recorded the level of 0.1 percent, being determined by the increase in non-food prices by 0.7 percent, tariffs for public services by 0.2 percent, while the food prices decreased by 0.6 percent.

The annual core inflation recorded a level of 11.1 percent in June 2015, increasing by 0.2 percentage points compared to the previous month.

In June 2015, the monthly core inflation rate was 0.6 percent. The most significant positive contribution was generated by the prices change in the component “means of transport, auto parts” (2.5 percent), which was negative for three consecutive months.

Food prices in the reporting month decreased by 0.6 percent compared to the previous month, due to the decrease in the prices of fresh vegetables by 7.9 percent, potatoes by 4.6 percent, sugar by 2.1 percent, milk and dairy products by 1.0 percent and fats by 0.6 percent. There were recorded increases in prices of eggs by

13.1 percent, fish and canned fish by 0.9 percent.

Excluding seasonal factors, food prices increased by 0.4 percent compared to May 2015. The increase in prices of these products was mainly influenced by dry weather conditions recorded during the last two months and the depreciation by 2.3 percent of the national currency against the U.S. dollar during this period.

The annual growth rate of food prices was 9.2 percent, by 0.2 percentage points higher compared to May 2015 and by 2.8 percentage points higher than in June 2014.

In June 2015, fuel prices increased by 0.5 percent compared to May, reversing the trend of the previous months. This dynamics was mainly due to the increase in prices of firewood by 0.7 percent and fuels by 0.5 percent. The “earth coal” component had a minor contribution to the formation of the monthly growth rate of fuel prices, recording a price increase of 0.4 percent. At the same time, the prices of bottled gas and oil fuel remained at the previous month level.

The annual growth rate in fuel prices was 5.9 percent, by 0.6 percentage points higher than in May 2015 and by 2.6 percentage points higher than in June 2014.

In the analyzed period, the prices for regulated services recorded the dynamics of the previous month, increasing by 0.2 percent compared to May 2015, with an increase of pace price growth for medicines (1.1 percent). At the same time, this dynamics was influenced by the increase in tariff for international air and rail transport (by 5.1 percent and 3.6 percent). It should be mentioned that, the increase in prices of medicines and health services was 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 3.9 percent, by 0.2 percentage points higher to the previous month and by 1.2 percentage points higher than the value recorded in June 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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