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Inflation rate in March 2017

In March 2017, the annual inflation rate was 5.1 percent, increasing by 0.4 percentage points compared to the previous month and was within the target range of 5.0 percent with a possible deviation of ± 1.5 percentage points.

The annual inflation rate continued the upward trend recorded in January-February 2017. This development was determined by the dynamic of prices in March 2017 and by the effect of a low inflation level at the beginning of 2016.

Inflationary external risks are associated with the increase in international food and oil prices. The internal risks and uncertainties arise from the persistence of liquidity excess in banking sector, incentive fiscal policy for 2017, effect of low base period in 2016 and the anticipated increase in some utilities tariffs.

NBM estimates that the annual inflation rate will register an upward trend until the third quarter of 2017 and will fell within the range of ± 1.5 percentage points from the 5.0 percent target, in line with the inflation forecast published in the Inflation Report no.1, 2017 [1].

At the same time, annual inflation rate decreased in March 2017 by 4.3 percentage points compared to March 2016. Similar to the previous periods, annual dynamic of food prices (2.0 percentage points) and of core inflation (1.4 percentage points) exerted the highest impact on inflation. Their contributions were higher than the previous month. However, the contribution from regulated prices increased by 0.2 percentage points compared to February 2017, accounting for 0.9 percentage points, while that of oil prices remained at the previous month level (0.8 percentage points).

The monthly inflation rate recorded a level of 0.4 percent, due to the increase in services by 1.5 percent and non-food prices by 0.1 percent and food prices remained at the previous month level.

The annual rate of core inflation recorded in March 2017 the level of 4.6 percent, increasing by 0.3 percentage points compared to the previous month.

In March 2017, the annual rate of core inflation was 0.7 percent. The most significant positive contributions were generated by the change in prices of the subcomponents: "education and training" by 5.4 percent, "cigarettes" by 2.7 percent, "clothing" by 0.7 percent. These developments were caused by the increase in fees for nursery and kindergarten, along with the changes in the fiscal policy on the increase in excise duties, which were reflected in higher prices.

In March 2017, food prices maintained the previous month level. There was recorded the increase in prices of the subcomponents: "fresh fruits" by 4.4 percent, "fish and canned fish" by 0.8 percent, "potatoes" by 0.7 percent, "sugar" by 0.6 percent and "meat and meat products" by 0.6 percent. At the same time, these increases were mitigated by the decrease in prices of "eggs" by 9.9 percent, "fresh vegetables" by 3.1 percent and and "milk and dairy products" by 1.0 percent.

Excluding seasonal factors, food prices increased by 0.2 percent compared to the previous month. Thus, the positive contributions to annual rate formation of food prices were recorded by the groups "meat and meat products" and "fresh fruits", being partially offset by the decrease in prices of fresh vegetables.

The annual growth rate of food prices was 5.0 percent, by 0.2 percentage points higher than in February 2017 and by 5.1 percentage points lower than in March 2016.

In March 2017, fuel prices decreased by 1.2 percent compared to the previous month. This development was influenced by the decrease in prices of "fuels" by 2.0 percent. Their dynamic is the result of the decrease in petrol and diesel prices carried out by the oil companies during the reporting month, being favoured by the dynamic of international oil prices, along with the appreciation tendency of the national currency against the U.S. dollar. The prices of "earth coal" decreased by 1.5 percent, while the prices of "bottled gas", "firewood" and "liquid fuel" remained at the previous month level.

The annual growth rate of fuel prices was 12.5 percent in March 2017, by 0.4 percentage points lower than in February 2017 and by 16.3 percentage points higher than in March 2016.

During the reporting month, the prices of regulated products and services increased by 1.2 percent compared to February 2017. This development was determined mainly by the increase in tariffs of health services and electricity. The increase in tariffs of health services by 16.8 percent compared to the tariffs in force since 2011 occurred following the decision of the Ministry of Health to adjust the Catalogue of uniform tariffs for healthcare services [2]. The largest part of this adjustment was reflected in February 2017 (48.2 percent). Thus, the electricity prices increased by 1.0 percent, after the NERA has approved, during its meeting on 17 March 2017, higher tariffs for electricity production, supply and distribution for the following operators: Î.C.S. „Gas Natural Fenosa Furnizare Energie" SRL, S.A. „RED-Nord" and S.A. „RED Nord-Vest". It should be mentioned that the new tariffs [3] came into force on 24 March 2017. Therefore, the largest part of this adjustment will be reflected on the prices in April 2017.

The tariffs for international rail transport services decreased by 3.1 percent, while those for air transport services - by 0.4 percent. The prices of medicines decreased by 0.2 percent.

The annual growth rate of prices for regulated goods and services was 3.6 percent, increasing by 0.8 percentage points compared to the previous month and decreasing by 7.2 percentage points compared to March 2016.

NBM will further monitor and anticipate the domestic and international economic environment developments, so that by the flexibility of operational framework specific for the inflation targeting strategy to ensure price stability in the medium term.

See also

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