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The evolution of inflation rate in October 2014

According to the data published by the National Bureau of Statistics (NBS), in October 2014, the consumer prices index (CPI) for the last 12 months constituted 4.8 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 the predominance of disinflationary ones. Disinflationary pressures are determined in particular by the depreciation of main trade partners' currencies, by the decrease in international food and oil prices and by the reduction of domestic aggregate demand. Side effects of the decrease in energy prices may reduce the growth rate in prices of other goods and services from the CPI basket. At the same time, disinflationary risks may be exacerbated by a possible recession in the economies of the euro area and the Russian Federation through the channel of exports and remittances. The intensification of geopolitical tension in the region could induce inflationary pressures.

The annual rate of inflation in October was 4.8 percent, being maintained at the previous month level and by 0.1 percentage points higher than in October 2013. This evolution was mainly due to the contribution from food prices and core inflation, of 1.8 and, respectively, by 1.9 percentage points. The regulated prices and fuels contributed to annual inflation by 0.6 and, respectively, 0.5 percentage points.

The monthly inflation rate recorded an increase of 1.3 percent, mainly determined by the growth in food prices by 2.6 percent and non-food prices by 0.8 percent. At the same time, the tariffs for services rendered to the population registered a modest dynamics, increasing by 0.1 percent.

The annual core inflation recorded a level of 5.8 percent in October 2014, being similar to the previous month.

In October 2014, the monthly core inflation rate was 0.8 percent. The most significant price increases related to core inflation were recorded by footwear, detergents, cigarettes, clothing and house renting.

Food prices in the reporting month increased by 2.6 percent compared to the previous month level. Thus, there were increases in the prices of fresh vegetables by 22.9 percent, eggs by 20.1 percent, fresh fruits by 2.6 percent and milk and dairy products by 1.0 percent. In October 2014, there were decreases in the prices of potatoes by 7.9 percent and sugar by 3.9 percent.

Excluding seasonal factors, food prices increased by 1.1 percent compared to September. This dynamics was driven by the substitution of the domestic production with that imported at a price determined by a more depreciated exchange rate of the national currency against the currencies of the corresponding trading partners.

The annual growth rate of food prices was 4.8 percent, by 0.1 percentage points higher compared to September and by 2.1 percentage points lower than in October 2013.

In October 2014, fuel prices increased by 0.7 percent compared to the previous month. This increase was mainly due to the growth in earth coal prices by 4.1 percent in the context of the tense situation in the region and the import diminution from Ukraine. At the same time, bottled gas prices increased by 0.3 percent and those for firewood increased by 0.5 percent, generating minor positive contribution to the growth in fuel prices. In October 2014, fuel prices decreased by 0.1 percent.

The annual growth rate in fuel prices was 7.9 percent, by 0.1 percentage points lower to the value recorded in September and by 4.7 percentage points higher than in October 2013.

In the analyzed period, the prices for regulated services increased by 0.1 percent compared to September, as a result of the increase in medicines prices by 0.4 percent.

The annual growth rate in prices of products and regulated services was 2.4 percent, by 0.2 percentage points lower to the previous month level and by 0.2 percentage points higher than in October 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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