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Inflation rate in July 2018

In July 2018, the annual inflation rate recorded 3.0%, decreasing by 0.2 pp. compared to the previous month. In accordance with the previous forecast, the inflation rate records, for the third consecutive month, a level situated below the lower limit of the inflation rate interval of ± 1.5 pp. from the 5.0% target.

The July data on the evolution of the annual inflation rate show that the inflation trajectory is close to the projected one and confirm the validity of the inflation forecast, published in the Inflation Report no. 3, 2018.

The highest contribution to the annual inflation rate (2.2 pp.) was generated by food prices. Core inflation and fuel prices contributed by 1.1 and 0.7 pp., respectively. Regulated prices generated a negative contribution of 1.0 pp.

At the same time, in July, the annual rate of core inflation recorded a level of 3.4%, 0.3 pp. lower than in the previous month.

The monthly inflation rate fell to a level of 1.2%, due to a decrease in prices for food by 1.9%, services – by 1.6% and non-food goods - by 0.1%.

In July, the monthly core inflation rate grew by 0.2%. The most significant price rises were recorded for "culture and recreation" and “cigarettes” components, resulting from a 14.6% increase in prices for tourism abroad and an increase by 3.2% in cigarettes prices. At the same time, prices for "cars and trailers" decreased by about 1.3% against the background of appreciation of the domestic currency against the single European currency and the US dollar.

The decrease of 1.9% in food prices, as compared to June 2018, was mainly determined by the fall in prices for "fresh vegetables" (-14.2%), "potatoes" (-13.0%) and "fresh fruits" (-6.9%). At the same time, food prices increased as a result of higher prices for "eggs" (1.8%) and "fish and canned fish" (0.8%). Excluding the seasonal factor, food prices increased by 0.8% over the level of the previous month.

In July 2018, fuel prices dropped by 0.3%, compared to the previous month. This development was mainly driven by the decrease in "fuels" prices by 0.6%, generating a negative contribution of 0.3 pp. Their decrease was caused by a decline in gasoline and diesel prices, in line with the trend set by international oil prices. Prices for "cylinder gas" increased by 0.2%, whereas prices for "coal" decreased by 0.2%. Prices for "firewood " and "liquid fuel" remained at the level of the previous month.

During the reporting month, prices for regulated services and products declined by 2.0%, compared to the previous month. This evolution was mainly determined by the cut in electricity tariff by 9.9%. At the same time, the decrease in prices for medicines (-0.4%) and air transport (-1.7%) also contributed to the decline of the monthly rate of regulated prices.

The annual growth rate of regulated products and services recorded -4.4%, decreasing 1.9 pp., compared to the previous month, and 11.8 pp., compared to July 2017.

The NBM will continue monitoring internal and international economic developments and will use the operational framework specific to the inflation targeting strategy in order to maintain medium-term price stability.

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