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Inflation Rate Evolution in June 2018

In June 2018, the annual inflation rate constituted 3.2%, by 0.4 percentage points higher than in the previous month, and was placed for the second month, according to previously published forecasts, below the lower limit of the variation range of ± 1.5 percentage points from the 5.0% target.

Data on evolution of the annual average inflation rate represent an inflation identical to the anticipated one and denotes the validity of the forecast published in May 2018 (zero deviation).

The biggest contribution to the annual inflation rate (2.0 pp) was recorded for food products' prices. The core inflation and fuel prices had an impact of 1.1 pp and 0.6 pp, respectively. Regulated prices generated a negative contribution of minus 0.6 percentage points.

At the same time, the annual core inflation rate recorded the value of 3.7 % in the reference month, being by 0.2 pp higher than in the previous month.

The monthly inflation rate remained practically at the level of the previous month. The 0.4% decrease in food products' prices was offset by the 0.1% increase of prices for non-food goods and by 0.5% for services.

The monthly core inflation rate in June registered an increase of 0.2 %. The most significant price increases were registered for the component "culture and leisure" as a result of 11.8% increase of prices for "tourism abroad" and for "cigarettes" (1.3%). Costs for nurseries and kindergartens increased by 3.7%. At the same time, prices for "cars and trailers" decreased by about 2%, given the appreciation of the national currency against the EUR.

The decrease in food prices compared to May 2018 by 0.4% was due, especially, to the fall in prices for "potatoes" (-8.7%), "fresh vegetables" (-2.5%), "sugar" (-2.0% %), "fresh fruit" (-0.8%), "milk and dairy products" (-0.7%) and "meat, prepared and preserved meat products" (-0.3%). At the same time, food prices increased as a result of prices increase for "eggs" (10.4%) and "alcoholic beverages" (0.7%). Excluding the seasonal factor, food prices increased by 0.7% compared to the level of the previous month.

In June 2018, oil prices increased by 0.7% compared to the previous month. This development was mainly influenced by the rise in 'fuel' prices by 0.9%, generating a contribution of 0.5 pp. The fuel price dynamics was the result of price increases for gasoline and diesel fuel, in line with the oil price trend on the international market. Prices for "bottled gas" increased by 4.3%. Prices for "firewood" and "coal" went down by 0.6% and 1.4%, respectively.

In the reference month, prices for regulated services and products increased by 0.2% compared to the previous month. The respective dynamics was determined by the increase of the tariff for garbage transportation in the north of the country by 18.3%, for international railways transportation services by 2.8% and for air transportation by 8.5%, as well as for remote communication services by 0.3%.

The annual growth rate of regulated products and services constituted minus 2.5%, being by 0.3 pp lower compared to the level of the previous month and by 10.0 pp lower than in June 2017.

For the forthcoming period, a modest aggregate demand is anticipated which, along with the reduction of the tariff for electric energy, will condition in continuation disinflationary pressures.

At the same time, we note intensification of risks associated with the inflation outlook. These derive from the increase in international prices for oil and raw materials, uncertainty regarding duration of this increase (which, along with other factors, could determine the decisions related to tariffs for regulated services in 2019), trade distortions between world economy main players and uncertainties regarding the 2018 harvest.

A more accurate and detailed assessment of the macroeconomic situation, of the medium-term inflation forecast and of potential risks and challenges to which monetary policy is subjected in the coming years will be presented in the Inflation Report no. 3, 2018. The report will be published on 2 August 2018.

The NBM will monitor in continuation the domestic and international economic developments and will use the operational framework specific for the inflation targeting strategy in order to maintain medium-term price stability.

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